

Introduction

Functioning of State Public Sector Enterprises

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General

1. State Public Sector Enterprises (SPSEs) consist of State Government Companies and Statutory Corporations. 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 economy. As on 31 March 2020, there were 36 SPSEs in Haryana, including two Statutory Corporations¹ and 34 Government Companies (including five² inactive³ Government companies) under the audit jurisdiction of the Comptroller & Auditor General of India. Two⁴ SPSEs were listed on the stock exchange. This report does not include results of seven SPSEs which were inactive companies/under liquidation or whose first accounts⁵ were not received. Figures in respect of remaining 29 SPSEs are based on their latest accounts received till 31 December 2020.

2. The financial performance of the SPSEs on the basis of latest finalised accounts as on 31 December 2020 is covered in this report. The nature of SPSEs and the position of accounts are indicated in the table below:

Table 1: Nature of SPSEs covered in the Report

Nature of SPSEs	Total Number of SPSEs	Number of accounts received during the reporting period from October 2019 to December 2020						Number of SPSEs of which accounts are in arrear (total accounts in arrear) as on 31 December 2020
		Accounts for 2019-20	Accounts for 2018-19	Accounts for 2017-18	Accounts for 2016-17	Accounts for 2015-16	Total	
Government Companies	28	9	8	3	4	2	26	18(30)
Statutory Corporations	2	0	2	0	0	0	2	2(2)
Government controlled other Companies	6	1	1	0	0	0	2	4(7)
Total working SPSEs	36	10	11	3	4	2	30	24(39)

Source: Compiled from annual financial statements received in the O/o the Principal Accountant General (Audit) Haryana.

¹ Haryana State Warehousing Corporation and Haryana Financial Corporation.

² Haryana Concast Limited, Haryana State Housing Finance Corporation Limited, Haryana State Minor Irrigation & Tubewells Corporation Limited, Haryana Minerals Limited and Saur Urja Nigam Haryana Limited.

³ Inactive SPSEs are those which have ceased to carry out their operations.

⁴ Haryana Financial Corporation and Haryana Vidyut Prasaran Nigam Limited.

⁵ Faridabad City Transport Services Limited and Karnal Smart City Limited.

Twenty one working SPSEs earned profit of ₹ 975.78 crore and eight SPSEs incurred losses of ₹ 38.10 crore as per their latest finalised accounts.

Accountability framework

3. The procedures for audit of Government companies are laid down in Section 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held 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 and includes a company which is a subsidiary company of such a Government Company. The Comptroller and 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. Section 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 one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government company or Government controlled other company, the first auditor are to be appointed by the CAG within sixty days from the date of registration of the company and in case the CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-section 7 of Section 143 of the Act 2013, the CAG may, in case of any company covered under sub-section (5) or sub-section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG.

Statutory audit

4. The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013. Audit of Statutory Corporations is

governed by their respective legislations. In respect of Haryana State Warehousing Corporation and Haryana Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

Submission of accounts by SPSEs

Need for timely finalisation and submission of accounts

5. According to Section 394 and 395 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 House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the 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 and that AGM is held within 15 months of the previous/ last AGM.

Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the concerned financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 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.

Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government for placing before the State Legislature under the provisions of Section 19A of the CAG's (Duties, Power and Conditions of Service) Act, 1971.

Investment by Government of Haryana in State SPSEs

7. The Government of Haryana (GoH) has significant financial stake in the SPSEs. These are mainly of three types:
- **Share capital and loans** – In addition to the share capital contribution, GoH also provides financial assistance by way of loans to the SPSEs from time to time.
 - **Special financial support** – GoH provides budgetary support by way of grants and subsidies to the SPSEs as and when required.
 - **Guarantees** – GoH also guarantees the repayment of loans with interest availed by the SPSEs from Financial Institutions.
8. The sector-wise summary of Government of Haryana investment in the SPSEs as on 31 March 2020 is given below:

Table 2: Sector-wise GoH investment in SPSEs

Name of sector	Working Government Companies	Working Statutory Corporations	Total	Investment (₹ in crore)		
				Equity	Long term loans	Total
Power	4	0	4	35,128.48	8.65	35,137.13
Finance	4	1	5	302.22	0	302.22
Service	10	0	10	67.02	0	67.02
Infrastructure	5	0	5	211.18	324.68	535.86
Others	4	1	5	9.78	8.15	17.93
Total	27	2	29	35,718.68	341.48	36,060.16

Source: Compilation based on information received from SPSEs.

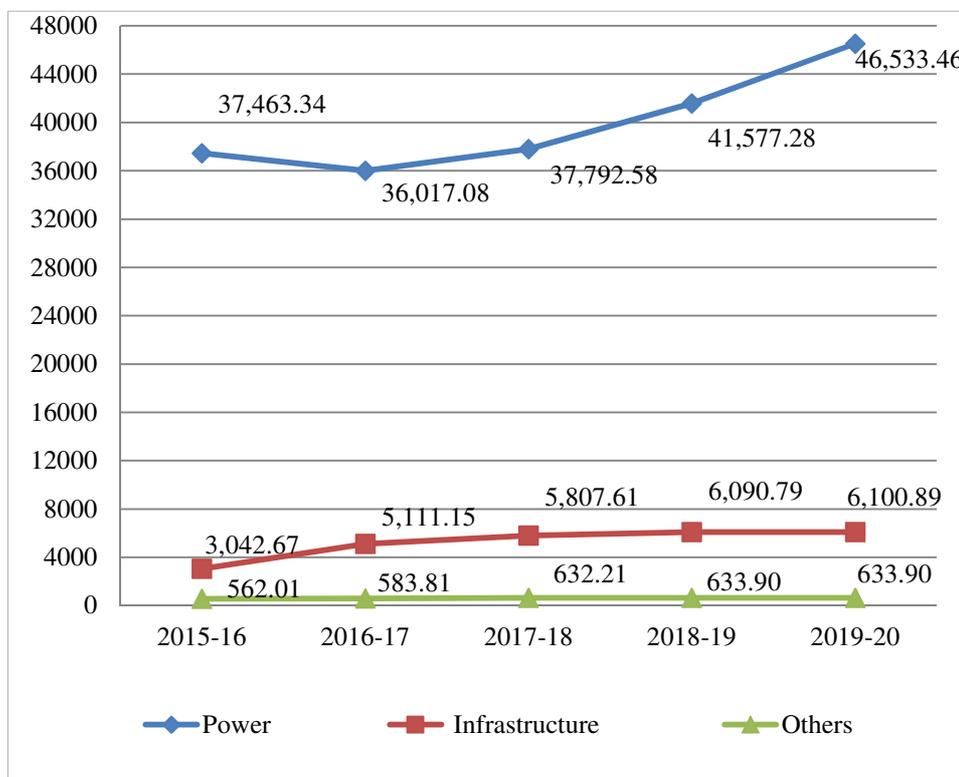
The thrust of SPSE investment by the Government was mainly on power sector during the last five years. The power sector received government investments of ₹ 35,137.13 crore (97.44 per cent) out of total investment of ₹ 36,060.16 crore.

However, the total investment including investment from other than GoH resources in various sectors during the period from 2015-16 to 2019-20 is

shown in chart below:

Chart 1: Sector-wise investment in SPSEs

(Figures in ₹ crore)



Keeping in view the high level of investment in Power Sector, we are presenting the pen picture of functioning of four Power Sector SPSEs in Chapter I.

This Report contains six Chapters as under:

- Chapter I: Financial Performance of State Public Sector Enterprises (Power Sector)
- Chapter II: Financial Performance of State Public Sector Enterprises (other than power sector)
- Chapter III: Oversight Role of CAG
- Chapter IV: Corporate Governance
- Chapter V: Corporate Social Responsibility
- Chapter VI: Impact of implementation of Indian Accounting Standards in State Public Sector Enterprises

This Report was discussed with the Additional Chief Secretary (Finance)-cum-Administrative Secretary, Bureau of Public Enterprises, Haryana and Managing Directors/ representatives of concerned SPSEs in exit conference on 20 July 2021. The view points of the Government and Management of SPSEs have been duly considered and suitably incorporated in the Report.