

## Chapter I

### 1. Overview of State Public Sector Undertakings

#### 1.1 Introduction

**1.1.1** The State Public Sector Undertakings (PSUs), consisting of State Government companies and Statutory corporations, are established to carry out activities of commercial nature, while keeping in view the welfare of the people. In Andhra Pradesh, the State PSUs occupy an important place in the State economy. As on 31 March 2013, there were 76 PSUs as per the details given in table 1.1. Of these, no Company was listed on the stock exchanges. They employed a total of 2.58 lakh employees as of 31 March 2013.

*Table 1.1 - Total number of PSUs*

Type of PSUs	Working PSUs	Non-working PSUs <sup>1</sup>	Total
Government companies	49 <sup>2</sup>	24 <sup>3</sup>	73
Statutory corporations	3	-	3
<b>Total</b>	<b>52</b>	<b>24</b>	<b>76</b>

*Source: Information furnished by the State Government and PSUs*

**1.1.2** Out of 52 working State PSUs, 19 PSUs<sup>4</sup> had finalised their annual accounts for 2012-13 as of October 2013, registering a turnover of ₹ 38,280.14 crore, which was equal to 5.13 *per cent* of the State Gross Domestic Product (GDP)<sup>5</sup> for 2012-13. These 19 PSUs which earned an aggregate profit of ₹ 784.48 crore for 2012-13, had 1.94 lakh employees. Departmental Undertakings (DUs), which carry out commercial operations are part of Government Departments and hence not included in State PSUs. Audit findings in respect of these DUs are incorporated in other Audit Reports of the State under the respective departments.

**1.1.3** During the year 2012-13, two PSUs, namely Ongole Iron Ore Mining Company Private Limited and Visakhapatnam Urban Transport Company Limited were added to audit jurisdiction.

#### 1.2 Audit Mandate

**1.2.1** Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617 of the Companies Act, 1956, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by

<sup>1</sup> Non-working PSUs are those which have ceased to carry on their operations.

<sup>2</sup> Includes six working companies under Section 619-B of the Companies Act, 1956 (Sl. No. 6, 14, 15, 21, 30 and 41 of Part A of *Annexure-1.1*).

<sup>3</sup> Includes six non-working companies under Section 619-B of the Companies Act, 1956 (Sl. No. 17 to 22 of Part C of *Annexure-1.1*).

<sup>4</sup> 17 Government companies and 2 Statutory corporations.

<sup>5</sup> Advance Estimate - ₹ 7,45,782 crore.

Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

**1.2.2** Accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

**1.2.3** Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, CAG is the sole auditor for Andhra Pradesh State Road Transport Corporation. In respect of Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation, audit is conducted by Chartered Accountants and supplementary audit by CAG.

### 1.3 Investment in State PSUs

**1.3.1** As on 31 March 2013, the investment (capital and long-term loans)<sup>6</sup> in 76 PSUs (including 619-B companies) was ₹ 64,426.77 crore, as per details given below:

*Table 1.2 - Investment in State PSUs*

(₹ in crore)

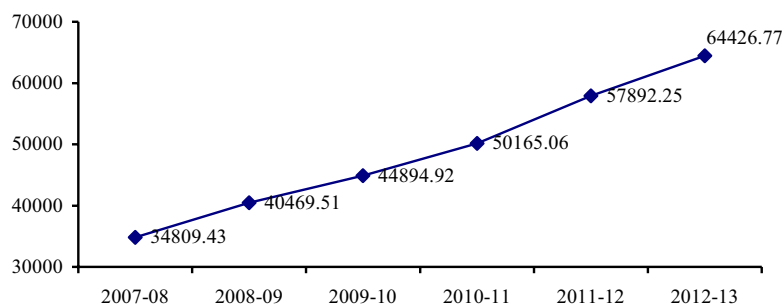
Particulars	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	8251.73	48785.42	57037.15	414.90	6697.32	7112.22	64149.37
Non-working PSUs	80.03	197.37	277.40	-	-	-	277.40
<b>Total</b>	<b>8331.76</b>	<b>48982.79</b>	<b>57314.55</b>	<b>414.90</b>	<b>6697.32</b>	<b>7112.22</b>	<b>64426.77</b>

Source: Audited accounts of State PSUs for 2012-13 where available, or information furnished by the PSUs

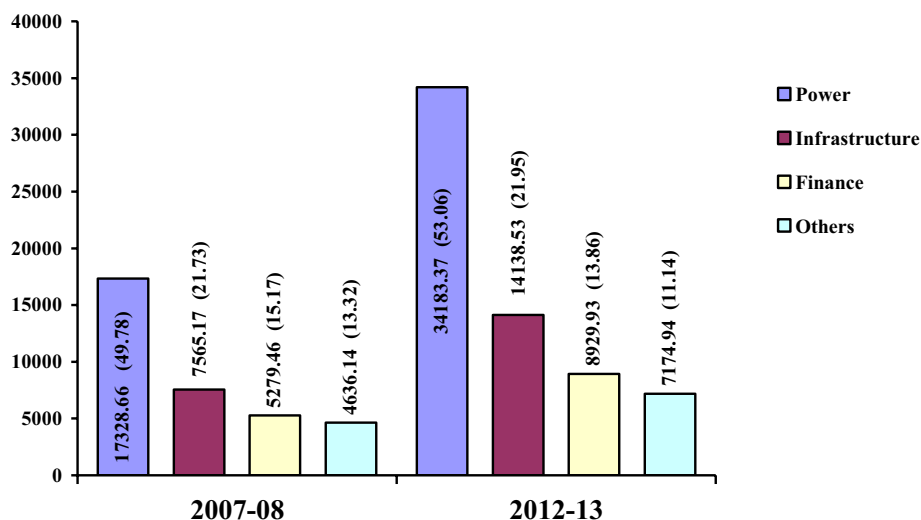
A summarised position of Government investment in State PSUs is detailed in **Annexure-1.1**.

**1.3.2** As on 31 March 2013, of the total investment in State PSUs, 99.57 per cent was in working PSUs and the remaining 0.43 per cent in non-working PSUs. This total investment consisted of 13.58 per cent towards capital and 86.42 per cent in long-term loans. The investment has grown by 85.08 per cent from ₹ 34,809.43 crore in 2007-08 to ₹ 64,426.77 crore in 2012-13 as shown below.

<sup>6</sup> Includes investment (capital and long-term loans) by the State Government, the Central Government and others.

**Graph 1.1 Investment (Capital and long term loans) (₹ in crore)**

**1.3.3** The investment in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below in Graph 1.2. Thrust of PSUs investment was mainly on power sector during the last five years, with the investment in this sector increasing from 49.78 *per cent* in 2007-08 to 53.06 *per cent* in 2012-13. The investment in the infrastructure sector also increased in percentage terms from 21.73 in 2007-08 to 21.95 in 2012-13.

**Graph 1.2 Sectoral Profile of increase in investment during 2007-13 (₹ in crore)**

(Figures in brackets show sector percentage to total investment)

In absolute terms, during the period from 2007-08 to 2012-13, investment in power sector increased by ₹ 16,854.71 crore, primarily due to increase in investment in Andhra Pradesh Power Development Corporation Limited (₹ 7,820.07 crore), Andhra Pradesh Power Generation Corporation Limited (₹ 4,400.19 crore), Central Power Distribution Company of Andhra Pradesh Limited (₹ 2,365.94 crore), and Transmission Corporation of Andhra Pradesh Limited (₹ 1,502.68 crore). The investment in infrastructure sector increased by ₹ 6,573.36 crore, primarily due to increase in investment in Andhra

Pradesh State Housing Corporation Limited (₹ 4,878.73 crore) and Hyderabad Growth Corridor Limited (₹ 1,479.90 crore).

#### 1.4 Budgetary outgo, grants/ subsidies, guarantees and loans

1.4.1 Details regarding budgetary outgo from Government of Andhra Pradesh (GoAP) towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure- 1.4**. The summarised details for three years ended 2012-13 are given below.

**Table 1.3 - Details of budgetary outgo**

(Amount ₹ in crore)

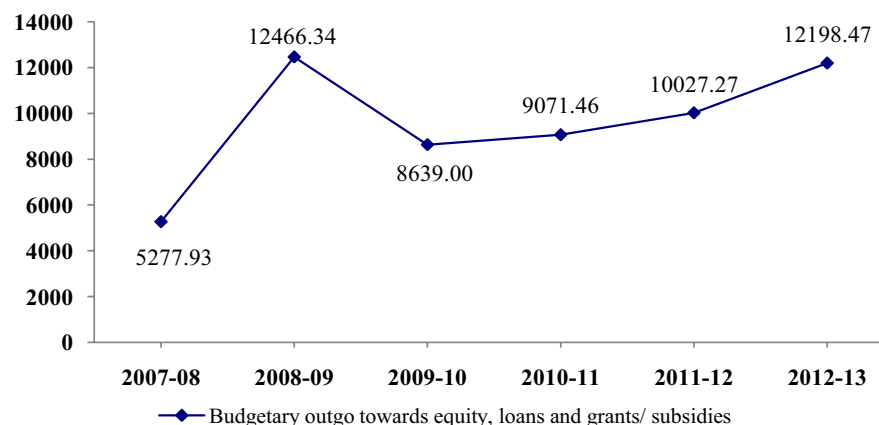
Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity capital outgo from budget	04	27.06	05	46.67	05	37.99
2.	Loans given from budget	05	1783.47	05	3035.07	04	1868.70
3.	Grants/Subsidy given from budget	16	7260.93	19	6945.53	17	10291.78
4.	<b>Total Outgo</b>	<b>21<sup>7</sup></b>	<b>9071.46</b>	<b>26<sup>7</sup></b>	<b>10027.27</b>	<b>23<sup>7</sup></b>	<b>12198.47</b>
5.	Interest/Penal interest written off	--	--	--	--	--	--
6.	Guarantees issued	05	2638.05	04	4316.81	4	675.72
7.	Guarantee Commitment	14	14275.46	14	15279.62	13	14352.52

Source: As provided by PSUs concerned

<sup>7</sup> The figure represent number of PSUs which have received outgo from the Budget under one or more heads i.e. equity, loans, grants and subsidies.

1.4.2 Details regarding budgetary outgo towards equity, loans and grants/subsidies for past six years are given below in graph 1.3.

Graph 1.3 - Budgetary outgo towards equity, loans and grants/ subsidies (₹ in crore)



1.4.3 Budgetary outgo towards equity, loans and grants/subsidies increased from ₹ 5,277.93 crore in 2007-08 to ₹ 12,198.47 crore in 2012-13. Main beneficiaries of subsidy and grants from GoAP's budget were power and service sectors, which received 58.45 per cent (₹ 6015.48 crore) and 30.21 per cent (₹ 3109.58 crore) of total amount of subsidy and grants (₹ 10,291.78 crore) respectively. Majority of loans given from budget was to manufacturing and infrastructure sectors, which received 62.56 per cent (₹ 1,169.08 crore) and 24.42 per cent (₹ 456.40 crore) of total amount of loans (₹ 1,868.70 crore) respectively.

1.4.4 The Government charges guarantee commission at concessional rate of half per cent to two per cent for term loans granted by Financial Institutions and Banks to various PSUs. Guarantee commission is payable as and when loans are guaranteed. Amount of guarantees outstanding decreased from ₹ 16,313.51 crore in 2007-08 to ₹ 14,352.52 crore in 2012-13, showing a decrease of 12.02 per cent. Guarantees mainly comprise amounts guaranteed for Central Power Distribution Company of Andhra Pradesh Limited, Northern Power Distribution Company of Andhra Pradesh Limited, Andhra Pradesh State Financial Corporation and Andhra Pradesh State Road Transport Corporation. During the year 2012-13, the State Government received ₹ 9.38 crore<sup>8</sup> towards guarantee commission and ₹ 7.91 crore was due to be received.

## 1.5 Reconciliation with Finance Accounts

1.5.1 Figures in respect of equity, loans and guarantees outstanding of GoAP as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case figures do not agree, concerned

<sup>8</sup> Andhra Pradesh State Financial Corporation, Andhra Pradesh Industrial Development Corporation Limited and Southern Power Distribution Company of Andhra Pradesh Limited.

PSUs and Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2013 is stated below:

**Table 1.4 – Differences between Finance Accounts and Records of PSUs**

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs <sup>9</sup>	Difference
Equity	3376.54	6269.18	2892.64
Loans	17725.67	15580.11	2145.56
Guarantees	13064.42	14352.52	1288.10

Source: As per Finance Accounts and data as provided by respective PSUs.

**1.5.2** Audit observed that amount as per records of PSUs was more than that of Finance Accounts in respect of equity, loans and guarantees. The differences occurred in respect of 48 PSUs, of which some were pending reconciliation since long. The matter regarding the difference in figures relating to equity, loans and guarantees as per Finance Accounts and as per records of PSUs was taken up from time to time with the Finance Department of GoAP. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

## 1.6 Arrears in finalization of Annual Accounts

**1.6.1** Accounts of companies for every financial year are required to be finalised within six months from end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September each year.

**Table 1.5 – Arrears in finalization of annual accounts of PSUs**

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13*
1.	Number of Working PSUs	43	45	48	50	52
2.	Number of accounts finalised during the year	46	51	46	54	56
3.	Number of accounts in arrears	70	64	70	78 <sup>10</sup>	88
4.	Average arrears per PSU (3/1)	1.63	1.42	1.46	1.56	1.69
5.	Number of Working PSUs with arrears in accounts	26	25	30	28	33
6.	Extent of arrears	1 to 11 years	1 to 12 years	1 to 10 years	1 to 7 years	1 to 8 years

\*Position up to October 2013 as given in Annexure 1.5.

**1.6.2** As can be seen above, the number of PSUs with accounts in arrear increased from 26 in 2008-09 to 33 in 2012-13.

**1.6.3** As regards non-working companies, out of 24 such PSUs, 11 had gone into liquidation process, two were wound up and one was under merger. The

<sup>9</sup> Figures from annual accounts finalized for 2012-13 or information furnished by the State PSUs.

<sup>10</sup> Includes arrears of two companies for eight years each viz., Andhra Pradesh Aviation Corporation Limited and Pashamylaram Textiles Park since incorporation (2005-06).

remaining 10 non-working PSUs were under closure/having no business activities. The accounts of these PSU were in arrears for four to 29 years. The Government may take action regarding winding up of non-working PSUs.

**1.6.4** State Government had invested ₹ 16,919.75 crore (equity: ₹ 7.83 crore, loans: ₹ 2,867.68 crore, grants: ₹ 11,401.37 crore and subsidy: ₹ 2,642.87 crore) in 20 PSUs (17 working and three non-working PSUs) which had not finalized their accounts for a period ranging from two to 10 years as detailed in **Annexure-1.5**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money, apart from violation of the provisions of the Companies Act, 1956.

**1.6.5** Administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed of the arrears in finalisation of accounts regularly by audit, no remedial measures were taken.

**1.6.6** *In view of the above state of arrears, it is recommended that the Government may monitor and ensure timely finalization of accounts of PSUs with special focus on liquidation of arrears and compliance with the provision of the Companies Act, 1956.*

## 1.7 Performance of PSUs

**1.7.1** Out of 52 working PSUs, 19 PSUs (17 Government companies and 2 Statutory corporations) had finalised their annual accounts for 2012-13, as of October 2013. The investment (capital and long-term loans) in these 19 PSUs as on 31 March 2013 was ₹ 27,728.18 crore, which represented 43.04 per cent of the investment in all State PSUs.

**1.7.2** Financial position and working results in respect of these 19 PSUs, who had finalised their annual accounts for 2012-13, are detailed in **Annexures – 1.2, 1.6 and 1.8**. The table below provides the details of working PSUs turnover and State GDP for the period 2011-12 and 2012-13.

*Table 1.6 – Turnover vis-à-vis State GDP*

Particulars	₹ in crore)	
	2011-12	2012-13
Turnover	68212.70	38280.14
State GDP	675798.00	745782.00
Percentage of turnover to State GDP	10.09	5.13
Net profit(+)/loss (-)	637.98	784.48

*Source: Accounts of PSUs and as per Finance Accounts*

**1.7.3** According to the latest finalised accounts, out of the 19 PSUs who finalised their accounts for 2012-13 (**Annexure - 1.2**), nine PSUs earned an aggregate profit of ₹ 877.66 crore, while five PSUs incurred a loss of ₹ 93.18 crore and two Companies neither earned profit nor loss. Of the remaining

three PSUs, two PSUs i.e., Andhra Pradesh Power Finance Corporation Limited and Andhra Pradesh State Police Housing Corporation Limited are preparing accounts on no profit/ no loss basis and one PSU i.e., Andhra Pradesh Power Development Company Limited is yet to commence commercial operation and, hence, has not prepared profit and loss account. The main profit-earning PSUs were the Singareni Collieries Company Limited (₹ 401.14 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 344.32 crore). The main loss incurring PSU was Andhra Pradesh State Road Transport Corporation (₹ 80.71 crore).

**1.7.4** Some other key parameters pertaining to the 19 PSUs, who have finalized their accounts for 2012-13 are given below:

**Table 1.7 – Key parameters pertaining to State PSUs**

(₹ in crore)

Particulars	2011-12	2012-13
Return on capital employed ( <i>per cent</i> )	5405.49 (10.35)	1807.04 (6.47)
Debt	35611.18	23016.39
Turnover	68212.70	38280.14
Debt/ Turnover Ratio	0.52:1	0.60:1
Interest Payments	4767.51	1461.06
Accumulated Profits / (losses)	(18.47)	(777.11)

Source: Accounts of PSUs.

**1.7.5** Out of 52 working PSUs, 33 PSUs (including one Statutory corporation) did not finalise their accounts for 2012-13. Financial position and working results of these 33 PSUs, based on the latest finalized annual accounts are indicated in **Annexures 1.3, 1.7 and 1.9**.

## **1.8 Internal Audit and Internal Control System**

**1.8.1** Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in companies audited in accordance with directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by Statutory Auditors on possible improvement in the internal audit/ internal control system for the year 2012-13 are given below:

**Table 1.8: Deficiencies in internal control system**

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Name of the Companies
1	Non-fixation of minimum/ maximum limits of store and spares	01	The Singareni Collieries Company Limited
2	Absence of internal audit system commensurate with the nature and size of business of the company	02	Andhra Pradesh Gas Distribution Corporation Limited (619-B) and Leather Industries Development Corporation of Andhra Pradesh Limited.

Source: Statutory Auditors' report of respective PSUs.



## 1.9 Comments of the CAG of India on Accounts of PSUs

1.9.1 Some of the important comments of the CAG of India in respect of accounts of companies finalised during the year, are as follows:

### *i) Andhra Pradesh Industrial Development Corporation Limited (2009-10)*

- Non-provision of ₹ 1.56 crore towards interest accrued and due on Government Loan of ₹ 0.56 crore has resulted in understatement of provision for interest on Loan and overstatement of Profit by ₹ 1.56 crore.

### *ii) Andhra Pradesh Rajiv Swagruha Corporation Limited (2010-11)*

- Non-exhibition of prior period expenditure of ₹ 31.11 crore, included in current year, as per the requirements of Schedule-VI of Company's Act 1956 resulted in overstatement of current year's Loss by the said amount.

### *iii) Andhra Pradesh State Civil Supplies Corporation Limited (2010-11)*

- Short accountal of claim made by the Company from State Government towards cost of procurement and transportation of food grains resulted in understatement of Profit and Sundry Debtors by ₹ 19.36 crore.

### *iv) Andhra Pradesh Technology Services Limited (2010-11)*

- Provision of ₹ 1.96 crore towards liability of Gratuity for its employees inspite of being covered under the Group Gratuity Policy from LIC of India for ₹ 1.96 crore has resulted in understatement of Profit for the year by ₹ 0.71 crore, Profit for Prior Period by ₹ 1.25 crore and Reserves & Surplus by ₹ 1.96 crore.

### *v) Andhra Pradesh Industrial Infrastructure Corporation Limited (2011-12)*

- Non-provision of interest for the year 2009-10 on the loan amount given to Vishakhapatnam Industrial Water Supply Company Ltd. has resulted in understatement of Profit and understatement of long term loans and advances (Note 10) to the extent of ₹ 2.43 crore.
- The Company has not made a provision for the value of investment amounting to ₹ 25.03 crore to recognize the decline/ diminution in the value of its investment in a Private company resulting in overstatement of non-current investments and the Profit for the year by ₹ 25.03 crore and the tax expenses (current year) by ₹ 5.01 crore.

### *vi) The Singareni Collieries Company Limited (2012-13)*

- Non provision of the Mine Closure Expenditure on the basis of revised estimated life of some of the mines has resulted in understatement of Provision for mine closure expenditure and overstatement of Profit for the year by ₹ 9.34 crore.

**vii) Transmission Corporation of Andhra Pradesh Limited (2012-13)**

- Actual deferred tax liability for the year was ₹ 348.07 crore against the liability of ₹ 309.56 crore resulting in understatement of deferred tax liability by ₹ 38.51 crore and profit after tax carried over to appropriation account by ₹ 42.95 crore (₹ 38.51 crore + ₹ 4.44 crore).

**1.9.2** Some of the important comments in respect of accounts of Statutory corporations are stated below:

**i) Andhra Pradesh State Warehousing Corporation (2011-12)**

- Exhibition of Short terms Deposits under Investment has resulted in Overstatement of “Investments” and understatement of “Others –Term Deposits with banks” by ₹ 187.37 crore.
- Provision of depreciation instead of writing off cost of wooden crates used as dunnage in the year of purchase as per the Corporation’s Accounting Policy and Quality Control Manual has resulted in understatement of Depreciation/ Expenditure by ₹ 1.20 crore and Overstatement of Profits by ₹ 1.20 crore.
- Accountal of income of the previous years arising from adjustment of cost of supply of insecticides and fumigants to various investor godowns (IG) from monthly rental/storages payable has resulted in Overstatement of Miscellaneous income and Profits by ₹ 3.40 crore and Understatement of prior period income by ₹ 3.40 crore.

**1.10 Placement of SARs**

**1.10.1** The following table shows the status of placement of various Separate Audit Reports (SARs), issued by the C&AG of India, on the accounts of Statutory corporations, in the Legislature by the Government.

*Table 1.9 – Placement of SARs in the Legislature*

Sl. No.	Name of the Statutory corporation	Year upto which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the PSU/Government	Reasons for delay in placement in Legislature
1	Andhra Pradesh State Financial Corporation	2011-12	2012-13	06-12-2013	Not furnished by the PSUs
2	Andhra Pradesh State Warehousing Corporation	2008-09	2009-10	17-12-2012	
			2010-11	17-12-2012	
			2011-12	25-10-2013	
3	Andhra Pradesh State Road Transport Corporation	2010-11	2011-12	11-07-2013	

Source: As provided by respective PSU.

## 1.11 Follow up action on Audit Reports

### 1.11.1 Outstanding departmental replies on paragraphs appeared in the Audit Reports

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, 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 Performance Audits (PAs) 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 2011-12 were presented to the State Legislature between March 1994 and June 2013, 13 departments did not submit explanatory notes on 100 out of 397 paragraphs/PAs as on September 2013 as indicated below:

**Table 1.10 – Non-submission of Explanatory Notes**

Year of the Audit Report (Commercial)	Date of presentation to State Legislature	Total Paragraphs/ PAs in Audit Report	No. of Paragraphs/ PAs for which explanatory notes were not received
1993-94	28-04-1995	25	1
1995-96	19-03-1997	28	4
1997-98	11-03-1999	29	8
1998-99	03-04-2000	29	8
1999-2000	31-03-2001	24	8
2000-01	30-03-2002	21	3
2001-02	31-03-2003	23	1
2002-03	24-07-2004	16	2
2003-04	31-03-2005	21	2
2004-05	27-03-2006	23	4
2005-06	31-03-2007	23	4
2006-07	28-03-2008	29	13
2007-08	05-12-2008	25	5
2008-09	30-03-2010	27	11
2009-10	29-03-2011	21	3
2010-11	29-03-2012	25	15
2011-12	21-06-2013	8	8
<b>Total</b>		<b>397</b>	<b>100</b>

Source: As compiled by office of AG (E&RSA)/AP

Department-wise analysis of PAs/ paragraphs for which explanatory notes are awaited is given in **Annexure-1.10**. Majority of the cases of non-submission of explanatory notes relate to PSUs under the Departments of Industries & Commerce (51) and Energy (20).

### **1.11.2 Outstanding action taken notes on the Reports of the Committee on Public Undertakings (COPU)**

Action Taken Notes (ATNs) on recommendations of the COPU are required to be furnished within six months from the date of presentation of the Report to the State Legislature. ATNs on 607 recommendations pertaining to 37 Reports of the COPU, presented to the State Legislature between April 1991 and March 2013, not received as of September 2013 are indicated below:

**Table 1.11 – Non-receipt of Action Taken Notes**

Year of COPU Report	Total number of Reports involved	No. of Recommendations where ATNs were not received
1991-92	1	3
1992-93	6	239
1993-94	5	136
1995-96	1	30
1996-97	1	2
1997-98	2	38
1998-99	2	16
2000-01	8	72
2001-02	2	6
2004-05	3	23
2005-06	2	17
2006-07	4	25
<b>Total</b>	<b>37</b>	<b>607</b>

Source: As compiled by office of AG (E&RSA)/AP

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

### **1.11.3 Response to inspection reports, draft paragraphs and Performance Audits**

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. Heads of PSUs are required to furnish replies to inspection reports through respective heads of departments within a period of four weeks. Inspection reports issued up to March 2013 pertaining to 52 PSUs disclosed that 3018 paragraphs relating to 793 inspection reports remained outstanding at the end of September 2013. Department wise break-up of Inspection reports and audit paragraphs outstanding as on 30 September 2013 is given in **Annexure-1.11**. In order to expedite settlement of outstanding paragraphs, seven Audit Committee meetings were held during 2012-13 wherein position of outstanding paragraphs was discussed with executive/ administrative departments.

Similarly, PAs and draft paragraphs 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 one PA and two draft paragraphs forwarded to various departments during June 2013 to September 2013 as detailed in **Annexure- 1.12** had not been replied to so far (February 2014).

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/PAs 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.