

**Chapter VI**  
**Follow up of Audit Observations**



## CHAPTER VI

### FOLLOW UP OF AUDIT OBSERVATIONS

#### 6.1 Follow up on Audit Reports

As per the recommendations made by the High Powered Committee<sup>110</sup>, *suo moto* Explanatory Notes on all paragraphs in the Audit Reports are to be submitted to the Public Accounts Committee (PAC)/ Committee on Public Undertakings (CoPU) by the concerned departments. A copy of the *suo moto* Explanatory Notes shall also be furnished to the Principal Accountant (Audit), Manipur office for vetting.

Audit Report for the year 2019-20 (Report No. 2 of 2022) featured two Performance Audit paragraphs and ten Compliance Audit paragraphs. The Report was placed in the State Legislature on 22 February 2023. In respect of earlier Audit Reports for the years 1999-2019, *suo moto* Explanatory Notes pertaining to 415 Performance Audits and Compliance Audit paragraphs were not received within the stipulated period of three months from the Departments.

#### 6.2 Action taken on the Recommendations of Public Accounts Committee

The Administrative Departments are required to take suitable action on the recommendations made in the Report of the PAC presented to the State Legislature. Heads of Departments were to prepare comments on Action Taken Notes or proposed to be taken on the recommendations of the PAC and submit the same to the State Legislative Assembly Secretariat.

As of January 2023, the PAC had published 37 Reports<sup>111</sup> on the findings in the Audit Reports. These PAC Reports altogether contained 1,582 recommendations based on the examination of Audit Reports by the PAC. In respect of 21 Reports<sup>112</sup> of the PAC containing 737 recommendations, the Action Taken Notes (ATN) had been received. Of the remaining 845 recommendations contained in 16 Reports<sup>113</sup> of the PAC, no ATNs were received.

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<sup>110</sup> High Powered Committee appointed to review the response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India (Shakdher Committee Report).

<sup>111</sup> Out of the 54 Reports published so far by PAC, 37 Reports pertain to Audit Report on Social, Economic, Revenue and General Sectors. The remaining 17 Reports pertain to SFARs (Excess Regularisations) and ATIRs.

<sup>112</sup> 1<sup>st</sup> to 10<sup>th</sup>, 21<sup>st</sup>, 23<sup>rd</sup>, 25<sup>th</sup>, 26<sup>th</sup>, 28<sup>th</sup>, 30<sup>th</sup>, 31<sup>st</sup>, 33<sup>rd</sup>, 34<sup>th</sup>, 35<sup>th</sup> and 36<sup>th</sup> PAC Reports.

<sup>113</sup> 11<sup>th</sup> to 19<sup>th</sup>, 38<sup>th</sup>, 40<sup>th</sup>, 45<sup>th</sup>, 47<sup>th</sup>, 49<sup>th</sup>, 51<sup>st</sup> and 54<sup>th</sup> PAC Reports, which are not included for the purpose of this analysis.

### **6.3 Monitoring compliance of Audit Observations**

The following committees had been formed at the Government level to monitor the follow-up action on audit related matters:

**Departmental Audit and Accounts Committees:** Departmental Audit and Accounts Committees (DAAC) was formed (January 2010) by all the Departments of the State Government under the Chairmanship of the concerned Departmental Administrative Secretary to monitor the follow-up action on the audit related matters. The function of the DAACs were to monitor the progress in disposal of the outstanding audit paras and Inspection Reports issued by the Principal Accountant General (Audit), Manipur and to review and supervise the working of the Departmental Audit and Accounts Sub-Committees constituted. The DAACs were to hold meeting once in three months. During 2020-21 and 2021-22, no meeting of the DAAC was held.

**State Audit and Accounts Committee:** State Audit and Accounts Committees (SAAC) was formed (January 2010) at the State Level under the Chairmanship of the Chief Secretary to monitor the progress in disposal of outstanding audit objections and pending Inspection Reports and to review and oversee the working of the Departmental Audit and Accounts Committee (DAAC). The SAAC was to meet once in every six months. During 2020-21 and 2021-22, no meeting of the SAAC was held.

### **6.4 Outstanding Inspection Reports and Paragraphs**

The Principal Accountant General (Audit), Manipur conducts periodical audits of Government Departments to test-check transactions and verify the maintenance of accounts and other records according to the prescribed rules and procedures. When important irregularities detected during the audits 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 authority.

### 6.4.1 Outstanding IRs and Paragraphs

Details of outstanding IRs and Paragraphs pertaining to General, Social and Economic (other than SPSEs) Sectors at the end of March 2022 and corresponding figures for the previous four years as follows:

Particulars*	2017-18	2018-19	2019-20	2020-21	2021-22
General Sector	309 (1,443)	335 (1,547)	376 (1,687)	389 (1,743)	402 (1,788)
Social Sector	717 (3,334)	777 (3,668)	869 (4,143)	904 (4,311)	923 (4,426)
Economic Sector	852 (4,223)	919 (4,421)	992 (4,788)	1,011 (4,886)	1,093 (5,376)
<b>Total</b>	<b>1,878</b> <b>(9,000)</b>	<b>2,031</b> <b>(9,636)</b>	<b>2,237</b> <b>(10,618)</b>	<b>2,307</b> <b>(10,940)</b>	<b>2,418</b> <b>(11,590)</b>

\* Outstanding IRs as on March of respective years (Outstanding Paragraphs)

### 6.4.2 Outstanding IRs and Paragraphs (Revenue sector)

At the end of June 2022, there were 334 pending Inspection Reports with 1,181 outstanding audit paragraphs involving ₹ 242.66 crore as outstanding audit observations. The corresponding figures for the preceding three years are also given in the following Table.

**Table 6.4.1: Details of pending Inspection Reports**

	June 2019	June 2020	June 2021	June 2022
Number of pending IRs	304	315	322	334
Number of outstanding audit observations	1,084	1,061	1,117	1,181
Amount involved (₹ in crore)	209.84	233.03	237.22	242.66

Source: Records of O/o the Principal Accountant General (Audit), Manipur.

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2021 and 30 June 2022 and their financial implications are mentioned in the following Table.

**Table 6.4.2: Department wise details of Outstanding Inspection Reports during 2020-21 and 2021-22**

(₹ in crore)

Name of Department	Nature of receipts	No. of outstanding				Money value involved	
		IRs		Audit observations		2020-21	2021-22
		2020-21	2021-22	2020-21	2021-22		
Taxation	Taxes on sales, trade etc.	65	67	262	264	127.41	127.49
	Passenger & Goods Tax (PGT)	0	0	0	0	0	0
Finance	Other Taxes & Duties on commodities and Services (OTD)	0	0	0	0	0	0
	Entertainment & Luxury tax etc.	0	0	0	0	0	0
	Small Saving	2	2	7	7	0.11	0.11
	Local Fund Audit	2	2	10	10	0.10	0.10
Excise	State Excise	15	15	45	45	7.23	7.23

Name of Department	Nature of receipts	No. of outstanding				Money value involved	
		IRs		Audit observations		2020-21	2021-22
		2020-21	2021-22	2020-21	2021-22		
Revenue	Land revenue	126	133	387	430	32.24	37.29
Transport	Taxes on Motor Vehicles	88	88	281	281	62.55	62.55
Stamp and Registration	Stamp & Registration Fees	24	27	125	144	7.58	7.89
<b>Total</b>		<b>322</b>	<b>334</b>	<b>1,117</b>	<b>1,181</b>	<b>237.22</b>	<b>242.66</b>

*Source: Records of O/o the Principal Accountant General (Audit), Manipur.*

In respect of 12 IRs issued during 2021-22, Audit did not receive even the first replies from four head of the offices within the prescribed period from the date of issue of the IRs. As of June 2022, there was 334 IRs pending for settlement. The Large pendency was due to the non-receipt of the replies/ further clarification and is indicative of the fact that the Head of Offices and the Departments had not given due importance to the audit findings and had not initiated any action to rectify the omissions and irregularities pointed out by Audit.

### **6.5 Response of departments concerned to draft audit paragraphs**

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India (CAG) are forwarded to the Principal Secretary/Secretaries of the concerned Department, drawing their attention to the audit findings and requesting them to send their response within the prescribed time of six weeks. Non-receipt of the replies from the Departments/ Government is invariably indicated at the end of such paragraphs where replies are not received. The responses received from the Department have been incorporated in the Audit Report.

Eleven draft paragraphs including two Subject Specific Compliance Audit proposed to be included in the Audit Report for the year ended 31 March 2022 were sent to Principal Secretaries/ Commissioners / Secretaries of the respective departments for their responses. Government response was received in respect of ten paragraphs which have been incorporated at appropriate places. No response was received from Government/Department in respect of one paragraph.

## 6.6 Recommendations

It is recommended that the Government may review the matter and ensure:

- i. *Submission of Action Taken Notes to the recommendations of the Public Accounts Committee (PAC)/ Committee on Public Undertakings (CoPU); and*
- ii. *Convene regular meetings of Departmental Audit and Accounts Committee (DAAC) and State Audit and Accounts Committee (SAAC) to review, discuss and monitor the progress in disposal of outstanding Inspection Reports and paragraphs.*

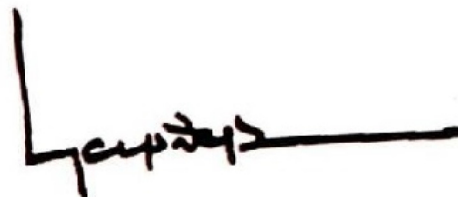


**Imphal**

**(STEPHEN HONGRAY)**

**The 20 July 2023    Principal Accountant General (Audit), Manipur**

**Countersigned**



**New Delhi**

**(GIRISH CHANDRA MURMU)**

**The 24 July 2023    Comptroller and Auditor General of India**