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ANDHRA PRADESH LEGISLATURE

(Twelfth Legislative Assembly)

**FOURTEENTH REPORT
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2006 – 2007)**

ON

**THE AUDIT PARAS CONTAINED IN THE REPORTS OF
THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEAR ENDED 31ST MARCH, 1999 (1 PARA),
2000 (1 PARA)
AND 2001 (3 PARAS) (Commercial)**

ON

**ANDHRA PRADESH STATE
HOUSING CORPORATION LIMITED**

(Presented to the Legislature on 31-08-2006)

ANDHRA PRADESH LEGISLATURE (P.U.C.) SECRETARIT
PUBLIC GARDENS, HYDERABAD – 500 004.

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ANDHRA PRADESH LEGISLATURE

(Twenty-Eighth Assembly)

FOURTEENTH REPORT

OF

THE COMMITTEE ON PUBLIC UNDERTAKINGS

(2000-2001)

ON

THE AUDIT PARAS CONTAINED IN THE REPORTS OF

THE COMPTROLLER AND AUDITOR GENERAL OF

INDIA

FOR THE YEAR ENDED 31ST MARCH, 1999 (7 PARA)

2000 (4 PARA)

AND 2001 (3 PARAS) (Commercial)

ON

ANDHRA PRADESH STATE

HOUSING CORPORATION LIMITED

(Presented to the Legislature on 31-03-2000)

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ANDHRA PRADESH LEGISLATIVE ASSEMBLY
COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2007)
(CONSTITUTED ON 28TH MARCH, 2006)

CHAIRMAN:

1. Sri N. Uttam Kumar Reddy

MEMBERS:

2. Sri Chanumolu Venkata Rao
3. Sri K. Vishnuvardhan Reddy
4. Sri V. Venkaiah
5. Sri M. Maheedhar Reddy
6. Sri Thota Gopalakrishna
7. Sri Jalagam Venkat Rao
8. Sri Chitturi Ravindra
9. Sri J. Ratnakar Rao
10. Sri P. Ravindra Reddy
11. Sri Puli Veeranna
12. Sri D. Uma Maheswara Rao
13. Smt. A. Uma Madhava Reddy
14. Sri E. Rajender
15. Sri Palla Venkat Reddy

LEGISLATURE SECRETARIAT:

1. Sri K. Tuljanand Singh, Secretary to State Legislature
2. Sri N. Anjaiah, Deputy Secretary to State Legislature
3. Sri K. Tulasi Ram, Assistant Secretary to State Legislature
4. Sri K. Satyanarayana Rao, Section Officer

CHAIRMAN

1. Shri. Usha Kumar Reddy

MEMBERS

2. Shri. Channarayana Venkata Rao

3. Shri. K. Vishnuvardhan Reddy

4. Shri. V. Venkatesh

5. Shri. Maheshwari Reddy

6. Shri. Thota Gopalakrishna

7. Shri. Jagannath Venkata Rao

8. Shri. Chittur Ravindra

9. Shri. J. Ratnakar Rao

10. Shri. R. Ravindra Reddy

11. Shri. P. V. Venkatesh

12. Shri. D. Uma Maheswari Rao

13. Shri. A. Uma Maheswari Reddy

14. Shri. E. Rajender

15. Shri. P. Venkata Reddy

LEGISLATURE SECRETARIAT

1. Shri. K. T. Jijanna Singh, Secretary to State Legislature

2. Shri. N. J. Jijanna Singh, Deputy Secretary to State Legislature

3. Shri. K. T. Jijanna Singh, Assistant Secretary to State Legislature

4. Shri. K. Saravaliyana Rao, Section Officer

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (2006-2007) having being authorized by the Committee to present the Report on their behalf, present this **Fourteenth Report** on the **Andhra Pradesh State Housing Corporation Limited**, on the audit paras contained in the Reports of the C. & A.G. of India (Commercial) for the year ended 31st March, 1999 (1 Para), 2000 (1 Para) and 2001 (3 Paras).

The Committee on Public Undertakings (2006-2007) have examined the Report of the Comptroller and Auditor General of India for the years ended 31st March 1999, 2000 and 2001.

The Committee (2006-2007) have considered and approved this Report at their sitting held on 25-08-2006.

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

A record of proceeding of the sitting of the Committee which has been maintained forms part of this Report.

The Committee wishes to express their thanks to the Secretary to Government, Housing Department, the Managing Director and other Officials of the A.P. State Housing Corporation Ltd., 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 (C&RA), Andhra Pradesh, the Senior Deputy Accountant General (Commercial) and other Officers and staff of the Accountant General Office.

The Committee also places on record their appreciation of the assistance rendered to the Committee by the Secretary to State Legislature and the other Officers and Staff of Legislature Secretariat, in the examination of the general working and audit paras relating to the A.P. State Housing Corporation Ltd., and in preparation of this Report.

Hyderabad,

Date: 25-08-2006.

N. UTTAM KUMAR REDDY,
CHAIRMAN,
Committee on Public Undertakings.

Recommendations on the paras appeared in the Report of the Comptroller and Auditor General of India, for the year ended 31 March 1999 (1 para), 2000 (1 para) and 2001 (3 paras), (Commercial), Government of Andhra Pradesh, pertaining to Andhra Pradesh State Housing Corporation Limited.

Deposit of Funds in Personal Deposit Account:

Audit Report (Commercial) 1998-99 (Para No. 4A.8.1):

The company on instructions from State Government short closed its term deposits (Rs. 33.25 crore) and current account (Rs.17.10 crore) (January 1999) and deposited the entire amount of Rs. 50.35 crore in PD account. Again in February 1999 term loan of Rs. 66.34 crore mobilized by the government from LIC for construction of houses for weaker sections was also kept in PD account. The entire amount of Rs. 116.69 crore is lying in the PD account. Thus due to short closure of term deposit and diversion of interest bearing loan to PD account the Company suffered a loss of interest to the tune of Rs. 3.01 crore (June 1999).

The Company in its explanatory notes stated that when the Government directed the Company, the company had complied with the Government directions. The Government allowed the Company to draw Rs. 15 crore from PD account during June 1999. The Company is meeting the District offices requirement without affecting the progress of the work from available funds. The Company in its explanatory notes stated that on the orders of Government the amounts were transferred to PD Account.

The Government in its reply in the explanatory notes stated that since the amounts were unutilized particularly in the month of January 1999, it was ordered to recredit the amount to PD Account to augment ways and means of the State Government. The budgetary support extended by the Government is not meant for earning interest by keeping amounts in the deposits. It is also stated that all the funds credited in PD Account by the Government cannot be valued in terms of interest earnings.

Audit Report (Commercial) 1999-2000(Para No. 3A.2.1)

At the instance of Principal Secretary, Finance, Government of Andhra Pradesh, Andhra Pradesh State Housing Corporation Limited

(APSHCL) deposited (December 1999 and January 2000) Rs 52.85 crore in non-interest bearing Personal Deposit (PD) account with State Bank of Hyderabad to improve the ways and means position of the Government. APSHCL had diverted the amount out of the loan obtained (December 1999) from Housing and Urban Development Corporation (HUDCO) at 11.5 per cent per annum for execution of Rural Permanent Housing Schemes for economically weaker sections during 1998-99. The amount deposited in PD account has not been refunded by the State Government so far (June 2000).

Audit observed that transfer of loan funds meant for housing schemes for weaker sections to improve the ways and means position of the Government has resulted in non-utilisation of the amount for the intended purpose. Besides, APSHCL had also incurred a loss of Rs 312 lakh on the interest bearing loan funds transferred to PD account, which did not carry any interest.

Government stated (August 2000) that the interest and principal on the loans borrowed from HUDCO by APSHCL is provided by the State Government. The reply was not acceptable as interest was only provided to enable prompt repayment, but not to compensate the interest incurred.

The Company in its explanatory notes stated that on the orders of Government the amounts were transferred to PD Account.

The Government in its reply in explanatory notes stated that since the Government is arranging for repayment of loans by way of non plan support, the loans drawn by APSHCL with Government guarantee which was transferred to PD Account as a special case cannot be treated as funds of APSHCL to value as loss of interest to the Company.

Audit Report (Commercial) 2000-01(Para no. 3A.3.3)

A reference is invited to paragraphs 4A 8.1 and 3A 2.1 of the Reports of the Comptroller and Auditor General of India for the year ended 31 March 1999 and 31 March 2000 (Commercial) respectively wherein instances of deposit of funds of State Public Sector Undertakings in Personal Deposit (PD) Account at the instance of State Government to improve its ways and means position were brought out.

It was further observed that the State Government directed (January 2001) the Company to deposit Rs 75 crore into PD Account. In accordance with this directive, the Company short closed its term deposits to the extent of Rs 67.35 crore and withdrew Rs 7.65 crore from Current

Account and deposited the entire amount of Rs 75 crore into PD Account. This amount which was obtained as loan from HUDCO to finance Rural Permanent Housing Scheme for the year 2000-01 for weaker sections was kept in PD Account for 55 to 79 days and was withdrawn from PD Account in March 2001 with the approval of State Government, to meet its requirements.

Audit also observed that at the instance of State Government the Company deposited Rs 40 crore in July 2000 and Rs 18 crore in September 2000 into PD Account by withdrawing from flexible current account, current account and by short closing term deposits. These amounts were withdrawn from PD Account after a period of 4 days and 5 days respectively, without interest. On these amounts the Company had foregone an interest revenue of Rs 1.11 lakh. The deposit of borrowed funds into PD Account by short closing term deposits and withdrawing from Current Account has resulted in loss of interest of Rs 1.87 crore (Rs 0.73 crore due to short closure of term deposits and Rs 1.14 crore due to interest paid (at 11.5 per cent per annum) on HUDCO loan).

The matter was reported to Government/Company in October 2001; their replies were not received (October 2001).

The Company in its explanatory notes stated that all the loans mobilized by the Corporation are backed by Government Guarantee and even the repayment of loan installments to HUDCO other Financial Institutions and Commercial Banks are also being released by the Government. All the funds deposited so into PD Account were subsequently withdrawn from time to time to meet the requirement for implementation of housing programmes and as on date ie. 22-6-2002 the balance of Rs. 55.47 crore in PD Account pertains to subsidies released by Government.

The Government in its reply in explanatory notes stated that all the loans mobilized by Company was guaranteed and the repayment was also arranged by the Government only. Government have taken all the measures to meet the requirement of the Company to implement the Weaker Sections Housing Programmes by allowing them for drawl of amount subsequently.

The Managing Director in his oral evidence stated that there was loss of interest only. In order to improve ways and means position amounts were kept in the PD account. The Government was giving guarantee for

the funds. As per the instructions of the Government only funds were deposited. There was no loss to any activities at district level and no programme was suffered due to non-availability of funds. The Managing Director also stated that Government was not meant for earning interest by keeping the funds in term deposits.

1. The Committee observed that when funds were allotted to the Company, those funds should be used at the company's discretion. The Government simply has responsibility to see that the funds were being used in a correct manner. Hence, the Committee felt that it was an improper practice to divert funds to PD account which were meant for specific purposes. The Company would have utilized the funds at appropriate time by continuing them in term deposits.

The Committee recommends that such procedure and practice was improper and should be avoided in future.

AUDIT REPORT 2000-01 :

Diversion of Loan funds (Para 3A.3.1)

The Company executes housing schemes, approved by the State Government, for weaker sections. To meet cost of the schemes, the Company obtains loans from Housing and Urban Development Corporation (HUDCO), Life Insurance Corporation of India (LIC), General Insurance Corporation (GIC) and commercial banks at specified rates of interest from time to time. The repayment of these loans is guaranteed by State Government. The State Government also releases subsidy on housing schemes. A scrutiny of utilisation of loan funds by audit revealed that the Company has diverted its funds to lend inter-corporate loans (ICL) to the following institutions.

(a) At the instance of State Government, the Company released Rs 10 crore (March and May 1999) to A.P. State Co-operative Marketing Federation Limited (MARKFED) as inter-corporate loans (ICL) for procuring agricultural commodities. The loan was repayable on 91st day with interest at the rate of 10 per cent per annum and 15 per cent per annum in case of default in repayment. MARKFED could not repay the total principal amount which fell due in June 1999 (Rs 5 crore) and August 1999 (Rs 5 crore) but paid interest at 10 per cent as against 15 per cent upto March 2000 and 15 per cent for the month of April 2000 and stopped paying interest from May 2000 onwards. MARKFED expressed its inability (November 1999) to repay the loan as stocks were not disposed off. The State Government, however, directed (January 2001) MARKFED to pay interest at the rate of 15 per cent. Since the Company diverted Rs 10 crore to MARKFED from the funds obtained at an interest rate of 14 per cent per annum from HUDCO to meet the cost of various schemes approved by State Government, non-refund of amount by MARKFED has not only affected the implementation of approved housing schemes but also resulted in loss of interest of Rs 2.00 crore being the difference of interest paid to HUDCO (Rs 2.83 crore from May 1999 to April 2001) on loan by the Company and received from MARKFED (Rs 0.83 crore May 1999 to April 2000) on ICL.

b) Similarly, at the instance of State Government (March 1999) the Company released Rs 21 crore (Rs 12 crore in March 1999 and Rs 9 crore in April 1999) as inter-corporate loan to A.P. Infrastructure Development Corporation Limited (APIDCL) for construction of sanitary

latrines in the rural/urban areas of the State. The loan was repayable on 61st day with an interest at 10 per cent per annum and at 15 per cent per annum in case of default. After constant pursuance, APIDCL deposited Rs 9 crore (November 1999) in Company's Personal Deposit (PD) Account without interest. The remaining amount of Rs 12 crore is yet to be received (April 2001). The ICL was released out of loan amount borrowed by the Company from HUDCO under Rural Sanitary Project at an interest rate of 14 per cent per annum. The Company suffered a loss of Rs 4.26 crore towards interest paid to HUDCO (Rs 0.76 crore on Rs 9 crore from 7 April 1999 to 9 November 1999 and Rs 3.50 crore on Rs 12 crore from April 1999 to April 2001).

The diversion of loan funds by the Company not only affected implementation of housing schemes but also resulted in loss of Rs 6.26 crore on interest.

The matter was reported to Government/Company in May 2001; their replies were not received (September 2001).

The Government in its explanatory notes stated that the Rural Sanitation Programme (RSP) was to implement through Chief Engineer, NABARD, PR Department. Since there were constraints to mobilize funds from HUDCO by the Government Departments directly, the service of Corporation has been utilized to draw the loans. However, the entire repayments have been arranged by the Government without any burden on the Corporation.

The Government in the oral evidence stated that for specific reason the money was diverted.

The Committee observed that funds should not be diverted from one company to another. Committee recommends that such practice should not recur in future.

Blocking up of funds in a private bank (para no. 3A.3.2)

The district offices of the Corporation operates bank accounts with various banks under Principal Bank Branch System (PBBS) for implementing the housing programmes in the districts. The Corporation issued circular (August 1998) that for depositing money exceeding Rs. 2 lakh by District Managers (Housing) and inter bank transfers of funds, prior approval of the respective District Collectors is required who are also the Executive Directors of the Corporation.

The District Manager (Housing), Nizamabad was operating six** regular bank accounts. The District unit also had a Saving Bank Account (SB A/c No. 1925) from December 1993 in Nizamabad Cooperative Town (NCT) Bank which is not a scheduled bank. Without obtaining the prior approval of the District Collector, the District Manager (Housing) opened (April 1999) another SB A/c (6301) in NCT Bank and deposited Rs 9 lakh by transferring the amount from Sree Rama Grameena Bank and went on making deposits transfers and withdrawals through this account. The deposits in this bank on each occasion ranged from Rs.4 lakh to Rs.25 lakh during the period from June 1999 to September 1999.

Meanwhile the State Government issued instructions (June 1999) to all state level public sector undertakings directing them not to deposit their funds in a private bank (licensed by Reserve Bank of India) whose net worth was less than Rs.100 crore and whose participation in the schemes of the Company concerned was less than 10 percent. Flouting these instructions the District Manager (Housing) opened (3 September 1999) another SB Account (6981) in the same bank again without the approval of the District Collector.

The Reserve Bank of India cancelled (29 September 1999) the license of NCT Bank as it violated RBI guidelines and banking procedures. The bank stopped functioning thereafter. The Corporation's funds to the extent of Rs. 50.75 lakh were locked up in three accounts of the bank. The General Manager-(Admn) who conducted an enquiry (January 2000) into the deposit of funds into the NCT Bank and other allegations on the District Manager (Housing) reported that there was no need to open two more accounts in this bank and the District Manager (Housing) had mishandled public funds. The services of the District Manager (Housing) were placed under Suspension (21 March 2000) and he still continues to be under suspension (September 2001).

Audit observed that the Corporation neither circulated the Government instructions on regulation of deposits in the banks to the district officers nor reviewed the activities of District Manager, Nizamabad in time which resulted in financial mismanagement as well as locking up of Rs 50.75 lakh over a period of twenty four months (October 1999 to September 2001). As the bank is under liquidation, the possibility of recovery of the amount of Rs. 50.75 lakh has become remote besides loss of interest of Rs. 12.18 lakh for the above period (at the rate of 12 per cent per annum). This has also affected the execution of the weaker sections housing scheme in Nizamabad District.

The matter was reported to Government/Company in May 2001; their replies were not received (September 2001).

The Government in its explanatory notes stated that the person responsible for the misdeeds (the then DM/Nizamabad) was dismissed from service besides ordering recovery of amounts of Rs. 50.78 lakh +2.99 lakh from the individual. Further a Civil suit also filed in the City Civil Court, Hyderabad against the Nizamabad Town Bank for recovery of the said amount. The case is pending.

The Government in the oral evidence stated that the official responsible for this lapse was dismissed from the service and a Civil Suit against the concerned bank was filed.

Recommendation :

The Committee observed that it was lapse of internal control system prevailing in the Company. The Committee also observed that the District Collector of the concerned district should review the activities of district branch of the Company on monthly basis, is being the functional head of that particular branch.

Committee recommends for through scrutiny of files by Government pertaining to this case and to take action against the then District Collector also as the decision was taken with his approval. The Committee also recommends to take steps to strengthen internal control mechanism to avoid such lapses in future. The Company should also try to get first charge on the assets of the bank to get back funds deposited in the bank. Government should check the explanation given by the dismissed employee to the charge sheet framed by the Company at that time and the reply given by him to the Hon'ble Court also. The Committee should be given feed back in a month's time.

Summary of Recommendations

1. The Committee observed that when funds were allotted to the Company, those funds should be used at the company's discretion. The Government simply has responsibility to see that the funds were being used in a correct manner. Hence, the Committee felt that it was an improper practice to divert funds to PD account which were meant for specific purposes. The Company would have utilized the funds at appropriate time by continuing them in term deposits.

The Committee recommends that such procedure and practice was improper and should be avoided in future.

2. The Committee observed that funds should not be diverted from one company to another. Committee recommends that such practice should not recur in future.

3. The Committee observed that it was lapse of internal control system prevailing in the Company. The Committee also observed that the District Collector of the concerned district should review the activities of district branch of the Company on monthly basis, is being the functional head of that particular branch.

Committee recommends for through scrutiny of files by Government pertaining to this case and to take action against the then District Collector also as the decision was taken with his approval. The Committee also recommends to take steps to strengthen internal control mechanism to avoid such lapses in future. The Company should also try to get first charge on the assets of the bank to get back funds deposited in the bank. Government should check the explanation given by the dismissed employee to the charge sheet framed by the Company at that time and the reply given by him to the Hon'ble Court also. The Committee should be given feed back in a month's time.

Summary of Proceedings

1. The Commission on the Status of Women, established in 1946, has the honor to present to the General Assembly its report on its work during the first session, held in New York, 1948.

2. The Commission was created by the Economic and Social Council, in accordance with the recommendation of the Commission on the Status of Women, established in 1946, to study the position of women in all spheres of life, and to make recommendations to the Council and the General Assembly on measures to improve their status.

3. The Commission has held two sessions, the first in New York, 1948, and the second in Geneva, 1949. It has held a series of meetings of experts, and has received many suggestions and proposals from governments, organizations, and individuals.

4. The Commission has held a series of meetings of experts, and has received many suggestions and proposals from governments, organizations, and individuals.

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