

OVERVIEW

1. Functioning of State Public Sector Undertakings

As on 31 March 2016, there were 79 PSUs, falling under audit purview. Out of these, 52 Working PSUs pertain exclusively to Andhra Pradesh (15 of previous year; 9 newly incorporated and 28 formed due to bifurcation of the State), 5 PSUs are under demerger and remaining 22 are Non-working PSUs (yet to be bifurcated). As on 31 March 2016, the investment (capital & long term loans) in 79 PSUs was ₹ 42,123.11 crore.

- During 2015-16, total outgo from the budget of the State of Andhra Pradesh was ₹ 7,290.67 crore for working PSUs exclusive to Andhra Pradesh and those formed due to bifurcation of the State and ₹ 3.93 crore for five PSUs under demerger.

(Chapter I)

2. Performance Audit relating to Government company

In the State of Andhra Pradesh, generation of power was carried out by Andhra Pradesh Power Generation Corporation Limited (APGENCO). After the formation of Telangana State (as per the AP Reorganization Act, 2014), APGENCO (the Company) has a capacity of 2,810 MW at two thermal power plants viz., Dr. Narla Tata Rao Thermal Power Station (Dr.NTTPS, 1,760 MW), Vijayawada, Krishna district and Rayalaseema Thermal Power Station, Muddanur, Kadapa district (RTPP, 1,050 MW).

Performance Audit on **Fuel Management in Thermal Power Stations of Andhra Pradesh Power Generation Corporation Limited** was conducted. Important audit findings are given below:

- The power generation decreased from 22,235 MU (Million Units) in 2011-12 to 19,359 MU in 2015-16, mainly due to outages of power plants. Further, the total cost per unit increased from ₹ 2.94 in 2011-12 to ₹ 4.34 in 2015-16.
- In absence of suitable clauses in coal procurement order, the Company had to make avoidable payment of ₹ 918.61 crore towards value of ungraded and differential grades of coal during the years 2014 to 2016.
- Improper monitoring of coal requirements at power plants resulted in avoidable expenditure of ₹ 186.77 crore on freight charges towards diversion of coal during the years 2011 to 2015.
- Failure of the Company to utilize the washery to its full capacity resulted in additional expenditure of ₹ 17.47 crore on transportation during the period July 2015 to March 2016.

- Despite higher yield of beneficiated coal, the Company had placed orders for lower yield of beneficiated coal and received less quantity of 3.20 LMT (2011 to 2016) of beneficiated coal valued at ₹ 136.07 crore.
- Inadequate unloading facility in Coal Handling Plant (CHP) and inaction by the Company to augment the CHPs, even after commissioning of new units, resulted in avoidable demurrage charges of ₹ 112.66 crore during 2011 to 2016.
- Though Coal India Limited had notified a panel of agencies for conducting joint sampling of coal at loading end during August 2014, the Company did not finalize appointment of representative for joint sampling at coal loading points.
- The difference in Gross Calorific Value (GCV) as per invoiced/received coal and the bunkered coal resulted in excess consumption of coal of 86.02 Lakh MT valued at ₹ 3,179.32 crore.
- The Company had diverted fund realised on sale of fly ash for renovation of guest house at Power Stations, construction of school compound wall, flooring of badminton court and to meet the day to day working capital requirements, in violation of Ministry of Environment and Forest guidelines.

(Chapter II)

3. Compliance Audit Observations

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in financial implications. The irregularities pointed out are broadly of the following nature:

Loss of ₹ 33.67 crore in four cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.3.2.2, 3.3.2.7, 3.5 and 3.6.)

Loss of ₹ 361.56 crore in five cases due to non-safeguarding the financial interest of organization.

(Paragraphs 3.1.2.4, 3.1.2.5, 3.2, 3.3.2.5 and 3.3.2.6)

Loss of ₹ 204.95 crore in three cases due to defective/ deficient planning.

(Paragraph 3.1.2.3, 3.1.2.12 and 3.1.2.13)

Loss of ₹ 761.76 crore in five cases due to inadequate/ deficient planning.

(Paragraphs 3.1.2.7, 3.1.2.8, 3.1.2.11, 3.1.2.17 and 3.4)

Gist of some of the important audit observations is given below:

Andhra Pradesh Power Development Company Limited had taken up the construction of Sri Damodaram Sanjeevaiah Thermal Power Station (800 MW X 2) at Krishnapatnam in Andhra Pradesh.

The Company paid full consultation fee of ₹ 1.17 crore to the Consultant though Detailed Project Report (DPR) was prepared without considering certain important items. Project cost was increased from ₹ 8,432 crore to ₹ 12,630 crore. Non-maintenance of debt-equity ratio led to additional borrowing and interest burden of ₹ 52.64 crore. Enhancement of Execution and Supervision charges from one *per cent* to two *per cent* without any contractual obligations had resulted in avoidable payment of ₹ 84.00 crore to APGENCO. Abnormal delay in augmentation of External Coal Conveying System resulted in avoidable expenditure on transportation of Coal. Non-payment of labour cess of ₹ 44.19 crore by the Contractors resulted in extension of undue benefits to the agencies. The Company procured coal from the Singareni Collieries Company Limited at an additional price due to delay in entering into MoU with MCL. Undue benefit of ₹ 35.34 crore was extended to transporters on beneficiation and transportation of coal from Mahanadi Coalfields Limited. The company incurred potential loss of saleable energy worth ₹ 9,251.43 crore due to poor performance of the Plant. The Company failed to comply with APPCB norms related to hazardous waste and air pollution.

(Paragraph 3.1)

Eastern Power Distribution Company of Andhra Pradesh continued Single Bulb Subsidy without commitment of Government of Andhra Pradesh (GoAP) and approval of APERC which resulted in loss of revenue of ₹ 13.24 crore.

(Paragraph 3.2)

Andhra Pradesh Aviation Corporation Limited paid ₹ 14.33 crore to M/s Saras Aviation Services for hiring of helicopter without proper assessment of the flying hours. Non-collection of rentals from the hiring parties had resulted in foregoing its source of revenue and the Company had to depend on budgetary support from the Government. Keeping the insurance amount of ₹ 59.85 crore in current account had resulted in loss of potential interest revenue of ₹ 7.18 crore. Non-availment of Cenvat credit on Service Tax paid to its service providers resulted in loss of ₹ 17.14 crore.

(Paragraph 3.3)

Andhra Pradesh Mineral Development Corporation Limited failed to adhere to the milestones of Government of India for commencement of production of coal which resulted in avoidable payment of penalty of ₹ 1.57 crore and blocking up of ₹ 285.85 crore.

(Paragraph 3.4)

Indira Gandhi Centre for Advanced Research on Livestock Private Limited granted extension of time to the contractor in violation of the agreement resulting in payment of price escalation of ₹ 9.44 crore.

(Paragraph 3.5)

Failure of the **Andhra Pradesh State Warehousing Corporation** to assess its income tax properly resulted in avoidable payment of penalty and interest of ₹ 7.30 crore.

(Paragraph 3.6)

(Chapter III)