

PUBLIC ACCOUNTS COMMITTEE

(2012 - 2013)

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ANDHRA PRADESH LEGISLATURE

REPORT (FOURTH)

ON

THE REPORTS OF THE COMPTROLLER AND AUDITOR GENERAL
OF INDIA (CIVIL) FOR THE YEARS 2009-2010 AND 2010-2011
PERTAINING TO ANIMAL HUSBANDRY, DAIRY DEVELOPMENT AND
FISHERIES DEPARTMENT

(Presented to the Legislature on 22-09-2012)

**ANDHRA PRADESH LEGISLATURE (P.A.C.) SECRETARIAT,
PUBLIC GARDENS, HYDERABAD - 500 004.**

ANDHRA PRADESH LEGISLATURE
Committee on Public Accounts (2012-2013)
(Constituted on 20th January, 2012)

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Report of the Public Accounts Committee on the Reports of
the Comptroller and Auditor General of India for the years
2009-10 and 2010-11 (Civil) –
Government of Andhra Pradesh

Animal Husbandry, Diary development and Fisheries
Department

1. Para 3.3.1 Page 77 of Audit Report 2009-10

Induction of high yield milch animals

1.1 The scheme 'Induction of high yield milch animals' under implementation¹ in the State from 2007-08 envisages supply of two milch animals (Cow/ Buffalo/ Heifer) to each below poverty line (BPL) beneficiary with a gap of six months at a subsidy of 50 per cent of the total unit cost² (maximum unit cost: ₹ 35,000) limited to ₹ 15,000. The balance cost of the animal is to be borne by beneficiary by way of a bank loan. The beneficiary should have 0.25 acre land to spare for fodder cultivation.

In the State, 1.03 lakh animals were stated to have been supplied (expenditure: ₹ 141.12 crore³) during 2007-09 under the scheme. Audit scrutiny (May – September 2009) of the records of the Director of Animal Husbandry (Director) and the Joint Directors of Animal Husbandry (JDs) in 11 districts⁴ revealed the following deficiencies in the implementation of the scheme:

Publicity and selection of beneficiaries

Audit found that adequate publicity was not given and no funds were released to the JDs towards incurring expenditure on publicity. Audit also noticed that the **applications** received from the applicants were **not acknowledged and no registers** were maintained for registering all the applications received. **The lists of selected/ rejected applicants were also not displayed.** Though the beneficiaries were to be selected through Gramsabhas, there was

¹ Implemented under Prime Minister's Package (PM Package), Rashtriya Krishi Vikas Yojana (RKVY) and the State scheme of Chief Minister's Package

² Unit cost includes basic cost, transportation charges and insurance charges for purchase of one animal

³ During 2007-09, PM Package: 36,502 animals (₹ 53.09 crore); CM Package: 64,814 animals (₹ 86.08 crore); RKVY: 1,442 animals (₹ 1.95 crore)

⁴ Adilabad, East Godavari, Guntur, Karimnagar, Khammam, Medak, Nalgonda, Nizamabad, Srikakulam, Visakhapatnam and Vizianagaram

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no evidence of conducting the same. Government stated (October 2010) that Gramsabhas were not conducted initially due to lack of experience and beneficiaries were selected through Self Help Groups (SHGs) of District Rural Development Agencies (DRDAs) and through cooperative societies. Thus, the **selection of beneficiaries was not open to all the BPL families**. Also, in all the 11 districts covered by audit, the JDs/Mandal Development Officers could not produce any evidence of conducting Gramsabhas for both 2007-08 and 2008-09. Due to non-maintenance of records coupled with non-conducting of Gramsabhas, the selection of beneficiaries suffered from lack of fairness and transparency.

Supply of quality animals

The following deficiencies were noticed:

* Though the Guidelines prescribed that the animals should be screened by an expert group of veterinarians⁵ before selection of animals by the purchase committee⁶, there **were no reports** available with JDs or Veterinary Assistant Surgeons (VAS) in support that **the animals were screened by the expert committee**.

* As per the rate contract agreement, the supplier should vaccinate all the animals and submit the certificate at the time of sale. **Vaccination certificates were not found** in the records of any of the district authorities (JDs) or with the VAS.

Though Government stated (October 2010) that certification was obtained in respect of vaccinations and screening of animals, the JDs/VAS did not produce any evidence thereof.

The animals should be rejected and replaced if its milk yield (at delivery point) goes down below 25 per cent of that at the display point (i.e. 25 per cent discount to be given on account of transportation stress). However, Audit noticed in 10 out of the 11 districts (i.e. except Medak District) covered, that the **details of milk yield at the delivery point were not recorded**. Also, the details of cases rejected/replaced were not recorded by the JDs/VAS. Government while admitting that no rejection list was maintained stated (October 2010) that the low milk yield animals were rejected/replaced. In the absence of record of milk yield at the delivery point, it is not clear how such an exercise

⁵ Post graduates in veterinary science

⁶ consisting of Veterinary Assistant Surgeon (VAS), banker and the beneficiary

was conducted to identify low milk yield animals before their rejection and replacement.

Regulation of payments

The JDs make payments to the suppliers. Audit observed the following in the release of payments:

* The JDs rely on VAS for release of payments. The payments were not correctly regulated as even the errors⁷ made by the VAS were not rectified. The JDs did not obtain the invoices in full and **relied merely on the report of VAS** showing the cost and details of the animals.

* A test-check of the reports furnished by the VAS revealed incorrect details. Out of 62 heifers verified (Vizianagaram(45) and Srikakulam(17)), **24 heifers of age upto two years** (cost: ' 7,800) **were shown as 30 months** (Murra heifer-cost: ' 14,500) in payment records and the payments were made at higher rates. Government stated (October 2010) that they had planned to purchase Murrah heifers of age 30 months and above only and the age of heifers was mentioned as 24 months due to oversight/ typographical mistake done by the district administration. This reply of Government can not be accepted as the rate contract included purchase of heifers upto 24 months age.

Similarly, out of 44 pregnant cows (unit cost: ' 19,500) physically verified in Karimnagar (12 cows) and Srikakulam (32 cows), 16 cows were shown as cow with calf (cost upto ' 25,200) in payment records and payments were made at higher rates. While admitting the excess payments, Government stated (October 2010) that action was initiated for recovery of the excess payments.

* In a large number of cases, the VAS had calculated the **cost of animals in excess of the rates stipulated in the rate contract (RC)**, which were paid by the JDs without restricting to RC rates. In eight out of eleven districts⁸, the excess payment to suppliers on account of not restricting the cost of animals (in 4,050 out of 33,911

⁷ recording a pregnant cow as 'cow with calf', calculation of cost of animals in excess of the ceiling rates, incorrect computation of transportation charges against the Rate contract

⁸Adilabad (' 26.32 lakh), East Godavari (' 0.67 lakh), Guntur (' 6.23 lakh), Karimnagar (' 2.25 lakh), Medak (' 1.00 lakh), Nalgonda (' 0.74 lakh), Visakhapatnam (' 14.74 lakh) and Vizianagaram (' 23.91 lakh)

animals) to RC prices amounted to ' 75.86 lakh. Scrutiny also revealed that the JDs in five districts paid an excess amount of ' 70.27 lakh⁹ to the suppliers due to initial wrong computation of the rate of the animal and adoption of higher rates. Government replied (October 2010) that the matter was reviewed and part of the excess amount was recovered. Government also stated that orders were issued (April 2010) for identification of persons responsible and also for initiating disciplinary action through vigilance cell. Incidentally, it was observed that the beneficiary is not aware of the process of valuation with regard to milk yield and age as revealed from interaction with 31 beneficiaries in six districts¹⁰.

As per the RC entered with the suppliers by the Director of Animal Husbandry, transportation charges are to be paid to the suppliers for transporting the animals from the source point to the beneficiary village for the actual distance transported at prescribed rates. **The way bill is a very important document to establish the bonafides of transportation as it contains vital information, like vehicle number, date of transportation, etc. As per the RC agreement, submission of way bills by the supplier is mandatory for making payments.**

In none of the districts covered by Audit, the JDs obtained the way bills from the suppliers for payment of transportation charges. In six out of 11 districts, scrutiny revealed an excess payment of ' 21.69 lakh towards transportation charges on account of incorrect exhibition of distance, incorrect calculation of rates, etc. Government accepted (October 2010) the miscalculations in Adilabad and Karimnagar Districts and stated that action was taken to recover the excess payments on case-wise basis. As regards other districts, Government stated that payments were correctly made by calculating the distances based on Google-earth maps, etc. The reply is not acceptable. In the absence of way bills, the bonafides of purchase and transportation of animals, actual source point and destination point and whether the animals were transported by train or truck, etc. **were not verifiable.** Further, no test-check was done by the JDs to cross-check the particulars of the animals by actual verification in the field with regard to animals supplied to beneficiaries.

⁹ Adilabad (' 37.37lakh), East Godavari (' 1 lakh), Guntur (' 25.50 lakh), Karimnagar (' 3.71 lakh) and Medak (' 2.69 lakh)

¹⁰ Adilabad, Karimnagar, Medak, Nalgonda, Srikakulam and Vizianagaram

As regards the total excess payment of ' 1.68 crore pointed out by Audit as above, Government accepted (October 2010) the excess payments to the extent of ' 43.43 lakh and stated that an amount of ' 38.97 lakh was recovered from the suppliers. In this context, Audit noticed that while replying to the para, the department changed the basic characteristics of animals (pregnant cow as per basic records which costs less is now shown as cow with calf which costs more), which is in contradiction of the information/data already furnished earlier (November 2009) by the Director. **The reply of the department is hence not acceptable and the matter calls for investigation.**

Thus, the balance excess payments to the suppliers amounting to ' 1.25 crore also needs to be recovered from the suppliers. The department should also review all such cases in the remaining districts (not covered by audit) and recover the excess payments, if any, made in those districts also.

Supply of second animal to beneficiaries

In the eleven districts, it was observed that the second animal was supplied only to 4,824 beneficiaries (25 per cent) out of 19,601 beneficiaries to whom first animal was supplied in 2007-08. The JDs stated that the banks had not sanctioned loan for the second animal due to irregular repayment of loan by the beneficiaries. The objective of ensuring continued income generation was thus not achieved. Government stated (October 2010) that the issue of supply of second animal is totally based on regular repayment of installments for the first animal by the beneficiaries and extending loan to the beneficiaries by the banker. It further stated that if the repayment was poor, it would not be possible to provide second animal to the beneficiaries. Non-availment of the benefit of second animal due to non-repayment of loan obtained for the first is indicative of the limited success of the scheme as the objective of ensuring continued income generation was also not achieved.

1.2 Initiating discussion on the paragraph the Chairman observed that

- (i) There is no transparency in registration of application of beneficiaries, maintenance of registers, giving acknowledgements and selection of beneficiaries, etc., while allotting high yield milch animals to BPL families.
- (ii) There is no basis for payment to suppliers.

State Government entrusted (February 2005) the works to APAGROS¹², but the agency backed out in March 2009 i.e., after four years of entrustment, expressing lack of technical competency to execute the work. Although the work was later entrusted (September 2009) to JNAFU¹³, Hyderabad, it has not commenced the work as yet. Lack of QC laboratory for testing the vaccines for compliance with GMP and GLP standards resulted in Govt denying (June 2011) renewal of licence to VBRI for production of vaccines.

Rules stipulate that quality control laboratories should be independent of production area but should be in the same premises to facilitate testing for strength, quality and purity of the drugs. Scrutiny of records of the Director of Animal Husbandry (Director) and Joint Director/ Deputy Director of the VBRI revealed that, contrary to these Rules, though modernisation of SDBP was conceived along with the modernisation of VBRI, construction was taken up at the old premises, which is far away from VBRI, instead of constructing a new QC laboratory within the premises of VBRI. Delay in commissioning the work pushed up the initially estimated cost of construction/ modernisation from ₹ 56.64 lakh to ₹ 5.75 crore as of December 2010.

As of June 2011, VBRI continued to produce vaccines in the modernised buildings without a valid licence and release them for field distribution without complying with quality assurance standards, thus ignoring the directive of Central Drug Control Authority (DCA).

Government in its reply (September 2011), stated that farmers face huge economic losses if diseases are not controlled on prophylactic basis and timely supply of vaccines and controlling the diseases through vaccinations was the only way to stop the losses. The reply of the Government does not explain why the vaccines produced are not tested in a QC laboratory in conformity with GLP standards and why quality assurance standards are not being complied with. Failure to comply with regulatory provisions by Government

agencies, especially in the domain of pharmaceutical production, would set a poor example and entail risk to the livestock health.

¹² Andhra Pradesh State Agro Industries Development Corporation, Hyderabad

¹³ Jawaharlal Nehru Architecture and Fine Arts University

Gist of audit paragraph

Animal vaccines were being produced in Veterinary Biological Research Institutes (VBRI) at Hyderabad and Samalkot without valid licence and released for field distribution without complying with quality assurance (GMP & GLP) standards prescribed by the Central Drug Control Authority. Failure to comply with regulatory provisions by Government agencies, especially in the domain of pharmaceutical production, would set a poor example and pose serious risk to the livestock health.

2.2 Initiating discussion on the Audit paragraphs the Chairman stated that Government of India had not renewed the licence for manufacturing animal vaccines as quality control testing of the vaccines produced at VBRI was not being done before the vaccines are released in the market. The Committee also stated that Modernisation works of Standardisation Division, Biological Products, Rajendranagar, Hyderabad (SDBP) were entrusted to Andhra Pradesh State Agro Industries Development Corporation (APAGROS), Hyderabad even though APAGROS was not technically competent to execute such works.

2.3 While responding to the Committee's observations the Special Chief Secretary, Animal Husbandry Department stated that the vaccines are being produced in the VBRI since 1944. It was made mandatory in the year 2005 to have licence under the Drug and Cosmetic Rules, 1945. As far as quality checking and other things are concerned, the system is in place. He also stated that the final inspection had been conducted by Drug Control Authorities and licence under the Drug and Cosmetic Rules, 1945 is expected to be issued within a month. He further stated that the quality and potency of vaccines produced is being checked before release and that there were no complaints from any side or any outbreak of failure of the vaccines anywhere.

2.4 Director, Animal Husbandry argued that there is a necessity to manufacture the animal vaccines in order to protect the animals from the diseases, as this is the only Institute that can produce vaccines in the State and production of vaccines cannot be stopped on the ground of absence of licence as the construction work cannot be completed in a day or two and would take two to three years. He also stated that these vaccines are not containing any bacteria or

chemical and giving excellent results in the field without any complaints as the institute has maintained the required quality in manufacture of animal vaccines. The licence had not been given by the Government of India on account of lack of infrastructural facilities in VBRI viz., old building & machinery, etc. Further the modernisation works were delayed due to various reasons viz., production unit issues, research laboratory issues, quality control issues, intermediary entrustment of work to other agency for execution of works, etc. The Director further stated that due to non-availability of experienced companies in construction of this type of laboratories, AP AGROS was entrusted with the work.

AP AGROS had expressed its inability in constructing the lab in 2009 when it was entrusted to JNTU. After entrustment of the work to JNTU, Drug Control Authorities directed to construct the lab where the production units exist (VBRI, Santhinagar) but not in Rajendranagar. Now the construction work at Santhinagar had been commenced and is likely to be completed in six months time.

2.5 Committee endorsed the audit objection that manufacture of animal vaccines by a Government agency without licence is irregular.

2.6 Committee enquired whether the animal vaccines are being supplied only by Government or by private agencies also.

2.7 Director, Animal Husbandry stated that animal vaccines are being produced by the Government only. He also stated that vaccines for certain diseases are produced by Indian Immunologicals, GOI. He confessed that the vaccines are produced in the interest of livestock taking some risk.

2.8 The Committee expressed concern over the statement of Government that it is producing vaccines without licence and enquired about the action required to be taken to get the licence. The Committee opined that it is not fair that Government, as the licence granting Authority, is manufacturing vaccines without licence.

2.9 The Committee questioned the Department's decision in entrusting the works to AGROS which has no technical competency to execute the works. The Committee also expressed concern over the time overrun of 7 years and cost escalation from Rs. 56.64 lakh to Rs. 5.75 crore. The Committee held that the Government agency cannot afford to violate the provisions/rules and sought to know who

is responsible for causing the enormous delay in completing the buildings conforming to GMP & GLP standards and in obtaining the licence for manufacturing the vaccines.

2.10 The Director stated that the work was entrusted to APAGROS in 2005 which was delayed. APAGROS expressed their inability in 2009. He also stated that escalation in cost was due to construction of altogether a new unit at VBRI, Shantinagar instead of modifying the old unit at Rajendranagar.

2.11 The Committee wondered if the Government could question the private organisations about their licences when the Government institute itself produces vaccines without licence.

2.12 The Committee opined that the cost would be Rs 5.75 crore to modify the old unit (at Rajendranagar) and if the Department proposed to construct a new unit (within the premises of VBRI) estimates were to be prepared which would be much more than Rs. 5.75 crore.

2.13 The Director, Animal Husbandry replied that they gave the contract to JNTU for Rs 5.75 crore to construct the new unit (at VBRI premises). He however agreed that the cost would increase in view of the increase in rates.

2.14 The Committee sought to know (i) if there was any problem in construction of new unit, (ii) type of vaccines being produced by VBRI and (iii) What is the production capacity of VBRI in a month.

2.15 The Director replied that there are no problems in construction of new unit and they are taking all the bio security measures in this regard. He also stated that VBRI is producing three types of vaccines and the production capacity is 350 lakh PPR doses.

2.16 The Committee held that losses are occurring due to the wrong decisions of the officers who were at the helm of affairs at that point of time. The Committee opined that VBRI being a Government organisation, should not violate the rules.

2.17 The Committee expressed serious concern in this regard and asked the Special Chief Secretary to submit a detailed report to the Committee within 15 days on all the points raised by the Committee. The Committee also expressed concern over the inordinate delay in completing the Quality Control laboratory.

2.18 Therefore the Committee recommends that Government should take immediate steps to complete the Quality Control laboratory duly conforming to GMP and GLP standards and obtain licence from Government of India at the earliest.

2.19 The Committee also recommends that Government should identify the officials responsible for the inordinate delay in construction of the lab which resulted in cost escalation, and fix accountability.

SUMMARY OF OBSERVATIONS/RECOMMENDATIONS

1. The Committee recommends that Government take appropriate measures to ensure transparency while formulating schemes. (para 1.9)
2. The Committee also recommends that excess payments made to supplying agencies should be recovered immediately and compliance reported to PAC through Action Taken Note. (para 1.10)
3. The Committee further recommends that accountability should be fixed on the officials who are found responsible for misclassifying the type of animals while making payments to the supplying agencies. (para 1.11)
4. The Committee recommends that the scheme guidelines should be modified to ensure that the second animal is also given to the beneficiaries within six months of giving the first animal, irrespective of repayment of loan taken for the first animal, to ensure financial viability and continued income generation to the beneficiaries. (para 1.12)
5. Therefore the Committee recommends that Government should take immediate steps to complete the Quality Control laboratory duly conforming to GMP and GLP standards and obtain licence from Government of India at the earliest. (para 2.18)
6. The Committee also recommends that Government should identify the officials responsible for the inordinate delay in construction of the lab which resulted in cost escalation, and fix accountability. (para 2.19)