

Executive Summary

This Audit Report contains the overview of functioning of Andhra Pradesh State Public Sector Enterprises (SPSEs), one Compliance Audit Report on Development & Maintenance of Infrastructure by Andhra Pradesh Tourism Development Corporation Limited (Youth Advancement, Tourism & Culture Department) and one Compliance Audit paragraph related to Transport, Roads & Building Department.

Functioning of State Public Sector Enterprises

The State Public Sector Enterprises (SPSEs) comprise State Government Companies, State Government controlled Other Companies and Statutory Corporations. The SPSEs were established to carry out activities of commercial nature, keeping in view the welfare of the people and contribute to the State economy. As on 31 March 2023, there were 124 SPSEs in Andhra Pradesh including 118 Government Companies, three Statutory Corporations and three Government Controlled Other Companies which comes under the audit jurisdiction of Comptroller & Auditor General (CAG) of India.

This report covers detailed analysis of 20 SPSEs, based on accounts for the year 2022-23 for 13 SPSEs and information related to financial matters pending finalisation of annual accounts for seven SPSEs. Further, the report presents the oversight role of CAG on compliance with various criteria and preparation and submission of financial statements by SPSEs; and with adherence to Corporate Governance guidelines stipulated for Government Companies.

Audit Conclusions and Recommendations are given below.

- i. As on 31 March 2023, there were 103 working SPSEs and 21 inactive SPSEs (inactive SPSEs are those which have effectively ceased to carry out their operations or are under liquidation process) in Andhra Pradesh under the audit jurisdiction of CAG. Out of 103 working SPSEs, eleven SPSEs were related to Power Sector. Further, 90 working SPSEs had backlog of 342 accounts with period of arrears ranging from one year to 17 years as at the end of 30 September 2023.
- ii. During 2022-23, 20 SPSEs registered an annual turnover of ₹88,176.83 crore, which was equal to 6.69 *per cent* of the GSDP of Andhra Pradesh.
- iii. The investment of the State Government in equity and long-term loans in 20 SPSEs was ₹5,534.42 crore against total investment of ₹1,06,761.20 crore in these SPSEs. The outstanding long-term loans of State Government in these SPSEs as on 31 March 2023 was ₹1,574.61 crore. The ratio of long-term loans to equity was 16.70 for these SPSEs.
- iv. Out of the 20 SPSEs, 14 SPSEs earned profits (₹2,786.83 crore), while five SPSEs incurred losses (₹1,251.63 crore) and one SPSE had no loss/profit. As on 31 March 2023, the accumulated losses in five loss-making SPSEs was ₹4,039.91 crore.
- v. As a result of the audit of CAG during the period October 2022 to September 2023, significant comments highlighting inaccuracies in the Financial Statements impacting profitability by ₹139.32 crore and assets/liabilities by ₹1,207.66 crore were issued.

- vi. During 2022-23, 12 SPSEs did not meet the mandatory requirement of conducting four meetings of the Board of Directors. Further, of the 13 SPSEs mandated to appoint Independent Directors, only four SPSEs had appointed the required number of Independent Directors. Only in two SPSEs', Independent Directors have conducted a separate meeting and in the remaining two SPSEs' Independent Directors did not conduct the said meeting. Woman Director was not appointed in seven out of 11 SPSEs which were required to appoint Woman Director.
- vii. Whole time Key Managerial Personnel were found appointed in nine out of 10 SPSEs which were required to appoint KMP. Audit Committee was constituted in 10 out of 13 SPSEs.
- viii. Only six out of 13 SPSEs had constituted the Nomination and Remuneration Committee. Out of 12 SPSEs, only six SPSEs had established vigil mechanism to report genuine concerns and grievances.

Audit Recommendations:

- ***The Government may review the functioning of all loss-making SPSEs and take necessary steps to improve their financial performance, ensure sound financial position of the SPSEs.***
- ***Government may expedite the process of liquidation for 21 inactive SPSEs.***
- ***The Government may issue necessary instructions to Administrative Departments to set targets for individual SPSEs to furnish the accounts in time and to strictly monitor the clearance of arrears and take expeditious steps to reduce the arrears in the finalisation of accounts.***
- ***The Government may ensure that the number of Independent Directors, Woman Directors in the Board of Directors of SPSEs are in conformity with the provisions of Companies Act, 2013 to achieve objectives of Corporate Governance in SPSEs.***
- ***The Government may ensure that vigil mechanism is installed as per the provisions of Companies Act, 2013.***

Compliance Audit observations on Development & Maintenance of Infrastructure by Andhra Pradesh Tourism Development Corporation Limited

The Andhra Pradesh Tourism Development Corporation Limited (APTDCL) is a government-owned entity responsible for promoting tourism in the State of Andhra Pradesh. It operates under the Youth Advancement, Tourism & Culture (YAT&C) Department, Government of Andhra Pradesh (GoAP), and is tasked with the objectives of development of tourism infrastructure, operation of tourism package services & promotional activities, maintenance of its assets constructed under Central/State Government Schemes and implementation of State Tourism policy 2020-25.

This Audit was conducted to assess whether tourism infrastructure development and maintenance activities were carried out in compliance with the existing guidelines, policies, rules, and regulations. The Audit was carried out between June and November 2023 covering the period from 2020-21 to 2022-23 at the office of the Managing Director, APTDCL and 33

per cent of units of three (SPSR Nellore, Visakhapatnam and Tirupati) out of seven divisional offices were covered based on Income and Expenditure details for the audit period.

Significant Audit findings and Recommendations are given below:

There were deficiencies on both sides (APTDCL & GoAP) in translating the projects into action owing to multiple reasons. APTDCL had meager resources available from its operational activities, as such there was heavy dependence on the Government of India (GoI) and GoAP funding, which required a joint approach towards release of share of respective funds. Audit observed that the GoAP fell short in releasing its proportionate share towards creation of infrastructure, consequently, the GoI funds of ₹4.79 crore incurred remained unfruitful.

The infrastructure and the asset creation was inadequate with number of incomplete works on different counts. Further, utilisation of the assets created (hotels, resort, restaurant, tourist attractions) were not ensured resulting in idling and deterioration of the assets. It was seen that the assets worth ₹33.68 crore created (2018-2021) under Swadesh Darshan Scheme were not made operational by APTDCL, despite this being a stipulated condition of the scheme. There was low occupancy of self-managed hotels. Consequently, revenue generation was poor.

Instances were noticed where prior to taking up of the projects/assets, APTDCL neither undertook feasibility studies nor prepared Detailed Project Reports (DPRs) showing site survey with location advantage, number of tourists expected, cost benefit analysis for revenue generation, if operation and maintenance (O&M) was handed over or the assets were self-operated. Hence, properties were constructed without need analysis, assessing possibility of revenue generation with tourist footfall, etc., thereby causing idling of such properties.

Furthermore, APTDCL did not initiate prompt action for realisation of dues (₹38.46 crore) on account of services rendered during Covid, lease rentals of Public Private Participation Projects, facilities extended to various departments and from properties operated on O&M basis. For an entity with limited operational revenue, this can have a significant financial implication.

Audit Recommendations

The GoAP/APTDCL must ensure:

- ***To release funds required for completion of incomplete projects and revisit the proposals for the remaining projects based on current cost estimate to obtain revised sanction of GoI.***
- ***To operationalise and maintain the assets created.***
- ***Feasibility study with due Cost-Benefit Analysis prior to undertaking a project for asset creation.***
- ***To develop a comprehensive asset management system for optimising operational revenue.***

(Paragraph 2.1)

Injudicious plying of midi buses on ghat road (Transport, Road & Building Department)

The injudicious decision of Andhra Pradesh State Road Transport Corporation to procure midi buses despite operational deficiencies reported by the Technical Committee prior to procurement, endangered the lives of passengers and resulted in under utilisation of buses, due to frequent break down. Subsequent premature sale of buses led to loss of ₹4.27 crore.

(Paragraph 2.2)