

**Animal Husbandry, Dairy Development and Fisheries Department  
(Telangana State Sheep and Goat Development Cooperative Federation Limited)**

## **2.2 Suspected fraud in implementation of Sheep Rearing Development Scheme (SRDS)**

### **2.2.1 Introduction**

With a view to strengthen the rural economy through empowerment of shepherd communities in their traditional occupations and to increase meat production in the State, the Government of Telangana introduced (April 2017) a Special Package for Shepherd Communities called the Sheep Rearing Development Scheme (SRDS). Under this scheme, each beneficiary was to be given a sheep unit which consists of 20 ewes and 1 ram. The total cost of each unit was ₹1.25 lakh<sup>51</sup> out of which 75 per cent (₹93,750) was to be given as subsidy and 25 per cent (₹31,250) was to be the beneficiary contribution.

The scheme was launched in June 2017 by the Government. It is implemented by Telangana State Sheep and Goat Development Cooperative Federation Limited (TSSGDCFL) at State level and by the District Veterinary & Animal Husbandry Officers (DV&AHOs) at District level. The sheep are purchased from neighbouring States (Andhra Pradesh, Karnataka, Maharashtra and Tamil Nadu), in order to avoid recycling and to increase the net sheep population in the State. The sheep breeds chosen are Nellore Brown (Dora), Nellore Jodipi (white with black spots on face), Deccani and Madras Red.

Under the scheme, a total of four lakh sheep units were targeted to be given in two years (2017-18 and 2018-19) across the State at a total cost of ₹5,000 crore. The scheme was to be funded through loans of ₹3,000 crore and grant of ₹1,000 crore given to the TSSGDCFL by the National Cooperative Development Corporation<sup>52</sup> (NCDC) and the remaining ₹1,000 crore from beneficiary contributions. As per the information furnished by the TSSGDCFL, as of December 2021, a total of 3.88 lakh sheep units were supplied to equal number of beneficiaries across the State with an expenditure of ₹3,385.32 crore incurred towards subsidy.

As per the scheme guidelines issued (April 2017) by Government, District and Mandal Level Committees were formed for implementing the scheme. The Mandal Level Committee<sup>53</sup> (MLC) is responsible for identification of beneficiaries by conducting Gram Sabhas in villages. The District Level Committee (DLC) headed by the District Collector is responsible for approval of beneficiaries and sanction of sheep units to them. After approval of beneficiaries, the selected beneficiaries deposit the beneficiary contribution to the DLC. The TSSGDCFL releases the Government subsidy funds to the Districts.

<sup>51</sup> This includes cost of 20 ewes at the rate of ₹5,200 each and one ram at the rate of ₹7,000 each; Transportation: ₹6,300; Insurance: ₹3,830; Feed: ₹3,445 and cost of water pails: ₹425

<sup>52</sup> A statutory corporation under the Ministry of Cooperation, Government of India

<sup>53</sup> Consisting of Mandal Revenue Officer (MRO), Mandal Parishad Development Officer (MPDO) and the Veterinary Assistant Surgeon (VAS)

The guidelines stipulated that in order to avoid recycling of sheep, it is mandatory that sheep were to be procured only from the pre-identified locations in the neighbouring states of Andhra Pradesh, Karnataka, Maharashtra and Tamil Nadu. For procurement of sheep, Central Procurement Teams<sup>54</sup> (CPTs) were formed in each District. The CPT would be stationed for a few weeks at the designated location in the neighbouring State and identify the sellers who owned the sheep and inform the DLCs. Subsequently the concerned MLC would go to the purchase location along with the beneficiaries or their representatives for purchase of sheep. After purchase, the sheep are to be transported to the beneficiary villages using the services of Transport Agencies who were selected through tender process in each District. Payments towards the cost of sheep are made to the sellers by the DV&AHO based on the 'Sale-cum-Purchase Certificates' issued by the CPT. The payments for transportation of sheep are made by the DV&AHO based on the transport invoices submitted by the transport agencies.

During the compliance audit (June-October 2021) of seven<sup>55</sup> DV&AHOs, Audit test checked the records relating to subsidy payments made for purchase and transportation of sheep under this scheme. During the period from 2017-18 to May-September 2021 a total of 1,34,505 sheep units<sup>56</sup> were stated to have been given to beneficiaries in these seven Districts and a total subsidy amount of ₹1,153.94 crore was spent on purchase and transportation of sheep.

The following irregularities were noticed with regard to implementation of the scheme:

### 2.2.2 Non-maintenance of beneficiary-wise files

As per the working guidelines of the scheme issued by the Managing Director, TSSGDCFL, the Primary Veterinary Centres (PVCs) were required to maintain and preserve the beneficiary-wise documents including the application form submitted by the beneficiary, copy of the bank DD for beneficiary contribution, unit sanction order given by the District Committee, Sale-cum-Purchase Certificate (proof of purchase of sheep), Age Valuation and Health Certificate, group photo with Mandal Team and sheep unit, etc.

Audit, however, observed that the PVCs had maintained only the applications received from beneficiaries. The other documents were not kept with applications as shown below:

Table 2.8

	Records to be maintained by PVCs	Maintained or not
1	Application of the beneficiary	Yes
2	Lottery slip	Yes
3	Copy of bank DDs given by beneficiary	No
4	e-Laabh print out of beneficiary details	No

<sup>54</sup> Consisting of one Assistant Director of Animal Husbandry and two VASs from the District

<sup>55</sup> Khammam, Mahabubnagar, Nagarkurnool, Nalgonda, Sanga Reddy, Suryapet and Warangal

<sup>56</sup> Khammam: 15,370 units; Mahabubnagar: 25,153 units; Nagarkurnool: 19,127 units; Nalgonda: 27,677 units; Sanga Reddy: 16,827 units; Suryapet: 17,142 units and Warangal: 13,209 units.

5	Unit sanction order given by District Committee	No
6	Sale-cum-Purchase Certificate	No
7	Age Valuation and Health Certificate	No
8	Group photo with Mandal Team and sheep unit	No

*Source: Records of the Department*

The PVCs replied that these documents were available with the District Offices. Audit, however, observed that the DV&AHOs also did not maintain these documents beneficiary-wise. The DV&AHOs maintained the sanction orders for approval of beneficiaries in separate files, while the sanction orders for transport payments and transport invoices were kept in separate files. The Sale-cum-Purchase Certificates and the Age Valuation and Health Certificates were kept in separate bundles, independent of each other. The District Offices did not maintain copies of DDs towards beneficiary contribution and group photos. Due to non-maintenance of beneficiary-wise files, Audit could not link these documents and trace the transactions through various stages of scheme implementation.

Government stated (May 2022) that the applications of beneficiaries and the details of demand drafts were available with PVCs and that the remaining documents like copies of sanction orders, Sale-cum-Purchase Certificates, etc., were available with DV&AHOs, who are the payment processing authorities.

The reply is not acceptable, as the scheme guidelines stipulated that PVCs were to maintain and preserve the beneficiary-wise records including all the above documents. Moreover, the DV&AHOs also did not have all the prescribed documents and the documents available were also kept separate from each other and not maintained beneficiary-wise.

Due to non-maintenance of beneficiary-wise files, audit trail of transaction in respect of each individual beneficiary could not be established. This is fraught with the risk of non-detection of any misuse of scheme funds.

## **2.2.3 Transportation of sheep**

### ***2.2.3.1 Non-furnishing of invoices in support of transportation payments***

After the sheep are purchased from the sellers in the neighbouring States, they are transported to the beneficiary villages using the services of Transport Agencies who are selected through tender process in each District. For claiming transport payments, the transport agencies submit the transport invoices which contain information about the vehicle registration number, date of transport, location of procurement place and destination, distance, the number of sheep units loaded in that trip and amount of transportation charges (calculated as per the rate quoted per sheep per km). The DV&AHOs make payments to the transporters after obtaining approval from the District Collector.

During the period from 2017-18 to May-September 2021, in the seven test checked Districts, a total amount of ₹1,538.59 crore (subsidy portion: ₹1,153.94 crore) was spent on:

- Purchase of sheep: ₹1,490.38 crore (subsidy: ₹1,117.79 crore); and
- Transportation of sheep: ₹48.21 crore (subsidy: ₹36.15 crore).

**Audit observed that:**

- Out of the total of 1,34,505 sheep units stated to be given to the beneficiaries in the seven test checked Districts as on the dates of audit, 1,15,378 sheep units pertain to six Districts<sup>57</sup>. As against this, the transport invoices in respect of only 98,543 units were produced to Audit in these Districts and transport invoices in respect of 16,835 sheep units (subsidy spent towards cost of sheep and their transportation: ₹142.69 crore) were not furnished to Audit.
- In Nagarkurnool District, a total of 19,127 units were stated to have been given to beneficiaries (subsidy spent: ₹163.56 crore). However, the transport invoices were not attached to the transport bills paid but were kept separately in a disorganised manner. Hence, Audit could not cross-check these loose sheets with the transport bills to ascertain the availability or otherwise of transport invoices.

Government replied (May 2022) necessary action would be initiated on the officers concerned and steps would be taken to avoid such deficiencies in future.

**2.2.3.2 Irregularities in transport invoices**

Audit also observed the following cases of suspected fraud in the invoices on which transport payments were made:

- In Khammam District, payments were made on 20 invoices (used for transportation of 78 units) having the same invoice number. The amount of subsidy spent on transportation in these cases was ₹0.66 lakh (subsidy on cost of sheep: ₹64.94 lakh).
- In Khammam District, the invoice number in 37 cases was changed by adding more digits with pen (Invoice No.10 was modified as 10327, 10328 and so on). Similarly, in Mahabubnagar District also, the invoice number was altered with pen in 69 cases. The subsidy amount spent on transportation charges paid on these invoices was ₹12.57 lakh (subsidy on cost of sheep: ₹4.22 crore).
- In Nalgonda District, in 1,172 cases, a total subsidy of ₹1.30 crore was spent on transport payments which were made on photocopied invoices (subsidy spent on cost of sheep: ₹57.23 crore). These invoices did not have printed invoice serial numbers. Of these, the invoice numbers were handwritten in 1,052 cases and the remaining 120 invoices did not have any serial number. Similarly, in Khammam District, transportation charges were paid on 138 photocopied invoices which did not have any serial numbers (subsidy on transportation charges: ₹11.25 lakh. Subsidy on cost of sheep: ₹4.58 crore).

The above observations show that the transport invoices were manipulated and the trips stated to have been undertaken were not genuine, indicating suspected fraudulent transactions.

Government replied (May 2022) that necessary action would be initiated on the officers concerned and steps would be taken to avoid such deficiencies in future.

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<sup>57</sup> Excluding Nagarkurnool District

### 2.2.3.3 Payments on invoices containing fake/passenger/non-transport vehicle registration numbers

Audit verified the registration numbers of the vehicles with the vehicle data of National Register e-services (vahan.nic.in)/Transport Departments of Telangana and Andhra Pradesh<sup>58</sup> and found that:

- Vehicle numbers mentioned in 262 invoices stated to be used for transportation of sheep were not found in VAHAN portal/State transport data.
- The vehicles mentioned in 336 invoices were found to be passenger vehicles - i.e, two wheelers (53), auto rickshaws (219), passenger cars/vans (35), buses (27) and ambulances (2). As many as three to ten sheep units (i.e., 63 to 210 sheep) were shown as transported in each trip on the vehicles which were found to be two wheelers. The actual photographs of a few passenger vehicles claimed to have been used for transportation of sheep are shown below:

	
<p>Vehicle No. 'TS 08 UB 5323' stated to have been used for transportation of 168 sheep in a single trip in Mahabubnagar District.</p> <p><i>Photo source: e-Challan page of the official website of Telangana State Police</i> (<a href="https://echallan.tspolice.gov.in/publicview/">https://echallan.tspolice.gov.in/publicview/</a>)</p>	<p>Vehicle No. 'AP 16 W 7585' stated to have been used for transportation of 84 sheep in a single trip in Khammam District.</p> <p><i>Photo source: e-Challan page of the official website of Andhra Pradesh Police</i> (<a href="https://apechallan.org/">https://apechallan.org/</a>)</p>
	
<p>Vehicle No. 'AP 12 B 6985' stated to have been used for transportation of 126 sheep in a single trip in Sangareddy District.</p> <p><i>Photo source: e-Challan page of the official website of Telangana State Police</i> (<a href="https://echallan.tspolice.gov.in/publicview/">https://echallan.tspolice.gov.in/publicview/</a>)</p>	<p>Vehicle No. 'AP 29 TB 9231' stated to have been used for transportation of 126 sheep in a single trip in Nalgonda District.</p> <p><i>Photo source: e-Challan page of the official website of Telangana State Police</i> (<a href="https://echallan.tspolice.gov.in/publicview/">https://echallan.tspolice.gov.in/publicview/</a>)</p>

<sup>58</sup> The vehicle numbers in the invoices were first checked in the National Register e-services (vahan.nic.in) and vehicles not found therein were again verified with the vehicle data obtained from the Transport Departments of Telangana and Andhra Pradesh States.

- In 10 cases, the vehicles stated to have been used were found to be non-goods vehicles like fire trucks (6), water tankers (3) and mobile compressor vehicle (1), which could not have been used for transportation of sheep.

The above observations show that the transport invoices were fake and the supply of sheep to beneficiaries in the above cases was doubtful, indicating possibility of fraudulent payments towards purchase and transportation of sheep. The total amount of subsidy spent on purchase and transport of sheep in the above-mentioned cases works out to ₹27.20 crore.

Government replied (May 2022) that the data has to be verified to check whether these were clerical errors or intentional mistakes. If these were done with malafide intentions, disciplinary action would be taken on the officials concerned and the transport agencies involved would be blacklisted.

#### 2.2.3.4 Same vehicle used from two different locations on a single day

In Mahabubnagar District, Audit found a case where the same vehicle was shown in two different invoices with same date of transport from two different locations as shown below:

District : Mahabubnagar  
 Name of transporter : Rithvik Logistics  
 Transport bills payment sanctioned in : September and October 2018

Table 2.9

Vehicle number	Date of loading	Place of loading	Date of unloading	Place of unloading	No. of units shown as transported	Distance travelled in the trip
TS 08 UE 5465	04/8/2018	Challavanipeta, Srikakulam District, Andhra Pradesh	05/8/2018	Karni Makthal, Mahabubnagar District, Telangana	7	927 km
TS 08 UE 5465	04/8/2018	Porumamilla, Kadapa District, Andhra Pradesh	05/8/2018	Ramachandrapur, Mahabubnagar District, Telangana	8	300 km

Source: Records of the Department

Srikakulam District and Kadapa Districts in Andhra Pradesh are in two different (opposite) directions from Mahabubnagar District of Telangana. It could not have been possible that the same vehicle was available for loading sheep in these two locations on the same day. The subsidy cost of purchase and transportation of sheep stated to be transported in these two cases works out to ₹6.16 lakh and ₹6.78 lakh respectively and supply of sheep in at least one of these two cases was doubtful.

The Government did not furnish any reply on the above audit observation.

#### 2.2.3.5 Irregularities in recording kilometer readings

Audit found 16 cases where the same transport vehicle was mentioned in multiple invoices, but the kilometer readings at the starting and ending point mentioned in the invoices were not correlating with each other. One example of such case is given below (Other examples are given in Appendix-2.5):

District : Suryapet  
 Name of transporter : Mallikarjuna Road Lines  
 Transport bill paid in : September 2017

Table 2.10

Invoice No. & Date	Vehicle number	Date of transport	Reading at starting point (km)	Reading at ending point (km)	Number of units stated to be transported	Purchase cost of the sheep units	Transport charges paid
1808	AP 02 TB 9522	20/2/2018	2,53,937	2,54,553	6	₹6.66 lakh	₹0.42 lakh
1819	AP 02 TB 9522	22/2/2018	3,28,917	3,29,542	5	₹5.55 lakh	₹0.35 lakh

Source: Records of the Department

As seen from the above, the ending meter reading on 20 February was shown as 2,54,553 km. The starting meter reading on 22 February was shown as 3,28,917 km. This means that the truck should have travelled a distance of 74,364 km in two days. Even if it is assumed that the truck had travelled at an average speed of 100 kmph continuously for two days, it could have covered only 4,800 km and not 74,364 km. The other examples given in *Appendix-2.5* included similar cases and also cases where the starting meter readings of the later trips were lower than the ending meter reading of the previous trips of the same vehicle.

These cases indicate that these invoices could be manipulated and supply of sheep to beneficiaries (subsidy spent: ₹2.40 crore) was doubtful.

The Government did not furnish any reply on the above audit observation.

### 2.2.3.6 *Non-adherence to Indian Standard ‘Transport of livestock – Code of practice’*

#### (A) Transportation of sheep in light goods vehicles and tractors

As per the Indian Standard ‘Transport of livestock – Code of practice’ (IS 14904: 2007) issued by the Bureau of Indian Standards, the space required in the vehicle for transporting sheep would be 2.15 sft. (0.20 sq.m) per sheep weighing 26-30 Kg. Thus, the space required for transportation of one sheep unit (consisting of 21 sheep) works out to 45.5 sft. per unit. Hence, even at a very liberal estimate, a small goods vehicle can be used for transportation of a maximum of two units (even if the vehicle is modified to have two tiers). Similarly, it is not possible to have two decks in a tractor trailer and hence cannot be used for transportation of more than two sheep units.

Audit observed that, in 378 cases, the vehicles stated to have been used for transportation of sheep were found to be small goods vehicles<sup>59</sup> (265) and tractors/trailers (113), where more than two sheep units (up to 13 sheep units) were shown as transported in each trip, which could not have been possible. This indicates that these invoices were not genuine. The total subsidy amount involved in purchase and transportation of sheep shown as transported in the above cases works out to ₹17.06 crore. These transactions are suspected to be fraudulent.

<sup>59</sup> Like Tata Ace, Mahindra Bolero Maxi, Ashok Leyland Dost, etc.

**(B) Transport of sheep units beyond the capacity of vehicles**

Further, a commonly used heavy goods transport vehicle (of size 18.4 ft. X 7.8 ft. and having two decks; total area: 287 sft.) can transport a maximum of six sheep units in a trip. Even the agreements concluded with the transport agencies in the Districts mentioned that six sheep units would be transported in a trip. However, Audit found 2,302 cases where 7 to 25 sheep units were shown as transported in each trip. The total number of sheep units shown as transported over and above six units in these vehicles was 5,364 and the genuineness of the subsidy of ₹46.03 crore spent on purchase (₹44.65 crore) and transportation (₹1.38 crore) of these sheep units is doubtful.

Government replied (May 2022) that the data has to be verified to check whether these were clerical errors or intentional mistakes. If these were done with malafide intentions, disciplinary action would be taken on the officials concerned and the transport agencies involved would be blacklisted.

**2.2.4 Supply of feed to sheep units**

Supply of feed for the inducted sheep was a part of the scheme implementation. The cost of each sheep unit (₹1.25 lakh) included an amount of ₹3,445 towards supply of feed. The feed was to be supplied to the sheep during the ensuing summer season after supply of sheep. As per guidelines issued by TSSGDCFL, the District Officers were required to place indents for feed after physical verification of the sheep units on ground.

Audit observed that in five Districts<sup>60</sup> a total of 96,299 sheep units were stated to be given during the period from 2017-18 to 2019-20. However, feed was supplied to only 29,616 units (i.e., 30.75 per cent units) in these five Districts so far. As seen from the records, the reason for low percentage of feed supply was due to non-availability of sheep units during physical verification by the Departmental staff. Non-availability of as high as 70 per cent sheep on ground has to be seen in the light of the audit observations made in this report which pointed out several cases of suspected fraud in supply of sheep.

Government replied (May 2022) that in Telangana, migration of sheep to other areas/States in search of fodder is a common phenomenon during summer season and feed was supplied to only the available sheep as most of the sheep were under migration at the time of supply. It was further replied that beneficiaries near forest areas did not show interest for sheep feed due to availability of fodder in forest areas.

The reply is not tenable as the cost of sheep unit included feed cost of ₹3,445 (of this, 25 per cent beneficiary contribution works out to ₹861) and having paid full beneficiary contribution, there is no reason why a genuine beneficiary would not claim the feed supplied by Department at 75 per cent subsidy. Further, the reply is silent as to whether any efforts were made to enquire and establish whether non-availability of sheep was really due to migration or otherwise. Audit also did not find any evidence in the test checked Districts that any such enquiries were made by Departmental Officers.

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<sup>60</sup> Khammam, Mahabubnagar, Nalgonda, Suryapet and Warangal Districts. Audit could not examine this issue in Nagarkurnool and Sangareddy Districts as the relevant information/records were not provided by the District Offices, though called for by Audit

### 2.2.5 Results of verification of beneficiary documents

Audit verified (along with the Veterinary Assistant Surgeons concerned) the beneficiaries' applications available with 129 PVCs (out of 201 PVCs)<sup>61</sup> in five Districts<sup>62</sup>. Out of a total of 92,525 sheep units stated to have been given to beneficiaries in these five Districts, Audit test checked 59,392 applications and observed the following:

(i) The scheme was aimed to supply sheep units on subsidy to the shepherds belonging to Yadava/Golla/Kuruma communities only. The working guidelines of the scheme stipulated that caste certificates of applicants should invariably be enclosed with their applications. It was, however, observed that caste certificates were not found enclosed in as many as 34,790 (58.58 per cent) applications, indicating that there was no assurance that the sheep units were given only to eligible shepherds.

Government replied (May 2022) that most of the beneficiaries had submitted caste certificates and in some cases, the MRO had certified the caste of beneficiary on the application itself.

The reply is contrary to the fact that Audit had verified the applications of beneficiaries jointly with the Veterinary Assistant Surgeons (VASs) concerned and the VASs had certified the absence of caste certificates and signed the verification reports.

(ii) As per the working guidelines, a group photograph of the Mandal Team, beneficiary along with the sheep unit should be taken at purchase location before loading of sheep for transportation. As per the scheme guidelines, this photograph was to be available with the PVC concerned. However, such photographs were not available in any of the 59,392 cases verified in audit.

Government replied (May 2022) that group photograph of the Mandal Team, beneficiary with the sheep unit was not taken as the MRO and MPDO were not present at the time of grounding of sheep units due to work pressure.

The reply is not acceptable as the group photographs were to be taken at the time of purchase and non-availability of MRO and MPDO does not prevent from taking group photograph of the Mandal Team, beneficiary and the sheep unit.

### 2.2.6 Assigning of duplicate tag numbers to multiple sheep

As per the SRDS guidelines, each sheep procured and supplied to beneficiaries by the Department has to be ear-tagged at the time of purchase for identification of sheep. Each of these ear tags would have a unique 12 digit number.

The Animal Husbandry Department, Government of Telangana has a web-based Benefit Management System called 'e-Laabh' which contains the details relating to various schemes implemented by the Department. As per the scheme guidelines of SRDS, the Departmental Officers were required to enter the data relating to the SRDS beneficiaries in the e-Laabh portal. This data includes the beneficiary ID,

<sup>61</sup> Audit had called for production of records of all the PVCs, but only 129 PVCs had produced the relevant records

<sup>62</sup> Khammam, Nagarkurnool, Nalgonda, Suryapet and Warangal Districts. This issue was not examined in Mahabubnagar and Sangareddy Districts

Aadhaar number, name, address, phone number, whether sheep unit grounded, date of grounding, unique tag numbers of the sheep supplied, etc.

Audit analysed the beneficiary data available in e-Laabh portal and observed that:

- Out of a total of 80.55 lakh tag numbers shown against sheep units distributed to beneficiaries, tag numbers in respect of 17,912 sheep were found to be incorrect as they contained less/more than 12 digits.
- Out of the remaining 80.37 lakh tag numbers, 2,17,643 tag numbers were repeatedly used 2 times to 34 times, resulting into a total of 4,55,300 original and duplicate tags. This indicates that 2,37,657 sheep (4,55,300 *minus* 2,17,643) shown as supplied were fake and the subsidy amount of ₹92.69 crore<sup>63</sup> claimed to have been spent thereon could be fraudulently created transactions.

Government replied (May 2022) that there were discrepancies in tag numbers due to errors in the software maintained by the insurance company during initial days.

The reply is not acceptable since the duplicate tag numbers are found in the e-Laabh portal maintained by the Department. Moreover, a test-check of few cases revealed that the health certificates signed by the VASs and uploaded in the insurance portal also corroborates the fact of duplicate tag numbers. Government further replied that field level verification would be done and disciplinary action would be taken if any officer is found guilty.

### **2.2.7 Results of verification of insurance data**

As per the scheme guidelines, the sheep supplied to beneficiaries under the scheme are to be insured for a period of one year from the date of purchase. For this purpose, the TSSGDCFL had engaged two insurance companies<sup>64</sup>. The insurance companies issued insurance policies based on the details of beneficiaries and sheep supplied as uploaded by the Department. The data pertaining to the beneficiaries in respect of whose sheep insurance policies were issued by National Insurance Company Ltd. are captured in a web portal 'telanganajeevasamruddhi.com'. The information available in this website includes the details of beneficiary, photo of the beneficiary, photos of the 21 sheep issued including their tag numbers, etc. Audit selected 383 beneficiaries<sup>65</sup> through IT system generated random sampling and verified the details of these beneficiaries available in the 'telanganajeevasamruddhi' portal. Audit observed that:

- Photographs of the beneficiaries were not uploaded in 351 out of the 383 test checked cases.
- In respect of three beneficiaries, the photographs of the sheep were not uploaded.
- In two cases, photos of only 9 and 19 sheep were uploaded as against 21 sheep.

<sup>63</sup> The subsidy amount spent on each ram is ₹5,250 and the subsidy for each ewe is ₹3,900. Since the data did not show tag numbers of ram/ewe separately, Audit conservatively considered the subsidy applicable to ewe (i.e., ₹3,900 per ewe) for calculation of this amount

<sup>64</sup> National Insurance Company Ltd. (from June 2017 to December 2020) and New India Assurance Company Ltd. (from January 2020 to date)

<sup>65</sup> i.e., 0.1 per cent of the total of 3.83 lakh beneficiaries' data available in the e-Laabh portal

- In one case, the same photograph (of one sheep) was uploaded against all the 21 sheep.

Government replied (May 2022) that photographs were not shown in the portal due to non-maintenance of the portal by the insurance company. The reply does not explain why the photographs were shown in some cases and not in other cases.

- The scheme guidelines stipulated that sheep were to be procured only from other States to avoid recycling of sheep. However, out of the 7,946 photographs of sheep verified in the website, photographs in respect of 426 sheep (i.e., 5.36 per cent sheep) showed that the ear of the sheep was cut or had holes, which means that an earlier tag was removed and new tag was put. This indicates the possibility of recycling of sheep already distributed. Few examples of such cases are shown below:

<b>Beneficiary ID: 3600013711</b>	<b>Beneficiary ID: 3600171486</b>
<b>Village: Kakarlapally (v), Sathupalli (M), Khammam District</b>	<b>Village: Nyalapogula (V), Lingala Ghanpur (M), Jangaon District</b>
<b>Tag No. of the sheep: 100000095112</b>	<b>Tag No. of the sheep: 100003421101</b>
	
<b>Beneficiary ID: 3600084546</b>	<b>Beneficiary ID: 3600539845</b>
<b>Village: Dhammanapet (V), Wardhannapet (M), Warangal Rural District</b>	<b>Village: Nagulpally (V), Narsapur (M), Medak District</b>
<b>Tag No. of the sheep: 100008115237</b>	<b>Tag No. of the sheep: 100005570711</b>
	

Source: 'telanganajeevasamruddhi' portal

Government replied (May 2022) that it is a regular practice of shepherds to cut the ears of sheep when wounds on ears get infected with maggots after vaccination. It was further replied that sometimes, holes are formed on ears due to formation of circular black lesions because of sheep pox vaccination.

Notwithstanding the reply, it is to be stated that purchase of sheep whose ears are cut or have holes is fraught with the risk of recycling of sheep. Further, the TSSGDCFL also, in its guidelines issued (September 2019) stipulated that purchase of sheep with holes on ears should be avoided.

### **2.2.8 Sheep units shown as given to non-existent persons**

Audit compared the SRDS beneficiary data of e-Laabh portal with the data of death insurance claims settled under the Farmers Group Life Insurance Scheme (Rythu Bima<sup>66</sup>). Audit found names of 860 farmers who had died and death claims were paid under Rythu Bima Scheme and who were also found in the list of beneficiaries under SRDS. However, in case of 840 out of these 860 beneficiaries, the dates of supply of sheep units were not fed in the e-Laabh data. Due to this, Audit could not verify if these 840 beneficiaries were actually alive at the time of providing sheep units.

However, the dates of supply of sheep units were available in the e-Laabh data in respect of only 20 beneficiaries. Audit observed that all these 20 farmers had died during September 2018 to January 2020, but sheep units were shown as given to them under SRDS during March 2021 to December 2021 (i.e., 18 months to 36 months after their death). Sanction orders in all these cases were issued in the names of dead beneficiaries 14 to 36 months after their death. Subsidy of ₹18.75 lakh<sup>67</sup> was therefore spent on non-existent beneficiaries in these cases.

Government replied (May 2022) that if death of beneficiary occurs after generation of sanction orders, it is not possible to change the name of deceased beneficiary and that the sheep units were given to their nominees with the approval of the District Collector and the name of the nominee is included in the e-Laabh data.

The reply is not acceptable as the sanction orders in all these cases were issued in the names of dead beneficiaries 14 to 36 months after their death. Further, no evidence was furnished by the Department to show that the sheep units were given to the nominees. The e-Laabh portal also does not have any provision for showing the names of nominees.

### **2.2.9 Non-conducting of Third Party Evaluation (TPE) of the scheme**

In a meeting held (September 2017) by the Special Chief Secretary, Animal Husbandry, Dairy Development & Fisheries Department with the representative of the Centre for Economic and Social Studies, Hyderabad (CESS)<sup>68</sup> and senior officers of the Department, it was proposed that TPE would be conducted once after supply

<sup>66</sup> Rythu Bima Scheme provides insurance cover of ₹5.00 lakh to the enrolled farmers. The insurance premium is fully borne by the Telangana Government. This scheme is implemented by Agriculture Department

<sup>67</sup> 20 beneficiaries X ₹1.25 lakh X 75% subsidy = ₹18.75 lakh

<sup>68</sup> An autonomous research institution recognised by Government of India

of every one lakh sheep units. The proposed TPE included (i) a Desk Audit to verify documentation covering each stage of implementation, (ii) field studies to verify availability of procured sheep, health of the sheep, etc. and (iii) an assessment as to how the scheme has empowered the beneficiaries economically and socially. Based on a proposal submitted by the Director of VAH, the Government issued orders<sup>69</sup> (December 2017) permitting to take up the TPE by CESS to assess the quality of scheme implementation. However, within three days from issuing this GO, the Government issued a memo<sup>70</sup> instructing the Department not to take any further course of action on the above-mentioned orders without citing any specific reasons therefor. Thereafter, the Government did not issue any orders on the proposal.

In April 2019, State Government received a representation from a Social Forum highlighting that there were several adverse press reports alleging faulty implementation of the scheme, corruption, dereliction of duties by Departmental Officers, etc. and that huge public money was misused on the scheme. The Forum sought third party evaluation of the scheme. Based on this representation, the TSSGDCFL submitted (June 2019) proposals to Government for taking up evaluation of the scheme through Dr. P.V.Narasimha Rao Veterinary University. However, no such evaluation has been taken up even after more than two years as the Government did not issue any orders on the proposal.

Government replied (May 2022) that the Dr. P.V.Narasimha Rao Veterinary University was not ready to take up TPE, due to Covid pandemic and busy academic schedule. It was further added that the University would be addressed once again for taking up the TPE. The reply is silent as to why the GO issued in December 2017 for taking up TPE by CESS was withdrawn within three days.

### **2.2.10 Suspected fraud in payment of car hire charges**

The DV&AHOs receive funds from Government for meeting the expenditure on day-to-day Departmental functions. The bills relating to these functions are sent to the District Treasury Office for payment. Whereas in respect of the Sheep Rearing Development Scheme (SRDS), the funds received from the TSSGDCFL are kept separately in a bank account and payments in connection with the scheme are made by the DV&AHOs after obtaining sanction from the District Collector. A separate Cash Book is maintained for recording the receipts and payments relating to the SRDS funds.

In Nagarkurnool District, the DV&AHO concluded agreements for hiring of staff cars for office use (Vehicle No. TS 06 UB 2622: from April 2018 to March 2019 and Vehicle No. TS 06 UC 4781: from November 2018 to March 2021). As seen from the cash book relating to SRDS, bills amounting to ₹8.91 lakh towards monthly hire

<sup>69</sup> G.O.Rt.No.167, Animal Husbandry, Dairy Development & Fisheries (AH) Department, Dated 30 December 2017

<sup>70</sup> Memo No.3191/AH-3/2017, Animal Husbandry, Dairy Development & Fisheries (AH) Department, Dated 02 January 2018

charges (at the rate of ₹33,000 per month) of the above vehicles for the period from April 2018 to June 2020 (27 months) were paid<sup>71</sup> from the scheme funds to the vehicle provider.

Audit observed that the DV&AHO had sent separate bills towards hire charges of vehicles for the same period (April 2018 to June 2020) to the District Treasury and a total hire charges of ₹8.91 lakh was paid<sup>72</sup> through Treasury from State budget funds. It was seen that out of a total of 27 months for which hire charges were drawn from Treasury, in respect of 22 months the hire charges paid from Treasury were for the same vehicles for which the hire charges had already been paid from the SRDS funds. Thus, there were fraudulent double payments amounting to ₹7.26 lakh towards hire charges for the same vehicles.

Government replied (May 2022) that a detailed Departmental enquiry would be conducted and disciplinary action would be initiated against the officer concerned.

*The above audit observations along with the detailed lists of cases where irregularities were noticed were communicated to the Government in March/April 2022. The replies furnished (May 2022) by the Government are generic in nature without verifying these cases in detail. In the reply, it was stated that the Government is committed to supply sheep units to shepherd community to uplift their lives and several measures were taken to curb malpractices in the scheme implementation. It was added that despite these measures, irregularities have occurred due to speed of implementation and work pressure on the staff and that to find the quantum of irregularities and the persons responsible, the implementing agency needs time.*

### **2.2.11 Conclusion**

*Government of Telangana had launched (April 2017) the Sheep Rearing Development Scheme with a view to provide sustainable livelihood to the traditional shepherd families and improve their economic standard. During test-check of implementation of the scheme in seven Districts, Audit observed serious deficiencies like non-maintenance of beneficiary-wise files, non-availability of invoices in support of transportation of sheep; payments made on improper/ manipulated invoices, invoices containing fake vehicle registration numbers, invoices showing transportation of higher number of sheep units than that was possible/permitted; assigning duplicate tag numbers (2,17,643) to multiple sheep; recycling of sheep; non-supply of feed to the supplied sheep due to non-availability of sheep on ground; benefits shown as given to persons who had died; and non-conducting of third party evaluation of the scheme. The above audit findings indicate lack of transparency including suspected fraud involving a financial implication of ₹253.93 crore, in the implementation of the scheme.*

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<sup>71</sup> during June 2018 to July 2020

<sup>72</sup> during January 2019 to March 2021

## 2.2.12 Recommendations

*Keeping in view of the fact that a substantial expenditure of ₹3,385.32 crore was spent towards subsidy under the scheme and the serious nature of irregularities noticed by Audit in all the seven test checked Districts, the Government may consider:*

- (i) having the scheme implementation examined by an independent authority; and*
- (ii) initiating appropriate measures including fixing of responsibility and filing criminal cases against the officials involved and recovery of the fraudulently claimed amounts from the concerned.*

### Agriculture and Cooperation Department

## 2.3 Avoidable expenditure due to payment of Goods and Services Tax (GST) on exempt service

**Failure of the Agriculture Department in availing exemption from Goods and Services Tax on the insurance premium payable to the insurance agency under Farmers Group Life Insurance Scheme resulted in avoidable extra expenditure of ₹445.03 crore**

Government of Telangana launched (June 2018) the Farmers Group Life Insurance Scheme<sup>73</sup> to provide life insurance cover to farmers in the age group of 18 – 59 years with a sum assured for ₹5.00 lakh. Under the scheme, the insurance premium for enrolled farmers was to be paid fully by the Government. The Government designated the Commissioner of Agriculture (CoA) as the nodal agency for implementation of the scheme. It was decided to implement the scheme through the Life Insurance Corporation of India (LIC). The scheme which commenced in August 2018 was later extended by the Government in the subsequent years and is still ongoing (2021-22).

During the test-check of records (June-July 2019 and December 2019-January 2020) of the Office of the CoA, the following was observed:

For operation of the insurance scheme, the CoA entered (June 2018) into a Memorandum of Understanding (MoU) with LIC. Based on the number of farmers enrolled under the scheme, CoA pays the insurance premium to LIC periodically. During the period from July 2018 to September 2021, the CoA paid a total amount of ₹3,649.92 crore to LIC towards insurance premium. This amount included ₹445.03 crore paid towards Goods and Services Tax (GST) on the insurance premium.

As per the decisions made in the 16<sup>th</sup> Meeting of GST Council in June 2017 and the consequent notifications issued (June 2017) by the Government of India and Government of Telangana, the services provided to the Central or State Governments under any

<sup>73</sup> Also called Rythu Bima