

CHAPTER IV

INTERNAL AUDIT

4.1 Internal audit

Internal audit is a vital component of internal controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well. The Department is having a system of internal audit to ensure hundred *per cent* audit of all the documents registered. There are 45 audit units, each headed by a District Registrar (Audit). Audit is conducted monthly or quarterly, based on the number of documents registered in an office. The periodicity of audit is two or three days per office.

No specific manual has been prescribed in the Department codifying the practices and procedures relating to conduct of internal audit. Internal audit is carried out on the basis of executive orders/circulars issued by the head of the Department from time to time and instructions issued in Board's Standing Orders.

Year	Number of offices due for audit	Number of offices audited	Balance
2006-07	634	634	0
2007-08	648	636	12
2008-09	779	643	136
2009-10	887	417	470

4.1.1 Effectiveness of Internal Audit

We observed during test check of six District Registrar (Audit) offices that given the manpower and the number of documents to be checked, each member of the audit party has to check 119 documents i.e. 595 pages (approx) per day. Thus the audit party focused on the procedural lapses, arithmetical accuracy, accounting procedures, etc.

We observed from the inspection reports of the internal audit parties pertaining to five²⁴ offices of District Registrar (Audit) that out of the total outstanding objections of 3,076 as on 31 March 2009, nearly 38 per cent of the objections were having money value of less than ₹ 1,000 and 52 per cent were between ₹ 1,000 and ₹ 20,000 only. Thus 90 per cent of the objections were having money value of less than ₹ 20,000. The total money value projected in the inspection reports for the period from 2006-07 to 2008-09 was ₹ 5.37 crore which worked out to only 0.80 per cent of the total revenue collection of the units selected by us.

4.1.2 Outstanding position of audit paragraphs

A study of the pendency position of audit paragraphs revealed that on an average 5.31 per cent of the audit paragraphs were cleared every year on collection of the amounts involved or by way of dropping the paragraphs. As at the end of 31.3.2009, 22,994 paragraphs involving money value of ₹ 71.28 crore were outstanding as detailed below:

As at the end of	Number of paragraphs pending	Amount involved (₹ in crore)
31 March 2007	19,663	25.35
31 March 2008	31,340	61.62
31 March 2009	22,994	71.28

From the above it can be seen that though the number of objections has reduced in March 2009, the amount involved has increased.

²⁴ Erode, Madurai (North & South), Salem West and Trichy

4.3 Recommendation

A suitable mechanism may be put in place to produce better results in terms of quality and effectiveness of internal audit. Focus of internal audit may also include system related issues.

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