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**ANDHRA PRADESH LEGISLATURE**  
**(ELEVENTH LEGISLATIVE ASSEMBLY)**

**NINETH REPORT**  
**OF**  
**THE COMMITTEE ON**  
**PUBLIC UNDERTAKINGS**  
**(2000 - 2001)**

*on*

*The Paragraphs Contained in the Report  
of the Comptroller and Auditor General  
of India (Commercial) for the years  
1996-97 & 1997-98*

*on*

**A.P. STATE HOUSING CORPORATION LIMITED**

*(Presented to the Legislature on 29-03-2001)*

**Andhra Pradesh Legislature (P.U.C.) Secretariat**  
**Public Gardens, Hyderabad - 500 004.**

THE UNIVERSITY OF CHICAGO

PHYSICS DEPARTMENT

PHYSICS 309

LECTURE 10

STATISTICAL MECHANICS

10

1. The Boltzmann distribution is a special case of the more general Gibbs distribution. The Boltzmann distribution is obtained by setting the chemical potentials of all particles to zero.

2. The partition function is a central quantity in statistical mechanics. It is defined as the sum of the Boltzmann factors over all possible states of the system.

3. The entropy of a system is related to the partition function by the equation  $S = k_B \ln Z$ .

4. The Helmholtz free energy is defined as  $A = -k_B T \ln Z$ . It is a useful quantity because it is a function of the temperature and the volume of the system.



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[i]

J. 547-1

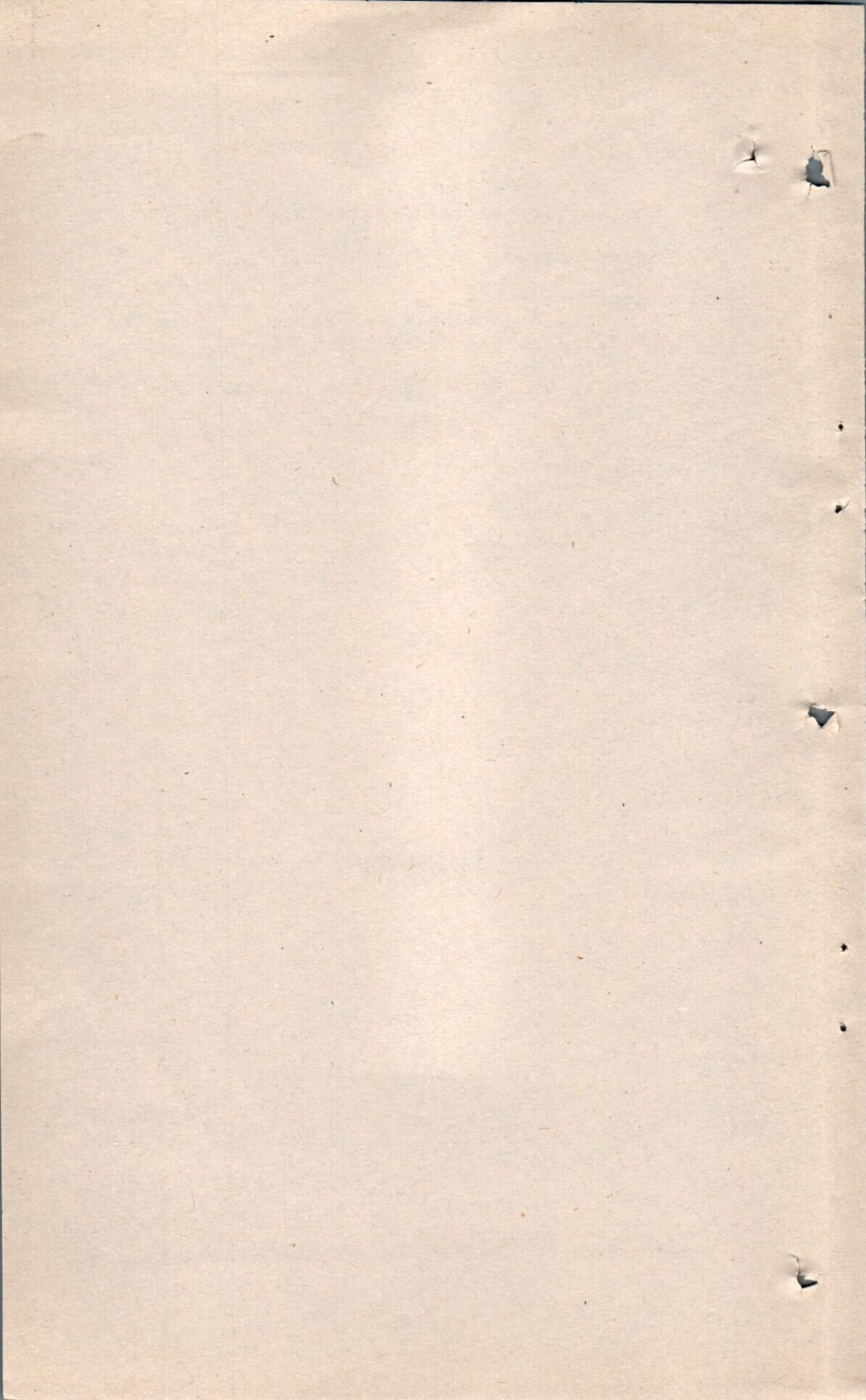




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ANDHRA PRADESH LEGISLATIVE ASSEMBLY  
COMMITTEE ON PUBLIC UNDERTAKINGS  
(2000-2001)  
(Constituted on the 3rd April, 2000)

CHAIRMAN:

1. Sri A. Venkata Suryanarayana Raju

MEMBERS:

2. Sri Anne Babu Rao
3. Sri Balli Durga Prasad Rao
4. Sri S.A. Khaleel Basha
5. Sri P. Mahender Reddy
6. Smt. P. Ananta Lakshmi
7. Sri B. Janardhan
8. Sri R. Prakash Reddy
9. Sri Kondabala Koteswara Rao
10. Sri Kanna Lakshminarayana
11. Sri Patil Venugopala Reddy
12. Sri T. Jeevan Reddy
13. Sri M. Narsimhulu
14. Sri Kandula Nagarjuna Reddy
15. Sri Akbaruddin Owaisi

SPECIAL INVITEES:

16. Sri Reddy Satyanarayana
17. Sri M. Dharma Rao

LEGISLATURE SECRETARIAT:

- |                            |                     |
|----------------------------|---------------------|
| 1. Sri K. Tuljanand Singh, | Secretary           |
| 2. Sri R. Bhaskaran        | Joint Secretary     |
| 3. Sri B. Padma Reddy      | Assistant Secretary |
| 4. Sri A. Ram Reddy        | Section Officer     |







## INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (2000-2001) having been authorised by the Committee to present the Report on their behalf, present this Nineth Report on Andhra Pradesh State Housing Corporation Limited.

The Committee on Public Undertakings (2000-2001) have examined the Reports of the C. & A.G. of India (Commercial) for the years ended 31 March, 1997 and 1998 during the period from 27.4.2000 to 24.1.2001.

The Committee (2000-2001) have considered and approved this Report at their sitting held on 20.3.2001.

A statement showing the summary of principal recommendations/observations of the Committee is appended to this Report.

A record of Proceedings (\*) of the sitting of the Committee which has been maintained forms part of this Report.

The Committee wishes to express their thanks to the Principal Secretary to Government, Housing Department and the Managing Director, Andhra Pradesh State Housing Corporation Limited. For the co-operation they have extended and for placing the required information and material before the Committee.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit)-II, Andhra Pradesh, the Senior Deputy Accountant General (Commercial) and other officers and staff of the Accountant General's Office.

The Committee also places on record their appreciation of the assistance rendered to the

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(\*) One Cyclostyled copy laid on the table of the House and one copy placed in the Legislature Library.



Committee by the Secretary to State Legislature and the other Officers and Staff of Legislature Secretariat in the Examination of the general work and audit paras relating to the Andhra Pradesh State Housing Corporation Limited and in preparation of this Report.

A.V. SURYANARAYANA RAJU,  
Chairman,  
Committee on  
Public Undertakings.

Hyderabad,

Dated : 20-3-2001.



REPORT OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS (2000-2001)

A.P. STATE HOUSING CORPORATION LIMITED

[Report of the C&AG of India (Commercial) for  
the years 1996-97 and 1997-98]

AUDIT REPORT 1997-98 (COMMERCIAL)

(a) Borrowings. (Para 2A.6):

1.1 The Company obtains term loans from commercial banks and HUDCO for the purpose of providing financial assistance to beneficiaries for construction of houses by themselves.

1.2 During five years ending 1997-98 the company mobilized Rs.921.91 crore. At the end of March 1998 an amount of Rs.1158.80 crore (provisional) was outstanding.

1.3 Loans ledgers were not maintained showing the details of amounts borrowed, date of receipt of loan etc with the result that reconciliation with the figures of lending institutions was not possible. When the company attempted to obtain confirmation of balances from commercial banks, a net difference of Rs.6.21 crore was noticed as on 1st July, 1997 which was still waiting reconciliation.

1.4 During 1996-97, the State Government mobilised Rs.55.29 crore from LIC towards housing schemes under implementation by the Company. The State Government without releasing the same to the Company adjusted this against loan repayments due to them. As the borrowings from LIC are for specific purpose their diversion for adjustment of loan repayment resulted in depriving funds for implementation of schemes.

1.5 The Company in its explanatory notes stated that the loan repayment system has been computerised. For Differential Rate of Interest (DRI) loans interest (by banks) is being charged at 4% and for Non-DRI, at the instance of the Company a uniform interest rate of 12% is being charged w.e.f. 1.10.1997. Reconciliation of loan account is in good progress.



4.2 Unlike in other schemes, under IAY scheme administrative charges need not be collected from the beneficiaries. However, Rs.21.98 lakh were collected from the beneficiaries of the scheme during 1993-94 to 1996-97.

4.3 The Company in its explanatory notes stated that instructions were issued (January 1998) that the allotment of IAY houses should be in the name of the female members of the beneficiary/household and that the District Managers were once again (March, 1998) reminded to adhere to the instructions.

4.4 Regarding collection of fee from beneficiaries in IAY scheme, the accounting procedure for the amounts collected was rectified and journal entries were passed accordingly.

4.5 The Managing Director in oral evidence stated that the administrative charges were collected for RSP (Rural Semi-Permanent) housing schemes and not for IAY (Indira Awas Yojana) schemes. However, Managing Director of the Corporation stated that this aspect will be checked and if any thing was collected the same will be spent on the same schemes only.

4.6 (i) The Committee recommends that the existing percentage of houses constructed under IAY Schemes shall be increased in respect of lady members.

(ii) The Committee recommends that as the beneficiaries are very poor, the administrative charges shall not be collected from them, and recommends that if any amounts are collected the same shall be spent for their housing schemes only and in future the administrative charges of any be born by the Government.



(e) Delay in completion of houses due to poor economic condition of beneficiaries (Para 2A.9.3) :

5.1 The State Government approved (April, 1997) a scheme to encourage the beneficiaries who could not complete the houses for want of funds over and above the unit cost among other reasons and were inclined to complete their houses if some more funds were made available to them.

5.2 The company in its explanatory notes stated that the Government has decided to carry forward such houses to the subsequent year's programme and the additional amount will be paid to the beneficiaries.

5.3 The Managing Director in oral evidence stated that the same will be listed out and will be submitted.

5.4 The Committee recommends that a list of incomplete houses (Scheme-wise) and reasons thereon for non-completion shall be submitted to the Committee by January, 2002.

(f) Documentation: (Para 2A.9.4):

6.1 Documentation work was in arrears from 1979-80 onwards. 6.19 lakh documents are pending execution of mortgage. Thereby loans sanctioned to these beneficiaries (amount not readily quantifiable) remained without any security.

6.2 The Company in its explanatory notes stated that the District Officers are directed to clear the arrears.

6.3 The Managing Director in oral evidence stated that this issue has been neglected initially, but for the last two years, through a special drive most of the documentation work was completed.

6.4 The Committee recommends that the documentation work shall be completed as early as possible and shall be reported to the Committee by January, 2002.



The Committee also recommends that the beneficiary-wise ledgers be maintained with regard to documentation and intimate the same to the Committee immediately after total completion.

(g) Loan recoveries from beneficiaries:  
(Para 2A.10)

7.1 The outstanding loan recoveries rose from Rs.264.77 crore in 1993-94 to 585.21 crore by 97-98.

7.2 The percentage of actual recoveries to targets fixed ranged between 2.8 and 9.3 during the years 1994-95 to 1997-98.

7.3 In respect of completed houses, the loan component was not segregated and brought to accounts, thereby the actual loan outstanding for recovery was not known.

7.4 The loan ledgers showing the beneficiary-wise details of loans disbursed, demand raised and recovered and balance due were not maintained in four divisions of two districts and the records were not updated in seven districts test checked.

7.5 The rebate of three percent allowed for prompt repayment was not assessed for seeking reimbursement from State Government.

7.6 The Company in its explanatory notes narrated various measures for improvement of loan recoveries and stated that every effort is being made to update the ledgers.

7.7 The Managing Director in the oral evidence stated that the beneficiaries were not informed of the details of the loan outstanding etc., Now steps will be taken in this regard for updating of the loan ledgers etc.

7.8 The Committee recommends that beneficiary-wise loan ledgers shall be prepared and the beneficiaries shall also be informed of their position for their benefit. A note on this shall be submitted to the Committee by January 2002.



(h) Cases of malpractice: (Para 2A.11)

8.1 Lack of adequate control and supervision over field staff gave scope for misappropriation of funds/material, delay in rendering accounts for the funds intended for disbursement among beneficiaries, supply of inferior quality of material etc., Majority of the cases of malpractice surfaced as a result of complaints received against erring officials.

8.2 A review by audit of 139 cases of irregularities revealed that in 66 cases the amount involved was neither assessed nor were inquiries completed to determine the failure of the officials responsible. In the remaining 73 cases, the number of employees involved was 182 and the amount involved was Rs.13.70 crore (provisional). In 17 cases involving an amount of Rs.24.51 lakh the enquiry had not been ordered at all.

8.3 The Company in its explanatory notes stated that a special drive has been launched for early completion of the cases and speedy disposal of the cases of malpractice.

8.4 As per the new service rules approved (May 1998) by the Government, disciplinary powers are vested with the collectors/executive directors, Districts Managers upto the cadre of AE/AM.

8.5 The Secretary (Finance) in the oral evidence stated that upto April 2000, 126 cases were registered. Fresh cases of irregularities registered were 16.31 cases were disposed off. Out of the remaining 111, cases 10 personnel were removed, 50 are still under suspension.

8.6 The Committee recommends that case-wise details of latest position regarding malpractice shall be submitted to the Committee by January 2002 and the mechanism evolved to prevent such cases in future may also be intimated to the Committee.



(i) Para No. 2A.12 Purchase of Cement and Para No. 4A.3.1.

9.1 Normally head office, on behalf of district office finalises the tender for supply of cement on rate contract basis. For urgent requirement Cement is also procured by the district office locally.

9.2 A test check of procurement of cement in Nalgonda district office revealed that, for the requirement during November 1994 to April 1995 head office finalised tenders for a quantity of 10000 tonnes. However, the district office placed orders for 10700 tonnes. Though the agreement entered into with the suppliers contained a clause for enhancing the ordered quantity by 20%, the district office procured (April/May 1995) an additional quantity of 2800 tonnes at a higher rate. This resulted in avoidable extra expenditure of Rs.9.78 lakh.

9.3 The Company in its explanatory notes stated that as March-May season in every year is a peak season for housing activity, and the ordered quantity were not sufficient, the district Collector ordered the procurement of cement to complete the housing schemes which were already taken up.

9.4 The Principal Secretary (Housing), in his oral evidence stated that as the stocks were not consumed before the agreement period, the extra-ordering for 20% as per the agreement clause could not be utilised.

9.5 The Committee recommends that the Purchase of all items should be based on realistic assessment of need so that public money is spent judiciously and not locked-up without use.

(j) Individual Para No.4A.3.1. [Audit Report (Commercial) 1996-97]

10.1 The Srikakulam District Office of the Company entered July 1995 into agreement with M/s Modi Cements Limited and M/s. Snehadhara Cements Limited. For supply of 5000 tonnes of cement each at Rs.2020/- and 2015/- per tonne respectively. As per terms and conditions of the



agreements the quantity ordered for supply could be increased or decreased by 20% by placing a repeat order during the currency of the agreement at the same rate and terms and conditions. The agreements were valid up to 31-12-95. Before expiry of the agreement, the District Office assessed (December 1995) the requirement of cement for the period from February to July 1996 at 10000 tonnes and floated open tenders. After evaluation of the tenders received, the District Office accepted (February 1996) the offer from the same two firms for supply of 2500 tonnes of cement each at Rs.2650 per tonne. The Company did not take advantage of the agreement clause permitting placement of repeat order to the extent of 2000 tonnes (20 per cent of 10000 tonnes) at the old rates of July 1994 in December 1995 itself. The requirement of delivery between February and July 1996 would also have been met from a repeat order, in as the two companies delivered the quantities of earlier orders as well as new orders up to August 1996. The failures to utilise the repeat order clause had resulted in an extra expenditure of Rs.12.56 lakh on 2000 tonnes of cement purchased from the above two firms at a higher rates of Rs.2650 instead of at Rs.2020/2015 per tonne.

10.2 The company replied that the indents for entire quantity of cement could not be procured due to heavy cyclones and consequent reduction in requirement. The same has been explained in the oral evidence also.

10.3 The Managing Director in the oral evidence stated that files concerned could not be verified for want of time as the files were received just before the day of the meeting.

10.4 In both the cases the Committee feels that the company has failed to utilise repeat order clause in the agreement ie., the quantity ordered for supply of cement could be increased or decreased by 20% by placing a repeat order during the currency of the agreement period at the same rate and terms and conditions. This has put the company to avoidable loss. The Committee recommends that in future this clause shall be utilised in all such agreements to get more advantage.



(k) Internal Audit: (Para 2A.13)

11.1 Though the Company had its own Internal Audit Wing, the staff were diverted to other jobs. Transactions for the years 1990-91 to 1994-95 were not subjected to Internal Audit. Firm of Chartered Accountants were appointed as Internal Auditors for all the 23 district offices/Head Office for the year 1995-96 and 7 district offices/Head Office. Out of 31 Internal Audit Reports due for submission for the years 1995-96 and 1996-97, only 23 reports were received (March 1998). Follow up action was not taken on 10 of the 23 reports received.

11.2 The Company in its explanatory notes stated that the internal audit function has been given due importance and priority and accordingly measures were taken to assign the function the practicing Chartered Accountants.

11.3 The Company must evolve a strong Internal Audit Wing/revitalize the existing one for making it more efficient in discharging its responsibilities.



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SUMMARY OF RECOMMENDATIONS

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## SUMMARY OF RECOMMENDATIONS

1. The Committee recommends that periodical review of affairs of the corporation in this regard shall be made by the top management to know the state of affairs from time to time.

The Committee recommends that all the beneficiaries ledger books shall be updated and the principal and interest amounts collected shall be shown separately to show true and fair view of the accounts by January 2002. The fact of completion of the work may also be intimated to the Committee at the earliest.

(Paragraph No. 2.4)

2. The Committee recommends that periodical assessment of funds released and utilised in district offices and the progress of work should be made.

(Paragraph No.3.4)

3.(i) The Committee recommends that the existing percentage of houses constructed under I.A.Y. Schemes shall be increased in respect of lady members.

(ii) The Committee recommends that as the beneficiaries are very poor, the administrative charges shall not be collected from them, and recommends that if any amounts are collected the same shall be spent for their housing schemes only, and in future the administrative charges of any be born by the Government.

(Paragraph No.4.6)

4. The Committee recommends that a list of incomplete houses (Scheme-Wise) and reasons thereon for non-completion shall be submitted to the Committee by January 2002.

(Paragraph No.5.4)

5. The Committee recommends that the documentation work shall be completed as early as possible and shall be reported to the Committee by January 2002. The Committee also recommends that the beneficiary-wise ledgers be maintained with regard to documentation and intimate the same to the Committee immediately after total completion.

(Paragraph No.6.4)



6. The Committee recommends that beneficiary wise loan ledgers shall be prepared and the beneficiaries shall also be informed of their position for their benefit.

A note on this shall be submitted to the Committee by January 2002.

(Paragraph No.7.8)

7. The Committee recommends that case-wise details of latest position regarding malpractice shall be submitted to the Committee by January 2002 and the mechanism evolved to prevent such cases in future may also be intimated to the Committee.

(Paragraph No. 8.6)

8. The Committee recommends that the purchase of all items should be based on realistic assessment of need so that public money is spent judiciously and not locked-up without use.

(Paragraph No.9.5)

9. In both the cases the Committee feels that the Company has failed to utilise repeat order clause in the agreement i.e., the quantity ordered for supply of cement could be increased or decreased by 20% by placing a repeat order during the currency of the agreement period at the same rate and terms and conditions. This has put the company to avoidable loss. The Committee recommends that in future this clause shall be utilised in all such agreements to get more advantage.

(Paragraph No.10.4)

10. The Company must evolve a strong Internal Audit Wing/revitalize the existing one for making it more efficient in discharging its responsibilities.

(Paragraph No.11.3)



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