

~~implementation of the scheme and to ensure proper control, supervision and quality of works were not complied with.~~

3.5.24 Recommendations

- ~~↓ The Core Network, the basic requirement for selection of road works under PMGSY should be prepared and got approved at the earliest.~~
- ~~↓ There should be better co-ordination between various agencies involved in road construction/maintenance to avoid arranging same works by more than one agency.~~
- ~~↓ Unauthorised transfer/diversion of funds from works not yet completed should be avoided.~~
- ~~↓ The estimates prepared by the PIUs should be thoroughly scrutinised by field visits so that large scale revision of estimates after receipt of sanction is avoided.~~

Response of the department

~~3.5.25 The report was discussed with the Commissioner for Rural development. The Commissioner agreed to –~~

- ~~* Take remedial steps to avoid shortfall in utilisation of PMGSY funds~~
- ~~* Obtain approval for the Core Network shortly~~
- ~~* Guard against the lapses/omissions pointed out by Audit in future~~
- ~~* Prepare Bench mark indicator report~~

~~3.5.26 The above points were referred to Government in August 2004; reply has not been received (November 2004).~~

FINANCE DEPARTMENT

3.6 Information Technology Audit of Treasury Information System

Highlights

The computerisation of treasuries in the State taken up in 1998 at an estimated cost of Rs 13.70 crore was implemented in 23 District Treasuries and 165 out of 166 Sub Treasuries by September 2004 incurring an expenditure of Rs 29.54 crore. Information Technology (IT) audit of Treasury Information System (TIS) was conducted to assess the extent of benefit derived from TIS and its accuracy and reliability.

↘ There was no record of testing and acceptance of the TIS version 3.0 software by the Department.

(Paragraph 3.6.11)

↘ Treasury Wide Area Network for interconnecting the treasuries and Data Centre vital for updating master files and macro level budget monitoring had not yet been set up.

(Paragraphs 3.6.13 – 3.6.15)

↘ **Report generation in respect of Personal Deposit/Savings Bank transaction was defective.**

(Paragraphs 3.6.44 – 3.6.49)

↘ **Improper data validation in the case of Savings Bank Accounts resulted in inflating of the balance to the extent of Rs 310.73 crore.**

(Paragraph 3.6.30)

↘ **Saving Bank Account, Personal Deposit Account and Fixed Deposit Account balances were increased by Rs 4.62 crore, Rs 103.30 crore and Rs 211.60 crore respectively using the facility in TIS for alteration of balances, without any supporting documents to verify such transactions.**

(Paragraph 3.6.38)

Introduction

3.6.1 Department of Treasuries, under the administrative control of Finance Department, is mainly responsible for receipt and payment of money on behalf of Government and maintaining accounts relating to these transactions. The Department also acts as the Banker in respect of Local Bodies and others who keep their funds with the Treasury.

3.6.2 The scheme of computerisation of treasuries in the State estimated to cost Rs 13.70 crore was sanctioned (April 1998) based on the report (January 1998) of a High Level Committee. The Department had so far spent Rs 29.54 crore (January 2004) which included Rs 6.81 crore out of Rs 7.33 crore awarded by the Eleventh Finance Commission. Increase in cost over estimate was attributed to increase in number of servers/nodes provided and additional civil/electrical works carried out for installation of computers and allied equipment.

Objective of computerisation

3.6.3 The Treasury Information System (TIS) was developed to:

- ↘ computerise all treasuries,
- ↘ interconnect all treasuries in the State and link them to the Directorate of Treasuries and Finance Department,
- ↘ render timely accounts to Accountant General (AG),
- ↘ obtain day to day financial position of the State and
- ↘ exercise demand-wise/head of account-wise/scheme-wise/treasury-wise control over expenditure

Organisational set up

3.6.4 The Treasuries Department is under the administrative control of the Finance Department. The Director of Treasuries (Director) is the Head of Department assisted by two Joint Directors at the Directorate. There are three Regional Offices, 23 District Treasuries, 166 Sub Treasuries, 10 Stamp Depots and 17 One Man Treasuries under the Department.

Audit objectives

3.6.5 The objectives of Information Technology Audit of the Treasury Information System (TIS) was to assess the accuracy and reliability of the

information generated out of the system and to ascertain how far the benefits of TIS could be derived.

Audit Coverage

3.6.6 IT audit of treasuries was conducted during August 2003-January 2004 covering the Directorate, 5 District Treasuries* and 13 Sub treasuries#. During Audit it was examined whether the TIS has been designed with adequate controls to maintain data integrity, safeguard assets and to allow organisational goals to be achieved efficiently and effectively. TIS backup data relating to District Treasury, Thiruvananthapuram was uploaded into DB2* and analysed using Computer Aided Audit Technique.

Programme Management

3.6.7 According to the report of the high level committee all treasuries in the State were to be computerised in three phases and completed by 31 March 1999. As of September 2004, the System was installed in all the 23 District Treasuries (DT) and 165 out of 166 Sub treasuries (ST) of which 104 Sub treasuries were computerised only during 2003-04 due to delay in site preparation and procurement of hardware.

3.6.8 Treasury Information System (TIS version 3.0) developed by National Informatics Centre (NIC) with DB2 as back end and Power Builder as front end was installed for on-line operation at District Treasury, Thiruvananthapuram from 1 February 2000 and replicated in other treasuries thereafter.

3.6.9 Computer System would produce results accurately and with greater speed only if it is designed properly with adequate controls. General computer controls cover security management, data centre operations, hardware/software acquisition, its maintenance, backup and recovery plans. Application controls ensure proper authorisation, accuracy and completeness of data input as well as output. Absence of controls may result in data loss, data corruption, fraud and may affect the continuity of the operations of the organisation.

3.6.10 Audit scrutiny revealed that the Department has not yet tested the adequacy of these controls in the software installed for on-line operation from 1st February 2000. It was also seen that required infrastructure such as Data Centre, Wide Area Network (WAN), nodes to Bank, etc., were not set up for efficient functioning of the system; instructions relating to system security issued by Government were not followed and application controls were inadequate leading to bypassing of controls, incorrect database maintenance and incorrect report generation.

* Thiruvananthapuram, Kattakkada, Pathanamthitta, Thrissur and Kannur

Secretariat, Vikas Bhavan, Pension Payment, Principal Sub treasury Thiruvananthapuram, Attingal, Neyyattinkara, Parassala. Pathanamthitta, Adoor, Kunnankulam, Thrissur, Thaliparamba and Kannur.

* A Relational Database Management System supported by IBM

Failure to test controls

Absence of records of testing and acceptance of Software

No records to show the conduct of testing and acceptance of software

3.6.11 A standard computer control practice is to ensure that only authorised and fully tested application software is placed in operation. During July 1999 Government constituted a Committee for testing and acceptance of the Software. But the Committee did not submit any report even after four years. Though an expert group was formed (November 2002) for an aggressive final testing of the software, TIS version 3.0 to be completed by 30 December 2002, there was no record of completion of such testing.

3.6.12 The Department stated (September 2004) that the software was installed in DT, Thiruvananthapuram and later at all other treasuries as it was acceptable to the Department. The reply is equivocal in the absence of documentation relating to acceptance of the software based on approved testing methodology.

Absence of required infrastructure

Absence of Treasury Wide Area Network

Treasury WAN not set up

3.6.13 Mention was made in para 5.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil) about the non-functioning of the WAN connecting the treasuries in Thiruvananthapuram and Pathanamthitta Districts set up at a cost of Rs 96.70 lakh. As the WAN was a failure, the network was not extended to the treasuries in other Districts. Hence the function of TIS was reduced to compilation of transaction and no information was derived out of the System for macro level budget monitoring for effective Ways and Means control.

3.6.14 The Department stated (September 2004) that Treasury WAN connecting all Treasuries with Directorate, Finance Department and Accountant General's Office was under consideration of Government.

Non-establishment of Data Centre at the Directorate

Data Centre not set up at Directorate and no arrangement for updating Master Data file centrally

3.6.15 As per the scheme all District Treasuries were to be linked to a Data Centre at the Treasury Directorate. But no such Centre had been set up at the Directorate to link it with the District Treasuries so as to consolidate daily receipt and payment data or to assess day-to-day cash position. There was no module under TIS to discharge this function of the Directorate. In the absence of a Data Centre with required software, there was no arrangement for updating Master Data files to be maintained centrally. As a result, master files are to be updated at each of the 189 locations leading to scope for error and delay in effecting changes.

3.6.16 Department stated (September 2004) that an IT Management Cell had been set up for updating centrally maintained master data files and creation of a central database for compiling transaction data from all treasuries was in progress. But the Department had not yet devised methodology for transfer/updating of such data in the absence of WAN.

Absence of TIS nodes at Bank

3.6.17 It was decided (June 1999) to provide TIS nodes to Banks at par with the number of transactions in each Bank to facilitate access to TIS data to

view the details of bills passed for payment and enable the treasuries to ascertain head of account-wise receipt and expenditure on the same day. Two nodes, two modems, one hub with necessary cabling were provided for State Bank of Travancore (SBT), Thiruvananthapuram Branch attached to Thiruvananthapuram District Treasury. But such nodes had not been provided to the Banks concerned in respect of 103 banking treasuries. In the absence of nodes at Bank, there was abnormal delay in day book closing in respect of banking treasuries due to delay in receipt of scroll from Banks causing delay in submission of monthly accounts to AG. Though TIS nodes in DT, Thiruvananthapuram is provided to the bank, nodes were not provided to banks in respect of STs resulting in delay of 10 to 12 days in receipt of accounts by AG.

Misuse of TIS facility for backlog voucher/chalan entry

TIS not used for scrutiny and passing of bills

3.6.18 As per User Manual, the data entry, scrutiny and passing of bills in respect of banking treasuries are to be done through the computer before sending the bills to Banks for payment. The System generates a daily sequence number to identify each transaction and also captures the date and time of the data entry, scrutiny and passing of bills together with, user id for audit trail. It was, however, seen that the system was not at all used for scrutiny and passing of the bills in the banking treasuries test checked. Instead, the details of bills passed were entered using the *backlog option* on receipt of the paid vouchers from Bank with scroll. The backlog option had actually been provided in TIS for entering data which may fall in arrears due to an interruption of on-line system or due to an emergency situation such as network failure or system failure. Due to misuse of this facility, data entry was in arrears in these treasuries for 3 to 20 days, which would affect the time schedule for sending the vouchers and List of Payments (LOP) to AG, defeating the very purpose of computerisation.

3.6.19 The Department stated (September 2004) that POC* system had been introduced in all banking treasuries thereby eliminating misuse of the System. The Department's failure to review the effectiveness of computerisation led to the delay of more than four years in extending POC facility to all banking treasuries.

Absence of System Security

Failure to monitor Audit Trail

Compliance with instructions on system security ignored and no regular monitoring of audit trail

3.6.20 Audit trail is incorporated into an IT System for tracing an item from input through its final stage. TIS version 3.0 has the facility to capture details of terminal log on, start up time, activities of user etc. Further, Government stipulated (January 2000) maintenance of the System Administration register, Password register and Daily Activity register. But these Registers were not seen maintained by the Treasuries covered by audit.

3.6.21 A scrutiny of the data relating to audit trail in DT, Thiruvananthapuram revealed that log out details were missing in 20381 out of 87259 cases. User name and log on time were duplicated in 997 records,

* Pay Order Cheque treated as negotiable instrument

which included log on by the same user to another terminal simultaneously due to absence of restriction regarding multiple log on.

3.6.22 Analysis of Electronic data revealed 2 to 5 log in attempts by users due to absence of provision to restrict unauthorised log on and/or provision for automatic terminal shut down after 2 unsuccessful log in attempts.

3.6.23 The Department had neither entrusted the periodic review of audit trail to any responsible officer nor evolved a documented procedure for regular monitoring of audit trail to watch deviations in access trends and to ensure compliance of instructions relating to system security.

3.6.24 The Department stated (September 2004) that directions had been issued to Treasury Officers during August 2004 to maintain the registers and to monitor daily activities. Missing log-outs were attributed to abnormal termination of applications and multiple log-on was resorted to for utilising the services of the user during the time taken to generate lengthy reports. As the Department has not filled up any technical posts and the System administration is managed by the staff at lower level, steps for effective security monitoring need to be taken.

Lack of change management control

3.6.25 The menus described in the User Manual in respect of version 3.0 of TIS and versions of software in use in the treasuries varied drastically. Though many changes had since been made to the earlier version installed during February 2000, the present version is still numbered as 3.0. The details of amendments after installation of the software had not been documented. There was no record of testing the amendments. Different editions of version 3.0 were also seen running in different treasuries and even in the same treasury (Eg. ST, Parassala). In the absence of change management and version control, the Department could not ensure that the latest modified version was installed in all Treasuries and the users were benefited by the program amendment. There is a risk of accidental or malicious changes to software and data due to poor change management control.

Department failed to ensure that latest modified version was installed in all Treasuries

3.6.26 The Department stated (September 2004) that TIS version 3.0 had been frozen from December 2003 to ensure that the same software was running in all the treasuries. The Department has to ensure that the latest version is installed in all the 188 treasuries computerised.

Ineffective back up policy

3.6.27 Back up policy formulated and circulated by Government during January 2000, stipulated that two copies (one in tape and another in CD) each of back up of transaction data should be taken on each working day and two copies of the back up of data relating to accounts should be taken every month in CDs, of which one copy should be kept by the Treasury Officer concerned and the other should be sent to the nearest treasury identified by the Director for off-site storage.

Off-site storage of back up data was not ensured

3.6.28 But the prescribed procedure for back up was not followed in two

treasuries* as CDs and/or CD writers had not been supplied. Against the requirement of six tapes in each treasury for taking back up, one to three tapes only had been supplied to three treasuries#. The Director had not yet (January 2004) identified the treasuries for off-site storage of back-up. In the absence of adequate back up and off-site storage of data, it would be difficult to restore the system in the event of a disaster.

3.6.29 The Department stated (September 2004) that the Treasury Officers had been directed to follow the instructions scrupulously and that proposals had been submitted to Government for providing CD writers to treasuries. It was also stated that off-sites for storage of monthly data for each treasury have been identified and communicated to treasuries. As this does not address the risk of loss of weekly transaction data in the event of a disaster, the Department has to ensure that weekly data are also stored at the identified off-sites.

Defective maintenance of database

Excess accounting of SB Account Balance

Data validation to rectify the differences of Rs 310.73 crore in the closing balance of Manual ledger and computerised ledger not done

3.6.30 Treasury Department is responsible for the maintenance of Savings Bank Accounts in respect of deposits by local bodies, other institutions, pensioners and public. The statement of closing balance along with annual interest is forwarded to AG every year for making adjustments in the accounts. It was, however, seen that data entry relating to closing balance in respect of SB Accounts in District Treasury, Thiruvananthapuram were not validated before switch over to computerised transaction from 1 February 2000. As a result there was a difference of Rs 310.73 crore between the balance as per Manual Ledger (Rs. 1231.87 crore) and Computerised Ledger (Rs 1542.60 crore) as on 31 March 2000. The excess accounting of Rs 310.73 crore was irregular and needs to be rectified by proper data validation.

3.6.31 The Department admitted the failure to compare ledger balance with computer generated accounts and stated (September 2004) that the difference occurred due to non-inclusion of certain accounts in the manually prepared statement of interest (Rs 146.64 crore) and adoption of incorrect balance in respect of certain accounts involving shortage of Rs 39.59 crore. But the difference of Rs 124.49 crore remained to be reconciled.

Bypassing of Appropriation Control

Prescribed procedures for budget control of expenditure not followed

3.6.32 Treasury Officers were required to monitor the expenditure against provision through the Appropriation Control Register provided in the TIS. The details of allotments received in the treasury were to be entered into the system through the *New Allotment* menu except for the heads of accounts exempted. After each transaction, the balance of allotment under each head of account in respect of a Drawing and Disbursing Officer (DDO) can be retrieved/viewed through the Appropriation Control Register. But in DT, Thiruvananthapuram the appropriation details were not entered into the system promptly and the prescribed procedure for budgetary control was not

* DT, Pathanamthitta & ST, Pathanamthitta

ST, Kunnamkulam, ST, Thaliparamba, ST, Thrissur

followed.

3.6.33 In respect of the Departments whose expenditure was to be watched through the Appropriation Control Register, payment through the transaction type “contingent payments” is prevented by a message that “no appropriation was available”. To bypass this, payments were made through “miscellaneous payments” option.

3.6.34 *Bill Exmptn* table contained 138 cases where payment was made in relaxation of appropriation control, but reason for exemption had not been indicated properly. In 27 cases, it was recorded as *inevitable* without authority. In 14 cases, the reason noted was “5 *Advances pending*” which was a valid reason for rejecting the bill, instead of passing it as inevitable payment.

Advances pending adjustment

3.6.35 As per codal provisions, if a final bill for advance drawn is not presented within 3 months of its drawal, the entire amount of advance is to be recovered from the next salary bill of the Self Drawing Officer (SDO) concerned with interest. But there was no provision in the software to recover such advance with interest. As the default option for Travelling allowance bills had been set as ‘Advance’, final payment is to be entered by changing the default option to ‘settlement’. Because of the failure to change option, some of the final payments are wrongly booked as advance payment. As such the amount of tour advance actually pending adjustment cannot be segregated from the data. Tour advances amounting to Rs 3 lakh in 467 cases were pending against SDOs in four treasuries covered by audit, including those of officers who had been transferred/retired. But these pending advances were not seen included in the LPC/NLC* due to absence of provision therefor.

3.6.36 NIC stated that provision for recovery of tour advance/indicating the same in LPC/NLC was not included in TIS for want of specific request of the Department.

Inadequate application control

Provision for alteration of balance

3.6.37 A facility for the alteration of balance in the Savings and Deposit account was incorporated in TIS to correct mistakes in balances during the change over period from manual system to computerised system. Opening Balance adjustment short option (OB+) is used to increase the balance as per the system and Opening Balance adjustment excess option (OB-) to decrease the balance. But the facility was not withdrawn even after 4 years of implementation of TIS at DT, Thiruvananthapuram.

3.6.38 Between February 2000 and August 2003 DT, Thiruvananthapuram carried out several transactions using the options OB(+) and OB(-) which resulted in the increase in Savings Bank (SB) balance by Rs 4.62 crore, Personal Deposit (PD) account by Rs 103.30 crore and Fixed Deposit (FD) account balance by Rs 211.60 crore as shown below:

Tour advances of retired/transferred SDOs pending adjustment not included in LPC/NLC

Facility for alteration of balance to correct mistakes during change over period not withdrawn resulting in inflation of balances in SB/FD/PD accounts

* LPC/NLC - Last Pay Certificate/Non-Liability Certificate

(Rupees in crore)

Type of account	Number of transactions using OB+	Amount increased through OB+	Number of transactions using OB-	Amount decreased using OB-	Net increase in balance
SB Account	283	7.73	9	3.11	4.62
PD Account	284	122.32	44	19.02	103.30
FD Account	588	211.60	-	-	211.60

3.6.39 But the treasury did not have any document in support of above transactions involving crores of rupees. In the absence of any document, the authority for such data entry was not verifiable.

3.6.40 In the absence of regular receipt of Plus and Minus Memorandum indicating opening balance short and opening balance excess adjustments, such adjustments escape accounting by AG thereby misrepresenting the balance of State under Public Account.

3.6.41 There is no justification for retaining this facility to manipulate opening balance without affecting cash transaction so as to cover up the defective data validation. Moreover, there is greater risk of misuse of this facility by the users of the system to arrange payment to account holders even if balance is not available.

3.6.42 The Department stated (September 2004) that this facility is essential to make alteration for correcting wrong entry in the account and that OB(+) facility was included in majority of cases to include Opening Balance which were not entered into the system at the time of computerisation. As this was a facility included to correct mistakes in carry forward of balance to computerised system, there is no justification in retaining the facility at treasuries for such a long period which may provide scope for manipulation.

Absence of provision in the stamp account

3.6.43 There is no provision to generate a report on the details of stamp issued on a particular day or stamps issued to a particular vendor and also for automatic deduction of income tax from a stamp vendor whose commission exceeds Rs 2500 in a financial year.

Defective Report Generation

3.6.44 The figures as per reports generated through different options for the same period were different in the following cases.

3.6.45 The closing balance of a PD account for a particular day was different when extracted through the PD Ledger option and the PD Pass Book option.

3.6.46 The closing balance for a particular month and the opening balance for the following month were different when the Savings Bank Extract Registers were generated for the Head of Account 8001-00-102-99-00 through the option *Reports-Reconciliation* and *Reports-SB Extract Registers*.

3.6.47 The annual closing balance for 2000-01 and 2002-03 exceeded the closing balance for the month of March 2001 and March 2003 by Rs 24.61 lakh and Rs 117.59 lakh respectively and the closing balance for March 2002 exceeded the annual closing balance for 2001-02 by Rs 55.93 crore.

3.6.48 The closing balance for 2000-01, 2001-02 and 2002-03 did not

Different closing balances for the same PD account

OB and CB mismatch in respect of SB accounts

tally with the opening balance of the following year.

3.6.49 The closing balance as per the Plus and Minus Memorandum did not tally with the closing balance as per the Annual Interest Statement sent to AG during 2000-01, 2001-02 and 2002-03.

3.6.50 The department stated (September 2004) that the discrepancies occurred due to bugs in the software and action had been taken to rectify the same.

Inconsistencies in the Annual Interest Statement for SB Accounts.

Discrepancies in the Annual Interest Statement for SB accounts

3.6.51 The Annual Interest Statement in respect of Savings Bank accounts in a treasury is a mandatory return to be sent to the AG at the end of each financial year. Total annual interest credited as per TIS during 1999-2000 to 2002-03, did not tally with the figures in the Plus and Minus Memorandum and as per the Annual Interest statement furnished to AG.

3.6.52 The amounts of short passed interest, annual interest, etc., credited to SB accounts as shown in the Plus and Minus Memorandum did not tally with the amounts shown in the SB extract register for the year 2002-03.

3.6.53 The interest on closed accounts and short passed interest as per the Annual Statement of Interest furnished to AG did not tally with the figures as per the Plus and Minus Memorandum.

3.6.54 The Department stated that the error in the report generation module had been rectified. As the present version of the software is stated to be frozen, the modification would be effective only when the next version is installed.

Absence of Internal Audit in computerised Treasuries

No training imparted to Internal Auditors

3.6.55 Internal Auditors have an important role in protecting the IT Systems by detecting deviations in prescribed procedure, identifying threats to information system, suggesting safeguards for timely rectification. Three Regional Deputy Directors and one Deputy Director at the Directorate were responsible for internal inspection of Treasuries. But the Internal Inspection Team had neither been trained in TIS nor new methodology of audit devised.

3.6.56 Though Treasury transactions are subject to Internal Audit by the Department and annual Inspection by AG there is no provision in TIS to query the data and extract the information required by audit. Evidently, the Internal Audit wing failed to present the above requirement at the time of development of the software.

3.6.57 The Department took (January 2004) steps to arrange training to Inspection Staff only after the lapse was pointed out by audit but no methodology of audit had been evolved so far (September 2004).

Conclusions

3.6.58 The computerisation of all treasuries (except one) targeted to be completed by March 1999, was completed only by August 2004. However, in the absence of required infrastructure such as WAN, Data Centre, etc., the objective of budgetary control over expenditure expected from Treasury Computerisation could not be derived so far. As there was a delay of 10 to 12

days in the receipt of LOP and Cash account from computerised treasuries (January 2003), the objective of timely rendering of accounts had also not been achieved. As the adequacy of controls was not tested so far, the system lacks controls relating to system security and software change. The system remains vulnerable due to inadequate application controls.

3.6.59 Recommendations

- ↓ Test the final modified version of the software following approved testing methodology to ensure the adequacy of controls;
- ↓ Interconnect the treasuries and set up a Data Centre at the Directorate to update the centrally maintained Master data files and for Macro level Budget monitoring ;
- ↓ Conduct a thorough data validation of Closing Balance of Savings Bank and Personal Deposit accounts urgently and thereafter withdraw the facility for alteration of balances to minimise the risk of fraud;
- ↓ Evolve suitable methodology for audit of computerised treasuries by the Internal Audit wing.

3.6.60 Government endorsed (November 2004) the remarks of the Department and stated that all possible efforts would be taken to make the accounts upto date and achieve the goals aimed at by computerisation of treasuries.

~~FINANCE DEPARTMENT~~

~~3.7 Special Development Fund for Members of Legislative Assembly~~

~~Introduction~~

~~3.7.1 Government of Kerala constituted (October 2001) a Special Development Fund for MLAs from 2001-02 on the pattern of “Members of Parliament Local Area Development (MPLAD) Scheme” of Government of India. The annual contribution of Rs 25 lakh for each MLA was enhanced to Rs 50 lakh from 2003-04. The objective of the scheme was to enable the MLAs to suggest developmental activities based on locally felt needs in their Legislative Assembly Constituencies (LACs) with emphasis on creation of durable assets[#]. The guidelines issued in October 2001 had been modified several times and the guidelines issued in May 2004 are by and large in conformity with the guidelines of MPLAD scheme.~~

~~3.7.2 The implementation of the scheme during 2001-04 in 58 constituencies of five (out of 14) districts was reviewed by a test check of records relating to five District Collectorates* and 30 implementing offices. Audit also conducted physical verification of 50 works in 22 LACs.~~

[#] Construction of buildings, roads and bridges, water supply scheme, etc.

* Alappuzha, Ernakulam, Kozhikode, Pathanamthitta and Thiruvananthapuram