

CHAPTER-I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2007, there were 67 Government companies (53 working companies and 14[#] non-working companies) and two Statutory corporations (both working). The same number of companies and Statutory corporations were functioning as on 31 March 2006. The accounts of the Government companies 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 by the CAG as per provisions of Section 619 (4) 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	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

The audit of the Tamil Nadu Electricity Regulatory Commission has been entrusted to the Comptroller and Auditor General of India under Section 104 (2) of the Electricity Act, 2003.

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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2007, the total investment in 55 working PSUs (53 Government companies and two Statutory corporations) was Rs.15,232.06³ crore (equity: Rs.2,522.90 crore; long-term loans^{*}: Rs.12,709.16 crore) against a total investment of Rs.14,303.13 crore (equity: Rs.2,297.99 crore; long term loans: Rs.12,005.14 crore) in 55 working PSUs (53 Government companies and two Statutory corporations) as on 31 March 2006. The analysis of investment in the 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 2007 and 31 March 2006 are indicated in the pie charts.

³ State Government's investment in the working PSUs was Rs.2,668.47 crore (others: Rs.12,563.59 crore). Figures as per Finance Accounts 2006-07 are Rs.2,348.49 crore. The difference is under reconciliation.

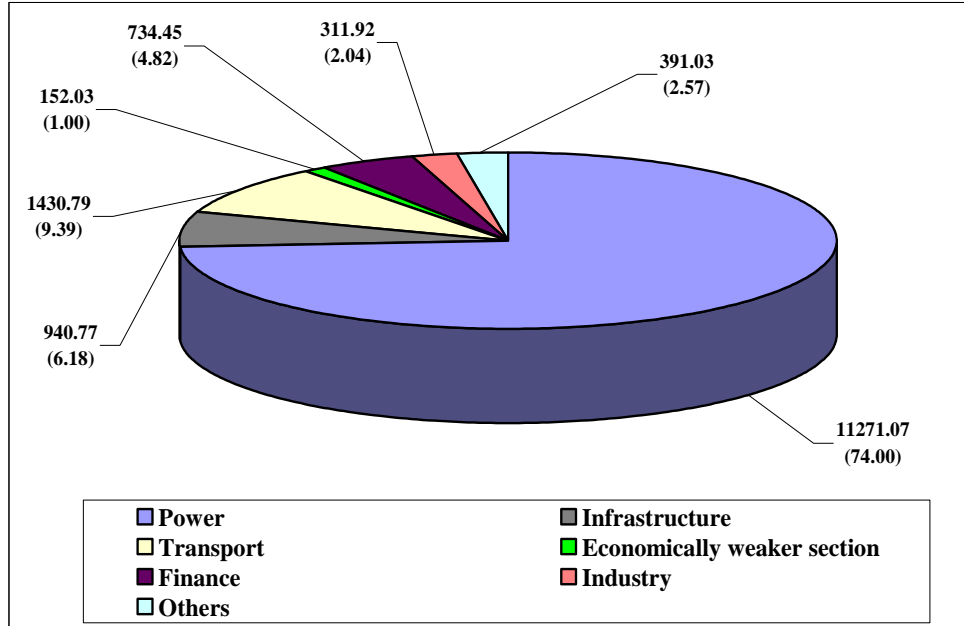
^{*} Long term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.16 are excluding interest accrued and due on such loans.

SECTOR-WISE INVESTMENT IN WORKING GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

(Figures in brackets indicate percentage)

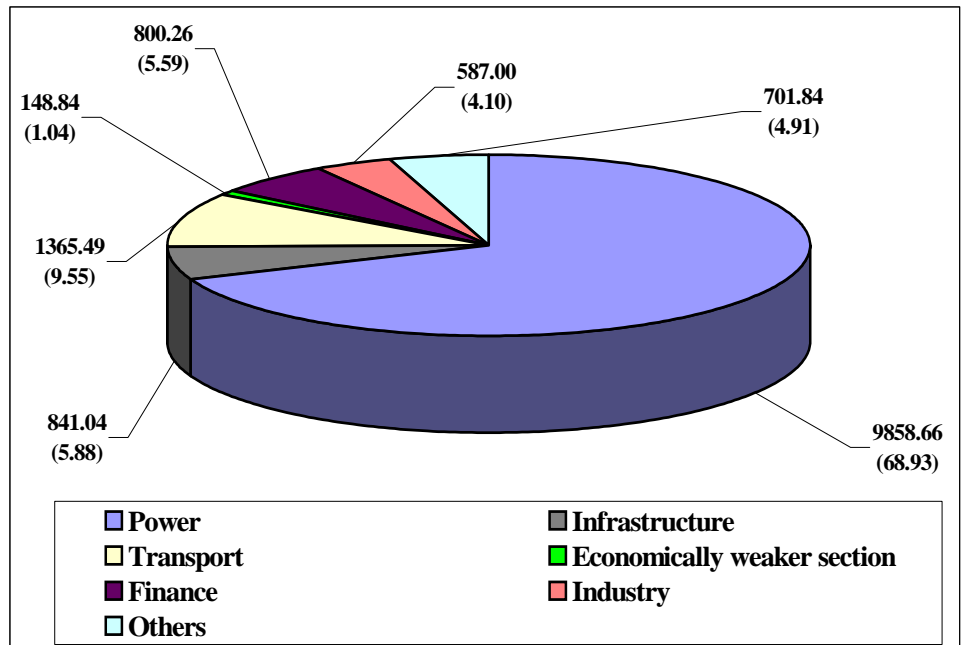
As at 31 March 2007

Total investment: Rs.15,232.06 crore



As at 31 March 2006

Total investment: Rs.14,303.13 crore



Working Government companies

1.3 The total investment in the working Government companies at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Loans	Total
2005-06	53	1,755.38	2,681.48	4,436.86
2006-07	53	1,805.29*	2,148.09	3,953.38

As on 31 March 2007, the total investment in the working Government companies comprised of 45.66 *per cent* of equity capital and 54.34 *per cent* of loans as compared to 39.56 and 60.44 *per cent* respectively as on 31 March 2006. The detailed statement of the Government investment in the working Government companies in the form of equity and loans is given in **Annexure-1**.

Working Statutory corporations

1.4 The total investment in the two working Statutory corporations at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Name of the Corporation	2005-06		2006-07	
	Capital	Loans	Capital	Loans
Tamil Nadu Electricity Board	535.00	9,323.66	710.00	10,561.07
Tamil Nadu Warehousing Corporation	7.61	---	7.61	---
Total	542.61	9,323.66	717.61	10,561.07

The detailed statement of the Government investment in the working Statutory corporations in the form of equity and loans is given 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 given, 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**.

* Shares of Rs.22.14 crore held by Tamil Nadu Industrial Development Corporation Limited (TIDCO) in Tamil Nadu Industrial Explosives Limited were transferred to the State Government by TIDCO by reducing its paid-up capital.

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 upto March 2007 are given below:

(Amount – Rupees in crore)

	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity outgo from budget	5	71.62	1	85.00	4	10.76	1	25.00	8	156.34	1	175.00
Loans given from budget	5	159.02	---	---	3	305.27	---	---	2	5.25	---	---
Grants	3	85.62	1	0.61	5	100.03	1	5.47	8	281.77	---	---
(i) Subsidy towards projects/ programmes/ schemes	4	1,015.98	1	0.05	7	1,249.85	---	---	4	2,035.90	---	---
(ii) Other subsidy	7	221.95	1	924.50	3	95.79	1	1,179.49	4	170.10	1	1,330.10
(iii) Total subsidy	11	1,237.93	1	924.55	10	1,345.64	1	1,179.49	8	2,206.00	1	1,330.10
Total outgo	19*	1,554.19	1	1,010.16	18*	1,761.70	1	1,209.96	20*	2,649.36	1	1,505.10

Source: Data furnished by the companies.

During 2006-07, the Government had guaranteed loans aggregating to Rs.493.95 crore obtained by four working Government companies and one working Statutory corporation. At the end of the year, guarantees amounting to Rs.3,600.69 crore against 16 working Government companies (Rs.877.69 crore) and one working Statutory corporation (Rs.2,723.00 crore) were outstanding. The guarantee commission paid/payable to the Government by the Government companies and Statutory corporations during 2006-07 was Rs.3.42 crore and Rs.4.12 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 statutes.

It could be seen from **Annexure-2** that out of 53 working Government companies and two Statutory corporations, 38 working companies and one Statutory Corporation had finalised their accounts for 2006-07 within the stipulated period. During the period from October 2006 to September 2007,

* 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.

13 working Government companies finalised 15 accounts for the previous years. Similarly, during the same period, both Statutory corporations finalised their two accounts for the previous year.

The accounts of 15 working Government companies and one Statutory corporation were in arrears for periods ranging from one to five years as on 30 September 2007 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 2006-07	5	A-22	----
2.	2	---	2005-06 and 2006-07	2	A-12 and 40	---
3.	12	1	2006-07	1	A-2, 3, 6, 15, 17, 29, 31, 32, 34, 41, 49 and 51	B-1

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 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 the working Statutory corporations for the latest three years for which accounts have been finalised are given in **Annexures-4** and **5**.

According to the latest finalised accounts of 53 working Government companies and two working Statutory corporations, 16 companies and one Statutory corporation had incurred an aggregate loss of Rs.352.59 crore and Rs.1,328.99 crore respectively and 35 companies and one Statutory corporation had earned an aggregate profit of Rs.190.48 crore and Rs.3.53 crore respectively. No profit and loss account was prepared by Nilakkotai Food Park Limited as it had not commenced its commercial activities. In case of Tamil Nadu Civil Supplies Corporation Limited, entire loss is reimbursed by the State Government.

Working Government companies

Profit earning working companies

1.8 Out of 38* working Government companies, which finalised their accounts for 2006-07 by 30 September 2007, 25 companies earned an aggregate profit of Rs.176.82 crore and only eight companies[∞] declared dividend aggregating Rs.21.47 crore. The dividend as a percentage of share capital in the eight companies worked out to 10.07. The remaining 17 profit making companies did not declare any dividend. The total return in 2006-07 by way of dividend of Rs.21.47 crore worked out to 1.26 *per cent* on the total equity investment of Rs.1,709.14 crore by the State Government in all the Government companies as against 0.95 *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 2006 to September 2007, seven companies earned an aggregate profit of Rs.11 crore. Of these, three companies earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 16 loss incurring working Government companies, 14 companies had accumulated losses aggregating to Rs.3,016.78 crore, which exceeded their aggregate paid-up capital of Rs.1,014.68 crore. Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to eight out of these 14 companies in the form of equity, loans, grants and subsidy amounting to Rs.312.36 crore during 2006-07.

Working Statutory corporations

Profit earning Statutory corporation

1.10 Tamil Nadu Warehousing Corporation finalised its accounts for 2006-07 and earned a profit of Rs.3.53 crore and declared a dividend of Rs.38.05 lakh. The dividend as percentage of its share capital worked out to five *per cent*. The total return to the Government by way of dividend of Rs.19.03 lakh

* These include four companies, which finalised their previous years' accounts also.
∞ State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT), Tamil Nadu Salt Corporation Limited, Tamil Nadu Forest Plantation Corporation Limited, Tamil Nadu Minerals Limited, Tamil Nadu Police Housing Corporation Limited, Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited, Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited and Tamil Nadu Power Finance and Infrastructure Development Corporation Limited.

worked out to 0.027 *per cent* in 2006-07 on its total equity investment of Rs.713.81 crore in both the Statutory corporations as against 0.027 *per cent* in the previous year.

Loss incurring Statutory corporation

1.11 Tamil Nadu Electricity Board, which finalised its accounts for 2005-06, incurred a loss of Rs.1,328.99 crore during that year. The accumulated losses of the Board as on 31 March 2006 were Rs.4,911.51 crore, which exceeded its paid-up capital of Rs.535 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 26,915 MU in 2005-06 to 29,481 MU in 2006-07 and the Board was also in receipt of Rs.1,330.10 crore as subsidy (**Annexure-5**) from the State Government in 2006-07, the deficit increased from Rs.1,328.99 crore in 2005-06 to Rs.1,896.49 crore in 2006-07 (Provisional) (**Annexure-5**).

As regards Tamil Nadu Warehousing Corporation, the percentage of capacity utilisation, which was 67 *per cent* in 2005-06 increased to 79 *per cent* in 2006-07.

Return on capital employed

1.13 As per the latest annual accounts of PSUs finalised upto September 2007, the capital employed[♦] worked out to Rs.8,410.82 crore in 53 working companies and total return[▲] thereon amounted to Rs.435.76 crore, which is 5.18 *per cent* as compared to total return of Rs.240.14 crore (3.47 *per cent*) in the previous year (accounts finalised up to September 2006). Similarly, the capital employed and total return thereon in case of the working Statutory corporations as per the latest annual accounts finalised upto September 2007, worked out to Rs.10,093.55 crore and (-)Rs.479.71 crore respectively as against the capital employed and the total return of Rs.10,802.27 crore and (-)Rs.347.75 crore in 2005-06. The details of capital employed and total return on capital employed in the case of the working Government companies and Statutory corporations are given in **Annexure-2**.

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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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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 Union Ministry of Power 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.

Commitments made in the MOU, except the following has been achieved as reported by the Tamil Nadu Electricity Board:

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2007)	Remarks
1.	Reduction in transmission and distribution losses to 15 per cent	By December 2003	Transmission and distribution losses - 18 per cent	---
2.	100 per cent 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 per cent of the total existing services in each category. The Board had requested TNERC for extension of time up to 31.3.2009 for fixing of meters in the remaining agricultural and hut services.
3.	Current operations in distribution to reach break-even	March 2003	The Board had a deficit of Rs.1,328.99 crore in 2005-06. The deficit got increased to Rs.1,896.48 crore in 2006-07 (as per provisional accounts).	---
4.	Energy audit at 11 KV sub-stations level	January 2002	Introduced in January 2002	For want of metering at all levels, energy audit has not progressed.
5.	Computerisation of HT & LT billing	December 2002	HT billing fully computerized	LT billing in 615 Distribution sections computerised under phase I and the computerisation is under progress in the balance 1,805 sections under phase II and is expected to be completed by the year end.

State Electricity Regulatory Commission

1.15 The Government of Tamil Nadu constituted (March 1999) the Tamil Nadu Electricity Regulatory Commission under Section 17(1) of the Electricity Regulatory Commissions Act, 1998*, which started functioning from 1 September 1999. The Commission has finalised its accounts up to March 2006.

Non-working PSUs

Investment in non-working PSUs

1.16 As on 31 March 2007, 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) against the same investment in the same number of non-working companies as on 31 March 2006.

The classification of the non-working companies is 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

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

+ State Government's investment in non-working PSUs was Rs.76.89 crore (others: Rs.10 crore). Figures as per Finance Accounts 2006-07 are Rs.24.73 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 Tamil Nadu Magnesium and Marine Chemicals Limited (subsidiary of TIDCO) and Tamil Nadu Goods Transport Corporation Limited.

B Tamil Nadu Agro Industries Development Corporation Limited, Tamil Nadu Poultry Development Corporation Limited, Tamil Nadu Sugarcane Farm Corporation Limited, Tamil Nadu State Farms Corporation Limited, Tamil Nadu State Tubewells Corporation Limited, Tamil Nadu Steels Limited, The Chit Corporation of Tamil Nadu Limited and Tamil Nadu Film Development Corporation Limited.

C Tamil Nadu Graphites Limited and Tamil Nadu Institute of Information Technology.

D Tamil Nadu Dairy Development Corporation Limited and Tamil Nadu State Sports Development Corporation Limited.

Of the 14 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 16 years.

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

1.17 No budgetary support was provided during the year by the State Government to the non-working companies.

Finalisation of accounts by non-working PSUs

1.18 As could be seen from **Annexure-2**, the accounts of 11 non-working companies were in arrears for periods ranging from one to 14 years as on 30 September 2007.

Financial position and working results of non-working PSUs

1.19 The summarised financial results of the 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 12 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
1992-93	1	0.002	60.57	54.83	60.57
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
2004-05	1	31.50	31.50	2.01	(-)220.44
2005-06	3	287.73	287.73	243.54	(-)3060.60
2006-07	1	10.00	10.00	0.22	(-)7.88

Disinvestment, privatisation and restructuring of Public Sector Undertakings

1.20 There was no disinvestment, privatisation or restructuring of PSUs in the State during the year.

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

1.21 During the period from October 2006 to September 2007, the accounts of 45 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, nine working companies and one Statutory corporation revised their accounts. As a result of revisions, the profit/loss in respect of the following companies was increased or decreased as indicated below:

Decrease in profit

Name of the Company	Year of accounts	Rupees in crore
State Industries Promotion Corporation of Tamil Nadu Limited	2006-07	1.22
Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	2005-06	0.89
Total decrease		2.11

Profit turned into loss

Name of the Company	Year of accounts	Rupees in crore
Tamil Nadu State Marketing Corporation Limited	2006-07	1.88

Increase in profit

Name of the Company	Year of accounts	Rupees in crore
Tamil Nadu Magnesites Limited	2006-07	0.84

Increase in loss

Name of the Company	Year of accounts	Rupees in crore
Tamil Nadu Tea Plantation Corporation Limited	2006-07	0.11
Tamil Nadu Civil Supplies Corporation Limited	2005-06	3.29
Tamil Nadu Sugar Corporation Limited	2006-07	0.14
Perambalur Sugar Mills Limited	2006-07	0.01
Total increase		3.55

Decrease in loss

Name of the Corporation	Year of accounts	Rupees in crore
Tamil Nadu Electricity Board	2005-06	26.23

Note: The accounts of Tamil Nadu Cements Corporation Limited was revised but there was no financial impact on the profit/loss as disclosed in the accounts.

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

Sl.No	Details	Number of accounts			Rupees in crore		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working		Working	Non-working	
(i)	Decrease in profit	4	---	---	17.97	---	---
(ii)	Increase in profit	1	---	---	37.70	---	---
(iii)	Increase in loss	---	---	1	---	---	227.33

Errors and omissions noticed in case of Government companies

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

Sl. No	Name of the Company	Year of accounts	Errors/omissions	Amount (Rupees in crore)
1.	Tamil Nadu Small Industries Development Corporation Limited	2005-06	Understatement of profit due to non accountal of profit on sale of land and buildings as revenue.	37.70
2.	Tamil Nadu Corporation for Development of Women Limited	2005-06	Overstatement of income due to change in accounting policy in respect of accountal of interest on unspent grant.	1.32
			Overstatement of surplus due to treatment of Head Office operating expenses as scheme expenditure.	3.33
3.	Poompuhar Shipping Corporation limited	2005-06	Overstatement of profit and understatement of Current Liabilities due to non provision of penalty charges payable to TNEB for under-performance of voyages.	8.58
			Understatement of Current Assets, Loans and Advances as well as Current Liabilities, due to non provision of charter hire charges payable to ship owners in respect of five voyages.	2.41
4.	Tamil Nadu Medical Services Corporation Limited	2006-07	Overstatement of profit and understatement of current liabilities due to incorrect accounting of liquidated damages, transport charges, fines <i>etc.</i> , and forfeiture of EMD/SD as Company's income instead of treating them as payable to the Government.	5.69

Errors and omissions noticed in case of Statutory corporations

1.23 Some major errors noticed during audit of accounts for 2005-06 of the Tamil Nadu Electricity Board are given below:

Sl.No.	Errors/omissions	Amount (Rupees in crore)
1.	Overstatement of deficit due to over valuation of coal consumption	34.65
2.	Understatement of deficit due to non-provision of penal interest payable on delayed remittance of electricity tax	64.76
3.	Understatement of deficit due to short provision of depreciation	92.35
4.	Understatement of deficit due to over valuation of coal in transit	41.66
5.	Understatement of deficit due to non-provision of liability for purchase of power	76.00

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

1.24 Based on the audit assessment of the working results of the Tamil Nadu Electricity Board for the three years up to 2006-07 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Report 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	2004-05	2005-06	2006-07 (Provisional)
1.	Net surplus/(-) deficit as per books of accounts	(-)1,176.77	(-)1,328.99	(-)1,896.48
2.	Subsidy from the State Government	924.50	1,179.49	1,330.10
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)2,101.27	(-)2,508.48	(-)3,226.58
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	8.66	(-)227.33	N.A
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)2,092.61	(-)2,735.81	N.A
6.	Total return on capital employed	(-)350.20	(-)483.24	(-)1,010.64

Recoveries at the instance of audit

1.25 Test check of records of the Tamil Nadu Electricity Board conducted during 2006-07 revealed wrong fixation of tariff/non-levy/short-levy of tariff/short realisation of revenue, *etc.*, aggregating to Rs.119.78 crore. The Board recovered Rs.8.54 crore during the year at the instance of audit.

Internal audit/internal control

1.26 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 *ibid* Act, were issued to the Statutory Auditors in respect of 46 Government companies involving 51 accounts between October 2006 and September 2007. In pursuance of directions so issued, reports of Statutory Auditors involving 40 accounts of 30 Government companies were received (September 2007).

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

1.27 Even after completion of 21 to 29 years of their existence, the turnover of four[◇] Government companies has been less than rupees five crore in each of the preceding six years as per their latest finalised accounts. Two[♦] companies had been incurring losses for more than five consecutive years (as per their 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.

[◇] Tamil Nadu Paints and Allied Products Limited (subsidiary of TANSI), Tamil Nadu Leather Development Corporation Limited, State Engineering and Servicing Company of Tamil Nadu Limited (Subsidiary of TANSI) and Pallavan Transport Consultancy Services Limited.

[♦] Tamil Nadu Leather Development Corporation Limited and State Engineering and Servicing Company of Tamil Nadu Limited (Subsidiary of TANSI).

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

1.28 The following table indicates the details regarding number of reviews and paragraphs appearing in various Audit Reports (Commercial) and discussed by COPU by the end of 31 March 2007:

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews/paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
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	---	---
2005-06	2	26	---	---
TOTAL	38	237	4	45

619-B companies

1.29 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.