## Introduction

The Prime Minister announced the Member of Parliament Local Area Development Scheme (MPLADS) in the Parliament on 23 December 1993 to enable the MPs to identify small works of capital nature based on locally felt needs in their constituencies*. Under the scheme, each MP could suggest to the District Collectors (DCs) works to the tune of rupees one crore (two crore from 1998-99) per year for being taken up in his/her constituency. The scheme does not permit revenue expenditure in any form; the expenditure on works relating to offices/ residential buildings, and purchase of inventory or stock of any kind. It requires the DCs to ensure that concerned user agencies provide for maintenance and upkeep of the assets created under the scheme.

## Organisational arrangement

**2.** The Ministry of Rural Development administered the scheme up to October 1994. The Ministry of Planning & Programme Implementation, now Ministry of Statistics & Programme Implementation, is the administrative ministry for the MPLADS. The designated departments of the State Governments, generally the Planning Department, have a general kind of role of overall state level co-ordination. But it is the head of district, i.e. the DC, who is directly responsible for the implementation of the scheme at the community level. It is with him that the scheme vests the authority and power to receive the MPLADS funds from the centre and to sanction expenditure on the works of the scheme. In National Capital Territory of Delhi, the Municipal Corporation of Delhi (MCD) has that authority.

## Operational arrangements

**3.** The general requirements of the scheme are as follows:

a) The DCs should sanction, as far as possible, all the MPLADS works within 45 days from the date of receipt of proposals from the MPs, and

* For the purpose of MPLADS, the term ‘constituency’ includes, besides the parliamentary constituency, the district, which a Rajya Sabha MP may choose in his/her state for deployment of his/her MPLADS funds allocation.

to get them implemented through Government agencies or Panchayati Raj Institutions or any other reputed and capable Non Government Organisation (NGO).

b) Each State Government/UT Administration to designate one nodal department for physical monitoring through field inspection and for coordination with the Ministry.

c) The DCs should visit the work locations along with the MPs and furnish monitoring reports once in two months to the MPs and to the Ministry.

d) The Senior Officers of the implementing agencies, sub-divisional and block level officers of the district should also visit the work spots regularly to ensure satisfactory progress of the works, per the prescribed procedures and specifications.

## Financial arrangements

**4.** From 1998-99, the Government has doubled the allocation of the MPLADS funds to Rs two crore per year per MP. The Government has classified this release of funds as grants-in-aid. The MPLADS funds do not lapse; after release in a particular year, the unutilised balance carries itself forward without affecting fresh allocation.

**5.** Table 1 contains the cumulative figures of central releases of the MPLADS funds and expenditure. **Annex-I** contains the state-wise details as on 31 March 2000.

**Table 1: Inflow and outflow of the MPLADS funds**

**(Rs in crore)**

| Date up to | Cumulative release of funds | Cumulative expenditure | Percentage utilisation |
|---|---|---|---|
| 31.3.1997 | 2349.80 | 1285.50 | 54.71 |
| 31.3.1998 | 2837.80 | 1549.00 | 54.58 |
| 31.3.1999 | 3627.30 | 2315.40 | 63.83 |
| 31.3.2000 | 5017.80 | 3221.21 | 64.20 |

Source: Ministry of Statistics & Programme Implementation

N.B.: The reported financial utilisation must be read together with the audit comments in the following paragraphs.

**6.** The Prime Minister had announced in December 1998 up scaling of MPLADS allocation from Rs 1 crore to Rs 2 crore from the year 1998-99 itself. The government, however, increased the corresponding budget allotment only from the next year, *i.e.*, from 1999-2000. During the period from 1997-98 to 1999-2000, the Ministry released Rs 2668 crore for the MPLADS which constituted 84.43 *per cent* of the allotted budget provision of Rs 3160 crore.

## Scope of audit

**7.** The CAG's Report No.3 of 1998 reviewed the MPLADS covering the period from 1993-94 to 1996-97. This review, covering the period 1997-2000, seeks to update the findings with particular emphasis on asset creation. Audit reviewed implementation of the scheme in 26 States and four UTs through sample check in 241 out of 786 constituencies. Audit also examined the records of the Ministry, and at the state level of the DCs and the implementing agencies. **Annex-II** contains the details of the sample constituencies selected from each State/UT.

## Absence of accounting controls

**8.** The central government transfers the funds for the scheme directly to the DCs. These funds do not lapse at the end of the financial year. The usual check and balances, which automatically become applicable to government expenditure when government expenditure flows through the normal state budgetary route, do not, therefore, apply in the administration of the MPLADS funds. It was necessary for the Ministry to have devised appropriate accounting procedures at the stage of formulation of the scheme itself. The CAG's previous report of 1998 had pointed this out. The Ministry replied in July 2000, that they had constituted an inter-departmental committee for the purpose. The draft accounting rules were under process with the CGA and were expected to be finalised soon. Absence of such rules contributed to the poor financial administration of the MPLADS.

## Contradictory provisions for sanction and release of funds by the Ministry

**9.** The Ministry's guidelines on release of funds provides that 'the release of funds will be made with reference to the actual progress achieved in expenditure and in execution of works'. The guidelines go on to amplify that 'Instalment of Rs 50 lakh *(quarterly limit on the annual quota of Rs 2 crore per MP since May 2000)* in respect of an MP would be released once the balance amount after taking in to account the cost of all the works sanctioned comes to less than Rs 50 lakh'. While the first provision clearly linked the release of central funds to the 'actual progress in expenditure and in execution of works', the latter provision linked it to the 'cost of all the works sanctioned'. As the 'actual progress in expenditure and in execution of works' and 'cost of all the works sanctioned' are separate things, the aforesaid provisions have sent confusing and contradictory signals. Consequently, as Audit found, large unspent balances have remained with the implementing agencies after the sanction and release of funds by the DCs.

## Continued poor administration of utilisation of the MPLADS funds

**10.** The Ministry reported an overall utilisation of 64.2 *per cent* of the MPLADS funds, which it released since the inception of the scheme in 1993 till 31 March 2000, as detailed in **Annex I**. The Table 2 shows regional stratification of utilisation amongst the States and UTs compiled from the Ministry's records.

**Table 2: Regional stratification of use of MPLADS funds**

| Percentage utilisation | Number of States/UTs | Names of States/UTs |
|---|---|---|
| > 80 | 7 | Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, A&N Island and Daman & Diu. |
| 50 to 80 | 20 | Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Goa, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal, Chandigarh & Delhi. |
| <50 | 5 | Jammu & Kashmir, Tripura, Dadra & Nagar Haveli, Lakshdweep & Pondicherry. |

**11.** The reasons for low expenditure, as reported to audit, were non-recommendation of works by the MPs, delay in sanction of works by the DCs, and the restrictions imposed by the election code of conduct etc. during frequent parliamentary elections. In the period covered by the previous audit review, 44.71 *per cent* of the total releases by the Ministry for the MPLADS, amounting to Rs 1039.10 crore, remained unspent with the DCs and the implementing agencies as on 31 March 1997. The unspent funds as on 31 March 2000, i.e. at the end of the period covered by present audit, were Rs 1796.59 crore, which constituted 35.80 *per cent* of total releases. Clearly, the Ministry failed to make much headway in ensuring that there was better utilisation of scarce public financial resources it sanctions for the MPLADS.

## The Ministry released the MPLADS funds without any correlation with their end use

**12.** It is incumbent on any authority vested with the power to sanction grants out of public financial resources to obtain proof of satisfactory application of those resources from the grantees at appropriate intervals in form of the utilisation certificates (UCs). The Ministry failed to obtain utilisation certificates, release-wise as required by the sanctions and continued to release funds without any correlation with their end use. The Ministry stated in July 2000 that they released the funds on the basis of 'approved criteria' in consultation with their Finance Division, i.e. the release of the next instalment of funds upon unsanctioned balance reaching the half-level of per MP annual allocation; and, therefore, did not insist upon the UCs. This reply is yet another indicator of the flawed financial administration of the scheme at the Ministry's level because it is essential condition precedent of sanction of grants on a recurring basis that the sanctioning authority should ensure fruitful end-use of funds released earlier for the similar purpose.

## The DCs did not obtain the UCs from the implementing agencies

**13.** The Government required the DCs, in the MPLADS sanctions, to have a comprehensive picture of the utilisation of the funds, by keeping a close watch over the utilisation of the funds released. In the CAG's Report of 1998, a mention was made of many cases where the DCs did not obtain the UCs after completion of works. This malady persisted in the present audit also. In the audit sample of 111 constituencies, covering 17 States and UTs, audit found that the DCs had obtained the UCs only in 29.78 *per cent* of total works, per details in **Annex-III**. The amount involved for the works not supported by the UCs was over Rs 161 crore.

## The implementing agencies did not refund the unspent balance

**14. Annex-IV** contains the details of the cases where the DCs had cancelled works after release of funds, or where the implementing agencies completed the works at lower than estimated costs, or did not take up works for some reasons. The implementing agencies did not refund the amount to the DCs, as prescribed, in all the three situations**.** In audit sample of 241 constituencies, there were 85 constituencies, involving 1418 cases, where implementing agencies retained Rs 8.13 crore out of Rs 24.55 crore released to them, which worked out to 33.12 *per cent* of total funds released to them during 1997-2000. The malady persisted despite mention in the CAG’s earlier Report of 1998.

## Mis-reporting of financial progress of work by the DCs

**15.** Audit found that the DCs reported inflated expenditure to the Ministry, by reckoning the amount released to the implementing agencies as the final expenditure, ignoring the basic requirement of checking the utilisation of funds release-wise as prescribed. In an audit sample of 106 constituencies of 11 States and UT, 30.93 *per cent* of booked expenditure (Rs 265.34 crore) was in effect not incurred as detailed in **Annex-V**. The malady persisted, here again, despite mention in the CAG’s earlier Report of 1998.

## The DCs irregularly clubbed MPLADS funds with the funds of other schemes

**16.** The MPLADS prescribes that its funds may not to be used for other schemes except for partially meeting the cost of a larger work only in case where it results in completion of the work and the part of work requiring such resource application is clearly identifiable. This prescription is well designed, as mixed application of funds would vitiate financial and technical evaluation of the MPLADS. Audit examination of 96 cases in 18 constituencies of 10 States revealed irregular clubbing involving Rs 3.21 crore of scheme funds, as detailed in **Annex-VI**. The malady persisted despite mention in the CAG's Report of 1998.

## Irregular diversion of funds to inadmissible purposes

**17.** The CAG's earlier Report of 1998 had mentioned detailed instances of irregular diversion of the MPLADS funds to inadmissible purposes. The present audit again found that in the audit sample of 18 constituencies in eight States, the DCs accorded sanctions totalling Rs 18.33 crore to inadmissible works as per details in **Annex-VII**.

## Execution of inadmissible works

**18.** In audit sample of 48 constituencies of 16 States, the DCs spent Rs 4.78 crore on 1220 inadmissible construction works. The malady persisted despite mention in the CAG's Report of 1998, as detailed in **Annex-VIII**.

## Sanctions of works for commercial and private organisations

**19.** The MPLADS provisions prohibit expenditure on works of commercial organisations, trusts, registered societies, and private institutions. The CAG's previous Report of 1998 had highlighted prohibited expenditure of that kind. The audit again found that the DCs in audit sample of 47 constituencies of 17 States and UTs sanctioned an expenditure of Rs 9.16 crore on 518 such works of commercial organisations, trusts, clubs, societies, private institutions, etc. per details in **Annex-IX.**

## Irregular sanction of repair and maintenance works

**20.** The MPLADS provisions prohibit expenditure on repairs and maintenance works other than special restorative repair of a durable asset. The CAG's earlier Report of 1998 had pointed out irregular expenditure on repair and maintenance works. Presently again, audit found that in a audit sample of 53 constituencies of 21 States and UT, a total expenditure of Rs 26.59 crore was incurred on 1552 repair and maintenance works such as repair/ resurfacing of roads, streets, repair of school buildings, walls, ponds, drains, community halls, parks, inspection bungalows etc. as detailed in **Annex-X**.

## Purchases of stores out of the MPLADS funds

**21.** The DCs in the audit sample of 18 States and UTs involving 38 constituencies purchased stores and stocks valuing Rs 5.46 crore, as detailed in **Annex-XI,** despite clear prohibition for such action in the scheme. The malady persisted despite the mention in the previous CAG's Report of 1998.

## Irregular expenditure on places of religious worship

**22.** A test check revealed that, contrary to the guidelines, in the audit sample of seven States involving 13 constituencies, the DCs allowed expenditure of Rs 74.12 lakh (Assam: Rs 18.40 lakh, Bihar: Rs 9.86 lakh, Himachal Pradesh: Rs 8.11 lakh, J & K: Rs 28.21 lakh, Madhya Pradesh: Rs 2.11 lakh, Orissa: Rs 4.64 lakh and Sikkim: Rs 2.79 lakh) on 66 works belonging to places of religious worship such as development work of Ram Krishna Mission, construction of fishery tanks with masjids, boundary walls of temples, sarai/guest houses in temples, construction of Gumpa etc. Similar observations in the CAG's Report of 1998 remained ignored.

## Irregular expenditure on memorials

**23.** The MPLADS does not permit works of construction of memorials. The audit found irregular expenditure of Rs 54.55 lakh in the audit sample of 13 works of memorial buildings in five States involving seven constituencies (Assam: Rs 5.00 lakh, Bihar: Rs 31.05 lakh, Karnataka: Rs 1.00 lakh, Manipur: Rs 3.00 lakh and West Bengal: Rs 14.50 lakh).

## Irregular sanction for works on private land

**24.** The MPLADS enjoins upon the DCs to ensure clear title on the land before sanctioning any work so that the assets created are available for public use; and, therefore, provides that works could be executed only on such land as was surrendered by Municipal and Panchayat bodies, private trusts and private individuals etc. The audit found in test-checked cases in six States that there was an expenditure of over Rs 1.85 crore on execution of works on private land without surrender of title, as detailed in **Annex-XII**.

## Other inadmissible works

**25.** There were 533 inadmissible works of other kind amounting to Rs 4.60 crore noticed in the audit sample of 39 constituencies in 12 States as detailed in **Annex-XIII.**

## Irregular sanction of loans, grants and donations

**26.** There was irregular sanction of loans, grants and donations totalling Rs 81.45 lakh, in contravention of the scheme provisions as detailed in **Annex-XIV,** in the audit sample of six constituencies in five States.

## Deficiencies in the maintenance of Cash Book

**27. Annex-XV** lists discrepancies and deficiencies in maintenance of the Cash Book in selected constituencies of the 10 States**.**

## Continuing shortfall in physical progress of the MPLADS works

**28. Annex-XVI** gives the state-wise details of works recommended by the MPs, works sanctioned, works taken up and works completed during the period 1997-2000 in the test checked constituencies. Table-3 below shows in respect of test checked constituencies of 12 States/UTs[ψ], the position of works recommended by the MPs, works sanctioned by DCs, works taken up by the implementing agencies, works completed and works not taken up during the period 1993-97 and 1997-2000. Clearly, as compared to the period covered by previous audit i.e. from 1993-94 to 1996-97, there was an overall shortfall in the matter of completion of works and in the number of sanctioned works taken up.

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[ψ] Andhra Pradesh, Arunachal Pradesh, Gujarat, Himachal Pradesh, Madhya Pradesh, Manipur, Nagaland, Rajasthan, Sikkim, Tripura, West Bengal, A & N Islands.

**Table 3: Physical progress of MPLADS works**

| | | 1993-1997 | | | 1997-2000 | | |
|---|---|---|---|---|---|---|---|
| | | **Number of works** | **Value (Rs in crore)** | **Percentage value of sanctioned work** | **Number of works** | **Value (Rs in crore)** | **Percentage of value of work sanctioned** |
| **1.** | ***Recommended by MP** | 41592 | 414.44 | -- | 21651 | 277.20 | -- |
| **2.** | **Sanctioned by DC** | 36608 | 363.61 | -- | 19469 | 244.57 | -- |
| **3.** | **Taken up** | 33739 | 323.61 | 89.00 | 17930 | 211.34 | 86.41 |
| **4.** | **Completed** | 19391 | 204.11 | 56.13 | 8680 | 95.93 | 39.22 |
| **5.** | **Not taken up** | 2869 | 40.00 | 11.00 | **1563 | 34.23 | 14.00 |

*Sample grouping during 1993-97 was 113 districts of 12 states whereas in 1997-2000 it is 45 districts of the same number of states
** It includes works of previous years also

From the above details, it would be seen that the percentage of value of works taken up, out of the works sanctioned by the DCs came down from 89 during 1993-97 to 86.41 in 1997-2000. The percentage of works completed out of those which were taken up, has also sharply deteriorated during these years from 56.13 to 39.22 *per cent*. On the other hand, the percentage of works not taken up by the implementing agencies although sanctioned by DCs has increased from 11 *per cent* during 1993-97 to 14 *per cent* during 1997-2000. However, during 1997-2000, an overall state-wise position in 13 States[§] from where such information was available, indicated that number of works sanctioned by the DCs (77719) constituted 76 *per cent* of the total number of works recommended by the MPs (101697); in other words, the DCs did not sanction 24 *per cent* of works which the MPs had recommended.

## Delay in sanction of works

**29.** Audit noted delays, as detailed in **Annex-XVII,** in sanction of works by the DCs in 17 constituencies of six states and two UTs, in certain cases extending upto 761 days. The reasons for delay as given to audit were: non-receipt of technical sanctions in time, change of site by the MP, shortage of funds, announcement of code of conduct for elections, late receipt of plans and

[§] Andhra Pradesh, Arunachal Pradesh, Bihar, Goa, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Nagaland, Tripura, West Bengal.

estimates etc. These reasons indicate lack of sincere application and cannot be held as genuine excuses for delays, excepting the application of code of conduct of election, which too would have applied to only initiation up of new works.

## Delay in completion of works

**30.** Test check of records of seven states, viz. Assam, Bihar, Gujarat, Madhya Pradesh, Mizoram, Rajasthan and Tripura and one UT, Chandigarh disclosed that in the completion of 568 works at a total cost of Rs 7.30 crore, the delay in completion was upto five years. Audit could not secure reasons for such inordinate delays by any of the States/UTs, showing that there was little importance attached to enforcing or monitoring some time frame.

## Non-commencement of works

**31.** The audit found that in the sample constituencies in seven states during 1997-2000, the implementing agencies did not take up 775 sanctioned works of total estimated cost of Rs 10.18 crore as given in the Table 4 below.

**Table 4: Non-commencement of works**

| State and place | No. of Works | Estimated cost (Rs in crore) | Reasons |
|---|---|---|---|
| 1. Andhra Pradesh; East Godavari (45) and Vishakhapatnam (87) Districts, during February 1995 to March 1999 | 132 | 1.2700 | Did not commence due to land dispute and non-finalisation of agreement |
| 2. Himachal Pradesh; Hamirpur and Shimla constituencies, during April 1997 and March 2000 | 22 | 0.1880 | |
| 3. Rajasthan | 480 | 6.4100 | Works did not start as of June 2000 even after release of Rs 0.92 crore for 252 works to the executing agencies |

| State and place | No. of Works | Estimated cost (Rs in crore) | Reasons |
|---|---|---|---|
| 4. Orissa; Cuttack, Jajpur, Bhubaneshwar and Koraput constituencies, during 1997-2000 | 61 | 0.4225 | The implementing agencies did take up the work, and did not either refund the unspent amount. |
| 5. Meghalaya | 11 | 0.5350 | Attributed to lack of plan and estimates, land and funds |
| 6. Tripura and J&K | 69 | 1.3500 | No reasons given |
| **Total** | **775** | **10.1755, or 10.18** | |

## Execution of works without recommendation of the MPs

**32.** In an audit sample of eight States, the DCs incurred an expenditure of Rs 3.97 crore on 570 works not recommended by the MPs, per details in **Annex-XVIII**. This serious breach in propriety persisted despite similar mention in the CAG's Report of 1998.

## Execution of works without technical sanction/administrative approval

**33.** The scheme provides that no work can be taken up for execution without detailed design and estimates approved and technically sanctioned by the competent authority. In an audit sample of 20 constituencies of 10 States and one Union Territory, 3397 works at an estimated cost of Rs 35.79 crore were taken up for execution without technical sanction while eight works at an estimated cost of Rs 2.90 lakh in three constituencies of one State were taken up for execution without any administrative approval during 1997-2000, per detailed in **Annex-XIX**. The practice of getting the works executed without technical sanction/ administrative approval persisted despite mention in the CAG's Report of 1998.

## Irregular award of contracts

**34.** In 23 test checked constituencies in 10 States and UT, 1688 contracts were awarded by the DCs irregularly involving works costing Rs 35.74 crore, per details in **Annex-XX.**

## Deficiencies in quality of works

**35. Annex-XXI** contains details of deficient execution of works as noticed in the test audit.

## Miscellaneous observations

**36.** The following are some sundry audit observations on the implementation of the scheme.

(a) **Short recovery from the contractors.** In Patna, Bihar, test check of 139 works in 12 Blocks, revealed that the rates charged for cement issued to the contractors by the implementing agencies were Rs 115 per bag in 1997-98 and Rs 125 per bag in 1998-2000, against Rs 155 per bag as reflected in the approved estimates, resulting in short recovery of Rs 21.47 lakh from them. Besides, in Patna Sadar Block there were inadmissible payments totalling Rs 2.26 lakh of the contingent charges in 15 works.

(b) **Unnecessary expenditure on bore wells with hand pump.** In Godhra district of Gujarat, the GWSSB executed 407 works of bore wells with hand pump at a cost of Rs 85 lakh. It carried out the boring works upto 60-90 metres depth, and fitted 30 metres rising pipes, even though the average water table in Godhra district was under 10.5 metres and the designed capacity of India Mark II hand pump was upto 36 metres. The boring beyond 30 metres was, therefore, unnecessary in any case, resulting in wasteful expenditure of Rs 23 lakh.

(c) **Supply of computers to non-entitled schools and other purchase and expenditure irregularity.** To promote computer awareness amongst students, the Government of India, Department of Electronics, New Delhi issued guidelines on implementation of electronics projects under the MPLADS. According to these guidelines selection of schools was to be made by DCs on the advice of the MPs. Outline of syllabus was for class

XI and XII. The total cost of one system valued at Rs 1.43 lakh was to be met from the MPLADS funds whereas other recurring expenditure on items such as computer teacher, maintenance of system, training, supply of software and consumable was required to be met by the selected schools. Test check at four districts of Orissa, viz. Cuttack, Jajpur, Keonjhar and Nayagarh disclosed that 69 computer systems were provided to 69 schools by incurring an expenditure of Rs 188.10 lakh during 1997-2000. All the schools selected had classes upto X level only against the required XII level. The systems were not purchased from any of the firms enlisted in the illustrative list of indigenous manufactures contained in the project guidelines; neither was open tender system for purchase resorted to. The total expenditure of Rs 188.10 lakh also included recurring expenditure of Rs 89.70 lakh, which was inadmissible. Information as regard the training imparted to staff, students enrolled, completion of course module, utilisation of assets etc. was not available on record.

(d) **Non-recovery of outstanding amount from a closed Sansthan.** The Rajasthan Government closed the Rajasthan Avas Vikas Sansthan in April 1999 and transferred its liabilities to the Rajasthan Housing Board. An amount of Rs 139.36 lakh from the MPLADS fund was outstanding against the Sansthan on the date of its closure for pending works entrusted to it. The State Government did not take any action to transfer the MPLADS liability to the Rajasthan Housing Board. The details of pending works were not available.

(e) **Excess payment.** The DC Ajmer, Rajasthan accorded sanction of Rs 24.15 lakh for 15 electrification works during 1997-98 and allotted the work to the Rajasthan State Electricity Board (RSEB) Ajmer. On completion of works the RSEB claimed Rs 26.84 lakh against the advance and the payment was made. The scrutiny of the RSEB's records revealed, however, that they had booked only Rs 21.24 lakh as expenditure on material and labour charges for the MPLADS works, and claimed and received Rs 5.60 lakh in excess.

(f) **Expenditure of Rs 95.30 lakh on petty works.** In 10 constituencies of the West Bengal, viz. Arambag, Barasat, Diamond Harbour, Dum Dum, Hooghly, Jadavpur, Joynagar, Malda, Serampur, Tamluk, 433 petty works aggregating to Rs 95.30 lakh valuing Rs three to thirty thousand each were extended. Such petty works could not have led to the creation of durable assets, and were in violation of the guidelines.

## Suspected fraud/misappropriation of funds

**37.** There were 13 cases of suspected fraud/misappropriation of funds in seven sample States, involving Rs 118.36 lakh. While in one case (Tamil Nadu) the amount had been refunded and in another case (Madhya Pradesh), recovery was stated to be in process. **Annex-XXII** has the details.

## Incomplete/abandoned works

**38.** In 31 sample constituencies of 14 States/UTs, 99 works were either abandoned or left incomplete midway due to dispute over title to land, insufficient provisions of funds, objection raised by local people/ government department; unsatisfactory progress of works etc. Rs 1.10 crore was spent on these works prior to their abandonment, per details in **Annex-XXIII**, which is rendered wasteful.

## Loss of interest

**39.** During 1997-2000 instances of loss of interest aggregating Rs 98.87 lakh (Punjab: Rs 2.30 lakh in three constituencies; Orissa: Rs 18.16 lakh in two constituencies; Himachal Pradesh Rs 3.86 lakh in two constituencies; Chandigarh: Rs 0.94 lakh; A&N Island: Rs 0.96 lakh, Kerala: Rs 7.43 lakh in four constituencies; Tamil Nadu: Rs 28.38 lakh in two constituencies and Tripura: Rs 36.84 lakh in one constituency) were noticed in various counts. While earning interest on idle money is not the purpose of resource transfer in the MPLADS, it only underlines financial as well as operational mismanagement that even as large funds idle away, they do so in an interest deficient manner. **Annex-XXIV** contains the details.

## Irregular payment of supervision, centage charges

**40.** The MPLADS does not allow the implementing agencies to collect any administrative charges, centage etc. for their services of preparatory work, implementation, supervision etc. Yet, the audit found that centage charges of

Rs 278.75 lakh were charged in 480 cases in 17 States/UTs during 1997-2000, which had the effect of reducing the net availability of funds for use on the scheme. **Annex-XXV** gives the details**.**

## Non-maintenance of records of assets

**41.** Despite mention in the CAG's Report of 1998, the nodal agencies mostly did not maintain asset registers, as required in the MPLADS.

## Mishandling of assets

**42.** In most of the States/UTs, the DCs did not plan the upkeep and maintenance of assets before their creation. Completed assets were not handed over properly to the user agencies. In some cases, assets created under the scheme were not found useful. The DCs and implementing agencies did not adequately follow up the transfer of assets leading to mishandling of assets, as detailed in **Annex-XXVI.**

## Failure of monitoring

**43.** As one would see generally from the above and the following specific instances, the Ministry failed to monitor the MPLADS:

(a) Nodal department was not designated in the States of Himachal Pradesh, Mizoram and Meghalaya.

(b) Inspection of 10 *per cent* of works every year by DCs was either not conducted or the relevant records of such inspection were not maintained/furnished in test checked districts. In four States Assam, Haryana, Mizoram and Orissa and the A&N Islands, it was stated that necessary inspections were conducted but no supporting records could be shown to audit. Regarding non-conducting of inspection and non-maintenance of relevant records no plausible reasons could be put forth by any of the district authorities.

(c) The Ministry failed to lay down any schedule of inspections prescribing the minimum number of field visits for each supervisory level functionary of the implementing agency as envisaged in the guidelines. In response to the audit query the Ministry stated that the Committee of Secretaries (COS) in their meeting held on 6 August

1997 had already decided that central monitoring of large number of works was neither practicable nor desirable. The Committee of Secretaries, as stated by the Ministry, had decided that since works were being implemented at district level, close monitoring of works would have to be done at that level and at best at the State level. This, however, runs counter to the intent of the provisions contained on the subject in the guidelines which, *inter alia*, provide that the Ministry would always have with it a complete and updated picture of works under implementation. The fact was that the Ministry did not have even this picture and were, therefore, unable to give any worthwhile directions for keeping the scheme on course. In fact Ministry's role was confined to providing resources only without taking any responsibility for its use.

(d) The Ministry did not prescribe any schedule of inspections with the minimum number of field visits for each supervisory level functionary of the implementing agency, as envisaged in the guidelines. The Ministry told audit that the Committee of Secretaries (COS) in their meeting held on 6 August 1997 had decided that central monitoring of large number of works was neither practicable nor desirable. The Committee of Secretaries, the Ministry stated, had decided that since works were being implemented at district level, close monitoring of works would have to be done at that level and at best at the State level. As already mentioned earlier, this was a flawed decision, as the financial rules make it obligatory for any sanctioning authority to ensure fruitful application of resources whose transfer they sanction.

(e) According to the provisions contained in the General Financial Rules, for effective control of expenditure, the department of Central Government should also obtain from the department concerned, statement showing the details of physical progress of the scheme, for which they are responsible. This statement should show the name of scheme, budget provision for each scheme, the progressive expenditure on each scheme, the progress of this scheme in physical terms and the detailed reasons for any shortfall or excess, both financial and physical. This data should be analysed at the Ministry level for necessary prescriptions to the states concerned.

(f) The Ministry did not submit any ATN on the CAG's earlier Report of 1998. As is clear from the report on its own, the Ministry did not get any evaluation conducted in all seven years of the scheme. The Ministry intimated that the process of getting the MPLAD Scheme evaluated started in March 1999 by the Programme Evaluation Organisation of the Planning Commission, the study has already been launched and the field survey was underway. The report is expected by March 2001.

## Conclusion and Recommendation

**44.** This review covering the period 1997-2000, was in the nature of updation of the findings of the previous review of the Comptroller and Auditor General on the subject covering the period 1993-1997. The findings of the present review point out to the fact that the implementation of the scheme has become worse during the years 1997-2000 as evidenced by the low utilization (64.2 per cent) of the released funds and a very poor record of completion of the works as revealed in test check according to which percentage of completed works came down from 56.13 (as per the 1998 report) to 39.22. In other words even the 64.2 per cent utilised expenditure has not yielded commensurate assets. Added to this are significant percentage of irregular and inadmissible works that were detected in test audit. If these are reckoned, the real utilisation figures will be much lower. Overall, the audit findings reveal failures: in operationalising the MPLADS; in meeting its stated objectives; in conforming to the prescription of the scheme by the MPs at the recommendation stage and by the District Officers at the execution stage; and, last but not the least, admitted failure of the Ministry to effectively administer and monitor the scheme.

**45.** In summary, in its present form, the scheme, which is in operation since December 1993 has hardly served its main objectives. In view of these findings and the findings of the 1998 audit report, the Central Government needs to have a thorough review of the present arrangements for the implementation of the scheme. Such a review should cover the present manner of resource transfer along with the technical and administrative arrangements.

**(H.P.DAS)**<br>**Director General of Audit**<br>**Central Revenues**

**New Delhi**<br>**Dated**

**Countersigned**

V. K. Shunglu

**(V.K. SHUNGLU)**<br>**Comptroller and Auditor General of India**

**New Delhi**<br>**Dated**