CHAPTER II : MINISTRY OF AGRICULTURE

Department of Animal Husbandry, Dairying and Fisheries

Delhi Milk Scheme

2.1 Financial indiscipline in DMS

Delhi Milk Scheme an undertaking of the Ministry of Agriculture, had accumulated losses amounting to ₹ 838.67 crore up to March 2012. Audit noted several deficiencies in its financial management. The cash management system adopted in DMS was not cost effective. Gross violations were noticed in the disbursement and adjustment of advances provided to departmental officers/officials. Further, it was found that about 87 *per cent* to 90 *per cent* of the expenditure in DMS was incurred from the Personal Deposit Account during 2009-12 which meant that the necessary checks ensured by the PAO system were bypassed.

The Delhi Milk Scheme (DMS) is a subordinate office of the Department of Animal Husbandry, Dairying and Fisheries, Ministry of Agriculture. It was established in 1959 with the primary objective of supplying wholesome milk to the citizens of Delhi at reasonable price as well as to provide remunerative prices to the milk producers. It was mandated to be run on 'No profit No Loss basis'.

The Ministry of Agriculture provides budgetary support to DMS for its operations. Audit noted that DMS had accumulated losses of about ₹ 838.67 crore up to 31 March 2012.

Audit noted (October 2012) instances of poor financial management in the organisation, which are discussed in the following paragraphs:

1. Cash management in DMS

Unproductive expenditure

As per the Civil Accounts Manual in the departmentalized accounting system introduced by the Central Government, the authorized bank is fully compensated for the cost of handling Government transactions. The Reserve Bank of India also provides a turn-over commission to the banks for undertaking the cash maintenance activities of the Government departments[1].

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[1] Para 26 of the memorandum of instructions issued by RBI

The State bank of India is the authorized bank for all banking operations of DMS. SBI provides cash pick facility to various organisations involved in the business of cash handling on daily basis, through its branches spread all over the NCR. The cash pick facility of SBI not only optimizes the manpower deployment for cash handling but also permits cash collection and remittance on real time basis. Alternatively, SBI provides the facility of direct deposit of cash by the distributors[2] of DMS.

However, Audit noted that in DMS's cash was being collected by the staff of the contracted transporters from the DMS booths, on daily basis, which was further collected by the field cashiers, route-wise, and deposited in the Cash receipt section of the DMS. The cash so collected in the section by the cash counter clerks was reconciled with the challans and then deposited in the Bank account of DMS. This activity was carried out by four Assistant Milk Distribution Officers, two cash counter clerks, six driver cum sales man, one LDC and one mate.

The annual expenditure incurred on the salary and allowances of the 14 officials handling cash at DMS worked out to approximately ₹ 60.41 lakh.

The present system in the DMS did not conform to the Receipts and Payments rules as the entire cash collection was not remitted into the bank daily.

Further, analysis of the cash collection and remittance to the bank for the month of March 2012 revealed the following:

- The average cash collected and remitted to the bank on daily basis worked out to ₹ 80.34 lakh. The cash handled daily was thus very large. The private handling of the cash of this magnitude is fraught with the risk of pilferage and losses. DMS should have availed the cash pick facility provided by the SBI.

The Ministry stated (July 2013) that the DMS had taken up the matter with the State Bank of India which had agreed to accept the deposits directly from the transporters on the basis of Government receipt challans prepared by the DMS staff. This system had been implemented since July 2013 and had resulted in the reduction in the volume of cash handling by DMS staff to the extent of about 70 *per cent*. The Ministry also stated that the cash management system in the DMS had been further improved.

[2] Cash collection system applicable to distributors where the daily cash is directely deposited in bank.

2. Irregularities in drawal of departmental advances

The Receipts and Payments Rules provide that temporary advances may be made either direct to the parties concerned or may be drawn by departmental officers who maintain detailed accounts of such advances in lump sum on abstract bills for disbursing to the parties. Further, the following safeguards have been prescribed when advances are rendered to the departmental officials:

1) No officer disbursing these advances should be allowed to draw a second abstract bill without producing a detailed bill to account for the amounts already disbursed from the last advance taken, any balance left being at the same time refunded.

2) In no case should the submission of the detailed bill be delayed beyond the end of the month following that in which the advance was drawn.

3) The head of the department concerned should prescribe a money limit for the amount which can be drawn on abstract bills by each officer with due regard to the circumstances of each case.

A review of the advances rendered to the departmental officials of DMS during the period April 2010 to March 2012 revealed violation of the laid down provisions as detailed below:

- **Large amount of advances-** Audit noted that the advance payments ranged from ₹ 0.23 lakh to ₹ 14.01 lakh on daily basis. Analysis of the trend of adjustment of advance payments revealed that each year, during the month of the March, there was a considerable fall in the outstanding advances. This shows that the adjustments of advance payments were controllable and efforts were undertaken in this direction only during closing month of the financial year to present better picture of the financial statements of DMS.

- **Poor assessment of advances drawn -** During 2010-11, in 83 cases advances were drawn in excess of the requirement i.e., against an amount of ₹ 5.88 lakh drawn, a sum of ₹ 2.28 lakh was refunded after delays. Similarly, during 2011-12, in 79 cases advances of ₹ 8.08 lakh were drawn against which an amount of ₹ 2.96 lakh was refunded after considerable delays.

- **Advances to individuals in contravention of the codal provisions-** There were 108 instances where advances were given to the two officials before the adjustment of the previous advances in disregard of the codal provisions and financial propriety.

Two specific cases of violations in rendering departmental advances in DMS are highlighted below:

A) Analysis of advances drawn by 'X' an employee of DMS (2010-11)

- The employee in 46 cases drew an advance of ₹ 3.20 lakh and refunded a sum of ₹1.47 lakh i.e. 46 *per cent* of the total advance drawn.
- The average advance drawn and refund made on monthly basis worked out to ₹ 0.27 lakh and ₹ 0.12 lakh respectively.
- In 21 cases sums aggregating ₹ 0.75 lakh were drawn. This entire unspent amount was refunded.

B) Analysis of advances drawn by 'Y' another employee of DMS (2011-12)

- The employee in 62 cases drew an advance of ₹ 6.69 lakh and refunded a sum of ₹ 2.34 lakh i.e. 35 *per cent* of the total advance drawn.
- The average advance drawn and refund made on monthly basis worked out to ₹ 0.56 lakh and ₹ 0.19 lakh respectively.
- In 14 cases sums aggregating ₹ 1.06 lakh were drawn. This entire unspent amount was refunded.

Systemic weaknesses- GM, DMS did not prescribe any monetary ceiling for the drawal of advance by the departmental officials/officers. The irregularities highlighted above on test check basis underlines the need to fix a monetary ceiling and also to issue departmental instructions for operating temporary advances.

The Ministry stated (July 2013) that based on the audit observations, a monetary ceiling for drawl of cash advance by the department officers/officials had now been fixed.

3. Operationalisation of the PDA Account

Under the Civil Accounts manual and the other codal provisions[3] there is a provision for maintaining a personal deposit account (PDA) to facilitate the administrative head to credit receipts into and effect withdrawals directly from the account, subject to overall check being exercised by the bank in which the account is authorized to be opened.

An analysis of the expenditure incurred from the PDA maintained by the DMS, for the period 2009-10 to 2011-12, revealed that the expenditure ranged from 87 *per cent* to 90 *per cent* of the total expenditure incurred by DMS during the period 2009-10 to 2011-12. As a result, the checks exercised by the Pay and Accounts Office (PAO) before release of payments to the parties/agencies were bypassed. Also the PAO functioning in DMS with full sanctioned strength was relieved of its assigned work and its role was restricted to processing establishment expenses only.

Further, Audit noted that items of expenditure viz. Plant and machinery, major works and minor works, wages, transportation on account of hiring of tempos/vehicles and office expenses had not been approved by the Ministry for inclusion in the PDA expenses. The booking of expenses pertaining to these heads under the PDA was thus unauthorised.

The Ministry stated (July 2013) that the DMS had been advised to ensure that the expenditure on items which had not been approved by the Ministry for inclusion in the PDA account, would henceforth be made through PAO, DMS only.

The reply of the Ministry confirms the audit findings that the DMS had not been following good financial practices in terms of cash management and advance disbursal.

2.2 Short recovery of licence fee

Delhi Milk Scheme failed to recover the licence fee at the prescribed rates from the State Bank of India operating in its premises. This led to short recovery of licence fee of ₹ 1.88 crore during the period from March 1999 to November 2012.

The Government periodically prescribes the rate of licence fee to be charged from banks in lieu of the space provided by its departments. In consonance of this policy, the Directorate of Estates (DoE) issues orders specifying the

[3] Rule 88 and 89 of the GFR and Rule 191 in Receipts and Payment Rules

amount of licence fee recoverable from commercial entities in respect of General Pool accommodation.

Examination of the records of Delhi Milk Scheme (DMS) revealed that a branch of the State Bank of India was established in its premises in the year 1972. As per the agreement between DMS and the bank, an area of 1198.64 sq.ft. was recorded as area leased to the bank. Subsequently, the bank had unauthorisedly encroached upon the premises of the DMS and expanding its operational space.

Audit noted that DMS had intimated (June 2001) to the Ministry of Agriculture that the bank had occupied at different times an additional area of 3150 sq.ft. without seeking permission. The area thus occupied by bank increased to 4348.64 sq.ft. (1198.64 sq.ft. plus 3150 sq.ft.) i.e., 404 sq.m.

The Ministry noted (November 2001) that the failure to prevent the unauthorized occupation constituted a serious lapse on the part of DMS.

DoE had issued orders effective from 16 March 1999 for charging licence fee from banks operating from general pool accommodation. However, DMS without reckoning the rates prescribed by DoE and the area occupied by the SBI, agreed to receive a fixed amount of ₹ 4742 per month. This was arrived at by effecting an increase of 25 *per cent*, over the previous rates, as provided in the lease deed.

Audit noted that the licence fee charged by DMS from the bank was much lower than the rates prescribed by DoE. This resulted in short levy of licence fee of ₹ 1.87 crore.

Similarly, a space of 11.90 sq.m. was leased out by DMS to SBI for opening an ATM through an agreement of January 2007. However, audit noted that DMS charged licence fee @ 220 per sq.m. i.e., ₹ 2618 per month even though this rate had been revised upwards by DoE to ₹ 5414 per month since April 2011. Thus, due to non-application of the prescribed rate of DoE there was short recovery of licence fee amounting to ₹ 1.17 lakh.

Thus, failure of DMS to charge licence fee at the prescribed rates led to short recovery of licence fee of ₹ 1.88 crore during the period from March 1999 to November 2012. **(Annex-1)** Further, no punitive compensation was sought from the SBI for the unauthorized occupation of premises.

The matter was referred to the Ministry in May 2013; their reply was awaited as of June 2013.

2.3 Premature release of funds

The Ministry released a sum of ₹ 1.92 crore to NABARD under the scheme "Salvaging and rearing of Male Buffalo Calves" based on an incomplete proposal and in violation of Scheme provisions. Resultantly the amount could not be utilized by NABARD leading to blocking of funds for more than nine months.

The Ministry of Agriculture, conveyed administrative approval for the implementation of Central Sector Scheme 'Salvaging and Rearing of Male Buffalo Calves' during the Eleventh Five Year Plan. The Scheme with an outlay of ₹ 300 crore was to be implemented during the plan period i.e. 2008-09 to 2011-12 through the National Bank for Agricultural and Rural Development (NABARD).

The main objectives of the scheme were to salvage and rear male buffalo calves for meat production, increase availability of buffalo meat and by-products for export and domestic markets and to enlarge raw material base for leather industry.

In terms of the Scheme guidelines, in each State, a State level Sanctioning and Monitoring Committee (SLSMC) was to be constituted under the chairmanship of the Principal Secretary/Secretary of the Department of Animal Husbandry of the State Government concerned. The Committee was to meet periodically and sanction suitable proposals. The Regional Officer of NABARD was to act as the nodal officer who was responsible for convening meetings of the SLSMC to consider projects to be implemented in the respective States. Funds available for the Scheme were to be released by the Ministry to NABARD against specific project proposals sanctioned by the SLSMC which was to be distributed by NABARD within a month.

NABARD submitted (August 2010) a proposal to the Ministry seeking funds of ₹ 4.37 crore for implementation of the Scheme. Audit noted that the proposal contained only the details of fund required under various components of the Scheme. The proposal did not incorporate specific project duly sanctioned by the SLSMC. Thus, the provisions of the Scheme guidelines were not complied with.

Audit further noted that the Integrated Finance Division (IFD) of the Ministry despite being aware that the proposal submitted by NABARD was incomplete, approved release of funds of ₹ 1.92 crore. The funds were released in September 2010. Subsequently, NABARD could not utilize the amount due to non-receipt of project proposals from the State Governments due to imposition of restrictions on slaughter of buffaloes under the Slaughter Act. As a result, it sought (May 2011), the permission of the Ministry for utilizing the amount under another scheme viz. 'Piggery Development' to which the Ministry accorded (June 2011) permission.

Audit noted that the action of the Ministry amounted to re-appropriation of funds after close of the financial year in which the funds were originally sanctioned. In the process, it breached Rule 59 of the General Financial Rules, which stipulate that re-appropriation of funds may be sanctioned by the competent authority at any time before the close of the financial year to which such grant or appropriation relates. The action of the Ministry was thus irregular.

The Ministry stated (April 2013) that diversion of funds to the scheme of Piggery Development was made with the sole intention of putting available fund for better use in a scheme where there was demand for more funds. Further, utilisation of funds under the scheme "Salvaging and rearing of male buffalo calves" by NABARD was dependent on the interest of beneficiaries in the Scheme and such Schemes usually had a little longer take-off time.

The reply does not address the issue of irregular release of funds by the Ministry, based on an incomplete proposal submitted by NABARD, which was not consistent with the Scheme provisions. This also indicates inadequate scrutiny of the proposal by the Ministry. Subsequent action of the Ministry to allow diversion of funds for another scheme was also irregular and undermined the process of Parliamentary authorization.