

## Chapter-1

### Overview of Government companies and Statutory corporations

#### 1.1 Introduction

As on 31 March 2002 there were 49 Government companies (31 working companies and 18 non-working companies\*) and three Statutory Corporations (all working) as against 48 Government companies (33 working companies and 15 non-working companies) and three Statutory Corporations (all working) as on 31 March 2001 under the control of the State Government. During the year audit of one new Company namely Andhra Pradesh Tourism Finance Corporation (incorporated on 7 March 2001) was entrusted. However, three working companies in previous year became non-working companies during the year. 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 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	Chartered Accountants and supplementary audit by CAG
3.	Andhra Pradesh State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG

Besides above, audit of Andhra Pradesh Electricity Regulatory Commission (APEREC) is also entrusted to the CAG Under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971.

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

## 1.2 Working Public Sector Undertakings (PSUs)

### 1.2.1 Investment in working PSUs

The total investment in 34 working PSUs (31 Working Government companies and three Working Statutory Corporations) at the end of March 2001 and March 2002 was as follows:

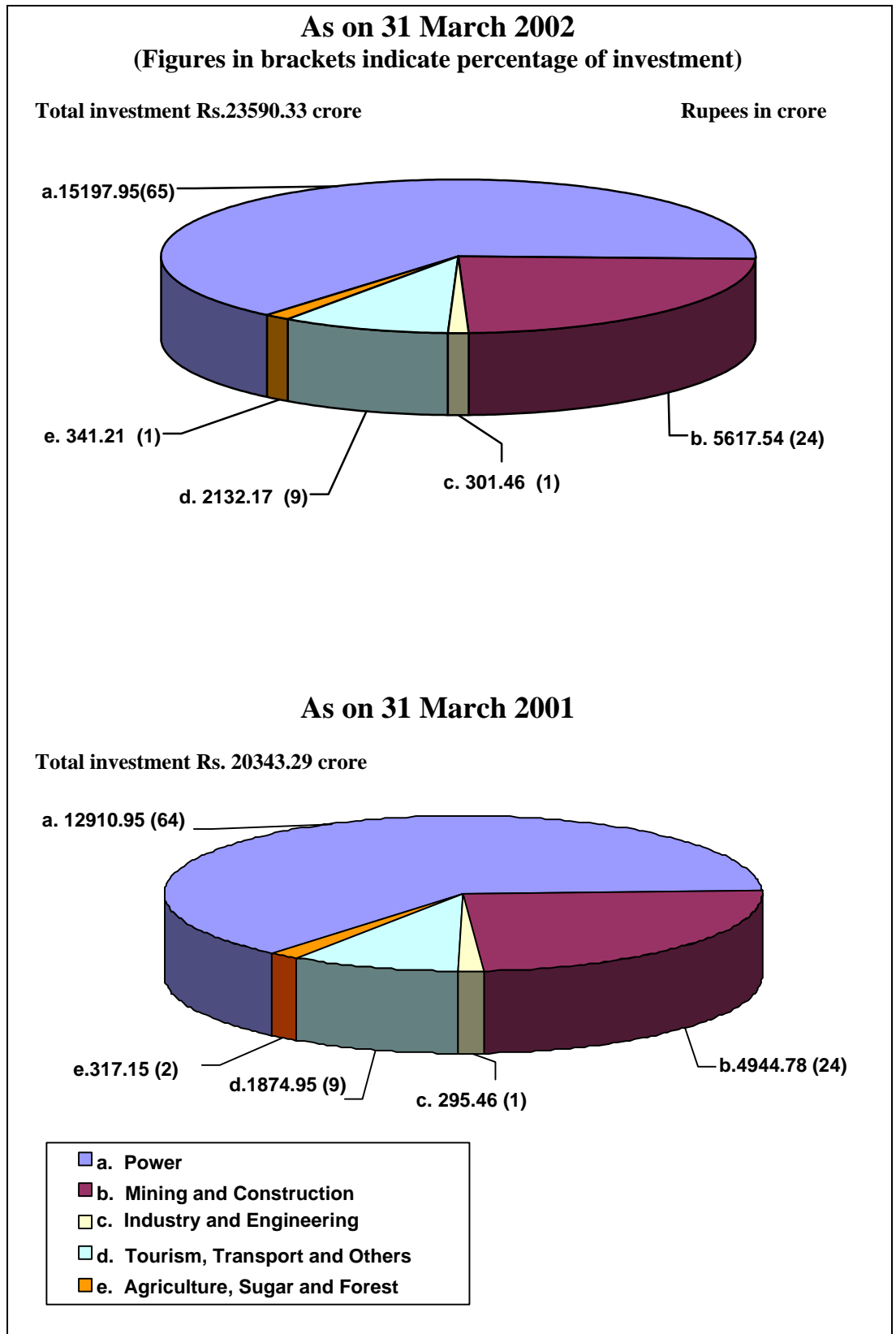
(Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share Application Money	Loan	Total
2000-2001	36	7279.80	77.71	12985.78	20343.29
2001-2002	34	7260.29	105.59	16224.45	23590.33

The analysis of investment in working PSUs is given in the following paragraphs.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of March 2002 and March 2001 are indicated below in the pie charts.

## Sector-wise investment in working Government companies and Statutory Corporations



### 1.2.1.1 Working Government companies

The total investment in 31 working Government companies at the end of March 2001 and March 2002 was as follows:

(Rupees in crore)

Year	Number of working Government Companies	Investment in working Government Companies			
		Equity	Share Application Money	Loan	Total
2000-2001	33	6982.87	72.08	11494.82	18549.77
2001-2002	31	6963.68	105.59	14474.42	21543.69

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

As on 31 March 2002, total investment of working Government companies comprised 33 per cent of equity capital and 67 per cent of loans as compared to 38 per cent and 62 per cent respectively as on 31 March 2001.

Due to significant increase in loans of Mining and Power sectors, the debt equity ratio increased to 2.05:1 in 2001-2002 from 1.63:1 in 2000-2001.

### 1.2.1.2 Working Statutory Corporations

The total investment in three working Statutory Corporations at the end of March 2001 and March 2002 was as follows:

(Rupees in crore)

Name of Corporation	2000-01		2001-02	
	Capital	Loan	Capital	Loan
Andhra Pradesh State Road Transport Corporation	201.27	588.47	201.27*	754.08*
Andhra Pradesh State Financial Corporation	87.77	907.99	87.72	995.95
Andhra Pradesh State Warehousing Corporation	7.61	--	7.61	--
<b>Total</b>	<b>296.65</b>	<b>1496.46</b>	<b>296.60</b>	<b>1750.03</b>

\* *Provisional*

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

As on 31 March 2002, the total investment in working Statutory Corporations comprised 14 per cent of equity capital and 86 per cent of loans as compared to 17 per cent and 83 per cent respectively as on 31 March 2001.

Due to significant increase in long term loans of Andhra Pradesh State Road Transport Corporation and Andhra Pradesh State Financial Corporation, the debt-equity ratio increased to 5.90:1 in 2001-2002 from 4.93:1 in 2000-01.

### 1.2.2 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

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 Part-A and B of **Annexures-1 & 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 Corporation for the three years up to 31 March 2002 are given below:

Particulars	1999-2000				2000-01				2001-02			
	Companies		Corporations		Companies		Corporations		Companies		Corporation	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity Capital outgo from budget	4	205.87	-	-	4	97.94	-	-	4	16.39	-	-
Loans given from budget	5	1300.59	-	-	6	679.18	-	-	6	1128.72	-	-
Grants/Subsidy Towards												
i) Projects/ Programmes/ Schemes	-	-	-	-	5	838.46	1	13.72	9 <sup>1</sup>	615.54	-	-
ii) Other subsidy	6	1143.65	2	40.29	6	2231.25	-	-	5 <sup>2</sup>	2672.35	1 <sup>3</sup>	100.00
Total subsidy	6	1143.65	2	40.29	11	3069.71	1	13.72	14	3287.89	1	100.00
<b>Total outgo</b>		<b>2650.11</b>		<b>40.29</b>		<b>3846.83</b>		<b>13.72</b>		<b>4433.00</b>		<b>100.00</b>

During the year 2001-2002, the Government had guaranteed loans aggregating Rs. 3034.30 crore obtained by nine working Government companies (Rs. 2953.70 crore) and one Statutory Corporation (Rs.80.60 crore). At the end of the year, guarantees amounting to Rs.9925.02 crore against 12 working Government Companies (Rs.9415.00 crore) and one working Statutory Corporation (Rs.510.02 crore) were outstanding. The guarantee commission paid/payable to Government by Government companies and by Statutory Corporations during 2001-2002 was Rs.104.02 crore and Rs.1.50 crore respectively.

<sup>1</sup> Sl No: 4,5,6,7,8,10,14,15 and 16 of Annexure – 3.

<sup>2</sup> Sl No: 2,9,11 12 and 17 of Annexure – 3.

<sup>3</sup> Sl No: 20 of Annexure – 3.

### 1.2.3 Finalisation of accounts by working PSUs

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.

However, as could be noticed from **Annexure-2**, out of 31 working Government companies, only four working Government companies and out of three working Statutory Corporations, two working Corporations have finalised their accounts for the year 2001-02 within the stipulated period. During the period from October 2001 to September 2002, 17 working Government companies finalised 19 accounts for previous years. Similarly, during this period one working Statutory Corporation finalised one account for the previous year.

The accounts of 27 working Government companies and one Statutory Corporation were in arrears for periods ranging from one year to six years as on 30 September 2002 as detailed below:

Sl. No.	Number of working Government 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.	1	--	1996-97 to 2001-2002	6	15	--
2.	3	--	1997-98 to 2001-2002	5	3,6 and 14	--
3.	3	--	1998-99 to 2001-2002	4	2,9 and 16	--
4.	2	--	1999-00 to 2001-2002	3	5 and 7	--
5.	12	--	2000-01 to 2001-2002	2	17 to 26, 28 and 29	--
6.	6	1	2001-2002	1	1,4,10,11,30 and 31	1
	27	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 networth of these PSUs could not be assessed in Audit.

### 1.2.4 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies and Statutory Corporations) as per the finalised accounts are given in Part-A & B of **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.

The summarised working results of 26 \* working PSUs, as per the finalised accounts, were as under:

(Rs. in crore)

Working PSUs	No. of PSUs	Aggregate Loss (-)	Aggregate Profit (+)
Government Companies	13	(-)277.59	--
	1**	(-)38.82	--
	9	--	(+)346.10
Statutory Corporations	1	(-)209.95	--
	2	--	(+)23.27

#### 1.2.4.1 Working Government companies

##### 1.2.4.1.1 Profit earning working Government companies and dividend

Out of four working Government companies which finalised their accounts for 2001-2002 by September 2002, one Company (Sl No. 12 of part A of **Annexure-2**) earned a profit of Rs.326.31crore but did not declare dividend.

Similarly, out of 17 working Government companies which finalised their accounts (19 accounts) for previous years by September 2002, eight<sup>∞</sup> companies earned an aggregate profit of Rs.19.79 crore and six<sup>⊗</sup> companies earned profit for two or more successive years. One Company (Sl No. 11 of Part A of **Annexure-2**) declared dividend of Rs.1.01 crore for the year 2000-01.

##### 1.2.4.1.2 Loss incurring working Government companies

Of the 13 loss incurring working Government companies, four companies (Sl. Nos. 6,8,14 and 18 of Part-A of **Annexure-2**) had accumulated losses aggregating Rs.259.82 crore which exceeded their aggregate paid up capital of Rs.58.77 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 equity, further grant of loans, conversion of loans into equity, subsidy, etc. During 2001-02, the State Government and Central Government provided financial support in the form of loans (Rs.1.49 crore) and subsidy (Rs.329.57

\* Excluding three companies working on no profit and no loss basis (Sl.Nos. 13, 27 and 29 of Part A of Annexure-2) and 5 companies which were yet to finalise their accounts (Sl.Nos. 20 and 23 to 26 of Part A of Annexure –2).

\*\* Loss exhibited by the company (APTRANSCO) as subsidy receivable from State Govt.

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

⊗ Sl Nos: 4,5,10,11,17 and 31 of part A of Annexure – 2.

crore) to two out of four companies (Sl. No. 6 of Part-A of **Annexure-1** and Sl. No. 5 of **Annexure-3**).

#### **1.2.4.2 Working Statutory Corporations**

##### **1.2.4.2.1 Profit earning Statutory Corporations and dividend**

Two working Statutory Corporations (Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation) finalised their accounts for 2001-02 by September 2002 and earned an aggregate profit of Rs.23.27 crore. These Corporations earned profit for two or more successive years but did not declare dividend. However, despite earning profits Andhra Pradesh State Financial Corporation still had accumulated loss of Rs.160.31 crore as on 31 March 2002 which exceeded the paid up capital of Rs.87.72 crore (Sl No. 2 of Part B of **Annexure-2**).

##### **1.2.4.2.2 Loss incurring Statutory Corporations**

The only loss incurring Statutory Corporation i.e., Andhra Pradesh State Road Transport Corporation, which finalised its accounts for the year 2000-2001 by September 2002, had incurred loss of Rs.209.95 crore. The accumulated loss of Rs.523.07 crore exceeded the paid up capital of Rs.201.27 crore. The Corporation was provided in 2001-2002 a financial support in the form of a subsidy of Rs.100.00 crore by the State Government (Sl No. 1 of Part B of **Annexure-2** and 22 of **Annexure -3**).

##### **1.2.4.2.3 Operational performance of working Statutory corporations**

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

#### **1.2.5 Return on Capital Employed**

As per the latest finalised accounts (up to September 2002), the capital employed\* worked out to Rs.17650.90 crore in 23 working Government companies (excluding three no profit no loss companies and five companies which had not finalised their first account) and total return<sup>#</sup> thereon amounted to Rs.1559.56 crore which is 8.84 per cent as compared to total return of Rs.435.23 crore (2.75 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 account (up to September 2002) worked out to Rs.1556.41 crore and Rs.(-) 45.47 crore respectively against Rs.1410.33 crore

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\* 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).

<sup>#</sup> 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.



and Rs. (-) 72.69 crore in previous year (accounts finalised up to September 2001). 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**.

### 1.3 Non-working PSUs

#### 1.3.1 Investment in non-working PSUs

The total investment in 18 non-working PSUs (all Government companies) at the end of March 2001 and 31 March 2002 was as follows:

**(Rupees in crore)**

Year	Number of non-working PSUs	Investment in non-working Government Companies			
		Equity	Share Application Money	Loan	Total
2000-2001	15	69.15	--	225.85	295.00
2001-2002	18	85.79	--	556.06	641.85

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 <sup>1</sup>	9	39.16	87.69
(ii)	Under closure <sup>2</sup>	5	17.80	468.37
(iii)	Under merger <sup>3</sup>	1	1.13	--
(iv)	Others <sup>4</sup> ^	3	27.70	--
	<b>Total</b>	<b>18</b>	<b>85.79</b>	<b>556.06</b>

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 10 years and substantial investment of Rs.613.02 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation/merger or closure.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of March 2002 and 2001 are indicated below in the pie charts:

<sup>1</sup> Sl Nos: 4,5,8,9,10,11,14,16 and 18 of part C of Annexure – 1.

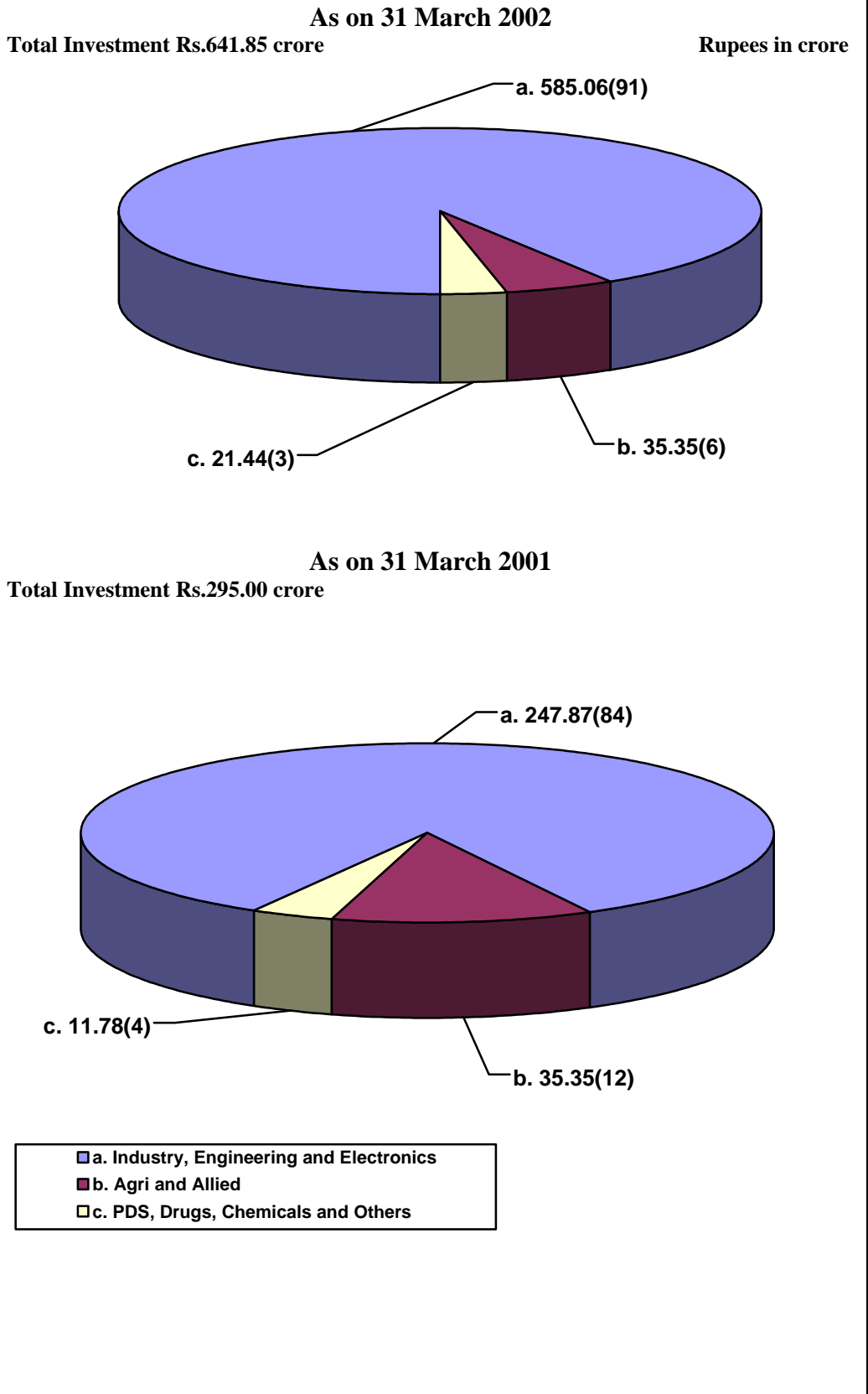
<sup>2</sup> Sl Nos: 1,6,7,12 and 17 of part C of Annexure – 1.

<sup>3</sup> Sl No: 15 of part C of Annexure – 1.

<sup>4</sup> Sl No: 2,3 and 13 of part C of Annexure – 1.

^ Others include Andhra Pradesh Dairy Development Corporation Limited and Proddutur Milk foods limited, which were converted in to co-operative societies and Apronix Communications Limited which has not started its activities since inception.

### Sector wise investment in non-working Government companies (Figures in brackets indicate percentage of investment)



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

The State Government had not provided any budgetary support, grants/subsidy etc., to the non-working Government companies during the year 2001-2002.

### **1.3.3 Total establishment expenditure of non-working PSUs**

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 2001-02 were as given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by	
			Disposal of investment/assets	Others
1999-2000	4	4.60	1.77	2.83
2000-2001	5	0.73	0.24	0.49
2001-2002	5*	0.69	0.22	0.47

### **1.3.4 Finalisation of accounts by non-working PSUs**

The accounts of 18 non-working Government companies were in arrears for periods ranging from one year to 18 years as on 30 September 2002 as could be noticed from Part-C of **Annexure-2**.

### **1.3.5 Financial position and working results of non-working PSUs**

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, networth, cash loss/cash profit and accumulated loss/accumulated profit of non-working PSUs (excluding those under liquidation/merger) as per their latest finalised accounts were as given below:

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\* SI Nos: 1,4,12,14 and 17 of Part-C of Annexure – 2.

(Rupees in crore)

Sl. No.	Name of the Company	Paid-up Capital	Net worth	Cash loss <sup>Ψ</sup>	Accumulated loss*
1	Andhra Pradesh Fisheries Corporation Limited	4.67	(-)15.08	0.02	21.75
2	Allwyn Watches Limited	0.15	(-)248.40	16.60	248.70
3	Allwyn Auto Limited	0.15	(-) 13.39	6.43	13.54
4	Andhra Pradesh Electronics Development Corporation	13.22	5.13	0.48	8.09
5	Andhra Pradesh Non Resident Indian Investment Corporation Limited	1.56	(-) 0.32	0.10	1.88
	<b>TOTAL</b>	<b>19.75</b>	<b>(-)272.06</b>	<b>23.63</b>	<b>293.96</b>

\* For the latest year of audited accounts

The above five non-working Government companies have not finalised their accounts for one to seven years as indicated in Part-C of Annexure-2.

#### 1.4 Status of placement of Separate Audit Reports of Statutory Corporations in Legislature

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 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	1999-2000	2000-2001	14-06-2002	Information awaited
2	Andhra Pradesh State Financial Corporation	1998-1999	1999-2000 2000-2001	16-10-2001 30-05-2002	-do-
3	Andhra Pradesh State Warehousing Corporation	1998-1999 1999-2000	2000-2001	--	-do-

#### 1.5 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

Government of Andhra Pradesh constituted a committee under the Chairmanship of Sri K. Subrahmanyam to study the working of PSUs and to make suitable recommendations. The Committee recommended (April/June 1995) *inter alia* the following:

<sup>Ψ</sup> Sl Nos: 1,5,7,12 and 17 of Part C of Annexure – 2.

- (i) Winding up of seven companies (Sl. Nos. 1 and 7 of Part-A and Sl. Nos. 1,4,12,14 and 17 of Part-C of **Annexure-2**).
- (ii) 100 per cent disinvestment in two companies (Sl. Nos. 6 of Part-A and Sl No. 18 of Part C of **Annexure-2**).
- (iii) Partial disinvestment and restructuring of seven companies and two Statutory Corporations (Sl. Nos. 4,5,10,11,18,19 and 30 of Part-A and Sl. Nos. 2 and 3 of Part-B of **Annexure-2**).
- (iv) Restructuring of two companies (Sl. Nos. 2 and 3 of Part-A of **Annexure-2**).
- (v) Cost reduction measures and reorientation of activities in two companies (Sl. Nos. 13 and 14 of Part-A of **Annexure-2**) and in Andhra Pradesh State Seeds Development Corporation Limited (a 619-B Company).

In the light of the above, the following steps were, so far, initiated:

- (i) Activities in five companies (Sl. Nos. 1,4,12,14 and 17 of Part-C of **Annexure-2**) had been stopped.
- (ii) The State Government had decided to privatise all the units of The Nizam Sugars Limited (Sl. No. 18 of Part-A of **Annexure-2**).
- (iii) Andhra Pradesh State Meat and Poultry Development Corporation Limited (Sl No. 3 of Part A of **Annexure-2**) had closed down its Poultry operations and re-christened itself as Andhra Pradesh State Meat Development Corporation Limited with effect from 2 March 2000.
- (iv) During the period between October 1994 and March 2002, Voluntary Retirement Scheme (VRS) was introduced in 14 working Government companies (Sl. Nos. 1,2,3,4,5,6,8,9,11,12,18,21,22 and 31 of Part-A of **Annexure-2**) and one Statutory Corporation (Sl No 2 of Part B of **Annexure-2**). As many as 9734 employees ( 9602 from Government companies and 132 from Statutory Corporation) were discharged after incurring Rs.220.14 crore (Rs.215.53 crore by working Government companies and Rs.4.61 crore by Statutory Corporation) towards compensation.

## 1.6 Results of audit by Comptroller and Auditor General of India

During the period from October 2001 to September 2002, the audit of accounts of 26 companies (21 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 viz., Andhra Pradesh State Trading Corporation Limited (2000-01), Andhra Pradesh Technology Services Limited (2000-01), Andhra Pradesh State Civil Supplies Corporation Limited (1998-99) and one non-working Company viz., Allwyn Watches Limited (1998-99) revised their accounts. In addition, the net impact of the important audit observations as a result of review of the remaining PSUs was as follows:

Details		No. of accounts				Rupees in crore			
		Government companies		Statutory Corporations		Government companies		Statutory Corporations	
		Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
(i)	Decrease in profit	5	-	-	-	20.16	-	-	-
(ii)	Increases in profit	4	-	-	-	2.36	-	-	-
(iii)	Increase in loss	3	1	2	-	26.67	0.37	16.18	-
(iv)	Decrease in loss	-	-	1	-	-	-	1.14	-
(v)	Non-disclosure of material facts	7	-	1	-	24.73	-	13.27	-
(vi)	Errors of classification	2	-	-	-	246.29	-	-	-

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:

### 1.6.1 Errors and omissions noticed in the case of working Government companies

#### (i) *The Singareni Collieries Company Limited (Year of Account: 2000-2001)*

- (a) *Non-write off of the compensatory afforestation cost over the life of respective mines resulted in overstatement of profit by Rs.1.10 crore.*
- (b) *Non-inclusion of proportionate indirect cost (area overhead) for drivage tunnel in Development works resulted in understatement of profit by Rs.1.60 crore.*
- (c) *Non-provision for doubtful debts amounting to Rs.0.68 crore in respect of non-core sector customers whose whereabouts were not known resulted in overstatement of profit by Rs.0.68 crore.*

**(ii) Andhra Pradesh Industrial Development Corporation Limited (Year of account: 1999-2000)**

*Non-provision towards irrecoverable term loans in respect of 25 assisted units resulted in overstatement of loans and advances as well as profit by Rs.16.27 crore.*

**(iii) Andhra Pradesh Forest Development Corporation Limited (Year of Account: 2000-01)**

*Non-adjustment of the cost of unsurvived plantation (1990 Eucalyptus Plantation) resulted in overstatement of profit by Rs.1.02 crore.*

**(iv) Leather Industries Development Corporation Limited (Year of Account: 1996-97)**

*Non-provision of liability of Rs.1.57 crore towards gratuity and earned leave encashment as per Accounting Standard 15 issued by the Institute of Chartered Accountants of India resulted in understatement of loss by the same amount.*

**(v) Andhra Pradesh Film, Television and Theatre Development Corporation Limited (Year of Account: 1999-2000)**

*Non-adoption of accounting policy for Government grant received (Rs.7.60 crore) including the methods of presentation in Financial Statement was not disclosed as required under Accounting Standard 12 issued by the Institute of Chartered Accountants of India.*

**(vi) Andhra Pradesh Irrigation Development Corporation Limited (Year of Account: 1997-98)**

**(a)** *Non-write off of the expenditure of Rs.3.70 crore incurred on failed wells resulted in understatement of loss.*

**(b)** *Non-reconciliation of Balance with scheduled banks on current account and saving account to an extent of Rs.4.62 crore.*

**(c)** *Overstatement of Income by Rs.14.83 crore due to computation of water rates revenue on total ayacut developed instead of remaining ayacut with the Company which also resulted in understatement of loss by the same amount.*

### 1.6.2 Errors and omissions noticed in case of Statutory Corporations

#### (i) Andhra Pradesh State Road Transport Corporation – SAR for the Year: 2000-2001

	Nature of error/omission	Amount (Rupees in crore)
	<b>Income</b>	
1	Understatement of income	--
2	Overstatement of income	2.33
	<b>Expenditure</b>	
3	Understatement of expenditure	12.77
4	Overstatement of expenditure	1.14
	<b>Net understatement of loss</b>	<b>13.96</b>

#### (ii) Andhra Pradesh State Financial Corporation – SAR for the year: 2000-2001

	Nature of error/omission	Amount (Rupees in crore)
(i)	Short provision of doubtful debts towards non-performing assets	1.08
(ii)	Understatement of interest and other financial expenses	0.23

### 1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

#### 1.6.3.1 Working Government companies

The business of **Andhra Pradesh Industrial Infrastructure Corporation Limited** is to develop industrial estates/plots for sale. Although the developed estates/plots form part of Current assets of the Company, they were being classified as Fixed assets in spite of this being commented upon in Audit from time to time. The Company stated (July 1997) that the Companies Act, 1956, does not define Fixed assets. The reply is not tenable as the Company has been dealing in sale of sheds/plots which form part of its stock-in trade.

#### 1.6.3.2 Working Statutory Corporations

Physical verification of fixed assets is not being conducted before the close of the financial year in respect of all Regions, Zones and Head office units of **Andhra Pradesh State Road Transport Corporation**.

## 1.7 Recommendations for closure of PSUs

Two working Government companies (Sl. Nos. 6 and 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. One of these Company's (Sl. No. 6 of Part-A of **Annexure-2**) turnover was also less than



Rs.5 crore even after completion of 29 years of its existence. In view of continuous losses and poor turnover, the Government may either improve performance of above two companies or consider their closure.

### **1.8 Response to Inspection Reports, Draft paras and reviews**

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 42 PSUs disclosed that 9056 paragraphs relating to 2443 Inspection Reports remained outstanding at the end of September 2002. Replies for these Inspection Reports had not been received for more than one to 26 years. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2002 is given in **Annexure-7**.

Similarly, draft paragraphs and reviews are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 20 draft paragraphs and four Reviews forwarded to the various departments during April 2002 to August 2002, as detailed in **Annexure-8** had not been replied to.

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews within the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time-bound schedule and (c) the system of response to the audit observations is revamped.

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

A. The status of audit reviews/paragraphs that appeared in successive Audit Reports (Commercial) but were pending for discussion at the end of September 2002 is indicated in the following table:

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
1992-93	7	29	1	1
1993-94	6	19	2	-
1994-95	4	17	1	-
1995-96	5	23	4	15
1996-97	6	23	4	8
1997-98	6	23	5	22
1998-99	4	25	4	24
1999-2000	6	18	6	18
2000-2001	4	17	4	17

**B.** As of September 2002, action taken notes on 706 recommendations contained in 35 Reports of COPU in respect of 18 Audit Reports (Commercial) (1980-81 to 1997-98) were pending settlement. Audit Report (Commercial) for the year 2000-2001 was placed before the State Legislature on 30 March 2002.

### **1.10 619-B Companies**

There were 11 companies coming under Section 619-B of the Companies Act, 1956, of which six were non-working. **Annexure-9** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.

### **1.11 Reforms in Power Sector**

#### ***1.11.1 Status of implementation of Memorandum of Understandings (MOUs) between the State Government and the Central Government***

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 June 2002 is given in **Annexure-10**.

### **1.11.2 Andhra Pradesh Electricity Regulatory Commission (APERC)**

Government of Andhra Pradesh framed Andhra Pradesh Electricity Regulation Act (APER Act) in October 1998. Accordingly, the Andhra Pradesh Electricity Regulatory Commission (APERC) with three members, including chairman appointed by the State Government was constituted on 31 March 1999 to act as a regulator of the electricity sector in the state and started functioning with effect from 3 April 1999.

#### **1.11.2.1 Functions of APERC:**

The main functions/objects of the commission are (i) to aid and advise, in matters concerning electricity generation, transmission, distribution and supply in the State, (ii) to regulate the purchase, distribution, supply and utilisation of electricity, the quality of service, the tariff and charges payable keeping in view both the interest of the consumer as well as the consideration that the supply and distribution cannot be maintained unless the charges for the electricity are adequately levied and duly collected, (iii) to lay down a uniform system of accounts among the licensees etc. The audit of accounts of the Commission has been entrusted to CAG under Section 34 of the APER Act, *ibid*. The Commission had finalised its first accounts for the year 2000-2001 and the same was audited before 30 September 2002. Accounts for the year 2001-2002 have not been finalised so far (30 September 2002).

#### **1.11.2.2 Activities of APERC**

During the year 2001-2002, the APERC scrutinised and discharged 1552 applications in discharge of its judicial functions. Apart from this, the APERC has approved 65 Power Purchase Agreements which are related mostly to non-conventional energy developers besides granting 14 licences to various companies for distribution and sale of power.

#### **1.11.2.3 Tariff Fixation**

During the year under review, APERC approved the following rates at which power was to be purchased by Transmission Corporation of Andhra Pradesh Limited (APTRANSCO):

Source	Average price Rs/kWh
1. APGENCO	1.43
2. Central Generation Stations	1.58
3. AP Gas Power Corporation Limited	1.40
4. Inter State Power Purchases	2.28
5. Independent Power Producers	2.86
6. Others	1.98

During the year 2001-2002, the power so purchased was sold to four

Distribution companies (DISCOMS) by APTRANSCO as per the following tariff approved by APERC.

<b>Bulk supply tariff rate Rs/kWh</b>	<b>APEPDCL<sup>1</sup></b>	<b>APSPDCL<sup>2</sup></b>	<b>APCPDCL<sup>3</sup></b>	<b>APNPDCL<sup>4</sup></b>
	2.55	1.96	1.89	1.70

#### 1.11.2.4 Sector-wise Tariff (For Distribution companies)

During the year 2001-2002, the sector-wise tariff to be charged from the end consumers was approved by APERC. The details of tariff so approved are given in **Annexure-11**.

#### 1.11.2.5 Subsidy from State Government

Under Section 12 of the APER Act, the Government can issue policy directions to APERC. The Government has issued 2 major policy directions (for 2000-01 and 2001-02) to APERC relating to Tariff. As per Section 12 (3) of APER Act, whenever the Government issues policy directions with regard to tariff concerning the subsidies for supply of electricity to any class or classes of consumers, the Government shall contribute the amount to compensate such concerned body or unit affected by the grant of the subsidies to the extent of the subsidies granted. The Commission worked out the tariffs as per section 26 of APER Act for the years 2000-01 and 2001-02 and sent the same to Government. The Government suggested reducing the rates to agriculturists, domestic consumers and certain other classes of consumers. In terms of Section 12 (3) of APER Act, the APERC worked out the quantum of subsidy to be paid by the Government to compensate the Distribution companies due to reduction of rates and requested the Government to pay the same in equal monthly instalments. Accordingly, the Government paid Rs.1102.15 crore to APTRANSCO after deducting Rs.524.10 crore payable by APTRANSCO by way of Electricity duty, loans and interest on loans for the year 2000-01 and Rs.1561.41 crore to four DISCOMS for the year 2001-02. The details of subsidy allocation were as follows:

Particulars	(Rupees in Crore)	
	2000-2001	2001-2002
L.T Domestic Category I	782.25	588.47
L T Cottage Industry Cat. IV	2.00	0.94
L T Irrigation/Agriculture Cat.V	703.00	849.83
L T Public Lighting (Local bodies) Cat.VI	27.00	4.52
H T Rural Elec. Co-Op Societies	90.00	97.80
Additional subsidy to LT Agrl Cat.V on account of annualisation	22.00	--
L T III – Industrial (Sugarcane crushing and Aquaculture)	--	18.72
H T-IV Irrigation and Agriculture	--	1.13
<b>Total</b>	<b>1626.25</b>	<b>1561.41</b>

<sup>1</sup> Eastern Power Distribution Company of Andhra Pradesh Limited.

<sup>2</sup> Southern Power Distribution Company of Andhra Pradesh Limited.

<sup>3</sup> Central Power Distribution Company of Andhra Pradesh Limited.

<sup>4</sup> Northern Power Distribution Company of Andhra Pradesh Limited.