

Chapter I

I. Functioning of State Public Sector Undertakings

1.1 Introduction

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 keeping in view the welfare of people and also occupy an important place in the State economy. The Andhra Pradesh Reorganisation Act, 2014 came into effect from 2nd June 2014 vide which erstwhile composite State of Andhra Pradesh was bifurcated and Telangana State was formed on the same day.

This is the first Audit Report of the state of Telangana after bifurcation of 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 undertaking or part thereof is exclusively located in, or its operations are confined to, a local area, shall pass to the State in which that area is included, irrespective of the location of Head Quarters¹. The assets and liabilities of the PSUs which had interstate operations shall have to be apportioned between the two States² as follows:

- (a) the operational units of the undertaking shall be apportioned between the two successor States on location basis; and
- (b) the headquarters of such undertaking shall be apportioned between the two successor States on the basis of population ratio.

Accordingly in Telangana State, as on 31 March 2015, there were 66 PSUs.

1.1 Of these, none of the *PSUs* were listed on the stock exchange(s). During the year 2014-15 no new PSUs were incorporated. However notification for incorporation were issued in respect of 14 PSUs which are under demerger. None of the PSUs were closed down. The details of the State PSUs in Telangana State as on 31 March 2015 are given as follows:

Table 1.1: Total number of PSUs as on 31 March 2015

Type of PSUs	Working PSUs	Non-working PSUs*	Total
Government Companies (Exclusive Telangana)	11	0	11
Government Companies under demerger	30	22*	52
Statutory Corporation under demerger	3	0	3
Total	44	22*	66

Source: Information furnished by State Government and PSUs

*Non-working Companies given above are also yet to be bifurcated and assets and liabilities are yet to be bifurcated between the two States.

¹ PSUs coming under Telangana State are referred as exclusive Telangana PSUs

² PSUs having interstate operations are referred as PSUs under demerger

The Government Companies (Exclusive Telangana) registered a turnover of ₹ 34,394.10 crore as per their latest finalised accounts as of September 2015. This turnover was equal to 7.99 *per cent* of State Gross Domestic Product (GDP)³ for 2014-15. These PSUs incurred loss of ₹ 351.62 crore as per their latest finalised accounts as of September 2015. They had employed 0.77 lakh employees as at the end of March 2015.

The 33 PSUs under demerger (including 3 Statutory Corporations) registered a turnover of ₹ 34,593.50 crore as per their latest finalised accounts as of September 2015. These PSUs incurred aggregate loss of ₹ 444.12 crore as per their latest finalised accounts as of September 2015. They had employed 0.89 lakh employees as at the end of March 2015.

As on 31 March 2015, 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” 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;

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 considers 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 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 139

³ Gross Domestic Product of Telangana- ₹ 430599 crore

(5) or (7) of the Act which shall submit a copy of the Audit Report to the CAG which, among other things, including financial statements of the Company under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations, is governed by their respective legislations. Out of three Statutory Corporations, CAG is the sole auditor for State Road Transport Corporation. In respect of State Warehousing Corporation and State Financial Corporation, the audit 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 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 by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2015, the investment (capital and long-term loans) in 66 PSUs was ₹ 60,233.62 crore detailed as follows:

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	
11 Working PSUs (Exclusive Telangana)	2,747.09	14,847.75	17,594.84	--	--	--	17,594.84
33 PSUs under demerger-Working	3,197.65	33,988.51	37,186.16	340.81	4,852.62	5,193.43	42,379.59*
22 PSUs under demerger-Non working	74.66	184.53	259.19	--	--	--	259.19
Total	6,019.40	49,020.79	55,040.19	340.81	4,852.62	5,193.43	60,233.62

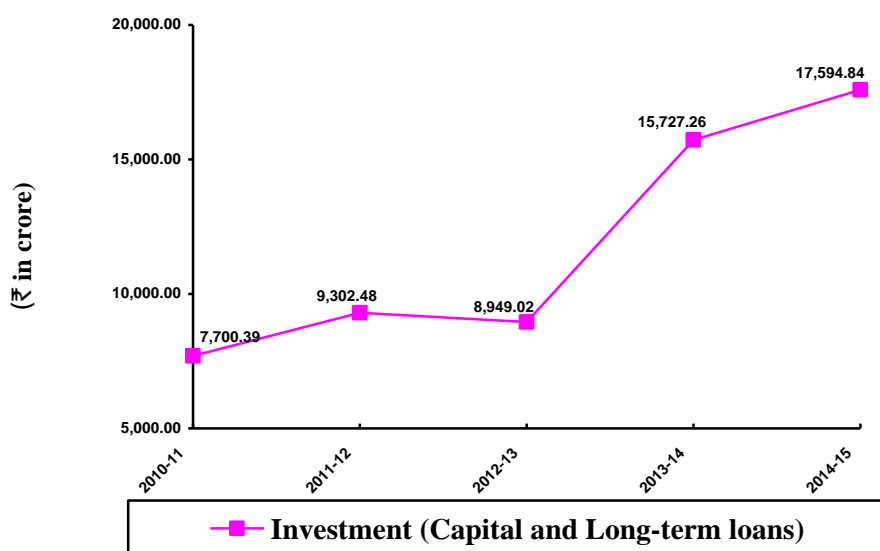
Source: Information as furnished by PSUs

* APGENCO: 2013-14

As on 31 March 2015, of the total investment, 29.21 per cent was in Working PSUs (Exclusive Telangana), 61.74 per cent was in PSUs under demerger, 8.62 per cent in Statutory Corporations and 0.43 per cent in non-working PSUs.

This total investment consisted of 15.61 per cent towards capital and 84.39 per cent in long-term loans in respect of Working PSUs (Exclusive Telangana). This total investment consisted of 8.47 per cent towards capital and 91.53 per cent in long-term loans in respect of PSUs under demerger.

The investment has grown by 56.23 per cent from ₹ 7,700.39 crore in 2010-11 to ₹ 17,594.84 crore in 2014-15 in respect of Working PSUs (Exclusive Telangana) as shown in the graph as follows:

Chart 1.1: Total investment in Working PSUs (Exclusive Telangana)

1.7 The sector wise summary of investments in the Working PSUs (Exclusive Telangana), PSUs under demerger (including

Statutory Corporations) as on 31 March 2015 is given as follows:

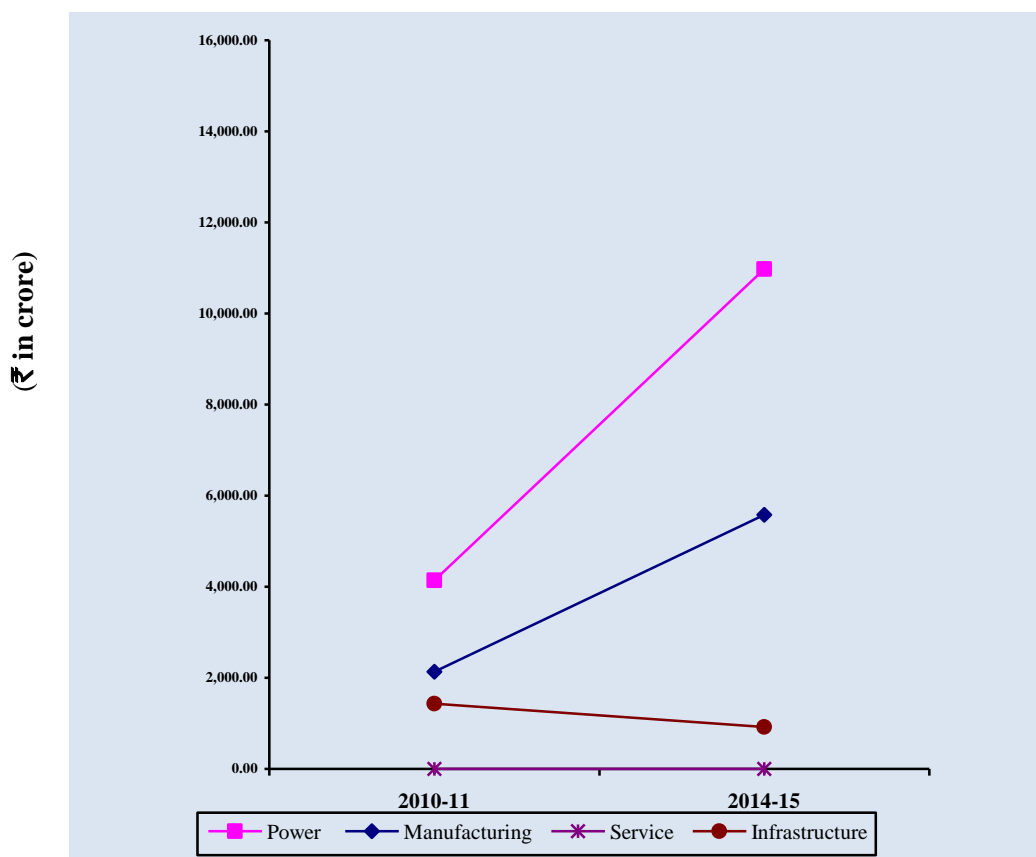
Table 1.3:Sector-wise investment in PSUs

Name of Sector	Working PSUs (Exclusive Telangana)	PSUs under de-merger		Non- working PSUs	Investment
		Working PSUs	Statutory Corporations		
Power	10,972.95	16,927.03	0.00	--	27,899.98
Manufacturing	5,575.49	186.20	--	202.41	5,964.10
Finance	0	5,832.23	2,534.55	23.57	8,390.35
Miscellaneous	0	5.09	--	--	5.09
Service	0.57	5.50	2,564.41	1.13	2,571.61
Infrastructure	1,045.83	13,830.65	--	--	14,876.48
Agriculture & Allied	0	399.46	94.47	32.08	526.01
Total	17,594.84	37,186.16	5,193.43	259.19	60,233.62

Source: Information as furnished by PSUs

The investment in four significant sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 in respect of Working PSUs (Exclusive Telangana) is indicated in **Chart 1.2**. The thrust of investment in respect of Working PSUs (Exclusive Telangana) was mainly in power sector, which increased from 53.77 per cent to 62.36 per cent during 2010-11 to 2014-15.

Chart 1.2: Sector wise investment in Working PSUs (Exclusive Telangana)



It may be seen from the above graph that there is a steep increase in investments in power sector indicating State Government's thrust towards creating infrastructure in power sector. Investments in manufacturing sector also increased during 2010-11 to 2014-15 from 27.68 to 31.69 per cent.

Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and interest waived in respect of Working PSUs (Exclusive Telangana) and PSUs under demerger are given for the year ended 2014-15 as follows:

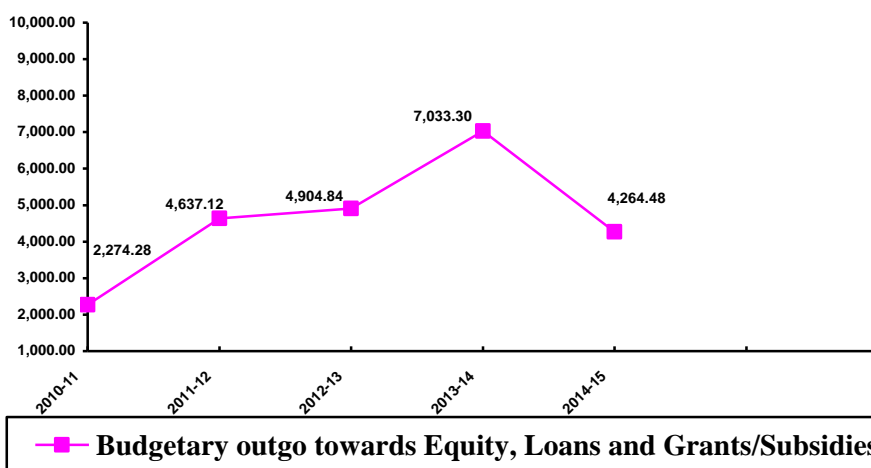
Table 1.4: Details regarding budgetary support to PSUs
(₹ in crore)

Sl. No.	Particulars	2014-15			
		11 Working PSUs (Exclusive Telangana)		33 PSUs under demerger	
		No. of PSUs	Amount (A)	No. of PSUs	Amount (B)
1	Equity capital outgo from budget	0	0.00	04	3,019.58
2	Loans given from budget	01	322.23	03	457.33
3	Grants/Subsidy given from budget	03	3,942.25	15	3,640.73
4	Total Outgo	04	4,264.48	22	7,117.64
5	Interest/Penal interest written off	0	0.00	0	0.00
6	Guarantees issued	0	0.00	01	100.00
7	Guarantee Commitment	02	7,800.69	05	7,448.83

Source: Information as furnished by PSUs

The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years in respect of Working PSUs (Exclusive Telangana) are given in the graph as follows.

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



Budgetary support by State Government to the PSUs increased from 2010-11 to 2013-14 but reduced drastically during 2014-15.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being 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 increased to ₹ 15249.52 crore in 2014-15 from ₹ 14,349.85 crore in 2012-13 in respect of all PSUs including PSUs under demerger. Further, one PSU (APIIC) paid guarantee fee to the tune of ₹ 8.70 crore during 2014-15. There were five PSUs⁴ which did not pay guarantee fees/commission during the year and accumulated/outstanding guarantee fees/commission there against was ₹ 7.23 crore (31 March 2015).

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 concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2015 is as follows:

Table 1.5: Equity, loans, guarantees outstanding as per finance accounts vis a vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs			Difference
		Working PSUs (Exclusive Telangana)	PSUs under demerger	Total (B)	
	(A)			(B)	(A)-(B)
Equity	6,413.16	1,889.43	1,347.28	3,236.71	3,176.45
Loans	9,932.13	702.99	19,371.11	20,074.10	-10,141.97
Guarantees	23,963.42	7,800.69	7,448.82	15,249.51	8,713.91

Source: Finance Accounts and Information as furnished by PSUs

Audit observed that the differences occurred in respect of 37 PSUs and some of the differences were pending reconciliation since long. Matter was taken up with the State Government of Telangana and erstwhile composite State of Andhra Pradesh. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner. A meeting was held during 2014-15 for reconciliation of figures between Finance Department and Office of AG (Accounts & Entitlements). Some Companies where variations were noticed in the figures approached office of AG (Accounts & Entitlements) for reconciliation. Reasons for variations were explained by the office of AG (Accounts & Entitlements) in respect of

⁴ APIDC, NREDCAP, Nizam Sugars, APSFC and TSSPDCL.

some PSUs concerned. Variations were mainly because Corporations either omitted to show the loan amount taken from State govt. or were treated as grants or showing only part of the loan amount as outstanding.

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 Act. Failure to do so, may attract penal provisions under Section 99 of the 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 of 30 September 2015.

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

Sl. No.	Particulars	2014-15*			Total
		Working PSUs (Exclusive Telangana)	Working PSUs	Statutory Corporations	
1.	Number of Working PSUs	11	30	03	44
2.	Number of accounts finalised during the year	07	22	03	32
3.	Number of accounts in arrears	19	67	02	88
4.	Average arrears per PSU (3/1)	1.73	2.23	0.67	2.00
5.	Number of Working PSUs with arrears in accounts	09	29	02	40
6.	Extent of arrears	1 to 6 yrs	1 to 13 yrs	1 yr	1 to 13 yrs

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

* Position up to September 2015

It can be observed that in respect of Working PSUs (Exclusive Telangana), 19 accounts relating to nine PSUs are in arrears. Similarly, in respect of PSUs under demerger, 69 accounts (including Statutory Corporations) relating to 31 PSUs are in arrears as on 30 September 2015. Further, the extent of arrears of accounts ranged from one year to 13 years

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 continue to exist though the concerned Department/Ministry were informed annually. In addition, the AG took up the matter with the State Government/ departments for liquidating the arrears of accounts. D.O. Letters were addressed to secretaries for liquidating arrears of accounts and for necessary action at their end. As a result two (Indira Gandhi Centre for Advanced Research on Livestock-03 accounts and Vizag Apparel Park for exports- 4 accounts) PSUs submitted arrear accounts for seven years.

1.11 The State Government had invested:

(a) an amount of ₹ 3,927.43 crore in 03 PSUs (Working PSUs (Exclusive Telangana)) {equity: Nil, loans: ₹ 1,002.26 crore for 01 PSU and grants ₹ 2,925.17 crore 02 PSUs} during the years for which accounts have not been finalised (*Annexure 1a*).

(b) an amount of ₹ 5,331.84 crore in 18 PSUs under demerger {equity: ₹ 14.52 crore in 05 PSUs, loans: ₹ 3,416.65 crore for 03 PSUs and grants ₹ 1,900.67 crore for 12 PSUs} during the years for which accounts have not been finalised (*Annexure 1b*).

In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of 22 non-working PSUs, 10 were in the process of liquidation whose accounts were in arrears for 02 to 13 years. Of the remaining 12 non-working PSUs, all the PSUs 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 13 years	In the process of liquidation
12	Information not available	

Source: Information as furnished by Official Liquidator

The information in respect to non-working Companies, a letter was addressed to Public Enterprises Department of State Govt. The reply was awaited.

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 2015) on the accounts of 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.	Andhra Pradesh State Financial Corporation	2011-12	2012-13	04-02-2014
			2013-14	30-09-2015
			2014-15	18-11-2015
2.	Andhra Pradesh State Warehousing Corporation	2012-13	2013-14	31-07-2015
			2014-15	17-08-2015
3.	Andhra Pradesh State Road Transport Corporation	2012-13		Not applicable

Source: Information as furnished by PSUs

Impact of non-finalisation of accounts

1.14 As pointed out above (*para 1.10 to 1.12*), the 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 relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

Performance of PSUs as per their latest finalized accounts

1.15 The financial position and working results of Working PSUs (Exclusive Telangana) and PSUs under demerger and Statutory Corporations are detailed in **Annexure 2a and Annexure 2b**. A ratio of PSUs turnover to State GDP shows the extent of PSU 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 2015.

Table 1.9: Details of Working PSUs (Exclusive Telangana) and PSUs/ Statutory Corporations under demerger and turnover vis-a-vis State GDP

(₹ in crore)

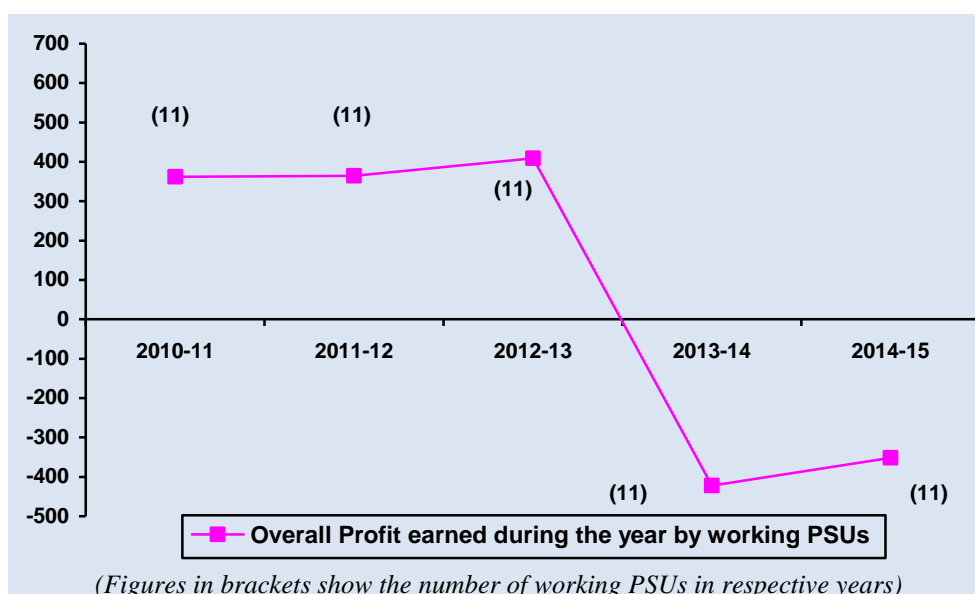
Particulars	2014-15		
	Working PSUs (Exclusive Telangana)	PSUs under demerger	Statutory Corporations under demerger
Turnover	34,394.10	26,129.81	8,463.69

Particulars	2014-15		
	Working PSUs (Exclusive Telangana)	PSUs under demerger	Statutory Corporations under demerger
Telangana State GDP	4,30,599.00	Not Applicable	Not Applicable
Percentage of turnover to State GDP	7.99	Not Applicable	Not Applicable
Net profit(+)/loss (-)	-351.62	549.79	-993.91

Source: As per latest finalised Annual Accounts of PSUs

1.16 Overall profit (losses) earned (incurred) by Working PSUs (Exclusive Telangana) during 2010-11 to 2014-15 are given in graph as follows:

Chart 1.4: Profit/Loss of working PSUs (Exclusive Telangana)



During the year 2014-15, out of six Working PSUs (Exclusive Telangana) which finalised accounts, one PSU (Singareni Collieries Company Limited) earned profit of ₹ 491.90 crore and three PSUs incurred loss of ₹ 1.35 crore. Two working PSUs have not started its commercial operations. Losses were incurred by Damodhara Minerals Private Limited, Fab City (India) Private Limited and Hyderabad Growth Corridor Limited.

During the year 2014-15, out of 22 PSUs under demerger which finalised accounts, 14 PSUs earned profit of ₹ 510.27 crore and seven PSUs incurred loss of ₹ 1,221.54 crore. One working PSU prepared their accounts on a 'no profit no loss' basis. The major contributors to profit were Andhra Pradesh Forest Development Corporation Limited, Andhra Pradesh State Warehousing Corporation, Andhra Pradesh Industrial Infrastructure Corporation Limited and Andhra Pradesh State Irrigation Development Corporation Limited. Heavy losses were incurred by Andhra Pradesh State Road Transport Corporation, Leather Industries Development Corporation

of Andhra Pradesh Limited, The Nizam Sugars Limited, and Andhra Pradesh State Agro Industries Development Corporation Limited.

1.17 Some other key parameters of PSUs are given as follows.

Table 1.10: Key Parameters of Working PSUs (Exclusive Telangana) and PSUs under demerger

Particulars	(₹ in crore)	
	2014-15	
	Working PSUs (Exclusive Telangana)	PSUs under demerger
Return on capital employed	916.52	6,324.34
Debt	14,814.37	36,155.06
Turnover ⁵	34,394.10	34,593.50
Debt/ Turnover Ratio	0.43	1.05
Interest Payments	1,268.14	4,445.36
Accumulated Profits / (losses)	-11,168.07	-4,175.52

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

Source: As per latest finalised Annual Accounts of PSUs

1.18 As per their latest finalised accounts, 11 Working PSUs (Exclusive Telangana) incurred an aggregate loss of ₹ 351.62 crore and 01 PSU declared a dividend of ₹ 129.99 crore.

As per their latest finalised accounts, 33 PSUs under demerger incurred an aggregate loss of ₹ 444.12 crore and 04 PSUs declared a dividend of ₹ 16.19 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 2015. Of these, 10 PSUs have commenced liquidation process. The number of non-working companies at the end of the year 2014-15 are given as follows.

Table 1.11: Non working PSUs

Particulars	2014-15
No. of non-working companies	22
No. of non-working corporations	0
Total	22

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

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, therefore, these PSUs may be considered either to be closed down or revived. During 2014-15, three non-working PSUs incurred an expenditure of ₹ 0.19 crore towards establishment expenditure. The entire expenditure was met from the interest earned on

⁵ Turnover of working PSUs as per the latest finalised accounts as of 30 September.

FDRs kept with various scheduled banks, rents collected, amounts payable were written back from excess provisions made in earlier years.

1.20 The stages of closure in respect of non-working PSUs given as follows.

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 (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

During the year 2014-15, no company was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 02 years to 13 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may take a decision regarding winding up of 12 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) Six Working PSUs (Exclusive Telangana) forwarded their audited seven accounts to AG during the year 2014-15. Of these, six accounts of six companies were selected for supplementary audit. 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 substantially. The details of aggregate money value of comments of statutory auditors and CAG are given as follows.

Table 1.13.(a): Impact of audit comments on Working PSUs (Exclusive Telangana)

Sl. No.	Particulars	2014-15	
		No. of accounts	Amount
1.	Decrease in profit	1	12.24
2.	Increase in loss	1	1.26
3.	Non-disclosure of material facts	0	0.00
4.	Errors of classification	4	4022.11

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

1.21. (b) 19 PSUs under demerger forwarded their audited 22 accounts to AG during the year 2014-15. Of these, 22 accounts of 19 companies were selected for supplementary audit. 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 substantially. The details of aggregate money value of comments of statutory auditors and CAG are given as follows:

Table 1.13. (b): Impact of audit comments on PSUs under demerger
(₹ in crore)

Sl. No.	Particulars	2014-15	
		No. of accounts	Amount
1.	Decrease in profit	4	12.08
2.	Increase in loss	0	0.00
3.	Non-disclosure of material facts	8	1,408.42
4.	Errors of classification	6	596.98

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

During the year, the Statutory Auditors had given unqualified certificates for eight accounts (one of exclusive Telangana State and seven PSUs under demerger), qualified certificates for 23 accounts (six exclusive Telangana state and 17 PSUs under demerger), while adverse certificates and disclaimers (meaning the auditors are unable to form an opinion on accounts) were not given for any accounts. The compliance of companies with the Accounting Standards remained poor as there were seven instances of non-compliance in four accounts during the year.

1.22 Similarly, three working Statutory Corporations forwarded their three accounts to AG during the year 2014-15. Of these, three accounts of three Statutory Corporations were audited. CAG is the sole auditor for one Statutory Corporation (APSRTC). 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 substantially. The details of aggregate money value of comments of statutory auditors and CAG are given as follows:

Table 1.14: Impact of audit comments on Statutory Corporations
(₹ in crore)

Sl. No.	Particulars	2014-15	
		No. of accounts	Amount
1.	Decrease in profit	02	297.59
2.	Increase in loss	0	0.00
3.	Non-disclosure of material facts	0	0.00
4.	Errors of classification	02	89.50

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

During the year, out of three accounts, only one account received unqualified certificate, two accounts received qualified certificate.

Response of the Government to Audit

Performance Audit and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, one performance audit and three audit paragraphs were issued (September to November 2015) to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of one compliance audit paragraph was awaited from the State Government (January 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 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 to the Legislature, in the prescribed format without waiting for any questionnaires from the COPU.

Table No.1.15: Explanatory notes not received (as on 30 September 2015)

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	Paragraphs	PAs	Paragraphs
1992-93	29-03-1994	7	29	0	0
1993-94	28-04-1995	6	19	0	0
1995-96	19-03-1997	5	23	0	2
1996-97	19-03-1998	6	23	0	0
1997-98	11-03-1999	6	23	0	7
1998-99	03-04-2000	4	25	0	6
1999-00	31-03-2001	6	18	2	6
2000-01	30-03-2002	4	17	1	1
2001-02	31-03-2003	3	20	0	0
2002-03	24-07-2004	3	13	0	2
2003-04	31-03-2005	2	19	1	0
2004-05	27-03-2006	2	21	1	2
2005-06	31-03-2007	4	19	1	2
2006-07	28-03-2008	5	24	2	6
2007-08	05-12-2008	3	22	1	1
2008-09	30-03-2010	3	24	1	7

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	Paragraphs	PAs	Paragraphs
2009-10	29-03-2011	3	18	1	1
2010-11	29-03-2012	3	22	0	10
2011-12	21-06-2013	2	6	2	4
2012-13	06-09-2014	2	9	2	4
2013-14	26-03-2015	2	5	1	4
Total		81	399	16[^]	65^{&}

[^]All 16 pertain to both AP State and Telangana State.

[&]Out of this, 60 pertain to both AP State and Telangana State & 5 pertain to Telangana State.

Source: As compiled by O/o AG (ERSA) Andhra Pradesh and Telangana

From the above, it could be seen that out of 480 paragraphs/ performance audits, explanatory notes to 81 paragraphs/ performance audits in respect of 10 departments⁶, which were commented upon, were awaited (September 2015).

Discussion of Audit Reports by COPU

1.25 The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as follows:

Table No.1.16: Reviews/Paras appeared in Audit Reports vis a vis discussed as on 30 September 2015

Year of the Audit Report (Commercial/PSU)	Number of reviews/ 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	12
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

⁶ : 1. Industries & Commerce 2. Irrigation and Command Area Development 3.Revenue 4. Animal Husbandry 5. Energy 6. Agriculture & Co-operation and 7. Transport and Road & Buildings 8. Housing, 9. Youth Advancement, Tourism and Culture and 10. Municipal Administration & Urban Development.

Year of the Audit Report (Commercial/PSU)	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2004-05	2	21	0	13
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 ^s	0 ^s
2012-13	2	9	0 ^s	0 ^s
2013-14	2	5	0 ^s	0 ^s
Total	81	399	28	214

^s Even though COPU meetings were held only one para of 2012-13 was discussed and deferred.

Source: As compiled by O/o AG (ERSA) Andhra Pradesh and Telangana

No COPU meetings were conducted during 2014-15. After restructuring COPU was formed on 27-03-2015

Compliance to Reports of Committee on Public Undertakings (COPU)

1.26 Action Taken Notes (ATNs) to 333 paragraphs pertaining to 48 Reports of the COPU presented to the State Legislature between April 1983 to March 2007 had not been received (January 2016) are indicated as follows:

Table No.1.17: 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
2002-03	1	24	0
2004-05	9	66	5
2004-06	1	14	0
2006-07	4	25	24
Total	48	671	333

Note: The above information pertains to erstwhile composite State of Andhra Pradesh (including Telangana State)

Source: As compiled by O/o AG (ERSA) Andhra Pradesh and Telangana

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 12 departments⁷, 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) sending 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 three paragraphs and one Performance Audit i.e. on Fuel Management in Telangana Power Generation Corporation Limited involving financial effect of ₹ 2,485.99 crore.

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