

A Guide to Audit of 'Member of Parliament Local Area Development Scheme'

The Member of Parliament Local Area Development Scheme (MPLADS), which was announced in Parliament on 23rd December 2003, aims to enable the Members of Parliament (MPs) to suggest and execute developmental works of capital nature based on local needs, with an emphasis on the creation of durable assets. The article provides guidance for the audit of this scheme, which is increasingly coming under public scrutiny.

The Scheme

The 'Member of Parliament Local Area Development Scheme' (MPLADS) was announced in Parliament on 23rd December 2003 following persistent demands made by MPs that they should be able to recommend specific developmental works of capital nature to be done in their constituencies and a certain amount be provisioned for the purpose for each constituency. The objective of this scheme is to enable the Members of Parliament (MPs) to suggest and execute developmental works of capital nature based on locally felt needs with emphasis on the creation of durable assets.

Administration

Initially the scheme was administered by the Ministry of Rural Development. Since October 1994, the administration of the scheme has been entrusted to the Ministry of Statistics and Programme Implementation at the Centre. At the state level, each State and Union Territory designates one nodal department for the implementation of the Scheme and the necessary co-ordination with the Ministry at the Centre. The head of the district, where an MP recommends works is responsible for implementation at the

ground level. The authority and power to receive funds from the Centre, to sanction the works recommended by MPs, to get the work executed and to ensure the maintenance of assets created, are vested in him.

Implementation of the Scheme

Each MP has to recommend eligible works on the MP's Letter Head. Recommendations made by representative(s) of MP's are not admissible. The Collector, on receipt of the recommendation from the MP, would scrutinise these for conformity to the guidelines suggested by the Ministry and the established procedure in the State prepared for the purpose. If the recommendation is found to be in order, the Collector should accord administrative sanction as far as possible, to all works within 45 days. The District Authority shall identify the Implementing Agency capable of executing the eligible work qualitatively, timely and satisfactorily. The District Authority shall follow the established work scrutiny, technical work estimation; tendering and administrative procedure of the Government concerned in the matter of work execution, and shall be responsible for timely and effective implementation of such works.

The work and the site selected for the work execution by the MP shall not be changed, except with the concurrence of the MP concerned.

If the recommended work cannot be executed due to some reasons, the District Authority shall inform the reasons to the MP concerned,



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under intimation to the Government of India and the State Government, within 45 days from the date of receipt of the proposal.

Before execution of a particular work, a firm commitment should be obtained for the operation together with upkeep and maintenance of the proposed asset from the User Agency.

If the amount recommended by the MP is less than the estimated amount of work and there are no other sources from which the deficit can be made good, then the work should not be sanctioned and the same fact should be informed to the MP concerned within 45 days of the receipt of the proposal.

The sanction letter shall stipulate the time limit for completion of the work to the implementing agency. The sanction letter may also include a clause for suitable action against the Implementing Agency in the event of failure to complete the work within the time stipulated in the letter. A copy of the sanction letter shall be sent to the MP concerned.

The MPLAD Scheme can be converged with any Central and State Government schemes provided such works are eligible under MPLADS. Funds from local bodies can also be pooled for MPLADS work. Where such pooling is done, funds from other scheme sources should be used first and MPLADS funds should be released later, so that MPLADS fund results in completion of the work.

Payment of advances of any type to the contractors/suppliers for any work falling within the scheme is prohibited. If the concerned MP is not interested in utilising the funds, he may write to the Ministry so that release is withdrawn.

As soon as work is completed under the scheme, it should be put to public use. In order to create public awareness, a plaque carrying the inscription "Member of Parliament Local Area Development Work" indicating the cost involved, the commencement, completion and inauguration date and the name of the MP concerned should be erected.

Eligible Works under MPLAD Scheme

The following works are eligible under the Scheme:

1. Drinking Water Facility
2. Education
3. Electricity Facility
4. Health and Family Welfare
5. Irrigation Facilities
6. Non-conventional Energy Sources
7. Other Public Facilities
8. Roads, Pathways & Bridges
9. Sanitation and Public Health
10. Sports
11. Animal Care

The District Authority can utilise up to 0.5% of the amount spent on completed projects in a year under MPLADS as "contingency expenses" on items like purchase of stationery, office equipment including computers (excluding laptops), telephone/fax charges, postal charges; and expenses incurred to make MPLADS works monitoring software operational and to get the audit certificate and audit of accounts.

Works Prohibited under MPLADS

1. Office and residential buildings belonging to Central and State Governments, their departments, Government Agencies/ Organisations and Public Sector Undertakings.
2. Office and residential buildings, and other works belonging to private cooperative and commercial organisations.

3. All works involving commercial establishments/units.
4. All maintenance works of any type.
5. All renovation, and repair works except heritage and archaeological monuments and buildings with specific permission obtained from the Archaeological Survey of India.
6. Grants and loans, contribution to any Central and State/UT Relief Funds.
7. Assets to be named after any person.
8. Purchase of all movable items except vehicles, earth movers, and equipment meant for hospital, educational, sports, drinking water and sanitation purposes belonging to the Central, State, UT and Local Self Governments. (This will be subject to 10% of the Capital Cost of the work for which such items are proposed).
9. Acquisition of land or any compensation for land acquired.
10. Reimbursement of any type of completed or partly completed works or items.
11. Assets for individual/family benefits.
12. All revenue and recurring expenditure.
13. Works within places of religious worship and on land belonging to or owned by religious faiths/groups.

Funds Under the Scheme

Under this Scheme, each MP can recommend developmental works with expenditure on each work generally not exceeding Rs. 25 lakhs. A maximum of Rs. 2 crores a year is available under this scheme. Funding released by the Ministry is non-lapsable.

The released fund, which remains unutilised in a particular year, can be carried forward to the subsequent year without detracting from the allocation per year per constituency. Further, funds not released by the Government of India in a year are carried forward for making releases in the subsequent years.

The first instalment is released in the beginning of the financial year subject to fulfilment of any specific condition imposed at the time of release of the second instalment of the previous year. The release of second instalment is subject to the fulfilment of the following conditions:

- The unsanctioned balance amount available with the accounts of the District Authority after taking into account the cost of all the works sanctioned is less than Rs. 50 lakhs.
- The unutilised balance of funds is less than Rs. 1 crore; and
- The Utilisation Certificate for the previous financial year and the Audit Certificate for funds released in the year prior to the previous year have been furnished by the District Authority.

Contingency Expenses

The District Authority can utilise up to 0.5% of the amount spent on completed projects in a year under MPLADS as "contingency expenses" on items like:

- ✓ Purchase of Stationery.
- ✓ Office equipment including computers (excluding laptops).
- ✓ Telephone/fax charges, postal charges; and
- ✓ Expenses incurred (a) to make MPLADS works monitoring software operational and (b) to get the Audit Certificate and audit of the accounts.

This amount must not be used for meeting the cost of items like:

- Purchase of any type of office furniture, vehicles, air-conditioners, refrigerators, etc. and
- Renovation and maintenance of office buildings.

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 for audit purposes.

Administrative and Centage Charges

The District Authority and Implementing Agencies cannot levy any administrative charges, centage, salary of any person; travel cost, etc. for their services in respect of preparatory work, implementation and supervision of projects/works under MPLADS. The District Authority shall not charge any administrative expenses for MPLADS works.

Accounts

It is a statutory requirement under the MPLADS that —

- The books of accounts should be maintained per MP by the District Authority and Implementing Agencies.
- Cash Book and Other Books of Accounts shall be maintained as per State/UT Government procedure.
- The funds released under the scheme shall be kept only in a savings bank account of a Nationalised Bank.
- The funds shall not be deposited in Government Treasury accounts.
- Only one account shall be maintained per MP.
- An Asset Register shall be maintained per head count.
- The implementing agency, on completion of a work, shall quickly finalise the accounts and shall furnish a work completion report together with an utilisation certificate and return the un-utilised balance in the savings account with the interest within 30 days to the District Authority concerned.
- After completion of work, the District Authority would arrange to transfer the asset to the User Agency without any delay.
- The User Agency should take those assets on its books for normal operation and maintenance.

Audit of Accounts

It is a statutory requirement that the accounts of MPLAD Scheme and Utilisation Certificates have to be audited by Chartered Accountants or the Local Fund Auditors, or any Statutory Auditors as per the State/UT Government procedure. The Auditors have to be appointed by the State Government for each District Authority on the basis of recommendations of the Accountant General of

the State concerned. The District Authority submits audited accounts, reports and certificates to the State Government and the Ministry of Statistics and Implementation every year.

The Audit Report should be prepared for each MP and should *inter alia* cover the following aspects:

- The list of Savings/Other Bank Accounts being maintained by the District Administration and the Implementing Agencies;
 - Whether any funds are kept in Fixed Deposits (Fixed Deposits are not permissible).
 - Whether interest accrued in Savings Bank account has been taken as receipt and utilised for the Project.
 - Whether Bank Reconciliation Statements in respect of Cash Book Balance and Pass Book Balance are prepared on a monthly basis.
 - The Bank Reconciliation should also cover interest accrual.
 - The Bank Reconciliation as on 31st March should be attached to the Audit Report.
 - Verify the proper maintenance of cashbook by the District Authority and Implementing Agency.
 - List out the cheques issued but not encashed as on 31st March as per Bank Reconciliation Statement.
 - Actual expenditure incurred out of advances to the Implementing Agencies and closing balance with them.
 - Find out if there is any diversion of funds.
 - Confirm whether the work undertaken is not in the prohibited list.
- After completion of the audit, a detailed audit report (DAR) covering the following facts has to be issued:
- Any violation of guidelines issued by the Government from time to time while sanctioning the works.
 - Whether guidelines are strictly observed in the case of works sanctioned to registered societies/organisations.
 - Prepare details of private organisations/societies/trusts etc. who have received more than Rs. 25 lakhs from MPLADS from all members since inception of the Scheme in 1993.
 - In the case of Registered Societies, whether agreements are entered in the prescribed manner by the concerned competent authority.
 - Whether any work sanctioned has benefited private individuals/institutions.
 - Whether any amount sanctioned from the MPLAD Scheme was used for repair/maintenance/balance works.
 - List out the works sanctioned/grounded on private lands/lands in dispute.
 - Find out if there are any works not grounded after the administrative sanction.
 - Find out if there are any works grounded but not completed within the prescribed time frame or within one year (the maximum permissible period) after administrative sanction.
 - Find out whether any works completed but not handed over to the beneficiaries.
 - Prepare a detailed statement showing the following details per MP:
 - Works Sanctioned during the year
 - Funds released/received during the year.
 - Expenditure incurred during the year.
 - Unspent balance with executing agencies
 - Unspent balance with district administration
 - Unspent balances/savings refunded to the nodal district and/or unspent bal-

ances/savings received from other districts in case of Rajya Sabha MPs.

- Whether a separate bank account and cash book for each MP is maintained or not.
- Whether any funds are kept in fixed deposits with banks.
- Whether the Bank Reconciliation Statement is prepared at the end of the month.
- Whether interest accrued on funds kept in the savings bank account is taken as receipt and utilised for sanction of works.
- Whether there were any cheques issued but not presented at the end of the year.
- List of funds released, expenditure incurred and closing balances with executing agencies.
- Whether unspent balances/savings are refunded by the executing agencies after completion of the works.
- Whether there are any payments towards PS/LS/ Centage Charges.
- Whether any unauthorised/irregular items of expenditure out of contingency fund.
- Utilisation of earmarked funds for SC and ST areas.
- Whether the utilisation certificate is obtained for all completed works properly.
- Whether there was any diversion of funds to other schemes/programmes.
- Whether after completion of the work, the required certificates were obtained in the prescribed format.
- Whether the Fixed Assets Register is properly maintained with full details.
- Whether the Register of Spot Inspection is maintained and updated properly.

Audit Fees

The Government has fixed a uniform rate of 0.05% of the audited amount of each MP towards remuneration to audit firms for the period prescribed, which is to be met out of the contingency amount earmarked as per guidelines of the Scheme issued by the Government of India.

MEMBER OF PARLIAMENT LOCAL AREA DEVELOPMENT SCHEME (MPLADS)

AUDIT CERTIFICATE

It is certified that we have audited the annual Balance Sheet and accounts as on 31st March.....(Year) and Receipt and Payment and Income and Expenditure Accounts for the year ending on that date of the Member of Parliament Local Area Development Scheme (MPLADS) from the Books of Accounts, records and other documents produced to us by the District Authority and the executing agencies.

In our opinion and to the best of our knowledge and according to the explanations given to us and subject to our observations as detailed below we report that: -

- (a) The Balance Sheet read together with notes thereon gives a true and correct view of the state and affairs of the MPLADS as on 31st March.....(Year).
- (b) The Income and Expenditure Accounts gives a true and correct view of the surplus of funds over expenditure Rs.....for the year ending 31st March.....(year).
- (c) The Receipt and Payment Accounts give a true and correct view of the transaction of the Scheme for the year ending 31st March.....(Year).
- (d) Not more than one Bank Account is operated for the Scheme.
- (e) No funds are kept in the form of Fixed Deposits.
- (f) Interest accrued from the saving bank account has been taken as receipt for use on the MPLAD Scheme.
- (g) The Bank Reconciliation Statement was prepared regularly every month.
- (h) Cash Book was written on real accrued basis.
- (i) Expenditure shown in the Income and Expenditure Account is properly reflected in the Utilisation Certificates.
- (j) There is no case of diversion of funds.
- (k) The following Reports certified by the Competent Authority of the District Administration form part of the Audit certificate.
 - Physical and Financial Progress Report for the year ending 31st March..... ..(Year).
 - Cumulative Physical and Financial Progress Report up to 31st March.....(Year) (In case of Lok Sabha MPs right from inception and for Rajya Sabha MP for the period of the individual MP's tenure).
- (l) There is no audit objection in so far as the said accounts audited by us. (In case there is any pending audit objection and objections raised during the present audit, please furnish the details. In case of any audit objections indicated by the Chartered Accountant, the same shall be attached to this Certificate with the appropriate seal and signature.)

(The certificate shall be on the auditing firm's letter head clearly indicating signature, name, address, telephone, fax, and email of the auditor(s) with seal.) □