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**Performance audit of**

**Internal Control in Selected  
Central Ministries**

**Report of the  
Comptroller and Auditor General  
of India  
for the year ended March 2005**

**Union Government  
No. 12 of 2006  
(Performance Audit)**

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## PREFACE

This report of the Comptroller and Auditor General of India containing the results of performance audit of the internal control systems in selected Ministries has been prepared for submission to the President of India under Article 151 of the Constitution.

The performance audit was conducted during 2005-06 through test check of records of the following Departments/Ministries:-

- (i) Department of Health (Ministry of Health and Family Welfare),
- (ii) Department of Information Technology (Ministry of Communication and Information Technology) and
- (iii) Ministry of Urban Development and Ministry of Urban Employment and Poverty Alleviation.



## OVERVIEW

Internal controls are essential pre-requisite for the efficient discharge of an organisation's functions. Performance audit of the internal controls in the Department of Health revealed the absence of a reliable monitoring and evaluation system, lack of coordination and weak internal audit wing. The budget was prepared without inputs from the estimating officers. Poor expenditure control led to rush of expenditure at the fag end of the financial year. The department did not follow the Central Secretariat Manual on Office Procedures and orders of Government of India which led to inadequate work measurement studies and deficient work standards. Abnormal delays were noticed in submission, examination and processing of medical reimbursement claims resulting in hardship to the beneficiaries. Grants-in-aid were released to voluntary organisations without following prescribed norms and 3030 utilisation certificates for Rs. 1975 crore were pending from various bodies for the period 1976-77 to 2003-04. Poor controls were also noticed in use of staff cars and residential telephones and maintenance of control registers.

Performance audit of the internal control systems in the Department of Information Technology revealed the weakness of internal controls in the department, non-observance of the instructions in the areas of budgetary controls, internal audit, administrative controls and accounting controls. The department did not observe the instructions of the Ministry of Finance on the flow of expenditure resulting in rush of expenditure during the last quarter and March of the respective years. DIT neither established an internal audit wing nor prepared any internal audit manual. It did not constitute a Staff Inspection Unit and did not frame the recruitment rules for S&T staff. Rs. 76.31 crore released as loan and refundable grant-in-aid had not been recovered due to inadequate follow-up and monitoring. Rs. 12.38 lakh was paid as transport allowance to the staff residing in government accommodation within one kilometre of office premises.

The Ministry of Urban Development is responsible for policy formulation and monitoring of programmes in the areas of urban development, urban water supply and sanitation while the Ministry of Urban Employment and Poverty Alleviation handles programmes in the areas of housing and urban poverty alleviation. Ministries follow the Central Secretariat Manual on Office Procedures and government rules, orders and instructions. Performance audit revealed that the internal control systems were not effective in the two Ministries (UD & UEPA) and resulted in deficient budgetary controls, absence of work standards, lax controls etc. The internal audit wing was ineffective. Internal control structure and processes were not documented and control registers were not maintained properly which prompted adoption of ad-hoc procedures. The ministries failed to ensure timely disposal of cases. Sections/desks were not inspected annually, posts lying vacant for one year or more were not abolished and duties were not rotated which indicated weak management controls. Poor administrative control was noticed in the monitoring of the utilisation of grants-in-aid resulting in non-receipt of utilisation certificates for long periods.



OPTIONAL

Internal control systems are essential for the efficient operation of an organization. The primary objective of internal control is to ensure the reliability of financial reporting, the effectiveness of operations, and the compliance with applicable laws and regulations. Internal control systems are designed to provide reasonable assurance that management's assertions are accurate and complete. The internal control system is a process that includes the policies and procedures that are adopted to ensure the reliability of financial reporting, the effectiveness of operations, and the compliance with applicable laws and regulations. The internal control system is a process that includes the policies and procedures that are adopted to ensure the reliability of financial reporting, the effectiveness of operations, and the compliance with applicable laws and regulations.

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## PERFORMANCE AUDIT ON FUNCTIONING OF INTERNAL CONTROLS

### Department of Health (Ministry of Health and Family Welfare)

#### Highlights

- The department did not anticipate expenditure correctly and utilise the finally allocated funds in full.  
*(Paragraph 5.1.2)*
- Budget was prepared in the department without obtaining inputs from subordinate offices. The department also did not monitor receipt of monthly expenditure returns from DDOs.  
*(Paragraph 5.1.2.1 & 5.1.2.2)*
- Lack of effective monitoring of expenditure in the department resulted in rush of expenditure at the fag end of the financial year.  
*(Paragraph 5.1.2.3)*
- The department did not document the internal control system after identification of risks which it faces in achieving objectives. It had also not undertaken any work study for prescribing appropriate standards for the output in terms of quality and quantity and consequently failed to ensure timely disposal of cases.  
*(Paragraph 5.1.3)*
- The department did not conduct annual inspection of its sections/desks as required under Central Secretariat Manual on Office Procedure (CSMOP).  
*(Paragraph 5.1.3.1)*
- The department did not rotate the duties of its personnel which resulted in officials working in particular sections for very long periods.  
*(Paragraph 5.1.3.2)*
- The system of periodic physical verification of assets had not been instituted in the department as well as in its subordinate offices.  
*(Paragraph 5.1.3.3)*
- Internal audit wing of the Ministry did not conduct any training programmes for upgradation of skills of its staff. It also did not prepare periodic audit plans necessary for efficiently conducting its work.  
*(Paragraph 5.1.4.1 & 5.1.4.3)*

- The department did not take timely and effective measures to rectify the deficiencies pointed out by the Internal audit wing and statutory audit which resulted in persistence of deficiencies.

(Paragraph 5.1.4.4)

- The Internal Work Study Unit (IWSU) of the department had conducted work measurement study of only 5 to 8 per cent of the subordinate offices in three years and had not covered any section/desk of the department itself.

(Paragraph 5.1.5.2)

- Weak internal controls resulted in release of grants-in-aid to voluntary organisations in violation of the approved pattern. 3030 utilisation certificates amounting to Rs. 1975 crore remained outstanding from the various bodies/authorities for the period 1976-77 to 2003-04.

(Paragraph 5.1.5.3 & 5.1.5.4)

- Weak controls led to non-observance of instructions/ procedures prescribed for curbing misuse of vehicles and telephone.

(Paragraph 5.1.5.5)

- Inadequate control resulted in advance payment aggregating Rs. 138.72 crore pertaining to the years 1999-2000 to 2003-04 remaining outstanding as of November 2005.

(Paragraph 5.1.5.7)

- Surprise check of cash was not conducted in the department and its subordinate offices rendering the department vulnerable to misappropriation of public funds.

(Paragraph 5.1.6.2)

### **Recommendations**

- ❖ Timely submission of Budget Estimates by subordinate/attached offices of the department needs to be ensured to avoid excess provisions and consequential surrender of savings as well as to enforce expenditure control.
- ❖ Internal Audit Wing needs to cover all the units at regular intervals. Timely corrective action on the reports of this wing needs to be taken.
- ❖ The department should ensure that each section/desk in the Department is inspected once in a year to ascertain the extent to which the provisions of the Central Secretariat Manual on Office Procedure and other government instructions were being followed.

- ❖ Internal controls for monitoring early disposal of Medical Reimbursement claims need to be strengthened so as not to cause inconvenience to the claimants particularly pensioners.
- ❖ It is necessary to ensure rotation of the duties of its officers and staff.
- ❖ It is necessary to ensure timely adjustment of outstanding advances.

**Department of Information Technology (Ministry of Communication & Information Technology)**

**Highlights**

- Irregular flow of expenditure resulted in rush of expenditure during the last quarter and in the month of March every year.  
(Paragraph 5.2.2.1)
- DIT did not set up an Internal audit wing and did not prepare internal audit manual.  
(Paragraph 5.2.3)
- Substantial shortfall in O&M activities prescribed by the Central Secretariat Manual of Office Procedures was observed.  
(Paragraph 5.2.4.3)
- DIT did not constitute the Staff Inspection Unit. It also did not frame recruitment rules for S&T staff.  
(Paragraph 5.2.5.4 & 5.2.5.5)
- Rs. 76.31 crore given as loan and refundable grant-in-aid by DIT was pending recovery due to inadequate monitoring.  
(Paragraph 5.2.6)
- DIT paid Rs. 12.38 lakh as transport allowance to its staff though they were allotted government accommodation within one kilometer of the office premises.  
(Paragraph 5.2.6.2)

**Recommendations**

- ❖ DIT should evolve proper internal controls to ensure that instructions issued by Government of India were followed.
- ❖ The internal audit wing should be established and a comprehensive internal audit manual be prepared at the earliest.

- ❖ The registers prescribed to be maintained under various instructions and rules should be maintained and updated.

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

**Highlights**

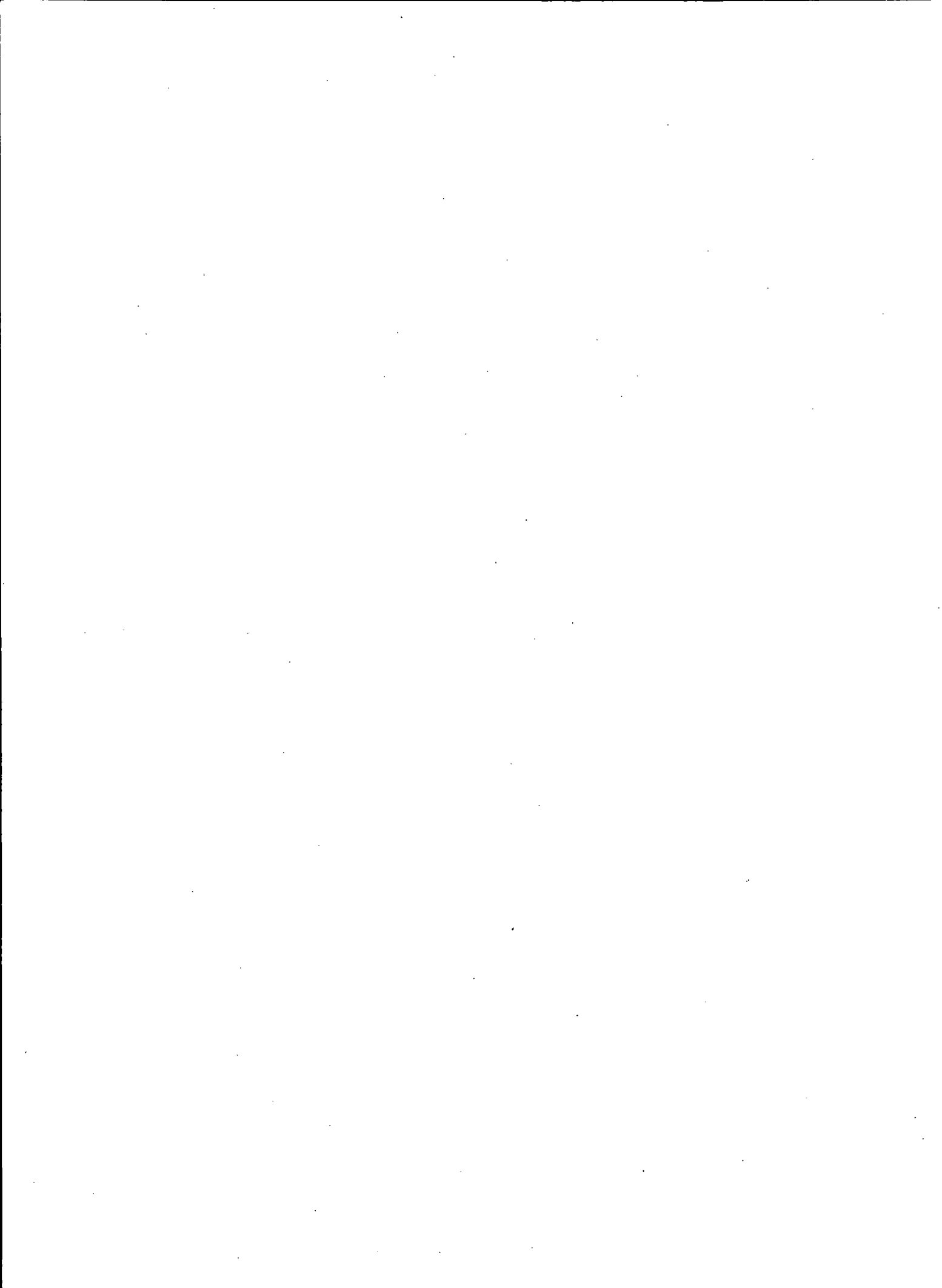
- There were persistent savings in a number of schemes suggesting lax controls in budget estimation and monitoring.  
*(Paragraph 5.3.2.1)*
- Lack of effective monitoring of expenditure in the Ministries resulted in the rush of expenditure in the last quarter of financial year.  
*(Paragraph 5.3.2.2)*
- The Ministries did not undertake any work study for prescribing appropriate work norms and standards of output in terms of quality and quantity.  
*(Paragraph 5.3.3)*
- The Ministries did not conduct the annual inspection of its sections/ desks as required under Central Secretariat Manual on Office Procedure. (CSMOP).  
*(Paragraph 5.3.3.1)*
- The Ministries had no policy to rotate the duties of employees, which resulted in officials working in particular sections for very long periods.  
*(Paragraph 5.3.3.6)*
- The Ministries did not conduct physical verification of assets and library records despite this having been pointed out by the internal audit.  
*(Paragraph 5.3.3.7 and 5.3.3.8)*
- Internal Audit Wing of the Ministries did not conduct any training programmes for upgradation of skills of its staff nor did it document annual audit plans.  
*(Paragraph 5.3.4.1 & 5.3.4.2)*
- The Ministries did not take timely and adequate measures to rectify the deficiencies pointed out by Internal Audit Wing.  
*(Paragraph 5.3.4.4)*



- There was laxity in maintenance of control registers and review of service books.  
(Paragraph 5.3.5.3 & 5.3.5.2)
- Lax internal controls resulted in non-receipt of 254 utilisation certificates amounting to Rs. 685 crore pending from various bodies for the period 1983-84 to 2003-04.  
(Paragraph 5.3.5.8)
- Surprise check of cash was not conducted for long periods.  
(Paragraph 5.3.6.2)

**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.
- ❖ Higher management could utilise internal audit reports as tools of control and ensure time bound and sustained action on the deficiencies pointed out therein.



## PERFORMANCE AUDIT ON FUNCTIONING OF INTERNAL CONTROLS

### 1. Introduction

Internal controls are essential for 'good governance'. These are activities and safeguards that are put in place by the management of an organisation to ensure that its activities are proceeding as planned. Internal controls are pervasive and continuous processes designed to provide reasonable assurance about the achievement of the objectives of an entity in three broad categories, viz. effectiveness and efficiency of operations; reliability of financial reporting and compliance with applicable laws and regulations. The control procedures are broadly categorised as preventive, detective, corrective, directive and compensating controls.

### 2. Audit objectives

Performance audit of internal controls in selected ministries/departments is conducted to assess whether these provided reasonable assurance that the following general objectives were being achieved:-

- fulfilling accountability obligations;
- complying with applicable laws and regulations;
- executing orderly, ethical, economical, efficient and effective operations;
- identifying and minimising the risks which the organisation faces in achieving its objectives;
- safeguarding resources against loss.

### 3. Audit criteria

The criteria used to assess the internal controls were:-

- whether internal controls have been prescribed and documented;
- whether the systems were adequate (if not, what were the deficiencies);
- whether the management was implementing these in the manner prescribed;
- whether the management periodically reviewed the internal control structure through internal audit and took corrective action; and
- whether internal audit was planned after making appropriate risk assessment of the procedures and follow-up was adequate and effective.

#### 4. Audit methodology

Performance audit of the effectiveness of internal controls instituted in the Department of Health (Ministry of Health and Family Welfare), Department of Information Technology (Ministry of Communications and Information Technology) and Ministries of Urban Development and Urban Employment and Poverty Alleviation covering the period 2002-03 to 2004-05 was conducted during September-November 2005. These departments/ministries were selected in view of the importance of health care and prevention, control and eradication of communicable diseases, information technology and urban development as well as urban employment and poverty alleviation in the overall context of our socio-economic development. The audit was conducted through sample checks of records in the selected departments/ministries including their subordinate/attached offices and also the systems and practices followed with reference to the provisions of the Central Secretariat Manual on Office Procedures (CSMOP), government rules, orders and instructions. The sample for audit, inter-alia, covered records relating to budget and expenditure, manpower policies, internal audit and various control registers. The audit findings are discussed in the succeeding paragraphs.

#### 5. Audit findings

##### 5.1 Department of Health (Ministry of Health and Family Welfare)

##### 5.1.1 Organisational structure

The Department of Health is responsible for the implementation of National Health Programmes and schemes initiated and launched by the Union Government for tackling various communicable and non-communicable diseases and providing comprehensive medical care facilities to the Central Government employees/pensioners, Members and ex-members of Parliament, Judges of Supreme Court, High Courts, employees of certain Autonomous Bodies/semi-government organisations, accredited journalists freedom fighters, etc. The department is headed by a Secretary to the Government of India who is assisted by Additional Secretaries and three Joint Secretaries and other officers and staff.

##### 5.1.2 Financial Management and Budgetary Control

The funds allocated to and the expenditure incurred by the Department of Health during the period 2002-03 to 2004-05 were as under:-

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

Year	Budget Estimates		Revised Estimates		Expenditure		Percentage of expenditure to Budget Estimates	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
1	2	3	4	5	6	7	8	9
2002-03	1493.51	1291.63	1493.51	1309.19	1341.60	1016.85	89.83	78.73
2003-04	1506.30	1367.68	1411.44	1552.54	1305.03	1303.01	86.64	95.27
2004-05	1769.30	1333.82	2177.00	1333.82	1772.63	1169.84	100.19	87.71

The department was not able to utilise the allocated funds fully during the years 2002-03, 2003-04 and 2004-05. The inability of the department to anticipate expenditure realistically resulting in savings ranging from around 5 to 20 *per cent* of the funds finally allocated (Budget Estimates), was indicative of poor budgetary controls viz. deficient pre-budget scrutiny of schemes and poor monitoring.

#### 5.1.2.1 Budget preparation without inputs from estimating officers

According to the Budget Manual, subordinate/attached offices and different units of the department are required to send the Revised Estimates (REs) for the current year and Budget Estimates (BEs) for the ensuing year to the budget section of the department (headed by the Chief Controller of Accounts) which, in turn, had to submit it to the Department of Expenditure, Ministry of Finance by September of each financial year.

The subordinate offices and different units of the department did not send their budget proposals for the years 2002-03, 2003-04, and 2004-05 to its budget section. Consequently, the department framed the BEs hypothetically without any inputs from the estimating officers and submitted these to the Ministry of Finance. This indicated violation of the procedures as laid down in the GFRs.

#### 5.1.2.2 Prescribed expenditure control bypassed

The department neither monitored the receipt of monthly expenditure statements from its 108 DDOs, nor watched the progress of expenditure as required under the Budget Manual. It also did not consolidate the expenditure figures of the DDOs and did not reconcile these with the expenditure figures of the Pay and Accounts office. Thus, the prescribed expenditure control in the department was bypassed and expenditure figures booked by the PAO were adapted for inclusion in the REs and BEs.

#### 5.1.2.3 Periodic flow of expenditure vis-a-vis budgeted allocations

Note 3 under Rule 69 of the GFR 1963 provides that rush of expenditure particularly in the closing months of financial year shall be regarded as a breach of financial regularity and should be avoided. Ministry of Finance had also emphasised on a number of occasions that under effective cash management system not more than 33 *per cent* of the budget should be utilised during the last quarter. Rush of expenditure during the closing months of the financial year reflected poorly on the overall financial management controls, implying lack of effective monitoring to ensure regular flow of expenditure. The flow of plan expenditure during the financial years 2002-05 was as under:-

Table 2: Rush of expenditure in the last quarter of the financial year

(Rupees in crore)

Year	Total plan expenditure	Expenditure from April to December	Expenditure in the last quarter i.e. January to March	Percentage of expenditure in the last quarter
2002-03	1341.60	653.25	688.35	51
2003-04	1305.03	788.41	516.62	40
2004-05	1772.63	877.03	895.60	51

Thus, between 40 and 51 *per cent* of plan allocation was utilised only in the last quarter of the respective years during 2002-05. Besides review of the allocation of funds under some of the programmes/schemes and their actual utilisation in the first eight months of the financial year 2004-05 revealed:

**Table 3: Lack of utilisation of funds under various schemes during first eight months of the financial year 2004-05**

*(Rupees in crore)*

Sl. No.	Programme/scheme	Funds allocated	Expenditure	Percentage utilisation
1.	National Anti Malaria Programme	219.00	40.65	18.56
2.	Kala Azar Control Programme	50.00	13.16	26.32
3.	National Mental Health Programme	33.00	8.13	24.64
4.	NICD, New Delhi	11.00	2.07	18.82
5.	Drugs Standard Control Programme	22.50	2.90	12.89
6.	Prevention of Food Adulteration	37.00	9.52	25.73
7.	Cancer Research	59.00	0.01	0.02
8.	Development of Nursing Services	22.00	0.51	2.32
9.	Health Disaster Management Plan	10.00	0.00	0.00
10.	Capacity Building	20.00	0.00	0.00
11.	Integrated Disease Surveillance Programme	30.00	0.00	0.00
12.	Other small schemes	114.80	41.23	35.91

The utilisation of funds during the first eight months of the financial year upto November 2004 was abysmally low and ranged between 0 to 36 percent. This not only indicates inadequate monitoring of flow of expenditure in the department but also violation of GFRs.

### 5.1.3 Work standards

The department applies various checks and controls in its day-to-day work as enunciated in Central Secretariat Manual on Office Procedure (CSMOP). The department has not published any manual or flow chart listing out the steps in various activities and procedures which are specific to its working. It had also not documented the Internal Control System after identification of the various risks which it encountered in achieving its objectives keeping in view the risks associated with the working of the subordinate offices and Autonomous Bodies under its administrative control. The department did not maintain guard files and calendar of returns to ensure that important orders were easily available for reference and various returns were being sent regularly and timely to the prescribed authorities.

The Ministry had also not undertaken any work study for prescribing appropriate work norms and standards for output in terms of quality and quantity.

The CSMOP requires time limits to be fixed for disposal of cases. However, the department had not maintained control records for watching the receipt and disposal of cases. Various sections did not prepare any weekly/monthly Returns of cases indicating the age-wise details of pending cases over a month with reasons as required under the CSMOP for monitoring their timely disposal. As per Medical Reimbursement Claim (MRC) Register, 1394 medical claims were received by Desk-I

of the Central Government Health Scheme (CGHS) from 1 January 2002 to 31 March 2005. Test check of fifty claims received by CGHS during this period revealed that there were abnormal delays in submission, examination and processing of these cases. In ten of these cases there was delay of 1½ months to 28 months from the dates the claims were received in the department in opening the case files and submitting these to higher authority. In five cases it took 2 to 24 months to settle the cases. A total of sixteen re-imburement claims cases were pending for disposal as of November 2005.

The department needed to rationalise the structures and procedures as required under Para 158 (read with Appendix 61) of the CSMOP.

### 5.1.3.1 Annual inspection

As per para 133 of CSMOP, each section/desk in the department was to be inspected once in a year to ascertain the extent to which the provisions of the CSMOP and instructions issued thereunder were being followed. The O&M officer was required to report the significant points, if any, emerging from the Inspection Reports to the Secretary. In addition, he was also required to bring to the notice of the Department of A.R. and Public Grievances, the important findings by 30<sup>th</sup> April each year. The department did not follow the provisions of CSMOP at all, as 87 to cent *per cent* of the sections/desks remained un-inspected during the years 2002-03 to 2004-05 as shown in the following table: -

Table 4: Status of section/desk note inspected during previous year

Year	No. of section/desk in the department	No. of section/desk inspected	Percentage of section/desk that remained un-inspected
2002-03	32	None	100
2003-04	32	4	87
2004-05	32	4	87

Thus, in addition to non-preparation of its own Office Procedure Manual, the department was also not complying with the provisions of CSMOP which constituted an important component of the overall internal control system.

### 5.1.3.2 Rotation of duties

Rotation of duties is an important internal control that prevents developing of vested interests and removes the impression of indispensability of an employee. Test check revealed that the department was not rotating the duties of its personnel, which resulted in officials' working in a particular section for periods ranging from 11 to 25 years. Details of a few cases are given below:-

Table 5: List of employees posted in a particular section for long period

Sl. No.	Name of the post	No of employees	No. of years till 2005
1	Assistants	4	15 to 25 years
2	Upper Division Clerks	4	11 to 16 years
3	Lower Division clerk	1	13 years

### 5.1.3.3 Control over physical custody of assets

Proper control records were required to be maintained indicating current status, procedures for receipt, inspection, safe custody and periodic physical verification of stores, stocks and fixed assets. The ground balances of assets as per physical verification were to be periodically compared with the recorded quantities and amounts to determine whether the two agree. A test check of stock registers of the department and its subordinate offices revealed that the system of periodic physical verification of assets had not been instituted and implemented in the department as well as in its subordinate offices, in the absence of which the actual status regarding custody of stores, position of condemned and unserviceable items and losses, if any, due to theft, embezzlement etc. could not be ascertained. The position of physical verification was as under:-

Table 6: Position of physical verification of store items

Sl. No.	Name of the Department/Attached office	Store items	Period since when physical verification has not been conducted
1.	Department of Health	Stock of assets	No record of previous physical verification
2.	Directorate General Health Services	-do-	-do-
3.	Central Government Health Scheme (Hq.)	-do-	Since 1995
4.	National Medical Library	Books and Journals	Since 1986

### 5.1.4 Internal audit

Internal audit is defined as the control of all controls. It is conducted to ascertain how far the rules and regulations, systems and procedures and instructions issued by top management in accounting, financial and administrative matters are being followed. It is the primary responsibility of the management of an organisation to install an effective internal audit system and take prompt rectificatory action in respect of the deficiencies in its working as pointed out by such audit.

The internal audit of the Department of Health was conducted by the Internal Audit Wing of the Ministry of Health and Family Welfare under the administrative control of the Chief Controller of Accounts. There were 172 cheque drawing DDOs and non-cheque drawing DDOs located all over the country all of whom fall within the purview of Internal Audit. The audit reports of different units are issued by the Internal Audit directly to the units and copies are sent to the Ministry for review and follow-up action. A test check of functioning of Internal Audit Wing of the Ministry revealed the following deficiencies:-

#### 5.1.4.1 Training of internal audit staff

To be able to conduct its functions of checking various aspects of functioning of the department including its budget and accounts, with reference to the relevant rules and orders, it is essential that the Internal Audit Department is manned by staff



who are appropriately qualified and trained. It is also necessary that such staff undergo periodical in-service training programmes for upgrading their knowledge and skills. It was noticed that specific training programmes were not conducted for upgrading the skills of the staff of the Internal Audit Department.

#### 5.1.4.2 Internal audit of schemes and PSUs

A large number of Central and Centrally Sponsored Health Programmes are being implemented at the national level. These programmes are financed mainly by the Ministry and outlays involved constitute about 70 percent of the plan allocation of the Department of Health. However, these programmes had been kept out of the purview of Internal Audit. The audit of Public Sector Undertakings under the Department and grantee institutions/Autonomous Bodies like AIIMS, PGI Chandigarh etc. were also kept out of the jurisdiction of Internal Audit. Since large amount of grants, loans, advances etc. are advanced to these undertakings and Autonomous Bodies, keeping these outside the audit jurisdiction of Internal audit defeats the purpose of having an Internal Audit Wing in the Ministry.

#### 5.1.4.3 Preparation of audit plans

Internal Audit Wing of the Department had conducted audit of 128 units against the total 138 units planned for 2004-05. Information regarding units planned to be audited and actually audited during previous years was not documented by the Internal Audit Wing. The department was not preparing any monthly, quarterly or annual audit plans.

#### 5.1.4.4 Lack of response by auditee units

The Ministry did not take timely and effective measures to rectify the deficiencies or to comply with the observations of the Internal Audit and Statutory Audit. The position of outstanding audit observations in test-checked files is as under:-

**Table 7: Position of outstanding audit observations**

Sl. No.	Name of the unit	Outstanding audit observations	
		Internal	Statutory
1.	Department of Health	Information not furnished	53
2.	Directorate General of Health Services	22	25
3.	Central Government Health Scheme (Hq.)	24	153
4.	National Medical Library	15	54
5.	Safdarjung Hospital	68	51

A test check of Inspection Reports of Internal Audit further revealed that the audited units had not taken action on the audit observations made by the Inspection Parties. This resulted in persistence of deficiencies which were being repeatedly commented upon in the subsequent Inspection Reports. The details of some outstanding paragraphs was as under: -

**Table 8: Position of persisting deficiencies pointed out by internal audit**

Sl. No.	Name of the unit	Period of last audit	No. of paras in the IR	No. of old paras taken afresh
1.	CGHS (HQ)	2003-04	24	5
2.	DGHS	2003-04	22	9
3.	Safdarjung Hospital	2003-04	68	52
4.	National Medical Library	2004-05	15	4

The lack of action by the Ministry in attending to the Internal Audit objections made the efforts of Internal Audit Wing ineffective.

### 5.1.5 Administrative Control

#### 5.1.5.1 Manpower management and controls

Audit examination of the sanctioned strength vis-à-vis men-in-position of the department of health revealed that 87 posts which were lying vacant for a period of more than one year as of March 2005 were not abolished in terms of the instruction of the Government circulated vide DOPT o. m. no. 2/8/2001-PIC dated 16.5.2001.

#### 5.1.5.2 Manpower appraisal

The department has an Internal Work Study Unit (IWSU), which is required to undertake work measurement study of the department including its subordinate offices. At the end of October 2005 the Ministry had 106 subordinate offices under its control. The IWSU had undertaken work measurement study of the subordinate offices as under:-

**Table 9: Position of work measurement studies as undertaken**

Year	No. of sub-ordinate offices	Units planned to be covered	Units actually covered	Shortfall	Reasons furnished by the department for the shortfall
2002-03	106	12	9	3	Unavoidable circumstances
2003-04	106	7	5	2	-
2004-05	106	14	8	6	-

Thus, the work measurement studies undertaken by IWSU ranged only between 5 and 8 *per cent* of the units. The IWSU had not covered any section/desk of the Ministry itself. The Staff Inspection Unit (SIU) of the Department of Expenditure which conducts review of the staffing of government establishments with a view to securing economy had also not reviewed or appraised the department in the last 3-4 years. The department stated that it was the prerogative of the SIU to conduct the review and they did not interfere in the number of studies to be conducted by the SIU. Thus, the internal controls were not applied effectively for ensuring that staff patterns conformed to the prescribed norms and standards of the manpower was effectively utilised and the desired level of employee productivity was achieved.

#### **5.1.5.3 Grants-in-aid released to voluntary organisations without following prescribed norms**

The Government of India is encouraging the participation of the voluntary organisations engaged in medical relief work in supplementing its efforts to make available preventive, promotive and curative services especially to the weaker sections of the society particularly in underserved areas. The department gives financial assistance/grants-in-aid to the voluntary organisations engaged in the above activities.

As per the approved pattern of release of assistance to Non-Government organisations, funds were to be released in two instalments in the first quarter (April-June) of each financial year on furnishing of un-audited statement of accounts and provisional utilisation certificate for the preceding financial year and in the 3<sup>rd</sup> quarter (September-December) of each financial year on furnishing audited statements of accounts and utilisation certificates in respect of previous financial year and quarterly report of the current year. Audit noticed that during the years 2002-03, 2003-04 and 2004-05 the first instalment of grants aggregating 75 per cent of the total grants-in-aid of Rs. 43.15 lakh, Rs. 37.15 lakh and Rs. 94.46 lakh respectively was released under Leprosy Control Programme during the last quarter of the financial years which was to be released in the first quarter of each year. In two cases grants in aid of Rs. 3.96 lakh pertaining to the financial year 2001-02 was sanctioned during September 2003. Similarly, in 3 cases grant of Rs. 4.92 lakh pertaining to the financial year 2003-04 was sanctioned/released during 2004-05.

#### **5.1.5.4 Control mechanism for watching utilisation of grants**

As per Rule 151 (i) of GFR, the Administrative Department concerned should examine the annual audited accounts and utilisation certificates of various bodies and authorities to which grants are released for ensuring proper utilisation of grants released in the preceding year before admitting their claim for grants-in-aid in the subsequent financial year. It was, however, noticed in test check that 3030 utilisation certificates amounting to Rs. 1975 crore as of 30.11.05 were pending from the various Bodies/Authorities for the period 1976-77 to 2003-04. This indicated that the controls for monitoring the functioning of Bodies/Authorities were weak. The department stated (November 2005) that monthly meetings were being held with Joint Secretaries concerned and all efforts were being made to clear such a long outstanding amount of UCs.

#### **5.1.5.5 Lack of propriety in the use of staff cars and residential telephones**

Ministry of Finance vide o. m. no. F. 3 (9) E II (A)/95 dated 6.9.95 had inter alia prescribed ceiling of consumption of 600 litres petrol per quarter per car. Test check of records of 6 vehicles in Director General of Health Services for the months of April 2004 to December 2004 revealed excess consumption of 6027 litres of petrol involving extra expenditure of Rs. 3.68 lakh calculated on the basis of average cost of petrol @ Rs. 33 to Rs. 37 per litre of petrol during this period. Further, under Rule 39 of Staff Car Rules, logbooks are required to be scrutinised by a senior officer

preferably of the rank of Joint Secretary to ensure that there is no misuse of vehicles and that all the officers who used the staff car have made the necessary entries and a certificate to this effect is to be recorded in the log book by the officer so authorised. Test check of the logbooks of 6 test-checked vehicles revealed that these were neither scrutinised by a senior officer nor were closed at the end of the month.

The Ministry of Finance (Department of Expenditure) vide o. m. no. F (8)-E (Coord)/82 dated 8<sup>th</sup> June 1982 had also prescribed ceiling of 650 calls (excluding STD calls made for official purposes and 150 free calls) for bi-monthly billing cycle in respect of telephones provided at the residence of officers at government expenses. A test check of 'Telephone Registers' of 33 telephones however, revealed that the telephone calls in excess of the prescribed ceiling were allowed to officers leading to excess payment of Rs. 5.19 lakh by the department during April 2002-October 2005.

Thus, lax controls led to non-observance of instructions/procedures prescribed for curbing misuse of vehicles and telephones.

#### **5.1.5.6 Verification of service records**

In terms of G.I., M.F., O.M. No. 3 (3)-E. IV (A)/76 dated the 25<sup>th</sup> November, 1976 below rule 199 of Supplementary Rules (SR), the head of office has to inspect annually at least ten *per cent* of the service books and leave accounts. Out of 68 test-checked service books, in 25 cases services had not been verified for the last two to seventeen years; in seven cases services were verified for three to fourteen years at one stretch, and in five cases services were not verified by the Pay and Accounts Office after completion of twenty five years of services/before five years of retirement. In eleven cases information regarding nominations in respect of Gratuity, GPF, CGEIS etc. was not available in service books nor had the department maintained Register of nominations. An important administrative control was thus not followed.

#### **5.1.5.7 Non-adjustment of advances**

As per Rule 258 of the General Financial Rules read with Government of India decision No. 4 (2) (viii), the officer drawing money for making advance payment to supplier or stores etc. is responsible for its adjustment. It was, however, noticed that advances aggregating Rs. 138.72 crore and pertaining to the years 1999-2000 to 2003-04 were outstanding for adjustment as of November 2005. Reasons for non-recovery of advances had been called for from the department; their reply was awaited (January, 2006).

Central Government Health Scheme provides for payment of medical advances to pensioners on receipt of estimated expenditure from treating physician/Medical Superintendent of Government recognised hospitals. The advances are directly paid to the hospital and the pensioners are required to submit claim for adjustment of advance within a period of one month from the date of discharge from the hospital. The Directorate was required to correspond with the hospital for refund of the unutilised balance of advance. It was, however, noticed that

Rs. 1.99 crore was lying unadjusted since 1993-94. The inability of the department to adjust the advances for such a long period was indicative of inadequate control mechanism.

#### **5.1.5.8 Improper maintenance of control registers**

It was observed that the control registers such as TA/LTC Bill Register, Logbooks, Stock Register etc. were not maintained in the prescribed forms. The TA Bill Register did not contain columns indicating date of submission of adjustment bills, reasons for non-submission of bills immediately after completion of journey etc., which are necessary to keep a watch over the TA advance and effecting recovery when the claim of TA is forfeited. The logbooks were not closed at the end of the month and the Expenditure Control Register was not maintained at all.

#### **5.1.6 Accounting control**

##### **5.1.6.1 Reconciliation of figures of expenditure**

The department failed to carry out regular reconciliation of figures of expenditure with those booked by DDOs and PAOs. There were delays ranging from 5 to 11 days in depositing government receipts though these were to be deposited immediately.

##### **5.1.6.2 Surprise check of cash**

Surprise check of cash is required to be conducted by an authority not responsible for maintenance of cash book. Also, a certificate to the effect that the cash balance found during physical verification agreed with the balances is required to be recorded in the cash book. It was, however, observed that surprise check of cash was not done in department and its subordinate offices during 2002-05. Non-observance of this control renders the department vulnerable to misappropriation of public funds.

##### **5.1.6.3 Improper maintenance of cash book**

Cash book is the most fundamental and basic accounting record. However, in the Department of Health and its subordinate offices, cash books were not closed on daily basis and cuttings and corrections were not attested by DDOs. In National Medical Library, payment vouchers were not attested by the DDO, name of the individual to whom GAR-6 receipts were issued, was not entered in the cash book, and individual bills were not entered in the receipt side of the cash book and instead total amount of cheque received from PAO was posted at one place.

##### **5.1.6.4 Heavy cash balance**

In every department, procedures for dealing with cash shortages or surpluses are to be prescribed. In the subordinate units of Department of Health, like Safdarjung Hospital, New Delhi no such procedure was followed, as is evident from

the fact that average cash balance of Rs. 4.00 lakh and above was maintained by the hospital during 2003-04 despite having a permanent imprest of Rs. 80,000. This was done in spite of loss/embezzlement of Rs. 2.00 lakh in February 2002 from the cash section of the hospital for which investigation is still going on.

***Recommendations***

- ❖ **The Ministry may release timely submission of Budget Estimates for ensuing year and Revised Estimates for the current year by subordinate/attached offices of the department needs to be ensured to avoid excess provisions and consequential surrender of savings as well as to enforce expenditure control.**
- ❖ **Internal Audit Wing needs to cover all the units at regular intervals. Timely corrective action on the reports of this wing needs to be taken.**
- ❖ **The department should ensure that each section/desk in the Department is inspected once in a year to ascertain the extent to which the provisions of the Central Secretariat Manual on Office Procedure and other government instructions were being followed.**
- ❖ **Internal controls for monitoring early disposal of Medical Reimbursement claims needs to be instituted to obviate harassment to claimants, especially pensioners.**
- ❖ **Ensure rotation of the duties of its officers and staff.**
- ❖ **Ensure timely adjustment of outstanding advances.**

**DEPARTMENT OF INFORMATION TECHNOLOGY**

**MINISTRY OF COMMUNICATION  
AND INFORMATION TECHNOLOGY**



INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY  
INFORMATION TECHNOLOGY



## **5.2 Department of Information Technology (Ministry of Communication & Information Technology)**

### **5.2.1 Organisational Structure**

DIT is headed by a Secretary who is assisted by one Additional Secretary and three Joint Secretaries one of whom is a Financial Advisor. DIT has an Integrated Finance Division (IFD) headed by the Joint Secretary & Financial Advisor who is responsible for internal finance and expenditure control of DIT.

### **5.2.2 Financial Management and Budgetary Control**

#### **5.2.2.1 Lack of effective monitoring over flow of expenditure**

The Public Accounts Committee (PAC), in its sixteenth report on the rush of expenditure in the month of March, had drawn attention to provisions contained in Rule 69 of the General Financial Rules, 1963 which provided that rush of expenditure, particularly in the closing months of financial year should be regarded as a breach of financial regularity and should be avoided. The Secretary (Expenditure) advised (February 2000) all the Ministries/ Departments to put in place a mechanism in consultation with the concerned Financial Advisors to exercise a monthly check on the flow of expenditure. The Ministry of Finance (MOF) also reiterated in May 2003 and October 2004 that not more than 33 percent of the plan outlay should be released in the last quarter.

DIT, however, incurred plan expenditure upto 55 *per cent* of total expenditure during the last quarter of 2002-03 to 2004-05. Of this, Rs. 93.83 crore to Rs. 283.04 crore representing 19 *per cent* to 44 *per cent* respectively of the total plan budget was incurred by DIT during March of each year. This was contrary to the recommendations of PAC as well as violative of the instructions of MOF. DIT stated (July 2004) that for effective monitoring over expenditure, monthly and quarterly review was being made. Judging by the trend of expenditure, the reviews were clearly not effective.

#### **5.2.2.2 Fiscal prudence and austerity norms flouted**

Government of India had instructed all the Ministries / Departments in August 1998 to impose a 10 percent cut on the budget allocation on non-salary secretariat expenditure such as Travelling Allowance (TA), Office Expenses (OE), Overtime Allowance (OTA), etc. The Ministries/ Departments were advised to ensure strict compliance with these instructions. The orders were reiterated by MOF from time to time.

Audit examination revealed that DIT did not adhere to the prescribed austerity norms during the period 2002-2005 as shown below:

Table No.1: Position of Over time allowance, Travel and Office expenses

(Rupees in lakh)

Year	OTA			Travel (Domestic)			OE		
	Budget after 10% cut	Actuals	Excess	Budget after 10% cut	Actuals	Excess	Budget after 10% cut	Actuals	Excess
2002-03	9.00	10.00	1.00	66.60	74.00	7.40	288.00	320.00	32.00
2003-04	9.00	9.76	0.76	66.60	69.54	2.94	333.00	355.57	22.57
2004-05	7.92	8.80	0.88	66.60	74.00	7.40	333.00	365.81	32.81
<b>Total</b>			<b>2.64</b>			<b>17.74</b>			<b>87.38</b>

Thus over the three year period, DIT incurred expenditure of Rs. 107.76 lakh in excess of the limits worked out according to the prescribed austerity norms.

### 5.2.3 Internal Audit

The Civil Accounts Manual provided for setting up of an efficient internal audit wing to ensure accuracy in accounts and efficiency in the operation of the accounts establishment. The scope and function of the internal audit wing would depend on the nature of work, number of subordinate offices, strength of establishment, nature and quantum of expenditure. Each Ministry/Department was, therefore, required to draw up a Manual of Internal Audit, specifying the duties and functions of the wing with particular reference to the conditions prevailing in the Ministry/Department. It further provided that the Internal Audit unit would work directly under the Principal Chief Controller of Accounts/Chief Controller of Accounts/Controller of Accounts with the overall responsibility for internal audit remaining with the Financial Advisor of the Ministry/ Department. The Civil Accounts Manual also provided for internal audit of a unit to be conducted at least once a year.

Audit examination revealed that DIT neither prepared any Internal Audit Manual nor established an Internal Audit wing. The internal Audit plans were being prepared in an ad-hoc manner on case-to-case basis. The Principal Accounts Officer (DIT) was responsible for conducting the internal audit of DIT, comprising 37 units/Centers under it. Out of these, the internal audit of six, seven and 29 units was carried out during 2002-03, 2003-04 and 2004-05 respectively. A total of 259 paras issued by internal audit were outstanding as of March 2005. Besides, internal audit of three units, namely NIC Jammu, Raipur and Headquarters in Delhi had not been taken up even once during this period.

DIT stated (October 2005) that the internal audit wing could not be established due to shortage of staff and ban on recruitment and that the functions of internal audit were being managed by the existing staff. DIT also stated that preparation of the Internal Audit Manual was underway.

#### **5.2.4 Administrative controls**

##### **5.2.4.1 Procurement of consumable stores without the approval of the Internal Financial Advisor- Rs.1.65 crore**

With a view to having a proper control over sanctions issued by the administrative Ministry, the Internal Financial Advisors (IFAs) were vested with powers to advise the administrative Ministry on all matters falling within the field of delegated powers.

Test-check of 20 stationery and technical stores procured during 2001-02 to 2003-04 costing Rs 1.65 crore revealed that DIT did not send the proposal of procurement of stores either for pre-audit or for obtaining the financial concurrence of IFA. It was noticed that the JS & FA had delegated the authority of IFD to deal with all cases of purchase of furniture, automation, stationery etc. to General Administration Section (GA) provided such purchases were within the norms/rules/guidelines of Government of India. Consequently, the GA Section did not send proposals for procurement of gifts, stationery and bags etc. involving expenditure of Rs 10.52 lakh to IFD required for the "2<sup>nd</sup> Asia IT Ministers summit at Hyderabad". DIT stated (August 2004) that it had delegated powers to GA to incur expenditure in respect of furniture, automation and stationery etc. The delegation of powers by JS&FA to GA Section to incur expenditure on above items compromised the intended controls.

DIT stated (October 2004) that revised instructions for delegation of financial powers had been issued stipulating that every proposal would have to be concurred by IFD.

##### **5.2.4.2 Stock entry not done**

A certificate in support of receipt of items in good condition and entry in the relevant stock registers should be recorded on the bill by the officer-in-charge of the section dealing with purchases. DIT did not make stock entry in 16 cases checked in audit. DIT stated (October 2004) that necessary stock entries had been made but inadvertently, stamps to that effect were not affixed on the reverse of the cash memos. However, these stock registers were not produced to Audit for verification in October 2005.

##### **5.2.4.3 Shortfall in O&M activities**

The Central Secretariat Manual of Office Procedures stipulated recording of files, review of files and annual inspection of sections as well as attached and subordinate offices. It was, however, observed that only 1.6, 8.6 and 0.6 *per cent* of the total files due for recording during 2002-03 to 2004-05 were recorded in the respective years. Similarly, only 59, 61 and 52 *per cent* of the total files due for review were reviewed during the years 2002-03 to 2004-05 respectively. The O&M section of DIT annually inspected 91, 85 and 50 *per cent* of sections respectively during 2002-03 to 2004-05. During this period, out of 14 attached/subordinate

offices, only three offices were reviewed during 2002 to 2005. Besides, National Informatics Centre was not included in the list of attached offices to be inspected.

DIT stated (October 2005) that it was the duty of concerned divisions/sections to carry out recording/reviewing/weeding out of their files/records. As regards annual inspection, it stated that the section had limited staff.

### **5.2.5 Manpower analysis**

Review of records relating to manpower policies of DIT revealed that DIT did not follow instructions of MOF on upgradation of posts, abolition of posts, constitution Staff Inspection Unit and filling up of posts on deputation basis.

#### **5.2.5.1 Irregular upgradation of posts**

Instructions of MOF stipulated that the upgradation of posts tantamounted to creation of posts. Powers to create posts were vested with MOF. It was observed that DIT upgraded and filled 18 Group A and one post of Publication Assistant to Publication Officer on personal/ ad-hoc basis without the approval of MOF. In case of Deputy Directors and Section Officers, the posts were upgraded in August 1999 on the analogy of orders issued by the Department of Personnel and Training (DoPT) (September 1998) for upgradation of posts for Central Secretariat Service (CSS) cadre. Though DOPT issued orders for CSS cadre after taking approval of Department of Expenditure (DOE), DIT did not take approval of DOE in this case. Similarly, in case of Private Secretaries, though the posts were upgraded on the analogy of orders issued by DOPT for Central Secretariat Stenographer Service cadre in August 1999, DIT did not take approval of DOE as was done by DOPT in similar case. The post of Executive Engineer was filled up though the incumbent did not fulfill the requisite criteria of minimum eight years of regular service in the post of Assistant Engineer.

DIT stated (May 2005) that it was empowered to take decisions in respect of all its personnel and policy related matters. The reply is not tenable as powers relating to creation/upgradation of posts were vested with the Ministry of Finance rather than the executive Ministry.

#### **5.2.5.2 Non-abolition of vacant posts**

The instructions of the Government required that all posts lying vacant for a period of one year or more should be abolished. DIT, however, did not abolish 49 posts lying vacant for a period of one year or more as of March 2005.

DIT stated (October 2005) that for one post, the matter had been taken up with Department of Economic Affairs and the other posts could not be abolished due to various administrative reasons. The reply of DIT was not acceptable as the posts lying vacant for more than one year were required to be abolished.

### **5.2.5.3 Irregular appointments by deputation in the office of the Controller of Certifying Authority**

The office of the Controller of Certifying Authority (CCA) was established in October 2000 under an Act of the Parliament to implement the provisions of the Information Technology Act 2000. The Office of the CCA had a sanctioned strength of 33 including 16 administrative posts.

DIT filled up 16 administrative posts by deputation from the staff of DIT only. DIT did not follow the established procedure for circulation of vacancies in 'The Employment News'. The DIT's action to fill up the above posts from within DIT resulted in extending undue favour to members of its staff. DIT stated (May 2005) that vacancies were circulated only in DIT because there was urgent need of support staff and circulation to all Ministries would have been a long time consuming process. It added that in future, proper circulation of vacancies would be done.

Rules governing deputation provided clearly that the maximum period of deputation should not be more than three years except in cases where the recruitment rules provided longer period. DIT had circulated a request for deputation to the post of Director (Admn. & Finance) for period of three years. DIT, however, appointed the Director (Admn. & Finance) initially for a period of five years. DIT stated (May 2005) that the post was filled up on the recommendation of the selection committee with the approval of the Minister (C&IT). The reply was not acceptable as the maximum period of deputation should not have exceeded three years.

### **5.2.5.4 Non-constitution of Staff Inspection Unit**

All scientific departments declared as such by the Department of Science and Technology were excluded from the purview of the Staff Inspection Unit (SIU) of MOF according to instructions of August 1988. The functions of SIU in respect of such Departments were to be entrusted to a team appointed by the Head of the respective Department consisting of the core members of the SIU (Ministry of Finance) and Scientific/Technical personnel from the concerned Departments.

DIT did not constitute any SIU since 1988. It, however, constituted two Quick Work-assessment Study Committees in June 2003, one each for scientific and non-scientific staff. While the report on the scientific staff had not been submitted as of October 2005, the final action on report on non-scientific staff was yet to be taken by DIT. Thus, DIT failed to undertake any study as required under the functions of SIU such as laying down norms for particular type of work and examining the proposals relating to reorganisation or creation of posts for fifteen years.

DIT stated (October 2004) that SIU of the MOF had carried out a study during 1986-88 but study reports were not submitted by it. This, however, did not explain the omission on the part of DIT to constitute an SIU for over fifteen years.

### **5.2.5.5 Non-framing of Recruitment Rules**

DIT had framed Recruitment Rules for its administrative staff but it failed to frame any Recruitment Rules for its S&T staff even after more than 30 years of its setting up. DIT also failed to evolve work norms for its S&T posts.

DIT stated (October 2004) that action had been initiated to frame recruitment rules for S&T staff but did not state anything regarding work norms.

### **5.2.6 Outstanding advances**

An amount of Rs 9.28 crore advanced by DIT was outstanding as of March 2004 against various agencies since 1989-90 in 160 cases. In 42 cases, an amount of Rs 1.59 crore were given as advance to the Electronic Trade and Technology Development Corporation Limited, a Public Sector Undertaking under DIT. DIT stated (June 2004) that most of advances were not adjusted due to non-submission of bills by the concerned divisions. The position as of March 2005 was not intimated by DIT.

#### **5.2.6.1 Inadequate monitoring resulting in non-recovery of Rs 76.31 crore**

An amount of Rs. 28.94 crore released by DIT as loan from 1975-76 onwards and Rs 2.12 crore as refundable interest free grant-in-aid from 1997-98 onwards to 22 and 5 parties respectively were outstanding, as of March 2005. The amount of interest on the outstanding loan of Rs 28.94 crore was Rs 45.25 crore. Of the defaulters, the Electronic Trade and Technology Development Corporation Limited and the Semiconductor Complex Limited, Mohali (PSUs of DIT) accounted for Rs. 22.38 crore. Audit examination revealed that while in six cases, DIT had no information about the loans given, eight cases were pending before courts/arbitrators. In two cases, the firms were not traceable. The parties in another two cases had sought conversion of loan into grants in 2004-05. This indicated inadequate monitoring by the divisions sanctioning loans as also the Pay and Accounts Office resulting in non-recovery of loan and refundable grants-in-aid, which was outstanding since 1975-76.

#### **5.2.6.2 Inadmissible payment of Transport Allowance**

As per the orders of MOF, transport allowance was admissible to the Central Government employees who were not provided government accommodation within a distance of one kilometer from the office complex.

Despite being pointed out in Audit, DIT paid the transport allowance to its employees residing in the Pragati Vihar Hostel Complex at a distance of less than one kilometer from the Electronic Niketan Complex ignoring the instructions of MOF. This resulted in inadmissible payment of Rs. 12.38 lakh to its employees during 1997-2005. DIT stated (July 2004) that the distance between Pragati Vihar and the Electronics Niketan averaged more than one kilometer. The reply of DIT was not tenable in the light of the clarification issued by the MOF (DOE) in June 2001 stating that for the purpose of calculating distance of one kilometer, the boundary of

residential complex and working place complex should be taken into account. The distance from Electronic Niketan to the Eastern side of the complex was 0.8 km. DIT further stated (August 2005) that it had constituted a committee for ascertaining the factual position with regard to the distance from the Electronics Niketan to Pragati Vihar Hostel (PVH) and the shortest distance from front gate of PVH to Electronics Niketan gate was 1.1 Km. The reply of DIT is not acceptable as the committee itself observed that there was a gate less than one kilometer (0.8 Km) from the Electronics Niketan and as per the MOF clarification of June 2001, the minimum distance between boundaries of residential complex and the office complex should be taken into account.

### 5.2.6.3 Unauthorised expenditure of Rs. 88.02 lakh

DIT provides budgetary support to the societies (presently seven) set up by it and registered under the Societies Registration Act, 1860. These societies also earn revenue to augment their fund requirement through educational training programmes, consultancy and execution of projects. Five of these societies namely, the Electronic Research and Development Center of India (ERDCI), the Centre for Development of Advanced Computing (C-DAC), the National Centre for Software Technology (NCST), the Software Technology Parks of India (STPI) and the Department of Electronics Accreditation Certificate Course (DOEACC) commenced incentive schemes from 1992-93 onwards for their employees. The incentive schemes adopted by these societies were not uniform. Over the period 1995-96 to 2003-04, the societies paid incentive of Rs. 6.09 crore to its employees as detailed in the table below:

**Table No. 2: Payment of incentive to the societies**

(Rupees in lakh)

Name of Societies	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2003-04
ERDCI	-	3.67	4.19	5.33	-	3.96	-
STPI	28.07	46.93	77.81	23.01	57.59	25.66	88.02
C-DAC	-	-	11.53	29.22	33.60	71.8	-
NCST	-	25.98	27.00	29.38	-	-	-
DOEACC	0.47	1.45	1.96	3.16	1.81	7.28	-
Total	28.54	78.03	122.49	90.10	93.00	108.70	88.02

DIT constituted a committee consisting of four members in January 2000 to suggest guidelines for uniform implementation of the incentive scheme. The committee approved the Performance Incentive Scheme (PIS) in October 2000 which provided that only those societies (i) which did not receive any budgetary support from Government (ii) which received budgetary support only for their capital requirement but generated surplus income over their revenue expenditure and (iii) which received budgetary support for the entire capital requirement and partial revenue expenditure could provide incentive to their employees.

Following an audit query on the status of MOF approval to the payment, DIT discontinued the scheme in February 2002 and sought MOF approval in April 2002. MOF intimated in July 2002 that the societies which were functioning in a highly competitive environment and were sustaining their operations exclusively from their own surplus funds without any government grant (capital or revenue) could be considered for payment of incentive. As all the societies had been getting grants (except DOEACC till 2002-03) from DIT, none of them qualified for the incentive. However, despite clarification of MOF, STPI again distributed Rs. 88.02 lakh as incentive for 2003-04 in November 2004 which was irregular.

DIT stated (August 2005) that the performance incentive scheme was initiated based on the recommendations of the committee and was also approved by the Governing Councils of these societies under the chairmanship of the Secretary DIT. The reply of DIT was not acceptable in view of the clarifications given by the MOF.

#### **5.2.6.4 Irregular payment of Conveyance Charges and Local Travelling Allowance**

As per the Delegation of Financial Powers Rules (DFPR), the conveyance hire charges actually paid by a Government servant would be reimbursed to him if he performed a journey in the public interest. The total reimbursement to a Government servant in any one month on this account should not exceed Rs. 150.

Test-check of 109 cases pertaining to 2003-04 revealed that DIT reimbursed both LTA and conveyance charges to 87 employees whereas only LTA was paid to 22 employees. During this period while Rs. 1.26 lakh was reimbursed on account of conveyance charges to these officials, Rs. 4.64 lakh was paid towards local TA. Of this, Rs 4.12 lakh was in excess of the prescribed limit of Rs 150 per month.

The payment of local TA and conveyance charges for the same month as also local TA in excess of Rs. 150 indicated the failure of administrative controls in DIT. This was all the more so in view of the fact that DIT reimbursed auto/taxi hire charges in all cases whereas the Government orders provided for reimbursement of only bus/train fare or a combination thereof, barring exceptions.

DIT stated (October 2004) that all payments were within the delegated powers. The reply of DIT was not acceptable as the payment of both conveyance and LTA charges in excess of Rs. 150 was irregular.

#### **5.2.6.5 Irregular expenditure on ELITEX – Rs 2.15 crore**

With a view to disseminating the information about indigenous R&D and promoting interaction among users, industry and R&D institutions, DIT had been organising the Electronics & IT Exposition (ELITEX), an exposition-cum-seminar since 1999.

DIT released Rs. 2.15 crore during October 2000 to March 2005 to STPI for organising ELITEX – 2001, 2002, 2003, 2004 and 2005.



MOF had issued instructions from time to time that the Departments should send the proposals of holding domestic conferences, seminars, workshops involving expenditure of more than Rs. 5 lakh through the financial advisors for approval of the Secretary (Expenditure) and the Cabinet Secretary. DIT, however, did not send these proposals to the Secretary (Expenditure) and the Cabinet Secretary though the release of funds for each event exceeded Rs. 5 lakh. Thus, the release of Rs. 2.15 crore for organising the exposition-cum-seminars was in violation of the instructions issued by MOF and the expenditure incurred was irregular.

#### **5.2.6.6 Non-maintenance of prescribed registers**

DIT was required to maintain registers for exercise of check over expenditure/ other administrative checks. It was, however, observed that the register of stock of receipt books, register of transactions of non-government money/accounts, overtime allowance register and register of sanctions were not being maintained by DIT. DIT had assured in October 2004 that these registers would be maintained in future. However, during test check in audit in October 2005, these registers were not produced.

#### **5.2.7 Accounting Controls**

##### **5.2.7.1 Improper maintenance of vouchers**

The vouchers in support of acquittance were not kept serially and locating a particular voucher was not easy. As a result, a number of vouchers could not be traced for test-check for the months selected in audit.

DIT stated (October 2004) that all vouchers would be maintained properly and serially as suggested by Audit. However, the vouchers for March 2005 test checked in audit were neither complete nor kept serially as stated by DIT.

##### **5.2.7.2 Non-fixation of revenue stamp in respect of payments made through cheque**

All payments exceeding Rs. 5000 were to be made after a revenue stamp was affixed. Test-check of cheque registers for the year 2002-03 revealed that payments upto Rs. 3.00 lakh were made by cheque without affixing revenue stamps in the register maintained for the purpose.

DIT stated (October 2004) that this would be followed strictly and revenue stamps would be fixed in all previous cases. However, the register was not produced to Audit in October 2005.

##### **5.2.7.3 Handing over cheques to persons other than claimant without authority**

It was observed that cheques in the names of individual officials of DIT were handed over to persons other than the claimant without any express authority of the claimant, which was improper and the system was liable to be misused.

DIT stated (October 2004) that in future, the cheques would be handed over to the concerned officials only.

#### **5.2.7.4 Surprise check of cash**

A surprise check of cash was required to be conducted by an authority not responsible for maintenance of the cash book. Also a certificate to the effect that the cash balance found during physical verification had agreed with the balances recorded in the cash book was to be recorded. It was, however, observed that surprise check of cash was not done in DIT during 2002-03 to 2004-05.

DIT stated (October 2004) that the Deputy Director (Budget) or the Deputy Financial Adviser would conduct surprise check of the cash on a regular basis. A scrutiny of the cash book upto March 2005, however, revealed that this practice was not actually started by DIT.

#### ***Recommendations***

- ❖ **DIT should evolve proper internal controls to ensure that instructions issued by Government of India were followed.**
- ❖ **The internal audit wing should be established and comprehensive internal audit manual be prepared at the earliest.**
- ❖ **The registers prescribed to be maintained under various instructions and rules should be maintained and updated.**

**MINISTRY OF URBAN DEVELOPMENT**

**AND**

**MINISTRY OF URBAN EMPLOYMENT AND  
POVERTY ALLEVIATION**





### 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 allocated<sup>1</sup>

*(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.

<sup>1</sup> 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**

<b>Quarter Ending</b>	<b>Date of Submission to the Ministry</b>	<b>Delay in submission</b>
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 cases<sup>2</sup> 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.

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<sup>2</sup> 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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New Delhi

Dated 7 MAR 2006

COUNTERSIGNED



(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

New Delhi

Dated 8 MAR 2006

