

CHAPTER-V

Internal Control Mechanism in Government Department

ANIMAL HUSBANDRY DEPARTMENT

5.1 Internal Control in Animal Husbandry Department

Highlights

Internal Control is an integral component of an organization's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data is reliable, and the applicable laws and regulations are complied with so as to achieve organizational objectives. Internationally the best practices in Internal Control have been given in the COSO¹ framework which is a widely accepted model for internal controls. In India, the GOI has prescribed comprehensive instructions on maintenance of internal control in government departments through Rule 64 of General Financial Rules, 2005. A review of internal control on selected areas of Animal Husbandry Department has shown that:

Preparation of budget estimates over the revised estimates of the previous year on ad-hoc basis led to unrealistic budget estimation and huge savings under plan head during 2002-03 to 2006-07.

(Paragraph 5.1.5.1)

Temporary advance of Rs 11.83 lakh was not adjusted and provisions of treasury code were not adhered to while maintaining cash book.

(Paragraphs 5.1.5.6 & 5.1.6.1)

Ineffective operational control led to shortfall in achieving calf production through artificial insemination.

(Paragraph 5.1.7.1)

Periodic physical verification of store and stock were not done as prescribed and discrepancies were also noticed in distribution of vaccines.

(Paragraphs 5.1.7.4 & 5.1.8.1)

5.1.1 Introduction

The Animal Husbandry Department deals with conservation and development of livestock, prevention and treatment of diseases, medical research, vaccination, castration, artificial insemination, training, fodder development and to increase milk production.

¹ Committee of Sponsoring Organizations of the National Commission on Fraudulent Financial Reporting or the Treadway Commission.

5.1.2 Organizational Set up

The Department is under the administrative control of Principal Secretary (Animal Husbandry) and is headed by the Director who is assisted by Joint Directors, Deputy Directors at Directorate level and three Joint Directors, 13 Deputy Directors at district level and 208 Veterinary Assistant Surgeons at veterinary hospitals.

5.1.3 Audit Objectives

This review of internal control has been conducted to test compliance with the Chhattisgarh State Financial Code, instructions in the Budget Manual, the Receipt and Payments Rules/State Treasury Rules and related accounting instructions. In addition, the arrangements for information, communication, monitoring and evaluation including Internal Audit have been examined. Internal control activities designed and put into operation for enforcing the management directions and ensuring achievement of programme objectives have also been examined for some selected areas i.e. calf production through Artificial Insemination (AI), activities of private AI workers and monitoring over supply and use of vaccines.

5.1.4 Audit Coverage

The review for the period 2002-07 was conducted between January 2007 to June 2007 through test check of records of the Department-Directorate, two Joint Directors², four Deputy Directors³ and two block hospitals⁴.

5.1.5 Compliance with State Financial Code and instructions in the Budget Manual

Scrutiny revealed ineffective/weak budgetary and expenditure controls which led to persistent savings under plan head, unnecessary supplementary provisions, rush of expenditure and non adjustment of temporary advances as brought out in succeeding paragraphs.

5.1.5.1 Budgetary Control Mechanism

The department is responsible for initial estimation and control over expenditure against the grants and their disposal.

Scrutiny of records revealed that expenditure control register was not maintained at the Directorate (DVS). Consequently, the department did not prepare budget estimates for 2002-03 to 2006-07 for Grant Nos.14, 41, 64, 67, 71, 80 and 82 on the basis of actual expenditure of the last 12 months.

The budgetary exercise remained ad-hoc and the estimates were prepared taking into account five to 15 *per cent* increase over the revised estimate of the previous year. Since there were savings in previous years, this resulted in over estimation and savings ranging from 0.55 to 7.33 *per cent* for non-plan and 19.92 to 49.27 *per cent* for plan expenditure as detailed below:

Budget estimates were framed without considering previous expenditure which resulted in huge savings on plan heads.

² Bilaspur and Jagdalpur

³ Anjora farm, Dantewada, Durg and Kanker.

⁴ Balod and Patan

(Rupees in lakh)

Year	NON-PLAN				PLAN			
	Allotment	Expenditure	Excess(+)/ Saving(-)	Percentage of saving w.r.t. allotment	Allotment	Expenditure	Excess(+)/ Saving(-)	Percentage of saving w.r.t. allotment
2002-03	4,092.4	3,859.2	(-) 233.2	5.70	2,325.1	1,861.71	(-) 463.39	19.92
2003-04	4,430.12	4,105.23	(-) 324.89	7.33	2,592.81	1,812.63	(-) 780.18	30.09
2004-05	5,258.66	4,904.72	(-) 353.94	6.73	5,308.27	2,692.68	(-) 2,615.59	49.27
2005-06	5,112.14	5,083.84	(-) 28.30	0.55	5,690.85	3,709.27	(-) 1,981.58	34.82
2006-07	5,556.82	5,396.10	(-) 160.72	2.90	8,076.05	6,335.09	(-) 1,740.96	21.55

This showed that the process of budget estimation was unrealistic and was attempted without following financial rules and best practices.

On being pointed out, the Director stated (April 2007) that the reasons for saving or excess would be analysed and intimated to audit.

5.1.5.2 Transfer of funds to civil deposits

Amount drawn and kept in civil deposit Rs 4.74 crore to avoid lapse of budget provision.

Rules provide that no money shall be drawn from the treasury unless required for immediate disbursement. Nevertheless, in three cases Rs 4.74 crore were drawn and kept in civil deposit accounts to avoid lapse of budget provisions during 2002-03 to 2003-04.

On being pointed out, the Director replied (April 2007) that the funds were received at the end of the financial year, thus it was utilized in the subsequent years.

Reply is not correct as 88 per cent of funds were received in July 2002 (for 2002-03) and 100 per cent of funds were received in September 2003 (for 2003-04).

5.1.5.3 Unnecessary supplementary provisions

Supplementary provisions of Rs 10.95 crore proved unnecessary

Scrutiny of Appropriation Accounts' Grant No.14 (Major Head 2403) revealed that although the actual expenditure was less than the original provision, supplementary grants were provided, shown as under :

(Rupees in crore)

Year	Original	Actual Expenditure	Supplementary
2003-04	55.95	49.84	3.00
2004-05	62.09	58.93	7.30
2005-06	75.07	60.60	0.65
2006-07	73.49	64.93	3.67

On being pointed out, the Director stated (May 2007) that as per demand of the DDOs grants were allotted to them, but it could not be utilized at the end of the year.

Reply is not acceptable. In the absence of a control register, the department was not in a position to analyse the demands of DDOs and therefore resorted to unnecessary supplementary grants.

5.1.5.4 Rush of Expenditure

Inadequate control over expenditure in the month of March.

General Financial Rules (GFR) provide that Government expenditure should be evenly phased throughout the year as far as possible. Rush of expenditure at the closure 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. It was noticed that percentage of expenditure during the month of March ranged between 19 to 48 *per cent* during 2002-07 (**Appendix-5.1**) and in 25 schemes out of 84 schemes expenditure was incurred only during the month of March.

In reply the Director (VS) stated (April 2007) that keeping uniformity in expenditure month wise was not possible. Since it had been possible to keep March expenditure to 19 *per cent* in one year, the reply did not explain why it rose to 48 *per cent* in another year and was exceptionally high for Grant 14. This indicates that non-maintenance of budget control register and improper planning led to huge expenditure at the fag end of the year.

5.1.5.5 Non-reconciliation of expenditure

Departmental expenditure figures were not reconciled with that of figures available with the AG.

Timely reconciliation of departmental expenditure with the expenditure booked by the Accountant General as provided under GFR is required to assure the controlling office that the departmental accounts rendered by subordinate offices were a correct depiction of drawls from treasury and is a key control against fraudulent drawls.

Scrutiny of records revealed that reconciliation was not done by the Department during the period 2002-03 to 2005-06 and differences in figures to upto Rs 4.04 crore were noticed under six grants as shown in **Appendix-5.2**.

In reply the Director stated (April 2007) that due to shortage of staff the reconciliation was not done.

5.1.5.6 Non adjustment/recovery of advances

(i) Temporary advances not adjusted

Temporary advances Rs 11.83 lakh were not adjusted.

As per codal provisions temporary advance has to be adjusted within three months. During the test check of cash book of Deputy Director Veterinary Services (DDVS), Dantewada it was observed that temporary advances of Rs 11.83 lakh was drawn during 2005-06 & 2006-07 by cash/bank draft but not adjusted till date.

The DDVS, Dantewada replied (February 2007) that the vouchers were not received from the related officials and would be produced to audit on receipt.

(ii) Non recovery of advance

According to an agreement made between the department and the J.K. Trust in May 2003, an advance of Rs 2.07 crore was given to J.K.Trust from 2003-04 to 2005-06. The firm was supposed to produce calves in 200 Integrated Livestock Development Centres and Rs 3,214.29 was to be adjusted from the advance for every calf produced. It was observed that no adjustment was made up to January 2007.

After having been pointed out in audit (January 2007) an amount of Rs 1.22 crore was adjusted in March 2007.

5.1.5.7 Non recovery of fees of Rs 5.13 lakh

In Durg all the 22 blocks had not recovered fees of Rs 5.13 lakh on behalf of Rogi Pashu Kalyan Samiti.

"Rogi Pashu Kalyan Samiti" was constituted in February 1999 by the Government of Madhya Pradesh decided to collect fees of one rupee for each vaccination (HS, BQ, FMD) from owners of the animal.

Scrutiny of records of DDVS, Durg revealed that all the 22 blocks had not recovered the vaccination fees amounting to Rs 5.13 lakh (*Appendix-5.3*) during 2003-07.

On being pointed out the DDVS, Durg stated (June 2007) that directions were issued to all blocks to recover the amount.

5.1.6 Compliance with State Treasury Rules/Receipts and Payments Rules

Scrutiny revealed that codal provisions were not observed while maintaining cash book and payment registers. Such irregularities are fraught with the risk of misappropriations. Some instances are given below:

5.1.6.1 Maintenance of Cash Book

**Deficiencies
in
maintenance
of cash book.**

Test check of records at seven⁵ districts/units revealed that some provisions of Treasury Code for maintenance of cash book were not being followed in some of the offices.

- (i) Cash book entries should be checked by a person other than the writer of the cash book. However in DDVS, Dantewada, it was not done in 37 months out of 60 test checked.
- (ii) Totals in cash book should be checked by a responsible officer regularly. Out of 60 months checked in DDVS, Dantewada, Kanker, Durg and Anjora farm it was not done in 44, 58, 23 and 14 months respectively.
- (iii) Physical Verification of cash balances should be done by the DDOs at the end of every month and certificate of correctness should be recorded at the end of every month. Out of 60 months test checked this was not done in Raipur (Directorate) for 57 months, in Dantewada for 33 months, in Kanker for 57 months, in Durg for 26 months and in Bilaspur for 48 months.
- (iv) Detailed analysis of cash balances should be recorded in the last working day of every month. However, this was not done in Dantewada 12 months, in Kanker 22 months, in Bilaspur in 43 months and in Anjora farm in 13 months out of 60 months checked.

It was further revealed that remittances and drawls from treasury were not reconciled by all the DDOs. It was also observed that no security money was deposited from the cashier and storekeeper by the DDOs in all the seven districts/units test checked. Thus important controls were being neglected.

5.1.6.2 Non-receipt of acknowledgement

During test check of records of DDVS, Dantewada, it was noticed that the Bank Draft Register was not maintained during the period October 2004 to February 2007. Further scrutiny revealed that a total payment of Rs 42.66 lakh was made through drafts to Madhya Pradesh State Livestock and Poultry

⁵ Raipur (Directorate); Jagdalpur & Bilaspur (JDVS); Dantewada, Kanker, Durg, Anjora (DDVS)

Development Corporation during the year 2005-06 & 2006-07. However, the acknowledgement of bank drafts was not received.

On being pointed out, the DDVS, Dantewada stated that the register would be updated and the correspondence was in progress for the acknowledgements.

5.1.7 Internal Control activities including Inventory Control

5.1.7.1 Calf production through Artificial Insemination

Ineffective operational control led to shortfall in achieving calf production through AI.

As per norms of Artificial Insemination (AI), calf production should be 30 *per cent* of the AI done. Scrutiny of records revealed that this was achieved in three districts⁶ while in Bilaspur and Durg there was shortfall during all the years. It was observed that the calf production through AI in Balod and Patan block hospitals of Durg district was low as mortality of semen could not be assessed due to non functional microscopes and inadequate post AI examination by the Assistant Veterinary Field Officers.

On being pointed out the DVS added (May 2007) that lack of awareness among villagers, quality of straw used and improper care after AI adversely affected the success of AI.

5.1.7.2 Establishment of Primary Veterinary Aid Unit

Healthcare of livestock could not be ensured due to be inadequate medical facilities

Indian Council of Agriculture Research (ICAR) provided that there should be one Primary Veterinary Aid Unit (PVAU) for every 5,000 cattle units by the year 2001. Scrutiny of records revealed that the number of such PVAU in the state is 1,522 including hospital, dispensaries, mobile unit and AI centre for a population of 1.34 crore cattle units (Census: 2003) i.e. one PVAU on every 8,865 cattle units. It was further observed that in Dantewada and Kavardha districts one PVAU is provided for every 17,000 cattle unit, which is far below the prescribed norms.

This implied that the quality of healthcare of cattle could not be ensured in view of the heavy load on the PVAUs and the situation was particularly bad in Dantewada and Kavardha. On this being pointed out, the Joint Director stated (May 2007) that Government of Madhya Pradesh (February 1999) decided not to establish new hospitals and the same was followed in Chhattisgarh.

The reply did not explain how the healthcare of livestock could be ensured in the absence of adequate number of PVAUs.

5.1.7.3 Non monitoring of straw consumption

Absence of norms led to high wastage of straws.

Straw is a plastic pipette having capacity of 0.26 ml to 0.50 ml for containing frozen semen stored in liquid Nitrogen which is used for artificial insemination and then the straw is discarded.

During test check it was observed that the wastage⁷ of straw used was as high as 41 *per cent* in 2002-03 in Jagdalpur. The Directorate has not fixed any norm of wastage on consumption of straw consumed. In view of the wide variation the wastage norms should have been fixed.

⁶ Jagdalpur, Dantewada and Kanker.

⁷ $wastage = \frac{\text{straw supplied} - \text{artificial insemination}}{\text{straw supplied}} \times 100$

5.1.7.4 Physical Verification of Stock

The store and stock account was not prepared by DVS, Raipur and DDVS, Dantewada, Kanker, Durg & Bilaspur in the year 2005-06 which increases the risk of pilferage as shortage/excess can not be ascertained. On being pointed out it was stated (February 2007) that the same would be done.

Further, physical verification of stock was also not done during the year 2002-03 to 2006-07 in Cattle Breeding Farm, Anjora. On being pointed out DDVS, Anjora stated (June 2007) that the DVS, Raipur did not constitute any team for physical verification thus the same could not be done.

5.1.8 Monitoring including Internal Audit

Monitoring

5.1.8.1 Discrepancies in supply and receipt of vaccines

Supply and use of vaccines was not monitored.

Scrutiny of records of hospitals (Balod and Patan) and Dy. Director, Durg revealed that 2,65,000 doses of vaccines (HS,BQ, Anthrax) were issued by Disease Investigation Lab (DI), Durg and 2,78,400 doses were received by these two hospitals during 2004-05 to 2006-07.

Further, discrepancies were also noticed in use of vaccines. Figure reported to Dy. Director, Durg was 2,04,517 doses while 1,98,683 doses were reported to the Director, Raipur as mentioned in *Appendix-5.4*.

In reply Dy. Director, Durg stated (June 2007) that discrepancies were appearing due to non-availability of clerical staff. However figures will be reconciled and intimated to audit.

5.1.8.2 Non-monitoring of activities of Private Artificial Insemination Workers

Activities of PAIW were not monitored by the department.

To increase self-employment in rural areas and develop breeding activities in cows through artificial insemination, Chhattisgarh Government introduced a scheme of establishment of Private Artificial Insemination Workers (PAIW) at village level in the year 2005-06. According to the Government instructions, after three months of training and passing the required examination, PAIW were to work in villages. The Animal Husbandry Department, C.G Government incurred Rs 20.43 lakh for training and providing kits to 300 workers under the above scheme during 2005-2006.

Test check of records of five districts⁸ revealed that the prescribed monthly progress report from the assistant veterinary field officers was not obtained by the department. This indicated that the activities of PAIW were not being monitored at district level.

Internal Audit

5.1.8.3 Internal Audit

Absence of audit planning.

Internal Audit is an important instrument to examine and evaluate the level of compliance with the departmental rules and procedures. One Audit Officer, one Assistant Audit Officer and two posts of Auditor were sanctioned 2002-03 but the posts have remained vacant till March 2007. However, internal audit

⁸ Jagdalpur, Kanker, Dantewada, Bilaspur and Durg

was being conducted by parties constituted from other staff. They had issued 18 inspection reports consisting of 152 paras.

The department had not fixed any time frame for responding to the internal audit observations. The compliance to internal audit observations was Nil during the year 2002-03 to 2006-07. The department neither have any audit plan nor any register of auditable units and periodicity of audit.

5.1.8.4 Pending paras from AG Inspection

As on 31 December 2006 out of total 49 paras relating to seven IRs⁹ 35 paras were still pending for settlement.

Recommendations

- Expenditure control register should be maintained for effective budgetary control.
- Codal provisions should be strictly observed while maintaining cash book.
- Norms should be fixed for wastage on consumption of straw used.
- Periodic physical verification of store and stock should be carried out.
- Internal audit wing should be strengthened.

⁹ Directorate (Raipur), JDVS (Jagdalpur and Bilaspur), DDVS (Dantewada, Durg, Anjora farm)