

CHAPTER-IV

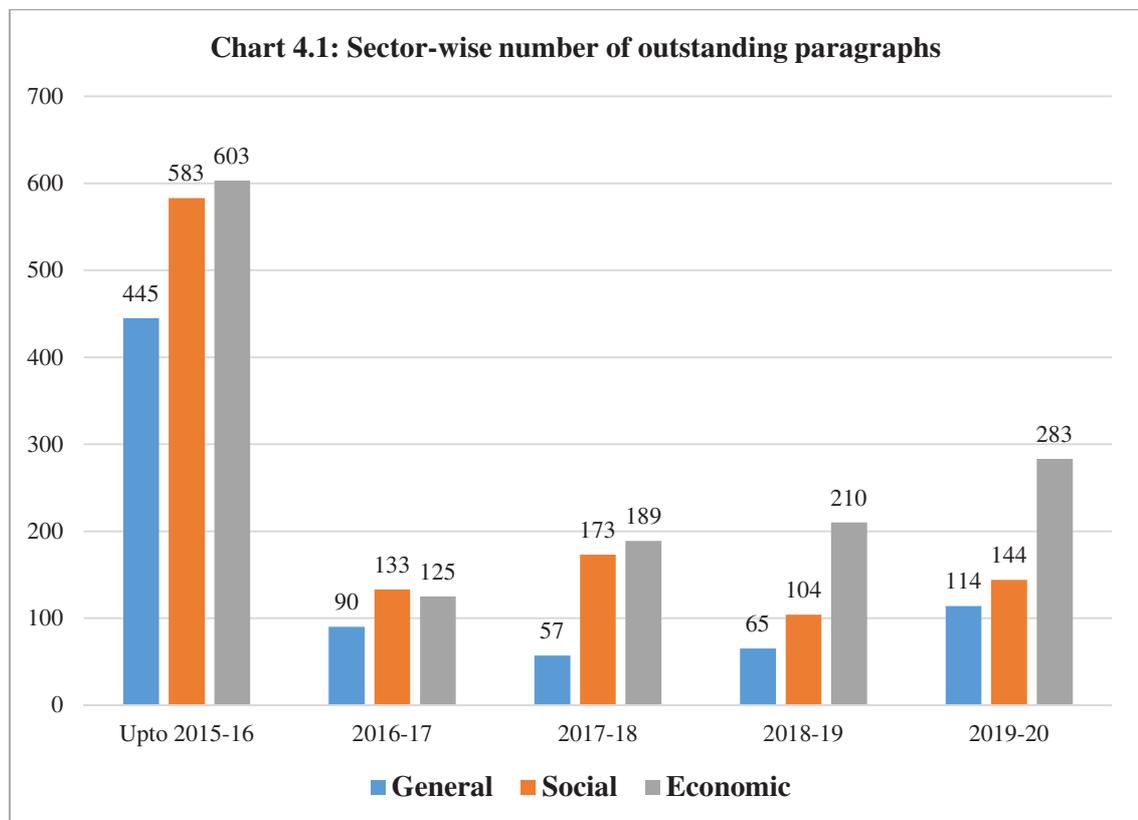
FOLLOW UP OF AUDIT OBSERVATIONS

CHAPTER IV – FOLLOW UP OF AUDIT OBSERVATIONS

4.1 Response of Departments to audit findings

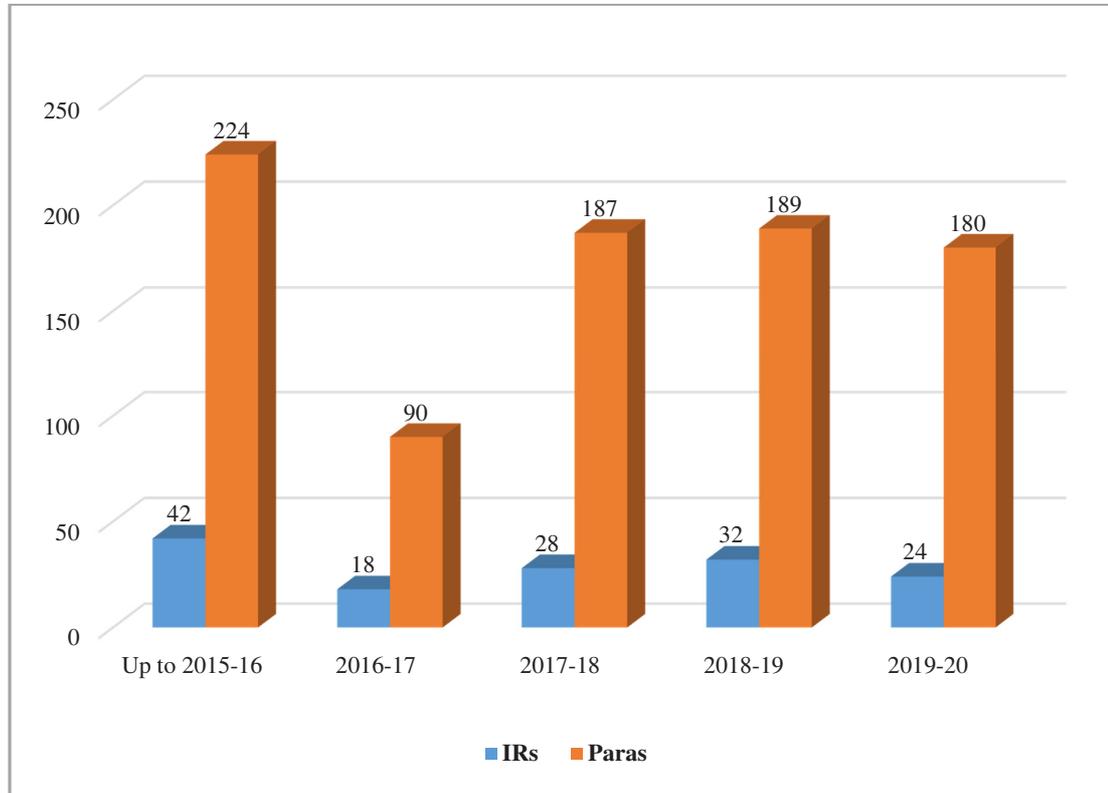
The Meghalaya Financial Rules, 1981 provide for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (Audit) of the State (AG) to ensure rectificatory action in compliance with the prescribed rules and procedures and accountability for the deficiencies and lapses noticed during audit inspection. The Heads of offices and next higher authorities are required to respond to the audit observations communicated through IRs and take corrective actions promptly. Audit observations contained in the IRs are also discussed at periodical intervals in meetings in the District/State levels by the officers of the AG's office with officers of the concerned departments. Serious irregularities are also brought to the notice of the Heads of the Department by the AG through a half-yearly report in respect of pending IRs to facilitate monitoring of the Audit observations and for taking appropriate corrective action.

At the end of March 2020, 3318 paragraphs pertaining to General, Social and Economic Sectors for the period 1988-89 to March 2020 were outstanding (**Appendix-4.1.1**). The year-wise break-up of the outstanding paragraphs upto 2019-20 is given below:



Out of the total 3,318 outstanding paragraphs pertaining to 687 IRs, first reply against 870 paragraphs pertaining to 144 IRs is yet to be received from the auditees. The year-wise position of IRs and paras where even the first reply is yet to be received are shown in the **Chart** below:

Chart 4.2: Numbers of IRs and Paras where even first reply not received



Lack of action on IRs and audit paragraphs for long periods is fraught with the risk of perpetuating financial and compliance irregularities pointed out in those reports. It may also result in dilution of internal controls in the governance process as the irregularities pointed out in audit are not acted upon by those in charge of the governance process. This results in inefficient and ineffective delivery of public goods and services, fraud, corruption and loss to public exchequer. State Government, therefore, needs to institute an effective mechanism to review and take expeditious action to address the concerns flagged in the IRs and audit paragraphs.

4.2 Response of the Government to audit observations

All Heads of Departments (HoDs) are required to send their responses to draft audit paragraphs proposed for inclusion in the CAG's Report within six weeks of their receipts.

During 2019-20, eight draft paragraphs were forwarded to Addl. Chief Secretary/ Principal Secretary/Commissioner & Secretary of the departments concerned, drawing their attention to the audit findings and requesting them to send responses within the stipulated time. The matters contained in these draft paragraphs were brought to their personal attention through demi-official letters, stating that since these paragraphs were considered for inclusion in the CAG's audit report, it would be highly desirable to include their comments/responses to the audit findings.

Despite this, three out of six departments did not furnish reply to four draft paragraphs as on the date of this Report. The responses of the Government, whenever received have been appropriately incorporated in the Report.

4.3 Response of Government to audit paragraphs that featured in earlier reports

The Reports of the Comptroller and Auditor General of India are prepared and presented to the State Legislature. To ensure accountability of the Executive to the issues contained in these Audit Reports, the Public Accounts Committee (PAC) of the Meghalaya Legislative Assembly issued instructions (July 1993) for submission of *suo motu* explanatory notes by the concerned Administrative Departments within one month of presentation of the Audit Reports in the State Legislature. For this, the departments are not required to wait for any notice from the PAC. *Suo motu* Explanatory Notes are yet to be received from 12 departments in respect of eight PA reports and 25 draft paragraphs which featured in the Audit Reports for the year 2010-11 to 2018-19, as on 30 June 2021. The position of *suo motu* explanatory notes not received as on 30 June 2021 is shown in the table below:

Table 4.1.1: Explanatory notes not received (as on 30 June 2021)

Year of Audit Report	Date of placement of Audit Report in the State Legislature	Total performance audits (PAs) and Paragraphs in the Audit Reports		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	23 March 2012	3	14	Nil	1
2011-12	9 October 2013	2	13	Nil	4
2012-13	16 June 2014	3	12	2	1
2013-14	24 September 2015	3	16	Nil	1
2014-15	23 March 2016	3	13	Nil	4
2015-16	24 March 2017	3	9	2	3
2016-17	27 September 2018	3	7	2	1

Year of Audit Report	Date of placement of Audit Report in the State Legislature	Total performance audits (PAs) and Paragraphs in the Audit Reports		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2017-18	19 December 2019	2	8	2	5
2018-19	19 March 2021	1	6	Nil	5
Total		23	98	8	25

4.4 Discussion of Audit Reports by PAC/COPU

Of the 23 PAs and 98 compliance audit paragraphs listed in table 5.1.1 above, as of 31 December 2020, the PAC discussed 20 compliance audit paragraphs and the Committee on Public Undertakings (COPU) discussed 16 paragraphs. While the PAC had discussed one PA, the COPU discussed 2 PAs that featured in the Audit Reports for the period 2010-11 to 2018-19.

4.5 Response of the departments to the recommendations of the PAC/COPU

The Administrative Departments are required to take suitable action on the recommendations made in the Report of the PAC/COPU presented to the State Legislature, submit action taken notes (ATNs) indicating action taken or proposed to be taken on these recommendations. The PAC specified the time frame for submission of ATNs as six weeks upto its 32nd Report (December 1997) and six months in its 33rd Report (June 2000).

Review of 17 Reports¹ of the PAC involving 15 Departments² presented to the Legislature between April 1995 and March 2020, revealed that none of these Departments had submitted the ATNs to the PAC as of March 2020.

Similarly, review of six Reports of COPU involving four Departments, viz Transport, Commerce & Industries, Tourism and Power presented to the Legislature between April 2008 and March 2020 revealed that out of 18 ATNs received, seven had been sent to the Assembly Secretariat as of March 2020.

¹ Between April 1995 and December 1997 (10 reports), in June 2000 (one report), April 2005 (one report), April 2007 (one report), March 2010 (one report), March 2011 (one report), March 2012 (one report) and March 2017 (one report).

² Containing recommendations on 59 paragraphs of Audit Reports.

Thus, the fate of the recommendations contained in the Reports of the PAC/COPU and whether they were being acted upon by the Administrative Departments could not be ascertained in audit.

During 2019-20, PAC/ COPU did not submit any Report to the State Legislature.



Shillong
The 28 June 2022

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New Delhi
The 11 July 2022

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Comptroller and Auditor General of India

