

Chapter VI
Follow up of Audit
Observations

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 Department, 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 2019, in 12.5 *per cent* cases (inclusive of PSU and Revenue Sectors), the concerned administrative departments had not submitted the explanatory notes on the paragraphs/Performance Audits included in the Audit Report pertaining to the year 2012-13. In respect of Audit Reports for the years 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18, explanatory notes had not been submitted by concerned departments in 78, 47, 75, 94 and 100 *per cent* cases respectively. The position of *suo motu* explanatory notes not received as on 30 November 2019 is shown in the table below:

Table 6.1: Explanatory notes not received (as on 30 November 2019)

| Year of Audit Report | Date of placement of Audit Report in the State Legislature | Total performance audits (PAs) and Paragraphs in the Audit Reports | | Number of PAs/ Paragraphs for which explanatory notes were not received | |
|----------------------|--|--|------------|---|------------|
| | | PAs | Paragraphs | PAs | Paragraphs |
| 2012-13 | 28.06.2014 | 04 | 12 | 01 | 01 |
| 2013-14 | 17.03.2015 | 04 | 10 | 04 | 07 |
| 2014-15 | 28.03.2016 | 04 | 15 | 01 | 08 |
| 2015-16 | 18.03.2017 | 04 | 12 | 04 | 08 |
| 2016-17 | 12.07.2018 | 06 | 12 | 06 | 11 |
| 2017-18 | 02.08.2019 | 02 | 14 | 02 | 14 |

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

The Finance, Revenue and Expenditure Department (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's Reports to the Legislature. The PAC's 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.

PAC had discussed Audit Reports for the year up to 2011-12 and given recommendations on the Audit Reports for the year up to 2010-11. As of November 2019, ATNs had been received in respect of all 614 recommendations of the PAC, made for the Audit Reports for the years between 1990-91 and 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 Principal Accountant General (PAG). It was to hold meetings once in three months and to send quarterly action taken report on the issues to the State Audit and Accounts Committee. During 2018-19, 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, not a single Department approached to settle outstanding paragraphs and IRs during the period 2016-19.

6.4 Outstanding Inspection Reports

The 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 by issuing IRs on irregularities detected during the inspection and not settled on the spot, to the Heads of the Offices inspected, with copies to the higher authorities for taking prompt corrective action. The Heads of the Offices 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 State Public Sector Undertakings) audit as of March 2019 is shown below:

Table 6.2: Position of outstanding Inspection Reports and Paragraphs

| Year | Civil (including works, Forest and Autonomous Bodies) | | Revenue | | Commercial | |
|--------------|---|--------------|------------|------------|------------|------------|
| | No. of IRs | Paragraphs | No. of IRs | Paragraphs | No. of IRs | Paragraphs |
| Upto 2013-14 | 569 | 1,303 | 57 | 133 | 38 | 96 |
| 2014-15 | 116 | 375 | 2 | 5 | 10 | 43 |
| 2015-16 | 120 | 453 | 9 | 35 | 10 | 71 |
| 2016-17 | 86 | 349 | 10 | 28 | 6 | 52 |
| 2017-18 | 106 | 441 | 7 | 20 | 4 | 19 |
| 2018-19 | 138 | 597 | 11 | 35 | 7 | 38 |
| Total | 1,135 | 3,518 | 96 | 256 | 75 | 319 |

As of March 2019, 1,135 Inspection Reports (IRs) (3,518 paragraphs) issued from 1990-91 onwards were pending for settlement. This large pendency of IRs was indicative of inadequate actions by the Heads of offices and departments in respect of 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 2018-19 are detailed below:

Table 6.3: Position of Audit Committee meetings held and IRs/Paragraphs discussed/settled

| Sector | No. of meetings | Discussed | | Settled | |
|---|-----------------|-----------|------------|-----------|------------|
| | | IRs | Paragraphs | IR | Paragraphs |
| Civil (including Works, Forest and Autonomous Bodies) | 06 | 60 | 242 | 31 | 169 |
| Revenue | 01 | 12 | 60 | 04 | 14 |
| Commercial | - | - | - | - | - |
| Total | 07 | 72 | 302 | 35 | 183 |

During 2018-19, seven Audit Committee Meetings were held with Power Department, Sikkim Khadi & Village Industries Board, Tourism & Civil Aviation Department, Forest Department, Cooperation Department, Sikkim State Welfare Board and Excise Department where 72 IRs and 302 paragraphs were discussed, out of which 35 IRs and 183 paragraphs were settled.

Gangtok
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(SUSHIL KUMAR)

Principal Accountant General (Audit), Sikkim

Countersigned

New Delhi
The: 30 June 2021



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

