

CHAPTER I

1. Overview of Government Companies and Statutory Corporations

Introduction

1.1 As on 31 March 2008 there were 56 Government companies (38 working and 18 non-working*) and three Statutory corporations (all working) as against 53 Government companies (35 working and 18 non-working) as on 31 March 2007 under the control of the State Government. 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 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

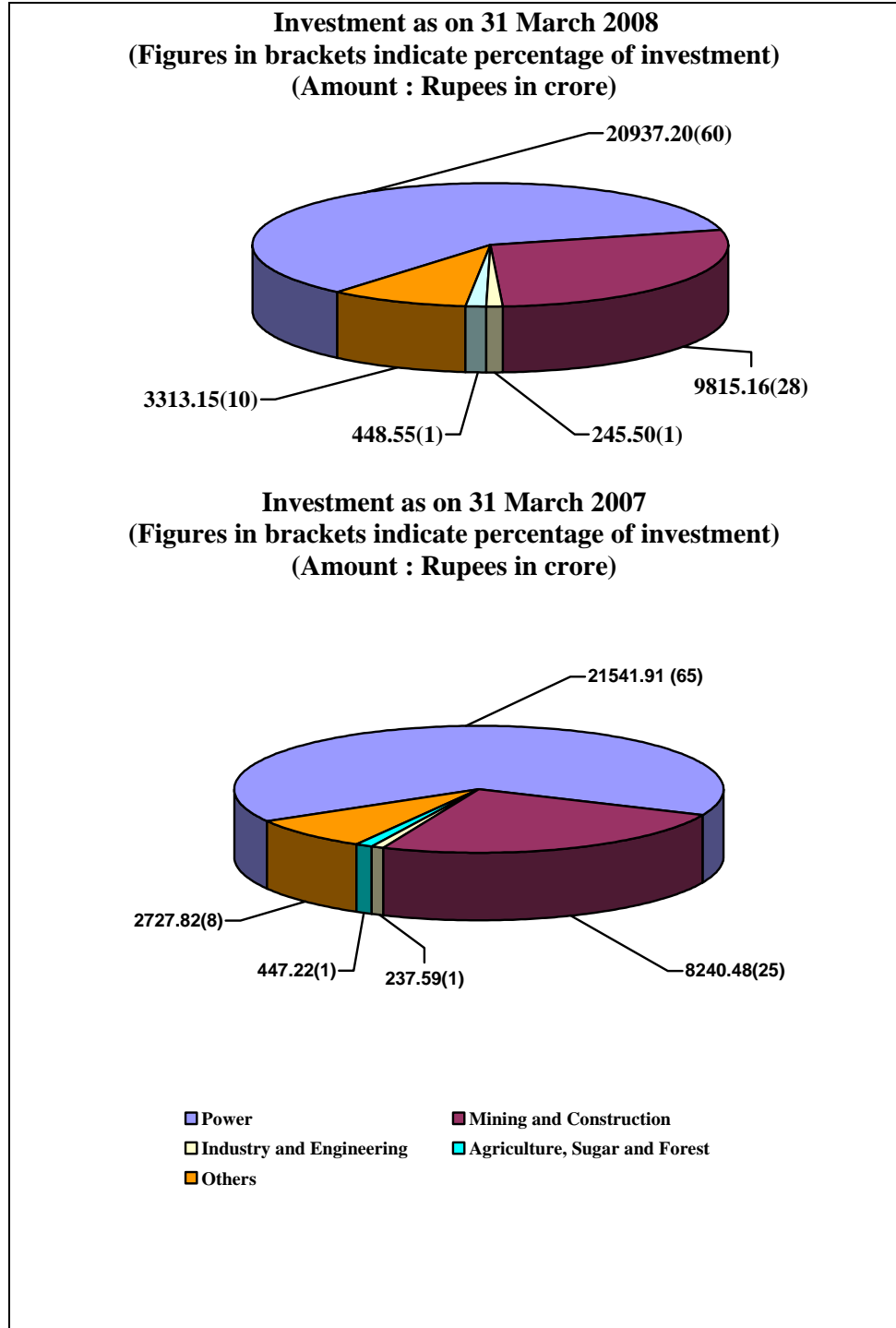
1.2 As on 31 March 2008, the total investment in 41 working PSUs (38 Government companies and three Statutory corporations) was Rs. 34,759.56 crore^{\$} (equity: Rs. 6,934.82 crore, share application money: Rs. 209.74 crore and long-term loans[#]: Rs. 27,615.00 crore) against the total investment of Rs. 33,195.02 crore (equity: Rs. 6,811.18 crore, share application money Rs. 202.11 crore and long-term loans: Rs. 26,181.73 crore) in 38 working PSUs (35 Government companies and three Statutory corporations) as on 31 March 2007. The particulars of investments in the working PSUs have been given in **Annexure 1**. The analysis of investment in working PSUs is given in the following paragraphs.

^{\$} State Government's investment in working PSUs was Rs. 12,154.89 crore (Others: Rs. 22,604.67 crore). Figure as per Finance Accounts 2007-08 is Rs. 8,688.30 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

1.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 are indicated in the pie charts.



Working Government companies

1.4 The total investment in working Government companies at the end of March 2007 and March 2008 was as follows:

(Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Loan	Total
2006-07	35	6510.07	202.11	23942.36	30654.54
2007-08	38	6519.92	209.74	24908.34	31638.00

As on 31 March 2008, the total investment in the working Government companies comprised 21 per cent of equity capital and 79 per cent of loans as compared to 22 per cent and 78 per cent respectively as on 31 March 2007.

The summarised statement of investment in working Government companies as on 31 March 2008 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 2007 and March 2008 was as follows:

(Rupees in crore)

Name of Corporation	2006-07		2007-08	
	Capital	Loan	Capital	Loan
Andhra Pradesh State Road Transport Corporation ⁺	201.27	1095.68	201.27	1282.44
Andhra Pradesh State Financial Corporation	92.22	1142.35	206.01	1424.22
Andhra Pradesh State Warehousing Corporation ⁺	7.61	1.34	7.61	0.00
Total	301.10	2239.37	414.89	2706.66

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 13 per cent of equity capital and 87 per cent of loans as on 31 March 2008 as against 12 per cent and 88 per cent as on 31 March 2007.

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

⁺ Figures for year 2007-08 are provisional.

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 2007-08 are given below:

Particulars	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	5	27.44	--	--	2	14.42	--	--	5	17.61	1	113.79
Loans given from budget	8	287.74	--	--	7	817.04	--	--	4	21.67	--	--
Grants/subsidy towards	2	222.25	--	--	8	1394.84	--	--	7 [#]	1616.05	--	--
i) projects/programmes/schemes	16	3139.61	1	368.50	10	2714.52	1	405.35	9 ^Ω	3074.85	1	433.96
ii) other subsidy												
Total subsidy	16	3361.86	1	368.50	17	4109.36	1	405.35	16	4690.90	1	433.96
Total outgo	21	3677.04	1	368.50	22[^]	4940.82	1	405.35	17	4730.18	2	547.75

During the year 2007-08, the Government had guaranteed loans aggregating Rs. 807.27 crore obtained by five working Government companies (Rs. 691.85 crore) and one Statutory corporation (Rs. 115.42 crore). At the end of the year, guarantees amounting to Rs. 16,313.51 crore against 15 working Government companies (Rs. 15,849.47 crore) and one working Statutory corporation (Rs. 464.04 crore) were outstanding. The Government allowed moratorium on loan repayment of Rs. 2000.64 crore to four companies* during the year. The guarantee commission paid/payable to the Government, by four Government companies during 2006-07 was Rs. 8.63 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

[#] Andhra Pradesh Industrial Infrastructure Corporation Limited, Vizag Apparel Park for Exports, Andhra Pradesh State Housing Corporation, Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited, Andhra Pradesh State Civil Supplies Corporation Limited, Andhra Pradesh Tourism Development Corporation Limited and Non Conventional Energy Development Corporation of Andhra Pradesh Limited.

^Ω Leather Industries Development Corporation of Andhra Pradesh Limited, Andhra Pradesh State Police Housing Corporation, Andhra Pradesh State Minorities Finance Corporation Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Central Power Distribution Company of Andhra Pradesh Limited, Northern Power Distribution Company of Andhra Pradesh Limited, Andhra Pradesh Power Finance Corporation Limited and Andhra Pradesh State Film, Television and Theatre Development Corporation Limited.

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

* Andhra Pradesh Power Generation Corporation Limited, Transmission Corporation of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited and Northern Power Distribution Company of Andhra Pradesh Limited.

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 38 working Government companies and three Statutory corporations, only 11 companies¹ and one Statutory corporation² had finalised their accounts for 2007-08 within the stipulated period. During the period from October 2007 to September 2008, 19 companies finalised 23 accounts for previous years. Similarly, during this period, one Statutory corporation finalised its account for the previous year.

The accounts of 27 working Government companies and two Statutory corporations were in arrears for periods ranging from one to 10 years as on 30 September 2008, 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	--	1998-99 to 2007-08	10	A-20	--
2	2	--	2001-02 to 2007-08	7	A-6 and 8	--
3	2	--	2003-04 to 2007-08	5	A-22 and 24	--
4	2	--	2004-05 to 2007-08	4	A-16 and A-19	--
5	-	1	2005-06 to 2007-08	3	--	B-3
6	7	--	2006-07 to 2007-08	2	A-2, 14,23, 25, 35, 37 and 38	--
7	13	1	2007-08	1	A-1,4,5,7,9, 10,12,28,31,33, 34, 36 and 38	B-1
	27	2				

Investment made by State Government in PSUs whose accounts are in arrears

1.8 The State Government had invested Rs. 7,818.01 crore (equity: Rs. 72.34 crore, loan: Rs. 2,406.59 crore, grants: Rs. 5,339.08 crore) in 21 working PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was

¹ Andhra Pradesh Meat Development Corporation Limited, Andhra Pradesh Heavy Machinery and Engineering Limited (S), Andhra Pradesh Forest Development Corporation Limited, Damodar Minerals Private Limited(S), The Singareni Collieries Company Limited, Andhra Pradesh Power Generation Corporation Limited, Transmission Corporation of Andhra Pradesh Limited, Andhra Pradesh State Police Housing Corporation Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Central Power Distribution Company of Andhra Pradesh Limited and Andhra Pradesh Power Finance Corporation Limited.

² Andhra Pradesh State Financial Corporation.

invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

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 prescribed period. Though the concerned administrative departments and officials of the Government were informed time to time by the Audit, of the arrears in finalisation of accounts, no remedial measures had been taken. As a result of which the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.9 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 5** and **6** respectively.

According to the latest finalised accounts of 33^v working Government companies and three Statutory corporations, ten companies and one corporation had incurred an aggregate loss of Rs. 260.85 crore and Rs. 111.82 crore respectively; 19 companies and 2 corporations earned an aggregate profit of Rs. 623.26 crore and Rs. 107.23 crore respectively, while three companies* were working on 'no profit no loss' basis and one working company (Wolkem Andhra Mining Private Limited) had not prepared profit and loss account as the Company was yet to commence business.

Working Government companies

Profit earning working companies and dividend

1.10 Out of 11 working Government companies which finalised their accounts for 2007-08 by the prescribed date, seven companies earned an aggregate profit of Rs. 521.21 crore and only one company (The Singareni Collieries Company Limited) declared dividend of Rs. 34.66 crore. The dividend as a percentage of share capital of the said profit making company worked out to two *per cent*. The remaining profit making companies did not declare any dividend. The total return by way of above dividend of Rs. 34.66 crore, worked out to 0.52 *per cent* on the total equity investment of Rs. 6,729.68 crore in all the working Government companies for the year 2007-08 as against 0.31 *per cent* in the previous year.

Similarly, out of 18 working Government companies which finalised their accounts for previous years, 11 companies earned an aggregate profit of

^v Vizag Apparel Park for Exports, FAB City SPV (Private) Limited, Rajeev Swagruha Corporation Limited, Hyderabad Metro Limited and Overseas Manpower Company of Andhra Pradesh Limited have not finalised their first accounts.

* Andhra Pradesh State Police Housing Corporation Limited, Andhra Pradesh Power Finance Corporation Limited and Non Conventional Energy Development Corporation of Andhra Pradesh Limited.

Rs. 99.10 crore and three companies earned profit for two or more successive years. One company* declared dividend of Rs. 10 lakh. The dividend as a percentage of share capital of the said profit making company worked out to 5.12 per cent.

Loss incurring working Government companies

1.11 Of the seven loss incurring working Government companies four companies[⊕] had accumulated losses aggregating to Rs. 1,920.31 crore, which exceeded their aggregate paid up capital of Rs. 42.37 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.12 One Corporation (Andhra Pradesh State Financial Corporation), which finalised its accounts for 2007-08 earned a profit of Rs. 89.51 crore. Another Corporation (AP State Warehousing Corporation Limited) finalised its accounts for the year 2004-05 earned profit of Rs. 17.72 crore and declared dividend of Rs. 1.52 crore.

Loss incurring Statutory corporations

1.13 The only loss incurring Statutory corporation (Andhra Pradesh State Road Transport Corporation) which finalised its accounts for the year 2006-07 during the year, had incurred loss of Rs. 111.82 crore. The accumulated loss of Rs. 1,398.29 crore of this Corporation as on 31 March 2007 exceeded its paid up capital of Rs. 201.27 crore.

Operational performance of working Statutory corporations

1.14 The operational performance of the Statutory corporations is given in **Annexure -7**.

Return on capital employed

1.15 As per the latest finalised accounts, the capital employed* worked out to Rs. 31,218.74 crore in 30^W working Government companies and total return[#] thereon amounted to Rs. 1,906.45 crore which is 6.11 per cent as compared to total return of Rs. 1,398.44 crore (5.20 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. 1,779.79 crore and Rs. 180.64 crore (10.15 per cent) respectively as against the total return of Rs. 89.64 crore (6.56 per cent) in previous year. The

* Andhra Pradesh Handicrafts Development Corporation Limited.

⊕ Leather Industries Development Corporation of Andhra Pradesh Limited, Andhra Pradesh State Housing Corporation Limited, Andhra Pradesh State Trade Promotion Corporation Limited and Nizam Sugars Limited.

* 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).

W Excluding five companies which have not finalised the first accounts and other three companies (Andhra Pradesh State Police Housing Corporation Limited, Andhra Pradesh Power Finance Corporation Limited and Non Conventional Energy Development Corporation of Andhra Pradesh Limited) 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.

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

1.16 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 2008 is given in **Annexure 8**.

Andhra Pradesh Electricity Regulatory Commission

1.17 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 2004-05.

Non-working PSUs

Investment in non-working PSUs

1.18 As on 31 March 2008, the total investment in 18 non-working PSUs (all Government companies) was Rs. 263.34* crore (equity: Rs. 74.97 crore, share application money: Rs. 3.72 crore and long-term loans: Rs. 184.65 crore) against same amount in the same number of non-working PSUs (all Government companies) as on 31 March 2007.

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

* State Government investment in non-working PSUs was Rs. 247.14 crore (others Rs. 16.20 crore). Figure as per Finance Accounts, 2006-07 was Rs. 146.18 crore. The difference is under reconciliation.

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	11	56.13	169.42
(ii)	Under closure ²	3	0.76	15.23
(iii)	Under merger ³	1	1.12	--
(iv)	Others ⁴	3	20.68	--
	Total	18	78.69	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 2 to 21 years with a substantial investment of Rs. 241.54 crore. Effective steps need to be taken for their expeditious liquidation or closure.

1. Andhra Pradesh Fisheries Corporation Limited, AP Small Scale Industries Development Corporation Limited, Allwyn Watches Limited, Republic Forge Company Limited, Andhra Pradesh Steels Limited, Andhra Pradesh Scooters Limited, Marine and Communication Electronics (India) Limited, Andhra Pradesh Electronics Development Corporation Limited, Andhra Pradesh State Textile Development Corporation Limited, Hyderabad Chemicals and Fertilizers Limited and Andhra Pradesh State Non Resident Indian Investment Corporation Limited.

2. Southern Transformers and Electricals Limited, Allwyn Auto Limited and Andhra Pradesh Tourism Finance Limited.

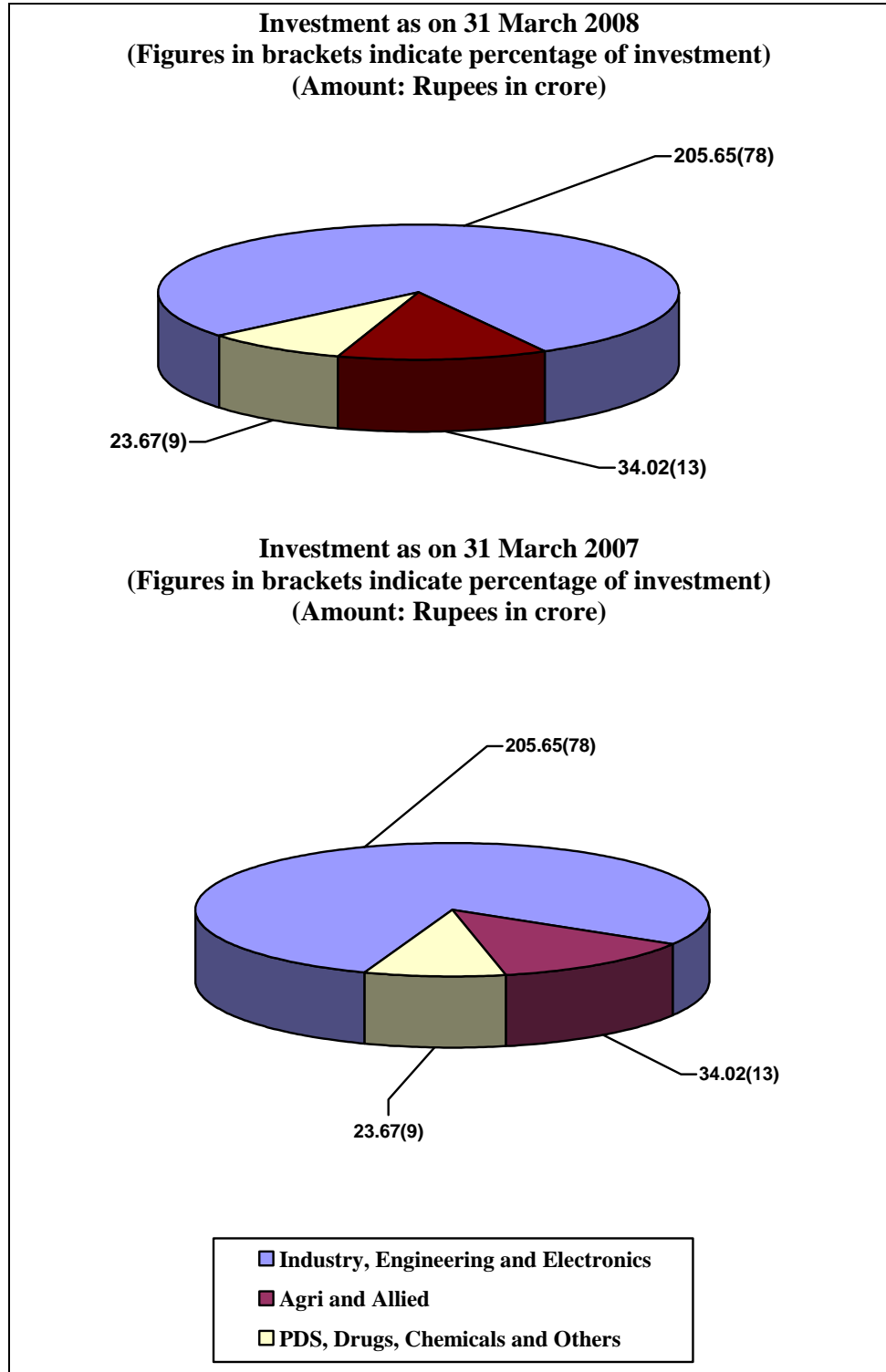
3. Andhra Pradesh Essential Commodities Corporation Limited.

4. Proddutur Milk Foods Limited, Andhra Pradesh Dairy Development Corporation Limited and Apronix Communications Limited.

Sector-wise investment in non-working Government companies

1.19 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2007 and 2008 are indicated below in the pie charts:

Sector wise investment in non-working Government companies



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

1.20 During the year 2007-08, 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

1.21 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 2007-08 are given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by	
			Disposal of investment/assets	Others
2005-06	3	0.14	0.06	0.08
2006-07	3	0.80	--	0.80
2007-08	3 ^Ω	0.19	--	0.19

Finalisation of accounts by non-working PSUs

1.22 Eleven companies out of 18 non-working companies were under liquidation and remaining seven companies were defunct/under closure. The accounts of all seven defunct/under closure companies were in arrears for periods ranging from 4 to 24 years as on 30 September 2008 as could be seen from **Annexure 2**. Though the accounts are in arrears, the State Government had extended loans amounting to Rs. 1.09 crore to three non working companies as detailed in **Annexure 4**.

Financial position and working results of non-working PSUs

1.23 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
Andhra Pradesh Dairy Development Corporation Limited	18.72	13.49	8.36	5.23

^Ω Andhra Pradesh Non-Resident Indian Investment Corporation Limited, Andhra Pradesh Electronics Development Corporation Limited and Andhra Pradesh Textile Development Corporation Limited.

[♦] 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

1.24 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	2004-05	2005-06	30-08-2007	SAR was sent to Legislative Secretariat on 13.2.2008
2.	Andhra Pradesh State Financial Corporation	2005-06	-	-	-
3.	Andhra Pradesh State Warehousing Corporation	2004-05	--	--	--

Disinvestment, privatisation and restructuring of Public Sector Undertakings

Restructuring programme of Government of Andhra Pradesh

1.25 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 (The Nizam Sugars Limited) had been privatised. Three Government Companies¹ were closed and four Government Companies² were downsized/restructured.
- Under Phase-II of the reform programme, three Government

1 AP Small Scale Industries Development Corporation Limited, Allwyn Watches Limited and Andhra Pradesh State Textile Development Corporation Limited.

2 Andhra Pradesh State Agro Industries Development Corporation Limited, Andhra Pradesh State Irrigation Development Corporation Limited, Andhra Pradesh Meat Development Corporation Limited and Andhra Pradesh Handicrafts Development Corporation Limited.

companies[♦] were closed and five Government companies^{*} and one Statutory corporation (Andhra Pradesh State Warehousing Corporation) were downsized/restructured.

1.26 On the recommendations of the Committee, voluntary retirement scheme (VRS) was introduced in 15 working Government companies[^] and one Statutory Corporation (Andhra Pradesh State Financial Corporation). At the end of March 2008, 20,433 employees (20,257 from Government companies and 176 from Statutory corporation) were discharged after payment of Rs. 567.28 crore (Rs. 551.20 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 audit of accounts by the Comptroller and Auditor General of India

1.27 During the period from October 2007 to September 2008, the accounts of 29 working companies and two working corporations were selected for audit. As a result of the observations made by the CAG, one working company (Central Power Distribution Company of Andhra Pradesh Limited) (year of account: 2007-08) revised its accounts and another working company (AP Mineral Development Corporation Limited) proposed to revise the account for the year 2005-06. 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	2	--	5.39	--
Decrease in Profit	7	1	173.92	0.07
Increase in loss	2	-	17.09	--
Decrease in loss	--	--	--	--
Errors of classification	1	--	53.27	0.13

[♦] Andhra Pradesh Fisheries Corporation Limited, Andhra Pradesh Electronics Development Corporation Limited and Andhra Pradesh State Non Resident Indian Investment Corporation Limited.

^{*} Leather Industries Development Corporation of Andhra Pradesh Limited, Andhra Pradesh State Police Housing Corporation Limited, Andhra Pradesh State Film Television and Theatre Development Corporation Limited, Non Conventional Energy Development Corporation of Andhra Pradesh Limited and Andhra Pradesh Technology Services Limited.

[^] Andhra Pradesh State Agro Industries Development Corporation Limited, Andhra Pradesh State Irrigation Development Corporation Limited, Andhra Pradesh Meat Development Corporation Limited, Andhra Pradesh Industrial Development Corporation Limited, Andhra Pradesh Industrial Infrastructure Corporation Limited, Leather Industries Development Corporation of Andhra Pradesh Limited, Andhra Pradesh Heavy Machinery and Engineering Limited, Andhra Pradesh Handicrafts Development Corporation Limited, Andhra Pradesh Mineral Development Corporation Limited, The Singareni Collieries Company Limited, The Nizam Sugars Limited, Andhra Pradesh Power Generation Corporation Limited, Transmission Corporation of Andhra Pradesh Limited, Andhra Pradesh State Film Television and Theatre Development Corporation Limited and Andhra Pradesh State Trade Promotion Corporation Limited.

[×] Andhra Pradesh Fisheries Corporation Limited, Andhra Pradesh Dairy Development Corporation Limited, AP Small Scale Industries Development Corporation Limited, Allwyn Watches Limited, Allwyn Auto Limited, Republic Forge Company Limited, Andhra Pradesh Electronics Development Corporation Limited, Andhra Pradesh State Textile Development Corporation Limited and Andhra Pradesh State Non Resident Indian Investment Corporation Limited.

Errors and omissions noticed in the case of working Government companies

1.28 (a) As a result of audit of accounts of various Companies under the Companies Act 1956, the following some of important observations were made by the Statutory Auditors.

Southern Power Distribution Company of Andhra Pradesh Limited (2007-08)

- Following Accounting Standards have not been complied with :
AS 12 : Accounting for government grants, AS 6 : Depreciation Accounting, AS 15 : Accounting for retirement benefits, AS 16: Borrowing costs, AS 22: Accounting for Taxes on income and AS 29 : Accounting for Provisions, Contingent liabilities and contingent assets.
- The provision for bonus for the year was made on adhoc basis, which was not in accordance with the provision of the payment of Bonus Act, 1965.

Central Power Distribution Company of Andhra Pradesh Limited (2007-08)

- Following Accounting Standards have not been complied with :
AS 2: Valuation of inventories, AS 3 : Cash flow statement AS 10 : Accounting for fixed assets, AS 15: Accounting for retirement benefits, AS 13 : Investment accounting, AS 22: Accounting for taxes on income and AS 28: Impairment of assets.
- The details of all assets and liabilities were given as block figures under major group heads in the gazette notification no.109 dated 29 September 2001. The detailed breakup of the balances furnished for verification. However, the balances other than “fixed assets” were subject to reconciliation with the balances maintained at various field units. In case of fixed assets of Rs. 1,272.66 crore as on 1.4.2000 the company assessed the breakup of the balances and the basis and details of final assessment of the values of assets was not furnished for verification. The consequential impact if any, on the balances of fixed assets and provision for depreciation could not be quantified.
- Balances under various sub-heads under Current Assets and Current Liabilities are subject to reconciliation and review.

Andhra Pradesh State Police Housing Corporation Limited (2006-07)

- The Company has changed its method of accounting with respect to provision of liability for leave encashment on retirement from accrual basis to cash basis which was contrary to the provisions of section 209 and 211 of the Companies Act, and Accounting Standard 15. This resulted in non provision of liability to the extent of Rs. 1.67 crore.
- The Company has not followed proper method in respect of adjustment of advances made to the unit officers which was contrary to the Government Order. Advances were made without adjusting the previous advances. In some cases the company was adjusting the advance made to unit officers simply by obtaining utilisation

certificates from the respective unit officers. The total advance outstanding with the unit officers was Rs. 3.46 crore.

- Loans and advances includes an amount of Rs. 1.25 crore to be recoverable from Director General of Police, Andhra Pradesh, Hyderabad towards repairs and renovation to Siva Kumar Lal Stadium, Goshamahal, Hyderabad made by the Corporation during the year 2004-05. The company made advance expenditure without receipt of grant.

1.28(b) As a result of Supplementary audit of accounts of various companies under Section 619 of the Companies Act, 1956, the following important points were noticed by the Comptroller and Auditor General of India:

Andhra Pradesh State Irrigation Development Corporation Limited (2005-06)

- Non-provision for the amount of difference between the accrued liability and the fund balance (in respect of gratuity) indicated by L.I.C. as per Accounting Standard-15 resulted in understatement of Current year expenditure (Contribution to Group gratuity scheme) and understatement of Current Liabilities (Miscellaneous Outstanding Liabilities) by Rs. 5.38 crore and consequent understatement of 'loss for the year' by similar amount.

Andhra Pradesh Industrial Infrastructure Corporation Limited for the year (2006-07)

- Due to accounting of user charges of Rs. 2.52 crore (non-refundable) received from L & T Phoenix Info Parks (P) Ltd. on account of sale of open space area for laying approach road at Madhapur, under Current Liabilities instead of under Other Income-Miscellaneous Receipts resulted in overstatement of 'Current Liabilities-Deposits Received from allottees of plots/sheds etc.,' by Rs. 2.52 crore and understatement of profit for the year by similar amount.
- Non-accounting of investment (19,80,000 equity of shares valued Rs. 1.98 crore) made in Ramky Pharma City (India) Ltd., against which share certificates were issued on 31 March 2007, has resulted in understatement of 'Investments' and 'Current Liabilities- Deposits Received from allottees of Plots/Sheds etc.,' by Rs. 1.98 crore.
- Non-accounting of Rs. 1.09 crore on account of lease rentals recoverable from Visakhapatnam Industrial Water Supply Company Limited (VIWSCO) for the period from December 2004 to March 2007, has resulted in understatement of Sundry Debtors by Rs. 1.09 crore, prior period income by Rs. 55 lakh and rentals by Rs. 54 lakh with consequential understatement of profit for the year by Rs. 54 lakh.

The Singareni Collieries Company Limited, Kothagudem (2007-08)

- 'Fixed Assets-Lease hold lands' does not include Rs. 7.91 crore being the Net Present Value (NPV) payable against ground mining lease

obtained for 113 ha. of surface forest land, the demand for which was raised during November, 2007 by D.F.O., Mancherial in accordance with Honorable Supreme Court directions (September, 2006), payable at 100 percent of total NPV for surface rights.

Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited (1997-98)

- The Statement in the Auditor’s Report that the accounts give a “true and fair view” is not correct and not in accordance with the ICAI’s Statement on qualifications in the Auditor’s Report and also non-compliance with Section 227(3)(e) of the Companies Act, 1956 as the impact of the qualification numbers 2,5,6 and 8 of Auditor’s report is significant enough (Rs. 5.81 Crore) which increases the Loss of the company from Rs. 0.40 Lakh to Rs. 5.82 Crore and the same were not stated in italics/bold.

Andhra Pradesh Forest Development Corporation Limited (2007-08)

- ‘Current liabilities and provisions-other liabilities’ is understated by Rs. 1.05 crore due to non-provision of penal interest payable to Government of Andhra Pradesh on loan relating to AP Forestry Project which has resulted in understatement of cumulative profit by Rs. 1.05 crore.

Transmission Corporation of Andhra Pradesh Limited (2007-08)

- ‘Expenditure-Interest and Finance Charges Capitalised’ is understated by an amount of Rs. 2.33 crore due to (i) inclusion of advances for suppliers/contractors (Capital) of Rs. 10.59 crore in works in progress and (ii) inclusion of short term loans of Rs. 435 crore availed on behalf of Distribution Companies (DISCOMS) for power purchase and transferred to DISCOMS on the same day under capital liabilities, for the purpose of calculation of interest and finance charges to be capitalized under Schedule-13. This has also resulted in over statement of interest and finance charges in Revenue account and understatement of profit before tax for the year by Rs. 2.33 crore.

Southern Power Distribution Company of Andhra Pradesh Limited (2007-08)

- Current Assets, Loans and Advances-Receivables from Government of Andhra Pradesh’ includes Rs. 34.73 crore towards outstanding balance of agricultural dues payable by the consumers, though the government has settled the dues vide G.O.Ms.No. 30 Energy (PR III) dated 09.03.2006. This has resulted in understatement of “Receivables written off / provided for” and overstatement of “Receivables from Government of Andhra Pradesh” and “Net Profit before tax for the year” by Rs. 34.73 crore.

- 'Interest and Finance Charges-Interest on State Government Loans/REC/PFC' is understated by Rs. 99 lakh due to short accounting of interest payable to PFC (on direct loan) for the period from 15.01.2008 to 31.03.2008. This resulted in understatement of "Current Liabilities – Interest accrued but not due" Rs. 99 lakh and overstatement of "Net profit before tax for the year" by similar amount.
- 'Fixed Assets-Capital Work-in-Progress' is understated by Rs. 5.12 crore due to incorrect account of payments made in discharge of the bills related to Capital Works, by debiting to "Current liabilities – For Others" (without a corresponding liability thereon) instead of debiting the same to "Capital Work-in-Progress". This also resulted in understatement of "Current Liabilities – For Others" by a similar amount.

Central Power Distribution Company of Andhra Pradesh Limited (2007-08)

- Excess withdrawal of Depreciation during 2006-07 resulted in understatement of 'Consumers' Contribution; Subsidies and Grants/Donations towards Capital Assets', as well as 'Restoration of Consumer Contribution towards Cost of Fixed Assets' by Rs. 59.04 crore and overstatement of "Profit before Tax" by similar amount.
- Non-capitalisation of different capital works completed and put to use during the year 2007-08 in Anantapur, Ranga Reddy North, Ranga Reddy South, Kurnool, Hyderabad Central and Nalgonda Circles has resulted in over-statement of "Capital Work-in-Progress" and understatement of "Fixed Assets-Gross Block-Additions during the year" by Rs. 12.93 crore. This has also resulted in understatement of "Depreciation" for the year by Rs. 42 lakh and overstatement of "Profit before Tax" by Rs. 42 lakh.

Errors and omission noticed in case of Statutory Corporations

1.29 As a result of audit of accounts of various Corporations, the following important points were noticed by the Comptroller and Auditor General of India:

Andhra Pradesh State Financial Corporation (2006-07)

- 'Capital and Liabilities-Loan Pending Conversion to Share Capital (LPCS) (Schedule-B)' includes an amount of Rs. 11.40 crore being the amount received towards ordinary share capital (Rs. 9.46 crore) and special share capital (Rs. 1.94 crore) from the IDBI as LPCS. As IDBI had rejected the Corporation's request for conversion of LPCS into equity, this amount should have been classified as borrowings. Non classification of the amount as borrowings resulted in overstatement of LPCS and understatement of borrowings by Rs. 11.40 crore.

Persistent Irregularities:

Andhra Pradesh Industrial Development Corporation Limited (2006-07)

- The Accounting Policy, (no provision has been made in value of the investments as the company's policy is to account for appreciation/diminution in value of shares only at the time of disinvestment/disposal) framed by the company was in violation of provisions of AS-13. This resulted in overstatement of profit for the year and investments by Rs. 33.59 crore.
- 'Loans & Advances' was overstated by Rs. 7.18 crore due to non-provision towards "loss assets" in respect of 13 sold units for term loan and other loans, which the company identified as not recoverable. Non-provision thereof resulted in overstatement of 'Profit for the year' by Rs. 7.18 crore.

Andhra Pradesh State Financial Corporation (2006-07)

- The Corporation issued various series of bonds from June 1988 to March 2003 for an amount of Rs. 503.62 crore which are guaranteed by the State Government. As per the guidelines issued by the State Government, the Corporation has to pay two per cent guarantee commission on both the principal and interest amount of the bonds to the Government. No provision towards two per cent guarantee commission on the interest portion of Rs. 566.78 crore has been made in the accounts which works out to Rs. 11.34 crore including Rs. 0.37 crore for the year 2006-07.
- 'Property and Assets - Cash and Bank Balances (Schedule-F) - Bank Overdraft as per books' represents the amount utilized as overdraft, which was shown in the books of accounts as deduction from cash and bank balances instead of being accounted for as overdraft under current liabilities. This had resulted in understatement of 'Current Liabilities and Provisions' and 'Cash and Bank balances' by Rs. 9.14 crore. Despite being commented upon on the accounts of earlier years the Corporation continued the same practice.

Recoveries at the instance of audit

1.30 A test check of the records of four power sector companies during 2007-08 revealed wrong fixation of tariff/non-levy/short levy of tariff/short realisation of revenue or other observations aggregating to Rs. 19.08 crore (1251 cases) which were accepted by the Management. Out of this Rs. 2.10 crore has been recovered.

Internal audit/internal control

1.31 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 nine working Government companies is given below.

Sl. No.	Name of the Company	Year of Accounts	Major comments/recommendations
1.	Andhra Pradesh State Agro Industries Development Corporation Limited	2006-07	There is no proper monitoring mechanism on the performance of Internal audit functions.
2	Andhra Pradesh Minorities Finance Corporation Limited	2002-03	Internal control procedure is required to be strengthened regarding time lag in the accountal of disbursements to and recoveries from the constituents.
3.	Andhra Pradesh State Civil Supplies Corporation Limited	2005-06	The scope and coverage of internal audit system needs to be enlarged/strengthened to commensurate with the size of the company and its nature of business.
4.	Andhra Pradesh State Irrigation Development Corporation Limited	2005-06	There was no system of internal audit at Head Office. No satisfactory action was taken on the suggestions/observations in internal audit reports. Internal audits were not conducted at regular intervals.
5.	Andhra Pradesh Meat Development Corporation Limited	2007-08	1. Internal control procedures are not commensurate with the size of the company and nature of its business. 2. The company does not have internal audit system commensurate to its size and nature of business.
6.	Andhra Pradesh Tourism Development Corporation Limited	2005-06	Internal control procedures existing in the company with regard to purchase of investing, fixed assets and for the sale of goods need to be streamlined and improved to be commensurate with the size and nature of its business.

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

1.32 The following table indicates the details regarding number of reviews/paras discussed by the COPU by the end of September 2008.

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/paragraphs discussed by COPU	
	Reviews	Paragraphs	Reviews	Paragraphs
1992-93	7	29	6	29
1993-94	6	19	4	19
1995-96	5	23	2	12
1996-97	6	23	3	22
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	-	12
2002-03	3	13	1	10
2003-04	2	19	-	6
2004-05	2	21	-	8
2005-06	4	19	-	6
2006-07	5	24	-	-
Total	63	293	19	167

During October 2007 to September 2008, COPU held 9 meetings and discussed six paragraphs relating to Audit Report (Commercial) for the years 2004-05 and 2005-06. As at the end of September 2007, 51 Reports of COPU were pending. The Action Taken notes in respect of 12 COPU Reports were received from Government, which are still pending discussion by COPU. Action Taken Notes in respect of remaining 39 COPU Reports were not received.

619-B Companies

1.33 As on 31 March 2008, there were one working company and six non-working companies within the purview of Section 619-B of the Companies Act, 1956. **Annexure -9** 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.