

Chapter I

Overview

1.1 About this Report

This Report of the Comptroller and Auditor General (CAG) relates to matters arising from audit of transactions of various Departments of Government of Andhra Pradesh, Central and State plan schemes and audit of autonomous bodies of the State pertaining to General and Social Sector.

The primary purpose of this Report is to bring to the notice of the State Legislature significant results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. 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 the organisations and contributing to better governance.

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.

This Chapter, in addition to explaining planning and coverage of audit, provides a synopsis of significant audit observations made during audit of transactions and follow-up action on previous Audit Report.

1.2 Profile of General and Social Sector

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 below.

Table-1.1

(₹ in crore)

Sl. No.	Name of the Department	2011-12	2012-13	2013-14	2014-15	2015-16
A	General Sector					
1	Finance and Planning	30529.86	33817.12	36747.57	32113.70	61115.96
2	General Administration	705.90	584.68	819.71	831.12	460.43
3	Home	4412.53	5084.74	5692.96	4655.24	4079.63
4	Law	603.63	684.29	752.51	658.55	542.36
5	Revenue	2412.21	2058.01	3265.35	2424.34	2306.14
6	State Legislature	84.69	95.27	112.63	83.62	79.95
	Total (A)	38748.82	42324.11	47390.73	40766.57	68584.47

Sl. No.	Name of the Department	2011-12	2012-13	2013-14	2014-15	2015-16
B	Social Sector					
1	Backward Classes Welfare	2758.53	3774.72	3538.31	2371.15	2720.09
2	Consumer Affairs, Food and Civil Supplies	2450.69	2792.38	3288.36	2228.93	2487.01
3	Health, Medical and Family Welfare	4980.25	5312.34	5737.45	5392.67	5067.03
4	Higher Education	2669.73	3238.25	3416.79	2857.87	3071.71
5	Housing	1743.33	1829.15	2083.02	1201.46	1678.49
6	Labour, Employment, Training and Factories	465.67	474.33	503.93	347.64	342.27
7	Minorities Welfare	370.33	350.88	505.34	400.07	337.79
8	Municipal Administration and Urban Development	4108.89	4268.07	3038.02	3423.13	3586.69
9	Panchayat Raj ^s	2987.51	3393.22	4670.09	6429.85	4943.97
10	Rural Development ^s	4855.68	5175.01	4157.06	9496.05	13830.48
11	School Education	12250.18	13263.24	15094.39	14226.13	13737.77
12	Social Welfare	1941.74	2224.99	2450.96	2468.46	2131.73
13	Tribal Welfare	1143.23	1336.44	1288.01	1096.42	995.22
14	Women, Children, Differently Abled and Senior Citizens	1513.03	2029.56	2031.82	1752.93	1420.91
15	Youth Advancement, Tourism and Culture	214.38	258.89	302.23	254.38	304.83
	Total (B)	44453.17	49721.47	52105.78	53947.14	56655.99
	Grand Total (A+B)	83201.99	92045.58	99496.51	94713.71	125240.46

Source: Appropriation Accounts of Government of Andhra Pradesh for relevant years
^sunder one Secretariat Department 'Panchayat Raj and Rural Development'

1.3 Office of Principal Accountant General (G&SSA)

Under directions of the CAG, Office of the Principal Accountant General (General & Social Sector Audit), Andhra Pradesh & Telangana conducts audit of 20 Departments and local bodies/ public sector undertakings/ autonomous bodies thereunder in the State of Andhra Pradesh.



Offices of the Accountants' General, Andhra Pradesh & Telangana

1.4 Authority for audit

Authority for audit by the CAG is derived from Articles 149 and 151 of Constitution of India and Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG conducts audit of expenditure of General and Social Sector Departments of Government of Andhra Pradesh under Section 13¹ of the DPC Act. CAG is the sole auditor in respect of autonomous bodies/local bodies which are audited under Sections 19(2)² and 20(1)³ of the DPC Act. In addition, CAG also conducts audit under Section 14⁴ of the DPC Act, of other autonomous bodies which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in Auditing Standards and Regulations on Audit and Accounts, 2007 issued by the CAG.

1.5 Planning and conduct of audit

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

1.6 Response of Departments to Audit findings

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

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 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

³ 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

⁴ 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

As of 30 September 2016, 3001 IRs containing 24,031 paragraphs pertaining to the years up to 2015-16 were pending settlement as detailed in Table-1.2. Of these, first replies have not been received in respect of 265 IRs (5,022 paragraphs). Department-wise details are given in *Appendix-1.1*.

Table-1.2

Year	Number of IRs/Paragraphs as of 30 September 2016		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
2011-12 and earlier years	2516	15409	104	1468
2012-13	90	1918	1	54
2013-14	52	1099	5	122
2014-15	148	2709	42	1200
2015-16	195	2896	113	2178
Total	3001	24031	265	5022

Lack of action on audit IRs and paragraphs is fraught with risk of perpetuating serious financial irregularities pointed out in these reports, dilution of internal controls in process of governance, inefficient and ineffective delivery of public goods/services, fraud, corruption and loss to public exchequer.

As per instructions issued by Finance and Planning Department in November 1993, administrative Departments are required to submit Explanatory Notes on paragraphs and performance reports included in Audit Reports within three months of their presentation to Legislature, without waiting for any notice or call from Public Accounts Committee, duly indicating action taken or proposed to be taken. However, as of 30 November 2016, 13 Departments have not submitted Explanatory Notes in respect of 37 paragraphs/ Performance Audit reports that featured in the Audit Reports for the years 2006-07 to 2014-15. Details are given in *Appendix-1.2*.

As per the Finance Department's Handbook of Instructions and their U.O. dated 3 November 1993, all Departments are 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 2016-17, 12 draft paragraphs 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 in view of likely inclusion of these paragraphs in the Audit Report of the Comptroller and Auditor General of India, which would be placed before the State Legislature, it would be desirable to include their comments/responses to the audit findings. Despite this, seven Departments⁵ did not furnish replies to draft paragraphs as on the date of finalisation of this Report. The responses of the Departments, where received, have been appropriately incorporated in the Report.

⁵ (i) Backward Classes Welfare, (ii) Health, Medical and Family Welfare, (iii) Higher Education, (iv) Home (Police), (v) Municipal Administration and Urban Development, (vi) School Education and (vii) Women, Children, Differently Abled and Senior Citizens Departments

1.7 Significant Audit observations

This Report contains findings of Audit from a test-check of accounts and transactions of eight Departments of State Government during 2015-16. Audit focus during the year has been primarily on evaluating implementation of specific Government programmes and initiatives covering mainly ‘Backward Classes Welfare’, ‘Health, Medical and Family Welfare’, Higher Education, Home, ‘Municipal Administration and Urban Development’, Revenue, School Education, ‘Women, Children, Differently Abled and Senior Citizens’ Departments under General and Social Sector so as to aid Government in taking necessary corrective action to improve service delivery levels to citizens. Towards this end, 12 compliance audit paragraphs have been issued to the Government.

Significant results of audit featured in this Report are summarised below:

1.7.1 Compliance Audit Observations

1.7.1.1 *Functioning of Andhra Pradesh Residential Educational Institutions Society*

Government had established ‘Andhra Pradesh Residential Educational Institutions Society’ (APREIS) in the year 1972 with the primary objective of imparting quality education to talented rural children of all categories of society, the annual income of whose parents did not exceed ₹60,000. Government had issued instructions (February 2008) stipulating that all residential schools in the State should be provided adequate infrastructure facilities in a phased manner over a period of four to five years.

However, APREIS had not prepared the budget estimates on the basis of need assessment. Dietary items were not supplied to the students as per the scales fixed by Government. Creation of infrastructure was not given adequate attention. Shortages were observed in test-checked institutions with regard to provision of infrastructure/basic amenities like buildings, classrooms, dormitories, dining halls, staff quarters, toilet facilities, etc. The declining trend in percentage of students achieving higher grades in Secondary School Certificate (SSC) examinations from 90 *per cent* in 2013 to 74 *per cent* in 2016 was an ample indicator of the falling quality of education. Vacancies in the posts of Principals and teaching staff coupled with ineffective monitoring mechanism led to deteriorating quality of education in these institutions.

(Paragraph 2.1)

1.7.1.2 *Welfare of Senior Citizens*

Government of India (GoI) had enacted (December 2007) ‘Maintenance and Welfare of Parents and Senior Citizens Act’ to provide welfare measures to senior citizens in consonance with the National Policy on Senior Citizens. The Commissioner and Director of Welfare of Differently Abled and Senior Citizens is the Nodal Officer responsible for implementation of the schemes and programmes for welfare of senior citizens in the State.

While the initiative taken in terms of old age pension disbursement was commendable, the overall implementation of the various programmes emanating from the Maintenance and Welfare of Parents and Senior Citizens Act, 2007 and the Rules framed thereunder were found to be deficient on many fronts of implementation, be it infrastructure of old age homes or protective measures to ensure the prevention of atrocities and crimes against the aged. The chief underlying factor behind the shortcomings in implementation was seen to be the lack of awareness and action required on the part of civil societies and Government stakeholders like Health, Police Departments, etc.

(Paragraph 2.2)

1.7.1.3 Infrastructure in Backward Classes Welfare Residential Educational Institutions

Mahatma Jyotiba Phule Andhra Pradesh Backward Classes Welfare Residential Educational Institutions Society (Society) was constituted in April 2012 with the prime objective of rendering quality education to students belonging to the Backward Classes and other weaker sections of the Society. Although, Government had decided (February 2008) to strengthen all the residential schools in the State and provide adequate infrastructure facilities, there were significant deficiencies in classrooms and other infrastructure in the schools. Academic monitoring of the schools was poor since Academic Guidance Officer was not designated and a large number of vacancies were existing in the posts of Principals. The objective of devoting six periods per week for other activities did not materialise due to dearth of relevant staff. The percentage of students achieving higher grade points has been steadily declining from 93 *per cent* in 2013 to 76 *per cent* in 2016 indicating the deterioration in the quality of education, defeating the main objective of the Society.

(Paragraph 2.3)

1.7.1.4 Medical equipment lying unutilised

Medical equipment costing ₹16.43 crore procured by the Andhra Pradesh Medical Services and Infrastructure Development Corporation (APMSIDC) were lying idle due to lack of space and infrastructure constraints, thereby depriving the patients of the Health Care Institutions of the intended benefits.

(Paragraph 2.4)

1.7.1.5 Unproductive expenditure

Inaction of Sri Venkateswara University authorities resulted in non-completion of 'Rajiv Gandhi Memorial Golden Jubilee Seminar Complex' construction even after a lapse of almost a decade, rendering the expenditure of ₹1.71 crore unproductive.

(Paragraph 2.5)

1.7.1.6 Deficient planning for Agriculture Science Park

Lack of integrated planning in execution of the ‘Agriculture Science Park’ project in Yogi Vemana University, Kadapa (YSR district) led to undue time overruns in project completion and, as a consequence, the expenditure of ₹2.31 crore incurred on the project remained unproductive. Besides, the intended objective of transferring agri-biotech applications to farmers and industries in the area for their benefit also remained unachieved.

(Paragraph 2.6)

1.7.1.7 Unfruitful expenditure

Government had initially permitted the Yogi Vemana University, Kadapa (YSR district) to take up building works at a cost of ₹71.61 crore but later it did not release the full funds. As a result, the works were stopped midway leaving the University with deficient infrastructure. Further, the expenditure of ₹29.50 crore incurred on incomplete buildings remained unfruitful.

(Paragraph 2.7)

1.7.1.8 Execution of works without approval

Taking up of construction work of a barrack in Police Training Centre, Vizianagaram, out of the XIII Finance Commission grants without obtaining the approval of GoI/State Government had resulted in closure of work midway, rendering the entire expenditure of ₹2.44 crore incurred on the work unfruitful.

(Paragraph 2.8)

1.7.1.9 Wasteful expenditure

Failure to secure requisite clearance, non-compliance with Municipal Solid Waste (Management and Handling) Rules, 2000 and proceeding with the execution of works despite litigation hurdles, resulted in the Solid Waste Management project remaining incomplete even after nine years from its sanction, rendering expenditure of ₹89 lakh incurred on construction of compost yard and landfill unit in Chirala municipality wasteful.

(Paragraph 2.10)

1.7.1.10 Loss on alienation of land

Alienation of land in Visakhapatnam at a price much less than the market value, in violation of land allotment policy, resulted in a loss of at least ₹8.97 crore to Government.

(Paragraph 2.11)

1.7.1.11 Loss on alienation of land at nominal value

Alienation of land in a prime commercial area in Visakhapatnam to a private institution at a nominal price resulted in loss of ₹63.89 lakh to Government.

(Paragraph 2.12)