

5.3 Ministry of Urban Development and Ministry of Urban Employment and Poverty Alleviation

5.3.1 Organisational Structure

The Ministry of Urban Development and Poverty Alleviation was bifurcated into two Ministries viz. the Ministry of Urban Development (MoUD) and the Ministry of Urban Employment and Poverty Alleviation (MoUEPA) from May 2004. While the MoUD is responsible for broad policy formulation and monitoring of programmes in the areas of urban development, urban water supply and sanitation, the MoUEPA handles programmes in the areas of housing and urban poverty alleviation. While both the Ministries are headed by a Secretary each, who had the assistance of three Joint Secretaries each, the Secretary MoUD was also assisted by an Additional Secretary. One of the Joint Secretaries was holding the charge of Financial Adviser (FA) in both the Ministries. Both the Ministries of Urban Development also had attached offices, subordinate offices, public sector undertakings, statutory and autonomous bodies under their administrative control. The work relating to administration, finance and vigilance were common to both the Ministries.

5.3.2 Financial Management and Budgetary Control

Table 1 contains the details of allocation of funds and expenditure incurred by the two Ministries during the period covered in audit.

Table 1: Expenditure incurred vis-à-vis funds allocated¹

(Rupees in crore)

Year	Budget Estimates (BE)		Revised Estimates (RE)		Expenditure		Percentage of Expenditure to Budget Estimates	
	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan
2002-03	1679.51	1418.05	3056.80	1434.58	2778.26	1333.42	165.42	94.03
2003-04	2367.07	1415.38	3426.44	1419.42	3261.00	1283.95	137.76	90.71
2004-05	2342.04	1399.07	3147.06	1409.14	2922.48	1346.95	124.78	96.27

5.3.2.1 Persistent savings indicated inadequate pre-budget scrutiny

On some of the schemes as shown in Table 2, there were persistent savings which were indicative of weak monitoring of expenditure and control over budget estimation.

¹ The figures shown pertain to both the Ministries

Table 2: Persistent savings in schemes*(Rupees in Crore)*

S.No.	Name of the scheme	Year	Funds allocated (BE)	Actual expenditure	Savings	Percentage of savings
1.	Integrated Development of Small & Medium Towns	2002-03	105.00	86.43	18.57	18
		2004-05	200.00	148.00	52.00	26
2.	Low Cost Sanitations	2002-03	30.00	4.80	25.20	84
		2004-05	30.00	20.00	10.00	33
3.	National Scheme of Liberation and Rehabilitation of Scavengers	2002-03	80.00	40.95	39.05	49
		2003-04	40.00	24.27	15.73	39
		2004-05	20.00	13.56	6.44	32
4.	Solid Waste Management (pertaining to 10 Indian Air Force airfield towns)	2002-03	5.00	0.00	5.00	100
		2003-04	5.00	0.99	4.01	80
5.	Accelerated Urban Water Supply Programme	2002-03	143.00	121.95	21.05	15

5.3.2.2 Periodic flow of expenditure vis-à-vis budgeted allocations:

Rush of expenditure during the closing months of the financial year reflects poorly on the overall financial management control, implying lack of effective monitoring to ensure regular flow for expenditure. Note 3 under Rule 69 of the GFR 1963 provided that the rush of expenditure particularly in the closing months of a financial year shall be regarded as a breach of financial regularity. The Ministry of Finance has also emphasized that under an effective cash management system, not more than 33 *per cent* of the budget should be utilised during the last quarter. The flow of plan expenditure during the financial years 2003-05, however indicated rush in the last quarter as indicated Table 3:

Table 3: Rush of expenditure in the last quarter of the financial year*(Rupees in crore)*

Year	Total expenditure	Expenditure from April to December	Expenditure in the last quarter i.e. January to March	Percentage of the expenditure in the last quarter
2003-2004	4544	2949	1595	35
2004-2005	4269	2579	1690	40

5.3.3 Work Standards

The Ministries were expected to apply various checks and controls in their day-to-day work as prescribed in Central Secretariat Manual on Office Procedure (CSMOP). However, the Ministries did not formulate an Annual Action Plan reflecting the month-wise targets to be achieved in respect of each of the activities to be performed in terms of para 128 of CSMOP. Audit examination also revealed that

- The Ministries did not attempt to document the procedures to be followed for various activities and functions specific to them. There was no flowcharting or listing out of steps for effective functioning of its employees. There was thus

no clear understanding of the internal controls after identification of the various risks which the Ministries faced in achieving their objectives.

- As per paragraph 151 of CSMOP, in April every year, each section was required to compile/consolidate the orders issued by it in a time-bound manner. However, it was observed that this procedure was non-existent in the Ministries, thus depriving the functionaries of the benefit of ready reference and ensuring compliance with orders.
- The Ministries had also not undertaken any work study for prescribing appropriate work norms and standards for output in terms of quality and quantity.

5.3.3.1 Weak control on adherence to time schedules

The CSMOP required that time limits be fixed for disposal of cases. However, the department had neither maintained control records for watching the cases received and disposed nor had fixed any time limit for early disposal of cases. A proper system of periodical or regular reporting to management had also not been put in place and various sections were not preparing any weekly/ monthly statements of cases pending disposal indicating the age-wise details of pending cases over a month with reasons to enable monitoring their timely disposal. Test check revealed the following deficiencies in the selected key sections:

5.3.3.2 Public Grievance Cell

A separate cell was set up in June 2004 for handling public grievances. It was noted that there were 383 cases pending settlement till 20 October 2005. Audit further noted that:

- Of the pending cases, 165 cases were more than one year old.
- It was not possible to verify whether all the cases lying with the erstwhile Coordination Section for redressal were transferred to the newly created cell as there was no evidence of formal handing over or taking over.
- Pendency of grievances in the Ministry and organisations under it was not being monitored.
- There was no review committee for reviewing the redressal of grievances as required in OM No. 1/PLCY/PG-88(7) dated 1 March 1988 issued by the Ministry of Personnel, Public Grievances & Pensions.

5.3.3.3 Parliament Unit

This section was to function as a central coordinating point for all parliamentary work by transmitting all information received from the Lok Sabha or the Rajya Sabha to the concerned officers/sections without delay, ensuring timely

disposal of all papers and monitoring that the assurances given to the Lok Sabha and the Rajya Sabha are fulfilled within a period of three months.

It was noted that there was no monitoring to ensure the timely settlement of pending cases and no practice of submission of calendar of returns. As many as 148 assurances were pending with the Ministry as on 26 October 2005 (96 in Lok Sabha and 52 in Rajya Sabha). The period of pendency in these cases ranged upto a maximum of 159 months

5.3.3.4 Administration section

As per instructions of the Ministry of Finance, Department of Expenditure (Pay-Research Unit), a quarterly return of actual expenditure incurred on pay and various types of allowances of regular civilian employees of the Central Government was required to be furnished in the prescribed proforma within one month of the closure of every quarter. Test check revealed that on several occasions, the return was sent much beyond the scheduled time as indicated in Table 4.

Table 4: Delay in submission of quarterly returns

Quarter Ending	Date of Submission to the Ministry	Delay in submission
30 June 2004	10 August 2004	One month and ten days
31 March 2005	28 June 2005	About three months
30 June 2005	21 September 2005	Two months and 21 days
30 September 2005	21 November 2005	21 days

5.3.3.5 Annual inspection of section/desk and sub-ordinate offices

As per paragraph 135 of CSMOP, each section/desk was to be inspected once a year to ascertain the extent to which the provisions of the CSMOP and instructions issued there under were being followed. The O&M officer was required to report significant points, if any, emerging from the Inspection Reports to the Secretary. In addition, he had also to bring to the notice of the Department of Administrative Reforms and Public Grievances, the important findings by 30 April each year. The Ministries did not follow the provisions of CSMOP, as not a single section/desk (46 in 2002-03 which went up to 48 in 2004-05) was inspected during 2002-03 to 2004-05.

5.3.3.6 No policy on rotation of duties

Rotation of duties of employees is an important internal control that helps the employees in widening the range of their skills by exposing them to different kinds of work prevents development of vested interests and removes the impression of indispensability. It was observed that the Ministries had no policy of rotation of duties of employees. Transfers were being made as per exigencies. Test check revealed that three Upper Division Clerks, One Section Officer, One Assistant and two Under Secretary were entrusted with same responsibility for periods of 7 years to 18 years.

In response to the audit observation, the Ministry (MoUD) stated (December 2005) that a proposal has been approved by the Joint Secretary (UD), which would be implemented.

5.3.3.7 Physical verification of assets not conducted

Control records were required to be maintained to indicate the receipt, custody and current status of all physical assets in possession of the Ministry. In accordance with Rule 116(1) and (2) of GFR, the ground balances of assets as per physical verification were to be compared with the recorded amounts/quantities in the stock registers which should tally.

Audit noted that no physical verification was being conducted. Despite Internal Audit having pointed it out earlier, the Ministries did not institute the system of physical verification in the absence of which the management was unaware of the actual status of the assets at their disposal and their safe custody.

5.3.3.8 Library records

Under Rule 116(2) of the GFR, complete physical verification of library books at intervals of not more than three years should be done in the case of libraries with more than 20,000 volumes of books and sample physical verification at intervals of not more than five years may be done in the case of libraries with more than 50,000 volumes of books. Where sample verification revealed unusual or unreasonable shortages, complete verification was to be done. Scrutiny of the records revealed that:

- No physical verification of the stock in the library had been conducted since 1988-89 despite the Internal Audit Wing having pointed it out on several occasions.
- For selecting and purchasing the books no purchase committee had been constituted in the Ministry. The books were purchased on the basis of indents received from Officers/staff and then sent to the library for issue to the requisitioning persons. There was no reconciliation of the indents processed by the purchasing section and library records to ensure that all the books purchased were actually taken into stock.

5.3.4 Internal Audit

Internal Audit is commonly described as the control of all controls. It not only checks whether control systems had been prescribed for different aspects of the functioning of an organisation but also ascertains as to whether the controls were effective. The Internal Audit of the Ministry is conducted by the Principal Accounts Officer under the supervision of the Chief Controller of Accounts through two offices located at Delhi (for the offices located in the north, north-eastern, eastern, and central parts of the country) and Chennai (for the offices in Maharashtra and the south).

5.3.4.1 Training of Internal Audit staff was inadequate

For an efficient check of various aspects of the functioning of Ministries including its budget and accounts, with reference to the relevant rules and orders, it was essential that the Internal Audit Wing (IAW) was staffed by personnel who were

appropriately qualified and trained. It was also necessary that such staff underwent periodical in-service training programmes for upgrading their knowledge and skills. Audit did not find any specific training programmes conducted for upgrading the skills of the staff of the IAW.

5.3.4.2 Audit planning

Internal Audit had identified 447 units under its audit jurisdiction for audit. As provided in the Civil Accounts Manual, all units within the jurisdiction of an IAW were normally to be checked annually. However, the sanctioned strength of the IAW was considered inadequate, and the Wing conducted audit of 104, 132 and 126 units during 2002-03, 2003-04, and 2004-05 respectively. It was noted that no audit plan was documented based on risk perception and the only criterion of selection was the date on which the unit was last audited.

5.3.4.3 Internal audit of schemes and PSUs

A number of Central sector and Centrally Sponsored schemes were being implemented at the national level. These programmes were financed mainly by the Ministries and the outlays constituted about 70 per cent of the plan allocation of the Ministries. However, these programmes had been kept out of purview of Internal Audit. The audit of public sector undertakings under the Ministries and grantee institutions/ autonomous bodies like Urban Art Commission, National Capital Region Planning Board, National Institute of Urban Affairs and Hindustan Prefab Ltd. were also kept out of the jurisdiction of Internal Audit, while a large amount of grants, loans, and advances were given to these undertakings and autonomous bodies. Out of 10 PSUs / autonomous bodies, only two units, namely, Building Material Technology Promotion Council and National Co-operative Housing Federation were audited by the Internal Audit during 2004-05.

5.3.4.4 Ineffective monitoring of compliance of observations made by Internal Audit

The Ministries did not take effective action for rectifying the deficiencies and complying with the observations of the Internal Audit. As of September 2005, 10,328 audit observations of Internal Audit had not been complied with. Table 5 indicates that during each year, paras added outnumbered the paras settled which suggested inadequate importance attached to the crucial function.

Table 5: Status of observations of Internal Audit

Year	Opening balance		Added		Settled		Closing Balance
	No. of I.R.	No. of Paras	No. of I.R.	No. of Paras	No. of I.R.	No. of paras	
2002-03	116	7637	104	5948	104	5338	8247
2003-04	104	8247	132	7252	132	5780	9719
2004-05	132	9719	126	4148	126	3539	10328

It was further noted that the irregularities pointed out by IAW persisted. Review of the last three inspection reports relating to the internal audit of the Ministries revealed that there was little response from the concerned units in rectifying the deficiencies, particularly in strengthening the controls. Some of the persistent irregularities pointing at deficient controls were the following:

- Non-maintenance of stock register and physical verification of stock
- Non-maintenance of GPF ledger in proper form in respect of Group 'D' staff
- Non-maintenance of LTC Advance Register

5.3.5 Administrative control

5.3.5.1 Manpower management and controls

Audit examination of the sanctioned strength vis-à-vis men-in-position of the department revealed that 35 posts which were lying vacant for a period of more than one year as of March 2005 were not abolished as required in terms of the instruction of the Government circulated vide DOPT O.M. No.2/8/2001-PIC dated 16 May 2001.

5.3.5.2 Service Books were not reviewed

Government of India's decision, sub rule (10 below Rule 32 of the CCS (pension) Rules, 1972 provided that on a government servant completing 25 years of service or on his being left with five years of service before the date of retirement, whichever was earlier, the head of office should verify the service rendered by such a government servant to determine the qualifying service. While reviewing the service books, it was noticed that service books of 15 officials who had already completed 25 years of service were still pending verification. The period of pendency in these cases ranged to a maximum of 56 months.

The DDO was to ensure that nominations for each of the specified cases namely, gratuity, GPF, CGEGIS etc. had been duly obtained. However, it was observed that no such register was maintained by the Ministries.

5.3.5.3 Improper/Non-Maintenance of Control Registers

Maintenance of various control registers is an important element of effective internal control. Scrutiny of records of the Ministry revealed that the following control registers, required to keep a check on the expenditure of the Department, had either not been maintained or not maintained in the prescribed form.

5.3.5.4 LTC and TA Advance Registers

Columns relating to sanction number, dates of drawal, completion of inward journey, submission and penal interest imposed were not completed in LTC Register. TA Advance register was also not maintained properly as the columns regarding date

of taking the advance, place of journey, date of adjustment, delay if any and penalty imposed, etc, had not been filled up.

5.3.5.5 Bill Register

As per Note 1 below Rule 34 of Receipts and Payments Rules, a Bill Register in Form G.A.R. 9 should be maintained by all heads of offices who were authorised to draw money on bills signed by them. The register should be reviewed monthly by a competent authority and the results of the review should be recorded therein to prevent presentation of fraudulent bills for payment. Scrutiny of records, however, revealed that though the Bill Register had been maintained in the Form GAR 9, it had never been reviewed during last three years, which carried a risk of non-detection of possible use of fraudulent bills.

5.3.5.6 Stock Register of Receipt Books

As per Rules 22 to 24 of Receipts and Payments Rules, stock accounts of Receipt Books should be maintained and the closing balance in the stock account should be verified by the Head of the office periodically and a certificate to that effect recorded in the stock register. However, it was noticed that no account of receipt books was maintained by the Ministries which was a potential risk of non-detection of possible use of fake receipt books.

5.3.5.7 Non-review of duplicate keys register

As per Rule 13 of the Receipts and Payment Rules, a duplicate keys register should be maintained indicating authorities with whom they were lodged. Once a year, in April, the keys must be sent for examination and returned under fresh sealed covers to the respective authorities with whom they were meant to be lodged and a note kept in the register that they had been inspected and found intact and genuine and sent back to the nominated authorities. Similarly, entries should be made in the register in regard to any occasion when duplicate keys had to be obtained for opening the chest and date of re-sealing the keys for lodging with the nominated authorities. It was observed that no such verification of the register of duplicate keys had been done in the Ministry.

5.3.5.8 Control mechanism for watching utilisation of grants

As per Rule 151 (1) of GFR the Administrative Department concerned should examine the annual audited accounts and utilisation certificates of various bodies and authorities to which grants were released for ensuring proper utilisation of grants released in the preceding year before admitting their claim in the subsequent financial year. It was however, noticed in test check that 254 utilisation certificates amounting to Rs. 685 crore as of 14 October 2005 were pending from the various Bodies /Authorities for the period 1983-84 to 2003-04. This indicated that the controls for monitoring the functioning of Bodies/Authorities were weak.

5.3.6 Accounting Control

5.3.6.1 Reconciliation of figures of expenditure

Wherever payments relating to a grant are handled wholly by a Principal Accounts Officer (Pr.A.O.) of each Ministry, the Pr. A.O. was required to send, in the prescribed proforma, a monthly statement showing the expenditure vis-à-vis the budget provision under the various heads of accounts, to the Heads of Departments responsible for overall control of expenditure against grant of the Ministry as a whole. The figures so communicated by the Pr.A.O. should be compared by the Heads of Departments with those consolidated in form GFR 12 and differences, if any, should be taken up by the Heads of Departments with the Pr.A.O. concerned. The Head of the Department should furnish a quarterly certificate to the Pr.A.O. certifying the correctness of the figures for the quarter.

It was observed that reconciliation of figures of expenditure booked by DDOs and Pr.A.O.s was not being done by the Ministries. Confirmation of figures relating to the months of March 2004 and March 2005 were not found in the concerned files. In some cases, instead of confirming figures on monthly basis, the Ministries had forwarded consolidated confirmation for 3 to 4 months. It was further observed that in two cases² wrong amount was booked under the concerned head. This discrepancy was noticed only after a period of two to four months respectively. In 21 cases, expenditure was not booked in the concerned head. This discrepancy was also noticed after a period of more than two months.

5.3.6.2 Maintenance of Cash Book

The cash book is the most fundamental and basic accounting record. Scrutiny of the cash book of the Ministries for the period covered in audit revealed following short comings:

- Frequent surprise checks of cash balance which is an effective internal control tool to minimise the possibility of embezzlement had not been exercised by the Secretariat. For instance, from October 2002 to January 2003 and September 2004 to March 2005 there were no surprise checks.
- As per Rule 270 of GFR, every government servant who is entrusted with the custody of cash shall be required to furnish security for such amount as a Department of the Central Government or an Administrator may prescribe and to execute a security bond setting forth the conditions under which Government will hold security and may ultimately refund or appropriate it. Scrutiny of relevant records revealed that the Cashier who was entrusted with the custody of cash had not furnished security for the period from 13 November 2003 to 29 September 2004.

² In one case, Rs 10287 was credited instead of actual amount of Rs 13155 (November 2003). In another case, Rs 2955 was credited (July 2004) instead of Rs 10795.

- Totals of cash book are required to be struck by a person other than the writer of Cash Book. However, it was, observed that the Ministries were not following this practice, as the cash books were being totalled by the cashier.

Recommendations

- ❖ **The Ministry should consider laying down work standards and norms besides ensuring that each section/desk is inspected once in a year in terms of the provisions of the Central Secretariat Manual on Office Procedure to ensure timely disposal of cases.**
- ❖ **The Ministry should have a clear policy on rotation of duties of its officers and staff and implement it effectively.**
- ❖ **The Ministry should institute a mechanism for recording and updating all physical assets and arrange for periodic physical verification.**
- ❖ **Internal Audit should be strengthened by specific training on audit planning, risk assessment etc.**
- ❖ **The Ministry could utilise internal audit reports as tool of control and ensure time bound and sustained action on the deficiencies pointed out therein.**
- ❖ **Grants-in-aid register should be maintained on a regular basis and used effectively to monitor timely receipt of utilisation certificates from various bodies.**

6. Conclusion

The internal controls in the Departments of Health and Information Technology as well as the Ministries of Urban Development and Urban Employment and Poverty Alleviation, were weak and ineffective. Internal controls instituted were not documented and provisions of the Central Secretariat Manual on Office Procedures and instructions of the Government of India were not observed. The budgetary control, an essential tool to check improper utilisation of funds, was poor. Manpower management was deficient and systems for ensuring control over assets were also weak as physical verification of assets was not conducted at regular intervals. The prescribed procedures for maintenance of control registers were also not observed.

Internal audit wing was weak because of untrained staff, inadequate audit planning and poor follow-up.

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COUNTERSIGNED

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