

CHAPTER -V

INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS

PUBLIC WORKS DEPARTMENT

5.1 INTERNAL CONTROL SYSTEM IN THE PUBLIC WORKS DEPARTMENT

The Public Works Department plays a major role in the economic, commercial and tourist development in the State of Goa. Being a service department it is entrusted with the developmental activities like Planning, Design, Construction, Operation and Maintenance of all types of construction works in the State of Goa.

Internal Control System is an integral process by which an organization governs its activities to effectively achieve its objectives. A built-in Internal Control System and strict adherence to Statutes, Codes and Manuals minimise the risk of errors and irregularities. Existence of Internal Audit Wing helps detect such errors and irregularities. An evaluation of Internal Control System in the Public Works Department revealed the weakness of the internal control in vogue in the department such as non-compliance to rules, manuals and codes. Budget preparation was not based on the estimates prepared by the Divisions/Units. Cash controls were not exercised for reconciling the cash remitted into Government Treasury. Review of expenditure controls revealed that time barred cheques were not cancelled and written back in the accounts. Operational controls such as recovery of hire charges of machinery, crediting lapsed security deposit to Government Treasury, accounting of transactions through temporary suspense heads like Miscellaneous Public Works Advances, Cash Settlement Suspense Account, Stock Account were not monitored. There was also lack of planning in prescribing periodicity for taking up of Internal Audits, etc.

Highlights

- Budget estimates were not based on estimates prepared by Divisions/subordinate units. There was also rush of expenditure in March 2003-06.

(Paragraph 5.1.5)

- Division X had outstandings of Rs. 28 crore as on March 2006 under Cash Settlement Suspense Account (CSSA) and the submission of CSSA schedules/Registers were discontinued in Divisions VIII and IX for over two years.

(Paragraph 5.1.8.7)

- Departmental charges of Rs. 4.79 lakh were not recovered during 2001-2006 for deposit works by Division XIII.

(Paragraph 5.1.8.5)

- Outstanding hire charges of Rs.2.27 crore on supply of Machinery for Road Works pertaining to the period June 1993 to June 1995 had not been incorporated in the monthly accounts.

(Paragraph 5.1.8.1)

- Water supply Division IX, retained as on March 2006 huge surplus stores and did not dispose of unused unserviceables of Rs.19.37 lakh and unserviceables due to normal wear and tear of the value of Rs.30.79 lakh purchased during 1970-2001. The stock purchases of the sub-divisions were not incorporated in the monthly accounts (Form 73) during 2003-2006.

(Paragraphs 5.1.8.9 to 5.1.8.12)

5.1.1 Introduction

The Public Works Department (PWD) plays a major role in the economic, commercial and tourist development in the State of Goa. Being a service department it is entrusted with the developmental activities like Planning, Design, Construction, Operation and Maintenance of all types of construction works in the State of Goa.

The Public Works Department is mainly responsible for the Construction/Operation of Water Supply and Sanitation/Sewerage, Construction/Maintenance of National/State Highways, Bridges, District/Rural roads, Buildings for Government offices and residential quarters for Government Servants.

Internal Control Mechanism in an organisation is meant to ensure that its operations are carried out according to the applicable laws and regulations and in an economical, efficient and effective manner. The controls also act as a safeguard against errors, irregularities in operational and financial matters.

The State Government has adopted the provisions of Central Public Works codes and manuals. During 2001-06, Goa Public Works Department was entrusted with developmental works in respect of water supply and sewerage programmes, roads, bridges, buildings, etc. from the planning and designing stage to construction, operation, and maintenance. In addition, the Department also executed deposit works for local bodies/autonomous organisations of the State and the Central Governments.

5.1.2 Organisational set-up

The Public Works Department functions under the administrative control of the Secretary, PWD, Government of Goa. The Principal Chief Engineer as the head of the Department is assisted by two Chief Engineers, one for Water Supply/Sanitation and the other for Roads/Buildings, Electrical and Mechanical Works. There were 10 Superintending Engineers, one

Superintending Surveyor of works, one Chief Architect, 25 Executive Engineers manning 25 works Divisions, a land acquisition Officer in charge of land acquired for PWD works and subordinate staff. The Department (PWD Headquarters) also had a Joint Director of Accounts, an Accounts Officer and Assistant Account Officer to look after the accounting matters and for conducting internal audits.

5.1.3 Audit objectives

The objectives of the review of Internal Control System in the Public Works Department were to assess adequacy and effectiveness of:

- Budgetary Controls
- Cash controls
- Expenditure controls
- Operational controls
- System of Internal Audit and Vigilance Mechanism

5.1.4 Scope of audit

A review of the adequacy and effectiveness of Internal Control mechanism including system of internal audit was conducted by test check of records for the period 2001-06 at the Secretariat, the Principal Chief Engineer's office and its subordinate offices including nine Works Divisions^Y out of 25 Divisions, during the period May to August 2006.

AUDIT FINDINGS

5.1.5 Budgetary Controls

5.1.5.1 Deficiencies in system of preparation of budget

Rules provide that the budget for the ensuing year should be prepared on receipt of estimates prepared by the subordinate units based on the average expenditure of six months of the previous year and actual expenditure of six months of the current year.

The Budget Provision and Expenditure during the years 2001-2006 under Revenue and Capital Heads was as under:-

(Rupees in crore)

Year	Revenue				Capital			
	Budget Provision	Expenditure	Savings	Percentage	Budget Provision	Expenditure	Savings	Percentage
2001-02	158.10	142.87	15.23	10	167.23	97.06	70.17	42
2002-03	182.76	160.16	22.60	12	159.25	98.69	60.56	38
2003-04	177.21	150.57	26.64	15	163.56	144.91	18.65	11
2004-05	182.70	174.00	8.70	5	193.56	165.10	28.46	15
2005-06	221.68	204.35	17.33	8	176.81	159.74	17.07	10
Total	922.45	831.95	90.50		860.41	665.50	194.91	

^Y Division III, IV, VIII, IX, X, XI, XIII, XVIII, XXII

The capital savings of 42 *per cent* and 38 *per cent* during 2001-03 were due to non commencement of capital projects such as sewerage treatment plants, non completion of State Assembly Complex and non commencement of projects such as 12.50 MLD sewerage plants at Panaji, augmentation of Water Supply Schemes at Opa, Assnora and Sanquelim and non setting up of Sewerage Infrastructure Development Corporation.

The Budgets during 2001-06 were drawn up by Accounts Section without receipt of estimates from the Divisions. The Principal Chief Engineer stated (July 06) that the budget estimates were usually prepared based on the detailed estimates furnished by the Divisions. However, as no such detailed estimates were produced to audit, he further stated (Dec. 06) that the audit point was noted for future guidance.

5.1.5.2 Rush of expenditure in March

Rules provide that expenditure should be proportionately incurred throughout the year and rush of expenditure towards end of financial year should be avoided.

Audit observed that there was rush of expenditure in four[⊕] Divisions during 2003-06 at the fag end of the year. The percentage of the expenditure in March ranged from 25 to 61 indicating poor financial management by these Divisions. The Principal Chief Engineer replied (Dec. 06) that the funds were allocated to the Divisions as and when required according to the progress of the work. He also attributed the rush of expenditure to non-finalisation of revised estimates in time and delays in getting releases of funds for incurring expenditure. The fact remains that the activities were not carried out so as to avoid rush of expenditure at the fag end of the financial year.

5.1.6 Cash Controls

5.1.6.1 Defective accounting of Imprest

An imprest is a standing advance of a fixed sum of money given to an individual to enable him to make petty disbursements entrusted to him by the Divisional Officer. The account of imprest must be rendered to the Divisional Officer in time to enable him to incorporate the account in his cash book before it is closed for the month on the date fixed for the purpose. Codal provisions also stipulate that Cash Account should be positively closed on 31 March.

Imprest accounts were not properly maintained in sub-divisions' records and in Divisional Cash Book

⊕

Division	Year	Percentage of March Expenditure to the annual expenditure
III	2002-03	38
X	2003-04	61
XIII	2004-05	29
XIII	2005-06	25
IX	2005-06	26

Audit Scrutiny revealed that Imprest transactions of sub divisions (Divisions XIII/VIII) were not properly depicted as works cash books did not have entries indicating closure of imprest accounts at the end of the year though cash accounts of the Divisions were shown to be closed to nil. Also the Imprest Cash Accounts/ subsidiary registers revealed that Imprest vouchers were not chronologically and serially recorded and that these initial accounts of the sub-divisions had not been inspected during 2001-06 by the concerned Divisional Accountants as required under para 4.2.6 of CPWA code.

5.1.6.2 Non Reconciliation of Remittances

As per Receipts & Payment Rule 13, the department has to conduct monthly reconciliation of remittances with Government Treasury. Four[^] Divisions had not reconciled as of July 2006, 192 challans totalling Rs.12.26 lakh pertaining to January 1979 – April 2006, of which 19 challans of Rs. 1.81 lakh were outstanding for periods from six months to two years and the remaining 173 challans of Rs. 10.45 lakh were outstanding for more than five years. Form 51, which gives the details of remittances to Treasury and cheques drawn by the Executive Engineers, should accompany the monthly account. Audit observed that as of July 2006 Division IX had not sent Form 51 along with monthly accounts nor separately, since April 2005.

5.1.6.3 Non Reconciliation of Receipt Books

On receipt of the indented/purchased blank receipt books, they should be serially numbered and the serial numbers recorded in the stock account of receipt books, wherein the source of receipt of the books and the acknowledgement of the unit to which the book was issued is also to be recorded.

During 2001-06, taking into account the opening balance in stock, Division XIII could not produce the indent from Government printing press nor voucher showing purchase from private press, in support of receipt of 227 receipt books. Similarly, Division VIII could not reconcile receipt of 13 receipt books. Physical verification of the stock of receipt books had not been conducted (July 2006) by Executive Engineers, from February 1992 (VIII) and December 1996 (XIII), though the General Financial Rules prescribed physical verification of stock at least once a year.

5.1.7 Expenditure Controls

5.1.7.1 Time barred cheques not cancelled

Codal provisions stipulate that cheques which have been issued but not encashed should be cancelled after three months from the date of issue and their amounts written back in the accounts of the Division. Scrutiny of Form 51

[^] Rs. in lakh	Rs. in lakh
Rs.7.23 (III)	Rs.1.88 (IX)
Rs.1.77 (IV)	Rs.1.38 (XVIII)

of six* Divisions for March 2006 revealed that 97 cheques amounting to Rs.11.86 lakh pertaining to the period from February 1986 to January 2006 were not cancelled and written back in the accounts as of May 2006.

5.1.8 Operational Controls

5.1.8.1 Outstanding Recovery of hire charges of machinery

The mechanical Division XXII, Margao gives on hire various types of machinery such as hot mix plant, power machine, road rollers etc. to the contractors through Divisions/local bodies for various road works executed by the Department. Audit observed that the Division had to recover an amount of Rs.2.27 crore* from various other Divisions/local bodies during June 1993 – June 2005 towards hire charges of machinery. However, these dues were not shown in the monthly accounts through Cash Settlement Suspense Account operated between mechanical Division which hired machinery and other works Divisions through which contractors were executing works and availing of machineries on hire. No action was taken by the Department to clear the dues. On being pointed out in Audit, the Department directed the Divisions to follow up the recovery and incorporate the same in monthly accounts.

Hire charges of machinery of Rs. 2.27 crore for the period from June 1993 to June 2005 were outstanding (July 2006)

5.1.8.2 Expired Bank Guarantees not revalidated

Rules stipulate that guarantees furnished by the contractors in lieu of security deposits should be renewed on time. Scrutiny of the Bank Guarantee (BG) Registers revealed that three* PWD Divisions had not renewed 19 Bank Guarantees amounting to Rs.0.58^ crore though these had expired during April 2003- July 2006.

5.1.8.3 Security Deposits not credited to Government Account

CPWA code stipulates that security deposits from the contractors remaining un-claimed for more than three complete account years after completion of works and not refunded to contractors, are treated as lapsed deposits and are to

* Division	Rs. in lakh	Division	Rs. in lakh
III	Rs. 1.39	X	Rs. 0.18
IV	Rs. 3.15	XIII	Rs. 0.31
IX	Rs. 6.31	XVIII	Rs. 0.52

* (Rupees in lakh)
 Dv. II- Rs.16.62, Dv. VI - Rs.79.77, Dv. VII – Rs.8.13, Dv. XIII – Rs.6.36, Dv. XIV- Rs.10.41,
 Dv. XV- Rs.28.51, Dv. XVIII- Rs.60.54, Dv. XXIII- Rs.1.51, Dv. XXV – Rs.15.18,
 Dv. XIX – Rs.0.03, Dv. XXI- Rs.0.17 = **Total Rs.2.27crore.**

* Division III, IX, XVIII

^ No. of cases & Division	Rs. in crore	Period
6 /III	0.22	Feb. 2005 – Feb. 2006
4 /IX	0.05	April 2003–April 2006
9 /XVIII	0.31	Oct. 2005 – July 2006
19	0.58	

be credited to Government account. In seven* Public Works Divisions, security deposits obtained during February 1986 to March 2003 amounting to Rs.4.69 crore pertaining to 2115 works though lapsed, were not credited to Government Account. The Executive Engineers stated that action would be taken accordingly.

5.1.8.4 Earnest money deposit not refunded to contractors

According to codal provisions, Earnest Money Deposit (EMD) obtained from the contractors excluding three lowest tenderers should be refunded within a week from the date of receipt of the tenders, and of the two tenderers excluding successful tenderer within 15 days of acceptance of tender. Audit observed that EMD of 87 unsuccessful tenderers in the form of deposit call receipts, cheques, drafts etc. amounting to Rs.10.60 *lakh and pertaining to the period 2003-2006 were not refunded to the contractors (March 2006) resulting in delay in refund by two to 41 months. The concerned Executive Engineers stated that the delay in refunding was due to shortage of staff. But that necessary action to refund the outstanding EMDs would be taken.

5.1.8.5 Departmental charges on deposit works not recovered

Codal provisions stipulate that for every non Government work, the local body or other party should advance the gross estimated expenditure which is payable by it to the Divisional Officer in lumpsum, or in installments and by such dates as authorized by the Administrative Ministry. The estimated expenditure includes departmental charges levied on percentage basis intended to recover the cost incurred by Public Works Department on establishment, tools and plants, audit and accounts and pensionary charges.

Division XIII (Roads and Bridges) executed deposit works and booked (2001-06) an expenditure of Rs.39.95 lakh under deposits (Form 65). The departmental charges recoverable at prescribed percentage[^] during 2001-2006 were Rs.4.79 lakh. Though estimates of the works included departmental charges these were neither received in advance nor recovered by the Division. Further deposit of Rs.3.19 lakh towards works expenditure for two works of Telecom Department awarded in March 1999, had not been received by the Division as of July 06. The Principal Chief Engineer stated (Dec. 2006) that the Division has already been directed to recover/ adjust the departmental charges.

The departmental charges of Rs.4.79 lakh were not recovered by a roads Division

• **(Rupees in crore)**

890/III	Rs.1.15	Feb. 1986-March 2003	165 /XIII	Rs.0.83	Jan 1988 – March 2003
218/IV	Rs.0.15	Feb.1996 – March 2003	228 /VIII	Rs.0.24	Oct. 1988 – March 2003
160 /IX	Rs.0.25	April 1994 – March 2003	378/XVIII	Rs.1.60	Jan 2005 – March 2006
76 /XXII	Rs.0.47	Jan 1991 – March 2003			

• **(Rupees in lakh)**

7/III	Rs.2.20	May 2005 – March 2006
30/XIII	Rs.6.50	Jan 2005 – March 2006
20/XXII	Rs.0.70	March 2001 – July 2004
30/IX	Rs.1.20	May 2005 – Aug. 2005
87	Rs.10.60	

[^] Construction works costing upto Rs. 2 crores = 12% (Appendix 4 of CPWA code)

5.1.8.6 *Miscellaneous Public Works Advance Account not operated for over fifteen years*

MPWA not cleared for 15 years. Also not operated for excess expenditure over deposits

The Miscellaneous Public Works Advance (MPWA) suspense head is used to temporarily accommodate debits, which cannot be classified to the final head of account immediately for want of some information or details. The head is also used to watch the item “Expenditure incurred on deposit works in excess of deposits received”. No charges should be debited to this head on the ground of absence or insufficiency of sanction or appropriation except for the item above. MPWA items are cleared either by actual recovery or by transfer under proper sanction/authority to some other head of account. Items/balances, which have become irrecoverable, should not be transferred until ordered to be written off.

Audit scrutiny revealed that outstandings of over 15 years amounting to Rs.11.78 lakh in Division III pertained to payments of Court awards and compensation to consumers. In Division IX, despite Government (November 2001) writing off Rs.0.69 lakh on account of theft of cash from chest, necessary clearance of MPWA had not been effected. Further, though Division XIII incurred (March 2006) an excess expenditure over deposits of Rs.5.67 lakh and an amount of Rs.4.58 lakh towards expenditure incurred without deposit, MPWA was not operated.

5.1.8.7 *Non clearance of old balances under Cash Settlement Suspense Account*

According to codal provisions, all transactions relating to supplies made or services rendered to other Divisions should be classified under the head 8658 Suspense Accounts-Cash Settlement Suspense Account (CSSA). These transactions should be posted Division-wise in a CSSA Register. The clearance of the balances under CSSA are to be watched through an abstract of debits and credits in the Register, which is to be reviewed monthly by the Divisional Officer. At the close of the year there should normally be no balance under this Suspense head. Audit scrutiny revealed that Stores Division X which supplied items such as bitumen, vehicles, air conditioners and electrical items to other Divisions had the outstandings in respect of 25 Divisions/12 units under CSSA at Rs.28 crore (March 2006), with Division - wise dues ranging from Rs.1.06 crore to Rs.8.23 crore. In reply, the Department stated that the outstanding amount has come down to Rs.19.79 crore in October 2006 and efforts were being made to clear the outstanding amount.

In two[♥] other Divisions the registers/schedule of CSSA in monthly account were discontinued from April 2004, despite outstandings of Rs.26.48 lakh and Rs.11.52 lakh (July 2006). The Executive Engineers stated (October 2006) that the transaction pertained to old period and no registers are available. This shows that there were no internal controls in place.

♥	Amount (Rs. in lakh)
Div. IX	26.48
Div. VIII	11.52

5.1.8.8 Material Purchases settlement Suspense Account pending adjustment

Rupees 88.80 lakh were outstanding under MPSSA for over ten years

The suspense head Material Purchase Settlement Suspense Account (MPSSA) is intended to bring to account the value of materials purchased from suppliers which could not be paid for on the day of purchase/upto the end of the month in respect of purchases by works/stock respectively. These are to be cleared on payment/receipt of DGS&D debit memos. A test check by audit revealed that Divisions VIII and IX had purchased cement/pipes of Rs.52.35 lakh and Rs.36.45 lakh respectively and debited to concerned works/stock which remained unadjusted in the Divisional accounts for over 10 years. Further, the relevant registers/transfer entries booklets had not been updated since 1996 and no further steps were taken to clear the outstandings under MPSSA.

5.1.8.9 Sub Divisional Stocks not accounted in Divisional Stock Accounts

Sub-divisional stores of Rs.89.88 lakh not routed through Division's Stock Account

General Financial Rules prescribe that stores should be purchased economically and according to definite requirement. Scrutiny revealed that the Principal Chief Engineer had approved (November 2003), a ceiling of Rs.10 lakh as value of stores held by each sub-division with the total value of stock of the Division not exceeding Rupees one crore. Audit observed that the value of the material purchased by the four *sub-divisions during 2003-06, totaling Rs. 89.88 lakh had not been accounted in the Divisional stock account (Form 73). Further a shortfall of Rs. 16.79 lakh between the Divisional form 73 balance of Rs. 172.11 lakh and the stores sub divisions value of Rs. 155.32 lakh (March 06), could not be explained to Audit.

5.1.8.10 Non-fixation of Reserve Stock Limit (RSL)

Reserve Stock Limit not revised for over eight years

Codal provisions prescribe that RSL should be fixed for each category of stock and that stock should be restricted to RSL, to avoid locking up of capital annually. In respect of stocks of bitumen, electrical items and pipes for Division X, Central Stores, the Department had fixed (October 1997) a RSL of Rupees four crore, Rupees seven crore and Rs.0.25 crore respectively. The RSL for other Divisions was fixed at Rs.30 lakh prior to Nov. 2003 and Rupees One crore since November 2003. Audit observed that the RSL which is required to be reviewed yearly to avoid excess sanction had not been revised over eight years for Division X and was not adhered to by Division IX which held stocks of the value of over Rs. 1.72 crore during 2001-06 thus exceeding the RSL.

* Sub-Div.	Amount (Rs. in lakh)
I	2.35
II	64.35
III	19.41
IV	3.77
Total	89.88

5.1.8.11 Deficiencies in system of disposal of Unserviceable stocks

Huge surplus stock retained

CPWD procedure prescribes that all articles of stock (excluding tool and plant) which are not likely to be required during the following twelve months should be disposed of either by sale or transfer to other Divisions where these are required, as they are liable to deterioration with passage of time and also involve avoidable expenses on shortage and locking up of capital on the surplus. A physical verification of stores was to be conducted by the Assistant Engineer/ Executive Engineer at least once in three months/ one year respectively. Unserviceable/damaged stocks were to be reported to Chief Engineer with details of upset values fixed, and items disposed of by auction etc.

Unserviceables of Rs. 50.16 lakh not disposed of for long

In Division IX physical verification was not carried out by Assistant Engineer/Executive Engineer during the period 2001-2006 as per the records produced to audit. However, Junior Engineer /Central Stores sub-division's inventory showed existence of stock valued at Rs.1.55 crore as of (March 06) of which unserviceable "unused items" totalled Rs.19.37 lakh while items required for emergency and unutilized stock were Rs.10.57 lakh and Rs.1.25 crore respectively. Further, the Division had also not disposed of items such as water meters, jeep parts, etc. purchased during 1970-2001 having a book value of Rs.30.79 lakh, which had been rendered unserviceable due to normal wear and tear and were lying undisposed for long, occupying space in the premises and resulting in loss of revenue/ avoidable expenditure on storage etc.

Another Division (VIII), could not account for asphalt of the value of Rs.1.13 lakh (March 1996) and did not reflect it in subsequent monthly accounts upto March 2006. Sub-divisional stock registers showing the existence /issue/disposal of this balance, were also not maintained. Audit could not therefore ascertain either the existence or the utilisation of this asphalt.

5.1.8.12 Non reconciliation of stores account

Codal provisions prescribe that a Priced Stores Ledger (PSL) which provides for receipt/issues/balances be maintained both in terms of quantities and value and that stock balances as per PSL be reconciled periodically. The PSL ledger had not been maintained (Divisions IX/X)* during 2001-06 and thus reconciliation between quantity and value accounts had not also been effected. Thus, the Divisions had not ensured correct accounting between quantities and value of stores.

Inventory Register for land acquisition not maintained despite Government instructions

5.1.8.13 Non- maintenance of inventory Register for Land Acquisition

Government prescribed (January 2004), depositing of land acquisition compensation with Economic Development Corporation (EDC) and maintenance of inventory register for land acquisition whereby the details of compensation deposited with EDC and disbursed to the beneficiaries were to be recorded by the acquiring department, the Revenue Department and the Finance Department. However, neither department nor the Land Acquisition Officer of Principal Chief Engineer's office could produce to audit the

* Div. X maintained incomplete PSL for Bitumen only but did not carry out reconciliation.

inventory register/the details of disbursement during the period 2001-2006. Audit could not therefore ascertain particulars regarding area acquired, land acquisition, compensation deposited with EDC and amounts disbursed to beneficiaries.

5.1.9 System of Internal Audit Arrangements and Vigilance Mechanism

Internal Audit Wing did not carry out inspection of most of the Divisions during 2001-2006.

The Finance Department specified (August 1996) that in Departments where the post of Accounts Officer/Sr. Accounts Officer (Joint Director) exists, the duty of carrying out the internal inspection of the establishment/Drawing and Disbursing Officer would devolve on the Accounts Officer. Accordingly Principal Chief Engineer had set up (August 1996) an Internal Audit Wing (IAW) to conduct audit of its subordinate offices, under the supervision of the Joint Director of Accounts, Public Works Department. The staff of the accounts section also performed the duties of IAW as the latter was not sanctioned independent staff. The department did not have any manual on internal audit nor did they prescribe any periodicity for conducting internal audits nor the duties and responsibilities of the internal auditors. In addition to water supply Divisions, as of Nov. 2006, internal audit of two* other Divisions only had been conducted.

A separate set up for vigilance mechanism was also not in existence in the department, as the State Government has a common Vigilance Department at Government level for all Departments. In respect of PWD Works during 2001-06 the number of cases framed and disposed of were 35 and 24 respectively.

5.1.10 Conclusion

The budgets were prepared without receipts of estimates from the Divisions and the rush of expenditure persisted at the fag end of the year. The accounting of Imprest Cash was defective and the stock of receipt books was not reconciled. Reconciliation of remittances with the Treasury was not done promptly. Hire charges for machinery and departmental charges on deposit works were to be recovered in certain cases, indicating weak operational controls. Bank guarantees were not renewed before expiry. Cash Settlement Suspense Account and Material Purchase Suspense Settlement Account showed old outstanding balances. Reserve Stock Limit was not fixed, idle/unserviceable stock remained without disposal for a long time and stock accounts were not reconciled.

5.1.11 Recommendations

- Preparation of budget estimates should be immediately taken up based on the estimates prepared by Divisions/units.
- The Principal Chief Engineer or his nominee should periodically, carry out review of outstanding accounting balances awaiting settlement,

* Division VI (Margao), Division XXIII (Bicholim)

status of reconciliation with the Treasury and time bound renewal of bank guarantees.

- A review of deposit/non government works be immediately effected for recovery of departmental charges in arrears.
- Reserve stock limits may be reviewed periodically. Idle and unserviceable stock should be periodically verified and disposed of.
- A separate internal audit system to oversee the working of the Department should be set up immediately.