

## 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/reviews included in the Audit Reports within one month from the date of issue of the Audit Reports.

It was however, noticed that as of May 2013, in more than 85 *per cent* cases, the concerned administrative departments had not submitted the explanatory notes on the paragraphs/reviews included in the Audit Report pertaining to the year 2010-11. In respect of Audit Report for the year 2011-12, explanatory notes had not been submitted by concerned departments in any case.

#### 6.2 Response of the departments to the recommendations of the Public Accounts Committee (PAC)

FRED issued instructions to all departments to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by 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 2013, out of 563 recommendations of the PAC, made between 1990-91 and 2007-08, ATNs in respect of all the recommendations had been submitted to the PAC and discussed.

#### 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 Inspection Reports issued by the Principal 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.

**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 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.

After formation of DAAC and SAAC by the State Government, only Human Resource Development Department approached the Office of the Principal Accountant General (Audit) to settle outstanding paragraphs and IRs during 2011-12. During 2012-13, not a single Department approached the Office of the Principal Accountant General (Audit) on this matter.

#### 6.4 Outstanding Inspection Reports

The Principal Accountant General (Audit), Sikkim (PAG) 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 with the 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 PAG 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 Public Sector Undertakings) audit as of October 2013 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 2008-09	524	980	94	197	20	35
2009-10	80	187	09	13	6	12
2010-11	122	389	15	35	5	13
2001-12	59	215	07	32	13	42
2012-13	61	302	09	33	9	55
<b>Total</b>	<b>846</b>	<b>2,073</b>	<b>134</b>	<b>310</b>	<b>53</b>	<b>157</b>

This large pendency of IRs is indicative of absence of adequate action to rectify the defects, omissions and irregularities pointed out through IRs by the Heads of offices and Heads of the departments.

### 6.5 Departmental Audit Committee Meetings

During Audit Committee Meetings held in 2012-13, 11 Inspection Reports and 89 paragraphs were discussed out of which 31 paragraphs were settled.



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