

CHAPTER-I

CHAPTER - I

1 Functioning 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 and also occupy an important place in the State economy. As on 31 March 2017, there were 74 PSUs in Tamil Nadu. Of these, two companies¹ were listed on the stock exchange. The details of the State PSUs in Tamil Nadu as on 31 March 2017 are given below:

Table:1.1 Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working PSUs ²	Total
Government companies ³	67	6	73
Statutory Corporation	1	---	1
Total	68	6	74

(Source: Details collected from the Government)

The working PSUs registered a turnover of ₹ 1,10,850.43 crore, as per their latest finalised accounts as of September 2017. This turnover was equal to 8.54 *per cent* of State Gross Domestic Product (GDP) for 2016-17. The working PSUs incurred loss of ₹ 8,435.23 crore, as per their latest finalised accounts, as of September 2017. They had employed 2.84 lakh employees as at the end of March 2017.

As on 31 March 2017, there were six non-working PSUs existing from 14 to 27 years and having investment of ₹ 69.61 crore.

¹ Tamil Nadu Newsprint and Papers Limited and Tamil Nadu Industrial Explosives Limited.

² Non-working PSUs are those which have ceased to carry on their operations.

³ Government PSUs include other companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

Accountability frame work

1.2 The process of audit of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, “Government Company” means a Company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or any State Government/Governments or partly by the Central Government and partly by one or more State Governments. The subsidiary of a Government Company is also Government Company. Further, as per sub-Section 7 of Section 143 of the Act, the Comptroller and Auditor General of India (CAG) may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted on the accounts of such Company and the provisions of Section 19 A of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government or by any State Government or Governments or partly by Central Government and one or more State Governments is subject to audit by the CAG. The audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of the Government Companies (as defined in Section 2 (45) of the Act) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 139 (5) or (7) of the Act. The Statutory Auditors are required to submit a copy of the Audit Report to the CAG, which among other things, include financial statements of the Company under Section 143 (5) of the Act. These financial statements are subject to supplementary audit by CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations is governed by its respective legislation. 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 CAG, in pursuance of the State Warehousing Corporations Act, 1962.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors’ Reports and comments of the CAG, in respect of State Government companies and Separate Audit Report, in case of Statutory Corporation, are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19 A of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Tamil Nadu

1.5 The State Government's stake in PSUs is mainly of three types:

- **Share Capital and Loans:** In addition to the share capital contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support:** State Government provides budgetary support by way of grants and subsidies to the PSUs, as and when required.
- **Guarantees:** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2017, the investment (capital and long-term loans) in 74 PSUs was ₹ 1,53,870.74 crore as per details given below:

Table 1.2: Total investment in PSUs

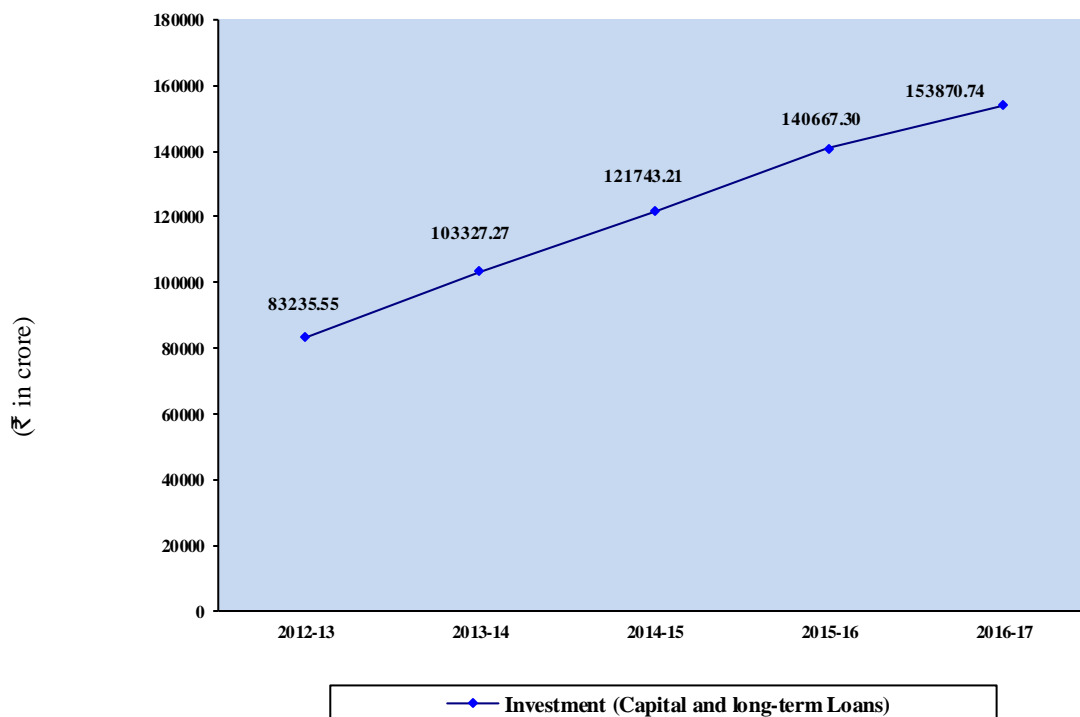
(₹ in crore)

Type of PSUs	Government companies			Statutory Corporation			Grand total
	Capital	Long-term loans	Total	Capital	Long-term loans	Total	
Working PSUs	49,664.34	1,04,129.18	1,53,793.52	7.61	---	7.61	1,53,801.13
Non-working PSUs	47.65	21.96	69.61	---	---	---	69.61
Total	49,711.99	1,04,151.14	1,53,863.13	7.61	---	7.61	1,53,870.74

(Source: details as per the financial statements of PSUs)

As on 31 March 2017, of the total investment in State PSUs, 99.95 per cent was in working PSUs and the remaining 0.05 per cent in non-working PSUs. This total investment consisted of 32.31 per cent towards capital and 67.69 per cent in long-term loans. The investment has grown by 84.86 per cent from ₹ 83,235.55 crore in 2012-13 to ₹ 1,53,870.74 crore in 2016-17, due to loans availed by State Transport Undertakings and power companies from sources like banks and other financial institutions, as shown in the following graph:

Chart 1.1 Total investment in PSUs



1.7 The sector-wise summary of investments in the State PSUs as on 31 March 2017 is given below:

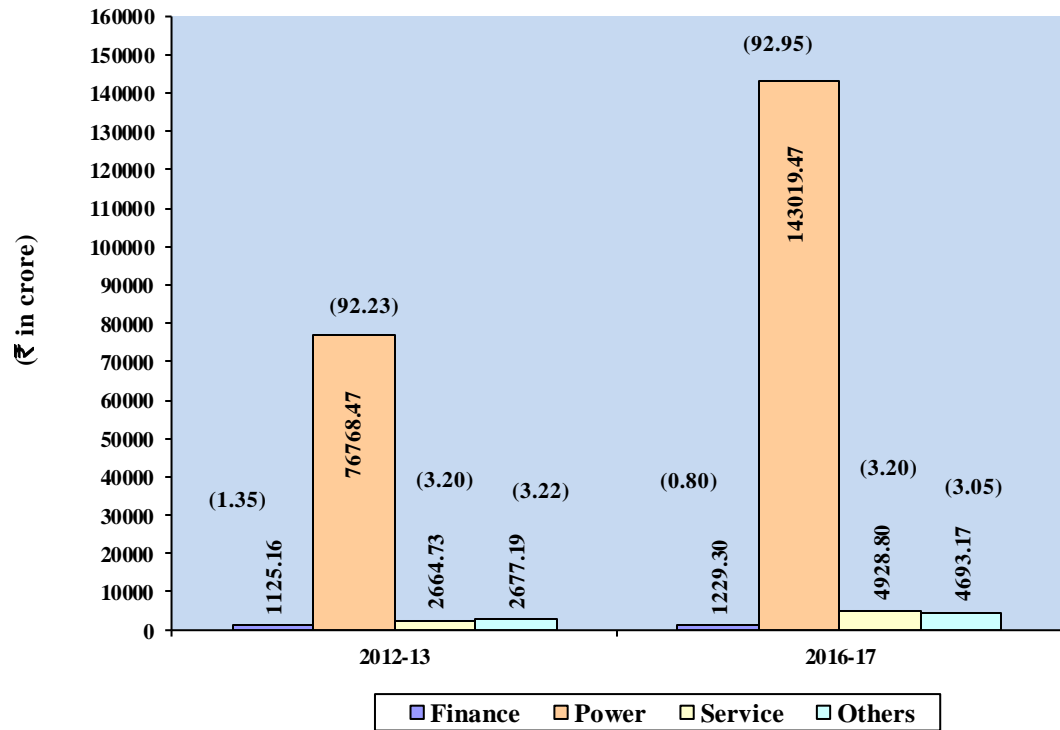
Table 1.3: Sector-wise investment in PSUs

(₹ in crore)

Name of Sector	Government/Other companies		Statutory Corporation	Total	Investment (In per cent)
	Working	Non-working	Working		
Power	1,43,019.47	---	---	1,43,019.47	92.95
Finance	1,229.30	---	---	1,229.30	0.80
Service	4,920.86	0.33	7.61	4,928.80	3.20
OTHERS					
Manufacturing	2,822.34	35.04	---	2,857.38	1.86
Infrastructure	1,716.83	6.00	---	1,722.83	1.12
Agriculture & Allied	84.72	28.24	---	112.96	0.07
TOTAL	1,53,793.52	69.61	7.61	1,53,870.74	

The investment in four significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in the bar chart. The thrust of investment in PSUs was mainly in power sector which accounted for 92.95 per cent of the total investment.

Chart 1.2: Sector-wise investment in PSUs



Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs are given below for three years ended 2016-17.

Table 1.4: Details regarding budgetary support to PSUs

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	14	4,663.25	12	3,515.07	12	4,027.01
2	Loans given from budget	9	6,479.95	8	858.19	7	23,836.59
3	Grants/subsidy from budget	21	12,224.93	18	14,042.79	18	18,263.54
4	Total outgo (1+2+3)	27⁴	23,368.13	25⁴	18,416.05	21⁴	46,127.14

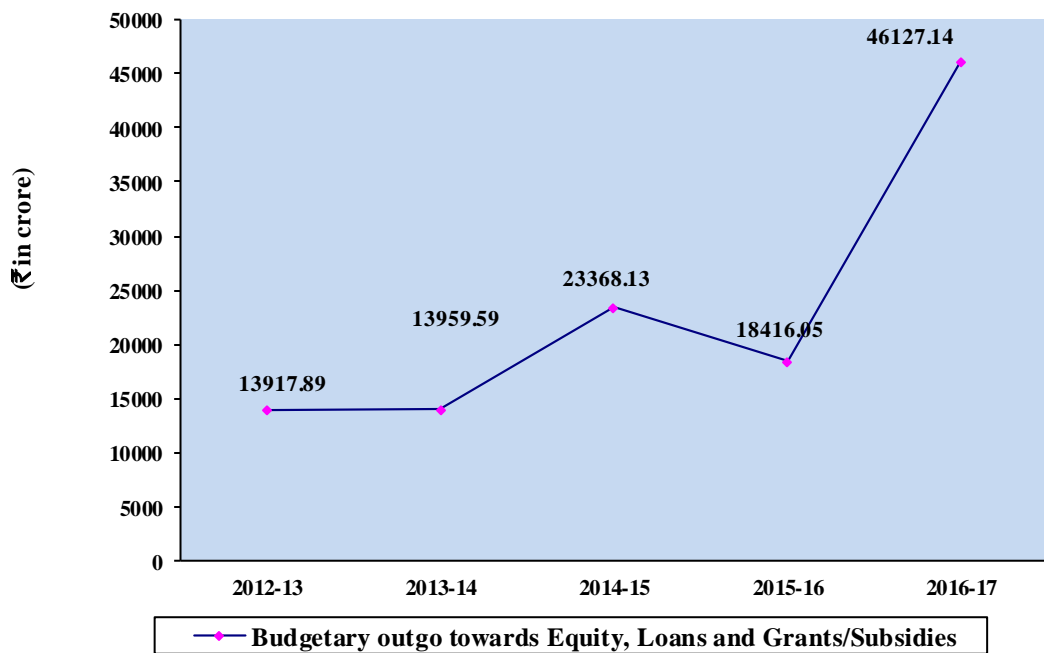
⁴ These are the actual number of Companies/Corporation, which have received budgetary support in the form of equity, loan, subsidies and grants from the State Government during the respective years.

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
5	Loans converted into equity	1	40.00	---	---	---	---
6	Loans written off	---	---	---	---	---	---
7	Interest/penal interest written off	---	---	---	---	---	---
8	Total waiver (6+7)	---	---	---	---	---	---
9	Guarantees issued	7	6,548.33	8	2,108.59	5	228.30
10	Guarantee commitment	13	46,853.57	13	49,083.40	11	23,118.44

(Source: Details furnished by the companies)

The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years upto 2016-17 are given in the graph below:

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



Budgetary support in respect of equity, loans and grants/subsidies showed an increasing trend from 2013-14 to 2016-17 mainly due to increase in equity, loans and subsidy by the State Government over the years to electricity companies, Tamil Nadu Civil Supplies Corporation and State Transport Corporations.

PSUs are liable to pay guarantee fee to the State Government upto 0.5 per cent of guarantee amount utilised by them on raising cash credit from banks and loans from other sources including operating Letters of Credit. The guarantee commitment decreased from ₹ 46,853.57 crore in 2014-15 to ₹ 23,118.44 crore in 2016-17. During 2016-17, eight PSUs paid guarantee fee of ₹ 1.57 crore, but four PSUs⁵ did not pay guarantee fee. The accumulated/outstanding guarantee fee payable by these four PSUs was ₹ 918.69 crore as on 31 March 2017.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees, outstanding as per records of 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 carry out reconciliation of differences. The position in this regard as on 31 March 2017 is stated below:

Table:1.5 Equity, loans, guarantees outstanding as per finance accounts vis-a-vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	26,736.29	26,659.17	77.12
Guarantees	28,172.24	23,118.44	5,053.80

(Source: Finance Accounts for 2016-17 and details furnished by the companies)

Audit observed that the differences in respect of equity and guarantees occurred in 13 and eight PSUs, respectively. In case of one PSU⁶, the reconciliation was pending from June 2009. The matter was referred (November 2017) to the Principal Secretary to Government of Tamil Nadu, Finance Department drawing his attention to reconcile the figures of Finance Accounts with the figures furnished by the companies. The Government and PSUs should take concrete steps to reconcile the differences in a time bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of the companies, for every financial year, are required to be finalised within six months from the end of the relevant financial year, i.e., by September end, in accordance with the provisions of Section 96 (1) of the Act. Failure to do so, may attract penal provisions under

⁵ Serial Number 8, 10, 47 and 48 of Annexure-2.

⁶ Tamil Nadu Transmission Corporation Limited.

Section 99 of the Act. Similarly, in case of the Statutory Corporation, its accounts are finalised, audited and presented to the Legislature as per the provisions of State Warehousing Corporations Act, 1962.

The table below provides the details of progress made by working PSUs in finalisation of accounts as on 30 September 2017.

Table:1.6 Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of working PSUs	64	64	65	68	68
2.	Number of accounts finalised during the year	64	68	57	64	69
3.	Number of accounts in arrears	25	21	29	33	32
4.	Number of working PSUs with arrears in accounts	21	17	25	30	29
5.	Extent of arrears (years)	1 to 3	1 to 2	1 to 2	1 to 2	1 to 2

(Source: Details compiled by audit based on certified accounts of companies)

It can be observed that the number of accounts in arrears had increased from 21 in 2013-14 to 32 in 2016-17. While 26 PSUs had arrears of accounts for the year 2016-17, remaining three PSUs had arrears of accounts for the years 2015-16 and 2016-17.

The Administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within stipulated period. The Accountant General (AG), Economic & Revenue Sector Audit, Tamil Nadu has brought the position of the arrears of accounts to the notice of the Additional Chief Secretary, Finance Department during every quarter. As arrears in accounts were noticed in 29 working PSUs upto 2016-17, their net worth could not be assessed in Audit.

1.11 The State Government had invested ₹ 33,263.74 crore in 11 PSUs {equity: ₹ 7,141.84 crore (five PSUs), loans: ₹ 23,779.07 crore (three PSUs) and grants: ₹ 2,342.83 crore (six PSUs)}, during the years for which accounts have not been finalised, as detailed in **Annexure-1**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not. Thus, Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to the above, as on 30 September 2017, there were arrears in finalisation of accounts by non-working PSUs. Out of six non-working PSUs, one PSU *viz.*, Tamil Nadu Goods Transport Corporation Limited had submitted winding up proposals and hence, its accounts were not considered due. Of the remaining five non-working PSUs, two⁷ PSUs had submitted its

⁷ Southern Structurals Limited and State Engineering and Servicing Company of Tamil Nadu Limited.

accounts for the year 2016-17. The accounts of three⁸ PSUs are in arrears from one to four years.

Impact of non-finalisation of accounts

1.13 As pointed out above (Para 1.10 to 1.12), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2016-17 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that:

- The Government may set up a Cell to oversee the clearance of arrears and set the targets for individual companies, which would be monitored by the cell.
- The Government may consider outsourcing of the work relating to preparation of accounts, wherever the staff is inadequate or lack expertise.

Performance of PSUs as per their latest finalised accounts

1.14 The financial position and working results of working Government companies and Statutory Corporation are detailed in **Annexure-2**. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. Table below provides the details of turnover of working PSUs and State GDP for a period of five years ending 2016-17.

Table:1.7 Details of turnover of working PSUs vis-a-vis State GDP

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover ⁹	70,673.64	83,455.28	87,083.36	99,850.38	1,10,850.43
State GDP	7,44,474	8,54,238	9,76,703	12,12,668	12,98,511
Percentage of turnover to State GDP	9.49	9.77	8.92	8.23	8.54

(Figures of State GDP for 2016-17 are advance estimates reset with base year as 2012-13)

(Source: Details furnished by the companies and the data on GDP furnished by the Government)

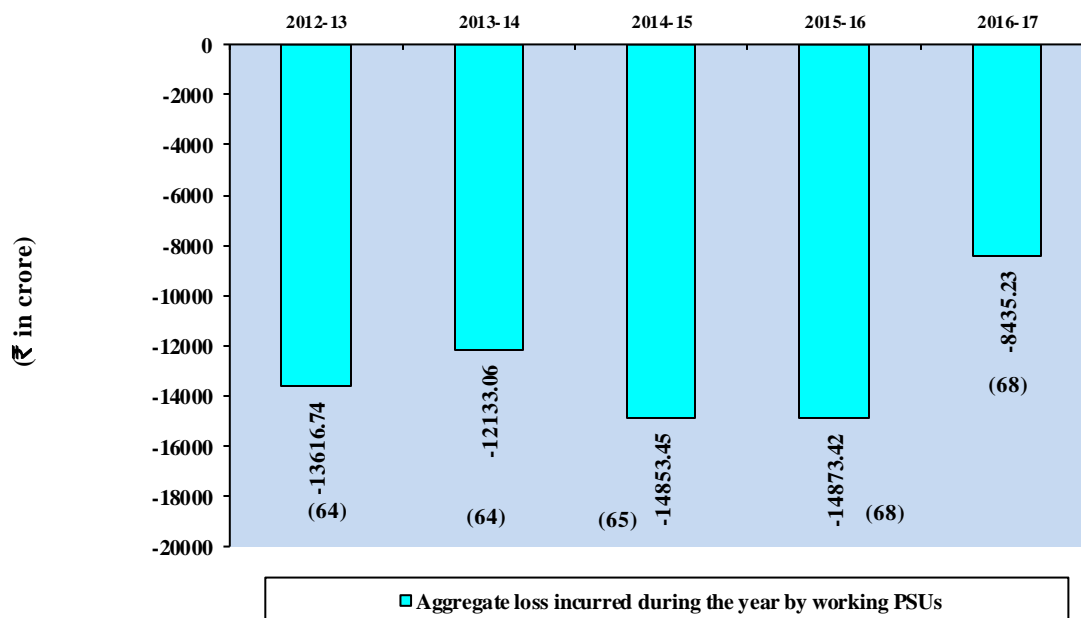
Turnover of PSUs has increased continuously from 2012-13 to 2016-17 and increased by 56.85 *per cent* in 2016-17 as compared to 2012-13. The increase was contributed to the extent of 93.74 *per cent* by the PSUs of power and service sectors. Percentage of turnover of PSUs to State GDP decreased from 2012-13 to 2016-17.

⁸ Tamil Nadu Agro Industries Development Corporation Limited, Tamil Nadu Poultry Development Corporation Limited and Tamil Nadu State Construction Corporation Limited.

⁹ Turnover as per the latest finalised accounts as of 30 September 2017.

1.15 Overall losses incurred by State working PSUs during 2012-13 to 2016-17, as per the latest finalised accounts are given below in bar chart.

Chart: 1.4 Profit/Loss of working PSUs



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

Working PSUs of the State collectively incurred continuous losses from 2012-13 to 2016-17. But, the loss decreased from ₹ 13,616.74 crore in 2012-13 to ₹ 8,435.23 crore in 2016-17.

As per the latest finalised accounts, out of 68 working PSUs, 39 PSUs earned a profit of ₹ 931.08 crore and 25 PSUs incurred a loss of ₹ 9,366.31 crore. In respect of Tamil Nadu Civil Supplies Corporation, the entire deficit of income is compensated by the State Government in the form of subsidy. Three¹⁰ companies neither earned profit nor incurred any loss.

The accounts finalised as of 30 September 2017 indicated that major contributors to profit were Tamil Nadu Newsprint and Papers Limited (₹ 257.53 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹ 129.74 crore), TIDEL Park Limited (₹ 49.28 crore), IT Expressway Limited (₹ 33.39 crore), Tamil Nadu Industrial Investment Corporation Limited (₹ 30.97 crore) and Tamil Nadu Magnesite Limited (₹ 21.74 crore). Heavy losses were incurred by Tamil Nadu Generation and Distribution Corporation Limited (₹ 5,786.82 crore) and all the eight¹¹ State Transport Corporations (₹ 3,049.39 crore).

¹⁰ Serial Number 26, 29 and 45 of Annexure-2.

¹¹ Serial number 59 to 66 of Annexure-2.

1.16 Some other key parameters of PSUs are given below:

Table:1.8 Key parameters of State PSUs

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Return on capital employed ¹² (per cent)	NIL	NIL	NIL	NIL	NIL
Debt	62,044.08	77,285.51	86,727.04	98,863.64	1,04,151.14
Turnover ¹³	70,673.60	83,455.24	87,083.36	99,850.38	1,10,850.43
Debt/turnover ratio	0.88:1	0.93:1	0.99:1	0.99:1	0.94:1
Interest payments	6,649.97	7,840.67	9,830.89	11,920.21	13,846.29
Accumulated losses	38,233.61	50,826.43	65,725.89	80,925.82	78,854.25

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

(Source: Details furnished by the companies including latest finalised accounts)

1.17 The State Government had formulated (May 2014) a dividend policy, under which all PSUs were required to pay a minimum return of 30 per cent of net profit after tax or 30 per cent of the paid-up share capital, whichever was higher, subject to availability of disposable profits. As per their latest finalised accounts as of 30 September 2017, 39 State PSUs had earned an aggregate profit of ₹ 931.08 crore and 20 PSUs declared a total dividend of ₹ 239.74 crore. Of this, major contributors of the dividend were Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹ 38.92 crore), Tamil Nadu Industrial Development Corporation Limited (₹ 35.38 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹ 34.75 crore), Electronics Corporation of Tamil Nadu Limited (₹ 23.87 crore) and Tamil Nadu Newsprint and Papers Limited (₹ 18.29 crore) aggregating to ₹ 151.21 crore, which worked out to 63.07 per cent of total dividend declared (₹ 239.74 crore) during the year 2016-17.

Audit analysis of payment of dividend by profit making PSUs revealed that, though some PSUs had disposable profits, they had either not declared dividend or declared dividend at rates lower than those stipulated by the State Government as detailed below:

Table:1.9 Declaration of dividend by PSUs at rates lower than those stipulated by the Government

(₹ in crore)

Sl.No.	Name of the Company	Dividend to be declared as per GO	Dividend actually declared	Reference to Serial Number in Annexure-2
1.	TIIC	9.29	6.08	5
2.	TN Women Limited	1.72	NIL	11

¹² NIL indicates that Return on Capital Employed was negative during those years.

¹³ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2017.

Sl.No.	Name of the Company	Dividend to be declared as per GO	Dividend actually declared	Reference to Serial Number in Annexure-2
3.	TUFIDCO ¹⁴	19.20	3.84	12
4.	IT Expressway	13.22	NIL	24
5.	TEXCO ¹⁴	9.34	NIL	58

(Source: Latest finalised accounts of companies)

Winding up of non-working PSUs

1.18 There were six non-working PSUs as on 31 March 2017. Of these, one¹⁵ PSU had commenced liquidation process and in respect of another PSU,¹⁶ merger orders were issued and its implementation was pending. The closure orders for remaining four¹⁷ PSUs were issued but the liquidation process had not yet started.

Since the non-working PSUs were not contributing to the State economy and meeting the intended objectives, these PSUs may be considered either to be closed down or revived. During 2016-17, two non-working PSUs incurred an expenditure of ₹ 14.08 lakh. This expenditure was met from their internal resources.

The process of voluntary winding up under the Companies Act is much faster and needs to be pursued vigorously. The Government may take a decision regarding winding up of six non-working PSUs.

Comments on accounts

1.19 Sixty working companies forwarded their 68 audited accounts to AG during the year 2016-17. Of these, 43 accounts of 39 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicated that the quality of maintenance of accounts was required to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below:

Table:1.10 Impact of audit comments on working companies

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	9	170.29	13	192.80	9	204.47
2.	Increase in profit	---	---	3	1.94	1	0.02
3.	Increase in loss	14	11,207.08	12	7,544.38	12	30,660.19

¹⁴ The amount represents dividend payable in respect of two accounts finalised by these companies.

¹⁵ Tamil Nadu Goods Transport Corporation Limited.

¹⁶ State Engineering and Servicing Company of Tamil Nadu Limited.

¹⁷ Tamil Nadu Agro Industries Development Corporation Limited, Tamil Nadu Poultry Development Corporation Limited, Tamil Nadu State Construction Corporation Limited and Southern Structurals Limited.

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
4.	Decrease in loss	3	87.79	2	541.37	1	15.73
5.	Non-disclosure of material facts	1	44.94	---	---	---	---
6.	Errors of classification	8	101.50	3	35.49	4	103.27

(Source: Latest finalised annual accounts of companies)

During the year, the Statutory Auditors had given unqualified certificates for 40 accounts and qualified certificates for 28 accounts. The compliance of companies with the Accounting Standards remained poor, as there were 32 instances of non-compliance in 14 accounts during the year.

1.20 Similarly, Tamil Nadu Warehousing Corporation forwarded its accounts for 2015-16 to AG during the year 2016-17, for which supplementary audit was conducted. The Audit Report of Statutory Auditors indicated that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below:

Table:1.11 Impact of audit comments on Tamil Nadu Warehousing Corporation

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	3.44	1	2.50	1	6.64

(Source: Latest finalised annual accounts of Tamil Nadu Warehousing Corporation)

Response of the Government to Audit

Performance Audit and Paragraphs

1.21 For the Report of the CAG of India for the year ended 31 March 2017, one Performance Audit, one Information Technology audit and 14 audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of two compliance audit paragraphs were not received from the State Government (October 2017).

Follow-up action on Audit Reports

Replies outstanding

1.22 The Report of the CAG of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The Government of Tamil Nadu had issued (1997) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Reports of the CAG of India within a period of two months of their presentation to the

Legislature in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Table: 1.12 Explanatory notes not received (as on 31 October 2017)

Year of the Audit Report	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		Performance Audit	Paragraphs	Performance Audit	Paragraphs
2008-09	14.05.2010	03	21	02	---
2010-11	16.05.2012	02	18	01	01
2011-12	15.05.2013	02	14	---	02
2012-13	12.08.2014	01	15	---	02
2013-14	29.09.2015	01	15	01	13
2014-15	02.09.2016	03	11	03	06
2015-16	19.07.2017	02	13	02	13
TOTAL		14	107	9	37

From the above, it could be seen that out of 14 Performance Audits and 107 paragraphs, explanatory notes to nine performance audits and 37 paragraphs in respect of eight departments, which were commented upon, were not received (October 2017).

Discussion of Audit Reports by COPU

1.23 The status as on 31 October 2017 of Performance Audits/paragraphs that appeared in Audit Reports (PSUs) and discussed by COPU was as under:

Table 1.13 Reviews/Paras appeared in Audit Reports *vis-a-vis* discussed as on 31 October 2017

Period of Audit Report	Number of PAs/paragraphs			
	Appeared in Audit Report		Paragraph Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2003-04	04	20 ¹⁸	03	10
2006-07	04	23	03	23
2007-08	04	20	02	20
2008-09	03	21	01	20
2009-10	02	17	---	17
2010-11	02	18	---	07
2011-12	02	14	01	01
2012-13	01	15	---	01
2013-14	01	15	---	01

¹⁸ Out of 20 paras printed, only 10 paras were selected for discussion.

Period of Audit Report	Number of PAs/paragraphs			
	Appeared in Audit Report		Paragraph Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2014-15	03	11	---	---
2015-16	02	13	---	---
TOTAL	28	187	10	100

Compliance to Reports of COPU

1.24 As per the directions (1997) given by the Government, the Action Taken Notes (ATNs) on the COPU's recommendations were to be forwarded within six months from the date of placement of COPU's recommendations in the State Legislature. It was, however, noticed that ATNs in respect of 227 paragraphs pertaining to 40 Reports of the COPU presented to the State Legislature between April 2002 and March 2016 had not been received (October 2017) as indicated below:

Table 1.14: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
2002-03	02	02	02
2009-10	01	04	04
2010-11	01	17	17
2011-12	02	05	05
2013-14	10	35	35
2014-15	11	82	82
2015-16	13	82	82
TOTAL	40	227	227

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 10 Departments, which appeared in the Reports of CAG of India for the years 1992-93 to 2009-10.

It is recommended that the Government may ensure (a) sending replies to the Performance Audit Reports and Paragraphs, Explanatory Notes and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/outstanding advances/overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

Coverage of this Report

1.25 This Report contains 14 paragraphs, one Performance Audit *i.e.*, on Operational performance of gas turbine power stations of Tamil Nadu Generation and Distribution Corporation Limited and one IT audit of Drug Distribution System in Tamil Nadu Medical Services Corporation involving financial effect of ₹ 2,277.27 crore.

Disinvestment, Restructuring and Privatisation of PSUs and reforms in power sector

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

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

1.27 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 on 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 2015-16. The SARs upto 2015-16 have been placed in the State Legislature. During 2016-17, TNERC issued five tariff orders including Comprehensive Tariff Orders for Municipal Solid Waste Power plants and on solar power.

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:

Table:1.15 Non-achievement of commitments made in the MOU

	Commitment as per MOU	Target completion schedule	Status (as on 31 March 2017)
1.	Reduction of Transmission and Distribution losses to 15 per cent	December 2003	As per the provisional accounts of TANGEDCO for the year 2016-17, Transmission and Distribution losses worked out to 22.10 per cent. Similarly, as per provisional accounts of TANTRANSCO for 2016-17, the transmission loss was 4.08 per cent.
2.	100 per cent metering of all consumers	September 2012	All services except the agricultural and hut services have been metered. TNERC, in its order dated 11 July 2013, extended the time for fixing of individual meters in agricultural and hut services upto 31 March 2014. Meanwhile, TANGEDCO had approached the Government for issue of policy direction to the Commission, since fixing of meters in agriculture and hut services is the policy decision to be taken by the Government of Tamil Nadu. However, response from the Government to TANGEDCO's proposal was still awaited (October 2017).

	Commitment as per MOU	Target completion schedule	Status (as on 31 March 2017)
3.	Current operations in distribution to reach break-even	March 2003	As per the provisional accounts for 2016-17, TANGEDCO had incurred a loss of ₹ 4,348.76 crore and TANTRANSCO had incurred a loss of ₹ 274.93 crore.
4.	Energy audit at 11 KV sub-stations level	January 2002	<p>Out of 1,603 feeders identified with loss of more than 10 <i>per cent</i>, the losses had been brought down to below 10 <i>per cent</i> in 1,211 feeders. The reduction of losses in the balance 392 feeders involved large capital works such as erection of new sub-stations (SS), <i>etc.</i> Hence, the same was included under 'Part-II works' under Ujwal Discom Assurance Yojana (UDAY) Scheme, involving establishment of new 33/11 KV SS, erection of additional/enhancement of power transformers in the existing 33/11 KV SS and erection of 33 KV lines with associated bay extension works at a total cost of ₹ 409.21 crore covering all the nine regions of TANGEDCO.</p> <p>Based on the methodology formulated by Rural Electrification Corporation, 128 feeders, where the distribution loss was very high have been identified for reduction of distribution loss. The voltage regulation was brought down within the permissible limits in 107 feeders. Such improvement works on feeders was also covered under 'Part I works' under UDAY Scheme involving erection of new 22/11KV lines with associated bay extension works, strengthening of existing 33/22/11 KV line with standard size conductors, erection of 33 KV and 11 KV under ground cables and erection of 33 KV and 11 KV cables at a total cost ₹ 1,408.04 crore in all the nine regions of TANGEDCO.</p>

(Source: Details furnished by TANGEDCO)