

## CHAPTER II

### ECONOMIC SECTOR (STATE PUBLIC SECTOR UNDERTAKINGS)

#### 2.1 Introduction

**2.1.1** The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out activities of commercial nature keeping in view the welfare of people and also occupy an important place of the economy in the State. As on 31 March 2017, there were 13 SPSUs in Manipur. None of these SPSUs was listed on the Stock exchange. During the year 2016-17, one SPSU<sup>49</sup> was incorporated and none was closed down. The details of the State PSUs in Manipur as on 31 March 2017 are shown in **Table No. 2.1.1**.

**Table No. 2.1.1 Total number of SPSUs as on 31 March 2017**

Type of SPSUs	Working SPSUs	Non-working SPSUs <sup>50</sup>	Total
Government Companies	10	3	13
<b>Total</b>	<b>10</b>	<b>3</b>	<b>13</b>

The working State PSUs registered a turnover of ₹ 161.02 crore as per their latest finalised accounts as of September 2017. This turnover was equal to 0.69 *per cent* of Gross State Domestic Product (GSDP) of ₹ 23,325 crore for 2016-17. The working SPSUs incurred an aggregate loss of ₹ 47.89 crore as per their latest finalised accounts as of September 2017. The overall losses of working SPSUs were mainly on account of heavy losses incurred by two power sector SPSUs *viz.*, (i) Manipur State Power Company Ltd. and (ii) Manipur State Power Distribution Company Ltd. as discussed in **Paragraph 2.1.16**. The SPSUs employed 3,990 employees as at the end of March 2017.

As on 31 March 2017, there were three non-working SPSUs, against which the State Government had invested ₹ 2.87 crore<sup>51</sup>. The investments in the non-working SPSUs do not contribute to the economic growth of the State.

#### Accountability framework

**2.1.2** 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. However, the audit of a company in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956.

According to Section 2(45) of the Companies Act, 2013 (Act), a Government Company is one in which not less than 51 *per cent* of the paid up capital is held

<sup>49</sup> Tourism Corporation of Manipur Limited was incorporated on 13 July 2016.

<sup>50</sup> Non-working SPSUs are those which have ceased to carry on their operations.

<sup>51</sup> Share capital (₹ 1.73 crore) + Loans (₹ 1.14 crore) = ₹ 2.87 crore.

by the Central and/or State Government(s) and includes a subsidiary of a Government Company. The process of audit of Government companies under the Act is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013.

### **Statutory Audit**

**2.1.3** The financial statements of a Government Company {as defined in Section 2(45) of the Companies Act, 2013} are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (C&AG) as per the provisions of Section 139(5) or (7) of the Companies Act. These financial statements are subject to supplementary audit to be conducted by the C&AG under the provisions of Section 143(6) of the Act.

As per the provisions of Section 143(7) of the Act, the C&AG, in case of any company (Government Company or Other Company) covered under sub-section (5) or sub-section (7) of Section 139 of the Act, if considers necessary, cause test audit to be conducted of the accounts of such Company (Government Company or Other Company) and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit.

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

**2.1.4** The State Government exercises control over the affairs of these SPSUs through its administrative departments. The Chief Executive and Directors on the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the C&AG, in respect of State Government companies are to be placed before the Legislature under Section 394 of the Act. The Audit Reports of C&AG are submitted to the Government under Section 19A of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

### **Stake of Government of Manipur**

**2.1.5** The State Government has financial stake of ₹ 829.94 crore in these SPSUs. This stake is of mainly three types:

- 1. Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.
- 2. Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when required.
- 3. Guarantees-** State Government also guarantees the repayment of loans (with interest) availed by the SPSUs from Financial Institutions.

**Investment in State PSUs**

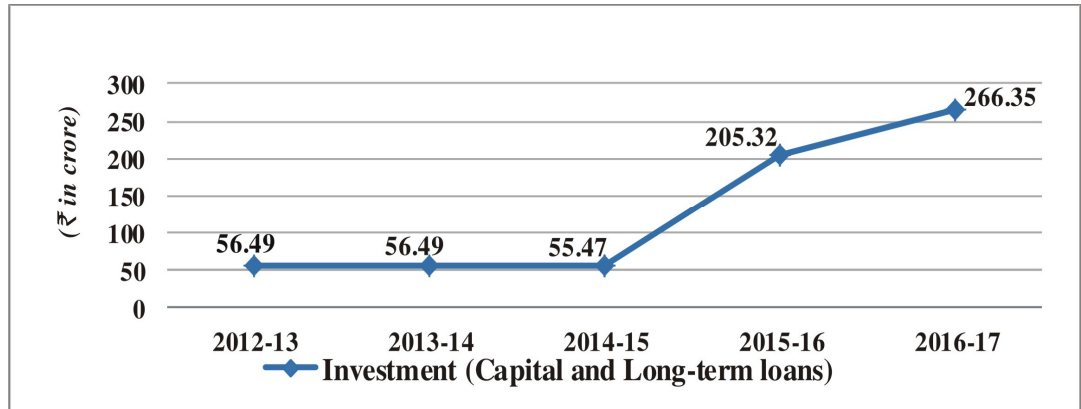
**2.1.6** As on 31 March 2017, the investment (capital and long-term loans) in 13 SPSUs was ₹ 266.35 crore as shown in **Table No. 2.1.2**.

**Table No. 2.1.2 Total investment in PSUs**

Type of SPSUs	Government Companies		
	Capital	Long Term Loans	Total
Working SPSUs	53.06	210.42	263.48
Non-working SPSUs	1.73	1.14	2.87
<b>Total</b>	<b>54.79</b>	<b>211.56</b>	<b>266.35</b>

Out of the total cumulative investment of ₹ 266.35 crore in SPSUs as on 31 March 2017, 98.92 per cent was in working SPSUs and the remaining 1.08 per cent in non-working SPSUs. This total investment consisted of 20.57 per cent towards capital and 79.43 per cent in long-term loans. The investment has increased from ₹ 56.49 crore (2012-13) to ₹ 266.35 crore (2016-17) during last five years as shown in **Chart No. 2.1.1**.

**Chart No. 2.1.1 Total investment in SPSUs**



**2.1.7** The sector-wise summary of investments in the SPSUs as on 31 March 2017 is shown in **Table No. 2.1.3**.

**Table No. 2.1.3 Sector-wise investment in SPSUs**

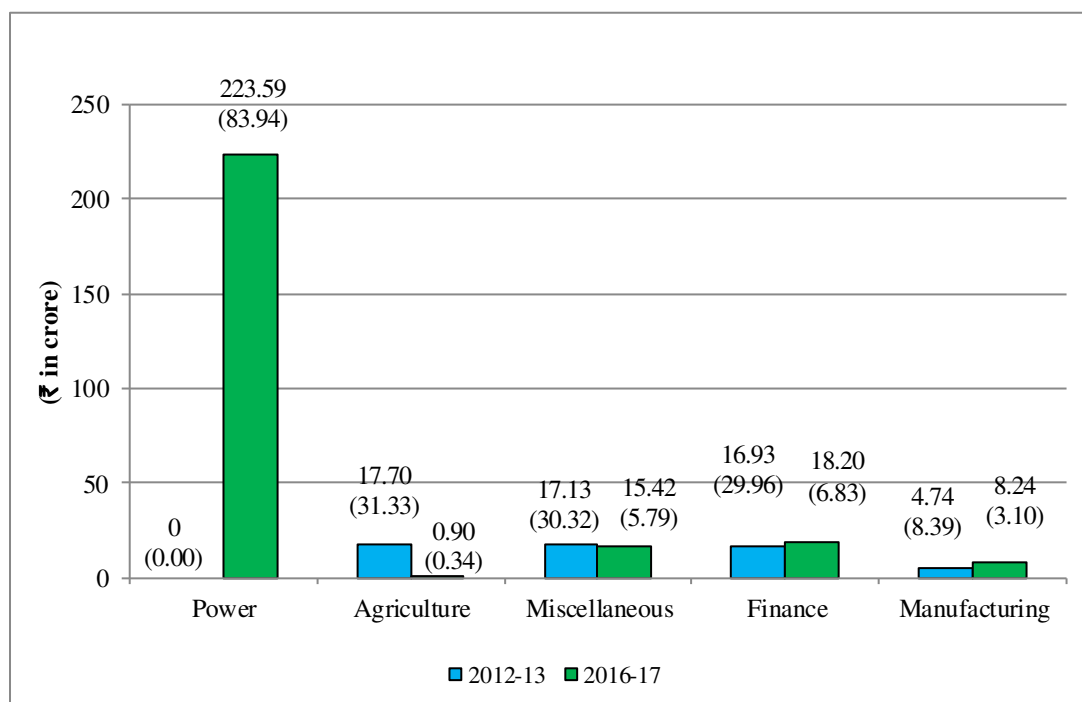
Name of Sector	Government / Other <sup>52</sup> Companies		Total	Investment (₹ in crore)
	Working	Non-Working		
Power	2	Not applicable	2	223.59
Manufacturing	2	Not applicable	2	8.25
Finance	2	Not applicable	2	18.20
Miscellaneous <sup>53</sup>	4	1	5	15.42
Agriculture & Allied	Not applicable	2	2	0.90
<b>Total</b>	<b>10</b>	<b>3</b>	<b>13</b>	<b>266.36</b>

<sup>52</sup> 'Other Companies' as referred to under Section 139 (5) and 139 (7) of the Companies Act, 2013.

<sup>53</sup> Includes investment of ₹ 0.02 crore in one working company under infrastructure sector.

The investment in all the five sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in **Chart No. 2.1.2**.

**Chart No. 2.1.2 Sector wise investment in SPSUs**



Figures in brackets show the percentage of total investment

The thrust of SPSU investment was in power sector which constituted the highest percentage (83.94 per cent) of total investment in SPSUs during 2016-17. This investment was due to formation of two power sector companies, viz., (i) Manipur State Power Company Ltd. and (ii) Manipur State Power Distribution Company Ltd. during 2013-14. The increase of total investment in SPSUs from ₹ 205.32 crore during the previous year (2015-16) to ₹ 266.35 crore during the current year (2016-17) was mainly due to net increase of ₹60.98 crore<sup>54</sup> in loans received by SPSUs during the year 2016-17.

The investments have increased in all sectors (except in agriculture sector and miscellaneous sector) during 2016-17, as compared with the investment position of SPSUs during 2012-13.

The total investment in finance sector increased from ₹ 16.93 crore in 2012-13 to ₹ 18.20 crore in 2016-17. This was mainly due to increase in loan component of investment by ₹ 1.43 crore<sup>55</sup> during the period from 2012-13 to 2016-17. Investment in manufacturing sector had also increased

<sup>54</sup> Increase in loans: ₹ 144.97 crore (Manipur State Power Company Ltd.- ₹ 144.87 crore and Manipur Tribal Development Corporation Ltd.- ₹ 0.10 crore) minus decrease in loan: ₹ 83.99 crore (Manipur State Power Distribution Company Ltd.- ₹ 82.84 crore and Manipur Pulp and Allied Products Ltd.- ₹ 1.15 crore).

<sup>55</sup> Difference between loan outstanding as on March 2017 (₹ 5.28 crore) and the loan outstanding as on March 2013 (₹ 3.85 crore) in respect of Manipur Industrial Development Corporation Ltd. and Manipur Tribal Development Corporation Ltd.

from ₹ 4.74 crore in 2012-13 to ₹ 8.24 crore in 2016-17. This was mainly due to increase in capital contribution of ₹ 3.50 crore by the State Government.

### Special support and returns during the year

**2.1.8** The State Government provides financial support to SPSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs for the year ended 31 March 2017 are shown in **Table No. 2.1.4**.

**Table No. 2.1.4 Details regarding budgetary support to SPSUs<sup>56</sup>**

Sl. No.	Particulars	2016-17	
		No. of SPSUs	Amount (₹ in crore)
1	Equity Capital outgo from budget	-	-
2	Loans given from budget	-	-
3	Grants/subsidy from budget	6	633.81 <sup>57</sup>
<b>4</b>	<b>Total outgo (1+2+3)</b>	<b>6</b>	<b>633.81</b>
5	Waiver of loans and interest	-	-
6	Guarantee issued	1	390.55 <sup>58</sup>
7	Guarantee commitment	1	318.94

During the last four years prior to 2016-17, there was no budgetary outgo towards loans, guarantees issued, loans and interest waived in respect of SPSUs.

### Reconciliation with Finance Accounts

**2.1.9** The figures in respect of equity and loans as per records of SPSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the SPSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2017 is shown in **Table No. 2.1.5**.

**Table No. 2.1.5 Equity, loans, guarantees outstanding as per the Finance Accounts vis-a-vis records of SPSUs**

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	(₹ in crore)
			Difference
Equity	53.79	40.53	13.26
Loans	-	1.65	(-) 1.65
Guarantee	318.94	144.87	174.07

<sup>56</sup> Figures are as furnished by the SPSUs.

<sup>57</sup> Manipur Tribal Development Corporation Ltd. (₹ 0.50 crore), Manipur Food Industries Corporation Ltd. (₹ 1.55 crore), Manipur State Power Company Ltd. (₹ 237.20 crore), Manipur State Power Distribution Company Ltd. (₹ 387.33 crore), Manipur Handloom & Handicrafts Development Corporation Ltd ((₹ 1.16 crore) and Tourism Corporation of Manipur Ltd. (₹ 6.07 crore).

<sup>58</sup> This figures relates to maximum guarantees issued to Manipur State Power Distribution Company Limited and guarantee commitment of ₹ 318.94 crore (Sl. No. 7) relates to the same company.

Audit observed that the differences occurred in respect of 12 SPSUs<sup>59</sup> and some of the differences were pending reconciliation over a period of more than 20 years. The Government and the SPSUs should take concrete steps to reconcile the differences in a time-bound manner.

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

**2.1.10** 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. Failure to do so may attract penal provisions under Section 99 of the Act.

**Table No. 2.1.6** provides the details of progress made by working SPSUs in finalisation of accounts as of 30 September 2017.

**Table No. 2.1.6 Position of finalization of accounts of working SPSUs**

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of working SPSUs	7	7	9 <sup>60</sup>	9	10 <sup>61</sup>
2.	Number of accounts finalised during the year	21	23	16	4	2
3.	Number of accounts in arrears	96	80	73	78	86
4.	Number of Working SPSUs with arrears in accounts	7	7	8	9	10
5.	Extent of arrears (numbers in years)	5 to 26 years	2 to 26 years	2 to 27 years	1 to 28 years	1 to 29 years

From the above table, it is observed that the number of accounts in arrears has decreased from 96 (2012-13) to 86 (2016-17). The accounts were in arrears for periods ranging from one year (Tourism Corporation of Manipur Ltd.) to 29 years (Manipur Tribal Development Corporation Ltd.).

The reasons for delay in finalisation of accounts are attributable to:

- Abnormal delay in compilation and approval of the accounts and delayed submission of the same to the Statutory Auditors by the Management; and
- Deficiency in monitoring of arrears of accounts of the Companies by the Government.

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these SPSUs within stipulated period. During the period 2016-17 (up to September 2017), the Departments concerned were informed of the arrears in finalisation of accounts by these SPSUs. Despite all these efforts, however, the arrears of accounts of working SPSUs as of November 2017 stood at 86 accounts in respect of 10 working SPSUs.

<sup>59</sup> In respect of one SPSU, *viz.*, Manipur Police Housing Corporation Ltd., the figures were matching.

<sup>60</sup> Including Manipur IT SEZ Project Development Company Ltd.

<sup>61</sup> One new Company *viz.* Tourism Corporation of Manipur Ltd. was incorporated on 13 July 2016 under the Companies Act, 2013.

**2.1.11** The State Government had invested ₹ 2.10 crore in equity and disbursed grants of ₹ 1,128.65 crore to ten SPSUs during the years for which accounts had not been finalized as detailed in *Appendix 2.1*. In the absence of finalisation of accounts and their subsequent audit, it could not be assessed whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

**2.1.12** In addition to above, as on 30 September 2017 there were arrears in finalisation of accounts by non-working SPSUs. Three non-working SPSUs had arrears of accounts for periods ranging from 19 to 33 years as shown in **Table No. 2.1.7**.

**Table No. 2.1.7 Position relating to arrears of accounts in respect of non-working SPSUs**

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
3	1984-85 to 2016-17	19 to 33 years

**Impact of non-finalisation of accounts**

**2.1.13** As pointed out above (*Paragraphs 2.1.10 to 2.1.12*), the delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. Thus, due to pendency of accounts, the actual contribution of SPSUs to the GSDP for the year 2016-17 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

**Recommendations**

**2.1.14** The Government may consider setting time-bound targets for finalisation of arrears of accounts for individual companies and closely monitor the clearance of these arrears.

**Performance of SPSUs as per their latest finalised accounts**

**2.1.15** The financial position and working results of working Government companies are detailed in *Appendix 2.2*. A ratio of SPSU - turnover to State GDP shows the extent of SPSU - activities in the State economy. Details of working SPSU turnover and GSDP during 2012-13 to 2016-17 are shown in **Table No. 2.1.8**.

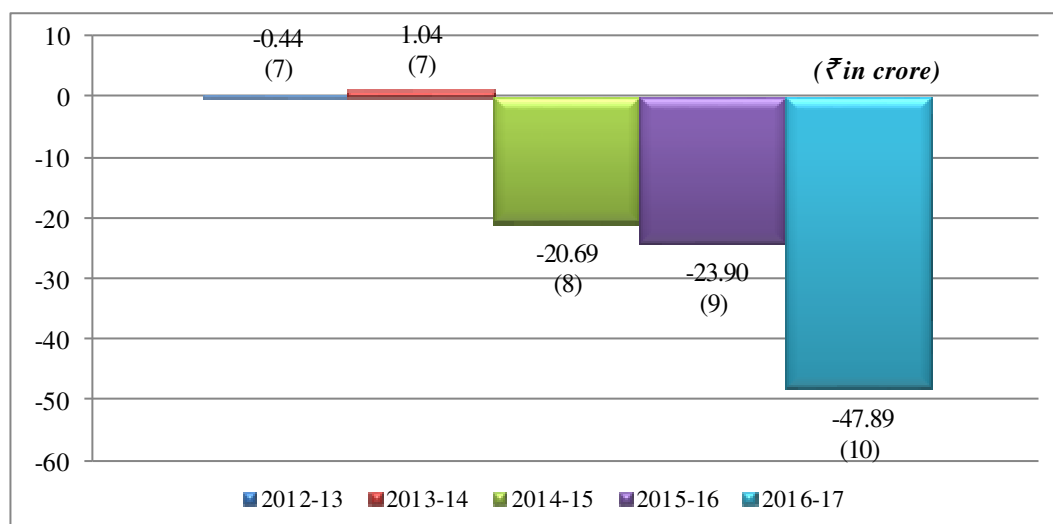
**Table No. 2.1.8 Details of working SPSUs turnover vis-à-vis State GDP**

Particulars	( <i>₹ in crore</i> )				
	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover <sup>62</sup>	5.35	7.03	35.22	34.70	161.02
GSDP <sup>63</sup>	13,748	16,198	18,043 (Q)	19,890 (A)	23,325 (P)
Percentage of Turnover to GSDP	0.04	0.04	0.10	0.17	0.69

As compared to the GSDP which showed an increasing trend throughout the period from 2012-13 to 2016-17, the turnover of the working SPSUs showed an increasing trend from 2012-13 to 2016-17 except a slight decrease in 2015-16. The major increase in turnover during 2016-17 was contributed mainly by the Power Distribution Company. Although there was an overall increase in the percentage of SPSU turnover to the GSDP from 0.04 *per cent* in 2012-13 to 0.69 *per cent* in 2016-17, the contribution of SPSU turnover to the GSDP still remained meager.

**2.1.16** Overall profits earned and losses incurred by State working SPSUs during 2012-13 to 2016-17 are as shown in **Chart No. 2.1.3**.

**Chart No. 2.1.3 Profit/Loss of working SPSUs**



*Figures in bracket show the number of working SPSUs in the respective years*

During the year 2016-17, out of ten working SPSUs, only two SPSUs<sup>64</sup> earned profit of ₹ 0.29 crore. Six SPSUs incurred loss of ₹ 48.18 crore of which Manipur State Power Distribution Company Ltd. (₹ 30.49 crore) and Manipur State Power Company Ltd. (₹ 13.55 crore) were the major contributors. Two SPSUs<sup>65</sup> had not finalised their first annual accounts.

<sup>62</sup> Turnover as per the latest finalised accounts of working SPSUs as on September 2017.

<sup>63</sup> GSDP figures as per information furnished by the Department of Economics and Statistics (at current price with base year 2011-12); (Q)=Quick Estimate, (A)=Advance, (P) = Preliminary.

<sup>64</sup> Manipur Police Housing Corporation Ltd. and Manipur Food Industries Corporation Ltd.

<sup>65</sup> Manipur IT SEZ Project Development Company Ltd and Tourism Corporation of Manipur Ltd.



**2.1.17** Some other key parameters of State PSUs are shown in the following table.

**Table No. 2.1.9 Key parameters of State PSUs**

(₹ in crore)					
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Return on total Capital Employed ( <i>per cent</i> )	0.71	1.84	(-) 20.95	(-) 955.51	(-) 463.20
Debt	10.43	10.43	3.05	150.58	211.56
Turnover <sup>66</sup>	5.35	7.03	36.34	35.02	161.34
Debt/Turnover Ratio	1.95	1.42	0.08	4.30	1.31
Accumulated losses	40.76	45.19	74.74	77.20	121.24

The accumulated losses of SPSUs registered significant increase of ₹ 80.48 crore from ₹ 40.76 crore in 2012-13 to ₹ 121.24 crore in 2016-17. The debt-turnover ratio of SPSUs decreased from 1.95 in 2012-13 to 1.31 in 2016-17 except in the year 2015-16, where the debt-turnover ratio reached a peak of 4.30.

**2.1.18** The State Government had not formulated (September 2017) any dividend policy.

#### Winding up of non-working SPSUs

**2.1.19** There were three non-working SPSUs<sup>67</sup> as on 31 March 2017. So far, no steps have been taken by the Government to wind up these Companies under the provisions of the Companies Act, 2013. The number of non-working SPSUs at the end of each year during the past five years is shown in **Table No. 2.1.10**.

**Table No. 2.1.10 Non-working SPSUs**

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
No. of non-working companies	3	3	3	3	3

#### Accounts Comments

**2.1.20** Out of ten working companies, only two working companies forwarded their audited accounts to the Accountant General (Audit), Manipur during the year 2016-17<sup>68</sup>. The Companies were Manipur State Power Company Ltd. (2014-15) and Manipur State Power Distribution Company Ltd. (2014-15). The audit reports of statutory auditors appointed by C&AG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors for the last three years are shown in **Table No. 2.1.11**.

<sup>66</sup> Turnover of SPSUs as per their latest finalised accounts as of 30 September of the respective year.

<sup>67</sup> (i) Manipur Agro Industries Corporation Ltd., (ii) Manipur Plantation Crops Corporation Ltd. and (iii) Manipur Pulp and Allied Products Ltd.

<sup>68</sup> Up to September 2017.

**Table No. 2.1.11 Impact of audit comments on working Companies**

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.25	-	-	-	-
2.	Increase in loss	-	-	-	-	-	-
3.	Non-disclosure of material facts	1	1.37	-	-	-	-
4.	Errors of classification	1	0.23	-	-	-	-

The audit comments were based mainly on non-compliance with the accounting concept of conservatism and the revenue recognition principle of accrual accounting.

### Response of the Government to Audit

#### Performance Audits and Paragraphs

**2.1.21** For the Economic Sector (PSUs) Chapter of the Report of C&AG for the year ended 31 March 2017, three audit paragraphs involving Home Department, Power Department and Tribal Affairs & Hills Department were issued to the Chief Secretary/Principal Secretaries of the Department with request to furnish replies within six weeks. The State Government has not furnished their reply (January 2018).

### Follow up action on Audit Reports

#### Replies outstanding

**2.1.22** The Reports of the C&AG represent the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. All Administrative Departments are to submit replies/explanatory notes to paragraphs/performance audits included in the Audit Reports of the C&AG within a period of three months<sup>69</sup> of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (CoPU). The position of replies/explanatory notes to paragraphs/performance audits pending to be received from the State Government/Administrative Departments concerned are shown in **Table No. 2.1.12**.

<sup>69</sup> *Suo moto* replies to be furnished within three months in case Audit Paragraphs are not selected by the PAC/COPU during this period.

**Table No. 2.1.12 Explanatory notes not received (as on 31 December 2017)**

Year of the Audit Report (Commercial / SPSU)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs 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	1	-
2015-16	21 July 2017	-	2	-	-
<b>Total</b>		<b>2</b>	<b>6</b>	<b>1</b>	<b>3</b>

From the above, it could be seen that explanatory notes to one performance audit included in Audit Report 2014-15 in respect of one department and three paragraphs included in the Audit Report 2013-14 in respect of two departments, which were commented upon, were awaited (January 2018).

### Discussion of Audit Reports by CoPU

**2.1.23** The status of performance audits and paragraphs relating to SPSUs that appeared in the State Audit Reports of the last six years (2010-11 to 2015-16) and discussed by the Committee on Public Undertakings (CoPU) is shown in **Table No. 2.1.13**.

**Table No. 2.1.13 Performance Audits/Paras appeared in State Audit Reports vis-a-vis discussed by CoPU (as on 31 December 2017)**

Period of Audit Report <sup>70</sup>	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2010-11	1	Nil	1	Nil
2011-12	1	Nil	1	Nil
2012-13	Nil	2	Nil	Nil
2013-14	Nil	3	Nil	Nil
2014-15	2	1	Nil	Nil
2015-16	Nil	2	Nil	Nil
<b>Total</b>	<b>4</b>	<b>8</b>	<b>2</b>	<b>0</b>

### Compliance to Reports of the CoPU

**2.1.24** Action Taken Notes (ATNs) to 110 recommendations pertaining to four Reports of the CoPU presented to the State Legislature between March 1987 and March 2011 had not been received from the Government (January 2018) as indicated in **Table No. 2.1.14**.

<sup>70</sup> 32 performance audit/paragraphs (7 performance audit and 25 paragraphs) pertaining to Audit Reports from 1995-96 to 2006-07 are yet to be discussed by CoPU. Audit Report for 2007-08 was discussed by CoPU but recommendation is yet to be published.

**Table No. 2.1.14 Compliance to CoPU Reports**

<b>Year of the CoPU Report</b>	<b>Total number of CoPU Reports</b>	<b>Total no. of recommendations in CoPU Report</b>	<b>No. of recommendations for which ATNs were not received</b>
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
<b>Total</b>	<b>4</b>	<b>110</b>	<b>110</b>

The above reports of the CoPU contained recommendations in respect of paragraphs pertaining to five departments of the State Government, which appeared in the Reports of the C&AG of India for the years 1983-84 to 2008-09.

**Recommendation**

The Government may ensure furnishing of replies to inspection reports/draft paragraphs/ performance audits and ATNs on the recommendations of CoPU.

**Disinvestment, Restructuring and Privatisation of SPSUs**

**2.1.25** No disinvestment, privatisation or restructuring of SPSUs occurred during 2016-17.

## COMPLIANCE AUDIT

### MANIPUR STATE POWER DISTRIBUTION COMPANY LIMITED

#### 2.2 Outstanding energy charges

#### **There is high risk of loss due to non-recovery of huge outstanding energy charges amounting to ₹ 540.08 crore**

As per Para 6.32 of the Joint Electricity Regulatory Commission for Manipur and Mizoram (Electricity Supply Code) Regulations, 2013 (the Code), the licensee may issue a disconnection notice in writing, to any consumer who defaults on his payment of dues, after giving him a notice period of 15 clear days to pay the dues. If the consumers fail to pay the dues after the notice period, Section 56 of the Electricity Act 2003 empowers the licensee, without prejudice to his rights to recover such charge or other sum by suit, cut off the supply of electricity and discontinue the supply until such charge or other sum, together with any expenses incurred by him in cutting off and reconnecting the supply, are paid. However, no sum due from any consumer, under this section shall be recoverable after the period of two years from the date when such sum became first due unless such sum has been shown continuously as recoverable as arrear of charges for electricity supplied and the licensee shall not cut off the supply of the electricity.

Scrutiny of the records (November 2016) of the Managing Director, Manipur State Power Distribution Company Ltd (MSPDCL) and further documents furnished by the Company (November 2017) revealed that the outstanding energy charges during last three years ranged between ₹ 425.73 crore (2013-14) and ₹ 540.08 crore (2016-17). During this period only ₹ 389.44 crore had been collected. The outstanding balance<sup>71</sup> of energy charges amounting to ₹ 540.08 crore as on 31 March 2017 pertained to the defaulting consumers in 14 divisions<sup>72</sup> of the State as shown in **Appendix 2.3** out of which an amount of ₹ 68.22 crore were outstanding dues of State Government departments (at the division level only). However, the Company could not furnish individual department wise details of the amount receivable. Audit observed that energy charges have steadily been piling up over the outstanding balances of 2013-14 (₹ 425.73 crore). The annual collections were not commensurate with the annual billing as the collections were less than the annual billing during the three years 2014-15 to 2016-17. This too indicated that there was a steady accumulation of outstanding energy charges during each financial year. The non-collection of the outstanding balances of energy charges was detrimental to the financial health of the Company. The Company should take vigorous measures to recover the amount due, from the defaulters, particularly from the government departments and institutional consumers by identifying them, as

<sup>71</sup> For three years 2014-15, 2015-16 and 2016-17

<sup>72</sup> Increasing trend in energy charge collectable was observed in 11 divisions, viz. Bishnupur, Churchandpur, Chandel, IED-II, IED-III, IED-IV, Jiribam, Kakching, Kangpokpi, Thoubal, Ukhrol.

there was a high risk of loss to the Company in case of failure to recover the outstanding energy charges.

The matter was reported to the Government (August 2017). The Company while accepting the huge outstanding energy charges stated (November 2017) that they are continuously working on the recovery of arrears inspite of various issues faced in corporatization of Power Department and migration of the erstwhile manual accounting system to a fully automatic accounting system in SAP.