

## Chapter 5: State Public Sector Enterprises

This Chapter discusses the financial performance of State Public Sector Enterprises, impact of significant comments issued as a result of supplementary audit of the Financial Statements of these SPSEs conducted by the Comptroller and Auditor General (CAG) of India for the year 2022-23 (or of earlier years which were finalised during the current year) have also been discussed. The term State Public Sector Enterprises (SPSEs) represents 'Government Companies', 'Statutory Corporations' and 'Government Controlled Other Companies' (GCOCs).

### 5.1 Definition of Government Companies

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 of Audit

Audit of 'Government Companies' and 'Government Controlled Other Companies' is conducted by the CAG of India 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 the right to conduct a supplementary audit of the company's financial statements. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

### 5.3 SPSEs and their contribution to the GSDP of the State

SPSEs consist of State Government Companies and Statutory Corporations. 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 2023, there were six SPSEs (all working Government Companies) in Mizoram, all under the audit jurisdiction of the CAG as detailed in the following table.

**Table 5.1: Details of SPSEs in Mizoram**

Type of SPSEs	Working SPSEs	Non-working SPSEs	Total
<b>Government Companies</b>	6	0	6
<b>Total</b>	<b>6</b>	<b>0</b>	<b>6</b>

Source: As per latest finalised accounts of SPSEs

**Table 5.2** below provides the comparative details of working SPSEs and GSDP for a period of three years ending 31 March 2023.

**Table 5.2 Contribution of SPSEs-turnover to GSDP**

Particulars	(₹ in crore)		
	2020-21	2021-22	2022-23
<b>SPSEs' Turnover</b>			
<b>Agriculture and Allied Sector SPSEs<sup>49</sup></b>	0.78	0.78	5.00
<b>Other SPSEs<sup>50</sup></b>	9.72	81.41	81.41
<b>Total</b>	<b>10.50</b>	<b>82.19</b>	<b>86.41</b>
GSDP	23,922.94	27,823.50	32,829.46
Percentage of Turnover to GSDP	0.04	0.30	0.26

Source: As per latest finalised accounts of SPSEs

As can be noticed from **Table 5.2** above, the contribution of SPSEs-turnover to GSDP of Mizoram during the last three years was negligible ranging between 0.04 *per cent* (2020-21) and 0.30 *per cent* (2021-22). However, overall contribution of SPSEs-turnover to the GSDP during three years (2020-23) has increased by more than six-fold from 0.04 *per cent* (2020-21) to 0.26 *per cent* (2022-23) mainly due to growth of more than 700 *per cent* (₹ 75.91 crore) in SPSE-turnover during this period. Further, the contribution of Agriculture and Allied sector SPSEs to the total SPSE-turnover during 2022-23 was 5.79 *per cent* (₹ 5.00 crore) as compared to 7.43 *per cent* (₹ 0.78 crore) during 2020-21. As on 31 March 2023, the State Government had investment of ₹ 53.57 crore (Equity ₹ 53.47 crore and long-term loans ₹ 0.10 crore) in the six SPSEs.

## 5.4 Investment in SPSEs and Budgetary Support

### 5.4.1 Equity holding and Loans in SPSEs

The sector wise Total Equity, Equity Contribution by State Government and Long-Term Loans including the loans provided by State Government in six working SPSEs as on 31 March 2023 is given in the following table.

<sup>49</sup> Mizoram Agricultural Marketing Corporation Limited & Mizoram Food and Allied Industries Corporation Limited.

<sup>50</sup> Zoram Industrial and Infrastructure Development Corporation Limited, Zoram Electronics Development Corporation Limited, Mizoram Handloom & Handicrafts Development Corporation Limited and Aizawl Smart City Limited.

**Table-5.3: Sector-wise investment<sup>51</sup> in SPSEs****(₹ in crore)**

Particulars	Investment					
	Total Equity	State Govt. Equity	Total Long-term loans	State Govt. Loans	Total Equity and Long-term Loans	Sector wise Investment to total Investment (per cent)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Agriculture and Allied Sector SPSEs</b>	26.05	24.69	Nil	Nil	26.05	44.00
<b>Other SPSEs</b>	33.06	28.78	0.10	0.10	33.16	56.00
<b>Total</b>	<b>59.11</b>	<b>53.47</b>	<b>0.10</b>	<b>0.10</b>	<b>59.21</b>	<b>100</b>

Source: Latest finalised accounts of SPSEs

The thrust of investment in SPSEs was mainly in Agriculture and Allied Sector SPSEs, which received as much as 44.00 per cent (₹ 26.05 crore) of total investment of (₹ 59.21 crore). On the other hand, the 'SPSEs (Other Sectors)' which consisted of Financing, Manufacturing and Miscellaneous Sector SPSEs, received balance 56 per cent (₹ 33.16 crore) of total SPSE investment as on 31 March 2023. The State of Mizoram had no Power Sector SPSE as on 31 March 2023. Further, the State Government had contributed 90.47 per cent (₹ 53.57 crore) of the total investment (₹ 59.21 crore) in the SPSEs as on 31 March 2023.

#### 5.4.2 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by the State Government as per records of SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of difference in the figures, the PSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2023 is given in Table 5.4.

**Table-5.4: Equity and loans as per the Finance Accounts vis-à-vis records of SPSEs****(₹ in crore)**

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSEs <sup>52</sup>	Difference
Equity	6.99	53.47	46.48
Loans	30.03 <sup>53</sup>	0.10	29.93

Source: Finance Accounts 2022-23 and SPSEs' records

As on 31 March 2023, there were unreconciled differences in the figures of equity (₹ 46.48 crore) and loans (₹ 29.93 crore) as per two sets of records. The differences in equity

<sup>51</sup> Investment figures (equity and loans) are provisional and as provided by the SPSEs, since none of the SPSEs had finalised their Annual Accounts for 2022-23.

<sup>52</sup> Figures of investment (equity and loans) as per SPSEs 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.

<sup>53</sup> Loans as per Finance Accounts represent the aggregate of 'Detailed Statement of Loans and Advances given by the Government' as depicted under Statement 18 to the State Finance Accounts for the respective year.

occurred in respect of all six SPSEs where State Government had made direct investment and reconciliation of these differences had been pending for more than ten years.

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

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

### 5.4.3 Market Capitalisation of equity investment in SPSEs

Market Capitalisation represents market value of shares of companies which are listed. As on 31 March 2023, no SPSE in Mizoram had been listed on the stock exchange.

### 5.4.4 Disinvestment, Restructuring and Privatisation

During the year 2022-23, there was no case of disinvestment, restructuring and privatisation of SPSEs.

## 5.5 Returns from SPSEs

### 5.5.1 Profit earned by SPSEs

Only one SPSEs earned profit during the last three years 2020-23. The profit earned by this SPSE (*Zoram Infrastructure and Development Corporation Limited*), however, increased to ₹ 0.98 crore in 2022-23 from ₹ 0.82 crore earned during 2020-21 as per its latest finalized accounts.

The detailed of profit earned by the only one profit earning SPSE during 2022-23 have been given in **Table 5.5**.

**Table 5.5: SPSE which contributed profit during 2022-23**

Name of SPSE	Year of Account	Net profit (₹ in crore)	Contribution to total SPSE-profits (per cent)
Zoram Infrastructure and Industrial Development Corporation Limited	2020-21	0.98	100
<b>Total</b>		<b>0.98</b>	<b>100</b>

Net Profit Ratio<sup>54</sup> assesses a company's ability to earn profits from its sales (turnover). A higher net profit ratio indicates that a company is more efficient at converting sales into

<sup>54</sup>  $Net\ Profit + Turnover \times 100$

actual profit. As a thumb rule, Net Profit Ratio at 5 per cent is considered to be low margin, 10 per cent a healthy margin, while 20 per cent or more is a high margin.

Sector-wise Net Profit Ratio of working SPSEs during the year 2022-23 is depicted in **Table 5.6**

**Table 5.6: Net Profit Ratio of working SPSEs**

Sector	No. of SPSEs	Net Profit (₹ in crore)	Turnover	Net Profit Ratio (Per cent)
Agricultural & Allied	02	(3.08)	5.00	Negative
Others	04	0.45	81.41	0.55
<b>Total</b>	<b>06</b>	<b>(2.63)</b>	<b>86.71</b>	<b>Negative</b>

Source: Latest finalized accounts of SPSEs

It could be noticed from **Table 5.6** above that, the overall Net Profit Ratio of four SPSEs falling under 'Other Sector' was positive while that for Agriculture and Allied Sector SPSEs (two SPSEs) was negative. The positive Net Profit Ratio of Other Sector SPSEs was attributable to the only profit earning SPSE (*Zoram Infrastructure and Industrial Development Corporation Limited*) which earned profit of ₹ 0.98 crore during 2022-23 as per its latest finalized accounts.

### 5.5.2 Dividend paid by SPSEs

The Thirteenth Finance Commission had recommended (December 2009) that a minimum dividend of *five per cent* on Government equity should be paid by all enterprises. However, since the State Government had not established a policy mandating a minimum dividend payout by the SPSEs, none of the SPSEs had declared any dividend during 2022-23.

## 5.6 Debt Servicing

### 5.6.1 Interest Coverage Ratio

Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding long term 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 is the ability of the company to pay interest on debts. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest.

In the State of Mizoram, however, only one SPSE (Mizoram Handloom and Handicrafts Development Corporation Limited) had outstanding Long Term Borrowings of ₹ 0.10 crore during all the three years (2020-21 to 2022-23), which was a 'interest free' loan provided by the State Government. Since the State had no SPSE having interest burden during any of the three years (2020-21 to 2022-23) under reference, the analysis of Interest Coverage Ratio of Mizoram SPSEs was not relevant.

## 5.7 Financial performance of SPSEs

### 5.7.1 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 Employed. The details of RoCE in respect of six working SPSEs during the period from 2020-21 to 2022-23 are given below in **Table 5.7**.

**Table 5.7: Return on Capital Employed**

Year	Particulars	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2020-21	Agriculture and Allied Sector SPSEs	(-) 2.61	(-) 2.82	Could not be worked out
	Other SPSEs	0.29	5.27	(+) 5.50
	<b>Total</b>	<b>(-) 2.32</b>	<b>2.45</b>	<b>(-) 94.69</b>
2021-22	Agriculture and Allied Sector SPSEs	(-) 3.32	(-) 3.48	Could not be worked out
	Other SPSEs	0.45	6.33	(+) 7.11
	<b>Total</b>	<b>(-) 2.77</b>	<b>2.85</b>	<b>(-) 97.19</b>
2022-23	Agriculture and Allied Sector SPSEs	(-) 3.08	(-) 4.84	Could not be worked out
	Other SPSEs	0.45	6.33	(+) 7.11
	<b>Total</b>	<b>(-) 2.63</b>	<b>1.49</b>	<b>(-) 176.51</b>

Source: Latest finalised accounts of SPSEs

It was observed from **Table 5.7** above that RoCE of Agriculture and Allied Sector SPSEs could not be worked out during any of the three years under reference (2020-21 to 2022-23) due to complete erosion of their Capital Employed by the accumulated losses. The RoCE of Other Sector SPSE was, however, positive during all the three years and had also improved from 5.50 per cent (2020-21) to 7.11 per cent (2022-23). This improvement was attributable to increase in the EBIT of the only profit earning SPSE (*Zoram Infrastructure and Industrial Development Corporation Limited*) from ₹ 0.82 crore (2020-21) to ₹ 0.98 crore (2022-23).

### 5.7.2 Return on Equity by SPSEs

Return on Equity<sup>55</sup> (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

<sup>55</sup> *Return on Equity = (Net Profit after Tax divided by Shareholders' Fund) X 100, where Shareholders' Fund represents paid up capital plus free reserves & surplus/accumulated profits minus accumulated losses and deferred revenue expenditure*

positive numbers. Shareholders' Funds is calculated by adding 'paid up capital' and 'free reserves and surplus/accumulated profits' *minus* 'accumulated losses' and 'deferred revenue expenditure'.

The Shareholders' Fund reveals how much would be left for a company's shareholders if all assets were sold and all debts paid. A positive Shareholders' Fund reveals that the company has enough assets to cover its liabilities while negative Shareholders' Fund/Equity means liabilities exceed assets.

The details of Shareholders' Fund and RoE relating to working SPSEs are given below in **Table 5.8**.

**Table-5.8: Return On Equity relating to SPSEs**

Year	Particulars	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	RoE (in per cent)
2020-21	Agriculture and Allied Sector SPSEs	(-) 2.61	(-) 2.82	Could not be worked out
	Other SPSEs	0.29	5.17	5.61
	<b>Total</b>	<b>(-) 2.32</b>	<b>2.35</b>	<b>Negative</b>
2021-22	Agriculture and Allied Sector SPSEs	(-) 3.22	(-) 3.48	Could not be worked out
	Other SPSEs	0.45	6.23	7.22
	<b>Total</b>	<b>(-) 2.77</b>	<b>2.75</b>	<b>Negative</b>
2022-23	Agriculture and Allied Sector SPSEs	(-) 3.08	(-) 4.84	Could not be worked out
	Other SPSEs	0.45	6.23	7.22
	<b>Total</b>	<b>(-) 2.63</b>	<b>1.39</b>	<b>Negative</b>

Source: As per latest finalised accounts of SPSEs

As can be noticed from **Table 5.8** above, the RoE of working SPSEs was positive during all the three years under reference only in 'Other Sector of SPSEs' while the RoE of SPSEs in 'Agriculture and Allied Sector' could not be worked out due to complete erosion of the 'Shareholders' Fund' of these SPSEs. The positive RoE in 'Other Sector' was mainly because of the positive RoE of one SPSE (*Zoram Infrastructure and Industrial Development Corporation Limited*) during all three years, which ranged between 52.13 per cent (2022-23) and 94.25 per cent (2020-21).

### 5.7.3 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 up to 31 March 2023, the past investments/ year-wise funds infused by the State Government in the SPSEs have been 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 SPSEs till 31 March 2023.

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

The average rate of interest on Government borrowings for the concerned financial year was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

In 2022-23, out of the five<sup>56</sup> SPSEs where State Government had made direct investment, four SPSEs incurred loss and only one SPSE<sup>57</sup> earned profit (**Appendix-VIII**). On the basis of return on historical value, the State Government's investment eroded by 1.37 per cent during 2022-23. On the other hand, as per the RORR where the PV of investment is considered, the State Government's investment eroded by 1.04 per cent as shown in **Appendix-IX**. This difference in the percentage of investment erosion was on account of the adjustment made in the investment amount for time value of money.

## 5.8 SPSEs incurring losses

### 5.8.1 Losses incurred

During the year 2022-23, four<sup>58</sup> out of six working SPSEs losses of ₹ 3.61 crore as compared to the losses of ₹ 3.14 crore incurred during 2020-21. The losses of working SPSEs was mainly driven by the losses incurred by the Agriculture and Allied Sector SPSEs. A sector-wise comparative position of the loss incurring SPSEs during the last three years from 2020-21 to 2022-23 has been given in **Table 5.9**.

**Table 5.9: Number of SPSEs that incurred losses during 2020-21 to 2022-23**

(₹ in crore)

Year	Particulars	No of loss making SPSEs	Net loss for the year	Accumulated loss	Net worth
2020-21	Agriculture and Allied SPSEs	2	(-) 2.61	27.82	(-) 2.82
	Other SPSEs	2	(-) 0.53	12.93	4.30
	<b>Total</b>	<b>4</b>	<b>(-) 3.14</b>	<b>40.75</b>	<b>1.48</b>
2021-22	Agriculture and Allied SPSEs	2	(-) 3.32	29.45	(-) 3.48
	Other SPSEs	2	(-) 0.53	12.93	4.30
	<b>Total</b>	<b>4</b>	<b>(-) 3.75</b>	<b>42.38</b>	<b>0.82</b>
2022-23	Agriculture and Allied SPSEs	2	(-) 3.08	30.81	(-) 4.84
	Other SPSEs	2	(-) 0.53	12.93	4.30
	<b>Total</b>	<b>4</b>	<b>(-) 3.61</b>	<b>43.74</b>	<b>(-) 0.54</b>

Source: As per latest finalised accounts of SPSEs.

<sup>56</sup> Excluding Aizawl Smart City Limited, losses of which are recouped from Government Grants.

<sup>57</sup> Zoram Infrastructure and Industrial Development Corporation Limited.

<sup>58</sup> Excluding one SPSE (Aizawl Smart City Limited), losses of which are recouped from Government Grants.



### 5.8.2 Erosion of Net Worth in SPSEs

As on 31 March 2023, there were five SPSEs with accumulated losses of ₹ 57.64 crore, the details of profit gained or loss incurred by all six SPSEs in the State including five SPSEs incurring losses has been shown in **Appendix VIII**.

The net worth of two<sup>59</sup> out of five working SPSEs had been completely eroded by accumulated losses and their net worth was ‘negative’. The net worth of these two SPSEs was ₹ 4.84 crore against equity investment of ₹ 25.97 crore as per their latest finalised accounts as detailed in **Table 5.10**.

**Table 5.10: Details of SPSEs whose net worth was eroded as per their latest finalised accounts**

(₹ in crore)

Sl. No	Name of SPSE	Latest Year of Accounts	Total Paid up Capital	Net Profit (+)/(-) after Interest and Tax	Accumulated Losses	Net Worth	State Government's investment as on 31 March 2023 <sup>60</sup>	
							Equity	Loans
1	Mizoram Agricultural Marketing Corporation Limited	2011-12	5.97	(-) 1.63	(-) 8.54	(-) 2.57	6.05	Nil
2	Mizoram Food and Allied Industries Corporation Limited	2018-19	20.00	(-) 1.45	(-) 22.27	(-) 2.27	18.64	Nil
<b>Total</b>			<b>25.97</b>	<b>(-) 3.08</b>	<b>(-) 30.81</b>	<b>(-) 4.84</b>	<b>24.69</b>	<b>Nil</b>

Source: As per latest finalised accounts of SPSEs.

### 5.9 Audit of State Public Sector Enterprises

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 issue comments upon or supplement the Audit Report of the statutory auditor. Similarly, the statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the Legislature. In the State of Mizoram, however, there was no Statutory Corporation under the audit purview of CAG as on 31 March 2023.

<sup>59</sup> SPSEs at serial no. 1 and 2 of **Appendix VIII**.

<sup>60</sup> Investment figures (Equity and Loans) as on 31 March 2023 are provisional and as provided by the respective SPSEs.

## **5.10 Appointment of statutory auditors of State Public Sector Enterprises by the 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.

## **5.11 Submission of accounts by State Public Sector Enterprises**

### **5.11.1 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 Meeting (AGM). As soon as may be after such preparation, the Annual Report must be laid before Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. 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 State.

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 directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

The annual accounts of various SPSEs were pending as on 30 September 2023, as detailed in the following paragraph.

### **5.11.2 Timeliness in preparation of accounts by SPSEs**

As of 31 March 2023, there were six SPSEs (all working Government Companies) under the purview of CAG's audit. However, none of all these SPSEs had submitted their accounts for the year 2022-23 for audit by CAG as on 30 September 2023. In total, 37 Accounts of 6 SPSEs were in arrears (**Appendix VIII**). Details of arrears in submission of accounts of SPSEs are given in **Table 5.11**.

**Table 5.11 Details of arrears in submission of accounts**

Particulars		SPSEs	Number of Accounts
Total Number of Companies under the purview of CAG's Audit as on 31.03.2023		6	-
Less: New Companies from which accounts for 2022-23 were not due		0	0
Number of companies from which accounts for 2022-23 were due		6	6
Number of companies which presented the accounts for the year 2022-23 for CAG's audit by 30 September 2023		0	0
Number of Accounts in arrears		<b>6</b>	<b>37</b>
Break- Up of Arrears	(i) Under Liquidation	0	0
	(ii) Defunct	0	0
	(iii) Others	6	37
Age wise analysis of arrears against "Others" category	One Year (2022-23)	0	0
	Two Years (2021-22 and 2022-23)	1	2
	Three Years and more	5	35

Source: As per latest finalised accounts of SPSEs.

## 5.12 CAG's oversight- Audit of accounts and supplementary audit

### 5.12.1 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 renamed as national Financial Reporting Authority. 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.

### 5.12.2 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 auditors' report under Section 143 (6) of the Companies Act, 2013.

### **5.12.3 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 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 an independent audit in accordance with the Standard Auditing Practices of 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 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 AGM.

## **5.13 Result of CAG's oversight role**

### **5.13.1 Audit of accounts of SPSEs**

During 1 October 2022 to 30 September 2023, one SPSE (Mizoram Food and Allied Industries Corporation Limited) submitted its four Financial Statements (Accounts) for previous years (2015-16 to 2018-19). Four Financial Statements of this SPSE were reviewed by the CAG. The results of the review are detailed as follows:

### **5.13.2 Amendment of Financial Statements**

During 2022-23 there is no case of SPSEs amending their Financial Statements before laying the same in the AGM.

### **5.13.3 Revision of Auditors Report**

During 2022-23, there is no case of revision of statutory auditors' report as a result of supplementary audit of the Financial Statements conducted by the CAG.

## **5.14 Conclusion**

As on 31 March 2023, there were six SPSEs (all working Government companies) in the State of Mizoram under the audit purview of CAG. SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements. There were 37 Accounts of 6 SPSEs in arrears as on 30 September 2023.

Out of the total five working SPSEs (excluding one SPSE losses of which are recouped from Government Grants), only one SPSE earned profit (₹ 0.98 crore) as per its latest finalised accounts as on 30 September 2023 while remaining four SPSEs incurred losses

(₹ 3.61 crore). More than 85 per cent (₹ 3.08 crore) of SPSE losses was contributed by two Agriculture & Allied Sector SPSEs during 2022-23. Further, the profit earning SPSE had not declared any dividend during 2022-23.

### 5.15 Recommendations

- *State Government may impress upon the managements of SPSEs to ensure timely finalisation and submission of their Financial Statements. As many as 37 accounts of 6 SPSEs were in arrears and in the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature.*
- *State Government may analyse the reasons of losses in those SPSEs whose net worth has been eroded and initiate steps to make their operations efficient and profitable.*

Aizawl  
The 16 April 2024

  
(LHUNKHOTHANG HANGSING)  
Principal Accountant General (Audit), Mizoram

Countersigned

New Delhi  
The 26 April 2024

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India