



Chapter VI
Follow up of Audit Observations

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FOLLOW UP OF AUDIT OBSERVATIONS

6.1 Follow up on Audit Reports

As per the recommendations made by the High Powered Committee¹⁴⁵, *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 *suo moto* Explanatory Notes shall also be furnished to the Principal Accountant (Audit), Manipur office for vetting.

Audit Report for the year 2018-19 (Report No. 2 of 2021) featured three Performance Audit paragraphs and 13 Compliance Audit paragraphs. The Report has been placed before the State Legislature on 25 March 2022; however, *suo moto* Explanatory Notes have not been received so far (April 2022). In respect of earlier Audit Reports for the years 1999-2018, *suo moto* Explanatory Notes pertaining to 399 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 January 2022, PAC had published 37 Reports¹⁴⁶ on the findings in the Audit Reports. These PAC Reports altogether contained 1,582 recommendations based on the examination of Audit Reports by PAC. In respect of 21 Reports¹⁴⁷ of PAC containing 737 recommendations, Action Taken Notes (ATN) had been received. Of the remaining 845 recommendations contained in 16 Reports¹⁴⁸ of 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:

¹⁴⁵ 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).

¹⁴⁶ Out of the 54 Reports published so far by PAC, 37 Reports pertain to Audit Report on Social, Economic, Revenue and General Sectors. The remaining 17 Reports pertain to SFARs (Excess Regularisation) and ATIRs.

¹⁴⁷ 1st to 10th, 21st, 23rd, 25th, 26th, 28th, 30th, 31st, 33rd, 34th, 35th and 36th PAC Reports.

¹⁴⁸ 11th to 19th, 38th, 40th, 45th, 47th, 49th, 51st and 54th PAC Reports, which are not included for the purpose of this analysis.

Departmental Audit and Accounts Committees: Departmental Audit and Accounts Committees (DAAC) was formed (January 2010) by all the Departments of State Government under Chairmanship of the concerned Departmental Administrative Secretary to monitor the follow up action on audit related matters. The functions of the DAACs were 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 Departmental Audit and Accounts Sub-Committees constituted. The DAACs were to hold meeting once in three months. During 2019-20, 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 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 Departmental Audit and Accounts Committee (DAAC). The SAAC was to meet once in six months. During 2019-20, 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 2020, 3,350 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 Government Departments within four weeks from the date of issue of IRs were not received.

Audit acknowledges the initiative of the Government in instructing (April 2020) all Administrative Secretaries and Head of Offices to give positive and adequate response to 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 Government may review the matter and ensure that an effective system exists for:

- (a) Submission of ATNs to the recommendations of the PAC/ CoPU;
- (b) Regularly monitoring the functioning of the DAAC and SAAC; and
- (c) Sending replies to Audit within the prescribed time schedule.



(Athikho Chalai)

Imphal

The 14 November 2022 Principal Accountant General (Audit), Manipur

Countersigned



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New Delhi

The 21 November 2022 Comptroller and Auditor General of India

