

CHAPTER IX :INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ARRANGEMENT IN GOVERNMENT DEPARTMENTS

9.1 Internal control System in Labour and Employment Department

Introduction

9.1.1 Internal control is the process by which an organisation governs its activities to effectively and efficiently accomplish its objectives. The existence of an adequate system of internal control minimises the risk of errors and irregularities. With this, an organisation may protect its resources against loss due to waste, abuse, mis-management, errors and fraud, and other irregularities. An organisation is to ensure that controls are in place and applicable statutes and regulations are complied with and probity and propriety are observed in decision making.

Audit coverage

9.1.2 To evaluate the internal control system, both administrative and financial, in the State Government during the last five years (i.e., from 1998-99 to 2002-03), a test-check was conducted (August 2003) in the Labour and Employment Department in its two Directorates out of its two Directorates and one Organisation*. The findings are given in the succeeding paragraphs.

Consolidated instructions on internal control

9.1.3 The department did not have any consolidated instructions as to the controls to be exercised at different levels.

The Finance Department also could not furnish (August 2003) the details of measures adopted/prescribed by the State Government in respect of internal control, as well as policies and procedures framed by it to ensure a reliable internal control system both in regard to budgetary control and administrative control.

The General Administration (Administrative Reforms) Department had published a Manual of Office Procedure and circulated it to all concerned for compliance.

Compliance with provisions of the Manual of Office Procedure

9.1.4 Test-check of records of the two Directorates under the Labour and Employment Department, as well as replies furnished by the Directorates to Audit revealed non-compliance with the provisions of the Manual in the following key areas:

* (i) Directorate of Employment Services and Manpower Planning; (ii) Directorate of Labour; (iii) Factories and Boilers Organisation.

Provision	Purpose	Status of compliance
Preparation of weekly arrear statements of the number of cases received but action on which is pending.	Required to be prepared on the last working day of the week for watching the action taken.	Not prepared.
Preparation of monthly statement of cases pending disposal for over a month.	To monitor reasons for delay in disposal.	Not prepared.
Maintenance of register for periodical returns.	Required to be maintained to ensure punctual receipts, preparation and despatch of periodical reports/returns etc. (to higher authorities on departmental activities) in prescribed form.	Not maintained.
Maintenance of reminder diary.	Required to be maintained for ensuring timely action on specific matters.	Not maintained.
Periodical inspection of units followed by issue of inspection reports by the Secretary/Head of Department/ other corresponding officer.	Required to ascertain the state of affairs in each unit and to see whether prescribed procedures and instructions are understood properly and followed intelligently.	No recorded evidence of compliance produced to Audit.

Some rules have also been prescribed in the Manual of Office Procedure on departmental accounts for guidance of the controlling officers and their subordinate disbursing officers with a view to ensuring effective control over expenditure. Test-check of records of the two Directorates, and replies furnished by them to Audit also revealed non-compliance, as given below:

Action required to be taken	Status of compliance
The DDO was to maintain a separate register in Form GFR 9 in respect of expenditure for each minor or sub-head with which he was concerned.	Not complied with.
The Controlling Officer was to maintain a broadsheet in Form GFR 10 to watch the receipt of returns in respect of expenditure from the disbursing officers.	Not complied with.
The Controlling Officer was to prepare a statement in Form GFR 11 on receipt of returns in respect of expenditure for a particular month for all disbursing officers.	Not complied with.

Test-check of records of the two Directorates also revealed the following irregularities:

Maintenance of cash book

9.1.5 The Central Treasury Rules provide that at the end of each month the Drawing and Disbursing Officer (DDO) should verify the cash balance in the cash book and record a signed certificate indicating that the physical cash balance found on verification agreed with the book balance shown in the cash book. It was seen that no such physical verification was done during the period under audit in the two Directorates.

Drawal of funds in AC Bills

9.1.6 Funds drawn in an Abstract Contingent Bill (AC Bill) should be adjusted in Detailed Countersigned Contingent Bill (DCC Bill) submitted to the Controlling Officer within 60 days from the date of drawal of the amount. It was seen that in the Directorate of Labour, Rs. 0.44 lakh and Rs. 9.06 lakh were drawn in AC Bills on 28 March 2002 and 31 March 2003 respectively but the DCC bills were not submitted (August 2003).

Maintenance of vehicles

Maintenance of history sheets of vehicles

9.1.7 As provided in Rule 3(b) of the Staff Car Rules, the Controlling Officer shall maintain a record in the prescribed form indicating the model of the car/chassis number, engine number, date of purchase/receipt, registration number, cost of the car, details of repairs and replacements, indicating the cost and the dates on which these were carried out and also details of spare parts. But no such record of the two vehicles under the Directorate of Employment Services and Manpower Planning were maintained. According to information furnished by the Directorate, it had purchased POL worth Rs. 3.20 lakh and had spent Rs. 2.14 lakh on maintenance and spare parts during 1998-99 to 2002-03 in respect of the two vehicles. But vehicle-wise details of such expenditure were not maintained.

Maintenance of log-books of vehicles

9.1.8 As provided in Rule 3(a) of the Staff Car Rules, the Controlling Officer in respect of the car (here, the Director) shall maintain a log book prescribed in the Rules. Scrutiny of log-books of vehicles maintained by the two Directorates in respect of five vehicles* revealed that some of the columns devised to contain vital information were left blank. This resulted in omission of important information like kilometres covered, POL consumed, identity of officer using the car, and places visited. Over-writing/re-writing of entries in the log-books and petrol account was not attested in many cases.

Maintenance of Register of old and used automobile spare parts

9.1.9 As provided in Rule 112 of the GFRs, an inventory of all old and used automobile spare parts, tyres, tubes, etc, and other costly parts is required to be maintained item-wise and physically verified at least once in a year with a

* Directorate of Employment Services and Manpower Planning: 2; Directorate of Labour: 3.

verification certificate issued from the competent authority. It was seen that the Directorate of Labour did not maintain any account of old spare parts, tyres, tubes etc during 1998-99 to 2002-03 although it was in possession of three vehicles during the period. Thus, there was no check to keep watch on unauthorised sale of these articles and misappropriation of sale proceeds.

Consumption of fuel

9.1.10 The Transport Department had prescribed (March 1991) the ceilings of consumption of fuel by different kinds of vehicles, used by the Government offices. Test-check of records relating to two vehicles of the Directorate of Employment Services and Manpower Planning and three vehicles of the Directorate of Labour for the period from 1998-99 to 2002-03 revealed excess consumption of 3,798 litres of petrol costing Rs. 0.95 lakh and 1,755 litres of petrol costing Rs. 0.44 lakh respectively. If the necessary checks were exercised with reference to the ceiling norms and the entries in the history sheets / log books, the irregularities could have been identified and remedial measures taken in time. These necessary checks were, therefore, found not to have been working in the two Directorates.

Maintenance of stock book

Physical verification of stores and stock

9.1.11 Financial rules provide that physical verification of all stores and stock should be done at least once in a year and results of such verification require to be recorded for taking corrective measure. But no such physical verification of stores was conducted in the two Directorates during 1998-99 to 2002-03.

No surveys and studies carried out

9.1.12 Paragraph 1.16 of the National Employment Service Manual provides that the State Directorate will also function as a manpower organisation and planning agency for the State, and will provide leadership, guidance and expertise *inter alia* in “Surveys and studies relating to employment and unemployment” and “Manpower planning and forecasting”. But no such surveys and studies and manpower planning and forecasting had been made by the Directorate of Employment Services and Manpower Planning so far (September 2003). The Government also overlooked the matter, indicating lack of control over the working of its subordinate offices.

Conclusion

9.1.13 The above points revealed weakness in internal control system in both the Directorates.

9.2 Internal audit arrangement by Finance Department

9.2.1 For carrying out internal audit in various Government Departments and audit of accounts of rural and urban local bodies, the set up of an Audit Directorate under the administrative control of the Finance Department was approved in the meeting of the Council of Ministries held on 19 September 2000.

According to the proposed set up, the Directorate will have two wings, *viz.*, (i) Internal Audit Wing and (ii) Local Fund Audit Wing. The Internal Audit Wing will carry out internal audit of all Government departments, the directorate and other field offices. At the beginning, the Internal Audit Wing will carry out its functions in the major departments like Home, Education, Health and Family Welfare, Public Works, Power and Rural Development. It will gradually cover all the other departments and will also carry out internal audit of the accounts of Tripura Tribal Areas Autonomous District Council (TTAADC), set up under sixth schedule of the Constitution. The Local Fund Audit Wing will carry out the statutory audit of rural local bodies^z including those falling under the TTAADC areas and urban local bodies[?].

The State Government created 240 posts of different categories in September 2001 (**Appendix -XXVII**) for the Audit Directorate against which, only 12 posts have been filled up between May and July 2002.

The administrative office of the Directorate started functioning in May 2002 with the appointment of a Director of Audit for exercising the powers in respect of establishment of the Audit Directorate from time to time.

The recruitment of personnel in the remaining key posts was not made (September 2003) mainly due to delay in finalisation of recruitment rules for the posts of Auditor, Assistant Audit Officer, Panchayat Audit Officer and Audit Officer. The recruitment rules for Auditor were finalised in November 2002 and for Assistant Audit Officer, Panchayat Audit Officer and Audit Officer in August 2003.

The details of powers, authority, functions and responsibilities of the Directorate as well as of various functionaries had not yet been prescribed (September 2003).

Suitable legislation to enable the Directorate to undertake internal audit had also not been made (September 2003) by the State Government.

Thus, the Audit Directorate is yet to become fully operational although a period of almost three years had elapsed (September 2003) since the date of its approval in September 2000. Services of 12 staff members (10 ministerial; two

^z Zilla Parishads, Panchayat Samitis and Gram Panchayats.

[?] Agartala Municipal Council and all Nagar Panchayats.

Group D) who joined the establishment more than a year ago had also been remaining mostly under-utilised (September 2003).

The Director of Audit stated (August 2003) that recruitment of 28 Auditors (out of 88) was under process, powers and authority of the various functionaries of the Directorate would be prescribed and suitable legislation to enable the Directorate to undertake internal audit would be placed to the Government on finalisation of Audit Manual. But no specific time schedule was spelt out to start the actual work of internal audit although the matter was delayed.

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