

CHAPTER – V

INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENT

FISHERIES DEPARTMENT

5.1 Internal Control System in Fisheries Department

Highlights

Internal control is a process, designed to provide reasonable assurance so as to achieve the objectives of the organisation, safeguarding of assets against loss, reliable financial and operational data, reports and compliance with rules and regulations. An evaluation of the internal control system in the Fisheries Department disclosed the weakness of the internal controls in place such as non-compliance with rules, absence of manuals, lack of discipline in budget preparation, weak expenditure controls, poor implementation of schemes/ programmes and lack of monitoring and evaluation. Internal audit was absent.

Budgetary control was deficient as estimates were unrealistic. Savings were not surrendered in time and allowed to lapse. The Controlling Officer did not monitor the expenditure incurred by the DDOs, whereas three DFOs did not write cash book regularly.

[Paragraphs 5.1.5.1, 5.1.5.2 and 5.1.6.2]

Under Machhua Awas Yojna, Rs 14 lakh for 35 Machhua Awas was granted in lump sum against the norms and the beneficiaries did not complete the house after receiving the grants.

[Paragraph 5.1.7.1]

Group Accident Insurance coverage to fishermen was not provided inspite of advance of Rs 9.88 lakh made to National Federation of Fishermen Co-operative Limited (FISHCOPFED).

[Paragraph 5.1.7.3]

Saving cum Relief Scheme though not applicable was implemented in the State and an expenditure of Rs 9 lakh was incurred by the Department.

[Paragraph 5.1.7.4]

Internal Audit was absent. Finance Department also did not conduct any internal audit of the units of the Department.

[Paragraph 5.1.11]

5.1.1 Introduction

Internal control system is an integral process by which an organisation governs its activities to achieve its objectives effectively. An evaluation of the Internal Control Mechanism in Fisheries Department was conducted in audit. The overall objective of the Fisheries Department is to increase fish production by adopting scientific measures of fish culture and generating employment opportunities by producing high yielding seeds of fish for distribution among fish farmers at reasonable rates and imparting training in fish culture to them. The Department plans and executes the Central and State Sponsored Programmes like Machhua Awas Yojana, Ponds Construction Schemes, Saving cum Relief Schemes.

5.1.2 Organisational set-up

The Principal Secretary is the Head of the Animal Husbandry and Fisheries Department. There is a directorate under the Department headed by the Director and assisted by three Deputy Directors. At the district level, the programmes are implemented by the District Fisheries Officer (DFO). He is assisted by Fisheries Extension Officers, Fishery Inspectors and other fisheries staff. There is also a Fish Research Institute in the State under the Department.

5.1.3 Audit Objectives

Audit objectives were to ascertain whether the following controls were in place and were effective:

- Budgetary Control;
- Expenditure Control ;
- Operational Control ;
- Inventory Control ;
- Manpower Management ;
- Monitoring and Evaluation; and
- Internal Audit.

5.1.4 Scope of Audit

A review to assess the adequacy and effectiveness of the Internal Control System in the Fisheries Department for 2001-06 was conducted by test check of records at the Directorate, six¹ District Fisheries Offices (DFOs) out of 22 DFOs and State Fish Research Institute, Ranchi during April to June 2006.

An entry conference was held in April 2006 with the Principal Secretary where the objectives of audit were discussed. Exit conference was also held with the Principal Secretary in November 2006 where all the audit observations and recommendations were accepted. The results of the review are discussed in the succeeding paragraphs.

¹ Bokaro, Dumka, Garhwa, Gumla, Hazaribagh and Palamu.

Audit findings**5.1.5 Budgetary Control**

The funds provided in the Budget were released by the Director to the unit offices for implementation of various schemes/ programmes.

5.1.5.1 Belated submission of Budget Estimate

Submission of Budget Estimates were delayed

As per the Budget Manual the controlling officer was to send the Revised Estimates for the current year and Budget Estimates (BE) for the next year to the Administrative Department by 30 September every year who in turn was to submit the estimates to the Finance Department by 6 October every year. It was noticed that the Department persistently delayed the submission of BEs during 2001-06 to the Finance Department. The delays ranged between 14 and 244 days.

5.1.5.2 Persistent savings

Budget Manual prescribes that the budget estimates should be as accurate as possible. Scrutiny in audit showed that the Department prepared the budget without assessing the actual requirement of funds. The preparation of budget was not need based as is evident from the huge savings during 2001-06 as shown below:

(Rupees in crore)

Year	Budget Estimate	Expenditure	Savings	Percentage
2001-02	7.03	6.34	0.69	9.81
2002-03	11.08	7.26	3.82	34.47
2003-04	9.45	6.74	2.71	28.67
2004-05	12.51	9.47	3.04	24.30
2005-06	16.84	13.13	3.71	22.03
Total	56.91	42.94	13.97	24.54

There were large savings ranging between 9.81 and 34.47 *per cent* during 2001-06 due to under utilisation of funds allotted. It was also noticed that the Department issued the sanction orders for releases to the field units at the fag end of the year. Further, according to instructions issued by the Finance Department, details of officers and establishment (staff) were to be given in estimates itself. However, the BEs prepared by the Controlling Officer of Fisheries Department did not contain any such details during the period of review.

5.1.5.3 Surrender of saving

Savings were not surrendered in time

It was the responsibility of Controlling Officer of the Department to ensure that in the likely event of savings, timely re-appropriation/ surrender of funds are carried out. It was seen that savings were not surrendered in time by the Department and the same were allowed to lapse. As a result, the amount could not be utilised for other purposes.

The Government stated that necessary instructions (November 2006) had been issued to all Drawing and Disbursing Officers (DDOs) to follow the budget manual rules while preparing budget from next year.

5.1.6 Expenditure control

5.1.6.1 Monitoring of expenditure

According to Budget Manual all the DDOs are required to furnish the Statement of Expenditure (SOE) duly reconciled with the treasury to the Controlling Officers (COs) not later than the first week of each month. In order to watch the receipt of SOE, a broad-sheet was to be maintained by the CO. Based on these statements, the CO was to prepare a SOE under the grant up to the preceding month.

There were 25 DDOs in the Department. In the test checked units it was observed that though SsOE were received from all the DDOs, these were never reconciled with treasury figures. Delay in submission ranged between 15 and 50 days by the DDOs to the Controlling Officer. As a result the CO failed to submit the consolidated SOE to the Department. Consequently, the Department could not effectively exercise expenditure control. Thus, monitoring of the expenditure incurred by the DDOs was absent at all levels.

5.1.6.2 Maintenance of cash book

As per the provisions of rule 86, Vol.-I of Jharkhand Treasury Code, all monetary transactions should be entered in the cash book as soon as they occur and the DDO should attest the entry. Physical verification of cash should be done monthly and a certificate to that effect should be recorded in the cash book.

Scrutiny of Cash Book of the test checked District Fisheries Officers (DFOs) showed that all these provisions were not strictly followed by the respective DDOs. It was observed in three test checked districts that Cash Books were not written regularly as shown below:

Name of DDO	Cash book not written for the period	Amount involved
DFO Dumka	9 August 2005 to 31 March 2006	Rs 20.57 lakh
DFO Garhwa	22 February 2003 to 10 February 2005	Rs 50.02 lakh
DFO Palamu	6 July 2000 to 16 January 2001 20 July 2004 to 31 May 2006	Rs 2.24 crore

Non-writing of the cash book regularly was not only a gross violation of the codal provision but was also fraught with the risk of fraud and misappropriation of Government money.

The Government stated (November 2006) that all the three DDOs had completed their cash books. Instructions were also issued to all the DDOs to

maintain the cash book on regular basis and all the COs to regularly inspect the financial transactions of the DDOs.

5.1.6.3 Retention of cash balances

Rule 300 of Jharkhand Treasury Code envisaged that no money should be drawn from treasury unless it is required for immediate disbursement. In contravention of the rules *ibid* the DDOs retained heavy cash balances at the end of each year as shown below:

(Rupees in lakh)

Name of DDO	Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
DFO, Palamu	59.32	82.59	62.55	101.34	*NA
DFO, Garhwa	-	-	-	23.46	77.68
DFO, Bokaro	0.47	2.60	15.94	11.95	11.00
DFO, Gumla	20.35	47.02	45.20	111.53	67.26
DFO, Hazaribagh	23.05	48.06	52.53	99.28	102.25
DFO, Dumka	59.57	59.31	84.32	78.96	102.97

*Cash Book was not written.

Security from cashier was not obtained

Period of retention of cash could not be ascertained in audit as no bill wise/voucher wise analysis was maintained in any of the Cash Books of the test checked units. Further, no security was obtained from any cashier in any of the six units as required under provisions of the Jharkhand Financial Rules.

The Government stated (November 2006) that necessary instructions were issued to adjust the cash balance and that security money would also be obtained from all the cashiers.

5.1.6.4 Adjustment of AC bills

DC bills for Rs 6.07 crore not submitted to the A.G. (A&E)

As per Rule 319 of JTC Vol.-I, the DC bills for the money drawn on AC bills during a month should be submitted to the AG (A&E) on or before 10th of the next month. In case the DC bills are not submitted in time, no further AC bills should be passed in favour of the DDOs. Scrutiny of records of the test checked districts showed that amount of Rs 6.07 crore was drawn by the respective DDOs during 2001-06 for which no DC bills were furnished as of March 2006 (as detailed in *Appendix 5.1*). It was also observed that there was no mechanism to restrict the drawal of second AC bills, though adjustment of the previous bill was pending.

The Government stated (November 2006) that DC bills of Rs 4.34 crore were submitted (upto October 2006) to AG (A&E) and the rest would be submitted by the end of December 2006.

5.1.6.5 Non-adjustment of advances

Advances of Rs 7.79 lakh remained pending for adjustment

In District Fisheries Offices, Palamu and Gumla advances were sanctioned by the DFOs to the staff during 2002-04 for meeting emergent contingent expenditure on departmental works. No adjustment bills/ vouchers for the advances drawn were submitted by the respective officials as of March 2006.

No effort was made to adjust these advances within a reasonable time or even before granting subsequent advances. As a result, advances of Rs 7.79 lakh remained pending for adjustment as of March 2006 (Gumla: Rs 5.44 lakh, Palamu: Rs 2.35 lakh).

Abnormal delays in adjustment of temporary advances indicates poor monitoring and possible misappropriation of funds.

5.1.7 Operational control

District Fisheries Officer implements both Centrally Sponsored and State Sponsored Developmental Schemes in the district. Several deficiencies were noticed in implementation of these schemes as discussed below:

5.1.7.1 Machhua Awas Yojana

35 Machhua Awas remained incomplete due to lack of effective monitoring

To provide housing to fishermen, Machhua Awas Yojana, a centrally sponsored scheme, shared equally by GOI and the State Government was launched (May 2005) in the State. As per the scheme the Department should identify the active fishermen of the State. Preference should be given to those below poverty line and to landless fishers. Fishermen owing land or kutchra structures may also be considered as beneficiaries under the scheme. Besides, grants (Rs 40000) were to be given in three installments. Subsequent installments were to be released only after supervision and measurement of the work done.

Scrutiny of records of the test checked districts showed that the Department prepared neither the list of beneficiaries nor the priority list of active fishermen. In Bokaro District, it was noticed that the grants were given (January 2006) to 35 beneficiaries in a lump each and not in installments. All the 35 Awas involving Rs 14 lakh remained incomplete as of July 2006. In Hazaribagh District, the grants were given to the beneficiaries in five installments but without assessing the physical progress.

There are other housing schemes like Indira Awas Yojana, Deen Dayal Awas Yojana etc. for the people below poverty line. Scrutiny revealed that the Department had not evolved any mechanism to avoid unintended duplicity of beneficiaries under other schemes.

5.1.7.2 Ponds construction scheme

There was no mechanism to monitor the upliftment of the beneficiaries

The scheme was launched by the State Government in 2004-05 for construction of pond in 30 Decimal area of private lands of the scheduled tribes. As per the scheme the grants of Rs 45000 was to be given on 100 *per cent* subsidy basis for construction of a pond. The ponds constructed were expected to be used for fish farming by the beneficiaries who were required to submit periodical reports and maintain a record about production, earnings etc. After the construction of the ponds, the upliftment of the beneficiaries was to be watched and a separate folder for each beneficiary was to be maintained by the District Fisheries Officer.

Financial assistance of Rs 1.76 crore was given to 391 beneficiaries of the State during 2004-06 for construction of ponds on private land. In six test checked districts Rs 54.00 lakh was given to 120 beneficiaries. The Department neither evolved any system for verification of the use of these ponds for fish farming nor collected any progress report from the beneficiaries at regular intervals. Thus, the documentation, necessary to monitor the upliftment of the beneficiaries under the scheme, were absent. In absence of the same, the meeting of objectives could not be verified in audit.

5.1.7.3 Group Accident Insurance scheme

To provide insurance coverage to the registered active fishermen 'Group Accident Insurance', a centrally sponsored scheme was launched in 2004-05 in the State, shared equally by GOI and the State Government. Under the scheme a fisherman identified or registered under the State Government would be insured for Rs 50000 against death or permanent total disability and Rs 25000 for partial permanent disability. The insurance coverage would be for a period of 12 months and a policy would be taken out by FISHCOPFED. Annual premium payable would not exceed Rs 15 per head shared equally by GOI and the State Government.

During 2004-06, GOI released Rs 4.94 lakh in respect of 1500 fishermen of each district. Equal share of premium of Rs 4.94 lakh was also released by the State Government and sanctions issued in all the 22 districts.

Scrutiny showed that the DFOs issued cheques in favour of FISHCOPFED without the list of beneficiaries. Thus, the purpose behind the release of the amount was not fulfilled as insurance against each fisherman was not done as of October 2006.

The Government stated (November 2006) that from 2006-07 onwards list of fishermen with insurance premium would be sent to FISHCOPFED.

5.1.7.4 Saving cum Relief scheme

The Centrally Sponsored Scheme, launched in 2004-05, shared equally by GOI and the State Government, envisaged providing relief to active fishermen during the lean period. Under the scheme Rs 50 per month *i.e.* Rs 450 was to be collected from fishermen for a period of nine months in a year and to be deposited in a nationalised bank in the account of Director of Fisheries. Rs 450 shared equally by GOI and the State Government was also to be deposited to the same account. The total sum, thus, collected was to be distributed during the lean period among the beneficiaries. Further, this scheme was to be applicable only in those States where a ban on fishing was imposed during the lean season.

No order for banning fishing during the lean season was issued/enacted in the State though Rs nine lakh was spent by the Department under the scheme. In the test checked districts Rs 3.44 lakh were distributed among 1500 beneficiaries in contravention of the scheme guidelines.

The Government stated (November 2006) that they were considering enactment of law to impose ban on fishing during the breeding season.

5.1.7.5 Construction of hatcheries

To make spawn and fry available to fish farmers and to augment their income, hatcheries were proposed to be constructed by the Fisheries Department at an estimated expenditure of Rs 17.60 lakh and Rs 12.06 lakh in the districts of Dumka and Palamu respectively during 2001-02. Provision for deep boring was made at both the hatcheries to ensure perennial water supply, essential for running the hatcheries and Rs 29.66 lakh was released by the Department (June 2001).

In DFOs, Dumka and Palamu hatchery at Dumka was constructed in May 2005 while at Palamu in 2003 but both the hatcheries were non-functional. In Palamu, the deep boring had failed in 2003 as casing pipe was not fixed while in Dumka the hatchery could not be made operational due to shortage of power supply. The Director stated (June 2006) that 8 KV Kirloskar generator set was being provided. Thus, the Department's failure to properly plan the setting up of these hatcheries resulted in unfruitful expenditure of Rs 29.66 lakh besides defeating the intended purpose of augmenting the income of fish farmers.

5.1.7.6 Contractors' profit allowed in departmental work

As per codal provisions, contractors' profit is not applicable when the work is undertaken departmentally. Scrutiny of records of DFO, Ranchi (June 2006) showed that contractors' profit at 10 *per cent* (Rs 1.50 lakh) was allowed to a Junior Engineer (JE) of Animal Husbandry and Fisheries Department though the work was executed departmentally. No action had been taken so far to recover the excess payment.

5.1.8 Inventory Control

5.1.8.1 Maintenance of Assets register

A register of assets created under various schemes in the district was required to be maintained in the district offices. No such asset register was maintained in any of the districts test checked during the period 2001-06.

5.1.8.2 Maintenance of dead stock register

As per codal provisions a dead stock register was to be maintained in all offices of the Government. A physical verification of the dead stock should be carried out every year and a certificate to this effect should be furnished. Scrutiny revealed that no annual physical verification of the dead stock was done in any of the test checked units. Absence of physical verification of the dead stock was fraught with the risk of pilferage and misappropriation.

5.1.9 Manpower management

The performance of the Department and efficient implementation of the schemes depend on availability of the required manpower. An analysis of the manpower management in the Department showed that there were large scale vacancies in various operational cadres of the Department as depicted below:

Sl. No.	Designation	Sanctioned Strength as per Department	Sanctioned Strength noticed in audit based on consolidation of figures of all units	Men-in-position	Vacant
1.	Director	1	1	1	-
2.	Deputy Director	4	3	3	-
3.	District Fisheries Officer	23	23	18	5
4.	Assistant Engineer/ Jr. Engineer	12	12	9	3
5.	Fisheries Extension Officer/ Supervisor	141	127	53	74
6.	Fisheries Inspector	21	21	5	16
7.	Clerk/Statistician	87	71	32	39
8.	Driver	25	22	11	11
9.	Machhua/Fish Protector	298	136	68	68
10.	Others	580	169	25	144
	Total	1192	585	225	360

It could thus be seen that there was acute shortage of manpower in different cadres of the Department, and Government also accepted that acute shortage was adversely affecting the functioning of the Department as well as achievement of its objectives. Further, the Department was exhibiting wrong sanctioned strength particularly against the staff at Sl. No. 9 and 10 above.

The Government while accepting the observation stated (November 2006) that sanctioned strength had since been corrected.

5.1.10 Monitoring and Evaluation

5.1.10.1 Evaluation of fish production and generation of employment

The overall objective of the Fisheries Department is to increase fish production by adopting scientific measures of fish culture and generating employment opportunities by producing high yielding seeds of fish for distribution among fish farmers at reasonable rates and imparting training in fish culture to them.

It was, however, noticed that the Department did not evolve any mechanism to evaluate whether the fish production and the income of the poor fishermen in the State had increased.

5.1.10.2 Complaint redressal mechanism

Fifty five complaint cases relating to settlement of ponds, construction of Awas, repair and renovation of ponds were received by the Department during 2001-06 but no effective steps were taken by the Department for the disposal

of these cases. While letters were written to the respective Deputy Commissioners to investigate the cases, no follow up action was taken by the Department on these complaints.

5.1.11 Internal Audit

**Internal audit
was totally absent**

The Department did not have an internal audit wing of its own. The internal audit wing of the Finance Department was responsible for internal audit of Fisheries Department, which had not conducted audit of any one of the test checked units since the creation of Jharkhand. Thus, the Department did not have any feedback mechanism on the functioning of the field functionaries.

5.1.12 Vigilance Mechanism

There was no vigilance mechanism in the Department. In the absence of the vigilance mechanism the Government cannot ensure that all the operations and transactions are transparent and in public interest. Cases of fraud and embezzlement can go unnoticed and the guilty unpunished which would be against the interest of Government as the Department is handling public funds.

5.1.13 Conclusion

The provisions of the budget manual were not being adhered to. As a result, huge savings occurred under different heads of account. Cash books were not being maintained properly. Units retained heavy cash balances at the end of the financial year in violation of codal provisions. DC bills, for money drawn on AC bills, were not submitted timely and no attempts were made to adjust the pending outstanding advances. Deficient operational controls were noticed in respect of almost all the schemes under the Department. The controls and documentations necessary to monitor the increase of fish production and upliftment of the beneficiaries, were absent. There were large scale vacancies in the operational cadres of the Department. Internal Audit was totally absent. Effective grievance redressal mechanism was also absent in the Department.

5.1.14 Recommendations

The Fisheries Department should take immediate appropriate measures to activate the internal control system evolved through rules, manuals and codes.

- The provisions of the budget manual should be strictly adhered to;
- Cash book should be written daily as per the codal provisions;
- The prescribed guidelines for various schemes operated by the Department should be adhered to;
- Asset register should be suitably maintained for keeping records of assets created under the scheme as per the guidelines;

- An effective grievance redressal mechanism should be put in place by the Department; and
- Till such time an Internal Audit Wing is set up in the Department, the Finance Department should conduct regular internal audit.

The matter was reported to the Government (July 2006) and their reply was received (November 2006). The Government had accepted all the audit observations and instructions were issued to all the subordinate offices for taking corrective measures, wherever necessary.