सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Economic Sector and Public Sector Undertakings for the year ended March 2018

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Andhra Pradesh

Report No.3 of 2020

Report of the
Comptroller and Auditor General of India
on
Economic Sector and Public Sector Undertakings
for the year ended March 2018

Government of Andhra Pradesh

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PREFACE

This report contains two sections. **Section A** deals with the results of audit of Public Sector Undertakings, namely, Government Companies and Statutory Corporations of the Government of Andhra Pradesh comprising both Power and Non-Power Sector. **Section B** deals with results of audit of Departments and Entities (other than PSUs) under Economic Sector of the Government of Andhra Pradesh.

SECTION-A: PUBLIC SECTOR UNDERTAKINGS

This section deals with results of audit of Government Companies and Statutory Corporations for the year ended March 2018 and has been prepared for submission to the Government of Andhra Pradesh under the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, for laying before State Legislature.

The accounts of the Government Companies (including Companies deemed to be Government Companies as per the provision of the Companies Act) are audited by the CAG under Section 139 and 143 of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG. The audit arrangements of Statutory Corporations are prescribed under the respective Acts through which the corporations are established.

This section deals with analysis of performance of 88 Public Sector Undertakings (PSUs) consisting of 85 Government Companies and 3 Statutory Corporations in the State of Andhra Pradesh, the audit of which have been entrusted to the Comptroller and Auditor General of India. The section includes an Introductory Chapter on the functioning of all the 88 PSUs. Thereafter, the section has been divided in two parts. **Part-I** deals with the analysis of the performance of the 8 Power Sector PSUs and includes three Compliance Audit paragraphs. **Part-II** of the section deals with the analysis of the performance of the 80 PSUs (Non-Power Sector) and includes one Performance Audit on "Activities of Andhra Pradesh Mineral Development Corporation Limited" and one Compliance Audit paragraph.

The instances mentioned in this section are those, which came to notice in course of test audit for the period 2017-18 as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports. Matters relating to the period subsequent to 2017-18 have also been included, wherever necessary.

SECTION-B: DEPARTMENTS AND ENTITIES (OTHER THAN PSUs) UNDER ECONOMIC SECTOR

The Report in **Section B** for the year ended March 2018 has been prepared for submission to Governor of Andhra Pradesh under Article 151 of the Constitution of India for being laid before Legislature of the State.

This section contains significant results of Performance Audit and Compliance Audit of Agriculture and Cooperation Department; Animal Husbandry, Dairy Development and Fisheries Department; Municipal Administration and Urban Development Department; Revenue Department; Panchayat Raj and Rural Development Department; and Water Resources Department of Government of Andhra Pradesh.

The instances mentioned in this section are those which came to notice in the course of test audit for the period 2017-18 as well as those which came to notice in earlier years, but were not reported earlier. Instances relating to the period subsequent to 2017-18 have also been included wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the CAG.

OVERVIEW

SECTION-A

Introduction: Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Section 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India. These financial statements are also subject to supplementary audit by the Comptroller and Auditor General of India. Audit of Statutory Corporations is governed by their respective legislations.

As on 31 March 2018, the State of Andhra Pradesh had 68 working Public Sector Undertakings (PSUs) (65 Companies and 3 Statutory Corporations) and 20 inactive Public Sector Undertakings (all Companies). The working PSUs employed 0.93 lakh employees. Working PSUs, which had submitted their accounts for at least one of the reporting periods since their inception, registered a turnover of ₹ 51,423.74 crore as per their last finalised accounts as of 30 September 2018.

(*Paragraph 1, 2 and 3*)

PART I

Chapter I : Functioning of Power Sector PSUs

Investment in Power Sector PSUs

As on 31 March 2018, investment (capital and long-term loans) in eight Power Sector PSUs was ₹ 47,739.67 crore. The investment consisted of 10.76 *per cent* towards equity and 89.24 *per cent* in long term loans.

(*Paragraph 1.4*)

Performance of Power Sector PSUs

There were eight Power Sector PSUs in the State, out of which the accounts of three Power Sector PSUs were in arrears. Of these, four PSUs earned a profit of ₹ 421.73 crore and three Power Sector PSUs incurred a loss of ₹ 434.08 crore. One Company viz., Andhra Pradesh Tribal Power Company Limited has not submitted its first accounts since inception.

(*Paragraphs 1.7 and 1.10*)

The overall accumulated losses of the four out of eight Power Sector PSUs during 2017-18 was ₹ 17,464.63 crore as against the paid-up capital investment of ₹ 5,136.85 crore resulting in negative net worth of ₹ 7,739.81 crore. Of the eight Power Sector PSUs, the net worth was eroded mainly in Eastern Power Distribution Company Limited ((-) ₹ 3,019.70 crore), Southern Power Distribution Company Limited ((-) ₹ 13,133.42 crore.).

(*Paragraph 1.14*)

Explanatory notes to Paragraphs/ Performance Audits appearing in Audit Reports (Commercial/ Public Sector Undertakings) are to be submitted within three months of their tabling in the State Legislature. Explanatory notes to 27 Paragraphs/ Performance Audits appearing in Audit Reports (Commercial/ Public Sector Undertakings) are yet to be received. Action Taken Notes on the 15 recommendations contained in reports of the Committee on Public Undertakings (COPU) were yet to be received from the Departments as on 30 September 2018.

(*Paragraph 1.24 and 1.26*)

Chapter-II : Compliance Audit Observations

Compliance audit observations included in this Report highlight deficiencies in the management of Power Sector PSUs, with financial implications. Overview of compliance audit findings pertaining to Power Sector PSUs are given below**:**

- **Andhra Pradesh Power Development Company Limited** paid ₹ 12.90 crore towards price variation for the period of delay attributable to the contractor, contrary to Clause 13 of the contract.

  (Paragraph 2.1)

- Non-effecting of TDS on terminal benefits by **Eastern Power Distribution Company of Andhra Pradesh Limited and Southern Power Distribution Company of Andhra Pradesh Limited** resulted in non-recovery of tax by the Companies to the extent of ₹ 77.50 crore and extending undue benefit to the retired officials.

  (Paragraph 2.2)

PART II

Chapter III : Functioning of State PSUs (Non-Power Sector)

Investment in State PSUs (Non-Power Sector)

As on 31 March 2018, investment (capital and long-term loans) in 80 PSUs was ₹ 24,984.15 crore. The investment consisted of 5.20 *per cent* towards equity and 94.80 *per cent* in long-term loans.

(*Paragraph 3.4*)

Performance of State PSUs (Non-Power Sector)

Out of the 80 PSUs in the State 60 were working PSUs, out of which 32 PSUs finalised their accounts during October 2017 to September 2018, covering different reporting period. During 2017-18, 18 working PSUs earned a profit of ₹ 767.01 crore and 29 PSUs incurred a loss of ₹ 1,679.85 crore.

(*Paragraph 3.12*)

Explanatory notes to Paragraphs/Performance Audits appearing in Audit Reports (Commercial/Public Sector Undertakings) are to be submitted within three months of their tabling in the State Legislature. Explanatory notes to 73 Paragraphs/ Performance Audits appearing in Audit Reports (Commercial/Public Sector Undertakings) are yet to be received. Action Taken Notes on the 443 recommendations contained in reports of the Committee on Public Undertakings (COPU) were yet to be received from the departments as on 30 September 2018.

(*Paragraphs 3.25 and 3.27*)

Chapter-IV : Performance Audit relating to Government company

Andhra Pradesh Mineral Development Corporation Limited (Company) was incorporated in February 1961 under the Companies Act 1956, as a wholly owned undertaking of Government of Andhra Pradesh (GoAP). The authorised share capital of the Company as on 31 March 2018 was ₹ 10 crore and the paid-up capital stood at ₹ 6.31 crore. The accounts of the Company were finalised upto the year 2013-14 (1 April 2013 to 1 June 2014) and the accounts for the subsequent years were not finalised due to non-finalisation of demerger plan.

Performance Audit on **"Activities of Andhra Pradesh Mineral Development Corporation Limited"**, was conducted. Overview of audit findings is given below:

- The Company incurred extra expenditure on terminating the original excavation contract due to short production of barytes and awarding the leftover work to another contractor. The Company could not recover risk and cost amount of ₹ 13.11 crore from the original contractor.

  (Paragraph 4.7.1.1)

- Though the Pulversing Units and Barium Chemical Manufacturing Units lifted less than 50 *per cent* of the agreed quantity of barytes, the Company, instead of forfeiting the Performance Security Deposit (PSD), recovered only penalty amount of ₹ 2.71 crore and released the PSD of ₹14.07 crore in violation of the terms of agreement.

  (Paragraph 4.7.1.4)

- As per agreement, the Contractors were to pay 1.5 times of royalty or 10 *per cent* of turnover, whichever is higher. Though the quality of granite blocks produced by M/s Andhra Pradesh Granites (Midwest) Private Limited was better than that of M/s.Pallava RED Granites Private Limited, the sale price was however, lower than that of M/s.Pallava RED Granites Private Limited. Due to this, Company received ₹ 2.99 crore less consideration, as consideration received @ 1.5 times royalty was more than @ 10 *per cent* of the turnover at undervalued sale price.

  (*Paragraph 4.7.2.1(b)*)

- In violation of terms of Memorandum of Understanding, the Company permitted four parties to commence production without obtaining environmental and forest clearances and without forming Joint Venture companies. The Company had not recovered the consideration amount of ₹ 70.67 lakh from three parties, which stopped production due to non-receipt of the clearances and had not initiated action to realise the value of stock of 48.378 cbm lifted unauthorisedly by one party.

  (Paragraph 4.7.2.4)

- The Company suffered loss of interest of ₹ 1.71 crore as it arranged interest free loan to Andhra Pradesh State Fibrenet Limited (APSFNL) on the directions of GoAP.

(Paragraph 4.7.3.1)

Chapter-V: Compliance Audit Observations

Compliance audit observations included in this Report highlight deficiencies in the management of Non-Power Sector PSUs, which resulted in financial implications. Overview of compliance audit findings is as given below:

- Andhra Pradesh State Housing Corporation Limited established the Housing Information Centres (HICs) in the entire State without assessing the possibility of the beneficiaries approaching the HICs for enquiries. Due to this, the Company incurred a wasteful expenditure of ₹ 16.77 crore towards monthly payments to the agency.

(Paragraph 5.1)

SECTION-B

Departments and Entities (Other than Public Sector Undertakings) under Economic Sector

Chapter-I: Introduction

This section of the Report covers the functioning of 10 Departments of the Economic Sector *viz*., Agriculture, Cooperation & Rain Shadow Areas Development; Animal Husbandry & Fisheries; Energy, Infrastructure & Investment; Environment, Forests, Science & Technology; Industries & Commerce; Information Technology, Electronics & Communications; Water Resources; Public Enterprises; Roads & Buildings and Tourism, Art & Culture.

Chapter-II: Performance Audit on Rashtriya Krishi Vikas Yojana

Government of India (GoI) had launched (2007-08) the Rashtriya Krishi Vikas Yojana (RKVY) with an objective of achieving four *per cent* annual growth in Agricultural Sector by ensuring holistic development in agriculture and allied sectors. In Andhra Pradesh, the Scheme was being implemented in various agriculture and allied sectors like agriculture, horticulture, animal husbandry, fisheries, etc. A Performance Audit was conducted on the implementation of RKVY in the State covering the four year period 2014-18. Audit covered three major sectors, *viz* - Agriculture, Animal Husbandry and Horticulture in four selected districts (Anantapuramu, Guntur, Krishna and SPSR Nellore).

The major audit findings are summarised below:

- The State Agriculture/Infrastructure Plans and District Plans for the XII Plan (2012-13 to 2016-17) were finalised belatedly in May 2016. During 2012-13 to 2015-16, the scheme was implemented without the comprehensive

State/District plans. Further, the Plans were prepared without taking inputs from the Mandal/ Village level units.

(Paragraphs 2.7.1 and 2.7.2)

- In all the four years covered in audit, sanctions for the proposed projects were obtained only after the start of the year, due to late receipt of project proposals/DPRs from the implementing agencies and consequent delays in screening of project proposals. Consequently, the first instalment funds were received from Government of India only in May/August/September in these four years.

(Paragraph 2.7.3)

- Even after receipt of funds from GoI, there were further delays in release of funds by GoAP/Nodal Agency to the line departments. The first instalments of funds reached the line departments/agencies only in the second half of the year and the second instalments reached the line departments in the subsequent financial years.

(Paragraph 2.8.1)

- Interest received on RKVY funds amounting to ₹10.41 crore diverted to other schemes/activities. Out of this, an amount of ₹2.19 crore was yet to be recouped.

(Paragraph 2.8.2)

- The implementing Departments were keeping the RKVY funds outside the Government Account in savings bank accounts. The balance as of March 2018 in the 14 bank accounts of the test checked offices was ₹35.57 crore.

(Paragraph 2.8.3)

- Needs of farmers and their willingness to avail benefits under proposed projects were not assessed while preparing the District/State plans or while preparing the DPRs. Consequently, the line departments in the test checked districts could not implement some of the approved projects.

(Paragraph 2.9)

- None of the 10 government infrastructure projects (cost: ₹21.05 crore) allotted to test checked districts during 2014-18 were completed as of July 2018, due to improper planning, revision of proposals/costs and abnormal delays in identification of land, release of funds, identification of implementing agencies, etc.

(Paragraph 2.10)

- The Nodal Agency had furnished Utilisation certificates (UCs) to GoI for the entire amount released for 2014-17. However, the UCs did not represent the actual expenditure, as funds of ₹25 crore pertaining to this period were not utilised in the test checked districts at the time of furnishing of UCs.

(Paragraph 2.12.1)

- Monitoring on scheme implementation was weak as the State Level Sanctioning Committee met only seven times during 2014-18 as against the minimum of 16 meetings and it was not conducting any critical review about the shortfall in achievements and the reasons thereof.

(Paragraph 2.12.2)

- There is no independent assurance about the effectiveness of RKVY scheme as the third party evaluation on RKVY for the years 2015-16 to 2017-18 was not taken up.

(Paragraph 2.12.4)

- The projects implemented under RKVY were aimed at reduction in operational costs of farmers, increasing production/productivity and income of small and marginal farmers. However, there was no mechanism to record the pre and post implementation statistics of production, yield, income, etc. of the beneficiaries. In the absence of this data, it was not ascertainable as to what extent the RKVY projects had achieved the intended outcomes.

(Paragraph 2.13)

Chapter-III: Compliance Audit

Preservation of Water Bodies in Andhra Pradesh

Water bodies play a significant role in maintaining ecological balance in addition to catering to the domestic and irrigation water requirements of the people. The water bodies, especially those in and around urban areas, face a threat from rapid urbanisation without adequate attention to ecology. Audit made an assessment of the status of water bodies in and around urban areas in the State and the adequacy and effectiveness of the existing mechanism in preservation of water bodies. Audit studied 37 water bodies in six selected (out of 110) urban local bodies (ULBs) (Vijayawada, Markapur, Srikakulam, Vizianagaram, Nagari and Pulivendula Municipalities/Municipal Corporations) and 37 water bodies in the villages adjacent to these ULBs. Major audit observations are summarised below:

- Audit observed encroachments (approximate area of 132.03 acres) in 25 out of 37 test checked water bodies under the five ULBs and 9 out of 37 test checked tanks in the adjacent villages. Of these, five tanks (three in Vijayawada city and two in Srikakulam town) did not physically exist as the entire area (25.21 acres) under these tanks was encroached.

(Paragraph 3.1.3)

- The exact extent of encroachments in these tanks was not known, as the Revenue Department had not undertaken any physical survey in the recent times. The last physical surveys/measurements were conducted way back during the years 1906 to 1956.

(Paragraph 3.1.3)

- The encroachments included constructions by the ULBs/Government agencies. For example, Audit observed an indoor stadium and a Rythu Bazaar in Nalla

Cheruvu in Patamata area of Vijayawada city. Similarly, a Zilla Parishad High School, a Gram Panchayat Building, an Anganwadi Kendra, etc. were seen in a tank in Gundrajakuppam area of Nagari town.

(Paragraph 3.1.3)

- While the encroachments occurred over long period, the Revenue Department failed to take note of the encroachments and prevent/evict them. Moreover, the Department issued D-Form Pattas to the encroachers for a total of 28.52 acres in four water bodies.

(Paragraph 3.1.4.1)

- The ULBs did not take any action for notification of the water bodies as municipal assets, geo-tagging/geo-mapping, formation of bunds, erection of fencing, etc. for protection of water bodies.

(Paragraph 3.1.4.2)

- Though the GoAP had enacted the AP Water Land & Trees Act (APWALTA) for protection and conservation of water sources, land and environment and had constituted (2002) the APWALT Authority at State level, the Authority was largely non-functional.

(Paragraph 3.1.4.3)

Other Compliance Audit observations

- In the work of Pungunur Branch Canal from Km 20.00 to Km 30.00 (Package No.25 - Balance work) under HNSS project (Phase-II), rejection of the beneficial offer of existing contractor to execute the supplemental work with 12.69 *per cent* discount and award of the work through tenders at a premium had resulted in avoidable extra financial burden of ₹4.87 crore on the Government.
- In the work of Kuppam branch canal under HNSS Project (Phase-II), payment of Central Excise Duty on the goods which are eligible for exemption led to avoidable extra expenditure of ₹8.68 crore.

(Paragraph 3.2)

- In the modernisation works of Commamuru Canal (Package Nos. 26 and 27) of Krishna Delta System, inaction on part of the Department to terminate the contracts despite suspension of work by contractor for three years and the consequent non-encashment of bank guarantees led to avoidable accumulation of interest to the extent of ₹18.68 crore on the mobilisation advance paid to the contractor. The accrued interest is being recovered from the contractor at the instance of Audit.

(Paragraph 3.3)

SECTION A

Public Sector Undertakings

INTRODUCTION
Functioning of Public Sector Undertakings

Introduction

Functioning of State Public Sector Undertakings

General

1. 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 occupy an important place in the State economy.

The Andhra Pradesh Reorganisation Act, 2014 (AP Reorganisation Act) which came into effect from 2 June 2014, bifurcated the erstwhile composite State of Andhra Pradesh. Accordingly, the residual Andhra Pradesh State and new State *viz*., Telangana came into existence on that date. Under the AP Reorganisation Act, a PSU shall pass to that State it is exclusively located in or its operations are exclusively confined to. Assets and Liabilities of the PSUs with inter-state 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.

Under the Act, 33 PSUs with inter-state operations were identified. These PSUs were to be demerged. Out of these 33 PSUs, 30 PSUs were functionally bifurcated. The transfer of assets and liabilities of these demerged PSUs is, however, yet to be finalised. Two of the PSUs[1] are yet to be demerged and one PSU[2] has been transferred to Telangana.

As on 31 March 2018, there were 88 PSUs in Andhra Pradesh. Of these, 68 were working PSUs (36 PSUs were exclusive to State, 30 PSUs including three Statutory Corporations[3] were formed due to demerger and two PSUs were under demerger) and 20 were inactive[4] PSUs. None of these Government Companies were listed on the stock exchange. During the year 2017-18, two inactive PSUs[5] were dissolved and one inactive PSU[6] was struck off from the Register of Companies by the Registrar of Companies, Hyderabad, under Section 248(5)[7] of the Companies Act, 2013.

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1 Infrastructure Corporation of Andhra Pradesh Limited and Andhra Pradesh Tribal Power Company Limited.
2 The Nizam Sugars Limited, which was shown as PSU under demerger in the previous Reports upto 2015-16 had been treated as Company exclusive to Telangana State.
3 Andhra Pradesh State Road Transport Corporation, Andhra Pradesh State Financial Corporation and Andhra Pradesh State Warehousing Corporation.
4 Inactive PSUs are those which have ceased to carry out their operations.
5 Andhra Pradesh Scooters Limited and Suganthy Alloy Castings Limited.
6 Andhra Pradesh Tourism Finance Limited.
7 Section 248(5) of the Companies Act, 2013 prescribes the power of the Registrar of Companies to remove name of the Company from the Register of Companies after sending the required notice to the Company and its Directors. At the expiry of the time mentioned in the notice, the Registrar may, unless cause to the contrary is shown by the Company, strike off its name from the Register of Companies, and shall publish notice thereof in the Official Gazette, and on the publication in the Official Gazette of this notice, the Company shall stand dissolved.

Two companies[8] were newly incorporated during the year 2017-18. Three companies[9] were incorporated in 2016-17 but incorporation details were received after finalisation of Audit Report 2016-17.

2. The financial performance of the PSUs on the basis of last finalised accounts as on 30 September 2018, covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1 – Financial Performance of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period[10]				Number of PSUs of which accounts are in arrears (total accounts in arrears) as on 30 September 2018
		Accounts for 2017-18	Accounts for 2016-17	Accounts upto 2015-16	Total	
Working Government Companies[11] (exclusive to State[12] *plus* formed due to demerger[13])	63	14	11	12	37	49 (125)
Statutory Corporations (formed due to demerger)	3	1	1	--	2	2 (5)
Working Government Companies (under demerger)	2	--	--	--	--	2 (7)
Total Working PSUs	**68**	**15**	**12**	**12**	**39**	**53 (137)**
Inactive Government Companies	20	--	--	--	--	20

(***Source:*** *Compiled by O/o PAG (Audit), Andhra Pradesh as per accounts received during the period October 2017 to September 2018)*

Out of 68 working PSUs (36 PSUs exclusive to State, 30 PSUs formed due to demerger, and 2 PSUs under demerger) as on 30 September 2018, 58 PSUs had submitted the accounts for atleast one of the reporting period since their inception and 10 PSUs[14] had not submitted even the first accounts since their inception. The 58 PSUs registered a turnover of ₹ 51,423.74 crore and incurred a net loss of ₹ 925.19 crore as per their last finalised accounts as on 30 September 2018. The 68 working PSUs had a work force of 0.93 lakh employees as at the end of March 2018.

As on 31 March 2018, there were 20 inactive PSUs. These inactive PSUs have been in existence for over 22 years and the Government's investment in these PSUs was ₹ 241.74 crore. This is a critical area, as the investments in inactive

8 Andhra Pradesh Drinking Water Supply Corporation Limited and Amaravathi Smart & Sustainable City Corporation Limited.

9 Eluru Smart City Corporation Limited, Tirupathi Smart City Corporation Limited and Andhra Pradesh State Energy Efficiency Development Corporation Limited.

10 From October 2017 to September 2018.

11 Government Companies include other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

12 (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.

13 Companies which are formed upon bifurcation of the State.

14 Andhra Pradesh State Kapu Welfare and Development Corporation Limited, Kakinada Smart City Corporation Limited, Tirupathi Smart City Corporation Limited, Eluru Smart City Corporation Limited, Amaravati Smart & Sustainable City Corporation Limited, Vijayawada Urban Transport Company Limited, Andhra Pradesh Drinking Water Supply Corporation Limited, Andhra Pradesh Mahila Sadhikara Samastha, Andhra Pradesh Aviation Corporation Limited and Andhra Pradesh Tribal Power Company Limited.

PSUs does not contribute to the economic growth of the State. All these inactive PSUs are under demerger.

Accountability Framework

3. The procedure for audit of Government Companies is laid down in Sections 139 and 143 of the Companies Act, 2013. According to Section 2 (45) of the Act, a Government Company means any company in which not less than 51 *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. Besides, any Other Company[15] 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 are referred to in this Report as Government Controlled Other Companies.

Comptroller and Auditor General of India (CAG) appoints the Statutory Auditors of a Government Company or Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the Statutory Auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within 60 days from the date of registration of the Company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Companies Act, 2013, CAG may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A 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.

[15] Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014.

Statutory Audit

4. 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 the CAG as per the provisions of Section 139(5) or (7) of the Companies Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Companies Act, 2013. These financial statements are also subject to supplementary audit by the CAG within 60 days from the date of receipt of the Audit Report under the provisions of Section 143 (6) of the Companies Act, 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of the three Statutory Corporations, CAG is 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 is conducted by the CAG.

Submission of Accounts by PSUs

Need for timely finalisation and submission

5. According to Sections 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of the State. Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited financial statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

6. 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 State 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 State Legislature under Section 394 of the Companies Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 for placing before the State Legislature.

Investment by Government of Andhra Pradesh in State PSUs

7. The Government of Andhra Pradesh (GoAP) has high financial stakes in the PSUs. This is mainly of three types:

- **Share capital and loans** -In addition to the share capital contribution, GoAP also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** - GoAP provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** - GoAP also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

8. The sector-wise summary of investment in the PSUs as on 31 March 2018 is given below:

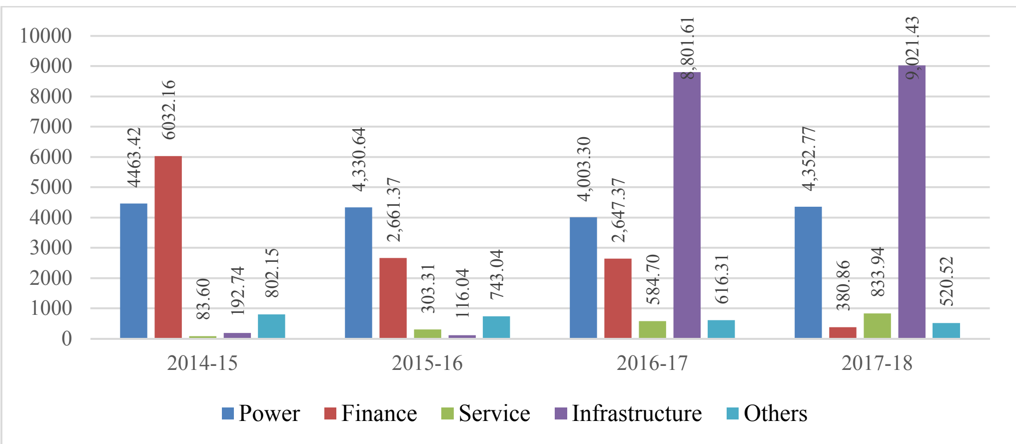
Table 2 – Sector-wise investment in PSUs

Nature of Sector	Government Companies		Statutory Corporations		Investment (₹ in crore)		
	Working	Inactive	Working	Inactive	Equity	Long term loans	Total
Power	8	0	0	0	5,136.90	42,602.77	47,739.67
Finance	7	1	1	0	367.55	3,990.76	4,358.31
Service	10	1	1	0	120.13	3,660.77	3,780.90
Infrastructure	22	0	0	0	600.86	13,605.47	14,206.33
Others	18	18	1	0	210.74	2,427.87	2,638.61
Total	**65**	**20**	**3**	**0**	**6,436.18**	**66,287.64**	**72,723.82**

It can be noted from the above table that the power sector received investments of ₹ 47,739.67 crore (65.65 *per cent)* out of total investment of ₹ 72,723.82 crore. The pattern of State Government investment in various important sectors as at the end of 31 March of 2015 to 31 March 2018 is indicated in the chart below:

Chart 1: Sector-wise investment in PSUs by GoAP

(Figures in ₹ crore)



We are presenting the results of audit of eight Power Sector PSUs in Part I of this Section and of the 80 State PSUs (Non-Power Sector) in the Part II of the Section.

Section A (Part-I)
Chapter-I
Functioning of Power Sector PSUs

PART-I

Chapter-I

Functioning of Power Sector PSUs

1. Introduction

1.1 The Power Sector PSUs play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross Domestic Product of the State. A ratio of Power Sector PSUs turnover to Gross State Domestic Product (GSDP) shows the extent of their activities in the State economy. The table below provides the details of GSDP of Andhra Pradesh and turnover of the Power Sector PSUs as per their last finalised accounts for the period ending March 2018:

Table 1.1 – Details of turnover of Power Sector PSUs vis-a-vis GSDP of Andhra Pradesh

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18
Turnover as per last finalised accounts during the year	28,609.13	35,703.27	38,996.27	37,786.45
Percentage change of turnover compared to previous year	--	24.80	9.22	(-)3.10
GSDP of Andhra Pradesh for the year	5,24,976.00	6,00,298.00	6,95,491.00	8,03,873.00
Percentage change of GSDP compared to previous year	--	14.35	15.86	15.58
Percentage of Turnover to GSDP	5.45	5.95	5.61	4.70

*(**Source**: GSDP figures are as per Economic Survey Review 2017-18 of GoAP)*

The turnover of Power Sector PSUs had increased at a compounded annual growth rate of 9.72 *per cent* while the GSDP of the State had increased at a compounded annual growth rate of 15.26[16] *per cent* during the period from 2014-15 to 2017-18. As a result, the share of turnover of Power Sector PSUs in the GSDP reduced from 5.45 *per cent* in 2014-15 to 4.70 *per cent* in 2017-18.

1.2 Formation of Power Sector PSUs

The State Government enacted (January 2000) the Andhra Pradesh Electricity Reform Act, 1998 (APERA 1999) which *inter alia* provided for re-organisation of electricity industry and preparation of a scheme for transferring the powers, duties and functions of Andhra Pradesh State Electricity Board (APSEB) to one or more Power Sector PSUs of the State Government. The State Government accordingly formulated (19 July 2000) the Andhra Pradesh Power Sector Reforms Transfer Scheme 2000 (APPSRT Scheme 2000) for unbundling of APSEB and transfer of assets, properties, liabilities, obligations, proceedings

[16] Rate of Annual Compounded Growth {(Value of 2017-18/Value of 2014-15)$^{(1/3 \text{ years})}$-1}*100, where turnover and GSDP for the year 2014-15 was ₹ 28,609.13 and ₹ 5,24,976.00 respectively and that for 2017-18 was ₹ 37,786.45 and ₹ 8,03,873.00 respectively. Thus CAGR={(₹ 8,03,873/ ₹ 5,24,976)$^{1/3}$ - 1}*100.

and personnel of APSEB in the first transfer scheme to two Power Sector PSUs *viz.,* Andhra Pradesh Power Generation Corporation Limited (APGENCO) and Transmission Corporation of Andhra Pradesh Limited (APTRANSCO). These two Power Sector PSUs came into existence on 28 December 1998 and all the assets and liabilities of APSEB (including equity of ₹ 2,647.40 crore[17]) were distributed to these two Undertakings according to the provisions of the APPSRT Scheme 2000.

In the second transfer scheme, the assets and liabilities of APTRANSCO were distributed between APTRANSCO and four Power Distribution Companies (DISCOMs) *viz*., Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL) and Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL), Central Power Distribution Company of Andhra Pradesh Limited (APCPDCL) and Northern Power Distribution Company of Andhra Pradesh Limited (APNPDCL). These four Power Sector PSUs came into existence *w.e.f.* 30 March 2000.

Apart from the above mentioned Power Sector PSUs formed upon unbundling of APSEB, the State Government had also incorporated (between 1969 and 2016) three other Power Sector PSUs *i.e.,* New and Renewable Energy Development Corporation of Andhra Pradesh Limited (NREDCAP), Andhra Pradesh Tribal Power Corporation Limited and Andhra Pradesh State Energy Efficiency Development Corporation Limited (APSEEDCO) by infusing total equity of ₹ 0.37 crore as at the end of March 2018. Besides, one more Power Sector PSU *viz*., Andhra Pradesh Power Development Company Limited (APPDCL) was incorporated (3 January 2006) as subsidiary company of APGENCO.

Consequent on bifurcation of Andhra Pradesh State on 2 June 2014, APGENCO and APTRANSCO were demerged. Further, two out of four DISCOMs *viz*., APEPDCL and APSPDCL remained with residual Andhra Pradesh State and other two DISCOMs *viz*., APCPDCL and APNPDCL went to Telangana State as per the provisions of Andhra Pradesh Reorganisation Act, 2014. Thus, there were eight[18] Power Sector PSUs in the State as on 31 March 2018.

Disinvestment, restructuring and privatisation of Power Sector PSUs

1.3 During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in the Power Sector PSUs.

Investment in Power Sector PSUs

1.4 The activity-wise summary of investment in the Power Sector PSUs as on 31 March 2018 is given in **Table 1.2**:

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[17] Andhra Pradesh Power Generation Corporation Limited (₹ 2,106.80 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 540.60 crore).

[18] APPDCL, NREDCAP, APGENCO, APTRANSCO, APEPDCL, APSPDCL, APSEEDCO and APTPCL.

Table 1.2 – Activity-wise investment in Power Sector PSUs

Activity	Number of Power Sector PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power[19]	3	4,201.64	25,688.19	**29,889.83**
Transmission of Power[20]	1	454.44	4,442.72	**4,897.16**
Distribution of Power[21]	2	479.95	12,467.23	**12,947.18**
Other[22]	2	0.87	4.63	**5.50**
Total	**8**	**5,136.90**	**42,602.77**	**47,739.67**

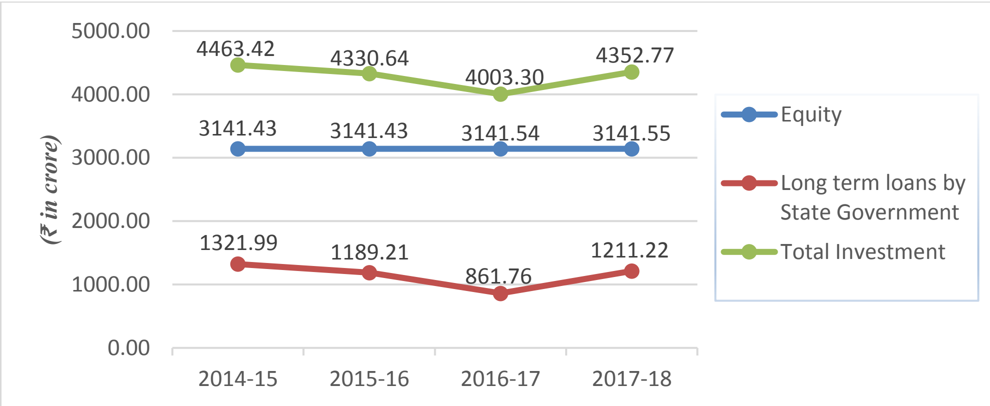
(***Source***: *Information received from the Power Sector PSUs)*

As on 31 March 2018, the total investment (equity and long term loans) in eight Power Sector PSUs was ₹ 47,739.67 crore. Of this investment, 10.76 *per cent* comprised equity and 89.24 *per cent* comprised long-term loans.

The long-term loans advanced by the State Government constituted 2.84 *per cent* (₹ 1,211.22 crore), whereas 97.16 *per cent* (₹ 41,391.54 crore) of the total long term loans were availed from other financial institutions. During 2016-17, however, the State Government has taken over ₹ 8,256.01 crore (out of ₹ 8,892.46 crore as per MoU) of the total debts (₹ 14,720.50 crore) of the DISCOMs outstanding as on 30 September 2015 under Ujwal DISCOM Assurance Yojana[23] (UDAY) scheme.

The year-wise status of investment of GoAP in the form of equity and long term loans in the Power Sector PSUs during the period 2014-15 to 2017-18 is given in the chart below:

Chart 1.1: Total investment of GoAP in Power Sector PSUs



Budgetary support to Power Sector PSUs

1.5 The Government of Andhra Pradesh (GoAP) provides financial support to Power Sector PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies,

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19 Andhra Pradesh Generation Corporation Limited and Andhra Pradesh Power Development Company Limited and New and Renewable Energy Development Corporation of Andhra Pradesh Limited.
20 Transmission Corporation of Andhra Pradesh Limited.
21 Eastern Power Distribution Company of Andhra Pradesh Limited and Southern Power Distribution Company of Andhra Pradesh Limited.
22 Andhra Pradesh Tribal Power Company Limited and Andhra Pradesh State Energy Efficiency Development Corporation Limited.
23 Scheme launched by Ministry of Power, GoI for financial and operational turnaround of DISCOMs.

loans written off and loans converted into equity during the year in respect of Power Sector PSUs for the last three years ending 31 March 2018 are given in the following table:

Table 1.3 – Details of budgetary support to Power Sector PSUs for the period 2015-16 to 2017-18

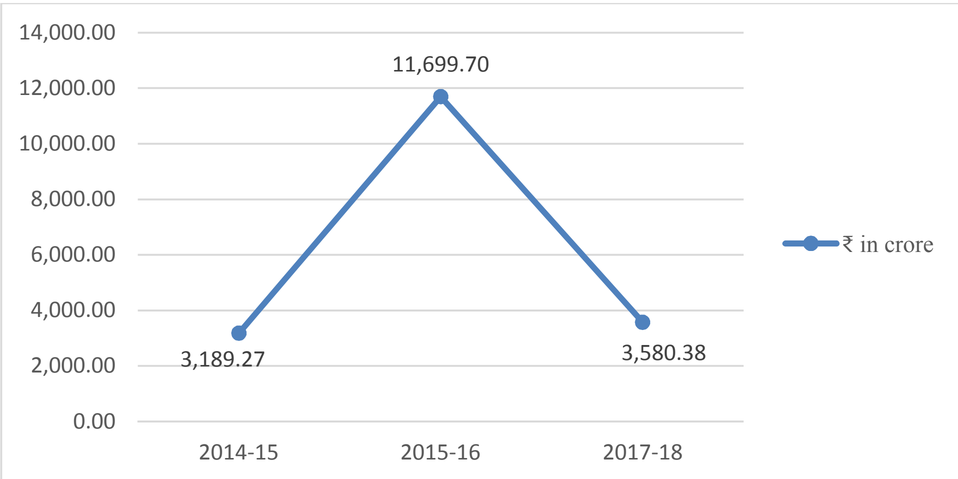
(₹ in crore)

Particulars[24]	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
(i) Equity Capital	0	0	0	0	--	--
(ii) Loans given	0	0	0	0	3	463.15
(iii) Grants/Subsidy*	3	3,189.27	5	11,699.70[25]	6	3,117.23
Total Outgo (i+ii+iii)	**3**	**3,189.27**	**5**	**11,699.70**	**7**	**3,580.38**
Loan repayment written off	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	0	0
Guarantees issued[26]	0	0	0	0	0	0
Guarantee Commitment[27]	3	75.56	3	2126.30	3	1,723.46

*(**Source:** Compiled based on information received from Companies)*
** GoAP had taken over loans of DISCOMs to that extent, which were adjusted as grants to the DISCOMs.*

The details of budgetary support towards equity, loans and grants/ subsidies for the last three years ending March 2018 are given in the below chart:

Chart 1.2: Budgetary support towards Equity, Loans and Grants/Subsidies



The budgetary assistance received by the Power Sector PSUs ranged between ₹ 3,189.27 crore and ₹ 11,699.70 crore during 2015-16 to 2017-18. The budgetary assistance of ₹ 3,580.38 crore received during the year 2017-18 comprised ₹ 463.15 crore in the form of loan and ₹ 3,117.23 crore in the form of grants/subsidy. Besides, the Ministry of Power, Government of India also launched (20 November 2015) UDAY Scheme for operational and financial turnaround of State owned DISCOMs. The provisions of UDAY and status of

24 Amount represents outgo from State Budget only.
25 This includes ₹ 8,256.01 crore grant received under UDAY scheme and the remaining ₹ 3,443.69 crore other grants.
26 Government guarantee issued to the PSUs during the year.
27 Guarantee Commitment is the balance of the loans remaining to be repaid by the PSUs for which the State Government has given guarantee.

implementation of the scheme by two DISCOMs are detailed in **Para 1.21** of this Chapter. Out of outstanding loans amounting to ₹ 8,892.46 crore to be taken over by GoAP, ₹ 8,256.01 crore was taken over by GoAP during 2016-17 under UDAY scheme and grants to that extent were given to the DISCOMs by GoAP.

Guarantee fee

State Government helps the Power Sector PSUs to raise loans from banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. For this purpose, the State Government charges guarantee commission at the rate of half to two *per cent* consolidated for the entire guarantee period in case of loan availed by Power Sector PSUs from banks/financial institutions without any exception under the provisions of the guidelines issued in GO Ms.No.446 dated 29 September 2003. Outstanding guarantee commitments decreased by 18.95 *per cent*, from ₹ 2,126.30 crore in 2016-17 to ₹ 1,723.46 crore in 2017-18. During the year 2017-18, guarantee commission of ₹ 0.15 crore was paid by one Power Sector PSU *viz*., Southern Power Distribution Company of Andhra Pradesh Limited.

Reconciliation with Finance Accounts of Government of Andhra Pradesh

1.6 The figures of equity, loans and guarantees outstanding as per records of State PSUs should agree with the figures appearing in the Finance Accounts of the GoAP. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position of differences in equity, loans and guarantees as on 31 March 2018 given in the below table:

Table 1.4 – Equity, Loans and Guarantees outstanding as per Finance Accounts vis-à-vis records of Power Sector PSUs

(₹ in crore)

Outstanding in respect of	No. of Power Sector PSUs with difference	Amount as per Finance Accounts	Amount as per records of Power Sector PSUs	Difference
Equity	6	2,262.99	934.76	1,328.23
Loans	5	1,636.11	1,244.32	391.79
Guarantees	3	3,044.31	1,712.37	1,331.94

*(**Source:** Information received from Power Sector PSUs and O/o PAG (A&E), Andhra Pradesh)*

The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the Power Sector PSUs/ Departments from time to time. We, therefore, recommend that the State Government and the Power Sector PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by Power Sector PSUs

Timeliness in preparation of accounts by Power Sector PSUs

1.7 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 of the Companies Act, 2013. There were eight Power Sector PSUs under the audit purview of CAG as of 31 March 2018. Accounts for the year 2017-18 were submitted by five Power Sector PSUs by 30 September 2018 as per statutory requirement. Details of arrears in submission of accounts of Power Sector PSUs as on 30 September of each financial year for the last four years ending 31 March 2018 are given below:

Table 1.5 – Position relating to submission of accounts of Power Sector PSUs

Sl.No.	Particulars	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	7	7	7	8
2.	Number of accounts submitted during current year	2	6	9	8
3.	Number of PSUs which finalised accounts for the current year	1	3	4	5
4.	Number of previous years' accounts finalised during current year	1	3	5	3
5.	Number of PSUs with arrears in accounts	6	4	3	3
6.	Number of accounts in arrears	6	7	13	8
7.	Extent of arrears	1 year	1 to 2 years	1 to 9 years	1 to 4 years

(**Source:** *Compiled based on accounts of Power Sector PSUs received during the period October 2017 to September 2018)*

Out of eight Power Sector PSUs, three PSUs[28] have not been prompt in submission of their annual accounts for 2017-18.

The Energy Department, Government of Andhra Pradesh is the Administrative Department of the Power Sector PSUs. It has the responsibility to oversee the activities of these entities. Therefore, it has to ensure that the accounts are finalised by the Power Sector PSUs and adopted by their respective Boards within the stipulated period. The arrears of accounts continue to exist though the Department concerned was being informed regularly.

Impact of non-finalisation of accounts

1.8 As pointed out in **Paragraph 1.7**, the delay in finalisation of accounts is in violation of the provisions of the relevant statutes and entails risk of fraud and leakage of public money. In view of the above state of arrears of accounts, the actual contribution of the State Power Sector PSUs to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Energy Department should strictly monitor and issue necessary directions to set targets for individual Power Sector PSUs and strictly monitor the clearance of arrears. The Government may also look into the constraints in preparing the accounts of the Power Sector PSUs and take steps to clear the arrears in accounts.

[28] Andhra Pradesh Tribal Power Company Limited, Andhra Pradesh State Energy Efficiency Development Corporation Limited and New and Renewal Energy Development Corporation of Andhra Pradesh.

Performance of Power Sector PSUs

1.9 The financial position and working results of Power Sector PSUs as per their latest finalised accounts as of 30 September 2018 are detailed in ***Annexure-1***.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government. The total amount of investment in the eight Power Sector PSUs as on 31 March 2018 was ₹ 51,334.51 crore consisting of ₹ 5,136.90 crore as equity and ₹ 42,602.77 crore as long term loans and ₹ 3,594.84 crore as grants, subsidies for operational & management expense.

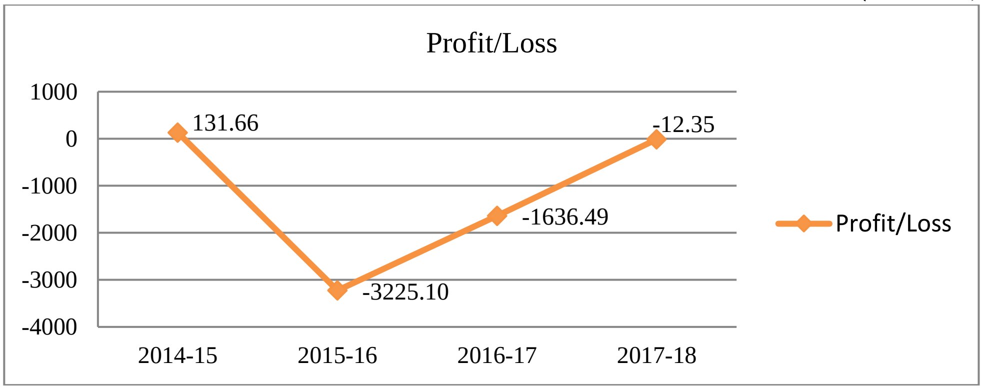
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. The Rate of Real Return on investment is the profit or loss made in a fixed year relating to the Present Value (PV) of the investment made over the years and is expressed as a *percentage* of profit to the PV of total investment. Investment for this purpose included equity, grants, subsidies for operational and management expense. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Rate of Real Return on Investment

1.10 Rate of Real Return on investment is the *percentage* of profit or loss to the Present Value (PV) of total investment. The overall position of Profit/losses[29] earned/incurred by the Power Sector PSUs during 2014-15 to 2017-18 is depicted in a Chart 1.3:

Chart 1.3: Profit/Losses earned/incurred by Power Sector PSUs

(₹ in crore)



The total loss incurred by the eight Power Sector PSUs was ₹ 12.35 crore in 2017-18 against total profits of ₹ 131.66 crore earned in 2014-15. As per latest finalised accounts as on 30 September 2018, out of eight Power Sector PSUs,

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

four PSUs[30] earned profit of ₹ 421.73 crore, three PSUs had incurred loss of ₹ 434.08 crore[31] and one Company *viz*., Andhra Pradesh Tribal Power Company Limited had not submitted its first account since inception ***(Annexure-1)***. As per latest finalised accounts as on 30 September 2018, the top profit making Power Sector PSU was Andhra Pradesh Power Generation Corporation Limited (₹ 363.55 crore) while Andhra Pradesh Power Development Corporation Limited ((-) ₹427.03 crore) incurred substantial loss.

Position of Power Sector PSUs which earned/incurred profit/loss during 2014-15 to 2017-18 is given in the below table:

Table 1.6 – Power Sector PSUs which earned/incurred Profit/Loss

Financial year	Total PSUs in power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	No. of PSUs which did not earn/incur profit/loss	No. of PSUs which did not submit first accounts since inception
2014-15	7	3	2	2[32]	0
2015-16	7	4	2	1[33]	0
2016-17	7	3	3	0	1[34]
2017-18	8	4	3	0	1[35]

*(**Source**: As per the Accounts of the Power Sector PSUs)*
***Note:** Andhra Pradesh Tribal Power Company limited had not submitted its first account.*

Rate of Real Return on the basis of historical cost of investment

1.11 Out of eight Power Sector PSUs one Company *viz*., APPDCL is a subsidiary of APGENCO. Equity in this Company is majorly contributed by the concerned holding company.

The Rate of Real Return on investment in the eight Power Sector PSUs has been calculated on the investment made by Government of Andhra Pradesh, Government of India and others in these Power Sector PSUs in the form of equity, grants and subsidies for operational & management expense minus disinvestments. Loans are not considered as investment for calculation of rate of real return as they are liable to be repaid as per terms and conditions of repayment.

The investment of GoAP, GoI and others as on 31 March 2018 in these eight Power Sector PSUs was ₹ 8731.74 crore consisting of equity of ₹ 5,136.90 crore and grants, subsidies of ₹ 3,594.84 crore.

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30 Eastern Power Distribution Company of Andhra Pradesh Limited (₹ 2.89 crore), New and Renewal Energy Development Corporation of Andhra Pradesh Limited (₹ 17.87 crore), Andhra Pradesh Power Generation Corporation Limited (₹ 363.55 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 37.42 crore).

31 Andhra Pradesh Power Development Company Limited ((-) ₹ 427.03 crore), Southern Power Distribution Company of Andhra Pradesh Limited ((-) ₹ 7.02 crore) and Andhra Pradesh State Energy Efficiency Development Corporation Limited ((-) ₹ 0.03 crore).

32 In 2014-15, Andhra Pradesh Power Development Company Limited had not earned profit or incurred loss and Andhra Pradesh Solar Power Corporation Private Limited had not prepared a Profit and Loss Account as it had not commenced operations.

33 In 2015-16 Andhra Pradesh Solar Power Corporation Private Limited had not prepared a Profit and Loss Account as it had not commenced operations.

34 In 2016-17 Andhra Pradesh Tribal Power Company Limited had not submitted its accounts.

35 In 2017-18 Andhra Pradesh Tribal Power Company Limited had not submitted its accounts.

The Rate of Real Return on investment on historical cost basis for the period 2014-15 to 2017-18 is given in **Table 1.7**:

Table 1.7 – Rate of Real Return on Investment on historical cost basis

Financial year	Total Earnings/ Losses[36] for the year (₹ in crore)	Investment by GoAP in form of Equity, Grants and Subsidies on historic cost basis (₹ in crore)	Investment by GoI and others in form of Equity, Grants, and Subsidies on historic cost basis (₹ in crore)	Total Investment in the form of equity Grants and subsidies on historic cost basis (₹ in crore)	Rate of Real RoI (in *per cent)*
2014-15	131.66	5,670.02	2,768.21	8,438.23	1.56
2015-16	(-) 3,225.10	6,330.70	2,446.92	8,777.62	(-)36.74
2016-17	(-)1,636.49	14,841.24	2,165.32	17,006.56	(-)9.62
2017-18	(-)12.35	6,258.78	2,472.96	8,731.74	(-)0.14

The Rate of Real Return on investment of the eight Power Sector PSUs was positive in the year 2014-15. However, the Rate of Real Return was negative during the period 2015-16 to 2017-18 due to huge losses incurred by two DISCOMs *viz*., APSPDCL and APEPDCL, even after Government taking over of the debt of the two DISCOMs under UDAY scheme reducing the interest burden.

On the basis of Present Value of Investment

1.12 In view of the significant investment by the Government in the Power Sector PSUs, Rate of Real Return on such investment is essential. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the Rate of Real Return on the investment since such calculations ignore the present value of money. The present value of the investments has been computed to assess the Rate of Real Return on the present value of investments in the State Power Sector PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2018, the past investments/ year-wise funds infused in the State Power Sector PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds for the concerned year. Therefore, Present value (PV) of the investment was computed where funds had been infused by the State Government, Central Government and others in the shape of equity, grants, subsidies for operational and management expenses since inception of these companies till 31 March 2018. The eight Power Sector PSUs, however, had a positive rate of real return on investment only during the year 2014-15. Therefore, for the year 2014-15, the rate of real return on investment has been calculated and depicted on the basis of PV.

The PV of the investment in Power Sector PSUs was computed on the basis of following assumptions:

- The equity infused minus disinvestment and funds made available in the form of the grants, subsidies for operational & management expenses have

[36] As per annual accounts of the respective years.

been reckoned as investment for calculating the Rate of Real Return on Investments.

- The average rate of interest on government borrowings for the concerned financial year[37] was adopted as compounded rate for arriving at Present value since they represent the cost incurred towards investment of funds for the year and therefore considered as the minimum expected Rate of Real Return on investments.

For the period 2015-16, 2016-17 and 2017-18 when the eight companies incurred overall loss, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the companies is commented upon in **Para 1.14**.

1.13 The total investment of the Government and others in these eight Power Sector PSUs at the end of the year 2017-18 was ₹ 8,731.74 crore consisting of equity ₹ 5,136.90 crore, grants/subsidies ₹ 3,594.84 crore. However, as during the year 2014-15 only, the Power Sector PSUs earned overall profit, RoI by Government and others at historical cost and at present value for the year is given in Table 1.8:

Table 1.8 – Real Rate of Return on total investment on Present Value

Financial year	Investment by GoAP in the form of Equity, Grants and Subsidies on historic cost basis *(₹ in crore)*	Investment by GoI and others in the form of Equity, Grants, and Subsidies on historic cost basis *(₹ in crore)*	Total Investment in the form of Equity, Grants and subsidies on historic cost basis *(₹ in crore)*	PV of the total investment at end of the year *(₹ in crore)*	Total Earnings/ Losses[38] for the year *(₹ in crore)*	Rate of Real RoI on historical cost basis *(in per cent)*	Rate of Real RoI considering PV of the investments *(in per cent)*
2014-15	5,670.02	2,768.21	8,438.23	8,936.93[39]	131.66	1.56	1.47

It is evident from the table that the rate of real return on total investment computed on the present value is very low (1.47 *per cent* 2014-15) even when the eight Power Sector PSUs had overall positive earnings. A return of 1.56 *per cent* calculated on historical cost basis would therefore be a distortion and does not reflect the correct picture.

Erosion of Net worth

1.14 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. The negative net worth indicates that the public money invested in these Power Sector PSUs had eroded completely. The overall accumulated losses of the four out of eight Power Sector PSUs during 2017-18 was ₹ 17,464.63 crore as against the capital investment of ₹ 5,136.85 crore resulting in negative net worth of ₹ 7,739.81 crore (***Annexure-1***).

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37 The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Andhra Pradesh) for the concerned year wherein the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities+Current year's Fiscal Liabilities)/2]*100.

38 As per annual accounts of the respective years.

39 {₹ 8,438.23*(100+5.91)}/100.

The Table 1.9 indicates paid up capital, accumulated profit/loss and net worth of the Power Sector PSUs during the period 2014-15 to 2017-18:

Table 1.9 – Net worth of Power Sector PSUs during 2014-15 to 2017-18

(₹ in crore)

Year	No. of Power Sector PSUs	Paid up Capital at end of the year	Free Reserves	Surplus	Accumulated Losses	Net worth
(1)	(2)	(3)	(4)	(5)	(6)	(7)=(3+4+5-6)
2014-15	7	5,170.66	524.80	2,015.87	(-)6,625.87	1,085.46
2015-16	7	5,434.57	524.80	2,019.34	(-)10,757.25	(-)2,778.54
2016-17	7	5,136.03	0.00	2,539.11	(-)17,112.23	(-)9,437.09
2017-18	8	5,136.85	1,635.86	2,952.11	(-)17,464.63	(-)7,739.81

*(**Source**: As per the Annual Accounts of the Power Sector PSUs)*

The State Government continued to provide financial support to the Power Sector PSUs by infusing substantial equity during the period 2014-18. Despite infusion of substantial capital, due to huge accumulated losses of these Power Sector PSUs the entire capital infused in these Power Sector PSUs had been eroded.

During 2017-18, out of eight Power Sector PSUs, net worth was negative in respect of two PSUs *viz*., Eastern Power Distribution Company of Andhra Pradesh Limited (₹ 3,019.70 crore) and Southern Power Distribution Company of Andhra Pradesh Limited (₹ 13,133.42 crore). Though five Power Sector PSUs had positive net worth, the negative net worth of the two DISCOMs contributed to the overall negative net worth of the Power Sector PSUs. One Power Sector PSU *viz*., Andhra Pradesh Tribal Power Company Limited did not submit any account since its inception.

Dividend Payout

1.15 As per the guidelines issued (2002) by Public Enterprises Department, GoAP, no dividend shall be declared or paid by a Company for any financial year except out of the profits of the Company for that year arrived at after providing for depreciation in accordance with provisions of Companies Act. The guidelines, however, did not prescribe any fixed rate of dividend to be paid by the Power Sector PSUs.

Dividend payout relating to Power Sector PSUs where equity was infused by GoAP during the period 2014-15 to 2017-18 is shown in the below table:

Table 1.10 – Dividend Payout of Power Sector PSUs during 2014-15 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoAP		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GoAP	Number of PSUs	Equity infused by GoAP	Number of PSUs	Dividend declared/paid by PSUs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7/5*100)
2014-15	7	3,141.43	3	2,561.43	0	0	0
2015-16	7	3,141.43	4	2,661.43	0	0	0
2016-17	7	3,141.54	3	2,561.43	0	0	0
2017-18	8	3,141.55	4	2,682.66	0	0	0

During the period 2014-15 to 2017-18, the number of Power Sector PSUs which earned profits ranged between three and four. None of the Power Sector PSUs, however, had declared/paid dividend to GoAP.

Return on Equity

1.16 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using company's assets to create profits and is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund. It is expressed as a *percentage* and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholders' fund means that liabilities exceed assets.

Return on Equity has been computed in respect of all Power Sector PSUs.

Table 1.11 – RoE relating to Power Sector PSUs

	Year	**No. of Power Sector PSUs**	**Net Profit/Loss**	**Shareholders' fund**	**(ROE *in per cent*)**
	1	2	3	4	5=3/4*100
			Amount (₹ *in crore*)		
Profit Earning	2014-15	3	670.63	5,426.91	12.36
	2015-16	4	674.10	7,498.66	8.99
	2016-17	3	706.72	5,100.57	13.86
	2017-18	4	421.73	4,022.49	10.48
Loss incurring	2014-15	2	(-)538.97	(-)6,145.92	-
	2015-16	2	(-)3,899.20	(-)10,277.30	-
	2016-17	3	(-)2,343.21	(-)14,537.66	-
	2017-18	3	(-)434.08	(-)11,762.30	-
Total	2014-15*	5	131.66	(-)719.01	-
	2015-16$	6	(-)3,225.10	(-)2,778.64	-
	2016-17#	6	(-)1,636.49	(-)9,437.09	-
	2017-18#	7	(-)12.35	(-)7,739.81	-

** For the year 2014-15, Andhra Pradesh Power Development Company Limited had not earned profit or incurred loss and Andhra Pradesh Solar Power Corporation Private Limited had not commenced operations.*

$ For the year 2015-16, one Company viz., Andhra Pradesh Solar Power Corporation Private Limited had not commenced operation.

 # For the years 2016-17 and 2017-18, one Company viz., Andhra Pradesh Tribal Power Corporation had not submitted its first accounts since inception.

During 2017-18 out of seven Power Sector PSUs, three were loss making. Since the Net Income and Shareholders' fund were negative, the Return on Equity of loss making Power Sector PSUs could not be worked out. The negative shareholders' funds indicates that the public money invested in these Power Sector PSUs had eroded completely.

Return on Capital Employed

1.17 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed.

RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[40]. The details of RoCE of the Power Sector PSUs during the period from 2014-15 to 2017-18 are given in the below table:

Table 1.12 – Return on Capital Employed

	Year	No. of Power Sector PSUs	EBIT	Capital employed	(ROCE in *per cent*)
(1)	(2)	(3)	(4)	(5)	(6)=(4/5*100)
			Amount (₹ in crore)		
Profit Earning	2014-15	3	3,485.58	16,253.14	21.45
	2015-16	4	3,556.42	26,857.10	13.24
	2016-17	3	3,326.54	26,552.85	12.53
	2017-18	4	2,586.96	22,589.70	11.45
Loss incurring	2014-15	2	43.21	3,317.52	1.30
	2015-16	2	(-)2,621.48	1,401.53	-
	2016-17	3	54.74	7,572.57	0.72
	2017-18	3	1,896.68	12,278.75	15.45
Total	2014-15*	5	3,528.79	19,570.66	18.03
	2015-16$	6	934.94	28,258.63	3.31
	2016-17#	6	3,381.28	34,125.42	9.91
	2017-18#	7	4,483.64	34,868.45	12.86

*(**Source**: As per the Annual Accounts of the Power Sector PSUs)*

**For the year 2014-15, Andhra Pradesh Power Development Company Limited had not earned profit or incurred loss and Andhra Pradesh Solar Power Corporation Private Limited had not commenced operations.*

$ For the year 2015-16, one Company viz., Andhra Pradesh Solar Power Corporation Private Limited had not commenced operation.

 # For the years 2016-17 and 2017-18, one Company viz., Andhra Pradesh Tribal Power Corporation had not submitted its first accounts since inception.

During 2017-18 out of seven Power Sector PSUs, three were loss making. The RoCE in respect of loss making Power Sector PSUs, however was 15.45 *per cent* as the Capital Employed and Earning Before Interest and Tax (EBIT) of these three PSUs were positive. RoCE substantially increased during the year 2017-18 in comparison to the previous years. One of the factors for the positive turnaround was the Government's taking over of the debts of DISCOMs under UDAY scheme (₹ 8,256.01 crore in 2016-17 and 2017-18) reducing the interest burden.

Analysis of long term loans of the Power Sector PSUs

1.18 The long term loans of the Power Sector PSUs were analysed to assess the ability of the Power Sector PSUs to service the debt owed by them to Government, banks and other financial institutions using Interest Coverage Ratio and Debt Turnover Ratio.

[40] Capital employed=Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

Interest Coverage Ratio

1.19 Interest Coverage Ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those Power Sector PSUs which had interest burden during the period from 2014-15 to 2017-18 are given in the below table:

Table 1.13 – Interest coverage ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having interest Expense and liability of loans from Government/ Banks/ Other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2014-15	2,950.12	3,514.04	4	2	2
2015-16	3,716.23	919.93	5	3	2
2016-17	5184.40	3,366.27	5	2	3
2017-18	4,146.90	4,483.67	6	4	2

*(**Source**: As per the Annual Accounts of the Power Sector PSUs)*

During 2017-18, 2 out of 6 Power Sector PSUs could not generate sufficient revenues even to meet their expenses of interest liabilities.

Debt-Turnover Ratio

1.20 During the last four years, the turnover of the Power Sector PSUs recorded compounded annual growth of 9.72 *per cent* and while the compounded annual growth of debt was 15.50 *per cent*, due to which the Debt-Turnover Ratio deteriorated from 0.97 in 2014-15 to 1.13 in 2017-18 as given in the below table:

Table 1.14 – Debt Turnover Ratio relating to the Power Sector PSUs

(*₹ in crore*)

Particulars	2014-15	2015-16	2016-17	2017-18
Debt from Government / Banks and Financial Institutions	27,651.11	31,037.27	43,562.51	42,608.26
Turnover	28,609.13	35,703.27	38,996.27	37,786.45
Debt-Turnover Ratio	0.97:1	0.87:1	1.12:1	1.13:1

*(**Source**: As per the Annual Accounts of the Power Sector PSUs)*

Assistance under Ujwal DISCOM Assurance Yojana

1.21 The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY) Scheme for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). As per provisions of UDAY Scheme, the participating States were required to undertake following measures for operational and financial turnaround of DISCOMs:

Scheme for improving operational efficiency

1.21.1 The participating States were required to undertake various targeted activities like compulsory feeder and distribution transformer (DT) metering, consumer indexing and GIS mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) through energy efficient equipment, quarterly revision of tariff, comprehensive International Electrotechnical Commission(IEC) campaign to check theft of power, assure increased power supply in areas where the AT&C losses have been reduced for improving the operational efficiencies. The timeline prescribed for these targeted activities were also required to be followed so as to ensure achievement of the targeted benefits *viz.* ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimize outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption *etc.* The outcomes of operational improvements were to be measured through indicators *viz.*, reduction of AT&C losses to 5.44 *per cent* (APEPDCL) and 10.89 *per cent* (APSPDCL) in 2018-19 as per loss reduction trajectory finalised by the MoP and States, reduction in gap between average cost of supply and average revenue realised to zero by 2018-19.

Scheme for financial turnaround

1.21.2 The participating States were required to take over 75 *per cent* of DISCOMs debt by 30 September 2018, i.e., 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17. The scheme for financial turnaround *inter alia* provided that:

- State will issue *'Non Statutory Liquidity Ratio Bonds'* and the proceeds realized from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount of Banks/FIs debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal upto 5 years.
- Debt of DISCOM will be taken over in the priority of debt already due, followed by debt with higher cost.
- The transfer to the DISCOM by the State in 2016-17 will be as a grant to DISCOMs.

Implementation of the UDAY Scheme

1.21.3 The status of implementation of the UDAY Scheme is detailed below:

A. Achievement of operational parameters

The achievements *vis-a-vis* targets under UDAY Scheme regarding different operational parameters relating to the two State DISCOMs were as under:

Table 1.15 – Parameter wise achievements vis-a-vis targets of operational performance

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (*per cent*)	Position as on
Feeder metering (in Nos.)	11,728	11,728	100	Mar-2019
Metering at Distribution Transformers (in Nos.) Urban Rural	 31,098 4,00,059	 31,098 65,775	 100 16.44	
Feeder Segregation (in Nos.)	5,878	5,878	100	
Rural Feeder Audit (in Nos.)	1783	1,509	84.63	
Electricity to unconnected household (in lakh Nos.)	5.36	3.72	69.40	2018-19
Smart metering (in Nos.)	5,48,043	2,583	0.47	Dec-2018
Distribution of LED UJALA (in lakh Nos.)	85.72	86.40	100	Mar-2019
AT&C Losses (in *per cent*) APEPDCL APSPDCL	 5.44 10.89	 8.93 11.30	 --- ---	Feb-2019
ACS-ARR Gap (₹ per unit)	0.05	0.42	840	Dec-2018
Net Income or Profit/(-)Loss including subsidy (₹ in crore) APEPDCL APSPDCL	 (-)18.58 (-)5.22	 2.89 (-)4.50	 --- ---	2017-18

(***Source**: Information furnished by the Companies*)

The State has performed poorly in metering at DTs in rural areas and smart metering, whereas the performance has been good in terms of feeder metering, feeder segregation and distribution of LEDs. Further, the State will find it difficult to achieve the most important target of reduction of AT&C loss as targeted by 2018-19 since APEPDCL has significant AT&C losses. According to the Ministry of Power, the Government of India, the State of Andhra Pradesh stood 16th amongst all the States on the basis of overall achievements made by the two State DISCOMs under UDAY Scheme upto 30 March 2019.

B. Implementation of Financial Turnaround

A tripartite Memorandum of Understanding (MoU) was signed (24 June 2016) between the MoP, the GoAP and Andhra Pradesh DISCOMs. As per provisions of the UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 14,720.50 crore) pertaining to DISCOMs as on 30 September 2015, the GoAP was to take over ₹ 8,892.46 crore. Against this, as on 31 March 2018, the GoAP took over total debt of ₹ 8,256.01 crore (during 2016-17) by providing grant to that extent.

Comments on Accounts of Power Sector PSUs

1.22 Seven Power Sector PSUs forwarded their eight[41] audited accounts to the Principal Accountant General during 1 October 2017 to 30 September 2018 and all eight accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and

[41] APGENCO (2017-18), APTRANSCO (2016-17 & 2017-18), APEPDCL (2017-18), APSPDCL (2017-18), APPDCL (2017-18), NREDCAP (2014-15), APSEEDCO (2016-17)

the CAG on the accounts of Power Sector PSUs are as follows:

Table 1.16 – Impact of audit comments on Power Sector PSUs

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	96.55	3	6,751.94
2.	Increase in profit	2	25.10	2	24.41
3.	Increase in loss	3	3,520.47	2	11,492.30
4.	Decrease in loss	1	5,261.08	1	26.61
5.	Non-disclosure of material facts	6	1,839.61	4	1,419.22
6.	Errors of classification	1	5,257.02	2	150.94

*(**Source**: Comments of the Statutory Auditors/ C&AG in respect of Power Sector PSUs)*

During the year 2017-18, the Statutory Auditors had issued qualified certificates in respect of seven accounts.

Performance Audit and Compliance Audit Paragraphs

1.23 For Part-I of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, three Compliance Audit Paragraphs relating to Power Sector PSUs were issued to the Principal Secretary of Energy Department, GoAP with request to furnish replies within two weeks. Replies to two Compliance Audit Paragraphs have been received (December 2018) from the State Government and suitably incorporated in this Report. The total financial impact of the Compliance Audit Paragraphs relating to Power Sector PSUs was ₹ 90.40 crore.

Follow up action on Audit Reports

Replies outstanding

1.24 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Andhra Pradesh issued (June 2004) instructions to all Administrative Departments to submit replies/ Explanatory Notes (ENs) to Paragraphs/ Performance Audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

***Table 1.17** – Position of Explanatory Notes on Audit Report Paragraphs related to Power Sector PSUs as on 30 September 2018)*

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[42]	
		PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
Upto 2013-14		42	148	0	1	7	14
2014-15	30-03-2016	0	1	0	1	0	0
2015-16	31-03-2017	1	2	1	2	0	0
2016-17	06-04-2018	0	1	0	1	0	0
Total		**43**	**152**	**1**	**5**	**7**	**14**

*(**Source**: Compiled by O/o PAG (Audit), Andhra Pradesh)*

[42] PAs and Paragraphs which deal with issues relating to both Andhra Pradesh and Telangana.

Discussion of Audit Reports by COPU

1.25 The status of discussion of Performance Audits and Paragraphs related to Power Sector PSUs that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2018 was as given in the below table:

Table 1.18 – PAs/Paragraphs related to Power Sector PSUs that appeared in Audit Reports vis-a-vis discussed as on 30 September 2018

Year of the Audit Report (Commercial/ PSU)	Number of PAs/Paragraphs					
	Appeared in Audit^ Report		Discussed#		Pending discussion#	
	PAs	Paragraphs	PAs	Paragraphs	Pas	Paragraphs
Upto 2013-14	42	148	8	64	25	47
2014-15	0	1	0	0	0	1
2015-16	1	2	0	0	1	2
2016-17	0	1	0	0	0	1
Total	**43**	**152**	**8**	**64**	**26**	**51**

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

^ Include paras which are exclusive to Andhra Pradesh, exclusive to Telangana as well as common to both Andhra Pradesh and Telangana.

 # Includes paras either exclusive to Andhra Pradesh or common to Andhra Pradesh and Telangana.

Compliance to Reports of COPU

1.26 Action Taken Notes (ATNs) on 15 Paragraphs pertaining to 12 Reports of the COPU presented in the State Legislature between April 1983 and March 2007 had not been received (September 2018). The details are as given in below table:

Table 1.19 – Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Reports	No. of recommendations where ATNs not received
Upto 1998-99	3	24	2
2000-01	3	21	0
2004-05	5	43	0
2006-07	1	13	13
Total	**12**	**101**	**15**

*(**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.*

It is recommended that the Government may ensure (a) submission of ENs to IRs/ Draft Paragraphs/ PAs and ATNs on the recommendations of COPU as per the prescribed time schedule (b) recovery of loss/outstanding advances/over payments within the prescribed period and (c) revamping of the system of responding to audit observations.

Section A (Part-I)

Chapter-II

Compliance Audit

Power Sector PSUs

Chapter-II

Compliance Audit

2. POWER SECTOR PSUs

Andhra Pradesh Power Development Company Limited (Company)

2.1 Payment of price variation to the Contractor

The Company paid ₹ 12.90 crore towards price variation for the period of delay attributable to the contractor, contrary to Clause 13 of the contract which stipulated that no price variation will be allowed for materials and labour. This led to extending of undue benefit to the Contractor.

Andhra Pradesh Power Development Company Limited (Company) awarded (March 2012) the work of construction of integrated township and infrastructural works[43] at its Thermal Power Station[44] in Nellore to the Contractor[45] for an amount of ₹ 124.96 crore[46]. The period of contract was 18 months from the date of handing over of site. Land admeasuring 67 acres was handed over to the Contractor in different stretches[47] till October 2012. Due to inundation on account of rains in 11 acres of land, which was handed over in September 2012 for construction of school and hospital, the Company was to substitute with another piece of land. The Company, however, did not give any alternate land and decided to take up the construction of school and hospital within 25 acre land, which had been handed over in the first stretch on 27 April 2012. Thus, the total land handed over was 56 acres[48]. The due date of completion of work was October 2013.

As per Clause 13 of the agreement, no price variation was to be allowed for materials and labour. The prices quoted by the Contractor were firm and binding upon the Contractor, till the work was completed. Further, as per Clause 15 of the agreement conditions, if, on any account, the work is dislocated due to site being not available for work or due to any other reason, it was not binding on the Company to pay any compensation, but the corresponding extension of time was to be granted.

The Contractor requested (3 October 2013) for extension of time due to delay in handing over of the lands by the Company. The time for completion of work was extended from original schedule of October 2013 to December 2014, without liquidated damages. As against this revised scheduled date of completion, the Contractor completed the work in November 2016, with a delay of one year and eleven months. The Contractor also requested (October 2013) for payment of price variation citing delay in handing over the site on one stretch by the Company.

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43 Construction of staff quarters, club house, hospital, school, auditorium, overhead tanks etc.
44 Sri Damodaram Sanjeevaiah Thermal Power Station, Nelatur Village, Muthukur Mandal, Nellore.
45 M/s GKC-SRR Joint Venture.
46 Contract value as per the Letter of Intent was ₹ 112.34 crore without statutory levies.
47 25 acres (27 April 2012); 6 acres (5 September 2012); 11 acres (15 September 2012) and 25 acres (12 October 2012).
48 67 acres - 11 acres = 56 acres.

The agreement conditions did not envisage any price variation. The Company, however, constituted (February 2014) a Committee[49] to examine the admissibility of price variation claimed by the Contractor. The Committee recommended (April 2014) for admitting price variation for 11 months delay[50] in handing over the entire site by the Company i.e., from April 2012 to February 2013. The Company also referred this issue to its legal counsel for opinion, who stated (September 2015) that the recommendations of the Committee shall be taken into consideration and decision taken accordingly, as the Committee was constituted specifically to examine the price variation claimed by the Contractor. Notwithstanding the recommendations of the Committee and the legal opinion, Company in the absence of provision for price variation had rejected (September 2015) the price variation claim. The Company reconsidered (April 2016) the claim and allowed price variation up to April 2016.

It was observed that as per the agreement terms and conditions, the Company was under no obligation to accept the price variation claim, even if there was delay in handing over of the part site by the Company. Audit further observed that even though the Committee recommended to allow price variation for 11 months' delay on the part of the Company in handing over the land, the Company paid price variation amounting to ₹ 16.48 crore upto April 2016. The amount of price variation for 11 months delay works out to ₹ 3.58 crore and for the remaining period upto April 2016 i.e., for the delay on the part of the Contractor works out to ₹ 12.90 crore. Audit observed that there was no justification on record for allowing this price variation upto April 2016.

Thus, payment of price variation for the delay attributable to the Contractor, resulted in undue benefit to the Contractor to the extent of ₹ 12.90 crore (₹ 16.48 crore - ₹ 3.58 crore).

Government, in its reply, stated (November 2018) that the contractor had quoted 12.60 *per cent* less than the estimated cost which was prepared based on Standard Schedule of Rates (SSR) for 2011-12, whereas the works were carried out between 2013-16 and hence the funds inflow from Company to the Contractor were not commensurate with the actual expenditure and the works came to stand still.

Reply of Government was not acceptable because the price variation stipulations in the agreement are precisely meant for such risks in work situations and it was not legally binding on the Company to pay any compensation if the work was dislocated for any reason while the corresponding extension of time only was to be granted. Further, Company, by compensating for the delay attributable to the contractor, gave undue benefit to the contractor.

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[49] Comprising Director (Projects), Andhra Pradesh Power Generation Corporation Limited (APGENCO) and Chief Engineer (Civil)/ Thermal Projects and Operations & Maintenance-II, APGENCO.

[50] Upto handing over of the alternate 11 acres land on 26 February 2013.

Eastern Power Distribution Company of Andhra Pradesh Limited
Southern Power Distribution Company of Andhra Pradesh Limited

2.2 Non-effecting of Tax Deducted at Source (TDS) on terminal benefits paid to retired employees

Non-effecting of TDS resulted in short remittance of tax by the Companies to the Government of India to the extent of ₹ 77.50 crore and extending undue benefit to the retired officials.

Government of Andhra Pradesh enacted AP Electricity Reforms Act, 1998 under which Andhra Pradesh State Electricity Board (APSEB) was unbundled into two separate companies *viz.*, Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) and Andhra Pradesh Power Generation Corporation Limited (APGENCO), which became operational from 1 February 1999. Further through second transfer scheme, four power distribution companies[51] were formed (31 March 2000) by transfer of power distribution activities from APTRANSCO. After unbundling of APSEB, the personnel ceased to be in the service of the Board and cannot assert or claim any benefit of service under the State Government or the Board.

As per Section 192 of the Income Tax Act, 1961 (IT Act), any person responsible for paying any income chargeable under the head "Salaries" shall deduct income-tax on the estimated income of the assessee under the head "Salaries". Salary *inter alia* includes retirement benefits *viz*. pension, gratuity and payments in respect of encashment of leave.

As per section 10 (10) of IT Act, gratuity in respect of employees Non-Central/ State Governments is exempted from tax subject to a maximum of ₹ 10 lakh.

As per section 10(10AA) (i) of IT Act, any payment received as cash equivalent of the leave salary in respect of the period of earned leave at his/her credit at the time of retirement of an employee Non- Central/ State Government is exempted from tax, subject to a maximum of ₹ 3 lakh.

As per section 10(10A) of the IT Act, any commuted pension by a Government employee is fully exempt from tax. In case of a non-Government employee, one third of commuted value if the employee receives gratuity, is exempted from tax.

Scrutiny (July 2017) of records of corporate offices of the Companies relating to payment of terminal benefits revealed that TDS was not effected on retirement benefits as per the provisions of IT Act. Audit observed that non-recovery of TDS from retired officials on retirement benefits (retired between

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[51] Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL), Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL), Northern Power Distribution Company of Andhra Pradesh Limited (APNPDCL) and Central Power Distribution Company of Andhra Pradesh Limited (APCPDCL). After bifurcation of the State, erstwhile APNPDCL & APCPDCL, having operations entirely in Telangana State became Companies of Telangana Government.

April 2013 and August 2017) has resulted in non-recovery of taxes amounting to ₹ 77.50 crore as detailed below.

1. Exemption of tax on gratuity in excess of the prescribed limit

The Gratuity paid by the Companies to 948 employees[52] was more than ₹ 10 lakh in each case. The Companies did not effect TDS on the Gratuity amount in excess of ₹ 10 lakh. The total amount of TDS not effected was ₹ 5.38 crore.

2. Exemption of tax on terminal leave encashment in excess of the prescribed limit

Leave encashment paid by the Companies to 1585 employees[53] was more than ₹ 3 lakh in each case. The Companies, however, did not effect TDS on the Leave encashment amount in excess of ₹ 3 lakh. The total amount of TDS not effected was ₹ 27.37 crore.

3. Exemption of tax on commutation of pension in excess of the prescribed limit

Companies paid commuted value of the pension to 1,594[54] employees. The Companies, however, did not effect TDS on two-thirds of the commuted value of the pension. The total amount of TDS not effected was ₹ 44.75 crore.

Thus, due to non-effecting of TDS on the retirement benefits in excess of the ceiling prescribed by the IT Act there was short remittance of tax amount to the extent of ₹ 77.50 crore to the Government of India. This also led to extending undue benefit to the retired employees.

APEPDCL in reply stated (8 November 2018) that it is fully owned by the GoAP and terminal benefits such as gratuity, commutation of pension and leave encashment is being done as per Government orders. The service conditions of the employees prior to 1999 and post 1999 i.e., in erstwhile APSEB and APEPDCL are same in terms of Tripartite Agreement between GoAP and APSEB employees association/unions. The period of service of the employees under APSEB and under new entities shall be treated as continuous service for the purpose of all service benefits and terminal benefits.

APSPDCL in its reply stated (12 April 2018) that the status of Electricity Employees even in the present set up after unbundling of APSEB remains the same since the Rules and Regulations for payment of terminal benefits are sanctioned similar to and on par with Government employees. Therefore, the exemption from taxation under section 10 of Income Tax Act, 1961 is applicable to the employees of Power Distribution Companies on par with State Government employees.

Reply of APEPDCL and APSPDCL is not acceptable. Consequent to unbundling of APSEB, four power companies were created under Companies

[52] APSPDCL- 743 employees, APEPDCL- 205 employees.
[53] APSPDCL- 1259 employees, APEPDCL- 326 employees.
[54] APSPDCL- 1223 employees, APEPDCL- 371 employees.

Act. The scales of the employees of the APEPDCL and APSPDCL are finalised upon negotiations between the employees Union and are different from Government Scales. There is no provision in the IT Act under which the employees of State/Central PSUs are treated on par with employees of the Government for the purpose of exemption of income tax on the terminal benefits. The Income Tax Act doesn't empower State Government to extend any exemptions on tax to employees of State PSUs. Further as per AP Electricity Reform Rules, 1999 after unbundling of APSEB, the personnel shall cease to be in the service of the Board and shall not assert or claim any benefit of service under the State Government or the Board.

Though information was sought for, APGENCO and APTRANSCO have not furnished the information on the terminal benefits and TDS effected thereon in respect of their employees.

Reply of the Government is awaited.

Andhra Pradesh Power Generation Corporation Limited

2.3 Irregular increase in Service Tax amount after awarding of contract

Company had worked out the Service Tax of ₹ 76.17 lakh as per Rule 2A (i) based on the detailed estimates. Company, however, revised the Service Tax amount by applying the Rule 2A (ii)(A) after eight months from the award of the contract. This led to irregular increase of Service Tax amount by ₹ 99.52 lakh resulting in additional financial burden to the Company.

Andhra Pradesh Power Generation Corporation Limited (Company) invited (July 2014) tender for the work of strengthening of Ash Pond Bund No.II, at its Thermal Power Station[55]. The estimated contract value was ₹ 29.02 crore. The contract was awarded (February 2015) to M/s.AMR-KCL-RVR Joint Venture (Contractor) for an amount of ₹ 30.21 crore. Clause 1.12 under special conditions of tender stipulated that Service Tax would be reimbursed up to a maximum of ₹ 76.17 lakh, subject to production of proof. The Company computed this amount of Service Tax at 12.36 *per cent* on the labour component amount of ₹ 6.15 crore[56].

As per Rule 2A(i) of Service Tax (Determination of Value) Rules, 2006 (Rules), value of the service portion in the execution of a works contract shall be equivalent to the gross amount charged for the works contract, less the value of the property in goods transferred in the execution of the said works contract. Where the value has not been determined as per Rule 2A(i), the person liable to pay tax on the service portion involved in the execution of the works contract shall determine the Service Tax (ST) payable as per Rule 2A(ii)(A) at 40 *per*

[55] Dr. Narla Tata Rao Thermal Power Station (Dr.NTTPS), Ibrahimpatnam, Krishna District, Andhra Pradesh.

[56] ₹ 6.15 crore includes ₹ 0.94 crore towards EPF and ESI @ 18.36 *per cent* on labour component of ₹ 5.21 crore.

cent of the total amount charged for the works contract in case of works contracts entered into for execution of original works[57].

In December 2015 i.e., nine months after awarding the contract, however, the field Unit[58] sent a proposal to Corporate Office for enhancement of ST amount to ₹ 175.21 lakh. It was stated in the proposal that the subject work is under work contract service and the value cannot be ascertained as per Sub-Rule (i) of Rule 2A of the Rules. It was further stated in the proposal that, as the value of the transfer of property in goods (value of material portion) cannot be separated in each item of the agreement, the ST has to be paid as per Sub-Rule (ii). The field Unit revised the amount of ST to ₹ 175.21 lakh[59] as per Sub-Rule (ii) by computing @ 14.50 *per cent*[60] (including cess). The proposal was approved (January 2016) by the Corporate Office and ST amount was increased to ₹ 188.88 lakh[61] after taking into account the EPF and ESI components.

Audit observed that the Company had worked out the ST of ₹ 76.17 lakh based on the detailed estimates containing specific amounts towards labour charges for each item of the work and the same was incorporated in the tender document. Therefore, it is clear that the Rule 2A(i) was applied at the time of estimates, as the labour component was ascertainable. Accordingly, maximum ST reimbursement was specifically mentioned in the tender conditions. The Company, however, had revised the ST amount applying the Rule 2A (ii)(A) after nine months from the award of the contract based on the proposal from the field Unit, which was not warranted, leading to an additional financial burden of ₹ 99.52 lakh to the Company.

Government in reply (August 2018) stated that the estimate for the work was sanctioned duly making provision for ST of ₹ 76.17 lakh @ 12*.36 per cent* on 40 *per cent* of estimated contract value and the same was indicated in the tender document. It also stated that during the execution of work, the field unit requested for amendment of ST as the value of labour portion cannot be ascertained in line with Sub-Rule (i) of Rule 2A of Service Tax Rules and also on the grounds that it was not possible to identify the value of transfer of property in goods and hence the ST was enhanced considering 40 *per cent* of the contract value as the value of labour portion.

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57 As per explanation given in the Service Tax Rules, Original Works means (i) all new constructions (ii) all types of additions and alterations to abandoned or damaged structures on land that are required to make them workable (iii) erection, commissioning or installation of plant, machinery or equipment or structures, whether pre-fabricated or otherwise. As in the instant case, the work was strengthening of Ash Pond Bund of the Thermal Plant, the same is considered as original work, within the explanation.

58 Chief Engineer, O&M, Dr.NTTPS, Ibrahimpatnam.

59 @ 14.50 *per cent* on 40 *per cent* of the contract value of ₹ 30,20,82,408.80.

60 The rate of 14.50 *per cent* was prevailing at the time of proposal submitted by Field Unit to the Corporate Office.

61 The enhanced ST amount computed by the Field Unit of the Company was @ 14.50 *per cent* on 40 *per cent* of the contract value of ₹ 30,20,82,408.80. The Corporate Office of the Company computed the enhanced ST after adding EPF and ESI components also to the labour portion mentioned in the tender document. Hence, there is difference in the enhanced ST proposed by the field unit and that computed by Corporate Office.

The reply was not acceptable as the Company had computed ST on a fixed value of labour portion i.e., ₹ 6.15 crore and indicated the amount in the tender document. Therefore, the contention that the value of labour portion and the value of transfer of goods were not ascertainable was incorrect. Thus, enhancement and reimbursement of ST after award of contract, considering 40 *per cent* of the contract value as labour portion, was irregular and extra burden to the Company.

Section A (Part-II)

Chapter-III

Functioning of State Public Sector Undertakings (Non-Power Sector)

Part-II

Chapter-III

Functioning of State Public Sector Undertakings (Non-Power Sector)

3. Introduction

3.1 There were 80 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to Non-Power Sector. These State Non-Power Sector PSUs were incorporated between 1954-55 and 2017-18 and included 77 Government Companies and three Statutory Corporations[62]. The Government Companies included eight Subsidiary Companies[63] and one JV Company[64] (the holding Companies of which are other PSUs) and 20 inactive PSUs.

The State Government provides financial support to the State Non-Power Sector PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 80 State PSUs (Non-Power Sector), the State Government invested funds in 73 State PSUs[65] including two Subsidiary Companies of other State PSUs.

Contribution to economy of the State

3.2 A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The table below provides the details of GSDP of Andhra Pradesh and turnover of State PSUs (Non-Power Sector) as per their last finalised accounts during each of the four years ending March 2018:

Table 3.1 – Details of turnover of State PSUs (Non-Power Sector) vis-a-vis GSDP of Andhra Pradesh

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18
Total no. of PSUs	63	72	79	80
Turnover as per the last finalised accounts during the year	19,433.10	19,293.48	22,989.36	13,650.31
Percentage change of turnover compared to previous year	--	(-)0.72	19.16	(-)40.62
GSDP of Andhra Pradesh for the year	5,24,976.00	6,00,298.00	6,95,491.00	8,03,873.00
Percentage change of GSDP compared to previous year	--	14.35	15.86	15.58
Percentage of Turnover to GSDP	3.70	3.21	3.30	1.70

*(**Source** : GSDP figures as per Socio Economic Review 2017-18 of GoAP)*

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62 Andhra Pradesh State Road Transport Corporation, Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation.

63 Andhra Pradesh Heavy Machinery and Engineering Limited, Ongole Iron Ore Mining Company Private Limited, Godavari Gas Private Limited, Andhra Pradesh Gas Distribution Corporation Limited, Andhra Pradesh Gas Infrastructure Corporation Private Limited, Visakhapatnam Urban Transport Company Limited, Vijayawada Urban Transport Company Limited and Krishnapatnam International Leather Complex Private Limited.

64 Greater Visakhapatnam Smart City Corporation Limited.

65 Though Andhra Pradesh Heavy Machinery and Engineering Limited is subsidiary of The Singareni Collieries Company Limited (Telangana Company), Greater Visakhapatnam Smart City Corporation Limited which is a Joint Venture Company of Government of Andhra Pradesh and Greater Visakhapatnam Municipal Corporation, GoAP had invested in equity ₹ 0.15 crore and ₹ 100 crore respectively in these subsidiary Companies. Hence, the total number of PSUs in which GoAP has invested in equity is 73.

The turnover of State PSUs (Non-Power Sector) had fluctuated over the last four years with a drastic decline by 41 *per cent* in 2017-18 compared to 2016-17. The increase in GSDP of the State ranged between 14.35 and 15.86 *per cent* during last four years. Further, the compounded annual growth[66] of GSDP was 15.26 *per cent* during last four years as against which the compounded annual growth of turnover of State PSUs (Non-Power Sector) was (-) 11.12 *per cent*. As a result, the share of turnover of State PSUs (Non-Power Sector) in the GSDP reduced from 3.70 *per cent* in 2014-15 to 1.70 *per cent* in 2017-18.

Investment in State PSUs (Non-Power Sector)

3.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs (Non-Power Sector) have therefore been analysed under two major classifications *viz.,* those in the social sector and those functioning in competitive environment. Besides, five[67] of these State PSUs (Non-Power Sector) incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'Others'. Details of investment made in these 80 State PSUs (Non-Power Sector), in the form of equity and long-term loans upto 31 March 2018 are detailed in ***Annexure-2.***

3.4 The sector-wise summary of investment in these State PSUs (Non-Power Sector), as on 31 March 2018 is given in the table below:

Table 3.2 – Sector-wise investment in State PSUs (Non-Power Sector)

(₹ in crore)

Sector wise financial year	Number of PSUs	Equity	Long term loans	Total
Social Sector				
2014-15	21	426.24	12,317.33	12,743.57
2015-16	27	429.38	401.60	830.98
2016-17	31	724.05	9,972.50	10,696.55
2017-18	36	685.83	12,576.72	13,262.55
Competitive environment				
2014-15	37	674.02	13,179.08	13,853.10
2015-16	40	724.08	10,033.46	10,757.54
2016-17	42	637.49	8,245.30	8,882.79
2017-18	39	595.27	11,072.15	11,667.42
Others				
2014-15	5	23.95	20.61	44.56
2015-16	5	15.10	4.67	19.77
2016-17	6	19.24	10.00	29.24
2017-18	5	18.18	36.00	54.18

66 Rate of Annual Compounded Growth {(Value of 2017-18/Value of 2014-15)$^{(1/3\text{ years})}$–1}*100, where turnover and GSDP for the year 2014-15 was ₹ 19,433.10 and ₹ 5,24,976 respectively and that for 2017-18 was ₹ 13,650.31 and ₹ 8,03,873.00 respectively. Thus CAGR={(₹ 8,03,873/ ₹ 5,24,976)$^{1/3}$ - 1}*100.

67 Andhra Pradesh State Police Housing Corporation Limited, Andhra Pradesh Aviation Corporation Limited, Andhra Pradesh Centre for Financial Systems and Services, Andhra Pradesh Forest Development Corporation Limited and Andhra Pradesh Technology Services Limited.

Sector wise financial year	Number of PSUs	Equity	Long term loans	Total
		Total		
2014-15	63	1,124.21	25,517.02	26,641.23
2015-16	72	1,168.56	10,439.73	11,608.29
2016-17	79	1,380.78	18,227.80	19,608.58
2017-18	80	1,299.28	23,684.87	24,984.15

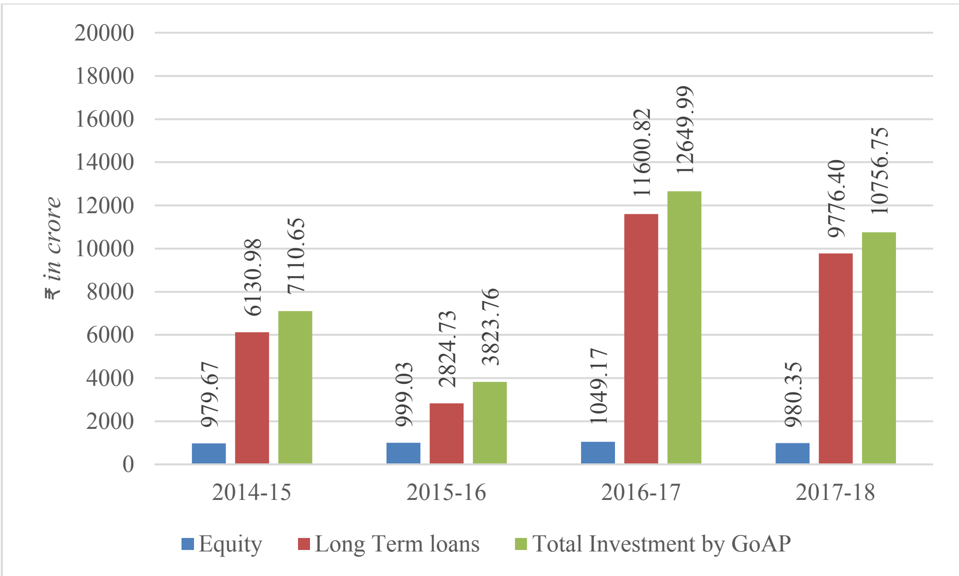
*(**Source :** Information received from PSUs(Non-Power Sector))*

As on 31 March 2018, the total investment (equity and long term loans) in these 80 PSUs (Non-Power Sector) was ₹ 24,984.15 crore. The investment consisted of 5.20 *per cent* equity and 94.80 *per cent* long-term loans.

Of the total equity of ₹ 1,299.28 crore, the equity investment by GoAP was ₹ 980.35 crore, while by others (GoI, other PSUs) it was ₹ 318.93 crore. The long term loans advanced by the State government was ₹ 9,776.40 crore whereas the loans availed from banks and other financial institutions was ₹13,908.47 crore in the total long-term loans.

The chart showing year wise investment of GoAP in the State PSUs (Non-Power Sector) during the period 2014-15 to 2017-18 is as follows:

Chart 3.1: Total investment of GoAP in PSUs (Non-Power Sector)



The investment of GoAP increased by 51.28 *per cent* from ₹ 7,110.65 crore in 2014-15 to ₹ 10,756.75 crore in 2017-18. The investment of GoAP increased due to incorporation of many new PSUs (Non-Power Sector) after bifurcation of Andhra Pradesh.

Disinvestment, restructuring and privatisation of State PSUs (Non-Power Sector)

3.5 During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in State PSUs (Non-Power Sector).

Budgetary Support to State PSUs (Non-Power Sector)

3.6 The Government of Andhra Pradesh (GoAP) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of State PSUs (Non-Power Sector) for the last three years ending March 2018 are given in the below table:

Table 3.3 – Details regarding budgetary support to State PSUs (Non-Power Sector) during the last three years

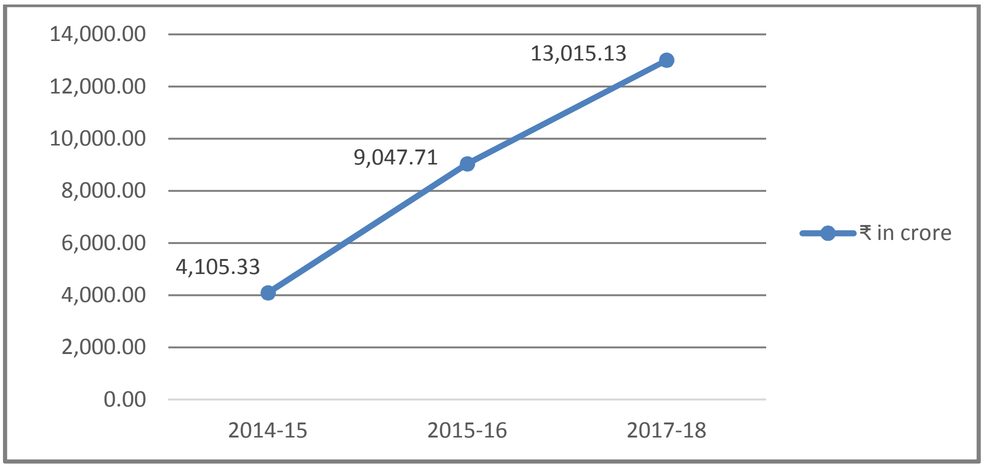
(₹ in crore)

Particulars[68]	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
(i) Equity Capital outgo	7	16.28	11	224.84	4	105.24
(ii) Loans given	3	536.94	6	423.68	4	613.16
(iii) Grants/Subsidy provided	16	3,552.11	25	8,399.19	24	12,296.73
Total Outgo (i+ii+iii)	**19**	**4,105.33**	**30**	**9,047.71**	**28[69]**	**13,015.13**
Loan repayment written off	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	0	0
Guarantees issued[70]	0	0	2	1,200.00	2	1,420.00
Guarantee Commitment[71]	3	1,267.21	6	8,518.99	6	5,523.93

*(**Source** : Information received from PSUs(Non-Power Sector)*

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last three years ending March 2018 are given in a graph below:

Chart 3.2: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The annual budgetary assistance to these PSUs (Non-Power Sector) ranged

68 Amount represents outgo from State Budget only.
69 The figure represents number of PSUs (Non-Power Sector) which have received outgo from budget under one or more heads i.e. equity, loans and grants/ subsidies.
70 Government guarantee issued to the PSUs (Non-Power Sector) during the year.
71 Guarantee commitment is the balance of the loans remaining to be repaid by the PSUs for which the State Government has given guarantee.

between ₹ 4,105.33 crore and ₹13,015.13 crore during the period 2015-16 to 2017-18. The budgetary assistance of ₹13,015.13 crore given to Non-Power Sector State PSUs during the year 2017-18 included ₹ 613.16 crore[72] and ₹ 12,296.73 crore[73] in the form of loans and grants/subsidy respectively. The State Government had provided equity assistance of ₹ 105.24 crore[74] to these PSUs (Non-Power Sector) during 2017-18.

State Government helps the PSUs to raise loans from banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. The State Government charges guarantee commission at the rate of half to two *per cent* consolidated for the entire guarantee period in case of loan availed by PSUs from banks/financial institutions without any exception under the provisions of the guidelines issued in GO Ms.No.446 dated 29 September 2003.

Outstanding guarantee commitments marginally decreased from ₹ 7,351.51 crore in 2014-15 to ₹ 5,523.93 crore in 2017-18. During the year 2017-18 guarantee commission of ₹ 12.08 crore was paid by two[75] State PSUs (Non-Power Sector).

Reconciliation with Finance Accounts of GoAP

3.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs (Non-Power Sector) should agree with that of the figures appearing in the Finance Accounts of the Government of Andhra Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is given in the Table 3.4:

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72 Loans to Andhra Pradesh State Housing Corporation Limited (₹ 178.19 crore), Andhra Pradesh State Road Transport Corporation (₹ 249 crore), Andhra Pradesh State Fibernet Limited (₹144.07 crore), Andhra Pradesh Power Finance Corporation Limited (₹ 41.90 crore).

73 Grants/ Subsidy to Andhra Pradesh State Housing Corporation Limited (₹ 1,056.17 crore), Andhra Pradesh State Road Transport Corporation Limited (₹ 350.50 crore), Leather Industries Development Corporation of Andhra Pradesh Limited (₹ 2.00 crore), Andhra Pradesh Greening and Beautification Corporation (₹ 15.99 crore), Amaravati Metro Rail Corporation Limited (₹ 5.25 crore), Infrastructure Corporation of Andhra Pradesh Limited (₹ 3.85 crore), Andhra Pradesh Medtech Zone Limited (₹ 52.05 crore), Andhra Pradesh State Minorities Finance Corporation Limited (₹ 107.10 crore), Andhra Pradesh State Fibernet Limited (₹ 2.00 crore), Andhra Pradesh State Film, Television and Theatre Development Corporation Limited (₹ 5.10 crore), Swachha Andhra Corporation (₹ 65.44 crore), Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited (₹ 553.54 crore), Andhra Pradesh Power Finance Corporation Limited (₹ 293.75 crore), Rythu Sadhikara Samstha (₹ 3,600.00 crore), Andhra Pradesh State Christian Minorities Finance Corporation Limited (₹ 59.20 crore), Andhra Pradesh State Agro Industries Development Corporation Limited (₹ 5.40 crore), Andhra Pradesh Township and Infrastructure Development Corporation Limited (₹ 420), Andhra Pradesh Handicrafts Development Corporation Limited (₹ 12.00 crore), Andhra Pradesh Brahmin Welfare Corporation (₹ 75.00 crore), Andhra Pradesh State Civil Supplies Corporation Limited (₹ 2,373.51 crore), Andhra Pradesh State Skill Development Corporation (₹ 306.06 crore), Andhra Pradesh State Kapu Welfare and Development Corporation Limited (₹ 737.00 crore), Andhra Pradesh Mahila Sadhikara Samstha (₹ 2,364.79 crore) and Andhra Pradesh Aviation Corporation Limited (₹ 31.05 crore).

74 Equity to AP Towers Limited (₹ 5.00 crore), Greater Visakhapatnam Smart City Corporation Limited (₹ 99.97 crore) and Andhra Pradesh Drinking Water Supply Corporation Limited (₹ 0.25 crore).

75 Andhra Pradesh Industrial Infrastructure Corporation Limited (₹ 10.00 crore) and Andhra Pradesh State Financial Corporation (₹ 2.08 crore).

Table 3.4 – Equity, loans, guarantees outstanding as per Finance Accounts of GoAP vis-à-vis records of State PSUs (Non-Power Sector)

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	809.47	789.32	20.15
Loans	14,876.70	9,576.92	5,299.78
Guarantees	11,328.88	7,324.66	4,004.22

*(**Source** : Information received from O/o AG(A&E),AP and PSUs)*

Audit observed that out of 60 working State PSUs (Non-Power Sector), such differences occurred in respect of 50 PSUs (Non-Power Sector) as shown in ***Annexure-3.*** The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs (Non-Power Sector) and the Departments from time to time. Major difference in balances was observed in Andhra Pradesh State Minorities Finance Corporation Limited (Equity:₹ 145.48 crore) and Andhra Pradesh Power Finance Corporation Limited (Guarantees: ₹ 3,312.90 crore). It is, therefore, recommended that the State Government and the respective PSUs (Non-Power Sector) should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs (Non-Power Sector)

3.8 Of the total 80 State PSUs (Non-Power Sector), there were 60 working PSUs *i.e.*, 57 Government Companies and three Statutory Corporations and 20 inactive PSUs under the purview of CAG as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

3.8.1 Accounts for the year 2017-18 were required to be submitted by all the working PSUs by 30 September 2018. Out of 57 working Government Companies, 9 Government Companies submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018. The accounts of remaining 48 Government Companies were in arrears. Out of the 3 Statutory Corporations, the CAG is the sole Auditor for one Statutory Corporation[76]. Of these three Statutory Corporations, accounts of one Statutory Corporation for the year 2017-18 were presented for audit in time. The accounts of other two Statutory Corporations was in arrears as on 30 September 2018.

Details of arrears in submission of accounts of working PSUs (Non-Power Sector) as on 30 September 2018 are given in the below table:

[76] Andhra Pradesh State Road Transport Corporation.

Table 3.5 – Position relating to submission of accounts by the working State PSUs (Non-Power Sector)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	41	50	57	60
2.	Number of accounts submitted during the reporting period[77]	35	23	50	42
3.	Number of working PSUs which finalised accounts for the current year during the reporting period	5	4	9	10
4.	Number of previous years' accounts finalised during the reporting period	30	19	41	32
5.	Number of working PSUs with accounts in arrears	36	45	48	50
6.	Number of accounts in arrears	83	115	114	129
7.	Extent of arrears	1 to 13 Years	1 to 14 Years	1 to 12 Years	1 to 13 Years

*(**Source:** Compiled by O/o PAG (Audit), Andhra Pradesh as per accounts received during the period October 2017 to September 2018)*

Of these 60 working State PSUs (Non-Power Sector), 32 PSUs had finalised 42 annual accounts during the period 1 October 2017 to 30 September 2018 which included 10 annual accounts for the year 2017-18 and 32 annual accounts for previous years. Further, 129 annual accounts were in arrears which pertain to 50 PSUs (Non-Power Sector) as detailed in ***Annexure-4.*** 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 in accounts persists though the concerned Departments were informed quarterly regarding arrears in accounts.

The GoAP had provided ₹14,177.85 crore (Equity: ₹ 341.04, Loan: ₹ 1,596.41 crore, Grants: ₹ 12,240.40 crore) to 28 of the 50 working State PSUs (Non-Power Sector), accounts of which had not been finalised by 30 September 2018 as prescribed under the Companies Act 2013/Andhra Pradesh State Road Transport Corporation Rules, 1964/Andhra Pradesh State Warehousing Corporation Regulations, 1965. PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in ***Annexure-4***. Accounts of seven of these working State PSUs (Non-Power Sector) for the period 2017-18 were, however, finalised and submitted for audit during the period from October 2018 to December 2018.

In the absence of finalisation of accounts and their subsequent audit in 43 PSUs (Non-Power Sector), it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoAP investment in these PSUs (Non-Power Sector), therefore, remained outside the oversight of State Legislature.

Timeliness in preparation of accounts by inactive State PSUs

3.8.2 There were arrears in finalisation of accounts of all the 20 inactive

[77] October 2017 to September 2018.

PSUs. The arrears in accounts ranged between three years to 26 years. Out of these 20 inactive PSUs, 11 PSUs had arrears of accounts for more than 20 years. The details of these PSUs are given in the table below:

Table 3.6 – Details of arrears in accounts of 11 inactive State PSUs, (more than 20 years)

Sl. No.	Name of inactive PSUs	Period for which accounts were in arrears
1	Proddutur Milk Foods Limited	1984-85 to 2017-18
2	Allwyn Auto Limited	1995-96 to 2017-18
3	Andhra Pradesh Steels Limited	1993-93 to 2017-18
4	Hyderabad Chemicals and Fertilisers Limited	1985-86 to 2017-18
5	Marine and Communication Electronics (India) Limited	1993-94 to 2017-18
6	Republic Forge Company Limited	1992-93 to 2017-18
7	Southern Transformers and Electricals Limited	1994-95 to 2017-18
8	Andhra Pradesh Automobile Tyres and Tubes Limited	1993-94
9	Krishi Engineering Limited	1985-86 to 2017-18
10	P J Chemicals Limited	1990-91 to 2017-18
11	Vidyut Steels Limited	1986-87 to 2017-18

*(**Source**: Compiled by O/o PAG (Audit), Andhra Pradesh)*

Further, of the 20 inactive PSUs, two PSUs *viz.*, Andhra Pradesh Meat Development Corporation Limited and Andhra Pradesh Essential Commodities Corporation Limited have submitted accounts for 2014-15 (2 months) and 2013-14 (12 months) respectively during the period October 2017 to September 2018.

Placement of Separate Audit Reports by Statutory Corporations

3.9 Separate Audit Reports (SARs) are Audit Reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Out of three working Statutory Corporations, one Corporation had forwarded its accounts of 2017-18 by 30 September 2018. Status of annual accounts of Statutory Corporations and placing of their SARs in Legislature is detailed below:

Table 3.7: Status of placing of SAR of the Statutory Corporations

Sl. No.	Name of the Statutory Corporation	Year upto which SAR placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to Government
1	Andhra Pradesh State Financial Corporation	2014-15	2015-16	14-02-2017
			2016-17	09-11-2017
			2017-18	12-12-2018
2	Andhra Pradesh State Warehousing Corporation	2013-14 (upto 1 June 2014)	Accounts for 2014-15 (10 months) to 2017-18 are in arrears	Not applicable
3	Andhra Pradesh State Road Transport Corporation	2013-14 (upto 1 June 2014)	2014-15 (10 months) to 2016-17	SAR under finalisation
			Accounts for 2017-18 are in arrears	Not applicable

*(**Source**: Compiled by O/o PAG (Audit), Andhra Pradesh from the information furnished by the Corporations)*

Impact of non-finalisation of accounts by State PSUs (Non-Power Sector)

3.10 As pointed out in **Paragraph 3.8**, the delay in finalisation of accounts is in violation of the provisions of the relevant Statutes and entails risk of fraud and leakage of public money. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (Non-Power Sector) to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Departments should strictly monitor and issue necessary directions to set targets for individual PSUs and strictly monitor the clearance of arrears. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

Performance of State PSUs (Non-Power Sector)

3.11 The financial position and working results of the 80 State PSUs (Non-Power Sector) as per their latest finalised accounts as of 30 September 2018 are detailed in ***Annexure-5***.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government. The total amount of investment in the 60 working Non-Power Sector PSUs as on 31 March 2018 was ₹ 39,016.33 crore consisting equity of ₹ 1230.88 crore, long term loans of ₹ 23,511.53 crore and grants and subsidies for operational & management expenses of ₹ 14,273.92 crore. Out of this, investment of Government of Andhra Pradesh in the 53 holding PSUs (Non-Power Sector) was ₹38,898.34 crore consisting of equity of ₹ 1,125.23 crore, long term loans of ₹ 23,499.19 crore and grants and subsidies for operational & management expense of ₹ 14,273.92 crore.

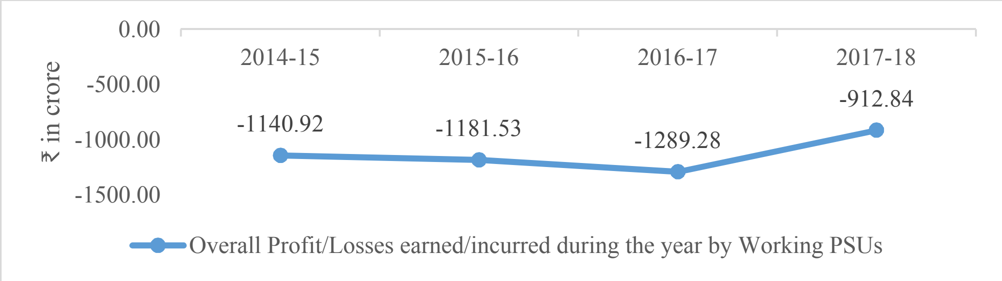
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. The Rate of Real return on investment is the profit or loss made in a fixed year relating to the Present Value (PV) of the investment made over the years and is expressed as a percentage of profit to the PV of total investment. Investment for the purpose included equity, grants, subsidies for operational and management expenses. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Rate of Real Return on Investment

3.12 Rate of Real Return on Investment is the percentage of profit or loss to the Present Value (PV) of total investment. The overall position of Profit/losses[78] earned/incurred by the working State PSUs (Non-Power Sector) during 2014-15 to 2017-18 is depicted below in a chart:3.3:

[78] Figures are as per the latest finalised accounts of the respective years.

Chart 3.3: Profit/Losses earned/incurred by working State PSUs (Non- Power Sector) during the years



The overall loss of ₹ 1,140.92 crore incurred by these working PSUs (Non-Power Sector) in 2014-15 improved, though still negative, to ₹ 912.84 crore in 2017-18. The PSUs (Non-Power Sector) incurred losses during the period 2014-15 and 2017-18 due to substantial losses incurred by Andhra Pradesh State Housing Corporation Limited ((-)₹ 844.33 crore) and Andhra Pradesh State Road Transport Corporation((-)₹ 789.93 crore). As per latest finalised accounts for the year 2017-18, out of 60 working State PSUs (Non-Power Sector), 18 PSUs earned profit of ₹ 767.01 crore and 29 PSUs incurred losses of (-)₹ 1,679.85 crore as detailed in ***Annexure-5***.

The top 3 profit making companies were Andhra Pradesh Mineral Development Corporation Limited (₹ 307.40 crore), Andhra Pradesh Forest Development Corporation Limited (₹ 176.80 crore) and Andhra Pradesh State Skill Development Corporation (₹ 162.38 crore) while Andhra Pradesh State Housing Corporation Limited (₹ 844.33 crore) and Andhra Pradesh State Road Transport Corporation (₹ 789.93 crore) incurred heavy losses. For the year 2017-18, 9 PSUs (Non-Power Sector) had not submitted their accounts since its inception and 4 PSUs have earned nil profit.

Of the 60 working PSUs (Non-Power Sector) as on 31 March 2018, position of working PSUs (Non-Power Sector) which earned/incurred profit/loss during 2014-15 to 2017-18 is given below:

Table 3.8 – Details of working State PSUs (Non-Power Sector) which earned/ incurred profit/loss during 2014-15 to 2017-18

Financial year	Total number of PSUs (Non-Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had not earned/incurred profit/ loss during the year[79]	No. of PSUs which did not submit their first Account after their inception
2014-15	41	16	17	3[80]	5[81]
2015-16	50	17	17	3[82]	13[83]

[79] 2014-15: Five Companies had not submitted their first accounts, 2015-16: Thirteen Companies had not submitted their first accounts, 2016-17: Eleven Companies had not submitted their first accounts and 2017-18: Nine Companies had not submitted their first accounts.

[80] Andhra Pradesh Meat Development Corporation Limited, Andhra Pradesh Power Finance Corporation Limited and Andhra Pradesh State Police Housing Corporation Limited have prepared accounts on No-Profit-No-Loss basis.

[81] Andhra Pradesh State Skill Development Corporation, Andhra Pradesh Mahila Sadhikara Samstha, Andhra Pradesh State Christian Minorities Finance Corporation Limited, Andhra Pradesh Aviation Corporation Limited and Andhra Pradesh Tribal Power Company Limited.

Financial year	Total number of PSUs (Non-Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had not earned/incurred profit/ loss during the year[79]	No. of PSUs which did not submit their first Account after their inception
2016-17	57	18	24	4[84]	11[85]
2017-18	60	18	29	4[86]	9[87]

***(Source**: Compiled by O/o PAG (Audit), Andhra Pradesh)*

Rate of Real Return on the basis of historical cost of investment

3.13(a) An analysis of the earnings *vis-a-vis* investments in respect of those working PSUs (Non-Power Sector) where funds had been infused by the State Government in the form of equity and loans was carried out to assess the profitability of these PSUs. Out of 60 State PSUs (Non-Power Sector) of the State, the State Government infused funds in the form of equity, long term loans and grants/ subsidies in 53 PSUs (Non-Power Sector) only. The investment in 53 holding companies consisted of equity, loans, grants, subsidies for operational & management purpose. The investment for 60 PSUs (Non-Power Sector) stood at ₹ 39,016.33 crore consisting equity of ₹ 1230.88 crore, long term loans of ₹ 23,511.53 crore and grants and subsidies for operational & management expenses of ₹ 14,273.92 crore.

The Rate of Real Return on investment from the 60 PSUs (Non-Power Sector) has been calculated on the investment made by the Government of Andhra Pradesh, Government of India and others in these PSUs (Non-Power Sector) in

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82 Andhra Pradesh Meat Development Corporation Limited, Andhra Pradesh Power Finance Corporation Limited and Andhra Pradesh State Police State Housing Corporation Limited have prepared accounts on No-Profit-No-Loss basis.

83 Bhogapuram International Airport Corporation Limited, Andhra Pradesh State Fibernet Limited, Kakinada Smart City Corporation Limited, Amaravati Metro Rail Corporation Limited, Andhra Pradesh State Beverages Corporation Limited, Vijayawada Urban Transport Company Limited, Rythu Sadhikara Samstha, Andhra Pradesh Mahila Sadhikara Samstha, Swacha Andhra Corporation, Andhra Pradesh Greening and Beautification Corporation, Andhra Pradesh Tribal Power Company Limited, Andhra Pradesh State Christian Minorities Finance Corporation Limited, Andhra Pradesh Aviation Corporation Limited.

84 Andhra Pradesh Meat Development Corporation Limited, as Bhogapuram International Airport Corporation Limited has not commenced its operations, it has prepared only Balance Sheet and has not prepared Statement of Profit and Loss as part of its financial statements, Andhra Pradesh Power Finance Corporation Limited, and Andhra Pradesh State Police Housing Corporation Limited have prepared accounts on No-Profit-No-Loss basis.

85 Andhra Pradesh State Kapu Welfare and Development Corporation Limited, Amaravati Development Corporation Limited, Andhra Pradesh Township and Infrastructure Development Corporation Limited, AP Towers Limited, Greater Visakhapatnam Smart City Corporation Limited, Kakinada Smart City Corporation Limited, Andhra Pradesh Medtech Zone Limited, Vijayawada Urban Transport Company Limited, Andhra Pradesh Mahila Sadhikara Samstha, Rythu Sadhikara Samstha, Andhra Pradesh Tribal Power Company Limited, Andhra Pradesh Aviation Corporation Limited.

86 As Bhogapuram International Airport Corporation Limited has not commenced its operations, it has prepared only Balance Sheet and has not prepared Statement of Profit and Loss as part of its financial statements, Greater Visakhapatnam Smart City Corporation Limited has neither incurred loss nor profit, Rythu Sadhikara Samstha and Andhra Pradesh State Police Housing Corporation Limited have prepared financial statements on No-Profit-No-Loss basis.

87 Andhra Pradesh State Kapu Welfare and Development Corporation Ltd, Kakinada Smart City Corporation Limited, Tirupati Smart City Corporation Limited, Eluru Smart City Corporation Limited, Amaravati Smart & Sustainable City Corporation Limited, Vijayawada Urban Transport Company Limited, Andhra Pradesh Drinking Water Supply Corporation Limited, Andhra Pradesh Mahila Sadhikara Samstha, Andhra Pradesh Aviation Corporation Limited.

the form of equity and grants, subsidies for operational & management purpose as detailed in Table 3.9. Loans are not considered as investment for calculation of rate of real return as they are liable to be repaid as per terms and conditions of repayment.

As on 31 March 2018, equity of the GoAP, GoI and others in these 60 PSUs (Non-Power Sector) was ₹1,230.88 crore and grants, subsidies for operational &management expense of ₹ 14,273.92 crore. Thus, the investment in these 60 PSUs (Non-Power Sector) on the basis of historical cost stood at ₹15,504.80 crore (₹ 1,230.88 + ₹ 14,273.92 crore). The sector-wise rate of real return on investment on the basis of historical cost of investment for the period 2014-15 to 2017-18 is given in Table 3.9:

Table 3.9 – Return on Investment on the basis of historical cost of investment

(₹ in crore)

Year wise / Sector-wise break-up	Total Earnings for the year (₹ in crore)	Funds invested by the GoAP in the form of Equity, Grants, and Subsidies for operational & management expense on historical cost basis	Funds invested by the GoI and others in the form of Equity, Grants and Subsidies for operational & management expense on historical cost basis	Total Investment in the form of equity, Grants and Subsidies for operational & management expense on historical cost basis	Rate of Real Return on investment on historical cost basis (%)
2014-15					
Social Sector	(-)612.32	3,415.02	2,003.27	5,418.29	(-)11.30
Competitive Sector	(-)718.70	1,086.08	179.30	1,265.38	(-)56.80
Others	190.10	54.68	0.50	55.18	344.51
Total	**(-)1,140.92**	**4,555.78**	**2,183.07**	**6,738.85**	**(-)16.93**
2015-16					
Social Sector	(-)651.84	3,662.79	1,565.31	5,228.10	(-)12.47
Competitive Sector	(-)713.88	799.20	174.41	973.61	(-)73.32
Others	184.19	28.07	0.29	28.36	649.47
Total	**(-)1,181.53**	**4,490.06**	**1,740.01**	**6,230.07**	**(-)18.96**
2016-17					
Social Sector	(-)790.82	8,570.88	4,258.50	12,829.38	(-)6.16
Competitive Sector	(-)684.31	766.42	226.38	992.80	(-)68.93
Others	185.85	49.99	0.29	50.28	369.63
Total	**(-)1,289.28**	**9,387.29**	**4,485.17**	**13,872.46**	**(-) 9.29**
2017-18					
Social Sector	(-)669.51	12,326.88	1,994.69	14,321.57	(-)4.67
Competitive Sector	(-)424.27	840.93	293.07	1,134.00	(-)37.41
Others	180.94	49.23	0.00	49.23	367.54
Total	**(-)912.84**	**13,217.04**	**2,287.76**	**15,504.80**	**(-)5.89**

*(**Source**: As per the Annual Accounts of the PSUs(Non-Power Sector)*

The Rate of Real Return on investment is worked out by dividing the total earnings[88] of these PSUs (Non-Power Sector) by the cost of the investments

[88] This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government, GOI and others.

made by GoAP, GoI and others. The Rate of Real Return earned on investment of the 60 State PSUs (Non-Power sector) during the period 2014-15 to 2017-18 was negative. The negative ROI was the result of huge losses of Andhra Pradesh State Housing Corporation Limited (2014-15: (-)₹ 661.98 crore; 2017-18: (-)₹ 844.33 crore) and Andhra Pradesh State Road Transport Corporation (2014-15: (-) ₹ 1,155.27 crore, 2017-18: (-)₹ 789.93 crore) despite some PSUs *viz*., Andhra Pradesh Mineral Development Corporation Limited (2014-15: ₹ 324.78 crore, 2017-18: ₹ 307.40 crore) and Andhra Pradesh State Warehousing Corporation (2014-15: ₹ 122.83 crore, 2017-18: ₹ 9.13 crore) etc. earning good profits.

Rate of Real Return on the basis of Present Value of Investment

3.13 (b) An analysis of the earnings *vis-a-vis* investments in respect of those 60 State PSUs (Non-Power Sector) where funds had been infused by the State Government, Central Government and others was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the real rate of return on the investment since such calculations ignore the present value of money. The present value of the total investments has been computed to assess the rate of real return on the present value of total investments in the State PSUs (Non-Power Sector) as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2018, the past investments/year-wise funds infused in the State PSUs (Non-Power Sector) have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds for the concerned year. Therefore, Present Value (PV) of the total investment was computed where funds had been infused by the State Government, Central Government and others in the form of equity and grants, subsidies for operational & management expense since inception of these companies till 31 March 2018. During the period from 2014-15 to 2017-18, these PSUs (Non-Power Sector) had negative rate of real return on investment on present value of investment. The reason for the negative rate of real return was huge losses incurred by some PSUs (Non-Power Sector) as mentioned above.

Erosion of Net worth

3.14 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment, free reserves, surplus and accumulated losses of these 60 State PSUs (Non-Power Sector) as per their latest finalised accounts were ₹ 909.98 crore, ₹ 530.36 crore, ₹ 2,646.68 crore and (-)₹ 12,869.69 crore respectively resulting in net worth of (-)₹ 8,782.67 crore as detailed in ***Annexure-5***. Analysis of investment, free reserves and surplus and accumulated losses disclosed that at the end of 2017-18, out of 60 PSUs (Non-Power Sector), the funds of shareholders had been eroded completely in 11 PSUs, by more than 50 *per cent* in 6 PSUs, between 20 to 50 *per cent* in 2 PSUs and by less than 20 *per cent* in 7 PSUs. Nine PSUs (Non-Power Sector) did not submit their first accounts since inception. Of these 11 PSUs (Non-Power Sector), the maximum net worth erosion was in Andhra Pradesh State Housing Corporation Limited ((-) ₹ 7,872.60 crore), Andhra Pradesh State Road Transport Corporation ((-) ₹ 4,643.68 crore), Leather Industries Development Corporation of Andhra Pradesh Limited ((-)₹ 77.85 crore) and Andhra Pradesh State Minorities Finance Corporation Limited ((-)₹ 26.87 crore). None of these PSUs (Non-Power Sector) earned profits during the year.

Further the following table indicates total paid up capital, total free reserve, total surplus, total accumulated loss, and total net worth of these 60 Non-Power Sector PSUs where the State Government has made direct investment:

Table 3.10: Net worth of State PSUs (Non-Power Sector) during 2014-15 to 2017-18

(₹ in crore)

Year	Paid up Capital at end of the year	Free Reserve	Surplus	Accumulated loss	Net Worth
2014-15	1,049.37	354.24	2,272.13	(-)8,474.32	(-)4,798.58
2015-16	919.90	355.29	2,282.67	(-)8,515.78	(-)4,957.92
2016-17	960.73	400.35	2,490.74	(-)11,962.25	(-)8,110.43
2017-18	909.98	530.36	2,646.68	(-)12,869.69	(-)8,782.67

*(**Source**: As per the Annual Accounts of the PSUs (Non-Power Sector))*

As can be seen, the net worth of the State PSUs (Non-Power Sector) was negative during the four year period. It substantially decreased from (-) ₹ 4,798.58 crore in 2014-15 to (-) ₹ 8,782.67 crore in 2017-18. During 2014-15 and 2015-16, net worth was negative due to heavy accumulated losses of Andhra Pradesh State Road Transport Corporation. Further, in the year 2017-18, net worth got eroded due to heavy accumulated losses of Andhra Pradesh State Road Transport Corporation and Andhra Pradesh State Housing Corporation Limited.

Dividend Payout

3.15 As per the guidelines issued (2002) by Public Enterprises Department, GoAP, a PSU shall declare or pay dividend for any financial year out of the profits for that year arrived at after providing for depreciation in accordance with the Companies Act. A minimum rate of dividend was, however, not prescribed in respect of Statutory Corporations, the respective Acts[89] provided for payment of dividend out of the profits during the year.

Dividend Payout ratio relating to 53 Working State PSUs (Non-Power Sector) where equity was infused by GoAP is shown in table below:

[89] Though as per Section 5 of the Warehousing Corporations Act, 1962 provided for payment of dividend, the provision was amended in 2015, as per which no dividend was required to be paid by the State Warehousing Corporations.

Table 3.11 – Dividend payout of working State PSUs (Non-Power Sector) during 2014-15 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoAP		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		Dividend payout Ratio (%)
	Number of PSUs	Equity infused by GoAP	Number of PSUs	Equity infused by GoAP	Number of PSUs	Dividend declared/ paid by PSUs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7/5*100)
2014-15	36	918.59	16	498.38	3	26.23	5.26
2015-16	44	937.95	17	444.12	5	9.11	2.05
2016-17	50	988.09	18	516.04	5	19.72	3.82
2017-18	53	920.31	18	386.96	4	14.06	3.63

(***Source***: *Information received from PSUs(Non-Power Sector)*

During the period 2014-15 to 2017-18, the number of PSUs (Non-Power Sector) which earned profits ranged between 16 and 18. During this period, number of PSUs (Non-Power Sector) which declared/paid dividend to GoAP ranged between three and five PSUs. The Dividend Payout Ratio during 2014-15 to 2017-18 ranged between 2.05 *per cent* and 5.26 *per cent* only.

Return on Equity

3.16 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid-up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's shareholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholders' fund means that liabilities exceed assets.

Return on Equity (RoE) has been computed in respect of Non-Power Sector PSUs.

Table 3.12: Return on Equity relating to State PSUs (Non Power Sector)

	Year	No. of Non-Power Sector PSUs	Net Profit/Loss	Shareholders' fund	(ROE in *per cent*)
(1)	(2)	(3)	(4)	(5)	(6)=(4/5*100)
			Amount (₹ in crore)		
Profit Earning	2014-15	16	771.68	3,063.54	25.19
	2015-16	17	752.73	2,864.38	26.28
	2016-17	18	782.43	3,303.80	23.68
	2017-18	18	767.01	3,508.11	21.86
Loss incurring	2014-15	17	(-)1,912.60	(-)7,882.00	-
	2015-16	17	(-)1,934.26	(-)7,830.09	-
	2016-17	24	(-)2,071.71	(-)11,423.02	-
	2017-18	29	(-)1,679.85	(-)12,296.15	-
Total*	2014-15	33	(-)1,140.92	(-)4,818.46	-
	2015-16	34	(-)1,181.53	(-)4,965.71	-
	2016-17	42	(-)1,289.28	(-)8,119.22	-
	2017-18	47	(-)912.84	(-)8,788.04	-

**PSUs which earned neither profit nor incurred loss and PSUs which had not submitted its first accounts since inception had been excluded.*

During 2017-18 29 out of 47 Non-Power Sector PSUs were loss making. Return on Equity in respect of these 29 PSUs (Non-Power Sector) could not be worked out as the Net Income and the Shareholders' funds were negative. The negative shareholders' funds indicates that the public money invested in these PSUs (Non-Power Sector) had eroded completely.

Return on Equity in respect of all working PSUs (including subsidiaries) is given below in Table 3.13. The same could not be worked out as the Net Income and the Shareholders' funds were negative.

Table 3.13 – RoE relating to State PSUs (Non-Power Sector) including subsidiaries

Year	No. of Non-Power sector Undertakings	Net Profit/Loss	Shareholders' fund	(ROE in *per cent*)
(1)	(2)	(3)	(4)	(5)=(3/4*100)
		Amount (₹ in crore)		
2014-15	41	(-)1,140.92	(-)4,798.58	-
2015-16	50	(-)1,181.53	(-)4,957.92	-
2016-17	57	(-)1,289.28	(-)8,110.43	-
2017-18	60	(-)912.84	(-)8,782.67	-

Return on Capital Employed

3.17 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[90]. The details of total RoCE of all the 60 State PSUs (Non-Power Sector) together during the period from 2014-15 to 2017-18 are given in table below:

Table 3.14: Return on Capital Employed

	Year	No. of Non-Power sector PSUs	EBIT	Capital employed	(RoCE in *per cent*)
(1)	(2)	(3)	(4)	(5)	(6)=(4/5*100)
			Amount (₹ in crore)		
Profit Earning	2014-15	16	1,442.76	5,948.82	24.25
	2015-16	17	1,253.33	5,853.86	21.41
	2016-17	18	1,452.88	5,744.70	25.29
	2017-18	18	1,503.46	6,767.63	22.22
Loss incurring	2014-15	17	(-)819.08	8,914.71	-
	2015-16	17	(-)841.35	8,902.32	-
	2016-17	24	(-)991.89	11,290.42	-
	2017-18	29	(-)492.95	11,407.98	-
Total	2014-15	33	623.68	14,863.53	4.20
	2015-16	34	411.98	14,756.18	2.79
	2016-17	42	460.99	17,035.12	2.71
	2017-18	47	1,010.51	18,175.61	5.56

*(**Source**: As per the Annual Accounts of the PSUs (Non-Power Sector))*
Note: PSUs which earned neither profit nor incurred loss and PSUs which had not submitted its first accounts since inception had been excluded.

[90] Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

During 2017-18 29 out of 47 Non-Power Sector PSUs were loss making. Return on Capital Employed in respect of these 29 PSUs could not be worked out as the EBIT was negative.

Analysis of Long Term Loans of the PSUs (Non-Power Sector)

3.18 The Long Term Loans of the PSUs (Non-Power Sector) were analysed to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions using the Interest Coverage Ratio and Debt Turnover Ratio.

Interest Coverage Ratio

3.19 Interest Coverage Ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. Lower the ratio, lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio in respect of PSUs (Non-Power Sector) which had interest burden during the period from 2014-15 to 2017-18 are given in Table 3.15:

Table 3.15 – Interest Coverage Ratio relating to State PSUs (Non-Power Sector)

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having interest expense and liability of loans from Government/Banks/other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2014-15	1,861.63	751.14	12	7	5
2015-16	1,553.80	385.35	14	8	6
2016-17	1,714.27	85.82	13	9	4
2017-18	1,707.47	340.34	15	8	7

*(**Source**: As per the Annual Accounts of the PSUs(Non-Power Sector))*

It can be seen that, during the year 2017-18, eight PSUs (Non-Power Sector) had interest coverage ratio of more than one while the remaining seven PSUs had interest coverage ratio below one which indicates that these seven PSUs could not generate sufficient revenues even to meet their expenses on interest liabilities during the period.

Debt Turnover Ratio

3.20 The details of Debt-Turnover Ratio during the last four years ended March 2018 is given in the below table:

Table 3.16 – Debt Turnover Ratio relating to the State PSUs (Non-Power Sector)

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	25,332.49	21,866.28	27,298.73	27,469.64
Turnover	19,419.97	19,280.35	22,976.23	13,637.29
Debt-Turnover Ratio	1.30:1	1.13:1	1.19:1	2.01:1

*(**Source**: As per the Annual Accounts of the PSUs(Non-Power Sector)*

During the last four years, it was observed that the turnover of the 60 PSUs (Non-Power Sector) showed a fluctuating trend as indicated in **Para 3.2** while the debt increased in 2017-18 compared to that of 2014-15. It can be seen that the debt-turnover ratio ranged between 1.13 and 2.01 during the four-year period ending March 2018. The Debt-Turnover ratio improved during the year 2015-16 in comparison to 2014-15. It, however, deteriorated in the later years.

Winding up of inactive State PSUs (Non-Power Sector)

3.21 Twenty of the 80 State PSUs (Non-Power Sector) were inactive having a total investment of ₹ 241.74 crore towards capital (₹ 68.40 crore) and long term loans (₹ 173.34 crore) as on 31 March 2018. The number of inactive PSUs at the end of each year during last four years ended 31 March 2018 are given below:

Table 3.17 – Inactive State PSUs

Particulars	2014-15	2015-16	2016-17	2017-18
No. of Inactive PSUs	22	22	22	20
Liquidation by Court (Liquidator appointed)	10	10	10	8

*(**Source:** Compiled by O/o PAG (Audit), Andhra Pradesh)*

Out of these inactive PSUs, 8 were reported to be 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 (February 2018 and March 2018) their status from the Public Enterprises Department of the State Government. The Public Enterprise Department stated (July 2018) that they are following up with the Liquidator on the progress of winding up of the inactive PSUs. 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 inactive PSUs, where no decision about their continuation or otherwise has so far been taken after they became inactive.

Comments on Accounts of State PSUs (Non-Power Sector)

3.22 Thirty-two working companies forwarded 42 audited accounts **(Table 3.5)** to the Principal Accountant General during the period from 1 October 2017 to 30 September 2018. Of these, 31 accounts of Companies were selected for supplementary audit. Further, 2 Statutory Corporations forwarded their four Accounts. The Audit Reports of Statutory Auditors and supplementary audit of the Companies conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

Table 3.18 – Impact of audit comments on Working Companies and Statutory Corporations (Non-Power Sector)

Sl. No.	Particulars	2016-17		2017-18	
		Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)
1.	Decrease in profit	13	289.38	6	329.97
2.	Increase in profit	6	10.98	4	27.83

Sl. No.	Particulars	2016-17		2017-18	
		Number of accounts	Amount (₹ *in crore)*	Number of accounts	**Amount (₹ *in crore)***
3.	Increase in loss	6	31.21	3	4.15
4.	Decrease in loss	5	115.19	2	6.33
5.	Non-disclosure of material facts	6	178.16	4	2,209.57
6.	Errors of classification	0	0.00	0	0.00

*(**Source**: Comments of the Statutory Auditors/ C&AG in respect of Government Companies)*

During the year 2017-18, the Statutory Auditors had issued qualified certificates in respect of ten accounts. Compliance to the Accounting Standards by the PSUs (Non-Power Sector) remained poor as the Statutory Auditors pointed out fifteen instances of non-compliance to the Accounting Standards in six accounts.

3.23 The State has three Statutory Corporations *viz*., (i) Andhra Pradesh State Road Transport Corporation (APSRTC), (ii) Andhra Pradesh State Financial Corporation (APSFC) and (iii) Andhra Pradesh State Warehousing Corporation (APSWC). The CAG is sole auditor in respect of APSRTC.

Out of three working Statutory Corporations, one Corporation *viz*., Andhra Pradesh State Financial Corporation forwarded its annual accounts for the year 2017-18.

Compliance Audit Paragraphs

3.24 For Part II of the Report of the Comptroller and Auditor General of India (Economic Sector and Public Sector Undertakings) for the year ended 31 March 2018, one compliance audit paragraph related to Andhra Pradesh State Housing Corporation Limited was issued to the Principal Secretary/ Secretary of the Administrative Department with a request to furnish replies. Replies have been received from the State Government and taken into account while finalising this report. The total financial impact of the compliance audit paragraph is ₹ 16.77 crore.

Follow up action on Audit Reports

Replies outstanding

3.25 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Andhra Pradesh issued (June 2004) instructions to all Administrative Departments to submit replies/ Explanatory Notes (ENs) to Paragraphs/ Performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Table 3.19: Position of Explanatory Notes on Audit Reports related to PSUs (Non-Power Sector) as on 30 September 2018

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[91]	
		PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
Upto 2013-14		39`	252	0	1	14	46
2014-15	30-03-2016	1	3	1	3	0	0
2015-16	31-03-2017	0	4	0	4	0	0
2016-17	06-04-2018	1	3	1	3	0	0
Total		**41**	**262**	**2**	**11**	**14**	**46**

*(**Source**: Compiled by O/o PAG (Audit), Andhra Pradesh)*

Discussion of Audit Reports by COPU

3.26 The status of Performance Audits and Paragraphs related to PSUs (Non-Power Sector) that appeared in Audit Reports (PSUs) as on 30 September 2018 and discussed by the Committee on Public Undertakings (COPU) was as Table 3.20:

Table 3.20–PAs/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2018

Year of the Audit Report (Commercial/ PSU)	Number of PAs/Paragraphs					
	Appeared in Audit Report^		Discussed#		Pending discussion#	
	PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
Upto 2013-14	39	251	13	139	26	98
2014-15	1	3	0	0	1	3
2015-16	0	4	0	0	0	4
2016-17	1	3	0	0	1	3
Total	**41**	**261**	**13**	**139**	**28**	**108**

*(**Source:** Compiled by O/o PAG (Audit), Andhra Pradesh)*

^ Include paras which are exclusive to Andhra Pradesh, exclusive to Telangana as well as common to both Andhra Pradesh and Telangana.

 # Includes paras either exclusive to Andhra Pradesh or common to Andhra Pradesh and Telangana.

Compliance to Reports of COPU

3.27 Action Taken Notes (ATNs) on 443 Paragraphs pertaining to 38 Reports of the COPU presented in the State Legislature between April 1983 and March 2007 had not been received (September 2018). The details are as given below:

Table 3.21–Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Reports	No. of recommendations where ATNs not received
Upto 1998-99	19	568	378
2000-01	10	93	52
2002-03	1	24	0
2004-05	4	23	7
2004-06	1	14	0
2006-07	3	12	6
Total	**38**	**734**	**443**

*(**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.

[91] PAs and Paragraphs which deal with issues relating to both Andhra Pradesh and Telangana.

These reports of COPU contained recommendations in respect of Paragraphs pertaining to 11 Departments[92], 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 Explanatory Notes to Draft Paragraphs/ PAs and ATNs on the recommendations of COPU as per the prescribed time schedule (b) recovery of loss/outstanding advances/over payments within the prescribed period and (c) revamping of the system of responding to audit observations.

[92] (1) Industries & Commerce (2) Irrigation and Command Area Development (CAD) (3) Revenue (4) Animal Husbandry (5) Agriculture & Co-operation (6) Transport, Roads & Buildings (7) Housing (8) Youth Advancement, Tourism and Culture, (9) Consumer Affairs, Food and Civil Supplies (10) General Administration and (11) Home.

Section A (Part-II)
Chapter-IV
Performance Audit
(Non-Power Sector)

Chapter-IV

Performance Audit relating to Non-Power Sector PSU

4. Activities of Andhra Pradesh Mineral Development Corporation Limited

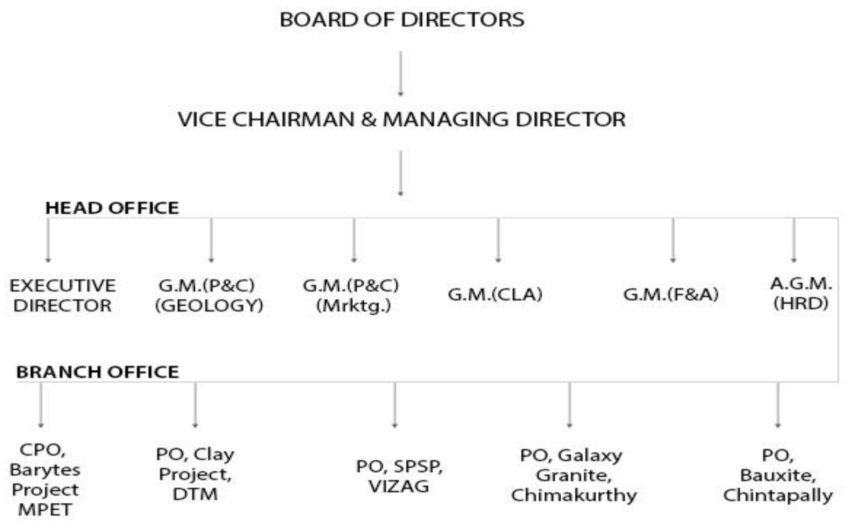
4.1 Introduction

Andhra Pradesh Mineral Development Corporation Limited (Company) was incorporated in February 1961 under the Companies Act, 1956, as a wholly owned undertaking of Government of Andhra Pradesh (GoAP). The main objectives of the Company are to develop mineral resources and to carryout exploration, exploitation, conservation, processing, beneficiation, value addition and promotion of mineral based industries and sale of ores mined.

The Company started mining barytes[93] at Mangampet in 1975. In 1977, the GoAP reserved the mining of barytes for public sector in view of the magnitude of the baryte deposits. The Company is also engaged in quarrying of Black Galaxy Granite in 81.669 hectares of land in Chimakurthy, Prakasam District. The Company has mining lease for Ball Clay in Dwaraka Tirumala of West Godavari District over an extent of 13.93 hectares of land.

4.2 Organisational structure

The Management of the Company is vested with the Board of Directors (Board). The Chairman and Board members are appointed by the GoAP. The Vice Chairman and Managing Director (VC&MD) is the Chief Executive Officer of the Company, and aids and advises the Chairman and the Board to take decisions. The VC&MD has administrative, statutory and financial powers and is assisted by the Executive Director and other Functional Heads. The organisational chart of the Company is as follows:



93 baryte is a mineral, which is a source of barium sulfate. Barytes are used as weighting agents for drilling fluids in oil and gas exploration, to suppress high formation pressures and prevent blowouts.

The Executive Director coordinates with all Functional Heads at Head Office and with Project Officers on all technical, administrative, financial and accounts matters. The General Managers look after the functions of their respective departments and report to the Executive Director. Project Officers are responsible for the excavation, production and dispatches of the minerals under their control, as per agreements with excavation contractors and buyers of minerals. As against sanctioned strength of 481 in all cadres, there were 143 employees as on 31 March 2018. The Company had engaged 622 personnel through outsourcing and 274 tribal trainees were appointed under obligation to provide employment.

4.3 Financial Position

The authorised share capital of the Company as on 31 March 2018 was ₹ 10 crore and the paid-up capital stood at ₹ 6.31 crore. The accounts of the Company were finalised upto the year 2013-14 (1 April 2013 to 1 June 2014 i.e., till the date of bifurcation of erstwhile Andhra Pradesh). As on 30 September 2018, the accounts for the years 2014-15 to 2017-18 have not been finalised by the Company due to non-finalisation of demerger plan. As per the provisional accounts furnished to Audit, however, the Company had earned profit continuously for the last five years ended March 2018, and had paid/declared dividend @ 25 *per cent*. The financial performance of the Company for the five-year period ended 31 March 2018 is given in the table below:

Table 4.1 – Statement showing the financial performance of the Company

(₹ in crore)

Description	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue from operations	524.00	123.00	629.00	566.00	675.00
Other Income	115.00	89.00	93.00	106.00	94.00
Gross Income (A)	**639.00**	**212.00**	**722.00**	**672.00**	**769.00**
Operational Expenses	130.00	52.00	203.00	298.00	180.00
Change in Inventories	(-) 32.00	(-) 29.00	8.00	(-) 56.00	78.00
Employee Cost	57.00	25.00	41.00	45.00	52.00
Other Expenses	15.00	30.00	30.00	44.00	38.00
Tax Expense	159.00	45.00	156.00	118.00	146.00
Total Expenditure (B)	**329.00**	**123.00**	**438.00**	**449.00**	**494.00**
Profit (A-B)	**310.00**	**89.00**	**284.00**	**223.00**	**275.00**

*(**Source**: Provisional Annual Accounts of the Company except 2013-14)*

The major part of the revenue from operations was generated from the sale of barytes whose contribution to the total revenue ranged from 92 *per cent* (2014-15) to 98 *per cent* (2017-18) during the five-year period ended March 2018. The major expenditure was on operational expenses[94] and employee cost apart from tax expenses. There was rising trend in the expenditure from 2013-14 to 2015-16 on account of increase in the cost of excavation.

[94] Operational Expenses include (i) Overburden and Run of Mine expenses, (ii) Royalty, dead rent and cess (iii) Consumption of packing material, (iv) Power and fuel, (v) Repairs and maintenance of machinery (vi) Milling charges (vii) Mining expenses and (viii) hire charges on machinery.

4.4 Audit Objectives

The objectives of audit were to ascertain whether:

- Mining activities carried out in own mines are effective, efficient and economical;
- Quarry activities carried out through Joint Venture Companies are effective, efficient and economical; and
- Financial management is efficient and prudent.

4.5 Audit Criteria

The audit criteria for the Performance Audit were drawn from the following sources:

- Guidelines, Rules, Regulations and provisions of mineral extraction related Acts;
- Terms and conditions of agreements with Joint Venture Companies, Sale and Raising contracts;
- Annual production plan and production reports of various projects with reference to approved mining plans;
- Company's price fixation policy/ methodology; and
- Board Agenda and Minutes.

4.6 Scope and Methodology of audit

The Performance Audit of the Company was conducted (February to June 2018) for five years' period from 2013-14 to 2017-18 covering the activities relating to mining and marketing of barytes, galaxy granite and ball clay. The audit examined the records maintained at Corporate Office and three Units i.e., Barytes Project at Mangampet, Galaxy Granite Project at Chimakurthy and Ball Clay Project at Dwaraka Tirumala. The scope, methodology and objectives of Performance Audit were explained to representatives of GoAP and the Company in an Entry Conference held in February 2018. The audit findings were reported to the State Government in September 2018, and discussed in Exit Conference (November 2018) attended by Principal Secretary (Mines), GoAP and senior officials of the Company. The responses of the GoAP have been included in the Report.

4.7 Audit Findings

4.7.1 Mining and marketing of barytes

Barytes mining was the main business to the Company, contributing more than 90 *per cent* of its turnover, during five-year period as indicated in the below Table.4.2:

Table 4.2 – Statement showing mineral wise turnover of the Company

(₹ in crore)

Year	Barytes (sales)	Galaxy Granite (Consideration)	Ball clay (Raising-cum-Sale)	Total	Percentage
(1)	(2)	(3)	(4)	(5)	(6)= (2/5*100)
2013-14	446	15	5.00	466.00	95.71
2014-15	166	15	1.11	182.11	91.15
2015-16	614	15	0.19	629.19	97.59
2016-17	546	20	0.12	566.12	96.45
2017-18	659	16	0.23	675.23	97.60

Due to non-production of barytes by the contractor during the year 2014-15, the Company could not dispatch the barytes as per demand due to which the revenue from sale of barytes had drastically come down to ₹ 166 crore from ₹446 crore in 2013-14. Subsequently, by producing the required quantity through new contractor, the Company improved its revenue from sale of barytes.

For extraction of barytes, the Company awarded (August 2008) excavation contract to M/s.VLC-SCKC JV for a period of five years extendable for a further period of two years. The contract was terminated in April 2015 due to the failure of the contractor to deploy adequate men and machinery and not carrying out excavation work as per agreement. Consequently, the Company awarded (March 2015) the excavation work to M/s.Triveni Earth Movers Private Limited. These two contracts which were in operation during the period covered in audit were examined in audit.

4.7.1.1 Non-realisation of risk and cost amount on termination of contract

In July 2008, the Company awarded the contract for excavation of barytes ore and Over Burden Removal to M/s.VLC-SCKC JV for a period of five years from 8 August 2008, extendable by two more years at sole discretion of the Company. After completion of initial contract period of five years, the Company extended the period for two years upto 7 August 2015. During the extended period, the Contractor had produced only 13.94 lakh MTs as against the target of 27.57 lakh MTs. Despite several reminders to deploy adequate machinery and manpower, the Contractor did not carry out the production. Consequently, the Company, as per terms of agreement[95], terminated (April 2015) the contract under risk and cost condition. The Company in March 2015 awarded the left over quantity to M/s.Triveni Earth Movers Private Limited on hourly production basis and incurred an extra expenditure of ₹ 11.57 crore. Under risk and cost condition, the Company had to recover this amount from the defaulting Contractor (M/s.VLC-SCKC JV). In addition to this, Company had to recover ₹ 5.43 crore towards penalties and Service Tax (ST) from the defaulting Contractor for the period from October 2014 to the date of termination. The value of the defaulting Contractor's Performance Bank Guarantee available with the Company was ₹ 3.89 crore only, which was

95 Clause 25.7 (Part II) (A) of GCC.

forfeited. The Company, thus could not recover balance amount of ₹ 13.11 crore[96].

Government in reply stated (November 2018) that a suit would be filed in Court to recover the pending amount from the Contractor.

It is evident from the reply that the Company had not initiated any action to recover the risk and cost amount, penalty and ST from the Contractor despite lapse of three years from the date of termination of the contract.

4.7.1.2 Sales performance of barytes

The mineral produced from the mine is categorised as A, B and C+D+Waste, based on the quality of product[97]. After taking into account the market demand, the buyers' requirement in export market and local market, the Company gives production targets for A and B-grade barytes to the Contractor for excavation. The details of production and sales during the five-years period are given in below table:

Table 4.3 – Statement showing the grade wise production and sales of barytes

Year	A-Grade	B-Grade	C+D+ Waste Grade	Total	A-Grade	B-Grade	C+D+ Waste Grade	Total	Total Difference
	Production (in MTs)			(A)	Sales (in MTs)			(B)	(A-B)
2013-14	6,64,800	63,227	3,17,833	10,45,860	6,95,002	74,897	5,99,620	13,69,519	(-)3,23,659
2014-15	3,47,770	1,04,378	4,18,989	8,71,137	1,89,066	45,137	3,13,919	5,48,122	3,23,015
2015-16	5,39,101	3,87,851	12,90,740	22,17,692	6,61,690	1,78,599	1,72,063	10,12,352	12,05,340
2016-17	10,67,741	2,56,303	11,41,257	24,65,301	6,25,263	1,53,246	3,75,996	11,54,505	13,10,796
2017-18	5,87,267	1,47,509	7,45,627	14,80,403	9,60,536	1,19,995	8,28,282	19,08,813	(-)4,28,410
Total	**32,06,679**	**9,59,268**	**39,14,446**	**80,80,393**	**31,31,557**	**5,71,874**	**22,89,880**	**59,93,311**	**20,87,082**

It can be seen from the above table that out of the total quantity produced (80,80,393 MTs) during the above five-year period, the Company sold only 59.93 lakh MTs leaving a balance of 20.87 lakh MTs of barytes unsold as at the end of March 2018. The total unsold quantity constituted 25 *per cent* of the total quantity produced during the period. It was noted in audit that there was 64.61 lakh MTs of stock at the beginning of the above five-year period. Considering this, the total unsold stock was 85.48 lakh MTs as at the end of March 2018.

The total unsold stock of 20.87 lakh MT included 16.25 lakh MTs of C+D+Waste grade. It was noted that due to non-setting up of Beneficiation Plants (wherein C+D+Waste grade barytes is blended with higher grade bartyes to make powder) by the JV Companies (two with private parties and Oil and Natural Gas Corporation Limited (ONGC)) and delay in commencing the plant by one JV Company, the C+D+Waste grade barytes remained unsold.

Government in reply stated (November 2018) that due to lack of demand for barytes, which in turn is based on factors like demand for oil, crude oil prices,

[96] ₹ 11.57 crore + ₹ 5.43 crore – ₹ 3.89 crore = ₹ 13.11 crore.

[97] The quality of the mineral is tested by the Company in terms of specific gravity. The mineral is accordingly categorised as A-Grade (4.25), B-Grade (4.24 to 4.10) and C+D+Waste (less than 4.10).

active drilling rig count etc., C+D+Waste grade could not be sold. It further stated that action has been initiated to liquidate the inventory of C+D+Waste grade barytes.

The response of the Company is silent on the steps initiated to liquidate the inventory. The non-liquidation of the inventory of barytes leads to loss of revenue earning opportunities apart from incurring carrying cost of the inventory.

4.7.1.3 Non-establishment of barytes beneficiation plant in Joint Venture with ONGC

Company entered (April 2015) into Memorandum of Understanding (MoU) with Oil and Natural Gas Corporation Limited (ONGC) to establish Beneficiation Plant under Joint Venture to beneficiate low grade barytes (C+D+Waste). The expenditure incurred to set up the said plant was to be shared equally by ONGC and the Company. It was mutually agreed to hire the services of a consultant firm for preparation of Detailed Project Report and Detailed Feasibility Report and work towards setting up a plant capacity with 1,000 MTs per day[98]. The Company incurred an expenditure of ₹ 31.25 lakh towards consultancy services. The consultancy firm in the Draft Feasibility Report (September 2015) had estimated cost of project as ₹ 110.33 crore and construction period as 15 months. There was, however, no progress in setting up of the beneficiation plant till June 2018.

It was observed that by not establishing the beneficiation plant, the Company had lost an opportunity to dispose 2.48 lakh MTs[99] of C+D+Waste grade barytes upto June 2018.

Government in reply stated (November 2018) that ONGC was actively considering to establish the beneficiation plant under joint venture with the Company. There was, however, no progress even though feasibility report was received in September 2015. Moreover, the feasibility report which was prepared in 2015 may not be relevant for decision making in 2020.

Recommendation:

It is recommended to expedite setting up of the beneficiation plants for barytes through JV Companies for beneficiating and selling the lower grade barytes.

4.7.1.4 Non-forfeiture of Performance Security Deposit

The Company entered (June 2015 to January 2016) into agreements with 142 Pulverizing Units[100] and 24 Barium Chemical Manufacturing Units

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[98] With 3.80 specific grade barytes powder to get 1.65 to 1.80 lakh MTs per year to meet the demand of ONGC.

[99] From January 2017 to June 2018 based on 1.65 lakh MTs per annum to be beneficiated as per the MOU with ONGC.

[100] Pulverising Units buy barytes lumps from the Company and pulverise them into powder, which is value addition and supply the same to the Exporters of powdered barytes in India.

(Millers[101]) for sale of barytes during 2015-16. Similarly, it entered into agreements with 172 Pulverising Units and 24 Barium Chemical Manufacturing Units during 2016-17.

As per terms and conditions of agreements, the Company reserves the right to forfeit the Performance Security Deposit[102] (PSD) collected from the Millers/Units if the quantity purchased by the Pulverising Millers/Units falls below 50 *per cent* of the agreed quantities during the contract period. Eighty (80) Millers failed to lift the agreed quantities and stated that there was crash in the oil prices with consequential fall in the demand for barytes. They had requested the Company for release of PSD. The Company had released the PSD amount of ₹ 14.07 crore to 72 pulverising units and eight Barium Chemical Manufacturing Units against the terms of agreements entered during 2015-16. The Company, however, recovered a meagre amount of penalty (₹ 2.71 crore). This resulted in loss of income of ₹ 11.36 crore (₹ 14.07 crore - ₹ 2.71 crore) to the Company.

Government in Exit Conference stated (November 2018) that the buyers could not lift the agreement quantity due to their precarious financial position and lack of demand in the market. It further stated with regard to release of PSD in respect of agreements for the year 2015-16 that Government had considered their case sympathetically and to do the best for the Units to recover from loss.

The response of the Company is not acceptable considering the fact that the market conditions were the same for all the millers and only 80 millers out of the total of 142 had failed to purchase above 50 *per cent*. Thus refund of PSD to those millers who lifted less than 50 *per cent* of the agreed quantity indicates clear favour extended by the Company to defaulted Pulverising Millers/Units.

Recommendations:

It is recommended to enforce the terms and conditions of agreements with regard to levy of penalties on contractors and buyers to safeguard the financial interests of the Company.

4.7.1.5 Reimbursement of penalty amount

Company entered into an agreement (30 April 2016) with M/s.Sri Vigneshwara Logistics (Contractor) for transportation of packed barytes powder from the pulverizing mills[103] to the Koduru Railway Station and loading into Railway wagons as part of supply to ONGC. As per Clause 9(iv), the Contractor was responsible for the quantity supplied by the Company, actual quantity loaded into the wagons and for any damages or losses during transit/loading or unloading and stacking. Contractor was also liable to keep the Corporation fully indemnified against such losses.

ONGC recovered (March 2016 to March 2018) ₹ 39.13 lakh from the

[101] Millers generally purchase A grade barytes and pulverise them into powder and sell it to the Exporters of powdered barytes.

[102] Company collected 5 *per cent* of the value of the contract as PSD.

[103] In and around Mangampet and Kodur.

Company towards penalties[104] for under/over loading of bags, demurrages, engine haulage/detention charges etc. The Company in turn recovered the said amount from the Contractor who was liable for these penalties as per terms of agreement.

It was noted that, on the request of the Contractor, who was liable for the penalties for damages or loss during transit and loading/unloading of material through railway wagons, the Company had reimbursed the amount of ₹ 39.13 lakh without recording the reasons for the same. This had resulted in extension of undue favour to the Contractor.

Government stated (November 2018) that the amounts were reimbursed as per terms of agreement and no favour was extended.

The terms of agreement quoted in the reply was, however, not in the original contract entered into with the contractor. As per the terms and conditions of the agreement with the Contractor, the Contractor was responsible for the quantity supplied by the Company, actual quantity loaded into the wagons and for any damages or losses during transit/loading or unloading and stacking and was also liable to keep the Corporation fully indemnified against such losses. Hence, the reimbursement of the amount recovered from the contractors for reasons not recorded, was not in line with the provisions of the agreement.

4.7.2 Mining of galaxy granite through JV Companies

For establishment of 100 *per cent* export oriented cutting and polishing units in Joint Venture (JV) mode, Company had selected (2008) three JV partners (M/s Gimpex Limited and its consortium, M/s Midwest Granites Private Limited and its consortium and M/s Pallava Granites Industries Private Limited and its consortium) on global tender basis for development of black galaxy granite deposits spread over in an extent of 102.104 hectares (252.30 Acres) at Chimakurthy in Prakasam district. The objective was to encourage export of value added products and also to make raw material available for local units.

The agreements with two of the three JV partners, namely, M/s Midwest Granites Private Limited and its consortium and M/s Pallava Granites Private Limited and its consortium continued to be in vogue during the period from 2014-15 to 2017-18. Audit observations with regard to these are detailed in the subsequent paragraphs:

4.7.2.1 Deficiencies in receipt of consideration from JV Companies of granite

Company formed (June 2007/March 2008) two Joint Ventures Companies[105] in participation with two private companies[106] and sub-leased mining activities of two black galaxy granite quarries. As per JV agreements, the JV companies

[104] Over loading of bags (₹ 14.62 lakh), demurrages (₹ 0.60 lakh), engine haulage/ detention charges (₹ 5.50 lakh).
[105] Andhra Pradesh Granites (Midwest) Private Limited and Pallava RED Granites Private Limited.
[106] Midwest Granites Private Limited & its consortium and Pallava Granites Private Limited & its consortium.

(JVCs) were to extract the black galaxy granite and export processed and value added products by establishing world class 100 *per cent* Export Oriented Processing Unit (EOU) with minimum annual capacity of 3.5 lakh MTs and 5 lakh MTs for M/s.Pallava RED Granites Private Limited and M/s.Andhra Pradesh Granites (Midwest) Private Limited respectively. The Company was to receive consideration @ 1.5 times of seigniorage fee paid against the dispatched quantities or 10 *per cent* of the annual turnover, whichever is higher. Subsequently, Company entered into a supplementary agreement (February 2014) in which the condition with regard to processing of raw blocks in 100 *per cent* EOU was amended. As per the amended condition, the JVCs were required to process only the first quality blocks selected by the Project Officer of the Company for export of polished granite and could sell the remaining either as unprocessed raw blocks or processed slabs in local market or in foreign market. The revenue earned out of the export sale of the first quality blocks processed by the JV Companies, termed as 'Actual Revenue' (AR) is applied to the remaining quantity of unprocessed raw blocks to arrive at the Deemed Revenue (DR). The total of actual revenue and deemed revenue is treated as total revenue, and would be considered to work out 10 *per cent* of the turnover, which would then be compared with 1.5 times the seigniorage fees, for deciding the consideration amount payable to the Company.

(a) Loss of revenue due to low recovery of processed blocks

From the records available, it was noticed that there was abnormal difference in percentage recovery of processed blocks from first raw blocks in respect of M/s Andhra Pradesh Granites (Midwest) Private Limited when compared with that of M/s Pallava RED Granites Private Limited. This was evident from the fact that the recovery percentage of gangsaw size (300 cm x 180 cm) of M/s.Pallava RED Granites Private Limited was 71 *per cent* where as that of M/s.Andhra Pradesh Granites (Midwest) Private Limited was 64 *per cent*. For cutter size (below 75 cm) it was 78 *per cent* and 55 *per cent* respectively. It was noted that in the absence of specific clause stipulating the percentage recovery from the raw blocks the M/s Andhra Pradesh Granites (Midwest) Private Limited had taken advantage of the amended condition. This resulted in short accounting of turnover and short value of consideration amount @ 10 *per cent* of total turnover when compared to 1.5 times of seigniorage fee. Due to this short accounting of turnover, the Company lost opportunity to earn additional revenue of ₹ 1.16 crore for the year 2015-16.

It was noted that though sale prices for raw blocks and processed blocks are available in the market/industry both domestic and export the Company had made amendments to the supplementary agreement whereby the Contractor could take advantage of the amended condition to his benefit. Further, the Company had failed to evolve any scientific method to assess the possible recovery percentage instead of relying on the output shown by the JVs. In the absence of such assessment, no minimum recovery percentage was fixed in the agreement with the JVs and as such it could not maximise its revenue earning on turnover basis and earned minimum revenue only @ 1.5 times of seigniorage.

Government in reply stated (November 2018) that it would look into the issues raised by Audit.

(b) Loss of revenue due to undervaluation of sale prices

As per Forensic Audit Report[107] (2015-16) the quality of granite blocks produced by M/s Andhra Pradesh Granites (Midwest) Private Limited was better than that of M/s Pallava RED Granites Private Limited. The sale price of M/s Andhra Pradesh Granites (Midwest) Private Limited, however, was lower than that of M/s Pallava RED Granites Private Limited. It also stated that the sale prices of M/s. Andhra Pradesh Granites (Midwest) Private Limited for gangsaw (300 cm x 180 cm) and mini gangsaw (below 270 cm x 150 cm) were ₹ 32,451 per cbm and for cutter size (below 75 cm) it was ₹ 22,819 per cbm. The sale prices of M/s.Pallava RED Granites Private Limited for gangsaw, mini gangsaw and cutter size were ₹ 65,023, ₹ 64,873 and ₹ 46,307 per cbm respectively.

Based on the findings of the above report and considering the comparable rates of M/s.Pallava RED Granites Private Limited, consideration that would have been payable by M/s Andhra Pradesh Granites (Midwest) Private Limited works out to ₹ 15.08 crore, indicating a possible short receipt of consideration of ₹ 2.99 crore (₹ 15.08 crore - ₹ 12.09 crore).

As already pointed out above there was no system in place to assess the market prices on regular basis in order to ensure the correctness of the sale prices shown by the JVs. The Company had instead relied on the sale prices shown by the JVs and received consideration accordingly. Thus due to lack of system to assess the market prices, the Company had received less consideration from M/s Andhra Pradesh Granites (Midwest) Private Limited compared to M/s Pallava RED Granites Private Limited.

Government in its reply stated (November 2018) that the issues raised in audit would be examined.

(c) Non-furnishing of sale invoices

As per supplementary agreement, sales invoices were to be obtained from the JV Companies to work out the actual 10 *per cent* of turnover, to calculate the correct consideration to be paid with reference to 1.5 times of seigniorage fee condition, whichever is higher, to the Company.

M/s.Pallava RED Granites Private Limited did not provide the sale invoices to audit to workout the correct amount of consideration. In the absence of invoices, the turnover could not be worked out to ensure the correct amount of consideration due to the Company. It was noted that the Company had not

[107] Conducted during 6 February 2017 to 18 June 2017, as per the request of the Company, to investigate into possible misrepresentations of facts by the JV Companies to the Company.

insisted for submission of the sale invoices despite providing for the clause in the agreement.

Recommendation:

It is recommended to ensure receipt of sales invoices from JV Companies as per terms of agreement for assessing amount of consideration receivable based on turnover.

4.7.2.2 Non-realisation of amounts from two JV companies of granite

According to the terms of agreement, JV Companies were to pay minimum consideration amount, 15 days in advance adjustable against the actual amount of consideration. Further, delays beyond three months were to carry an interest on prime lending rate fixed by the Reserve Bank of India from the due date of the payment of consideration amount. In case the delay is beyond 12 months, the Company has right to ask the JV Companies to suspend mining operation till the time the dues are to be paid. If the delay in payment continues beyond 24 months, the Company has right to terminate the agreement. The JV Companies shall pay 5 *per cent* of the consideration amount as Infrastructure Development Fee also.

The JV companies failed to comply with the above conditions of agreement. Dues outstanding as on 31 March 2018 from M/s. Andhra Pradesh Granites (Midwest) Private Limited was ₹14.48 crore[108] and from M/s.Pallava RED Granites Private Limited was ₹ 5.76 crore[109].

It was noted that the Company did not enforce the spirit of its own agreement and allowed the JV Companies to continue its mining operations despite huge amounts of consideration outstanding from them. Thus amount to an extent of ₹ 20.24 crore (₹ 14.48 crore + ₹ 5.76 crore) has not been realised so far.

In Exit Conference (November 2018) the Government assured that the JV Companies will be pursued to pay the amounts at the earliest and action would be taken as per conditions of JV agreements. It was also mentioned that notice has also been issued after having observed by Audit to recover the outstanding dues.

While acknowledging the response received from the Government, it is reiterated that the outstanding dues need to be recovered in a time bound manner.

4.7.2.3 Non-compliance with statutory provisions by JV Company of granite

As per Clause 18 of agreement (June 2007), the JV Companies shall comply with all the relevant laws applicable in respect of the contract and shall be

[108] Including consideration (₹ 5.21 crore), interest (₹ 2.43 crore), Service Tax (₹ 4.13 crore), interest on Service Tax (₹ 0.37 crore), GST (₹ 0.88 crore), interest on GST (₹ 0.05 crore) and Infrastructure Development Fee (₹ 1.41 crore).

[109] Including consideration (₹ 3.57 crore), interest (₹ 0.83 crore), interest on Service Tax (₹ 0.62 crore), GST (₹ 0.55 crore), interest on GST (₹ 0.02 crore) and Infrastructure Development Fee (₹ 0.17 crore).

solely responsible for such compliance relating to projects allotted to them. The JV Companies shall rectify violations pointed out by the concerned authority within the stipulated time at their risk and cost.

It was noted that the Company had failed to monitor the extraction of black galaxy granite. M/s Andhra Pradesh Granites (Midwest) Private Limited had extracted 1.15 lakh cbm of black galaxy between 2007 to 2012 without obtaining the environmental clearance. Futher, the Company had extracted total 2.41 lakh cbm of black galaxy granite in excess of the permission obtained during the period 2007 to 2017. After this was pointed out by the Directorate of Mines and Geology and State Pollution Control Board in October 2017, the Company had issued directions to JV Company to stop the extraction of mineral. Till then, the JV Company had already extracted total 2.41 lakh cubic metres (cbm) in excess of the permitted quantity of 5,130 cbm. This indicates non-monitoring of the mining operations by the Company.

Further, as per Supreme Court orders, the extraction of mineral without proper permission is treated as illegal and penalty to the extent of sale value was liable to be imposed. As the Company is the principal lease holder of the mine, the Company will be liable to bear the penalty if the JV Company fails to pay and hence the risk of the Company being called on to pay the penalty in the instance of the failure of the JV Company to pay the penalty is high.

Government in Exit Conference, while accepting the facts in audit observations stated (November 2018) that the JV Company had stopped production on being directed by it based on the complaint made with the Government.

4.7.2.4 Non-realisation of consideration amount

The Company in April 2010 entered into Memorandum of Understanding (MoUs) with four parties[110] for mining black granite in two reserve forest areas[111]. The terms of MoU stipulated that the investor shall:

- obtain environment and forest clearance before commencement of production;
- Form a JV with the Company;
- produce the minimum quantity[112] of 350 cbm per annum;
- pay the minimum consideration[113] of ₹ 6.12 lakh per annum;
- obtain Performance Security Deposit for ₹ 6.12 lakh from each party.

The four parties were, however, permitted (October 2008 to September 2009) to start production immediately upon getting quarry lease from the

[110] (1) M/s.Vishnu Granites (2) M/s.Sri Sai Rocks (3) M/s.Srinivasa Granites and (4) M/s.Padmavathi Granites.

[111] 87 hectares (Ragimanipenta Reserve Forest) and 230 hectares (Paradarami Reserve Forest) in Chittoor District.

[112] In case of M/s.Padmavathi Granites, the minimum quantity was 210 cbm per annum.

[113] 1.5 times of prevailing seigniorage fee for 350 cbm or actual quantities dispatched, whichever is higher.

Government, which was not in line with the terms of the MoU. As at February 2014, 2,047.433 cbm[114] was produced by these four parties. While all the parties stopped production between May 2011 and February 2014, the Company was yet to receive an amount of ₹ 70.67 lakh[115] from the three parties[116] (September 2018). Further, as per the MOU, the private parties were authorised to produce and lift specified quantities. It was noted that one of the parties unauthorisedly lifted stocks to the extent of 48.378 cbm, which was more than the quantity specified. The value of the material had, however, not yet been realised from the party.

Government in reply stated (November 2018) that the parties were being pursued regularly to pay the due amounts and Additional Director of Mines & Geology was requested to initiate action against JV Company for unauthorised lifting.

Reply was not acceptable as no correspondence with the parties for realisation of the dues was on record after 2014 indicating lack of efforts on the part of the Company to realise its dues.

4.7.3 Financial Management

Financial Management means planning, organising, directing and controlling the financial activities such as procurement of funds in the most economic manner and employment of those funds in the most optimum way.

As per the Investment Policy of the Company, the surplus funds are to be parked in Fixed Deposits (FDs) in the notified banks. Accordingly, the Company, as per its investment policy, invested the surplus cash in FDs to earn interest. The following table depicts the total cash and bank balances, including FDs held by the Company during the five-year period ended March 2018.

Table 4.4 – Statement of Cash and Bank balances and amount invested in Fixed Deposits

Year	Total Cash and Bank Balances at the end of the year (₹)	Amount in FDs (₹)	Percentage of FDs to total cash and bank balances
2013-14	954,93,35,353	953,49,05,836	99.85
2014-15	691,14,25,996	586,26,98,739	84.83
2015-16	740,20,94,550	723,90,05,389	97.80
2016-17	759,47,09,662	734,93,75,074	96.77
2017-18	920,70,99,609	757,54,72,366	82.28

Scrutiny of records relating to FDs revealed the following.

[114] 535.23 cbm upto May 2011 (M/s.Vishnu Granites), 745.528 cbm upto February 2014 (M/s.Sri Sai Rocks), 260.06 cbm upto February 2013 (M/s.Srinivasa Granites) and 506.615 cbm upto March 2013 (M/s.Padmavathi Granites).

[115] ₹ 36.01 lakh (M/s.Vishnu Granites), ₹ 11.46 lakh (M/s.Sri Sai Rocks) and ₹ 23.20 lakh (M/s.Padmavathi Granites).

[116] M/s.Vishnu Granites.

4.7.3.1 Interest free loan to Andhra Pradesh State Fibernet Limited

The Company received (November 2016) a request from Andhra Pradesh State Fibernet Limited (APSFNL) to release ₹ 100 crore as interest free loan based on the directions of GoAP (Energy, Infrastructure and Investment (Airport) Department) given in November 2016. The Company appraised (December 2016) the request of APSFNL to the Board and it was decided to release ₹ 100 crore as interest bearing loan[117] in pursuant to the provisions[118] of Section 186 (7) of Companies Act, 2013, considering APSFNL is a commercial entity registered under Companies Act, 2013 as State Public Sector Undertaking. The GoAP again issued (March 2017) orders directing the Company to arrange interest free loan for APSFNL towards margin money. The Company accordingly, entered (July 2017) into an agreement with APSFNL for lending the amount as interest free loan with the condition to refund the loan in four instalments[119].

The Company instead of paying the loan amount directly to APSFNL had deposited (30 March 2017) in Government Treasury Account to pay to APSFNL directly by the GoAP. Government had however, refused to pay the loan to APSFNL directly by it and refunded (27 June 2017) the amount to the Company without any interest after lapse of 89 days and directed the Company to pay the loan amount directly to APSFNL. The Company had released ₹ 60 crore in two instalments to APSFNL so far (June 2018).

The reasons for depositing the loan amount in Government Treasury instead of releasing the same to APSFNL were not on record. The improper procedure in depositing the amount in Government Treasury account led to getting refund after 89 days. This had resulted in the Company suffering loss of interest to the extent of ₹ 1.71 crore[120].

Government in reply stated (November 2018) that as per directions of State Government and approval of Board, interest free loan was released to APSFNL. It further stated that the audit observation is, however noted and brought to the notice of the Government.

4.7.3.2 Loss of interest on advance paid to/refunded by DMG

The Company was regular in paying the royalty/seigniorage to the Department of Mines and Geology in advance for the permits it obtains before delivery of material. The Director of Mines and Geology (DMG), to meet its yearly targets of collections, requested (March 2016) the Company to deposit ₹ 100 crore in excess of due amount as refundable advance for the year 2015-16. Considering the request of DMG, the Company paid (31 March 2016) ₹ 100 crore as advance. The amount was refunded (30 June 2016) by the DMG without interest. No request was made to DMG towards interest payment though, the Company had appraised the Board about the loss of interest due to

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117 @ 7 *per cent* per annum.

118 The provisions of Companies Act stipulated that the interest shall not be lower than that of Government Securities.

119 ₹ 20 crore (2nd year), ₹ 25 crore (3rd year), ₹ 25 crore (4th year) and ₹ 30 crore (5th year).

120 For 89 days @ 7 *per cent* per annum.

payment of advance amount. Thus, the Company lost interest amount of ₹ 1.94 crore[121].

Government in reply stated (November 2018) that in order to maintain cordial relationship, had paid the advance from current account but not from breaking the fixed deposit amounts.

Reply was not acceptable as these decisions of the Company were reflective of poor financial management and were commercially not viable for the Company.

4.7.3.3 Non-recovery of amount from SCCL and blocking of amount with District Administration.

Suliyari coal block was allotted (July 2007) to the Company under Government Dispensation route[122]. The Company entered (April 2013) into Joint Venture agreement with M/s.The Singareni Collieries Company Limited (SCCL), as per GoAP orders (October 2010) for exploration and mining in the coal block and formed (July 2013) a JV Company *viz*., APMDC-SCCL Suliyari Coal Company Limited. As per agreement, the expenditure was to be shared in the equity ratio 51:49 since beginning. SCCL paid ₹ 9.80 crore as its part of equity. In the development of the coal block, the Company incurred an expenditure of ₹ 311.03 crore[123]. Considering the allotment of coal blocks as illegal, the Supreme Court quashed (August 2014) the allocation of 204 out of 218 coal blocks, which included coal block allotted to the Company.

Out of ₹ 311.03 crore, the expenditure that is to be shared by the Company and SCCL was ₹ 25.14 crore in the ratio of 51:49. The Company had to absorb ₹ 12.82 crore while SCCL was to absorb ₹ 12.32 crore. The Company had to realise an amount of ₹ 2.52 crore[124] after adjustment of equity of ₹ 9.80 crore from SCCL. Further, the Company had requested (January 2015) the District Administration for the refund of advance of ₹ 285.89 crore paid towards land acquisition, along with interest, in view of cancellation of coal block. The same was not refunded to the Company so far (October 2018). Due to non-recovery of this amount, the funds were blocked leading to consequential loss of interest to the extent of ₹ 25.73 crore[125].

Government in Exit Conference (November 2018) stated that SCCL was not accepting the due amount to be paid to the Company and demanding for refund of its equity amount of ₹ 9.80 crore. The reply is silent on non-receipt

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121 ₹ 100 crore at 7.75 *per cent* per annum for 3 months period.

122 During the period 1993 to 2011, Ministry of Coal, Government of India allocated 218 coal blocks under the provisions of Coal Mines (Nationalisation) Act, 1973 through the Screening Committee and Government Dispensation route to the then erstwhile eligible Central/ State Government PSUs and private companies for specified end use projects, i.e., power, steel and cement, as well as for commercial mining by PSUs.

123 Administrative & General expenses (₹ 0.12 crore), Coal drill expenses (₹ 9.79 crore) penalty amount (₹ 1.57 crore) paid to MoC as the Company failed to meet the prescribed mile stones during the period from allotment of block (2007) to the end of cancellation of block (2015). Company also deposited ₹ 285.89 crore as advance to District Collector, Singrauli for land acquisition. Company had written-off ₹ 10.77 crore having claimed as revenue expenditure in the Income Tax Returns.

124 ₹ 12.32 crore - ₹ 9.80 crore.

125 @ 6 *per cent* on ₹ 285.89 crore for 18 months from April 2015 to September 2016.

of advance amount from District Administration upon cancellation of coal block.

Reply was not acceptable as the Company did not make concrete efforts and thus could not realise the share of SCCL for a long time and amount paid to District Administration was also not recovered immediately upon cancellation of the coal block, which led to not only blocking up of funds but consequential loss of interest.

4.7.3.4 Non-realisation of ₹ 1.63 crore from APHMHIDC

For laying of Cement Concrete roads[126] in Mangampet area, the Company addressed (April 2010) Andhra Pradesh Health & Medical Housing and Infrastructure Development Corporation (APHMHIDC) to take up the works for a total value of ₹ 5.20 crore. The Company paid (May 2010) ₹ 2.60 crore to APHMHIDC. APHMHIDC, however, carried out the works for the value of ₹ 96.94 lakh only and failed to carry out the remaining works. APHMHIDC retained the balance unspent amount and failed to remit it back to the Company. The amount of ₹ 1.63 crore has not been refunded to the Company so far (June 2018).

Audit observed that the Company had not pursued the matter on a regular basis with APHMHIDC, which has led to non-realisation of ₹ 1.63 crore and consequential loss of interest of ₹ 39.12 lakh[127].

Government in reply stated (November 2018) that the Company is making repeated requests with APHMHIDC to refund the balance amount. Fact remains that Company is yet to get its money back from APHMHIDC despite lapse of four years.

4.7.3.5 Non-recovery of ₹ 2.39 crore from GoAP

For acquisition of land for mining and allied purposes at barytes project, the Company paid (August 2012) ₹ 18 crore[128] to the District Collector, Kadapa towards compensation/ex-gratia for 597 structures. Out of ₹ 18.00 crore, an amount of ₹ 16.18 crore was paid by District Collector as *ex-gratia* for land acquisition for mining and allied purposes. The Company was intimated (August 2014) that the balance amount of ₹ 1.82 crore along with interest of ₹ 56.56 lakh was remitted (May 2014) to the Sub-treasury Office, Rajampet**.**

It was noted that the Company had neither received the amount nor pursued the recovery of amount with the concerned Department of GoAP. Non-pursuance resulted in blocking up of funds to the extent of ₹ 2.39 crore[129] and consequential loss of interest to the extent of ₹ 57.36 lakh[130] (June 2014 to June 2018).

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[126] Internal roads in APMDC premises in Mangampet and road leading from Arch to Weigh bridge and Weigh bridge to R&B Road.

[127] Worked out @ 6 *per cent*/annum.

[128] ₹ 10.00 crore in April 2012 and ₹ 8.00 crore in August 2012 for 348 structure and 249 structures respectively.

[129] ₹ 1.82 crore plus ₹ 56.56 lakh interest deposited by District Collector in May 2014.

[130] Worked out @ 6 *per cent*/annum.

Government in reply stated (November 2018) that it would look into the matter to clear the amount payable to the Company.

Recommendation:

It is recommended to pursue with the Government agencies at appropriate levels to ensure recovery of dues in a time bound manner.

4.7.3.6 Loss of interest due to non-renewal of Fixed Deposit

The Company invested (31 December 2013) in FD of ₹ 35 crore each in two banks[131] at an interest of 9.25 *per cent* per annum for one year period with maturity date on 31 December 2014. Due to non-finalisation of de-merger plan after bifurcation of State[132] into Telangana and Andhra Pradesh, Government of Telangana directed (October 2014) the banks to freeze all the accounts and FDs of the Company and restricted all the transactions on these bank accounts. Resultantly, upon maturity of FDs, all the banks, except one *viz*., Punjab & Sindh Bank, renewed the FDs on the due dates. The Company, being the custodian of the original documents of FDs, was required to monitor the maturity dates of FDs to ensure timely renewal, as there was no possibility to encash the FDs due to freezing of the bank accounts and FDs. The FD of ₹ 35 crore made in Punjab and Sind Bank was matured on 31 December 2014 and the Bank transferred the amount to Company's Current Account without renewing on the grounds that it did not receive any communication from the Company for renewal. The Company noticed this lapse belatedly *i.e*., after 292 days from the date of maturity and advised the Bank to convert the same amount into FD from the original maturity date i.e., 31 December 2014. The Bank, however, refused to renew retrospectively and paid 4 *per cent* interest instead of at the prevailing 8.5 *per cent* from 31 December 2014. The Bank had renewed the said amount as FD with effect from 19 October 2015 (after delay of 292 days).

Thus, due to lack of monitoring the renewal of FDs and failure to get the renewal immediately upon maturity, the Company suffered loss of interest of ₹ 1.48 crore[133].

Government in reply stated (November 2018) that the Bank was pursued to pay the prevailing interest rate for FD for which the Bank authorities assured that the matter would be referred to higher authorities to consider the case favourably.

Reply was not acceptable. The Company had not monitored the maturity of the FD and had not pursued till 19 October 2015.

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[131] Punjab and Sind Bank and Indian Overseas Bank.

[132] Under Andhra Pradesh Reorganisation Act, 2014.

[133] (₹ 38.35 crore * ((8.5-4 *per cent*) * 292 days / 365 days) + (₹ 38.35 crore * (8.5-7.25 *per cent*) * (365-292) / 365 days).

Section A (Part-II)
Chapter-V
Compliance Audit
(Non-Power Sector PSUs)

Chapter-V

COMPLIANCE AUDIT

Andhra Pradesh State Housing Corporation Limited

5.1 Wasteful expenditure on establishing Housing Information Centres

Andhra Pradesh State Housing Corporation Limited (Company) established the Housing Information Centres in the entire State without assessing the possibility of the beneficiaries approaching the HICs for enquiries. Due to this, the Company incurred a wasteful expenditure of ₹ 16.77 crore towards monthly payments to the agency.

In the review meeting (21 May 2013) of State Council for Development of Scheduled Castes and Schedule Tribes, the Minister for Housing, GoAP desired to create Housing Information Centres (HICs) at the Assembly Constituency level with a dedicated officer who can operate computer and inform the status of houses sanctioned, payments etc., throughout the day to all the beneficiaries and public representatives who come to the office.

The Company issued a circular[134] (May 2013) wherein it was decided to outsource the activity of creation and handling of HICs at Constituency level to M/s.M.K.Enterprises (Agency), which was acting as outsourcing agent for supply of manpower to the Company. The remuneration fixed was ₹ 20,000 per month[135] per HIC. The main objective of HIC was to answer queries of all the beneficiaries and general public regarding sanction of houses, release of payments etc., by verifying the housing website. Further, as per the circular, performance of the Agency has to be reviewed after three months and renewed for the subsequent quarters based on the performance.

The Company entered (July 2013) into an agreement with the Agency for establishing and handling HICs at 261 locations (Assembly Constituency level in erstwhile combined State of Andhra Pradesh). The agreement was entered into for an initial period of one year from the date of agreement and was extendable for further periods with mutual consent. The Company decided (June 2013) to set up HICs at Mandal level also, and entrusted the work to the same Agency for the same remuneration and requested (July & August 2013) the GoAP for approval. GoAP approved (September 2013) the request of the Company. Accordingly, the Company established 850 HICs at Mandal level also and entered (November 2013) into a supplementary agreement with the Agency. The period of the supplementary agreement was for one year from the date of establishing HICs at Mandal level. Subsequently, based on the

[134] Company issued an Order Proc.No.6954/A6(2)/2013 dated 25 May 2013. The Orders stipulated the role and responsibilities of the Information Assistant of HIC. As per the agreement with the Agency,the terms and conditions set out in the above order are agreed to execute HIC Management Services.

[135] Including wages to the Information Assistant, maintenance of all infrastructure including net connection charges, printing and stationery charges, etc.

instructions of Minister for Housing in a review meeting (January 2014), the Company directed all its Project Directors to give wide publicity to create awareness about HICs. Company also directed to submit a consolidated functioning report of all HICs by end of every month to the Head Office. The Company however, decided to close all HICs, as all the Project Directors in a meeting (June 2014) with expressed that HICs are not in full use and unanimously agreed to dispense HICs with immediate effect. Further, the Company also decided to close HICs due to its financial crisis. Company, issued notice (July 2014) to the Agency to dispense and close all the HICs. Accordingly, all the HICs at Constituency and Mandal level were closed. The Company had incurred a total expenditure of ₹ 16.77 crore towards monthly payments to the Agency during the period from July 2013 to June 2014.

Audit observed that the Company had established HICs in the entire State in one phase without assessing the possibility of the beneficiaries approaching the HICs for enquiries. This was evident from the fact that the Project Directors in a meeting (June 2014) expressed that the HICs were not useful and unanimously agreed to dispense with HICs immediately. Audit also observed that the Company had appointed the Agency on nomination basis and fixed the monthly charges per HIC without proper analysis of the cost involved. Audit further observed that the Agency had not provided any data on how many visitors made enquiries with the HICs. Though the Agency was to be paid based on the daily work log report of the Information Assistant and was to submit suitable MIS Report to the Company while claiming service charges, no such reports were submitted by the Agency. Also, the payments were made by the Company merely on the basis of a statement showing operation of HICs.

Thus, by not carrying out any assessment of the usefulness of the HICs before establishing, making payments without any MIS Reports and ultimately closing them, the very purpose for which the HICs were established was not served. This resulted in wasteful expenditure of ₹ 16.77 crore by the Company.

Government in reply stated (November 2018) that HICs were established as per the decision of Hon'ble Minister for Housing. They further stated regarding performance of HICs that the number of beneficiaries who approached HICs and details of their requests were entered in a register at the Unit level, and the information was submitted to the Head Office every month and payments were made to the Agency accordingly.

However, the Company did not produce information on beneficiaries/ general public who had approached HICs for information. Further, Company had maintained only the information on functioning of computers and number of hours worked by Computer Assistants in the HICs. Thus, due to not carrying out any assessment before establishing the HICs, the Company had closed the HICs within one year after incurring expenditure of ₹ 16.77 crore.

Section - B :
Departments and Entities (other than PSUs) under Economic Sector

Section - B :
Chapter – I
Overview of Economic Sector

Chapter-I

Overview of Economic Sector

1.1 Introduction

This Report covers matters arising out of audit of State Government Departments and Autonomous Bodies under the Economic Sector.

For the purpose of administration in Andhra Pradesh, there are 30 Departments at the Secretariat level headed by Special Chief Secretaries/Principal Secretaries/Secretaries who are assisted by Commissioners, Directors and sub-ordinate officers. This Report covers the functioning of 10 Departments of the Economic Sector *viz*., Agriculture, Cooperation & Rain Shadow Areas Development; Animal Husbandry & Fisheries; Energy, Infrastructure & Investment; Environment, Forests, Science & Technology; Industries & Commerce; Information Technology, Electronics & Communications; Water Resources; Public Enterprises; Roads & Buildings; and Tourism, Art & Culture.

1.2 Trend of expenditure

During the year 2017-18, Economic Sector accounted for 18.3 *per cent* (₹25,166.35 crore) of the total expenditure (₹1,37,494 crore) of the Government of AP. Of the total expenditure of ₹25,166.35 crore incurred by 10 Departments during 2017-18, a major portion (85 *per cent*) was incurred by four top spending Departments. These were Water Resources (36 *per cent*); Agriculture & Cooperation (24 *per cent*); Energy (16 *per cent*); and Roads & Buildings (9 *per cent*). Expenditure incurred by 10 Departments under Economic Sector during the last five years is given in Table 1.1:

Table 1.1: Table showing expenditure incurred by Economic Sector Departments

(*₹ in crore*)

S. No.	Name of the Department	2013-14	2014-15*	2015-16	2016-17	2017-18	Sectoral Allocation (in *per cent*)
1	Agriculture[136] and Cooperation Rain Shadow Area Development	2874.65	9258.24	3868.44	6687.98	6036.24	23.99
2	Animal Husbandry and Fisheries	839.18	715.35	933.49	1235.73	1371.42	5.45
3	Energy, Infrastructure & Investment[137]	7553.28	14476.96	3852.32	11838.45	3948.72	15.69
4	Environment, Forests, Science and Technology	399.56	290.60	307.23	305.30	352.20	1.40
5	Industries and Commerce	705.66	2464.64	398.95	711.34	1549.01	6.15
6	Information Technology, Electronics and Communications	155.10	127.02	402.56	330.34	302.28	1.20

[136] The expenditure of Agriculture, Rain Shadow Area Development is covered under Grant No. XXVII – Agriculture and the expenditure of Co-operation Department is covered under Grant No. XXX.

[137] These figures represent the expenditure on Energy only. The expenditure on Infrastructure & Investment is covered under Grant No. XI- Roads, Buildings and Ports.

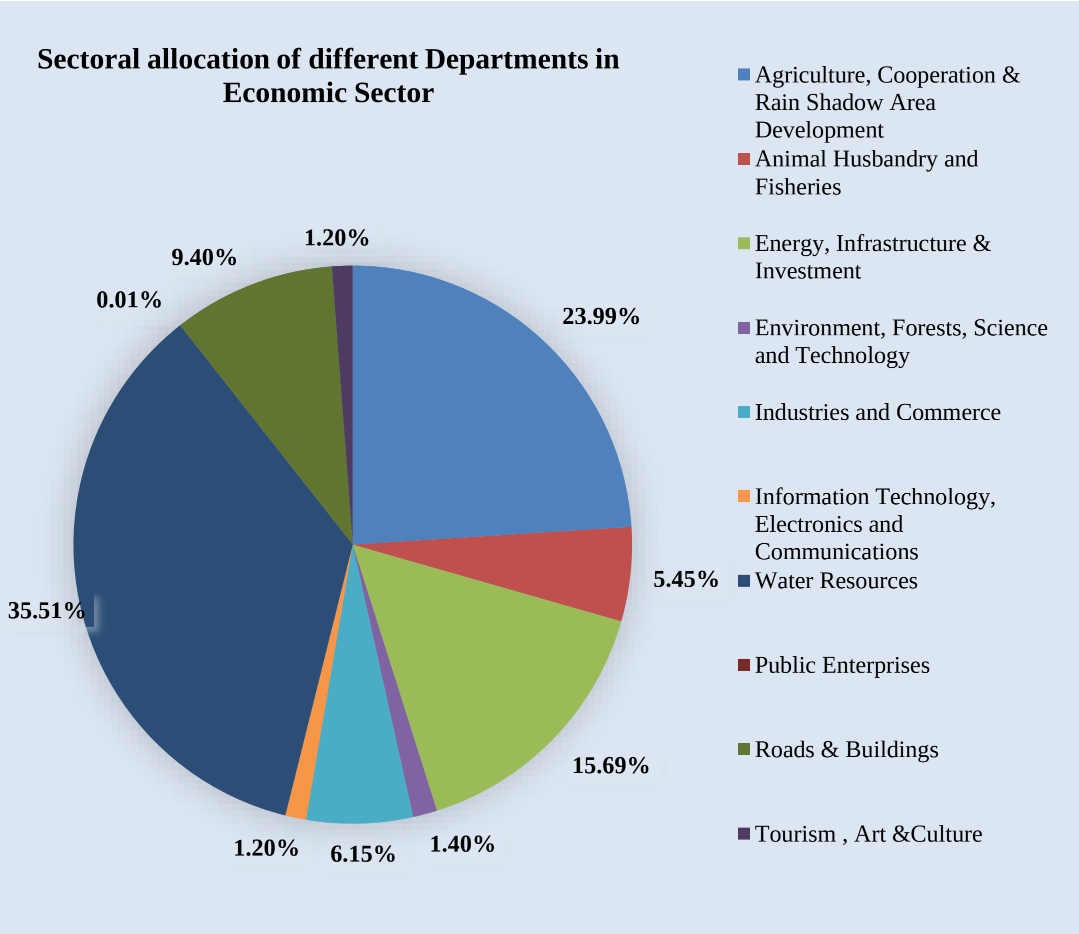
S. No.	Name of the Department	2013-14	2014-15*	2015-16	2016-17	2017-18	Sectoral Allocation (in *per cent*)
7	Water Resources[138]	18760.67	9378.12	9596.41	10637.24	8936.59	35.51
8	Public Enterprises	1.44	1.22	0.87	1.53	1.84	0.01
9	Roads & Buildings[139]	4948.75	5969.18	4076.03	3469.82	2366.31	9.40
10	Tourism, Art and Culture	146.95	149.85	200.36	111.44	301.74	1.20
Total		**36385.24**	**42831.18**	**23636.66**	**35329.17**	**25166.35**	

*(**Source:** Appropriation Accounts of Government of Andhra Pradesh for the relevant years)*

* *These figures represent the expenditure figures of the erstwhile composite AP State from 01 April 2014 to 01 June 2014 and of residuary AP State from 02 June 2014 to 31 March 2015.*

The sectoral allocation of expenditure in Economic Services Sector during 2017-18 is shown in Chart 1.1.

Chart 1.1–Sectoral allocation under Economic Sector



Analysis of outlays in Economic Sector showed the following trends:

- The outlay of the Government in Economic Sector decreased in 2017-18 by 29 *per cent* over previous year (2016-17). The decrease was mainly in respect of Departments of Energy (67 *per cent*), Roads & Buildings (32 *per cent*) and Water Resources (16 *per cent*).

138 Formerly the Irrigation & Command Area Development Department.
139 These figures also include the expenditure on Infrastructure & Investment.

- With regard to Energy sector, there was a spike in 2016-17 due to government investments of ₹8,256 crore in Power Distribution Companies under the UDAY scheme[140]. In 2017-18, the expenditure under this sector returned to normal pattern.
- In respect of Roads & Buildings and Water Resources sectors, the reduction in expenditure was mainly due to transfer (March 2018) of capital expenditure of ₹4,634.47 crore incurred during the year on certain works/ projects to the AP Water Resources Development Corporation and the AP Road Development Corporation against the market borrowings raised (2017-18) by these corporations with 100 *per cent* risk weighted guarantees given by the State.

Other sectors like Agriculture & Cooperation; Animal Husbandry & Fisheries; and Information Technology, Electronics & Communications registered a decrease in expenditure compared to that of 2016-17.

1.3 Authority for Audit

Comptroller and Auditor General of India (CAG) derives authority for audit from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG audits Economic Sector departments of the Government as per the following:

- ***Audit of expenditure*** as per Section 13[141] of the DPC Act;
- ***Financial audit*** of four autonomous bodies (ABs)[142] under Economic Sector, as per Sections 19(2)[143], 19(3)[144] and 20(1)[145] of the DPC Act; and
- ***Audit of other ABs,*** which are substantially funded by the Government, as per Section 14[146] of the DPC Act.

Auditing Standards and Regulations on Audit and Accounts - 2007 of the CAG, lay down the principles and methodologies for audits.

[140] Government of India launched (November 2015) Ujwal DISCOM Assurance Yojana (UDAY) scheme under which the State Government was to take over 75 *per cent* of outstanding debt of the DISCOMs and transfer this sum to the DISCOMs in the form of grant (50 *per cent*), loan (25 *per cent*) and equity (25 *per cent*).

[141] Departments delivering economic services, which include (i) General Economic Services; (ii) Agriculture and allied services; (iii) Industry and Minerals; (iv) Water and Power Development; and (v) Transport and Communications.

[142] AP Electricity Regulatory Commission (APERC) under Section 19(2), AP Khadi and Village Industries Board (APKVIB) under Section 19(3), Environment Protection Training and Research Institute (EPTRI) under Section 20(1) and AP Compensatory Afforestation Fund Management and Planning Authority (AP State CAMPA) under Section 20(1) of DPC Act.

[143] Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

[144] Audit of accounts of Corporations (not being companies) established by or under law made by the State Legislature in accordance with the provisions of respective legislations.

[145] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

[146] Audit of all receipts and expenditure of (i) any body or authority substantially financed by grants or loans from the Consolidated Fund and (ii) any body or authority where the grants or loans to such body or authority from the Consolidated Fund in a financial year is not less than ₹ one crore.

1.4 About this Report

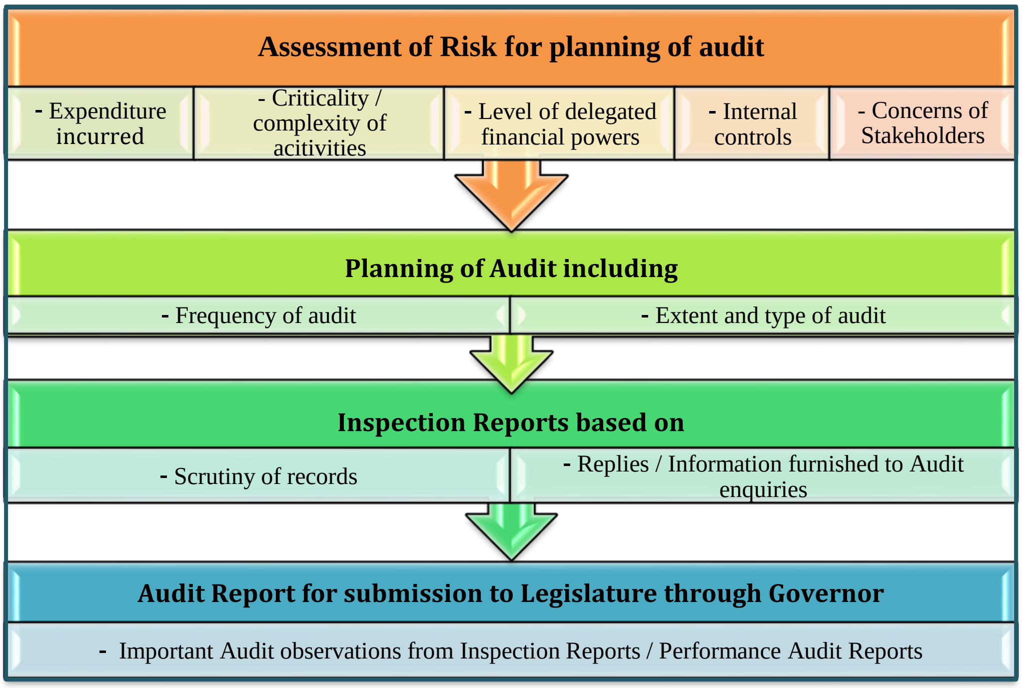
Primary purpose of Audit Reports is to bring important results of audit to the notice of the State Legislature. Audit findings enable the executive to take corrective action in cases of lapses / deficiencies. They also help to frame directives for better governance.

This Report on Economic Sector relates to matters arising from Performance Audit[147] and Compliance Audit[148] of selected programs and activities of Departments coming under Economic Sector.

1.5 Planning and conduct of audit

The following flow chart depicts planning and conduct of audit:

Chart 1.2: Planning and conduct of audit



Audit conducted inspection of various Departments / Organisations under the Economic Sector in 2017-18 and issued 95 Inspection Reports with 580 paragraphs.

1.6 Response of Government Departments to Audit

1.6.1 Response to past Inspection Reports

The following process is adopted in respect of Inspection Reports:

- Principal Accountant General (PAG) issues Inspection Reports (IRs) to

[147] Performance Audit examines whether the objectives of the programme / activity / Department are achieved economically, efficiently and effectively.

[148] Compliance Audit covers examination of transactions relating to expenditure of audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

the heads of offices inspected with a copy to the next higher authority.

- Heads of offices and next higher authorities are required to rectify the defects and omissions mentioned in IRs and report compliance to PAG.
- Half yearly reports of pending IRs are sent to Secretaries of Departments concerned to monitor outstanding audit observations.

As of 30 September 2018, there were 2,443 IRs consisting of 8,461 paragraphs, issued up to March 2018, which were not settled (Department wise break up is given in ***Annexure-6***). Of these, Audit did not receive even first replies in respect of 3067 paragraphs in 575IRs (year-wise break up is given in ***Annexure-7***).

Out of the 10 Departments under Economic Sector, Water Resources Department (1135 IRs with 3417 paragraphs) and Agriculture, Cooperation & Rain Shadow Area Development Department (469 IRs with 1,892 paragraphs) had highest number of unsettled audit observations as of 30 September 2018. Of these, 464 IRs with 936 paragraphs on Water Resources Department and 190 IRs with 369 paragraphs on Agriculture, Cooperation and Rain Shadow Area Development Department were outstanding for more than ten years.

Important audit observations arising out of these Inspection Reports are processed further for inclusion in Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying before the State Legislature.

Audit recommends that the Government may strengthen procedures to ensure:

a) prompt action by officers to send replies to IRs/paragraphs as per the prescribed time schedule;

b) recovery of loss/outstanding advances/over payments in a time bound manner.

1.6.2 Response to Performance Audit and Compliance Audit reports

Audit forwarded one performance audit and three compliance audit paragraphs to the Special Chief Secretaries/Principal Secretaries/Secretaries of the Departments during October - November 2018. Government responses received thereto have been suitably incorporated in the Report.

1.6.3 Response to recommendations of the Public Accounts Committee

The Finance and Planning Department had issued (May 1995) instructions to all Administrative Departments to submit Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) relating to the paragraphs contained in Audit Reports. The Departments were to submit ATNs within six months. All the Departments have furnished ATNs as of 30 November 2018, except Water Resources and Animal Husbandry, Dairy Development & Fisheries Department in respect of eight[149] recommendations.

[149] Water Resources Department – 6 ATNs and Animal Husbandry, Dairy Development and Fisheries – 2 ATNs.

Section - B

Chapter - II

Performance Audit

Chapter-II

Performance Audit

Agriculture and Cooperation Department; and Animal Husbandry, Dairy Development and Fisheries Department

2. Implementation of Rashtriya Krishi Vikas Yojana

2.1 Introduction

Agriculture supports over 50 *per cent* of the rural households and thereby plays a vital role in India's economy. Concerned by sharp decline in growth in Agricultural Sector after the mid-1990s, mainly due to consistent decrease in investment in the Sector by the State Governments, the Government of India (GoI)[150] launched (2007-08) the Rashtriya Krishi Vikas Yojana (RKVY). The scheme was aimed at achieving annual growth rate of four *per cent* in Agricultural Sector during XI Plan period by ensuring holistic development in agriculture and allied sectors. GoI later extended the Scheme to XII Plan period (2012-13 to 2016-17) with the aim of achieving and sustaining the desired annual growth rate. The Scheme was further extended upto 2019-20 as 'RKVY-Raftaar – Remunerative approach for agriculture and allied sector rejuvenation'. Upto 2014-15, GoI provided 100 *per cent* assistance under Special Additional Central Assistance and from 2015-16 onwards, GoI had been providing 60 *per cent* assistance as Centrally Sponsored Scheme and the remaining 40 *per cent* was being provided by State Government. In AP State, the Scheme was being implemented in various agriculture and allied sectors like agriculture, horticulture, animal husbandry, fisheries, etc.

Objectives of the scheme

- To incentivise the States to increase public investment in agriculture and allied sectors;
- To provide flexibility and autonomy to States in the process of planning and executing agriculture and allied sector schemes;
- To ensure the preparation of agriculture plans for the districts and the States based on agro-climatic conditions, availability of technology and natural resources;
- To ensure that the local needs/crops/priorities are better reflected in the agriculture plans of the State;
- To achieve the goal of reducing yield gaps in important crops through focused interventions;
- To maximise returns to the farmers in agriculture and allied sectors; and

[150] Department of Agriculture and Cooperation (DAC), Ministry of Agriculture, GoI.

- To bring about quantifiable changes in the production and productivity of various components of agriculture and allied sectors by addressing them in a holistic manner.

2.2 Process of planning and funds flow

The Agriculture Department, the state level nodal agency for the overall implementation of RKVY, places RKVY project proposals before the State Level Project Screening Committee (SLPSC[151]) which, after thorough verification, sends a copy of the project proposals to GoI[152] for its remarks. The project proposals along with the remarks of GoI are placed before the State Level Sanctioning Committee (SLSC[153]) for approval. Once SLSC sanctions the projects, the GoI releases funds to the State Government. On receipt of funds from GoI, the State Government adds its share and releases funds to the Nodal Agency (Agriculture Department) which in turn releases funds to different implementing departments/agencies.

2.3 Scope and Methodology of Audit

Performance Audit on the implementation of RKVY in the State was conducted covering the four year period from 2014-15[154] to 2017-18. As per the information furnished by the Agriculture Department, 479 projects with an aggregate cost of ₹1302.62 crore were implemented during 2014-18 under twenty sectors in the State and the expenditure thereon at the end of March 2018 was ₹1,116.19 crore[155] (sector wise details in ***Annexure-8***). Of this, three major sectors, *viz* - Agriculture, Animal Husbandry and Horticulture to which 68 *per cent* project cost (₹881.98 crore) was allocated (expenditure: ₹765.04 crore), were selected for audit. In these three sectors, Audit selected four (out of 13) districts (Anantapuramu, Guntur, Krishna and SPSR Nellore) through Stratified Random Sampling method, classifying the districts into four categories[156] based on the total expenditure incurred in the districts on the selected sectors.

The details of the number of projects sanctioned under the three selected sectors (Agriculture, Horticulture and Animal Husbandry) during the four year period 2014-15 to 2017-18 covered in audit, their project cost and the expenditure incurred as of March 2018 are shown in Table 2.1:

151 SLPSC consists of Principal Secretary, State Agriculture Department (chairperson) with heads of agriculture and allied sectors and the State agricultural universities as members.
152 Department of Agriculture and Cooperation (DAC), Ministry of Agriculture.
153 SLSC consists of the Chief Secretary (Chairperson), Principal Secretary, Agricultural and Cooperation Department (Member-Secretary); the Secretaries of Finance, Planning, Panchayat Raj/Rural Development/Water Resources/Irrigation, Secretaries/Directors of agriculture and allied Departments, Representatives of State Agricultural Universities and Representatives of GoI (not below the rank of Joint Secretary) from agriculture and allied sectors and the Planning Commission as its members.
154 i.e., the year in which the State was bifurcated.
155 2014-15: ₹263.54 crore, 2015-16: ₹321.10 crore, 2016-17: ₹370.98 crore and 2017-18: ₹160.57 crore
156 Expenditure of more than ₹80 crore : Anantapuramu district; ₹60 crore to ₹80 crore : Guntur district; ₹40 crore to ₹60 crore : Krishna district; and ₹20 crore to ₹40 crore : SPSR Nellore district

Table 2.1 – Stream wise total projects sanctioned under selected sectors during 2014-15 to 2017-18 and expenditure as of March 2018

(₹ *in crore*)

Stream	*For entire State*			*In Selected districts*		
	No. of projects	***Project cost***	***Expenditure***	***No. of projects***	***Project cost***	***Expenditure***
Production Growth	95	432.61	368.72	67	78.82	61.73
Infrastructure & Assets	114	376.28	327.64	48	95.02	52.03
Sub-Schemes	18	62.88	60.06	3	2.81	1.42
Administrative expenses	0	10.21	8.62	0	0	0
Total	**227**	**881.98**	**765.04**	**118**	**176.65**	**115.18**

*(**Source:** Information furnished by CDA)*

In the four selected districts, 101 projects costing ₹165.18 crore (out of 118 projects costing ₹176.65 crore) were covered in audit. The expenditure incurred thereon was ₹105.56 crore.

Audit was conducted (March - July 2018) through examination of records and obtaining information through audit enquiries at the Commissionerates/ Directorates of Agriculture, Horticulture and Animal Husbandry at State level and their unit offices in the selected districts.

An Entry Conference was held (April 2018) with the Commissioner of Agriculture, Commissioner of Horticulture and Deputy Director of Animal Husbandry wherein the audit objectives, scope and methodology of audit were discussed. An Exit Conference was also held (February 2019) with the Special Chief Secretary, Agriculture and Cooperation Department, Principal Secretary, Animal Husbandry, Dairy Development and Fisheries Department and other officers of the implementing departments to discuss the audit observations.

2.4 Audit objectives

The Performance Audit was conducted with the objective to examine whether:

- Planning of the scheme was efficient and in accordance to the RKVY Guidelines.
- Funds for the scheme were planned and provided timely and in accordance with the guidelines.
- The RKVY scheme was implemented economically, efficiently and effectively and achieved the intended outcomes.

2.5 Sources of Audit criteria

Following were the audit criteria for this Performance Audit:

- Guidelines for RKVY issued (in 2007, 2014 and 2017) by the Ministry of Agriculture, GoI.
- Guidelines issued (March 2008) by the Planning Commission for preparation of Comprehensive District Agriculture Plan (C-DAP Manual);
- Approved State/District Agriculture Plans and State Agriculture

Infrastructure Development Plans;

- Minutes of SLSC Meetings, Detailed Project Reports (DPRs) of the approved Projects; and
- Other Guidelines/Instructions issued by the GoI, GoAP and HoDs for implementation of RKVY.

2.6 Acknowledgement

Audit acknowledges the cooperation extended by the Agriculture, Horticulture and Animal Husbandry Departments during this Performance Audit.

Audit findings

During the period from 2014-15 to 2017-18, ₹1,302.62 crore were released by GoI and GoAP for implementation of RKVY in the State and the expenditure to the end of March 2018 was ₹1,116.19 crore. The year-wise details of releases and expenditure are shown in Table 2.2 below:

Table 2.2 – Details of funds released (funds spent and unspent funds) for the years 2014-15 to 2017-18

(₹ *in crore*)

Year	Amount released for RKVY			Amount spent during the year*	Amount unspent as at the end of each year	Percentage of amount unspent in the year	Date of last UC for full amount[#]
	GoI	GoAP	Total				
2014-15	263.54	0	263.54	244.40	19.14	7.26	28.11.2015
2015-16	192.66	128.44	321.10	90.75	230.35	71.74	14.11.2016
2016-17	222.59	148.39	370.98	112.00	258.98	69.81	02.08.2017
2017-18	208.20	138.80	347.00	160.57	186.43	53.73	04.05.2018
	886.99	**415.63**	**1302.62**	**607.72**	**694.90**	**53.35**	

* *The Department furnished the figures of expenditure incurred to the end of March 2018. The year wise details of expenditure incurred 'during' these years were, however, not furnished. Hence, the above amounts have been worked out based on the amounts of GoI's share remained unspent at the end of each year and revalidated by GoI for the next year.*

[#] *The total expenditure as per the last UC for funds received for each year was - 2014-15: ₹263.54 crore; 2015-16: ₹321.10 crore; 2016-17: ₹370.98 crore and 2017-18: ₹172.09 crore*

*(**Source:** Records of CDA and SAMETI)*

As seen from the above, the State could not fully utilise the funds released in any of the four years. The percentage of unspent balances was abnormally high (ranging between 71.74 *per cent* and 53.73 *per cent*) in three years (2015-16 to 2017-18). The non-utilisation of funds was mainly due to delays in receipt of funds by the implementing departments/agencies and also poor implementation of some of the approved projects (as discussed in Paragraph 2.9 and 2.10 *ibid*) due to non-assessment of farmers' needs and improper planning in infrastructure projects. These issues are detailed in the following paragraphs.

2.7 Planning

2.7.1 Preparation of the State and District Level Plans

RKVY Guidelines - 2007 stipulated that each State shall have comprehensive State Agricultural Plan (SAP) for the Five Year Plan period. SAP is the overall plan of the State aimed towards projecting the requirements for development of agriculture and allied sectors. The SAP is to be prepared by integrating the District Agriculture Plans (DAPs) which are to be prepared for each district duly taking into account the financial requirements of the district and the resources that would be available from various schemes. The SAP will also include the proposals for infrastructure projects. The DAPs/SAP present the vision for development of agriculture and allied sectors.

As per the RKVY guidelines - 2014, the States shall also prepare State Agriculture Infrastructure Development Programme Plan (SAIDP) in similar manner. SAIDP is a shelf of projects proposed under the 'Infrastructure and Assets' stream of RKVY. The SAIDP is a consolidation of the requirements of infrastructure identified in DAPs/SAP.

It was observed that the SAP/DAPs were earlier prepared for XI Plan period, i.e., up to 2011-12. Agricultural Plans for the XII Plan period (2012-13 to 2016-17) were, however, not prepared up to the year 2015-16. It was only in February 2015 that the Commissioner and Director of Agriculture (CDA) had engaged the National Academy of Agricultural Research Management (NAARM) for preparation of SAIDP and the AP Productivity Council (APPC) for preparation of SAP and DAPs, with a stipulation to complete the work in four months. The agencies, however, started the work only after release of advance amount by CDA in June 2015. The agencies submitted the plans for the four years period 2015-19 in February 2016 and the Department approved them in May 2016, i.e., after completion of the year 2015-16. Thus, the scheme was implemented without DAPs/SAP/SAIDP during the period from 2012-13 to 2015-16. Absence of State/District plans indicate that the scheme was implemented without assessing the local requirements for overall development of agriculture and allied sectors.

Government accepted (February 2019) the above audit observation.

2.7.2 Non-assessment of farmers' needs

The Manual on Comprehensive District Agricultural Plans (DAPs) issued (March 2008) by the Planning Commission stipulates the following steps for preparation of Comprehensive DAPs - (1) Gather the statistical profile of the district to understand the strengths, weaknesses, opportunities and threats; (2) Constitute Agricultural Planning Units at Village, Block/Mandal and District levels; (3) At village level, planning should be done in consultation with all sections, especially weaker, women and disadvantaged sections through Gram Sabhas and maintain the record of meetings conducted to assess the needs.

It was observed that the two agencies engaged for preparation of SAIDP/ SAP/DAPs prepared the plans by obtaining inputs from the district/divisional offices of implementing departments through data sheets. There was, however, no record to show that either the agencies or the departmental officers had taken the inputs from the District/Mandal/Village Level Agricultural Planning Units for preparation of the Plans. In the minutes of Gram Sabhas and other village level meetings available with the district, division and mandal level offices in test checked districts also, there was no evidence that inputs from the farmers were sought and obtained for preparation of the Plans. Thus, the State/District agriculture plans were prepared without assessing the farmers' needs in each district.

Due to preparation of the plans without considering the farmers' needs, some of the approved projects were not implemented/poorly implemented in test checked districts, as the farmers did not show interest in them (refer Para 2.9).

Government replied that the issues raised by Audit would be taken care of in future.

2.7.3 Delays in submission, screening and approval of project proposals

Every year, the departments of agriculture and allied sectors prepare Detailed Project Reports (DPRs) for each sub-scheme/component proposed to be taken up under RKVY during the year. The proposals are screened by the State Level Project Screening Committee (SLPSC) and projects are sanctioned by the State Level Sanctioning Committee (SLSC) after which the GoI releases its share of funds to the State in two instalments. On receipt of funds, the GoAP adds its share and releases to the Nodal Agency, which in turn releases funds to the implementing departments/agencies.

For effective and timely implementation of the projects, it was essential that sanction of SLSC for the proposed projects is obtained before the start of the year. GoI also instructed (November 2014) that SLSC should approve projects for next financial year before end of previous financial year. There was, however, no mechanism in the State to ensure timely submission/approval of projects. It was observed that in respect of all the four years (i.e., 2014-18) covered in audit, the SLSC sanctions for the proposed projects were obtained only after the start of the year, as shown in Table 2.3:

Table 2.3 – Dates of screening/sanctioning of projects and release of GoI funds

Year	Dates of receipt of DPRs by Nodal Agency	Dates of SLPSC Meetings	Dates of SLSC Meetings	Dates of release of funds by GoI	
				1st instalment	2nd instalment
2014-15	February to March 2014	13 June 2014	30 July 2014	01 August 2014 01 October 2014	17 December 2014
			09 Sept 2014	01 October 2014 19 February 2015	17 December 2014 26 March 2015
2015-16	May to July 2015	18 May 2015	07 August 2015	09 September 2015 02 December 2015	09 March 2016
			26 February 2016	09 March 2016	
2016-17	April to June 2016	16 June 2016	22 July 2016	19 August 2016	04 January 2017
			24 October 2016	04 January 2017 21 February 2017	--
2017-18	December 2016 to March 2017	06 February 2017	28 April 2017	30 May 2017 27 July 2017	04 January 2018 15 January 2018

*(**Source:** Records of CDA)*

In respect of three out of the four years (2014-15 to 2016-17), the SLSC sanctions were obtained in July/August (i.e., four to five months after the start of the financial year). In respect of the year 2017-18, the SLSC sanction was obtained in April 2017 (nearly one month after the commencement of the financial year). Delays in SLSC meetings were because of the late receipt of project proposals/DPRs from the implementing departments/agencies and the consequent delays in screening of project proposals by the SLPSC. In three years (2014-15 to 2016-17), the DPRs were received by Nodal Agency in first quarter of the year and screening of projects was done only after start of the year (May/June) while in 2017-18, though the screening by SLPSC was done in February 2017 (i.e., before start of the year), the SLSC meeting was held only in April 2017, after receiving all the DPRs.

The sanction of projects by the SLSC after the commencement of the financial year led to delays in receipt of GoI share by one to four months. The State could get the first instalment funds from GoI only in August/September during 2014-15 to 2016-17 and in May during 2017-18.

Delays in screening/sanction of projects and consequent delay in release of funds led to delays in implementation of projects and delivery of benefits to farmers. These issues are detailed in the subsequent paragraphs.

Government, while accepting the audit observation stated that such delays would be avoided in future.

2.8 Financial management

Every year, after receipt of funds from GoI, the State Finance Department adds the State's share and issues Budget Release Order (BRO) for the total amount and accords administrative sanction for drawing the amount. The office of the Commissioner and Director of Agriculture (CDA) draws the amount and adjusts to Personal Deposit (PD) account of Director, State Agricultural Management and Extension Training Institute (SAMETI), who in turn releases funds to different implementing departments/agencies (From August 2017 onwards, the CDA has been directly releasing the funds to implementing departments). The HoDs of the respective sectors release funds to their field offices for implementing the Scheme.

2.8.1 Delays in release of funds to implementing departments

As detailed in Paragraph 2.7.3, the release of scheme funds by GoI was delayed by one to four months in all the four years (2014-15 to 2017-18). It was also observed that even after receipt of funds from GoI, there was further time lag of 64 to 188 days[157] in release of funds by GoAP to the implementing departments. These time lags occurred at various stages – i.e., (i) submission of proposals by CDA and issue of administrative sanction by Finance Department (17 to 83

[157] 2014-15: 71 to 110 days; 2015-16: 71 to 119 days; 2016-17: 64 to 188 days and 2017-18: 98 to 165 days (Department did not submit full details of all the releases for the year 2017-18).

days), (ii) drawal of funds by CDA and crediting in to the PD account of SAMETI (3 to 47 days) and (iii) release of funds by SAMETI to the implementing departments (5 to 151 days).

The first instalments of the funds reached the implementing departments only in November during the three years from 2014-15 to 2016-17 and in September in the year 2017-18. The second instalments could therefore be released to implementing departments only in the subsequent years. This made it difficult for the sectoral departments to implement projects within the year in which they were sanctioned. For example, the Mini Sheep/Goat units and Ksheerasaagar projects under the Animal Husbandry Department were approved by SLSC in July 2014. The funds, however, for these projects reached the implementing department/districts only in February/March 2015 and implementation of these projects commenced only in 2015-16.

Due to non-utilisation of funds released in the respective years during 2014-15 to 2017-18, the State had to carry forward the funds remaining unutilized at the end of the year amounting to ₹19.14 crore, ₹230.35 crore, ₹258.98 crore and ₹186.43 crore respectively, to the subsequent years by obtaining permission of GoI for revalidation.

Government assured to avoid such delay in future.

2.8.2 Diversion of RKVY funds

As per the procedure stipulated in paras 7 to 10 of the RKVY Guidelines, the GoI releases RKVY funds only for the projects approved for the year by the SLSC. The interest earned on the RKVY funds was to be utilised for implementing the RKVY projects only. It was, however, observed that the Director of Animal Husbandry (DAH) had diverted (February 2015 to November 2017) the interest received on RKVY funds amounting to ₹10.41 crore to the State funded schemes and other activities, which did not fall under the approved RKVY projects as under:

- ₹8.21 crore in 2016-17 and 2017-18 to meet the expenditure under the State funded 'Ooruraa Pasu Graasa Kshetralu' programme[158];
- ₹2.00 crore in December 2015 for insuring animals enrolled under Ksheerasaagar scheme taken up with the State Plan funds; and
- ₹0.20 crore paid (February 2015 and July 2017) for other purposes like salary of Veterinary Assistant Surgeon and amounts paid to Animal Welfare Board/societies.

Government, while accepting the above audit observations, replied that out of the ₹10.41 crore diverted, an amount of ₹8.22 crore had been recouped (May 2015/January 2018) and the remaining amount (₹2.19 crore) would be recouped in due course.

[158] Cultivation of fodder involving self help groups/entrepreneurs/organisations.

2.8.3 RKVY funds kept outside Government Account

In the RKVY guidelines, there was no specific provision as to whether the scheme funds were to be operated through Government account, Personal Deposit (PD) Accounts or bank accounts. Rule 7 and Rule 9 of the Andhra Pradesh Treasury Code stipulate that Government servants shall not deposit the moneys withdrawn from the Government Account in a Bank. The Government Order[159] (April 2000) also stipulate that no amounts shall be withdrawn from PD account and kept in banks in order to avoid lapse of funds.

It was observed that there was no uniformity in the procedure followed for operation of RKVY funds by the three test checked departments:

- In Agriculture Department, the SAMETI/CDA and the four test checked District Offices had kept the RKVY funds in PD Accounts. In addition to the PD Accounts, three district offices (Anantapuramu, Nellore and Krishna districts) also operated savings bank accounts for RKVY funds. Joint Director of Agriculture (JDA), Guntur did not furnish the details of bank accounts.
- In Horticulture Department, the Commissioner of Horticulture (CoH) kept the RKVY funds in a PD Account. All the eight Assistant Directors of Horticulture in the test checked districts, however, kept RKVY funds outside the Government Account in savings bank (SB) accounts.
- In Animal Husbandry Department, the DAH maintained a PD Account for receiving the RKVY funds. The DAH was, however, drawing the funds from the PD Account and depositing in to a savings bank account for subsequent utilisation. In all the four test checked districts, the district officers were keeping RKVY funds in savings banks accounts.

At the end of March 2018, unspent funds amounting to ₹35.57 crore were lying in 14 saving bank accounts of the test checked offices of three test checked departments. (Details in ***Annexure-9***).

Keeping the scheme funds outside Government Account was contrary to the provisions of the AP Treasury Code and the Government order dated 22 April 2000 indicating weak internal controls in management of public funds, as withdrawls from bank accounts are not subjected to treasury check.

Government did not furnish any reply to the above audit observation.

Implementation of projects in the selected sectors

In the four selected districts, 118 projects costing ₹176.65 crore (expenditure: ₹115.18 crore) were implemented under the three selected sectors during the four year period. Of these, 101 projects costing ₹165.18 crore (expenditure: ₹105.56 crore) were examined in audit.

[159] GO Ms.No.43 of Finance and Planning (FW:W&M) Department dated 22 April 2000.

Table 2.4 – Details of projects examined in audit

	Number of projects	Project Cost (₹ in crore)	Expenditure (₹ in crore)
Agriculture Department	27	76.22	48.97
Horticulture Department	63	57.56	42.89
Animal Husbandry Department	11	31.40	13.70
Total	***101***	***165.18***	***105.56***

Audit observations on implementation of projects under the selected sectors in the test checked districts are discussed below:

2.9 Projects not implemented/poorly implemented due to non-assessment of farmers' needs

The State had prepared the State/District agriculture plans without assessing the farmers' needs in each district. Further, the RKVY guidelines stipulate that Detailed Project Reports (DPRs) shall be prepared for each of the RKVY projects incorporating all essential ingredients like, feasibility studies, anticipated benefits, timelines for implementation, etc. Audit, however, observed that the DPRs did not contain the details of feasibility studies conducted, if any, to assess the ground level requirements of the farmers in various districts in physical terms and the level of willingness of the farmers to avail the benefits under the proposed projects. There was no evidence in the records of the line departments to show that adequate publicity was given either in Gram Sabhas or through print/electronic media to generate awareness about the projects among the farmers.

- It was noted that due to lack of response from farmers, the line departments failed to implement or inadequately implemented some of the projects proposed by them and approved by the SLSC during the 2014-15 to 2017-18. Audit findings with reference to these projects are detailed in Table 2.5 below:

Table 2.5 – Projects poorly implemented due to lack of response from farmers

S. No.	Audit observations on projects poorly implemented	
	Agriculture Department	
1	***Project: Supply of Seed Storage Bins***	
	Districts: Anantapuramu, Guntur, Krishna and Nellore	
	Total amount allocated : ₹1.32 crore	*Amount spent : Nil*
	The GoAP had been implementing the Seed Village Scheme since 2005 with an objective of increasing the production of certified/foundation seeds locally. To enable the farmers to store the processed seed for use in the next year, the Department had proposed to supply seed storage bins to farmers at 50 *per cent* subsidy under RKVY scheme. It was observed that in the year 2013-14, the Department had targeted supply of 3,980 storage bins to the farmers in the State (cost: ₹1.02 crore). Due to poor response from farmers, however, it could	

S. No.	Audit observations on projects poorly implemented	
	supply only 2,036 bins (expenditure: ₹ 0.52 crore), which was 51 *per cent* of the target. Despite negligible response from farmers, non-achievement of targets in 2013-14 and without analysing the underlying reasons, the Department obtained SLSC sanction (September 2014) again for the year 2014-15 for an amount of ₹ 5 crore for this project. The CDA released (April/ May 2015) the amount to all districts in the State for supply of 19,512 seed storage bins to farmers. Of this, ₹ 1.32 crore was released to the four test checked districts[160] for supply of 5,162 seed storage bins. The test checked district offices, however, could not identify even a single beneficiary as there was no demand from farmers. JDA, Anantapuramu replied that farmers did not prefer seed storage bins as they faced problems in germination of pulses and groundnut seeds when stored in storage bins and they preferred gunny/jute bags which consume less space for storage and were easy for transportation. As per the information furnished by the Department, there was no response from farmers across the State and the achievement was nil for year 2014-15. All the districts returned the unutilized amount of ₹ 5.50 crore (including unutilised amount of ₹ 0.50 crore of the year 2013-14) to the CDA due to non-implementation. In fact, the JDAs of Anantapuramu and Krishna districts stated that they had not sent any proposals for seed storage bins in both the years. This indicates that the project was proposed/implemented without assessing the basic problems of farmers. Government replied that the project was not completed during 2013-14 due to late commencement (February 2014). Government did not offer any reasons for failure of the project during the year 2014-15. It was, however, noted that the project proposals for the year 2014-15 were approved only in September 2014, by which time the low response of farmers and the fact of availability of unutilised funds would have been known to the Department. Proposing the project again in 2014-15 (with higher targets) without assessing or analysing the performance of previous year indicates improper planning in proposing projects/stipulating targets.	
2	***Project: Establishment of Vermi Hatcheries***	
	Districts: Anantapuramu, Krishna, Guntur and Nellore	
	Total amount allocated: ₹ 0.30 crore	*Amount spent : ₹ 0.13 crore*
	Agriculture Department proposed to provide subsidy of ₹ one lakh (50 *per cent* of estimated cost) to farmers for 'Establishment of Vermi Hatcheries'[161] for growing earthworms locally for use in vermi-composting[162]. The Department obtained (July 2014) SLSC sanction for ₹ 1.30 crore (for 130 hatcheries) in the State. The CDA initially allocated (September 2014) 108 hatcheries to the 13 districts and released ₹ 1.08 crore in March 2015. Out of this, 30 hatcheries (amount released: ₹ 0.30 crore) were allotted to the four test checked districts. These districts could identify beneficiaries and implement only 15 units (subsidy paid: ₹ 0.13 crore) as of May 2018 due to lack of response from farmers. Reasons for lack of response from farmers were not on record. It was further noted that the funds of ₹ 0.36 crore allocated for this project previously in 2012-	

160 Anantapuramu: ₹ 79.44 lakh (3100 bins), Krishna: ₹ 16.96 lakh (662 bins), Nellore: ₹ 16.66 lakh (650 bins) and Guntur: ₹ 19.22 lakh (750 bins).

161 A Vermi Hatchery unit comprises of a vermi-bed constructed under a shed, construction of a godown, procurement of a weighing machine, a stitching machine and other implements for facilitating vermi-composting.

162 Vermi-composting is a process where various species of worms are used to convert organic waste into fertilizer.

<table>
<tr><th>S. No.</th><th colspan="2">Audit observations on projects poorly implemented</th></tr>
<tr><td></td><td colspan="2">13 was still available with the four test checked districts pending implementation. Despite this, the Department had again fixed new targets for the year 2014-15 to these districts, which could achieve only 50 per cent of these new targets.</td></tr>
<tr><td></td><td colspan="2">Horticulture Department</td></tr>
<tr><td>3</td><td colspan="2">Project: Shade net houses</td></tr>
<tr><td></td><td colspan="2">Districts: Anantapuramu, Guntur and Krishna</td></tr>
<tr><td></td><td>Total amount allocated: ₹5.55 crore</td><td>Amount spent: ₹0.89 crore</td></tr>
<tr><td></td><td colspan="2">Shade-net houses[163] (SNHs) are used to achieve higher rate of germination and quality of vegetable seedlings and also to facilitate cultivation of vegetables during summer seasons. Under this project for 2014-15, the SLSC sanctioned ₹1.20 crore for providing subsidy to farmers for procurement of SNHs. Under this project, 50 per cent of the cost of SNHs was to be paid as subsidy. The Department was to identify beneficiaries who were willing to install SNHs with the subsidy provided under RKVY.

For 2014-15, the CoH had set a target of 85 units of 200 Sqm. size shade-net houses (SNHs) and 16 units of 1000 Sqm. size SNHs to Anantapuramu and Guntur districts (amount allocated: ₹0.98 crore) to be provided to beneficiaries. Due to lack of response from farmers, the department could identify only 60 beneficiaries for the 200 Sqm. size and 8 beneficiaries for the 1000 Sqm size SNHs, incurring subsidy expenditure of ₹0.42 crore. The Department again set a target of 129 units (₹4.57 crore) of 1000 Sqm. SNHs to Anantapuramu, Guntur and Krishna districts, for 2015-16 to 2017-18. In the absence of adequate number of willing farmers coming forth, however, only 24 units (₹0.47 crore) could be provided. Poor response for this project indicated that the project was sanctioned without assessing the needs/ willingness of the farmers.

Government did not furnish the reasons for lack of response for this project. The ADH, Penukonda replied that the farmers considered 200 Sqm. and 1000 Sqm. as small units and wanted 2000 Sqm./4000 Sqm. SNHs. ADH, Anantapuramu replied that the same project was exhaustively covered under the MIDH[164] and hence could not meet targets under RKVY. The reply confirms the audit finding that the project was included in RKVY without assessing the farmers' needs. Further, repeated inclusion of SNHs of unwanted dimension without assessing the required size dimension of the SNHs in the yearly programmes, indicates improper planning.</td></tr>
<tr><td>4</td><td colspan="2">Project: Farm fresh Vegetables on wheels</td></tr>
<tr><td></td><td colspan="2">Districts: Anantapuramu, Guntur and Krishna</td></tr>
<tr><td></td><td>Total amount allocated: ₹0.62 crore</td><td>Amount spent: ₹0.20 crore</td></tr>
<tr><td></td><td colspan="2">Under this project, the Department proposed to provide 50 per cent subsidy to farmers associations and self help groups for purchasing a van to enable them to sell their farm produce using it as a mobile unit. This was aimed at minimising post harvesting losses, avoid loss of nutritional value of vegetables during transportation and thereby increase the income of farmers. This project was</td></tr>
</table>

163 Shade Net House is a structure enclosed by agro nets or any other woven material to allow required sunlight, moisture and air to pass through the gaps. It creates an appropriate micro climate conducive to the plant growth.
164 Mission for Integrated Development of Horticulture (another Centrally sponsored scheme).

S. No.	Audit observations on projects poorly implemented	
	included under RKVY in all the four years from 2014-15 to 2017-18. During this period, CoH allocated ₹0.62 crore to three out of four test checked districts (Anantapuramu, Krishna and Guntur) for 31 vehicles under the "Farm Fresh Vegetables on Wheels project". There was, however, poor response from farmer groups. Only 10 farmer groups came forward and availed benefit in these districts (subsidy paid: ₹0.20 crore) during 2014-16 as against the total target of 21 units for these two years. Despite non-achievement of targets, the CoH again allotted 10 units to these three districts during 2016-18 and the districts could not identify any beneficiary (April 2018). In Anantapuramu district, the achievement was nil in all the four years (target: 11 units, ₹0.22 crore). Anantapuramu division replied that six vehicles were supplied in 2012-13, but farmer groups did not come forward in 2014-15 in spite of best efforts. Penukonda division replied that the CoH allocated funds for several projects to the Division though not sought/required by them. It is evident from the reply that the project was included and targets were set without assessing the needs of farmers in each district.	
	Animal Husbandry Department	
5	***Projects: Silage Bale making units, Jowar Stover Pelletisation units and Legume Pelletisation units***	
	Districts: Anantapuramu, Guntur, Krishna and Nellore	
	Total amount allocated: ₹9.37 crore	*Amount spent: ₹0.09 crore*
	The livestock in the State face fodder shortage in summer season, forcing the farmers for distress sale of their livestock and bear financial losses. To enhance fodder production, the Department proposed (June 2016) to encourage farmers to set up units to convert Jowar crop residue (stover), Groundnut Crop residue (haulms) and protein rich subabul leaves (which are normally wasted) into pellets, for use as fodder for livestock during summer. SLSC sanctioned (July 2016) ₹15.80 crore to support the Farmers' Producers Organisations (FPOs) in setting up Jowar Stover Pellet Manufacturing units and Legume Pelletisation units with 75 *per cent* subsidy during 2016-17. Similarly, to enhance the availability of dry and green fodder during drought/ cyclone seasons and to increase the milk production, the SLSC accorded sanction (July 2016) for ₹40 crore to support the FPOs/enterprising farmers for setting up silage bale making units[165] with 75 *per cent* subsidy. It was noted that before proposing the projects, the Department did not conduct any study to assess the willingness of farmers to form Farmer Interest Groups (FIGs)/FPOs. In the DPRs (June 2016), the Department proposed to organise farmers into FIGs and FPOs and encourage/sensitise them to set up Silage Bale making units and Jowar Stover/Legume Pelletisation units. The Department had mentioned in the DPRs that a private agency[166] had come forward to train the farmers in the technology, infrastructure procurement and marketing of the product and in nurturing and supporting the FPOs in this aspect. There was, however, nothing on record to indicate that any such agency was involved in providing training to the farmers. As a result, no FPOs were formed in the four test checked districts. As against	

165 Silage is a grass or other green fodder compacted and stored in air tight conditions without first being dried for use during lean seasons. Silage bale making unit (consisting of harvester-cum-chaffer and bales-cum-wrapper) facilitates cutting the silage and making bales.

166 M/s United Phosporous Limited (UPL) with its co-partner M/s Creamline Dairy Products Ltd.

<table>
<tr><th>S. No.</th><th colspan="2">Audit observations on projects poorly implemented</th></tr>
<tr><td></td><td colspan="2">the 30 Jowar Stover Pellatisation units and 30 Legume Pelletisation units allotted to the four test checked districts, the Department could not identify even a single beneficiary. The entire amount of ₹3.61 crore released (October 2017) to these districts remained unutilised in bank accounts of the district offices (June 2018).

Similarly, as against the 60 silage bale making units allocated to these districts, only 13 applications (Anantapuramu: six; Nellore: two; Krishna: five and Guntur: Nil) were received and only one applicant (in Krishna) had procured the unit and availed a subsidy of ₹0.09 crore, as of June 2018. The remaining amount of ₹5.67 crore was lying unutilised with the districts as of June 2018. Audit further observed the following:

• The SLSC accorded sanction (in principle approval) for the Silage Bale making units, Jowar Stover/Legume Pelletisation units in July 2016 with instructions to the Department to provide clarifications on the observations made by GoI on the funding pattern for these projects. The AH Department took nearly six months to submit (February 2017) clarifications to GoI. The GoI communicated approval for the projects in March 2017. Though the Nodal Agency had received the RKVY funds in October 2016, it released funds to the DAH in March 2017, i.e., after getting GoI's approval for the projects. Thus, these projects were not implemented in the year 2016-17. Even after receipt of funds, the DAH allocated physical and financial targets to the districts and released funds for the above projects only in September 2017 (i.e., after six months). Reasons for this delay were not on record.

As per the latest information furnished by Department, no beneficiaries were identified in the State (January 2019) against the target of 97 Jowar Stover Pellatisation units and 97 Legume Pelletisation units. The entire amount of ₹11.66 crore allotted to the State for these two projects remained unutilised.

Government accepted that Jowar Stover/Legume Pelletisation units could not be implemented due to lack of response from farmers. It was further replied that subsidy could be provided for only 58 silage bale making units in the State against the target of 254 units. The reply was, however, silent on the efforts made/proposed for formation of FIGs/FPOs in the State.

Thus, improper planning in launching the projects without assessing farmers' willingness and failure to promote farmer groups led to non-implementation of these projects and the objective of increasing fodder availability during lean seasons had not been achieved.</td></tr>
<tr><td rowspan="3">6</td><td colspan="2">Project: Azolla units</td></tr>
<tr><td colspan="2">Districts: Anantapuramu, Guntur, Krishna and Nellore</td></tr>
<tr><td>Total amount allocated: ₹2.89 crore</td><td>Amount spent: Nil</td></tr>
<tr><td></td><td colspan="2">Azolla[167], which is mainly used as green manure in paddy, has tremendous potential to meet the growing demand for fodder. To produce Azolla on massive scale (for use in fodder pellets) and to provide alternative source of income to farmers, the Department proposed to distribute Azolla culture kits to women farmers with 90 per cent subsidy. GoI approved (March 2017) the project for ₹30.15 crore (83,750 units). The DAH allocated (September 2017) only 32,098 units costing ₹9.39 crore, (₹72.22 lakh for 2,469 units for each district) and released the funds in October 2017. The reasons for delay in allocation of</td></tr>
</table>

[167] Azolla is an aquatic floating fern which is rich in protein, Calcium and Iron and can be used as a bio-fertilizer, a mosquito repellent, a bio-scavenger.

S. No.	Audit observations on projects poorly implemented
	targets/funds to the districts were not on record. In the test checked districts, not even a single beneficiary was identified (total target: 9,876 units) due to lack of response from farmers. Out of the total of ₹2.89 crore allocated to the test checked districts, an amount of ₹0.32 crore was transferred from Krishna district to Prakasam district (for the same project) and ₹2.57 crore remained idle with the district offices (July 2018). It was observed that the project was introduced despite the fact that it was neither included in the District/State Plans. Willingness of farmers was not assessed (either in Gram Sabhas or otherwise) before proposing the project. No awareness was created either in Gram Sabhas or through publicity. Government replied that as against the target of 32,098 units, the achievement was 6,755 units (i.e., 21 *per cent*) with an expenditure of ₹1.98 crore. The reply is, however, silent about reasons for the low achievement even after more than one year since release of funds.

- The five projects mentioned (at S.Nos.4, 5 and 6) in Table 2.5 above were aimed at providing benefits to farmer groups. Before proposing these projects, however, the implementing departments did not assess the existence/status of farmers groups and willingness of farmers to form groups/to avail the proposed benefits. Further, the efforts made by the departments to promote formation of farmers groups and to educate them about the benefits under the proposed projects were also not on record. As a result, the achievement under these projects was extremely poor due to lack of response.

- It was also noticed that in some cases (projects at S.Nos. 1 to 4 in Table 2.5 above), the implementing departments repeatedly included projects in the yearly programmes, allocated targets to the districts despite the fact that the targets for these projects were not achieved in earlier years and funds already allocated were not utilised. Repeated inclusion of projects despite failure to implement them in earlier years indicates improper planning in deployment of RKVY funds. This led to non-implementation of projects and funds allocated to such projects remaining unutilised for long periods.

Due to the failure to implement the above projects, the percentage of funds utilisation under the above mentioned projects in test checked districts was only 6.5 *per cent* (₹1.31 crore) out of the total funds of ₹20.05 crore released which was very poor.

Recommendation:

The implementing departments should ensure that the needs of farmers and the level of their willingness to take benefits are assessed properly before proposing the projects, so as to avoid non-implementation of approved projects at a later stage due to lack of response from farmers.

2.10 Non-implementation of departmental infrastructure projects

During the four year period 2014-18, under the three test checked Sectors in the four test checked districts, the SLSC had accorded approval for construction/ strengthening of 10 Government infrastructure facilities/buildings (total project cost: ₹21.05 crore), aimed at providing essential services to the farming community. Audit noted that due to improper planning, revision of proposals/ costs, abnormal delays in finalisation of lands/estimates and identification of implementing agencies, etc., none of these projects were completed, while some projects did not even commence as of July 2018, as described in Table 2.6:

Table 2.6 – Status of departmental infrastructure projects sanctioned to the test checked districts

<table>
<tr><th>S. No.</th><th colspan="2">Details of the projects and their status</th></tr>
<tr><td></td><td colspan="2">Agriculture Department</td></tr>
<tr><td>1</td><td colspan="2">Establishment of Fertilizer Quality Control (FQC) Labs</td></tr>
<tr><td></td><td colspan="2">Fertilizer is a critical and costly input in farming. To monitor the quality of fertilizers supplied to farmers, the Agriculture Department collects fertilizer samples and tests them in Fertilizer Quality Control (FQC) Laboratories to ensure that they confirm to the prescribed quality standards. The SLSC sanctioned (August 2015/February 2016) construction of new buildings for four FQC Labs (at a total cost of ₹four crore) in Anantapuramu, Guntur, Krishna (later changed to Amaravati in Guntur district) and Nellore districts under RKVY 2015-16.
It was observed, however, that none of these labs were completed/established even after three years of sanction, as detailed below:</td></tr>
<tr><td>(i)</td><td colspan="2">Fertilizer Quality Control Lab at Anantapuramu</td></tr>
<tr><td></td><td>Project cost: ₹1.40 crore</td><td>Expenditure : ₹0.77 crore</td></tr>
<tr><td></td><td colspan="2">The existing FQC Lab at Anantapuramu was situated in a rented building. Initially, the Department obtained SLSC sanction (August 2015) for construction of composite building for FQC lab cum administrative block at a cost of ₹one crore, without identifying the site and without preparing accurate estimates. The CDA allocated (September 2015) these funds to the JDA and instructed to identify land and prepare line estimates for the building. Land for the building was identified in December 2015. Later, the Executing Agency – the AP Education and Welfare Infrastructure Development Corporation (APEWIDC) submitted (February 2016) the work estimate for an amount of ₹1.35 crore. The Department obtained sanction of SLSC for the additional amount of ₹0.40 crore (including ₹5 lakh towards miscellaneous expenses) in July 2016.
Based on the administrative sanction issued (March 2016) by the CDA for ₹one crore, the APEWIDC invited tenders (July 2016) and awarded part of the work (with estimated value of ₹84.18 lakh) to a contractor in December 2016 and the contractor completed (December 2017) the work entrusted. Though the SLSC sanction for the additional amount of ₹0.35 crore was obtained in July 2016, the CDA accorded administrative sanction for the balance work only in March 2017. After inviting fresh tenders, APEWIDC entrusted the balance work to another contractor in July 2017 for completion within four months. But the contractor commenced work after delay of nine months in April 2018 and executed work valuing only ₹5.23 lakh (out of ₹25.58 lakh) as of September 2018 for reasons</td></tr>
</table>

S. No.	Details of the projects and their status	
	not on record. Further, the JDA procured (April 2017) Organic/Bio-fertilizer testing equipment at a cost of ₹9.23 lakh (out of ₹20 lakh sanctioned for this purpose in 2014-15) without completion of the lab building. The equipment could not be put to use due to non-completion of the new building.	
(ii)	***Fertilizer Quality Control Lab at Bapatla***	
	Project cost : ₹1.40 crore	*Expenditure : Not furnished*
	Without identifying the site and without preparing accurate estimate, the Department obtained SLSC sanction (August 2015) for ₹one crore for construction of FQC building at Bapatla. The CDA allocated (September 2015) the funds to JDA, Guntur and instructed to identify land and prepare line estimates for composite lab. The Department took eight months to identify (May 2016) the site for the construction of the building. After preparation of estimate for this work (₹1.40 crore) by the Roads and Buildings (R&B) Department, the sanction of SLSC was obtained for additional amount of ₹0.40 crore in July 2016. The CDA released (April – December 2016) ₹1.40 crore to the JDA, Guntur for construction of FQC Lab. The JDA transferred ₹one crore to the R&B Department in September 2016. Though the JDA stated (September 2018) that the work was in progress, even the details of the agreement, progress of work/expenditure and the reasons for non-completion of work were not available with the JDA indicating that there was no monitoring on the progress of the work by the JDA.	
(iii)	***Fertilizer Quality Control Lab at Amaravati***	
	Project cost : ₹2.82 crore	*Expenditure: ₹0.18 crore*
	The Department initially proposed to construct the FQC lab in Krishna district and obtained (August 2015) sanction of SLSC for ₹one crore for the work. Later, GoAP changed (August 2016) the location to Amaravati in Guntur district. The Department identified the AP Medical Services and Infrastructure Development Corporation (APMSIDC) as the executing agency and concluded a Memorandum of Understanding with it only in January 2017. The APMSIDC submitted (April 2017) an estimate for ₹2.82 crore for the work. The Department obtained additional sanction of SLSC for ₹0.75 crore in April 2017 (SLSC sanction for the remaining amount was yet to be obtained as of August 2018). Though the decision to change the location to Amaravati was made in August 2016, without considering this change, the SAMETI released ₹one crore to the PD Account of JDA, Krishna (instead of JDA, Guntur) in October 2016. JDA, Krishna failed to transfer the funds to JDA, Guntur and ₹one crore kept in PD account lapsed in March 2018. An amount of ₹50 lakh released[168] in the year 2013 for setting up of the FQC lab in a rented building (kept in a savings bank account) was transferred (August 2018) to the executing agency. There was no record to show that the lapsed amount of ₹one crore was redrawn and transferred to executing agency. The JDA also did not furnish details of further funds received, if any, and transferred to APMSIDC. As per the status report obtained (August 2018) by JDA from APMSIDC, in response to an audit enquiry, the work was entrusted to a contractor only in May 2018 and was in progress (expenditure: ₹0.18 crore). Thus, improper planning in firming up the location of FQC/project cost,	

[168] Under the centrally sponsored 'National Project on management of Soil Health and Fertility'.

S. No.	Details of the projects and their status	
	identification of executing agency and release of funds, the commencement of construction of the project approved in August 2015 had been delayed by three years.	
(iv)	***Fertilizer Quality Control Lab at Nellore***	
	Project cost : ₹1.40 crore	*Expenditure: Nil*
	SLSC sanction for construction of FQC building was obtained (February 2016) without identifying the site. After obtaining sanction of SLSC, the CDA allocated (May 2016) ₹one crore to the JDA and instructed to identify land and prepare estimates. Site for construction was, however, allotted after 18 months in December 2017. Meanwhile, the estimated cost of the project was revised and additional sanction for ₹40 lakh was obtained in July 2016. The District Collector approved (December 2017) AP Education and Welfare Infrastructure Development Corporation (APEWIDC) as the executing agency for the work. The amount of ₹one crore (received in October 2016) was, however, not transferred to APEWIDC, before it lapsed in March 2018 due to non-utilisation. The remaining amount of ₹40 lakh (received in August 2017) was lying idle in the PD account of the JDA. No funds were released to the executing agency, *i.e.*, APEWIDC as of June 2018 and the work was yet to be taken up.	
2	***Fertilizer Coding Centre (FCC) at Amaravati***	
	Project cost : ₹1.30 crore	*Expenditure: ₹0.15 crore*
	Fertilizer Coding Centre (FCC) is intended to assign code numbers to the fertilizer samples collected from all over the State. Such coding is aimed to maintain secrecy and to prevent any malpractices while testing. Under the RKVY programme for the year 2015-16, the SLSC sanctioned (August 2015) an amount of ₹one crore for construction of a new FCC for AP at Amaravati, Guntur district. The CDA allocated (September 2015) the funds of ₹one crore and instructed JDA, Guntur to obtain estimates for FCC building. The Department identified the executing agency (APMSIDC) and signed a Memorandum of Understanding in January 2017, i.e., after 15 months. The APMSIDC submitted (April 2017) an estimate for ₹1.30 crore for the work. Department obtained SLSC sanction for the additional amount in April 2017. Meanwhile, the CDA released funds of ₹one crore to the JDA in October 2016. As per the status report of the work furnished (August 2018) by APMSIDC, the work was awarded to a contractor only in May 2018 (i.e., after more than two years from the sanction of the project). Reasons for delay in award of work were not on record. As of August 2018, an expenditure of ₹0.15 crore was incurred. Thus, due to delay in identification of executing agency, preparation of estimates and award of work led to non-completion of the FCC building even after three years.	
3	***DNA Fingerprinting & Transgenic Crops Monitoring Laboratory at Amaravati***	
	Project cost : ₹5.86 crore	*Expenditure: ₹0.20 crore*
	To ensure the quality of the seed supplied to farmers in the State, the Department proposed to set up a DNA Fingerprinting and Transgenic Crops Monitoring Laboratory (DFTCM Lab) with advanced facilities for testing seeds for genetic purity, varietal genuineness, seed health, etc. The SLSC sanctioned (July 2014/ August 2015) an amount of ₹1.50 crore for the year 2014-15 and ₹4.36 crore for the year 2015-16 for establishment of DFTCM Lab at Amaravati.	

S. No.	Details of the projects and their status	
	The CDA released ₹2.87 crore to JDA, Guntur in three instalments (March 2015, May 2016 and March 2017). The JDA transferred ₹two crore to the executing agency - APMSIDC in March 2017. The Department, however, identified the site and handed it over to APMSIDC only in September 2017. APMSIDC entrusted the work to a contractor in July 2018, i.e. after nearly four years from the date of sanction of project. The work was in progress (expenditure: ₹20 lakh) as of August 2018. The delay in identification/handing over of the site had delayed the commencement of work. Thus, the objective of establishment of DFTCM Laboratory in the State has not been achieved even after four years since SLSC sanction.	
4	***Strengthening of State Seed Farm at Ghantasala, Krishna district***	
	Project cost : ₹0.44 crore	*Expenditure : ₹0.02 crore*
	State Seed Farms were established to produce and distribute foundation seed[169] of various crops to farmers. The State had 10 seed farms with an area of 921.56 Ha. Under the RKVY programme for 2017-18, the SLSC sanctioned (April 2017) an amount of ₹12 crore for strengthening of the existing State Seeds Farms across the State. Out of this, an amount of ₹43.75 lakh was allocated for the Seed Farm at Ghantasala in Krishna district. The Department obtained approval (April 2017) of SLSC without proper assessment and accurate estimates of the work. Later, the scope of the project was revised (November 2017) to ₹63.23 lakh with an increase in the cost of fencing, construction of new office building additionally and deletion of construction of godown, for reasons not on record. CDA released funds in December 2017 and the JDA, Krishna addressed the Panchayat Raj Department (PRD) in April 2018 for taking up the civil works. The works were yet to be taken up (July 2018).	
	Horticulture Department	
5	***Establishment of Farmers Training Centres***	
	Farmers Training Centres (FTCs) are intended to provide training to the farmers and field staff on the latest technologies in adoption of high yielding varieties of horticulture crops and farming techniques. SLSC approved (February 2016) the proposal of Horticulture Department for construction of eight FTCs in the State at a total cost of ₹3.20 crore. Of these, two FTCs were proposed in two of the test checked districts – (1) at Kantheru village, Thadikonda Mandal in Guntur district and (2) at Penukonda in Anantapuramu district at a cost of ₹40 lakh each. Audit findings with regard to implementation of this project in these two districts are as follows:	
(i)	***Farmers Training Centre at Penukonda in Anantapuramu district***	
	Project cost : ₹0.40 crore	*Expenditure : Not furnished*
	Mandal Praja Parishad, Penukonda had agreed (May 2016) to provide site for the FTC building within its premises. But, alienation of land was done after six months in November 2016. There were delays in constitution of District Level Committee (DLC) and approval (June 2017) of the plans/ estimates by DLC and directing the Panchayat Raj Department (PRD) to take up the work. PRD	

169 Foundation Seed are produced using the Breeder Seed and are supplied to farmers who in turn use them for producing Certified Seed.

S. No.	Details of the projects and their status	
	entrusted (October 2017) the work to a contractor in October 2017 for ₹30.28 lakh for completion by April 2018. It was observed that only foundations were completed and the work was not in progress. ADH, Penukonda stated that the contractor stopped the work due to increase in cost of materials. The date of stoppage of work, details of expenditure and the action proposed to complete the balance work were not on record. There was also no correspondence between the ADH and the PRD in the matter. This indicates lack of monitoring/ pursuance by the ADH. Thus, while the delays in alienation of land and formation of DLC led to delay in commencement of work, the stoppage of work by the contractor and lack of pursuance by the department led to non-completion of FTC building even after two years. Consequently, the objective of providing training facilities to farmers in the district had not been achieved.	
(ii)	***Farmers Training Centre at Kantheru, Guntur district***	
	Project cost : ₹0.40 crore	*Expenditure : ₹0.17 crore*
	The Department proposed to construct the FTC building in the Horticulture Farm in Kantheru village. Though the SLSC approved the project in February 2016, the Department got the work estimates prepared in August 2016 and obtained approval of District Level Committee for the estimate belatedly in November 2016. The CoH accorded administrative approval and released ₹40 lakh to the ADH in November 2016. ADH released (April 2017/February 2018) ₹20 lakh to the Panchayat Raj Department (PRD). The PRD entrusted the work to a contractor in March 2017 (i.e., after one year from the SLSC sanction) at a cost of ₹33.11 lakh for completion by September 2017. Due to delays in execution by the contractor, this was later extended up to July 2018 (with penalty of ₹0.25 lakh). As per the correspondence made by PRD, work valuing ₹16.59 lakh was completed and was in progress as of May 2018. Thus, while award of work was delayed by one year due to the delays in various stages, the work was not completed due to slow progress by the contractor. The objective of providing training facilities to farmers in the district had not been achieved despite availability of funds.	
	Animal Husbandry Department	
6	***Establishment of State Institute of Animal Disease Investigation and Research***	
	Project cost : ₹5.63 crore	*Expenditure : ₹0.25 crore*
	After the bifurcation of the State, a need was felt for establishing a State level Institute with modern equipment for disease investigations/ diagnostics to cater to the needs of livestock in the residual State of Andhra Pradesh. The SLSC sanctioned (July 2016) ₹5.63 crore for 'Establishment of State Institute of Animal Disease Investigation and Research' (later renamed as Veterinary Biological Research Institute - VBRI) at Vijayawada. The DAH released ₹5.57 crore to the Joint Director, VBRI, Vijayawada in September 2017, that is after more than one year from the date of sanction. This amount included ₹4.17 crore for lab equipment, ₹60 lakh for civil works and ₹80 lakh for recurring expenditure. It was observed that the Technical Committee constituted by Government for finalisation of the site for construction of VBRI recommended (October 2016) that it is advisable to set up the VBRI on 10-15 acres of land so as to accommodate facilities like Effluent Treatment Plant, Bio-waste management facilities for disposal of infected material, animal carcass, etc. The	

S. No.	Details of the projects and their status
	land for construction of VBRI had, however, not been finalised so far (February 2019). The expenditure incurred under the project was only ₹24.94 lakh, that too for procurement of lab equipment (which are being used by the staff of VBRI presently functioning from the Regional Laboratory, Vijayawada). Thus, due to non-finalisation/allotment of site even after two years of sanction, the VBRI had not been established and the funds of ₹5.32 crore remained unutilised. The objective of establishing a fully equipped State level VBRI to cater to the needs of livestock farmers of the residual AP State was yet to be achieved.

Thus, the projects sanctioned during July 2014 to April 2017 had either not commenced so far or had not been completed where it had been commenced. As against the total amount of ₹21.05 crore allotted to the above projects, an expenditure of only ₹1.74 crore had been incurred so far. Due to non-completion/non-commencement of the projects, the objective of creating departmental infrastructure to provide common services to farmers had not been achieved.

Recommendation:

In respect of the departmental infrastructure projects, the implementing departments should initiate the preliminary procedures like selection of site, preparation of detailed estimates, identification of implementing agencies, etc. well in advance so as to avoid delays in commencement/completion of the projects.

2.11 Other deficiencies noticed in implementation of projects

Audit noticed other deficiencies like non-observance of operational guidelines in selection of beneficiaries/sanction of subsidy, improper implementation, etc. in some of the projects, as detailed below:

Horticulture Department

2.11.1 Area Expansion project

Area Expansion project aimed at bringing additional area under identified Fruit crops (Perennial/Non-perennial) / Plantation crops / Spices with improved varieties / hybrids was implemented under RKVY in all the four years covered in audit. The project was to be implemented as per guidelines of the Mission for Integrated Development of Horticulture (MIDH)[170]. Under this component, subsidy ranging from ₹16,000 to ₹50,000 per hectare (based on the type of crop) is given to the beneficiaries. During the four year period (2014-18) ₹22.04 crore was allocated for area expansion in 6,426 Ha against which achievement was 8,778 Ha. This project was implemented in two of the test checked districts (Anantapuramu and Krishna). As against the target of 3,119.30

[170] A centrally sponsored scheme.

Ha (allocation of ₹5.77 crore), the achievement in these districts as of April 2018 was 2,925.54 Ha by incurring an expenditure of ₹5.48 crore.

In these two districts, 3,354 beneficiaries were provided subsidy (₹5.48 crore) for different crops. On test check of files relating to 577 beneficiaries to whom subsidy of ₹1.07 crore was paid during 2014-18, it was observed that the Department, while providing subsidy to the beneficiaries, did not comply with the stipulated guidelines as discussed below:

Absence of Photographs: Guidelines stipulated that the selection of beneficiaries should be done in most transparent manner. Inspection of the fields should be done by the Horticulture Officer (HO) concerned before approval of a beneficiary for area expansion. Department should also maintain proper documentation of various steps (*viz*., land preparation/pitting, planting, etc.) and physical evidence in the form of photographs of the land taken before and after plantation was to be obtained. It was observed that photographs of the vacant land of the beneficiary, taken before sanction of subsidy, were not available in 576 out of the 577 test checked cases. In 111 cases, the photographs taken after plantation were not available. In the absence of photographs there was lack of transparency in the selection of beneficiaries and payment of subsidy.

Out of 466 cases where photographs after plantation were available, in 157 cases, the photographs showed fully grown crops (Banana: 70; Papaya: 51; Pomegranate: 34; and Guava: 2 cases). This indicates that subsidy (₹24.76 lakh) was provided for already existing crops and not for fresh area expansion.

Government replied that there may be chances of photographs missing due to meager staff, heavy work load and also because of absence of farmer at the time of inspection. It was further replied that crops like banana and papaya would be matured at the time of release of payments and that guidelines would be strictly followed in future. The reply is contrary to the fact that photographs were to be taken at the time of plantation and not at the time of making the payment.

2.11.2 Erection of permanent pandals

Under RKVY, subsidy of 50 *per cent* of the expenditure up to ₹one lakh per acre for a maximum of one hectare land was provided to farmers for erection of permanent pandals for creepers such as grapes, gourds, etc. In all the four years from 2014-15 to 2017-18 covered in audit, 1483 Ha (financial: ₹36 crore) was targeted in the State and this was achieved fully. In the four test checked districts, the Department had provided subsidy for permanent Pandals in an area of 666.96 Ha against the target of 825.08 Ha and paid a subsidy of ₹16.94 crore during the period 2014-18.

In two test checked districts (Anantapuramu and Krishna), subsidy of ₹11.34 crore was paid to 921 beneficiaries of which, records relating to 244 beneficiaries to whom a total subsidy of ₹2.72 crore was paid were examined in audit. The deficiencies observed are as follows:

Absence of Inspection Reports and Photographs: The operational guidelines for this project issued by the CoH stipulated that inspection of the fields should be done by the Assistant Director of Horticulture (ADH) before selection of a beneficiary and by the Horticulture Officer (HO) after erection of pandals. Further, the Department should obtain photographs of the land prior to erection of pandals, at all stages of erection and also after completion of erection of pandals.

- Inspection reports before sanction of subsidy were not available in any of the 244 test checked cases. Inspection reports after erection of pandals were also not available in 43 cases.
- The photographs taken in all three stages (*viz*., prior to sanction of subsidy, during and after erection of pandals) were available only in 14 cases. Photographs taken prior to sanction of subsidy/erection of pandals were not available in 208 cases. Of these, in 33 cases, photographs taken after erection of pandals were also not available.

Absence of photographs/inspection reports indicates lack of transparency in selection of beneficiaries/providing subsidy under the project.

Government replied that lack of photographs may be due to meagre staff and absence of the concerned farmer at the time of site visits. The fact, however, was that absence of photographs was contrary to the guidelines. And in the absence of stage wise photographs/inspection reports, there was no assurance that subsidy was provided to only genuine beneficiaries.

2.11.3 Training to farmers

With a view to increasing productivity in horticulture crops, the Department proposed to impart trainings and conduct exposure visits to farmers for capacity building, creating awareness on new techniques, professional upliftment, etc. This component was included under the RKVY programme in all the four years (2014-18) covered in audit. During this period, the target for the four test checked districts was to provide training to 11,669 farmers (funds allocated: ₹1.55 crore). As against this, the districts provided training to 7,822 farmers (i.e., 67 *per cent* of the target) by spending ₹1.02 crore. It was further noted that though the test checked districts could not meet the targets and utilise the amount allocated for trainings fully in the earlier years, the Department had allocated funds again in the subsequent years. For example, as against a target of training of 3,730 farmers in the year 2016-17, the four test checked districts could provide training to only 1,222 farmers and could not utilise an amount of ₹11.31 lakh. Again in 2017-18, these districts were given a target of training 3,672 farmers, against which the districts provided training to only 1,866 farmers with a shortfall of 1,806 farmers.

Government replied that training component is available under other Central and State Plan schemes also and hence the targets were not achieved under RKVY. The consistent shortfalls in achieving targets in training, however, indicate improper planning in proposing this project under RKVY.

Animal Husbandry Department

2.11.4 Calf Rearing (Sunandini) Programme

To increase the milk production in the State, the Department introduced (June 2013) the 'Calf Rearing Programme' (also known as 'Sunandini'). Under this scheme, female calves[171] are enrolled at the age of three-four months. The Department was to supply 260 Kgs of nutritional feed in the first year and 610 Kgs of feed in the second year at 75 *per cent* subsidy to each calf up to 24 months/28 months of age. This was intended to bring early maturity in female calves and increase the number of lactations/milk production. Under the RKVY programme for the year 2014-15, the SLSC accorded sanction for providing the second year feed for the 15,130 calves enrolled in 2013-14.

Audit observed that as against the target of 15,130 calves to which second year feed was to be provided in 2014-15, the DAH released (September 2015) funds (₹5.58 crore) for only 7,447 female calves (i.e., only 49.22 *per cent*) based on the requirements given by district officers. Out of the four test checked districts, the project was implemented in three districts (except Nellore). Audit observed that:

- In case of Anantapuramu district, the DAH accorded sanction for second year feed for only 174 calves (as against 594 calves enrolled in 2013-14) and released funds belatedly in September 2015. JDAH, Anantapuramu, however, did not supply feed to any beneficiary and the amount of ₹13.05 lakh was lying idle in a savings bank account (June 2018).
- In Krishna district, out of the 1,425 calves enrolled in 2013-14, the second year support in 2014-15 was given to 1,381 female calves only, for reasons not on record.
- In Guntur district, though the Department supplied the second year feed to all the 1,710 enrolled calves, only 595 Kgs feed per calf was given instead of the stipulated quantity of 610 Kgs due to increase in the cost of feed.

Non-supply of second year feed to enrolled calves defeated the intended objective of the scheme. The scheme was not continued in the subsequent years for reasons not on record.

Government replied that there was shortfall in providing second year's feed as the beneficiaries did not come forward for the same. This indicates that the Department could not generate awareness among farmers about the benefits of nutritious feed being provided with 75 *per cent* subsidy under the project.

[171] cross bred/graded Murrah female calves born out of artificial insemination.

2.12 Monitoring

In a scheme like RKVY which covers multiple activities/projects involving different implementing departments/agencies, monitoring assumes greater importance for effective utilisation of the scheme funds and achievement of the intended objectives. The following deficiencies were observed in monitoring of the implementation of RKVY:

2.12.1 Monitoring of utilization of RKVY funds

As per RKVY guidelines, every year, the GoI (Department of Agriculture) releases 50 *per cent* of its share of annual allocation as first instalment to the State Government. GoI releases the second installment on submission of utilisation certificates (UCs) for 60 *per cent* of first installment and 100 *per cent* utilisation of previous year's releases. The details of funds released by GoI/GoAP under RKVY during the four years period 2014-18 and the amounts for which UCs were submitted to GoI by the Commissioner & Director of Agriculture (CDA) up to May 2018 are shown in Table 2.7

Table 2.7 – Funds released under RKVY and UCs submitted for the period 2014-18

(₹ *in crore*)

Year	Funds released for RKVY			Amount of UC	Date of last UC
	GoI share	GoAP share	Total		
2014-15	263.54	0	263.54	263.54	28.11.2015
2015-16	192.66	128.44	321.10	321.10	14.11.2016
2016-17	222.59	148.39	370.98	370.98	02.08.2017
2017-18*	208.20	138.80	347.00	172.09	04.05.2018
Total	**886.99**	**415.63**	**1302.62**	**1127.71**	

* *For the year 2017-18, the GoI had released ₹208.20 crore to GoAP. Out of this, an amount of ₹1.69 crore (together with State's share of ₹1.13 crore) was released by GoAP in 2018-19.*

*(**Source:** Records of the Agriculture Department)*

As seen from the above table, the CDA had furnished UCs for ₹1,127.71 crore out of the total funds of ₹1,302.62 crore released by GoI and GoAP under RKVY. There was, however, no assurance that the UCs submitted truly reflect the actual expenditure. As detailed in the preceding paragraphs, the implementing departments did not implement or partially implemented several projects sanctioned for the above mentioned years and the unutilised funds were either lying in PD accounts or bank accounts of implementing agencies. Further, the funds were either surrendered or lapsed after submission of UCs by CDA. Some of such cases are shown in ***Annexure-10.***

It was also noted that:

- There was no mechanism in the CDA to obtain any monthly/quarterly reports from the implementing agencies about the year-wise/project-wise physical and financial targets and achievements and the year-wise funds remaining unutilised with the implementing agencies/districts.

- The PD accounts maintained in the test checked Departments were not exclusive to funds of RKVY but also included funds for other State/Central schemes. These offices did not maintain separate cash books and separate ledgers for RKVY funds. Thus, the balances shown in these ledgers did not reflect accurately the position of unspent balances.

In the absence of proper accounting system and appropriate reporting mechanism, the exact amount of unutilised RKVY funds was difficult to ascertain.

Recommendations:

Government should ensure that appropriate mechanisms are put in place in the implementing departments for proper accounting of the receipts and expenditure of RKVY funds so as to have control over the funds which remain un-utilised.

Government/Nodal Agency/implementing departments should put in place a suitable monitoring mechanism by prescribing/obtaining monthly/quarterly progress reports on the year-wise/project-wise physical/financial targets and achievements.

2.12.2 Review/monitoring by SLSC on RKVY implementation

As per RKVY Guidelines (2014), in addition to sanctioning of projects, the functions of SLSC, inter alia, included monitoring the progress of each project sanctioned by it, review and ensure that the projects/schemes were implemented as per guidelines, undertaking field studies and initiating evaluation studies. The guidelines also stipulated that the SLSC shall meet at least once in a quarter.

It was observed that the SLSC met only seven times during four year period covered in audit as against the minimum of 16 meetings required. As seen from the minutes of these meetings, the SLSC had met only to accord sanctions for projects proposed under RKVY. The minutes contained the overall statistics regarding the progress of implementation of projects by the implementing departments, but did not contain any critical review/discussion about the shortfall in achievements and the reasons thereof. No directions were given by the SLSC on meeting the shortfalls.

Government replied that SLSC reviews the progress of projects of various sectors before approving the project proposals of next year. It was stated that, in future, progress of projects will be indicated in the minutes. While acknowledging the response of the Government, it was noted that the SLSC, while reviewing the projects, needs to also indicate course corrections, where necessary. Reasons for holding such few review meetings of SLSC were not given.

Recommendation:

The State Level Sanctioning Committee should conduct the prescribed number of meetings and also critically review the progress of implementation of the projects and reasons for shortfalls and make efforts to improve the efficiency in the scheme implementation.

2.12.3 RKVY - Management Information System

Ministry of Agriculture, GoI had put in place a web based RKVY Management Information System (MIS) to capture the information relating to the projects approved under RKVY each year, fund releases, physical/financial targets and achievements, outputs, outcomes, etc. and to make the information available for public view. As per guidelines, the nodal agencies of respective States would be responsible for timely submission and updating the data online regularly (preferably on fortnightly basis). From the information available on the RKVY-MIS, it was observed that the Agriculture Department of the GoAP was not uploading/updating the data in the MIS. For example, in the Year wise physical and financial progress report, the data for the year 2014-15 was showing incorrect figures and not updated. The 'Project wise Financial Expenditure Report' for the year 2014-15 (downloaded in October 2018) showed the total expenditure as ₹2968.39 crore, whereas the total funds released and the expenditure for the year was ₹263.54 crore (as per the UC furnished to GoI in November 2015). Data for 2015-16 to 2017-18 was not uploaded. By not uploading and updating the data in the RKVY-MIS, the objective of online monitoring of the Scheme and disclosure of information to the general public was not being achieved.

Government replied that the portal is periodically updated but due to technical problems some parameters were not uploaded. It was, however, observed that the data for years 2015-16 to 2017-18 had not even been uploaded.

2.12.4 Evaluation of RKVY by third party

The RKVY guidelines stipulated that 25 *per cent* of the sanctioned projects shall be taken up for third party evaluation compulsorily, by an agency every year. It was noted that out of the four years covered in audit, the Department got third party evaluation conducted (2015) in respect of only one year, i.e., 2014-15. The Department did not take up any third party evaluation of projects implemented during the next three years (2015-16, 2016-17 and 2017-18). Thus, there was no independent assurance about the effectiveness of the projects implemented in the State under RKVY scheme.

Government did not furnish the reasons for not taking up third party evaluation of projects implemented during 2015-16 to 2017-18.

Recommendation:

The Nodal Agency (Agriculture Department) should expedite third party evaluation of the scheme so as to have independent assurance on the

effectiveness of the projects implemented under the scheme.

2.13 Outcomes of Scheme implementation

The RKVY scheme was launched by GoI with an overall objective of achieving four *per cent* annual growth in Agriculture and allied sectors during XI Plan period. Later, the GoI extended the Scheme up to 2016-17 and again up to 2019-20 with the aim of achieving and sustaining the desired annual growth rate. In achieving this outcome at the National level, the States were required to implement and achieve the objectives set out under the RKVY scheme detailed in Para 2.1 *ibid*.

The Gross State Domestic Product (GSDP) of agriculture and allied sectors and growth rate achieved by the State of Andhra Pradesh during 2014-15 to 2017-18 are as follows:

Table 2.8 - GSDP of agriculture and allied sectors of State and growth rate achieved during 2014-15 to 2017-18

Year*	At current prices		At constant prices (base year 2011-12)		Contribution of the sector to total GSDP of the State (%)
	GSDP (₹ in crore)	Growth rate (%)	GSDP (₹ in crore)	Growth rate (%)	
2014-15	148196	14.92	112200	3.55	27.57
2015-16	172531	16.42	120927	7.78	27.10
2016-17	207881	20.49	138957	14.91	28.22
2017-18	252847	21.63	163635	17.76	29.84

* *2015-16: Second revised estimates; 2016-17: First revised estimates and 2017-18: Advance estimates.*

*(**Source:** Socio-economic Survey 2017-18 published by Planning Department, GoAP)*

As seen from the above table, the overall growth rate of the agriculture and allied sectors for the State was showing steady increase in the last two years. The contribution of the sector to total GSDP was showing healthy trend in the last four years. The contribution of Agriculture Sector to GSDP when compared to the contribution of Horticulture, Livestock and Fisheries sectors to GSDP, was however, showing a negative trend during 2014-15 to 2016-17. On the other hand, the growth rate in horticulture, livestock and fisheries sectors was steady during this period, as shown in Table 2.9:

Table 2.9 – Growth rates achieved in agriculture, horticulture, livestock and fisheries and their contribution to GSDP during 2014-15 to 2017-18

Year*	Agriculture		Horticulture		Livestock		Fishing	
	Growth rate (%)	Contri-bution to GSDP (%)	Growth rate (%)	Contri-bution to GSDP (%)	Growth rate (%)	Contri-bution to GSDP (%)	Growth rate (%)	Contri-bution to GSDP (%)
2014-15	-0.35	8.37	1.81	6.61	4.92	7.66	13.56	4.33
2015-16	-13.16	6.63	5.10	6.34	16.14	8.12	38.93	5.49
2016-17	-7.01	5.59	28.16	7.36	15.71	8.51	26.64	6.30
2017-18	12.30	5.63	17.16	7.74	13.05	8.64	30.84	7.40

*(**Source:** Socio-economic Survey 2017-18 published by Planning Department, GoAP)*

It was also observed that there has been steady decrease in the land under cultivation (net sown area) in the State, which declined from 67.96 lakh Ha in 2010-11 to 60.77 lakh Ha in the year 2016-17[172] (figures for 2017-18 were not yet available). Thus, though the State had been achieving steady overall growth rate in agriculture and allied sectors, the negative growth rate in agriculture per se and the reduction in net sown area indicate that the schemes including RKVY implemented in agriculture sector in the State was not resulting in making cultivation of agriculture crops remunerative to farmers.

Further, the projects implemented under RKVY by various sectors were aimed at reduction in input/operational costs of farmers, increasing the production/ productivity of crops, milk and meat and increasing the income of small and marginal farmers. There was, however, no mechanism in the implementing departments for recording the data of production, yield, income, etc. of the RKVY beneficiaries before and after implementation of the projects. In the absence of this data, the extent of achievement of the intended outcomes of the RKVY projects was difficult to ascertain.

In the Exit Conference, the Government accepted that there was no mechanism to record the specific outcomes of RKVY.

The Gross State Domestic Product (GSDP) of agriculture and allied sectors in the State of Andhra Pradesh during 2014-15 to 2017-18 was ₹5,35,719 crore. In these four years the State had invested a total amount of ₹31,362.22 crore on agriculture and allied sectors. The total outlay on RKVY during this period was ₹1302.62 crore, which works out to 0.24 per cent of GSDP and 4.15 per cent of the total expenditure on agriculture and allied sectors. Thus, the impact of the implementation of RKVY on the agriculture and allied sectors in the state would only be marginal. Even this marginal impact has been undermined by the fact that only 85.69 per cent (₹1,116.19 crore) of the allocated funds were utilized.

[172] Source: Socio-economic Survey 2017-18 – GoAP.

Section - B
Chapter - III
Compliance Audit

Chapter-III

Compliance Audit

Municipal Administration and Urban Development Department
Revenue Department; Water Resources Department and
Panchayat Raj and Rural Development Department

3.1 Preservation of Water Bodies in Andhra Pradesh

3.1.1 Introduction

Water bodies, whether man-made or natural, play a significant role in maintaining ecological balance in addition to catering to the domestic and irrigation water requirements of the people. The water bodies, especially those in and around urban areas, face a threat from rapid urbanization without adequate attention to ecology.

The Honorable Supreme Court of India in a Judgment[173] (July 2001) had held that "It is important to note that material resources of the community like forests, tanks, ponds, hillocks, mountains etc. are nature's bounty. They maintain delicate ecological balance. They need to be protected for proper and healthy environments which enable people to enjoy a quality of life which is essence of the guaranteed right under Article 21 of the Constitution".

The Andhra Pradesh State Water Policy (July 2008), inter alia, aims to maintain and sustain ecological balance by (i) conserving and protecting water bodies and wet lands; (ii) regulating the use of land around water bodies; and (iii) enforcing the recycling of industrial effluents and waste water for secondary uses.

3.1.2 Audit objective, scope and methodology

Audit made an assessment of the status of water bodies in and around urban areas in the State and the adequacy and effectiveness of the existing mechanism in preservation of water bodies. Out of the 110 urban local bodies (ULBs) in the State, Audit shortlisted 37 ULBs having more than 20 *per cent* growth in population (during 1981 to 2011). Out of these, Audit selected six ULBs[174] on random sampling method after stratifying them in to three regions[175]. In the selected ULBs, Audit selected 37 (out of the 128) water bodies for detailed study. In addition, 37 (out of 55) water bodies in the villages adjacent to selected ULBs were also covered in audit. Audit conducted joint physical verification of all the 74 selected water bodies[176] and examined (August -

[173] In Hinch Lal Tiwari Vs Kamala Devi and others – Case No. Appeal (Civil) 4787 of 2001.

[174] North Andhra: Srikakulam Municipal Corporation and Vizianagaram Municipality; Coastal Andhra: Vijayawada Municipal Corporation and Markapur Municipality; and Rayalaseema: Nagari and Pulivendula municipalities.

[175] North Andhra, Coastal Andhra and Rayalaseema.

[176] Vijayawada Town-5, adjacent villages-5; Vizianagaram Town-8, villages-10; Srikakulam Town-13, villages-14; Markapur Town-1, villages-2; Pulivendula Town-1, villages-4; Nagari Town-9, villages-2.

September 2018) the relevant records in the Revenue, Municipal Administration, Stamps & Registration and Water Resources Departments covering the activities of the five year period from 2013-14 to 2017-18. Records of the AP Pollution Control Board were also examined.

Audit findings are detailed below:

Audit findings

3.1.3 Encroachments of water bodies

During the joint physical verification of the selected water bodies, Audit observed the following:

- Out of the 74 tanks[177] taken as sample, it was noted in 34 tanks that the areas marked as tank bed as per the respective Revenue/Town survey records were encroached. As per the Revenue records, the total extent of these 34 tanks was 1466.94 acres. As per the visual assessment of the officials of the ULBs/Revenue Department during the joint physical verification, an approximate area of 132.03 acres was encroached in these 34 tanks (details in ***Annexure-11***). Of these, 25 tanks (out of 37 test checked) were under the five ULBs and 9 tanks (out of 37 test checked) were in villages adjacent to five ULBs.
- Out of these 34 encroached tanks, five tanks[178] (total extent of 25.21 acres) under two ULBs did not physically exist as the entire area over these tanks was fully encroached.

Encroachments/road in Kummari Cheruvu in Vijayawada city

Encroachments of the tank at Sy.No.149-1 in Srikakulam town

- Most of the encroachments of these tanks were in the form of unauthorised residential colonies/houses, shops, etc. by private individuals and the respective ULBs/government agencies had provided all infrastructure facilities like roads, water/electricity connections, sewerage drains, etc. to these areas.

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177 37 tanks in the selected ULBs and 37 tanks in the adjacent villages.

178 Kummari Cheruvu (6.79 acres), Gunadala Cheruvu (3.04 acres) & Nalla Cheruvu (Patamata) (5.30 acres) in Vijayawada city; Budamaiah tank (4.79 acres) & tank in Choudary Satyanaraya Colony (Sy.No.149-1) (5.29 acres) in Srikakulam town.

- The encroachments included structures constructed by the ULBs/ Government agencies. For example, in Nalla Cheruvu in Patamata area of Vijayawada city, an indoor stadium and a Rythu Bazaar were constructed. Similarly, a Zilla Parishad High School, a Gram Panchayat Building, an Anganwadi Kendra, an overhead tank and an Effluent Treatment Plant in Gundrajakuppam area of Nagari Municipality were constructed on the water body areas.

Indoor stadium built in Nalla Cheruvu in Patamata area of Vijayawada city

Rythu Bazaar in Nalla Cheruvu in Patamata area of Vijayawada city

Anganwadi Kendra built in a tank in Gundrajakuppam area of Nagari town

Panchayat office in a tank in Gundrajakuppam area of Nagari town

- The encroachments in the above 34 tanks took place over a period of time and the ULBs/Revenue Department did not have any record of the period of encroachments.

- The total extent of encroachments in these tanks has not been assessed, as the Revenue Department had not undertaken any physical survey in the recent times. The last physical surveys/measurements in different ULBs and villages were conducted long back during 1906 to 1956.

It was observed that in the absence of a strategy and institutional mechanism in the State to protect the water bodies there was laxity on the part of the stake holder departments/agencies, which had led to encroachments of water bodies. No initiatives were taken to protect these water bodies for maintaining the ecological balance. These issues are detailed in the following paragraphs:

3.1.4 Absence of a strategy and effective institutional mechanism for protection of water bodies

The growing urbanisation brings with it the inherent risk of encroachments and degradation of water bodies in and around the urban areas. In order to counter such a risk, it was essential for the State Government to formulate a comprehensive strategy for protection of water bodies and implement it effectively by putting in place an appropriate institutional mechanism clearly demarcating the roles/responsibilities of the various stake holding departments and organisations.

It was, however, noted that the State did not have a strategic plan for protection of water bodies from encroachments and degradation. The test checked ULBs stated that no guidelines on protection of water bodies had been issued so far by the Government.

It was also observed that the existing institutional mechanism in the State is inadequate and ineffective in protecting water bodies, as detailed below:

3.1.4.1 Role of Revenue Department

The Revenue Department was responsible for protection of all Government lands including water bodies and maintenance of land records in the State.

(i) Failure to prevent/evict encroachments/encroachers: Preventing encroachment and eviction of encroachers is the responsibility of the Revenue department (S.No.27 of the Job Chart of Tahsildars). While the encroachments occurred in the test checked water bodies over long period, the Revenue Department had failed to take note of the issue and prevent/evict the encroachments/encroachers. The last physical surveys/measurements of the test checked tanks were conducted by Revenue Department decades ago during the years 1906 to 1956[179]. The test checked Mandal Revenue Officers (MROs) replied that action would be taken/notices would be issued for eviction of encroachments. The fact remains that the Department had not even made any efforts to identify the extent of encroachments and for protection of the water bodies from encroachers.

[179] Last survey was conducted - Vijayawada Urban in the year 1935; Vijayawada Rural in 1927 (Ramavarappadu), 1928 (Jakkampudi) & 1956 (Nunna); Markapur in 1907; Nagari in 1906; and Pulivendula in 1906. The Mandal Revenue Officers of Vizianagaram and Srikakulam did not furnish the years of last survey conducted.

(ii) Issue of pattas to encroachers: Instead of evicting the encroachments, the Revenue Department on the contrary had issued D-Form Pattas[180] for a total extent of 28.52 acres to the weaker sections of the society in four test checked water bodies[181]. The Department, however, had not furnished the details as to how many pattas were issued and when they were issued.

Government did not furnish any reply on the above audit observations.

3.1.4.2 Role of the Municipal Administration Department

The Urban Local Bodies (ULBs), i.e., the Municipalities and Municipal Corporations are responsible for regulation of land use under their jurisdiction. Rule-11 of the AP Land Development (Layout and Sub-division) Rules[182] stipulated that no building/land development shall be approved in the bed of the water bodies and in the Full Tank Level (FTL) of any lake, pond, cheruvu, kunta, etc. It further stipulated that the water bodies shall be maintained as Green Buffer Zones and no building activity or land development shall be carried out within 30 meters from the FTL boundary of lakes/tanks if the FTL area of the lake/pond is 10 Ha and above and 9 meters if the FTL boundary of Lakes/tanks area is less than 10Ha. Further, as per Section 405 of the Hyderabad Municipal Corporation Act, the Municipal Commissioner may without notice, cause to be removed any fixture erected or set up in or upon or over any street, open channel, drain, well or tank contrary to the provisions of the Act. Thus, the ULBs were required to regulate/control the encroachments/ misuse of water bodies falling under their jurisdiction.

It was however observed that:

- Encroachments were found in 25 out of the 37 test checked water bodies in the six selected ULBs. Three out of the five tanks under Vijayawada ULB and two out of ten test checked tanks under Srikakulam ULB were fully encroached. It was observed that no action for prevention/eviction of encroachments/encroachers of water bodies under their jurisdiction was taken by any of these ULBs.
- The ULBs had also provided/allowed public utilities like roads, community halls, Anganwadi Kendra, etc. in the encroached tank areas under Vijayawada, Srikakulam, Vizianagaram and Nagari ULBs. When the encroachments of water bodies was pointed out in audit, the Municipal Commissioners (MC) of Vijayawada and Srikakulam accepted and stated that the encroachments had taken place long time ago. MC, Vizianagaram stated that public utilities were provided as per Municipal Council resolutions/Government decisions. The reply was contrary to the AP Land

[180] DKT or Darakastu Patta is issued, on application, to landless poor at free of cost.
[181] An extent of 6.79 acres in Kummari Cheruvu in Gunadala of Vijayawada; 5.00 acres in Pedda tank in Alikam village near Srikakulam; 0.10 acre in Chinna Cheruvu in Srikakulam town; 16.63 acres in the tank in Achhavelli village near Pulivendula.
[182] Issued vide GO. Ms No. 275 of MA&UD (H) Department, dated 18.7.2017.

Development Rules which stipulated that no building/land development shall be approved in the bed/FTL of the water bodies.

- The encroachments in the above mentioned 25 tanks were not only within the FTL boundaries but also in the buffer zones of the tanks. It was observed that a multi storied building close to the Buditi tank in Vizianagaram town limits was constructed which indicated that the ULB had failed to maintain the green buffer zone stipulated in the AP Land Development Rules.
- GoAP, on the directions of the Honourable High Court of Andhra Pradesh[183], had constituted Watchdog Committees at the District level vide orders[184] dated March 2007 to protect the water bodies and tank beds from encroachments. The Committees consist of the Joint Collector as Member/Convener and Regional Director of Municipal Administration, District Panchayat Officer and others as members. The Committees were to identify the water bodies and tank beds in the district and review the status/position of each water body/tank bed every month and submit quarterly report to the Government. There was, however, no evidence/ record of functioning of Watchdog Committees found in the test checked offices.

As per the AP State Water Policy (2008), the State was to ensure that appropriate modern technology is utilized in development and management of water resources. This included development of modern knowledge base using GIS, Remote Sensing MIS Tools, etc. The Water Resources Department geo-tagged water tanks in the State under its control. In the test checked ULBs, however, no such geo-tagging or geo-mapping was done of the water bodies under the jurisdiction of these ULBs. The details of water bodies were also not put in the public domain for creating awareness among general public. Thus, there was no evidence of use of modern technology for protection of water sources in ULBs. Government did not furnish any reply on this observation. In August 2013, the Ministry of Urban Development, Government of India had issued an advisory[185] on Conservation and Restoration of Water Bodies in Urban Areas for use/guidance of State Governments/ULBs. Audit observed that the test checked ULBs did not take any action on the suggestions made in the GoI advisory, as detailed below:

- As per the advisory the ULBs should notify the water bodies in the municipal land use records as municipal assets showing the location, extent of area of the water body, etc. None of the test checked ULBs had,

[183] In WP No.2493 of 2006.
[184] GO Rt. No. 386, dated 21.3.2007 of Municipal Administration &Urban Development Department.
[185] Prepared by the Central Public Health and Environmental Engineering Organisation (CPHEEO), the technical wing of the Ministry of Urban Development, GoI.

however, notified the water bodies under their jurisdiction as municipal assets so far.

- As per the advisory, shoreline fencing is to be erected to prevent encroachment of water bodies. No action was, however, taken by the ULBs for fencing around the test checked water bodies. Non-erection of fencing around the water bodies was one of the main reasons for their encroachments.

Payakapuram tank without bund/fencing and filled with plants

Encroachments in Payakapuram tank in Vijayawada

- GoI advisory stipulates that a Storm Water Management plan of each city should be prepared and water bodies around should be taken into consideration to receive such storm water. No such plans were, however, prepared in any of the test checked ULBs.

The above observations indicate that the Municipal Administration Department/ ULBs did not make any efforts to implement the advisory issued by GoI and to protect the water bodies under their jurisdiction.

Government replied (March 2019) that measures were being taken for preservation of water bodies in various ULBs in the State, but did not furnish the details of measures being taken. Further, the reply was silent on the above-mentioned audit observations which indicate absence of any action taken by the Municipal Administration Department/ULBs for protection of water bodies from encroachments.

3.1.4.3 Role of the Water, Land and Trees Authority in preservation of Water Bodies

For protection and conservation of water sources, land and environment, the GoAP had enacted (2002) the AP Water Land & Trees (APWALT) Act. Under this Act, GoAP had constituted (2002) the AP Water Land & Trees Authority at State level. The function of the Authority, *inter-alia*, was to take measures for protection of water bodies in the State including prevention/eviction of encroachments in water bodies. It was observed that the Authority had largely been non-functional on these issues, as detailed below:

- The Authority consists of the Minister of Panchayat Raj & Rural Development as ex-officio Chairperson, Chief Secretary as Vice Chairperson, Secretary, Panchayat Raj & Rural Development as Member Secretary, three nominated members from State Legislative Assembly, seven ex-officio members (Secretaries of Agriculture, Water Resources, Municipal Administration, Rural Water Supply, Panchayat Raj and Environment, Forests, Science & Technology Departments, and Vice Chancellor of Acharya NG Ranga University) and other nominated members (three professors from Universities, three experts in the field of water & soil conservation and economics, and not more than five non-official members interested in conservation of natural resources). As per the APWALT Rules 2004, the term of office of the nominated members of the Authority shall be three years (except field experts whose term is two years) from the date of their appointment. As per the records produced to Audit, however, the Authority was last reconstituted in December 2004. Even after the State bifurcation (2014), the reconstituted Authority has not been notified. Thus, it can be concluded that the State Authority does not exist.
- As per the Act, the Authority shall meet at least once in three months. As the Government had not re-constituted the Authority, no meetings had taken place (as against 20 meetings required) during the period 2013-18.
- The District, Divisional and Mandal level authorities had not been formed as envisaged in the Act.
- The Act stipulated that the Authority shall take all measures (including issuing guidelines) to permanently demarcate the boundaries of water bodies through the Departments/Organizations concerned and shall take measures to prevent and evict encroachments. The Act also provided that the Designated Officers appointed by the Authority shall have powers to prevent and evict encroachments in the demarcated area of water bodies. Due to the non-existence of the Authority at State Level and also at District/Mandal level, none of these measures were taken to protect the water bodies in the State.

Thus, the stakeholder departments/organizations were lax in carrying out the mandate of protecting the water bodies in the State, and had failed to prevent/evict encroachment/encroachers of water bodies. Due to the inaction of all stakeholders, there is a continued risk of further encroachments/degradation of water bodies with consequential ecological imbalances.

Government did not furnish any reply on the above audit observations.

3.1.5 Pollution in water bodies

Para 3.5.3 of AP State Water Policy provided that adequate measures must be taken to ensure prevention of pollution of the water bodies. Efforts should be undertaken to control pollution from industrial, domestic and other sources that pose threat to public health and ecosystems.

Further, as per the APWALT Act, 2002, no undesirable waste including liquid waste shall be allowed to be dumped in the water bodies by any person or organization. It also stipulated that anyone who pollutes a water body shall be punishable with imprisonment of one to six months or with fine ranging from ₹2,000 to ₹50,000 or both. In addition to that, the cost of its repairs or remedying shall also be recovered as arrears of Land Revenue.

Following were the audit observations:

3.1.5.1 Pollution from domestic sewage

During joint physical verification, Audit observed that 14 test checked water bodies[186] were affected by pollution from domestic sewage generated in Vizianagaram, Srikakulam, Nagari, Markapur and Pulivendula municipal areas. Though the ULBs are responsible for laying the sewage lines/drains and treatment of sewage in the area under their jurisdiction, it was observed that Vizianagaram, Srikakulam, Nagari and Markapur municipalities did not have Sewage Treatment Plants (STPs). The untreated sewage in these ULBs was being let into the local tanks, thereby increasing the risk to the public health and the ecology. This indicates that the ULBs failed to adhere to the provisions of AP State Water Policy and the APWALT Act with regard to controlling pollution in these water bodies.

Government replied (March 2019) that construction of STPs had been taken up in 101 ULBs including Srikakulam, Vizianagaram, Markapur and Nagari ULBs and were expected to be completed by end of 2019/June 2020.

[186] Buditi Tank, Kittanna Koneru, Nalla Tank, Yerra Tank, Ayya Koneru, Big Tank, Dalayya Cheruvu in Vizianagaram municipal limits; and Mandal Tank, PN Colony Tank in Srikakulam municipal limits; Markapur Tank in Markapur municipal limits; Nagari tank in Nagari municipal limits and Ullimella Tank in Pulivendula municipal limits; Surapu Karra Cheruvu in Thandemvalasa village near Srikakulam; and Mangadu Tank in Mangadu village near Nagari town.

3.1.5.2 Industrial Pollution

Effluents of dyeing units flowing through municipal drains into Nagari tank

(i) It was observed that two tanks (Nagari Tank under Nagari municipal limits and Mangadu Tank in Mangadu village near Nagari town) were also being polluted due to discharge of effluents of dyeing units existing in and around Nagari town flowing through municipal drains into these tanks. After several complaints raised by locals (during the years 1999, 2000 and 2001) about ground water pollution caused by the dyeing units, a Common Effluent Treatment Plant (CETP) was set up (in 2014) to treat the effluents generated by these dyeing units. Even after four years, however, the AP Pollution Control Board (APPCB) and the District/Municipal administration could not ensure that all the dyeing units were connected to the CETP. There is also no consistency between the Nagari Municipality and the APPCB regarding the data of the dyeing units operating and those connected/not connected to the CETP. As per the latest information furnished (August 2019) by the Nagari Municipality, there are 100 manual dyeing units in and around Nagari town out of which 63 were connected to CETP and the remaining 37 units were not connected to CETP and were causing water pollution. On the other hand, the APPCB stated (July 2019) that there are 93 manual dyeing units in the area out of which 80 units were connected to CETP and 13 were not connected.

It was also observed that there are 11 mechanical dyeing units in this area which were not connected to the CETP but have installed ETPs within their premises. These units, however, were releasing untreated effluents into the municipal drains. The APPCB issued (February 2018) directions to these mechanical dyeing industries to achieve zero liquid discharge (ZLD) within three months. Only four units have achieved ZLD so far.

APPCB replied that closure orders were issued to the manual dying units that were not connected to CETP. The ULB, on the other hand, replied that water/power supply was not disconnected to these units and licenses not cancelled and that the units were being persuaded to take connection to CETP. As regards ZLD requirement of the remaining mechanical dyeing units, the APPCB/ULB replied that work was in progress in the remaining industries.

The details of quantity of untreated effluents released by the manual/ mechanical dyeing units were not furnished by the ULB/APPCB. As per the assessment made by the APPCB in the year 2015, the dyeing units in and around Nagari town generate about 3.80 million litres per day (MLD) of effluents as against the 4 MLD capacity of the CETP constructed. As per the reply furnished by the APPCB (May 2019), however, the CETP was receiving only 1.2 MLD of effluents, indicating that large quantities of untreated effluents were being released into municipal drains. As a result, pollution in these two tanks was not arrested posing continued risk to the public and environment.

(ii) The Water (Prevention and Control of Pollution) Act, 1974 and the Environment (Protection) Act, 1986 and rules made thereunder give the APPCB a predominant role in monitoring compliance to the provisions of these laws and rules by industries, municipal authorities, hospitals, etc. As per the Advisory issued (August 2013) by the Ministry of Urban Development, GoI on Conservation and Restoration of Water Bodies in Urban Areas, the water quality of water body needs to be monitored on weekly basis by the ULBs. It was, however, observed that neither the ULBs nor the APPCB had conducted any tests on the quality of water in the test checked water bodies, except in case of Nagari and Mangadu tanks, during the period covered in audit. In fact, the Regional Offices of APPCB at Vijayawada and Vizianagaram did not even have the information about the water bodies existing under their jurisdiction. In the last five years, the APPCB had conducted water quality test only once in Nagari tank (in February 2017) and twice in Mangadu tank (in February and June 2017). In respect of Mangadu tank, the Water Resources Department had also got the water tested in April 2018. The test results were found to be beyond the permissible quality norms stipulated for drinking water in respect of parameters like pH, electro-conductivity, Total Dissolved Solids (TDS), Alkalinity, hardness, chloride, etc. From these test results, it was seen that the water quality in Mangadu tank had deteriorated further as compared to the results of tests conducted earlier by APPCB in February and June 2017, as shown below:

Quality parameter	Norm as per BIS-10500	Result as per the test report of		
		APPCB - February 2017	APPCB - June 2017	WR Department - April 2018
pH	6.5 to 8.5	7.8	7.7	8.9(4.7%)
TDS	500 to 2000 mg/ltr.	3001	5586	11929(496.45%)
Alkalinity	200 to 600 mg/ltr.	--	--	1100(83.33%)
Hardness	200 to 600 mg/ltr.	--	--	950(58.33%)
Chloride	200 to 1000 mg/ltr.	--	2050	4560(356%)
BOD	2 to 3 mg/ltr.	--	72mg/ltr.	--

As seen from the above table, the pH has increased from 7.8 to 8.9, while the TDS increased abnormally from 3001 to 11929, during this period (February 2017 to April 2018). Further, out of the three tests conducted in Mangadu tank, the Biochemical Oxygen Demand (BOD) was tested only once (in June 2017 by APPCB). The test result showed that the BOD was 72 mg/ltr., which is way beyond the norm of 2 to 3 mg/ltr. prescribed by the Central Pollution Control Board for various water uses.

In Nagari tank also, the test results (February 2017) showed TDS of 3370 mg/ltr., which is beyond the prescribed water quality norms.

Thus, while non-conducting of water quality in majority of water bodies by the ULBs/APPCB indicate poor monitoring, the test results of Nagari and Mangadu tanks indicate that the action taken by the Nagari Municipality and the APPCB to prevent pollution in these two tanks was not adequate.

After the above issue was brought to notice by Audit, the APPCB conducted (January/March 2019) water quality tests in seven tanks in Vizianagaram ULB and one tank in Srikakulam ULB and confirmed that water in these tanks was contaminated and was not fit for drinking/bathing purposes. The Municipal Administration Department and the APPCB did not furnish any reply on non-conducting of periodical water quality tests in various water bodies under the ULBs.

(iii) As per GoI Advisory on Conservation and Restoration of Water Bodies in Urban Areas, solid waste dumping should be made punishable offence. For collection of solid waste, collection bins need to be placed around the water body and regular cleaning of solid waste should be undertaken. It was, however, observed that garbage/solid waste was being dumped and burnt on the bunds of five water bodies[187]. In the case of Markapur tank under Markapur municipality, dumping of solid wastes generated by industrial units on the bund of the water body was observed. Dumping of solid waste not only results in environmental pollution but also causes degradation of water body.

Solid wastes dumped in Markapur tank by slate making units

The Srikakulam and Vizianagaram ULBs replied that they did not receive any instructions to comply with the GoI's advisory. The other ULBs did not furnish the details of action taken to implement the GoI's advisory.

The above observations indicate that no efforts were made by the Municipal Administration Department to implement the advisory issued by GoI on protection of water bodies. Further, adequate measures were not taken by the ULBs/APPCB to monitor and control the pollution in the water bodies, posing health risk to the general public.

[187] Kundavari Kandrika under Vijayawada ULB; Sri Srinivasa Nagar tank (Sy.No. 396) under Srikakulam ULB; Burgula tank, Jangamvani Cheruvu and Pulliah tank in Nunna area near Vijayawada.

Government did not furnish any reply on the above audit observation.

3.1.6 Conclusion

The State did not have any comprehensive strategy for protection of water bodies from encroachments and degradation. Encroachments were observed in 34 out of the 74 test checked tanks. Of these, five tanks did not physically exist as the entire area under these tanks was fully encroached. The encroachments included structures constructed by the ULBs/Government agencies. The institutional mechanism existing in the State for preventing and evicting encroachments was inadequate and ineffective as the stakeholder departments /organizations, viz., the Revenue Department, the ULBs and the APWALT Authority, were found to be lax in protecting the water bodies in the State, and had failed to prevent/evict encroachment of water bodies. The ULBs/AP Pollution Control Board did not take adequate measures to monitor and control the pollution in the water bodies, posing health risk to the general public and environment. Due to the inaction of these stakeholders, there is a continued risk of further encroachments/degradation of water bodies with consequential ecological imbalances.

Water Resources Department

3.2 Avoidable extra expenditure

The standards of financial propriety enunciated in Article-3 of the AP Financial Code (APFC) (Volume-I) stipulate that every Government servant is expected to exercise the same diligence and care in respect of all expenditure of public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. Further, Article 4 of APFC stipulates that it is the duty of every Government servant to be constantly watchful to see that the best possible value is obtained for all public funds spent and to guard against every kind of wasteful expenditure.

Audit[188] of two Divisions[189] of Handri Niva Sujala Sravanthi (HNSS) project, revealed cases of non-observance of the above principles of financial wisdom resulting in avoidable/unwarranted extra expenditure from public funds, as detailed below:

(a) Unwarranted extra expenditure of ₹6.19 crore

By failing to incorporate the tender conditions in the terms and conditions of the Agreement, the Department made additional payment of ₹6.19 crore to the contractor and gave him undue benefit, for tunnel excavation work in the Pungunur Branch Canal work (Package 59A) under HNSS Project (Phase-II).

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[188] During August - October 2018.

[189] Offices of Executive Engineers, HNSS Division No.12, Kuppam (Chittoor District) and HNSS Division No.8, Penukonda (Ananthapuramu District).

As part of the HNSS Project Phase-II, the Water Resources Department had entrusted (December 2015) the balance work[190] of 'Excavation of Pungunur Branch Canal from Km 150.00 to Km 173.00 including construction of structures and tunnel and formation of summer storage tank at Chipili and Guntivaripalli villages for drinking water supply to Madanapalle Municipality in Chittoor District' (Package 59 A) to a contractor[191] for ₹160.52 crore. The work was scheduled to be completed within 12 months, i.e. by December 2016. The work was delayed due to delays in land acquisition, finalization of designs, etc. and the Department granted extension of time on four occasions, the last extension was up to 31 December 2018. The Department later entrusted (November 2017) some additional works costing ₹42.12 crore to the contractor due to increase in scope of work. As of September 2018, the work was in progress and an amount of ₹152.80 crore was paid to the contractor.

During audit (September 2018) of the HNSS Division No.12, Kuppam, it was observed that:

The work involved (i) excavation of open canal of about four kilometers[192] including cross masonry/drainage structures, (ii) excavation of tunnel (including adit[193]) for a length of 2.78 kilometres[194]; and (iii) Construction of two summer storage tanks at Chipili and Guntivaripalli. As per the construction programme included in the agreement, the contractor had agreed to complete the excavation of tunnel in the first two quarters (in 180 days) i.e., by June 2016 and cement concrete lining to the tunnel was to be completed during second to fourth quarter (i.e. by December 2016). Within six days of signing the agreement, the contractor represented (05 January 2016) to the Department stating that the rate worked out by the Department was for tunnel excavation using drilling jumbo[195] and that the total time required for tunnel excavation with drilling jumbo would be 330 days as against agreed time of 180 days. The contractor further stated that unless boomers[196] are deployed, it was not possible to complete the tunnel within the stipulated period of six months (180 days) and sought higher rates for tunnel excavation work. Concurrently, the contractor had started the adit excavation in January 2016 and the tunnel excavation in March 2016 by deploying boomers and completed the excavation work by September 2016.

190 Originally the work was entrusted to another contractor for ₹69.91 crore in August 2007 for completion in three years. Due to delays in land acquisition the agency had backed out of the contract after executing 48 *per cent* work. The balance work is now entrusted.

191 M/s Rithwik Projects Pvt. Ltd.

192 The original work entrusted to the first contractor consisted of 24 Km canal which included tunnel portion. The balance work entrusted to this contractor consisted of the unfinished portion of about 4 Km canal and also the tunnel which was not taken up by the first contractor.

193 Adit is a horizontal or near horizontal passageway from the ground surface into an underground tunnel. Adit is used as an auxiliary entry to the main tunnel and for ventilation, dewatering, etc.

194 As per the agreement, tunnel was to be excavated from Km 152.000 to Km 155.000 (i.e., three kilometers) was contemplated. After finalization of the canal/tunnel alignments, the actual length of tunnel excavated was 2.511 Km and the length of adit excavated was 0.267 Km.

195 A Drilling jumbo or drill jumbo is a rock drilling machine. Drilling jumbos are usually used in underground mining, if mining is done by drilling and blasting. They are also used in tunneling, if rock hardness prevents use of tunneling machines.

196 Drilling rig for tunneling and mining applications.

The contractor, however, gave further representations to the Department in July 2016 and April 2017 seeking higher rates. In January 2018, the Chief Engineer, NTR TGP, Tirupati (CE) submitted the proposal to Government recommending for acceptance of the contractor's request for additional payment towards the differential cost of excavation with Boomer as against that of Jumbo Jack Hammer[197]. Government accepted (July 2018) the proposal and accordingly, the Department paid (September 2018) an additional amount of ₹6.19 crore to the contractor.

It was observed that while calling for tenders, the Department stipulated a pre-condition that the bidders should possess three Boomers/Jumbo drillers and the contractor also gave an undertaking to this effect. In the terms and conditions of the agreement, however, the Department did not specify the use of these and instead the description of this item was mentioned as 'excavation of tunnel by tunneling methods', without indicating if the drilling was to be done using Boomers or Jumbo drillers. Notwithstanding this by signing the agreement, the contractor had agreed to complete the tunnel excavation in six months. Thus, there was a legal obligation on part of the contractor to complete the work within the agreed timeframe. Therefore, accepting the contractor's request for additional payment on account of usage of boomers for completing the work within 180 days, instead of insisting the contractor to abide by the agreement conditions, was unjustified and resulted in avoidable additional payment of ₹6.19 crore to contractor and undue favour to him.

Government replied (March 2019) that in the estimates prepared for the work while tendering, the rate for tunnel excavation was worked out considering conventional method (i.e. using Jumbo jack hammer). Excavation with this method would require 330 days for completing the tunnel excavation as against the stipulated period of 180 days. To complete the tunnel in six months, the contractor deployed boomers as instructed by the department and hence the differential cost was paid to contractor. The fact, however, remains that while calling for tenders, possession of Boomers (drilling rig for tunnel/mining)/ Jumbo drillers (rock driller) was a pre-condition. This contradicts the Government reply that the rates envisaged use of a conventional Jack hammer (pneumatic drill) for excavating the tunnel.

The contractor had quoted his price for execution of tunnel work within six months as already stipulated in the agreement. Hence, allowing the higher rates was unwarranted and contrary to the principles of financial propriety. This resulted in additional burden of ₹6.19 crore on the public exchequer and undue favour to contractor.

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[197] A jack hammer (Pneumatic drill) is a pneumatic or electro-mechanical tool that combines a hammer directly with a chisel. It is generally used like a hammer to break the hard surface or rock.

(b) Avoidable extra financial burden of ₹4.87 crore due to rejection of discount offer of contractor on supplemental work

In the work of Pungunur Branch Canal from Km 20.00 to Km 30.00 (Package No.25 - Balance work) under HNSS project (Phase-II), rejection of the beneficial offer of existing contractor to execute the supplemental work with 12.69 per cent discount and award of the work through tenders at a premium had resulted in avoidable extra financial burden of ₹4.87 crore on the Government.

The Water Resources Department entrusted (February 2016) part of work[198] of 'Excavation of Punganuru Branch Canal from Km 20.00 to Km 30.00 including formation of Cherlopally Reservoir under HNSS Project Phase-II in Anantapuramu district" (Package No.25 - balance work) to a contractor[199] for ₹69.78 crore with tender discount of 12.69 *per cent*.

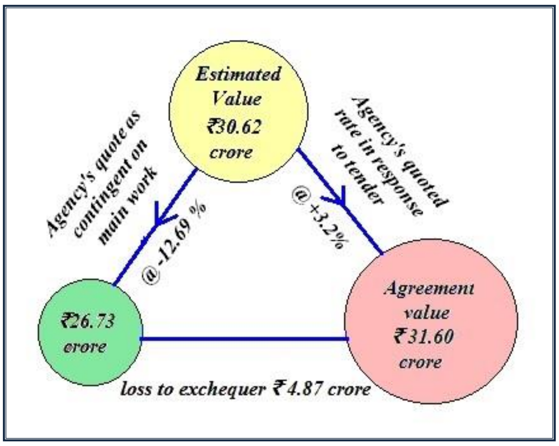
Audit examination (September 2018) of the records of the above work in the HNSS Division No.8, Penukonda, Anantapuramu District revealed the following:

During the course of execution, the Department noticed (August 2016) that an existing road[200] was passing through the area of the newly proposed Cherlopalli Reservoir. The bund work of the reservoir at the crossing point (300 M gap) could not be started unless a permanent diversion road was taken up and completed to provide connectivity to 17 nearby villages. As the road work was not included in the scope of original agreement, the Department proposed to take up the diversion road work as an additional item. The agreement conditions (Item II of 'Addendum to Schedule-A') stipulated that **'**the contractor was bound to execute all supplemental works that are found essential, incidental and inevitable during the execution of work'. The contractor also had expressed (July 2016) willingness to execute the proposed diversion road work with the same tender discount of 12.69 *per cent* on the departmentally estimated value. Accordingly, the Department submitted (August 2016) proposals to Government for entrustment this road work to the existing contractor as per his offer, as it would be advantageous to entrust at the tender discount of 12.69 *per cent*. Government, however, while according administrative approval, rejected (February 2017) the proposal to entrust the additional work to the existing contractor referring to the earlier orders[201] issued (February 2012) by the Finance Department which, *inter alia*, stipulated that additional works which are to be independently executed should not be entrusted to the existing agency. Consequently, the Department invited (April 2017) tenders for the road work

198 Originally the work was entrusted to another contractor for ₹74.70 crore in April 2007. As the contractor did not show progress of work, part of the work was deleted from the contract and entrusted to the new contractor.
199 M/s S.R.Constructions, Anantapuramu.
200 From Diguva Cherlopalli to Tatimakulapalli for a length of 3.500 Km.
201 GO Ms. No.1 Finance (Works & Projects – F7) Department, dated 25.02.2012.

and ultimately the work was awarded to the same contractor, being the lone qualified bidder, at a tender premium of 3.2 *per cent*. The work was awarded (July 2017) for ₹31.60 crore against the estimated value of ₹30.62 crore.

As per Note-6 under Para 154 of the AP Public Works Department (APPWD) Code, additional items of work which can be independently executed may be let out after call of tenders. It also stipulated that if tender call is considered undesirable, additional work can be entrusted to the original contractor on nomination basis, at a rate not exceeding the estimate rates. Therefore, in the instant case, both the options – i.e., either to entrust the road work through tender process or to entrust the same to the original contractor on nomination basis, were permissible. Thus, before taking a decision to go for tenders for the additional work, the Government should have analysed the trend of tenders for road works in that area. The trend of tenders invited during the year 2016-17[202] and finalised by Roads & Buildings Department in Anantapuramu district was verified in audit and it was observed that out of a total of 76 road improvement/ widening/strengthening/maintenance/repair works[203] that were finalised during this period, 74 were premium tenders (+ 2.11 to + 4.99 *per cent*) and only 2 were discount tenders (- 1.65 and - 2.49 *per cent*). Had the trend of tenders in road works been analysed, the Government would have realised that the offer of the original contractor (i.e., at 12.69 *per cent* discount) was beneficial. Had the offer of the contractor been accepted, the diversion road work could have been entrusted for ₹26.73 crore, which was ₹4.87 crore less than the final entrustment value.



Thus, rejecting the beneficial offer of the existing contractor for execution of the supplemental work at a discount of 12.69 *per cent* and awarding of work through tenders at a premium of 3.2 *per cent*, resulted in avoidable extra financial burden of ₹4.87 crore to the Government.

Government replied (March 2019) that it had instructed the Department to follow its earlier orders not to entrust such additional works to the existing agency and that the additional expenditure of ₹4.87 crore was a result of following transparent bidding process. The fact remains, however, that since the Para 154 of APPWD Code had not been amended, entrustment of the additional work to the same contractor was permissible. An analysis of trend of tenders would have helped in realising that the contractor's discount offer was

[202] i.e., the year preceding the month in which tenders for the instant work were invited.
[203] Costing more than ₹10 lakh.

economical. Rejection of the beneficial offer of the original contractor led to avoidable extra financial burden of ₹4.87 crore.

(c) Avoidable extra expenditure of ₹8.68 crore due to non-availing of exemption of Central Excise Duty

In the work of Kuppam branch canal under HNSS Project (Phase-II), payment of Central Excise Duty on goods which are eligible for exemption led to avoidable extra expenditure of ₹8.68 crore.

The Water Resources Department awarded (January 2016) the work of 'Excavation of HNSS Kuppam Branch canal from Km 0.000 to Km 143.900 to feed an ayacut of 6300 acres under tanks and to provide drinking water to 8 Mandals in Palamaner and Kuppam constituencies' to a contractor[204] for an agreement value of ₹430.27 crore. As per the agreement, the work was stipulated for completion by October 2016. The work was in progress as of September 2018.

During audit (October 2018) of the HNSS Division No.12, Kuppam, the following was observed :

The scope of the above work *inter alia* included procurement and erection of three lifts and laying of pressure mains (pipelines) for a length of 4.720 Km. As per the Notification[205] issued (2004) by GoI, all the items of machinery including ancillary equipment and pipes needed for delivery of water for agricultural or industrial purposes are fully exempted from payment of Central Excise Duty (CED) subject to issue of a certificate by the Collector/Deputy Commissioner/District Magistrate concerned.

The agreement[206] entered (January 2016) with the contracting agency for the above mentioned work included clause that while preparing the bids, the bidders shall take into account all taxes, duties and expenses such as excise duty, etc. and that the Department shall give exemption certificate for excisable goods. On the other hand, the agreement also contained another provision[207] stating that excise duty would be reimbursed to the contractor on production of evidence of payment. It was observed that under the above clause, the contractor claimed reimbursement of CED paid by him on the pipes, pumps/ motors and electrical equipment used in the work. Accordingly, the Department reimbursed (June - July 2017) CED amounting to ₹8.68 crore to the contractor, based on the copies of invoices for the goods submitted by the contractor. While reimbursing the CED to this contractor, the Department did not consider the fact that the pipes, pumps/motors and electrical equipment used in the work were eligible for CED exemption under the GoI notification. It was observed

204 M/s RK-HES-KOYA(Joint Venture).
205 No.3/2004-Central Excise, dated 08.01.2004.
206 Clause 24.0 (page-17 of the agreement).
207 Clause 18.1 (page-79 of the agreement).

that the Department had issued exemption certificates for such items to the contractors in other irrigation works executed earlier in the State. Thus, payment of CED in this work on the goods which are eligible for exemption as per GoI notification was unjustified and resulted in avoidable additional expenditure of ₹8.68 crore.

Government replied (March 2019) that CED on the machinery and pipes used in the work was paid to Government only and the contractor was not benefited. It also stated that CED was reimbursed to contractor as per agreement conditions and after verification of the evidence of payment of CED. Government, however, did not furnish any reply as to why the CED exemption was not availed on the items eligible for exemption which led to additional expenditure on public exchequer by ₹8.68 crore.

3.3 Avoidable accumulation of interest on Mobilisation Advance

In the modernisation works of Commamuru Canal (Package Nos. 26 and 27) of Krishna Delta System, inaction on part of the Department to terminate the contracts despite suspension of work by contractor for three years and the consequent non-encashment of bank guarantees led to avoidable accumulation of interest to the extent of ₹18.68 crore on the mobilization advance paid to the contractor. The accrued interest is being recovered from the contractor at the instance of Audit.

As a part of modernisation of Krishna Delta System, the Water Resources Department entrusted (May 2008) two works of modernisation of Commamuru Canal (i) Package No. 26 for ₹209.61 crore; and (ii) Package No.27 for ₹196.19 crore (totaling to ₹405.80 crore) in Guntur District to a contractor[208]. The work was scheduled for completion by August 2012. Due to slow progress of work, extension of time was granted thrice with the last extension up to March 2016 on the grounds of non-availability of work front due to continuous release of water in the canal, cyclone, scarcity of sand, etc. The value of the work done and paid for at agreement rates was ₹46.16 crore, as of August 2018.

A scrutiny (December 2016 and September/October 2018) of the works records of the Executive Engineer, Krishna Western Division, Tenali revealed the following:

The agreements (clause 49.1 of General Conditions of Contract) provided for payment of five *per cent* of the value of the contract as labour mobilisation advance to contractor. The advance was payable after receipt of bank guarantees (BGs) from a scheduled bank for five *per cent* of the contract value. The advance shall bear interest as per the borrowing rate approved by Government from time to time. The advance was recoverable from all the interim payments to be made to the contractor during execution of work at the rate of 20 *per cent*

[208] M/s Progressive Constructions Ltd.

of each interim payment together with interest from the next running bill after 10 *per cent* of the contract value is paid for. Accordingly, the department paid (July-August 2008) mobilisation advance of ₹20.29 crore to the contractor after obtaining BGs for the same amount.

The contractor did not maintain the required pace of work. The contractor executed work valuing a total of only ₹46.16 crore (i.e. 11.37 *per cent*) as against ₹405.80 crore in the two packages up to August 2015 and stopped the work. The contractor attributed continuous release of water into the canal resulting in non-availability of working period as a reason for slow progress of work. Thereafter, the contractor did not resume the work despite issue of notices and granting extension of time up to March 2016 by the Department. The Department later withdrew (2015 and 2017) work valued ₹36.01 crore and ₹0.69 crore from the Packages 26 and 27 respectively, divided the work in to seven packages and entrusted to five different agencies. The other agencies were executing these seven works and the progress (September 2018) ranged from 44 to 90 *per cent*.

It was observed that out of the total mobilisation advance of ₹20.29 crore paid to the first contractor, the department recovered only ₹78.64 lakh from the interim payments. Due to stoppage of work by the contractor, no further bills were paid to contractor and the balance advance and the interest accrued there on was not recovered. The Department encashed (June 2016) BGs worth ₹4.06 crore, thereby partially reducing the outstanding advance. It was observed that Clause 55 of the General Conditions of Contract stipulated that the Department may terminate the contract if the contractor stops the work for 28 days when such stoppage is not authorised by the Engineer-in-Charge. In the instant case, however, though the contractor had not responded to the notices to resume the work for the last three years, the Department did not take any action to terminate the contracts and to encash the remaining BGs amounting to ₹16.23 crore. Though the EE had brought the above issues to the notice of the Superintending Engineer, Irrigation Circle, Guntur (SE) (the agreement concluding authority) and requested to terminate the contracts in July 2016 and again in May 2017, no further action had been taken in this regard. This was despite the fact that blocking up of mobilisation advance with the contractor and the accumulation of interest thereon was pointed out during local audit in December 2016. It was only after Audit brought this issue to the notice of Government in October 2018, the Department recovered the principal amount of mobilisation advance by encashing (November 2018) the remaining BGs of the contractor amounting to ₹16.23 crore. Due to the delay in encashment of BGs by the Department, however, the interest on mobilisation advance which had accrued to the extent of ₹18.68 crore, as worked out by the Department, was yet to be recovered from the contractor.

The Government, while intimating (March 2019) the fact of recovery of the advance by encashment of BGs, stated that BGs worth ₹10.15 crore obtained from contractor towards Earnest Money Deposit (EMD) and a sum of ₹3.47 crore withheld from work bills towards security were available with the Department. Government further replied that the issue of closure of contracts was being pursued. The reply is silent as to why the Department failed to terminate the contracts and encash the BGs in the last three years.

Thus, inaction of the Department to terminate the contract as per agreement conditions and encash the BGs for three years after suspension of work by contractor resulted in avoidable accumulation of interest of ₹18.68 crore, which is yet to be recovered from the contractor.

(L.V.SUDHIR KUMAR)
Principal Accountant General (Audit)
Andhra Pradesh

Hyderabad

The 29-07-2020

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi

The 31-07-2020

Annexures

Annexure – 1

{Referred to in paragraphs 1.9, 1.10 and 1.14 of Chapter-I in Section A (Part-I)}

Summarised financial results of Power Sector PSUs for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Activity & Name of the Power Sector PSU	Period of accounts	Net profit/ loss before interest & tax	Net profit/ loss after interest & tax	Turn over	Paid up capital	Capital Employed	Net Worth	Accumulated Profit/ loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
A	**Generation**								
1	Andhra Pradesh Power Development Company Limited	2017-18	956.93	(-)427.03	2438.61	2094.62	15506.37	1370.33	(-)724.29
2	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	2014-15	27.39	17.87	43.75	0.22	60.35	50.22	50.00
3	Andhra Pradesh Power Generation Corporation Limited	2017-18	1762.24	363.55	8378.58	2106.80	15688.66	4136.52	1703.80
	Sub-total		**2746.56**	**(-)45.61**	**10860.94**	**4201.64**	**31255.38**	**5557.07**	**1029.51**
B	**Transmission**								
4	Transmission Corporation of Andhra Pradesh Limited	2017-18	439.72	37.42	1432.71	454.44	7298.17	2855.45	1198.31
	Sub-total		**439.72**	**37.42**	**1432.71**	**454.44**	**7298.17**	**2855.45**	**1198.31**
C	**Distribution**								
5	Eastern Power Distribution Company of Andhra Pradesh Limited	2017-18	357.61	2.89	10121.35	121.23	(-)457.49	(-)3019.70	(-)3248.17
6	Southern Power Distribution Company of Andhra Pradesh Limited	2017-18	939.78	(-)7.02	15371.45	358.72	(-)3228.41	(-)13133.42	(-)13492.14
	Sub-total		**1297.39**	**(-)4.13**	**25492.80**	**479.95**	**(-)3685.90**	**(-)16153.12**	**(-)16740.31**
D	**Others**								
7	Andhra Pradesh State Energy Efficiency Development Corporation Limited	2016-17	(-)0.03	(-)0.03	0.00	0.82	0.79	0.79	(-)0.03
8	Andhra Pradesh Tribal Power Company Limited	First Accounts not submitted							
	Sub-total		**(-)0.03**	**(-)0.03**	**0.00**	**0.82**	**0.79**	**0.79**	**(-)0.03**
	Grand total		**4483.64**	**(-) 12.35**	**37786.45**	**5136.85**	**34868.44**	**(-)7739.81**	**(-)14512.52**

Annexure-2

{Referred to in paragraph 3.3 of Chapter-III in Section A (Part-II)}

Statement showing position of equity and outstanding loans relating to State PSUs (Non-Power Sector) as on 31 March 2018

(₹ in Crore)

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoAP	GoI	Others	Total	GoAP	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
A.	**Social Sector**										
A-I	**Working Government Companies**										
1	Andhra Pradesh Centre for Advanced Research for Livestock Limited	Animal Husbandry and Fisheries	11-11-2008	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00
2	Andhra Pradesh State Kapu Welfare and Development Corporation Limited	Social Welfare	04-11-2015	4.00	0.00	0.00	4.00	0.00	0.00	0.00	0.00
3	Andhra Pradesh Brahmin Welfare Corporation	Social Welfare	05-12-2014	25.00	0.00	0.00	25.00	0.00	0.00	0.00	0.00
4	Amaravati Development Corporation Limited	Municipal Administration and Urban Development	21-05-2015	100.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00
5	Amaravati Metro Rail Corporation Limited	Municipal Administration and Urban Development	29-10-2015	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
6	Andhra Pradesh Township and Infrastructure Development Corporation Limited	Municipal Administration and Urban Development	04-08-2016	0.25	0.00	0.00	0.25	0.00	0.00	1050.00	1050.00
7	Greater Visakhapatnam Smart City Corporation Limited	Municipal Administration and Urban Development	11-03-2016	100.00	0.00	100.00	200.00	0.00	0.00	0.00	0.00
8	Kakinada Smart City Corporation Limited	Municipal Administration and Urban Development	07-03-2016	--	--	--	--	--	--	--	--
9	Tirupati Smart City Corporation Limited	Municipal Administration and Urban Development	21-10-2016	--	--	--	--	--	--	--	--
10	Eluru Smart City Corporation Limited	Municipal Administration and Urban Development	17-03-2017	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoAP	GoI	Others	Total	GoAP	GoI	Others	Total
11	Amaravati Smart & Sustainable City Corporation Limited	Municipal Administration and Urban Development	21-11-2017	0.03	0.00	0.00	0.03	0.00	0.00	0.00	0.00
12	Andhra Pradesh State Beverages Corporation Limited	Revenue	12-08-2015	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00
13	Andhra Pradesh Drinking Water Supply Corporation Limited	Municipal Administration and Urban Development	10-11-2017	0.25	0.00	0.00	0.25	0.00	0.00	0.00	0.00
14	Andhra Pradesh Mahila Sadhikara Samastha	Woman, child and disable welfare	30-05-2015	1.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00
15	Andhra Pradesh State Skill Development Corporation	Labour and Employment	07-10-2014	4.90	0.00	2.47	7.37	0.00	0.00	0.00	0.00
16	Andhra Pradesh Greening and Beautification Corporation	Municipal Administration and Urban Development	13-04-2015	0.25	0.00	0.00	0.25	0.00	0.00	10.13	10.13
17	Rythu Sadhikara Samstha	Agriculture & Cooperation	17-10-2014	1.00	0.00	0.00	1.00	0.00	0.00	2000.00	2000.00
18	Swachha Andhra Corporation	Municipal Administration and Urban Development	01-05-2015	0.25	0.00	0.00	0.25	0.00	0.00	0.00	0.00
19	Andhra Pradesh State Agro Industries Development Corporation Limited	Agriculture & Cooperation	05-03-1968	10.97	1.57	0.00	12.54	14.62	0.00	0.00	14.62
20	Andhra Pradesh State Irrigation Development Corporation Limited	Water Resource	07-09-1974	77.48	0.55	0.01	78.04	28.04	0.00	0.00	28.04
21	Andhra Pradesh State Seeds Development Corporation Limited	Agriculture & Cooperation	30-03-1976	0.63	0.52	0.41	1.56	133.62	0.00	0.00	133.62
22	Andhra Pradesh State Minorities Finance Corporation Limited	Minorities Welfare	19-01-1985	81.56	0.00	0.00	81.56	5.86	0.00	0.00	5.86
23	Andhra Pradesh State Christian (Minorities) Finance Corporation	Minorities Welfare	11-02-2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
24	Andhra Pradesh State Film, Television and Theatre Development Corporation Limited	General Administration	10-10-1975	6.22	0.00	0.00	6.22	0.00	0.00	0.00	0.00
25	Andhra Pradesh Industrial Development Corporation Limited	Industries & Commerce	16-12-1960	134.33	1.04	0.00	135.37	15.56	1.48	0.00	17.04
26	Andhra Pradesh State Housing Corporation Limited	Housing	05-07-1979	0.15	0.00	0.00	0.15	8610.81	0.00	675.59	9286.40

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoAP	GoI	Others	Total	GoAP	GoI	Others	Total
27	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	Municipal Administration and Urban Development	12-01-1993	0.15	0.00	0.00	0.15	0.00	0.00	0.00	0.00
28	Leather Industries Development Corporation of Andhra Pradesh Limited	Industries & Commerce	14-10-1973	7.10	0.00	0.00	7.10	8.42	0.00	0.00	8.42
29	Andhra Pradesh State Civil Supplies Corporation Limited	Consumer Affairs, Food and Civil Supplies	31-12-1974	--	--	--	--	--	--	--	--
30	Andhra Pradesh Trade Promotion Corporation Limited	Industries & Commerce	05-06-1970	0.85	0.00	0.01	0.86	0.00	0.00	0.00	0.00
31	Andhra Pradesh Beverages Corporation Limited	Revenue	23-07-1986	0.14	0.00	0.00	0.14	0.00	0.00	0.00	0.00
32	Andhra Pradesh Handicraft Development Corporation Limited	Industries & Commerce	10-11-1981	1.50	0.50	0.00	2.00	0.00	0.00	0.00	0.00
33	Overseas Manpower Company Andhra Pradesh Limited	Labour and Employment	10-01-2006	0.21	0.00	0.00	0.21	0.00	0.00	0.00	0.00
	Total A-I			**563.33**	**4.18**	**102.90**	**670.41**	**8816.93**	**1.48**	**3735.72**	**12554.13**
A-II	**Inactive PSUs**										
34	Andhra Pradesh Fisheries Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	05.07.1974	4.67	0.00	0.00	4.67	8.67	0.00	0.00	8.67
35	Andhra Pradesh Small Scale Industries Development Corporation Limited	Industries and Commerce	18.03.1961	9.62	0.00	0.00	9.62	13.92	0.00	0.00	13.92
36	Andhra Pradesh Essential Commodities Corporation Limited	Consumer Affairs, Food and Civil Supplies	21.04.1984	1.13	0.00	0.00	1.13	0.00	0.00	0.00	0.00
	Total A-II			**15.42**	**0.00**	**0.00**	**15.42**	**22.59**	**0.00**	**0.00**	**22.59**
	Total A (I+II)			**578.75**	**4.18**	**102.89**	**685.83**	**8839.52**	**1.48**	**3735.72**	**12576.72**
B.	**Competitive Sector**										
B-I	**Working Government Companies**										
37	Andhra Pradesh Gas Distribution Corporation Limited	Energy, Infrastructure & Investment	10-01-2011	0.00	0.00	40.00	40.00	0.00	0.00	5.41	5.41

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoAP	GoI	Others	Total	GoAP	GoI	Others	Total
38	Andhra Prades Gas Infrastructure Corporation Private Limited	Industries & Commerce	02-09-2009	0.00	0.00	55.44	55.44	0.00	0.00	0.20	0.20
39	Andhra Pradesh State Fibernet Limited	Information Technology, Electronics & Communications	12-10-2015	7.00	0.00	0.00	7.00	0.00	0.00	393.92	393.92
40	Andhra Pradesh Towers Limited	Information Technology, Electronics & Communications	13-06-2016	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
41	Bhogapuram International Airport Corporation Limited	Energy, Infrastructure & Investment	03-08-2015	2.50	0.00	0.00	2.50	0.00	0.00	675.00	675.00
42	Godavari Gas Private Limited	Energy, Infrastructure & Investment	27-09-2016	0.00	0.00	10.00	10.00	0.00	0.00	6.73	6.73
43	Andhra Pradesh Heavy Machinery and Engineering Limited	Energy, Infrastructure & Investment	01-09-1976	0.15	0.00	17.12	17.27	0.00	0.00	0.00	0.00
44	Andhra Pradesh Medtech Zone Limited	Medical & Health	30-04-2016	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00
45	Ongole Iron Ore Mining Company Private Limited	Industries & Commerce	11-05-2009	0.00	0.00	0.11	0.11	0.00	0.00	0.00	0.00
46	Vijayawada Urban Transport Company Limited	Municipal Administration and Urban Development	31-01-2012	--	--	--	--	--	--	--	--
47	Visakhapatnam Urban Transport Company Limited	Municipal Administration and Urban Development	19-01-2012	--	--	--	--	--	--	--	--
48	Vizag Apparel Park for Export	Industries & Commerce	31-03-2004	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00
49	Krishnapatnam International Leather Complex Private Limited	Industries & Commerce	19-08-2008	0.00	0.00	0.10	0.10	0.00	0.00	0.00	0.00
50	Infrastructure Corporation of Andhra Pradesh Limited	Energy, Infrastructure & Investment	31-05-2005	30.12	0.00	0.00	30.12	0.00	0.00	0.00	0.00
51	Andhra Pradesh Power Finance Corporation Limited	Energy, Infrastructure & Investment	07-12-2000	16.91	0.00	0.00	16.91	0.00	0.00	2325.80	2325.80
52	Andhra Pradesh Industrial Infrastructure Corporation Limited	Industries & Commerce	26-09-1973	9.52	0.00	0.00	9.52	0.69	0.00	2046.00	2046.69
53	Andhra Pradesh Rajiv Swagruha Corporation Limited	Housing	09-08-2007	0.03	0.00	0.00	0.03	0.00	0.00	124.08	124.08

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoAP	GoI	Others	Total	GoAP	GoI	Others	Total
54	Andhra Pradesh Mineral Development Corporation Limited	Industries & Commerce	24-02-1961	6.31	0.00	0.00	6.31	0.00	0.00	0.00	0.00
55	Andhra Pradesh Tourism Development Corporation Limited	Youth Advancement, Tourism & Culture	18-02-1976	2.18	0.00	0.00	2.18	0.00	0.00	0.00	0.00
56	Andhra Pradesh State Financial Corporation	Industries & Commerce	01-11-1956	176.86	28.87	13.61	219.34	0.00	0.00	1609.18	1609.18
57	Andhra Pradesh State Warehousing Corporation	Agriculture & Cooperation	05-08-1985	2.62	0.00	2.62	5.24	0.00	0.00	73.62	73.62
58	Andhra Pradesh State Road Transport Corporation	Transport, Road & Buildings	11-01-1958	79.54	35.62	0.00	115.16	749.44	0.00	2911.33	3660.77
	Total B-I			**338.80**	**64.49**	**139.00**	**542.29**	**750.13**	**0.00**	**10171.27**	**10921.40**
B-II	**Inactive PSUs**										
59	Andhra Pradesh Dairy Development Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	07.02.1974	15.00	0.00	0.00	15.00	0.00	0.00	0.00	0.00
60	Proddutur Milk Foods Limited	Animal Husbandry, Dairy Development and Fisheries	23.10.1978	1.96	0.00	0.00	1.96	0.00	0.00	0.00	0.00
61	Andhra Pradesh Meat Development Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	31.10.1977	5.46	1.41	0.00	6.87	0.00	0.00	0.00	0.00
62	Allwyn Auto Limited	Industries and Commerce	31.05.1993	0.15	0.00	0.00	0.15	14.45	0.00	0.00	14.45
63	Allwyn Watches Limited	Industries and Commerce	19.03.1993	0.15	0.00	0.00	0.15	64.93	0.00	0.00	64.93
64	Andhra Pradesh Electronics Development Corporation Limited	Industries and Commerce	21.11.1980	12.72	0.00	0.00	12.72	0.68	0.00	0.00	0.68
65	Andhra Pradesh Steels Limited	Industries and Commerce	16.11.1973	0.00	0.00	2.03	2.03	2.12	0.00	0.00	2.12
66	Aptronix Communications Limited	Industries and Commerce	27.02.1984	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
67	Hyderabad Chemicals and Fertilizers Limited	Agriculture and Co-operation	September, 1942	0.26	0.00	0.52	0.78	8.25	0.00	0.00	8.25
68	Marine and Communication Electronics (India) Limited	Industries and Commerce	29.08.1974	0.00	0.00	1.89	1.89	4.77	0.00	0.00	4.77
69	Republic Forge Company Limited	Industries and Commerce	15.04.1957	7.07	0.00	0.70	7.77	54.77	0.00	0.00	54.77

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoAP	GoI	Others	Total	GoAP	GoI	Others	Total
70	Southern Transformers and Electricals Limited	Industries and Commerce	21.09.1976	0.00	0.00	0.58	0.58	0.78	0.00	0.00	0.78
71	Andhra Pradesh Automobile Tyres & Tubes Limited	Industries and Commerce	20.07.1972	0.73	0.00	0.02	0.75	0.00	0.00	0.00	0.00
72	Golkonda Abrasives Limited	Industries and Commerce	NA	0.38	0.00	0.17	0.55	0.00	0.00	0.00	0.00
73	Krishi Engineering Limited	Engineering	NA	0.29	0.10	0.13	0.52	0.00	0.00	0.00	0.00
74	P J Chemicals Limited	Industries and Commerce	NA	0.16	0.22	0.00	0.38	0.00	0.00	0.00	0.00
75	Vidyut Steels Limited	Industries and Commerce	NA	0.29	0.31	0.28	0.88	0.00	0.00	0.00	0.00
	Total B-II			**44.62**	**2.04**	**6.32**	**52.98**	**150.75**	**0.00**	**0.00**	**150.75**
	Total B (I+II)			**383.42**	**66.53**	**145.32**	**595.27**	**900.88**	**0.00**	**10171.27**	**11072.15**
C.	**Others**										
76	Andhra Pradesh Centre for Financial Systems and Services	Information Technology, Electronics & Communications	08-11-2016	4.90	0.00	0.00	4.90	36.00	0.00	0.00	36.00
77	Andhra Pradesh Forest Development Corporation Limited	Forest, Environment Science & Technology	16-06-1975	12.72	0.00	0.00	12.72	0.00	0.00	0.00	0.00
78	Andhra Pradesh State Police Housing Corporation Limited	Home	29-05-1971	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
79	Andhra Pradesh Aviation Corporation Limited	Energy, Infrastructure & Investment	31-03-2006	0.25	0.00	0.00	0.25	0.00	0.00	0.00	0.00
80	Andhra Pradesh Technologies Services Limited	Information Technology, Electronics &Communications	17-01-1985	0.31	0.00	0.00	0.31	0.00	0.00	0.00	0.00
	Total C			**18.18**	**0.00**	**0.00**	**18.18**	**36.00**	**0.00**	**0.00**	**36.00**
	Grand Total (A+B+C)			**980.35**	**70.71**	**248.22**	**1299.28**	**9776.40**	**1.48**	**13906.99**	**23684.87**

Annexure-3

{Referred to in paragraph 3.7 of Chapter-III in Section A (Part-II)}

Statement showing difference between Finance Accounts of Government of Andhra Pradesh and Accounts of the State PSUs (Non-Power Sector) in respect of balances of Equity, Loans and Guarantee as on 31 March 2018

(₹ in crore)

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Andhra Pradesh			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9	10	11
1	Andhra Pradesh Centre for Advanced Research on Livestock Private Limited	0.01	0.00	0.00	0.00	0.00	0.00	(-)0.01	0.00	0.00
2	Andhra Pradesh Centre for Financial System and Services	4.90	36.00	0.00	4.90	0.00	0.00	0.00	(-)36.00	0.00
3	Andhra Pradesh State Kapu Welfare and Development Corporation Limited	4.00	0.00	0.00	0.00	0.00	0.00	(-)4.00	0.00	0.00
4	Andhra Pradesh Brahmin Welfare Corporation	25.00	0.00	0.00	0.00	0.00	0.00	(-)25.00	0.00	0.00
5	Amaravati Development Corporation Limited	100.00	0.00	0.00	0.00	0.00	0.00	(-)100.00	0.00	0.00
6	Amaravati Metro Rail Corporation Limited	5.00	0.00	0.00	0.00	0.00	0.00	(-)5.00	0.00	0.00
7	Andhra Pradesh State Fibernet Limited	7.00	0.00	0.00	0.00	0.00	78.00	(-)7.00	0.00	78.00
8	Andhra Pradesh Township and Infrastructure Development Corporation	0.25	19.75	420.00	0.00	0.00	0.00	(-)0.25	(-)19.75	(-)420.00
9	Bhogapuram International Airport Corporation Limited	2.50	0.00	0.00	4.00	20.90	550.00	1.50	20.90	550.00
10	Greater Visakhapatnam Smart City Corporation Limited	100.00	0.00	0.00	0.00	0.00	0.00	(-)100.00	0.00	0.00
11	Eluru Smart City Corporation Limited	0.05	0.00	0.00	0.00	0.00	0.00	(-)0.05	0.00	0.00
12	Amaravati Smart & Sustainable City Corporation Limited	0.03	0.00	0.00	0.03	0.00	0.00	(-)0.01	0.00	0.00
13	Andhra Pradesh Heavy Machinery And Engineering Limited	0.15	1.00	0.00	0.00	1.00	0.00	(-)0.15	0.00	0.00
14	Andhra Pradesh Medtech Zone Limited	0.01	0.00	0.00	0.00	0.00	0.00	(-)0.01	0.00	0.00

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Andhra Pradesh			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
15	Andhra Pradesh State Beverages Corporation Limited	0.05	0.00	0.00	0.00	0.00	0.00	(-)0.05	0.00	0.00
16	Vizag Apparel Park For Exports Limited	0.05	0.00	0.00	0.00	0.00	0.00	(-)0.05	0.00	0.00
17	Andhra Pradesh Drinking Water Supply Corporation Limited	0.25	0.00	0.00	0.00	0.00	0.00	(-)0.25	0.00	0.00
18	Andhra Pradesh Mahila Sadhikara Samastha	1.00	0.00	0.00	0.00	0.00	0.00	(-)1.00	0.00	0.00
19	Andhra Pradesh State Skill Development Corporation	4.90	0.00	0.00	2.00	0.00	0.00	(-)2.90	0.00	0.00
20	Andhra Pradesh Greening and Beautification Corporation	0.25	0.00	0.00	0.00	0.00	0.00	(-)0.25	0.00	0.00
21	Rythu Sadhikara Samstha	1.00	0.00	0.00	0.00	0.00	1000.00	(-)1.00	0.00	1000.00
22	Swachha Andhra Corporation	0.25	0.00	0.00	0.00	0.00	0.00	(-)0.25	0.00	0.00
23	Infrastructure Corporation of Andhra Pradesh Limited	30.12	0.00	0.00	30.37	0.00	0.00	0.25	0.00	0.00
24	Andhra Pradesh Forest Development Corporation Limited	12.72	0.00	0.00	20.21	0.00	0.00	7.49	0.00	0.00
25	Andhra Pradesh State Agro Industries Development Corporation Limited	10.97	14.62	0.00	5.93	13.25	0.00	(-)5.04	(-)1.37	0.00
26	Andhra Pradesh State Irrigation Development Corporation Limited	77.48	28.04	0.00	170.21	131.87	0.00	92.73	103.83	0.00
27	Andhra Pradesh State Seeds Development Corporation Limited	0.63	77.93	0.00	0.92	194.92	0.00	0.29	116.99	0.00
28	Andhra Pradesh State Minorities Finance Corporation Limited	2.92	5.86	0.00	148.40	0.00	0.00	145.48	(-)5.86	0.00
29	Andhra Pradesh State Christian (Minorities) Finance Corporation	0.20	0.00	0.00	0.00	0.00	0.00	(-)0.20	0.00	0.00
30	Andhra Pradesh Power Finance Corporation Limited	16.91	0.00	2325.80	27.84	0.00	5638.70	10.93	0.00	3312.90
31	Andhra Pradesh State Film Television & Theatre Development Corporation	6.22	0.00	0.00	6.45	44.36	0.00	0.23	44.36	0.00
32	Andhra Pradesh State Police Housing Corporation Limited	1.81	0.00	0.00	1.81	173.93	0.00	0.00	173.93	0.00

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Andhra Pradesh			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
33	Andhra Pradesh Industrial Development Corporation Limited	95.19	15.56	0.00	99.16	27.76	0.00	3.97	12.20	0.00
34	Andhra Pradesh Industrial Infrastructure Corporation Limited	9.52	0.70	2046.00	27.41	277.04	2000.00	17.89	276.34	(-)46.00
35	Andhra Pradesh State Housing Corporation Limited	0.15	8610.81	675.59	0.50	11174.08	658.48	0.35	2563.27	(-)17.11
36	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	0.15	0.00	0.00	0.15	229.40	0.00	0.00	229.40	0.00
37	Andhra Pradesh Aviation Corporation Limited	0.25	0.00	0.00	0.00	0.00	0.00	(-)0.25	0.00	0.00
38	Andhra Pradesh Rajiv Swagruha Corporation Limited	0.03	0.00	0.00	0.05	351.00	0.00	0.02	351.00	0.00
39	Andhra Pradesh Mineral Development Corporation Limited	6.31	0.00	0.00	6.30	0.00	0.00	(-)0.01	0.00	0.00
40	Leather Industries Development Corporation of Andhra Pradesh Limited	3.90	8.42	0.00	52.12	5.39	0.00	48.22	(-)3.03	0.00
41	Andhra Pradesh State Civil Supplies Corporation Limited	3.00	0.00	0.00	3.00	19.42	0.00	0.00	19.42	0.00
42	Andhra Pradesh Trade Promotion Corporation Limited	0.85	0.00	0.00	0.00	0.00	0.00	(-)0.85	0.00	0.00
43	Andhra Pradesh Technology Services Limited	0.31	0.00	0.00	0.30	0.00	0.00	(-)0.01	0.00	0.00
44	Andhra Pradesh Tourism Development Corporation Limited	2.18	9.79	0.00	0.00	0.00	0.00	(-)2.18	(-)9.79	0.00
45	Andhra Pradesh Beverages Corporation Limited	0.14	0.00	0.00	0.24	0.00	0.00	0.10	0.00	0.00
46	Andhra Pradesh Handicrafts Development Corporation Limited	1.50	0.00	0.00	1.46	0.00	0.00	(-)0.04	0.00	0.00
47	Overseas Manpower Company Andhra Pradesh Limited	0.05	0.00	0.00	0.00	0.00	0.00	(-)0.05	0.00	0.00
48	Andhra Pradesh State Financial Corporation	176.86	0.00	796.40	58.47	12.58	150.00	(-)118.39	12.58	(-)646.40
49	Andhra Pradesh State Warehousing Corporation	2.62	0.00	0.00	3.83	0.00	308.00	1.21	0.00	308.00
50	Andhra Pradesh State Road Transport Corporation	79.54	749.44	1060.87	143.27	2200.80	945.70	63.73	1451.36	(-)115.17

Annexure–4

{Referred to in paragraph 3.8.1 of Chapter-III in Section A (Part-II)}

Statement showing position of State Government investment in working State PSUs (Non-Power Sector) accounts of which are in arrears

(₹ in crore)

Sl. No.	Name of PSU	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears			
					Equity	Loans	Grants	Subsidy
1	Andhra Pradesh Centre for Advanced Research on Livestock Private Limited	2016-17	2017-18	0.01	0.00	0.00	0.00	0.00
2	Andhra Pradesh State Kapu Welfare and Development Corporation Limited	First Accounts Not submitted	2015-16	4.0	4.00	0.00	100.00	0.00
			2016-17		0.00	0.00	1000.00	0.00
			2017-18		0.00	0.00	737.00	0.00
3	Andhra Pradesh Brahmin Welfare Corporation	2016-17	2017-18	25	0.00	0.00	75.00	0.00
4	Andhra Pradesh Centre for Financial System and Services	2016-17	2017-18	4.9	0.00	26.00	0.00	0.00
5	Amaravati Development Corporation Limited	2015-16	2016-17	100.00	100.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
6	Andhra Pradesh State Fibernet Limited	2015-16	2016-17	7.00	0.00	135	53.46	0.00
			2017-18		0.00	144.07	2.00	0.00
7	Andhra Pradesh Gas Infrastructure Corporation Private Limited	2016-17	2017-18	55.44	0.00	0.20	0.00	0.00
8	Andhra Pradesh Towers Limited	2016-17	2017-18	10.00	0.00	0.00	0.00	0.00
9	Andhra Pradesh Airports Development Corporation Limited	2016-17	2017-18	2.50	0.00	0.00	3.85	0.00
10	Greater Visakhapatnam Smart City Corporation Limited	2016-17	2017-18	0.05	99.97	0.00	0.00	0.00

Sl. No.	Name of PSU	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears			
					Equity	Loans	Grants	Subsidy
11	Kakinada Smart City Corporation Limited	First Accounts Not submitted	2016-17	--	99.98	0.00	1.88	0.00
			2017-18		Information not received			
12	Tirupati Smart City Corporation Limited	First Accounts Not submitted	2016-17	--	Information not received			
			2017-18					
13	Eluru Smart City Corporation Limited	First Accounts Not submitted	2017-18	0.05	0.05	0.00	0.00	0.00
14	Amaravati Smart & Sustainable City Corporation Limited	First Accounts Not submitted	2017-18	0.03	Information not received			
15	Ongole Iron Ore Mining Company Private Limited	2015-16	2016-17	0.11	0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
16	Andhra Pradesh State Beverages Corporation Limited	2015-16	2016-17	0.05	0.00	0.00	0.00	0.00
			2017-18		0.05	0.00	0.00	0.00
16	Vijayawada Urban Transport Company Limited	First Accounts not submitted	2012-13	0.50	0.50	0.00	0.00	0.00
			2013-14		0.00	0.00	0.00	0.00
			2014-15		0.00	0.00	0.00	0.00
			2015-16		0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	0.00	0.00
			2017-18		Information not received			
17	Vizag Apparel Park for Export	2015-16	2016-17	0.05	0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
18	Visakhapatnam Urban Transport Company Limited	2016-17	2017-18	0.05	Information not received			

Sl. No.	Name of PSU	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears			
					Equity	Loans	Grants	Subsidy
19	Andhra Pradesh Drinking Water Supply Corporation Limited	First Accounts not submitted	2017-18	0.25	0.25	0.00	0.00	0.00
20	Andhra Pradesh State Skill Development Corporation	2016-17	2017-18	7.37	0.00	0.00	306.06	0.00
21	Andhra Pradesh Mahila Sadhikara Samstha	First Accounts not submitted	2014-15	1.00	1.00	0.00	0.00	0.00
			2015-16		0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	2405.62	0.00
			2017-18		0.00	0.00	2364.79	0.00
22	Krishnapatnam International Leather Complex Private Limited	2015-16	2016-17	0.10	0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
24	Rythu Sadhikara Samstha	2015-16	2016-17	1.00	0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	3600.00	0.00
25	Swachha Andhra Corporation	2016-17	2017-18	0.25	0.00	0.00	65.44	0.00
26	Infrastructure Corporation of Andhra Pradesh Limited	2014-15	2015-16	30.12	0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	5.00	0.00
			2017-18		0.00	0.00	3.85	0.00
27	Andhra Pradesh Forest Development Corporation Limited	2013-14	2014-15	21.82	0.00	0.00	0.00	0.00
			2015-16		0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	0.00	0.00
			2017-18		Information not received			
28	Andhra Pradesh State Agro Industries Development Corporation Limited	2015-16	2016-17	12.54	0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	5.40	0.00
29	Andhra Pradesh State Irrigation Development Corporation Limited	2016-17	2017-18	78.03	0.00	0.00	0.00	0.00

Sl. No.	Name of PSU	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears			
					Equity	Loans	Grants	Subsidy
30	Andhra Pradesh State Christian (Minorities) Finance Corporation	2013-14 (14 months)	2014-15	0.00	0.00	0.00	0.17	0.00
			2015-16		0.00	0.00	16.50	0.00
			2016-17		0.00	0.00	55.68	0.00
			2017-18		0.20	0.00	59.20	0.00
31	Andhra Pradesh State Minorities Finance Corporation Limited	2015-16	2016-17	2.92	0.00	0.00	88.32	0.00
			2017-18		0.00	0.00	107.10	0.00
32	Andhra Pradesh State Film, Television and Theatre Development Corporation	2016-17	2017-18	6.22	0.00	0.00	5.10	0.00
33	Andhra Pradesh State Police Housing Corporation Limited	2014-15	2015-16	1.81	0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
34	Andhra Pradesh Industrial Development Corporation Limited	2013-14	2014-15	96.23	0.25	0.00	0.00	0.00
			2015-16		0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
35	Andhra Pradesh Industrial Infrastructure Corporation Limited	2015-16	2016-17	9.52	0.00	0.00	2.08	0.00
			2017-18		0.00	0.00	0.00	0.00
36	Andhra Pradesh State Housing Corporation Limited	2013-14 (14 months)	2014-15	0.25	0.00	429.12	0.00	768.43
			2015-16		0.00	287.66	0.00	1614.92
			2016-17		0.00	132.18	0.00	455.43
			2017-18		0.00	178.18	0.00	1056.17
37	Andhra Pradesh Urban Finance and Infrastructure	2013-14	2014-15	0.15	0.00	0.00	0.00	0.00

Sl. No.	Name of PSU	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears			
					Equity	Loans	Grants	Subsidy
	Development Corporation Limited		2015-16		0.00	0.00	160.00	0.00
			2016-17		0.00	0.00	160.00	0.00
			2017-18		0.00	0.00	553.54	0.00
38	Andhra Pradesh Aviation Corporation Limited	Accounts not submitted since inception (2005-06)	2005-06	0.25	0.00	0.00	0.00	0.00
			2006-07		0.00	0.00	0.00	0.00
			2007-08		0.00	0.00	0.00	0.00
			2008-09		0.00	0.00	0.00	0.00
			2009-10		0.00	0.00	0.00	0.00
			2010-11		0.00	0.00	0.00	0.00
			2011-12		0.00	0.00	17.68	0.00
			2012-13		0.00	0.00	17.87	0.00
			2013-14		0.00	0.00	14.90	0.00
			2014-15		0.00	0.00	30.98	0.00
			2015-16		0.00	0.00	13.26	0.00
			2016-17		0.00	0.00	31.04	0.00
			2017-18		0.00	0.00	31.05	0.00
39	Andhra Pradesh Rajiv Swagruha Corporation Limited	2014-15 (2 months)	2014-15	0.03	0.00	0.00	0.00	0.00
			2015-16		0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
40	Leather Industries Development Corporation of	2013-14	2014-15	3.90	33.42	0.00	1.56	0.00

Sl. No.	Name of PSU	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears			
					Equity	Loans	Grants	Subsidy
	Andhra Pradesh Limited		2015-16		0.00	0.00	2.85	0.00
			2016-17		1.42	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	2.00
41	Andhra Pradesh Mineral Development Corporation Limited	2013-14	2014-15	6.31	0.00	15.00	0.00	0.00
			2015-16		0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
42	Andhra Pradesh State Civil Supplies Corporation Limited	2014-15	2015-16	1.75	0.00	0.00	0.00	904.27
			2016-17		0.00	0.00	0.00	2373.51
			2017-18		Information not received			
43	Andhra Pradesh Trade Promotion Corporation Limited	2014-15 (2 months)	2014-15	0.86	0.00	0.00	0.19	0.00
			2015-16		0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
44	Andhra Pradesh Technology Services Limited	2016-17	2017-18	0.31	0.00	0.00	0.00	0.00
45	Andhra Pradesh Tourism Development Corporation Limited	2013-14	2014-15	3.55	0.00	0.00	0.63	0.00
			2015-16		0.00	0.00	88.00	0.00
			2016-17		0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
46	Andhra Pradesh Beverages Corporation Limited	2015-16	2016-17	0.14	0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00

Sl. No.	Name of PSU	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears			
					Equity	Loans	Grants	Subsidy
47	Overseas Manpower Company Andhra Pradesh Limited	2014-15	2015-16	0.05	0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
48	Andhra Pradesh Handicrafts Development Corporation Limited	2013-14	2014-15	2.00	0.00	0.00	0.37	0.00
			2015-16		0.00	0.00	1.48	0.00
			2016-17		0.00	0.00	10.00	0.00
			2017-18		0.00	0.00	12.00	0.00
49	Andhra Pradesh State Warehousing Corporation	2013-14	2014-15	8.97	0.00	0.00	0.00	0.00
			2015-16		0.00	0.00	0.00	0.00
			2016-17		0.00	0.00	0.00	0.00
			2017-18		0.00	0.00	0.00	0.00
50	Andhra Pradesh State Road Transport Corporation	2016-17	2017-18	115.15	0.00	249.00	29.50	121.00

Annexure-5

{Referred to in paragraphs 3.11, 3.12 and 3.14 of Chapter-III in Section A (Part-II)}

Summarised financial results of State PSUs (Non-Power Sector) for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Sector, Type & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before dividend, interest & tax	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10	11
A	**Social Sector**									
A-I	**Working PSUs**									
1	Andhra Pradesh Handicrafts Development Corporation Limited	2013-14	2015-16	3.16	2.14	78.23	2.00	15.79	15.30	12.41
2	Andhra Pradesh Industrial Development Corporation Limited	2013-14	2015-16	9.55	8.10	13.8	96.23	183.49	175.43	0.00
3	Leather Industries Development Corporation of Andhra Pradesh Limited	2013-14	2015-16	(-)7.55	(-)8.67	0.01	3.90	(-)50.92	(-)77.85	(-)81.75
4	Andhra Pradesh State Christian (Minorities) Finance Corporation	2013-14 (14 months)	2017-18	0.42	0.42	0.60	0.00	2.09	2.09	2.09
5	Andhra Pradesh State Housing Corporation Limited	2013-14 (14 months)	2016-17	(-)232.45	(-)844.33	137.16	0.25	10059.00	(-)7872.60	(-)7872.85
6	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	2013-14 (14 months)	2015-16	(-)0.05	(-)0.05	0.00	0.15	0.06	0.06	(-)0.09
7	Andhra Pradesh State Civil Supplies Corporation Limited	2014-15 (10 months)	2018-19	304.18	8.23	5927.38	1.75	154.56	111.72	102.28
8	Overseas Manpower Company Andhra Pradesh Limited	2014-15 (10 months)	2017-18	(-)0.03	(-)0.03	0.01	0.05	1.24	0.24	0.19
9	Andhra Pradesh Trade Promotion Corporation Limited	2014-15 (2 months)	2018-19	1.50	1.50	4.84	0.86	73.38	73.38	72.52
10	Amaravati Development Corporation Limited	2015-16	2017-18	(-)0.13	(-)0.13	0.00	100.00	99.87	99.87	(-)0.13
11	Andhra Pradesh Beverages Corporation Limited	2015-16	2017-18	0.65	0.39	44.81	0.14	10.10	10.10	0.00
12	Andhra Pradesh State Agro Industries Development Corporation Limited	2015-16	2017-18	2.97	1.35	26.84	12.54	19.76	5.14	(-)7.40

Sl. No.	Sector, Type & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before dividend, interest & tax	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
13	Andhra Pradesh State Beverages Corporation Limited	2015-16	2016-17	(-)0.03	(-)0.03	0.00	0.05	0.02	0.02	(-)0.03
14	Andhra Pradesh State Minorities Finance Corporation Limited	2015-16	2018-19	(-)0.59	(-)0.59	0.00	2.92	(-)21.01	(-)26.87	(-)29.79
15	Rythu Sadhikara Samstha	2015-16	2017-18	0.00	0.00	0.00	1.00	1.00	1.00	0.00
16	Andhra Pradesh Brahmin Welfare Corporation	2016-17	2017-18	6.92	6.92	65.00	25.00	30.93	30.93	5.93
17	Andhra Pradesh Centre for Financial System and Services	2016-17	2017-18	(-)0.83	(-)0.83	0.00	4.90	14.07	4.07	(-)0.83
18	Andhra Pradesh State Film Television & Theatre Development Corporation	2016-17	2017-18	(-)0.04	(-)0.17	7.92	6.22	8.32	8.22	2.00
19	Andhra Pradesh State Irrigation Development Corporation Limited	2016-17	2018-19	0.28	(-)2.43	35.71	78.03	79.81	51.77	(-)26.26
20	Andhra Pradesh State Skill Development Corporation	2016-17	2017-18	162.38	162.38	0.78	7.37	194.24	194.24	186.87
21	Greater Visakhapatnam Smart City Corporation Limited	2016-17	2018-19	0.00	0.00	0.00	0.05	1.65	0.05	0.00
22	Swachha Andhra Corporation	2016-17	2017-18	(-)0.07	(-)0.08	0.00	0.25	0.06	0.06	(-)0.19
23	Amaravati Metro Rail Corporation Limited	2017-18	2018-19	(-)2.13	(-)2.13	0.00	5.00	2.36	2.36	(-)2.64
24	Andhra Pradesh State Seeds Development Corporation	2017-18	2018-19	3.97	0.78	611.96	2.76	163.77	30.15	3.46
25	Andhra Pradesh Township and Infrastructure Development Corporation	2017-18	2018-19	68.55	1.50	0.00	0.25	1050.97	0.97	0.72
26	Andhra Pradesh Greening and Beautification Corporation	2017-18	2018-19	(-)3.92	(-)3.94	2.78	0.25	2.65	(-)7.48	(-)7.73
27	Amaravati Smart & Sustainable City Corporation Limited	First Accounts not submitted								
28	Andhra Pradesh Drinking Water Supply Corporation Limited	First Accounts not submitted								
29	Andhra Pradesh State Kapu Welfare and Development Corporation Limited	First Accounts not submitted								
30	Andhra Pradesh Mahila Sadhikara Samastha	First Accounts not submitted								
31	Eluru Smart City Corporation Limited	First Accounts not submitted								

Sl. No.	Sector, Type & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before dividend, interest & tax	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
32	Kakinada Smart City Corporation Limited	First Accounts not submitted								
33	Tirupati Smart City Corporation Limited	First Accounts not submitted								
	Total A-I			**316.71**	**(-)669.70**	**6957.83**	**351.92**	**12097.26**	**(-)7167.63**	**(-)7641.22**
A-II	**Inactive PSUs**									
34	Andhra Pradesh Fisheries Corporation Limited	1-4-2002 to 9-5-2002		0.00	0.00	0.00	4.67	(-)7.24	(-)17.08	(-)21.75
35	Andhra Pradesh Small Scale Industrial Development Corporation Limited	2001-02	2003-04	2.18	2.18	0.02	9.62	2.93	(-)10.41	(-)20.03
36	Andhra Pradesh Essential Commodities Corporation Limited	2013-14 (14 months)	2017-18	(-)0.04	(-)0.04	0.00	1.13	10.59	10.59	9.46
	Total A-II			**2.14**	**2.14**	**0.02**	**15.42**	**6.28**	**(-)16.9**	**(-)32.32**
	Total A (I+II)			**318.85**	**(-)667.56**	**6957.85**	**367.34**	**12103.54**	**(-)7184.53**	**(-)7673.54**
B.	**Competitive Sector**									
B-I	**Working PSUs**									
37	Vijayawada Urban Transport Company Limited	First accounts not submitted								
38	Andhra Pradesh Gas Distribution Corporation Limited	2017-18	2018-19	(-)1.58	(-)1.58	0.00	40.00	41.62	36.21	(-)3.79
39	Andhra Pradesh Heavy Machinery And Engineering Limited	2017-18	2018-19	(-)1.04	(-)1.17	52.61	17.27	62.48	62.48	45.21
40	Andhra Pradesh Medtech Zone Limted	2017-18	2018-19	(-)1.41	(-)1.41	0.00	0.01	(-)1.88	(-)1.88	(-)1.89
41	Andhra Pradesh Power Finance Corporation Limited	2017-18	2018-19	293.47	(-)0.03	293.75	16.91	2342.68	16.88	(-)0.03
42	Andhra Pradesh State Financial Corporation	2017-18	2018-19	250.52	58.73	374.01	206.00	2245.41	622.99	289.53
43	Godavari Gas Private Limited	2017-18	2018-19	(-)0.16	(-)0.16	1.80	10.00	15.68	8.95	(-)1.05
44	Andhra Pradesh Gas Infrastructure Corporation Private Limited	2016-17	2017-18	(-)0.37	(-)0.37	0.00	55.44	(-)2.34	(-)2.34	(-)57.78
45	Andhra Pradesh State Road Transport Corporation	2016-17	2017-18	(-)530.45	(-)789.93	4463.20	115.15	(-)1355.78	(-)4643.68	(-)4758.83
46	Andhra Pradesh Towers Limited	2016-17	2017-18	(-)1.19	(-)1.19	0.00	5.00	3.81	3.81	(-)1.19
47	Bhogapuram International Airport Corporation Limited	2016-17	2017-18	0.00	0.00	0.00	2.50	506.89	2.50	0.00

Sl. No.	Sector, Type & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before dividend, interest & tax	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
48	Visakhapatnam Urban Transport Company Limited	2016-17	2017-18	(-)0.01	(-)0.01	0.00	0.05	0.02	0.02	(-)0.03
49	Andhra Pradesh Industrial Infrastructure Corporation Limited	2015-16	2018-19	21.63	16.09	332.54	9.52	616.52	335.66	326.14
50	Andhra Pradesh State Fibernet Limited	2015-16	2016-17	(-)0.48	(-)0.49	0.00	7.00	61.35	6.51	(-)0.49
51	Krishnapatnam International Leather Complex Private Limited	2015-16	2017-18	(-)0.40	(-)0.45	0.00	0.10	(-)7.77	(-)7.77	(-)7.87
52	Ongole Iron Ore Mining Company Limited	2015-16	2016-17	(-)0.06	(-)0.06	0.00	0.11	(-)0.17	(-)0.17	(-)0.28
53	Vizag Apparel Park for Export	2015-16	2016-17	0.18	0.18	0.00	0.05	0.59	0.59	0.54
54	Andhra Pradesh Rajiv Swagruha Corporation Limited	2014-15 (2 months)	2015-16	4.89	(-)10.97	9.56	0.05	(-)1.62	(-)1.62	(-)1.67
55	Andhra Pradesh State Warehousing Corporation	2014-15 (2 months)	2015-16	12.26	9.13	22.04	8.97	432.06	346.06	337.09
56	Infrastructure Corporation of Andhra Pradesh	2014-15	2015-16	(-)1.55	(-)1.55	0.29	30.12	26.30	26.30	(-)3.82
57	Andhra Pradesh Mineral Development Corporation Limited	2013-14 (14 months)	2015-16	466.44	307.40	523.79	6.31	1045.52	1045.52	884.60
58	Andhra Pradesh Tourism Development Corporation Limited	2013-14	2015-16	(-)4.43	(-)6.43	145.07	3.55	29.34	19.55	16.00
	Total B-I			**506.26**	**(-)424.27**	**6218.66**	**534.11**	**6060.71**	**(-)2,123.43**	**(-)2939.61**
B-II	**Inactive PSUs**									
59	Proddutur Milk Foods Limited	1983-84	1990-91	0.00	0.00	0.00	1.96	0.00	1.96	0.00
60	Andhra Pradesh Dairy Development Corporation Limited	2013-14 (14 months)	2014-15	0.00	0.00	0.00	15.00	9.76	9.76	(-)5.24
61	Andhra Pradesh Meat Development Corporation	2014-15 (2 months)	2017-18	0.00	0.00	0.00	6.87	(-)8.13	(-)10.94	(-)17.81
62	Allwyn Auto Limited	1994-95	--	(-)6.46	(-)6.46	0.00	0.15	(-)2.97	(-)13.39	(-)13.54
63	Allwyn Watches Limited	1998-99	2002-03	0.00	0.00	13.00	0.15	95.75	(-)248.55	(-)248.70
64	Andhra Pradesh Electronics Development Corporation Limited	2002-03	2006-07	(-)0.75	(-)0.75	0.00	12.72	3.68	1.98	(-)10.74
65	Andhra Pradesh Steels Limited	1991-92	1993-94	(-)2.09	(-)2.09	0.00	2.03	(-)2.51	(-)4.48	(-)6.51
66	Aptronix Communications Limited	--	--	0.00	0.00	0.00	0.00	0.00	0.00	0.00
67	Hyderabad Chemicals and Fertilizers Limited	1984-85	1986-87	0.62	0.62	0.00	0.78	(-)1.34	0.15	(-)0.63

Sl. No.	Sector, Type & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before dividend, interest & tax	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
68	Marine and Communication Electronics (India) Limited	1992-93	1994-95	(-)4.70	(-)4.70	0.00	1.89	7.23	(-)2.32	(-)4.21
69	Republic Forge Company Limited	1991-92	1993-94	(-)3.24	(-)3.24	0.00	7.77	8.82	(-)15.64	(-)23.41
70	Southern Transformers and Electricals Limited	1993-94	1996-97	(-)0.57	(-)0.57	0.00	0.58	(-)1.45	(-)5.20	(-)5.78
71	Andhra Pradesh Automobile Tyres & Tubes Limited	1992-93	--	0.00	0.00	0.00	0.75	0.00	(-)0.02	(-)0.77
72	Golkonda Abrasives Limited	1997-98	--	(-)0.01	(-)0.01	0.00	0.55	0.00	(-)6.89	(-)7.44
73	Krishi Engineering Limited	1984-85	--	(-)0.52	(-)0.52	0.00	0.52	0.00	(-)3.02	(-)3.54
74	P J Chemicals Limited	1989-90	--	(-)0.51	(-)0.51	0.00	0.38	0.00	(-)3.18	(-)3.56
75	Vidyut Steels Limited	1985-86	--	(-)0.40	(-)0.40	0.00	0.88	0.00	(-)0.67	(-)1.55
	Total B-II			**(-)18.63**	**(-)18.63**	**13.00**	**52.98**	**108.84**	**(-)300.45**	**(-)353.43**
	Total B (I+II)			**487.63**	**(-)442.90**	**6231.66**	**587.09**	**6169.55**	**(-)2,423.88**	**(-)3293.04**
C.	**Others**									
C-I	**Working PSUs**									
76	Andhra Pradesh Aviation Corporation Limited	First Accounts not submitted								
77	Andhra Pradesh Centre for Advanced Research on Livestock Private Limited	2016-17	2018-19	(-)0.64	(-)0.64	0.00	0.01	(-)1.27	(-)1.27	(-)1.28
78	Andhra Pradesh Technology Services Limited	2016-17	2017-18	5.93	4.97	8.63	0.31	73.05	73.05	70.99
79	Andhra Pradesh State Police Housing Corporation Limited	2014-15 (10 months)	2017-18	0.00	0.00	211.84	1.81	1.82	1.82	0.01
80	Andhra Pradesh Forest Development Corporation Limited	2013-14 (14 months)	2014-15	182.25	176.8	240.33	21.82	455.40	434.79	288.1
	Total C (I)			**187.54**	**181.13**	**460.80**	**23.95**	**529.00**	**508.39**	**357.82**
	Grand Total (A+B+C)			**994.02**	**(-)929.33**	**13650.31**	**978.38**	**18802.09**	**(-)9100.02**	**(-)10608.76**
i	**Working Government Companies**			**1278.18**	**(-)190.77**	**8778.04**	**579.86**	**17365.28**	**(-)5108.04**	**(-)6090.80**
ii	**Statutory Corporations**			**(-)267.67**	**(-)722.07**	**4859.25**	**330.12**	**1321.69**	**(-)3674.63**	**(-)4132.21**
iii	**Working PSUs (i+ii)**			**1010.51**	**(-)912.84**	**13637.29**	**909.98**	**18686.97**	**(-)8782.67**	**(-)10223.01**
iv	**Inactive PSUs**			**(-)16.49**	**(-)16.49**	**13.02**	**68.40**	**115.12**	**(-)317.35**	**(-)385.75**
	Grand Total (iii+iv)			**994.02**	**(-)929.33**	**13650.31**	**978.38**	**18802.09**	**(-)9100.02**	**(-)10608.76**

Annexure- 6

(Referred to in paragraph 1.6.1 of Chapter-I in Section B)

Department-wise details of Outstanding Inspection Reports and Paragraphs as on 30 September 2018

Sl. No.	Department	Number of outstanding IRs/Paragraphs		Earliest year of the outstanding IRs	Number for which even first replies have not been received		Earliest year of the report for which first replies have not been received
		IRs	Para-graphs		IRs	Para-graphs	
1.	Agriculture & Cooperation	469	1892	1992-93	155	875	1995-96
2.	Animal Husbandry, Dairy Development and Fisheries	191	990	2001-02	108	621	2001-02
3.	Environment, Forests, Science and Technology	215	636	1999-2000	15	132	2014-15
4.	Industries and Commerce	127	412	1992-93	36	186	1994-95
5.	Information Technology, Electronics and Communications	3	15	2014-15	3	15	2014-15
6.	Infrastructure and Investment	11	63	2003-04	4	28	2010-11
7.	Water Resources	1135	3417	1999-2000	209	945	2005-06
8.	Works & Projects wing of Finance Department	24	123	2006-07	18	104	2006-07
9.	Roads and Buildings	252	819	1999-2000	20	113	2013-14
10.	Tourism, Art and Culture	16	94	2007-08	7	48	2010-11
	Total	**2443**	**8461**		**575**	**3067**	

Annexure- 7

(Referred to in paragraph 1.6.1 of Chapter-I in Section B)

Year wise breakup of outstanding Inspection Reports and Paragraphs for which first replies have not been received

Year	Number of IRs/Paragraphs outstanding as of 30 September2018		IRs/Paragraphs where no replies have been received	
	IRs	Paragraphs	IRs	Paragraphs
2013-14 and earlier years	1832	4950	228	932
2014-15	148	796	57	350
2015-16	185	1156	101	705
2016-17	183	979	100	523
2017-18	95	580	89	557
Total	**2443**	**8461**	**575**	**3067**

Annexure-8

(Referred to in paragraph 2.3 of Chapter-II in Section B)

Sector wise number of projects implemented in the State under RKVY during the period from 2014-15 to 2017-18

S. No.	Name of the Sector	Total Projects	Total cost (₹ in crore)	Expenditure as of March 2018 (₹ in crore)
1	Agriculture Department	102	491.47	430.88
2	Horticulture Department	104	183.46	166.84
3	Animal Husbandry Department	21	207.05	167.32
4	Fisheries Department	27	91.54	91.54
5	AP Dairy Development Coop. Federation Ltd.	28	78.68	72.67
6	Acharya NG Ranga Agricultural University	71	53.38	44.23
7	Sericulture Department	26	42.03	42.02
8	AP Food Processing Society	4	39.56	23.57
9	Dr. YSR Horticultural University	25	29.18	23.65
10	Sri Venkateswara Veterinary University	33	22.75	12.38
11	AP MARKFED	5	22.61	12.52
12	APAGROS	1	10.81	0.00
13	Marketing Department	9	4.92	4.92
14	AP State Seed Certification Authority	5	6.29	4.76
15	Food and Agri Business School	9	4.15	4.15
16	Spices Board	1	3.65	3.65
17	ICRISAT	1	3.46	3.46
18	Small Farmers Agri Business Consortium	2	3.00	3.00
19	Forest Department	1	3.00	3.00
20	Agri Biotech Foundation	4	1.63	1.63
	TOTAL	**479**	**1302.62**	**1116.19**

*(**Source:** Information furnished by CDA)*

Annexure- 9

(Referred to in paragraph 2.8.3 of Chapter-II in Section B)

Unspent funds available in bank accounts of the test checked offices as of March 2018

S. No.	Office	Amount (₹ in crore)	Bank in which parked	Scheme to which the funds pertain
	Animal Husbandry Department			
1	Director of AH	18.84	Andhra Bank	RKVY & other schemes
2	JD/AH, Anantapuramu	3.03	State Bank of India	RKVY
3		0.37	Andhra Bank	RKVY
4	JD/AH, Krishna	2.68	Axis Bank	RKVY
5	JD/AH, Guntur	3.24	Axis Bank	RKVY
6	JD/AH, Nellore	3.57	Andhra Bank	RKVY
	Agriculture Department			
7	JDA, Machilipatnam	0.58	HDFC Bank	RKVY
8	JDA, Anantapuramu	0.39	AP Gramin Bank	RKVY
9	JDA, Nellore	0.68	AP Gramin Bank	RKVY
	Horticulture Department			
10	ADH, Vijayawada	0.93	Andhra Bank	RKVY
11	ADH, Nuzvid	0.17	Andhra Bank	RKVY
12	ADH, Vedayapalem	0.58	ICICI Bank	RKVY
13	ADH, Atmakur	0.06	Andhra Bank	RKVY
14	ADH, Penukonda	0.45	Andhra Bank	RKVY
	Total	**35.57**		

*(**Source:** Information furnished by the test checked offices)*

Annexure-10

(Referred to in paragraph 2.12.1 of Chapter-II in Section B)

Examples of funds released for the period 2014-17 which remained unutilized or were surrendered/lapsed

Name of the Project	Year of funds	District (s)	Unspent funds (₹ in crore)	Status of unspent funds
Agriculture				
Crop Diversification Programme	2015-16 and 2016-17	Nellore	1.25	Lapsed to Government account in March 2018
		Guntur	0.21	Available with JDA
Seed Storage Bins	2014-15	Anantapuramu, Krishna and Guntur	1.16	Surrendered during February- May 2016
Fertilizer Quality Control (FQC) Lab	2015-16	Nellore	1.40	₹one crore lapsed in March 2018; ₹40 lakh lying in PD account
FQC lab in Krishna district	2015-16	Krishna	1.00	₹one crore lapsed in March 2018
FQC lab in Bapatla	2015-16	Guntur	0.40	Available with JDA
DNA Fingerprinting Lab, Amaravati	2014-15 2015-16	Guntur	2.67	₹1.8 crore available with APMSIDC and ₹0.87 crore with JDA
Horticulture				
Shade net houses 1000 sq. mtrs.	2015-16	Tenali	1.67	Fund not released to the district
Providing functional infrastructure to farmers' groups	2015-16 to 2017-18	Anantapuramu, Krishna and Guntur	3.08	Fund not released to the districts
Animal Husbandry				
Mini Silage Units	2016-17	Anantapuramu, Krishna, Guntur and Nellore	5.67	Available in bank accounts of the district offices
Jowar Stover Pelletisation units			1.80	
Legume Pelletisation units			1.80	
Azolla units			2.89	
		Total	**25.00**	

*(**Source:** Records of the respective implementing Departments)*

Annexure- 11

(Referred to in paragraph 3.1.3 of Chapter-III in Section B)

Details of encroachments in the test checked water bodies

S. No.	Location	Sy. No.	Name of the water body	Extent (in acres)	Approximate encroachment (in acres)	Remarks
Vijayawada Municipal Corporation limits						
1	Payakapuram	67	Cheruvu	11.2	3.00	Houses constructed, YSR Smriti Vanam proposed.
2	Gunadala	244-A & 244-B	Kummari Cheruvu	6.79	6.79	Fully encroached. No water body exists now. Houses, roads, shops constructed. Pattas were issued by Revenue Department to some people.
3	Gunadala	314-1	Cheruvu	3.04	3.04	Fully encroached. No water body exists.
4	Patamata	169-1A 169-1B2	Nalla Cheruvu	5.3	5.3	Fully encroached. No water body exists now. Includes Government encroachments/ interventions in 4.75 acres (Indoor stadium, Rythu Bazaar).
Vizianagaram Municipality limits						
5	Vizianagaram Town	34	Kittanna Koneru	6.2	1	Private encroachments.
6	Vizianagaram Town	366	Nalla tank	24.16	7	Government encroachments/ interventions in 7 acres. Roads laid in tank area obstructing catchment.
7	Vizianagaram Town	569	Yerra tank	4.32	3	Government encroachments. Roads laid in tank area.
8	Vizianagaram Town	512	Ayya Koneru	24.26	2	Government and private encroachments. Houses constructed, bund occupied and road laid in tank area.
9	Vizianagaram Town	1048/1	Big tank	166.03	9.59	Includes Government encroachments - (Electricity office, VUDA park, Fisheries department shed, Sewage Treatment Plant).
10	Vizianagaram Town	45	Dalayya Cheruvu	14.30	0.55	Private occupations - houses constructed.
11	Vizianagaram Town	79	Komati Tank	28	4.4	Government encroachments/ interventions (Road : 4 acres, Electricity sub-station: 0.40 acre)

S. No.	Location	Sy. No.	Name of the water body	Extent (in acres)	Approximate encroachment (in acres)	Remarks
Srikakulam Municipality limits						
12	Srikakulam Town	23	Mandal Tank	6.85	4.95	Private/Government encroachments. D-form Pattas given to some people.
13	Srikakulam Town	540	Chinna Cheruvu Tank	5.21	0.6	Includes high school building in 0.50 acre. Private encroachments 0.10 acres. D-form Pattas given to them.
14	Srikakulam Town	533	Sri Suryanarayana Swamy Vari Swamy Pushkarini Tank	6.32	1.00	Government Encroachment: 1.00 acres. Endowment Department constructed choultries and tonsuring houses.
15	Srikakulam Town	204	Budamaiah Tank	4.79	4.79	Tank area belongs to Wakf Board. Fully encroached. No water body exists at present. Government encroachments in 4.79 acres.
16	Srikakulam Town	132	Tank	8.51	3	Private Encroachments
17	Srikakulam Town	121	Tank	4.94	0.5	Private Encroachments
18	Srikakulam Town	149-1	Tank	5.29	5.29	Fully encroached by private individuals. No water body exists now.
19	Srikakulam Town	153-3 & 153-5	Tank	2.02	1	Private Encroachments
20	Srikakulam Town	23-2	Tank	25.9	0.05	Private Encroachments
21	Srikakulam Town	19-1	Vijayadithya tank	11.38	1.5	Government Encroachment. Road, park, cafeteria, etc. constructed by Tourism Department.
Markapur Municipality						
22	Markapur Town	549	Urban Tank	584.36	25.2	Private Encroachments in 25 acres and Government encroachment (burial ground) in 0.20 acre.
Nagari Municipality						
23	Nagari Town	1	Netham Tank	109.23	2.25	Government Encroachment - Railway track laid within the tank area.
24	Nagari Town	76/10	Kotha Tank (Kakaveedu)	7.21	0.2	Private encroachments.

S. No.	Location	Sy. No.	Name of the water body	Extent (in acres)	Approximate encroachment (in acres)	Remarks
25	Nagari town	270/1	Tangal Tank	10.5	8.5	Government Encroachments: 8.50 acres. Effluent Treatment Plant, Anganwadi Kendra, ZP School, Gram Panchayat building, Overhead water tank and roads constructed.
Villages near ULBs						
26	Nunna near Vijayawada	340/1	Jangamvani tank	33.1	2.04	Private encroachments.
27	Malicherla village near Vizianagaram	153/1	Komati Cheruvu	5.44	0.05	Used as burial ground/private encroachment.
28	Peddapadu village near Srikakulam	240	Voora Tank	37.34	0.15	Private encroachment (temple) in 0.05 acre and Government interventions (roads) in 0.10 acre.
29	Peddapadu village near Srikakulam	84	Nandigedda Cheruvu	39.46	0.86	Private encroachments in 0.4 acre. Land in tank area given to NHAI: 0.46 acre.
30	Pedda Yachavaram village near Markapur	340	Pedda Yachavaram Tank	75.2	0.2	Private encroachments
31	Achhavelli village near Pulivendula	621 to 624 & 626 - 627	Tank	57.83	16.63	Encroached by private parties. D-Form Pattas issued by Revenue Department to the encroachers.
32	Thandemvalasa village near Srikakulam	94	Pedda Tank	38.56	0.1	Private encroachments (Temple, Ayyappa Mandapam & Community hall).
33	Thandemvalasa village near Srikakulam	134	Chinna Tank	18.9	2.5	Government encroachment (road laid in 2.5 acres).
34	Alikam village near Srikakulam	145	Pedda Tank	75	5	Private encroachments. Government issued D-Form Pattas to private persons.
			Total	**1466.94**	**132.03**	

Glossary

Glossary

ADH	Assistant Director of Horticulture
AGM	Annual General Meeting
AMC	Annual Maintenance Contract
APCPDCL	Central Power Distribution Company of Andhra Pradesh Limited
APEPDCL	Eastern Power Distribution Company of Andhra Pradesh Limited
APERA	Andhra Pradesh Electricity Reform Act
APNPDCL	Northern Power Distribution Company of Andhra Pradesh Limited
APPDCL	Andhra Pradesh Power Development Company Limited
APGENCO	Andhra Pradesh Power Generation Corporation Limited
APHMHIDC	Andhra Pradesh Health & Medical Housing and Infrastructure Development Corporation
AP MARKFED	Andhra Pradesh State Cooperative Marketing Federation
APEWIDC	Andhra Pradesh Education and Welfare Infrastructure Development Corporation
APMSIDC	Andhra Pradesh Medical Services and Infrastructure Development Corporation
APPC	Andhra Pradesh Productivity Council
APPCB	Andhra Pradesh Pollution Control Board
APWALT Act	Andhra Pradesh Water Land and Trees Act
APSEB	Andhra Pradesh State Electricity Board
APSPDCL	Southern Power Distribution Company of Andhra Pradesh Limited
APSRTC	Andhra Pradesh State Road Transport Corporation
APSFNL	Andhra Pradesh State Fibernet Limited
APSEEDCO	Andhra Pradesh State Energy Efficiency Development Corporation Limited
APPSRT	Andhra Pradesh Power Sector Reforms Transfer Scheme
APTRANSCO	Transmission corporation of Andhra Pradesh Limited
APTPCL	Andhra Pradesh Tribal Power company Limited
ATNs	Action Taken Notes
APMDCL	Andhra Pradesh Mineral Development Corporation Limited
BOD	Biochemical Oxygen Demand

BRO	Budget Release Order
CAG	Comptroller and Auditor General of India
CDA	Commissioner and Director of Agriculture
C-DAP	Comprehensive District Agriculture Plan
CETP	Common Effluent Treatment Plant
CoH	Commissioner of Horticulture
CPHEEO	Central Public Health Environmental Engineering Organisation
COPU	Committee on Public Undertakings
DAC	Department of Agriculture and Cooperation
DAH	Director of Animal Husbandry
DAP	District Agriculture Plan
DFTCM Lab	DNA Fingerprinting and Transgenic Crops Monitoring Lab *(DNA: Deoxyribonucleic Acid)*
DISCOM	Distribution Company
DLC	District Level Committee
DPRs	Detailed Project Reports
DMG	Director of Mines and Geology
Dr.NTTPS	Dr. Narla Tata Rao Thermal Power Station
EBIT	Earnings Before Interest and Taxes
EN	Explanatory Note
EOU	Export Oriented Processing Unit
EPF	Employees Provident Fund
ESI	Employees State Insurance
ETP	Effluent Treatment Plant
FCC	Fertilizer Coding Centre
FCI	Food Corporation India
FD	Fixed Deposit
FIGs	Farmer Interest Groups
FPOs	Farmer Producers' Organisations
FQC Lab	Fertilizer Quality Control Laboratory
FTCs	Farmers Training Centres
FTL	Full Tank Level
GIS	Geographic Information System
GO	Government Order

GDP	Gross domestic product
GoAP	Government of Andhra Pradesh
GoI	Government of India
GSDP	Gross State Domestic Product
Ha	Hectare
HIC	Housing Information Centre
HO	Horticulture Officer
HoDs	Heads of Departments
IT	Income Tax
JDA	Joint Director of Agriculture
JDAH	Joint Director of Animal Husbandry
JV	Joint Venture
JVC	Joint Venture Company
KM	Kilometre
KMPL	Kilometre per litre
MC	Municipal Commissioner
mg/ltr	milligrams per litre
MIS	Management Information Systems
MLD	Million litres per day
MOU	Memorandum of Understanding
MRO	Mandal Revenue Officer
MT	Metric Ton
NAARM	National Academy of Agricultural Research Management
NHAI	National Highways Authority of India
NREDCAP	New and Renewable Energy Development Corporation of Andhra Pradesh Limited
O&M	Operations & Maintenance
ONGC	Oil and Nature Gas Corporation Limited
PA	Performance Audit
PAG	Principal Accountant General
PV	Present Value
PD	Project Director
PD Account	Personal Deposit Account
pH	Potential Hydrogen
PRD	Panchayat Raj Department

PSD	Performance Security Deposit
PSUs	Public Sector Undertakings
R&B	Roads and Buildings
RKVY	Rashtriya Krishi Vikas Yojana
RoCE	Return of Capital Employed
RoE	Return on Equity
RoI	Return on Investment
SARs	Separate Audit Reports
SAIDP	State Agriculture Infrastructure Development Programme
SAMETI	State Agricultural Management and Extension Training Institute
SAP	State Agriculture Plan
SCCL	Singareni Collieries Company Limited
SLPSC	State Level Project Screening Committee
SLSC	State Level Sanctioning Committee
SNHs	Shade-net Houses
SSR	Standard Schedule of Rates
ST	Service Tax
STP	Sewage Treatment Plant
TDS	Tax Deducted at Source
TDS	Total Dissolved Solids
UCs	Utilization Certificates
ULB	Urban Local Bodies
UDAY	Ujwal DISCOM Assurance Yojana
VC&MD	Vice Chairman and Managing Director
VBRI	Veterinary Biological Research Institute
ZLD	Zero Liquid Discharge