

CHAPTER-V

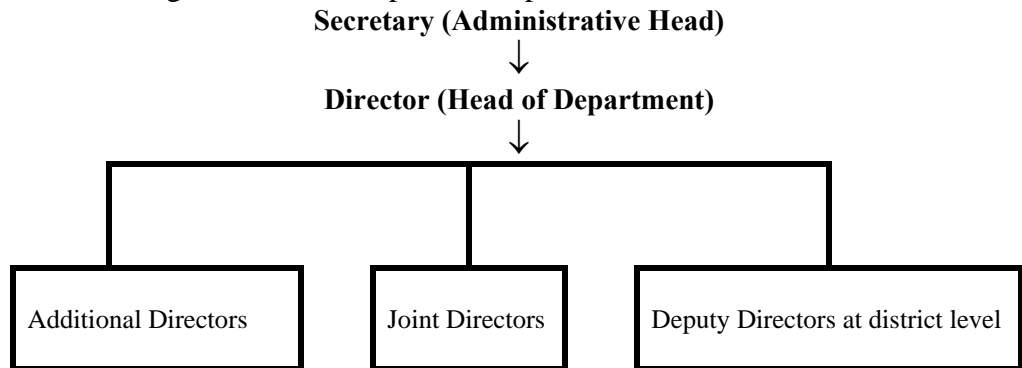
INTERNAL CONTROL AND INTERNAL AUDIT ARRANGEMENTS

Animal Husbandry Department

5.1 Internal control and internal audit arrangements

The main functions of the Animal Husbandry Department are development of livestock resources and implementation of various programmes relating to cattle, dairy, poultry, wool and angora rabbits and to provide feed and fodder to the livestock in the State.

5.1.1 Organisational set up of the department is as under:



5.1.2. Internal audit and internal control are important mechanisms for ensuring smooth working of a department. While effective internal audit helps in exercising a check on various activities of the department, internal control mechanism acts as an effective tool in keeping a check on expenditure. It also ensures that various systems have been put in place and are functioning properly.

Check (April-May 2004) of internal control and internal audit arrangements in the department revealed the following points:

Non-conducting of inspections

5.1.3 In order to find out the overall state of affairs and to devise ways and means for improvement etc., the Director was required to inspect the subordinate units annually and prepare an inspection note for the unit inspected for taking remedial measures and to ensure that proper attention was being paid to quality of performance by Officers and staff during the discharge of their duties.

5.1.4 It was noticed in audit that no targets to inspect the units were fixed during 1999-2001. However, only nine out of 53 units were inspected by the Director and no inspection had been conducted thereafter. In the case of three units inspected, no follow up action was also taken to ensure the required compliance.

Non-submission of budget estimates by the Drawing and Disbursing Officers (DDOs)

5.1.5 Scrutiny of records revealed that budget estimates were not submitted by 25 to 60 *per cent* of the DDOs during 1999-2004 as detailed below:

Table: 5.1

Year	Total Number of DDOs	Number of DDOs who did not submit budget estimates	Percentage of DDOs who did not submit budget proposal
1999-2000	53	32	60
2000-01	53	30	57
2001-02	53	26	49
2002-03	53	28	52
2003-04	20*	05	25

The Director stated (May 2004) that the budget proposals were made by giving 10 *per cent* hike on previous year's budget estimates. This was indicative of the fact that the budget proposals were sent to the Government without ensuring required control.

Delay in submission of budgetary returns

5.1.6 Various returns such as budget estimates, statements of excess and surrenders and final statements of excess and surrenders were not submitted by the Director to the Finance Department (FD) during 1999-2004 on the dates prescribed in the Budget Manual. Delay in individual cases ranged between seven and 74 days. The Director stated (May 2004) that the instructions would be complied with in future.

Non-maintenance of control records

5.1.7 Important control records pertaining to preparation of annual budget such as ledger account of appropriation, liability register and registers of payment (Form-16) etc., were not maintained at the Directorate level. The Director stated (May 2004) that need for preparation of above control registers was not felt. Reply is not tenable as maintenance of records was essential in view of provisions of the Budget Manual and also useful for preparation of budget estimates on realistic basis.

Laxity in exercising controls

5.1.8 The Departmental Manual provides that the Director Animal Husbandry shall have control over all animal husbandry affairs in the State. He shall submit all the monthly/quarterly and annual reports and returns to the Government on the activities of the department after collecting them from the subordinate units.

Test-check revealed that returns on some main functions of the department such as treatment of livestock and poultry diseases, rinderpest eradication, special component plan and performance of the vehicles, etc., were neither sent by the field functionaries nor were these called for by the Director,

* The number of Drawing and Disbursing Officers came down to 20 as a result of restructuring of the department by the State Government.

Animal Husbandry. This was indicative of the laxity in exercising controls on the schemes executed by the department.

The Director, Animal Husbandry admitted (April 2004) the facts.

Non-investigation of the reasons for shortfall

5.1.9 Test-check revealed that there were persistent shortfalls ranging between 14 and 84 *per cent* in achievement of targets fixed by the Director Animal Husbandry under three schemes/programmes during 1999-2003 as detailed in **Appendix-XXXVIII**. The reasons for shortfall were, however, not investigated by the Department and no remedial measures were taken to improve their working.

The Director stated (April 2004) that instructions were issued (date not mentioned) to the subordinate officers to physically inspect the performance of the schemes. The reply of the department is indicative of poor control mechanism relating to departmental operations.

Irregular expenditure on decretal payment

5.1.10 As per provisions of Budget Manual, expenditure on payments made in satisfaction of any judgement, decree or award of any Court is to be treated as “Charged” on the Consolidated Fund of the State and provision for such expenditure should be shown in the estimates as “Charged”.

However, payments on this account amounting to Rs 4.14 lakh during 1999-2004 had been made out of Voted grants. The facts were admitted (May 2004) by the Director. This showed ignorance of the departmental officers regarding codal provisions.

Irregular release of grant-in-aid

5.1.11 As per provision contained in Budget Manual, no order/sanction for grant-in-aid, loan etc., should be issued after Ist March in any financial year. It was noticed that grant-in-aid of Rs 2.50 crore was sanctioned and released to the Himachal Pradesh Milk Federation Ltd., Shimla and Himachal Pradesh *Krishi Vishvavidalaya* (HPKVV), Palampur during 1999-2004 on dates between 18 and 31 March of the respective financial years. The Director attributed (May 2004) this to communication of financial sanction by the Administrative Department after Ist March. Thus not only the Directorate but also the Administrative Department did not adhere to the provisions of the Manual.

Information Technology (IT) Control

5.1.12 It was noticed that no computerised information system to process, maintain and report essential information has been introduced by the Department as yet.

Incorrect utilisation of staff

5.1.13 Finance Department prescribed (March 1985) duties for utilisation of services of qualified accounts personnel of the State Government in various departments of the Government. The duties, *inter alia*, included conducting internal audit, checking of accounts, supervising the clearance of outstanding audit objections, physical verification of stores and stock according to the requirements of the individual departments. The internal audit work was to be performed after defining clearly the duties and responsibilities of the

organisation by creating independent accounts and internal audit section and their work was required to be supervised by a senior departmental officer.

The department had not established internal audit wing and these personnel conducted the internal audit of field offices as and when the Director desired. Of the 53 field units, special audit of one unit only was conducted during 1999-2004. Obviously, the services of Accounts Personnel were not utilised fully and they did not perform all the functions prescribed for them.

Non-rotation of employees

5.1.14 To reduce the risk of pilferages, embezzlements and wrongful acts, rotation of employees after a certain period was necessary. Scrutiny of records, however, revealed that system of rotation of employees was not in existence in the Department and that officials were holding the same charge for the period ranging from four years to 24 years. Reasons for non-rotation of the staff were not intimated.

Evaluation of internal control

5.1.15. No mechanism for monitoring/evaluating the internal control systems had been evolved by the department to gauge the effectiveness and adequacy of internal controls.

These points were referred to the Government in July 2004; their reply had not been received (September 2004).

Horticulture Department

5.2 Deficiencies in monitoring of grants and subsidies given by the department

The Horticulture Department released during 1999-2004 grants of Rs 68.14 crore to Dr. Y.S. Parmar University of Horticulture and Forestry, Solan (University) for implementation of various programmes.

Test-check of records of the sanctioning authority revealed (April 2004) the following deficiencies:

University grant-in-aid (GIA) rules 1991 require that grants should be sanctioned to meet expenditure on specific objects viz. administrative staff, equipment, land and buildings required for Horticulture activities. Contrary to the above provisions, grants of Rs 28.94 crore were sanctioned to University during 1999-2003 without indicating specific purposes. The State Government stated (May 2004) that the Government sanctions GIA for the purpose of administrative staff, equipment and buildings required for Horticulture activities. The reply is not acceptable as no specific purpose was indicated in the sanctions.

Financial rules require that the departmental officer on whose signature or countersignature the bill was drawn should furnish utilisation certificate (UC) in the prescribed form. UCs for the grant amounting to Rs 33.30 lakh released during 1999-2000 to the University had not been received as of April 2004. Director Horticulture (Director) stated (April 2004) that the matter would be taken up with the University.

The register of grants as required under the rules was not maintained in the prescribed form and did not contain complete information in regard to the

grant. The Director stated (April 2004) that in future the requisite register would be maintained in the prescribed format.

Assets register for the assets of permanent and Semi-permanent nature acquired out of Government grants was not maintained. Its copy was also not furnished annually to the sanctioning authority by the grantee institution as required under the GIA rules. The department had also not devised any system to see as to what assets were created by the grantee institutions and whether the assets so created out of grants were being utilised for the intended purpose. The Director stated (April 2004) that the requirement of rules would be followed in future.

An expenditure of Rs 7.47 crore had been incurred by the University during 1999-2004 on the items like creation of revolving fund, training, etc. The GIA rules did not provide for incurring such expenditure out of the grant provided by the department. The Director stated (April 2004) that the matter regarding expenditure incurred for items not provided in GIA would be taken up with the University.

The matter was referred to the Government in May 2004; their reply had not been received (September 2004).

Transport Department

5.3 Deficiencies in monitoring of grants and subsidies given by the department

The Transport Department released grants of Rs 195.55 crore and subsidy of Rs 6.75 crore to the State Road Transport Corporation (Corporation) during 1999-2004 for meeting social obligations.

Test-check of records of the Director, Transport (Director) revealed (April 2004) the following deficiencies:

Financial rules require that sanctioning authority should frame rules to regulate the payment of grants to the grantee institutions. No such rules had, however, been framed by the department as of April 2004. The Director stated (April 2004) that the rules were under finalisation.

The register of grants as required under the rules was not maintained in the prescribed form and did not contain complete information in regard to purpose, conditions, utilisation certificates (UCs), etc. The Director stated (April 2004) that the prescribed register would be prepared after finalisation of rules.

Financial rules require that the departmental officer on whose signature or countersignature the bill was drawn should furnish UCs in the prescribed form. UCs for Rs 66.50 crore in respect of grants sanctioned during 1999-2003 due from the grantee institutions between April 2000 and March 2004 were awaited (April 2004). The Director stated (April 2004) that the UCs would be obtained from the Corporation. The rules further provide that further grants would not be released where UCs are awaited from a grantee institution. It was, however, noticed that grants were released year after year without insisting for the wanting UCs.

Once Grant-in-aid is sanctioned, the grantee institution should prepare and submit the bill to the countersigning authority for signature and the Treasury Officer for payment. Contrary to this, all the bills were prepared and the amount was drawn from the treasury by the department during 1999-2004 and

thereafter released to Corporation. The Director stated (April 2004) that the proper procedure would be followed after finalisation of the rules.

Financial rules require that every order sanctioning the grants should specify clearly the object for which it is sanctioned. Contrary to this, Rs 94.46 crore were sanctioned to Corporation during 1999-2004 without indicating specific object/purpose. Director stated (April 2004) that the amount of subsidy was released to the Corporation to meet the social obligation being provided by it to the general public by way of free travel concession, concessional passes and providing bus services on uneconomical routes etc. The reply is not acceptable, as the specific object/purpose of expenditure was required to be mentioned in the sanctions. Moreover, the manner in which the amount of subsidy was determined, was also not on records.

The matter was referred to the Government in May 2004; their reply had not been received (September 2004).

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