Chapter - 2
Performance Audit

Chapter-2

Performance Audit

Animal Husbandry and Fisheries Department

2.1 Implementation of schemes in Animal Husbandry Department

2.1.1 Introduction

The Animal Husbandry (AH) Department implements several schemes[1] for development of livestock and providing veterinary healthcare. The activities of the Department are oriented towards improving the production potential of cattle and buffaloes by way of breed up-gradation, providing preventive and curative health care to livestock, and spreading awareness among farmers on profitable livestock production/rearing.

2.1.2 Organisational set up

The AH Department is headed by Principal Secretary at Secretariat level. Activities of the Department are overseen by the Director, who is assisted by one Additional Director and 12 Joint Directors (JDs) (two in Directorate and 10 at district level). The JDs in the districts are supported by Deputy Directors (DDs)/Assistant Directors (ADs), Veterinary Assistant Surgeons (VAS) and other veterinary/livestock officers to carry out the various activities of the Department at ground level.

2.1.3 Audit objectives

The Performance Audit was aimed to assess whether:

- planning for execution of the schemes was done effectively;
- implementation of the schemes was based on the scheme guidelines;
- implementation achieved the objectives of the respective schemes; and
- proper internal control system was in place and monitoring was effective.

[1] (a) Economic support schemes like supply of milch animals, sheep, calf feed, etc.; (b) Support schemes to enhance productivity of fodder and feed, silage making units; (c) Animal health and support services like cattle and sheep insurance, veterinary services; and (d) Infrastructure development schemes like strengthening and construction of veterinary institutions

2.1.4 Audit criteria

The Performance Audit was conducted with reference to the following audit criteria:

- Operational Guidelines of the respective schemes;
- Government Orders and instructions/circulars issued from time to time; and
- Departmental Manuals.

2.1.5 Scope and methodology of audit

The Performance Audit was conducted on the implementation of (i) Supply of milch animal schemes, (ii) Calf feed/rearing programmes and (iii) Sheep and goat development schemes covering the five year period 2010-15. During the period 2010-15, total expenditure of ₹ 195.01 crore was incurred on the above schemes.

Table 2.1 – Expenditure incurred on schemes during 2010-15

(₹ in crore)

Year	Supply of Milch Animals			Calf Feed Programme			Sheep and Goat Development			Grand Total		
	Budget released	Budget utilised	Balance	Budget released	Budget utilised	Balance	Budget released	Budget utilised	Balance	Budget released	Budget utilised	Balance
2010-11	36.89	34.32	2.57	0.23	0.14	0.09	1.96	1.86	0.10	39.08	36.32	2.76
2011-12	78.38	39.91	38.47	0.59	0.32	0.27	8.37	8.02	0.35	87.34	48.25	39.09
2012-13	49.71	46.35	3.36	0.30	0.22	0.08	9.71	3.52	6.19	59.72	50.09	9.63
2013-14	26.64	26.22	0.42	25.33	20.07	5.26	0.63	0.47	0.16	52.60	46.76	5.84
2014-15	1.01	0.73	0.28	8.90	7.46	1.44	7.42	5.40	2.02	17.33	13.59	3.74
Total	**192.63**	**147.53**	**45.1**	**35.35**	**28.21**	**7.14**	**28.09**	**19.27**	**8.82**	**256.07**	**195.01**	**61.06**

Note: The above position depicts figures of the combined AP State upto the date of State bifurcation (02 June 2014) and figures of the present Telangana State thereafter.

(***Source:*** Information furnished by the Department)

Records of the Directorate, three[2] out of 10 district offices (JDs) of each selected district, selected through random sampling method (on the basis of district wise expenditure), were audited during April to July 2015. In each district, two offices of Assistant Director and 25 *per cent* of Veterinary Institutions were also test checked. An 'Entry Conference' was held (March 2015) with the Department, wherein the objectives, scope, and methodology of Performance Audit were discussed. An Exit Conference was held in December 2015 with Principal Secretary, DAH and other officers of the Department, wherein the audit observations and recommendations were

[2] Medak, Nalgonda and Nizamabad

discussed. The replies given during the Exit Conference have been taken into account while arriving at the audit conclusions.

2.1.6 Audit constraints

In the district offices and also in the Directorate, proper documentation in respect of implementation of schemes, selection of beneficiaries, beneficiary-wise sanction files, correspondence with banks, outcomes of the schemes, etc., were lacking and scheme-wise registers were not prescribed/maintained. As a result, audit examination was restricted only to the limited files and correspondence available with the test checked district offices.

Audit findings

The deficiencies noticed in implementation of the above mentioned schemes are discussed in the succeeding paragraphs.

2.1.7 Supply of milch animals[3]

To generate regular income among below poverty line (BPL) farmers/Self Help Groups (SHGs), the Department implemented four subsidised schemes with funds received from GoI under Rashtriya Krishi Vikas Yojana (RKVY), Prime Minister (PM)'s Package and Chief Minister (CM)'s Package as shown below:

Scheme details	Source of funding	Government Subsidy	Years of implementation
Supply of 1+1 milch animal scheme Two milch animals/pregnant cows or buffaloes/heifers are supplied with a gap of six months (first animal is supplied initially and the second animal after six months) to BPL farmers on subsidy.	RKVY, PM package and CM package	50% of unit cost	2007-08 to 2013-14
Supply of two Milch Animals Two milch animals/pregnant cows or buffaloes/heifers are supplied as a unit to BPL farmers on subsidy.	RKVY	50% of unit cost	2012-13 to 2013-14
Mini Dairy Units Five milch animals are supplied to unemployed youth, experienced farmers and SHGs on subsidy.	RKVY	25% of unit cost	2010-11 to 2013-14
Medium Dairy Units 20 milch animals are supplied to educated unemployed youth and women SHGs on subsidy.	RKVY	₹ 2.5 lakh per unit	2012-13 to 2013-14

[3] Milch animal : Lactating (milk giving) buffaloes/cows

The non-subsidy portion under the above schemes was to be met by the beneficiaries with their own money and/or from bank loans.

2.1.7.1 Inadequate Publicity

As per the scheme Guidelines, the AH Department is the implementing agency and a District Level Committee under the chairmanship of District Collector oversees the scheme implementation at district level. Adequate publicity was to be given by the Department regarding the schemes, eligibility criteria, method of submitting applications, etc., for awareness of the potential/ interested beneficiaries. Beneficiaries were to be selected by Mandal Level Committees (headed by Mandal Parishad Development Officer) by conducting Gram Sabhas in the selected villages. The District Level Committee under the chairmanship of District Collector finally approves the list of beneficiaries selected by Mandal Level Committees. During 2010-15, animals were supplied to 8740 beneficiaries in the test checked districts under different milch animal schemes and subsidy of ₹ 20.83 crore was utilised.

Audit noticed that despite availability of funds, the Director of AH had not released any funds to the test checked districts for providing publicity. No records about conducting Gram Sabhas for selection of beneficiaries, applications received/rejected and publicity given by the Department for generating awareness among potential beneficiaries were found either in the Directorate or in the test checked districts. Paragraphs 2.1.10.1 and 2.1.11 of this Report bring out the issues of some of the schemes not attracting adequate response from potential beneficiaries.

2.1.7.2 Selection of beneficiaries

Though the guidelines of milch animal schemes stipulated selection of beneficiaries in Gram Sabhas, in Nalgonda, Nizamabad and Medak districts no records/information about conducting Gram Sabhas for selection of beneficiaries was available, either with the JDs or with the test checked ADs/DDs/veterinary institutions.

Further, the details of applications received, accepted and rejected during selection of beneficiaries were not available in any of the three test checked districts, due to which there is no assurance that the selection of beneficiaries was done in a transparent manner.

The JD, Nizamabad district stated that Gram Sabhas were not conducted but beneficiaries were selected through collection of applications from farmers by departmental officials. The JDs of Medak and Nalgonda districts stated that Gram Sabhas were conducted, though the details thereof or any evidence in support of the claim were not furnished.

2.1.7.3 Procurement and supply of milch animals

For supply of milch animals to the beneficiaries selected under various schemes, the Department procured milch animals like cows/buffaloes/heifers from other States by concluding Rate Contract (RC) with supply firms selected after tender process. Audit observed the following deficiencies in procurement and supply of milch animals:

(i) Procurement of over-aged animals: The Scheme guidelines, prescribed that age of the milch animals, at the time of supply, should not be more than 60 months in case of buffaloes and 48 months in case of cows. A condition to this effect was also included in the RCs concluded with animal supply agencies. This was to ensure that the inducted animals give assured yield of milk for longer duration. Audit noticed that 105[4] out of 255 buffaloes supplied in test checked districts during 2010-14 were over aged, age of these buffaloes ranging from 61 to 78 months. Thus, the guidelines in this regard were not followed and assured milk yield for maximum period was not ensured.

During the Exit Conference, the Department replied that over-aged animals were procured in some cases as the beneficiaries choose over-aged animals. The reply is not acceptable since the scheme guidelines and terms of RCs were specific about the age criteria, the Department should not have allowed the supply agencies to offer/supply over-aged animals to beneficiaries.

(ii) Transportation of animals**:** As per guidelines and the terms and conditions of RCs concluded with the suppliers, it is the responsibility of the supplying agencies to arrange transportation of animals from source point to the beneficiary village by train/trucks. The Department pays transportation charges to the suppliers at the rates stipulated in the guidelines/RCs from time to time. The charges payable depends on the type of animal[5], actual distance and mode of transport (train or truck). As per the RC for the period 2010-12, the rates fixed for transportation of a milch animal, by rail was ₹ 2.80/Km and by road was ₹ 3.50/Km. RCs concluded with supply firms stipulated that in case of transportation of animals by trucks the firm should submit way bills, a route map, details of truck number and meter readings along with invoice as proof of transportation. In case of transportation by rail, the firm should submit copies of railway receipts.

During 2010-15, the Department inducted 13670 animals in three test checked districts and paid ₹ 5.02 crore towards their transportation. A test check of 255 invoices/delivery challans (selected randomly) revealed that in all these

[4] Nizamabad-20, Nalgonda-33 and Medak-52

[5] Milch animal, pregnant milch animal, heifer or pregnant heifer

delivery challans, transportation charges were claimed and paid at rates applicable for transportation by trucks, but way bills were not enclosed in any of them. Truck numbers were noted in only 100 (39 *per cent*) delivery challans and meter readings were not noted in any of them. Despite non-submission of way bills/railway receipts, bills were passed and transportation charges paid based on road transportation rates, without verifying the actual mode of transportation used and distance covered.

The Government replied that transportation charges were paid based on the distance as per Google maps. The reply is not acceptable since Google maps show only the distance but cannot be taken as proof of actual transportation or for the mode of transport. Payment of transportation charges without proof of transportation indicates lack of transparency and possibility of fraud.

***(iii) Non-establishment of display centres*:** After finalisation of the tenders for supply of milch animals and placing the supply orders on the supply firms, a committee of technical experts of the Department visit the place of procurement along with supplier firms to choose the breed and also to examine the biological features like health, milk yield, etc. The beneficiaries may accept the breed supplied by the Department or accompany the committee, at their own cost, to choose the animals of their choice either personally or through their representative. The Government instructed (May 2012) the Department to call for tenders from milch animal supply firms to establish display centres in the State to enable the farmers choose the breed of their choice instead of travelling to other States, thereby reducing the financial burden to beneficiaries. Audit noticed that even after three years, display centres were not established (June 2015) due to non-finalisation of modalities of tendering process.

The Government stated (January 2016) that the supply firms were instructed to open display centres at procurement points of respective States. The action of the Department was not in accordance with the Government orders to establish the display centres in the State to enable the beneficiaries selecting the milch animals without incurring travel expenses. The Department had not explored the methods to facilitate beneficiaries selecting the animals without going to other States duly incurring travel expenses. It is pertinent to note that only 53; 30 and 58 *per cent* of the targets were achieved in 'supply of 1+1 milch animals; Mini Dairy Units and Medium diary Unit schemes respectively as discussed in subsequent Paragraphs 2.1.8; 2.1.10 and 2.1.11.

***(iv) Acknowledgements from beneficiaries*:** Test check of 255 delivery challans revealed that in 89 cases, though the animals were shown as handed over to beneficiaries, acknowledgement (signatures/thumb impression) of beneficiaries in token of receipt of the animal were not obtained, in the absence of which actual delivery of animals to the selected beneficiaries could not be established.

***(v) Lack of follow-up on inducted animals*:** As per the guidelines of milch animal schemes, the Department shall give technical guidance required by the beneficiaries on the follow-up measures to be taken after induction of animals to ensure that all the inducted milch animals conceive within three-four months by making frequent visits to beneficiaries. Guidelines prescribed maintenance of a 'follow up register' for recording details of follow up action taken in respect of each inducted animal. However, no follow-up registers were maintained in any of the 15 Veterinary Institutions test checked in Medak district. In Nalgonda and Nizamabad districts the registers maintained did not contain information such as dates of artificial insemination, stage of pregnancy, treatment given, milk yield etc.

2.1.8 Supply of 1+1 Milch Animals Scheme

The 1+1 milch animals scheme was being implemented since 2007-08. Under this scheme, beneficiaries from BPL families are selected and supplied with two milch animals with a gap of six months at 50 *per cent* subsidy. The beneficiaries were to bear the remaining cost on their own or from bank loans for each animal at the time of supply.

In the three selected districts, as against a total target of 14299 milch animals, the Department had supplied 7598 animals during 2010-15.

Audit noticed the following deficiencies in implementation of this scheme:

2.1.8.1 Non supply of second animal

The scheme guidelines stipulated supply of two animals to each beneficiary since maintenance of one milch animal was not considered economically viable. Thus, supply of two animals was key to provide sustainable income generation to beneficiaries. From the '45 column register of inducted animals' maintained by the Department, Audit noticed that though the Department supplied 7598 animals under 1+1 milch animals scheme during 2010-15, out of the 7150 beneficiaries covered under the scheme, second animal was not supplied to 6702 (94 *per cent*) beneficiaries. There was no monitoring over this issue, either at the Directorate level or at the District Office level, as no returns/reports were prescribed/ maintained to watch the supply of second animal. The reasons for non-supply of second animal were not forthcoming from the records of the Department. Instead of supplying second animal to the enrolled beneficiaries, the Department identified new beneficiaries and supplied a single animal to them.

While accepting the above audit observation, the Government stated that beneficiaries did not come forward to procure second animal. However, no documentation was found in the Department's records about the efforts made by the district offices/Veterinary Institutions to encourage the enrolled beneficiaries to take the second animal.

Thus, due to non-supply of second animals to majority of beneficiaries, the intention of the scheme to provide sustainable income generation to the BPL beneficiaries by supplying two animals was not fulfilled.

2.1.8.2 Supply of feed and medicines to inducted animals

Feeding the animal with concentrated feed and nutritional items from the day of induction is essential, apart from health care for achieving the objective of high milk yield. The guidelines of PM package stipulated that (i) concentrated feed worth ₹ 9125 should be supplied in respect of each inducted animal for a period of one year from the date of induction and (ii) nutritional items and required medicines costing ₹ 300 up to 2011-12 and ₹ 1000 thereafter for each animal are to be given at the time of supply of milch animals. CM Package and RKVY guidelines also prescribed supply of feed at the rate of four kg per day for 250 days from the date of induction.

The Department had not planned for timely supply of feed as per the above guidelines and audit noticed the following deficiencies:

***(i) Belated/non-supply of feed*:** In Nalgonda district[6] feed was belatedly supplied (2012) to 1002 milch animals, inducted during 2007-09 under PM Package, due to belated release of funds (₹ 29.88 lakh). Feed was also not supplied to 53 milch animals inducted during 2010-11, as of June 2015, due to non-release of funds by the Director despite the availability of funds under the scheme.

(ii) Short supply of feed: As per the guidelines of CM package and RKVY, each inducted animal requires four Kg feed per day for a period of 250 days from the date of induction for required milk yield. Of this, two kgs were to be supplied from government funds, the subsidy being 50 *per cent,* and balance two kgs were to be supplied by collecting beneficiary contribution.

In three districts 7125 animals were inducted during 2010-14 under these two schemes, thus, requiring supply of 3562 tons feed over a period of 250 days from government funds. Against this, the Department supplied only 2018 tons and the shortfall was 1544 tons. Thus, the quantum to be supplied from government funds was not supplied in full. Audit noticed that when there was an increase in cost of the animal (August 2011) and feed (2012-13 and

[6] Gundala and Choutapal VDs

2013-14) in open market, the Government reduced quantum of feed instead of increasing the unit cost. Also, the beneficiaries did not pay their contribution resulting in short feeding of animals. The required milk yield was, therefore, not ensured.

(iii) Non supply of medicines: In Medak district medicines were not supplied to 1779 animals, out of 2601 inducted during 2010-14, despite availability of funds with Joint Director (JD). Audit noticed that the Assistant Directors (AD) did not submit indents to JD for the above items and the JD also did not make efforts to obtain the indents and to supply the items. In Nalgonda district also, medicines were not supplied to the milch animals inducted from 2010-11 to 2013-14.

Supply of nutritious feed after inducting animals was essential to achieve high milk yield, but due to its non-supply there was no assurance that the desired milk yield was achieved.

2.1.9 Supply of two Milch Animals Scheme

While the 1+1 Milch Animals scheme was still under implementation, the Department came out (November 2012) with a new scheme of 'Supply of two milch animals' to BPL farmers with RKVY funds. Under this scheme, both the animals were to be supplied at a time to the beneficiaries at 50 *per cent* subsidy.

The Department initially set a target of 215 units for the three test checked districts and released funds accordingly. It later set additional targets of 130 units (March 2013) and 1180 units (February 2014), totaling to 1525 units, by diverting unutilised funds under other schemes. As against this, the three districts supplied 835 units by the end of 2013-14. The achievement was 92, 38 and 99 *per cent* in Medak, Nalgonda and Nizamabad districts respectively indicating that demand was there. Despite this, the scheme was not implemented after 2013-14 as seen from the fact that neither targets were fixed nor funds were released thereafter, for reasons not on record. Thus, the Department was devising and implementing schemes on ad hoc basis without any long term objective.

2.1.10 Mini Dairy Units Scheme

To encourage rural unemployed youth to take up dairying activities on fulltime basis and augment milk production in the State, Government accorded (May 2010) administrative approval for ₹ 23.45 crore for implementation of a new scheme of 'Mini Dairy Units' (MDU) with funds received from GoI under RKVY. The scheme targeted 4400 MDUs of three sizes viz., six (3+3), 10 (5+5) and 20 (10+10) milch animals by providing 75 *per cent* 'interest subsidy'[7] to beneficiaries. The Department did not furnish any records/details of interest subsidy paid to the beneficiaries.

Later, the structure of the scheme was revised (June 2011) and it was decided to establish MDUs (each unit consisting of five milch animals)[8] by providing 25 *per cent* of the unit cost as front end subsidy. The balance 75 *per cent* was to be borne by beneficiaries as cash contribution/bank loan.

2.1.10.1 Non-achievement of objectives of MDUs Scheme

Under the scheme, the Department proposed to sanction 8945 MDUs in 22 districts in the erstwhile State of AP with RKVY funds and 704 MDUs with funds received under National Mission on Protein Supplements (NMPS) Scheme, totalling to 9649 MDUs. During 2011-13, the Director released ₹ 34.84 crore to 22 districts.

As against 9649 MDUs targeted, despite availability of funds, the Department was able to sanction only 2979 units (30.87 *per cent*) by utilizing a subsidy amount of ₹ 15 crore. In test checked districts, targets and achievements during 2010-14 are as shown below:

Table 2.2 – Targets and achievement of Mini Dairy Units

(No. of units)

Year	Nalgonda		Nizamabad		Medak		Total	
	Target	Achieve-ment	Target	Achieve-ment	Target	Achieve-ment	Target	Achieve-ment
2011-12	468	362	285	72	365	105	1118	539
2012-13	555	51	197	21	365	63	1117	135
2013-14	NA	26	136	85	460	51	596	162
Total	**1023**	**439**	**618**	**178**	**1190**	**219**	**2831**	**836**

(***Source:*** *Information furnished by JDs*)

As against the total target of 2831 MDUs stipulated by Director for the three test checked districts, only 836 units (i.e. only 35 *per cent*) were sanctioned. Of this, 539 units were sanctioned in 2011-12. The number of units sanctioned declined to 135 in 2012-13 and 162 units in 2013-14.

The Government attributed the reasons for shortfall due to low subsidy rate and non-sanctioning of loans by banks. No correspondence with the banks was available in the records of test checked districts indicating that the JDs

[7] Under this scheme, 75 *per cent* amount of the interest paid by the beneficiary (on the loan taken by him/her for establishing Mini Dairy Unit) to the bank would be reimbursed by the Department on quarterly basis.

[8] Beneficiaries to be selected from experienced farmers, unemployed rural youth and members from Self Help Groups

had not made efforts to facilitate bank linkages to selected beneficiaries and to convince/encourage the bankers to sanction loans to them for establishment of units.

The MDUs scheme was launched for experienced farmers, unemployed rural youth and members of women SHGs to take up dairying as full time activity and to augment milk production in the State. While the MDUs scheme was a partial success (2979 units sanctioned in the State during 2011-14), the Department did not set further targets after 2013-14 and no further funds were released.

2.1.10.2 Health and nutritional support for calves

Guidelines of MDUs scheme stipulated that milch animals are to be procured, within 30 days from calving, and supplied to beneficiaries along with their calves. It was further stipulated therein that the female calves supplied to each beneficiary shall be registered (up to two calves per beneficiary) by the Department for extending health and nutritional support, worth ₹ 150 and ₹ 1500 respectively, to each female calf so as to bring an early maturity, calving in the enrolled female calves.

Audit noticed that while allocating funds to district offices, the Director had released the funds based on the physical targets of MDUs and cost per unit. However, the cost towards health and nutritional support to female calves was neither included in the unit cost nor sanctioned separately to district offices. A total of 4180 milch animals along with their calves were supplied to the beneficiaries of 836 MDUs set up in the test checked districts. Out of these, 1450 were female calves. However, none of these female calves were enrolled and health and nutritional support was not provided to them as stipulated in the scheme guidelines, as no funds were sanctioned/released for implementation of this component of the scheme.

The Department accepted the audit observation and stated that due to non-receipt of budget the calves were not enrolled.

2.1.10.3 Supply of cattle feed

The scheme guidelines contemplated supply of 450 kg of cattle feed for the first 100 days of lactation at 25 *per cent* subsidy to each animal inducted under MDUs scheme (estimated cost at 2011-12 rates: ₹ 4500 out of which ₹ 1125 was subsidy). The balance 75 *per cent* non subsidy portion was to be collected from the beneficiary before supply of the cattle feed to ensure supply of 100 *per cent* feed.

In test checked districts, as the beneficiaries did not contribute non-subsidy portion, the Department, instead of ensuring collection of beneficiary contributions from beneficiaries, supplied only 110 kg of feed per animal (as against 450 kg) with the 25 *per cent* subsidy amount (₹ 1125) during 2011-12 and 2012-13. During 2013-14, when the market rates of cattle feed increased, the Department further reduced the feed quantity and supplied only 83 kg per animal to limit the cost of the feed to the subsidy amount of ₹ 1125, instead of increasing the allocation.

Thus, there was no assurance that the objective of increasing the milk yield by supplying 450 kg of nutritious feed to inducted animals was achieved.

The Government replied that the beneficiaries did not come forward due to their financial constraints in paying non-subsidy portion of 75 *per cent*. The reply is not acceptable. At the time of sanctioning the units, the Department should have selected beneficiaries having adequate financial capacity and supplied animals after generating awareness about the benefits of concentrated feed and duly collecting the non-subsidy portion for supply of feed to achieve the objectives of the scheme.

2.1.10.4 Non-utilisation of funds

For supply of hand/power operated milking machines to dairy farmers on 50 *per cent* subsidy under RKVY, the Department released (September 2012) ₹ 1.90 crore to nine districts. Of this, the district offices utilised ₹ 32.64 lakh and supplied 79 machines leaving the balance amount in the bank accounts due to lack of demand from farmers for the machines as assured power supply was not available in rural areas for operating machines.

However, neither the Director called back the amount nor did district officials remit the same back for fruitful utilisation of the unspent amount as of June 2015 resulting in blocking of ₹ 1.57 crore.

2.1.11 Medium Dairy Units Scheme

To develop model dairy farms/commercial dairy enterprises and to increase milk production in the State, the Department introduced (November 2012) another scheme of 'Medium Dairy Units' with RKVY funds. Under this scheme, 20 animals in two spells (10+10) were to be supplied to each selected beneficiary (educated unemployed youth/women self-help groups). Unit cost[9] was fixed at ₹ 11.41 lakh for cows and ₹ 13.50 lakh for buffaloes out of which ₹ 2.5 lakh per unit would be given as subsidy. Out of the non-subsidy portion, 10 *per cent* was to be contributed by beneficiary and balance amount from bank loan. The Department had targeted establishment of 400 Medium Dairy Units across the State and ₹ 10 crore was allocated towards subsidy.

[9] This includes cost of animals, transportation, insurance, construction of shed, milking machine, cost of fodder cultivation, chaff cutter (3 HP) and cost of feed for one month (4 kg per animal per day)

For nine districts of present Telangana State, the Department had initially set a target of 164 units with a total subsidy of ₹ 4.12 crore. There was poor response to the scheme and the Department reduced (March 2013) the target to only 48 units and allotted ₹ 1.2 crore towards subsidy while converting the remaining 116 Medium Units to 409 units of '2-milch animal' units at 50 *per cent* subsidy to utilise the remaining subsidy amount of ₹ 2.90 crore.

The DAH did not furnish the details of Medium Dairy Units established in the State. In test checked districts, audit noticed that even the reduced targets were not achieved as shown below:

Table 2.3 – Targets and achievement of Medium Dairy Units in test checked districts

District	Original target	Revised target	Achievement
Nalgonda	21	5	3
Nizamabad	13	4	3
Medak	16	4	1
Total	**50**	**13**	**7**

*(**Source:** Information furnished by JDs)*

Audit noticed the following:

- The scheme was launched at a time when the Department was finding it difficult to implement even the Mini Dairy Units scheme which involved lower investment by beneficiaries (discussed in paragraph 2.1.10.1).
- To set up a Medium Dairy Unit under this scheme, the beneficiary was to bring in substantial investment of his own (including loan) ranging from ₹ 8.9 lakh to ₹ 11 lakh, which could possibly lead to lack of adequate response from beneficiaries.

The Government attributed poor achievement to non-sanctioning of loans to beneficiaries by banks and to the non-subsidy portion being high. No record was available in the test checked districts to show that the JDs had pursued with banks to sanction loans to selected beneficiaries for establishment of units, though sanctioning of loans by banks to the selected beneficiaries was vital for success of the scheme.

As a result, the Medium Dairy Units scheme was largely a failure. Non-achievement of targets and utilisation of funds by diverting to '2-milch animals' scheme led to non-achievement of the intended objective of encouraging model dairy farms and commercial dairy enterprises in the State.

2.1.12 Calf Rearing (Sunandini) Programme

To increase number of lactations and milk production by bringing early maturity in female calves through supply of nutritional feed, the Department launched (June 2013) 'Calf Rearing Programme', also known as 'Sunandini'. The scheme contemplated enrolling cross breed and graded murrah female calves (up to two calves per each BPL family) born out of artificial insemination (AI) at the age of three-four months and supply feed to them up to 24 months and 28 months of age respectively with 75 *per cent* subsidy, besides providing healthcare and insurance with 100 *per cent* subsidy. The scheme was being implemented with State Government funds[10] as well as RKVY funds.

Under this scheme, 260 kgs of feed (worth ₹ 3900), mineral supplementation and healthcare (worth ₹ 500) and insurance (premium: ₹ 600) was to be provided in the first year to each calf at a total cost of ₹ 5000 (Government subsidy: ₹ 4025 and beneficiary contribution: ₹ 975). In the second year, 612 kgs of feed worth ₹ 10000 (Government subsidy: ₹ 7500 and beneficiary contribution: ₹ 2500) was to be given to each calf. The feed was to be supplied on quarterly basis and medicines and insurance immediately on enrolment. The deficiencies noticed in implementation of Sunanadini scheme are discussed below.

2.1.12.1 Targets and achievement:

On launching of the scheme, the Department fixed a target of covering 28380 calves in the nine districts of the State during 2013-14. The targets were fixed based on the district wise data of number of calves born out of artificial insemination (2.94 lakh in nine districts) during the previous year.

The targets fixed consisted of only nine *per cent* of total calves born from artificial insemination and the Department successfully achieved the target in the same year. Despite the success in enrolment in 2013-14, no further targets were fixed for 2014-15 made to cover the remaining 91 *per cent* calves born from artificial insemination in the State. The reasons for discontinuation of fresh enrolments were not forthcoming from the Department's records.

In the test checked districts, 9953 calves were enrolled under Sunandini scheme. As per the scheme Guidelines, a selection committee consisting local Veterinary Assistant Surgeon (VAS) and Divisional Assistant Director (AD) would select the beneficiaries in Gram Sabhas. Audit noticed that Gram Sabhas were not conducted in any of the test checked districts for selection of beneficiaries. VAS and AD visited the villages and enrolled the calves. However, selection of beneficiaries through Gram Sabhas would have ensured

[10] Normal State Plan funds and Special Component Plan for Scheduled Castes

transparency in selection process and accrual of scheme benefits to the deserving BPL beneficiaries.

2.1.12.2 Supply of feed to enrolled calves

Since, the objective of the scheme was to achieve early maturity of the enrolled calves, timely supply of the stipulated quantities of nutritional feed to the calves was key for its achievement.

As per the guidelines, the quantum of feed to be supplied in each quarter depends on the age of the enrolled calf. While the feed to be supplied in the first year was 2588 MTs to 9953 calves, the Department supplied only 861 MTs (34 *per cent*). During second year while the Department was required to supply 6091 MTs both from Department and beneficiaries' contribution. The beneficiaries did not contribute their non-subsidy portion. The Department also did not supply their portion of feed fully. As against 3046 MTs required, the Department supplied 1336 MTs only (44 *per cent*).

Audit noticed that funds were not released to districts for supply of required quantity of feed. As against the requirement of ₹ 8.86 crore for feed, the Department released only ₹ 4.58 crore which leads to short supply of feed.

2.1.12.3 Non Supply of calf card to the beneficiaries

Scheme guidelines stipulated maintenance of two calf cards in the prescribed format for each enrolled female calf. One card should be with the beneficiary and the other one with the Veterinary Assistant Surgeon (VAS) concerned. These cards were to contain the details of beneficiary, details and dates of supply of feed and medicines/vaccinations and also acknowledgements of the beneficiary in token of receipt of the supplies. However, Audit noticed that in Medak district, the Department did not maintain the calf cards for all the 1274 calves enrolled to note the supply details.

While accepting the facts the Department attributed belated supply of cards for non-maintenance and assured compliance in future.

2.1.12.4 Evaluation of scheme outcomes

The main objective of the Sunandini Calf Rearing Programme was to ensure early attainment of maturity of enrolled calves and decrease the age at first calving by providing concentrated feed supplementation and healthcare to them.

Under the programme, enrolment of calves began in October 2013 and 48 *per cent* of calves were enrolled at the age of five-ten months. Thus, as of June 2015, most of the enrolled calves in the test checked districts would have reached the age of 24 months. However, the details of maturity/first calving of the enrolled calves were not being monitored and recorded in three test checked districts.

Further, the scheme guidelines stipulated that growth pattern of the enrolled calves shall be recorded periodically by assessing their body weight, coat, texture and health. The Department also instructed the district offices to upload the growth pattern in a dedicated website. Though the details at the time of enrolment were uploaded, subsequent growth was not collected by the officials.

Due to non-recording/monitoring of growth pattern and the details of maturity/ first calving, there was no assurance about the outcomes of the scheme.

While accepting the above audit observation, the Government replied that it was planning to develop a software application to monitor the growth pattern of enrolled calves and outcomes of the scheme.

2.1.12.5 Non settlement of insurance claims

As per the scheme guidelines, all the enrolled calves are provided insurance cover. In the event of death of the calf, the beneficiary has to submit a claim with necessary endorsements from the Department to the Company within seven working days and the Insurance Company was to settle the claim within 15 days of its receipt.

Out of the 1017 insurance claims made (November 2013 to July 2015) across the State, 293 claims were pending with the Insurance Company/Department as of July 2015. Of these, 154 claims were pending due to non-endorsement of claims by VASs and the remaining claims were pending for other reasons like incorrect bank account details, improper filling of claim documents, etc. The oldest pending claim pertained to December 2013.

Abnormal delays in endorsing the insurance claims and in rectifying the defects in the claims by the Department were leading to delayed settlements, thereby putting the beneficiaries to hardship.

While accepting the above audit observation, the Department replied that action would be taken for early settlement of insurance claims.

2.1.13 Sheep and Goat development schemes

Sheep and Goat rearing is an income-generating activity for weaker sections of the society. With a view to uplift the economic status of shepherds, the Department has been implementing various Sheep and Goat Development schemes, as shown below:

Name of the Scheme and unit details	Source of funding	Government subsidy	Year of implementation
Sheep & Goat Units (Supply of 20 ewes and one ram)	State Plan	50%	2010-11 to 2014-15
Ram Lamb Units (Supply of 20 Ram Lambs)	RKVY and State Plan	50%	2010-11 to 2014-15
Mini Sheep / Goat Units (Supply of five ewes/doe and one ram/buck)	NMPS component under RKVY and State Plan	50% in extremist affected areas 33% in non-extremist areas 90% in under Tribal Areas Sub-Plan	2013-14 to 2014-15
Ram Lamb rearing units (Supply of 50 Ram lambs and providing feed/health care/mineral supplementation)	RKVY	25%	2012-13
Intensive Goat Production (Supply of 47 ewes/doe and 3 rams/bucks and providing feed, medicines/ vaccines, shed, silage pit and insurance)	NMPS component under RKVY	100%	2012-13
Improving productivity of goats under conventional small holder/pastoral system (Goat Cluster scheme) (clusters with 2000 goats are identified and provided feed and medicines/ vaccines)	NMPS component under RKVY	100%	2011-12 to 2012-13

The non-subsidy portion was to be met from beneficiary's contribution/bank loan. As per the information furnished by DAH, an amount of ₹ 14.38 crore was released for the above schemes during 2010-15 out of which an expenditure of ₹ 11.76 crore was incurred so far. The following deficiencies in implementation were noticed in Audit.

2.1.13.1 Selection of beneficiaries

As per the guidelines issued by the Department for the above schemes, the beneficiaries were to be selected in Gram Sabhas, after giving adequate publicity about the schemes. No records/information about conducting of Gram Sabhas, dates of conducting Gram Sabhas, number of applications received/rejected/accepted and copies of resolutions of Gram Sabhas were available with the test checked district JDs.

AD, Banswada of Nizamabad district had accepted the audit point, whereas, AD, Nizamabad and ADs of Medak district stated that Gram Sabhas were conducted in all mandals of their district but no evidence in support of their reply, such as resolutions of sabha, were produced to audit.

2.1.13.2 Promoting Intensive Goat Production

The Department introduced (2012-13) 'Promoting Intensive Goat Production' scheme with funds received from GoI under NMPS component of RKVY. Under the scheme, SC/ST/BPL goat rearers who already had ten or more goats, would be selected and supplied with 47 female and 3 male goats as a unit, costing ₹ 1.19 lakh with 100 *per cent* subsidy. This would be followed up by providing feed, medicines/vaccines, construction of shed, silage pit, metal feeders and insurance. The objective was to inculcate the habit of intensive system of rearing among goat rearers and to showcase these units as demonstration units for other goat rearers.

The scheme was implemented in the State during 2012-13 and 73 units (cost: ₹ 80.11 lakh) were supplied as against a target of 84 units. In three test checked districts 26 units costing ₹ 31.16 lakh were supplied. Guidelines of RKVY stipulated that feed and medicine costing ₹11,000 was to be supplied to each unit for two months to gain body weight for sale purpose in market. The scheme was also extended for construction of silage pit and shed (₹ 40000) and insurance for the units (₹ 1230). The short comings noticed in implementation of the scheme are discussed below:

- In Medak district 10 units were established (September 2013 to May 2014). However, feed and medicines was not supplied to any of these units. Non-supply of these items defeated the objective of extending 100 per cent subsidy as the feed and medicines are essential for healthy growth of the goats and to attain marketable weight. The JD stated (July 2015) that non-supply of feed and medicines were due to non agreement of rate contract. However, the rate contract was already concluded by Director with the supply firm during August 2013 itself.

- Guidelines prescribed establishing goat units after ensuring construction of silage pit and shed by beneficiary. However, in Medak and Nalgonda districts without ensuring constructions of silage pits and shed, ₹ 7.20 lakh was disbursed to 18 goat units (₹ 0.40 lakh per unit)

- Guidelines stipulated that goat units are to be insured of government funds. However, only seven units out of 26 goat units were insured in test checked districts.

2.1.14 Internal Control and Monitoring

2.1.14.1 Internal Audit System

The Department had an Internal Audit (IA) wing, consisting of three officers headed by a Senior Accounts Officer. Out of 56 field offices in the nine districts of the State, the IA wing audited only eight units in 2012-13 and nil there after due to shortage of man-power.

The Government replied that the shortfall was due to staff shortage.

2.1.14.2 Submission of incorrect Utilisation Certificates

The RKVY funds released by GoI are received by the State Agriculture Department, which in turn releases the allocated funds to the AH Department. States are to furnish Utilisation Certificates (UCs) for the RKVY funds released. DAH is required to furnish UCs to the Agriculture Department for submission of consolidated UCs to GoI. The UCs furnished by the DAH did not reflect correct expenditure details on the date of submission of UCs as shown below:

Table 2.4 – Details of incorrect Utilisation Certificates furnished by the Directorate

(₹ in crore)

Year	UC details		Actual expenditure	Difference between UC amounts and Expenditure
	Date	Amount certified as spent		
2010-11	04-08-2011	40.58	36.82	3.76
2011-12	26-11-2011	35.35	21.19	14.16
2012-13	02-05-2013	46.75	4.94	41.81

*(**Source**: Information furnished by the Directorate)*

The Government replied that due to release of funds at the fag end of the year, UCs were given for the full amounts. The reply is not tenable since UCs are to be given only for actual expenditure and issuing UCs without actual expenditure indicates incorrect reporting.

2.1.14.3 Non-remittance of unspent balances to GoI

GoAP received ₹ 242.16 crore from GoI during the period 2006-11 under PM package for implementation of livestock development schemes for vulnerable farmer families or families where a suicide had taken place. The scheme was closed by September 2011 requiring the unspent funds to be remitted back to GoI. However, an amount of ₹ 3.10 crore[11] available with the Directorate was yet to be remitted to GoI as of June 2015. Of this, ₹ 0.95 crore was transferred to State of Telangana consequent on re-organisation of the State, which is not yet remitted to GoI. In three test checked district offices another ₹ 1.05[12] crore was lying in bank accounts as on 31 March 2015.

2.1.14.4 Stock accounts

Rules prescribed that soon after receipt of material such as feed, medicines etc, the same should be accounted for in a stock register. When the material is issued the details such as date of issue, to whom issued, quantity, acknowledgement etc., are to be noted in the register.

[11] Principle: ₹ 0.74 crore and interest: ₹ 2.36 crore

[12] Medak - ₹ 0.54 crore; Nalgonda - ₹ 0.39 crore and Nizamabad - ₹ 0.12 crore

- As per the records of AD, Siddipet (Medak district) mineral supplementation and medicines were shown as issued under Sunandini scheme to three VAS of Chinnakoduru, Pregnapur and Thoguta in March/April 2014. The VAS, however, did not account for the same in their registers for ultimate distribution to beneficiaries and stated to Audit that the same were not received by them. The AD accepted that the same were not received by the VAS, but however, could not explain as to how they were shown as issued to these VAS.
- In Wargal mandal of Medak district 17.56 MTs of feed was stated to have been distributed under Sunandini scheme to 111 calves during 2013-14. However, without indicating quantity supplied to each beneficiary their acknowledgements were obtained in the distribution register.

2.1.14.5 Non/ improper maintenance of Cash Book

Para 7.1.5 of RKVY guidelines stipulated that accounts records such as cash books, vouchers, ledgers etc are to be maintained for the funds received from GoI under RKVY.

In Nizamabad district the cash book and ledgers were not maintained. In Nalgonda district even though scheme cash book was maintained, it did not contain details of payments such as purpose and to whom the cash was paid.

The JDs confirmed the fact of non-maintenance of cash book and did not furnish any reason for the same. Non maintenance of cash book is a serious lapse on the part of the Department.

2.1.15 Shortage of manpower

Audit noticed that there were 35 and 31 *per cent* vacancies in the technical and non technical field staff as shown below:

Table-2.5: Cadre wise vacancy position in test checked districts

Name of the District	Name of the post	Sanctioned strength	Persons in position	Vacant	Percentage of vacancy
Medak	Technical	355	190	165	46
	Non-technical	234	156	78	33
Nizamabad	Technical	218	133	85	39
	Non-technical	153	118	35	23
Nalgonda	Technical	431	326	105	24
	Non-technical	300	197	103	34
Grand Total (Technical)		**1004**	**649**	**355**	**35**
Grand Total (Non-technical)		**687**	**471**	**216**	**31**

*(**Source**: Information furnished by JDs)*

The Government accepted that shortage of manpower was adversely affecting the functioning of the Department and implementation of schemes.

2.1.16 Conclusion

Schemes like 'Supply of 1+1 Milch Animals' and 'Supply of two Milch Animals' which were aimed at BPL beneficiaries and 'Mini Dairy Units Scheme' which was aimed at promoting entrepreneurship in rural youth and augmenting milk production were discontinued after 2013-14, despite good response from beneficiaries. In implementation of milch animal schemes, deficiencies like lack of publicity, lack of documentation about selection of beneficiaries, payment of transportation bills without details, non-obtaining of acknowledgements from beneficiaries, non-supply of stipulated number of animals, etc., were noticed. In implementation of 'Calf Rearing (Sunandini) Programme', deficiencies like delayed/short supply of feed in the first year and non-supply of feed in second year, non-recording of growth pattern of enrolled calves, etc., defeated the objective of the scheme. There was shortage of technical and non-technical field staff which is detrimental to efficient implementation of livestock schemes at ground level.

2.1.17 Recommendations

Audit recommends that:

- ***Department should give adequate publicity about the schemes to bring in awareness among the potential/interested beneficiaries and it should maintain proper documentation on selection of beneficiaries to ensure transparency.***
- ***Department should ensure timely and adequate release of funds to field offices since timely supply of feed, medicines, etc., to enrolled animals is vital for the success of livestock development schemes.***
- ***In 'Sunandini Calf Rearing Programme', Department should supply feed to the enrolled calves, duly considering their age and ensure timely and adequate supply of feed so as to achieve the intended objective of the scheme, and also ensure monitoring of growth pattern of enrolled calves to assess the outcomes of the scheme implementation.***
- ***The vacant posts in field staff be filled at the earliest to improve efficiency in implementation of schemes.***

During the Exit Conference, the Department accepted the above recommendations.