

CHAPTER V INTERNAL AUDIT SYSTEM

HIGHER EDUCATION DEPARTMENT

5.1 Internal Audit System of the Directorate of Collegiate Education

A review of the effectiveness of the Internal Audit Organisation of the Directorate of Collegiate Education revealed large number of vacant posts due to diversion, huge arrears in audit, delayed issue of Audit Reports and non-settlement of pending audit objections due to ineffective monitoring.

Introduction

5.1.1 In response to the growing concerns of financial analysts, governance experts and the civil society at large with regard to the debilities of internal control system in governance structures, increasing attention is being paid by audit to the efficacy of the internal control systems. Evaluation of the effectiveness of internal audit forms part of a wide spectrum of measures devised for the purpose by the Comptroller and Auditor General of India. It has been considered useful to select a single department every year for evaluating the Internal Audit System. Evaluation of the Internal Audit System of the Directorate of Collegiate Education of the Government of Tamil Nadu is the first in this chain. It is clarified that internal audit is an integral part of the Administration that carries out the basic internal auditorial functions for the management. Unlike statutory audit, it is not independent of the management control and hence debilities in the internal audit system would have to be seen as debilities in the administrative accountability structure. Greater effectiveness of internal audit, by implication, would ensure greater efficiency of Administration and consequently would attract lesser criticism from Statutory Audit. Systems and procedures would be corrected on an ongoing basis, providing a concurrent support system to administration.

Organisational set up

5.1.2 The Directorate of Collegiate Education (DCE) is functioning from 1965 to cater specifically to the needs of the University Higher Education in Tamil Nadu. All the Government Arts and Science Colleges are administered directly by the Director of Collegiate Education and the Aided Colleges are administered through the Joint Directors located at Chennai, Madurai, Tiruchirappalli, Tirunelveli, Coimbatore and Vellore. The number of colleges in the state was 229 (67 Government Colleges and 162 Aided Colleges) as of March 2003.

5.1.3 The Director is the Head of the Department. He is assisted by the Joint Director (Planning & Development), Joint Director (Finance),

Financial Adviser & Chief Accounts Officer etc. The Regional Offices are located at six centres and each is headed by a Regional Joint Director, with one Assistant Director and one Accounts Officer.

5.1.4 Each Government Arts and Science College is headed by a Principal who is assisted by one Bursar in financial matters. Similarly, Government Colleges of Education are administered by the respective Principals. The private aided colleges are administered by the Secretaries and Principals of the respective colleges. The Regional Joint Director is required to inspect and check the financial accounts and other records maintained by the Colleges.

Internal Audit set up

5.1.5 The Directorate of Collegiate Education has one Internal Audit Section under the control of the Financial Adviser & Chief Accounts Officer (FA&CAO), who is assisted by one Assistant Director assisted by one Superintendent, one Assistant and one Junior Assistant. The Internal Audit Wing is required to conduct the audit of 14 Grade I Government Arts and Science Colleges, audit of Directorate and audit of the six Regional Offices. The audit party located in each regional office is required to conduct the audit of the accounts of the private aided colleges every year and also the audit of the Grade II Government Arts and Science Colleges. Each audit party consists of one Superintendent, one Assistant and one Junior Assistant and the audit report is submitted to the Regional Joint Director through the Accounts Officer. All the 229 Colleges under the Department are covered by seven Internal Audit Parties.

Scope of review

5.1.6 The scope of the review was to evaluate the functioning of the Internal Audit Organisation (IAO) of the Department. The review was conducted during September 2003 in the Offices of the Director of Collegiate Education, Regional Joint Director of Collegiate Education and eleven colleges (8 Government and three private aided colleges) functioning in Chennai*.

Performance of the IAO

5.1.7 The staff strength of the Internal Audit parties was 42 (14 Superintendents, 14 Assistants and 14 Junior Assistants). However there is no specific order either from the DCE or from the Government for this norm. As against this strength, the number of vacant posts was 16 (38 *per cent*) since 1999. The Director attributed the vacancies to diversion of the staff for other purposes. This has an adverse impact on the effectiveness of the Internal Audit Wing as would be evident from the subsequent paragraphs.

* Presidency College, Bharathi Women's College, Queen Mary's College, Government Arts College (Men), Quaid-e-Millet Government College (Women), Dr. Ambedkar Government Arts College, Lady Wellington Institute of Advanced Study in Education, Institute of Advanced Study in Education, Stella Maris College, Ethiraj College for Women and Women's Christian College

5.1.8 Though the Directorate envisages that previous year's transactions are to be audited in the current year, this was not ensured, as would be evident from the following table, as of August 2003. A total of 620 accounts were yet to be audited, the earliest relating to 1998–99.

Sl. No.	Name of the Region	Number of Colleges		Completed upto			
		Government	Aided	Government		Aided	
				No. of Colleges	Year	No. of Colleges	Year
1	Chennai	5	27	4	2001 - 2002	4	1999–2000
						12	2000 – 2001
						10	2001 – 2002
2	Vellore	8	10	4	1998 - 1999	5	1998 – 1999
				4	1999 - 2000	5	1999 – 2000
3	Madurai	10	42	6	1999 – 2000	12	1999 – 2000
				4	2000 - 2001	30	2000 – 2001
4	Tiruchirappalli	15	22	1	1997 - 1998	1	1997 - 1998
				6	1998 – 1999	2	1998 - 1999
				3	1999 – 2000	1	1999 – 2000
				3	2001 – 2002	2	2000 - 2001
						12	2001 – 2002
5	Coimbatore	14	24	10	1998 – 1999	13	1999 – 2000
				3	1999 – 2000	9	2000 - 2001
				1	2000 - 2001	2	2001 - 2002
6	Tirunelveli	1	37	1	1999 – 2000	7	1997 - 1998
						25	1998 - 1999
						5	1999 – 2000
7	Directorate Audit Party	14	-	Regular			
				2	1997 - 1998		
				3	1999 - 2000		
				1	2000 - 2001		
				8	2001 – 2002		
				Autonomous			
				5	1999 - 2000		
2	2000 - 2001						
1	2001 - 2002						

5.1.9 Internal Audit of the offices of the Regional Joint Directors was also in arrears, as of August 2003.

Region	Year upto which audit completed
Madurai	1997 – 1998
Tiruchirappalli	1998 – 1999
Chennai	1999 – 2000
Coimbatore	2000 – 2001
Tirunelveli	2001 - 2002
Vellore	2001 - 2002

5.1.10 Due to delay in completion of audit not only is the effectiveness of the audit lost but also the objectives are not achieved. To the

extent of arrears in audit in respect of private colleges, the possibility of release of excess grant cannot be ruled out.

5.1.11 Generally five days are programmed for the audit of one year's accounts. The adequacy of this norm was not reviewed by the Directorate.

Delay in issue of audit reports

5.1.12 No specific time limit has been fixed for issue of audit reports on completion of audit. There was delay of more than one month in the issue of audit reports as mentioned below:

Sl. No.	Name of the College	Years of accounts audited	Audit completed in	Date of receipt of audit report by the institution
1.	Queen Mary's College	1998 – 2001	March 2002	18.7.2002
		2001- 2002	January 2003	5.3.2003
2.	Lady Wellington Institute of Advanced Study in Education	1996 – 1999	October 2002	31.3.2003
		1999 –2002	December 2002	
3.	Stella Maris College	1986 –1992	May 2000**	8.9.2000
		(Re audit)		
		1997 – 1999	February 2001	6.9.2001
		1999 – 2001	August 2001	6.9.2001
4.	Bharathi Women's College	1998 – 1999	February 2000	12.5.2000
		1999 – 2002	July 2002	11.10.2002
5.	Women's Christian College	2000 – 2001	March 2003	30.4.2003

5.1.13 Audit reports have not been received by two Colleges, even after a lapse of more than one year from the dates of audit as of September 2003. The details are indicated below:

Sl. No	Name of the College	Year of Accounts audited	Audit completed in
1	Institute of Advanced Study in Education	1997 – 1999	December 2001
		1999 – 2002	October 2002
2	Government Arts College (Men)	1998 – 1999	December 2001
		1999 – 2002	May 2002

Such delay in issue of audit report will diminish the efficacy of internal audit, since action on the deficiencies pointed out will be correspondingly delayed.

Status Report of Internal Audit

5.1.14 The Status Report for 2000-2001 on the internal audit functions in the Directorate of Collegiate Education was submitted in November 2001. The Status Report dealt with the activities, schemes, serious irregularities noticed in audit, results of stock verification, pendency of audit objections etc.

** Audit for these years was conducted from 5.7.1993 to 30.7.1993 and 2.8.1993 to 13.8.1993. No Reports were, however, received by the College.

5.1.15 The Status Report for the year 2001-2002 has not been prepared by the Assistant Director (I.A) so far (September 2003).

Main irregularities found during Internal Audit

5.1.16 An amount of Rs 2.75 lakh was defalcated by the Assistant working in the Government Arts College, Ooty during 1995–98. He failed to remit Rs 1.71 lakh collected into the Personal Deposit account. He also entered in the cash book less amount than what was withdrawn from the Personal Deposit account, to the extent of Rs 1.04 lakh. Similarly, the same official had defalcated Rs 18,000 during July and August 1998. Although he collected Rs 54,037 from students towards tuition fees, laboratory fines etc., only Rs 36,037 was remitted into the bank. This was possible since the Bursar did not reconcile the figures with the treasury as required.

5.1.17 The Personal Deposit Accounts are maintained in every Government College to accommodate Personal Deposit I account (extracurricular activities) and Personal Deposit II account (non - extracurricular activities). The balance in the Personal Deposit account as per the college records had not been reconciled with the treasury balance in respect of three colleges. Audit found that there were differences as shown in the table below. This indicated negligence.

Sl. No.	Name of the College	Year of the Audit report	P.D account	Figures as per	
				Cash Book Rs.	Pass Book Rs.
1	Sethupathi Government Arts College, Ramanathapuram	1998 - 1999	I	3,38,034	22,26,195
			II	7,91,641	4,58,963
2	V.S.S Government Arts College, Pulankurichi (Sivagangai district)	1997 – 1998	I	1,22,373	1,19,272
			II	1,31,950	1,72,531
3	Government Arts College, Melur	1998 - 1999	I	2,11,296	2,22,210
			II	3,57,362	3,01,104

5.1.18 The Internal Audit Wing failed to conduct stock verification although it was required.

5.1.19 No consolidated report about the pending paragraphs of internal audit as of March 2003 was available in the Directorate. Further, the yearwise details of paragraphs were not available, indicating weakness in monitoring compliance to the objections raised. As per the Status Report for 2000 – 2001 the number of paragraphs pending as on 31.3.2001 was 10,259 involving an amount of Rs 4.80 crore.

5.1.20 There is no sound system either in the Directorate or in the Regional Joint Director of Collegiate Education in Chennai to watch the issue of audit reports, watch replies and settle the objections.

Deficiencies noticed by Audit but not by the internal audit

Differences between expenditure figures of Colleges and Pay and Account Offices (PAOs)

5.1.21 Audit observed that there were differences between the expenditure figures in the records of two colleges test-checked (Queen Mary's College and Bharathi Women's College) and the expenditure figures booked by the PAOs. These differences are shown in Appendix LII. After reconciliation of figures, colleges send Alteration Memoranda to the PAOs to rectify the misclassification; but the colleges did not ensure that the PAO rectified the errors. In fact, the PAO was required to communicate the corrections made by him in the accounts to the departmental officers, as laid down in the Madras Account Code Volume II.

Difference between balances in the Personal Deposit Accounts with the figures in PAO

5.1.22 Amounts received by way of SC/ BC/ MBC scholarship, library fees, sale of application forms, examination fees etc., are deposited in PD account II. Withdrawals are made from this account to disburse scholarships and to meet other expenses. Audit check of records disclosed that the PD Account II balances were not reconciled with the PAO from 1992-93 onwards in respect of Presidency College. In Queen Mary's College there was a difference of Rs 8,370 as of March 2002 under Personal Deposit Account I. (college figure Rs 27,82,621 and the PAO figure Rs 27,74,251). The Government Arts College (Men) and the Bharathi Women's College had not given the certificate of acceptance of balance as on 31.3.2003 to the PAO.

5.1.23 Audit found that in the PD Account II maintained by the Presidency College there was an item "Suspense Account" with the balance of Rs 4,26,059 as on 31.3.2002. The College did not know the circumstances under which the suspense account was created.

5.1.24 Scrutiny of the PD Account II cash book maintained by the Queen Mary's College disclosed that there were differences between the figures of the college and that of the PAO for a long time. To rectify this, a decision was taken by the Principal to accept the PAO balance as on 30.9.1998 so as to avoid the differences between the two figures in future. However, the difference continues to be shown as Rs 99,592. The Principal of the college stated that the records of the transactions which related to old periods were being traced.

5.1.25 No joint sitting was convened with the college authorities since 1998 for settlement of pending audit objections. The diversion of 16 posts out of 42 sanctioned ministerial posts to other purposes indicates that due importance was not given to Internal Audit diluting its effectiveness.

5.1.26 The above points were referred to Government in November 2003; Government generally accepted the facts and stated (January 2004) that the Director of Collegiate Education has taken effective steps to set right the deformities/discrepancies in the accounts matter of Director of Collegiate Education/Regional Joint Director of Collegiate Education/Colleges.

REVENUE DEPARTMENT

5.2 Internal Audit in Registration Department

5.2.1 The Internal Audit Wing of the Registration Department is functioning since September 1981 under the overall control of Inspector General of Registration. The objectives of internal audit include plugging of leakage of revenue.

5.2.2 The Deputy Inspector General of Registration of each zone, under whom the auditee institution viz., Registrar/Sub-Registrar Offices are functioning, monitor the performance of 45 audit parties by conducting monthly Audit Committee meetings. The reports of the Audit Committee meetings are reviewed periodically by the Inspector General of Registration.

5.2.3 However, it is observed that pendency of internal audit reports in 50 Registration District Offices as on 31 March 2003 was as follows:

Year	Number of Inspection Reports	Number of objections	Amount (Rupees in crore)
Upto			
1999-2000	846	3230	2.49
2000-2001	243	864	0.21
2001-2002	230	1108	0.45
2002-2003	386	2196	0.61
Total	1705	7398	3.76

5.2.4 The above arrear position reveals that there was no effective monitoring of the performance of the internal audit parties, despite the fact that it was being reviewed monthly by Audit Committee of the Department.

5.2.5 The matter was reported to the Department/Government in October 2003; reply had not been received (January 2004).

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