

OVERVIEW

Internal controls are essential for ‘good governance’ and may be understood as activities and safeguards that are in place to provide reasonable assurance that things are going as planned. Such controls apart from giving timely warning signals to an organisation about deficiencies in its functioning, also assures it of compliance with various policies, rules and regulations. Performance audit of the departments of Revenue, Heavy Industries and Science and Technology was conducted to ascertain the effectiveness of the internal controls instituted by them in achieving the aforesaid objectives. These departments were selected in view of the importance of revenue collection and control of economic offences; the growth of industry through policy initiatives and resolution of problems relating to tariffs and trade and development of science and technology through policy formulation and assistance to technical institutes in the overall context of our economic development.

Performance audit of the internal controls in the Department of Revenue revealed absence of adequate mechanism of risk assessment, grading of risks and control activities for monitoring and mitigating these risks. Monitoring and evaluation system was weak. The department did not follow the provisions of the Central Secretariat Manual of Office Procedure, which led to shortfall in annual inspection of sections/desks and delay in disposal of cases. The transfer and placement policy laid down to increase transparency and improve cadre planning was also not implemented fully. Further, poor expenditure management resulted in violation of standing instructions of the Ministry of Finance, Department of Expenditure on economy and austerity measures. Insufficient controls were also noticed in day-to-day administration resulting in non-adherence to rules and regulations and improper maintenance of control records. Weak internal audit and inadequate action of the department on their observations indicated absence of reliable monitoring system.

Performance audit of the internal control systems in the Department of Heavy Industry revealed weaknesses in budgetary, accounting and administrative controls and internal audit. The department did not exercise effective control over funds which had resulted in rush of expenditure during the last quarter/month of the financial years. Pre-budget scrutiny of schemes/programmes was also poor due to which the provisions under various schemes remained unutilised. The control mechanism for watching utilisation of loans/grants and recovery of outstanding loans/advances was also inadequate due to which a large number of utilisation certificates and recovery of loans/advances were awaited or outstanding. Control registers were also not maintained properly and the

internal audit system was ineffective. There were also weaknesses in the accounting system, as reconciliation of figures of expenditure/receipts was not carried out.

Performance audit of internal controls in the Department of Science and Technology revealed weaknesses in internal controls leading to non-observance of the standing instructions of the Ministry of Finance on budgetary and accounting controls, internal audit and administrative controls. This resulted in rush of expenditure during the month of March, non-abolition of vacant posts, non-framing of norms for technical and scientific manpower requirements, diversion of substantial funds from Plan head to Non-plan head and contingent advance disbursed during the years 1984-85 to 2005-06 remaining outstanding as of December 2006.