

# Chapter 2:

## Audit Approach

### 2.1. Audit methodology

RGGVY was selected for performance audit keeping in view the significant financial outlay involved and the impact expected. An introduction to the scheme was provided to Audit by MOP through a presentation made on 24 October 2011. Subsequently, Audit undertook a pilot study in Rajasthan and Uttar Pradesh in February 2012. Results of pilot study were used in formulating detailed audit guidelines. Performance audit commenced with an entry conference with MOP on 25 July 2012 during which the audit methodology, scope, objectives and criteria were discussed.

In order to gain a holistic picture of the implementation of the scheme from initiation, implementation and impact assessment, a co-ordinated audit was undertaken in 27 States covering State Distribution Companies (DISCOMs), Electricity Boards and CPSUs. Audit was separately conducted at MOP as well as at the nodal agency, REC. A beneficiary survey was also conducted with the help of a structured questionnaire designed to capture the perception of beneficiaries about the scheme. Exit conferences were held with the State governments, where the state specific findings were discussed. After the conclusion of audit and consolidation and analysis of audit findings, an Exit conference was held on 2 September 2013 with MOP in which the draft audit findings were discussed. The report was finalized after duly considering the replies of MOP and other stakeholders. In order to assess the economy, efficiency and effectiveness of the processes involved in the implementation of RGGVY, the audit procedure included inspection and examination of records and documents, interview with staff and data analysis.

## 2.2. Audit objectives

The performance audit was undertaken to assess:

- the adequacy and reliability of data based on which the scheme was formulated;
- the accuracy and reliability of cost estimates for the scheme and adequacy of the financial management;
- the extent of fulfillment of commitments by beneficiary States regarding preparation of Rural Electrification (RE) Plans, revenue sustainability and upfront subsidy;
- economy and effectiveness in the management of the works and projects in a timely manner and compliance with the guidelines for preparation of Detailed Project Reports (DPR);
- extent of achievement of specific targets of the scheme:
- reliability and adequacy of the computerized MIS set up to monitor the progress and implementation of the scheme; and
- adequacy and effectiveness of monitoring mechanism and remedial action taken on the inadequacies noticed in the process of monitoring.

## 2.3. Audit criteria

The main sources of audit criteria for the performance audit were:

- Electricity Act, 2003;
- Rural Electrification Policy, 2006;
- Scheme guidelines issued by MOP vide Office memorandum dated 18 March 2005 and additional guidelines issued by REC regarding Quality control and Procurement of Goods and services *etc*;
- Bipartite/Tripartite/Quadripartite agreement among REC, State Government, State Power Utilities and CPSUs;
- Minutes of the Monitoring Committee meetings;
- Sanctions for payment of capital subsidy of MOP;
- Instructions/circulars/orders issued by MOP and REC relating to the scheme;
- Approved DPRs along with its vetting comments in REC; and
- General Financial Rules, 2005.

## 2.4. Audit scope and sample

The performance audit was conducted in 27 States. 169 projects were test-checked out of 576 projects under implementation during X and XI Plans (2004-05 to 2011-12). Details of projects selected are given in **Annexe 4**. Records at MOP, REC, State Governments, CPSUs, Districts and Block/Gram Panchayats were test checked.

Approximately, 25 *per cent* projects were selected from all States subject to a minimum of two from each State. The project sample for each State was taken by dividing the population into two strata – ‘High risk’ and ‘Others’. The High Risk stratum was limited to five *per cent* of all the projects in the State and was formed by selecting those projects with high costs. This stratum was audited 100 *per cent*. The remaining projects were put into the ‘Other’ stratum and a sample was drawn using Simple Random Sampling without Replacement (SRSWOR) method using IDEA Software.

At least three blocks were taken for audit in each selected project where number of blocks exceeded nine and two blocks were selected for audit where the number of blocks was less than nine.

Further, minimum five villages from each selected block were taken for audit.

In addition, minimum five beneficiaries from selected villages were selected for beneficiary survey.

Thus, a total of 169 projects with 431 blocks, 2,148 villages and 10,460 beneficiaries (BPL households) were selected for detailed audit to draw an all-India conclusion.

