

CHAPTER-VII

**INTERNAL CONTROL AND INTERNAL AUDIT
MECHANISM**

Internal control

Internal audit

Conclusion

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Internal control and Internal Audit Mechanism

Audit Mechanism

Inspection is an important internal control in the hands of administration for ascertaining that rules and procedures prescribed by the department are being followed and are sufficient to safeguard proper collection of revenue.

7.1 Internal Control

Inspection of subordinate offices

Rajasthan Registration Rules, 1955 envisaged that the District Registrars (DR) were to visit each SR office at least once in a year. The results of inspections were to be recorded in the inspection books and a copy was to be sent to the IG. The circle officers (DIGs) are to conduct inspection of SR offices once in a year where less than 500 instruments are registered and twice in a year where 500 or more instruments are registered in the previous year.

A. The number of inspections required to be conducted in test checked ten districts by the DRs in the SR offices under their jurisdiction and inspections carried out along with shortfall during the years 2006-07 to 2009-10 were as under:

Sl. no.	Name of DR	No. of SRs under jurisdiction	Total no. of inspections to be conducted	No. of inspections carried out	short falls	Percentage in shortfall
1	Ajmer	14	56	53	3	5.36
2	Alwar	19	76	68	8	10.53
3	Bundi	7	28	27	1	3.57
4	Bikaner	9	36	Information not provided.		
5	Jaisalmer	3	12			
6	Jaipur	25	100			
7	Jodhpur	13	52			
8	Kota	9	36	13	23	63.89
9	Sikar	9	36	Information not provided.		
10	Udaipur	17	68			
	Total	125	500	161	35	

The information regarding actual inspections carried out during the years 2006-07 to 2009-10 were not furnished by DRs of Bikaner, Jaipur, Jaisalmer, Jodhpur, Sikar and Udaipur districts. The shortfall in conducting inspections by the DRs Ajmer, Alwar, Bundi and Kota ranged between four and 64 per cent.

B. The inspections required to be conducted and actual inspections carried out by the circle officers in test checked nine circles during the years 2006-07 to

2009-10 were as under:

Sl. no.	Name of circle officer	Total no. of SRs under Jurisdiction	Total no. of inspections to be conducted	Total no. of inspections carried out	Shortfall	Percentage of shortfall
1	DIG, Alwar	19	152	Information not provided		
2	DIG, Ajmer	41	328	299	29	8.84
3	DIG, Udaipur	31	248	31	217	87.5
4	DIG, Bikaner	26	208	64	144	69.23
5	AC (Stamp), Jaipur	5	40	Information not provided		
6	DIG (Stamp), Jaipur Rural	34	272			
7	DIG, Jodhpur	26	208			
8	DIG, Kota	12	96			
9	DIG (Vigilance), Jaipur	12	96	45	51	53.13
	Total	206	1,648	439	441	

The actual inspections conducted were not furnished to audit by the circle officers except DIG Ajmer, Bikaner, Vigilance Jaipur and Udaipur. The shortfall in conducting inspections ranged between nine and 88 per cent.

The Department may consider by prescribing reports/returns to be furnished by the inspecting officers to IG mentioning the quantum of inspections carried out against the target fixed along with brief results of inspection.

7.2 Internal Audit

A. The internal audit wing conducts internal audit of the SR offices under overall control of the IG. There are six internal audit parties. The position of the internal audit during 2007-08 to 2009-10 was as under:

Year	No. of units due for audit			Units audited during the year	No. of units remained unaudited at the end of the year	Percentage of unaudited units
	Arrear of previous years	Current year	Total			
2006-07	Information not provided.					
2007-08	406	358	764	152	612	80.10
2008-09	612	358	970	349	621	64.03
2009-10	621	369	990	531	459	46.36

We observed that the shortfall in conducting internal audit ranged between 46 and 80 per cent during the years 2007-08 to 2009-10.

During Exit Conference held on 17 January 2012, the Financial Advisor replied that old arrear in conducting internal audit has been cleared upto to the year 2007-08.

B. We observed that 3,204 paras of internal audit pertaining to the years 2006-07 to 2009-10 involving ₹ 22.51 crore were outstanding for settlement/recovery as on 31 March 2010 as under:

Sl. no.	Year	Outstanding Objections			Amount involved (₹ in crore)
		Procedural	Financial	Total	
1.	2006-07	588	405	993	4.62
2.	2007-08	171	122	293	1.67
3.	2008-09	511	343	854	6.29
4.	2009-10	618	446	1,064	9.93
	Total	1,888	1,316	3,204	22.51

The position of outstanding paras pertaining to the period upto March 2006 was not made available to audit.

We observed that 3,204 paras involving ₹ 22.51 crore were outstanding for compliance and recovery.

The Government may consider strengthening the internal audit wing to ensure timely detection and correction of errors in levy and collection of revenue to avoid recurrence of mistakes pointed out and speedy settlement of outstanding paras.

7.3 Conclusion

The provisions of the RS Act, 1998 which came into force with effect from 27 May 2004 were not implemented *in toto* by the ROs as they continued applying notifications under the erstwhile law, while registering instruments and levying stamp duty at rates which were inconsistent with the 1998 Act, resulting in loss of revenue to the *exchequer*. We came across instances of failure of ROs in inspection of public offices in the state as a result of which instruments were not stamped/registered on sale of properties effected by Debt Recovery Tribunals; lease deeds not executed by RIICO and Stamp Duty not paid in office of the Registrar of Companies on issue of IPOs/amalgamation of Companies. There were instances of short levy of Stamp Duty due to under-valuation of the properties or due to incorrect application of rates.

There was heavy stock of non-judicial/adhesive stamps in the State. Internal control mechanism was weak as evident from inadequate inspections and internal audit.

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