

Section - B :
Departments and Entities
(other than PSUs)
under Economic Sector

Section - B :
Chapter – I
Overview of Economic Sector

Chapter-I

Overview of Economic Sector

1.1 Introduction

This Report covers matters arising out of audit of State Government Departments and Autonomous Bodies under the Economic Sector.

For the purpose of administration in Andhra Pradesh, there are 30 Departments at the Secretariat level headed by Special Chief Secretaries/Principal Secretaries/Secretaries who are assisted by Commissioners, Directors and subordinate officers. This Report covers the functioning of 10 Departments of the Economic Sector viz., Agriculture, Cooperation & Rain Shadow Areas Development; Animal Husbandry & Fisheries; Energy, Infrastructure & Investment; Environment, Forests, Science & Technology; Industries & Commerce; Information Technology, Electronics & Communications; Water Resources; Public Enterprises; Roads & Buildings; and Tourism, Art & Culture.

1.2 Trend of expenditure

During the year 2017-18, Economic Sector accounted for 18.3 *per cent* (₹25,166.35 crore) of the total expenditure (₹1,37,494 crore) of the Government of AP. Of the total expenditure of ₹25,166.35 crore incurred by 10 Departments during 2017-18, a major portion (85 *per cent*) was incurred by four top spending Departments. These were Water Resources (36 *per cent*); Agriculture & Cooperation (24 *per cent*); Energy (16 *per cent*); and Roads & Buildings (9 *per cent*). Expenditure incurred by 10 Departments under Economic Sector during the last five years is given in Table 1.1:

Table 1.1: Table showing expenditure incurred by Economic Sector Departments

(₹ in crore)

S. No.	Name of the Department	2013-14	2014-15*	2015-16	2016-17	2017-18	Sectoral Allocation (in per cent)
1	Agriculture ¹³⁶ and Cooperation Rain Shadow Area Development	2874.65	9258.24	3868.44	6687.98	6036.24	23.99
2	Animal Husbandry and Fisheries	839.18	715.35	933.49	1235.73	1371.42	5.45
3	Energy, Infrastructure & Investment ¹³⁷	7553.28	14476.96	3852.32	11838.45	3948.72	15.69
4	Environment, Forests, Science and Technology	399.56	290.60	307.23	305.30	352.20	1.40
5	Industries and Commerce	705.66	2464.64	398.95	711.34	1549.01	6.15
6	Information Technology, Electronics and Communications	155.10	127.02	402.56	330.34	302.28	1.20

¹³⁶ The expenditure of Agriculture, Rain Shadow Area Development is covered under Grant No. XXVII – Agriculture and the expenditure of Co-operation Department is covered under Grant No. XXX.

¹³⁷ These figures represent the expenditure on Energy only. The expenditure on Infrastructure & Investment is covered under Grant No. XI- Roads, Buildings and Ports.

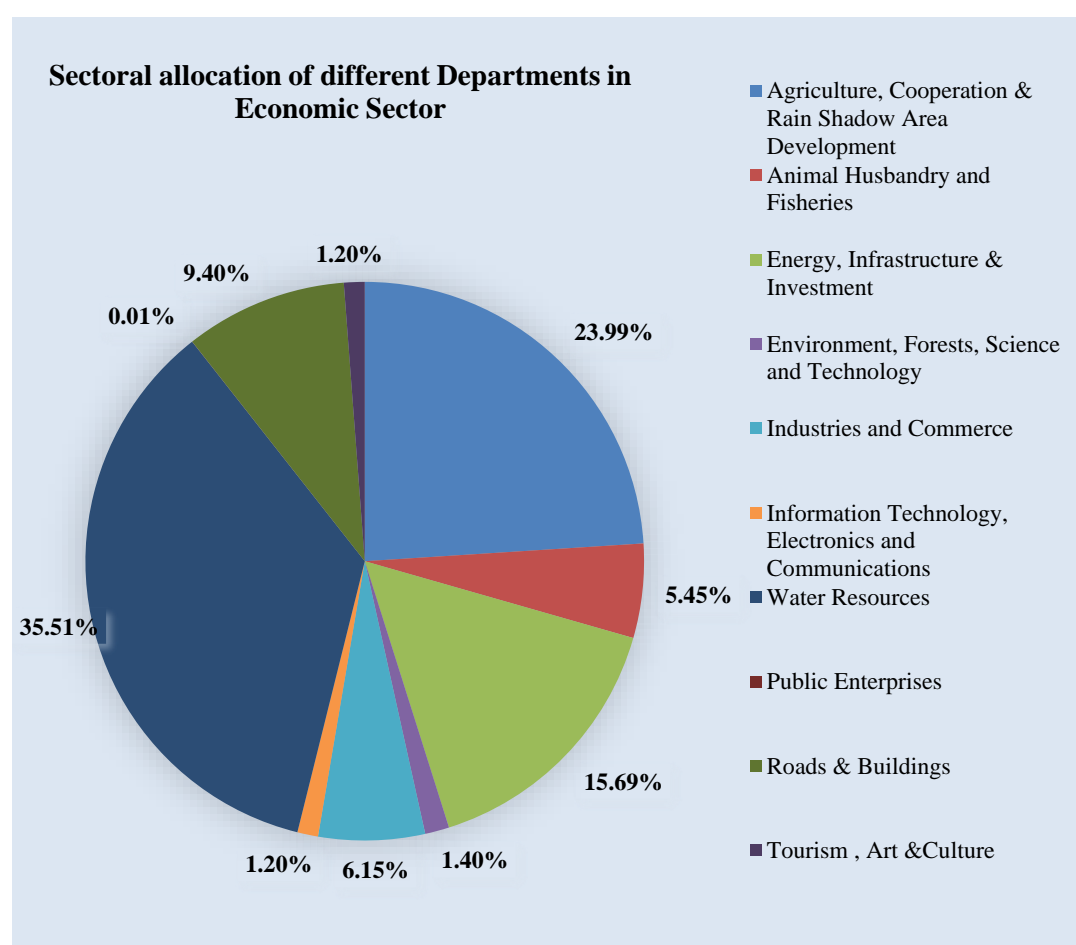
S. No.	Name of the Department	2013-14	2014-15*	2015-16	2016-17	2017-18	Sectoral Allocation (in per cent)
7	Water Resources ¹³⁸	18760.67	9378.12	9596.41	10637.24	8936.59	35.51
8	Public Enterprises	1.44	1.22	0.87	1.53	1.84	0.01
9	Roads & Buildings ¹³⁹	4948.75	5969.18	4076.03	3469.82	2366.31	9.40
10	Tourism, Art and Culture	146.95	149.85	200.36	111.44	301.74	1.20
Total		36385.24	42831.18	23636.66	35329.17	25166.35	

(Source: Appropriation Accounts of Government of Andhra Pradesh for the relevant years)

* These figures represent the expenditure figures of the erstwhile composite AP State from 01 April 2014 to 01 June 2014 and of residuary AP State from 02 June 2014 to 31 March 2015.

The sectoral allocation of expenditure in Economic Services Sector during 2017-18 is shown in Chart 1.1.

Chart 1.1–Sectoral allocation under Economic Sector



Analysis of outlays in Economic Sector showed the following trends:

- The outlay of the Government in Economic Sector decreased in 2017-18 by 29 per cent over previous year (2016-17). The decrease was mainly in respect of Departments of Energy (67 per cent), Roads & Buildings (32 per cent) and Water Resources (16 per cent).

¹³⁸ Formerly the Irrigation & Command Area Development Department.

¹³⁹ These figures also include the expenditure on Infrastructure & Investment.

- With regard to Energy sector, there was a spike in 2016-17 due to government investments of ₹ 8,256 crore in Power Distribution Companies under the UDAY scheme¹⁴⁰. In 2017-18, the expenditure under this sector returned to normal pattern.
- In respect of Roads & Buildings and Water Resources sectors, the reduction in expenditure was mainly due to transfer (March 2018) of capital expenditure of ₹ 4,634.47 crore incurred during the year on certain works/projects to the AP Water Resources Development Corporation and the AP Road Development Corporation against the market borrowings raised (2017-18) by these corporations with 100 *per cent* risk weighted guarantees given by the State.

Other sectors like Agriculture & Cooperation; Animal Husbandry & Fisheries; and Information Technology, Electronics & Communications registered a decrease in expenditure compared to that of 2016-17.

1.3 Authority for Audit

Comptroller and Auditor General of India (CAG) derives authority for audit from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG audits Economic Sector departments of the Government as per the following:

- **Audit of expenditure** as per Section 13¹⁴¹ of the DPC Act;
- **Financial audit** of four autonomous bodies (ABs)¹⁴² under Economic Sector, as per Sections 19(2)¹⁴³, 19(3)¹⁴⁴ and 20(1)¹⁴⁵ of the DPC Act; and
- **Audit of other ABs**, which are substantially funded by the Government, as per Section 14¹⁴⁶ of the DPC Act.

Auditing Standards and Regulations on Audit and Accounts - 2007 of the CAG, lay down the principles and methodologies for audits.

¹⁴⁰ Government of India launched (November 2015) Ujwal DISCOM Assurance Yojana (UDAY) scheme under which the State Government was to take over 75 *per cent* of outstanding debt of the DISCOMs and transfer this sum to the DISCOMs in the form of grant (50 *per cent*), loan (25 *per cent*) and equity (25 *per cent*).

¹⁴¹ Departments delivering economic services, which include (i) General Economic Services; (ii) Agriculture and allied services; (iii) Industry and Minerals; (iv) Water and Power Development; and (v) Transport and Communications.

¹⁴² AP Electricity Regulatory Commission (APERC) under Section 19(2), AP Khadi and Village Industries Board (APKVIB) under Section 19(3), Environment Protection Training and Research Institute (EPTRI) under Section 20(1) and AP Compensatory Afforestation Fund Management and Planning Authority (AP State CAMPA) under Section 20(1) of DPC Act.

¹⁴³ Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

¹⁴⁴ Audit of accounts of Corporations (not being companies) established by or under law made by the State Legislature in accordance with the provisions of respective legislations.

¹⁴⁵ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

¹⁴⁶ Audit of all receipts and expenditure of (i) any body or authority substantially financed by grants or loans from the Consolidated Fund and (ii) any body or authority where the grants or loans to such body or authority from the Consolidated Fund in a financial year is not less than ₹ one crore.

1.4 About this Report

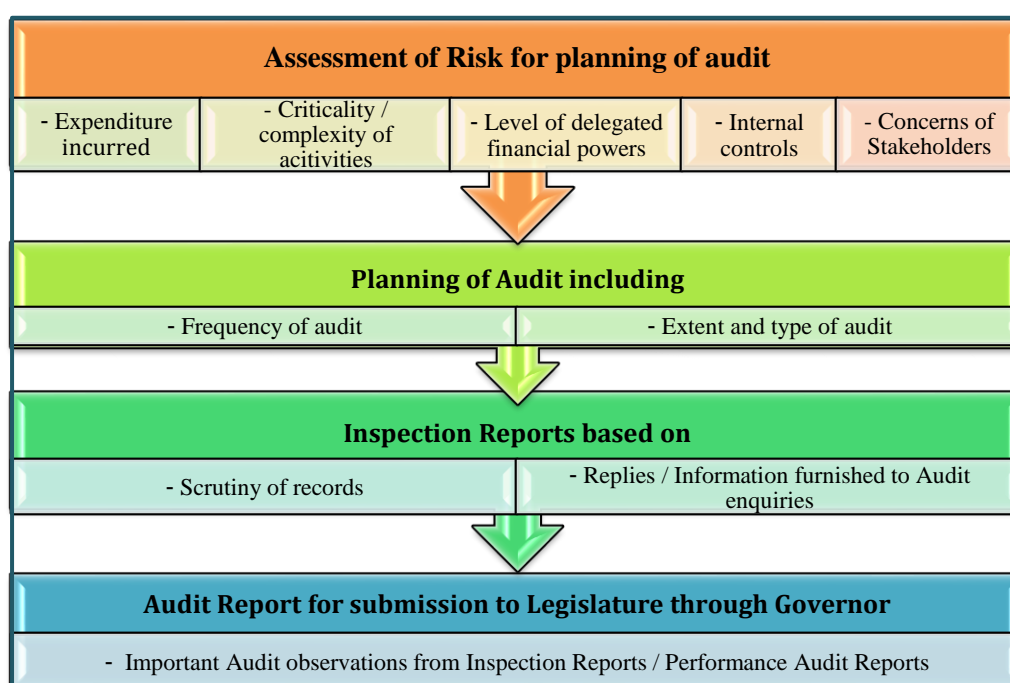
Primary purpose of Audit Reports is to bring important results of audit to the notice of the State Legislature. Audit findings enable the executive to take corrective action in cases of lapses / deficiencies. They also help to frame directives for better governance.

This Report on Economic Sector relates to matters arising from Performance Audit¹⁴⁷ and Compliance Audit¹⁴⁸ of selected programs and activities of Departments coming under Economic Sector.

1.5 Planning and conduct of audit

The following flow chart depicts planning and conduct of audit:

Chart 1.2: Planning and conduct of audit



Audit conducted inspection of various Departments / Organisations under the Economic Sector in 2017-18 and issued 95 Inspection Reports with 580 paragraphs.

1.6 Response of Government Departments to Audit

1.6.1 Response to past Inspection Reports

The following process is adopted in respect of Inspection Reports:

- Principal Accountant General (PAG) issues Inspection Reports (IRs) to

¹⁴⁷ Performance Audit examines whether the objectives of the programme / activity / Department are achieved economically, efficiently and effectively.

¹⁴⁸ Compliance Audit covers examination of transactions relating to expenditure of audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

the heads of offices inspected with a copy to the next higher authority.

- Heads of offices and next higher authorities are required to rectify the defects and omissions mentioned in IRs and report compliance to PAG.
- Half yearly reports of pending IRs are sent to Secretaries of Departments concerned to monitor outstanding audit observations.

As of 30 September 2018, there were 2,443 IRs consisting of 8,461 paragraphs, issued up to March 2018, which were not settled (Department wise break up is given in *Annexure-6*). Of these, Audit did not receive even first replies in respect of 3067 paragraphs in 575IRs (year-wise break up is given in *Annexure-7*).

Out of the 10 Departments under Economic Sector, Water Resources Department (1135 IRs with 3417 paragraphs) and Agriculture, Cooperation & Rain Shadow Area Development Department (469 IRs with 1,892 paragraphs) had highest number of unsettled audit observations as of 30 September 2018. Of these, 464 IRs with 936 paragraphs on Water Resources Department and 190 IRs with 369 paragraphs on Agriculture, Cooperation and Rain Shadow Area Development Department were outstanding for more than ten years.

Important audit observations arising out of these Inspection Reports are processed further for inclusion in Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying before the State Legislature.

Audit recommends that the Government may strengthen procedures to ensure:

- a) prompt action by officers to send replies to IRs/paragraphs as per the prescribed time schedule;
- b) recovery of loss/outstanding advances/over payments in a time bound manner.

1.6.2 Response to Performance Audit and Compliance Audit reports

Audit forwarded one performance audit and three compliance audit paragraphs to the Special Chief Secretaries/Principal Secretaries/Secretaries of the Departments during October - November 2018. Government responses received thereto have been suitably incorporated in the Report.

1.6.3 Response to recommendations of the Public Accounts Committee

The Finance and Planning Department had issued (May 1995) instructions to all Administrative Departments to submit Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) relating to the paragraphs contained in Audit Reports. The Departments were to submit ATNs within six months. All the Departments have furnished ATNs as of 30 November 2018, except Water Resources and Animal Husbandry, Dairy Development & Fisheries Department in respect of eight¹⁴⁹ recommendations.

¹⁴⁹ Water Resources Department – 6 ATNs and Animal Husbandry, Dairy Development and Fisheries – 2 ATNs.