

CHAPTER-I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2006, there were 67 Government companies (53 working companies and 14[#] non-working companies) and two Statutory corporations (both working) as against 66 Government companies (52 working companies and 14 non-working companies) and two Statutory corporations as on 31 March 2005. During the year, two new companies[♣] were formed. One company[∞] ceased to exist during the year. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions 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 arrangements of Statutory corporations are as shown below:

Name of the corporation	Authority for audit by the CAG	Audit arrangement
Tamil Nadu Electricity Board	Under Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Sections 172 (a) and 185 (2) (d) of the Electricity Act, 2003*.	Sole audit by CAG
Tamil Nadu Warehousing Corporation	Section 31 (8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and Supplementary audit by CAG

Non-working companies are those, which are under the process of liquidation/closure, merger, etc.

♣ Tamil Nadu Road Infrastructure Development Corporation and Nilakottai Food Park Limited.

∞ Dharmapuri District Development Corporation Limited

* The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

The State Government formed the Tamil Nadu Electricity Regulatory Commission and its audit is entrusted to the Comptroller and Auditor General of India under Section 104 (2)^Δ of the Electricity Act, 2003.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2006, the total investment in 55 working PSUs (53 Government companies and two Statutory corporations) was Rs.14,303.13³ crore (equity: Rs.2,297.99 crore; long-term loans^{*}: Rs.12,005.14 crore) against a total investment of Rs.14,092.07 crore (equity: Rs.2,261.71 crore; long term loans: Rs.11,830.86 crore) in 54 working PSUs (52 Government companies and two Statutory corporations) as on 31 March 2005. The analysis of investment in working 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 2006 and 31 March 2005 are indicated in the pie charts.

Δ Earlier provision of Section 34 (4) of the Electricity Regulatory Commissions Act, 1998 was repealed by the Electricity Act, 2003.

3 State Government's investment in the working PSUs was Rs.2,730.52 crore (others: Rs.11,572.62 crore). Figures as per Finance Accounts 2005-06 are Rs.2,302.15 crore. The difference is under reconciliation.

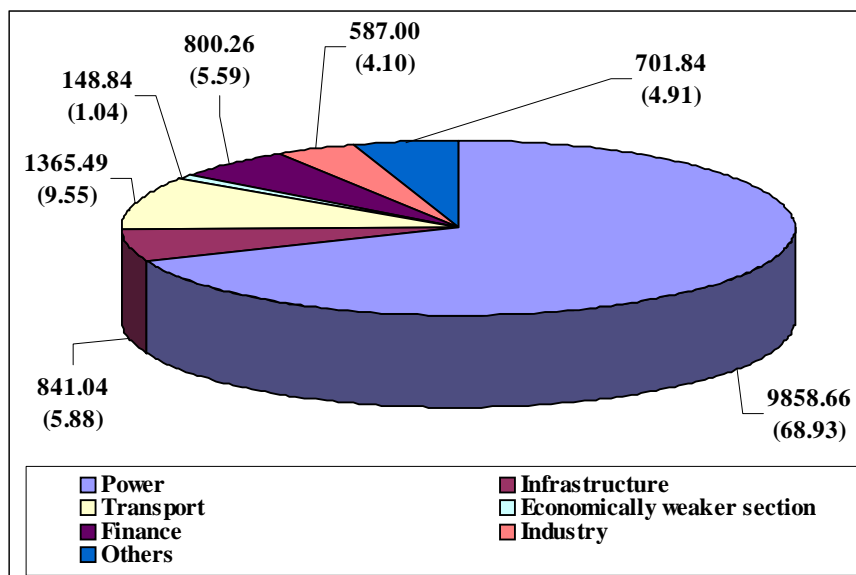
* Long term loans mentioned in Paragraphs 1.2, 1.3, 1.4, 1.16 and 1.17 are excluding interest accrued and due on such loans.

SECTOR-WISE INVESTMENT IN WORKING GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

(Figures in brackets indicate percentage)

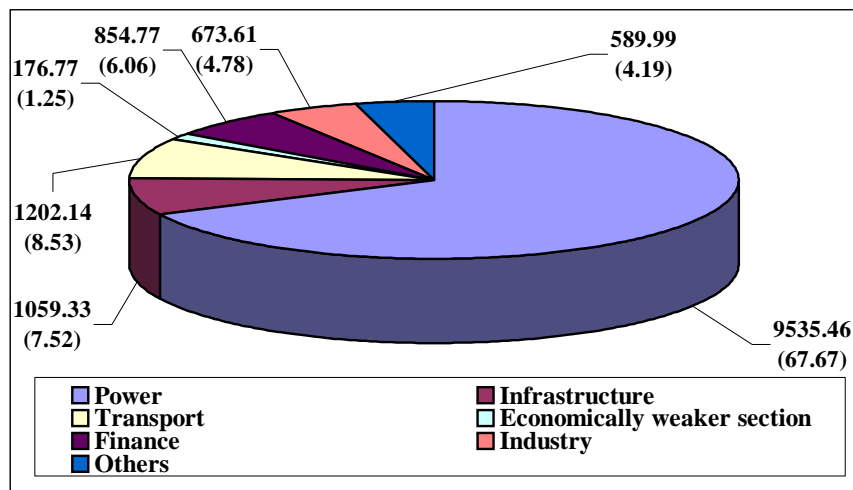
As at 31 March 2006

Total investment: Rs.14,303.13 crore



As at 31 March 2005

Total investment: Rs.14,092.07 crore



Working Government companies

1.3 Total investment in working Government companies at the end of March 2005 and March 2006 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Loans	Total
2004-05	52	1,744.10	2,804.90	4,549.00
2005-06	53	1,755.38	2,681.48	4,436.86

As on 31 March 2006, the total investment in the working Government companies comprised 39.56 *per cent* of equity capital and 60.44 *per cent* of loans as compared to 38.34 and 61.66 *per cent* respectively as on 31 March 2005.

The summarised statement of the Government investment in the working Government companies in the form of equity and loans is detailed in **Annexure-1**.

Working Statutory corporations

1.4 The total investment in the two working Statutory corporations at the end of March 2005 and March 2006 was as follows:

(Rupees in crore)

Name of corporation	2004-05		2005-06	
	Capital	Loans	Capital	Loans
Tamil Nadu Electricity Board	510.00	9,025.46	535.00	9,323.66
Tamil Nadu Warehousing Corporation	7.61	---	7.61	---
Total	517.61	9,025.46	542.61	9,323.66

The summarised statement of the Government investment in the working Statutory corporations in the form of equity and loans is detailed in **Annexure-1**.

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

1.5 The details regarding budgetary outgo, grant/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State

Government in respect of the working Government companies and Statutory corporations are given in **Annexures-1 and 3**.

The budgetary outgo in the form of equity, loans and subsidies from the State Government to the working Government companies and working Statutory corporations for the three years up to March 2006 are given below:

(Amount – Rupees in crore)

	2003-04				2004-05				2005-06			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity outgo from budget	4	33.46	1	200.00	5	71.62	1	85.00	4	10.76	1	25.00
Loans given from budget	4	223.51	---	---	5	159.02	---	---	3	305.27	---	---
Grants	---	---	---	---	3	85.62	1	0.61	5	100.03	1	5.47
(i) Subsidy towards projects/ programmes/ schemes	10	894.86	---	---	4	1,015.98	1	0.05	7	1,249.85	---	---
(ii) Other subsidy	4	71.41	1	250.00	7	221.95	1	924.50	3	95.79	1	1,179.49
(iii) Total subsidy	14	966.27	1	250.00	11	1,237.93	1	924.55	10	1,345.64	1	1,179.49
Total outgo	19*	1,223.24	1	450.00	19*	1,554.19	1	1,010.16	18*	1,761.70	1	1,209.96

During 2005-06, the Government had guaranteed loans aggregating to Rs.397.23 crore obtained by 11 working Government companies. At the end of the year, guarantees amounting to Rs.4,505.52 crore against 15 working Government companies (Rs.1,456.35 crore) and one working Statutory corporation (Rs.3,049.17 crore) were outstanding. The guarantee commission paid/payable to the Government by Government companies and Statutory corporations during 2005-06 was Rs.2.49 crore and Rs.5.27 crore respectively.

Finalisation of accounts by working PSUs

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

It could be seen from **Annexure-2** that out of 53 working Government companies and two Statutory corporations, only 37 working companies had

* These are actual number of companies/corporation, which have received budgetary support in the form of equity, loan, subsidies and grant from the State Government during the respective years.

finalised their accounts for 2005-06 within the stipulated period. During the period from October 2005 to September 2006, 13 working Government companies finalised 15 accounts (including one company which ceased to exit during the year) for the previous years. Similarly, during the same period, two Statutory corporations finalised their accounts for the previous year.

The accounts of 16 working Government companies and both the Statutory corporations were in arrears for the periods ranging from one to four years as on 30 September 2006 as detailed below:

Serial No.	Number of working companies/corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl.No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	---	2002-03 to 2005-06	4	A-22	----
2.	2	---	2004-05 and 2005-06	2	A-50 and 53	---
3.	13	2	2005-06	1	A-6, 12, 13, 17, 29, 31, 32, 34, 38, 40, 41, 49 and 51	B-1 and 2

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments were informed every quarter by Audit of the arrears in finalisation of accounts, no remedial measures had been taken, as a result of which the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statements showing the financial position and the working results of individual working Statutory corporations for the latest three years for which accounts have been finalised are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts of 53 working Government companies and two working Statutory corporations, 22 companies and one Statutory corporation had incurred an aggregate loss of Rs.450.81 crore and Rs.1,176.77 crore and 28 companies and one Statutory corporation had earned an aggregate profit of Rs.137.45 crore and Rs.2.46 crore respectively. Two companies[♦] have not finalised their first accounts. In case of Tamil Nadu Civil Supplies Corporation Limited entire loss is reimbursed by the State Government.

♦ Serial number 41 and 53 of Annexure-2.

Working Government companies

Profit earning working companies and dividend

1.8 Out of 37* working Government companies, which finalised their accounts for 2005-06 by 30 September 2006, 21 companies earned an aggregate profit of Rs.87.60 crore and only eight companies (serial numbers A-7, 8, 15, 19, 21, 23, 24 and 39 of **Annexure-2**) declared dividend aggregating Rs.15.72 crore. The dividend as a percentage of share capital in the above eight companies worked out to 8.66. The remaining 13 profit making companies did not declare any dividend. The total return by way of dividend of Rs.15.72 crore worked out to 0.95 *per cent* in 2005-06 on total equity investment of Rs.1,658.74 crore by the State Government in all the Government companies as against 0.37 *per cent* in the previous year. The State Government has not formulated any dividend policy for payment of minimum dividend.

Similarly, out of nine working Government companies, which finalised their accounts for the previous years during October 2005 to September 2006, four companies earned an aggregate profit of Rs.45.13 crore. These four companies earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 22 loss incurring working Government companies, 19 companies had accumulated losses aggregating to Rs.2,958.35 crore, which exceeded their aggregate paid-up capital of Rs.969.14 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to seven out of these 19 companies in the form of equity, loans, grants and subsidy amounting to Rs.191.19 crore during 2005-06.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 None of the Statutory corporations finalised their accounts for 2005-06. Out of two Statutory corporations, which finalised their accounts for previous year, only one corporation (Tamil Nadu Warehousing Corporation) earned a profit of Rs.2.46 crore and declared dividend of Rs.30.44 lakh. The dividend as percentage of its share capital worked out to four *per cent*. The total return to the Government by way of dividend of Rs.15.22 lakh worked out to 0.027 *per cent* in 2005-06 on its total equity investment of Rs.538.81 crore in both the Statutory corporations as against 0.03 *per cent* in the previous year.

* These includes three companies, which finalised their previous years' accounts also.

Loss incurring Statutory corporation

1.11 Tamil Nadu Electricity Board, which finalised its accounts for 2004-05, incurred a loss of Rs.1,176.77 crore during that year. The accumulated losses of Tamil Nadu Electricity Board as on 31 March 2005 were Rs.3,582.53 crore, which exceeded its paid-up capital of Rs.510 crore as on that date.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-6**.

It could be seen from **Annexure-6** that though the power generation in Tamil Nadu Electricity Board increased from 26,451 MU in 2004-05 to 26,915 MU in 2005-06 and the Board was in receipt of Rs.1,179.49 crore as subsidy from the State Government in 2005-06, the deficit increased from Rs.1,176.77 crore in 2004-05 to Rs.1,355.21 crore in 2005-06 (Provisional).

As regards Tamil Nadu Warehousing Corporation, the percentage of capacity utilisation, which was 55 *per cent* in 2004-05 increased to 67 *per cent* in 2005-06 and the profit also increased from Rs.2.46 crore in 2004-05 to Rs.3.53 crore in 2005-06.

Return on capital employed

1.13 As per the latest annual accounts of PSUs finalised up to September 2006, the capital employed[♦] worked out to Rs.6,926.60 crore in 53 working companies and total return[▲] thereon amounted to Rs.240.14 crore, which is 3.47 *per cent* as compared to total return of Rs.671.99 crore (9.87 *per cent*) in the previous year (accounts finalised up to September 2005). Similarly, the capital employed and total return thereon in case of the working Statutory corporations as per the latest annual accounts finalised up to September 2006, worked out to Rs.10,802.27 crore and (-)Rs.347.75 crore respectively as against the total return of (-)Rs.344.16 crore in 2004-05. The details of capital employed and total return on capital employed in case of the working Government companies and Statutory corporations are given in **Annexure-2**.

♦ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations, where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

▲ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

Reforms in the power sector

Status of implementation of MOU between the State Government and the Central Government

1.14 In pursuance of the decisions taken at the Chief Ministers' conference on Power Sector Reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed in January 2002 between the Ministry of Power, Government of India and the Department of Energy, Government of Tamil Nadu as a joint commitment for implementation of a reform programme in the power sector with identified milestones.

Status of implementation of the reform programme against each commitment made in the MOU as reported by the Tamil Nadu Electricity Board is detailed below:

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2006)	Remarks
	Commitments made by the State Government			
1	Appointment of Chairperson in State Electricity Regulatory Commission (SERC)	January 2002	Appointed and assumed charge in July 2002	---
2	100 <i>per cent</i> electrification of all villages and hamlets	By 2007 (64,042 villages and hamlets)	63,938 villages and hamlets have been electrified	The remaining hamlets were electrified by non-conventional energy sources
3.	Reduction in transmission and distribution losses to 15 <i>per cent</i>	By December 2003	Transmission and distribution losses - 18 <i>per cent</i>	Transmission and distribution losses continue to be at 18 <i>per cent</i> in 2005-06 also.
4.	100 <i>per cent</i> metering of all distribution feeders	December 2001	Completed	---
5.	100 <i>per cent</i> metering of all consumers	December 2003	All services except agriculture and hut services metered	89,038 hut services and 1,65,220 agricultural services were provided with meters. The services provided with meters worked out to 9 <i>per cent</i> of the total existing services in each category. The Board had addressed TNERC for extension of time limit up to 31.3.2009 for fixing of meters in agricultural and hut services.

Audit Report (Commercial) for the year ended 31 March 2006

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2006)	Remarks
6.	Current operations in distribution to reach at break-even	March 2003	There was a deficit of Rs.1,355.21 crore as per the preliminary accounts for the year 2005-06	---
7.	Energy audit at 11 KV sub-stations level	January 2002	Introduced in January 2002	---
8.	Computerisation of HT & LT billing	December 2002	HT billing fully computerised	LT billing in 615 Distribution sections computerised under phase I and the computerisation under progress in the balance 1805 sections under phase II.
9.	Securitized outstanding dues of central public sector undertakings	As per scheme approved by Government of India	State Cabinet approved securitisation in April 2002. Government order issued in June 2002.	---
10.	State Electricity Regulatory Commission (SERC)			
	(i) Establishment of TNERC		Established in March 1999	---
	(ii) Implementation of tariff orders issued by TNERC during the year	First Tariff petition to be filed by 30 September 2002	Since filed in September 2002 and first tariff revision effected from March 2003.	The Board had not filed Aggregate Revenue Requirement and tariff petition for the years 2004-05 to 2006-07.
	General			
11.	Monitoring of MOU	Quarterly	Being monitored on quarterly basis.	---

State Electricity Regulatory Commission

1.15 The Government of Tamil Nadu constituted (March 1999) the Tamil Nadu Electricity Regulatory Commission (TNERC), with three members including a Chairman, under Section 17(1) of the Electricity Regulatory Commissions Act, 1998*. The Commission started functioning with effect from 1 September 1999. The Commission issued its first tariff notification in March 2003. Accounts of TNERC have been finalised up to March 2006.

* Since replaced with Section 82(1) of the Electricity Act, 2003.

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

1.16 As on 31 March 2006, the total investment in 14 non-working PSUs (all Government companies) was Rs.86.89 crore⁺ (equity: Rs.38.53 crore; long-term loans: Rs.48.36 crore) as against the total investment of Rs.85.83 crore (equity: Rs.38.53 crore; long-term loans: Rs.47.30 crore) in 14 non-working companies as on 31 March 2005.

The classification of the non-working companies was as under:

(Amount – Rupees in crore)

Sl.No.	Status of non-working companies	Number of companies	Investment	
			Equity	Long-term loans
(i)	Under liquidation*	2 ^A	3.95	NIL
(ii)	Under closure	8 ^B	27.31	48.36
(iii)	Under merger	2 ^C	5.20	NIL
(iv)	Others	2 ^D	2.07	NIL
	Total	14	38.53	48.36

Of the above non-working PSUs, 10 Government companies with substantial Government investment of Rs.79.62 crore were under liquidation or closure under section 560 of the Companies Act, 1956 for three to 15 years. Effective steps need to be taken for their expeditious liquidation or closure.

Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity

1.17 The details regarding budgetary outgo in the form of loan to the non-working Government companies are given in **Annexure-1**. The State Government had given loan of Rs.68.30 lakh to one non-working company (C-2 of **Annexure-1**) during 2005-06.

+ State Government's investment in non-working PSUs was Rs.76.88 crore (others: Rs.10.01 crore). Figures as per Finance Accounts 2005-06 is Rs.28.71 crore. The difference is under reconciliation.

* One company, Tamil Nadu Goods Transport Corporation Limited, which was under liquidation, had been directed by the State Government to be merged with State Express Transport Corporation Limited. Approval of the Company Law Board was awaited.

A Serial numbers C-7 and 11 of Annexure-2

B Serial numbers C-1 to 5, 9, 10 and 13 of Annexure-2

C Serial numbers C-8 and 14 of Annexure-2

D Serial numbers C-6 and 12 of Annexure-2

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of total establishment expenditure incurred by non-working PSUs and the sources of financing them during the last three years upto 2005-06 are given below:

(Amount – Rupees in crore)

Year	No of PSUs	Total establishment expenditure	Financed by		Others
			Disposal of investment/ assets	Government by way of loans	
2003-04	3*	2.16	---	1.68	0.48*
2004-05	5*	0.69	---	---	0.69
2005-06	◆	◆	◆	◆	◆

Finalisation of accounts by non-working PSUs

1.19 The accounts of 12 non-working companies were in arrears for periods ranging from one to 14 years as on 30 September 2006 as could be seen from **Annexure-2**.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2**.

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

(Rupees in lakh)

Year of latest finalised accounts	Number of companies	Paid-up capital	Net worth	Cash loss	Accumulated loss (-)/profit
1989-90	1	32.66	N.A	N.A	(-)132.55
1991-92	1	0.002	(-)127.86	6.22	127.86
1993-94	1	207.36	(-)0.12	166.67	(-)207.48
1999-2000	2	754.00	(-)7,928.08	1,308.36	(-)8,682.08
2000-01	1	27.50	9.88	0.16	(-)17.62
2002-03	1	600.98	(-)1,634.57	536.78	(-)4,290.72
2003-04	2	516.36	(-)54.80	0.53	(-)565.25
2004-05	3	1,549.18	(-)858.63	---	(-)2,466.94
2005-06	2	165.13	(-)1,788.55	0.06	(-)1,953.68

* Information in respect of other companies was not available.

♣ Interest and miscellaneous income.

◆ Details not available.

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

1.21 Separate Audit Reports of Tamil Nadu Electricity Board (TNEB) up to 2000-01 have been placed in the State Legislature. Separate Audit Reports for subsequent years are not being placed in the State Legislature as the Electricity Act, 2003 has come into effect from 10 June 2003 and it does not contain any provision for placing the Annual Statement of Accounts of TNEB in the Legislature.

Disinvestment, privatisation and restructuring of Public Sector Undertakings

1.22 There was no disinvestment, privatisation or restructuring of PSUs during the year.

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

1.23 During the period from October 2005 to September 2006, the accounts of 44 working Government companies and of both the working Statutory corporations were selected for audit. As a result of the audit observations made by the CAG, 10 working companies and one Statutory corporation revised their accounts. As a result of revisions in the annual accounts, the profit/loss in respect of the following companies increased or decreased as indicated below:

Decrease of Profit

Name of the Company	Year of accounts	Rupees in crore
Tamil Nadu Minerals Limited	2005-06	1.75
Arasu Rubber Corporation Limited	2005-06	0.56
Total decrease		2.31

Increase of Profit

Name of the Company	Year of accounts	Rupees in crore
Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	2005-06	0.10

Increase of Loss

Name of the Company	Year of accounts	Rupees in crore
Tamil Nadu Tea Plantation Corporation Limited	2005-06	2.01
Tamil Nadu Civil Supplies Corporation Limited	2004-05	15.25
Total increase		17.26

Decrease of Loss

Name of the Company	Year of accounts	Rupees in crore
Tamil Nadu Electricity Board	2004-05	8.66
<i>Note: The accounts of Tamil Nadu Small industries Corporation Limited, Tamil Nadu Textile Corporation Limited, Tamil Nadu Zari Limited, Tamil Nadu Forest Plantation Corporation Limited and Tamil Nadu Industrial Investment Corporation Limited were also revised but there was no financial impact on the profit/loss disclosed in these accounts.</i>		

In addition, the net impact of the important audit observations issued as a result of the audit of the remaining PSUs was as follows:

Sl.No	Details	Number of accounts			Rupees in lakh		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working		Working	Non-working	
(i)	Decrease in profit	4	---	---	1,818.00	---	---
(ii)	Decrease in loss	---	---	1	---	---	866.00
(iii)	Increase in profit	2	---	---	140.00	---	---
(iv)	Increase in loss	1	---	---	35.00	---	---

Errors and omissions noticed in case of Government companies

1.24 Some major errors/omissions in case of Government companies noticed during audit of accounts are given below:

Sl. No	Name of the Company	Year of accounts	Errors/omissions	Amount (Rupees in crore)
1.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	2003-04	Overstatement of Reserves and Surplus and understatement of profit due to non writing back of reserve for construction of Training cum Office complex as the proposal was rejected by the Government.	1.20
		2004-05	Overstatement of profit as well as sundry debtors due to non-provision for doubtful debts.	1.27
2.	Electronics Corporation of Tamil Nadu Limited	2004-05	Overstatement of profit as well as investments due to non provision for diminution in value of investments in assisted companies	9.44
			Overstatement of profit as well as current assets due to non valuation of inventories viz., VHF equipments	1.59
3.	Southern Structurals Limited.	2004-05	Incorrect disclosure of Sales Tax demand as Rs.23.28 crore instead of Rs.27.11 crore.	3.83
4.	Tamil Nadu State Transport Corporation (Salem) Limited	2005-06	Non provision for liability towards compensation award	0.35

Sl. No	Name of the Company	Year of accounts	Errors/omissions	Amount (Rupees in crore)
5.	Tamil Nadu Backward Classes Economic Development Corporation Limited	2005-06	Overstatement of profit due to non-provision for bad and doubtful debts.	2.88
6.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited.	2005-06	Understatement of Profit and Reserves & Surplus by Rs.20 lakh and Rs.70 lakh respectively and overstatement of current liabilities by Rs.90 lakh due to non adjustment of payment received from a loanee against which provision of NPA had already been created.	0.90
7.	Tamil Nadu Medical Services Corporation Limited	2005-06	Overstatement of profit and understatement of current liabilities due to incorrect accounting of liquidated damages, transport, fines etc., and forfeiture of EMD/SD as Company's income instead of treating them as payable to the Government.	3.00

Errors and omissions noticed in case of Statutory corporations

1.25 Some major errors noticed during audit of accounts for 2004-05 of the Tamil Nadu Electricity Board are given below:

Sl.No.	Errors/omissions	Amount (Rupees in crore)
1.	Overstatement of deficit due to non accountal of credit note received from Eastern Collieries Limited	30.47
2.	Understatement of deficit due to incorrect accountal of receipt of current consumption charges arrears and erroneous accounting of transmission/wheeling charges	23.84
3.	Understatement of deficit due to computation of interest during construction by adopting incorrect basis	21.51
4.	Overstatement of fuel consumption due to non adoption of correct rate	12.23
5.	Non-provision/short provision of depreciation	11.03

Audit assessment of the working results of the Tamil Nadu Electricity Board

1.26 Based on the audit assessment of the working results of the Tamil Nadu Electricity Board for the three years up to 2005-06 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports on the annual accounts and not taking into account the subsidy/subventions received/receivable from the State Government, the net surplus/deficit, percentage of return on capital employed, capital invested will be as under:

(Rupees in crore)

Sl. No	Particulars	2003-04	2004-05	2005-06 (Provisional)
1.	Net surplus/(-) deficit as per books of accounts	(-)1,110.13	(-)1,176.77	(-)1,335.21
2.	Subsidy from the State Government	250.00	924.50	1,179.49

Sl. No	Particulars	2003-04	2004-05	2005-06 (Provisional)
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)1,360.13	(-)2,101.27	(-)2,514.70
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	16.05	8.66	N.A.
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)1,344.08	(-)2,092.61	N.A.
6.	Total return on capital employed	(-)345.34	(-)350.20	(-)535.49
7.	Percentage of total return on capital employed	---	---	---

Recoveries at the instance of audit

1.27 Test check of records of the Tamil Nadu Electricity Board conducted during 2005-06 disclosed wrong fixation of tariff/non-levy/short-levy of tariff/short realisation of revenue and other observations aggregating to Rs.286 crore in 1,127 cases. The Board accepted the observations in 1,053 cases and recovered rupees eight crore at the instance of audit. Besides this, the Board recovered (February 2006) from GMR Power Corporation Private Limited a sum of Rs.9.95 crore being the excess payment of interest, which was pointed out by audit.

Internal audit/internal control

1.28 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the Internal control/Internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. Directions/sub-directions under the Act, *ibid*, were issued to the Statutory Auditors in respect of 57 Government companies involving 66 accounts between October 2005 and September 2006. In pursuance of directions so issued, reports of Statutory Auditors involving 39 accounts of 31 Government companies were received (September 2006).

An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvements in respect of State Government companies are indicated in the **Annexure-7**.

Recommendations for closure of PSUs

1.29 Even after completion of 21 to 29 years of their existence, the turnover of four Government companies (serial numbers A-4, 10, 11, and 52

of **Annexure-2**) has been less than rupees five crore in each of the preceding six years as per their latest finalised accounts. Two companies (serial number A-10 and 11 of **Annexure-2**) 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 the performance of these Government companies or consider their closure.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.30 The following table indicates the details regarding number of reviews and paragraphs discussed by COPU by the end of 31 March 2006:

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews/paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1995-96	4	24	3	24
1996-97	5	24	4	24
1997-98	5	20	---	06
1998-99	6	23	---	04
1999-2000	4	24	---	03
2000-01	4	21	---	02
2001-02	3	29	---	06
2002-03	2	27	---	---
2003-04	4	20	---	---
2004-05	3	23	---	---
TOTAL	40	235	7	69

619-B companies

1.31 There were three companies coming within the purview of Section 619-B of the Companies Act, 1956. **Annexure-8** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest finalised accounts.