



CHAPTER V

INTERNAL CONTROL SYSTEM

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EDUCATION DEPARTMENT

5.1 Internal Control System in the Department of Printing, Stationery and Publications

Highlights

The Printing, Stationery and Publications Department is responsible for printing all Government publications, purchasing and supply of writing stationery and printing of confidential publications of Government. Audit of the internal control system of the Department relating to printing and publication showed that the financial, operational, administrative and inventory controls were ineffective leading to defalcation, diversion of funds, large scale wastages and inordinate delay in meeting the targets.

Due to lack of budgetary controls, Rs.4.12 crore were diverted from one minor head of account to another to incur expenditure on unauthorised works.

(Paragraph: 5.1.5.1)

The Department did not prepare *pro-forma* accounts to know the financial performance of its operations.

(Paragraph: 5.1.6.1)

Due to inadequate and ineffective financial controls, irregular discounts (Rs.1.74 crore) and waiver (Rs.7.63 crore) were allowed in violation of delegation of financial powers. Printing dues of Rs.5.74 crore were outstanding against Government departments and local bodies.

(Paragraphs: 5.1.6.3 and 5.1.6.4)

Due to lack of production and consumption controls there were instances of printing excess forms (cost: Rs.1.07 crore), reprinting of text-books and discarding excess printed material leading to large scale wastage of raw material and labour and issue of excess quantity of paper (cost: Rs.63.80 lakh).

(Paragraphs: 5.1.8.1, 5.1.8.2 and 5.1.9.1)

Two hundred thirty two reels of paper (including six reels of ballot paper) valued at Rs.71.63 lakh were issued to a private press as per oral instructions of the Director in violation of the rules.

(Paragraph: 5.1.12.2)

The costing of printing works undertaken for Government departments was not done to evaluate the cost effectiveness of the works.

(Paragraph: 5.1.10)

Monitoring of the working of presses was totally lacking. Internal audit arrangements were not in place.

(Paragraphs: 5.1.15 and 5.1.16)

5.1.1 Introduction

Internal controls are an integral component of the management processes of an organisation which are established to provide reasonable assurance that the operations are carried out efficiently and effectively, financial reports and operational data are reliable and the applicable laws and regulations are complied with so as to achieve the objectives of the organisation. The Department of Printing, Stationery and Publications was established with the objective of executing and supervising printing and binding works, purchase of writing and stationery articles and their supply to the Government and its departments and undertaking Government Publications such as Karnataka Gazette, Acts, Rules, Reports, Departmental text books, *etc.*, for use of Government and its departments and also for sale to the public. The department undertakes these printing and publication works on a 'no profit-no loss' basis.

The working of the Printing, Stationery and Publications Department is governed by the Manual of Government Presses (Presses Manual), Printing Manual, Government Central Book Depot Manual (Book Manual) and Government Stationery Depot Manual (Stationery Manual) besides other general rules and codes such as Karnataka Financial Code (KFC), Karnataka Budget Manual, Manual of Contingent Expenditure, *etc.*

5.1.2 Organisational set-up

The Secretary to Government of Karnataka, Education Department (Primary and Secondary Education) is the administrative head and the Director of Printing, Stationery and Publications is the functional head of the Department. The Director is assisted by two Joint Directors, one Senior Deputy Director, six Deputy Directors and 24 Assistant Directors. There were 11 Government presses¹ in the State. Three² Book Depots and three³ Stationery Depots in the State each was headed either by a Joint Director or Deputy Director or Assistant Director.

5.1.3 Audit objectives

The internal controls of the Department were reviewed to assess the:

- compliance with the Budget Manual, Manual of Contingent Expenditure and the Departmental Manuals;
- effectiveness of internal controls such as budgetary control, expenditure control, operational control, inventory control, *etc.*; and
- arrangements for monitoring and the internal audit in the Department.

¹ 1. Central Press, Peenya, 2. Suburban Press, Kenchenahalli, 3. Government press, Technical Education Building, Bangalore, 4. Government press, Peenya shed, 5. Government District press, Tumkur, 6. Government District press, Shimoga, 7. Government District press, Mangalore, 8. Government District press, Kolar, 9. Government District press, Dharwad, 10. Government District press, Madikeri and 11. Government District press, Gulbarga.

² Government Book Depots at Bangalore, Dharwad and Gulbarga.

³ Government Central Stationery depot, Bangalore, Government Stationery depot, Dharwad and Government Stationery depot, Gulbarga.

5.1.4 Scope and methodology of audit

The review of internal controls was conducted for the period 2002-07 through test-check of records (February-May 2007) relating to the printing and publication works of the Directorate, the Central Press-Peenya, the Suburban Press - Kenchenahalli-Bangalore, two district presses, viz., Madikeri and Tumkur and the Central Book Depot, Bangalore. The results of test-check were discussed with the Secretary during the exit conference held in August 2007 and the Secretary agreed to examine the audit observations and take necessary follow-up action.

Audit findings

5.1.5 Budgetary controls

The Budget proposals were not realistic due to non-inclusion of ascertained liabilities

Rule 108 of the Karnataka Budget Manual prescribed, *inter alia*, that the budget estimates prepared by the Head of the Department should be complete and accurate including provisions for meeting not only the expected liabilities of ensuing financial year but also the arrears of past years. Accordingly, the budget proposals for the years 2005-06 and 2006-07 were required to have included the pending bills amounting to Rs.6.87 crore and Rs.11.74 crore respectively. These were omitted to be included in the budget proposals of the respective year resulting in excess expenditure over budget provisions. The year-wise budget allotment and expenditure during the period 2002-07 were as follows:

(Rupees in crore)			
Year	Budget allotment	Expenditure	Excess (+)/ Savings (-)
2002-03	32.37	31.54	(-) 0.83
2003-04	32.05	31.54	(-) 0.51
2004-05	82.04 [®]	80.81 [®]	(-) 1.23
2005-06	64.41	65.01	(+) 0.60
2006-07	69.59	77.62	(+) 8.03
Total	280.46	286.52	(+) 6.06

[®] The increase in allotment and expenditure during the years 2004-07 was due to entrustment of printing of textbooks for free supply to the students of I to X standard.

Non-inclusion of liabilities in the budget proposals in violation of the provisions in the budget manual rendered the proposals unrealistic. The Government stated (October 2007) that appropriate budgetary controls would be exercised in future.

5.1.5.1 Diversion of funds

Non-compliance with budgetary controls resulted in diversion of Rs.4.12 crore on unauthorised works

Rules 269 to 273 of Karnataka Budget Manual prescribed that the heads of the Department have powers to re-appropriate up to Rs.two lakh between two detailed heads under the same minor head subject to the condition that such a sanction does not involve re-appropriation between plan and non-plan heads. Contrary to these provisions, the Director diverted (2003-04 and 2006-07) Rs.1.63 crore of plan grants allocated for inter-connectivity between presses, e-governance, attendance monitoring system, research and development activities to civil works (Rs.64.69 lakh), machinery and equipment (Rs.69.42 lakh) and materials (Rs.21.29 lakh) and supplies (Rs.7.80 lakh) without provision of funds in the budget.

Similarly, during 2006-07 as against the provision of Rs.52,000 under the sub head 'Transport Expenses', subordinate to the minor head 103-'Government Presses', the Department incurred an expenditure of Rs.1.39 crore by debiting the excess to another minor head 101-'Stationery Depots' where funds were available. This resulted in unauthorised diversion of funds (Rs.1.38 crore). The Director failed to comply with the budgetary controls by allowing such diversions.

An expenditure of Rs.2.01 crore (May 2000 to September 2006) was incurred on engagement of unskilled labourers on piecework basis against the budget provision of Rs.89.65 lakh during the period under the sub head 'office expenses/general expenses'. The excess expenditure (Rs.1.11 crore) was irregularly debited to the minor head 104-'cost of printing from other sources'.

5.1.6 Receipt and Expenditure controls

There were deficiencies in the receipt and expenditure controls leading to non-recovery and irregular waiver of demands as well as avoidable and unjustified expenditure. *Pro-forma* accounts had also not been maintained as discussed below:

5.1.6.1 Non-preparation of pro-forma accounts

The Director did not prepare *pro-forma* accounts to assess the financial performance of the Department

The Department undertakes printing of regular Government works such as forms, cash books, notifications, *etc.*, required by all Government departments free of cost (non-chargeable works). In addition to this, printing and publication works relating to local bodies, autonomous bodies and several Government schemes are also taken up by the Department subject to recovery of the cost of such works (chargeable works). In either case, it is necessary to determine the actual cost of each job by reckoning all direct and indirect costs so as to finally determine as to whether the Department is working on a 'no profit-no loss' basis. For this purpose, the Director is required to prepare *pro-forma* accounts as prescribed in KFC and Appendix X of the Presses Manual. It was, however, observed that the *pro-forma* accounts were not prepared and as such the financial performance of the activities undertaken by the Department was not ascertainable. The Government stated (October 2007) that the matter was being examined.

5.1.6.2 Irregular payment of overtime allowance

Overtime Allowance of Rs.64.61 lakh was irregularly paid to all the employees by a general order

As per paragraph 13(9) of the Presses Manual, the maximum period for which the Director can sanction overtime allowance (OTA) to the industrial employees is only two months in a year. It was observed that the Director sanctioned OTA for all the 12 months of the year during the period 2002-05 to the industrial employees of District Press, Tumkur by a general order without the approval of the Government. Paragraphs 276 and 464 of the Presses Manual further provide that the Officer-in-charge during the overtime is responsible to see that time overworked is correctly recorded over his signature and that progress of each workman is recorded in the personal progress registers. But no such records were maintained to justify the overtime allowance. The amount of OTA irregularly paid (2002-05) was Rs.64.61 lakh. The Government stated (October 2007) that the matter was being verified.

5.1.6.3 Irregular discount/waiver of demands

The Director irregularly waived Rs.7.63 crore and allowed a discount of Rs.1.74 crore

According to the delegation of financial powers (2001), the Director had no power to discount or waive the demands outstanding for recovery. It was, however, observed that the Director allowed a discount of Rs.1.74 crore (December 2005) on the demand of Rs.10.26 crore against Government of India towards supply of 13.95 lakh copies of text-books for VI, VII and VIII Standards under Sarva Shiksha Abhiyan Project. The project authorities paid (March 2005) Rs.1.84 crore against the net demand of Rs.8.52 crore and the Director waived (December 2005) the balance of Rs.6.68 crore without justification and the approval of the Government. The total demand so waived by the Director during the period 2002-07 was Rs.7.63 crore which included the dues from other Government departments also. The Government stated (October 2007) that the matter was being verified.

5.1.6.4 Demands pending settlement

Outstanding dues of Rs.5.74 crore were not effectively pursued for recovery

The Central Press-Peenya had not maintained the department-wise and year-wise details of these demands in the DCB Registers and no subsidiary records were also maintained to pursue them effectively. Ineffective pursuance and non-maintenance of year-wise, department-wise details and subsidiary registers rendered the chances of recovery remote.

An amount of Rs.5.74 crore was outstanding towards cost of printing works against various Government departments and Local Bodies in three test-checked Government presses as at the end of March 2007. The pendency related to periods ranging from 0 to 15 years and more as detailed below:

(Rupees in lakh)

Period of pendency (in years)	District Press, Tumkur		District Press, Madikeri		Suburban Press		Grand Total	
	No. of items	Outstanding dues	No. of items	Outstanding dues	No. of items	Outstanding dues	No. of items	Outstanding dues
0-5	44	349.24	10	6.74	8	38.57	62	394.55
5-10	8	92.70	9	5.88	11	33.56	28	132.14
10-15	--	--	5	1.65	7	28.33	12	29.98
15 and above	--	--	--	--	10	17.55	10	17.55
Total	52	441.94	24	14.27	36	118.01	112	574.22

These dues were not pursued effectively for expeditious settlement as laid down in paragraph 38(12) of Presses Manual which provides that periodical reminders should be sent to paying departments for payment of pending dues expeditiously. The Government stated (October 2007) that measures had been initiated to recover the outstanding dues.

5.1.7 Operational controls

The operational controls in the production of printed material were practically non-existent

The major operations in the printing and publication works of the Department were purchase of raw material such as paper, ink, binding material, gum, etc., deployment of men and machinery for printing, inventory arrangements for raw material and printed matter and sale/issue of printed material (including billing and realisation of dues) after proper costing of each job.

During the period 2002-07, the Department printed text-books of standard I to X for free supply to students and extra ordinary gazettes in addition to the regular printing works of Government and its departments. The Department also out-sourced (2004-05) the work of printing 2.06 crore copies of text books of standard I to X meant for free supply during the academic year 2004-05 to a few presses in Kerala. Due to non-working of production controls, cost controls and inventory controls, cases of avoidable wastage of raw material, printing excess copies of text-books, non-delivery, *etc.*, were noticed as detailed below:

5.1.8 Production controls

Paragraph 447 of the Presses Manual requires preparation for each machine, Machine History Books recording the descriptive particulars, outturn, price, *etc.* The test-checked presses had not maintained these books as a result of which the performance of the installed machines and equipment and their downtime could not be checked in audit to assess the efficiency of the production operation.

5.1.8.1 Excess printing of forms

Lax supervision during printing resulted in discarding 449 MT of printed material

Paragraph 434 of Presses Manual provides that checks are to be exercised by the machine minders to ensure that the number of forms⁴ printed on the machines exactly conforms to the number of text-books ordered and that there is no excess printing of forms. In test-checked presses 448.80 Metric Tonnes (MT) of forms were printed (2006-07) in excess of their actual requirement for 14 titles of text-books and later discarded resulting in wastage of paper worth Rs.1.07 crore. The wastage was due to unregulated supply of paper and lax supervisory controls in the production process.

5.1.8.2 Rejection and reprinting of text-books

Lack of supervision in printing text-books resulted in discarding and subsequent reprinting of 63,491 text-books

The Department printed 60,468 copies of III standard Urdu Environmental Science Text-books for the academic year 2006-07 by engaging piece work staff provided by two private agencies. The Department did not incorporate the terms and conditions in the agreement to enforce recovery of the cost of defective printing, if any, due to substandard work. The department also did not effectively supervise the printing work done by the piece work staff. The Karnataka Text-book Society for whom these text-books were printed rejected (September 2006) 46,300 copies of text-books as several mistakes were noticed including change in the colour of national flag. The Department could not recover the cost of defective text-books from the agencies and instead reprinted 63,491 copies of the text-books at their own cost. Expenditure incurred on this was not ascertainable as the Department did not carry out the costing of the text-books printed. The Government stated (October 2007) that corrective measures were being implemented.

⁴ Forms are A2 size printing papers which are folded to A4 size after printing the required matter and bound to a text book.

5.1.8.3 Inordinate delay in publication of weekly gazettes

There was delay of 18 to 77 days in the publication of weekly gazettes

As per paragraph 298 of the Presses Manual, the Karnataka Government Gazette was required to be published every Thursday in English and Kannada and for this purpose, the Director was to ensure that the notifications to be published in the Gazette should reach him by Wednesday of the week preceding the week of publication. The Director, however, did not fix the due dates for completion of each operation viz., printing, gathering, binding and despatch of the material and prescribe watch registers at each stage to ensure their prompt publication. Consequently, delays ranging from 18 to 77 days occurred in the publication of gazettes and 45 notifications received during the period January-March 2007 were awaiting publication in the gazettes (31 March 2007).

The publication of notifications was not prioritised although many of these relating to land acquisition, tender, public service commission notifications were time specific having substantial financial/legal implications indicating lack of effective production controls in the Department. The Government stated (October 2007) that corrective measures were being taken to avoid delay.

5.1.8.4 Indiscriminate publication of extra-ordinary gazettes

9,174 extra-ordinary gazettes were published indiscriminately without observing the prescribed procedure

Paragraph 323 of the Presses Manual provides for printing extra-ordinary gazettes on occasions such as issuance of ordinances by the President of India/Governor of a State, proclamation of emergency, election notifications, etc., subject to approval of the concerned Secretary to the State Government. Contrary to these stipulations, the Director on his own published 9,174 extra-ordinary gazettes during 2002-07 which was on an average 1,835 per year in contrast to 52 regular editions of ordinary gazettes per year. No control measures such as prescribing a checklist of conditions to be fulfilled for printing extra-ordinary gazettes were also in place. The Government stated (October 2007) that corrective measures were being taken to minimise the publication of extra-ordinary gazettes.

5.1.9 Controls over consumption of inputs

5.1.9.1 Excess issue of printing paper

Excess issue of paper for printing text-books resulted in wastage of 200 MT of paper costing Rs.63.80 lakh

The Presses Manual (Paragraph 450) provided that the presses are required to maintain an Issue Register for supplying raw material such as paper, ink, plates, etc., in respect of each title of text book (docket-wise) so as to regulate the consumption of the raw material during production. It was noticed that the District Press-Tumkur printed 5.92 crore copies of text books during 2004-07 without maintaining docket-wise details of paper consumption. 14,130.41 MT of text-book paper and 1,181.78 MT of cover paper were debited in the stock register on an estimation basis for printing these text books. The requirement of paper as worked out in audit on test-check basis, for printing 81.11 lakh copies of 28 titles of these books alone worked out to 1,551 MT as against 1,751 MT of paper shown as issued in the stock register. This resulted in excess issue of 200 MT paper valued at Rs.63.80 lakh. This was indicative of non-compliance of controls over consumption of raw material/inputs on printing documents.

5.1.9.2 Excess printing of text books

Excess issue of paper resulted in printing extra 3.62 lakh copies of text-books

The Director supplied (April-December 2004) 10,815 MT of paper to the Kerala Presses without assessing the actual quantity of paper required to print 2.06 crore copies of text books although such quantification was required to be done as per paragraph 359 of the Presses Manual. No agreement was also executed with the Kerala Presses specifying submission of paper consumption account and return of unused paper. The number of text books printed by these presses was in excess by 3.62 lakh copies and no consumption account of the paper was furnished by the presses.

5.1.10 Costing of printed material/documents/text-books

In the absence of costing of both chargeable and non-chargeable works, financial performance of printing operations was not ascertainable

Paragraph 278 of the Presses Manual prescribed that the costing of both chargeable and non-chargeable works is done by the Presses on the basis of 'chargeable hours' spent on each work and material used thereon from the daily time summary sheets so as to know the financial performance of the printing operations undertaken. Review of records showed the following deficiencies in costing:

- Department conducted the valuation of only chargeable works (3,450 out of the total 14,973 works) during 2002-07 and the valuation of non-chargeable works was not conducted at all.
- 'Daily time sheets' which were required to be written up by each industrial employee and which are the basis to assess the work done by the Industrial Staff and for valuation of all works turned out in the Press, were not maintained although prescribed in paragraph 276 of the Presses Manual.
- The quantity and the quality of paper and the binding material issued to individual works in the test checked presses during the period 2002-07 were not recorded in the work docket as prescribed in the Presses Manual so much so, the correctness of the utilisation of paper charged off in the stock register was not verifiable.
- The Department did not work out the 'analysis of press cost' and 'hourly rates' for the job turned out by each machine reckoning all items of expenditure of printing as prescribed in the Presses Manual. In the absence of the proper assessment of the cost of printing and publication works, selling prices commensurate with the fixation of cost could not be ensured.

The Government stated (October 2007) that the costing procedure could not be fully implemented due to shortage of staff.

5.1.11 Sale/distribution of Government Publications

Books worth Rs.28.65 lakh were held in stock for more than three years without giving publicity for their sale

The Central Book Depot (CBD), Kenchenahally, Bangalore was a Service Department working as an agent to the Printing Department in respect of text-books/Government Publications. The CBD stocks all Government publications and Educational text books and sells them to the public by retail sale either directly or through recognised book sellers or supplies them to other Government offices. It may also stock and sell publications of Government of India and other State Governments under reciprocal arrangements.

- The Department had not updated the catalogue of publications after January 2002, against provisions in the Book Manual to prepare a catalogue and publish in news paper once in a month.
- Nineteen titles worth Rs.28.65 lakh (1.61 lakh copies) were held in stock in the book depots without sale for more than three years as no action was taken to give wide publicity as required in the Book Manual.
- Scrutiny of records of 13 titles consisting of 17,900 copies of forms and books valued at Rs.5.40 lakh which were transferred (December 2004) from other depots were not accounted for.

The Government stated (October 2007) that corrective measures were being taken in the matter.

5.12 lakh copies of text-books were lying undistributed for more than two years

Five lakh and twelve thousand copies of text-books relating to the academic year 2004-05 were lying undistributed for more than two years in District Press, Tumkur resulting in wasteful expenditure on their printing. Failure of the Department to distribute these to the Education Department for supply during 2005-06 academic year was indicative of the laxity of administrative controls, which resulted in wasteful expenditure on printing these books.

5.1.12 Inventory controls

Lack of inventory controls in the test-checked presses led to excess issue/non-accountal of printing paper, obsolete and deteriorating stocks of paper as detailed below:

5.1.12.1 Excess issue of printing/ballot paper

624 reams of buff paper were issued to DCs in excess of the ordered quantity

Paragraph 359 of the Presses Manual prescribe issue of stores material against receipt of valid indents endorsed by the competent authority. It was, however, observed that the Director issued (December 2004) 624 reams of buff paper to various Deputy Commissioners (DCs) in the State in excess of the actual quantity (822 reams) ordered by the State Election Commissioner. Another 99 reams of buff paper were issued to DCs of Kolar and Dakshina Kannada districts without any direction from the Election Commissioner. The prescribed procedure of necessary indents duly approved was not followed.

5.1.12.2 Irregular issue/non-accounting of paper

232 reels of paper including six reels of ballot paper were issued to a private press

Three hundred ninety three reels (valued at Rs.1.25 crore) and 8,087 reams (cost not available) of various quality paper were issued (2002-07) to different district presses as per the oral instructions of the Director. Out of this, 738 reams received back (April 2003) in District Press-Tumkur from Suburban Press-Kenchenahalli were not accounted for in the stock register. The Director did not ensure that the store transactions were posted in the receipt and issue registers as well as in the stores ledger as required under paras 359 and 360 of the Presses Manual. The District Press-Tumkur also issued (2002-07) 232 reels of paper (including six reels of cream wove ballot paper) valued at Rs.71.63 lakh to a private press based on the oral instructions of the Director in violation of the rules. The Government stated (October 2007) that the matter was being investigated.

Paper stock worth Rs.20.31 lakh was held in three Presses for 15 to 78 months without any use

5.1.12.3 Obsolete/deteriorating stock of paper

One thousand four hundred and five reams of printing paper of varying quality and size together with 2,514 kgs of Azorelidle quality paper and 58 reels of cream wove pink paper purchased during September 2000 to October 2005 at a cost of Rs.20.31 lakh were held in stock in two District Presses (Madikeri and Tumkur) and Suburban Press-Kenchenahalli for 15 to 78 months indicating procurement in excess of actual requirements. Non-disposal of accumulated paper stocks and their prolonged storage indicated lack of inventory controls. The Government stated (October 2007) that excess stock was being diverted to other presses where it could be effectively consumed.

5.1.12.4 Absence of physical verification of paper stocks

Paragraph 450 of the Presses Manual stipulates that the stock of paper in the paper room should be checked once in a month on the last working day by the stock verification officer or any gazetted officer authorized by the Director and submit the result to the Director. Monthly physical verification of paper stock was not conducted in any of the test-checked presses as prescribed in the Presses Manual nor the stock account of paper was closed daily.

5.1.12.5 Non-accounting of printed material

Paragraph 358 of the Presses Manual provided for accounting all printed material in the stock register of the Presses as well as the issues thereof. It was observed that the Director did not account for the receipt of 2.10 crore text books (free supply) from Kerala in the stock register nor maintained the details of their distribution to the concerned Deputy Director of Public Instruction (DDPI). The acknowledgement of the DDPIs were also not obtained by the Director. Consequently, the receipt and supply of these text books to students could not be verified in audit.

5.1.13 Assets records

Machinery and equipment worth Rs.4.11 crore was lying idle for one to nine years

The Directorate and the District Presses had not maintained the Asset Register showing the details of the properties owned. As a result, the Department was not aware of the actual assets, their safe custody and encroachment, if any.

Machinery and equipment valued at Rs.4.11 crore were lying idle for one to nine years for various reasons including repairs (**Appendix 5.1**) as at the end of March, 2007. The Department had not entered into an Annual Maintenance Contract for upkeep of machinery. The Government stated (October 2007) that the machinery would be repaired and put to use.

5.1.14 Manpower controls

There were 703 vacancies in the Department and no efforts were made to fill up these

There were 703 vacancies against the sanctioned 1,935 posts in 11 presses and the Department engaged 414 daily wage employees in these presses to work against some of these vacancies. However, the deployment of the daily wage staff was uneven as the Department engaged 376 workers at the three Government presses in Bangalore against 167 vacancies therein resulting in excess deployment of 209 persons. On the other hand, against 498 vacancies in the other eight Government presses, the Department deployed only 38 daily

wage staff indicating injudicious deployment of daily wage staff. The Government stated (October 2007) that action was being initiated to fill up the vacancies.

The erstwhile Coorg Government Press at Madikeri with old printing machinery was non-functional and the manpower was idling

The erstwhile Coorg Government Press at Madikeri was with no orders during the year 2006-07. There were 16 persons who worked on letter-press machines which had been rendered obsolete. The Department had neither modernised this press nor shifted the idle staff to other Presses where they could have been gainfully employed by imparting training in the operation of modern machinery. The inaction of the Department resulted in a nugatory expenditure of Rs.21.89 lakh on pay and allowances of the staff during 2006-07. The Government stated (October 2007) that action was being taken to make the press functional.

Nearly 50 *per cent* of the total posts sanctioned for costing section of the Government Central Press had remained vacant during the period 2002-07. As a result, important functions like preparation of *pro-forma* accounts, costing of non-chargeable works, closing of personal ledgers, analysis of press costs were neglected. The Government stated (October 2007) that proposals were being submitted by the Department to fill up the vacancies.

The Director irregularly diverted the services of daily wage and piece work staff to other Departments

The Director irregularly diverted (2002-07) the services of 28 daily wage and 34 piece work staff to other departments and Secretariat Offices and incurred an expenditure of Rs.51.52 lakh (towards wages of daily wage staff) without utilising their services for the jobs for which they were engaged. The necessary records in support of their deployment including the details of wages paid to the piece work staff during this period were also not available.

5.1.15 Monitoring

Monitoring of the working of presses was totally lacking in the Department

The Director was responsible for ensuring that all the District presses under his charge were functioning efficiently by conducting regular periodical inspections and also by scrutinising the periodical progress reports/returns received from them. There were instances of inadequate inspections, non-submission and belated submission of returns by the subordinate officers as detailed below;

5.1.15.1 Inadequate inspections

During the review period no inspection of the presses was conducted by the Director except of the Branch Press-Dharwad as required under paragraph 31(vii) of the Presses Manual. Thus, compliance by the subordinate officers with the prescribed rules and procedures was not ensured by the Director.

5.1.15.2 Delay/non-submission of returns/reports

Due to lack of monitoring there were cases of non-submission and delayed submission of periodical returns by the Branch Presses

Paragraph 533 of the Presses Manual provides submission of certain periodical returns by the branch presses. The paper account of the District presses was to be submitted to the Director on a monthly basis by the 10th of the following month. However, these returns were not sent to the Head Office by the District Press, Tumkur. Reports relating to progress and production was to be submitted monthly by 5th of the following month. Delays ranging from 10 days to 163 days were noticed every month in the submission of these reports by District Press, Tumkur.

List of pending works at the District Presses were to be submitted to the Directorate before 5th of every month. Neither the District presses had forwarded such returns nor did the Directorate insist upon submission of these returns during the period covered under review.

5.1.15.3 Non-monitoring/scrutinising returns at the Directorate

The Directorate had not maintained a control record to watch the date of receipt of returns from the concerned district presses. In the absence of these records, the Directorate had no mechanism to watch the delay and number of reports which were due. The returns so received by the District presses were also not scrutinised by the Directorate to assess the performance of the District Branch presses and take remedial action.

5.1.15.4 Updation of Departmental Manuals

The Departmental Manuals were not revised since December, 1971 though modern and specialised machinery was introduced in several presses. The letter-press technology was substituted by offset, web offset and digital technology in view of which the existing posts of compositors, machine minders, binders, etc., were obsolete and new posts such as DTP operators, offset printers with the latest technical know-how were to be created. The procedure and the provisions for various operations including costing were required to be revised in the light of introduction of the latest technology. The procedure and provisions contained in these manuals were found to be obsolete. The Government stated (October 2007) that effective monitoring methods were being formulated for implementation.

The Departmental Manuals were not updated since 1971

5.1.16 Internal Audit

Internal audit is an independent appraisal of operations to assess the internal financial, administrative and operational controls and help in implementation of adopted policies. In addition to the provisions of paragraphs 282 to 286 of the Presses Manual to have an Internal Audit Wing, the Finance Department also issued (December 1992) guidelines to improve the quality of functioning of Internal Audit Wing of Government departments to enhance fiscal discipline. No Internal Audit Wing was, however, constituted in the Department. The Government stated (October 2007) that a proposal had been received from the Department in this regard.

The Internal audit wing was yet to be established despite deficiencies in the financial and operational controls

5.1.17 Conclusion

Due to lack of budgetary controls, funds were diverted from one minor head of account to another to incur expenditure on unauthorised works. The Department did not prepare *pro-forma* accounts to know the financial performance of its operations. Inadequate and ineffective financial controls resulted in non-recovery of dues and grant of irregular discounts. Due to lack of production controls, there were instances of printing excess forms, issue of excess quantity of paper, reprinting of text books and discarding excess printed material leading to large scale wastage of raw material and labour. The costing of printing works undertaken for Government departments was not done to evaluate the cost effectiveness of the works. The manpower and

monitoring controls and internal audit arrangements were also wanting in the Department.

5.1.18 Recommendations

- Preparation of cost sheets of all chargeable and non-chargeable works and preparation of *pro-forma* accounts should be ensured to assess the financial results of the working of the Government presses.
- Maintenance of basic records relating to printing and publishing operations should be ensured as per the departmental Manuals.
- Expeditious action should be taken to assess *de novo*, the manpower requirement in all the Government presses in the light of induction of sophisticated machinery. Industrial staff in the presses should be trained in the latest printing technology and the deployment of daily wage staff also rationalised.
- The Internal Audit wing should be set up immediately and departmental Manual updated.

The replies furnished (October 2007) by the Government are incorporated at appropriate places.

**BANGALORE
THE**

**(USHA SANKAR)
Principal Accountant General
(Civil and Commercial Audit)**

COUNTERSIGNED

**NEW DELHI
THE**

**(VINOD RAI)
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