

## OVERVIEW

### 1. Overview of Government Companies and Statutory Corporations

As on 31 March 2008, the State had 59 Public Sector Undertakings (PSUs) comprising of 56 Government companies and three Statutory corporations as against 56 number of PSUs (53 Government companies and three Statutory Corporations) as on 31 March 2007. Out of 56 Government Companies, 38 were working companies while 18 were non-working companies. All the three Statutory corporations were working corporations. In addition, there were seven companies (one working and six non-working) under the purview of Section 619-B of the Companies Act, 1956.

*(Paragraphs 1.1 and 1.33)*

The total investment in 41 working PSUs increased from Rs. 33,195.02 crore as on 31 March 2007 to Rs. 34,759.56 crore as on 31 March 2008. The total investment of Rs. 263.34 crore (31 March 2007) in 18 non-working PSUs remained the same as on 31 March 2008.

*(Paragraphs 1.2 and 1.18)*

The budgetary support in the form of capital, loans, grants and subsidies disbursed to the working PSUs decreased from Rs. 5,346.17 crore in 2006-07 to Rs. 5,277.93 crore in 2007-08. The State Government guaranteed loans aggregating Rs. 807.27 crore obtained by six working PSUs during 2007-08. Guarantees amounting to Rs. 16,313.51 crore were outstanding against 16 PSUs as on 31 March 2008.

*(Paragraph 1.6)*

Eleven working Government companies and one Statutory corporation had finalised their accounts for the year 2007-08. The accounts of the remaining 27 working Government companies and two Statutory corporations were in arrears for periods ranging from one to ten years. Eleven companies (out of 18 non-working companies) were under liquidation and the accounts of the remaining seven defunct/under closure companies were in arrears for period ranging from 4 to 24 years.

*(Paragraphs 1.7 and 1.22)*

Twelve working PSUs (11 Government companies and one Statutory Corporation) out of 41 PSUs (38 Government companies and three Statutory Corporations) which finalised their accounts for 2007-08, earned an aggregate profit of Rs. 610.72 crore and only one Company declared dividend of Rs. 34.66 crore during the year. Out of 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. One loss incurring Statutory corporation had accumulated loss of Rs. 1,398.29 crore which exceeded its paid up capital of Rs. 201.27 crore.

*(Paragraphs 1.10, 1.11, 1.12 and 1.13)*

## 2. Performance Audit relating to Government Companies

Performance Audit relating to Construction and Performance of Rayalaseema Thermal Power Project, Stage II by **Andhra Pradesh Power Generation Corporation Limited**, Implementation of Housing Schemes by **Andhra Pradesh State Housing Corporation Limited** and Production/procurement, processing and sale of seeds by **Andhra Pradesh State Seeds Development Corporation Limited** were conducted and some of the main findings are as follows:

### *Construction and Performance of Rayalaseema Thermal Power Project, Stage II by Andhra Pradesh Power Generation Corporation Limited*

Due to lack of monitoring, Civil works were delayed resulting in delay in erection of machinery and led to (a) loss of interest rebate from PFC (b) loss of interest due to non adjustment of interest free advance paid to the BHEL (c) loss on account of price escalation beyond scheduled date on steel and cement issued free of cost to the contractor. Non-commissioning of the Units on target dates due to lack of proper co-ordination between supply and erection of equipment resulted in delay leading to locking of borrowed funds and consequential loss of interest thereon. There were cases of consumption of inputs for generation in excess of norms.

Some of the important points noticed are as under:

Due to deferring performance guarantee tests, neither necessary corrective action to control consumption of inputs and auxiliary consumption could be taken nor penalties for non-achievement of parameters could be levied.

Due to installation of low rated compressors, ash handling system could not evacuate entire ash, leading to manual removal. Expenditure incurred of Rs. 18.34 lakh could not be recovered from contractor in absence of suitable clause. This led to running units at reduced load and consequent loss of generation of 695.29 MUs valued at Rs. 5.24 crore besides tripping of both units.

Increase in prices of cement and steel supplied by Company for civil works, beyond scheduled date of completion borne by the Company (Rs. 1.02 crore) could not be recovered from contractor in absence of a specific clause.

Failure to adhere to norms for consumption of coal, fuel oil, demineralised water and auxiliary power resulted in extra expenditure of Rs. 45.24 crore.

(Chapter 2.1)

### *Implementation of Housing Schemes by Andhra Pradesh State Housing Corporation Limited*

The company mobilized loans without proper assessment of requirement and without synchronization of drawals with the implementation of schemes which resulted in avoidable payment of interest. The company drew central subsidy without loan tie-ups with banks and collection of beneficiary contribution flouting the scheme guidelines. Diversion of funds was resorted to by irregular conversion of houses from one scheme to another. There were delays in completion of houses and backlog in targets. Utilisation Certificates were

furnished without actual utilization of funds. Management Information system was non-existent affecting monitoring and functioning of the Company.

Some of the important points noticed are as under :

Though orders issued earlier for conversion of houses under Urban Permanent Housing (UPH) to VAMBAY were revoked and release of funds withheld, 928 houses were converted and remained incomplete rendering the expenditure (Rs. 7.48 crore) unfruitful.

The Company released the entire unit cost to beneficiaries without providing funds for common infrastructure and facilities as required under scheme guidelines.

Though an amount of Rs. 11.50 crore was released without concluding MOU with Andhra Pradesh Scheduled Castes Co-operative Finance Corporation Limited, the targeted number of houses under UPH were not completed.

Company incurred loss of Rs. 2.84 crore due to investing the loan amount in fixed deposits at a lower rate of interest.

(Chapter 2.2)

***Production/procurement, processing and sale of seeds by Andhra Pradesh State Seeds Development Corporation Limited***

The Company neither achieved the standard multiplication ratio of breeder and foundation seeds nor obtained the yield as expected. Penalties as per agreements were not collected from farmers for shortfall. Targets for both production and sales were fixed without any basis. Huge quantities of seeds were condemned and sold as grain leading to loss. There were cases of payment of compensation to farmers for defects in seeds. Processing plants were not utilized to their optimum capacity. Sale price fixed was not competitive. Guidelines, rules and procedures were not found documented. There was lack of monitoring with respect to production, processing and sales. The only attempt to get associated with research activity was not properly pursued.

Some of the important points noticed are as under:

Production of certified/labeled seeds without properly assessing the requirement of units led to avoidable inter unit transfers involving expenditure of Rs. 11.28 crore on transportation.

Procurement of substandard quality seeds for distribution to farmers/suppliers led to avoidable payment of compensation of Rs. 2.14 crore for failure of germination.

Targets were not fixed based on availability of certified/labeled seeds. Due to not fixing the proper targets, the Company could not dispose of the available seeds and incurred loss of Rs. 8.40 crore on condemnation.

Extending ineligible credit facility to dealers led to delay in recovery of sale proceeds (Rs. 5.04 crore).

(Chapter 2.3)

### **3. Transaction Audit Observations relating to Government Companies and Statutory Corporations**

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in financial losses. The irregularities pointed out are broadly of the following nature:

Avoidable/excess expenditure of Rs.15.23 crore was incurred in seven cases.

*(Paragraphs 3.2, 3.4, 3.5, 3.6, 3.10, 3.12 and 3.17)*

Loss of revenue/interest amounting to Rs. 8.88 crore in six cases.

*(Paragraphs 3.3, 3.9, 3.13, 3.14, 3.18 and 3.21)*

Dues amounting to Rs. 7.39 crore was not recovered in four cases.

*(Paragraphs 3.11, 3.14, 3.16 and 3.19)*

Undue favour was extended to contractors/suppliers/employees to the tune of Rs. 6.96 crore in four cases.

*(Paragraphs 3.1, 3.7, 3.8 and 3.15)*

Gist of some of the important audit observations is given below :

#### **GOVERNMENT COMPANIES**

**Andhra Pradesh State Irrigation Development Corporation Limited** reimbursed Rs. 4.30 crore to the SSI (Rs. 1.09 crore) and Non-SSI (Rs. 3.21 crore) units for want of obtaining documentary evidence in proof of payment of CED.

*(Paragraph 3.1)*

**Andhra Pradesh Forest Development Corporation Limited** did not maintain their own standards in planting number of pepper vines as inter crop under coffee plantation losing potential revenue of Rs. 1.38 crore.

*(Paragraph 3.3)*

**Singareni Collieries Company Limited** continued to incur expenditure on development works and for dedicated power supply even after submission of proposals for foreclosure of mine resulting in infructuous expenditure of Rs. 1.40 crore.

*(Paragraph 3.6)*

**Andhra Pradesh Power Generation Corporation Limited** had to pay a penalty of Rs. 1.49 crore for not obtaining Statutory prior clearance before taking up civil work in reserve forest area for construction of weir across River Krishna.

*(Paragraph 3.10)*

**Eastern Power Distribution Company of Andhra Pradesh Limited** short recovered (Rs. 2.52 crore) liquidated damages from suppliers for delay in

supply by restricting the LD to five per cent of value of short supplied material instead of total value of purchase order.

*(Paragraph 3.11)*

**Andhra Pradesh Trade Promotion Corporation Limited** made a payment of Rs. 1.35 crore to its employees opted for VRS, towards additional terminal benefits not contemplated in the guidelines issued by State Government.

*(Paragraph 3.15)*

## STATUTORY CORPORATIONS

**Andhra Pradesh State Road Transport Corporation**, without analysing the operational viability of two 'King-long' buses procured in January 2004, purchased another five at a cost of Rs. 2.39 crore (between June and September 2004) and stabled (March 2007) all the seven buses prematurely after operating 5.5 lakh Kms as against expected 10 lakh Kms.

*(Paragraph 3.18 )*

The software installed by **Andhra Pradesh State Road Transport Corporation** nine years back for management of Hospital data was not fully functional and the modules in use were also not stabilised, defeating the very purpose.

*(Paragraph 3.20 )*

**Andhra Pradesh State Warehousing Corporation** invested its surplus funds in short term deposits carrying lesser rate of interest than prevailing rates resulting in loss of interest earning of Rs. 41.08 lakh.

*(Paragraph 3.21 )*