

Chapter-I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2008, there were 68 Government companies (54 working companies and 14[#] non-working companies) and two Statutory corporations (both working) against 67 Government companies and two Statutory corporations that functioned as on 31 March 2007. During the year, one new company *viz.*, Arasu Cable TV Corporation Limited was formed. The accounts of Government companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The arrangements for audit of the Statutory corporations/bodies are 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 the CAG
Tamil Nadu Warehousing Corporation	Section 31 (8) of the State Warehousing Corporations Act, 1962.	Audit by the Chartered Accountants and Supplementary audit by the CAG
Tamil Nadu Electricity Regulatory Commission	Section 104 (2) of the Electricity Act, 2003.	Sole audit by the CAG.

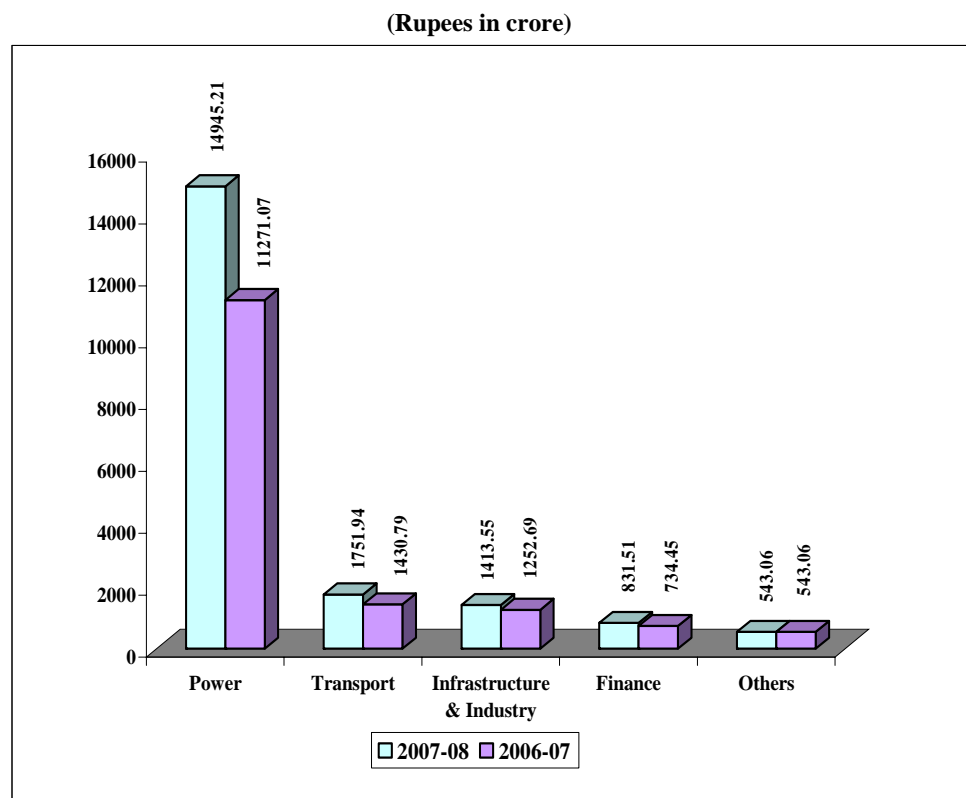
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2008, total investment in 56 working PSUs (54 Government companies and two Statutory corporations) was Rs. 19,485.27⁹ crore (equity: Rs. 3,179.56 crore; share application money: Rs. 216.00 crore and long-term loans^{*}: Rs. 16,089.71 crore) against a total investment of Rs. 15,232.06 crore (equity: Rs. 2,522.90 crore; long term loans: Rs. 12,709.16 crore) in 55 working PSUs (53 Government companies and two Statutory corporations) as on 31 March 2007. The analysis of investment in the working PSUs is given in the following paragraphs.

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- # Non-working companies are those which are under the process of liquidation, closure, merger, *etc.*
 - 9 State Government's investment in the working PSUs was Rs. 3,718.98 crore (others: Rs. 15,766.29 crore). Figures as per Finance Accounts 2007-08 were Rs. 2,797.72 crore. The difference was under reconciliation.
 - ♣ Long term loans mentioned in paragraphs 1.2, 1.3 and 1.4 are excluding interest accrued and due on such loans.

The investments (equity and long-term loans) in various sectors for the years ended 31 March 2008 and 31 March 2007 respectively are indicated in the bar chart shown below:



Working Government companies

1.3 Total investment in working Government companies at the end of March 2007 and March 2008 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loans	Total
2006-07	53	1,805.29	---	2,148.09	3,953.38
2007-08	54	1,971.95	216.00	2,344.51	4,532.46

As on 31 March 2008, total investment in working Government companies comprised of 48.27 *per cent* of equity capital and 51.73 *per cent* of loans as compared to 45.66 and 54.34 *per cent* respectively as on 31 March 2007. Detailed statement of Government investment in working Government companies in the form of equity and loans is given in **Annexure-1**.

Working Statutory corporations

1.4 Total investment in two working Statutory corporations at the end of March 2007 and March 2008 was as follows:

(Rupees in crore)

Name of the Corporation	2006-07			2007-08		
	Capital	Loans	Total	Capital	Loans	Total
Tamil Nadu Electricity Board	710.00	10,561.07	11,271.07	1,200.00	13,745.20	14,945.20
Tamil Nadu Warehousing Corporation	7.61	---	7.61	7.61	---	7.61
Total	717.61	10,561.07	11,278.68	1,207.61	13,745.20	14,952.81

Detailed statement of Government investment in 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 Details of budgetary outgo, grants/subsidies, guarantees given, waiver of dues and conversion of loans into equity by the State Government in respect of 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 working Government companies and working Statutory corporations for three years up to March 2008 are given below:

(Amount – Rupees in crore)

	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity outgo from budget	4	10.76	1	25.00	8	156.34	1	175.00	13	383.25	1	490.00
Loans given from budget	3	305.27	---	---	2	5.25	---	---	6	28.36	--	---
Grants	5	100.03	1	5.47	8	281.77	---	---	8	150.63	---	---
(i) Subsidy towards projects/ programmes/ schemes	7	1,249.85	---	---	4	2,035.90	---	---	5	2,021.44	---	---
(ii) Other subsidy	3	95.79	1	1,179.49	4	170.10	1	1,330.10	4	349.93	1	1,457.02

Audit Report (Commercial) for the year ended 31 March 2008

	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(iii) Total subsidy	10	1,345.64	1	1,179.49	8	2,206.00	1	1,330.10	8	2,371.37	1	1,457.02
Total outgo	18*	1,761.70	1	1,209.96	20*	2,649.36	1	1,505.10	26*	2,933.61	1	1,947.02

During 2007-08, the Government had given guarantees for loans aggregating to Rs. 599.55 crore obtained by five working Government companies and one working Statutory corporation. At the end of the year, guarantees amounting to Rs. 3,500.55 crore against 12 working Government companies (Rs. 754.36 crore) and one working Statutory corporation (Rs. 2,746.19 crore) were outstanding. The guarantee commission paid/payable to the Government by the Government companies and Statutory corporations during 2007-08 was Rs. 3.68 crore and Rs. 136.47 crore respectively. The State Government allowed moratorium on its loans of Rs. 5.65 crore to two Government companies.

Finalisation of accounts by working PSUs

1.6 Accounts of 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 Tamil Nadu Warehousing Corporation, its accounts are finalised, audited and presented to the Legislature as per provisions of respective statute.

It could be seen from **Annexure-2** that out of 54 working Government companies and two Statutory corporations, 42 working companies and one Statutory corporation had finalised their accounts for 2007-08 within the stipulated period. During the period from October 2007 to September 2008, 13 working Government companies finalised 13 accounts for the previous years. Similarly, during the same period, one Statutory corporation finalised its accounts for the previous year.

Accounts of 12 working Government companies and one Statutory corporation were in arrears for periods ranging from one to six years as on 30 September 2008 as detailed below:

* 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 respective years.

Sl. 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 corporation			Government companies	Statutory corporations
1.	1	---	2002-03 to 2007-08	6	A-23	----
2.	1	---	2005-06 to 2007-08	3	A- 41	---
3.	1	---	2006-07 and 2007-08	2	A-12	---
4.	9	1	2007-08	1	A-3, 14, 18, 30, 32, 33, 35, 42 and A-53	B-1

The State Government had invested* Rs. 4,152.88 crore (equity: Rs. 496.93 crore; loans: Rs. 18.50 crore and grants/subsidy: Rs. 3,637.45 crore) in 12 working PSUs during the years for which accounts have not been finalised as detailed in **Annexure-4**. In the absence of timely finalisation of accounts and their audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of provisions of the Companies Act, 1956.

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 the Audit of arrears in finalisation of accounts, no remedial measures had been taken, as a result of which net worth of these PSUs could not be assessed in audit.

Financial position and working results of the 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 working Statutory corporations for the latest three years for which accounts have been finalised are given in **Annexures-5** and **6**.

According to latest finalised accounts of 53 working Government companies (excluding one Government company which is yet to finalise its first accounts) and two working Statutory corporations, 17 companies and one Statutory corporation had incurred an aggregate loss of Rs. 490.32 crore and Rs. 1,218.94 crore respectively and 34 companies and one Statutory corporation had earned an aggregate profit of Rs. 203.97 crore and Rs. 4.08 crore respectively. In case of Tamil Nadu Civil Supplies Corporation Limited, entire loss is reimbursed by the State Government. Chennai Metro Rail Limited had not commenced commercial operation by the end of March 2008.

* Information as provided by the companies.

Working Government companies

Profit earning working companies

1.8 Out of 42* working Government companies which finalised their accounts for 2007-08 by 30 September 2008, 28 companies earned an aggregate profit of Rs. 202.24 crore and only nine companies^α declared dividend aggregating Rs. 20.96 crore. The dividend as a percentage of share capital in these companies worked out to 9.78. The remaining 19 profit making companies did not declare any dividend. The total return in 2007-08 by way of dividend of Rs. 20.96 crore worked out to one *per cent* of the total equity investment of Rs. 2,092.40 crore by the State Government in all the Government companies as against 1.26 *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 2007 to September 2008, five companies earned an aggregate profit of Rs. 1.65 crore. These five companies earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 17 loss incurring working Government companies, 14 companies had accumulated losses of Rs. 3,498.90 crore, which exceeded their aggregate paid-up capital of Rs. 1,116.96 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, which amounted to Rs. 298.88 crore during 2007-08.

Working Statutory corporations

Profit earning Statutory corporation

1.10 Tamil Nadu Warehousing Corporation finalised its accounts for 2007-08 and earned a profit of Rs. 4.08 crore and declared a dividend of Rs. 49.46 lakh (State Government Rs. 24.73 lakh and Central Government Rs. 24.73 lakh). The dividend as percentage of its share capital worked out to 6.5 *per cent*. The total return to the Government by way of dividend of Rs. 24.73 lakh worked out to 0.021 *per cent* in 2007-08 on its total equity investment of Rs. 1,203.81 crore in both the Statutory corporations as against 0.027 *per cent* in the previous year.

* These include four companies, which finalised their previous years' accounts also.
α State Industries Promotion Corporation of Tamil Nadu Limited, 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, Tamil Nadu Small Industries Development Corporation Limited and Electronics Corporation of Tamil Nadu Limited.

Loss incurring Statutory corporation

1.11 Tamil Nadu Electricity Board, which finalised its accounts for 2006-07, incurred a loss of Rs. 1,218.94 crore during that year. The accumulated losses of the Board as on 31 March 2007 were Rs. 6,130.45 crore, which exceeded its paid-up capital of Rs. 710 crore as on that date.

Operational performance of the working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-7**. It could be seen from **Annexure-7** that though the power generation in Tamil Nadu Electricity Board was 29,241 MU in 2007-08 as compared to 29,481 MU in 2006-07 and the Board was also in receipt of Rs. 1,457.02 crore as subsidy (**Annexure-6**) from the State Government in 2007-08, the deficit increased from Rs. 1,218.94 crore in 2006-07 to Rs. 3,497.61 crore in 2007-08 (Provisional) (**Annexure-6**).

As regards Tamil Nadu Warehousing Corporation, percentage of capacity utilisation, which was 79 *per cent* in 2006-07 decreased to 78 *per cent* in 2007-08. However, profit for the year 2007-08 had increased from Rs. 3.53 crore in 2006-07 to Rs. 4.08 crore in 2007-08 due to increase in warehousing charges.

Return on capital employed

1.13 As per the latest annual accounts of PSUs finalised up to September 2008, capital employed[♦] worked out to Rs. 7,876.04 crore in 53 working companies and the total return[♦] thereon amounted to Rs. 373.54 crore, which is 4.74 *per cent* as compared to the total return of Rs. 435.76 crore (5.18 *per cent*) in the previous year (accounts finalised up to September 2007). Similarly, the capital employed and total return thereon in working Statutory corporations as per latest annual accounts finalised up to September 2008, worked out to Rs. 11,893.73 crore and (-)Rs. 329.91 crore respectively as against capital employed and total return of Rs. 10,093.55 crore and (-)Rs. 479.71 crore in 2006-07. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure-2**.

Reforms in 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

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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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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 the reform programme in the power sector with identified milestones.

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

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2008)	Remarks
1.	Reduction of Transmission and Distribution losses to 15 per cent	December 2003	Transmission and Distribution losses - 18 per cent	---
2.	100 per cent metering of all consumers	December 2003	All services except the agricultural and hut services have been metered	The Board had requested TNERC for extension of time up to 31 March 2009 for fixing of meters in the agricultural and hut services.
3.	Current operations in distribution to reach break-even	March 2003	The Board had a deficit of Rs. 1,218.94 crore in 2006-07. The deficit nearly tripled to Rs. 3,497.61 crore in 2007-08 (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 computerised	The Board had completed computerisation of the LT billing in all the 2,462 sections (August 2008).

Non-working PSUs

Investment in the non-working PSUs

1.15 As on 31 March 2008, the total investment in 14 non-working PSUs (all Government companies) was Rs. 85.38 crore⁺ (equity: Rs. 38.53 crore; long-term loans: Rs. 46.85 crore) against the investment of Rs. 86.89 crore (equity: Rs. 38.53 crore; long term loans: Rs. 48.36 crore) in the same number of non-working companies as on 31 March 2007.

⁺ State Government's investment in non-working PSUs was Rs. 75.38 crore (others: Rs.10 crore). Figures as per Finance Accounts 2007-08 were Rs. 28.71 crore. The difference was under reconciliation.

The classification of 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	46.85
(iii)	Under merger	2 ^C	5.20	NIL
(iv)	Others	2 ^D	2.07	NIL
	Total	14	38.53	46.85

Of the 14 non-working PSUs, 10 Government companies with substantial Government investment of Rs. 78.11 crore were under liquidation or closure under section 560 of the Companies Act, 1956 for four to 17 years.

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

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

Finalisation of accounts by non-working PSUs

1.17 As could be seen from **Annexure-2**, accounts of 11 non-working companies were in arrears for periods ranging from one to 15 years as on 30 September 2008.

Financial position and working results of non-working PSUs

1.18 Summarised financial results of 14 non-working Government companies as per their latest finalised accounts are given in **Annexure-2**. Year-wise details of paid-up capital, net worth, cash loss and accumulated loss/profit of 11 non-working PSUs as per their latest finalised accounts are given below:

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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 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.
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(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	0.001	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	1	5.92	78.99	28.05	(-)84.91
2006-07	1	155.13	0.60	0.07	(-)154.88
2007-08	1	10.00	(-)1.89	0.22	(-)8.11

Disinvestment, privatisation and restructuring of Public Sector Undertakings

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

Results of audit of accounts of PSUs

1.20.1 Some of the important comments made by Statutory Auditors appointed by the Comptroller and Auditor General of India under section 619 of the Companies Act, 1956 in their audit reports on the accounts of the companies finalised during the period from October 2007 to September 2008 are given below:

Metropolitan Transport Corporation (Chennai) Limited

- Short provision of Rs. 38.28 crore in gratuity funds.
- Assets created out of MP/MLA Local Area Development Scheme were taken in the books of account as Company's asset.

Tamil Nadu State Transport Corporation (Kumbakonam) Limited

- There was no provision of interest for belated remittance of provident fund for which exact liability was not ascertainable.

Tamil Nadu State Transport Corporation (Coimbatore) Limited

- Provident fund was not deposited regularly and the same had accumulated to Rs. 49.66 crore.

Tamil Nadu Ex-servicemen Corporation Limited

- Provision of liability towards ESI contribution amounting to Rs. 1.72 crore was not made.

Tamil Nadu Magnesites Limited

- Provision of sales tax liability of Rs. 15.03 crore was not made.
- Provision for interest of Rs. 5.12 crore on Government loan was not made.

Tamil Nadu Industrial Explosives Limited (accounting year 2006-07)

- The accumulated losses and unsecured loans were understated by Rs. 7.81 crore due to non-provision of interest and penal interest payable to the State Government.

1.20.2 During the period from October 2007 to September 2008, accounts of 55 working Government companies and two working Statutory corporations were selected for audit. Subsequent to the audit observations made by the CAG, eight working companies and one Statutory corporation revised their accounts.

In addition, the net impact of the audit observations in the other 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	2	---	---	72.97	---	---
(ii)	Increase in loss	4	---	---	1.53	---	---
(iii)	Decrease in net deficit	---	---	1	---	---	141.22

Errors and omissions noticed in the case of Government companies

1.21 Major errors noticed in the course of supplementary audit of the annual accounts of some of the companies are mentioned below:

Sl. No	Name of the Company	Errors/omissions	Amount (Rupees in crore)
1.	Tamil Nadu State Transport Corporation (Villupuram) Limited	Accountal of subsidy on accrual basis in violation of its accounting policy.	0.83

Audit Report (Commercial) for the year ended 31 March 2008

Sl. No	Name of the Company	Errors/omissions	Amount (Rupees in crore)
2.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	No provision for fringe benefit tax.	0.77
3.	State Express Transport Corporation (Chennai) Limited	No provision for fringe benefit tax.	0.21
4.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	No provision for fringe benefit tax.	0.13
5.	Tamil Nadu State Transport Corporation (Salem) Limited	No provision for fringe benefit tax.	0.12
6.	Tamil Nadu Industrial Development Corporation Limited (2006-07)	Overstatement of profit due to: Non provision of permanent diminution in the value of investment. Inclusion of non-recoverable amount from a joint venture Company. Non-provision towards call deposits which were doubtful of recovery.	67.28
		Understatement of current liabilities due to wrong adjustment against miscellaneous expenditure not written off.	60.00
7.	Tamil Nadu Medical Services Corporation Limited (2006-07)	Overstatement of profit due to wrong classification of receipts not belonging to the Company.	5.69
8.	Tamil Nadu Minerals Limited (2006-07)	Understatement of deferred tax asset due to disallowance of nomination charges claimed as deduction.	3.32
9.	Southern Structurals Limited (2005-06)	Understatement of loss due to non-provision for rejected and doubtful claims.	1.15
		Overstatement of loss due to understatement of sales.	0.21
		Overstatement of sundry creditors and loans and advances.	1.20

Errors and omissions noticed in the case of Statutory corporations

1.22 Some of the major errors noticed during audit of accounts for 2006-07 of Statutory corporations are given below:

Sl. No	Name of the Statutory Corporation	Errors/omissions	Amount (Rupees in crore)
1.	Tamil Nadu Electricity Board	Understatement of deficit due to overstatement of coal in transit	42.78
		Understatement of deficit due to non-provision of liability for rebate deducted in excess from bills	70.82
		Understatement of deficit due to non-inclusion of rent payable	18.99
		Decrease in deficit due to non-provision of depreciation	3.48
2.	Tamil Nadu Warehousing Corporation	Understatement of profit due to understatement of warehousing charges and sundry debtors	0.45
		Understatement of provision for taxation for earlier years	0.08

Audit assessment of working results of Tamil Nadu Electricity Board

1.23 Based on audit assessment of the working results of Tamil Nadu Electricity Board for three years up to 2007-08 and taking into consideration the major irregularities and omissions pointed out in Separate Audit Reports on the annual accounts but not taking into account subsidy/subventions received/receivable from the State Government, net surplus/deficit, percentage of return on capital employed, capital invested are as under:

(Rupees in crore)

Sl. No	Particulars	2005-06	2006-07	2007-08 (Provisional)
1.	Net surplus/(-) deficit as per books of accounts	(-)1,328.99	(-)1,218.94	(-)3,497.62
2.	Subsidy from the State Government	1,179.49	1,330.10	1,457.02
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)2,508.48	(-)2,549.04	(-)4,954.64
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	(-)227.33	(-)141.45	N.A.
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)2,735.81	(-)2,690.49	N.A.
6.	Total return on capital employed	(-)483.24	(-)333.99	(-)2,406.86

Recoveries at the instance of audit

1.24 Test check of records of Tamil Nadu Electricity Board conducted during 2007-08 revealed wrong fixation of tariff/non-levy/short-levy of tariff/short realisation of revenue, *etc.*, aggregating to Rs. 256.14 crore. The Board recovered Rs. 26.94 crore during the year at the instance of audit.

Internal audit/internal control

1.25 Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the internal control/internal audit systems in 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. Accordingly, Statutory Auditors had observed the following deficiencies in respect of internal audit system in nine companies during the year 2007-08.

- Internal audit system needed improvement.
- Fixed assets register was not maintained and there was no foolproof system of physical stock taking of inventory.
- The system to monitor timely recovery of dues was not existing and the confirmation of balances in respect of the sundry debtors were not obtained.
- Audit Committee was not formed.
- Internal audit system was not existing and manual was not prepared.
- The internal audit procedure was not commensurate with the size of the company and nature of business.
- Proper security policy for software and hardware was not evolved.

An illustrative resume of major recommendations/comments made by Statutory Auditors on possible improvements in respect of State Government companies are indicated in **Annexure-8**.

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

1.26 Following table indicates the details regarding number of reviews and paragraphs appeared in various Audit Reports (Commercial) and discussed by COPU by the end of 31 March 2008:

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	1	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	2	23	---	---
2005-06	2	26	---	---
2006-07	4	23	---	---
TOTAL	41	260	5	45

During 2007-08, COPU held one meeting and discussed one review.

619-B companies

1.27 There were six companies coming within the purview of Section 619-B of the Companies Act, 1956. **Annexure-9** indicates the details of paid-up capital, investment by way of equity, loans and grants and the summarised working results of these companies based on their latest finalised accounts.