



Powering Tamil Nadu's Progress...

From

To

Rajeev Ranjan, I.A.S.,
Chairman cum Managing Director,
144, Anna Salai,
Chennai-600 002.

The Superintending Engineer,

Lr.No.CFC/FC/DFC/Bud/AO/F.cost control/D.941 /2012 dt 12.05.2012

Sub:TANGEDCO – Persisting financial crisis in 2012-13 –
Budgetary control Exercise - Guidelines issued – Reg :

The TANGEDCO is facing enormous difficulty in managing financial operations with the huge accumulated losses and also with unmanageable debts outstanding at the previous year end. The TANGEDCO has filed a comprehensive Tariff Revision Petition with Hon'ble TNERC, due to higher negative internal generation of funds from operations. The Commission issued the revised Tariff Order No.1 dated 30.03.2012 and the same was implemented from 1.4.2012.

However, the estimated budget deficit for the current year 2012-13 is Rs.4312.04 crores, even after taking into account the revised Tariff effected and expected commissioning of new capacity addition projects. In this juncture, it is completely necessary for strict adherence of budgetary control measures without affecting the normal functioning of the Board.

Budgetary Control :

The budget proposals for the year 2012-13 submitted by all the budgetary heads have been critically reviewed and many non-prioritized schemes were deleted while allotting the provision. The budgetary units were advised to exercise strict budgetary control through out their functional action. Periodically budgetary guidelines were issued for strict follow up and adherence at the circle level.



In order to effectively implement budgetary control measures in the current financial year, the following instructions are reiterated:

1. The availability of budget provision needs to be strictly ensured at all the stages of procurement of materials / taking up of works. The activities viz., initiating estimates / indents, sanctioning of schemes, invitation of tenders, admission of claims/making payment, etc shall be supported by adequate budget provision.
2. The need for the procurement of materials / execution of the work should be re-examined and availability of budget provision alone is not the authorization for the procurement of materials / execution of works. It shall be the absolute requirement for carrying on regular operations of the entity. Procurement / works which can be deferred should not be taken up now, which leading to accumulation of inventory. Excess inventory leads to loss of interest to the Board on the borrowed capital, besides carrying cost.
3. The financial crisis prevailing in TANGEDCO has to be sensitized to all level officers, so as to prioritize the schemes, based on the essentiality and to avoid engaging in redundant schemes.
4. The schemes taken up without adequate budget provision shall not be permitted and no schemes could be taken without budget provision. If any such deviation is found, responsibility will be fixed on the budgetary unit head only.
5. The budget provision for TANGEDCO has been approved by the Board and any variation from that approval has to be permitted by the Board of TANGEDCO only. Thus, interchanging of budget provision / deviation from approved schemes and also interchanging of budget between the circles will not be permitted.



6. Budget provision is only for the approved schemes and not for circle/office and the unit head has no discretionary powers to interchange the budget provision among various schemes. The works that has not been contemplated / envisaged during the budget approval should again be sent with due justification for approval by the competent authority. In other words, prior approval shall be obtained for new schemes which have not been approved in budget.
7. There shall be proper internal control mechanism to closely monitor the expenses at every level of execution. The register indented for watching the pattern of expenditure in line with approved budget provisions shall be maintained and reviewed periodically by the budgetary unit heads.
8. The schemes have to be clearly segregated into Repairs & Maintenance and Capital expenditure, which has vital impact in seeking tariff revision with Hon'ble TNERC. While reviewing the statement of accounts, Audit slips, budget proposals, Fund indent, MIS returns, etc, furnished by the circles, it is learnt that there is lack of application of accounting procedures. Suitable arrangements may have to be made to account the capital expenditure and Repairs & maintenance from the initial stage of proposals.
9. In the Tariff Order No.1 dated 30.03.2012, the Hon'ble TNERC has directed as

Direction No. 11.14 : "The amount approved for R&M expenses should not be diverted for any other purpose."

While submitting the fund requirements, this aspect of proper demarcation between CAPEX and R&M expenses shall be meticulously considered.



10. The fund allotment will be made only for the approved schemes, as the borrowing programme and resource mobilization are being carried out purely based on the approved schemes. Any deviation in outflow of funds than programmed will severely jeopardize the financial management.

In order to have proper internal control on the flow of expenditure in line with approved schemes / works, the officers concerned may be advised to maintain appropriate records to apprise review of expenses on monthly basis. It is also instructed to ensure that the quarterly review report is furnished to the Headquarters within the due date. This will facilitate adequate systematic review at the circle itself.

Rangan
CMD / TANGEDCO 15/5/2012

- Copy to the Director / Finance / TANGEDCO
Copy to the Director / Generation / TANGEDCO
Copy to the Director / Distribution / TANGEDCO
Copy to all the Chief Engineers / TANGEDCO.