

## CHAPTER – V

### HOME DEPARTMENT

#### 5.1 Internal Control Mechanism and Internal Audit

##### *Highlights*

*Internal Control system is an integral process by which an organisation 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 and helps to protect organizational resources against loss due to waste, abuse and mismanagement. An evaluation of the internal controls and internal audit system in the Home (Police) Department revealed weaknesses of the internal controls in vogue in the Department, non-compliance with rules in the areas of cash management, expenditure control and organisational controls.*

**There were excesses and savings in expenditure in different years during 2005-06 indicative of poor budgetary control in the Department.**

*(Paragraph 5.1.7)*

**Out of the total drawal of Rs.18.61 crore through AC bills during the years 2002-03 to 2005-06, an amount of Rs.14.55 crore was drawn in the quarter ending March alone, indicating that the funds were drawn at the fag end of the year to avoid lapse of budget. Of these, the Department submitted DCC bills for Rs.10.75 crore only that too after a lapse of four to 11 months.**

*(Paragraph 5.1.7.1 and 5.1.7.2)*

**A building was constructed under the Modernisation of Police Force Scheme at a cost of Rs.55.42 lakh but due to improper planning the building was not occupied.**

*(Paragraph 5.1.8.1)*

**The Department incurred excess expenditure of Rs.1.54 crore during the years 2002-06 on pay and allowances of drivers who were in excess of sanctioned strength/requirement, which indicated poor manpower planning.**

*(Paragraph 5.1.9.1)*

**Internal Audit wing of the Director of Accounts and Treasuries did not conduct audit of the Department during the four year period under review.**

*(Paragraph 5.1.14)*

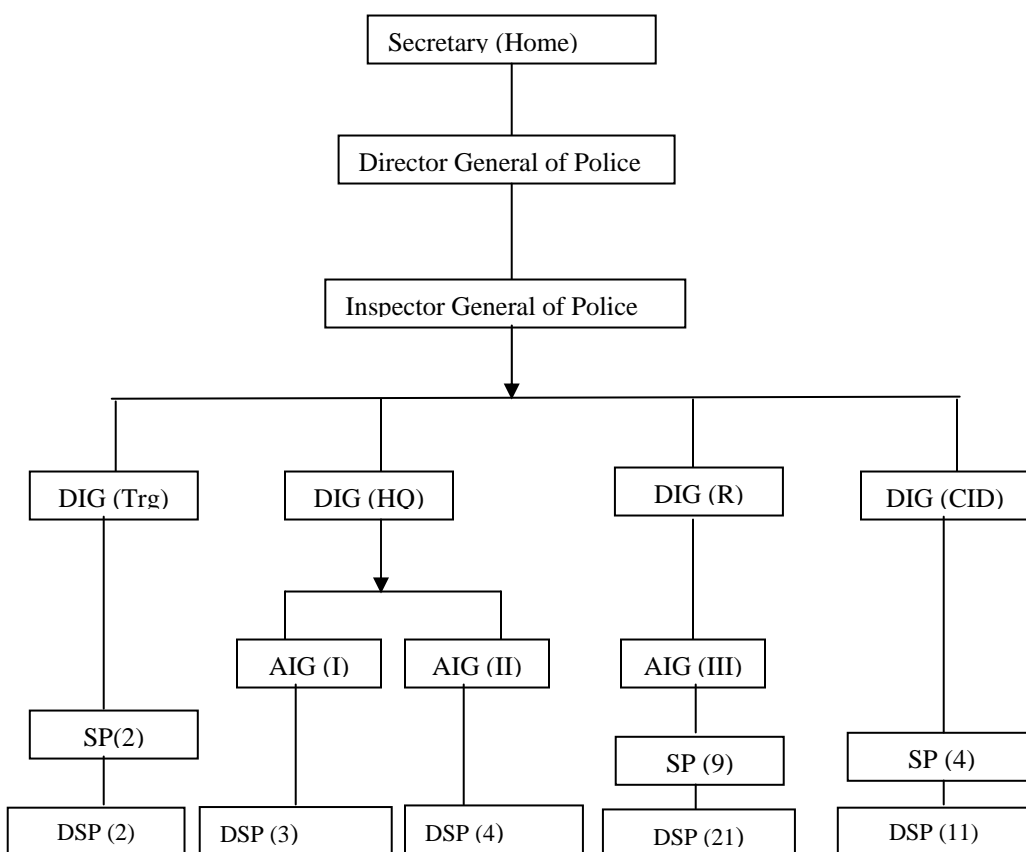
##### **5.1.1 Introduction**

Internal controls provide an excellent tool for managers to ensure efficient, effective and economic utilisation of resources. These also ensure that organizational assets, financial interests and other resources are safeguarded and reliable information is available to the administration. Internal Auditors, as an

independent entity, examine and evaluate the level of compliance with the Departmental rules and procedures and provide independent assurance to the management on the adequacy or otherwise of the existing internal controls.

The objectives of the Police Department are to ensure proper maintenance of discipline, law and order *etc.*, in the State.

### 5.1.2 Organizational set-up



### 5.1.3 Audit objectives

Audit objectives were to see whether the internal control system of the Department provided a reasonable assurance that the system is efficient to achieve its objectives through the following:-

- Budgetary controls
- Expenditure controls
- Administrative controls
- Supervision and Monitoring.

### 5.1.4 Scope of audit

To evaluate the effectiveness of the internal control mechanism prevalent in the Department, a review covering the period from 2002-03 to 2005-06 was

conducted (April – May 2006) by a test check of the records of the Finance Department, the Director General of Police (DGP), Mizoram, Aizawl, 1<sup>st</sup> and 2<sup>nd</sup> Mizoram Armed Police (MAP) Battalions, located at Aizawl and Lunglei respectively, and two Superintendents of Police, DEF, Aizawl and Kolasib District.

#### **5.1.5 Audit Criteria**

The Audit objectives were benchmarked against the following criteria :

- provisions of the General Financial Rules;
- provisions of Central Treasury Rules;
- Departmental policies/rules and regulations;
- Government notifications/guidelines issued from time to time;
- Procedures prescribed for monitoring, evaluation and internal audit.

#### **5.1.6 Audit methodology**

Before taking up the review in April 2006, the audit objectives and audit criteria were discussed with the Director General of Police in an entry conference. Information furnished by the Department and collected through questionnaires were used as evidence. The audit findings were forwarded (July 2006) to the Secretary, Home Department and the replies of the Government (September 2006) have been incorporated in the review wherever appropriate.

Results of the review are discussed in the succeeding paragraphs :-

#### **5.1.7 Budgetary Control**

The Finance and Accounts Officer (FAO), posted at the Police Headquarters, Aizawl, is responsible for the preparation and submission of budget estimates, supplementary demands, annual plan, control over expenditure, maintenance of proper accounts and to ensure control over financial management in the Department.

The Department did not have a Budget Manual of its own. The provisions of the General Financial Rules were followed in financial matters. Budget proposals were prepared by the Directorate for onward submission to the State Government after consolidating the estimates received from all the Drawing and Disbursing Officers. The provision made in the budget estimates/revised estimates and expenditure of the Department during 2002-03 to 2005-06 there against was as under :-

**Table: 5.1**

*(Rupees in crore)*

Year	Section	Total Grant	Actual expenditure	Excess (+) Savings (-)
2002-03	Revenue	94.02	103.05	(+) 9.03
	Capital	2.11	2.11	---
2003-04	Revenue	102.55	102.46	(-) 0.09
	Capital	3.75	2.73	(-) 1.02
2004-05	Revenue	101.17	101.93	(+) 0.76
	Capital	4.27	4.27	---
2005-06	Revenue	115.47	116.96	(+) 1.49
	Capital	4.35	2.63	(-) 1.72

Source: Appropriation Accounts (Grant No-16-Police)

While there was excess expenditure of Rs.9.03 crore and Rs.0.76 crore in 2002-03 and 2004-05, there were savings of Rs.1.11 crore and Rs.0.23 crore in 2003-04 and 2005-06 respectively. This is indicative of poor budgetary control in the Department.

#### 5.1.7.1 Drawal of funds through AC Bills

According to Rule 290 of the Central Treasury Rules (CTRs) Vol-I, which is being followed in the State, no money shall be drawn unless required for immediate disbursement. Also, as per the said Rule, no money should be drawn at the fag end of the financial year to avoid lapse of budget grants.

It was seen in audit that out of the total drawal of Rs.18.61 crore through AC bills during the years 2002-03 to 2005-06, as shown in the table below, an amount of Rs.14.55 crore was drawn through AC bills in the last quarter which accounted for 78 per cent of the total drawal. Funds for Rs.7.86 crore were retained in Civil Deposits during 2002-2006 without assigning any reasons, which was in contravention of the above rule.

**Table: 5.2**

*(Rupees in crore)*

Year	Amount drawn on AC bills during the quarters					Amount f or which DCC bills were submitted	Amount retained in Civil Deposit from the amounts drawn during the year
	1	2	3	4	Total		
2002-03	-	-	-	2.52	2.52	-	2.52
2003-04	-	-	-	2.18	2.18	1.22	0.96
2004-05	-	-	-	4.87	4.87	1.49	3.38
2005-06	0.76	3.30	-	4.98	9.04	8.04	1.00
<b>Total</b>	<b>0.76</b>	<b>3.30</b>	<b>-</b>	<b>14.55</b>	<b>18.61</b>	<b>10.75</b>	<b>7.86</b>

Source: Based on records furnished by the Department

During 2002-2006, the State Government sanctioned a total amount of Rs.12.64 crore for construction of 179 police quarters of various types, buildings, barracks, etc., under the MPF scheme. Accordingly, the Police Headquarters (PHQ) made drawals of Rs.9.74 crore on AC bills during 2002-2006, out of which, the Department submitted DCC bills for Rs.6.01 crore, after a lapse of over 8 to 12 months, keeping the balance amount of Rs.3.72 crore in Civil Deposits till the date of audit (May 2006).

The State Government sanctioned Rs.4.73 crore between September 2005 and March 2006 for construction of 54 nos of Type II and III quarters, Police Station (PS) buildings and barracks, under the MPF Scheme. It was, however, seen that an amount of Rs.3.72 crore was drawn on AC bills on 31 March 2006 and kept in Civil Deposits till the date of audit (May 2006). Out of this amount, an expenditure of Rs.2.41 crore was shown as incurred by the PHQ in the Quarterly Progress Report (QPR) for the quarter ending March 2006 which was incorrect.

The Government stated (October 2006) that efforts would be made to regularise the AC bills immediately after the concerned works were completed.

#### **5.1.7.2 Submission of Detailed Contingent (DCC) Bills**

Home Department of the Government of Mizoram issued instructions to the Controlling Officers from time to time to submit DCC bills within 2 to 3 months of drawal of amounts through AC bills, instead of one month provided in the said Rule. Test check of records revealed that against the drawal of Rs.18.61 crore on AC bills, the Department submitted DCC bills for Rs.10.75 crore, that also after a lapse of over 4 to 11 months, which was irregular. The Finance Department also did not take any action to expedite the submission of DCC bills in terms of Government instructions.

#### **5.1.7.3 Non - accountantal of revenue**

As per Rule 77 of the Central Treasury Rules, Vol-I, all monetary transactions should be entered in the Cash Book as soon as they occur and attested by the Head of Office in token of check. Government money remitted into the Treasury, should also be compared with the treasury receipts on the challans with the entry in the Cash Book before attesting it, to ensure that the amount has actually been credited into the Treasury.

Test check of records of the PHQ, Mizoram, Aizawl, along with the selected 2<sup>nd</sup> MAP Battalion, Lunglei and SP, DEF, Kolasib District, Kolasib, disclosed that 34 condemned Departmental vehicles were disposed off by them through auction during the period from July 2002 to May 2005 and Rs.11.92 lakh earned by the Department was remitted into the Treasury between 18 January 2003 and 19 January 2006. It was, however, seen that out of Rs.11.92 lakh, Rs.11.26 lakh was not reflected in the Cash Book of the PHQ (Rs.3.27 lakh), 2<sup>nd</sup> MAP Battalion, Lunglei (Rs.6.89 lakh) and SP, DEF, Kolasib District (Rs.1.10 lakh) respectively.

It was further seen that the SP, DEF, Kolasib District, collected traffic compounding fees amounting to Rs.1.10 lakh between January 2003 and February 2006 and remitted the entire amount into the Treasury during the period as mentioned above. In this case also, the amount was neither reflected in the Cash Book nor were the remittances reconciled with the Treasury, which indicated that there was lack of internal control.

Regretting the mistake made by the Department, the Government instructed (September 2006) the Department to avoid such mistakes in future.

### **5.1.8 Planning**

#### **5.1.8.1 Improper planning**

Proper planning is imperative for achieving the objectives of a programme. Selection of site, feasibility preparation of drawing and design of road connectivity is to be ascertained prior to construction of an office building.

An amount of Rs.48.54 lakh was sanctioned (March 2002) for the construction of SP office building at Lunglei under the Modernisation of Police Force Scheme (central share: Rs.30.00 lakh + state share: Rs.18.48 lakh). The building was completed (February 2004) at a total cost of Rs.55.42 lakh. But due to isolated location and steep incline of the approach road, the building was not occupied by the SP office and had been exchanged with MPRO<sup>30</sup> (May 2005) in lieu of a plot of land. The office of SP Lunglei is functioning in a private rented building paying a monthly rent of Rs.8740. The Department has already paid an amount of Rs.2.27 lakh on rent for the period from February 2004 to March 2006. This is indicative of improper planning in the Department.

#### **5.1.8.2 Unnecessary purchase of Mobile Toilet Van (MTV)**

During 2002-2004, the DGP purchased 10 Mobile Toilet Vans, for Rs.63.00 lakh @ Rs.6.30 lakh per van from a Guwahati based dealer as per the approval of the State Purchase Advisory Board (SPAB), Mizoram, in its meetings held on 23 March 2003 and 14 November 2003, which was administratively approved by the Government in March and December 2003.

However, the records of the DGP disclosed that out of 10 MTVs, two MTVs were utilised by the Police Training Centre (PTC), Lungverh and the remaining eight MTVs were hardly used for police personnel. Rather, these were used at the venue of public meetings *etc.* Thus, eight MTVs were purchased without identifying any specific purpose and funds of Rs.50.40 lakh spent on these vehicles lacked justification.

The Government stated (October 2006) that it was experienced that the requirement for utilisation of MTV turned out to be less than that of the Departmental view taken before it was purchased and decided to transfer the MTVs to local Administrative Department.

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<sup>30</sup> MPRO – Mizoram Police Radio Organisation

### **5.1.9 Expenditure Control**

#### **5.1.9.1 Allotment of Vehicles**

The Police Department engaged 498 drivers against the availability of 440 Departmental vehicles of different types during the years 2002-2006. However, maintenance of the ratio between the drivers and the vehicles was not produced to audit.

Test check of records of the PHQ revealed that there were 67, 69, 72 and 80 number of drivers in the PHQ against the sanctioned strength of 19 drivers during the years 2002-2006. This resulted in excess expenditure of Rs.80.54 lakh during these years on pay and allowances of drivers in excess of sanctioned strength of the PHQ (computed on the basis of minimum of the pay scale of drivers).

Test check of records of 2<sup>nd</sup> MAP Battalion, Lunglei, further disclosed that 81, 85, 87 and 86 number of drivers were engaged by the Battalion, against the availability of 33, 37, 38 and 37 Departmental vehicles during 2002-2006. In this case also, the Department deployed excess drivers and incurred excess expenditure of Rs.73.68 lakh.

#### **5.1.9.2 Non-maintenance of Liability Register**

Test check of records of 1<sup>st</sup> MAP Battalion, Aizawl, disclosed that the Commandant had incurred an expenditure of Rs.14.62 lakh during 2003-04 towards repairs and maintenance of 31 vehicles of various types, but payment was not made to the firms due to non-allocation of funds by the PHQ during the year.

It was, however, seen that the PHQ cleared a liability of Rs.29.99 lakh relating to maintenance and repairs of vehicle of the Battalion prior to 2000-01 and booked the entire expenditure against the Commandant, 1<sup>st</sup> MAP Battalion during 2003-04. The expenditure so incurred by the PHQ could not be ascertained due to non-maintenance of the liability register by the battalion.

The Government stated (September 2006) that the concerned DDO had been instructed to maintain the liability register.

#### **5.1.9.3 Purchase of Magnite Billy Torches**

The Police Department purchased 1400 Magnite Billy Torches worth Rs.29.40 lakh @ Rs.2,100 each between February 2003 and April 2005 for use by the police personnel, out of which, 379 valued at Rs.7.96 lakh remained in stock till the date of audit (May 2005), resulting in idle investment to that extent.

Thus, purchase of the above materials far in advance of actual requirement not only resulted in idle investment but was fraught with the risk of damage/deterioration due to prolonged storage resulting in expiry of shelf life.

The Government stated (September 2006) that the remaining quantity will soon be distributed.

**5.1.10 Administrative controls**

**5.1.10.1 Manpower management**

The State Government did not formulate any staffing pattern or norms in respect of the deployment of the existing 8,370 police personnel which was shown to be the actual position of the State Police Force (men on roll) as on 1 April every year against the sanctioned strength of 8,916 police personnel during the years 2002-03 to 2005-06.

It was seen that there were 546 vacant posts in different cadres, which included key posts like Deputy Inspectors General of Police (2), Deputy Superintendents of Police (11) and other posts throughout the period under review from 1 April 2002 to 31 March 2006. The Department had not taken any initiative to fill up these posts.

The Government stated (September 2006) that filling up of vacant posts could not be done due to the ban imposed on recruitment. The reply is not acceptable as the Government should have abolished these posts if the policy is to keep them vacant.

**5.1.10.2 Management of Police Stations/Out Posts**

There were 35 Police Stations (PSs) and 18 Out Posts (OPs) in the State during the period under review. However, the posting of police personnel in the PSs was not uniform. There were no Inspectors in 22 PSs. Besides, there were vacant posts in the cadre of SIs, ASIs, HCs and Constables (CTs) in respect of the following eight OPs :-

**Table: 5.3**

Name of District	Name of Sub-Division	Name of Out Post
Mamit	Kawrthah	• Zawlnuam
Lunglei	Lunglei	• Rahsi Veng • Serkawn • S-Vantlaiphai
Saiha	Saiha	• Saihatlang • Kawlechaw
Lawngtlai	Lawngtlai	• Bungtlai
Serchhip	Thenzawl	• Thenzawl

Thus, creation of these OPs without assured availability of manpower was injudicious. Secondly, non-deployment of personnel against these vacant OPs also indicates that a vital aspect of manpower management was not being given due importance.



### **5.1.10.3 Engagement of staff over sanctioned strength**

It was seen that the Commandant, 1<sup>st</sup> MAP, Battalion Aizawl, had engaged 13 police personnel in the cadre of HC/HAV, NK, L/NK and CT in excess of the sanctioned strength during the period from 1 April 2002 to 31 March 2006.

Engagement of excess staff beyond the sanctioned strength, involving an irregular expenditure of Rs.5.44 lakh was mainly due to the failure of the Department to exercise proper control over man-power management.

### **5.1.11 Incorrect reporting**

During the year 2002-03, against the total sanctioned (December 2002 and March 2003) amount of Rs.2.77 crore for construction of various types of police quarters/buildings *etc.* the Department incurred an expenditure of Rs.0.55 crore. But in the progress report submitted (March 2003) to the Government of India, the expenditure had been shown as Rs.2.77 crore. This resulted in reporting of excess expenditure by Rs.2.22 crore.

Similarly, against the total sanctioned (January and March 2004) amount of Rs.1.41 crore for construction of various types of buildings *etc.* the Department incurred an expenditure of Rs.1.48 crore. But the expenditure shown in the QPR for the quarter ending March 2004 was Rs.1.70 crore. This too resulted in exhibition of excess expenditure by Rs.0.22 crore.

It was further seen that amounts of Rs.75.40 lakh and Rs.1.34 crore were drawn by the PHQ on AC bills on 17 May 2005 and 21 September 2005 respectively, for construction of barracks and transit camps for rehabilitation of Bru National Liberation Front (BNLF) during 2005-06. However, the PHQ submitted the DCC bills for the said amount on 17 August 2005 and 20 March 2006 without showing the physical and financial achievement in the QPR for the quarter ending March 2006.

These cases indicate that there was no mechanism for ensuring correct reporting of expenditure to the Government of India.

Apart from absence of appropriate internal controls, the tendency to report incorrect figures to Government of India is fraught with the risk of possible frauds going undetected.

### **5.1.12 Monitoring control**

Test check of estimates, Measurement Books and bills/vouchers revealed that all items of work related to construction of various types of buildings shown as executed were exactly the same as provided in the estimates. Also, the quantity and value for all the items of similar type of buildings executed at different locations and different site conditions remained the same which was impossible and suggestive of the fact that the works were not supervised and proper records were not kept. In this connection, the DGP observed with regard to construction

of various types of police quarters/buildings on 24 March 2005 and 5 August 2005, that in the absence of proper supervision most of the contractors/work agents did not carry out construction work as per the detailed plans and estimates, and that most of the buildings so constructed by them, required repairs immediately after the works were completed. Thus, lack of proper supervision by the technical staff as well as concerned officers of the units, indicates that there was no monitoring system in place in the Department.

The Government stated (September 2006) that due to shortage of technical staff, proper supervision could not be done.

#### **5.1.13 Training**

Training is one of the most important factors in the Police Department. According to the information furnished (May 2006) by PHQ, Mizoram, Aizawl, the Department has a Police Training Centre (PTC) at Lungverh with a SP as the Principal and 178 other staff of various ranks. The PTC provides basic training to direct recruits as well as service/promotion trainings. During 2002-03 to 2005-06, the PTC trained 677 persons of various ranks.

It was however, observed that the number of persons trained in PTS declined from 164 in 2002-03 to 60 in 2005-06 despite the fact that the PTC had been provided with various types of training aids worth Rs.67.39 lakh in March 2003 and other infrastructure for training under the MPF Scheme. Further, the Department did not fix any norms regarding the intake capacity of the PTC. Hence it could not be ascertained whether the available infrastructure for training was utilised in full and to the best advantage of the Department in turning out trained man-power.

The Government stated (September 2006) that more attention would be given to improve the training centre.

#### **5.1.14 Internal Audit System**

Internal Audit is an important management tool of a Department to examine and evaluate the level of compliance with Departmental rules and procedures.

The Director of Accounts and Treasuries is the sole authority to conduct internal audit of all the Government Departments in Mizoram. It was, however, seen that the Internal Audit Wing of the Director of Accounts & Treasuries had not audited the accounts of the Police Department during the period under review.

Thus, the irregularities and improprieties pointed out in the foregoing paragraphs were facilitated by the absence of any internal audit.

#### **5.1.15 Vigilance mechanism**

The Superintendent of Police, Anti-corruption Branch handles the vigilance cases of the Department.

According to the information furnished (July 2006) by the Department, a vigilance case for misappropriation of Government money (Rs.2000) by an Inspector of Police, Lawngtlai Police Station was framed July 2004. The draft charge sheet was submitted to the Vigilance Department in May 2005 with the recommendations of the Departmental Enquiry Committee. The case is still pending (September 2006).

**5.1.16 Conclusion**

Internal control system in the Department was deficient and led to poor planning, defective and unrealistic budgeting. Parking of funds in civil deposits, non-accountal of revenue in the cash book, unnecessary purchases of MTVs, creation of out posts without assured availability of manpower and engagement of drivers in excess of sanctioned strength, indicated lack of internal control in the Department. Internal audit of the Department was also not undertaken since its inception by the Internal Audit Wing of the Director of Accounts and Treasuries.

**5.1.17 Recommendations**

- Internal control system needs to be strengthened at all levels in the Department.
- There should be strict adherence to provisions of codes, manuals, rules and regulations.
- Budget proposals should be realistic.
- Funds received from GOI for modernisation of the Police Force should be utilised properly and effectively and the utilisation of funds should be reported correctly to the GOI.
- Supervision and monitoring needs to be strengthened to ensure the quality of work.
- The Department should establish its own Internal Audit Cell.