

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2003, the State had 52 Public Sector Undertakings (PSUs) comprising 49 Government companies and three Statutory corporations as against same number of Government companies and Statutory corporations as on 31 March 2002. Out of 49 Government companies 31 were working Government companies while 18 were non-working companies. All the three Statutory corporations were working corporations. In addition, there were 11 companies under the purview of section 619-B of the Companies Act, 1956 as on 31 March 2003.

The total investment in 34 working Public Sector Undertakings increased from Rs.23,590.33 crore as on 31 March 2002 to Rs.26,538.41 crore as on 31 March 2003. The total investment in non-working PSUs also increased from Rs.642.34 crore to Rs.702.49 crore during the same period.

The budgetary support in the form of capital, loans, grants and subsidies disbursed to the working PSUs increased from Rs.4,533 crore in 2001-02 to Rs.4,625.93 crore in 2002-03. There was an increase of Rs.60.15 crore in equity and loan contribution of non-working companies in 2002-03 compared to 2001-02.

Two working Government companies and one Statutory corporation had finalised their accounts for the year 2002-03. The accounts of remaining 29 working Government companies and two Statutory corporations were in arrears for periods ranging from one to six years. The accounts of all the 18 non-working Government companies were in arrears for periods ranging from one to 19 years, as on 30 September 2003.

According to the latest finalised accounts, 15 working PSUs (13 Government companies and two Statutory corporations) earned an aggregate profit of Rs.462.99 crore, out of which only one company declared dividend of Rs.86.66 crore during the year. Against this, 15 working PSUs (14 working Government companies and one Statutory corporation) suffered an aggregate loss of Rs.950.65 crore. Of the loss incurring working Government companies, four companies had accumulated losses aggregating Rs.412.52 crore which exceeded their aggregate paid-up capital of Rs.58.77 crore. One loss incurring Statutory corporation had accumulated loss of Rs.795.13 crore which had exceeded its paid-up capital of Rs.201.27 crore. Despite their poor performance and complete erosion of paid-up capital, the

State Government continued to provide financial support of Rs.341.96 crore to two of the above-mentioned four companies during the year.

(Paragraphs 1.1, 1.2, 1.6,1.7,1.8,1.10,1.12,1.16, 1.20 & 1.37)

2. REVIEWS RELATING TO GOVERNMENT COMPANIES

Aspects relating to activities of Andhra Pradesh State Housing Corporation Limited and Andhra Pradesh State Civil Supplies Corporation Limited were reviewed in audit and some of the main findings are as follows:

2.1 Andhra Pradesh State Housing Corporation Limited

The Andhra Pradesh State Housing Corporation Limited was incorporated in July 1979 as a wholly owned State Government company mainly to formulate and undertake housing schemes for rural poor and weaker sections of the society and create other infrastructure facilities required for the housing schemes.

(Paragraph 2.1.1)

Some of the important observations included in the review are as follows:

Funds were borrowed on the basis of sanction of the housing programme without considering availability of unutilised funds out of earlier loans, pace of utilisation of funds, etc. This rendered mobilisation of funds in excess of actual requirement by Rs.104.08 crore over the period of five years up to 2002-03.

(Paragraph 2.1.7)

Funds of Rs.452.23 crore transferred by head office of the Company to its district units remained unreconciled at the end of 2002-03.

(Paragraph 2.1.12)

None of the housing schemes were completed in the year in which they were sanctioned. Out of 16.55 lakh houses taken up for construction during 1998-2003, 3.86 lakh houses remained incomplete up to March 2003.

(Paragraph 2.1.14)

Funds aggregating Rs.90 lakh were invested in cooperative banks, not notified by State Government. Similarly four district offices invested funds aggregating Rs.22.71 crore in FDRs without the approval of the competent authority. Whereabouts of FDRs aggregating Rs.23 lakh invested during 1991-1997 by one district office were not known till date.

(Paragraph 2.1.30)

There was a difference of Rs.33.06 crore between loan collections reported by district offices and actually remitted to head office. This was due to retention of collections by field staff/retention of funds by collecting banks.

(Paragraph 2.1.33)

Absence of adequate internal control mechanism and proper monitoring of activities led to mis-utilisation and misappropriation of funds and materials, defective construction of houses, retention of loan recoveries, etc. aggregating Rs.11.74 crore.

(Paragraph 2.1.41)

2.2 Andhra Pradesh State Civil Supplies Corporation Limited

Andhra Pradesh State Civil Supplies Corporation Limited was incorporated in December 1974 as a wholly owned Government company with the main objectives of distribution/sale of essential commodities; ensuring their availability in the market at reasonable rates and equitable price to the primary producers of agricultural commodities.

(Paragraph 2.2.1)

Some of the important observations included in the review are as follows:

Loan of Rs.17.48 crore given to Nizam Sugars Limited at the behest of State Government remained locked since May 1998.

(Paragraph 2.2.9)

Due to delay in submission of claims of Rs.25.55 crore to State Government for margin under National Programme for Nutritional Support for Primary Education Scheme and delay in their settlement, the Company incurred loss of interest of Rs.5.74 crore on cash credit availed.

(Paragraph 2.2.15)

Failure of the Company in claiming refund from Food Corporation of India towards differential cost of rice due to roll back of prices, failure to lift stocks during pipeline period and payment of revised prices for stocks lifted during pipeline period resulted in loss of Rs.3.69 crore.

(Paragraph 2.2.19)

Though the decision of Government of India to supply food grains to SC/ST/OBC hostels at below poverty line rates was communicated to Food Corporation of India (FCI) headquarters, district units of FCI charged above poverty line rates on 30,042 MT of food grains lifted by the Company resulting in extra expenditure of Rs.11.68 crore. Neither any claim was raised nor the matter was pursued with the FCI Headquarters.

(Paragraph 2.2.21)

Under market intervention operations, the Company procured tamarind at prices higher than the ruling market prices and incurred a total loss of Rs.1.05 crore (including incidental expenditure).

(Paragraph 2.2.30)

3. REVIEW RELATING TO STATUTORY CORPORATION

3.1 One time settlement scheme in Andhra Pradesh State Financial Corporation

With a view to settle sticky loan accounts by extending concessions like waiver of interest, penal interest etc. where the possibility of recovery of loan was remote, the Corporation introduced one time settlement (OTS) scheme in 1992, which was modified from time to time.

(Paragraph 3.3)

Some of the important observations included in the review are as follows:

OTS was extended to 143 standard and sub-standard assets contrary to the guidelines resulting in loss of Rs.6.62 crore.

(Paragraph 3.20)

The Corporation settled 393 loan accounts for Rs.60.66 crore against availability of securities worth Rs.145.77 crore and collectable amount of Rs.70.46 crore as per guidelines.

(Paragraph 3.26)

Loan of Rs.3.01 crore was sanctioned in one branch to the daughter of OTS beneficiary in another branch and OTS amount of Rs.1.56 crore was adjusted from the loan.

(Paragraph 3.30)

In 31 cases in 10 branches, the Corporation relieved 59 out of 126 guarantors by collecting Rs.1.42 crore as against the outstanding amount of Rs.39.81 crore without discharging the total liability.

(Paragraph 3.31)

Failure to sell the units for the highest offer led to distress settlement later in two cases resulting in loss of Rs.1.78 crore.

(Paragraphs 3.38 & 3.39)

4. MISCELLANEOUS TOPICS OF INTEREST

Government companies

The **Nizam Sugars Limited** incurred loss of Rs.2.92 crore due to unauthorised sale of farm land below the basic registered value.

(Paragraph 4.3)

Transmission Corporation of Andhra Pradesh Limited procured 1.60 lakh single phase energy meters at higher rate than the latest lower procurement rate resulting in avoidable expenditure of Rs.3.50 crore.

(Paragraph 4.4)

Incorrect/lower fixation of recovery rate of fuel cost adjustment by **Transmission Corporation of Andhra Pradesh Limited** resulted in loss of Rs.20.38 crore during 1997-98 and 1998-99.

(Paragraph 4.5)