

CHAPTER V

INTERNAL CONTROL MECHANISM AND INTERNAL AUDIT

WOMEN DEVELOPMENT, CHILD AND DISABLED WELFARE DEPARTMENT

5.1 Internal Control Mechanism in Women Development and Child Welfare Department

Highlights

Internal control system is a process by which an organisation directs its activities to effectively achieve its objectives. Such a system consists of methods, systems and procedures for protecting resources from waste, loss, theft, misuse or mismanagement and provides reasonable assurance that the organization goals and objectives are achieved. A review of the Internal Controls Mechanism in the Women Development and Child Welfare Department during the period 2001-06 showed the non-working of the internal controls in the Department. Non-compliance with rules, manuals, codes in general, lack of discipline in budget preparation, weak expenditure controls, poor implementation of schemes/programmes, and little monitoring of settlement of misappropriation cases, etc. were noticed. Internal audit was totally absent. Overall, these adversely affected delivery of services to the targeted women and children.

- ◆ Budget Estimates (BE) were submitted to the Finance Department directly without any inputs from the estimating officers. The estimates were, therefore, not only unrealistic but were not subjected to scrutiny.

[Paragraph 5.1.5.1]

- ◆ The Centrally sponsored 'Balika Samrudhi Yojana scheme' was poorly implemented in the State despite the availability of Central assistance. Belated submission of UCs resulted in foregoing of Central assistance for the years 2002-03 to 2005-06. No girl children were paid scholarships after each year of schooling though entitled to.

[Paragraph 5.1.6.1]

- ◆ Loan amount of Rs 6.15 crore (out of Rs 13.89 crore) disbursed to Income Generating Activity (IGA) groups had not been recovered even after 10 years of the closure of the scheme. This was indicative of poor operational controls.

[Paragraph 5.1.6.3]

- ◆ Unspent balances of schemes funds amounting to Rs 3.45 crore were not remitted to Government account and were lying with the Project Directors for long periods. Advances amounting to Rs 82.08 lakh made by the PD, East Godavari District were also pending

adjustment even after lapse of seven years. Funds were released to M/s AP Foods without assessing actual requirement resulting in locking up of huge funds with it indicating ineffective financial controls.

[Paragraphs 5.1.5.4, 5.1.5.6 and 5.1.7.1]

◆ Forty six misappropriation cases involving Rs 61.97 lakh were pending settlement; some of them even pertained to 1996-97 and earlier years. During the five-year period 2001-06 only 14 cases (Rs 9.47 lakh) were settled indicating poor monitoring of misappropriation cases.

[Paragraph 5.1.9.2]

◆ Internal audit was totally absent in the department though one Accounts Officer and two Assistant Accounts Officers were in place. Thus there was no independent assurance to the management on the adequacy of existing internal controls in the Department.

[Paragraph 5.1.10]

5.1.1 Introduction

Internal control mechanism is an integral part of an organisation's operations to promote operational efficiency and effectiveness. A good internal control system should enable managers to ensure efficient, effective and economic utilisation of resources. It encompasses both administrative and accounting controls laid down in the departmental rules and procedures. Internal Audit examine and evaluate the level of compliance to the departmental rules and procedures and provide reasonable assurance to the management on the adequacy or otherwise of the existing internal controls.

The main objective of the department is the upliftment and advancement of women and children in all respects by implementing various programmes and schemes. The activities of the department *inter alia* include the implementation of Integrated Child Development Services (ICDS) projects including 142 projects¹ aided by the World Bank. Supplementary Nutrition Programme (SNP) is one of the prime services rendered under the Integrated Child Development Scheme. Under this programme, two varieties of food viz., CARE food² and Ready to Eat (RTE)³ food are supplied to children in Anganwadi Centres (AWC).

5.1.2 Organisational Setup

At Government level, the Principal Secretary is responsible for overseeing the functioning of the department. The Director, Women Development and

¹ Since converted as regular projects from October 2005

² Co-operation of American Relief Everywhere received free of cost from America and other allied countries in the shape of Corn Soya Bean and Soya Salad Oil

³ Supplied by AP Foods, Nacharam (Hyderabad District) – expenditure fully met by the State Government

Child Welfare (Director) is the Head of the Department. The Director is assisted by two Joint Directors (JD), three Deputy Directors (DD), one Administrative Officer, five Assistant Directors (AD) and other supporting staff. One Accounts Officer and two Assistant Accounts Officers assist the Director in all financial matters and are responsible for conduct of internal audit. Six Regional Deputy Directors (RDD) are functioning in six zones in the State. At the district level 23 Project Directors (PD) and 375 Child Development Project Officers (CDPO) with supporting staff implement the schemes/programmes. There are 56539 AWCs for improvement of health, academic and economic status of the beneficiaries.

5.1.3 Audit objectives

Audit objectives were to see the adequacy and effectiveness of

- Financial Controls
- Operational Controls
- Procurement Controls
- Manpower management
- Supervisory Controls
- Internal Audit System

5.1.4 Scope of Audit

A review on the Internal Control Mechanism in the Women Development and Child Welfare Department for the period 2001-06 was conducted (February-June 2006) by test-check of the records at the Secretariat, Directorate and six sample districts⁴. The selection of districts was made on the basis of expenditure, number of CDPOs and number of AWCs in the districts. In the sample districts, the records in the offices of RDD, PD, two *per cent* of CDPOs (14) (including records of AWCs) were test-checked. The results of the review are presented in the succeeding paragraphs.

Audit Findings

5.1.5 Financial Controls

Scrutiny of the financial controls showed non-working of budgetary/expenditure controls which led to non-submission/belated submission of Budget Estimates (BEs), persistent savings, non-remittance of unspent balances, advances pending for several years, diversion of scheme funds, etc. as discussed below:

5.1.5.1 Budgetary process

Director prepared the BEs without any inputs from the estimating officers

According to the Budget Manual, the Chief Controlling Officer (CCO) i.e., Director is required to send the revised estimates for the current year and Budget estimates (BEs) for the next year, based on the estimates submitted by the district officers, to the Administrative Department by 1 October

⁴ Anantapur, East Godavari, Guntur, Hyderabad, Mahboobnagar and Visakhapatnam

every year, who in turn submits the same to the Finance Department by 15 October every year.

**For the years
2003-04 to 2005-06
Director submitted
BEs directly to
Finance
Department**

In all the sample districts, it was, however, observed that BEs were not submitted (to the CCO) by the district officers during 2001-06 and the CCO had been finalising the BEs without necessary inputs from the estimating officers, for submitting the same to the Administrative and Finance Departments. It was also observed that for the years 2003-04 to 2005-06 the Director had submitted BEs directly to the Finance Department contravening the provisions of the Budget Manual. Further, the Director had submitted the BEs of 2002-03 to the Administrative Department and those of 2003-04 to 2005-06 to the Finance Department with delays ranging from 30 days to 128 days. Delay in submission of BEs renders the entire budgetary process a futile exercise.

The budget provision vis-à-vis expenditure incurred by the department during 2001-06 was as under:

(Rupees in crore)

Year	Budget Provision	Expenditure	Saving (percentage)
2001-02	304.62	253.15	51.47 (17)
2002-03	382.75	332.70	50.05 (13)
2003-04	522.10	408.29	113.81 (22)
2004-05	539.72	411.84	127.88 (24)
2005-06	517.38	392.45	124.93 (24)
Total	2266.57*	1798.43**	468.14 (21)

*included Rs 626.69 crore towards CSS and Rs 563.20 crore towards World Bank (WB) aided projects

**included Rs 546.21 crore towards CSS and Rs 293.05 crore towards WB aided projects

It may be seen from the above that the percentage of savings was between 13 to 24 during 2001-2006. The extent of non-utilisation of budgeted funds was very high (48 per cent) in the case of World Bank aided projects i.e., mainly under ICDS.

The Director had attributed (July 2006) the saving in all the years mainly to delay in receipt of administrative sanctions, non-receipt of release orders for sanctioned amounts from the Government citing economy measures, dispensing of certain schemes and non-filling up of vacant posts. The reply of the Director suggests that formulation of schemes/programmes was not properly planned by him and that the estimates prepared were not on realistic basis. Further, Budget Provision for vacant posts was against the provisions of Para 16.14 of the Budget Manual.

5.1.5.2 Delay in surrender of savings

**In the years
2001-02 to 2005-06
huge funds were
surrendered on the
last day of
financial year**

As per Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, it was seen that during 2001-02 to 2005-06, Rs 347.47 crore⁵ was surrendered on 31 March of

⁵ 2001-02: Rs 51.57 crore; 2002-03: Rs 60.87 crore; 2003-04: Rs 120.31 crore; 2004-05: Rs 0.65 crore; 2005-06: Rs 114.07 crore

each year. Due to delay in surrender of savings, the funds could not be allotted to other needy purposes/other needy departments.

5.1.5.3 Lack of expenditure control

Prescribed expenditure controls were bypassed

Director as Chief Controlling Officer (CCO) is to receive monthly statements of expenditure from 522 Drawing and Disbursing Officers (DDOs) and the Controlling Officers (CO) to enable him to monitor the expenditure from time to time and to carry out reconciliation of departmental figures with those booked by the Accountant General (Accounts and Entitlements) (AG(A&E)). It was observed that the Director had not maintained any control register for watching the receipt of monthly expenditure statements from the COs. Consequently regular monitoring of the expenditure incurred by the district units could not be possible as huge amounts lying unspent for several years, diversions, etc. Discrepancies were also noticed between the departmental figures and those booked by the AG (A&E) as shown in *Appendix 5.1*.

5.1.5.4 Non-refund of unspent balances of schemes funds

Unspent balances of Rs 3.45 crore relating to SNP and Civil works were not remitted to Government account

For procurement of rice, dal and other food provisions under Local Food Model (LFM) of SNP, the Director had been releasing funds to the PDs by way of Demand Drafts (DDs). From August 2005 the payments in respect of the programme were brought under the Treasury Control. It was noticed that the unspent balances amounting to Rs 2.52 crore relating to the releases made prior to August 2005 were still lying in the SB account of PDs as of 31 March 2006 in the three⁶ (out of six) test-checked districts.

Further, for construction of CDPO Office-cum-Godowns, AWCs, Drilling of Bore wells under Civil Works component of the World Bank assisted scheme, the Director had released funds to the PDs between March and October 1999. Although the civil works were completed and the World Bank project closed by September 2005, the unspent balances amounting to Rs 93.14 lakh were still lying in SB accounts of PDs in the three⁷ (out of six) test checked districts. The Director had not issued necessary instructions to the PDs for remitting these unspent balances to Government account.

Thus, lack of monitoring of the schemes/activities by the Director has led to huge unspent amounts still remaining outside the Government account.

5.1.5.5 Diversion of funds

Sale proceeds of empty containers were being diverted to other purposes

As per the guidelines issued by GOI under the ICDS, the sale proceeds of empty containers in which Ready To Eat food (RTE) snacks, oils, etc. were supplied to the AWCs, should be utilised towards purchase of fuel, condiments, utensils, repairs to existing AWCs only.

⁶ Guntur: Rs 2.03 crore; East Godavari: Rs 0.37 crore; Mahboobnagar: Rs 0.12 crore

⁷ Visakhapatnam: Rs 14.89 lakh; Guntur: Rs 24.12 lakh; Mahboobnagar: Rs 54.13 lakh

It was however, observed that the Director obtained the sale proceeds from the CDPOs instead of keeping with them and diverted these funds towards purchase of modern furniture, air conditioners, maintenance of office building, payment of telephone charges, expenses on Women's Day Celebrations, etc. Only Rs 9.84 lakh (nine *per cent*) was reimbursed and the balance Rs 1.05 crore was still outstanding (August 2006).

5.1.5.6 Advances pending adjustment for long periods

Advances of Rs 82.08 lakh given by PD, East Godavari were pending for over seven years

Advances amounting to Rs 82.08 lakh given (between February – November 1999) by the PD, East Godavari District to the three⁸ implementing agencies to meet the expenditure towards construction of CDPO Offices, AWCs and drilling of bore wells, was still pending adjustment (March 2006) even after lapse of seven years. The PD stated (May 2006) that the EEs were being reminded regularly to render the detailed accounts.

5.1.5.7 Non-submission of Detailed Contingent Bills

DC bill for Rs 1.63 crore was pending for over 14 years

Government had released Rs 5.86 crore in March 1992 for purchase of material under the World Bank assisted ICDS Project – Phase-I. The Director had drawn (March 1992) Rs 5.80 crore on six AC Bills. It was however, seen that the DC bills for Rs 4.17 crore (for five out of six AC bills) were only submitted after a delay of more than six years and the DC bill for the balance amount of Rs 1.63 crore had not been submitted as of August 2006.

DC bills for Rs 69.40 lakh were also pending in the offices of PDs, Guntur and Kakinada

The PD, Guntur had drawn on AC bill Rs 18.15 lakh on 13 March 2003 towards implementation of Balika Samruddhi Yojana scheme. The DC bill had not been submitted as of June 2006. Similarly, DC bill for Rs 51.25 lakh drawn on AC bill during September 2005 by the PD, Kakinada, towards construction of AWCs in Tsunami effected areas in the district was also not submitted by him.

5.1.6 Operational controls

The Department had been implementing various Central and State Government schemes for the welfare of destitute women and children. Certain shortcomings were noticed in the implementation of schemes, which was mainly due to non-working/absence of operational controls in the department as discussed below:

5.1.6.1 Balika Samrudhi Yojana (BSY)

Belated submission of UCs resulted in foregoing of Central assistance for the period 2002-06. Scholarships were not paid to girl children

GOI launched BSY, a 100 *per cent* Centrally sponsored scheme during 1997-98. The scheme was to cover girl children in families below poverty line who were born on or after 15 August 1997. Each girl child eligible

⁸ (i) Executive Engineer (EE), Rural Water Supply, Kakinada (Rs 42.20 lakh); (ii) EE, Tribal Welfare, Ramachandrapuram (Rs 24.88 lakh) and (iii) EE, Scheduled Castes Cooperative Society, Kakinada (Rs 15 lakh)

under BSY would get post birth grant of Rs 500 and was also entitled to annual scholarships for each successfully completed year of schooling. As per the guidelines, the State Government was to submit utilisation certificates to GOI to facilitate release of further funds.

The State Government released only Rs 4.51 crore to the Director as against Rs 6.94 crore released by GOI during 1997-2002. UCs for Rs.4.16 crore were sent by the State Government only in October 2002. Due to delay in submission of UCs, no funds could be obtained from the GOI for implementation of the scheme during the years 2002-03 and 2003-04.

The children who were paid post birth grant in the years 1997-98 to 1999-2000 were entitled to scholarships during 2004-05 to 2005-06 on their successful completion of each year of schooling. Under the scheme 229918 beneficiaries⁹ were covered during 1997-2006 and were paid post birth grant of Rs 500 each. Out of these, 55355 beneficiaries who were paid post birth grant during 1997-98 and 1998-99, scholarships were paid only to 18787 beneficiaries (34 *per cent*) during 2005-06 though due in 2004-05. Non-payment of scholarships to all the beneficiaries during 2005-06 was mainly due to belated submission (February 2006) of proposals to GOI by the Director/State Government. However, no further grants were released by GOI as of August 2006. This shows ineffective monitoring of the implementation of the scheme both at CDPOs and the PD level.

5.1.6.2 Urban ICDS Projects not operationalised

None of the additional projects/AWCs envisaged by GOI in June 2004 were operationalised

The Centrally sponsored ICDS programme is being implemented in the State with the objectives of improving pre-school education, health and nutrition status of children of 0-6 years age and pregnant/lactating women by providing nutritious food/food supplements.

In June 2004, GOI had requested the State Government to submit proposals for additional Rural/Urban /Tribal projects and for additional AWCs in existing ICDS projects to cover uncovered habitations under the programme. Accordingly, the State Government submitted (October 2004) proposals to GOI for 13 additional ICDS projects (Urban) with 1468 AWCs and 8094 additional AWCs in the existing projects to cover a population of 24.85 lakh. GOI while conveying the sanction in August 2005 for the above additional projects and AWCs also accorded sanction of posts¹⁰. The projects were to be operationalised by June 2006. Although the State Government accorded (January 2006) administrative sanction for the above projects including the sanction of posts, the staff was not recruited and as a result none of the additional projects/AWCs in the existing projects were operationalised as of August 2006.

Thus, inaction on the part of the Director has led to deprivation of the envisaged benefit to the targeted women and children even after one year of GOI's sanction.

⁹ 1997-98 (27627); 1998-99 (27728); 2001-02 (32438); 2002-03 (142125)

¹⁰ CDPO: 13, Supervisor: 59, Assistant/Statistical Assistant: 13, Clerk/Typist: 13, Peon: 13

5.1.6.3 Income Generating Activity (IGA) Scheme – Non-recovery of loan

Loan amount of Rs 6.15 crore (out of Rs 13.89 crore) given under IGA scheme was not recovered (March 2006) even after 10 years

The World Bank assisted IGA scheme was implemented in 13 selected districts in the State during 1991-97. The funds amounting to Rs 13.89 crore were allotted to 110 CDPOs of 13 selected districts for distribution among the Mahila Mandal Groups in the districts on loan basis for developing income generating activities.

It was however, noticed that out of Rs 13.89 crore disbursed to IGA beneficiaries during 1991-97, only Rs 7.74 crore (56 *per cent*) was recovered as of May 2006 and the remaining Rs 6.15 crore was still to be recovered even though the scheme was already closed way back in 1996-97. It was also observed that the amounts were recovered from the IGA groups by way of DDs and instead of remitting to Government account the same was deposited in the SB account (Rs 2.76 crore) and Fixed deposit account (Rs.4.98 crore) of a nationalised bank.

Non-recovery of the loan amounts from the IGA beneficiaries even after 10 years of closure of the scheme indicates poor operational controls at the CDPOs, PDs and the Director level.

5.1.6.4 Non-functioning of Wide Area Network (WAN) System

WAN system was not operational in any of the six RDDs, 14 PDs and 309 ICDS projects

The Director proposed (November 2004 and April 2005) to provide WAN connectivity to six RDDs, 23 PDs and 351 ICDS projects to facilitate easy flow of information to all the subordinate offices in the State. After calling for tenders, the work of providing WAN connectivity to six regional offices and 23 PD offices was entrusted (October 2004) to M/s APTS, Hyderabad and that for 351 ICDS projects to M/s AP Sahakara Vigyana Samithi, Hyderabad. Out of the total cost of Rs 30.33 lakh, the department had paid (March 2005) Rs 27.30 lakh as 90 *per cent* advance and the balance of Rs 3.03 lakh in March 2006. The department had also incurred Rs 7.72 lakh towards imparting training to staff.

As of August 2006 the WAN system was not operational due to technical problems in any of the six RDD offices, 14 out of 23 (61 *per cent*) PD offices and 309 out of 351 (88 *per cent*) ICDS projects. Further, the Director had paid (March 2006) Rs 4.69 lakh towards annual maintenance charges to M/s AP Sahakara Vigyana Samithi, Hyderabad even though the WAN system was not functioning in 329 out of 380 offices. This shows that after giving a contract to vendor, no monitoring was done to see that the system was functioning.

5.1.7 Procurement Controls

Procurement controls were weak

The Director, in addition to making centralised procurement of RTE/Modified Therapeutic Food (MTF) from M/s AP Foods, Hyderabad and material such as medicine kits, play kits, weighing scales, etc. had been releasing funds to the PDs to procure LFM food of SNP and certain items like Gas stoves, IFA tablets, etc. During the test-check of records, it was

noticed that procurement of equipment without any indents from the CDPOs and non-utilisation of same due to lack of trained manpower, etc. as discussed below:

5.1.7.1 Release of funds to M/s. AP Foods far in excess of requirement

Under SNP, funds were placed at the disposal of M/s AP Foods without assessing the actual requirement. Large funds were locked up

The Department is to provide supplementary nutrition to children below six years, pregnant and lactating women through the ICDS projects. The AP Foods, Hyderabad prepares and distributes the RTE food to the AWCs through the CDPOs. The Director had been drawing the funds and crediting to the PD account of AP Foods without assessing the actual annual requirement. This has resulted in locking up of huge funds with AP Foods as follows:

(Rupees in crore)

Year	Opening balance	Amount credited to PD Account	Total	Expenditure	Balance at the end of the year
2002-03	1.74	60.23	61.97	44.59	17.38
2003-04	17.38	108.78	126.16	95.27	30.89
2004-05	30.89	118.11	149.00	80.32	68.68
2005-06	68.68	37.64	106.32	76.26	30.06

Out of the unspent balance of Rs 30.06 crore, Rs 29.39 crore was remitted to Government account only in June 2006 in accordance with the Government orders of April 2000. This clearly indicated that the funds were being placed at the disposal of AP Foods every year far in excess without assessing the actual requirement resulting in locking up of large funds with AP Foods.

5.1.7.2 Over Head Projectors lying idle

Over Head Projectors were procured without any indents from CDPOs. The projectors were lying idle in 13 out of 14 CDPOs

The Director had procured (2002-03) 215 Over Head Projectors at a cost of Rs 36.74 lakh to impart training in AWCs and supplied to all 180 non-World Bank ICDS Projects, 29 Tribal Projects and six RDDs.

It was however, observed that the projectors were not yet installed as of March 2006. Also no training was imparted to exhibit the shows, no slides were supplied and no technical person was deputed to demonstrate the equipment. Thus, procurement of the projectors without supplying necessary ancillary items, coupled with lack of training has led to the equipment purchased way back in 2002-03 not being put to use (March 2006).

5.1.7.3 Non-functioning of Weighing Scales

Weighing Scales were not functioning in all the AWCs in the test-checked CDPOs

The Director procured (January 2003) 13612 infant-cum-baby Weighing Scales costing Rs 53.77 lakh and 20200 Adult Weighing Scales costing Rs 73.93 lakh and distributed them among the AWCs in the State through the CDPOs.

It was noticed in all the AWCs in the test checked CDPOs that the scales procured were not functioning. The CDPOs stated (May 2006) that though the non-functioning of scales was brought to the notice of the Director, the same were not replaced so far nor did he arrange for any repairs.

5.1.7.4 Gas stoves lying idle

Single burner gas stoves were procured by PDs/ CDPOs in anticipation of the release of gas connections under 'Deepam' scheme

Under 'Deepam' scheme, the State Government accorded sanction (July 2003) for supply of LP gas connections to 12388 AWCs of 10 CARE districts¹¹ to implement LFM of SNP. The Director instructed (September 2003) all the PDs to purchase single burner gas stoves and released Rs 30.97 lakh (at Rs 250 per stove) for the purpose.

The PDs and CDPOs had procured gas stoves during 2003-04 in anticipation of release of LP gas connections. It was, however, seen that 4777 gas stoves (39 *per cent*) costing Rs 14.27 lakh were lying idle in the AWCs of five districts¹² (information for other districts not received) as the supply of LP gas connections to AWCs under 'Deepam' scheme was stopped by the Government in June 2004.

Further, in the context of large-scale misappropriations being noticed by the Department in the districts where LFM of SNP was implemented, the Director submitted (May 2006) proposals to Government to convert all the LFM projects to RTE/MTF. Thus the entire expenditure incurred on stoves would become infructuous as the gas stoves would not be required as per the recent proposal of the Director.

5.1.8 Manpower Management

5.1.8.1 Vacancies in key posts

Large vacancies existed in the key posts of CDPOs, ACDPOs and Supervisors

The performance of the department and efficient implementation of the women and child welfare programmes depends on availability of the required manpower. The vacancies in key posts such as CDPOs, ACDPOs, and Supervisors ranged between nine and 39 *per cent* as under:

¹¹ Khammam (1956); Warangal (1708); Karimnagar (1380); Nizamabad (1016); Medak (806); Srikakulam (993); Vizianagaram (1074); Visakhapatnam (1331); West Godavari (685); East Godavari (1439)

¹² East Godavari (1540 stoves/Rs 3.43 lakh), Visakhapatnam (1348 stoves/Rs 2.97 lakh), Medak at Sangareddy (806 stoves/Rs 2.02 lakh), Srikakulam (667 stoves/Rs 1.65 lakh) and Khammam (1956 stoves/Rs 4.20 lakh)

	Sanctioned strength	Men-in-position	Vacant (Percentage)
CDPOs/ACDPOs			
2001-02	450	400	50 (11)
2002-03	625	499	126 (20)
2003-04	625	412	213 (34)
2004-05	637	577	60 (9)
2005-06	575	351	224 (39)
Supervisors*			
2004-05	2697	1661	1036 (38)
2005-06	2643	2223	420 (16)

* information pertaining the period 2001-02 to 2003-04 was not available with the Director

The Director stated (August 2006) that the posts of ACDPO could not be filled since GOI issued orders (August 2003) reducing the functionaries of ICDS to at least 20 *per cent* and as such the vacant posts were not being filled up. The Director submitted proposals to State Government in September 2005 for reorganisation of CDPOs/ACDPOs working in ICDS projects. Orders from Government were awaited (August 2006). As regards the vacancies in Supervisor posts, the Director stated that proposals for absorption of Balwadi Creche teachers who are working as Supervisors on deputation, were submitted to Government (December 2005) and no orders have been received (August 2006).

Large number of vacancies in the key areas adversely affected the overall delivery of services to the targeted women and children as also confirmed (July 2006) by the RDDs of Warangal and Visakhapatnam.

5.1.8.2 Shortfalls in Training of staff

There were huge shortfalls (43 to 60 per cent) in training of staff

The Department has been conducting training programmes like Job Course Training, Refresher Courses and Orientation Courses to the CDPOs/ACDPOs/ Supervisors/ AWWs and AWHs. As of March 2006, there were 66 Anganwadi Training Centres (for imparting training to AWWs and AWHs), four¹³ Middle Level Training Centres (for imparting training to Supervisors). CDPOs/ ACDPOs are trained at National Institute of Public Cooperation and Child Development (NIPCD), Bangalore. During 2002 to 2006 the Department incurred Rs 4.89 crore¹⁴ towards pay and allowances of the staff in the Training Centres. The targets vis-a-vis the achievements during the five year period 2001-06 are given in *Appendix 5.2*. It may be

¹³ At Guntur, Hyderabad, Kurnool and Tirupati

¹⁴ 2002-03 : Rs 2.21 crore; 2003-04 : Rs 1.11 crore; 2004-05 :Rs 1.36 crore ; 2005-06 :Rs 0.21 crore

seen that there were huge shortfalls (43 to 60 *per cent*) especially in conduct of the training programme for Supervisors, AWWs and AWHs.

The Director contended (August 2006) that the targets for training could not be achieved due to non-filling up of posts of Supervisors, etc. The reply is not tenable as there were shortfalls in training in all the five years and therefore the action plan for training should have been revised accordingly.

5.1.9 Supervisory controls

5.1.9.1 Departmental inspections

No record was maintained/could be shown for departmental inspections

As per the manual of the department, the Director, JD, RDD and PD are required to conduct inspection of subordinate offices under their control though periodicity was not prescribed. The RDDs and PDs are also required to conduct detailed annual inspection of all the offices and institutions under their control. The Director had conducted the inspection of RDD Offices upto 2001-02 only and no inspections were conducted thereafter. The Director attributed (July 2006) this to shortage of manpower. In the test-checked districts though the PDs stated (February-May 2006) that they had conducted the inspections, no document in support of their inspection could be made available to audit.

Thus the supervision and monitoring of the implementation of various schemes at Director, RDDs and PDs level was not satisfactory.

5.1.9.2 Misappropriation of Government funds

Monitoring of Misappropriation cases was very poor

As of March 2006, there were 46 misappropriation cases involving Rs 61.97 lakh. Of these, eight cases involving Rs 17.94 lakh pertained to the period 1996-97 and earlier years. During the five-year period 2001-06 only 14 misappropriation cases involving Rs 9.74 lakh were settled.

Although the Financial code prescribed that each misappropriation case should be reported to the AG as and when it was noticed, none of the above misappropriation cases had been reported to the AG contravening the codal provisions.

The pace of settlement of cases also indicated very poor monitoring of the settlement of misappropriation cases by the Director. These cases were under different stages of inquiry (March 2006). The delay in finalisation of these cases is fraught with the risk of non-recovery of misappropriated amounts.

5.1.9.3 Vigilance and Enforcement cell not constituted

As of July 2006, there were 121 Vigilance cases pending at various stages against the departmental officers as follows:

Year	Cases of Commissioner of Enquiries	Anti Corruption Bureau cases	Vigilance and Enforcement cases	Departmental cases	Total
upto 2000-01	2	2	1	46	51
2001-02	-	-	2	5	7
2002-03	-	3	3	9	15
2003-04	-	2	6	15	23
2004-05	-	3	3	12	18
2005-06	-	-	5	2	7
Total	2	10	20	89	121

As large number of vigilance cases were pending in the department, the Vigilance Commissioner, in the review meeting held (December 2003) with the officers of the department suggested constituting 'Vigilance Cell' to deal with all cases of vigilance. Although the Director had submitted proposals to the Government way back in January 2004 to constitute a 'Vigilance Cell', no orders were issued by the Government as of August 2006 and the cases were being dealt with by the Vigilance section in the Directorate.

5.1.10 Internal audit

Internal audit was totally absent in the department

Internal Audit (IA) wing is responsible for examining and evaluating the level of compliance to the departmental rules and procedures and provides assurance to management on the adequacy of the risk management and internal control framework of the Department. The Accounts Officer (AO) and the two Assistant Accounts Officers (AAOs) posted in the Directorate are responsible for conduct of internal audit of all subordinate/unit offices in the State. However, it was noticed that no internal audit was conducted during the entire five-year period 2001-06 and the AO and the AAOs had been attending only to accounting functions in the department.

The department did not have any manual on internal audit nor did they prescribe the duties and responsibilities of Internal Auditors. It was also seen that no records relating to identification of auditee units (forecast register) were maintained by the IA wing. Thus the internal audit was altogether neglected by the Director despite the staff being specifically sanctioned for the purpose. Lack of serious concern over the vital aspect of internal audit resulted in lack of checks and balances in the department leading to occurrence of large number of misappropriation cases.

5.1.11 Lack of adequate response to audit observations

Accountability was absent for settlement of IRs of the AG

The irregularities noticed during the audit conducted by the AG are communicated through Inspection Reports (IRs) to the Heads of offices with a copy to the Head of the Department. First replies to the IRs should be sent to the AG within four weeks. A half-yearly report of pending IRs is also sent by the AG to the Secretary of the administrative department concerned to facilitate monitoring of the action on the audit observations.

As at the end of June 2006, 552 IRs comprising of 1782 paras were pending settlement as shown below. Of these, 299 IRs (925 paragraphs) pertained to the period 2001-02 and earlier years.

Year	Pending settlement	
	IRs	Paras
up to 2001-02	299	925
2002-03	57	146
2003-04	77	281
2004-05	60	200
2005-06	59	230
Total	552	1782

State level Audit Committee meeting was held only once during the last two years. Further, District-level Audit Committee meetings for settlement of the pending IR paras were held only on six occasions during the five-year period 2001-06 (2002-03:1 and 2003-04:5). This shows lack of response and absence of suitable mechanism to closely monitor timely action taken on audit objections.

5.1.12 Conclusions

Internal controls in the Department were weak, planning was ineffective and there was a general disregard for budgetary procedures. Deficient financial controls led to huge unspent amounts remaining unremitted to Government account and non-adjustment of advances for several years. The Centrally sponsored Balika Samrudhi Yojana scheme was poorly implemented in the State despite availability of funds. None of the additional projects/AWCs envisaged (June 2004) by GOI under ICDS were operationalised. Forty-four *per cent* of the loan given to women groups under the Income Generating Activity scheme had remained unrecovered even after 10 years of closure of the scheme due to poor operational controls. Equipment such as Over Head Projectors, Gas stoves, Weighing Scales, etc. supplied to CDPOs/Anganwadi Centres were not put to use indicating weak procurement systems in the department. Large number of vacancies existed in key areas of CDPOs, ACDPOs and Supervisors, adversely affecting the delivery of services to the targeted women and children. There were considerable shortfalls in training of staff. Internal audit was totally absent. In the absence of internal audit there was no assurance to the management on the adequacy of the existing internal controls in the Department.

5.1.13 Recommendations

- Budget control system should be implemented to ensure proper submission of budget estimates so that the allotment of funds is realistic/need based.

- Unspent amounts of schemes funds, etc. should be remitted to Government account in a timely manner and adjustment of advances given to various executing agencies should be carried out.
- Proper mechanism should be put in place to effectively monitor the implementation of the schemes/programme by the Project Officers with reference to the financial vis-a-vis physical targets and achievements.
- Proper record should be maintained for Departmental inspections at Directorate/PDs level. The extent to which superior officers should inspect the field units should be clearly laid down by the Department and necessary follow-up action taken on the inspection reports.
- Internal audit of the Directorate and all sub-ordinate offices/units should be conducted at regular intervals. Annual plan for internal audit should be drawn up to cover all the DDOs over a period of three years.

The above points were referred to Government in July 2006; reply had not been received (September 2006).

Hyderabad
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Countersigned

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