

## CHAPTER IV ECONOMIC SECTOR (STATE PUBLIC SECTOR ENTERPRISES)

### 4.1 Functioning of State Public Sector Enterprises

#### 4.1.1 Introduction

As of 31 March 2023, the State of Manipur had 14 State Public Sector Enterprises (SPSEs) (all Government Companies including one non-working) as detailed in the following **Table**.

**Table 4.1.1: Total number of SPSEs as on 31 March 2023**

Type of SPSEs	Working SPSEs	Non-working SPSEs	Total
Government Companies <sup>57</sup>	11	3	14
Statutory Corporations	Nil	Nil	Nil
<b>Total</b>	<b>11</b>	<b>3</b>	<b>14</b>

None of these SPSEs were listed on the Stock Exchange, which means that shares of these SPSEs cannot be traded in the stock exchange. During the year 2022-23, one new company<sup>58</sup> was incorporated under the Companies Act, 2013.

#### 4.1.2 Investment in SPSEs

The State's investment in its SPSEs was by way of share capital/loans and special financial support by way of revenue grants.

As on 31 March 2023, investment of the State Government (capital and long-term loans) in 13 SPSEs<sup>59</sup> was ₹ 45.90 crore<sup>60</sup> as per details given in the following **Table**:

**Table 4.1.2: Details of State's investment in SPSEs**

Year	Equity Capital	Long term Loans	(₹ in crore)
			Total
2022-23	45.32	0.58	45.90
2018-19	40.07	0.68	40.75

State Government's investment as on 31 March 2023 consisted of 98.74 *per cent* (₹ 45.32 crore) towards capital and 1.26 *per cent* (₹ 0.58 crore) in long-term loans as against 98.33 *per cent* (capital) and 1.67 *per cent*

<sup>57</sup> Government Companies include 'Other Companies' referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013 SPSEs.

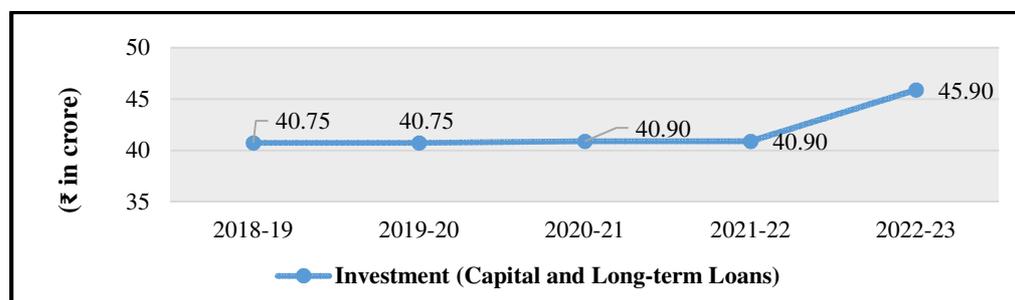
<sup>58</sup> 'Manipur Food & Distribution Corporation Limited' was incorporated (14 November 2022) under the Companies Act, 2013.

<sup>59</sup> Excluding one company (serial No. B3 of **Appendix 4.2**, a subsidiary of company at serial No. A1), which had no direct investment from the State Government as on 31 March 2023.

<sup>60</sup> Investment figures are provisional and as provided by the SPSEs.

(long-term loans) as on 31 March 2019. A graphical presentation of the State Government's investment in SPSEs during the last five years (2018-19 to 2022-23) has been given in **Chart 4.1.1**.

**Chart 4.1.1: State's investment in SPSEs**



Source: As provided by the SPSEs.

As can be noticed from the **Chart** above, State Government's investment in SPSEs during the last five years remained almost steady except during 2022-23, when it increased to ₹ 45.90 crore. During last five years, the State's investment grew by 12.64 per cent (₹ 5.15 crore) from ₹ 40.75 crore (2018-19) to ₹ 45.90 crore (2022-23).

During 2022-23, out of 11 working SPSEs, eight SPSEs incurred loss (₹ 45.56 crore) and only one SPSE earned profit (₹ 0.29 crore) as per their latest finalised accounts. Remaining two SPSEs<sup>61</sup> had not finalised their first accounts (2016-17 & 2022-23) as of September 2023. The profit-making SPSE had not declared any dividend during the year. There was no recorded information about existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs.

#### 4.1.2.1 Sector-wise total investment in SPSEs

Details of total investment (equity capital and long term loans) of State Government and Other Stakeholders (Central Government, Holding companies, Banks, Financial Institutions, etc.) in SPSEs (all Government companies) under various important sectors at the end of 31 March 2019 and 31 March 2023 have been given in the following **Table**:

**Table 4.1.3: Sector-wise details of total investments<sup>62</sup> (equity capital & long term loans) in SPSEs**

Name of Sector	Investment in SPSEs	
	2018-19	2022-23
<b>Power</b>	458.18	780.58
<b>Manufacturing</b>	10.15	14.15
<b>Finance</b>	16.47	15.53
<b>Agriculture &amp; Allied</b>	15.17	1.72
<b>Miscellaneous</b>	16.59	18.11
<b>Total</b>	<b>516.56</b>	<b>830.09</b>

<sup>61</sup> Serial Nos. A9 & A11 of **Appendix 4.2**.

<sup>62</sup> Investment figures are provisional and as provided by the SPSEs.

It can be noticed from the **Table** above that during last five years (2018-19 to 2022-23), the combined investment of the State Government and other stakeholders in State SPSEs had increased in Power sector (₹ 322.40 crore), Manufacturing (₹ 4.00 crore) and Miscellaneous (₹ 1.52 crore) while the investment in Agriculture & Allied sector and Finance sector had decreased by ₹ 13.45 crore and ₹ 0.94 crore, respectively. The increase in the investment during 2017-22 under Power sector (more than 70 per cent) was attributable to net increase of ₹ 322.40 crore<sup>63</sup> in the long term borrowings of Power sector PSEs from ₹ 438.08 crore (2018-19) to ₹ 760.48 crore (2022-23) whereas the equity investment in Power sector PSEs during these years remained constant at ₹ 20.10 crore.

### 4.1.3 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by State Government as per the records of SPSEs should agree with the figures appearing in the Finance Accounts of the State for that year. In case the figures do not agree, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2023 is shown in the following **Table**.

**Table 4.1.4: Equity, long term loans, guarantees outstanding as per the State Finance Accounts vis-à-vis the records of SPSEs**

Investment in the form of	Investment as per		Difference
	Finance Accounts	SPSEs records	
Equity	72.31	45.32 <sup>64</sup>	26.99
Loans	-	0.58	0.58
Guarantee	813.04 <sup>65</sup>	985.98 <sup>66</sup>	172.94

(₹ in crore)

Source: State Finance Accounts and information furnished by the SPSEs.

From the **Table** above, it can be noticed that there were unreconciled differences in the figures of equity (₹ 26.99 crore), loans (₹ 0.58 crore) and guarantees (₹ 172.94 crore) as per two sets of records. The difference in equity occurred in respect of 12 SPSEs<sup>67</sup> and some of the differences were pending reconciliation over a period of more than 24 years.

<sup>63</sup> Increase in loans (₹ 372.29 crore) borrowed by State's power distribution company minus loan repayments (₹ 49.89 crore) by the State's power transmission company during 2019-23.

<sup>64</sup> Excluding equity contribution (₹ 10.00 crore) in the form of Assets transferred from the erstwhile State Electricity Department to the newly formed State DISCOM (MSPDCL) consequent upon implementation of power sector reform.

<sup>65</sup> Represents the Guarantee outstanding against the borrowings of Manipur State Power Distribution Company Limited (₹ 694.31 crore) and Manipur Police Housing Corporation Limited (₹ 118.73 crore).

<sup>66</sup> As per information furnished by SPSEs, guarantee outstanding is only with respect to Manipur State Power Distribution Company Limited amounting to ₹ 985.98 crore,

<sup>67</sup> Except for two SPSEs (Manipur Police Housing Corporation Limited and Manipur Food & Distribution Corporation Limited), in which no difference in equity investment was noticed.

As regards Loan figures, Finance Department disburses loans to various Departments of State Government for different sectoral activities and booked the amount sector-wise in the State Finance Accounts. In turn, the Departments disburse 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.

***Recommendation:*** *State Government and the SPSEs concerned may take concrete steps to reconcile the differences in a time-bound manner. Government should ensure an appropriate system in place to reflect the correct figures of finances provided to the SPSEs in the Finance Accounts.*

#### **4.1.4 Accountability framework**

The audit of the financial statements of a Company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013 (Act) and audit of the financial statements in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956. The new Act has brought about increased Regulatory Framework, wider Management Responsibility and higher Professional Accountability.

##### ***Statutory Audit/ Supplementary Audit***

Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) audit the financial statements of a Government Company. In addition, CAG conducts the supplementary audit of these financial statements under the provisions of Section 143(6) of the Act.

##### ***Role of Government and Legislature***

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

The State Legislature also monitors the accounting and utilisation of Government investment in SPSEs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies are placed before the Legislature under Section 394 of the Act. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. These reports are further discussed by the Committee on Public Undertakings (CoPU) of the State Legislature. The CoPU sends its recommendations to the State Government for taking appropriate action.

#### **4.1.5 Arrears in finalisation of accounts**

The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by the end of September in accordance with the provisions of Section 96 (1) of

the Companies Act, 2013 and Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 in respect of the financial statements pertaining to the period prior to 1 April 2014. Failure to do so may attract penal provisions under Section 99 of the Companies Act, 2013 and Section 210 (5) of the Companies Act 1956.

Timely finalisation of accounts is important for the State Government to assess the financial health of the SPSEs and to avoid financial misappropriation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013.

**Table 4.1.5** provides details of progress made by working SPSEs in finalisation of their annual accounts as of 30 September 2023.

**Table 4.1.5: Position relating to finalisation of accounts of working SPSEs**

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1	Number of Working SPSEs	10	10	11	10	11
2	Number of accounts finalised during the year	10	1	5	7	2
3	Number of accounts in arrears	94	103	109	105 <sup>68</sup>	114
4	Number of Working SPSEs with arrears in accounts	10	10	10	9	11
5	Extent of arrears (numbers in years)	1 to 31 years	2 to 32 years	1 to 33 years	1 to 34 years	1 to 35 years

Source: Departmental Records.

As can be seen from the **Table** above, during last five years, the overall pendency of SPSE accounts had increased from 94 Accounts (2018-19) to 114 Accounts (2022-23). Increase in the pendency of accounts was attributable to less number of Accounts finalised (25 Accounts) by the SPSEs during 2019-23 as compared to the number of accounts due for finalisation (52 Accounts) during the said period. Against the total arrears of 114 Accounts (11 SPSEs) as on 30 September 2023, 60 Accounts (53 *per cent*) pertained to two SPSEs namely, Manipur Tribal Development Corporation Limited (35 Accounts) and Manipur Police Housing Corporation Limited (25 Accounts) (**Appendix 4.2**).

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

The Reports of the CAG have repeatedly highlighted the issue of arrears in preparation of accounts. Keeping in view the seriousness of the matter, the Principal Accountant General (Audit) Manipur took up (17 April 2023) the matter with the Chief Secretary of the State impressing upon to review the reasons for the huge pendency of State PSE accounts and initiate appropriate action to clear the arrears of accounts in a time bound manner. However, the

<sup>68</sup> Excluding seven accounts of erstwhile Manipur IT SEZ Project Development Company Limited pending finalisation as on 31 March 2021, which ceased to exist with effect from 15 March 2022

State Government and the SPSEs concerned were yet to address the issue of clearing the pendency of accounts in a time bound manner.

**Recommendations:**

- i. State Government may ensure the clearance of arrears of accounts and set targets for individual SPSEs; and*
- ii. The SPSEs may get the figures of equity and loans reconciled with the State Government Departments to reflect correct position in the State Finance Accounts.*

**4.1.6 Investment by State Government in SPSEs whose accounts were in arrears**

The State Government had invested ₹ 76.40 crore in seven SPSEs (equity: ₹ 7.05 crore and grants: ₹ 69.35 crore) during the years for which these SPSEs had not finalised their accounts as detailed in **Appendix 4.1**. One Power sector SPSE (Manipur State Power Company Limited) was the major recipient of State Government funding amounting to ₹ 15.58 crore (Grants) during the period when its accounts were in arrears.

In the absence of accounts and their subsequent audit, it could not be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

**Recommendation:** *State Government may consider taking appropriate action against the Company Management responsible for arrears of accounts.*

**4.1.7 Special support and Guarantees to SPSEs during the year**

The State Government provides financial support to SPSEs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans and grants/subsidies in respect of the State SPSEs for the last three years ended 2022-23 are shown in **Table 4.1.6** below:

**Table 4.1.6: Details of budgetary support to SPSEs**

(₹ in crore)

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
1	Equity Capital outgo from Budget	1	0.25	-	-	1	5.00
2	Loans given from budget	-	-			-	-
3	Grants/ subsidy from budget (including Capital Grant)	4	299.26	6	495.69	5	328.40
4	<b>Total outgo (1+2+3)</b>	<b>5</b>	<b>299.51</b>	<b>6</b>	<b>495.69</b>	<b>6</b>	<b>333.40</b>
5	Guarantee issued	1	111.48	1	193.62	1	290.33
6	Guarantee commitment <sup>69</sup>	1	502.03	1	695.65	1	985.98

Source: As furnished by SPSEs.

<sup>69</sup> Guarantee commitment of the State Government for all three years pertained to the borrowings availed by Manipur State Power Distribution Company Limited.

As can be noticed from the **Table** above, the budgetary support provided by State Government to SPSEs during the last three years (2020-23) witnessed an increase from ₹ 299.51 crore in 2020-21 to ₹ 333.40 crore in 2022-23, which was mainly in the form of Grants/subsidy. The major recipient of the grants/subsidy during last three years was one power sector SPSE (Manipur State Power Distribution Company Limited), which received the grant/subsidy of ₹ 120.00 crore (2020-21), ₹ 323.23 crore (2021-22) and ₹ 286.60 crore (2022-23).

#### 4.1.8 Performance of SPSEs as per their latest financial accounts

The financial position and working results of working SPSEs (Government Companies) are detailed in **Appendix 4.2. Table 4.1.7** provides the comparative details of working SPSEs turnover and State GDP for the period of previous five years ending 2022-23.

**Table 4.1.7: Details of working SPSEs turnover vis-à-vis State GDP**

(₹ in crore)					
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Turnover <sup>70</sup>	232.60	232.63	480.88	584.92	583.87
GSDP <sup>71</sup>	27,388.00	29,813.00	29,776.09	36,594.47 (Q)	40,661.97 (A)
Percentage of Turnover to GSDP	0.85	0.78	1.61	1.60	1.44

(Q): Quick Estimates; (A): Advance Estimates

It can be noticed from **Table 4.1.7** above that during 2018-23, the GSDP had increased by 48.47 per cent from ₹ 27,388 crore (2018-19) to ₹ 40,661.97 crore (2022-23). In comparison, the SPSE-turnover during the corresponding period had grown by 151.02 per cent from ₹ 232.60 crore (2018-19) to ₹ 583.87 crore (2022-23). Higher pace of growth in SPSE-turnover compared to that of GSDP had led to increase in the contribution of SPSE-turnover to GSDP from 0.85 per cent (2018-19) to 1.44 per cent (2022-23). The increase in the SPSE-turnover was mainly driven by increase in turnover of power sector from ₹ 231.00 crore (2018-19) to ₹ 582.24 crore (2022-23).

#### *Erosion of capital due to losses*

The paid-up capital and overall accumulated losses of nine<sup>72</sup> working SPSEs as per their latest finalised accounts as on 30 September 2023 were ₹ 53.39 crore and ₹ 327.68 crore<sup>73</sup>, respectively (**Appendix 4.2**).

During 2022-23, out of the nine working SPSEs, only one SPSE<sup>74</sup> earned profit (₹ 0.29 crore) as per its latest finalised accounts. Return on Equity (RoE) in

<sup>70</sup> Turnover of working SPSEs as per their latest finalised accounts as on 30 September of the respective year.

<sup>71</sup> Source: Department of Economics and Statistics, GoM (at current price).

<sup>72</sup> Excluding two newly incorporated SPSEs, viz., Tourism Corporation of Manipur Limited (13 July 2016) and Manipur Food & Distribution Corporation Limited (14 November 2022) which have not finalized their first Annual Accounts.

<sup>73</sup> After netting off the accumulated profits (₹ 0.59 crore) of Manipur Police Housing Corporation Limited.

<sup>74</sup> Manipur Police Housing Corporation Limited.

respect of this profit-making SPSE was 47.54 *per cent*<sup>75</sup>. Further, ROE of three<sup>76</sup> out of eight loss making SPSEs was negative.

ROE of the remaining five working SPSEs<sup>77</sup> was not ascertainable as the accumulated losses (₹ 327.16 crore) of these SPSEs had completely eroded their paid-up capital (₹ 47.19 crore) as per their latest finalised accounts.

Primary erosion of equity capital by the accumulated losses occurred in respect of three working SPSEs as detailed in the following **Table**:

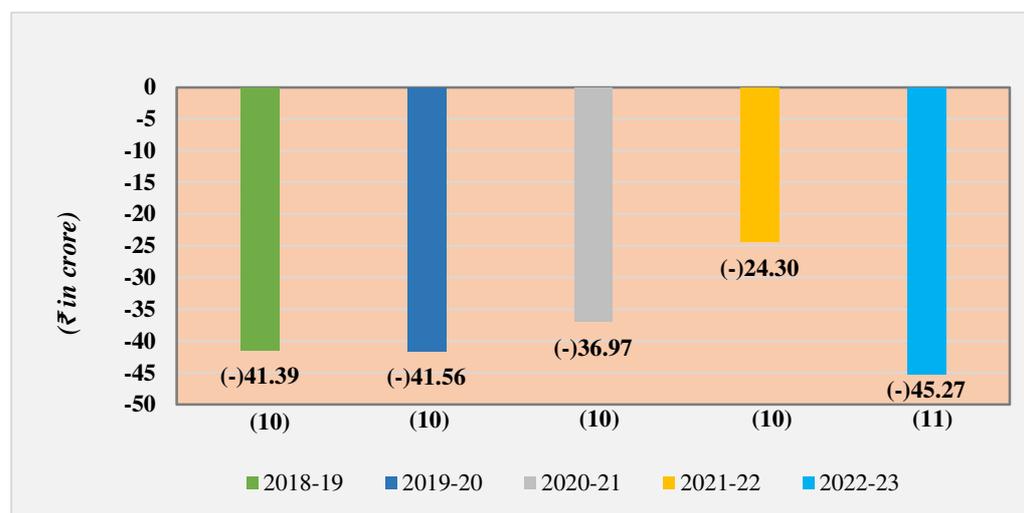
**Table 4.1.8: SPSEs with primary erosion of paid up capital**

(₹ in crore)			
Name of PSE	Latest finalised accounts	Paid up capital	Accumulated losses
Manipur State Power Distribution Company Limited	2021-22	10.05	156.70
Manipur State Power Company Limited	2021-22	10.05	115.39
Manipur Industrial Development Corporation Limited	2009-10	12.14	31.78
<b>Total</b>		<b>32.24</b>	<b>303.87</b>

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 improve their profitability.

The overall position of losses incurred by the working SPSEs during 2018-19 to 2022-23 as per their latest finalised accounts as on 30 September of the respective year has been depicted in **Chart 4.1.2**.

**Chart 4.1.2 Overall losses of working SPSEs**



(Figures in bracket show the number of working SPSEs in the respective years)

As depicted in the **Chart** above, the overall losses of working SPSEs showed a decreasing trend between 2019-20 and 2021-22 but the SPSE-losses increased

<sup>75</sup> ROE = Net Profit (₹ 0.29 crore) ÷ Shareholders' Fund (₹ 0.61 crore) % = 47.54 *per cent*.

<sup>76</sup> Serial no. A2, A4 and A10 of **Appendix 4.2**.

<sup>77</sup> Serial no. A1, A5, A6, A7 and A8 of **Appendix 4.2**.

significantly during 2022-23 by more than 86 per cent (₹ 20.97 crore). This deterioration in the performance of SPSEs during 2022-23 was attributable to increase (₹ 20.98 crore) in losses of the two power sector SPSEs from ₹ 22.30 crore (2021-22) to ₹ 43.28 crore (2022-23).

During the year 2022-23, out of eleven working SPSEs, only one SPSE<sup>78</sup> earned profit of ₹ 0.29 crore while eight SPSEs incurred losses aggregating to ₹ 45.56 crore as per their latest finalised accounts. Remaining two SPSEs<sup>79</sup> had not finalised their First Accounts (2016-17 & 2022-23) as of September 2023. The major contributors to SPSE-losses were two power sector SPSEs as detailed in **Table 4.1.9**.

**Table 4.1.9: Major contributors to the losses of working SPSEs**

SPSE	Latest finalised accounts	Losses
Manipur State Power Company Limited	2021-22	32.17
Manipur State Power Distribution Company Limited	2021-22	11.11
<b>Total</b>		<b>43.28</b>

(₹ in crore)

#### 4.1.9 Key parameters

Some other key parameters of SPSEs performance as per their latest finalised accounts as on 30 September of the respective year are given in the following **Table**.

**Table 4.1.10: Key parameters of SPSEs**

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Debt</b>	151.71	160.56	493.11	477.51	477.51
<b>Turnover</b> <sup>80</sup>	232.60	232.63	480.88	584.92	583.87
<b>Debt/Turnover Ratio</b>	0.65:1	0.69:1	1.03:1	0.82:1	0.82:1
<b>Interest Expenses</b>	0.89	0.89	2.73	10.12	10.12
<b>Accumulated losses</b>	166.35	166.52	250.06	302.77	334.94

(₹ in crore)

#### ➤ **Debt-Turnover Ratio**

A low debt-to-turnover ratio (DTR) demonstrates a good balance between Debt and Income. Conversely, a high DTR can signal of having too much of Debt against the Income of SPSEs from core activities. Thus, the SPSEs having lower DTR are more likely to comfortably manage their Debt servicing and repayments.

As can be seen from **Table 4.1.10**, during the period of five years (2018-19 to 2022-23), the SPSE debts had increased by 'more than three-fold' (215 per cent) from ₹ 151.71 crore (2018-19) to ₹ 477.51 crore (2022-23) while the pace of growth of the SPSE-turnover during the corresponding period was comparatively low at around 'two and a half fold' (151 per cent) from ₹ 232.60 crore (2018-19) to ₹ 583.87 crore (2022-23). As a result, the Debt to

<sup>78</sup> Manipur Police Housing Corporation Limited.

<sup>79</sup> Tourism Corporation of Manipur Limited (incorporated on 13 July 2016) and Manipur Food & Distribution Corporation Limited (incorporated on 14 November 2022).

<sup>80</sup> Turnover of working SPSEs as per their latest finalised accounts as of 30 September of respective year.

Turnover Ratio during 2018-23, has increased from 0.65:1 (2018-19) to 0.82:1 (2022-23), which indicated deteriorated position of SPSEs in servicing and repayment of their long-term debts as compared to previous years.

Further, the accumulated losses of SPSEs during the last five years (2018-23) increased by ₹ 168.59 crore (101.35 *per cent*) mainly due to increase of ₹ 168.42 crore in the accumulated losses of power sector SPSEs from ₹ 103.67 crore (2018-19) to ₹ 272.09 crore (2022-23).

#### **4.1.10 Return on Investment on the basis of Present Value of Investment**

The Rate of Real Return (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for their time value. To determine the Rate of Real Return on Government Investment (RORR), the investment of State Government<sup>81</sup> in the form of equity, interest free loans and grants/subsidies given by the State Government for operational and management expenses less the disinvestments (if any), should be considered, and indexed to their Present Value (PV) and summated. The RORR is then to be calculated by dividing the 'profit after tax' (PAT) by the sum of the PV of the investments.

During 2022-23, out of nine working SPSEs<sup>82</sup>, eight PSEs incurred losses (₹ 45.56 crore) and only one SPSE<sup>83</sup> earned profit (₹ 0.29 crore) as per their latest finalised accounts as on 30 September 2023 (*Appendix 4.2*). On the basis of return on historical value of investment, the State Government investment eroded by 2.17 *per cent* during 2022-23. Further, as per the Rate of Real Return worked out based on the present value of investment, the State Government investment eroded by 1.56 *per cent* as shown in *Appendix 4.3*. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

#### **4.1.11 Impact of Audit Comments on Annual Accounts of SPSEs**

During October 2022 to September 2023, two SPSEs submitted their two Financial Statements (Accounts) for the previous year (2021-22). Both the Accounts were selected for supplementary audit by CAG, which was completed during 2022-23. The Statutory Auditors had given unqualified opinion on both<sup>84</sup> the Accounts.

Gist of some of the important comments of the CAG in respect of the accounts of the SPSEs are as under:

<sup>81</sup> State Government investment in SPSEs as per the records of respective SPSEs.

<sup>82</sup> Excluding two SPSEs at serial Nos. A9 and A11 of *Appendix 4.2*, which had not submitted their first Accounts.

<sup>83</sup> Manipur Police Housing Corporation Limited

<sup>84</sup> Two accounts: (i) Manipur State Power Company Limited - (2021-22) and (ii) Cyber Corporation Manipur Limited (2021-22)

**Manipur State Power company Limited (2021-22)****Non-compliance with Accounting Standard 5**

‘Other Expenses’ amounting to ₹ 1.62 crore pertaining to ‘prior periods’ should have been shown separately in a manner that their impact on the current profit or loss can be perceived as per the requirements of Accounting Standard 5.

**Incorrect capitalisation of revenue expenses under ‘Capital Work-in-Progress’**

‘Capital Work-in-Progress’ was overstated by ₹ 1.64 crore due to incorrect capitalisation of revenue expenditure (annual fixed charges) pertaining to ‘SCADA/ EMS system of SLDCs of North Eastern Region’ instead of charging the same to the Statement of Profit & Loss.

**Non-capitalisation of works cost under ‘Buildings’**

Value of ‘Building’ (Gross Block) was understated by ₹ 1.57 crore due to non-accounting of the capital cost of 10 different civil works completed during the current year (2021-22).

**Cyber Corporation Manipur Limited (2021-22)****Non-accounting of Revenue expenses**

Current year’s loss and ‘Current Liabilities’ were understated by ₹ 0.09 crore each due to non-accounting of ‘Corporate Consultancy Charges’ and expenses relating to the 7<sup>th</sup> Board of Directors’ meeting in the Statement of Profit & Loss.

**4.1.12 Winding up of non-working SPSEs**

As on 31 March 2023, there were three non-working SPSEs (*Appendix 4.2*), which had been non-functional for the last 19 to 23 years. Since the non-working SPSEs were neither contributing to the State economy nor meeting the intended objectives of their formation, the liquidation process to wind up these SPSEs needs to be expedited.

**4.1.13 Follow up action on Audit Reports****Replies/Explanatory notes outstanding**

The Reports of the CAG represent the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive authorities. As per the recommendation of the Shakhder Committee<sup>85</sup>, all Administrative Departments are required to submit Replies/Explanatory notes to paragraphs/performance audits included in the

<sup>85</sup> Shakhder Committee under the Chairmanship of Shri. S.L. Shakhder, formerly Chief Election Commissioner of India was formed (01 August 1992) with a view (i) to study the response of the State Government (and their public enterprises) to the Audit Reports of CAG and the response of the State Governments to the recommendations of the respective PAC/CoPU in the context of the Audit Reports; and (ii) to examine how far the Audit Reports of CAG are effective in enhancing the Executive’s financial accountability to the Legislature in the States.

Audit Reports of the CAG within a period of three months<sup>86</sup> of their presentation to the State Legislature in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (CoPU).

The position of Explanatory notes to paragraphs/performance audits pending to be received from the State Government/Administrative Departments concerned has been shown in the following **Table**:

**Table 4.1.11: Status of Explanatory notes not received (as on 31 March 2024)**

Year of the Audit Report (Commercial/ SPSE)	Date of placement of Audit Report in the State Legislature	Total number of Performance Audits (PAs) and Paragraphs included in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	29 June 2015	-	3	-	3
2014-15	2 September 2016	2	1	-	-
2015-16	21 July 2017	-	2	-	-
2016-17	23 July 2018	-	1	-	-
2017-18	17 February 2020	-	1	-	-
2018-19	25 March 2022	1	2	-	-
2019-20	22 February 2023	-	1	-	1
2021-22 (combined Report for 2020-21 and 2021-22)	29 February 2024	-	-	-	-
<b>Total</b>		<b>3</b>	<b>11</b>	<b>0</b>	<b>4</b>

Source: Records of O/o the Principal Accountant General (Audit), Manipur.

From **Table 4.1.11**, it could be seen that explanatory notes to four paragraphs relating to two SPSEs<sup>87</sup>, included in the Audit Reports 2013-14 and 2019-20 respectively, were not submitted by the State Government (March 2024).

#### **4.1.14 Discussion of Audit Reports by CoPU**

The status as on 31 March 2024 of Performance Audits (PAs) and compliance Audit paragraphs relating to SPSEs that appeared in the Audit Reports of CAG for the last nine years (2013-14 to 2021-22) and discussed by the Committee on Public Undertakings (CoPU) is shown in the following **Table**.

**Table 4.1.12: Position on discussion of Audit Reports by CoPU**

Period of Audit Report <sup>88</sup>	Number of performance audits/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
<b>2013-14</b>	Nil	3	Nil	Nil
<b>2014-15</b>	2	1	Nil	1
<b>2015-16</b>	Nil	2	Nil	2
<b>2016-17</b>	Nil	1	Nil	1
<b>2017-18</b>	Nil	1	Nil	Nil
<b>2018-19</b>	1	2	1	2
<b>2019-20</b>	Nil	1	Nil	Nil
<b>2021-22</b>	Nil	Nil	Nil	Nil

<sup>86</sup> As per the prescribed time schedule, *suo moto* replies to be furnished within three months in case Audit Paragraphs are not selected by the PAC/CoPU during this period.

<sup>87</sup> Manipur Tribal Development Corporation Limited and Manipur Police Housing Corporation Limited.

<sup>88</sup> For periods prior to 2013-14, 37 audit paragraphs (6 performance audits and 31 compliance audit paragraphs) pertaining to Audit Reports for the years from 1995-96 to 2006-07, 2009-10 and 2012-13 are yet to be discussed by CoPU.

Period of Audit Report <sup>88</sup>	Number of performance audits/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
(combined Audit Report for the years 2020-21 and 2021-22)				
<b>Total</b>	<b>3</b>	<b>11</b>	<b>1</b>	<b>6</b>

Source: Records of O/o the Principal Accountant General (Audit), Manipur.

From the **Table** above, it may be seen that two PAs and five compliance audit paragraphs had been pending discussion by the CoPU.

#### 4.1.15 Compliance to Reports of the CoPU

Action Taken Notes (ATNs) relating to 122 recommendations pertaining to six Reports of the CoPU presented to the State Legislature between March 1986 and March 2023 had not been received from the Government (31 March 2024) as indicated in the following **Table**.

**Table 4.1.13: Compliance to CoPU Reports**

Year of COPU Report	Total number of CoPU Reports	Total No. of recommendations in CoPU Report	No. of recommendations where ATNs not received
10 <sup>th</sup> Report (1986-87)	1	8	8
11 <sup>th</sup> Report (1995-96)	1	53	53
12 <sup>th</sup> Report (1998-99)	1	9	9
13 <sup>th</sup> Report (2010-11)	1	40	40
14 <sup>th</sup> Report (2018-19)	1	4	4
15 <sup>th</sup> Report (2022-23)	1	8	8
<b>Total</b>	<b>6</b>	<b>122</b>	<b>122</b>

Source: Records of O/o the Principal Accountant General (Audit), Manipur.

The above Reports of CoPU contained recommendations in respect of paragraphs pertaining to five departments of the State Government, which appeared in the Reports of the CAG of India for the years 1983-84 to 2016-17.

**Recommendations: State Government may review and revamp the mechanism of responding to audit observations. The Government may ensure that responses and explanatory notes to draft paragraphs/performance audits and ATNs on the recommendations of CoPU are provided as per the prescribed time schedule and the loss/outstanding advances/overpayments flagged in audit are recovered within the prescribed period.**