

## Chapter II

### Performance Audit

#### DEPARTMENT OF CO-OPERATION

#### 2.1 Performance Audit of Schemes of Co-operation Department

##### *Executive Summary*

*Co-operation Department in Odisha was created with the basic objective of strengthening the Co-operative movement in the State. For providing timely and adequate credit to farmers for financing their agricultural activities and administering the Crop Insurance Scheme to provide relief to farmers in the event of crop failure, two schemes viz.; 'interest subvention for providing crop loans through Co-operative banks/ PACS' and 'indemnity for crop insurance' were implemented with assistance from Government of India (GoI).*

*In pursuance of the decision of GoI and GoO, the Odisha State Co-operative Bank (OSCB), District Central Co-operative Bank (DCCB) and Primary Agriculture Co-operative Societies (PACS) were to advance crop loans to the borrowers at seven per cent interest per annum irrespective of the cost of resources. As per GoO direction, crop loans were disbursed at five per cent interest per annum from Rabi 2008 onwards. GoI also provided interest incentive to those farmers who repaid their crop loan in due time. Performance Audit revealed that OSCB did not adhere to the guidelines of GoO and claimed excess interest subvention of ₹ 263.55 crore and of this claims, GoO had already paid ₹ 226.27 crore. Due to non issue of 'Annewari' certificate by the District Collectors/ Government after the natural calamities, farmers were deprived of relief under the scheme.*

*Under crop insurance scheme, GoO adopted blocks or districts as units of insurance instead of Gram Panchayat (GP) in respect of all crops except paddy leading to inaccuracy in loss of crop yield. Extent of cropped areas was not considered while notifying the crops and districts for coverage under insurance. The notifications for implementation of the schemes for Khariff and Rabi seasons were issued much after the date of commencement of the seasons leading to low coverage of non-loanee farmers. Since Crop Cutting Experiment (CCE) was less than the mandatory numbers, GoI declined to bear its share of claims resulting in extra financial burden on GoO. Delay in submission of yield data to Agricultural Insurance Company (AIC) coupled with non creation of Corpus Fund delayed the settlement of claims. Delay in submission of declaration of insurance proposals and misclassification of proposals by the nodal banks resulted in non settlement of claims to the farmers. Claims which were released by the AIC were credited to the farmers' account with delay by PACS. Monitoring and internal control over the implementation of the schemes by the Department was not adequate. Though, evaluation studies conducted by GoI and GoO revealed deficiencies in*

*implementation of the schemes, remedial action on the recommendations was not initiated till the date of audit.*

### **2.1.1 Introduction**

As per the Annual Activity Report of the Co-operation Department, Government of Odisha, the department functions with the objective of providing timely and adequate credit to farmers for financing their agricultural and allied activities, administering the Crop Insurance Scheme to provide relief to farmers in the event of crop failure, providing marketing support to farmers like infrastructure for storage of agricultural produce, imparting co-operative education etc. Out of 28 schemes being implemented, the following two schemes were audited.

- (a) Scheme for interest subsidy / subvention to Co-operative Banks / Primary Agricultural Co-operative Societies (PACS) for providing crop loans.
- (b) Subsidy indemnity for crop insurance.

### **2.1.2 Organisational setup**

The Department of Co-operation under the administrative control of Principal Secretary to Government, implements various schemes including interest subsidy / subvention through Odisha State Co-operative Bank (OSCB). OSCB with its 14 Branches implement the scheme through 17 District Central Co-operative Banks (DCCBs) having 322 branches and 2,714 Primary Agricultural Co-operative Societies (PACS). The crop insurance scheme is implemented by Agriculture Insurance Company (AIC) through DCCBs being nodal banks at district level and through PACS at village level.

### **2.1.3 Audit Objective**

- (a) Scheme for interest subsidy/subvention to Co-operative Banks/PACS for providing crop loan

The Performance Audit was conducted to assess whether:

- the planning process ensured adequate coverage of farmers and timely financing for Short Term Seasonal Agricultural Operation (STSAO) at subsidised interest rates;
- the scheme was implemented with economy, efficiency and effectiveness; and
- internal control system, monitoring and evaluation were adequate and effective.

- (b) Subsidy indemnity for Crop Insurance

The Performance Audit was conducted to assess whether:

- the planning process ensured provision of insurance cover to all notified crops;

- the implementation of the scheme was in accordance with guidelines and the farmers were benefited adequately;
- the sums insured were disbursed to the farmers in time in case of crop damage; and
- internal control, monitoring and evaluation were adequate and effective.

#### **2.1.4 Audit Criteria**

Respective audit criteria for the two schemes were as follows:

- (a) Schemes for interest subsidy / subvention to Co-operative Banks / PACS for providing crop loan.
- National Bank for Agriculture and Rural Development (NABARD)'s guidelines in respect of refinancing interest subsidy/subvention for providing loan for short term agricultural operation.
  - State Government's guidelines for provision of loan for agricultural operation at subsidised interest rates.
  - Orders / instructions of GoI / GoO for implementation of the schemes.
- (b) Subsidy indemnity for Crop Insurance
- Guidelines of Agricultural Insurance Company, GoI/ Department of Agriculture and Co-operation.
  - Minutes of meetings of State Level Coordination Committee on Crop Insurance (SLCCI).
  - Instructions/ Orders/ Notifications/ Resolutions issued by State level organisations for implementation of the schemes.

#### **2.1.5 Scope and Methodology**

Audit objectives, scopes, criteria and methodology of Performance Audit were discussed in Entry conference held on 17 April 2015 with Deputy Secretary to Government of Odisha, Co-operation Department. The Performance Audit was conducted from April to June 2015 covering the period 2009-14 and the records in the Co-operation Department, Office of the Registrar of Co-operative Societies (RCS), OSCB and four<sup>3</sup> DCCBs selected under Stratified Random Sampling method were reviewed. At the village level, 30 PACS affiliated to selected DCCBs were also test checked. Besides, information on implementation of the schemes were also called for from AIC and NABARD.

Draft Performance Audit Report was issued (July 2015) to Government and findings were discussed in an exit conference in October 2015. Views of Government have been considered while finalising the report.

---

<sup>3</sup> Balasore-Bhadrak, Keonjhar, Khordha and Sambalpur.

**Audit Findings**

**2.1.6 Schemes for interest subsidy/ subvention to Co-operative Banks/ PACS for providing crop loan**

In pursuance of GoI guidelines, GoO introduced an interest subvention scheme from 2006-07 with a view to ensure the availability of short term crop loans up to ₹ three lakh to farmers at a reduced rate of seven *per cent* per annum. As per State Government direction, crop loans have been disbursed by Short Term Co-operative Credit Structure (STCCS) in the State at five *per cent* interest from Rabi 2008-09 onwards.

Scheme guidelines stipulate that GoI will provide interest subvention at the rate of two per cent per annum to Co-operative Banks on involvement of their own funds (excluding NABARD refinance). For implementation of the scheme, GoI/ NABARD assured refinancing at four per cent to OSCB up to 2011-12 and thereafter at 4.5 *per cent* per annum to the extent of 55 *per cent* of grass root level credit disbursements by PACS. To encourage farmers to repay the loans promptly, GoI have provided one *per cent* interest incentive for loans sanctioned during 2009-10, two *per cent* for 2010-11 and three *per cent* from 2011-12 onwards.

STCCS are advised to ensure that all crop loans against which interest subvention are being claimed should satisfy, inter alia, the criteria i) the borrower should be an agriculturist, ii) the rate of interest charged should not exceed the rate stipulated by the GoI and iii) the amount of loan is fixed according to the prescribed scale of finance for agricultural loans and the loan is used for the stated purpose. For providing timely and adequate credit to the farmers for financing their agriculture and allied activities, a three tier STCCS<sup>4</sup> has been in operation in the state.

**2.1.6.1 Target, achievement of crop loan and coverage of farmers by STCCS**

GoO fixed an annual target for disbursement of crop loans to farmers through STCCS. Disbursement of crop loans and coverage of farmers during 2009-14 are given below.

**Table No.2.1 Year wise target and achievement**

Year	Target for disbursement of crop loan		Achievement in disbursement of crop loan		Percentage of achievement		Total no. of farmers enrolled (in lakh)	Percentage of loanee farmers
	No. of farmers (in lakh)	Amount (₹ in crore)	No. of farmers (in lakh)	Amount (₹ in crore)	Farmers	Amount of loan		
2009-10	NA	2652	18.32	2682.17	0.00	101	47.32	38.71
2010-11	NA	3000	20.35	3396.39	0.00	112	49.19	41.37
2011-12	27.35	4000	23.45	4415.89	85.76	110	49.08	47.77
2012-13	27.50	5150	25.07	5426.49	91.15	105	52.40	47.84
2013-14	35.00	7000	28.77	7096.64	82.20	101	53.70	53.57
<b>Total</b>		<b>21802</b>		<b>23017.58</b>				

(Source: Information furnished by GoO)

<sup>4</sup> The three tiers of STCCS are as PACS at village level, DCCBs with its branches at middle tier and OSCB at apex level.

It may be seen from the above table that during 2009-14, while the targets for disbursement of crop loans were fully achieved, the coverage of farmers ranged between 82 and 91 per cent of the target during 2011-14. As a percentage of the total number of farmers enrolled, the coverage was ranging from 38 to 54 per cent during 2009-10 to 2013-14 and was increasing year after year.

### 2.1.6.2 Share of crop loan disbursement in the State

Crop loans were given not only by STCCS but also by Commercial Banks (CB) and Regional Rural Banks (RRB) in the State. Details of crop loans extended by STCCS vis-à-vis CB and RRB are given below.

**Table No.2.2 Share of crop loans by STCCS, CB and RRB**

(₹ in crore)

Year	Total crop loan disbursed	Disbursed by STCCS		Disbursed by CB and RRB	
		Amount	Market share (per cent)	Amount	Market share (per cent)
2009-10	4115.00	2682.17	65	1432.83	35
2010-11	5273.52	3396.39	64	1877.52	36
2011-12	6686.20	4415.89	66	2270.31	34
2012-13	8602.16	5426.49	63	3175.67	37
2013-14	10200.50	7096.64	70	3103.86	30
<b>Total</b>	<b>34877.38</b>	<b>23017.58</b>	<b>66</b>	<b>11860.19</b>	<b>34</b>

(Source: Information furnished by OSCB)

As may be seen from the table above, out of the total crop loan disbursed in the State during 2009-14, two-thirds was disbursed by STCCS mainly because of presence of PACS in rural areas and the balance was shared by CBs and RRBs.

### 2.1.6.3 Kissan Credit Card

With a view to simplifying the procedure of granting loans, the OSCB had introduced (1998-99) Kissan Credit Card (KCC) Scheme in the State through DCCBs and the PACS. The prime objective of KCC scheme is to ensure timeliness and adequacy in credit delivery at the ground level. The credit management of farmers is left to their own wisdom and they are free to draw the credit at their own discretion at the time of need.

- **Shortfall in issue of KCC**

GoO/OSCB had fixed target for issuing KCC to the farmers for availing loan without any hindrance. As on 1 April 2009, KCC were issued to 24.41 lakh farmers out of 47.32 lakh total farmer members. The status of KCC during the period 2009-14 is given below.

**Table No.2.3 Status of Kissan Credit Cards as on 31 March 2014**

(₹ in lakh)

Sl. No.	Year	Farmers eligible for KCC	Target for issuing KCC (Percentage)	Achievement (Percentage)
1	2009-10	22.91	3.00 (13)	3.69 (123)
2	2010-11	21.09	3.00 (14)	3.32 (111)
3	2011-12	17.66	7.00 (40)	7.21 (103)
4	2012-13	13.77	5.00 (36)	2.10 (42)
5	2013-14	12.97	5.00 (39)	2.11 (42)

(Source: As per information furnished by OSCB)

As may be seen from the table, though the scheme inter alia envisaged ensuring adequacy in credit delivery, the GoO / OSCB had fixed target ranging between 13 and 40 *per cent* of the farmers eligible for KCC. Even after fixation of target on the lower side, actual achievement during 2012-13 and 2013-14 was 42 *per cent* of the target in both the years. However, KCC issued during 2009-10 to 2011-12 was more than the targets.

- ***Sanction of crop loans without proper check on land details***

As per KCC guidelines, the members of PACS should produce the land records to the Secretary of the PACS who should record the details of the land in the register and take the signature of the member. However, it was noticed that the signature of the member or the Secretary or both were not found on the land register. Though there was a provision that the authorized official of the Revenue Department would verify the correctness of the land details in the land register and would put his signature, the same was not done. As a result, the genuineness of the land details recorded in the land register was not verified and crop loans were sanctioned in deviation to the scheme guidelines.

Government stated (September 2015) that the observation of Audit would be examined and action would be taken accordingly.

#### ***2.1.6.4 Claim and receipt of interest subvention***

As per the guidelines for submission of interest subvention claims, PACS are required to prepare a statement showing borrower-wise sum total of product of crop loan issued during the year and OSCB in turn will submit the claim to NABARD and GoO together with sum total of product of its borrowing from NABARD refinances. The product figure will be worked out from the date of disbursement up to the date of repayment or up to due date fixed by the bank whichever is earlier subject to a maximum period of one year. The banks may submit their claim on half yearly or on annual basis.

OSCB at the apex level of STCCS after advancing of crop loans to farmers prefer interest subvention claims to GoI/NABARD and GoO. Details regarding crop loans provided, subvention claims made and actual receipt of subvention during 2009-14 are given below.

**Table No.2.4 Crop loans provided and interest subvention claimed**  
(₹ in crore)

Year	Grassroots level credit	Interest subvention released by GoI (NABARD) [excess(-) /less (+)]			Subvention released by GoO [excess (-)/ less (+)]			GOI & GoO Balance due
		Claimed	Received	Balance	Claimed	Received	Balance	
Opening balance							-0.13	-0.13
2009-10	2682.17	11.49	1.91	9.58	68.13	69.13	-1.00	8.58
2010-11	3396.39	17.00	15.23	1.77	139.71	87.91	51.80	53.57
2011-12	4415.89	34.33	31.69	2.64	218.79	219.71	-0.92	1.72
2012-13	5426.49	40.19	47.76	-7.57	232.24	232.24	0	-7.57
2013-14	7096.64	51.65	0	51.65	285.40	285.40	0	51.65
<b>Total</b>	<b>23017.58</b>	<b>154.66</b>	<b>96.59</b>	<b>58.07</b>	<b>944.27</b>	<b>894.39</b>	<b>49.75</b>	<b>107.82</b>

(Source: Information furnished by OSCB)

- It can be noticed from the above table that interest subvention of ₹ 58.07 crore was due to be received from GoI/NABARD. Review of correspondence between OSCB and NABARD did not reveal reasons for less release of subvention. Managing Director, OSCB stated that NABARD took longer time to release interest subvention claims.
- A sum of ₹ 49.75 crore was due to be received (June 2015) from GoO towards interest subvention. Reasons for nonpayment of subvention claim by GoO were not forthcoming from records. The MD, OSCB stated that GoO took longer time to release interest subvention claims. With respect to dues from GoO, the Department stated that ₹ 49.75 crore pertained to past periods up to March 2012 but the Finance Department (FD) did not consider the claim.

### 2.1.6.5 Refinance from NABARD

As per the refinance policy, NABARD would sanction separate sub-limits for cultivation of Other Crops (OC), Oilseeds Production Programme (OPP), National Pulses Development Programme (NPDP) and Development of Tribal Population (DTP). The details of sector wise limits sanctioned by NABARD and actual refinance (credit limit) availed by OSCB during 2009-14 are as detailed below.

**Table No.2.5 Credit limit sanctioned and availed** (₹ in crore)

Sl. No.	Year	Credit limit sanctioned by NABARD				Actual Finance/Credit limit availed			
		OC	DTP	OPP	Total	OC	DTP	OPP	Total
1	2009-10	1003.60	225.00	21.40	1250.00	1003.60	225.00	21.40	1250.00
2	2010-11	1270.00	282.50	22.50	1575.00	1270.00	282.50	22.50	1575.00
3	2011-12	1601.95	391.50	20.00	2013.45	1601.95	391.50	20.00	2013.45
4	2012-13	2184.78	485.00	21.50	2691.28	2184.78	485.00	21.50	2691.28
5	2013-14	3090.00	700.00	35.00	3825.00	3108.00	691.00	26.00	3825.00
		<b>9150.33</b>	<b>2084.00</b>	<b>120.40</b>	<b>11354.73</b>	<b>9168.33</b>	<b>2075.00</b>	<b>111.40</b>	<b>11354.73</b>

(Source: Information furnished by OSCB)

It may be noticed from the above table that, during the period 2013-14, OSCB diverted ₹ 18.00 crore from two sectors (₹ 9.00 crore - OPP and ₹ 9.00 crore - DTP) to OC sector.

In reply, Government stated (September 2015) that since the farmers did not avail loans against the credit limit sanctioned in their favour under OPP and DTP, OSCB had to request NABARD for re-appropriation to OC sector to avail the full refinance. However, no such approval for re-appropriation of funds by NABARD was made available to audit.

### 2.1.6.6 Claims and receipts of subvention from GoO

Cost of resources of banks comprises cost of deposits, transaction cost and risk cost. Since crop loans were disbursed from their own resources at interest rate which was less than the cost of resources of banks, GoO compensated the loss to STCCS. Details of procedure adopted by OSCB to determine the interest

subvention due from GoO, discrepancies noticed and actual receipt of interest subvention during 2009-14 are discussed below.

- ***Excess claim of Interest subvention of ₹ 151.19 crore for 2010-11 and 2011-12 due to non adjustment of interest charged to farmers***

The committee constituted by GoO to arrive at quantum of interest subvention to be admitted for providing crop loans, recommended (January 2010) that cost of credit should be calculated as per formula provided by NABARD. The above formula stipulates that for calculation of rate of interest subvention claims, interest charged to farmers should be deducted from the actual cost of lending.

Scrutiny of records revealed that for the years 2010-11 and 2011-12, interest rates adopted for subvention claims to GoO were based on total cost of funds and were not adjusted against interest received from farmers at five per cent per annum on crop loans disbursed. Interest rates charged to farmers on crop loan were to be deducted from the cost of funds of OSCB and DCCBs for claiming interest subvention to GoO. Further, as compared to the claim of 2009-10, OSCB and DCCBs did not adopt the same procedure for 2010-12 and claimed interest subvention without deducting the interest received. Details regarding subvention due and actual claims made for the above two years from farmers are as detailed in ***Appendix – 2.1.1.***

Thus, non deduction of interest collected from farmers on crop loans from the cost of funds for claiming of interest subvention from GoO resulted in excess claim of ₹ 151.19 crore out of which ₹ 113.91 crore had already been received by STCCS (June 2015).

Government stated (October 2015) that OSCB would apprise the Audit with all relevant working details separately. However, working details of claims were not produced to audit for verification.

- ***Excess claim of interest subvention of ₹ 112.36 crore for 2012-13 and 2013-14 due to reckoning of loaning period beyond the due dates***

A committee constituted by the Department under chairmanship of Registrar of Co-operative Society (RCS) prepared (January 2010) guidelines on payment of subvention to STCCS. Regarding modalities of providing interest subvention, it was stipulated that the subvention was to be calculated on the basis of products of crop loans taking into account the date of advance, date of recovery or the due date of loans whichever was earlier. The due dates of repayment for Khariff and Rabi crop loans are 31 March and 30 June respectively.

Scrutiny of records revealed that during 2012-13 and 2013-14, interest subvention of ₹ 112.36 crore was claimed by OSCB in excess of actual dues for the period beyond March and June for Khariff and Rabi season loans respectively as detailed in ***Appendix – 2.1.2.*** GoO had also released the above claims to STCCS without ensuring the actual claims due as per the scheme guidelines which resulted in undue benefit to the STCCS.



GoO stated (October 2015) that since OSCB had to keep funds with DCCBs for period of one year to maintain the credit cycle, the procedure for calculation had been changed and assured to furnish the revised orders to Audit. However, copy of the revised orders of GoO could not be furnished to Audit during the field audit.

**2.1.6.7 Irrational distribution of GoI/NABARD subvention between OSCB and DCCBs**

As per refinance policy, NABARD had agreed to share up to 55 per cent of ground level credit (GLC) and the balance credit was to be financed from own funds by OSCB and DCCBs in ratio of 25 per cent and 20 per cent respectively. Scrutiny of records revealed that GoI/ NABARD released interest subvention of ₹ 96.58 crore to OSCB for the period 2009-14 as STCCS involved their own funds. The subvention was at two per cent for 2009-10, 1.5 per cent for 2010-11 and two per cent from 2011-12 onwards. Although DCCBs had financed ₹ 8487.61 crore ranging from 35 - 39 per cent of GLC out of its own fund, OSCB, however, released only an amount of ₹ 52.40 crore towards interest subvention. On the contrary, though OSCB financed only ₹ 3175.24 crore ranging from 10 - 16 per cent which was less than the prescribed share of 25 per cent, it retained excess subvention of ₹ 15.95 crore which should have been paid to DCCBs as detailed in **Appendix - 2.1.3**.

Government stated (October 2015) that there should be a fair mechanism in distribution of subvention between OSCB and DCCBs. However, the OSCB though financed less than the DCCBs, retained excess subvention of ₹ 15.95 crore.

**2.1.6.8 Non-conversion of Short Term Crop loans into Medium Term loans as per NABARD norms**

As per the NABARD guidelines, in the event of a natural calamity, the State Government would declare 'Annewari' based on scientific assessment of crop yields in the affected areas. However, where such declaration has not been made, banks should not delay in providing conversion facilities.

The State Government would issue 'Annewari' certificate in prescribed format and also declare remission/suspension of land revenue and other dues to the Government from the affected farmers, so that the banks could consider extending relief to the affected farmers by way of conversion / rephasing / rescheduling of loans.

The amount of interest due from Small Farmers/ Marginal Farmers in respect of loans eligible for conversion / rephasing / rescheduling could be deferred for one year. The amounts not collected during the year of occurrence of the calamity could be converted into term loans for a period upto three to five years.

- ***Non extension of relief after cyclone and unseasonal heavy rain in December 2010***

Due to cyclone and unseasonal heavy rain in December 2010, GoO declared details of 18,882 villages in 24 districts where Khariff-2010 crops were damaged after one year in March 2012. It was noticed that on the basis of expected “annevari”<sup>5</sup> declaration by District Collectors (DCs), short term crop loans amounting to ₹ 1,000.42 crores disbursed to 6,08,274 farmers were eligible for conversion into Medium Term Crop (MTC) loan. GoO also agreed in principle to provide guarantee to the tune of ₹ 600 crore and interest free loan of ₹ 150 crore to OSCB to be recovered in three years for the above conversion purpose. Interest subvention of ₹ 52.52 crore was also provided in supplementary budgets of 2011-12. It was however seen that due to non declaration in annevari scheme by DCs, farmers had already repaid their Crop loans and the proposal of conversion Short Term Crop (STC) loan into MTC loan was not acted upon. As a result, farmers were deprived of relief available under the scheme of NABARD.

- ***Farmers were deprived of relief after severe cyclone in October 2013***

Similarly, in October 2013, due to severe cyclonic storm “Phailin” and subsequent flood, there was severe damage and crop loss in 18 districts of Odisha. At the instance of GoO, a meeting of State Level Bankers Committee was held on 28 October 2013 and it was decided for conversion of STC loan into MTC loan. Further, GoO intimated (June 2014) that Collectors of 18 districts would issue village-wise and crop-wise certificate regarding extent of damage to crops. It was, however, noticed from records of OSCB that crop damage report namely “annevari” declaration had not been received except from Balasore district. As a result, farmers were deprived of relief assured by the GoO for conversion of STC loan of ₹ 1291 crore in to MTC loan as per NABARD norms.

Government assured (October 2015) that cooperation and coordination of other departments would be ensured.

#### ***2.1.6.9 Delay in release of incentive funds by OSCB & DCCBs***

As per scheme guidelines, PACS/ DCCBs provide interest incentive to farmers who repay crop loans on or before due dates. After crediting interest incentive, they should make consolidated claims, after due certification by Statutory Auditors. Review of records revealed the following:

- ***OSCB’s delayed release of incentives to DCCBs***

OSCB received interest incentive of ₹ 8.71 crore from GoI payable to farmers for prompt repayment of 2009-10 crop loans on 09 September 2011; however, OSCB released the amount to DCCBs only on 31 March 2013 for passing on

---

<sup>5</sup> Annevari’ is based on scientific assessment of crop yields in the affected areas by natural calamities through the prescribed number of crop cutting experiments and wherever the ‘Annevari’ so declared is less than six annas (i.e. the yield is less than 50 per cent of the average yield in a normal year).

to PACS. Reasons for inordinate delay of over one and half year were not on record.

- ***DCCB's delayed release of incentive to PACS***

For the year 2009-10, Balasore DCCB received interest incentive of ₹ 1.93 crore from OSCB on 31 March 2013 payable for prompt repayment of crop loan by farmers. Of the above amount, only an amount of ₹ 1.73 crore was released (August / September 2013) to PACS. It was observed that PACS received the incentive amount only after 5 months of giving credit to farmers. Reasons for short release of ₹ 20 lakh were not on record.

Bargarh DCCB received ₹ 18.86 crore as incentive for 2009-10, 2011-12 and 2012-13 payable to affiliated PACS. It was noticed that the above amounts were released to PACS with delay ranging from one month to one year.

Accepting the facts Government stated (September 2015) that short and late release of interest incentive are being investigated.

### **2.1.7 Subsidy indemnity for crop insurance**

#### **2.1.7.1 Indemnity of subsidy for crop insurance**

GoI introduced National Agricultural Insurance Scheme (NAIS) from Rabi 1999 and Modified National Agricultural Insurance Scheme (MNAIS) from Rabi 2010. Weather Based Crop Insurance Scheme (WBCIS) was introduced during Khariff-2009 and implemented upto Khariff - 2012.

The objective of the schemes is to arrange insurance coverage and provide financial support to farmers in the event of failure of notified crops as a result of natural calamities, pests and diseases. The scheme operates on the basis of area approach for each notified crop.

Details regarding insurance premia received and corresponding claims paid under both the schemes during the period 2009-14 are given below:

**Table No.2.6 Insurance premia received and claims paid** (₹ in lakh)

Year	Season	NAIS			MNAIS		
		Premium received	Claims paid	Extent of claim to premium (In per cent)	Premium received	Claims paid	Extent of claim to premium (In per cent)
2009-10	Khariff	3969.61	4690.04	118	-	-	-
	Rabi	465.03	649.88	140	-	-	-
2010-11	Khariff	4707.15	13750.82	292	-	-	-
	Rabi	150.04	74.47	53	426.41	401.03	94
2011-12	Khariff	7442.18	68877.37	925	-	-	-
	Rabi	424.29	99.12	23	0.86	0.64	74
2012-13	Khariff	7955.15	6114.13	77	-	-	-
	Rabi	574.73	543.88	95	0.20	-	-
2013-14	Khariff	8557.22	39741.67	464	611.67	6094.24	996
	Rabi	-	-	-	92.47	13.90	15
<b>Total</b>		<b>34245.40</b>	<b>134546.31</b>		<b>1131.61</b>	<b>6509.81</b>	

(Source: Information furnished by AIC)

- Under NAIS, while claims paid for loss of crops ranged from 77 to 925 *per cent* of premium received in respect of Khariff seasons during the period from 2009-10 to 2013-14, it ranged from 23 to 140 *per cent* for Rabi season.
- Similarly, under MNAIS, claims paid ranged from 15 to 94 *per cent* for Rabi season from 2010-11 to 2013-14 and 996 *per cent* in Khariff season of 2013.
- During Khariff - 2011 and 2013, the farming community of the State was adversely affected by heavy flood and cyclone respectively. However, due to crop insurance scheme, the crop losses of the affected farmers were compensated with insurance claim upto 925 and 996 *per cent* of the insurance premium paid by them in Khariff - 2011 and 2013 respectively.

#### **2.1.7.2 Adoption of defined area/insurable units**

NAIS guidelines stipulated (July 1999) that the scheme would operate on unit area approach for each notified crop. The operational modalities of the scheme envisaged that the States should notify smallest possible units as defined areas preferably village or Gram Panchayat within three years. This would facilitate assessment of crop loss accurately. In this regard, following observations are made:

- Government did not adopt GP/village as defined unit till 2009-10. Only in respect of paddy, Government adopted GP as defined units from Rabi 2010 onwards. In absence of GP level data for crop loss upto 2009-10, accuracy of compensation paid to farmers could not be ascertained by audit.
- In respect of groundnut, maize and other crops etc. districts or cluster of districts or blocks were continued as units of insurance. As a result crop losses were not determined accurately and compensation to farmers was not based on proper assessment.

In reply Government stated (May 2015) that State Government was exploring possibility of making GP as the unit of crop insurance under NAIS constantly in respect of crops other than paddy and it required additional manpower and resource generation at their level.

#### **2.1.7.3 Notification of crops in disregard of cropped area**

- ***Non-coverage of widely cultivated crops***

As per NAIS guidelines, State Level Coordination Committee on Crop Insurance (SLCCCI) shall for the purpose of notification consider facts such as availability of past yield data, cropped area etc. It was noticed that certain crops such as pulses (greengram, blackgram and kulthi), oil seeds (sesamum), fibre (mesta), vegetable (onion) and spices (chilli) cultivated over larger areas were not notified whereas crops viz; arhar, nizer groundnut, mustard, jute,

cotton and potato being cultivated in relatively smaller areas with insurance coverage area comprising 20 to 31 *per cent* of total cultivated area were notified as detailed in *Appendix – 2.1.4*. The non consideration of the extent of cropped area for notification of crops resulted in non provision of insurance coverage for widely cultivated crops.

- ***Injudicious selection of districts for insurance coverage***

Scrutiny of records revealed that GoO issued (2009-14) notifications for insurance coverage in respect of certain crops in districts where cultivation of those crops was done on lesser extent of land. However, cultivation of said crops in larger areas of other districts, were not included in the notified list of GoO which deprived farmers of these districts to avail insurance as detailed in *Appendix - 2.1.5*. Reasons were not on record for non notification of the districts where higher extent of areas was under cultivation with same crops. It was also observed that though there were crop losses in Rayagada during Khariff season (groundnut) of 2011-12 and in Kendrapara during Rabi season (mustard) of 2010-11, the farmers could not avail the insurance due to non notification.

Government assured (October 2015) that Agriculture Department and SLTC/SLCCI would be requested to avoid delay in issue of notification for crop insurance and also for inclusion of crops cultivated in larger areas but not yet covered.

#### ***2.1.7.4 Non coverage of sugarcane under crop insurance***

Scheme guidelines stipulated that sugarcane is to be covered under agricultural insurance. Scrutiny of records revealed that during the period 2009-14 sugarcane was cultivated in 1.93 lakh hectare of land in the State. The STCCS also provided crop loan of ₹1752.62 crore to the farmers for cultivation of sugarcane. Since, GoO did not notify the sugarcane for crop insurance during the above period, crop loan provided for cultivation of sugarcane in the State remained uninsured.

Government stated (October 2015) that DGM/AIC had been requested to ascertain the position in other States for implementation in Odisha.

#### ***2.1.7.5 Inordinate delay in issue of notification of crops and defined areas***

The operational modalities of NAIS stipulated that State Government at the beginning of each crop season shall notify crops and also defined areas which will be covered during the season in accordance with decision taken at SLCCCI meeting. It was noticed that GoI's administrative approval for continuance of insurance scheme had been received before commencement of each season during 2009-10 to 2013-14 but there were delays in the convening of SLCCCI meeting. The delay in convening of meeting ranged from 29 to 83 days after commencement of season. As a result, the issue of notifications by the GoO was also delayed. The delay ranged from 54 to 92 days as detailed in

**Appendix – 2.1.6.** As a result, participation of non-loanee farmers in the scheme, which was optional, declined each year except 2011-12.

Accepting the factual position Government stated (October 2015) that they would avoid delays in issue of notification after receipt of GoI approval, to enable farmers to avail crop insurance.

**2.1.7.6 Less coverage of non-loanee farmers**

The coverage of loanee and non-loanee farmers under crop insurance schemes is as under:

**Table No.2.7 Coverage of loanee and non-loanee farmers**

<i>Years</i>	<i>Loanee farmers (Nos.)</i>	<i>Non-loanee farmers (Nos.)</i>	<i>Total</i>	<i>Percentage of non-loanee farmers to total farmers covered</i>
2009-10	1245054	39734	1284788	3.09
2010-11	1244271	13283	1257554	1.06
2011-12	1451507	188539	1640046	11.50
2012-13	1562124	13823	1575947	0.88
2013-14	1656972	11227	1668199	0.67

*(Source: Information furnished by AIC)*

As the Scheme is optional to non-loanee farmers, the scheme guidelines stipulated that the State Government should ensure maximum coverage of farmers including non-loanees. The data in the above table depicts that coverage of non-loanee farmers ranged between 0.67 and 11.50 *per cent* to the total number of farmers covered under the scheme. The reason for low coverage of non-loanee farmers was mainly due to delay in issue of notifications by GoO and insufficient time provided to the financial institutions.

**2.1.7.7 Extra financial burden of ₹ 2.79 crore on GoO**

As per NAIS guidelines, the State Government is to plan and conduct requisite number of CCEs for all noted crops in notified insurance units to assess crop yield. The State Government has to furnish the yield data to AIC in accordance with the cut off dates fixed for all crops. The total CCEs should not be less than the minimum of four prescribed by GoI.

Scrutiny of records revealed that during Rabi 2010 and Khariff - 2011 crop season, out of insurance claims of ₹ 689.57 crore, AIC had borne its share of ₹ 110.38 crore. The rest of the claims were to be borne equally by GoI and GoO for ₹ 289.62 crore each. However, against ₹ 289.62 crore, GoI paid only ₹ 286.83 crore and rejected the balance claim of ₹ 2.79 crore since actual CCEs were less than the mandatory number of four CCEs. As a result, GoO had to pay a sum of ₹ 2.79 crore being a portion of GoI share which was an extra burden on GoO.

In reply, GoO stated (September 2015) that the matter was placed before Committee for settlement of additional claims due to problems/ errors/

omissions under NAIS and it was decided to call for explanations and fix responsibility on officials concerned.

#### **2.1.7.8 Delay in settlement of claims**

Scheme guidelines provide for financial support to the farmers in the event of failure of any notified crop as a result of natural calamities, pest and diseases. As per information furnished by AIC, settlement of insurance claims amounting to ₹ 1170.29 crore were settled with delay ranging from 45 to 252 days for various reasons like delays in receipt of yield data, delays in release of funds by GoO and GoI as detailed in *Appendix – 2.1.7*. Due to delay in settlement of claims, the farmers were deprived of timely compensation for crop loss.

Government stated (September 2015) that timely payment of compensation under crop insurance is dependent on expeditious assessment of yield data and availability of required funds. Assessment of yield data is delayed due to manpower problems. Funds are delayed due to limited budget provisions to meet the unpredictable / widespread crop loss in case of natural calamities. The reply is not acceptable as the State Government failed to plan and conduct requisite yield estimation for all notified crops in the notified insurance units as per the provisions of the scheme guidelines.

#### **2.1.7.9 Non-creation of Corpus Fund**

NAIS guidelines (July 1999) stipulate that in order to meet catastrophic losses, a corpus fund shall be created with contribution from the GoI and GoO on 50:50 basis. A portion of Calamity Relief Fund shall be used for contribution to the corpus fund. The corpus fund shall be managed by the Implementing Agency i.e. AIC. It is observed that though the scheme has been in operation since 1999-00, the GoO has not taken initiative for creation of corpus fund, despite the fact that the State faced catastrophic situations like major floods in 2011 and cyclone 'Phaillin' in 2013. Delay in settlement of claims for want of funds as discussed in *para 2.1.7.8* could have been avoided had the corpus fund been created.

In reply, Government stated (May 2015) that though matter regarding creation of Corpus fund was discussed at national level, it had not materialised. However, the views of audit in this regard would be placed before the SLCCCI.

#### **2.1.7.10 Non settlement of claims due to lapses by Nodal Banks**

SLCCCI being the apex coordinating body have representatives from financial institutions viz: NABARD, RBI, State apex Co-operative Bank and State Level Bankers Committee. The above representatives are party to the decisions of SLCCCI and the guidelines of insurance schemes are applicable to the above financial institutions. NAIS guidelines stipulated that in case a farmer is deprived of any benefit under the Scheme due to errors / omissions / commissions of the Nodal Bank / Branch / PACS, the concerned institutions only shall make good all such losses. Scrutiny of records revealed the

following cases of errors and omissions for which nodal banks were responsible.

- As per NAIS guidelines, non-loanee farmer desiring to join the insurance scheme has to fill up a proposal form of the scheme and submit the same to the village branch of a CBs or RRBs/PACS with requisite insurance charges/premium amount. The above financial institutions have to verify the particulars of sum insured and its limit, applicable insurance charges and forward the same to the AIC. During Khariff 2011 season, both NAIS and WBCIS were open to the non-loanee farmers. It was noticed that 1,366 non-loanee farmers of Titilagarh in Balangir district submitted proposals for insurance under NAIS. Indian Overseas Bank, Punjab National Bank and Utkal Gramya Bank erroneously categorised the proposals under WBCIS and sent them to AIC. The farmers incurred crop losses and were eligible for compensation under NAIS. Since their proposals had been sent under WBCIS, they were found to be ineligible for indemnity under WBCIS and hence no compensation was paid. When the farmers agitated (November 2012) GoO set up a committee to inquire into the issue. As per the inquiry report the above banks were found at fault and GoO ordered (February 2013) them to make good the losses to the farmers from their own resources. However, the compensation amount was yet to be paid.
- Similarly, 414 non-loanee farmers of Mundapadar GP of Balangir district submitted (July 2011) insurance proposals for Khariff-2011 along with premium in Utkal Gramya Bank (UGB), for coverage under NAIS. The cut-off date for submission of declaration to AIC was 31 August 2011. The nodal bank submitted the declarations to AIC after the cut-off date only in October 2011. Due to delay in submission by nodal bank, the AIC did not accept the declarations. As a result the farmers were deprived of compensation of ₹ 66.93 lakh for crop loss. Under these circumstances, GoO ordered (February 2013) that the UGB should compensate the farmers for their loss of crop from its own resources. The UGB was yet (June 2015) to make payment to farmers.
- The insurance premium for Khariff-2011 received from 68 loanee farmers of three GPs of Kalahandi district was erroneously included with premium pertaining to non-loanee farmers and sent it to AIC without corresponding declarations. When insurance claims in respect of above stated loanee farmers were not received, the bank submitted the declaration to AIC after expiry of one year from cut-off date. A committee under Co-operation Department reviewed the case and required the bank to pay the compensation on the basis of calculation made by AIC. The AIC calculated the claim for ₹ 15.69 lakh which was not been paid to the farmers by the bank (May 2015).
- Insurance proposals of 605 non-loanee farmers in respect of Bhela GP and 28 other GPs were submitted (July 2011) to SBI, Komna branch. The SBI, Komna erroneously prepared declaration of the above proposals only under Bhela GP instead of under 29 GPs. There was no



crop loss in Bhela GP whereas crop losses were reported from 11 GPs from where 217 farmers had submitted proposals. Since all the proposals were clubbed under Bhela GP where no crop losses were reported, AIC did not honour the claims for crop losses amounting to ₹ 8.47 lakh to the above 217 farmers. The claims were yet (May 2015) to be settled.

- Balasore - Bhadrak CCB while submitting the declarations for crop insurance under MNAIS for Khariff - 2013 season in respect of 627 loanee farmers of two GPs (Rasalpur-335 farmers and Rasulpur - 292 farmers) erroneously mentioned the name of GP as Rasalpur in both the declarations. As per yield data, the crop loss in Rasalpur GP was 26.32 *per cent* and in Rasulpur it was 99 *per cent*. As the declarations for both the GPs were submitted by the CCB in the name of Rasalpur GP, AIC released the claim of all the 627 farmers basing on the crop loss percentage of Rasalpur GP. Despite crop loss of 99 *per cent*, the farmers of Rasulpur GP got the claim at lesser rate i.e 26.32 *per cent*. Thus, due to negligence of the CCB, 292 loanee farmers of Rasulpur GP were deprived of their legitimate insurance claim based on actual crop loss.

In all the above cases the farmers were deprived of the compensation for their crop loss due to faults of the nodal banks. In cases mentioned above (1<sup>st</sup> and 2<sup>nd</sup> bullet), despite instructions of GoO (February 2013), the nodal banks did not make good the losses of the affected farmers, whereas in other three cases GoO has not issued (as of May 2015) any instruction to the nodal banks to make good the loss of the farmers. Further, the GoO had neither raised the issue in the SLCCCI nor taken any follow-up action.

Government stated (September 2015) that the Commissioner-cum-Secretary reviewed the grievances of the farmers and directed the defaulting banks to compensate the farmers as per the claims to be calculated by the AIC of India as per NAIS. The AIC was also requested (15 September 2015) to furnish the present status on the grievances of farmers.

#### **2.1.7.11 Non allowance of subsidy on premium to farmers**

As per NAIS guidelines and administrative approval of GoI, SLCCCI allowed periodically a premium subsidy of 10 *per cent* in respect of small and marginal farmers. This subsidy would be shared equally by GoI and GoO. Accordingly, net premium should be collected from the small and marginal farmers.

Check of records revealed that Dahikhai PACS under DCCB Khordha financed ₹ 4.05 crore towards crop loan for paddy to the small and marginal farmers during the period from 2009-10 to 2013-14. The rate of premium for paddy was 2.5 *per cent*. Ten per cent subsidy on premium is allowed for small and marginal farmers. Accordingly, premium at the rate of 2.25 *per cent* should have been collected from them but the PACS collected ₹ 10.12 lakh premiums at the rate of 2.5 *per cent* from the farmers. Thus, subsidy on premiums amounting to ₹ 1.01 lakh (10 *per cent* of 10.12 lakh) was not allowed to the farmers.

Government stated (September 2015) that the observation of Audit would be examined and action would be taken accordingly.

**2.1.7.12      *Delay in crediting insurance claims to the accounts of farmers***

As per guidelines of crop insurance scheme, once the funds needed for settlement of insurance claim are provided by Government, claim cheques along with claim particulars are to be released to nodal banks.

The claims received by the nodal banks, will be remitted to individual branches/ PACS with all particulars within seven days and these branches/ PACS will in turn credit to the accounts of the beneficiary farmers within seven days.

Review of information furnished by four DCCBs revealed that during the period 2009-14, the above banks had received insurance claim of ₹ 470.71 crore from the AIC. However, in violation of the provisions of the guidelines the DCCBs remitted the claims to the branches/PACS with delay ranging from 3 to 23 days. Further test check of records in PACS revealed that the claims received by them were credited to the accounts of the beneficiary farmers with delay ranging from 3 to 213 days in 18 PACS. Because of delay in crediting of claims, timely compensation to farmers for crop loss could not be ensured.

Government stated (September 2015) that in order to avoid delay in crediting insurance claims to farmers accounts, NEFT / RTGS mode will be followed.

**2.1.7.13      *Inadequate monitoring and internal control mechanism***

The operational guidelines of the NAIS stipulated that a SLCCCI shall be formed for the purpose of overseeing implementation of the scheme. It was noticed that during the period 2009-14, the SLCCCI generally had its meeting for issue of notification for each crop season. For monitoring purpose, no meeting was held during the above period. However, the SLCCCI in its 32<sup>nd</sup> meeting (June 2013) decided that a committee comprising Commissioner-cum-Secretary, Co-operation Department, Director of Agriculture and Director of Economics and Statistics should take regular review of progress and implementation of the Schemes. However, the committee was not constituted as of June 2015 to review the progress of the scheme. Had the committee been constituted to review the implementation of schemes on regular basis, lapses in the scheme like delays in notifications for the scheme, settlement of claims and crediting the claim amount to the farmers' account could have been avoided.

In its reply, Government stated (September 2015) that the observation of Audit is noted for future guidance.

**2.1.7.14      *Lack of internal control at PACS***

Orissa Co-operative Societies Act, 1962 stipulated that the Registrar of Co-operative Societies may on his own motion inspect or direct any person

authorised by him to inspect the books of the society and shall communicate the results of such inspection to the society. The above Act also stipulated that the financing bank may inspect the books of any society to which it has made any advance. Check of records of PACS revealed that no officer either from the financing Bank (DCCB) or from Registrar of Co-operative Societies had inspected the books of accounts of the PACS to ensure proper implementation of the scheme.

In its reply, Government stated (September 2015) that the observation of Audit is noted for future guidance.

#### **2.1.7.15 Evaluation Study**

GoI, Ministry of Agriculture (MoA) constituted (August 2004) a Joint Group under the chairmanship of Additional Secretary, MoA to study the improvements required in the existing Crop Insurance programme. The Joint Group recommended that:

- Non-loanee farmers which constitute the majority of the farming community need to be brought in the insurance fold.
- The present scheme based on flat rate regime lacks professional approach in administering the scheme. The crop insurance programme should be placed on actuarial regime from Khariff - 2005 season.

Similarly, GoO constituted (August 2006) a committee under the chairmanship of Deputy Registrar of Co-operative Societies (Credit) to examine reasons for poor response of non-loanee farmers under NAIS in the State. The committee in its report observed and suggested inter alia that:

- Non receipt of insurance claims under NAIS by the farmers even though there was a crop loss would lead to less participation of farmers in the subsequent seasons.
- Higher level of unit of insurance i.e, block and district is not suitable for farmers and hence GP should be the unit of insurance.
- Non-loanee farmers are required to join the scheme through bank branches which involve cumbersome procedure and extra cost to them. It was suggested to allow them to deposit their premium at PACS level.

The above observations and suggestions of the Joint Group of GoI, and Committee of GoO were not implemented earnestly. As a result, participation of non-loanee farmers for Crop Insurance was low and it varied between 0.67 and 11.50 *per cent* of total insured farmers during 2009-14.

#### **2.1.8 Conclusion**

Procedure adopted for calculation of subvention receivable was in deviation of guidelines stipulated by GoO and it resulted in extra claim from GoO. Reasons for delayed release of interest incentive to PACS were not found on records of OSCB or DCCBs. Notifications for crop insurance were issued in disregard of

the extent of cultivation of crops. Though GoI's Joint Group commented (August 2004) that NAIS based on the flat rate regime with Government financing both premia subsidy and claims lacked professional approach in administering the scheme, GoO continued to implement the same and had borne three-fourth of risk sharing. As crop cutting experiments could not be done to the required extent, GoO had to bear extra financial burden. Crop cutting experiments suffered due to lack of adequate manpower which caused delay in submission of yield data and consequent delay in settlement of insurance claims.

**2.1.9 Recommendations**

- *Government may take necessary steps to increase the coverage of loanee and non-loanee farmers as well as coverage of all crops under the schemes to extend financial assistance during damage of crops.*
- *Department may co-ordinate with Revenue and other Departments for timely declaration of 'annevari' to ensure extending benefits of conversion of short-term crop loan to medium term loan to the farmers.*
- *Government may consider setting up of Corpus Fund to ensure timely release of assistance to farmers.*
- *Proper mechanism and adequate manpower for crop cutting experiments may be ensured so that yield data can be furnished promptly and delay in settlement of insurance claims can be avoided.*

## **FISHERIES AND ANIMAL RESOURCES DEVELOPMENT DEPARTMENT**

### **2.2 Performance Audit of Selected Schemes of Animal Resources Development Sector**

#### **Executive Summary**

*Livestock rearing is one of the most important economic activity in the rural areas of Odisha providing supplementary income for most of the families dependent on agriculture. Various schemes were implemented by the Department for providing, securing and facilitating effective and efficient services to become self-sufficient/surplus in milk, egg and meat by enhancing livestock productivity for sustainable livelihood. Performance Audit for the period 2010-15 revealed instances where the Department was not taking adequate action to achieve the targets set in the Perspective Plan (PP). As envisaged in the PP, New Livestock Aid Centres could not be provided to each Gram Panchayat by March 2015 and construction of a new Semen Station and an Embryo Transfer Technology (ETT) laboratory was not taken up even by March 2015 although proposed to be completed by 2012-13. Also there was shortfall in production of fodder, certified seeds and distribution of mini kits for seasonal cultivation and perennial root slips for long term fodder production respectively. Due to capacity constraints in the cattle feed plant of OMFED only a part of requirement of calf feed could be supplied. Due to non-implementation of planned activities, actual production of milk in Odisha continues to be less than the target. Forty eight hatcheries set up during 2009-11 remained defunct (June 2015) due to lack of seriousness of the department in operationalisation of the hatcheries.*

*Wide regional disparity was noticed in induction of calves for Calf Rearing Scheme. Concentrate feed mixture could not be supplied to beneficiaries under Goat Development Scheme. Under the scheme "Assistance to States for Control of Animal Diseases (ASCAD)", shortfall in production of vaccines were noticed. The funds meant for routine collection of serum/ morbid materials for surveillance work for controlling exotic and emergent diseases remained unspent due to shortage of field functionaries. Target set for Mobile Veterinary Units (MVUs) remained unachieved. In the Rural Backyard Poultry Development scheme, differential cost was collected from beneficiaries in violation to GoI guidelines.*

*Budgetary and financial controls were ineffective as savings under plan head ranged from 25 - 43 per cent during 2010-15 indicating delay in achievement of objectives of various schemes. There were instances where Utilisation Certificates (UCs) were submitted without incurring actual expenditure. Besides other irregularities like drawal of scheme funds and parking in bank accounts, non-adjustment of advances to Departmental officers for years together were also noticed.*

*In case of Human Resources Management, shortage of personnel in various cadres was continuing for years together thereby adversely affecting the achievement of scheme objectives.*

### **2.2.1 Introduction**

Livestock rearing is one of the most important economic activity in the rural areas of Odisha providing supplementary income for most of the families dependent on agriculture. Fisheries and Animal Resources Development (F&ARD) Department in its perspective plan (PP), envisioned providing, securing and facilitating effective and efficient services to become self-sufficient/surplus in milk, egg and meat by enhancing livestock productivity for sustainable livelihood. The mission of the Department includes enhancing availability of feed and fodder for economic dairy farming and providing efficient veterinary services at the door step of the farmers. As per 19<sup>th</sup> Livestock Census 2012, Odisha had total livestock population of 2,07,33,000 and poultry population of 1,98,91,000. The F&ARD Department implements 44 schemes under Animal Resources Development Sector as detailed in *Appendix – 2.2.1*.

### **2.2.2 Organisational setup**

The Animal Resources Development wing functions under the administrative control of the Commissioner-cum-Secretary to the Government, who is the Head of F&ARD Department. Director, Animal Husbandry and Veterinary Services (AH&VS) is the functional head, and assisted by Additional Directors, Joint Directors and Deputy Directors (DDs). The officers in the field include Chief District Veterinary Officers (CDVOs) and Sub-Divisional Veterinary Officers (SDVOs) at district and sub-division level respectively.

### **2.2.3 Audit Objectives**

The audit objectives of this Performance Audit were to assess whether:

- the planning process for implementation of schemes was effective and in accordance with the scheme guidelines;
- the schemes were implemented effectively and intended objectives were achieved;
- financial management ensured adequate and timely availability of funds and their effective and economic utilisation;
- human resources management ensured sufficient availability of manpower with required technical skills for implementation of various schemes; and
- adequate internal control mechanism were in place to ensure efficient and effective monitoring and control over implementation.

### **2.2.4 Audit criteria**

Audit criteria were drawn from the following documents:

- Guidelines and cost norms of different schemes issued by GoI and State Government.
- Budget documents of Government of Odisha.
- Perspective plans drawn.
- Instructions issued by GoI/State Government/Director, AH & VS.
- Odisha Treasury Code.

### 2.2.5 *Scope and methodology of Audit*

Performance Audit of various schemes implemented by the Department was conducted during April-June 2015 covering the period 2010-11 to 2014-15.

An entry conference was held on 29 April 2015 with the Additional Secretary and other senior officers of the Department wherein audit objectives, criteria and methodology were discussed. Records of the F&ARD Department, Directorate of Animal Husbandry and Veterinary Services were reviewed. In addition, records of Odisha Livestock Resources Development Society (OLRDS), Odisha State Co-operative Milk Producer's Federation Ltd (OMFED), Odisha Biological Products Institute (OBPI), Animal Disease Research Institute (ADRI) and 10<sup>6</sup> out of 30 CDVOs were examined during the course of Performance Audit. Nine<sup>7</sup> out of 25 State Plan (SP) schemes, two<sup>8</sup> out of 11 Central Plan (CP) schemes and two<sup>9</sup> out of seven Centrally Sponsored Plan (CSP) schemes along with one sub-scheme under Rashtriya Krishi Vikas Yojana (RKVY) implemented by the Department were scrutinised during the course of Performance Audit.

Draft Performance Audit Report was issued (August 2015) to Government and compliances to the findings of Audit received (October 2015) from Government have been considered while finalising the report. Despite repeated requests, the Commissioner-cum-Secretary to the Government could not be able to hold exit conference.

## **Audit Findings**

### 2.2.6 *Planning process*

The Department prepared (November 2009) a Perspective Plan (PP) for the period from 2010 to 2020 with a view to critically examine the then status of service delivery mechanism, infrastructure availability and formulate measures for improvement of the livestock sector as a whole, so as to increase the production and productivity in a phased manner over a period of ten years. The above plan focused on development of dairy, poultry, small animal, fodder and veterinary service delivery besides human resources and training. Review of records on planning to achieve the above objectives and measures

<sup>6</sup> Angul, Baripada, Bhadrak, Bargarh, Cuttack, Dhenkanal, Khordha, Koraput, Puri and Sundargarh.

<sup>7</sup> 1) Assistance to Kalyani Project through BAIF Research Foundation, 2) Capacity Building and Strengthening of Training Infrastructure under ARD, 3) Encouragement of Commercial Poultry Entrepreneurship and Backyard Poultry Production, 4) Mobile Veterinary Unit (MVU), 5) Opening of New Livestock Aid Centres (LAC), 6) Promotion of Dairy Entrepreneurship, 7) Strengthening of Dairy Organization, 8) Strengthening of Livestock Service Infrastructure and Modernization of Offices and 9) Upgradation of Livestock Healthcare Service.

<sup>8</sup> 1) Livestock Census and 2) National Programme on Cattle and Buffalo Breeding (NPCBB)/ National Programme on Bovine Breeding (NPBB).

<sup>9</sup> 1) Assistance to States for Control of Animal Disease (ASCAD) and 2) Establishment of strengthening of existing Veterinary Hospitals and Dispensaries (ESVHD).

taken to develop the infrastructure to meet the targets as spelt out in the PP revealed the following:

**2.2.6.1 Non-coherence between the Perspective plan and Annual plans**

In the PP prepared for the ARD sector, it was felt that existing infrastructure for animal healthcare delivery was sub-optimal and therefore inherently inefficient. In particular, rural non-commercial producers have less access than their commercial producer counterparts. To ensure greater efficiency and equity of access, there is a need to re-organise existing veterinary service delivery mechanism. Since Gram Panchayats (GPs) are the unit for provision of all veterinary services including livestock extension activity as per the existing policy of the State Government, each panchayat should have one Livestock Aid Centre (LAC) which is to be manned by Livestock Inspector (LI) and in some places assisted by one attendant. There are 6,234 GPs in the State, out of which only 2,939 GPs have LACs prior to formulation of the PP.

In the PP, target was fixed (November 2009) to open new LAC in the rest of 3,295 GPs during 2010-15 as per details below:

**Table No.2.8 Target for establishment of new LACs**

<i>Year</i>	<i>New LACs</i>	
	<i>Target set in Perspective Plan</i>	<i>Target set in Annual Plan</i>
2010-11	500	300
2011-12	500	300
2012-13	700	300
2013-14	750	0
2014-15	845	0
TOTAL	3295	900

*(Source: Data provided in PP and APs)*

It was noticed in audit that on the basis of proposal of the department through Annual Plans (APs), the Government sanctioned establishment of 900 LACs during 2010-13 (300 LACs each year) in the GPs where no Veterinary Institution existed. No new LAC was provided during 2013-14 and 2014-15 due to delay in construction of already sanctioned LACs in previous years by executing agencies (Block Development Officers). In this connection, it may be mentioned that out of the 900 sanctioned LACs, 245 LACs were completed, construction of 290 LACs in progress and works were not taken up in respect of the remaining 365 LACs as of July 2015.

Thus, APs are not in line with the PP and due to incoherence between these two, the target of establishing new LACs in each GP of the State by 2014-15 could not be fulfilled.

Government stated (October 2015) that proposals for opening of LACs were submitted but the High Power Committee constituted for the purpose could not meet during the period. The reply is not acceptable as the PP envisages opening of New LAC in 3,295 GPs during 2010-15 against which action was initiated for opening of 900 LACs only.



### 2.2.6.2 *Establishment of New Livestock Aid Centres (LACs) without sanction of manpower*

Finance Department, GoO vide its Office Memorandum of March 2001 directed progressive reduction of staff and complete ban on creation of new posts under any scheme, whether Non-Plan (NP) or State Plan (SP)/Central Plan (CP)/Centrally Sponsored Plan (CSP). While the ban was in force, 900 LACs were sanctioned. In the absence of Livestock Inspectors (LIs), no service could be rendered from the LACs.

Government stated (October 2015) that against the 900 LACs, 300 LI posts were created during 2010-11 and balance 600 posts have not been sanctioned. The filling up of 687 vacant posts against the sanctioned posts is under process.

### **Implementation of Schemes**

Animal Resources Development Department introduced 25 SP schemes, 11 CP Schemes and seven CSP Schemes along with one sub-scheme under RKVY for development of animal resources in the State as detailed in *Appendix – 2.2.1*. Deficiencies noticed in the implementation of selected schemes are discussed below:

### 2.2.7 *Dairy development*

To implement the provisions of PP for dairy development, seven SP schemes, five CP schemes and one subscheme under RKVY were implemented during 2010-15 in ARD sector out of which, three SP schemes<sup>10</sup>, one CP scheme<sup>11</sup> and one sub-scheme<sup>12</sup> under RKVY were selected in Performance Audit as detailed below.

#### 2.2.7.1 *Strengthening of dairy organisation*

As per the Indian Council of Medical Research (ICMR) recommendation, the per capita requirement of milk is 280 grams per day. At the time of preparation of the PP (November 2009), the per capita availability of milk in Odisha was only 102 grams per day. Hence, in the PP it was envisaged to enhance per capita availability of milk to 260 grams per day by 2020. As against this, the per capita availability of milk in Odisha was 118 grams (42.14 per cent) per day as of March 2015.

The PP aimed at self sufficiency in milk production and enhancing the per capita availability of milk through establishment of second semen station at Chiplima, Sambalpur, making available good quality semen by producing progeny tested/high pedigree bulls, establishment of ETT laboratory and ensuring significant increase in fodder production. Deficiencies noticed in

<sup>10</sup> 1. Strengthening of Dairy Organisation and 2. Promotion of Dairy Entrepreneurship and Assistance to Kalyani Project through BAIF Research Foundation.

<sup>11</sup> National Programme on Bovine Breeding/ National Programme on Cattle & Buffalo Breeding.

<sup>12</sup> Calf Rearing scheme.

implementation of planned activities in achievement of milk production are discussed below:

- ***Shortfall in production of semen***

To increase milk production, quality animals with high genetic potential were planned to be developed through Artificial Insemination (AI) rendered by a network of 2,985 departmental institutions (Veterinary Dispensaries and LACs), 1,410 Omfed AI Centers, 620 JK Trust Centers, 100 Bharat Agro Infrastructure Foundation (BAIF) Centers and 1,431 Gomitras in the State. To meet the requirement of AI, the department's Frozen Semen Bank at Khapuria, Cuttack was not able to cater to the needs of the whole State. Details of targets for production of semen and achievement during 2010-15 are given in ***Appendix -2.2.2***. As may be seen from the Appendix, the actual production of semen was invariably less than the targets and the shortfall was ranging between one and fifty *per cent* mainly due to constraints in bull sheds to accommodate more bulls.

- ***Non setting up of semen production unit***

The PP envisaged the setting up of one more semen production unit at Chipilima, Sambalpur by 2012-13 to meet the increased requirement of quality semen. Audit scrutiny revealed that no action was taken to set up the new unit since GoI has not sanctioned funds under RKVY/RIDF for the above proposal submitted by GoO. The department had also not come forward with any alternate plan to construct the unit.

Government stated (October 2015) that though Chiplima was identified to have the 2<sup>nd</sup> semen bank of State, subsequently on bio-security point of view, Kathapal was considered. Another bull calf rearing centre is under construction at Sagadi in Cuttack sadar under State Plan scheme.

- ***Non availability of good quality semen***

In PP, though the Department had planned (November 2009) to make available good quality semen by producing progeny tested/ high pedigree bulls, it had not taken any action (August 2015) to produce good quality semen.

Government stated (October 2015) that the progeny testing programme was started in two blocks of Cuttack district in 2010-11. 14,049 test inseminations were performed and the performance recording of progenies was under process. However, the availability of good quality insemination has not improved despite conducting the test.

- ***Non adoption of Embryo Transfer Technology***

As per the PP, for quality bull production, the Department had planned for adoption of modern breeding technique of ETT by 2012-13 with financial

target of ₹ 1.46 crore. However, it was revealed that the department had not taken any action (March 2015) to establish the ETT laboratory.

Government stated (October 2015) that for production of quality bull the establishment of ETT was under progress.

- **Strengthening of Fodder farms of the State**

Good quality and adequate fodder must be produced to increase availability of milk. For increasing fodder production, it was planned to strengthen 20 fodder farms of the State. Targets and achievement for area to be covered under fodder cultivation and actual fodder production is given in **Appendix - 2.2.3**. As may be seen from the appendix there was shortfall ranging from 45 - 77 per cent, 68 - 73 per cent and 8 - 59 per cent in production of fodder, certified seeds and distribution of mini kits for seasonal cultivation and perennial root slips for long term fodder production respectively.

- **Augmentation of the capacity of the plant**

To improve health of cross bred female progenies born out of AI, it was planned to provide calf feed under calf rearing scheme through Odisha State Co-operative Milk Producers' Federation Ltd. (OMFED) which had cattle feed plant with monthly production capacity of 5000 MT. No action was taken (March 2015) to augment the capacity of this plant. Due to capacity constraints in the cattle feed plant only a part of requirement of calf feed could be supplied as discussed in **para 2.2.7.3**.

In view of above deficiencies and non-implementation of planned activities, actual production of milk in Odisha continues to be less than the target as detailed below:

**Table No. 2.9 Shortfall in production of milk**

Year	Milk (Thousand Tonne)		
	Projection/ Target	Achievement	Percentage of shortfall
2010-11	1919	1670	13
2011-12	2127	1718	19
2012-13	2368	1784	25
2013-14	2639	1861	29
2014-15	2945	1903	35

(Source: Perspective Plan and information furnished by DAH&VS)

The above table shows that though milk production was increasing, the same was however less than the target and the shortfall ranged between 13 and 35 per cent. Non-achievement of the targets given in the PP was mainly due to failure of the department to implement these needed planned activities as discussed in **para 2.2.7.2 and 2.2.7.4**.

- **Impact of inadequate availability of milk**

OMFED has a major market share in sale of milk in the State. Commissioner-cum-Secretary to Government/ F&ARD is Chairman-cum-Managing Director

(CMD) of OMFED. Following are details of targets for procurement, actual procurement and sale of milk by OMFED during 2010-15.

**Table No.2.10 Procurement and sale of milk (In lakh litres)**

<i>Year</i>	<i>Target for procurement</i>	<i>Actual procurement</i>	<i>Shortfall in procurement</i>	<i>Percentage of shortfall</i>	<i>Actual sales</i>	<i>Excess of sales over procurement</i>
2010-11	1154.77	1216.42	-	-	1388.10	171.68
2011-12	1571.09	1313.71	257.38	16	1533.37	219.66
2012-13	1558.78	1342.12	216.66	14	1549.21	207.09
2013-14	1634.93	1385.43	249.50	15	1577.67	192.24
2014-15	1857.52	1578.03	279.49	15	1619.13	41.10
<b>Total</b>		<b>6835.71</b>			<b>7667.48</b>	<b>831.77</b>

(Source: Information provided by OMFED)

Shortfall in actual procurement against targets ranged from 14 to 16 per cent and the same was mainly due to delay in completion of chilling plant and other infrastructure such as construction of 30,000 LPD dairy etc. required for procurement and marketing of milk.

#### **2.2.7.2 National Project for Cattle and Buffalo Breeding**

Under National Project for Cattle and Buffalo Breeding (NPCBB), GoI provided ₹ 19.47 crore, with main objective of arranging delivery of vastly improved artificial insemination services at the farmer's doorstep and to bring all breedable female cattle and buffaloes under organised breeding through artificial insemination or natural services by high quality bulls.

For transportation of bulk liquid nitrogen and for safe distribution of semen straws with cryocan containers, necessary arrangement was required to be done with the above funds. Details of targets and achievement in artificial insemination during 2010-15 are given below:

**Table No.2.11 Target and achievement of artificial insemination**

<i>Year</i>	<i>Target</i>	<i>Achievement</i>	<i>Shortfall in percentage</i>
2010-11	1493.00	1237.60	17
2011-12	1578.36	1223.34	22
2012-13	1674.00	1295.70	23
2013-14	1750.00	1434.97	18
2014-15	1801.97	1517.54	16
<b>Total</b>	<b>8297.33</b>	<b>6709.15</b>	

(Source: Data provided by Director, AH&VS)

To an audit query regarding shortfall in achievement of artificial insemination, it was replied that factors like breedable cattle population, response of owners' of cow, availability of skilled manpower etc. were directly related to achievement of AI target. It was however, noticed that following factors were also responsible for non-achievement of targets.

- NABARD Consultancy Services was assigned an impact analysis of NPCBB in 2012 by OLRDS. NABARD observed that storage and distribution of semen had some serious deficiencies due to absence of separate store room for storage of liquid nitrogen and cryocans containing most valuable semen, doses were left in office veranda or open space without proper guarding arrangement. Audit observed that the position remained the same in 2015 also. Further, it was also seen that for construction of store house for cryocans, a sum of ₹ 1.50 crore (at ₹ 5.00 lakh for 30 districts) was allotted and placed with R&B Divisions. However, there was no progress in construction of store houses as ₹ 5.00 lakh was not adequate to build a storage house. Though, R&B Division, Puri had submitted (December 2014) estimate for ₹ 9.56 lakh for release of remaining fund, the issue remain unresolved and the funds remained idle with R&B Divisions.

Government stated (October 2015) that the work is in progress and the CDVOs are requested to complete the work within ₹ 5.00 lakh. Hence, the proposal for escalation cost for construction of store house of one division was not considered. The reply is not acceptable as the construction of store houses was not completed for which storage of liquid nitrogen and cryocans containing most valuable semen doses were left in office veranda or open space without proper guarding arrangement.

### 2.2.7.3 *Calf Rearing Scheme*

As per the scheme guidelines cross bred female calves born out of artificial insemination need good feed and care for two year to achieve its genetic potential. The calf rearing scheme assisted by RKVY aims at providing balanced nutrition to the calves so as to ensure timely sexual maturity and production of more milk.

- *Non utilisation of scheme funds*

As per the decisions of the State Level Sanction and Monitoring Committee (SLSMC) under RKVY, a sum of ₹ 75.11 crore was sanctioned during 2010-15 for the above scheme. The State Government identified the Milk Producer's Co-operative Societies for implementation of the scheme in association with local functionaries of the Directorate of AH&VS. Under the scheme, each beneficiary would receive calf feed with 50 *per cent* subsidy. Against the total sanction of ₹ 75.11 crore for 2010-15, ₹ 36.89 crore was released by GoI. Of these, ₹ 24.26 crore was utilised and the balance amount of ₹ 12.63 crore was lying with the implementing agency (OLRDS).

- *Non achievement of targets as per criteria*

The Government stipulated that the number of calves to be selected from each district would be in the same proportion to the cross bred calves of approximate age group available in respective districts. In this regard, Audit

observed that though the Department fixed target for selection of calves in each district as per the criteria mentioned above, the actual achievement against targets varied widely as per the details given in *Appendix - 2.2.4*. Actual achievement against target among districts ranged from 29 *per cent* in Angul to 176 *per cent* in Balasore district. The wide disparity in achievement of target fixed on the basis of criteria mentioned above indicated that equitable distribution of calf feed was not ensured.

Government stated (October 2015) that due to non-supply of Calf feed to Angul District for the period 2012-13 and 2013-14, the achievement under the scheme stood nil. But, overall achievement was more than 100 *per cent*. However, the reply is silent on the wide disparity in selection of calves from districts.

- **Short supply of calf feed**

Further, OMFED was though nominated to produce and supply the cattle feed to beneficiaries, it had a limited production capacity of 5,000 MT per month. Out of this 3,500 MTs were committed to farmer members of OMFED. Hence only 1,500 MTs of calf feed per month was possible for supply under calf rearing scheme as against the requirement of 3,500 MTs per month. At the rate of 1,500 MTs per month, OMFED was to supply 18,000 MTs per year. As against 18,000 MTs, the actual supply by OMFED during 2010-11 to 2014-15 is given in the following table:

**Table No. 2.12**                      **Shortfall in supply of calf feed**                      (In MT)

<i>Year</i>	<i>Calf feed to be supplied by OMFED</i>	<i>Actual supply of Calf feed under calf rearing scheme</i>	<i>Shortfall (Percentage)</i>
2010-11	18000	6000	12000 (67)
2011-12	18000	7097	10903 (61)
2012-13	18000	14633	3367 (19)
2013-14	18000	15175	2825 (16)
2014-15	18000	6968	11032 (61)

(Source: Data provided by OLRDS)

The short supply had an adverse impact on growth potential of calves and on the achievement of the scheme objectives.

#### **2.2.7.4**                      **Integrated Livestock Development Programme (Kalyani)**

For integrated livestock development, GoO entered into an agreement with Bharat Agro Infrastructure Foundation (BAIF) Development Research Foundation, Pune and Odisha Livestock Resources Development Society (OLRDS) in October 2010. This project called “Kalyani” was jointly operated by BAIF and OLRDS with funds provided by GoO. The project covered components of dairy development, goat development, feed and fodder development and technology/ knowledge strategic partnership.

Progress report of Kalyani project for October 2010 - March 2015 prepared by BAIF revealed achievement of physical target in respect of AI to cows ranged between 68 - 99 per cent, buck services to goats ranged between 11 - 98 per cent and coverage of area under fodder ranged between 64 -113 per cent. However, scrutiny of records revealed the following:

- It was noticed from proceedings of Committee Meeting held on 17 March 2015 under Chairmanship of Director, AH&VS that most of the female calves born out of AI programme did not mature to become fertile and productive due to non-availability of good quality fodder. For transforming these calves into ideal lactating cows, suggestion was made for nutritional input through fodder cultivation. It was however observed that though SLSC discussed (September 2012) the need for bringing those calves under Calf Rearing Scheme with provision of calf feed, no effective action was taken in this regard till the date of audit.

The PP envisaged production of good crossbreed bulls by using ETT and Field Performance Recording System (FPRS). ETT had been identified as one of the components of the PP for production of good quality cows and bulls. For the ETT, OLRDS released ₹ 0.64 crore to BAIF in 2010-11. However, no progress in this regard was achieved due to non finalisation of site by the Department. Similarly no progress was made in FPRS as OLRDS/State Government could not send any official to BAIF for training.

Government stated (October 2015) that scheme was not taken up as it was decided to take up the scheme after receiving due justification report of mid-term evaluation by OUAT. However, the scheme has not been taken up even after availability of funds.

### 2.2.8 Poultry development

To implement the provisions of PP for poultry development, three schemes (one each under SP, CP and CSP) were implemented during 2010-15 in ARD sector. Out of which, one scheme<sup>13</sup> under SP schemes was selected in Performance Audit as detailed below.

The PP had a goal of increasing egg production in the State from 42 lakh per day in 2009 to 100 lakh per day by 2020. The department laid out a strategy to achieve the above objective but measures that needed to be taken as spelt out in the PP were, however, not acted upon as discussed below:

- *Non functioning of hatcheries*

The plan required operationalisation of 48 hatcheries which were set up during 2009-11 at a cost of ₹ 16.69 crore in various districts to make available day old chicks to be reared for four weeks in mother units and supplied to the

<sup>13</sup> Encouragement of commercial poultry entrepreneurs and backyard poultry production.

selected beneficiaries under rural backyard poultry scheme at affordable price. However, the hatcheries remained defunct (June 2015) due to non-availability of three phase power connection indicating lack of seriousness of the department in operationalisation of the above hatcheries.

- **Non establishment of poultry estates**

Two poultry estates were planned (2009-10) to be established for which a sum of ₹ 0.99 crore was received (2010) from GoI. However, the infrastructure works for the above estates could not be taken up due to constraints in land acquisition etc. Though GoI asked (May 2014 and March 2015) the State Government to refund the amount, it was not done till the date of audit.

As per information furnished by the Department, the target and actual production of egg per day by both the departmental poultry breeding farms and private poultry farmers during 2010-11 to 2014-15 was as follows:

**Table No.2.13 Target and production of eggs**

<i>Year</i>	<i>Target per day (In lakh)</i>	<i>Achievement per day (In lakh)</i>	<i>Shortfall per day (In lakh)</i>	<i>Percentage of shortfall</i>
2010-11	68.49	65.75	2.74	4.00
2011-12	69.86	49.75	20.11	28.79
2012-13	71.23	63.64	7.59	10.66
2013-14	71.23	64.68	6.55	9.20
2014-15	68.49	52.73	15.76	23.01

*(Source: Information furnished by the Department)*

Shortfall in production of egg was mainly due to non-operationalisation of the defunct hatcheries and non-establishment of poultry estates.

Government stated (October 2015) that nine hatcheries are already functional and rest would be made functional by October 2015. Further, steps are being initiated for refund of ₹0.99 crore received from GoI towards establishment of Poultry Estate. The reply is not acceptable as 39 hatcheries are still non-functional and due to non-establishment of poultry estate, actual achievement in egg production was less than the target.

### **2.2.8.1 Rural Backyard Poultry Development Component**

Under Centrally Sponsored Scheme, GoI sanctioned (August 2010) ₹ 1.50 crore for Rural Backyard Poultry Development Component to be implemented in eight districts<sup>14</sup> in 2010-11. The scheme stipulated that breeding stock maintained by State Poultry Farms were to be reared in the mother unit and distributed to Below Poverty Line (BPL) beneficiaries. It was planned to provide three batches of 20, 15 and 10 birds. Subsidy of ₹ 30 was provided towards cost of the chick (including rearing cost for four weeks). The following were observed in audit on implementation of the programme:

<sup>14</sup> Angul, Balangir, Ganjam, Khordha, Koraput, Rayagada, Sambalpur and Sundargarh.



- GoI sanctioned (October 2013) ₹ 1.31 crore for the above scheme to be implemented in 2013-14. The guidelines, further, stipulated that unspent balances would be adjusted against subsequent instalments if not utilised by that time. It was noticed that up to March 2015, the Department could utilise ₹ 0.77 crore and due to which release of funds for 2014-15 was not considered by the GoI.

The PP projected that each one of the existing 48 hatcheries in 29 districts would produce 2.2 lakh “day old chicks” per year to meet demand of backyard poultry. However, all the hatcheries continued to remain defunct. As a result, chicks were purchased from private firms at higher rates fixed by the district monitoring committee and were supplied to the beneficiaries. Since the rates of chicks were higher than the subsidy admissible per chick, the differential cost was collected from beneficiaries in violation to GoI guidelines.

Accepting the facts Government stated (October 2015) that though there was delay in implementation, instructions were issued to implementing officers to speed up the work and utilise the funds. However, the reply is silent about collection of differential amount from the end beneficiaries in violation of GoI guidelines.

### 2.2.9 *Small animal development for meat*

To implement the provisions of PP for small animal development for meat, a subscheme under RKVY was implemented during 2010-15 in ARD sector which was also selected in Performance Audit as detailed below.

The PP recognised that small animal rearing is a primary source of livelihood for poor people. In Odisha, goats and sheep are reared mainly for meat purpose. The above plan targeted increase in meat production from 62 to 104 thousand metric tonnes (TMT) by 2020. The Department had strategy of strengthening departmental goat/sheep farms for production of good quality breeding bucks/ rams for supply. The position of the targets prescribed in PP and actual achievements are furnished below:

**Table No. 2.14** *Target and achievement of meat*

Year	Meat (Thousand Tonne)		
	Projection	Achievement	Percentage of achievement
2010-11	68.38	74.13	108
2011-12	74.12	75.51	102
2012-13	79.77	76.72	96
2013-14	85.50	81.26	95
2014-15	91.19	88.71	97

(Source: PP and information furnished by the Department)

As may be seen from the table, the Department could achieve more than 95 per cent of the target during 2012-15 and had registered higher achievements in 2010-11 and 2011-12.

Government stated (October 2015) that the Department has achieved 88.71 TMT by 2014-15 which is 97 per cent of the target. A roadmap has been prepared to achieve the target of production of 104 TMT meat by 2020.

### **2.2.9.1 Goat Development scheme under National Mission for Protein Supplement**

The scheme guidelines state that goat farming constitutes means of livelihood of over 25 per cent of Odisha's rural population. The above scheme envisages nutritional balance for consumers in terms of animal protein intake ensuring growth in meat production. The scheme was commenced in 2011-12. Details of receipts and utilisation of scheme fund during 2011-15 are given below:

**Table No. 2.15 Year wise receipt and utilisation of scheme funds**  
(₹ in crore)

<i>Year</i>	<i>Funds received</i>	<i>Funds utilised</i>	<i>Funds refunded</i>	<i>Remarks</i>
2011-12	2.50	1.90	0.60	As per scheme guidelines, concentrate feed mixture should be supplied to beneficiaries at ₹ 10 per kg, but the feed was sold at ₹ 17 per kg and was subject to further price hike due to higher cost of different feed ingredients. As the feed was not available at approved cost, the scheme funds were refunded to RKVY cell.
2012-13	2.50	1.90	0.60	
2013-14	2.50	2.50	-	
2014-15	2.50	2.50	-	

(Source: Data provided by Director, AHVS)

It was noticed that the scheme had provision for providing concentrate feed at the rate of 250 gram per day for fattening the goats for 60 days pre-slaughter. For implementation of this component, ₹ 1.20 crore was provided. But the fund meant for this purpose was not utilized and surrendered (July 2013) due to non availability of feed in the market for procurement at the approved cost. Thereafter, no steps were taken by the Director, AH&VS to get the required cost approved from GoI.

As per decision of Director, AH&VS, goat kids of 3-5 months of age were to be purchased by beneficiaries as goats were to be marketed between 9-10 months of age. It was, however, noticed that goats upto three years old were purchased for induction into the scheme in Khordha district.

Accepting the facts Government stated (October 2015) that the farmers were not willing to sell the goats at 3-5 months of age. However, the goats up to three years old were purchased in violation of decision of Director, AH&VS.

### **2.2.10 Veterinary Services**

To implement the provisions of PP for veterinary services, seven SP schemes, four CP schemes and two CSP schemes were implemented during 2010-15 in ARD sector. Out of which two SP schemes<sup>15</sup> were selected in Performance Audit as detailed below.

#### **2.2.10.1 Assistance to States for Control of Animal Diseases (ASCAD)**

Under Centrally Sponsored Scheme “Assistance to States for Control of Animal Diseases (ASCAD)”, vaccination campaign against major livestock diseases<sup>16</sup> of economic importance was being taken up by the state through assistance from GoI on sharing basis (75:25). Besides, other activities such as training programme seminars, animal health camps and control of emergent and exotic diseases were also taken up under this scheme. Against the release of ₹ 32.45 crore including State share, ₹ 31.01 crore was spent towards implementation of scheme during 2010-15. Scrutiny of records revealed the following:

- **Shortfall in vaccination of livestock**

Vaccination of livestock such as cattle, buffaloes, small animals and poultry is the most important component under ASCAD scheme. It was noticed that though the department utilised ₹ 14.64 crore on vaccination during 2010-13, physical progress was, however, 13.05 crore doses against 19.52 crore doses (67 *per cent*). The shortfall was due to shortage of manpower, failure of machineries such as boiler, formenter and shortage of vaccines.

- **Decrease in Production of vaccine**

The PP envisaged strengthening of Odisha Biological Products Institute (OBPI) at Bhubaneswar for production of bacterial and viral vaccines as per requirement. It was noticed that while production of HSV vaccine decreased from 89.52 lakh to 59.19 lakh doses (66 *per cent*), BQV and R<sub>2</sub>BV decreased from 60.79 lakh to 53.35 lakh doses (88 *per cent*) and 56.19 lakh doses to 28.83 lakh doses (51 *per cent*) respectively in 2010-11 to 2014-15. Decrease in production of vaccines was due to failure of machines and non availability of standby machines during the period of break down.

---

<sup>15</sup> Upgradation of Livestock Healthcare Services and Mobile Veterinary Unit.

<sup>16</sup> Peste des Petitis Ruminants (PPR), Foot and Mouth Disease (FMD), Haemorrhagic Septicaemia (HSV), Black Quarter (BQV), Anthrax (ASV), Goat Pox (GPV), Enterotoxaemia (ENT), Theileria and Brucella.

• *Non-utilisation of scheme funds*

Under ASCAD, a sum of ₹ 38 lakh was provided by GoI during 2010-15 for routine collection of serum/ morbid materials for surveillance work for controlling exotic and emergent diseases. The above amount however remained unspent due to shortage of field functionaries in test checked CDVOs. It was noticed from the information provided by the Animal Disease Research Institute, Cuttack that diseases were spread affecting 6,120 animals out of which 3,545 were died in 442 villages as detailed in *Appendix - 2.2.5*. It was also noticed that for eradication of diseases of animals having economic and zoonotic importance, a State Referral Laboratory (SRL) was proposed (March 2010) by the High Power Committee under RIDF at a cost of ₹ 6.00 crore by March 2013, which was subsequently revised to ₹ 20.30 crore with provision of all the aspects of the SRL and renovation of existing building. However, the funds were not released till the date of audit (June 2015). In absence of SRL, the department had to depend on other States (Madhya Pradesh, West Bengal and Karnataka) for confirmatory diagnosis.

**2.2.10.2 Mobile Veterinary Unit**

In order to provide preventive, curative as well as breeding facilities in inaccessible areas and difficult terrains which are un-served/under served, GoO introduced scheme viz. Mobile Veterinary Units (MVU) in July 2011. In 2011-12, the scheme was launched in 40 Blocks of 10 tribal dominated districts with special central assistance under RKVY. It was subsequently extended to other Blocks in a phased manner and scheme was in operation in all 314 Blocks of the State in 2014-15. Details of allocation and utilisation of funds during 2011-15 are given below:

**Table No.2.16 Allocation and utilization of funds under MVU**

*(₹ in crore)*

<i>Year</i>	<i>Allocation</i>	<i>Expenditure</i>	<i>Details of schemes</i>
2011-12	2.11	2.11	MVU 40 covering 40 Blocks
2012-13	5.26	4.69	MVU 40 + MVU 65 covering 105 Blocks
2013-14	6.75	3.50	MVU 40 + MVU 65 + MVU 156 + MVU 53 covering 314 Blocks
2014-15	20.50	15.67	-do-
<b>Total</b>	<b>34.62</b>	<b>25.97</b>	

*(Source: Data provided by Director, AH&VS)*

The shortfall in expenditure was due to non-completion of physical targets in view of shortage of field functionaries. Details of targets and achievements of physical targets for 2013-14 and 2014-15 are given below. Data for 2011-12 and 2012-13 in this regard was not compiled as no targets were fixed by the Department.

**Table No. 2.17 Target and achievement of field visits under MVU**

(In numbers)

Year	No. of days to be visited		No. of villages to be covered		Treatment		Vaccination		Artificial Insemination	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
2013-14	47280	35171	94560	60361	2364000	1588346	2364000	2544480	47280	0
					<b>Treatment/ Vaccination</b>					
2014-15	75360	67932	150720	118165	Target		Actual		75360	0
					7536000		7687408			

(Source: Data provided by Director, AH&VS)

Scrutiny of record revealed that during 2013-14, the MVUs were to visit 47,280 days and to cover 94,560 villages. However, the MVUs visited 35,171 days (74 per cent) and covered 60,361 villages (64 per cent). Similarly, during 2014-15, as against the target of 75,360 days visit and to cover 1,50,720 villages, the MVUs conducted 67,932 days (90 per cent) visit and covered 1,18,165 villages (78 per cent). Though the scheme stipulated to inseminate 20 animals in a month by each MVU, insemination was however not carried out. As such, the door step veterinary service could not be provided adequately as per target.

Accepting the facts Government stated (October 2015) that the shortfall was mainly due to model code of conduct, lengthy process for selection of personnel, identification of vehicles, work load etc.

## 2.2.11 Financial Management

### 2.2.11.1 Overall receipt and expenditure

GoO allocated funds to the Department both under plan and non-plan heads. These funds include allocation of funds under State Plan and also funds received from GoI under CP Schemes and CSP Schemes. Details of allocation, utilisation and savings of funds during 2010-15 are given below:

**Table No. 2.18 Overall allocation, utilization and surrender of funds**  
(₹ in crore)

Year	Plan				Non-plan			
	Allocation	Expenditure	Surrendered	Percentage of surrender	Allocation	Expenditure	Surrendered	Percentage of surrender
2010-11	81.85	48.07	33.78	41	159.91	157.38	2.53	2
2011-12	93.72	67.76	25.96	28	176.70	175.25	1.45	1
2012-13	90.84	52.18	38.66	43	186.83	178.74	8.09	4
2013-14	114.90	86.55	28.35	25	198.52	185.12	13.40	7
2014-15	206.97	147.87	59.10	29	206.69	203.11	3.58	2
<b>Total</b>	<b>588.28</b>	<b>402.43</b>	<b>185.85</b>	<b>32</b>	<b>928.65</b>	<b>899.60</b>	<b>29.05</b>	<b>3</b>

(Source: Data provided by Director, AH&VS)

As may be seen from the above table, surrender under plan head ranged from 25 to 43 per cent during 2010-15 indicating delay in achievement of objectives of various schemes as discussed in implementation of schemes. Scrutiny of records revealed the following:

- ***Non release of funds by GoI***

For the Centrally Sponsored scheme, “Assistance to State for Control of Animal Diseases (ASCAD)”, GoI approved an Action Plan with estimated amount of ₹ 64.23 crore for the period of 2010-15. Of the above outlay, GoI accorded in principle approval for central share (75 per cent) of ₹ 48.66 crore pertaining to the same period. As per the terms and conditions of the approval, funds were to be released to GoO in instalments. Only after receipt of the Utilisation Certificate and physical progress reports in respect of funds released earlier, subsequent instalments could be released. Out of the central share of ₹ 48.66 crore, ₹ 16.00 crore was released as the first installment and ₹ 3.01 crore as 2<sup>nd</sup> instalment. However, the remaining central share of ₹ 29.65 crore pertaining to the period 2010-15 was not released by GoI due to non-submission of physical progress reports for the amount already released.

Government stated (October 2015) that the loss of Central shares was not due to non submission of UCs rather due to non-release of balance fund by GoI. However, as per the terms and conditions of scheme, subsequent installment would be released only after receipt of UC and physical progress report in respect of funds released earlier.

***Non availment of GoI share***

- Under the Central Sponsored scheme “Establishment and Strengthening of Existing Veterinary Hospitals and Dispensaries (ESVHD)”, GoI released ₹ 1.54 crore (75 per cent share) in March 2011 as against ₹ 3.08 crore for 2010-11 and another ₹ 1.54 crore in March 2015 only for the year 2010-11. Since physical progress report was not submitted by the GoO, GoI did not release funds of ₹ 12.11 crore (Central share) for the year 2011-12 as proposed by GoO. In view of non release of funds by GoI, GoO took the above scheme under State Plan and in this process a sum of ₹ 2.60 crore being the GoI share for the year 2014-15 could not be availed.
- Under the Central Plan scheme “Rural Backyard Poultry Development Programme (RBPDP)”, GoI released ₹ 1.50 crore in August 2010. Revalidation of the grant was made in May 2012 as GoO failed to utilise the amount. However, actual expenditure upto March 2015 was ₹ 1.49 crore. As a result, no further proposal was sent by GoO and hence assistance from GoI was not released for 2011-12 and 2012-13.
- GoI sanctioned (September 2014) and released (December 2014) ₹ 11.07 crore for implementation of National Programme for Bovine Breeding (NPBB) scheme for the year 2014-15. Of the above, ₹ 10.84 crore remained unspent due to non formulation of scheme modalities and was lying as on 31 March 2015. However, ₹ 6.38 crore was reported as utilised under the scheme.

- GoI sanctioned an amount of ₹ 24.89 crore during 2010-14 for the scheme National Project for Cattle and Buffalo Breeding (NPCBB). Out of which GoI released ₹ 19.47 crore during the period. OLRDS submitted UC for ₹ 19.36 crore to GoI during the period. However, as verified from cash book, ₹ 19.22 crore was lying with the OLRDS as on 31<sup>st</sup> March 2015. This indicates that UC was submitted without incurring expenditure.
- Similarly, out of the allotment of ₹ 128.18 crore under RKVY during 2010-15, the Department reported expenditure of ₹ 103.68 crore and submitted the UC to GoI. Scrutiny of records revealed that the Department had actually incurred expenditure of ₹ 96.22 crore. Thus, the UC was inflated by ₹ 7.46 crore.

Government stated (October 2015) that under ESVHD, in spite of continuous follow up, GoI did not release the balance fund but released ₹ 1.50 crore during 2014-15 only. In case of RBPDP, GoI had not stopped release of fund. The reply in case of ESVHD is not acceptable since GoI intimated (September 2014) regarding non receipt of physical progress report of work done under the scheme for the fund released during March 2011.

#### **2.2.11.2 Drawal of scheme funds and parking in banks**

Odisha Treasury Code stipulates that no money shall be drawn from the Treasury unless it is required for immediate disbursement. However, scheme funds were drawn from Treasury by Director of Animal Husbandry & Veterinary Services, Cuttack and released to various CDVOs for implementation of various schemes. As there was no immediate requirement, the funds continued to remain in the current account of banks. Of the 121 Drawing and Disbursing Officers (DDO) in the Department, 12 DDOs including nine CDVOs were test checked and it was revealed that since 1990-91, funds amounting to ₹ 11.25 crore meant for various schemes remained unspent (31 March 2015), indicating poor fund management.

Accepting the facts Government stated (October 2015) that all the DDOs have been suitably instructed to utilise the funds parked with them immediately and in case of non utilisation / non requirement, the funds would be deposited in Treasury.

#### **2.2.11.3 Submission of UCs before incurring expenditure**

Department submitted utilisation certificates for ₹ 1.90 crore and ₹ 0.80 crore in respect of 2011-12 and 2012-13 on 08 January 2013 to GoI in respect of a scheme “National Mission for Protein Supplements - Goat Development under RKVY”. However, Director, AHVS had not received report on physical and financial progress of the scheme from CDVOs till January 2013. Check of records in test checked offices revealed that funds were not utilised till the date of audit.

The Director, AHVS replied that UCs was submitted anticipating utilisation at CDVO level for getting further release of fund. This indicates inadequate monitoring of implementation of the scheme.

#### **2.2.11.4 Inordinate delays in adjustment of advances**

As per Odisha Treasury Code and Finance Department Circular dated 02 December 1985, the advances paid to Government servant for departmental and allied purposes are to be adjusted by submission of detailed accounts supplied by vouchers or by refund of unspent balances, if any, within the month in which it is disbursed. The DDO should review Advance Register and ensure clearance. Test check of Advance Registers and information furnished by 11 units revealed that a sum of ₹ 1.98 crore was outstanding against the departmental officers for six to 248 months.

Accepting the facts Government stated (October 2015) that out of outstanding advance of ₹ 1.98 crore, the amount remaining for adjustment is ₹ 25 lakh which would be recovered soon from the employees.

#### **2.2.12 Human Resources Management**

For planning, organising, co-ordinating execution and controlling various schemes under implementation, officers and staff at Directorate and in field level are very essential. However, shortage of personnel in various cadres was continuing for years together as detailed below:

**Table No. 2.19 Shortage of manpower in various cadres**

<i>Sl. No.</i>	<i>Name of the post</i>	<i>Sanctioned strength</i>	<i>Men in position</i>	<i>Remarks</i>
1.	Livestock Inspector (LI)	3330	2147	In the absence of adequate LIs, basic services in LACs could not be provided.
2.	Veterinary officers (Block Veterinary Officers, Other Specialists, Veterinary Assistant Surgeon etc.)	1017	747	In the absence of adequate veterinary officers, critical livestock services in veterinary hospitals, dispensaries could not be rendered.
3.	Fodder Officers	43	25	In the absence of adequate Fodder Officers, promotion of green fodder cultivation and feeding of enriched crop residue to dairy animals in intensive and potential milk production zone was not possible.
4.	Additional Director	3	0	In view of vacancies in Senior Officer's cadre, planning, organising and co-ordination of activities of schemes were affected adversely.
5.	Joint Director-I	6	1	



<i>Sl. No.</i>	<i>Name of the post</i>	<i>Sanctioned strength</i>	<i>Men in position</i>	<i>Remarks</i>
6.	Joint Director-II/ Chief District Veterinary Officers	37	19	In the absence of full time controlling officers in districts, regular activities for the schemes and creation of infrastructure for the schemes were affected adversely.

(Source: Data provided by Director, AH&VS)

Review of records revealed the following:

- As of March 2012, as against sanctioned strength of 3,030 posts of LIs, only 2,480 LIs were on roll and there were 550 vacancies. It was seen from the proceedings of meeting held on 24 February 2015 under the Chairmanship of Development Commissioner-cum-Additional Chief Secretary that LI vacancies increased to 1,134 from 550 and against this; it was decided to fill up 863 LI vacancies to make the LACs functional.

Subsequently in April 2015, Empowered Committee of the Finance Department recommended to fill up 687 posts of LIs on contractual basis. However, no appointment of LIs was made (till July 2015).

In reply, Government stated (October 2015) that necessary action is being taken for filling up vacant posts in different cadres.

### **2.2.13 Conclusion**

The vision of Perspective Plan of the Department for ten years (2010-20) to ensure a holistic support system by providing, securing and facilitating effective and efficient services to become self sufficient / surplus in milk, egg and meat by enhancing the poor to secure sustainable livelihood through livestock development could not be achieved as funds provided for construction of Livestock Aid Centres, upgradation of veterinary hospital, construction of new semen bank, construction of Embryo Transfer Technology laboratory, construction of cryocan storage houses and milk chilling plant could not be utilised in time due to non selection of sites. Some of the schemes/ projects could not be completed/ taken up due to inadequate funding and delay in construction by executing agencies. Implementation of schemes was affected due to lack of adequate field functionaries like livestock inspectors and veterinary officers. Due to vacancies in the cadre of Chief District Veterinary Officers, adequate control over scheme implementation was not ensured. The practice of taking up infrastructure works without ensuring adequate provision for manpower and other facilities led to failure in providing effective veterinary service delivery.

**2.2.14 Recommendation**

- *The department may consider ensuring implementation of the schemes at the ground level incorporating all requirements of manpower, infrastructure and technology to ensure effective delivery mechanism as envisaged in the Perspective Plan.*
- *The department may take appropriate action to ensure timely completion of projects for which funds were provided by GoI/GoO.*
- *In order to avail GoI grants in full, Government may consider ensuring utilisation of funds during the year through adequate planning.*