COMMITTEE ON PUBLIC UNDERTAKINGS
(1995 - 96)

(Tenth Legislative Assembly)

SECOND REPORT

ON

THE AUDIT PARAS CONTAINED IN THE REPORT OF THE C & A.G. OF INDIA (COMMERCIAL) FOR THE YEAR 1992-93 PERTAINING TO THE ANDHRA PRADESH STATE HOUSING CORPORATION LIMITED AND THE SINGARENI COLLIERIES COMPANY LIMITED AND FOR THE YEAR 1993-94 PERTAINING TO THE ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED.

(Presented to the Legislature on 23-3-1996)

ANDHRA PRADESH LEGISLATURE (ASSEMBLY) SECRETARIAT

PUBLIC GARDENS, HYDERABAD - 500 486.

COMMITTEE ON PUBLIC UNDERTAKINGS
(1995 - 96)

(Tenth Legislative Assembly)

SECOND REPORT

ON

THE AUDIT PARAS CONTAINED IN THE REPORT OF THE C & A.G. OF INDIA (COMMERCIAL) FOR THE YEAR 1992-93 PERTAINING TO THE ANDHRA PRADESH STATE HOUSING CORPORATION LIMITED AND THE SINGARENI COLLIERIES COMPANY LIMITED AND FOR THE YEAR 1993-94 PERTAINING TO THE ANDHRA PRADESH STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED.

(Presented to the Legislature on 23-3-1996)

J. 353-1

COMMITTEE ON PUBLIC UNDERTAKINGS
(1995-96)

(Constituted on the 25th April, 1995)

CHAIRMAN:

1. Sri K. Chandrasekhar Rao

MEMBERS :

2. Sri S.V. Chinna Appala Naidu
3. Sri Venna Nageswara Rao
4. Sri Mukku Kasi Reddy
5. Sri N. Raja Reddy
6. Sri N. Venkataiah
7. Dr. S. Venugopala Chari (upto 7.10.1995)
8. Dr. P. Subbaiah
9. Sri P. Kesav
10. Sri K. Bapi Raju
11. Sri M. Shashidhar Reddy
12. Sri Vanka Satyanarayana
13. Sri M. Anjaneyulu
14. Sri M.A. Gafoor
15. Sri Ch. Vidyasagar Rao

LEGISLATURE SECRETARIAT :

1. Sri C. Venkatesan, Special Secretary
2. Sri A.D. Bhaskar Reddy, Joint Secretary
3. Sri Khaja Moinuddin, Assistant Secretary
4. Sri P. Venkata Rama Rao, Section Officer.

CONTENTS

			Page Nos.
	Introduction	..	vii
1.	Housing Department (A.P. State Housing Corporation Limited).	..	1
2.	Energy Department (The Singareni Collieries Company Limited).	..	12
3.	Industries and Commerce Department (A.P. Industrial Infrastructure Corporation Limited).	..	16
	Summary of recommendations.	..	20

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1995-96) having been authorised by the Committee to present the Report on its behalf, present this Second Report on the Audit paras contained in the Report of the C. & A.G. of India (Commercial) for the year 1992-93 pertaining to the A.P. State Housing Corporation Limited and the Singareni Collieries Company Limited and for the year 1993-94 pertaining to the A.P. State Industrial Infrastructure Corporation Limited.

The Committee has examined the Report of the C. & A.G. of India (Commercial) for the year 1992-93 and 1993-94 relating to the above Corporations during its sitting held from time to time between 29th May, 1995 and 14th August, 1995.

The Committee has considered and approved this Report at its sitting held on 9th February, 1996.

A statement showing the summary of principal recommendations/observations of the Committee is appended to this Report. A record or proceedings (one cyclostyled copy laid on the Table of the House and one placed in the Legislature Library) of the sitting of the Committee which has been maintained forms part of this Report.

The Committee places on record their appreciation of the assistance rendered to them by the Accountant General (Audit II) Andhra Pradesh, Hyderabad and their officers and staff and also the Special Secretary, Joint Secretary Legislature and their staff in examination and preparation of the Report.

The Committee would like to express their thanks to the officers of the Government of Andhra Pradesh for the co-operation extended by them in giving information to the Committee.

K. CHANDRASEKHAR RAO,
Chairman,
Committee on Public Undertakings.

Hyderabad,
Dt. 9.2.1996.

1. HOUSING DEPARTMENT

(ANDHRA PRADESH STATE HOUSING CORPORATION LIMITED)

[Report of the C. & A.G. of India (Commercial) for the year 1992-93]

Para 2.A.2 ORGANISATIONAL SET-UP:

1.1 The Managing Director is the Chief Executive of the Company who supervises the day to day transactions. Since inception in July, 1979 till March, 1993 as many as 19 persons were appointed to hold this post. The incumbency ranged between ten days to two years and ten of these Directors held the post for less than 6 months.

1.2 Reviewing this position, the Committee could not understand the rationale of the Government in ordering quick changes of the incumbents of this post. Considering the necessity to continue a person atleast for a period of 3 years for better appreciation of the problems and efficient working of the Company, the Committee strongly recommends to the Government not to disturb the incumbent within a period of 3 years in the normal course.

Para 2A.4.3 NON RECEIPT OF SUBSIDY FROM STATE GOVERNMENT:

2.1 The Committee also noted that an amount of Rs. 47.00 crores was due from the State Government towards subsidy on the schemes implemented by the Company. It was explained to the Committee that the amount was not released by Government due to difficult financial position.

2.2 However, the Committee is of the opinion that the Government may release the subsidy, so that this amount will be useful for implementation of Schemes for Weaker Sections. The Committee recommends that the Managing Director may pursue the issue and give a feed back periodically to the Committee.

Para 2A.6.1 & 2A.6.2 DEFICIENCIES IN CASH MANAGEMENT:

3.1 There was no system of forecasting the inflow and outflow of cash. There was no monitoring system to watch over the surplus money to be surrendered to Head Office. No norms were fixed for investment of surplus funds.

3.2 The Committee noted that many bank accounts (for example in five districts there were 226 accounts) were opened. Consequently many irregularities like delay in depositing of Cheques/ Demand Drafts in Bank Accounts, delay in transfer of funds by bankers, misappropriation of funds etc., took place. There were also huge arrears in reconciliation of funds transferred from District Office to Head Office.

3.3 In their reply, the Management stated that the delays in depositing DDs/Cheques had been overcome, instructions have been issued to ensure that Bank reconciliation is brought upto date, and the Principal Bank Branch System (PBBS) has been introduced in the districts from 1994-95 to reduce the number of Bank Accounts by closing the accounts at divisional level and to streamline payments to beneficiaries.

3.4 The Committee noted that action is still pending in the following cases:-

a) Out of Rs. 5.07 lakhs transferred by Head Office to Krishna district office during 1982-83 and 1983-84, only Rs. 1.17 lakhs has been adjusted in 1987-88 accounts and the remaining amount is still lying under the Head "Cash in Transit". The Management should verify the books of accounts and adjust the amount to correct Head and inform the particulars to the A.G. for their reference.

(Para 2A.6.2.4).

b) Out of Rs. 3.28 lakhs to be disbursed (October, 1988 to March, 1989) by D.M. Nizamabad to the beneficiaries through Dy. E.E., Bodhan, Rs. 2.02 lakhs were embezzled by an A.E. by fraudulent withdrawal. The A.E. was dismissed (April, 1989) and a criminal complaint against him is pending.

(Para 2A.6.2.9).

The Committee would like to know the further development in these cases:

3.5 The Committee also desired that-

i) Reconciliation of bank accounts, should be done upto date on priority;

ii) A report should be furnished on the effectiveness of the P.B.B.S. in overcoming the systems weakness and irregularities pointed out in audit.

Para 2A.7 TAKE-OVER OF ACTIVITIES FROM HOUSING FEDERATION:

4.1 The Company took-over, as per Government directions from Housing Federation and its district societies, cash, stock and other materials/properties valuing Rs. 53.99 crores, (excluding Rs. 61 lakhs under cement account to be reconciled). Settlement of accounts between these institutions and the company could not take place.

4.2 In their explanatory notes, the Management opined that transfer of assets from a co-operative society and a company cannot be finalised as these two are governed by two different Acts.

4.3 The Committee feels that Government may decide and settle the accounts to avoid further delay. Further the Company shall pursue the settlement with Government and incorporate the details suitably in its accounts on hand.

Para 2A.9.2 IMPLEMENTATION OF HOUSING SCHEMES-PHYSICAL PROGRESS:

5.1 As against, Audit Observations, of 96,000 houses not started upto 1992-93 the Company stated that as on 31.3.1994 only 11,409 houses are yet to be started.

5.2 The Committee observed that the purpose of the Scheme was defeated as the houses were not taken up for one reason or other and recommends that such delay should be avoided and the weaker sections schemes should be completed as per the programme.

Para 2A.9.4.1 IMPLEMENTATION OF CYCLONE HOUSING SCHEMES:

6.1 Government accorded sanction for construction of 55,000 houses to rehabilitate cyclone victims at a cost of Rs. 4,950 lakhs in 10 Districts.

6.2 In the above scheme, it was provided that beneficiaries have to pay Rs. 61 each as admission fee and Rs. 250 as their contribution. The Unit cost was Rs. 9000 and it was divided in two components i.e., subsidy Rs. 4500 and loan Rs. 4500.

6.3 It was observed in audit that 16,850 houses were not yet started. The Company informed that except 133, all houses were completed upto 30.9.1994 and expressed the view that the unit cost of Rs. 9000 was not sufficient and it was difficult to built the houses within the limit of the unit cost.

It was observed in Audit that:-

(i) Equitable mortgage in respect of 8192 houses were not created;

(ii) Rs. 6.39 lakhs towards admission fee, and Rs. 14.33 lakhs towards beneficiary contribution were not collected;

(iii) In respect of Ongole District 837 houses (cost Rs. 74.43 lakhs) and Srikakulam District 896 (Cost Rs. 7.74 lakhs) remained unoccupied.

(iv) Neither the loan ledgers were maintained nor any recoveries were made from the beneficiaries.

6.4 The Committee was surprised to note that the Company had not furnished any explanatory notes on these issues.

6.5 The Committee therefore, directs the company to give a detailed note on these issues immediately.

Para 2A.9.4.2 BEEDI WORKERS HOUSING SCHEMES:

7.1 Government authorised the company to take up the construction of 10,000 houses in 12 districts at a cost of Rs. 1000 lakhs i.e., Rs. 500 lakhs as subsidy (at the rate of Rs. 5000 per worker), Rs. 475 lakhs as loan and Rs. 25 lakhs as beneficiary contribution.

7.2 The company obtained Rs. 475 lakhs as loan from Housing Finance companies at an interest of 10.5 per cent for implementation of the above scheme.

7.3 Audit observed that 4162 houses were handed over as at March, 1993 and the recovery was not started from the beneficiaries.

7.4 In their explanation, the company stated that as at March, 1994, only 1756 houses were at different stages of construction and they were scheduled to be completed by September, 1994. Further the recovery schedule was finalised and Rs. 1.76 lakhs was recovered upto March, 1994.

7.5 The Committee after prolonged deliberations directs the company (i) to complete the balance houses; (ii) to ascertain the feasibility of utilising the cess available with Labour Ministry for execution of additional schemes for beedi workers' housing; and (iii) to give a feedback report on these matters by March, 1996.

Para 2A.9.5 UNOCCUPIED HOUSES:

8.1 As on 31st March, 1993, 20,103 houses constructed at a cost of Rs. 1482 lakhs were unoccupied for various reasons. The Company stated that upto September, 1994 only 12,515 houses were unoccupied. The main reasons were improper selection of beneficiaries (590), fully damaged houses (4172), partly damaged houses (3042), away from village (539) non availability of electricity (441), non availability of water (115), etc.

8.2 The Committee was unhappy that so many houses constructed incurring lakhs of rupees were not available for the beneficiaries and desires that responsibility be fixed on the officers concerned and a report about the action taken be furnised by March, 1996.

Para 2A.9.6 LOAN RECOVERY FROM BENEFICIARIES:

9.1 The Loans were sanctioned to beneficiaries @7 per cent per annum with 3 per cent rabate for prompt payment, all recoverable in 120 to 240 monthly instalments, in the case of rural and urban permanent houses respectively.

9.2 The Management admitted that as against the demand of Rs. 298.95 crores, recovery was made to an extent of Rs. 16.60 crores leaving a balance of Rs. 282.35 crores. The recovery performance as on 31.3.1994 was 5.55 per cent.

9.3 In his oral evidence, the MD has stated that the recovery was 5% in some districts and 20% in some districts the average percentage of recovery was 7.44; and the Corporation authorities mentioned that they were not insisting on recoveries as the schemes were meant for Weaker Sections.

9.4 After prolonged deliberations, the Committee was of the unanimous opinion that the company should evolve procedures for effective recovery to plough back the money for subsequent schemes. The Committee would like to have a feed back on the procedure adopted and the amount actually recovered as a percentage of demand in March, 1996.

Para 2A.9.7.3 MISAPPROPRIATION OF BENEFICIARY CONTRIBUTION

10.1 In Ranga Reddy District, a person was taken on deputation as Superintendent (Accounts) on the ground that he worked with National Institute of Consumer Studies (NICS), Hyderabad. It was observed in Audit that he was taken on deputation without verifying his previous employment. when he was about to be obsorbed permanently, it came to light that he was not at all employed with NICS. During his stay he has, on different dates withdrawn Rs. 9.08 lakhs from Canara Bank Account of the Company by fraudulent means.

10.2 The Committee observed that though the Company dispensed his service in July, 1985, they filed a complaint with police only in December, 1991. Further it was observed that the company

addressed the standing counsel only in October, 1993 to file a suit against the Bank for its negligence in allowing such withdrawals.

10.3 The Committee was shocked to observe that there was delay in taking steps despite substantial loss devolved on the company in this fraud. The Committee could not understand the reasons for not filing a criminal case against the accused immediately on noticing the fraud and also letting him free.

10.4 The Committee directs that responsibility be fixed and action taken against the officials responsible for dealing with the case and the loss should make good under a report to the Committee, latest by March, 1996.

Para 2A.10.1 IMPLEMENTING OF HOUSING SCHEMES THROUGH EXECUTING AGENCIES:

11.1 During 1983-87 the company advanced the huge amounts to the Executing Agencies for implementing the schemes and the latter have to render accounts for these advances.

11.2 The Company in their written statement stated that as on 31.3.1994 the amount outstanding for adjustment was Rs. 66.33 crores. The company assures the committee that the advances would be adjusted in 1994-95 accounts.

11.3 The committee desired to have a report in March, 1996 about the progress in this regard.

Para 2A.10.2 REVIEW OF ACCOUNTS RENDERED BY EXECUTING AGENCIES - AND EXECUTIVES:

12.1 The Executing agencies and Executives of the company have committed several irregularities and the company was to take appropriate action against these agencies as follows:-

1. Nandyal Municipality Misutilised cash and cement (value Rs. 6.13 lakhs) and sought extension of time to pay the amount in instalments during 1992-93. The company is still to recover the amount. (Para 10.2.1)

2. Junior Engineer (H) Yemmiganur diverted cement (value Rs. 2.55 lakhs). The District Office has to recover/adjust the amount. (Para 10.2.2)

3. Out of the advances given to the EA, Mahaboobnagar upto 1986-87 Rs. 5.71 lakhs was recoverable. Of this Rs. 5.53 lakhs, the value of irregularities committed by officials at Mahaboobnagar is yet to be recovered. Two Officers from whom Rs.1.52 lakhs was due, have retired from service. (Para 10.2.3)

4. Seven Municipalities have to render books of account in respect of Rs. 132 lakhs advanced to EAs in Anantapur district. Only when the accounts are rendered the company can know funds unutilised and take action for recovery of the amount. (Para 10.2.4)

5. The BDO Nuzvid misutilised Rs. 1.07 lakhs while constructing 151 SPRH colony at Musunuru in 1983-84. Enquiry report of the Superintending Engineer, Panchayat Raj, Eluru who is enquiring into the misappropriation of Rs. 1.07 lakhs by BDO, Nuzvid, is awaited. (Para 10.2.5)

6. In an enquiry conducted about the irregularities in construction of 240 houses in Krishna District, an amount of Rs. 0.70 lakh was identified to be recovered from officials of this Rs. 0.15 lakh was recovered and the balance amount of (Rs. 0.55 lakh) is yet to be recovered. (Para 10.2.6)

7. Audit observed that accounts were not furnished in respect of advances aggregating to Rs. 20.03 lakhs given to 13 AEs during 1987-88. The company stated that an amount of Rs. 9.24 lakhs is to be recovered from AEs as on 31.8.1994 from out of these advances. (Amount is being recovered at the rate of Rs. 1000 per month) (Para 10.2.7)

8. Out of Rs. 24.72 lakhs given as advance to 13 AEs/MDOs acquittances for a sum of Rs. 8.51 lakhs were not received in Paderu Division. Details of amounts adjusted/recovered and unspent were also not furnished. (Para 10.2.8)

9. Out of 350 houses constructed for beedi workers at Kurnool district, 14 houses collapsed,

31 houses were fully damaged and 305 houses were partly damaged. Due to defects and damages 350 houses were to be dismantled and reconstructed at Kurnool at a cost of Rs. 43.50 lakhs. The work was yet to be taken up. (Para 10.2.9d)

12.2 The Committee was very unhappy about the above irregularities and directs that comprehensive action taken notes should be prepared and submitted to the Committee by March, 1996.

Para 2A.11 MALPRACTICES IN IMPLEMENTING OF SCHEMES:

13.1 The company had not evolved a system for reconciliation of colony accounts, extent of funds unspent retained with EA and others etc.

13.2. The company noticed that there were many cases of malpractices in implementation of the schemes, which have come to surface because of complaints received against erring officials.

13.3 Audit reviewed 75 cases of irregularities involving crores of rupees. Of these, in respect of 28 cases neither the amount involved was assessed nor enquiry completed to determine the responsibility. In the remaining 48 cases, the company identified that an amount of Rs. 129.90 lakhs was involved and action initiated against the officials/EAs responsible.

13.4 A few illustrations are given below:-

(i) Based on the findings of the Joint Collector that the then D.M.(H) Nizamabad diverted the funds (Rs.31.33 lakhs) meant for Housing schemes for drilling of borewells, Government appointed (October, 1992) the Commissioner of Co-operative Societies to enquire into and report by January, 1993 on the allegations. The report is still awaited. (Para 11.2.1).

(ii) The Company dismissed the AE(H) Nalgonda for misutilisation of Rs. 10.27 lakhs and filed a case for recovery of the amount. The case is still pending in the court (Para 11.2.2)

(iii) The District Collector, Prakasam ordered an enquiry into the allegations of misutilisation

of funds and materials aggregating to Rs. 6.67 lakhs by the AE/WI. The enquiry report is awaited. (Para 11.2.3)

(iv) The Deputy EE Narsipatnam was suspended for releasing Rs. 4.81 lakhs in excess of work done and the amount is yet to recovered through Engineer-in-Chief, Panchayati Raj Department. (Para 11.2.4)

(v) In scheme to construct 96 houses for State Handloom and Textile Department, the then AE Sangareddy was alleged to have been involved for drawal of Rs. 16.11 lakhs as advances without rendering account for the advances already drawn. The enquiry report in this case is awaited. (Para 11.2.5)

(vi) Apart from the above, there are 9 other cases involving non-accountal/misappropriation of cash/material worth Rs. 43.57 lakhs, which are pending enquiry/recovery. (Para 11.2.6).

13.5 The company in their written explanation stated that erring officials were being identified to fix responsibility.

13.6. The Committee desires that the action taken, case wise, and amount recovered/adjusted be intimated by March, 1996.

Para 2A.13.2 MATERIAL MANAGEMENT - PROCUREMENT OF MATERIALS LIKE CEMENT, STEEL, TILES - ETC.

14.1 Instances have come to notice where tender ethics were not adhered to, leading to extra expenditure and locking up of funds with suppliers.

14.2 The Company released several advances to cement companies without verifying whether supplies have been received against the previous advance. The Chartered Accountancy firms to whom the company entrusted the reconciliation of advances vis-a-vis supplies reported that Rs. 10.64 crores remained to be recovered from the suppliers. When the company sought permission of Government to initiate legal action against suppliers, the Government directed the company to initiate

disciplinary action against the officials responsible for payment of advances.

14.3 However, the company suggested to the Government that a CBCID Enquiry may be conducted to fix responsibility on the officials and the permission of Government is awaited.

14.4 The Committee observed that the company is contemplating to make recovery from the bills of non-levy cement and forfeiture of EMD etc. A report an adjustment of all advances may be furnished by March, 1996.

14.5 The Committee further observed that the Company suffered a loss of Rs. 6.54 lakhs due to irregular procurement of cement from the local suppliers at ongole.

14.6 The Committee recommends that this loss be made good from persons responsible and the fact intimated to the Committee.

The Committee further noted that:-

1. 19,249 bags of Cement valued at Rs. 12198 lakhs got clodded during 1989-91 in Krishna, Khammam, Ongole and Srikakulam Districts due to rains, cyclones and floods and the amount was yet to be written off.

(Reply to Para 13.2.4).

2. The Company spent Rs. 1.25 lakhs towards godown charges due to delay in deciding the disposal of clodded cement.

(Para 13.2.4).

3. As against amount of Rs. 6.97 lakhs outstanding recovery from one AE in Mahaboobnagar district Rs. 0.30 lakh only was recovered. The company stated that action will be taken on receipt of report from Disciplinary action Committee.

(Para 13.2.4).

4. In Khammam district, the company could not dispose 4936 bags of clodded cement for want of takers as no body came forward in the auction conducted.

(Para 13.2.4).

5. The compnay suffered a loss of Rs. 2.65 lakhs due to non-coverage of cements in transit by insurance.

(Para 13.2.4).

14.7 The Committee, therefore, desires the company to fix responsibility in these cases.

Para 2A.13.2.5 PROCUREMENT OF CENTERING MATERIALS

15.1 Though it is not its regular business, the company procured centring material at a cost of Rs. 3.32 lakhs. However, the material was not supplied to any beneficiary and cost recovered from them.

15.2 The Committee observed that there was a shortage of material valued at Rs. 1.5 lakhs. The balance material available was also not put to any use. Hence, the total expenditure was found to be wasteful.

15.3 The Committee, therefore, feels that the loss shall be recovered from the persons responsible and feed back report should be given by March, 1996.

Para 2A.15.1 ARREARS IN ANNUAL ACCOUNTS

16.1 The accounts of the company were in arrears from 1988-89 onwards.

16.2 The company in their written and oral evidence assured that a schedule will be drawn and the arrears would be cleared.

16.3 The Committee recommends that vigorous steps be taken to bring the accounts upto date by chalking out a programme and furnish a periodical report.

2. ENERGY DEPARTMENT

(THE SINGARENI COLLIERIES COMPANY LIMITED)

(Report of the C & A.G. of India (Commercial) for the year 1992-93)

Para 4A.5 UNFRUITFUL EXPENDITURE ON PURCHASE OF BLOOD GAS ANALYSORS

17.1 The company purchased in January, 1983 two Automatic Blood Gas Analysors for Rs.10.16 lakhs.

This medical equipment was found to be defective since installation in February, 1983, and the company failed to get them replaced or get the refund from the supplier.

17.2 In their explanatory notes and oral evidence, the Management could not convince the Committee about the failure/inaction during warrantee period and beyond. They however stated that they were purchasing the latest model of the equipment from the same firm at a discounted price.

17.3 The Committee was unhappy over the failure/inaction of Management and strongly recommended that such mistakes would not be repeated in future.

OPEN CAST MINE AT RAMAGUNDAM

Para 2C.1.1 PROJECT IMPLEMENTATION:

18.1 Opencast mine-I of the Singareni Collieries company Ltd. at Ramagundam was estimated to cost Rs. 29.91 crores as per the Project Report prepared in 1975. It was made operative in 1988 at a cost of Rs. 82.93 crores. Audit found that the cost escalation was due to failure of the company, to take a decision on machine mix.

18.2 The company in the explanatory notes and oral evidence have stated that the technology was new and their endeavour to arrive at an optimum machine mix had delayed the project and resulted in escalation in cost.

18.3 The Committee however, felt that the requirement of machinery should have been decided well in advance to avoid delay and recommended that this guideline be kept in view for future projects.

Para 2C.2.2 UTILISATION OF MACHINERY

19.1 The company had to deploy excess machinery (125 against 91 as envisaged in Feasibility Report) for removal of over burden and production of coal. The percentage of machine utilisation was as low as 18 to 29 of standard shift hours due to frequent breakdowns.

19.2 In their explanation, the company attributed the low performance to complete indigenisation

of machinery. Giving oral evidence, the Management stated that penalty could not be levied against the suppliers, i.e., BEML, as they were another Government Organisation.

19.3 The Committee strongly feels that indigenisation should not mean leading to poor performance. Hence, penalty was to be levied against the suppliers and action may be taken to fix responsibility for non-levy of penalty.

Para 2C.2.2.4 DEFECTIVE SCRAPPERS:

20.1 The company procured and commissioned seven scrappers for scrapping top soil at a cost of Rs. 133.36 lakhs during 1975-81. Due to frequent breakdowns, the performance of the scrappers was poor. Despite a decision to deploy shovel dumper combination for removal of overburden the company incurred an additional expenditure of Rs. 336.14 lakhs towards procurement of 2 scrappers (Rs.61.70 lakhs) and hirecharges to use machinery of Irrigation Department (Rs. 274.44 lakhs).

20.2 The Management could not convine the Committee about the justification for this irregular purchase.

20.3 The Committee opined that purchase of scrappers despite Company's decisions to deploy shovel dumper combination was hasty and recommended that such issues should not recur in future.

Para 2C.2.2.6 DAMAGE TO DRILL

21.1 The company procured a drill at a cost of Rs. 32.53 lakhs and commissioned it in August, 1986. Due to damages caused by a nearby blasting, the drill which worked for 3088 hours against the anticipated 16,000 hours, became finally irreparable and was written off.

21.2 The Committee sought an explanation on this issue. The Management deposed that drilling and blasting were continuous processes, and it could not move the drill from blasting site for want of repairs.

21.3 The Committee was unhappy about the reply and thought that blasting could have been postponed till the drill was repaired and removed from

that site. Therefore, the Committee desires that action be taken against the Officials responsible for this loss and directs the Company to give a feed back.

Para 2C.4.6 REFUND OF INTEREST RECOVERED AS PENALTY:

22.1 For the delay in supply of Shovels (cost: Rs. 571.40 lakhs), the company recovered Rs. 56.48 lakhs as penalty from HEC, the suppliers as per the contractual obligations. However, on a request of the supplier, the company refunded this amount giving a reason that Coal India Limited, was not charging interest in their contracts.

22.2 Since the penalty had been recovered as per contract conditions, the Committee was surprised to note about the refund and recommended for fixing up responsibility in this issue. The Committee solicit a feed back report on this recommendation by March, 1996.

GENERAL:

A. SUPER SPECIALITY HOSPITAL:

23.1 The Committee pointed out that the company have a heavy work force (about 1.4 lakhs) who work in hazardous conditions and are prone to many dangerous ailments. But due to non-availability of proper emergency medical facility, the seriously injured workmen are being referred to some super speciality hospital which may not help in saving the life of the injured.

23.2 The Managing Director replied that in case of serious ailments they are being usually referred to Nizam Institute of Medical Sciences,Hyderabad.He also mentioned that there was a proposal for a super speciality hospital in Singareni Collieries area which did not materialise.

23.3 The Committee strongly recommends to have a Super Speciality Hospital in the vicinity of Singareni Collieries Company to help the work force in urgent medical need and advise the company to make every possible effort to get the Hospital facility early.

B. INADEQUATE EDUCATIONAL FACILITY FOR THE CHILDREN OF THE WORKMEN/EMPLOYEES OF THE COMPANY:-

24.1 The Committee strongly feels that adequate facility is not there for Higher/College Education in and around the Townships/Colonies of the company.

24.2 The committee recommends to take adequate steps to improve Higher/College education centres by the company itself which facilitate the children of the workmen/employess to improve their educational standards as a welfare measure.

3. INDUSTRIES & COMMERCE DEPARTMENT

(ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LTD.)

(Report of the C. & A.G. of India [Commercial] for the yera 1993-94)

Para 2B.6.3. INVESTMENT OF SURPLUS FUNDS

25.1 The Company invested surplus funds in Nationalised Banks and other Government Corporations by way of terms deposits. Section 370 of the Companies Act provides that prior approval of Government is required if the investment exceeds 30 per cent of the Share Capiral and Free Reserves. As an internal policy, the Management, shall not deposit more than 32 crores in one institution. However, the company flouted these rules and regulations and invested funds. The funds were invested in Private Ltd. Companies also.

25.2 The Committee examined 2 illustrious cases where the company invested in deposits of Hyderabad Allwyn Limited (Rs. 521 lakhs) and AB Financial Services Limited (Rs. 465 lakhs). While Hyderabad Allwyn Limited refunded Rs. 250 lakhs and AB Financial Services Limited refunded Rs. 170 lakhs, the balance amount is still due from them. The company could not get back the amount as scheduled.

25.3 The company in their written explanation stated that efforts are on to realise the amount. In their oral evidence the Management

deposed that deposits are placed day to day by the Managing Director and they were sure of realising the amount due.

25.4 However, the Management could not put forth any convincing reply regarding flouting of the Rules.

25.5 The Committee after considerable deliberations desired that the company shall follow the prescribed rules. The Committee wants to have a report about realisation of amount in these two cases by March, 1996.

Para 2B.6.3.C. UNDUE DELAY IN ALIENATION AND REFUND OF MONEY DEPOSITED WITH REVENUE AUTHORITIES:

26.1 The company requisitions the land required for industrial development from Government/ Private persons. The company takes possession of the land by depositing amount required by Revenue Officials. An amount of Rs. 604 lakhs was to be refunded by Revenue Department in respect of cases where awards were already passed. For Government land acquired from 1974 to 1990 alienation proceedings were not passed for 3600 acres because valuation was not completed. The company paid Rs. 5.80 crores to the Government pending finalisation of proceedings.

26.2 The Committee noted that there was undue delay in these matters and there was no system in the company to regularly monitor the issues.

26.3 In their explanatory notes and oral evidence, the Management stated that it is a time consuming process and with the co-operation of the Revenue Departmnt the issues can be sorted out early. The Secretary Revenue Department has explained that the cases are to be pursued vigorously, else they are lost sight off. However, he has assured the Committee that a Special drive would be taken up in this regard.

26.4 The Committee strongly feels that such long delays could happen only due to non-persuance by the company and recommends that immediate action should be taken to settle these matters and a feed back note should be given to the Committee within six months regarding (a) refund of 604 lakhs by Revenue

Department for cases finalised and (b) early finalisation of land acquisition proceedings regarding Government land acquired.

Para 2B.7 IDLE ESTATES AND LAND UNDERDEVELOPED:

27.1 The company, based on representations from public, acquires land develops infrastructure for setting up Industrial Estates.

27.2 The Committee reviewed the operation of the company and observed that in a number of cases either the land acquired has no demand and was not developed or the estates developed were lying vacant. A few illustrative cases like, Autonagar at Tenali, Machilipatnam and Gurrampalem and IDAs at Sarpavaram (East Godavari), Jaggiahpeta, Industrial Estates at Srikalahasti and projects started at Warangal, Penukonda and Pedagantyada (Vizag), were examined. The Committee noted that a few crores have been locked up in these cases and there was no convincing reply from the Management regarding the usefulness of the money spent on the unfruitful projects.

27.3 The Committee unanimously recommends that proper study should be made before launching of new ventures, it should be ensured that infrastructure facilities such as power, water will be available and every care should be taken that Government Funds are not locked up unduly. The completion and final utilisation particulars of the above mentioned projects should also be reported upon.

Para 2B.8.3. ALLOTMENT OF SHED TO VEMANA EDUCATIONAL SOCIETY, VISAKHAPATNAM.

28.1 The company handedover the possession of a shed in September, 1979 to Vemana Educational Society, Visakhapatnam on a rental of Rs. 3608 per month. The Society failed to pay rental and the company evicted them in December, 1987. Despite a court decree in favour of the company to collect the rental due of Rs. 10.36 lakhs, the amount was not realised.

28.2 The Company could not give a convincing reply as to why the Execution Petition was not filed to realise the rentals.

28.3 The Committee opined that allotment itself was irregular and sought for a feed back on realisation of amount by March, 1996. It should also be ensured that all Court cases are pursued vigorously at all stages.

Paras 2B.7.10 and 2B.7.11 LAND COST DUE FROM PUBLIC SECTOR UNDERTAKINGS:

29.1 The company allotted land to three Public Sector (Undertakings, i.e., Andhra Pradesh State Electricity Board (4.58 acres), National Small Industries Corporation Ltd. (11.20 acres) and Electronics Test and Development Center (5 acres).

29.2 The Committee noted that Rs. 10.39 lakhs, Rs. 40.68 lakhs and Rs. 7.20 lakhs were due from these organisations respectively.

29.3 The Committee wishes that the company should realise these amounts at an early date and give a status report by March, 1996.

Paras 2B.9 and 2B.10 RECOVERY OF RENTAL ARREARS AND OTHER CHARGES:

30.1 A total demand of Rs. 16.34 crores as at 31.3.1994 is pending recovery from the allottees. The recovery percentage during the last 5 years works out to 22 to 24. In addition Rs. 169.11 lakhs and Rs. 205 lakhs was due towards maintenance charges and water charges respectively.

30.2 The Committee noted that the recovery was going very slow.

30.3 The Committee, therefore, directs the company to put in their best efforts for realisation of arrears towards rentals, maintenance charges and water charges. The Committee further desires to have a feed back report by March, 1996, on these issues.

SUMMARY OF RECOMMENDATIONS

HOUSING DEPARTMENT : (A.P. State Housing Corporation Limited):

1. The Committee strongly recommends to the Government not to disturb the incumbent within a period of 3 years in the normal course.

(Paragraph No. 1.2).

2.1 The Committee is of the opinion that the Government may release the subsidy, so that this amount will be useful for implementation of Schemes for Weaker Sections. The Committee recommends that the Managing Director may pursue the issue and give a feed back periodically to the Committee.

(Paragraph No. 2.2).

3. The Committee desired that :

i) Reconciliation of bank accounts, should be done upto date on priority;

ii) A report should be furnished on the effectiveness of the P.B.B.S. in overcoming the systems weakness and irregularities pointed out in audit.

(Paragraph No. 3.5).

4. The Committee feels that Government may decide and settle the accounts to avoid further delay. Further the Company shall pursue the settlement with Government and incorporate the details suitably in its accounts on hand.

(Paragraph No. 4.3).

5. The Committee observed that the purpose of the Scheme was defeated as the houses were not taken up for one reason or other and recommends that such delay should be avoided and the Weaker Sections Schemes should be completed as per the programme.

(Paragraph No. 5.2).

6. The Committee was surprised to note that the Company had not furnished any explanatory notes on these issues.

The Committee, therefore, directs the Company to give a detailed note on these issues immediately.

(Paragraph Nos. 6.4 & 6.5).

7. The Committee after prolonged deliberations directs the company (i) to complete the balance houses; (ii) to ascertain the feasibility of utilising the cess available with Labour Ministry for execution of additional schemes for beedi workers' housing; and (iii) to give a feedback report on these matters by March, 1996.

(Paragraph No. 7.5).

8. The Committee was unhappy that so many houses constructed incurring lakhs of rupees were not available for the beneficiaries and desired that responsibility be fixed on the officers concerned and a report about the action taken be furnished by March, 1996.

(Paragraph No. 8.2).

9. The Committee was of the unanimous opinion that the company should evolve procedures for effective recovery to plough back the money for subsequent schemes. The Committee would like to have a feed back on the procedure adopted and the amount actually recovered as a percentage of demand in March, 1996.

(Paragraph No. 9.4).

10. The Committee observed that though the Company dispensed his service in July, 1985, they filed a complaint with police only in December, 1991. Further it was observed that the company addressed the standing counsel only in October, 1993 to file a suit against the Bank for its negligence in allowing such withdrawals.

The Committee was shocked to observe that there was delay in taking steps despite substantial loss devolved on the company in this fraud. The Committee could not understand the reasons for not filing a criminal case against the accused immediately on noticing the fraud and also letting him free.

The Committee directs that responsibility be fixed and action taken against the officials responsible for dealing with the case and the loss should make good under a report to the Committee, latest by March, 1996.

(Paragraphs Nos. 10.2 to 10.4).

11. The Committee desired to have a report in March, 1996 about the progress in this regard.

(Paragraph No. 11.3).

12. The Committee was very unhappy about the above irregularities and directs that comprehensive action taken notes should be prepared and submitted to the Committee by March, 1996.

(Paragraph No. 12.2).

13. The Committee desires that the action taken, casewise, and amount recovered/adjusted be intimated by March, 1996.

(Paragraph No. 13.6).

14. The Committee observed that the company is contemplating to make recovery from the bills of non-levy cement and forfeiture of E.M.D. etc. A report on adjustment of all advances may be furnished by March, 1996.

The Committee further observed that the company suffered a loss of Rs. 6.54 lakhs due to irregular procurement of cement from local suppliers at Ongole.

The Committee recommends that this loss be made good from persons responsible and the fact intimated to the Committee.

The Committee further noted that:-

1. 19,249 bags of Cement valued at Rs. 12.198 lakhs got clodded during 1989-91 in Krishna, Khammam, Ongole and Srikakulam Districts due to rains, cyclones and floods and the amount was yet to be written off.

(Reply to para 13.2.4).

2. The Company spent Rs. 1.25 lakhs towards godown charges due to delay in deciding the disposal of clodded cement.

(Para 13.2.4)

3. As against amount of Rs. 6.97 lakhs outstanding recovery from one AE in Mahaboobnagar District Rs. 0.30 lakh only was recovered. The company stated that action will be taken on receipt of report from Disciplinary Action Committee

(Para 13.2.4)

4. In Khammam District the company could not dispose 4936 bags of clodded cement for want of takers as nobody came forward in the auction conducted.

(Para 13.2.4)

5. The company suffered a loss of Rs. 2.65 lakhs due to non-coverage of cements in transit by insurance.

(Para 13.2.4)

The Committee, therefore, desires the company to fix responsibility in these cases.

(Paragraphs Nos. 14.4 to 14.7)

15. The Committee observed that there was a shortage of material valued at Rs. 1.5 lakhs. The balance material available was also not put to any use. Hence, the total expenditure was found to be wasteful.

The Committee, therefore, feels that the loss shall be recovered from the persons responsible and feed back report should be given by March, 1996.

(Paragraphs Nos. 15.2 & 15.3)

16. The Committee recommends that vigorous steps be taken to bring the accounts upto date by chalking out a programme and furnish a periodical report.

(Paragraph No. 16.3)

ENERGY DEPARTMENT: (The Singareni Collieries Company Limited):

17. The Committee was unhappy over the failure/ inaction of Management and strongly recommended

that such mistakes would not be repeated in future.

(Paragraph No. 17.3)

18. The Committee, however, felt that the requirement of machinery should have been decided well in advance to avoid delay and recommended that this guideline be kept in view for future projects.

(Paragraph No. 18.3)

19. The Committee strongly feels that indigenisation should not mean leading to poor performance. Hence, penalty was to be levied against the suppliers and action may be taken to fix responsibility for non-levy of penalty.

(Paragraph NO. 19.3)

20. The Committee opined that purchase of scrappers despite Company's decisions to deploy shovel dumper combination was hasty and recommended that such issues should not recur in future.

(Paragraph No. 20.3)

21. The Committee was unhappy about the reply and thought that blasting could have been postponed till the drill was repaired and removed from that site. Therefore, the Committee desires that action be taken against the officials responsible for this loss and directs the company to give a feed back.

(Paragraph No. 21.3)

22. Since the penalty had been recovered as per contract conditions, the Committee was surprised to observe about the refund and recommended for fixing up responsibility in this issue. The Committee solicit a feed back report on this recommendation by March, 1996.

(Paragraph No.22.2)

23. The Committee strongly recommends to have a Super Speciality Hospital in the vicinity of Singareni Collieries Company to help the work force in urgent medical need and advise the company to make every possible effort to get the Hospital facility early.

(Paragraph No.23.3)

24. The Committee recommends to take adequate steps to improve Higher/College education centres by the company itself which facilitate the children of the workmen/employees to improve their educational standards as a welfare measure.

(Paragraph No. 24.2)

INDUSTRIES & COMMERCE DEPARTMENT:

(Andhra Pradesh Industrial Infrastructure Corporation Limited)

25. The Committee after considerable deliberations desired that the company shall follow the prescribed rules. The Committee wants to have a report about realisation of amount in these two cases by March, 1996.

(Paragraph No.25.5)

26. The Committee strongly feels that such long delays could happen only due to non-persuance by the company and recommends that immediate action should be taken to settle these matters and a feed back note should be given to the Committee within six months regarding (a) refund of 604 lakhs by Revenue Department for cases finalised and (b) early finalisation of land acquisition proceedings regarding Government land acquired.

(Paragraph No. 26.4).

27. The Committee unanimously recommends that proper study should be made before launching of new ventures, it should be ensured that infrastructure facilities such as power, water will be available and every care should be taken that Government Funds are not locked up unduly. The completion and final utilisation particulars of the above mentioned projects should also be reported upon.

(Paragraph No. 27.3)

28. The Committee opined that allotment itself was irregular and sought for a feed back on realisation of amount by March, 1996. It should also be ensured that all court cases are pursued vigorously at all stages.

(Paragraph No.28.3)

29. The Committee wishes that the company should realise these amounts at an early date and give a status report by March, 1996.

(Paragraph No.29.3)

30. The Committee, therefore, directs the company to put in their best efforts for realisation of arrears towards rentals, maintenance charges and water charges. The Committee further desires to have a feed back report by March, 1996, on these issues.

(Paragraph No.30.3)

PRINTED BY THE COMMISSIONER OF PRINTING, AT LEGISLATIVE ASSEMBLY PRESS, HYDERABAD.