

CHAPTER V
INTERNAL CONTROL SYSTEM
IN GOVERNMENT
DEPARTMENTS

FINANCE AND ANIMAL HUSBANDRY DEPARTMENTS

5.1 Evaluation of Internal Control System and Internal Audit Arrangement

The Civil Accounts Manual provides for setting up of an efficient Internal Audit Organisation (IAO) in Government departments to ensure accuracy in accounts and efficiency in the operation of the accounts set up. The scope and function of IAO depends on the nature of work, the number of subordinate offices, the strength of the establishment, nature and quantum of expenditure, etc. The departments have to draw up a Manual of Internal Audit, specifying the duties and functions of the Organisation with particular reference to the conditions prevailing in the Department.

An evaluation of Internal Control System and Internal Audit Arrangement in the Directorate of Accounts and Treasuries (DAT) and the Animal Husbandry Department of the Union Territory (UT) Government disclosed the following:

Internal Control System

The Internal Control System envisaged by the Administrative Reorganisation Committee was not implemented

In the UT, the cadre of Junior Accounts Officers (JAOs) and Senior Accounts Officers (SAOs) were created in various attached offices for attending to the accounts and audit functions. As these JAOs/SAOs also carry out non-accounting functions, the Administrative Reorganisation Committee (Committee) in its report of 1986 recommended that they should be divested of other functions so that they could pay more attention to their accounts and audit functions. The Committee also recommended that (i) external inspections on the functioning of the departments should be carried out by the Special Officer, Personnel and Administrative Reforms (P&AR) for administrative inspections and DAT for financial and stores inspections, (ii) internal inspection of the Administrative Directorates should be conducted by the respective Directorates by forming Local Audit Units from the existing staff by resorting to a judicious reallocation of work among them and (iii) creation of a separate cadre of Audit Assistants in the office of the DAT to conduct regular financial audit of all departments. The following points were noticed in the Audit of Internal Control System:

5.1.1 The Inspection Cell in the Chief Secretariat with a Special Officer, P&AR has been entrusted to carry out administrative inspections of all attached and subordinate offices. The details of inspections carried out by the Cell during 1998-2003 was not furnished to audit to evaluate the work done by them.

5.1.2 Acts/Rules framed for the administration of temples/mosques and other autonomous bodies require DAT to audit the accounts of such institutions. Accordingly, an internal audit wing with a Deputy Director and four subordinate staff were formed. Due to dearth of staff, the wing was conducting the audit of the accounts of temples only. Besides, the wing conducted six¹² special audit during 1998-2000 based on the instruction from Finance Department. The reports sent to the Finance Department were in turn forwarded to the Secretaries of the Department concerned. However, the compliance was not followed up by the Finance Department.

5.1.3 A 'Directorate of Audit', exclusively for conducting financial inspection of 733 Government departments/offices, Public Sector Undertakings, Government aided societies was set up (February 2000) with one post of Director, two posts of Deputy Directors and 17 subordinate staff. Of this, 14 subordinate posts (Groups C and D posts) including seven Audit Assistants were filled up during January 2001 to May 2002. Test-check revealed that no programme has been chalked out to conduct the inspections periodically and no system was evolved to pursue the reports. The staff were not given any training. Thus, the inspection by the Directorate of Audit was not effective.

5.1.4 One Stores Superintendent assisted by one Stock Verifier in DAT, has been entrusted with inspections of stores maintained by various Government offices. Due to dearth of staff, the inspections were carried out only in 13 to 20 offices out of 300 offices during 1998-2003. No steps were taken to strengthen the stores audit wing and the objective of effective control was defeated.

Internal Audit Arrangement

Internal audit was not planned and the audit conducted was inadequate and ineffective

Out of 49 Heads of offices functioning with a number of sub-offices/units in the UT, the Internal Audit Wing was established only in nine offices¹³ by diversion of existing staff. Test-check of the internal audit arrangement in DAT and Animal Husbandry Department revealed the following:

5.1.5 No system prescribing an audit plan with periodicity of audit, duration of audit, the manner in which audit has to be conducted etc., has been evolved in either of the departments. Except the annual inspections carried out by the Director in the offices of Deputy Directors and Sub-Treasuries in outlying region and cash verification conducted in

¹² (1) Transport Department, (2) Government Automobile Workshop, (3) Pondicherry Adi-dravidar Development Corporation Limited, (4) Pondicherry Tourism and Transport Development Corporation Limited, (5) Pondicherry Agro Services and Industries Corporation Limited and (6) Pondicherry Khadi and Village Industries Board

¹³ (1) Election, (2) Labour, (3) Commercial Taxes, (4) Adi-dravidar Welfare, (5) Animal Husbandry, (6) Directorate of Accounts and Treasuries, (7) Revenue, (8) Agriculture and (9) Education

Treasuries and Sub-Treasuries in Pondicherry region, no other internal check was carried out.

5.1.6 Test-check revealed that the Sub-Treasury, Bahour is functioning without Sub-Treasury Officer from August 2003 and the service of the Superintendent who was to function as the Sub-Treasury Officer was placed at the disposal of the office of the Chief Minister but the salary was drawn by DAT. It was also noticed that the double lock key meant to be kept by the Sub-Treasury Officer has been kept by a clerk. Further, though the Government orders issued (March 1998) on revision of Family Pension to Ex-French pensioners stipulated that the order would not apply to those who have opted for French Nationality, the DAT revised the pensions of all the Ex-French Pensioners without ensuring this condition.

5.1.7 In the Animal Husbandry Department where the internal audit system functioned since 1998, only one sub-office (Joint Director of Animal Husbandry, Karaikal) was inspected during 1998-2003. The Senior Accounts Officer stated that inspection of other offices was not conducted due to administrative reasons. Though a compliance report was received from the auditee office in May 2000, test-check revealed that the observation regarding poor maintenance of Pay Bill Register was not complied with. Thus, the internal check system was ineffective.

Conclusion

5.1.8 The Internal Control System, which should be a management tool to ensure proper functioning of the departments with inbuilt checks and balances, had not been effective in achieving the objectives envisaged.

The matter was referred to the Government in January 2004; reply had not been received.