

Ministry of Rural Development

Performance Audit of Implementation of National Rural Employment Guarantee Act (NREGA)

1 Introduction

1.1 Overview of NREGA

The National Rural Employment Guarantee Act, 2005 (NREGA) guarantees 100 days of employment in a financial year to any rural household whose adult members are willing to do unskilled manual work. The Act initially came into force in 200 districts with effect from 2 February 2006¹.

The basic objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment on demand. This work guarantee can also serve other objectives: generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity, among others.

The Act requires every State to formulate a State Rural Employment Guarantee Scheme (REGS), which should conform to the minimum features specified under the Act. According to the Act, rural households have a right to register themselves with the local Gram Panchayats (GPs), and seek employment. Work is to be provided within 15 days from the date of demand, failing which the State Government will have to pay unemployment allowance at the stipulated rates.

The State Rural Employment Guarantee Schemes are implemented as Centrally Sponsored Schemes on a cost sharing basis between the Centre and the States. The Central Government will bear all costs, other than the following:

- 25 per cent of the cost of material and wages for semi-skilled/ skilled workers;
- Unemployment allowance; and
- Administrative expenses of the State Employment Guarantee Council.

Detailed Operational Guidelines have been issued by the Ministry of Rural Development (Ministry), Government of India. Together with the provisions of the Act, they prescribe:

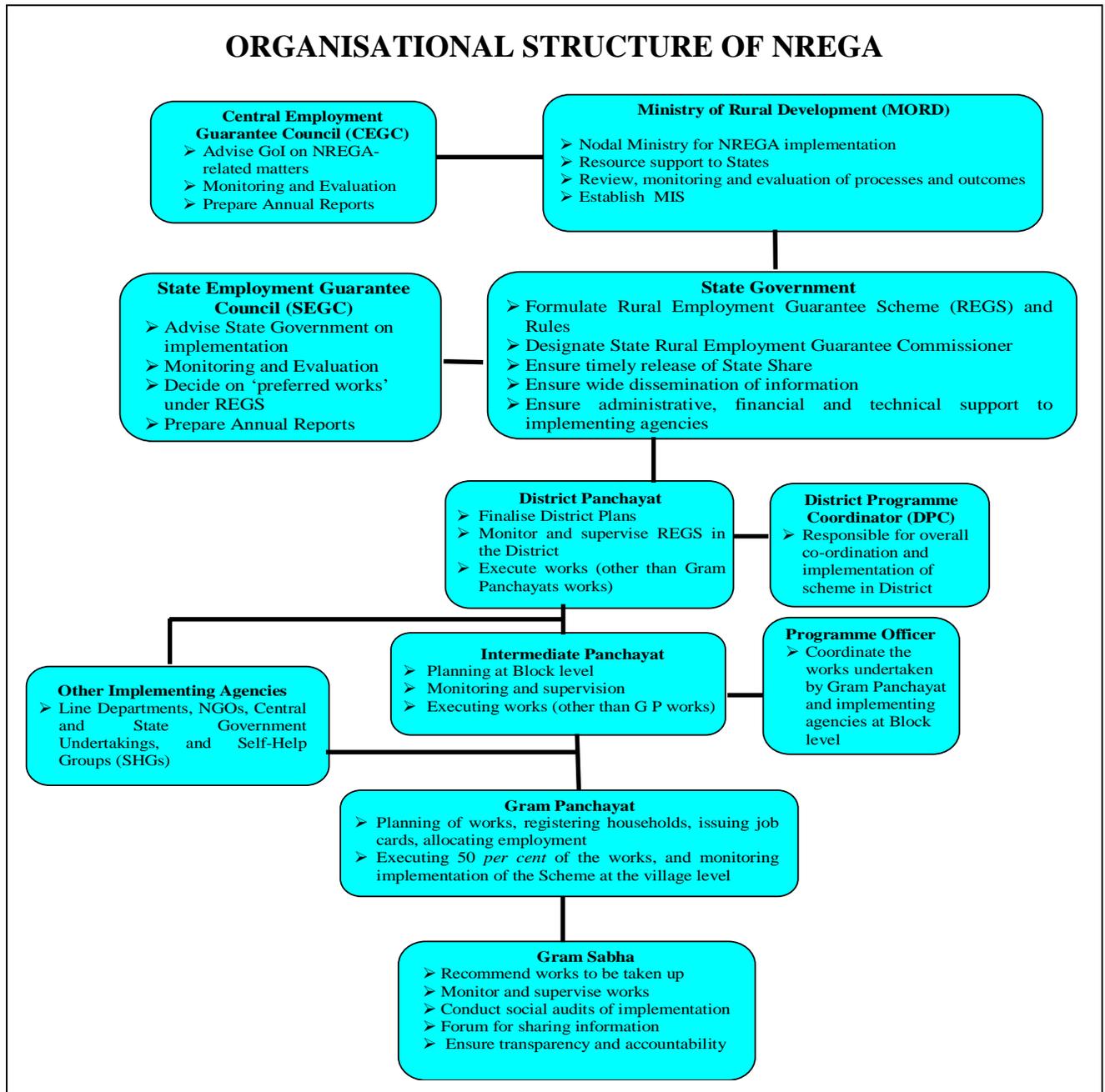
- the types of works that can be covered under NREGA (subject to additions in respect of different States);
- the minimum entitlements of labour;

¹ An additional 130 districts were notified under Phase-II during 2007-08, and the remaining 266 districts have been notified under Phase-III with effect from 1 April 2008. These additional districts are not being covered as part of this Performance Audit.

- the roles and responsibilities of different functionaries right from the State Government to the District, Block and Panchayat level functionaries, including those of the Panchayati Raj Institutions (PRIs) at various levels;
- the detailed procedures for planning, financial management, registration and employment allotment, execution of works, and payment of wages and unemployment allowance;
- the detailed records to be maintained at different levels; and
- the mechanisms for social audit, as well as monitoring and evaluation of outcomes.

1.2 Organisational Structure and Funding Pattern

The organizational structure for implementation of NREGA is as follows:



The Government of India (GoI) has established a fund called the National Employment Guarantee Fund, from which grants are released directly to Districts². Revolving funds are to be set up under REGS at the District, Block and Gram Panchayat levels, with separate bank accounts being opened for such funds at each level.

2 Request for audit

In August 2006, the Ministry requested a performance audit of the implementation of NREGA, in view of the importance of the Act and the programme and to provide assurance that the processes under the Act were put in place and were being adopted effectively by the State Governments. This request was accepted, and a performance audit of implementation of NREGA, covering the initial 200 districts, was initiated during 2007-08.

3 Audit Objectives

The main audit objectives for the Performance Audit were to ascertain whether:

- effective preparatory steps for planning, implementation and monitoring/evaluation of outcomes were taken by the Central and State Governments;
- the procedures for preparing perspective and annual plan at different levels for estimating the likely demand for work, and preparing a shelf of projects were adequate and effective;
- there was an effective process for registration of households, allotment of job cards, and allocation of employment in compliance with the guidelines;
- NREGA works were properly planned, and executed in compliance with the Act and the guidelines, and durable assets were created and properly accounted for;
- wages and unemployment allowance were paid in accordance with the Act and the guidelines, and the intended objective of providing 100 days of annual employment at the specified wage rates was effectively achieved;
- funds released for NREGA were accounted for, and utilized in compliance with the guidelines;
- there was an adequate and effective mechanism at different levels for monitoring and evaluation of NREGA outcomes; and
- there was an adequate and effective mechanism for social audit and grievance redressal.

4 Audit Criteria

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

² Although NREGA provides for funds to be transferred by GoI to the State Governments through separate State Employment Guarantee Funds, this mechanism has, so far, not been operationalised.

- The National Rural Employment Guarantee Act, 2005 (NREGA), and notifications issued thereunder;
- NREGA Operational Guidelines (2006); and
- Circulars and letters issued by the Ministry.

5 Audit Scope, Sampling and Methodology

5.1 Audit Scope

The scope of audit was restricted to the initial 200 districts identified for implementation of NREGA. The period of audit coverage was from February 2006 to March 2007. Field audit of the relevant records of the Ministry, State Governments and District, Block and Panchayat level offices was conducted at the Ministry and 26³ States between May and September 2007.

Subsequently, in order to assess the improvement in maintenance of records as a result of the performance audit, a limited scrutiny of record maintenance for one month (November 2007) was conducted between February and March 2008, covering 24 GPs in 6 States from within the original audit sample.

5.2 Audit Sampling

In each State, 25 per cent of the NREGA districts (subject to a minimum of two) were selected. In each district, two blocks were chosen, in each block four Gram Panchayats (GPs) were chosen, and in each selected GP, four works (preferably three completed and one ongoing) were selected for detailed examination.

Thus, records relating to 68 districts, 141 blocks within the sampled districts, and 558 GPs in the sampled blocks were selected for detailed examination.

The limited scrutiny, which was conducted in February- March 2008, covered 6 states, 12 districts, 12 blocks and 24 GPs, which were selected from the original audit sample.

Details of the selected districts, blocks and GPs are given in **Annexure –A**.

5.3 Audit Methodology

The performance audit commenced with an entry conference with the Ministry in April 2007, wherein the audit methodology, scope, objectives and criteria were explained. During the meeting, the Ministry also made a presentation on the status of NREGA.

After the conclusion of field audit, an exit conference was held with the team of the Ministry headed by Joint Secretary of the Ministry in December 2007, where the draft audit findings and recommendations were discussed at length. In addition, exit conferences were also held between August 2007 and January 2008 with the State Governments, where the State-specific findings were discussed.

³ Mizoram, where NREGA was implemented in two districts, was not covered during the Performance Audit.

The draft performance audit report was issued to the Ministry in December 2007. The Ministry sent its response on the draft report, and also forwarded the comments of 21 State Governments on the report in February 2008. Further, the Secretary, Ministry of Rural Development along with her team also made a presentation highlighting their concerns relating to the issues covered in the draft report in February 2008. The concerns espoused by the Ministry during the presentation and their responses on the draft report have been suitably addressed/incorporated in the Report.

Subsequent to the original audit, some of the sampled districts were revisited to check the improvement in maintenance of records in February-March 2008, covering 24 GPs in 12 blocks in 12 districts in 6 States from within the original audit sample. The results of the scrutiny have been incorporated in the Report.

Audit acknowledges the cooperation and assistance extended by the Ministry, the State Governments, and their officials at various stages of conduct of the Performance Audit.

6 Responses of the Ministry and States

The Ministry had forwarded the responses of 21 State Governments, asking audit to examine the responses and make appropriate revision to the draft report. In response to audit's request for the Ministry's final response on the report and not merely the individual responses of the States, the Ministry stated (February 2008) that the audit findings related to:

- either specific instances of irregularities/ deviations committed by the implementing agencies of the State Governments; or
- the general principles enunciated in the Act, scheme, guidelines and instructions of the GoI.

As regards specific instances of irregularities/ deviations, the Ministry stated that it could not be expected to comment on the findings of the audit team, as neither was the relevant evidence (which would presumably have been made available by the implementing agencies for examination by the audit teams) available with the Ministry, nor was it reasonably practical to have such evidence examined by the Ministry, which were admittedly numerous and spread over the country. Further, the Ministry stated that the State Governments were not subordinate organs of the Government of India, but were coordinate authorities within the framework of both NREGA as well as the Constitution.

In this regard, audit holds the view that the National Rural Employment Guarantee Act (NREGA) is a Central legislation, and the Ministry, as the nodal agency for NREGA, bears overall responsibility for co-ordinating and monitoring the administration of NREGA and ensuring that the funds provided by GoI are economically, efficiently and effectively utilized by the implementing agencies. However, the responses of the State Governments have been suitably incorporated in this report, even though the Ministry has not offered its comments thereon.

In its presentation in February 2008, the Ministry also sought to distinguish between the force of the Act and the State Schemes on the one hand, and the guidelines and advisories issued by the Ministry on the other. According to the Ministry, while the Act and the State

schemes were binding, the guidelines and advisories were merely suggestive, with scope for flexibility. The Ministry, therefore, felt that there was a need to recognize the varying authority of processes, and nuance the findings according to the appropriate classification of the process.

While audit notes the distinction between processes specified under the Act, State Schemes and guidelines, it holds the view that though the guidelines and advisories were suggestive, these needed to be followed in spirit as these were intended to facilitate the effective and efficient implementation of NREGA and achievement of its intended objectives.

7 Physical and Financial Performance

7.1 Physical Performance

According to the Ministry's reports, during the year 2006-07:

- 3.81 crore rural households had registered under the scheme;
- 2.12 crore households had demanded employment under the scheme, of which 2.10 crore households received employment.
- 0.22 crore households received the full 100 days of legally guaranteed employment. State-wise details of physical performance reported by Ministry are given in **Annexure- B**.

7.2 Financial Performance

The total financial assistance provided by the GoI to all the State Governments up to 31 March 2007 was Rs. 12073.56 crore (including Opening Balance of Rs. 2052.92 crore, Central Share of Rs. 8958.02 crore, State Share of Rs. 813.42 crore and Miscellaneous Receipts of Rs. 249.20 crore). Of this, the State Governments could utilize Rs. 8823.36 crore (73 per cent), as detailed in **Annexure-C**.

8 Audit Findings

8.1 Framing of Rules and Rural Employment Guarantee Scheme (REGS)

Requirement

- The Act provided that the State Governments could make rules for carrying out the provisions of the Act. The Rules, inter alia, were to determine the grievance redressal mechanism at the block level and the district level and procedure to be followed in such matter, lay down the terms and conditions to determine the eligibility for unemployment allowance, and provide for the manner of maintaining books of account of employment of labourer and the expenditure.
- According to the NREGA Operational Guidelines, the State Government should prescribe the time frame for each level i.e. GP, block and district levels for proposing, scrutinizing, and approving REGS works.

Audit Findings

- The Governments of **Arunachal Pradesh, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Kerala, Maharashtra, Manipur, Punjab, Rajasthan and Tamil Nadu** (13 States) did not formulate rules for carrying out the provisions of the Act as of March 2007.
- The Governments of **Arunachal Pradesh, Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Manipur, Nagaland, Orissa, Punjab, Sikkim, Uttarakhand and West Bengal** (16 States) did not prescribe the time frame for each level i.e. GP, Block and District levels for proposing, scrutinising and approving REGS works.

**Ministry's
Response**

- Formulation of rules by the State Governments was only an option under Section 32(1) of the Act, and was not mandatory.
- The Act did not prescribe any time limit (for different levels). While the guidelines suggested that the States should consider fixing some time limits, this was advisory.

**Responses of
States**

- Governments of **Chhattisgarh, Gujarat, Punjab, Tamil Nadu, and Maharashtra** stated that action had now been initiated to frame rules in respect of NREGS.
- The Governments of **Andhra Pradesh, Chhattisgarh, Orissa, Sikkim and Uttar Pradesh** have indicated that action for stipulating detailed timeframes would be taken now.

Implication

- Section 32(1) of the Act requires the State Governments to make rules to carry out the provisions of the Act and indicates some critical matters including determination of grievance redressal mechanism, which may be provided in the rules. Formulation of such rules was therefore, crucial for the effective implementation of NREG Act.
- In the absence of defined time frames at GP, Block and District levels for proposing, scrutinizing and approving REGS works, there might be difficulty in ensuring a shelf of projects in advance, which could adversely impact provision of employment on demand.

Recommendations

- *The State Governments should formulate detailed rules for the implementation of the Act, and also specify timeframes at different levels for proposing, scrutinizing and approving REGS works.*

- *All states should be persuaded to put in place effective grievance redressal mechanisms so as to ensure that the purpose of NREG Act to provide 100 days employment as a matter of right is not diluted.*

8.2 State Employment Guarantee Councils (SEGCs) and Employment Guarantee Commissioners (EGCs)

Requirement

- The Act stipulates that every State Government should set up a *State Employment Guarantee Council (SEGC)*, which is responsible for advising the State Government on the implementation, evaluation and monitoring of the Scheme, deciding on the “preferred works” to be implemented under REGS, recommending the proposals of works to be submitted to the GoI by the State Government, and preparing an Annual Report on REGS, to be presented to the State Legislature.
- The NREGA Operational Guidelines require each State Government to designate an officer, not below the rank of a Commissioner, as the *State Rural Employment Guarantee Commissioner* responsible for ensuring that all activities related to the objectives of the Act were carried out as intended.

Audit Findings

- While 22 State Governments had constituted SEGCs, the Governments of **Gujarat, Haryana, Sikkim and Uttarakhand (4 States)** had not done so as of March 2007.
- While 18 State Governments had designated an officer as State Rural Employment Guarantee Commissioner, the State Governments of **Arunachal Pradesh, Himachal Pradesh, Karnataka, Nagaland, Tripura, Uttar Pradesh and Uttarakhand (7 States)** had not done so as of March 2007.

Ministry's Response

- The Act did not stipulate a timeframe for setting up the SEGCs; hence, it could not be said that there was a delay in setting up the councils.

Responses of States

- The Governments of **Haryana and Gujarat** stated that the proposal to setup the SEGC was under **consideration**.
- The Government of **Uttarakhand** stated that an independent cell for SREGS was being formed at the state level.

Implications

- The response of the Ministry is not acceptable. Section 12(1) of NREGA stipulates that for the purposes of regular monitoring and reviewing implementation at the State level, every State “shall” constitute a State council, and also stipulates the duties and functions of the council. If after two years of implementation of NREGA, some States have not set up the State councils, it is not

known how the relevant functions were being discharged.

- In the absence of a State Rural Employment Guarantee Commissioner, there is no single identified official responsible for ensuring that all activities required for fulfilling the objectives of the Act are carried out.

Recommendations

- *The Ministry may take steps to see that SEGCs are constituted in all States. The Ministry may also ensure that all State Governments designate State Rural Employment Guarantee Commissioners.*

8.3 Resource Support

Requirements

NREGA, its Operational Guidelines and other circulars issued by the Ministry inter alia envisaged the following:

- As per the provisions of the NREGA, every State Government was required to appoint a full-time dedicated Programme Officer (PO), not below the rank of Block Development Officer (BDO), in each Block, with necessary supporting staff for facilitating implementation of the Scheme at Block level.
- The operational guidelines also provided that it would be advisable to appoint an “Employment Guarantee Assistant” (EGAs) or “Gram Rozgar Sevak” (GRSs) in each GP, in view of the pivotal role of the GP in the implementation of REGS.
- The suggested model for administrative expenses included a technical assistant for every 10 Gram Panchayats.
- The State Government could also constitute panels of accredited engineers at the District and Block levels for the purpose of assisting with the estimation and measurement of works.
- The State Government could consider appointing Technical Resource Support Groups at the State and District levels to assist in the planning, designing, monitoring, evaluation and quality audit of various initiatives and also assist in training and handholding, with a view to improving the quality and cost effectiveness of the scheme.

Audit Findings

- The Governments of **Arunachal Pradesh, Assam, Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Meghalaya, Nagaland, Orissa, Punjab, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand** and **West**

Bengal (20 States) did not appoint full-time dedicated Programme Officers (POs) in 102 test checked blocks. The existing Block Development Offices (BDOs) were appointed as POs and given the additional charge of the Scheme.

- The Governments of **Bihar, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Punjab, Rajasthan** and **West Bengal** (11 States) did not appoint Technical Assistants in 57 test checked blocks.
- The Governments of **Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Manipur, Nagaland, Orissa, Sikkim, Tamil Nadu, Uttar Pradesh, Uttarakhand** and **West Bengal** (18 States) did not appoint dedicated Gram Rozgar Sevaks in 303 test checked GPs.
- The Governments of **Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu** and **West Bengal** (18 States) did not constitute panels of Accredited Engineers for the purpose of assisting with the estimation and measurement of work.
- The Governments of **Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Maharashtra, Manipur, Meghalaya, Nagaland, Orissa, Punjab, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand** and **West Bengal** (22 States) did not set up a Technical Resource Support Group at State/ District level.

Good Practices

- In **Andhra Pradesh**, two computer operators cum assistants per block, three technical assistants per block and one dedicated technical assistant for 6-7 GPs had been appointed. At the district level, orders for appointing a panel of 10 engineers as District Resource Persons (DRPs) had been issued. At the State level, an EGS units and a technical support unit had been established.

**Ministry's
Response**

- The Ministry's advisories to the State Governments to enable them to deploy adequate staff for NREGA at all levels were broad suggestive frameworks, and States had the option to determine their administrative arrangements, based on their own needs requirements.

Responses of States

- The process of appointment of dedicated POs, Gram Rozgar Sevaks, Technical Assistant/JEs, AEs, Computer Assistants had been initiated by the Governments of **Chhattisgarh, Gujarat, Jharkhand, Punjab, Tripura, Maharashtra, Uttar Pradesh** and **West Bengal**.
- A panel of Accredited Engineers was now being prepared in **Assam, Jharkhand** and **Maharashtra**.
- The Governments of **Chhattisgarh** and **Assam** had initiated the process of constituting Technical Resource Support Groups.
- The Government of **Uttarakhand** has now appointed Dy. Programme Officers at the block level on contract basis.
- The Government of **Orissa** was now contemplating appointment of Additional Programme Officers on contract basis for every block, and a GRS had now (2007-08) been appointed for each GP.

Recommendations

- *State Governments should assess the staffing requirement for implementation of NREGA, and accordingly take steps to address the gaps, if any. The State Governments should particularly consider appointing full-time POs at each Block, with adequate supporting staff and EGAs for each GP.*
- *GOI may also consider amending the current pattern of funding administrative expenses in the case of an identified subset of the 200 Phase-I districts which suffer from acute poverty and consequently there is increased pressure on the NREGA organizational setup⁴. In such selected districts, the salaries for the specified posts at the Block and GP levels (especially the EGA) may be funded so that such posts could be manned on a stable, ongoing basis for effective monitoring and implementation of NREGA.*

8.4 Planning

The obligation to provide employment within 15 days, necessitates advance planning. The basic aim of the planning process is to ensure that the District is prepared well in advance to offer productive employment on demand.

⁴ These considerations are unlikely to apply to the districts notified in subsequent phases of NREGA.

8.4.1 District Perspective Plan (DPP)

Requirement	The NREGA Operational Guidelines stipulate the preparation of a five year District Perspective Plan (DPP) to facilitate advance planning and provide a development perspective for the District. The aim is to identify the types of REGS works to be encouraged in the district, and the potential linkages between these works and long-term employment generation and sustained development.
Audit Findings	Out of 68 districts test checked, DPPs were not prepared by 40 districts in Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Maharashtra, Manipur, Punjab, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand and West Bengal (17 States).
Good Practices	In Andhra Pradesh, Integrated Natural Resource Management (INRM) plans had been prepared for each GP. As a result, 7.5 lakh works had been identified for implementation over the next 5-6 years.
Responses of States	The Governments of Assam, Gujarat, Himachal Pradesh, Maharashtra, Punjab, Tripura, Uttarakhand and West Bengal had initiated action/ issued instructions for preparation of DPP as per the requirements of the Guidelines and orders of the Ministry.
Recommendation	<i>For ensuring a long-term shelf of projects, and ensuring timely preparation of Annual Plans, all Districts should be directed to prepare DPPs so as to develop long-term shelves of projects.</i>

8.4.2 Annual Plans

Requirement	<p>The Annual Plan is a working plan that identifies the activities to be taken up on priority in a year. The process for preparation of the Annual Plan is as follows:</p> <ul style="list-style-type: none">• Every year, the GPs shall convene a meeting of the Gram Sabha (GS) to estimate the demand for labour, and to propose the number and priority of works to be taken up in the next financial year. Based on the recommendations formulated in the GS, the GP will prepare an Annual Plan and forward it to the PO. This Annual Plan should indicate the existing demand for work, demand in the previous year, works taken up in the previous year, ongoing works, proposed costs, likely costs and proposed implementing agencies.• The PO will scrutinize the Annual Plans of individual GPs for technical feasibility, and submit a consolidated statement of proposals at the block level to the Intermediate Panchayat (IP),
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which will discuss and approve the plan and forward it to the District Programme Coordinator (DPC).

- The DPC will scrutinize the plan proposals of all IPs, and consolidate them into a District Plan proposal with a block-wise shelf of projects (arranged GP-wise). This District Plan will indicate for each project (a) the time frame, (b) the person days to be generated, and (c) the full-cost. This plan will be discussed and approved by the District Panchayat (DP). At least 50 per cent of the works are to be executed by the GPs.
- The DPC will also coordinate the preparation of detailed technical estimates and sanctions, with project reports for each approved work specifying technical details, as well as the expected outputs and enduring outcomes.

Audit Findings

- Documented annual plans for 2006-07 were not prepared, or the plans were not complete in 175 test checked GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Manipur, Orissa, Sikkim, Tamil Nadu, Uttar Pradesh and West Bengal** (15 States).
- While Gram Sabha meetings for approving the Annual Plans were required to be convened, such Sabha meetings were not convened in 80 test checked GPs in **Assam, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Orissa, Uttar Pradesh and West Bengal** (8 States).
- The District Annual Plans were not prepared in 4 test checked Districts in **Himachal Pradesh, Jharkhand and West Bengal** (3 States).
- The District Plans in 4 Districts in **Bihar, Jammu & Kashmir, Sikkim and Uttar Pradesh** (4 States) did not comprise a block-wise shelf of projects.
- The District Plans in 25 Districts in **Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Orissa, Sikkim and West Bengal** (13 States) did not indicate the person days to be generated for each project, while the District Plans in 12 Districts in **Arunachal Pradesh, Bihar, Haryana, Himachal Pradesh, Jharkhand, Sikkim and West Bengal** (7 States) did not indicate the full cost for each project.
- The District Plans in 11 Districts in **Arunachal Pradesh, Bihar, Himachal Pradesh, Jharkhand, Orissa, Sikkim, Uttar Pradesh and Uttarakhand** (8 States) did not ensure that

50 per cent of the works were to be executed by the GPs.

- The Project Reports for approved works in the District Plans did not clarify the size of the physical assets (e.g. length of road, size of tank) in 14 Districts in **Arunachal Pradesh, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Manipur, Orissa, Tripura** and **Uttar Pradesh** (11 States), and did not clarify the enduring outcomes (e.g. area irrigated, villages connected) in 22 Districts in **Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Manipur, Orissa, Tamil Nadu, Uttar Pradesh** and **Uttarakhand** (15 States).

Response of States

- Necessary instructions had been issued by the Governments of **Assam** and **Chhattisgarh** to the concerned authorities for preparation of documented Annual Plan after identification of works by the GS.
- Necessary instructions had been issued by the Government of **Assam** for wide publicity of GS meetings and identification of works.
- Instructions had been issued by the Governments of **Orissa, Tripura** and **Uttarakhand** for indicating the enduring outcome for each work in the Annual Plan.

Recommendations

- *All Districts must be directed to ensure preparation of Annual Plans at the GP level to be consolidated at the Block and District levels.*
- *States should ensure more publicity at the grass root level, in particular through displays at Panchayat Ghars and Implementing Agencies so as to ensure adequate involvement of Gram Sabha.*
- *To simplify the workload at the GP level, the Annual Plan at the GP level could be limited to identifying works and estimating labour demand, with estimation of likely costs etc. being indicated at the PO's level.*

8.5 Registration and Issue of Job Cards

Requirement

Before demanding employment under REGS, rural households have to register themselves, and get a job card. The process for registration of households and issue of job cards, as per the NREGA Operational Guidelines, is briefly as follows:

- Households may submit an application for registration, or

submit an oral request.

- A Gram Sabha shall be convened when the Act commences, for the purpose of explaining the provisions of the Act, mobilize applications for registration and conduct verifications.
- A door-to-door survey may also be undertaken to identify persons willing to register under the Act.
- Job cards should be issued within a fortnight of the application for registration. Photographs of adult member applicants should be attached to the job cards.

Audit Findings

- While an introductory Gram Sabha meeting at the time of commencement of the Act was to be convened, such a meeting was not conducted or no documentary evidence of such a meeting was available in 120 GPs in **Andhra Pradesh, Assam, Bihar, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Manipur, Orissa, Uttar Pradesh and West Bengal** (12 States).
- Door-to-door survey to identify persons willing to register was not conducted in 323 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal** (20 States).
- Job cards were to be issued within 15 days of application for registration. Delays in issue of job cards were noticed in 196 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Kerala, Maharashtra, Manipur, Orissa, Sikkim, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal** (16 States).
- Photographs of the applicants were not attached to job cards in 251 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Orissa, Uttar Pradesh, Uttarakhand and West Bengal** (13 States).

Other State-specific findings

- In **Orissa**,
 - 670 households of 16 GPs of Narla Block of Kalahandi District were not registered, despite submitting applications, on the grounds that their names did not

feature in the 2002 BPL survey list.

- In 6 GPs of 2 Blocks in Kalahandi District, job cards were not issued to 342 households, and 14 villages in one GP intimated non-supply of job cards despite receiving applications for registration.
- One village (Kajumaska) of Santapur GP with a population of 90 (SC-11; ST-79) was not covered for registration of households.
- In one GP, 13 job cards were found by DRDA officials to be lying with GP officials. In another GP, 21 cards were lying with the GP authorities, and were issued at the instance of audit.
- In **Haryana**, in 5 test checked GPs, against 637 registered households, 968 households were reported to have been issued job cards; in addition, 72 minors had also been registered for doing manual work. Also, in 16 test-checked GPs, photographs were not attached in 2,238 job cards, out of 3467 registered households.
- In **Himachal Pradesh**, in Sirmour District, out of 13,695 BPL households, only 5389 households (39.3 percent) were registered and issued job cards.
- In **Manipur**, job cards were issued without identification.
- In **Karnataka**, in the two district of Davanagere and Gulbarga, out of the total registered households of 2.33 lakh and 3.89 lakh, only 1.55 lakh (66.5 percent) and 2.01 lakh (51.7 percent) households were issued job cards.
- In **Tamil Nadu**, in Cuddalore District, out of 2,24,000 applications registered, job cards were not issued to 1093 households as of March 2007.

Good Practices

- In **Andhra Pradesh**, for NREGA Phase-III districts, arrangements had been made for issue of job cards with photographs in all GPs.

Ministry's Response

- Convening of the Gram Sabha meeting at the time of commencement of NREGA was only an advisory instruction.

Responses of States

- The State of **Andhra Pradesh** stated that introductory mobilization was carried out in campaign mode.
- The States of **Andhra Pradesh, Rajasthan, Tamil Nadu** and **Maharashtra** stated that issue of job cards was an ongoing process and necessary instructions had been issued to the

concerned Officers for proper maintenance of Job Cards.

- In **Andhra Pradesh**, photo affixing had been taken up in campaign mode, and was scheduled for completion by March 2008.
- Proper registration of beneficiaries i.e. timely issuance of job cards and fixing of photographs had now been initiated in **Chhattisgarh, Jharkhand, Orissa and Sikkim**.

Recommendations

- *State Governments should take steps to provide adequate publicity to the programme and to persuade as many BPL households as possible to register under NREGA. The door-to-door surveys, even at this stage, would be useful.*
- *State Governments should take up a time bound programme to ensure affixing of photographs to the existing job cards.*
- *State Governments must ensure that under no condition are job cards retained by GP/ other departmental officials for any purpose.*

9 Works

9.1 General

Requirements

According to the Act and the NREGA Operational Guidelines:

- To avoid duplication, a unique identity number should be given to each work.
- Administrative and technical sanction should be obtained for all works in advance, by December of the previous year.
- Worksite facilities (medical aid, drinking water, shade and crèche, if there are more than five children below the age of six years) are to be ensured by the implementing agency.
- Use of contractors is prohibited; as far as practicable, tasks shall be performed by using manual labour, and not machines.
- The ratio of wage costs to material costs should be no less than 60:40, preferably at the GP, block and district levels.

Audit Findings

- Out of 558 GPs test checked, unique identity numbers were not allotted to works in 331 GPs in **Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Maharashtra, Manipur, Nagaland, Punjab, Sikkim, Tamil Nadu, Uttar Pradesh,**

Uttarakhand and West Bengal (19 States).

- In 19 Districts in **Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Orissa and Uttar Pradesh (7 States)**, the wages-material ratio of 60:40 was not maintained at the district level. Further, 39 test-checked blocks in **Arunachal Pradesh, Bihar, Chhattisgarh, Himachal Pradesh, Jammu & Kashmir, Maharashtra, Nagaland, Orissa, Tripura, Uttar Pradesh and West Bengal (11 States)** did not maintain a wage-material ratio of 60:40 at the block level.
- Out of 558 GPs test checked, administrative approval and technical sanction of works was not obtained in advance in 95 GPs in **Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Uttar Pradesh and Uttarakhand (12 States)**.
- Out of 558 GPs testchecked, worksite facilities were not provided or only partly provided in 227 GPs in **Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Manipur, Orissa, Uttar Pradesh, Uttarakhand and West Bengal (14 States)**.

**Responses of
States**

- According to **Andhra Pradesh**, while drinking water and first aid box were generally provided, provision of shade and crèche was poor, and this would be regularly monitored.
- The Governments of **Assam, Chhattisgarh, Haryana, Himachal Pradesh, Gujarat, Jharkhand, Maharashtra, Orissa, Uttar Pradesh and West Bengal** had now issued necessary instructions for allotment of Unique IDs to works, maintenance of material wage ratio as per Guidelines, obtaining of administrative approval and technical sanction in advance and providing worksite facilities etc. wherever these were found lacking in Audit.

Recommendations

- *The Ministry/ State Governments should ensure that a unique identity number is given to each work and also that administrative approval and technical sanction for works in the Annual Plan are obtained well in advance.*
- *State Governments should also ensure compliance with the 60:40 ratio of wages: material costs not only at the District level, but also at the Block level, and also in respect of all implementing agencies.*

9.2 State-specific audit findings

9.2.1 Lack of appropriate approvals

Assam	<ul style="list-style-type: none"> • There was no formal allotment of work at GP level. Works were allocated verbally.
Haryana	<ul style="list-style-type: none"> • Expenditure of Rs. 1.53 crore was incurred in 2006-07 on all 129 works in Baraguda block in Sirsa District, without obtaining administrative approval and technical sanction.
Jammu & Kashmir	<ul style="list-style-type: none"> • In three blocks, (Poonch, Bhaderwah and Banihal) out of a total of 495 schemes executed during 2006-07, 116 schemes costing Rs. 111.79 lakhs had not been approved by the competent panchayats and did not form part of the approved annual works plan. An expenditure of Rs. 90.69 lakh was incurred on these schemes during the year. • 14 works costing Rs. 33.55 lakh were executed in three blocks (Bhaderwah Banihal and Poonch) without obtaining administrative approvals in advance. • 18 works costing Rs. 43.80 lakh were under execution in three blocks (Bhaderwah, Banihal, Mendhar) without obtaining technical sanctions from the concerned authorities.
Jharkhand	<ul style="list-style-type: none"> • In the absence of Annual Plan in Palamu, the DC instructed BDOs to take up “ work of irrigation well” in villages without assessing the requirement. Consequently, 1112 wells were taken up (December 2006) at a cost of Rs. 9.93 crore for completion by February/ March 2007, which remained incomplete as of July 2007. • In Gumla, schemes for construction of 159 irrigation wells, ponds and tree plantation were sanctioned by the DC, without holding the meeting of Gram Sabha, for Rs 8.32 crore for completion by September 2006 to May 2007. None of the above works were completed by May 2007. • On the recommendation of six MLAs, 71 schemes for Rs 5.14 crore were taken up (between March 2006 and May 2007) for execution, but these were neither in the Annual Plan nor approved by the Gram Sabhas.
Karnataka	<ul style="list-style-type: none"> • Two works (desilting of tanks) in Harasuru Gram Panchayat (69 acres) and Bheemalli GP of Gulbarga District costing Rs.50.33 lakh was taken up without administrative and

	technical sanction, and one road work of Rs. 8.75 Lakh was taken up in Gulbarga Taluk without technical sanction.
Orissa	<ul style="list-style-type: none"> • In one GP (Duarsuni of Bhawanipatna block), list of three works (estimated cost: Rs. 20 lakh) executed was not approved by the Gram Sabha. • In Bhawanipatna block, one road work was executed at Rs 5 lakh during 2006-07 without technical sanction.

9.2.2 Use of contractors/ machinery

Madhya Pradesh	<ul style="list-style-type: none"> • CEO, Zila Parisad Sidhi, incurred Rs. 20.80 lakh on spraying of hormones for zetropha plantation on contract basis.
Orissa	<ul style="list-style-type: none"> • In one block (Bhawanipatna) of Kalahandi District, 149 works were executed at a cost of Rs 7.55 crore between February 2006 and March 2007 through contractors in the guise of Village Labour Leaders (VLLs) (up to November 2006) and in the name of departmental execution through the Junior Engineers (from December 2006). The VLLs and JEs procured road metal and other materials out of their own resources and also in many cases indicated payment of wages without receiving any advance/ sufficient advance. Site account registers in respect of receipt and issue of materials to the work and temporary advance register in respect of advance availed from December 2006 for payment of wages had not been maintained, though they were mandatory. Materials were not purchased on tender/ quotation basis and purchase bills/ payment receipts were not treated as expenditure documents. Instead, work bills were paid to the VLLs/ JEs based on item and volume of works executed in a similar manner as allowed in the case of work done by the contractors. Measurement for these works was also made by the same JE, shown as departmentally executing the work. This is indicative of execution of works by the contractors in the guise of VLLs and in the name of departmental execution.

9.2.3 Irregular execution of works

<p>Bihar</p>	<ul style="list-style-type: none"> • In Darbhanga and Supual Districts, due to absence of technical staff, work valued Rs 79.26 lakh was executed through non-qualified staff viz. peons, private persons during 2006-07. • Works of Rs 1.49 crore under scheme were assigned by the DDC cum CEO of Madhubani District (June 2006) to two NGOs, who had not executed SGRY⁵ works amounting to Rs 46.22 lakh earlier allotted to them. • Works valued Rs 1.76 lakh was shown as completed in Bahadurpur block, Darbhanga District before issue of work order.
<p>Himachal Pradesh</p>	<ul style="list-style-type: none"> • In respect of the selected works, detailed technical estimates were not prepared. The assessment of the works was done after completion of work and measurements were recorded in the MBs in such manner that the value of a work executed equalled the sanctioned cost.
<p>Meghalaya</p>	<ul style="list-style-type: none"> • No measurement of the works executed in the selected blocks was taken up, due to lack of technical manpower.
<p>Orissa</p>	<ul style="list-style-type: none"> • One executing agency in Bhawanipatna block, Kalahandi District utilized Rs 47.80 lakh to complete seven incomplete works taken up under NFFWP, without following the provisions of NREGA Guidelines. • Similarly, the Assistant Soil Conservation Officer, Bhawanipatna utilized Rs 29.85 lakh during 2006-07 without following the NREGA Guidelines as registered labourers were not engaged and un-authorized (kutch) muster rolls available in the market were used without the authority of the Programme Officer.
<p>Tamil Nadu</p>	<ul style="list-style-type: none"> • Measurement Books for the works executed under NREGS were not maintained in any of the sampled blocks and completion reports were also not recorded for the works completed so far.

⁵ SGRY – Sampoorna Gram Rozgar Yojana

West Bengal	<ul style="list-style-type: none"> • An expenditure of Rs.38.49 lakh was incurred on 20 works, in 7 GPs, due to execution of non-existent quantities of work, which was detected during joint physical verification. • Unfruitful expenditure of Rs.6.13 lakh was also noticed in seven social forestry works due to damage of seedlings because of inadequate protection measures.
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9.2.4 Non-adherence to wage: material costs ratio

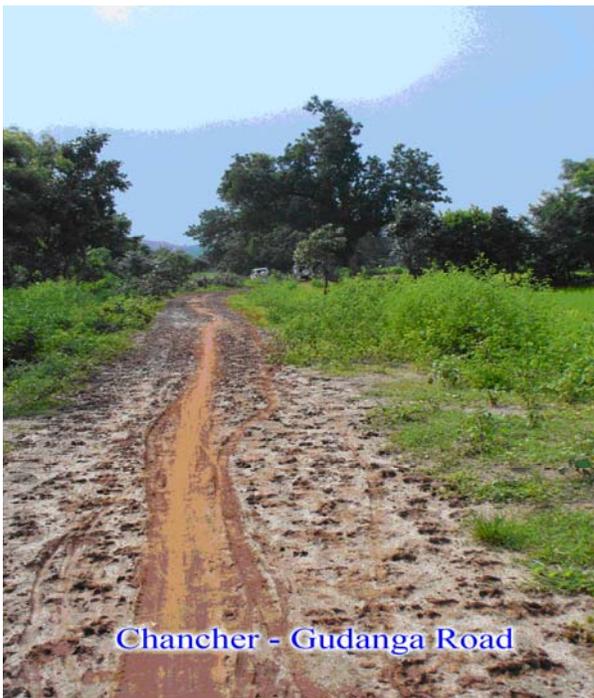
Haryana	<ul style="list-style-type: none"> • In Mohindergarh District, records showing segregation of expenditure on material and wages were not maintained.
Himachal Pradesh	<ul style="list-style-type: none"> • In one (Mehla) out of four selected blocks, the wages-material ratio was 42:58.
Jharkhand	<ul style="list-style-type: none"> • DC, Gumla sanctioned (March 2007) 100 units of “Safed Musli” cultivation for commercial farming for Rs 1.24 crore at Rs 1.24 lakh per unit, which had only 12 per cent (Rs 15.30 lakh) labour component. • In West Singhbhum District, of 4,326 works executed (2006-07) for Rs 52.13 crore, 2,373 were PCC Roads where labour component was as low as 19 to 24 per cent as against the norm of 60 per cent.
Tripura	<ul style="list-style-type: none"> • Rs. 52.44 lakh was incurred on construction of a motor stand where the wages-material ratio was 30:70. Similarly, in 62 projects under 2 Panchayat Samitis, Rs. 106.91 lakh was incurred where the wages – material ratio ranged from 9:91 to 31:69.

9.2.5 Abandoned/ Unfruitful works

Bihar	<ul style="list-style-type: none"> • 37 works estimated to cost Rs. 2.02 crore were abandoned in Supaul District after expenditure of Rs. 27.79 lakh, as they exceeded the stipulated material-labour ratio, resulting in unfruitful expenditure.
Haryana	<ul style="list-style-type: none"> • An expenditure of Rs. 4.31 crore was incurred on digging 257 ponds in Mohindergarh District, which is a drought prone area with scanty rainfall and where the soil is sandy and has no water retention power. Block and GP officials admitted that the ponds dug under NREGA were without water. • Similarly in Sirsa District, Rs. 7.31 crore was spent on digging of 237 ponds, for which factors like catchment area,

	<p>source of recharging etc. were not assessed and works were executed without technical sanction and preparation of detailed estimates. Test check of records revealed lack of arrangements for filling the ponds with water, and complaints regarding absence of need.</p>
<p>Orissa</p>	<ul style="list-style-type: none"> • NREGA Guidelines permit execution of road projects providing all weather connectivity in rural areas. However, joint physical inspection in September 2007 of three road works executed at a cost of Rs 15 lakh in Bhawanipatna block disclosed that the roads even after improvement were not able to provide all weather access. Further, recording of inflated measurement in the measurement books and Level section Graph sheets in all the three cases, and excess payment of Rs.1.80 lakh in one case was also noticed.

Photographs of works inspected by audit teams



(NREGA Road work in Bhawanipatna Block, Kalahandi Distt., Orissa not providing all weather connectivity)



(Ichapur to Bijepur Road, Bhawanipatna Block, Kalahandi Distt, Orissa not providing all weather access)

9.2.6 Other irregularities

Haryana	<ul style="list-style-type: none"> In 7 blocks of Sirsa District, while making purchases of Rs. 98.28 lakh for providing amenities, proper purchase procedures – invitation of tenders, quality assurance, inspection etc. were not followed.
Karnataka	<ul style="list-style-type: none"> No details of measurements were recorded in the Muster Rolls in Gulbarga District and dates of payments were also not recorded. Assets created were not according to specification and quantities executed were not as per technical sanction.
Kerala	<ul style="list-style-type: none"> In 3 test checked works, excess payment of Rs. 2.25 lakh due to application of wrong per unit rates was noticed.
Manipur	<ul style="list-style-type: none"> A total of 843 works were executed on the basis of inflated estimates, resulting in avoidable expenditure of Rs.2.57 crore (inclusion of contractors’ profit element- Rs. 1.19 crore and agency charges- Rs. 1.38 crore).
Orissa	<ul style="list-style-type: none"> In Kalahandi district, due to delay in execution of 46 works by an executing agency (Assistant Soil Conservation Officer, Bhawanipatna), there was cost overrun by Rs 35.03 lakh. Excess payment of Rs. 7.98 lakh in 13 cases in Bhawanipatna block, due to non-deduction of voids and volume of sand and moorum utilized, was noticed.
Rajasthan	<ul style="list-style-type: none"> In GPs test checked (in block Dhariyawad and Kherwara of Udaipur district) payment to labourers was made without measuring works and working out tasks; the reason indicated on the muster rolls was due to shortage of technical staff.

Responses of States

- The Government of **Assam** stated that the instructions had been issued to district authorities for formal allotment of work at GP level.
- The Government of **Bihar** stated that action has been initiated against the DDC, Executive Engineer for allotment of works to defaulting NGOs. Besides, directions had been issued to DPC of Darbhanga district to look into the irregularities pointed out in Audit.
- The Government of **Haryana** admitted that the expenditure on digging of ponds in Sirsa and Mohindergarh Districts was wasteful, but contended that possibilities were being explored to connect these ponds with canals/ water channels.
- The Government of **Madhya Pradesh** had now initiated

remedial action to rectify the irregularities pointed in audit and issued instructions to obtain administrative approval and technical sanction before start of work.

Recommendations

- *GoI may consider adding additional categories of works, and also consider empowering State Governments/ SEGCs to add other region-specific works, after keeping the Ministry informed.*
- *In order to avoid duplication of NREGS works with other schemes, durable signboards with cement concrete base may be preferred over temporary/ less durable signboards.*

10 Employment and Wages

10.1 District Schedule of Rates

Requirements

The NREGA operational guidelines stipulate that:

- District Schedules of Rates (DSRs) should be prepared for each district, and should be posted at worksites in the local language.
- The States should prepare exhaustive and detailed list of tasks required for undertaking works under REGS in different geomorphological conditions, and the productivity norms for the District Schedule of Rates (DSRs) should be worked for each locale in such a way that seven hours of normal work earns minimum wages on a piece rate basis.
- Implementing agencies may provide a description of daily work requirements to facilitate the fulfillment of productivity norms.

Audit Findings

- The Governments of **Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Manipur, Meghalaya, Punjab, Sikkim, Tripura, Uttar Pradesh, and Uttarakhand** (16 States) did not prepare separate District-wise Schedules of Rates (DSRs) specifically for NREGA works.

Good Practices

- In **Andhra Pradesh**, 158 works were taken up for conduct of time and motion studies by the Engineering Staff College of India, based on which a Rural Standard Schedule of Rates (RSSR) had been prepared and notified. Further, tasks were identified for various works under eight categories of NREGA, and productivity norms devised and circulated in the

form of task sheets prepared in the local language. Salient features and rates were also painted on the Village Information Wall. According to the State Government, use of locally understood terminologies in the task sheets enabled labour to understand the payment structure for a given outturn better than displaying DSRs at the worksite.

State Responses

- The Governments of **Assam, Kerala, Jharkhand** and **Tripura** had now entrusted time and motion study.
- The Governments of **Assam** and **Uttarakhand** stated that the DSR had been prepared or were under preparation.
- The Government of **Assam** stated that instructions had been issued for preparation of exhaustive list of tasks under different geo-morphological conditions.

Recommendation

- *The Ministry/ State Governments should ensure preparation of separate District-wise Schedules of Rates for NREGA, fixing of productivity norms for tasks in different geo-morphological conditions. Ultimately, seven hours of normal work must earn at least the minimum wage rate. Such rates should also be widely publicized in the local language.*

10.2 Payment of wages

Requirements

Every person working under REGS is entitled to wages at the minimum wage rate fixed by the State Government for agricultural labourers. Wages may be paid either on a time rate or piece rate basis. The NREGA Operational Guidelines further stipulate that:

- Wages should be paid on time. In the case of delay beyond 15 days, workers are entitled to compensation as per the provisions of the Payment of Wages Act, 1936.
- Measurements must be recorded transparently, whereby individuals may verify their measurement on a daily basis.

Audit Findings

- In 79 GPs in **Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Kerala, Madhya Pradesh, Maharashtra, Manipur, Orissa, Punjab, Rajasthan** and **Tamil Nadu** (12 States), the workers, even after working for seven hours, were paid wages less than the minimum wage rate.
- In 213 GPs in **Andhra Pradesh, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Manipur, Orissa, Rajasthan,**

Sikkim, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal (17 States), workers were not paid wages on time i.e. within a fortnight of the date on which the work was done. No compensation was paid to them.

10.2.1 State Specific Findings

A State-wise summary of irregularities in the payment of wages is as follows:

Andhra Pradesh	<ul style="list-style-type: none"> No compensation was paid to labour in respect of 2,05,911 cases of delayed payments of wages in the State beyond the stipulated period of 15 days during 2006-2007.
Chhattisgarh	<ul style="list-style-type: none"> Scrutiny of 63 works in selected GPs revealed delays up to 355 days in payment of wages to workers, but no compensation was paid. The stated reason for non-payment of compensation was that it was not claimed. The minimum wage rate applicable during 2006-07 was Rs.61.37 per day (April to September 2006) and Rs.62.63 per day (October 2006 to March 2007). But during the period from April 2006 to September 2006, wages were paid at the rate of Rs.58.73 per day, resulting in non-payment of minimum wages to labourers. Due to non-rounding of wage rates to the nearest rupee, payment of full amount mentioned in MRs could not be verified.
Gujarat	<ul style="list-style-type: none"> In the test checked works, delay in payment of wages could not be ascertained, as no dates of payment of wage were recorded in the MRs. However, the Sarpanchs of GPs checked informed audit that the measurements of the works executed were delayed for three to four weeks. No compensation for delayed payments was paid.
Haryana	<ul style="list-style-type: none"> Arrears of Rs. 17.49 lakh(as worked out by audit) due to revision of minimum wage rates were neither calculated nor paid.
Himachal Pradesh	<ul style="list-style-type: none"> Delay in payment of wages in test checked works ranged between 17 and 283 days. No compensation was paid.
Jammu & Kashmir	<ul style="list-style-type: none"> In 19 works costing Rs. 22.87 lakh in two blocks (Mendhar, Bhaderwah), wages of Rs. 4.99 lakh to 458 workers pertaining to 2006-07 were not paid till July/August 2007.
Karnataka	<ul style="list-style-type: none"> There were cases of delayed payment of wages of 3-4 months in 5 GPs amounting to Rs.62.04 lakh; however, no compensation was paid.

Madhya Pradesh	<ul style="list-style-type: none"> • In the test checked districts, the average daily wage rate paid was Rs. 45. • Though wages of Rs. 62.69 lakh paid to 13868 labourers was delayed by 1 to 6 months, no compensation was paid.
Maharashtra	<ul style="list-style-type: none"> • Daily average wage in the three test-checked districts ranged from Rs. 8 to Rs. 187; this was due to non-determination of productivity norms by the Government.
Manipur	<ul style="list-style-type: none"> • Though the daily wage rates were enhanced from Rs. 72.40 to Rs. 81.40 from 1 January 2007, wages were paid at the old rates, resulting in denial of wages amounting to Rs. 46.89 lakh.
Orissa	<ul style="list-style-type: none"> • In 6 cases involving wage payment of Rs. 13.66 lakh, there were delays ranging from 17 to 53 days, but no compensation was paid. • Due to issue of excess work orders for Rs. 2.96 crore beyond the allotted fund, the bills of 46 works were pending in Bhawanipatna block of Kalahandi District since June 2007. In two out of three test checked works, wages of Rs. 0.96 lakh to 186 labourers engaged in April/ May 2007 had not been paid as of September 2007, and no MR was submitted in the third case. It was noticed that the State had short-released its share by 27.96 crore upto 2006-07. • Non-payment and delayed payment of wages in Kalahandi was also confirmed by the District Labour Officer. • In 6 GPs, there was underpayment of wages vis-à-vis the minimum wage rate of Rs. 0.48 lakh to 866 labourers. • Beneficiary interviews of 142 households in 21 villages of Kalahandi and Bolangir Districts in the presence of the Sarpanch/ PRI member and BDO revealed that in 98 cases, the beneficiaries disputed their engagement, and in 117 cases, they stated receipt of wages of only Rs. 3.41 lakh against Rs. 5.76 lakh shown in the online job cards and Muster Rolls. • In 13 muster rolls (Bhawanipatna block), 64 ineligible labourers (30 unregistered labourers and 34 labourers belonging to households already provided with 100 days employment in a year) were engaged on work and paid Rs.0.77 lakh as wages.
Rajasthan	<ul style="list-style-type: none"> • Delayed payment of wages ranging upto 209 days was noticed in test checked GPs, but no compensation was paid.
Tamil Nadu	<ul style="list-style-type: none"> • Delay in payment beyond 15 days was noticed in 43 instances in 12 out of 16 sample villages in two sampled districts. However, no compensation was paid.

Uttar Pradesh	<ul style="list-style-type: none"> • There was non-payment of wages to labourers in two test checked blocks for want of funds.
Uttarakhand	<ul style="list-style-type: none"> • In one test checked GP, extra expenditure of Rs. 0.61 lakh on account of payment from GoI Funds of more than 100 days employment, ranging between 110 – 219 days, was detected.
West Bengal	<ul style="list-style-type: none"> • Delay in payment of wages beyond 15 days was noticed in 14 out of 24 test checked GPs, but no compensation was paid.

Good Practices

- **Andhra Pradesh** was now making all payments to NREGA wage seekers through individual postal savings accounts. 66 lakh postal accounts have been opened, with separate accounts for women and men. Wage seekers were issued pay slips (indicating the period of work, no. of days worked and authorized pay) by village-level EGS functionaries. Payment of wages through postal accounts was also noticed during audit in **Karnataka** and **Jharkhand** (one GP in Hazaribagh District), while payment through bank accounts was noticed in **Karnataka** and **Kerala**.
- In **Andhra Pradesh**, work-wise computer generated measurement sheets were used for recording measurements; each payment has a corresponding measurement sheet. According to the State Government, the measurement book concept was not appropriate as payments were to be processed every week.
- In **West Bengal** the payment of wages in Dakshin Dinajpur District was now being made entirely through Bank and Post Offices and the system had been started in Birbhum and Bankura Districts.

Responses of States

- Instructions had been issued by the Governments of **Jharkhand, Madhya Pradesh, Rajasthan, Tamil Nadu, Uttar Pradesh** and **West Bengal** to ensure timely payments of wages to the workers.
- According to Government of **Andhra Pradesh**, delays in some places did occur in view of the massive spread of the programme; however, these would be minimized within the next six months.
- The Government of **Rajasthan** stated that payments through Post Offices may be considered, if the administrative charges

of 5 per cent were reimbursed by GoI.

- The Government of **Haryana** stated that the arrears of wages would now be paid to the workers.

Recommendations

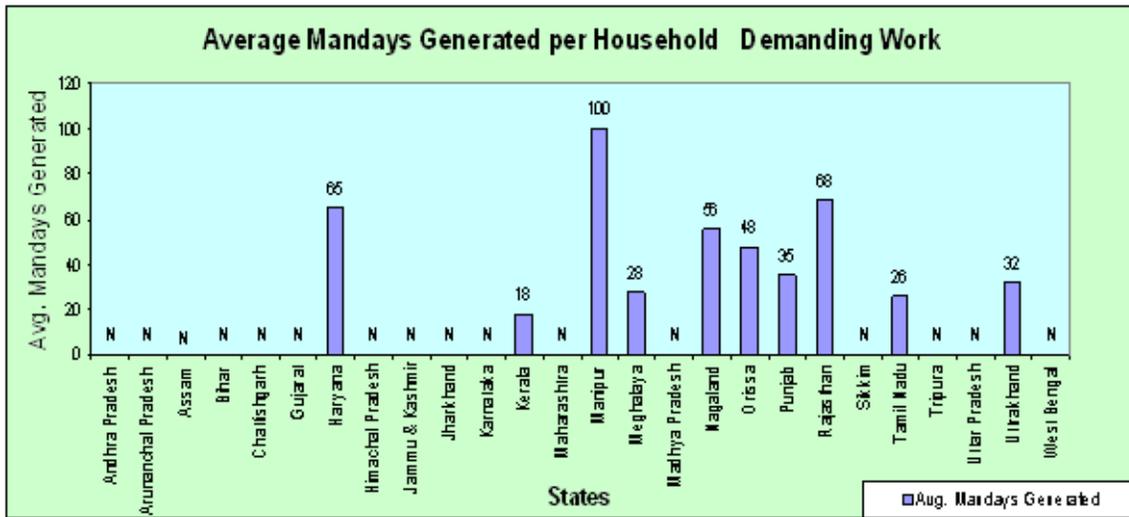
- *Both the Act and the Operational Guidelines stipulate that under no circumstances shall the labourers be paid less than the minimum wages. Non-payment of minimum wages or delayed payment of wages is a violation of the NREG Act. The offenders need to be identified and punished in terms of provisions of the Act.*
- *Payment through postal or bank accounts is essential to minimize chances of leakage and payments to fictitious workers. GoI may explore a nation-wide agreement with the Department of Posts for all REGS payments through postal accounts (except where State Governments have ensured payment through banks). Further, a per-account payment by GoI to the Department of Posts as handling charges may be considered, to ensure that no minimum account balances are stipulated for REGS postal account holders.*
- *It was noticed that REGS works were not being measured on daily basis. Andhra Pradesh and Orissa stated that it was not practicable to measure works on daily basis. GoI may consider amending the NREGA guidelines for measurement of works on a weekly basis, keeping in view the availability of technical staff and other practical considerations.*

10.3 Employment Generation in test-checked GPs

The primary objective of NREGA is to enhance livelihood security by providing at least 100 days of guaranteed wage employment on demand. Audit conducted a review of the employment provided (as per the Monthly Progress Reports (MPRs) of March 2007) in 465 GPs in 111 blocks in 26 States. Details of employment generated in the test-checked GPs are available in **Annexure-D**.

Data in respect of households demanding work could not be calculated for 373 test checked GPs in 95 blocks of 16 States, out of 558 GPs, as detailed data, at the GP level, on number of households demanding employment and provided employment was not available.

A chart showing the average number of mandays provided to each household in the test checked GPs who had demanded work (in respect of the 10 States where the data of households demanding work was maintained GP wise) is given below:



N- Data of employment demanded not available Gram Panchayat wise

- The Ministry stated that registration of households did not automatically lead to employment, which would be provided only to those households applying specifically for employment
- However, the fact that the data in respect of employment demanded could not be verified, in the case of nearly 67 per cent of the sampled GPs, clearly demonstrates the lack of reliability and authenticity of the reported figures of average employment provided to each households demanding work. This strikes at the root of the process of providing employment on demand. Audit came across specific discrepancies in the case of Jharkhand and Orissa as mentioned below

<p>Jharkhand</p>	<ul style="list-style-type: none"> • In 10 districts, 6.10 lakh applicants were reported to have been provided employment against 0.70 lakh households, while in three districts, 0.10 lakh applicants against 0.90 lakh households were reported to have been provided employment. These figures are clearly unreliable.
<p>Orissa</p>	<ul style="list-style-type: none"> • In the 12 test checked blocks, 44.27 lakh person days (23 per cent) were generated. Average employment provided was 24 days per household. Out of 1.80 lakh registered households, only 5158 households were provided 100 days or more of employment. Providing 100 days of employment was also not free from doubt, as physical verification of job cards of 13 out of 14 test checked households revealed only 10 to 96 days of employment, as against 100 days or more shown in the online job cards. Further, out of 121 households reported by 4 GPs to have completed 100 days of employment, only 3 households were found to have completed 100 days of employment as per the GP Employment Registers. • Out of 142 job cards test checked, in 55 cases the employment

	<p>provided as per the physical job cards ranged from 9 to 99 days – totaling 2615 days, while the online job cards showed employment provided from 13 to 108 days – totaling 4313 days. In the remaining 87 cases, the employment provided as per the physical job cards ranged from 18 to 335 days – totaling 8272 days, while the employment provided as per the online job cards ranged from 3 to 108 days. Thus, the job cards were unreliable.</p> <p>In response, the Government of Orissa clarified that as far as entry of excess days in the job card was concerned, many non-job card holders also worked and in order to make their payments early their work out-put had been shown against existing job card holders, due to which the number of days shown in the job card varied from the actual number of days the said job card holders had been engaged in the work.</p> <p>The response of the State Government is not tenable, as the sanctity of the process of registration, demand and allotment of work is completely vitiated. Further, there is no assurance on the authenticity of the employment stated to have been provided.</p>
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10.4 Unemployment Allowance

Requirement

- Under NREGA, the State Government is required to provide employment to a registered applicant within 15 days of demand, failing which unemployment allowance at stipulated rates is payable.
- Unemployment allowance is to be paid from State Government funds, and not from GoI funds.

Audit Findings

- In 282 GPs in 21 States, dated receipt of applications for demand for work were not given, and in 329 GPs in 19 States, Employment Registers were not maintained, as described in paragraph 8.8.1 . In the absence of recorded date of demand, the entitlement to unemployment allowance could not be easily established.
- However, audit scrutiny in 58 blocks in **Arunachal Pradesh, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Manipur, Meghalaya, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tripura, Uttar Pradesh and Uttarakhand** (17 States) revealed that unemployment

allowance was not paid to those workers, who could not be provided with employment within 15 days from the date on which work was requested for.

Detailed State-wise findings

- In **Andhra Pradesh, Assam, Uttarakhand and Tamil Nadu** though no unemployment allowance was paid, there was a possibility of work not being provided within the stipulated period, as undated applications were being received.
- In **Chhattisgarh**, scrutiny of 63 works in selected GPs revealed that in nine cases, though there was delay in providing job ranging upto 384 days, unemployment allowance was neither claimed nor paid. In 19 cases, the demand for work was undated, and in 35 cases the demand for work was not available. Further, dated receipts were not given to any of the 28 demands for work in the sample.
- In **Himachal Pradesh**, in four test-checked GPs, unemployment allowance to 198 persons, who had applied for wage employment between April 2006 and January 2007 and were not provided employment within the prescribed period, was not paid
- In **Jammu & Kashmir**, the State Government had not prescribed any procedure for payment of un-employment allowance nor authorized any authority which would pay the un-employment allowance.
- In **Jharkhand** (Palamau and Sahebganj districts) though work was provided to only 0.97 lakh workers out of 1.04 lakh workers who demanded work, no unemployment allowance was paid.
- In **Uttar Pradesh**, in four of the six districts covered in audit, 40,587 households demanding employment were neither provided employment, nor was any unemployment allowance paid to them.

Responses of States

- The Governments of **Assam, Himachal Pradesh, Chhattisgarh** and **West Bengal** had issued instructions to the implementing agencies to issue dated receipts for the application for employment.
- The Government of **West Bengal** stated that, in order to address the issue of low demand for employment, lack of women participation etc. a massive awareness programme was being carried out and efforts were being made to sensitize the

women through self help groups.

Recommendations

- *Undated applications and non-maintenance of employment registers leads to a situation where the right to unemployment allowance cannot be verified defeating the very purpose of the Act to provide employment guarantee. Record maintenance at GP level needs to be given serious priority. State Governments should consider appointing EGA in each GP to ensure record maintenance. EGAs should ensure that all applications are dated and dated receipts of applications are given to the job applicants.*
- *Payment of unemployment allowance is to be done suo moto by the State Government; no claim needs to be preferred. Ministry should suitably take up with the State Governments for suo moto payment of unemployment allowance to the eligible labourers.*
- *GoI may consider amending NREGA for partial reimbursement (out of GoI funds) of payment of unemployment allowance, while instituting controls to minimize need for payment of unemployment allowance.*

In response (February 2008), the Ministry stated that this recommendation was contrary to the legal provisions.

In view of larger interest of rural poor, the Ministry may consider proposing suitable amendment to the Act.

10.5 Muster Rolls

10.5.1 General

Requirements

According to the NREGA Operational Guidelines, Muster Rolls (MRs) issued from the Block level, each with a unique identity number, were to be maintained by the GPs and other implementing agencies, in a proforma suggested by the Ministry. Further, photocopies of the MRs were to be kept for public inspection in every GP/ Block. MRs were also to be digitized at the PO level.

Audit Findings

Audit scrutiny revealed the following:

- MRs maintained by 269 GPs in Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Maharashtra, Orissa, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal (18 States) did not bear Unique Identity Numbers.
- In 134 GPs in Andhra Pradesh, Bihar, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh,

Manipur, Orissa, Uttar Pradesh and West Bengal (12 States) it was observed that the MRs did not contain requisite details viz. the name of the person on work, job card number, days worked/ absent and wages paid.

- In 246 GPs in **Assam, Bihar, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Manipur, Nagaland, Orissa, Punjab, Uttar Pradesh, Uttarakhand** and **West Bengal** (15 States), copies of MRs were not available for public scrutiny in the GPs.

10.5.2 State Specific Findings

A State-wise summary of audit findings on Muster Rolls is as follows:

Andhra Pradesh	<ul style="list-style-type: none"> • Tampering of muster rolls by using white fluid and marking absent as present and also overwriting the number of days worked was noticed in general during examination of muster rolls pertaining to the works selected in certain selected GPs
Arunachal Pradesh	<ul style="list-style-type: none"> • An amount of Rs. 33.47 lakh was paid to 2336 non eligible households for their 26 days work.
Assam	<ul style="list-style-type: none"> • Attendance of workers was not verified by any authorized official. The certificate of the inspecting official was not recorded. There were cases where the names of some of the workers were entered and counted more than once, resulting in overpayment.
Bihar	<ul style="list-style-type: none"> • Rs 2.77 crore was paid during 2006-07 to unregistered labourers. • Rs 8.99 lakh was paid as wages to fictitious labourers in respect of 7 works, as the name of the same labourer was recorded twice or thrice for the same period in the same or other MRs. • Rs.12.05 lakh was paid for 24846 mandays in 17 schemes on muster rolls without having date and work order numbers.
Chhattisgarh	<ul style="list-style-type: none"> • Summary of muster roll and classification of labour viz. total number of workers, women, men, SC, ST, physically handicapped etc. was not recorded/ drawn to verify exact representation of these sections. Signature of person taking attendance, signature of inspecting authority and certification by officials was not found. Attendance on 15 August, 26 January and 31 April in Other Implementing Agency (OIA) works and continued attendance of workers for more than 14 days without a weekly break was noticed. Job card numbers were not mentioned in about 75 per cent cases of

	<p>works executed by OIA.</p> <ul style="list-style-type: none"> • There were cases where signature of workers was not found against payment and cases where excess signature was found in comparison to actual workers getting the payment. Over-writing, corrections and use of muster rolls other than those issued by DPC/PO were noticed in OIA works. Further, it was noticed that instead of separate muster rolls, the OIA used inner sheets in violation of the guidelines. Measurement book was not cross-referenced on muster rolls (particularly in works executed by GPs). Further, payment for transportation of material was also shown and paid through muster rolls.
Haryana	<ul style="list-style-type: none"> • Over-payment due to wrong calculation of working days, double payment due to payment for the same person , payments without signature/ thumb impression of workers were noticed. • MRs without counter-signature, reference of Measurement Books, inspection of work, dates of payment, details of workers etc. were noticed in audit.
Himachal Pradesh	<ul style="list-style-type: none"> • Job card number, dates of payment of wages etc. were not indicated on the muster rolls. • Wages were shown as paid up to 31st November in one case.
Jammu & Kashmir	<ul style="list-style-type: none"> • In eight panchayats of 2 blocks (Banihal, Bhaderwah), date of disbursement of wages was not recorded in any muster roll.
Jharkhand	<ul style="list-style-type: none"> • Muster rolls were not certified by any official, and there was no counter signature of JEs/ AEs. Details of measurement books/ running bills/ quantum of works were not indicated in muster rolls. • Irregularities like preparation of false MRs, difference in figures of labourers between MBs and MRs, purchase of materials after completion of works, payment of wages to labourers prior to commencement of NREGS etc. were noticed in 19 works involving payment of Rs 8.01 lakh • In Hazaribagh, 20,995 muster rolls, without Unique Identification Numbers (UIN), were utilized. Of this, in Ichak block, Rs 5.22 lakh was paid as wages through 5,000 Muster Rolls bearing no UIN. • There were several cases of cuttings, over-writings, applying whitener on muster rolls without attestation by any officials etc.
Karnataka	<ul style="list-style-type: none"> • In Channagiri block of Davanagere district, new muster rolls were purchased locally by the GPs instead of getting it issued from the offices of the programme officer and executed works and paid

	Rs.79.24 lakh as wages.
Kerala	<ul style="list-style-type: none"> • There were cases where the muster rolls did not have job card numbers of the households, work number, signature of concerned officers etc.
Madhya Pradesh	<ul style="list-style-type: none"> • Work-wise muster rolls were not issued and code numbers not given to them. Muster Rolls in test checked districts were issued on dates later than the start of works. • Wages of Rs. 15.38 lakhs were paid even before the issue of muster rolls. • 214 minors were employed for 1833 days and paid wages of Rs.1.13 lakh. • Job Cards of 3248 labourers were not mentioned on MRs. • Names of 96 labourers appeared simultaneously in various muster rolls at different worksites for the same period. The Government of Madhya Pradesh stated that the matter would be investigated and action taken against the defaulters.
Manipur	<ul style="list-style-type: none"> • Necessary certificates regarding actual engagement of labourers to whom payments were made were not recorded.
Orissa	<ul style="list-style-type: none"> • In all 12 test checked blocks, original copies of the muster rolls were not treated as expenditure documents of the concerned executing agencies. • In Bhawanipatna block of Kalahandi district and Loisinga of Bolangir district, 5316 muster rolls in support of payment of wages for Rs 5.91 crore were not treated as expenditure documents. Instead, payment was released to the executants/ Junior Engineers based on items and volume of work executed in similar manner as payable to contractors. • In seven cases (Bhawanipatna block), names and wages paid as per original copy of the muster rolls did not agree with online muster rolls, due to engagement of ineligible labourers and tampering of muster rolls. • In three cases (Patnagarh block), the dates of engagement of 45 labourers mentioned in original copies of the muster rolls were found to have been manipulated and changed at the time of online entry. • In case of one executing agency (Bhawanipatna block), the muster rolls for the period 16 March to 30 March 2007 in support of

	<p>payment of wages for Rs 1.76 lakh were tampered with by pasting another sheet of paper over the original entries. Similarly, in four other GPs, wage payment to 114 labourers for 684 mandays were manipulated on the higher side (Rs 0.67 lakh) in relation to the online muster rolls.</p> <ul style="list-style-type: none"> • Test check of muster rolls, public complaints and cross verification with villagers revealed that wages were shown as disbursed to deceased beneficiaries showing engagement even after their death as well to daughters of labourers living outside after marriage, students undergoing studies in towns, businessmen, employees etc who never worked. • As per the statement of beneficiaries recorded by the District level officers in Keonjhar and Bolangir districts, 21 labourers were engaged for 155 mandays in three works, whereas 762 mandays were shown in the muster rolls and online job cards. • In two GPs of Narla block, the same eleven labourers were shown as engaged in different works on the same days.
Rajasthan	<ul style="list-style-type: none"> • The Executive Engineer, Jakham Irrigation Project, Dhariyawad had paid Rs 18.34 lakh on NFFWP muster rolls by irregular employment of un-registered labourers between April 2006 and June 2006.
Tripura	<ul style="list-style-type: none"> • The muster rolls were not maintained in the prescribed format, as a result of which the SC/ST populations provided with employment could not be ascertained in audit.
Uttarakhand	<ul style="list-style-type: none"> • The muster rolls were first prepared in kutchha form and thereafter their particulars entered in the pucca muster rolls; the date of issue of muster rolls was not indicated; the measurement book numbers were not referenced on the muster rolls; the inspection of works were not carried out by the concerned officers; muster rolls were not countersigned by the concerned officers; and the dates of payment of wages were not found recorded on all the paid muster rolls. • There was no signature of three workers in token of receipt of their wages on one muster roll. The entries of the work done by three workers were not found recorded in their job cards. • In one test checked GP, for the same work, one muster roll was paid on piece rate basis while all other muster rolls for the same work were paid on time rate basis. The dates of work indicated on job cards of workers did not match with the dates mentioned in their muster rolls.

West Bengal	<ul style="list-style-type: none"> • Period of work and absence during the work were not available in the muster rolls. Attendance of labourers working in the scheme was not attached to the muster rolls. Measurement sheet of the work done was not attached to muster rolls.
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Good Practices

- In **West Bengal**, a 9 digit code was being used as Unique ID for muster rolls with the first two digits for block code, the next two digits for GP code, the next two digits for sansad code and the last 3 digits as the serial number of the muster roll.

Responses of States

- The Governments of **Assam, Bihar, Chhattisgarh Haryana, Himachal Pradesh, Jharkhand, Uttarakhand, Sikkim and Tripura** had since issued instructions to the concerned DPCs to maintain the MRs properly.

Recommendations

- *MRs form the single most important document under NREGA. Improper maintenance of MRs makes identification of genuine beneficiaries difficult, especially in the absence of bank/ postal payments. State Governments should ensure compliance with the necessary rules and procedure so as to ensure proper maintenance of MRs.*
- *To ensure unique identity of the MRs across the Block, merely using serial numbers as printed on the MRs is not enough. A MR must be serially numbered for the entire block with the Block code enfaced on it.*
- *Full efforts should be made to ensure that MRs are entered online, and are thus available publicly, in addition to being available at the PO and GP offices.*

11 Record Maintenance and Reports

11.1 Maintenance of Registers at GP and Block Levels

Requirements

- Maintenance of records under NREGA is critical to ensure verifiable compliance with the legal guarantee of 100 days of employment on demand and payment of unemployment allowance. The NREGA Operational Guidelines have specified details of records and registers to be maintained at different levels.

- In particular, the most important records are:
 - Application Registration Register – which records applications/ requests for registration of households;
 - Job Card Register – which gives details of job cards issued to households;
 - Employment Register – which records (for each registered household) details of employment demanded, employment allotted and employment actually taken up;
 - Asset Register – which is a register of all works sanctioned, executed and completed;
 - Muster Rolls – which is a record of attendance and payment of wages for individual works;
 - MR Issue/ Receipt Registers – which record issue and receipt of Muster Rolls (from the PO to the GP/ implementing agency); and
 - Complaint Register – which records details of complaints made, and action taken.

Audit Findings –

GP Level

- In 200 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Uttar Pradesh, Uttarakhand** and **West Bengal** (19 States), the Application Registration Register was not maintained, or was not properly maintained (i.e. it did not contain, at the very least, the names of the applicants, date of receipt of application/ request and date of issue of job card).
- In 253 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Uttar Pradesh, Uttarakhand** and **West Bengal** (14 States), the photographs of applicants were not found attached to the job cards, as per the job card register.
- In 293 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand** and **West Bengal** (21 States), the Job Card Register was not found properly maintained.
- In 329 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jammu &**

Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal (19 States), the Employment Register was not maintained, or did not indicate the details of employment demanded, employment allotted and employment actually taken up.

- In 327 GPs of **Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Sikkim, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal** (21 States), dated receipts of applications for demand for work were not given to the applicants.
- In 223 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Uttar Pradesh, Uttarakhand and West Bengal** (19 States), the applications for employment did not have the job card registration number, date from which employment was required, and the number of days of employment required.
- In 319 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Uttar Pradesh, Uttarakhand and West Bengal** (21 States) the Asset Register was not maintained or was incompletely maintained.
- In 206 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Manipur, Orissa, Rajasthan, Uttar Pradesh, Uttarakhand and West Bengal** (16 States) the Muster Roll Receipt Register was not maintained or was incompletely maintained.
- In 312 GPs in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Maharashtra, Manipur, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal** (20 States) the Complaint Register was not maintained or was incompletely maintained.

Audit Findings –
Block Level

- Employment Register* was not maintained/ prepared in 104 block offices in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal** (19 States).
- Muster Roll Issue Register was not maintained in **8** block offices in **Andhra Pradesh, Bihar, Himachal Pradesh, Karnataka** (4 States).
- Asset Register, in computerized form based on the date of asset registers furnished by Gram Panchayat and Implementing Agency, was not maintained/ prepared in **103** block offices in **Andhra Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal** (19 States).
- Complaint Register was not maintained/ prepared in **62** block offices in **Andhra Pradesh, Assam, Bihar, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh and West Bengal** (16 States).

11.2 Reports

Requirement

- The NREGA Operational Guidelines prescribe detailed monitoring formats for Monthly Progress Reports (for both physical and financial) performance to be compiled and sent by the State Governments. In addition to ensuring transparency and accountability at the local level, the information furnished by the States is consolidated for public information through the Ministry's Internet web site.
- The NREGA Operational Guidelines also require that procedures be framed to ensure that data on work requested and allotted by the PO and GP are properly maintained, and also for sharing of information on employment allotments between the PO and GP on a weekly basis.

* For application for employment received directly at the Block Level

Audit Findings

- In 89 blocks of **Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala Madhya Pradesh, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Uttar Pradesh, Uttarakhand and West Bengal** (21 States), procedures had not been framed to ensure sharing of information on employment allotments between the PO and GP on a weekly basis.
- It was noticed that in most cases, the information between PO and GP was not being shared on a weekly basis. Mostly, the information was being shared on a monthly basis or during meetings.
- Deficiencies were noticed in furnishing of MPRs by blocks and districts. Some instances are mentioned in the following paragraph.

11.2.1 Deficiencies in MPRs

Arunachal Pradesh	<ul style="list-style-type: none"> • MPRs were not submitted by the blocks and district to the Directorate/Central Government.
Bihar	<ul style="list-style-type: none"> • Katihar, Darbhanga and Supaul districts reported less generation of mandays by 15.60 lakh compared to expenditure on unskilled labour, whereas Munger, Samastipur and Muzaffarpur showed excess generation by 37.66 lakh mandays in comparison to expenditure on unskilled labour. • The State report of NREGA for the year 2006-07 disclosed that in Darbhanga district not a single job card was issued to SC/ST households, but as per the district report, 71810 SC/ST households were provided jobs. • Excess reporting of 3614 job cards in 12 gram panchayats of four blocks under three districts was noticed
Chhattisgarh	<ul style="list-style-type: none"> • The Monthly Progress Reports (MPRs) compiled at selected Blocks and Districts was fabricated as: <ul style="list-style-type: none"> ➤ neither MPRs nor any other report which could reflect the exact demand for work, employment provided, mandays generated and expenditure (including wages) incurred were prepared and sent to blocks. The blocks were preparing the MPRs on the basis of valuation of works and total expenditure.

	<ul style="list-style-type: none"> ➤ Most of the muster rolls did not contain the job card numbers, classification of labourers (viz. SC, ST, Women etc.), and the basis of calculation of representation in MPRs could not be verified. ➤ Other Implementing Agencies (OIAs) did not report the demand for work, employment provided, mandays generated and expenditure (including wages) incurred etc. either to the blocks or to the districts. In their absence, the basis of progress in respect of works executed by OIA could not be verified. ➤ It was noticed that GPs did not send the copies of paid MRs to blocks. Similarly, OIA neither sent the copies of paid MRs to blocks nor to the districts.
Jammu & Kashmir	<ul style="list-style-type: none"> • The figures of employment generation were reported either without maintaining the basic Panchayat wise data at Block level, or higher figures were reported at Block/District level. • As against issue of only 4,630 job cards to house-holds in Bhardwah block during 2006-07, 4,910 households were reported to Government as demanding/provided employment during the year by D.P.C. Doda. • As against 3.43 lakh person days of employment reported by the POs to DPC Doda, 3.66 lakh persondays were reported by DPC Doda to the State Government. • Other cases of incorrect reporting of data by POs to DPC and by DPC to Government as noticed in audit are indicated in Annexure-F.
Karnataka	<ul style="list-style-type: none"> • There were cases of incorrect reporting for the year ending March 2007, as the Districts Authorities had reported higher figures of physical and financial achievements to the State Authorities as compared to what had actually been reported by the Blocks, as indicated in Annexure-F.
Punjab	<ul style="list-style-type: none"> • The figures shown in the monthly progress report of the District/State as reported to the Ministry do not seem to be correct as there was a difference between the figures of the District/State and the figures reported by blocks in their monthly progress reports, as detailed in Annexure – F.
Uttarakhand	<ul style="list-style-type: none"> • Monthly Progress Reports (MPR) from the POs for the month of March 2007 was based on anticipated figures and not on actuals.

Further Limited Scrutiny of Record Maintenance

Subsequent to the original audit, a limited scrutiny of record maintenance for one month (November 2007) was conducted between February and March 2008, covering 24 GPs in 12 blocks in 12 districts in 6 States from within the original audit sample. The objective of this exercise was to assess the improvement in maintenance of records as a result of the performance audit.

The focus was on:

- i. Reconciliation of MPRs with the data of basic records submitted at various levels i.e GP/Block and District.
- ii. Preparation of Annual Plans for 2007-08.
- iii. Checking the maintenance of important records viz. Employment Register, Applications for Employment, Asset Register, Job Card Register, Muster Rolls etc.

While details of the results of scrutiny are given in **Annexure E**, the main findings were as follows:

- At district and block level there were either instances of excess reporting in mandays generated, household demanding employment, household provided employment, and funds utilized or there were no sufficient records to verify the details, except in **Uttar Pradesh**, where records were maintained properly.
- Annual plan was found to have been prepared and approved by GS in most of the GPs, except **Bihar** where data was not available.
- In most of the GPs of **West Bengal**, photographs of the workers were not found in the Job card register. **Uttar Pradesh** had all the photographs in place while in **Rajasthan** 10-20 per cent photographs were missing.
- Employment register was not maintained in **Maharashtra** and **Bihar**. While other states GPs maintained the register, the crucial data on employment demanded was missing in both **West Bengal** and **Jharkhand**
- In **Maharashtra**, **Jharkhand** and **Bihar** records of application demanding employment were poorly maintained. **West Bengal** had 50 per cent records, while **Rajasthan** had all the details.
- Reconciliation of households demanding work, households provided work and households with 100 days of employment could not be ascertained from the employment register of the GPs in 5 test checked states, except in **Uttar Pradesh**.
- In **Maharashtra** and **Bihar** and 3 out of 4 GPs of **West Bengal**, asset registers were not maintained properly.
- Photographs of work were missing in most of the states, except **Jharkhand**.
- Muster rolls had few details of Job Card Number, classification of labour (SC/ST, women) in most of the states, except in **Uttar Pradesh** and **Maharashtra** where no work was in progress in November 2007.

The scrutiny revealed that while there was a definite improvement in record

maintenance especially in **Uttar Pradesh**, after the conduct of initial audit, the maintenance of basic records at the GP level, in particular the employment register was still deficient and there was considerable scope for improvement. Further, the reliability of MPRs from the block and district levels was in serious doubt, as they could not be reconciled with the relevant basic records.

Good Practices

- The State Government of **West Bengal** had now made provision for outsourcing of maintenance of different registers at GP level.
- In Orissa, every GP had since been provided with a digital camera for pasting of photographs in JCs.

Ministry's Reply

- In response, the Ministry stated that the GoI already funded the cost of administrative expenses, which had been raised from 2 per cent to 4 per cent; this included deployment of persons dedicated to NREGA at the block level, inclusive of computer assistants and operational expenses.

Responses of States

- The Governments of **Assam, Chhattisgarh, Gujarat, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Sikkim, Uttarakhand** and **Uttar Pradesh** had subsequently issued necessary instructions for proper maintenance of all registers at each level. According to the Government of **Bihar**, properly trained staff had now been provided to ensure proper maintenance of Records/ Registers.
- The Government of **Orissa** had agreed that the situation of maintenance of records was not good; however, it had now improved after the appointment of GRSs and instructions had also been issued for proper maintenance of records/ registers.
- The Governments of **Assam, Chhattisgarh, Haryana, Jharkhand, Orissa** and **Uttarakhand** had now initiated action for framing procedures to maintain records of employment generated etc. and ensuring sharing of information on weekly basis between PO and GPs.
- The Government of **Punjab** stated that the 'sensitization' of the BDPOs and their staff had been done to avoid such lapses in future.

Implication

- There are deficiencies in the process of reporting from the GPs to POs, and onwards, and documentary records of transmitting of information was, in many cases, not produced to audit. In the absence of such information, the reliability of information being furnished to Ministry is adversely affected.

- In the absence of maintenance of critical registers, especially at the GP level, it is impossible to authentically verify:
 - How many households demanded employment?
 - How many households were provided employment, and for how many days?
 - How many households got 100 days of employment?
 - What was the break-up of SC, ST and women beneficiaries, and how much employment did they demand and receive?
 - What was the entitlement of individual households to unemployment allowance?
- Thus, the compliance with the legal guarantee of 100 days of employment on demand is not verifiable, based on available documents. In addition, transparency and accountability is adversely affected.

Recommendations

- *For proper record-keeping at the GP level, appointment of EGAs for each GP should be considered.*
- *Online data entry of the following documents is essential to increased transparency and accountability and minimize fictitious/ duplicate entries, besides providing a basis for physical verification:*
 - *Muster Rolls (with job-card numbers and other details)*
 - *Job Card Register*
 - *Employment Register (to indicate employment demanded)*
 - *Asset Register*

National Quality Monitors may, during their visits, be asked to cross-verify MPRs furnished by POs with documents furnished by GPs to POs for specified months, specifically for households demanding and provided employment (with an SC/ST/ women/ Others breakup).

12 Fund Management

12.1 General

Requirements

- The GoI releases funds through the National Employment Guarantee Fund directly to Districts. State Governments are required to set up revolving funds at the District, Block and GP levels.

- State share of funds should be released within 15 days of the release of the Central funds.
- The State Government should design a complete Financial Management System for the transfer and use of funds, for ensuring transparency and accountability.
- Separate bank accounts for funds under the Scheme should be opened at the District, Block and GP levels.
- After utilizing 60 per cent of the earlier funds released, the DPC may apply for the next instalment, along with Utilisation Certificate (UC), certificate regarding receipt of State Share etc. Similarly, the PO will be eligible for the next instalment after utilizing 60 per cent of available funds. Likewise, after 60 per cent of the allocation given to a GP has been spent, the GP may apply to the PO for release of additional funds, with a statement of work-wise expenditure and the report of the Vigilance and Monitoring Committee (VMC) approved by the Gram Sabha.
- Monthly squaring of accounts – verifying that all money released under NREGA is accounted for under (a) bank balance (b) advances (c) expenditure vouchers – should be introduced.

Audit Findings

- In 51 districts in **Arunachal Pradesh, Andhra Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Manipur, Meghalaya, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tripura, Uttar Pradesh, Uttarakhand and West Bengal** (20 States), the State Share was not released within 15 days of the release of the Central funds
- In 58 blocks in **Arunachal Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Manipur, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand and West Bengal** (19 States), the PO/ BDO did not submit UCs for utilization of at least 60 per cent of funds at their disposal, while applying for the next instalment.
- While demanding additional funds, 364 GPs in **Andhra Pradesh, Assam, Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand and West Bengal** (21 States) did not furnish the report of the VMC duly approved by the Gram Sabha.

- **24 GPs in Gujarat, Haryana, Jammu & Kashmir, Jharkhand, Karnataka, Madhya Pradesh and Uttar Pradesh (7 States)** had spent funds on REGS without obtaining administrative approval and technical sanction.
- Monthly squaring of accounts under three heads viz. money held in bank accounts at various levels, advances to implementing or payment agencies, and vouchers of actual expenses, was not done by 151 GPs in **Andhra Pradesh, Chhattisgarh, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Kerala, Madhya Pradesh, Orissa, Uttar Pradesh and West Bengal (10 States)**.

12.2 State Specific Findings

12.2.1 Irregularities related to non-submission of Utilisation Certificates and details of expenditure

Arunachal Pradesh	<ul style="list-style-type: none"> • Expenditure details of Rs 22 lakh were awaited as of July, 2007 in DRDA Daporijo from the Director of Rural Development, Itanagar against the amount of Rs. 25 lakh paid to them in March 2006.
Bihar	<ul style="list-style-type: none"> • The state government did not send the utilization certificate of DRDAs of Katihar and Samastipur to the GOI, resulting in curtailment of central share by Rs 10.00 crore during the year 2006-07.
Jharkhand	<ul style="list-style-type: none"> • The expenditure shown as incurred included advances of Rs. 4.29 crore to Implementing Agencies but not spent. • Interest accrued of Rs. 1.22 crore in two districts was short reported in the MPR for March 2007.
Orissa	<ul style="list-style-type: none"> • Against an actual expenditure of Rs. 49.80 lakh, the DRDA Kalahandi had submitted Utilisation Certificate for the entire release of Rs. 70.02 lakh during March 2006.
Tripura	<ul style="list-style-type: none"> • Utilisation Certificate furnished by the DPC, Dhalai indicated an unspent balance of Rs. 389.62 lakh as of May 2007, while check of Cash Book, Bank Pass Book along with other relevant records of the Project Director, DRDA, Dhalai revealed an unspent balance of Rs. 377.48 lakh; thus there was under-reporting of expenditure by Rs. 12.14 lakh. • Test check of records of the PD, DRDA, Dhalai, Zilla

	Parishad, Dhalai and other Implementing Officers (IOs) revealed that most of the UCs were pending submission by the IOs up to August 2007, but further funds were being released to these defaulting IOs.
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12.2.2 Cases of Diversion and Irregular Expenditure

Bihar	<ul style="list-style-type: none"> The DDC, Darbhanga irregularly transferred Rs 2.69 crore to special division, Darbhanga during 2006-07 for construction of 34 protection walls of raised platforms constructed under Sam Vikas Yojana.
Haryana	<ul style="list-style-type: none"> Rs. 8.50 lakh was diverted during 2006-07, and spent on other schemes. In Sirsa District, while the material consumed in the district from April 2006 to February 2007 for pucca works was Rs. 3.87 crore, expenditure on purchase of stores during the month of March 2007 alone was Rs. 3.61 crore. Clearly, the material was purchased merely to show utilization of funds, without assessing the requirement on works. Also, the cash books of 3 blocks of the district for 2006-07 had not been closed as of June 2007, as transactions relating to the purchase of the material had not been completed.
Jharkhand	<ul style="list-style-type: none"> Expenditure of Rs. 8.74 crore was incurred in the State on inadmissible items – contingencies on fuel, stationery, repairing of vehicles, payment of salaries of DRDA staff not associated with NREGA, and procurement of diesel generator sets.
Madhya Pradesh	<ul style="list-style-type: none"> Rs. 12.05 lakh were irregularly incurred by PWD Dhar on repair of roads and renovation of meeting halls.
Meghalaya	<ul style="list-style-type: none"> Rs.28.36 lakh was diverted from REGS fund to DRDA Administration towards the pay and allowance for the staff of DRDA Tura during 2006-07.
Orissa	<ul style="list-style-type: none"> Scheme funds of Rs 29.67 lakh were diverted during 2006-07 in Loisinga block (Rs 10.60 lakh), Bhawanipatna block (Rs 19.07 lakh) and three GPs (Rs 0.93 lakh) for purposes not connected with NREGA viz. payment of staff salary, Calamity Relief Fund etc., of which Rs. 11.16 lakh remained unrecouped.

	<ul style="list-style-type: none"> • BDO Bhawanipatna , Kalahandi District irregularly charged Rs. 11.37 lakh as works contingency for miscellaneous use. • Although the State Government prescribed submission of vouchers in support of advances within 7 days of receipt of cash advances, such vouchers in respect of advances of Rs. 71.74 lakh were outstanding from 13 officials/ ex-officials for periods ranging from six to nine months. • In 2 GPs, the Executive Officers, despite being transferred, had not handed over the unspent cash balance of Rs. 1.77 lakh to their successors
Punjab	<ul style="list-style-type: none"> • One P.O. did not check the correctness of the final expenditure reported by the implementing agency at the time of authorizing final closure of work.
Tripura	<ul style="list-style-type: none"> • Rs.9 lakh was irregularly transferred (November 2006) to the account of Divisional Forest Officer, Manu for construction of 72 Indira Awas Yojana houses.
Uttarakhand	<ul style="list-style-type: none"> • Works of Jal Nikaas Naali, in one GP, amounting to Rs. 15220 was not commenced, but the expenditure was reported in the MPR.

12.2.3 Unspent Balances of SGRY and NFFWP and Maintenance of Accounts

Bihar	<ul style="list-style-type: none"> • The unspent balances of SGRY and NFFWP of March 2006 amounting to Rs 38.99 crore of 3 districts were not transferred to NREGS account up to June 2007.
Karnataka	<ul style="list-style-type: none"> • Instead of operating a single bank account for REGS works, in the test checked blocks and GPs, separate bank accounts had been maintained for unskilled wages, material component, unemployment allowance and administrative expenses.
Manipur	<ul style="list-style-type: none"> • The balance of Rs. 2.24 crore left under NFFWP and SGRY was used for NFFWP and SGRY works, evidently without following NREGA Guidelines.
Rajasthan	<ul style="list-style-type: none"> • In block Dhariyawad (district-Udaipur) NFFWP balance (Rs 28.67 lakh) as on 1 April 2006 was not deemed as resources under NREGA account, and out of Rs 136.59 lakh released by ZP, Udaipur during 2006-07 under NFFWP, Rs 55.14 lakh

	<p>was the closing balance as on 31 March 2007. Similarly, in block Kherwara (district-Udaipur) SGRY (30 per cent) balance (Rs 14.99 lakh) as on 1 April 2006 was not deemed as resources under NREGA account, and out of Rs 18.69 lakh sanctioned (31 March 2006) for 26 works under SGRY (50 per cent by 26 GPs) Rs 14.59 lakh was spent during 2006-07. Resultantly, these funds were utilised without confirming to the NREGA guidelines.</p>
West Bengal	<ul style="list-style-type: none"> • Cut off date (2 February 2006) for transfer of N.F.F.W.P. fund into N.R.E.G.S. account was not adhered to by 16 out of 24 GPs test checked. The Gram Panchayats were still maintaining the separate Cash Book and Bank Pass Book for N.F.F.W.P. and N.R.E.G.A. • A sum of Rs.61.21 lakh from N.F.F.W.P. fund was spent for the works under N.R.E.G.A. without observing the norms of N.R.E.G.A.

Responses of States

- The Governments of **Assam, Jharkhand, Tripura, Tamil Nadu, Maharashtra, Sikkim** and **Uttar Pradesh** have issued instructions to the DPCs to adhere to the requirements of the NREGA Guidelines for management of NREGA funds.
- The Government of **Orissa** had now issued strict instructions not to charge any work contingency for NREGA works. The state Government had also initiated action against the erring officers for not handing over unspent balances of NREGA funds.
- The Government of **West Bengal** stated that corrective measures had been initiated for transfer of NFFWP funds to NREGA as per the guidelines of the Ministry.

Recommendations

- *State Governments should ensure timely release of their share and issue necessary directions to ensure that NREGS funds are not diverted or misutilised..*
- *In order to guard against any manipulation, the State Governments should ensure that monthly squaring of accounts is regularly conducted.*

13 Social Audit, Transparency and Grievance Redressal

Requirements

- NREGA gives a central role to “social audits” as a means of continuous public vigilance. The Guidelines indicate two

types of social audit:

- Periodic assemblies in the Gram Sabha for scrutinizing details of projects (which is referred to as “Social Audit Forum”); and
 - Social audit as a continuous process of public vigilance involving potential beneficiaries and other stakeholders, which covers verification of 11 stages of implementation right from registration of families through to evaluation and the Social Audit Forum.
- Updated data on demand received, registration, number of job cards issued, list of people who demanded and had been given/ not given employment, funds received and spent, payments made, works sanctioned and works started, cost of works and details of expenditure on it, duration of work, person-days generated, reports of local communities and copies of muster roll should be made available in a pre-designed format outside offices of all agencies involved in implementing REGS.
 - Social Audit Forums must be held twice a year at the Gram Sabha level for all works done in the preceding year.

Audit Findings

- In 354 GPs in **Andhra Pradesh, Assam, Chhattisgarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand** and **West Bengal** (20 States), a Gram Sabha once in every six months to conduct a Social Audit Forum was not held.
- The updated data on demand received, registration, number of job cards issued, list of people who demanded and been given/ not given employment, funds received and spent, payments made, works sanctioned and works started, cost of works and details of expenditure on it, duration of work, person-days generated, reports of local communities and copies of muster rolls were not made public in 376 GPs in **Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh** and **Uttarakhand** (21 States).

Other State-

- In **Arunachal Pradesh**, the grievance redressal forum was

specific findings

not in place.

- In **Jammu & Kashmir**, a grievance redressal system had not been devised.
- In **Jharkhand**, wide publicity had not been undertaken; the villagers were not fully aware about NREGA as observed during interaction with villagers. No grievance redressal cell was set up at any level.
- In **Karnataka**, no summary of data was prepared and placed before the Gram Sabha.
- In **Rajasthan**, the State Government had not specified the grievance redressal mechanism;
- In **Uttar Pradesh**, in 29 out of 48 test checked GPs, no meetings of the social audit forum were organized. Whenever these meetings were organized, no minutes were available, due to which it could not be ascertained if the forum performed its prescribed role.

Responses of States

- The Governments of **Assam, Haryana, Jharkhand, Orissa, Rajasthan, Tripura** and **Uttar Pradesh** had now issued necessary directions to conduct Social Audit Forums at least twice in a year.
- In **Orissa**, the work of conducting 100 per cent social audit had been assigned to NIRD Hyderabad.
- The Government of **Bihar** stated that the necessary instructions had been issued to ensure all aspects of social audit, however, no improvements were noticed by audit during the limited scrutiny of 2 districts during March 2008.
- The Government of **Madhya Pradesh** had issued directions/taken necessary action for conducting social audits.
- Instructions had been issued by the Governments of **Jharkhand, Chhattisgarh, Sikkim, Tripura, Uttar Pradesh** and **West Bengal** to make available updated data on registration, JCs issued, demands for employment received, employment provided etc. to the public.
- The Governments of **Rajasthan, Jharkhand** and **West Bengal** were now developing Grievance Redressal Mechanism.

Recommendation

Social audit and Social Audit Forum in Gram Sabha are important means of ensuring transparency and accountability at the GP level. The State Governments should ensure conduct of

Social Audits Forum in all Gram Sabhas twice a year.

14 Monitoring

Requirements

NREGA Operational Guidelines stipulate the following procedures for monitoring and reporting

- Block-level officials shall inspect 100 per cent of works every year, District-level officials 10 per cent of works, and State-level officials 2 per cent of works.
- Financial audit of all districts is mandatory.
- District Internal Audit Cells shall be constituted to scrutinise the reports of the Gram Sabhas.
- Verification and quality audit by external monitors must be undertaken at the Central, State and District levels through National, State and District Quality Monitors. Terms of reference for quality monitors have been fixed separately by the Ministry.
- Local Vigilance and Monitoring Committees (VMCs), consisting of members elected by the Gram Sabha, should monitor the progress and quality of work while it is progress.

Audit Findings

- State-level inspection of works was not conducted, or documented in respect of **Arunachal Pradesh, Andhra Pradesh, Assam, Chhattisgarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Kerala, Maharashtra, Manipur, Orissa, Punjab, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand and West Bengal** (19 States.)
- In **43** districts in **Andhra Pradesh, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Uttar Pradesh, Uttarakhand and West Bengal** (19 States), the district level officials did not conduct 10 per cent inspection of the works.
- In **105** blocks in **Arunachal Pradesh, Andhra Pradesh, Assam, Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tripura, Uttar Pradesh, Uttarakhand and West Bengal** (22 States), the block level

officials did not conduct 100 per cent inspection of the works.

- Financial audit was not carried out in **39** districts in **Arunachal Pradesh, Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Kerala, Madhya Pradesh, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Uttar Pradesh, Uttarakhand, West Bengal** (19 States).
- In **57** districts in **Arunachal Pradesh, Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Maharashtra, Manipur, Meghalaya, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand, West Bengal** (24 States), District Internal Audit Cells were not constituted.
- Both State and District Quality Monitors had not been designated by the State Governments of **Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Kerala, Maharashtra, Manipur, Meghalaya, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu and Tripura** (20 States), while District Quality Monitors had not been designated in **West Bengal**.
- Local VMCs were not constituted by 141 GPs in **Andhra Pradesh, Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Orissa, Uttar Pradesh and Uttarakhand** (14 States).

Responses of States

- The Governments of **Assam, Bihar, Chhattisgarh, Jharkhand, Rajasthan, Sikkim, Tripura and Uttar Pradesh** had now issued directions to the concerned officials to conduct the stipulated inspections periodically.
- Local VMCs had since been constituted in each district in **Jharkhand**. In **Uttar Pradesh**, instructions had been issued for constitution of VMCs.
- The Governments of **Assam, Jharkhand, Punjab, Tripura, Maharashtra and Sikkim** had now issued instructions to constitute District Internal Audit Cells and conduct financial audit periodically.
- The Governments of **Assam, Chhattisgarh, Jharkhand, Orissa, Punjab, Rajasthan, Sikkim** and **Tripura** had now initiated the process of designating District and State level Quality Monitors.

- The Government of **Madhya Pradesh** stated that Financial Audits were now being carried out through Chartered Accountants, while the Government of **West Bengal** stated that the Audit of accounts for the year 2006-07 had now been completed.
- The Government of **Rajasthan** had now issued orders for evaluation of the scheme.
- The Government of **West Bengal** stated that the required manpower had now been appointed to increase the inspections/ monitoring of works, at each level, to the desired norms.

Recommendation

- *State Governments should be directed to ensure the requisite level of inspection by different levels of officials. VMCs should be formed, wherever not formed.*

New Delhi
Dated: ----August 2008

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Countersigned

New Delhi
Dated: August, 2008

(VINOD RAI)
Comptroller and Auditor General of India