

Chapter IV
Economic Sector
(State Public Sector Enterprises)

CHAPTER IV ECONOMIC SECTOR (STATE PUBLIC SECTOR ENTERPRISES)

4.1 Functioning of State Public Sector Enterprises

4.1.1 Introduction

As of 31 March 2022, the State of Manipur had 13 State Public Sector Enterprises (SPSEs) (all Government Companies including one non-working) as detailed in the following **Table**.

Table 4.1.1: Total number of SPSEs as on 31 March 2022

Type of SPSEs	Working SPSEs	Non-working SPSEs	Total
Government Companies ⁶⁷	10	3	13
Statutory Corporations	Nil	Nil	Nil
Total	10	3	13

None of these SPSEs were listed in the Stock Exchange, which means that shares of these SPSEs cannot be traded in the stock exchange. During the period of two years from 2020-21 to 2021-22, one new company⁶⁸ was incorporated under the Companies Act, 2013 while another company⁶⁹ was closed down.

4.1.2 Investment in SPSEs

The State's investment in its SPSEs was by way of share capital/loans special financial support by way of revenue grants.

As on 31 March 2022, investment of the State Government (capital and long-term loans) in 12 SPSEs⁷⁰ was ₹ 66.17 crore⁷¹ as per details given in the following **Table**.

Table 4.1.2: Details of State's investment in SPSEs

Year	Equity Capital	Long term Loans	Total
2021-22	65.59	0.58	66.17
2017-18	65.39	0.68	66.07

⁶⁷ Government Companies include 'Other Companies' referred to in Section 139(5) and 139(7) of the Companies Act, 2013 SPSEs.

⁶⁸ 'Cyber Corporation Manipur Limited' was incorporated (15 October 2020) under the Companies Act, 2013.

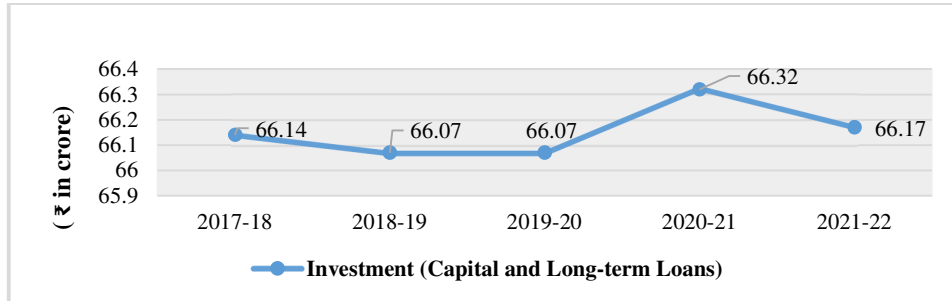
⁶⁹ 'Manipur IT SEZ Project Development Company Limited' ceased to exist with effect from 15 March 2022.

⁷⁰ Excluding one company (serial no. B3 of *Appendix 4.2*, a subsidiary of company at serial no. A1), which had no direct investment from the State Government as on 31 March 2022.

⁷¹ Investment figures are provisional and as provided by the SPSEs except for one SPSE (Manipur state Power Distribution Company Limited), which had finalised its Accounts for 2021-22.

State Government's investment as on 31 March 2022 consisted of 99.12 per cent (₹ 65.59 crore) towards capital and 0.88 per cent (₹ 0.58 crore) in long-term loans as against 98.97 per cent (capital) and 1.03 per cent (long-term loans) as on 31 March 2018. A graphical presentation of the State Government's investment in SPSEs during the last five years (2017-18 to 2021-22) has been given in **Chart 4.1.1**.

Chart 4.1.1: State's investment in SPSEs



Source: SPSEs Records.

As can be noticed from the **Chart** above, State Government's investment in SPSEs during the last five years remained almost steady except during 2020-21, when it increased to ₹ 66.32 crore. During last five years, the State's investment grew marginally by 0.05 per cent (₹ 0.03 crore) from ₹ 66.14 crore (2017-18) to ₹ 66.17 crore (2021-22).

During 2021-22, out of 10 working SPSEs, eight SPSEs incurred loss (₹ 24.58 crore) and only one SPSE earned profit (₹ 0.29 crore) as per their latest finalised accounts. Remaining one SPSEs⁷² (incorporated on 13 July 2016) had not finalised its first accounts (2016-17) as of September 2022. The profit-making SPSE had not declared any dividend during the year. There was no recorded information about existence of any specific policy of the State government regarding payment of minimum dividend by the SPSEs.

The State Government's investment (historical value) in SPSEs had eroded by 1.35 per cent in 2021-22, and the accumulated losses of five working SPSEs⁷³ (₹ 294.99 crore) had completely eroded the State's investment in their paid-up capital (₹ 47.19 crore), as per their latest finalised accounts.

4.1.2.1 Sector-wise total investment in SPSEs

Details of total investment (equity capital and long term loans) of State Government and Other Stakeholders (Central Government, Holding companies, Banks, Financial Institutions, etc.) in SPSEs under various important sectors at the end of 31 March 2018 and 31 March 2022 have been given in the following **Table**.

⁷² Serial No. A9 of **Appendix 4.2**.

⁷³ Serial No. A1, A5, A6, A7 and A8 of **Appendix 4.2**.

Table 4.1.3: Sector-wise details of total investments (equity capital & long term loans) in SPSEs

(₹ in crore)

Name of Sector	Government Companies	
	2017-18	2021-22
Power	511.83	612.51
Manufacturing	10.16	10.15
Finance	16.37	15.65
Agriculture & Allied	0.90	15.17
Miscellaneous	15.41	15.72
Total	554.67	669.20

It can be noticed from the **Table** above that during last five years (2017-18 to 2021-22), the combined investment of the State Government and other stakeholders in State SPSEs has increased in Power sector (₹ 100.68 crore) and Agriculture & Allied sector (₹ 14.27 crore) while the investment in Finance sector had decreased by ₹ 0.72 crore. The increase in the investment during 2017-22 under Power sector was on account of a net increase of ₹ 100.68 crore⁷⁴ in the long term borrowings of Power sector PSEs from ₹ 491.73 crore (2017-18) to ₹ 592.41 crore (2021-22) whereas the equity investment in Power sector PSEs during these years remained constant at ₹ 20.10 crore.

4.1.3 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by State Government as per the records of SPSEs should agree with the figures appearing in the Finance Accounts of the State for that year. In case the figures do not agree, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2022 is shown in the following **Table**.

Table 4.1.4: Equity, long term loans, guarantees outstanding as per the State Finance Accounts vis-à-vis the records of SPSEs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as SSPSEs records	Difference
Equity	67.31	45.59 ⁷⁵	21.72
Loans	-	0.58	0.58
Guarantee ⁷⁶	548.21	695.65	147.44

Source: State Finance Accounts and information furnished by the SPSEs.

From the **Table** above, it can be noticed that there were unreconciled differences in the figures of equity (₹ 21.72 crore), loans (₹ 0.58 crore) and

⁷⁴ Fresh loans (₹ 232.35 crore) borrowed by State's power distribution company *minus* loan repayments (₹ 131.67 crore) by the State's power transmission company (₹ 100.00 crore) and State's power distribution company (₹ 31.67 crore) during 2018-22.

⁷⁵ Excluding equity contribution (₹ 20.00 crore) in the form of Assets transferred from the erstwhile State Electricity Department to two newly formed power sector companies (MSPCL and MSPDCL) consequent upon implementation of power sector reform.

⁷⁶ Represents the Guarantee outstanding against the borrowings of Manipur State Power Distribution Company Limited.

guarantees (₹ 147.44 crore). The difference in equity occurred in respect of 12 SPSEs⁷⁷ and some of the differences were pending reconciliation over a period of more than 23 years.

As regards Loan figures, Finance Department disburses loans to various Departments of State Government for different sectoral activities and booked the amount sector-wise in the Finance Accounts. In turn, the Departments disburse these loans to respective SPSEs functioning under their administrative control. Hence, SPSE-wise figures of State Government loans provided to various SPSEs were not available in the State Finance Accounts.

Recommendation: *State Government and the SPSEs concerned may take concrete steps to reconcile the differences in a time-bound manner. Government should ensure that the system of financing the SPSEs gets reflected in their Finance Accounts.*

4.1.4 Accountability framework

The audit of the financial statements of a Company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013 (Act) and audit of the financial statements in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956. The new Act has brought about increased Regulatory Framework, wider Management Responsibility and higher Professional Accountability.

➤ **Statutory Audit/ Supplementary Audit**

Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) audit the financial statements of a Government Company. In addition, CAG conducts the supplementary audit of these financial statements under the provisions of Section 143(6) of the Act.

➤ **Role of Government and Legislature**

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

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

⁷⁷ Except for one SPSE (Manipur Police Housing Corporation Limited), in which no difference in equity investment was noticed.

Public Undertakings (CoPU) of the State Legislature. The CoPU sends its recommendations to the State Government for taking appropriate action.

4.1.5 Arrears in finalisation of accounts

The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by the end of September in accordance with the provisions of Section 96 (1) of the Companies Act, 2013 and Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 in respect of the financial statements pertaining to the period prior to 1 April 2014. Failure to do so may attract penal provisions under Section 99 of the Companies Act, 2013 and Section 210 (5) of the Companies Act 1956.

Timely finalisation of accounts is important for the State Government to assess the financial health of the SPSEs and to avoid financial misappropriation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013.

Table 4.1.5 provides details of progress made by working SPSEs in finalisation of their annual accounts as of 30 September 2022.

Table 4.1.5: Position relating to finalisation of accounts of working SPSEs

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Number of Working SPSEs	10	10	10	11	10
2	Number of accounts finalised during the year	1	10	1	5	7
3	Number of accounts in arrears	94	94	103	109	105 ⁷⁸
4	Number of Working SPSEs with arrears in accounts	10	10	10	10	9
5	Extent of arrears (numbers in years)	2 to 30 years	1 to 31 years	2 to 32 years	1 to 33 years	1 to 34 years

Source: Departmental Records.

As can be seen from the **Table** above, during last five years, the overall pendency of SPSE accounts had increased from 94 Accounts (2017-18) to 105 Accounts (2021-22). Increase in the pendency of accounts was attributable to less number of Accounts finalised (23 Accounts) by the SPSEs during 2018-22 compared to the number of accounts due for finalisation (41 Accounts) during the said period. Against the total arrears of 105 Accounts (9 SPSEs) as on 31 March 2022, 58 Accounts (55 *per cent*) pertained to two SPSEs namely, Manipur Tribal Development Corporation Limited (34 Accounts) and Manipur Police Housing Corporation Limited (24 Accounts).

⁷⁸ Excluding seven accounts of erstwhile Manipur IT SEZ Project Development Company Limited pending finalisation as on 31 March 2021, which ceased to exist with effect from 15 March 2022.

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

The Reports of the CAG have repeatedly highlighted the issue of arrears in preparation of accounts. Keeping in view the seriousness of the matter, the Principal Accountant General (Audit) Manipur took up (20 September 2021) the matter with the Chief Secretary of the State impressing upon to review the reasons for the huge pendency of State PSE accounts and initiate appropriate action to clear the arrears of accounts in a time bound manner. Further, meetings were also held with the Heads of SPSEs concerned from time to time (September to November 2021) suggesting several measures for early clearance of their pending accounts. The suggestions given to State SPSEs included engaging experts/ professionals to guide/help the SPSEs in finalisation of the pending accounts wherever the SPSEs lacked skilled manpower in this area. However, the State Government and the SPSEs concerned had not addressed the issue of clearing the accounts arrears in a time bound manner.

Recommendations:

- i. State Government may set up a special cell to oversee the clearance of arrears of accounts and set the targets for individual SPSEs, which may be monitored by the cell;*
- ii. State Government may ensure that existing vacancies in the accounts department of SPSEs are timely filled up with persons having domain expertise and experience; and*
- iii. The SPSEs may get the figures of equity and loans reconciled with the State Government Departments to reflect correct position in the State Finance Accounts.*

4.1.6 Investment by State Government in SPSEs whose accounts were in arrears

The State Government had invested ₹ 216.00 crore in six SPSEs (equity: ₹ 2.05 crore and grants: ₹ 213.95 crore) during the years for which these SPSEs had not finalised their accounts as detailed in **Appendix 4.1**. One Power sector SPSE (Manipur State Power Company Limited) was the major recipient of State Government funding amounting to ₹ 161.36 crore (Grants) during the period when its accounts were in arrears.

In the absence of accounts and their subsequent audit, it could not be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

Recommendation: *Government may consider setting up a special cell under Finance Department to oversee the expeditious clearance of arrears of accounts of SPSEs. Where there is lack of staff expertise, Government may consider outsourcing the work relating to preparation of accounts and take*

punitive action against Company Management responsible for arrears of accounts. Until the accounts are made as current as possible, Government may consider not giving further financial assistance to such companies.

4.1.7 Special support and returns during the year

The State Government provides financial support to SPSEs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of the State SPSEs for the last three years ended 2021-22 are shown in the following **Table**.

Table 4.1.6: Details of budgetary support to SPSEs

(₹ in crore)

Sl. No.	Particulars	2019-20		2020-21		2021-22	
		No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
1	Equity Capital outgo from Budget	-	-	1	0.25	-	-
2	Loans given from budget	-	-	-	-	-	-
3	Grants/ subsidy from budget	4	281.94	4	299.26	6	495.69
4	Total outgo (1+2+3)	4	281.94	5	299.51	6	495.69
5	Guarantee issued	-	-	1	111.48	-	193.62
6	Guarantee commitment ⁷⁹	1	390.55	1	502.03	1	695.65

Source: As furnished by SPSEs.

As can be noticed from the **Table** above, the budgetary support provided by State Government to SPSEs during the last three years (2019-22) witnessed an increase from ₹ 281.94 crore in 2019-20 to ₹ 495.69 crore in 2021-22, which was mainly in the form of Grants/subsidy. The major recipient of the grants/subsidy during last three years was one power sector SPSE (Manipur State Power Distribution Company Limited), which received the grant/subsidy of ₹ 104.19 crore (2019-20), ₹ 120.00 crore (2020-21) and ₹ 323.23 crore (2021-22).

4.1.8 Performance of SPSEs as per their latest financial accounts

The financial position and working results of working SPSEs (Government Companies) are detailed in **Appendix 4.2**. The following **Table** provides the comparative details of working SPSEs turnover and State GDP for a period of five years ending 2021-22.

Table 4.1.7: Details of working SPSEs turnover vis-à-vis State GDP

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Turnover⁸⁰	161.02	232.60	232.63	480.88	584.92

⁷⁹ Guarantee commitment of the State Government for all three years pertained to the borrowings availed by Manipur State Power Distribution Company Limited.

⁸⁰ Turnover of working SPSEs as per their latest finalised accounts as on 30 September of the respective year.

GSDP⁸¹	25,789	27,388	31,297 (Q)	34,110 (A)	37,761 (P)
Percentage of Turnover to GSDP	0.62	0.85	0.74	1.40	1.55

It can be noticed from the table above that during 2017-22, the GSDP had increased from ₹ 25,789 crore (2017-18) to ₹ 37,761 crore (2021-22). Similarly, the SPSE-turnover during the corresponding period had also grown from ₹ 161.02 crore (2017-18) to ₹ 584.92 crore (2021-22). This led to corresponding increase in the contribution of SPSE-turnover to GSDP from 0.62 per cent (2017-18) to 1.55 per cent (2021-22). The increase in the SPSE-turnover was mainly driven by increase in turnover of power sector from ₹ 159.58 crore (2017-18) to ₹ 583.29 crore (2021-22).

➤ **Erosion of capital due to losses**

The paid-up capital and accumulated losses of 10 working SPSEs as per their latest finalised accounts as on 30 September 2022 were ₹ 53.39 crore and ₹ 295.51 crore respectively (**Appendix 4.2**).

During 2021-22, out of nine working SPSEs⁸², only one SPSE⁸³ earned profit (₹ 0.29 crore) as per its latest finalised accounts. Return on Equity (RoE) in respect of this profit-making SPSE was 47.54 per cent⁸⁴. Further, ROE of three⁸⁵ out of eight loss making SPSEs was negative.

ROE of the remaining five working SPSEs⁸⁶ was not workable as the accumulated losses (₹ 294.99 crore) of these SPSEs had completely eroded their paid-up capital (₹ 47.19 crore) as per their latest finalised accounts.

Primary erosion of equity capital by the accumulated losses occurred in respect of three working SPSEs as detailed in the following **Table**.

Table 4.1.8: SPSEs with primary erosion of paid up capital

(₹ in crore)			
Name of PSE	Latest finalised accounts	Paid up capital	Accumulated losses
Manipur State Power Distribution Company Limited	2021-22	10.05	156.70
Manipur State Power Company Limited	2020-21	10.05	83.22
Manipur Industrial Development Corporation Limited	2009-10	12.14	31.78
Total		32.24	271.70

⁸¹ Source: Department of Economics and Statistics, GoM (at current price, (Q)=Quick Estimate, (A)=Advance estimates, (P)=Provisional estimates.

⁸² Excluding one SPSE (Tourism Corporation of Manipur Limited), which had not finalised its first accounts (2016-17) as of September 2022.

⁸³ Manipur Police Housing Corporation Limited.

⁸⁴ ROE = Net Profit (₹ 0.29 crore) ÷ Shareholders' Fund (₹ 0.61 crore) % = 47.54 per cent.

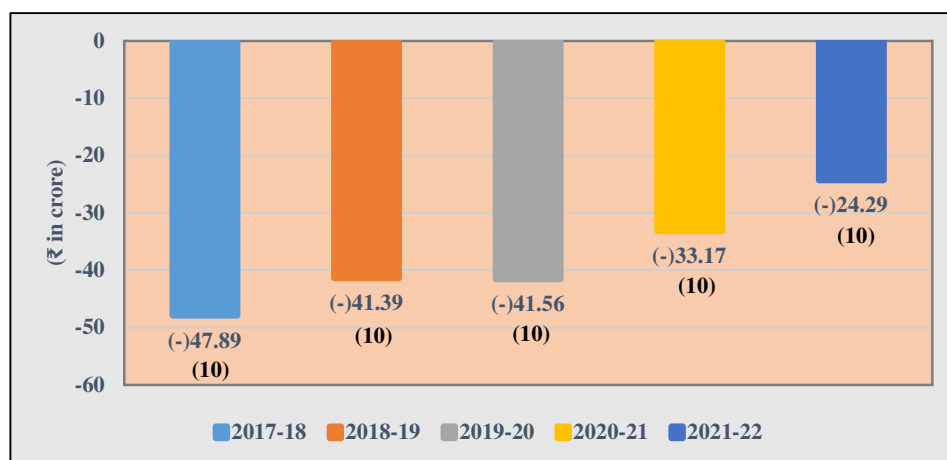
⁸⁵ Serial no. A2, A4 and A10 of **Appendix 4.2**.

⁸⁶ Serial no. A1, A5, A6, A7 and A8 of **Appendix 4.2**.

Accumulation of huge losses by these SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these SPSEs to improve their profitability.

The overall position of losses incurred by the working SPSEs during 2017-18 to 2021-22 as per their latest finalised accounts as on 30 September of the respective year has been depicted in **Chart 4.1.2**.

Chart 4.1.2 Overall losses of working SPSEs



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

As depicted in the **Chart** above, the losses of working SPSEs showed a decreasing trend during 2017-22 except for marginal increase of ₹ 0.17 crore in SPSE losses during 2019-20. In five years, the overall losses of SPSEs have reduced by ₹ 23.60 crore (49 per cent) from ₹ 47.89 crore (2017-18) to ₹ 24.29 crore (2021-22) mainly due to reduction (₹ 21.74 crore⁸⁷) in losses of the two power sector SPSEs during the corresponding period.

During the year 2021-22, out of ten working SPSEs, only one SPSE⁸⁸ earned profit of ₹ 0.29 crore while eight SPSEs incurred losses aggregating ₹ 24.58 crore as per their latest finalised accounts. Remaining one SPSE⁸⁹ had not finalised its first annual Accounts (2016-17) as of September 2022. The major contributors to SPSE-losses were two power sector SPSEs as detailed in the following **Table**.

Table 4.1.9: Major contributors to the losses of working SPSEs

(₹ in crore)		
SPSE	Latest finalised accounts	Losses
Manipur State Power Company Limited	2020-21	11.19
Manipur State Power Distribution Company Limited	2021-22	11.11
Total		22.30

⁸⁷ Losses of two power sector SPSEs decreased from ₹ 44.04 crore (2017-18) to ₹ 22.30 crore (2021-22).

⁸⁸ Manipur Police Housing Corporation Limited.

⁸⁹ Tourism Corporation of Manipur Limited.

4.1.9 Key parameters

Some other key parameters of SPSEs performance as per their latest finalised accounts as on 30 September of the respective year are given in the following Table.

Table 4.1.10: Key parameters of SPSEs

Particulars	(₹ in crore)				
	2017-18	2018-19	2019-20	2020-21	2021-22
Debt	83.59	151.71	160.56	493.11	477.51
Turnover⁹⁰	161.02	232.60	232.63	480.88	584.92
Debt/Turnover Ratio	0.52:1	0.65:1	0.69:1	1.03:1	0.82:1
Interest Expenses	0.61	0.89	0.89	2.73	10.12
Accumulated losses	124.53	166.35	166.52	250.06	302.77

➤ **Debt-Turnover Ratio**

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal of having too much of debt against the income of SPSEs from core activities. Thus, the SPSEs having lower DTR are more likely to comfortably manage their debt servicing and repayments.

As can be seen from **Table 4.1.10**, during the period of five years (2017-18 to 2020-22), the SPSE debts had increased by around five fold (471 *per cent*) from ₹ 83.59 crore (2017-18) to ₹ 477.51 crore (2021-22) while the pace of growth in the SPSE-turnover during the corresponding period was comparatively low at around three fold (263 *per cent*) from ₹ 161.02 crore (2017-18) to ₹ 584.92 crore (2021-22). As a result, the Debt to Turnover Ratio during 2017-22, has increased from 0.52:1 (2017-18) to 0.82:1 (2021-22), which indicated deteriorated position of SPSEs in servicing and repayment of their long-term debts as compared to previous years.

Further, the accumulated losses of SPSEs during the last five years (2017-22) increased by ₹ 178.24 crore mainly due to increase of ₹ 175.83 crore in the accumulated losses of power sector SPSEs from ₹ 64.09 crore (2017-18) to ₹ 239.92 crore (2021-22).

4.1.10 Return on Investment on the basis of Present Value of Investment

The Rate of Real Return (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for their time value. To determine the Rate of Real Return on Government Investment (RORR), the investment of State Government⁹¹ in the form of equity, interest free loans and grants/subsidies given by the State Government for operational and management expenses less the disinvestments (if any), should be considered, and indexed to their Present Value (PV) and

⁹⁰ Turnover of working SPSEs as per their latest finalised accounts as of 30 September of respective year.

⁹¹ State Government investment in SPSEs as per the records of respective SPSEs.

summed. The RORR is then to be calculated by dividing the ‘profit after tax’ (PAT) by the sum of the PV of the investments.

During 2021-22, overall losses of 13 SPSEs (10 working and 3 non-working) stood at ₹ 25.16 crore⁹² (*Appendix 4.2*). On the basis of return on historical value of investment, the State Government investment eroded by 1.35 *per cent* during 2021-22. Further, as per the Rate of Real Return worked out based on the present value of investment, the State Government investment eroded by 1.05 *per cent* as shown in *Appendix 4.3*. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

4.1.11 Impact of Audit Comments on Annual Accounts of SPSEs

During October 2020 to September 2022, four SPSEs forwarded twelve audited accounts⁹³ to the Principal Accountant General (Audit), Manipur. The accounts were selected for supplementary audit, which was completed. The Statutory Auditors had given qualified opinion on eleven⁹⁴ accounts and unqualified certificate on one⁹⁵ accounts.

Gist of some of the important comments of the Statutory Auditors and CAG in respect of the accounts of the SPSEs are as under:

➤ *Manipur State Power Distribution company Limited (2021-22)*

(a) Understatement of current liabilities – Trade Payables

Understatement of ‘Current Liabilities-Trade Payables’ and ‘Loss for the year’ by ₹ 2.99 crore due to non-provisioning towards power purchase bills for the current year received (June 2022) before approval (August 2022) of the Annual Accounts.

(b) Overstatement of ‘Reserve & Surplus-Capital Reserves’

‘Reserve & Surplus-Capital Reserves’ was overstated by ₹ 7.49 crore due to incorrect classification of the Long Term Loans availed (2017-18 to 2020-21) from Rural Electrification Corporation Limited for implementation of the central scheme (Rajiv Gandhi Grameen Vidyutikaran Yojana) as ‘Capital Grants’.

⁹² As per latest finalised accounts of SPSEs as on 30 September 2022 and after considering the profit (₹ 0.29 crore) earned by one SPSE (Manipur Police Housing Corporation Limited).

⁹³ Five Accounts (October 2020 to September 2021) and seven Accounts (October 2021 to September 2022).

⁹⁴ Eleven accounts of two power sector companies: Manipur State Power Company Limited - 5 accounts (2016-17 to 2020-21) and Manipur State Power Distribution Company Limited - 6 accounts (2016-17 to 2021-22).

⁹⁵ Accounts of Cyber Corporation Manipur Limited for the year 2020-21.

➤ **Manipur State Power Company Limited (2020-21)**

(a) Overstatement of loss

Loss for the year was overstated by ₹ 0.74 crore due to non-accounting of dividend declared by North East Transmission Company Limited for the financial year 2020-21.

(b) Overstatement of Capital Work-in-Progress

Capital Work-in-Progress was overstated by ₹ 1.97 crore due to wrong accounting of the cost of 10 different civil works completed during 2020-21 under Capital Work-in-Progress instead of buildings.

4.1.12 Winding up of non-working SPSEs

As on 31 March 2022, there were three non-working SPSEs (*Appendix 4.2*), which had been non-functional for last 18 to 22 years. The said SPSEs were in the process of liquidation under Section 560 of the Companies Act, 1956. Since the non-working SPSEs were neither contributing to the State economy nor meeting the intended objectives of their formation, the liquidation process to wind up these SPSEs needs to be expedited.

4.1.13 Follow up action on Audit Reports

Replies/Explanatory notes outstanding

The Reports of the CAG represent the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive authorities. As per the recommendation of the Shakdher Committee⁹⁶, all Administrative Departments are required to submit replies/explanatory notes to paragraphs/performance audits included in the Audit Reports of the CAG within a period of three months⁹⁷ of their presentation to the State Legislature in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (CoPU).

The position of explanatory notes to paragraphs/performance audits pending to be received from the State Government/Administrative Departments concerned has been shown in the following **Table**.

⁹⁶ Shakdher Committee under the Chairmanship of Shri. S.L. Shakdher, formerly Chief Election Commissioner of India was formed (01 August 1992) with a view (i) to study the response of the State Government (and their public enterprises) to the Audit Reports of CAG and the response of the State Governments to the recommendations of the respective PAC/CoPU in the context of the Audit Reports; and (ii) to examine how far the Audit Reports of CAG are effective in enhancing the Executive's financial accountability to the Legislature in the States.

⁹⁷ As per the prescribed time schedule, *suo moto* replies to be furnished within three months in case Audit Paragraphs are not selected by the PAC/CoPU during this period.

Table 4.1.11: Status of explanatory notes not received (as on 28 February 2023)

Year of the Audit Report (Commercial /SPSE)	Date of placement of Audit Report in the State Legislature	Total number of Performance Audits (PAs) and Paragraphs included in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	29 June 2015	-	3	-	3
2014-15	2 September 2016	2	1	-	-
2015-16	21 July 2017	-	2	-	-
2016-17	23 July 2018	-	1	-	-
2017-18	17 February 2020	-	1	-	-
2018-19	25 March 2022	1	2	-	-
2019-20	22 February 2023		1	-	1
Total		3	11	0	4

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

From **Table 4.1.11**, it could be seen that explanatory notes to four paragraphs relating to two SPSEs⁹⁸, included in the Audit Reports 2013-14 and 2019-20 respectively, were not submitted by the State Government (February 2023).

4.1.14 Discussion of Audit Reports by CoPU

The status as on 28 February 2023 of Performance Audits (PAs) and compliance Audit paragraphs relating to SPSEs that appeared in the Audit Reports of CAG for the last seven years (2013-14 to 2019-20) and discussed by the Committee on Public Undertakings (CoPU) is shown in following **Table**.

Table 4.1.12: Position on discussion of Audit Reports by CoPU

Period of Audit Report ⁹⁹	Number of performance audits/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2013-14	Nil	3	Nil	Nil
2014-15	2	1	Nil	1
2015-16	Nil	2	Nil	2
2016-17	Nil	1	Nil	1
2017-18	Nil	1	Nil	Nil
2018-19	1	2	1	2
2019-20	Nil	1	Nil	Nil
Total	3	11	1	6

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

From the **Table** above, it may be seen that two PAs and five compliance audit paragraphs had been pending discussion by the CoPU.

4.1.15 Compliance to Reports of the CoPU

Action Taken Notes (ATNs) relating to 114 recommendations pertaining to five Reports of the CoPU presented to the State Legislature between March 1986

⁹⁸ Manipur Tribal Development Corporation Limited and Manipur Police Housing Corporation Ltd.

⁹⁹ For periods prior to 2013-14, 37 audit paragraphs (6 PA and 31 CA) pertaining to Audit Reports for the years from 1995-96 to 2006-07, 2009-10 and 2012-13 are yet to be discussed by CoPU.

and March 2020 had not been received from the Government (28 February 2023) as indicated in the following **Table**.

Table 4.1.13: Compliance to CoPU Reports

Year of COPU Report	Total number of CoPU Reports	Total No. of recommendations in CoPU Report	No. of recommendations where ATNs not received
10 th Report (1986-87)	1	8	8
11 th Report (1995-96)	1	53	53
12 th Report (1998-99)	1	9	9
13 th Report (2010-11)	1	40	40
14 th Report (2018-19)	1	4	4
Total	5	114	114

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

The above Reports of CoPU contained recommendations in respect of paragraphs pertaining to the five departments of the State Government, which appeared in the Reports of the CAG of India for the years 1983-84 to 2016-17.

Recommendations: State Government may review and revamp the mechanism of responding to audit observations. The Government may ensure that responses and explanatory notes to draft paragraphs/performance audits and ATNs on the recommendations of CoPU are provided as per the prescribed time schedule and the loss/outstanding advances/overpayments flagged in audit are recovered within the prescribed period.