

Chapter-V

Finance Department

5.1 Internal control and internal audit arrangement of Government

5.1.1 Introduction

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 include:

- i. Routine internal audit and surprise inspections of the accounts of all civil and public works departments and other departmental chest-holders.
- ii. Special audit on specific requisition of the departments.
- iii. Audit of stores and stocks, Public Sector Undertakings and other Government aided institutions.
- iv. Investigation of cases of financial impropriety entrusted to it.

5.1.2 Organisational set up

The overall administrative control of the Directorate rests with the Finance Department. Director, Audit and Inspections is incharge of internal audit and inspection work and is assisted by a Deputy Director. The Directorate reports its findings to the Finance Department.

The Directorate had an effective strength of 65 against the sanctioned strength of 29. The additional staff was provided by the Accounts and Treasuries wing of Finance Department. There were 15 field inspection parties (2003-04) each comprising one Accounts Officer and two Assistant Accounts Officers.

5.1.3 Budget allocation and expenditure

Against the budget allotment of Rs. 1.27 crore^o during 2003-04, the expenditure aggregated Rs. 1.23 crore (salaries: Rs. 1.16 crore; office expenses: Rs. 7 lakh).

^o Salaries: Rs. 1.19 crore; Office expenses: Rs. 8 lakh

5.1.4 Audit planning

Audit plan leads to formation of annual calendar of audit that contains targets in terms of number of offices to be audited, time schedule, etc. This is to ensure efficient and optimum utilisation of the existing manpower and financial resources. Planning ensures coverage of all units over a period of time, prioritisation of an auditee organisation according to need and finalisation of time schedule for audit, etc.

Audit of Government offices was mostly conducted either on receipt of complaints or on specific requisition from them. It was, however, seen that the Directorate had drawn no audit plan indicating departmentwise offices to be audited during the ensuing year.

5.1.5 Auditing standards

To ensure better quality of audit and to avoid sub-standard work, auditing organisations frame their own auditing standards. The Directorate of Audit and Inspections had, however, not brought out its own Internal Audit Manual laying down audit procedure, duties of inspecting officers, checks to be exercised and reporting standards, etc.

5.1.6 Reporting, issuance and monitoring of Inspection Reports

The objection book indicating the money value of the objections raised, settled and the balance outstanding against the auditee unit had not been maintained to monitor settlement of these objections and to take follow up action. No time limit had been fixed for issuance of inspection reports (IRs) to auditee units after conclusion of audit to guard against any delay. The Directorate issued 29 IRs to concerned Heads of offices after a period ranging between over one month and over five months as indicated in the *Appendix-25*.

Out of 4,174 units (August 2003), the Directorate conducted audit of only 70 units during 2003-04, thus covering 1.7 *per cent* of the total units. The low coverage was attributed by the Deputy Director to shortage of staff.

Test-check of 53 IRs (out of 70 IRs) pertaining to various departments* in audit revealed that these Reports contained 943 paragraphs with total money value of Rs. 185.98 crore. Of these, 427 paragraphs brought out serious irregularities with money value of Rs. 173.43 crore as detailed below:

* Power Development, Roads and Building, Irrigation and Public Health Engineering, Animal Husbandry, Education, Forest, Rural Development, Food and Supplies, Agriculture Production, Health and Medical Education

Table 5.1

(Rs. in crore)

S No.	Nature of irregularities	Number of paragraphs	Money value of objections
1.	Irregular/unfruitful/avoidable/excess expenditure/diversion of funds	273	114.04
2.	Outstanding advances/non-recovery of dues	91	51.10
3.	Embezzlement/losses/thefts/shortages/ defalcation	31	2.72
4.	Blockade of Government capital/idle investment	12	1.83
5.	Other irregularities	20	3.74
	Total	427	173.43

Out of 53 IRs, first reply to 35 IRs containing 312 paras with money value of Rs. 144.11 crore had not been received from the concerned Heads of offices (July 2004) despite lapse of over one to 13 months.

5.1.7 Evaluation/conclusion

The Directorate had not taken up the internal audit more effectively and is still functioning at very basic level. Non-fixation of auditing norms/procedures, low coverage of units and non-pursuance of audit observations had rendered the organisation ineffective. The monitoring system needs to be strengthened to enable it to exercise better control over Government departments.

The matter was referred to Government/Department in August 2004; reply had not been received (September 2004).