

Chapter I

Overview

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) contains matters arising from Performance Audit of selected programmes and Departments of Government of Andhra Pradesh. It also covers Compliance Audit of transactions of its various Government Departments pertaining to General & Social Sector.

The primary purpose of this Report is to bring to the notice of the State Legislature significant results of audit. Findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives. It will also lead to improved financial management of organisations and contribute to better governance.

Compliance Audit refers to the examination of transactions of audited entities. Compliance Audit is carried out to ascertain whether provisions of the Constitution of India, applicable laws, rules and regulations are complied with. This will also ensure that various orders and instructions issued by competent authorities are being complied with. On the other hand, Performance Audit, examines whether objectives of programme/activity/Department are being achieved economically, efficiently and effectively.

Chapter I of this Report provides the audited entity's profile, planning and extent of audit. Chapter II deals with the findings of Performance Audit and Chapter III deals with compliance audit of various Departments.

1.2 Audited Entity's Profile

There are 39 Departments in the State, headed by Special Chief Secretaries/ Principal Secretaries/ Secretaries at the Secretariat level. They are assisted by Commissioners/ Directors and Sub-ordinate Officers. Of these, 21 Departments are coming under General and Social Sector. This Report includes the results of audit of three¹ out of the 21 Departments dealt with in General and Social Sectors.

A summary of the expenditure incurred during last five years by Departments of Government of Andhra Pradesh falling within General and Social Sector is given in **Table-1.1**.

¹ (i) Higher Education (ii) Labour, Employment, Training and Factories and (iii) Municipal Administration & Urban Development (MA&UD)

Table-1.1: Expenditure incurred by Departments falling within General and Social Sector

(₹ in crore)

Sl. No.	Name of the Department	2013-14	2014-15	2015-16	2016-17	2017-18
A	General Sector					
1	Finance and Planning	36,747.60	32,113.70	61,115.96	60,991.55	85,551.07
2	General Administration	819.71	831.12	460.43	187.10	725.29
3	Home	5,692.96	4,655.24	4,079.63	4,726.52	5,101.18
4	Law	752.51	658.55	542.36	610.94	651.09
5	Revenue	3,265.35	2,424.34	2,306.14	2,680.61	3,646.53
6	State Legislature	112.63	83.62	79.95	101.50	114.01
	Total (A)	47,390.76	40,766.57	68,584.47	69,298.22	95,789.17
B	Social Sector					
1	Backward Classes Welfare	3,538.31	2,371.15	2,720.09	4,117.68	4,919.33
2	Consumer Affairs, Food and Civil Supplies	3,288.36	2,228.93	2,487.01	2,560.59	3,241.75
3	Health, Medical & Family Welfare	5,737.45	5,392.67	5,067.03	6,331.63	6,140.67
4	Higher Education	3,416.79	2,857.87	3,071.71	2,465.32	2,811.59
5	Housing	2,083.02	1,201.46	1,678.49	589.13	2,905.74
6	Labour, Employment, Training and Factories	503.93	347.64	342.27	304.40	444.00
7	Minorities Welfare	505.34	400.07	337.79	635.33	651.12
8	Municipal Administration and Urban Development	3,038.02	3,423.13	3,586.69	5,073.21	4,246.59
9	Panchayat Raj [§]	4,670.09	6,429.85	4,943.97	5,742.32	8,035.94
10	Rural Development [§]	4,157.06	9,496.05	13,830.48	12,832.15	13,546.74
11	School Education	15,094.40	14,226.10	13,737.77	14,995.38	16,978.12
12	Social Welfare	2,450.96	2,468.46	2,131.73	2,499.07	3,135.98
13	Tribal Welfare	1,288.01	1,096.42	995.22	1,219.85	1,738.45
14	Women, Children, Differently Abled and Senior Citizens	2,031.82	1,752.93	1,420.91	1,551.15	1,546.32
15	Youth advancement, Tourism and Culture	302.23	254.38	304.83	396.55	654.65
	Total (B)	52,105.79	53,947.11	56,655.99	61,313.76	70,996.99
	Grand Total (A+B)	99,496.55	94,713.68	1,25,240.46	1,30,611.98	1,66,786.16

Source: Appropriation Accounts of Government of Andhra Pradesh for relevant years
[§] under one Secretariat Department 'Panchayat Raj and Rural Development'

1.3 Authority for audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (CAG's DPC Act). The CAG conducts audit of expenditure of General and Social Sector Departments of Government of Andhra Pradesh under Section 13² of the CAG's DPC Act, 1971. In addition, the CAG conducts audit of autonomous bodies under

² Audit of (i) all transactions from Consolidated Fund of State, (ii) all transactions relating to Contingency Fund and Public Account and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts kept in any Department of a State

Sections 19(2)³ and 20(1)⁴ of the DPC Act, and under Section 14⁵ of the DPC Act, of other autonomous bodies which are substantially funded by the State Government. Principles and methodologies for various audits are prescribed in Auditing Standards and Regulations on Audit and Accounts, 2007 issued by the CAG.

1.4 Planning and conduct of audit

Audit process starts with the risk assessment of the Department/organisation as a whole and that of each unit. The assessment is based on expenditure incurred, criticality/ complexity of activities and level of delegated financial powers and assessment of internal controls. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit is decided. An Annual Audit Plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports (IR) containing audit findings are issued to Heads of the entities. The entities are requested to furnish replies to the audit findings within one month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations made in the Inspection Reports/Performance Audit are processed for inclusion in the Audit Reports. These are submitted to the Governor of Andhra Pradesh under Article 151 of the Constitution of India for being laid before the Legislature of the State.

1.5 Response of Departments to Audit findings

Heads of offices and next higher authorities are required to respond to observations contained in Inspection Reports (IRs) and take appropriate corrective action. Audit observations communicated in Inspection Reports are also discussed in meetings at district/ State levels by officers of the Accountant General's office with officers of the Departments concerned.

As of 30 September 2018, 2,977 IRs containing 25,785 paragraphs pertaining to the years up to 2017-18 were pending settlement as detailed in **Table-1.2**. Of these, no replies have been received in respect of 421 IRs (7,462 paragraphs). Department wise details are given in **Appendix-1.1**.

³ Audit of accounts of Corporations (not being Companies) established by or under law made by State Legislature in accordance with provisions of the respective legislations

⁴ Audit of accounts of any body or authority on request of Governor, on such terms and conditions as may be agreed upon between CAG and Government

⁵ Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from Consolidated Fund of State and (ii) all receipts and expenditure of any body or authority where grants or loans to such body or authority from Consolidated Fund of State in a financial year is not less than ₹one crore

Table-1.2: Details of IRs and Paragraphs pending settlement

Year	Number of IRs/Paragraphs as of 30 September 2018		IRs/Paragraphs where no replies have been received	
	IRs	Paragraphs	IRs	Paragraphs
2013-14 and earlier years	2,339	16,312	72	1,266
2014-15	147	2,571	23	601
2015-16	178	2,485	94	1,935
2016-17	176	2,279	117	1,835
2017-18	137	2,138	115	1,825
Total	2,977	25,785	421	7,462

Absence of action on audit Inspection Reports and paragraphs is fraught with risk of perpetuating serious financial irregularities pointed out in these reports. It may also result in dilution of internal controls in the process of governance, inefficient and ineffective delivery of public goods/services, fraud, corruption and loss to public exchequer.

1.5.1 Follow up action on Audit Reports

As per instructions issued by Finance and Planning Department in November 1993, administrative Departments were required to submit Explanatory Notes on paragraphs and performance audits included in Audit Reports within three months of their presentation to Legislature. The Explanatory Notes were to be furnished without waiting for any notice or call from Public Accounts Committee, duly indicating action taken or proposed to be taken. However, as of 30 September 2018, 13 Departments have not submitted Explanatory Notes in respect of 39 paragraphs/performance audits that featured in the Audit Reports (Civil/General & Social Sector) for the years 2006-07 to 2016-17. Details are given in *Appendix-1.2*.

Further, all Departments were required to send their responses to draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India, within six weeks of their receipt. During 2017-18, two performance audits and seventeen draft paragraphs (pertaining to seven Departments) were forwarded to the Special Chief Secretaries/Principal Secretaries/Secretaries of the Departments concerned. Government replies have been received from five Departments⁶ in respect of two Performance Audits and eleven paragraphs as on the date of finalisation of this Report. The responses of the Departments have been appropriately incorporated in the Report.

⁶ (i) Health, Medical and Family Welfare (ii) Home (iii) Labour, Employment, Training and Factories (iv) Municipal Administration and Urban Development and (v) Panchayat Raj and Rural Development

This Report contains findings of audit from a test-check of accounts and transactions of three⁷ Departments of Government of Andhra Pradesh during 2017-18.

One Performance Audit report on Functioning of Guntur Municipal Corporation concerning Municipal Administration and Urban Development Department and seven Compliance Audit paragraphs have been included in this Report.

⁷ (i) Labour, Employment, Training and Factories (ii) Higher Education and (iii) Municipal Administration and Urban Development