

**PERFORMANCE AUDIT ON
FUNCTIONING OF INTERNAL CONTROLS**

Department of Revenue (Ministry of Finance)

Highlights

- **The department had not conducted any work study for prescribing appropriate work norms and standards for output in terms of quality and quantity resulting in delayed disposal of cases.**
(Paragraph 5.1.2 & 5.1.3.1)
- **The department did not conduct annual inspection of its sections/desks regularly as required under Central Secretariat Manual on Office Procedure (CSMOP)**
(Paragraph 5.1.4)
- **Procedures and strategies for risk assessment/identification and risk management plan have not been devised in the department.**
(Paragraph 5.1.5)
- **In Customs and Excise department officers were yet to move from sensitive posts and stations after completion of their tenure. Income Tax Department had not maintained central database of the profile of Group 'A' officers as required for monitoring their transfer/placement.**
(Paragraph 5.1.6.1 & 5.1.6.2)
- **Poor expenditure management controls resulted in violation of instructions on economy and austerity measures.**
(Paragraph 5.1.7.1)
- **The department did not adhere strictly to the provisions of General Financial Rules in making purchases of computers, computer peripherals, air-conditioners, etc.**
(Paragraph 5.1.7.2 a)
- **Surprise check of cash was not conducted in the department and its subordinate offices rendering the department vulnerable to misappropriation of public funds.**
(Paragraph 5.1.8.4)

- **Internal Audit Wings of the CBDT and the CBEC failed to inspect units that they had identified for audit during previous three years.**
(Paragraph 5.1.10.1)
- **There was shortfall in Income Tax assessment cases actually audited vis-à-vis total auditable cases.**
(Paragraph 5.1.10.2)
- **The department did not take timely and adequate action on observations of Internal Audit resulting in continuance of deficiencies in its functioning.**
(Paragraph 5.1.10.3)

Recommendations

- ❖ **The department should institute an adequate mechanism of risk assessment, grading of risk, analysis of their impact, as well as control activities for monitoring and mitigating the risks in relation to its diverse activities.**
- ❖ **The CBEC needs to implement the laid down policy regarding transfer of its officers.**
- ❖ **The Ministry should urgently complete and update the central database so that the transfer/placement policy can be implemented properly and overstays in sensitive posts avoided.**
- ❖ **The department should take concrete steps in advance to adhere to the economy and austerity norms for ensuring reduction in unproductive expenditures.**
- ❖ **The department needs to strengthen its internal controls for ensuring compliance with the rules, regulations and orders of Government of India.**
- ❖ **The Ministry should put in place a strong monitoring mechanism for ensuring compliance with various accounting controls.**
- ❖ **Strong monitoring mechanism is needed for ensuring control over the functioning of attached/field/subordinate offices.**
- ❖ **Working of chain system of internal audit may be reviewed to ensure compliance with targets.**

Department of Heavy Industry (Ministry of Heavy Industry and Public Enterprises)

Highlights

- **There were persistent savings in various sub head/schemes, indicating inadequate pre-budget scrutiny of schemes/funds.**
(Paragraph 5.2.3.1)
- **Lack of effective monitoring of expenditure in the department resulted in rush of expenditure in the last quarter/month of the financial year.**
(Paragraph 5.2.3.2)
- **On account of lax controls/mechanism for watching utilisation of loans/grants, utilisation certificates amounting to Rs. 75.65 crore were pending from 14 PSUs. Besides, grants were released to 6 PSUs during 2002-03 to 2005-06 even when utilisation certificates of previous years were wanting.**
(Paragraph 5.2.4.1)
- **Guarantee fee amounting to Rs. 40.40 lakh for the year 2004-05 was still recoverable from a PSU. For non-payment of guarantee fee, a penalty of Rs. 40.40 lakh was also leviable and recoverable.**
(Paragraph 5.2.4.2)
- **Due to lack of monitoring system for recovering loans, a sum of Rs. 3354.12 crores was still recoverable out of total loan of Rs. 5438.86 crore given upto 31 March 2006 to 33 PSUs. Besides, an interest of Rs. 13,761.40 crore had also become due on the loan given.**
(Paragraph 5.2.4.3 (i))
- **Lack of reconciliation between the records of the Ministry and the PSUs was noticed during test check in audit; against a total loan and interest of Rs. 1,24, 874 lakh depicted by the Ministry, a PSU was showing loan of Rs. 9785.50 lakh only in its books.**
(Paragraph 5.2.4.3(ii))
- **There was laxity in maintenance of Bill Register, Register of undisbursed pay and allowances and in recovery of contingent advances.**
(Paragraph 5.2.4.4, 5.2.4.6 & 5.2.4.7)

- **Reconciliation of receipt figures was not carried out by the Department, in the absence of which it could not be ascertained whether all receipts were credited to Govt. account or not.**

(Paragraph 5.2.5.1)

- **Internal Audit System of the department was ineffective as audit was in arrears and observations of internal audit were not attended to promptly.**

(Paragraph 5.2.6.1&5.2.6.2)

Recommendations

- ❖ **Budgetary control should be strengthened so that excess expenditure over Budget estimates and rush of expenditure in the last month of the year is avoided.**
- ❖ **Pre-budget scrutiny of schemes/activities should be done with great care so that funds may not have to be surrendered at the end of the year.**
- ❖ **The Ministry should monitor timely receipt of utilisation certificates from various bodies and further grants to them should not be issued in the absence of previous utilisation certificates.**
- ❖ **Ministry should follow laid down procedures for maintenance of records which are essential for internal control in the Department.**

Department of Science and Technology (Ministry of Science and Technology)

Highlights

- **Lack of effective monitoring in the department resulted in rush of expenditure in the month of March of the financial year.**
(Paragraph 5.3.2.1)
- **Nine grantee institutions diverted funds amounting to Rs. 36.70 crore from Plan head to Non-Plan head.**
(Paragraph 5.3.2.3)
- **Department's receipts were not reconciled with the figures booked by the PAO as required in Civil Accounts Manual.**
(Paragraph 5.3.3.2)
- **Manual of Internal Audit was not revised/updated after 1988.**
(Paragraph 5.3.4.2)
- **DST did not abolish the vacant posts as required in MOF's instructions.**
(Paragraph 5.3.5.1)
- **DST did not frame norms for its S&T staff.**
(Paragraph 5.3.5.2)
- **DST did not constitute Staff Inspection Unit as required in MOF's instructions.**
(Paragraph 5.3.5.3)
- **DST did not submit the annual action plan to the Cabinet Secretariat and Ministry of Programme Implementation as required in CSMOP.**
(Paragraph 5.3.5.4 a)
- **Contingent advances amounting to Rs. 14.14 crore pertaining to the years 1984-85 to 2005-06 were lying outstanding.**
(Paragraph 5.3.6.3)

Recommendations

- ❖ **DST should ensure that all MOF instructions are strictly adhered to.**
- ❖ **DST should regularly and effectively monitor expenditure by grantee institutions and timely receipt of Utilisation Certificates.**
- ❖ **DST should strengthen its internal audit wing to clear all pending paras and to remove the deficiencies pointed out in the internal audit reports at the earliest.**
- ❖ **DST should ensure proper maintenance of various registers as required under the existing GOI instructions.**