

## Chapter III

### 3. Transaction Audit Observations

#### Government Companies

#### Andhra Pradesh State Irrigation Development Corporation Limited

##### 3.1 *Irregular reimbursement of Central Excise Duty*

**Without obtaining proof of payment from the units Company reimbursed Central Excise Duty to the extent of Rs. 4.30 crore which is irregular.**

As per the prevailing system in Andhra Pradesh State Irrigation Development Corporation Limited (Company), component of Central Excise Duty (CED) was shown as part of Estimated Contract Value (ECV). However, the Company was reimbursing the CED only after obtaining documentary proof of payments from suppliers. The Company (March 2005) modified the system of inclusion of CED in ECV and decided to indicate the same under Schedule III, Part A of tender conditions. The production of documentary proof of payment of CED remained unchanged.

For the contracts entered prior to modification of the procedure and pending for payment, the Company issued a clarification (July 2005) based on orders (June 2005) of Government of Andhra Pradesh to release the CED to the contractors and obtain only an undertaking that there should not be any additional commitment to the Government/Company.

It was seen that as a result of this clarification, the Company reimbursed (during 2005-07) CED amounting to Rs. 1.09 crore to units (Small Scale Industries) which are normally exempt from payment of CED. In addition, Rs. 3.21 crore was reimbursed to Non-SSI units without insisting on any documentary proof of payment of CED.

Government accepted (July 2008) the observation and initiated corrective action by ordering the collection of documentary evidence or recover the CED reimbursed.

##### 3.2 *Unfruitful Expenditure of Rs. 99.74 lakh*

**Non-revision of scheme design in accordance with the reduced ayacut led to unfruitful expenditure of Rs. 99.74 lakh.**

Government of Andhra Pradesh (GoAP) sanctioned (April 2002) a Lift Irrigation Scheme (H. Nidamanur Lift Irrigation Scheme-II) on Gundlakamma

River, Prakasam District at an estimated cost of Rs. 2.52 crore for development of ayacut<sup>1</sup> over 1,500 acres. Subsequently, the GoAP issued (September 2002) instructions not to ground any sanctioned Lift Irrigation Scheme or take up any new schemes in the area falling under Gundlakamma Reservoir Project (GRP), proposed to provide irrigation to 28,000 acres. However, the Company requested (December 2003) the GoAP to permit taking up the scheme since 700 acres out of 1500 acres proposed, was not falling under the command area of the GRP. This was agreed to by the GoAP (February 2004).

Scheme design comprised construction of intake structure and discharge mains. It was observed that though the proposed ayacut area was reduced to 700 acres, the Company went ahead (September 2004) with the execution of intake structure portion as planned for 1,500 acres and the scheme was completed (July 2006) at a cost of Rs. 1.87 crore.

Thus, the failure of the Company to revise the scheme design to suit the reduced ayacut area led to unfruitful expenditure of Rs. 99.74 lakh (approximately) i.e., proportionate cost for 800 acres.

Government replied (June 2008) that the farmers developed 1,000 acres ayacut under the scheme during 2007 Kharif and the high power machinery in the intake structure can be utilized for the needy schemes. The reply is an after thought and not envisaged in the initial report. Also the needy schemes as envisaged by the management are still not identified and thus cannot be accepted as justification for not reducing the cost of intake structure due to reduction in proposed ayacut.

### **Andhra Pradesh Forest Development Corporation Limited**

#### ***3.3 Unexplored potential of pepper plantation***

#### **Failure of the Company to exploit the potential of pepper plantations resulted in loss of revenue of Rs. 1.38 crore.**

Black pepper is a perennial evergreen climbing vine planted as intercrop in the coffee plantation to get additional revenue. The Central Coffee Research Institute guidelines indicated maintenance of 124 to 148 pepper vines per hectare of coffee plantation. The Company was limiting the number of pepper vines in the coffee plantations to 100 per hectare. It was seen that in four divisions (Chintapalli North and South, Raghavendranagar East and West) actual plantations were 43 per hectare (96,502/2,251.86) i.e., even the envisaged 100 vines per hectare were not planted/maintained. Total quantity of pepper potential not explored by the Company worked out to 1,03,436 Kgs

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<sup>1</sup> Area under cultivation.

(average yield between 1.87 to 3.33 Kgs after allowing 65 per cent driage for conversion of green pepper to black pepper).

Thus, failure of the Company to plant/maintain at least the envisaged 100 pepper vines per hectare led to loss of revenue to the tune of Rs. 1.38 crore (1,03,436 Kgs x Rs. 133.82) for the year 2007-08. The Company did not make any plans to achieve envisaged plantation in this regard.

Government replied (July 2008) that the company was proposing to establish and maintain 4.30 lakh pepper standards<sup>2</sup> during 2006-2011 which would work out to 100 standards per hectare on an average.

However, the fact remains that the Company did not make any efforts to achieve its own set target of 100 vines per hectare.

### **The Singareni Collieries Company Limited**

#### **3.4 Extra expenditure on procurement of Rubber Canvas Shoes**

##### **Preferring brand name to the cost in purchase of rubber canvas shoes resulted in extra expenditure of Rs. 4.14 crore.**

The Singareni Collieries Company Limited (Company) held negotiations (April 2005) with two firms [Joy Lakshmi Supply Corporation (JLSC) and Bata India Limited (Bata)] recommended by the team constituted for identifying sources for supply of Type-II Rubber canvas shoes-Moulded type. The quality/guarantee of the shoes offered by both the firms was matching with the specifications prescribed and was also approved by Director General, Mines Safety. The landed cost offered per pair by JLSC was Rs. 140 and that by Bata Rs. 330. It was seen that because of Brand name, the Company decided to purchase the shoes from Bata. An enquiry was sent to Bata and an order was released (June 2005) for supply of 90,000 pairs. Repeat order for further requirement of 1,20,000 pairs (October 2006 and April 2007) was also placed on Bata. Thus, in all 2,10,000 pairs of shoes were procured from Bata during June 2005 and April 2007.

It was observed that though the quality of the shoes offered by both JLSC and Bata was acceptable, the Company's choice to go in for Brand ignoring the economy, despite cost difference led to avoidable expenditure of Rs. 4.14 crore (2,10,000 pairs x Rs. 197 per pair).

Government replied (June 2008) that the offer of JLSC was not against any tender and was unsolicited. However, JLSC had supplied shoes satisfactorily earlier also (April 2004 and May 2005) and it was Company's team which inspected (March 2005) their facility and recommended for procurement.

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<sup>2</sup> Standard is the supporting shadow tree on which the pepper vine creeps.

### 3.5 *Unfruitful expenditure of Rs. 3.92 crore*

**Due to non-supply of associated equipment and frequent break-down, the road header converted into continuous miner at a cost of Rs. 3.92 crore had to be used as road header.**

The Board of the Company approved (December 2003) the proposal for conversion of road header<sup>3</sup> into continuous miner to extract developed pillars in the existing districts of GDK-5 incline of Ramagundam-I area where Load Hauler Dumpers (LHDs) were in operation. The machine and sub-assemblies were sent (December 2002 and March 2003 respectively) to Andhra Pradesh Heavy Machinery and Engineering Limited (a subsidiary of the Company) and a firm order (Rs. 1.88 crore) was placed (May 2003) for conversion.

The modified continuous miner was received in Ramagundam area in May 2005. As Director General of Mines Safety expressed reservations over the compatibility of the continuous miner with LHD and were of the opinion that initial trial may be done in virgin patch to test the compatibility, the Company shifted the continuous miner to GDK-II A and commissioned (September 2005) it to conduct field trials. The performance was found to be poor as the miner could produce only 19,000 tons in 10 months (September 2005 to June 2006) working out to 1,900 tons per month on an average against projected production of about 10,000 tons per month. The capital expenditure incurred on continuous miner (upto August 2006) was Rs. 3.92 crore.

Government replied (May 2008) that poor performance of the continuous miner was due to non-availability of roof bolting machine and deployment of less number of LHDs.

The fact remains that the production envisaged was not achieved, due to non supply of associated equipments resulting in frequent breakdowns which necessitated using the converted continuous miner as road header and the expenditure on conversion rendered unfruitful.

### 3.6 *Avoidable expenditure after closure of mines*

**Despite submitting proposals for foreclosure of mines, Company failed to suspend certain works resulting in avoidable expenditure of Rs. 1.40 crore.**

The Company started coal production in Chennur Mine from 1997-98 through two inclines (1A and 1) but stopped extraction (Incline 1 A from 23 June 2003 and 1 from 16 October 2004) due to heavy seepage of water from roof, bad roof condition and sudden collapse of road-way junction. Subsequently, a proposal for premature closure of these two inclines was submitted (4 December 2004) and approval to pre-close the mine by discontinuing mining operations, effective from 18 January 2006 was communicated (13 December 2005).

<sup>3</sup> Road header and continuous miner are machines used in mining operations.

It was seen that the Company continued to incur expenditure beyond the date of foreclosure proposal (December 2004) to the end of 2005-06 on Air shaft (Rs. 45.71 lakh), Road works (Rs. 25.71 lakh) and laying of 33/11KV overhead power lines to improve voltage (Rs. 68.85 lakh).

It was observed that failure of the Company to take appropriate action to suspend these works immediately after sending foreclosure proposal resulted in avoidable expenditure of Rs. 1.40 crore.

Government replied (May 2008) that the proposal made (December 2004) was for de-rating the capacity and not closure. The expenditure on Air shaft and road was incurred before taking the decision. Since the permission was on, the road work was continued. The reply is not factually correct as the proposal was not for de-rating as stated but for closure. Moreover the expenditure was incurred during 2005-06.

### **Andhra Pradesh State Police Housing Corporation Limited**

#### **3.7 Recruitment of contract employees in excess of norms**

#### **Company recruited manpower in excess of recommendation by Government, leading to unauthorised expenditure.**

Andhra Pradesh State Police Housing Corporation Limited (Company) is engaged in designing, planning and construction of various buildings of the Police department like police stations, police residential buildings, departmental buildings along with the construction of buildings for other departments like prisons, fire services etc., with the funds released by the State Government from time to time. The Company is allowed 10 *per cent* of the value of works as establishment cost.

Government directed (June 2005) that the company may be allowed to maintain the current strength of 277 employees during 2005-06 and 2006-07. It was also directed that if the level of activity increases to the projected levels during the above period of two years, the company may take persons on deputation from other similar organisation. However, though the level of activity had not increased to the projected levels (2005-06: Rs. 158 crore, 2006-07: Rs. 171 crore), the Company recruited personnel on contract basis and maintained the staff strength at 312 during 2005-06 and 332 during 2006-07. This resulted in deployment of 35 (2005-06) and 55 (2006-07) employees in excess of prescribed strength and consequent extra expenditure of Rs. 60.65 lakh for the period.

Management replied (March 2008) that due to increase in workload and difficulties faced by the Company, permission was sought from Government for filling up vacant posts. Decision was taken by the Board for filling up the vacant posts based on the Company service regulations and the vacant posts

were later abolished (June 2007). The fact remains that the Company had recruited personnel in clear violation of directions of Government. The action taken in abolishing the posts later clearly indicates that the Company did not adhere to Government guidelines which had resulted in avoidable expenditure of Rs. 60.65 lakh.

The matter was reported (March 2008) to Government; their reply was awaited (September 2008).

### **Andhra Pradesh State Civil Supplies Corporation Limited**

#### **3.8 Non-recovery of transport charges from millers**

**Though element of transportation charges was included in milling charges, Company incurred expenditure on transportation charges (Rs. 70.25 lakh) and did not recover the same from millers.**

The Andhra Pradesh State Civil Supplies Corporation (Company) was entrusted with the procurement of Paddy for Custom Milling under Minimum Support Price Operation during 2005-06 by the Government of Andhra Pradesh. The Company procured 0.19 lakh MTs of paddy in seven districts during Kharif 2005-06, 2.32 lakh MTs of paddy in 10 districts during Rabi 2005-06 and 1.5 lakh MTs of paddy in 12 districts during Kharif 2006-07 and arranged for custom milling through millers. The milling charges as fixed by Food Corporation of India (FCI) are payable by the Company to millers. The milling charges so fixed included an element (Rs. 50 per MT for transportation from paddy procurement centre (PPC) to mill and from mill to FCI upto a distance of eight KMs) of transportation. It was seen that the Company incurred an expenditure of Rs. 6.87 crore towards milling charges (which included an element of Rs. 25 per MT being transportation from PPC to mills) and Rs. 6.89 crore towards transportation charges (one side from PPC to mill) in respect of 2.81 lakh MTs of paddy procured.

Even though separate transportation charges are paid to millers from PPC to mills, the element of such transportation charges included in the milling charges (Rs. 25 towards transportation from PPC to mills) was not recovered from the millers. The amount of transportation charges recoverable from millers worked out to Rs. 70.25 lakh.

Management accepted (July 2008) the same and stated that recovery of transport charges from millers was in progress.

The matter was reported (April 2008) to Government; their reply was awaited (September 2008).

### Andhra Pradesh Power Generation Corporation Limited

#### 3.9 Loss of interest of Rs. 2.03 crore

**Despite increase in utilization of fly ash, the Company deposited money for acquiring land for disposal of fly ash resulting in loss of interest of Rs. 2.03 crore.**

In order to expand Ash Pond for Vijayawada Thermal Power Station (VTPS), proposals were initiated (September 2000) for acquisition of 432.10 acres of land at Trilochanapuram village, Ibrahimpatnam Mandal of Krishna district. An amount of Rs. 6.75 crore was deposited (March 2004) with special Tahasildar, Land Acquisition. The funding of ash pond was to be met out of loan from Power Finance Corporation (interest at 10 *per cent* per annum). However during 25<sup>th</sup> Management Committee meeting held on 3 January 2007, it was decided not to take up the land due to increased utilisation of fly ash. Accordingly Andhra Pradesh Power Generation Corporation Limited (Company) got (April 2007) refund of entire deposited amount of Rs. 6.75 crore.

It was seen that as per the directions (1999) of Government of India, the Company had prepared (1999-2000) action plan for utilisation of fly ash, according to which 35 *per cent* of the fly ash generated in VTPS would be utilized by 2003-04. Actual utilisation of fly ash increased from 18.5 *per cent* (2000-01) to 36.90 *per cent* (2003-04) and there was steady growth in the utilisation of fly ash at the time of deposit (March 2004) of funds with Land Acquisition Authorities. Audit observed that though there was steady growth in utilisation of fly ash from year to year (as envisaged in the action plan), the Company did not reassess the requirement of land before depositing borrowed funds of Rs. 6.75 crore with Land Acquisition Authorities, which resulted in loss of interest of Rs. 2.03 crore (worked out at 10 *per cent*<sup>4</sup> per annum for the period from April 2004 to March 2007).

Management replied (June 2008) that the advance was felt necessary at that point of time. However, the necessity was not felt due to increased utilization of ash. The fact remains that the utility of fly ash increased to 45 *per cent* at the time of payment of advance.

The matter was reported (May 2008) to Government; their reply was awaited (September 2008).

<sup>4</sup> Interest rate charged by PFC for funds lent.

### 3.10 Avoidable payment of Compounding Fee and penalty

**Failure to obtain statutory prior permissions for utilizing forest land for construction of weir across Krishna river led to avoidable payment of penalty (Rs. 1.00 crore) and compounding fee (Rs. 0.49 crore).**

Andhra Pradesh Power Generation Corporation Limited (Company) decided (January 2004) to construct a weir<sup>5</sup> across Krishna river (about 14 KM downstream of Srisaïlam Dam) to improve the pumping mode operation of the Srisaïlam Left Bank Hydro Electric scheme during dry season (March to July every year). For this purpose seven hectares of forest land was required to be diverted for construction of weir. Prior permission was required from forest department at the time of taking up the work. Besides the Company was also required to obtain prior permission from Indian Board of Wildlife and Honorable Supreme Court of India as Supreme Court of India had passed orders (November 2000) not to effect any de-reservation of sanctuaries and National parks until further orders. Forest (Conservation) Act, 1980 provides for such prior permission.

The work was awarded (April 2004) to Patel Engineering Limited, Hyderabad without taking any prior permission on the assumption that, the area would have been already acquired by the irrigation department for constructing Nagarjunasagar dam.

It was seen that the Government informed (14 June 2004) that the area proposed for weir construction fell in Nagarjunasagar Tiger Reserve Sanctuary and prior permission as referred was required. However, a compounding fee (Rs. 48.80 lakh) was levied by Forest department and paid (between July 2004 and May 2006) for construction of approach road and a penalty (Rs. One crore) was levied by Hon'ble Supreme Court of India for not obtaining prior permission. Permissions were granted (April 2007 by Hon'ble Supreme Court of India and August 2007 by Forest department).

Government replied (May 2008) that the Company presumed that construction of Srisaïlam weir was also a part of Srisaïlam Left Bank Hydro Electric scheme sanctioned in July 1986. The Company should have taken due care and obtained such permission before taking up the works.

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<sup>5</sup> Barrier to store sufficient water for operation of turbines during summer for generation of electricity.



**Eastern Power Distribution Company of Andhra Pradesh Limited**

**3.11 Non-recovery of liquidated damages of Rs. 2.52 crore**

**Limiting of liquidated damages for the delay in supplies to 5 per cent of value of each consignment instead of to total contract value resulted in short recovery of Rs. 2.52 crore.**

As per clause 13 of the standardized purchase order of Eastern Power Distribution Company of Andhra Pradesh Limited (EPDCL) liquidated damages (LDs) are leviable for delay in supply at the rate of 0.5 per cent per week on undelivered portion, subject to a maximum of 5 per cent of total value of the contract.

It was seen that in respect of 49 purchase orders (2005-07) there was delay (ranging between one and 47 weeks) in supply, as a result of which LDs amounting Rs. 7.17 crore (as per the clause *ibid*) became due to the Company. However, the Company restricted the levy of LDs to 5 per cent of the value of undelivered supplies (Rs. 2.71 crore) instead of the total contract value, resulting in short recovery of Rs. 4.46 crore.

Government replied (July 2008) that penalty was restricted to a maximum of 5 per cent of each consignment and out of Rs. 4.65 crore recoverable, an amount of Rs. 3.90 crore has already been recovered and Rs. 74.92 lakh was yet to be recovered. It was also stated that observation of audit would be complied and instructions to strictly comply with purchase orders clause would be issued.

Though the Management undertook to take corrective action, it was found that the management had initiated action to recover only Rs. 4.65 crore against the leviable Rs. 7.17 crore. Thus appropriate action for recovery of an amount of Rs. 2.52 crore was yet to be taken.

**3.12 Avoidable extra expenditure due to excess man power**

**Retention of manpower for maintenance of sub-stations in excess of norms and outsourcing of sub-stations led to extra expenditure of Rs. 2.55 crore.**

As per the norms of the Company for regular staff, four linemen and one helper are to be deployed for maintenance of the sub-stations manned by the Company.

A review of employees working in the 218 sub-stations in three operating circles (Srikakulam, Vizianagaram and Eluru) during the period 2003-07 revealed that in 79 sub-stations which were departmentally maintained, there was an excess of 17 to 66 regular employees per circle. On the other hand the

Company outsourced manning/maintenance in the rest of 139 sub-stations without considering the redeployment of surplus regular manpower. Had redeployment of excess regular manpower being considered, an expenditure of Rs. 2.55 crore could have been avoided by reduction in the employees outsourced.

Management while accepting the facts stated (July 2008) that the excess manpower was being relocated to other offices.

The matter was reported (May 2008) to Government; their reply was awaited (September 2008).

### ***3.13 Loss of interest of Rs. 1.91 crore on inter corporate deposits***

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| <b>Charging of lesser interest rates on inter-corporate deposits than that of the rates offered by banks resulted in loss of interest of Rs. 1.91 crore.</b> |
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In order to achieve the objective of minimum operation and maintenance cost among the power utilities (i.e., one transmission and four distribution companies), the Transmission Corporation of Andhra Pradesh Limited (APTRANSCO), in the capacity of holding company, contemplated inter corporate deposits/investments among the power utilities and issued orders (October 2004) indicating rates of interest, which are subject to revision based on the interest rates on fixed deposits prevailing in the market. APTRANSCO was the holding Company upto April 2005, after which all the DISCOMs were given full financial autonomy.

The Company held (May 2005 to January 2008) inter corporate deposits (ICDs) aggregating to Rs. 110 crore with Northern Power Distribution Company of Andhra Pradesh Limited (APNPDCL): Rs. 30 crore; Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL): Rs. 30 crore and Andhra Pradesh Power Coordination Committee (APPCC): Rs. 50 crore. It was observed that though the prevailing rate (November 2006) of interest on bank fixed deposits for 180 days and above was 6.50 *per cent*, the company charged interest at 5 to 6 *per cent* only on the ICDs. Thus due to charging lesser rate of interest on ICDs than the prevailing bank fixed deposit rate, the company suffered loss of interest of Rs. 1.91 crore.

Management replied (July 2008) that the decision was taken in the meeting of CMDs to invest surplus funds in T&D sector to reduce their operating costs. However, these companies are distinct commercial, legal entities and by charging lesser interest the Company suffered interest loss of Rs. 1.91 crore.

The matter was reported (May 2008) to Government; their reply was awaited (September 2008).

### 3.14 Loss of Rs. 76.18 lakh and avoidable loss of interest of Rs. 45.78 lakh

**Non-claiming of differential development charges and additional consumption deposit for the recorded maximum demand in excess of contracted maximum demand resulted in loss of revenue of Rs. 76.18 lakh and loss of interest of Rs. 45.78 lakh.**

Cost of power comprises of energy charges and demand charges. Energy charges consist of various variable costs of total power purchase whereas demand charges are the fixed costs including the network costs. If the Recorded Maximum Demand (RMD) exceeds the Contracted Maximum Demand (CMD) of a consumer, the excess is billed at twice the normal demand charges. Apart from this, the Company is also required to collect charges (Development charges and Additional Consumption Deposit - ACD) on account of such increase in demand from time to time (General terms and conditions of supply).

It was noticed that Andhra Pradesh Electricity Regulatory Commission (APERC) had fixed single part tariff for railway traction services on the basis of Annual Revenue Requirement proposals submitted by the Company to it. As such there was no separate demand charge. Excess drawal of power over and above the CMD causes damages to the system, line losses and also results in poor quality of power supply to other consumers besides affecting the infrastructural arrangements of transmission and distribution system. It was seen that in respect of railway traction service of Visakhapatnam Circle (Divisional Engineer, TRD, Simhachalam) the RMD exceeded the CMD by 114 to 215 *per cent* during the period April 2005 to September 2007. The quantification of loss on this account was, however, not possible in the absence of separate component for demand charges in the tariff structure. The Company did not even claim differential development charges (one time non refundable payment - Rs. 76.18 lakh - at the rate of Rs. 750 per KVA) and ACD (interest bearing refundable deposit - Rs. 1.02 crore - at the rate of Rs. 1,000 per KVA) for 10,157 KVA (April 2005), being the excess over CMD.

Thus the failure of the Company to present the right tariff proposals to APERC led to loss of demand charges (not quantifiable in audit). Further, non-collection of non- refundable development charges (Rs. 76.18 lakh) and ACD (Rs. 1.02 crore) led to loss of interest of Rs. 45.78 lakh (Rs. 27.42 lakh at the rate of 12 *per cent* per annum on Rs. 76.18 lakh and Rs. 18.36 lakh at the rate of 6 *per cent*<sup>6</sup> per annum on Rs. 1.02 crore both for three years from April 2005 to March 2008).

<sup>6</sup> As in the case of refundable deposits, interest at the rate of 6 per cent is refunded to the consumers.

Government replied (June 2008) that development charges and security deposit would be realised.

**Andhra Pradesh Trade Promotion Corporation Limited**

**3.15 Additional expenditure in implementing VRS**

**Payments for additional benefits not contemplated in guidelines in VRS resulted in unauthorised additional expenditure of Rs. 1.35 crore.**

Andhra Pradesh State Trading Corporation presently known as Andhra Pradesh Trade Promotion Corporation Limited (Company), in view of acute financial crisis conducted a study through Indian Institute of Management, Bangalore (Consultants) to get a comprehensive package of remedial measures. The consultants during the course of study advised the Company to go ahead with the implementation of Voluntary Retirement Scheme (VRS), pending submission of their report. The Government of Andhra Pradesh (GoAP) permitted (January 2007) the same, but asked the Company to follow the guidelines already issued (March 2001) in respect of implementation of VRS in PSUs. The Company retired 151 employees (between February and April 2007) by paying compensation of Rs. 13.08 crore.

It was observed that payment of additional ex-gratia (Rs. 1.11 crore), concession in the interest rates on House Building Advance (Rs. 15.24 lakh) and lumpsum money in lieu of Leave Travel Concession (Rs. 8.55 lakh) not contemplated in the guidelines were also included in the compensation paid. It was also seen that there was no specific approval of GoAP for these additional benefits and the claims were pre-audited by the Statutory Auditor instead of Director of Treasuries and Accounts as specified in the guidelines.

Thus the Company incurred unauthorised additional expenditure (Rs. 1.35 crore) in implementing the VRS.

The matter was reported (April 2008) to Government/Management; their replies were awaited (September 2008).

## Statutory Corporations

### Andhra Pradesh State Road Transport Corporation

#### 3.16 Loss due to non-claiming of compensation

**Failure to approach Court of law through District Collector (Land Acquisition) for right compensation resulted in foregoing of Rs. 48.89 lakh.**

Andhra Pradesh State Road Transport Corporation's (Corporation) land admeasuring 1.05 acres located at Jedcherla Bus Station along with existing super structures was acquired (September 2005) by the Ministry of Shipping, Road Transport and Highways, Government of India for the purpose of road widening on National Highway-7. The Corporation filed (September 2006) a claim aggregating to Rs. 1.18 crore towards land value (Rs. 1.09 crore based on market value) and cost of structures (Rs. 9.90 lakh) with the Mandal Revenue Officer, Jedcharla. However, the Joint Collector, Mahaboobnagar paid (March 2007) an amount of Rs. 8.72 lakh only, which was received by the Corporation under protest. The Corporation subsequently (April 2007) proposed to claim the land value based on the land cost (Rs. 900 per Sq. Yrd.) notified by the Sub-Registrar and requested (April 2007) the District Collector, Mahaboobnagar for arranging payment of Rs. 48.89 lakh (Basic land value Rs. 49.00 lakh *plus* structure value Rs. 8.61 lakh *minus* payment received Rs. 8.72 lakh).

It was observed that as per Section 18 of the AP Land Acquisition Act 1894, (LA Act) in case the award is not acceptable due to objection to the amount of the compensation, a written application to the Collector has to be made, requiring that the matter be referred by the Collector for the determination of the Court, within six months (September 2007) from the date of the Collector's award. However, the Corporation had not taken any action as required under law and kept reminding the Collector, Mahaboobnagar orally for arranging payment of the balance amount of Rs. 48.89 lakh, for which there was no response from the Collector.

Failure on the part of the Corporation to take timely legal action, as per the Act provisions, rendered the claim time barred and resulted in consequential loss of Rs. 48.89 lakh.

Management replied (July 2008) that the request for compensation has been made with the District Collector within the prescribed six months and the matter was being regularly pursued. The reply is not acceptable as the provisions of LA Act require the party to move the court through District Collector, which was not done.

The matter was reported (May 2008) to Government; their reply was awaited (September 2008).

**3.17 Avoidable expenditure due to delay in calling for tenders**

**Delay in initiating action for fresh tenders, on receipt of notice of withdrawal from e-Seva for issue of bus passes/identity cards, resulted in avoidable expenditure of Rs. 34.51 lakh.**

The Corporation entrusted (April 2004) the work of issue of identity cards, fresh and renewed passes to e-Seva for the commuters in Hyderabad region for a period of 5 years (from 22 June 2004 to 4 June 2009). The rates to be paid were Rs. 4.75 per identity card issued, Rs. 2 for each fresh issue/ renewal of buss pass. e-Seva served (November 2005) a notice stating that they would be withdrawing from the assignment from 31 May 2006 (the date by which the minimum of two years required to be completed would elapse) as they were incurring huge losses. Despite this the Corporation continued to hold meetings with e-Seva till March 2006 to discuss issue of rates and finally decided (March 2006) to call for fresh tenders. Accordingly, the corporation called for tenders in March 2006 and again in May 2006 and the work was entrusted (June 2006) to Gemini Communications Limited, duly fixing the rates at Rs. 4.50 per identity card issued and Rs. 2.35 for issue of each fresh / renewed bus pass. Gemini Communications Limited commenced the work (October 2006) after installation of necessary hardware and software.

During the intervening period (July 2006 to September 2006), e-Seva continued the work at an enhanced rate of Rs. 10 per Identity card and Rs. 5 for issue of each fresh/renewed pass. During the extended period (July to September 2006) e-Seva issued 1,92,928 ID cards and 9,01,708 fresh/renewed passes at such enhanced rates.

Thus, omission on the part of the Corporation to initiate action to float new tender immediately on receipt of the withdrawal notice from e-Seva, resulted in avoidable expenditure of Rs. 34.51 lakh (for the period from July 2006 to September 2006) considering the rates of Gemini Communications Limited.

Management replied (July 2008) that negotiations were held to persuade e-Seva to continue the contract since it was a Government agency and had established a wide network. The fact was that the Corporation was pursuing an impossible negotiation since the rates demanded by e-Seva (Rs. 18 for ID card, Rs. 5 for renewal and fresh pass) were exorbitantly higher than what Corporation was paying.

The matter was reported (June 2008) to Government; their reply was awaited (September 2008).

**3.18 Procurement of “King-long” buses without assessment of operational viability**

**Procurement of five buses at a cost of Rs. 2.39 crore without analysing the operational viability of already purchased two king-long buses resulted in underutilization of these buses.**

The Corporation with a view to provide improved service to passengers, has been operating ‘Volvo’ Air-conditioned buses (since May 2003, each costing Rs. 58.31 lakh). These buses on an average had an occupancy ratio (O.R.) of 65 per cent, margin of Rs. 3,195 per bus per day and life of a million kilometers.

In order to continue providing luxury buses, the Corporation procured (January 2004) 2 ‘King-long’ air-conditioned buses (with toilet facilities) costing Rs. 47.88 lakh each. It was seen that by the end of March 2004, these King-long buses had an O.R. of 58 per cent and the average margin per bus per day was only Rs. 18 per bus per day. Reasons of very low O.R. among other things were reluctance by passengers to board these buses due to foul smell from toilets despite chemical wash and non-reliability of schedule due to failures.

Despite this poor performance, Corporation procured (repeat order in June and September 2004) five more King long buses at a total cost of Rs. 2.39 crore. These seven buses were initially operated in Inter-state routes (Shirdi and Bangalore) but were diverted to intra state routes (Vijayawada, Machlipatnam, Mancherial etc.) and were finally stabled (January and March 2007). On an average, they covered only 5.5 lakh KMs each, Rs. 1.24 crore (upto December 2006) was spent on their repairs and maintenance as all these buses altogether failed 161 times since commissioning (February 2004) to stabling (March 2007), (break down rate ranging between 0.37 and 1.21 per 10,000 KMs). Normal average rate of break down in the Corporation was between 0.12 and 0.13 per 10,000 Kms during the period from 2003-04 to 2006-07.

It was observed that the Corporation did not analyse the mechanical viability, efficiency and acceptance by commuters of the two buses procured (January 2004) before going in for another five buses which resulted in these buses remaining underutilised.

Management replied (May 2008) that in order to continue providing Luxury buses and to compete with Volvo, seven King-long buses were procured between June and September 2004 and it was too early to assess their performance. However, had the Corporation waited and assessed the performance of the two buses initially procured (June 2004) before going for further procurement, the expenditure of Rs. 2.39 crore could have been avoided.

The matter was reported (May 2008) to Government; their reply was awaited (September 2008).

### **3.19 Extra payment of sales tax**

|   |
|---|
| <b>Failure to exclude prompt payment discount from taxable sale price resulted in extra payment of ST/VAT of Rs. 3.92 crore</b> |
|---|

Andhra Pradesh State Road Transport Corporation (Corporation) entered into agreements with Indian Oil Corporation Limited (IOCL) (October 2003), and Bharat Petroleum Corporation Limited (BPCL) (December 2003) for supply of high speed diesel oil (HSD) to the bus depots of the Corporation. As per these agreements, the Corporation was to make four payments during the month to these oil companies on an estimated drawal of oil and any shortfall in payment for the month was to be made good in the succeeding month within 15 days. Also, the Corporation was to receive prompt payment discounts (PPD) at the rate as applicable from time to time. Such discounts did not form part of the net sales turnover / sale price as per the provisions of Rule 6(1)(a) of APGST Rules 1957 and section 2(29) of AP VAT Act and Rules 2005. Hence either Sales Tax or Value Added Tax was not payable on Prompt payment discount. The scheme was, however withdrawn from April 2007.

During the period from October 2003 to March 2007, the Corporation procured 11.42 lakh K.L. of HSD oil from IOCL (10.68 lakh K.L.) and BPCL (0.74 lakh K.L.) for which the Corporation received PPD of Rs. 18.61 crore. Audit noticed that while making payments to the oil companies (IOCL & BPCL) the Corporation paid Rs. 3.92 crore sales tax (Rs. 1.64 crore sales tax and Rs. 2.28 crore VAT) on the PPD element also in contravention to the provisions of the APGST Act 1957 and APVAT Act 2005. The Corporation failed to notice the extra amount of ST/VAT paid to the oil companies. It also failed to insist for refund of extra amount of ST/VAT even after pointed out by audit.

Thus, the failure of the Corporation to persuade the oil companies to reduce the turnover/ sale price to the extent of PPD led to avoidable payment of tax of Rs. 3.92 crore ( APGST – Rs. 1.64 crore from October 2003 to March 2005 and VAT – Rs. 2.28 crore from April 2005 to March 2007).

Government replied (April 2008) that the prompt payment incentive was only to motivate the Transport Corporation, it does not reduce sale price and hence not eligible for rebate. The reply is not tenable since the PPD is not an incentive but discount as the same has been specifically stated in the agreement entered into between Company and IOCL/BPCL, hence such amount shall be deducted from turnover/sale price as per Rule of APGST/VAT *ibid*.



## **Information Technology Audit**

### **3.20 Online Hospital Management System (OHMS)**

#### **Introduction**

**3.20.1** Andhra Pradesh State Road Transport Corporation (Corporation) operates a Hospital in Tarnaka, Secunderabad and clinics at all the district headquarters, with an objective of extending inpatient/outpatient medical facilities to the employees and dependent members of their family.

Online Hospital Management System (OHMS) was intended for registration of patients, maintenance of medical records of patients, medical aid/referrals, stores and pharmacy and was initially proposed to be implemented at the Tarnaka Hospital in June 1990. The application (OHMS) was developed by Frontier Information Technologies Private Limited, Hyderabad, at a total cost of Rs. 7.35 lakh and was handed over to the Corporation in July 1999 i.e., after a lapse of nine years. The OHMS contains seven modules viz. Registration, Out patient consultation, Pharmacy, Pathology, Radiology, Medical records, Stores & distribution. The application was developed with Oracle 7.1 at the back end, Forms 3.0 X as Front end, PRO\*C for generation of reports and SCO-OPEN server version V5.0.5 as operating system.

The objectives of implementation of the application software were, *inter alia*, (i) to eliminate the in-eligible patients (ii) eliminate redundancy of data entry, and (iii) generate exceptional reports and enquiries on various criteria like patient-wise, hospital-wise, disease-wise, region-wise etc and proper accountal of medicines, stores etc.

The data residing at the databases relating to the period from implementation i.e., July 1999 to March 2008 was analysed using CAATs<sup>7</sup>. The results of queries on the databases were cross verified with physical records at the hospital, to evaluate the extent of utilisation of the package, general validation controls and ensure whether the desired objectives were achieved. The audit findings are discussed in the succeeding paragraphs.

#### **Non-achievement of Objectives**

##### **Non-elimination of in-eligible patients:**

**3.20.2** As per APSRTC medical manual, serving employees and their family members are eligible for medical facilities. Family members include sons under the age of 21 years. Sons above 21 years are also eligible if they are bonafide students of any recognised institute and are wholly dependent upon and are residing with the employee. Audit noticed that:

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<sup>7</sup> Computer Assisted Audit Techniques.

- the database contained the names of 1,978 employees, who have crossed the age of superannuation i.e., 58 years though the medical facilities were not available to retired employees. Though there is a facility for de-registration through user interface, the same was not done.
- the database also indicated that 2,983 sons (of the 2,547 employees) who were more than 21 years of age were also included in the list of dependents. The database did not indicate, whether other requirements were fulfilled or not.

Thus due to inadequate controls in OHMS, the objective of elimination of ineligible patients could not be achieved.

On being pointed out, it was replied (September 2008) that necessary care was being taken at the Hospital to prevent fraudulent usage of health books.

The reply is not acceptable in view of the fact that OHMS was not capable of restricting ineligible sons and retired employees from availing medical facilities because of lack of proper input validations and incorrect and incomplete data residing in the database.

As the transactions relating to employees and beneficiaries were not captured, it could not be ensured whether only the eligible members availed the facilities. The observation in this regard was accepted (September 2008) by the Management.

### **Non-elimination of redundancy of data entry and work**

**3.20.3** Upon presentation of the Health Book by the beneficiary, the doctor records his findings and prescription of medication in the Health Book as well as on a separate chit. This chit is presented at the Pharmacy counter and the issue of medicines is recorded by the Pharmacist in a register. The consolidated quantity of medicines issued at the end of the day is entered in OHMS. Thus, the details of medicines issued to a patient cannot be traced into the OHMS. This practice also exposes OHMS to a threat of a chit being missed or not posted or posted more than once or accidental or intentional entry of a chit not issued by the Doctor.

The fact that the medicines prescribed and issued are recorded in multiple records (health book, chit, pharmacy issue register and consolidated issues into OHMS) proves that the Corporation was not able to avoid redundancy of data entry and work. The Management while accepting (September 2008) the existence of redundancy attributed it to non-implementation of Out Patient Module.

### **Non-Generation of periodical reports**

**3.20.4** The Corporation intended to capture data and generate reports on (i) number of patients who visited the hospital on a day, (ii) Doctor wise number of patients attended, (iii) Employee wise and dependent wise reports, (iv) fresh

registrations, (v) sick and fit certificates, (vi) reminders to employees who do not turn up at the end of sick period, (vii) medical reimbursements, (viii) patient wise, unit wise, region wise, disease wise expenditure, (ix) references to outside hospitals, (x) statistical analysis reports on disease incidence across age, staff, category, region etc.

It was noticed, however, that though a provision for generation of MIS report exists in the OHMS, the same could not be generated periodically due to incomplete data capture and quality of data.

### ***Non/Ineffective use of various Modules***

#### ***Modules not being operated***

**3.20.5** Audit noticed that the Out patient module was not being operated. Non-operation of the out patient module necessitated the doctors to invariably refer the manual Health Book of beneficiary. As a consequence, doctors were also not utilising the application as planned. Training provided to the doctors on OHMS remained unfruitful.

#### **Ineffective/Incomplete use of other modules:**

**3.20.6** Every beneficiary is issued with a Health Book wherein the history of ailments and medication prescribed is recorded. This data is not captured in OHMS. Every beneficiary is allotted a Registration Number on his first visit, which is also recorded on the Health Book. The Health Books are not handed over to the beneficiaries and are stored in the Hospital. Upon subsequent visits the beneficiary has to furnish his Registration Number and he will be handed over his Health Book. The registration module was not being used effectively as evidenced by the presence of multiple registrations for a single beneficiary. This was, apparently necessitated because of non-tracing of manual health book and thereby fresh registration of a beneficiary again through OHMS. This could have been avoided if the data in the Health Book were also captured in the System.

**3.20.7** Though a registration number is unique to a beneficiary, duplicate registration numbers for same dependents were noticed in 1,223 instances. Cross verification of records maintained at the hospital confirmed the same.

**3.20.8** The Out Patient Registrations are not being captured into the OHMS and as a result the number of patients who visited the hospital on a particular day cannot be ascertained through OHMS.

**3.20.9** In case of beneficiaries treated as “in-patient”, the dates of admission and discharge from hospital were not captured. As a result, the Management could not know the number of vacant beds through OHMS.

**3.20.10** Pathology module, which was intended to record the details of investigations on X-ray and blood tests, was used initially and later

discontinued. The pharmacy module was also used partially in that the consolidated values of medicines issued are entered at the end of the day instead of entries patient wise.

On this being pointed out it was replied (September 2008) that the modules though operated in the initial stages of implementation, were later discontinued because of absence of suitable manpower. It was also stated that due to non-utilisation of out patient module by the doctors and shortage of manpower, the anticipated targets could not be achieved.

### ***Other observations***

#### **Inadequate validations, inconsistencies and incompleteness of data**

**3.20.11** To avail sick leave the employee has to produce a certificate to that effect issued by the authorised medical attendant (AMA). The sick leave certificate is required to specify the period of absence as recommended by the doctor. The employee may report to duty after such period, enclosing with his duty report, the fitness certificate issued by the AMA. Thus the fitness certificate should be for the date following the sick period. However, audit noticed that

- in 55 records the fitness date of an employee was prior to that of sick date
- in 14 records the date of review was prior to that of date of sickness
- in 3,668 records out of 31,955 records, date of sickness and date of fitness was not recorded

On this being pointed out it was replied (September 2008) that the observations were well taken and the software was being modified accordingly.

**3.20.12** The following lack of validations and inconsistencies were noticed in the database

- for 262 items out of 921, the maximum retail price was not noted at all.
- for a drug the expiry date was noted as the year 2025 (22 years from the date of manufacture).
- in 98 records, the issue quantity and value were shown as negative.
- employee numbers exhibited in the database are not uniform as some contained 6 digits; some others 5 and a few others were alpha numeric.

The absence of checks/safeguards and inadequate validations to obviate such controls/omissions is brought to notice.

On this being pointed out it was replied (September 2008) that the above mistakes were due to off-line data entry and wrong data entry and that the deficiencies would be corrected. Fact remains that proper validations would have eliminated incorrect data entry.

**Procurement of items marked as NTR:**

**3.20.13** When the doctors decide that certain medicines need not be procured for any reason, such medicines are classified as “Not To be Retrieved” (NTR) and are marked as such in OHMS. This would generate an alert when a requisition for purchase of the item is processed.

Few cases of procurement of NTR items were noticed. As the data regarding the date from which these items were classified as NTR was not indicated in the database, it could not be fully ensured that whether any medicine classified as NTR was procured subsequent to such decision or not. Management also could not ensure that the medicines classified as NTR were not procured after the date they were declared as such.

On this being pointed out it was replied (September 2008) that the NTR date would be incorporated in the database.

**Incomplete database:**

**3.20.14** An employee is also entitled to treatment in a notified hospital. Any amount paid by him on account of such treatment shall be reimbursed to him on production of all the bills and a certificate from AMA. The details of reimbursements are being entered into OHMS after reducing the inadmissible amounts and the bills forwarded to Internal Audit for verification and issue of cheques.

However, it was seen that on return from Internal Audit, the details of changes made by them (by way of deduction of inadmissible amounts) were not being fed into the database. As such the amounts shown as reimbursement against amounts of the bills in the database are not the actual amounts paid against those bills. The amounts shown in the database are thus incomplete and unreliable.

An analysis of data revealed that in 32 records where the details of employee number, bill number, amount, cheques details and payment details are noted, the cheques amount was more than the bill amount, which is not probable. This indicates that the validations built in were inadequate. Audit could not cross verify the cases as the manual medical reimbursement bills could not be traced and produced to audit.

Management replied (September 2008) that the reimbursement cases were processed based on the vouchers and sanctions and are recorded in respective registers. Sanctions were accorded after thorough scrutiny. These transactions are later entered off-line in OHMS, that too partially.

**Conclusion**

Though the Corporation planned full fledged hospital management software for managing all the activities at their Tarnaka Hospital way back in the year 1990 and implemented from 1999, the use of software has not stabilised till

date. Some of the modules were not put to use, some are put to use partially. Further, even the modules in operation were found to be defective and operated alongside manual records. Thus, in spite of working on the OHMS package for nine years the Corporation could not achieve the desired objectives of implementing a hospital management system covering all the activities in the hospital.

The matter was reported (September 2008) to Government; their reply was awaited (September 2008).

## **Andhra Pradesh State Warehousing Corporation**

### **3.21 Loss of interest earnings**

**Investment of surplus funds in the deposits carrying lesser interest rates than the prevailing rates resulted in loss of interest revenue of Rs. 41.08 lakh.**

Andhra Pradesh State Warehousing Corporation (Corporation) has been investing its surplus funds in short term deposits in various nationalized banks. It was seen that the Corporation (between April 2006 and March 2007) invested Rs. 26.45 crore (except one case where it was for three years) at interest rates ranging between 4.00 and 11.5 *per cent* per annum whereas the prevailing rates of interest were between 6.75 and 11.5 *per cent* per annum.

It was observed that the Corporation neither negotiated to get uniform rates nor made the investment in the Bank/Branch offering higher rate. Failure of the Corporation to do so resulted in loss of interest earnings to the tune of Rs. 41.08 lakh.

Management replied (April 2008) that as interest rates on deposits were made free by Reserve Bank of India, each bank had its own interest rates. As per the practice followed by the Corporation, investments were thus spread over various banks and hence the difference. The interest rates on the basis of which difference has been calculated in Audit are the interest rates offered by the Nationalised banks in the same month.

The matter was reported (April 2008) to Government; their reply was awaited (September 2008).

## **General**

### **3.22 Follow up action on Audit Reports**

#### **Explanatory Notes Outstanding**

**3.22.1** Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and

departments of Government. It is, therefore, necessary that appropriate and timely response is elicited from the Executive on the Audit findings included in the Audit Reports. Finance Department, Government of Andhra Pradesh issued (June 2004) instructions to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 1992-93 to 2006-07 were presented to the State Legislature between March 1994 and March 2008, ten departments did not submit explanatory notes on 113 out of 356 paragraphs/reviews as on September 2008 as indicated below:

| Year of the Audit Report (Commercial) | Date of presentation to State Legislature | Total Paragraphs/ Reviews in Audit Report | No of Paragraphs/ reviews for which explanatory notes were not received |
|---------------------------------------|---|---|---|
| 1992-93                               | 29-3-1994                                 | 36  | 1   |
| 1993-94                               | 28-4-1995                                 | 25  | 2   |
| 1995-96                               | 19-3-1997                                 | 28  | 7   |
| 1996-97                               | 19-3-1998                                 | 29  | 2   |
| 1997-98                               | 11-3-1999                                 | 29  | 10  |
| 1998-99                               | 3-4-2000                                  | 29  | 7   |
| 1999-2000                             | 31-3-2001                                 | 24  | 10  |
| 2000-01                               | 30-3-2002                                 | 21  | 5   |
| 2001-02                               | 31-3-2003                                 | 23  | 9   |
| 2002-03                               | 24-7-2004                                 | 16  | 3   |
| 2003-04                               | 31-3-2005                                 | 21  | 12  |
| 2004-05                               | 27-3-2006                                 | 23  | 10  |
| 2005-06                               | 31-03-2007                                | 23  | 9   |
| 2006-07                               | 28-3-2008                                 | 29  | 26  |
| <b>Total</b>                          | --  | <b>356</b>                                | <b>113</b>  |

Department-wise analysis of reviews/paragraphs for which explanatory notes are awaited is given in **Annexure-32**. Majority of the cases of non submission of explanatory notes relate to PSUs under the Departments of Energy and Industries and Commerce.

#### ***Compliance with Reports of Committee on Public Undertakings (COPU)***

**3.22.2** Action Taken Notes (ATNs) on recommendations of the Committee on Public Undertakings (COPU) are required to be furnished within six months from the date of presentation of the Report to the State Legislature.

ATNs on 694 recommendations pertaining to 41 Reports of the COPU presented to the State Legislature between April 1991 and March 2008 had not been received as of September 2008 as indicated below:

| <b>Year of COPU Report</b> | <b>Total number of Reports involved</b> | <b>No of Recommendations where replies not received</b> |
|----------------------------|---|---|
| 1991-92                    | 1                                       | 3   |
| 1992-93                    | 7                                       | 279   |
| 1993-94                    | 5                                       | 136   |
| 1995-96                    | 1                                       | 30  |
| 1996-97                    | 1                                       | 2   |
| 1997-98                    | 2                                       | 38  |
| 1998-99                    | 3                                       | 19  |
| 2000-01                    | 13                                      | 118   |
| 2002-03                    | 2                                       | 16  |
| 2004-05                    | 4                                       | 36  |
| 2005-06                    | 2                                       | 17  |
| <b>Total:</b>              | <b>41</b>                               | <b>694</b>  |

The replies to recommendations were required to be furnished within six months from the date of presentation of the Reports to the State Legislature.

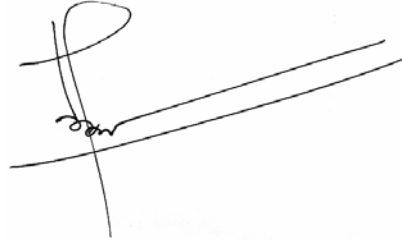
***Response to inspection reports, draft paragraphs and reviews***

**3.22.3** Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and departments concerned of State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2008 pertaining to 36 PSUs disclosed that 3,148 paragraphs relating to 1,054 inspection reports remained outstanding at the end of September 2008. Of these, 250 inspection reports containing 916 paragraphs had not been replied to for one to 13 years. Department wise break-up of Inspection reports and audit paragraphs outstanding as on 30 September 2008 is given in **Annexure-33**.

Similarly, draft paragraphs and reviews are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 12 draft paragraphs forwarded to the various departments during March 2008 to September 2008 as detailed in **Annexure-34** had not been replied to so far (September 2008).



It is recommended that (a) the Government should ensure that procedure exists for action against officials who failed to send replies to inspection reports/draft paragraphs/reviews and ATNs on recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time-bound schedule, and (c) the system of responding to audit observations is revamped.



**(P J MATHEW)**  
Accountant General  
(Commercial & Receipt Audit)  
Andhra Pradesh

**Hyderabad**  
The

Countersigned



**(VINOD RAI)**  
Comptroller and Auditor General of India

**New Delhi**  
The