

## Chapter I

### 1. Functioning of State Public Sector Undertakings

#### 1.1 Introduction

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations which are established to carry out activities of a commercial nature keeping in view the welfare of the people.

The AP Reorganization Act, 2014 came into effect from 2 June 2014 which bifurcated the erstwhile composite State of Andhra Pradesh and Andhra Pradesh State was formed on the same day. In Andhra Pradesh, the State PSUs occupy an important place in the state economy. The accounts of these PSUs are subject to supplementary audit conducted by Comptroller & Auditor General of India as per the provisions of Section 143 of the Companies Act, 2013 and audit of Statutory Corporations is governed by their respective legislations.

*This is the second Audit Report of the Andhra Pradesh State after bifurcation of the erstwhile composite State of Andhra Pradesh.*

As per the above Act, the assets and liabilities relating to the PSUs of the erstwhile composite State of Andhra Pradesh, where such undertakings or parts thereof are exclusively located in, or their operations are confined to a local area, shall pass to the State in which that area is included, irrespective of the location of the Head Quarters<sup>1</sup>.

The assets and liabilities of the PSUs which had interstate operations shall have to be apportioned between the two States<sup>2</sup> as under:

- (a) The operational units of the undertaking shall be apportioned between the two successor States on location basis; and
- (b) The headquarters of the undertaking shall be apportioned between the two successor States on the basis of population ratio.

As per the Reorganisation Act, 2014, 33 PSUs having interstate operations were to be demerged. However, only 25 Government Companies and three Statutory Corporations were functionally bifurcated but the transfer of assets and liabilities is yet to be finalised.

Twenty-two Non-working Companies (except Andhra Pradesh Dairy Development Corporation Limited) were not included in the Schedule nine of the Reorganisation Act, 2014. This aspect requires special attention. Assets and liabilities of these Companies are also yet to be bifurcated between the two States.

In Andhra Pradesh State, there were 79 PSUs as on 31<sup>st</sup> March 2016 including nine new companies formed during the year\*.

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<sup>1</sup> PSUs coming under Andhra Pradesh State are referred in this Report as PSUs.

<sup>2</sup> PSUs having interstate operations are referred in this Report as PSUs under demerger

\* Includes two PSUs formed in earlier years but incorporation details received after finalization of 2014-15 Report.

**1.1** Of these, none of the PSUs was listed on the stock exchange(s). During the year 2015-16, nine PSUs viz. Bhogapuram International Airport Corporation Limited, Andhra Pradesh State Fibrenet Limited, Kakinada Smart City Corporation Limited, Amaravathi Metro Rail Corporation Limited, Andhra Pradesh State Beverages Corporation Limited\*\*, Vijayawada Urban Transport Company Limited, Rythu Sadhikara Samstha, Swacha Andhra Corporation Limited and Andhra Pradesh Urban Greening & Beautification Corporation Limited were incorporated whereas none of the PSUs was closed down. The details of the State PSUs in Andhra Pradesh State as on 31 March 2016 are given as follows:

*Table 1.1: Total number of PSUs as on 31 March 2016*

Type of PSUs	Working PSUs	Non-working PSUs	Total
Government Companies	49	0	49
Government Companies under demerger/Non-working	05	22	27
Statutory Corporations	03	0	03
<b>Total</b>	<b>57</b>	<b>22</b>	<b>79</b>

Source: Information as furnished by State Government and PSUs

The 49 Government Companies and 3 Statutory Corporations registered a turnover of ₹ 54,936.02 crore as per their latest finalised accounts as on 30 September 2016. This turnover was equal to 9.10 *per cent* of State Gross Domestic Product (GDP)<sup>3</sup> for 2015-16. These PSUs incurred a net loss of ₹ 4,357.61 crore as per their latest finalised accounts as on 30 September 2016. They had employed 0.82 lakh employees as at the end of March 2016.

The Working PSUs under demerger registered a turnover of ₹ 47.60 crore as per their latest finalised accounts as of 30 September 2016. These PSUs incurred a net loss of ₹ 46.89 crore as per their latest finalised accounts as on 30 September 2016. They had employed 256 employees as at the end of March 2016.

The loss making PSUs are on an increasing trend. A review of five years' data showed that some PSUs have been continuously incurring heavy losses and some PSUs are not finalizing their accounts. (Annexure 1.2 (a), 1.2 (b) & 1.2 (c))

As on 31 March 2016, there were 22 Non-working PSUs under demerger, existing for over 20 years and having an investment of ₹ 259.19 crore. This is a critical area as the investments in Non-working PSUs do not contribute to the economic growth of the State.

### Accountability framework

**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 fifty one 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

\*\*This has been created apart from existing Andhra Pradesh Beverages Corporation Limited.

<sup>3</sup> Gross Domestic Product of Andhra Pradesh State - ₹ 6,03,376.00 crore

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 CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers 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 continue to be governed by the provisions of the Companies Act, 1956.

### **Statutory Audit**

**1.3** The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013, and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

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. The audit of Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation, is conducted by Chartered Accountants and supplementary audit by CAG.

### **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 Corporations are to be placed before the Legislature under Section 394 of the Companies Act or as stipulated in the respective Acts. The Audit Reports of

CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

### Stake of Government of Andhra Pradesh

1.5 The State Government has a significant financial stake in these PSUs. This stake is of mainly 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 of by the PSUs from Financial Institutions.

### Investment in State PSUs

1.6 As on 31 March 2016, the investment (capital and long-term loans) in 79 PSUs was ₹ 42,123.11 crore as detailed under:

Table 1.2: Total investment in PSUs

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
52 <sup>4</sup> (49+3) Working PSUs	4,830.54	29,174.82	34,005.36	429.57	7,224.81	7,654.38	41,659.74
5 PSUs under demerger-Working	70.63	133.55	204.18	--	--	--	204.18
22 PSUs under demerger-Non working	74.66	184.53	259.19	--	--	--	259.19
<b>Total</b>	<b>4,975.83</b>	<b>29,492.90</b>	<b>34,468.73</b>	<b>429.57</b>	<b>7,224.81</b>	<b>7,654.38</b>	<b>42,123.11</b>

Source: Information as furnished by PSUs

As on 31 March 2016, of the total investments, 80.72 per cent was in Working PSUs, 18.17 per cent in Statutory Corporations, 0.49 per cent in PSUs under demerger and 0.62 per cent in Non-working PSUs.

This total investment consisted of 11.47 per cent in capital and 69.25 per cent in long-term loans in respect of Working PSUs. In respect of Statutory Corporations, out of the total investment, 1.02 per cent was in capital and

<sup>4</sup> Out of these 52, only 46 companies have furnished information. Six Companies viz. AP State Police Housing Corporation Limited, AP Meat Development Corporation Limited, Kakinada Smart City Corporation Limited, Vijayawada Urban Transport Company Limited, Rythu Sadhikara Samstha and Mahila Sadhikara Samstha did not furnish information. However, information in respect of AP State Police Housing Corporation Limited, AP Meat Development Corporation Limited and Mahila Sadhikara Samstha available in this office has been taken.

17.15 per cent in long-term loans. In respect of PSUs under demerger, out of the total investment, 0.17 per cent was in capital and 0.32 per cent in long-term loans. In respect of Non-working companies, out of the total investment, 0.18 per cent was in capital and 0.44 per cent in long-term loans as on 31 March 2016.

1.7 The sector-wise summary of investments in the Working PSUs (including Statutory Corporations) as on 31 March 2016 is given below:

*Table 1.3: Sector-wise investment in PSUs*

(₹ in crore)

Name of Sector	Working PSUs	PSUs under de-merger	Statutory Corporations	Non-working PSUs	Investment
<b>Power</b>	30,535.97	--	--	--	30,535.97
<b>Manufacturing</b>	32.79	104.52	--	202.41	339.72
<b>Finance</b>	2,455.12	6.33	2,297.52	23.57	4,782.54
<b>Miscellaneous</b>	9.08	4.88	--	--	13.96
<b>Service</b>	67.94	--	5,262.39	1.13	5331.46
<b>Infrastructure</b>	502.22	88.45	--	--	590.67
<b>Agriculture &amp; Allied</b>	402.24	--	94.47	32.08	528.79
<b>Total</b>	<b>34,005.36</b>	<b>204.18</b>	<b>7,654.38</b>	<b>259.19</b>	<b>42,123.11</b>

Source: Information as furnished by PSUs

### Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of Working PSUs and PSUs under demerger for the year ended 2015-16 are as follows.

*Table 1.4: Details regarding budgetary support to PSUs*

(₹ in crore)

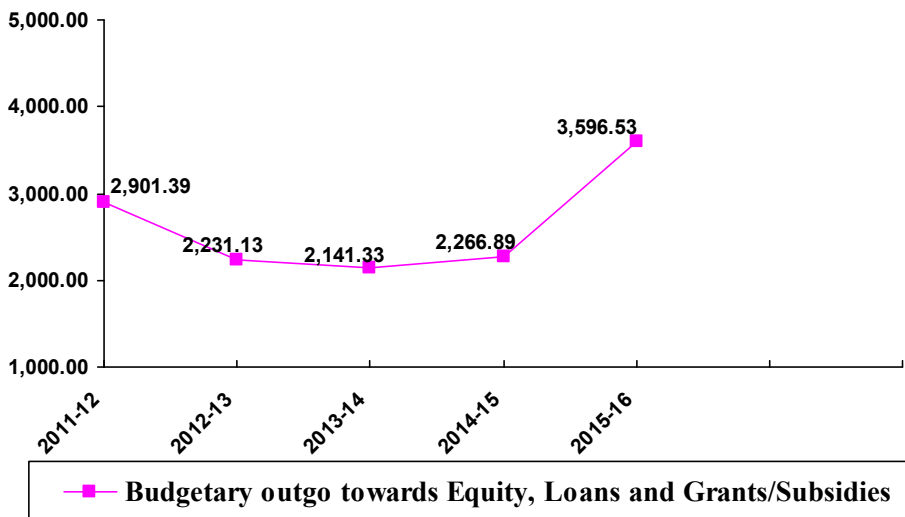
Sl. No.	Particulars	2015-16			
		52 <sup>5</sup> Working PSUs		5 PSUs under demerger	
		No. of PSUs	Amount (A)	No. of PSUs	Amount (B)
1	Equity capital outgo from budget	7	16.28	5	0.00
2	Loans given from budget	3	536.94	5	0.00
3	Grants/Subsidy given from budget	17	6,737.45	5	3.93
4	<b>Total outgo to 25 PSUs</b>	--	<b>7,290.67</b>	--	<b>3.93</b>
5	Interest/Penal interest written off	0	0.00	0	0.00
6	Guarantees issued	0	0.00	0	0.00
7	Guarantee Commitment	6	1,342.77	0	0.00

<sup>5</sup> Out of these 52, only 46 have furnished information.

Sl. No.	Particulars	2015-16			
		52 <sup>5</sup> Working PSUs		5 PSUs under demerger	
		No. of PSUs	Amount (A)	No. of PSUs	Amount (B)
8	Total Outgo of 15 <sup>6</sup> PSUs from Sr. No 4 above	--	3,596.53	--	

Source: Information as furnished by PSUs

**Chart 1.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies**



Budgetary support by State Government in respect of 15 PSUs increased from ₹ 2,266.89 crore during 2014-15 to ₹ 3,596.53 crore during 2015-16. However, overall budgetary support decreased from ₹ 9,384.53 crore during 2014-15 to ₹ 7,294.60 crore in 2015-16.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantees subject to the limits prescribed by the Constitution of India, for which guarantee fee is charged. This fee varies from 0.25 per cent to 1 per cent as decided by the State Government, depending upon the loanees. The guarantee commitment decreased from ₹ 7,581.34 crore during 2014-15 to ₹ 1,342.77 crore during 2015-16 in respect of all PSUs, including PSUs under demerger. There were three<sup>7</sup> PSUs which did not pay guarantee fee/commission during the year and accumulated outstanding guarantee fees/commission thereagainst was ₹ 2.62 crore (31 March 2016).

## 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 PSUs

<sup>6</sup> 15 companies that were included in Andhra Pradesh as per previous report have only been taken for comparison in the chart. Also newly formed Companies do not have five years data for comparison.

<sup>7</sup> New and Renewable Energy Development Corporation of Andhra Pradesh Limited (₹ 3 lakh), The Nizam Sugars Limited (₹ 51.04 lakh) and Andhra Pradesh State Financial Corporation (₹ 208 lakh).

concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2016 was as follows:

**Table 1.5: Equity, loans, guarantees outstanding as per Finance Accounts Vis a Vis records of PSUs**

Outstanding in respect of	Amount as per Finance Accounts		Amount as per records of PSUs #	(₹ in crore) Difference
	(A)	No of companies**	(B)	(A)-(B)
<b>Equity</b>	4,459.65	30	2,612.90	1,846.75
<b>Loans</b>	2,315.60	10	297.59	2,018.01
<b>Guarantees</b>	10,262.97	7	1,341.40	8,921.57

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

# Information as furnished by PSUs

\*\* Information received in respect of above companies only.

Audit observed that the differences occurring in respect of 47 PSUs (information in respect of other PSUs is awaited) and some of the differences were pending reconciliation since long. The matter was taken up (October 2016) with the State Government. The Government and the 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 Companies Act. Failure to do so may attract penal provisions under Section 99 of the Companies Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 1.6 provides the details of progress made by the Working PSUs in finalisation of accounts as of 30 September 2016.

**Table 1.6: Position relating to finalisation of accounts of Working PSUs**

Sl. No.	Particulars	2015-16*				Total
		Working PSUs				
		PSUs exclusive to State <sup>8</sup>	Formed due to demerger <sup>9</sup>	PSUs under demerger <sup>10</sup>	Statutory Corporations	
1.	Number of Working PSUs	25 <sup>^</sup>	24	5	3	57

<sup>8</sup> Statement showing investments made by State Government in PSUs (including nine newly formed PSUs and Andhra Pradesh Beverages Corporation Limited) whose accounts are in arrears (Annexure 1.1(a))

<sup>9</sup> Statement showing investments made by State Government in PSUs (formed due to demerger) whose accounts are in arrears. (Annexure 1.1(c))

<sup>10</sup> Statement showing investments made by State Government in PSUs (under demerger) whose accounts are in arrears. (Annexure 1.1(b))



Sl. No.	Particulars	2015-16*				Total
		Working PSUs				
		PSUs exclusive to State <sup>8</sup>	Formed due to demerger <sup>9</sup>	PSUs under demerger <sup>10</sup>	Statutory Corporations	
2.	Number of accounts finalised during the year	17	9	3	0	29
3.	Number of accounts in arrears*	31	68	18	5	122
4.	Average arrears per PSU (3/1)	1.24	2.83	3.6	1.6	2.14
5.	Number of Working PSUs with arrears in accounts	18	24	4	3	49
6.	Extent of arrears	1 to 4 years	1 to 11 years	1 to 14 years	1 to 3 years	1 to 14 years

Source: As compiled by office of AG (E&RSA)/ Andhra Pradesh & Telangana

\* Position up to September 2016

<sup>^</sup> 25 includes Andhra Pradesh Beverages Corporation Limited as it has finalized its accounts incorporating its share of assets and liabilities due to demerger.

It can be observed from the above that as on 30 September 2016:

- In respect of Working PSUs (exclusive to State), 31 accounts relating to 18 PSUs are in arrears,
- 68 accounts (excluding Statutory Corporations) relating to 24 PSUs, formed due to demerger, are in arrears.

In respect of PSUs under demerger except for The Nizam Sugars Limited, 18 accounts of other 4 PSUs are in arrears. As regards Statutory Corporations, all the 3 PSUs accounts are in arrears.

Further, the extent of arrears of accounts ranged from one year to 14 years in respect of PSUs under demerger. It is pertinent to mention here that AP Aviation Corporation Limited and AP Tribal Power Corporation Limited have not submitted their 1<sup>st</sup> Accounts since their formation (2005-06; 2002-03 respectively)

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 stipulated period. The arrears of accounts continue to exist though the Departments concerned were informed annually.

**1.11** The State Government had invested ₹ 756.18 crore in Equity, Loans and Grants in the PSUs (exclusive to Andhra Pradesh) for which accounts have not been finalised, as detailed in Annexure 1.1 (a).

The State Government had also invested ₹ 4,897.38 crore in Equity, Loans and Grants in the PSUs (formed due to demerger) for which accounts have not been finalised as detailed in Annexure 1.1 (c).



The State Government had invested an amount of ₹ 16.76 crore towards grants in respect of two PSUs which are under demerger during the years for which accounts have not been finalised as detailed in Annexure 1.1 (b).

In the absence of finalisation of accounts and their subsequent audit, it could not be assessed whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amounts were invested was achieved or not. Thus Government's investment in such PSUs remained outside the control of State Legislature.

**1.12** In addition to above, as on 30 September 2016, there were arrears in finalisation of accounts by Non-working PSUs. Out of 22 Non-working PSUs, 10 were in the process of liquidation whose accounts were in arrears for 2 to 14 years. Of the remaining 12 Non-working PSUs, all the PSUs had arrears of accounts.

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

No. of Non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
10	2 to 14 years	In the process of liquidation
12	Information not available	--

*Source: Information as furnished by Official Liquidator*

In respect of Non-working Companies, a letter was addressed (September 2015, July 2016 and reminded October 2016) to Public Enterprises Department of State Government. The reply was awaited (November 2016).

### Placement of Separate Audit Reports

**1.13** The position depicted in Table 1.8 shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2016) on the accounts of Statutory Corporations, in the Legislature.

*Table 1.8: Status of placement of SARs in Legislature*

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Andhra Pradesh State Financial Corporation	2013-14	2014-15	18-11-2015
2.	Andhra Pradesh State Warehousing Corporation	2013-14 (1 June 2014)	--	--
		2014-15	--	--
3.	Andhra Pradesh State Road Transport Corporation	2012-13	The accounts are in arrears	Not applicable

*Source: Information as furnished by PSUs concerned*

### Impact of non-finalisation of accounts

**1.14** The delay in finalisation of accounts pointed out above (*para 1.10 to 1.12*), 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 2015-16 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

### Performance of PSUs as per their latest finalized accounts

**1.15** The financial position and working results of Working PSUs (Andhra Pradesh) and PSUs under demerger and Statutory Corporations are detailed in **Annexure 1.2 (a)**<sup>11</sup>, **Annexure 1.2 (b)**<sup>12</sup> and **Annexure 1.2 (c)**<sup>13</sup>. A ratio of PSUs turnover to State GDP shows the extent of PSUs' activities in the State economy. Table below provides the details of State Working PSUs' turnover and State GDP for the year ended 31 March 2016.

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

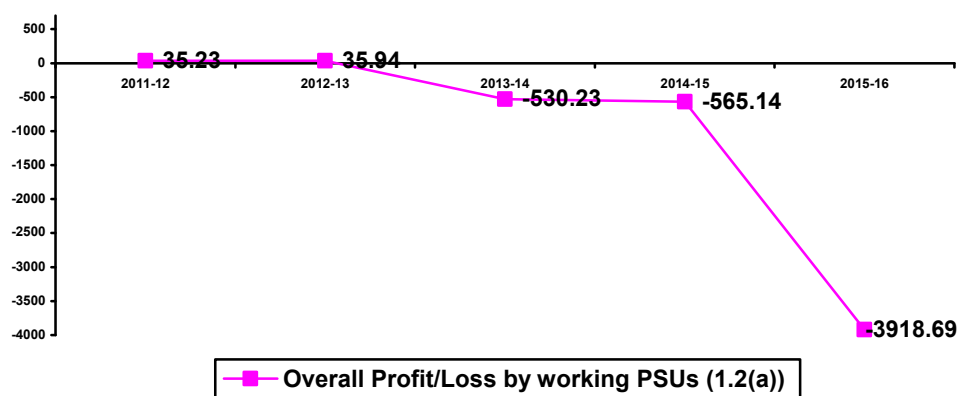
(₹ in crore)

Particulars	2015-16			
	Working PSUs		PSUs under demerger	Statutory Corporations
	PSUs exclusive to State	Formed due to demerger		
Turnover	20,654.87	25,817.46	47.60	8,463.69
Andhra Pradesh State GDP	6,03,376	6,03,376	Not Applicable	Accounts not finalised.
Percentage of turnover to State GDP	3.42	4.22	--	--
Net profit(+)/loss (-)	-3,918.69	555.00	-46.89	-993.91

Source: As per latest finalised annual accounts of PSUs

**1.16** Overall profit (losses) earned (incurred) by Working PSUs (Andhra Pradesh) during 2011-12 to 2015-16 are given in the chart below:

**Chart 1.2: Profit/Loss of Working PSUs (depicted in Annexure 1.2(a))**



<sup>11</sup> PSUs exclusive to State including nine newly formed PSUs.

<sup>12</sup> PSUs under demerger.

<sup>13</sup> PSUs formed due to demerger of PSUs.

During the year 2015-16, out of eleven Working PSUs, two PSUs (Andhra Pradesh Heavy Machinery & Engineering Limited and Andhra Pradesh Power Development Company Limited) earned profit of ₹ 2.55 crore and ₹ 3.47 crore, respectively. Out of loss incurring companies, power distribution companies APEPDCL, APSPDCL and Andhra Pradesh Gas Infrastructure Corporation Limited incurred heavy losses (₹ 3,920.52 crore). Eight<sup>14</sup> out of nine newly formed Working PSUs have not started their commercial operations.

During the year 2015-16, out of five PSUs under demerger, The Nizam Sugars Limited earned a marginal profit of ₹ 24 lakh while Andhra Pradesh Rajiv Swagruha Corporation Limited and Infrastructure Corporation of Andhra Pradesh Limited incurred losses of ₹ 45.78 crore and ₹ 1.55 crore respectively. Andhra Pradesh Tribal Power Company Limited has not yet submitted its accounts.

**1.17** Some other key parameters of PSUs are given below.

*Table 1.10: Key Parameters of Working PSUs and PSUs under demerger*

Particulars	2015-16		
	Working PSUs		PSUs under demerger
	PSUs exclusive to State	Formed due to demerger	
Return on capital employed	-1,801.70	5,792.33	-4.16
Debt	20,216.30	32,631.20	56.05
Turnover <sup>15</sup>	20,654.87	34,281.15	47.60
Debt/ Turnover Ratio	0.98	0.96	1.18
Interest Payments <sup>^</sup>	2,116.99	6,209.80	6.90
Accumulated Profits / (Losses)	-10,754.29	-3983.17	-233.66

Source: As per latest finalised accounts of PSUs

<sup>^</sup> Includes PSUs who have finalized their accounts till September 2016

**1.18** As per their latest finalised accounts, 25 Working PSUs incurred an aggregate loss of ₹ 3,918.69 crore.

As per their latest finalised accounts, 5 PSUs under demerger incurred an aggregate loss of ₹ 46.89 crore. Further five<sup>16</sup> PSUs declared a dividend of ₹ 9.11 crore. However Andhra Pradesh State Financial Corporation did not pay its declared dividend of ₹ 3.29 crore.

<sup>14</sup> Andhra Pradesh Solar Power Corporation Private Limited, Vijayawada Urban Transport Company Limited, Rythu Sadhikara Samstha, Bhogapuram International Airport Corporation Limited, Kakinada Smart City Corporation Limited., Amaravathi Metrorail Corporation Limited, Swachha Andhra Corporation Limited, Andhra Pradesh Mahila Sadhikara Samstha and Andhra Pradesh Urban Greening and Beautification Corporation Limited.

<sup>15</sup> Turnover of Working PSUs as per the latest finalised accounts as of 30 September 2016.

<sup>16</sup> AP Handicrafts Development Corporation Limited, AP Mineral Development Corporation Limited, AP State Financial Corporation, AP State Seeds Development Corporation Limited and AP State Warehousing Corporation.

### Winding up of Non-working PSUs

**1.19** There were 22 Non-working PSUs (22 Companies and nil Statutory Corporations) as on 31 March 2016. Of these, 10 PSUs have commenced liquidation process. The number of Non-working companies as on 31 March 2016 is given below.

*Table 1.11: Non working PSUs*

Particulars	2015-16
No. of Non-working companies	22
No. of Non-working corporations	0
<b>Total</b>	<b>22</b>

*Source: As compiled by office of AG (E&RSA)/ Andhra Pradesh & Telangana*

Since the Non-working PSUs have not been contributing to the State economy and meeting the intended objectives, these PSUs need to be considered either to be closed down or revived. During 2015-16, three Non-working PSUs incurred an expenditure of ₹ 0.42 crore towards establishment. The information was not furnished by the other Non-working PSUs. The entire expenditure was met from the interest earned on FDRs kept with various scheduled banks, rents collected and provisions written back.

**1.20** The stages of closure in respect of Non-working PSUs given as follows:

*Table 1.12: Closure of Non-working PSUs*

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of Non-working PSUs	22	0	22
2.	Of (1) above, the No. under			
(a)	liquidation by Court (liquidator appointed)	10	0	10
(b)	Voluntary winding up (liquidator appointed)	Not available		
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	Not available		

*Source: Information as furnished by Official Liquidator*

During the year 2015-16, no company was finally wound-up. On the basis of the request of the PSU, the Hon'ble court appointed liquidator for winding-up the Company. However, these Companies had not been wound-up even after lapse of 2 to 14 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may like to consider winding up 12 Non-working PSUs, where no decision about their continuation or otherwise has been taken after they became non-working.

### Comments on Accounts

**1.21 (a)** Eleven Working PSUs forwarded their audited 17 accounts to AG during the year 2015-16. Twelve accounts (6 PSUs) were selected for supplementary audit and five accounts (five PSUs) were given Non-review certificate. In addition to the above, seven PSUs formed due to demerger have also submitted nine accounts. All of these 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. The details of impact of audit comments of statutory auditors and CAG are given below:

*Table 1.13. (a): Impact of audit comments on Working PSUs  
(₹ in crore)*

Sl. No.	Particulars	2015-16			
		No. of accounts		Amount	
		PSUs exclusive to State	Formed due to demerger	PSUs exclusive to State	Formed due to demerger
1.	Decrease in profit	0	6	0.00	4.26
2.	Increase in loss	3	0	1,611.77	0.00
3.	Non-disclosure of material facts	2	2	43.34	1,195.59
4.	Errors of classification	1	1	2.12	18.20

*Source: As per comments issued by C&AG and Statutory Auditors*

**1.21 (b)** Three PSUs under demerger forwarded three audited accounts to AG during the year 2015-16. All these PSUs 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 impact of audit comments of statutory auditors and CAG are given below:

*Table 1.13. (b): Impact of audit comments on PSUs under demerger  
(₹ in crore)*

Sl. No.	Particulars	2015-16	
		No. of accounts	Amount
1.	Decrease in profit	1	<b>0.19</b>
2.	Increase in loss	0	<b>0.00</b>
3.	Non-disclosure of material facts	0	<b>0.00</b>
4.	Errors of classification	0	<b>0.00</b>

*Source: As per comments issued by C&AG and Statutory Auditors*

During the year, the Statutory Auditors had given qualified opinion on nine accounts of seven<sup>17</sup> Companies. In respect of one<sup>18</sup> PSU, disclaimer opinion

<sup>17</sup> AP State Seeds Development Corporation Ltd., AP Solar Power Corporation Ltd., APEPDCL, APSPDCL, AP State Minorities Finance Corporation Ltd. AP State Film TV and Theatre Development Corporation Ltd. and The Nizam Sugars Ltd.

<sup>18</sup> Vizag Apparel Park for export.

was given. Two<sup>19</sup> Companies have revised their accounts, based on the supplementary audit conducted. DISCOMs continued to incur heavy losses.

**1.22** None of the three working Statutory Corporations forwarded their accounts to AG during the year 2015-16.

## Response of the Government to Audit

### Performance Audit and Paragraphs

**1.23** For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2016, one Performance Audit and six audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with the request to furnish replies within six weeks. However, replies in respect of five compliance audit paragraphs were awaited from the State Government (18 November 2016).

## Follow up action on Audit Reports

### Replies outstanding

**1.24** The Report of the Comptroller and Auditor General (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, erstwhile Government of Andhra Pradesh had issued (June 2004) 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 three months of their presentation in the Legislature, in the prescribed format without waiting for any questionnaires from the COPU.

*Table No.1.14: Explanatory notes not received (as on 30 September 2016)*

Year of the Audit Report (Commercial/PSU)	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			
				Exclusive to State		Common	
		PAs	Para-graphs	PAs	Para-graphs	PAs	Para-graphs
1992-93	29-03-1994	7	29	0	0	0	0
1993-94	28-04-1995	6	19	0	0	0	0
1995-96	19-03-1997	5	23	0	0	0	2
1996-97	19-03-1998	6	23	0	0	0	0
1997-98	11-03-1999	6	23	0	0	0	7
1998-99	03-04-2000	4	25	0	0	0	5
1999-00	31-03-2001	6	18	0	0	2	6
2000-01	30-03-2002	4	17	0	0	1	1
2001-02	31-03-2003	3	20	0	0	0	0
2002-03	24-07-2004	3	13	0	0	0	2
2003-04	31-03-2005	2	19	0	0	1	0
2004-05	27-03-2006	2	21	0	0	1	1

<sup>19</sup> AP Beverages Corporation Ltd. and AP Solar Power Corporation Ltd.

Year of the Audit Report (Commercial/PSU)	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			
				Exclusive to State		Common	
		PAs	Para-graphs	PAs	Para-graphs	PAs	Para-graphs
2005-06	31-03-2007	4	19	0	0	1	1
2006-07	28-03-2008	5	24	0	1	2	6
2007-08	05-12-2008	3	22	0	0	1	0
2008-09	30-03-2010	3	24	0	0	1	6
2009-10	29-03-2011	3	18	0	0	0	0
2010-11	29-03-2012	3	22	0	0	0	9
2011-12	21-06-2013	2	6	0	0	2	4
2012-13	06-09-2014	2	9	0	1	2	2
2013-14	26-03-2015	2	5	0	0	1	2
2014-15	30-03-2016	1	4	1	4	0	0
<b>Total</b>		<b>82</b>	<b>403</b>	<b>1</b>	<b>6</b>	<b>15</b>	<b>54</b>

Source: As compiled by office of AG (E&RSA)/ Andhra Pradesh & Telangana

From the above, it could be seen that out of 485 paragraphs/ Performance Audits, explanatory notes to 76 paragraphs/ Performance Audits in respect of 10<sup>20</sup> departments, which were commented upon, were awaited (September 2016).

### Discussion of Audit Reports by COPU

1.25 The status as on 30 September 2016 of Performance Audits and paragraphs, that appeared in Audit Reports (PSUs) and were discussed by the Committee on Public Undertakings (COPU), was as under:

*Table No.1.15: PAs/Paragraphs that appeared in Audit Reports vis-a-vis discussed as on 30 September 2016*

Year of the Audit Report (Commercial/PSU)	Number of PAs / Paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
1992-93	7	29	6	29
1993-94	6	19	5	19
1995-96	5	23	3	18
1996-97	6	23	3	22
1997-98	6	23	2	10
1998-99	4	25	0	14
1999-00	6	18	1	7
2000-01	4	17	1	15
2001-02	3	20	0	13
2002-03	3	13	3	10
2003-04	2	19	0	8
2004-05	2	21	0	14
2005-06	4	19	0	11
2006-07	5	24	1	5
2007-08	3	22	1	9
2008-09	3	24	1	7
2009-10	3	18	1	7

<sup>20</sup> 1. Industries & Commerce, 2. Irrigation and Command Area Development (CAD), 3. Revenue, 4. Animal Husbandry, 5. Energy, 6. Agriculture & Co-operation, 7. Transport, Roads & Buildings, 8. Housing, 9. Youth Advancement, Tourism and Culture and 10. Municipal Administration & Urban Development



Year of the Audit Report (Commercial/PSU)	Number of PAs / Paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2010-11	3	22	0	3
2011-12	2	6	0	0
2012-13	2	9	0	0
2013-14	2	5	0	0
2014-15	1	4	0	0
	82	403	28	221

Source: As compiled by office of AG (E&RSA)/ Andhra Pradesh & Telangana

### Compliance to Reports of Committee on Public Undertakings (COPU)

1.26 Action Taken Notes (ATNs) to 333 paragraphs pertaining to 48 Reports of the COPU presented in the State Legislature between April 1983 to March 2007 had not been received (September 2016) the details are indicated as follows:

Table No.1.16: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
1983-84	1	3	3
1990-91	1	4	4
1991-92	5	160	100
1993-94	5	177	97
1995-96	3	33	17
1996-97	2	38	24
1998-99	2	16	16
2000-01	13	110	43
2001-02	1	1	0
2002-03	1	24	0
2004-05	9	66	5
2004-06	1	14	0
2006-07	4	25	24
<b>Total</b>	<b>48</b>	<b>671</b>	<b>333</b>

Source: As compiled by office of AG (E&RSA)/ Andhra Pradesh & Telangana

Note: The above information pertaining to erstwhile composite State of Andhra Pradesh

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 12<sup>21</sup> departments, which appeared in the Reports of the CAG of India for the years 1983-84 to 2006-07.

It is recommended that the Government may ensure: (a) sending of replies to IRs/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.

<sup>21</sup>: 1 Industries & Commerce, 2. Irrigation and Command Area Development (CAD), 3. Revenue, 4. Animal Husbandry, 5. Energy, 6. Agriculture & Co-operation, 7. Transport, Roads & Buildings, 8. Forest, 9. Housing, 10. Youth Advancement, Tourism and Culture, 11. Municipal Administration & Urban Development and 12. General Administration.

**Coverage of this Report**

**1.27.** This Report contains six paragraphs and one Performance Audit i.e. on Fuel management in Thermal Power Stations of Andhra Pradesh Power Generation Corporation Limited involving ₹ 7,227.65 crore.