

CHAPTER-V

INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS

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SOCIAL JUSTICE AND EMPOWERMENT DEPARTMENT

5.1 Internal control in Social Justice and Empowerment Department

Highlights

Internal Control is an integral component of an organisation's management processes established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data are reliable, and the applicable laws and regulations are complied with, so as to achieve organisational objectives. Internationally, the best practices in Internal Control have been given in the Committee of Sponsoring Organisations of the National Commission on Fraudulent Financial Reporting or the Treadway Commission (COSO) framework, which is a widely accepted model for internal control. In India, the Government of India 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 Social Justice and Empowerment Department of the Government of Gujarat has shown that –

Security Bonds were not obtained from persons handling cash/valuables as required.

(Paragraph 5.1.5.1)

Heads of Departments and Administrative Department submitted Budget Estimates late by about one month to three months to the Administrative Department and by the Administrative Department to the Finance Department.

(Paragraph 5.1.5.2)

Physical verification of cash was not conducted; corrections in Cash Books remained unauthenticated.

(Paragraph 5.1.6.1)

Nine societies were paid grants for ineligible items.

(Paragraph 5.1.7)

There was no Internal Audit wing in the Department.

Paragraph 5.1.9.1)

5.1.1 Introduction

Social Justice and Empowerment Department implements social welfare schemes for upliftment, development and rehabilitation of vulnerable groups of the society. It provides financial assistance through pensions to widows, destitute women, handicapped and old persons and Scheduled Castes (SC).

The department also provides grants-in-aid (GIA) to voluntary organisations (NGOs) engaged in welfare of socially and economically backward women, physically challenged persons, destitute, orphan and street-children.

5.1.2 Organisational set-up

The Principal Secretary, Social Justice and Empowerment Department (SJED) is responsible for formulating and implementing policies and programmes relating to welfare of the vulnerable groups of society. He is assisted by five Heads of Departments¹ (HODs); in addition, there are six Corporations² and one Board³ for implementing Government programmes. Director of Scheduled Castes Welfare (DSCW), Director of Developing Castes (DDC) and the Director of Social Defence (DSD) implement programmes through subordinate offices⁴ at district and taluka levels.

5.1.3 Audit Objectives

Review of Internal Control has been conducted to test-check compliance with Gujarat Financial Rules, 1964 (GFR), instructions in Budget Manual, Gujarat Treasury Rules (GTR) and related accounting instructions. In addition, arrangements for Internal Audit and Vigilance have been examined. Internal Control activities designed and put into operation for enforcing the management directions and ensuring achievement of programme objectives have also been examined for some selected areas.

5.1.4 Audit coverage

This audit covers the period April 2002 to March 2007. It was conducted during April-July 2007 through a test-check of records of the Principal Secretary, Social Justice and Empowerment Department (SJED), Director of Scheduled Castes Welfare (DSCW), Director of Developing Castes (DDC), Director of Social Defence (DSD) and 38 out of 157 (**Appendix-XXX**) district level offices.

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

5.1.5.1 Compliance with State Financial Rules

▪ Security bonds

Security Bonds, as provided under Rule 176 of Gujarat Financial Rules were not obtained from persons handling valuables.

Rule 176 of Gujarat Financial Rules provides that government servants entrusted with the work of handling cash, stamp, library books and collection of government money etc., should give a security bond (of such amount as fixed by the competent authority) within 30 days from the date of taking over charge. If personal security is given by the Government servants, the annual certificate of solvency was to be obtained from the competent authority.

Audit scrutiny showed that Secretary, SJED (in one case) and HODs (in six cases) had obtained security bonds from officials who handled valuables on

¹ (i) Director of Scheduled Castes Welfare, (ii) Director of Developing Castes, (iii) Director of Social Defence, (iv) Commissioner of Disabilities and (v) OBC Punch (Commission)

² (i) Gujarat Scheduled Caste Development Corporation, (ii) Gujarat Safai Kamdar Vikas Nigam, (iii) Gujarat Backward Class Development Corporation, (iv) Gujarat Minority Finance Development Corporation, (v) Gujarat Gopalak Vikas Nigam and (vi) Gujarat Thakore and Koli Vikas Nigam

³ Bacher Swami Ati Pachhat Jati Vikas Nigam

⁴ 50 (DSCW), 24 (DDC) and 83 (DSD)

plain paper instead of on valid stamp papers. Further, the solvencies of the persons were not verified annually.

Non-obtaining of security bond from persons handling cash/valuables and certificate of solvency from the persons furnishing personal security could lead to non-realisation of Government money in cases of misappropriation/fraud, etc.

▪ **Physical verification**

Physical verification of dead stock, library books, etc. was not conducted in any of the offices audited.

According to the provisions contained in Rule 98 of the Bombay Contingent Expenditure Rules 1959, all dead stock articles, library books, stationery articles and consumable articles are to be physically verified annually and certificate to that effect recorded in the respective registers. Audit scrutiny showed that physical verification was not done in any of the offices test-checked.

5.1.5.2 Compliance with instructions in the Budget Manual

Submission of Budget Estimates were delayed by one to three months.

Para 37 of the Budget Manual provides that HODs should submit Budget Estimates (BEs) for the ensuing year to the Administrative Department not later than first October of every year. The Administrative Department scrutinises the BEs and forward them to the Finance Department by 15 October. Audit scrutiny revealed that during 2002-07, there were delays of about a month to three months in submission of BEs by the HODs to the Administrative Department and by the Administrative Department to the Finance Department.

Delay in submission of BEs could lead framing of unrealistic provisions and could eventually lead to excess/savings; also the time available to the Finance Department to scrutinise the estimates is reduced.

5.1.6 Compliance with Gujarat Treasury Rules

5.1.6.1 Improper maintenance of Cash Book

Physical verification of cash was not conducted; corrections in Cash Books remained unauthenticated.

Rule 28 of GTR, 2000 provides that all monetary transactions should be entered in the cash book as soon as they occur and attested by the Heads of Office in token of having been checked. The Head of Office should verify the totals of cash book, or have this done by some responsible subordinate other than the writer of the cash book and initial it as correct. The rule also provides that at the end of each month, Head of Office should verify the physical cash balance with the balance column in the Cash Book and record a dated certificate to that effect mentioning therein the balance both in words and figures. Rule 28(VI) *ibid* provides that there should be no overwriting in Cash Book and that any correction in entries should be attested by the competent authority to avoid any subsequent malpractice.

However, in all the offices test checked, following omissions were noticed –

- (i) Attestation in the cash book after each transaction was not done by the Heads of Offices;
- (ii) Totals in cash book were not checked by a person other than the writer of the cash book;
- (iii) The Heads of the Office had not verified the physical balance with the balance shown in the cash book; and

- (iv) The corrections made in the cash books were not attested by the competent authority.

Non-observance of the provisions of the GTR in respect of maintenance of the Cash Book could lead to malpractices.

5.1.6.2 Reconciliation of remittances

Rule 28(IV) of the GTR provides that all treasury⁵ remittances are required to be reconciled every month and a certificate to that effect obtained from Treasury Officer. Neither the Administrative Department nor the HODs or subordinate officers carried out reconciliation of remittances.

Non-observance of the provisions could lead to malpractices relating to moneys deposited in treasuries remaining undetected.

5.1.6.3 Upkeep of duplicate keys of cash-chest

Rule 29(II) of GTR provides that duplicate keys of the cash-chest should be deposited, duly sealed, with the Treasury/Sub-Treasury Officers. In all the offices test checked, duplicate keys were not deposited with the Treasury Officers, but retained in the office itself. This introduces the risk of possible pilferage of Government money.

5.1.6.4 Maintenance of registers

According to the provisions in GTR, 13 registers as required were not maintained (**Appendix-XXXI**) in the prescribed format in offices test-checked. Non maintenance of basic accounting records and registers in the prescribed format may lead to duplication of payments, non-recovery of Government dues in time, etc.

5.1.7 Compliance with guidelines of the Government of India

Government of India (GOI), Ministry of Social Justice and Empowerment (MSJE) introduced (October 1998) modified criteria for Special Central Assistance (SCA) to Special Component Plan (SCP) for Scheduled Castes (SCs). Self Help Groups were eligible to receive grants on SCA. State Government considers project proposals submitted by the beneficiary Societies according to the local needs, subject to utilisation of SCA funds as per guidelines of GOI. The modified criteria (March 2002) by MSJE, do not provide for any capital/administrative/contingency expenses⁶ out of Central assistance. However, scrutiny of the records (March 2006) of Secretary, Social Justice and Empowerment Department (SJED) revealed that of the total SCA of Rs 5.94 crore paid by the Government of Gujarat (GOG) (March 2003 - March 2006) to nine Co-operative Societies in connection with establishing industrial units, Rs 3.44 crore were paid for activities like construction of building, purchase of land which are not covered by the guidelines. Further, seven of these societies who were granted Rs 3.45 crore are not functioning.

This indicates poor control over sanction of grants and monitoring of their utilisation by the beneficiaries.

Duplicate keys of Cash Chest were not deposited with the Treasury Officers.

Failure to adhere GOI guidelines resulted in payment of Rs 3.44 crore for ineligible activities.

⁵ Including Pay and Accounts Officers

⁶ Like construction, salary, land, building, telephone, computer, fax, vehicle, shed, emporium and other permanent assets

5.1.8 Internal Control activities**5.1.8.1 Departmental Manual**

The Department did not bring out own Departmental Manual.

The Department follows the Manual of Office Procedure issued by the General Administration Department (GAD) and various internal control measures prescribed in its General Circular (August 1987). Department did not prepare separate departmental manual.

5.1.8.2 Non-observance of provisions of Grant-in-Aid Code

For want of control mechanism, Director of Social Defence could not adjust unspent balance with 10 NGOs.

Government of India was financing NGOs that run School/Training Institutes for disabled persons by way of grants. Payments of grants to these institutions are governed under the provisions of the GIA Code. Para 29(7) of the GIA Code provides that amounts payable to the institutions during a year should be restricted after adjustment of unspent balances available with the institutions during the previous year. Scrutiny of record in DSD revealed that for want of any control mechanism, balances available with 10 institutions were not verified, resulting in non-adjustment of unspent grant of Rs 47.53 lakh (2002-07) and overdrawal to that extent.

5.1.8.3 Control over receipt of Guarantee Fee

Government Resolution, Finance Department (December 1998) provides that for loan guaranteed by the State, Administrative Departments should recover the guarantee fees from the Boards/Corporations/Undertakings, etc. at one *per cent* on the amount of loan outstanding at the end of the previous year, till the loan amount is repaid. Audit scrutiny revealed that for want of monitoring, three⁷ institutions had not paid guarantee fees amounting to Rs 95.62 lakh to the Government (2001-2007).

5.1.8.4 Submission of incorrect data

Inconsistent information furnished regarding number of beneficiaries remained unreconciled.

To avoid huge expenditure on individual marriage ceremony and to save the hard-earned money of the poor, Government of Gujarat introduced 'Mai Ramabai Ambedkar Satfera Samuh Lagna Scheme'. The scheme provides for payment of Rs 5,000 per couple and Rs 1,000 for organisers per couple, subject to a minimum of 10 couples.

Considering the amount of Rs 1.73 crore spent during 2001-07, number of beneficiaries would be 2,883. However, district-level offices and DSCW informed (2001-07) the Government that the number of beneficiaries was 3,234. Despite receipt of information regarding the number of beneficiaries not in consonance with the amount spent, Government did not take any cognizance of the inaccuracy.

5.1.8.5 Disbursement of fees/scholarships to students

Rupees 1.43 crore remained undisbursed with Surat Municipal Corporation/District Panchayat.

Government decided (24 June 1971) that the disbursing authority should disburse the tuition fees, examination fees and scholarship etc., within seven days from the date of its receipt; else interest at the rate of nine *per cent* was recoverable from the said authority. A review of the records of the district-level offices revealed that –

- Dates of payment of the scholarship etc., were not recorded on the

⁷ (i) The Gujarat State Safai Kamdar Vikas Nigam (Rs 83.11 lakh); (ii) Gujarat Gopalak Development Corporation (Rs 11.96 lakh); and (iii) Gujarat Thakor and Koli Vikas Nigam (Rs 0.55 lakh)

acknowledgements produced by the implementing agencies i.e., school principals, panchayats, municipal authorities etc.

- In Surat Municipal Corporation, Rs 36.62 lakh was lying undisbursed. Similarly District Panchayat, Surat had a balance of Rs 1.06 crore, out of which Rs 1.03 crore pertained to the period prior to 2002-03.

SJED neither raised claim for interest on the amount lying with the municipal/panchayat authorities nor directed them to refund the undisbursed amount. Thus, SJED and disbursing agencies did not properly monitor payment of fees/scholarships to beneficiaries.

5.1.8.6 Maintenance of ABC Register

Government Resolution (October 1979), Finance Department provides that ABC Register⁸ should be maintained in the prescribed format to record payment of pay and allowances, arrears on account of revision of pay/refixation, credits/debits of General Provident Fund, Motor Car Advance, House Building Advance, etc. Audit scrutiny revealed that none of the offices test checked had maintained the register upto date with all entries; non-maintenance of the register as prescribed.

Failure to maintain the Register upto date could lead to double payment of arrears, non-recovery of advances, etc.

5.1.9 Monitoring including Internal Audit and Vigilance arrangements

5.1.9.1 Internal Audit

There is no independent IA wing in the department, thus an important mechanism of review of functioning is missing.

The GAD directed (August 1987) the departments to check (i) implementation of rules and regulations; (ii) hearing and redressal of complaints of public and the Government servants; and (iii) maintenance of office records, while carrying out inspection to assess the work done under the schemes and programmes. However, the reports on the departmental inspections contained only routine observations regarding the maintenance of records and drawal of bills, etc.

5.1.9.2 Response to Inspection Reports of the Accountant General

Observations as a result of audit of Accountant General (AG) are communicated through Inspection Reports (IRs) to the Heads of Office. First replies to the IRs were to be sent to the AG within four weeks. A half yearly report on pending IRs is sent by the AG to the Secretary of the Administrative Department to facilitate monitoring of the action on audit observations. Details of outstanding paragraphs issued upto December 2006; pending as on May 2007 in respect of the Department and the Directors of Scheduled Castes, Developing Castes and Social Defence were as follows :-

Departmental inspection reports have only routine observations on record maintenance.

⁸ ABC Register gives details of pay scales, sanction orders of HBA/MCA wherever applicable, date of increment, GPF recovery, special pay if any etc.

Year	Secretariate		Director of SC Welfare		Director of Developing Castes		Director of Social Defence		Total	
	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
Upto 2002	3	5	9	35	2	6	6	31	20	77
2002-03	1	2	1	8	1	3	1	4	4	17
2003-04	1	2	1	5	1	6	0	0	3	13
2004-05	1	6	1	7	1	3	0	0	3	16
2005-06	1	6	0	0	0	0	0	0	1	6
Total	7	21	12	55	5	18	7	35	31	129

Of the 31 IRs containing 129 paragraphs pending for settlement, 20 IRs (77 paragraphs) were outstanding for more than five years.

Accountant General requested (July 2007) Head of Administrative Department and HODs to convene meetings of the Audit Committee for clearance of the outstanding IR paras; no action in this regard was taken (October 2007).

Failure to ensure expeditious settlement of the objections/irregularities brought out in the IRs may lead to continuance of the irregularities.

5.1.10 Recommendations

- The prescribed schedule for preparation of Budget Estimates should be adhered.
- Obtaining Security Bonds from personnel handling cash or valuables should be ensured.
- Physical verification of cash, stock and stores should be ensured as provided.

The matter was reported to the Government (August 2007); no reply was received (October 2007).

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