

CHAPTER V INTERNAL CONTROL

AGRICULTURE DEPARTMENT

5.1 Internal Control in Agriculture Department

Highlights

Internal Control is an integral component of an organisation'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 are reliable, and the applicable laws and regulations are complied with so as to achieve organisational objectives. Internationally the best practices in Internal Control have been given in the COSO¹ framework, which is a widely accepted model for Internal Controls. Government of India has prescribed comprehensive instructions on maintenance of internal controls in Government Departments. In the State, the accounting and other controls are laid down in the codes/manuals of the State. A review of internal controls on limited areas of the Agriculture Department has revealed the following:

- **Persistent savings ranging from 10 per cent to 56 per cent were noticed under Plan Revenue expenditure during 2003-08. This shows that budget estimates were not prepared on the basis of actual requirement of funds as stipulated in KBM.**
(Paragraph 5.1.5.2)
- **Monitoring of expenditure was weak as evidenced by the unnecessary supplementary grants, belated reappropriation/surrender of funds and rush of expenditure during March.**
(Paragraphs 5.1.5.3 and 5.1.5.4)
- **Failure to follow the instructions issued by Government regarding power tariff subsidy to farmers resulted in adoption of different procedures in different offices and extra burden on penalty.**
(Paragraph 5.1.7.1 (a))
- **Owing to weak controls, advances of Rs 17.75 crore disbursed to departmental officers as early as from 1990-91 were yet to be adjusted**
(Paragraph 5.1.7.1(c))
- **The Internal Audit of 13 offices under the Directorate was in arrears for three to five years and more than five years in 150 offices under the three PAOs.**
(Paragraph 5.1.8.1)
- **There were 589 vigilance cases pending finalisation as of October 2008 with Government, Vigilance and Anti-corruption Bureau, Department, etc.**
(Paragraph 5.1.8.2)

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

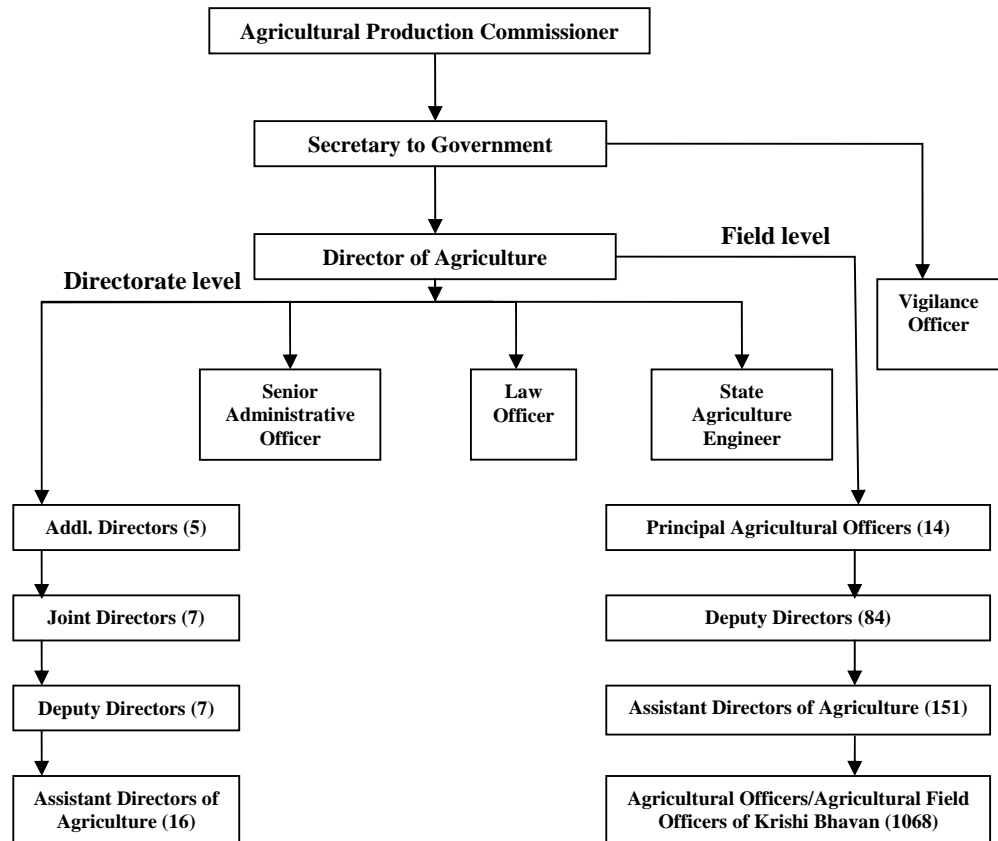
5.1.1 Introduction

Agriculture is the most important and single largest sector of the State's economy accounting for about 20 per cent of the State's income. Important crops of the State include rice, pepper, ginger, turmeric, cashew, banana, vegetables, floriculture, medicinal and aromatic plants.

Agriculture Department is responsible for planning, formulation and implementation of various agricultural developmental programmes for improving living standards of farming community. The important programmes include quality control of inputs like seeds, fertilizers and pesticides, production and distribution of improved seeds and planting materials, evolving cropping strategy, providing crop insurance cover, providing market infrastructure, etc.

5.1.2 Organisational set up

Agricultural Production Commissioner (APC) and the Secretary to Government, Agriculture Department are the controlling officers at Government level. Director of Agriculture is the head of the department and the chief implementing authority of all the schemes. The organisational structure of the Department is shown below.



5.1.3 Audit objectives

This review of Internal Control and Vigilance Mechanism in Agriculture department was conducted to test compliance with the instructions in the

Kerala Budget Manual (KBM), the Kerala Financial Code (KFC), the Kerala Treasury Code (KTC) and related accounting instructions. In addition, the arrangements for information, communication, monitoring and evaluation including Internal Audit and Vigilance were examined. Internal control activities designed and put into operation for enforcing the management directions and ensuring achievement of programme objectives were also examined for some selected areas.

5.1.4 Audit coverage/methodology

An entry conference was held in January 2008 with the Director of Agriculture. Records and registers for 2003-08 in the office of the Director of Agriculture, four* (out of 14) Principal Agricultural Officers (PAOs) at Districts and two Assistant Directors of Agriculture in each of these selected districts were selected for detailed verification. Four subordinate offices# within the selected districts were also selected. Records pertaining to departmental/autonomous institutions functioning under the department were also scrutinised. The observations made in the Consolidated Inspection Report of the PAO, Thrissur for the year 2006-07 were also included in the Report. An exit meeting was held in October 2008 with the Additional Chief Secretary and Agricultural Production Commissioner.

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

Control over budget and expenditure are essential for optimal utilisation of resources to achieve the objectives of the department. Budgetary controls in the department were weak as indicated in the following paragraphs:-

5.1.5.1 Budget proposals

According to the provisions contained in the Kerala Budget Manual (KBM) budget estimates are to be consolidated by the Head of the Department based on the proposal received from subordinate offices and submitted to Government on the due date each year. There was delay of 3 to 37 days in sending Non-Plan estimates and 18 to 107 days for Plan estimates to Government during 2003-08. Scrutiny of the records of the selected PAOs and Director of Agriculture revealed that the PAOs did not submit the budget proposals to the Director within the prescribed time limit. Further proposals were finalised by the Director and sent to Government without taking into consideration the proposals submitted by the subordinate officers.

5.1.5.2 Non-utilisation of funds

The provision, actual expenditure, savings, re-appropriation/surrender of funds during the period 2003-08 were as follows:

* Thiruvananthapuram, Kozhikode, Palakkad and Ernakulam

Krishi Bhavans, Farms and Agricultural Laboratories

Table 1: Budget provision and expenditure (Plan)

(Rupees in crore)

Year	Budget Provision			Actual Expenditure	Savings and its percentage	Re-appropriation/ Surrender	
	Original	Supple-mentary	Total				
2003-04	Revenue	93.42	0.14	93.56	62.26	31.30 (33)	31.09
	Capital	0.35	...	0.35	0.28	0.07 (20)	0.07
2004-05	Revenue	96.71	7.00	103.71	92.99	10.72 (10)	14.35
	Capital	0.45	0.02	0.47	0.41	0.06 (13)	0.05
2005-06	Revenue	196.23	14.08	210.31	92.19	118.12 (56)	104.40
	Capital	2.52	...	2.52	1.30	1.22 (48)	1.16
2006-07	Revenue	197.62	129.34	326.96	231.33	95.63 (29)	106.74
	Capital	17.05	...	17.05	1.25	15.80 (93)	15.80
2007-08	Revenue	153.70	4.51	158.21	89.87	68.34 (43)	67.52
	Capital	11.30	0.50	11.80	1.70	10.10 (86)	10.09
Total		769.35	155.59	924.94	573.58	351.36 (38)	351.27

Source: Detailed Appropriation Accounts of respective years.

Persistent savings from 10 per cent to 56 per cent during 2003-08

KBM stipulates that budget provision should be restricted to the amount required for actual expenditure during the year. There were persistent savings during the past five years in plan expenditure which ranged from 10 per cent to 56 per cent under Revenue Plan. This showed that the process of budget estimation was unrealistic and was attempted without following financial rules and best practices.

5.1.5.3 Expenditure control system

Unnecessary supplementary grants and belated reappropriation/ surrender were observed

According to the KBM the controlling officer is required to keep close and constant watch over the progress of expenditure and also take remedial action such as obtaining supplementary grants or timely surrender of funds in case of any probable savings. The following shortcomings were noticed in this regard.

a) During 2004-05, 2005-06 and 2007-08 supplementary provision of Rs 7 crore, Rs 14.08 crore and Rs 4.51 crore respectively were obtained under revenue section for various purposes as shown in **Appendix XXXVIII**. As the actual expenditure in these years was less than even the original provision, the said amounts were withdrawn and re-appropriated to other heads of accounts during these years, the supplementary grant was not necessary and could have been limited to token amount and balance met from reappropriation.

b) The re-appropriation/surrender made during 2004-05 and 2006-07 under 'plan' was more than the savings available under the head of account. It was seen that the excess surrender of funds during 2006-07 was due to booking of an expenditure of Rs 11 crore incurred by the Director of Civil Supplies towards the difference of minimum support price fixed by GOI and the procurement price of State Government to the head of account '2401-00-104-86' whose controlling officer was the Director of Agriculture. The Director of Agriculture stated (April 2008) that at the time of surrender of funds, he was not aware of the expenditure of Rs 11 crore incurred by the Director of Civil Supplies.

c) According to para 93(1) of KBM the proposals for reappropriation and surrender of savings should reach the Finance Department from the Administrative Department latest by 25 February every year. However, the proposals for surrender/reappropriation of funds for the years 2005-06 and

2006-07 amounting to Rs 272.68 crore were submitted to Finance Department on the last working day of the financial year. This indicated absence of adequate mechanism for monitoring the flow of expenditure by the Agriculture Department and Finance Department as well.

5.1.5.4 *Rush of expenditure towards the fag end of the financial year*

Expenditure in March was in the range of 49 to 77 per cent of total expenditure during last two years

According to Paragraph 62 (2) of KBM the distribution of appropriations by the Chief Controlling Officer to the Subordinate Controlling Officers and by the Subordinate Controlling Officers among the Drawing Officers should be made as soon as the Budget proposals are approved by the Legislature. The rules also provide for even distribution of expenditure throughout the year for a better financial control over expenditure. It was however noticed that during the years 2006-07 and 2007-08 there was rush of expenditure in March under Plan schemes as shown below:

Table 2: Rush of expenditure during March

(Rupees in crore)

Year	Expenditure during each quarter				Total expenditure during the year	Expenditure during March	Percentage of expenditure in March
	First	Second	Third	Fourth			
2006-07	0.43	12.98	19.59	199.58	232.58	178.44	77
2007-08	0.16	6.75	19.97	64.69	91.57	44.97	49

The expenditure during March was 29 to 33 per cent during 2003-06 whereas it was 77 per cent and 49 per cent of the total expenditure in 2006-07 and 2007-08 respectively. This shows the absence of appropriate controls to monitor the progress of expenditure during financial years and is indicative of imprudent financial management.

5.1.5.5 *Utilisation of Plan funds under Centrally Sponsored Schemes*

Implementation of CSS was poor

According to the Plan Progress Report for the years 2003-04 to 2007-08, the percentage of expenditure against budget provision under Centrally Sponsored Schemes (CSS)[#] were as follows:

Table 3: Poor utilisation of Plan funds under CSS[#]

(Rupees in crore)

Year	Budget Provision	Expenditure	Percentage of expenditure
2003-04	59.79	32.19	54
2004-05	54.54	49.80	91
2005-06	159.37	52.40	33
2006-07	49.39	12.83	26
2007-08	27.26	13.11	48

During 2005-06 and 2006-07, 33 per cent and 26 per cent respectively of the budget provision were spent under CSS. This showed that the implementation of the CSS such as Coconut Development Scheme for Integrated Farming, National Project on Organic Farming, Seed Infrastructure, Establishment of Bio-Control Lab, AGRISNET, etc., was poor and without proper monitoring. However, in respect of partially aided* schemes, during 2003-08, Government could spend in the range of 56 to 88 per cent except during 2003-04 and 2006-07.

[#] 100 per cent Centrally Sponsored Schemes

* 50 per cent, 75 per cent and 90 per cent CSS

5.1.5.6 Reconciliation of figures of expenditure

Reconciliation of figures of expenditure was not carried out in time

According to para 74 of the KBM, it is the responsibility of the Chief Controlling Officer to reconcile the departmental figures of expenditure with the figures in the books of the Treasury and the Accountant General (A&E) regularly so as to have proper control over the flow of expenditure as well as to detect any misclassification, misappropriation or fraud and to incorporate necessary corrections, wherever necessary, before finalisation of annual accounts. As there was delay in reconciliation, the departmental figures of expenditure did not agree with the figures of Accountant General (A&E).

Agriculture Department is one of the four departments required to prepare Performance Budget as envisaged in para 53 (1) of KBM and present the same in the Legislative Assembly along with the budget proposals for the succeeding year. It was noticed that the figures in the Performance Budget did not agree with the figures in the Statement of Reconciled Accounts prepared by the Department.

5.1.6 Compliance with State Treasury Rules/Financial Rules

5.1.6.1 Maintenance of more than one cash book by the same DDO

Two sets of cash book were in use in offices in violation of Government orders

Government issued directions (January 2003) that one office should have only one cash book and all transactions were to be accounted for in this cash book. Finance Department reiterated (October 2005) the position and issued orders revising the existing forms of Cash Book (Form TR 7A), Register of Cheques (Form TR 8) and also the Register of valuables. However, it was noticed that in all the offices covered in audit, the old form of cash book was still being used. In the office of the Assistant Directors as well as in Krishi Bhavans, Audit observed two separate sets of cash books and Treasury bill books, one for accounting departmental expenditure and the other for accounting the transactions pertaining to Local Self Government Institutions were in use. The directions issued by Government were therefore not being adhered to giving scope for misappropriation.

It was noticed (October 2007) in the Krishi Bhavan, Panjal that the Agricultural Officer had maintained savings bank account in the State Bank of India, Panjal in violation of Codal provisions for depositing funds relating to Kerala Vikasana Padhathi (KVP)[#] and payments were made out of it subsequently. The DDO also maintained two sets of records - one main cash book for recording regular transactions of the office and another for transactions pertaining to KVP-in spite of specific instructions of Government.

It was also noticed that the transactions relating to KVP were not incorporated in the main cash book. The cash book used for recording transactions of KVP was written only up to 20 December 2006 and thereafter the transactions had not appeared in any record. In this cash book the amount drawn from treasury on a particular date was shown as remitted into the bank account on that date itself and cash balance was shown as 'NIL'. On further scrutiny by audit with treasury bill book, bank account statement and cheque issue register it was

[#] Programme for implementation of developmental activities through Local Self Government Institutions

revealed that there was misappropriation of Rs 2.61 lakh of KVP funds as shown below:

- Two contingent bills for a total amount of Rs 2,00,800 drawn on 26 March 2007 (Rs 1,60,800) and 30 March 2007 (Rs 40,000) respectively towards Fertilizer and Organic Manure and Comprehensive Vegetable Development were neither credited to bank nor disbursed to the beneficiaries.
- Two bills for Rs 1,50,000 and Rs 2,32,531 were drawn on 29 March 2007 and the total of Rs 3,82,531 was remitted into bank on the same day. Out of this, Rs 95,035 was paid by cheque in favour of the Padasekhara Samithies and Rs 2,27,513 was disbursed in cash to the Padasekhara Samithies/beneficiaries by drawing money from the bank. The balance of Rs 59,983 was neither disbursed nor retained as balance in the bank account.

The Assistant Director of Agriculture, Pazhayannur, Thrissur stated (March 2008) that the amount in bank account (Rs 790.30) was not sufficient to meet the requirement of Rs 2.61 lakh in the above two cases. Thus it appears that Rs 2.61 lakh had been misappropriated. The misappropriations took place due to non-maintenance of cash book and violation of Government instructions by the DDO.

Government stated (August 2008) that the Agricultural Officer, Krishi Bhavan, Panjal had been placed under suspension.

Agricultural Production Commissioner, in the exit meeting assured initiation of necessary corrective measures in this regard.

5.1.6.2 Maintenance of Savings Bank Account in Commercial/ Co-operative Banks for keeping Government money

The Kerala Treasury Code (Rule 7) provides that a Government servant may not, except with the special permission of the Government, deposit in a bank, moneys withdrawn from the Government account. The Code also prescribes that when Government moneys in the custody of a Government Officer are paid into the Treasury or the Bank, the head of the office making such payments should compare the Treasury Officer's or the Bank's receipt on the chalan or pass book with the entry in the cash book before attesting it and satisfy himself that the amounts have been actually credited to the Treasury or the Bank. Government also issued directions (January 1996) to all Heads of Departments to withdraw money, if any, deposited in commercial banks and to deposit the amounts in treasury.

Scrutiny of records (October 2007) in three offices* of the Assistant Director of Agriculture (ADA) revealed that disregarding the codal provisions and Government directions, the ADA, the Drawing and Disbursing Officer (DDO) had opened a current account in the State Bank of India, Kunnamkulam in February 2004 for crediting the funds drawn from the treasury for the various schemes implemented by the Department and payments were made out of it subsequently. Further scrutiny revealed serious irregularities like defalcation

Non-adherence to instructions of Government resulted in misappropriation of Government money

* Chowannur, Kunnamkulam and Thrissur

of money (Rs 6.49 lakh) and temporary misappropriation (Rs 1.79 lakh) aggregating Rs 8.28 lakh between November 2005 and February 2007 as detailed below.

- ***Defalcation of Government money***

The ADA, Chowannur withdrew Rs 3,21,445 (30 November 2005) by presenting five contingent bills and showed these as remitted in the bank account on 1 December 2005 in the cash book. But as per the bank statement the amount credited on 1 December 2005 was Rs 2, 21,445 only, thus leading to a short remittance of Rs one lakh.

Similarly Rs 2,30,947 and Rs 3,17,880 drawn by the ADA on 31 December 2005 and 7 October 2006 respectively on two and four contingent bills were not credited in the bank account though these amounts were shown as remitted in the cash book on 5 January 2006 and 7 October 2006 respectively. Thus there was a defalcation of Rs 6.49 lakh due to short-remittance/non-remittance to the bank account. In order to cover up the difference due to defalcation, short-payment was made deliberately to inflate the balances in the bank account as shown below:

The ADA, Chowannur drew Rs 34,85,125 on 30 November 2006 on a contingent bill for payment of electricity charges, on behalf of agricultural consumers under the scheme 'Power tariff exemption', to eight Kerala State Electricity Board (KSEB) sections and the entire amount was credited into the bank account on the same date. It was noticed that though payment due to the KSEB section, Koonammoochy was Rs 17,23,847, the cheque issued to the section on 30 January 2007 was for Rs 11,23,847. But in the cheque issue register the amount of cheque was indicated as Rs 17,23,847 leading to a short-payment of Rs six lakh.

- ***Temporary misappropriation of funds***

The ADA, Chowannur drew Rs 1,78,524 on 30 December 2006 on a contingent bill and showed it as remitted on 4 January 2007 in the cash book. But as per the bank statement the amount was credited only on 17 February 2007 indicating temporary misappropriation of Rs 1.79 lakh for six weeks.

Thus there were lapses on the part of the DDO in reconciling the figures in the cash book with bank's receipts and accounts statements as prescribed in the code which resulted in the defalcation. Based on the Audit observations, the Special Vigilance Cell of the Agriculture Department conducted a detailed enquiry in the Office and seized the records in December 2007. The Vigilance Cell found that the ADA and the Upper Division (UD) clerk jointly defalcated Rs 7.78 lakh and temporarily misappropriated Rs 1.81 lakh. The Principal Agricultural Officer informed (January 2008) that the ADA and the UD clerk remitted Rs 3.89 lakh each on first January 2008 in the bank account.

Government stated (July 2008) that a vigilance enquiry was ordered into the misappropriation in the ADA, Chowannur and the accused officers had been placed under suspension.

It was also mentioned in the Government directions (January 1996) that in case any violation was noticed, the officer responsible will have to pay interest at 18 *per cent* per annum for the entire period during which the amount was

kept outside Government account. It was noticed that the Agricultural officers of Krishi Bhavans and the Assistant Directors of Agriculture at Block Level Offices test checked were keeping Government money in Savings Bank account opened in Nationalised Banks/Co-operative Banks as shown below.

Table 4: Details of bank accounts

Sl. No.	Name of Office	Details of SB Accounts
1.	Krishi Bhavan, Vadakkanchery, Palakkad	A/c. No.3068 in Service Co-operative Bank, Vadakkanchery. A/c No.57049680099 in State Bank of Travancore, Vadakkanchery.
2.	ADA, Chowannur, Thrissur	A/c No.10411663480 in State Bank of India, Kunnankulam
3.	Krishi Bhavan, Panjal, Thrissur	A/c.No.10536592572 in State Bank of India, Panjal
4.	PAO, Palakkad	A/c No.134 in District Co-operative Bank A/c.No.60371 Canara Bank, Palakkad. A/c. No.15788 in Indian Overseas Bank, Palakkad A/c.No.208 in District Co-operative Bank

Interest element computed at 18 *per cent* per annum on the monthly minimum balances held in the Nationalised/Co-operative bank accounts during the period of review in Krishi Bhavans Vadakkanchery, Panjal, ADA Office, Chowannur and PAO, Palakkad, alone worked out to Rs 36 lakh.

5.1.7 Internal control activities

5.1.7.1 Operational Control

a) Concessional electricity tariff to farmers

Government ordered (August 1995) exemption to all paddy growers from payment of energy charges used for agricultural purposes. The concession was extended from 1 April 1997 to all small and marginal farmers for all crops. The energy charges under this scheme were being remitted to Kerala State Electricity Board (KSEB) directly by the Agriculture Department. This procedure was modified during 1997-98 and the farmers were reimbursed electricity charges paid to KSEB on the basis of cash receipts produced by them. Later on from 1 April 1998, the earlier system of direct payment to KSEB was again resorted to. A scrutiny of the records with the Director of Agriculture and the Assistant Directors of the selected districts revealed the following irregularities:-

- There was no uniform procedure followed in Thiruvananthapuram district and reimbursement were made to farmers based on the cash receipts produced by them. However, in the other three districts test checked electricity charges were remitted to KSEB by the Assistant Directors of Agriculture.
- The Director of Agriculture had disbursed to KSEB Rs 20 crore (Rs 5 crore in 2003-04 and Rs.15 crore in 2004-05) towards pending claims in all the fourteen districts in the State and the officers of KSEB as well as Agriculture Department were required to adjust the amount allocated to the particular district against pending claims. It was, however, noticed that except in Palakkad District no adjustment have been effected in the remaining three districts test checked. The claims raised by KSEB in subsequent years were being settled by the Assistant Directors of Agriculture utilising the budget allotments received by them without adjusting the payments already made by the Directorate.

No uniform procedure was adopted while settling claims for electricity charges under power tariff subsidy scheme for farmers

- When Government reverted to the earlier system of making payment of electricity charges of farmers directly to KSEB from 1 April 1998 it was ordered that no penal charges would accrue in cases of delay in remittance. However, it was noticed that KSEB included surcharge for delay in making payments which was permitted by the Agriculture Department.

b) Drawal of funds through Abstract Contingent bills

Rule 187 (d) of KTC stipulates that Detailed Contingent bills (DC) are required to be submitted against Abstract Contingent (AC) bills drawn to the Accountant General (A&E) by 20th of the succeeding month. It was noticed that AC bills for Rs 1.11 crore relating to 18 DDOs in 30 cases were pending adjustment as of June 2008 due to non-submission of DC bills as detailed below.

Table 5: Details of pending AC bills

Year	Number of cases	Amount (Rs in crore)
Up to 2001-02	11	0.55
2002-04	Nil	Nil
2004-05	2	0.01
2005-06	11	0.12
2006-07	1	0.02
2007-08	5	0.41
Total	30	1.11

AC bills relating to 1997-2008 were pending adjustment depicting that the department failed to monitor the adjustment of AC bills.

c) Advances pending adjustment

Advances of Rs 17.75 crore were not adjusted

According to Article 99 of KFC and instructions issued by Government, contingent advances drawn by officers for meeting departmental expenses are to be settled as early as possible by presenting detailed bills (incorporating details of payments) duly supported by proper vouchers. The Controlling Officers are required to watch the sanction of advances and speedy settlement of the same. Under no circumstances the settlement of advances is to be carried forward to the next financial year. It was, however, noticed that there was no system in the Directorate to watch settlement of contingent advances drawn by the departmental officers. The records of the four PAOs revealed that contingent advances aggregating Rs 17.75 crore drawn as early as from 1990-91 still remained to be settled as shown below:-

Table 6: Details of advances pending adjustment

(Rupees in crore)

Year	Amount pending adjustment
Up to 2003-04	9.09
2004-05	4.78
2005-06	0.59
2006-07	2.47
2007-08	0.82
Total	17.75

Though the failure to adjust the outstanding advances was pointed out by Audit in the previous Inspection Reports no effective action was taken by the department to settle the advances. Scrutiny revealed that:

- The list of persons against whom the advances are pending included persons already retired from service (A few cases are included in **Appendix XXXIX**).
- The schemes under which the advances were drawn included Subsidy of Arecanut, Macro Management (Quality Control), Agri Export Zone (AEZ), Organic farming, etc.
- Advances were seen outstanding in cases where amounts were drawn for remitting insurance of vehicles, fuel charges, procurement of office articles, etc.

d) Non-monitoring of funds released to KSSDA

3425 MT of seeds worth Rs 4.80 crore were life expired

The department released Rs 8.67 crore during 2004-08 to Kerala State Seed Development Authority* (KSSDA), Thrissur for procurement and distribution of good quality high yielding paddy seeds to farmers. It was noticed that KSSDA had a stock of about 3,425 MT of time-expired seeds worth Rs 4.80 crore which were not disposed off in public auction. It was also observed that no audit by the department has been conducted so far on the accounts of KSSDA. Thus the objective of timely distribution of high yielding, good quality paddy seeds to farmers could not be achieved mainly due to lack of monitoring the utilisation of funds released to the implementing agency.

5.1.7.2 Manpower

Deployment of staff to LSGIs resulted in shortage of staff in the department

Prior to decentralisation of powers to Local Self Government Institutions (LSGIs), the Directorate, PAOs at District level and ADA offices at block level were having 432, 302 and 132 clerks which was reduced to 280, 151 and 100 respectively consequent on deployment of 337 clerks to LSGIs from July 2000. This resulted in shortage of staff strength at the Directorate, PAOs and ADAs in range of 35 per cent, 50 per cent and 25 per cent respectively. Though the tenure of the deployment of ministerial staff to LSGIs was specified as three years they continue to serve with the LSGIs and draw salary from the Agriculture department. Thus the deployment of departmental staff to LSGIs resulted in shortage of staff affecting the internal audit wing and Vigilance cell.

5.1.7.3 Departmental manual and delegation of powers

It was observed that the department had no manual for guidance of the staff in carrying out their functions. As the department is engaged in multifarious activities for the development of agriculture, the department should have prepared a manual for guidance of its officers to achieve its objectives. The delegation of the financial powers to the officers of the department had also not been revised since 1984.

* A society registered under the Travancore- Cochin Literary Scientific and Charitable Societies Registration Act, 1955

5.1.7.4 Non-maintenance of registers

According to Article 63 of the Kerala Financial Code (KFC), each office should maintain a Register in Form 4 for recording the objections communicated by the Accountant General so as to monitor progress of action taken on clearance of audit observation. The required register was not maintained in the 28 offices test checked.

The instructions in Article 170 of KFC regarding maintenance of Property Register incorporating the details of land and buildings and other properties of the department were also not followed by the various offices of the department. As a result, the department was not aware of the actual position of the assets at their disposal, encroachment, if any, and their safe custody.

5.1.8 Monitoring including Internal Audit and Vigilance arrangements

5.1.8.1 Internal Audit wing

Internal Audit was in arrears

As part of strengthening of the Internal Audit wing, based on the directions issued (June 2005) by Government, the department constituted the Audit Monitoring Committee in February 2006 for regular review of the internal audit work. It was noticed that only three review meetings were held against mandatory quarterly meetings. The Internal Audit team has to undertake the audit of 41 institutions/offices under the direct control of the Director of Agriculture and also Special Audit of any other office entrusted. No audit plans were prepared by the wing to complete the audit of various offices in a phased manner. Instead, two or three offices were randomly selected for audit per month by diverting staff from other sections. The audit of 13 offices under the control of the Directorate was in arrears for three to five years.

The District Level Internal audit team under each PAO consists of two Junior Superintendents and three or four clerks. The details regarding the number of units to be audited and number of units in arrears for more than five years in respect of the four districts selected for review were as follows:

Table 7: Arrears in internal audit

Name of PAO	Number of units to be audited	Audit in arrears for 5 years and above
Thiruvananthapuram	107	57
Ernakulam	122	Not available*
Kozhikode	80	60
Palakkad	106	33

The department stated that due to transfer of staff to LSGIs, there was shortage of staff in the department and priority was given for conducting internal audit in cases of retiring officials.

5.1.8.2 Special Vigilance Cell

A Special Vigilance Cell has been constituted in the Directorate under an Additional Director with the Vigilance Officer (Finance) as the Secretary of the Special Vigilance Cell. Two Senior Superintendents, four clerks, one typist and one peon are also attached to the Vigilance Cell. The Vigilance Officers have to conduct joint inspection enquiries and submit report to the

* Not compiled by the Department

Director of Agriculture. Apart from the enquiries ordered by Government, Minister of Agriculture, Vigilance and Anti Corruption Bureau (VACB) and Director of Agriculture, the Vigilance Cell have to conduct at least five field inspections every month. As against 400 cases in 1998, there were 589 cases pending as of October 2008 as detailed below:

Table 8: Vigilance cases/Enquiries pending

Sl. No.	Particulars	Number of cases	Amount involved (Rs in crore)
1.	Pending with VACB	48	0.30
2.	Pending with Court	31	3.18
3.	Pending with Government	188	0.39
4.	Pending with Department	98	0.03
5.	Enquiry pending	74	--
6.	Revenue Recovery proceedings, Appeal petition, etc.,	150	0.15
Total		589	4.05

In reply to audit observation, Secretary of the Special Vigilance Cell stated (January 2008) that with present staff strength it would be difficult to complete the pending cases. It was observed that the number of pending cases included cases pending against persons who had already retired/quitted service/died. Majority of the cases are pending finalisation with Government. In a few cases Non-liability Certificate/Liability Certificate had been issued based on directions from High Court/Lok Ayukta.

According to Government orders constituting the Special Vigilance Cell, the staff attached to the Cell were to be posted only with the recommendations of the State Government. It was observed that the postings were made by the Director without the consent of the Secretary to Government. Government in October 2008 had brought the Vigilance Cell under the direct control of the Government.

5.1.8.3 Response to audit

Principal Accountant General (Audit) conducts audit of the Directorate of Agriculture and its subordinate offices and major irregularities are reported through Inspection Reports (IR). There were 1979 paragraphs included in 349 IRs pending as of June 2008 as detailed below.

Table 9: Inspection Reports pending settlement

Year	Number of IR	Number of paragraphs
Upto 2003-04	171	615
2004-05	120	492
2005-06	21	280
2006-07	22	366
2007-08 (up to December 2007)	15	226
Total	349	1,979

As per the Kerala Financial Code, the head of office is to take appropriate action to rectify the irregularities pointed out during audit. But after several years of the issuance of IRs irregularities were not rectified.

5.1.9 Conclusion

Lack of proper internal control systems like internal audit and vigilance in Agriculture Department had resulted in poor budgetary control, inefficient spending, violation of financial rules by DDOs, non-utilisation of Central

assistance and irresponsive position to audit. Moreover, the Finance Department had not exercised its control over the Agriculture Department to ensure that rules and regulations are followed for efficient financial management.

5.1.10 Recommendations

- Provisions in the Kerala Budget Manual should be strictly adhered to in preparing budget estimates so as to avoid persistent savings.
- Monitoring of monthly expenditure to be ensured to avoid unnecessary supplementary grant and to facilitate reappropriations/ surrender of funds sufficiently early so as to avoid lapse of funds.
- Payment of Power Tariff subsidy to Kerala State Electricity Board should be centralised either at State Level or at District level.
- The department should take urgent steps to settle the outstanding advances and strictly adhere to the provisions in the KFC for disbursement and adjustment of advances.
- The department should prepare a manual for the guidance of its officers.
- Internal Audit Wing/Vigilance Cell should be strengthened to reduce pendency of audit/cases.

The above points were referred to Government in August 2008; reply has not been received (October 2008).

Thiruvananthapuram,
The



(S.NAGALSAMY)
Principal Accountant General (Audit), Kerala

Countersigned

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