

Chapter I

1. Overview 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 commercial nature while keeping in view the welfare of people. In Andhra Pradesh, the State PSUs occupy an important place in the state economy. The working State PSUs registered a turnover of ₹ 52,822.45 crore for 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 12.84 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of Andhra Pradesh State PSUs are concentrated in power sector. The working State PSUs including working Statutory Corporations incurred a loss of ₹ 15.50 crore in the aggregate for 2009-10 as per their latest finalised accounts. They had employed 2.61 lakh employees as of 31 March 2010. The State PSUs do not include nine Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government Departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2010, there were 68 PSUs as per the details given below. Of these, no Company was listed on the stock exchanges.

Type of PSUs	Working PSUs	Non-working PSUs ^r	Total
Government Companies	41 [~]	24 ^v	65
Statutory Corporations	3	-	3
Total	44	24	68

1.3 During the year 2009-10, two PSUs namely, Indira Gandhi Centre for Advanced Research on Live Stock Private Limited and Andhra Pradesh Power Development Company Limited were established.

Audit Mandate

1.4 Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid-up capital is held by Government(s). A Government Company includes a subsidiary of a Government Company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government(s) is treated as if it

^r Non working PSUs are those which have ceased to carry on their operations.

[~] Includes three 619-B working companies (SI No: 6, 18 and 34 of Part-A of Annexure-1).

^v Includes six 619-B non-working companies (SI No: 17 to 22 of Part-C of Annexure-1).

were a Government Company (deemed Government Company) as per Section 619-B of the Companies Act, 1956.

1.5 The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 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. In respect of Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

1.7 As on 31 March 2010, the investment (Capital and Long-term Loans) in 68 PSUs (including 619-B Companies) was ₹ 44,894.92 crore as per details given below:

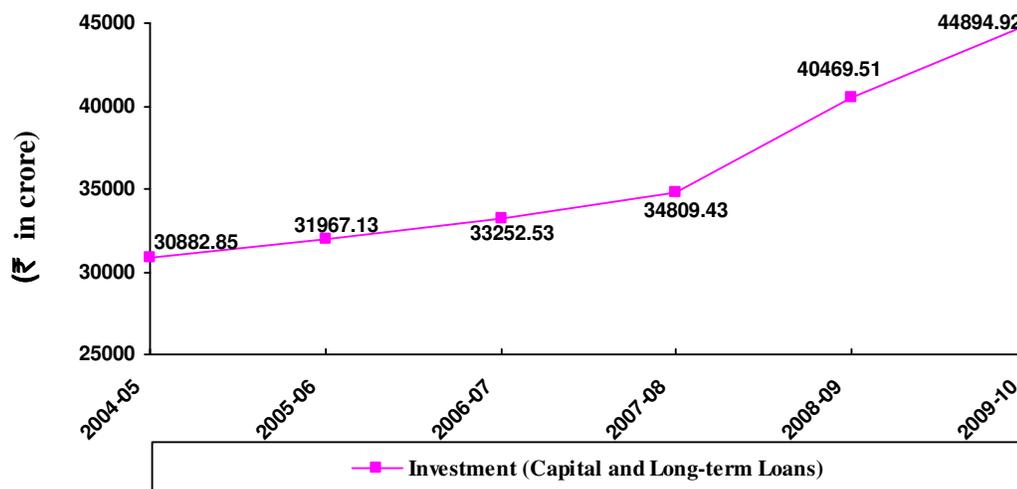
(₹ in crore)

Particulars	Government Companies			Statutory Corporations			Grand total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	7014.75	33953.08	40967.83	414.89	3243.74	3658.63	44626.46
Non-working PSUs	81.97	186.49	268.46	--	--	--	268.46
Total	7096.72	34139.57	41236.29	414.89	3243.74	3658.63	44894.92

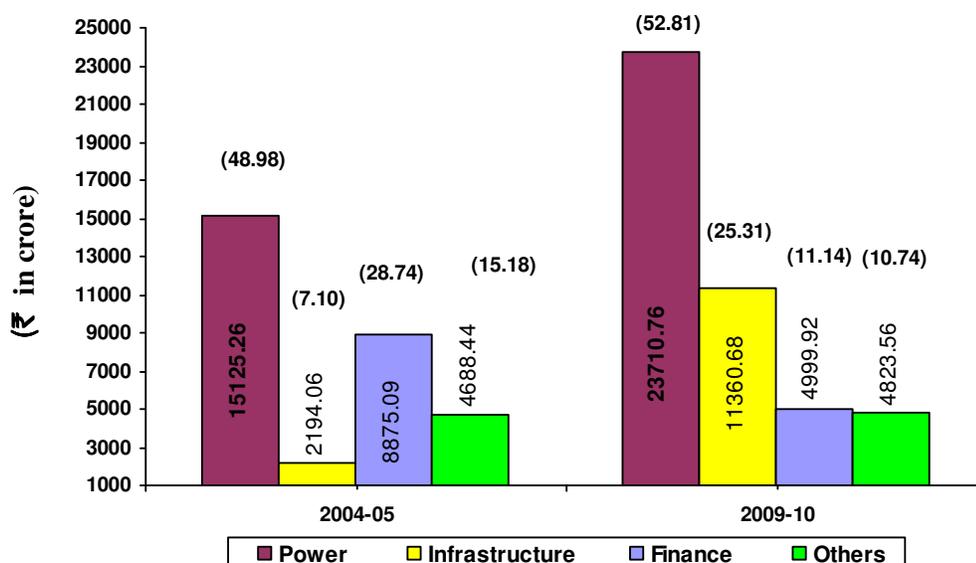
A summarized position of Government investment in State PSUs is detailed in **Annexure-1**.

1.8 As on 31 March 2010, of the total investment in State PSUs, 99.40 per cent was in working PSUs and the remaining 0.60 per cent in non-working PSUs. This total investment consisted of 16.73 per cent towards capital and 83.27 per cent in long-term loans. The investment has grown by 45.37 per cent from ₹ 30,882.85 crore in 2004-05 to ₹ 44,894.92 crore in 2009-10 as

shown below:



1.9 The total investment (amount ₹ in crore) in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The thrust of PSUs investment was mainly on power sector during the five years. The investment in power sector has seen increase in percentage share from 48.98 in 2004-05 to 52.81 in 2009-10.



(Figures in brackets show the percentage of total investment)

During the period from 2004-05 to 2009-10, investment in Infrastructure sector had become more than five times with an increase of 417.79 per cent (₹ 9166.62 crore) due to increase in investment in housing activity of Andhra Pradesh State Housing Corporation Limited (₹ 8277.24 crore). The investment in Power sector had increased by 56.76 per cent (₹ 8585.50 crore) due to development of infrastructure in power sector. However, during the same period the investment in Finance sector had decreased by 43.66 per cent (₹ 3875.17 crore) on account of decrease in business of lending of loans and advances to business entities in the State.

Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3**. The summarised details are given below for three years ended 2009-10.

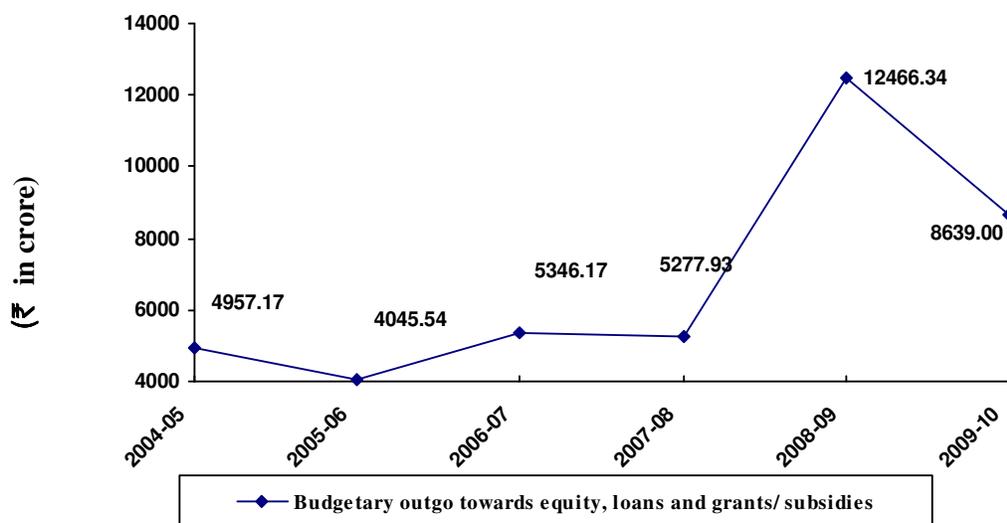
(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	06	131.40	02	5.06	02	2.02
2.	Loans given from budget	04	21.67	02	2732.21	03	648.94
3.	Grants/Subsidy received [≈]	17	5124.86	16	9729.07	20	7988.04
4.	Total Outgo	17*	5277.93	18*	12466.34	24*	8639.00
5.	Interest/Penal interest written off	--	--	01	36.18	01	36.18
6.	Guarantees issued	06	807.27	05	511.78	04	229.65
7.	Guarantee Commitment	16	16313.51	15	15300.88	14	13770.31

[≈] Amount represents outgo from State budget only.

* The figure represents number of PSUs which have received outgo from budget under one or more heads i.e., equity, loans and grants/subsidies.

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for six years are given in a graph below:



The main beneficiaries of subsidy and grants out of budget were Power and Infrastructure sectors which received 38.89 *per cent* (₹ 3,106.15 crore) and 25.36 *per cent* (₹ 2,025.81 crore) of total amount of subsidy and grants (₹ 7,988.04 crore) respectively, while the entire loans given out of budget were to Infrastructure and Power sectors which received 57.19 *per cent* (₹ 371.14 crore) and 42.81 *per cent* (₹ 277.80 crore) of total amount of loans (₹ 648.94 crore) respectively.

1.12 The Government charges guarantee commission at the concessional rate of half *per cent* to two *per cent* for term loans granted by the Financial Institutions and Banks to various PSUs. The guarantee commission is payable as and when loans are guaranteed. The amount of guarantees outstanding decreased from ₹ 20,564.66 crore in 2004-05 to ₹ 13,770.31 crore in 2009-10 showing a decrease of 33.04 *per cent*. The guarantees mainly comprise amounts guaranteed for Power Sector Companies and Andhra Pradesh Power Finance Corporation Limited to develop power projects and infrastructure in power sector, Andhra Pradesh State Housing Corporation Limited to implement housing activity under various schemes and Andhra Pradesh State Financial Corporation to provide financial assistance to small and medium scale industries. During the year 2009-10, the State Government received

₹ 153.59* crore towards guarantee commission and ₹ 1.78 crore was due to be received.

Reconciliation with Finance Accounts

1.13 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 concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below:

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	3385.94	6255.64	2869.70
Loans	8877.83	9646.87	769.04
Guarantees	16845.81	13770.31	3075.50

1.14 Audit observed that the amount as per the records of PSUs was more than that of Finance Accounts in respect of equity and loans while it was less in respect of guarantees. The differences occurred in respect of 59 PSUs and some of the differences were pending reconciliation since long period. The matter was taken up from time to time with the Finance Department of Government of Andhra Pradesh (GoAP) regarding the differences in figures relating to equity, loans and guarantees as per Finance Accounts and as per records of PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory Corporations are detailed in **Annexure-2, 5 and 6** respectively. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. The table below provides the details of working PSUs turnover and State GDP for the period 2004-05 to 2009-10.

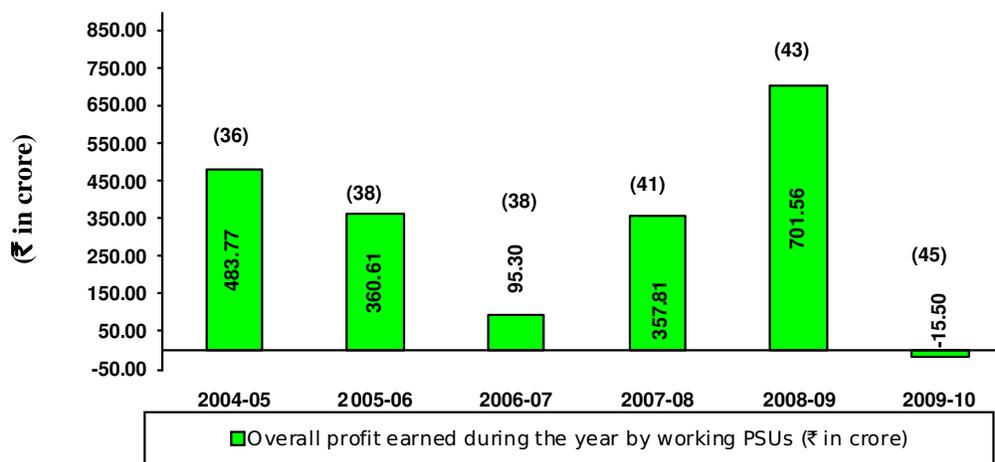
(₹ in crore)						
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover [™]	33983	29019	31797	36923	44180	52822
State GDP	210449	236034	269173	311752	312741	411349
Percentage of Turnover to State GDP	16.15	12.29	11.81	11.84	14.13	12.84

* Andhra Pradesh State Minorities Finance Corporation Limited (₹ 0.40 crore), Andhra Pradesh Industrial Infrastructure Corporation Limited (₹ 8.70 crore), Northern Power Distribution Company of Andhra Pradesh Limited (₹ 8.41 crore), Southern Power Distribution Company of Andhra Pradesh Limited (₹ 15.08 crore) and Andhra Pradesh State Financial Corporation (₹ 121 crore).

[™] Turnover of working PSUs as per finalized accounts.

The turnover of PSUs after recording a decline of ₹ 4,964 crore (14.61 per cent) in 2005-06 over the previous year 2004-05 increased gradually during 2006-07 to 2009-10. Percentage of increase in turnover ranged between 9.57 and 19.65 during 2006-10 whereas percentage of increase in GDP ranged between 0.32 and 31.53 during the period 2006-10.

1.16 Profit[®] earned by State Working PSUs during 2004-05 to 2009-10 are given below:



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

It can be seen from the above chart that the profit earned by the Working PSUs was showing a fluctuating trend. The profit earned in 2004-05 had decreased by 25.46 per cent in 2005-06 and later decreased by 73.57 per cent in 2006-07 when compared with profit earned in 2005-06. However, the profit had increased during 2007-08 by 275.46 per cent and further increased by 96.07 per cent in 2008-09 when compared with profit earned in the previous year. However, again it had decreased by 102.21 per cent in 2009-10 as compared to profit earned in 2008-09. According to the latest finalised accounts (**Annexure-2**), 25 PSUs earned profit of ₹ 855.26 crore and 12 PSUs incurred loss of ₹ 870.76 crore, four working PSUs* prepared their accounts on a 'no profit no loss' basis and two PSUs[®] have not finalised their first accounts since incorporation and two PSUs[✱] prepared capital accounts out of total 45 working PSUs[♦]. The major contributors to profit were Andhra

[®] Figures are as per the latest finalised accounts during the respective years.

[✱] Andhra Pradesh Power Finance Corporation Limited, Andhra Pradesh State Police Housing Corporation Limited, Andhra Pradesh Rajeev Swagruha Corporation Limited and Non-conventional Energy Development Corporation of Andhra Pradesh Limited.

[®] Indira Gandhi Centre for Advanced Research on Live Stock Private Limited and Vizag Apparel Park for Exports.

[✱] Wolkem Andhra Mining Private Limited and Andhra Pradesh Power Development Company Limited.

[♦] Includes Wolkem Andhra Mining Private Limited which was privatized on 15.12.2008.

Pradesh Power Generation Corporation Limited (₹ 288.66 crore), The Singareni Collieries Company Limited (₹ 268.01 crore), Transmission Corporation of Andhra Pradesh Limited (₹ 70.19 crore) and Andhra Pradesh State Financial Corporation (₹ 67.68 crore). Heavy losses were incurred by Andhra Pradesh State Road Transport Corporation (₹ 514.55 crore) and Andhra Pradesh State Housing Corporation Limited (₹ 341.13 crore).

1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring and implementation of wage revision in APSRTC. A review of the last three Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 5,087.82 crore and infructuous investment of ₹ 201.33 crore which were controllable with better management. Year-wise details from Audit Reports are stated below:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	357.81	701.56	(15.50)	1043.87
Controllable losses as per CAG's Audit Report	141.30	574.96	4371.56	5087.82
Infructuous Investment	17.30	4.20	179.83	201.33

1.18 The above losses pointed out in Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for greater professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below:

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (<i>per cent</i>)	2309.27 (9.12)	1433.56 (5.32)	1447.82 (5.33)	2046.27 (6.18)	2999.08 (6.96)	3104.04 (5.28)
Debt	25567.79	24889.79	26366.38	27799.65	33234.97	37383.31
Turnover [*]	33983.13	29367.68	31796.88	36922.54	44180.06	52822.45
Debt/ Turnover Ratio	0.75:1	0.85:1	0.83:1	0.75:1	0.75:1	0.71:1
Interest Payments [•]	2613.52	2546.98	2344.48	2169.58	2644.13	3171.66
Accumulated Profits (losses)	(2215.35)	(2766.22)	(2628.25)	(3160.58)	(2761.49)	(3513.07)

Note: Above figures pertain to all PSUs except for turnover which is for working PSUs.

1.20 The turnover of PSUs increased by 79.87 *per cent* (₹ 23454.77 crore) while debt increased by 50.20 *per cent* (₹ 12493.52 crore) during the years 2005-06 to 2009-10. Though the debts to turnover ratio had increased from 0.75:1 in 2004-05 to 0.85:1 in 2005-06, it decreased to 0.71:1 in the year 2009-10. However, the decreasing trend in return on capital employed was

^{*} Figures as per latest finalised accounts shown in Part A+B of Annexure-2.

[•] Figures as per finalised accounts.

noticed in 2009-10 which indicated the deteriorating operational performance of PSUs.

1.21 The State Government had not formulated any specific dividend policy under which all PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, 25 PSUs earned an aggregate profit of ₹ 855.26 crore and four working PSUs declared a dividend of ₹ 70.31 crore[¶] at the rates ranging between four and 30 *per cent* on paid up share capital. In the absence of specific dividend policy, the State Government should formulate such dividend policy as to yield reasonable revenue on the investment made in all the profit making companies.

Arrears in finalisation of accounts

1.22 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	39	39	42	43	45 [†]
2.	Number of accounts finalised during the year	32	32	39	46	51 ^λ
3.	Number of accounts in arrears	63	70	73	70	64
4.	Average arrears per PSU (3/1)	1.62	1.80	1.74	1.63	1.42
5.	Number of Working PSUs with arrears in accounts	23	25	29	26	25
6.	Extent of arrears	1 to 9 years	1 to 10 years	1 to 10 years	1 to 11 years	1 to 12 years

1.23 It could be seen from the above table that there was an improvement in finalisation of arrears of accounts by Working PSUs after continuous pursuance with the management of PSUs. The average arrears per PSU reduced from 1.62 in 2005-06 to 1.42 in 2009-10. The main reasons for the delay in finalisation of accounts were (i) non-maintenance/incorrect

[¶] Andhra Pradesh State Seeds Development Corporation Limited, Andhra Pradesh Handicrafts Development Corporation Limited, The Singareni Collieries Company Limited and Andhra Pradesh Technology Services Limited.

[†] Includes the accounts of Wolkem Andhra Mining Private Limited for the year 2008-09 which was privatized on 15.12.2008.

^λ Four accounts of Hyderabad Growth Corridor Limited were finalised but not submitted for audit to AG as it came into the purview of CAG audit only in December 2009.

maintenance of records, (ii) non-reconciliation of various transactions, (iii) lack of effective internal controls and (iv) lack of co-ordination amongst various departments in PSUs.

1.24 As regards Non-working companies, out of 24 such PSUs, 11 had gone into liquidation process, two were wound up and one was under merger process. The remaining 10 Non-working PSUs were either under closure having no business activities or having no assets besides they had arrears of accounts for six to 26 years.

1.25 The State Government had invested ₹ 13,020.15 crore (Equity: ₹ 2.07 crore, loans: ₹ 3,191.97 crore, grants: ₹ 7,614.16 crore and others: ₹ 2,211.95 crore) in 28 PSUs (25 Working and 3 Non-working PSUs) during the years between 1998-99 and 2009-10 for which accounts have been pending for finalisation as detailed in **Annexure-4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.26 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 prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (April 2010) with the Chief Secretary to expedite the backlog of arrears in accounts in a time bound manner and also discussed the matter in the meetings held by COPU in September 2010. Concerned executives assured to finalise the arrears of accounts at the earliest in a time bound manner.

1.27 In view of the above state of arrears, it is recommended that:

- ❖ **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- ❖ **The Government may consider outsourcing the work relating to preparation of accounts wherever staff shortage exists.**

Winding up of non-working PSUs

1.28 There were 24 non-working PSUs as on 31 March 2010. Of these, 11 PSUs have commenced liquidation process, two were being wound up and one PSU was under merger. The number of non-working companies at the end of each year during past five years was 24. The non-working PSUs are required to be closed down as their existence is not going to serve any purpose.

1.29 The stages of closure in respect of non-working PSUs are given below:

Sl. No.	Particulars	Companies
1.	Total No. of Non-working PSUs	24
2.	Of (1) above, the No. of PSUs under	
(a)	liquidation by Court/ Voluntary winding up (liquidator appointed)	11
(b)	Winding up (liquidator not appointed)	02
(c)	Merger	01
(d)	Closure, i.e., closing orders/ instructions issued but winding up process not yet started.	10

1.30 During the year 2009-10, no company was wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from two to nine years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may make a decision regarding winding up of left over 10 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.31 Thirty two working companies forwarded their 45 audited accounts to the Accountant General (Commercial and Receipt Audit) during the year 2009-10. Of these, 38 accounts of 26 companies were selected for supplementary audit and seven accounts of six companies ♦ were not reviewed. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit by CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money

♦ Andhra Pradesh State Film, Television & Theatre Development Corporation Limited (2), Wolkem Andhra Mining Private Limited, Overseas Manpower Company of Andhra Pradesh Limited, Hyderabad Metro Rail Limited, Leather Industries Development Corporation of Andhra Pradesh Limited and Damodar Minerals Private Limited.

value of comments of Statutory Auditors and CAG are given below:

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	09	246.72	12	345.53	10	77.05
2.	Increase in profit	05	62.18	02	75.13	05	256.34
3.	Increase in loss	06	776.79	05	144.13	04	130.03
4.	Decrease in loss	--	--	01	5.96	02	8.35
5.	Non-disclosure of material facts	--	--	07	88.68	05	369.55
6.	Errors of classification	05	408.11	12	213.53	04	484.12

1.32 During the year, the Statutory Auditors had given unqualified certificates for 13 accounts, qualified certificates for 32 accounts of State PSUs while adverse certificates (which means that accounts do not reflect a true and fair position) and disclaimers (meaning the auditors are unable to form an opinion on accounts) were not issued against any account. Additionally, CAG also gave neither adverse comments nor disclaimer comments on any accounts during the supplementary audit. However 13 comment certificates were issued and based on CAG comments two accounts of one company were revised. The compliance of companies with the Accounting Standards remained poor as there were 41 instances of non-compliance in twelve accounts[®] during the year.

1.33 Some of the important comments in respect of accounts of companies are stated below:

Central Power Distribution Company of Andhra Pradesh Limited (2009-10)

- ❖ Non-accountal of income tax for the year 2009-10 claimed by APGENCO resulted in understatement of Purchase of Power, Current Liabilities and Provisions and overstatement of Profit Before Tax by ₹ 38.14 crore.
- ❖ Non-accountal of cost of infirm power bill of Dr.NTTPS Stage IV raised by APGENCO resulted in understatement of Purchase of Power, Current Liabilities and Provisions and overstatement of Profit Before Tax by ₹ 42.90 crore.

[®] Andhra Pradesh State Agro Industries Development Corporation Limited, Andhra Pradesh State Irrigation Development Corporation Limited, Andhra Pradesh Industrial Infrastructure Corporation Limited, Andhra Pradesh State Housing Corporation Limited, Leather Industries Development Corporation of Andhra Pradesh Limited, The Nizam Sugars Limited, Central Power Distribution Company of Andhra Pradesh Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Northern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Andhra Pradesh Technology Services Limited and Andhra Pradesh Trade Promotion Corporation Limited.

Eastern Power Distribution Company of Andhra Pradesh Limited (2009-10)

- ❖ Non-accountal of income tax for the year 2009-10 claimed by APGENCO resulted in understatement of Purchase of Power, Current Liabilities and Provisions and overstatement of Profit Before Tax by ₹ 13.08 crore.
- ❖ Non-withdrawal of Grid Support Charges resulted in overstatement of the Revenue from Sale of Power by ₹ 5.86 crore and Sundry Debtors from sale of power by ₹ 2.93 crore and understatement of Other Current Liabilities by ₹ 2.93 crore. Consequently Profit for the year is also overstated by ₹ 5.86 crore.

Northern Power Distribution Company of Andhra Pradesh Limited (2009-10)

- ❖ Non-accountal of income tax for the year 2009-10 claimed by APGENCO resulted in understatement of Purchase of Power, Current Liabilities and Provisions and overstatement of Profit Before Tax by ₹ 13.14 crore.
- ❖ Non-withdrawal of demand raised on Generating station resulted in overstatement of Sundry Debtors and Profit for the year by ₹ 8.82 crore.

Transmission Corporation of Andhra Pradesh Limited (2009-10)

- ❖ Non-provision for abandoned works resulted in overstatement of Capital Work-in-Progress and understatement of Other Debts and overstatement of Profit After Tax by ₹ 3.02 crore.

Andhra Pradesh Industrial Infrastructure Corporation Limited (2008-09)

- ❖ Accountal of uncertain receipt of interest on 12 per cent convertible debentures from CBD Towers Private Limited resulted in overstatement of Profit by ₹ 16.98 crore.
- ❖ Non-provision for Group Superannuation Scheme resulted in overstatement of Profit by ₹ 23.40 crore.

1.34 Similarly two Working Statutory Corporations (Andhra Pradesh State Financial Corporation (APSFC), Andhra Pradesh State Road Transport Corporation (APSRTC)) forwarded their accounts for the year 2009-10 to AG during the year. Of these, the supplementary audit of the accounts of APSFC had been completed and comment certificate issued and in case of APSRTC, the audit was in progress. The audit reports of Statutory Auditors and the sole/supplementary audit of CAG indicate 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 below:

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	01	0.07	02	79.70	01	1.11
2.	Non-disclosure of material facts	--	--	02	--	01	3.83
3.	Errors of classification	02	90.46	01	26.81	01	11.47

1.35 Some of the important comments in respect of accounts of Statutory Corporations are stated below:

Andhra Pradesh State Road Transport Corporation (2008-09)

- ❖ Non-provision for the Depreciation on Fixed Assets viz., two Bridges constructed on Musi River near Hyderabad and one Bridge constructed in Vijayawada resulted in overstatement of Profit by ₹ 4.56 crore.
- ❖ Non-provision of Revenue Liability of ₹ 50.66 crore towards interest on State Government loan (₹ 41.34 crore) and Monetary Benefit payable to the legal heirs of the employees who died in harness (₹ 9.32 crore) resulted in overstatement of Profit by ₹ 50.66 crore.
- ❖ Non-provision for Doubtful debts pending for more than 5 years (₹ 15.01 crore), Diminution in value of investments (₹ 36.61 lakh), Unsecured loans (₹ 21.78 lakh) and Dues outstanding for more than a decade (₹ 77.76 lakh) resulted in overstatement of Profit by ₹ 16.38 crore.

Andhra Pradesh State Financial Corporation (2009-10)

- ❖ Sundry Deposits is understated by ₹ 1.11 crore due to non-accountal of Interest accrued on the amounts kept aside as per Court orders. As per the Court orders, these amounts should be kept in interest bearing deposits till the date of final orders and are liable for payment along with interest. Further, Interest and Financial Expenses (Schedule L) was also understated and Profit was overstated by ₹ 1.11 crore.
- ❖ The waiver of Interest/Penal Interest of ₹ 3.83 crore under One Time Settlement was short disclosed in the Notes to accounts.

1.36 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to

identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors in respect of finalised accounts on possible improvement in the internal audit/internal control system in respect of 17 companies for the year 2008-09 and 20 companies[€] for the year 2009-10 are given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure- 2
1.	Non-fixation of minimum/ maximum limits of stores and spares.	3	A – 13, 21, 31.
2.	Absence of internal audit system commensurate with the nature and size of business of the Company.	18	A – 3, 4, 8, 12, 13, 14, 15, 20, 21, 30, 32, 33, 36, 37, 38, 39 & 40 and B-1.
3.	Non-maintenance of proper records showing full particulars including quantitative details, situation, identity number, date of acquisition, depreciated value of fixed assets and their locations.	8	A - 4, 8, 12, 13, 21, 28, 29 and 39.
4.	Lack of internal control.	6	A – 4, 12, 13, 14, 15 and 39.

Recoveries at the instance of Audit

1.37 During the course of propriety audit in 2009-10, recoveries of ₹ 21.51 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 10.44 crore were made up to September 2010.

Status of placement of Separate Audit Reports

1.38 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory

[€] Andhra Pradesh Irrigation Development Corporation Limited, Andhra Pradesh Meat Development Corporation Limited, Andhra Pradesh Handicrafts Development Corporation Limited, Andhra Pradesh Industrial Infrastructure Corporation Limited, Andhra Pradesh State Housing Corporation Limited, Andhra Pradesh Police Housing Corporation Limited, Andhra Pradesh Rajeev Swagruha Corporation Limited, Andhra Pradesh Beverages Corporation Limited, Andhra Pradesh Heavy Machinery and Engineering Limited, Damodar Minerals Private Limited, Andhra Pradesh Power Generation Corporation Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Northern Power Distribution of Company of Andhra Pradesh Limited, Non Conventional Energy Development Corporation of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Andhra Pradesh State Civil Supplies Corporation Limited, Andhra Pradesh Trade Promotion Corporation Limited, Andhra Pradesh Technology Services Limited, Andhra Pradesh Tourism Development Corporation Limited and Hyderabad Metro Rail Limited.

Corporations in the Legislature by the Government.

SI No.	Name of the 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	Reasons for delay in placement in Legislature
1.	Andhra Pradesh State Financial Corporation	2008-09	2009-10	September 2010	N.A
2.	Andhra Pradesh State Warehousing Corporation	2004-05	--	--	Arrears in finalisation of accounts
3.	Andhra Pradesh State Road Transport Corporation	2006-07	2007-08 & 2008-09	July 2009 & February 2010	Printed Accounts submitted by the Corporation to the Government in March 2010 and September 2010 for the years 2007-08 and 2008-09 respectively for placing before Legislature.

Reforms in Power Sector

Andhra Pradesh Electricity Regulatory Commission

1.39 Andhra Pradesh Electricity Regulatory Commission (APERC) with three members, including a Chairman appointed by the State Government was formed in March 1999 under the provisions of the Andhra Pradesh Electricity Reforms Act, 1998[^] (APER Act) to act as a regulator of the electricity sector in the State and with the objective of rationalization of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The audit of accounts of the Commission has been entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003. The Commission had finalised its accounts upto the year 2004-05. During 2009-10, APERC issued 26 orders on the issues other than tariff.

Status of implementation of Memorandum of Understanding (MoU) between the State Government and the Central Government

1.40 In pursuance of the decision taken at the Chief Ministers' conference on Power Sector Reforms, a Memorandum of Understanding (MoU) was signed on 9 March 2001 between the Ministry of Power, Government of India (GoI) and the Department of Energy, GoAP as a joint commitment for implementation of a reform programme in the power sector with identified

[^] Since replaced with Section 82 (1) of the Electricity Act, 2003.

milestones. The progress achieved so far in respect of important milestones is shown below:

Sl No.	Commitment as per MoU	Targeted completion Schedule	Status (As on 30 September 2010)
(1)	(2)	(3)	(4)
	Commitments made by the State Government		
1.	Reduction in Transmission and Distribution losses	From 29.6 <i>per cent</i> to 19.5 <i>per cent</i> by 2006-2007	Reduced to 18.80 <i>per cent</i> .
2.	100 <i>per cent</i> electrification of all villages	N.A	Achieved.
3.	a) 100 <i>per cent</i> metering of all distribution feeders b) 100 <i>per cent</i> metering of 11 kV feeders	December 2001 March 2001	Achieved (2007). Achieved (2007).
4.	100 <i>per cent</i> metering of all consumers	March 2002	Achieved, except agricultural services for which free power is provided. 5,76,122 Nos., agricultural services out of total agricultural services of 27,83,174 have been metered.
5.	Others		
	(i) Conversion of distribution companies into Joint Venture Companies	June 2002	There is no proposal at present for conversion of distribution companies into Joint Venture Companies.
	(ii) Energy Audit at all levels	December 2001	Energy Audit in APTRANSCO is being done for assessment of loss of energy in the power system at transmission, sub transmission and distribution levels with the objective of identifying areas of high technical and commercial losses.
6.	Securitized outstanding dues of CPSUs [‡]	Government of Andhra Pradesh has issued Notification for issuance of Bonds to the tune of ₹ 2,436.09 crore through RBI to CGS [§] vide GoAP Lr.No.3321/706/A2/W&M/2003, dated 18.08.2003.	RBI has issued bonds to CGS through DEMAT ^{**} form for ₹ 2,436.09 crore.

[‡] Central Public Sector Units.

[§] Central Generation Stations.

^{**} Dematerialised.

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(1)	(2)	(3)	(4)
7.	Supply of additional power	GoI will allocate additional 140 MW of power on completion of three Double Circuit (DC) transmission lines namely (1) 400 kV Khammam-Hyderabad, (2) 220 kV Nidadavole-Bhimadole and (3) lower Sileru-Bommuru.	1) 400 kV Khammam-Hyderabad DC line charged on 29.09.2001. 2) 220 kV Nidadavole-Bhimadole DC line charged on 27.01.2002. 3) 220 kV Lower Sileru-Bommuru single circuit Line charged on 31.03.2003.
8.	Allocation of additional power from new CGS to APDISCOMs ^{††} directly	After achieving financial capability.	All PPAs ^{‡‡} including those of CGS were allocated to APDISCOMs with effect from June 2005.
General			
9.	Monitoring of MoU	Once in 3 months.	T & D losses are being monitored monthly. Distribution Reforms Committee was constituted to conduct meeting once in every three months in order to review the progress and programme of APDRP ^{§§} works being implemented in four APDISCOMs.

Source: Information furnished by APTRANSCO.

^{††} Andhra Pradesh Power Distribution Companies.

^{‡‡} Power Purchase Agreements.

^{§§} Accelerated Power Development and Reforms Programme.