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**MEMBER OF PARLIAMENT LOCAL
AREA DEVELOPMENT SCHEME**

**MINISTRY OF STATISTICS AND PROGRAMME
IMPLEMENTATION**

**PUBLIC ACCOUNTS
COMMITTEE
2011-2012**

FIFTY-FIFTH REPORT

FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

FIFTY-FIFTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2011-2012)

(FIFTEENTH LOK SABHA)

MEMBER OF PARLIAMENT LOCAL AREA
DEVELOPMENT SCHEME

MINISTRY OF STATISTICS AND PROGRAMME
IMPLEMENTATION

*Presented to Lok Sabha on 30 March, 2012
Laid in Rajya Sabha on 30 March, 2012*



LOK SABHA SECRETARIAT
NEW DELHI

March, 2012/Chaitra, 1934 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2011-2012)

Dr. Murli Manohar Joshi — *Chairman*

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Lok Sabha

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4. Shri Sandeep Dikshit
5. Shri Anant Kumar Hegde
6. Shri Bhartruhari Mahtab
7. Shri Shripad Yesso Naik
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Rajya Sabha

16. Shri Tariq Anwar
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19. Shri Prakash Javadekar
20. Shri Satish Chandra Misra
- *21. Shri J.D. Seelam
22. Prof. Saif-ud-Din Soz

SECRETARIAT

- | | | |
|------------------------|---|--------------------------|
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| 2. Shri D.R. Mohanty | — | <i>Deputy Secretary</i> |
| 3. Shri A.K. Yadav | — | <i>Committee Officer</i> |

* Elected *w.e.f.* 29th August, 2011 *vide* the vacancy occurred *vice* Smt. Jayanti Natarajan appointed Minister *w.e.f.* 12th July, 2011.

COMPOSITION OF THE SUB-COMMITTEE-I OF THE PUBLIC ACCOUNTS
COMMITTEE (2011-12)

Shri Bhartruhari Mahtab—*Convenor*

MEMBERS

Lok Sabha

2. Shri Adhi Sankar
3. Dr. M. Thambidurai

Rajya Sabha

4. Shri Naresh Gujral
5. Shri Prakash Javadekar
6. Shri Satish Chandra Misra

INTRODUCTION

I, the Chairman, Public Accounts Committee (2011-12), having been authorised by the Committee, do present this Fifty-fifth Report (Fifteenth Lok Sabha) on **‘Member of Parliament Local Area Development Scheme (MPLADS)’** based on C&AG Report No. 31 of 2010-11 (Performance Audit), Union Government (Civil) for the year ended March, 2009 related to the Ministry of Statistics and Programme Implementation.

2. The above-mentioned Report of the Comptroller and Auditor General of India was laid on the Table of the House on 18 March, 2011.

3. The Public Accounts Committee (2011-12) took up the subject for detailed examination and report. A Sub-Committee was specially constituted for the purpose. The Sub-Committee took evidence of the representatives of the Ministry of Statistics and Programme Implementation on the subject at their sittings held on 03.10.2011 and 24.11.2011. The Sub-Committee held a meeting on 30.01.2012 to finalise the line of Recommendations. Thereafter, the Sub-Committee considered and adopted the Draft Report at their sitting held on 07.03.2012. The Draft Report was then placed before the main Committee which considered it at their sitting held on 22.03.2012 wherein it was decided that subject to the incorporation of the views expressed by the Members, suitably in the Draft Report and after being shown to them on a later date, the Draft Report on ‘MPLADS’ would be deemed to be approved by the Committee. Accordingly, the suggestions of the Members were appropriately incorporated in the Draft Report and shown to the Members on 28.03.2012 in the presence of the Chairman, PAC. The Minutes of the sittings are appended to the Report.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type and form Part II of the Report.

5. The Committee thank the Sub-Committee for taking oral evidence of the Ministry and obtaining information on the subject as well as for finalising and placing the Draft Report before the main Committee.

6. The Committee would also like to express their thanks to the representatives of the Ministry of Statistics and Programme Implementation for tendering evidence before them and Sub-Committee and furnishing information that the Committee desired in connection with the examination of the subject.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

(viii)

8. The Committee feel that Scheme can be very fruitful by focussing on creation of infrastructures like School Building, Library, Community Hall etc. which have greater outreach and long term sustainable benefits for the people living in small localities/ pockets.

NEW DELHI;
28 *March*, 2012
8 *Chaitra*, 1934 (*Saka*)

DR. MURLIMANO HAR JOSHI
Chairman,
Public Accounts Committee.

PART I

REPORT

I. Introductory

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 a Member of Lok Sabha may select works for implementation in his/her constituency while a Member 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, Rs. 2.00 crore (now Rs. 5.00 crore) per annum is being allotted to each MP. Between 2004-05 and 2008-09, Rs. 7245.95 crore had been released and Rs. 9836.53 crore was available with various District Authorities (which included opening balance of Rs. 2404.26 crore as of 01 April 2004 and interest of Rs. 186.32 crore accrued on unspent balances during the period (2004-09)). Against this, an expenditure of Rs. 8048.53 crore had been incurred leaving an unspent balance of Rs. 1788.00 crore as on 31 March 2009.

2. The Scheme is administered by the Ministry of Statistics and Programme Implementation, which is responsible for policy formulation, release and 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).

3. The Scheme was earlier reviewed by the C&AG in 1998 and in 2001 and Audit Reports on MPLADS were laid in the Parliament wherein various weaknesses and lapses in the implementation of the Scheme were pointed out. The Ministry in their ATN submitted after a lapse of eleven and eight years respectively *i.e.* in 2009 Stated that most of the State Governments had reportedly been making efforts to achieve timely completion of work in future. The current Performance Audit was conducted by the C&AG between April 2009 and December 2009 through test check of records of the Ministry of Statistics and Programme Implementation, State Nodal Departments, the District Authorities and the Implementing Agencies (IA) covering the period from 2004-05 to 2008-09. The comments of the Audit are contained in their Report No. 31 of 2010-11 for the year ended March 2009. Some of their important observations are as follows:

- (i) 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.

- (ii) There were weaknesses in the process of sanction of works. In the sampled districts of eight States, DAs executed 800 works costing Rs. 9.45 crore without receiving any recommendations from the MPs concerned. In three States, DAs executed 150 works costing Rs. 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 by Rs. 2.49 crore *vis-a-vis* the cost indicated by the MP concerned.
- (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 Rs. 73.76 crore was incurred on 2340 such works during 2004-09.
- (iv) In 10 States, Rs. 14.40 crore was sanctioned for works pertaining to 34 trusts/societies, which exceeded the ceiling of Rs. 25 lakh per trust/society fixed under the Scheme by Rs. 5.90 crore. In seven States, DAs sanctioned Rs. 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.
- (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.
- (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.
- (vii) 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.
- (viii) In five States/UTs, 17 works completed at a cost of Rs. 1.47 crore had not been put to intended use and in six districts of five States, 10 assets created at a cost of Rs. 1.48 crore were not being utilized for the purpose for which these were sanctioned.
- (ix) While many IAs did not furnish Utilization Certificates (UCs) to the DAs, 12 DAs of six States depicted the entire advance release 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.

- (x) 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.
- (xi) 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.
- (xii) 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 characterized by a number of omissions and errors rendering it unreliable.
- (xiii) 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, the MC did not meet annually.
- (xiv) 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 the period from 2004-05 to 2008-09.

4. Against the above backdrop, the Public Accounts Committee (2011-12) selected the subject for detailed examination and report. A Sub-Committee under the convenorship of Shri Bhartruhari Mahtab, MP and a Member of the PAC was constituted to go deep into the matter. In the process of examination of the subject, the Sub-Committee obtained background material and detailed written reply from the Ministry of Statistics and Programme Implementation. They also took oral evidences of the representatives of the Ministry on two occasions and obtained post evidence replies. Based on the written and oral depositions by the Ministry, the Sub-Committee examined the implementation of the MPLAD Scheme in detail and discussed some very important issues as enumerated in the succeeding paragraphs.

II. Budget Estimates and Actual Expenditure

5. Under the MPLAD Scheme, the Government of India released Rs. 19,425.75 crore from 1993-94 to 2008-09. Against the total fund of Rs. 19,845.91 crore available with DAs (including Rs. 420.16 crore accrued as interest), an expenditure of Rs. 18,057.91 (91 per cent) was incurred cumulatively in all these years. The details of the budget allocations, funds released, unspent balances of previous year available with the District Authorities, interest earned on unspent balances, total funds available with the

DAs and expenditure incurred during each of the five years' period (2004-05 to 2008-09) are as under:

(Rs. in crore)

Year	Budget estimates	Funds released	Unspent balance of previous year available with DAs	Interest earned on unspent balance	Total funds available with the DAs	Expenditure incurred during the year
2004-05	1,580.00	1,310.00	2,404.26	42.35	3,756.61	1,909.11
2005-06	1,580.00	1,433.90	1,847.50	34.29	3,315.69	1,382.63
2006-07	1,580.00	1,451.50	1,933.06	31.57	3,416.13	1,278.71
2007-08	1,580.00	1,470.55	2,137.42	35.12	3,643.09	1,506.45
2008-09	1,580.00	1,580.00	2,136.64	42.99	3,759.63	1,971.63

6. As would be seen from the above table, the expenditure incurred during the years 2004-05 to 2008-09 was even less than the opening balance and interest earned thereon in each year. When asked to explain the reasons for persistent less expenditure during each year the Ministry in their reply submitted as under:

"Under the MPLAD Scheme, incurring of expenditure and concomitant release of funds, takes place continuously, throughout the year on meeting the eligibility criteria as per para 4.3 of the Guidelines. Therefore, in view of the nature and dynamics of the scheme and the fact that funds are released to different Lok Sabha constituencies and Rajya Sabha MPs at different points of time, unspent balances, which also include interest accrued on the funds released, are bound to exist at any given point of time.

The Ministry has been continuously monitoring the progress of the implementation of the Scheme and constantly urging the Secretaries of State/UT nodal departments to take effective steps for maximum utilisation of funds. It is noted that the funds released under MPLADS is non-lapsable and the District Authority is also required to maintain liquidity in order to fund on-going works as second and last instalment of fund.

As per para 4.15 of the Guidelines, District Authority may release advance upto 50% of the estimated amount of a sanctioned work to an Implementing agency. Thus the District Authority keeps 50% of the funds with them for release of second instalment for the work already sanctioned. In case the District Authority do not keep the 50% funds with them, there are chances of delay in completion of work as per the provisions of the Guidelines, the total responsibility for executing the work on time lies with the District Authority."

7. When the Sub-Committee desired to know the responsibility of the Ministry to ensure maximum utilization of funds, the Additional Secretary submitted in evidence:

".....we have also noticed that the percentage of utilization of funds cumulatively has been consistently over 90 per cent. Of course, the CAG Report has mentioned about low expenditure on the annual basis....., I would be explaining that. In non-lapsable scheme, we look at cumulative basis. The MPs are entitled to be in their constituencies right up to the end of the year and take the feedback from the people as to the requirements. Therefore, an MP can nominate a scheme right in the end, that is, February-March. Therefore, it is absolutely impossible that you should have 100 per cent expenditure during the course of the year. In our Ministry, we look at it cumulatively. Comparing the works, which have been sanctioned and those which have been completed, we have noticed that the trend cumulatively is over 90 percent..... ."

8. Asked to state the specific measures taken/proposed to encourage and ensure optimum utilization of the earmarked funds in an annual basis, the Ministry responded as under:

"It has been stipulated in Para 3.13 of the Guidelines that the time limit for completion of the works should generally not exceed one year. In exceptional cases, where the implementation time exceeds one year, specific reasons for the same shall be incorporated in the sanction letter/order. The sanction letter/order shall also include a clause for suitable action against the Implementation Agency in the event of their failure to complete the work within the stipulated time as per the State Government Procedure.

The Guidelines stipulate the provision of review the implementation of the works at the level of Chief Secretary/Nodal Secretary and also at District Authority level. Apart from the above, Ministry also undertakes Bi-Annual Review Meeting with the Nodal Secretaries of the State/UTs chaired by Hon'ble Ministry of the Ministry.

With the enhancement of the annual entitlement of the MP from Rs. 2 crore to Rs. 5 crore under MPLADS from the financial year 2011-12, Para 4.3 of the Guidelines have been suitably amended to ensure maximum utilisation of funds and to minimize the accumulation of unspent funds.

As per amendment of this Para 4.3 of the Guidelines, the first instalment of Rs. 2.5 crore will be released in the beginning of the financial year. In the remaining years, the first instalment will be released in the beginning of the financial year subject to the condition that the second instalment of the previous year was released for the MP concerned and also subject to furnishing of the *provisional Utilization Certificate of previous year covering at least 80% of the expenditure* of the first instalment of the previous year which is in line with the GFR and in concurrence with the Department of Expenditure, Ministry of Finance."

III. Pattern of Funds Utilization

9. Audit scrutiny revealed that the year-wise utilization of funds under the Scheme ranged from 37.43 to 52.44 per cent of the funds available with the DAs during 2004-09. Substantial closing balances (Rs. 1788 crore to Rs. 2137 crore) remained outside the

Consolidated Fund of the Union or States. The expenditure under the Scheme had a propensity to increase at the times close to Elections.

10. In the above context, the Sub-Committee desired to know the reasons for accumulation of substantial unspent balances with the District Authorities and the steps taken by the Ministry for early and proper utilization of funds lying unspent with the District Authorities. In reply, the Ministry stated that under the MPLAD Scheme, expenditure and release of funds was a continuous process throughout the year as per provision 4.3 of the Guidelines and the fact that funds were released to different Lok Sabha constituencies and Rajya Sabha MPs at different points of time, unspent balances, which also included interest accrued on the funds released, were bound to exist at any given point of time. The Ministry also stated that the Guidelines on MPLADS allowed the funds to be kept in the nationalized banks only if the balance was left after releasing the advances to the Implementing Agencies for carrying out the works.

11. The Ministry further stated that the information relating to the amount for various work authorized by the MPs (out of unspent balance of Rs. 2137 crore) was yet to be received from the District Authorities who alongwith the Implementing Agencies were responsible for non-utilization of MPLADS funds.

12. Asked to spell out the responsibility of the Ministry in this regard, it was stated that in order to ensure continuous and prompt execution of works under the Scheme, Para 4.3 of the Guidelines had been amended suitably under which the first instalment of Rs. 2.5 crore would be released in the beginning of the financial year. In the remaining years, the first instalment would be released in the beginning of the financial year subject to the condition that the second instalment of the previous year was released for the MP concerned and also subject to furnishing of the provisional Utilization Certificate of previous year covering at least 80% of the expenditure of the first instalment of the previous year which was in line with the GFR and issued in concurrence with the Department of Expenditure, Ministry of Finance.

13. The Secretary, M/o S&PI during evidence *inter-alia* stated that in the earlier Guidelines, the check on unspent balances was made only once at the time of the release of second instalment. Now they sought to rectify this by requiring an unspent balance at the time of each release. According to the Secretary, the total magnitude of unspent balance would obviously be higher because the total magnitude of each instalment had been increased.

IV. Incorrect Reporting of Financial Progress by the DAs

14. Audit Scrutiny revealed that 12 DAs of six States depicted the entire advance (Rs. 100.17 crore) released to IAs as utilized, thus inflating the figures of expenditure by Rs. 35 crore. Further, the DAs had reported lesser amounts of interest earned in their annual accounts and/or MPRs than those reported in the MPRs of the earlier months resulting in understatement of interest of Rs. 5.60 crore in respect of 21 constituencies.

15. In the above context, the Sub-Committee asked whether the Ministry had prepared any Guidelines on accounting of funds released under MPLADS to the DAs

and monitored the actual expenditure incurred by the implementing agencies so as to ensure countrywide uniformity of accounts. In reply, the Ministry stated that as stipulated in Para 5.1 of the MPLADS Guidelines, the District Authorities and the Implementing Agencies were required to maintain accounts of MPLADS fund, MP-wise. The cash book and other books of accounts were required to be maintained as per the State/UT Government procedure. The Ministry further stated that the information received from the States/UTs indicated that there was no incorrect reporting. In response to another specific query, the Ministry replied that Monthly Progress Report (MPR) received with discrepancies, if any, were sent back with observation to the concerned District Authorities for verification and correctness of the same.

16. When the Sub-Committee desired to hear more on the above aspects, the representative of the Ministry in evidence stated as under:

"The New General Financial Rules (GFR) 2005, says that in case of Central Autonomous Organisation, there was note under the Rule which says that the money given as advance should not be reported as expenditure in the utilization certificate. What is happening here is that whatever money or 50% of the cost which was given to implementing agency by the District Administration as first instalment has been reported as expenditure in Utilization Certificate."

17. Asked to state what specific remedial measures were taken by the Ministry to remove the shortcomings, the Ministry replied that the District Authorities were in the process of replying to the Audit observations and the Ministry would be examining them one-by-one.

18. On being asked whether the Ministry had taken any steps to develop software for preparing district-wise MPLADS accounts and collating annual accounts and balance sheet of all districts to capture annual accounts and balance sheet of the entire Scheme, the Ministry replied that they were in the process of taking initiative through NIC to develop an integrated software for monitoring of the Scheme at macro and micro level. The software would facilitate district-wise capturing of data viz. Government of India releases, work/project-wise details including sanctions, advances and expenditure incurred, generation of Monthly Progress Report (MPR) and unaudited Annual accounts/report containing physical and financial aspects.

V. Deficient Verification of Monthly Progress Report

19. The Ministry released grants worth Rs. 18.00 crore in respect of two Rajya Sabha MPs and six Lok Sabha constituencies of seven States/UTs despite having substantial unspent balances in their accounts.

20. On being asked about the excess release of funds the Ministry, denied the findings and stated that it released the instalments only on fulfilment of eligibility of criteria given in the para 4.3 of the Guidelines. No excess funds had been released by the Ministry to District Authorities.

VI. Distribution of Funds of ex-MPs

21. Audit pointed out that the unspent balances of Rs. 82.54 crore left by the predecessor Rajya Sabha MPs in 10 States had not been distributed among their successor RS MPs of that particular State.

22. In the above context, when the Sub-Committee desired to know whether the Ministry had prepared any data on the total amount of unspent balances of former Rajya Sabha MPs lying with various District Authorities, the quantum of the unspent balance and the reasons for not distributing the same as per the provisions of the Scheme, the Ministry replied that based on the information given in the Monthly Progress Report (MPR), the data on unspent amount of Members of Parliament (Rajya Sabha) including former MP (RS) was uploaded on the website of the Ministry *i.e.* www.mplads@nic.in. As stipulated in the Guidelines, the District Authorities were required to distribute the unspent amount of the former MPs, which was a continuous process. The unspent balance as per the MPR system as on 30th September, 2011 was stated to be Rs. 3186.75 crore.

23. In evidence, the Sub-Committee asked the Ministry to furnish specific reasons for accumulation of unspent balance in the funds of ex-Members of Rajya Sabha and their non-distribution among all the sitting MPs of the State. In reply, the representative of the Ministry stated as under:

"Whatever unspent balance is lying whether in the case of Rajya Sabha or Lok Sabha is required to be distributed after completing whatever recommended work sanctioned by the Member of Parliament and the Guidelines are accordingly well laid down. But it happens a number of times that distribution does not take place on a regular basis. That is the reasons we keep on reiterating these facts and the circulars. Whenever we have the bi-annual review meetings in Delhi, we insist on these issues. If you see, in the last one-and-a-half years, we have issued a number of circulars in this regard. We are thinking of a little bit tightening of the Guidelines also, that is, we want to give some time frame."

24. The Sub-Committee then asked the status of the distribution of the unspent balances by the States. In reply, the Secretary, Ministry of S&PI submitted:

"As far as I know, we have got reports from the States. Some of the States have completed their redistribution work. We should ask for the status of accounts post-redistribution. I am not sure whether the accounts have been formally closed or not. We will have to ask them to report us on that. Rajya Sabha is a continual process. So we have to check *vis-a-vis* Rajya Sabha about the status."

25. In response to another related specific query, the representative of the Ministry stated that there was a dead-line to complete the accounting process before 31st December, 2010. But even by the end of October, 2011, some States had not distributed the unspent balances and not closed the account.

26. The Sub-Committee asked the rationale for kept showing balances if they were not to be used for an indefinite period. In response, the representative of the Ministry stated:

"We can prescribe some time limit."

27. The Sub-Committee then pointed out whether a sunset clause could be incorporated to the effect that if the States were unable to distribute the unspent balances within a definite time period, the funds would come back to the Centre. In reply, the Secretary submitted:

"I think we should impose a time limit and then ask for a mandatory distribution."

VII. Diversion of Funds

28. Audit pointed out that in seven States Rs. 4.67 crore was diverted to other Schemes of the State and Central Governments by 22 DAs.

29. The Sub-Committee desired to know whether the DAs had been authorised to divert the funds meant for the MPLAD Scheme to other Schemes. The Ministry in reply stated that the District Authorities were not authorised to divert funds meant for MPLADS to any other Schemes. The Ministry further stated that in Andhra Pradesh, funds diverted had been received back in the MPLADS funds except in one case. Similarly in the States of Odisha and Tamil Nadu, the funds had been received back except in one case each in both the States. As regards action taken by the Ministry to stop diversion of funds, it was replied that the Ministry proposed to write to all the District Authorities to ensure that funds allotted to MPLAD Scheme should not be diverted to any other scheme.

30. Since the diversion of funds of MPLADS to other Schemes was a clear violation of rules, the Sub-Committee desired to know the action taken against the persons responsible for such violation. In reply, the Ministry stated that in the extent cases, since violation had been noticed, these States would be requested to take appropriate action against the officials concerned.

31. In the same context, the Secretary, Ministry of S&PI submitted in evidence:

"I would suggest that we should advise the State Government to take action as per rules because the rules do provide for a certain process to be followed when action has been initiated. We can certainly ask them to take action as per the rules. The rules provide space to examine circumstances. If there is any justification let them examine it as per rules."

32. On being asked to state categorically whether the Ministry had already written to all the DAs/States concerned, another representative of the Ministry replied that they were in the process of writing to them in a phased manner.

VIII. Refund of Unspent Balances

33. Audit had pointed out that in 24 States/UTs, unspent balances of Rs. 1.98 crore arising due to completion of works at lower than the sanctioned cost and interest accrued on balances of Rs. 4.71 crore had not been refunded by the IAs after completion of the work. Further, in 12 States/UTs, Rs. 12.14 crore was lying with various IAs as unspent balances pertaining to 679 works which could not be taken up for implementation.

34. Asked to explain the reasons for the above-cited shortcomings, the Ministry replied that, Para 6.5(iv) of the Guidelines stipulated that the Implementing Agencies shall refund to the District Authority the savings including interest, If any, at their disposal within one month and close the Bank Account opened for the purpose. Therefore, it was the responsibility of the District Authority to co-ordinate and supervise the work being executed under MPLADS and ask the Implementing Agencies to refund the unspent amount as the District had the direct control over the Implementing Agencies. The Ministry further stated that from the information received from the District Authorities, it was observed that either the unspent balance had been received by the District Authority or the funds had been utilized while making payment for other works. Hence the Ministry was of the opinion that there were minimal chances of the unspent amount left with the Implementing Agencies.

35. The Sub-Committee desired to know the latest status of the unspent balances not refunded by the Implementing Agencies. In reply, the Ministry stated that as per the replies received from States/UTs, an amount of Rs. 127.50 lakh was the balance unspent amount which was lying with the Implementing Agencies. The District Authorities had assured that they would get back the balance of amount lying with the Implementing Agencies with interest thereon. It was further stated that no case of misappropriation of funds with regard to uncommitted and unspent balance lying with the Implementing Agencies, had been reported to the Ministry.

IX. Contingency Expenses

36. Audit scrutiny revealed that in 13 States/UTs, 35 DAs had utilized an amount of Rs. 1.30 crore on payment of honorarium/wages/travelling expenses of staff, refreshments for staff, electrification of office building, fuel for official vehicles, purchase of laptops, office furniture and supervision charges, etc., which were inadmissible. Further, six DAs in five States had incurred excess expenditure on contingencies than the prescribed limit of 0.5 per cent of the amount spent on completed project.

37. In the above context, the Sub-Committee desired to know the mechanism put in place by the Ministry to ensure that contingency expenses remained within the prescribed limit and not incurred on inadmissible items. In reply, the Ministry stated that Para 4.17 of the Guidelines stipulated that a separate account for such expenditure incurred during a year under MPLAD Scheme shall be maintained and the MP concerned shall be kept informed besides making available the details for scrutiny by Audit. The Ministry further stated that the District Authority was expected to take action as per this provision and ensure that the expenses remained within the prescribed limit.

38. When asked if the prescribed percentage of 0.5 per cent towards contingency expenditure was adequate for effective monitoring of the MPLAD Scheme, the Ministry replied that the Administrative Expenses of 2 per cent had now been allowed by the Government with effect from the financial year 2011-12 after enhancement of MPLADS Funds allocation for effective monitoring and implementation of the MPLAD Scheme.

39. Elaborating the distribution of contingency fund between different departments/agencies, the Secretary, M/o S&PI during evidence stated as follows:

"What we have said is that of the 2 per cent, 2 per cent will be earmarked for use by the State nodal Department. The balance will be shared between the

nodal district and other implementing districts in the formula which we have defined in the rules. It will be the responsibility of the nodal district to allocate the money as per this formula. We have also indicated the class of activities for which it can be used. At the level of the State/UT nodal Department the money was principally meant for third party inspection, physical audit, quality checks and monitoring of works at State level. It is not for the purpose of meetings precisely. But we felt that we must give some resources to the State nodal Department to do some checking at their level. So, 2 per cent we calculated for the State as a whole. In certain States we have made an estimate and it will come to almost about Rs. 50 lakh or so. Per MP the amount comes to Rs. 1 lakh. For large States where there are as many as 50 MPs the amount could be Rs. 50 lakh. We figured this could be a reasonable sum to permit them to do a certain amount of independent checking as well. That was the logic for including a figure for the State nodal Department as well."

X. Annual Accounts and Utilization Certificates (UCs)

40. Audit scrutiny revealed that proper records were not maintained by the Ministry to watch the progress of receipt of the annual accounts and Utilization Certificates (UCs) from the DAs so as to review the fund utilization under the Scheme. Audit also pointed out that the Ministry had been routinely relaxing the condition for submission of UCs and Audit Certificates by the DAs, before allowing the release of the second instalment of funds. The IAs which received advances from 80 DAs of 23 States/UTs, did not furnish UCs for Rs. 369.97 crore (41.32 per cent of the total funds released to the IAs) pertaining to 19,540 works (41.10 per cent of total works) completed during the period 2004-09.

41. In the above context, the Sub-Committee enquired as to the Ministry's inability to maintain the database to ascertain the unspent balances and watch the progress of receipt of Annual Accounts and Utilization Certificates from the District Authorities and in the absence of such data base how the Ministry was conducting strategic planning under the Scheme. The Ministry in their written reply stated as under:

"This Ministry is maintaining the register for UCs and Audit Certificates. The Audit Certificates as prescribed in Annexure IX of the Guidelines are invariably being examined while releasing the MPLADS funds. The Audit Certificate received if found to be in accordance with the Annexure, it is considered to be in order. In case, there is audit observation in the Audit Certificates, the District Authorities are usually being requested for taking necessary action and furnishing the Action Taken Note.

CAG in their Audit has recommended for maintaining MP-wise Grants-in-Aid Register with details on funds released, status of receipt of MPRs, UCs and Audit Certificates in a computerized format with complete data validation and placing it on the official website of the Ministry of monitoring the fund utilization under the Scheme.

Controller of Accounts of the Ministry has suggested that the Grant-in-Aid register is to be maintained as per Format 39 of GFR-2005 and NIC of the Ministry have been requested to make the electronic format of Grant-in-Aid."

42. The Sub-Committee asked the Ministry to state the specific action taken by them to ensure timely submissions of UCs so that the implementation of the Scheme was not adversely affected. In reply, the Ministry stated as under:—

"The Ministry is aware that in case the Utilization Certificates is delayed by the Implementing Agencies, it will affect the overall planning and further release of funds to the District Authority and also increase the amount of unspent balance. The Ministry is regularly requesting the State/UT Nodal Departments and District Authorities through various fora for execution of work in time and submission of Utilization Certificates in order to bring down the amount of unspent balance."

43. Asked to state the reasons for grant of routine relaxation in the condition of submission of Utilization and Audit Certificates by the DAs and the impact of such relaxation on funds management, the Ministry stated that they had relaxed the condition before 2009-10 for furnishing of UC and AC concerned for the release of 2nd instalment for the year with the condition that the next instalment *i.e.* 1st instalment of the succeeding year would be released only on receipt of the Utilization Certificate and Audit Certificate for the previous release of funds.

44. It was further stated that the decision to relax the condition was taken by the Ministry on the basis of review of release position to ensure that the works recommended by the MPs and sanctioned by the Districts did not suffer for want of funds, and not on specific request from the District Authorities. The Ministry had been regularly emphasizing the need to furnish the Audit Certificates and Utilization Certificates in the Bi-annual Review Meeting on MPLADS and other various meetings. In consultation with Department of Expenditure, more stringent financial discipline was being forced through the amendment of Para 4.3 of the Guidelines. The Ministry further opined that the relaxation of release of second installment pending Utilization Certificate and Audit Certificate had not contributed to the accumulation of large unspent balances under the MPLADS funds.

XI. Doubtful Expenditure

45. Audit review revealed instances of doubtful expenditure amounting to Rs. 0.40 crore indicating suspected misappropriation of funds, which needed further investigation by the Government. These included: (a) non-existence of assets in West Bengal (Rs. 5 lakh) and Jharkhand (Rs. 8 lakh), (b) payments made on doubtful muster roll entries in Bihar (Rs. 6.15 lakh), and (c) payments made on doubtful vouchers in Mizoram (Rs. 19 lakh) and Jharkhand (Rs. 2 lakh).

46. In the above context, the Sub-Committee asked whether the Ministry had obtained necessary information/explanation from the DAs and made arrangements for investigation of cases of doubtful expenditure. In reply, the Ministry stated that they had received information from the State Governments of West Bengal and Mizoram (part reply) which was as under:—

"(a) West Bengal— As per State reply, the superintendent of Police, South 24 Parganas furnished and action taken report on the FIR lodged by the

District Planning Officer, South 24 Parganas, stating that the accused Shri Bimal Kumar Haldar, Headmaster of Rajapur Free Primary School and Secretary Taldi 1, Village Education Committee has not yet been arrested. Efforts are continuing to arrest the accused person and investigation of the case is proceeding.

(b) Mizoram — As per State reply, vouchers on plain paper were accepted by DA as some of the material are sourced directly from queries or from small businesses in the villages which do not have proper vouchers. Also, dates on vouchers may differ from that during which work was executed as the Implementing Agencies take material on credit from the store and repay them at their convenience or as and when the funds are available to them. Also, it may be stated that the final payment to the Implementing Agencies are not given without recommendation of an inspecting officer, usually a technical person who ensures that works are not only complete but also commensurate with the sanctioned amount thereby ensuring the funds are not misused. Vouchers on plain paper submitted by Implementing Agencies are no longer accepted."

The Ministry further apprised that reply from the Governments of Bihar and Jharkhand was still awaited.

47. In evidence, the Sub-Committee pointed out that nowhere in the documents furnished, it was found that disciplinary action was initiated by any State Government against the erring officials. In that context, the Sub-Committee desired to know the specific action taken by the respective State Governments. In reply, a representative of the Ministry stated:

"The reply given by West Bengal says that FIR has been lodged against the Head Master of that school because the fund was given to the school which is the implementing agency to construct that building. They have basically wanted to arrest him also."

48. Expressing surprise, the Sub-Committee asked whether an FIR against the Head Master of a particular school would suffice to check fraud and irregularities. In reply, the Secretary, M/o S&PI stated:

"I think the point is that once the State police takes up an investigation, the FIR will name some people. It does not mean that they are the only people involved. That is the process of police investigation which will then uncover who are the other people. We can certainly write to the State Government pointing out the seriousness of this charge and urging them to make sure that this does not fall into the backburner. We will do that exercise."

49. The Sub-Committee asked whether it would not be prudent to hold the officer who issued the Utilization Certificate ultimately responsible for doubtful expenditure. In reply, the representative of the Ministry stated:

"Your point is that the officer who signed the Utilisation Certificate should also have been implicated in the FIR."

50. Asked to state categorically the measures taken to strengthen the internal controls under the Scheme to check fraud and misappropriation of funds, and their early detection, the Ministry replied that they had already put in place a web based work monitoring system. The Ministry were further in the process of development of an integrated software of MPLAD Scheme for monitoring funds release and expenditure both at Macro level.

51. The representative of the Ministry also apprised as under:

"... the guidelines may be talking about the role of monitoring at the District Authority and Implementing Agency level. It has been well devised and the District Authority will monitor the extent of 10 per cent of work completed. The Implementing Agency is supposed to monitor 100 per cent work as such. If they would have completed the process of monitoring of the ongoing projects, they would have certainly seen that the work is not coming up at all. So, *prime facie*, certainly they have not monitored or seen when the Utilization Certificate was signed and given to the DM."

XII. Recommendation of Works

52. Audit scrutiny revealed that the design of the scheme did not specify the mechanism to be adopted by MPs to ensure participation of various constituents in an MPs constituency such as active resident forums, local bodies, NGOs., etc. in determining and recommending works responsive to locally felt needs and the priority of the MPs constituency. Further, there were no records to show that priorities for works considered were based on local requirements.

53. In the above context, the Sub-Committee desired to know the measures taken by the Ministry to ensure participation of various constituents such as local bodies, NGOs and forums of residents to determine the local needs with priority. The Ministry in its reply stated as under:

"The Scheme is so designed to give complete freedom to MPs to choose location and projects subject to the basic objective and provision of the Guidelines. The objective of the scheme is to enable MPs to recommend works of developmental nature with emphasis on the creation of durable community assets based on the locally felt needs in their Constituencies. The MP on his tours of his constituency contacts the people of his constituency about the work to be executed for the welfare of the public at large in a particular area. It is for the MP to either consult or not to consult the constituents of his locality. However, in order to facilitate MPs, the District Authorities have been asked to provide shelf of projects. The Ministry have also circulated an illustrative list of projects/works."

54. The Ministry further stated that as per para 2.11 of the Guidelines, the Panchayati Raj Institutions were preferably the implementing agencies in the rural areas and it was expected that an MP during his constituency tour should consult the Panchayati Raj Institutions.

55. Audit scrutiny further revealed that, in respect of 34,023 works pertaining to 64 DAs out of 70 test-checked DAs in 15 States/UTs, recommendations were furnished by MPs with delays beyond the prescribed time-limit of 90 days from the commencement of the financial year and the MPs continued recommending the works up to the end of the financial year.

56. In the above context, Sub-Committee desired to know whether the Ministry had every analyzed the reasons for the delay on part of the MPs and taken any steps to ensure timely recommendation of the works by the MPs so as to avoid slow utilization of funds as well as time and cost overrun. The Ministry in their reply stated as follows:—

"Based on information from the States/UTs, it has been ascertained that delay occurs in view of unavoidable circumstances like imposition of code of conduct, touring of Hon'ble MPs in and outside the country and engagement of Hon'ble MP with other important assignments etc.

In order to review the performance of the MPLADc Scheme, this Ministry is holding two Bi-annual Review meetings with the Nodal Secretaries of the States/UTs and they share their experiences and the Ministry takes corrective measures.

MPLAD Scheme is not like other Centrally sponsored scheme where action plan is made in early part of the Financial Year. In MPLAD Scheme, the MPs frequently tour their constituency and make recommendations based on locally felt needs which may also be as late as Feb. or March of the year, thus extending the period of utilization of funds. Some of the MPs were not able to recommend work within the stipulated period of 90 days, the Ministry has amended thus, Para 2.6 of the Guidelines to enable the MPs to make recommendations throughout the financial year."

XIII. Execution of Works without the Recommendation of MPs

57. Audit pointed out that nine DAs in eight States, Executed 700 works amounting Rs. 9.45 crore without a formal recommendation of the MPs concerned. Besides, three DAs in three States executed 150 works amounting to Rs. 2.44 crore, recommended by the representatives of the MPs. Further, in seven States/UTs, 10 DAs accorded sanction to 260 works involving Rs. 10.75 crore during 2004-09, though the actual cost of these works exceeded, by Rs. 2.49 crore, of the cost indicated by the MPs concerned.

58. Expressing their surprise, the Sub-Committee asked the Ministry to explain how works could be executed without the recommendation of the MPs concerned. In reply, the Ministry stated that only J&K State constituted major share of executing works (consisting of 558 works) without the recommendation of the MPs. The District Authority, Anantnag had reported that the MP had been requested to recommend the projects/works within the stipulated time as per Guidelines. In the reply received from the other States, it had been intimated that due to urgency of work and assurance of the local MLA, to make available funds from MPLADS funds through the MP, the District Authority had sanctioned the work in anticipation of the MP's recommendation.

59. Asked to state the monitoring mechanism put in place/proposed to ensure that expenditure from the MPLADS fund was incurred only after obtaining the recommendation of the MPs, the Ministry stated that as per provision of the Guidelines Para 3.12, the implementation of works under MPLAD Scheme should start only after receipt of the recommendation of work from the MPs. This was to be scrupulously followed by the District Authority and if any deviation occurred, the State Government could take disciplinary action against the District Authority.

60. When asked to indicate the specific action taken against the DAs responsible for incurring unauthorized expenditure from the MPLAD funds, the Ministry informed that replies received from the District Authorities were being compiled and analyzed. Suitable instructions would be given to all the State Nodal Secretaries for directing the District Authorities to strictly adhere to the Guidelines and take appropriate action against the erring officials. The Ministry further informed as under:—

"Reply from States of Assam, Bihar and Jharkhand is still awaited.

Replies received from State except J&K and Meghalaya that the work were executed keeping in view the urgency of work without formal recommendations of the Hon'ble MPs. However, the recommendation were taken subsequently.

As per reply received from DDC, Anantnag (J&K), Hon'ble MP has been requested time and again to recommend the projects/works within the stipulated time as per Guidelines made available to him. However, sometimes delay occurs in view of unavoidable circumstances like imposition of code of conduct, touring of Hon'ble MPs in and outside the country and engagement of Hon'ble MP with other important assignments etc. The matter is under examination with the Ministry and direction to the Chief Secretary of the State is being requested to initiate necessary action against the district officials responsible for the irregularities.

As per reply from DC West Garo Hills, Tura (Meghalaya), the funds belongs to C&RD, Govt. of Meghalaya, the bank mistakenly deposited in MPLADS Account. Later cash books and A/Cs have been reconciled."

61. Asked to state categorically the action taken by the Ministry to ensure punishment to the erring officials, it was replied that these lapses had been viewed seriously and the District Authorities had been advised not to repeat such mistakes. The Ministry further stated that wherever such lapses had occurred it would be in the fitness of things to take action against the erring officials. The Ministry proposed to write to concerned State Governments appropriately in this regard.

62. In evidence, when the Sub-Committee desired to hear the clear cut views of the Ministry on the above cited serious irregularities, the Additional Secretary submitted that they did not support this kind of action and it called for disciplinary action.

63. When asked to state what disciplinary action had been taken after a lapse of five/six years, the Additional Secretary, Ministry of S&PI submitted:—

"We will write to DoPT. We will take it up with them."

64. The Sub-Committee asked whether it would not be prudent to bring the irregularities committed by the officers immediately to the notice of the Union Ministry/ Parent Organisation with a view to ensuring strict action against them for awarding works without the recommendation of the MPs. In reply, the Additional Secretary assured:—

"We will do that."

XIV. Selection of Prohibited Works

65. Audit pointed out that in 100 sampled districts of 29 States/UTs (78 per cent of sample DAs), expenditure of Rs. 73.76 crore was incurred during 2004-09 on 2340 works which were prohibited as per the Scheme Guidelines.

66. When the Sub-Committee desired to hear the views of the Ministry on the above findings of Audit, they stated that the execution of prohibited works were attributable to the recommendation of the MPs which was inconsistent with the Guidelines and thereby irregular sanction of such works by the District Authorities. The Ministry further stated that it was the responsibility of the District Authority to examine and sanction only eligible works recommended by the MPs. The replies received from the States were reportedly being examined by the Ministry and the State/UT Governments would thereafter be requested to take necessary action against the erring district officials.

67. As regards steps taken by the Ministry to avoid recurrence of such cases, it was stated that in order to avoid recurrence of such irregularities, the Ministry had issued the illustrative list of eligible works to all the States/UTs. Sometimes due to compelling circumstances, the District Authorities had to act on the recommendations of the MP for one reason or the other, beyond their control resulting in execution of prohibited works. Besides, the Ministry reportedly provided regular training to the State/District officials in order to have better appreciation and implementation of Guidelines. The Collectors/Magistrates would be requested to ensure that no such irregularities would occur in future. The Ministry in the Bi-annual Review Meetings had been regularly requesting the State/UT Governments to adhere to the provisions of the Guidelines to avoid recurrence of such lapses.

68. Not satisfied with the reply of the Ministry, the Sub-Committee during oral evidence asked the Ministry to explain how it could be beyond the control of the DAs and to spell out the innovative measures taken to avoid recurrence of execution of prohibited works. In reply the representative of the Ministry submitted as under:—

"It can be done only by exemplary action. If one or two people are punished in every State, then it will stop. In fact, in the past, as per the earlier Guidelines also we have been taking action whenever irregularities are pointed out. We have a number of cases where we have asked for recoupment of funds."

69. Asked to furnish the complete details of the recoupment of funds, the Ministry in a post-evidence information submitted that the name of the States and funds to be recouped were Andaman & Nicobar Islands (Rs. 0.10 crore), Andhra Pradesh (Rs. 53.283 crore), Assam (Rs. 1.31 crore), Bihar (Rs. 0.65 crore),

Haryana (Rs. 0.87 crore), Jharkhand (Rs. 8.81 crore), Karnataka (Rs. 3.24 crore), Madhya Pradesh (Rs. 3.32 crore), Maharashtra (Rs. 9.66 crore), Mizoram (Rs. 0.19 crore), Orissa (Rs. 99.00 crore), Rajasthan (Rs. 0.14 crore), Uttar Pradesh (Rs. 0.10 crore), and West Bengal (Rs. 0.05 crore). The States of Delhi and Meghalaya were also included in the list. However, the exact amount recouped from the defaulting authorities in these States was yet to be known. It was also informed that the Nodal State Authorities were being requested to make all out efforts to recoup the fund with interest from the defaulting agencies as per the Guidelines.

XV. Execution of works for the Societies/Trusts

70. Audit scrutiny revealed that in 10 States, Rs. 14.40 crore was sanctioned and released for works pertaining to 34 Trusts/Societies, which exceeded the ceiling of Rs. 0.25 crore per trust/society fixed under the Scheme Guidelines by Rs. 5.90 crore. Further in seven States, the DAs sanctioned Rs. 5.94 crore to 145 Trusts/Societies, which were either not eligible as per the Scheme Guidelines or whose eligibility had not been verified by the DAs.

71. The reasons for release of funds in excess of the ceiling to the Trusts/Societies and that too without verifying their eligibility particularly in the States of West Bengal, Meghalaya and Jharkhand, were stated to be as under based on responses of the State/District Authority:—

- (a) Declaration not taken from the Trusts/Societies by the District Authority.
- (b) Lack of interaction amongst District Authorities.
- (c) Lack of transparency as the record of Trusts/Societies was not available on line.

72. In reply to a pointed query of the Sub-Committee regarding fixing responsibility and action taken against the erring officials, the Ministry informed that as all the works under MPLADS were executed by the District Authorities, they were responsible for release of excess fund to the Trusts/Societies. The reply received from the States were being examined by the Ministry and the State Nodal Secretaries would be requested to investigate the matter and direct all the District Authorities for initiating necessary action against the erring district officials, if found responsible for the irregularities, and recouping the funds from the Societies/Trusts concerned. It was further stated that replies from the States of Jharkhand, Goa, Maharashtra and Rajasthan were still awaited.

73. The Sub-Committee asked whether the Ministry had prepared a central database containing district-wise list of all the eligible Trusts/Societies so as to avoid recurrence of lapses by way of better monitoring. In reply, the Ministry stated that as per the Guidelines, the execution and implementation of works was carried out by the District Authorities. Since the Ministry did the monitoring at the macro level, it did not maintain the data-base of eligible Trusts/Societies. However, in case any irregularity was reported, the Ministry used to take up the matter with the State Governments for corrective action.

74. The Sub-Committee, referring to the Ministry's written submission that recoupment of excess funds sanctioned to the Trusts/Societies would be done with interest, asked in evidence whether it was feasible and the number of cases where it

had actually been done. In reply, the Additional Secretary, Ministry of S&PI submitted:—

"There is a case of Brahma Education Society, Maharashtra. The State Government had given permission to the said Society to sell the land by recovering the amount spent along with 18 percent interest thereon as per paragraph 3.21 of the Guidelines. It is under process."

75. He further stated:—

"Sir, there is another case of recoupment of Rs. 40 lakh sanctioned to Palampur Hindu Samaj Vadil Vishranti Bhawan....."

76. The Sub-Committee asked whether the recoupment and actually been materialized. The Joint Secretary replied:—

".....we still have not got the final report as to whether the fund is recouped or not. We keep on writing to the States. We will confirm it from the States and let you know about the final picture."

77. Asked to state when the Ministry had their last correspondence with the States concerned, the Joint Secretary deposed:—

"We are still having correspondence with them. We corresponded with them in May, 2011 this year. Basically, the State Government wanted to get this case dropped on the basis that since the asset has already been created and the public at large has been using this asset, so they wanted to have condonation, that is, *ex-facto* approval kind of thing from the Ministry."

78. The Sub-Committee asked whether the Ministry was authorized to condone the matter. The Joint Secretary, replied in the negative. The Secretary, Ministry of S&PI supplemented:—

"The power to approve is only with the MPs, and we have no power to approve it. Therefore, we have no power to condone either."

XVI. Status of Works Completed

79. The MPLADS Guidelines stipulated that the time limit for completion of works should generally not exceed one year. However, Audit observed that the percentage of works remaining incomplete ranged from 48.23 percent in 2004-05 to 59.28 percent in 2006-07. Age-wise analysis of incomplete works was not available with the Ministry.

80. When asked for the reasons for such a high percentage of works remaining incomplete, the Ministry stated that on the basis of the information received from various District Authorities, the reasons of such inordinate delay in completion of work were as under:—

- (i) Late receipt of recommendation of work from the Hon'ble MPs.
- (ii) Selection of in-admissible work.
- (iii) Dependency on other offices for technical estimates.

- (iv) Non-identification of land.
- (v) Local disputes.
- (vi) Ownership of land.
- (vii) Delay in tendering procedure.
- (viii) Imposition of Election Code of Conduct.
- (ix) Non-fulfillment of formalities by the implementing Agencies.
- (x) Shortage of staff in DRDA/Nodal Agency in the District.

81. The Ministry further added that the funds were non-lapsable. The MP could nominate schemes/projects right up to the end of the year and since one year was allowed for execution, the funds did not get utilized 100% by the end of the year. However, each instalment of the fund was released as per Para 4.3 of the MPLADS Guidelines which had the approval of Department of Expenditure. The Ministry also stated that cumulative expenditure as on 22nd September, 2011 was over 90%. Funds being non-lapsable, there was no requirement for spending the entire amount within the same financial year.

82. When asked to state the details of action taken against the implementing Agencies who failed to complete the work within the stipulated time mentioned in the sanction letter, the Ministry replied that the work sanctioned by the District Authority in all the States were being executed by the Implementing Agencies and the time period invariably formed the part of sanction. It was the responsibility of the District Authority to take necessary action against the defaulting Implementing Agencies. The Ministry further stated that so far out of 35 States/UTs, replies from Himachal Pradesh and Puducherry had been received. Replies from the balance of the States were still awaited and the Ministry were yet to request all the State Nodal Authority to instruct the District Authority for initiating action against the defaulting Implementing Agencies.

83. Asked to state the reasons for non-maintenance of the age-wise data of incomplete work and measures taken for effective monitoring to clear the backlog of the incomplete works, the Ministry stated that the District Authorities were responsible for the maintenance of such data for effective monitoring. The work wise details were required to be uploaded on the MPLADS website by the District Authority. Accordingly, in case of insufficient updating of the information, the Ministry was not in a position to effectively monitor the incomplete works. However, the Ministry monitored the performance of MPLADS works in the review meetings with the Nodal Secretaries of the States/UTs and monitoring meetings taken by the senior officials in the States.

84. The representative of the Ministry, during evidence further clarified as under:—

"As per the guidelines, the asset register has to be maintained at the district-level. We do not get the reports about the completion or non-completion of the projects and for how long have these projects been lying incomplete. This is the problem of the Ministry."

85. The Sub-Committee asked, in such a scenario, what exact monitoring the Ministry was doing to ensure the completion of works entrusted under the Scheme. The representative of the Ministry responded that they had a work monitoring system portal which was supposed to be updated by the District Authorities concurrently on real time basis. But in actual practice it was not being done.

86. When the Sub-Committee desired to know the action taken by the Ministry to ensure the real time updation of the portal, the representative of the Ministry stated:—

“We are thinking actively on having a single portal. It is in the thinking stage. It will provide that unless the District Magistrate uploads it on a real time basis, the releases will not be possible. But then it has its own drawbacks. We are thinking of a scheme where the District Magistrate will upload the data on a real time basis. We might probably put it in place in the next financial year.”

XVII. Sanction of Works

87. All the eligible works under MPLADS are to be sanctioned within 45 days of the receipt of the recommendation from the MPs. But, Audit pointed out delays in according sanction by the DAs in respect of 28,135 works out of 74,223 works (38 per cent of the test checked sanction orders) in 104 districts of 28 States/UTs. Out of this, in 18 States/UTs, sanction for 1,376 works (8 per cent) out of 17,763 works were accorded by the DAs with a delay of more than one year after receiving the recommendation from the MPs concerned.

88. In the above context, the Sub-Committee desired to know the reasons for such inordinate delay on the part of the DAs. In reply the Ministry stated that based on the information received from the States/District authorities, the reasons for delay in sanction by DAs were as under:—

- (i) Administrative procedures and model code of conduct of elections and bye-elections.
- (ii) Time taken by the Executive Agencies for rectification of defects in estimates.
- (iii) Non-submission of the estimates from the implementing agencies in time.
- (iv) Non-identification of land, local disputes and selection of work place.
- (v) Dependency on engineering/other offices for technical estimates of recommended works.
- (vi) Change in design on the recommendation of Hon'ble MP as per the demand of the public residing around the site.
- (vii) Non-fulfilment of formalities by the implementing Agencies.
- (viii) Delay of execution of the formal Agreement by the implementing agencies as per para 3.21 of the Guidelines.
- (ix) Not able to identify the suitable site and get the NOC.
- (x) Delay in formation of the beneficiaries committee and delay in getting the work vetted by the Committee.

- (xi) District Authorities over-burdened with their present other jobs and as such the implementation of MPLADS without any suitable additional infrastructure/manpower; and
- (xii) Tendering procedure results in delay.

89. When asked to state the steps taken by the Ministry to ensure the sanction of works by the DAs in time, the Ministry stated that they monitored the performance of MPLADS works in the Bi-annual Review Meetings held with the Nodal Secretaries of the States/UTs and also through Monthly Progress Reports, Utilization Certificates and Audit Certificates submitted by the DAs. Monitoring meetings were also taken by the senior officials of the Ministry by visiting the States for reviewing MPLADS works. Training was also imparted to the officials of the State/District authorities. The State/UT Nodal Authorities/District Authorities were instructed to strictly adhere to the provisions of the Guidelines to avoid recurrence of lapses. Taking into account the reasons given by the State Governments, the Ministry had emphasized that rejection have to be made within 45 days from the date of receipt of the proposal and approval to be accorded after obtaining all clearances within 75 days.

90. In reply to another query regarding devising any checklist at different stages of sanction of work to monitor the timely sanction of work, the Ministry stated that para 3.3 of the Guidelines stipulated that the District Authority shall follow the established work scrutiny, technical work estimation, tendering and administrative procedure of the State/UT Government concerned in the matter of work execution, and shall be responsible for timely and effective implementation of such works. The Guidelines on MPLADS also stipulated the time frame for completing the MPLADS works. Thus, the District Authorities were required to review implementation of MPLADS works with the Implementing Agencies every quarter. The District Authorities were required to invite the MPs concerned invariably to such review meetings.

XVIII. Award of Works

91. Audit observed that award of contract for 703 works in four States involving Rs. 28.65 crore was not done in accordance with the standard tendering procedures of the State/UT Governments. These instances indicated dilution of checks and balances prescribed in the Scheme to ensure accountability.

92. In the above context, the Sub-Committee desired to know the action taken by the Ministry to impress upon the State/UT Governments to scrupulously follow the standard tendering procedure. In reply, the Ministry stated that they had taken up the matter with the States concerned. The District Authorities of the States/UTs in their replies had intimated the Ministry that standard tendering procedures of the States were being followed while tendering the work. Out of the four States, reply from Nagaland and Arunachal Pradesh was still awaited. The Government of Odisha had intimated that no such work was being done without following the State procedure. As per the reply from the Government of West Bengal, the execution of works by Government Agency was usually undertaken following the tendering process. For the execution of works by NGO/Trust, the DAs had been asked to advise the NGO/Trust to maintain financial norms.

93. The District Authority of West Bengal had, however, intimated that the procedure could not be followed thoroughly due to heavy pressure in Block Establishment and inadequate technical staff and other staff also. It was stated that at the time of purchasing the materials, selected supplier who were already approved as per financial rules of the respective Panchayat Samity areas, supplied bricks and other related materials. Beneficiary of organizations (such as educational institutions, clubs) executed their own work without engaging contractor for cost saving and implementing jobs directly. They purchased materials from open market comparing the prices on market information through a purchase Committee.

94. Asked to state the specific role and responsibility of the Ministry in this regard, the Ministry replied that during the review meetings, they had been requesting the State Governments to direct the District Authorities to take action against the erring officials besides resorting to corrective measures to avoid recurrence of such irregularity.

XIX. Execution of Works without Administrative Approval and Sanction

95. The execution of work under the MPLADS was to be preceded by financial sanction and administrative approval from the competent authority. But, Audit pointed out that in four States, 363 works out of 1363 works amounting to Rs. 17.80 crore were executed either without Administrative approval by the DAs or their execution was initiated without obtaining prior financial sanction which contravened the Scheme Guidelines.

96. Asked to explain the reasons for such departure from the Guidelines, the Ministry stated that as per the information received from the State Governments, no work was being undertaken without the administrative and financial sanction of competent Authority. The Ministry further stated that in the past sometimes in exceptional cases only, taking into consideration the urgent need of the community, the Implementing Agencies had begun works in anticipation. However, it had been ensured that the practice no longer existed and no works were executed without the administrative approval and sanction of the DA. The Ministry was also taking up the matter with the State Governments to ensure strict compliance of the Government procedure and take action against the officials concerned.

XX. Delay in Execution of Works

97. Audit scrutiny revealed that 391 works, for which an estimated cost of Rs. 18.08 crore (including two case studies) was released by the DAs, could not be commenced during the period 2004-09 in 10 States/UTs. Further, 3,490 works costing Rs. 108.65 crore in respect of 47 DAs of 15 States/UTs, were completed beyond the stipulated period of one year. Also, 12,006 works amounting to Rs. 279.99 crore remained incomplete in respect of 71 DAs of 16 States/UTs, for periods ranging from one year to five years and in some cases up to 15 years. In 11 States/UTs, 307 incomplete works, on which Rs. 13.90 crore (including two case studies) were spent, had been abandoned or were at standstill thereby rendering the expenditure incurred on these works unfruitful.

98. Asked to explain the reasons for the above shortcomings and the Ministry's inability to properly monitor the works, the Ministry stated that the scheme was implemented through the District Authority and governed by a set of Guidelines.

The responsibility to monitor the completion of work in time and as per the Guidelines was the primary responsibility of the District Authority. The Ministry reasoned that therefore, it was not correct to state that they were unable to monitor completion of work in time and in accordance with the Guidelines. The Ministry initiated action only on receipt of complaints, if any, in a particular District.

99. The Ministry also stated that if the progress of work in a District was slow, then further release of fund was stopped until the District improved performance and the unspent balance fell below a particular threshold. This control mechanism was reportedly exercised by the Ministry.

100. When asked to state the penal action taken by the Ministry/DAs against the erring Implementing Agencies for delay in the completion of works as well as the corrective steps taken to ensure timely completion of works in future, the Ministry replied that in the extant case, the State/UT Governments were being directed to take action and furnish Action Taken Report to the Ministry. It was further stated that the Ministry reviewed the physical & financial performance on MPLADS works in the Bi-annual Review meeting held with the State Nodal Secretaries of all States/UTs. Besides, the monitoring meetings were also held with the State/District Authorities concerned during the visit of senior officials of the Ministry. As already mentioned elsewhere, training was also imparted to the States/Districts officials on the MPLADS Guidelines for effective implementation and monitoring of the Scheme. The Ministry also stated that as and when any delay in a particular case was brought to the notice of the Ministry, appropriate directions were issued to the States/UTs Nodal and District Authorities for necessary corrective action.

101. As regards revival of the suspended/abandoned works, the Ministry stated that as and when a work was sanctioned by the District Authority, it was expected that the work should be completed as early as possible but not later than one year as stipulated in the Guidelines. However, some cases had come to the notice where due to unavoidable circumstances, the work had to be abandoned/suspended but some of them were completed later on.

102. When the Sub-committee enquired as to how would the abandoned/suspended works be completed, who would bear the cost for their completion and also who would be responsible for the consequence both in monetary and benefit terms, the Ministry stated that the Guidelines stipulated the time-frame for sanction and completion of eligible works under MPLADS. However, there had been no provision for completion of abandoned/suspended works. Implementation of MPLAD Scheme works was the responsibility of the District Authority and thus, the State Government was expected to complete the abandoned/suspended works from its own funds. The Ministry would be requesting the States/UT Governments to take necessary action against the officials concerned.

103. The Sub-committee then asked about the action taken by the Ministry in respect of those works which had not commenced, especially those in respect of which advances had been released to the implementing Agencies. In reply, the Ministry furnished the following State-wise position:

Himachal Pradesh

As per reply from DC Hamirpur, 30 works in respect of BDO Nadaun have been shown in audit report where as per report of BDO Nadaun, there are 33 works amounting to Rs. 74.85 lakh. So out of 37 works amounting to Rs. 0.78 crore in respect of Block Nadaun and Block Bijhari, 24 works are completed, 3 works are in progress and 10 works amounting to Rs. 45.10 lakh have been cancelled. Instructions have been issued to concerned executing agencies to complete the above 3 remaining works immediately.

As per reply from DPO Kangra that 34 works in Indora Block which were not started at the time of audit have now been started and are in progress. The sanctioned amount of Rs. 5.24 lakh of 09 works have been refunded by the BDO Nurpur to this office and same will be utilized for execution of another works after recommendation of Hon'ble MP. Three works in Nagrota Bagwan block are not started yet due to land dispute. The BDO has been directed to refund the money immediately so that the amount could be utilized for some other works.

Haryana—All the 72 works have been completed.

Andhra Pradesh

Collector Nellore has intimated that sanctions are accorded based on the proposals given by the Hon'ble MPs. But some of the works have not commenced due to site disputes and local problems arose at the time of execution. Soon after receipt of the reports from the executive agencies the said works are being cancelled by the Hon'ble MPs and new works are proposed in the place of non-commenced works.

District, Collector Kurnool has intimated that in Nandyal Parliamentary Constituency, out of 508 works sanctioned during 2004-05 to 2008-09, 07 works were not taken up due to various reasons like non-availability of ST population, taken up in other schemes and site problems.

In Kurnool Parliamentary constituency out of 525 works sanctioned during 2004-05 to 2008-09, 18 works are ongoing at the time of performance audit. Now 04 works have been completed and 14 works also completed but the completion report is awaited from the executing agency.

District Hyderabad has intimated that work-wise reasons for delay in sanction of 17 works have been furnished to the performance audit team during the audit exercise itself. Most of these 17 works are recommended by the MPs (RS) in other districts and the delay has taken place in according administrative sanction by the other concerned district authorities.

Karnataka

In Haveri District there are only 125 incomplete works. All works are in progress and will be completed as early as possible.

In Bagalkot District there are total 07 works which were not taken up due to land disputes. Out of these land problem in 04 cases is solved and works are completed

as reported by the Implementing Agencies. In respect of remaining 03 works, (KRIDC) has reported that disputes will be settled and work completed shortly.

Punjab

DC Hoshiarpur has intimated that the funds for 30 works amounting to Rs. 0.25 crore were released by District Authority after obtaining the cost estimates and other papers from the concerned Implementing agencies. However, in these cases the dispute arose at the time of start of work. All the amount was refunded by the concerned Implementing agencies."

As regards information from Kerala, Tripura, Bihar and A&N Island, the Ministry informed that reply from these States were still awaited.

104. In view of the reply of the Ministry that the State Governments were expected to complete the abandoned/suspended works from their own funds, the Sub-committee desired to know the details of the projects completed by the States out of the 307 abandoned works as commented by Audit. The Ministry replied that in the case of construction of water tank and pipeline at Kesori, Tal Kuhi in Maharashtra, the concerned IA had submitted the revised estimate and requested to give revised administrative approval. However, as per the MPLADS Guidelines dated 08.04.2010 as the said work was sanctioned during the 14th Lok Sabha, the revised administrative approval could not be given and any such escalation or cost over run had to be borne by the IA. These facts were communicated to the IA concerned and it was asked to complete the work immediately. The Ministry further stated that as per the Guidelines, suitable action would be taken against the IA concerned.

105. On being asked whether the Ministry proposed to fix responsibility on the officials/IAs who were responsible for non completion of work in time, the Ministry stated that on receipt of replies from the State/UTs, the Ministry would take up the matter with the States/UTs concerned. The Ministry also stated that under the federal setup, it was for the disciplinary authority to not only locate and fix responsibility but also to take further appropriate disciplinary action.

106. The Sub-committee then pointed out in evidence that one of the reasons for projects, especially immovable, remaining incomplete was that the MPs could not part with large sum at one go as such projects like school buildings could not be completed in one season. In view of that, the Sub-committee asked, whether a suggestion could be feasible from the Ministry's side with regard to a commitment from the MP concerned that the subsequent amount would also follow for completion of the projects. In reply, the Secretary, M/o Statistics and Programme Implementation submitted:—

"...I will look into this and examine what you are suggesting. But let me point out this to you. I have a difficulty in conceptualizing it, but I will apply my mind to it. The difficulty is principally the recommending power is with the MP. I would not like to change that essential character of the Scheme. I have noted what you have said. Let me try to gather more facts on this thing. I will, as you have suggested take it up with the Committees of the two Houses to apprise them of this problem. But I will need some time to think about it."

107. The Committee then desired to know whether the Ministry had assessed the adverse impact of the delay in execution of works under the MPLAD Scheme. In reply, the Ministry stated that no such assessment had been undertaken by the Ministry. However, the NABARD Consultancy Service (NABCONS), an independent agency in its physical monitoring of MPLADS works had reported over all positive impact of the Scheme on the users, along with some suggestions for modification in the Guidelines for better monitoring and implementation of the Scheme.

108. Throwing more light on the issue, the Additional Secretary, Ministry of Statistics and Programme Implementation submitted as evidence:—

“...we had done the third party monitoring through NABCONS, who have covered upto now 208 districts and done physical monitoring. They have informed us that the MPLADS has been a very useful scheme in creating useful assets based on the locally felt needs. That is one feedback, I wanted to give. This is actually NABCONS interacting with the people in various constituencies.”

109. Another representative of the Ministry supplemented:—

“..... But, they (NABCONS) have also reported that sometimes the assets are lying idle. Some cases have not been traceable. So, we have been directly taking it up with the District Authorities. Smaller sample of these cases are certainly brought to our notice and we are regularly brought to our notice and we are regularly working on that. I am looking into the Guidelines and I am trying to strengthen the monitoring system.”

XXI. Sub-standard Works

110. Audit review revealed several shortcomings in the execution of works under the scheme including sub-standard works in Delhi and Uttar Pradesh.

111. When asked whether the Ministry had obtained the necessary information/clarification on the sub-standard works mentioned in the Audit Report and the measures taken to impress upon the Implementing Agencies to produce up to the mark works, the Ministry submitted as under:—

“It has been reported that the States of Delhi and Uttar Pradesh are involved in execution of sub-standard works. As per reply received from Chief Engineer, Municipal Corporation, Delhi, the works executed at site is as per job mix formula approved by the Competent Authority. However, there is a difference in specification in schedule item and job mix formula which is having a financial implications of Rs. 0.66 crore as pointed out by Audit. The State Authority of Delhi has reported that the process of recovery has been initiated. The report from Uttar Pradesh is still awaited.”

112. The Sub-committee asked whether the Ministry had any monitoring mechanism of their own to oversee the standard of works executed by the DAs/IAs. The Secretary, M/o Statistics and Programme Implementation replied as under:—

“We can only do a limited amount through the two mechanisms. One is, of course, the State Government, who we expect to take up on a sample basis.

Secondly, our independent exercise which we do through NABCONS. We expect them also to do a certain amount. But, all these are essentially on a sample basis. It is not possible to do a complete assessment. For that we will have to rely on the administrative machinery to implement and report. But, one reason for expanding the scope not only of NABCONS *per se* but expand the number of districts being taken up for physical monitoring is to give us an independent assessment outside the State. We are actually hoping that we will authorize more agencies than a single one to look at this work so that we will have a larger set of agencies doing this work.”

XXII. Identification of the Implementing Agency

113. Although the Guidelines on MPLADS do not allow MPs to select the Implementing Agency (IA) and this is the responsibility of the DAs alone. Audit scrutiny revealed that in nine States/UTs, the MPs had recommended the names of IAs along with their recommendations for works. Further, in some cases, the recommended IAs were also the user agency, to which the funds were released. In all, such instances were noticed in 14,904 works (including a case study) most prominently in West Bengal, Rajasthan, Uttar Pradesh, Mizoram, Manipur and Meghalaya.

114. In the above context, the Sub-committee desired to know the action taken against the DAs who were primarily responsible in exercising due diligence while scrutinizing the recommendations of the MPs in accord with the provisions contained in the Scheme. The Ministry in reply *inter-alia* stated that as per the provision of the Guidelines, the District Authority shall identify the agency through which a particular work recommended by the MP should be executed. The District Authorities were required to adhere to the Guidelines while selecting the Implementing Agencies. Wherever the District Authorities were found responsible for non adherence to Guidelines in this regard, the Ministry wrote to the States for taking necessary action against the officials concerned.

115. The Sub-committee asked whether the MPs had been apprised of the violations of the Guidelines of the Scheme particularly with regard to the identification and recommendation of the Implementing Agency, the Ministry replied that the District Authorities had been requesting in writing to the Hon'ble MPs for desisting from the practice of nominating the Implementing Agency while recommending the works.

116. During the course of evidence, in response to a related query, the Additional Secretary submitted:—

“The Implementing agency is not to be recommended by the MP. It is the district authority which has to nominate the implementing agency.”

117. When asked whether MPs could at least suggest the implementing agency, the Additional Secretary responded:—

“That is provided in the Guidelines.”

118. But the Secretary, Ministry of Statistics and Programme Implementation stated:—

“Technically speaking, it is incorrect.”

119. The Sub-committee asked what harm would be there if the MPs recommended a Government agency to do the job and whether the Guidelines could be modified to that extent. In response, the Secretary submitted:—

“Sir, formally, the judgement is that the Collector has the authority to decide the given recommendations by the MP on the project to be undertaken. What would be the appropriate agency given all the local realities of the State and the District in question? It is this separation between the Executive and the Legislature which allowed the Supreme Court to find the Scheme *intra vires* of the Constitution. So, formally we cannot provide for the MP in the Guidelines to recommend the implementing agency. In practice, a number of informal consultations do take place.”

120. The Secretary further stated:—

“.....It is often brought to our attention that there are very reputed private agencies who do exemplary work in designated specific areas and they have a high level of expertise in certain types and why should that expertise not be available for implementing these schemes. It is very hard to make a hard and fast rule because these private agencies are used in implementing other Government schemes. That is the argument which is made. It is because of this difficulty that we left the burden of choice on the Collector and required that whatever choice we made, we made within the Guidelines of the concerned State.”

121. The Sub-committee pointed out that the media did not understand that and more often than not whenever MPs suggested expert private agencies to do the job, it was projected/highlighted that as if the MPs wanted kickbacks. The Secretary, responded:—

“I appreciate your point. I am just explaining my difficulty because I also have to reconcile the other side. I do appreciate what you are saying.”

XXIII. Non-maintenance of Work Register and Asset Registers

122. Audit pointed out that the work registers were not being maintained in 16DAs of eight States. Registers maintained in 22 DAs of five States/UTs were found incomplete. Similarly, asset registers had not been maintained in 115 DAs of 31 States/UTs (90 *per cent* of sample).

123. In the above context, when the Sub-committee asked for the reasons for non-maintenance of work and asset registers by the DAs, the Ministry replied that as per Para 6.4 (iii) and (iv) of the Guidelines, the District Authority shall maintain the work registers indicating the position of each work recommended by the MPs. The District Authority shall also maintain a register of assets created with the Scheme funds. The District Authorities/Implementing Agencies were expected to adhere to Guidelines strictly. The Ministry further stated that except the States of Nagaland, J&K, Assam and Goa, all other States/UTs had informed that they were maintaining the work register. So far as asset register was concerned, except the States/UTs of Tripura, Punjab, Puducherry, Nagaland, Mizoram, Madhya Pradesh, Kerala, Jharkhand, J&K,

Delhi, Bihar, Assam and Dadar and Nagar Haveli, all other States/UTs had confirmed maintenance of such register by the District Authority concerned.

124. In reply to a query of the Sub-committee regarding action taken to ensure scrupulous maintenance of all the necessary records/registers in a proper manner by the DAs of all the States/UTs, the Ministry stated that while furnishing action taken note on the Audit report, the Ministry had requested that maintenance of Work Registers and Asset Registers be ensured by the District Authorities. It was further stated that the Ministry had always been requesting the State/UT Nodal Authorities to direct all the District Authorities to strictly adhere to the provisions of the Guidelines, and this would again be reiterated.

125. Elaborating on the above aspect, the representative of the Ministry during evidence stated as under:—

“The present work monitoring system that we have is virtually to capture all assets created since inception. The districts are responsible to put up everything on the website. The situation has much improved to the extent that a majority of assets we are now putting on the website. Delays are certainly there and it is a fact. That is the reason why are thinking to have an integrated system. But some kind of compulsion should be there on the districts as they are bound to put up the information. Basically we are working on that kind of a system. It is a kind of putting compulsion on the district authorities as such. Without that they are not able to move with the Press release and all that.

Presently, in the work monitoring system all assets are basically on the website. Apart from that, they are maintaining the physical form also. Suppose you take the new districts, if you go to the site, they have the capsules of all completed works, all ongoing works and non-started works. It certainly talks about the assets. Anybody in the public can view this”.

126. Asked to categorically comment on the issue of non-maintenance of Asset Register, the representative of the Ministry submitted:—

“...Not having an asset register is a very serious flaw....”

XXIV. Handling Over of Assets to the User agency/Non-use of Assets

127. Audit scrutiny revealed that in seven States/UTs, out of 15,049 sample works created during 2004-09, formal handling over/taking over of assets was not on record for 14,828 works (98.53 *per cent*) worth Rs. 251.91 crore. In five States/UTs, 17 works completed at a cost of Rs. 1.48 crore had not been put to use. In six districts of five States, ten assets created at a cost of Rs. 1.48 crore were not being utilized for the purpose for which these were sanctioned.

128. Asked to state the measures taken to ensure proper utilization of the assets created, the Ministry replied that in Bi-Annual Review Meeting with the Nodal Secretaries of the States/UTs, the Ministry directed them to adhere to the provision of the Guidelines including the formal handing over of the assets to the user agencies as stipulated in the Guidelines. On receipt of any specific complaint, the Ministry used to

request the States/UTs Nodal Authorities for taking corrective measures so as to avoid recurrence of such irregularities.

129. As regards monitoring of the creation, utilization and maintenance of assets, the Ministry submitted that monitoring of the progress on creation of assets was done through WMS and through Monthly Progress Report received from the District Authorities. It was also stated that as per Para 3.6 the Guidelines, the District Authority should get in advance a firm commitment about the operation, upkeep and maintenance of the proposed asset from the User Agency concerned before the execution of the work was sanctioned.

130. When asked whether the Ministry had obtained the necessary clarification and investigated each case of non-use/misuse of assets pointed out by Audit and action taken against the agencies responsible for misuse of assets created out of the MPLAD funds, the Ministry replied that all the States/UTs were required to reply to the Audit observation in this regard. The reply received so far had not reported misuse of assets. The Ministry would request the States/UTs Nodal Authorities to take necessary action to avoid recurrence of such irregularities.

XXV. Maintenance and Upkeep of Assets

131. Joint physical verification by Audit and district functionaries revealed that four assets in three States/UTs costing Rs. 45.00 lakh were not maintained properly. In this context, the Sub-committee desired to know the mechanism available with the Ministry to ensure that the assets created were in good condition. In reply, the Ministry stated that once the assets were created under the MPLAD Scheme, these were handed over to the User Agencies. It was the responsibility of the User Agencies for its upkeep, maintenance and use for the purpose for which it was created. The Ministry also stated that they undertook the third party independent monitoring of the scheme under which proper utilization of the assets created was being examined and reported.

132. The Sub-Committee pointed out that the assets created under the Scheme were not going to be there for ever as some assets like Ambulances, Medical equipment and water coolers had a definite life span and maintenance and upkeep of such assets would not be economical. In such a scenario, the Sub-Committee desired to know, whether it would not be prudent to incorporate a provision in the Guidelines for replacement of assets. In response, the Secretary, Ministry of Statistics and Programme Implementation submitted:—

"...I know the position of the Guidelines is that the State is responsible for the subsequent upkeep and maintenance, but it is a fact that in State Governments, particularly, with regard to maintenance of assets—even those created under other Government schemes—is not up to the mark and often when assets wear away, replacing them is literally as good as a new initiative. It is not a routine task, which is done in any systematic way. I would be happy if there is some suggestion or guidance of the Committee whether we can examine the possibility of such replacement, after the life is over, and it can be taken up as part of the Scheme. This is something, which I have been thinking about, though I would hesitate to say that I have fully reached a conclusion on this issue, but it is worth examining."

133. In the same context, another representative of the Ministry submitted:—

“...even Ambulances in the hospitals run out of their economic life in 10-12 years, and as per rules of the State Governments they can condemn the vehicle and dispose of as per their own rules. But the fact remains that we need that facility or service of the hospital. As of now, I think that these Guidelines do not permit the replacement of the assets once their economic life has run out. But I think that if the Committee makes such a recommendation, then we can consider it.”

134. As regards provisions for writing off assets, the representative of the Ministry apprised:—

“My assumption is that writing off assets etc. will be as per State Guidelines because once the asset is created, it becomes the property of the State. Its subsequent maintenance, upkeep and disposal will be the responsibility of the State as per their rules.”

XXVI. Inspection of works

135. The DAs were to inspect at least 10 per cent of the sanctioned works. However, Audit pointed out that 86 DAs of 23 States/UTs that were audited had not inspected any work during 2004-05 to 2008-09. Some DAs inspected less number of work and some did not keep any record of inspection. It indicated a weak internal control.

136. When asked to explain the reasons for inadequate inspection of work-in-progress by the DAs, the Ministry stated that the information received from a majority of the States/UTs indicated that instructions/Guidelines were being followed and inspection was carried out. It was however, felt that inadequate inspection of work in progress was due to non-availability of staff and if available, they were overburdened with the other Centrally Sponsored Schemes.

137. The Sub-Committee then desired to know whether the Ministry received any periodical report/return from the DAs indicating the total number of works undertaken under the Scheme and the number of inspections carried out by them, in reply, the Ministry stated that no such reports were received in the Ministry as the District Authorities had been assigned the responsibility for overall supervision and coordination of the work at the District level. Accordingly, the District Authorities were expected to maintain such records at the district level.

XXVII. Monthly Progress Reports

138. Audit scrutiny revealed that the Monthly Progress Reports (MPRs) were not being received in the Ministry regularly. The Ministry had also not maintained any register/records to monitor the timely receipt of MPRs. The Ministry could neither ensure proper receipt of MPRs, nor use the MPRs for strategic planning and to prepare the details of fund release and expenditure.

139. In the above context, the Sub-Committee desired to be apprised of the reasons for pendency of the MPRs and the remedial measures taken to ensure timely receipt of MPRs. In reply, the Ministry stated that as per Para 6.4 (viii) of the Guidelines, the Nodal District Authority was required to submit the MPRs to the Government of India/

State/UT Government and the MP concerned for each MP separately in the prescribed format on or before 10th of the succeeding months. It was expected by the Ministry that the DAs should meticulously follow these instructions and send the MPRs by due date.

140. In reply to a specific query of the Sub-Committee about the latest status of pending Monthly Progress Reports to be submitted by the District Authorities, the Ministry informed that furnishing of Monthly Progress Report by the District authorities was a continuous process. The Monthly Report prepared by the Ministry provided such details.

141. In the above context, the Secretary, M/o S&PI during evidence stated that they were at a fairly advanced stage of preparing a proposal for strengthening the entire Programme Implementation Wing.

XXVIII. Uploading of data on Website/Ineffective Monitoring Software

142. The Ministry had developed a software for e-monitoring under the Scheme. However, Audit pointed out that as on 31 March 2009, details of only 43 per cent of completed works were uploaded on the website of MPLADS by the DAs. This database was characterised by a number of omissions and errors rendering it unreliable.

143. In view of the Audit observations, the Committee enquired about the steps taken by the Ministry to ensure that all the requisite and authentic information were included in the portal and to make the portal user friendly for MPs. In reply, the Ministry submitted that the portal contained dynamic information w.r.t. Government of India releases, expenditure details and work details put up by the Ministry and the District Authorities on a regular basis besides other information (guidelines, circulars etc.). The Ministry had evolved internal processes for generating information containing Government of India release position and expenditure details before uploading on the portal. The District authority directly entered the works details on the portal after authentication (login ID password). The system generated status-wise reports regarding work details including priority Sector-wise reports. The portal was made user friendly as the above reports could be viewed by the Member of Parliament on a few click of the button.

144. The Ministry further stated that they used to hold Bi-annual Review Meetings on MPLADS with the State Planning Department and emphasized regular updation of data on the portal by the District Authorities. A window had also been provided to the States for viewing the summary report based on the data entered by the Districts. In addition, the Ministry funded the States to organize training workshops every year to familiarize/update the District/State officials with the MPLADS software implemented at the District level.

XXIX. Monitoring Committee Meetings

145. The State level Monitoring Committee under the chairmanship of the Chief Secretary/Development Commissioner was required to hold annual meetings to review the progress of the implementation of MPLADS. Audit pointed out that the Monitoring Committee was not constituted in three States/UTs. In 14 States/UTs, the Committee never met. In the remaining 18 States/UTs, it did not meet annually.

146. During evidence, a representative of the Ministry admitted that the State level monitoring Committees had not been meeting very frequently despite the Ministry's repeated instructions.

147. The Additional Secretary in the same context submitted:—

“The provision is there in the Guidelines. But we do not get the Minutes. It is a fact and the C&AG has very rightly observed that their meetings are very infrequent.”

148. The Sub-Committee pointed out that if the States were not holding regular meetings, the Minister should write to the CMs concerned so that the Officers responsible for dereliction of duty could be taken to task. In reply, the Additional Secretary stated:—

“We will do that.”

149. In view of the non-setting up of State level Monitoring Committee under the Chairmanship of the Chief Secretary/Development Commissioner in some States/UTs and inadequate number of their meetings in some other States/UTs, the Sub-Committee desired to know its adverse effect in effective monitoring of the Scheme and the steps taken by the Ministry to impress upon the States/Committees to do the needful. In reply, the Ministry stated that as per the information received from some of the States/UTs, monitoring committee meetings were held regularly. However, Mizoram and Dadar & Nagar Haveli had not constituted the Committees so far. The Ministry in their Bi-annual Review Meetings and monitoring meetings with State/District authorities, highlighted this issue to ensure that such meetings were held as per the provision of the Guidelines.

150. Asked to state the action taken to improve the participation of State Government/UT Administration/local MPs in the implementation of the Scheme and whether the local MP was invited to the Monitoring Committee meetings. In reply, the Ministry stated that as per para 6.3 (i) of the Guidelines, the meeting under the Chairmanship of Chief Secretary/Development Commissioner should review implementation of the MPLAD Scheme with District Authorities and MPs at least once in a year. However, in practice, information had been received from various District Authorities that despite their request to the MPs to attend such meetings, some of the MPs did not attend.

151. The Ministry also stated that in normal practice, the copy of the sanction letter was forwarded to the MPs for the work recommended by them. The MPs were also invited to the Review meeting of MPLADS Works, held under the Chairmanship of the Chief Secretary/Development Commissioner, held every year. Moreover, the District Authorities were required to view and monitor the Progress of the Scheme on quarterly basis in which the MPs were also to be called.

XXX. Inadequate coverage of areas inhabited by the SC/ST community

152. Audit scrutiny revealed that the Ministry did not have information regarding utilization of services by the Scheduled Caste (SC) and Scheduled Tribes (ST)

population. In 18 States/UTs, only 13.69 *per cent* of funds were sanctioned for areas inhabited by the SC/ST community against the requirement of 22.5 *per cent*.

153. In the above context, the Sub-Committee desired to know whether any mechanism had been put in place to ensure that the required percentage of expenditure under the Scheme was being incurred in the areas inhabited by the Scheduled Caste (SC) and Scheduled Tribe (ST) population. In reply, the Ministry submitted as under:—

“As per Para 2.5 of the Guidelines, the MPs are expected to recommend every year works costing at least 15% of MPLADS fund for areas inhabited by Scheduled Caste population and 7.5% for areas inhabited by Scheduled Tribe population. In case, a constituency does not have ST inhabited area, such fund may be utilized in SC inhabited areas and *vice-versa*. It shall be the responsibility of the District Authority to enforce this provision of the Guidelines.

The Guidelines have recently been amplified to include para 3.27 which provides availability of shelf of Projects including projects for SC/ST inhabited areas to MPs. Though the Shelf of Projects is only suggestive, it gives ample flexibilities to the MP to go beyond the list in order to meet the needs of the people.”

154. When the Sub-Committee asked whether the Ministry had taken any measures to collate the data on expenditure under the Scheme for the benefit of the Scheduled Caste (SC) and Scheduled Tribe (ST) population as received from the DAs through Monthly Progress Reports, the Ministry replied that they had no manpower to collate all the data from the District Authorities.

XXXI. Internal Audit

155. Internal audit is an integral part of any internal financial control system. Audit, however, noticed that neither the Ministry nor 17 States/UTs had made any arrangements for an internal audit of the scheme.

156. In the above context, the internal audit wing of the Ministry had clarified that internal audit of the scheme had never been conducted since the inception of the scheme in 1993-94.

157. The Sub-Committee asked in evidence the role and responsibility of the Ministry in this regard. In reply, the representative of the Ministry stated:—

“We have provided in the Guidelines that the District Authorities can use from the CAG panel of Chartered Accountants and Auditors to get one of them to do an audit of the MPLAD funds and submit us an audit Certificate...”

158. Asked to state whether it was mandatory on the part of the States to carry out internal audit of the MPLAD funds, the representative of the Ministry submitted:—

“It is in the guidelines. They are empanelled by the CAG Office or the State Accountant General Office.”

159. He further stated:—

“...suppose I am looking into the release of 2011-12, we are calling for the audit of 2009-10. It is with the intention that the CA must examine the entire banking accounts, the financial details and report us back. If any irregularities have been found, they must report to us....If you see Audit Certificate Proforma in the Guidelines, it has certainly talked about some kind of check to be brought before us in the entirety, the financial discipline and control mechanism”.

160. While discussing the matter in one of their meetings, the Sub-Committee decided to get the views/suggestions of the Institute of Chartered Accountants of India with regard to bringing out a foolproof simultaneous internal auditing mechanism for the MPLAD Scheme. According a reference was made to the ICAI and in response, the Institute informed that they had already given their recommendations to the Ministry of Statistics and Programme Implementation on improvement in accounting and auditing aspects of the MPLAD Scheme. A copy of the report was also obtained by the Sub-Committee.

XXXII. Conclusion

161. Many of the systemic weaknesses affecting the implementation of MPLAD Scheme had been persisting since its inception 17 years ago. The lapses were brought to the notice of the Ministry by the C&AG in their two earlier performance Audit Reports (1998 and 2001). Audit pointed out that submission of Action Taken Notes (ATNs) on the report of 2001 after a lapse of eight years (2009) spoke volumes about the monitoring methods. Given that many weaknesses noted in this audit had been persisting over the years notwithstanding the reported corrective actions confirmed by the Ministry in the ATNs, any drastic improvement in the implementation of the Scheme appeared to the Audit unlikely.

162. Keeping in view the persistent systemic weaknesses in the implementation of the Scheme, as pointed out by Audit, the sub-Committee enquired about the status of the proposed revision, if any, of the Guidelines of MPLADS and its distinct salient features to make the Scheme more effective. In reply the Ministry stated that to ensure that the MPLADS Scheme was implemented in the spirit of the Guidelines, it was necessary that the Guidelines were followed properly by the District Authorities. The Ministry further stated that in the course of the time, many suggestions had been received for making amendment in the Guidelines. The suggestions had been examined and various amendment in the Guidelines had been notified. The Revised Guidelines were expected to be made available in the coming year.

163. The Sub-Committee pointed out in evidence that there were two earlier C&AG Reports on the MPLAD Scheme i.e. one in 1998 and the other one in 2001. In that context, the Sub-Committee desired to know the specific corrective action taken on the shortcomings pointed out by Audit. In reply, the representative of the Ministry submitted:—

“Based on the observation and suggestion of the earlier C&AG's Report and the Action Taken Report submitted by the States, it was confirmed that lot of hitches were there in the Guidelines which we could modify. The final modified Guidelines came out in 2005. So, in order to have an effective, better implementation, better monitoring of the scheme and mode of financial control, a number of suggestions were there in this regard. If you look at the 2005 guidelines, the modifications with regard to the monitoring parameter were quite exhaustive at the level of our Ministry, at the level of a State, at the level of a district and at the level of the implementing agency. The MPLADS website was also created in 2004.”

164. The Additional Secretary supplemented:—

“The CAG also suggested some measures to be taken by the Ministry in terms of devising a robust monitoring mechanism strengthening internal controls and impose greater financial discipline for the release and expenditure. In this regard, I would like to say that this Ministry has accordingly modified Release and Expenditure Guidelines recently in August, 2011 in consultation with the Department of Expenditure in order to bring the releases more or less in line with the GFRs and in order to bring about a better utilization of funds and minimize the unspent balances available at any given point of time. This specially becomes more important with the increase in the entitlement of an MP per annum from Rs. 2 crore to Rs. 5 crore with effect from 1st April, 2011”.

165. As regards action taken by the State Governments on the Audit observations as contained in the present Audit Report (2010) under discussion, the Additional Secretary, Ministry of S&PI submitted:—

“..... I would like to bring to the notice of the Hon'ble Committee that eight States/UTs, that is, Arunachal Pradesh, Bihar, Dadra and Nagar Haveli, Goa, Gujarat, Jharkhand, Kerala and Nagaland have not furnished a single reply up till now. In addition, only partial replies have been received from other States or UTs.....”

166. The Sub-Committee asked what course of action the Ministry used to take in such a scenario. The Additional Secretary replied that the Ministry was constantly following up with the States and UT Governments and districts on a regular basis for obtaining the ATNs and the complete replies. He further stated:—

“We are sending reminders and we are pursuing with them”.

167. Asked to state whether the Ministry's responsibility ended at just sending the reminders, the Additional Secretary responded:—

“We have to write to the Chief Secretaries and if we do not get any action, even the Hon'ble Committee can summon the officers because we live in a federal set up. So, our Ministry's hands are tied to the extent that we have to keep on reminding.”

PART II

OBSERVATIONS/RECOMMENDATIONS

The Members of Parliament Local Area Development Scheme (MPLADS), introduced on 23 December 1993 to enable the Members of Parliament (MPs) to identify small works of capital nature to meet local needs in their constituencies, is a Plan Scheme fully funded by the Government of India. The funds released under the Scheme are non-lapsable. The Scheme provides that a Member of Lok Sabha may select works for implementation in his/her constituency while a Member 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. The Scheme is administered by the Union 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). The Audit had earlier reviewed the scheme in 1998 and also in 2001 wherein it had pointed out several weaknesses/lapses in the implementation of the Scheme. Based on the current review of the scheme by the C&AG for the period between April, 2009 and December 2009, through test check of records of the Ministry, States/UTs and DAs, covering the period 2004-05 to 2008-09, the examination of the subject by the Committee has revealed several deficiencies in sanction and execution of work, utilization of funds, maintenance of various records and monitoring of the implementation of MPLAD Scheme at both Central and State levels as discussed in the succeeding paragraphs.

2. The Committee note that the Government of India released Rs. 19,425.75 crore between 1993-94 to 2008-09 towards the MPLAD Scheme. Against a total fund of Rs. 19,845.91 crore available with the DAs including Rs. 420.16 crore accrued as interest, an expenditure of Rs. 18,057.91 crore (91 per cent) was incurred. On scrutiny of the budget allocation, funds released and previous years funds available with the DAs during the years 2004-05 to 2008-09 the Committee find that an amount of Rs. 17891.15 crore was available with the DAs whereas the actual expenditure incurred in all these years combinedly was to the tune of Rs. 8084.53 crore, depicting significant shortfalls in the utilization of funds each year. The Ministry's explanation that in non-lapsable schemes they look at the expenditure on cumulative basis is untenable in view of less than 50 per cent cumulative expenditure during the above said five years. Further, the non-lapsable character of a particular Scheme and the resultant carry forward of the unspent balances to the next fiscal cannot be a ruse for non-completion of the projects/works within a given financial year and the given

time lines. On the contrary, non-completion of projects and non-utilisation of the earmarked funds defeats the very purpose for which the Scheme was conceived and funds allotted annually. Similarly, though it is a fact that the funds were released to different Lok Sabha constituencies and Rajya Sabha MPs at different points of time and unspent balances are bound to exist at any given point of time, the trend of fund utilization during each of the five years 2004-05 to 2008-09 is deplorable. As merely making provision in the guidelines would not be sufficient to maximize the funds utilization, the Committee urge the Ministry to take appropriate steps, including effective monitoring, to ensure optimum utilization of the annual earmarked funds by the State Government/DAs so that the unspent balances are reduced to the barest minimum and the avowed objectives of the MPLAD Scheme are well served. The Committee hardly need to emphasise that the need for taking such pro-active measures on the part of the Ministry assumes far greater significance in view of the enhancement of the annual entitlement of an MP from Rs. 2 crore to Rs. 5 crore *w.e.f.* the financial year 2011-12.

3. The Committee are highly concerned to note that 12 DAs of six States inflated the figures of expenditure by Rs. 35 crore by depicting the entire advance of Rs. 100.17 crore released to the Implementing Authorities as utilized. Not only that, the DAs had reported lesser amount of interest earned in their annual accounts and/or Monthly Progress Reports (MPRs) than those reported in the MPRs of the earlier months resulting in an understatement of interest of Rs. 5.60 crore in respect of 21 constituencies. Shockingly, in blatant violation of the General Financial Rules (GFR) 2005 DAs in some States are showing money given as advance as expenditure in the Utilisation Certificate (UC). Though the Ministry of S&PI hold the DAs/IAs responsible for properly maintaining the accounts of MPLADs funds as per the State/UT Governments yet they failed to obtain/examine necessary clarifications of the DAs/States concerned on the financial irregularities. Since the Ministry are still in the process of developing an integrated software incorporating District-wise MPLADs accounts and collating annual accounts and balance sheet of all the Districts and considering the importance and urgency of developing such an integrated software, the Committee impress upon the Ministry to expedite development and installation of the software without further loss of time. The Committee are sanguine that the early installation of the desired integrated software would help capture all the relevant data and facilitate effective management and monitoring of the MPLAD Scheme both at micro and macro levels. The Committee also desire that the necessary explanations of the DAs concerned be obtained and examined by the Ministry without further loss of time so that requisite preventive and punitive measures are taken to observe strict fiscal discipline.

4. The Committee are dismayed to note that the unspent balances of the present and former Rajya Sabha MPs stood at Rs. 3186.75 crore as on 30th September, 2011, as per the Monthly Progress Reports received by the Ministry. It is a matter of serious concern that although there was a time line *i.e.* 31st December, 2010 for the States to complete the accounting process, some States had not disturbed the unspent balances nor closed the accounts, even by the end of October, 2011. The Ministry admitted before the Committee that it happens a number of times that distribution of

unspent balances does not take place on a regular basis and the Ministry are not sure whether the accounts have formally been closed or not in case of those States which have initiated the distribution process. It is a matter of little consolation that the Ministry keep on reiterating through circulars and review meetings for timely distribution of the unspent balances. In view of the huge proportion of the outstanding unspent balances, as on 30th September, 2011, it is obvious that the Ministry's efforts are grossly inadequate. The Committee, therefore, recommend that the Ministry should intensify their monitoring mechanism, tighten the related provisions in the Guidelines and prescribe a definite time limit for the distribution of unspent balances of the Members of Parliament as well as for the timely closure of the accounts. The Committee specifically desire that a sunset clause be incorporated in the Guidelines making it mandatory that if the States are unable to distribute the unspent balances within the prescribed time line, the funds would revert to the Centre.

5. Diversion of funds meant for MPLAD Scheme to other Schemes of the Central and State Governments is another area of serious concern. The Committee find that Rs. 4.67 crore of the MPLAD funds were diverted to other Schemes by 22 DAs of seven States, although the DAs are not authorized to do so. What further irks the Committee is the fact that the Ministry, instead of taking prompt action when the irregularities were pointed out by Audit, are yet to write to the State Governments for taking action against the DAs concerned. Since diversion of funds meant for MPLAD Scheme to other Schemes is a clear violation of rules notwithstanding the fact that in some cases diverted funds have been received back, the Committee exhort the Ministry to impress upon the State Governments concerned to initiate disciplinary action against the DAs involved in such irregularities. The Committee also recommend that the Ministry, in consultation and coordination with the State Governments, should resort to foolproof measures with a view to ensuring that under no circumstances funds meant for MPLAD Scheme are diverted, even temporarily, to any other Schemes.

6. Although the MPLADS Guidelines stipulate that the Implementing Agencies shall refund to the District Authorities the savings including interest, if any, at their disposal within one month and close the Bank Account opened for the purpose, the Committee find that in 24 States/UTs, unspent balances of Rs. 1.98 crore arising due to completion of works at lower than the sanctioned cost and interest accrued on balances of Rs. 4.71 crore have not been refunded by the IAs to the DAs after the completion of the works. The Ministry's statement that there are minimal chances of the unspent amount is left with the IAs is self-contradictory in view of their own admission that an amount of Rs. 127.50 lakh was the balance unspent amount lying with the IAs in various States/UTs. Needless to say, the two statements need to be reconciled by the Ministry. Although it is the responsibility of the DAs to coordinate and supervise the work being executed under MPLADS and ask the IAs to refund the unspent amount, yet if the DAs are found wanting in the effective discharge of their assigned duties, prudence warrants that the Ministry intervene appropriately. The Committee, therefore, desire the Ministry to monitor the expenditure closely and take up the matter with the State/UT Governments so that the IAs refund promptly the unspent amount including interest to the DAs as per the procedure laid down in the MPLADS Guidelines.

7. The Committee note that in 13 States/UTs, 35 DAs utilized an amount of Rs. 1.30 crore on inadmissible items like payment of honorarium/wages/travelling expenses of staff, fuel for official vehicles, purchase of laptops etc. Further, six DAs in five States incurred excess expenditure on contingencies than the prescribed limit of 0.5 per cent of the amount spent on the completed project. The Ministry's statement that the DAs are expected to ensure that the expenses remain within the prescribed limit does not satisfy the Committee, as mere expectation without any preventive or punitive action, would not deter the DAs from incurring excess expenditure on contingencies. Now that the Administrative Expenses have been increased to 2 per cent of the amount spent on the completed project *w.e.f.* the financial year 2011-12, commensurate with the enhancement of the MPLAD fund allocation, the Committee recommend that a separate account for such expenditure incurred during a financial year be maintained and the MP concerned be informed in accord with the provisions stipulated in the Guidelines. Any deviations in this regard be viewed seriously and stringent action taken against the DAs in the event of incurring expenditure on inadmissible items or beyond the prescribed limit. The Committee would also like the Ministry to explore the feasibility of extending necessary assistance to the MPs for monitoring works recommended by them.

8. The Committee deprecate to note that proper records are not maintained by the Ministry to watch the progress of the receipt of the Annual Accounts and Utilisation Certificates from the DAs. Further, the Ministry have routinely been relaxing the conditions for submission of UCs and Audit Certificates by the DAs, before allowing the release of the second instalment of funds. The Committee are surprised that the Ministry themselves are not maintaining proper records which are so vital for it to review overall funds utilization but expect the State Governments/DAs/IAs to be perfect in every respect just because Guidelines have been issued. The Committee are of the firm opinion that the Ministry have to first put their house in order and set an example for the State/UT Governments to emulate. They, therefore, recommend that the Ministry should urgently start maintaining MP-wise Grants-in-Aid Register with details of funds released, status of the receipt of the Monthly Progress Reports, Utilisation Certificates and Audit Certificates in a computerized formate with complete data validation and place it on the official website of the Ministry for effective monitoring of the fund utilization as well as to bring in transparency and public scrutiny.

9. The Committee take due note of the explanation of the Ministry that the decision to relax the conditions for submission of UCs and ACs by the DAs was taken on the basis of review of release position to ensure that the works recommended by the MPs and sanctioned by the Districts did not suffer for want of funds. While appreciating the concern of the Ministry, the Committee would, however, like to caution that such relaxations in the conditons for submission of UCs must be discouraged so that proper fiscal discipline is maintained while ensuring smooth progress of the Scheme. Having said that, the Committee are of the view that timely furnishing of the UCs by the DAs/IAs should be ensured so that subsequent release of instalment of funds do not get delayed.

10. The Committee are worried to observe instances of doubtful expenditure which include non-existence of assets in West Bengal and Jharkhand, payments made on

doubtful muster roll entries in Bihar and on doubtful vouchers in Mizoram and Jharkhand, leading to a combined financial irregularities of Rs. 40 lakh. although the State Governments of West Bengal, and Mizoram have furnished certain explanations on the matter including action taken thereon, the State Governments of Bihar and Jharkhand did not bother to even respond to the irregularities pointed out by Audit. The Committee desire that such indifferent attitude of the State Governments concerned be viewed seriously by the Ministry and the matter be taken up with utmost urgency at the Chief Minister/Chief Secretary level so that responsibility could be fixed on the delinquent officials.

11. The Committee find that the abovesaid doubtful expenditure occurred due to grossly inadequate monitoring of the projects by both the District Authorities and the Implementing Agencies, as corroborated by the Ministry in evidence. The Committee are of the considered view that mere lodging of an FIR against the Head Master of a particular school or the local head of the implementing agency would not suffice to check financial fraud and irregularities, unless supervisory officers, including those who check and sign the Utilization Certificates are held primarily responsible for any doubtful expenditure. The Committee, therefore, urge the Ministry to prevail upon the State Governments where such irregularities have been reported to further investigate the matter with a view to finding out whether there are larger conspiracies involved in the fraud and depending upon the findings, exemplary action be taken against the officers concerned. The Committee also desire that the practice of submitting vouchers on plain paper by the Implementing Agencies, as happens in some States, be discarded forthwith so that instances of payments on doubtful vouchers do not recur.

12. The Committee note that the objective of the MPLAD Scheme is to enable the MPs to recommend works of developmental nature with emphasis on the creation of durable community assets based on the locally felt needs in their constituencies. As per the provisions of the Guidelines, the Panchayati Raj Institutions are the preferable Implementing Agencies and according to the Ministry it is expected that an MP during his constituency tour should consult the PRIs. But the Committee feel that the design of the Scheme itself should specify the mechanism to be adopted by the MPs to ensure participation of various constituents like active resident forums, local bodies and NGOs in determining and recommending the works responsive to locally felt needs and according to the priority of the MP's constituency. With a view to involving the local bodies/communities effectively in the planning and implementation of the Scheme, the Committee recommend that the Implementing Agencies should be advised/counselled to involve local people/bodies while conceiving, designing and implementing works/projects under MPLADS so that a sense of belonging and participatory approach is generated.

13. One of the peculiar characteristics of the MPLAD Scheme is that it is unlike other Centrally Sponsored Schemes where action plan is made in the early part of the financial year. As the MPs frequently tour their constituencies and make recommendations, sometimes as late as February and March of the financial years, based on the locally felt needs, the Ministry have amended para 2.6 of the guidelines

to enable the MPs to make recommendations throughout the financial year. In this context, the Committee find that in respect of 34,023 works pertaining to 64 DAs in 15 States/UTs, recommendations were furnished by the MPs with delays beyond the prescribed limit of 90 days from the commencement of the financial year and such recommendations continued upto the end of the financial year, thus extending the period of utilization of funds. The Committee appreciate the concerns and steps taken by the Ministry in enabling the MPs to continue recommending works throughout the financial year, as funds do not lapse at the end of the fiscal under the Scheme. But, in view of the urgency of the projects in some sectors like education, drinking water supply, health and family welfare, drainage etc. Which have a direct utility impact on the people and a greater outreach for long term sustainable benefits, the Committee desire that the Ministry may advise the MPs to timely recommend as far as practicable, the works pertaining to such sectors so that both short term and long term benefits are extended to the people and time and cost overrun is avoided. The Committee also desire that a system needs to be evolved wherein the DAs, after evaluating the locally felt needs of the people, can suggest comparatively lead activities to be taken up at the beginning of the financial year so as to facilitate the timely recommendation of works by the MPs. The Committee would further like the Ministry to explore the feasibility of the provision of issuance of structural safety certificate by the local/competent authority for very old aided school buildings, where building plans are not available, with a view to enabling the MPs to recommend work for such educational institutions.

14. The Committee are shocked to note that nine DAs in eight States executed 700 works costing Rs. 9.45 crore without formal recommendations of the MPs concerned. In addition, three DAs in three States executed 150 works amounting to Rs. 2.44 crore, recommended by the representatives of the MPs. It is really incomprehensible that on the plea of urgency of work and assurance of the local MLA to make available funds from the MPLAD Scheme, the District Authorities had sanctioned the work in anticipation of the MP's recommendation. As per the provisions of para 3.12 of the Guidelines, the implementation of the works under the MPLAD Scheme should start only after the receipt of the recommendation of work from the MPs. This is to be scrupulously followed by the District Authorities and if any deviation occurs, The State Government can take disciplinary action against the DAs. But the Committee are perturbed to observe that no disciplinary action has been taken against the erring DAs even after a lapse of five/six years and the Additional Secretary, Ministry of Statistics and Programme Implementation, though submitted before the Committee that the Ministry do not support such kind of action on the part of the DAs and it calls for disciplinary action, the Ministry have not taken up the matter at the appropriate level. In view of the fact that award/implementation of works without formal recommendation from the MPs is a clear violation of the provisions of the MPLADS Guidelines and tantamount to gross irregularities, the Committee urge the Ministry to bring the irregularities committed by the DAs concerned immediately to the notice of the Union Department of Personnel and Training and also to the Chief Secretary of the State Government concerned for initiating disciplinary action against the defaulting officers. The Committee are of the firm opinion that such an action on the part of the Ministry is imperative so as to convey in unambiguous terms that irregularities of such nature would not be brooked or allowed to go unpunished. The

Committee further desires that as soon as the MPs recommend a particular work, the same should be intimated by the IAs to the beneficiaries.

15. The Committee note that the Ministry have issued the illustrative list of eligible works under the MPLAD Scheme to all the States/UTs. Despite that, the Committee note that during the period from 2004 to 2009, an expenditure of Rs. 73.76 crore was incurred on 2340 works which are prohibited as per the Scheme Guidelines. It is the responsibility of the DAs to examine and sanction only eligible works recommended by the MPs. Therefore, the explanation of the Ministry that sometimes due to compelling circumstances the DAs have to act on the recommendations of the MPs for one reasons or the other beyond their control, resulting in execution of prohibited works is not acceptable to the Committee. Though the Ministry have reported that they have been taking action wherever such irregularities are pointed out and asking for recoupment of funds. Yet the exact amount of funds recouped from the defaulting authorities in the States/UTs concerned is yet to be known to the Ministry. Since award of prohibited works is illegitimate under the Guidelines, the Committee impress upon the Ministry to urgently take up the matter with the State Governments concerned so that funds are recouped with interest, wherever prohibited works have been awarded/implemented, as per the provisions contained in the Guidelines. The Committee wish to emphasise that it is incumbent upon the DAs to bring to the notice of the MPs the distinction between the eligible and prohibited works in terms of the Guidelines and to stand firm to ensure that under no circumstance or condition prohibited works are executed. It also need to be made abundantly clear that responsibility shall be fixed on the DAs and exemplary action taken against them if any deviation is made by them from the approved Guidelines.

16. The Committee note that in 10 States, Rs. 14.40 crores were sanctioned and released for works pertaining to 34 Trusts/Societies, which exceeded the ceiling of Rs. 25 lakh per Trust/Society as fixed under the Scheme Guidelines. The Committee further note that in seven States, the DAs sanctioned Rs. 5.94 crore to 145 Trusts/Societies which were either not eligible as per the Guidelines or whose eligibility were not verified by the DAs. The Ministry have attributed reasons like non-obtaining of declarations from the Trusts/Societies by the DAs, lack of interaction amongst the DAs and lack of transparency due to non-availability of records of the Trusts/Societies online, for the above cited irregularities in the States of West Bengal, Meghalaya and Jharkhand whereas no response has been received from other States like Jharkhand, Goa, Maharashtra and Rajasthan. The Committee deplore the sorry state of affairs leading to blatant violation of the provisions of the Guidelines and the resultant siphoning away of public funds. They desire that the Ministry expeditiously obtain the clarifications from those States which have not Yet responded to the lapses, examine the explanations of all the States concerned and prevail upon them to investigate the matter for initiating necessary and appropriate action against the erring officials and the Committee be apprised of the specific measures taken in this regard. The Committee also desire that a Central database containing district-wise list of all the eligible Trusts/Societies be maintained by the Ministry so as to avoid recurrence of lapses and to facilitate timely recoupment of funds.

17. The Committee recommend that the ceiling of Rs. 25 lakh per Trust/Society as per the Scheme Guidelines should be doubled commensurate with the increase of the MPLAD fund from Rs. 2 crore to Rs. 5 crore per MP. They also desire that in view of the highly commendable works done by some Trusts/Societies of national/international repute, the allocation of the prescribed MPLAD fund to them should not be a one time affair. In other works, based on the periodic assessment of the performance of the Trusts/Societies, they may be allocated funds at regular intervals, say every five/six years.

18. Although the MPLADS Guidelines stipulate that the time limit for completion of works should generally not exceed one year, the Committee note that percentage of works remaining incomplete ranged from 48.23 percent in 2004-05 to 59.28 percent in 2006-07 reportedly due to various reasons which *inter-alia* include late receipt of recommendations of work from the MPs, selection of inadmissible work, non-identification of land, local disputes, delay in tendering procedure, imposition of election code of conduct and shortage of staff in DRDA/Nodal Agency in the District. The Committee are also unhappy to note that 33 States/UTs have not yet reported the action taken against the Implementing Agencies who failed to complete the work within the stipulated time mentioned in the sanction letter. To make the matter worse, the Ministry are not in a position to effectively monitor the incomplete works as according to their own admission they do not get the reports about the completion or non-completion of the projects due to insufficient updation of the information by the DAs. Even then, the Ministry are just in the thinking stage of developing a single portal whereby they could get the status of work on real time basis. The Committee feel that it is high time the Ministry rose to the occasion and considered setting up of an effective institutional mechanism for regular and concurrent monitoring of the ongoing works in view of the fact that the cumulative number of works is increasing every year. Needless to stress that the upkeep of data on the implementation of the MPLAD Scheme requires tremendous improvement. In fact, the implementation process, right from sanctions of works till their completion must be IT enabled and a comprehensive software portal is an absolute must for effective data compilation, management and monitoring. The Committee, therefore, emphasize that urgent centralized efforts at the level of the Ministry be made to develop a single portal, if required by outsourcing reputed IT firms, for streamlining the data base management system and obtaining data on real time basis so that not only the assets created under the scheme are highlighted for public awareness and scrutiny but also requisite corrective measures are taken as and when warranted. The Committee further desire that the Ministry should appropriately take up with the State Governments the matters of procedural impediments like non-identification of land, local disputes, delay in tendering procedure etc. so that timely action is taken and delay in implementation/execution of works is avoided. It is also imperative on the part of the Ministry to unflinchingly bring to the notice of the Chief Secretaries of those States who have not yet clarified the delays on their part in the execution of MPLADS works. Even after that, if the State Governments concerned fail to comply, the matter should be brought to the notice of the Chief Ministers so that responsibility is fixed on the errant officials and action taken against the defaulting Implementing Agencies.

19. The Committee are concerned to note that 391 works at an estimated cost of Rs. 18.08 crore, already released by the DAs, could not be commenced during the period 2004-09 in 10 States/UTs. Further, 2006 works amounting to Rs. 279.99 crore in 16 States/UTs remained incomplete for periods ranging from one year to five years and in some cases even upto 15 years. Not only that, 307 works on which Rs. 13.90 crore was spent were abandoned or at standstill in 11 States/UTs. Such a large number of works involving huge sum of money remaining incomplete, nonstarters and stand still belie the Ministry's assurance that they do review the physical and financial performance of the MPLAD Scheme in their biannual and monitoring meetings with the State Government/DAs. In fact, as per their own admission before the Committee, the Ministry initiate action and give appropriate directions only on receipt of specifics complaints, if any, in a particular District. The Committee are of the considered opinion that in a Centrally Sponsored Scheme like MPLADS, the Ministry cannot and should not remain content by merely issuing the Guidelines and expecting the State Governments/DAs to perform according to the provisions contained therein. As an ounce of practice is worth more than tons of preachings, the Ministry ought to strengthen their own monitoring mechanism, take serious note of the inordinate delays in the commencement and completion of the projects under the Scheme and resort to corrective measures *viz.* stopping further release of funds and bringing the non-performance of the Officers/Agencies concerned to the notice of the Central/State Government Authorities for initiating necessary disciplinary action.

20. The Committee find that one of the main reasons for a substantial number of projects, especially immovable, remaining incomplete is that a large sum cannot be sanctioned at one go under MPLAD Scheme and projects like school buildings cannot be normally completed in one season. The Committee would, therefore, like the Ministry, as also assured by the Secretary in evidence, to examine the feasibility of obtaining commitment from the MPs that the subsequent amount would also follow for completion of the projects. To be fair to the District Authorities who are primarily responsible for execution of works under the MPLADS, a mechanism should be devised whereby the DAs could get written assurance from the MPs regarding timely and subsequent release of funds so that they can take into account the cost of the projects, the pattern of release of funds, the tenure of the MPs concerned etc. for smooth completion of the projects within a definite time frame. The Committee also desire that a concurrent monitoring mechanism for the ongoing projects may be introduced in the Guidelines to resolve various issues including delay in release of instalment of funds so that time and cost overrun in the execution of projects are avoided.

21. Although the Guidelines stipulate the time frame for sanction and completion of eligible works under the MPLADS, The Committee note that there has been no provision for the completion of abandoned/suspended works. The Ministry have clarified that as the implementation of the Scheme is the responsibility of the DAs, the State Governments are expected to complete the abandoned/suspended works from their own funds. The Committee desire that a suitable provision to this effect be incorporated in the Guidelines so that if it becomes mandatory for the State/UT

Governments to complete the abandoned/suspended projects from their own funds, they would certainly take action against the DAs/IAs who abandon works after incurring expenditure on them.

22. The Committee note that the Ministry themselves have not assessed the adverse impact of the delay in execution of works under the MPLAD Scheme. They have, however, assigned to NABARD Consultancy Service Pvt. Ltd. (NABCONS) the job of having an independent/monitoring review of the works completed under the MPLADS. The NABCONS accordingly carried out its study in three phases in the years 2007-08 to 2009-10 covering 30, 43 and 60 Districts respectively. The Committee's perusal of the NABCONS 2009-10 report covering 60 Districts in 24 States/UTs has revealed that the Consultancy Service has given some very useful suggestions/recommendations in the effective implementation of the MPLAD Scheme. The Committee desire that the Ministry should appropriately consider the suggestions made by the NABCONS for implementation in the smooth functioning of the Scheme. They also recommend that more Agencies like the NABCONS be engaged in such independent assessment of the Scheme so that more and more Districts are covered and corrective action taken to make the Scheme fruitful.

23. The MPLADS Guidelines provide that all the eligible works under the Scheme are to be sanctioned within 45 days of the receipt of the recommendations from the MPs. But, the Committee note that there were delays, in many cases even upto one year, in according sanction by the DAs in respect of 28,135 works in 104 Districts of 28 States/UTs. The Ministry have furnished reasons for the inordinate delay in sanction of works which *inter-alia* include delay in administrative and tendering procedures, non-submission of the estimates from the IAs in time, non-identification of land and work place, dependency on engineering/other officers for technical estimates of the recommended works, non-fulfilment of formalities by the IAs, lack of additional infrastructure and manpower, imposition of model code of conduct of elections and change in design on the recommendation of the MPs as per the demand of the public. Taking into account the reasons given by the State Governments, the Ministry have reportedly emphasized that rejection of the works, if any, has to be made within 45 days from the date of receipt of the proposal and approval has to be accorded after obtaining all the clearances within 75 days. The Committee are unhappy with the reasons adduced for the delay in sanction of works and they are not convinced with the rationale on which the Ministry have given 30 days more to the State Governments for sanction of work when the Guidelines clearly stipulate that all the eligible works under the Scheme are to be sanctioned within 45 days of the receipt of the recommendations from the MPs. The Committee, therefore, stress that the time line prescribed between the recommendation and sanction of works under the Scheme be strictly adhered to and the DAs be impressed upon to resolve the administrative impediments in coordination with the other departments concerned so as to timely overcome the procedural shortcomings like delay in tendering process, non-identification of land/site, non-fulfilment of formalities by the IAs etc. The Committee specifically emphasise that no work should be awarded without requisite administrative approval or without following proper tendering procedure as any deviations in this regard would lead to irregularities. The Committee also desire that the Ministry

should take up with the State Governments the matter of strengthening the staff position at the DA level, who are primarily responsible for the overall implementation of the MPLADS. In fact, there is an urgent need for an assessment of the ideal staffing pattern and redesigning of job specifications of the staff at the DA level with a view to facilitating creation of dedicated cell for MPLADS in each DA's office with appropriate staff and adequate infrastructure for effective inspection and implementation of the Scheme.

24. Instances of sub-standard works under the MPLAD Scheme in Delhi and Uttar Pradesh have come to the notice of the Committee during the course of the examination of the subject. While the Delhi Government have explained the position *i.e.* difference in specification in the schedule items and the job mix formula leading to a financial implication of Rs. 66 lakh, the report from the UP Government is still awaited in the Ministry. In order to maintain the quality and credibility of the assets created out of MPLAD funds, the Committee impress upon the Ministry to introduce and operationalise an effective quality control mechanism for the MPLADS, in line with other CPWD/PWD works, the Committee also recommend that the DAs should carry out regular and surprise monitoring of the ongoing and completed projects so that in case of any quality compromise action could be taken against the Implementing Agencies. The Ministry/State Government authorities should also take periodic stock of the position during their field visits so that appropriate action could be initiated against the District Authorities, if found wanting in their assigned roles and responsibilities. The Committee further recommend that the Ministry should obtain and compile periodical reports/returns from the DAs indicating the total number of works undertaken in their respective Districts and the number of inspections carried out by them as per the provisions of the Guidelines so that effective checks and corrective measures, wherever needed, could be initiated concurrently.

25. The Committee are highly concerned to note some instances of the MPs recommending the names of the Implementing Agencies alongwith their recommendations for works, although the Guidelines debar the MPs from making such recommendations. Worse, in some cases the recommended IAs were found to be the used agencies, to whom the funds, were released. Explaining the position, the Ministry have clarified that wherever the DAs, who shall identify the IAs under the provisions of the Guidelines, deviate from the prescribed procedure, the Ministry writes to the States for taking necessary action against the officials concerned. In this context, the Committee feel that the Ministry should periodically advise and remind the MPs not to recommend the names of the IAs which is strictly prohibited under MPLADS guidelines. However, before identifying the IAs to carry out the works, the DAs may have informal consultations with the MPs, to shortlist IAs having done exemplary work in specific areas and have expertise in certain types of works. Thereafter, the DAs should exercise due diligence in scrutinizing the suggestions of the MPs, in accord with the provisions contained in the Guidelines, failing which responsibility be fixed on the DAs for non-adherence to the prescribed procedure.

26. As per the Guidelines the District Authorities are required to maintain Works Register indicating the position of each work recommended by the MPs. They are

also required to maintain the Assets Register showing the assets created under the Scheme funds. But, much to the consternation of the Committee, cases of either non-maintenance or incomplete Works and Asset Registers have come to the notice. The Ministry have reportedly been requesting the State/UT nodal authorities to direct all the DAs to ensure maintenance of Work and Asset Registers. Even after that, there are slippages for which the Ministry are planning to have an integrated system to monitor the maintenance of such Registers. Since non-maintenance of Work and Asset Registers is a serious flaw, as also agreed to by the Ministry in evidence, which greatly impedes proper inspection and effective monitoring of the ongoing works and assets created, the Committee urge the Ministry to expeditiously develop a comprehensive integrated system, as under their consideration, so that scrupulous maintenance of the Register by the DAs is effectively monitored and appropriate action taken in case of aberrations.

27. The DAs are expected to get in advance a firm commitment about the operation, upkeep and maintenance of the proposed assets from the user agency concerned before the execution of the work is sanctioned. But, the Committee observe that in practice many cases of non-use or misuse of the assets are there. Although, based on the replies received from some of the States concerned, the Ministry have informed that no case of misuse has been reported so far, the Committee desire the Ministry to investigate the reported cases of misuse of assets in view of the Audit observation with photographic evidences in some cases. Based on the findings of such investigation, action should be initiated against the persons responsible for misuse of assets. They also desire that documentation in respect of handling over the assets created under MPLAD be streamlined at the DA level by effective supervision and monitoring.

28. The Committee note that the assets created by utilizing the MPLADS funds are handed over to user agency and thereafter it is the responsibility of the user agency to maintain/upkeep these assets. The Committee are, however, informed that there is no provision under the Scheme for use of MPLADS funds for the maintenance or replacement of assets created under the Scheme. In view of the fact that some assets such as vehicle, ambulances, medical equipments or machines have a limited life span after which such assets wear away and maintenance of these assets cannot be done or may not be economical, the Committee feel that in such cases, existing Guidelines of the Scheme is not helpful in replacement of such assets. The Committee are of the view that the Guidelines should be suitably reviewed by the Ministry with a view to reexamining the existing provisions of the maintenance of assets so that adequate provisions are incorporated which would allow the MPLADS funds to be utilized for maintenance, repair and replacement of the assets. The Committee would also like the Ministry to explore the Public Private Partnership model for the maintenance of assets like roads created under the MPLADS.

29. The Committee observe that the State level Monitoring Committee headed by the Chief Secretary/Divisional Commissioner, which is to hold annual meeting with DAs & MPs to review the progress of implementation of MPLADS, have not even been constituted in three States/UTs. In other States, the Monitoring Committee either failed to meet annually or never held any meeting. The Committee express

their serious displeasure on this pathetic state of affairs and recommend that the Monitoring Committee at the State level under the Chairmanship of the Chief Secretary/Divisional Commissioner/Additional Chief Secretary be constituted expeditiously and the meetings of such Committees be convened at least once in a year with wider participation of MPs to enhance the accountability of the DAs. The Ministry should ask for regular compliance reports in this regard in their biannual meetings with the State authorities so that corrective measures are taken as and when required. As assured in evidence, the Committee would like the Ministry to involve the Minister to write to the Chief Ministers so that the officers responsible for dereliction of duty could be taken to task.

30. The Committee are concerned to note that in 18 States/UTs, only 13.69 percent of MPLADS funds were sanctioned for areas inhabited by the SC/ST community against the requirement of 22.5 percent as per the Guidelines. It shall be the responsibility of the DAs to enforce the provisions of the Guidelines in this regard. Although the Guidelines have recently been amplified to give ample flexibility to the MPs to go beyond the list of shelf of Projects in order to meet the needs of the SC/ST people, the Ministry have not collated the data on expenditure under the Scheme for the benefit of the SC/ST people on the plea of inadequate manpower. The Committee are not satisfied with the reply of the Ministry. They desire that the Ministry must compile and collate on an annual basis the expenditure under the MPLADS for SC/ST population, either utilizing the available resources or by augmenting them, so that any aberrations/slippages on the part of the DAs are rectified. The Committee specifically desire that in case a constituency does not have ST inhabited area, the 22.5 percent earmarked funds may be utilized in SC inhabited areas and *vice-versa*, in consonance with the provisions contained in the Guidelines.

31. The Committee are shocked to note that neither the Ministry nor 17 States/UTs have made any arrangements for an internal audit of the MPLAD Scheme. Much to the chagrin of the Committee, the internal audit wing of the Ministry have submitted that internal audit of the Scheme has never been conducted since the inception of the Scheme. In view of the fact that internal and concurrent audit is an integral part of a strong internal control and monitoring system, the Committee impress upon the Ministry to put in place forthwith a robust internal auditing mechanism and ask the State/UT Governments to engage the office of the C&AG of India at the State level for periodically auditing the MPLADS account of each individual MP. In this context, the Committee would like the Ministry to take into consideration the suggestions of the Institute of Chartered Accountants of India regarding changes in the Guidelines relating to Accounting procedures, improvements in quality of audit, guidance note on the conduct of audit on MPLADS funds etc. which have already been communicated to the Ministry by the ICAI.

32. The Committee note that many of the systemic weaknesses affecting the implementation of the MPLAD Scheme were brought to the notice of the Ministry by the C&AG in two earlier performance Audit Reports in 1998 and 2001. Based on the suggestions of the C&AG for devising a robust monitoring mechanism, strengthening internal controls and impose greater financial discipline for the release and

expenditure of MPLADS funds, the Ministry have reportedly modified the Release and Expenditure Guidelines in August, 2011 in consultation with the Department of Expenditure. What, however, concerns the Committee is the inordinate delay on the part of the State/UT Governments in furnishing Action Taken Notes to the Audit observations. For example, while partial replies to the Audit comments contained in their Report of 2010 have been received from most of the States/UTs, a single reply has not yet been received from eight States/UTs *i.e.* Arunachal Pradesh, Bihar, Dadra and Nagar Haveli, Goa, Gujarat, Jharkhand, Kerala and Nagaland. The Ministry, on their part, are just sending reminders. In view of the fact that Audit observations are meant to plug the loopholes and foster good governance, they ought to be taken with the seriousness they deserve. The Committee, therefore, desire that the Ministry should take up the matter at the Chief Secretary/Chief Minister level so that the State/UT authorities resort to adequate and timely preventive and punitive measures on the Audit observations in their own interest.

33. To sum up, the Committee find that many basic flaws and fundamental weaknesses have been plaguing the MPLAD Scheme primarily due to inadequate monitoring of the Scheme at various levels. As regular monitoring at all the three levels *i.e.* Central, State and District is a powerful tool and an essential *sine qua non* for overcoming the shortcomings that bedevil the proper and effective implementation of the Scheme, the Committee exhort the Ministry to take note of their considered suggestions/recommendations, as highlighted in the preceding paragraphs.

NEW DELHI;
28 March, 2012
8 Chaitra, 1934 (Saka)

DR. MURLIMANO HAR JOSHI
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE FIRST SITTING OF SUB-COMMITTEE-I OF THE PUBLIC ACCOUNTS COMMITTEE (2011-2012) HELD ON 3RD OCTOBER, 2011

The Sub-Committee sat on Monday, the 3rd October, 2011 from 1500 hrs. to 1630 hrs. in Room No. 'G-074', Parliament Library Building, New Delhi.

PRESENT

Shri Bhartruhari Mahtab — *Convenor*

MEMBERS

Lok Sabha

2. Shri Adhi Sankar

Rajya Sabha

3. Shri Naresh Gujral

4. Shri Prakash Javadekar

5. Shri Satish Chandra Misra

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*

2. Shri D.R. Mohanty — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri R.S. Mathrani — Director General of Audit (Central Expenditure)

2. Smt. Ahlladini Panda — Director

Representatives of the Ministry of Statistics and Programme Implementation

1. Dr. T.C.A. Anant — Secretary

2. Shri Pankaj Jain — Additional Secretary

3. Shri Ashish Bahuguna — Additional Secretary and Financial Adviser

4. Dr. Davendra Verma — Deputy Director-General (PI)

5. Shri A.K. Choudhary — Director (MPLADS)

2. At the outset, the Convenor welcomed the Members, the Audit Officers and the representatives of the Ministry of Statistics and Programme Implementation to the sitting of the Sub-Committee. Apprising that the meeting has been convened to have a preliminary briefing on the subject 'Members of Parliament Local Area Development Scheme (MPLADS)' based on the C&AG Report No. 31 of 2010-11, the Convenor impressed upon the witnesses not to disclose the contents of the deliberations to any outsider, especially the members of print and electronic media. Thereafter, he requested the Secretary to give an overview of the Performance of MPLAD Scheme and the measures taken by the Ministry to overcome the shortcomings/deficiencies pointed out by the Audit so as to make the Scheme more effective.

3. The Secretary and other officers of the Ministry accordingly briefed the Sub-Committee on various issues relating to the MPLAD Scheme. They also attended to the queries of the Members on related aspects. On some specific points, the Convenor asked the Secretary to furnish detailed written reply to the PAC Secretariat within two weeks. The representatives of the Ministry of Statistics and Programme Implementation assured to do so.

4. The Convenor thanked the representatives of the Ministry for appearing before the Sub-Committee and furnishing the available information on several issues on the subject.

The witnesses, then, withdrew.

5. A copy of the verbatim proceedings of the sitting has been kept on record.

The Sub-Committee, then, adjourned.

APPENDIX II

MINUTES OF THE SECOND SITTING OF SUB-COMMITTEE-I OF THE PUBLIC ACCOUNTS COMMITTEE (2011-2012) HELD ON 24TH OCTOBER, 2011

The Sub-Committee sat on Monday, the 24th October, 2011 from 1500 hrs. to 1635 hrs. in Room No. 'G-074', Parliament Library Building, New Delhi.

PRESENT

Shri Bhartruhari Mahtab — *Convenor*

MEMBERS

Lok Sabha

2. Shri Adhi Sankar

Rajya Sabha

3. Shri Naresh Gujral

SECRETARIAT

Shri D.R. Mohanty — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri Gautam Guha — Director General of Audit (Defence Services)

2. Smt. Ahlladini Panda — Director

Representatives of the Ministry of Statistics and Programme Implementation

1. Dr. T.C.A. Anant — Secretary

2. Shri Chaman Kumar — Additional Secretary and Financial Adviser

3. Dr. Davendra Verma — Deputy Director-General (PI)

4. Shri A.K. Choudhary — Director (MPLADS)

2. At the outset, the Convenor welcomed the Members, the Audit Officers and the representatives of the Ministry of Statistics and Programme Implementation to the sitting of the Sub-Committee. Apprising that the meeting has been convened to take further evidence on the subject 'Members of Parliament Local Area Development Scheme (MPLADS)' based on the C&AG Report No. 31 of 2010-11, the Convenor impressed upon the witnesses not to disclose the contents of the deliberations to any outsider, especially the members of print and electronic media. Thereafter, he requested the Secretary to respond to the further queries of the Members on the subject.

3. The Secretary and other officers of the Ministry accordingly attended to various points raised by the Members relating to the MPLAD Scheme. On some specific issues, the Convenor asked the Secretary to furnish detailed written reply within three weeks. The representatives of the Ministry of Statistics and Programme Implementation assured to do so.

4. The Convenor thanked the representatives of the Ministry for appearing before the Sub-Committee and furnishing the available information on several issues on the subject.

The witnesses, then, withdrew.

5. A copy of the verbatim proceedings was kept on record.

The Sub-Committee, then, adjourned.

APPENDIX III

MINUTES OF THE THIRD SITTING OF SUB-COMMITTEE-I OF THE PUBLIC ACCOUNTS COMMITTEE (2011-2012) HELD ON 30TH JANUARY, 2012

The Sub-Committee sat on Monday, the 30th January, 2012 from 1130 hrs. to 1240 hrs. in Room No. 'G-074', Parliament Library Building, New Delhi.

PRESENT

Shri Bhartruhari Mahtab — *Convenor*

MEMBERS

Rajya Sabha

2. Shri Naresh Gujral

SECRETARIAT

Shri D.R. Mohanty — *Deputy Secretary*

2. At the outset, the Convenor welcomed the Member to the sitting of the Sub-Committee. Apprising that meeting had been convened to consider the draft outlines indicating the points to be incorporated in the draft Report on 'Members of Parliament Local Area Development Scheme (MPLADS)' based on the shortcomings highlighted in the C&AG Report No. 31 of 2010-11 and the clarifications/expalanations given by the Ministry thereon through written reply and oral depositions, the Convenor requested the Member to give his suggestions. Accordingly several issues were discussed and the Sub-Committee suggested certain additional valuable inputs to be incorporated in the Draft Report. The Sub-Committee also desired that the views/suggestions of the Institute of Chartered Accountants of India regarding evolving a foolproof simultaneous internal auditing mechanism of the MPLAD Scheme be obtained. The Sub-Committee also desired that the preparation of the Draft Report by the Secretariat be expedited.

3. The Convenor thanked the Member for his active participation in the discussion as well as for the valuable suggestions made by him for incorporation in the Draft Report.

The Sub-Committee, then, adjourned.

APPENDIX IV

MINUTES OF THE FOURTH SITTING OF SUB-COMMITTEE-I OF THE PUBLIC ACCOUNTS COMMITTEE (2011-2012) HELD ON 7TH MARCH, 2012

The Sub-Committee sat on Wednesday, the 7th March, 2012 from 1130 hrs. to 1230 hrs. in Room No. '51' (Chairman, PAC's Chamber), Parliament House, New Delhi.

PRESENT

Shri Bhartruhari Mahtab — *Convenor*

MEMBERS

Rajya Sabha

2. Shri Naresh Gujral
3. Shri Prakash Javadekar

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri D.R. Mohanty — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri R.S. Mathrani — *DGA(CE)*
2. Sh. Saurabh Shukla — *Deputy Director*

2. At the outset, the Convenor, Sub-Committee-I of the PAC welcomed the Members and Audit Officers to the sitting of the Sub-Committee. The Convenor apprised that the meeting had been convened to consider the Draft Report on 'Members of Parliament Local Area Development Scheme' based on the C&AG Report No. 31 of 2010-11. The Sub-Committee then took up for consideration the Draft Report.

3. After some discussions, the Sub-Committee adopted the above-mentioned Draft Report with some modifications and authorized the Convenor to finalize the Report in the light of the suggestions made by the Members and the consequent changes arising out of the factual verification by the Audit, for being placed before the Chairman, PAC for his approval.

4. The Convenor thanked the Members for their active participation in the discussions and valuable suggestions to the Draft Report.

The Sub-Committee, then, adjourned.

APPENDIX V

MINUTES OF THE NINETEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) HELD ON 22ND MARCH, 2012

The Public Accounts Committee sat on Thursday, the 22nd March, 2012 from 1500 hrs. to 1600 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Bhartruhari Mahtab
4. Shri Shripad Yesso Naik
5. Shri Jagdambika Pal

Rajya Sabha

6. Shri Tariq Anwar
7. Shri Prasanta Chatterjee
8. Shri Naresh Gujral
9. Shri Prakash Javadekar
10. Shri J.D. Seelam
11. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Shri H.R. Kamboj — *Additional Director*
4. Shri D.R. Mohanty — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri Gautam Guha — Director General of Audit
2. Shri R.S. Mathrani — Director General of Audit (Report Central)
3. Ms. Ila Singh — Principal Director of Audit

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG of India to the sitting of the Committee. Apprising that the meeting had been convened to consider and adopt three Original Draft Reports on 'Training of Pilots in the Indian Air Force', 'Abnormal Delay in Execution of Ordnance Factory Nalanda', and 'Members of Parliament Local Area Development Scheme (MPLADS)' and one Action Taken Report on 'Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme', the Chairman thanked the Convenor and the Members of the Sub-Committee who took evidence of the representatives of various Ministries/Departments in connection with the examination of the above original subjects, especially 'MPLADS' and finalized the Draft Reports for being placed before the main Committee for their consideration. The Chairman, then, suggested that the Draft Report on 'MPLADS' be taken up first for consideration/discussion. The Members concurred and the Chairman, thereafter, requested the Convenor, Sub-Committee-I to give a brief overview of the issues contained in the Draft Report.

3. The Convenor, Sub-Committee-I accordingly briefed the Committee on the major issues highlighted in the Draft Report which *inter-alia* included doubtful expenditure, execution of works without the recommendation of the MPs, selection of prohibited works, sub-standard works, non-provision of repair/maintenance of Assets created, inadequate provisions for eligible Trusts/Societies, deficient monitoring mechanism at all the levels, etc. The Convenor further apprised that on the basis of the oral and written depositions of the Ministry of Statistics and Programme Implementation and taking into account the findings of the independent study carried out by NABARD Consultancy Services (NABCONS) and the inputs furnished by the Institute of Chartered Accountants of India (ICAI), the Sub-Committee dealt with the above said shortcomings and had given their recommendations accordingly. The Convenor thanked the Office of the C&AG of India for highlighting the infirmities in their Performance Audit Reports of 1998, 2001 and 2010. He also thanked the PAC Secretariat for the commendable drafting of the Report.

4. The Chairman, then, solicited the views and additional inputs of the Members on the Draft Report. In response, one of the Members was of the view that he was amongst the 40 odd Members of Parliament who opposed the introduction of the Scheme itself for various reasons. He, however, suggested that the C&AG should devise and implement a foolproof mechanism for auditing the accounts of the individual MPs in each State. Monitoring mechanism should be strengthened and intensified in view of the poor implementation of the Scheme and exemplary action should be taken against the officers concerned for executing works without the recommendation of the MPs.

5. Another Member opined that the MPLAD Scheme was in fact a very useful Scheme under which many a good works had been done. However, in view of the lacunae existing in the effective implementation of the Scheme, he suggested that (i) for proper monitoring and supervision of the Scheme, the office of the C&AG at the State levels should conduct periodical audit of the Scheme; (ii) certain percentage of funds should be earmarked for vehicles and salary of the staff assisting the MPs to

oversee the overall progress of the Scheme; and (iii) a single portal be created highlighting the assets created under the Scheme for public awareness and scrutiny.

6. Another Member suggested that in case of very old buildings, a structural certificate issued by the local authority concerned instead of a complete building plan, should suffice to enable the MPs to allocate fund under the Scheme. He also suggested that another date be fixed for consideration of the Draft Report as he could not go through it due to paucity of time.

7. After taking note of the views/suggestions of the Members, the Chairman observed that most of the issues raised by the Members have found a place in the Draft Report and the thrust of the recommendations in fact revolve around putting in place an effective monitoring mechanism at the Central, State and District levels. However, taking into consideration the concerns expressed by the Members and the time sought for further reflection on the Draft Report, the Chairman observed that if the Members wished to make any additional suggestions for inclusion in the Draft Report, they might do so in writing three/four days. The Members concurred with the observation of the Chairman. Thereupon, the Committee decided that subject to the incorporation of the views expressed by the Members, suitably in the Draft Report and after being shown to them on a later date, the Draft Report on 'MPLADS' would be deemed to be approved by the Committee.

8. The Committee, thereafter, took up for consideration the following other Draft Reports and adopted the same:—

- (i) **'Training of Pilots in the Indian Air Force'** based on the C&AG Report No. 5 of 2008 (Chapter II).
- (ii) **'Abnormal Delay in Execution of Ordnance Factory Project Nalanda'** based on the C&AG Reports Nos. 4 of 2008 (Para No. 6.3) and 15 of 2010-11 (Chapter II).
- (iii) Action Taken by the Government on Observations/Recommendations of the Committee contained in their Twenty-third Report (15th Lok Sabha) on **'Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme'**.

9. The Committee, then, authorized the Chairman to finalise the adopted Draft Reports in light of the views expressed by the Members and factual verifications made by Audit and present them to Parliament on a date convenient to him.

10. The Chairman thanked the Members for their active participation in the discussions and valuable suggestions on the Draft Reports.

The Committee, then adjourned.

N.B.: On 28th March, 2012, the revised Draft Report on 'MPLADS' was shown to the Members in the Chairman's Chamber after suitably incorporating their views/suggestions.

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