

## CHAPTER V

### Internal Control Mechanism in Government Departments

#### Mahila Evam Bal Vikas Department

#### 5.1 Internal Control in Mahila Evam Bal Vikas Department

##### *Highlights*

*Internal control is an important aspect of functioning within an organization. Internal control processes establish a system which provides reasonable assurance on financial reporting, operational data and the application of laws, regulations and various control parameters designed to achieve organizational objectives. Internationally the best practices in internal control have been given in the Committee of Sponsoring Organisations of the National Commission on Fraudulent Financial Reporting or the Treadway Commission (COSO) framework which is a widely accepted model for internal controls. In India the GOI has prescribed comprehensive instructions on maintenance of internal control in government departments through rule 64 of General Financial Rules 2005. A review of internal control of Mahila Evam Bal Vikas Department revealed that budget estimates (BEs) were deficient in so far as persistent savings occurred each year. BEs were submitted to Finance Department with delays up to 98 days. Cases of belated release of fund to the subsidiary formations; rush of expenditure in the last month and unsatisfactory cash management were also noticed. Non-gazetted employees were vested with drawing and disbursing powers though rules prohibited such delegation:*

**Out of Rs.42.48 crore parked under civil deposit, a sum of Rs.1.30 crore lapsed and Rs.23.21 crore were still lying unutilised. Further Rs.37.97 crore were parked in Personal Ledger Account (PLA) of which Rs.1.17 crore were still lying unspent. Contrary to the decision, Rs.5.91 crore were credited to bank account of Anganwadi workers.**

*(Paragraph 5.1.5.3. and 5.1.6.3)*

**Supplementary provisions of Rs.84.95 crore proved unnecessary as the amount under original Budgetary provisions could not be spent. Rs.272.48 crore were surrendered though available savings were Rs.257.28 crore.**

*(Paragraph 5.1.5.4 and 5.1.5.5)*

**Temporary advance of Rs.3.77 crore were lying unadjusted.**

*(Paragraph 5.1.8.3)*

**Inadequate control led to exclusion of 37 to 53 per cent of identified beneficiaries and wasteful expenditure of Rs.11.24 crore incurred due to providing solid food instead of weaning food to infants.**

*(Paragraph 5.1.6.2 and 5.1.6.3)*

**Internal audit wing was ineffective as 367 Project Offices were not covered during 2003-08. Periodicity of units was also not fixed.**

*(Paragraph 5.1.9.3)*

### **5.1.1 Introduction**

Internal Control Mechanism (ICM) in an organisation denotes the activities and processes placed by the organisation to control, eliminate and minimize risks, events with the potential to influence the achievements of an organisation's activities. The ICM includes provisions of codes, manuals, rules and monitoring mechanism to ensure compliance. The Internal Audit helps in identification of shortcomings in ICM and its strengthening.

Mahila Evam Bal Vikas Department (Department) with the aim to improve the socio-economic, health and nutritional status of women and physical, psychological, social and nutritional status of children up to six years and protect them against malnutrition; create awareness about laws and schemes for overall development of women and children started functioning in 1988. The Department has been implementing various schemes, such as Integrated Child Development Services, National Nutrition Mission, Adolescent Girls Scheme and Ladli Laxmi Yojana for the achievement of the above mentioned objectives. The various functionaries as in the para below are a part of the ICM of department.

### **5.1.2 Organisational Set-up**

The Department is headed by a Principal Secretary for implementation of the government policies and schemes. The Commissioner-cum-Director Women and Child Development (Director) is the Nodal Officer at the State level and is responsible for planning, guidance, monitoring and supervision. At the District level, the District Programme Officer (DPO)/District Women and Child Development Officer (DWCDO) is responsible for co-ordination, monitoring, supervision and implementation of the schemes while at block level these works are assigned to the Child Development Project Officer (CDPO). The primary point for delivery of services is Anganwadi Centre (AWC) set up in a village or a ward of urban slum area and is attended by an Anganwadi Worker (AWW).

### 5.1.3 Audit objectives

This review of internal control has been conducted to assess whether:-

- the budgetary, expenditure and cash controls were adequate and effective;
- the administrative controls on establishment and inventory related controls were efficient;
- the operational controls were adequate to ensure achievement of the objectives of the Department in an effective manner;
- the monitoring was effective; and
- the internal audit and vigilance mechanism was effective.

### 5.1.4 Audit coverage and methodology

The records of the office of the Directorate, and nine<sup>1</sup> out of 48 districts and 20<sup>2</sup> out of 88 project offices were selected using simple random sampling without replacement method and test checked during March-August 2008 covering the period 2003-08.

The methodology adopted was to test check records with reference to the provisions of Madhya Pradesh Financial Code (MPFC), Madhya Pradesh Treasury Code (MPTC), and circulars/instructions etc. issued by the Government. The COSO frame work has been adopted for evaluation of internal control.

An introductory meeting was held in March 2008 with Director Mahila Evam Bal Vikas Department and subsequent audit findings and recommendations of audit were discussed in the exit conference held in November 2008 with Principal Secretary to Government of Madhya Pradesh, MEBV Department and their views were considered while finalising the review report. Results of test-check are embodied in the succeeding paragraphs.

### 5.1.5 Compliance with Financial Rules

Budgeting requires the Administrative Departments to prepare budget estimates (BE) based on inputs from lower formations, incur expenditure within the budgeted provisions, avoid rush of expenditure towards the end of the financial year and surrender anticipated savings in time. The review of budgetary and expenditure controls of the department showed instances of persistent savings, belated surrenders, irregular transfer of funds to civil deposit, rush of expenditure and delayed submission of budget estimates to Finance Department (FD) as discussed in the succeeding paragraphs:

<sup>1</sup> *Betul, Bhopal Chiindwara, Dhar Hosangabad Jhabua, Khargone, Mandla, Sheopur.out of 48 districts*

<sup>2</sup> *Betul (3), Chhindwara (2), Dhar (4), Hosangabad, (2), Jhabua (4), Mandla, (2) and Sheopur (3).*

### 5.1.5.1 Budget Estimates

**Budget Estimates were submitted with delays ranging from 41 to 98 days.**

Rule 192 of MP FC provides that Budget Estimates (BEs) should be furnished to the FD before the dates fixed by the FD through the Administrative Department. It was however noticed that the Department was able to send the BE to the FD with a delay<sup>3</sup> ranging between 41 and 98 days from the dates fixed by the FD during 2004-08. BEs were sent directly by the Director to FD without routing through its Administrative Department which was irregular as there was no examination by the Administrative Department of the budgetary proposal. In exit conference departmental officials stated that there was no delay in sending BE to FD and approval of the Administrative Ministry had been obtained but no record in support of the statement was shown to audit.

### 5.1.5.2 Savings

Details of budget provisions, under seven<sup>4</sup> grants and expenditure incurred shows the savings during 2003-08 as at **Appendix 5.1**.

**There were savings ranging from 15 to 44 per cent during 2003-08.**

The savings of 15 to 44 *per cent* was attributed by the department to absence of demand from DDOs, non-procurement of medicine and education kits, etc. and making provisions for vacant posts. The entire provision of Rs.163.82 crore under Central Sector Schemes and Rupees three crore under State Sector Schemes under five<sup>5</sup> grants remained unutilized. In exit conference, departmental officials stated that funds were received late from GOI and periodical change in policy led to surrender of funds.

### 5.1.5.3 Transfer of funds to Civil Deposit

**Rs.42.48 crore were transferred to Civil Deposit thereby, inflating the expenditure without spending and Rs.24.38 crore remained unutilized in CD/PD account.**

MP TC prohibits drawal of funds from treasury unless required for immediate disbursement. It was noticed that the Central assistance of Rs.42.48 crore received for distribution of medicines and educational kits, were transferred to Civil Deposit (CD) during 2003-08. Only Rs.17.97 crore were utilized in subsequent years while Rs.1.30 crore were allowed to lapse due to non-utilization of same within three years and Rs.23.21 crore was still lying in CD as of March 2008. Further out of funds deposited in Civil Deposit prior to 2003-04 Rs.5.75 crore lapsed to State revenue during the period. Parking of fund in CD was irregular and led to overstatement of the expenditure while distorting the allocation of subsequent years. Also, the expected benefits of distribution of the medicines and educational items did not reach the beneficiaries, as Rs.7.05 crore of central fund meant for the above purposes became a source of unintended revenue of the state and Rs.23.21 crore remained unutilized.

Directorate deposited Rs.37.97 crore in personal deposit account of Madhya Pradesh Laghu Udhog Nigam (MPLUN) during 2004-07, out of which

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<sup>3</sup> 2004-05 Plan/NP (78 days), 2005-06 NP (66 days), 2005-06 Plan (98 days) 2006-07 Plan/NP (41 days) and 2007-08 Plan/NP (60 days).

<sup>4</sup> Grant No.15, 41, 52, 55, 64, 80 and 82

<sup>5</sup> Grant No.15, 41, 55, 64 and 82.

Rs.1.17 crore were unspent as of March 2008. Such accumulation of funds in the CD and PDA without incurring expenditure during the year of their drawals for the intended purpose was irregular as it compromised with the objectives of budgetary exercise.

#### **5.1.5.4 Supplementary Budget provisions**

**Supplementary budget provisions of Rs.84.95 crore during 2003-08 proved unnecessary.**

Rule 60 of General Financial Rules (GFR) provides that a supplementary demand for grants need to be proposed only in case of requirement of additional fund. It was noticed that supplementary budget provisions of Rs.84.95 crore during 2003-08 as shown in **Appendix 5.2** was made under grant no. 55 but the same could not be utilised. The department stated that funds could not be utilised due to delayed receipt of supplementary budget provision. The reply is not convincing as the expenditure incurred was even less than the original budget provisions.

#### **5.1.5.5 Release and surrender of fund**

Financial rules provide that all anticipated savings should be surrendered immediately after these are foreseen latest by 15<sup>th</sup> March of the financial year. It was however, noticed that the Department in all the above five years surrendered Rs.571.07 crore on the last day of the respective financial years. Analysis of data further revealed that Rs.272.48 crore was surrendered against available savings of Rs.257.28 crore during 2003-06. In three schemes, funds were withdrawn by re-appropriations/surrender in excess of available saving resulting in excess expenditure of Rs.12.14 crore during 2003-06.

Audit further observed that Rs.39.84 crore were released at the fag end of the financial year (29<sup>th</sup> March 2008) by the Directorate to districts with the direction to use the same within the same financial year. DPO, Chhindwara surrendered Rs.1.21 crore of this amount on the last working day of the financial year. In exit conference department admitted delayed release of fund.

#### **5.1.5.6 Expenditure in the last month of the financial year**

**Expenditure incurred in last month of the financial year ranged between 24.55 percent to 28.09 percent.**

GFR 56 (3) provides that the expenditure under any head of account should be incurred proportionately in each month as per the budget provision for a financial year. Expenditure in the last month of the financial year however ranged between 24.55 *per cent* and 28.09 *per cent* during 2003-08 under four grants<sup>6</sup> as shown in **Appendix 5.3**:

Commissioner stated that due to receipt of sanction at the fag end of the year and in order to avoid lapse of budget, the expenditure was made in the month of March. This indicates the weakness of financial control mechanisms.

#### **5.1.5.7 Reconciliation of expenditure figures**

Departmental controlling officers are required to reconcile the departmental expenditure figures with those booked by the Accountant General (A&E) to

<sup>6</sup> Grant No.41, 64, 55 and 80.

enable corrections of the nature of errors, omissions, misclassifications and detection of lapses etc. It was, however, seen that during 2003-08 there was difference in figures ranging from Rs.3.15 crore to Rs.42.50 crore under seven grants<sup>7</sup> as shown in **Appendix 5.4**.

The department failed in implementing important financial control activity. In exit conference, Department accepted the audit observation and assured to expedite the reconciliation process regularly.

#### **5.1.5.8 Drawal from Contingency Fund of State**

Financial Rules provide that drawal from Contingency Fund of State may be made for incurring only expenditure of emergent nature. It was noticed that the Department, withdrew Rs.40 lakh from contingency fund on 30 March 2002 and deposited in Civil Deposit on the same day. An expenditure of Rs.29 lakh was incurred (April 2002) and balance amount of Rs.11 lakh lapsed to Government revenue (March 2005). Thus the withdrawal from the contingency fund was made without any immediate requirement. The department noted the point for future compliance.

**Unnecessary drawal of Rs.11 lakh from contingency fund.**

#### **5.1.5.9 Internal Control in Cash Management**

Test check of records of Drawing and Disbursing Officers (DDOs) in Directorate and in 9 test checked districts revealed that DDOs disregarded provisions relating to cash management as discussed below:

**Non observance of codal provisions regarding maintenance of cash books and subsidiary records.**

- 24 DDOs did not attest regularly each entry in the cash book in token of checks exercised by them.
- 25 DDOs did not conduct the physical verification of cash and did not verify the totals in the cash book regularly at the end of each month.
- 29 and 27 offices respectively did not review the bill registers and bill transit registers.
- Security deposit was not obtained from the cashier in 14 offices.
- DPO Shivpuri violated the rule 29 of MPFC by not depositing and accounting cash receipts worth Rs.9,252 collected between 8 October 2005 and 27 December 2007. DPO Sheopur, Hoshangabad, Betul and PO Meghnagar did not deposit the cash receipts worth Rs.5,392 collected between 2005-08 as of May 2008.
- In DPO Mandla an amount of Rs.15,794 was left out from the opening balance of Rs.1,49,202 while carrying to subsequent page in cash book as on 5 October 2006.

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<sup>7</sup> Grant No.15, 41, 52, 55, 64, 80 and 82.

- DPO Dhar and Hoshangabad did not maintain cash book of Gramya Yojna though about Rs.12 lakh were received on different occasions. CDPO Sardarpur (Dhar) also did not maintain the cash book of Swayam Siddha Yojana though 52 transactions worth Rs.13.80 lakh occurred during 2003-07.
- As per Rule 53 of MPTC the cash book is to be written daily. However, the cash book of Project Officer (PO) Mandla was not written from 4 March 2008 to 15 April 2008 though Rs.35,35,093 were drawn from treasury. PO did not attest the cash book from 17 December 2007 till 15 April 2008. Similarly, cash book of PO Pandhurna was found incomplete from 26 February 2008 (as of 15 June 2008) though Rs.23.87 lakh were drawn. Cash book was also not signed by the PO from 5 September 2007 till 16 June 2008.
- Rs.73.43 lakh received from Directorate (April 2008) for the year 2007-08 for nutrition programme was not accounted for by the DPO Dhar as of 24 July 2008.

The laxity in observance of controls relating to cash book writing and monitoring could lead to risks of frauds and misappropriation. In exit conference department assured to take corrective action in all cases.

#### ***5.1.5.10 Maintenance of records and documents***

Rule 52 of GFR and Rule 297 of MPTC Volume I require that budget control register and contingent register should be maintained properly so that budget control mechanism is effective. Audit observed that these registers were not properly maintained by 19 DDOs in checked districts.

The Government had invested Rs.1.26 crore in Madhya Pradesh Mahila Evam Vitya Vikas Nigam (MPMEVVN) during 2006-07 but no record of investment was found maintained by the Directorate. No information regarding investment in other years was made available by the Directorate. Director stated that position will be intimated after ascertaining from MPMEVVN. In exit conference department assured to take corrective action.

**Non maintenance of records of investment of Rs.1.26 crore.**

### **5.1.6 Operational Control**

#### ***5.1.6.1 Laxity in operational control led to unauthorized assistance to ineligible beneficiaries under LLY***

**Payment of Rs.1.08 crore to ineligible beneficiaries under LLY and NSC of Rs.54.60 lakh not distributed.**

In order to promote family planning, restore the gender balance and prevent child marriage, State Government launched the Ladli Laxmi Yojana (LLY) from 1<sup>st</sup> April 2007. The parents who have two or less than two children and have adopted family planning and also who are not income tax payer can apply for registration in Angan Wadi Centre (AWC) under the scheme for girl child born after 1 January 2006. Assistance of Rs.6000 per year for five years in the shape of National Saving Certificate (NSC) was to be provided in the name of

girl child who will get Rupees one lakh at the age of 21 years provided she was not married up to the age of 18 years and appeared in 12<sup>th</sup> standard examination. It was however, noticed that in seven<sup>8</sup> districts payment of Rs.1.08 crore (out of total expenditure of Rs.24.51 crore) was made in 1629 unregistered cases, 77 cases without ascertaining adoption of family planning and in 99 cases recorded date of birth of child was after the date of family planning operation of mother. DPOs stated that cases were sent to the Directorate who had sanctioned and paid the amount to the concerned Post Office directly. The reply of department is not acceptable as the Directorate made the payment to ineligible cases, which had been incorrectly recommended by the P.O. Further, Rs.54.60 lakh in 910 cases were deposited in the post offices but the NSCs had not been received (October 2008).

### 5.1.6.2 Compliance of Apex Court directives

Under the directives (28 November 2001) of the Hon'ble Supreme Court of India, all identified beneficiaries under Supplementary Nutritional Programme (SNP) were to be covered for providing supplementary nutrition. Despite categorical directive of the apex court, shortfall in coverage of identified beneficiaries in the State was found as under:

**Table No.5.1: Coverage of beneficiaries under SNP**

(Figures of beneficiaries in lakh/)

Year	Pregnant and nursing mother			Children 6 months to 6 years		
	Identified	Assisted	Percentage of Short fall	Identified	Assisted	Percentage of Short fall
2003-04	11.67	6.31	46	53.37	25.74	52
2004-05	12.02	6.23	48	56.04	26.11	53
2005-06	12.38	6.51	47	56.91	26.86	53
2006-07	12.86	7.68	40	60.25	32.59	46
2007-08	14.44	9.11	37	70.12	42.05	40

Source: Data furnished by Directorate.

Thus 37 to 48 per cent expectant and nursing mothers and 40 to 53 per cent children were denied supplementary nutrition. DPOs/CDPOs attributed to non release/delayed release of funds to the districts.

Supreme Court directives (28 November 2001) and state Government's orders (September 2005) further provide that supplementary nutrition (SNP) for minimum 21 days in each month is to be provided for all beneficiaries. It was however, noticed that distribution of SNP was made for less than 21 days in a month in AWCs.

**Table No.5.2: Shortfall in providing SNP**

Year	Total number of AWC	Range of AWC in which SNP was supplied below 21 days per month	Short supply percentage ranging between
2003-04	49787	5355 to 20279	11 to 41
2004-05	49787	11892 to 20579	24 to 41
2005-06	49787	10305 to 14678	21 to 29
2006-07	49787	5936 to 16437	10 to 33
2007-08	59324	1584 to 11618	3 to 20

Source: Data furnished by Directorate.

<sup>8</sup> Betul, Bhopal, Chhindwara, Dhar, Hoshangabad, Jhabua and Mandla.



The figure of such defaulting AWCs ranged between 3 *per cent* to 41 *per cent* during 2003-08. The Directorate stated that interruption in distribution of SNP was caused due to shortage of Angan Wadi Workers and helpers (AWW/H). Reply is not acceptable as the responsibility for timely posting of AWW/H rests with the Department. Inaction not only resulted in non compliance of Supreme Court directives but also deprived the beneficiaries of the nutrition. In exit conference the department stated that the implementation of the scheme is being strengthened.

### **5.1.6.3 Operational control in implementation of Local Food Model Scheme**

Local Food Model Scheme (LFMS) for providing supplementary nutritional food (SNP) to six months to six years old children and pregnant and lactating mother was launched (15 February 2007) by the State Government. Under the scheme any of the 20 types of cooked food items within a cost of Rupees two per day/ per child were to be provided to three to six years and weaning food to six month to 36 months old children by the AWW after approval of the District level committee headed by the collector. A state level cell for regular monitoring of testing of food was to be constituted. For overall monitoring and control, committees at AWC, block and district level were to be constituted which were responsible for evaluation and sending quarterly reports to the Directorate with recommendations. Annual audit of all DPO / DWCDO alongwith five *per cent* AWC was to be conducted by the audit wing of the Directorate. Review of implementation of LFMS revealed the following major irregularities:

- Despite refusal by the Finance Department for granting financial powers to AWW for purchase of food articles, the Directorate allowed AWW's to purchase food articles. Directorate stated that as per scheme AWW's were allowed to purchase. Reply was not acceptable as delegation of financial powers did not permit such arrangement.
- Directorate delayed release of Rs.45.32 crore pertaining to October and November 2007 by two to three months. Similarly advance drawal of Rs.19.71 crore pertaining to month of January 2008 could be credited to the bank account of AWW after about 3 months.
- Pay orders dated 6 December 2007 for Rs.59.41 lakh issued by lead bank was returned by the Regional Rural Bank (RRB) Hoshangabad which interrupted the regular supply of SNP to the beneficiaries.
- Rupees 6.33 crore were not transferred to the bank account of the Angan Wadi Workers and were lying with the lead bank (October 2008).
- The budget allotment of Rs.39.84 crore from department for February and March 2008 was allotted by the Directorate on 29 March 2008. Cash of Rs.18.43 crore was drawn (31 March 2008) by the Directorate

was transferred on 14 April 2008 to the field units which interrupted the regular distribution of SNP during 2007-08.

- Utilisation certificates (UC's) worth Rs.18.13 crore were not sent by the test checked district officers and UC's for Rs.24.55 crore sent to the directorate were without approval of District Collector.
- State level monitoring cell for testing of food was not constituted and untested food was supplied to the children round the year. Thus it could not be confirmed that food actually supplied contained the prescribed quantity of protein/ calories. Directorate could not conduct the annual audit of each district and cover required *per centage* of audit of AWC as prescribed in the scheme. Evaluation of scheme by the committees at AWC, block and district level was also not done. Further scrutiny of records of AWCs by the audit party showed that the cash book and raw food material stock register were incomplete. Bank reconciliation was not carried out to eliminate risk of financial loss. Thus the control in implementation of scheme at nodal officer (Director) level was weak. In exit conference the department stated that the implementation of the scheme is being strengthened.
- The Department withdrew (March 2008) the departmental decision for depositing money in the bank account of AWW for arranging supplementary nutrition food. Accordingly, the Department issued (20 March 2008) orders to the effect that money should not be credited in the bank account of AWW. It was however, seen that the 5 DPOs<sup>9</sup> credited Rs.5.91 crore in the bank account of AWWs in contravention of the orders indicating weakness of administrative controls. In exit conference department informed that the funds were released against pending demands.
- Instead of supplying weaning food to children in the age of six to 12 months solid food worth Rs.11.24 crore was provided to 23.46 lakh infants up to the age of 12 months in test checked districts during 2003-08. As the infants of these age group can neither eat/crush nor digest 80 gram solid food daily, the utility of such menu remained doubtful. Weaning food was also not provided to children in the age group of 12 to 36 months. The inherent programme risk has not been controlled. In exit conference, the department assured compliance in future.

### **5.1.7 Stores Management Control**

Physical verification of stores was not conducted in all checked units as well as in the Directorate. Field units stated that physical verification of stores was in progress. Prescribed security deposit from store keepers was also not obtained

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<sup>9</sup> *Betul, Bhopal, Dhar, Khargone and Hoshangabad.*

in test checked units. The inventory controls to ensure continued existence of assets were not implemented. In exit conference, the department stated that compliance would be ensured in future.

#### **5.1.7.1 Procurement of medicine and pre-education kits**

**Non procurement of medicine and pre-education kits of Rs.22.85 crore.**

GOI provides funds each year to the Directorate for procurement of medicine/education kits for health check and informal education of children and pregnant/lactating mothers. The kits were provided during 2003-06. It was, however, noticed that despite receiving Rs.22.85 crore during 2006-08 the Directorate could not provide medicine and education kits to AWC for the last two years and amount was transferred to civil deposit in March 2007 and 2008. Thus the identified facilities did not reach the beneficiaries at the AWC's during 2006-08. The department attributed it to delay in tendering process which is a weakness of the control mechanism of procurement leading to significant compromise in the objectives of the scheme. In exit conference the department informed that process was being expedited.

#### **5.1.7.2 Procurement of Dalia at higher rates**

**Extra expenditure of Rs.2.02 crore in procurement of Dalia.**

Directorate directed<sup>10</sup> all district officers for fixing of rate for procurement of Dalia which should not be more than Rs10.50 per Kg. during May 2003 to 27 September 2005 and Rs.13.75 per Kg thereafter. However, it was noticed that four DPOs<sup>11</sup> procured (2003-07) Dalia at higher rates which resulted in extra expenditure of Rs.2.02 crore as shown in **Appendix 5.5**. DPOs, stated that the rates were fixed according to the price of wheat available at local level. The reply is not acceptable as the prices in excess of prescribed ceilings should have been got approved from the Director. In exit conference the department assured examination of all the cases.

### **5.1.8 Administrative Control**

The work of monitoring and reporting was not being done properly as 121 posts of Assistant Statistical Officers (43 *per cent*) were vacant. 13 posts of District Programme Officers out of 41 and 66 posts of Project Officers ICDS out of 367 were also vacant. The shortage of manpower had effected the implementation, coordination, monitoring and supervision of the schemes like LFMS. In exit conference department agreed to fill up the vacant posts.

#### **5.1.8.1 Grant of drawing and disbursing powers to non-gazetted employees**

Contrary to Rule 125 of MPTC Vol-I and the instructions issued (June 1996) by the Directorate granted (May 2006) drawing and disbursing powers to 74

<sup>10</sup> 30 May 2003 and 28 September 2005.

<sup>11</sup> Bhopal, Chhindwara, Dhar and Khargone

non-gazetted Assistant Project Officers. In exit conference the department stated that the matter was being examined and looked into.

**5.1.8.2 Drawal of pay and allowances**

**Irregular payment of salary of Rs.17.01 crore.**

Rule 256 of MPTC Volume-1 provides that the pay and allowances of the staff can be drawn against the temporary establishment provided the sanction for continuation was accorded. Scrutiny of records of the Directorate and test checked Districts revealed that though the sanctions for continuation of temporary posts of the establishment were not accorded during 2007-08, however salary worth Rs.17.01 crore for the staff working against temporary posts was drawn and paid to the temporary employees by the test checked DDOs which was irregular. The department stated that corrective action is being taken.

**5.1.8.3 Adjustment of Temporary Advances**

**Temporary advance of Rs.3.77 crore remained unadjusted/unrecovered.**

Rule 53(4) of MPTC Volume-I lays down that the temporary advances are to be adjusted as soon as possible and should not remain outstanding in government account for more than three months. Scrutiny of records of the Directorate and test checked districts revealed that temporary advances amounting to Rs.3.77<sup>12</sup> crore were lying unadjusted as of August 2008. DDOs stated that the advances would be adjusted soon. Analysis further revealed that Rs.75910 were shown (March 2000) as an advance by the PO Jhabua but details of the advance were not available with the PO. This showed weakness of the financial control mechanism and in absence of details of payment of advance the recovery of the same was not possible. In exit conference the department stated that corrective action is being taken.

**5.1.9 Monitoring including internal audit and Vigilance mechanism**

**5.1.9.1 Departmental manual**

**Failure to prepare Departmental manual.**

Each department needs to have its own manual for streamlining its activities. Audit observed that even after more than 20 years of its formation (1988), the Department has not prepared any office procedure or departmental manual for its regular functioning. The absence of such a manual leads to absence of responsibility centers and non-standardization in functioning of its various similarly placed functionaries. In exit conference department assured to take rectificatory action.

<sup>12</sup>

(Rupees in lakh)

Year	UP to March 03	2003-04	2004-05	2005-06	2006-07	2007-08	Total
Outstanding	29.17	10.26	4.92	22.75	41.73	267.93	376.76

**Departmental inspections not conducted.**

### **5.1.9.2 Departmental inspection**

Periodic inspections by departmental officers are an important and effective tool to ensure proper functioning of the schemes in the department. The roster of inspection for officers of the Directorate was not available. While only ten inspections were carried out by the Director during 2003-06, no inspection was conducted by the Joint Director and the Director during 2006-08. Rule 291 of MPTC Volume-I provides that every DDO should make the monthly inspection of account of his office and quarterly report should be sent to higher authorities. Scrutiny of records in checked district revealed that none of DDOs carried out the regular inspection. In exit conference department assured compliance in future.

**Functioning of internal audit wing was deficient.**

### **5.1.9.3 Internal Audit**

Internal Audit (IA) examines and evaluates compliance to the departmental rules and procedures and statutory provisions so as to provide independent assurance to the management at senior levels on the adequacy of the internal control frame work in the department and its implementation thereof. A separate Internal Audit Wing was formed under the supervision of Joint Director (Finance) comprising of two Assistant Internal Audit Officers on deputation from the Treasury and Accounts Department and two departmental Senior Auditors. All districts were to be covered in Internal Audit every years as per applicable rules. However no internal audit was conducted up to 2003-04. During 2004-08, 14, 18, 24 and 24 units respectively were planned but the coverage was only 9, 9, 11 and 12 units respectively. Thus annual IA of 204 units and 367 project offices during 2003-08 was not conducted. Director stated that due to shortage of staff it could not be done. The selection of the units was not done on any scientific assessment of risk factors. Since all the units could not be covered during the year, there was a necessity for defining parameters regarding selection of unbiased sample on the basis of risk perception. Thus the Internal Audit process lacked the coverage as well as risk assessment. There was no manual for internal audit and process of follow up was not found effective. In exit conference department assured to take rectificatory action.

**Status of outstanding audit paras.**

### **5.1.9.4 Response to Audit**

The Principal Accountant General (Civil and Commercial), MP conducts statutory audit of the Department and its subordinate offices. The shortcomings are brought to notice through Inspection Reports (IRs). A half yearly report on the pending IRs is also sent to the Principal Secretary of the department to facilitate monitoring and compliance of audit observations. As of May 2008, 1175 paragraphs of 375 IRs issued up to March 2008 were pending for settlement. Of these 138 paragraphs of 75 IRs were outstanding for more than ten years. In exit conference department agreed to have Audit Committee meetings for Mahila and Bal Vikas Department in 2008-09 on last Thursday

and Friday of January at Gwalior and last Thursday and Friday of February at Bhopal.

#### **5.1.9.5 Departmental Enquiry and Legal Cell in the Directorate**

**Non functioning of Departmental Enquiry and Legal Cell.**

Although Departmental Enquiry cases against 21 gazetted officers and 63 non gazetted employees were pending as of December 2007 pertaining to the period 2002-07, no departmental enquiry cell was functioning at the Directorate level to expedite the cases. Details of pending court cases and the information in which first reply was yet to be submitted by the Department were not furnished to audit. Legal cell was also not functioning at the Directorate level to expedite the Court cases. Two family pension cases and one pension case and six appointment cases on compassionate ground were also pending at the Directorate level since 2006-07. Seven public complaints received during 2007-08 also remained un-disposed at Directorate (3) and Government (4) level as of 15 July 2008. In exit conference the departmental officials informed that corrective actions was being taken.

#### **5.1.9.6 Monitoring of schemes**

Prescribed monthly progress report (MPR) containing monthly progress of Integrated Child Development Service and other schemes is to reach the Directorate by 10<sup>th</sup> of succeeding month. The district units were sending the MPRs with a delay up to two and half months regularly. Such delays compromise with the effectiveness of the monitoring system. In exit conference the department agreed to ensure proper and timely monitoring.

### **5.1.10 Conclusion**

The internal controls in the Department were found deficient. Non-observation of budgetary controls resulted in persistent savings. Parking of fund under Civil Deposits not only inflated the expenditure but also effected future budget formulation. Cash management system showed weakness. Supreme Court directives were not acted upon in regard to coverage of all beneficiaries under SNP. Several irregularities were observed in implementation of LFMS. Vacancies in post of field officials adversely effected the implementation of schemes. Medicine and education kits were not provided to AWC during 2006-08. The Department did not have an effective internal audit system. Extent of compliance with the existing rules, procedures and instructions could not be monitored on a regular basis. Department also did not have a manual for its operative procedures.

### **5.1.11 Recommendation**

- The Department should prepare its departmental and office procedure manual for proper guidance and control of activities.

- In order to ensure timely and accurate preparation of Budget Estimates, inputs from subordinate offices should be obtained well in time and provisions against vacant posts should be quantified separately. Depending on progress of filling up the posts, the amounts against vacant posts should be surrendered periodically.
- DDOs, may be impressed upon to pay sufficient attention on proper maintenance of basic records like cash books.
- Internal audit wing should be strengthened by deploying adequate staff and employing suitable methods of planning and selection of units. Efforts should also be made to cover more units under Internal Audit. The department agreed with the recommendations in exit conference.

**Gwalior**  
**The**

**(SANAT KUMAR MISHRA)**  
**Principal Accountant General**  
**(Civil and Commercial Audit)**  
**Madhya Pradesh**

**Countersigned**

**New Delhi**  
**The**

**(VINOD RAI)**  
**Comptroller and Auditor General of India**