

Chapter I

1. Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of a commercial nature keeping in view the welfare of the people. They occupy an important place in the State economy.

The Andhra Pradesh Reorganization Act, 2014 (AP Reorganisation Act) came into effect from 2 June 2014, which bifurcated the erstwhile composite State of Andhra Pradesh and the residual Andhra Pradesh State came into existence on that date. Under the AP Reorganisation Act, a PSU shall pass to that State where it is exclusively located in or its operations are exclusively confined. Assets and liabilities of the PSUs with interstate operations were to be apportioned between the two States as under:

- The operational units on location basis; and
- Assets and liabilities at headquarters on the basis of population ratio.

Total 33 PSUs¹ were identified in the Act, with interstate operations, which were to be demerged. Out of these, 28 PSUs² were functionally bifurcated. However, the transfer of assets and liabilities of these demerged PSUs is yet to be finalised.

As on 31 March 2017, there were 86 PSUs in Andhra Pradesh. Of these, 64 were working PSUs (32 PSUs were exclusive to State, 28 PSUs, including Statutory Corporation, were formed due demerger and 4 PSUs were under demerger) and 22 were non-working PSUs. None of the PSUs was listed on the stock exchange(s). Five companies³ were newly incorporated during the year 2016-17. Four companies⁴ incorporated in 2015-16 but incorporation details were received after finalisation of Audit Report 2015-16. No company was closed down during the year. The details of the State PSUs in Andhra Pradesh State as on 31 March 2017 are given as below:

¹ Five companies viz., The Nizam Sugars Limited, Andhra Pradesh Rajiv Swagruha Corporation Limited, Infrastructure Corporation of Andhra Pradesh Limited, Andhra Pradesh Tribal Power Company Limited and Andhra Pradesh State Film, Television and Theatre Development Corporation Limited. The Nizam Sugars Limited which was shown as PSUs under demerger in the previous Report has been excluded in this Report, as it has been treated as Company exclusive to Telangana State.

² 25 Government companies and three Statutory Corporations.

³ Andhra Pradesh Centre for Financial System & Services, Andhra Pradesh Medtech Zone Limited, Andhra Pradesh Township & Infrastructure Development Corporation Limited, AP Towers Limited, and Godavari Gas Private Limited.

⁴ Amaravati Development Corporation Limited, Greater Visakhapatnam Smart City Corporation Limited, Andhra Pradesh State Kapu Welfare & Development Corporation Limited and Andhra Pradesh Brahmin Welfare Corporation Limited.

Table 1.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working companies	Total
Government Companies (exclusive to State) ⁵ plus (formed due to demerger) ⁶	57	0	57
Government Companies under demerger ⁷ (Working/Non-working)	04	22	26
Statutory Corporations formed due to demerger	03	0	03
Total	64	22	86

Source: Information furnished by State Government and PSUs

The 64 working PSUs⁸ had a work force of 0.94 lakh employees as at the end of March 2017.

Out of 60 working PSUs exclusive to State and formed due to demerger, as of 30 September 2017, 49 PSUs⁹ had submitted the accounts for atleast one of the reporting period since their inception. The remaining 11 PSUs had not submitted even the first accounts since their inception. The 49 PSUs registered a turnover of ₹ 61,948.62 crore. These PSUs incurred a net loss of ₹ 2,913.43 crore as per their latest finalised accounts as on 30 September 2017. The Return on Equity and Return on Investment of the above working PSUs were (-) 48.84 per cent and 7.39 per cent respectively based on the latest finalised accounts as on September 2017. The Return on Investment was positive as there was overall profit before interest and tax.

Out of 4 working PSUs under demerger, as of 30 September 2017, 3 PSUs had submitted the accounts for atleast one of the reporting period since their inception. The remaining 1 PSU had not submitted even the first accounts since its inception. The 3 PSUs registered a turnover of ₹ 23.88 crore as per their latest finalised accounts as of 30 September 2017. These companies incurred a net loss of ₹ 12.34 crore as per their latest finalised accounts. The Return on Equity and Return on Investment of these working PSUs were (-) 37.31 per cent and 11.09 per cent respectively as per their latest finalised accounts.

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

As on 31 March 2017, there were 22 non-working companies existing for over 21 years and having an investment of ₹ 259.19 crore. This is a critical area, as the investments in non-working companies do not contribute to the economic growth of the State. All these non-working companies are under demerger.

⁵ (a) Companies, which are completely falling under Andhra Pradesh State after bifurcation due to its operations being entirely in the State before bifurcation (b) New companies formed on or after bifurcation of the State.

⁶ Companies, which are formed upon bifurcation of the State.

⁷ Companies, which are yet to be bifurcated as per The Andhra Pradesh Reorganization Act, 2014.

⁸ PSUs includes Statutory Corporations also.

⁹ As of 30 September 2017, these PSUs had submitted the accounts for atleast one of the reporting period since their inception.

Accountability framework

1.2 The process of audit in the case of 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 the Central Government and partly by one or more State Governments 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 State Governments, and includes a company which is a subsidiary company of such a Government company.

1.3 The Statutory Auditors are appointed by the Comptroller and Auditor General of India under Section 139 of the Companies Act, 2013. The Statutory Auditors conduct audit of accounts of the Government companies in accordance with Section 143 of the Companies Act, 2013.

The accounts of PSUs are subject to supplementary audit by CAG under Section 143 of the Companies Act, 2013. The CAG plays an oversight role by monitoring the performance of the Statutory Auditors. The overall objective of CAG audit is that the Statutory Auditors discharge the functions assigned to them. This function is discharged by exercising the powers as under:

- 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 are to be placed before the Legislature under Section 394 of the Companies Act. Separate Audit Reports are also required to be placed before the Legislature in case of Statutory Corporations 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 2017, the Government investment (capital and long-term loans) in 86 PSUs is detailed below:

Table 1.2: Total investment in PSUs

(₹ in crore)

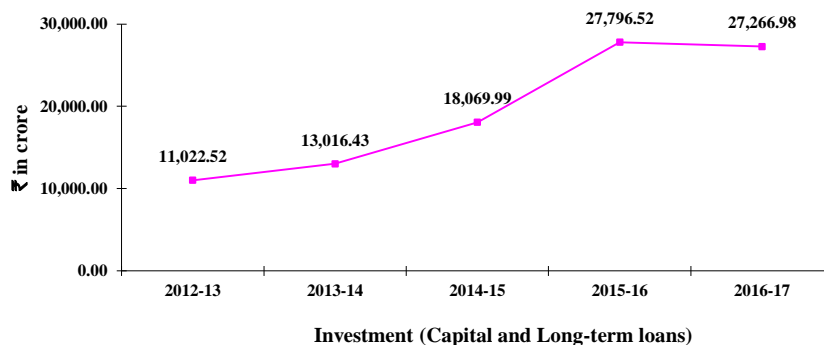
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans*	Total	Capital	Long Term Loans	Total	
60 (57+3) Working PSUs	6,068.50	49,229.64	55,298.14	337.08	5,244.43	5,581.51	60,879.65
4 Companies under demerger- (Working)	36.64	169.83	206.47	NA	NA	NA	206.47
22 Companies under demerger- (Non-working)	74.66	184.53	259.19	NA	NA	NA	259.19
Total	6,179.80	49,584.00	55,763.80	337.08	5,244.43	5,581.51	61,345.31

Source: Information furnished by PSUs.

NA: Not Applicable

*The long term loans include loans from Central and State Governments, Public Financial Institutions and Commercial Banks.

As on 31 March 2017, of the total investments in State PSUs, 99.24 per cent was in Working PSUs (exclusive to State and formed due to demerger) and remaining 0.76 per cent in companies under demerger (4 companies yet to be demerged and 22 non-working companies). This total investment consisted of 9.89 per cent in capital and 80.25 per cent in long-term loans. The investment had grown by 147.38 per cent from ₹ 11,022.52 crore in 2012-13 to ₹ 27,266.98 crore in 2016-17 as shown in the following graph:

Chart 1.1: Total Investment in PSUs (Exclusive Andhra Pradesh PSUs)**Sectoral analysis of investments**

1.7 The sector-wise summary of investments in the Working PSUs (including Statutory Corporations) as on 31 March 2017 is given below:

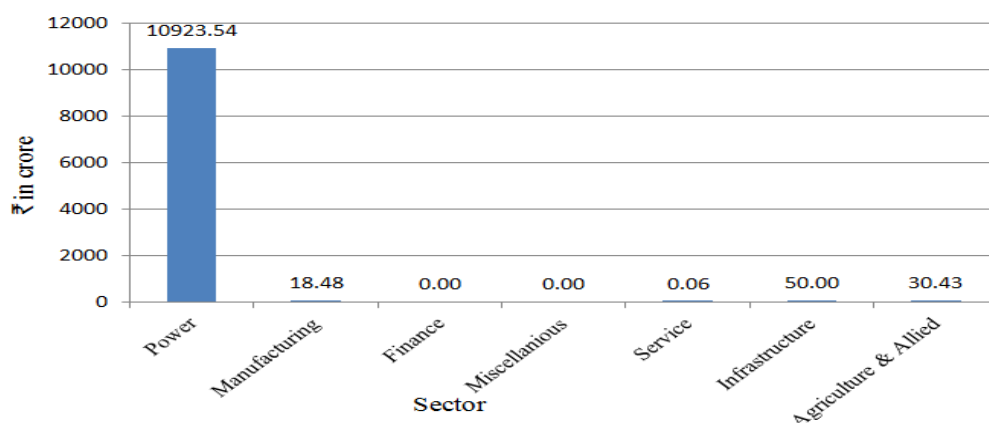
Table 1.3: Sector-wise investment in 86 PSUs

(₹ in crore)

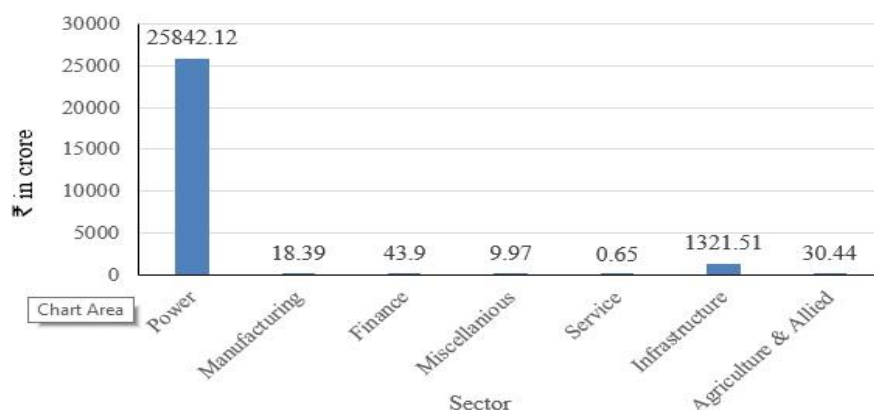
Name of Sector	Government Investment		
	2016-17	2015-16	Per cent Increase/decrease
Power	41,736.79	30,535.97	36.68
Manufacturing	268.92	339.72	(-) 20.84
Finance	4,556.84	4,782.54	(-) 4.72
Miscellaneous	12.18	13.96	(-) 12.75
Services	3,408.32	5,331.46	(-) 36.07
Infrastructure	10,894.61	590.67	1,744.45
Agriculture & Allied	467.65	528.79	(-) 11.56
Total	61,345.31	42,123.11	

Source: Information furnished by PSUs

The sector-wise investment at the end of 31 March 2013 and 31 March 2017 in 32 exclusive Andhra Pradesh PSUs is indicated in the following bar charts:

Chart 1.2 (a): Sector-wise investment (32 Exclusive Andhra Pradesh PSUs) – 2012-13

**Chart 1.2 (b): Sector-wise investment
(32 exclusive Andhra Pradesh PSUs) – 2016-17**



Of the total investment in 2016-17, Government investments were highest in the Power Sector followed by Infrastructure Sector (Table 1.3). The losses in Power Sector accounted for 99.54 *per cent* of the total losses incurred by the State working PSUs in 2016-17. There was an increase of 178.31 *per cent* in investments (loans) in Power Sector largely through loans raised by Southern Power Distribution Company of Andhra Pradesh Limited and Andhra Pradesh Power Development Company Limited. Similarly, there was an increase in investments in Infrastructure Sector due to formation of new infrastructure company and loans raised by the other existing companies.

Budgetary support to PSUs

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-off in respect of Working PSUs and PSUs under demerger for the year ended 31 March 2017 are as follows:

Table 1.4: Details regarding budgetary support to PSUs

(₹ in crore)

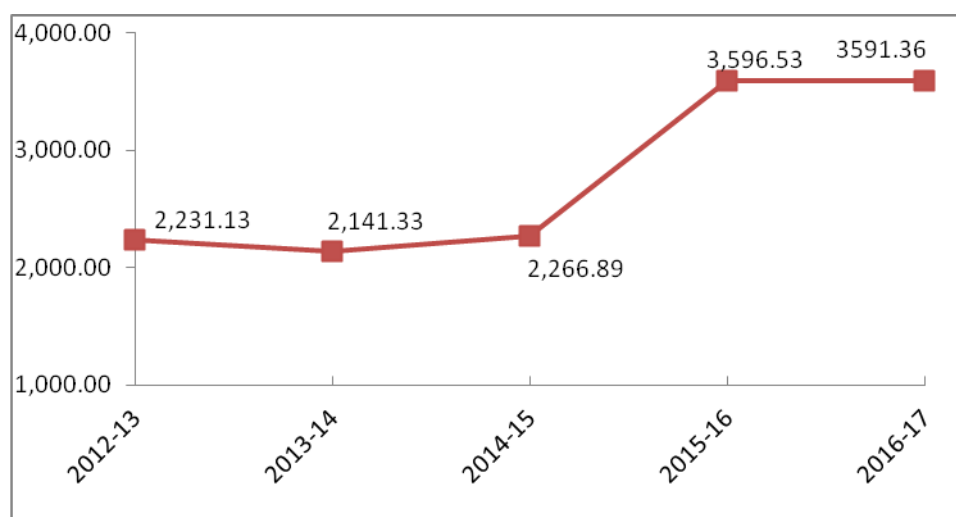
Sl. No.	Particulars	2016-17		2015-16	
		60 Working PSUs		52 ¹⁰ Working PSUs	
		No. of PSUs	Amount (₹)	No. of PSUs	Amount (₹)
1	Equity capital outgo from budget	10	224.84	7	16.28
2	Loans given from budget	6	423.68	3	536.94
3	Grants/Subsidy given from budget	27	11,833.85	17	6,737.45
4	Total outgo to PSUs	35	12,482.37	25	7,290.67

¹⁰ Out of these 52, only 46 have furnished information. Andhra Pradesh Solar Power Corporation Limited which was included in 52, converted as central PSUs. Hence, it was not taken in this Report as State PSU.

Sl. No.	Particulars	2016-17		2015-16	
		60 Working PSUs		52 ¹⁰ Working PSUs	
		No. of PSUs	Amount (₹)	No. of PSUs	Amount (₹)
5	Interest/Penal interest written-off	0	0.00	0	0.00
6	Guarantees issued ¹¹	2	1,200.00	0	0.00
7	Guarantee Commitment ¹²	9	10,645.29	6	1,342.77
8	Total Outgo to PSUs ¹³ exclusive to State out of Sl. No 4 above	3	3,591.36	NA	3,596.53

Source: Information furnished by PSUs. NA: Not Applicable

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies (32 exclusive to Andhra Pradesh)



Budgetary support by State Government in respect of 32 PSUs decreased marginally from ₹ 3,596.53 crore during 2015-16 to ₹ 3,591.36 crore during 2016-17.

Reconciliation with Government

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 at 31 March 2017 was as follows:

¹¹ Government guarantees issued to the PSUs during a particular year.

¹² Closing balance of Government guarantee in respect of PSUs at the end of a particular year.

¹³ 15 companies that were exclusive to Andhra Pradesh, as per previous report, have only been considered in the chart in order to have a uniform comparison. Companies under demerger, companies formed due to demerger and newly formed companies are excluded, as five years data is not available/uniform.

Table 1.5(a): Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of PSUs (exclusive to State)

(₹ in crore)

Outstanding in respect of	As per Finance Accounts		As per records of companies	Difference (₹)
	Amount (₹)	No of Companies	Amount (₹)	
Equity	117.90	20	880.81	(-) 762.91
Loans	1.55	8	909.24	(-) 907.69
Guarantees	854.00	3	631.37	222.63

Table 1.5(b): Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of PSUs (Formed due to demerger)

(₹ in crore)

Outstanding in respect of	As per Finance Accounts		As per records of companies	Difference (₹)
	Amount (₹)	No of Companies	Amount (₹)	
Equity	5,094.92	23	3,221.21	1,873.71
Loans	12,307.23	15	13,313.11	(-) 1,005.88
Guarantees	5,533.45	7	10,013.92	(-) 4,480.47

Source: Finance Accounts and information provided by respective PSUs.

Audit observed that there were differences in figures in respect of Equity, Loans and Guarantees in records of State PSUs and Finance Accounts. These differences were in respect of 49 PSUs (24 exclusive Andhra Pradesh PSUs and 25 PSUs formed due to demerger). Some of these differences are pending reconciliation for more than two decades. The matter was taken up (October 2017) 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.

Guarantee fee

The State Government helps the PSUs to raise loans from Banks and Public Financial Institutions by giving guarantees to repayment of principal and interest. For this purpose, the Government charges guarantee commission which varies from 0.25 per cent to one per cent as decided by the State Government, depending upon the loanees. The guarantee commitment increased from ₹ 1,342.77 crore during 2015-16 to ₹ 10,645.29 crore during 2016-17 in respect of nine PSUs including PSUs under demerger. There were three¹⁴ PSUs which had not paid guarantee fee/commission during the year and accumulated outstanding guarantee fees/commission thereagainst was ₹ 2.68 crore (as on 31 March 2017).

¹⁴ New and Renewable Energy Development Corporation of Andhra Pradesh Limited (₹ 3 lakh), Andhra Pradesh State Industrial Development Corporation (₹ 56.86 lakh) and Andhra Pradesh State Financial Corporation (₹ 208 lakh).

Timeliness of accounts

1.10 Section 96(1) of the Companies Act, 2013 requires that the PSUs finalise their accounts within six months from the end of the relevant financial year, i.e., by September end. Failure to do so may attract penal provisions under Section 99 and Section 137(3) of the Companies Act, 2013. 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 on 30 September 2017:

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

Sl. No.	Particulars	2016-17	2015-16
1	Number of Working PSUs*	64	57
2	Number of accounts finalised during the year ¹⁵	59	29
3	Number of accounts in arrears	127	122
4	Average arrears per PSU (3/1)	1.98	2.14
5	Number of Working PSUs with arrears in accounts	51	49
6	Extent of arrears	1 to 12 years	1 to 14 years

Source: As compiled by office of PAG (Audit), Andhra Pradesh.

* Working PSUs include PSUs exclusive to State, PSUs formed due to demerger and PSUs under demerger.

As on 30 September 2017 it was seen that:

- The accounts of 22 companies (38 accounts) exclusive to State were in arrears ranging from one to five years. The accounts of 25 PSUs (74 accounts) formed due to demerger were in arrears ranging from one to twelve years. In respect of four companies under demerger, 15 accounts were in arrears ranging from one to nine years.
- Except two PSUs, the accounts of all 23 PSUs (excluding Statutory Corporation) formed due to demerger were in arrears, though 26 accounts were received during the year. Of these 25 PSUs, two PSUs had not furnished their first accounts (*Annexure 1.1 (c)*).

It is pertinent to note that Vijayawada Urban Transport Company Limited, Rythu Sadhikara Samstha and Andhra Pradesh Mahila Sadhikara Samstha (exclusive to State), AP Tribal Power Corporation Limited (under demerger) and Andhra Pradesh Aviation Corporation Limited (formed due to demerger) have not submitted their first accounts though they were formed long back (2005-06 to 2013-14).

The Public Enterprises Department as well as the Administrative Departments had the responsibility to oversee the activities of these entities and to ensure that the accounts were finalised by the PSUs and adopted by the Boards of the respective PSUs within the stipulated time period. The arrears of accounts continue to exist though the Departments concerned were informed regularly.

¹⁵ Accounts received during the period October 2016 to September 2017.

1.11 The State Government had invested ₹ 4,571.10 crore in Equity, Loans and Grants in the 22 PSUs (exclusive to Andhra Pradesh), for which accounts had not been finalised, as detailed in *Annexure 1.1 (a)*.

The State Government had also invested ₹ 2,518.56 crore in Equity, Loans and Grants in the 25 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 ₹ 17.64 crore towards grants in respect of 3 companies 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 had been properly accounted for and 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.

Placement of Separate Audit Reports on Statutory Corporations

1.12 Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations are required to be tabled in the Legislature. However, two SARs of Andhra Pradesh State Financial Corporation are yet to be placed in the Legislature. Table 1.7 shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2017) on the accounts of Statutory Corporations, in the Legislature:

Table 1.7: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year upto 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	2014-15	2015-16	14-02-2017
			2016-17	09-11-2017
2	Andhra Pradesh State Warehousing Corporation	2014-15 (upto 1 June 2014)	Accounts are in arrears	Not applicable
3	Andhra Pradesh State Road Transport Corporation	2012-13	2013-14 (upto 1 June 2014)	18-12-2017
			Accounts are in arrears	Not applicable

Source: Information as furnished by PSUs.

Impact of non-finalisation of accounts

1.13 As pointed out above (*Para 1.10 to 1.11*), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money. It is also in 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 Gross State Domestic Product for the year 2016-17, could not be ascertained. Their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Government may:

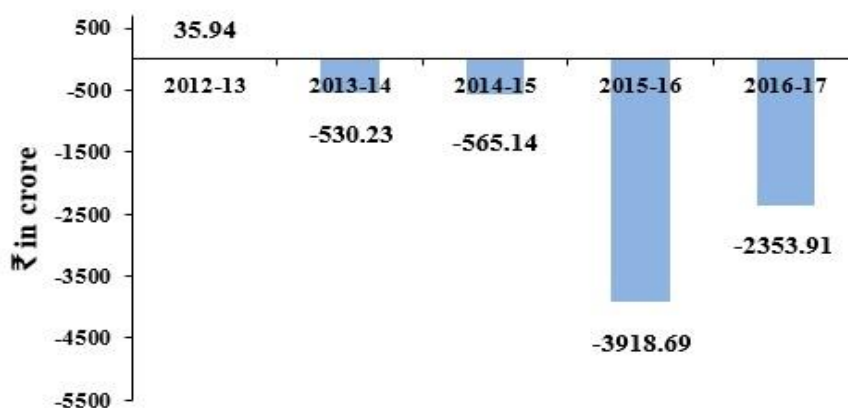
- set up a cell to oversee the clearance of arrears and set the targets for individual PSUs, which would be monitored by cell;

- consider outsourcing the work relating to preparation of accounts, wherever the staff is inadequate or lacks expertise.

Performance of PSUs as per their latest finalized accounts

1.14 (a) Overall profit earned/ loss incurred by working PSUs (32 exclusive to State) during 2012-13 to 2016-17 is shown in the chart below. The net loss incurred by the PSUs decreased by 39.93 per cent from last year:

Chart 1.4: Profit/ Loss of Working companies (Annexure 1.2(a))



As per their latest finalised accounts, 32 Working PSUs exclusively to State incurred an aggregate loss of ₹ 2,353.91 crore. However, 25 working companies formed due to demerger incurred aggregate profit of ₹ 418.85 crores and 3 Statutory Corporations incurred aggregate losses of ₹ 978.37 crore. Further, 4 PSUs under demerger incurred aggregate loss of ₹ 12.34 crore. There were three companies¹⁶, which prepared their accounts on no profit no loss basis and their expenditures were borne through grants/ assistance/ commission. There was one company¹⁷, which did not start its operations.

Out of 64 working PSUs in the State, 37 PSUs¹⁸ finalised their accounts during October 2016 to September 2017. Fifteen working PSUs which finalised their accounts, earned a profit of ₹ 1,164.23 crore and 20 PSUs incurred a loss of ₹ 3,240.49 crore.

Major contributors to profit were Andhra Pradesh Power Generation Corporation Limited (₹ 609.17 crore), Andhra Pradesh Mineral Development Corporation Limited (₹ 307.40 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 85.45 crore).

Heavy losses were incurred by Southern Power Distribution Company of Andhra Pradesh Limited (₹ 1,890.09 crore), Andhra Pradesh State Housing Corporation Limited (₹ 844.33 crore) and Eastern Power Distribution Company of Andhra Pradesh Limited (₹ 441.31 crore) (*Annexures 1.2 (a) to (c)*). This

¹⁶ Andhra Pradesh Meat Development Corporation Limited, Andhra Pradesh State Police Housing Corporation Limited and Andhra Pradesh Power Finance Corporation Limited.

¹⁷ Bhogapuram International Airport Corporation Limited.

¹⁸ 37 PSUs include 20 companies exclusive to Andhra Pradesh, 14 Companies formed due to demerger, 1 Statutory Corporation formed due to demerger and 2 companies under demerger.

was mainly due to excess expenditure on power purchase in comparison to the revenue realized and increase in operational expenditure.

As per their latest finalised accounts, four PSUs under demerger incurred an aggregate loss of ₹ 12.34 crore.

Five¹⁹ PSUs declared a dividend of ₹ 19.72 crore. However, three²⁰ PSUs did not pay declared dividend of ₹ 7.62 crore.

Erosion of capital due to losses

1.14 (b) The paid-up capital and accumulated losses of the State PSUs as per their finalised accounts as on 30 September 2017 were ₹ 6,096.76 crore and ₹ 24,044.63 crore respectively as detailed in *Annexure 1.2 (a) 1.2 (b)* and 1.2(c). Analysis of investment and accumulated losses disclosed that net worth had eroded in respect of nine out of 64 PSUs²¹. The paid-up capital and accumulated losses of these nine PSUs were ₹ 626.17 crore and ₹ 25,367.89 crore respectively.

Of these nine PSUs, the net worth had primarily eroded in two PSUs viz., Andhra Pradesh State Housing Corporation Limited ((-) ₹ 7,872.40 crore) and Southern Power Distribution Company of Andhra Pradesh Limited ((-) ₹ 5,359.89 crore). The accumulated losses of these PSU was ₹ 21,357.97 crore as against the paid-up capital of ₹ 358.97 crore (*Annexure 1.2 (a) and 1.2(c)*).

Thus, the accumulation of huge losses by these PSUs is eroding public wealth, which is a cause of serious concern.

1.15 Some other key parameters of PSUs are given below:

Table 1.8: Key Parameters of working PSUs and PSUs under demerger

(₹ in crore)

Particulars	2016-17			2015-16		
	Working PSUs		PSUs under demerger	Working PSUs		PSUs under demerger
	PSUs exclusive to State	Formed due to demerger		PSUs exclusive to State	Formed due to demerger	
Return on Equity (per cent)	(-) 152.47	(-) 7.45	(-) 37.31	(-) 50.80	(-) 3.76	(-) 29.01
Return on capital employed (per cent)²²	0.17	7.07	11.03	(-) 14.41	13.07	3.94
Debt	22,184.25	48,676.89	0.10	20,216.30	32,631.20	56.05
Turnover²³	25,358.42	36,590.20	23.88	20,654.87	34,281.19	47.60

¹⁹ Andhra Pradesh Handicrafts Development Corporation Limited (₹ 0.10 crore), Andhra Pradesh Mineral Development Corporation Limited (₹ 1.58 crore), Andhra Pradesh State Financial Corporation (₹ 5.65 crore), Andhra Pradesh State Seeds Development Corporation Limited (₹ 0.39 crore) and Andhra Pradesh State Warehousing Corporation (₹ 12.00 crore).

²⁰ Andhra Pradesh State Financial Corporation (₹ 5.65 crore), Andhra Pradesh Mineral Development Corporation Limited (₹ 1.58 crore) and Andhra Pradesh State Seeds Development Corporation Limited (₹ 0.39 crore).

²¹ Out of 64 PSUs 12 PSUs had not submitted their first Accounts.

²² Capital Employed represents Shareholders' Fund + Long term borrowings. Return on Capital Employed represents Profit/ Loss before interest.

²³ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2017.

Particulars	2016-17			2015-16		
	Working PSUs		PSUs under demerger	Working PSUs		PSUs under demerger
	PSUs exclusive to State	Formed due to demerger		PSUs exclusive to State	Formed due to demerger	
Debt/ Turnover Ratio	0.87	1.33	0.004	0.98	0.96	1.18
Interest Payments[^]	2,388.83	4,702.30	16.00	2,116.99	6,209.80	6.90

Source: As per latest finalised accounts of PSUs

[^] Relating to PSUs who have finalised their accounts till September 2017

Above parameter showed a mixed trend in financial position of the PSUs. In respect of working companies exclusive to State, return on capital employed increased to 0.17 *per cent* in 2016-17 as against (-) 14.41 *per cent* in 2015-16. This was due to increase in return on capital employed in Power Sector companies viz., Southern Power Distribution Company of Andhra Pradesh Limited and Eastern Power Distribution Company of Andhra Pradesh Limited. Debt-turnover ratio reduced marginally from 0.98 in 2015-16 to 0.87 in 2016-17 in respect of 32 companies exclusive to State.

Audit on Accounts

Status of audit

1.16 Out of 32 working companies exclusive to state, 20 companies forwarded their 29 audited accounts to PAG during the year 2016-17. Of these, 21 accounts were selected for supplementary audit²⁴.

Out of 28 PSUs formed due to demerger, 15 PSUs submitted their 28 audited accounts. Of these, 25 accounts were selected for supplementary audit.

Out of four PSUs under demerger, two PSUs²⁵ forwarded their audited accounts to PAG during the year 2016-17 and the accounts were selected for supplementary audit.

Result of audit by the Statutory Auditors

During the year, the Statutory Auditors gave:

- unqualified certificates in respect of two accounts;
- qualified certificates in respect of 23 accounts of 15²⁶ companies; and

²⁴ Eight accounts (of five companies viz. Amravati Metro Rail Corporation Limited (2016-17), Andhra Pradesh Heavy Machinery and Engineering Limited (2016-17), Ongole Iron Ore Mining Company Private Limited (2013-14 & 2014-15), Vizag Apparel Park for Export (2013-14, 2014-15 & 2015-16), Visakhapatnam Urban Transport Company Limited (2016-17)) were given Non-Review Certificate.

²⁵ Andhra Pradesh Rajiv Swagruha Corporation Limited & Andhra Pradesh State Film, Television and Theatre Development Corporation Limited.

²⁶ Andhra Pradesh Gas Infrastructure Corporation (P) Limited, Andhra Pradesh Power Development Company Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Andhra Pradesh Rajiv Swagruha Corporation Limited, Andhra Pradesh State Film, Television and Theatre Development Corporation Limited, Andhra Pradesh State Agro Industries Development Corporation Limited, Andhra Pradesh State Seeds Development Corporation Limited, Andhra Pradesh State Minorities Finance Corporation Limited, Andhra Pradesh Power Finance Corporation Limited, Andhra Pradesh Industrial Infrastructure Corporation Limited, Andhra Pradesh State Housing Corporation Limited, Andhra Pradesh Power Generation Corporation Limited, Transmission Corporation of Andhra Pradesh Limited, Andhra Pradesh State Civil Supplies Corporation Limited.

- disclaimers (meaning the Auditors are unable to form an opinion on accounts) in respect of one²⁷ PSU formed due to demerger.

Results of audit by CAG

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. Two²⁸ companies had revised their accounts based on the supplementary audit conducted. The details of impact of audit comments of statutory auditors and CAG are given below:

Table 1.9: Impact of audit comments on Working PSUs

(₹ in crore)

Sl. No.	Particulars	2016-17	
		No. of accounts	Amount (₹)
1	Decrease in profit	15	385.93
2	Increase in loss	9	3,551.68
3	Non-disclosure of material facts	12	2,017.77
4	Errors of classification	1 ²⁹	5,257.02

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

Winding up of Non-working PSUs

1.17 There were 22 non-working PSUs as on 31 March 2017. The stage of closure in respect of non-working PSUs is given below:

Table 1.10: 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.

Out of these non-working PSUs, 10 were reported in the process of liquidation since decades. The official liquidator was appointed in respect of these companies as far back as 11 to 27 years. Audit enquired (May 2017 and August 2017) their status from the Public Enterprises Department of the State Government. The reply was awaited (December 2017). 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 companies, where no decision about their continuation or otherwise had been taken after they became non-working.

²⁷ Andhra Pradesh State Irrigation Development Corporation Limited.

²⁸ Andhra Pradesh Centre for Financial Systems and Services and Overseas Manpower Corporation Andhra Pradesh Limited.

²⁹ In respect of Southern Power Distribution Corporation of Andhra Pradesh Limited.

Response of the Government to Audit

1.18 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, one Performance Audit (PA) and four compliance audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with the request to furnish replies within six weeks. Replies to the Performance Audit and all four compliance audit paragraphs had been received from the State Government (November 2017).

Follow up action on Audit Reports

Replies outstanding

1.19 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 (ENs) 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.1.11: Explanatory notes not received (as on 30 September 2017)

Year of the Audit Report (Commercial/PSUs)	Date of placement of Audit Report in the State Legislature	Total PAs and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which ENs were not received			
				Exclusive to State		Common (AP & TS)	
		PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
Upto 2011-12		77	385	0	1	18	60
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	3	0	0
2015-16	31/03/2017	1	6	1	6	0	0
Total		83	409	2	11	21	64

Source: As compiled by office of PAG (Audit), Andhra Pradesh.

From the above, it could be seen that, out of 492 Paragraphs/Performance Audits, ENs to 98 Paragraphs/PAs in respect of 13³⁰ Departments, which were commented upon, were awaited (September 2017).

Discussion of Audit Reports by COPU

1.20 The status, as on 30 September 2017, of PA and Paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as under:

³⁰ (1) Industries & Commerce (2) Environment, Forest, Science & Technology (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 (11) Consumer Affairs, Food & Civil Supplies, (12) Home (13) General Administration.

Table No.1.12: PAs/Paragraphs that appeared in Audit Reports vis-a-vis discussed as on 30 September 2017

Year of the Audit Report (Commercial/PSU)	Number of PAs / Paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
Upto 2011-12	77	385	21	210
2012-13	2	9	0	0
2013-14	2	5	0	0
2014-15	1	4	0	0
2015-16	1	6	0	0
Total	83	409	21	210

Source: As compiled by office of PAG (Audit), Andhra Pradesh

Compliance to Reports of Committee on Public Undertakings

1.21 Action Taken Notes (ATNs) on 464 paragraphs pertaining to 50 Reports of the COPU presented in the State Legislature between April 1983 to March 2007 had not been received (September 2017). The details are as given below:

Table No.1.13: 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
Upto 1998-99	22	592	380
2000-01	13	114	52
2002-03	1	24	0
2004-05	9	66	7
2004-06	1	14	0
2006-07	4	25	25
Total	50	835	464

Source: As compiled by office of PAG (Audit), Andhra Pradesh.

Note 1: The above information pertaining to erstwhile composite State of Andhra Pradesh

Note 2: after 2006-07 no Report was issued by the COPU.

These reports of COPU contained recommendations in respect of Paragraphs pertaining to 12³¹ 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/ Explanatory Notes to IRs/ Draft Paragraphs/ PAs 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

1.22 This Report contains four Paragraphs and one Performance Audit, i.e., Production, Procurement, Processing, Storage and Sale of seeds by Andhra Pradesh State Seeds Development Corporation Limited for the period 2012-13 to 2016-17. These audit findings relate to PSUs which fall under Department of Agriculture and Co-operation; Energy, Infrastructure and Investment and Transport, Roads and Buildings. The number of PSUs, investment, turnover

³¹ (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, (10) Consumer Affairs, Food & Civil Supplies (11) General Administration and (12) Home.

and Return on Equity (RoE) in respect of all PSUs under these three Departments is given below:

Table 1.14: Key parameters of the Departments covered in the Report

Sl. No.	Name of Department	No. of PSUs	Investment (₹ in crore)	Turnover (₹ in crore)	Return on Equity (in per cent)
1	Agriculture and Co-operation	3	662.86	906.33	25.32
2	Energy, Infrastructure and Investment	6	34,196.77	34,729.81	(-) 193.65
3	Transport, Roads and Buildings	1	11,516.92	7,727.55	(-) 16.75
Total		10	46,376.55	43,363.69	(-) 32.39

It can be seen that the investment in PSUs under Energy, Infrastructure and Investment was ₹ 34,196.77 crore with turnover of ₹ 34,729.81 crore, having RoE of (-) 193.65 per cent.

The investment, turnover and RoE in respect of the PSUs commented upon in the Report are given below:

Table 1.15: Key parameters of the PSUs covered in the Report

Sl. No.	Name of the PSUs	Investment (₹ in crore)	Turnover (₹ in crore)	Return on Equity (in per cent)
1	Andhra Pradesh State Seeds Development Corporation Limited	208.80	556.84	1.24
2	Andhra Pradesh Power Generation Corporation Limited	22,263.12	12,909.62	15.97
3	Andhra Pradesh State Road Transport Corporation	11,516.92	7,727.55	(-) 16.75
Total		33,988.84	21,194.01	(-) 5.05