

Chapter-2: Audit Approach and Organisation of Audit Findings

2.1 Audit Approach

2.1.1 Audit Methodology

The performance audit commenced with an entry conference with the Ministry on 30 April 2013, wherein the audit methodology, scope, objectives and criteria were discussed. The examination of the processes related to the implementation of the IAY included inspection of records and procedures at the GP, block, district, state and the Ministry level. A joint physical inspection of houses under the IAY was also conducted with the help of a structured questionnaire designed to verify the existence of houses constructed/upgraded and their conditions. After conclusion of audit and consolidation of audit findings, an exit conference was held with the Ministry of Rural Development on 9 July 2014 in which the draft audit findings were discussed. In addition, exit conferences were also held at the state levels, where the state-specific findings were discussed. The Report has taken into account the replies furnished by the executing agencies at different levels.

2.1.2 Audit Objectives

The performance audit of the IAY was undertaken to ascertain whether:

- The systems and procedures in place for identification and selection of the IAY beneficiaries and the processes for allotment of funds, construction and up-gradation of dwelling units were adequate and conformed to the IAY guidelines.
- The physical performance under the IAY in terms of number of units constructed and upgraded was as planned and targeted and that the constructions corresponded to the quality and financial parameters set out in the IAY guidelines.
- The allocations and releases of funds under the IAY were made in an adequate and timely manner and utilized economically and efficiently in accordance with the IAY provisions.
- The convergence of the IAY with other programmes as envisaged was effectively achieved and ensured availability of a complete functional dwelling unit.

- The mechanism in place for monitoring and evaluation of the outcomes of the IAY were adequate and effective.

2.1.3 Audit Criteria

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

- IAY guidelines issued by the Ministry of Rural Development (MoRD), GoI (updated upto 31 July 2012).
- Outcome budget of the MoRD.
- Periodical reports/returns prescribed by the MoRD.
- Circulars/instructions on the IAY issued by the MoRD.
- General Financial Rules (GFRs), 2005.

The performance of the IAY was assessed on the basis of achievement of the main objective of providing housing to rural BPL households. Performance indicators for the IAY were:

- Decrease in number of rural BPL houseless persons.
- Focus on weaker sections.
- Achievement of physical and financial targets.
- Comprehensive and regularly updated beneficiary lists.
- All houses constructed/upgraded fulfilled criteria of *pucca* houses.
- Quality of the houses constructed/upgraded and designed as prescribed in the IAY guidelines.
- Existence of a transparent grievance redressal mechanism.
- Frequency of evaluation of the IAY.

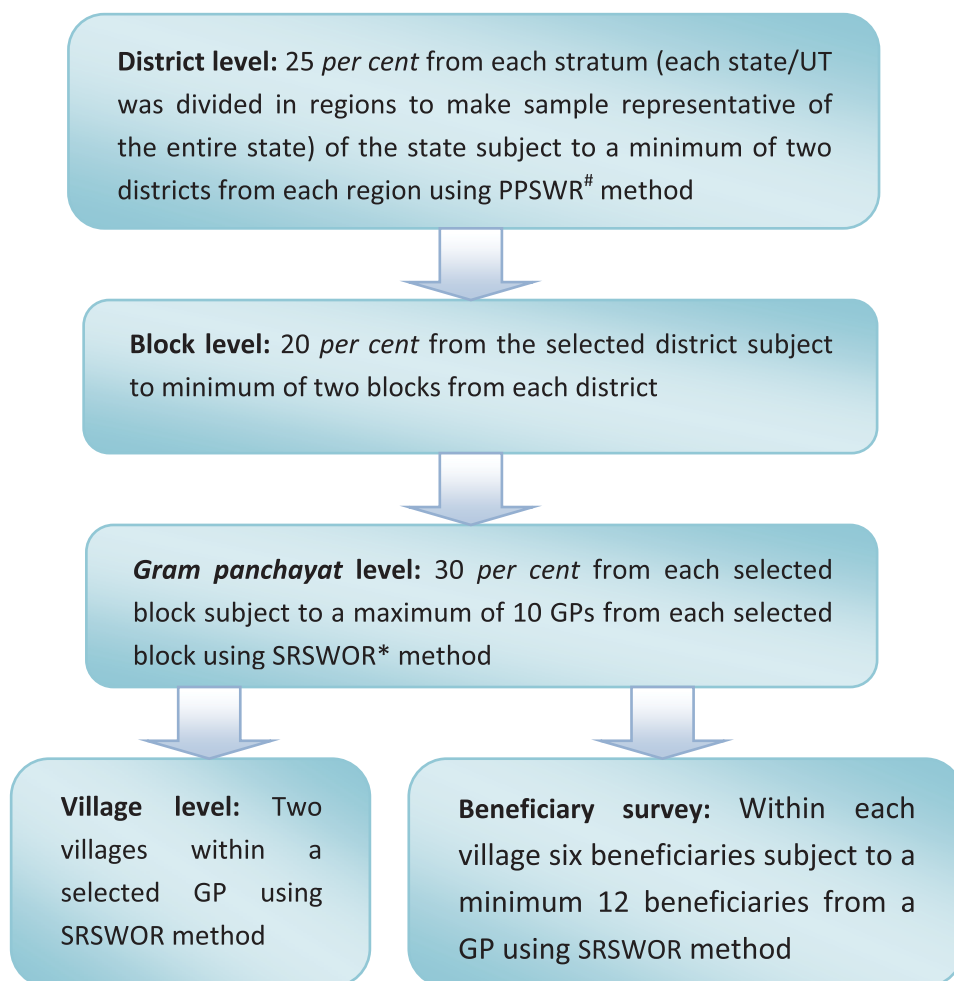
2.1.4 Audit Scope and Sample

The performance audit covered activities under the IAY from 2008-09 to 2012-13 in 27 states¹ and four union territories². The sample was selected using stratified multi stage sampling design, i.e. selection was at district, block, GP, village and beneficiary level. The sampling plan used is shown in **Chart-6** below:

¹ Excluding Sikkim

² Excluding Puducherry

Chart-6: Multi-stage sampling plan for the IAY



PPSWR: Probability proportional to size with replacement

* SRSWOR: Simple random sampling without replacement

The result from the above multi-stage sampling was as follows:

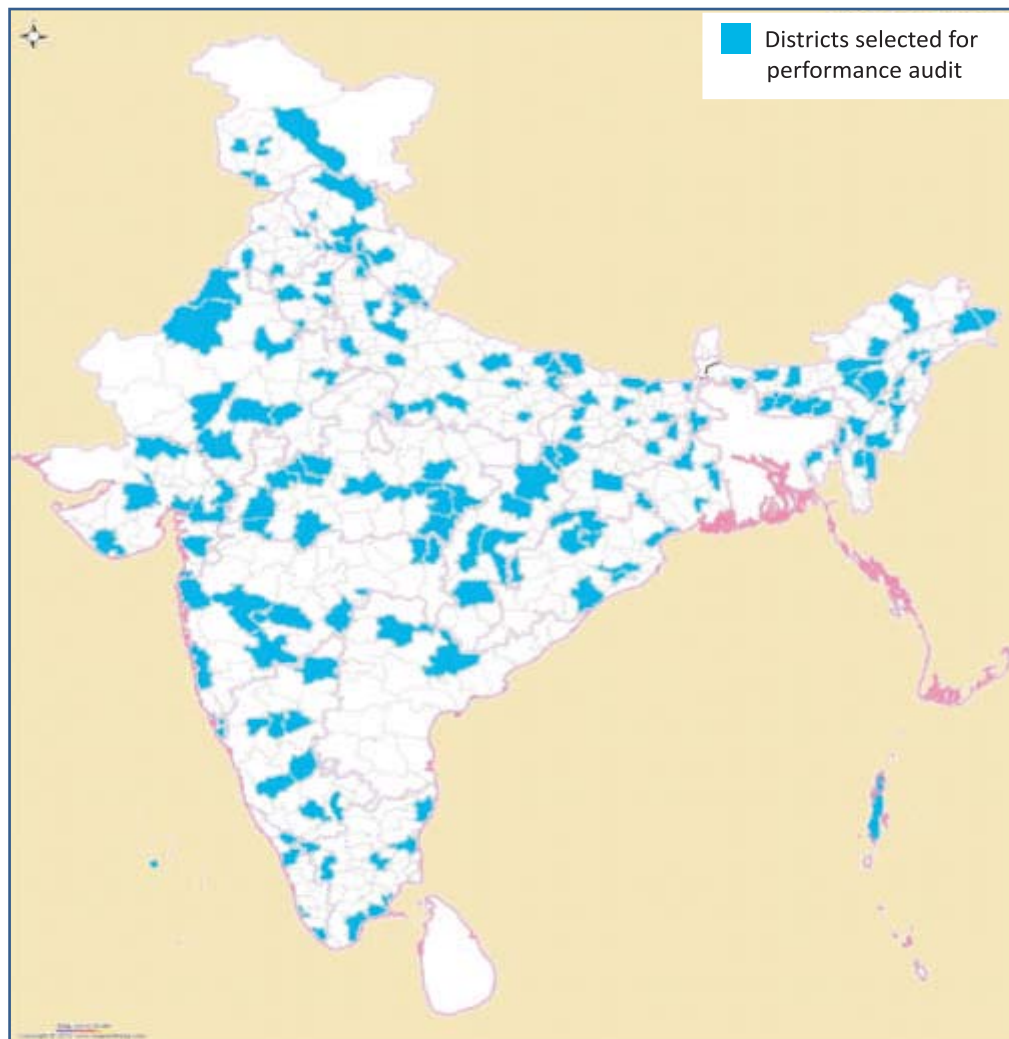
- 168 districts/DRDAs³ out of 617 districts;
- 392 blocks⁴ of 168 selected districts;
- 2,960 gram panchayats⁵ in 392 selected blocks.
- 4,804 villages in 2,960 GPs for joint physical inspection
- 29,923 houses/beneficiaries were selected for joint physical inspection/ to respond a questionnaire in 4,804 villages

Details of the sample selected are given in **Annex-2.1 and 2.2**. The coverage of the districts is depicted in the **Map-1** below. The districts shaded in blue were selected under the sample plan.

³ In Kerala Poverty Alleviation Unit (PAU) under the Commissioner of Rural Development is the implementing agency for the IAY at the district level.

⁴ Janpad Panchayat in Chhattisgarh and Panchayat Samiti in Odisha are equivalent to block level panchayat

⁵ Village Development Board (VDB) in Nagaland, Village Council (VC) in Mizoram, Village Dweep Panchayat (VDP) in Lakshadweep, are equivalent to GPs in other states/UTs

Map: 1- Selected districts under sample plan

2.2 Organisation of Audit Findings

The audit issues have been analysed from a nation-wide perspective and only brief, summarized information on findings in different states/UTs are provided. Audit findings are reported in nine different chapters. Chapters 1 and 2 of this Report give a brief overview of the Scheme, and the audit methodology adopted to arrive at the audit findings. Chapter 3 details the lapses in identification and selection of beneficiaries and in chapter 4 the audit findings related to construction of the IAY houses and their quality are discussed. Chapter 5 brings out irregularities in financial management of the IAY. Chapter 6 covers the convergence aspects of the IAY. Chapter 7 highlights the deficiencies in the monitoring and evaluation of the IAY. Chapter 8 brings out irregularities in implementation of a recently launched scheme for homestead site. In chapter 9 we present the findings on joint physical inspections. The concluding remarks are given in Chapter 10.

2.3 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Ministry of Rural Development, state governments, implementing departments and their officials, at various stages during conduct of the performance audit.