

**CHAPTER - V**  
**FOLLOW UP OF AUDIT OBSERVATIONS**

## CHAPTER V: FOLLOW UP OF AUDIT OBSERVATIONS

### 5.1 Follow-up action on Audit Reports

As per instructions issued by the Finance Department (June 1996), concerned Administrative Departments are required to prepare an Explanatory Note on Paragraphs/Reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the 'Action Taken Notes' to the Assembly Secretariat with a copy to (1) Accountant General and (2) Secretary, Finance Department, within three months from the date of receipt of the Report.

As per decision taken on "Legislature Audit Interface" held on July 5, 2010, every State PAC/COPU has been directed by Headquarter to transfer outstanding Reports/Paras up to 2007-08 to concerned Departments for follow-up action at their end. As such, this Office transferred 144 Paras pertaining to the period from 1994-95 to 2007-08 in 2011-12 for Action Taken by them, but no Action Taken Report has yet been received from the concerned Departments (December 2013). However, review of the outstanding Explanatory Notes on paragraphs included in the Reports of the Comptroller and Auditor General of India from 2008-09 to 2012-13 revealed that the concerned Administrative Departments did not comply with these instructions. As of March 2014, *suo moto* Explanatory Notes on 145 Paragraphs of the Audit Reports were outstanding from various Departments (**Appendix-5.1.1**).

The Administrative Departments were also required to take suitable action on recommendations made in the PAC Reports presented to the State Legislature. The PAC specified the time-frame for submission of such ATNs as one month up to the 61<sup>st</sup> Report. Review of 18 Reports of the PAC containing recommendations on 89 Paragraphs in respect of 19 Departments included in Audit Reports and presented to the Legislature between September 1994 and September 2013, revealed that no Department sent any ATN to the Assembly Secretariat as of December 2014. Thus, status of the recommendations contained in the said Reports of the PAC, and whether these were being acted upon by the Administrative Departments, could not be ascertained in audit.

### 5.2 Recovery at the instance of Audit

In Paragraph 2.6 of the Audit Report for the year ending March 2010 - Short recovery of ₹ 12.30 lakh from a Contractor in the cost of items issued made by the Public Health Engineering Department (PHED), Namsai Division was pointed out. The above said amount has been recovered by the concerned PHED Division.

### 5.3 Audit Committee Meetings

No Audit Committee Meeting was held during 2013-14.

#### 5.4 Respond to Audit Observations

**2813 Paragraphs pertaining to 540 Inspection Reports, involving ₹ 1536.20 crore were outstanding as of March 2014 and first replies to the 191 Inspection Reports have not been received.**

Accountant General (AG) conducts periodical inspection of Government Departments to test-check transactions and to verify maintenance of important accounting and other records as per prescribed rules and procedures. When important irregularities detected during inspections are not settled on the spot, they are included in Inspection Reports (IRs) that are issued to concerned Heads of Offices, with a copy to the next higher authority and the Government. Government instructions provide for prompt response to IRs by the executive to ensure timely remedial action in compliance to prescribed rules and procedures and to fix responsibility for serious lapses pointed out in IRs. Serious irregularities are also brought to the notice of concerned Heads of Departments by the Office of the Accountant General. A half-yearly report of pending IRs is sent to the Commissioner/Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

As of March 2014, 2813 Paragraphs relating to 540 IRs pertaining to 287 offices of 48 Departments remained outstanding. Of these, 191 IRs were not replied to/settled for more than ten years. Even initial replies, which were required to be received from the Heads of Offices within one month from the date of issue were not received from twenty offices for 508 IRs issued between 1994-95 to 2013-14. As a result, the following serious irregularities commented upon in the IRs were not settled as on date:

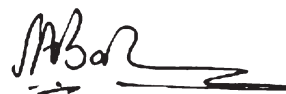
(₹ in lakh)

Sl. No.	Nature of Irregularities	Public Health Engineering Department		Medical Department		Agriculture Department	
		No. of Paras	Amount	No. of Paras	Amount	No. of Paras	Amount
1.	Expenditure without estimated provision/excess over estimated provision/inflated estimated/ beyond prescribed norm	58	829.69				
2.	Unfruitful expenditure/incomplete project /delay in project	12	1725.89			7	99.03
3.	Short recovery/loss/non-accounting of stores	13	284.97				
4.	Irregular payment/unauthorized expenditure	15	542.53				
5.	Doubtful expenditure on off-road vehicles and non-functional machineries			1	0.58	1	4.44
6.	Short/Non-deduction of VAT	5	84.24	1	2.31	2	1.79
7.	Unfruitful Expenditure					1	15.66
8.	Idle expenditure	9	292.64				
9.	Idle investment on X-Ray and Blood Bank due to non-deployment of trained staffs			3	19.16		
10.	Idle stock			3	10.97		
11.	Work without inviting tender	5	186.10				

Sl. No.	Nature of Irregularities	Public Health Engineering Department		Medical Department		Agriculture Department	
		No. of Paras	Amount	No. of Paras	Amount	No. of Paras	Amount
12.	Avoidable expenditure	9	167.58				
13.	Substandard works/below specification	4	139.27				
14.	Doubtful expenditure	5	256.12				
15.	Undue aid to contractors	6	52.16				
16.	Non-production/maintenance of records	5	54.37				
17.	Outstanding water charges	11	105.74				
11.	Wasteful Expenditure			1	3.53		
12.	Splitting up of Sanction Order to avoid higher authorities approval			1	29.00		
13.	Others						
<b>Total</b>		<b>157</b>	<b>4721.50</b>	<b>10</b>	<b>65.55</b>	<b>11</b>	<b>120.92</b>

Commissioners/Secretaries of concerned Departments who were informed of the position through half-yearly reports, failed to ensure that concerned officers of Departments took prompt and timely action. It is recommended that the Government look into this matter and ensure that:

- action is taken against officials who fail to send replies to IRs/Audit Paragraphs as per prescribed time schedule;
- action is initiated to recover losses/outstanding advances/overpayments pointed out in audit in a time bound manner; and
- there is a proper system for expeditious compliance to audit observations.



(S. A. BATHEW)

Accountant General, Arunachal Pradesh

Itanagar  
the

Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

New Delhi  
the