ANDHRA PRADESH LEGISLATURE

(Eleventh Legislative Assembly)

Sixth Report

of

The Committee on Public Undertakings

(2000 - 2001)

on

The Audit Paragraphs Contained in the Report of the Comptroller and Auditor General of India for the years ended 31 March 1992, 1993, 1994 *(Commercial)*

And

Review Contained in the Report of C & A G of India *(Commercial)* for the year ended 31 March 1995

on

A.P. FOREST DEVELOPMENT CORPORATION LIMITED

(Presented to the Legislature on 6-9-2000)

ANDHRA PRADESH LEGISLATURE (P.U.C.) SECRETARIAT
Public Gardens, Hyderabad - 500 486.

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2000- 2001)
(Constituted on the 3rd April, 2000)

CHAIRMAN:

1. Sri A.V. Suryanarayana Raju

MEMBERS:

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3. Sri Balli Durga Prasad Rao
4. Sri S.A. Khaleel Basha
5. Sri P. Mahender Reddy
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13 Sri M. Narsimhulu
14. Sri Kandula Nagarjuna Reddy
15. Sri Akbaruddin Owaisi

SPECIAL INVITEES:

16. Sri Reddy Satyanarayana
17. Sri M. Dharma Rao

LEGISLATURE SECRETARIAT:

Sri K. Tuljanand Singh, Secretary
Sri R. Bhaskaran, Deputy Secretary
Sri B. Padma Reddy, Assistant Secretary
Sri A. Ram Reddy, Section Officer

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (2000-2001) having been authorised by the Committee to present the Report on their behalf, present this SIXTH Report on Andhra Pradesh Forest Development Corporation Limited.

The Committee on Public Undertakings (1998-99) have examined the Reports of the C & AG of India for the years ended 31 March, 1992, 1993, 1994 and 1995 (Commercial), but could not present a report on the same for want of time.

The Committee (2000-2001) have considered and approved this Report at their sitting held on 29-8-2000.

A Statement showing the summary of principal recommendations/observations of the Committee is appended to this Report.

A record of proceedings (*) of the sitting of the Committee which has been maintained forms part of this Report.

The Committee wishes to express their thanks to the Principal Secretary to Government, Environment, Forests, Science and Technology Department, the Managing Director and other officials of the Andhra Pradesh Forest Development Corporation Limited for the Co-operation they have extended and for placing the required information and material before the Committee.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit)-II, Andhra Pradesh, the Senior Deputy Accountant General (Commercial) and other officers and staff of the Accountant General's Office.

(*) One Cyclostyled copy laid on the table of the House and one placed in the Legislature Library.

The Committee also places on record their appreciation of the assistance rendered to the Committee by the Secretary to State Legislature and the other Officers and staff of Legislature Secretariat in the Examination of the general working and audit paras relating to Andhra Pradesh Forest Development Corporation Limited and in preparation of this Report.

A.V. SURYANARAYANA RAJU,
Chairman,
Committee on
Public Undertakings.

Hyderabad,
Dated: 29-8-2000.

REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (1998-99) PERTAINING TO THE ANDHRA PRADESH FOREST DEVELOPMENT CORPORATION LIMITED (A.P.F.D.C.)

(ON THE REPORT OF THE C & AG OF INDIA, GOVERNMENT OF ANDHRA PRADESH FOR THE YEARS 1991-92, 1992-93, 1993-94 AND 1994-95 (COMMERCIAL).

AUDIT REPORT 1991-92

(a) Loss in supply of Eucalyptus Props to the Singareni Collieries Company Limited (Para No.4A.9)

1.1 The Singareni Collieries Company Limited (SCCL) was the main buyer of Eucalyptus props from the Company. The (SCCL) Singareni Collieries Company Limited informed in April 1990, that certain props supplied by the company did not conform to the specifications and measurements. Pending receipt of payments from the SCCL the company paid Rs.13.43 lakhs in June 1990 to the growers. The payment was made against the terms and conditions of the agreement between the company and the growers. The company also released further payment of Rs.5.34 lakhs(June 1991) to the growers without considering the disallowance of Rs.518 lakhs made by the SCCL. The net amount payable to the growers workedout to Rs.13-48 lakhs only.

1.2. The company in its explanatory notes stated that it has realised the revenue under this scheme from 1986-87 to 1990-91 to the extent of Rs.7.11 lakhs and even after taking into account the amount of Rs. 5.34 lakhs, which was paid to the growers from the company's funds still the company had a revenue of Rs. 1.77 lakhs. It was also stated that disciplinary action has been initiated against 14 Deputy Plantation Managers and punishments have been awarded and an amount of Rs.7.88 lakh would be collected from those officials.

The Deputy General Manager in his oral evidence stated that enquiry against the 14 Deputy Plantation Managers has been completed and they were suspended.

1.3 The Committee observed that proper action has not been taken against the officials who were involved in the case. Hence, the Committee recommends to submit a detailed note on the entire issue, the circumstances under which the amount was paid to the growers before getting the amounts from The Singareni Collieries Company Limited. Criminal cases shall be filed against the officials who are responsible for those payments.

AUDIT REPORT 1992-93

(b) Raising Plantation in areas of The Singareni Collieries Company Limited: (Para No. 4A.4).

2.1 The Company accepted in May, 1987, the proposal made by the Singareni Collieries Company Limited (The SCCL) for raising plantations in 600 hectares of The SCCL during 1987-88 season. The project was estimated to cost Rs.110.63 lakhs to be implemented in a phased manner over a period of 3 years from 1987-88 to 1989-90 and maintained the same upto 1991-92.

2.2. During the period from July 1987 to September 1989, the Company raised plantations of teak, eucalyptus and miscellaneous species in an area of 410.4 hectares, besides 1881 numbers of road side plantations and incurred an expenditure of Rs. 19.13 lakhs upto 30 June, 1990 as against the advance of Rs.14 lakhs received from The SCC Ltd. The SCC Ltd., accepted plantations only in 20.96 hectares with 60 per cent survival, which was an agreed condition.

2.3 Wrong selection of sites and spices, poor survival and defective execution of works had resulted in non-realisation of excess expenditure. The plantations were left unprotected as they were neither maintained by the company nor taken over by The SCC Ltd.

2.4 The Company in its explanatory notes stated that the Company has handed over an area of 76.54 ha. out of 410.4 ha. The excess expenditure incurred by the company was Rs.7.96 lakhs.

2.5 It was also explained that the poor survival rates in certain areas caused due to severe hot conditions, biotic interference and human interference in certain locations. However, it was explained, effort were being made to handover the plantations and received back the excess spent amount from The SCCL.

2.6 The Vice-Chairman and Managing Director in his oral evidence stated that the matter is under correspondence with the SCCL to get back the amount due.

2.7 Committee recommends that proper care shall be taken by the Company in selecting site for plantations, soil suitability certificate for raising the plantations shall be obtained before actually going for plantations in a particular area.

AUDIT REPORT 1993-94

(c) Non-supply of Tractors:(Para No. 4A.1)

3.1 In order to implement the mechanised Eucalyptus plantation project in Nellore, Chittoor, Ranga Reddy and Medak Districts, the Company proposed in March 1992 to purchse 11 Tractors, Trailers and mounted disc harrows. The company invited in March 1992, limited quotations from seven firms engaged in the manufacture of tractors and farm equipment and received eight quotations including one unsolicited quotation from Sri Om Motors (SOM), Secunderabad claiming as dealer of ESCORTS Ltd., The quotation of HMT Limited, the lowest of all at Rs.1.52 lakh per tractor, was inclusive of transit insurance and FOR destination. The quotation of SOM for supply of ESCORTS made tractors was the second lowest at Rs.1.53 lakh per tractor which was ex-show room price. Audit observed that ESCORTS, the third lowest tender specifically indicated that L.N.Swamy Engineering Company(LNSE) was their authorised dealer. Further, while LNSE, the authorised dealer specified by ESCORTS, quoted 100 per cent advance payment by way of demand draft drawn in favour of ESCORTS, SOM asked for 100 per cent advance payment of which 10 per cent was in favour of ESCORTS and 90 per cent in favour of firm.

3.2 The company placed orders (March 1992) on HMT and SOM for supply of 6 and 5 tractors respectively and paid Rs.9.12 lakhs and Rs.7.65 lakh towards 100 per cent advance payment. While HMT supplied the tractors, SOM failed to supply the tractors. The Company filed a suit in City Civil Court, Hyderabad.

3.3 The Company in its explanatory notes stated that the purchase committee has not recorded its reason in the minutes for splitting the requirement of tractors. It was also stated that Sri Om Motors has furnished a certificate, at the time of offering quotations, issued by M/s. ESCORTS Ltd., to the effect that M/s. Sri Om Motors are the authorised dealers of ESCORTS. An ACB case is pending.

3.4 The Company in its oral reply stated that the company has initiated action to recover the amount from the beneficiary i.e., Om Motors and a criminal case is pending against them.

3.5 The Committee recommends that responsibility shall be fixed on the person who has taken a decision in this regard to pay the full amount in advance, and also recommends to speed up the cases both civil and criminal.

AUDIT REPORT 1994-95:

(d) Eucalyptus Plantations (Para No. 2B.6.1)

APPLICATION OF BULLDOZERS:

4.1 (i) Out of 1967 lakhs eucalyptus plants raised in 1182 ha. during the years 1990-91 to 1994-95 in the Warangal Region, the survivals were only 11.86 lakhs. This high percentage of casualties was mainly due to non-application of fertilizers, non-replacement of casualties and non-maintenance.

4.2 The Management in its explanatory notes stated that non-application of fertilizers and non-replacement of casualties was not solely responsible for the low survival.

4.3 The company in its oral evidence stated that decision as to not to apply fertilizers was taken by the then Management.

4.4 The Committee strongly feels, that not placing major issues in the Board Meetings is not a healthy process. Hence, the Committee strongly recommends that any major decisions shall be placed before the Board and shall be got approved by it.

ii) Mandays:

4.5 The project envisaged creation of mandays of skilled labour technical, managerial and supporting staff. But, proper system was not introduced to collect information regarding actual mandays created and skilled men employed.

4.6 The management in its explanatory notes stated that as per the practice in vogue, various works in the plantations are carried out by following the forest schedule of rates approved; by the VC & MD for all operations which involve in raising and maintenance of plantations, harvesting etc. The same procedure is in vogue in Forest Department and also in Engineering Department also. Hence separate records are not maintained for the purpose.

4.7 The Committee strongly recommends that a system of accounting of the expenditure incurred on the creation of mandays shall be maintained for proper budgeting and evaluation of expenditure.

(e) Mechanised Eucalyptus plantation schemes in Nellore, Chittoor and Ranga Reddy Districts (2B.6.1.1):

5.1 (i) The company took up Eucalyptus plantations in Nellore and Chittoor Districts over an area of 7500 ha. at an outlay of Rs.799.01 lakhs and the project was implemented during the period from 1988-89 to 1994-95. During this period the plantations were raised in 6796 ha. with an expenditure of Rs. 669.77 lakhs.

5.2 (ii) In Ranga Reddy District, the company planned to implement the scheme in 2560 ha. involving an outlay of Rs.247.25 lakhs against which the company raised the plantations in 1663 ha. at an expenditure of Rs.202.76 lakhs during the period 1987-88 to 1992-93. The actual cost per hectare of plantation was Rs.12417 as against Rs.9658 envisaged in the report.

5.3 In respect of Nellore and Chittoor plantations, the company in its explanatory notes stated that the fact of high cost on ripping with bulldozers was with the intension of taking up the uprootal manually instead of a machine was taken up by the Company.

5.4 Regarding plantations in Ranga Reddy district, the main reason for increase in the unit cost of expenditure was mainly due to increase in ripping cost and other operations like collection and removal of root wood from the ripped area and increase in ploughing cost etc.

5.5 The VC & MD in his oral evidence stated that the actual cost is more because the soil is hard than expected.

5.6 The Committee recommends that project report shall be prepared on realistic basis before starting a project. Suitable selection of land should be done keeping in view the water resource. Committee also recommends for initial, mid-term and final appraisal by the Company is necessary whenever loan is taken.

(f) Loss of revenue due to low yields (cashew) (Para No. 2B.6 .2.1.)

6.1 The Nellore Region of the company had under its control 13296 ha. of cashew plantations. The percentage of yield during 1991 to 1994 ranged from 6.67 to 8.48 (actual yield to projected yield). The reasons for low yields were poor genetic makeup, infestation of the plantations with heavy rank growth unhygenic conditions in the plantations leading to pest attacks and non-application of fertilizers in time.

6.2 The company in its explanatory notes stated that the reasons mainly for low yielding were that the plantations were raised in degraded areas of Reserve forest along the coastal line of West Godavari to Chittoor districts, planting was done using seedlings progenies having poor genetic make up and trees were subjected to frequent gales and cyclones.

6.3 The Principal Secretary to Government in his oral evidence stated that unscientific management of the plantations has resulted in incurring huge losses to the Company.

6.4 The Committee recommends that a thorough enquiry should be conducted with regard to the entire issue and the officers who are a responsible for not taking proper decisions in time and negligence on the part of some officers should be brought to light and responsibility shall be fixed.?

(g) Departmental collection of cashew-nuts (Para No. 2B.6.2.3.)

7.1 The Company held tender cum open auction in February 1993 for sale of right to collect and remove cashew usufruct from 64 plantation units in Nellore region. Of the 64 units, 45 units were confirmed for sale leaving 19 units unsold and in respect of 15 units (out of 45 sold out) contractors had backed out. It was decided by the department (April 1993) to undertake departmental collection of the material.

7.2 The Company in its reply stated that the contractors have backed out after knowing the failure of the cashew crop due to scorching of panicles, flowers etc. It has become difficult to assess the yields in the middle of the harvesting season under various circumstances which are difficult to assess viz., locala villagers are accustomed to collect the nuts unauthorizedly, late flowering and sudden raise in temperature etc.,

7.3 In his oral evidence V.C. & M.D. stated that atleast Rs.19.00 lakhs could have been realised atleast had action been taken at an appropriate time. The General Administration Department, A.P. Secretariat was informed the same for taking necessary disciplinary action against the Officer concerned for the dealy.

7.4 The Committee recommends that the stage of disciplinary action against the officer concerned shall be informed immediately.

(h) Switch over to usage of bio-fertilizers (2B.8.1)

8.1 Chemical Fertilizers are used in cashew and coffee plantations for plant sustenance and for improvement of yield. For 1994 season, the Company placed an order in May 1994 on Nagarjuna Fertilizers and Chemicals Limited, inter alia, for supply of 1116 tonnes of urea at Rs. 2770 per tonne. On account of statutory revision of price by the Central Government, the firm increased the price to Rs.3339 from 10 June 1994 and reduced it to Rs.3268 per tonne from 25 June 1994. Consequent on increase in price, the Company short closed the order in July 1994 for 464 tonnes and decided to switch over to the use of bio-fertilizers.

8.2 The Company in its explanatory notes stated that the connected files and records were taken by the Anti Corruption Bureau in connection with the enquiry against the alleged irregularities by some of the Officials of the Company.

8.3 The V.C. & M.D. in his oral evidence stated that ACB has submitted its report and Dr.C.N. Rao the then V.C. & M.D. was found responsible for the irregularities and disciplinary proceedings against him is going on.

8.4 The Committee desires to know the final action taken on the Official. The Committee recommends that Usage of bio-chemicals shall be encouraged in view of its environmental friendly nature.

(i) Implementation of Rural Landless and Employment Guarantee Programme (RLEGP) (2B.8.2)

9.1 At the instance of the State Government the Company prepared a self of schemes under RLEGP for raising of fuels, fodder, minor forest produce, bamboo, pepper and fruit plantations under social forestry involving a financial outlay of Rs.76.88 lakhs. These schemes were formulated for providing employment to tribals and to create economic activity.

9.2 The scheme envisaged that as a record of employment, beneficiaries were to be identified and identify cards issued. But, this was not done with the result it could not be establishehd that the scheme benefited the rural poor as envisaged.

9.3 The Company in its explanatory notes stated that as the workers engaged are from and in and around the villages of the plantations, the benefitted also the rural poor only.

9.4 The V.C. & M.D. in his oral evidence stated that identity cards were not issued as the scheme was completed.

9.5 The Committee recommends that responsibility shall be fixed on the Officials concerned who did not take responsibility for issuing identity cards as envisaged in the scheme.

(j) Rejection of insurance claims (2B.8.5.1 to 5.4).

10.1 In Rajahmundry region, the stock of pulpwood etc., were being insured every year against all risks except against natural calamities. But, during May 1990, stocks valued Rs.2.21 lakhs were lost in cyclone. The company could not prefer claim, as the risk was not covered. In the same fashion various unforeseen problems are being faced and Company is being under loss, as the stocks were not insured.

10.2 The Company in its explanatory notes stated that cyclones are rare phenomena especially during May i.e., summer season. With the experience of 1990, plantations are being insured against floods etc., Regarding other losses on different grounds, various cases are pending disposal in courts.

10.3 The V.C. & M.D. in his oral evidence stated that wherever there is rejection of claim by the insurance company, the Company is moving to consumer forum.

10.4 The Committee recommends to take comprehensive insurance policy covering all the aspects with the approval of the Board in the good interest of the company.

(k) Amounts recoverable from deputationists (Para No. 2B.8.6).

11.1 Due to booking of wages in excess of the Forest schedule of Rates, by the Assistant Plantation Managers, during the period between 1978-79 and 1993-94, an amount of Rs.13.01 lakhs was disallowed and ordered for recovery from 73 personnel who were on deputation and repatriated back to their parent departments.

11.2 The company in its explanatory notes stated that Rs.0.51 lakh was already recovered and pursuing vigorously for the recovery of the remaining amount.

11.3 The V.C. & M.D. in his oral evidence stated that the matter is being pursued with the Heads of the Departments vigorously.

11.4 The Committee recommends to pursue the matter with the heads of the department and recover the amounts early.

(1) Under utilisation of tractors (Para No. (2B.8.7)

12.1 A test check of utilisation of tractors during the period 1990-91 revealed that 30 out of 48 tractors were kept idle for periods ranging from 185 to 279 days and in 1991-92 and 1992-93 22 tractors were kept idle for period ranging from 183 to 320 days.

12.2 The Company in its explanatory notes stated that during Ploughing season, the tractors are being used for ploughing purpose and during other reasons, these are utilized for other purposes like transportation etc.,

12.3 The V.C. & M.D. in his oral evidence stated that maintenance of own tractors is more viable than hiring tractors for ploughing purpose.

12.4 The Committee recommends that the tractors shall be utilised at optimum level and old tractors which are not viable, if any, shall be disposed off, immediately.

SUMMARY OF RECOMMENDATIONS

(1) The Committee observed that proper action has not been taken against the officials who were involved in the case. Hence, the Committee recommends to submit a detailed note on the entire issue, the circumstances under which the amount was paid to the growers before getting the amounts from the Singareni Collieries Company Limited. Criminal cases shall be field against the officials who are responsible for those payments.

(Paragraph No. 1.3)

(2) Committee recommends that proper care shall be taken by the company in selecting site for plantations, soil suitability certificate for raising the plantations shall be obtained before actually going for plantations in a particular area.

(Paragraph No. 2.7)

(3) The Committee recommends that responsibility shall be fixed on the person who has taken a decision in this regard, to pay the full amount in advanceand also recommends to speed up the cases both civil and criminal.

(Paragraph No. 3.5)

(4) The Committee strongly feels, that not placing major issues in the Board Meetings, is not a healthy process. Hence, the Committee strongly recommends that any major decisions shall be placed before the Board and shall be got approved by it..

(Paragraph No. 4.4)

(5) The Committee strongly recommends that a system of accounting of the expenditure incurred on the creation of mandays shall be maintained for proper budgeting and evaluation of expenditure.

(Paragraph No. 4.7)

(6) The Committee recommends that project report shall be prepared on realistic basis before starting a project. Suitable selection of land should be done keeping in view the water resource.

Committee also recommends for initial, mid-term and final appraisal by the Company is necessary whenever loan is taken.

(Paragraph No. 5.6)

(7) The Committee recommends that a thorough enquiry should be conducted with regard to the entire issue and the officers who are responsible for not taking proper decisions in time and negligence on the part of some officers should be brought to light and responsibility shall be fixed.

(Paragraph No. 6.4)

(8) The Committee recommends that the stage of disciplinary action against the officer concerned shall be informed immediately.

(Paragraphh No. 7.4)

(9) The Committee desires to know the final action taken on the Official. The Committee recommends that usage of bio-chemicals shall be encouraged in view of its environmental friendly nature.

(Paragraph No. 8.4)

(10) The Committee recommends that responsility shall be fixed on the Officials concerned, who did not take responsibility for issuing identity cards as envisaged in the scheme.

(Paragraph No. 9.5)

(11) The Committee recommends to take comprehensive insurance policy covering all the aspects with the approval of the Board in the good interest of the company.

(Paragraph No. 10.4)

(12) The Committee recommends to pursue the matter with the heads of the department and recover the amounts early.

(Paragraph No. 11.4)

(13) The Committee recommends that the tractors shall be utilised at optimum level and old tractors which are not viable, if any, shall be disposed off, immediately.

(Paragraph No. 12.4)

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