

## CHAPTER-I

### Overview of Government companies and Statutory corporations

#### Introduction

**1.1** As on 31 March 2005, there were 66 Government companies (52 working companies and 14<sup>#</sup> non-working companies) and two Statutory corporations (both working). The State had the same number of Government companies and Statutory corporations as on 31 March 2004. 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 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 State Government had formed the Tamil Nadu Electricity Regulatory Commission and its audit is entrusted to the Comptroller and Auditor General of India under Section 104 (2)<sup>Δ</sup> of the Electricity Act, 2003. 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 Section 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.

Δ Earlier provision of Section 34 (4) of the Electricity Regulatory Commissions Act, 1998 was repealed by the Electricity Act, 2003.

\* The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

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

### ***Investment in working PSUs***

**1.2** As on 31 March 2005, the total investment in 54 working PSUs (52 Government companies and two Statutory corporations) was Rs.14,092.07<sup>3</sup> crore (equity: Rs.2,261.71 crore; long-term loans<sup>\*</sup>: Rs.11,830.36 crore) as against the same number of working PSUs with a total investment of Rs.13,581.35 crore (equity: Rs.2,099.56 crore; long term loans: Rs.11,481.79 crore) as on 31 March 2004. 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 2005 and 31 March 2004 are indicated in the pie charts.

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<sup>3</sup> State Government's investment in the working PSUs was Rs.2,631.41 crore (others: Rs.11,460.66 crore). Figures as per Finance Accounts 2004-05 is Rs.2,161.51 crore. The difference is under reconciliation.

<sup>\*</sup> Long term loans mentioned in Paragraphs 1.2, 1.3, 1.4, 1.15 and 1.16 are excluding interest accrued and due on such loans.

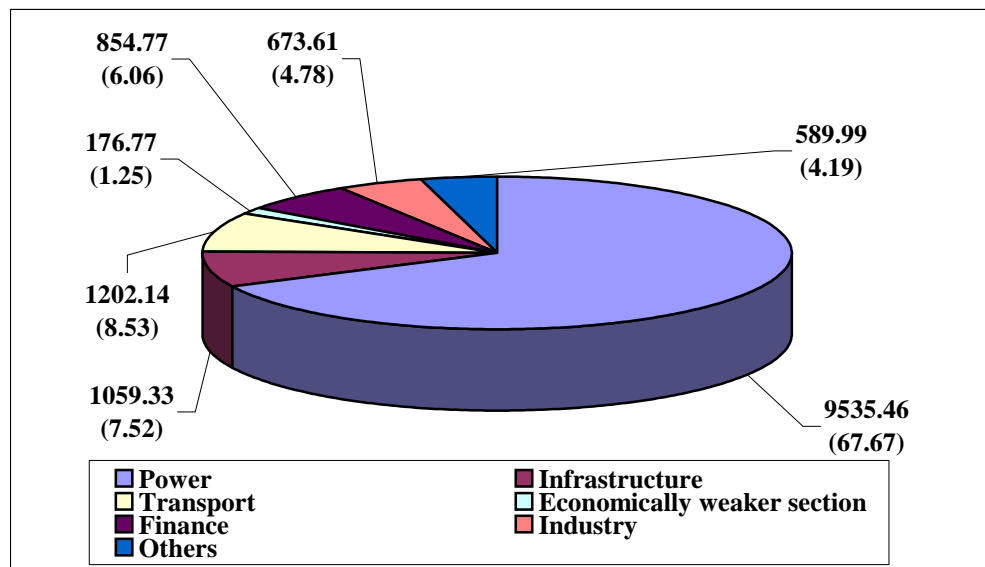
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**SECTOR-WISE INVESTMENT IN WORKING GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS**

(Figures in brackets indicate percentage)

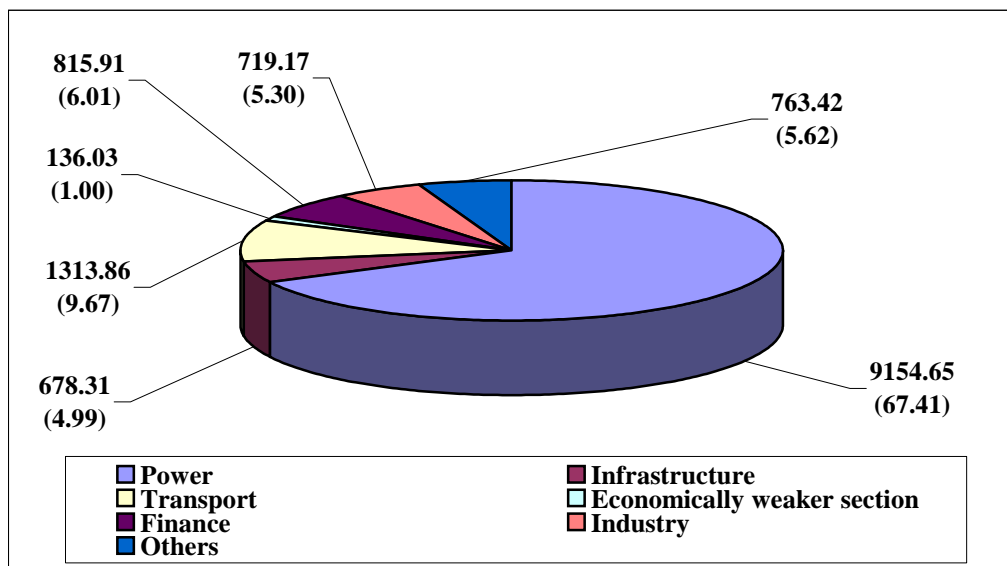
As at 31 March 2005

Total investment: Rs.14,092.07 crore



As at 31 March 2004

Total investment: Rs.13,581.35 crore



### ***Working Government companies***

**1.3** Total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

(Rupees in crore)

| Year    | Number of companies | Equity   | Loans    | Total    |
|---------|---------------------|----------|----------|----------|
| 2003-04 | 52                  | 1,666.95 | 2,752.14 | 4,419.09 |
| 2004-05 | 52                  | 1,744.10 | 2,804.90 | 4,549.00 |

As on 31 March 2005, the total investment in the working Government companies comprised 38.34 *per cent* of equity capital and 61.66 *per cent* of loans as compared to 37.72 and 62.28 *per cent* respectively as on 31 March 2004.

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 2004 and March 2005 was as follows:

(Rupees in crore)

| Name of corporation                | 2003-04       |                 | 2004-05       |                 |
|------------------------------------|---------------|-----------------|---------------|-----------------|
|                                    | Capital       | Loans           | Capital       | Loans           |
| Tamil Nadu Electricity Board       | 425.00        | 8,729.65        | 510.00        | 9,025.46        |
| Tamil Nadu Warehousing Corporation | 7.61          | ---             | 7.61          | ---             |
| <b>Total</b>                       | <b>432.61</b> | <b>8,729.65</b> | <b>517.61</b> | <b>9,025.46</b> |

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 2005 are given below:

**(Amount – Rupees in crore)**

|   | 2002-03    |                 |              |                 | 2003-04    |                 |              |               | 2004-05    |                 |              |                 |
|---|------------|-----------------|--------------|-----------------|------------|-----------------|--------------|---------------|------------|-----------------|--------------|-----------------|
|   | Companies  |                 | Corporations |                 | Companies  |                 | Corporations |               | Companies  |                 | Corporations |                 |
|   | No.        | Amount          | No.          | Amount          | No.        | Amount          | No.          | Amount        | No.        | Amount          | No.          | Amount          |
| Equity outgo from budget                          | 5          | 34.35           | 1            | 25.00           | 4          | 33.46           | 1            | 200.00        | 5          | 71.62           | 1            | 85.00           |
| Loans given from budget                           | 5          | 19.57           | --           | --              | 4          | 223.51          | ---          | ---           | 5          | 159.02          | ---          | ---             |
| Grants  | ---        | ---             | 1            | 29.47           | ---        | ---             | ---          | ---           | 3          | 85.62           | 1            | 0.61            |
| (i) Subsidy towards projects/ programmes/ schemes | 9          | 1,373.60        | ---          | ---             | 10         | 894.86          | ---          | ---           | 4          | 1,015.98        | 1            | 0.05            |
| (ii) Other subsidy                                | 5          | 21.86           | 1            | 2,212.14        | 4          | 71.41           | 1            | 250.00        | 7          | 221.95          | 1            | 924.50          |
| (iii) Total subsidy                               | 14         | 1,395.46        | 1            | 2,212.14        | 14         | 966.27          | 1            | 250.00        | 11         | 1,237.93        | 1            | 924.55          |
| <b>Total outgo</b>                                | <b>19*</b> | <b>1,449.38</b> | <b>1</b>     | <b>2,266.61</b> | <b>19*</b> | <b>1,223.24</b> | <b>1</b>     | <b>450.00</b> | <b>19*</b> | <b>1,554.19</b> | <b>1</b>     | <b>1,010.16</b> |

During 2004-05, the Government had guaranteed loans aggregating to Rs.499.01 crore obtained by 11 working Government companies. At the end of the year, guarantees amounting to Rs.5,892.38 crore against 18 working Government companies (Rs.2,047.42 crore) and one working Statutory corporation (Rs.3,844.96 crore) were outstanding. The guarantee commission paid/payable to Government by Government companies and Statutory corporations during 2004-05 was Rs.3.19 crore and Rs.20.79 crore respectively. During the year, the Government waived interest/penal interest of Rs.97.28 lakh in respect of Tamil Nadu Handicrafts Development Corporation Limited. The Government converted loan of Rs.61 crore of Tamil Nadu Industrial Investment Corporation Limited into equity during 2004-05.

### ***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, Power 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,

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\* 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.

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 52 working Government companies and two Statutory corporations, only 38 working companies had finalised their accounts for 2004-05 within the stipulated period. During the period from October 2004 to September 2005, 13 working Government companies finalised 14 accounts for the previous years. Similarly, during the same period, one Statutory corporation (Tamil Nadu Electricity Board) finalised its accounts for the previous year.

The accounts of 14 working Government companies and both Statutory corporations were in arrears for the periods ranging from one to three years as on 30 September 2005 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, 2003-04 and 2004-05           | 3   | A-22  | ---                    |
| 2.         | 2  | ---                    | 2003-04 and 2004-05                    | 2   | A-12 and 29                                 | ---                    |
| 3.         | 11                                       | 2                      | 2004-05                                | 1   | A-1, 6, 17, 28, 30, 32, 35, 39 and 49 to 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 52 working Government companies and two working Statutory corporations, 17 companies and one Statutory corporation had incurred an aggregate loss of Rs.102.29 crore and Rs.1,110.13 crore and 35 companies and one Statutory corporation had earned an aggregate profit of Rs.202.28 crore and Rs.1.18 crore respectively.

### ***Working Government companies***

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

**1.8** Out of 38\* working Government companies, which finalised their accounts for 2004-05 by 30 September 2005, 27 companies earned an aggregate profit of Rs.150.70 crore and only six companies (serial numbers A-8, 13, 21, 23, 24 and 40 of **Annexure-2**) declared dividend aggregating Rs.6.12 crore. The dividend as a percentage of share capital in the above six companies worked out to 10.17. The remaining 21 profit making companies did not declare any dividend. The total return by way of the dividend of Rs.6.12 crore worked out to 0.37 *per cent* in 2004-05 on total equity investment of Rs.1,648.13 crore by the State Government in all the Government companies as against 0.52 *per cent* in the previous year. The State Government has not formulated any dividend policy for payment of minimum dividend.

Similarly, out of eight working Government companies, which finalised their accounts for the previous years during October 2004 to September 2005, five companies earned an aggregate profit of Rs.17.90 crore. Out of these five companies, two companies earned profit for two or more successive years.

#### ***Loss incurring working Government companies***

**1.9** Of the 17 loss incurring working Government companies, 13 companies had accumulated losses aggregating to Rs.1,841.78 crore, which exceeded their aggregate paid-up capital of Rs.647.94 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to four out of these 13 companies in the form of loans and subsidy amounting to Rs.161.26 crore during 2004-05.

### ***Working Statutory corporations***

#### ***Loss incurring Statutory corporation***

**1.10** Neither of the two Statutory corporations finalised its accounts for 2004-05. Tamil Nadu Electricity Board, which finalised its accounts for 2003-04, incurred a loss of Rs.1,110.13 crore for that year. The accumulated losses of Tamil Nadu Electricity Board as on 31 March 2004 were Rs.2,405.76 crore, which exceeded the paid-up capital of Rs.425 crore as on that date.

### ***Operational performance of working Statutory corporations***

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

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

It could be seen from **Annexure-6** that the power generation in Tamil Nadu Electricity Board increased by 9.69 *per cent* during 2004-05.

As regards Tamil Nadu Warehousing Corporation, the percentage of capacity utilisation, which was 73 *per cent* in 2001-02, came down drastically to 55 *per cent* in 2004-05.

### ***Return on capital employed***

**1.12** As per the latest finalised accounts (up to September 2005), the capital employed<sup>♦</sup> worked out to Rs.6,808.84 crore in 52 working companies and total return<sup>♦</sup> thereon amounted to Rs.671.99 crore, which is 9.87 *per cent* as compared to total return of Rs.723.39 crore (10.26 *per cent*) in the previous year (accounts finalised up to September 2004). Similarly, the capital employed and total return thereon in case of the working Statutory corporations as per the latest finalised accounts (up to September 2005) worked out to Rs.11,246.89 crore and (-)Rs.344.16 crore respectively as against the total return of Rs.791.48 crore in 2003-04. 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**.

## **Reforms in the power sector**

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

**1.13** 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.

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- ♦ 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.
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Status of implementation of the reform programme against each commitment made in the MOU is detailed below:

|    | Commitment as per MOU  | Targeted completion Schedule          | Status (as on 31 March 2005)  | Remarks  |
|----|--|---------------------------------------|---|--|
|    | <b>Commitments made by the State Government</b>                              |                                       |   |  |
| 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 2004-05 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                                      | Approval of Tamil Nadu Electricity Regulatory Commission has been sought to defer provision of meters in agricultural and hut services till 30 June 2006 or till State Government gives subsidy to the Board. TNERC's reply is awaited (September 2005). |
| 6. | Current operations in distribution to reach at break-even                    | March 2003                            | There was a deficit of Rs.1,105.50 crore as per the preliminary accounts for the year 2004-05 | ---  |
| 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 computerized   | LT billing in 98 sections out of 2,376 sections were computerized  |

|     | <b>Commitment as per MOU</b>   | <b>Targeted completion Schedule</b>                    | <b>Status (as on 31 March 2005)</b>  | <b>Remarks</b> |
|-----|--|--|--|----------------|
| 9.  | Securitized outstanding due 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.          | ---            |
|     | <b>General</b>   |  |  |                |
| 11. | Monitoring of MOU  | Quarterly  | Being monitored on quarterly basis.  | ---            |

### *State Electricity Regulatory Commission*

**1.14** 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 2004.

### **Non-working PSUs**

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

**1.15** As on 31 March 2005, the total investment in 14 non-working PSUs (all Government companies) was Rs.85.83 crore<sup>+</sup> (equity: Rs.38.53 crore; long-term loans: Rs.47.30 crore) as against the total investment of Rs.84.23 crore (equity: Rs.38.53 crore; long-term loans: Rs.45.70 crore) in 14 non-working companies as on 31 March 2004.

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

+ State Government's investment in non-working PSUs was Rs.75.83 crore (others: Rs.10.00 crore). Figures as per Finance Accounts 2004-05 is Rs.30.57 crore. The difference is under reconciliation.

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 <sup>A</sup>      | 3.95         | NIL             |
| (ii)   | Under closure                   | 8 <sup>B</sup>      | 27.31        | 47.30           |
| (iii)  | Under merger                    | 2 <sup>C</sup>      | 5.20         | NIL             |
| (iv)   | Others                          | 2 <sup>D</sup>      | 2.07         | NIL             |
|        | <b>Total</b>                    | <b>14</b>           | <b>38.53</b> | <b>47.30</b>    |

Of the above non-working PSUs, 10 Government companies with substantial Government investment of Rs.78.56 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 revival.

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

**1.16** 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.4.85 crore to one non-working company (C-13 of **Annexure-1**) during 2004-05.

***Total establishment expenditure of non-working PSUs***

**1.17** The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during the last three years

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\* 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 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

upto 2004-05 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 |        |
| 2002-03 | 2*         | 0.62                            | 0.62                           | ---                        | ---    |
| 2003-04 | 3*         | 2.16                            | ---                            | 1.68                       | 0.48*  |
| 2004-05 | 5*         | 0.69                            | ---                            | ---                        | 0.69   |

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

**1.18** The accounts of eight non-working companies were in arrears for periods ranging from one to 13 years as on 30 September 2005 as could be noticed from **Annexure-2**.

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

**1.19** 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                           | 2                   | 606.90          | (-)1,679.65 | 537.19    | (-)4,341.72                 |
| 2003-04                           | 1                   | 510.44          | ---         | ---       | (-)510.44                   |
| 2004-05                           | 5                   | 1,714.31        | (-)2,437.51 | ---       | (-)4,210.95                 |

\* Information in respect of other companies were not available.

♣ Interest and miscellaneous income.

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

**1.20** 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 TNEB's Annual Statement of Accounts in the Legislature.

**Disinvestment, privatisation and restructuring of Public Sector Undertakings**

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

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

**1.22** During the period from October 2004 to September 2005, the accounts of 43 Government companies (working: 39 and non-working: four) and of one working Statutory corporation were selected for review. As a result of the observations made by the CAG, one working company and one Statutory corporation, listed below, revised their accounts:

| Sl.No. | Name of the company                           | Year of accounts |
|--------|---|------------------|
| 1.     | Tamil Nadu Civil Supplies Corporation Limited | 2003-04          |
| 2.     | Tamil Nadu Electricity Board                  | 2003-04          |

In addition, the net impact of the important audit observations as a result of the review of the remaining PSUs were 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 | 5                    | ---         | ---                    | 3,625.00             | ---         | ---                    |
| (ii)   | Decrease in loss   | ---                  | ---         | 1                      | ---                  | ---         | 1,605.00               |
| (iii)  | Increase in profit | 1                    | ---         | ---                    | 124.00               | ---         | ---                    |
| (iv)   | Increase in loss   | 1                    | ---         | ---                    | 36.00                | ---         | ---                    |

### ***Errors and omissions noticed in case of Government companies***

**1.23** Some major errors/omissions in case of Government companies noticed during review of accounts are given below:

| <b>Sl. No</b> | <b>Name of the Company</b>  | <b>Year of accounts</b> | <b>Errors/omissions</b>  | <b>Amount (Rupees in crore)</b> |
|---------------|---|-------------------------|--|---------------------------------|
| 1.            | Tamil Nadu Magnesite Limited  | 2004-05                 | Overstatement of miscellaneous expenditure (to the extent not written off or adjusted) and under statement of cumulative loss        | 31.86                           |
| 2.            | Tamil Nadu Power Finance and Infrastructure Development Corporation Limited | 2004-05                 | Under statement of current liabilities   | 2.15                            |
| 3.            | Tamil Nadu Backward Classes Economic Development Corporation Limited        | 2003-04                 | Under statement of interest payment  | 1.17                            |
|               |   |                         | Non-provision for service charges  | 0.13                            |
| 4.            | Tamil Nadu Cements Corporation Limited                                      | 2003-04                 | Non-provision for penal interest   | 0.36                            |
| 5.            | Arasu Rubber Corporation Limited  | 2004-05                 | Overstatement of current liabilities and provisions and under statement of unsecured loans   | 2.58                            |
| 6.            | Tamil Nadu Transport Development Finance Corporation Limited                | 2004-05                 | Under statement of miscellaneous expenditure (to the extent not written-off) and overstatement of current assets, loans and advances | 3.89                            |
| 7.            | Tamil Nadu State Transport Corporation (Coimbatore) Limited                 | 2004-05                 | Overstatement of other liabilities and under statement of profit   | 1.24                            |
| 8.            | Tamil Nadu State Transport Corporation (Salem) Limited                      | 2004-05                 | Overstatement of profit for the current year   | 1.56                            |

### ***Errors and omissions noticed in case of Statutory corporation***

**1.24** Some major errors noticed during review of accounts for 2003-04 of the Tamil Nadu Electricity Board are given below:

| <b>Sl.No.</b> | <b>Errors/omissions</b>   | <b>Amount (Rupees in crore)</b> |
|---------------|---|---------------------------------|
| 1.            | Overstatement of deficit due to incorrect computation of interest and finance charges capitalized                       | 10.74                           |
| 2.            | Overstatement of deficit due to incorrect accounting of TPA incentive credit and collection charges for Electricity tax | 32.09                           |
| 3.            | Understatement of deficit due to non-provision for differential freight   | 17.17                           |
| 4.            | Non-provision of depreciation on assets already commissioned  | 4.30                            |
| 5.            | Understatement of deficit due to short provision for insurance and bad and doubtful debts                               | 5.31                            |

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

**1.25** Based on the audit assessment of the working results of the Tamil Nadu Electricity Board for the three years up to 2004-05 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   | 2002-03     | 2003-04     | 2004-05<br>(Provisional) |
|--------|---|-------------|-------------|--------------------------|
| 1.     | Net surplus/(-) deficit as per books of accounts  | 112.57      | (-)1,110.13 | (-)1,105.50              |
| 2.     | Subsidy from the State Government   | 2,212.14    | 250.00      | 924.55                   |
| 3.     | Net surplus/(-) deficit before subsidy from the State Government (1-2)  | (-)2,099.57 | (-)1,360.13 | (-)2,030.05              |
| 4.     | Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts                              | (-)4.24     | 16.05       | N.A.                     |
| 5.     | Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4) | (-)2,103.81 | (-)1,344.08 | N.A.                     |
| 6.     | Total return on capital employed  | 790.30      | (-)345.34   | (-)253.57                |
| 7.     | Percentage of total return on capital employed  | 8.02        | ---         | ---                      |

### **Recoveries at the instance of audit**

**1.26** Test check of records of the Tamil Nadu Electricity Board conducted during 2004-05 disclosed wrong fixation of tariff/non-levy/short-levy of tariff/short realisation of revenue and other observations aggregating to Rs.97.55 crore in 812 cases. The Board accepted the observations in 743 cases and recovered Rs.8.67 crore at the instance of audit. Besides this, the Tamil Nadu Power Finance Corporation has compensated (March 2005) the loss incurred by the Board on account of payment of excess interest tax of Rs.5.97 crore, which was pointed out by Audit.

### **Internal audit/internal control**

**1.27** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon 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 53 Government companies involving 66 accounts between October 2004 and September 2005. In pursuance of directions so issued, reports of Statutory Auditors involving 35 accounts of 35 Government companies were received (September 2005).

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**

**1.28** Even after completion of 20 to 28 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)**

**1.29** The following table indicates the details regarding number of reviews and paragraphs pending discussion at the end of 31 March 2005:

| Period of Audit Report | Number of reviews and paragraphs appeared in the Audit Report |            | Number of reviews/paragraphs pending for discussion |            |
|------------------------|---|------------|---|------------|
|                        | Reviews   | Paragraphs | Reviews   | Paragraphs |
| 1995-96                | 4   | 24         | 1   | ---        |
| 1996-97                | 5   | 24         | 1   | ---        |
| 1997-98                | 5   | 20         | 5   | 15         |
| 1998-99                | 6   | 23         | 6   | 19         |
| 1999-2000              | 4   | 24         | 4   | 21         |
| 2000-01                | 4   | 21         | 4   | 19         |
| 2001-02                | 3   | 29         | 3   | 23         |
| 2002-03                | 2   | 27         | 2   | 27         |
| 2003-04                | 4   | 20         | 4   | 20         |

### **619-B companies**

**1.30** There were three companies coming under 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 available accounts.