

CHAPTER – 3
MISCELLANEOUS TOPICS OF INTEREST RELATING TO
GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

3A GOVERNMENT COMPANIES

3A.1 Andhra Pradesh State Civil Supplies Corporation Limited

3.A.1.1 Loss in procurement and storage of onions

Procurement of onions without adequate storage facilities and at higher rates than the prevailing local market rates resulted in loss of Rs.2.24 crore

With a view to provide remunerative price to onion growers and to supply onions to consumers at affordable prices when prices rule high during lean season, State Government directed (March 1999) the Company to procure 40000 metric tonnes (MTs) of storable quality of dry light red onion of Rabi crop (March-April). The onions were to be procured both from within and outside the State for storage and sale during August to November 1999 at economic cost through Public Distribution System (PDS) under market intervention operations (MIO). The Company procured 11923 MTs of onion both from within and outside the State, at a total cost of Rs.8.80 crore in two spells (April to July and September to November 1999). Out of available stocks, the Company could sell 10591 MTs (including 1136 MTs partly damaged onions) valued at Rs.4.52 crore, while balance quantity of 1332 MTs were fully damaged and dried up. A review of the procurement and storage activity revealed that:

- i) the Company without examining the availability of associated infrastructural facilities, went on procuring and despatching onions to various districts. According to Company's own assessment, a total quantity of 1332 MTs valued at Rs.1.02 crore was fully damaged or dried up for reasons like procurement of non storable quality, inadequate storage facilities, lack of space for grading and sorting, leakages in godowns, handing over of bins in incomplete shape, non-availability of skilled labour for grading and sorting, lack of time for supervisory staff etc.
- ii) for the same reasons as mentioned above, a total quantity of 1136 MTs (including 409 MTs of non-storable quality procured from Kurnool, Cuddapah and Ranga Reddy districts) were partly damaged and had to be disposed of, at prices ranging from Rs.0.50 to Rs.4.00 per Kg

against the average purchase price of Rs.7.64 per Kg. This resulted in a loss of Rs.0.60 crore.

- iii) the Company invited (May/June 1999) tenders on all India basis and procured 4691 MTs (June and July 1999) onions of Gujarat Pili Patti variety-2665 MTs at Rs.6.80 paise per Kg and Nasik dry light red onion 2026 MTs at Rs.8.25 per Kg from three tenderers. During the same period the Company also purchased super/best grade onions at a rate of Rs.6.10 per Kg from M/s Vegetable and Fruit Co-operative Marketing Society Limited (VEFCO), Lasalgaon, Nasik. Thus, purchase of 4691 MTs of onions through tenders at higher rates without negotiating to bring the rates at par with the prevailing lower open market rates of similar variety, resulted in additional expenditure of Rs.0.62 crore.

Procurement of onions without ensuring adequate storage facilities and at higher rates resulted in loss of Rs.2.24 crore .

The matter was reported to Government/Company (July 2002); their replies had not been received (October 2002).

3A.2 Andhra Pradesh State Housing Corporation Limited

3A.2.1 Loss due to non-discharge of high cost debt

Potential saving of interest of Rs.3.63 crore by repayment of high cost debts by availing funds through low cost borrowings was not achieved

The Company was engaged in implementation of various housing schemes in the State for economically weaker sections. The schemes were approved by State Government from time to time. While subsidy component of housing schemes was provided by State Government, loan component was mobilised mainly from Housing and Urban Development Corporation Limited (HUDCO), New Delhi and commercial banks, on behalf of beneficiaries at different rates of interest as agreed to between the Company and lending agencies. Loans were repayable in 10 to 15 years.

In order to implement rural and urban housing schemes programmed for the years 1983-84 to 2000-01, the Company obtained Rs.1261.01 crore up to January 2001, by way of term-loans at different rates of interest ranging from 7 to 16.5 *per cent* per annum. Out of this, loans aggregating Rs.562.73 crore were mobilised for the programme years 1995-96, 1997-98 and 1998-99 carrying interest rates of 12 to 16.5 *per cent* per annum.

From the financial year 1999-2000, lending institutions reduced interest rates on loans and since then the Company had been borrowing funds at rates ranging from 10 to 11.5 *per cent* per annum.

As on 31 March 2001, out of total outstanding loans of Rs.958.96 crore, loans borrowed during the period 1990-91 to 1998-99 at higher rates ranging from 12 to 16.5 *per cent* worked out to Rs.349.06 crore (Rs 239.77 crore–Rural and Rs.109.29 crore–Urban) while remaining loans of Rs.609.90 crore were borrowed at reduced rates ranging from 7 to 11.5 *per cent* per annum. Had the Company floated bonds or obtained loans from other lending institutions at prevailing lower rates of interest (10 *per cent*) and discharged high cost borrowings, it could have saved Rs 10.31 crore in one year alone i.e., 2001-02. Alternatively, had the low interest-bearing loans been at least rescheduled till discharge of high cost borrowings and quarterly payment of principal due on low cost borrowings diverted to high cost borrowings, the Company could have at least saved interest of Rs.3.63 crore (Rural –Rs 3.47 crore and urban – Rs.0.16 crore) in the year 2001-02. However, despite some of the loan agreements providing for such extension in repayment schedule, the Company did not initiate any action for early discharge of high cost borrowings.

The matter was reported to Government/Company (May 2002); their replies had not been received (October 2002).

3A.2.2 Non-utilisation of subsidy for the intended purpose

The Company deviated from the guidelines issued under IAY programme by converting fully-subsidised scheme into a loan-based scheme, defeating the objective of the scheme

Under Indira Awas Yojana (IAY) upgradation programme (UP) for the year 2000-01, Government of India released (May 2000) first instalment of subsidy aggregating Rs.11.04 crore. The objective of the scheme was upgradation of existing houses of SC/ST (60 *per cent*) and non-SC/ST (40 *per cent*) beneficiaries in rural areas who were below poverty line. The cost of upgradation was Rs.10000 per house, which was provided as full subsidy to be shared between Government of India and State Government in the ratio of 3:1 respectively. Second instalment of subsidy was to be released only after utilisation of 60 *per cent* of the available resources. No deviation from the provisions of the guidelines was permissible. The Company was to obtain matching subsidy from State Government and extend the scheme to 29429 beneficiaries.

Government of Andhra Pradesh had earlier sanctioned (April 1999) construction of 5 lakh semi-permanent rural houses (SPRH)/rural permanent houses (RPH) at a total cost of Rs.874.80 crore under Weaker Section Housing Programme 1999-2000. The scheme was restricted (July 2000) to 2.84 lakh houses. Cost of each SPR house comprised subsidy of Rs.2000, loan of Rs.5000 and beneficiary contribution of Rs.500 totalling to Rs.7500. Similarly, the cost of each RP house comprised subsidy of Rs.7000, loan of Rs.10000 and beneficiary contribution of Rs.500 totalling to Rs.17500. A minimum of 50 *per cent* of houses were earmarked for SCs and STs put together, 33 *per cent* for Backward Classes, 7 *per cent* for minorities and 10

per cent for other economically backward classes who were below poverty line.

The Company did not identify beneficiaries through Gram Sabhas, as required under IAY upgradation programme. Without specific approval of the Government of India/State Government, the Company converted the full subsidy scheme into loan based scheme by changing the pattern of financing comprising subsidy of Rs.7000 (Rs.5250 from Central Government and Rs.1750 from State Government), loan of Rs.10000 and beneficiary contribution of Rs.500 per house, thus revising the total cost to Rs.17500 per house. The subsidy received for IAY (UP) was diverted for RPH scheme. In order to show achievement of targets under IAY (UP) programme and to draw the second and final instalment of subsidy from Government of India, the Company substituted houses which were in advanced stage of construction under RPH programme of 1999-2000 to IAY(UP) programme houses of 2000-01 and furnished (June 2001) "utilisation certificate" to Government of India indicating subsidy having been utilised for the intended purpose. The second instalment of subsidy of Rs.11.04 crore was released by Central Government in September 2000 and January 2001.

To sum up, the Company did not identify beneficiaries through Gram Sabhas under the All India scheme, changed the subsidy based All India scheme into a loan based State Government scheme without approval of either Central or State Governments, substituted the houses to be upgraded under IAY (UP) scheme for RPH programme houses of 1999-2000 under construction, extended the benefit of upgradation of existing houses to beneficiaries without houses, furnished false "utilisation certificates" and, thus, deviated from the provisions of all the guidelines of the scheme.

Thus, the objective of Government of India to extend subsidy to the targeted group of beneficiaries for upgradation of their houses was not achieved.

Government accepted the audit observation and stated (September 2002) that to claim second instalment of subsidy from GOI and as a stop-gap arrangement, the houses under State scheme were substituted for IAY (UP) programme and "utilisation certificates" furnished accordingly. The State Government accorded clearance to take up new houses under IAY (UP) programme subsequently.

3A.2.3 Non-extension of central subsidy to the targeted group

Existing houses constructed under State scheme were substituted against those to be constructed under Central scheme, defeating the objective of Central scheme to extend benefit to the targeted group

Government of India introduced (May 1999) a new housing scheme viz., credit-cum-subsidy scheme (CCSS) for the benefit of homeless people in rural areas not covered by Indira Awas Yojana (IAY), whose annual income was between Rs.11000 and Rs.32000 and who could afford to pay about Rs.600

per month towards repayment of loan. The Scheme was to be implemented solely in rural areas, located at a distance of 20 kilometres away from metropolitan cities and 5 kilometres from small and medium towns. The unit cost of each house should have not been more than Rs.50000 (Subsidy Rs.10000 and Loan Rs.40000) and the element of subsidy was to be borne by Central and State Governments in the ratio of 3:1. Sixty *per cent* of the houses were to be allotted to SC/STs and freed bonded labourers and the balance forty *per cent* to other categories. Keeping in view the guidelines, the Company, with the approval of State Government fixed the unit cost of each house at Rs.17500 comprising subsidy of Rs.7000 (Central government Rs.5250 and State Government Rs.1750), loan of Rs.10000 and beneficiary contribution of Rs.500.

Government of India released Rs.17.74 crore as its share of subsidy for the years 1999-2000 (Rs.7.16 crore) and 2000-01 (Rs.10.58 crore) for implementation of CCSS housing programme against which, 13641 and 20150 beneficiaries were expected to be covered for the years 1999-2000 and 2000-01 respectively. However, the Company did not obtain the list of beneficiaries for the scheme. Instead 33791 houses already constructed under Rural Permanent Housing Programme of the State Government were accounted for against CCSS houses and “utilisation certificates” furnished accordingly.

Thus, the Company claimed the Central Government share under CCS scheme, for houses constructed under RPH scheme (100 *per cent* State Government scheme) and deprived the benefit of subsidy of Rs.17.74 crore received from Government of India to the intended beneficiaries.

Government stated (September 2002) that it had decided to implement CCS scheme with pattern similar to that of RPH scheme and to substitute houses, which were in progress under RPH scheme to CCS scheme. Accordingly, beneficiaries identified for RPH scheme, who fulfilled the norm of CCS scheme, were substituted to CCS scheme. However, in the absence of sufficient details, the State Government’s claim of extending the intended benefit to the targeted group, could not be verified by Audit.

3A.3 Andhra Pradesh Mineral Development Corporation Limited

3A.3.1 Non-recovery of cost of removal of ore dumps

Failure to get the ore dumps removed from the mining lease area over a period of five years and final removal at Company’s cost resulted in avoidable expenditure of Rs.0.82 crore

Between September 1980 and July 1991, the Company after obtaining permission from the Government of Andhra Pradesh, sub-leased 12.2927 hectares of land for mining/excavation of barytes ore to seven sub-lessees/pattadars. Based on the report of Indian Bureau of Mines that

systematic and scientific mining was not possible with more number of lessees having common boundaries with irregular shapes, the State Government cancelled (December 1993) all the lease agreements entered into by the Company.

Subsequently, the Company obtained (May 1995) mining lease from Government of Andhra Pradesh for mining barytes ore in an extent of 114.74 acres of land in Mangampet Village of Cuddapah district for a period of 30 years. During this period, the Company noticed that most of the area covered under leasehold land was illegally occupied by dumping waste rock or stacking minerals (estimated to be 10.31 lakh tonnes) belonging to former sub-lessees/buyers. As this would obstruct mining operations, the Company requested (May 1995 to January 2000) the parties to remove the ore dumps but could get only 1.65 lakh tonnes removed by some sub-lessee. The balance 8.66 lakh tonnes of ore dumps pertaining to M/s Vijayalakshmi Minerals Trading Company (SVLMT) - 4.27 lakh tonnes, Sri C.M. Ramanatha Reddy (CMR) - 1.92 lakh tonnes and M/s Indian Barytes and Chemicals Limited (IBC)-2.47 lakh tonnes were not removed. The Company requested (September 1999 and February 2000) the Advocate General to give legal opinion on removal of ore dumps. Advocate General opined (October 1999 and February 2000) that reasonable time could be given to the sub-lessees/buyers for removal of ore dumps failing which the dumps could be transported by the Company to the sub-lessees' place and cost of removal claimed. The Board of Directors felt (May 2000), that the course of action suggested was time-consuming and might end up in litigation and authorised Vice-Chairman & Managing Director (VC&MD) of the Company to negotiate with the sub-lessees/buyer for removal of ore dumps at Company's cost at a rate not exceeding Rs.10 per tonne. Accordingly, the Company concluded agreements with M/s Deepika constructions, Hyderabad (July 2000) for removal of 6.64 lakh tonnes and with M/s C.M Ramanatha Reddy, former sub-lessee (November 2000) for removal of 1.90 lakh tonnes of ore dumps at the rate of Rs.10 per tonne. M/s Deepika Constructions removed 6.25 lakh tonnes and M/s C.M Ramanatha Reddy removed 1.92 lakh tonnes, thus, completing the work (May 2001) at a total cost of Rs.0.82 crore. The Company neither claimed this amount from former sub-lessees/buyers nor took legal action to recover the same.

Thus, failure to get ore dumps removed by sub-lessees/buyers over a period of five years and non-adherence to the legal opinion of the Advocate General had resulted in loss of Rs.0.82 crore. Further, it is interesting to note that instead of getting ex-lessees to remove ore dumps at their own costs, the Company awarded part of the removal contract to one of the ex-lessees at Company's cost. Out of Rs.0.82 crore, Rs.0.19 crore was paid to this ex-lessee on this account.

The matter was reported to Government/Company (July 2002); their replies had not been received (October 2002).

3A.4 The Nizam Sugars Limited

3A.4.1 Non-rectification of tripping mechanism during overhaul

Failure to get faulty tripping mechanism rectified during overhaul resulted in avoidable expenditure of Rs.22.59 lakh

Shakkarnagar sugar factory of the Company had four turbines, which were overhauled during off-season i.e., May to October by M/s Triveni Engineering and Industries Limited, Bangalore (TEI) under an annual maintenance contract (AMC). Deficiencies/defects noticed were communicated to the contractor before overhaul was taken up. Although life of the turbines was not specified by the manufacturer, turbines procured in 1960 and 1976 were still working satisfactorily.

The service engineer who visited the factory during July 1999 to carry out overhaul as part of AMC, recommended (August 1999) *inter alia* procurement of certain spares valued at Rs.0.21 lakh relating to tripping mechanism of 500 mm mill turbine of Triveni make. On this recommendation, a purchase order for these spares was placed on TEI in October 1999. The spares were received in January 2002. As these spares were not received in time, the turbine was re-commissioned in November 1999 after overhaul, without rectifying the tripping mechanism. In the absence of repairs to tripping mechanism, the turbine was to run within the speed limits.

The turbine got damaged in April 2000 due to over-speeding. A joint inspection by the factory personnel and service engineer revealed that the damage was due to over-speeding because of non-functioning of throttle as well as trip valves. As the cost of repairs (Rs 17.65 lakh) was considered high, the Company procured a new turbine at a cost of Rs.15.03 lakh and commissioned the same in December 2000. In the meanwhile, 4579 tonnes of sugarcane was diverted to other units by incurring Rs.7.56 lakh towards transportation cost.

Thus, failure to take action for rectification of tripping mechanism during overhaul of turbine or alternatively ensuring that the operation of turbine was within safety limits, resulted in an avoidable expenditure of Rs.22.59 lakh including capital cost of Rs.15.03 lakh on commissioning of new turbine.

The matter was reported to Government/Company (July 2002); their replies had not been received (October 2002).

3A.4.2 Excess Payment of notice period salary

Excess payment of notice period salary in violation of the terms of VR scheme/Government guidelines resulted in avoidable additional expenditure of Rs.19.32 lakh

With a view to reduce 1000 surplus employees, the Company, with the approval of State Government (April 2000) introduced (June 2000) Voluntary Retirement Scheme (VRS) for its employees at various units and head office. The scheme was formulated in accordance with guidelines issued by State Government from time to time. The Company notified the scheme on 30 June 2000 calling options from employees up to 15 July 2000 for retirement by 31 July 2000. 373 employees were retired on 31 July 2000 and 149 employees on 31 August 2000 after allowing them to continue during notice period.

As per the terms of VRS, employees opting for voluntary retirement were entitled for the maximum of notice period salary equivalent to three months' emoluments. As per the guidelines issued by State Government (October 1997) notice period salary was to be paid if the application for VRS was accepted and employees retired instantaneously. If management takes time to accept the application and allows notice period to lapse or the employee concerned was allowed to continue to work and draw full salary during the notice period, the employee would not be entitled to further notice period salary. According to these guidelines, the employees who retired on 31 July 2000 were entitled to two and half months notice period salary only, while those who retired on 31 August 2000 were entitled to one and half months' notice period salary. However, the Company, apart from payment of salary till the date of retirement, also paid full three months' notice period salary to all the employees. The additional payment worked out to Rs.19.32 lakh (Rs.8.68 lakh and Rs.10.64 lakh to 373 and 149 employees respectively).

Notice period salary was intended to compensate employees who opted to retire instantaneously. In this case, the employees were allowed to continue during part of the notice period and were paid full salary till they retired. Therefore, payment of notice period salary also for full period of three months was contrary to Government guidelines and had resulted in undue benefit to the employees and avoidable additional expenditure of Rs.19.32 lakh for the Company.

The matter was reported to Government/Company (May 2002); their replies had not been received (October 2002).

3A.5 Andhra Pradesh Power Generation Corporation Limited

3A.5.1 Avoidable expenditure

Non-adherence to maintenance schedule for ‘Turbo Generating Unit’ resulted in additional repair cost of Rs.1.43 crore

The erstwhile Andhra Pradesh State Electricity Board (now Andhra Pradesh Power Generation Corporation Limited – APGENCO) commissioned two 250 MW Turbo generating units (Units 9 and 10) at Kothagudem Thermal Power Station (KTPS) Vth Stage in October 1997 and September 1998 respectively at a total cost of Rs.1478.09 crore (approx.). The generators were supplied by M/s Bharat Heavy Electricals Limited (BHEL) on turnkey basis. As per the operation and maintenance (O&M) manual, it was mandatory to carry out the first and most important inspection by BHEL after commissioning and upon completion of 10000 but before 20000 operating hours, in order to identify and eliminate any deficiencies due to manufacture/assembly. It was also recommended to carry out minor inspection/overhaul annually. Unit 9 completed 10000 hours of operation by August 1998 and 20000 hours by 5 January 2000.

The Company did not follow the maintenance instructions and failed to arrange first inspection of this Unit till March 2000 and only annual overhauls were conducted. At the request of the Company (April 2000), BHEL agreed to carry out first inspection and overhaul work at a cost of Rs.0.62 crore plus duties and taxes. However, the Company did not issue the work order due to certain constraints like non-receipt of required material, grid conditions and lack of hydel generation. By December 2000, Unit 9 completed 27383 operating hours. Even at this stage, instead of entrusting first inspection and complete overhaul, the Company entrusted (November 2000) only annual overhaul work to BHEL at a cost of Rs.19.83 lakh. When the Unit was put into operation (December 2000) after completion of annual overhaul, the entire Unit tripped/shut down due to generator differential and stator earth fault protection resulting in extensive winding damage to generator stator coils. BHEL executed the work of entire repairs/ reassembly at a total cost of Rs.1.86 crore and restored the Unit (February 2001).

M/s. N.C. Lavelin, consultants, appointed by the Company to investigate into the failure, opined (February 2001) that the problem had developed due to slackness of attachments to supporting brackets and attributed the incident to poor quality control at assembly stage. When the matter was taken up (March 2001) with BHEL, they stated that KTPS did not adhere to the O&M manual instructions on first inspection which were necessary for setting right the looseness of bars/insulating materials and rendering the machine fit for further operation.

Audit observed that had the generator been offered for first inspection as per maintenance schedule, deficiencies in manufacture/assembly could have been eliminated and complete rewinding of stator coils avoided. Non-compliance

of manual instruction thus resulted in a net avoidable expenditure of Rs.1.43 crore.

Government stated (August 2002) that any failure of such nature could be detected in its incipient stage either by visual inspection or by diagnostic test and as all parameters were found to be well within limits, initial inspection was not taken up. The reply is not acceptable as manufacturer's operational manual clearly provided for mandatory first inspection for identifying deficiencies which was not done leading to extensive damage to generator.

3A.5.2 Excess procurement of power cables

Procurement of power cables in excess of requirement resulted in locking up of borrowed funds of Rs.1.21 crore

The erstwhile Andhra Pradesh State Electricity Board (APSEB), now Andhra Pradesh Power Generation Corporation Limited (APGENCO) commissioned (October 1997 and September 1998) two 250 MW turbo generators (units 9 and 10) at Kothagudem Thermal Power Station (KTPS –Vth stage). Detailed project report of units 9 and 10 made a lump sum provision of Rs.14 crore for power and control cables without indicating the requirement in terms of length. The cable was required for supply of power to different auxiliary switchgear boards like CW pump house, ash and coal handling plants and mills. Project implementation authorities assessed power cable requirement at 60 kilometre (Km) without any basis. Accordingly, the Company after inviting open tenders, procured (February and March 1996) 60.960 Kms of power cable at landed cost of Rs.4.92 crore. The work of construction of units 9 and 10 was completed (September 1998) with 36.709 Kms and 24.251 Kms of cable, remained unutilised. Out of this, 9.229 Kms of cable was diverted (January 1999) to KTPS (O&M). Even after diversion of 9.229 Km to other works (January 1999), 15.022 Kms of cable valued at Rs.1.21 crore was still lying unutilised.

Audit observed that, in spite of having experience of setting up several units of thermal power plants at Vijayawada, Kothagudem, Muddanur etc., the management failed to correctly estimate the requirement of power cable. This failure on management's part resulted in substantial excess procurement of cable causing locking up of borrowed funds for more than six years (since March 1996) and loss of interest of Rs.1.09 crore at the rate of 15 *per cent* per annum, which was the borrowing rate of APSEB during the period.

Government stated (August 2002) that it was a normal practice to assess the requirement of cable marginally in excess of actual requirement, so as to meet emergency needs, in case of operational failure of thermal plants. The reply is not acceptable as procurement of cable was much in excess of actual requirement.

3A.6 Andhra Pradesh Power Finance Corporation Limited

3A.6.1 Avoidable expenditure on registration fee

Fixation of authorised capital of the company at Rs.3000 crore due to wrong assumption resulted in avoidable payment of Rs.1.84 crore towards registration fee

Andhra Pradesh Power Finance Corporation Limited (APPFCL) was incorporated on 12 July 2000 under the Companies Act, 1956 as a wholly-owned State Government Company with the objective of raising funds for power sector. The authorised capital of the Company was fixed at Rs 3000 crore and paid up capital as on 31 December 2001 was Rs.27 crore only.

Even though the Company being a Government Non-Banking Finance Company (NBFC) was exempted from capital limits for raising public deposits, its authorised capital was fixed (April 2000) at Rs.3000 crore on the assumption that the shares in Andhra Pradesh Power Generation Corporation Limited (APGENCO), Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) and Distribution Companies (DISCOMS) would be held by this Company. Accordingly, the registration/filing fee of Rs.2.00 crore was also paid (11 July 2000). The Company, alternatively, could have fixed its authorised capital at a lower level initially and increased the same as and when required. Further, the Company did not invest in equity of APGENCO, APTRANSCO or DISCOMS.

As evidenced from the actual paid-up capital (which stood at Rs.27 crore as on 31 December 2001) and the fact that investments in other companies need not be only from the equity capital, fixation of higher authorised capital was not a prudent decision. This resulted in payment of additional registration fee to the extent of Rs.1.84 crore.

The matter was reported to Government/Company in April 2002; their replies were not received (October 2002).

3A.7 Andhra Pradesh State Trading Corporation Limited

3A.7.1 Extension of undue favour by releasing bank guarantee

Release of bank guarantee to a sub-contractor before settlement of claim with Government of Bangladesh and not claiming incidental expenditure from three sub-contractors resulted in locking up of Rs 1.25 crore

The Company entered into an agreement (July 1995) with Ministry of Food, Government of Bangladesh for supply of 50000 MTs of rice at a price of US \$ 266 per metric tonne (MT) on C&F (FOB) basis to Chittagong and Mongla ports. As per terms of agreement, the Company deposited (July 1995) US \$ 665000 (i.e. Rs.2.88 crore) towards 5 per cent of C&F value as performance guarantee (PG).

The Company entered (November 1995) into agreements with three sub-contractors viz., M/s Afro Asian Exports, Hyderabad (AAE), M/s Himabindu Chemicals Private Limited, Hyderabad (HBC) and M/s P.K Arunachalam & Sons, Hyderabad (PKA) for supply of rice to the extent of 25000 MT, 12500 MT and 12500 MT respectively at Rs.8611.25 per MT on C&F (FOB) to Bangladesh. The Company obtained performance/bank guarantees (PGs/BGs) to the extent of Rs.2.16 crore (AAE-Rs 1.08 crore, HBC - Rs.0.56 crore and PKA - Rs.0.52 crore) which were to be revalidated till receipt of "No claim certificate" from the foreign buyer. The Company delivered a quantity of 50329.70 MTs up to 31 March 1996. Ministry of Food, Government of Bangladesh instituted claims (November 1995 to March 1996) aggregating US \$ 4.97 lakh against the Company for short-supply/damaged and low quality rice. The claim for shortages/damages (1702 MT) was finally settled (November 1998) by the Settlement Committee (comprising members from Government of Bangladesh), to US \$ 4.13 lakh i.e. Rs.1.93 crore (1 US \$ = Rs.46.64) and paid (February 2001).

(a) Despite knowing the liability of sub-contractors for shortages/damages, the Company, without approval of Board of Directors, released (February 1997) BG worth Rs.0.54 crore, by accepting two cheques (February/March 1997) amounting to Rs.0.54 crore, in favour of AAE on the condition that the cheques would be replaced by equivalent amount of BG within 90 days. Although these cheques were replaced with fresh cheques from time to time, M/s AAE failed to replace them by BG. The cheques, when finally presented (May 1998) to the bank, were dishonoured due to "stop payment" instructions by the party. The Company filed (1998) a criminal case in a court of law which was sub judice (May 2002).

Proportionate claim against three sub-contractors viz., HBC, PKA and AAE worked out to Rs.0.42 crore, Rs.0.50 crore and Rs.1.01 crore respectively. While claims against HBC and PKA were adequately covered by their BG amounts, claim of AAE fell short by Rs.0.47 crore which was borne by the Company. Release of BGs by accepting of cheques before receipt of "No

Claim Certificate" from the buyer resulted in extension of undue favour to the sub-contractor.

(b) The Company also concluded (February 1996) with sub-contractors a supplemental deed of agreement to recover incidental expenses like interest on packing credit and overdraft, ocean freight, bank charges etc. However, no claim was preferred on the three sub-contractors towards reimbursement of incidental expenses of Rs.0.78 crore. Legal action was initiated (2000) against the three sub-contractors for recovery of incidental expenses.

Thus, release of BG in lieu of cheques and non-claiming of incidental charges had resulted in locking up of Rs.1.25 crore.

The matter was reported to Government (May 2002); their replies had not been received (October 2002).

3A.7.2 Avoidable loss on hire purchase scheme

Non-observance of guidelines for sanction of hire purchase loans and ineffective pursuance with the DDOs for recovery of loans from loanees/guarantors resulted in doubtful recovery of Rs.0.78 crore

The Company, as part of one of its activities, supplied consumer durables under Hire Purchase (HP) Scheme to Government employees on instalments at specified rates of interest. The Company had branches in 18 districts of the state and it used to provide funds to these branches through overdraft (OD) account as well as out of its own funds. HP Scheme was meant for employees of Government of Andhra Pradesh, State and Central Government undertakings. The guidelines of the scheme, *inter alia*, provided that the hirer and guarantor should not stand mutual guarantee to buy articles under hire purchase, to avoid difficulty in recovery of instalments in case of default. When hirer failed to pay instalments for more than three months, legal notices were to be issued and if no response was received, suits were to be filed to recover instalments due from the hirer/guarantor. Further, as per orders issued by State Government from time to time, the Drawing and Disbursing Officer (DDO) who drew the salary of hirer/guarantor, were personally responsible for recovery of instalments which had fallen due.

A test check in audit of implementation of HP scheme by branch offices at Cuddapah, Kurnool, Mahaboobnagar and Nellore revealed that HP scheme was sanctioned in cases where hirer and guarantor extended mutual guarantees. Further, recovery of dues from defaulters/guarantors was not pursued effectively with DDOs who were personally responsible for recovery. Legal action was not initiated against chronic defaulters/guarantors. As a result, the Company failed to recover Rs.1.48 crore up to 31 March 2001, out of which, amounts due for four years and more were Rs.0.78 crore against which 100 *per cent* provision was made in the accounts for the year ended 31 March 2001. During the period 1995-2002, the Company availed of OD to

the extent of Rs.8.46 crore per annum on an average. Had loans been realised in time, the Company could have also reduced its OD and avoided payment of interest to the extent of Rs.47.02 lakh (on Rs.0.78 crore at the rate of 15 per cent per annum).

The matter was reported to Government/Company (July 2002); their replies had not been received (October 2002).

3B STATUTORY CORPORATIONS

3B.1 Andhra Pradesh State Financial Corporation

3B.1.1 Loss of interest due to change in accounting policy

Non-levy of interest on loanees for delayed period of realisation of cheques resulted in loss of income of Rs.0.61 crore

According to the accounting policy followed by the Corporation from November 1998, cheques received from loanees towards payment of interest/re-payment of loan instalments were credited to the account of the loanee only on realisation. From March 1999, the policy was revised to account for cheques "on receipt basis" in the month of March, while the existing policy of accounting the cheques "on realisation basis" continued for the remaining eleven months (April to February).

A test check of records of 8 branches (out of 25) viz., Hyderabad, Karimnagar, Nalgonda, Nizamabad, Rajahmundry, Rangareddy (East), Sangareddy and Visakhapatnam revealed that 2207 cheques (valued Rs.50000 and above each) aggregating Rs.41.10 crore accounted for as receipts in the months of March 1999, March 2000 and March 2001 respectively, were actually realised after delays ranging from 6 to 139 days, 6 to 116 days and 6 to 172 days respectively. Though delays were abnormal, demand for payment of interest for delayed period of realisation was not raised on loanees.

Revision of accounting policy and non-raising of demand for interest for the period of delay in realisation of cheques had resulted in loss of interest of Rs.0.61 crore, besides extending undue benefit to loanees.

When this was pointed out in audit, the Corporation instructed (March 2002) its branches to charge interest for the period of delay in realisation of cheques received in the month of March, after allowing time of 5 days/15 days for realisation of local/outstation cheques respectively.

The matter was reported to Government/Company (May 2002); their replies had not been received (October 2002).

3B.1.2 Loss in one-time settlement of a loan

Extension of one-time settlement scheme to an ineligible promoter resulted in loss of Rs.0.96 crore

The Corporation sanctioned (June 1991) a term loan of Rs.0.70 crore to the promoters of M/s. Suprabhat Hotels (P) Limited (SHPL) for establishing a hotel in Hyderabad and released (September 1991 to April 1992) Rs.0.69 crore after obtaining a residential house of equivalent value as collateral security. The Corporation obtained (October 1991 to July 1992) refinance aggregating Rs.0.52 crore from Industrial Development Bank of India (IDBI) bearing interest at the rate of 15 *per cent* per annum. The term loan to SHPL carried interest at the rate of 20 *per cent* per annum and principal was repayable in 14 half- yearly instalments of Rs.5 lakh each, starting from March 1993. The hotel was partly opened in May 1992 and became fully operational by August 1993. However, the promoters defaulted payment of interest from April 1992 and first instalment (Rs 5 lakh) of principal due in March 1993 and approached (29 March 1993) the Corporation to reschedule the loan by funding interest. The Corporation accepted (June 1993) the proposal of the promoters and funded interest of Rs.17.15 lakh. In spite of this, SHPL did not pay loan instalments and interest as per schedule and insisted (December 1996) on reduction of interest from 20 *per cent* as per agreement to 14 *per cent* per annum. Even though SHPL defaulted payments, the Corporation did not take action to seize the hotel under Section 29 of the SFC Act but rescheduled (September 1997) the loan for the second time by funding interest of Rs.0.70 crore. In March 1998, SHPL deposited Rs.17 lakh with the Corporation and requested to settle their case under One Time Settlement (OTS) Scheme. In June 1998, when the Corporation undertook valuation of collateral security, it found that the promoters of SHPL constructed and sold 52 flats on the residential property offered as collateral security, without obtaining prior approval of the Corporation. Instead of initiating criminal action against the promoters for violations, the Corporation accepted (February 1999) the proposal for settlement of the case under OTS by reducing rate of interest from 20 to 18 *per cent* per annum and fixed the OTS amount at Rs.1.23 crore. The promoters did not accept the fixation and insisted the Corporation to finalise the amount at net simple rate of 15 *per cent* i.e., the rate at which the Corporation obtained refinance from IDBI, as the net worth of SHPL had been eroded due to the marketing problems and deposited (March 1999) Rs.20 lakh with the Corporation. As against the total remaining dues of Rs.1.81 crore (principal Rs.0.69 crore, interest/funded interest at 20 *per cent* per annum of Rs.1.12 crore) as on 31 October 1999, the Corporation, settled the claim by accepting (March 2002) further payment of Rs.0.85 crore from SHPL.

Audit observed that the Corporation did not initiate legal action for seizure of the assets though the promoters had violated the terms of sanction by constructing and selling flats on the property offered as collateral security without prior permission. On the other hand, SHPL was allowed to fund interest twice and the case was settled under OTS though they were defaulters,

and as such not eligible for the OTS scheme, as per the guidelines framed by the Company.

Failure to initiate appropriate legal/criminal action against the promoters of SHPL and extending OTS scheme to an ineligible and defaulting promoter resulted in loss of Rs.0.96 crore.

The matter was reported to Government (May 2002); their replies had not been received (October 2002).

3B.1.3 Loss on disposal of seized assets

Failure to sell Assets at higher price resulted in loss of interest of Rs.0.99 crore to the Corporation

Under section 29 of State Financial Corporations Act, 1951 the Corporation took possession (June 1994) of fixed assets valued at Rs.1.75 crore of M/s Universal Wires Limited, an assisted unit of the Corporation which became sick and failed to pay its dues aggregating Rs.1.71 crore (Rs 0.19 crore towards principal, Rs.1.50 crore towards interest and Rs.0.02 crore towards other expenses). The assets were advertised (January 1995) for sale and three offers were received. Out of these, offer of M/s. Goldstone Engineering Limited, Secunderabad was the highest at Rs.2.28 crore (land and buildings – Rs.2.25 crore and plant and machinery Rs.0.03 crore) with 35 *per cent* down payment and balance over a period of ten years in ten equal annual instalments. On further negotiations regarding terms of payment the offer was revised (January 1995) to Rs.1.76 crore (land and buildings-Rs.1.40 crore and plant and machinery-Rs 0.36 crore) with 35 *per cent* down payment in 30 days from the date of confirmation of sale and the balance in 60 days thereafter. Though this offer covered 100 *per cent* of estimated value of assets proposed for sale, and payment terms were also agreeable, the Board of Directors deferred (March 1995) acceptance of offer without recording reasons. Assets were subsequently advertised for sale in March 1997 and August 1998 i.e., after a lapse of 25 months after first advertisement and 16 months after second advertisement, but no response was received. Assets were again advertised in September 1998 and an offer was received for Rs.0.80 crore from Sri Madhusudan Reddy. After further negotiations (November 1998), the offer was increased to Rs.1.60 crore with 35 *per cent* down payment and the remaining amount within six months. In order to finalise the sale, the Corporation valued (October 1998) the assets for Rs.2.48 crore (land-Rs 1.94 crore as per valuation of AP Industrial Infrastructure Corporation Limited (APIIC); buildings Rs.0.18 crore and plant and machinery-Rs.0.36 crore). However, according to information obtained by the Corporation itself, the value of land as per the local sub-registrar, was Rs.3.55 crore, as ascertained in October 1998. In spite of the value as per APIIC records as well as sub-registrar's records being much more than the value negotiated, the Board of Directors approved (December 1998/April 1999) sale of assets to

Sri. Madhusudhana Reddy for Rs.1.60 crore. The party paid the entire amount by September 1999 and took possession of the assets.

Audit observed that:

- acceptance of offer of Sri Madhusudana Reddy for Rs.1.60 crore lacked justification as it was much less than the value of assets (Rs.2.48 crore) estimated by the Company itself as well as the offer of Rs.1.76 crore received in January 1995.
- though the offer (January 1995) of M/s. Gold Stone Engineering Ltd., for Rs.1.76 crore was in excess of dues recoverable by the Corporation, the same was rejected without assigning specific reasons. Had this offer been accepted, the Corporation could have earned/saved an interest of Rs.0.99 crore (at the then prevailing rate of borrowing of 15 *per cent* per annum from August 1995 to April 1999).by utilising the sale proceeds for financial assistance to another firm or by repaying borrowings.

The matter was reported to Government/Corporation (July 2002); their replies had not been received (October 2002).

3B.1.4 Acceptance of collateral security without hypothecation of title deeds

Failure to verify genuineness of collateral security in the absence of original title deeds resulted in locking up of Rs.0.51 crore

The Corporation sanctioned (March 1996) a term loan of Rs.0.58 crore to M/s. Karoline Dairy Private Limited (KDPL) for setting up a 10000 litres per day (LPD) capacity milk processing plant at Bowenpally, Rangareddy District at an estimated cost of Rs.1.11 crore subject to a residential house situated at Road No.4 in Banjara Hills, Hyderabad being offered as collateral security. Accepting collateral security of Rs.0.55 crore, being the value assessed for the said property, the Corporation released a total loan of Rs.0.51 crore from December 1996 to June 1997 after obtaining partition deed and an undertaking from the two beneficiaries of the property duly attested by a notary on 31 October 1996, to the effect that original sale deed was misplaced and that the property was not hypothecated or mortgaged in favour of any institution or person. The loan was repayable in 21 quarterly instalments with an interest rate of 19.6 *per cent* per annum. The unit commenced commercial production in March 1997.

The promoters defaulted in payment of principal and interest from the very beginning and as against arrears of Rs.20.80 lakh (principal –Rs 9.00 lakh and interest- Rs.11.80 lakh) payable up to August 1998, they paid only Rs.3 lakh. The Corporation noticed (September 1998) that the unit was unauthorisedly being operated by persons other than the promoters and milk was being sold

by the name 'Perati Milk'. In November 1998, the promoters influenced the Chairman of the Corporation and deposited Rs.1 lakh in the Corporation's account and on the Chairman's intervention, seizure notice was not issued by the Corporation. At this point of time (November 1998), the Corporation noticed that machinery valued Rs.36.57 lakh was missing. The unit was seized in February 1999. However, FIR with police authorities in respect of missing machinery was lodged in July 1999 i.e., after a lapse of 8 months. The Corporation did not get any response to three advertisements released during March-June 1999 for disposal of balance of plant and machinery available in the unit. When the Corporation issued (June 1999) an advertisement to dispose of the house offered as collateral security, it received an offer of Rs.34 lakh from one party, which was far below the value of security offered and hence rejected. When the property was again advertised for sale in January and May 2000, Prudential Co-operative Bank informed that the original title deeds of said property were deposited (1994) with them in connection with credit facilities enjoyed by the promoters of the unit. Besides, the Corporation came to know that the property was also mortgaged to private financiers. The Corporation filed a legal suit (OP 225/2000) against the promoters for recovery/attachment of property which was pending in the court of law (August 2002).

Thus, release of loan without insisting on original title deeds of property resulted in locking up of Rs.0.51 crore and subsequent loss of interest of Rs.0.35 crore.

The matter was reported to Government/Corporation (July 2002); their replies had not been received (October 2002).

3B.2 Andhra Pradesh State Road Transport Corporation

3B.2.1 Construction of Mandal Bus stations

Implementation of Government directive without financial support resulted in unnecessary drain on scarce resources of the Corporation

In April 1999, the State Government decided to construct bus stations in all mandal headquarters of the State. Accordingly, the Corporation, without considering its financial position and without making funding arrangements, identified 456 mandal headquarters for construction of bus stations. The State Government authorised (May/June 1999) the District Collectors to alienate government land in these mandals, free of cost, in favour of the Corporation. It also directed (May 1999/October 2001) the Corporation to complete construction of these bus stations within a period of 120 days, which was later extended up to one year from the date of handing over of land.

On the basis of number of buses touching the proposed mandal bus station, the Corporation classified bus stations to be constructed into eight categories and fixed a cost ceiling ranging from Rs.0.75 lakh to 15.00 lakh each and estimated (May 1999) the total cost at Rs.12.11 crore. However, at the instance of State Government, the Corporation finally decided (June 1999) to construct only two types of bus stations viz., one type costing Rs.6.00 lakh each at places buses touched 70 trips per day and another type costing Rs.10.00 lakh each at places buses touched 71 trips and above per day. On the basis of revised categorisation, the cost of construction of 456 bus stations was finally estimated at Rs.39.22 crore.

The Corporation invited open tenders (June/July 1999) for construction of 276 out of 456 bus stations. The Corporation completed construction of 221 bus stations during July 1999 to March 2002 at a cost of Rs.14.92 crore and 17 bus stations were still under construction on which an expenditure of Rs.37 lakh was incurred (March 2002). The remaining 38 bus stations were not taken up for construction. As the Corporation had no internal resources and as the expenditure on bus stations did not yield any return, funding the expenditure of Rs.15.29 crore with borrowed funds was unwarranted and unnecessary.

Audit observed that:

- 1) the Corporation did not devise a mechanism to monitor the utilisation of bus station for the intended purpose.
- 2) 74 out of 158 bus stations were constructed at places where government land was made available and not at places actually convenient to passengers.
- 3) due to locational disadvantage, 17 out of 104 bus stations were not in use since their inauguration, rendering Rs.1.15 crore incurred on them infructuous.
- 4) out of 184 stalls constructed in 104 mandal bus stations 147 stalls still remained (May 2002) unoccupied due to lack of demand. The very construction of these stalls was not warranted as there was insignificant demand and Rs.1.03 crore invested on them remained locked up without return.
- 5) 47 out of 161 bus stations were not “need-based” as the number of buses touching these bus stations ranged from one to 10 and it would have been sufficient to construct bus shelters or smaller size bus stations in their place.

Thus, implementation of Government directive without financial support resulted in unnecessary drain on scarce resources of the Corporation. Further, the need for taking up construction of the remaining bus stations requires to be looked into afresh.

The matter was reported to Government/Corporation (August 2002); their replies had not been received (October 2002).

3B.2.2 Construction of Bus Bhavan

Change in orientation of building without definite advantage, revision in scope of work by 70 per cent and inadequate allotment of funds rendered capital investment of Rs.12.15 crore idle and defeated the objective of construction

With a view to locating all administrative offices under one roof, the Corporation approved (May 1990) construction of Bus Bhavan at Hyderabad in two blocks, in an area admeasuring 4.65 acres at an estimated cost of Rs.13.66 crore.

The proposed 'Bus Bhavan' comprised basement and four floors with a total plinth area of 3.73 lakh sq.ft. After inviting tenders (February 1991), civil works portion was awarded (November 1991) to M/s. S.A. Builders Limited, Chandigarh (SAB) for Rs.3.06 crore on lowest tender basis. The work was commenced in January 1992 and was to be completed within three years i.e., by January 1995. At the instance (February 1992) of the VC & MD of the Corporation, the orientation of the building was changed from west to east resulting in revision in the scope of work by 70 per cent with 158 supplemental works which were got executed at a cost of Rs.4.00 crore by the same contractor. The civil works were actually completed in July 1998 at a total cost of Rs.5.70 crore. Even though 70 per cent of the scope of work had undergone revision, the matter was not reported to the Board of Directors till January 2000. In February 2000, the Board of Directors approved the revision in cost estimates from Rs.13.66 crore to Rs.18.10 crore. The Corporation had incurred an amount of Rs.12.15 crore by March 2002. Despite completion of civil works in July 1998, the Corporation was not in a position to complete the balance work and put the building to use for the intended purpose. Audit observed that :

- the orientation of the building was changed from west to east without envisaging any specific advantage.
- though the scope of work was revised to the extent of 70 per cent over the original estimates in February 1992, approval of the Board of Directors for the revised estimated cost was obtained only in February 2000.

- supplemental items were awarded to the same contractor on nomination basis at market rate plus 10 *per cent* instead of working out the rate from the SSR.
- adequate funds were not provided for execution of work by the scheduled completion date.
- low priority works like ducting and false-ceiling, installation of transformers, elevators, gardening etc., costing Rs.0.82 crore were executed without completion of various civil works and without finalisation of tenders for related major works like air-conditioning system, internal electrification etc.
- the work on the ‘Bus Bhavan’ which commenced in January 1992 was yet to be completed even after a decade, defeating the very objective of construction. On the capital cost of Rs.12.15 crore invested an interest of Rs.7.59 crore was incurred up to March 2002.

The matter was reported to Government/Corporation (August 2002); their replies had not been received (October 2002).

3B.2.3 Construction of Kalyanamandapam

Construction of Kalyanamandapam at a huge cost without examining relative economics and its non-completion resulted in locking up of Rs.4.97 crore besides revenue expenditure of Rs.0.83 crore per annum

The Corporation proposed (May 1990) to construct a multi-functional socio-cultural centre at Hyderabad comprising Kalyanamandapam (in two floors), auditorium (basement and ground floor) and accommodation block (24 rooms in 3 floors) with additional facilities viz., exhibition hall and a restaurant. The complex was to be constructed in 1.95 acres of land, near the administrative building of the Corporation, at an estimated cost of Rs.2.60 crore. The civil works were awarded (November 1991) on lowest tender basis for Rs.1.73 crore. The work was commenced in January 1992 and was to be completed by August 1993. However, due to lack of budgetary support and delay in execution of civil works by the contractor, the construction was abnormally delayed by more than five years and was partially commissioned (except auditorium) in January 1998. Due to revision in overall design, increase in plinth area from 5132 sq. metres to 6568 sq. metres and time overrun, the estimated cost of work had gone up to Rs.4.59 crore and Board approved (August 1998) the same. To end of February 2002, the Corporation incurred Rs.4.97 crore and in order to complete the work, Rs.0.60 crore was further required.

Audit observed that:

- a) as about 80 *per cent* of work force of the Corporation was employed outside Hyderabad, construction of Kalyanamandapam at a huge cost of Rs.4.97 crore in Hyderabad was not 'need based' and lacked justification.
- b) from the date of partial commissioning till 31 March 2002 i.e., in 1521 days only 106 staff members hired the Kalyanamandapam for 130 days and an income of Rs.7.91 lakh was earned. During the above period, the Mandapam was allotted to 286 private parties for 347 days and Rs.42.97 lakh was earned. The total income of Rs.0.51 crore earned was far less than the expenditure of Rs.3.52 crore incurred towards interest, depreciation, property tax and maintenance charges during the period of four years.
- c) while capital investment was locked up, the Corporation was incurring expenditure towards interest on borrowed funds (Rs 0.62 crore) and depreciation (Rs 21.00 lakh) per annum.

It is, thus, clear that the economics of constructing a huge complex with an investment of Rs.4.97 crore and the extent of its utility to the employees were not examined before taking up the above work. As such, the complex was serving more to the needs of general public than its employees.

The matter was reported to Government/Corporation (August 2002); their replies had not been received (October 2002).

3B.2.4 Operation of Mayuri Air-conditioned sleeper coaches

The Corporation purchased 12 Mayuri Air-conditioned sleeper coaches for Rs.2.45 crore without traffic survey and their un-economic operations resulted in loss of Rs.0.68 crore

At the instance of VC&MD (who visited China in November 1997), the Corporation decided (December 1997) to introduce 12 air-conditioned (A/c) sleeper coaches from Hyderabad to Shirdi, Bangalore, Pune, Hubli, Tirupati, Bhadrachalam and Amalapuram. Before obtaining approval for the proposal, neither traffic survey was conducted nor introduction of these services on trial basis examined. Out of 12 A/c sleeper coaches purchased at a cost of Rs.2.45 crore during the period from April to November 1998, only eight sleeper coaches were in operation (two for Shirdi and six for Bangalore), as of March 2001, while three sleeper coaches were lying idle from July 1999 onwards (except for two months in May and June 2000) due to poor occupancy ratio. One sleeper coach caught fire in January 2001 and was converted into city ordinary service at a cost of Rs.5.42 lakh. In August 2001 five sleeper coaches were sent to zonal workshop, Uppal for conversion into city special services.

Audit observed that the Corporation introduced all the 12 sleeper coaches in one go instead of limited number on experimental basis initially and increasing gradually depending on occupancy ratio. Though the Corporation was operating sleeper coaches from April 1998 onwards, cost of operation of these services was not worked out and reviewed. Based on the cost per KM of the depot at the end of each year, the uneconomic operation of sleeper coaches resulted in loss of Rs.0.68 crore (as worked out in Audit) from April 1998 to March 2002.

The matter was reported to Government/Corporation (August 2002); their replies had not been received (October 2002).

Hyderabad
The

(Sudarshana Talapatra)
Accountant General (Audit) II
Andhra Pradesh

Countersigned

New Delhi
The

(Vijayendra N. Kaul)
Comptroller and Auditor General of India