

CHAPTER-5
FUNCTIONING OF STATE
PUBLIC SECTOR ENTERPRISES

Chapter 5: 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 set up under the statutes enacted by the Parliament and State legislature.

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a Company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a Company which is a subsidiary of a Government Company.

Besides, any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies.

5.2 Mandate

Audit of ‘Government Companies’ and ‘Government Controlled Other Companies’ is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

5.3 Working and non-working SPSEs

As on 31 March 2021, there were six SPSEs (all working Government companies) under the audit jurisdiction of the CAG in Mizoram as shown in **Table 5.1**.

Table 5.1: Details of SPSEs in Mizoram

Type of SPSEs	Working SPSEs	Non-working SPSEs ²⁵	Total
Government Companies	6	0	6
Total	6	0	6

²⁵ Non-working SPSEs are those which have ceased to carry on their operations

Table 5.2 below provides the comparative details of working SPSEs' turnover and State GSDP for a period of three years ending 2020-21.

Table 5.2: Contribution of SPSEs-turnover to GSDP

(₹ in crore)			
Particulars	2018-19	2019-20	2020-21
SPSEs-Turnover ²⁶	13.87	10.78	10.78
GSDP	21,879	25,149	29,076
Percentage of Turnover to GSDP	0.06	0.04	0.04

Source: As per latest finalised accounts of SPSEs.

As could be noticed from the Table above, the contribution of SPSEs-turnover to GSDP over the past three years from 2018-19 to 2020-21 has shown a decreasing trend mainly due to gradual reduction in SPSE-turnover and continuous growth in GSDP during last three years. During 2020-21, the contribution of SPSEs-turnover to GSDP was meagre at 0.04 per cent. The major contributor to SPSEs-turnover was Zoram Industrial Development Corporation Limited (₹ 9.72 crore).

5.4 Investment in SPSEs

State Government's investment in SPSEs

The State's investment in the SPSEs was by way of Equity Share Capital and Long Term Loans. The figures in respect of Equity Capital and Loans provided by the State Government as per the records of the SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard for last three years is given in **Table 5.3**.

Table 5.3: Equity and Loans outstanding²⁷ as per the State Finance Accounts vis-à-vis records of SPSEs for last three years

Year	2018-19			2019-20			2020-21		
	As per FA	As per SPSE records	Difference	As per FA	As per SPSE records	Difference	As per FA	As per SPSE records	Difference
Equity	6.99	54.04	47.05	6.99	54.04	47.05	6.99	52.82	45.83
Loans ²⁸	34.44	9.44	25.00	33.02	9.44	23.58	32.00	9.45	22.55

Source: As per Finance Accounts and as per records of SPSEs.

It can be noticed from the Table above that as per the records of SPSEs, the Equity investment and Loans given by the State Government remained constant during the previous three years excepting the reduction of ₹ 1.22 crore in the Equity contribution from ₹ 54.04 crore (2018-19 & 2019-20) to ₹ 52.82 crore (2020-21) which inadvertently occurred due to incorrect information provided by SPSEs during 2018-19 and 2019-20. However, as on

²⁶ As per the latest finalised accounts of SPSEs as on 30th September of respective years

²⁷ Figures of investment (equity and loans) as per SPSE-records are provisional and as provided by the SPSEs as none of the six SPSEs had finalised their up-to-date accounts during any of the last three years

²⁸ Loans as per Finance Accounts represent the aggregate of 'Loans to Public Sector and Other Undertakings' as depicted under Statement 18 to the State Finance Accounts for the respective year

31 March 2021, there were differences in the figures of Equity (₹ 45.83 crore) and Loan (₹ 22.55 crore) as per two sets of records.

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.

5.5 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 past three years are given in **Table 5.4**.

Table 5.4: Details regarding annual budgetary support to SPSEs

(₹ in crore)

Particulars	2018-19		2019-20		2020-21	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity capital outgo from budget	NIL					
Loans given from budget	NIL					
Grants/subsidy from budget	2	4.54	2	5.53	2	5.93 ²⁹
Total Outgo	2	4.54	2	5.53	2	5.93

Source: As per latest finalised accounts of SPSEs.

As can be seen from the Table above, the budgetary support provided by State Government to SPSEs increased from ₹ 4.54 crore in 2018-19 to ₹ 5.93 crore in 2020-21. During last three years (2018-21), the State Government had not provided any budgetary support in the form of equity capital and long term loans to SPSEs. During 2018-21, the budgetary assistance in the form of grants/subsidy was provided mainly to meet the salaries and other establishment expenditure of two SPSEs (Zoram Industrial Development Corporation Limited and Mizoram Food and Allied Industries Corporation Limited).

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 the latest finalised accounts as on 30 September of respective year is given in **Table 5.5**.

Table 5.5: Details of profits earned and dividend paid by working SPSEs

Year	2018-19	2019-20	2020-21
Number of profit earning working SPSEs	1	1	1
Aggregate profit earned (₹ in crore)	2.54	0.82	0.82
Dividend paid	Nil	Nil	Nil

Source: As per latest finalised accounts of SPSEs.

As can be noticed from Table above, during last three years only one SPSE (Zoram Industrial Development Corporation Limited) earned profits ranging from ₹ 2.54 crore (2018-19) to

²⁹ Zoram Industrial Development Corporation Ltd. (₹ 2.54 crore); Mizoram Food & Allied Industries Corporation Limited (₹ 2.22 crore)

₹ 0.82 crore (2020-21) as per its latest finalised accounts. This indicated that the other SPSEs had not contributed towards the profits of the public sector enterprises. Further, the SPSE which earned profits, had not declared any dividend during any of the past three years. There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs.

5.7 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 5.6**.

Table 5.6: Position of Outstanding loans of the SPSEs

Particulars	(₹ in crore)		
	2018-19	2019-20	2020-21
Total Loans outstanding (State Government and Others) ³⁰	31.87	31.87	31.87
State Government Loans outstanding ³¹	9.45	9.45	9.45

Source: As per latest finalised accounts of SPSEs.

It can be noticed from the Table above that during the past three years (2018-19 to 2020-21), the total long term borrowings of the SPSEs from all sources remained constant at ₹ 31.87 crore, which included State Government Loans of ₹ 9.45 crore in respect of Zoram Industrial Development Corporation Limited (₹ 9.35 crore) and Mizoram Handloom and Handicrafts Development Corporation Limited (₹ 0.10 crore).

As on 31 March 2021, however, three³² out of six working SPSEs did not have any outstanding long term loans.

5.8 Operating Efficiency of SPSEs

Key parameters

The working results of the SPSEs as per their latest finalised accounts as on 30 September 2020 have been summarised under **Appendix VIII**. 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 5.7**.

³⁰ Interest on loans availed from sources other than State Government had been consolidated into a One Time Settlement (OTS) package in 2013

³¹ State Government loans are interest free

³² Zoram Electronics Development Corporation Limited, Mizoram Food and Allied Industries Corporation Limited and Mizoram Mineral Development Corporation Limited

Table 5.7: Key parameters of operational efficiency of working SPSEs*(₹ in crore)*

Year	No. of working SPSEs	Paid up capital ³³	Net overall Accumulated profits (+)/ losses (-)	Net overall profits (+)/ losses (-)	EBIT	Capital Employed ³⁴
2018-19	6	58.88	(-)57.10	(-)0.33	(-)0.33	33.65
2019-20	6	58.88	(-)55.55	(-)2.05	(-)2.05	35.20
2020-21	6	58.88	(-)55.84	(-)2.33	(-)2.31	34.91

Source: As per latest finalised accounts of SPSEs.

From the table above, 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 deteriorated. The Capital Employed (CE) of SPSEs appreciated during 2019-20 from ₹ 33.65 crore (2018-19) to ₹ 35.20 crore (2019-20) but reduced thereafter to ₹ 34.91 crore (2020-21) thereby registering an overall increase of ₹ 1.26 crore (3.74 per cent) in CE during last three years.

Further, the net overall accumulated losses of SPSEs have decreased marginally by ₹ 1.26 crore over the period of three years. The accumulated losses stood in the books of all the six SPSEs as per their latest finalised accounts. However, more than 64 per cent (₹ 35.82 crore) of the accumulated losses of SPSEs during 2020-21 (₹ 55.84 crore) was contributed by two SPSEs, namely, Mizoram Food and Allied Industries Corporation Limited (₹ 20.91 crore) and Zoram Industrial Development Corporation Limited (₹ 14.91 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.

During 2020-21, the overall capital employed in respect of six working SPSEs as per their latest finalised accounts was ₹ 34.91 crore (**Appendix VIII**) after registering a marginal decrease of ₹ 0.29 crore from ₹ 35.20 crore in 2019-20. Further, out of six working SPSEs, only one (Zoram Industrial Development Corporation Limited) had positive ROCE (0.82 per cent).

5.10 Return on Equity (ROE)

Return on equity³⁵ (ROE) is a measure of financial performance of companies calculated by dividing the 'net income earned' by the Equity. During 2020-21, only one working SPSE, which earned profit (₹ 0.82 crore) as per its latest finalised accounts as on 30 September 2021 had positive ROE (94.25 per cent) as detailed in **Table 5.8** below.

³³ Paid up capital includes 'Share application money pending allotment' in respect of Mizoram Agricultural Marketing Corporation Limited (₹ 0.27 crore) and Zoram Electronics Development Corporation Limited (₹ 2.46 crore)

³⁴ Capital Employed = Paid up share capital plus Free reserves and Surplus plus Long term loans minus Accumulated losses minus Deferred revenue expenditure

³⁵ **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

Table 5.8: Return on Equity

Sl. No	Name of the Company	Year of Accounts	ROE (per cent)
1	Zoram Industrial Development Corporation Limited	2018-19	94.25

Source: As per latest finalised accounts of SPSEs.

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 5.9**.

Table 5.9: Details of loss making working SPSEs

Year	2018-19	2019-20	2020-21
Total No. of working SPSEs	6	6	6
Number of loss making working SPSEs	5	5	5
Aggregate losses (₹ in crore)	2.87	2.87	3.15

Source: As per latest finalised accounts of SPSEs.

It can be noticed from the **Table** above that five out of six SPSEs have incurred losses during all the three years from 2018-19 to 2020-21. Three³⁶ out of five loss making SPSEs had negative net worth due to complete erosion of their Capital by accumulated losses. Further, two³⁷ out of five loss making SPSEs had outstanding long term borrowings of ₹ 2.19 crore as per their latest finalised accounts (**Appendix VIII**).

The details of major contributors to losses of working SPSEs incurred during 2020-21 are given in **Table 5.10** below:

Table 5.10: Major contributors to losses of working SPSEs during 2020-21

Sl. No.	Name of the Company	Latest finalised accounts	Net Loss (₹ in crore)
1	Mizoram Food and Allied Industries Corporation Limited	2014-15	1.59
2	Mizoram Agricultural Marketing Corporation Limited	2010-11	1.02
	Total		2.61

Source: As per latest finalised accounts of SPSEs.

From the Table above, it can be noticed that more than 80 per cent of the losses incurred by working SPSEs during 2020-21 were contributed by the above mentioned two SPSEs. The net worth of both these SPSEs was negative due to complete erosion of their Capital by the accumulated losses (**refer Paragraph 5.12**). During 2020-21, however, the State Government provided budgetary support (Grant) of ₹ 2.20 crore to one of these SPSEs (Mizoram Food and Allied Industries Corporation Limited) to meet its establishment expenditure which is unproductive and a drain on the State exchequer (**Paragraph 5.5**). Accumulation of huge losses by three out of six working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to either improve their working or fully review the working of these SPSEs for continuing their operations.

³⁶ SPSEs at serial no. 1, 4 and 6 of **Appendix VIII**

³⁷ SPSEs at serial no. 1 and 5 of **Appendix VIII**

5.12 SPSEs having Complete Erosion of Capital

The aggregate paid-up capital and accumulated losses of six working SPSEs as per their latest finalised accounts as on 30 September 2021 were ₹ 58.88 crore and ₹ 55.84 crore respectively. Analysis of investment and accumulated losses of these SPSEs revealed that the accumulated losses of three working SPSEs (₹ 28.00 crore) had completely eroded their paid-up capital (₹ 25.87 crore) as detailed in **Table 5.11**.

Table 5.11: Erosion of Capital of SPSEs

(₹ in crore)

Name of SPSE	Latest finalised accounts	Paid up capital	Accumulated losses
Mizoram Agricultural Marketing Corporation Limited	2010-11	5.72 ³⁸	(-)6.91
Mizoram Food and Allied Industries Corporation Limited	2014-15	20.00	(-)20.91
Mizoram Mineral Development Corporation Limited	2014-15	0.15	(-)0.18
Total		25.87	(-)28.00

Source: As per latest finalised accounts of SPSEs

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.

³⁸ Including the share application money pending allotment of ₹ 0.27 crore

OVERSIGHT ROLE OF COMPTROLLER & AUDITOR GENERAL OF INDIA

5.13 Audit of State Public Sector Enterprises (SPSEs)

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139(5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and supplement or comment upon the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

5.14 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 State of Mizoram has total six SPSEs (all Government companies) and the statutory auditors of all six SPSEs 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. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the companies from the State budget.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various SPSEs were pending as on 30 September 2021, as discussed below.

5.16 Timeliness in preparation of accounts by SPSEs

The details relating to finalisation of accounts by six working SPSEs (all Government Companies) during the last three years as of 30 September of respective year are given in **Table 5.12**.

Table 5.12: Position relating to finalisation of Accounts of working SPSEs

Sl. No.	Particulars	2018-19	2019-20	2020-21
1	No. of working SPSEs	6	6	6
2	Number of accounts finalised during the year	2	2	1 ³⁹
3	Number of accounts in arrear	28	32	37
4	Number of working SPSEs with arrears of accounts	6	6	6
5	Extent of arrears (number in years)	1 to 9	1 to 10	2 to 11

From the table, it can be seen that the number of SPSEs Accounts in arrears had increased gradually from 28 Accounts (2018-19) to 37 Accounts (2020-21) due to deficiency in finalising *at least* one year Accounts by each SPSE during each of the last three years. None of the SPSEs has prepared their up-to-date Accounts (2020-21) as on 30 September 2021. The highest pendency of accounts pertained to Zoram Electronics Development Corporation Limited (11 Accounts) and Mizoram Agricultural Marketing Corporation Limited (10 Accounts) as detailed in **Appendix VIII**.

The Administrative Departments, which have the responsibility to oversee the activities of the PSUs, have to ensure that the PSUs finalise and adopt their accounts within the stipulated period. In view of the position of arrears of accounts indicated above, the actual contribution of PSUs to the GSDP for the year 2020-21 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

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.

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.

³⁹ This excludes six accounts submitted (January 2021) by three SPSEs (Mizoram Agricultural Marketing Corporation Limited (one Account), Zoram Industrial Development Corporation Limited (one Account) and Mizoram Food and Allied Industries Corporation Limited (four Accounts)}, which could not be audited due to imposition of 'lockdown' on account of COVID-19 pandemic

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

During 2020-21 (1 October 2020 to 30 September 2021)⁴⁰, out of six SPSEs, three⁴¹ SPSEs forwarded six Annual Accounts to the Pr. Accountant General, Mizoram for supplementary audit. However, due to late receipt of the accounts (January 2021) and lockdown on account of the COVID-19 pandemic, supplementary audits could not be conducted during the year. However, final comments of the CAG for the accounts of ZOHANDCO (2018-19) were issued during the year although audit took place in 2019-20.

The audit reports of Statutory Auditors appointed by the C&AG and the supplementary audit conducted by the CAG 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

Some of the significant comments issued on financial statements of the Government Companies are detailed in **Table 5.13**.

⁴⁰ For the purpose of presenting the analysis of accounts finalised by PSUs, the cut-off date considered is 30 September each year *viz.* for Report year 2020-21, the cut-off date is 30 September 2021

⁴¹ Zoram Industrial Development Corporation Limited (2019-20); Mizoram Agricultural Marketing Corporation Limited (2011-12) and Mizoram Food and Allied Industries Corporation Limited (2015-16 to 2018-19)

Table 5.13: Gist of significant comments on the accounts of the SPSEs

Name of the Company	Comments
Mizoram Handloom & Handicrafts Development Corporation Limited (Year of Accounts: 2018-19)	The 'Loss for the year' was understated by ₹ 4.39 lakh due to short accounting of internal audit fee (₹ 0.30 lakh) and overbooking of interest income on fixed deposits (₹ 4.09 lakh).
	The Company completed (2013-14) the Building (Grant Asset) but transferred only partial cost of Building (₹ 0.10 lakh) to 'Fixed Assets' and kept the balance (₹ 58.07 lakh) under 'Capital work in progress' (CWIP) without charging any depreciation. Further, the depreciation (₹ 0.02 lakh) charged for five years (2014-15 to 2018-19) on the accounted value of the Grant Asset (₹ 0.10 lakh) was also not recouped from the ASIDE Grant contrary to AS-12. This resulted in overstatement of 'CWIP' by ₹ 58.07 lakh, understatement of depreciation on Building by ₹ 12.83 lakh (for five years), overstatement of Reserve & Surplus (ASIDE Grant) by ₹ 12.85 lakh (including depreciation of ₹ 0.02 lakh not recouped from Grant) with corresponding understatement of Fixed Assets by ₹ 45.24 lakh.
	The Inventories (₹ 35.41 lakh) and 'Plant & Machinery' (₹ 0.90 lakh) accounted by the Company were non-existent as at the Balance Sheet date. The Company has neither provided for the above loss nor disclosed the fact under 'Notes to Accounts' resulting in understatement of the 'Loss for the year' by ₹ 36.01 lakh.
	The Company accounted ₹ 4.72 lakh as closing balance against a closed bank account. The Company had neither provided for the said amount (₹ 4.72 lakh) nor disclosed the fact under 'Notes to Accounts' resulting in overstatement of 'Cash and Cash Equivalents' and understatement of the 'Loss for the year' by ₹ 4.72 lakh each.
	During the year 2018-19, the Company had written off Cash balance aggregating ₹ 16.76 lakh pertaining to different Emporia and Sales outlets without approval of the competent authority.
	As an impact of the CAG's comments on the accounts of the Company for 2018-19, the reported 'Loss for the year' (₹ 28.95 lakh) would increase (net) by ₹ 45.32 lakh (157 per cent), which is significant. As such, the opinion expressed by the Auditors on 'true and fairness' of the financial statements of the Company for the year under reference vide their Audit Report dated 5 February 2020 is not sustainable.

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:

- 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.

However, no 'Management Letters' were issued to SPSEs during the year.

5.22 Conclusion

- As on 31 March 2021, the State of Mizoram had total six SPSEs (all working Government companies). As on 31 March 2021, there were differences in the figures of State's investment in Equity (₹ 45.83 crore) and Loan (₹ 22.55 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 ₹ 5.93 crore to two SPSEs (Zoram Industrial Development Corporation Limited and Mizoram Food and Allied Industries Corporation Limited) in the form of Grants to meet the salaries and other establishment expenditure. The State Government did not provide equity assistance to any of the SPSEs during 2018-21.
- During 2020-21, out of six working SPSEs, only one SPSE earned profits (₹ 0.82 crore) as per its latest finalised accounts. Further, the accumulated losses (₹ 28.00 crore) of three working SPSEs had completely eroded their paid-up capital (₹ 25.87 crore).
- As on 30 September 2021, all six working SPSEs had a total arrear of 37 Accounts ranging from 2 to 11 Accounts. The highest pendency of accounts pertained to Zoram Electronics Development Corporation Limited (11 Accounts) and Mizoram Agricultural Marketing Corporation Limited (10 Accounts).

5.23 Recommendations

- The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long Term Loans) of the State Government as appearing in the State Finance Accounts vis-à-vis SPSE records in a time-bound manner.*

- ii. *Accumulation of huge losses by three out of six working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to either improve their working or fully review the working of these SPSEs for continuing their operations.*
- iii. *The Administrative Departments overseeing the SPSEs having backlog of Accounts need to ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them may be reviewed.*



Aizawl
The: 09 May 2022

(LHUNKHOTHANG HANGSING)
Principal Accountant General, Mizoram

Countersigned



New Delhi
The: 13 May 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

