

## CHAPTER-V INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS

### SOCIAL WELFARE DEPARTMENT

#### 5.1 Internal Control System in Social Welfare Department

##### *Highlights*

*The main functions of the Social Welfare Department are to implement social welfare activities for educational, economical and social development of lower strata of society. The review revealed deficiencies in execution of welfare activities and observance of control measures leading to defective formulation of budgets, drawal of funds to avoid lapse of budget, non-receipt of utilisation certificates and inadequacies in maintenance and verification of cash book. Excess payment of post matric scholarship, improper management of hostels noticed in Audit were indicative of ineffectiveness and inadequacies of operational controls. System of Internal Audit was inadequate. Some of the significant points noticed were:*

There were savings of Rs 207.69 crore under non-plan during 2001-05 mainly due to formulation of budget based on sanctioned strength instead of working strength and Rs 23.57 lakh were unnecessarily drawn during 2004-06 to avoid lapse of budget.

*(Paragraphs 5.1.5 and 5.1.5.1)*

Heads of Offices did not carry out physical verification and surprise check of cash balances. Three district officers did not obtain fidelity guarantee policy from cashier and ten district officers had not obtained acknowledgement of Rs 1.55 crore paid through demand drafts.

*(Paragraph 5.1.6)*

During the years 2001-06, expenditure in the month of March constituted 25 to 36 per cent of the total expenditure of the relevant year.

*(Paragraph 5.1.7.3)*

Post Matric scholarship valuing Rs 17.23 lakh was paid irregularly by seven district officers.

*(Paragraph 5.1.7.5)*

Utilisation certificates of Rs 5.67 crore and Rs 2.91 crore were outstanding for period ranging between 1996-97 to 2004-05 from various departments and Non-Government Organisations, local bodies etc. as of 31 March 2006.

*(Paragraph 5.1.7.7)*

**During 2005-06 internal audit was conducted only to the extent of 29 per cent and no vigilance cell existed in the Department.**

*(Paragraphs 5.1.9)*

### **5.1.1 Introduction**

Social Welfare Department (SWD) plays a pivotal role in social development, especially of downtrodden strata of society. Internal Control System in an organisation is meant to ensure that its operations are carried out according to the applicable laws and regulations and in an economical and effective manner. A built in internal control mechanism and adherence to statutes, codes and manuals minimises the risks of errors and irregularities.

### **5.1.2 Audit Objectives**

The Internal Control System in vogue in SWD was reviewed with the objective to assess the adequacies and effectiveness of:

- Budgetary Controls
- Cash Controls
- Expenditure Controls
- Operational Controls
- Internal Audit System and Vigilance Mechanism

### **5.1.3 Organisational set up**

While administrative control of the Social Welfare Department vests with the Principal Secretary to the Government, the executive functions are performed by the Director who is assisted by two Joint Directors, two Additional Directors, 16 Deputy Directors (DDs<sup>1</sup>), 16 Assistant Directors (ADs<sup>2</sup>), 28 District Probationary and Social Welfare Officers (DPSWOs<sup>3</sup>) and other subordinate functional Officers. Accounts functions of the Department are performed by Chief Accounts Officer who is assisted by an Accounts Officer and four Assistant Accounts Officers.

### **5.1.4 Audit Coverage**

Audit scrutiny (February to June 2006) of the Internal Control System of SWD for the period 2001-06 was carried out in the office of Director and four<sup>4</sup> offices each of DDs, ADs and DPSWOs (total 12 districts) alongwith hostels falling under their jurisdiction. The deficiencies noticed are given in the succeeding paragraphs:

1. DDs (six at Directorate and 10 in districts)
2. ADs (one at Directorate, 13 in districts and two in other offices-Mahila Sadan, Jaipur and District Rehabilitation Centre, Kota).
3. DPSWOs (one at Directorate, nine in districts as incharge and 18 in the offices of DDs and ADs).
4. DDs at Bikaner, Jaipur, Jodhpur and Udaipur, ADs at Jalore, Sikar, Sirohi and Tonk and DPSWOs at Dausa, Churu, Karauli and Rajsamand.

## Financial Controls

### 5.1.5 Budgetary Controls

The Budget Manual (BM) of Government of Rajasthan envisages effective adherence to budgetary controls, which among other things, requires the administrative departments to prepare budget estimates based on actual working strength, spend within the budgeted amounts and surrender the anticipated savings in time. The position of budget allocations including financial assistance received from Central Government and expenditure for the years 2001-06 was as under:

(Rupees in crore)

Year	Budget provision				Actual expenditure				Saving (-)/Excess (+)			
	Non-plan	Plan	CSS	Total	Non-plan	Plan	CSS	Total	Non-plan	Plan	CSS*	Total
2001-02	254.02	70.81	71.31	396.14	160.66	64.86	103.22	328.74	(-) 93.36	(-) 5.95	(+)31.91	(-) 67.40
2002-03	261.49	92.94	101.30	455.73	178.90	91.83	36.97	307.70	(-)82.59	(-)1.11	(-)64.33	(-) 148.03
2003-04	195.55	134.61	76.55	406.71	180.84	111.82	62.70	355.36	(-) 14.71	(-) 22.79	(-) 13.85	(-) 51.35
2004-05	197.35	155.34	88.05	440.74	180.32	157.16	62.85	400.33	(-) 17.03	(+)01.82	(-) 25.20	(-) 40.41
2005-06	225.00	194.50	100.43	519.93	233.80	175.09	53.64	462.53	(+) 8.80	(-) 19.41	(-) 46.79	(-) 57.40
<b>Total</b>	<b>1,133.41</b>	<b>648.20</b>	<b>437.64</b>	<b>2,219.25</b>	<b>934.52</b>	<b>600.76</b>	<b>319.38</b>	<b>1,854.66</b>	<b>(-) 198.89</b>	<b>(-) 47.44</b>	<b>(-) 118.26</b>	<b>(-) 364.59</b>

\* Centrally Sponsored Schemes.

#### Defective budgeting leading to savings under Non-plan and CSS.

The above table indicates that there were savings under Non-plan during 2001-05, under Plan during 2001-04 and 2005-06 and under CSS during 2002-06. The main reasons advanced by the department for savings:

(a) Non-plan budget estimates were proposed as per sanctioned strength of manpower instead of the working strength as required in the BM and (b) under Plan was mainly due to slow progress in construction of residential schools and hostels and (c) under CSS was mainly due to improper estimation of amount required for post matric scholarship. These reasons are not tenable because the SWD failed to observe the BM provisions and savings in Plan and CSS reflected upon the SWD's operational and monitoring failures in implementation of the schemes.

#### 5.1.5.1 Drawal of funds without requirement

With a view to provide financial assistance to handicapped persons, subsidy on loan scheme called 'Vishwas' was introduced (2004-05) by the Department. Loans for starting own business were to be disbursed by the co-operative banks on the basis of sanctions issued by an authorised committee. After disbursement of loan, the banks were to claim 20 per cent of loan (maximum Rs 10,000 per case) as subsidy from the department.

**Rs 23.57 lakh were drawn and disbursed simply to avoid lapse of funds.**

Audit observed that though no loans had been disbursed, eight District Officers<sup>5</sup> drew subsidy amount (Rs 11.85 lakh) at the fag end of the financial

5. Bikaner, Jodhpur, Sirohi and Udaipur (Rs 0.60 lakh each), Jalore (Rs one lakh), Rajsamand (Rs 0.56 lakh), Tonk (Rs 1.60 lakh) during 2004-05 and Jaipur (Rs 3.33 lakh) and Rajsamand (Rs 2.96 lakh) during 2005-06

years and transferred the funds to the respective branches of Rajasthan State Scheduled Castes/Scheduled Tribes Development and Finance Cooperative Corporation Ltd. to avoid lapse of budget. Similarly, Rs 11.72 lakh were drawn (30 March 2005) by DD, Bikaner and transferred to Urban Improvement Trust (UIT), Bikaner for disbursement of subsidy to "Gadia Lohars"<sup>6</sup> although the construction of houses for them had not been started by UIT as of March 2006. This was in contravention of provisions of Rule 8 (3) of General Financial & Accounts Rules (GF&AR).

### 5.1.6 Cash Controls

**DDOs did not physically verify the cash and postage stamps balances.**

Rule 51 of GF&AR requires that at the end of each month and also once at any time during the month, DDO shall physically verify the cash balance as shown in the cash book. Test check revealed that none of the 13 DDOs test checked had carried out physical verifications. Similarly, in all the 13 offices the stock of postage stamps was not verified personally by the DDOs during 2004-06 as envisaged under GF&AR. Further, Rule 48 (iii) requires that the cash book be closed daily and checked by Junior Accountant or any other person (other than writer of the cash book). In six<sup>7</sup> offices cash book totals were not checked by officials other than cashier.

Rule 53 (1) of GF&AR requires that Government cash be kept in strong cash chests secured by two locks of different patterns. In office of the Juvenile Home, Jaipur, cash was not kept in double lock facilitating theft of Rs 19,609 in May 2003. The matter was under investigation (June 2006).

**Fidelity guarantee policy not obtained from cashiers.**

Rule 53 (2) of GF&AR requires that employees handling cash should provide fidelity guarantee policy from an insurance company. Audit scrutiny revealed that cashiers at three district offices<sup>8</sup> and six hostel superintendents at Jalore were handling cash without executing any fidelity guarantee policies.

**Acknowledgements of payments of Rs 1.55 crore made through demand drafts/banker's cheques were not received.**

Rules 80 and 117 (4) of GF&AR require that payments on Government Account, besides cash can also be made by cheques, bank drafts, etc. and the payments should be duly acknowledged. In 10 offices<sup>9</sup> test checked, acknowledgments of Rs 1.55 crore paid through bank drafts/banker's cheques during March 2005 and January 2006 were not shown to have been received (July 2006) by the offices concerned.

Rules 5 and 54 of GF&AR require that all monies received by or on behalf of Government shall be brought into Government Account and shall be remitted into treasury by challan. Test check revealed that bank drafts/banker's cheques worth Rs 1.15 lakh in four offices<sup>10</sup> pertaining to the period March 1983- April 1995 were lying with the DDOs and no action for their revalidation had been taken (March 2006).

---

6. A nomadic tribe engaged in profession of blacksmithy.

7. Churu, Dausa, Jalore, Rajsamand, Sirohi and Udaipur.

8. Jalore, Rajsamand and Sirohi.

9. Bikaner, Churu, Dausa, Jodhpur, Jalore, Karauli, Rajsamand, Sikar, Tonk and Udaipur.

10. Rs 0.72 lakh-Ajmer, Rs 0.13 lakh-Bharatpur, Rs 0.20 lakh-Jaipur and Rs 0.10 lakh-Jhalawar.

### 5.1.7 Expenditure Controls

#### 5.1.7.1 Failure to monitor expenditure of schemes transferred to Zila Parishads

Out of funds transferred to PD account of Zila Parishads Rs 2.01 crore were lying unutilised.

Implementation of various Departmental schemes relating to rural areas was transferred (November 2003) to *Zila Parishads* (ZP). Audit observed that against funds of Rs 9.47 crore transferred during 2003-06 by SWD to eight ZPs<sup>11</sup>, the unutilised balance in their Personal Deposit (PD) accounts as of 31 March 2004 was Rs 0.42 crore which increased to Rs 0.74 crore on 31 March 2005 and to Rs 2.01 crore on 31 March 2006. These balances worked out to 74 per cent, 18 per cent and 33 per cent of the funds that were available in the three respective years. Thus, the district officers responsible for monitoring of implementation of schemes and utilisation of funds by ZPs failed to exercise proper control. Moreover, the unutilised amount lying in PD account of ZPs was booked as utilised by SWD. This did not reflect true and fair picture of department's expenditure.

#### 5.1.7.2 Absence of reconciliation of remittances into treasury

Reconciliation of remittances into treasury was not carried out by the DDOs.

Rule 59 of GF&AR requires all Drawing & Disbursing Officers (DDOs) to arrange reconciliation of remittances made in a month into treasury within a month. Audit observed that except DPSWO, Rajsamand and the Directorate at Jaipur, none of the other 11 DDOs test checked carried out reconciliation with treasury. This increases the risk of discrepancies and fraud, if any, going unnoticed.

#### 5.1.7.3 Rush of expenditure during March

Rule 139 of BM emphasises that expenditure should be evenly phased out throughout the year and a rush of expenditure particularly in the closing month of the financial year should be avoided. The position of total expenditure *vis-a-vis* expenditure during last month of financial years 2001-02 to 2005-06 was as follows:

(Rupees in crore)

Year (i)	Total expenditure (ii)	Expenditure during March (iii)	Percentage of (iii) to (ii)
2001-02	328.74	94.60	28.78
2002-03	307.70	77.77	25.27
2003-04	355.36	99.61	28.03
2004-05	400.33	143.85	35.93
2005-06	462.53	128.46	27.77

There was rush of expenditure during the last month of the financial year.

Above table indicates that expenditure ranging from 25 to 36 per cent was incurred during last month of the financial years against an ideal of 8.33 per cent.

The BM provides for surrender of all anticipated savings to the Government as soon as they are foreseen but the Department surrendered savings on 31 March

11. Bikaner, Jaipur, Jalore, Jodhpur, Karauli, Sikar, Sirohi and Udaipur.

of the each financial year. In this respect, the Department, did not observe the financial controls prescribed through BM.

#### 5.1.7.4 Paid vouchers not stamped

**Paid vouchers were not stamped 'paid' or 'cancelled' by 12 out of 13 DDOs checked.**

Rule 119 of the GF&AR requires all paid vouchers be stamped 'paid' or shown 'cancelled' by the DDOs so that they cannot be used second time. Scrutiny revealed that in all offices (except Directorate at Jaipur) test checked, the paid sub-vouchers pertaining to the test checked months (March 2005 and January 2006) were not stamped 'paid' or 'cancelled'. As a result of which control mechanism prescribed for avoidance of misuse was rendered ineffective.

#### 5.1.7.5 Irregular and excess payment of scholarship

**There was excess payment of post matric scholarship Rs 17.23 lakh.**

District Officers are required to issue sanctions for payment of post matric scholarships to students of non-Government educational institutions in conformity with instructions issued by Government from time to time. It was observed that in 382 cases out of 7,138 cases test checked, seven District Officers did not exercise proper control over sanctioning of scholarships (reimbursement of course fee and payment of monthly maintenance allowance) during 2004-06 as detailed below:

(Rupees in lakh)

Sl. No.	Control failures in payment of post matric scholarships	Offices	Amount
1.	Scholarships for commercial pilot courses paid for two students without approval of Government of India	Jaipur	8.86
2.	Fee reimbursed in excess of prescribed limit (ranging from Rs 600 to Rs 16,250 per student) by including inadmissible items (369 students)	Jaipur Jodhpur Karauli Rajsamand	6.79
3.	Day-scholars were paid maintenance allowance at higher rates that was applicable to hostellers in 16 cases	Bikaner Jodhpur Churu	1.42
4.	Scholarship paid to one ineligible student	Dausa	0.10
5.	Scholarship was paid to a student of another State	Churu	0.06
<b>Total</b>			<b>17.23</b>

Thus, non-observance of admissibility and entitlement of scholarship by District Officers resulted in excess payment of Rs. 17.23 lakh during 2004-06.

#### 5.1.7.6 Irregular payment of financial assistance

SWD introduced (April 2005) 'Anuprati Yojana' for providing financial assistance Rs 50,000 per student to SC/ST candidates passing Civil Services (Preliminary) Examination conducted by Union Public Service Commission. The assistance was to be provided to candidates for taking coaching for Civil Services (Main Examination) from registered coaching institution only. However, DPSWO, Dausa and AD, Sikar sanctioned (2005-06) and disbursed Rs 2 lakh to four students who had taken coaching from unregistered institutions (three students) and to a student even before passing the Civil

Services (Preliminary) Examination. Thus, the officers failed to exercise control over sanction and disbursement of financial assistance.

#### 5.1.7.7 Non-receipt of utilisation certificates

Utilisation certificates worth Rs 8.58 crore from various departments and NGOs, local bodies etc. were not obtained.

General Financial and Accounts Rules require all departmental officers to keep a close watch on utilisation of funds transferred to other executing agencies and obtain utilisation certificates (UCs) in time. Audit scrutiny revealed that against amounts transferred during 1996-2005 to various executing Departments, NGOs and local bodies UCs for Rs 8.58 crore<sup>12</sup> were still pending as of March 2006 as given below:

(Rupees in crore)

UCs due from	Year									Total
	1996-97	97-98	98-99	99-2000	2000-01	01-02	02-03	03-04	04-05	
Government Departments/bodies	0	1.02	0.77	0.05	0.10	2.90	0	0.27	0.56	5.67
NGOs/ Local Bodies	0.04	0	0	0.02	0.14	0.02	0.19	0.51	1.99	2.91
<b>Total</b>	<b>0.04</b>	<b>1.02</b>	<b>0.77</b>	<b>0.07</b>	<b>0.24</b>	<b>2.92</b>	<b>0.19</b>	<b>0.78</b>	<b>2.55</b>	<b>8.58</b>

Thus, the departmental officers failed to exercise close watch over timely receipt of utilisation certificates/utilisation of funds.

#### 5.1.7.8 Non-adjustment of excess funds released to hostels

Scrutiny of records of 143 out of 602 departmentally run hostels for students belonging to SC, ST, Scavengers and nomadic tribes studying in class six to twelve, revealed that savings of Rs 14.18 lakh had accumulated (as of 31 March 2006) in 24 hostels of four districts.<sup>13</sup> Besides, in two districts grants released to five hostels<sup>14</sup> on the basis of their sanctioned capacity instead of actual inmates residing, resulted in excess release of funds (2005-06) Rs 2.15 lakh. The excess savings in these cases were neither utilised for developmental works nor adjusted against future installments as envisaged in the scheme. In case of seven hostels, Rs 1.99 lakh<sup>15</sup> were spent in excess due to prescribed limit of Rs 675 per month per student being exceeded (upto Rs 1,018). Responsibility in this regard was also not fixed.

12. District Rural Development Agencies (Rs 2.65 crore), Avas Vikas Sansthan, Jaipur (Rs 0.03 crore), Leprosy Home, Jaipur (Rs 0.07 crore), Public Works Department and Public Health Engineering Department (Rs 2.90 crore), Government Colleges (Rs 0.02 crore), 103 NGOs (Rs 2.75 crore), 9 Local bodies (Rs 0.16 crore).
13. Two hostels in Jaipur (Rs 0.65 lakh), four in Sikar (Rs 2.72 lakh), five in Sirohi (Rs 2.42 lakh), 13 in Udaipur (Rs 8.39 lakh).
14. Two in Jaipur (Rs 0.34 lakh) and three in Sirohi (Rs 1.81 lakh).
15. One in Udaipur (Rs 0.23 lakh) and six in Rajsamand (Rs 1.76 lakh).

## 5.1.8 Operational Controls

### 5.1.8.1 Running of Hostels

**Basic facilities/  
services were  
not provided in  
hostels.**

Social Welfare Department runs 602 Government hostels and also provides grant-in-aid to 95 hostels run by NGOs. Various activities of hostels including educational development, health, discipline etc. relating to students are managed by hostel superintendents in coordination with district officers under provisions of 'Running of Government and Grant-in-aid Hostels Rules, 1982'. District Officers, release funds for hostels and also are required to check the hostels every month. Audit scrutiny of 163<sup>16</sup> hostels (143 Government and 20 others) in all the districts test checked revealed following deviation and cases of violation of rules:

- No teachers of English and Mathematics were engaged in any hostel for imparting tuition.
- In 115 hostels regular monthly health check up was not provided.
- In 18 hostels, the District Officers did not check the hostels regularly every month as required under the Rules.
- Annual disciplinary-cum-performance reports of students were not prepared for submission to District Officers.
- No suggestion books were maintained in 57 hostels.
- No vocational training was provided in 145 hostels.

Under the Rules, every hosteller is to be given one cot or wooden plank, and other sundry items. In the 163 test checked hostels, availability of cot/wooden planks was 50.35 *per cent* and of sundry items such as blankets, iron box or almirah, darri and plates etc. ranged from 12.70 *per cent* to 91.50 *per cent* as of 31 March 2006. Thus, even basic facilities to the hostellers were largely denied.

**Quarterly grants  
to hostels were  
released after  
delay of one to  
more than five  
months.**

According to the Rules for running of hostels, grants are to be released on quarterly basis in advance of commencement of the next quarter. Test check of records of 143 hostels revealed that grants were released late by one to five months in case of 82<sup>17</sup> hostels during 2004-05 and 96 hostels<sup>18</sup> during 2005-06. Reasons for delayed release of installments are awaited (September 2006).

Every hosteller is entitled for school uniform including shoes. Amount for purchase of uniform is to be released annually in July so that all students get uniform at the beginning of the academic session. Audit scrutiny revealed that

- 
16. Bikaner (20), Churu (13), Dausa (12), Jaipur (10), Jalore (13), Jodhpur (16), Karauli (7), Sikar (9), Sirohi (10), Rajsamand (5), Udaipur (33) and Tonk (15).
  17. 2004-05: Churu, Jodhpur and Sirohi-seven each, Jalore and Sikar-six each, Bikaner 15, Jaipur-two, Rajsamand-five, Tonk-13 and Udaipur-14.
  18. 2005-06: Churu and Jodhpur-eight each, Tonk and Udaipur-14 each Bikaner-17, Jaipur-six, Jalore-seven, Rajsamand-five, Sirohi-10 and Sikar-seven.



in case of 50<sup>19</sup> hostels (24 during 2004-05 and 26 during 2005-06) the grants for uniforms were released with a delay of one to five months.

#### 5.1.8.2 Delay in disbursement of scholarships

**Post matric scholarships were paid with delays of one year.**

Director, Social Welfare (DSW) directed (July 1995) that first instalment of post matric scholarship, in case of fresh scholars, was payable by October and in renewal cases within one month of sanction and thereafter bimonthly. In the 12 districts test checked, scholarships aggregating Rs 46.04 crore<sup>20</sup> were paid after a delay of one year i.e., scholarship for 2003-04 was paid during 2004-05 and so on due to delay in allocation of funds by the Directorate to District Officers. This had caused undue hardship to students.

In three<sup>21</sup> districts test checked, mandatory verification of income of parents in 271 cases was not carried out for sanctioning scholarship to students who were admitted in private colleges under higher fee structure.

#### 5.1.8.3 Absence of control over grant-in-aid released to NGOs

**Grants-in-aid were released to NGOs without ascertaining their entitlement.**

With a view to provide proper care and attention to disabled, infirm, handicapped, poor, and old age persons through NGOs a scheme called '*Bhakt Shrawan Kumar Kalyan Yojana*' (previously scheme was titled as day care centre, introduced from 1997) was introduced (September 2004). It was observed that one NGO at Jaipur was extended grant of Rs 5.01 lakh<sup>22</sup> during 1999-2004, though the NGO served and utilised the grants for retired officers of State Government only.

Though the scheme was specifically targeted for disabled, infirm and old age persons, utilisation of funds for retired Government servants, indicated weakness in scheme of disbursement of funds and lack of control over the funds released to NGOs.

#### 5.1.8.4 Physical verification of stores not carried out

**Annual physical verification of stores was not carried out regularly.**

Rules 12 and 13 of GF&AR-Part-II, requires that physical verification of stores and stock should be carried out annually by a team of Director of Inspection, Government of Rajasthan. It was observed that physical verification of stores at Directorate, Jaipur and district offices at Churu, Sikar, Sirohi and Jodhpur has not been carried out since 2003-04.

Permanent store articles of Pre-Examination Training Centres closed in December 2005, have neither been taken in regular stores nor put to alternative use by district offices at Sikar (value Rs 0.95 lakh) and Churu (Rs 0.45 lakh). Permanent store articles worth Rs 1.55 lakh (Hindaun City: Rs 0.26 lakh and Malpura: Rs 1.29 lakh) were issued (2004-05) to

19. 2004-05: Churu, Jalore, Rajsamand and Sikar three each and Tonk 12  
2005-06: Churu-four, Sikar and Jalore-three each, Rajsamand-two and Tonk-14.
20. 2003-04: Rs 9.98 crore, 2004-05: Rs 18.80 crore and 2005-06: Rs 17.26 crore.
21. Jaipur, Jodhpur and Rajsamand
22. 1999-2000 : Rs 1.08 lakh, 2000-01: Rs 1.01 lakh, 2001-02 : Rs 1.04 lakh, 2002-03 : Rs 0.96 lakh and 2003-04 : Rs 0.92 lakh.

Superintendents of closed hostels under control of District Officers, Karauli and Tonk respectively were lying unutilised (March 2006).

### 5.1.9 Internal Audit and Vigilance Mechanism

Internal Audit of the Department is conducted by two teams each comprising one Assistant Accounts Officer and two Junior Accountants who report their findings to Chief Accounts Officer. Internal audit reports are issued by Chief Accounts Officer to audited units for carrying out remedial action. The year-wise position of outstanding paras as of 31 March 2006 was as under:

Year of Report	Outstanding Reports	Paras
Upto 2002-03	1,591	8,787
2003-04	35	343
2004-05	21	287
2005-06	28	404
<b>Total</b>	<b>1,675</b>	<b>9,821</b>

**9,821 paras of 1,675 Inspection Reports of Internal Audit were outstanding for want of compliance.**

The above table depicts that there were 9,821 paragraphs pending for want of compliance indicating poor response of audited offices to internal audit and poor persuasion for compliance by Internal Audit wing.

Periodicity of Internal Audit was one year but audit of all the selected units was not conducted annually. The position of audited units vis-à-vis shortfall was as follows:

Year	Total auditable units	Units audited during the year	Percentage of shortfall
2003-04	71	32	54.93
2004-05	81	32	60.49
2005-06	83	24	71.08

The percentage of shortfall of audit increased from 55 during 2003-04 to 71 during 2005-06. Delay in internal audit increases risk, possibilities of non-detection or late detection of financial and administrative irregularities. There was no manual for conducting internal audit in the Department. Training to staff for conducting effective internal audit was also not provided.

**No vigilance cell was established.**

Government of Rajasthan, decided (March 2001) to appoint Chief Vigilance Officers (CVO) in selected major Departments including SWD for maintaining transparent, honest and corruption free set up of administration. CVO is required to keep vigil over expeditious disposal of departmental inquiries, investigations and prosecutions. However, no CVO has been appointed in the Department (July 2006). This contributed to:

(a) pendency of disciplinary proceedings in 198 cases (February 2006) for periods ranging from one to 21 years.

(b) delay in finalising 233 cases (registered during 1992 to 2005) by the inquiry officers after periods ranging from one year to more than 10 years against prescribed period of six months.

(c) delays ranging from one year to 10 years in appointing the inquiry officers in 33 cases against provision of immediate commencement of inquiry after registration.

Twenty one officers/employees were under suspension (July 2006) on various charges of illegal gratification/misappropriation and tampering of records etc. for a period ranging from one to 10 years. The Department failed to dispose these cases expeditiously and they are pending at various stages of prosecution.

#### **5.1.10 Conclusion**

The internal control mechanism in the department was weak. The budgetary controls were ineffective as large savings were observed mainly on account of budget estimates being prepared on incorrect inputs. Department's inability to properly monitor the progress of construction of residential schools and hostels resulted in large savings on the plan side. Cases of drawal of funds without immediate requirements, in contravention of financial rules were noticed. The cash controls prescribed were not adhered to, as the physical verification of cash and other checks were not done in test checked offices, employees working as cashiers had not furnished fidelity guarantee policy. The system of obtaining acknowledgements for payments made through cheques/demand drafts was not in existence in a large number of offices. Failure to monitor expenditure, that was incurred by *Zila Parishads*, absence of reconciliation of remittances and non-stamping of paid vouchers indicated the deficiencies in expenditure control. These coupled with cases of non-receipt of utilisation certificates, irregular payment of financial assistance and non-adjustment of excess payments released to hostels indicated systemic weaknesses in expenditure control. Evaluation of operational controls revealed that there were deviations and violations of rules in running of hostels. Monitoring of disbursement of scholarship was inadequate and lack of control over release of grant to NGOs in the absence of physical verification of stores indicated systemic weakness in operational controls.

Internal audit was rendered ineffective as only 29 *per cent* of units due was conducted during 2005-06 and 1,675 internal audit reports containing 9,821 paras were pending for settlement as of 31 March 2006. In the absence of a vigilance cell in the Department, no discipline or accountability could be enforced.

#### **5.1.11 Recommendations**

- Scrutiny of budget proposals received from lower formations should be properly carried out to avoid excessive savings/excess.

- Physical verification and surprise check of cash balances should be carried out regularly and fidelity guarantee policies from the Cashiers should be obtained.
- Acknowledgements of payments made through demand drafts/banker's cheques should be obtained.
- While sanctioning scholarships departmental officers should scrupulously follow the provisions of rules, regulations, circulars and orders to avoid excess payments.
- The internal audit wing should be strengthened so that there is no shortfall in coverage of planned units.
- For expeditious disposal of disciplinary proceedings and other departmental cases a vigilance cell may be established in the department.

The matter was referred to the Government in June 2006; reply had not been received (September 2006).

**JAIPUR,  
The**

**(SANJEEV SALUJA)  
Pr. Accountant General (Civil Audit), Rajasthan**

**Countersigned**

**NEW DELHI,  
The**

**(VIJAYENDRA N. KAUL)  
Comptroller and Auditor General of India**