

CHAPTER VI FOLLOW UP OF AUDIT OBSERVATIONS

6.1 Follow up action on earlier Audit Reports

Audit observations on financial irregularities and deficiencies in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the audited departments and to the higher authorities through Inspection Reports (IRs).

Serious irregularities noticed in audit are included in the Report of the Comptroller and Auditor General of India (Audit Reports) and presented to the State Legislature. According to the instructions issued by the Finance, Revenue and Expenditure Department (FRED), Government of Sikkim, all the concerned administrative departments were required to furnish explanatory notes on the paragraphs/Performance Audits included in the Audit Reports within one month from the date of issue of the Audit Reports.

It was, however, noticed that as of November 2017, in more than 26 *per cent* cases, the concerned administrative departments had not submitted the explanatory notes on the paragraphs/Performance Audits included in the Audit Report pertaining to the year 2011-12. In respect of Audit Reports for the year 2012-13, 2013-14, 2014-15 and 2015-16 explanatory notes had not been submitted by concerned departments in 43, 78, 52 and 81 *per cent* cases respectively.

6.2 Response of the departments to the recommendations of the Public Accounts Committee

The FRED issued instructions to all departments to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by Public Accounts Committee (PAC) for their consideration within 15 days of presentation of the PAC Reports to the Legislature. The PAC Reports/recommendations are the principal medium by which the Legislature enforces financial accountability of the Executives to the Legislature and it is appropriate that they elicit timely response from the departments in the form of ATNs.

As of November 2017, ATNs had been received in respect of all 598 recommendations of the PAC, made for the Audit Reports for the years between 1990-91 and 2008-09. However, ATNs were not received for two out of three recommendations in respect of Audit Report 2009-10 and for 10 out of 13 recommendations in respect of Audit Report 2010-11.

6.3 Monitoring

The following Committees had been formed at the Government level to monitor the follow up action on Audit related matters:

Departmental Audit and Accounts Committee: Departmental Audit and Accounts Committee (DAAC) had been formed (November 2010) by all departments of the Government under the Chairmanship of the departmental Secretary/Head of Department to

monitor the follow up action on Audit related matters. The DAAC's function was to monitor the response and corrective action on findings reported in the IRs issued by the Accountant General (Audit). It was to hold meetings once in three months and send quarterly action taken report on the issues to the State Audit and Accounts Committee. During 2016-17, no DAAC meeting was held.

State Audit and Accounts Committee: State Audit and Accounts Committee (SAAC) had been formed (June 2010) at the State level under the Chairmanship of the Chief Secretary. This was to monitor the response and corrective action on the findings reported by Audit to review and oversee the working of DAAC and also to hold meetings once in three months. The information in this regard was not furnished though called for.

After formation of DAAC and SAAC by the State Government, Human Resource Development Department and Animal Husbandry, Livestock and Fisheries Development Department approached the Office of the Accountant General, Audit (AG) to settle outstanding paragraphs and IRs during 2011-12 and 2015-16 respectively. However, during 2013-14, 2014-15 and 2016-17, not a single Department approached to settle outstanding paragraphs and IRs.

6.4 Outstanding Inspection Reports

The AG conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up by issue of IRs incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with copies to the higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of the issue of the IRs. Serious irregularities are reported to the Heads of the departments and the Government.

The position of outstanding IRs pertaining to Civil (Expenditure audit including that of Works, Forest and Autonomous Bodies), Revenue (Audit of Revenue departments) and Commercial (Audit of State Public Sector Undertakings) audit as of March 2017 is shown below:

Table 6.1

Year	Civil (including works, Forest and Autonomous Bodies)		Revenue		Commercial	
	No. of IRs	Paragraphs	No. of IRs	Paragraphs	No. of IRs	Paragraphs
Upto 2012-13	519	1207	48	98	46	94
2013-14	115	383	11	36	14	48
2014-15	125	462	3	10	16	62
2015-16	136	617	12	42	20	125
2016-17	77	377	8	24	12	96
Total	972	3,046	82	210	108	425

This large pendency of IRs was indicative of inadequate action by the Heads of offices and departments towards the remedial measures that should have been taken on the irregularities pointed out by Audit through the IRs.

6.5 Departmental Audit Committee Meetings

The position of Audit Committee Meetings for the year 2016-17 are detailed below:

Table 6.2

Sector	No. of meetings	Discussed		Settled	
		IR	Paragraph	IR	Paragraph
Civil (including Works, Forest and Autonomous Bodies)	3	28	160	5	52
Revenue	1	7	34	4	27
Commercial	0	-	-	-	-
Total	4	35	194	9	79

During 2016-17, four Audit Committee Meetings were held, wherein 35 IRs and 194 paragraphs were discussed, out of which, 9 IRs and 79 paragraphs were settled.

Gangtok

Dated 08 May 2018



(RINA AKOIJAM)

Accountant General (Audit), Sikkim

Countersigned

New Delhi

Dated 10 May 2018



(RAJIV MEHRISHI)

Comptroller and Auditor General of India