

**CHAPTER VIII**  
**GOVERNMENT COMMERCIAL AND TRADING**  
**ACTIVITIES**

**Overview of Government Companies and Statutory Corporations**

**8.1 Introduction**

As on 31 March 2002 there were 15 Government companies (13 working companies and 2 non-working companies) and one working Statutory corporation as against same number of companies/corporations as on 31 March 2001 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangement of the Statutory Corporation is as shown below:

**Table No. 8.1**

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1	Manipur State Road Transport Corporation (MSRTC)	Section 33(2) of the Road Transport Corporation Act, 1950	Sole audit by CAG

**8.2 Working Public Sector Undertakings (PSUs)**

*Investment in working PSUs*

**8.2.1** The total investment in 14 working PSUs (13 Government Companies and one Statutory Corporation) at the end of March 2001 and March 2002 was as follows:

(Rupees in crore)

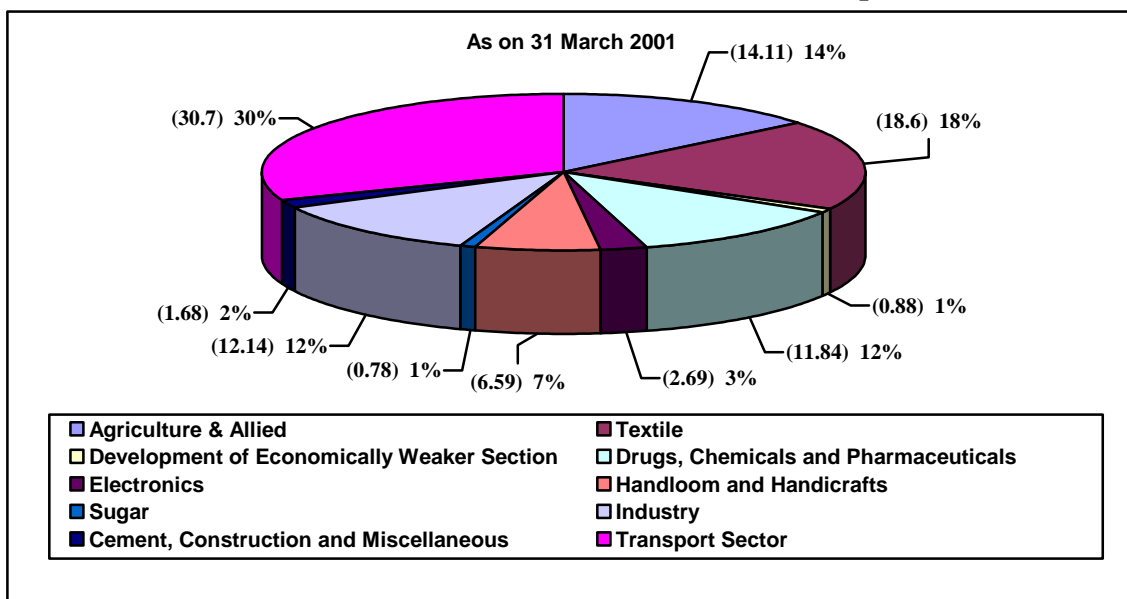
Year	Number of working PSUs	Investment in working PSUs		
		Equity	Loan	Total
2001-02	14	87.23	16.38	103.61
2000-01	14	84.75	15.27	100.02

The analysis of investment in PSUs is given in the following paragraphs.

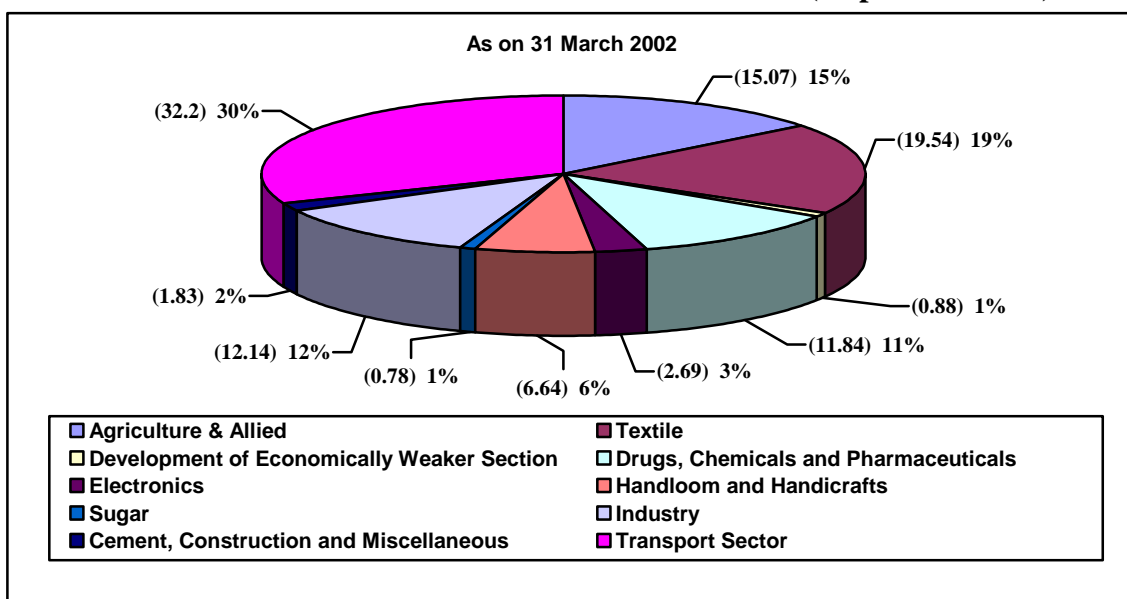
The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 31 March 2002 are indicated below in the Pie Charts:

**Chart 8.1**

**(Rupees in Crore)**



**(Rupees in Crore)**



**Sector-wise investment in working Government companies and Statutory Corporations**

**Working Government companies**

**8.2.2** The total investment in 13 working Government Companies at the end of March 2001 and March 2002 was as follows:

(Rupees in crore)

Year	Number of Government Companies	Investment in working Government Companies		
		Equity	Loan	Total
2001-02	13	55.03	16.38	71.41
2000-01	13	54.05	15.27	69.32

**8.2.3** The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in *Appendix XXII*

**8.2.4** As on 31 March 2002, the total investment of working Government companies, comprised 77.06 per cent of equity capital and 22.94 per cent of loans as compared to 77.97 per cent and 22.03 per cent respectively as on 31 March 2001.

**8.2.5** Due to significant increase in long term loan under 3 sectors the debt equity ratio increased from 0.28: 1 in 2000-01 to 0.30: 1 in 2001-02.

**Working Statutory corporations**

**8.2.6** The total investment in the working Statutory Corporation at the end of March 2001 and March 2002 was as follows:

**Table No. 8.2**

(Rupees in crore)

Name of corporation	2000-01		2001-02	
	Capital	Loan	Capital	Loan
Manipur State Road Transport Corporation	30.70	—	32.20	—

**8.2.7** The summarised statement of Government investment in working Statutory Corporation in the form of equity and loans is detailed in *Appendix XXII*.

### 8.3 Budgetary outgo, grants/subsidies, guarantees and waiver of dues and conversion of loans into equity

**8.3.1** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working Statutory corporations are given in *Appendices XXII* and *XXIV*.

**8.3.2** The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory Corporation for the 3 years up to 2001-02 are given below:

**Table No. 8.3**

(Rupees in crore)

	1999-2000				2000-01				2001-02			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity Capital outgo from budget	3	3.32	1	1.20	1	0.65	1	1.87	3	0.98	1	1.50
Grants/subsidy toward:												
(i) Projects/Programmes/Schemes	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Other subsidy	1	0.49	-	-	1	0.20	-	-	2	0.59	-	-
<b>Total outgo</b>	<b>4</b>	<b>3.81</b>	<b>1</b>	<b>1.20</b>	<b>2</b>	<b>0.85</b>	<b>1</b>	<b>1.87</b>	<b>5</b>	<b>1.57</b>	<b>1</b>	<b>1.50</b>

**8.3.3** No information regarding guarantee given by State Government was received from the Companies/Corporation (September 2002).

### 8.4 Finalisation of accounts by working PSUs

**8.4.1** The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per provisions of their respective Acts.

**8.4.2** However, as could be noticed from *Appendix XXIII*, out of 14 working PSUs (13 Government companies and one Statutory Corporation) none have finalised their accounts for the year 2001-02 within stipulated period. During the period from October 2001 to September 2002, 3 working Government companies finalised their accounts for previous years.

**8.4.3** The accounts of 13 working Government companies and one Statutory corporation were in arrears for periods ranging from 5 years to 20 years as on 30 September 2002 as detailed below:

**Table No. 8.4**

Sl. No.	No. of working companies /corporations Number of years for which accounts are in arrears		Year from which accounts are in arrears	Number of years for which accounts are in arrear	Reference to Sl.No. of Appendix 2	
	Government companies	Statutory corporation			Government companies	Statutory corporation
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	2	—	1982-83	20	5 & 8	-
2.	1	—	1984-85	18	2	-
3.	1	—	1987-88	15	6	-
4.	1	—	1988-89	14	1	-
5.	1	—	1989-90	13	3	-
6.	1	—	1990-91	12	13	-
7.	1	1	1991-92	11	10	B1
8.	3	—	1995-96	7	4,7,8, & 9	—
9.	2	—	1997-98	5	11 & 12	-

**8.4.4** The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were appraised quarterly by the audit regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the investments made in these PSUs could not be assessed in audit.

## **8.5 Financial position and working results of working PSUs**

**8.5.1** The summarised financial results of working PSUs (Government companies and Statutory Corporation) as per latest finalised accounts are given in *Appendix XXIII*. Besides, statement showing financial position and working results of individual working Statutory Corporation for the latest three years for which accounts are finalised are given in *Appendices XXV* and *XXVI* respectively.

**8.5.2** According to the finalised accounts of 13 working Government companies and 1 working Statutory corporation, 5 companies and 1 corporation had incurred an aggregate loss of Rs.1.81 crore and Rs.1.98 crore respectively, 4 companies earned an aggregate profit of Rs.0.54 crore and 4 companies had not commenced commercial activities.

## **8.6 Working Government companies**

### ***Profit earning working companies and dividend***

**8.6.1** None of the 4 profit making companies as per latest finalised accounts declared any dividend.

***Loss incurring working Government companies***

**8.6.2** Of the 5 loss incurring working Government companies, 4 companies had accumulated losses aggregating Rs.5.00 crore which exceeded their aggregate paid up capital of Rs.2.37 crore.

***Working Statutory corporations***

***Loss incurring working Statutory corporation***

**8.6.3** According to the latest audited accounts (as on 31 March 1991) Manipur State Road Transport Corporation had accumulated loss aggregating to Rs.16.70 crore which was 99 *per cent* of its aggregate paid up capital of Rs.16.80 crore. In spite of this, the State Government continued to provide financial support by way of equity capital of Rs.1.50 crore during 2001-02 to the corporation.

***Operational performance of Statutory corporation***

**8.6.4** The operational performance of Manipur State Road Transport Corporation is given in *Appendix XXVII*.

***Return on capital employed***

**8.6.5** As per latest accounts, the capital employed worked out to Rs.20.19 crore in 13 working companies and total return thereon amounted to Rs.0.71 crore which is 3.50 *per cent* as compared to total return of Rs.1.27 crore (7.16 *per cent*) in the previous year (accounts finalised up to September 2001). Similarly, the capital employed in case of working Statutory corporation as per the latest accounts worked out to Rs.0.29 crore. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporation are given in *Appendix XXIII*.

**8.7 Non-working PSUs**

***Investment in non-working PSUs***

**8.7.1** As on 31 March 2002, the total investment in 2 non-working PSUs (2 non-working Government companies only) was Rs.1.15 crore (equity Rs.1.15 crore) as against total investment of Rs.1.15 crore (equity Rs.1.15 crore) as on 31 March 2001.

**Table No. 8.5**

(Rupees in crore)

Sl No.	Status of non-working PSUs	Number of companies	Investment
			Companies
			Equity
(i)	Under liquidation	1	0.42
(ii)	Under closure	1	0.73
	<b>Total</b>	<b>2</b>	<b>1.15</b>

**8.7.2** Of the above non-working PSUs one Government company was under liquidation under Section 560 of the Companies Act, 1956 for 3 years and substantial investment of Rs.0.42 crore was involved in this company. Effective steps need to be taken for its expeditious liquidation or revival.

***Finalisation of accounts by non-working PSUs***

**8.7.3** The accounts of 2 non-working companies were in arrear for periods ranging from 9 years to 11 years as on 30 September 2002 as could be noticed from *Appendix XXIII*.

***Financial position and working results of non working PSUs***

**8.7.4** The summarised financial results of non-working Government companies as per latest finalised accounts are given in *Appendix XXIII*.

**8.7.5** The year wise details of paid-up capital, net worth, cash loss/cash profits and accumulated loss/accumulated profit of non working PSUs as per their latest finalised accounts are given below:

**Table No. 8.6**

(Rupees in crore)

Year	Paid-up capital	Net worth	Cash loss (-)/cash profit (+)	Accumulated loss (-)/accumulated profit (+)
A. Non working companies	1.15	NA <sup>1</sup>	NA	(-) 1.50
<b>Total</b>	<b>1.15</b>	<b>NA</b>	<b>NA</b>	<b>(-) 1.50</b>

**8.8 Status of placement of Separate Audit Reports of Statutory Corporation in Legislature**

Separate Audit Reports on the accounts of the Manipur State Road Transport Corporation for the years 1981-82 to 1990-91 along with Audit Certificates had been sent to the State Government in June 1997. No information had been received (September 2002) from the Government regarding placement of the Reports in the State Legislature.

<sup>1</sup> Not available

## 8.9 Results of audit by Comptroller and Auditor General of India

**8.9.1** During the period from October 2001 to September 2002, the audit of accounts of 3 Government companies were selected for review. The net impact of the important audit observations as a result of review were as follows:

**Table No. 8.7**

(Rupees in lakh)

Details	Number of accounts	
	Government companies	Government companies
	Working	Working
(i) Decrease in loss	1	0.43
(ii) Non-disclosure of material facts	1	1.00

### 8.9.2 Errors and Omissions noticed in case of Government Companies

#### (a) Manipur Police Housing Corporation Ltd. (1993-1994)

##### *General*

*Certification of accounts for the year 1993-94 before adoption of previous years accounts.*

The accounts for the year 1993-94 has been certified on 18.6.1998 by the Statutory Auditors before adoption of the previous years certified account in the Annual General Meeting (AGM) held on 4.4.2001 which is in contravention of the provisions for certification of annual accounts under the Companies Act.

#### (b) Manipur Cement Limited. (1990-1991)

##### *General*

The Statutory Auditors certified (February 2001) the accounts on the basis of the report (April 1992) of the internal auditor of the Company (Ref: Item No. 1 of Annexure-1 to Auditors Report).

Apart from non-availability of books of accounts, alteration of balances of the previous year after adoption by AGM was noticed. Both assets and liabilities figures were altered from Rs.39.42 lakh to Rs.284.81 lakh without any basis or explanation, and Profit and loss Accounts showed a loss of Rs.19.59 lakh instead of a profit of Rs.11.43 lakh for the period ending 31 March 1990 in the accounts for the year ended 31 March 1991.

In view of the above, the Balance Sheet as on 31 March 1991 and the Profit & Loss Account for the year ended 31 March 1991 do not reflect true and fair view of financial position and working results of the Company.



## **8.10 Recommendations for Closure of PSUs**

**8.10.1** Two Government companies (Manipur Agro-Industries Corporation Limited and Manipur Handloom and Handicrafts Development Corporation Limited) one working Statutory Corporation (Manipur State Road Transport Corporation) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above two Government companies and one Statutory corporation or consider their closure.

## **8.11 Response to Inspection Reports, Draft paras and reviews**

**8.11.1** Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 13 PSUs disclosed that 203 paragraphs relating to 38 Inspection Reports remained outstanding at the end of September 2002. Of these 85 paragraphs relating to 13 Inspection Reports had not been replied for more than 2 to 9 years. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2002 is given in *Appendix XXVIII*.

**8.11.2** Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was however observed that one draft paragraph forwarded to the Tribal Development Department in July 2002 had not been replied to so far (October 2002).

**8.11.3** It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

## **8.12 Position of discussion of Commercial Chapter of the Audit Report by the Committee on Public Undertakings (COPU)**

**8.12.1** The status of Commercial Chapter (Chapter-VIII) of the Audit Report and number of reviews/paragraphs pending for discussion at the end of 30 September 2002 are as shown below:

**Table No. 8.8**

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1995-96	-	3	-	3
1996-97	1	4	1	4
1997-98	-	2	-	2
1998-99	-	2	-	2
1999-2000	2	4	2	4
2000-01	1	2	1	2

### **8.13 Reforms in Power Sector**

A draft MOU between Government of India and Government of Manipur was sent to the Government of India in May 2002 but the same is yet to be signed (October 2002).

**SECTION "A" REVIEW**

**NIL**

**SECTION "B" PARAGRAPHS**

**TRIBAL AND BACKWARD CLASSES DEVELOPMENT  
DEPARTMENT**

**MANIPUR TRIBAL DEVELOPMENT CORPORATION  
LIMITED**

**8.14 Sales tax deducted at source but not remitted into treasury**

**Sales tax of Rs.11.98 lakh not deposited in Government account making the  
Company liable to the tune of Rs.17.97 lakh**

**8.14.1** Under the State Government Notification dated 10 December 1990, any corporation established by the Central/State Government is required to deduct sales tax at source from the bill of the supplier/contractor and deposit the same into Government account within 7 days from the date of deduction; failing which the corporation shall be liable to pay by way of penalty one and a half times of the tax in addition to the tax payable.

**8.14.2** Test check of records (October 2001) of the Manipur Tribal Development Corporation Ltd. revealed that the Corporation during March 2000 to July 2001 deducted sales tax amounting to Rs.11.98 lakh at source from the contractors bill. However, this tax was not deposited in the Government account till June 2002. As per the extant rules, Corporation would be liable to pay penalty amounting to Rs.17.97 lakh (one and a half times of Rs.11.98 lakh) on the amount of Sales tax not deposited in the Government account. The Corporation stated (June 2002) that the delay in deposit of Sales tax was due to non-availability of funds and the amount would be deposited early.

**8.14.3** The matter was referred to Government (December 2001); their reply had not been received (June 2002).

Imphal  
The

(C. GOPINATHAN)  
Accountant General (Audit) Manipur

**Countersigned**

New Delhi  
The

(VIJAYENDRA N. KAUL)  
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