

OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2007, the State had 69 Public Sector Undertakings (PSUs) comprising of 67 Government companies (including 14 non-working companies) and two Statutory corporations (both working). In addition, there were three deemed Government companies under Section 619-B of the Companies Act, 1956 as on 31 March 2007.

(Paragraphs 1.1 and 1.29)

The total investment in the working PSUs increased from Rs.14,303.13 crore as on 31 March 2006 to Rs.15,232.06 crore as on 31 March 2007. There was no further investment in the non-working PSUs, which remained at Rs.86.89 crore as on 31 March 2007.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of equity, loans, grants and subsidies disbursed to the working PSUs increased from Rs.2,971.66 crore in 2005-06 to Rs.4,154.46 crore in 2006-07. The State Government guaranteed loans aggregating Rs.493.95 crore during 2006-07. The total amount of outstanding loans guaranteed by the State Government decreased from Rs.4,505.52 crore as on 31 March 2006 to Rs.3,600.69 crore as on 31 March 2007.

(Paragraph 1.5)

As on 30 September 2007, 38 working Government companies and one Statutory corporation had finalised their accounts for 2006-07. The accounts of 15 working Government companies and one Statutory corporation were in arrears from one to five years as on 30 September 2007. The accounts of 11 non-working companies were in arrears for periods ranging from 1 to 14 years as on 30 September 2007.

(Paragraphs 1.6 and 1.18)

According to the latest finalised accounts, 36 working PSUs (35 Government companies and one Statutory Corporation) earned aggregate profit of Rs.194.01 crore. Out of these, only eight companies and one Statutory corporation declared dividend aggregating to Rs.21.85 crore. Sixteen working Government companies and one Statutory corporation incurred an aggregate loss of Rs.1,681.58 crore. Of the 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.

(Paragraphs 1.7, 1.8, 1.9 and 1.10)

Even after completion of 21 to 29 years of their existence, the turnover of four working Government companies had been less than rupees five crore in each of the preceding six years. Two companies had been incurring losses for five consecutive years leading to negative net worth.

(Paragraph 1.27)

2 Performance reviews relating to Government companies

2.1 Operational performance of Tamil Nadu Industrial Explosives Limited

Tamil Nadu Industrial Explosives Limited was formed in 1983 with the main objective of manufacture and supply of explosives, detonators and detonating fuses for both industrial and civil use. Losses incurred by the Company since 2003-04 caused erosion of the entire paid up capital of Rs 26.96 crore. Some of the important points noticed in audit are as under:

- The Company used raw materials like ammonium nitrate in excess of the norms resulting in extra expenditure of Rs.78.81 lakh.
- The Company procured a second cartridging machine for cartridging the small dia emulsion explosives without utilising fully the earlier machine procured for the same purpose resulting in idle investment of Rs.2.13 crore.
- The Company sold its products below the variable cost of production and accepted a fixed sum as freight charges irrespective of the distance covered in transport, which resulted in cash loss of Rs.2.68 crore.

(Paragraph 2.1)

2.2 Operational performance of Hotel and Transport Divisions of Tamil Nadu Tourism Development Corporation Limited

Tamil Nadu Tourism Development Corporation Limited was formed in 1971 with the main objective of promotion of tourism in the State. While the Company wiped of its losses in 2003-04 and turned the corner since then, its

hotel and catering activities have been incurring losses. Some of the important points noticed in audit are:

- Despite increase in tourists' inflow in the State, the number of tourists availing the Company's hotel and catering facilities showed only marginal increase from 2.83 lakh in 2002-03 to 3.11 lakh in 2006-07.
- The hotels failed to achieve the break even room occupancy resulting in cash loss of Rs.1.39 crore.
- Stagnant occupancy in hotels, absence of favourable sales mix in food stuff and food and fuel cost in excess of the norms resulted in cash losses amounting to Rs.1.46 crore in 11 to 17 out of 27 to 32 operating catering units.

(Paragraph 2.2)

3 Performance reviews relating to Statutory corporation

3.1 Implementation of the Accelerated Power Development and Reforms Programme by Tamil Nadu Electricity Board

The Accelerated Power Development and Reforms Programme (APDRP) launched by Union Ministry of Power (MOP) in 2002-03 focused on the upgradation of the sub-transmission and distribution systems in densely electrified zones in the urban and industrial areas and on the improvement of commercial viability of the State Electricity Boards. Some of the important points noticed in audit in implementation of the Programme by Tamil Nadu Electricity Board are as under:

- Even though funds were not the constraints, the Board has not been able to complete 23 out of 25 schemes even after a delay of three years.
- The Board reported expenditure of Rs.104.70 crore to MOP in excess of the expenditure actually incurred on the execution of schemes.
- Procurement of costly high quality meters in preference to static meters resulted in extra expenditure of Rs.13.41 crore.
- The Board failed to achieve the main objectives of APDRP *i.e.*, reduction of Aggregate Technical and Commercial losses to the targeted level of 15 *per cent*, reduction of outages and interruptions in supply of power and reduction of revenue deficit of the Board.

(Paragraph 3.1)

3.2 Information Technology audit of computerisation of Low Tension Revenue Billing by Tamil Nadu Electricity Board

One of the major sources of revenue to the Board is supply of electricity to the low tension (LT) consumers. The Board computerised LT revenue billing in the State covering 615 out of 2,420 section offices under Phase-I at a total cost of Rs.52.14 crore and the computerised billing commenced in April 2006 in 615 section offices. Some of the important points noticed in audit are as under:

- The software in hand held device was incomplete and the billing software in the regional server was deficient in various billing components like power factor penalty, Kilo Watt penalty, average billing and billing of door lock cases.
- The deficient software coupled with manual interventions led to scope for errors in assessments of current consumption charges. Discrepancies in the assessments in Chennai (North) region were observed.

(Paragraph 3.2)

4 Transaction Audit Observations

Audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings with serious financial implications. The irregularities pointed out are broadly of the following nature:

- Avoidable/excess payment/extra expenditure of Rs.243.98 crore in 11 cases.

(Paragraphs 4.3, 4.5, 4.7, 4.8, 4.11, 4.13, 4.14, 4.15, 4.18, 4.20 and 4.21)

- Loss of revenue, incentive and interest of Rs.53.46 crore in six cases.

(Paragraphs 4.1, 4.2, 4.6, 4.10, 4.17 and 4.19)

- Non recovery of dues and subsidy of Rs.49.03 crore in two cases.

(Paragraphs 4.9 and 4.16)

- Blocking of funds/infructuous investment of Rs.4.92 crore in two cases.

(Paragraphs 4.4 and 4.12)

Gist of some of the important observations is given below:

Incorrect assessment of cost of land by **State Industries Promotion Corporation of Tamil Nadu Limited** due to ignoring the enhanced compensation awarded by various courts resulted in loss of Rs.19.88 crore in respect of two allottees.

(Paragraph 4.1)

Erroneous inclusion of contribution to gratuity fund in the value of fringe benefits while computing fringe benefit tax by **Tamil Nadu Civil Supplies Corporation Limited** led to extra expenditure of Rs.4.56 crore.

(Paragraph 4.3)

Submission of erroneous claim by **Tamil Nadu Civil Supplies Corporation Limited** for getting reimbursement from the Government of India under the Public Distribution System led to blocking of funds of Rs.3.99 crore.

(Paragraph 4.4)

Failure of **Tamil Nadu Electricity Board** to securitise the entire outstanding dues payable to the Central Public Sector Undertakings resulted in losing an opportunity to liquidate its liability of Rs.129.22 crore.

(Paragraph 4.14)

Failure of **Tamil Nadu Electricity Board** to convince the Government to pay the subsidy towards current consumption charges directly to it instead of routing through the beneficiaries led to non-recovery of Rs.47.28 crore

(Paragraph 4.16)

Failure to comply with the conditions stipulated to make payments of dues by **Tamil Nadu Electricity Board** to Central Public Sector Undertakings led to loss of incentive of Rs.24.63 crore.

(Paragraph 4.17)

Procurement of costlier high quality meter instead of low cost static meters by **Tamil Nadu Electricity Board** despite their suitability resulted in avoidable expenditure of Rs.14.18 crore.

(Paragraph 4.18)