

## 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 Reorganisation Act, 2014 came into effect from 2<sup>nd</sup> June 2014 which bifurcated the erstwhile Composite State of Andhra Pradesh and Telangana State was formed on the same day. In Telangana, the State PSUs occupy an important place in the state economy. The accounts of these PSUs are subject to supplementary audit conducted by Comptroller and Auditor General of India (CAG) 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 Telangana 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 Headquarters<sup>1</sup>.

The assets and liabilities of 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 Telangana State, there were 67 PSUs as on 31<sup>st</sup> March 2016 including one new Company formed during the year.

**1.1** Of these, none of the PSUs was listed on the stock exchange(s). During the year 2015-16, one new PSU (Telangana Drinking Water Supply Corporation

---

<sup>1</sup> PSUs coming under Telangana State are referred as PSUs.

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

Limited) was incorporated in addition to incorporation of 28 PSUs which were under demerger; however, these PSUs (except Telangana Power Finance Corporation Limited which submitted 2014-15 accounts) have not submitted their first accounts. None of the PSUs was closed down. The details of the State PSUs in Telangana State as on 31 March 2016 are given below:

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

Type of PSUs	Working PSUs	Non-working PSUs	Total
Government Companies	37 <sup>3</sup>	0	37
Government Companies under demerger/Non-working	5	22	27
Statutory Corporations	3 <sup>4</sup>	0	3
<b>Total</b>	<b>45</b>	<b>22</b>	<b>67</b>

Source: Information furnished by State Government and PSUs

Out of 37 Government Companies and 3 Statutory Corporations, only 11 PSUs have submitted their accounts which registered a turnover of ₹ 35,084.62<sup>5</sup> crore as per their latest finalised accounts as on 30 September 2016. This turnover was equal to 7.49 per cent of State Gross Domestic Product (GDP)<sup>6</sup> for 2015-16. These PSUs incurred a loss of ₹ 2,647.05 crore as per their latest finalised accounts as on 30 September 2016. They had employed 0.18 lakh employees as at the end of March 2016. (*Annexure 1.2(a)*)

The Working PSUs under demerger registered a turnover of ₹ 47.60 crore as per their latest finalised accounts as on 30 September 2016. These PSUs incurred 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. (*Annexure 1.2(b)*)

The loss making PSUs showed an increasing trend. A review of five years' data showed that some PSUs had been continuously incurring heavy losses and some PSUs had not been finalising their accounts.

As on 31 March 2016, there were 22 Non-working PSUs under demerger, existing from over 20 years and having 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"

<sup>3</sup> 12 exclusive to State and 25 PSUs formed due to demerger.

<sup>4</sup> Formed due to demerger

<sup>5</sup> ₹ 35,084.52 crore of 10 PSUs as per Annexure 1.2 (a) and ₹ 0.099 crore of Telangana Power Finance Corporation Limited depicted in Annexure 1.2 (c). Other 29 PSUs have not submitted their first accounts

<sup>6</sup> Gross Domestic Product of Telangana- ₹ 4,68,656 crore

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 State Governments, and includes a Company which is a subsidiary Company of such 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 19 A 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 the three Statutory Corporations, CAG is the sole auditor for Telangana State Road Transport Corporation. The audit of Telangana State Warehousing Corporation and Telangana 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 Telangana

**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 67 PSUs was ₹ 43,051.95 crore, as detailed below:

*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	
<b>40<sup>7</sup>(37+3) Working PSUs</b>	3,645.64	36,577.11	40,222.75	87.63	2,278.20	2,365.83	<b>42,588.58</b>
<b>5 PSUs under demerger-Working</b>	70.63	133.55	204.18	-	-	-	<b>204.18</b>
<b>22 PSUs under demerger-Non working</b>	74.66	184.53	259.19	-	-	-	<b>259.19</b>
<b>Total</b>	<b>3,790.93</b>	<b>36,895.19</b>	<b>40,686.12</b>	<b>87.63</b>	<b>2,278.20</b>	<b>2,365.83</b>	<b>43,051.95</b>

Source: Information as furnished by PSUs

As on 31 March 2016, of the total investment, 93.43 per cent was in Working PSUs, 5.50 per cent in Statutory Corporations, 0.47 per cent in PSUs under demerger, and 0.60 per cent in Non-working PSUs.

This total investment consisted of 8.47 per cent in capital and 84.96 per cent in long-term loans in respect of Working PSUs. In respect of Statutory Corporations, out of the total investment, 0.20 per cent was in capital and 5.30 per cent in long term loans. In respect of PSUs under demerger, out of the

<sup>7</sup> Out of these 40 PSUs only 33 PSUs have furnished information. 6 Companies viz., Telangana Drinking Water Supply Corporation Limited, Pashamylaram Textiles Park, Telangana State Handicrafts Development Corporation Limited, Telangana State Industrial Development Corporation Limited, Telangana State Financial Corporation and Telangana Aviation Corporation Limited did not furnish information. However, information in respect of Pashamylaram Textiles Park, available in this office, has been taken.

total investment, 0.16 per cent was in capital and 0.31 per cent in long-term loans. In respect of Non-working PSUs, out of the total investment, 0.17 per cent was in capital and 0.43 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	Statutory Corporations	Non-working PSUs	PSUs under demerger	Investment
<b>Power</b>	29,127.87	--	--	--	29,127.87
<b>Manufacturing</b>	5,998.27	--	202.41	104.52	6,305.20
<b>Finance</b>	2,355.25	--	23.57	6.33	2,385.15
<b>Miscellaneous</b>	0.25	--	--	4.88	5.13
<b>Service</b>	1,866.53	2,359.16	1.13	--	4,226.82
<b>Infrastructure</b>	862.88	--	--	88.45	951.33
<b>Agriculture &amp; Allied</b>	11.70	6.67	32.08	--	50.45
<b>Total</b>	<b>40,222.75</b>	<b>2,365.83</b>	<b>259.19</b>	<b>204.18</b>	<b>43,051.95</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 summarised 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

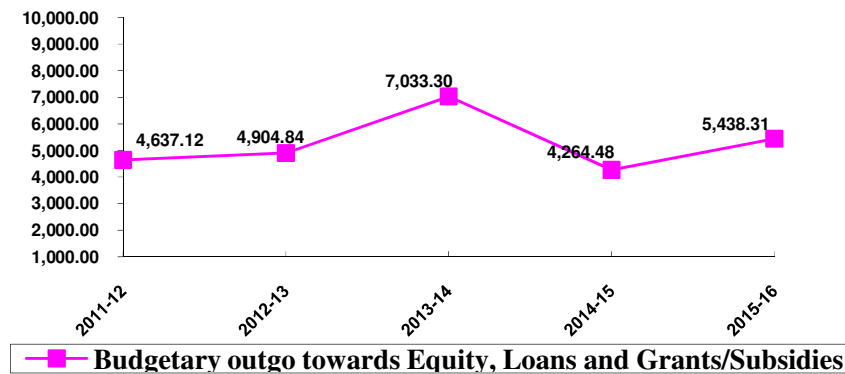
(₹ in crore)

Sl. No.	Particulars	2015-16			
		40 <sup>8</sup> Working PSUs		5 PSUs under demerger	
		No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	11	530.92	5	0.00
2	Loans given from budget	8	6,991.16	5	0.00
3	Grants/Subsidy given from budget	12	10,316.58	5	3.93
4	<b>Total Outgo</b>		<b>17,838.66</b>		<b>3.93</b>
5	Interest/Penal interest written off	0	0.00	0	0.00
6	Guarantees issued	1	646.16	0	0.00
7	Guarantee Commitment	5	10,422.77	0	0.00
8	Total Outgo of 12 <sup>9</sup> PSUs from Sl. No.4 above		5,438.31		

Source: Information as furnished by PSUs

<sup>8</sup> Out of these 40 PSUs only 33 PSUs have furnished information.

<sup>9</sup> 12 Companies that were included in Telangana 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.

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

Budgetary support by the State Government in respect of 12 PSUs (exclusive to State) increased from ₹ 4,264.48 crore in 2014-15 to ₹ 5,438.31 crore during 2015-16. However, overall budgetary support increased from ₹ 11,382.12 crore during 2014-15 to ₹ 17,842.59 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 one per cent as decided by the State Government, depending upon the loanees. The guarantee commitment decreased from ₹ 15,249.52 crore in 2014-15 to ₹ 10,422.77 crore in 2015-16 in respect of all PSUs, including PSUs under demerger. There were four<sup>10</sup> PSU's which did not pay guarantee fee/commission during the year and the accumulated outstanding guarantee fee/commission thereagainst was ₹ 6.25 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 concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 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 #	Difference
	(A)	No. of Companies**	(B)	(A)-(B)
Equity	885.41	1	885.60	- 0.19

<sup>10</sup> Southern Power Distribution Company of Telangana Limited ₹ 3.63 crore (exclusive to State), The Nizam Sugars Limited ₹ 51.04 lakh, New and Renewable Energy Development Corporation of Andhra Pradesh Limited ₹ 3 lakh, Andhra Pradesh State Financial Corporation ₹ 2.08 crore (yet to be bifurcated between the States)

Outstanding in respect of	Amount as per Finance Accounts		Amount as per records of PSUs #	Difference
	(A)	No. of Companies**	(B)	(A)-(B)
<b>Loans</b>	10.78	1	35.95	- 25.17
<b>Guarantees</b>	21,063.71	8	2,663.59	18,400.12

Source: Finance Accounts and Information as furnished by PSUs

# Information as furnished by PSUs

\*\* Information received for these Companies only.

Audit observed that there were differences in respect of 10 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 and replies are awaited. 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 working PSUs in finalisation of accounts as on 30 September 2016.

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

S. No.	Particulars	2015-16 <sup>@</sup> Working PSUs				Total
		PSUs exclusive to State <sup>11</sup>	Formed due to demerger <sup>12</sup>	PSUs under demerger <sup>13</sup>	Statutory Corporations	
1.	Number of Working PSUs	12	25	5	3	45
2.	Number of accounts finalised during the year	6	1#	3	0	10
3.	Number of accounts in arrears	26	32	18	3	79
4.	Average arrears per PSU (3/1)	2.16	1.28	3.6	1	1.75
5.	Number of Working PSUs with arrears in accounts	9	25	4	3	41
6.	Extent of arrears	1 to 7 years	2 years	1 to 14 years	1 year	1 to 14 years

Source: As compiled by O/o AG (E&RSA) Andhra Pradesh and Telangana;

@ Position up to September 2016

# Telangana Power Finance Corporation Limited - supplementary audit on accounts of 2014-15 done during current year.

<sup>11</sup> Statement showing investments made by State Government in PSUs (exclusive to state) whose accounts are in arrears (Annexure I.1(a))

<sup>12</sup> Statement showing investments made by State Government in PSUs (formed due to demerger) whose accounts are in arrears (Annexure I.1(c))

<sup>13</sup> Statement showing investments made by State Government in PSUs (under demerger) whose accounts are in arrears (Annexure I.1(b))



It can be observed from the above that as on 30<sup>th</sup> September, 2016:

- Twenty six accounts pertaining to nine PSUs (exclusive to State) were in arrears
- All the accounts of 25 PSUs (excluding Statutory Corporations) formed due to demerger, were in arrears.

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

Further, the extent of arrears ranged from one to 14 years in respect of PSUs under demerger. It is pertinent to mention here that APMDC-SCCL Suliyari Coal Company Limited and AP Tribal Power Corporation Limited have not submitted their 1<sup>st</sup> Accounts since their formation (2013-14 and 2002-03 respectively). The 24 PSUs formed due to demerger, also did not furnish their first accounts.

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 continued to exist though the Departments concerned were informed annually.

**1.11** The State Government had invested ₹ 4,260.39 crore in Equity, Loans and Grants in the PSUs (Exclusive to State) for which accounts had not been finalised, as detailed in *Annexure 1.1(a)*.

The State Government had also invested ₹ 1,479.44 crore in Equity, Loans and Grants in PSUs (formed due to demerger) for which accounts had not been finalised, as detailed in *Annexure 1.1(c)*.

The State Government had invested ₹ 16.76 crore towards Grants in respect of two PSUs which were under demerger during the years for which accounts had 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 the above, as on 30 September 2016, there were arrears in finalisation of accounts by Non-working PSUs. Out of the 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 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 PSUs, letters were addressed (September 2015, July 2016 and reminder October 2016) to the Public Enterprises Department of State Government. The reply was awaited (December 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 the 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.	Telangana State Financial Corporation		Accounts have not been submitted to AG. (December 2016)	
2.	Telangana State Warehousing Corporation			
3.	Telangana State Road Transport Corporation			

*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 the State exchequer was also not reported to the State Legislature.

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

**1.15** The financial position and working results of Working PSUs (Telangana State) and PSUs under demerger and Statutory Corporations are detailed in *Annexure 1.2 (a)*<sup>14</sup>, *Annexure 1.2(b)*<sup>15</sup> and *Annexure 1.2(c)*<sup>16</sup>. A ratio of PSUs' turnover to the State GDP shows the extent of PSUs' activities in the State economy. Table 1.9 provides the details of State working PSUs' turnover and State GDP for the year ended 31 March 2016.

<sup>14</sup> PSUs exclusive to State

<sup>15</sup> PSUs under demerger

<sup>16</sup> PSUs formed due to demerger of PSUs

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

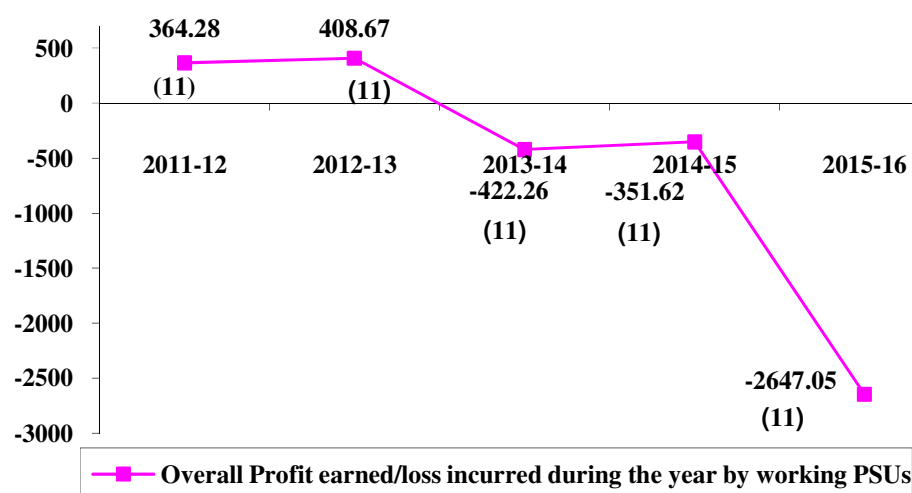
(₹ in crore)

Particulars	2015-16			
	Working PSUs		PSUs under demerger	Statutory Corporations
	PSUs (Exclusive to State)	formed due to demerger <sup>17</sup>		
Turnover	35,084.52	0.10	47.60	Accounts not submitted
Telangana State GDP	4,68,656	--	Not applicable	--
Percentage of turnover to State GDP	7.49	--	--	--
Net profit(+)/loss (-)	-2,647.05	--	-46.89	--

Source: As per latest finalised Annual Accounts of PSUs

**1.16** Overall profit (losses) earned (incurred) by Working PSUs (exclusive to State) 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))



(Figures in brackets show the number of working PSUs in respective years)

During the year 2015-16, out of seven Working PSUs which finalised their accounts, one PSU (The Singareni Collieries Company Limited) earned a profit of ₹ 1,066.13 crore. Out of loss incurring PSUs, Power Distribution Companies TSSPDCL and TSNPDCL incurred heavy losses (₹ 3,712.14 crore) while Damodhara Minerals Private Limited and Fab City (India) Private Limited incurred meagre losses. Telangana Power Finance Corporation Limited has reported no profit/loss.

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

<sup>17</sup> Except Telangana Power Finance Corporation Limited, none of the PSUs has submitted their Annual accounts. Turnover of this PSU was ₹ 0.10 crore.

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*

(₹ in crore)

Particulars	2015-16		
	Working PSUs (Exclusive to State)	Working PSUs formed due to demerger (including Statutory Corporations) <sup>18</sup>	PSUs under demerger
Return on capital employed	-1,449.92	0.00	-4.16
Debt	15,155.44	3.67	56.05
Turnover <sup>19</sup>	35,084.52	0.10	47.60
Debt/ Turnover Ratio	0.43	--	1.18
Interest Payments <sup>20</sup>	1,197.13	0.00	6.90
Accumulated Profits / (losses)	-12,462.42	--	-233.66

Source: As per the latest finalised Annual Accounts of PSUs

**1.18** As per their latest finalised accounts, 12 Working PSUs incurred an aggregate loss of ₹ 2,647.05 crore.

As per their latest finalised accounts, five PSUs under demerger incurred an aggregate loss of ₹ 46.89 crore. Further, two PSUs (The Singareni Collieries Company Limited and Telangana State Warehousing Corporation Limited) declared a dividend of ₹ 133.32 crore.

### 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<sup>st</sup> 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 O/o AG (E&RSA), Andhra Pradesh and Telangana;

<sup>18</sup> Except Telangana Power Finance Corporation Limited, none of the remaining 27 PSUs have submitted their Annual accounts.

<sup>19</sup> Turnover of working PSUs as per their latest finalised accounts as of 30 September 2016

<sup>20</sup> Includes PSUs who have finalised their accounts till September 2016.

Since the Non-working PSUs had not been contributing to the State economy and meeting their intended objectives, these PSUs need to be considered either for closure or revival. 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 is given below.

*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	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*

On the basis of the request of the PSU, the Hon'ble Court appoints liquidator for winding-up the Company. However, the above Companies had not been wound-up even after lapse of two 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 of remaining 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)** Five Working PSUs forwarded their audited six accounts to AG during the year 2015-16. Of these, four accounts were selected for supplementary audit while two accounts (FAB City SPV (India) Private Limited 2013-14 and Damodhara Minerals Private Limited 2015-16) were given Non-Review Certificates. Out of 28 PSUs formed due to demerger, only one PSU i.e. Telangana Power Finance Corporation Limited had submitted one account (2014-15) which was selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicated that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of comments of Statutory Auditors and CAG are given in Table 1.13(a):

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

Sl. No.	Particulars	2015-16	
		No. of accounts	Amount
1.	Decrease in profit	1	266.06
2.	Increase in loss	02	479.78
3.	Non-disclosure of material facts	04@	3,269.38
4.	Errors of classification	04@	1,424.78

Source: As per comments issued by the CAG and Statutory Auditors

@ includes comments on Telangana State Power Finance Corporation Limited which is one of the 28 PSUs formed due to demerger (2014-15 accounts).

**1.21. (b)** Three PSUs under demerger forwarded three audited accounts to AG during the year 2015-16. All of these were selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicated 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 (b): Impact of audit comments on PSUs under demerger**  
(₹ in crore)

Sl. No.	Particulars	2015-16	
		No. of accounts	Amount
1.	Decrease in profit	01	0.19
2.	Increase in loss	0	0.00
3.	Non-disclosure of material facts	0	0.00
4.	Errors of classification	0	0.00

Source: As per comments issued by the CAG and Statutory Auditors

During the year, the Statutory Auditors have given disclaimer opinion in respect of internal financial control aspects of The Singareni Collieries Company Limited and qualified opinion in respect of TSNPDCL and TSSPDCL. Adverse certificates were not given for any accounts.

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

## Response of the Government to Audit

### Performance Audits 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 eight 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 (December 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			
		PAs	Para-graphs	Exclusive to State		Common	
				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	1	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
2005-06	31-03-2007	4	19	0	1	1	1
2006-07	28-03-2008	5	24	0	0	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	1	1	2
2014-15	30-03-2016	1	3	1	3	0	0
<b>Total</b>		<b>82</b>	<b>402</b>	<b>1</b>	<b>7</b>	<b>15</b>	<b>54</b>

*Source: As compiled by O/o AG (E&RSA), Andhra Pradesh and Telangana*

From the above, it could be seen that out of 484 Performance Audits/Paragraphs, explanatory notes to 77 Performance Audits/Paragraphs in



respect of 10<sup>21</sup> departments, which were commented upon, were awaited (September 2016).

### Discussion of Audit Reports by the Committee on Public Undertakings (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), is as under:

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

Year of the Audit Report (Commercial/PSU)	Number of Performance Audits/ 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
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	3	0	0
<b>Total</b>	<b>82</b>	<b>402</b>	<b>28</b>	<b>221</b>

*Source: As compiled by O/o AG (E&RSA) Andhra Pradesh and Telangana*

<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, Road & Buildings 8. Housing, 9. Youth Advancement, Tourism and Culture and 10. Municipal Administration & Urban Development

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

**1.26** Action Taken Notes (ATNs) in respect of 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 below:

*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>

*Note: The above information pertains to erstwhile composite State of Andhra Pradesh. Source: As compiled by O/o AG (E&RSA), Andhra Pradesh and Telangana*

These reports of COPU contained recommendations in respect of paragraphs pertaining to 12<sup>22</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) submission 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.

## Coverage of this Report

**1.27.** This Report contains one Performance Audit on Functioning of Northern Power Distribution Company of Telangana Limited (TSNPDCL) along with Information Technology audit on Billing Systems in TSNPDCL and eight paragraphs involving ₹ 5,962.97 crore.

<sup>22</sup> 1. Industries & Commerce 2. Irrigation and Command Area Development (CAD) 3. Revenue 4. Animal Husbandry 5. Energy 6. Agriculture & Co-operation 7. Transport, Road & Buildings 8. Forest, 9. Housing, 10. Youth Advancement, Tourism and Culture, 11. Municipal Administration & Urban Development and 12. General Administration.