

# Chapter-1

## Overview of Economic Sector

## 1.1 About this Report

With an aim to integrate audit efforts and present a sector based perspective, restructuring of the Comptroller and Auditor General of India (CAG)'s audit arrangements in respect of the Government of Andhra Pradesh (GoAP) took place with effect from April 2012. Accordingly, audit of government offices, special purpose agencies, local bodies, parallel bodies, Public Sector Undertakings, etc., are integrated into suitable sectoral audits, such as 'Social', 'Economic', 'General' and 'Revenue'.

Accordingly, this year onwards, Audit Reports covering sector-wise State Government departments are being prepared separately by the CAG for submission to the Governor as per the provisions of the Constitution of India.

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG conducts audit of expenditure of the economic sector departments of the GoAP under Section 13<sup>1</sup> of the DPC Act. CAG is the sole auditor in respect of autonomous bodies which are audited under sections 19(2)<sup>2</sup> and 20(1)<sup>3</sup> of the DPC Act. In addition, CAG also conducts audit, under Section 14<sup>4</sup> of DPC Act, of other autonomous bodies which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

This Report covers the results of audit of the Government Departments in the Economic Sector including autonomous bodies, as appropriate. Audit findings in respect of State Public Sector Undertakings are reported separately through the Audit Report (Public Sector Undertakings) of the State.

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<sup>1</sup> Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts kept in any department of a State

<sup>2</sup> Audit of accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations

<sup>3</sup> Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government

<sup>4</sup> Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore

## 1.2 Profile of Economic Sector

A summary of the expenditure incurred during the last five years by the Departments of GoAP falling within the Economic Sector is given below:

Table-1.1 – Summary of Expenditure of Economic Sector

(₹ in crore)

Sl. No.	Name of the Department	2007-08	2008-09	2009-10	2010-11	2011-12
1	Agriculture & Co-operation	1413.98	2994.73	1803.82	2270.40	3334.54
2	Animal Husbandry & Fisheries	483.41	536.56	503.31	567.70	729.58
3	Energy	4529.61	3659.38	3259.28	3696.98	4367.68
4	Environment, Forests, Science and Technology	314.38	305.40	266.47	277.56	343.01
5	Industries and Commerce	576.21	350.03	297.62	448.45	380.74
6	Information Technology and Communications	102.75	331.68	18.92	24.53	57.72
7	Irrigation & Command Area Development	15839.90	12635.25	16712.71	15710.87	17787.39
8	Public Enterprises	0.72	0.90	1.04	1.28	1.46
9	Transport, Roads & Buildings/ Infrastructure & Investment	2264.98	2698.66	2634.37	2272.95	3043.04
<b>Total</b>		<b>25525.94</b>	<b>23512.59</b>	<b>25497.54</b>	<b>25270.72</b>	<b>30045.16</b>

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

A list of the departments in the Economic Sector, along with the State Public Sector Undertakings (PSUs) under these departments and the Autonomous Bodies for which the CAG is the sole auditor, is indicated in **Annexure – 1.1**.

## 1.3 Finalisation of Separate Audit Reports (SARs) of autonomous bodies

The Separate Audit Report (SAR) on the accounts of one autonomous body, Andhra Pradesh Khadi and Village Industries Board (APKVIB)<sup>5</sup>, is required to be placed in the State Legislature. The SARs on the accounts of APKVIB for 2003-04 to 2008-09 (which were issued in May 2011 for the years from 2003-04 to 2006-07, in March 2012 for the year 2007-08, and in January 2013 for the year 2008-09) are yet to be placed in the Legislature.

## 1.4 Response of the Departments to Audit Findings

### 1.4.1 Submission of Explanatory Notes

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 various offices and departments of Government. It is, therefore, essential that the Executive takes necessary rectificatory measures and furnishes appropriate and timely response on the audit findings included in the Audit Report.

<sup>5</sup> Audited under Section 19(3) of the DPC Act

As per the instructions issued (November 1993) by the Finance and Planning Department, the administrative departments are required 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 Public Accounts Committee (PAC).

Though the Audit Reports for the year 2002-03 to 2010-11 were presented to the State Legislature between March 2004 and March 2012, five explanatory notes in respect of audit paragraphs pertaining to the following departments under the Economic Sector as detailed below were yet to be received, as on December 2012.

**Table-1.2 – Position of Pending Explanatory Notes**

Department	Pending Explanatory Notes in respect of Audit Reports for the year			Total pending Explanatory Notes
	2002-03	2009-10	2010-11	
Agriculture and Cooperation	02	01	01	04
Industries and Commerce	--	--	01	01
<b>Total</b>	<b>02</b>	<b>01</b>	<b>02</b>	<b>05</b>

### 1.4.2 Pending Action Taken Notes

Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) are required to be furnished within six months from the date of presentation of the PAC Report to the State Legislature. ATNs on 96 recommendations of the PAC presented to the State Legislature had not been received as of December 2012, as summarized below:

**Table 1.3 – Position of pending Action Taken Notes (ATNs)**

Department	No. of pending ATNs
Agriculture and Co-operation	8
Animal Husbandry, Dairy Development and Fisheries	1
Environment, Forests, Science and Technology	1
Irrigation and Command Area Development	86
<b>Total</b>	<b>96</b>

### 1.4.3 Outstanding Replies to Inspection Reports

Audit observations noticed during audit and not settled on the spot are communicated to the Heads of offices and next higher authorities of the departments concerned through Inspection Reports (IRs). The Heads of offices and the next higher authorities are required to respond to the observations contained in the Inspection Reports (IRs) and take appropriate corrective action. The audit observations communicated in the IRs are also discussed in the meetings at district level by the officers of the departments with the officers of the Principal Accountant General's office.

As of 31 December 2012, 3752 IRs containing 11297 paragraphs issued upto September 2012 were pending settlement. The department wise details are given below:

**Table-1.4 - Department-wise break-up of outstanding Inspection Reports and Paragraphs**

Department	Number of IRs/Paragraphs pending as of 31 December 2012	
	IRs	Paragraphs
Agriculture and Cooperation	607	2118
Animal Husbandry, Dairy Development and Fisheries	287	1051
Environment, Forests, Science and Technology	542	1284
Industries and Commerce	265	846
Information Technology and Communication	8	57
Infrastructure and Investment	2	10
Irrigation & Command Area Development	1564	4533
Roads and Buildings	477	1398
<b>Total</b>	<b>3752</b>	<b>11297</b>

**Audit recommends that:**

- *the Government should ensure that a procedure exists for action against officials who failed to send replies to Inspection Reports/Draft Paragraphs/ Reviews and ATNs on recommendations of PAC as per the prescribed time schedule; and*
- *the system of responding to audit observations should be revamped, to ensure strict compliance with the specified timelines for responses.*