

CHAPTER-V

Internal Control Mechanism in Government Department

POLICE DEPARTMENT

5.1 Internal Control in Police Department

Highlights

Internal Control is an integral component of an organisation's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data is reliable, and the applicable laws and regulations are complied with so as to achieve organizational objectives. Internationally the best practices in Internal Control have been given in the COSO¹ framework which is a widely accepted model for internal controls. In India, the GOI has prescribed comprehensive instructions on maintenance of internal control in government departments through Rule 64 of General Financial Rules 2005. A review of Internal Control on selected areas of Chhattisgarh Police Department has shown that:

- Non-reconciliation of departmental expenditure with the Accountant General resulted in a difference of Rs 102.46 crore during 2003-04 to 2007-08.

(Paragraph 5.1.5.2)

- Control procedures for maintaining cash books were not adhered to.

(Paragraph 5.1.5.3)

- Expired ammunitions were issued.

(Paragraph 5.1.5.4)

- There were delays of 63 to 308 days in collection of arms and ammunitions from ordinance factories.

(Paragraph 5.1.7.2)

- There were delays in disposal of complaint cases against the police personnel.

(Paragraph 5.1.7.3)

5.1.1 Introduction

Chhattisgarh Police became operational from 1 November 2000 i.e. from the date of formation of new state of Chhattisgarh. The department has the objectives of maintenance of law and order in the state, watch and ward, prevention and detection of crimes, maintaining internal security, gathering

¹ *Committee of Sponsoring Organisations of the National Commission on Fraudulent Financial Reporting or the Treadway Commission.*

intelligence, to comply with the orders of magistrates, traffic control, maintaining good relations with public and helping other departments, etc.

5.1.2 Organisational Setup

Home Department is the administrative department headed by Principal Secretary assisted by Secretary and three Deputy Secretaries. The Director General of Police (DGP) is the Head of the Police Department. Chhattisgarh Police consists of the District Police with four Police Ranges which is further divided into 21 Police districts (including one Government Rail Police unit) and Chhattisgarh Armed Forces, other department includes Telecom, Forensic etc. The training facilities include One Police Academy at Chandkhuri, two Police Training School (PTS) at Rajnandgaon and Mana. A chart of the organisational setup is placed at *Appendix 5.1*.

5.1.3 Audit Objectives

The review of internal control has been conducted to test compliance with the Chhattisgarh Financial Rules, various Acts and Regulations relating to the police functioning, instruction in the Budget Manual, the Receipt and Payment Rules/ State Treasury Code and related accounting instruction. In addition, the arrangements for information, communication, monitoring and evaluation including Internal Audit and Vigilance have been examined.

5.1.4 Audit Coverage and Methodology

The records of Police Headquarters (PHQ), PTS, Rajnandgaon, Range Offices (Raipur and Bastar), two Superintendent of Police (SP) offices (Raipur and Bastar) and eight Police Stations (PS) (two Rural and two Urban of each selected SP office) were reviewed for the period from 2003-04 to 2007-08. The methodology used was review of records/files and some interviews were also conducted. An entry conference was held on 25 February 2008 with the department DGP, ADGP and other officers to apprise them of the objectives of the review.

5.1.5 Compliance with State Financial Rules and instructions in the Budget Manual

Budget provisions for 2003-04 to 2007-08 and expenditure for Grant no.3 pertaining to Police are depicted in the following **Table-5.1**.

Table-5.1: Budget provisions and expenditure during 2003-08

(Rupees in crore)

Year	Voted		Budget Allotment	Expenditure	Savings	Surrender	Percentage of savings
	Original	Supplementary					
2003-04	310.03	1.90	311.93	265.86	46.07	5.95	14.77
2004-05	336.48	6.00	342.48	277.27	65.21	23.11	19.04
2005-06	372.97	8.75	381.72	357.45	24.27	0.00	6.36
2006-07	445.38	27.49	472.87	404.33	68.54	3.89	14.49
2007-08	562.14	53.68	615.82	499.64	116.18	106.22	18.87
TOTAL	2,027.00	97.82	2,124.82	1,804.55	320.27	139.17	15.07

(Source: Appropriation Accounts)

Audit findings

Inadequacy in Budget estimation and accounting

5.1.5.1 It was observed that subordinate DDO offices sent monthly expenditure reports to DGP but there was no procedure to consolidate these figures by way of maintaining any control register to monitor monthly and progressive expenditure. Reconciliation was also not done with the Accountant General (AG). This contributed to the following deficiencies in the budget estimation.

- There was overall saving ranging from 6.36 *per cent* to 19.04 *per cent* as shown in the **Table- 5.1**. However, the department did not furnish reasons for the savings.
- In 17 sub heads, there was excess of Rs 61.56 crore during the period of audit.
- In 12 sub heads, re-appropriation of Rs 44.17 crore was injudicious as it resulted in excess of Rs 37.40 crore.
- Supplementary provision of Rs 26.42 crore made in seven sub heads proved unnecessary as the expenditure was less than the original provision.
- In four sub heads against requirement of Rs 29.47 crore, excessive supplementary grants and re-appropriations of Rs 41.54 crore were obtained resulting in saving of Rs 12.07 crore.

5.1.5.2 Non-reconciliation of expenditure

Timely reconciliation of the departmental expenditure under Grant no. 3 with the expenditure booked by the AG as provided under Rule 66(2)(viii) of General Financial Rules was required to assure the controlling officer (DGP) that the departmental accounts rendered by subordinate offices were a correct depiction of remittances into and drawal from treasuries. This is also a key control against diversion and fraudulent drawls. The difference between the departmental expenditure figures and Appropriation Accounts during the review period amounted to Rs 102.46 crore as shown in the following **Table-5.2**.

Table-5.2: Details showing differences in expenditure figures

(Rupees in crore)

Financial Year	Departmental expenditure figure	Appropriation Account figures	Difference (Excess)	Percentage
2003-04	247.32	265.86	18.54	7.0
2004-05	272.30	277.27	4.97	1.8
2005-06	336.16	357.45	21.29	6.0
2006-07	377.33	404.33	27.00	6.7
2007-08	468.98	499.64	30.66	6.1
Total	1,702.09	1,804.55	102.46	5.67

The departmental accounting was therefore not corrected through reconciliation with the AG's accounts as envisaged. However the number of DDO's reconciling figures with the AG has been increasing every year.

5.1.5.3 Deficiencies in maintenance of Cash book:

The following omissions/weaknesses were observed during test check of Cash Book of DGP and SP, Raipur and Bastar:

- Cash book entries were not being attested by DDOs and totals were not checked by a person other than the writer of the cash book on a daily basis.
- The DDO should conduct Physical verification of cash available in the chest with the balances in the cash book after the monthly closing and record a certificate to this effect. This was not found recorded in 56 months² out of 180 months scrutinised.
- The details/analysis of cash book balances were not being recorded on last working day of every month and verified by respective DDOs.
- Security bonds were not obtained from the officials dealing with cash and stores in the offices of DGP and Superintendent of Police, Raipur.

During audit of last five years, the discrepancies in cash book were intimated to auditee. However, the same still exist/not corrected. These were contrary to the Supplementary Rule 53 of Chhattisgarh Treasury Code Vol-I. The weaknesses in control procedure increased the risk of occurrence and non-detection of financial errors, fraud, misappropriation or embezzlement.

The Department accepted the audit observations and have stated in the reply that the deficiencies would be set right in future.

5.1.5.4 Inventory Control

Stores and Stock of the Police Department consist of arms and ammunition, training, control equipment, clothing etc. The Chhattisgarh Armed Forces 4th Battalion, Mana, Raipur is responsible for issue, requisition and maintenance of all stores and stock including arms and ammunitions for the entire Chhattisgarh Police Department. It issues stores to Reserved Inspector (RI) in every Police district under the jurisdiction of SP and the RIs maintain the stores for the Police districts. The deficiencies found in the inventory management are given below:

Non-disposal of unserviceable items

Unserviceable items not identified for disposal.

Scrutiny of records revealed that 4th Battalion, Mana did not dispose of empty shells of cartridges consisting 21,587.250 Kg of bronze and 76.300 kg of copper received from October 2004³ resulting in blockage of funds amounting

² 22 months in PHQ, 23 months in SP Raipur, 11 months in SP Bastar.
³ Empty shells received before this date had been disposed of.

to Rs 19.72 lakh⁴. The empty shells were blocking storage space and unnecessarily increasing the stock record maintenance.

- It was also observed that 351.26 meters of clothing were lying unutilised since 1 March 2003 and 383 items of arms and accessories, 3.83 lakh pieces of ammunition (*Annexure 5.2*) were lying unutilised and are being carried forward from 2001-02. While the unit was conducting physical verification, unserviceable items were not being classified separately. Therefore, it was difficult to ascertain whether these long pending items were usable or had to be disposed of.
- The unit accepted the observations in respect of clothing items and stated that in future stock verifications, it would separately classify unserviceable and useless items. It would also take action on the old stock items after obtaining orders of PHQ.

Scrutiny of records of Reserve Inspector, Raipur revealed that life of 214 tear gas cells held in the stock had expired. Similarly, RI, Bastar is holding 153 expired tear gas cells which are also being issued.

Issue of expired ammunition

Expired ammunition was issued.

GOI, Defence Ministry OM No. S/228/TD-23/503/D/(0-1), dated 4th April 1970 prescribed shelf life of different kinds of ammunition used by Police Department.

Scrutiny of records of RI, Raipur revealed that ammunitions (**Appendix 5.3**) in the store were beyond expiry period and the same were being issued on demand. The stock register and challans for issuing ammunitions did not mention the expiry date of ammunition as there was no column for the same. This indicated a major control risk as expired ammunitions would be used by Police personnel after issue.

The RI replied that action for disposal of expired ammunition will be taken after receiving direction from PHQ.

Non verification of stores and stock

As per rule 133-136 of Chhattisgarh Finance Code Vol-I, all consumable and non consumable items should be physically verified once in a year. Scrutiny of records revealed that the stocks of the Special Branch and General Branch in PHQ had not been physically verified since 2002-03 and 2004-05 respectively and also SP, Raipur office had not physically verified the stock since 2001-02.

5.1.6 Compliance with State Treasury Rules/Receipt and Payment Rules

Drawal of money in anticipation of the payment or demand

As per Supplementary Rule 284 of Chhattisgarh Treasury Code Vol. I, the government money is not to be drawn from the treasury unless it is required for immediate payment and cannot be drawn in anticipation of the payment or

⁴ Assuming bronze @ Rs 91/kg and copper @ Rs 105, the rate being taken from the last auction of the same in 2004. Thus, Bronze 21587.250 kg * Rs 91=19,64,440 and Copper 76.300 kg * Rs 105=8,011.50, thus, totaling Rs 19,72,451.50.

demand. It was observed that in the PHQ, an amount of Rs 14.13 lakh was drawn from the treasury and kept in the form of Bank Draft/Bankers Cheques from March/April 2007 and the same had not been disbursed and their validity had expired. Thus there was blockage of Government funds due to drawal and non-disbursement.

In their reply, the department intimated that the bank draft would be paid after receipt of material and the three bankers cheques were security deposits for work of concertina coil fencing. The reply was not acceptable as it confirmed that Rule 284 was not being adhered to as per the requirement.

5.1.7 Internal Control Activities

5.1.7.1 Disposal of registered cases

No major pendency in disposal of FIRs.

Scrutiny of the FIR registers, Crime registers, Daily Diaries and Register of seized items of the selected eight Police Stations showed that there were 8,770 FIRs registered for the years 2005, 2006 and 2007 of which in 8,695 cases investigations were finalised and challans submitted to the court. Therefore there was no major pendency of cases.

5.1.7.2 Delay in collection of arms and ammunitions

Collection of Arms & Ammunitions delayed.

The department was procuring arms and ammunitions from different factories of Ordinance Factory Board, Kolkata. The weapons were to be collected by the department on intimation by the factory by making their own arrangement.

It was observed that the collection of arms and ammunition worth Rs 12.26 crore was substantially delayed ranging from 63 to 308 days (*Appendix 5.4*). The delays in collection of arms and ammunitions were affecting the fighting capability of the force.

The department clarified that collection of arms and ammunition involved arrangement of vehicle, police guards and that the collection is being done by Central Reserve Store, Raipur which does not have adequate sanctioned strength. Therefore there were delays due to correspondence within the Police department. The department further stated that arms would be collected as soon as possible in future. The reply underlined the need to simplify/streamline the system to ensure timely collection of arms.

5.1.7.3 Delays in disposal of complaint cases against police personnel

Delay in disposal of complaint cases against Police personnel.

The complaint cases against the police personnel are filed in the SP Office or forwarded to the SP by senior officers, Police Headquarters, Human Rights Commission, administration wing etc. The SP forwarded the complaints to CSPs⁵ with instructions to dispose of within seven days. Scrutiny of records of SP, Raipur revealed that during last 25 months⁶, the SP Office received 331 cases, of which 30 cases⁷ had not been disposed of upto 26 April 2008. The remaining 301 cases were disposed of with huge delays as detailed in the following **Table-5.3**.

⁵ City Superintendent of Police.

⁶ 2006, 2007, 2008 (January).

⁷ Pending one case of 2006, 20 cases of 2007 and nine cases of 2008 (January).

Table-5.3: Details of delay in disposal of complaint cases against police personnel

Actual no. of days taken for disposal	No. of Complaint Cases
0-50	161
50-100	59
100-200	55
200-300	20
300-550	6
Pending	30

(Source: Compiled from complaint register of SP, Raipur)

A scrutiny of the 78 complaints registered in SP Raipur, during five months⁸ was reviewed and the status is shown in **Table-5.4** below:

Table-5.4: Details of complaints registered and disposed of in SP, Raipur

Category of Complaint	Disposal of Complaints					
	Total	False Case	Could not be ascertained ⁹	Pending	Punitive Action	Non actionable
Non filing of FIR	4	3	-	-	-	1 ¹⁰
Pendency of FIR/ Non-action	8	6	2	-	-	-
Misbehavior/ Abuse/ Harassment/ implicating in false case/ intimidation	43	30	8	5	-	-
Extortion/illegal activity	8	6	-	1	1	-
Miscellaneous	15	6	6	2	-	1
Total	78	51	16	8	1	2

A total of 70 complaints were disposed of and eight cases were pending (September 2008).

Of the 78 complaint cases, SP Raipur found 51 complaints to be false. In 16 cases it could not be ascertained what action had been taken from the records. One complaint of attempt to extract illegal gratification was disposed of by transferring the constable. Two complaints were not actionable as one was already pending in court and the other was withdrawn. It was therefore observed that majority of the complaints were false.

In the other test checked unit of SP, Bastar, it was observed that the complaint register did not contain details like date of filing complaint and its disposal and therefore it could not be ascertained by audit whether complaints were disposed of in a reasonable time. SP, Bastar was also not monitoring disposals through regular submissions. Prompt disposal of complaint cases against personnel would lead to a better public image of the police force/department.

On being pointed out, SP Raipur accepted that the delays were caused due to law and order and other important duties and the Officers in Charge would be instructed to complete investigations in time in future. SP, Bastar accepted the audit observation and noted it for future compliance.

⁸ January, February, December (2006), December (2007) and January (2008).

⁹ Action taken was not available on record.

¹⁰ Matter was settled by complainants.

5.1.7.4 Facilities at Police Stations

One Police Station functioning in dilapidated building.

All the test checked PSs were running in government buildings except one Gole Bazar PS, Raipur is running in an old dilapidated building. The entire roof had been covered with polythene as the roof was leaking everywhere (**Picture-1**). The seized items of cases registered were lying in the other buildings due to space constraint. In Civil Lines PS male and female lock ups were used as “*Mal Khana*” where all the arms and ammunition and other seized items of crime (of 219 cases) were stored. Separate female lock-ups were not available at Gole Bazar, Arang and Bodhghat PS. It was also observed that out of eight selected PS, three PS (Newara, Gole Bazar, Nagarnar) had no vehicle. The inadequate facilities could affect the effective functioning of the PSs.

Picture-1: Gole Bazar, Police Station, Raipur



5.1.7.5 Training

Training is provided by the department through the Police Academy at Chandkhuri and two Police Training Schools (PTS) at Rajnandgaon and Mana.

Scrutiny of records showed that during the last three years, 25 per cent to 52 per cent of total training slots remained unutilized as shown in **Table-5.5** below:

Table-5.5: Details of unutilized slots

Year	Slots available	Slots utilised	Unutilised slots	Percentage of unutilised slots
2005	2,593	1,641	952	36.7
2006	2,893	1,377	1,516	52.4
2007	3,273	2,470	803	24.5

This indicated that training facilities were not fully utilised. It was stated in reply that during the last three years the training was focused on basic courses for new recruits and therefore other courses were held in abeyance. The reply showed that there was a need to devise a plan to catch up with the pending training courses.

5.1.7.6 It was also observed that there was no computer course in the training calendar/module whereas the Common Integrated Police Application (CIPA) project had been taken up under the modernisation scheme. It was therefore necessary to assess the training needs and incorporate suitable computer courses accordingly.

5.1.7.7 Manpower

It was also observed that the district police and the two PTS have 730 vehicles available with only 402 drivers. The SP offices stated in the reply, that the remaining vehicles were being driven by General Duty personnel. This indicated that the operational force was getting diverted with driving duties also.

Of the 402 drivers, only 165¹¹ drivers were trained in the Driving and Maintenance (D&M) Course, Auto Electrical Course and Auto Fitter Course (*Appendix 5.5*). The lack of training meant that the drivers would not be able to carry out basic repairs in case of emergencies. This may adversely affect the operational capabilities of the police force.

5.1.8 Internal Audit

5.1.8.1 Internal Audit is an important instrument to examine and evaluate the level of compliance with the departmental rules and procedures. It was observed that the department did not have an Internal Audit Manual. Four posts of auditors were sanctioned for conducting internal audit of all offices within the Police department and there were no sanctioned posts of Audit Officers or Section Officers. It was ascertained that at present there was only one auditor in position and some head clerks had performed the internal audit functions. It was observed that while there was an annual audit plan showing proposed month of audit, it was not linked to the mandays available for conducting audit. Against 48 auditable units in each of the last five years (240 possible audits), a total of 149 audits were planned and 61 actually carried out. As many as 13 units were not audited in the last five years. There was no arrangement of imparting training and the wing was not following any prescribed audit manual.

It was evident that the internal audit was required to be strengthened for improving the control mechanism. In reply DGP office stated that proposal for filling up vacant posts was taken up with the Government.

5.1.8.2. Discrepancy in reporting

During scrutiny of records at the PHQ, it was found that PHQ issued directions from time to time urging all Police units to file replies/ written statements of the cases pending in the Supreme Court (SC)/High Court (HC). The records of SP, Raipur showed that while 253 cases were received from SC and HC since 1998, replies were filed in only 20 cases. However, it had also reported to PHQ that in respect of 79 of the cases received, 59 replies had been

¹¹ *Driving and Maintenance (D&M) Course-123, Auto Electrical Course-11 and Auto Fitter Course-31.*

filed. There was a clear discrepancy which was required to be reconciled. It indicated that the maintenance of records was required to be streamlined.

5.1.9 Conclusion

The Internal Control review of the Police Department showed that there was no major pendency in finalizing registered cases of crime. The shortcomings included inadequacies in budgeting and accounting, non disposal of unserviceable stock, retention and issue of expired ammunition, delays in collection of arms and ammunitions and delays in disposal of complaint cases against Police personnel. Some of the Police Stations had inadequate facilities. The internal audit wing was working with only a single auditor.

5.1.10 Recommendations

- The timely disposal of complaint cases against police personnel may be ensured through close monitoring.
- The system for collection and disposal of expired arms and ammunitions may be streamlined.
- Training Needs Analysis for computer courses may be done and suitable courses inducted in the training calendar.
- Manufacturing and expiry dates of ammunitions should be recorded on stock registers and challans to prevent issue and use of expired ammunition.
- Unserviceable items should be identified and recorded in stock registers to facilitate their disposal.
- It is recommended that Internal Audit wing may be strengthened.