

Chapter 2: Audit Approach

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2.1 Audit objectives

This Performance Audit was conducted to assess the implementation of the scheme as per the guidelines laid down by the Ministry. Following are the audit objectives for this Performance Audit:

- Whether PMUY connections have been released and installed by the OMCs to the eligible and intended households of SECC list after due diligence?
- Whether sufficient measures for enhancement of LPG distribution network have been undertaken to cater to the PMUY beneficiaries?
- Whether the OMCs have taken steps to ensure the usage of LPG by PMUY beneficiaries as per the prescribed safety standards and for creating awareness of the scheme?
- Whether the scheme has led to sustained usage of LPG by PMUY beneficiaries?

2.2 Audit Scope

Performance Audit covered the implementation of PMUY (excluding e-PMUY) during the period from May 2016 to December 2018. Data Analysis of PMUY consumer transaction database provided by the OMCs up to 31 December 2018 was conducted. The field audit however included audit of PMUY transactions up to March 2018. It included review of efficacy of infrastructure of the three OMCs at their respective Marketing Head-offices, State / Zonal / Regional / Area Offices apart from examination of KYC / other documents of PMUY beneficiaries at selected LPG distributors. Moreover, beneficiary survey of selected PMUY beneficiaries was also carried out at each LPG distributor covered in the sample. Monitoring of the scheme and settlement of OMCs' claims were reviewed at MoPNG/PPAC.

2.3 Audit Criteria

The following audit criteria were used:

- ❖ Cabinet Note and agenda on PMUY;
- ❖ Circulars/guidelines/instructions *etc.* issued by MoPNG to OMCs for launch and implementation of PMUY;
- ❖ Modalities put in place for implementation of PMUY;
- ❖ SECC-2011 data containing details of eligible BPL households;
- ❖ Procedure specified by MoPNG for submission and settlement of PMUY claims;
- ❖ OMCs Board Agenda and Minutes w. r. t. PMUY and extension of interest-free loan to BPL beneficiaries.

2.4 Audit Sample and Sampling Methodology

As on 31 March 2018, there were 15736 LPG distributors having active PMUY beneficiaries. Details of OMC-wise distributors and registered and active PMUY beneficiaries with them are given below:

Table 2.1: OMC wise details of PMUY LPG distributors and beneficiaries (as on 31.03.2018)

Particulars	IOCL	BPCL	HPCL	Total
Total number of LPG distributors	7883	3857	3996	15736
Total customers registered	1.69 crore	0.95 crore	0.96 crore	3.60 crore
Total Active customers	1.66 crore	0.91 crore	0.95 crore	3.52 crore

Audit selected sample of 164 distributors (1.04 *per cent* of 15736) based on the market share of OMCs for detailed scrutiny at the distributors' end based on the following risk parameters:

- Number of PMUY LPG connections issued with interest-free loan facility for gas stove and first refill.
- Number of connections with no refills viz. where the LPG connections had been issued but were not installed at the premises of the beneficiaries.
- Number of connections with only one refill since release of PMUY connections.
- Number of connections with more than one refill per month.

The LPG distributors selected in sample for field audit covered 17.61 lakh PMUY beneficiaries *i.e.* around five *per cent* of total PMUY beneficiaries.

2.4.1 Process of drawing sample

Data analysis tool was used for drawing the audit sample using the following procedure:

- Distributor-wise percentiles were calculated for the three OMCs for each of the criteria mentioned above;
- The distributor-wise percentiles for the four parameters were added up to arrive at the cumulative percentiles for all the distributors of the three OMCs;
- The LPG distributors of each OMC were then divided into four geographical regions North, East, West and South.
- The LPG distributors in each OMC in each region were then sorted in descending order of number of active PMUY connections and divided into three sections *i.e.* top, middle and bottom with equal number of LPG distributors;
- In each section of the respective OMCs in each region, LPG distributors were then arranged in their decreasing order of cumulative percentiles;

The LPG distributors were then selected from the above three sections for the respective OMC in the ratio of 6:3:1 for the top, middle and bottom sections respectively.

2.5 Audit Methodology

The Performance Audit commenced with an Entry Conference with MoPNG and the OMCs on 19 July 2018 wherein the audit objectives, scope, criteria and methodology were discussed. Subsequently, Entry Conferences at regional level were also held by the respective MsAB.

PMUY consumer database as provided by the three OMCs, as on 31 December 2018 was analysed by audit. The data analysis was carried out with the help of Interactive Data Extraction

and Analysis (IDEA) tool. Field audit was conducted in 164 selected distributors as per the sample to examine whether due diligence was exercised by the distributors and OMCs in verifying the identity and eligibility of the applicants. Detailed audit scrutiny of at least 100 KYC records along with beneficiary survey of at least 10 beneficiaries was conducted at each of the selected 164 LPG distributors. Accordingly, KYC records of total 18558 PMUY beneficiaries were reviewed and beneficiary survey of 1662 PMUY beneficiaries was carried out during field audit.

In addition, review of infrastructure of the OMCs and cash assistance claims lodged by the OMCs with the PPAC and payment there against released by the MoPNG was also carried out by audit.

Draft PA Report containing audit findings was issued to the three OMCs on 15 March 2019. OMCs' replies to the draft PA Report were received in April 2019 which were duly incorporated in the draft audit report issued (26 April 2019) to MoPNG. The replies furnished (May 2019) by MoPNG to the draft audit report as well as the responses given during Exit Conference held on 30 May 2019 were also duly incorporated in this PA Report.

2.6 Audit Findings

The audit findings on each objective of PMUY Scheme are grouped under the following chapters.

- ❖ Chapter 3: Distribution of LPG connections under PMUY
- ❖ Chapter 4: Compliance to Safety Standards
- ❖ Chapter 5: Infrastructure preparedness
- ❖ Chapter 6: Transition of BPL households to LPG
- ❖ Chapter 7: Financial Management
- ❖ Chapter 8: Conclusion and Recommendations

It may be noted that the magnitude of inconsistencies in the data highlighted in some of the observations may not be material in terms of the number of cases or amounts involved when compared with the sample size checked in audit. However, the findings are reported to indicate the extent of achievement of the scheme objectives and to highlight certain inconsistencies from the system perspective so that the scheme implementation can be fine-tuned for better delivery of services to the intended beneficiaries.