

# OVERVIEW

## **I Financial performance of State public Sector Undertakings**

There were 77 State Government Public Sector Undertakings (PSUs) under the audit jurisdiction of the Comptroller and Auditor General of India as on 31 March 2020. These included 67 Government Companies, nine Government Controlled Other Companies and one Statutory Corporation. This Report deals with 72 PSUs which comprises of 62 Government Companies, one Statutory Corporation and nine Government Controlled Other Companies. The accounts of five PSUs which were defunct/Non-working/under liquidation are not covered in this Report.

**(Para 1.1.3)**

### **Investment by State Government**

The accounts of 63 Government Companies and Corporation indicated that the Government of Tamil Nadu (GoTN) had an investment of ₹36,877.29 crore in share capital. The loans given by GoTN outstanding as on 31 March 2020 amounted to ₹16,903.54 crore. Compared to the previous year, investment by GoTN in equity of PSUs registered a net increase of ₹3,059.89 crore and loans outstanding decreased by ₹2,914.70 crore during 2019-20.

**(Para 1.2 and Para 1.2.1)**

### **Market Capitalisation**

The total market value of shares of one listed Government controlled other Company, stood at ₹615.28 crore as on 31 March 2020. Market value of shares held by the GoTN in this company stood at ₹217.27 crore as on 31 March 2020.

**(Para 1.2.4)**

### **Return from Government Companies and Corporations**

27 Government Companies and Corporations earned a profit of ₹1,205.56 crore during 2019-20 of which ₹1,011.95 crore (83.94 *per cent*) was contributed by five Government Companies in three sectors viz. Power, Industries and Micro, Small and Medium Enterprises.

**(Para 1.3.1)**

14 Government Companies and Corporations declared dividend of ₹140.91 crore during the year 2019-20. Out of this, dividend received/receivable by GoTN amounted to ₹135.21 crore which represented 0.37 *per cent* return on

the total investment by the GoTN (₹36,877.29 crore) in 63 Government Companies and Corporations.

**(Para 1.3.4)**

Non-compliance with directives of Government of Tamil Nadu on declaration of dividend by 17 PSUs resulted in a shortfall of ₹220.65 crore in the payment of dividend to GoTN for the year 2019-20.

**(Para 1.3.4)**

There were 31 PSUs that incurred losses during the year 2019-20. The losses incurred by these companies during the year 2019-20 amounted to ₹18,629.83 crore compared to ₹17,799.23 crore in 2018-19.

**(Para 1.3.2)**

#### **Net worth/ Accumulated losses**

There were 26 Government Companies with accumulated losses of ₹1,41,157.46 crore as on 31 March 2020. Of these, the net worth of 18 companies had been completely eroded by their accumulated losses. As a result, the aggregate net worth of these companies had become negative to the extent of ₹1,08,863.78 crore as on 31 March 2020. All the 18 PSUs whose capital had been eroded had reported loss of ₹18,458.17 crore during 2019-20.

**(Para 1.3.3)**

#### **Rate of Real Return on Government investment**

The present value of Government investment was ₹1,03,754.62 crore as compared to the historical cost of investment of ₹3,83,375.28 crore. The Rate of Real Return of Government investment of historical cost as well as present value was negative at 4.54 and 16.79 *per cent* respectively.

**(Para 1.4.4)**

## **II Oversight role of CAG**

Out of 77 PSUs (including one Statutory Corporation) under the Audit Jurisdiction of CAG, Financial Statements for the year 2019-20 were received from 64 PSUs (including one Statutory Corporation). The financial statement of 13 PSUs were in arrears due to different reasons.

**(Para 2.3.2)**

Out of the 64 PSUs from which financial statements for the year 2019-20 was received, supplementary Audit was undertaken in 46 PSUs (including one Statutory Corporation)

**(Para 2.5.1)**

The Statutory Auditors of seven PSUs revised their Audit report before laying the financial statements in the Annual General Meeting. In addition, various comments highlighting the deficiencies in the Financial Statements were also issued.

**(Para 2.5.1.1)**

The financial impact of significant comments issued on the financial statements of the selected PSUs on the profitability was ₹1,933.39 crore and on assets/liabilities was ₹1,370.57 crore respectively.

**(Para 2.5.1.2)**

Deviations from the provisions of Accounting Standards/Ind AS in preparation of the financial statements were noticed in 13 companies by the statutory auditors.

**(Para 2.6)**

Irregularities and deficiencies in the Financial Reports or in the reporting process, observed during supplementary Audit which were not material were communicated to the Management/Administrative Departments of 34 PSUs through 'Management Letter' for taking corrective action.

**(Para 2.7)**

### **III Corporate Governance**

The review of Corporate Governance covered 71 PSUs (including one listed PSU) under the Administrative control of various Departments of Government of Tamil Nadu. Some provisions of the Companies Act, 2013; Finance Department, Bureau of Public Enterprises (BPE) guidelines; Regulations of Securities and Exchange Board of India regarding Corporate Governance, though mandatory were not being complied with by some of the PSUs. During the year the following significant departures from the prescribed guidelines were noticed:

- Ten PSUs did not conduct the mandatory requirement of four meetings of the Board of Directors during the year.

**(Para 3.2.1)**

- Representation of Independent directors was below the required number in seven PSUs. There was no women director on the Board of Directors of three PSUs.

**(Para 3.2.2 and 3.2.3)**

- Some of the Independent Directors did not attend even 75 *per cent* of the Board meetings in 19 PSUs and Board committee meetings in 11 PSUs. In 15 PSUs, some of the Independent Directors did not attend the general meetings of the Company.

**(Para 3.3.3 and 3.3.4)**

- In 20 PSUs, separate meeting of Independent Directors was not conducted and in one PSU, the Independent Directors did not attend the separate meetings.

**(Para 3.3.5.1 and 3.3.5.2)**

- In ten PSUs, the post of Key Managerial Personnel was not filled up within the time prescribed.

**(Para 3.4.1)**

- Audit Committee was not constituted in six PSUs and the number of Independent directors was below the prescribed number in seven PSUs.

**(Para 3.5.1)**

- Nomination and Remuneration Committee was not constituted by 28 PSUs and there was no whistle blower mechanism in 15 PSUs.

**(Para 3.6.1 and 3.6.2)**

#### **IV Corporate Social Responsibility**

The review covered the Corporate Social responsibility (CSR) activities carried out during the year 2019-20 by 17 PSUs (including one Statutory Corporation). The following significant observations were made in the Review:

- CSR committee of four PSUs did not monitor the implementation of CSR policy.

**(Para 4.5.1.4)**

- There was under allocation of funds towards CSR by one PSU, viz., Tamil Nadu Warehousing Corporation.

**(Para 4.5.2.1)**

- Five PSUs had fully utilised the CSR funds during the year, 10 PSUs had not fully utilized the CSR funds and two PSUs had spent more than the stipulated amount.

**(Para 4.5.2.2)**

- Three PSUs did not spend the carried forward amount of CSR during the year.

**(Para 4.5.2.3)**

- Total spend on CSR activities by 13 PSUs in 2019-20 was ₹12.27 crore. Highest spend was by Industries Sector (Four PSUs) which spent a maximum amount of ₹8.66 crore.

**(Para 4.5.2.4 and Para 4.5.2.6)**

- One PSU viz., Tamil Nadu Small Industries Corporation Limited credited the provision made for CSR activity (₹1.37 crore) as business profit during 2019-20.

**(Para 4.5.2.8)**

- Under CSR Expenditure Education (31 *per cent*) received the maximum focus followed by Health (28 *per cent*).

**(Para 4.5.3.2)**