

Chapter-6 Internal Control

Objective V: To assess whether internal control mechanism existed in the Department.

Internal controls in a Department are intended to give reasonable assurance that its operations are carried out according to laid down rules and regulations in an economic, efficient and effective manner. A built-in internal control system and adherence to codes and manuals minimise the risk of errors and irregularities and help the Department to achieve its objectives with optimum use of its resources.

The Department could not furnish any information on internal control systems despite requisition (March 2013) and several reminders. Thus, audit could not study the effectiveness of internal control systems, if any, in the Department.

However, it was seen that no internal audit either by the Department or the Directorate of Treasuries and Accounts had been carried out in the Directorate or in any of the divisions during the period covered by audit.

In reply (November 2013), the Department stated that efforts would be made to set up and follow a built-in internal control system.

6.1 Non-maintenance/production of records

Maintenance of various control registers in accordance with regulations is an important element of internal control structure. The registers including subsidiary registers are to be maintained in prescribed format. Maintenance of records in the office of the PCCF and the divisions test-checked was poor. The divisions were not maintaining separate files for the schemes/programmes implemented by them. The files furnished to audit contained loose papers kept in a disorganised manner without notes. Details of funds received under various schemes/programmes and the works undertaken could not be furnished by any of the divisions despite requisition and several reminders. Most of the works taken up or the expenditure there against could not be clearly identified from the Cash Book maintained by the divisions/ranges or even from the bills/vouchers enclosed with the monthly accounts. The Measurement Books, mandatory for execution of civil works were either not maintained or did not contain name of work, measurements, date of commencement and completion.

In reply (November 2013), the Department stated that necessary instructions in this regard had been issued to all the divisions.

6.2 Booking of expenditure before receipt of funds

Scrutiny of records revealed that the following amounts were booked as expenditure/shown as utilised before the funds were actually received (for the years 2011-12 and 2012-13 for which bank statements were furnished) as shown in the following table:

Table 6.1: Booking of expenditure before actual receipt of funds

(₹ in crore)

Year	Name of Division	Amount	Date of utilisation as per Cash Book	Date of actual receipt of funds (as per Bank Statement)
2011-12	DFO, Dimapur	0.27	March 2012	03.04.2012
	DFO, Mon	0.84	March 2012	11.04.2012
	DFO, Mokokchung	0.70	March 2012	03.04.2012
	DFO, Peren	40.67	March 2012	12.04.2012
	Working Plan Officer, Kohima	1.69	March 2012	04.04.2012
	Silviculture Division, Kohima	0.40	March 2012	03.04.2012
	Wildlife Warden, Dimapur	0.25	March 2012	03.04.2012
	Wildlife Warden, Dimapur	1.76	March 2012	Received in instalments during 2012-13
2012-13	DFO, Mon	0.10	March 2013	09.04.2013
	DFO, Mokokchung	0.72	March 2013	Not seen credited till 31.03.2013
	DFO, Dimapur	0.50	March 2013	05.04.2013
	DFO, Peren	0.12	March 2013	Not seen credited till 31.03.2013
	Wildlife Warden, Dimapur	0.75	March 2013	06.04.13
	Wildlife Warden, Dimapur	0.81	March 2013	23.04.13

(Source:-Departmental records)

It can be seen from the above table that the fraudulent practice of booking expenditure/showing utilisation before the funds were actually received was widely prevalent in the Department and was apparently done for accounting purposes. It was also evident that records (bills/cash memos showing random procurement of materials etc) were fabricated and the actual expenditure was incurred subsequently.

An amount of ₹ 0.72 crore shown as received and spent by DFO, Mokokchung was not seen credited in the bank account till 31 March 2013 and subsequent receipt, if any, could not be verified as bank statement for the subsequent period was not furnished.

In reply (November 2013), the Department stated that booking of expenditure before receipt of funds were done in exceptional cases for accounting purposes and that necessary steps would be taken to avoid this practice in future.

6.3. Unauthorised expenditure on procurement of vehicles

Scrutiny of list of vehicles in the Department revealed that 59 vehicles were procured during 2008-13. Scrutiny of Cash Book maintained by the O/o the PCCF however, revealed that expenditure was incurred for procurement of only 37 vehicles during the same period as shown in the table below:

Table 6.2: Details of vehicles procured

Type of vehicle	Number of vehicles procured as per Cash Book	Number of vehicles procured as per list of vehicles	Difference
Medium	2	2	--
Light	13	31	(+) 18
Motor Bike	22	26	(+) 4
Total	37	59	(+) 22

(Source:-Departmental records)

It can be seen from the table that expenditure for procurement of 22 vehicles was not recorded in the Cash Book indicating that these vehicles were purchased with funds diverted from schemes/programmes by fraudulently booking expenditure against scheme activities. It was further seen that 15 vehicles (3 light, 2 medium and 10 motorbikes) shown as attached to the divisions test checked were not actually present in the divisions.

In reply (November 2013), the Department stated that procurement of some vehicles were done on project mode and was not shown in the Cash Book. The reply of the Department substantiates the fact that the vehicles were purchased with funds diverted from schemes/programmes.

6.4 Disbursement of scheme funds in Cash

Scrutiny of records made available to audit revealed that funds for implementation of the various schemes/programmes were being transferred to the divisions by cheque/Demand Drafts. In the divisions, it was seen that funds for implementation were transferred to the Range Forest Officers in cash with few exceptions. Subsequent expenditure for procurement of materials or payments to the beneficiaries could not be verified as no records were made available.

It was also seen that the High Level Monitoring Committee of TFC, while approving the Work Plan for 2011-12 had observed that large amounts of cash was disbursed under the TFC award. The Committee recommended that except for petty payments, disbursement of amounts should be through Account Payee cheques to ensure that it reaches the right beneficiary. It was also recommended that proper guidelines on utilisation of funds are formulated and communicated to the implementing divisions.

Despite the observations and recommendations of the HLMC, the Department had not evolved any system to ensure transparency in the transfer of funds.

In reply (November 2013), the Department stated that necessary instructions had been issued to all the divisions to follow the directions of HLMC in future.