

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.

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 November 2012, 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.

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 2012, 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 (98th Report) 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. It was to hold meetings once in three months and send quarterly action taken report on the issue to the State Audit and Accounts Committee.

As of November 2012, one meeting was held (January 2011), wherein no Inspection Report (IRs)/paragraph could be settled.

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.

As of November 2012, no meeting was held by the SAAC.

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 December 2012 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 2007-08	467	809	88	182	43	143
2008-09	88	271	9	23	11	41
2009-10	89	255	10	20	10	17
2010-11	130	464	15	47	6	24
2011-12	68	274	7	51	13	64
Total	842	2,073	129	323	83	289

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

Two Audit Committee Meetings were held during 2011-12, wherein 16 Inspection Reports and 45 paragraphs were discussed out of which one Inspection Report and 12 paragraphs were settled.

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