

**CHAPTER V**  
**FUNCTIONING OF STATE**  
**PUBLIC SECTOR ENTERPRISES**



## CHAPTER V

# FUNCTIONING OF STATE PUBLIC SECTOR ENTERPRISES

### SUMMARY OF FINANCIAL PERFORMANCE OF STATE PUBLIC SECTOR ENTERPRISES

#### 5.1 Introduction

This Chapter presents the financial performance of ‘Government Companies’, ‘Statutory Corporations’ and ‘Government Controlled Other Companies’. The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned companies set up under the Companies Act, 2013 and Statutory Corporations setup under the statutes enacted by the Parliament and State legislature.

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 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 Report as Government Controlled Other Companies.

#### 5.2 Mandate

Audit of ‘Government companies’ and ‘Government Controlled Other Companies’ is conducted by the 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 there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

#### 5.3 Working and non-working SPSEs

As on 31 March 2020, there were 13 SPSEs (10 working and three non-working) under the audit jurisdiction of the CAG in Manipur. The details are given in **Table 5.1**:

Table 5.1: Total number of SPSEs as on 31 March 2020

Type of SPSEs	Working SPSEs	Non-working SPSEs <sup>27</sup>	Total
Government Companies	10	3	13
Statutory Corporations	Nil	Nil	Nil
<b>Total</b>	<b>10</b>	<b>3</b>	<b>13</b>

#### 5.4 Difference in the number of SPSEs as per the State Finance Accounts and State PSEs Audit Report

The total number of SPSEs reported in the State Finance Accounts (2019-20) is 18<sup>28</sup> whereas the number as per the records of the Principal Accountant General (Audit) is only 13<sup>29</sup>. The SPSEs in the records of the Audit office are the existing (10 working and three non-working) Government Companies of the State. The SPSEs as shown in the Finance Accounts also included eight other SPSEs<sup>30</sup> which had been wound up and are no longer in existence.

#### 5.5 Comparative analysis of contributions of working SPSEs turnover to GSDP

Table 5.2 below provides the comparative details of working SPSEs turnover and State GSDP for a period of three years ending 2019-20.

Table 5.2: Contribution of SPSEs turnover to GSDP

Particulars	₹ in crore		
	2017-18	2018-19	2019-20
SPSEs Turnover <sup>31</sup>	161.02	232.60	232.63
GSDP*	25,789.23	27,868.71 (Q)	31,989.49 (A)
Percentage of Turnover to GSDP	0.62	0.83	0.73

Source: As per latest finalised accounts of SPSEs; Department of Economics and Statistics, Manipur

\* At Current Price, Q-Quick Estimate, A-Advance Estimates

As could be noticed from the table above, the contribution of SPSEs turnover to GSDP over the past three years from 2017-18 to 2019-20 had shown a nominal (overall) increase of 0.11 per cent from 0.62 per cent to 0.73 per cent. The major contributors to SPSEs turnover during 2019-20 were Manipur State Power Distribution Company Ltd. (₹ 192.88 crore) and Manipur State Power Company Ltd. (₹ 38.12 crore).

<sup>27</sup> Non-working SPSEs are those which have ceased to carry on their operations.

<sup>28</sup> Manipur Food Industries Corporation Ltd. (Sugar Mill) and Manipur Food Industries Corporation Ltd. (Fragrance and Flavour Development Programme) are the same company.

<sup>29</sup> Includes 3 PSEs which were not shown in Statement No. 19 of the State Finance Accounts are: Manipur State Power Distribution Company (a Subsidiary of a Government Company, MSPCL), Manipur IT SEZ Project Development Company Ltd. (MIPDCO) and Tourism Corporation of Manipur Ltd. (TCML).

<sup>30</sup> Manipur State Road Transport Corporation, Assam Financial Corporation Limited, Manipur Spinning Mills Corporation Limited, Manipur Cycle Corporation Limited, Manipur Film Development Corporation Limited, Manipur Cement Corporation Limited, Manipur State Drugs Pharmaceuticals Limited and Manipur State Power Corporation Limited.

<sup>31</sup> Turnover of working SPSEs as per their latest finalised accounts as on September 2018, 2019 and 2020.

## 5.6 Investment in SPSEs and Budgetary support

### 5.6.1 State Government's investment in SPSEs

The State's investment in its SPSEs was by way of share capital/loans. The figures in respect of Equity Capital and Loans provided by the State Government as per the records of the SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard for last three years is given in the table below:

**Table 5.3: Equity and Loans outstanding as per the State Finance Accounts vis-à-vis records of SPSEs for last three years**

(₹ in crore)

Year	2017-18			2018-19			2019-20		
	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference
<b>Equity</b>	55.04	42.44	12.60	58.78	45.39	13.39	62.38	45.39 <sup>32</sup>	16.99
<b>Loans</b>	-	0.68	(-) 0.68	-	0.68	(-) 0.68	-	0.68	(-) 0.68

Source: State Finance Accounts and records of SPSEs.

It can be noticed from the table above that, as on 31 March 2020, as per records of SPSEs, the Equity investment given by the State Government increased from ₹ 42.44 crore in 2017-18 to ₹ 45.39 crore in 2019-20, an increase of 6.95 per cent. However, there were differences in the figures of Equity (₹ 16.99 crore) and Loan (₹ 0.68 crore) as per two sets of records as on 31 March 2020. Out of total 12 SPSEs<sup>33</sup> where State Government had made direct investment, the difference in figure occurred in respect of 11 SPSEs.

The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in a time-bound manner.

Further, as per the Finance Accounts, no loan was outstanding from the SPSEs and the whole of the State Government investment of ₹158.11 crore in the existing and wound up SPSEs as on 31 March 2020 is towards Equity Capital. The above investment includes investment of ₹ 3.70 crore (₹ 2.00 crore in 2018-19 and ₹ 1.70 crore in 2019-20) towards Equity Capital in one SPSE<sup>34</sup> which was wound up and closed in 2003-04.

<sup>32</sup> Excluding equity worth ₹ 20.00 crore not made in cash but as assets transferred from the erstwhile State Electricity Department to the two power sector companies (MSPCL and MSPDCL).

<sup>33</sup> Excluding one Subsidiary of a Government Company (Manipur Pulp and Allied Products Limited) where the State Government had no direct investment.

<sup>34</sup> Manipur Spinning Mills Corporation Limited.

## 5.6.2 Budgetary assistance to SPSEs

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. Summarised details of budgetary support towards Equity, Loans and Grants/ subsidies in respect of SPSEs during past three years are given in **Table 5.4**.

**Table 5.4: Details regarding annual budgetary support to SPSEs**

(₹ in crore)

Particulars	2017-18		2018-19		2019-20	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity capital outgo from budget <sup>35</sup>	2	1.00	2	5.99	2	5.30
Loans given from budget	-	-	-	-	-	-
Grants/subsidy from budget	2	442.87	3	434.27	4	337.09
<b>Total Outgo</b>	<b>4</b>	<b>443.87</b>	<b>5</b>	<b>440.26</b>	<b>6</b>	<b>342.39</b>

Source: Finance Accounts

It can be noticed from the table above that the budgetary support provided by State Government to SPSEs decreased from ₹ 443.87 crore in 2017-18 to ₹ 342.39 crore in 2019-20. The major recipients of budgetary support during 2019-20 were Manipur State Power Distribution Company Ltd. (Grant/subsidy: ₹ 281.77 crore) and Manipur State Power Company Ltd. (Grant: ₹ 53.14 crore).

## 5.7 Returns from Government Companies and Corporations

### Profit earned and Dividend paid by SPSEs

As per the latest finalised accounts of the SPSEs, out of 10 working SPSEs in the State, only one working SPSE (Manipur Police Housing Corporation Limited) earned profit of ₹ 0.29 crore and no dividend was declared during the past three years. There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs.

The other SPSEs had not contributed towards the profit of the public sector enterprises.

## 5.8 Long Term Debt of SPSEs

The position of outstanding Long Term Debts of the SPSEs during the last three years as per their latest finalised accounts is given in **Table 5.5**.

<sup>35</sup> Includes amounts of ₹ 45,000, ₹ 2.00 crore and ₹ 1.70 crore booked as investment by the State Government during 2017-18, 2018-19 and 2019-20 respectively, in Manipur Spinning Mills Corporation Ltd. which had been wound up and whose name had been struck off from the Register of Companies.

Table 5.5: Position of Outstanding loans of the SPSEs

(₹ in crore)

Particulars	2017-18	2018-19	2019-20
Total Loans outstanding (State Government and Others)	83.59	151.71	160.56
State Government Loans outstanding	0.58	0.58	0.58

It can be noticed from **Table 5.5** that during 2019-20, the total long term borrowings of the SPSEs from all sources registered an increase of ₹ 76.97 crore in 2019-20 as compared to 2017-18. This was mainly due to increase of ₹ 83.08 crore in loans of the State Discom (Manipur State Power Distribution Company Limited) during 2018-19 from ₹ 51.92 crore (2017-18) to ₹ 135.00 crore (2018-19).

As on 31 March 2020, out of 13 SPSEs, five SPSEs<sup>36</sup> did not have any outstanding long term loans and six SPSEs<sup>37</sup> had outstanding long term loans of ₹ 160.56 crore. The remaining two SPSEs<sup>38</sup> had not finalised their first annual accounts since their inceptions in December 2013 and July 2016 respectively and hence the status of outstanding loan figures could not be ascertained. Out of the total loans of the SPSEs, loans from the State Government was ₹ 0.58 crore<sup>39</sup>. During the last three years (2017-18 to 2019-20), the amount of outstanding loan taken from the State government remained the same.

## 5.9 Operating efficiency of SPSEs

### Key parameters

Some of the key parameters of the operational efficiency of working SPSEs for last three years as per their latest finalised accounts as on 30 September of the respective year are given in **Table 5.6**.

Table 5.6: Key parameters of operational efficiency of working SPSEs

(₹ in crore)

Year	No. of working SPSEs	Paid-up capital	Net overall Accumulated profits (+)/ losses(-)	Net overall profits (+)/ losses(-)	EBIT	Capital Employed <sup>40</sup>
2017-18	10	52.61	(-)117.27	(-)47.89	(-)19.62	17.80
2018-19	10	53.14	(-)159.09	(-)41.39	(-)9.95	43.94
2019-20	10	53.14	(-)159.26	(-)41.56	(-)10.12	52.62

From the table above, it can be seen that, over the last three years the position of the net overall losses and 'Earnings before Interest and Tax' (EBIT) slightly improved but remained almost static during last two years. The Capital Employed of SPSEs during 2019-20 has also improved mainly due to increase in the long term borrowings of the SPSEs from ₹ 82.45 crore (2017-18) to ₹ 158.74 crore (2019-20).

<sup>36</sup> MTDCL, MPHCL, MANITRON, MSPCL and MAICL.

<sup>37</sup> MANIDCO (₹ 6.31 crore), MFICL (₹ 15.74 crore), MSPDCL (₹ 135.00 crore), MHHDCL (₹ 1.69 crore), MPCCL (₹ 0.07 crore) and MPAPL (₹ 1.75 crore).

<sup>38</sup> Manipur IT SEZ Project Development Company Ltd. and Tourism Corporation of Manipur Ltd.

<sup>39</sup> ₹ 0.58 crore in Manipur Handloom and Handicraft Development Corporation Ltd.

<sup>40</sup> **Capital Employed** = Paid-up share capital *plus* Free Reserves and Surplus *plus* Long term loans *minus* Accumulated losses *minus* Deferred revenue expenditure.

However, the net overall accumulated losses of SPSEs have increased during the period. The major contributors to the accumulated losses of SPSEs during 2019-20 were Manipur State Power Distribution Company Ltd. (₹ 62.04 crore), Manipur State Power Company Ltd. (₹ 41.63 crore) and Manipur Industrial Development Corporation Ltd. (₹ 31.78 crore).

### **5.10 Return on Capital Employed**

Return on Capital Employed (ROCE) is a profitability metric that measures the long term profitability and efficiency of the total capital employed by a company. Companies create value when they generate returns on the capital employed in excess of the cost of capital. ROCE is an important metric for long term lenders. ROCE is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by the Capital Employed.

During 2019-20, the overall capital employed in respect of eight working SPSEs<sup>41</sup> as per their latest finalised accounts was ₹ 52.62 crore. Further, out of eight working SPSEs, only one SPSE<sup>42</sup> had positive ROCE.

In comparison, however, the overall capital employed in respect of eight working SPSEs during the previous two years (2017-18 and 2018-19) was ₹ 17.80 crore and ₹ 43.94 crore respectively. Further, out of eight working SPSEs, only one SPSE<sup>43</sup> had positive ROCE during each of the previous two years.

### **5.11 Return on Equity (ROE)**

Return on equity<sup>44</sup> (ROE) is a measure of financial performance of companies calculated by dividing the 'net income earned' by the Equity. During 2019-20, only one working SPSE earned profits as per the latest finalised accounts of the SPSEs as on 30 September 2020. ROE in respect of the lone profit-making SPSE was 47.54 *per cent*<sup>45</sup>.

The ROE in respect of the other two SPSEs<sup>46</sup> out of 10 working SPSEs whose capitals have not been eroded was negative as per their latest finalised accounts while two SPSEs<sup>47</sup> had not finalised their first annual accounts. ROE of the remaining five working SPSEs<sup>48</sup> was not workable as the accumulated losses (₹ 158.74 crore) of these SPSEs had completely eroded their paid-up capital (₹ 47.19 crore) as per their latest finalised accounts.

<sup>41</sup> Two SPSEs, viz. MIPDCO and TCML had not finalised their first annual accounts and hence not included.

<sup>42</sup> Manipur Police Housing Corporation Ltd.

<sup>43</sup> Manipur Police Housing Corporation Ltd.

<sup>44</sup> **Return on Equity** = (Net Profit after Tax and preference Dividend ÷ Equity) x 100, where **Equity** = Paid up Capital *plus* Free Reserves/retained earnings *minus* Accumulated Loss *minus* Deferred Revenue Expenditure.

<sup>45</sup> ROE = Net Profit (₹ 0.29 crore) ÷ Equity (₹ 0.61 crore) % = 47.54 *per cent*

<sup>46</sup> Manipur Tribal Development Corporation Ltd. & Manipur Food Industries Corporation Ltd.

<sup>47</sup> MIPDCO and TCML.

<sup>48</sup> MANIDCO, MANITRON, MSPCL, MSPDCL and MHHDCL

## 5.12 SPSEs incurring Losses

The position of aggregate losses incurred by loss making working SPSEs during the past three years as per their latest finalised accounts is given in **Table 5.7**.

**Table 5.7: Details of loss making working SPSEs**

Year	2017-18	2018-19	2019-20
Total No. of working SPSEs	10	10	10
Number of loss making working SPSEs <sup>49</sup>	7	7	7
Aggregate losses (₹ in crore)	(-) 48.18	(-) 41.68	(-) 41.85

The details of major contributors to losses of working SPSEs incurred during 2019-20 as per the latest finalised accounts are given in **Table 5.8**.

**Table 5.8: Major contributors to the losses of working SPSEs**

Name of SPSEs	Latest finalised accounts	Net Loss
Manipur State Power Company Limited	2015-16	20.08
Manipur State Power Distribution Company Limited	2015-16	19.50
<b>Total</b>		<b>39.58</b>

(₹ in crore)

From the table above, it is observed that more than 95 per cent of the losses incurred by seven working SPSEs during 2019-20 were contributed by the above mentioned two SPSEs.

## 5.13 SPSEs having complete erosion of capital

The aggregate paid-up capital and accumulated losses of 10 working SPSEs as per their latest finalised accounts as on 30 September 2020 were ₹ 53.14 crore and (-) ₹ 159.26 crore respectively. Analysis of investment and accumulated losses of these SPSEs revealed that the accumulated losses of five working SPSEs (₹ 158.74 crore) had completely eroded their paid-up capital (₹ 47.19 crore) as detailed in **Table 5.9**.

**Table 5.9: SPSEs with complete erosion of equity capital**

Name of SPSEs	Latest finalised accounts	Paid-up capital	Accumulated losses
Manipur State Power Distribution Company Ltd.	2015-16	10.05	62.04
Manipur State Power Company Ltd.	2015-16	10.05	41.63
Manipur Industrial Development Corporation Ltd.	2009-10	12.14	31.78
Manipur Electronics Development Corporation Ltd.	2017-18	2.74	7.11
Manipur Handloom & Handicrafts Development Corporation Ltd.	2009-10	12.21	16.18
<b>Total</b>		<b>47.19</b>	<b>158.74</b>

(₹ in crore)

<sup>49</sup> Out of 10 working SPSEs, one SPSE (MPHCL) earned profit, and two SPSEs (MIPDCO and TCML) had not finalised their first accounts and hence figures of losses are not available.

Accumulation of huge losses by these SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to take steps to either improve their profitability or fully review the working of these SPSEs for continuing their operations.

Further, the following table indicates erosion of net worth of the five SPSEs during the latest three years for which the Accounts have been finalised:

**Table 5.10: Age-wise analysis of complete erosion of net worth of SPSEs**

(₹ in crore)

Name of SPSE	Three latest years for which Accounts have been finalised	Paid-up capital at the end of the year	Accumulated loss	Deferred expenditure and Miscellaneous expenditure not written off	Net worth*
Manipur State Power Distribution Company Ltd.	2013-14	10.05	(-)12.05	-	(-)2.00
	2014-15	10.05	(-)42.54	-	(-)32.49
	2015-16	10.05	(-)62.04	-	(-)51.99
Manipur State Power Company Ltd.	2013-14	10.05	(-)8.00	-	2.05
	2014-15	10.05	(-)21.55	-	(-)11.50
	2015-16	10.05	(-)41.63	-	(-)31.58
Manipur Industrial Development Corporation Ltd.	2007-08	12.14	(-)30.98	-	(-)18.84
	2008-09	12.14	(-)30.34	-	(-)18.20
	2009-10	12.14	(-)31.78	-	(-)19.64
Manipur Electronics Development Corporation Ltd.	2015-16	2.74	(-)6.74	-	(-)4.00
	2016-17	2.74	(-)6.89	-	(-)4.15
	2017-18	2.74	(-)7.11	-	(-)4.37
Manipur Handloom and Handicrafts Development Corporation Ltd.	2007-08	12.21	(-)15.64	-	(-)3.43
	2008-09	12.21	(-)15.87	-	(-)3.66
	2009-10	12.21	(-)16.18	-	(-)3.97

*Note: There are no free reserves in respect of the above five SPSEs.*

*\*Net worth = (Paid-up share capital + Free Reserves) – (Accumulated Losses + Deferred Expenditure + Miscellaneous Expenditure not written off)*

It is evident from the table above that the negative net worth of the five SPSEs shows increasing trend over the latest three years for which Accounts have been finalised. This was due to the increase in accumulated losses of the SPSEs while the paid-up capital has remained unchanged over the years.

## **OVERSIGHT ROLE OF COMPTROLLER & AUDITOR GENERAL OF INDIA**

### **5.14 Audit of State Public Sector Enterprises SPSEs**

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and supplement or comment upon the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

### **5.15 Appointment of statutory auditors of SPSEs by CAG**

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. The statutory auditors of 13 SPSEs are appointed by the CAG.

### **5.16 Submission of accounts by SPSEs**

#### **5.16.1 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) and as soon as may be after such preparation laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the companies from the State budget.

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 Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various SPSEs were pending as on 30 September 2020, as discussed in the succeeding paragraphs.

#### **5.16.2 Timelines in preparation of accounts by SPSEs**

The details relating to finalisation of accounts by 10 working SPSEs during the last three years as of 30 September of respective year are given in **Table 5.11**.

**Table 5.11: Position relating to finalisation of Accounts of working SPSEs**

Sl. No.	Particulars	2017-18	2018-19	2019-20
1.	Number of working SPSEs	10	10	10
2.	Number of accounts finalised during the year	4	10	1
3.	Number of accounts in arrears	94	94	103
4.	Number of working SPSEs with arrears in accounts	10	10	10
5.	Extent of arrears (number in years)	2 to 30	1 to 31	2 to 32

As could be seen from **Table 5.10**, none of the accounts of 10 working SPSEs were up-to-date as on 30 September 2020. The working SPSEs had a backlog of 103 accounts for periods ranging from two to thirty-two years.

The Administrative Departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts of SPSEs under their control are finalised and adopted by the SPSEs within the stipulated period.

The Principal Accountant General (Audit), Manipur had been regularly pursuing with the administrative departments and concerned SPSEs for liquidating the arrears of accounts of SPSEs. However, the State Government and the SPSEs concerned need to address more effectively the issue of huge pendency of accounts of the SPSEs.

## **5.17 CAG's oversight – Audit of accounts and Supplementary audit**

### **Financial reporting framework**

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards.

## **5.18 Audit of accounts of Government Companies by Statutory Auditors**

The statutory auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of the public sector enterprises with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively.

This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

## **5.19 Supplementary Audit of accounts of Government Companies**

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the Management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

## **5.20 Result of CAG's oversight role**

### **5.20.1 Audit of accounts of Government Companies**

During the current reporting year 2019-20, only one SPSE, namely, Manipur Food Industries Corporation Limited submitted one accounts for the financial year 2010-11. Non-Review Certificates (NRC) was issued on the accounts. As such, no supplementary audit was conducted.

### **5.20.2 Non-compliance with provisions of Accounting Standards**

Audit noticed that the statutory auditor had reported that Manipur Food Industries Corporation Limited did not comply with Accounting Standard 15 as no provision was made for gratuity liability and other retirement benefits in the accounts of the Corporation.

## **5.21 Management Letters**

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity. The material observations on the financial statements of SPSEs are reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies if observed by the CAG in the financial reports or in the reporting process, are also communicated to the management through a 'Management Letter' for taking corrective action.

During the current reporting year 2019-20, no Management Letter was issued to any of the SPSEs.

## 5.22 Conclusion

- As on 31 March 2020, the State of Manipur had 13 PSEs (all Government Companies), which included 10 working and three non-working Companies.
- The investment of the State Government (capital and long-term loans) in 12 SPSEs as per the State Finance Accounts, 2019-20 was ₹ 62.38 crore as against the investment of ₹ 46.07 crore as per the records of SPSEs. Thus, there was a difference of ₹ 17.67 crore (Equity: ₹ 16.99 crore; Loans: ₹ 0.68 crore) in the investment figures as per two sets of records. The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in a time-bound manner.
- As per the Finance Accounts, the State Government has provided budgetary support of ₹ 342.39 crore to SPSEs during 2019-20, in the form of capital (₹ 5.30 crore) and grants/ subsidy (₹ 337.09 crore). The major recipients of budgetary support were Manipur State Power Distribution Company Limited (Grant/ subsidy: ₹ 281.77 crore) and Manipur State Power Company Limited (Grant: ₹ 53.14 crore).
- As per the latest finalised accounts of the SPSEs, during 2019-20, out of 10 working SPSEs, only one SPSE (Manipur Police Housing Corporation Limited) earned a profit of ₹ 0.29 crore, while seven SPSEs incurred losses of ₹ 41.85 crore as per their latest finalised accounts. Moreover, two SPSEs viz., Manipur State Power Company Limited (₹ 20.08 crore) and Manipur State Power Distribution Company Limited (₹ 19.50 crore) contributed more than 95 per cent (₹ 39.58 crore) of the losses incurred by working SPSEs (₹ 41.85 crore).
- As per the latest finalised accounts of SPSEs as on 30 September 2020, the accumulated losses (₹ 158.74 crore) of five out of 10 working SPSEs had completely eroded their paid-up capital (₹ 47.19 crore).
- There was huge pendency in finalisation of accounts of working SPSEs, which ranged from two to thirty-two years. During 2020-21, out of total 10 working SPSEs, only one SPSE had finalised its Annual Accounts.

## 5.23 Recommendations

- The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the State Government investment figures as per the State Finance Accounts *vis-a-vis* the records of the SPSEs in a time-bound manner.
- The State Government needs to take steps to either improve the profitability of the SPSEs whose accumulated losses have completely eroded the equity capital or fully review the working of these SPSEs for continuing their operations.
- The Government may consider fixing of targets for finalisation of arrears of accounts for individual companies and closely monitor the clearance of these arrears in a time bound manner.

- The State Finance Department should review the cases of two SPSEs (Manipur IT SEZ Project Development Company Limited and Tourism Corporation of Manipur Limited) for which accounts have not been finalised since their inception. The Government should ensure the receipts of complete accounts before giving financial assistance to these bodies/ undertakings.

**Imphal**

**Dated: 18 August 2021**



**(JOHN K. SELLATE)**

**Principal Accountant General (Audit), Manipur**

**Countersigned**

**New Delhi**

**Dated: 7 September 2021**



**(GIRISH CHANDRA MURMU)**

**Comptroller and Auditor General of India**

