



GOVERNMENT OF KERALA
FINANCE (IAC A) DEPARTMENT
CIRCULAR

No. 96/2003/Fin.

Dated, Thiruvananthapuram, 19/12/2003.

Sub: - Internal Control Mechanism – Strengthening of Internal Audit System in the State – Instructions issued.

- Ref: - 1. Circular No. 67/86/Fin. dated 19.09.1986.**
2. Circular No. 43/91/Fin. dated 09.07.1991.
3. Circular No. 59/93/Fin. dated 24.08.1993.
4. D.O. (L) No. Report (Civil)/II/DPR – 80/2003-04/231 dated 28.11.2003 from the Principal Accountant General (Audit), Kerala, Thiruvananthapuram.

Government had constituted an "Internal Audit Cell" in the Finance Department with a view to monitor and supervise the functioning of Internal Audit Wings functioning in various departments in the State. Accordingly, directions had been issued to all Heads of Departments to constitute Internal Audit wings in their departments in order to conduct audit of the accounts of the offices under their control. They were also directed to report grave financial irregularities immediately to Government in this Department and furnish copies of the audit report in due course. But, it has come to notice of Government that certain Heads of Departments have not complied with the above directions and have not constituted Internal Audit Wings so far. Moreover, the internal audit wings in most of the Departments are not functioning effectively. It is the duty of the Internal Auditors to bring the financial/procedural irregularities to the notice of concerned officers at the time of audit and to ensure that the same is not repeated. But verification of Internal Audit reports received in this Department and review thereon revealed that the auditors have only pointed out the irregularities and are not giving any specific direction on how to rectify the defects as per the provisions/rules laid down by Government from time to time. As such the same defects/irregularities pointed out by the auditors are seen repeated in the same office even after several audits. Also, the internal audit wings functioning in various departments are not giving much attention to follow up action on the audit conducted. Even when grave financial irregularities are noticed, the officers concerned have not reported the same to Government on time.

The Accountant General (Audit) vide D.O. (L) cited, has also expressed dissatisfaction on the functioning of the Internal Audit Wings in the State and advised Government to take remedial measures to ensure that an effective Internal Audit System is in operation in all Departments in the State.

2. In the above circumstances, Government have examined the matter in detail and the following guidelines are issued for the strict compliance of all Heads of Departments with a view to strengthen the functioning of Internal Audit System in the State as it is an integral part of internal control of financial discipline.

- (i) Departments in which internal audit system has not been introduced so far should constitute the same **within one month** and a compliance report in this regard should be forwarded to this Department **before 29/02/2004**.
- (ii) All heads of Departments should ensure that audit of accounts of all the offices under their control is conducted promptly and regularly.
- (iii) All Heads of Departments should ensure that the audit reports of all offices under their control reach Government in Finance (IAC) Department **within two weeks from the last date of audit and grave financial/procedural irregularities should be reported to Government immediately**.
- (iv) Follow-up action on audit reports should be prompt and effective. The Head of Department should obtain rectification report on the objections raised in the report from the concerned and forward the same along with the specific remarks of Head of Department to Government **within a fortnight**.
- (v) All the audit objections on a report should be settled **within three months**.
- (vi) In case of any difficulty is faced by the Head of Department in obtaining the rectification report from the concerned, the same may immediately be reported to Government.
- (vii) Audit programme of each Internal Audit Wing should be prepared for **three months in advance**, in future, and a copy of the same should be forwarded to Government in Finance (IAC) Department and the Officers of this department will conduct surprise inspection thereon.

- (viii) All Heads of Departments should ensure that the audit objections not settled so far are cleared before **31st March 2004** and report the fact to Government.

3. All Heads of Departments should see that Internal audit wing in their Department work efficiently, by following the above Guidelines. A review of the functioning of Internal Audit Wings in the State will be conducted by this Department shortly.

4. Receipt of this Circular should be acknowledged.

SUDHA PILLAI
Principal Secretary (Finance).

To

The Accountant General (A&E)/Audit, Kerala,
Thiruvananthapuram.
All Heads of Departments and Offices.
All Departments (All Sections) of the Secretariat.
The Secretary, Kerala Public Service Commission (with C/L).
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).
Managing Directors/General Managers of all Government
undertakings and Companies.
The General Manager, Kerala State Road Transport Corporation.
The Secretary, Kerala State Electricity Board.
Private Secretaries to the Chief Minister and other Ministers.
Secretary to Governor.
Director of Treasuries.
Deputy Secretary to Chief Secretary.
All Principal/Additional/Joint/Deputy/Under Secretaries.
Private Secretary to the Leader of Opposition.
P.A. to the Speaker of Legislative Assembly.
The Director of Public Relations.
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