

CHAPTER-1

1. Overview of Government companies and Statutory Corporations

Introduction

1.1 As on 31 March 2006 there were 53 Government companies (35 working companies and 18 non-working companies*) and three Statutory corporations (all working) as against 51 Government companies (33 working companies and 18 non-working companies) and three Statutory corporations as on 31 March 2005 under the control of the State Government. During the year, two new companies namely, Infrastructure Corporation of Andhra Pradesh Limited and Overseas Manpower Company Andhra Pradesh Limited were formed. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per provisions of Section 619(4) of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Andhra Pradesh State Road Transport Corporation.	Section 33(2) of the Road Transport Corporations Act, 1950.	Sole audit by CAG.
2.	Andhra Pradesh State Financial Corporation.	Section 37(6) of the State Financial Corporations Act, 1951.	Audit by the Chartered Accountants and supplementary audit by CAG.
3.	Andhra Pradesh State Warehousing Corporation.	Section 31(8) of the State Warehousing Corporations Act, 1962.	Audit by the Chartered Accountants and supplementary audit by CAG.

The State Government had constituted the Andhra Pradesh Electricity Regulatory Commission (APERC) and its audit is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003^Ω.

* Non-working Government companies are those which are under the process of liquidation/closure/merger.

^Ω Erstwhile section 34(4) of The Electricity Regulatory Commission Act, 1998 replaced by the Electricity Act, 2003

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2006, the total investment in 38 working PSUs (35 Government companies and three Statutory corporations) was Rs.31,703.85 crore^{\$} (equity: Rs.6,816.41 crore, share application money: Rs.182.30 crore and long-term loans[#]: Rs.24,705.14 crore) against the total investment of Rs.33,131.06 crore (equity: Rs.8,110.57 crore, share application money Rs.156.89 crore and long-term loans: Rs.24,863.60 crore) in 36 working PSUs (33 Government companies and three Statutory corporations) as on 31 March 2005. The analysis of investment in working PSUs is given in the following paragraphs.

Sector-wise investment in working Government companies and Statutory corporations

1.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2006 and 31 March 2005 are indicated in the pie charts.

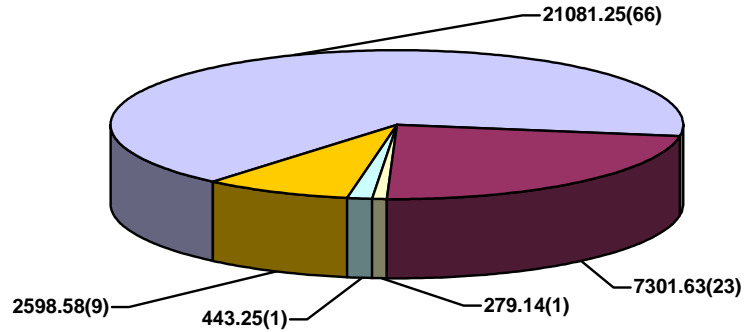
^{\$} State Government's investment in working PSUs was Rs.9,076.96 crore (Others: Rs.22,626.89 crore). Figure as per Finance Accounts 2005-06 is Rs. 8,440.72 crore. The difference is under reconciliation.

[#] Long-term loans mentioned in paragraphs 1.2,1.3 and 1.4 are excluding interest accrued and due on such loans.

**Sector-wise investment in working
Government companies and Statutory corporations**

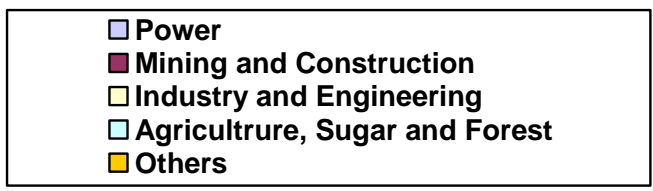
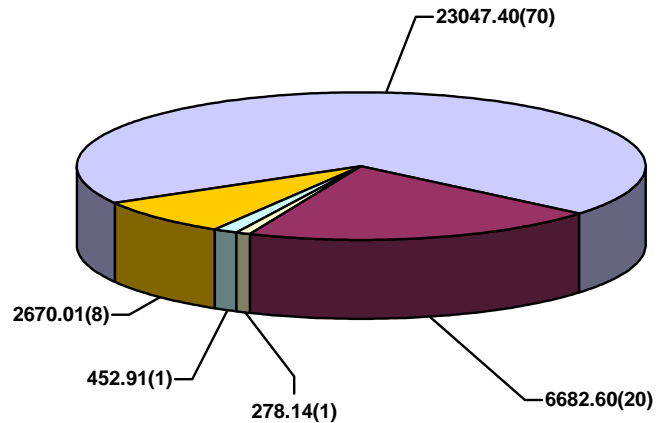
As on 31 March 2006
Amount: Rupees in crore
Total investment Rs.31,703.85 crore

(Figures in brackets indicate percentage of investment)



As on 31 March 2005
Amount: Rupees in crore
Total investment Rs.33,131.06 crore

(Figures in brackets indicate percentage of investment)



Working Government companies

1.4 The total investment in working Government companies at the end of March 2005 and March 2006 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loan	Total
2004-05	33	7809.46	156.89	22648.51	30614.86
2005-06	35	6515.30	182.30	22581.49	29279.09

As on 31 March 2006, the total investment in the working Government companies comprised 23 per cent of equity capital and 77 per cent of loans as compared to 26 per cent and 74 per cent respectively as on 31 March 2005. There was decrease in investment during the year mainly due to withdrawal of equity by the State Government in one power Sector Company (Sl.No.A-25 of **Annexure-1**).

The summarised statement of investment in working Government companies as on 31 March 2006 in the form of equity and loans is detailed in **Annexure-1**.

Working Statutory corporations

1.5 The total investment in three working Statutory corporations at the end of March 2005 and March 2006 was as follows:

(Rupees in crore)

Name of Corporation	2004-05		2005-06	
	Capital	Loan	Capital	Loan
Andhra Pradesh State Road Transport Corporation	201.27	1325.89	201.27 ⁺	1056.99 ⁺
Andhra Pradesh State Financial Corporation	92.22	977.86	92.22	1065.32
Andhra Pradesh State Warehousing Corporation ⁺	7.61	1.34	7.61	1.34
Total	301.10	2305.09	301.10	2123.65

The summarised statement of investment in working statutory corporations in the form of equity and loans is detailed in **Annexure-1**.

The total investment in working Statutory corporations comprised 12 per cent of equity capital and 88 per cent of loans as on 31 March 2005 and 2006.

⁺ Figures are provisional.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.6 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies and Statutory corporations are given in **Annexures-1** and **3**.

The budgetary outgo (in the form of equity, loans) and grants/subsidies from the State Government to the working Government companies and working Statutory corporations for three years up to 2005-06 are given below:

Particulars	2003-04				2004-05				2005-06			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	5	44.76	1	2.00	8	189.61	1	2.50	5	27.44	--	--
Loans given from budget	11	2006.19	-	-	9	927.81	1	106.00	8	287.74	--	--
Grants/subsidy towards	12	633.07	-	-	10	981.94	-	-	2 [#]	222.25	--	--
i) projects/programmes/schemes												
ii) other subsidy	11	2208.00	1	252.00	7	2581.81	1	167.50	16 ^Ω	3139.61	1 [⊕]	368.50
Total subsidy	19	2841.07	1	252.00	15	3563.75	1	167.50	16	3361.86	1	368.50
Total outgo	23	4892.02	2	254.00	19	4681.17	2	276.00	21[^]	3677.04	1[^]	368.50

During the year 2005-06, the Government had guaranteed loans aggregating Rs.1,182.90 crore obtained by eight working Government companies (Rs.1,147.90 crore) and one statutory corporation (Rs. 35 crore). At the end of the year, guarantees amounting to Rs.19,480.80 crore against 15 working Government companies (Rs.19,195.33 crore) and one working Statutory corporation (Rs.285.47 crore) were outstanding. The Government had forgone Rs.11.70 crore by way of interest waiver in respect of one company[^] and allowed moratorium on loan repayment of Rs. 5497.18 crore to seven companies[•] during the year. The guarantee commission paid/payable to the

[#] Sl Nos10 and 24 of Annexure - 3

^Ω Sl Nos 1,4,9,10,11,12,13,15,18,19,20,21,22,23,24 and 26 of Annexure - 3

[⊕] Sl No 27 of Annexure-3

[^] Actual number of companies/corporations which received equity/loans/grants/subsidy from State Government during the year

[^]Sl.No.23 of annexure -3

[•] Sl No 10,16,17,18,19,20 and 21 of Annexure - 3

Government, by seven Government companies during 2005-06 was Rs. 28.21 crore.

Finalisation of accounts by working PSUs

1.7 The accounts of Government companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in the case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

It could be seen from **Annexure-2**, that out of 35 working Government companies and three Statutory corporations, only 14 working companies and one Statutory corporation had finalised their accounts for 2005-06 within the stipulated period. During the period from October 2005 to September 2006, 18 working Government companies finalised 24 accounts for previous years. Similarly, during this period, one Statutory corporation finalised its account for the previous year.

The accounts of 21 working Government companies and two Statutory corporation were in arrears for periods ranging from one to nine years as on 30 September 2006, as detailed below:

Sl. No	Number of working		Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl.No. of Annexure -2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1	1	--	1997-98 to 2005-06	9	A-19	--
2	1	--	1999-2000 to 2005-06	7	A-6	--
3	3	--	2001-02 to 2005-06	5	A-8,18, 20	--
4	2	--	2003-04 to 2005-06	3	A-3,34	--
5	9	1	2004-05 to 2005-06	2	A-2, 4,5,7, 13,15,21,22, 32	B-3
6	5	1	2005-06	1	A-9, 11,23,33,35	B-1
	21	2				

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments of the Government were informed every quarter by Audit regarding the arrears in finalisation of accounts, no remedial measures had been taken by the Government, as a result the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.8 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts have been finalised are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts of 32^o working Government companies and three Statutory corporations, nine companies and one corporation had incurred an aggregate loss of Rs.270.44 crore and Rs.224.86 crore respectively; 19 companies and two corporations earned an aggregate profit of Rs.821.43 crore and Rs.34.47 crore respectively, while three companies* were working on 'no profit no loss' basis and one working company (Sl. No.A-15 of **Annexure-2**) had not prepared profit and loss account as the Company was yet to commence business.

Working Government companies

Profit earning working companies and dividend

1.9 Out of 14^ψ working Government companies which finalised their accounts for 2005-06 by the prescribed date, 11 companies earned an aggregate profit of Rs.801.39 crore and only one company (Sl.no.A-16 of **Annexure-2**) declared dividend of Rs.86.66 crore. The dividend as a percentage of share capital of the said profit making company worked out to five *per cent*. The remaining profit making companies did not declare any dividend. The total return by way of above dividend of Rs. 86.66 crore, worked out to 1.29 *per cent* on the total equity investment of Rs.6,697.60 crore in all the working Government companies for the year 2005-06 as against 1.09 *per cent* in the previous year.

Similarly, out of 18^φ working Government companies which finalised their accounts for previous years, eight companies earned an aggregate profit of Rs.20.04 crore and seven^{∞*} companies earned profit for two or more successive years. Two companies (Sl.No.A-11, and 13 of **Annexure-2**) declared dividend of Rs.1.26 crore. The dividend as a percentage of share capital of the said profit making companies worked out to 15.16 percent.

^o three companies (Sl No A-8, 9, and 35 of Annexure-2) have not finalised their first accounts

* Sl.Nos:A-17, 30 and 32 of Annexure-2.

^ψ including two companies (Sl.no.A-17&30 of Annexure.2) working on 'No profit no loss' basis.

^φ including one company (Sl.no. A-32 of Annexure-2) working on 'No profit no loss' basis and one company (Sl.no.A-15 of Annexure-2) which did not prepare the profit and loss account.

^{∞*} Sl.Nos: A-4, 11,13,21,23,33 and 34 of Annexure – 2.

Loss incurring working Government companies

1.10 Of the nine loss incurring working Government companies two companies (Sl.A-6 and 18 of **Annexure-2**) had accumulated losses aggregating Rs. 922.64 crore, which exceeded their aggregate paid up capital of Rs.7.50 crore.

Despite poor performance and complete erosion of their paid up capital, the State Government continued to provide financial support to these two companies in the form of loans, subsidy, etc. According to available information, the total financial support so provided by the State Government, by way of loan, subsidy/grant etc., during 2005-06 to these two companies amounted to Rs.488.02 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 One Corporation (Andhra Pradesh State Financial Corporation), which finalised its accounts for 2005-06 earned a profit of Rs.24.58 crore. Despite earning profit, this Corporation had accumulated loss of Rs.110.11 crore as on 31 March 2006 which exceeded its paid up capital of Rs.92.22 crore.

Similarly, out of two Statutory corporations which finalised their accounts for previous years, one corporation (Sl.no.B-3 of **Annexure-2**) earned a profit of Rs. 9.89 crore.

Loss incurring Statutory corporations

1.12 The only loss incurring Statutory corporation (Andhra Pradesh State Road Transport Corporation) which finalised its accounts for the year 2004-05 during the year, had incurred loss of Rs.224.86 crore. The accumulated loss of Rs.1,243.69 crore of this Corporation as on 31 March 2005 exceeded its paid up capital of Rs.201.27 crore.

Despite poor performance and complete erosion of its paid up capital, the State Government continued to provide financial support to the Corporation in the form of subsidy/grants. According to available information, the total financial support so provided by the State Government to the Corporation by way of subsidy/grant during 2005-06 amounted to Rs.368.50 crore.

Operational performance of working Statutory corporations

1.13 The operational performance of the Statutory corporations is given in **Annexure-6**.

Return on capital employed

1.14 As per the latest finalised accounts, the capital employed* worked out to Rs.25,003.14 crore in 29^o working Government companies and total return[#] thereon amounted to Rs. 1,465.13 crore which is 5.86 *per cent* as compared to total return of Rs. 2,167.18 crore (9.21 *per cent*) in the previous year. Similarly, the capital employed and total return thereon in the case of working Statutory corporations as per the latest finalised accounts worked out to Rs.1,730.14 crore and Rs.0.31 crore (0.02 *per cent*) respectively as against the total return of Rs.175.68 crore (10.52 *per cent*) in previous year. The details of capital employed and total return on capital employed in the case of working Government companies and Statutory corporations are given in **Annexure-2**.

Reforms in Power sector

Status of implementation of Memorandum of Understanding (MOU) between the State Government and the Central Government

1.15 In pursuance of the decision taken at the Chief Ministers' conference on Power Sector Reforms, a Memorandum of Understanding (MOU) was signed on 9 March 2001 between the Ministry of Power, Government of India (GOI) and the Department of Energy, Government of Andhra Pradesh (GoAP) as a joint commitment for implementation of a reform programme in the power sector with identified milestones. Status of implementation of the reform programme against each commitment made in MOU as on 30 September 2006 is given in **Annexure-7**.

Andhra Pradesh Electricity Regulatory Commission

1.16 Andhra Pradesh Electricity Regulatory Commission (APERC) with three members, including a Chairman appointed by the State Government was constituted on 31 March 1999 under the provisions of the Andhra Pradesh Electricity Reform Act [^](APER Act) to act as a regulator of the electricity sector in the State. The audit of accounts of the Commission has been entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003. The Commission had finalised its accounts upto the year 2003-04.

* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

^o excluding three companies (Sl.no.A-8,9 and 35 of Annexure-2) which have not finalised the first accounts and other three companies (Sl.no.A-17, 30 and 32 of Annexure-2) functioning on 'no profit no loss' basis.

[#] For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

[^] Since replaced with Section 82 (1) of Electricity Act, 2003.

Non-working PSUs

Investment in non-working PSUs

1.17 As on 31 March 2006, the total investment in 18 non-working PSUs (all Government companies) was Rs.263.31* crore (equity: Rs.74.94 crore, share application money: Rs.3.72 crore and long-term loans: Rs.184.65 crore) against Rs.782.85 crore (equity: Rs.74.94 crore, share application money: Rs.3.72 crore and long-term loans: Rs.704.19 crore) in the same number of non-working PSUs (all Government companies) as on 31 March 2005.

The classification of the non-working PSUs was as under:

(Rupees in crore)

Sl. No.	Status of non-working Government companies	Number of companies	Investment in companies	
			Equity	Long term loans
(i)	Under liquidation ¹	10	55.98	104.49
(ii)	Under closure ²	4	0.88	80.16
(iii)	Under merger ³	1	1.12	--
(iv)	Others ⁴	3	20.68	--
	Total	18	78.66	184.65

Of the above non-working PSUs, 14 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for two to 14 years with a substantial investment of Rs.241.51 crore. Effective steps need to be taken for their expeditious liquidation or closure.

Sector-wise investment in non-working Government companies

1.18 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2005 and 2006 are indicated below in the pie charts:

* State Government investment in non-working PSUs was Rs. 247.11 crore (others Rs.16.20 crore). Figures as per Finance Accounts, 2005-06 was Rs. 152.99 Crore. The difference is under reconciliation.

¹ Sl Nos: C-1,4,8,9,10,11,12,14, 16 and 18 of Annexure – 1.

² Sl Nos: C-5,6,7 and 17 of Annexure – 1.

³ Sl No: C-15 of Annexure – 1.

⁴ Sl Nos: C-2,3 and 13 of Annexure – 1.

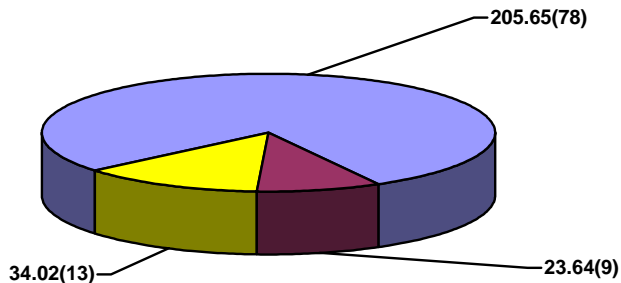
Sector- wise investment in non-working Government companies

As on 31 March 2006

Amount: Rupees in crore

Total investment Rs.263.31 crore

(Figures in brackets indicate percentage of investment)

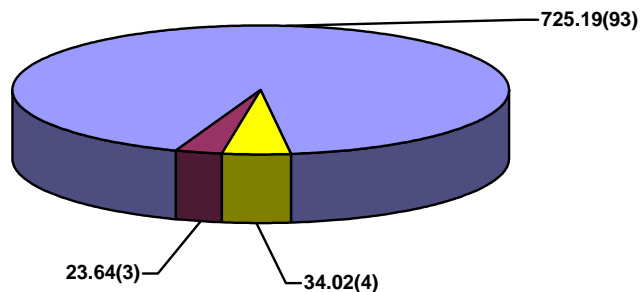


As on 31 March 2005

Amount : Rupees in crore

Total investment Rs.782.85 crore

(Figures in brackets indicate percentage of investment)



- a. Industry, Engineering and Electronics
- b. Agri and Allied
- c. PDS, Drugs, Chemicals and Others

Budgetary outgo, grants/subsidy, guarantees, waiver of dues and conversion of loans into equity.

1.19 During the year 2005-06, the State Government did not provide any budgetary/financial support to any of the non-working Government companies.

Total establishment expenditure of non-working PSUs

1.20 The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing the same during the last three years up to 2005-06 are given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by	
			Disposal of investment/ assets	Others
2003-04	4	1.63	1.17	0.46
2004-05	2	2.59	--	2.59
2005-06	3 ^Ω	0.14	0.06	0.08

Finalisation of accounts by non-working PSUs

1.21 Ten companies out of 18 non-working companies were under liquidation and remaining eight companies were defunct/under closure. The accounts of all eight defunct/under closure companies were in arrears for periods ranging from three to 22 years as on 30 September 2006 as could be seen from **Annexure-2**.

Financial position and working results of non-working PSUs

1.22 The summarised financial results of non-working PSUs (all Government companies) as per their latest finalised accounts are given in **Annexure-2**.

The summarised details of paid-up capital, net worth, cash loss and accumulated loss of non-working PSUs[♦] as per their latest finalised accounts were as given below:

(Rupees in crore)

Particulars	Paid-up capital	Net worth	Cash loss	Accumulated loss
Non-working companies	20.86	(-) 232.85	170.71	253.93

^Ω Sl.No.C-12,14 and 18 of Annexure – 2.

[♦] Excluding companies under liquidation/merger/closure and companies, which had not finalised their accounts for more than 10 years.

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

1.23 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG of India in the State Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Andhra Pradesh State Road Transport Corporation	2003-04	2004-05	31-08-2006	SAR is under print
2.	Andhra Pradesh State Financial Corporation	2004-05	2005-06	-	Under finalisation
3.	Andhra Pradesh State Warehousing Corporation	2002-03	2003-04	17-03-2006	SAR is under print

Disinvestment, privatisation and restructuring of Public Sector Undertakings

Restructuring programme of Government of Andhra Pradesh

1.24 The Government of Andhra Pradesh had constituted (January 1995) a committee to study the working of PSUs and to make suitable recommendations. As a follow up to the Committee's recommendations, the State Government undertook public sector reforms, which included the following:

- An autonomous body by the name "Implementation Secretariat" was formed (April, 1998).
- The reforms were implemented in two phases viz., Phase-I covering the period from January 1999 to December 2003 and Phase-II from 2002-03 to 2005-06.
- As a part of the reform programme under Phase-I all the manufacturing units except one in a Government Company at Sl.No.A-22 of **Annexure-1** had been privatised. Three Government Companies (Sl.No.C-4, 6 and 14 of **Annexure-1**) were closed and four Government Companies (Sl.No.A-1, 2,3 and 11 of **Annexure-1**) were downsized/restructured.
- Under Phase-II of the reform programme, three Government companies (Sl.No.C-1, 12 and 18 of **Annexure-1**) were closed and five Government companies (Sl.No.A-6, 17,31,32 and 33 of **Annexure-1**) and one Statutory corporation (Sl.No.B-3 of **Annexure-1**) were downsized/restructured.

1.25 On the recommendations of the Committee, voluntary retirement scheme (VRS) was introduced in 15[^] working Government companies and one[•] Statutory Corporation. At the end of March 2006, 20,318 employees (20,142 from Government companies and 176 from Statutory corporation) were discharged after payment of Rs. 556.92 crore (Rs. 540.84 crore by working Government companies and Rs. 16.08 crore by Statutory corporation) towards retirement compensation. Similarly in respect of nine[×]non-working Government companies, 7,647 employees were discharged under VRS after paying retirement compensation of Rs. 100.42 crore.

Results of the audit of accounts by the Comptroller and Auditor General of India

1.26 During the period from October 2005 to September 2006, the accounts of 30 companies (27 working and three non-working) and two working corporations were selected for audit. As a result of the observations made by the CAG, one working company (Andhra Pradesh State Civil Supplies Corporation Limited: year of account 2003-04) and one Statutory corporation (Andhra Pradesh State Warehousing Corporation: year of account 2003-04) revised their accounts and as a result of revision the profitability of these two was reduced by Rs.124.93 lakh and Rs.0.29 lakh respectively. The net impact of the important audit observations issued as a result of audit of accounts of these PSUs (all working) was as follows

Details	No. of accounts		Rupees in crore	
	Government companies	Statutory corporations	Government companies	Statutory corporations
Increase in Profit	1	--	0.42	--
Decrease in Profit	11	2	1,032.56	13.72
Increase in loss	5	-	268.39	--
Decrease in loss	--	1	--	14.11
Errors of classification	3	1	3.59	20.48

Some of the major errors and omissions noticed during audit of annual accounts of some of the above companies and corporations are given below:

Errors and omissions noticed in the case of working Government companies

The Singareni Collieries Company Limited (2005-06)

- Non provision of gratuity and leave encashment for the difference between accrued liability as per actuarial valuation and the fund amount indicated by the L.I.C in respect of trust administered by it resulted in short provision of Rs. 41.20 crore with consequential overstatement of profit to this extent.

[^] Sl No. A-1,2,3,4,5,6,10,11,13,16,22,24,25,31 and 34 of Annexure-1

[•] Sl No B-2 of Annexure-1

[×] Sl No C-1,3,4,6,7,8,12,14 and 18 of Annexure-1

Transmission Corporation of Andhra Pradesh Limited (2005-06)

- Purchase of power is understated by Rs. 5.22 crore due to non accountal of energy charges payable to AP Power Generation Corporation Limited towards power received from Srisailem Left Bank Power House for the period from 1 April 2005 to 9 June 2005 resulting in overstatement of 'Profit before tax' by similar amount.
- As per third transfer scheme the assets and liabilities and proceedings constituting the bulk supply business of the Company are to be segregated and transferred to Distribution Companies (DISCOMs) as per the ratio envisaged in the Government Order. Although debts pertaining to prior period expenses such as royalty and water charges were passed on to DISCOMs, credits viz., refund of advance tax for excess amount paid and variable charges aggregating Rs. 81.51 crore were not passed on to the DISCOMs. Accountal of income not pertaining to the company has resulted in overstatement of 'Income relating to previous year' and 'Surplus for the year' by Rs.81.51 crore.

Eastern Power Distribution Company of Andhra Pradesh Limited (2004-05)

- Interest amounting to Rs. 2.90 crore payable to consumers on consumption deposit as per para 467 of Tariff order for 2004-05 was not provided for resulting in overstatement of 'profit before taxes' to this extent.
- Contrary to Tariff order for 2004-05 incentives were allowed in respect of H.T. connections resulting in understatement of 'Revenue from sale of power' as well as 'profit before tax' by Rs. 5.04 crore.

Eastern Power Distribution Company of Andhra Pradesh Limited (2005-06)

- Incorrect application of rates of depreciation on meters /metering equipment and non-provision of depreciation on opening balances resulted in understatement of 'Depreciation' and overstatement of 'Surplus for the year' by Rs. 12.59 crore.

Central Power Distribution Company of Andhra Pradesh Limited (2005-06)

- Purchase of power is understated by Rs. 11.54 crore due to non-accountal of the claim made by Power Grid Corporation of India Limited towards transmission charges for the years 2004-05 and 2005-06. This has resulted in overstatement of 'profit before tax' by similar amount.
- Non-write off of the arrears due from agricultural services/Rural Electricity Co-operative Societies (RESCOs) over and above the amount allowed to be mobilised as per Government orders, resulted in overstatement of 'profit before tax' by Rs. 133.46 crore

**Southern Power Distribution Company of Andhra Pradesh Limited
(2004-05)**

- Billing of energy drawn by a RESCO in excess of quota fixed at subsidized rate instead of at Bulk supply tariff resulted in understatement of 'Revenue from sale of power' and overstatement of 'loss for the year' by Rs. 3.89 crore.
- Deviation/error in computation of 'Interest and Finance charges capitalised' resulted in overstatement of 'loss for the year' by Rs. 9.42 crore.

Andhra Pradesh Industrial Infrastructure Corporation Limited (2002-03)

- Contrary to Accounting Standard (AS 10) current assets valued at Rs. 157.98 crore were treated as Fixed assets resulting in provision of depreciation to the extent of Rs.1.49 crore for the year and Rs. 14.60 crore up to the year redundant.

**Andhra Pradesh State Agro Industries Development Corporation Limited
(2005-06)**

- Non-provision of retirement benefits in violation of accounting standard 15 resulted in overstatement of 'profit for the year' by Rs. 6.10 crore.

Andhra Pradesh Forest Development Corporation Limited (2005-06)

- Non-provision of interest and penal interest on loans taken from the Government of Andhra Pradesh resulted in overstatement of 'profit' by Rs. 3.74 crore.

Working Statutory corporations

Andhra Pradesh State Road Transport Corporation (2004-05)

- The contribution to Insurance Fund-Third Party Risk was understated by Rs. 2.55 crore due to non-provision of statutory amount for which awards were received resulting in understatement of loss to that extent.
- The Grant-in-Aid of Rs. five crore represents the amount not sanctioned/revalidated by the Government, which resulted in understatement of loss by Rs. five crore.

Andhra Pradesh State Financial Corporation (2004-05)

- Non-provision of Rs. 6.74 crore determined by L.I.C of India to replenish the fund being administered by it to the required level to meet the liability of past service gratuity resulted in understatement of 'contribution to gratuity' and overstatement of 'profit' by Rs. 6.74 crore.

Persistent irregularities and system deficiencies in financial matters of PSUs

Working Government companies

Andhra Pradesh Industrial Infrastructure Corporation Limited (2002-03)

- The business of Andhra Pradesh Industrial Infrastructure Corporation Limited is to develop industrial estates/plots for sale. The developed estates/plots form part of current assets of the company. Even after changing its accounting policy during 1999-2000 and accounting for estates/plots acquired on or after 1 April 1999 as current assets, the estates/plots included in fixed assets as on 31 March 1999 and subsequent additions thereto are continued to be shown as fixed assets contrary to provision in the Accounting Standard (AS) 10.

Working Statutory corporations

Andhra Pradesh State Road Transport Corporation (2004-05)

- Physical verification of fixed assets is not being conducted before close of the financial year in respect of all the regions, zones and Head Office of the Corporation.
- The cash-in-transit includes minus balances of Rs. 16.30 lakh, which are pending adjustment for want of details since December 1982.

Andhra Pradesh State Financial Corporation Limited (2004-05)

- As per guidelines issued by the State Government, the Corporation has to pay two *per cent* guarantee commission on outstanding principal as well as interest. Despite this being commented by Audit repeatedly, provision of Rs. 10.37 crore (up to March 2005) towards guarantee commission on interest of Rs. 518.62 crore had not been made.

Recoveries at the instance of audit

1.27 A test check of the records of four power sector companies by audit during 2005-06 revealed wrong fixation of tariff/non-levy/short levy of tariff/short realisation of revenue or other observations aggregating Rs.10.06 crore (293 cases) which were accepted by the Management. Out of this Rs.5.64 lakh has been recovered.

Internal audit/internal control

1.28 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/internal audit system in the companies audited by them in accordance with the directions

issued by the CAG under Section 619(3)(a) of the Companies Act, 1956 and to identify the areas requiring improvement.

An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of five working Government companies is given below.

Sl.No.	Name of the Company	Year of Accounts	Major comments/recommendations
1.	Andhra Pradesh Technology Services Limited	2004-05	Internal audit in the Company was not commensurate with its size and nature of business.
2	Andhra Pradesh Beverages Corporation Limited	2003-04	The Company has no internal audit system.
3	Andhra Pradesh Heavy Machinery and Engineering Limited	2004-05	1. The Company has not fixed any time bound schedule for submission of internal audit reports. 2. No internal audit standards/manuals/ guidelines have been prescribed.
4	Andhra Pradesh Industrial Development Corporation Limited	2003-04	The Company does not have internal audit system.
5	Andhra Pradesh Industrial Infrastructure Corporation Limited	2003-04	1.In-house internal audit system needs to be strengthened 2. The existing internal audit manual needs to be revised/updated.

Recommendations for closure of PSUs

1.29 Even after completion of 32 years of its existence, the turnover of one working Government company (Sl.No.A-6 of **Annexure-2**) was less than Rs. five crore in each of the preceding five years as per its latest finalised accounts. Similarly, another working Government company (Sl.No.A-18 of **Annexure-2**) had been incurring losses for five consecutive years (as per its latest finalised accounts) leading to negative networth. In view of continuous losses and poor turnover, the Government may either initiate measures to improve performance of the above two companies or consider their closure.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.30 The following table indicates the details regarding number of reviews/paras discussed by the COPU by the end of September 2006.

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/paragraphs discussed by COPU	
	Reviews	Paragraphs	Reviews	Paragraph
1992-93	7	29	6	29
1993-94	6	19	4	19
1995-96	5	23	2	12
1996-97	6	23	3	19
1997-98	6	23	1	10
1998-99	4	25	-	12
1999-2000	6	18	1	7
2000-01	4	17	1	14
2001-02	3	20	-	9
2002-03	3	13	1	10
2003-04	2	19	-	1
2004-05	2	21	-	-
Total	54	250	19	142

During October 2005 to September 2006, COPU held 16 meetings and considered one review and 11 paragraphs relating to Audit Report (Commercial) for the years 1992-93, 1998-99, 1999-2000, 2000-01, 2002-03 and 2003-04. At the end of September 2006, 39 Reports of COPU were pending settlement due to non-receipt of Action Taken Notes from the Government.

619-B companies

1.31 As on 31 March 2006, there were three working companies and six non working companies within the purview of Section 619-B of the Companies Act, 1956. **Annexure-8** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest finalised accounts.