

## CHAPTER –V

### INTERNAL CONTROL MECHANISM

#### ANIMAL HUSBANDRY DEPARTMENT

##### 5.1 Evaluation of Internal Control System in Animal Husbandry Department

###### *Highlights*

*Internal control mechanism in the Animal Husbandry Department was not functioning effectively leading to surrender of funds, unnecessary demand for supplementary grants and non-execution/partial execution of various schemes. The Department failed to furnish figures relating to targets fixed against schemes. Further the Department could not give the sanctioned strength and men-in-position in the Department. This showed that the internal control mechanism in the Department was not effective.*

**Budget estimates were prepared without taking into account the actual requirement which resulted in huge surrender of funds during 2000-05. In the absence of expenditure control register Department did not compile monthly expenditure figures received from the DDOs.**

*(Paragraphs 5.1.6 and 5.1.7)*

**Programme management was deficient as the Department failed to utilise amount of Rs 1.02 crore provided for construction of hospitals under Border Area Development Programme.**

*(Paragraph 5.1.18)*

**No animal census has been conducted since 1982 for the seventeenth quinquennial live stock census expenditure has been only 17 per cent. The achievements against plan target for poultry development were very low. Cattle breeding farm was almost non-functional.**

*(Paragraphs 5.1.15, 5.1.20 and 5.1.21)*

**Monitoring and evaluation mechanism was non-existent in the Department.**

*(Paragraph 5.1.22)*

**Due to non-preparation of frozen semen (straw) there was nugatory expenditure of Rs 22.70 crore during 2003-05 on 2980 employees of Cattle Breeding and Development Project.**

*(Paragraphs 5.1.24)*

###### **Introduction**

Internal control is an integral part of an organisation's operations and internal control systems provide a tool for the management to ensure efficient, effective and economic utilization of resources. It also ensures that financial interests and resources are safeguarded and reliable information is available to the administration. Internal Auditors examine and evaluate the

level of compliance to departmental rules and procedures to provide independent assurance to the management on the adequacy or otherwise of existing internal controls.

The main objectives of the Animal Husbandry Department (Department) were development and healthcare of livestock and production of milk and milk products. The major activities of the Department were operation and maintenance of (i) farms for development of livestock and production of fodder (ii) veterinary polyclinics, hospitals and dispensaries for treatment of animals, vaccination, castrations and artificial insemination.

### **5.1.2 Organisational set-up**

The Department is headed by a Secretary and assisted by one Director for administration and other for Institute of Animal Health & Production which deals with production of vaccine, eight Deputy Directors and 29 District Animal Husbandry Officers (DAHOs). There were three poultry farms (Patna, Muzaffarpur and Bhagalpur) and two cattle breeding farms (Dumraon and Patna) in the State.

### **5.1.3 Audit objectives**

Audit objectives were to examine the adequacy and effectiveness of:

- Financial and budgetary controls
- Operational controls
- Internal Audit system
- Manpower management

### **5.1.4 Audit coverage**

The review on adequacy and effectiveness of internal control mechanism including internal audit arrangements in the Department for the period 2000-2005 was conducted between April 2005 and July 2005 through test-check of records of Secretariat/Directorates, Research officer, National Small Pox Eradication Scheme for animals, Special Deputy Director, Frozen Semen Bank cum Bull station, Patna, eight<sup>1</sup> DAHOs, General Manager Central Poultry Farm, Patna, Manager Poultry Farms, Muzaffarpur and Bhagalpur and Manager Haryana cattle breeding farm, Dumraon.

### **5.1.5 Budgetary controls and expenditure controls**

Scrutiny revealed that the Department did not follow the budgeting procedure as prescribed in the Bihar Budget Manual and standing instructions.

Audit observed that budget estimates were submitted late and the expenditure statements of the Department were not compiled by the Directorate Office which indicated ineffective and weak budgetary and expenditure control.

---

<sup>1</sup> *Bhagalpur, Bhojpur, Darbhanga, East Champaran, Gaya, Muzaffarpur, Nalanda, Purnea*

### 5.1.6 Budgeting procedure

According to the Bihar Budget manual and standing instructions the Drawing and Disbursing Officers (DDO) are required to send the Revised Estimates (REs) for the current year and the Budget Estimates (BEs) for the next year to the Directorate Office by 1 July who in turn sends it to the Finance Department by 1 October every year.

It was, however, noticed that submission of budget estimates was delayed for a period ranging from 15 to 75 days by DDOs and 17 to 25 days by Directorate to the Finance Department during 2002-05 leaving limited scope for examination of the estimates by the Finance Department.

Budget provision vis-à-vis expenditure of the Department during 2000-05 was as under:

Year	Original grant	Supplementary grant	Total grant	Expenditure	Saving	Surrender
2000-01	102.45	0.43	102.88	72.81	30.07	29.47
2001-02	90.37	1.00	91.37	51.30	40.07	38.83
2002-03	68.29	1.52	69.81	50.82	18.99	17.94
2003-04	70.95	1.88	72.83	53.18	19.65	17.64
2004-05	69.84	7.75	77.59	57.77	19.82	14.90
<b>Total</b>	<b>401.90</b>	<b>12.58</b>	<b>414.48</b>	<b>285.88</b>	<b>128.60</b>	<b>118.78</b>

(Source:- Appropriation accounts of 2000-05 as the Department did not furnish the figures)

**Budget estimates were framed without considering the previous years expenditure**

Surrender of funds every year indicated that the budget estimates were framed without considering the trend of expenditure in the previous year. In the absence of expenditure control register supplementary grants were taken even when the original grant was sufficient. Further it was noticed that sanction for purchase of materials could not be accorded due to late sanction of schemes resulting in huge surrender of funds. This indicated poor financial control and lack of monitoring by the Department.

**Department failed to surrender anticipated savings**

The Bihar Budget Manual provides for surrender of all anticipated savings to the Finance Department by the Administrative Department latest by 25 March. However in violation of the rule the Department surrendered Rs 17.64 crore in 2003-04 and Rs 14.90 crore in 2004-05 on the last date of the financial year. Thus other Departments were deprived of funds which they could have utilised.

### 5.1.7 Non preparation of expenditure control register

Scrutiny of records of field offices of eight test-checked districts showed that they submitted the progressive reports of expenditure but it was not compiled by the officials of the Directorate because the expenditure control register was not maintained in the Directorate.

### **5.1.8 Irregular drawal of money to avoid lapse of budget grant**

#### **Funds kept in Civil Deposit**

The Bihar Treasury Code (Rule-300) restricted the drawal of money from treasury unless it was required for immediate disbursement. It was noticed that four<sup>2</sup> District Animal Husbandry Officers (DAHOs) drew Rs 32 lakh in 2001-02 for Assistance to Small Marginal Farmers and Agricultural labourers scheme and kept the amount in Civil Deposit to avoid lapse of budget grant.

Under Assistance to State for the control of Animal Diseases (ASCAD) scheme the budget provision of Rs 3.16 crore was made in 2004-05 of which Rs 3.04 crore was allotted to the Director, Institute of Animal Health and Production. Director drew Rs 2.68 crore for ASCAD scheme in 2004-05 and kept the amount in Civil Deposit.

### **5.1.9 Rush of expenditure**

The budget manual required the Controlling Officer to avoid rush of expenditure in the closing month by keeping a close watch on the progressive expenditure of DDOs and Department as a whole on a monthly basis. Rush of expenditure at the close of financial year is prone to the risk of Government not getting proper value for money as the expenditure is likely to take place without due diligence and care. Audit noticed that percentage of expenditure during the month of March in each year ranged between 35 and 69 per cent<sup>3</sup> in the test-checked districts during 2000-2005 which indicated rush of expenditure at the close of the financial year.

**35 to 69 per cent expenditure in March**

### **5.1.10 Cash management**

Rule 86 of the Bihar Treasury Code provides that all monetary transactions should be entered in the Cash Book as soon as they occur and attested by the head of office in token of check exercised by him. Test check of records of field offices of the Department revealed that the cash book was not attested daily, daily total in the Cash Book was not verified and physical verification of cash at the end of each month were not carried out by the heads of offices.

### **5.1.11 Utilisation certificate to the GOI**

Under National Project on Rinderpest Eradication, the Department received Rs 94.10 lakh during 1994-95 for Scheme for control of Rinderpest from Government of India (GOI). The Department spent Rs 56.43 lakh under the scheme up to March 2005 but utilisation certificate was not submitted to the GOI (September 2005) Besides, balance of Rs 37.67 lakh was also not surrendered to the Finance Department.

---

<sup>2</sup> Gaya, Munger, Patna and Rohtas @ Rs eight lakh each.

<sup>3</sup> Details of expenditure in March: 2000-01:35 per cent, 2001-02:48 per cent, 2002-03: 49 per cent, 2003-04: 69 per cent, 2004-05 43 per cent.

### 5.1.12 Late sanction of schemes

**Schemes were sanctioned at the fag end of financial year** There were 18 State plan schemes, five Centrally sponsored schemes, one Central plan scheme and 23 non-plan schemes under Animal Husbandry Department. (*Refer Appendix-XLI and XLII*). It was noticed that one out of 23 non -plan schemes (Poultry farm and small dressing plant) was sanctioned in February 2005 and six<sup>4</sup> schemes were sanctioned in March 2005 which resulted in poor execution of schemes. Under non-plan schemes i.e. scheme for Range poultry farm, the required number of layers and boilers were not maintained, in cattle breeding farm schemes the breed of animal was not developed and in the cattle breeding and development project the target fixed for Tenth Five Year Plan could not be achieved. In the plan scheme for ASCAD, the amounts were kept in civil deposit and in the Border Area Development Programme, funds were released late to the Building Construction Department.

### 5.1.13 Inventory control

As per Bihar Financial Rules stores should not be purchased in small quantities. Periodical indents should be prepared and purchases should be made in bulk to ensure economy. Periodical indents should be prepared and as many articles as possible obtained by means of such indents. It was, however, noticed that no store materials such as chemicals required for laboratory, medicines for cattle and poultry, vaccine, machine and equipments etc. were procured during 2000-2005 except foot and mouth disease vaccine valued at Rs 51.95 lakhs in 2001-2003.

**Unfruitful expenditure on idle plants and equipment** Further, under Technology Mission for Dairy Development, machinery and equipment valued at Rs 49.73 lakh supplied during 1996-97 to frozen semen bank Patna could not be installed. On this being pointed out (April-July 2005) it was stated that machinery and equipment could not be installed because the purchase of laboratory apparatus<sup>5</sup> and chemicals<sup>6</sup> required for operation of the plant were not approved by the Central Purchase Committee. This led to unfruitful expenditure of Rs 62.75 lakh<sup>7</sup> on idle plant and equipment.

**Production of vaccine was stopped due to delay in decision making process** The production of bacterial vaccine i.e. Hemorrhagic Septicemia (HS) and Black Quarters (BQ) and Anthrax was stopped from the year 1993-94 in the Institute of Animal Health and Production at Phulwarisharif. The production was stopped as the machine required for the production of vaccine was beyond repair. Requisition for the purchase of new machine (autoclave and boiler) was sent to the Directorate in August 1999. However the machine could not be purchased (March 2005) due to non-approval of rates by the Central Purchase Committee.

---

<sup>4</sup> (1)Scheme for range poultry farm, Central poultry development and production and distribution of poultry feed, (2) Cattle fair & exhibition and cattle welfare, (3) Scheme for cattle breeding farm, (4) Cattle breeding and development project, (5) Pig breeding farm and (6) Scheme for control of rinderpest

<sup>5</sup> Hot Air Oven and Generator.

<sup>6</sup> Mineral mixture, vitamins, liquid nitrogen.

<sup>7</sup> Rs 6.51 lakh x 2 = Rs 13.02 lakh + Rs 49.73 lakh = Rs 62.75 lakh.

#### **5.1.14 Physical verification of stores**

As per rule 143 of Bihar Financial Rules, physical verification of store was required to be done at least once every year under rules prescribed by Head of the Department. However, it was observed that no physical verification of medicine stores was done in the test-checked offices of the Department.

#### **5.1.15 Animal census programme**

**Work on animal census not completed** No animal census was done since 1982 in the State against the norms of census of once at every five years. However GOI sanctioned grants-in-aid of Rs 1.45 crore during 1997-2002 to the State Government for 16th quinquennial livestock census but the Department failed to utilise the amount till 2002-03. The GOI revalidated Rs 1.45 crore during 2003-04 and further provided Rs 1.18 crore during 2003-04 and 4.65 crore during 2004-05 to be utilised for 17th quinquennial livestock census. Against the total grant of Rs 7.28 crore (GOI) during 2003-05, Rs 90.43 lakh (17 per cent) was spent. However, the work on animal census could not be completed.

#### **5.1.16 Implementation of CSS scheme of Assistance to State for the Control of Animal Diseases**

Assistance to State for the Control of Animal Diseases (ASCAD) scheme was constituted (2003-04) by amalgamating the strengthening of vaccination programme, strengthening of production of vaccination programme, awareness programme, establishment of laboratory. But no progress was made under the scheme as the funds of Rs 3.04 crore were provided by the Department to the Institute of Animal Health and Production in 2004-05 against which expenditure shown was Rs 2.98 crore. However of this amount Rs 2.68 crore was deposited in Civil Deposit (March 2005).

#### **5.1.17 National Project on Rinderpest Eradication**

National Project on Rinderpest aimed at achieving freedom from deadly disease of Rinderpest. This is three stages process. First stage is vaccination, second stage is freedom from Rinderpest disease and the third stage is sero surveillance programme. As per scheme, ELISA laboratory was to be established with all infrastructure facilities and the present laboratory was to be upgraded. Government of Bihar sanctioned Rs 94.10 lakh (March 1995) for National Project on Rinderpest Eradication (Central plan). Out of this amount, Department spent Rs 54.34 crore upto March 2005.

It was noticed that the present laboratory was not upgraded due to non-purchase of autoclave, research microscope, computer printer, Elisa plate etc. in the absence of approval of rates by the Central Purchase Committee. Hence objective of establishing ELISA test laboratory, meant to know the effectiveness of vaccination done in the first stage, could not be achieved. Thus, the scheme was failed as the sero surveillance was not completed.

### 5.1.18 Border area development programme

Under Border Area Development Programme 12 hospital buildings were proposed to be constructed in border area for which Rs 1.02 crore was allocated in the budget during 2004-05. Amount of Rs 1.02 crore was advanced to the Building Construction Department in the month of May 2005. But the construction work had not been started (October 2005).

### 5.1.19 Cattle Breeding and Development Project

The Government through notification formulated new scheme named Cattle Breeding and Development Project (January 2002) by amalgamating the old schemes named Intensive Cow Development Block, Idle Village Block, Frozen Semen Bank with a target to achieve artificial insemination of 55 lakh cattle during the Tenth Five Year Plan.

**Cattle breeding and development project was a non-starter** The frozen semen bank cum bull station, Patna was authorised to collect semen, to prepare frozen semen (Straw) and to distribute it to 1401 artificial insemination centres. However, out of 16 bulls purchased during 2002-03, six died between 2002-03 and 2004-05 and remaining bulls could not be utilised for the preparation of frozen semen and the project remained a non starter. Hence, the expenditure of Rs 8.65 crore in 2003-04 and Rs 14.05 crore in 2004-05 on their establishment was infructuous.

### 5.1.20 Cattle breeding farm

**Poor performance of Haryana Cattle breeding Farm, Dumraon** The Haryana cattle breeding farm covers 231 acre<sup>8</sup> of land and has capacity to keep 450 animals. The main objective of the farm was to develop the breed of the animal and production of milk. It was noticed that the strength of animals ranged between 60 to 77 during 2000-05. The milk production was only 1433 litre during 2000-05 whereas the farm spent Rs 1.92 crore during 2000-05 on its establishment.

On this being pointed out, the Manager stated (August 2005) that due to non-availability of dry fodder, the number of animals declined and production of milk decreased.

### 5.1.21 Poultry development

The Tenth Five Year Plan envisaged strengthening and expansion of three existing Poultry farms<sup>9</sup> of 2000 layers and 5000 broilers each and setting up of two additional poultry farms for production of low input technology commercial chicks. Two new additional poultry farms were not set up as there was no budget provision. Out of three existing poultry farms only two viz Central Poultry Farm, Patna and Poultry Farm, Muzaffarpur were functioning. Against available funds of Rs 6.39 crore, Rs 6.16 crore was spent during 2000-05.

**Schemes not executed due to improper planning** Physical target was not fixed by the Department, however target was taken from Xth Five Year Plan. The Central Poultry Farm, Patna had only 1693 broilers and layers in 2004-05 as against the target of 7000 broilers and

<sup>8</sup> *Plantation in 100 acre land, Building constructed on 36.20 acre of land and 94.90 acre land for charagah total 231 acre of land.*

<sup>9</sup> *Central Poultry Farm Patna, Poultry Farm Muzaffarpur and Poultry Farm Bhagalpur.*

layers. So the farm was not being optimally utilised. This was due to the dilapidated condition of 18 sheds out of 27 sheds and faulty water supply system. The matter was reported (August 2001) to the Directorate but no administrative approval for the repair of sheds was accorded by the Department (November 2005). In the poultry farm at Muzaffarpur only eggs were produced but in the absence of incubator, there was no production of birds.

In the poultry farm of Bhagalpur there were no birds since 2000-01. However Rs 39 lakh was drawn by the Assistant Director, Poultry Farm Bhagalpur for construction of building and purchase of machinery and equipment under low in-put technology during 2002-03. Out of this, Rs 10 lakh was spent (April 2003) for construction of sheds and the remaining amount was kept (April 2003) in the current account. The farm was non-functional due to disconnection of electricity in March 2004 on account of non-payment of electricity bills. The expenditure of Rs 10 lakh on shed was infructuous.

### 5.1.22 Failure of monitoring mechanism

There was no monitoring and evaluation cell functioning in the Department. So the Department failed to monitor and evaluate proper and timely execution of various schemes and activities. As per rule 306 A of Bihar Treasury Code, every Controlling Officer should make a thorough inspection once in a year of the offices under his control but no inspection was carried out by the Director. Besides, the DAHOs also did not inspect the Sub-Divisional offices under their jurisdiction. The reports and returns submitted by the DAHOs were not scrutinised by the Directorate office. This indicates non-existent monitoring mechanism in the Department.

### 5.1.23 Internal Audit

The State Government established (1953) internal audit wing under the control of Finance Department. Internal audit wing is headed by the Chief Controller of Accounts functioning under the administrative control of Secretary cum Commissioner of Finance Department.

Scrutiny showed that internal audit of Animal Husbandry Department was undertaken on request of the Department. No independent audit planning was in existence.

During 2000-05 the Department issued only 64 Inspection Reports (IRs) but it failed to ensure speedy compliance of the points raised in the IRs. Against audit observation of Rs 8.28 crore, paras amounting to Rs 1.24 lakh (0.15 per cent) only was settled by the department as of August 2005 as indicated below:

Year	Total No. of IR issued	Defalcation/ misappropriation	Recoverable amount	Amount under objection	Loss	Unadjusted advance	(Rs in Lakh)	
							Total	Amount settled
2000-2001	2	-	0.52	0.55	-	0.19	1.26	-
2001-2002	32	0.89	28.26	368.84	-	12.28	410.27	1.21
2002-2003	18	3.03	16.15	319.58	3.97	5.97	348.70	0.01
2003-2004	4	-	0.15	10.12	-	2.86	13.13	-
2004-2005	8	2.45	0.96	46.14	0.83	3.87	54.25	0.02
<b>Total</b>	<b>64</b>	<b>6.37</b>	<b>46.04</b>	<b>745.23</b>	<b>4.80</b>	<b>25.17</b>	<b>827.61</b>	<b>1.24</b>

**Only three per cent objections raised by audit were settled**

There were 231 auditee units (Annual 50, Biennial 98 and Triennial 83) under the Animal Husbandry Department. During 2000-05 122 Inspection Reports were issued by statutory audit having 452 paras amounting to Rs 54.45 crore. The Department settled only 33 paras amounting to Rs 1.91 crore (3 per cent) as of August 2005 as detailed below:

(Rs in crore)

Year	No of IRs	Total		Settled		Outstanding	
		Paras	Amount	Paras	Amount	Paras	Amount
2000-01	25	83	6.41	12	058	71	5.83
2001-02	39	121	8.06	13	1.13	108	6.93
2002-03	40	170	37.29	8	0.20	162	37.09
2003-04	9	42	1.91	-	-	42	1.91
2004-05	9	36	0.78	-	-	36	0.78
<b>Total</b>	<b>122</b>	<b>452</b>	<b>54.45</b>	<b>33</b>	<b>1.91</b>	<b>419</b>	<b>52.54</b>

#### 5.1.24 Manpower management

No information regarding men-in-position

The Department did not furnish information about its sanctioned strength and men-in-position. The Government through notification formulated new scheme named Cattle Breeding and Development Project (January 2002) by amalgamating the old schemes named Intensive Cow Development Block, Artificial Insemination Centre, Castration of unwanted bull, Frozen Semen

Bank with a target to achieve artificial insemination of 55 lakh cattle during the Tenth Five Year Plan and operated 2980 posts under this scheme.

The frozen semen bank cum bull station, Patna was authorised to collect semen to prepare frozen semen (Straw) and to distribute it to 1401 artificial insemination centres. However, out of 16 bulls purchased during 2002-03, six died between 2002-03 and 2004-05 and remaining bulls could not be utilised for the preparation of frozen semen and the project remained a non starter. Hence 2980 persons adjusted under the scheme remained idle and the expenditure of Rs 8.65 crore in 2003-04 and Rs 14.05 crore in 2004-05 on their establishment was infructuous.

#### 5.1.25 Conclusions

Internal controls viz. financial control, expenditure control, operational control and monitoring mechanism were inadequate and ineffective in the Department. In the absence of expenditure control register financial control could not be achieved. The schemes undertaken by the Department could not take off because the Central Purchase Committee failed to take timely decisions on procurement of equipment and materials. Department had no information regarding the men-in-position in the Department.

#### Recommendations

- Budget should be prepared on realistic basis to avoid surrender of funds.
- Expenditure control register should be maintained in the Directorate.
- Central Purchase Committee should take decisions within a fixed time schedule.
- Inspection of field offices by the higher officials should be conducted on a regular basis and monitoring mechanism should be strengthened.
- Compliance of audit paragraphs of internal audit wing and statutory audit should be ensured on priority.

The points were referred to the Government (October 2005). The reply was received December 2005 in which the Department accepted the audit observations and assured to take remedial measures.

**Patna**  
**The**

**(Vikram Chandra)**  
**Principal Accountant General (Audit), Bihar**

**Countersigned**

**New Delhi**  
**The**

**(Vijayendra N. Kaul)**  
**Comptroller and Auditor General of India**