

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2007, the State had 56 Public Sector Undertakings (PSUs) comprising of 53 Government companies and three Statutory corporations as against same number of PSUs as on 31 March 2006. Out of 53 Government Companies, 35 were working companies while 18 were non-working companies. All the three Statutory corporations were working corporations. In addition, there were nine companies (three working and six non-working) under the purview of Section 619-B of the Companies Act, 1956.

(Paragraphs 1.1 and 1.31)

The total investment in 38 working PSUs increased from Rs.31,703.85 crore as on 31 March 2006 to Rs.33,195.02 crore as on 31 March 2007. The total investment in 18 non-working PSUs also increased from Rs.263.31 crore as on 31 March 2006 to Rs.263.34 crore as on 31 March 2007.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans, grants and subsidies disbursed to the working PSUs increased from Rs.4045.54 crore in 2005-06 to Rs.5346.17 crore in 2006-07. The State Government guaranteed loans aggregating Rs.1514.06 crore obtained by seven working PSUs during 2006-07 Government companies (Rs.1450.90 crore) and one Statutory corporation (Rs.63.16 crore). Guarantees amounting to Rs.18278.63 crore were outstanding against 15 PSUs as on 31 March 2007.

(Paragraph 1.6)

Eleven working Government companies and two Statutory corporations had finalised their accounts for the year 2006-07. The accounts of the remaining 24 working Government companies and one Statutory corporation 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 three to 23 years.

(Paragraphs 1.7 and 1.21)

Ten working PSUs (nine Government companies and one Statutory Corporation) out of 12 PSUs (11 Government companies and one Statutory Corporation) which finalised their accounts for 2006-07 earned an aggregate profit of Rs.443.32 crore and only one Company declared dividend of Rs.20.80 crore during the year. 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. 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 1.9, 1.10, 1.11 and 1.12)

2. Performance Reviews relating to Government Companies/ Corporations

ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED

Infrastructure Development Projects

Some of the important points noticed during the performance review of development of industrial infrastructure through development of plots, and built up sheds and provision of common facilities like internal roads, drains, water, power etc. by the Company are as under :

Due to incorrect allotment of land to various industrial units at reduced rates, prevailing on the date of application instead of on the date of allotment, and at industrial rates in lieu of commercial rates, the Company had foregone revenue of Rs 308.46 crore with corresponding undue benefit to allottees.

The Company took up establishment of Integrated Infrastructure Development Centres at an outlay of Rs.2.36 crore and Rs.4.05 crore at Nandyal and Tada respectively.

Failure to provide common facilities as envisaged in the scheme resulted in non-achievement of the objective of industrialization of the backward areas.

Common facilities constructed at growth centres at a cost of Rs.2.20 crore remained largely unutilized due to slow progress of development of growth centres.

(Chapter 2.1)

ANDHRA PRADESH MINERAL DEVELOPMENT CORPORATION LIMITED

Mining and Marketing Activities

Some of the important points noticed during the performance review on development of mining in the State of Andhra Pradesh are as under:

Approved mining plan was not followed for preparing Company's Annual plan and even that was not followed while carrying out excavation. Due to not following the annual plan for grade-wise excavation, Company lost a potential margin of Rs.16 crore.

Undue benefit was extended to contractor by not levying penalty of Rs.1.42 crore on account of non-achievement of target.

The Company chose to enter into JV for beneficiation of low grades barites instead of doing the same on its own. It thereby lost potential margin of Rs.8.02 crore for every two lakh MTs.

Though agreements of five JVCs were terminated due to non- payment of Mining Franchise Fee (MFF), by accepting the compromise formula, the Company had to waive the interest of Rs.2.81 crore and adjust the dues of MFF of Rs.2.51 crore against security deposit, foregoing Rs.3.51 crore.

(Chapter 2.2)

Purchase, performance, maintenance and repair of Transformers in power sector companies

Some interesting Audit findings noticed during the performance review on purchase, performance, maintenance and repair of transformers in Power Sector Companies are as under:

The connected load of all power sector companies in the State was more than the distribution transformer capacity. The overloading of existing distribution transformers resulted in premature failure/damage of transformers, voltage problems, etc.

Due to delay in completion of sub-station works, four power transformers (PTRs) purchased at a cost of Rs.20.13 crore remained idle for 4 to 17 months.

Failure to include risk purchase clause for default in supplies, resulted in procurement of 9871 distribution power transformers subsequently at an extra cost of Rs.23.76 crore.

Transformers are guaranteed for satisfactory performance for a period of five years from the date of commissioning. As many as 853 transformers valuing Rs.3.52 crore failed within guarantee period are lying un-attended by the suppliers for over one to three years.

In none of the power utilities, the rolling stock of transformers was as per norm of four *per cent* of existing transformers. This affected the replacement of failed transformers within 24 hours in urban areas and 48 hours in rural areas as mandated by Andhra Pradesh Electricity Regulatory Commission.

(Chapter 2.3)

CENTRAL POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED

Outsourcing activities/functions

Some interesting audit findings noticed during the performance review on outsourcing activities/functions in the Company are as under:

The Company has no clear cut policy/methodology regarding engagement of persons against crucial posts. Their duties or responsibilities were not defined.

As principal employers the Company failed to ensure recovery and remittance of Statutory dues (EPF & ESI)

There was avoidable expenditure on outsourcing of repairing of Distribution Transformers.

Different rates were being paid to spot billing agencies in the same region.

There were instances of injudicious outsourcing of maintenance of Capacitor Banks.

(Chapter 2.4)

CENTRAL POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED AND NORTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED

High tension billing

The Discoms (CPDCL and NPDCL) did not have an IT strategy and have not drawn up a long term/short term IT policy to enhance the packages being used for HT billing.

Inadequacies in checks for data validation resulted in presence of inconsistent and meaningless data in the databases maintained by the systems of both the Discoms (CPDCL and NPDCL)

Supply to 552 HT consumers continued despite these continuing with a Power Factor of less than 0.75 for more than seven consecutive months which otherwise should have been disconnected as per provisions of the tariff orders of APERC.

A number of deficiencies were observed in the basis for computation of Load Factor incentives. Analysis of the databases revealed anomalous situations where irrational incentives have been given to the HT consumers in both CPDCL as well as NPDCL.

(Chapter 2.5)

3. Transaction Audit Observations

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

There were nine cases of loss amounting to Rs.21.11 crore on account of:

- Faulty planning;
- Undue benefit to contractors/suppliers/employees;
- Non-recovery of dues.

(Paragraphs 3.1, 3.5, 3.8, 3.9, 3.10, 3.12 3.15, 3.20 and 3.22)

Eleven instances were noticed of avoidable/wasteful expenditure and blockage of funds amounting to Rs.16.91 crore due to:

- Unfavourable directions of the Government;
- Faulty decisions of the management;
- Undue favour to contractors;
- Unproductive expenditure.

(Paragraphs 3.2, 3.3, 3.4, 3.6, 3.7, 3.11, 3.13, 3.14, 3.18, 3.19 and 3.21)

Two cases of non-compliance with the provisions of Companies Act, 1956 and one paragraph on IT activities in Andhra Pradesh State Financial Corporation were also observed.

Some of the important observations are highlighted below:

Andhra Pradesh State Trading Corporation Limited signed MOU with “Associates” for trading in timber but without ascertaining or conducting any market potential. Since ‘Associates’ lifted the good quality timber and left the balance quantity, the company suffered a loss of Rs.70 lakh.

(Paragraph 3.3)

Andhra Pradesh Power Generation Corporation Limited though got the coal transported by rail from Manuguru (SCCL) to Vijayawada (VTPS), paid freight for movement from Manuguru to Kothagudem (KTPS) and from there to Vijayawada (VTPS) resulting in extra payment of Rs.11.04 crore.

(Paragraph 3.7)

Eastern Power Distribution Company of Andhra Pradesh Limited incurred extra expenditure of Rs 2.50 crore due to deferment and short closure of purchase orders of All Aluminum Alloy conductors. The unjustified decision to foreclose the Purchase order resulted in retendering and purchase of conductors at higher rates.

(Paragraphs 3.12 and 3.13)

Central Power Distribution Company of Andhra Pradesh Limited provided rent free accommodation to nine urban e-seva centres free of cost, thus extending undue benefit and revenue loss of Rs.2.01 crore.

(Paragraph 3.15)

Southern Power Distribution Company of Andhra Pradesh Limited placed orders on other than the lowest tenderer and failed to include risk and cost clause in contract resulted in extra expenditure of Rs.4.83 crore.

(Paragraphs 3.9, 3.10 and 3.11)

Singareni Collieries Company Limited due to inordinate delay in finalisation of tenders and not invoking of risk purchase clause resulted in extra expenditure of Rs.30.25 lakh in purchase of dozers.

(Paragraph 3.6)

Andhra Pradesh State Seeds Development Corporation Limited without considering the stock of seeds on hand procured groundnut seeds, in excess of requirement resulted in a loss of Rs.1.89 crore.

(Paragraph 3.19)

Andhra Pradesh State Road Transport Corporation acquired prime land for construction of a bus depot but kept the same vacant for 20 years. The land (realisable valuing Rs.12.92 crore) was later transferred back to the private society (through Andhra Pradesh Tourism Development Corporation Limited) as per Government direction but no compensation was received so far.

(Paragraph 3.21)