

## CHAPTER V

### Internal Control System in Government Departments

#### Animal Husbandry Department

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

###### *Highlights*

*Internal controls are essential for good governance. These are activities and safeguards that are put in place by the management of an organisation to ensure that its activities are proceeding as planned. Internal control mechanism in animal husbandry Department was found to be not functioning properly. System of maintenance of initial cash account records was defective. Expenditure figures were not reconciled. Deficiencies in functioning of cattle breeding farms were noticed. Veterinary care was being provided by unregistered Assistant Veterinary Field Officers (AVFO). Despite providing funds by GOI, the Milk Quality Control Laboratory was not established in the State. Departmental manual was not updated since 1927.*

**Budget estimates were grossly deficient, persistent savings occurred, and Rs. 7.91 crore were parked in Civil Deposit and with Corporations.**

*(Paragraphs 5.1.5.1 and 5.1.7.2)*

**Security deposit from officials handling cash/store was not obtained.**

*(Paragraph 5.1.6.2)*

**Irregular drawal of salary worth Rs. 46.72 crore was made without continuation of temporary posts and irregular *insitu* promotions to 95 AVFOs resulted in an overpayment of salary amounting to Rs. 14.66 lakh.**

*(Paragraphs 5.1.7.5 and 5.1.8.3)*

**Non-posting of VAS and AVFO in 35 hospitals and 171 dispensaries respectively deprived the facility of treatment to cattle resulted in an unfruitful expenditure of Rs. 5.89 crore on salary of para veterinary staff and medicines.**

*(Paragraph 5.1.8.4)*

**No record of investment amounting to Rs. 1.93 crore was available with the Directorate and Veterinary kits worth Rs. 45.38 lakh were lying idle.**

*(Paragraphs 5.1.8.11 and 5.1.8.15)*

**Medicines worth Rs. 12.59 crore were used without testing and prohibited drugs worth Rs. 4.84 lakh were procured and used on cattle.**

*(Paragraph 5.1.8.14)*

### **5.1.1 Introduction**

Internal Control Mechanism (ICM) safeguards against errors and irregularities in operational and financial matters. It also assures Senior Management on the adequacy of risk management and internal control framework of the Department. It ensures that provisions of codes, manuals and rules laid down by the Government provide fool-proof and workable system for smooth performance of duties and responsibilities at the various levels of staff. In order to ensure these objectives, establishment and effective functioning of internal audit wing in the Department is a necessity. Animal Husbandry Department (AHD) is responsible for augmenting the production potentials of livestock and poultry, to provide veterinary health cover, providing awareness about AH to the farmers and managing training to its staff on basic and latest AH practices.

### **5.1.2 Organisational set up**

The Principal Secretary is the administrative head of the Department at Government level and is responsible for implementation of the Government policies relating to programmes/ schemes. The Commissioner-cum-Director of Veterinary Services (CVS) is the head of the Department who is assisted by Joint Directors (JDVS) and Deputy Directors of Veterinary Services (DDVS) at Headquarters. In the field there are 9 JDVS and 39 DDVS at division and district level respectively. As of March 2006, there were 565 veterinary hospitals; 1742 dispensaries and 2243 Artificial Insemination Centres, in the State for providing veterinary care.

### **5.1.3 Audit objectives**

The objectives of the review were to assess the adequacy and effectiveness of:

- budgetary controls;
- cash controls;
- expenditure controls;
- operational controls;
- system of internal audit and vigilance mechanism.

### **5.1.4 Audit coverage**

Test check of records of the Directorate of Veterinary Services and veterinary offices of 11 districts\* out of 48 alongwith 140 hospitals and 913 dispensaries/ sub-centres of these districts for the period 2001-06 was conducted during

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\* Balaghat, Betul, Bhind, Bhopal, Chhatarpur, Khandwa, Morena, Panna, Sagar, Sidhi and Ujjain.

March to November 2006. The results of test check are given in the succeeding paragraphs.

### 5.1.5 Budgetary controls

#### 5.1.5.1 Persistent savings

According to the Budget Manual, Drawing and Disbursing Officers (DDOs) are required to send the Revised Estimates for the current year and Budget Estimates (BE) for ensuing year to the Directorate in the month of October each year, which in turn, are required to be submitted to Finance Department by November each year. The subordinate DDOs/units however, did not send their budget proposals to Directorate during all the years covered under audit. Consequently, the Department framed the BE on assumptions without any inputs from estimating officers and submitted these to Finance Department. This indicated disregard to the procedure as laid down in financial rules. Details of budget provisions and actual expenditure as per appropriation account for the period 2001-06 were as under:-

(Rupees in crore)

Year	Budget provision	Expenditure	Excess (+) Savings (-)	Surrender out of col. 4	Provision allowed to lapse out of col. 4
1	2	3	4	5	6
2001-02	165.33	130.99	(-) 34.34	(-) 17.99	(-) 16.35
2002-03	165.89	139.94	(-) 25.95	(-) 21.49	(-) 4.46
2003-04	162.91	142.98	(-) 19.93	--	(-) 19.93
2004-05	178.16	165.60	(-) 12.56	(-) 07.63	(-) 4.93
2005-06	181.09	160.43	(-) 20.66	(-) 11.24	(-) 9.42
<b>Grand total</b>	<b>853.38</b>	<b>739.94</b>	<b>(-)113.44</b>	<b>(-)58.35</b>	<b>(-)55.09</b>

Analysis of above table revealed that budget estimates were prepared on the basis of assumptions as there were persistent savings ranging between Rs. 12.56 crore and Rs. 34.34 crore during 2001-06.

The CVS stated (April 2006) that the persistent savings occurred due to non-receipt of monthly expenditure statements from subordinate DDOs in time and due to making provisions for vacant posts by the units and on account of ban imposed by the Finance Department on drawals from treasury after 15<sup>th</sup> of January each year. The reply of the Department was not acceptable as the imposition of ban on drawals remained regular feature of each year as such these should have been kept in view while framing the budget estimates. Further as per Budget manual provision for vacant posts is not to be made. It was also observed that budget manual required for preparation of budget estimates was also not available with the Directorate and units.

#### 5.1.5.2 Irregular re-appropriation of fund

Condition No. 7 (i) of item 1 of Section III of Book of financial power Volume-II and executive instructions (26 August 1996) provide that re-appropriation from detailed head 'salary and wages' under non-plan can not be made. It was observed in audit that Rs. 2.25 crore were re-appropriated (March 2006) by the Department from salary irregularly to other charges Rs. 1.35 crore; Medicines Rs. 0.80 crore; POL Rs. 0.08 crore and travelling allowance Rs. 0.02 crore. CVS stated (May 2006) that re-appropriation was made due to natural calamities (bird flu). The reply was not acceptable as the

**Irregular practice was followed to re-appropriate funds.**

proposal of CVS and approval by the Government was against the codal provisions. Further there were already sufficient budget provisions available with the Government under Grant no. 58 - Natural calamities which could have been utilised instead of this irregular re-appropriation.

### **5.1.6 Cash controls**

#### **5.1.6.1 Defective maintenance of cash book and non-review of bill register**

Treasury rules provide that DDO is required to verify cash personally at the end of each month under his dated signature and to record analysis of cash balance in the cash book. Daily totals of the cash book were to be checked by a person other than the writer of the cash book. Fortnightly verification of drawals is to be conducted with reference to the treasury voucher slips and computerised list of drawals obtained from treasury at the end of each month. Temporary advances should be recorded in red ink and should not be shown as final payment.

Records of the Directorate and test checked DDOs\* revealed that details of cash balance at the end of each month were not worked out and recorded by the DDOs. DDOs also did not get the totals of the cash book checked by a person other than the writer of the cash book. Fortnightly verification of drawals with reference to treasury voucher slips and monthly verification with reference to computerised list of drawals issued by treasury were also not done. Physical verification of cash at the end of each month was not done by DDOs during 2001-06.

Maintenance of cash books and bill registers were defective

According to Rule 197 of MP Treasury Code Volume-I each DDO should review bill register monthly and record the results of such review. It was noticed that 15 DDOs<sup>ψ</sup> of test checked districts did not review the bill register during 2001-06.

DDVS Balaghat did not enter the amount of temporary advance of Rs. 4.83 lakh paid (30 March 2005) to the VAS Baihar, Paraswada and Virsa for purchase of cattle feed and Rs. 18.35 lakh paid to Madhya Pradesh Live Stock and Poultry Development Corporation (MPLPDC) for supply of cattle in cash book in red ink but instead this was shown as final payment in cash book. These advances were not recovered/adjusted as of May 2006 and were also not noted in the register of temporary advances.

#### **5.1.6.2 Handling of cash/store by officials without security deposit**

Rule 252 of MPTC Volume-I provides that officials handling cash/store are required to deposit security deposit. Test check however revealed that 19 DDOs have not ensured receipt of requisite security from officials who were handling cash (12) as also officials who were responsible for the store

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\* Balaghat (2), Betul (2), Bhind (1), Bhopal (5), Chhatarpur (2), Khandwa (1), Morena (1), Panna (2), Sagar (3), Sidhi (1) and Ujjain (2) and Directorate.

<sup>ψ</sup> Directorate, Balaghat, Betul, Bhind, CBF Garhi, Morena, Panna, Khandwa, CBF Bhopal, AI TI, Bhopal, CBF Ratona, State Hospital Bhopal, Sagar, Sidhi Ujjain and RP Ujjain.

(9). DDVSs stated (April to October 2006) that required security deposit would be obtained from the concerned officials.

### 5.1.7 Expenditure controls

#### 5.1.7.1 Non-reconciliation of expenditure figures

The Department neither monitored the receipt of monthly expenditure statements from its subordinate DDOs nor watched the progress of expenditure as required under budget Manual. It also did not consolidate the expenditure figures of DDOs and did not reconcile these with the expenditure figures of AG (A&E) during 2001-06 as can be seen from table given below:

(Rupees in crore)			
Year	Expenditure as shown in appropriation account	As shown by the Department	Difference with reference to figures of AG (A&E)
2001-02	130.99	132.09	(+)1.10
2002-03	139.84	132.97	(-)6.87
2003-04	142.98	131.26	(-)11.72
2004-05	165.60	158.48	(-)7.12
2005-06	160.43	165.45	(+) 5.02

Few instances which indicated deficient functioning of expenditure controls in the Department are mentioned below.

#### 5.1.7.2 Drawal of funds without immediate requirement

**Funds remained unutilised due to parking in Civil-Deposit and deposits with corporations**

Rule 284 of MP Treasury Code Volume-I provides that no money shall be drawn from the treasury unless required for immediate disbursement. Nevertheless, Rs. 5.75 crore and Rs. 0.33 crore were drawn (March 2002) for rehabilitation of Dugdha Sanghs and establishment of Milk Testing Laboratory respectively to avoid the lapse of budget provision. Rupees 5.75 crore were redrawn during next financial year (June 2002) and of Rs. 0.33 crore, Rs. 0.08 crore was redrawn (March 2004) and remaining amount was allowed to lapse.

Similarly, Rs. 1.83 crore drawn (March 2005) under "Assistance to states for control of animal diseases" scheme were parked with MPLPDC, of which Rs. 0.72 crore were utilised. The balance Rs. 1.11 crore were lying with MPLPDC as of November 2006. This was despite the directive (March 2006) of the Government to credit the amounts to Civil Deposits.

#### 5.1.7.3 Delays in payment of salaries

Treasury Rules provide that monthly salary should be disbursed on the first day of the succeeding month. Audit observed that the delay in disbursement of salary to its staff member in the 10 test checked DDOs out of 23 had ranged upto 27 days. Delay in disbursement of salary upto 27 days reflected on the deficient system of expenditure control and is a matter of serious concern. The DDOs stated (April to October 2006) that the delay was on account of late receipt of cheques from treasury.

#### 5.1.7.4 Non-adjustment/recovery of Government dues

Financial prudence calls for ensuring an effective mechanism for watching recovery of outstanding dues. Audit, however observed that Rs. 20.98 lakh pertaining to the outstanding dues on account of sale of milk and milk products of the Government dairies, now transferred to Madhya Pradesh Cooperative Dairy Federation (MPCDF), were pending for recovery from Federations for the period ranging between 6 to 25 years as detailed below:

Sl. No.	Name of the Government dairy	Name of Federation from whom amount was recoverable	Period since dues were outstanding	Total dues	Recovered	Balance
				Rupees in lakh		
1	Balaghat	Jabalpur	1986-92	48.48	45.40	3.08
2	Narsinghpur	Jabalpur	1999-2000	0.02	--	0.02
3	Chhatarpur	Sagar	1996	0.18	--	0.18
4	Guna	Sagar	1997-98	1.35	--	1.35
		Bhopal	1981-82	0.05	--	0.05
5	Chhindwada	Jabalpur	1982-83	15.79	--	15.79
6	Singroli	Jabalpur	1999-2000	0.51	--	0.51
<b>Total</b>				<b>66.38</b>	<b>45.40</b>	<b>20.98</b>

Neither this amount was recovered in cash nor the Directorate was prompt to adjust the dues from the grants-in-aid paid to these Federations each year. Director, however assured (June 2006) to recover the dues early, however recovery of the dues had not been effected as of November 2006.

#### 5.1.7.5 Irregular drawal of pay and allowances without continuation of temporary posts

**Rupees 46.72 crore were irregularly drawn without continuation of temporary posts.**

Financial rules provide that pay and allowances of the staff can be drawn against the temporary establishment provided that sanction for continuation of temporary posts is accorded by the Government. Audit observed that sanction for continuation of temporary posts for district establishment were not accorded for the years 2001-02 to 2005-06. Despite this, salaries amounting to Rs. 46.72 crore for employees working against 1626 temporary posts were unauthorisedly drawn by DDVs during 2001-06 in the test checked districts. DDVs stated (April-October 2006) that salary was drawn on receipt of instructions from CVS to the District collectors that the proposal for continuation of post had been sent to the Government. Audit however observed that no sanction was issued by the Government against these proposals. CVS admitted (October 2006) that the proposals for continuation of posts were sent to the Government but sanctions were still awaited.

### 5.1.8 Operational controls

#### 5.1.8.1 Non-updation of departmental manual

**Departmental manual not updated since 1927.**

Audit observed that the operational control mechanism was not effective as the Departmental code and manual were not available with any of the field functionary and branch of the Directorate. It was stated by the Director that manual prepared by Ex-Central Province and Brar State during 1927 is available with them and its updation was in progress. Non-availability of updated Departmental manual with field functionaries and its non-updation

even after lapse of a period of 50 years from formation (1 November 1956) of the State had adverse impact on the functioning of the Department at grass root level.

#### **5.1.8.2 Non-submission of statement of arrears to the CVS**

**Non- submission of weekly and monthly arrear reports to CVS.**

According to para 76 of manual of office procedure for Directorate of Veterinary services and sub offices (manual), a weekly arrears statement was to be prepared in respect of each section/cell/branch office, which was to be consolidated weekly by the general section and submitted to the CVS. Similarly, para 77 of manual provides that a monthly statement of cases pending disposal for over a month, was to be submitted to the CVS on the last day of each calendar month. Audit observed that neither weekly arrears report nor monthly statement of cases pending disposal for over a month were submitted to the CVS which was indicative of deficient control over the working of the Directorate. CVS noted (May 2006) the point for future compliance.

#### **5.1.8.3 Irregular insitu promotions to AVFOs**

**Contrary to Government orders, insitu promotion to AVFOs was made irregularly by CVS.**

State Government in its AHD orders dated 20 November 2003 have clarified that the AVFO's are not eligible for *insitu* promotion. Audit observed that *insitu* promotions were however, ordered by the Directorate during April 1999 to March 2006 to 95 AVFOs<sup>1</sup> which had resulted in an overpayment of Rs. 14.66 lakh and recurring liability towards one increment plus allowances allowed from time to time. DDVSs stated (April to October 2006) that *insitu* promotions had been granted by the Director. No reply was received from Director and irregularity was found to be unrectified during verification in November 2006.

#### **5.1.8.4 Hospitals and dispensaries functioning without doctors and Assistant Veterinary Field Officers**

**Non-posting of VAS/AVFO in the hospital and dispensary deprived the cattle from treatments.**

With a view to provide veterinary care to animals, veterinary hospitals and dispensaries were established. According to staffing pattern one VAS for each hospital and one AVFO for each dispensary independently alongwith para veterinary staff for providing veterinary care and health facilities under Minimum Need Programme were to be provided. Scrutiny of records of 10 test checked districts revealed that 35 hospitals and 171 dispensaries, as detailed in **Appendix 5.1**, were functioning without VAS and AVFO from 1 to 16 years. The veterinary care facilities for the animals of these areas could not be extended from these hospitals and dispensaries in the absence of VAS and AVFO while Rs. 5.89 crore were incurred on account of pay and allowances of para veterinary staff, medicines and equipments during April 2001 to March 2006. DDVSs stated (April-October 2006) that the services of VAS and AVFO were managed from nearby hospitals and dispensaries twice a week and cattle attendants (Group-D employees) provided medicines and guidance to the owners of animal patients. The reply was not tenable as para veterinary

<sup>1</sup> DDVS Betul (20) Rs. 3.56 lakh, VAS KVS Betul (8) Rs. 0.82 lakh, DDVS Bind (15) Rs. 0.25 lakh, DDVS Khandwa (5) Rs. 1.55 lakh, JDVS Sagar (14) Rs. 2.63 lakh, DDVS Sidhi (12) Rs. 2.39 lakh, JDVS Ujjain (20) Rs. 3.24 lakh and VAS RP Ujjain (1) Rs. 0.22 lakh.

staff was not legally authorised to provide medicines and guidance. CVS however, stated (November 2006) that action to post VAS/ AVFOs was being taken.

#### **5.1.8.5 Non-establishment of Milk and Milk Product Quality Control Laboratory in the State**

As the milk is a complete food as such its quality testing was made essential as provided in ISI- Act 1956. With a view to test milk and milk product quality as fixed by Government of India, a State level quality control laboratory (QCL) was proposed (21 August 2001) by the Government to be established at Bhopal as required under Milk and Milk Product order 1992 issued by GOI. Proposal was sanctioned (18 October 01) by GOI to establish QCL and an amount of Rs. 32.90 lakh was also made available to the CVS by the GOI to safe guard the interest of public at large as many cases of preparation of synthetic milk were reported in the State. Test check of records revealed that even after lapse of five financial years, the QCL could not be established by the Directorate. Instead of expeditious efforts to establish QCL the amount was deposited (30 March 2002) in Civil Deposit and allowed to lapse (March 2005) to its revenue head.

CVS stated (June 2006) that the QCL could not be established due to delays in procurement of equipment.

#### **5.1.8.6 Deficiencies in functioning of cattle breeding farms (CBF)**

With a view to improve the quality of live stock, increasing production of milk and disseminating new veterinary technologies in the State, cattle breeding farm Bhadbhada, Garhi and Ratona were established in 696, 1080 and 688 acres of land respectively. Test check revealed that targets of average milk production and reduction in mortality rates of calves were never achieved as discussed below:

**Milk production targets fixed by CVS were never achieved by the CBFs.**

➤ The average targets of milk production of 7 litres per cow per day at Garhi, 6 litres at Ratona and 8 litres at Bhadbhada during 2001-06 were never achieved. This resulted in a total loss of Rs. 32.15 lakh which reflected the poor management of farms. Farm Managers attributed this to feeding of calves by cows and non-replacement of old cows.

**Mortality rate of calf was more than the prescribed maximum rate.**

➤ The CVS prescribed the mortality rate of male calf as upto 2 per cent per year. The mortality of calves during 2001-06 however ranged between 14 and 62 per cent at CBF Garhi and 15 to 42 per cent at CBF Bhadbhada. FM Garhi stated that the mortality rate was higher due to non-posting of VAS and AVFO for immediate veterinary care against the sanctioned posts and FM Bhadbhada stated that death was natural as the calves are sensitive to change of weather.

#### **5.1.8.7 Supply of substandard cattle feed**

**Supply of substandard cattle feed adversely affected production of milk.**

With a view to provide standard cattle feed, it was made (December 1999) mandatory to test each batch of cattle feed from Cattle Feed Testing Laboratory Bhopal so as to ascertain whether the feed being provided to cattle is as per the prescribed standards or not. Scrutiny of records of these farms revealed that during 2001-06, 2091.07 ton cattle feed costing Rs. 1.23 crore

was purchased in 121 lots. The testing of 59 lots was not got carried. Out of the remaining 62 lots, in 25 lots (410.49 ton) cattle feed supplied to the milching animals worth Rs. 23.14 lakh was found substandard. However, proportionate cost of substandard cattle feed was not recovered from the supplier.

FMs Bhadbhada and Garhi stated (October 2006 and May 2006) that the cattle feed can not be preserved for more time till receipt of test report as it starts spoilage and it had to be served to the cattle as it was received. Arrangement needs to be made to get the test reports before supplying the feed to cattle and recovery of proportionate cost of sub-standard feed.

#### **5.1.8.8 Un-authorized veterinary care by unregistered AVFOs**

According to the Indian Veterinary Council (Council), Act, 1984, AVFOs are not allowed to render veterinary services independently without registration with the Council. Audit observed that AVFOs posted independently in 1742 dispensaries (established in rural areas) were unauthorisedly rendering all type of veterinary services without registration from the Council and without supervision and direction from VAS. Director stated (April 2006) that they were rendering veterinary health services under the weekly supervision and direction of VAS on his weekly visit to concerned dispensary. On enquiry, the Registrar of Indian Veterinary Council MP, Bhopal confirmed (May 2006) that the AVFOs are not legally authorised to render veterinary services without registration from council.

#### **5.1.8.9 Short realization of artificial insemination fees**

As per Government orders, (December 1994) fee at the rate of Rs. 5 per AI was to be recovered from the owners of animals up to January 2005 and there after at enhanced rates. Audit scrutiny revealed that test checked units had realised Rs. 11.19 lakh against the prescribed fees of Rs. 22.25 lakh for 3.98 lakh number of AI cases. Thus Rs. 11.06<sup>2</sup> lakh were short realised. DDVSs stated (April-October 2006) that the short amount will be realized from subordinate officials. Chances of recovery appeared to be remote as many of these officials were retired/ transferred from their original place of posting.

#### **5.1.8.10 Non-recovery of AI fees at enhanced rate**

Government enhanced (January 2005) the rate of fees for artificial insemination (AI) from Rs. five to Rs. 30 per AI for urban areas and Rs. 20 for rural areas. Audit observed that the test checked units (except DDVS Bhind) were not recovering AI fees at enhanced rate which had resulted in a loss of revenue amounting to Rs. 28.47<sup>3</sup> lakh during February 2005 to March 2006. DDVSs stated (April-October 2006) that fees at enhanced rate will be recovered on receipt of specific orders from Government and DDVS Morena

**No control existed to watch the recovery of AI fees, which resulted in short realisation.**

**Non-implementation of Government orders resulted in loss of revenue.**

<sup>2</sup> DDVS Balaghat (2001-04) Rs. 0.12 lakh, DDVS Betul (2001-06) Rs. 2.01 lakh, VAS KVS Betul (2001-06) Rs. 0.87 lakh, DDVS Bhind (2001-06) Rs. 0.66 lakh, DDVS Chhatarpur (2003-06) Rs. 0.49 lakh, DDVS Khandwa (2001-06) Rs. 1.64 lakh, DDVS Morena (2001-06) Rs. 2.74 lakh, JDVS Sagar (2001-06) Rs. 1.59 lakh and DDVS Sidhi (2001-06) Rs. 0.94 lakh.

<sup>3</sup> DDVS Balaghat-Rs. 2.09 lakh, DDVS Betul-Rs. 4.55 lakh, VAS KVS Betul-Rs. 0.91 lakh, DDVS Chhatarpur-Rs. 1.60 lakh, DDVS Khandwa-Rs. 3.38 lakh, DDVS Morena-Rs. 5.77 lakh, DDVS Panna-Rs. 1.37 lakh, DDVS Sidhi-Rs. 2.49 lakh and JDVS Ujjain-Rs. 6.31 lakh.

stated (April 2006) that he had started recovery with effect from 1<sup>st</sup> April 2006. CVS stated (November 2006) that the said orders were issued to all district units and forwarded to the implementing agency of National project for Cattle and Buffalo breeding unit for re-issue of orders. Thus despite decision of the Government of enhancing the fees, the recovery at the enhanced rate was not being effected uniformly by all DDVS.

**5.1.8.11 No control on investments made by Government**

No control existed to watch the investments made in corporations.

Records of investments made by the Government from time to time should be maintained at Directorate to avoid any lapse. Audit observed that no such records were maintained by the Directorate where as the Government had invested Rs.1.93 crore in MP Cooperative Dairy Federation (MPCDF) between August and November 2000. However, on verification of records of MPCDF it was noticed that share certificates were issued only for Rs.97.10 lakh. It was further noticed that cost of the then Government dairies now transferred to MPCDF amounting to Rs.96.13 lakh were also invested as share capital but this amount was not appearing in share capital register of MPCDF. MPCDF also did not pay any dividend during 2000-06. On being pointed out, CVS forwarded (April 2006) the reply from MPCDF who endorsed the audit contention.

**5.1.8.12 Shortfall in departmental inspections**

Inadequacy of departmental inspections of hospitals/ dispensaries by DDVSs and district offices by CVS was noticed

Periodic inspections by departmental officers are important tools to ascertain the accuracy and effectiveness of internal control mechanism of the department. Year wise number of inspections targeted, actually carried out and the shortfalls noticed in test checked districts and by CVS and DDVSs were as follows:

Year	Inspection of DDVS offices to be conducted by the CVS in a year			Inspection of Hospitals/Dispensaries to be conducted by DDVS in a year.			
	No of inspections due	No. of inspections carried out	Shortage (percentage)	No. of DDOs	No of inspections due	No. of inspections carried out	Shortage (percentage)
2001-02	97	Nil	97 (100)	10	998	412	586 (59)
2002-03	97	Nil	97 (100)	10	990	444	546 (55)
2003-04	97	Nil	97 (100)	10	963	523	440 (46)
2004-05	97	Nil	97 (100)	10	913	342	571 (63)
2005-06	97	Nil	97 (100)	10	929	411	518 (56)

Thus huge shortfall in departmental inspection showed that this important tool was largely ineffective.

**5.1.8.13 Non-preparation of store and stock account**

Prescribed store and stock accounts were not maintained by the DDVSs and compiled by the Directorate

Financial Rules provide to maintain store and stock account by each office dealing with purchase and issue of medicines, equipments and machineries annually. Physical verification of stores must be conducted annually and the store keeper should be trained in inventory control. Test check of records of field functionaries revealed that stores and stock accounts were not maintained by 12\* units for more than three years and five units\*\* for the last three years.

\* Bhopal (3), Betul (2), Chhatarpur, Khandwa, Morena, Panna (2), RP Ujjain and Directorate.

\*\* Balaghat, Bhind, Sagar, Sidhi and Kukkut Farm Bhopal.

Physical verification of stores was also not conducted in 8<sup>4</sup> units and Directorate out of 23 test checked units for the last three years. DDVSS stated (April to October 2006) that the maintenance of store and stock account and physical verification of stores was in progress.

#### **5.1.8.14 Use of prohibited/non-tested medicines**

**Medicines were being used without testing as also prohibited drugs were being used by the DDVSSs.**

As per provisions of drugs and cosmetics Act, 1940 batchwise sample of medicines purchased were required to be got tested at laboratory before use. Audit scrutiny revealed that medicines worth Rs. 12.59 crore provided during 2001-06 were being used without sample testing. CVS stated (October 2006) that the directions for testing of medicines before use were being issued to district officers.

CVS had prohibited (October 2004) use of Diclofenac, an allopathic drug. Despite the prohibition it was observed that the JDVS and DDVS continued procurement of the drug during October 2004 to March 2006 amounting to Rs. 4.84 lakh as shown in **Appendix 5.2**. These medicines were also found utilised during this period.

#### **5.1.8.15 Irregular purchase of veterinary kit**

**Irregular purchase of kits worth Rs. 45.38 lakh.**

Store purchase rules provide that purchases should be made in most economic manner by calling State level tenders by giving wide publicity through State level news papers and the items which are reserved must be purchased through MPLUN. Test check of records revealed that instead of calling tenders, Directorate called (20 November 2003) quotations from four specific Delhi based firms for purchase of veterinary kits. Before making purchase administrative approval of competent authority was not obtained and the items reserved to be purchased from MPLUN, were not purchased from MPLUN. Samples of items are normally called for alongwith tender for checking quality of product, but these were ordered to be supplied at the time of issuing purchase orders, which shows that quotations were finalised without verification of quality. Deputy Director (Hqrs.) was also not competent to issue purchase orders worth Rs. 45.38 lakh without approval from CVS and Government.

CVS admitted (March 2006) the above omissions and stated that purchase orders issued by the then Deputy Director (Headquarters) had been cancelled (November 2004) and the suppliers were asked to lift the kits. But the supplier had not lifted the kits as of November 2006 and had filed a suite in the court of law for making early payment.

### **5.1.9 Weaknesses in system of Internal Audit**

**Shortage of staff in internal audit wing.**

A separate Internal Audit Wing (IAW) was set up in the Directorate under the supervision of JDVS for which posts of one Accounts officer, seven auditors, seven sub auditors and two assistant grade III were sanctioned. Against which one Accounts Officer, three auditors, two sub auditors and two assistant grade III remained posted in the IAW during 2001-05 and only one Sub Auditor was

<sup>4</sup> Directorate, DDVS Betul, VAS KVS Betul, DDVS DI Lab Bhopal, DDVS Chhatarpur, DDVS Khandwa, DDVS Morena, DDVS Panna and VAS KVS Panna.

**Lack of planing for conducting of internal audit of units**

available during 2005-06 besides one Accounts officer, three auditors and two assistant grade III. Thus, the shortage of four auditors and five/six sub auditors in IAW adversely affected audit as against the 353 units due, only 45 units could be covered during 2001-06 leaving 308 unaudited. The units also did not furnish first compliance reports of 15 Inspection Reports having 58 paras to the CVS, which led to increase in the pendency of inspection reports.

The planning of IA should be based on risk indicators corroborated through risk analysis considering the expenditure and size of the units. Audit observed that IA of units was being conducted on adhoc basis without observing roster, cycle and fixed periodicity. No auditing guidelines such as basis for selection of units for departmental audit, audit performing identification of key areas for check in audit, detailed duties and responsibilities assigned to each member of the audit team etc were provided for the IAW.

#### **5.1.10 Vigilance mechanism**

**Thirty departmental enquiry cases were pending with Directorate.**

A departmental enquiry cell was functioning in the Directorate to deal with the departmental enquiry cases. At the beginning of financial year 2005-06, 35 departmental enquiries (DE) were pending, against which five DEs were decided during 2005-06. However, 30 departmental enquiry cases were also pending for compliance at the directorate level. CVS stated (April 2006) that appropriate action was being processed in each case.

#### **5.1.11 Conclusion**

The internal control mechanism of the Directorate was weak, the budget estimates were grossly deficient as persistent savings occurred and re-appropriation of funds was made irregularly. System of maintenance of cash book and verification of cash was defective and security deposit from officials handling cash/store was not obtained. Departmental figures were not reconciled with AG (A&E)'s figures. Payment of salaries were delayed up to 27 days. Weekly and monthly arrear reports were not being submitted to CVS. Operation controls were rendered ineffective as *insitu* promotion to AVFOs was made irregularly, substandard cattle feed was being provided to cattle and orders for enhancing AI fees were not implemented by District offices. Further prohibited drug was being provided to animals and medicines were used without testing. CVS never inspected offices of his 97 subordinate DDO. Deficiencies in conducting internal audit ranged from 71 to 100 *per cent* during 2001-06 which defeated the object of establishment of internal audit system.

#### **5.1.12 Recommendations**

- In order to ensure timely and accurate preparation of budget estimate inputs of subordinates units should be obtained well in time and provision of vacant posts should not be made. In this respect copies of budget manual should immediately be made available to subordinate units.
- In light of the fact that instructions pertaining to maintenance of cash book and verification of cash book are not being adhered to by the

DDOs, it would be imperative that the consolidated instructions in this respect are again reiterated and re-emphasized to all DDOs and a system of regular monitoring of this matter may be evolved and implemented by the Directorate.

- Drawal of pay and allowances towards temporary posts without obtaining sanction for continuation by Government should not be made and irregular grant of insitu promotion made to AVFOs should be immediately stopped.
- A comprehensive review of vacant posts in the cadre of VAS/AVFOs should be made with an aim to rationalise deployment so as to ensure optimal utilisation of available veterinary infrastructure for providing relief and treatment to cattle.
- Expeditious action should be taken for setting up of Milk and Milk Product Quality Control Laboratory in the State and instructions be immediately issued ensuring requisite testing of medicines before use and for preventing procurement and usage of prohibited drugs.

The matter was referred to the Government in October 2006; reply had not been received (December 2006).

**Gwalior**  
**The**

**(J. N. GUPTA)**  
**Principal Accountant General**  
**(Civil and Commercial Audit)**  
**Madhya Pradesh**

**Countersigned**

**New Delhi**  
**The**

**(VIJAYENDRA N. KAUL)**  
**Comptroller and Auditor General of India**