

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 2021, there were 14 SPSEs²⁹ (11 working and three non-working) under the audit jurisdiction of the CAG in Manipur. The details are given in **Table 5.1**:

²⁹ Including one new working Company (Cyber Corporation Manipur Limited) incorporated (15 October 2020) during 2020-21.

Table 5.1: Total number of SPSEs as on 31 March 2021

Type of SPSEs	Working SPSEs	Non-working SPSEs ³⁰	Total
Government Companies	11	3	14
Statutory Corporations	Nil	Nil	Nil
Total	11	3	14

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

The total number of SPSEs as depicted in the State Finance Accounts (2020-21) is 18³¹, while as per the records of the Principal Accountant General (Audit), Manipur (PAG), the number of SPSEs existent in the State of Manipur as on 30 September 2021 is only 14³² (11 working and 3 non-working). The SPSEs as shown in the Finance Accounts included eight other SPSEs³³ 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 2020-21.

Table 5.2: Contribution of SPSEs turnover to GSDP

Particulars	(₹ in crore)		
	2018-19	2019-20	2020-21
SPSEs Turnover ³⁴	232.60	232.63	480.88
GSDP*	27,869.85 (Q)	31,790.30 (A)	32,852.46 (P)
Percentage of Turnover to GSDP	0.83	0.73	1.46

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

* At Current Price, Q-Quick Estimate, A-Advance Estimates, P-Projected Estimate.

As could be noticed from the **Table** above, the contribution of SPSEs turnover to GSDP over the past three years had shown a nominal (overall) increase of 0.63 *per cent* from 0.83 *per cent* (2018-19) to 1.46 *per cent* (2020-21). The major contributors to SPSEs turnover during 2020-21 were Manipur State Power Distribution Company Limited (₹ 441.13 crore) and Manipur State Power Company Limited (₹ 38.12 crore).

³⁰ Non-working SPSEs are those which have ceased to carry on their operations.

³¹ Manipur Food Industries Corporation Limited. (Sugar Mill) and Manipur Food Industries Corporation Limited. (Fragrance and Flavour Development Programme) are the same company.

³² Including four PSEs which were not shown in Statement No. 19 of the State Finance Accounts, namely: Manipur State Power Distribution Company Limited (a Subsidiary of a Government Company, Manipur State Power Company Limited), Manipur IT SEZ Project Development Company Limited., Tourism Corporation of Manipur Limited and Cyber Corporation Manipur Limited.

³³ 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.

³⁴ 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	2018-19			2019-20			2020-21		
	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
Equity	58.78	45.39	13.39	62.38	45.39 ³⁵	16.99	65.31	45.64	19.67
Loans ³⁶	2.61	0.68	1.93	2.61	0.68	1.93	2.61	0.58	2.03

Source: State Finance Accounts and records of SPSEs.

It can be noticed from the **Table** above that, the Equity investment of the State Government as on 31 March 2021 as per the records of SPSEs, increased marginally by 0.55 per cent from ₹ 45.39 crore in 2018-19 to ₹ 45.64 crore in 2020-21. However, there were differences in the figures of Equity (₹ 19.67 crore) and Loan (₹ 2.03 crore) as per the two sets of records as on 31 March 2021. Out of total 13 SPSEs³⁷ where State Government had made direct equity investment, the difference occurred in respect of 12 SPSEs. In addition to above, the State Finance Accounts, 2020-21 depicted equity investment of ₹ 104.73 crore infused (1964 to 2020-21) by the State Government in eight SPSEs, which are no longer in existence as per the records of PAG, Manipur (*refer paragraph 5.4 supra*).

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

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**.

³⁵ Excluding equity (₹ 20.00 crore) contributed in the form other than cash by way of assets transferred from the erstwhile State Electricity Department to the two power sector companies (Manipur State Power Company Limited and Manipur State Power Distribution Company Limited) as per the Manipur State electricity Reforms Transfer Scheme 2013.

³⁶ Loans as per Finance Accounts represent the aggregate of 'Loans to Public Sector and Other Undertakings' as depicted under Statement 18 to the State Finance Accounts for the respective year.

³⁷ Excluding one Subsidiary of a Government Company (Manipur Pulp and Allied Products Limited) where the State Government had no direct investment.

Table 5.4: Details regarding annual budgetary support to SPSEs

(₹ in crore)

Particulars	2018-19		2019-20		2020-21	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity capital outgo from budget ³⁸	2	5.99	2	5.30	2	11.93
Loans given from budget	-	-	-	-	-	-
Grants/subsidy from budget	3	434.27	4	337.09	5	399.28
Total Outgo	5	440.26	6	342.39	7	411.21

Source: Finance Accounts

It can be noticed from the **Table** above that the budgetary support provided by State Government to SPSEs decreased from ₹ 440.26 crore in 2018-19 to ₹ 411.21 crore in 2020-21. The major recipients of budgetary support during 2020-21 were Manipur State Power Distribution Company Limited (Grant/subsidy: ₹ 285.57 crore) and Manipur State Power Company Limited (Grant: ₹ 100 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 eleven working SPSEs in the State, only one working SPSE (Manipur Police Housing Corporation Limited) earned profit of ₹ 0.29 crore. However, the SPSE has not declared any dividend 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.

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**.

Table 5.5: Position of Outstanding loans of the SPSEs

(₹ in crore)

Particulars	2018-19	2019-20	2020-21
Total Loans outstanding (State Government and Others)	151.71	160.56	493.11
State Government Loans outstanding	0.58	0.58	0.58

It can be noticed from **Table 5.5** that during 2020-21, the total long term borrowings of the SPSEs from all sources registered an increase of ₹ 341.40 crore in 2020-21 as compared to 2018-19. This was mainly due to increase of ₹ 332.55 crore in loans of one SPSE (Manipur State Power Distribution Company Limited) from ₹ 135 crore in 2018-19 to ₹ 467.55 crore in 2020-21.

³⁸ Includes amounts of ₹ 2.00 crore, ₹ 1.70 & ₹ 9.00 crore booked as investment by the State Government during 2018-19, 2019-20 and 2020-21 respectively, in Manipur Spinning Mills Corporation Limited, which had been wound up and whose name had been struck off from the Register of Companies.

As on 31 March 2021, out of 14 SPSEs, six SPSEs³⁹ had outstanding long term loans of ₹ 493.11 crore while five SPSEs⁴⁰ did not have any outstanding long term loans . The remaining three SPSEs⁴¹ had not finalised their first annual accounts since their inception and hence the status of outstanding loan figures could not be ascertained. Further, the total outstanding loans (₹ 493.11 crore) of six SPSEs, included State Government Loans of ₹ 0.58 crore outstanding against one SPSE⁴², which remained unchanged during the last three years (2018-19 to 2020-21).

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

Year	No. of working SPSEs	Paid-up capital	(₹ in crore)			
			Net overall Accumulated profits (+)/ losses(-)	Net overall profits (+)/ losses(-)	EBIT	Capital Employed ⁴³
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
2020-21	11	53.14	(-)243.39	(-)36.96	(-)16.30	301.64

From the **Table** above, it can be seen that the position of the net overall losses improved during 2020-21 as compared to the previous year (2019-20). However, ‘Earnings before Interest and Tax’ (EBIT) has shown deteriorating trend during the last two years (2019-20 and 2020-21). Further, the Capital Employed (CE) of SPSEs during 2020-21 has improved significantly mainly due to increase of ₹ 332.55 crore in the long term borrowings of Manipur State Power Distribution Company Limited from ₹ 135.00 crore (2019-20) to ₹ 467.55 crore (2020-21), which led to corresponding increase in the SPSE borrowings from ₹ 160.56 crore (2019-20) to ₹ 493.11 crore (2020-21).

However, the net overall accumulated losses of SPSEs during the period of three years have increased by ₹ 82.89 crore (52 per cent) from ₹ 159.90 crore (2018-19) to ₹ 242.79 crore (2020-21). The major contributors to the accumulated losses of SPSEs

³⁹ Manipur Industrial Development Corporation Limited (₹ 6.31 crore), Manipur Food Industries Corporation Limited (₹ 15.74 crore), Manipur State Power Distribution Company Limited (₹ 135.00 crore), Manipur Handloom and Handicrafts Development Corporation Limited (₹ 1.69 crore), Manipur Plantation Crops Corporation Limited (₹ 0.07 crore) and Manipur Pulp and Allied Products Limited (₹ 1.75 crore).

⁴⁰ Manipur Tribal Development Corporation Limited, Manipur Police Housing Corporation Limited, Manipur Electronics Corporation Limited, Manipur State Power Company Limited and Manipur Agro Industries Corporation Limited (non-working).

⁴¹ Manipur IT SEZ Project Development Company Limited (incorporated in December 2013); Tourism Corporation of Manipur Limited (incorporated in July 2016) and Cyber Corporation Manipur Ltd (incorporated in October 2020).

⁴² Manipur Handloom and Handicraft Development Corporation Limited

⁴³ **Capital Employed** = Paid-up share capital *plus* Free Reserves and Surplus *plus* Long term loans *minus* Accumulated losses *minus* Deferred revenue expenditure.

during 2020-21 were Manipur State Power Distribution Company Limited (₹ 145.58 crore), Manipur State Power Company Limited (₹ 41.63 crore) and Manipur Industrial Development Corporation Limited (₹ 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 2020-21, the overall capital employed in respect of eight working SPSEs⁴⁴ as per their latest finalised accounts was ₹ 301.64 crore. Further, out of eight working SPSEs, only one SPSE⁴⁵ had positive ROCE.

In comparison, however, the overall capital employed in respect of eight working SPSEs during the previous two years (2018-19 and 2019-20) was ₹ 43.94 crore and ₹ 52.62 crore respectively. Further, out of eight working SPSEs, only one SPSE⁴⁶ had positive ROCE during each of the previous two years.

5.11 Return on Equity (ROE)

Return on equity⁴⁷ (ROE) is a measure of financial performance of companies calculated by dividing the 'net income earned' by the Equity. During 2020-21, out of 11 working SPSEs, only one⁴⁸ SPSE earned profits as per its latest finalised accounts as on 30 September 2021. ROE in respect of the lone profit-making SPSE was 47.54 per cent⁴⁹. ROE in respect of eight SPSEs was not workable/ascertainable due to complete erosion of their capital by the accumulated losses (five SPSEs⁵⁰) or non-alisation of their first accounts (three SPSEs⁵¹). The ROE in respect of remaining two SPSEs⁵² was negative.

⁴⁴ Three SPSEs, viz. Manipur IT SEZ Project Development Company Limited, Tourism Corporation of Manipur Limited and Cyber Corporation Manipur Limited had not finalised their first annual accounts and hence not included

⁴⁵ Manipur Police Housing Corporation Limited.

⁴⁶ Manipur Police Housing Corporation Limited.

⁴⁷ **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.

⁴⁸ Manipur Police Housing Corporation Ltd. (₹ 0.29 crore).

⁴⁹ ROE = Net Profit (₹ 0.29 crore) ÷ Equity (₹ 0.61 crore) % = 47.54 per cent

⁵⁰ Manipur Industrial Development Corporation Limited, Manipur Electronics Development Corporation Limited, Manipur State Power Company Limited, Manipur State Power Distribution Company Limited and Manipur Handloom and Handicrafts Development Corporation Limited

⁵¹ Manipur IT SEZ Project Development Company Limited, Tourism Corporation of Manipur Limited and Cyber Corporation Manipur Limited.

⁵² Manipur Tribal Development Corporation Limited & Manipur Food Industries Corporation Limited.

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	2018-19	2019-20	2020-21
Total No. of working SPSEs	10	10	11
Number of loss making working SPSEs ⁵³	7	7	7
Aggregate losses (<i>₹ in crore</i>)	(-) 41.68	(-) 41.85	(-)37.24

The details of major contributors to losses of working SPSEs incurred during 2020-21 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	2020-21	14.89
Total		34.97

From the table above, it is observed that around 94 *per cent* of the aggregate losses incurred by seven working SPSEs during 2020-21 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 11 working SPSEs as per their latest finalised accounts as on 30 September 2021 were ₹ 53.14 crore and ₹ 242.79 crore respectively. Analysis of investment and accumulated losses of these SPSEs revealed that the accumulated losses of five working SPSEs (₹ 242.28 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 Limited	2020-21	10.05	145.58
Manipur State Power Company Limited	2015-16	10.05	41.63
Manipur Industrial Development Corporation Limited	2009-10	12.14	31.78
Manipur Electronics Development Corporation Limited	2017-18	2.74	7.11
Manipur Handloom & Handicrafts Development Corporation Limited	2009-10	12.21	16.18
Total		47.19	242.28

⁵³ Excluding three SPSEs (Manipur IT SEZ Project Development Corporation Limited, Tourism Corporation of Manipur Limited and Cyber Corporation Manipur Limited), which had not finalised their first accounts and hence, their operational results could not be ascertained.

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 review the working of these SPSEs for continuing their operations.

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 2021, as discussed in the succeeding paragraphs.

5.16.2 Timelines in preparation of accounts by SPSEs

State Public Sector Enterprises (PSEs) are required to annually prepare their accounts in the prescribed format showing the working results of financial operations, so that the Government can assess their performances. As per the Companies Act, 2013⁵⁴, the annual accounts of these Government Undertakings have to be finalised within six months (30 September) of completion of the financial year. The position of finalisation of accounts by the SPSEs (including three non-working companies which had not prepared their Annual accounts for the period ranging from 1984-85 to 2020-21) is shown in the following table:

Table 5.10: Status of Accounts of Undertakings as on 30 September 2021

(₹ in crore)

Sl. No.	Name of the Undertaking	Pending since	No. of years of accounts not prepared	Grants/ Subsidy released during 2020-21
1.	Manipur Industrial Development Corporation Limited	2010-11	11	-
2.	Manipur Handloom & Handicrafts Development Corporation Limited	2010-11	11	-
3.	Manipur Tribal Development Corporation Limited	1988-89	33	0.30
4.	Manipur Electronics Development Corporation Limited	2018-19	3	-
5.	Manipur Food Industries Corporation Limited	2011-12	10	0.31
6.	Manipur Police Housing Corporation	1998-99	23	11.14
7.	Manipur State Power Company Limited	2016-17	5	100.00
8.	Manipur State Power Distribution Company Limited	-	0	285.57
9.	Manipur IT SEZ Project Development Company Limited*	2014-15	7	-
10.	Tourism Corporation and Manipur Limited**	2016-17	5	1.96
11.	Cyber Corporation Manipur Limited [#]	2020-21	1	-
	Sub-Total		109	399.28
Non-Working Company				
12.	Manipur Plantation Crops Corporation Limited	1984-85	37	-
13.	Manipur Agro Industries Corporation Limited	1989-90	32	-
14.	Manipur Pulp & Allied Products Limited	2003-04	18	-
	Sub-Total		87	-
	Grand Total		196	399.28

* Manipur IT SEZ Project Development Company Limited (incorporated on 30 December 2013 under the Companies Act, 1956) was yet to submit its first Annual Accounts.

** Tourism Corporation of Manipur Limited (incorporated on 13 July 2016 under the Companies Act, 2013) was yet to submit its first Annual Accounts.

Cyber Corporation Manipur Limited was incorporated on 15.10.2020 under the Companies Act, 2013 but intimated to O/o PAG (Audit) on 17.06.2021.

During the year 2020-21, an amount of ₹ 399.28 crore was released by the State Government to six SPSEs as grants/subsidies. Out of these, there were five SPSEs which have not prepared Accounts ranging from 5 to 33 years as on 30 September 2021. Further, out of ₹ 399.28 crore, ₹ 386.18 crore was released to four SPSEs⁵⁵ whose net

⁵⁴ Section 619 of the Companies Act 1956 and Section 143 of the Companies Act 2013.

⁵⁵ Sl. No. 3, 5, 7 and 8.

worth had been eroded. One SPSE⁵⁶ which received grants of ₹ 1.96 crore were yet to prepare their first Annual Accounts.

Amongst the working companies, the arrears in the preparation of annual accounts range from 01 to 33 years. The Reports of the Comptroller & Auditor General of India have repeatedly highlighted the issue of arrears in preparation of accounts. However, no concrete action has been taken by the State Government to date.

The delay in preparation of annual accounts of these Departmental undertakings is fraught with the risk of fraud and misappropriation of public money.

The details relating to finalisation of accounts by 11 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	2018-19	2019-20	2020-21
1.	Number of working SPSEs	10	10	11
2.	Number of accounts finalised during the year	10	1	5
3.	Number of accounts in arrears	94	103	109
4.	Number of working SPSEs with arrears in accounts	10	10	10
5.	Extent of arrears (number in years)	1 to 31	2 to 32	1 to 33

As could be seen from **Table 5.11**, accounts of only one⁵⁷ SPSE out of eleven working SPSEs were up-to-date as on 30 September 2021. The working SPSEs had a backlog of 109 accounts for periods ranging from 1 to 33 years. The highest pendency of accounts pertained to Manipur Tribal Development Corporation Limited (33 Accounts) and Manipur Police Housing Corporation Limited (23 Accounts).

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. In view of the position of arrears of accounts indicative above, the actual contribution of SPSUs to the GSDP for the year 2020-21 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

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.

⁵⁶ Tourism corporation of Manipur Limited

⁵⁷ Manipur State Power Distribution Company Limited

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 2020-21, supplementary audit on the financial statements of Manipur Electronics Development Corporation Ltd. for the year 2017-18 was conducted and comments of the C&AG under Section 143(6)(b) of the Companies Act, 2013 was issued to the SPSE. No Non-Review Certificate was issued during the reporting year 2020-21.

5.20.2 Non-compliance with provisions of Accounting Standards

Audit pointed out in the supplementary audit issues of non-compliance with the provisions of Schedule II of the Companies Act, 2013 relating to depreciation of fixed assets and deficiencies in related party disclosures in the Financial Statements as required under Accounting Standard 18.

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 2020-21, no Management Letter was issued to any of the SPSEs.

5.22 Conclusion

- As on 31 March 2021, the State of Manipur had total 14 PSEs (all Government Companies), which included eleven working and three non-working Companies.
- The investment of the State Government (capital and long-term loans) in SPSEs as per the State Finance Accounts, 2020-21 was ₹ 67.92 crore as against the investment of ₹ 46.22 crore as per the records of SPSEs. Thus, there was a difference of ₹ 21.70 crore in the investment figures (equity: ₹ 19.67 crore; Loans: ₹ 2.03 crore) as per two sets of records. Besides, the State Finance Accounts, 2020-21 depicted equity investment of ₹ 104.73 crore by the State Government in eight SPSEs, which are no longer in existence as per the records of PAG, Manipur. 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 ₹ 411.21 crore to SPSEs during 2020-21, in the form of capital (₹ 11.93 crore) and grants/ subsidy (₹ 399.28 crore). The major recipients of budgetary support were Manipur State Power Distribution Company Limited (Grant/ subsidy: ₹ 285.57 crore) and Manipur State Power Company Limited (Grant: ₹ 100 crore).
- As per the latest finalised accounts of the SPSEs during 2020-21, out of eleven working SPSEs, only one SPSE (Manipur Police Housing Corporation Limited) earned a profit of ₹ 0.29 crore, while seven SPSEs incurred losses of ₹ 37.24 crore as per their latest finalised accounts. The remaining three working SPSEs had not finalised their first accounts. Two SPSEs (Manipur State Power Company Limited and Manipur State Power Distribution Company Limited) contributed around 94 per cent (₹ 34.97 crore) of the losses incurred by working SPSEs (₹ 37.24 crore).

- As per the latest finalised accounts of SPSEs as on 30 September 2021, the accumulated losses (₹ 242.28 crore) of 5 out of 11 working SPSEs had completely eroded their paid-up capital (₹ 47.19 crore).
- There was huge pendency in finalisation of accounts in respect of 10 out of 11 working SPSEs ranging from 1 to 33 years. The highest pendency of accounts pertained to Manipur Tribal Development Corporation Limited (33 Accounts) and Manipur Police Housing Corporation Limited (23 Accounts).

5.23 Recommendations

- *The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long Term Loans) of the State Government as appearing in the State Finance Accounts vis-à-vis SPSE records in a time-bound manner.*
- *Accumulation of huge losses by 5 out of 11 working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to either improve their working or review the working of these SPSEs for continuing their operations.*
- *The Administrative Departments overseeing the SPSEs having backlog of Accounts need to ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them may be reviewed.*

Imphal
Dated: 06 June 2022



(ATHIKHO CHALAI)
Principal Accountant General (Audit), Manipur

Countersigned

New Delhi
Dated: 21 June 2022



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

