
Chapter 1

General

1.1 About this Report

This Report of the Comptroller and Auditor General (C&AG) of India contains matters arising from audit of transactions of Expenditure incurred in various Departments and Local Bodies of Government of Andhra Pradesh, Central and State plan schemes and Audit of Autonomous Bodies.

Compliance Audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with applicable laws, rules, regulations, established codes, *etc.*, and the general principles governing sound public financial management and the conduct of public officials. Audit has been conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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

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

This Report contains two chapters.

Chapter-I presents the details about profile of audited entities and summary of expenditure made during the years 2019-20 and 2020-21 and also authority for audit, planning and conduct of audit, and response of Departments concerned to audit findings.

Chapter-II contains 10 Compliance Audit Observations relating to Departments of Municipal Administration and Urban Development (3) Environment, Forest, Science & Technology (1); School Education (1); Health, Medical & Family Welfare (1); Higher Education (1); Labour, Employment, Training & Factories (IMS) (1); Panchayat Raj Engineering (1) and Social Welfare (1).

Appendices relating to details mentioned in the Paragraphs follow the Chapters. A Glossary of Abbreviations used in the Report and their full forms is given at the end.

1.2 Office of Principal Accountant General (Audit)

Under the directions of the C&AG, Office of the Principal Accountant General (Audit), Andhra Pradesh conducts audit of 16 clusters consisting of 40 Departments and Local Bodies/ Public Sector Undertakings/ Autonomous Bodies there under in the State of Andhra Pradesh. Out of these, six clusters consisting of eight Departments are covered in this Report.

Compliance Audit Report for the years 2019-21 pertains to eight Departments *viz.*, (i) Higher Education, (ii) Labour and Employment, (iii) Medical and Health, (iv) Municipal Administration and Urban Development, (v) Panchayat Raj and Rural Development, (vi) School Education, (vii) Social Welfare and (viii) Environment, Forest, Science and Technology.

1.3 Authority for audit

The C&AG's authority for audit 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, (CAG's DPC Act) 1971. The CAG audits the Departments as per the following provisions of the DPC Act:

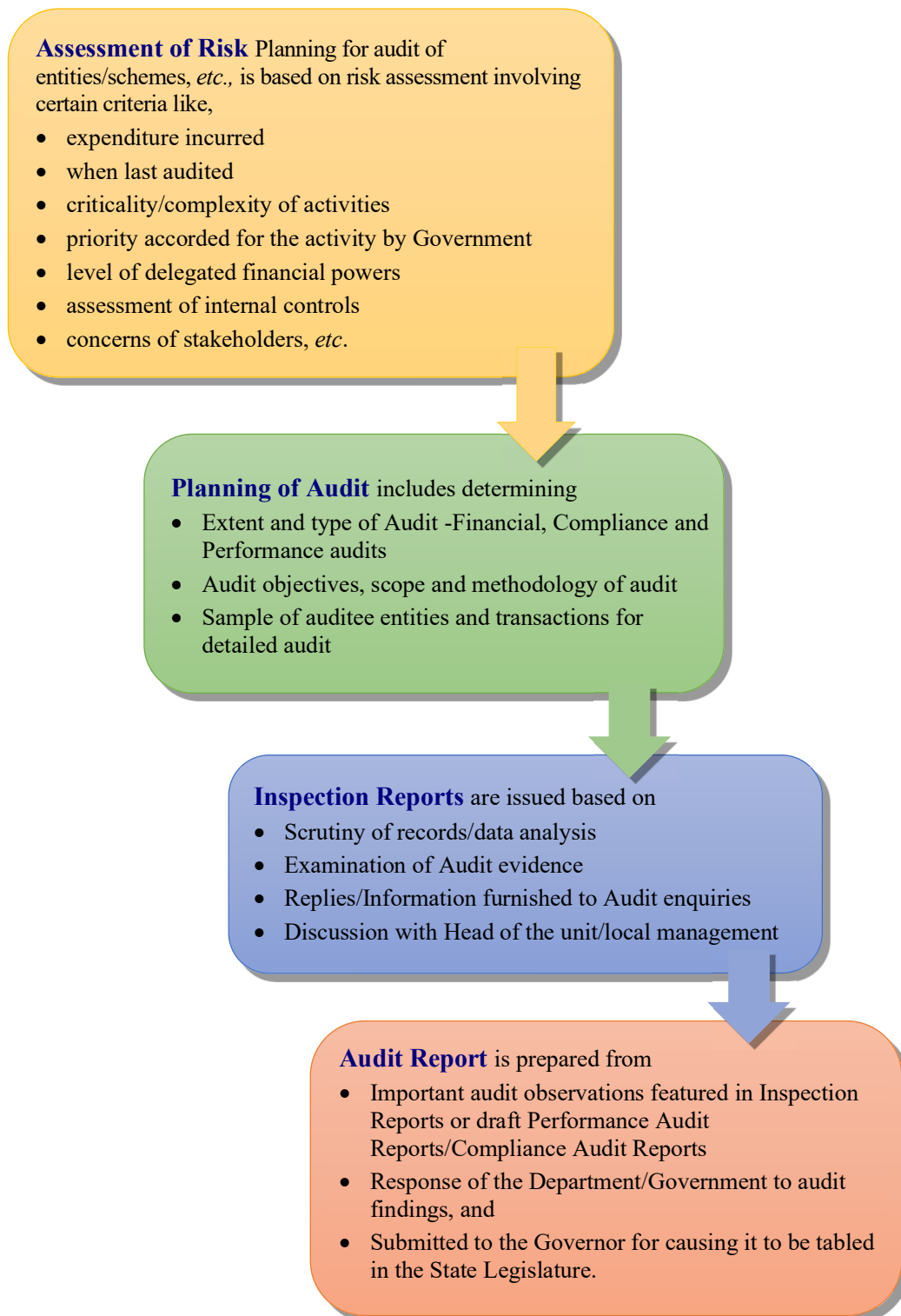
- ❖ Audit of expenditure is carried out under Section 13² of the DPC Act;
- ❖ Local Bodies are audited under Section 20(1) of the DPC Act;

Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, as well as other guidelines manuals and instructions issued by or on behalf of the CAG.

1.4 Planning, conduct of audit and preparation of Audit Reports

The following flowchart depicts the process of planning conduct of audit and preparation of Audit Reports:

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

Chart-1.1 Planning and conduct of Audit

After completion of Compliance Audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the unit with a request to furnish replies within one month of receipt of the IR. Whenever replies are received, audit

findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in the Government, are issued as draft paragraphs to the Government for their responses, before possible inclusion after due consideration of the responses, in the Audit Reports. In addition, draft Compliance Audits on topics, schemes are also issued to the Government for their responses, before possible inclusion in the Audit Reports.

These Audit Reports are submitted to the Governor of Andhra Pradesh under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

1.5 Audit Entity Profile

A summary of expenditure incurred by the Departments of Government of Andhra Pradesh during the five-year period 2016-17 to 2020-21 is given in **Table 1.1**.

Table-1.1: Expenditure incurred by Departments

(₹ in crore)

Sl. No.	Name of the Department	Expenditure incurred				
		2016-17	2017-18	2018-19	2019-20	2020-21
1.	Environment, Forest, Science and Technology	305.30	352.20	364.20	322.21	278.19
2.	Higher Education	1,806.70	2,148.06	1,711.66	1,573.91	1,692.95
3.	Labour and Employment	304.40	444.00	671.21	401.49	223.97
4.	Medical and Health	6,331.63	6,140.67	7,229.62	7,352.81	9,366.89
5.	Municipal Administration and Urban Development	5,073.21	4,246.59	6,566.24	4,813.55	4,993.84
6.	Panchayat Raj and Rural Development	18,574.47	21,582.68	28,406.55	11,598.50	16,749.44
7.	School Education	14,995.38	16,978.12	17,506.20	24,313.62	21,921.00
8.	Social Welfare	2,499.07	3,135.98	1,050.20	4,558.96	4,187.27
	Total	59,058.47	68,107.44	73,931.98	76,428.85	82,849.09

Source: Appropriation Accounts of Government of Andhra Pradesh for relevant years

1.6 Response of Departments to audit findings

1.6.1 Response to previous Inspection Reports

Heads of Offices and next higher authorities are required to respond to the observations contained in IRs and take appropriate corrective action. Audit observations communicated in IRs are also discussed at periodical intervals in meetings at District/State levels by officers of the Principal Accountant General's office with officers of the concerned Departments.

On 30 June 2021, 2,935 IRs containing 26,140 paragraphs pertaining to previous years were pending for settlement as detailed in **Table 1.2**. Of these, no replies have been received in respect of 657 IRs containing 9,809 paragraphs. Department wise details are given in **Appendix 1.1**.

Table-1.2: Status of IRs

Year	Number of IRs/ Paragraphs as of 31 December 2021		IRs/Paragraphs where no replies have been received	
	IRs	Paragraphs	IRs	Paragraphs
2016-17 and earlier years	2,390	18,200	251	3,806
2017-18	121	2,134	92	1,620
2018-19	201	2,735	134	1,776
2019-20	221	3,040	180	2,607
2020-21	2	31	0	0
Total	2,935	26,140	657	9,809

Source: Records maintained by the office of Principal Accountant General (Audit), Andhra Pradesh

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to public exchequer. State Government therefore, needs to institute an appropriate mechanism to review these IRs and audit paragraphs and take expeditious action to address the concerns flagged in these.

1.6.2 Response of Government to audit observations

All Departments are required to send their responses to Draft Audit Paragraphs/ Detailed Compliance Audit Reports proposed for inclusion in the C&AG's Report within six weeks of their receipt. During the period 2019-21, seven Draft Audit Paragraphs and three Detailed Compliance Audit Reports were forwarded to the Special Chief Secretaries/ Principal Secretaries/ Secretaries of the Departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. It was brought to their personal attention that these Paragraphs/ Reports were likely to be included in the Compliance Audit Report of the C&AG of India, which would be placed before the State Legislature, and it would be desirable to include their comments/ responses to the audit findings. In spite of efforts by this office, two Departments³ did not furnish reply to two Draft Paragraphs as on the date of finalisation of this Report. The responses of the Government, wherever received, have been appropriately incorporated in the Report.

1.6.3 Response of Government to audit paragraphs that featured in earlier Audit Reports

Administrative Departments are required to submit Explanatory Notes on paragraphs and reviews included in Audit Reports, within three months of their presentation to State Legislature duly indicating action taken or proposed to be taken. For this purpose, the Departments are not required to wait for any notice or call from the Public Accounts Committee. Explanatory Notes⁴ were yet to be received from 12 Departments in respect of 25 paragraphs/performance audit reviews that featured in the Audit Reports for the years 2014-15 to 2018-19 as of 30 June 2022. Explanatory Notes were also yet to be

³ Municipal Administration & Urban Development (MA&UD) and Social Welfare

⁴ with regard to the issues pertaining to the State of Andhra Pradesh exclusively

received from seven Departments in respect of 12 paragraphs/ performance audit reviews relating to the period prior to bifurcation⁵ of the erstwhile State of Andhra Pradesh, as of 30 June 2022. Details are given in **Appendix 1.2**.

1.6.4 Response of Government to recommendations of the Public Accounts Committee

Administrative Departments are required to submit Action Taken Notes (ATNs) on recommendations of the Public Accounts Committee (PAC) within six months from the date of receipt of recommendations. As of 30 June 2022, 11 ATNs⁶ in respect of three Departments exclusively pertaining to Andhra Pradesh and 19 ATNs⁷ in respect of eight Departments pertaining to the period prior to reorganisation of the State were yet to be received. Details are given in **Appendix 1.3**.

1.7 Acknowledgement

The Office of the Principal Accountant General (Audit), Andhra Pradesh wishes to acknowledge the co-operation and assistance rendered by the officials of the State Government, and various Departments during the course of conduct of Audit.

⁵ of erstwhile Andhra Pradesh (*i.e.*, those featured in Audit Reports for the years 2006-07 to 2013-14)

⁶ with regard to the issues exclusively pertaining to the State of Andhra Pradesh exclusively

⁷ of the erstwhile State of Andhra Pradesh