OVERVIEW

I. Functioning of State Public Sector Undertakings

As on 31 March 2017 there were 69 Public Sector Undertakings (PSU), falling under audit purview. Out of these, 43 were Working PSUs (15 pertain exclusively to Telangana and 28 were formed due to bifurcation of the State). Four other PSUs were under demerger and the remaining 22 were Non-working PSUs (yet to be bifurcated). As on 31 March 2017, the investment (capital & long term loans) in 69 PSUs was ₹ 59,211.85 crore. Of the 43 working Public Sector Undertakings, only 18 PSUs submitted their accounts as of 30 September 2017. The turnover of 18 Public Sector Undertakings was ₹ 47,329.46 crore. ***The Return on Equity and Return on Investment for 18 Working Public Sector Undertakings was (-)17.81 and (-)11 per cent respectively based on latest finalised accounts as on 30 September 2017.***

(Paragraph 1.1, 1.6)

Investment in Public Sector Undertakings

As on 31 March 2017, investment (capital and long term loans) in 43 Working Public Sector Undertakings was ₹58,746.19 crore. In respect of 15 Public Sector Undertakings (Exclusive Telangana Public Sector Undertakings), the investment has grown by 246.08 *per cent* from ₹ 9,019.60 crore in 2012-13 to ₹ 31,215.06 crore in 2016-17. Increase in investment was due to increase in investment in the service sector to a large extent through loans raised by Telangana Drinking Water Supply Corporation Limited. The accumulated losses of six PSUs were ₹ 21,472.50 crore. The huge accumulation of losses by six PSUs was eroding public wealth which is a cause of serious concern.

(Paragraph 1.6, 1.7,1.14(b))

II. Performance Audit relating to Government Company

A Performance Audit on Functioning of Southern Power Distribution Company of Telangana Limited was conducted. The Overview of the audit findings is given below:

- The Aggregate Revenue Requirement for a year was required to be filed by the Company with State Electricity Regulatory Commission 120 days before commencement of the respective financial year. However, due to delay in submission of Aggregate Revenue Requirement by the Company, application of earlier tariff order resulted in loss of revenue of ₹ 323.89 crore. Control should be put in place to ensure that ARR is filed in a timely manner.

  (Paragraph 2.6.1.2)

- The Company had spent ₹ 6632.62 crore during 2012-17 on creation and strengthening of infrastructure as against the SERC approval of ₹ 5843.43 crore. As SERC does not allow recovery of expenditure in excess of the approved amounts through tariff, the Company was burdened with excess expenditure of ₹ 789.19 crore. The Company should develop a system to adhere to SERC approved norms and file timely truing-up to absorb excess investment.

  (Paragraph 2.6.1.3)

- The Company reported continuous reduction in energy losses during the period 2012-17. However, the losses were higher than the norm fixed by State Electricity Regulatory Commission in all the years. As a result, the Company was burdened with additional loss of ₹ 1306.76 crore during the period 2012-17.

(Paragraph 2.6.2.1 (A))

- State Electricity Regulatory Commission stated (March 2015) that during the truing-up of the power purchase cost, agricultural sale quantum would be limited to actual consumption or the Tariff Order quantity, whichever is less. This was to avoid passing of excess power purchase costs due to increased agricultural sales to other consumers. However, the power supply to agriculture exceeded the approved limits during 2012-17. This resulted in additional burden of ₹ 1744.56 crore on the Company.

(Paragraph 2.6.2.1 (B)(i))

- The Company purchased short term power in excess of State Electricity Regulatory Commission limits and at rates higher than the maximum ceiling limits set by State Electricity Regulatory Commission. This resulted in an extra cost of ₹ 5,820.90 crore during 2012-17.

(Paragraph 2.6.2.2)

- By implementing the directions of the State Government to ensure supply for nine hours to agriculture, without ensuring the funding in advance, Company was forced to meet expenditure of ₹ 585.91 crore from its own funds.

(Paragraph 2.6.2.3 (C))

- National Electricity Fund (Interest Subsidy) Scheme provided for interest subsidy ranging from three to five *per cent* on the interest paid on loans taken for execution of various capital works taken up during 2012-14. The Company, however, claimed (up to March 2017) scheme benefits on only ₹ 4.01 crore of interest paid during the year 2013-14 instead of ₹ 216.91 crore paid during 2013-17.

(Paragraph 2.6.3.1)

- The Government of India formulated (October 2012) the Financial Restructuring Plan to turn-around loss making State owned DISCOMs. As the Company did not approach the SERC for approval of Financial Restructuring Plan, State Electricity Regulatory Commission did not allow the Company to recover interest of ₹140.74 crore on rescheduled loans for 2015-16 through tariff.

(Paragraph 2.6.3.2)

- Audit analysis of Power Factor at 33 kV feeders originating from Extra High Tension sub-stations revealed that the Power Factor was less than the norm.

(Paragraph 2.6.4.1)

- Central Electricity Authority issued specifications on energy efficient outdoor type three phase and single phase distribution transformers in

August 2008. As per these specifications, the quantum of energy conserved would increase with higher star rating. The Company, however, continued to buy three star distribution transformers in its jurisdiction. Audit analysis showed that the Company could have saved 701 to 20586 units per distribution transformer on various capacities of 5 star 3-phase distribution transformers instead of 3 star distribution transformers. This would have enabled the Company to conserve energy of ₹ 2,220.49 crore over the 25 years' lifetime of 5 star distribution transformers.

(Paragraph 2.6.4.3 (B))

- Penalty of ₹ 29.74 crore levied during 2012-17 for delay in supplies, though withheld, were subsequently released based on the representations of the vendors. The Company released penalties without proper verification.

(Paragraph 2.6.6.1)

- The Company continued to incur carrying costs on materials of ₹ 33.86 crore due to non-compliance to the directions of Audit Committee to dispose of the obsolete stocks.

(Paragraph 2.6.8.4)

III. Compliance Audit Observations

Overview of some of the compliance audit observations is given below:

Hyderabad Growth Corridor Limited made excess payment of ₹ 15.35 crore to the concessionaire which was not recovered over a period of six years leading to loss of interest of ₹ 7.37 crore as of June 2017.

(Paragraph 3.1)

Northern Power Distribution Company of Telangana Limited levied electricity duty on kWh units instead of kVAh units in respect of specified Low Tension consumers which resulted in its short collection and consequent loss to the Government by ₹ 28.56 lakh.

(Paragraph 3.2)

Southern Power Distribution Company of Telangana Limited did not adhere to the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 resulting in extra expenditure of ₹ 100.63 crore during 2012-17.

(Paragraph 3.3)

Telangana State Forest Development Corporation Limited sustained a loss of ₹ 3.14 crore due to the delay in the sale of eucalyptus pulpwood.

(Paragraph 3.4)

Telangana State Mineral Development Corporation Limited failed to comply with the provisions of Value Added Tax Act which resulted in extension of undue benefit of ₹ 18.03 crore to the buyers of sand.

(Paragraph 3.5)

Telangana State Power Generation Corporation Limited adopted faulty drawings resulting in additional expenditure of ₹47.89 lakh which was borne by the Company and not by the firm.

(Paragraph 3.6)

Telangana State Road Transport Corporation

Following the bifurcation of the State in June 2014, the erstwhile Andhra Pradesh State Road Transport Corporation (APSRTC) was bifurcated into APSRTC and Telangana State Road Transport Corporation (TSRTC).

A detailed review of non-operating revenue in TSRTC revealed the following:

- The categorisation of bus stations was not reviewed since 2003 even though the underlying economic factors such as growth of the cities or change in commercial character of the cities had undergone substantial change.

  In the selected five regions, there were vacant stalls in 33 bus stations (out of 358). The Corporation lost the opportunity to earn revenue of ₹ 3.95 crore.

  (Paragraph 3.7.4.1)

- There was a delay of two years in issuance of circular (21 April 2014) by the Corporation for collection of Service Tax from the date of issue of notification (No. 30, dated 20 June 2012) by the Government of India. The Corporation was liable to pay Service Tax of ₹ 5.96 crore.

  (Paragraph 3.7.4.2)

- Due to non-utilisation of the commercial space, the Corporation had lost the opportunity to earn revenue in (i) Commuter Amenity Centre/ Bus Terminal, Kukatpally - ₹ 0.35 crore; (ii) Commuter Amenity Centre/ Bus Terminal, Koti – ₹ 0.82 crore.

  (Paragraph 3.7.4.3)

- Due to non-enforcement of contractual terms, an amount of ₹ 2.62 crore remained unrecovered either from the Private Hire Bus Owners/ Advertising Agencies.

  The Corporation failed to intimate to advertising agencies the number of new buses added which resulted in loss of revenue of ₹ 0.64 crore.

  (Paragraph 3.7.4.4)

- The Corporation, to comply with the directions of Government, to ensure safety and security of girls and women, modified city ordinary buses at a cost of ₹ 3.43 crore without obtaining prior assurance from Government of funds. Of this, an expenditure of ₹ 1.39 crore did not serve its objective.

  (Paragraph 3.8)