

CHAPTER V

INTERNAL CONTROL MECHANISM IN GOVERNMENT DEPARTMENT

ANIMAL HUSBANDRY DEPARTMENT

5.1 Internal control mechanism in the Animal Husbandry Department

Highlights

Internal control is a process designed to provide reasonable assurance to an organisation regarding the achievement of economy and efficiency of operations including performance goals. A built-in internal control system and adherence to codes and manuals minimise the risk of errors and irregularities and help to protect resources against loss due to waste, abuse and mismanagement. An evaluation of internal controls in the Animal Husbandry Department during the period 2001-2006 disclosed weaknesses in internal controls such as non-compliance with the financial codes; non-assessment of grants released to the Zilla Parishads; inadequate monitoring of schemes implemented by the department and ineffective internal audit arrangements.

Large savings under Plan schemes and persistent excess expenditure under Non-Plan schemes indicated that budgetary control was deficient.

(Paragraph 5.1.5.1)

Assessment of the grants released to the Zilla Parishads was not made. As of March 2006, excess grants of Rs 9.45 crore were paid to 21 Zilla Parishads. This showed poor expenditure control in the Department.

(Paragraph 5.1.5.2)

Recovery of loans from poultry co-operative societies was not monitored properly. During 2001-06, only Rs 37 lakh had been recovered out of Rs 61.44 crore due for recovery.

(Paragraph 5.1.5.8)

Sero-monitoring of the vaccinated animals essential to assess and verify the efficacy of the vaccination programme and also the quality of the vaccines was not planned and carried out.

(Paragraph 5.1.6.1)

The nodal agent for implementation of Fodder Development Programme was not yet decided by the Government, following reorganisation of the Department in May 2004.

(Paragraph 5.1.6.3)

Large number of vacancies in the supervisory cadre adversely affected the proper monitoring of schemes. There were significant shortfalls in inspections by the supervisory cadre.

(Paragraphs 5.1.7.2 and 5.1.7.5)

Staff strength of Internal Audit Wing of the Department was inadequate. Only 13 per cent of units were audited during 2005-06. A total of 11,415 internal audit paras were pending settlement as of March 2005.

(Paragraphs 5.1.8.1 to 5.1.8.3)

5.1.1 Introduction

Internal control system, an integral part of an organisation's operations, provides an excellent tool for managers to ensure efficient, effective and economic utilisation of resources. It also ensures that financial interests and resources are safeguarded and reliable information is available to the administration. Internal auditors as an independent entity, examine and evaluate the level of compliance to the departmental rules and procedures and provide independent assurance to the management of the adequacy or otherwise of the existing internal control.

Main objectives of the Animal Husbandry Department (Department) are health care and improvement of livestock and poultry. The activities include treatment of animals, vaccinations, castration and artificial insemination at veterinary polyclinics, dispensaries and hospitals.

5.1.2 Organisational set-up

The Secretary to the Government of Maharashtra (GOM) in the Agriculture, Animal Husbandry, Dairy Development and Fisheries Department is the head of the Department. The Commissioner of Animal Husbandry implements the programmes of the Animal Husbandry Department. He is assisted by the Assistant Director, Finance. For administrative and technical supervision and for coordination and control of developmental schemes, he is assisted by various subject matter specialists and Regional Joint Commissioners (RJC) at the regional level, District Deputy Commissioners (DDC) at the district level and District Animal Husbandry Officers (DAHO) at the Zilla Parishad (ZP) level. The implementation of the artificial insemination programme and the work of preservation and development of indigenous cows and buffaloes is looked after by the Maharashtra Livestock Development Board (MLDB)¹, which was established (April 2002) under the National Project for Cattle and Buffalo Breeding (NPCBB). MLDB is headed by a Chief Executive Officer.

The various schemes of the Department are administered through a network of Veterinary Polyclinics, Artificial Insemination Centres and Mini Veterinary Polyclinics, as detailed in the **Appendix 5.1**.

5.1.3 Audit objective

The audit objective was to assess whether the internal controls of the Department were adequate to safeguard its resources and ensure compliance with rules and regulations. Accordingly, an attempt was made to assess whether:

¹ Includes three frozen semen laboratories, seven cattle breeding farms and two bull rearing centres

- the financial controls were adequate;
- the operational controls were effective;
- the organisational controls were sufficient and
- the Internal Audit system was effective.

5.1.4 Audit coverage and methodology

A review on the internal control mechanism of the Department for the period 2001-02 to 2005-06 was conducted (March to June 2006) by test-check of records in eight districts² (out of 35) and the Secretariat; the Commissionerate; the offices of the Joint Commissioners of the Institute of Veterinary Biological Products (IVBP), Pune; the Disease Investigation Section (DIS), Pune; Deputy Commissioner, Integrated Sample Survey Scheme(ISS), Pune; Quality Control, Mumbai; Principal, State Level Training Centre, Pune; Assistant Commissioner, Feed Analysis Laboratory, Pune; 10 out of 19 divisional level offices; 24 out of 116 district level offices and 26 out of 1,548 taluka level offices (details of these offices are given in the **Appendix 5.1**). The results of the review are discussed in the succeeding paragraphs.

5.1.5 Financial controls

Financial controls in the Department were weak as discussed below:

5.1.5.1 Preparation of budget estimates

The budget estimates and expenditure figures for the period from 2001-02 to 2005-06 were as under: **(Rupees in crore)**

Year	Non Plan				Plan			
	Budget Provision	Final Grant	Expenditure	Percentage of Excess (+)/ Saving(-)	Budget Provision	Final Grant	Expenditure	Percentage of Excess(+)/ Saving(-)
2001-02	156.24	155.60	178.93	(+)15.00	13.53	13.79	16.36	(+)18.61
2002-03	160.92	167.32	169.23	(+) 1.14	14.33	6.67	5.93	(-) 11.16
2003-04	171.51	172.58	170.87	(-) 0.99	18.84	9.17	2.19	(-) 76.11
2004-05	181.66	185.72	182.97	(-) 1.48	28.49	29.76	24.95	(-) 16.17
2005-06	183.41	201.16	205.04	(+) 1.93	44.93	46.79	35.78	(-) 23.53
Total		882.38	907.04			106.18	85.21	

During the period 2001-06, against the total final grant of Rs 988.56 crore (Plan: Rs 106.18 crore and Non-Plan: Rs 882.38 crore), the actual expenditure was Rs 992.25 crore (Plan: Rs 85.21 crore and Non-Plan: Rs 907.04 crore).

There were huge savings under Plan schemes

The budget estimates were prepared by the Commissioner after obtaining necessary inputs from the field functionaries. The estimates were submitted to the Finance Department within the stipulated dates. It was, however, noticed that there was excess expenditure (1.14 to 15 *per cent*) during the years 2001-02, 2002-03 and 2005-06 under Non-Plan. On the other hand, there were huge savings (11.16 to 76.11 *per cent*) under Plan schemes during the years 2002-03 to 2005-06.

² Akola, Aurangabad, Dhule, Gadchiroli, Latur, Mumbai, Pune and Thane

5.1.5.2 Assessment of grants released to the Zilla Parishads (ZPs)

According to Government orders, the grants released to the ZPs were required to be assessed by the respective departments, by checking the correctness of expenditure and by verifying the utilisation certificates. The RJC's were responsible for assessment of the grants released to the ZPs.

Assessment of grant released to the ZPs was in arrears

During the period 2001-2005, grants of Rs 325.72 crore were released to the 33 ZPs by the Department. It was seen that grants paid to 16 ZPs in 2002-03, 29 ZPs in 2003-04 and 33 ZPs in 2004-05 were not assessed as of March 2006. Consequently, it could not be ascertained whether any amount remained unspent with the ZPs and grants diverted for other purposes. It was also observed that a total amount of Rs 9.45 crore was recoverable from 21 ZPs for which assessment of grants had been made as of March 2006.

5.1.5.3 Rush of expenditure

In two units, there was rush of expenditure in the last quarter of the year

In two test checked units, 64 to 100 *per cent* of the Plan expenditure was incurred only in the last quarter of the financial year. The Department attributed this to procedural delays involved in finalising the lists of beneficiaries, submitting of proposals to committees of ZP and Government and processing the rate contracts for medicines, vaccines, machinery and equipment. The fact, however, remains that no periodical monitoring of expenditure was done to avoid rush of expenditure in the two units.

5.1.5.4 Drawal of funds to avoid lapse of appropriation

In six units, amount ranging from Rs 0.3 crore to Rs 2.90 crore were drawn from the treasury to avoid lapse of funds

The Bombay Financial Rules prohibit the drawal of money from the treasury just to avoid lapse of budget grants. In six³ units in four districts test checked, Rs 0.03 crore to Rs 2.90 crore remained undisbursed at the end of the financial years 2001-02 to 2005-06. The amounts were drawn in the month of March and payments were made between May and November, *i.e.*, after delays ranging from two to seven months. The amounts were drawn to avoid lapse of appropriation, in contravention of the codal provisions.

5.1.5.5 Surprise verification of cash

In 10 units, surprise verification of cash balances was not carried out regularly

As per Rule 55 of the Bombay Financial Rules, 1959 surprise verification of cash balances was required to be done once in a month to ensure that the balances in the cash books were physically available and no money had been misappropriated, even temporarily. It was however, observed that 10⁴ DDOs in six districts, out of the 54 DDOs in eight districts test checked, did not conduct surprise verification of cash balances, between April 2001 and March 2006 for periods ranging from 10 to 60 months.

³ Commissionerate, Joint Commissioner IVBP; Joint Commissioner. DIS; Deputy Commissioner Gadchiroli, DAHO Latur and District Polyclinic Bhiwandi (Thane)

⁴ Commissioner, Pune; Veterinary Polyclinic, Pune; Central Hatchery, (Aurangabad); Mini Polyclinic, Balapur (Akola); DDC, Veterinary Polyclinic and Artificial Insemination Centre, (Gadchiroli); RJC, Goregaon (Mumbai); Veterinary Polyclinic and DDC (Akola)

5.1.5.6 Security bond for handling cash

It was observed that in four units in three⁵ districts, securities in the form of cash or bonds from the personnel handling cash had not been obtained.

5.1.5.7 Submission of detailed contingent bills

As per the Maharashtra Treasury Rules, 1968 and instructions issued by the Government from time to time, detailed contingent (DC) bills in respect of amounts drawn on abstract contingent (AC) bills were to be submitted to the Accountant General (A&E) within one month from the date of their drawal. DC bills had not been submitted as of June 2006 in respect of five AC bills (amounting to Rs 11.37 lakh) drawn by the Joint Commissioner DIS, Pune between December 2005 and March 2006.

5.1.5.8 Monitoring of poultry co-operative societies

Financial assistance amounting to Rs 48.51 crore was given between 1986 and 2006 to 73 poultry co-operative societies through the Department in the form of loans, share capital and subsidy. However, no guidelines had been issued by the Department for maintenance of records like loan registers and recovery registers and calculation of interest. In December 2002 monitoring committees were formed under the chairmanship of the Chief Executive Officers of ZPs to carry out inspections, effect recoveries of loans and evaluate the working of the societies. Meetings were to be conducted every quarter.

Out of four⁶ districts test checked no meetings were held in one district (Dhule) and shortfalls in holding of meetings in three districts ranged from 25 to 100 *per cent* during the period 2003-06.

As of March 2006, Rs 61.07 crore (inclusive of interest and penal interest) was outstanding for recovery. The rate of recovery of the amounts due during the years 2001-02 to 2005-06 ranged from 0.43 to 1.63 *per cent* only. During 2005-06, recovery of Rs 37.12 lakh was made against Rs 61.44 crore due. Thus, management of loans to the poultry societies was poor.

5.1.5.9 Maintenance of important registers/records

With a view to watch the actual receipts against the bills submitted to the treasury and also to avoid submission of fraudulent claims, the drawing and disbursing officers (DDOs) of the Department were required to review the register of bills every month. In nine units in four⁷ districts, no such review of the bill registers had been carried out.

As per a provision contained in the Maharashtra Contingent Expenditure Rules, 1965 physical verification of dead stock articles was required to be carried out in June every year and a certificate to that effect was to be recorded

⁵ Gadchiroli, Mumbai and Pune

⁶ Aurangabad, Dhule, Latur and Pune

⁷ Akola (District Veterinary Polyclinic), Gadchiroli (DDC and District Veterinary Polyclinic), Mumbai (RJC) and Pune (Commissionerate, DDC, Feed Analysis Laboratory, District Veterinary Polyclinic and ISS)

An amount of Rs 61.07 crore was outstanding for recovery as of March 2006 from 73 poultry co-operative societies

in the register by the head of office. This had not been done for periods ranging from one to four years in 13 units in five⁸ districts.

5.1.6 Operational controls

The Department carried out its functions through a network of veterinary service outlets viz., Veterinary Polyclinics, Veterinary Clinics and Mobile Veterinary Clinics. These institutions also implemented the artificial insemination programme. The auxiliary services rendered by the Department included testing and analysis of samples collected and received by the Disease Investigation Section (DIS) and Regional Disease Investigation Laboratories (RDIL) for prevention of diseases; production of vaccines by the Institute of Veterinary Biological Products; production of frozen semen in laboratories; maintenance of cattle breeding farms and conducting of in-service orientation courses in the State Level Training Centre.

Operational controls were found to be inadequate as discussed below:

5.1.6.1 Assessment of efficacy of vaccinations

Sero-monitoring had not been done for vaccinations carried out

Sero-monitoring⁹ was essential to assess and verify the efficacy of the vaccination programme and also the quality of the vaccines. It was, however, noticed that the sero-monitoring of the 'Control of Foot and Mouth Disease' was carried out only during 2005-06. The sero-monitoring for the 'Control of Peste des Petites Ruminant Disease' was not yet planned due to non-availability of kits required for this purpose and shortage of staff. Consequently, the vaccination programmes had been running without any assessment of their impact for all these years of implementation.

5.1.6.2 Fodder management

Under a Centrally sponsored scheme, mini kits of seeds were distributed to the selected farmers to grow fodder as demonstration plots. It was noticed that Rs 2 lakh were provided by the Government of India (GOI) in January 2001 for carrying out a survey and assessment of the existing area and production of various types of fodder crops. The amount remained unutilised as of June 2006.

5.1.6.3 Overseeing fodder development at the district level

Fodder management had not received due attention in the Department

Assessment of the requirement and availability of fodder and conducting of extension activities to propagate the benefits of a balanced diet consisting of feed and green and dry fodder was an important function of the Department. During reorganisation of the Department in May 2004 two posts of Assistant Fodder Development Officers (AFDO) were withdrawn and these were lying vacant as of June 2006. There was only one post of Fodder Development Officer at the regional level. As there were no AFDOs at the district level to guide the farmers, effectiveness of the scheme of distribution of mini kits for

⁸ Akola, Aurangabad, Gadchiroli, Mumbai and Pune.

⁹ Sero-monitoring is collection of serum from the animals vaccinated to check the immunity level.

demonstration plots would be adversely affected. Consequent on reorganisation of the Department the issue whether the Animal Husbandry Department, the Agriculture Department or the Forest Department would be the nodal agent for the development of fodder was not decided by the Government as of August 2006. Thus, the function of fodder management did not receive due attention in the Department.

5.1.6.4 Deficiency in procurement system

The Department procures medicines, liquid nitrogen and nitrogen containers. Since procurement of the material was a time consuming process, it was essential that action was taken in advance for finalisation of the rate contracts for the material. It was observed that there was no rate contract for medicines, liquid nitrogen *etc.* As a result, delivery of animal health services particularly the artificial insemination programme was affected.

5.1.6.5 Assessment of training needs

Refresher courses for Livestock Development Officers (LDOs), Assistant Livestock Development Officers (ALDOs) and Livestock Supervisors (LSS) conducted by the Training Centre at Pune were essential for maintaining and improving competence in the field. During the period 2002-03 to 2005-06, 35 to 59 *per cent* of the officers and the supervisors nominated for the training did not attend the same. The Department could not ensure imparting training to all the selected officers.

5.1.6.6 Monitoring the scheme of distribution of milch animals

Under the scheme 'Distribution of milch animals', two milch animals, (three from February 2003) were distributed to below poverty line families with 50 *per cent* subsidy. The animals were to be maintained for a minimum period of three years. They were to be insured and the first instalment of the insurance policy was to be borne by the Government. In case the subsidy had been misutilised by the beneficiaries, criminal proceedings were to be initiated against them. The LDO (Extension) was to maintain the beneficiary registers and submit quarterly reports of the status of the milch animals to the DAHOs. Out of the seven districts test checked, no such quarterly reports were sent by the LDOs (extension) to the DAHOs, except in the District of Pune.

In Akola, the status of the animals distributed to the beneficiaries was verified in February 2006 at the instance of the Collector. The verification revealed that 15 animals were sold by the beneficiaries in two talukas (Akot and Balapur) out of the 225 livestock distributed in the District between 2002-03 and 2004-05.

It was also observed that out of 12 LDOs (extension) test checked, beneficiary registers were not maintained by LDO (extension) at Murtizapur in Akola District and Latur in Latur District. As a result, in Akola eight beneficiaries who had sold the milch animals given to them in 2005 were again selected for the year 2006, instead of initiating action against the beneficiaries for misutilisation of subsidy.

The scheme of distribution of milch animals was not monitored properly

The above irregularities indicated weak operational controls of the Department.

5.1.6.7 Performance indicators

No performance indicators had been disseminated to the field agencies to evaluate the performance of schemes and field functionaries

Although quality standards were available for various activities of the Department like sero-monitoring for vaccinations; production levels for milch animals distributed and hatching percentage; fertility levels and production levels for programmes of genetic improvement, it was seen that the Commissionerate had not prepared and communicated to the field functionaries any such performance indicators. As such, no indicator was available to the supervisory officers to evaluate the performance of schemes and field functionaries.

5.1.7 Organisational controls

The organisational controls, such as manpower management, monitoring of the programmes and carrying out administrative inspection, were rendered weak due to the factors discussed below:

5.1.7.1 Definition of duties and responsibilities

The duties and responsibilities of any post were to be clearly defined for efficient discharge of the work by the person holding the post. However, the job description of the posts were not available in any of the offices test checked except in the Commissionerate. Even in the Commissionerate, job charts had not been revised on reorganisation of the Department in May 2004. The duty contents available did not mention the responsibilities with regard to the maintenance of important registers/records.

5.1.7.2 Manpower management

The men in position vis-a-vis sanctioned strength as of March 2006 was as follows:

Name of the Post	Sanctioned strength	Men in position as of March 2006	Shortfall	Percentage of vacancies
Additional Commissioner	2	Nil	2	100
Joint Commissioner	12	5	7	58
Deputy Commissioner	52	47	5	10
Assistant Commissioner (LDOs)	335	186	149	45
Live Stock Development Officers (A&B Group)	2330	1673	657	28
Live Stock Supervisors	1163	853	310	27

It may be seen from above that there were large number of vacancies. The LDOs were the field technical personnel and the vacancy position in this cadre was very high (657) with potential implications for delivery of services being adversely affected. In this cadre, 170 posts remained vacant for two to seven years.

Large-scale vacancies existed which adversely affected the organisational control

Holding of additional charges was the norm in the Department. Posts crucial for providing guidance, direction, control and coordination like those of RJC and DDC were held as additional charges. Additional charges were held even by officers posted in distant districts. Further, additional charges were also held for periods over six months adversely affecting organisational controls.

It was noticed that 79 Livestock Supervisors (LSS) were required for enumeration of major livestock products under the Integrated Sample Survey Scheme, as per GOI norms. However, the sanctioned strength of LSSs was 36 in the State, against which there were only 29 on the roll. The Commissioner stated (May 2006) that this aspect would be looked into whenever the review of reorganisation of the Department would be taken up.

5.1.7.3 Transfers

Forty two officers were kept on ‘compulsory waiting’ for periods ranging from 36 to 184 days due to issue of erroneous/conflicting transfer orders by the Government.

All India Co-ordinated Research Project on Foot and Mouth Diseases - Pune Centre, is a recognised Regional Centre run by the State Government with 75 *per cent* assistance from the Indian Council of Agriculture Research (ICAR). The scientists working in the Disease Investigation Section of this centre were to be transferred after obtaining the prior approval of the ICAR in order to ensure continuity and smooth execution of the project works. Scientists were, however, transferred by the State Government in January 2002 and December 2004 within two or three years, without the approval of ICAR.

5.1.7.4 Monitoring of programme of genetic improvement of livestock

The momentum in implementation of the schemes was not achieved even after formation of MLDB

The Maharashtra Livestock Development Board (MLDB), Akola was established in April 2002 to implement the National Project for Cattle and Buffaloes Breeding with 100 *per cent* assistance from GOI. Its main objective was to implement the artificial insemination (AI) programme and improvisation of livestock breeding programme by fixing districtwise targets of AI, follow up of AI work, maintaining the quality of frozen semen doses and modernisation of frozen semen laboratories.

The post of the Chief Executive Officer of MLDB was not held independently since inception and the full complement of technical staff was not posted to assist him, which resulted in reduced control over the organisation and its operations.

The executive committee of the MLDB was to meet at least six times in a year but it had not met during the year 2004-05 and had met only four times during the year 2005-06.

GOI sanctioned Rs 17.20 crore in 2003-04 and Rs 17.18 crore in 2004-05 for implementation of the MLDB project. GOI released Rs 8.60 crore to the MLDB in September 2003. Detailed work plans with physical targets and micro-level planning were to be submitted within six weeks of the release of

the amount. Further release of funds was subject to achievement of physical and financial progress and submission of audited accounts, quarterly progress reports and annual progress reports through the State Government. A micro-level plan had been submitted to GOI, in May 2004, after a delay of six months. Of the Rs 8.60 crore released, MLDB spent only Rs 5.18 crore during 2004-05 and 2005-06. Due to slow implementation of scheme, the balance amount was not released by GOI.

Thus, the improper functioning of the MLDA adversely affected the implementation of the AI programme in the State. The achievement rate of the AI programme had fallen by 17.2 *per cent* between 2001-02 and 2004-05, in spite of reduction in targets by 7.1 *per cent*.

5.1.7.5 Administrative Inspections

Government of Maharashtra fixed (January 2004) norms for carrying out technical and administrative inspections annually by the designated officers to oversee the activities under various programmes. The shortfalls were as detailed below:

Inspection by Regional Joint Commissioners

The Regional Joint Commissioners (RJC) were required to carry out the administrative inspection of 12 State sector units every year. Of the four RJC test checked, RJC Mumbai and Latur had not carried out administrative inspections during the years 2004-05 and 2005-06. The shortfall in carrying out of inspections by all the four RJC ranged between 28 and 92 *per cent*.

Inspection of Zilla Parishads

The Government resolution (January 2004) provided for both administrative and technical inspections of the ZPs once in a year by the District Deputy Commissioner (DDC). In the seven DDCs test checked, it was observed that technical and administrative inspections were carried out only in three districts in 2004-05 and in one district in the year 2005-06. In Pune District, the DDC stated (May 2006) that in order to conduct the administrative inspections, prior permission of the Rural Development Department was required, the DAHO being in the local sector. The reply was silent regarding obtaining the permission.

Inspection of State sector units

The DDCs were required to conduct annual inspections of all the units under their jurisdiction. In the seven offices of the DDCs test checked, it was observed that the shortfall in respect of administrative inspection of the State sector units ranged between 22 and 100 *per cent* during the period 2001-2006.

Inspection of farms and institutions

The Assistant Commissioners of Regional Disease Investigation Laboratories (RDIL) were required to visit the farms and institutions to ascertain the status

Inspections were not carried out in accordance with the norms fixed by the Government

There was huge shortfall between target and achievement in visits to be paid to farms and institution by the RDIL

of livestock by carrying out spot tests for disease surveillance. The shortfall in achievement of the targeted visits during the period from 2001-02 to 2005-06 ranged between 29 and 94 *per cent*. Consequently, there was a huge shortfall ranging between 62 and 98 *per cent* in the achievement of targets for spot tests to be carried out for various diseases. The shortfall was attributed (May and June 2006) by the Assistant Director, RDIL to shortage of staff.

5.1.7.6 Low achievement against targets

Targets and achievements under various schemes during the period from 2001-02 to 2004-05 were as follows:

Activity	2001-02		2002-03		2003-04		2004-05	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
Treatment of cases	150.36	96.04	118.59	91.00	113.91	94.36	111.71	96.51
Artificial Insemination done(in lakh)	32.62	19.60	34.25	19.48	34.25	19.17	30.13	16.29
No.of calves born	12.36	6.42	12.94	6.96	12.98	6.79	10.04	6.63
Vaccination done	451.34	339.36	394.23	297.24	401.07	301.63	389.94	357.90
Castration done	12.40	8.09	10.50	8.15	10.22	8.55	10.09	8.10

The achievement against targets was low in spite of reducing the targets for the subsequent years

There was consistent low achievement against targets despite the downward revision of targets between 2001-02 and 2004-05 indicating inefficient implementation of programmes due to weak organisational and operational controls.

5.1.8 Internal audit

Internal audit was to be conducted by the Department to examine and evaluate the level of compliance with Departmental rules and procedures so as to provide reasonable assurance to the management on the adequacy of the internal control system of the Department. It was noticed that the internal audit mechanism in the Department was inadequate and ineffective as discussed below.

5.1.8.1 Shortfalls in internal audit

The Assistant Director, Accounts was the head of the Internal Audit Wing (IAW). It was observed that the auditable units (282¹⁰) were not categorised according to their transactions and importance and fixed the periodicity of these units. As such, the Department was required to conduct the internal audit of all the units every year with only three audit parties¹¹ each comprising three members. It was observed that out of total 282 units only 38 units (13 *per cent*) were audited during 2005-06. Unless additional staffs are earmarked for the purpose, internal audit would continue to be in arrears. The Audit Officer of IAW stated (May 2006) that a proposal for additional staff for the wing submitted to the Deficiency Committee of the Department was still pending.

¹⁰ Commissionerate (1), State level (6), Regional level (19), District level (61) and Taluka level (195)

¹¹ Supervised by one Audit Officer. Each party consisted of one Supervisor, one Senior Clerk and one Junior clerk.

5.1.8.2 Pendency of Inspection Reports

The number of paras outstanding for more than three years was very high

Internal audit loses its efficacy unless the deficiencies pointed out are promptly attended to. As of March 2005, 11415 paragraphs in 472 internal audit inspection reports (IRs) were outstanding, of which 10889 paragraphs in 315 IRs were pending for more than three years, as shown as under:

Year in which Inspection Report issued	Number of Inspection Reports	Number of pending paragraphs
Prior to 2000-01	130	8690
2000-01	121	619
2001-02	40	404
2002-03	24	1176
Total	315	10889

This indicated that sufficient initiative had not been taken by the Department to rectify the mistakes and deficiencies pointed out in Internal Audit.

5.1.8.3 Inspection Reports (IRs) of the Principal Accountant General

As of March 2006, out of 302 IRs paragraphs issued by the Principal Accountant General (Audit), 181 paragraphs were outstanding. The age-wise position of pending IR paragraphs was as follows:

Pending for	Number of Paragraphs
above five years	73
above four years	22
above three years	11
above two years	43
below two years	32
Total	181

The above pendency indicated lack of proper response to Audit by the various units and inadequate follow up by IAW.

5.1.9 Conclusion

Budgetary and expenditure controls were not adequate in the Department. There was excess expenditure under Non-Plan schemes and large savings under Plan schemes. Assessment of grants released to the Zilla Parishads was not carried out. Recovery of loans from poultry co-operative societies was not monitored properly. The strength of the Internal Audit Wing of the Department was inadequate. Coverage of units was only 13 *per cent* during 2005-06. Sero-monitoring of animals to verify the efficacy of vaccination programme was not done. The Government did not decide the nodal agent for implementation of the fodder development programme and there was no supervisory officer at district level to guide the farmers. Beneficiary registers were not maintained to enable follow up by the Department on the animals distributed to them. There were shortages of manpower in the supervisory cadres and the posts were held as additional charges, adversely affecting the monitoring of schemes.

5.1.10 Recommendations

Government should:

- streamline the budgetary control and avoid curtailment of Plan expenditure. Financial controls should also be strengthened;
- ensure that the grants released to the Zilla Parishads are assessed in time to avoid release of excess grants persistently;
- ensure that the monitoring mechanism for recovery of the loans given to the poultry co-operative societies is strengthened;
- strengthen the Internal Audit Wing and draw up audit plan so as to cover all units within a time frame. Timely corrective action suggested in internal audit reports should be ensured;
- decide the nodal agent for fodder development and
- ensure inspection by all supervisory cadres for better monitoring of the activities.

The matter was referred to the Principal Secretary to the Government in July 2006. Reply had not been received (October 2006).

Mumbai,
The

(MALASHRI PRASAD)
Principal Accountant General (Audit)-I,
Maharashtra

Countersigned

New Delhi,
The

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