

Chapter 2 - Audit Framework

2.1 Audit Mandate

The Performance Audit on Technology Upgradation Fund Scheme was carried out under Section 13 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

2.2 Audit Objectives

The performance audit was conducted with a view to ascertain whether:

- Ministry had data to assess current and projected future needs of technology upgradation of Indian Textile Industry at the time of scheme continuation in 2007 (M-TUFS) and in 2011 (R-TUFS);
- Ministry had assessed subsidy requirement properly for achieving the technology upgradation targets and had got resources/funds for it;
- Due amount of subsidy had been disbursed for investments eligible under the scheme; and
- Ministry had established a system for effective monitoring to keep watch on implementing agencies of the scheme and followed it.

2.3 Audit Scope and Coverage

From the details of financial outlay of the scheme, mentioned in Para 1.7 above, it is evident that substantial amount of funds have been released during 01 April 2007 to 31 March 2014. Therefore, the period of 01 April 2007 to 31 March 2014 was covered in this Performance Audit. A sample of 3,231 beneficiaries' cases was selected for audit during September 2014 to May 2015.

As per data available with the Ministry, funds were released to beneficiaries across 20 States and 5 Union Territories. For conducting Performance Audit of the scheme, beneficiaries from seven States i.e. Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Punjab, Rajasthan

and Tamil Nadu, were selected in the audit sample, as the data available with the Ministry reflected that these were the major beneficiary States under the scheme.

2.4 Sources of Audit Criteria

Audit criteria for the Performance Audit were drawn from the following:

- Government Resolutions (GRs) issued for the scheme;
- circulars issued by Ministry / TxC from time to time for implementation of the scheme;
- documents pertaining to formulation of scheme, release of subsidy to FIs, details of interest, penal interest, subsidy refunds etc. maintained in the Ministry;
- documents available with the FIs and TxC in respect of TUFs beneficiaries indicating their eligibility and receipt of subsidy under the scheme;
- agenda and minutes of various meetings of IMSC and TAMC; and
- documents pertaining to monitoring of the scheme maintained in the Ministry, and TxC.

2.5 Audit Methodology and Sampling

The following methodology for conducting Performance Audit was adopted:

2.5.1 Entry and Exit conference

An entry conference with the Ministry, TxC and representatives of FIs was held on 03 September 2014 in New Delhi. Thereafter, audit was conducted in the Ministry, TxC and in the branches of FIs in seven States for audit of selected beneficiaries' cases and audit observations were issued. To discuss the audit findings, exit conferences were held in the seven States with the representatives of FIs.

Thereafter, a consolidated Draft Performance Audit Report on TUFs was issued to the Ministry on 19 May 2015 for which response was received from Ministry on 8 July 2015 and an Exit conference was held on 9 July 2015 with the Ministry in New Delhi wherein major audit findings included in the consolidated Draft Performance Audit Report were discussed. Additional set of Audit Observations, as discussed during the Exit conference were issued to the Ministry on 21 July 2015. On 20 October 2015 the Ministry forwarded responses of the

FIs. Thereafter, draft final performance audit report was issued to Ministry on 30 October 2015 for which response was received on 20 November 2015. The replies of Ministry have been duly considered while finalising the Audit Report.

2.5.2 Audit Sample

As per data provided by TxC, there were 22,998 beneficiaries' cases who had got their loans sanctioned between 01 April 2007 to 31 March 2014. Audit selected sample from these beneficiary units. The sample selected for audit, covered beneficiaries' cases pertaining to M-TUFS as well as R-TUFS. While selecting the sample, efforts were made to have a representative sample considering the segments, sectors (SSI and non-SSI) and types of FIs (Commercial and Co-operative FIs). State-wise sample selected and audited in the Performance Audit is given in Table 2.

Table 2 : State-wise sample selected and audited in the Performance Audit

State	Beneficiaries' cases for which audit was taken up	Beneficiaries' cases for which records were produced to audit by FIs	Beneficiaries' cases for which records were not produced to audit by FIs
Andhra Pradesh	183	180	03
Gujarat	1,306	1,101	205
Madhya Pradesh	55	54	01
Maharashtra	627	579	48
Punjab	402	300	102
Rajasthan	150	137	13
Tamil Nadu	508	480	28
Total	3,231	2,831	400

2.6 Acknowledgement

Audit wishes to acknowledge the co-operation received from the Ministry, Office of Textile Commissioner and Financial Institutions during the audit process. Audit would also like to place on record its appreciation for the efforts made by the Ministry for taking immediate corrective measures in respect of audit observations.