



GOVERNMENT OF KERALA

Finance (IAC A) Department

CIRCULAR

No. 32/2005/Fin

**Thiruvananthapuram
Dated 10/6/2005.**

Sub: - Finance (IAC A) Department - Strengthening of Internal Audit System in the State - Reviewed - instructions issued.

**Ref: - 1. D.O. (L) No. Report (Civil)/II/DPR - 80/2003-04/231 dated 28.11.2003 from the Principal Accountant General (Audit), Kerala, Thiruvananthapuram.
2. Circular No. 96/2003/Fin dated 19.12.2003.**

The Principal Accountant General (Audit), Kerala had expressed concern over the functioning of the existing Internal Audit System functioning in various Government Departments in the State and had made certain suggestions/recommendations for strengthening the system in Government Departments. Based on the recommendations made by the Accountant General, instructions were issued to all Heads of Departments to take action to strengthen the Internal Audit Wings functioning under their control vide Circular cited. Also, it was interalia ordered that, by considering the recommendations of the A.G, this Department will conduct a review on the present functioning of the Internal Audit Wings in various Government Departments with a view to strengthen the system in all the Departments. As part of the review, Government have collected exhaustive details of the existing wings from each Head of Department.

2. An evaluation/review of the details so received in this Department from various Government Departments reveal that in most of the Departments, Internal Audit Wings are not functioning effectively and satisfactorily. It is observed that a large number of audit objections are still outstanding for clearance. The existing instructions for speedy settlement of audit objections are not being followed by the Heads of Departments. This has resulted in the accumulation of outstanding audit objections in several Departments for years.

3. Regular audit and follow up action thereon are not seen done in many Departments even though directions were issued to all Heads of Departments regarding the conduct of regular audit, furnishing of audit reports to Government, timely follow up action, etc, to avoid the recurrence of financial/procedural irregularities and to keep the records/files/registers etc. in accordance with the Rules laid down by Government. Major Departments like Police, PWD,

Industries and Commerce, Education, Treasury etc. have not taken any effective measure to conduct regular audit and to furnish audit report to Finance (IAC) Department.

4. In the above circumstances Government have examined the suggestions/recommendations made by the Accountant General for strengthening the existing Internal Audit System functioning in the State in detail and hereby issue the following directions in addition to the directions issued in the Circular cited for the strict compliance of the Heads of Departments:

- (1) All Heads of Departments will constitute a Monitoring Committee headed by the Finance Officer/Accounts Officer and senior officers as members for regular review of the internal audit work and follow - up action on internal audit reports.
- (2) The Committee shall review the functioning of the internal audit wings in their Department at least once in 3 months and ensure that regular audit is being conducted in all the offices in that Department and follow-up action on the internal audit reports are done promptly and effectively. If any difficulty is faced, the same shall be informed to Government in Finance (IAC) Department directly with copy to the concerned Administrative Department.
- (3) Sufficient staff shall be provided in the Internal Audit Wings by internal arrangements in order to conduct regular audit in all the sub offices and to take follow-up action thereon.
- (4) All Heads of Departments shall personally take immediate and time bound action to settle the long pending audit objections. If found necessary, the help of officers who were in charge of the office in that particular period may also be sought. If any financial liability is involved in the audit objections, two months time may be given to the concerned to settle the same and if it is not seen settled within this period, the same shall be recovered from the persons concerned without further delay. Any laxity on this will be viewed seriously and will be treated as the personal liability of the responsible controlling authority.
- (5) Each audit wing shall keep a register containing the details of all the Sub - offices under their control in order to watch the progress of internal audit and follow - up action on internal audit reports. Separate pages shall be given for each Office. The register may be maintained in the following proforma.

INTERNAL AUDIT OF SUB OFFICES

Name and Address of the Sub Office:

Period of audit	Date of audit	Details of outstanding audit paras in the previous audit reports	Details of audit paras in the latest audit reports which are still pending	Details of follow-up action
1	2	3	4	5

- (6) All Heads of Departments are directed to follow the directions issued in Government Circular No. 5/2001/Fin dated 24.01.2001, while dealing with the Inspection Reports of the Accountant General.
- (7) In addition to the instructions issued in the Circular quoted in Para 6 above, all Heads of Departments are directed to maintain a register in the Head Quarters in the following proforma for watching the progress of settling the audit objections in the Inspection Reports of the Accountant General received in that Department and relating to that office or the sub offices.

AG's Letter No. and date	Date of receipt	concernedName of the Office	Number of audit paras in the Inspection Report.	Audit objections in brief	Date of despatch of the same to the concerned office	Details of replies received from the sub office	Details of reply furnished to the Accountant General	Details of remarks received from the Accountant General
1	2	3	4	5	6	7	8	9

- (8) All the Heads of the Offices/Sub Offices are directed to maintain separate Audit Objection Registers for the Inspection Reports of the Accountant General and Internal Audit Reports of the Internal Audit Wings of the Department.
- (9) All the internal audit wings are directed to verify these registers during audit and make sure that the same is being kept with all the relevant details in all the Offices.
- (10) All Heads of Departments shall prepare replies to internal audit reports in the following proforma and forward the same to Government in Finance (IAC) Department with copy to the Administrative Department within the time limit prescribed in the Circular under reference.

Sl. No.	Audit Para No.	Audit Objection	Rectification/Action taken report received from the concerned office	Specific Remarks of the Head of Department
1	2	3	4	5

(11) Eventhough Government have directed all Heads of Departments to forward the copies of all the Internal Audit Reports to Finance (IAC) Department, Heads of certain Departments, especially major Departments like Police, Public Works, Industries and Commerce, Education, Treasury etc are not seen complying with the directions. Hence, all Heads of Departments are once again directed to ensure that the copies of all the Internal Audit Reports are made available to Finance (IAC) Department for verification and further action, if found necessary.

5. All Heads of Departments should ensure that the above instructions are scrupulously followed and the Internal Audit Wings in each Department function systematically, promptly and effectively to achieve the desired result. Any laxity in implementing the above directions will be viewed seriously.

6. The Internal Audit Cell in Finance Department will review the functioning of the Internal Audit Systems in all the Departments half yearly and will give further necessary directions.

PALAT MOHANDAS
Chief Secretary

To

The Principal Accountant General(Audit), Kerala, Thiruvananthapuram
(with C/L)
The Accountant General (A&E), Kerala, Thiruvananthapuram (with C/L)
All Heads of Departments and Offices
All Departments (All Sections) of the Secretariat.
All Principal Secretaries/Special Secretaries/Secretaries/Additional
Secretaries/Joint Secretaries/Deputy Secretaries/Under Secretaries to
Government
The Secretary, Kerala Public Service Commission (with C/L)
The PA to the Leader of Opposition.
The Registrar, University of Kerala/Cochin/Calicut/Kannur (with C/L)
The Registrar, Mahatma Gandhi University, Kottayam (with C/L)
The Registrar, Kerala Agriculture University, Thrissur (with C/L)
The Registrar, Sree Sankaracharya Sanskrit University, Kalady (with C/L)
The Registrar, High Court of Kerala, Ernakulam (with C/L)
The Director, Information and Public Relations
The Stock File/Office Copy