

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



## CHAPTER-V

# FUNCTIONING OF STATE PUBLIC SECTOR ENTERPRISES

### SUMMARY OF FINANCIAL PERFORMANCE OF STATE PUBLIC 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 thereunder. 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 16 SPSEs (15 working and one non-working) in Tripura under the audit jurisdiction of the CAG. The 15 working SPSEs included 13 Government Companies, and one Statutory Corporation as shown in **Table 5.1**.

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**Table 5.1: Details of working and non-working SPSEs**

Type of SPSEs	Working SPSEs	Non-working SPSEs <sup>1</sup>	Total
Government Companies	13	1	14
Government Controlled Other Companies	1 <sup>2</sup>	-	1
Statutory Corporations	1	-	1
<b>Total</b>	<b>15</b>	<b>1</b>	<b>16</b>

**Table 5.2** 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 <sup>3</sup>	1,024.88	1289.82	1742.31
GSDP	49823	55857	58880
Percentage of Turnover to GSDP	2.06	2.31	2.96

*Source: As per latest finalised accounts of SPSEs*

As could be noticed from **Table 5.2**, the contribution of SPSEs-turnover to GSDP over the past three years from 2018-19 to 2020-21 has shown a nominal (overall) increase of 0.90 per cent from 2.06 per cent to 2.96 per cent. The major contributors to SPSEs-turnover during 2020-21 were Tripura State Electricity Corporation Limited (₹ 1,468.40 crore) and Tripura Natural Gas Company Limited (₹ 121.85 crore).

### 5.4 Investment in SPSEs

#### 5.4.1 State Government's investment in SPSEs

The State's investment in the SPSEs was by way of Equity Share Capital and Long Term Loans. State Government investment in SPSEs under various important sectors at the end of 31 March 2021 has been given in **Table 5.3**.

**Table 5.3: Sector-wise details of State Government investments in PSEs**

Name of Sector	Number of SPSEs	(₹ in crore)		
		Government/ Other Companies	Statutory Corporations	Total Investment
Power	2	742.45	0.00	<b>742.45</b>
Manufacturing	2	458.01	0.00	<b>458.01</b>
Financing	2	144.62 <sup>4</sup>	0.00	<b>144.62</b>
Service	5	174.46	163.96	<b>338.42</b>
Agriculture & Allied	4	84.47	0.00	<b>84.47</b>
Miscellaneous	1 <sup>5</sup>	0.00	0.00	<b>0.00</b>
<b>Total</b>	<b>16</b>	<b>1604.01</b>	<b>163.96</b>	<b>1767.97</b>

*Source: As per SPSE records*

<sup>1</sup> Non-working SPSEs are those which have ceased to carry on their operations

<sup>2</sup> Tripura Natural Gas Company Limited

<sup>3</sup> As per the latest finalised accounts of working SPSEs as on 30<sup>th</sup> September of respective years

<sup>4</sup> including investment of ₹ 0.04 crore in one non-working SPSE.

<sup>5</sup> Represents 'Tripura Natural Gas Company Limited' in which the State Government had no direct equity investment.

### 5.4.2 Reconciliation with Finance Accounts

The figures in respect of Equity Capital, Loans and guarantees 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 **Table 5.4**.

**Table 5.4: Equity and Loans outstanding as per the State Finance Accounts vis-à-vis records of SPSEs for last three years**

Year	2018-19			2019-20			2020-21		
	Amount as per Finance Accounts	Amount as per records of SPSEs <sup>6</sup>	Difference	Amount as per Finance Accounts	Amount as per records of SPSEs <sup>4</sup>	Difference	Amount as per Finance Accounts	Amount as per records of SPSEs <sup>4</sup>	Difference
Equity <sup>7</sup>	1374.68	1469.25	94.57	1439.13	1508.00	68.87	1499.97	1561.92	61.95
Loans	56.75 <sup>6</sup>	206.30	149.55	56.75 <sup>6</sup>	206.35	149.60	56.75 <sup>6</sup>	206.05	149.30
Guarantee	317.82	200.00	117.82	359.57	200.00	159.57	459.57 <sup>8</sup>	200.00	259.57

Source: As per State Finance Accounts and SPSE records

It can be noticed from **Table 5.4** that, as on 31 March 2021, as per records of SPSEs, the Equity investment given by GoT increased from ₹ 1,469.25 crore in 2018-19 to ₹ 1,561.92 crore in 2020-21, an increase of 6.31 *per cent*. However, there were differences in the figures of Equity (₹ 61.95 crore), Loan (₹ 149.30 crore) and Guarantee (₹ 259.57 crore) as per two sets of records. Out of total 15 SPSEs<sup>9</sup> where State Government had made direct investment, the difference occurred in respect of 12 SPSEs.

The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of financing the SPSEs and the Finance Accounts may be updated.

### 5.4.3 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company would stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/ debts. The coverage of long term loans by value of total assets in six SPSEs which had outstanding loans as per their latest accounts finalised as on 30 September 2021 is given in **Table 5.5**.

<sup>6</sup> Figures are provisional and as provided by the SPSEs as 13 out of 15 SPSEs (excluding Tripura Natural Gas Company Limited, which had no direct investment from the State Government) had not finalised their current accounts.

<sup>7</sup> Excluding equity investment (₹ 0.54 crore) made (1963-64 to 1991-92) by the State Government in Assam Financial Corporation, Shillong, which no longer exists.

<sup>8</sup> This represented the Guarantees outstanding against the Loans availed by Tripura State Electricity Corporation Limited (₹ 259.57 crore) and Agartala Smart City Limited (₹ 200.00 crore).

<sup>9</sup> Excluding one Government Controlled Other Company (Tripura Natural Gas Company Limited) where the State Government had no direct investment.

**Table 5.5: Coverage of long term loans with total assets**

	Positive Coverage				Negative Coverage			
	No. of SPSEs	Long Term Loans	Assets	Percentage of Assets to Loans	No. of SPSEs	Long Term Loans	Assets	Percentage of Assets to Loans
	(₹ in crore)				(₹ in crore)			
Statutory Corporations	1	0.25	300.44	120176	-	-	-	-
Government Companies	5	532.31	2378.54	447	-	-	-	-
<b>Total</b>	<b>6</b>	<b>532.56</b>	<b>2678.98</b>					

Source: Latest finalised accounts of SPSEs

It can be seen from **Table 5.5**, the value of assets of all the 6 SPSEs was significantly higher than their loans outstanding. Hence, the value of total assets available with these SPSEs had comfortably covered their long term borrowings.

### 5.5 Budgetary assistance to SPSEs

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The summarised details of budgetary support towards Equity, Loans and Grants/subsidies in respect of SPSEs during the past three years are given in **Table 5.6**.

**Table 5.6: 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	4	34.81	5	49.89	6	52.34
Loans given from budget	-	-	-	-	-	-
Grants/ subsidy from budget	3	70.77	4	83.82	2	71.18
<b>Total Outgo</b>		<b>105.58</b>		<b>133.71</b>		<b>123.52</b>

Source: As per SPSEs records

It can be noticed from **Table 5.6** that the budgetary support provided by State Government to SPSEs increased from ₹ 105.58 crore in 2018-19 to ₹ 123.52 crore in 2020-21. The major recipients of budgetary support during 2020-21 were Tripura State Electricity Corporation Limited (Grant/subsidy: ₹ 57.69 crore), Tripura Jute Mills Limited (Equity: ₹ 25.21 crore), Tripura Handloom and Handicrafts Development Corporation Limited (Equity: ₹ 14.12 crore) and Tripura Road Transport Corporation (Grant/ subsidy: ₹ 13.49 crore).

### 5.6 Returns from Government Companies and Corporations

#### Profit earned and Dividend paid by SPSEs

The position of aggregate profit earned and dividend paid by profit earning SPSEs during the past three years as per their latest finalised accounts as on 30 September of

respective year is given in **Table 5.7**.

**Table 5.7: Details of profits earned and dividend paid by working SPSEs**

Year	2018-19	2019-20	2020-21
Number of profit earning working SPSEs	4	6	6
Aggregate profit earned(₹ in crore)	8.87	20.65	24.80
Dividend paid	-	-	1.86

As can be noticed from **Table 5.7** during the last three years, four to six working SPSEs earned profit ranging from ₹ 8.87 crore (2018-19) to ₹ 24.80 crore (2020-21). However, none of these SPSEs had declared/paid any dividend during the previous two years (2018-19 and 2019-20) to the State Government. During 2020-21, Tripura Natural Gas Company Limited (a Government Controlled Other Company where the State Government has no direct equity investment) declared a dividend of ₹ 1.86 crore. There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs.

During 2020-21, out of a total of 15 working SPSEs, six SPSEs (Five Companies and one Corporation) earned aggregate profit of ₹ 24.80 crore as per their latest finalised accounts. Analysis of the working results of the SPSEs revealed that more than 87 per cent (₹ 21.75 crore) of the SPSEs aggregated profits (₹ 24.80 crore) were contributed by one SPSE (Tripura Natural Gas Company Limited) as per its latest finalised accounts (2020-21) as on 30 September 2021. This indicated that the other SPSEs had negligible or no contribution towards the profits of the public sector enterprises.

### 5.7 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 5.8**.

**Table 5.8: Position of Outstanding loans of the SPSEs**

Particulars	(₹ in crore)		
	2018-19	2019-20	2020-21
Total Loans outstanding (State Government and Others)	297.73	489.30	530.79
State Government Loans outstanding	194.34	207.59	207.59
Interest on Total Loans	13.11	18.24	23.73
Interest on State Loan <sup>10</sup>	10.86	10.86	10.86

It can be noticed from **Table 5.8** that during 2020-21, the total long term borrowings of the SPSEs (Companies and Corporations) from all sources registered an increase of ₹ 233.06 crore (78 per cent) as compared to 2018-19. This was mainly due to increase of ₹ 238.09 crore in loans of the power sector SPSE (Tripura State Electricity Corporation Limited) from ₹ 160.28 crore in 2018-19 to ₹ 356.88 crore in 2019-20 and

<sup>10</sup> Interest figures as available in the latest finalised accounts of respective SPSEs

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further to ₹ 398.37 crore in 2020-21.

As on 31 March 2021, however, nine out of 15 working SPSEs did not have any outstanding long term loans.

### 5.8 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 5.9**.

**Table 5.9: Key parameters of operational efficiency of working SPSEs**

(₹ in crore)

Year	No. of working SPSEs	Paid up capital	Net overall Accumulated profits (+)/ losses(-)	Net overall profits (+)/ losses(-)	EBIT	Capital employed <sup>11</sup>
2018-19	14	1388.28	(-) 1028.84	(-) 211.86	(-) 201.39	732.78
2019-20	15	1475.76	(-) 1120.93	(-) 74.95	(-) 58.26	919.86
2020-21	15	1514.90	(-) 999.56	(-) 86.36	(-) 55.93	1121.86

From **Table 5.9**, it can be seen that, over the last three years the position of the Net overall losses and 'Earnings before Interest and Tax' (EBIT) has improved. The Capital Employed of SPSEs during 2020-21 has also appreciated mainly due to increase in the long term borrowings of the SPSEs from ₹ 297.73 crore (2018-19) to ₹ 530.79 crore (2020-21).

The net overall accumulated losses of SPSEs have decreased by ₹ 121.37 crore in 2020-21 from the previous year (2019-20). The major contributors to the accumulated losses of SPSEs during 2020-21 were Tripura State Electricity Corporation Limited (₹ 390.66 crore), Tripura Jute Mills Limited (₹ 352.16 crore), Tripura Road Transport Corporation (₹ 284.64 crore) and Tripura Handloom and Handicrafts Development Corporation Limited (₹ 151.13 crore). The accumulated losses of above mentioned SPSEs during 2020-21 were set off to some extent, by the accumulated profits of Tripura Forest Development & Plantation Corporation Limited (₹ 108.95 crore) and Tripura Natural Gas Limited (₹ 125.82 crore).

### 5.9 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.

<sup>11</sup> **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, the overall capital employed in respect of 15 working SPSEs as per their latest finalised accounts was ₹ 1,121.86 crore. Further, out of 15 working SPSEs, only six SPSEs<sup>12</sup> had positive ROCE.

In comparison, however, the overall capital employed in respect of working SPSEs during the previous two years (2018-19 and 2019-20) was ₹ 732.78 crore and ₹ 919.86 crore respectively. Further, positive ROCE was recorded by only three<sup>13</sup> SPSEs out of 14 working SPSEs during 2018-19, and by six<sup>14</sup> SPSEs out of 15 working SPSEs during 2019-20.

### 5.10 Return on Equity (ROE)

Return on equity<sup>15</sup> (ROE) is a measure of financial performance of companies calculated by dividing the 'net income earned' by the Equity. During 2020-21, six working SPSEs earned profits (₹ 24.80 crore) as per their latest finalised accounts as on 30 September 2021. However, ROE of two profit making SPSEs (Tripura Industrial Development Corporation Limited and Tripura Road Transport Corporation) was not workable as the accumulated losses (₹ 308.69 crore) of these SPSEs had completely eroded their paid-up capital (₹ 179.12 crore).

The ROE of remaining four SPSEs which earned profit ranged from 5 per cent to 14 per cent as detailed in **Table 5.10**.

**Table 5.10: Return on Equity**

Sl No.	Name of the Company	Year of Accounts	ROE (in per cent)
1.	Tripura Natural Gas Company Limited	2020-21	14
2.	Tripura Horticulture Corporation Limited	2015-16	9
3.	Tripura Urban Transport Company Limited	2019-20	12
4.	Tripura Tourism Development Corporation Limited	2018-19	5

### 5.11 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 **Table 5.11**.

<sup>12</sup> Tripura Horticulture Corporation Limited (0.08 per cent), Tripura Industrial Development Corporation Limited (2.19 per cent), Tripura Urban Transport Company Limited (0.46 per cent), Tripura Tourism Development Corporation Limited (1.04 per cent), Tripura Natural Gas Company Limited (31.21 per cent) and Tripura Road Transport Corporation (0.36 per cent).

<sup>13</sup> Tripura Urban Transport Company Limited, Tripura Natural Gas Company Limited and Tripura Industrial Development Corporation Limited

<sup>14</sup> Tripura Forest Development & Plantation Corporation Limited, Tripura Horticulture Corporation Limited, Tripura Urban Transport Company Limited, Tripura Tourism Development Corporation Limited, Tripura Natural Gas Company Limited, Tripura Road Transport Corporation

<sup>15</sup> **Return on Equity** = (Net Profit after Tax and preference Dividend ÷ Equity) x 100, where **Equity**=Paid up Capital plus Free Reserves minus Accumulated Loss minus Deferred Revenue Expenditure

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**Table 5.11: Details of loss making working SPSEs**

Year	2018-19	2019-20	2020-21
Total No. of working SPSEs	14	15	15
Number of loss making working SPSEs	10	9 <sup>16</sup>	9 <sup>13</sup>
Aggregate losses (₹ in crore)	(-) 220.73	(-) 95.60	(-) 111.16

The details of major contributors to losses of working SPSEs (₹ 111.16 crore) incurred during 2020-21 are given in **Table 5.12**.

**Table 5.12: Major contributors to losses of working SPSEs during 2020-21**

(₹ in crore)

Sl. No.	Name of the Company	Latest finalised accounts	Net loss
1	Tripura State Electricity Corporation Limited	2019-20	56.57
2.	Tripura Jute Mills Limited	2019-20	31.62
3.	Tripura Handloom and Handicrafts Development Corporation Limited.	2019-20	9.34
4	Tripura Small Industries Development Corporation Limited.	2016-17	6.60
5	Tripura Rehabilitation Plantation Corporation Limited	2018-19	4.88
	<b>Total</b>		<b>109.01</b>

From **Table 5.12**, it can be noticed that more than 98 per cent of the losses incurred by working SPSEs during 2020-21 were contributed by the above mentioned five SPSEs.

### 5.12 SPSEs having complete erosion of capital

The aggregate paid-up capital and accumulated losses of 15 working SPSEs as per their latest finalised accounts as on 30 September 2021 were ₹ 1,514.90 crore and (-) ₹ 999.56 crore respectively. Analysis of investment and accumulated losses of these SPSEs revealed that the accumulated losses of four working SPSEs (₹ 470.52 crore) had completely eroded their paid-up capital (₹ 326.93 crore) as detailed in **Table 5.13**.

**Table 5.13: Erosion of Capital of SPSEs**

(₹ in crore)

Name of SPSE	Latest finalised accounts	Paid up capital	Accumulated losses
Tripura Rehabilitation Plantation Corporation Limited	2018-19	4.58	(-) 10.70
Tripura Industrial Development Corporation Limited	2019-20	16.17	(-) 24.05
Tripura Handloom and Handicrafts Development Corporation Limited	2019-20	143.23	(-) 151.13
Tripura Road Transport Corporation	2016-17	162.95	(-) 284.64
<b>Total</b>		<b>326.93</b>	<b>(-) 470.52</b>

<sup>16</sup> Including one SPSE (Tripura Power Generation Limited), which reported negligible losses during 2019-20 (₹ 18,349.00) and 2020-21 (₹ 4,349.00) as per its latest finalised accounts

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 either improve their profitability or close their operations.

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

#### 5.13 Audit of State Public Sector Enterprises (SPSEs)

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. 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.

#### 5.14 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 15 SPSEs (excluding Tripura Road Transport Corporation, a statutory corporation for which CAG is the sole auditor) are appointed by the CAG.

#### 5.15 Submission of accounts by SPSEs

##### 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. Almost similar provisions exist in the Act regulating the only statutory corporation (Tripura Road Transport Corporation) in the State. 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 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 fine and imprisonment on the persons including the 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 finalisation as on 30 September 2021, as discussed below.

### 5.16 Timeliness in preparation of accounts by SPSEs

The details relating to finalisation of accounts by 15 working SPSEs (13 Government Companies, one Government Controlled Other Company and one Statutory Corporation) during the last three years as of 30 September of respective year are given in **Table 5.14**.

**Table 5.14: Position relating to finalisation of Accounts of working SPSEs**

Sl. No.	Particulars	2018-19	2019-20	2020-21
1.	Number of working SPSEs	14	15 <sup>17</sup>	15
2.	Number of Accounts finalised during the year	16	16 <sup>18</sup>	13
3.	Number of Accounts in arrears	21	24	26
4.	Number of Working SPSEs with arrears in Accounts	12	13	14
5.	Extent of arrears (number in years)	1 to 4	1 to 4	1 to 5

As could be seen from **Table 5.14**, the accounts of only one<sup>19</sup> out of 15 working SPSEs were up-to-date as on 30 September 2021. Remaining 14 working SPSEs had a backlog of 26 accounts for periods ranging from one to five years. Tripura Horticulture Corporation Limited had the highest number of five accounts pending finalisation as on 30 September 2021.

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

The Principal Accountant General (Audit), Tripura 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 could not address the issue to clear pendency of accounts of the SPSEs in a time bound manner.

### 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. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

<sup>17</sup> Includes Tripura Power Generation Limited which was incorporated on 28 January 2015

<sup>18</sup> Includes four accounts of Tripura Power Generation Limited (2015-16 to 2018-19)

<sup>19</sup> Tripura Natural Gas 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

#### Audit of accounts of SPSEs

#### Government Companies/ Government Controlled Other Companies

During 2020-21 (October 2020 to September 2021), nine working companies had forwarded thirteen accounts to the Principal Accountant General (Audit), Tripura for audit. Eleven accounts of seven Companies were selected for Supplementary audit during the year while Non-Review Certificates (NRC) were issued against remaining two accounts of two Companies.

#### Statutory Corporations

The Principal Accountant General (Audit), Tripura (PAG, Tripura) has only one Statutory Corporation (Tripura Road Transport Corporation) under his audit purview for which CAG is the sole Auditor. The statutory corporation has not forwarded any accounts to PAG, Tripura for conducting the audit during the year.

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The audit reports of Statutory Auditors appointed by the C&AG and the supplementary audit conducted by the C&AG indicated that the quality of maintenance of SPSEs' accounts needs to be improved substantially. The results of the review are detailed below:

### Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies/ Government Controlled Other Companies

Some of the significant comments issued on financial statements of the Government Companies are detailed in **Table 5.15**.

**Table 5.15: Gist of significant comments on the accounts of the SPSEs**

Sl. No.	Name of the SPSE	Comments
1	Tripura State Electricity Corporation Limited (Year of Accounts: 2017-18)	<ul style="list-style-type: none"><li>Capital Works in Progress (CWIP) was overstated by ₹ 0.69 crore due to wrong inclusion of office building of Dharmanagar Electrical Sub-Division completed (October 2016) and inaugurated (December 2017) prior to close of the current year (31 March 2018). This has correspondingly resulted in understatement of Property, Plant and Equipment to the same extent.</li></ul>
2	Tripura State Electricity Corporation Limited (Year of Accounts: 2018-19)	<ul style="list-style-type: none"><li>Capital Works in Progress (CWIP) was understated by ₹ 22.94 crore due to non-inclusion of Capital expenditure spent on 'Smart Grid' related works, which was wrongly treated as 'Expenditure on Deposit Work' and adjusted against 'Liabilities for Deposit work' under 'Other non-current liabilities' (Note-18). This has correspondingly resulted in understatement of 'Other non-current liabilities - Liabilities for Deposit works' to the same extent.</li></ul>
3	Tripura Handloom & Handicrafts Development Corporation Limited (Year of Accounts: 2018-19)	<ul style="list-style-type: none"><li>Short term loans and advances (Note 18) include long unadjusted advances amounting to ₹ 2.08 crore extended to the employees and others by the Company. As per General Financial Rules, every advance given has to be reconciled in a time bound manner based on the nature of the advance. However, the company has neither made any necessary recovery/ reconciliation, nor created any provision against these advances in the books of accounts.</li></ul>

4	<p>Tripura Handloom &amp; Handicrafts Development Corporation Limited (Year of Accounts: 2019-20)</p>	<ul style="list-style-type: none"> <li>• The Company received ‘Share application money’ of ₹ 2.82 crore Government of Tripura (Directorate of Handloom, Handicrafts and Sericulture) and wrongly adjusted against ‘Trade Receivables’ resulting in understatement of ‘Trade Receivables’ and ‘Share application money pending allotment’ (Note-3) by ₹ 2.82 crore each.</li> <li>• The Company wrongly adjusted the Government Grant of ₹ 0.34 crore received for organising Special Handloom Expos (SHEs) and District Level Events (DLEs) against ‘Trade Receivables’ resulting in understatement of ‘Trade Receivables’ and ‘Other Long-Term Liabilities’ (Note-5) by ₹ 0.34 crore each.</li> <li>• During the year, the Company received ₹ 8.56 crore from Government of Tripura towards Share Capital contribution. The total accumulated figure of ‘Share application money pending allotment’ (Note-3) as on 31 March 2020 stood at ₹ 81.48 crore. However, the Company was unable to issue shares against this Share application money due to inadequacy of the Authorised Share Capital. Further, as the Company has failed to allot shares or refund the application money to subscribers within the prescribed time limit (60 days), the Company may have to pay interest of 12 <i>per cent</i> per annum on such refundable amount in terms of section 42(6) of the Companies Act, 2013</li> </ul>
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### 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 were reported as comments by the CAG under Section 143 (6)(b) of the Companies Act, 2013. Besides these comments on accounts, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, are also communicated to the Management through a Management Letter for taking corrective action. These deficiencies generally related to -

## Functioning of State Public Sector Enterprises

- application and interpretation of accounting policies and practices,
- adjustments arising out of audit that could have a significant effect on the financial statements and
- inadequate or non-disclosure of certain information on which Management of the concerned PSE gave assurances that corrective action would be taken in the subsequent year.

As per latest finalised accounts as on 30 September of respective years, 'Management Letters' were issued to four SPSEs as shown in **Table 5.16**.

**Table 5.16: List of the SPSEs where Management Letters were issued**

Sl. No.	Name of the SPSEs (Year of accounts finalised)
1	Tripura Tea Development Corporation Limited (2018-19)
2	Tripura Tourism Development Corporation Limited (2017-18)
3	Tripura Natural Gas Company Limited (2019-20)
4	Tripura Jute Mills Limited (2019-20)

### 5.22 Conclusion

As on 31 March 2021, the State of Tripura had total 16 SPSEs (15 Government companies and one Statutory Corporation), which included one non-working SPSE (Government Company). As on 31 March 2021, there were differences in the figures of State's investment in Equity (₹ 61.95 crore) and Loan (₹ 149.30 crore) of SPSEs as per State Finance Accounts vis-à-vis records of SPSEs.

During 2020-21, the State Government has provided budgetary support of ₹ 123.52 crore to SPSEs in the form of Equity (₹ 52.34 crore) and Grants/subsidy (₹ 71.18 crore). The major recipients of budgetary support during 2020-21 were Tripura State Electricity Corporation Limited (Grant/ subsidy: ₹ 57.69 crore), Tripura Jute Mills Limited (Equity: ₹ 25.21 crore), Tripura Handloom and Handicrafts Development Corporation Limited (Equity: ₹ 14.12 crore) and Tripura Road Transport Corporation (Grant/subsidy: ₹ 13.49 crore).

During 2020-21, the nine working SPSEs incurred losses aggregating ₹ 111.16 crore. Further, the accumulated losses of four working SPSEs (₹ 470.52 crore) had completely eroded their paid-up capital (₹ 326.93 crore).

As on 30 September 2021, the 14 working SPSEs had an arrear of total 26 Accounts ranging from one to five Accounts.

### 5.23 Recommendations

1. *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.*



2. *Accumulation of huge losses by four out of fifteen working SPSEs had eroded public wealth, which is a cause of concern and the State Government may review the working of these SPSEs to either improve their profitability or close their operations.*
3. *The Administrative Departments overseeing the SPSEs having backlog of Accounts may ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them be reviewed.*



**Agartala**  
**The: 06 April 2022**

**(Bivash Ranjan Mondal)**  
**Principal Accountant General (Audit), Tripura**

**Countersigned**



**New Delhi**  
**The: 21 April 2022**

**(GIRISH CHANDRA MURMU)**  
**Comptroller and Auditor General of India**

