

## OVERVIEW

### 1. Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Section 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India. These financial statements are also subject to supplementary audit conducted by the Comptroller and Auditor General of India. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2017, the State of Andhra Pradesh had 64 working Public Sector Undertakings (61 Companies and 3 Statutory Corporations) and 22 Non-working Public Sector Undertakings (all Companies), of which working Public Sector Undertakings employed 0.94 lakh employees. Working Public Sector Undertakings registered a turnover of ₹ 61,972.50 crore as per their latest finalised accounts as of 30 September 2017. The Return on Equity of 60 Working PSUs exclusive to State and formed due to demerger was (-) 48.84 per cent based on latest finalised accounts as on 30 September 2017.

*(Paragraph 1.1, 1.2 and 1.3)*

#### Investment in Public Sector Undertakings

As on 31 March 2017, investment (capital and long-term loans) in 86 Public Sector Undertakings was ₹ 61,345.31 crore. Of the total investments, 99.24 per cent was in Working Companies (exclusive to State and formed due to demerger) and 0.76 per cent in Companies (under demerger and Non-working Companies).

*(Paragraph 1.6 and 1.7)*

#### Performance of Public Sector Undertakings

There were 64 working PSUs in the State, out of which 37 PSUs finalised their accounts during October 2016 to September 2017, covering different reporting period. Of these, 15 working PSUs earned a profit of ₹ 1,164.23 crore and 20 PSUs incurred a loss of ₹ 3,240.49 crore. One PSU, i.e., Andhra Pradesh Power Finance Corporation Limited had prepared its accounts on no profit no loss basis and one PSU, i.e., Bhogapuram International Airport Corporation Limited had not started its operations.

*(Paragraph 1.14(a))*

Nine out of 64 PSUs had accumulated losses of ₹ 25,367.89 crore. The huge accumulation of losses by these PSUs was eroding public wealth which is a cause of serious concern.

*(Paragraph 1.14(b))*

Explanatory notes to Paragraphs/ Performance Audits appearing in Audit Reports (Commercial/ Public Sector Undertakings) are to be submitted within three month of their tabling in the State Legislature. Explanatory notes to 98 Paragraphs/ Performance Audits appearing in Audit Reports (Commercial/ Public Sector Undertakings) relating to 13 departments are yet to be received. Action Taken Notes on the 464 recommendations contained in reports of the Committee on Public Undertakings (COPU) were yet to be received from the departments as on 30 September 2017.

*(Paragraph 1.19 and 1.21)*

## 2. Performance Audit relating to Government company

Andhra Pradesh State Seeds Development Corporation Limited was incorporated on 26 March 1976 with authorized share capital of ₹ 5.00 crore. The paid up share capital of the Company as at 1 June 2014 stood at ₹ 275.80 lakh. The share of Government of Andhra Pradesh was ₹ 107.51 lakh (39 per cent), GoI was ₹ 90.00 lakh (33 per cent) and Seed Growers was ₹ 78.29 lakh (28 per cent)

Performance Audit on **Production, Procurement, Processing, Storage and Sale of seeds by Andhra Pradesh State Seeds Development Corporation Limited** was conducted. Overview of audit findings is given below:

- There was shortfall in production of 16.40 lakh quintals certified seeds during the period 2012-13 to 2016-17 compared to targets. The reason for shortfall was insufficient distribution of breeder and foundations seeds to the seed growers (individual farmers), considering Seed Multiplication Ratios lesser than the norms in respect of Paddy and higher in respect of Blackgram, Greengram and Groundnut and short supply of foundation and certified seeds by the seed growers.

(Paragraph 2.7.1.2)

- The agreements made with the seed organisers (private seed producing Companies) were defective in respect of Earnest Money Deposit which led to undue favour amounting to ₹ 5.16 crore.

(Paragraph 2.7.2.3)

- Delay in procurement of Bengalgram JG-11 certified seeds from the seed organisers during Rabi season 2015-16 led to re-fixation of procurement prices thrice, which were higher than the price fixed in March 2016, resulting in excess procurement cost of ₹ 38.24 crore.

(Paragraph 2.7.2.4)

- The Company revised the price incentive twice within one year. This revision was made on the request of seed Growers' Directors without any cost analysis by the Company.

(Paragraph 2.7.2.7)

- The Company had planned construction of 25 godowns (3.78 lakh sqft) under schemes of GoI. The Company could complete the construction of only eight godowns (1.40 lakh sqft) till March 2016 and could not complete (June 2017) construction of four godowns (1.18 lakh sqft). They did not take up construction of 13 godowns. This led to hiring of private godowns incurring avoidable expenditure of ₹ 5.24 crore.

(Paragraph 2.7.3.2)

- One of the objectives of the Company was to distribute certified and other quality seeds to the farmers. However, complaints were received against the supply of 4,945.60 quintals of poor quality seeds valuing ₹ 1.40 crore. Out of the above, the Company replaced seeds valuing ₹ 33.24 lakh free of cost and paid compensation of ₹ 15.06 lakh.

(Paragraph 2.7.4.4)

- Company failed to sell 3.69 lakh quintals of seeds during their validity period. The delay led to loss of vigour, viability and loss of rate of germination. The Company had to condemn the seed and sell these seeds as grain. This resulted in a loss of ₹ 25.25 crore.

*(Paragraph 2.7.4.5)*

### **3. Compliance Audit Observations**

**Compliance audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in financial implications. Overview of compliance audit findings is as given below:**

- Award of supplemental item to a contractor, against terms and conditions of tender and agreement led to additional financial burden of ₹ 7.10 crore on **Andhra Pradesh Power Generation Corporation Limited**.

*(Paragraph 3.1)*

A detailed compliance audit in respect of **Non-Operating Revenue** of **Andhra Pradesh State Road Transport Corporation** was carried out and an overview of the important findings is as below:

- Allotment of open space on nomination basis at lower license fee than the existing rates in the same premises led to loss of revenue of ₹ 0.91 crore.
- Cancellation of existing licenses of stalls without proper planning for development of “elegant corporate structure” at Tirupati Bus Depot resulted in loss of revenue of ₹ 22.65 lakh.
- Delay in implementation of Service Tax provision and Corporation’s decision not to recover Service Tax from stall licensees resulted in payment of Service Tax of ₹ 7.46 crore.
- Delay in taking action for recovery of outstanding license fee even after exceeding security deposit led to loss of revenue of ₹ 90.71 lakh.

*(Paragraph 3.2)*

**Other compliance audit observations on Andhra Pradesh State Road Transport Corporation:**

- Failure to draw term loan funds on need basis for procurement of buses led to parking of funds in short-term deposits resulted in avoidable interest burden of ₹ 4.52 crore.

*(Paragraph 3.3)*

- Procurement of medicines from the Distributor at higher rates instead of following the established system of procuring from drug manufacturers by inviting tenders, led to an extra expenditure of ₹ 1.75 crore.

*(Paragraph 3.4)*