

## **CHAPTER VI: FOLLOW UP OF AUDIT OBSERVATIONS**



## CHAPTER – VI

### FOLLOW UP OF AUDIT OBSERVATIONS

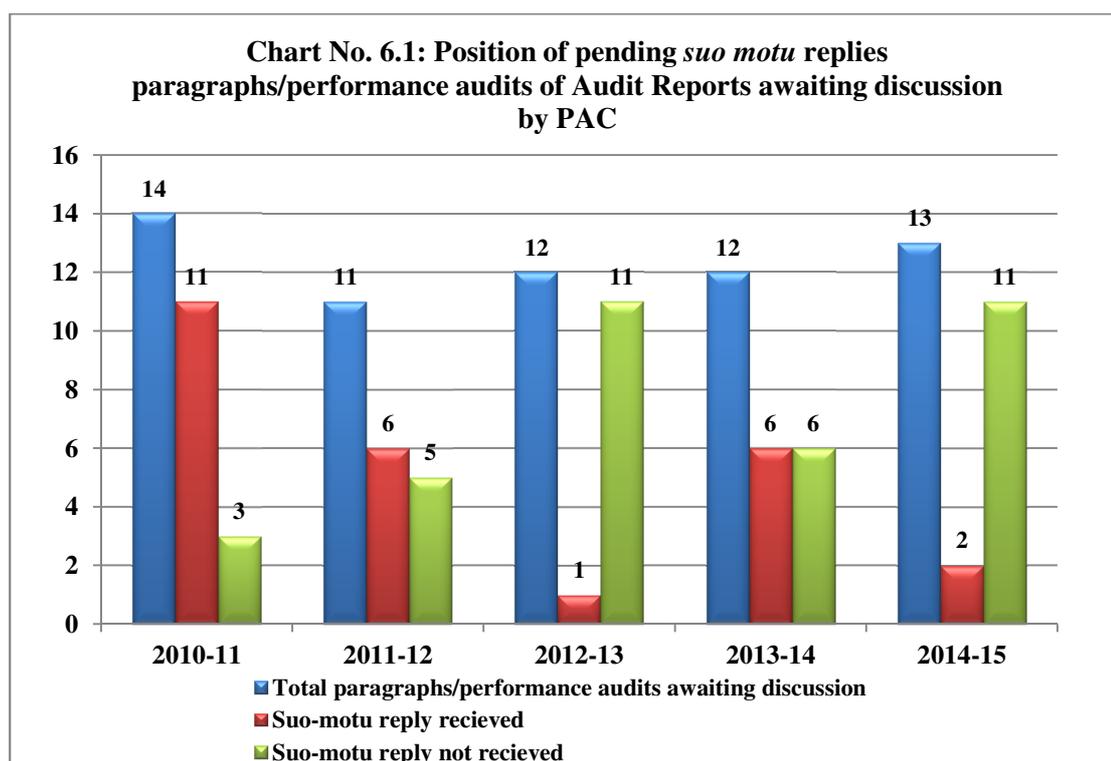
#### 6.1 Follow-up-Action on earlier Audit Reports

##### 6.1.1 Explanatory notes not submitted

Serious irregularities noticed in audit are included in the Report of the Comptroller and Auditor General of India (CAG) and presented to the State Legislature. According to the instructions issued by the Finance Department, Government of Tripura in July 1993 the administrative departments were required to furnish explanatory notes on the paragraphs/performance audits included in the Audit Reports within three months of their presentation to the Legislature.

##### (a) Public Accounts Committee

As of September 2016, 14 departments did not submit explanatory notes on 40 paragraphs and 17 performance audits included in the Audit Reports from the years 2001-02 to 2014-15. The position of *suo motu* replies on paragraphs/performance audits awaiting discussion by Public Accounts Committee (PAC) during the last five years is shown in the chart below:



**Chart No. 6.1** represents the position of *suo motu* replies received/not received pertaining to paragraphs/performance audits of Audit Reports pending discussion by PAC for the period from 2010-11 to 2014-15. The departments largely responsible for not submitting explanatory notes were Public Works (Roads & Buildings) Department (12), Rural Development Department (5), Revenue Department (4), Transport

Department (3), Public Works (Water Resource) Department (3), Education (School) Department (3) and Agriculture Department (3) amongst others.

### **(b) Committee on Public Undertakings**

As of September 2016, three departments did not submit explanatory notes on eight paragraphs (Power Department: 7 and Information, Cultural Affairs & Tourism Department: 1) and one Performance Audit (Industries & Commerce Department) included in the Audit Reports for the years 2010-11 to 2014-15.

### **6.1.2 Response of the departments to the recommendations of the Public Accounts Committee/Committee on Public Undertakings**

Finance Department, Government of Tripura issued (July 1993) instructions to all departments to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by PAC/Committee on Public Undertakings (COPU) within six months of presentation of the PAC/COPU reports to the Legislature. The PAC/COPU reports/recommendations are the principal medium by which the Legislature enforces financial accountability of the Executive to the Legislature and it is appropriate that they elicit timely response from the departments in the form of ATNs.

### **(a) Public Accounts Committee**

As of September 2016, out of 63 recommendations of the PAC made between 2010-11 and 2015-16, 13 ATNs were submitted which had been discussed by the PAC. ATNs for 50 recommendations pertaining to 15<sup>1</sup> departments had not been received.

### **(b) Committee on Public Undertakings**

As of September 2016, ATNs on 28 recommendations of the COPU made between 2011-12 and 2015-16 were awaited from the concerned administrative departments of which 13 pertained to Power Department (Tripura State Electricity Corporation Limited), 10 to Industries and Commerce Department (Tripura Jute Mills Limited: 6, Tripura Small Industries Corporation Limited: 4), three to Forest Department (Tripura Forest Development & Plantation Corporation Limited) and one each to Transport Department (Tripura Road Transport Corporation) and Tribal Welfare (Tribal Rehabilitation in Plantation & Particularly Vulnerable Tribal Group) Department.

<sup>1</sup> (i) Public Works (R&B) Department: 7, (ii) Industries and Commerce Department: 6, (iii) Urban Development Department: 6, (iv) Health and Family Welfare Department: 5, (v) Education (Higher) Department: 4, (vi) Fisheries Department: 4 (vii) ) Science Technology and Environment Department: 3, (viii) Power Department: 3, (ix) Finance (Excise and Taxation) Department: 3, (x) Public Works (DWS) Department: 3, (xi) Home (Police) Department: 2, (xii) Public Works (WR) Department: 1, (xiii) Planning and Co-ordination Department: 1, (xiv) Agriculture Department : 1 and (xv) Co-operation Department : 1.

## 6.2 FOLLOW-UP OF PERFORMANCE AUDIT REPORTS

### Agriculture Department

#### 6.2.1 Introduction

In order to examine the corrective action the audited entity had taken on the basis of the results of previous performance audits, after allowing sufficient time for the remedial process, a follow-up audit on selected performance audits was conducted to evaluate the extent of implementation of the recommendations with special focus on whether the audited entity had adequately addressed the problem areas pointed out by audit and remedied the underlying conditions.

#### 6.2.2 Scope of audit

Two Performance Audits namely “Technology Mission for Integrated Development of Horticulture in Tripura” and “Integrated Audit of the Agriculture Department” which featured in the Reports of the CAG for the years 2006-07 and 2007-08 respectively were taken up to assess and evaluate the Department’s performance and improvements in programme management through proper implementation of the audit recommendations.

#### 6.2.3 Audit methodology

The follow-up of performance audit reports was initiated as a desk review of the implementation of the recommendations, including meetings, discussions with the Departmental officers and also issuing questionnaires to elicit information with relation to the latest position and action taken by the entity on audit recommendations. The outcome of the meetings, discussions and replies formed the basis of the audit findings.

#### 6.2.4 Audit findings

The results of the follow-up of performance audits on implementation of the audit recommendations by the entities are discussed below:

##### 6.2.4.1 Technology Mission for Integrated Development of Horticulture in Tripura.

*[Para 3.1 of AR 2006-07]*

The Centrally Sponsored Scheme (CSS) - Technology Mission for Integrated Development of Horticulture in North-Eastern States was launched in the State in 2001-02 for implementation during the X<sup>th</sup> Five Year Plan period. The mission comprised four Mini Missions, of which Mini Mission II was to be implemented by the State Government and in respect of other three Mini Missions the State Government was responsible for consolidating and sending its requirement to other Implementing Agencies through specific proposals. The missions mainly aimed at area expansion, water management, production of planting materials, transfer of technology through farmers training, promotion of organic farming, post-harvest management, marketing, export, etc.

The performance audit of the technology mission for Integrated Development of Horticulture in Tripura was conducted during January-April 2007 covering the period from 2001-02 to 2006-07 to evaluate the efficiency, economy and effectiveness of the planning and implementation of Mini Mission II by the State as also of the State's responsibilities in respect of Mini Missions I, III and IV. Audit *inter-alia* noticed that the implementation of the mission was affected by the delays in release of funds, both by Union Ministry of Agriculture and Tripura Small Farmers Agri-business Consortium, as well as diversion and under-utilisation of available funds. There were poor physical achievements in respect of fruits, spices, flowers, etc. due to failure of the centralised procurement for planting materials. Transfer of technology through farmers training was affected by non-establishment of training centres and non-operationalisation of the training centres established. Audit also noticed that linkages with other missions for post harvest management and fruit processing needed strengthening for optimal benefits from the mini mission to flow. Monitoring mechanism was not effective and no evaluation of the impact of the programme had been made.

The Performance Audit Report contained seven recommendations. Out of these only two recommendations were implemented, two were partially implemented while the remaining three recommendations were not implemented.

The status of implementation of the recommendations as enumerated in the table below are based on Government reply on the Performance Audits, reply to questionnaires issued to Department during the course of follow-up audit and also test check of the action taken reports:

Audit recommendations	Replies of the Department	Status of implementation
A well-defined master plan should be formulated for implementation of all the missions in the State and the nodal Department must show more commitment for the implementation and success of various schemes for over all development of the State.	The Department stated (June 2016) that: <ul style="list-style-type: none"> <li>• Project proposals were maintained at district level and approval of State Level Sanctioning Committee was always taken for the project proposals.</li> </ul>	The recommendation was implemented. Annual Action Plan indicating district wise breakup had been prepared every year and circulated at the beginning of each financial year (May) to all the implementing authorities after obtaining approval from State Level Sanctioning Committee.
Setting up of 'Centre of Excellence' for Horticulture Mission Programme in each	The Department stated (June 2016) that: <ul style="list-style-type: none"> <li>• Centre of Excellence (vegetables) was under</li> </ul>	The recommendation was partially implemented. The setting up of Centre of Excellence at Jumerdhepa

Audit recommendations	Replies of the Department	Status of implementation
district should be aggressively pursued.	<p>implementation at Jumerdhepa under Sepahijala district.</p> <ul style="list-style-type: none"> <li>• Proposal had been initiated during 2016-17 for Centre of Excellence (flowers) in West Tripura district.</li> </ul>	<p>was not completed.</p> <p>Besides, feasibility study for setting up of Centre of Excellence in other districts was not undertaken by the Department as of May 2016.</p>
The potential for fruit processing and viability of setting up such units should be aggressively pursued and initiative may be taken for establishing “Agri Export Zones” to provide farmers with adequate export facilities.	<p>The Department stated (June 2016) that:</p> <ul style="list-style-type: none"> <li>• The State had not achieved self-sufficiency in the production of fruits and flowers. As such, initiative had not been taken for establishment of Agri Export Zone as the current production levels were not even self-sufficient for the State of Tripura.</li> <li>• Since the State could not achieve the self-sufficiency in production of horticulture crops, no Agri Export Zones were established.</li> </ul>	<p>The recommendation was not implemented as evident from the reply of the Department.</p>
Activities undertaken under the mission should be aggressively spread amongst the farming community to make them aware of the benefits of the mission components and how it will improve their economic lives.	<p>The Department stated (June 2016) that:</p> <ul style="list-style-type: none"> <li>• For farm mechanisation, 2000 power tillers were distributed among the beneficiaries during 2015-16.</li> </ul>	<p>The recommendation was partially implemented. Though the farm mechanisation activities were taken up but centralised information about the beneficiaries and extent of benefits received by them was not maintained by the Department. The records of organising awareness programme were also not maintained.</p>
To minimise overall dependence on the States for procurement of planting materials,	<p>The Department stated (June 2016) that:</p> <ul style="list-style-type: none"> <li>• As regards planting materials, except Khasi</li> </ul>	<p>The recommendation was implemented. Multi crop nurseries had been established at Government</p>

Audit recommendations	Replies of the Department	Status of implementation
<p>time bound programme may be taken up for multiplication of Mother Plants of Horti crops suitable for the State through establishment of multi crop nurseries under the guidance of Indian Council of Agriculture Research.</p>	<p>Mandarin, Kinnow (Citrus plant), the State is self-dependent in most of the planting materials (Mango, Mosambi, Lime/Lemon, Banana, Pineapple, etc.).</p> <ul style="list-style-type: none"> <li>• Apart from Government orchards, 19 private nurseries also produce planting materials relating to above mentioned crops.</li> </ul>	<p>orchards under different Agri sub divisional offices in the State and the farmers were getting planting materials from these orchards.</p>
<p>Management Information System should be set up giving two way information on project implementation, assistance to beneficiaries given under various schemes and feedback/follow-up.</p>	<p>The Department, while admitting the non-maintenance of centralised information on assistance given to beneficiaries under various schemes and feedback, stated (June 2016) that provision for technical support team under mission management have been kept from 2016-17 in order to have a centralised information regarding the beneficiaries and the extent of benefits received by them or the impact of the mission in terms of production and productivity of horticulture crops.</p>	<p>The recommendation was not implemented as evident from the reply of the Department that the provision for Management Information System have been kept only from 2016-17.</p>
<p>It should be ensured that rules are complied with before and during execution of works.</p>	<p>No reply was furnished.</p>	<p>Test check of records revealed instances of non-compliances of financial rules during execution of works.</p>

### Conclusion

The recommendations were not implemented fully except for establishment of multi crop nurseries in Government orchards for benefit of the farmers. The setting-up of centre of excellence, establishment of Agri Export Zones, and maintenance of centralised information about the beneficiaries had not been established/implemented.

Non-compliance of financial rules during execution of works persisted in the Department.

#### 6.2.4.2 Integrated Audit of the Agriculture Department

[Para 5.1 of AR 2007-08]

The Agriculture Department plays a vital role in the socio-economic development of a State. The main objectives of the Department are to minimise the gap between the requirement and production of food grains and other crops, provide food security and improve the economic conditions of the people by augmentation of agriculture production through expansion of cultivable area and use of improved agricultural inputs and training. To achieve these objectives, the Department implements various State Plan Schemes, CSS including schemes under Macro Management Mode and North Eastern Council (NEC) funded schemes. Integrated audit of Agriculture Department for the period from 2003-04 to 2007-08 was taken up during 2008-09 to evaluate the performance of the Department in financial management, planning and project management, human resources management, material management and monitoring and internal audit arrangement. Audit noticed persistent savings ranging between 36 and 57 per cent during 2003-08 on Capital Account indicating poor implementation of capital programmes. Twenty eight Drawing and Disbursing Officers had accumulated cash balance of ₹ 25.86 crore in their bank accounts pertaining to various schemes and programmes. During 2003-04 to 2007-08 the distribution of certified seeds fell short by 2 to 40 per cent in oil seeds, 40 to 67 per cent in hybrid paddy seeds and 64 to 82 per cent in pulses. Inadequate training to Agri-Assistants, Agri-Inspectors, Plant Protection Operators, etc. resulted in delay in awareness and ability to use modern techniques in cultivation of crops by the farmers.

The Performance Audit Report contained six recommendations. Out of these only one recommendation was implemented while four were partially implemented and one recommendation was not implemented. The status of implementation of the recommendations as enumerated in the table below are based on Government reply on the Performance Audit, reply to questionnaires issued to Department during the course of follow-up audit and also test check of the action taken reports:

Audit recommendations	Replies of the Department	Status of implementation
Budget and financial controls should be improved to ensure preparation of realistic Budget Estimates linked to programme implementation	The Department stated (May 2016) that: <ul style="list-style-type: none"> <li>The persistent savings were due to the provision kept in the Budget according to the provision of the scheme required to be implemented both for CSS/State plan. But, the actual expenditure was made on the basis of availability of funds and status of project on actual</li> </ul>	The recommendation was not implemented. Budget Estimates continue to be unrealistic. A substantial savings over the Budget Estimates had occurred till the year 2015-16.  The savings under Revenue and Capital

Audit recommendations	Replies of the Department	Status of implementation														
	<p>implementation.</p> <ul style="list-style-type: none"> <li>Substantial savings in Capital Accounts were due to non-completion of projects which was delayed for several reasons.</li> <li>The provision for requirement of funds were kept in the Budget generally during the month of January while revised estimates was finalised in anticipation of funds from different sources as well as programme to be achieved, but the actual expenditure was incurred according to funds released by the Finance Department and actual achievement of different schemes/programme.</li> </ul>	<p>Heads during last six years is shown in <b>Appendix-6.2.1.</b></p>														
<p>Annual plans should flow from the perspective plan and the activities to be taken up during the year should be publicised to improve awareness, ensure accountability and public scrutiny</p>	<p>The Department stated (May 2016) that:</p> <ul style="list-style-type: none"> <li>Annual Plans were prepared and circulated to all the implementing staff encompassing entire programme for successful implementation in the field which may take some time in some cases, but it does not affect in implementation of the programme as targeted.</li> <li>Annual target for production of food grains was fixed on the basis of actual requirement for estimated population of the State.</li> <li>After finalisation of annual target, it has been well circulated/publicised among the officials, representative of Panchayati Raj Institution bodies, etc.</li> <li>Necessary awareness among the</li> </ul>	<p>The recommendation was partially implemented. The perspective plans had been prepared only for two years, 2010-11 and 2011-12. Thereafter, no perspective plan was prepared by the Department. The gap between production of food grains and targets fixed for each year had not improved as shown below:</p> <table border="1" data-bbox="1091 1639 1433 1933"> <thead> <tr> <th>Year</th> <th>Percentage of shortfall</th> </tr> </thead> <tbody> <tr> <td>2010-11</td> <td>5</td> </tr> <tr> <td>2011-12</td> <td>15</td> </tr> <tr> <td>2012-13</td> <td>7</td> </tr> <tr> <td>2013-14</td> <td>11</td> </tr> <tr> <td>2014-15</td> <td>11</td> </tr> <tr> <td>2015-16</td> <td>8</td> </tr> </tbody> </table>	Year	Percentage of shortfall	2010-11	5	2011-12	15	2012-13	7	2013-14	11	2014-15	11	2015-16	8
Year	Percentage of shortfall															
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Audit recommendations	Replies of the Department	Status of implementation
	<p>farmers through organising different awareness/training programmes which are continuous process of the Department.</p> <ul style="list-style-type: none"> <li>• Wide circulation about different Government programmes among the farmers/public representative, etc. was also a common programme of the Department.</li> </ul>	
<p>Effective controls should be instituted for procurement and distribution of quality fertilisers to the farmers in respect of both Government and private channels.</p>	<p>The Department stated (May 2016) that:</p> <ul style="list-style-type: none"> <li>• No fertiliser manufacturing unit exists in Tripura.</li> <li>• The availability of fertiliser also depends on availability of Railway rakes in time and timely supply by the companies.</li> <li>• Since the Railway facility had been extended up to Agartala, the timely procurement and supply of fertilisers may be assured to a greater extent and procurement quantity in all these fertilisers had been increased significantly.</li> <li>• To ensure distribution of quality fertiliser to the farmers, the State has a Fertiliser Quality Control Laboratory.</li> <li>• Fertiliser samples of Government and private channels were drawn in time and test report was also getting generated in time within a month. Hence, quality fertilisers distribution to the farmer was being assured to a greater extent.</li> <li>• Fertiliser Inspectors at district and sub-division level were also monitoring and inspecting different</li> </ul>	<p>The recommendation was partially implemented. There was wide gap between requirement and availability of chemical fertilisers. The percentage of shortage of different chemical fertilisers against the requirement during 2013-16 is shown in <b>Appendix-6.2.2</b>.</p>

Audit recommendations	Replies of the Department	Status of implementation
	private outlets to ensure quality fertiliser distribution to the farmers of Tripura.	
A computerised database of projects with critical milestones should be maintained in the directorate with online updating facility to ensure monitoring at Sector/sub-division/district/ State level.	<p>While admitting the non-maintenance of database for all the farmers the Department stated (May 2016) that:</p> <ul style="list-style-type: none"> <li>• Maintenance of database for all the farmers is essential. But constraints in availability of manpower, inadequate infrastructure support in Information and Communication Technology application, involvement of huge number of beneficiaries under different schemes and the need for all time alertness of the field staff for distribution of inputs, etc. do not allow scope, time and funds to accomplish the desired work.</li> <li>• The information about implementation of different schemes like Rastriya Krishi Vikas Yojana, Soil Health Card, etc. was uploaded from time to time in GoI's website.</li> </ul>	<p>The recommendation was not implemented. The Department did not maintain any database of the projects for monitoring at sector/sub-division/district/State level.</p> <p>Further, the data about implementation of different schemes like Rastriya Krishi Vikas Yojana, Soil Health Card, etc. uploaded from time to time in GoI's website could be utilised for monitoring at State level only.</p>
Training needs of technical and supporting staff and farmers should be addressed.	<p>The Department stated (May 2016) that:</p> <ul style="list-style-type: none"> <li>• The funds (₹ 104.40 lakh) sanctioned by the NEC for strengthening of Gram Sevak training centre at Lembuchera was utilised for the purpose for which it was sanctioned.</li> <li>• The officials like Agri Assistants were being trained in the said training centre.</li> <li>• Besides, this centre was considered as the institute for imparting</li> </ul>	<p>The recommendation was partially implemented. Though the training centre was established for imparting training to the staff as well as to the farmers and other stakeholders of Agriculture and Allied Activities for awareness in the use of modern Agriculture Technology only the Agri Assistants (35-40 trainees) were</p>

Audit recommendations	Replies of the Department	Status of implementation
	training to the farmers and other stakeholders in Agriculture and Allied Activities, to generate awareness in the use of modern agriculture technology.	imparted training annually. No training was found to be imparted to the farmers.
Quality assurance institutes should be made functional	<p>The Department stated (May 2016) that:</p> <ul style="list-style-type: none"> <li>• To ensure distribution of quality fertiliser to the farmers, the State has a notified Fertiliser Quality Control Laboratory. Hence, quality fertiliser distribution to the farmer was being assured to a greater extent.</li> <li>• The Department had a State Seed Testing Laboratory. So, to ensure the quality of seed, testing was being done at State Seed Testing Laboratory.</li> </ul>	The recommendation was implemented. chemical fertilisers distributed from the Government and from private sectors were being tested in the Fertiliser Testing Laboratory regularly.

### Conclusion

The Budget Estimates continue to be unrealistic and financial control was not improved. Savings under different heads were observed. There was wide gap between requirement and availability of chemical fertilisers and the gap between targets fixed and production of food grains for each year had not improved. Perspective plan had not been prepared after 2011-12. The Department had not maintained database in respect of projects for monitoring at Sector/Sub-division/District/State level.

### 6.3 Monitoring

The following committees had been formed at the Government level to monitor the follow up action on Audit Reports and PAC/COPU recommendations.

#### Departmental Monitoring Committee

Departmental Monitoring Committees (DMCs) had been formed (April 2002) by all departments of the Government under the Chairmanship of the departmental Secretaries to monitor the follow up action on Audit Reports and PAC/COPU recommendations. The DMCs were to hold monthly meetings and send progress reports on the issue every month to the Finance Department.

Information regarding the meetings of the DMCs during 2015-16 though called for (July 2016) had not been furnished (October 2016).

### Apex Committee

An Apex Committee had been formed (April 2002) at the State level under the Chairmanship of the Chief Secretary to monitor the follow up action on Audit Reports and PAC/COPU recommendations.

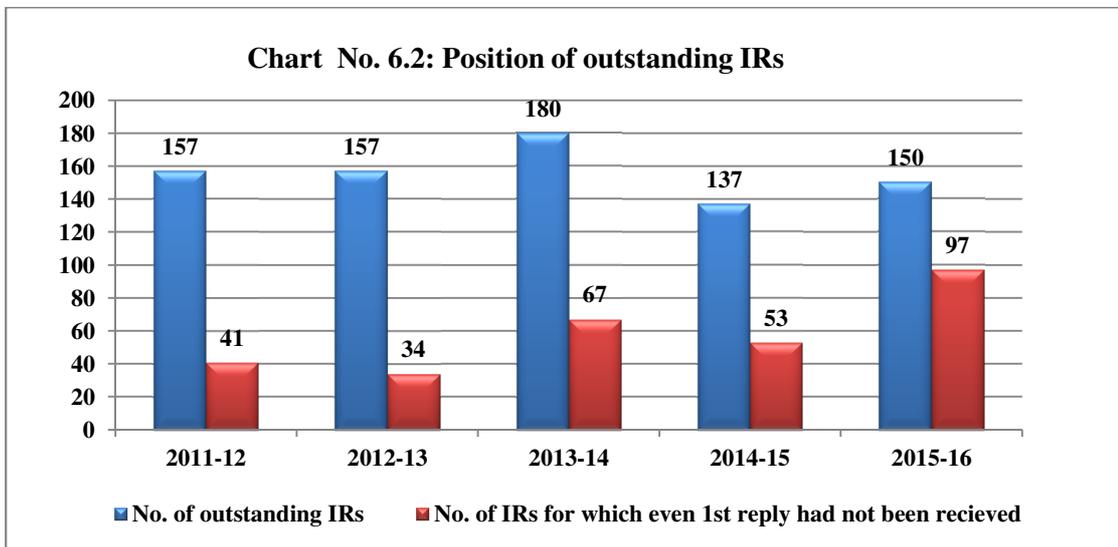
Information regarding the meetings of the Apex Committee during 2015-16 though called for (July 2016) had not been furnished (October 2016).

### 6.4 Outstanding Inspection Reports

**First reply for 292 out of 781 Inspection Reports issued upto 2015-16 were not furnished within the stipulated period by the concerned departments.**

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 entities and to the higher authorities through Inspection Reports (IRs). The more serious irregularities are reported to the Government. The Government had prescribed that the first reply to the IRs should be furnished within one month from the date of receipt.

Analysis of the position of outstanding IRs showed that 4,194 paragraphs included in 781 IRs issued during the last five years upto 2015-16 were pending for settlement as of September 2016. Of these, even the first reply had not been received in respect of 292 IRs in spite of repeated reminders. The year-wise break-up of the outstanding IRs and the position of response thereto is given in the chart below:



As a result, the following important irregularities commented upon in those IRs had not been addressed as of October 2016.

Table No. 6.3.1

Nature of irregularities	Number of cases	Amount involved (₹ in crore)
Excess/Irregular/Avoidable/Unfruitful/Wasteful/Unauthorised/Idle expenditure	298	203.31
Blocking of funds	504	759.47
Non-recovery of excess payments/overpayments	268	128.03
Under Assessment	151	32.37
Loss of Revenue	55	49.09
Others	2,697	1,763.53
<b>Total:</b>	<b>3,973</b>	<b>2,935.80</b>

It is evident from the above table that 3,973 number of cases for ₹ 2,935.80 crore involving observations on loss of revenue, overpayments, excess payments, underassessment, etc. remained to be addressed by the concerned departments.



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Countersigned



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