

CHAPTER-II AUDIT OF TRANSACTIONS (CIVIL)

Fraud/misappropriation/embezzlement/losses

AGRICULTURE DEPARTMENT

2.1 Suspected fraudulent payment

₹ 49.84 lakh paid to a Kolkata based firm for supply of 45 MT each of soyabean and blackgram seeds based on impermissible supply order and inconsistent delivery records led to suspected fraudulent payment.

Test-check of the records (October 2008) of the Office of the Director of Agriculture revealed that the Department placed (May 2008) a supply order of 90 MT of certified seeds amounting to ₹ 49.84 lakh {Soyabean (JS-335): 45 MT and Blackgram (T-9): 45 MT} for distribution to the farmers from a Kolkata based firm¹. It was noticed that the supply order was placed (May 2008) at the request of the firm (January 2008) and before obtaining Administrative Approval and Expenditure Sanction, which were accorded on 9 June 2008. Also, the quantity of seeds to be ordered were finalised at the Directorate level without having any basic input of the number of beneficiaries from the district level at the time of placing order.

The firm was paid (June 2008) ₹ 49.84 lakh based on two *proforma* bills both dated 2 June 2008 and 90 MT of seeds were stated to have been received between 9 June 2008 and 13 June 2008 through three consignments, transported by three trucks. For each consignment, a delivery challan was also submitted by the firm showing the details of the consignment and mode of transportation. The Department stated (June 2009) that the seeds were produced by M/s Singh Beej Bhandar, Morar, Gwalior and these seeds were duly certified by the Madhya Pradesh State Seed Certification Agencies (MPSSCA). Delivery of 90 MT of seeds and certification of the seeds by the said Seed Certification Agency as per the Seeds Rules, 1968, however, appears to be doubtful because of the reasons stated below:

- The address of M/s Singh Beej Bhandar was not traceable and MPSSCA clarified (October 2010) that they had not certified the seeds;
- One delivery challan was prepared (31 May 2008) two days ahead of the date of preparation of the *proforma* bills (2 June 2008) and the other two delivery challans (2 June 2008) were prepared on the same day of preparation of the *proforma* bills. As delivery of goods had been made, payment should have been made on actual bills and not as advance on the basis of *proforma* bills;
- Two consignments which were delivered on 9 June and 13 June 2008 as per the delivery challans were shown to have been delivered by the same driver. Considering the distance (1565 km) between Imphal and

¹ M/s Tirupati Agro-Seed Distributors.

Kolkata, delivery of two consignments by the same driver within a gap of five days is not possible; and

- The total quantity of soyabean shown as received in the stock register was 45 MT whereas, as per delivery challan², only 30 MT was delivered; which is not possible as there was no other consignment on record during the period.

This has led to suspected fraudulent payment of ₹ 49.84 lakh and the manner in which the supply order had been placed before sanction of Administrative Approval and inconsistencies in departmental records need further investigation.

The matter was referred to the Government (October 2010); reply had not been received (November 2010).

IRRIGATION AND FLOOD CONTROL DEPARTMENT

2.2 Loss to the Government

Failure on the part of the Department to execute Bank Guarantee with the transporter for the value of material to be transported and inaction to get its validity extended beyond the deadline has led to a loss of ₹ 1.32 crore.

Test check of the records (June/July 2010) of the Dolaitabi Barrage Division No. I (DBD) revealed that a supply order for ₹ 6.99 crore was placed (March 2008) on M/s Steel Authority of India Ltd. (SAIL), Guwahati for supply of 1237 MT of TMT steel bars of different sizes for the Dolaitabi Barrage Project and 100 *per cent* of the value of the materials was paid to the company in the same month as per terms and conditions of the supply order. The job of transportation of the material from Guwahati to the consignee's office (*i.e.* Project Store Division, Lamphelpat) was awarded (July 2008) to a local transporter firm³ by the Division.

According to the terms and conditions of transportation, the transporter was to transport 1237 MT of steel bars at a cost of ₹ 44.63 lakh @ ₹ 3,608 per MT on execution of bank guarantee (BG) for 100 *per cent* of the cost of the material to be transported. In the event of failure to transport the material within a period of 10 days as stipulated in the terms and conditions, the BG was liable to be forfeited. However, instead of executing BG for ₹ 6.99 crore for the full value of the material, the transporter was allowed to execute a BG for ₹ 50 lakh only with validity upto August 2008 only. Reasons for limiting the BG to ₹ 50 lakh, instead of ₹ 6.99 crore could not be furnished. Further, the validity of the BG was not extended beyond the deadline.

² No quantity of soyabean was mentioned though the seed was mentioned in the delivery challan.

³ M/s L.S. Enterprises, Kanglatombi

The transporter lifted 441.40 MT of steel bars from SAIL, Guwahati by July 2008 of which 187.89 MT was delivered to the Department and the balance quantity of 253.51 MT⁴ of steel bars valued at ₹ 1.39 crore was yet to be delivered (November 2010). The amount paid to the transporter for the transportation though called for could not be furnished to Audit (November 2010). Despite serving several notices (August 2008 and January 2009) to the transporter and reporting (January 2010) the case to the police, the balance quantity of 253.51 MT of steel bars has still not been delivered (November 2010). As such, the Department cancelled (July 2009) the contract agreement for transportation of the material by the transporter. Out of the remaining quantity of 795.60 MT (1237 MT – 441.40 MT) of steel bars, 547.33 MT had been delivered as of August 2010 through alternative arrangements made by the Department.

Thus, inaction of the Department to execute BG for the full value of the materials to be transported and allowing the BG to lapse without any action has led the Government to a loss of ₹ 1.32 crore⁵.

The matter was referred (August 2010) to the Government; reply had not been received (November 2010).

PLANNING DEPARTMENT

2.3 Fraudulent payment due to fictitious purchase

Fraudulent payment of ₹ 2.74 crore was made to a contractor, as payment for supply of building material was based on fictitious records.

Test check of the records (May 2010) of the Manipur Development Society revealed that 1,715 MT of cement valued at ₹ 120.05 lakh @ ₹ 7000 per MT and 297 MT of steel valued at ₹ 154.44 lakh @ ₹ 52,000 per MT were purchased from two suppliers *i.e.* M/s S. K Enterprises, Guwahati and M/s NorthEast Marketing Company, Dimapur during January 2009 and May 2009. The Society made (March 2009) a payment of ₹ 274.49 lakh to the firms for supply of the building material including transportation cost. As per delivery challans, the building materials were transported by 33 trucks as of May 2009. The building materials were purportedly purchased for construction of two District Sports Complexes at Kodompokpi and Kakching.

4

Description	Quantity(MT)	Rate per MT	Value (₹ in lakh)
28 mm	32.10	₹ 54,671	17.55
25 mm	43.13	₹ 53,641	23.14
16 mm	178.28	₹ 55,036	98.12
Total	253.51		138.81

⁵ ₹ 138.81 lakh (cost of steel) – ₹ 6.78 lakh (cost of transportation for 187.89 MT @ ₹ 3,608 per MT)

Scrutiny of the supply orders, invoices of the supply, delivery challans *etc.* revealed the following irregularities:

- In two supply orders, 553 MT (200 MT + 353 MT) of steel bars of five different sizes were made. However, the size-wise quantity of the steel bars to be ordered was not mentioned;
- Both the invoice copies and delivery challans of the Guwahati and Dimapur firms appear to be in the same handwriting;
- Out of the 33 trucks, one turned out to be a small vehicle (TATA model: 407 truck) of the Police Department, three had not been registered, one was an auto rickshaw, one a two wheeler (Kinetic Zoom Bajaj) and for one the registration number had been changed to another number with effect from March 2008; and
- The addresses of these two suppliers could not be traced and correspondences (August 2010) to them were returned by the courier with “No Such Company” remark.

Thus, payment for the supply of the material appears to be made on fictitious records and had led to fraudulent payment of ₹ 2.74 crore. The matter merits a thorough investigation to fix responsibilities and the circumstances leading to the fraudulent payment.

The matter was referred to the Government (July 2010); reply had not been received (November 2010).

PUBLIC WORKS DEPARTMENT

2.4 Loss to the Government

Non-return of five bull dozers for eight to thirteen years has subjected the Government to a possible loss of ₹ 1.46 crore being cost of the bull dozers and further non-realization of revenue of ₹ 43.03 lakh as hire charges.

As per General conditions of contract for CPWD works, the contractor shall be responsible to return the plant and machinery in the condition in which it was handed over to him, for all damage caused to the said plant and machinery, for all losses due to his failure to return the same after the completion of the work for which it was issued, and the Divisional Engineer should be the sole judge to determine the liability of the contractor.

Scrutiny (July 2008) of the records of Mechanical Division No.1 (MD1), PWD revealed that the Division hired out (between May 1997 and January 2002) four D-50 bull dozers for a period ranging from fifteen to ninety days to four contractors for use at four work sites under three divisions, as shown below:

(₹ in lakh)

Sl. No.	Indenting division (Work site)	Name of contractors (Machine No.)	Date of indent (No. of days indented)	Date of issue of bulldozers	Cost of the bulldozers
1	Chandel (Soyang)	Ch. Iboyaima (12890)	29-03-2000 (15)	07-08-2000	36.51
2	Bishnupur (Khoupum)	S.K. Agency (12892)	14-01-2002 (48)	21-01-2002	36.51
3	NH-V (Patpurum)	K. Tenden (12891)	17-07-1997 (30)	20-05-1997	36.51
4	NH-V (Thanlon)	T. Kaichikhup (12887)	27-2-1999 (90)	26-06-1999	36.51
Total:					146.04

Hire charges for the indented days amounting to ₹ 16.07 lakh was deposited at the time of issue of bull dozers; except for the one issued to Chandel division (Sl. No. 1) and in the case of Patpurum work (Sl. no. 3) the bull dozer was issued before indent date; reason of which was not on record. The bull dozers were not returned to MD1 even after lapse of eight to thirteen years from the dates of issue.

The Government while accepting the fact stated (September 2010) that they had called for the information about the bull dozers from the concerned divisions and hire charges amounting to ₹ 43.30 lakh had been claimed in respect of three bull dozers (Sl. no. 1 to 3). However, the Department had not intimated (November 2010) to Audit whether the amount claimed is inclusive of the amount that was deposited at the time of hiring out of the bull dozers. In respect of the bull dozer at Sl. No.4 against which hire charges was due to be recovered, no information has been intimated as of November 2010. The present position of return of these bull dozers has not been intimated (November 2010). There was no record to show that the Department had taken steps to recover the amount due from other on-going works of the contractors and no effort was made by the Department to blacklist the contractors.

Thus, non-return of the machinery for eight to thirteen years indicated that the monitoring system in the Department was weak and has subjected the Government to a possible loss of ₹ 1.46 crore being the cost of the bull dozers and further non-realisation of revenue amounting to ₹ 43.03 lakh as hire charges.

Infructuous/Wasteful expenditure and overpayment etc.

AGRICULTURE DEPARTMENT

2.5 Unfruitful expenditure

Due to poor power supply and failure of the Department to take any cogent step, a bio fertilizer production unit could not be made functional and ₹ 20 lakh spent on procurement of the components of the unit proved unfruitful.

Test check of the records (September 2008) of the Agriculture Officer (Public Relation), Agriculture Department revealed that the State Government accorded (February and March 2007) sanction for an amount of ₹ 46.14 lakh in two separate orders of ₹ 23.07 lakh each under the aegis of National Project on Organic Farming, Ghaziabad. The activities of the project⁶ *inter alia* included setting up of a bio fertilizer production unit of installed capacity of four MT per month at a cost of ₹ 20 lakh in a departmental premise at Lamlai.

The components for setting up of the bio fertilizer production unit were procured (March 2007) from a local firm⁷ at a cost of ₹ 20 lakh. However, no tender, rate quotation or comparative statement of rates was made for the purchase; in the absence of which the economy of the rates of the components supplied by the firm could not be vouchsafed. The Department stated (September 2010) that the supply order was made directly to the firm due to urgency in implementation of the scheme. Thus, the reasonability of rates of the components supplied by the firm could not be established. The firm supplied (March 2007) the components and was paid (May 2007) ₹ 20 lakh for the supply. The components were issued (March 2007) to Sub Divisional Agriculture Officer, Lamlai for installation and commissioning of the plant.

The plant could not be commissioned due to poor electric supply at the site of installation despite spending ₹ 20 lakh on procurement of the components. The Department had neither made any cogent efforts to assess the power requirement nor arranged for an alternative power supply in view of the erratic power supply to make the plant functional. Thus, due to non-commissioning of the bio fertilizer production unit an investment of ₹ 20 lakh remained infructuous for more than three and half years and the process of promoting organic farming by use of bio fertilisers was impeded to this extent.

In reply, the Government stated (October 2010) that the Power Department was requested for power connection on two occasions (July 2008 and May 2009), but admitted that no proper pursuance was done. The reply is not acceptable because the Power Department stated (December 2010) that no

⁶ Other projects/works include setting up of Vermiculture Hatcheries (₹ 13.50 lakh) and Training and Field demonstration (₹ 12.64 lakh)

⁷ M/s Wayesh Co.

such request for power connection had been made by the Agriculture Department.

Thus, the claim of the Department of urgency of implementation of the scheme and procurement of the components; by-passing prudent financial norms contradicted itself as no efforts for suitable power connection to make the plant functional was made by the Department.

IRRIGATION AND FLOOD CONTROL DEPARTMENT

2.6 Doubtful expenditure

Construction of Guide Bund with unacceptable dimension and without any transparency, financial norm and immediate requirement led to a doubtful expenditure of ₹ 9.21 crore.

Test check of the records (June-July 2010) of the Dolaithabi Barrage Division No. I revealed that earthwork of 3.66 lakh cum of Guide Bund (GB) included upto the 1st Revised Project Report (RPR) had been completed at a cost ₹ 3.39 crore as on March 2008 and there was no further provision for construction of GB in the 2nd RPR which was approved (October 2009) by the Central Water Commission.

The Department, however, awarded (July 2008 to November 2009) ninety work orders to five local contractors at a cost of ₹ 10.19 crore through restricted tender for construction of 4.60 lakh cum of Guide Bund (GB) for a length of 36.88 km⁸ along the Iril river upstream of the Dolaithabi Barrage for which payment of ₹ 9.21 crore were made as of March 2010 to the five contractors. Audit noticed that construction of the GB was neither based on survey report nor was it provided in the Annual Action Plan. As the value of the work was above ₹ one crore, approval of the Project Implementation Board (PIB) was to be obtained. However, instead of PIB, approval was given at the level of the Chief Engineer (CE).

The following shortcomings in construction of the GB were also noticed:

- As per river embankment norm⁹, the slopes of the side of the embankment should not be more than 27 degree. As the GB was shown to have been constructed with a top width of 4 m, height ranging from 2.60 m to 2.80 m, and base width of 5 m to 5.50 m; the slopes of the sides of the GB worked out to 74 to 80 degree¹⁰, far steeper than the norm; and as such would render the structure unreliable;

⁸ 18.93 km (1.40 to 20.33 km, Left side) plus 17.95 km (1.8 to 19.75 km, Right side)

⁹ Guidelines for Planning and Design of River Embankments (IS: 12094-1987)

¹⁰ $\tan^{-1} \{2.60 / ((5.50 - 4) \div 2)\}$ i.e 74 degree to $\tan^{-1} \{2.80 / ((5 - 4) \div 2)\}$ i.e 80 degree

- The execution of the work was not reflected in the monthly progress reports submitted to the CE from time to time; and
- Construction of the GB for an expenditure of ₹ 10.19 crore when the main barrage was nowhere near completion¹¹ raises serious concern on the efficacy of the project management and was grossly irregular, as GBs are meant to be constructed to hold the impounded water of the barrage on its completion.

Thus, an amount of ₹ 9.21 crore spent on construction of GB without any transparency, financial norm, and unfeasible structure is questionable.

In reply, the Government stated (October 2010) that:

- *Extensive survey was conducted for assessing the volume of GB.*

The reply of the Department is not acceptable since the estimates of the works were not based on requisite survey data like High Flood Level, Hydraulic Gradient, Free Broad, Side Slopes *etc.* and analysis of line of seepage of the cross section of the GB to determine its structural stability, as per the Guidelines for Planning and Design of River Embankments (IS: 12094-1987).

- *The Department was constraint to reduce the side slopes in order to restrict the base width of the GB, so as to avoid vast acquisition of land along the river banks of about 20 km.*

Construction of critical structures like GB as per the specified norms is an indispensable requirement. Any compromise or failure to conform to such specification could inflict irreparable damage to life and property. Given the disastrous impact that an unsound GB structure could lead to, the reason put forth by the State Government is not acceptable.

- *Provision for the GB for 3.66 lakh cum was available in the RPR.*

The reply is incorrect since this provision was included in the 1st RPR; and as per departmental records the same had already been executed at a cost of ₹ 3.39 crore as of March 2008 *i.e.* before finalisation of 2nd RPR.

- *The Administrative Approval (AA) and Expenditure Sanction (ES) for the original project report was taken in August 1992. Once AA and ES had been taken, there is no need to take fresh approval for component items of the project.*

The reply cannot be accepted as the Department had constructed the GB without including its provision in the 2nd RPR. Besides, as per CPWD manual such works requires the sanction of the competent authority.

¹¹ Only 1.7 (Steel re-enforcement) and 1.54 (reinforced cement concrete) of the barrage has been completed (November 2010).

- *Construction of various components of a project needs a planned and synchronised effort for timely implementation of the project. As such the GB was constructed without awaiting completion of the barrage.*

Construction of 4.60 lakh cum of GB for a length of 36.88 km and compacting it layer-wise with rollers within a short period of 45 days is not possible.

Further, as the Department had not extended co-operation of the request (November 2010) of Audit for a joint verification of the GB, no such physical verification could be conducted.

Violation of contractual obligations, undue benefit to contractors, unavoidable/unfruitful expenditure

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.7 Undue benefit to contractor

In contravention of CPWD manual, excess mobilization advance of ₹ 1.04 crore was paid and interest of ₹ 67.49 lakh on the advance was also not realized from a contractor, resulting in extension of undue benefit to the tune of ₹ 1.71 crore.

As per Central Public Works Department Manual, Mobilization Advance (MA) limited to a maximum of 10 *per cent* of the estimated cost put to tender or tendered value or ₹ one crore, whichever is less at 10 *per cent* simple interest can be paid to the contractor against bank guarantee of a scheduled bank for the full amount of advance in respect of certain specialised and capital intensive works.

Test check of the records (January 2010) of the Sewerage and Drainage Division revealed that the work of Construction of Sewerage Treatment Plant at Lamphelpat with a capacity of 27 million litres daily was awarded (June 2004) to M/s Simplex Projects Ltd., Kolkata for ₹ 20.63 crore (Estimated cost: ₹ 8.97 crore). The work was stipulated to be completed by December 2005. Audit noticed that instead of limiting the MA to ₹ one crore as per the manual provision *ibid*, the contractor was paid (December 2005) interest free MA of ₹ 2.04 crore. Further, the bank guarantee of ₹ two crore against which the MA had been taken lapsed in October 2006. There was no record to show that any action has been taken to re-validate the bank guarantee.

Further scrutiny revealed that an amount of ₹ 1.17 crore has been recovered so far between December 2006 and December 2009 in seven instalments. The interest at 10 *per cent* simple interest on the outstanding balances of MA worked out to ₹ 67.49 lakh as on January 2010.

Thus, the contractor was not only allowed excess MA of ₹ 1.04 crore but also the benefit of non-realisation of accrued interest of ₹ 67.49 lakh on the MA, resulting in undue benefit of ₹ 1.71 crore.

The matter was referred to the Government (October 2010); reply had not been received (November 2010).

PUBLIC WORKS DEPARTMENT

2.8 Undue benefit to contractors

As element of VAT included in the estimates of works was not deducted at the time of making payments, undue benefit to the tune of ₹ 11.31 lakh was extended to the contractors.

As per the provisions of General Financial Rules (GFR), any expenditure should not be *prima facie* more than the occasion demands and should not be incurred for the benefit of a particular person.

Scrutiny of the records (June 2007 and January 2010) of the Building Division No. II revealed that the Department executed (between November 2006 and December 2008) construction works of three Manipur Bhavans at Shillong, Guwahati and New Delhi. The estimates of these works were inclusive of VAT at the applicable rate of 5.6 *per cent* and payment made to the contractors so far was without deducting ₹ 11.31 lakh¹² as the element of VAT.

When pointed out in audit, the Divisional Officer (DO) stated (May 2010) that VAT was not deductible from the bills of the works as they were executed outside the State. The reply is not acceptable as element of VAT though included in the estimates had not been deducted subsequently at the time of making payments to the contractors. The progress of the works or whether any action has been taken subsequently by the Department to recover the amount from the contractors from these works or other on-going works has not been intimated to Audit.

Thus, inclusion of element of VAT in the estimates and its subsequent non-deduction at the time of payment of bills of the works resulted in extension of undue benefit to the contractors to the tune of ₹ 11.31 lakh.

The matter was referred to the Government (October 2010); reply had not been received (November 2010).

¹² ₹ 5.82 lakh (Construction of Manipur Bhavan, Guwahati); ₹ 1.24 lakh (Improvement of Manipur Bhavan, Shillong), ₹ 2.63 lakh (Improvement of Tikendrajit Bhavan –Phase II, N.Delhi) & ₹ 1.62 lakh (Improvement of Tikendrajit Bhavan –Phase III, N. Delhi)

Irregular/ Idle expenditure, blocking/ misutilisation of funds

SCIENCE AND TECHNOLOGY DEPARTMENT

2.9 Blockage of funds

Due to entrustment of work of Upgradation of Information Technology Park without entering into an agreement with the executing agency, an amount of ₹ 9.05 crore remained blocked for more than two and a half years.

The Software Technology Park of India (STPI), a Central autonomous society, was set up to promote/export computer software units and provide services like technology assessment and professional training.

The Government of Manipur had decided (December 2007) to upgrade Information Technology Park (ITP) at Mantripukhri, Imphal for which an amount of ₹ 9.60 crore was sanctioned (February 2008) and the Software Technology Park of India (STPI), Guwahati was entrusted the work on turnkey basis. The work order awarded in February 2008 stipulated that the detailed terms and conditions of executing the work would be as per the agreement to be signed between the STPI and the Department.

The Department, however, did not initiate any action to enter into an agreement with the STPI. The time allowed to complete the work and terms and conditions for payment was also not mentioned in the work order. However, full value of the work of ₹ 9.15 crore was paid (February 2008) to the STPI after deducting VAT without entering into any contract agreement. Reasons for non-execution of Agreement, payment of full value of the work without receipt of any bank guarantee to safeguard the interest of the Government *etc.* was not made available to audit.

As the STPI failed to commence the work, the State Government decided (January 2009) to rescind the work order and directed the STPI to refund an amount of ₹ 9.05 crore after deducting cost of Detailed Project Report¹³. In the absence of any Agreement, the Department could neither pursue the case legally nor could it invoke any penal action against the STPI. The decision of rescinding the work order was, however, withdrawn at the intervention of the Government of India and finally the State Government and the STPI entered (November 2009) into a Memorandum of Understanding (MoU), fixing the date of completion within 24 months from the date of signing of MoU. In the event of non-commencement or delay in completion of work, compensation @ 1 *per cent* of the value of work order per month of delay subject to a maximum of 10 *per cent* of the work order value was to be imposed.

Thus, due to full payment of the value of the work at the time of award of work order without entering into any Agreement, an amount of ₹ 9.05 crore

¹³ ₹ 10 lakh as cost of preparation of Detailed Project Report.

not only remained blocked for more than two and half years but also delayed the objective of offering increasing employment opportunities to the IT educated youths of the State, through private firms/entrepreneurs by using the STPI facilities.

In reply, the State Government stated (October 2010) that SPTI, Guwahati had been asked to complete the project within the agreed period and compound wall and piling and foundation works upto plinth level has since been completed (November 2010).

2.10 General

2.10.1 Follow up on Audit Reports

As per recommendations made by the High Powered Committee (HPC), *suo moto* explanatory notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the Departments duly vetted by the Accountant General to PAC/COPU within three months¹⁴ from the date of placing of Audit Reports in the Legislature.

However, as of November 2010 *suo moto* explanatory notes pertaining to 264 paragraphs/reviews for the Audit reports for the years 1999-2009 were not received within the stipulated period of three months either from the Departments or through the Manipur Legislative Assembly Secretariat.

2.10.2 Action taken on recommendation of Public Accounts Committee

The Administrative Departments were required to take suitable action on the recommendations made in the Report of the PAC presented to State Legislature. Following the circulation of the Reports of the PAC, heads of Departments was to prepare comments on action taken or proposed to be taken on the recommendations of the PAC and submit to the Assembly Secretariat.

Seven hundred and twenty one (721) recommendations of the PAC, made in its eleventh to thirty third Report were pending settlement as of November 2010 due to non-receipt of Action Taken Notes/Reports.

2.10.3 Response to audit observations and compliance thereof

The Accountant General (Audit) arranges to conduct periodical inspection of Government Departments to test check the transactions and verify the maintenance of significant accounting and other records according to prescribed rules and procedures. When important irregularities detected during inspection are not settled on the spot, Inspection Reports (IRs) are issued to the Heads of the concerned offices with a copy to the next higher authorities.

¹⁴ *Suo-moto* replies to be furnished within three months; in case Audit paragraphs are not selected by the PAC/COPU during this period.

As of March 2010, 1,278 IRs issued from 1990-91 were outstanding for settlement. Of these, 113 IRs had not been settled for more than 10 years. Even the initial replies, which are required to be received from the Heads of Offices within six weeks from the date of issue, were not received from 20 major Departments in respect of 116 IRs. Non-furnishing of replies and inaction against the defaulting officers facilitates continuation of serious financial irregularities and loss to the Government.

It is recommended that Government review the matter and ensure that effective system exists for (a) action against defaulting officials, who failed to send replies to IRs/Paragraphs as per the prescribed time schedule, (b) action may be taken to recover loss/outstanding advances/overpayments in a time bound manner, and (c) revamp the system to ensure prompt and timely response to audit observations.