
Chapter I

General

1.1 About this Report

This Report of the Comptroller and Auditor General (C&AG) of India contains matters arising from Performance Audit of ‘Welfare of Building and other Construction Workers’ in Andhra Pradesh and Compliance Audit of transactions of Expenditure incurred in various Departments of Andhra Pradesh *viz.* three Compliance Audit Reports on ‘Mana Badi Nadu Nedu Phase-I’ scheme, ‘Sampoorna Poshana’ scheme and ‘Functioning of Andhra Pradesh Industrial Infrastructure Corporation’ and nine Audit Paragraphs.

Performance audit refers to an independent examination of a program, function, operation or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources. 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. Audit is conducted under the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971.

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

The audit findings relating to the following topics are presented in the following chapters:

Chapter II Performance Audit on ‘Welfare of Building and other Construction Workers’

Chapter III Compliance Audit on the Scheme ‘Mana Badi Nadu Nedu Phase-I’

Chapter IV Compliance Audit on the Scheme ‘Sampoorna Poshana’

Chapter V Compliance Audit on ‘Functioning of Andhra Pradesh Industrial Infrastructure Corporation’ and

Chapter VI Compliance Audit observations/ paragraphs relating to various Departments.

1.2 Office of Principal Accountant General (Audit)

Under the directions of the Comptroller and Auditor General of India (CAG), 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 under Government of Andhra Pradesh. Out of these, six clusters consisting of nine Departments are covered in this Report. Performance and Compliance Audit Report for the year 2021-22 pertains to nine Departments *viz.*, (i) Labour, Factories, and Insurance Medical Services (ii) School Education (iii) Women, Children, Disabled and Senior Citizens (iv) Industries and Commerce

(v) Higher Education (vi) Tribal Welfare (vii) Youth Advancement, Tourism and Culture (viii) Transport, Roads & Buildings and (ix) Home.

1.3 Authority for audit

The CAG'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 conducts audit of expenditure of the Departments under Section 13¹ of the DPC Act 1971. The CAG audits accounts of Government Companies and Corporations under Section 19 (2)² of the DPC Act.

Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2020 as well as other guidelines, manuals and instructions issued by or on behalf of the CAG.

1.4 Planning and conduct of audit and preparation of Audit Reports

The Audit process commences with assessment of risk in respect of Departments/organisations/autonomous bodies/schemes *etc.*, based on expenditure incurred, criticality/ complexity of activities, priority accorded for the activity by Government, level of delegated financial powers, assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, frequency and extent of audit are decided and an Annual Audit Plan is formulated to conduct audit. After completion of audit of each unit, Inspection Report (IR) containing audit findings is issued to head of the unit with a request to furnish replies within one month of receipt of 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 Government, are processed for inclusion in Audit Report.

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 the expenditure incurred by the Departments of Government of Andhra Pradesh during the five year period 2017-18 to 2021-22 is given in **Table 1.1**.

¹ 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

² The duties and powers of the Comptroller and Auditor General in relation to the audit of the accounts of corporations (not being companies) established by or under law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective legislations.

Table-1.1: Expenditure incurred by Departments*(₹ in crore)*

Sl. No.	Name of the Department	Expenditure incurred				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	Youth Advancement, Tourism and Culture	301.74	154.08	87.12	56.78	94.19
2	Home	5,101.18	5,636.08	6,354.99	6,430.33	7,018.36
3	Higher Education	2,148.06	1,711.66	1,573.91	1,692.94	1,912.38
4	Industries and Commerce	1,549.02	1,480.87	984.41	2,353.29	1,004.40
5	Labour, Factories, Boilers and Insurance Medical Services	444.00	671.21	401.49	223.97	307.54
6	School Education	16,978.12	17,506.20	24,313.62	21,921.00	23,353.66
7	Transport, Roads & Buildings	2,525.74	2,610.41	3,011.72	5,395.46	5,121.33
8	Tribal Welfare	1,738.45	1,136.56	2,197.61	2,531.76	1,569.65
9	Women, Children, Disabled and Senior Citizens	1,546.32	1,997.89	2,490.46	3,093.39	2,548.22
Total		32,332.63	32,904.96	41,415.33	43,698.92	42,929.73

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 Inspection Reports (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.

Two thousand five hundred and ninety-six IRs containing 18,053 paragraphs pertaining to previous years are pending settlement as on 31st December 2022 is detailed in **Table 1.2**. Of these, no replies have been received in respect of 364 IRs containing 4,381 paragraphs. Department wise details are given in **Appendix 1.1**.

Table-1.2: Position of Inspection Reports

Year	Number of IRs/Paragraphs as of December 2022		IRs/Paragraphs where no replies have been received	
	IRs	Paragraphs	IRs	Paragraphs
2017-18 and earlier years	2,049	12,913	100	1,505
2018-19	216	2,098	74	924
2019-20	191	1,962	105	1,242
2020-21	18	192	4	98
2021-22	122	888	81	612
Total	2,596	18,053	364	4,381

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 Performance Audit/ Draft Audit Paragraphs/ Compliance Audit Reports proposed for inclusion in CAG's Report within six weeks of their receipt. During the period 2022-23, one Performance Audit, nine Draft Audit Paragraphs and three 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 Performance/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, five Departments³ did not furnish reply to seven 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 20 Departments in respect of 93 paragraphs/performance audit reviews that featured in the Audit Reports for the years 2014-15 to 2018-19 as of 30th June 2023. Explanatory Notes were also yet to be received from 15 Departments in respect of 62 paragraphs/performance audit reviews relating to the period prior to bifurcation⁵ of the erstwhile State of Andhra Pradesh, as of 30th June 2023. 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 Public Accounts Committee (PAC) within six months from the date of receipt of recommendations. As of 30th June 2023, 12 ATNs⁶ in respect of five Departments exclusively pertaining to Andhra Pradesh and 499 ATNs⁷ in respect of 12 Departments pertaining to the period prior to reorganisation of the State were yet to be received. Details are given in *Appendix 1.3*.

³ Youth Advancement, Tourism and Culture, Home, Higher Education, Transport, Roads & Buildings and Tribal Welfare Departments

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

⁵ of the erstwhile State of 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