

CHAPTER V

INTERNAL CONTROL SYSTEM

HOME DEPARTMENT

5.1 Internal Control and Internal Audit in Prison Department

Highlights

➤ Despite ban on filling up of vacancies, the Department included provision for salary against vacant posts.

(Paragraph 5.1.5)

➤ Despite availability of funds in the 'Victim Compensation Fund', compensation to victims affected by crimes of the prisoner prior to his conviction was not paid.

(Paragraph 5.1.7)

➤ Under-utilisation of capacity in prison industries causing loss of 1.26 lakh mandays of captive labour also depriving prisoners wages of Rs 56.56 lakh in Madurai and Vellore Central Prisons.

(Paragraph 5.1.12)

➤ The Borstal school during 1999-2004 had staff strength between 62 and 70, while during this period the inmate population had ranged between seven to 30 inmates.

(Paragraph 5.1.13)

➤ Same staff were entrusted with administrative and internal audit works defeating the independence of Internal Audit. Absence of Internal Audit Manual, delay in finalisation of audits and in issuance of audit reports indicated that the Internal Audit System was not being put to effective use.

(Paragraphs 5.1.16 to 5.1.19)

5.1.1 Introduction

Internal Control Mechanism (ICM) 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 Government has established internal control system whereby the overall financial control is exercised by the Finance Department and the control over specific functional activities is exercised by the respective departments themselves. A scheme of delegation of powers exists to enable the functionaries at different levels to carry out their assigned tasks and responsibilities while simultaneously ensuring adherence to the prescribed internal controls.

Apart from the financial and budgetary rules prescribed in the Tamil Nadu Financial Code and the Tamil Nadu Budget Manual, the various internal controls as applicable in the Prison Department have been prescribed in The Prisons Act, 1894, The Prisoners Act, 1900, The Identification of Prisoners Act, 1920, The Exchange of Prisoners Act, 1948, The Transfer of Prisoners Act, 1950, The Prisoners (Attendance in Courts) Act, 1955, The Tamil Nadu Prison Rules 1983 and The Tamil Nadu Prison Manual for effective functioning of the Department.

5.1.2 Organisations set up

At the Government level, the Secretary, Home Department, was in charge of the Prison Department. The Additional Director General of Prisons (ADGP) heads the Department, assisted by four range Deputy Inspectors General of Prisons (DIG)¹ and one DIG (Headquarters). While Central Prisons (CP)/Special Prisons for Women (SPW) and Sub-Jails were managed by the Superintendents, a Chief Probation Superintendent (CPS) heads the Probation Branch. There were 133 prisons including nine CPs, 113 Sub-Jails (104 for men and nine for women), seven Special Sub-Jails (four for men and three for women), two Special Prisons for Women (Tiruchirappalli and Vellore), one Open-Air Prison at Coimbatore and one Farm Jail at Salem. In addition, there is a Borstal School² at Pudukottai, where adolescent prisoners in the age group of 18-21 were detained.

5.1.3 Audit objectives

Audit objectives were to ascertain with reference to the Acts, Rules and Manual mentioned above

- the adequacy of overall budgetary control in the Department,
- compliance to the operational controls as prescribed in the Tamil Nadu Prison Rules, 1983 and the Tamil Nadu Prison Manual,
- adequacy of effectiveness of system of reformation and rehabilitation of prisoners,
- effectiveness and independence of Internal Audit System of the Department.

5.1.4 Audit coverage

Internal Control System relating to budgetary as well as operational areas of the Department for the period 2002-05 was reviewed during December 2004 to May 2005 by test check of the records maintained at (a) the Secretariat (Home Department), (b) Office of ADGP, Chennai, (c) the four range DIGs,

¹ Chennai, Coimbatore, Madurai and Tiruchirappalli.

² Borstal School is a corrective institution set up under The Madras Borstal Schools Act, 1926 wherein adolescent offenders are detained and imparted industrial training, etc., with an aim to reform them.

CPs at Coimbatore, Madurai and Vellore and 13 Sub-Jails³ attached to them, (d) SPW, Vellore, and (e) the Borstal School, Pudukottai and four attached Sub-Jails⁴. Details regarding CPs at Chennai, Tiruchirappalli, Cuddalore and the SPW, Tiruchirappalli collected from the Office of the ADGP are also included in the review. Significant points noticed in audit are discussed in the succeeding paragraphs.

Audit findings:

Financial Control

5.1.5 Budget control

The position in respect of utilisation of Budget provision during 2002-05 by the Department is tabulated below:

(Rupees in crore)

Year	Revenue/ Capital	Budget provision	Actual expenditure	Savings (percentage)	Surrender (percentage)	Percentage of shortfall in surrender
2000-01	Revenue	56.64	51.81	4.83 (9)	0.43 (1)	91
	Capital*	8.00	5.73	2.27 (28)	0.49 (6)	78
2001-02	Revenue	60.56	51.04	9.52 (16)	8.58 (14)	10
	Capital*	1.89	1.03	0.86 (46)	Nil	100
2002-03	Revenue	59.99	53.26	6.73 (11)	6.13 (10)	9
	Capital	4.61	3.28	1.33 (29)	Nil	100
2003-04	Revenue	63.76	62.33	1.43 (2)	0.55 (1)	62
	Capital	12.85	12.65	0.20 (2)	Nil	100
2004-05	Revenue	69.96	61.86	8.10 (12)	6.95 (10)	14
	Capital	48.34	26.40	21.94 (45)	21.92 (45)	Nil

* Included under the voted grants for 'Miscellaneous Capital Outlay' and 'Capital Outlay on Public Works – Buildings'.

Continued savings under revenue grant during 2000-05 indicate inaccurate budget estimation.

The savings under revenue was persistent during 2000-05 and had ranged between two and 16 *per cent*. Savings under Capital head was as high at 46 *per cent* during 2001-02. The persistent savings under the revenue grant since 2000-01 indicate that budget estimates were inaccurate. Further, the amounts surrendered at the end of each year were found to be less than the actual savings ranging from nine to 100 *per cent* (except during 2004-05 under the capital grant), which indicated inaccurate estimation even at the end of the year and lack of control over expenditure.

Perusal of records revealed that the persistent savings during 2000-05 under the revenue heads were mainly due to vacant posts and non-functioning of some industrial units in CPs.

³ (i) Sub-Jails attached to Coimbatore CP: Bhavani, Erode, Pollachi, Tiruppur and Udumalpet, (ii) Sub-Jails attached to Vellore CP: Polur, Tiruvannamalai and Tirupathur and (iii) Sub-Jails attached to Madurai CP: Palani, Paramakudi, Periyakulam, Sivaganga and Srivilliputhur.

⁴ Mayiladuthurai, Nagapattinam, Nannilam and Tiruvarur.

As per the Tamil Nadu Budget Manual, estimates for salary should be framed on the basis of expenditure likely to be incurred during the year on account of the persons likely to be on duty and their actual pay, irrespective of the actual sanctioned strength. Despite a general ban in existence since May 1991 on filling up of vacant posts, the Department made provision for vacant posts, resulting in substantial savings. Further savings on account of capacity under-utilisation of the prison-industries due to various aspects have been analysed in subsequent paras.

Government stated (November 2005) that (a) the inaccurate projections made by the sub-ordinate offices was the main reason for the persistent savings and shortfall in surrender and (b) steps have been taken to impart training to the concerned staff of Central Prisons and Sub-Jails in the preparation of budget to avoid inaccurate budgeting in future.

5.1.6 Defective reappropriation

During 2004-05, the Department estimated additional expenditure (Rs 29.11 lakh) and obtained a token Supplementary Grant of Rupees one thousand on 21 March 2005 towards 'Video conferencing system in Prisons' over the Budget provision of Rs five crore under this head in Revenue. However, the Department withdrew Rs 1.22 crore on 28 and 31 March through reappropriation without assigning any reason. The expenditure under this head was only Rs 3.59 crore and there was a final savings of Rs 18.50 lakh⁵. Thus the Department had not assessed the expenditure accurately even in the month of March.

Government stated (November 2005) that the Department could not project allocation for video conferencing system accurately as it was a new item.

5.1.7 Non-payment out of Victim Compensation Fund

Based on the directions of the Supreme Court of India (September 1998), the Government fixed (October 2000) daily wage rates⁶ payable to prisoners. Of the wages payable, 50 per cent was to be deducted for the upkeep of prisoners, 30 per cent to be credited to the personal accounts of the prisoners and the remaining 20 per cent to be credited to the "Victim Compensation Fund" for payment of compensation to the victims affected by the prisoner's act that had caused his imprisonment. The Fund was initially to be maintained at the CP level and the amounts then transferred to the State Level Fund once in three months or whenever necessary. Government also framed 'The Tamil Nadu Victim Compensation Fund Rules, 2000' (Fund Rules) in December 2000, which require formation of a two tier committee - one at district level for recommending the eligible cases and the other at State level for examining these recommendations and decision thereon.

⁵ Rs 5 crore – Rs 1.22 crore – Rs 3.59 crore = Rs 18.50 lakh.

⁶ Skilled: Rs 65 per day, Semi-skilled: Rs 50 per day and Unskilled: Rs 45 per day.

Despite availability of funds, no payment of compensation was made to victims affected by the criminal acts of prisoners.

Perusal of connected records revealed that 20 *per cent* of wages recovered during November 2000 to March 2005 aggregating Rs 1.39 crore kept in the Personal Deposit (PD) accounts maintained by Superintendent of six CPs, two SPWs and the Borstal School had not been transferred (September 2005) to the State Level Fund. Further, recommendations as required under Fund Rules for payment of compensation to victims affected by 27 prisoners were received (September 2004) by the State Level Committee (SLC) only from one District Committee at CP (Vellore). However, no decision on these recommendations had been taken (September 2005). Thus, despite availability of funds, the directions of the Supreme Court in providing compensation to the victims affected by the prisoner's acts are yet to be complied with (September 2005).

Accepting the facts, the Government stated (November 2005) that (a) the proposal of the District Committee, Vellore would be placed before the SLC after finalising the operational head of account to which the compensation amounts have to be debited and (b) other district committees have been requested to send recommendations for granting compensation to victims.

Operational Control

5.1.8 Overcrowding of Central Prisons

Accommodation in excess of the authorised strength in central prisons.

The prisons in the State were overcrowded to the extent of nine and 25 *per cent* of available capacity during 2002-05, as depicted below:

Year	Authorised accommodation	Inmates as of 31 March	Excess lodged (percentage)
2002	18,292	20,365	2,073 (11)
2003	18,302	22,841	4,539 (25)
2004	18,152	19,799	1,647 (9)
2005	18,152	20,742	2,590 (14)

Out of the nine CPs in the State, the one at Madurai was most overcrowded with excess lodging ranging between 57 and 231 *per cent* during 2002-05.

The Tamil Nadu Prison Rules, 1983 (Prison Rules) provide that as soon as any prisoners in excess of the available accommodation is received in any prison, the Superintendent should submit an immediate report to the IG of Prisons (now ADGP) with a statement of measures proposed to be adopted to relieve the overcrowding.

The ADGP stated (August 2005) that the superintendents had not furnished any specific report on such overcrowding of their prisons but the daily population of prisons was being watched by his Office closely.

5.1.9 Escape of prisoners

Escape of prisoners from all central prisons during 2001-05.

Prison Rules provide measures for the prevention of escape of prisoners. ADGP issued instructions to the Superintendents of Prisons and Range DIGs of Prisons, from time to time on security measures. Despite such efforts, there were regular escapes from prisons during 2001-05. Of the total 42 escapes during this period, only 38 had been recaptured as of October 2005 while 4 were still at large.

Audit noted that all the central prisons in the State had suffered an escape during January 2001–February 2005. The recurring feature of prisoners escaping from Jails indicated non-compliance with controls prescribed in this regard.

Government stated (November 2005) that punishment is imposed on prison staff found to be lax in enforcing security measures.

5.1.10 Ineffective rehabilitation

Poor percentage of prisoners rehabilitated during 2001-03.

Percentage of rehabilitated prisoners was very low as compared to the convict prisoners released during 2001-03 but picked up momentum in 2004, as shown below:

Year	Convict prisoners released	Number of prisoners rehabilitated out of released	Percentage of rehabilitated prisoners to those released	Number of prisoners who were provided with bank loans
2001	4,630	155	3	67
2002	5,089	789	15	73
2003	5,190	791	15	75
2004	2,972	1,587	53	Nil

Government stated (November 2005) that (a) with the available strength of Probation Officers rehabilitation was provided to the most deserving convicts only and (b) it was not generally given to the habitual offenders.

Government’s policy of not providing rehabilitation to habitual offenders in a way had contributed to increase from 13 *per cent* in 1996 to 52 *per cent* in 2003 (latest figures available) of total prisoners. In view of this trend the Government may like to reconsider the policy of not extending rehabilitation efforts to habitual offenders.

5.1.11 Performance of prison industries

Decrease in quantum of prison made articles during 2001-04.

Prison Rules provide that prisoners serving long sentences be imparted such skills that would increase their chances of entering an occupation or trade after their release. Accordingly, convict prisoners are employed in prison industries such as paper making, weaving, bookbinding, tailoring, shoe making, etc. Prison Department was declared as a service department (August 1990) and prison made articles are supplied to the Government Departments free of cost. Total value of prison made articles in the State as a whole decreased from Rs 4.80 crore during 2001-02 to Rs 3.19 crore during 2003-04 despite an increase in the strength of convict prisoners (4,857 to 6,642) during the same period. A test check of the performance of prison industries during 2001-04 disclosed under-utilisation of prison labour as discussed below.

5.1.12 Under-utilisation of capacity of prison industries

Under-utilisation of capacity of prison industries led to loss of mandays and deprival of wages to prisoners.

Test check of Madurai and Vellore CPs revealed that 1,25,682 mandays of captive prison labour was not utilised during 2002-05, as detailed in **Appendix XXX**. Non-functioning of these industries resulted in deprival of

least Rs 56.56 lakh as wages (calculated @ Rs 45 per day) to prisoners besides hampering their reformation. ADGP attributed (May 2005) the capacity under-utilisation to the inadequate budgetary support by the Government for the procurement of raw materials.

The budget provided for the purchase of materials as against the proposals submitted by the Department and actual expenditure incurred during the last five years, was as given below:

(Rupees in crore)

Year	Budget proposed	Budget provided	Actual expenditure	Savings (percentage)
2000-01	3.88	3.88	2.35	1.53 (39)
2001-02	5.64	3.88	2.40	1.48 (38)
2002-03	6.09	3.00	2.84	0.16 (5)
2003-04	5.88	3.69	2.54	1.15 (31)
2004-05	3.50	3.03	2.59	0.44 (15)

In context of the fact that the Department failed to utilise the Budget provided, the above reply of ADGP was not tenable.

The machinery installed for paper making, weaving, book binding, shoe making, etc., in CPs at Coimbatore, Vellore and Madurai were also not utilised to an extent of 20 to 100 *per cent*, indicating gross under-utilisation capacity of prison industries.

Audit observed that though sufficient funds, manpower and expertise for manufacture was available, the Department failed to put the same to usage; resultantly, the objective of providing skills for purpose of rehabilitation and reforms could also not be fulfilled.

The Government stated (November 2005) that production in prison industries is dependent upon the budget allocation and the firm orders on hand. In view of the spare production capacity available in prisons, the Government may consider various options for increasing the quantum of orders placed on the Department.

5.1.13 Excess staff at Borstal School

Continuance of large number of posts in Borstal school despite decline in strength of inmates.

In the Borstal School, Pudukottai, the actual strength decreased steeply from 30 in 1999 to seven offenders in 2004 against the authorised capacity of 405. Despite this, staff strength of 62 to 70 (against the sanctioned strength of 84 posts) was maintained during 1999-2004 and expenditure of Rs 3.26 crore on their salary was incurred for this period. A majority of this staff could have been re-deployed usefully to CPs like Coimbatore, Madurai and Vellore which had shortage of staff or accommodated excess prisoners. Government replied (November 2005) that though the strength of inmates had decreased, a minimum strength of staff to maintain the premises and the office of the Borstal school is required. The reply was not tenable as the original staff strength sanctioned for the school was 84 for the authorised inmate capacity of 405 and having 62 staff for maintaining the present inmate strength of seven was grossly disproportionate.

Non-preparation of Annual Administrative Reports by Superintendent and ADGP.

5.1.14 Non-preparation of Annual Administrative Reports

The Prison Rules and Manual provide that an Administrative Report should be prepared by all the Superintendents of prisons for submission to the ADGP by 15 February every year containing explanations for overcrowding, escapes/attempts of escapes, details of habitual offenders, etc., with their recorded suggestions, opinions, etc. Similarly, the ADGP should prepare an annual administrative report for submission to the Government by 15 April every year duly incorporating statistical and other statements, returns and information required by the Government, from time to time, besides showing the inspections made by the ADGP during the year and the compliance of the Government orders regarding records and service books.

Scrutiny revealed that Superintendents of CPs at Coimbatore and Madurai had not sent the Annual Administrative Reports for more than five years. CP, Vellore did not furnish any details in this regard and the ADGP sent the Annual Report of 2001 belatedly in March 2004. Reports for 2002 and 2003 were still under preparation (March 2005). The failure to prepare timely Annual Administrative Reports indicated laxity in reporting the complete picture about the prison administration to the Government and constitutes a failure in implementation of internal controls.

Government replied that the Administrative Reports for 2002, 2003 and 2004 had since been prepared by the Superintendents of Prisons and submitted to ADGP (November 2005).

5.1.15 Deficiency in function of Board of Visitors

The Prison Rules prescribe a Board of visitors for each prison comprising official and non-official members. The official visitors are all ex-officio and comprise those amongst a list of 21 whose jurisdiction covers the prison. The six non-official members (10 in case of Chennai) are appointed by the ADGP for a period of three years and should preferably be from professions such as psychiatrist, psychologist and sociologist. The visitors of the Board have to visit the prison by rotation with a frequency of one visit per week as per roster maintained by the Collector.

Audit noted that though the term of non-official visitors of CP, Madurai had expired, the order for a new set of visitors had not been issued (July 2005). Government replied (November 2005) that a list of professionals to be appointed as visitors to the Board has since been received from the District Collector, Madurai and necessary orders will be issued soon.

On audit pointing out deficiencies in matters relating to delays in appointment of non-official visitors and their visits, the ADGP stated (April 2005) that instructions will be issued for strict adherence to the prescribed provisions in the manual regarding maintenance of roster, weekly visits, quarterly meetings and visitors book.

Internal Audit

In terms of instructions issued in August 1996 by the ADGP, the DIG of the Range is responsible for conducting the annual audit of all CPs/ Borstal School/SPW, Special Sub-Jails and Offices of the Regional Probation Officer and Probation Officer. Besides, DIG was to issue, pursue and settle the audit

objections. The Assistant Director, Internal Audit (AD) in the Office of the ADGP is responsible for review and wind up of audit⁷ of all the offices of the Department.

5.1.16 Assignment of administrative work to Internal audit staff

Entrustment of regular administrative work to Internal Audit staff.

Government sanctioned (June 1990) staff comprising six Superintendents, 12 Assistants, two Typists, one Record Clerk and two Office Assistants in the Office of the ADGP, Chennai to conduct 100 *per cent* audit of accounts of all offices of the Department. Based on the suggestion of the ADGP, the Government ordered (March 1996) the transfer of one post of Superintendent and two of Assistants, to each of the ranges at Coimbatore, Madurai and Tiruchirappalli. Records produced to audit disclosed that the staff exclusively sanctioned for internal audit was entrusted with additional administrative work like sending of returns and settlement of tenders. The utilisation of same staff for administrative and audit work compromised the independence of internal audit.

Government stated (November 2005) that the administrative works assigned to the audit staff and the audit work were independent of each other. The reply was not tenable, as administrative works like award of tenders is subject matter of audit scrutiny after their finalisation.

5.1.17 Deficiencies in Internal Audit

Deficiencies in Internal Audit functions.

The following deficiencies were noticed in the Internal Audit Department:

- Internal Audit was conducted based on the Tamil Nadu Prison Manual, Government Orders, Fundamental Rules and Financial Code. There was no Internal Audit Manual to guide the audit.
- DIGs of all the test checked Ranges (Chennai, Coimbatore, Madurai and Tiruchirappalli) stated that no periodical audit plan for completing the internal audit was drawn up by them.
- Government ordered (September 1995) that the Chief Internal Auditor and Chief Auditor of Statutory Boards should furnish, every year, to the Government, a status report on the functions of Internal Audit in the Department. The status reports for each of the three years during 2001-04 were under preparation (February 2005).
- ADGP instructed (August 1996) that the DIGs should audit annually all the offices/prisons of the Department falling under their jurisdiction. However, audit of 140 institutions for 2003-04 was not conducted (July 2005) in three ranges *viz.* Tiruchirappalli (63), Chennai (38) and Coimbatore (39). This was attributed to the dual function of Internal Audit wing, as mentioned in para 5.1.16.

⁷ Wind up of audit covers discussion of all the audit findings with the head of the office audited.

5.1.18 Delay in winding up Internal Audits and their pendency

Pendency in winding up of Internal audits.

According to the instructions in August 1996 by the ADGP, AD would review and wind up audit conducted by the Range audit wing after discussion. Out of 422 units in four Ranges (Chennai, Coimbatore, Madurai and Tiruchirappalli) for which internal audit relating to the period 2001-04 was conducted, winding up of 394 units was delayed beyond one month. Delay between six months and one year occurred in 156 units and beyond one year in respect of 17 units from the date of completion of audit, reportedly due to heavy work load of AD.

It was further noticed that in respect of 60 audits carried out in different institutions in four Ranges⁸, AD had still to wind up the audits even after the lapse of six to 34 months from conduct of audit (October 2005). Thus, the audit conducted was inconclusive and its objective not achieved. The Department had not prescribed a time limit for completion of winding up of an audit.

5.1.19 Delay in issue of Internal Audit Reports after winding up

Out of 407 Internal Audit Reports relating to the period 2001-04, issued by the Range DIGs of Chennai, Coimbatore and Madurai, even after winding up, 70 reports were issued after a period ranging between one and two months, 53 between two and three months and 15 between three and six months after conclusion of audit.

No norm was fixed by the Department prescribing a time limit for issue of Internal audit report after winding up of audit.

5.1.20 Outstanding Paras of Reports on Stock verification

As of March 2005, 81 reports of internal audit parties on stock verification of CPs, Tiruchirappalli and Vellore, SPW, open air jail, Coimbatore, Borstal School, Pudukottai and Special Sub-Jails, containing 865 paragraphs were outstanding since 1995. The above pendency indicated inadequate response to audit objections and neglect of an essential control.

5.1.21 Conclusions

Internal Control System in the Department was not fully effective as indicated by deficiencies in following rules and directives of Government/Department regarding budget preparation and control over performance of industries. No compensation payment was made to victims affected by the acts of prisoners despite availability of funds. There was overcrowding in certain prisons which could have been limited by judicious transfer. Increasing trend in habitual offenders indicate inadequacy of rehabilitation measures. Ineffective functioning of the Internal Audit wing resulted in serious delays in issuance of Internal Audit Reports.

⁸ Chennai – 2001-02: 12, 2002-03: 14 and 2003-04: 1, Coimbatore - 2003-04: 7, Madurai - 2003-04: 20 and Tiruchirappalli - 2003-04: 6.

5.1.22 Recommendations

- Compliance with rules relating to preparation of Budget estimates and Budgetary control should be ensured.
- Government may consider strengthening the security system in prisons to curb escapes of prisoners.
- Measures to optimise production from prison industries should be taken to enhance remuneration to prisoners and help them to acquire skills useful for their rehabilitation.
- Payment of compensation to the eligible victims affected by the acts of prisoners should be expeditiously commenced.
- An independent Internal Audit wing should be set up for conducting effective Internal Audit of all the offices under the control of the Department with a specific periodicity to provide reasonable assurance regarding the adequacy and effectiveness of internal controls.

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