

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 including two Departmental Undertakings are established to carry out activities of commercial nature while keeping in view the welfare of people. In Tamil Nadu, PSUs occupy an important place in the State economy. The State PSUs registered a turnover of ₹65,804.92 crore¹ for 2011-12 as per the latest finalised accounts (September 2012). This turnover was equal to 10.30 *per cent* of the State Gross Domestic Product (GDP) of ₹6,39,025 crore for 2011-12. Major activities of the State PSUs are concentrated in Power, Transport and Other Service sectors. The working PSUs incurred an aggregate loss of ₹14,010.66 crore as per the latest accounts finalised (September 2012). They had 2.72 lakh² employees as of 31 March 2012.

1.2 As on 31 March 2012, there were 77 PSUs (76 companies and one Statutory Corporation) as per the details given below. Of these, two³ companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ⁴	Total
Government Companies ⁵	63 ⁶	13	76
Statutory Corporation	1	---	1
Total	64	13	77

1.3 Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government Company includes its subsidiary/(s). 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 19 companies finalised their accounts for the years other than 2011-12.

² As per the details provided by 64 PSUs.

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

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

⁵ Includes 619-B companies.

⁶ It includes two companies *viz.*, TICEL Bio Park Limited and IT Expressway Limited and excludes Tamil Nadu Telecommunications Limited, which had become a Central PSU.

1.4 The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.5 Audit of the Statutory Corporations is governed by its respective legislation. CAG was the sole auditor of the Tamil Nadu Electricity Board (TNEB) till its re-organisation (October 2010) and consequent on restructuring of TNEB, the audit of the trifurcated companies, viz., TNEB Limited, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO) is conducted by Chartered Accountants and supplementary audit by the CAG under Section 619 of the Companies Act, 1956. In respect of Tamil Nadu Warehousing Corporation also, audit is conducted by Chartered Accountants and supplementary audit by CAG in pursuance of the State Warehousing Corporation Act, 1962.

Investment in State PSUs

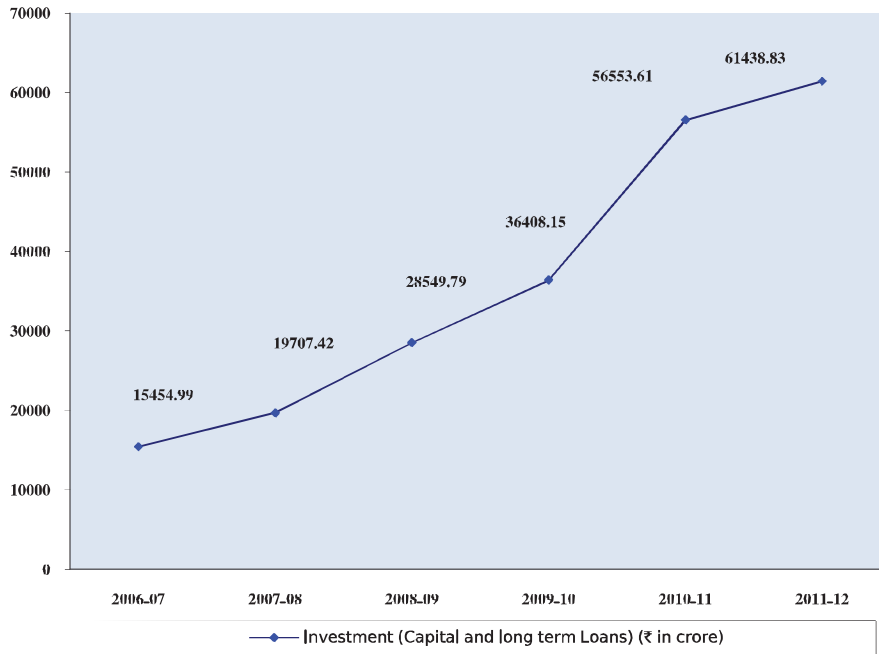
1.6 As on 31 March 2012, investment (capital and long-term loans) in 77 PSUs (including 619-B companies) was ₹61,438.83 crore as per details given below:

(₹in crore)

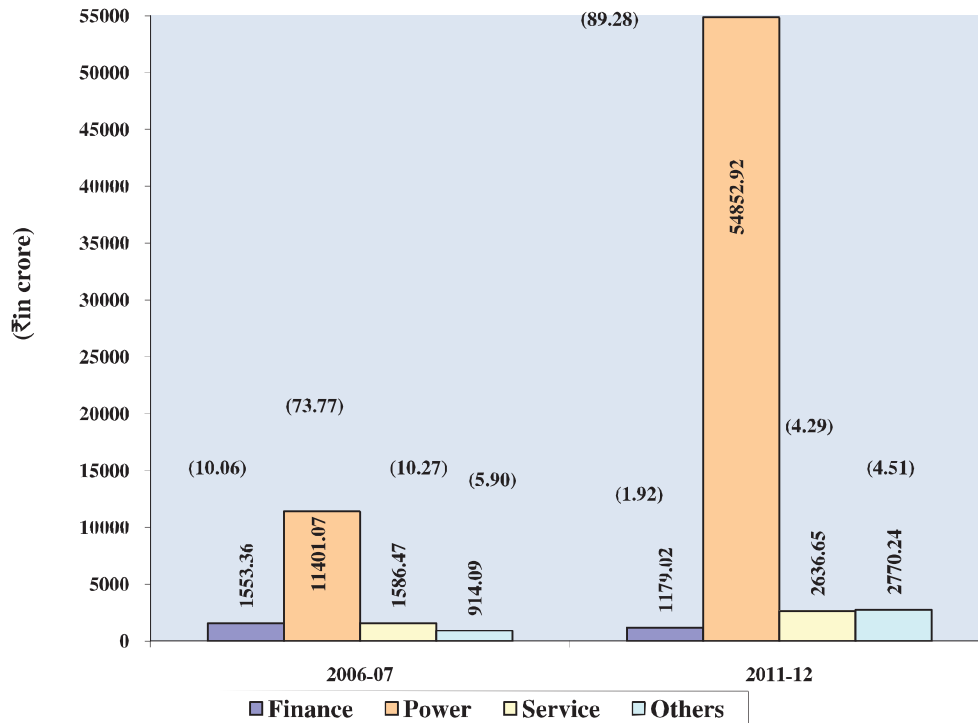
Type of PSUs	Government companies			Statutory Corporations			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	18,196.46	43,031.72	61,228.18	7.61	---	7.61	61,235.79
Non-working PSUs	77.08	125.96	203.04	---	---	---	203.04
Total	18,273.54	43,157.68	61,431.22	7.61	---	7.61	61,438.83

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

1.7 As on 31 March 2012, of the total investment in the State PSUs, 99.67 per cent was in working PSUs and the remaining 0.33 per cent was in non-working PSUs. This total investment consisted of 29.76 per cent towards capital and 70.24 per cent in long-term loans. Investment has grown by 297.53 per cent from ₹15,454.99 crore in 2006-07 to ₹61,438.83 crore in 2011-12 due to large loans availed by State Transport Undertakings and Power Companies through other sources as shown in the graph below:



1.8 Investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below:



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

Investment in power sector was the highest which had increased by 381.12 per cent from ₹11,401.07 crore in 2006-07 to ₹54,852.92 crore in the year 2011-12 taking the percentage share in the total investment from 73.77 in 2006-07 to 89.28 per cent in 2011-12.

Budgetary outgo, grants/subsidies, guarantees and loans

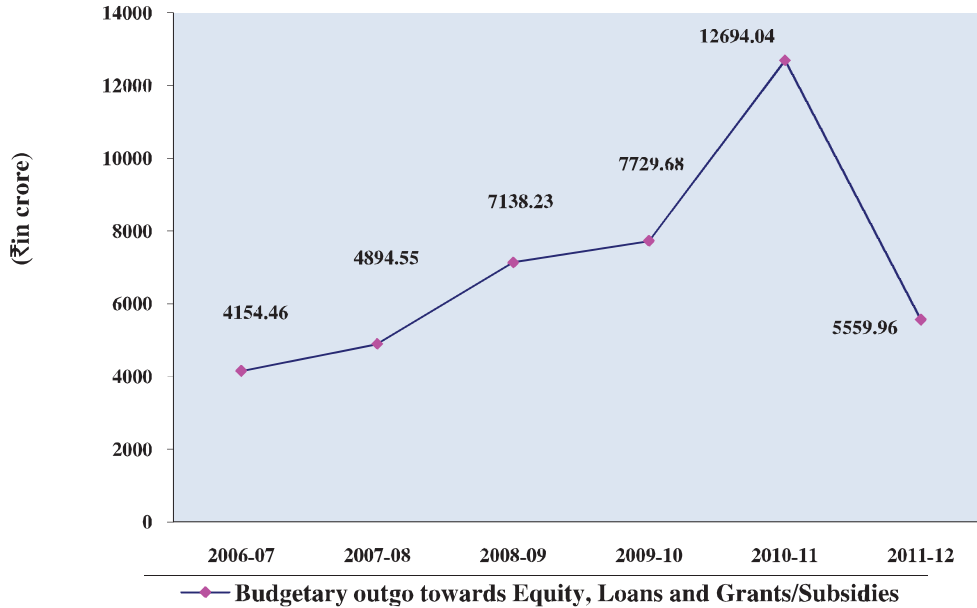
1.9 Details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of the State PSUs during the year are given in **Annexure-3**. Summarised details for three years ended 2011-12 are given below:

(₹in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	13	737.21	12	5,731.34	12	1,556.98
2	Loans given from budget	6	483.13	5	111.11	7	1,647.41
3	Grants/subsidy received	16	6,509.34	15	6,851.59	18	2,355.57
4	Total outgo (1+2+3)	25⁷	7,729.68	24⁷	12,694.04	26⁷	5,559.96
5	Loans converted into equity	1	28.00	1	1,235.13	---	---
6	Loans written off	1	0.19	---	---	---	---
7	Interest/penal interest written off	1	0.63	3	201.63	---	---
8	Total waiver (6+7)	2	0.82	4	201.63	---	---
9	Guarantees issued	5	126.00	4	86.05	3	4,003.69
10	Guarantee commitment	13	5,221.87	12	5,941.77	12	9,721.89

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

⁷ These are the actual number of Companies/Corporation, which have received budgetary support in the form of equity, loan, subsidies and grants from the State Government during the respective years.



Budgetary support in respect of equity, loans and grants/subsidies showed an increasing trend from 2006-07 to 2010-11 mainly due to increase in equity and subsidy by the State Government over the years to electricity companies and Tamil Nadu Civil Supplies Corporation Limited. However, during 2011-12, it decreased due to lesser budgetary support extended by the State Government to the PSUs.

1.11 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 2011-12, guarantee commission of ₹205.77 crore was payable by 10 PSUs. Out of this amount, ₹204.58 crore remained unpaid which included ₹204.54 crore in respect of TANGEDCO.

Absence of accurate figure for investment in PSUs

1.12 Figures in respect of equity and guarantees outstanding as per records of the State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should reconcile the differences. The position in this regard as at 31 March 2012 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	10,604.89	10,880.86	275.97
Guarantees	9,511.27	9,721.89	210.62

1.13 We observed that the differences occurred in 10 PSUs and 9 PSUs in respect of equity and guarantees, respectively. Some of the differences were pending reconciliation since April 2004⁸. The Chief Secretary to Government

⁸ Tamil Nadu Sugar Corporation Limited.

of Tamil Nadu was addressed (August 2011) and his attention was drawn on the need for reconciliation of figures in Finance Accounts and as furnished by the companies in their respective accounts. The Government and PSUs may take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

1.14 Financial results of PSUs, financial position and working results of working Statutory Corporation are detailed in **Annexures 2, 5 and 6** respectively. A ratio of PSUs' turnover to State GDP shows that extent of PSU activities in the State economy is significant. The table below provides details of working PSUs' turnover *vis-a-vis* State GDP for the period 2007-12.

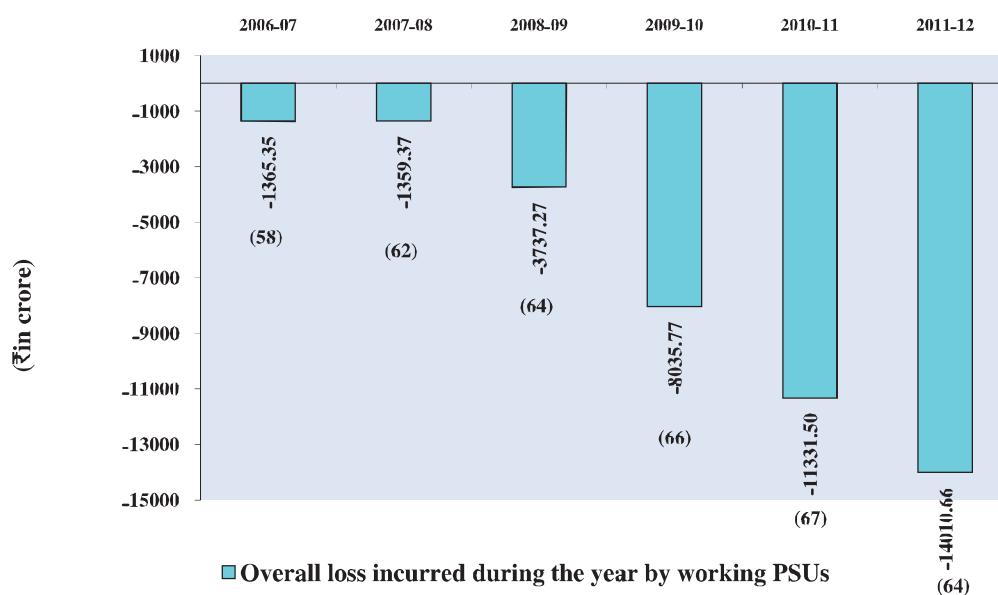
(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover ⁹	26,206.99	38,040.09	42,534.33	47,578.39	55,193.64	65,804.92
State GDP	2,46,266	2,79,287	2,28,479	2,41,122	5,47,267	6,39,025
Percentage of turnover to State GDP	10.64	13.62	18.62	19.73	10.09	10.30

(Figures of State GDP for 2011-12 are advance estimates reset with base year as 2004-05).

Turnover of PSUs has increased continuously from 2006-07 to 2011-12. Turnover increased by 151.10 *per cent* in 2011-12 as compared to 2006-07. Percentage of PSUs' turnover to State GDP increased from 2006-07 to 2009-10 but declined drastically in 2010-11 and 2011-12.

1.15 Losses incurred by the State working PSUs during the period 2007-12 is given below:



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

⁹ Turnover as per the latest finalised accounts as of 30 September 2012.

The State working PSUs collectively incurred continuous losses from 2006-07 to 2011-12 which increased from ₹1,365.35 crore to ₹14,010.66 crore during the same period.

As per the latest finalised accounts, out of 64 working PSUs, 37 PSUs earned a profit of ₹493.36 crore and 25 PSUs incurred a loss of ₹14,504.02 crore. In respect of Tamil Nadu Civil Supplies Corporation Limited, deficit of income is entirely compensated by the State Government in the form of subsidy. In respect of TANTRANSOCO, the entire expenditure will be reimbursed by TANGEDCO on actual basis till further orders of Tamil Nadu Electricity Regulatory Commission on determination of tariff for transmission charges.

The accounts finalised as of 30 September 2012 indicate that major contributors to profit are Tamil Nadu Newsprint and Papers Limited (₹108.94 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹53.97 crore), Tamil Nadu Industrial Investment Corporation Limited (₹48.40 crore) and TIDEL Park Limited, Chennai (₹35.75 crore). Heavy losses were incurred by erstwhile Tamil Nadu Electricity Board (₹7,032.79 crore), Tamil Nadu Generation and Distribution Corporation Limited (₹5,633.46 crore) and all the eight¹⁰ State Transport Corporations (₹1,791.64 crore).

1.16 Losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, operations and monitoring. A review of last three years' Audit Reports of the CAG shows that the State PSUs incurred losses to the tune of ₹5,826.49 crore and made infructuous investment of ₹635.51 crore which were controllable with better management. Year-wise details from Audit Reports are stated below:

(₹in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net loss	8,035.77	11,331.50	14,010.66	33,377.93
Controllable losses as per the CAG's Audit Report	3,160.08	1,322.42	1,343.99	5,826.49
Infructuous investment	420.50	38.89	176.12	635.51

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

¹⁰ Serial Number 55 to 62 of Annexure-2.

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

(₹in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on capital Employed (<i>per cent</i>)	NIL ¹¹	0.17	NIL	NIL	NIL	NIL
Debt	12,757.52	16,136.56	23,878.24	30,902.55	46,792.10	43,157.68
Turnover	26,206.99	38,040.09	42,534.33	47,578.39	55,193.64	65,804.92
Debt/turnover ratio	0.49:1	0.42:1	0.56:1	0.64:1	0.85:1	0.66:1
Interest payments	1,479.80	1,582.58	2,059.37	3,397.17	4,436.43	5,808.14
Accumulated losses	7,896.15	9,324.65	13,207.60	21,297.39	33,621.12	59,636.87

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

1.19 The State Government has not formulated a dividend policy for payment of minimum dividend. As per the finalised accounts of 30 September 2012, 37 State PSUs earned an aggregate profit of ₹493.36 crore and 9 PSUs declared a total dividend of ₹35.11 crore. Of this, the major contributors of the dividend were TIDEL Park Limited, Chennai (₹13.20 crore) and Tamil Nadu Newsprint and Papers Limited (₹12.22 crore) aggregating to ₹25.42 crore, which worked out to 72.40 *per cent* of total dividend paid (₹35.11 crore) during the year 2011-12.

Arrears in finalisation of accounts

1.20 Annual accounts of Companies are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, the accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides details of progress made by working PSUs in finalisation of accounts by September 2012.

SL. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of working PSUs	62	64	66	67	64
2.	Number of accounts finalised during the year	63	54	61	63	67
3.	Number of accounts in arrears	21	31	35	39	25 ¹²
4.	Number of working PSUs with arrears in accounts	13	20	19	26	21
5.	Extent of arrears (years)	1 to 6	1 to 7	1 to 8	1 to 9	1 to 3

¹¹ NIL indicates that Return on Capital Employed was negative during those years.

¹² This excludes 11 accounts of two PSUs, which were regrouped under non-working PSUs.

1.21 In addition to the above, there were arrears in finalisation of accounts by non-working PSUs. Out of 13 non-working PSUs, two¹³ PSUs had gone into liquidation. Tamil Nadu Goods Transport Corporation Limited and Tamil Nadu Institute of Information Technology Limited have submitted winding up proposals and hence their accounts are not considered due. Three¹⁴ Companies have submitted their accounts for the year 2011-12 and six¹⁵ PSUs are in arrears from one to ten years.

1.22 As on September 2012, the State Government has invested ₹11,773.34 crore (Equity: ₹8,105.99 crore, Loans: ₹1,460.98 crore, Grants: ₹6.56 crore and Subsidy: ₹2,199.81 crore) in 11 PSUs (including two non-working PSU) during the years for which accounts have not been finalised (**Annexure-4**). In the absence of accounts and their audit, investments and expenditure incurred cannot be vouchsafed.

1.23 Administrative departments overseeing the activities of these entities have also to ensure that accounts are finalised and adopted by these PSUs within the prescribed period. The Principal Accountant General (PAG) has brought out the position of the arrears of accounts to the notice of the concerned administrative departments every quarter. Arrears in accounts were noticed in 21 working PSUs up to 2011-12. Their net worth could not be assessed in Audit. The matter was also brought to the attention of the Chief Secretary/Finance Secretary, Government of Tamil Nadu in the Apex Committee meeting held in December 2011 by the PAG.

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

Winding up of non-working PSUs

1.25 There were 13 non-working PSUs (all Companies) as on 31 March 2012. Liquidation process had commenced in two¹⁶ PSUs. The number of non-working Companies at the end of each year during the past five years is given below:

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Number of non-working companies	14	11	11	9	13

The Government may consider the feasibility of closure of the non-working PSUs after thorough due diligence.

¹³ Tamil Nadu Steels Limited and Tamil Nadu Magnesium and Marine Chemicals Limited.

¹⁴ Tamil Nadu Graphites Limited, State Engineering and Servicing Company of Tamil Nadu Limited and Tamil Nadu Leather Development Corporation Limited

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

¹⁶ Tamil Nadu Magnesium and Marine Chemicals Limited and Tamil Nadu Steels Limited.

1.26 Details of closure stages in respect of 13¹⁷ non-working PSUs is given below:

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

1.27 The process of voluntary winding up of Companies under the Companies Act is prompt and needs to be pursued vigorously. However, there was delay in closure of these companies due to (i) non-settlement of disputed claims (Tamil Nadu Magnesium and Marine Chemicals Limited, Tamil Nadu Sugarcane Farms Corporation Limited and Tamil Nadu Steels Limited), (ii) non-closure of accounts (Tamil Nadu Film Development Corporation Limited and Tamil Nadu Agro Industries Development Corporation Limited), (iii) decision pending from State Government on writing off proposals of the Government dues (Tamil Nadu Poultry Development Corporation Limited) and (iv) decision 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). Tamil Nadu Goods Transport Corporation Limited which was under liquidation had been directed by the State Government to be merged with State Express Transport Corporation Limited. The approval of Company Law Board is awaited. The Government may consider to expedite closing down its non-working companies.

Adverse comments on the accounts and Internal Audit of PSUs

1.28 Fifty seven working companies forwarded their 67 accounts to Principal Accountant General during 2011-12. 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	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	6.00	8	134.03	8	27.70
2.	Increase in profit	2	0.54	4	1.78	2	2.90

¹⁷ As of 30 September 2012.

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
3.	Increase in loss	10	124.20	10	89.56	14	8,704.64
4.	Decrease in loss	---	---	3	65.50	2	0.97
5.	Non-disclosure of material facts	8	263.93	2	---	---	---
6.	Errors of classification	4	24.45	1	13.07	2	2.89

1.29 During the year 2011-12, Statutory Auditors had given unqualified certificates for 35 accounts and qualified certificates for 32 accounts. Compliance of companies of the Accounting Standards (AS) remained poor. There were 33 instances of non-compliance with AS in 18 accounts during the year.

1.30 Some of the important comments are stated below:

State Transport Undertakings (2011-12)

- All the eight¹⁸ STUs collectively did not provide for pension to the extent of ₹7,681.84 crore on actuarial basis as mandated in AS-15 resulting in understatement of loss to that extent.

State Express Transport Corporation Limited (2011-12)

- The Company did not provide for penalty of ₹11.13 crore for non-payment of employees contribution (₹98.63 crore) and its contribution (₹41.58 crore) to Provident Fund Trust.

Tamil Nadu Tea Plantation Corporation Limited (2011-12)

- The Company did not provide for the additional contribution for Gratuity Fund based on actuarial valuation as mandated in AS-15 to Life Insurance Corporation of India amounting to ₹21.02 crore resulting in understatement of loss.
- The Company did not capitalise the interest paid for acquisition of fixed assets amounting to ₹0.52 crore resulting in overstatement of loss.

Electronics Corporation of Tamil Nadu Limited (2010-11)

- The sale value (₹226.68 crore) of plots allotted in Special Economic Zones was not treated as income resulting in understatement of profit and understatement of current liabilities and provisions.
- The Company accounted ₹229.50 crore being the cost of 783.71 acres of land as fixed assets. The said lands being saleable in nature should have been accounted as stock in trade. Incorrect classification of land resulted in overstatement of fixed assets and understatement of current assets to the extent of ₹229.50 crore.

¹⁸ SETC (₹563.84 crore), MTC (₹1307.00 crore), TNSTC, Salem (₹696.00 crore), TNSTC, Coimbatore (₹1,288.00 crore), TNSTC, Tirunelveli (₹714.00 crore), TNSTC, Kumbakonam (₹1,130.00 crore), TNSTC, Villupuram (₹1,081.00 crore) and TNSTC, Madurai (₹902.00 crore).

Tamil Nadu Small Industries Corporation Limited (2010-11)

- The Company valued closing stock of finished goods at a value higher than its cost price resulting in overstatement of profit as well as current assets by ₹0.92 crore.

Tamil Nadu Industrial Development Corporation Limited (2011-12)

- The Company did not provide for diminution in the value of quoted investments amounting to ₹7.87 crore and to that extent the provision of AS-13 has not been complied with.

1.31 Two¹⁹ Statutory Corporations forwarded their accounts for 2010-11 to the PAG during the year 2011-12. Audit Reports of Statutory Auditors and sole/supplementary audit of the CAG indicate that the quality of maintenance of accounts needed improvement. Details of aggregate money value of comments of Statutory Auditors and the CAG are given below:

(₹in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	---	---	1	2.64	---	---
2.	Increase in loss	1	263.30	1	394.86	2	300.87
3.	Non-disclosure of material facts	1	60.46	---	---	1	12.75
4.	Errors of classification	1	85.25	1	11.78	1	825.39
5.	Correctness of balance exhibited in accounts not susceptible of verification	1	283.55	1	20,242.42	1	26,431.93

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

Tamil Nadu Electricity Board (April 2010 to October 2010)

- Non-capitalisation of completed and commissioned assets in respect of Rajiv Gandhi Grameen Vidyutikaran Yojana scheme in Coimbatore (South) (₹3.38 crore) and Virudhunagar (₹1.01 crore) Electricity Distribution Circles with corresponding overstatement of capital expenditure in progress by ₹4.39 crore.
- Non-accounting of the loan amount (₹787.40 crore) paid by the Rural Electrification Corporation for execution of North Chennai Thermal Power Project (NCTPP) Stage-I and the interest thereon (₹33.60 crore) resulted in understatement of capital liabilities by ₹821 crore as well as

¹⁹ Tamil Nadu Warehousing Corporation Limited forwarded its accounts during 2011-12 and erstwhile Tamil Nadu Electricity Board forwarded its last accounts for the period up to October 2010 during 2012-13.

understatement of advance to contractors by ₹787.40 crore and capital work-in-progress by ₹33.60 crore.

1.32 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 under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative list of major comments made by the Statutory Auditors on possible areas for improvement in the internal audit/internal control system in respect of 30 companies for the year 2010-11 and 37 companies for the year 2011-12 is given below:

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2010-11	2011-12	2010-11	2011-12
1.	The internal audit system needs to be strengthened to make it commensurate with the size and nature of the business	3	6	38, 49 and 54	10, 11, 18, 38, 50 and 51
2.	There was no internal audit standards/manual/ guidelines prescribed by the companies for the conduct of internal audit	3	2	2, 9, and 42	24 and 38
3.	Proper records showing full particulars including quantitative details and situation of fixed assets were not maintained	---	5	---	11, 18, 34, 50 and 54
4.	The existing system of monitoring recovery of dues needs to be strengthened by preparing age-wise analysis of debtors and periodical monitoring	---	3	---	8, 10 and 60
5.	Companies did not have any defined fraud policy	19	18	2, 5, 9, 14, 20, 24, 26, 29, 30, 31, 32, 34, 36, 37, 38, 44, 49, 54, and 56	5, 8, 10, 11, 14, 23, 24, 26, 31, 34, 36, 38, 40, 41, 51, 53, 54 and 63
6.	Companies have no IT strategy/plan	21	18	2, 3, 6, 7, 9, 12, 24, 28, 29, 30, 31, 32, 34, 36, 38, 54, 59, 60, 61, 64 and 65	3, 4, 6, 10, 11, 14, 28, 31, 32, 34, 38, 51, 54, 57, 58, 60, 61 and 63
7.	Documentation of software programs not available with the companies	1	---	9	---

Sl. No.	Particulars	Number of companies where recommendations were made		Reference to serial number of the companies as per Annexure-2	
		2010-11	2011-12	2010-11	2011-12
8.	Companies have not fixed minimum and maximum limits for maintenance of stores and spares	5	1	3, 30, 32, 42 and 49	3
9.	Companies did not make ABC analysis for effective inventory control.	6	---	2, 28, 30, 37, 42, and 49	---
10.	Companies did not evolve proper security policy for software/hardware	7	---	2, 24, 30, 31, 49, 54 and 65	---
11.	There is no system of making a business plan, short term/long term and review the same <i>vis-a-vis</i> actual	---	3	---	3, 53 and 54
12.	Companies did not have Vigilance Department	---	11	---	8, 14, 26, 31, 32, 34, 38, 41, 51, 52 and 54

Recoveries at the instance of audit

1.33 During the course of propriety audit in 2011-12, recoveries of ₹52.76 crore were pointed out to erstwhile Tamil Nadu Electricity Board, an amount of ₹23.59 crore (including ₹22.97 crore pertaining to earlier years) was recovered during the year 2011-12.

Disinvestment, Privatisation and Restructuring of PSUs

1.34 Tamil Nadu Electricity Board had been unbundled into three companies – one holding Company and two subsidiaries. The State Government accorded (October 2008) in-principle approval for unbundling of Tamil Nadu Electricity Board (TNEB) by the establishment of a holding Company, Tamil Nadu Electricity Board Limited (TNEB Limited) and two subsidiary companies *viz.*, Tamil Nadu Transmission Corporation Limited (TANTRANSCO) and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). TANTRANSCO was incorporated in June 2009 and TNEB Limited and TANGEDCO were incorporated in December 2009. Based on the orders of Government (October 2010), TNEB ceased functioning with effect from 1 November 2010 and all the activities hitherto carried out by it are now being carried out by the three companies.

Reforms in Power Sector

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

1.35 The State Government formed Tamil Nadu Electricity Regulatory Commission (TNERC) in March 1999 under the Electricity Regulatory Commissions Act, 1998, with the objective of rationalisation of electricity tariff, for advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. CAG, who is the Auditor for TNERC has issued Separate Audit Reports (SAR) up to 2011-12. The SARs up to 2010-11 have been placed in the State Legislature. TNERC issued 11 tariff orders including two on determination of tariff for generation and distribution of TANGEDCO and intra State transmission and other related charges of TANTRANSCO.

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 Tamil Nadu Electricity Board:

	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2012)
1.	Reduction of Transmission and Distribution losses to 15 <i>per cent</i>	December 2003	As per provisional accounts of TANGEDCO for the year 2010-11, Transmission and Distribution losses worked out to 21.92 <i>per cent</i> .
2.	100 <i>per cent</i> 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 up to 1 October 2012.
3.	Current operations in distribution to reach break-even	March 2003	As per the accounts finalised for 2010-11, TANGEDCO has accumulated losses amounting to ₹13,480.06 crore and TANTRANSCO has accumulated losses amounting to ₹4,031.85 crore.
4.	Energy audit at 11 KV sub-stations 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 <i>per cent</i> . By carrying out improvement works, the line losses have been brought below 10 <i>per cent</i> in 1,091 feeders so far.