

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



## 2.1 Audit approach

### 2.1.1 Audit objectives

The Performance audit was taken up with the objective of verifying whether

- MPLADS met the principal objective of fulfilling the constituents' request to the MPs for basic facilities, including community infrastructure of development nature, with emphasis on creation of durable community assets in their areas in a sustainable manner;
- the process of selection of the works was transparent; the control procedures ensured that the works approved by the MPs were consistent with the guidelines, avoided duplication and overlapping and were guided by their merit and relative priority within the area for each MP;
- the DAs and the IAs processed the works promptly in accordance with the provisions of the MPLADS guidelines and relevant rules ensuring competitive bids, quality assurance, schedule of rates and checks ensuring reasonableness of the cost/rates, consistent with the cost of similar works under other programmes;
- the accountability for maintenance and upkeep of assets created were ensured and the standards and quality of the assets created were maintained properly;
- the physical and financial performance reports were free from misstatements and in particular, the utilization certificates and status of the works/projects reports fairly represented utilization of MPLADS funds;
- the up-to-date and comprehensive list of community assets created was transparently displayed;
- the internal control, management and performance monitoring systems and procedures ensured output/outcome-oriented monitoring of the scheme, which were sensitive to error signals; and
- the Ministry established a system of corrective action for the Scheme as a whole.

## Chapter-2

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### 2.1.2 Audit scope and sample

The performance audit covered 28 States and seven Union Territories (UTs) for the period from 2004-05 to 2008-09. The audit sample covered 128 DAs. Twenty five *per cent* of the DAs in each State subject to minimum of two DAs were selected by using Simple Random Sampling without Replacement (SRSWOR) method. Details of the audit sample are indicated in **Annex 2.1**.

**2.1.3 Audit criteria** used to benchmark the implementation of the scheme were drawn from:

- i. MPLADS operational guidelines and instructions issued from time to time;
- ii. Compliance with general financial rules, administrative rules and procedures.

### 2.1.4 Audit methodology

The Performance Audit of the Scheme commenced with an entry conference with the Ministry in May 2009, in which the audit methodology, scope, objectives and criteria were explained. Simultaneously, in each State an entry conference was held by the (Principal) Accountant General with the Chief Secretary/Development Commissioner/Additional Chief Secretary of the State/UTs. Records relating to the scheme were examined:

- by the Director General of Audit, Central Expenditure in the Ministry between April 2009 and October 2009;
- by the Accountants General (Audit) in the State nodal departments, DAs and IAs between April 2009 and December 2009.

The draft audit report was issued to the Ministry in February 2010 and their reply was received in May 2010. The reply of the Ministry has been duly incorporated in this report at relevant places. The results of the performance audit were discussed with the Ministry in an exit conference on 25 May 2010. Similarly, in each State audit findings were discussed with the State nodal departments in exit conferences conducted by the Accountants General.

We appreciate the co-operation of the Ministry, State nodal departments, the District Authorities and the Implementing Agencies in preparation of the Report.

## 2.2 Previous audit findings

The scheme was earlier reviewed by the Comptroller and Auditor General of India in 1998 and in 2001. A brief account of main findings of the CAG's Report No. 3A of 2001 (Union Government – Performance Appraisal) is as follows:

- The DAs incurred an expenditure of ₹ 3.97 crore on 570 works not recommended by the MPs.

- 3,397 works at an estimated cost of ₹ 35.79 crore were taken up for execution without technical sanction.
- DAs spent ₹ 53.74 crore on works inadmissible under the Scheme.
- There were delays in completion of works 568 works costing ₹ 7.30 crore. In some cases delay was up to five years.
- The IAs did not take up 775 sanctioned works of total estimated cost of ₹ 10.18 crore.
- 99 works on which ₹ 1.10 crore had already spent, were either abandoned or left incomplete midway due to various reasons.
- 1688 contracts with an estimated cost of ₹ 35.74 crore were awarded by the DAs irregularly.
- In 70.2 *per cent* cases DAs did not obtain utilisation certificates (UCs) for works costing over ₹ 161 crore from the IAs.
- The IAs did not refund ₹ 8.13 crore to DAs, which remained unspent due to cancellation of works, completion of works at lower than estimated cost, non-commencement of works for some reasons.
- The DAs reported advance released to IAs as expenditure, ignoring the basic requirement of checking the utilisation of funds.
- Instance of loss of interest aggregating ₹ 0.99 crore were noticed on various counts.

The Ministry submitted complete Action Taken Notes (ATNs) only in November 2009 and December 2009 in respect of the two Audit Reports (1998 and 2001) after delay of more than 10 years and eight years respectively. The gist of ATNs submitted by the Ministry is given in **Annex 2.2** which reveals that even this response was based on compiled data received from the States. The Ministry did not furnish any reply to the conclusion drawn in the last Audit Report presented in 2001 that in its present form, the scheme, which was in operation since December 1993 had hardly served its main objective and the Central Government needed to have a thorough review of the arrangements for the implementation of the scheme.

### 2.3 Reporting methodology

The results of audit at both the Central and the State level were taken into account for arriving at of the conclusions. The audit findings, conclusions and recommendations on each stated objective of the Performance Audit have been discussed in Chapter 3 to Chapter 7. Chapter 3 deals with our Audit Objectives I and II, while Chapter 4, 5 and 6 deals with Audit Objectives III, IV and V respectively and Chapter 7 deals with Audit Objectives VI, VII and VIII. Chapter 8 is the conclusion.