

# **Chapter VI**

## **Follow up of Audit Observations**



## CHAPTER VI

### FOLLOW UP OF AUDIT OBSERVATIONS

#### 6.1 Follow up on Audit Reports

As per the recommendations made by the High Powered Committee<sup>156</sup>, *suo moto* Explanatory Notes on all paragraphs in the Audit Reports are to be submitted to the Public Accounts Committee (PAC)/ Committee on Public Undertakings (CoPU) by the concerned departments. A copy of the *suo moto* Explanatory Notes shall also be furnished to the PAG (Audit), Manipur office for vetting.

Audit Reports for the year 2017-18 (Report No. 2 of 2019) featured three Performance Audit paragraphs and 19 Compliance Audit paragraphs. The *suo moto* Explanatory Notes pertaining to two Performance Audit paragraph and six Compliance Audit paragraphs had been received within the stipulated period of three months. In respect of earlier Audit Reports for the years 1999-2017, *suo moto* Explanatory Notes pertaining to 385 Performance Audits and Compliance Audit paragraphs were not received within the stipulated period of three months from the Departments.

#### 6.2 Action taken on the Recommendations of Public Accounts Committee

The Administrative Departments are required to take suitable action on the recommendations made in the Report of the PAC presented to the State Legislature. Heads of Departments were to prepare comments on Action Taken Notes or proposed to be taken on the recommendations of the PAC and submit the same to the State Legislative Assembly Secretariat.

As of April 2020, the PAC had published 36 Reports on the findings in the Audit Reports. These PAC Reports altogether contained 1,552 recommendations based on the examination of Audit Reports by the PAC. In respect of 21 Reports<sup>157</sup> of the PAC containing 737 recommendations, the Action Taken Notes (ATN) had been received. Of the remaining 815 recommendations contained in 15 Reports<sup>158</sup> of the PAC, no ATNs were received.

#### 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.

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<sup>156</sup> 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).

<sup>157</sup> 1<sup>st</sup> to 10<sup>th</sup>, 21<sup>st</sup>, 23<sup>rd</sup>, 25<sup>th</sup>, 26<sup>th</sup>, 28<sup>th</sup>, 30<sup>th</sup>, 31<sup>st</sup>, 33<sup>rd</sup>, 34<sup>th</sup>, 35<sup>th</sup> and 36<sup>th</sup> PAC Reports.

<sup>158</sup> 11<sup>th</sup> to 19<sup>th</sup>, 38<sup>th</sup>, 40<sup>th</sup>, 45<sup>th</sup>, 47<sup>th</sup>, 49<sup>th</sup> and 51<sup>st</sup> PAC Reports.

**Departmental Audit and Accounts Committees:** Departmental Audit and Accounts Committees (DAACs) were formed (January 2010) by all the Departments of the State Government under the Chairmanship of the concerned Departmental Administrative Secretary to monitor the follow-up action on the audit related matters. The function of the DAACs was to monitor the progress in disposal 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 2018-19, no meeting of the DAACs was held.

**State Audit and Accounts Committee:** State Audit and Accounts Committee (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 to meet once in six months. During 2018-19, 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 audits 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 audits are not settled on the spot, Inspection Reports (IRs) are issued to the Heads of the concerned Offices with a copy to the next higher authority.

As of March 2019, 3,068 Inspection Reports issued from 2003-04 onwards were outstanding 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 not received.

Audit acknowledges the initiative of the State Government who instructed (April 2020) all the Administrative Secretaries and Head of Offices to give positive and adequate response to the audit observations pointed out in the form of Preliminary Observation Statement (POS), Inspection Reports and Audit Paragraphs in the CAG's Report so that they do not recur in the subsequent years.

It is recommended that the Government may review the matter and ensure that an effective system exists for:

- *Submission of Action Taken Notes (ATNs) to the recommendations of the Public Accounts Committee(PAC)/ Committee on Public Undertakings (CoPU);*
- *Regularly monitoring the functioning of the Departmental Audit and Accounts Committees (DAACs) and State Audit and Accounts Committee (SAAC); and*
- *Sending replies to Audit within the prescribed time schedule.*

**Imphal**  
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**Countersigned**

**Countersigned**

**New Delhi**  
**The 09 June 2021**

  
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Comptroller and Auditor General of India

