

Chapter-IX

Internal Control Systems of Government

Finance Department

Introduction

9.1 Finance Department introduced internal audit of Government offices and other aided institutions on a limited scale in 1986. A separate Directorate of Audit and Inspections was established by the Government in January 1997.

The functions of the Directorate are complimentary, and supplementary to statutory audit by the Comptroller and Auditor General of India. These included:

Routine internal audit and surprise inspections of the accounts of all civil and public works departments and other departmental chest-holders.

Special audit on specific requisition of the departments.

Audit of stores and stocks, Public Sector Undertakings and other Government aided institutions.

Investigation of cases of financial impropriety entrusted to it.

Organisational set up

9.2 The Director, Audit and Inspection is incharge of internal audit and inspection work, and is assisted by a Deputy Director. The Directorate had 2 to 15 field inspection parties during 1997-98 to 2002-03, each comprising one Accounts Officer and two Assistant Accounts Officers. The sanctioned staff strength is 30. Additional staff, as and when required, is made available through temporary posting of staff from Accounts and Treasuries Wing of the Department.

Working of the directorate

9.3 No manuals laying down audit procedures, quantum checks to be performed, reporting standards, etc. to ensure efficacy of the internal audit mechanism had been brought out. Annual audit plans indicating department-wise offices to be audited during the ensuing year were not prepared to ensure audit of all units in a cycle of 3-4 years. Audit of Government offices was mostly conducted either on receipt of complaints or on specific requisition from them.

The detail of such audits conducted had also not been maintained. Time limit for submission of Inspection Reports (IRs) by the audit parties to Headquarter and their subsequent issue to the concerned auditee units was also not laid down. The directorate incurred expenditure of Rs 4.80 crore during the period 1997-2003.

Out of 4174 auditee units, audit of seven to 57 units^ψ (total: 276 units) was conducted during the period from 1996-97 to 2002-03 as indicated in the table below:

Table No 9.1

S.No	Year	No of units covered
1.	1996-97	7
2.	1997-98	18
3.	1998-99	52
4.	1999-2000	54
5.	2000-01	57
6.	2001-02	46
7.	2002-03	42
	Total	276

Low coverage of units was attributed (September 2003) by the Deputy Director to shortage of staff.

Test-check of 75 IRs (25 per cent) in audit revealed that these Reports contained 741 paragraphs with total money value of Rs 159.10 crore. Of these, 416 paragraphs brought out serious irregularities with money value of Rs 157.68 crore as detailed below:

Table No 9.2

(Rs in crore)

S No.	Nature of irregularities	Number of paragraphs	Money value of objections
1	Irregular/unfruitful/avoidable/excess expenditure/diversion of funds	175	62.08
2.	Outstanding advances/non-recovery of dues	73	57.66
3.	Embezzlement/losses/thefts/shortages/defalcation	32	1.81
4.	Blockade of Government capital/idle investment	19	8.14
5.	Loss of revenue	21	0.52
6.	Other irregularities	96	27.47
	Total	416	157.68

^ψ Agriculture, Education, Police, Forest, Power Development Department, Public Health Engineering, Industries and Commerce, Food and Supplies, Stationery and Printing, Social Welfare, Housing and Urban Development, Health and Medical Education, Finance, Revenue and Rural Development Departments.

The extent to which these observations had been settled by taking follow up action by the departmental officers was not on record as the Directorate had not maintained records indicating year-wise/department-wise details of audit objections settled and outstanding for monitoring purposes. It was also seen that 28 IRs were submitted by field audit parties to the headquarter after periods of over one month to over eight months from the date of conclusion of audit. 53 IRs were issued by the Directorate to concerned heads of offices after a period ranging between over one month and over seven months from the date of their receipt from the field parties. First reply to 34 out of 75 IRs containing 363 paragraphs with money value of Rs 99.34 crore had not been received from the concerned heads of offices (July 2003). Delay in furnishing even initial replies to 27 IRs by the concerned heads of offices ranged between 2 and 55 months.

As is evident from the foregoing paragraphs, the Directorate despite its existence for over six years, was yet to take up internal audit more effectively. Non-fixation of auditing norms/procedures, low coverage of units, non-pursuance of audit observations and inadequate provision of staff had rendered the internal audit activity of the Directorate ineffective.

The matter was referred to Government/Department in October 2003; reply had not been received (October 2003).

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