

CHAPTER VII FOLLOW UP OF AUDIT OBSERVATIONS

7.1 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 Department, Government of Sikkim, all the concerned administrative departments were required to furnish explanatory notes on the paragraphs/Performance Audits included in the Audit Reports within one month from the date of issue of the Audit Reports.

It was, however, noticed that as of March 2022, in 29 *per cent* cases (inclusive of PSU and Revenue Sectors), the concerned administrative departments had not submitted the explanatory notes on the paragraphs/Performance Audits included in the Audit Report pertaining to the year 2013-14. In respect of Audit Reports for the years 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19, explanatory notes had not been submitted by concerned departments in 37, 75, 94, 100 and 100 *per cent* cases respectively. The position of *suo motu* explanatory notes not received as on 31 March 2022 is shown in the table below:

Table 7.1: Explanatory notes not received (as on 31 March 2022)

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
2013-14	17.03.2015	04	10	01	03
2014-15	28.03.2016	04	15	01	06
2015-16	18.03.2017	04	12	04	08
2016-17	12.07.2018	06	12	06	11
2017-18	02.08.2019	02	14	02	14
2018-19	08.12.2021	01	07	01	07

7.2 Response of the departments to the recommendations of the Public Accounts Committee

The Finance, Revenue and Expenditure Department (FRED) issued instructions to all departments to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by the Public Accounts Committee (PAC) for their consideration within 15 days of presentation of the PAC's Reports to the Legislature. The PAC's 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 on March 2022 PAC had completed discussions of Audit Reports for the year up to 2013-14 and discussions on Audit Report 2014-15 were in progress. Recommendations on the Audit Reports for the year up to 2012-13 had been issued by the PAC. As of

March 2022, ATNs had been received in respect of 614 out of 648¹ recommendations of the PAC, made for the Audit Reports for the years between 1990-91 and 2012-13.

7.3 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 IRs issued by the Principal Accountant General (PAG). It was to hold meetings once in three months and to send quarterly action taken report on the issues to the State Audit and Accounts Committee. During 2020-21 and 2021-22, no DAAC meeting was held.

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. This was 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. The information in this regard was not furnished, though called for.

After formation of the SAAC by the State Government, not a single meeting was held.

7.4 Outstanding Inspection Reports

The PAG 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 by issuing IRs on irregularities detected during the inspection and not settled on the spot, to the Heads of the Offices inspected, with copies to the higher authorities for taking prompt corrective action. The Heads of the Offices 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 PAG 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 State Public Sector Undertakings) audit as of March 2022 is shown below:

Table 7.2: Position of outstanding Inspection Reports and Paragraphs

Year	Civil (including works, Forest and Autonomous Bodies)		Revenue		Commercial	
	No. of IRs	Paragraphs	No. of IRs	Paragraphs	No. of IRs	Paragraphs
Upto 2016-17	434	1,322	71	176	70	242
2017-18	77	287	6	17	4	15
2018-19	89	346	10	29	7	32
2019-20	101	451	3	10	5	31

¹ 34 (648-614) ATNs relates to Audit Report 2011-12 (4 ATNs) and 2012-13 (30 ATNs)

Year	Civil (including works, Forest and Autonomous Bodies)		Revenue		Commercial	
	No. of IRs	Paragraphs	No. of IRs	Paragraphs	No. of IRs	Paragraphs
2020-21	67	406	3	10	2	12
2021-22	54	263	3	15	1	5
Total	822	3,075	96	257	89	337

As of March 2022, 1,007 Inspection Reports (IRs) and 3,669 paragraphs issued from 1990-91 onwards were pending for settlement. This large pendency of IRs was indicative of inadequate actions by the Heads of offices and departments in respect of remedial measures that should have been taken on the irregularities pointed out by Audit through the IRs.

7.5 Departmental Audit Committee Meetings

During 2020-21, no physical Audit Committee Meetings were held due to Covid. However, a virtual meeting was held on 20.06.2020, wherein 136 IRs and 211 paragraphs were settled after reviewing them in the audit office. During 2021-22, one Audit Committee Meeting was held with Commissioner, Commercial Tax Division, Finance Department where 10 IRs and 17 paragraphs were discussed, out of which four IRs and nine paragraphs were settled.



Gangtok
The: 04 April 2023

(HIMANSHU KASHYAP DHARMADARSHI)
Principal Accountant General (Audit), Sikkim

Countersigned



New Delhi
The: 05 April 2023

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India