

Chapter I: Overview of the State Public Sector Enterprises

1.1 Introduction

This Report covers matters arising out of the Performance and Compliance Audit of some of the State Public Sector Enterprises (SPSEs). The primary purpose of the Audit Report is to bring to the notice of the Legislature, the important results of audit. Findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing to better governance.

This Report has been organised in three chapters as under:

Chapter 1 contains the profile of the SPSEs with a brief overview of its financial performance and functioning, status of preparation and submission of their accounts, Mandate of audit, audit of accounts and supplementary audit, results of CAG's oversight role, significant audit observations and response of the Government to various audit products *viz.*, Performance Audits (PAs), Subject Specific Compliance Audits (SSCA), individual compliance audit paragraphs, follow up action on Audit Reports, *etc.*

Chapter 2 contains observations relating to Performance Audit on Working of Jharkhand State Building Construction Corporation Limited.

Chapter 3 contains one SSCA on Procurement Activity of Jharkhand State Food and Civil Supplies Corporation Limited and three individual compliance audit paragraphs related to two SPSEs¹.

Summary of financial performance of State Public Sector Enterprises

This Chapter presents the summary of financial performance of State Public Sector Enterprises (SPSEs) of the Government of Jharkhand (GoJ) for the year 2022-23, which comprise Government Companies and Government controlled other Companies of GoJ that fall within the audit jurisdiction of the Comptroller and Auditor General of India. There are no Statutory Corporations in Jharkhand.

In this Chapter, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of GoJ is 51 *per cent* or more, subsidiaries of such Government companies as well as other companies owned or controlled, directly or indirectly, by GoJ.

The financial performance of SPSEs included in this Report has been taken from their annual financial statements as well as from the information received from the SPSEs. In addition, the impact of review of the financial statements of SPSEs which resulted in their amendment and revision of Auditors' Reports have been included. The Report also contains the status of compliance with the provisions of the Companies Act, 2013, on Corporate Governance and Corporate Social Responsibility.

¹ (i) Jharkhand *Bijli Vitran Nigam* Limited and (ii) Jharkhand *Urja Utpadan Nigam* Limited

The total number of SPSEs in the State, as on 31 March 2023, was 32 (including three inactive government companies² and one³ Government Controlled Other Company). Based on the latest finalised accounts received (upto December 2023), 17 SPSEs (16 Government companies and one Government controlled other company) have been covered in this Chapter.

1.2 Mandate of Audit

Audit of Government companies and Government controlled other companies is conducted by the Comptroller and Auditor General (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 Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints 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 the right to conduct a supplementary audit of Companies.

1.3 SPSEs and their contribution to the Gross State Domestic Product (GSDP) of the State

SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State's economy. Details of 17 SPSEs as on 31 March 2023, whose accounts for any of the last three years (2020-21 to 2022-23), have been received, are given in **Appendix 1.1**. The details of 15 SPSEs whose accounts have been in arrears for over three years including those whose first accounts have not been received, are shown in **Appendix 1.2**.

There are three SPSEs in Jharkhand, with an investment of ₹ 35.93 crore towards capital (₹ 1.10 crore) and long-term loans (₹ 34.83 crore), that have been inactive since inception. This is a critical area as investments in these inactive SPSEs do not contribute to the economic growth of the State. Out of the three SPSE, initiation of winding up process of two (Patratu Energy Limited and Jharbihar Colliery Limited) SPSEs has been approved by their Boards⁴. Further, GoJ has decided⁵ to wind up Patratu Energy Limited by way of "Voluntary Winding up appointing a Liquidator" in compliance with provisions of the Companies Act 2013 and other related rules.

The ratio of turnover of the SPSEs to the Gross State Domestic Product (GSDP) shows the extent of activities of the SPSEs in the State Economy. The trend of contribution of SPSEs' turnover to State GSDP during 2020-23, is given in **Table 1.1**.

² Karanpura Energy Limited (KEL), Patratu Energy Limited (PEL) and Jharbihar Colliery Limited (JCL)

³ Jharkhand Railway Infrastructure Development Corporation Limited

⁴ PEL: 5th AGM (15 September 2017), JCL: 16th AGM (02 February 2018)

⁵ Vide Resolution No.- 1819 dated 14.10.2024 of Energy Department, GoJ

Table 1.1: Details of turnover of SPSEs vis-à-vis GSDP of Jharkhand

(₹ in crore)

Particulars	2020-21	2021-22	2022-23
Turnover			
Power Sector SPSEs	5,018.57	6,158.74	6,289.58
Non-Power Sector SPSEs	63.21	84.15	86.23
Total	5,081.78	6,242.89	6,375.81
Percentage change in turnover as compared to turnover of preceding year	-9.36	22.85	2.13
GSDP of Jharkhand	2,96,664	3,58,863	3,93,722
Percentage change in GSDP as compared to GSDP of preceding year	-4.40	20.97	9.71
Percentage of Turnover to GSDP of Jharkhand	1.71	1.74	1.62

(Source: GSDP figures as per Ministry of Statistics and Programme Implementation, GoI)

The turnover of 17⁶ SPSEs increased from ₹ 5,081.78 crore in 2020-21 to ₹ 6,375.81 crore in 2022-23. The contribution of SPSEs to the GSDP of Jharkhand increased from 1.71 per cent in 2020-21 to 1.74 per cent in 2021-22 but decreased to 1.62 per cent in 2022-23.

The Compounded Annual Growth Rate⁷ (CAGR) of GSDP during 2020-21 to 2022-23 was 8.26 per cent, while during the same period, the CAGR of turnover of State PSUs was 4.38 per cent. This has resulted in a decrease in the share of turnover of SPSEs to GSDP from 1.71 per cent to 1.62 per cent.

1.4 Investment in SPSEs and Budgetary Support

Equity Holding and Loans in SPSEs

The amount of investment in equity and loans in 31 Government Companies and one Government controlled other company as at the end of 31 March 2023 is given in **Table 1.2**.

Table 1.2: Equity investment and loans in Government companies and Government controlled other Company

(₹ in crore)

Sources of investment	As on 31 March 2022			As on 31 March 2023		
	Equity	Long Term Loan	Total	Equity	Long Term Loan	Total
State Government	9,454.73	16,943.73	26,398.46	10,513.35	19,969.47	30,482.82
Others (including Government Companies)	52.34	2,162.51	2,214.85	61.95	2,531.97	2,593.92
Total Investment	9,507.07	19,106.24	28,613.31	10,575.30	22,501.44	33,076.74
Percentage of investment of State Government to Total Investment	99.45	88.68	92.26	99.41	88.75	92.16

(Source: Information provided by SPSEs)

⁶ The 15 SPSEs, whose accounts have been in arrear for over three years (i.e. beyond 2020-21), have been excluded

⁷ Rate of Compounded Annual Growth is $\left[\left(\frac{\text{Value of 2022-23}}{\text{Value of 2019-20}}\right)^{\frac{1}{3}} - 1\right] * 100$. The SPSEs' turnover and GSDP for the year 2019-20 was ₹ 5,606.27 crore and ₹ 3,10,305 crore respectively

The capital invested in the Government controlled other Company (Jharkhand Railway Infrastructure Development Corporation Limited) by the State Government and others, up to the year 2022-23, was ₹ 34.41 crore and is included in **Table 1.2**.

During 2022-23, total equity holding at face value in 32 SPSEs registered a net increase of ₹ 1,068.23 crore. Investment in equity of SPSEs, by the State Government, increased from ₹ 9,454.73 crore in 2021-22 to ₹ 10,513.35 crore in 2022-23. Equity holding in two power sectors SPSEs, JBVNL (₹ 3,246.45 crore) and JUSNL (₹ 1,598.96 crore) accounted for 45.82 *per cent* of the total equity holding of the State. In addition to the above, investment in equity by the State Government in one non-power sector SPSE *i.e.* Jharkhand Exploration & Mining Corporation Limited was ₹ 1,000 crore as of 31 March 2023.

The sector-wise Total Equity, Equity Contribution by State Government and Long-Term Loans including loans given by the State Government SPSEs, as of 31 March 2023, is given in **Table 1.3**.

Table 1.3: Sector-wise investment in SPSEs as of 31 March 2023

Particulars	Investment ⁸ (₹ in crore)					Percentage of Total Equity and Long-Term Loans
	Total Equity	State Government Equity	Total Long-Term Loans	State Government Loans	Total Equity and Long Term Loans	
Power Sector	9,121.25	9,120.15	22,411.14	19,916.20	31,532.39	95.33
Non-Power Sector	1,454.05	1,393.20	90.30	53.27	1,544.35	4.67
Total	10,575.30	10,513.35	22,501.44	19,969.47	33,076.74	100.00

(Source: Information provided by the SPSEs)

The thrust of investment in SPSEs was mainly on the power sector SPSEs which had received as much as 95.33 *per cent* (₹ 31,532.39 crore) of the total investment of ₹ 33,076.74 crore, as of 31 March 2023. The State Government share (in equity & long-term loans) was 92.16 *per cent* (₹ 30,482.82 crore) of the total investment of ₹ 33,076.74 crore in the SPSEs.

1.5 Return from SPSEs

1.5.1 Profit earned by SPSEs

Based on latest finalised accounts, eight SPSEs pertaining to the non-power sector, reported a profit of ₹ 32.22 crore in 2020-21 out of which 70.11 *per cent* was contributed by two SPSEs (JSBCCL⁹ and JUIDCO¹⁰) and 11 SPSEs (two power and nine non-power sector) reported a profit of ₹ 58.13 crore during the year 2021-22 out of which 71.20 *per cent* was contributed by two SPSEs

⁸ Investment includes equity and long-term loans

⁹ Jharkhand State Building Construction Corporation Limited

¹⁰ Jharkhand Urban Infrastructure Development Company Limited

(JSBCCL and JUUNL¹¹). During the year 2022-23, 12 SPSEs reported a profit of ₹ 90.71 crore out of which 83.30 *per cent* was contributed by only three SPSEs (JSBCCL, JEMCL¹² and JUUNL). SPSEs that earned profit during the year 2020-21, 2021-22 and 2022-23 are given in **Table 1.4**.

Table-1.4: SPSEs earning profit during the years 2020-21, 2021-22 and 2022-23

Sl. No.	Name of SPSE	2020-21		2021-22		2022-23	
		Net Profit (₹ in crore)	Percentage of profit to total profit of SPSEs	Net Profit (₹ in crore)	Percentage of profit to total profit of SPSEs	Net Profit (₹ in crore)	Percentage of profit to total profit of SPSEs
1	Greater Ranchi Development Authority.	4.94	15.33	1.30	2.24	1.30	1.43
2	Jharkhand Industrial Infrastructure Development Corporation Ltd.	1.30	4.03	0.96	1.65	0.96	1.06
3	Jharkhand Silk Textile & Handicraft Development Corporation Ltd.	0.09	0.28	0.79	1.36	0.79	0.87
4	Jharkhand Urban Infrastructure Development Company Ltd.	9.80	30.42	4.02	6.92	4.95	5.46
5	Jharkhand Railway Infrastructure Development Corporation Ltd.	0.06	0.19	-	-	-	-
6	Jharkhand Plastic Park Ltd.	-	-	0.33	0.57	0.33	0.36
7	Jharkhand Medical & Health Infrastructure Procurement Development Corporation Limited	2.13	6.61	2.13	3.66	2.13	2.35
8	Jharkhand State Building Construction Corporation Limited	12.79	39.70	29.49	50.73	29.49	32.51
9	Jharkhand Police Housing Corporation Ltd.	-	-	2.63	4.52	4.67	5.15
10	Jharkhand Urja Utpadan Nigam Limited	-	-	11.90	20.47	11.90	13.12
11	Patratu Energy Ltd.	-	-	0.02	0.03	0.01	0.01
12	Jharbihar Colliery Limited	-	-	-	-	0.01	0.01
13	Jharkhand Exploration & Mining Corporation Limited	-	-	-	-	34.17	37.67
14	Ranchi Smart City Corporation Limited	1.11	3.45	4.56	7.84	-	-
TOTAL		32.22	100.00	58.13	100.00	90.71	100.00

(Source: Information provided by the SPSEs)

Out of the above twelve profit making SPSEs during the year 2022-23 only three SPSEs *i.e.*, JUUNL, JSBCCL and JEMCL had earned profit of more than ₹ 10 crore.

1.5.2 Dividend paid by SPSE

The State Government had not formulated a dividend policy under which all profit-making SPSEs are required to pay a minimum return on the equity held by the State Government. None of the 12 SPSEs which earned profits during the FY 2022-23, as per the latest finalised accounts, had declared dividends.

¹¹ Jharkhand Urja Utpadan Nigam Limited

¹² Jharkhand Exploration and Mining Corporation Limited

1.6 Debt Servicing

1.6.1 Interest Coverage Ratio

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. The interest coverage ratio of below one indicates that the company was not generating sufficient revenue to meet its expenses on interest. The ICR of the three¹³ functional power sector SPSEs, who had availed loan from the State Government, is shown in **Table 1.5**.

Table 1.5: Interest coverage ratio of SPSEs

Year	Interest (₹ in crore)	EBIT (₹ in crore)	No of SPSEs ¹⁴	No. of SPSEs having ICR equal to or more than 1	No. of SPSEs having ICR less than 1
2020-21	936.93	0	3	0	3
2021-22	987.13	14.15	3	1	2
2022-23	1,596.75	14.15	3	1	2

(Source: Latest finalised Annual Accounts of SPSEs as on 31st December 2023)

As shown in **Table 1.5**, the ICR of the two power-sector SPSEs¹⁵ was less than one during the year 2022-23 which was indicative of insufficient earning for paying interest on their loans and entailed a risk of insolvency.

1.6.2 Age-wise analysis of Interest Outstanding on State Government Loans

As on 31st March 2023, interest amounting to ₹ 6,486.44 crore was outstanding on the long-term loans provided by the State Government, to three power sector SPSEs (JBVNL, JUSNL and JUUNL). The age-wise analysis of interest outstanding is depicted in **Table 1.6**.

Table 1.6: Age-wise analysis of Interest Outstanding on State Government Loans

Sl. No.	Name of SPSE	Outstanding Interest on Loan	Interest on loans outstanding for		
			less than 1 year	1 to 3 years	more than 3 years
(₹ in crore)					
Power Sector					
1	JBVNL	3,543.75	1,153.80	970.60	1,419.35
2	JUSNL	2,899.71	439.00	940.43	1,520.28
3	JUUNL	42.98	3.95	13.03	26.00
Total		6,486.44	1,596.75	1,924.06	2,965.63

(Source: Latest finalised Annual Accounts of SPSEs as on 31st December 2023)

¹³ JBVNL, JUSNL and JUUNL.

¹⁴ Loans from the State Government were taken only by JBVNL, JUSNL and JUUNL.

¹⁵ JBVNL and JUSNL.

It can be seen from **Table 1.6** that interest amounting to ₹ 2,965.63 crore was outstanding for more than three years from the year 2013-14. The companies could not repay the interest.

1.7 Financial performance of SPSEs

1.7.1 Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed¹⁶. Details of RoCE of 17 SPSEs (6 Power and 11 Non-Power sector), during the period from 2020-21 to 2022-23, are given in **Table 1.7**.

Table 1.7: Return on Capital Employed

Year	Year wise/ Sector-wise break-up	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2022-23	Power	-4,037.73	4,704.87	-85.82
	Non-Power	104.75	570.66	18.36
	Total	-3,932.98	5,275.53	-74.55
2021-22	Power	-2,506.82	4,648.96	-53.92
	Non-Power	60.59	1,096.39	5.53
	Total	-2,446.23	5,745.35	-42.58
2020-21	Power	-2,712.24	11,696.58	-23.19
	Non-Power	35.28	1,206.63	2.92
	Total	-2,676.96	12,903.21	-20.75
Grand Total		-9,056.17	23,924.09	-37.85

(Source: As per latest finalised accounts)

It can be seen from **Table 1.7** that RoCE of Power Sector SPSEs in 2020-21 was (-) 23.19 percent which further decreased to (-) 53.92 and (-) 85.82 per cent during the year 2021-22 and 2022-23 respectively due to loss of ₹ 2,712.24 crore, ₹ 2,506.82 crore and ₹ 4,037.73 crore incurred during the years 2020-21 to 2022-23.

However, the RoCE of Non-Power Sector SPSEs increased from 2.92 per cent to 18.36 per cent during the period 2020-21 to 2022-23.

1.7.2 Return on Equity by SPSEs

Return on Equity (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing net income (*i.e.*, net profit after taxes) by shareholders fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' funds are both positive numbers.

Shareholders fund is calculated by adding paid up capital and free reserves minus net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's shareholders if all assets were sold and

¹⁶ Capital Employed = Paid up Share Capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure.

all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while a negative shareholder equity means liabilities exceed assets.

Sector-wise RoE of SPSEs for three years ended 31 March 2023 is depicted in **Table 1.8**.

Table 1.8: Sector-wise Return on Equity of SPSEs

Year wise, Sector-wise break-up	EAIT/ Net Income (₹ in crore)	Shareholders Fund (₹ in crore)	RoE (in per cent)
2022-23			
Power	-4,038.78	-13,005.21	-
Non-Power	78.79	526.79	14.96
Total	-3,959.99	-12,478.42	-
2021-22			
Power	-2,509.07	-10,056.48	-
Non-Power	46.21	508.63	9.09
Total	-2,462.86	-9,547.85	-
2020-21			
Power	-2,711.71	-7,243.84	-
Non-Power	22.12	450.08	4.91
Total	-2,689.59	-6,793.76	-

(Source: As per latest finalised accounts)

It can be seen from **Table 1.8** that RoE of the Non-Power Sector increased from 4.91 per cent in 2020-21 to 14.96 per cent in 2022-23. The RoE of the Power Sector for the period from 2020-21 to 2022-23 cannot be determined as both net income and shareholders' equity were negative.

1.7.3 Rate of Return on the basis of Present Value of Investment

In order to bring the historical cost of investment to its present value (PV) at the end of each year upto 31 March 2023, the past investments/year-wise funds infused by the State Government in the SPSEs are compounded at the year-wise average rate of interest on Government borrowings, which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free loans and grants/subsidies for operational and management expenses, if any, less: disinvestments, since inception of these Companies, till 31 March 2023.

The PV of the State Government investment in SPSEs was computed on the basis of the following assumptions:

- The average rate of interest on Government borrowings for the concerned financial year¹⁷ was adopted as compounded rate for arriving at PV since it represents the cost incurred by the Government towards investment of

¹⁷ The average rate of interest on Government borrowings was adopted from the Finance Accounts of the Government of Jharkhand for the concerned year wherein the average rate for interest paid = interest payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities) / 2] * 100

funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

SPSE-wise position of State Government investment in the 14 SPSEs (Other than KEL, PEL, JCL) in the form of equity and interest free loans on historical cost basis along with the consolidated position of the PV of the State Government investment and the total earnings for the period from 2018-19 to 2022-23 have been given in **Appendix 1.3**.

The total investment by the State Government in the SPSEs at the end of the financial year 2022-23 increased to ₹ 9,762.41 crore from ₹ 6,114.49 crore at the end of 2018-19. The State Government made further investments in the form of equity (₹ 1,739.90 crore) during the period 2018-19 to 2022-23 in these SPSEs. The PV of funds infused by the State Government in 14 SPSEs up to 31 March 2023 amounted to ₹ 10,299.34 crore. During the years 2018-19 to 2022-23, the total earnings remained below the minimum expected return to recover cost of funds in these SPSEs.

1.8 SPSEs incurring losses

1.8.1 Losses incurred by SPSEs

There were three¹⁸ SPSEs that incurred losses during 2021-22 to 2022-23, as given in **Table 1.9**.

Table 1.9: Number of SPSEs that incurred losses during 2020-21 to 2022-23
(₹ in crore)

Year	No of SPSEs/Government Company which incurred loss	Net loss for the year	Net Worth ¹⁹
2020-21	8	-2,721.81	-7,229.19
2021-22	3	-2,520.99	-10,072.88
2022-23	3	-4,050.70	-13,021.63
Total		-9,293.50	-30,323.70

(Source: As per latest finalised accounts)

The loss of ₹ 2,520.99 crore and ₹ 4,050.70 crore during 2021-22 and 2022-23 respectively were incurred by three Power Sector SPSEs. Two SPSEs listed in **Table 1.10** incurred a loss of more than ₹ 10 crore as per the latest information provided.

¹⁸ JBVNL, JUSNL and KEL

¹⁹ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

Table 1.10: SPSEs that incurred losses of more than ₹ 10 crore

(₹ in crore)

Sl. No.	Name of SPSEs	Year of Finalised Account	Net loss after tax
Power Sector			
1	Jharkhand <i>Bijli Vitran Nigam Limited</i>	2022-23	-3,618.51
2	Jharkhand <i>Urja Sancharan Nigam Limited</i>	2021-22	-430.11
Total Power			-4,048.62

(Source: As per latest finalised accounts)

1.8.2 Erosion of net worth of SPSEs

Net worth is the aggregate value of the paid-up share capital and all reserves created out of the profits, securities and debit or credit balance of Profit and Loss Accounts, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet. It, however, does not include reserves created out of revaluation of assets and write back of depreciation. Details are given in **Table 1.11**.

Table 1.11: Erosion of net worth of SPSEs as on 31 March 2023

(₹ in crore)

Name of SPSEs	Latest Finalised Accounts	Total Paid up Capital	Net profit/ loss after tax and preference dividend	Turnover	Accumulated Losses	Net worth	Assets (WDV)	State Equity as on 31.03.23	State Loans as on 31.03.23
JBVNL	2022-23	3,108.93	-3,618.51	6,000.74	-15,206.70	-12,065.74	35,383.45	3,108.93	15,261.78
JUSNL	2021-22	1,598.96	-430.11	249.65	-2,226.47	-925.08	7,870.97	1,598.96	2,393.63
JCL	2022-23	1.00	0.01	0.00	-3.98	-2.99	0.99	1.00	3.92
PEL	2022-23	0.05	0.01	0.00	-16.41	-16.36	1.34	0.05	0.00
KEL	2022-23	0.05	-2.08	0.00	-30.85	-30.81	8.13	0.05	30.91
JHARCRAFT	2021-22	10.00	0.79	3.63	-46.15	-36.15	184.27	10.00	0.00
Total		4,718.99	-4,049.89	6,254.02	-17,530.56	-13,077.13	43,449.15	4,718.99	17,690.24

As per the latest finalised accounts received from 17 SPSEs, accumulated losses of six SPSEs were ₹ 17,530.56 crore, against their paid-up capital of ₹ 4,718.99 crore. Hence, the net worth of these SPSEs was completely eroded and their cumulative net worth stood at (-) ₹ 13,077.13 crore as on 31 March 2023.

1.9 Appointment of Statutory Auditors of State Public Sector Enterprises 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 those Companies, whose accounts were finalised till 2022-23 (as per **Appendix 1.1**), were appointed by the CAG.

1.10 Submission of accounts by State Public Sector Enterprises

1.10.1 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 Meeting²⁰ (AGM). As soon as it may be after such preparation, the Annual Report must be laid before the Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. This mechanism provides the necessary Legislative control over utilisation of public funds invested in the Companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013, requires every company to hold AGM of the shareholders once in every calendar year. It also provides that not more than 15 months should 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 Statements for the financial year have 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 fines 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.

1.10.2 Timeliness in preparation of accounts by SPSEs

As of 31 March 2023, there were 32 SPSEs under the purview of CAG's audit. Accounts for the year 2022-23 were due from all the 32 SPSEs. As on 31st December 2023, eight SPSEs submitted their accounts for the year 2022-23 for audit by the CAG. Ninety-four Accounts of 24 SPSEs were in arrears, for various reasons. Details of arrears in submission of accounts of SPSEs are given in **Table 1.12**.

Table 1.12: Details of arrears in submission of accounts

Particulars		SPSEs	No. of Accounts
Total number of Companies under the purview of CAG's audit as on 31 March 2023		32	32
Number of companies from which accounts for 2022-23 were due		32	32
Number of companies that presented the accounts for the year 2022-23 for CAG's audit by 31 st December 2023		8	8
Number of accounts in arrears		24	94
Age-wise analysis of accounts in arrears	One year (2022-23)	08	08
	Two years (2021-22 and 2022-23)	01	02
	Three years and more	15	84

(Source: Compiled on the basis of annual accounts received)

²⁰ In case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case, within a period of six months, from the date of the closing of the financial year i.e., 30 September.

1.11 CAG's oversight - Audit of accounts and supplementary audit

1.11.1 Financial reporting framework

Companies are required to prepare the Financial Statements in the format laid down in Schedule III of the Companies Act, 2013, and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with the National Advisory Committee on Accounting Standards renamed as the National Financial Reporting Authority²¹.

1.11.2 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 public sector undertakings 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
- supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

1.11.3 Supplementary Audit of accounts of Government Companies

The primary responsibility for preparation of Financial Statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013, or other relevant Act, is that of the management of a company.

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 an independent audit in accordance with the Standard Auditing Practices of the Institute of Chartered Accountants of India 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 the CAG through supplementary audits. 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 AGM.

²¹ Effective from 01 October 2018.

1.12 Result of CAG's oversight role

1.12.1 Audit of accounts of SPSEs

Total 43 Financial Statements²² of 23 SPSEs pertaining to the years 2022-23 and earlier were received between 01 October 2022 and 31 December 2023. Out of these, 35 Financial Statements of 18 SPSEs were reviewed in audit by the CAG and non-review certificate was issued for eight Financial Statements of five SPSEs.

1.12.2 Amendment of Financial Statements

During the period from 01 October 2022 to 31 December 2023, one SPSE (*i.e.*, Ranchi Smart City Corporation Limited) amended its Financial Statements after supplementary audit for the year 2021-22 before laying the same in the AGM.

1.12.3 Revision of Auditors Report

During the period from 01 October 2022 to 31 December 2023, there were five²³ cases where statutory auditors' reports were revised based on results of supplementary audit of the Financial Statements conducted by the CAG.

1.12.4 Financial implications of significant audit comments on Financial Statements

Financial implications of significant audit comments issued between 1 October 2022 to 31 December 2023 on the Financial Statements of SPSEs was ₹ 437.04 crore on profitability and ₹ 3,053.09 crore on their financial position.

1.13 Corporate Governance

1.13.1 Provisions as contained in the Companies Act, 2013

The Companies Act, 2013, was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs has also notified (31 March 2014) Companies Rules, 2014, on Management and Administration, Appointment and Qualification of Directors, Meetings of Board of Directors and its powers and Accounts. The Companies Act, 2013, together with the Companies Rules provide a robust framework for Corporate Governance.

1.13.2 Meeting of the Board of Directors

Section 173 of the Companies Act, 2013, stipulates that every company shall hold the first meeting of the Board of Directors within thirty days of the date of its incorporation and thereafter hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.

²² 2022-23 (08); 2021-22 (13); 2020-21 (06); 2019-20 (04); 2018-19 (02); 2017-18 (04); 2016-17 (04); 2015-16 (01) and 2014-15 (01).

²³ JUSNL, JPPL, JIIDCO, GRDA, JRIDCL.

The number of meetings held by the Board of Directors of the SPSEs during 2020-21 to 2022-23 is shown in **Table 1.13**.

Table 1.13: Number of Board Meetings held during 2020-21 to 2022-23

Sl. No.	Name of SPSE	2020-21	2021-22	2022-23
1	Tenughat Vidyut Nigam Limited	0	2	2
2	Jharkhand Tourism Development Corporation Limited	1	0	0
3	Jharkhand State Food and Civil Supplies Corporation Limited	1	1	2
4	Jharkhand Hill Area Lift Irrigation Corporation Limited	2	1	2
5	Jharkhand Communication Network Limited	2	3	0
6	Jharkhand State Minorities Finance and Development Corporation	0	1	1
7	Jharkhand State Agriculture Development Corporation Limited	1	1	1
8	Jharkhand Medical & Health Infrastructure Development & Procurement Corporation Limited	0	1	1
9	Greater Ranchi Development Agency Limited	1	1	0
10	Jharkhand Industrial Infrastructure Development Corporation Limited	2	2	1
11	Jharkhand Silk Textile & Handicraft Development Corporation Limited	1	1	3
12	Jharkhand Urban Infrastructure Development Company Limited	2	2	1
13	Jharkhand Plastic Park Limited	1	0	2
14	Jharkhand Railway Infrastructure Development Corporation Limited	2	2	2
15	Jharkhand State Building Construction Corporation Limited	2	1	2
16	Jharkhand State Mineral Development Corporation Limited	2	6	2
17	Jharkhand Exploration and Mining Corporation Limited	-	3	2
18	Jharkhand State Forest Development Corporation Limited	2	2	3
19	Ranchi Smart City Corporation Limited	4	3	2
20	Jharkhand State Beverage Corporation Limited	1	1	4
21	Jharkhand Urja Utpadan Nigam Limited	4	-	5
22	Karanpura Energy Limited	4	3	4
23	Patratu Energy Limited	4	3	4
24	Jharkhand Police Housing Corporation Limited	2	5	4

(Source: Information furnished by the companies)

It can be seen from **Table 1.13** that 24 out of 32 SPSEs of Jharkhand did not comply with the provision of the Act for holding a minimum of four meetings of the Board of Directors every year during the period 2020-21 to 2022-23.

1.14 Internal Audit Framework

1.14.1 Role of Internal audit

The Institute of Internal Auditors (IIA) defines Internal Auditing as: “An independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. The internal audit activity helps an organisation to accomplish its objectives by bringing a systematic, disciplined

approach to evaluate and improve the effectiveness of risk management, control and governance processes.” Accordingly, the role of internal audit is to provide independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively.

The framework governing internal audits issued (February 2009) by ICAI²⁴, defines internal audit as an independent assurance on the effectiveness of internal controls and risk management processes to enhance governance and achieve organisational objectives.

1.14.2 Legal Framework

Section 138(1) of the Companies Act, 2013, read with Rule 13 of Companies (Accounts) Rules, 2014, provides that (a) every listed company; and (b) every unlisted public company having paid up share capital of fifty crore rupees or more; or turnover of two hundred crore rupees or more during the preceding financial year; or outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more; or outstanding deposits of twenty-five crore rupees or more at any point of time during the preceding financial year, shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company. Section 138 (2) of the Companies Act, 2013, provides that the Central Government may, by rule, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board.

Audit observed that out of 13 SPSEs (**Appendix 1.4**), who were required to appoint an Internal Auditor as per provisions of the Act referred above, ten²⁵ SPSEs had conducted internal audit through Chartered Accountant firms and one SPSE (JUVNL) had stated that it had its own internal audit wing but no internal audit had been conducted till date (as of January 2025). Further, two SPSEs (JBVNL & JHALCO) had also not conducted internal audit during 2022-23.

1.15 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a Company’s commitment to operate in an economically, socially and environmentally sustainable manner, while recognising the interests of its stakeholders including consumers, employees, investors and communities. It is a mandate given to profit making companies to dedicate a portion of their profits to common social good so as to give back to the society, within which they operate. The inclusion of the CSR mandate under the Companies Act, 2013, is an attempt to supplement the Government’s efforts

²⁴ Standards of Internal Audit (SIA) 120

²⁵ JUSNL, TVNL, GRDAL, JCNL, JEMCL, JHARCRAFT, JUIDCO, RSCCL, JSBCL and JSBCCL

of equitably delivering the benefits of growth and to engage the Corporate World in the country's development agenda.

The Government of India enacted the Companies Act, 2013, in August 2013. With the enactment of the Companies Act (hereafter referred to as "Act") containing CSR provision under Section 135, the mandate for CSR has become a part of Corporate Governance in the country.

Section 135 of the Companies Act, 2013, enjoins the Board of Directors of every company, having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more, or a net profit of rupees five crore or more, during any financial year, to ensure that the Company spends at least two *per cent* of its average net profit, made during the immediate three preceding financial years, on Corporate Social Responsibility.

Schedule VII of the Companies Act, 2013, contains a list of activities which may be included by companies in their CSR policy. These include activities related to healthcare, education & skill development, social and gender equality, environment sustainability, national heritage, art and culture, armed forces, sports, funds set up by Central Government, technology incubators, rural development projects, slum area development, capacity building *etc.*

Apart from the Act, the Ministry of Corporate Affairs (MCA) had issued the Companies (Corporate Social Responsibility Policy) Rules, 2014, and the Department of Public Enterprises (DPE) had issued (August 2016) an O.M on observance of transparency and due diligence in selection and implementation of activities under CSR.

Out of 32 SPSEs in Jharkhand, the provisions of CSR under the Companies Act, 2013, were applicable to only 10 SPSEs. Details of CSR activities carried out by these 10 SPSEs during the last four years, is shown in **Table 1.14**.

Table 1.14: Company-wise details of CSR activities

(₹ in crore)

Sl. No.	Name of Company	Whether CSR Committee formed	Whether Committee formulated and recommended CSR policy	Year-wise expenditure on CSR							
				2019-20		2020-21		2021-22		2022-23	
				Allocated	Actual expenditure	Allocated	Actual expenditure	Allocated	Actual expenditure	Allocated	Actual expenditure
1	Jharkhand Bijli Vitran Nigam Limited	Yes	No	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Jharkhand Urja Sancharan Nigam Limited	Yes	No	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Jharkhand Urja Vikas Nigam Limited	Yes	No	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Greater Ranchi Development Agency Limited	Yes	Yes	0.08	0.08	0.11	0.00	0.20	0.00	0.00	0.00

Sl. No.	Name of Company	Whether CSR Committee formed	Whether Committee formulated and recommended CSR policy	Year-wise expenditure on CSR							
				2019-20		2020-21		2021-22		2022-23	
				Allocated	Actual expenditure	Allocated	Actual expenditure	Allocated	Actual expenditure	Allocated	Actual expenditure
5	Jharkhand State Food & Civil Supply Corporation Limited	No	No	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Jharkhand Urban Infrastructure Development Company Limited	Yes	Yes	0.17	0.00	0.20	0.00	0.27	0.06	0.24	0.00
7	Ranchi Smart City Corporation Limited	Yes	Yes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	Jharkhand State Beverages Corporation Limited	No	No	0.00	0.00	0.00	0.00	0.00	0.00	0.21	0.00
9	Jharkhand State Building Construction Corporation Limited	Yes	No	0.34	0.00	0.51	0.00	0.50	0.00	0.64	0.00
10	Jharkhand State Forest Development Corporation Limited	No	No	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

(Source: Information furnished by the companies)

None of the power-sector companies had formulated their CSR policy. In case of non-power sector companies, only three companies (*i.e.* GRDA, JUIDCO and RSCCL) had formulated their CSR policies. Though some SPSEs (*i.e.* JUIDCO, JSBCL and JSBCCL) had allocated funds of ₹ 1.09 crore for CSR activities during 2022-23, they did not spend the same.

1.16 Follow up action on Audit Reports

The Reports of the CAG of India represent the culmination of the process of audit scrutiny. It is therefore necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Jharkhand had also issued (November 2015) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Audit reports of the CAG of India within a period of three months of their presentation to the Legislature in the prescribed format without waiting for any questionnaires from the Committee on Public Sector Undertakings (COPU). However, no reply/explanatory notes were submitted by any of the departments (October 2024).

Discussion of Audit Reports by the Committee on Public Undertakings

Fourteen COPU meetings were held during 2022-23, in which eight audit paras relating to Audit Reports 2015-16 to 2018-19 were discussed.

Compliance to Reports of COPU

No ATNs had been received from SPSEs against nine recommendations in respect of paragraphs pertaining to four departments (Forest Environment &

Climate Change, Mines & Geology, Home, Jail & Disaster Management and Industry) contained in five COPU reports for the year 2006-07, 2007-08, 2009-10, 2010-11 and 2012-13, presented to the State Legislature during 2013-23.

1.17 Conclusion

As on 31 March 2023, there were 32 SPSEs in Jharkhand, including three inactive SPSEs. Out of these, eight SPSEs had submitted their Financial Statements for the year 2022-23 (as on 31 December 2023). However, 94 accounts pertaining to 24 SPSEs were in arrears (as on 31 December 2023).

Out of the total profit of ₹ 90.71 crore earned by 12 SPSEs (three power and nine non-power sector) during the financial year 2022-23, 83.30 per cent was contributed by three SPSEs (JSBCCL, JEMCL & JUUNL). None of the 12 profit-making SPSEs had declared dividends during 2022-23. Out of total loss of ₹4,050.70 crore incurred by three SPSEs during 2022-23, loss of ₹ 3,618.51 crore (*i.e.* 89.33 per cent) was incurred by one SPSE (Jharkhandp *Bijli Vitran Nigam Limited*).

Financial impact of significant comments issued (October 2022 to 31 December 2023) on the financial statements of SPSEs was ₹ 437.04 crore on profitability and ₹ 3,053.09 crore on their financial position.

1.18 Recommendations

- 1. The State Government may impress upon the managements of SPSEs to ensure timely submission of their Financial Statements. In the absence of finalised accounts, government investments in such SPSEs remain outside the oversight of the State Legislature.*
- 2. The State Government may take a policy decision regarding commencement of liquidation process in respect of the inactive SPSE (Karanpura Energy Limited).*