

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, as on 31 March 2014, there were 77 PSUs as per details given in table 1.1. None of these was, however, listed on the stock exchanges. They employed a total of 2.57 lakh employees as of 31 March 2014.

Table 1.1 – Total number of PSUs

Type of PSUs	Working PSUs	Non-working PSUs ¹	Total
Government Companies	52 ²	22 ³	74
Statutory Corporations	3	-	3
Total	55	22	77

Source: Information furnished by the State Government and PSUs

1.1.2 Out of 55 working State PSUs, 17 PSUs⁴ had finalised their annual accounts for 2013-14 as of September 2014, registering a turnover of ₹ 62437.53 crore, which was equal to 7.30 *per cent* of the State Gross Domestic Product (GDP)⁵ for 2013-14. These 17 PSUs incurred an aggregate loss of ₹ 239.71 crore in 2013-14 and employed 1.23 lakh employees during the year. State PSUs do not include Departmental Undertakings (DUs), which carry out commercial operations under various Government Departments. Audit findings in respect of these DUs are incorporated, as appropriate, in other Audit Reports of the State.

1.1.3 Three PSUs, namely APMDC-SCCL Suliyari Coal Company Limited, E-City Manufacturing Cluster Limited and Maheswaram Science Park Limited were incorporated during the year 2013-14.

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). Government companies also include

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

² Includes six working companies under Sections 619-B of the Companies Act, 1956 (Sl. No. 6, 14, 15, 21, 32, and 44 of Part – A of Annexure 1.1).

³ Includes six non-working companies under Sections 619-B of the Companies Act, 1956 (Sl. No. 16, to 21 of Part – C of Annexure 1.1).

⁴ 16 Government Companies and 1 Statutory Corporation.

⁵ State GDP for the year 2013-14 ₹ 8,54,822.00 crore

subsidiaries of Government companies. Further, a company in which 51 per cent of the paid up capital is held in any combination by 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 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, CAG supplements the audit conducted by their statutory auditors.

1.3 Investment in State PSUs

1.3.1 As on 31 March 2014, the investment (capital and long-term loans)⁶ in 77 PSUs (including 619-B companies) was ₹ 76239.06 crore, as per details given below:

Table 1.2 – Investment in State PSUs

(₹ in crore)

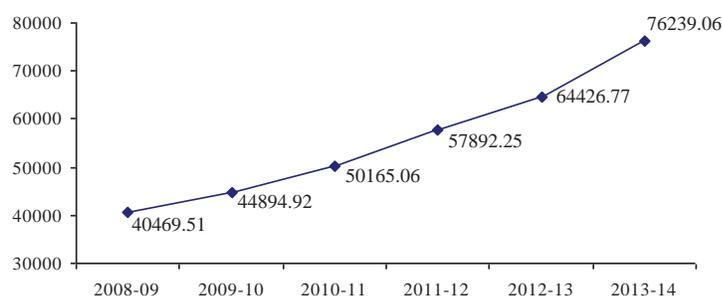
Particulars	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	8730.74	59330.58	68061.32	414.89	7503.66	7918.55	75979.87
Non-working PSUs	74.66	184.53	259.19	-	-	-	259.19
Total	8805.40	59515.11	68320.51	414.89	7503.66	7918.55	76239.06

Source: Audited accounts of State PSUs for 2013-14 where available, or information furnished by the PSUs

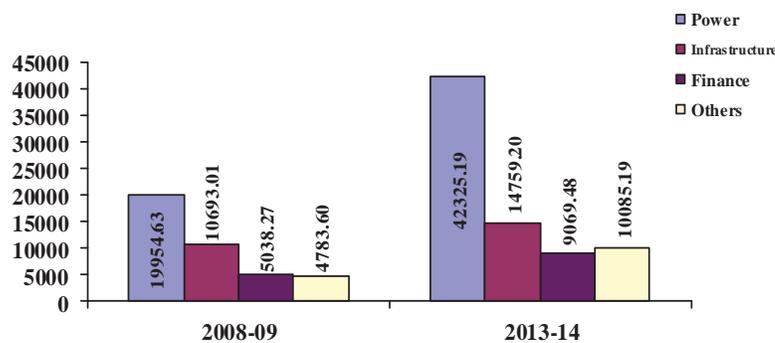
A summarized position of Government investment in State PSUs is detailed in **Annexure-1.1**.

1.3.2 As on 31 March 2014, out of the total investment in State PSUs, 99.66 per cent were in working PSUs and the remaining 0.34 per cent in non-working PSUs. This total investment consisted of 12.09 per cent towards capital, the remaining 87.91 per cent being long-term loans. The investment has grown by 88.39 per cent from ₹ 40469.51 crore in 2008-09 to ₹ 76239.06 crore in 2013-14 as shown below.

⁶ 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 2009 and 31 March 2014 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 in percentage terms from 49.31 *per cent* in 2008-09 to 55.52 *per cent* in 2013-14. The percentage in the infrastructure sector decreased from 26.42 in 2008-09 to 19.36 in 2013-14.

Graph 1.2 Sectoral Profile of increase in investment during 2008-14 (₹ in crore)

In absolute terms, during the period from 2008-09 to 2013-14, investment in power sector increased by ₹ 22370.56 crore, primarily due to increases in investment in respect of Andhra Pradesh Power Development Company Limited (₹ 9504.39 crore), Central Power Distribution Company of Andhra Pradesh Limited (₹ 3943.88 crore), Northern Power Distribution Company of Andhra Pradesh Limited (₹ 3259.54 crore), Andhra Pradesh Power Generation Corporation Limited (₹ 3390.90 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 1698.19 crore). The investment in infrastructure sector increased by ₹ 4066.19 crore, primarily due to increases in investment in Andhra Pradesh State Housing Corporation Limited (₹ 3392.45 crore) and Hyderabad Growth Corridor Limited (₹ 1185.68 crore).

1.4 Budgetary outgo, grants/ subsidies, guarantees, loans

1.4.1 The 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 are given below for the three years ended 2013-14.

Table 1.3 – Details of budgetary outgo

(Amount ₹ in crore)

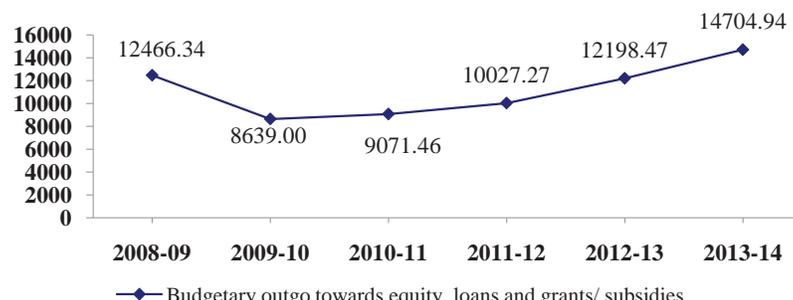
Sl. No	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity capital outgo from budget	05	46.67	05	37.99	04	27.33
2.	Loans given from budget	05	3035.07	04	1868.70	04	1726.53
3.	Grants/Subsidy given from budget	19	6945.53	17	10291.78	16	12951.08
4.	Total Outgo	26⁷	10027.27	23⁷	12198.47	22⁷	14704.94
5.	Interest/Penal interest written off	--	--	--	--	--	--
6.	Guarantees issued	04	4316.81	4	675.72	05	9381.43
7.	Guarantee Commitment	14	15279.62	13	14352.52	11	20463.81

Source: As provided by PSUs concerned

⁷ The figure represents 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 The 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 ₹ 12466.34 crore in 2008-09 to ₹ 14704.94 crore in 2013-14. Main beneficiaries of subsidy and grants from GoAP's budget were power and service sectors, which received 48.73 *per cent* (₹ 6311.10 crore) and 44.02 *per cent* (₹ 5701.28 crore) of total amount of subsidy and grants (₹ 12951.08 crore) respectively. Majority of loans given from budget was to infrastructure and power sectors, which received 85.52 *per cent* (₹ 1476.54 crore) and 8.68 *per cent* (₹ 149.91 crore) of total amount of loans (₹ 1726.53 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 increased from ₹ 15300.88 crore in 2008-09 to ₹ 20463.81 crore in 2013-14, showing an increase of 33.74 *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 2013-14, the State Government received ₹ 0.55 crore⁸ towards guarantee commission, leaving a due of ₹ 7.23 crore yet to be received.

1.5 Reconciliation with Finance Accounts

1.5.1 Figures in respect of equity, loans and outstanding guarantees of GoAP as per records of State PSUs should agree with corresponding figures appearing in the Finance Accounts of the State. In case of disagreement, concerned PSUs and Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2014 is stated in Table 1.4 which shows that the two sets of figures lack agreement.

⁸ Andhra Pradesh Industrial Infrastructure Corporation Limited, Andhra Pradesh State Minorities Finance Corporation Limited and Southern Power Distribution Company of Andhra Pradesh Limited.

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 [#]	Difference
Equity	3395.44	6329.44	2934.00
Loans	15330.37	16944.96	1614.59
Guarantees	27914.71	20463.81	7450.90

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

[#] Figures from Annual Accounts finalized for 2013-14 or information furnished by the State PSUs.

1.5.2 Audit observed that differences occurred in respect of 44 PSUs and some of the differences 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 The accounts of companies for every financial year are required to be finalised within six months from the close 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. Table 1.5 provides the details of progress made by working PSUs in respect of finalisation of accounts by September each year.

Table 1.5 – Arrears in finalization of annual accounts of PSUs

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14*
1.	Number of Working PSUs	45	48	50	52	55
2.	Number of accounts finalised during the year	51	46	54	56	55
3.	Number of accounts in arrears	64	70	78	88	84 ⁹
4.	Average arrears per PSU (3/1)	1.42	1.46	1.56	1.69	1.53
5.	Number of Working PSUs with arrears in accounts	25	30	28	33	38
6.	Extent of arrears	1 to 12 years	1 to 10 years	1 to 7 years	1 to 8 years	1 to 9 years

*Position up to September 2014 as given in Annexure 1.5.

1.6.2 As seen from Table 1.5, the number of PSUs with accounts in arrears increased from 64 in 2009-10 to 84 in 2013-14.

⁹ Includes arrears of three Companies i.e., IGCARL for six years, Vizag Apparel Park for Exports for six years and A.P. Aviation Corporation Limited for 9 years.

1.6.3 As regards non-working companies, out of 22 such PSUs, 10 were under the process of liquidation, two were wound up and one was under process of merger. The remaining nine non-working PSUs were either under closure having no business activities or having no assets; besides, they had arrears of accounts for periods ranging from 10 to 29 years.

1.6.4 State Government had invested ₹ 18354.31 crore (equity: ₹ 8.44 crore, loans: ₹ 3740.26 crore, grants: ₹ 3906.75 crore and subsidy: ₹ 10698.86 crore) in 40 PSUs (38 working and 2 non-working PSUs) during the years between 2001-02 and 2013-14 for which accounts have not been finalised 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 amounts were invested had actually been served. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature. Further, delays 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, no effective remedial measures were taken.

1.7 Performance of PSUs

1.7.1 Out of 55 working PSUs, 17 PSUs (16 Government Companies and one Statutory Corporation) had finalised their annual accounts for 2013-14, as of September 2014. The investment (capital and long-term loans) in these 17 PSUs as on 31 March 2014 was ₹ 55435.54 crore, which represented 72.71 per cent of the investment in all State PSUs.

1.7.2 The financial position and working results in respect of these 17 PSUs which had finalised their annual accounts for 2013-14 are detailed in **Annexures – 1.2, 1.6 and 1.8**. Table 1.6 provides the details of turnover of working PSUs for the period from 2012-13 to 2013-14.

Table 1.6 – Turnover vis-à-vis State GDP

(₹ in crore)

Particulars	2012-13	2013-14
Turnover	38280.14	62437.53
State GDP	745782.00	854822.00
Percentage of turnover to State GDP	5.13	7.30
Net profit(+)/loss (-)	784.48	-239.71

Source: Accounts of PSUs and as per Finance Accounts

1.7.3 According to the latest finalised accounts, out of the 17 PSUs which finalised their accounts for 2013-14 (**Annexure 1.2**), 7 PSUs earned aggregate profit of ₹ 1146.34 crore, while 8 PSUs incurred loss of ₹ 1386.05 crore. One Company¹⁰ is preparing accounts on no profit/ no loss basis and another¹¹ had not started its commercial operations. The main profit-earning PSUs were Andhra Pradesh Power Generation Corporation Limited (₹ 555.76 crore), the Singareni Collieries Company Limited (₹ 418.74 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 102.77 crore). The main loss-incurring PSU was Central Power Distribution Company of Andhra Pradesh Limited (₹ 811.24 crore).

1.7.4 Some other key parameters pertaining to the 17 PSUs, which had finalized their accounts for 2013-14 are given in table 1.7:

Table 1.7 – Key parameters pertaining to State PSUs

Particulars	(₹ in crore)	
	2012-13	2013-14
Return on capital employed (<i>per cent</i>)	1807.04 (6.47)	4765.39 (9.70)
Debt	23016.39	47112.48
Turnover	38280.14	62437.53
Debt/ Turnover Ratio	0.60:1	0.75:1
Interest Payments	1461.06	5005.10
Accumulated Profits / (losses)	(777.11)	(15901.53)

Source: Accounts of PSUs.

1.7.5 Out of 55 working PSUs, 38 PSUs (including one Statutory Corporation) did not finalise their accounts for 2013-14. Financial position and working results of these 38 PSUs, based on their 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 on various aspects including internal control/ internal audit systems in companies audited in accordance with directions issued by the CAG under Section 619(3)(a) of the Companies Act, 1956¹² 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 2013-14 are given in Table 1.8:

¹⁰ Andhra Pradesh Power Finance Corporation Limited

¹¹ Andhra Pradesh Power Development Company Limited

¹² New Companies Act is applicable only w.e.f. 1st April, 2014.

Table 1.8: Deficiencies in internal control system

Sl. No.	Nature of comments made by Statutory Auditor	Number of companies where recommendations were made	Name of the Company
1	Absence of internal audit Manual to Company	01	Andhra Pradesh Gas Infrastructure Corporation Limited
2	Absence of internal audit system commensurate with the nature and size of business of the company	01	Andhra Pradesh Gas Distribution Corporation Limited (619-B)

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 Infrastructure Corporation Limited (2012-13)

Provision of ₹ 785.21 crore was not made towards conversion fee of land held by the Corporation as per the A.P. Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006 as per the demand of Government. Non creation of any provision in the absence of any exemption has resulted in understatement of expenses, current liabilities and overstatement of profit by same amount.

ii) Southern Power Distribution Corporation of Andhra Pradesh Limited (2013-14)

Non-withdrawal of 50 *per cent* of Restriction and Controls (R&C) penalties levied during the period from 14 September 2012 to 31 August 2013 as per the orders of APERC (April 2014) resulted in overstatement of 'Sundry Debtors' and understatement of 'Loss before Tax' by ₹ 76.96 crore.

iii) Andhra Pradesh Power Generation Corporation Limited (2012-13)

Overstatement of revenue from sale of power resulted in overstatement of Trade receivables and Profit for the period by ₹ 33.38 crore.

iv) Eastern Power Distribution Company of Andhra Pradesh Limited (2013-14)

Non-withdrawal of 50 *per cent* of R&C penalties and belated payment surcharge levied thereon in respect of HT consumer and LT consumers as per the orders of APERC (August 2013) resulted in overstatement of 'Sundry Debtors' and understatement of 'Loss before Tax' by ₹ 19.16 crore.

v) Andhra Pradesh State Irrigation Development Corporation Limited (2012-13)

Overstatement of fixed assets by ₹ 48.76 crore which were already handed over to the respective beneficiaries' long back and hence not available with the Corporation any longer resulted in overstatement of fixed assets by ₹ 48.76 crore and understatement of capital expenditure written-off account under Other Expenses by similar amount. This has also resulted in overstatement of current year's profit by ₹ 48.76 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 (2012-13)

- Non-accountal of ₹ 108.29 crore being the differential storage charges of investor godowns receivable from depositors resulted in understatement of 'Warehousing Charges' under Income and also understatement of accrued Income under Property and Assets by similar amount.
- Non-accountal of ₹ 69.31 crore to owners of investor godowns resulted in understatement of expenditure towards Godowns Rent/ Storage Charges under the Head 'Rent, Rates and Taxes' and consequential overstatement of Profit and also understatement of outstanding liabilities by similar amount.

ii) Andhra Pradesh State Road Transport Corporation (2012-13)

- Non-provisions towards differential MV taxes payable to the Government for the years 1996-97 to 2011-12 resulted in understatement of 'MV Taxes-Arrears' by ₹ 71.62 crore. Consequently, Loss for the year is understated by similar amount.
- Non-capitalisation of completed works resulted in overstatement of 'Capital Work-in-Progress' by ₹ 10.95 crore. This resulted in short provision of Depreciation and understatement of Loss for the year by ₹ 0.47 crore.
- 'Contribution to Depreciation Funds' is understated by ₹ 4.27 crore due to short provision of depreciation on Ticket Issuing Machines (₹ 2.68 crore) and assets relating to Online Passenger Reservation System project (₹ 1.59 crore). Consequently, Loss for the year was understated by similar amount.
- Non-provision of unsecured receivables (₹ 34.80 crore), shortage of HSD oil (₹ 2.77 crore), penalties, rentals, investments without details and other sundry receivables (₹ 2.15 crore) resulted in understatement of Provisions by ₹ 39.72 crore. Consequently, Loss for the year was understated by like amount.

1.10 Placement of SARs

1.10.1 Table 1.9 shows the status of placement of Separate Audit Reports (SARs) issued by the CAG 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 Government	Reasons for delay in placement in Legislature
1	Andhra Pradesh State Financial Corporation	2011-12	2012-13	06.12.2013	Issues relating to the re-organisation of the A.P. State.
2	Andhra Pradesh State Warehousing Corporation	2011-12	2012-13	-----	SAR is under printing.
3	Andhra Pradesh State Road Transport Corporation	2011-12	2012-13	11-04-2014	Not known

Source: As provided by respective PSU.

1.11 Follow up action on Audit Reports

1.11.1 Outstanding departmental replies on paragraphs featured in the Audit Reports

Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of audit scrutiny starting with the 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 reviews included in the Audit Reports within three months of their presentation to Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though Audit Reports for the years 1993-94 to 2012-13 were presented to the State Legislature between March 1994 and September 2014, 13 departments did not submit explanatory notes on 105 out of 408 paragraphs/Performance Audits (PA) till September 2014 as indicated in Table 1.10:

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/ reviews 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	3
2006-07	28-03-2008	29	11
2007-08	05-12-2008	25	5
2008-09	30-03-2010	27	10
2009-10	29-03-2011	21	2
2010-11	29-03-2012	25	15
2011-12	21-06-2013	8	7
2012-13	06-09-2014	11	11
Total		408	105

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 and Commerce (43) and Energy (26).

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

Action Taken Notes (ATNs) on recommendations of 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 2014, were not received till September 2014 as indicated in Table 1.11:

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
Total	37	607

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 concerned departments of the 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 2014 pertaining to 55 PSUs disclosed that 2474 paragraphs relating to 668 inspection reports remained outstanding at the end of September 2014. Department wise break-up of Inspection Reports and audit paragraphs outstanding as on 30 September 2014 is given in **Annexure-1.11**. In order to expedite settlement of outstanding paragraphs, one Audit Committee meeting was held during 2013-14 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 four paragraphs forwarded to various departments during July 2014 to January 2015 as detailed in **Annexure-1.12** had not been replied to so far (February 2015).

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.