

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 2015, 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 69 *per cent* case. Further, no explanatory notes have been received for Audit Report 2013-14.

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 2015, ATNs had been received in respect of all 598 recommendations of the PAC, made between 1990-91 and 2008-09.

6.3 Follow up audit on PAC recommendations on Development of Hydro Power Projects - Public Private Participation

The PAC in its 96th Report made thirteen recommendations to Energy and Power Department (EPD), Government of Sikkim in connection with the Performance Audit Report on ‘Development of Hydro Power Projects - Public Private Participation’ featured in the Audit Report for the year 2008-09. The para-wise compliance to the PAC recommendations are detailed below.

Table 6.1

Para reference/ Subject in brief	Observation and Recommendation of PAC	Reply of the management	Follow up audit
Para-1.1.8 Private power policy	PAC observed that the set of terms and conditions approved by the State Government based on the recommendations of the Hydro Committee may be declared as the Hydro Power Policy of the Government of Sikkim as a guiding principle in future so that the State would be fully able to achieve the objective of harnessing the hydro power potential of the State to the fullest possible extent.	The Hydro Power Policy which was being followed is under revision and would be immediately notified as recommended by the PAC once revised hydro policy is approved by the Government of Sikkim.	The PAC recommendation was not complied with since Hydro Power Policy of the Government of Sikkim had not yet been finalised till October 2015.
Para-1.1.9.2 Safeguards against Plants remaining defunct	PAC desired the Department to enlighten it with regard to the details of the visits conducted by the Eastern Region Power Committee, GOI and that of SSERC and their consequent findings on failures of private developers, if any, and necessary action taken thereon accordingly.	There is no defunct Independent Power Projects (IPP) as of October 2015.	The recommendation might be taken as complied with since there was no defunct Independent Power Projects (IPP).
Para-1.1.9.3 Modality for Transfer of Projects	PAC observed that details of modalities for transfer of projects on expiry of agreement period had not been formulated as on January 2014. Similarly, the strategy for taking over the projects after expiry of award period including the manpower engaged in projects would be formulated.	The modalities for transfer of the IPP to the State on expiry of agreement period including requirements for trained manpower for the operation and maintenance and management of the assets is under preparation and will be submitted to the PAC on finalisation and approval of the Government.	The PAC recommendation was not complied with as the modalities for transfer of the IPP to the State on expiry of agreement period including requirements of trained manpower for operation & maintenance and management of the assets was under preparation.
Para-1.1.10.4 Penalty for delay in Commissioning	PAC observed that the pre-requisite exercises of obtaining forest and environment clearances, techno-economic	A list of projects submitted.	As per records furnished to audit, in respect of 12 projects for which MOUs had been signed after

Para reference/ Subject in brief	Observation and Recommendation of PAC	Reply of the management	Follow up audit
of IPP projects	concurrences, etc. should have been thoroughly made before execution of such vital projects. The Department may initiate necessary co-ordination of all the concerned agencies well in advance before embarking on such vital projects of the State in future.		2009, no work had commenced as the pre-requisite condition of obtaining environmental clearance, forest clearance, etc. were not fulfilled.
Para-1.1.11.1 Equity Subscription Agreement	PAC recommended that the Department may speed up the process of execution of equity subscription agreement between GOS and the Developers in terms of the agreement laid.	Equity has been subscribed to two projects till October 2015, Teesta Stage-III and Rangit-IV.	It was complied with in respect of two projects only whereas for four other projects (Teesta I, II & IV and Panan) it was found to be not complied with.
Para-1.1.11.3 Abandonment of Projects	PAC observed that all aspects behind considerable delays in implementation of power projects as brought to the notice of the Committee indicate lack of appropriate planning by the concerned Department. PAC observed that the Department may accordingly rectify the lapse for future guidance so that any potential loss to the State on account of non-commissioning of projects within stipulated period of time is avoided in future.	No projects have been abandoned. Due to various constraints like geological surprises, natural calamities, road blockages, etc., projects were delayed.	No projects were abandoned till October 2015 but delay occurred due to reasons cited by the Department.
Para-1.1.12.1 Environment Impact Assessment	PAC recommended that the Department may take up the matter for clearing up the existing lack of co-ordination between the concerned Departments in particular, with the Department of Forest, Environment and Wildlife Management so that further delays in implementation of projects are avoided in future.	As per MOU, the onus for obtaining all required environmental clearances lies with the company/developer. The EPD interacts with the Forest, Environment and Wildlife Management Department, Government of Sikkim and other concerned agencies. However, all matters related to EIA and EMP are being directly dealt with by the Forest, Environment and Wildlife Management Department, Government of Sikkim.	Audit could verify the formation of multi-disciplinary committees in respect of six projects out of 30 projects. The Committees had been constituted with representatives of both the Departments. Hence, the recommendation had been partially complied with.

Para reference/ Subject in brief	Observation and Recommendation of PAC	Reply of the management	Follow up audit
Para-1.1.12.2 Catchment Area Treatment Plans	PAC recommended that the Department, in this respect should work out proper co-ordination between all the concerned Departments including Forests and Private Developers so that necessary aspects of environment are protected in future.	All Catchment Area Treatment (CAT) Works are under the direct supervision of the Forest, Environment and Wildlife Management Department, and Government of Sikkim.	In respect of coordination, multi-disciplinary committees had been constituted. The amount spent towards CAT works by the Forest Environment and Wildlife Management Department for the years 2009-10 was ₹ 1.37 crore (for four projects) and ₹ 9.93 crore in 2010-11.
Para-1.1.12.3 Implementation of Compensatory Catchment Area Treatment, Wildlife Preservations, etc.	PAC recommended that the Department may expedite release of the Compensatory Afforestation Management and Planning Agency (CAMPA) fund to the concerned Forest Department and co-ordinate on the matter for early implementation.	The Forest, Environment and Wildlife Management Department, Government of Sikkim is the nodal Department for implementation of Compensatory Catchment Area Treatment, wildlife preservation and other environmental safeguard works.	Total receipts for the State CAMPA for the period 2009-12 was ₹ 27.28 crore which was fully utilised. Hence, complied with.
Para-1.1.12.6 Disaster Management Plan	PAC recommended for working out on priority a robust Disaster Management Plan (DMP) in the form of a well co-ordinated action plan and implemented towards prevention and preparedness to face any disasters in future.	The DMP has to be prepared for individual hydro projects and the same is prepared by the developer operating the project. A safety guideline for public safety at hydro power projects has been prepared by the Department and notified by the Government of Sikkim.	Disaster Management Plan had been prepared only for two projects out of 10 projects.
Para-1.1.14.1 Monitoring of Projects implementing by SPDC	PAC observed that the success of projects, to a large extent depends on proper monitoring. The Department may further go for effective monitoring mechanism with a view to achieve full success of power projects in the State.	As per the directives of the PAC, the Department has taken initiatives for proper monitoring of the ongoing hydro projects. District Officers of the Department under whose jurisdiction the projects are being developed have been directed to monitor the progress of the project and report to the HQ. Various High Level Monitoring Committees have been	The SPDC had been restructured in August 2011 by disinvestment of 49 per cent of its equity stake to Athena Project Private Limited. In respect of projects under the control of SPDC (8 projects), three projects were functioning, two projects were stalled (paucity of funds) and three more projects had been proposed. In respect of EPD (22 projects), all issues related to hydropower projects had been assigned to a Chief

Para reference/ Subject in brief	Observation and Recommendation of PAC	Reply of the management	Follow up audit
		constituted by the State Government to monitor and have visited major projects like Teesta-III, Teesta-V, Teesta-VI, Chujachen HEP, etc. to address issues during the development of the hydro projects.	Engineer (2009) for monitoring. Considering the reply and the above, the recommendation had been complied with.
Para-1.1.14.2 Monitoring by Multi-Disciplinary Committee	PAC recommended to expedite the constitution of Multi-Disciplinary Committee to avoid any lapse in the relevant aspects of projects in future.	As nodal Department, the Forest, Environment and Wildlife Management Department, Government of Sikkim, constituted the Multi-Disciplinary Committees.	Multi-Disciplinary Committees had been constituted in respect of six projects out of total 30 projects. Hence complied with partially.
Para-1.1.14.3 Monitoring by Project Level Welfare Committee	Paragraph 1.1.14.3 Monitoring by Project Level Welfare Committee PAC recommended the Department to take up the matter expeditiously for constitution of the Committee to avoid any lapse in the relevant projects in future.	Project Level Welfare Committee is constituted project-wise wherein local politicians, gram panchayat, village representatives, local administration and company representatives are members. District administration authorities where ongoing projects are located have constituted Project Level Welfare Committee for addressing any local issues within the project area.	In the absence of notification for constitution of Project Level Welfare Committees for each projects under SPDC and EPD audit could not confirm the compliance.

6.4 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 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 2013-14 and 2014-15, not a single Department approached to settle outstanding paragraphs and IRs.

6.5 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 2015 is shown below:

Table 6.2

Year	Civil (including works, Forest and Autonomous Bodies)		Revenue		Commercial	
	No. of IRs	Paragraphs	No. of IRs	Paragraphs	No. of IRs	Paragraphs
Upto 2010-11	638	1,164	75	159	42	89
2011-12	50	110	04	24	12	29
2012-13	53	194	06	17	14	49
2013-14	130	502	03	12	16	76
2014-15	138	669	13	52	17	129
TOTAL	1,009	2,639	101	264	101	372

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.

6.6 Departmental Audit Committee Meetings

During 2014-15, 3 Audit Committee Meetings were held, wherein 29 IRs and 173 paragraphs were discussed out of which 6 IRs and 97 paragraphs were settled as detailed below:

Table 6.3

Sector	No. of meetings held	Discussed		Settled	
		IR	Para	IR	Para
Civil (including Works, Forest and Autonomous Bodies)	2	16	100	4	61
Revenue	1	13	73	2	36
Commercial	-	-	-	-	-
TOTAL	3	29	173	6	97

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