Audit Approach, Previous Audit Findings and Organisation of Current Audit Findings

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2.1 Audit Approach

2.1.1 Audit Objectives

The main objectives of the current performance audit were to ascertain whether:

- The programme was well-designed, and the investment focus and priorities were well-defined and managed.
- Projects taken up under AIBP were completed within the stipulated time and cost, and the Irrigation Potential targeted under AIBP was actually created and effectively utilised.
- The process for planning and approval of new projects was adequate and effective, and the AIBP guidelines were fully complied with.
- Adequate funds were released on time and were properly utilised.
- The desired Benefit Cost Ratio (BCR) was achieved, and the actual BCR was properly evaluated and assessed.
- Individual projects were executed in an economical, efficient, and effective manner.
- The mechanism for monitoring and evaluation of AIBP projects was adequate and effective.

2.1.2 Audit Scope and Sample

The performance audit covered 26[*] States for the period from 2003-04 to 2007-08. The audit sample covered 70 major, medium and ERM irrigation projects, and 346 minor irrigation projects; these projects were chosen using "Simple Random Sampling without Replacement (SRSWOR)". Details of the audit sample are indicated in **Annexure – III.**

2.1.3 Audit Criteria

The main sources of audit criteria for the performance audit were:

- The AIBP guidelines, as amended from time to time;
- Guidelines issued by CWC for preparation of Detailed Project Reports (DPRs);
- Instructions issued by MoWR and CWC; and
- DPRs of the test-checked projects.

2.1.4 Audit Methodology

The performance audit commenced with an entry conference with the MoWR in May 2008, wherein the audit methodology, scope, objectives and criteria were explained. During the meeting, the MoWR also made a presentation on the status of AIBP.

Field audit of the records of the MoWR, CWC, and Water Resources/ Irrigation Departments and implementing agencies of the State Governments and field inspections (including photographs) of the test-checked projects were conducted between May 2008 and September 2008.

The draft audit report was issued to the Secretary, Ministry of Water Resources in August 2009, requesting for written responses/ comments within six weeks and also the holding of an exit conference to discuss the main audit findings (as per standard audit practice). However, till January 2010, despite the issue of written reminders to the Ministry, no response was received from the Ministry, nor could an exit conference be scheduled. Exit conferences to discuss State-specific findings were, however, held with 14 State Governments between September 2008 and May 2009.

Audit acknowledges the co-operation and assistance extended by the Ministry of Water Resources, the Central Water Commission, and the State Governments and their implementing agencies during the course of the performance audit.

[*] Goa and Tamil Nadu were not covered in the Performance Audit.

2.2 Previous Audit Findings

AIBP was previously reviewed in audit and findings reported through the CAG's Report No. 15 of 2004 (Union Government – Performance Appraisal). The main findings of the earlier audit were as follows:

- There were ambiguities in the programme guidelines, and the programme was successively modified, resulting in relaxation of criteria for selection of projects, and dilution of the original focus.
- As of March 2003, only 23 out of the 172 projects covered under the programme had been completed; none of the 29 projects selected for completion through the "fast track" had been completed. Of the 10 inter-State projects, only one project had been completed.
- Only 28 per cent of the envisaged irrigation potential could be created, and only 11 per cent could be utilized. The poor programme performance was also reflected in high Development Cost per hectare, and low Benefit Cost Ratio (BCR).
- Despite elaborate guidelines, selection of several projects was injudicious, and projects outside the scope of AIBP and projects not fulfilling pre-requisites were selected.
- Many approved projects had not been taken up by the State Governments or were abandoned mid-way. There were also numerous instances of cost and time over-runs. However, funds requirement was not the only reason for the languishing of projects.
- There were several instances of diversion, parking and misuse of funds, as well as poor contract planning and management.
- Monitoring and evaluation of AIBP projects was inadequate.

In the Action Taken Note (ATN) of 2008-09 on the findings of the previous Performance Audit Report, the MoWR indicated that it had initiated the following steps:

- Evaluation of AIBP had been stepped up, and the Planning Commission was carrying out an evaluation of the programme.
- The monitoring mechanism of the CWC was now quite effective, as CWC was monitoring the progress of Major and Medium Irrigation projects through actual field visits, discussions with concerned State Government officers, and review of the physical and financial reports from the States.

- From December 2006, the MoUs with the State Governments contained physical targets of the potential created on a year wise basis. The pre-defined targets were being examined by the CWC during field visits, and while releasing installments of AIBP funds.
- Monitoring of utilization of IP was not covered in the programme, as the utilization did not start immediately in many projects, and usually took two to three years, due to various reasons.
- The delay in completion of projects was caused by various reasons which were beyond the control of the project executing agency and the Central Government.
- There were built in safeguards in the AIBP guidelines which ensured that if the State Government failed to utilize central assistance along with the state share, no further Central Assistance would be released to the State Government.

However, as detailed in this Performance Audit Report, most of the deficiencies pointed out in the earlier Audit Report continued to persist, and AIBP had still not achieved its targeted objective of accelerating completion of large irrigation projects and delivering the benefits of irrigation water to the farmers.

2.3 Organisation of Current Audit Findings

The findings from the current Performance Audit have been categorized into two sections:

- Overall Audit Findings – In this section, different areas of interest have been analysed from a nation-wide perspective, and only brief, summary information on findings in different States has been provided.
- State-specific findings – In this section, detailed findings, amplifying the overall audit findings, have been presented state-wise.