

CHAPTER - I

1 Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Tamil Nadu, PSUs occupy an important place in the State economy. The State PSUs registered a turnover of ₹70,673.64 crore¹ for 2012-13 as per the latest finalised accounts (September 2013). This turnover was equal to 9.49 *per cent* of the State Gross Domestic Product (GDP) of ₹7,44,474 crore for 2012-13. Major activities of the State PSUs are concentrated in Power, Transport and Other Service sectors. The working PSUs incurred an aggregate loss of ₹13,616.74 crore as per the latest accounts finalised (September 2013). They had 2.80 lakh² employees as of 31 March 2013.

1.2 As on 31 March 2013, there were 77 PSUs (76 companies and one Statutory Corporation) as per the details given below. Of these, two³ companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ⁴	Total
Government Companies ⁵	63	13	76
Statutory Corporation	1	---	1
Total	64	13	77

1.3 Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government Company includes its subsidiaries. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government(s) is treated as if it were a Government Company (deemed Government Company) as per Section 619-B of the Companies Act.

¹ 14 companies finalised their accounts for the years other than 2012-13.

² As per the details provided by 64 PSUs.

³ Tamil Nadu Newsprint and Papers Limited and Tamil Nadu Industrial Explosives Limited.

⁴ Non-working PSUs are those which have ceased to carry on their operations.

⁵ Includes 619-B companies.

1.4 The accounts of the State 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 the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.5 Audit of the Statutory Corporation is governed by its respective legislation. CAG was the sole auditor for Tamil Nadu Electricity Board (TNEB) till its reorganisation (October 2010) and trifurcation of TNEB into three companies viz., TNEB Limited, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO). At present, in Tamil Nadu, there is only one Statutory Corporation viz., Tamil Nadu Warehousing Corporation. Its Audit is conducted by Chartered Accountants and supplementary audit by the CAG in pursuance of the State Warehousing Corporation Act, 1962.

Investment in State PSUs

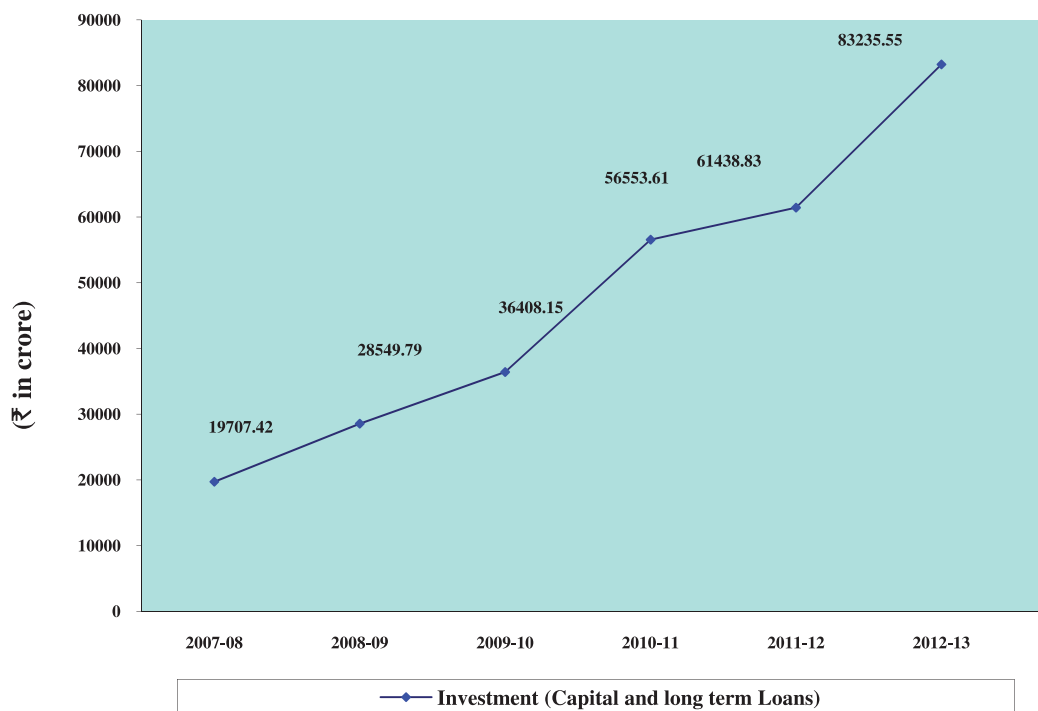
1.6 As on 31 March 2013, investment (capital and long-term loans) in 77 PSUs (including 619-B companies) was ₹83,235.55 crore as per details given below:

(₹ in crore)

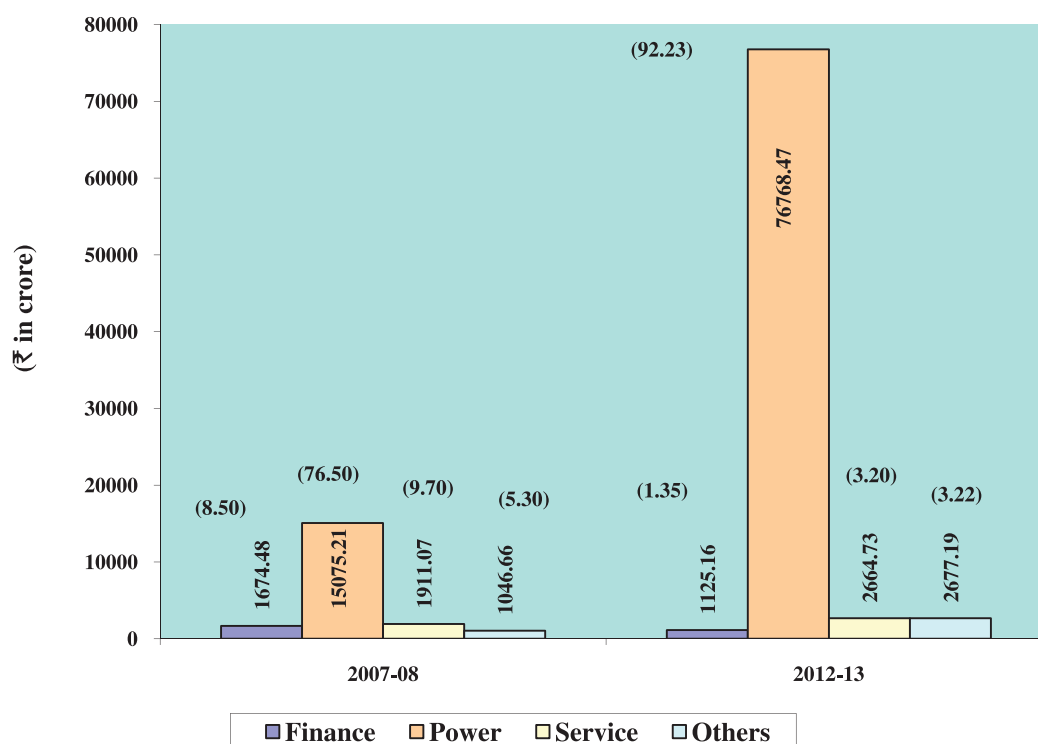
Type of PSUs	Government companies			Statutory Corporation			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	21,106.78	61,918.04	83,024.82	7.61	---	7.61	83,032.43
Non-working PSUs	77.08	126.04	203.12	---	---	---	203.12
Total	21,183.86	62,044.08	83,227.94	7.61	---	7.61	83,235.55

A summarised position of Government investment in the State PSUs is detailed in **Annexure-1**.

1.7 As on 31 March 2013, 99.76 per cent of the total investment in the State PSUs, was in working PSUs and the remaining 0.24 per cent was in non-working PSUs. This total investment consisted of 25.46 per cent towards capital and 74.54 per cent in long-term loans. The investment has grown by 322.36 per cent from ₹19,707.42 crore in 2007-08 to ₹83,235.55 crore in 2012-13 due to huge loans availed by State Transport Undertakings and Power Companies from sources like banks and other financial institutions as shown in the graph below:



1.8 Investments in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below:



(Figures in brackets show the sector percentage to total investment)

The investment in power sector was the highest which had increased by 409.24 per cent from ₹15,075.21 crore in 2007-08 to ₹76,768.47 crore in the year 2012-13 taking the share in the total investment from 76.50 per cent in 2007-08 to 92.23 per cent in 2012-13.

Budgetary outgo, grants/subsidies, guarantees and loans

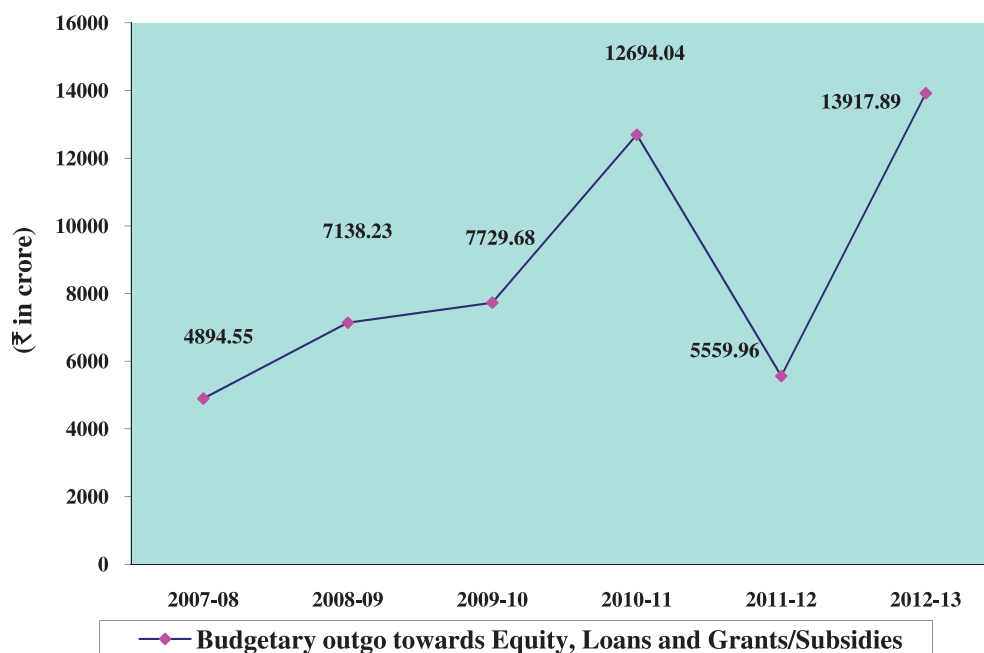
1.9 Details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of the State PSUs during the year are given in **Annexure-3**. Summarised details for three years ended 2012-13 are given below:

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	12	5,731.34	12	1,556.98	13	885.50
2	Loans given from budget	5	111.11	7	1,647.41	1	3,261.00
3	Grants/subsidy received	15	6,851.59	18	2,355.57	19	9,771.39
4	Total outgo (1+2+3)	24⁶	12,694.04	26⁶	5,559.96	24⁶	13,917.89
5	Loans converted into equity	1	1,235.13	---	---	---	---
6	Loans written off	---	---	---	---	1	0.98
7	Interest/penal interest written off	3	201.63	---	---	1	0.05
8	Total waiver (6+7)	4	201.63	---	---	1	1.03
9	Guarantees issued	4	86.05	3	4,003.69	6	28,671.09
10	Guarantee commitment	12	5,941.77	12	9,721.89	11	16,951.26

1.10 Details regarding budgetary outgo towards equity, loans and grants/subsidies for past six years are given in a graph below:

⁶ These are the actual number of Companies/Corporation, which have received budgetary support in the form of equity, loan, subsidies and grants from the State Government during the respective years.



Budgetary support in respect of equity, loans and grants/subsidies showed an increasing trend from 2007-08 to 2012-13 mainly due to increase in equity and subsidy by the State Government over the years to electricity companies and Tamil Nadu Civil Supplies Corporation Limited.

1.11 PSUs are liable to pay guarantee commission to the State Government upto 0.5 *per cent* of the amount of guarantee utilised by them on raising cash credit from banks and loans from other sources including operating Letters of Credit. During the year 2012-13, guarantee commission of ₹276.75 crore was payable by 11 PSUs. Out of this amount, ₹276.01 crore remained unpaid which included ₹275.77 crore in respect of TANGEDCO.

Absence of accurate figure for investment in PSUs

1.12 Figures in respect of equity and guarantees outstanding as per records of the State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should reconcile the differences. The position in this regard as at 31 March 2013 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	10,740.40	11,740.07	999.67
Guarantees	23,379.61	16,951.26	6,428.35

1.13 Audit observed that the differences occurred in 11 PSUs and 6 PSUs in respect of equity and guarantees, respectively. Reconciliation of difference was pending since April 2004 in case of one PSU⁷. The Principal Secretary to Government of Tamil Nadu, Finance Department was addressed (August 2013) and his attention was drawn to the need for reconciliation of figures in

⁷ Tamil Nadu Sugar Corporation Limited.

Finance Accounts and as furnished by the companies in their respective accounts. The Government and PSUs may take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

1.14 Financial results of PSUs, financial position and working results of working Statutory Corporation are detailed in **Annexures 2, 5 and 6** respectively. A ratio of PSUs' turnover to State GDP shows that PSUs' activities in the State economy is significant. The table below provides details of working PSUs' turnover *vis-a-vis* State GDP for the period 2008-13.

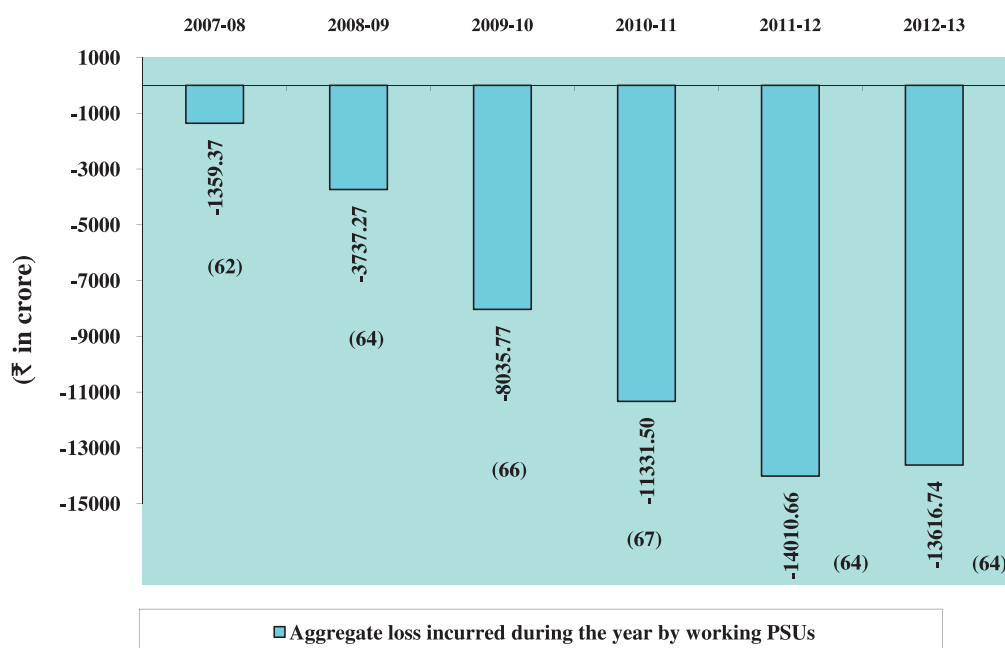
(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover ⁸	38,040.09	42,534.33	47,578.39	55,193.64	65,804.92	70,673.64
State GDP	2,79,287	2,28,479	2,41,122	5,47,267	6,39,025	7,44,474
Percentage of turnover to State GDP	13.62	18.62	19.73	10.09	10.30	9.49

(Figures of State GDP for 2012-13 are advance estimates reset with base year as 2004-05).

Turnover of PSUs has increased continuously from 2007-08 to 2012-13 and increased by 85.79 *per cent* in 2012-13 as compared to 2007-08. Percentage of PSUs' turnover to State GDP increased from 2007-08 to 2009-10 but declined thereafter upto 2012-13.

1.15 Losses incurred by working PSUs of the State during the period 2008-13 as per their latest finalised accounts is given below:



(Figures in brackets show the number of working PSUs in respective years)

⁸ Turnover as per the latest finalised accounts as of 30 September 2013.

Working PSUs of the State collectively incurred continuous losses from 2007-08 to 2012-13 which increased from ₹1,359.37 crore to ₹13,616.74 crore during the same period though there is a marginal decrease in 2012-13 as compared to the previous year 2011-12.

As per the latest finalised accounts, out of 64 working PSUs, 43 PSUs earned a profit of ₹615.29 crore and 19 PSUs incurred a loss of ₹14,232.03 crore. In respect of Tamil Nadu Civil Supplies Corporation Limited, the entire deficit of income is compensated by the State Government in the form of subsidy. In respect of TANTRANSOCO, the entire expenditure is reimbursed by TANGEDCO on actual basis till further orders of Tamil Nadu Electricity Regulatory Commission on determination of tariff for transmission charges.

The accounts finalised as of 30 September 2013 indicate that major contributors to profit were State Industries Promotion Corporation of Tamil Nadu Limited (₹182.32 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹95.72 crore), Tamil Nadu Newsprint and Papers Limited (₹91.48 crore), Tamil Nadu Industrial Investment Corporation Limited (₹35.04 crore) and TIDEL Park Limited, Chennai (₹34.98 crore). Heavy losses were incurred by Tamil Nadu Generation and Distribution Corporation Limited (₹13,321.33 crore) and all the eight⁹ State Transport Corporations (₹856.52 crore).

1.16 Losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, operations and monitoring. The Audit Reports of the CAG for the three years ending March 2013 reflect losses to the extent of ₹3,282.85 crore and infructuous investments of ₹216.96 crore by State PSUs. This could have been controlled with better management. Year-wise details from Audit Reports are stated below:

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	Total
Net loss	11,331.50	14,010.66	13,616.74	38,958.90
Controllable losses as per the CAG's Audit Report	1,322.42	1,343.99	616.44	3,282.85
Infructuous investment	38.89	176.12	1.95	216.96

1.17 The above losses pointed out in the Audit Reports of the CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The PSUs can discharge their role better if they are financially self-reliant. The above financial situation points towards a need for greater professionalism and accountability in the functioning of PSUs.

⁹ Serial Number 55 to 62 of Annexure-2.

1.18 Some other key parameters pertaining to State PSUs are given below:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Return on capital Employed (<i>per cent</i>)	0.17	NIL ¹⁰	NIL	NIL	NIL	NIL
Debt	16,136.56	23,878.24	30,902.55	46,792.10	43,157.68	62,044.08
Turnover	38,040.09	42,534.33	47,578.39	55,193.64	65,804.92	70,673.60
Debt/turnover ratio	0.42:1	0.56:1	0.64:1	0.85:1	0.66:1	0.88:1
Interest payments	1,582.58	2,059.37	3,397.17	4,436.43	5,808.14	6,649.97
Accumulated losses	9,324.65	13,207.60	21,297.39	33,621.12	59,636.87	38,233.61

(Above figures pertain to all PSUs except turnover which is for working PSUs).

1.19 The State Government has not formulated a dividend policy for payment of minimum dividend. As per the finalised accounts as of 30 September 2013, 43 State PSUs earned an aggregate profit of ₹615.29 crore and 11 PSUs declared a total dividend of ₹74.51 crore. Of this, major contributors of the dividend were Tamil Nadu Newsprint and Papers Limited (₹34.61 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹14.48 crore) and TIDEL Park Limited, Chennai (₹13.20 crore) aggregating to ₹62.29 crore, which worked out to 83.60 *per cent* of total dividend paid (₹74.51 crore) during the year 2012-13.

Arrears in finalisation of accounts

1.20 Annual accounts of Companies 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. Similarly, in case of Statutory Corporations, the accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides details of progress made by working PSUs in finalisation of accounts by September 2013.

SL. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of working PSUs	64	66	67	64	64
2.	Number of accounts finalised during the year	54	61	63	67	64
3.	Number of accounts in arrears	31	35	39	25	25
4.	Number of working PSUs with arrears in accounts	20	19	26	21	21
5.	Extent of arrears (years)	1 to 7	1 to 8	1 to 9	1 to 3	1 to 3

1.21 In addition to the above, there were arrears in finalisation of accounts by non-working PSUs. Out of 13 non-working PSUs, two¹¹ PSUs had gone

¹⁰ NIL indicates that Return on Capital Employed was negative during those years.

¹¹ Tamil Nadu Steels Limited and Tamil Nadu Magnesium and Marine Chemicals Limited.

into liquidation. Tamil Nadu Goods Transport Corporation Limited and Tamil Nadu Institute of Information Technology Limited have submitted winding up proposals and hence their accounts are not considered due. Three¹² Companies have submitted their accounts for the year 2012-13 and six¹³ PSUs are in arrears from one to eleven years.

1.22 As of September 2013, the State Government has invested ₹17,161.93 crore (Equity: ₹4,400.29 crore, Loans: ₹3,263.52 crore, Grants: ₹137.30 crore and Subsidy: ₹9,360.82 crore) in 11 PSUs (including one non-working PSU) during the years for which accounts have not been finalised (**Annexure-4**). In the absence of accounts and their audit, investments and expenditure incurred cannot be vouchsafed.

1.23 Administrative departments overseeing the activities of these entities have also to ensure that accounts are finalised and adopted by these PSUs within the prescribed period. The Principal Accountant General, Economic & Revenue Sector Audit, Tamil Nadu (PAG) has brought out the position of the arrears of accounts to the notice of the concerned administrative departments every quarter. Arrears in accounts were noticed in 21 working PSUs upto 2012-13. Their net worth could not be assessed in Audit. The matter was also brought to the notice of the Chief Secretary/Finance Secretary, Government of Tamil Nadu in the Apex Committee meeting held in April 2013 by the PAG.

1.24 It is, therefore, recommended that Government should monitor and ensure timely finalisation of accounts with special focus on arrears and comply with the provisions of the Companies Act, 1956.

Winding up of non-working PSUs

1.25 There were 13 non-working PSUs (all Companies) as on 31 March 2013. Liquidation process had commenced in two¹⁴ PSUs. The number of non-working Companies at the end of each year during the past five years is given below:

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Number of non-working companies	11	11	9	13	13

¹² Tamil Nadu Graphites Limited, State Engineering and Servicing Company of Tamil Nadu Limited and Tamil Nadu Sugarcane Farms Corporation Limited

¹³ 1. Tamil Nadu Agro Industries Development Corporation Limited, 2. Tamil Nadu Poultry Development Corporation Limited, 3. Tamil Nadu Leather Development Corporation Limited, 4. Tamil Nadu Film Development Corporation Limited, 5. Tamil Nadu State Construction Corporation Limited and 6. Southern Structurals Limited.

¹⁴ Tamil Nadu Magnesium and Marine Chemicals Limited and Tamil Nadu Steels Limited.

1.26 Details of closure stages in respect of 13¹⁵ non-working PSUs are given below:

Sl. No.	Particulars	Companies
1.	Liquidation by Court (liquidator appointed)	2
2.	Voluntary winding up	4
3.	Closure, <i>i.e.</i> , closing orders/instructions issued but liquidation process has not yet started.	3
4.	Merger orders issued and pending implementation	2
5.	Others	2

1.27 The process of voluntary winding up of companies under the Companies Act is much faster and needs to be pursued vigorously. However, there was delay in closure of these companies due to (i) non-settlement of disputed claims (Tamil Nadu Magnesium and Marine Chemicals Limited, Tamil Nadu Sugarcane Farms Corporation Limited and Tamil Nadu Steels Limited), (ii) non-closure of accounts (Tamil Nadu Film Development Corporation Limited and Tamil Nadu Agro Industries Development Corporation Limited), (iii) decision pending from State Government on writing off proposals of the Government dues (Tamil Nadu Poultry Development Corporation Limited) and (iv) decision regarding merger pending with Registrar of Companies (Tamil Nadu Institute of Information Technology - TANITEC), with Ministry of Company Affairs (Tamil Nadu Graphites Limited). 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 for which the approval of Company Law Board was awaited. The Government may consider expediting closing down its non-working companies for which closure/liquidation orders have already been issued. As regards the remaining companies, the Government may take appropriate action after exercising due diligence.

Adverse comments on the accounts and Internal Audit of PSUs

1.28 Fifty six working companies forwarded their 63 accounts to PAG during 2012-13. The audit reports of statutory auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below:

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	8	134.03	8	27.70	9	53.40
2.	Increase in profit	4	1.78	2	2.90	4	286.70

¹⁵ As of 30 September 2013.

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
3.	Increase in loss	10	89.56	14	8,704.64	12	9,117.30
4.	Decrease in loss	3	65.50	2	0.97	2	47.86
5.	Non-disclosure of material facts	2	---	---	---	3	69.57
6.	Errors of classification	1	13.07	2	2.89	2	172.90

1.29 During the year 2012-13, Statutory Auditors had given unqualified certificates for 34 accounts and qualified certificates for 29 accounts and disclaimer in respect of one Company. Compliance of the Accounting Standards (AS) by the companies remained poor. There were 47 instances of non-compliance with AS in 19 accounts during the year.

1.30 Some of the important comments are stated below:

State Transport Undertakings (2012-13)

- All the eight¹⁶ STUs collectively did not provide for pension to the extent of ₹8,792.40 crore on actuarial basis as mandated in AS-15.

State Express Transport Corporation Limited (2012-13)

- The Company did not provide for penalty of ₹13.64 crore towards non-payment of employees contribution (₹114.34 crore) and its contribution (₹54.57 crore) to Provident Fund Trust.

Tamil Nadu Tea Plantation Corporation Limited (2012-13)

- The Company did not provide for the additional contribution to the Gratuity Fund based on actuarial valuation as mandated in AS-15 amounting to ₹23.95 crore resulting in understatement of loss.

Electronics Corporation of Tamil Nadu Limited (2012-13)

- The upfront lease rent (₹279.58 crore) received for allotment of plots in Special Economic Zones was not treated as income resulting in understatement of profit and over statement of current liabilities and provisions.
- Incorrect classification of the value of the saleable land as fixed assets instead of as stock-in-trade resulted in overstatement of fixed assets and understatement of current assets by ₹113.24 crore.

Tamil Nadu Generation and Distribution Corporation Limited (2011-12)

- Non-provision of ₹67.79 crore payable to windmill generators towards cost of energy has resulted in understatement of Other Current Liabilities and the revenue deficit by the same amount.

¹⁶ MTC (₹1,512.00 crore), TNSTC, Villupuram (₹1,346.00 crore), TNSTC, Coimbatore (₹1,327.00 crore), TNSTC, Kumbakonam (₹1,280.00 crore), TNSTC, Madurai (₹1,039.00 crore), TNSTC, Tirunelveli (₹830.00 crore), TNSTC, Salem (₹788.00 crore) and SETC (₹670.40 crore).

- Non-provision of refunds for various power evacuation works had resulted in understatement of Other Current Liabilities as well as Net Prior Period Charges by ₹10.68 crore.
- Revenue from sale of power is overstated by ₹8.48 crore due to excess accounting of revenue in Chennai Electricity Distribution Circle (North), which also resulted in overstatement of Receivables by a similar amount.

1.31 The lone Statutory Corporation¹⁷ submitted its accounts for 2011-12 to the PAG during the year 2012-13. Audit Report of Statutory Auditors and sole/supplementary audit of the CAG indicate that the quality of maintenance of accounts needed improvement. Details of aggregate money value of comments of Statutory Auditors and the CAG are given below:

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	2.64	---	---	1	3.55
2.	Increase in loss	1	394.86	2	300.87	---	---
3.	Non-disclosure of material facts	---	---	1	12.75	---	---
4.	Errors of classification	1	11.78	1	825.39	---	---
5.	Correctness of balance exhibited in accounts not susceptible of verification	1	20,242.42	1	26,431.93	---	---

1.32 Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative list of major comments of the Statutory Auditors on possible areas for improvement in the internal audit/internal control system in respect of 37 companies for the year 2011-12 and 45 companies for the year 2012-13 is given below:

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2011-12	2012-13	2011-12	2012-13
1.	The internal audit system needs to be strengthened to make it commensurate with the size and nature of the business	6	4	10, 11, 18, 38, 50 and 51	6, 11, 15 and 50

¹⁷ Tamil Nadu Warehousing Corporation Limited.

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2011-12	2012-13	2011-12	2012-13
2.	There was no internal audit standards/manual/ guidelines prescribed by the companies for conduct of internal audit	2	2	24 and 38	2 and 39
3.	Proper records showing full particulars including quantitative details and location of fixed assets were not maintained	5	1	11, 18, 34, 50 and 54	34
4.	The existing system of monitoring recovery of dues needs to be strengthened by preparing age-wise analysis of debtors and periodical monitoring	3	8	8, 10 and 60	6, 35, 52, 56, 58, 59, 60 and 62
5.	Companies did not have any defined fraud policy	18	18	5, 8, 10, 11, 14, 23, 24, 26, 31, 34, 36, 38, 40, 41, 51, 53, 54 and 63	2, 5, 10, 11, 15, 22, 24, 25, 26, 30, 32, 34, 36, 39, 40, 41, 59 and 63
6.	Companies have no IT strategy/plan	18	20	3, 4, 6, 10, 11, 14, 28, 31, 32, 34, 38, 51, 54, 57, 58, 60, 61 and 63	3, 4, 6, 11, 17, 22, 25, 28, 30, 32, 34, 35, 55, 56, 57, 59, 60, 61, 62 and 63
7.	Documentation of software programs not available with the companies	---	7	---	6, 12, 22, 34, 56, 60 and 62
8.	Companies have not fixed minimum and maximum limits for maintenance of stores and spares	1	4	3	30, 32, 34 and 39
9.	Companies did not make ABC analysis for effective inventory control.	---	3	---	30, 36 and 39
10.	Companies did not evolve proper security policy for software/hardware	---	8	---	2, 3, 4, 6, 28, 57, 60 and 61
11.	There is no system of making a business plan, short term/long term and review the same <i>vis-a-vis</i> actual	3	6	3, 53 and 54	3, 4, 22, 30 53 and 63
12.	Companies did not have Vigilance Department	11	13	8, 14, 26, 31, 32, 34, 38, 41, 51, 52 and 54	1, 11, 12, 22, 30, 32, 34, 36, 39, 41, 52, 53 and 63
13.	There is no Internal Audit System	---	2	---	18 and 25

Recoveries at the instance of audit

1.33 During the course of compliance audit in 2012-13, recoveries of ₹46.94 crore were pointed out to TANGEDCO. Out of this, an amount of ₹19.47 crore (including ₹18.25 crore pertaining to earlier years) was recovered during the year 2012-13.

Disinvestment, Privatisation and Restructuring of PSUs

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

Reforms in Power Sector

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

1.35 The State Government formed Tamil Nadu Electricity Regulatory Commission (TNERC) in March 1999 under the Electricity Regulatory Commissions Act, 1998, with the objective of rationalisation of electricity tariff, for advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. CAG, who is the Auditor for TNERC has issued Separate Audit Reports (SARs) upto 2012-13. The SARs upto 2011-12 have been placed in the State Legislature. During 2012-13, TNERC issued 16 tariff orders including one on determination of Tariff for Generation and Distribution of TANGEDCO.

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 the reform programme in the power sector with identified milestones.

Commitments made in the MOU, except the following have been achieved as reported by TANGEDCO:

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2013)
1.	Reduction of Transmission and Distribution losses to 15 per cent	December 2003	As per provisional accounts of TANGEDCO for the year 2012-13, Transmission and Distribution losses worked out to 20.95 per cent.
2.	100 per cent metering of all consumers	September 2012	All services except the agricultural and hut services have been metered. The Government requested (September 2009) TNERC for extension of time for three years from 1 October 2009 for installation of meters in the agricultural and hut services. TNERC accepted Government's request and approved for extension of time for three years upto 1 October 2012. As the time extension granted by TNERC for fixing of meters was expiring on 30 September 2012, a petition was filed by TANGEDCO before TNERC seeking extension of time of 25 months from 1 October 2012. TNERC

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2013)
			vide its interim orders dated 27 February 2013 directed TANGEDCO to furnish Government response to the proposal. Response from the Government to TANGEDCO's proposal is still awaited (December 2013).
3.	Current operations in distribution to reach break-even	March 2003	As per the accounts finalised for 2011-12, TANGEDCO had incurred loss of ₹13,321.33 crore.
4.	Energy audit at 11 KV sub-stations level	January 2002	As on 31 March 2013, in 1,102 feeders (out of 1,587 feeders identified with loss of more than 10 <i>per cent</i>), the losses were brought down to below 10 <i>per cent</i> . The reduction of losses in the balance 485 feeders involve large capital works such as erection of sub-stations.