

CHAPTER VI FOLLOW UP OF AUDIT OBSERVATIONS

6.1 Follow up on Audit Reports

As per the recommendations made by the High Powered Committee¹, *suo moto* explanatory notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the departments concerned duly vetted by the Principal Accountant General (Audit), Manipur, to the Public Accounts Committee (PAC)/Committee on Public Undertakings (CoPU) within three months² from the date of placing of Audit Reports in the Legislature.

Audit Reports for the year 2016-17 featured four Performance Audit paragraphs and 18 Compliance Audit paragraphs under Economic Sector (other than State PSUs), Economic Sector (State PSUs) and Revenue Sector (Report No. 1 of 2018), Social Sector and General Sector (Report No. 2 of 2018); out of which *suo moto* explanatory notes pertaining to one Performance Audit paragraph and four Compliance Audit paragraphs had been received within the stipulated period of three months. However, in respect of earlier Audit Reports for the years 1999-2016, *suo moto* explanatory notes pertaining to 371 Performance Audits and Compliance Audit paragraphs were not received within the stipulated period of three months either from the Departments or through the Manipur Legislative Assembly Secretariat.

6.2 Action taken on the Recommendations of Public Accounts Committee

The Administrative Departments are required to take appropriate action on the recommendations made in the Report of the PAC presented to the State Legislature. Following the circulation of the Reports of the PAC, Heads of Departments were required to prepare comments on action taken or proposed to be taken on the recommendations of the PAC and to submit the same to the State Assembly Secretariat.

As of February 2018, the PAC had published 35 Reports on its recommendation after discussion on Audit Reports. These PAC Reports altogether contained 1,544 recommendations based on the examination of Audit Reports by the PAC. In respect of 21 Reports³ of the PAC containing 737 recommendations, the Action Taken Notes (ATN) had been received and the PAC had published its subsequent reports on the ATNs. Of the remaining 807 recommendations contained in 14 Reports⁴ of the PAC, ATNs were not received.

¹ 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).

² *Suo moto* replies to be furnished within three months; in case Audit paragraphs are not selected by the PAC/CoPU during this period.

³ 1st to 10th, 21st, 23rd, 25th, 26th, 28th, 30th, 31st, 33rd, 34th, 35th and 36th PAC Reports.

⁴ 11th to 19th, 38th, 40th, 45th, 47th and 49th PAC Reports.

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 Departmental Administrative Secretary concerned to monitor the follow-up action on audit related matters. The function of the DAACs was to monitor the progress in settlement 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. The DAACs were to hold meeting once in three months. During 2017-18, no meeting of the DAACs 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 required to meet once in six months. During 2017-18, no meeting of the SAAC was held.

6.4 Response to Audit Observations and outstanding Inspection Reports

The Principal Accountant General (Audit), Manipur conducts periodical inspections 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 inspections are not settled on the spot, Inspection Reports (IRs) are issued to the Heads of the Offices concerned with a copy to the next higher authority.

As of March 2018, 2,793 Inspection Reports issued from 2003-04 onwards were pending for settlement. Even the initial replies, which were required to be received from the Heads of Offices of the Government Departments within four weeks from the date of issue of IRs, were also not received.

It is recommended that the Government may review the matter and ensure that an effective system exists for submission of replies to the Inspection Reports and to the draft Audit Reports issued by the Principal Accountant General (Audit) and also submission of replies/explanatory notes of the Audit Reports to the Public Accounts Committee (PAC)/ Committee on Public Undertakings (CoPU) and Action Taken Notes in response to the recommendations of the PAC/CoPU.

Imphal
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Countersigned

New Delhi
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Comptroller and Auditor General of India