

CHAPTER-I

CHAPTER - I

1 Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and a Statutory Corporation. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2015, in Tamil Nadu, there were 72 PSUs. Of these, two companies¹ were listed on the stock exchange. During the year 2014-15, one PSU² was incorporated, whereas six PSUs³ were closed down. The details of the State PSUs in Tamil Nadu as on 31 March 2015 are given below:

Table:1.1 Total number of PSUs as on 31 March 2015

Type of PSUs	Working PSUs	Non-working PSUs ⁴	Total
Government companies ⁵	64	7	71
Statutory Corporation	1	---	1
Total	65	7	72

(Source: Details collected from the Government)

The working PSUs registered a turnover of ₹ 87,083.36 crore, as *per* their latest finalised accounts as of September 2015. This turnover was equal to 8.92 *per cent* of State Gross Domestic Product (GDP) for 2014-15. The working PSUs incurred loss of ₹ 14,853.45 crore, as *per* their latest finalised accounts, as of September 2015. They had employed 2.88 lakh employees as at the end of March 2015.

As on 31 March 2015, there were seven non-working PSUs existing from 13 to 25 years and having investment of ₹ 152.88 crore.

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

² Tamil Nadu Skill Development Corporation Limited.

³ Tamil Nadu Magnesum and Marine Chemicals Limited, Tamil Nadu Steels Limited, Tamil Nadu Graphites Limited, Tamil Nadu Leather Development Corporation Limited, Tamil Nadu Film Development Corporation Limited and Tamil Nadu Institute of Information Technology.

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

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

Accountability frame work

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

Statutory Audit

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

Audit of Statutory Corporation is governed by its respective legislation. At present, in Tamil Nadu, there is only one Statutory Corporation *viz.*, Tamil Nadu Warehousing Corporation. Its audit is conducted by Chartered Accountants and supplementary audit by CAG, in pursuance of the State Warehousing Corporations Act, 1962.

Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors’ Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports, in case of Statutory Corporation are to be placed before the Legislature under Section 394 of the

Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19 A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Tamil Nadu

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

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

Investment in State PSUs

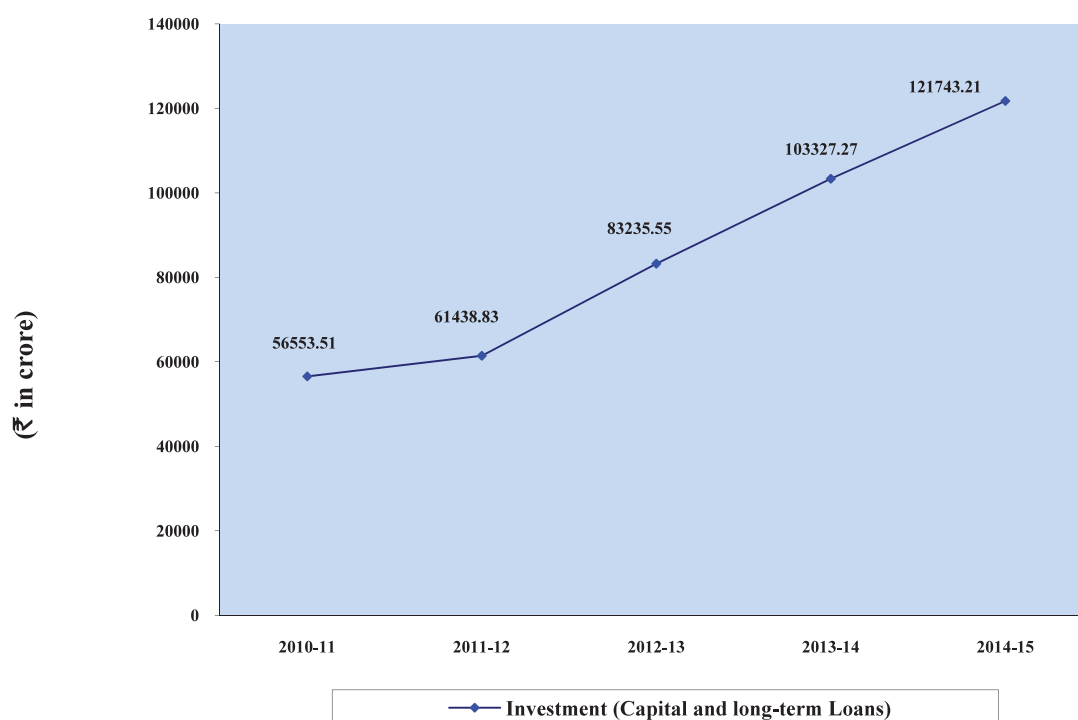
1.6 As on 31 March 2015, the investment (capital and long-term loans) in 72 PSUs was ₹ 1,21,743.21 crore as per details given below:

Table 1.2: Total investment in PSUs

Type of PSUs	Government companies			Statutory Corporation			Grand total
	Capital	Long-term loans	Total	Capital	Long-term loans	Total	
Working PSUs	34,960.63	86,622.09	1,21,582.72	7.61	---	7.61	1,21,590.33
Non-working PSUs	47.93	104.95	152.88	---	---	---	152.88
Total	35,008.56	86,727.04	1,21,735.60	7.61	---	7.61	1,21,743.21

As on 31 March 2015, of the total investment in State PSUs, 99.87 *per cent* was in working PSUs and the remaining 0.13 *per cent* in non-working PSUs. This total investment consisted of 28.76 *per cent* towards capital and 71.24 *per cent* in long-term loans. The investment has grown by 115.27 *per cent* from ₹ 56,553.51 crore in 2010-11 to ₹ 1,21,743.21 crore in 2014-15, due to loans availed by State Transport Undertakings and power companies from sources like banks and other financial institutions, as shown in the graph below:

Chart 1.1 Total investment in PSUs



1.7 The sector-wise summary of investments in the State PSUs as on 31 March 2015 is given below:

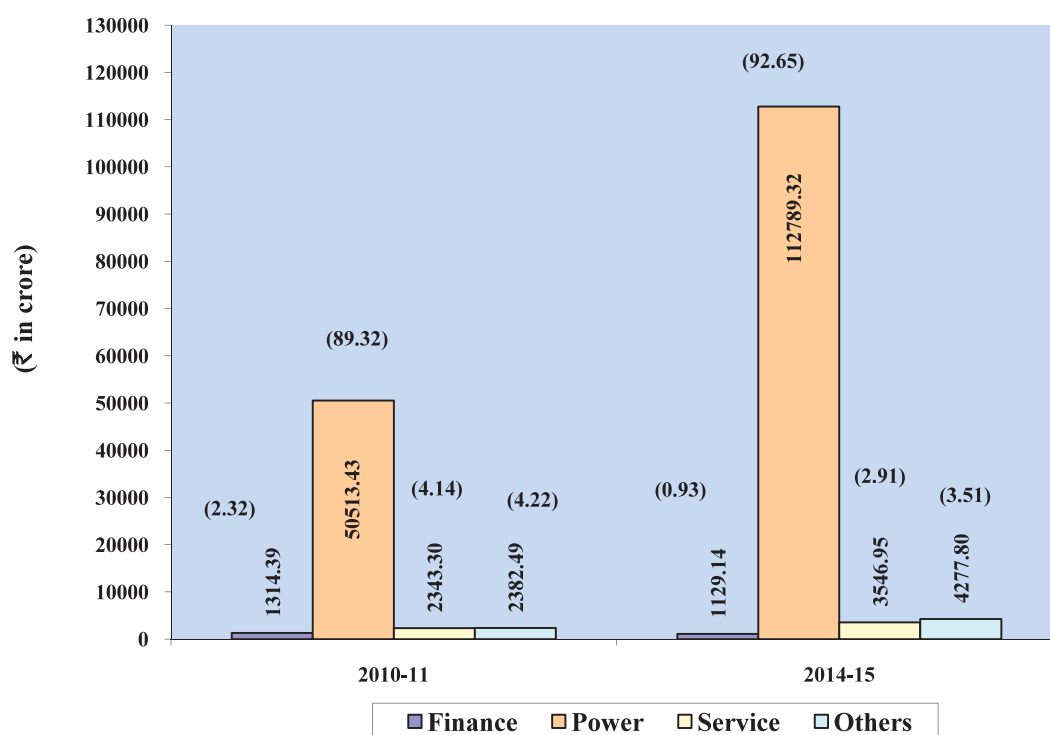
Table 1.3: Sector-wise investment in PSUs

(₹ in crore)

Name of Sector	Government/Other companies		Statutory Corporation	Total	Investment (In per cent)
	Working	Non-working	Working		
Power	1,12,789.32	---	---	1,12,789.32	92.65
Manufacturing	2,174.03	118.03	---	2,292.06	1.88
Finance	1,129.14	---	---	1,129.14	0.93
Service	3,539.01	0.33	7.61	3,546.95	2.91
Infrastructure	1,902.50	6.00	---	1,908.50	1.57
Agriculture & Allied	48.72	28.52	---	77.24	0.06
TOTAL	1,21,582.72	152.88	7.61	1,21,743.21	

The investment in four significant sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are indicated below in the bar chart. The thrust of PSUs investment was mainly in power sector, which increased from 89.32 to 92.65 per cent during 2010-11 to 2014-15.

Chart 1.2: Sector-wise investment in PSUs



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

Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs are given below for three years ended 2014-15.

Table 1.4: Details regarding budgetary support to PSUs

(₹ in crore)							
Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	13	885.50	14	2,669.93	14	4,663.25
2	Loans given from budget	1	3,261.00	4	44.48	9	6,479.95
3	Grants/subsidy from budget	19	9,771.39	19	11,245.18	21	12,224.93
4	Total outgo (1+2+3)	24⁶	13,917.89	23⁶	13,959.59	27⁶	23,368.13

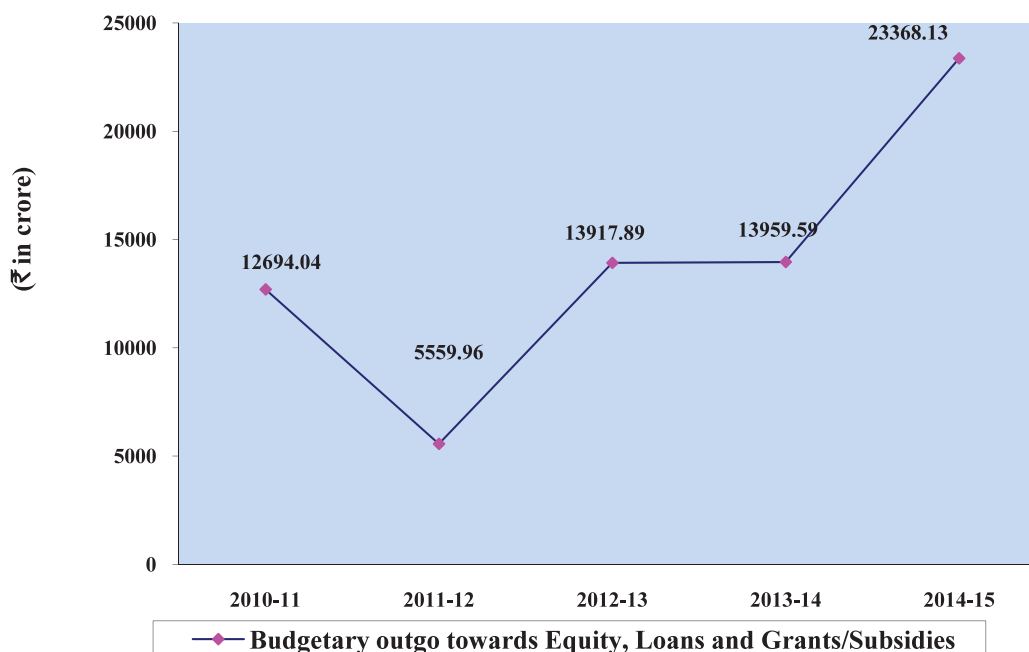
⁶ These are the actual number of Companies/Corporation, which have received budgetary support in the form of equity, loan, subsidies and grants from the State Government during the respective years.

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
5	Loans converted into equity	---	---	---	---	1	40.00
6	Loans written off	1	0.98	---	---	---	---
7	Interest/penal interest written off	1	0.05	---	---	---	---
8	Total waiver (6+7)	1	1.03	---	---	---	---
9	Guarantees issued	6	28,671.09	9	13,160.11	7	6,548.33
10	Guarantee commitment	11	16,951.26	13	39,716.81	13	46,853.57

(Source: Details furnished by the companies)

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

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



Budgetary support in respect of equity, loans and grants/subsidies showed an increasing trend from 2011-12 to 2014-15 mainly due to increase in equity, loans and subsidy by the State Government over the years to electricity companies, Tamil Nadu Civil Supplies Corporation Limited and State Transport Corporations.

PSUs are liable to pay guarantee commission to the State Government upto 0.5 *per cent* of the amount of guarantee utilised by them on raising cash credit from banks and loans from other sources including operating Letters of Credit. The guarantee commitment increased to ₹ 46,853.57 crore during 2014-15 from ₹ 39,716.81 crore in 2013-14. Further, eight PSUs paid guarantee fee to the tune of ₹ 2.26 crore during 2014-15. There were five PSUs, which did not pay guarantee commission during the year and the accumulated⁷/outstanding guarantee commission thereagainst was ₹ 211.75 crore as on 31 March 2015.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees, outstanding as per records of State PSUs, should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2015 is stated below:

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

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	19,022.97	19,113.56	90.59
Guarantees	53,129.24	46,853.57	6,275.67

(Source: Finance Accounts for 2014-15 and details furnished by the companies)

Audit observed that the differences occurred in nine PSUs and five PSUs, in respect of equity and guarantees, respectively. Reconciliation of difference was pending from March 2005 in case of one PSU⁸. The Principal Secretary to Government of Tamil Nadu, Finance Department was addressed (January 2016) and his attention was drawn to the need for reconciliation of figures in Finance Accounts and 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.

Arrears in finalisation of accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year, *i.e.*, by September end, in accordance with the provisions of Section 96 (1) of the Act. Failure to do so, may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporation, its accounts are finalised and audited and presented to the Legislature as per the provisions of the respective Act.

⁷ Serial Number 8, 10, 13, 34 and 45 of Annexure-2.

⁸ Tamil Nadu Road Infrastructure Development Corporation Limited.

The table below provides the details of progress made by working PSUs in finalisation of accounts as on 30 September 2015.

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

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of working PSUs	67	64	64	64	65
2.	Number of accounts finalised during the year	63	67	64	68	57
3.	Number of accounts in arrears	39	25	25	21	29
4.	Number of working PSUs with arrears in accounts	26	21	21	17	25
5.	Extent of arrears (years)	1 to 9	1 to 3	1 to 3	1 to 2	1 to 2

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

It can be observed that the number of accounts in arrears had increased from 21 in 2013-14 to 29 in 2014-15.

The Administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within stipulated period. The Accountant General (AG), Economic & Revenue Sector Audit, Tamil Nadu has brought the position of the arrears of accounts to the notice of the Principal Secretary, Finance Department every quarter. Arrears in accounts were noticed in 25 working PSUs upto 2014-15. Their net worth could not be assessed in Audit. The matter was also brought to the notice of the Chief Secretary, Government of Tamil Nadu in the Apex Committee meeting held in July 2015 by the AG.

1.11 The State Government had invested ₹ 10,593.82 crore in nine PSUs {equity ₹ 4,330.15 crore (five PSUs) loans: ₹ 6,223.16 crore (one PSU) and grants: ₹ 40.51 crore (six PSUs)}, during the years for which accounts have not been finalised, as detailed in **Annexure-1**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to the above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of seven non-working PSUs, one PSU viz., Tamil Nadu Sugarcane Farms Corporation Limited was wound up in 2015-16. Tamil Nadu Goods Transport Corporation Limited has submitted winding up proposals and hence, its accounts are not considered due. Of the remaining five non-working PSUs, one⁹ Company has submitted its accounts for the year 2014-15 and another viz., Tamil Nadu Agro Industries

⁹ State Engineering and Servicing Company of Tamil Nadu Limited.

Corporation Limited had submitted its ten accounts for the years from 2003-04 to 2012-13. Four¹⁰ PSUs are in arrears from one to thirteen years.

Table: 1.7 Position relating to arrears of accounts in respect of non-working PSUs

Number of non-working companies	Period for which accounts were in arrears	Number of years for which accounts were in arrears
4	2002-03 to 2014-15	1 - 13

Impact of non-finalisation of accounts

1.13 As pointed out above (Para 1.10 to 1.12), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that:

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

Performance of PSUs as per their latest finalised accounts

1.14 The financial position and working results of working Government companies and Statutory Corporation are detailed in **Annexure-2**. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for a period of five years ending 2014-15.

Table:1.9 Details of working PSUs turnover vis-a-vis State GDP

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover ¹¹	55,193.64	65,804.92	70,673.64	83,455.28	87,083.36
State GDP	5,47,267	6,39,025	7,44,474	8,54,238	9,76,703
Percentage of turnover to State GDP	10.09	10.30	9.49	9.77	8.92

(Figures of State GDP for 2014-15 are advance estimates reset with base year as 2004-05).

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

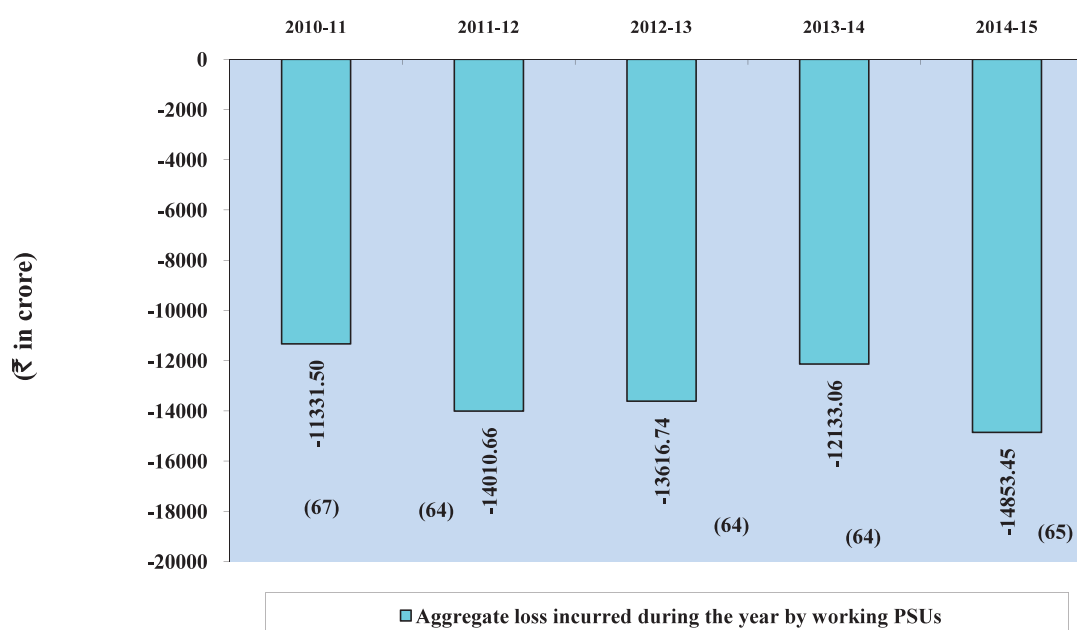
¹⁰ (i) Tamil Nadu Agro Industries Development Corporation Limited, (ii) Tamil Nadu Poultry Development Corporation Limited, (iii) Tamil Nadu State Construction Corporation Limited and (iv) Southern Structural Limited.

¹¹ Turnover as per the latest finalised accounts as of 30 September 2015.

Turnover of PSUs has increased continuously from 2010-11 to 2014-15 and increased by 57.78 *per cent* in 2014-15 as compared to 2010-11. Percentage of turnover of PSUs to State GDP decreased from 2010-11 to 2014-15.

1.15 Overall losses incurred by State working PSUs during 2010-11 to 2014-15, as per the latest finalised accounts are given below in bar chart.

Chart: 1.4 Profit/Loss of working PSUs



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

Working PSUs of the State collectively incurred continuous losses from 2010-11 to 2014-15, which increased from ₹ 11,331.50 crore to ₹ 14,853.45 crore during the same period, though there is a marginal decrease in 2013-14 as compared to the previous years 2011-12 and 2012-13.

As per the latest finalised accounts, out of 65 working PSUs, 41 PSUs earned a profit of ₹ 1,979.79 crore and 20 PSUs incurred a loss of ₹ 16,833.24 crore. In respect of Tamil Nadu Civil Supplies Corporation Limited, the entire deficit of income is compensated by the State Government in the form of subsidy. Three¹² companies neither earned profit nor incurred any loss.

The accounts finalised as of 30 September 2015 indicate that major contributors to profit were Tamil Nadu Transmission Corporation Limited (₹ 1,308.03 crore), Tamil Nadu Newsprint and Papers Limited (₹ 166.73 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹ 105.78 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹ 87.21 crore), Tamil Nadu Industrial Development Corporation Limited (₹ 56.99 crore), Tamil Nadu Industrial Investment Corporation Limited (₹ 25.73 crore) and Arasu Cable TV Corporation Limited

¹² Serial Number 20, 25 and 42 of Annexure-2.

(₹ 18.46 crore). Heavy losses were incurred by Tamil Nadu Generation and Distribution Corporation Limited (₹ 13,985.03 crore) and all the eight¹³ State Transport Corporations (₹ 2,654 crore).

1.16 Some other key parameters of PSUs are given below:

Table:1.10 Key parameters of State PSUs

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on capital Employed (per cent)	NIL ¹⁴	NIL	NIL	NIL	NIL
Debt	46,792.10	43,157.68	62,044.08	77,285.51	86,727.04
Turnover ¹⁵	55,193.64	65,804.92	70,673.60	83,455.24	87,083.36
Debt/turnover ratio	0.85:1	0.66:1	0.88:1	0.93:1	0.99:1
Interest payments	4,436.43	5,808.14	6,649.97	7,840.67	9,830.89
Accumulated losses	33,621.12	59,636.87	38,233.61	50,826.43	65,725.89

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

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

1.17 The State Government had formulated (May 2014) a dividend policy, under which all PSUs are required to pay a minimum return of 30 *per cent* of net profit after tax or 30 *per cent* of the paid-up share capital, whichever is higher, subject to availability of disposable profits. As per their latest finalised accounts as of 30 September 2015, 41 State PSUs earned an aggregate profit of ₹ 1,979.79 crore and 17 PSUs declared a total dividend of ₹ 162.02 crore. Of this, major contributors of the dividend were Tamil Nadu Newsprint and Papers Limited (₹ 41.53 crore), Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (₹ 31.73 crore), State Industries Promotion Corporation of Tamil Nadu Limited (₹ 26.06 crore) and Tamil Nadu Industrial Development Corporation Limited (₹ 21.61 crore) aggregating to ₹ 120.93 crore, which worked out to 74.64 *per cent* of total dividend declared (₹ 162.02 crore) during the year 2014-15.

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

Table:1.11 Declaration of dividend by PSUs at rates lower than that stipulated by the Government

(₹ in crore)

Sl.No.	Name of the Company	Dividend to be declared as per GO	Dividend actually declared	Reference to Serial Number in Annexure-2
1.	TIIC	7.72	NIL	5
2.	TAHDCO	0.69	NIL	8

¹³ Serial number 56 to 63 of Annexure-2.

¹⁴ NIL indicates that Return on Capital Employed was negative during those years.

¹⁵ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2015.

Sl.No.	Name of the Company	Dividend to be declared as per GO	Dividend actually declared	Reference to Serial Number in Annexure-2
3.	TN Women Limited	2.33	NIL	11
4.	TUFIDCO	1.03	0.64	12
5.	TN Road Development	3.00	NIL	22
6.	IT Expressway	2.16	NIL	23
7.	TANSI	6.00	NIL	27
8.	TANMAG	5.00	NIL	36
9.	TNPL	50.02	41.53	40
10.	TANTRANSCO	392.41	NIL	44
11.	Arasu Cable	7.50	5.50	65
12.	TANWARE	4.51	2.28	

(Source: Latest finalised accounts of companies)

Winding up of non-working PSUs

1.18 There were seven non-working PSUs as on 31 March 2015. Of these, one PSU¹⁶ had commenced liquidation process and one PSU¹⁷ had since wound up its operation in 2015-16. The number of non-working companies at the end of each year during the past five years are given below:

Table:1.12 Non-working PSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Number of non-working companies	9	13	13	13	7

(Source: Details collected from the Government)

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, these PSUs may be considered either to be closed down or revived. During 2014-15, five non-working PSUs incurred an expenditure of ₹ 45.85 lakh. This expenditure was met from the internal resources of these PSUs.

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

Table:1.13 Closure of non-working PSUs

Sl. No.	Particulars	Companies
1.	Total number of non-working PSUs	7
2.	Of (1) above, the number under	
(a)	Liquidation by Court (liquidator appointed)	---
(b)	Voluntary winding up (liquidator appointed)	1

¹⁶ Tamil Nadu Goods Transport Corporation Limited.

¹⁷ Tamil Nadu Sugar Cane Farms Corporation Limited.

Sl. No.	Particulars	Companies
(c)	Closure, <i>i.e.</i> , closing orders/instructions issued but liquidation process has not yet started	4
3.	Merger orders issued and pending implementation	2

(Source: Details furnished by the Government)

During the year 2014-15, six companies were finally wound up. The process of voluntary winding up under the Companies Act is much faster and needs to be pursued vigorously. Tamil Nadu Sugarcane Farms Corporation Limited was wound up in 2015-16. The Government may take a decision regarding winding up of the remaining six non-working PSUs.

Accounts Comments

1.20 52 working companies forwarded their 56 audited accounts to AG during the year 2014-15. Of these, 36 accounts of 34 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the 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 CAG are given below:

Table:1.14 Impact of audit comments on working companies

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	9	53.40	7	106.59	9	170.29
2.	Increase in profit	4	286.70	4	326.32	---	---
3.	Increase in loss	12	9,117.30	14	10,674.85	14	11,207.08
4.	Decrease in loss	2	47.86	---	---	3	87.79
5.	Non-disclosure of material facts	3	69.57	2	2.25	1	44.94
6.	Errors of classification	2	172.90	2	246.03	8	101.50

(Source: Latest finalised annual accounts of companies)

During the year, the Statutory Auditors had given unqualified certificates for 29 Accounts, qualified certificates for 26 accounts and adverse certificate (which means that accounts do not reflect a true and fair position) for one account. The compliance of companies with the Accounting Standards remained poor, as there were 52 instances of non-compliance in 19 accounts during the year.

1.21 Similarly, the Tamil Nadu Warehousing Corporation forwarded its accounts for 2013-14 to AG during the year 2014-15, for which supplementary audit was conducted. The Audit Reports of Statutory Auditors 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 CAG are given below:

Table:1.15 Impact of audit comments on Tamil Nadu Warehousing Corporation
(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	3.55	1	3.81	1	3.44

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

Response of the Government to Audit

Performance Audit and Paragraphs

1.22 For the Report of the CAG of India for the year ended 31 March 2015, three Performance Audits and 12 audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of two compliance audit paragraphs were awaited from the State Government (January 2016).

Follow-up action on Audit Reports

Replies outstanding

1.23 The Report of the CAG of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Tamil Nadu issued (January 1991) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of two months of their presentation to the Legislature in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Table: 1.16 Explanatory notes not received (as on December 2015)

Year of the Audit Report	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		Performance Audit	Paragraphs	Performance Audit	Paragraphs
2008-09	14.05.2010	03	21	02	---
2010-11	16.05.2012	02	18	01	02
2011-12	15.05.2013	02	14	---	02
2012-13	12.08.2014	01	15	01	14
2013-14	29.09.2015	01	15	01	15
TOTAL		09	83	05	33

From the above, it could be seen that out of nine Performance Audits and 83 paragraphs, explanatory notes to five performance audits and 33 paragraphs in

respect of eight departments, which were commented upon, were awaited (December 2015).

Discussion of Audit Reports by COPU

1.24 The status as on 31 December 2015 of Performance Audits/paragraphs that appeared in Audit Reports (PSUs) and discussed by COPU was as under:

Table 1.17 Reviews/Paras appeared in Audit Reports *vis-a-vis* discussed as on 31 December 2015

Period of Audit Report	Number of PAs/paragraphs			
	Appeared in Audit Report		Para discussed	
	PAs	Paragraphs	PAs	Paragraphs
2003-04	04	20 ¹⁸	03	10
2006-07	04	23	03	23
2007-08	04	20	02	20
2008-09	03	21	01	20
2009-10	02	17	---	17
2010-11	02	18	---	02
2011-12	02	14	01	01
2012-13	01	15	---	01
2013-14	01	15	---	---
TOTAL	23	163	10	94

Compliance to Reports of COPU

1.25 Action Taken Notes (ATNs) to 193 paragraphs pertaining to 35 Reports of the COPU presented to the State Legislature between April 2002 and March 2015 had not been received (December 2015) as indicated below:

Table 1.18: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
2002-03	04	04	04
2003-04	01	04	04
2006-07	01	05	05
2009-10	04	44	41
2010-11	01	17	17
2011-12	04	28	28
2012-13	01	06	06
2013-14	19	88	88
TOTAL	35	196	193

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

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 13 Departments, which appeared in the Reports of CAG of India for the years 1992-93 to 2009-10.

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

Coverage of this Report

1.26 This Report contains 11 paragraphs and three Performance Audits *i.e.*, on (i) Tamil Nadu Sugar Corporation Limited and Perambalur Sugar Mills Limited, (ii) Procurement of Wind energy by Tamil Nadu Generation and Distribution Corporation Limited and (iii) Construction, operation and maintenance of storage facilities by Tamil Nadu Warehousing Corporation involving financial effect of ₹ 1,217.55 crore.

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

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

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

1.28 The State Government formed Tamil Nadu Electricity Regulatory Commission (TNERC) in March 1999 under the Electricity Regulatory Commissions Act, 1998, with the objective of rationalisation of electricity tariff, for advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. CAG, who is the Auditor for TNERC, has issued Separate Audit Reports (SARs) upto 2014-15. The SARs upto 2013-14 have been placed in the State Legislature. During 2014-15, TNERC issued three tariff orders including two on *suo motu* determination of Tariff for Generation and Distribution of TANGEDCO and Tariff for transmission and other related charges of TANTRANSCO and one Comprehensive Tariff Order on solar power.

In pursuance of the decisions taken at the Chief Ministers' conference on Power Sector Reforms held in March 2001, a Memorandum of Understanding (MOU) was signed in January 2002 between the Ministry of Power, Government of India and the Department of Energy, Government of Tamil Nadu as a joint commitment for implementation of the reform programme in the power sector with identified milestones.

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

Table:1.19 Non-achievement of commitments made in the MOU

	Commitment as per MOU	Target completion schedule	Status (as on 31 March 2015)
1.	Reduction of Transmission and Distribution losses to 15 <i>per cent</i>	December 2003	As per the provisional accounts of TANGEDCO for the year 2014-15, Transmission and Distribution losses worked out to 22.02 <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. TNERC, in its order dated 11 July 2013, extended the time for fixing of individual meters in agricultural and hut services upto 31 March 2014. Meanwhile, TANGEDCO had approached the Government for issue of policy direction to the Commission. Response from the Government to TANGEDCO's proposal was still awaited (December 2015).
3.	Current operations in distribution to reach break-even	March 2003	As per the certified accounts for 2014-15, TANGEDCO had incurred a loss of ₹ 12,756.59 crore and TANTRANSCO had incurred a loss of ₹ 112.93 crore.
4.	Energy audit at 11 KV sub-stations level	January 2002	Out of 1,603 feeders identified with loss of more than 10 <i>per cent</i> , the losses were brought down to below 10 <i>per cent</i> in 1,211 feeders. The reduction of losses in the balance 392 feeders involves large capital works such as erection of sub-stations. Energy Auditing was conducted on the lengthy HT feeders, which has more number of distribution transformers and load in all the Electricity Distribution Circles.

(Source: Details furnished by TANGEDCO)

