

Chapter I

1. Overview of State Public Sector Undertakings (PSUs)

1.1 Introduction

1.1.1 The State Public Sector Undertakings (PSUs), consisting of State Government Companies and Statutory Corporations, are established to carry out activities of a commercial nature, while keeping in view the welfare of the people. In Andhra Pradesh, the State PSUs occupy an important place in the State economy. The 22 working State PSUs¹ who had finalised their annual accounts for 2011-12 as of date, registered a turnover of ₹ 68,212.70 crore during 2011-12 which was equal to 10.09 *per cent* of the State Gross Domestic Product (GDP)² for 2011-12. These 22 PSUs generated an aggregate profit of ₹ 637.98 crore for 2011-12, had employed 2.52 lakh employees. The State PSUs do not include Departmental Undertakings (DUs), which carry out commercial operations but are part of Government Departments. Audit findings in respect of these DUs are incorporated, as appropriate, in other Audit Reports of the State.

1.1.2 As on 31 March 2012, there were 74 PSUs as per the details given below. Of these, no Company was listed on the stock exchanges.

Table 1.1 – Profile of State PSUs

Type of PSUs	Working PSUs	Non-working PSUs ³	Total
Government Companies	47 ⁴	24 ⁵	71
Statutory Corporations	3	-	3
Total	50	24	74

Source: As provided by respective PSU.

1.1.3 During the year 2011-12, two PSUs, namely Andhra Pradesh Aviation Corporation Limited and Pashamylaram Textiles Park, were added to our audit jurisdiction.

1.2 Audit Mandate

1.2.1 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

¹ 20 Government Companies and 2 Statutory Corporations.

² Advance Estimate.

³ Non-working PSUs are those which have ceased to carry on their operations.

⁴ Includes six working companies under Section 619-B of the Companies Act, 1956 (Sl.No. 6, 14, 15, 21, 30 and 40 of Part A of Annexure-1.1).

⁵ Includes six non-working companies under Section 619-B of the Companies Act, 1956 (Sl.No. 17 to 22 of Part C of Annexure-1.1).

Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

1.2.2 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 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.

1.2.3 Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory Corporations, CAG is the sole auditor for Andhra Pradesh State Road Transport Corporation. In respect of Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

1.3 Investment in State PSUs

1.3.1 As on 31 March 2012, the investment (capital and long-term loans)⁶ in 74 PSUs (including 619-B companies) was ₹ 57,982.25 crore, as per details given below:

Table 1.2 – Investment in State PSUs

(₹ in crore)

Particulars	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	7757.92	43500.56	51258.48	414.89	6039.90	6454.79	57713.27
Non-working PSUs	81.97	187.01	268.98	-	-	-	268.98
Total	7839.89	43687.57	51527.46	414.89	6039.90	6454.79	57982.25

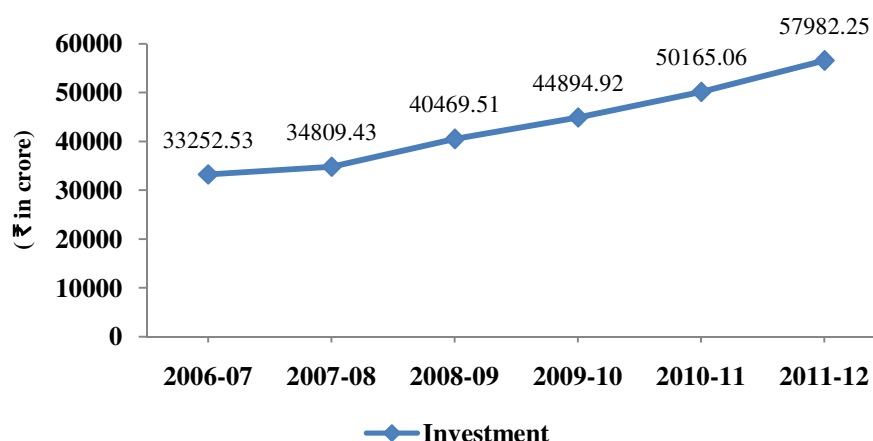
Source: Audited accounts of State PSUs for 2011-12 where available, or information furnished by the PSUs

A summarised position of Government investment in State PSUs is detailed in **Annexure-1.1**.

1.3.2 As on 31 March 2012, of the total investment in State PSUs, 99.54 per cent was in working PSUs and the remaining 0.46 per cent in non-working PSUs. This total investment consisted of 14.24 per cent towards capital and 85.76 per cent in long-term loans. The investment has grown by 74.37 per cent from ₹ 33,252.53 crore in 2006-07 to ₹ 57,982.25 crore in 2011-12 as shown below.

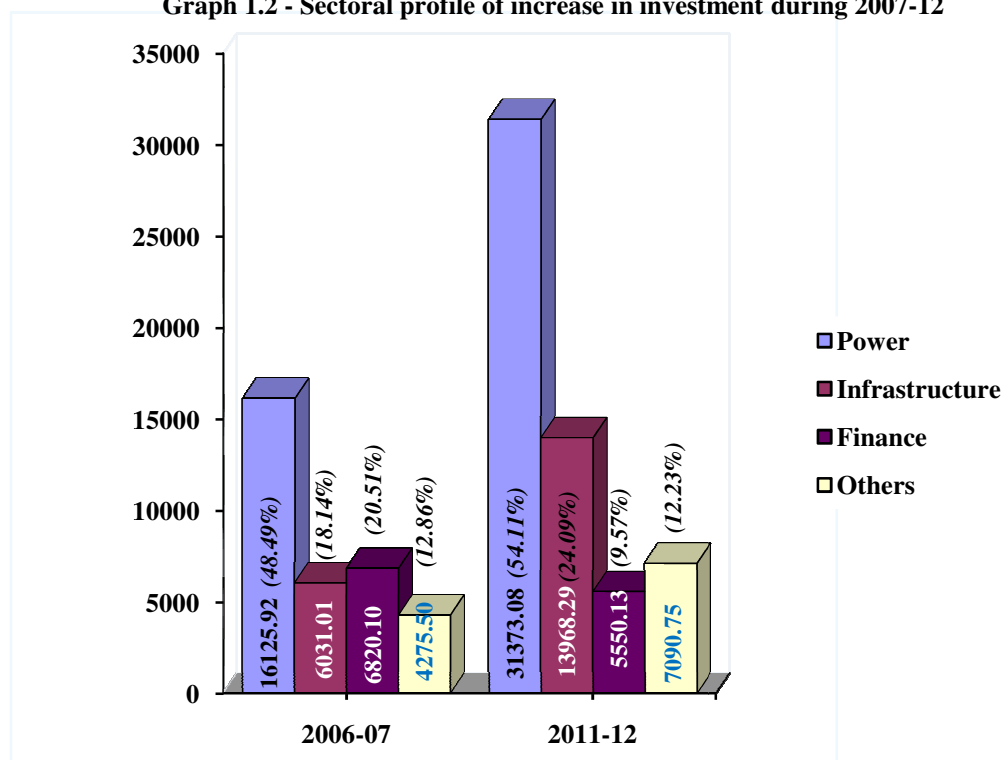
⁶ Includes investment (capital and long-term loans) by the State Government, the Central Government and others.

Graph 1.1 - Investment (Capital and long term loans)



1.3.3 The investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart. The thrust of PSUs investment was mainly on the power sector during the last five years, with the investment in this sector increasing in percentage terms from 48.49 in 2006-07 to 54.11 in 2011-12. The investment in the infrastructure sector also increased in percentage terms from 18.14 in 2006-07 to 24.09 in 2011-12.

Graph 1.2 - Sectoral profile of increase in investment during 2007-12



(Figures in brackets show the percentage of total investment)

In absolute terms, during the period from 2006-07 to 2011-12, the investment in the infrastructure sector increased by ₹ 7,937.28 crore, primarily due to increase in investment in the Andhra Pradesh State Housing Corporation Ltd. (₹ 5,663.23 crore) and development of roads by Hyderabad Growth Corridor Ltd. (₹ 2,248.42 crore). The investment in the power sector increased by

₹ 15,247.16 crore during this period, primarily due to increase in respect of Andhra Pradesh Power Development Corporation Ltd. (₹ 6,074.77 crore), Andhra Pradesh Power Generation Corporation Ltd. (₹ 5,484.16 crore), Central Power Distribution Company of Andhra Pradesh Ltd. (₹ 1,579.01 crore), and Transmission Corporation of Andhra Pradesh Ltd. (₹ 1,298.54 crore).

1.4 Budgetary outgo, grants/subsidies, guarantees, loans and outstanding dues from Government of Andhra Pradesh (GoAP)

1.4.1 The details regarding budgetary outgo from Government of Andhra Pradesh (GoAP) towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-1.4**. The summarised details are given below for three years ended 2011-12.

Table 1.3 - Details of budgetary outgo

(Amount ₹ in crore)

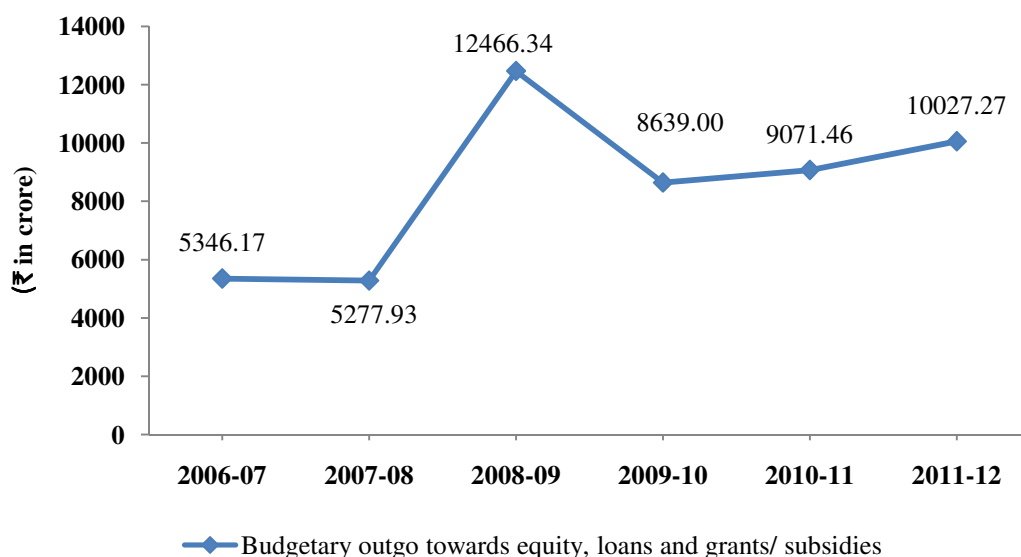
Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity capital outgo from budget	02	2.02	04	27.06	05	46.67
2.	Loans given from budget	03	648.94	05	1783.47	05	3035.07
3.	Grants/Subsidy received	20	7988.04	16	7260.93	19	6945.53
4.	Total Outgo	24⁷	8639.00	21⁷	9071.46	26⁷	10027.27
5.	Interest/Penal interest written off	01	36.18	--	--	--	--
6.	Guarantees issued	04	229.65	05	2638.05	04	4316.81
7.	Guarantee Commitment	14	13770.31	14	14275.46	14	15279.62

Source: As provided by PSUs concerned

⁷ The figure represents number of PSUs which have received outgo from budget under one or more heads i.e., equity, loans and grants/ subsidies.

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

Graph 1.3 - Budgetary outgo towards equity, loans and grants/ subsidies



1.4.3 The main beneficiaries of subsidy and grants from GoAP's budget were the power and manufacturing sectors, which received 82.19 *per cent* (₹ 5,708.68 crore) and 7.55 *per cent* (₹ 524.58 crore) of the total amount of subsidy and grants (₹ 6,945.53 crore) respectively. The majority of loans given from the budget was also to the power and manufacturing sectors, which received 51.53 *per cent* (₹ 1,563.94 crore) and 30.96 *per cent* (₹ 939.63 crore) of the total amount of loans (₹ 3,035.07 crore) respectively.

1.4.4 Notwithstanding the budgetary outgo indicated above, there was a total outstanding receivable amount from GoAP of ₹ 13,129.00 crore as of March 2012 (from 2008-09 onwards) towards subsidy for high cost power in respect of the four power distribution companies (Central Power Distribution Company of AP Ltd.-₹ 5,345.70 crore, Southern Power Distribution Company of AP Ltd.-₹ 2,983.44 crore, Northern Power Distribution Company of AP Ltd.-₹ 2,525.66 crore and Eastern Power Distribution Company of AP Ltd.-₹ 2,274.20 crore). During supplementary audit by CAG of the accounts of these companies for 2011-12, the power distribution companies indicated that GoAP had explicitly authorised them to procure additional power by way of comfort letters and directed them to raise short term loans which would be reimbursed by GoAP, along with interest, in future financial years through budgetary support. Accordingly, they had been procuring additional power by way of short term loans. However, reimbursement of this amount has not been provided in the budget by GoAP.

1.4.5 The Government charges guarantee commission at the concessional rate of half *per cent* to two *per cent* for term loans granted by the Financial Institutions and Banks to various PSUs. The guarantee commission is payable as and when loans are guaranteed. The amount of guarantees outstanding decreased from ₹ 18,278.63 crore in 2006-07 to ₹ 15,279.62 crore in 2011-12, showing a decrease of 16.41 *per cent*. The guarantees mainly comprise amounts guaranteed for Andhra Pradesh Power Finance Corporation Limited,

Andhra Pradesh State Housing Corporation Limited, Transmission Corporation of Andhra Pradesh Limited and Andhra Pradesh State Financial Corporation. During the year 2011-12, the State Government received ₹ 23.89 crore⁸ towards guarantee commission, and ₹ 6.56 crore was due to be received.

1.5 Reconciliation with Finance Accounts

1.5.1 The figures in respect of equity, loans and guarantees outstanding of GoAP 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 at 31 March 2012 is stated below:

Table 1.4 - Differences between Finance Accounts and Records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs ⁹	Difference
Equity	3388.62	6342.54	2953.92
Loans	11835.83	14399.70	2563.87
Guarantees	10436.68	15279.62	4842.94

Source: As per Finance Accounts and data as provided by respective PSU.

1.5.2 Audit observed that the amount as per the records of PSUs was more than that of Finance Accounts in respect of equity, loans and guarantees. The differences occurred in respect of 67 PSUs and some of the differences were pending reconciliation since long. In particular,

- The difference of ₹ 2,953.92 crore in equity is mainly due to the reason that eight¹⁰ PSUs of the power sector whose equity as per their accounts was ₹ 4,419.39 crore, as against the Finance Accounts figure of ₹ 1,594.65 crore. This difference in equity is mainly due to the ‘assets and liabilities transfer schemes (transfer scheme I, II and III)’ implemented by GoAP on unbundling (March 2000) of the erstwhile Andhra Pradesh State Electricity Board into various power companies, which was not fully reflected in the Finance Accounts.
- The difference of ₹ 2,563.87 crore in loans is mainly due to the reason that

⁸ The Nizam Sugars Limited, Andhra Pradesh State Financial Corporation, New & Renewable Energy Development Corporation of Andhra Pradesh Limited, Andhra Pradesh Industrial Development Corporation Limited, Andhra Pradesh Industrial Infrastructure Corporation Limited, Eastern Power Distribution Company of Andhra Pradesh Limited and Southern Power Distribution Company of Andhra Pradesh Limited.

⁹ Figures from annual accounts for 2011-12, where finalised, or information furnished by the State PSUs.

¹⁰ Andhra Pradesh Power Generation Corporation Limited, Central Power Distribution Company of Andhra Pradesh Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Northern Power Distribution Company of Andhra Pradesh Limited, New & Renewable Energy Development Corporation of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Transmission Corporation of Andhra Pradesh Limited and Andhra Pradesh Power Development Company Limited (619-B).

Andhra Pradesh State Housing Corporation Limited accounted loans as ₹ 10,409.34 crore as against the Finance Accounts figure of ₹ 8,580.00 crore, Andhra Pradesh Power Development Company Limited accounted loans as ₹ 1,909.78 crore which was not included in the Finance Accounts, Andhra Pradesh Power Generation Corporation Limited has not accounted any loans as against the Finance Accounts figure of ₹ 763.03 crore, Hyderabad Growth Corridor Limited accounted loans of ₹ 664.14 crore which was not included in the Finance Accounts, Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited has not accounted any loans as against the Finance Accounts figure of ₹ 210.64 crore, and Andhra Pradesh Industrial Infrastructure Corporation Limited accounted loans as ₹ 0.70 crore as against the Finance Accounts figure of ₹ 105.45 crore.

- The major difference of ₹ 3,715.01 crore out of a total of ₹ 4,842.94 crore in respect of guarantees is due to Andhra Pradesh Power Finance Corporation Limited accounting ₹ 6,710.20 crore as against the Finance Accounts figure of ₹ 2,995.19 crore.

1.5.3 The matter regarding the difference in figures relating to equity, loans and guarantees as per Finance Accounts and as per records of PSUs was taken up from time to time with the Finance Department of GoAP. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

1.6 Arrears in finalization of Annual Accounts

1.6.1 The accounts of 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 each year.

Table 1.5 – Arrears in finalization of annual accounts of PSUs

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12*
1.	Number of Working PSUs	42	43	45	48	50
2.	Number of accounts finalised during the year	39	46	51	46	54
3.	Number of accounts in arrears	73	70	64	70	78 ¹¹
4.	Average arrears per PSU (3/1)	1.74	1.63	1.42	1.46	1.56
5.	Number of Working PSUs with arrears in accounts	29	26	25	30	28
6.	Extent of arrears	1 to 10 years	1 to 11 years	1 to 12 years	1 to 10 years	1 to 7 years

*Position up to December 2012 as given in Annexure 1.5

¹¹ Includes arrears of 14 accounts of two companies for seven years each added to our audit jurisdiction i.e. Andhra Pradesh Aviation Corporation Limited and Pashamylaram Textiles Park.

As can be seen above, the average arrears per PSU decreased from 1.74 in 2007-08 to 1.56 in 2011-12.

1.6.2 As regards non-working companies, out of 24 such PSUs, 11 had gone into liquidation process, two were wound up and one was under merger. The remaining 10 non-working PSUs were either under closure having no business activities or having no assets; besides, they had arrears of accounts for four to 28 years.

1.6.3 The State Government had invested ₹ 7,263.93 crore (equity: ₹ 22.13 crore, loans: ₹ 2,870.28 crore, grants: ₹ 1,396.32 crore and subsidy: ₹ 2,975.20 crore) in 19 PSUs (16 working and 3 non-working PSUs) during the years between 2000-01 and 2011-12 for which accounts have not been finalised as detailed in **Annexure-1.5**. *In the absence of accounts and their subsequent audit, it cannot 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. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature. Further, 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 Companies Act, 1956.*

1.6.4 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 the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by audit of the arrears in finalisation of accounts, no remedial measures were taken.

1.6.5 In view of the above state of arrears, it is recommended that:

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

1.7 Performance of PSUs

1.7.1 Out of 50 working PSUs, 22 PSUs (20 Government Companies and 2 Statutory Corporations) had finalised their annual accounts for 2011-12, as of date. The investment (capital and long-term loans) in these 22 PSUs as on 31 March 2012 was ₹ 43,372.69 crore, which represented 74.80 *per cent* of the investment in all State PSUs.

1.7.2 The financial position and working results in respect of these 22 PSUs, who had finalised their annual accounts for 2011-12, are detailed in **Annexures - 1.2, 1.6 and 1.8**. The table below provides the details of profit/loss and turnover of these 22 PSUs and State GDP for 2010-11 and 2011-12:

Table 1.6 – Turnover vis-à-vis State GDP

Particulars	₹ in crore)	
	2010-11	2011-12
Turnover	59710.43	68212.70
State GDP ¹²	588963.00	675798.00
Percentage of turnover to State GDP ¹³	10.14	10.09
Net Profit	547.22	637.98

Source: as provided by respective PSU and as per Finance Accounts

1.7.3 Out of the 22 PSUs who finalised their accounts for 2011-12, 16 PSUs earned an aggregate profit of ₹ 1,224.32 crore, while 4 PSUs incurred a loss of ₹ 586.34 crore. Of the remaining two PSUs, one PSU i.e. Andhra Pradesh Power Finance Corporation Limited is preparing accounts on no profit/ no loss basis, and the other PSU i.e., Andhra Pradesh Power Development Company Limited is yet to commence commercial operation and, hence, has not prepared profit and loss account. The main profit-earning PSUs were Andhra Pradesh Power Generation Corporation Limited (₹ 401.52 crore), The Singareni Collieries Company Limited (₹ 358.27 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 308.46 crore). The main loss-incurring PSU was Andhra Pradesh State Road Transport Corporation (₹ 585.31 crore).

1.7.4 A comparison with the figures for 2011-12 revealed that Transmission Corporation of Andhra Pradesh Limited's net profit increased from ₹ 61.74 crore in 2010-11 to ₹ 308.46 crore and Andhra Pradesh Power Generation Corporation Limited's net profit increased from ₹ 313.22 crore in 2010-11 to ₹ 401.52 crore in 2011-12, while Andhra Pradesh State Road Transport Corporation's loss increased from ₹ 317.40 crore in 2010-11 to ₹ 585.31 crore in 2011-12.

1.7.5 Some other key parameters pertaining to the 22 PSUs, who had finalised their accounts for 2011-12, are given below:

Table 1.7 – Key parameters of 22 State PSUs, who had finalised their accounts for 2011-12

Particulars	₹ in crore)	
	2010-11	2011-12
Return on capital employed (per cent)	4140.77 (7.57)	5405.49 (10.35)
Debt	29766.35	35611.18
Turnover	59710.43	68212.70
Debt/ Turnover Ratio	0.50:1	0.52:1
Interest Payments	3593.55	4767.51
Accumulated Profits / (losses)	(284.49)	(18.47)

Source: As provided by respective PSU.

1.7.6 Out of 50 working PSUs, 28 PSUs (including one Statutory Corporation) had not finalised their accounts for 2011-12. The working results

¹² Quick estimate for 2010-11 and advance estimate for 2011-12.

¹³ The ratio of PSUs turnover to State GDP shows the extent of PSUs' activities in the State economy.

in respect of these 28 PSUs, based on the latest finalised annual accounts, are indicated in **Annexures - 1.3, 1.7 and 1.9**. In view of the fact that the arrears in annual accounts varies from PSU to PSU, no comparison or analysis is being attempted.

1.7.7 The State Government had not formulated any specific dividend policy under which all PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. Out of the 50 working PSUs, three PSUs¹⁴ paid ₹ 3.39 crore as dividends declared for earlier years during 2011-12 and two PSUs¹⁵ declared and paid ₹ 99.01 crore of dividends for 2011-12. As there is no specific dividend policy, the State Government should formulate a dividend policy to yield reasonable revenue on the investment made in all the profit making companies.

1.8 Internal Audit and Internal Control System

1.8.1 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the PSUs audited in accordance with the directions issued by the C&AG of India to them under section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of comments made by the Statutory Auditors in respect of finalised accounts on possible improvement in the internal audit and internal control system, during 2011-12 are indicated below:

Table 1.8 – Comments by Statutory Auditor/ CAG on internal control/ internal audit systems

Sl. No.	Nature of comments made by Statutory Auditors	Number of the PSU where recommendations were made	Sl. No of the PSU in Annexure- 1.1
1	Absence of internal audit system commensurate with the nature and size of business of the company	13	2,3,8,13,15,17,18, 27,29,35,38,41,42
2	Lack of internal control	9	11,13,18,29,33,34, 38,41,42

Source: Statutory Auditors report of respective PSU

1.9 Comments of the CAG of India and Statutory Auditors on Accounts of PSUs

1.9.1 Some of the important comments of the CAG of India, under section 619(4) of the Companies Act, in respect of accounts finalised during the year,

¹⁴ Andhra Pradesh State Seeds Development Corporation Limited, Andhra Pradesh Handicraft Development Corporation Limited and Andhra Pradesh Mineral Development Corporation Limited.

¹⁵ The Singareni Collieries Company Limited and Andhra Pradesh State Financial Corporation.

are as follows:

i) Central Power Distribution Company of Andhra Pradesh Limited (2011-12)

The Company has not disclosed the fact that:

- ₹ 5,345.70 crore receivable from Government towards subsidy for high cost of power etc., has been outstanding from 2008-09 onwards. The company stated that the Government of A.P had explicitly authorised APDISCOMs to procure additional power by way of comfort letters and directed APDISCOMs to raise short term loans. No clear commitment for reimbursement from the Government was made in their next budget i.e., 2010-11 onwards.

ii) Eastern Power Distribution Company of Andhra Pradesh Limited (2011-12)

The Company has not disclosed the fact that:

- ₹ 2,274.20 crore receivable from Government towards subsidy for high cost of power etc., has been outstanding from 2008-09 onwards. The company stated that the Government of A.P had explicitly authorised APDISCOMs to procure additional power by way of comfort letters and directed APDISCOMs to raise short term loans. No clear commitment for reimbursement from the Government was made in their next budget i.e., 2010-11 onwards.

iii) Northern Power Distribution Company of Andhra Pradesh Limited (2011-12)

The Company has not disclosed the fact that:

- ₹ 2,525.66 crore receivable from Government towards subsidy for high cost of power etc., has been outstanding from 2008-09 onwards. The company stated that the Government of A.P had explicitly authorised APDISCOMs to procure additional power by way of comfort letters and directed APDISCOMs to raise short term loans. No clear commitment for reimbursement from the Government was made in their next budget i.e., 2010-11 onwards.

iv) Southern Power Distribution Company of Andhra Pradesh Limited (2011-12)

- A reference is invited to sub-note No. 2(ii) wherein it was indicated that provision for bad & doubtful debts is made on debtors for sale of power outstanding for a period of more than 4 years. Debtors outstanding for more than 4 years amounts to ₹ 135.75 crore out of total debtors of ₹ 533.66 crore, whereas provision for doubtful debts has been made only for ₹ 101.35 crore. This has resulted in short provision to the tune of ₹ 34.40 crore, and has also resulted in overstatement of Sundry Debtors and overstatement of profit for the period by ₹ 34.40 crore

The Company has not disclosed the fact that:

- ₹ 2,983.44 crore receivable from Government towards subsidy for high Cost of power etc., is outstanding from 2008-09 onwards. The company stated that the Government of A.P had explicitly authorised APDISCOMs to procure additional power by way of comfort letters and directed APDISCOMs to raise short term loans. No clear commitment for reimbursement from the Government was made in their next budget i.e., 2010-11 onwards.

v) Andhra Pradesh Industrial Infrastructure Corporation Limited (2010-11)

Provision for development of IEs/IDAs includes ₹ 59.56 crore towards Provision for development works of IP Pashamylaram. As against the total estimated expenditure of ₹ 8.82 crore for IDA Pashamylaram (Phase I to III), the Company had already incurred an expenditure of ₹ 17.86 crore. As substantial development works were already completed, the profit on sale of Industrial Plots in IP Pashamylaram should have been recognised. Instead, the Company has created the above provision for development of ₹ 59.56 crore. This has resulted in overstatement of 'Provision for development of IEs' and understatement of profit by ₹ 59.56 crore.

Some of the important comments of the Statutory Auditors, in respect of accounts finalised during the year are as follows:

i) Andhra Pradesh Mineral Development Corporation Limited (2008-09):

Non-provision of contribution payable towards mineral resources and technology upgradation fund resulted in overstatement of profit for the year and reserves and surplus for ₹ 14.05 crore.

ii) Southern Power Distribution Company of Andhra Pradesh Limited (2011-12)

Accounting of Fuel Surcharge Adjustment charges (FSA) amounting ₹ 1,160.71 crore is recognised as revenues during the year in contravention of AS-9 "Revenue Recognition" which has not been approved by the Andhra Pradesh Electricity Regulatory Commission (APERC).

1.10 Placement of SARs

The following table shows the status of placement of various Separate Audit Reports (SARs), issued by the C&AG of India, on the accounts of Statutory Corporations, in the Legislature by the Government.

Table 1.9 - Placement of SARs in the Legislature

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	Andhra Pradesh State Financial Corporation	2010-11	2011-12	Yet to send to the GoAP	-
2	Andhra Pradesh State Warehousing Corporation	2008-09	2009-10	Yet to send to the GoAP	-
3	Andhra Pradesh State Road Transport Corporation	2008-09	2009-10	22.03.2011	-

Source: As provided by respective PSU.

1.11 Follow up action on Audit Reports (Commercial)**1.11.1 Explanatory Notes Outstanding**

Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of Government. It is, therefore, necessary that appropriate and timely response is elicited from the Executive on the Audit findings included in the Audit Reports. Finance Department, Government of Andhra Pradesh issued (June

2004) instructions to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 1992-93 to 2010-11 were presented to the State Legislature between March 1994 and March 2012, 13 departments did not submit explanatory notes on 116 out of 425 paragraphs/ reviews as on September 2012 as indicated below:

Table 1.10 – Non-submission of Explanatory Notes

Year of the Audit Report (Commercial)	Date of presentation to State Legislature	Total Paragraphs/ Reviews in Audit Report	No. of Paragraphs/ reviews for which explanatory notes were not received
1992-93	29-03-1994	36	1
1993-94	28-04-1995	25	1
1995-96	19-03-1997	28	4
1997-98	11-03-1999	29	9
1998-99	03-04-2000	29	6
1999-2000	31-03-2001	24	7
2000-01	30-03-2002	21	4
2001-02	31-03-2003	23	1
2002-03	24-07-2004	16	2
2003-04	31-03-2005	21	6
2004-05	27-03-2006	23	3
2005-06	31-03-2007	23	4
2006-07	28-03-2008	29	12
2007-08	05-12-2008	25	8
2008-09	30-03-2010	27	13
2009-10	29-03-2011	21	13
2010-11	29-03-2012	25	22
Total		425	116

Source: As compiled by office of PAG (E&RSA)/AP

Department-wise analysis of reviews/ paragraphs for which explanatory notes are awaited is given in **Annexure-1.10**. Majority of the cases of non-submission of explanatory notes relate to PSUs under the Departments of Energy (27 notes) and Industries & Commerce (43 notes).

1.11.2 Compliance to Reports of COPU

Action Taken Notes (ATNs) on recommendations of the COPU are required to be furnished within six months from the date of presentation of the Report to the State Legislature. ATNs on 607 recommendations pertaining to 37 Reports of the COPU, presented to the State Legislature between April 1991 and March 2012, not received as of September 2012 are indicated below:

Table 1.11 – Non-receipt of Action Taken Notes

Year of COPU Report	Total number of Reports involved	No. of Recommendations where replies were not received
1991-92	1	3
1992-93	6	239
1993-94	5	136
1995-96	1	30
1996-97	1	2
1997-98	2	38
1998-99	2	16
2000-01	8	72
2001-02	2	6
2004-05	3	23
2005-06	2	17
2006-07	4	25
Total	37	607

Source: As compiled by office of PAG (E&RSA)/AP

The replies to recommendations were required to be furnished within six months from the date of presentation of the Reports to the State Legislature.

1.11.3 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and departments concerned of State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2012 pertaining to 50 PSUs disclosed that 3035 paragraphs relating to 756 inspection reports remained outstanding at the end of September 2012. Department wise break-up of Inspection reports and audit paragraphs outstanding as on 30 September 2012 is given in **Annexure-1.11**. In order to expedite settlement of outstanding paragraphs, seven Audit Committee meetings were held during 2011-12 wherein position of outstanding paragraphs was discussed with executive/administrative departments.

Similarly, reviews and draft paragraphs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that one review, one thematic audit and two draft paragraphs forwarded to various departments during June 2012 to November 2012 as detailed in **Annexure-1.12** had not been replied to so far (December 2012).

It is recommended that (a) the Government should ensure that procedure exists for action against officials who failed to send replies to inspection reports/draft paragraphs/reviews and ATNs on recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time-bound schedule, and (c) the system of responding to audit observations is revamped.