

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, 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 October 2014, in more than 90 *per cent* cases, the concerned administrative departments had not submitted the explanatory notes on the paragraphs/reviews included in the Audit Report pertaining to the year 2011-12. In respect of Audit Report for the year 2012-13, explanatory notes had not been submitted by concerned departments in 62 *per cent* case.

6.2 Response of the departments to the recommendations of the Public Accounts Committee (PAC)

Finance Revenue and Expenditure Department 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 October 2014, out of 598 recommendations of the PAC, made between 1990-91 and 2008-09, ATNs in respect of 21 recommendations had not been submitted by 5¹ departments pertaining to Audit Report 2008-09.

6.3 Monitoring

The following Committees had been formed at the Government level to monitor the follow up action on Audit related matters:

¹ *Energy and Power; Roads and Bridges; Food Security and Agriculture Development; Finance, Revenue and Expenditure and Horticulture and Cash Crop Development.*

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 Accountant General (Audit). It was to hold meetings once in three months and send quarterly action taken report on the issues to the State Audit and Accounts Committee.

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.

After formation of DAAC and SAAC by the State Government, Human Resource Development Department approached the Office of the Accountant General (Audit) to settle outstanding paragraphs and IRs during 2011-12. However, during 2012-13 and 2013-14, not a single Department approached to settle outstanding paragraphs and IRs.

6.4 Outstanding Inspection Reports

The Accountant General (Audit), Sikkim (AG) 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 AG 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 March 2014 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 2009-10	583	1081	69	156	21	37
2010-11	119	338	8	22	5	11
2001-12	56	177	7	31	11	26
2012-13	58	249	7	23	6	23
2013-14	139	634	3	15	11	49
Total	955	2,479	94	247	54	146

This large pendency of IRs was indicative of inadequate action by the Heads of offices and departments towards the remedial measures that should have been taken on the irregularities pointed out by Audit through the IRs.

6.5 Departmental Audit Committee Meetings

During 2013-14, 15 Audit Committee Meetings were held, wherein 162 IRs and 555 paragraphs were discussed out of which 113 IRs and 388 paragraphs were settled as detailed below:

Table 6.2

Sector	No. of meetings held	Discussed		Settled	
		IR	Para	IR	Para
Civil (including Works, Forest and Autonomous Bodies)	10	99	377	66	263
Revenue	2	49	92	43	81
Commercial	3	14	86	4	44
Total	15	162	555	113	388

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