

## Executive Summary

### I. Brief overview of the Scheme

The Member of Parliament Local Area Development Scheme (MPLADS) was introduced on 23 December 1993 to enable Members of Parliament (MPs) to identify small works of capital nature to meet local needs in their constituencies. The MPLADS is a Plan Scheme fully funded by the Government of India and the funds released under the scheme are non-lapsable. The Scheme provides that Members of Lok Sabha may select works for implementation in his/her constituency while Members of Rajya Sabha may select works for implementation in one or more districts of his/her choice in the State from which he/she has been elected. Since 1998-99, ₹ 2.00 crore per annum is being allotted to each MP. Between 2004-05 and 2008-09, ₹ 7245.95 crore had been released and ₹ 9836.53 crore was available with various District Authorities (which included opening balance of ₹ 2404.26 crore as of 01 April 2004 and interest of ₹ 186.32 crore accrued on unspent balances during 2004-09). Against this, an expenditure of ₹ 8048.53 crore had been incurred leaving an unspent balance of ₹ 1788.00 crore as on 31 March 2009.

The Scheme is administered by the Ministry of Statistics and Programme Implementation, which is responsible for policy formulation, release of funds and also for prescribing a monitoring mechanism for its implementation. At the State level, a Department is designated as the Nodal Department with the overall responsibility for supervision, monitoring and coordination of MPLADS implementation with the districts and other line Departments. Decision making powers in regard to technical, financial and administrative sanctions to be accorded under the Scheme vest in the district level functionaries, viz. the District Authorities (DAs).

### II. Why did we take up this Audit?

The scheme was earlier reviewed by us in 1998 and in 2001. The Audit Reports (1998 and 2001) on MPLADS which were placed in the Parliament had pointed out various weaknesses and lapses in the implementation of the Scheme. Action Taken Notes (ATNs) on these Reviews was submitted by the Ministry after a lapse of ten and eight years respectively i.e. in 2009.

The Ministry, in their ATN, stated that most of the State Governments had stated that necessary efforts were being made to achieve timely completion of work in future which included preparation of model estimates, fixing target date of completion etc. The current Report reveals that many of the shortcomings pointed out in those two reports still persist.

### III. Report layout

The performance audit covered 128 District Authorities of 35 States/UTs for the period from 2004-05 to 2008-09. Chapter 1 and 2 of this Report gives brief overview of the Scheme, implementation framework and the Audit Approach. In chapter 3 we have narrated the Audit findings relating to recommendation and selection of work under the Scheme. Chapter 4 details the lapses in execution of work and chapter 5 deals with maintenance of assets created under the Scheme. Chapter 6 highlights fund management including financial monitoring and maintenance of accounts. Chapter 7 deals with lacunae in monitoring and controls at Centre, State and District levels and Chapter 8 is the conclusive chapter.

### IV. Major Audit Findings

- (i) Under the Scheme, works were to be recommended by the MP concerned and sanctioned and executed by the District Authorities. The Scheme design did not ensure participation of various constituents in an MP's constituency such as active resident forums, local bodies, NGOs etc., in determining works responsive to locally felt needs.

(Paragraph 3.1)

- (ii) There were weaknesses in the process of sanction of works. In the sampled districts of eight States, DAs executed 700 works costing ₹ 9.45 crore without receiving any recommendations from the MPs concerned. In three States DAs executed 150 works costing ₹ 2.44 crore on the recommendation of the representatives of the MPs rather than the MPs themselves. In seven States, 10 DAs sanctioned 260 works whose cost exceeded the cost indicated by the concerned MP by ₹ 2.49 crore.

(Paragraph 3.2)

- (iii) The Scheme guidelines prohibited the execution of certain types of work such as construction of office and residential buildings of Government departments and cooperative societies, all works benefiting commercial organizations, an individual or a family, works within the premises of religious institutions, all works of renovation, repair and maintenance. Yet, in 100 sampled districts of 29 States/UTs, expenditure of ₹ 73.76 crore was incurred on 2340 such works during 2004-09.

(Paragraph 3.3)

(iv) In 10 States, ₹ 14.40 crore was sanctioned for works pertaining to 34 trusts/societies, which exceeded the ceiling of ₹ 25 lakh per trust/society fixed under the Scheme by Rs 5.90 crore. In seven states, DAs sanctioned ₹ 5.94 crore to 145 Trusts/Societies, which were either ineligible as per the Scheme guidelines or whose eligibility had not been verified by the DAs.

(Paragraph 3.4)

(v) The District Authority, after verifying the eligibility and technical feasibility of each recommended work, was to get the works technically approved. There were several instances of delays in sanctioning works as well as sanctioning works without adhering to stipulated scheme procedures.

(Paragraph 4.2.1)

(vi) MPs had been assigned no role in the selection of implementing agencies (IAs) as per the guidelines. Yet, in nine States/UTs, the MPs had recommended the names of IAs along with their recommendations and/or recommended the release of funds directly to the user agency for execution of 8,746 works.

(Paragraph 4.2.2)

(vii) In 11 States/UTs, 305 incomplete works of ₹ 8.50 crore had been abandoned or suspended, thereby rendering the expenditure incurred on these works unfruitful.

(Paragraph 4.3.iv)

(viii) Basic internal control records such as asset registers, works registers etc. underpinning accountability structures within the Scheme were missing in a number of instances with 90 *per cent* of the audited DAs not maintaining asset/works registers.

(Paragraph 5.1)

(ix) In five States/UTs, 17 works completed at a cost of ₹ 1.47 crore had not been put to intended use and in six districts of five States, 10 assets created at a cost of ₹ 1.48 crore were not being utilized for the purpose for which these were sanctioned.

(Paragraphs 5.2,5.2.1)

(x) The utilization of funds ranged between 37.43 and 52.44 percent of the funds available with the DAs during the last five years (2004-09) leaving substantial closing balances (₹ 1788 crore to ₹ 2137 crore) in various bank accounts outside the Consolidated Fund of the Union and/or States. The expenditure under the Scheme had a propensity to increase at the times close to elections, while during the intermediary period, funds tended to accumulate.

(Paragraph 6.1)

(xi) While many IAs did not furnish Utilisation Certificates (UCs) to the DAs, 12 DAs of six States depicted the entire advance released to IAs as utilized in their UCs, thus inflating the figures of expenditure. The Ministry had not been closely monitoring the receipt of UCs and routinely relaxing the condition that required the submission of UCs and Audit Certificates by the DAs, before allowing the release of the second instalment of funds.

(Paragraphs 6.2.1, 6.2.2)

(xii) The release of funds to DAs by the Ministry was not always in accordance with the conditions laid down in the guidelines. Funds were released to many DAs despite substantial unspent balances in their accounts resulting in excess release of funds.

(Paragraph 6.2.4)

(xiii) The unspent balances of ₹ 82.54 crore left by predecessor Rajya Sabha MPs in 10 states had not been distributed among the successor Rajya Sabha MPs of that State, rendering them idle.

(Paragraphs 6.3)

(xiv) Audit noticed cases that included diversion of funds, release of advances to Implementing Agencies in excess of the prescribed limit, non-refund of unspent balances by Implementing Agencies.

(Paragraphs 6.4, 6.5, 6.6)

(xv) The Ministry could not ensure proper and timely receipt of Monthly Progress Reports (MPRs), which were required to be used for strategic planning and to prepare the details of fund release and expenditure. About 58 per cent of the MPRs available with the Ministry were more than two months old.

(Paragraph 7.1.1)

(xvi) The Scheme guidelines stipulated e-monitoring, using the MPLADS' web portal. However, as of 31 March 2009, details of only 43 *per cent* of completed works were uploaded on the website of MPLADS by the DAs. This database, too, was characterised by a number of omissions and errors rendering it unreliable.

(Paragraphs 7.1.2, 7.1.3)

(xvii) At the State level, the Monitoring Committee to review the progress in MPLADS had not been constituted in three States/UTs. In 14 States/UTs, where committees were constituted, they never met. In the remaining 18 States/UTs, it did not meet annually.

(Paragraph 7.2.1)

(xviii) While the DAs were required to inspect at least 10 per cent of the sanctioned works, 86 DAs of 23 States/UTs that were audited had not inspected any work during 2004-05 to 2008-09.

(Paragraph 7.3.1)

## V. Summary of Recommendations

- *The Ministry should maintain an MP-wise Grants-in-aid Register with details on funds released, status of receipt of MPRs, UCs and Audit Certificates in a computerised format with complete data validation and place it on the official website of the Ministry for monitoring the fund utilisation under the Scheme.*
- *The Ministry should build capacity of its MPLADS division by strengthening internal controls and financial discipline in release and expenditure under the Scheme for timely remedial action.*
- *The Ministry should ensure complete documentation at all levels. Maintenance of records such as works registers, muster rolls, measurement books, works completion reports, cash book etc. at DA/IA level as required under PWD manuals should be monitored closely.*
- *The Ministry should ensure that DAs forward the UCs regularly. Fund flow should be linked to complete accounting of the funds released.*
- *The cases of excess/avoidable/doubtful payments pointed out in this Report may be examined and recoveries made from individuals/ agencies responsible for overpayment. In the cases of delayed completion of works, where the Scheme guidelines stipulate the levy of a penalty, it should be imposed.*

- *DAs should be held accountable for taking up works that are not permitted under the Scheme.*
- *Suitable action may be taken against the agencies responsible for incomplete or delayed works, especially in cases where non-completion has resulted in abandonment of works.*