

## 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, the State working PSUs occupy an important place in the state economy. The State PSUs registered a turnover of ₹47,578.39 crore<sup>∞</sup> for 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 19.73 *per cent* of the State Gross Domestic Product (GDP) of ₹2,41,122 crore for 2009-10. Major activities of the State PSUs are concentrated in power, service and other sectors. The State PSUs incurred an aggregate loss of ₹8,062.40 crore as per the latest accounts finalised during 2009-10. They had employed 2.79 lakh<sup>\*</sup> employees as of 31 March 2010. The State PSUs do not include two<sup>Ω</sup> Departmental Undertakings (DUs), which carry out commercial operations as they are a part of Government departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

**1.2** As on 31 March 2010, there were 77 PSUs as per the details given below. Of these, three<sup>§</sup> companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs <sup>ψ</sup>	Total
Government Companies <sup>♦</sup>	64	11	75
Statutory Corporations	2	---	2
<b>Total</b>	<b>66</b>	<b>11</b>	<b>77</b>

**1.3** The State Government approved (October 2008) formation of a holding Company *viz.*, Tamil Nadu Electricity Board Limited and two subsidiary companies *viz.*, Tamil Nadu Transmission Corporation Limited (TANTRANSCO) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). The subsidiary companies were formed in June and December 2009 respectively.

<sup>∞</sup> 13 companies finalised their accounts for the years other than 2009-10.

<sup>\*</sup> As per the details provided by 66 PSUs.

<sup>Ω</sup> The Institute of Veterinary and Preventive Medicine, Ranipet and King Institute, Guindy.

<sup>§</sup> Tamil Nadu Newsprint and Papers Limited, Tamil Nadu Telecommunications Limited and Tamil Nadu Industrial Explosives Limited.

<sup>ψ</sup> Non-working PSUs are those which have ceased to carry on their operations.

<sup>♦</sup> Includes 619-B companies.

**Audit mandate**

**1.4** 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 a subsidiary of a Government company. 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.

**1.5** 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 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.

**1.6** Audit of the statutory corporations is governed by their respective legislations. Out of two Statutory corporations in the State, CAG is the sole auditor of the Tamil Nadu Electricity Board. In respect of Tamil Nadu Warehousing Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

**Investment in State PSUs**

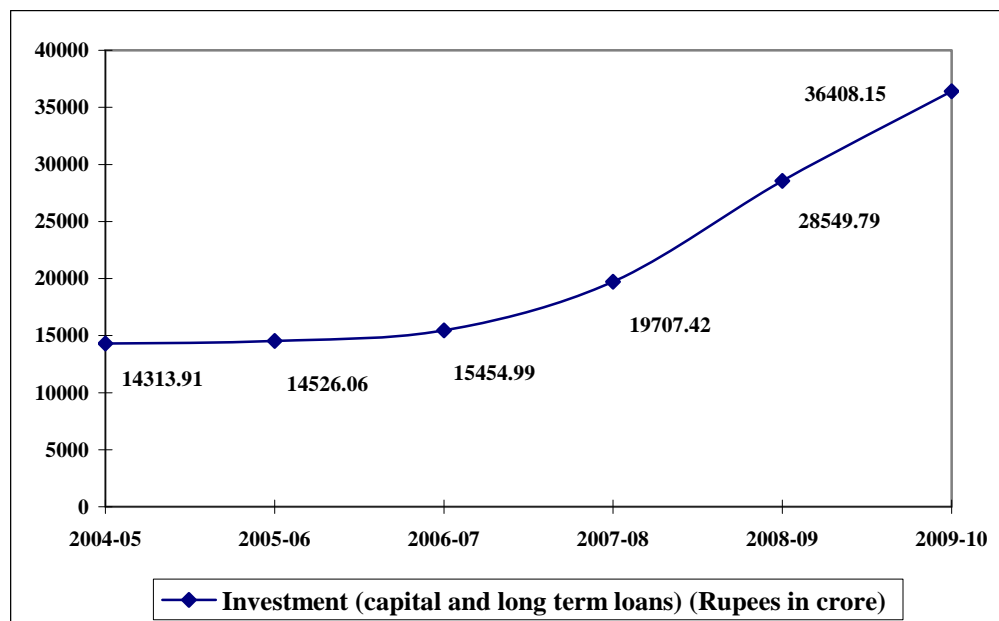
**1.7** As on 31 March 2010, the investment (capital and long-term loans) in 77 PSUs (including 619-B companies) was ₹36,408.15 crore as per details given below.

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	2,991.34	4,046.50	7,037.84	2,478.11	26,805.29	29,283.40	36,321.24
Non-working PSUs	36.15	50.76	86.91	---	---	---	86.91
<b>Total</b>	<b>3,027.49</b>	<b>4,097.26</b>	<b>7,124.75</b>	<b>2,478.11</b>	<b>26,805.29</b>	<b>29,283.40</b>	<b>36,408.15</b>

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

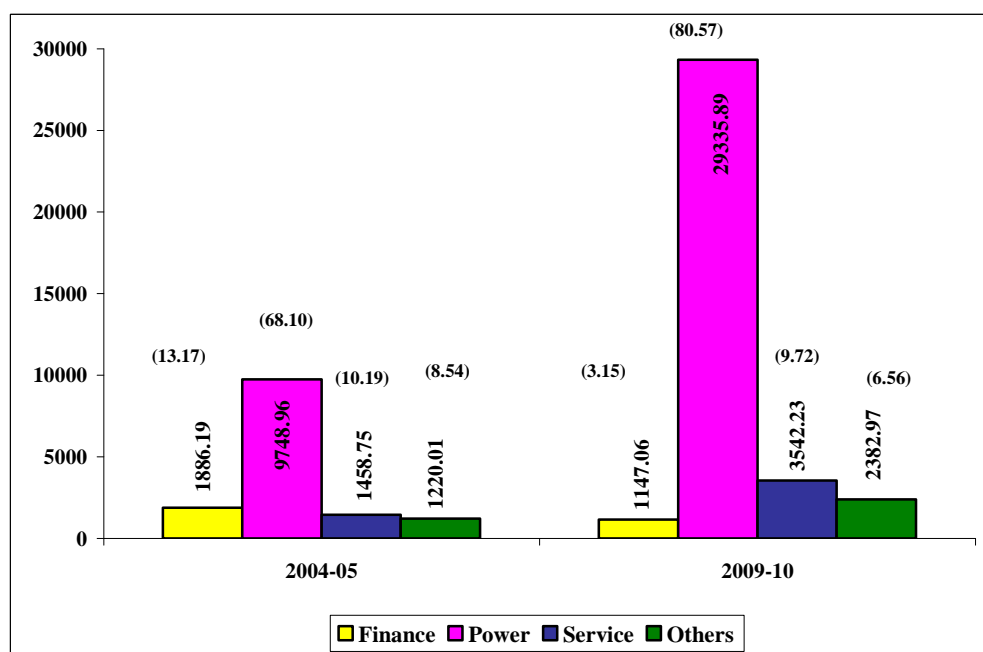
**1.8** As on 31 March 2010, of the total investment in the State PSUs, 99.76 *per cent* was in working PSUs and the remaining 0.24 *per cent* was in non-working PSUs. This total investment consisted of 15.12 *per cent* towards capital and 84.88 *per cent* in long-term loans. The investment has grown by 154.36 *per cent* from ₹14,313.91 crore in 2004-05 to ₹36,408.15 crore in 2009-10 due to large loans availed by State Transport Undertakings and Tamil Nadu Electricity Board through other sources as shown in the graph below.



**1.9** The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart.

The investment in power sector has increased by 200.91 per cent from ₹9,748.96 crore in 2004-05 to ₹29,335.89 crore in the year 2009-10 taking the percentage share in the total investment to 80.57 per cent in 2009-10. The services sector followed the power sector where there was an increase in investments by 142.83 per cent from ₹1,458.75 crore in 2004-05 to ₹3,542.23 crore in 2009-10.

(₹ in crore)



(Figures in brackets show the percentage of total investment)

**Budgetary outgo, grants / subsidies, guarantees and loans**

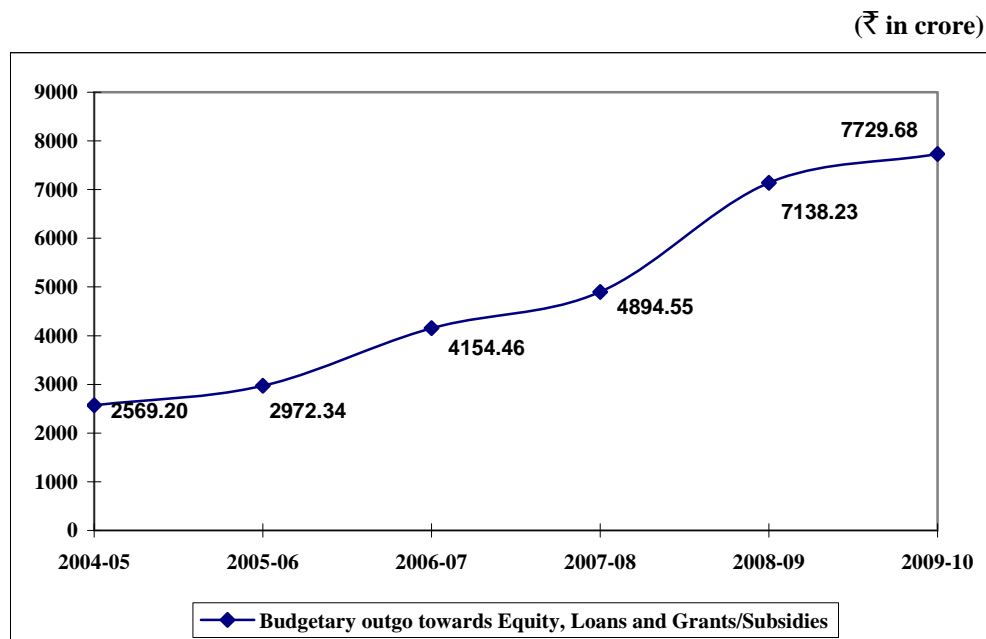
**1.10** The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of the State PSUs during the year are given in **Annexure-3**. The summarised details are given below for three years ended 2009-10.

(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	14	873.25	15	1,051.45	13	737.21
2	Loans given from budget	7	42.28	9	775.53	6	483.13
3	Grants/Subsidy received	17	3,979.02	13	5,311.25	16	6,509.34
4	Total Outgo (1+2+3)	28*	4,894.55	26*	7,138.23	25*	7,729.68
5	Loans converted into equity	---	---	1	4.95	1	28.00
6	Loans written off	---	---	1	3.47	1	0.19
7	Interest/Penal interest written off	---	---	2	6.13	1	0.63
8	Total Waiver (6+7)	---	---	2	9.60	2	0.82
9	Guarantees issued	6	599.55	6	1,322.81	5	126.00
10	Guarantee Commitment	13	3,500.55	14	4,036.49	13	5,221.87

\* These are the 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.

**1.11** The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given in a graph below.



The budgetary support in respect of equity, loans and grants/ subsidies showed an increasing trend from 2004-05 to 2009-10 due to increase in grant and subsidy by the State Government over the years to Tamil Nadu Electricity Board and Tamil Nadu Civil Supplies Corporation Limited.

**1.12** The PSUs are liable to pay guarantee commission to the State Government up to 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 2009-10, guarantee commission of ₹144.68 crore was payable by 11 PSUs. Out of this amount, ₹143.09 crore remained unpaid including ₹142.03 crore in respect of TNEB.

### Reconciliation with Finance Accounts

**1.13** The figures in respect of equity, loans 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 carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	4,977.97	5,139.52	161.55
Guarantees	5,209.02	5,221.87	12.85

**1.14** Audit observed that the differences occurred in 12 PSUs and 8 PSUs in respect of equity and guarantees, respectively. Some of the differences were pending reconciliation since April 2004\*. The companies where the difference had occurred were addressed in November 2010 to reconcile the position. The Government had been addressed (January 2010) to expedite the process of reconciliation of figures between Finance accounts and the figures as furnished by the companies in their respective accounts. The Government and PSUs should take concrete steps to reconcile the differences in a time-bound manner.

### Performance of PSUs

**1.15** The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexures 2, 5 and 6** respectively. A ratio of PSUs' turnover to State GDP shows the significant extent of PSU activities in the State economy. The table below provides the details of working PSUs' turnover *vis-a-vis* State GDP for the period from 2004-05 to 2009-10.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover <sup>∞</sup>	24,298.35	25,665.47	26,206.99	38,040.09	42,534.33	47,578.39
State GDP	2,00,780	2,23,528	2,46,266	2,79,287	2,28,479	2,41,122
Percentage of Turnover to State GDP	12.10	11.48	10.64	13.62	18.62	19.73

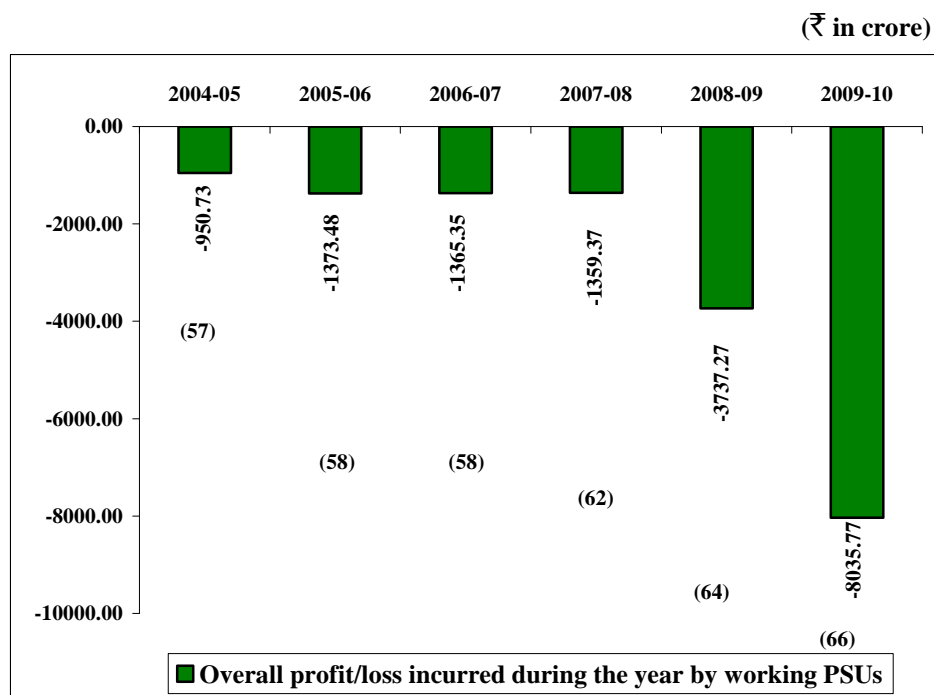
Figures of State GDP for 2009-10 are advance estimates.

The turnover of PSUs has increased continuously from 2004-05 to 2009-10. The turnover increased by 95.81 *per cent* in 2009-10 as compared to the turnover in 2004-05. The percentage of PSUs' turnover to State GDP marginally declined between 2004-05 and 2006-07 but steadily improved from 2007-08 to 2009-10.

♣ Tamil Nadu Adi-draavidar Housing and Development Corporation Limited and Tamil Nadu Sugar Corporation Limited.

∞ Turnover as per the latest finalised accounts as of 30 September.

1.16 Profits/losses earned/incurred by the State working PSUs during the period from 2004-05 to 2009-10 are given below in the bar chart.



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

The State working PSUs collectively incurred continuous losses from 2004-05 to 2009-10 which increased from ₹950.73 crore to ₹8,035.77 crore during the same period.

During the year 2009-10, out of 66 working PSUs, 40 PSUs earned a profit of ₹511.96 crore and 20 PSUs incurred a loss of ₹8,547.73 crore. One\* PSU incorporated in October 2007 has not submitted the first accounts till date (October 2010). Four<sup>€</sup> PSUs are in their preliminary stages of commercial operation. In respect of Tamil Nadu Civil Supplies Corporation Limited, the deficit of income is entirely compensated by the State Government in the form of subsidy.

As per the accounts finalised as of 30 September 2010, the major contributors to profit are Tamil Nadu Newsprint and Papers Limited (₹126.06 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹62.32 crore), Tamil Nadu Industrial Investment Corporation Limited (₹44.84 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹41.30 crore) and TIDEL Park Limited, Chennai (₹38.05 crore). Heavy losses were incurred by Tamil Nadu Electricity Board (₹7,771.39 crore), Tamil Nadu State Transport Corporation (Madurai) Limited (₹166.47 crore), Tamil Nadu State Transport Corporation (Coimbatore) Limited (₹141.42 crore) and State Express Transport Corporation Limited (₹100.82 crore).

\* Arasu Cable TV Corporation Limited.

€ Tidel Park, Coimbatore a 619-B Company, incorporated in June 2007, Chennai Metro Rail Limited incorporated in December 2007, TANTRANSCO and TANGEDCO incorporated in June and December 2009 respectively.

**1.17** The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of last three years Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹4,035.35 crore and made infructuous investment of ₹632.60 crore which were controllable with better management. Year wise details from Audit Reports are stated below:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Loss	1,359.37	3,737.27	8,035.77	13,132.41
Controllable losses as per the CAG's Audit Report	240.85	634.42	3,160.08	4,035.35
Infructuous Investment	120.10	92.00	420.50	632.60

**1.18** The above losses pointed out by 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 efficiently only if they are financially self-reliant. The above situation points towards a need for greater professionalism and accountability in the functioning of PSUs.

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

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed ( <i>per cent</i> )	1.76	NIL *	NIL *	0.17	NIL *	NIL *
Debt	11,877.65	12,053.49	12,757.52	16,136.56	23,878.24	30,902.55
Turnover	24,298.35	25,665.47	26,206.99	38,040.09	42,534.33	47,578.39
Debt/Turnover ratio	0.49:1	0.47:1	0.49:1	0.42:1	0.56:1	0.64:1
Interest payments	1,377.77	1,424.13	1,479.80	1,582.58	2,059.37	3,397.17
Accumulated losses	5,020.69	6,420.24	7,896.15	9,324.65	13,207.60	21,297.39

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

**1.20** The State Government has not formulated a dividend policy for payment of minimum dividend. As per their latest finalised accounts as of 30 September 2010, 41 State PSUs (including one non-working PSU) earned an aggregate profit of ₹511.99 crore and 13 PSUs declared total dividend of ₹69.65 crore. Of this, the major contributors of the dividend were Tidel Park Limited, Chennai, Tamil Nadu Newsprint and Papers Limited and State Industries Promotion Corporation of Tamil Nadu Limited aggregating to ₹58.82 crore, which worked out to 84.45 *per cent* of total dividend paid during the year 2009-10.

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



**Arrears in finalisation of accounts**

**1.21** The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2010.

SL. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Number of Working PSUs	58	58	62	64	66
2	Number of accounts finalised during the year	57	59	63	54	61
3	Number of accounts in arrears	23	22	21	31	35 <sup>#</sup>
4	Average arrears per PSU (3/1)	0.40	0.38	0.34	0.48	0.51
5	Number of Working PSUs with arrears in accounts	18	16	13	20	19
6	Extent of arrears (years)	1 to 4	1 to 5	1 to 6	1 to 7	1 to 8

**1.22** In addition to above, there was arrears in finalisation of accounts by non-working PSUs. Out of 11 non-working PSUs, two<sup>^</sup> PSUs had gone into liquidation process. Tamil Nadu Goods Transport Corporation Limited and Tamil Nadu Institute of Information Technology Limited have submitted winding up proposals and hence their accounts have not been considered due. Two<sup>z</sup> companies submitted their accounts. Five<sup>o</sup> PSUs had arrears of accounts for 1 to 7 years.

**1.23** The State Government had invested ₹6,415.79 crore (equity: ₹428.51 crore, loans: ₹14.95 crore, grants: ₹115.72 crore and subsidy: ₹5,856.61 crore) in 8 PSUs (including one non-working PSU) during the years for which accounts had not been finalised as on 30 September 2010 as detailed in **Annexure-4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of

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# Arasu Cable TV Corporation Limited incorporated in October 2007 and arrear of two years is considered.  
<sup>^</sup> Tamil Nadu Steels Limited and Tamil Nadu Magnesium and Marine Chemicals Limited.  
<sup>z</sup> Tamil Nadu State Farms Corporation Limited and Tamil Nadu Graphites Limited.  
<sup>o</sup> 1. Tamil Nadu Agro Industries Development Corporation Limited, 2. Tamil Nadu Poultry Development Corporation Limited, 3. Tamil Nadu Sugarcane Farms Corporation Limited, 4. The Chit Corporation of Tamil Nadu Limited, 5. Tamil Nadu Film Development Corporation Limited.

accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

**1.24** The administrative Departments have the responsibility to oversee the activities of these entities and ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was taken up with the Chief Secretary/Finance Secretary in the Apex Committee meeting held in May 2009/October 2010.

**1.25** In view of above state of arrears, it is recommended that the Government may oversee the work relating to preparation of accounts, which are in arrears, wherever the staff is inadequate or lacks expertise and expedite the clearance of arrears.

### **Winding up of non-working PSUs**

**1.26** There were 11 non-working PSUs (all companies) as on 31 March 2010. Liquidation process had commenced in two<sup>♥</sup> PSUs. The number of non-working companies at the end of each year during the past five years is given below:

<b>Particulars</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Number of non-working companies	14	14	14	11	11

The Government may consider the closure of non-working PSUs as their existence is not going to serve any purpose.

**1.27** The stages of closure in respect of non-working PSUs are given below:

<b>Sl. No.</b>	<b>Particulars</b>	<b>Companies</b>
1	Total number of non-working PSUs <sup>∞</sup>	11
2	Of (1) above, the number under	
(a)	Liquidation by Court (liquidator appointed)	2
(b)	Voluntary winding up	6
(c)	Closure, <i>i.e.</i> , closing orders/instructions issued but liquidation process has not yet started.	3

**1.28** During the year 2009-10, no closure of any non-working PSU took place. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The closure of these companies was delayed due to (i) non-settlement of disputed claims (Tamil Nadu Magnesium and Marine Chemicals Limited, Tamil Nadu Sugarcane

<sup>♥</sup> Tamil Nadu Magnesium and Marine Chemicals Limited and Tamil Nadu Steels Limited.

<sup>∞</sup> As of 30 September 2010.

Farms Corporation Limited and Tamil Nadu Steels Limited), (ii) due to 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, The Chit Corporation of Tamil Nadu Limited and Tamil Nadu State Farms Corporation Limited) and (iv) decision pending with Registrar of companies on merger of companies (Tamil Nadu Institute of Information Technology - TANITEC), with Ministry of Company Affairs (Tamil Nadu Graphites Limited). The Government may consider to expedite closing down its non-working companies.

### Accounts Comments and Internal Audit

**1.29** Fifty five working companies forwarded their 59 accounts to Principal Accountant General during 2009-10. Of these, 53 accounts of 49 companies were selected for supplementary audit. 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	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	6	150.09	15	241.93	5	6.00
2	Increase in profit	---	---	---	---	2	0.54
3	Increase in loss	9	3.91	12	72.19	10	124.20
4	Non-disclosure of material facts	---	---	9	99.38	8	263.93
5	Errors of classification	2	61.20	4	7.80	4	24.45

**1.30** During the year 2009-10, the statutory auditors had given unqualified certificates for 27 accounts and qualified certificates for 32 accounts. The compliance of companies with the Accounting Standards (AS) remained poor as there were 26 instances of non-compliance in 15 accounts during the year.

**1.31** Some of the important comments in respect of accounts of companies are stated below:

**State Transport Undertakings (2009-10)**

- Five\* STUs did not provide for interest on arrears of contribution to pension scheme resulting in understatement of loss and current liabilities.

**Metropolitan Transport Corporation Limited (2009-10)**

- The Company did not account for the profit on sale of buses and vehicles sold on auction as per AS-9. This resulted in overstatement of loss by ₹1.78 crore, overstatement of fixed assets by ₹0.15 crore and understatement of current assets and loans and advances by ₹1.93 crore.
- The Company accounted for the advertisement income and income from shelters on receipt basis against the provisions of AS-9, which resulted in overstatement of loss by ₹2.09 crore and understatement of current assets, loans and advances to the same extent.

**State Express Transport Corporation Limited (2009-10)**

- The Company did not provide for ₹7.33 crore towards non-payment of employees' contribution and excess expenditure over income up to March 2009 to provident fund trust. This resulted in understatement of loss and current liabilities and provisions by the same amount.

**Tamil Nadu Tea Plantation Corporation Limited (2009-10)**

- The Company did not create provision for ₹16.76 crore being the additional contribution for gratuity fund payable to Life Insurance Corporation of India resulting in understatement of prior period expenditure and accumulated loss to that extent.

**1.32** Similarly, two working statutory corporations forwarded their two arrears accounts for 2008-09 to the Principal Accountant General during the year 2009-10. 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:

(Amount – ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in profit	1	0.45	1	0.52	---	---
2.	Increase in loss	1	141.45	1	284.13	1	263.30
3.	Non-disclosure of material facts	1	621.32	1	1,388.79	1	60.46
4.	Errors of classification	1	7.04	1	140.10	1	85.25
5.	Correctness of balance exhibited in accounts not susceptible of verification	---	---	---	---	1	283.55

\* TNSTC, Villupuram (₹1.33 crore), Salem (₹1.20 crore), Madurai (₹1.06 crore), Kumbakonam (₹1.03 crore) and Coimbatore (₹0.38 crore).

*Some of the important comments in respect of accounts of Statutory Corporations are stated below:*

***Tamil Nadu Electricity Board (2008-09)***

- The Board did not provide for ₹236.37 crore being the claims preferred by Independent Power Producers resulting in understatement of liability for purchase of power as well as prior period expenses/losses
- Non-accountal of 1.12 lakh MTs of coal despatched from load ports resulted in understatement of coal in-transit and overstatement of advances for fuel supplies by ₹20.10 crore.
- The Board did not provide for interest payable to Mahanadhi Coalfields Limited amounting to ₹14.72 crore resulting in understatement of interest and finance charges as well as other current liabilities to that extent.
- Non-provision of ₹6.65 crore due from HT consumer, which was not backed up by any security, resulted in overstatement of receivables against supply of power and understatement of deficit by ₹6.65 crore.
- The net assets exhibited in the Headquarters' Balance Sheet was more than the consolidated balances of all the circles by ₹2,901.73 crore.
- The value appearing under Revenue from sale of power – Low Tension supply and sundry debtors for sale of power could not be ensured in Audit as the difference of ₹217.35 crore between the balances as per the billing units and LT data base was not reconciled.

**1.33** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the statutory auditors on possible improvement in the internal audit/internal control system in respect of 16 companies for the year 2008-09 and 28 companies for the year 2009-10 are given below:

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2008-09	2009-10	2008-09	2009-10
1	The internal audit system needs to be strengthened to make it commensurate with the size and nature of the business	4	4	2, 15, 45 and 50	8, 15, 45 and 50
2	There was no internal audit standards/manual/guidelines prescribed by the companies for the conduct of internal audit	4	7	9, 18, 41 and 50	2, 9, 13, 26, 41, 50 and 55
3	Proper records showing full particulars including quantitative details and situation of fixed assets were not maintained	2	1	2 and 45	55

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2008-09	2009-10	2008-09	2009-10
4	The existing system of monitoring the recovery of dues needs to be strengthened by preparing age-wise analysis of debtors and periodical monitoring	3	---	26, 32 and 54	---
5	Internal control system needs to be strengthened	2	1	2 and 50	2
6	The Companies did not have any defined fraud policy	8	16	15, 26 to 29, 35, 43 and 45	2, 5, 9, 14, 15, 26, 29, 30, 35, 37, 42, 43, 45, 50, 52 and 55
7	Documentation of software programs not available with the companies	4	1	9, 15, 37, and 50	55
8	The companies have no IT strategy/plan	7	17	18, 27 to 29, 37, 54 and 60	2, 7, 9, 12, 26, 27, 29, 30, 35, 37, 50, 54, 55, 56, 57, 59 and 60
9	The companies have not fixed minimum and maximum limits for maintenance of stores and spares	2	3	2 and 29	26, 29 and 41
10	The companies did not make ABC analysis for effective inventory control.	2	4	26 and 29	26, 29, 36 and 41
11	The companies did not evolve proper security policy for software/hardware	---	8	---	2, 26, 29, 30, 37, 45, 55 and 59

### Recoveries at the instance of audit

**1.34** During the course of propriety audit in 2009-10, recoveries of ₹139.48 crore were pointed out to Tamil Nadu Electricity Board. Out of which, ₹41.60 crore (including ₹41.28 crore pertaining to earlier years) was recovered during the year 2009-10.

**Status of placement of Separate Audit Reports**

**1.35** The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No	Name of the Statutory Corporation	Year upto which SARs placed in Legislature	Year 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 Regulatory Commission	2008-09	2009-10	4 November 2010	Yet to be placed in the legislature

**Disinvestment, Privatisation and Restructuring of PSUs**

**1.36** There was no disinvestment, privatisation or restructuring of PSUs excepting Tamil Nadu Electricity Board (as mentioned in Paragraph 1.3) in the State during the year.

**Reforms in Power Sector**

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

**1.37** The State 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. During 2009-10, TNERC issued 14 orders on others and Nil on annual revenue requirements.

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 Union Ministry of Power and the Department of Energy, Government of Tamil Nadu as a joint commitment for implementation of the reform programme in the power sector with identified milestones.

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

	<b>Commitment as per MOU</b>	<b>Targeted completion Schedule</b>	<b>Status (as on 31 March 2010)</b>
1.	Reduction of Transmission and Distribution losses to 15 per cent	December 2003	Transmission and Distribution losses - 18 per cent
2.	100 per cent metering of all consumers	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 1.10.2012.
3.	Current operations in distribution to reach break-even	March 2003	As per the accounts finalised for 2008-09, the Board had a deficit of ₹7,771.39 crore.
4.	Energy audit at 11 KV substations level	January 2002	Energy audit was conducted in all the 11/22 KV feeders. 1,587 feeders were identified to have line losses of more than 10 per cent. By carrying out improvement works the line losses have been brought below 10 per cent in 852 feeders so far.