

## CHAPTER-1

### 1 Overview of Government companies and Statutory corporations

#### 1.1 Introduction

As on 31 March 2002, there were 78 Government companies (66 working companies and 12 non-working companies) and 2 Statutory corporations (all working) as against 80 Government companies (68 working companies and 12 non-working companies) and 2 working Statutory corporations as on 31 March 2001 under the control of the State Government. One company was merged with another company and one company was closed during the year. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The State Government had formed Tamil Nadu Electricity Regulatory Commission and its audit is entrusted to the Comptroller and Auditor General of India, under Section 34 (4) of the Electricity Regulatory Commissions Act, 1998. The audit arrangements of Statutory corporations are as shown below:

Name of the Corporation	Authority for audit by the CAG	Audit arrangement
Tamil Nadu Electricity Board	Section 69 (2) of the Electricity Supply Act, 1948	Sole audit by CAG
Tamil Nadu Warehousing Corporation	Section 31 (8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG

#### 1.2 Working Public Sector Undertakings (PSUs)

##### 1.2.1 Investment in working PSUs

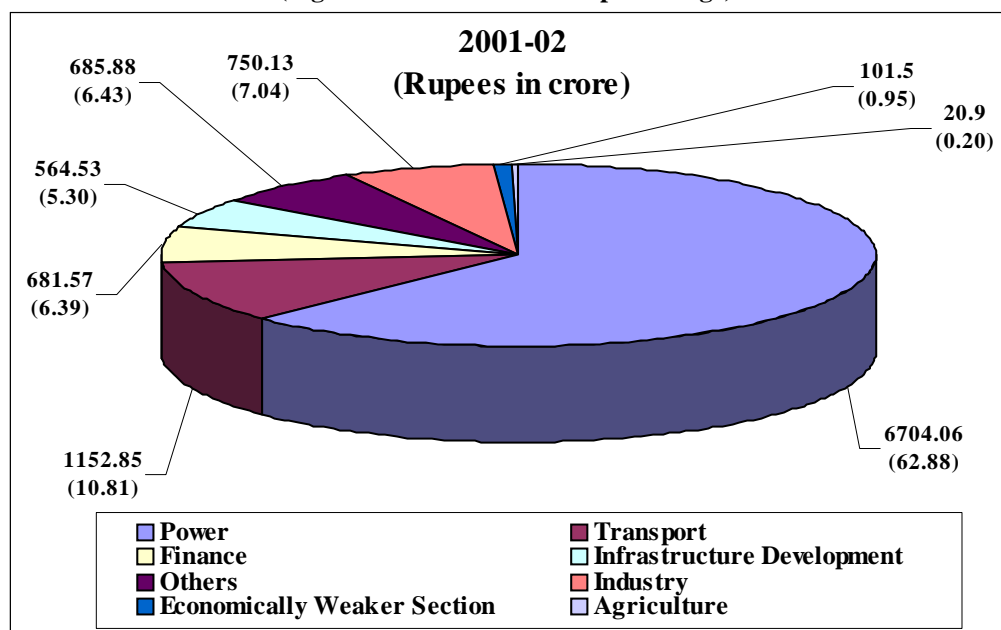
As on 31 March 2002, the total investment in 68 working PSUs (66 Government companies and 2 Statutory corporations) was Rs.1,0661.42 crore (equity: Rs.1,657.74 crore; long-term loans\*: Rs.8,835.62 crore and share application money Rs.168.06 crore) as against 70 working PSUs (68 Government companies and 2 Statutory corporations) with a total investment of Rs.9,694.57 crore (equity: Rs.1,729.36 crore; long-term loans: Rs.7,962.01 crore and share application money: Rs.3.20 crore) as on 31 March 2001. The analysis of investment in working PSUs is given in the following paragraphs.

\* Long term loans mentioned in Paragraphs 1.2.1, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans.

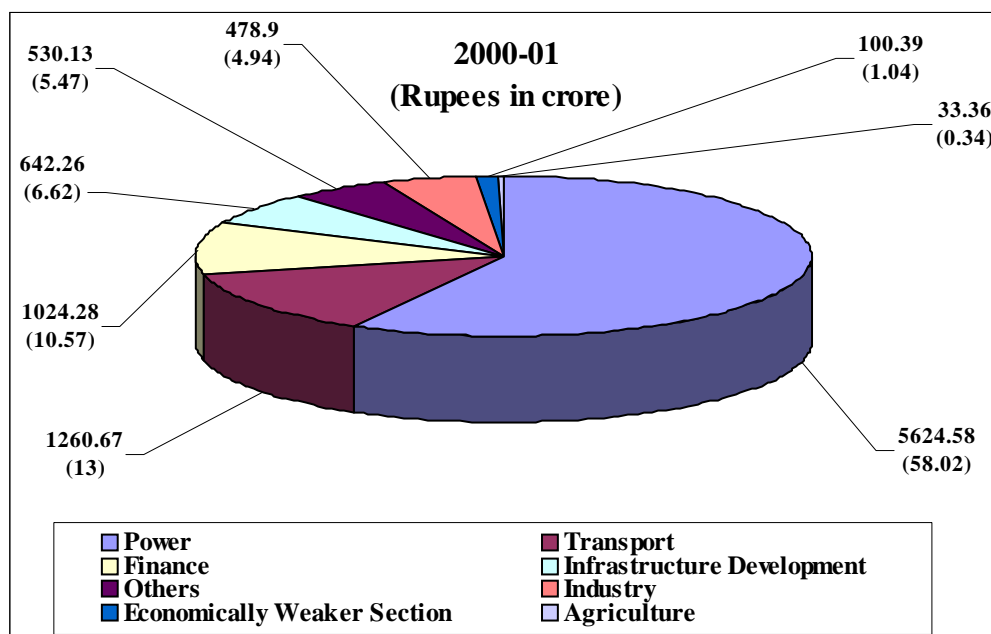
The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 31 March 2001 are indicated below in the pie charts.

**SECTOR-WISE INVESTMENT IN WORKING COMPANIES AND STATUTORY CORPORATIONS**

**Total Investment: Rs.10,661.42 crore**  
(Figures in bracket indicate percentage)



**Total Investment: Rs.9,694.57 crore**  
(Figures in bracket indicate percentage)



### **1.2.1.1 Working Government companies**

Total investment in working Government companies at the end of March 2001 and March 2002 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loans	Total
2000-01	68	1,621.75	3.20	2,437.43	4,062.38
2001-02	66	1,450.12	168.06	2,331.57	3,949.75

As on 31 March 2002, the total investment in working Government companies comprised 41 *per cent* of equity capital and 59 *per cent* of loans as compared to 40 *per cent* and 60 *per cent*, respectively as on 31 March 2001.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure-1**.

### **1.2.1.2 Working Statutory corporations**

The total investment in two working Statutory corporations at the end of March 2002 and March 2001 was as follows:

(Rupees in crore)

	2000-01		2001-02 (Provisional)	
	Capital	Loan	Capital	Loans
Tamil Nadu Electricity Board	100.00	5,524.58	200.00	6,504.06
Tamil Nadu Warehousing Corporation	7.61	---	7.61	---

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Annexure-1**.

### **1.2.2 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity**

The details regarding budgetary outgo, grant/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in **Annexure-1 and 3**.

The budgetary outgo (in the form of equity capital and loans) and subsidies from the State Government to working Government companies and working Statutory Corporation for the three years up to March 2002 are given below:

(Amount – Rupees in crore)

	1999-2000				2000-01				2001-02			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	27	120.65	1	100.00	7	7.81	---	---	2	3.79	1	100.00
Loans given from budget	1	1.00	---	---	3	10.57	---	---	4	16.54	---	---
Grants	---	---	1	17.59	---	---	---	---	---	---	1	43.62
(i) Subsidy towards Projects/ Programmes/ Schemes	6	748.93	---	---	8	1,599.27	1	16.55	10	1,354.99	---	---
(ii) Other subsidy	17	111.68	1	250.00	14	121.23	1	250.00	12	53.95	1	322.50
(iii) Total subsidy	23	860.61	1	250.00	22	1,720.50	1	266.55	22	1,408.94	1	366.12
Total outgo	30*	982.26	1	367.59	26*	1,738.88	1	266.55	25*	1,429.27	1	466.12

During the year 2001-02, the Government had guaranteed the loans aggregating Rs.1,744.33 crore obtained by four working Government companies (Rs.559.40 crore) and one working Statutory corporation (Rs.1,184.93 crore). At the end of the year, guarantees amounting to Rs.7,088.05 crore against 22 working Government companies (Rs.2,771.18 crore) and one working Statutory corporation (Rs.4,316.87 crore) were outstanding. The Government converted loan of Rs.5.69 crore into equity capital in one Government company (Serial Number A-45 of **Annexure-1**). The guarantee commission paid/payable to Government by Government companies and Statutory corporations during 2001-02 was Rs.5.60 crore and Rs.20 crore, respectively.

### 1.2.3 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of 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, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from **Annexure-2**, out of 66 working Government companies only 50 working companies have finalised their accounts for the year 2001-02 within the stipulated period. None of the Statutory corporations finalised the accounts for the year 2001-02. During the period from October 2001 to September 2002, 32 working Government companies finalised 34 accounts for previous years. Similarly, during this period two working Statutory corporations finalised two accounts for previous years.

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\* These are actual number of companies/corporation, which have received budgetary support in the form of equity, loan, subsidies and grant from the State Government during the respective years.

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The accounts of 16 working Government companies and two Statutory corporations were in arrears up to two years as on 30 September 2002 as detailed below:

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 corporations			Government companies	Statutory corporations
1.	3	---	2000-01 & 2001-02	2	A-32, 35 and 36	----
2.	13	2	2001-02	1	*	B-1 and 2

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

#### **1.2.4 Financial position and working results of working PSUs**

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per latest finalised accounts are given in **Annexure-2**. Besides, statement showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in **Annexure-4** and **5** respectively.

According to latest finalised accounts of 66 working Government companies and two working Statutory corporations, 31 companies incurred aggregate loss of Rs.244.46 crore, 34 companies and two corporations earned aggregate profit of Rs.192.11 crore and Rs.392.41 crore, respectively. In case of one company (Serial Number 37 of **Annexure-2**) entire amount of loss is to be compensated by the State Government.

##### **1.2.4.1 Working Government companies**

###### **1.2.4.1.1 Profit earning working companies and dividend**

Out of 50 working Government companies, which finalised their accounts for 2001-02 by 30 September 2002, 28 companies earned an aggregate profit of Rs.190.82 crore and only 4 companies (Serial Numbers 19, 23, 25, and 40 of **Annexure-2**) declared dividend aggregating to Rs.2.29 crore. In addition, one company (Serial Number 66 of **Annexure-2**) though incurred loss for the year, also declared dividend of Rs.35 lakh. The dividend as percentage of share capital in the above five companies worked out to 5.48. The remaining 24 profit making companies did not declare any dividend. The total return by way of above dividend of Rs.2.64 crore, worked out to 0.16 *per cent* in 2001-02 on total equity investment of Rs.1,614.37 crore by the State Government in all Government companies as against 0.25 *per cent* in the previous year. The State Government has not formulated dividend policy for payment of minimum dividend.

\* Serial Numbers A-7, 8, 15, 21, 24, 26, 28, 29, 30, 33, 34, 37 and 64 of Annexure-2.

Similarly, out of 32 working Government companies, which finalised their 34 accounts for previous years by September 2002, 5 companies earned an aggregate profit of Rs.0.91 crore and all these 5 companies earned profit for two or more successive years.

#### ***1.2.4.1.2 Loss incurring working Government companies***

Of the 31 loss incurring working Government companies, 20 companies had accumulated losses aggregating Rs.1,974.22 crore, which exceeded their aggregate paid-up capital of Rs.734.49 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of subsidy amounting to Rs.31.95 crore during 2001-02 to 6 out of these 20 companies.

#### ***1.2.4.2 Working Statutory corporations***

##### ***1.2.4.2.1 Profit earning Statutory corporations and dividend***

Both the Statutory corporations finalised their accounts for 2000-01. Tamil Nadu Electricity Board and Tamil Nadu Warehousing Corporation earned a profit of Rs.387.87 crore and Rs.4.54 crore respectively. Of them, Tamil Nadu Warehousing Corporation alone paid a dividend of Rs.30.44 lakh for the year 2000-01 to the State Government.

##### ***1.2.4.2.2 Operational performance of working Statutory corporations***

The operational performance of the working Statutory corporations is given in **Annexure-6**.

It could be seen from **Annexure-6** that the power generation by Tamil Nadu Electricity Board improved only marginally by 1.15 *per cent* during the year 2001-02 though demand increased by 6.31 *per cent* during the same period. This necessitated increased purchase of power from private sources by 1987 million units (MUs).

As regards Tamil Nadu Warehousing Corporation, though average expenses per tonne increased by 22.41 *per cent* during 2001-02, average revenue increased by 10.82 *per cent* only, resulting in reduced profit.

#### ***1.2.5 Return on capital employed***

As per the latest finalised accounts (up to September 2002), the capital employed<sup>♦</sup> worked out to Rs.7,994.60 crore in 66 working companies and

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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).

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total return<sup>♦</sup> thereon amounted to Rs.205.27 crore, which is 2.57 per cent as compared to total return of Rs.258.13 crore (3.47 per cent) in the previous year (accounts finalised up to September 2001). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2002) worked out to Rs.9,351.08 crore and Rs.934.64 crore (9.99 per cent) respectively against the total return of Rs.853.51 crore (9.04 per cent) in previous year (accounts finalised up to September 2001). 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**.

### 1.3 Non-working PSUs

#### 1.3.1 Investment in non-working PSUs

As on 31 March 2002, the total investment in 12 non-working PSUs (all Government companies) was Rs.56.51 crore (equity: Rs.23.42 crore; long-term loans: Rs.33.09 crore) as against total investment of Rs.48.91 crore (equity: Rs.19.27 crore; long term loans Rs.29.64 crore) in same number of non-working PSUs as on 31 March 2001.

The classification of the non-working PSUs was as under:

(Amount – Rupees in crore)

Sl.No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
(i)	Under liquidation	2 <sup>A</sup>	3.95	NIL
(ii)	Under closure	7 <sup>B</sup>	13.40	33.09
(iii)	Under merger	1 <sup>C</sup>	4.00	NIL
(iv)	Others	2 <sup>D</sup>	2.07	NIL
	<b>Total</b>	<b>12</b>	<b>23.42</b>	<b>33.09</b>

Of the above non-working PSUs, nine Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for three to 12 years and substantial investment of Rs.50.44 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 2001 are indicated below in the pie charts.

♦ 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.

A Serial Numbers 7 and 10 of non-working companies of Annexure-2

B Serial Numbers 1 to 5, 8 and 9 of non-working companies of Annexure-2

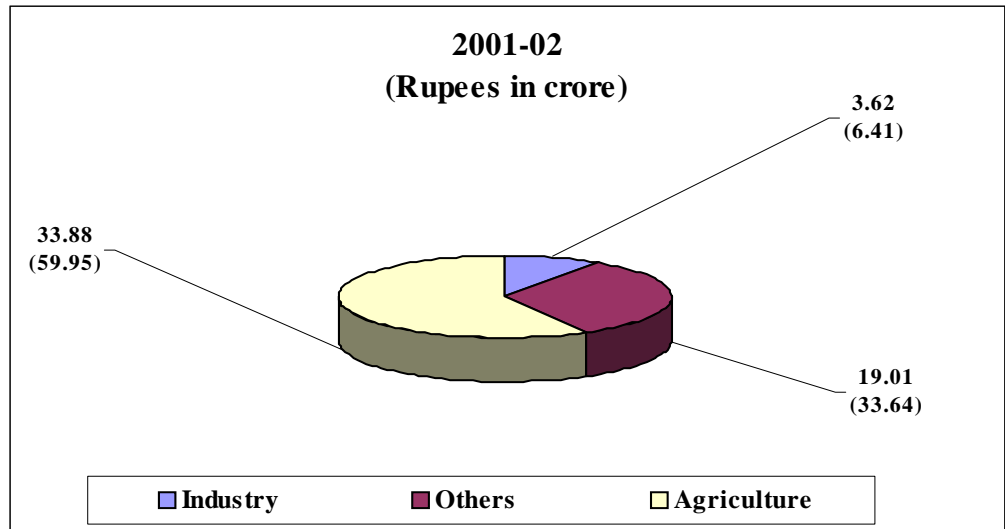
C Serial Number 12 of non-working companies of Annexure-2

D Serial Numbers 6 and 11 of non-working companies of Annexure-2

## SECTOR-WISE INVESTMENT IN NON-WORKING COMPANIES

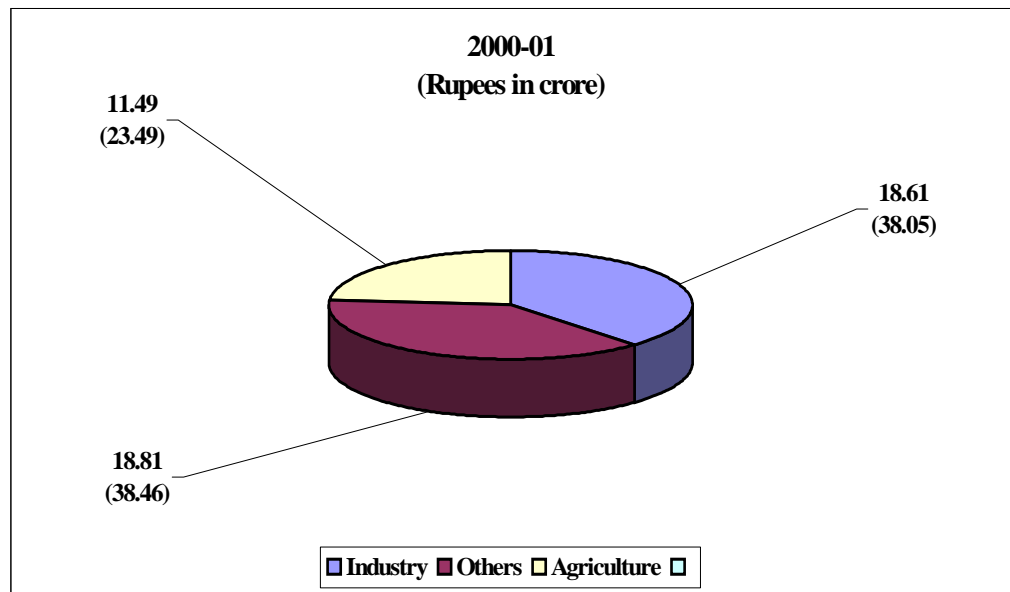
Total Investment: Rs.56.51 crore

(Figures in bracket indicates percentage)



Total Investment: Rs.48.91 crore

(Figures in bracket indicates percentages)



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

The details regarding budgetary outgo to the non-working Government companies are given in **Annexure-1**. The State Government had given loan of Rs.11.39 crore to two non-working companies during the year 2001-02. At the end of the year 2001-02, loan of Rs.0.86 crore outstanding in respect of one non-working company has been guaranteed by the Government.



### 1.3.3 Total establishment expenditure of non-working PSUs

The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during the last three years up to 2001-02 are given below:

(Amount – Rupees in crore)

Year	No of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment/ assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
<b>Government companies</b>							
1999-2000	10*	1.50	1.31	---	0.16	---	---
2000-01	10*	0.61	0.61	---	---	---	---
2001-02	10*	5.41	0.04	---	5.37	---	---

State Government has so far incurred Rs.7.52 crore towards establishment expenses of 10 companies under liquidation/closure. Expeditious action is necessary for winding up of these companies to avoid further non productive expenditure in these companies.

### 1.3.4 Finalisation of accounts by non-working PSUs

The accounts of nine non-working companies were in arrears for periods ranging from one to 12 years as on 30 September 2002 as could be noticed from **Annexure-2**.

### 1.3.5 Financial position and working results of non-working PSUs

The summarised financial results of non-working Government companies as per latest finalised accounts are given in **Annexure-2**.

The year wise details of paid-up capital, net worth, cash loss/cash profit and accumulated loss/profit of non-working PSUs as per their latest finalised accounts are given below:

(Amount – Rupees in crore)

Year	Paid-up capital	Net worth	Cash loss (-) / Cash profit(+)	Accumulated loss (-) / accumulated profit (+)
1989-90	0.33	(-)1.00	(+)0.002	0.02
1993-94	2.07	1.34	(-)1.08	(-)2.07
1998-99	0.31	(-)1.78	(-)0.02	(-)2.09
1999-2000	7.54	(-)79.28	(-)13.42	(-)86.82
2000-01	7.84	(-)28.83	(-)4.53	(-)36.68
2001-02	5.33	(-)17.48	(-)2.24	(-)22.80
<b>Total</b>	<b>23.42</b>	<b>(-)127.03</b>	<b>(-)21.29</b>	<b>(-)150.44</b>

(Note: Net worth, cash loss/profit and accumulated profit/loss calculated as per last certified accounts. Nine non-working PSUs have not finalised their accounts for one to 12 years as indicated in Annexure-2)

\* Information in respect of two companies were not available.

#### **1.4 Status of placement of Separate Audit Reports of Statutory corporations in Legislature**

The following table indicates the status of placement of various Separate Audit Reports (SAR) on the accounts of Statutory corporations issued by the CAG, in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Tamil Nadu Electricity Board	2000-01	2001-02	---	Accounts are in arrears
2.	Tamil Nadu Warehousing Corporation	2000-01	2001-02	---	Accounts are in arrears

#### **1.5 Disinvestment, privatisation and restructuring of Public Sector Undertakings**

The Government decided (May 1997) to amalgamate the then existing 21 State Transport Undertakings (STUs) in to seven STUs for operational convenience and economical viability. As a sequel to the above decision, during the year 2001-02, one STU was merged with the sister STUs (Serial Number 52 of **Annexure-1**).

#### **1.6 Results of audit of accounts of PSUs by Comptroller and Auditor General of India**

During the period from October 2001 to September 2002, the audit of accounts of 77 Government companies (working: 74 and non-working: 3) and 2 working Statutory corporations were selected for review. As a result of the observations made by CAG, eight companies and one Corporation listed below revised their accounts:

Sl.No.	Name of the Company	Year of Accounts
1.	Tamil Nadu Civil Supplies Corporation Limited	2000-01
2.	Arasu Rubber Corporation Limited	2001-02
3.	Southern Structurals Limited	2000-01
4.	Tamil Nadu Magnesite Limited	2001-02
5.	Tamil Nadu Textiles Corporation Limited	2001-02
6.	Perambalur Sugar Mills	2000-01
7.	Pallavan Transport Consultancy Services Limited	2001-02

Sl.No.	Name of the Company	Year of Accounts
8.	Tamil Nadu Industrial Investment Corporation Limited	2001-02
9.	Tamil Nadu Electricity Board	2000-01

In addition, the net impact of the important audit observations as a result of the review of the remaining PSUs were 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	1	---	1	0.89	---	1448.73
(ii)	Increase in loss	7	---	---	74.90	---	---
(iii)	Errors of classification	1	---	---	1.02	---	---

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

#### *1.6.1 Errors and omissions noticed in case of Government companies*

Sl. No	Name of Company	Year of accounts	Errors/Omissions	Amount (Rupees in crore)
1.	Tamil Nadu Ex-servicemen's Corporation Limited	1999-2000	Under statement of sundry debtors due to non-accounting of hire charges	3.19
2.	Metropolitan Transport Corporation Limited	2000-01	(a) Under-statement of liabilities being the price difference in purchase of chassis	0.45
			(b) Under-statement of loss due to non-provision of no fault liability	1.55
3.	Tamil Nadu Tea Plantation Corporation Limited	2001-02	Non-accounting of interest and penal interest	2.87
4.	Tamil Nadu Transport Development Finance Corporation Limited	2000-01	Over-statement of current liabilities and loans and advances due to non-adjustment of reduction in interest in the loan account.	13.99

#### *1.6.2 Errors and omissions noticed in case of Statutory corporation*

Tamil Nadu Electricity Board (2000-01):

Sl.No.	Errors/Omissions	Amount (Rupees in crore)
1.	Excess provision for subsidy receivable from the State Government	1,443.21
2.	Capitalisation of miscellaneous loss	2.75
3.	Short provision of interest on security deposit	1.71

### ***1.6.2.1 Audit assessment of the working results of Tamil Nadu Electricity Board***

Based on the audit assessment of the working results of the Tamil Nadu Electricity Board for the three years up to 2001-02 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports on the annual accounts and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit, percentage of return on capital employed, capital invested will be as under:

(Amount – Rupees in crore)

Sl. No	Particulars	1999-2000	2000-01	2001-02 (Provisional)
1.	Net surplus/(-) deficit as per books of accounts	356.25	387.87	(-)2,205.90
2.	Subsidy from the State Government	1,776.39	1,693.21	322.57
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)1,420.14	(-)1,305.34	(-)2,528.47
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	(-)34.65	(-)1,448.73	N.A.
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)1,454.79	(-)2,754.07	N.A.
6.	Total return on capital employed	849.99	930.10	---
7.	Percentage of total return on capital employed	9.0	9.98	---

### ***1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs***

The following persistent irregularities and system deficiencies in the financial matters of PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action has been taken by these PSUs so far:

#### ***(i) Statutory corporation***

##### ***Tamil Nadu Electricity Board***

Fixed assets registers have not been maintained properly in four circles and not updated in 27 other circles and as a result, the correctness of amount shown under fixed assets could not be ensured.

Capital expenditure on completed works had been arrived at based on the completion certificates from field engineers and not on the basis of closed work orders.

Negative balances were shown under various schedules in many circles to the extent of Rs.87.44 crore, Rs.207.93 crore and Rs.532.10 crore during the three years ended on 31 March 2001.

There were huge differences between balance sheet figure and cash book in respect of bank balances in 17 circles.

### **1.7 Recommendations for closure of PSUs**

Even after completion of 17 to 30 years of their existence, the turnover of four Government companies (Serial Numbers A-5, 14, 57 and 65 of **Annexure-2**) (all working companies) has been less than Rs.five crore in each of the preceding five years as per latest finalised accounts. Of these four, one company (Serial Number A-14 of **Annexure-2**) had been incurring losses for three consecutive years (as per latest finalised accounts) leading to net negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above four Government companies or consider their closure.

### **1.8 Response to Inspection Reports, Draft Paragraphs and Reviews**

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 78 PSUs disclosed that 2617 paragraphs relating to 699 Inspection Reports remained outstanding at the end of September 2002. Of these 694 Inspection Reports containing 2605 paragraphs had not been replied to for more than two years. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2002 is given in **Annexure-7**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 24 draft paragraphs and 2 draft reviews forwarded to the various departments during July 2001 to June 2002 as detailed in **Annexure-8**, had not been replied to so far.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound

schedule and (c) revamping the system of responding to the audit observations.

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

The following table indicates the details regarding number of reviews and paragraphs pending discussion at the end of 31 March 2002:

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1995-96	4	24	1	11
1996-97	5	24	4	13
1997-98	5	20	5	18
1998-99	6	23	6	23
1999-2000	4	24	4	24
2000-01	4	21	4	21

### **1.10 619-B Companies**

There were three companies coming under 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 summarised working results of these companies based on their latest available accounts.

### **1.11 Reforms in Power sector**

#### ***1.11.1 Status of implementation of MOU between the State Government and the Central Government***

In pursuance to Chief Minister's conference on Power Sector Reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed on 9 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 reforms programme in power sector with identified milestones.

Status of implementation of reform programme against each commitment made in the MOU is detailed below:

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2002)	Remarks
	Commitments made by the State Government			
1	Appointment of Chairperson in State Electricity Regularity Commission	January 2002	Not appointed	Chairperson did not assume office till June 2002
2	100 per cent electrification of all villages and hamlets	By 2007 (64,042 villages and hamlets)	63,685 villages and hamlets have been electrified	---
3	Reduction in Transmission and Distribution losses to 15 per cent	By December 2003	Transmission & Distribution losses in 2001-02 was 16.3 per cent	
4.	100 per cent metering of all distribution feeder	December 2001	Completed	
5.	100 per cent metering of all consumers	December 2003	All services except agriculture and huts service metered.	
6.	Current operations in distribution to reach at break-even	March 2003		Positive return in distribution operations after March 2003
7.	Energy audit at 11 KV sub-stations level	January 2002	Introduced in January 2002	
8.	Computerisation of HT & LT billing	December 2002	HT billing fully computerised	Experimental computerised LT billing started in June 2002
9	Securitized outstanding due of CPSUs	As per scheme approved by Govt. of India		State Cabinet approved securitisation in April 2002. Government order awaited.
10	State Electricity Regulatory Commission (SERC)			
	i) Establishment of TNERC		Established in March 1999	-
	ii) Implementation of tariff orders issued by TNERC during the year	First Tariff petition to be filed by 30 September 2002		Since filed in September 2002.
	General			
11.	Monitoring of MOU	Quarterly		Not due

### **1.11.2 State Electricity Regulatory Commission**

Government of Tamil Nadu constituted (March 1999) Tamil Nadu Electricity Regulatory Commission (TNERC), with three members including a chairman, under Section 17(1) of the Electricity Regulatory Commissions Act, 1998. The Commission started functioning with effect from 1 September 1999. The Chairman of the Commission has assumed charge in July 2002 only. The Commission has not commenced fulfilled activities. Accounts of TNERC have been finalised up to March 2002.

#### **1.11.2.1 Functions**

The main functions of the TNERC as per the Electricity Regulatory Commissions Act, 1998 are as follows:

- (i) to determine the tariff for electricity, wholesale, bulk, grid or retail,
- (ii) to determine the tariff payable for the use of the transmission facilities,
- (iii) to regulate power purchase and procurement process of the transmission and distribution utilities including the price at which the power shall be procured,
- (iv) to regulate the investment approval for generation, transmission, distribution and supply of electricity to the entities operating in the State,
- (v) to aid and advise the State Government, in matters concerning generation, transmission, distribution and supply in the State;
- (vi) to regulate the operation of power system with in the State,
- (vii) to issue licenses for transmission, bulk supply, distribution or supply of electricity and determine the conditions to be included in the licences,
- (viii) to regulate the working of licensees and to promote their working in an efficient, economical and equitable manner;