

CHAPTER-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004 there were 48[^] Government companies (31 working companies and 17 non-working companies*) and three Statutory corporations (all working) as against 49 number of Government companies (31 working companies and 18 non-working companies) and three Statutory corporations (all working) as on 31 March 2003 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 Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of 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 formed Andhra Pradesh Electricity Regulatory Commission (APEREC) and audit is entrusted to the CAG under Section 104(2) of the Electricity Act, 2003*.

[^] One non-working Company (Andhra Pradesh Wind Farms Limited) ceased to exist.

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

* Erstwhile Section 34(4) of the Electricity Regulatory Commission Act, 1998 repealed by the Electricity Act, 2003.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2004, the total investment in 34 working PSUs (31 Government companies and three Statutory corporations) was Rs.30,088.15 crore^{\$} (equity: Rs.7,932.03 crore, share application money: Rs.144.62 crore and long-term loans[#]: Rs.22,011.50 crore) as against same number of working PSUs with a total investment of Rs.26,538.41 crore (equity: Rs.7,328.04 crore, share application money Rs.71.75 crore and long-term loans: Rs.19,138.62 crore) as on 31 March 2003. The analysis of investment in working PSUs is given in the following paragraphs.

Sector-wise investment in working Government companies and Statutory corporations

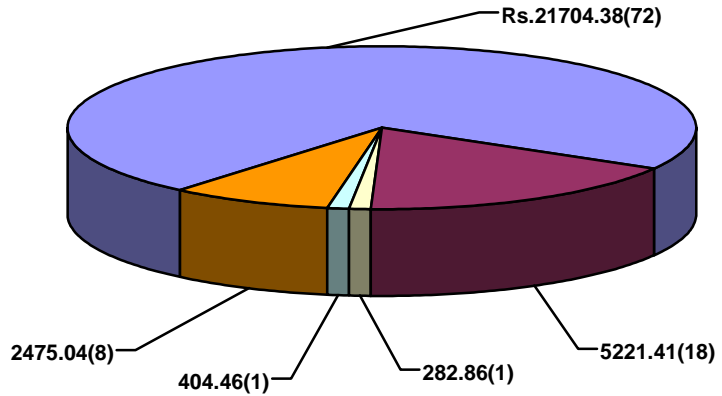
1.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of March 2004 and March 2003 are indicated below in the pie charts.

^{\$} State Government's investment in working PSUs was Rs.8,916.95 crore (Others: Rs.21,171.20 crore). Figure as per Finance Accounts, 2003-04 is Rs.7,864.05 crore. The difference is under reconciliation.

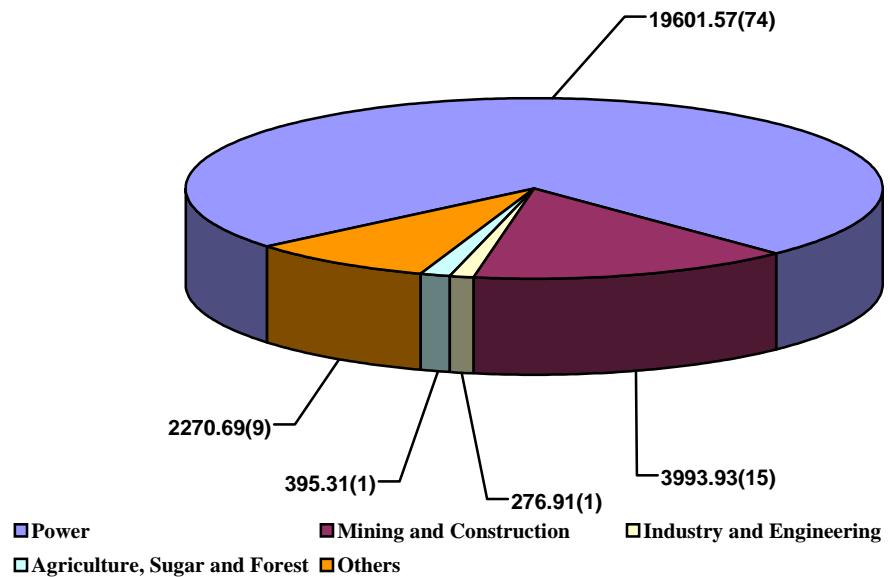
[#] Long term loans mentioned in paragraphs 1.2,1.3 and 1.4 are excluding interest accrued and due on such loans.

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

As on 31 March 2004
Amount: Rupees in crore
Total investment Rs.30,088.15 crore



As on 31 March 2003
Amount: Rupees in crore
Total investment Rs.26,538.41 crore



(Figures in brackets indicate percentage of investment)

Working Government companies

1.4 The total investment in 31 working Government companies at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loan	Total
2002-2003	31	7031.44	71.75	17261.93	24365.12
2003-2004	31	7634.43	143.62	19958.02	27736.07

There was increase in investment during the year mainly due to increase in equity and loans by the State Government to power sector companies.

The summarised statement of investment in working Government companies in the form of equity and loans is detailed in Part-A of **Annexure-1**.

As on 31 March 2004, total investment of working Government companies comprised 28 per cent of equity capital and 72 per cent of loans as compared to 29 per cent and 71 per cent respectively as on 31 March 2003.

Working Statutory corporations

1.5 The total investment in three working Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Name of Corporation	2002-03		2003-04	
	Capital	Loan	Capital	Loan
Andhra Pradesh State Road Transport Corporation	201.27	821.84	201.27	1040.98
Andhra Pradesh State Financial Corporation	87.72	1053.09	89.72	1011.29
Andhra Pradesh State Warehousing Corporation	7.61	1.76	7.61 ^{*@}	1.21 [*]
Total	296.60	1876.69	298.60	2053.48

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

As on 31 March 2004, the total investment in working Statutory corporations comprised 13 per cent of equity capital and 87 per cent of loans as compared to 14 per cent and 86 per cent respectively as on 31 March 2003.

^{*} Provisional

[@] Includes Rs. one crore towards share application money.

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 State Government to working Government companies and working Statutory corporations are given in Annexures-1 and 3.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporations for three years up to 31 March 2004 are given below:

Particulars	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	4	16.39	--	--	4	18.80	--	--	5	44.76	1	2.00
Loans given from budget	6	1128.72	-	--	14	2165.62	--	--	11	2006.19	-	--
Grants/subsidy towards												
i) projects/ programmes/ schemes	9	615.54	--	--	11	247.15	--	--	12 [#]	633.07		--
ii) other subsidy	5	2672.35	1	100.00	10	2093.81	2	100.55	11 [@]	2208.00	1 [*]	252.00
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Total subsidy	14	3287.89	1	100.00	16	2340.96	2	100.55	19	2841.07	1	252.00
Total outgo		4433.00		100.00		4525.38		100.55	23[^]	4892.02	2[^]	254.00

During the year 2003-04, the Government had guaranteed loans aggregating Rs.2648.49 crore obtained by 10 working Government companies. At the end of the year, guarantees of Rs.18,982.38 crore against 11 working Government companies (Rs.18,489.06 crore) and one working Statutory corporation (Rs.493.32 crore) were outstanding. The Government had forgone Rs.517.75 crore by way of interest waived (Rs.10.34 crore) and moratorium on loan repayment in three companies** (Rs.507.41 crore) during the year. The guarantee commission paid/payable to Government, by 11 Government companies and one Statutory corporation during 2003-04 was Rs.78.43 crore and Rs.0.11 crore respectively.

[#] Sl.Nos: 3,4,7,8,9,10,12,14,17,19,20 and 22 of Annexure – 3.

[@] Sl.Nos: 1,10,11,15,16,17,18,19,20,21 and 23 of Annexure – 3.

^{*} Sl.Nos: 24 of Annexure – 3.

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

^{**} Serial no. 15,16 and 18 of Annexure-3.

Finalisation of accounts by working PSUs

1.7 The accounts of the companies for every financial year are required to be finalised within six months from the end of 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. They are also to be laid before the Legislature within nine months from the end of 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.

As could be noticed from **Annexure-2**, out of 31 working Government companies, only five working Government companies and out of three working Statutory corporations, two working Statutory corporations had finalised their accounts for the year 2003-04 within the stipulated period. During October 2003 to September 2004, 27 working Government companies finalised 29 accounts for previous years. Similarly, during this period two working Statutory corporations finalised two accounts for previous year.

The accounts of 26 working Government companies and one Statutory corporation were in arrears for periods ranging from one to seven years as on 30 September 2004, as detailed below:

Sl. No.	Number of working companies/corporations		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 (Part-A)	Statutory corporations (Part-B)
1.	2	--	1997-98 to 2003-04	7	6,15	--
2.	3	--	1999-2000 to 2003-04	5	3,14 and 16	--
3.	1	--	2000-01 to 2003-04	4	5	--
4.	3	--	2001-02 to 2003-04	3	2,7 and 18	--
5.	10	--	2002-03 to 2003-04	2	1,4,9,11,17, 19,20,28,29 and 31	--
6.	7	1	2003-04	1	10,13,21,22, 24,27 and 30	3
	26	1				

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Accountant General regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and 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 the 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 are finalised are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts of 31 working Government companies and three working Statutory corporations, 11 companies and one corporation had incurred an aggregate loss of Rs.369.40 crore and Rs.42.02 crore respectively; 16 companies and two corporations earned an aggregate profit of Rs.833.48 crore and Rs.13.03 crore respectively, while four companies* were working on ‘no profit no loss’ basis.

Working Government companies

Profit earning working Government companies and dividend

1.9 Four companies (Sl. No. 8,12,23 and 26 of part A of **Annexure-2**) out of five working Government companies which finalised their accounts for 2003-04 by September 2004, earned a profit of Rs.509.42 crore but only one company i.e., The Singareni Collieries Company Limited declared a dividend of Rs.86.66 crore. The dividend as a percentage of share capital of the said profit making company worked out to 17.19 *per cent*. The remaining three profit making companies did not declare any dividend. The total return by way of above dividend of Rs.86.66 crore, worked out to 1.11 *per cent* in 2003-04 on total equity investment of Rs.7,778.05 crore in all working Government companies as against 1.22 *per cent* in the previous year.

Similarly, out of 26 working Government companies which finalised their accounts for previous years by September 2004, 12 companies earned an aggregate profit of Rs.324.06 crore and nine[∞] companies earned profit for two or more successive years.

Loss incurring working Government companies

1.10 Five companies (Sl. Nos.3,6,8,14 and 18 of Part-A of **Annexure-2**) out of the 11 loss incurring working Government companies had accumulated losses aggregating Rs.602.46 crore which exceeded their aggregate paid up capital of Rs.65.65 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these 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 equity,

* Sl.Nos: 13,20,27 and 29 of Part-A of Annexure-2.

∞ Sl.Nos: 4,5,9,10,11,17,28,30 and 31 of Part-A of Annexure – 2.

loan, subsidy/grant etc., during 2003-04 to four companies out of these five companies amounted to Rs.666.44 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 One Corporation (i.e., Andhra Pradesh State Financial Corporation) out of two Statutory corporations which finalised their accounts for 2003-04 by September 2004, earned a profit of Rs.6.01crore. Despite earning profit, Andhra Pradesh State Financial Corporation had accumulated loss of Rs.147.85 crore as on 31 March 2004, which exceeded its paid up capital of Rs.89.72 crore (Sl. No. 24 of Part B of **Annexure-2**).

Similarly, one Corporation (Andhra Pradesh State Warehousing Corporation) which finalised its accounts for 2002-03 by September 2004, had earned a profit of Rs.7.02 crore and declared a dividend of Rs.1.52 crore.

Loss incurring Statutory corporations

1.12 The only loss incurring Statutory corporation i.e., Andhra Pradesh State Road Transport Corporation, which finalised its accounts for the year 2003-04 by September 2004, had incurred loss of Rs.42.02 crore. The accumulated loss of Rs.1,018.83 crore exceeded the paid up capital of Rs.201.27 crore. The Corporation was provided in 2003-04 a financial support in the form of a subsidy of Rs.252 crore by the State Government (Sl. No. 24 of Part B of **Annexure-3**).

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 (up to September 2004), the capital employed* worked out to Rs.20,383.64 crore in 27 working Government companies (excluding four[‡] no profit no loss companies) and total return[#] thereon amounted to Rs.2,280.24 crore which is 11.19 *per cent* as compared to total return of Rs.1,288.77 crore (6.70 *per cent*) in the previous year. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2004) worked out to Rs.1,702.50 crore and Rs.182.22 crore as against total return of Rs.1,680.73 crore and Rs.(-)80.72 crore in previous

* 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).

[‡] Serial No.13,20,27 and 29 of Part-A of Annexure-2.

[#] 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.

year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in Part-A & B of **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 Chief Ministers' conference on Power sector reforms held in March 2001, a 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 reforms programme in power sector with identified milestones. Status of implementation of reform programme as on 30 September 2004 is given in **Annexure-7**.

Andhra Pradesh Electricity Regulatory Commission

1.16 Government of Andhra Pradesh framed Andhra Pradesh Electricity Reform Act[^] (APER Act) in October 1998. Accordingly, the Andhra Pradesh Electricity Regulatory Commission (APEREC) with three members, including a Chairman appointed by the State Government was constituted on 31 March 1999 to act as a regulator of the electricity sector in the State. The audit of accounts of the Commission has been entrusted to CAG under Section 104 (2)[°] of the Electricity Act, 2003. The Commission had finalised its accounts for the year 2000-01 as on 30 September 2004.

Non-working PSUs

Investment in non-working PSUs

1.17 As on 31 March 2004, the total investment in 17 non-working PSUs (all Government companies) was Rs.753.84 crore (equity: Rs.85.08 crore, share application money: Rs.0.50 crore and long-term loans: Rs.668.26 crore) as against Rs.702.49 crore (equity: Rs.85.78 crore, share application money: Rs.0.50 crore and long-term loans: Rs.616.21 crore) in 18 non-working PSUs (all Government companies) as on 31 March 2003.

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

[°] Erstwhile Section 34 of the Andhra Pradesh Electricity Reform Act, 1998 repealed by the Electricity Act, 2003.

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	9	55.08	95.98
(ii)	Under closure ²	4	1.67	572.28
(iii)	Under merger ³	1	1.13	--
(iv)	Others ⁴	3	27.70	--
	Total	17	85.58	668.26

Of the above non-working PSUs, 13 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for one to 12 years and substantial investment of Rs.725.01 crore was involved in these companies. Liquidators were also appointed in respect of nine companies. Effective steps need to be taken for their expeditious liquidation/merger or revival.

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 March 2003 and 2004 are indicated below in the pie charts:

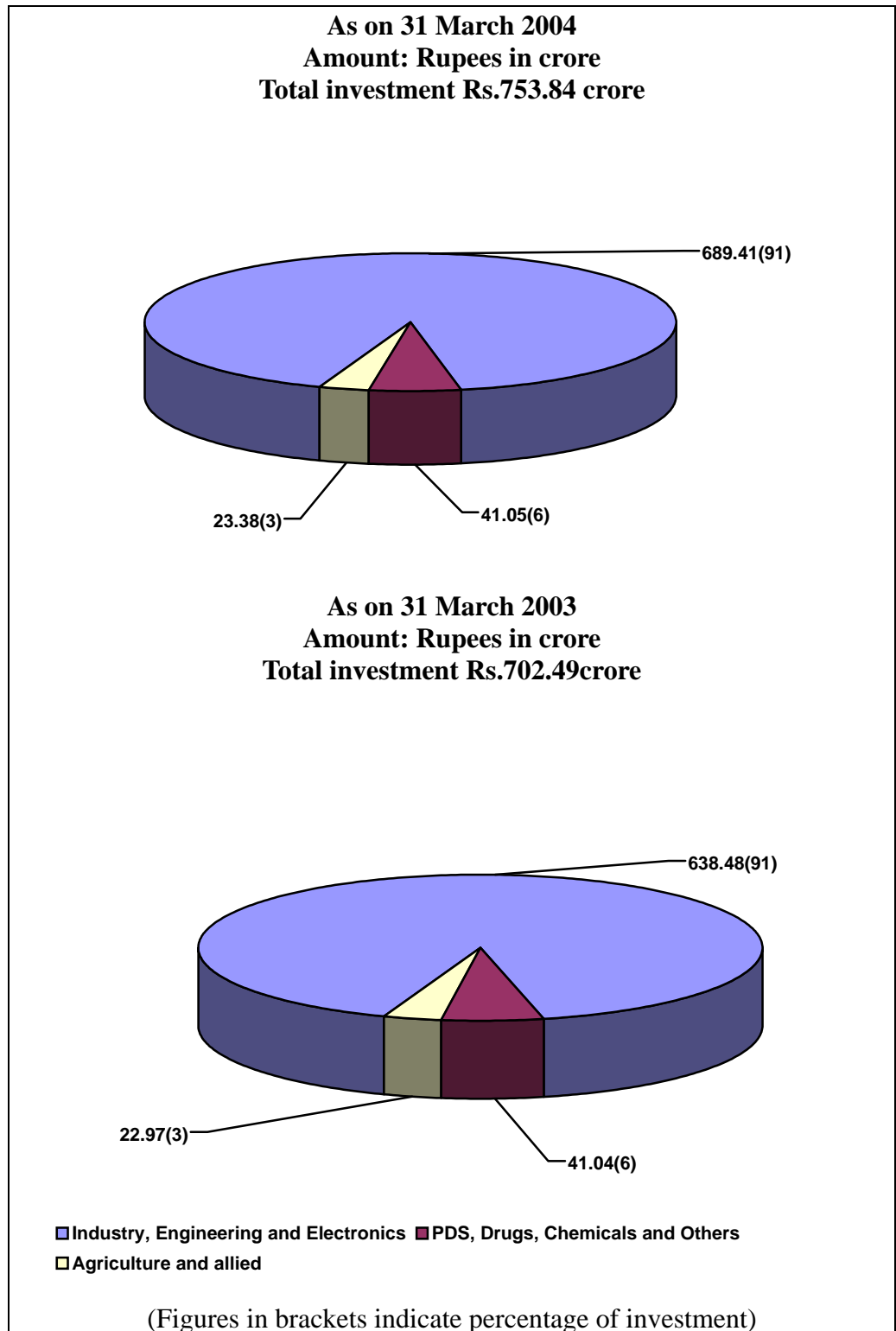
¹ Sl Nos: 1,4,8,9,10,11,12,14 and 17 of Part-C of Annexure – 1.

² Sl Nos: 5,6,7 and 16 of Part-C of Annexure – 1.

³ Sl No: 15 of Part-C of Annexure – 1.

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

Sector wise investment in non-working Government companies



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

1.19 During the year 2003-04, State Government released loan of Rs.24.72 lakh to one non-working company (Sl.No.6 of Part-C, **Annexure-1**).

Total establishment expenditure of non-working PSUs

1.20 The year wise details of total establishment expenditure of non-working PSUs (for which information was available) and the sources of financing the same during last three years up to 2003-04 were as given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by	
			Disposal of investment/assets	Others
2001-02	5	0.69	0.22	0.47
2002-03	6	2.04	0.31	1.73
2003-04	4 ^Ω	1.63	1.17	0.46

Finalisation of accounts by non-working PSUs

1.21 Nine companies out of 17 non-working companies were under liquidation and remaining eight companies were defunct. The accounts of all eight defunct companies were in arrears for periods ranging from three to 20 years as on 30 September 2004 as could be noticed from Part-C of **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 the latest finalised accounts are given in Part-C of **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	0.30	(-)261.94	23.03	262.24

Note: Net worth, cash loss and accumulated loss calculated as per latest certified accounts.

^Ω Sl.Nos: 6,12,14 and 17 of Part-C of Annexure – 2.

[♦] Excluding companies under liquidation/merger 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	2001-02	2002-03	20-7-2004	--
2.	Andhra Pradesh State Financial Corporation	1998-99	1999-2000 2000-01 2001-02 2002-03	16-10-2001 30-05-2002 14-07-2003 09-02-2004	Delay in receipt of final Audit Report from the State Government
3.	Andhra Pradesh State Warehousing Corporation	2001-02	2002-03	12-04-2004	SAR was under print

Disinvestment, privatisation and restructuring of Public Sector Undertakings

Restructuring programme of Government of Andhra Pradesh

1.24 Government of Andhra Pradesh had constituted a Committee to study the working of PSUs and to make suitable recommendations.

As a follow up to Committee's report, the State Government undertook public sector reforms which included the following.

- An autonomous body by name "Implementation Secretariat" was formed.
- The reforms programme envisaged restructuring/privatising/winding up of seven[#] PSUs in phase-I which was to be completed by 2003-04. The progress achieved in this regard is as follows:
- Five^{*} PSUs were restructured/closed.
- One PSU (Sl.No.18 of Part-A, **Annexure-1**) was partly privatised and no action was initiated against the remaining PSU Company (Sl.No.9 of Part-A of **Annexure-1**).

[#] Sl.Nos: 1,2,3,9 and 18 of Part-A & 6 and 14 of Part-C of Annexure-1.

^{*} Sl.Nos: 1,2 and 3 of Part-A and 6 and 14 of Part-C of Annexure-1.

1.25 On the recommendations of the Committee, voluntary retirement scheme (VRS) was introduced in 14[^] working Government companies and one* Statutory corporation. During October 1994 to March 2004, 15,668 employees (15,492 from Government companies and 176 from Statutory corporation) were discharged after incurring Rs.437.71 crore (Rs.421.63 crore by working Government companies and Rs.16.08 crore by Statutory corporation) towards compensation. Similarly in respect of eight** non-working Government companies, 5,397 employees were discharged under VRS for which a compensation of Rs.79.48 crore was paid.

Results of audit by Comptroller and Auditor General of India

1.26 During the period from October 2003 to September 2004, the accounts of 34 companies (29 working and five non-working) and three working corporations were selected for review. As a result of the observations made by CAG, three working companies i.e., Andhra Pradesh State Civil Supplies Corporation Limited (2000-01), Andhra Pradesh State Trading Corporation Limited (2001-02) and Andhra Pradesh Power Generation Corporation Limited (2002-03) revised the accounts. In addition, the net impact of the important audit observations as a result of review of the remaining 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	1	2.40	5.99
Decrease in profit	7	1	193.74	4.25
Increase in loss	7	-	209.39	-
Decrease in loss	-	1	-	0.38
Non-disclosure of material facts	5	1	518.38	7.81

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

Errors and omissions noticed in the case of working Government companies

The Singareni Collieries Company Limited (2003- 04)

1.27 Specific reserve for overburden removal was understated by Rs.146.18 crore due to non-accounting of liability towards backlog of over-burden excavation at present market rates. This had resulted in over-statement of profit by Rs.146.18 crore.

[^] Sl.Nos: 1,2,3,4,5,6,8,9,11,12,18,21,22 and 31 of Part-A of Annexure-1.

* Sl.No.2 of Part-B of Annexure-1.

** Sl.Nos: 1,4,6,7,8,12,14 and 17 of Part-C of Annexure-1.

1.28 Non-accounting of provision of transport subsidy, additional transport subsidy and house rent allowance payable to employees due to NCWA-VII wage revision, resulted in overstatement of profit by Rs.6.82 crore.

Andhra Pradesh Industrial Development Corporation Limited (2001-02)

1.29 Non-provision towards loss assets in respect of 83 units resulted in overstatement of profit for the year by Rs.29.22 crore

Andhra Pradesh State Housing Corporation Limited (1998-99)

1.30 Non-provision of penal interest for default in repayment of loans/interests resulted in understatement of 'excess of expenditure over income' and 'interest accrued on State Government loans' by Rs.19.89 crore.

Andhra Pradesh Industrial Infrastructure Corporation Limited (1999-2000)

1.31 Short provision of liability towards earned leave salary resulted in overstatement of profit for the year by Rs.1.97 crore.

Andhra Pradesh Power Generation Corporation Limited (2001-02)

1.32 Non-accounting of loss of Rs.11.15 crore being the value of equipment lost due to fire accident (Rs.5.90 crore) and theft (Rs.5.25 crore) resulted in overstatement of Capital works in progress with corresponding understatement of net loss after tax.

1.33 Non-accounting of liability towards interest payable on cash credit by Rs.3.90 crore.

Central Power Distribution Company of Andhra Pradesh Limited (2002-03)

1.34 Excess billing of revenue resulted in overstatement of Sundry Debtors for sale of power and understatement of loss for the year by Rs.6.10 crore

1.35 Deviation from the adopted accounting policy i.e. from cash basis to accrual basis without disclosing the change in accounting policy had resulted in overstatement of income and understatement of loss for the year by Rs.161.11 crore.

Northern Power Distribution Company of Andhra Pradesh Limited (2002-03)

1.36 Accounting of non-leviable fuel cost adjustment charges on power supplied to Rural Electricity Supply Co-operative Societies resulted in understatement of Revenue deficit and overstatement of Receivables against supply of power by Rs.1.60 crore.

Persistent irregularities and system deficiencies in financial matters of PSUs

Working Government companies

1.37 In **Andhra Pradesh Industrial Development Corporation Limited**, the paid up capital of Rs.96.23 crore and share application money of Rs.28.22 crore had exceeded the authorised share capital (Rs.97 crore) by Rs.27.45 crore. The fact was not disclosed in accounts despite being commented upon repeatedly from 1999-2000 and onwards.

Working Statutory corporations

1.38 Physical verification of fixed assets was not done before the close of the financial year in respect of all Regions, Zones and Head Office units of **Andhra Pradesh State Road Transport Corporation**.

Recoveries at the instance of audit

1.39 Test check of the records of five power sector companies conducted during 2003-04 disclosed wrong fixation of tariff/non-levy/short levy of tariff/short realisation of revenue or other observations aggregating Rs.6.97 crore (127 cases) and accepted by Management. An amount of Rs.1.32 crore relating to 49 audit observations was recovered at the instance of audit.

Internal audit/internal control

1.40 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit system in the companies audited in accordance with the directions issued by the CAG to them 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 Statutory Auditors on possible improvement in the internal audit/internal control system in respect of three working Government companies is given here under.

Sl.No.	Name of the Company	Year of Accounts	Major comments/recommendations
1.	The Singareni Collieries Company Limited	2003-04	Full compliance of internal audit observations was absent and the scope of audit needs to be extended to other areas.
2.	AP State Irrigation Development Corporation Limited	1999-2000	(a) There is no periodical internal audit and compliance mechanism to check misappropriations and inflation of bills commensurate with the size of organisation and complexity of operations. (b) There is no Audit Committee in existence.
3.	AP Beverages Corporation Limited	2000-01	(a) The Company does not have internal audit system. (b) The Company has not constituted any Audit Committee.

Recommendations for closure of PSUs

1.41 Even after completion of 30 years of its existence, the turnover of one working Government company at Sl.No.6 of Part-A of **Annexure-2** has been less than Rs. five crore in each of preceding five years of latest finalised accounts. Similarly, along with this Company another working Government company (Sl.No.14 of Part-A of **Annexure-2**) had been incurring losses for five consecutive years (as per the latest finalised accounts) leading to negative net worth. In view of continuous losses and poor turnover, the Government may either improve performance of above two companies or consider their closure.

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

1.42 The position of Audit Reports (Commercial) pending for COPU discussion as on 30 September 2004 is detailed below:

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraph
1	2	3	4	5
1992-93	7	29	1	1
1993-94	6	19	2	-
1994-95	4	17	1	-
1995-96	5	23	3	11

1	2	3	4	5
1996-97	6	23	3	6
1997-98	6	23	5	13
1998-99	4	25	4	16
1999-2000	6	18	5	13
2000-01	4	17	4	17
2001-02	3	20	3	20
2002-03	3	13	3	13
Total	54	227	34	110

During October 2003 to September 2004, COPU held six meetings and discussed two paragraphs relating to Audit Report (Commercial) for the year 1998-99.

As at the end of September 2004, 32 reports of COPU were pending settlement due to non-receipt of Action Taken Notes from the Government.

619-B companies

1.43 As on 31 March 2004, there were 11 companies coming under Section 619-B of the Companies Act, 1956, of which six were non-working. Out of five working companies, only one Company viz., Andhra Pradesh State Seeds Development Corporation Limited finalised its accounts for the year 2003-04 as on September 2004. **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 available accounts.