

CHAPTER-1

1. Overview of Government companies and Statutory Corporations

Introduction

1.1 As on 31 March 2007 there were 53 Government companies (35 working and 18 non-working*) and three Statutory corporations (all working) as against the same number of Government companies as on 31 March 2006 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(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 2007, the total investment in 38 working PSUs (35 Government companies and three Statutory corporations) was Rs.33195.02 crore^{\$} (equity: Rs.6811.18 crore, share application money: Rs.202.11 crore and long-term loans[#]: Rs.26181.73 crore) against the total investment of Rs.31703.85 crore (equity: Rs.6,816.41 crore, share application money Rs.182.30 crore and long-term loans: Rs.24705.14 crore) in 38 working PSUs (35 Government companies and three Statutory corporations) as on 31 March 2006. 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.

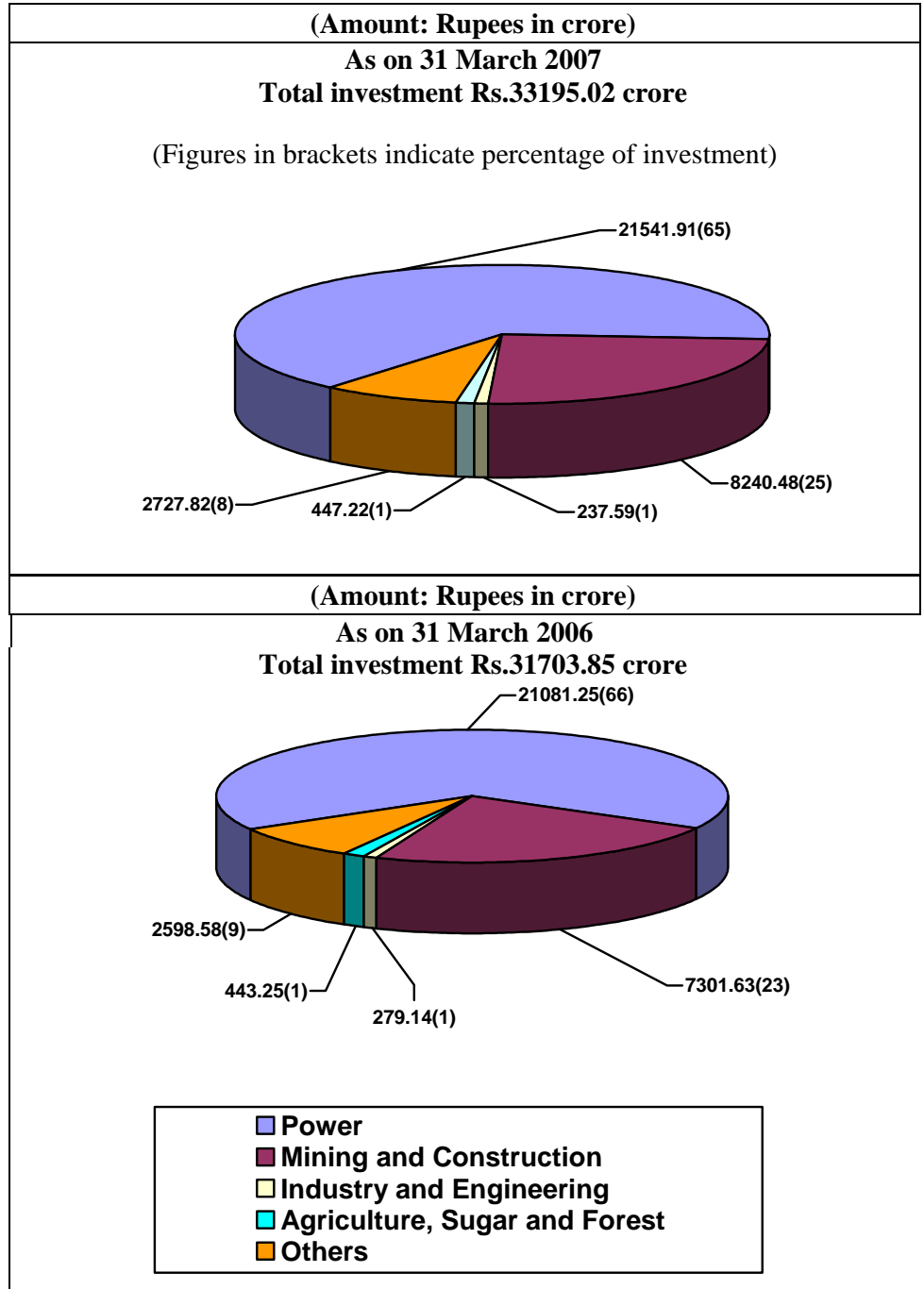
^{\$} State Government's investment in working PSUs was Rs.9835.59 crore (Others: Rs.23359.43 crore). Figure as per Finance Accounts 2006-07 is Rs.8944.96 crore. The difference is under reconciliation.

[#] 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 2007 and 31 March 2006 are indicated in the pie charts.

Sector-wise investment in working Government companies and Statutory corporations



Working Government companies

1.4 The total investment in working Government companies at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Year	Number of working government companies	Equity	Share application money	Loan	Total
2005-06	35	6515.30	182.30	22581.49	29279.09
2006-07	35	6510.07	202.11	23942.36	30654.54

As on 31 March 2007, the total investment in the working Government companies comprised 22 *per cent* of equity capital and 78 *per cent* of loans as compared to 23 *per cent* and 77 *per cent* respectively as on 31 March 2006.

The summarised statement of investment in working Government companies as on 31 March 2007 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 2006 and March 2007 was as follows:

(Rupees in crore)

Name of Corporation	2005-06		2006-07	
	Capital	Loan	Capital	Loan
Andhra Pradesh State Road Transport Corporation	201.27	1056.99	201.27	1095.68
Andhra Pradesh State Financial Corporation	92.22	1065.32	92.22	1142.35
Andhra Pradesh State Warehousing Corporation ⁺	7.61	1.34	7.61	1.34
Total	301.10	2123.65	301.10	2239.37

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 2006 and 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 Government in respect of the working Government companies and Statutory corporations are given in **Annexures-1** and **3**.

⁺ Figures are provisional.

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 2006-07 are given below:

(Rupees in crore)

Particulars	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	8	189.61	1	2.50	5	27.44	--	--	2	14.42	--	--
Loans given from budget	9	927.81	1	106.00	8	287.74	--	--	7	817.04	--	--
Grants/subsidy towards	10	981.94	-	-	2	222.25	--	--	8 [#]	1394.84	--	--
i) projects/programmes/schemes												
ii) other subsidy	7	2581.81	1	167.50	16	3139.61	1	368.50	10 ^Ω	2714.52	1 [⊕]	405.35
Total subsidy	15	3563.75	1	167.50	16	3361.86	1	368.50	17	4109.36	1	405.35
Total outgo	19	4681.17	2	276.00	21	3677.04	1	368.50	22[^]	4940.82	1	405.35

During the year 2006-07, the Government had guaranteed loans aggregating Rs.1514.06 crore obtained by six working Government companies (Rs.1450.90 crore) and one Statutory corporation (Rs.63.16 crore). At the end of the year, guarantees amounting to Rs.18278.63 crore against 14 working Government companies (Rs.17930.01 crore) and one working Statutory corporation (Rs.348.62 crore) were outstanding. The Government had forgone Rs.97 lakh by way of interest waiver in respect of one company[^] and allowed moratorium on loan repayment of Rs.1960.67 crore to five companies[•] during the year. The guarantee commission paid/payable to the Government, by four Government companies during 2006-07 was Rs.8.63 crore.

[#] Andhra Pradesh State Irrigation Development Corporation Limited, 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 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.

[⊕] Andhra Pradesh State Road Transport Corporation.

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

[^] Andhra Pradesh State Film, Television and Theatre Development Corporation Limited.

[•] Andhra Pradesh Power Generation Corporation Limited, Transmission Corporation of Andhra Pradesh Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited and Northern Power Distribution Company of Andhra Pradesh Limited.

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 11 companies¹ and two Statutory corporations² had finalised their accounts for 2006-07 within the stipulated period. During the period from October 2006 to September 2007, 12 companies finalised 18 accounts for previous years. Similarly, during this period, one Statutory corporation finalised its account for the previous year.

The accounts of 24 working Government companies and one Statutory corporation were in arrears for periods ranging from one to 10 years as on 30 September 2007, 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 2006-07	10	A-19	--
2	1	--	2000-01 to 2006-07	7	A-6	--
3	1	--	2001-02 to 2006-07	6	A-8	--
4	2	--	2002-03 to 2006-07	5	A-18 and 20	--
5	1	--	2003-04 to 2006-07	4	A-22	--
6	3	1	2004-05 to 2006-07	3	A-2, 15 and 32	B-3
7	5	--	2005-06 to 2006-07	2	A-4, 13, 21,23 and 34	--
8	10	--	2006-07	1	A-1,5,7,9,11,17,30,31, 33 and 35	--
	24	1				

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though

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, Eastern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Central Power Distribution Company of Andhra Pradesh Limited and Northern Power Distribution Company of Andhra Pradesh Limited.

² Andhra Pradesh State Road Transport Corporation and Andhra Pradesh State Financial Corporation.

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 33^ψ working Government companies and three Statutory corporations, nine companies and one corporation had incurred an aggregate loss of Rs.294.53 crore and Rs.111.82 crore respectively; 20 companies and 2 corporations earned an aggregate profit of Rs.483.62 crore and Rs.18.04 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

1.9 Out of 11 working Government companies which finalised their accounts for 2006-07 by the prescribed date, nine companies earned an aggregate profit of Rs.435.17 crore and only one company (The Singareni Collieries Company Limited) declared dividend of Rs.20.80 crore. The dividend as a percentage of share capital of the said profit making company worked out to 1.20 *per cent*. The remaining profit making companies did not declare any dividend. The total return by way of above dividend of Rs.20.80 crore, worked out to 0.31 *per cent* on the total equity investment of Rs.6712.18 crore in all the working Government companies for the year 2006-07 as against 1.29 *per cent* in the previous year.

Similarly, out of 12 working Government companies which finalised their accounts for previous years, seven companies earned an aggregate profit of Rs.40.01 crore and 4 companies earned profit for two or more successive years. Two companies* 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 *per cent*.

^ψ Vizag Apparel Park for Exports 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

* Andhra Pradesh Handicrafts Development Corporation Limited and Andhra Pradesh Mineral Development Corporation Limited

Loss incurring working Government companies

1.10 Of the nine loss incurring working Government companies three companies[⊕] had accumulated losses aggregating to Rs.1208.71 crore, which exceeded their aggregate paid up capital of Rs.8.36 crore.

Despite poor performance and complete erosion of their paid up capital, the State Government continued to provide financial support to these two companies^π 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 2006-07 to these two companies amounted to Rs.1289.87 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 One Corporation (Andhra Pradesh State Financial Corporation), which finalised its accounts for 2006-07 earned a profit of Rs.8.15 crore. Despite earning profit, this Corporation had accumulated loss of Rs.84.32 crore as on 31 March 2007 (Andhra Pradesh State Financial Corporation).

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 2006-07 during the year, had incurred loss of Rs.111.82 crore. The accumulated loss of Rs.1398.29 crore of this Corporation as on 31 March 2007 exceeded its paid up capital of Rs.201.27 crore (Andhra Pradesh State Road Transport Corporation).

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 2006-07 amounted to Rs.405.35 crore (Andhra Pradesh State Road Transport Corporation).

Operational performance of working Statutory corporations

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

[⊕] Leather Industries Development Corporation of Andhra Pradesh Limited, Andhra Pradesh State Housing Corporation Limited and Andhra Pradesh State Trading Corporation Limited

^π Leather Industries Development Corporation of Andhra Pradesh Limited and Andhra Pradesh State Housing Corporation Limited.

Return on capital employed

1.14 As per the latest finalised accounts, the capital employed* worked out to Rs.26892.48 crore in 30^W working Government companies and total return[#] thereon amounted to Rs.1398.44 crore which is 5.20 *per cent* as compared to total return of Rs.1465.13 crore (5.86 *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.1365.24 crore and Rs.89.64 crore (6.56 *per cent*) respectively as against the total return of Rs.0.31 crore (0.02 *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 2007 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 2004-05.

* 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 two companies (Vizag Apparel Park for Exports and Overseas Manpower Company of Andhra Pradesh Limited) 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.

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

Non-working PSUs

Investment in non-working PSUs

1.17 As on 31 March 2007, 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 Rs.263.31 crore (equity: Rs.74.94 crore, share application money: Rs.3.72 crore and long-term loans: Rs.184.65 crore) in the same number of non-working PSUs (all Government companies) as on 31 March 2006.

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 one to 15 years with a substantial investment of Rs.241.54 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 2006 and 2007 are indicated below in the pie charts:

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

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.

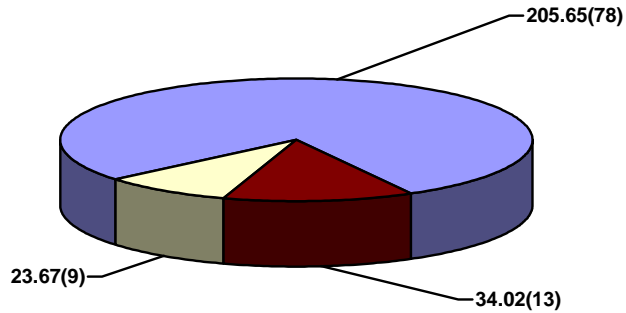
Sector wise investment in non-working Government companies

As on 31 March 2007

(Amount: Rupees in crore)

Total investment Rs.263.34 crore

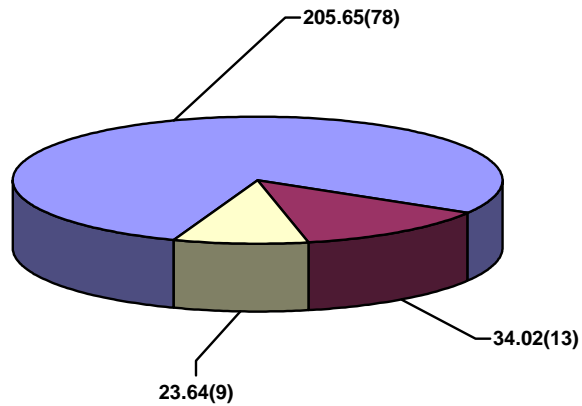
(Figures in brackets indicate percentage of investment)



As on 31 March 2006

(Amount: Rupees in crore)

Total investment Rs.263.31 crore



- 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 2006-07, 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 2006-07 are given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by	
			Disposal of investment/assets	Others
2004-05	2	2.59	--	2.59
2005-06	3	0.14	0.06	0.08
2006-07	3 ^Ω	0.80	--	0.80

Finalisation of accounts by non-working PSUs

1.21 11 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 3 to 23 years as on 30 September 2007 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
Andhra Pradesh Dairy Development Corporation Limited	18.72	13.49	8.36	5.23

^Ω A.P Small Scale Industrial Development Corporation Limited, Andhra Pradesh Electronics Development Corporation Limited and Andhra Pradesh State 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

1.23 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	2004-05	2005-06	30-08-2007	SAR is under print
2.	Andhra Pradesh State Financial Corporation	2004-05	2005-06	13-02-2007	Under finalisation
3.	Andhra Pradesh State Warehousing Corporation	2003-04	--	--	--

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 (The Nizam Sugars Limited) had been privatised. Three Government Companies¹ were closed and four Government Companies² were downsized/restructured.

¹AP 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.

- Under Phase-II of the reform programme, three Government companies[♦] were closed and five Government companies[♦] and one Statutory corporation (Andhra Pradesh State Warehousing Corporation) 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 (Andhra Pradesh State Financial Corporation). At the end of March 2007, 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 the audit of accounts by the Comptroller and Auditor General of India

1.26 During the period from October 2006 to September 2007, the accounts of 25 companies (22 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 (The Nizam Sugars Limited: year of account: October 2002 to September 2003) revised its accounts and as a result of revision, the profitability of this company was increased by Rs.286.00 lakh. 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	5	--	8.95	--
Decrease in Profit	6	-	310.62	--
Increase in loss	3	1	19.52	165.15
Decrease in loss	1	1	2.16	13.94
Errors of classification	1	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 Trading 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.

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

Andhra Pradesh Mineral Development Corporation Limited (2004- 2005)

- ‘Investments’ and ‘Capital Reserve’ have been overstated by Rs.1.04 crore due to non-writing back the value of Investments diminished to ‘nil’ due to termination of the agreement and cancellation of lease by the Government.
- Due to charging of the expenditure to P & L Account on the actual quantity of Overburden removed (**1:2.66** ratio) instead of (**1:3**) assessed by the company vide Appavadhanulu report, an expenditure of Rs.3.39 crore was under charged to P & L Account.

Andhra Pradesh Industrial Development Corporation Limited (2004-05)

- Despite commenting in earlier year no provision towards irrecoverable ‘Loss Assets’ in respect of 49 units for term loans (Rs.27.80 crore) and 10 units for other loans (Rs.2.24 crore) was made resulting in overstatement of both Loans and advances and profit for the year’ by Rs.30.04 crore

Andhra Pradesh State Irrigation Development Corporation Limited (2003-04)

- Non-provision of liability towards retirement benefits in respect of 29 employees who retired under voluntary retirement scheme resulted in understatement of deferred revenue expenditure by Rs.97 lakh and loss for the year by Rs.33 lakh and outstanding liabilities for expenses by R.1.30 crore

Andhra Pradesh Industrial Infrastructure Corporation Limited (2004-05)

- ‘Loans and Advances’ and Liabilities – deposits were understated by Rs.13.72 crore towards land cost rebate due from Government of Andhra Pradesh on land allotted and handed over in 2004-05 to four IT Companies.
- Non-accounting of lease rentals of Rs.37 lakh being the proportionate lease rentals receivable from Visakhapatnam Industrial Water Supply Company (VIWSCO) (Rs.14 lakh) and Ramky Pharma City (India) Ltd (Rs.23 lakh) has resulted in understatement of income as well as Sundry Debtors to the extent of Rs.37 lakh.

Andhra Pradesh State Housing Corporation Limited (2001-02)

- The financial charges is understated by Rs.9.94 crore (calculated at prevailing rate of 15 *per cent*) due to non-provision of interest on a loan of Rs.66.28 crore received from State Government in September 2000. Consequently, “Excess of expenditure over income” for the year and “Interest accrued on Government of A.P. Loans” are understated to the same extent.

Transmission Corporation of Andhra Pradesh Limited (2006-07)

- Non-capitalisation of the cost of completed and commissioned Sub-stations & Lines resulted in overstatement of “Capital work-in-Progress” by Rs.9.18 crore and understatement of “Plant and Machinery” by Rs.5.68 crore and “Lines & Cable Network” by Rs.3.50 crore.

Central Power Distribution Company of Andhra Pradesh Limited (2006-07)

- Non-capitalisation of the Distribution Transformers, Meters, Pole Mounted Boxes etc., which were completed and put to use during 2006-07 has resulted in over-statement of “Capital Work-in-Progress” and understatement of “Fixed Assets-Gross Block-Additions during the year” by Rs.26.91 crore. This has also resulted in understatement of “Depreciation” for the year by Rs.1.05 crore and “Prior Period Expenses/Losses-Depreciation” by Rs.1.72 crore and overstatement of “Profit before Tax” by Rs.2.77 crore
- Despite noting the comment in previous year for compliance, the Company had not written-off the amount of Rs.133.46 crore due from agricultural RESCOs resulting in overstatement of “Other Receivables from Government of A.P.” and “Profit before Tax” by Rs.133.46 crore.
- Non-provision of depreciation at the rates provided in Schedule XIV of the Companies Act resulted in understatement of “Depreciation” and overstatement of “Profit before Tax” by Rs.35.87 crore.
- Short accountal of interest on Provident Fund contributions payable to GPF Trust has resulted in understatement of “Current Liabilities-For Others” and overstatement of “Profit before Tax” by Rs.42.39 lakh.
- Not making suitable provision for the dues receivable from Praga Tools for which waiver was ordered by BIFR in March 2007 resulted in understatement of “Provision for Doubtful Debts” and overstatement of “Sundry Debtors” and “Profit before Tax” by Rs.91.37 lakh.

Working Statutory Corporations

Andhra Pradesh State Road Transport Corporation (2005-06)

- Reduction of expenditure incurred towards Oil to the extent of Rs. 5.93 crore (593439.174 KL purchased x Rs.100/- allowed by Oil Companies for developmental works at Bus Depots) by accounting the same as receivable from the Oil Companies without fulfilling the terms and conditions (completion of works, rendering of accounts and obtaining credit notes from Oil Companies) of Agreement entered into with the Oil Companies by APSRTC resulted in understatement of current year expenditure by Rs.3.95 crore, “Prior Period Expenditure by Rs.1.98 crore and overstatement of “Sundry Debtors & Receivables” by Rs.5.93 crore. This has also resulted in understatement of “Loss Carried Over to Appropriation Account” by Rs.5.93 crore.
- Non-provision for revised Pay & Allowances effective from 1 April 2005 has resulted in understatement of “Salaries & Allowances under

Personnel Cost of Operating Expenses” and “Loss Carried Over to Appropriation Account” to the extent of Rs.150 crore.

- Non-adjustment of excess provision made in respect of revised pay scales of 2001 has resulted in overstatement of “Current Liabilities” as well as “Loss Carried Over to Appropriation Account” by Rs. 9.49 crore.

Andhra Pradesh State Financial Corporation (2005-06)

- Accounting of 27 cheques valuing Rs.2.74 crore received in March 2006 on receipt basis without being realized (6 June 2006) is not in conformity with Generally Accepted Accounting Principles and this resulted in overstatement of ‘Cash and Cheques on hand’ by Rs.2.74 crore, understatement of ‘Loans and Advances’ by Rs.1.18 crore and overstatement of ‘Profit’ by Rs.1.56 crore

Persistent irregularities and system deficiencies in financial matters of PSUs

Working Government companies

Andhra Pradesh Industrial Development Corporation Limited (2004-05)

- Non provision for the sustained diminution in the value (Rs.21.96 crore) of long term investments in equity shares (classified as ‘quoted’) in respect of 92 units resulted in overstatement of both Investments and profit by Rs.21.96 crore.
- ‘Loans and Advances’ does not include Rs.1.16 crore towards land cost rebate due from State government on land measuring 2.32 Acres allotted and handed over in February 2004 to Oracle India Private Limited. This has resulted in understatement of both ‘Loans and Advances’ and ‘Liabilities – Deposits received from allottees towards sale of land’ to the same extent.

Working Statutory corporations

Andhra Pradesh State Financial Corporation (2004-05)

- Non provision of two *per cent* guarantee commission on the interest portion of Rs.548.23 crore amounting to Rs.10.96 crore resulted in understatement of both guarantee commission payable to State government and cumulative loss by the same amount. Despite comment on earlier years accounts, no action has been taken for rectification by the Corporation.

Recoveries at the instance of audit

1.27 A test check of the records of four power sector companies during 2006-07 revealed wrong fixation of tariff/non-levy/short levy of tariff/short realisation of revenue or other observations aggregating to Rs.8.89 crore (246 cases) which were accepted by the Management. Out of this Rs.1.86 crore 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 nine working Government companies is given below.

Sl. No.	Name of the Company	Year of Accounts	Major comments/recommendations
1.	Andhra Pradesh Technology Services Limited	2005-06	Internal audit in the Company was not commensurate with its size and nature of business.
2.	Andhra Pradesh Beverages Corporation Limited	2005-06	The Company has no internal audit system.
3.	Andhra Pradesh State Trading Corporation Limited	2003-04	1. Scope of the internal audit needs to be enlarged commensurate to the size of operations. 2. Compliance mechanism on internal audit observations needs to be introduced.
4.	Infrastructure Corporation of Andhra Pradesh	2005-06	No Audit Committee Meeting is convened for reviewing Internal Audit Report.
5.	Andhra Pradesh Mineral Development Corporation Limited	2004-05	Internal audit system needs to be strengthened
6.	Andhra Pradesh State Housing Corporation Limited	2001-02	The Company has no internal audit system.
7.	Andhra Pradesh Seeds Development Corporation Limited	2006-07	Internal control procedures are inadequate and require strengthening.
8.	Andhra Pradesh Industrial Development Corporation Limited	2004-05	The Company does not have internal audit system
9.	Andhra Pradesh Industrial Infrastructure Corporation Limited	2005-06	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 33 years of its existence, the turnover of one working Government company (Leather Industries Development Corporation of Andhra Pradesh Limited) was less than Rs. five crore in each of the preceding five years as per its latest finalised accounts. Similarly, another working Government company (Andhra Pradesh State Housing Corporation Limited) had been incurring losses for five consecutive years (as per its latest finalised accounts) leading to negative net worth. 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 2007.

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	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	-	6
2005-06	4	19	-	2
Total	58	269	19	161

During October 2006 to September 2007, COPU held 18 meetings and discussed 19 paragraphs relating to Audit Report (Commercial) for the years 1996-97, 2001-02, 2003-04, 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 ten COPU Reports were received from Government, which are still pending discussion by COPU. Action Taken Notes in respect of remaining 41 COPU Reports were not received.

619-B Companies

1.31 As on 31 March 2007, 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.