CHAPTER-I
PERFORMANCE REVIEWS

Public Works Department

1.1 Upgradation and improvement of State Highways and Major District Roads

Improvement/upgradation and periodic maintenance of State Highways and Major District Roads is essential to provide good quality road connectivity between district headquarters/ important towns/cities within the State and National Highways or highways of neighbouring States. Besides, it is also vital for the success of various developmental schemes. Against targeted cumulative length of 25,075 kms for improvement/upgradation of SHs and MDRs, achievement was 17,720 kms (71 *per cent*) as of March 2010. Audit noticed that road works were executed without technical sanctions. Poor contract management and inadequate monitoring of works contributed to instances of sub-standard road works, delay in completion of works and damages to roads due to improper drainage system.

Significant points noticed are as under:

- ***The State has neither a State Road Policy nor prepared any detailed plan for prioritisation of improvement/upgradation of SHs and MDRs in a systematic manner.***

  (Paragraph 1.1.7)

- ***Out of funds of ₹386.14 crore released to the HPRIDC funds ranging between ₹49.08 crore and ₹104.81 crore remained unutilised with the HPRIDC due to less physical progress of works during 2007-10.***

  (Paragraph 1.1.8.1)

- ***Two divisions diverted ₹13.60 crore out of allotted funds of SHs and MDRs for execution of 19 rural roads and three bridge works.***

  (Paragraph 1.1.8.2(i))

- ***In four divisions six road works costing ₹19.89 crore were taken up for execution between 2001-02 and 2008-09 without obtaining technical sanctions.***

  (Paragraph 1.1.9.1)

- ***Due to poor contract management Government dues aggregating ₹1.44 crore remained unrecovered from the contractors as of June 2010.***

  (Paragraphs 1.1.10.1 (i) and 1.1.10.1 (ii))

1.1.1 Introduction

Himachal Pradesh with a total geographical area of 55,673 square kilometres (sq kms) had a road network of only 288 kms[1] when it was formed in 1948. This increased to 31,216 kms[2] as of March 2010. State Highways (SHs) are arterial routes which link district headquarters and important towns within the State and connect them with the National Highways or highways of neighbouring States. Major District Roads (MDRs) are important routes within a district serving areas of population and providing market connectivity with each other or with the main highways. The State has 19 SHs (length: 1,626 kms) and 45 MDRs (length: 1,753 kms) which is 11 *per cent* of the total road network.

The State Government through Public Works Department (PWD) is responsible for upgradation/improvement[3] and maintenance[4] of SHs and MDRs. During 2007-08 the State Government has also obtained loan assistance of 220 million US$ (₹990 crore) from the World Bank through the GOI for the implementation of State Road Project (SRP) comprising upgradation of 10 SHs in a length of 434.830 kms and maintenance of 1536 kms long core road network[5] of SHs and MDRs. As per policy of GOI, 90 *per cent* proceeds of loan will be passed on to the State Government as grant and the remaining 10 *per cent* as loan. World Bank assistance is spread over a period of five years and six months (1 July 2007 to 31 December 2012). This project was assigned to Himachal Pradesh Roads and Other Infrastructure Development Corporation Limited (HPRIDC) in November 2006 in anticipation of approval of the Project. HPRIDC through its four[6] construction management units (CMUs) is executing the upgradation work of SHs whereas maintenance of core road network is got done by it through the 54 divisions of PWD.

The yearwise position of total expenditure incurred on upgradation and improvement of roads during 2005-10 by the Department is given as under:-

Table: 1.1.1

(₹ in crore)

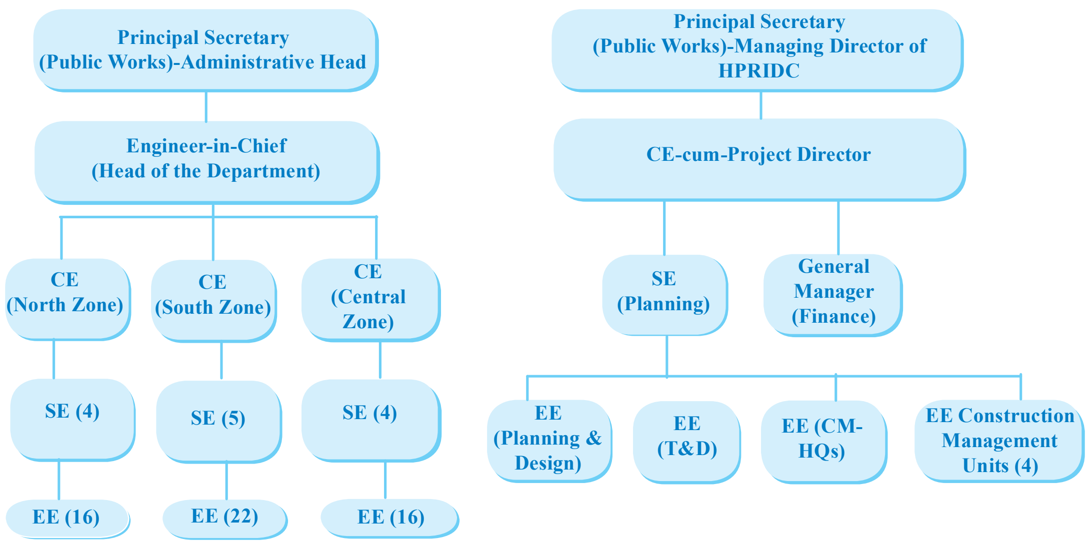
Year	Expenditure incurred		
	HPPWD	HPRIDC	Total
2005-06	249.49	Nil	249.49
2006-07	234.86	0.89	235.75
2007-08	292.04	78.00	370.04
2008-09	305.10	166.25	471.35
2009-10	337.68	141.00	478.68
Total	**1419.17**	**386.14**	**1805.31**

Source: Figures supplied by the Department. ₹386.14 crore released to HPRIDC for implementation of World Bank State Road Project has been depicted as expenditure in accounts.

[1] This is exclusive of road network of area merged after reorganisation of erstwhile state of Punjab.
[2] NHs: 1,471 kms; SHs: 1,626 kms; MDRs: 1,753 kms and other roads: 26,366 kms.
[3] Upgradation/improvement: It means widening of formation, road alignment, pavements strengthening and new structures.
[4] Periodic maintenance/maintenance: Overlays, reseals of roads, minor rehabilitations (i.e. replacement and addition of base material within the existing width) accidents black spot improvements for road users safety.
[5] Core road network: A core network is identified out of the total existing roads and tracks to be maintained in good condition at all times.
[6] Dharamshala, Hamirpur, Shimla and Una.

1.1.2 Organisational Set up

Principal Secretary (Public Works) is the administrative head and overall control of the Department rests with him. The Engineer-in-Chief (E-in-C) is the head of the Department and responsible for planning, execution and maintenance of roads (including SHs and MDRs). The organisational set up of the Public Works Department and HPRIDC are as under:



Note: CE: Chief Engineer; SE: Superintending Engineer; EE: Executive Engineer.

1.1.3 Scope of Audit

The implementation of the programme for the period 2005-10 was reviewed in audit during November 2009-May 2010 by a test-check of records of the E-in-C, HPRIDC and 14[7] out of 54 divisions responsible for improvement/ upgradation and maintenance of SHs and MDRs in a length of 1,075 kms (SHs: 528 kms, MDRs: 547 kms). Besides, records relating to SRP were examined in the office of the HPRIDC. The sample check was, thus 32 *per cent* of the total length of SHs and MDRs in the State covering ₹553.75 crore (31 *per cent)* of the total expenditure (₹1805.31 crore) incurred.

1.1.4 Audit Objectives

The audit objectives were to assess whether:

- planning in identifying the locations of improvement/ upgradation and periodic maintenance of roads was effective;
- the funds provided were utilised in an economical, efficient and effective manner;
- the objective of providing good quality roads was achieved;
- adherence to prescribed norms, technical standards and rules was ensured;
- contract management ensured execution and completion of work according to the prescribed time schedule; and
- there existed an effective mechanism of quality control and monitoring.

[7] Bharmour, Bilaspur-II, Dehra, Dharampur (Mandi), Dharamshala, Fatehpur, Hamirpur, Jubbal, Kasauli, Kullu-II, Nalagarh, Palampur, Theog and Una.

1.1.5 Audit Criteria

The audit findings were benchmarked against the following criteria:

- PWD Account Code, Indian Road Congress (IRC) Standards, Departmental manual and instructions for planning, identification and prioritising the improvement/ maintenance of SHs and MDRs;
- Terms and conditions of contracts;
- Land Acquisition Act;
- Budget and fund allocation procedures; and
- System prescribed for internal control, quality control and monitoring of works.

1.1.6 Audit Methodology

Before commencing the audit, the scope of audit, audit objectives and criteria were first discussed (December 2009) with the E-in-C and thereafter with the Principal Secretary in an entry conference held in May 2010. The selection of divisions was done on the basis of Probability Proportionate to Size with Replacement (PPSWR) method. Audit conclusions were drawn after scrutiny of records, analysis of available data by issuing audit memoranda/ questionnaires and obtaining the response of the departmental functionaries. Audit findings were discussed (September 2010) with the Principal Secretary in the exit conference and views of the Department have been incorporated in the report at appropriate places.

Audit Findings

1.1.7 Planning

The State Public Works Department conducted a Strategic Option Study (SOS) in May 2005 and had identified about 1,675 kms of SHs and MDRs requiring improvement. Therefore, a long term policy and an integrated approach for improvement/upgrading of identified roads was essential for efficient utilisation of funds. The State Government has not evolved a State Road Policy for future plans and actions for development of an efficient road network in the State with the following main objectives:

- To progressively widen all the State highways to two lane width;
- Strengthen the pavements to carry heavier load and improve the geometrics to ensure better operating speeds;
- To prioritise improvement on those routes which provide linkage to industrial growth centre, agriculture produce market centres, heritage and tourist centres and Power generating centres, etc.,
- To enhance safety on roads by improving accidents prone stretches;
- To maintain the existing/improved State roads to acceptable standards; and
- To encourage private sector participation in road development.

In exit conference, the Principal Secretary stated (September 2010) that State Road Policy on SHs and MDRs is under finalisation.

1.1.7.1 Upgradation/improvement of roads in deviation of prescribed standards

As per Indian Road Congress (IRC) Standard the width of road land (also termed as right of way) for SHs and MDRs should conform to the following requirements:

Table: 1.1.2

(width in metres)

Description of Road	Open areas		Built up areas	
	Normal	Exceptional	Normal	Exceptional
SH	24	18	20	18
MDR	18	15	15	12

Except for two SHs, desirable road width was not available in any of the SHs and MDRs. The execution of improvement works of SHs and MDRs was not being planned keeping in view the above norms as road width in respect of SHs and MDRs was available between 3.75 to 15 metres both for open and built up areas. The Department had not taken any initiative to ensure improvement of SHs and MDRs in line with the above standards as of April 2010.

The EEs of test-checked divisions stated (March-April 2010) that due to hilly terrain of the State, planning for roads could not be done according to the IRC norms. The reply is not acceptable in view of the fact that Himachal Pradesh Development Report brought out by the Planning Commission of India envisaged that SHs should be capable of handling multimodel container vehicles.

Thus, lack of planning for improvement of roads, especially SHs to the prescribed standards, these were not capable to ensure safe movement of loaded long container trucks and to obviate the risk of any accidents due to non-availability of adequate road width.

The Principal Secretary stated (September 2010) that now upgradation works of SHs and MDRs are undertaken by the HPRIDC as per IRC standard. The fact, however, remains that upgradation/ improvement undertaken by the Department was not done according to IRC norms as admitted by the EEs of test-checked divisions.

1.1.8 Financial Management

For upgradation, improvement and maintenance of State Highways and Major District Roads, the State Government has been arranging funds from:

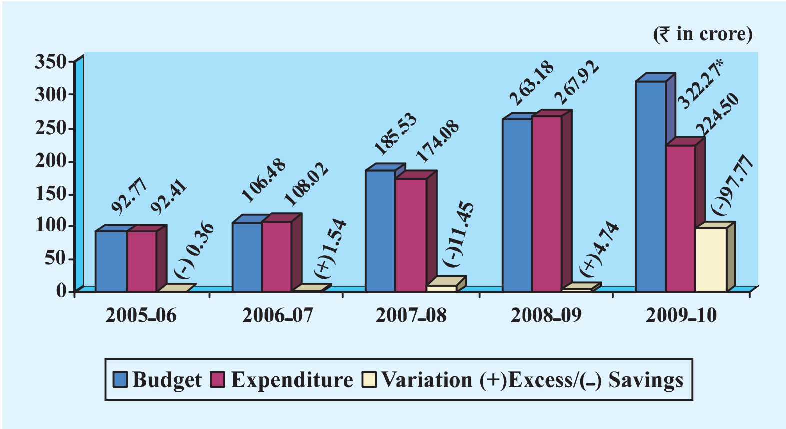
- State's own resources (State Plan);
- Loans from NABARD under Rural Infrastructure Development Fund;
- Central Road Fund from GOI; and
- Loan/credit from World Bank as per policy of the GOI.

1.1.8.1 Financial outlay and expenditure

Funding for the upgradation/improvement and management of roads is made through Departmental budgetary system. The position of funds allotted and expenditure incurred thereagainst in the State during 2005-10 is shown in charts 1.1.1 and 1.1.2.

Chart-1.1.1

Funds allocation and expenditure under Upgradation/Improvement of SHs/MDRs

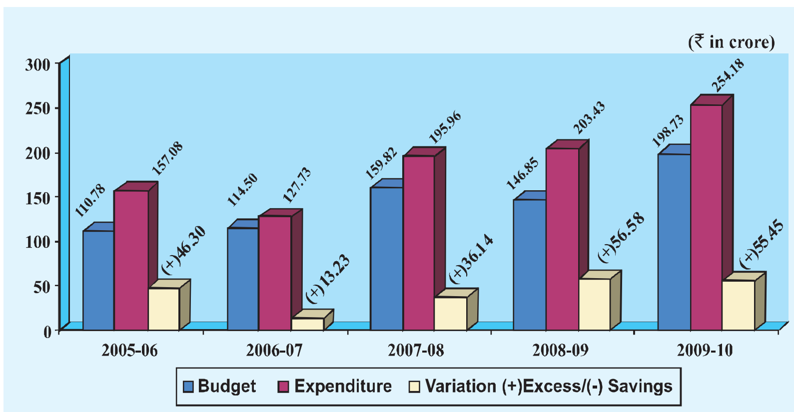


Source: Finance Accounts figures

* Includes provision of ₹100 crore for release of funds to HPRIDC under World Bank Road Project.

Chart-1.1.2

Funds allocation and expenditure under Maintenance of SHs/MDRs



Source: Finance Accounts figures

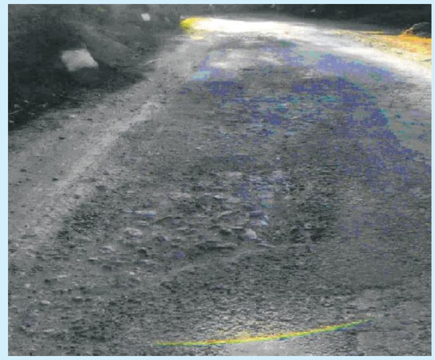
For implementation of the World Bank funded State Road Project, the State Government releases funds to HPRIDC through cheques from time to time. During 2006-10, funds amounting to ₹386.14 crore (21 *per cent* of total expenditure on improvement and maintenance of SHs/MDRs) were released to HPRIDC (Details in Table-1.1.3 below) whereas the remaining expenditure of ₹1419.17 crore (79 *per cent*) was incurred by the Department during 2005-10.

There was overall saving of ₹103.30 crore during 2005-10 over the budget provided for SHs/MDRs whereas expenditure on maintenance of SHs and MDRs had shown increasing trend over allotted funds during the aforesaid period. Audit noticed that allotment of funds for maintenance was made on yard stick rates circulated by the Department in June 1997. Due to escalation in costs of labour and material the Department had not taken any action to revise the rates and funds provided at the above rates were insufficient to meet the expenditure on maintenance. As a result SHs/MDRs were not maintained properly as can be seen from the following photographs:

Photograph-1.1.1

Chailla-Chopal road (km 12/810)

Photograph-1.1.2



Shimla-Kunihar-Ramsaher road

In exit conference, the Principal Secretary stated (September 2010) that savings over the budget provided for SHs and MDRs were mainly due to non-receipt of sanctions under Forest Conservation Act and litigation by private land owners where land was coming in the alignment of roads.

The break up of funds provided/released to HPRIDC and expenditure incurred thereagainst during 2006-10 is detailed below:

Table: 1.1.3

(₹in crore)

Year	Opening balance	Funds released	Total availability of funds	Funds utilised	Unspent balance at the close of year
2005-06	Nil	Nil	Nil	Nil	Nil
2006-07	Nil	0.89	0.89	3.64	(-) 2.75*
2007-08	(-) 2.75	78.00	75.25	26.17	49.08
2008-09	49.08	166.25	215.33	85.17	130.16
2009-10	130.16	141.00	271.16	166.35	104.81
Total		**386.14**		**281.33**	

Source: Information supplied by the HPRIDC

* Denotes excess expenditure of ₹2.75 crore which was met out of own resources by the HPRIDC and set off in the subsequent year against funds received from the State Government.

From the above table it can be seen that during 2007-10 out of total available funds, funds ranging between ₹49.08 crore (65 *per cent*) and ₹104.81 crore (39 *per cent*) were not utilised by the HPRIDC on works. The Principal Secretary, in exit conference attributed (September 2010) low utilisation of funds to non-availability of encumbrance free sites and less physical progress.

As per instructions of State Government issued in September 2008, any interest earned on investment of unutilised funds was to be credited into Government account. The HPRIDC from time to time kept the unutilised amount in Fixed Deposit Receipts and earned interest amounting to ₹7.80 crore during the aforesaid period. The amount was, however, not credited into Government account and remained blocked in its bank accounts as of June 2010. The Principal Secretary stated (September 2010) that the amount will be deposited into Government account as and when required by the Government. The reply is not acceptable as instructions in this regard were already clear.

During 2005-10 funds aggregating ₹166.80 crore were allotted by HPRIDC to the divisions selected for test-check for upgradation and maintenance of SHs and MDRs. Against this an expenditure of ₹167.61 crore was incurred by them as detailed in Appendix-I.

There were no major excesses or savings in the budget provided during 2005-10. The EEs while executing the works, however, committed irregularities as discussed in the succeeding paragraphs.

1.1.8.2 Diversion of funds

(i) Scrutiny of records of two test-checked divisions[8] revealed that during 2005-10 the EEs diverted ₹13.60 crore, out of allotted funds of SHs/MDRs for execution of 19 rural roads and three bridge works. This was irregular as funds were diverted for purposes other than for which these were sanctioned without approval of the Finance Department.

The EEs while confirming the facts stated (January-April 2010) that the expenditure was charged to SHs as per head of account conveyed by the higher authorities. The fact, however, remains that diversion of funds was made without getting approval of the Finance Department.

(ii) In Dehra Division, it was noticed that instead of surrendering the funds, an expenditure of ₹27 lakh pertaining to the annual repair and maintenance of two SHs/MDRs was debited (March 2009) to the original works of SHs/MDRs which was irregular. The EE stated (March 2010) that on allocation of additional fund expenditure had to be booked to avoid its surrender. The reply is not acceptable as it was contrary to the financial rules.

The Principal Secretary stated (September 2010) that funds were utilised as per Government directions. The reply is not acceptable as no documentary evidence in this regard was made available.

1.1.8.3 Irregular expenditure on annual repair and maintenance

(i) With a view to projecting requirement of funds for annual repair and maintenance of roads, the Engineer-in-Chief determined per km yardstick rates in June 1997. Before taking up the maintenance of roads, the concerned EEs are required to prepare estimates on the basis of prescribed yardstick rates and get them sanctioned from the competent authority before commencement of the financial year. Seven test-checked divisions[9] spent ₹13.74 crore for maintenance of 19 roads during 2005-10 without preparing the estimates and getting them technically sanctioned from the competent authority. The expenditure incurred on these works without obtaining requisite technical sanction was, thus, irregular. Moreover, yardstick rates were prescribed 13 years back and have become un-workable due to escalation in cost of labour and material. Thus, unrealistic rates could result in poor quality of repair and maintenance of roads.

In the exit conference, the Principal Secretary stated (September 2010) that yardstick rates have been revised by the E-in-C in 2010 and the estimates will be prepared/approved in future on the basis of these norms.

[8] Kullu-II and Theog.
[9] Bharmour, Dehra, Dharamshala, Jubbal, Kasauli, Palampur and Theog.

(ii) As per rules, expenditure on works incurred in excess of 10 *per cent* of the sanctioned amount should be got regularised by obtaining revised sanction of the competent authority.

In four test-checked divisions[10], against the sanctioned cost of ₹2.49 crore for maintenance of eight MDRs, an expenditure of ₹8.59 crore was incurred during 2005-10 without obtaining revised sanction of the competent authority. Thus, expenditure of ₹6.10 crore incurred in excess of sanctioned provision was irregular.

The Principal Secretary stated (September 2010) that necessary instructions will be issued to all concerned for preparation of revised estimates and getting them approved from the competent authority.

(iii) Scrutiny of records of Dehra division revealed that on maintenance of SHs expenditure actually incurred during 2005-10 was ₹3.93 crore but in the accounts it was shown as ₹4.53 crore by charging an expenditure of ₹60 lakh on maintenance of rural roads during 2006-07 and 2008-10. Thus, expenditure of ₹60 lakh incurred on maintenance of rural roads out of allocation of SHs was irregular.

The EE stated (March 2010) that due to availability of funds under maintenance of SHs expenditure pertaining to maintenance of rural roads was charged to the SHs to avoid lapse of available budget.

In exit conference, the Principal Secretary assured (September 2010) to issue instructions for not repeating such instances.

1.1.8.4 Irregular drawal and utilisation of funds

Financial Rules stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement.

On 26 March 2009 the Superintending Engineer 11th Circle, Rampur issued Letter of Credit for allotment of ₹5.39 crore to the Karchham division for improvement of SHs which was valid till the close of the financial year 2008-09. Against this, EE drew an amount of ₹4.65 crore on 31 March 2009 and showed it as final expenditure. The whole amount was, however, kept under Deposit head as unutilised. Thus, depiction of expenditure of ₹4.65 crore to the final head of account of SHs works in the financial year 2008-09 and its utilisation in the subsequent year was in contravention of rules. The action of the EE not only violated the prescribed financial system but also resulted in keeping the money outside the normal budgetary process.

The Principal Secretary admitted (September 2010) the facts.

1.1.8.5 Irregular stock adjustment

Financial Rules prohibit irregular stock adjustments such as debiting to a work, the cost of material not required or purchased in excess of actual requirements to avoid excess outlay over appropriation.

[10] Fatehpur, Hamirpur, Kullu-II and Nalagarh.

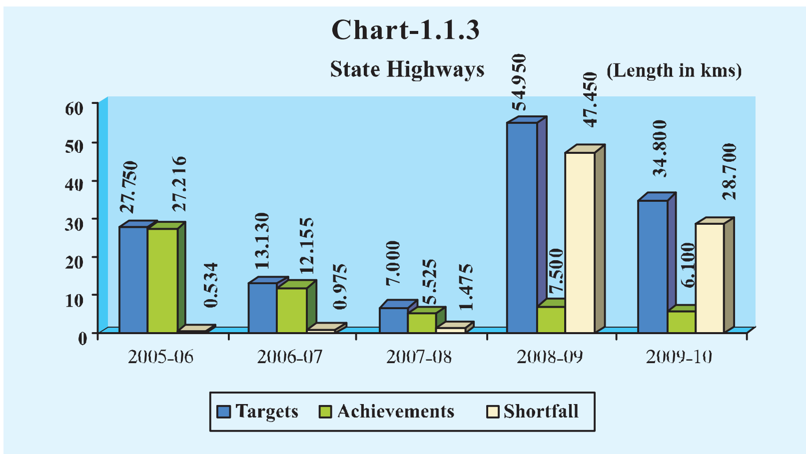
EEs of two test-checked divisions[11], booked material such as bitumen, cement, steel, etc., costing ₹1.17 crore against four SHs/MDRs between March 2005 and March 2009 which was written back to stock in the succeeding financial years between September 2005 and May 2009. The stock adjustments were carried out merely to avoid surrender of funds released by the Government at the end of the financial years, which is irregular and resulted in misrepresentation of utilisation of stock.

The Principal Secretary stated (September 2010) that necessary instructions will be issued to avoid irregular stock adjustments.

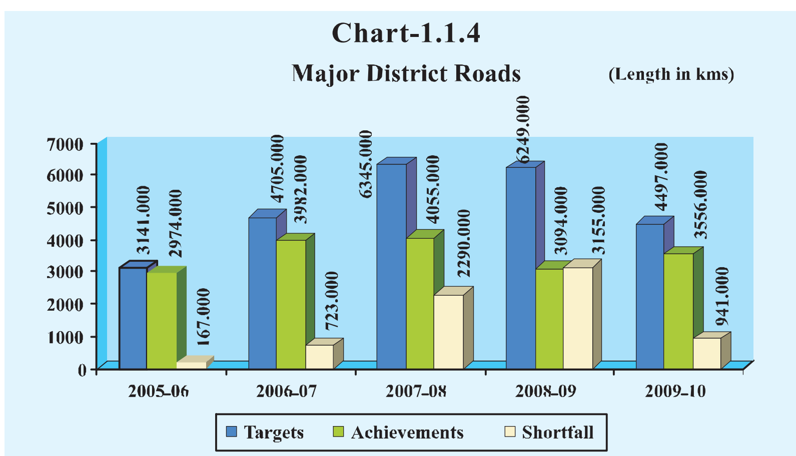
1.1.9 Programme Implementation

Execution of works

During 2005-10 against the target of improvement/upgradation of SHs and MDRs (including rural roads) in a cumulative length of 25,074.630 kms (SHs: 137.630 kms; MDRs: 24,937 kms) in the State, achievement thereagainst was 17,719.496 kms (SHs: 58.496 kms; MDRs: 17,661 kms) resulting in an overall shortfall of 7,355.134 kms (29 *per cent*) for SHs (79.134 kms) and MDRs (7,276 kms) respectively as shown in charts 1.1.3 and 1.1.4 below:



Source: Data compiled by audit from the information supplied by the Department.



Source: Data compiled by audit from the information supplied by the Department.

11 Dehra and Palampur.

In the 14 test-checked divisions against the targeted length of 197.489 kms (SHs: 91.435 kms; MDRs: 106.054 kms), actual improvement/strengthening of roads was done in a length of only 148.073 kms (SHs: 66.020 kms; MDRs: 82.053 kms) during 2005-10 resulting in an overall shortfall of 49.416 kms (25 *per cent*). The percentage shortfall in component-wise[12] achievement of targets by these divisions during the above period ranged between four and 100 *per cent*.

The main reasons for non-achievement of targets in the relevant years were slow pace of execution of works by the contractors which is indicative of poor contract management.

The Principal Secretary stated (September 2010) that overall shortfall was also due to non-clearance of cases under Forest Conservation Act, hostile working conditions and non-availability of labour in certain months. The reply is not acceptable as target on realistic basis should have been fixed keeping in view the above factors.

1.1.9.1 Works executed without Technical Sanctions

As per rules, no work should be taken up for execution unless detailed estimate for the same is prepared and technically sanctioned. The technical sanction is an assurance that the proposal is structurally sound and that the estimate is calculated accurately based on adequate data. Test-check revealed that in four[13] divisions, six road works (including three spilled over works of 2001-05) estimated to cost ₹19.89 crore, were taken up for execution during 2001-09 on the basis of preliminary estimates (rough cost estimates) prepared for obtaining Administrative Approval and Expenditure Sanction (A/A and E/S). Subsequently, detailed estimates for obtaining technical sanction of the competent authority were not prepared. An expenditure of ₹17.90 crore was incurred irregularly on these works as of March 2010. Of this, an expenditure of ₹3.45 crore was incurred by allowing deviations in the scope of work of four roads. The EE Bharmour division stated (March 2010) that necessary technical sanctions will be obtained shortly whereas EEs of the three divisions intimated no reasons for not obtaining the requisite technical sanction. In the absence of technically sanctioned estimates there was possibility of non-adherence to required specifications, making subsequent changes/deviations in the scope of work and resulting in execution of sub-standard/poorer quality of works by the executing agencies.

The Principal Secretary stated (September 2010) that necessary instructions will be issued to all concerned to prepare detailed estimates and to obtain technical sanctions for regularisation of expenditure.

1.1.9.2 Sub-standard execution

(i) Strengthening of road crust of Mubarikpur-Ranital-Kangra (SH-23) road in a length of 10.500 kms (kms 113/500 to 124/0) was awarded (April 2006) to a contractor for ₹2.71 crore with a stipulation to complete it by August 2007. The contractor, however, executed work for value of ₹1.89 crore upto December 2008 and stopped further execution without any reasons. The payment for above work against running account bill was made to him in April 2009 which

[12] Targets and achievements under MDRs include formation cutting, soling, wearing, tarring, CD, etc., separately for each item and is inclusive of rural roads also.

[13] Bharmour, Bilaspur-II, Dehra and Una.

included ₹1.74 crore for metalling and tarring work. The Chief Engineer (NZ) during inspection of the above road in January 2008 pointed out metalling and tarring work not conforming to the laid specification. He had recommended for re-execution of defective work and directed for non-acceptance of the work which was not conforming to specifications. The road crust got damaged due to developing of potholes and the contractor carried out rectification of road crust by doing patch work in place of re-execution. Evidently, the Department accepted sub-standard metalling and tarring which resulted in premature damage of roads as can be seen from the following photographs:

Photograph-1.1.3

Mubarikpur-Ranital-Kangra road (km 115/200)

Photograph-1.1.4

Mubarikpur-Ranital-Kangra road (km 117/635)

The EE, Dehra division stated (March 2010) that the whole work was not sub-standard and the potholes developed between km 113/500 and 118/300 had been rectified by the contractor. The reply is not acceptable as rectification of road crust was done only in patches and the entire stretch of road was not got repaired.

(ii) Improvement/strengthening of Jawalamukhi-Dehra-Nehranpukhar-Kaloha road in a length of 11 kms (kms 0/0 to 11/0) was approved (January 2004) for ₹5.29 crore. This also included extension of bridge over Naked *Khad* (km 6.504) from single lane to double lane at a cost of ₹93.90 lakh. The execution of the bridge except half RCC railing was got completed upto June 2009 at a cost of ₹60.33 lakh. Records revealed that expansion of single lane to double lane was designed by extending extra width to the masonary piers on upstream side with concrete mix of M-15 (Cement: Sand: Concrete: 1:2:4). The grip of the existing piers and filling thereof was also done by adopting the same design mix. Since it was a major bridge concrete mix of less than M-20 (Cement: 1: Sand: 1 and half and Concrete: 3) was not to be used as per latest IRC code for ensuring safe structures and superstructures of the bridges.

The CE (Quality and Design) during inspection in June 2005 had also pointed out that concrete mix design followed was old and not structurally safe to withstand the traffic density subjected to heavy loads. The EE, however, took no action to follow the appropriate mix design by taking up the matter with the Superintending Engineer and Chief Engineer (North Zone) in view of deficiency pointed out by the CE (Quality and Design) during inspection.

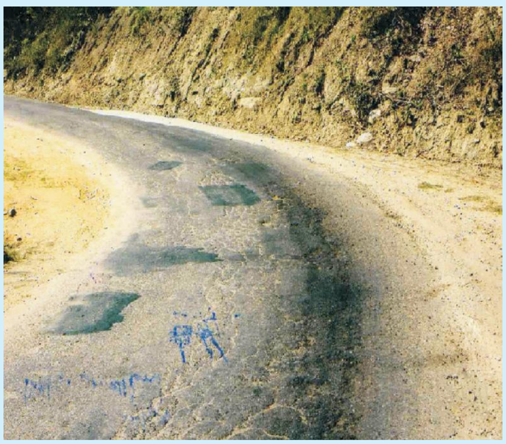
The execution of bridge was done in disregard to IRC code and views of the CE (Quality and Design) and was a sub-standard work.

The Principal Secretary in exit conference stated (September 2010) that sub-structure was executed in M-15 design mix by using material of good quality and cannot be termed as sub-standard. The reply is not acceptable as no action was taken on views expressed by the CE (Quality and Design) to follow the appropriate mix design for ensuring adequate safety to structure of the bridge.

1.1.9.3 Inadequate drainage system causing damage to the roads

To prevent early damage of the pavement due to excess water and also preventing saturation upto a depth of one metre below the top of road sub-grade, an adequate drainage system as per IRC specification is required for maintaining the structural and functional adequacy of a road.

Photograph-1.1.5



Dehra-Jawali Road (km 15/150)

Photograph-1.1.6

Dehra-Jawali road (km 16/405)

Scrutiny of records of three divisions[14] revealed that side drains in respect of SHs and MDRs in a length of 296.550 kms (SHs: 200.380 kms; MDRs: 96.170 kms) were inadequate and the Department while sanctioning improvement of these roads for an estimated cost of ₹24.80 crore between January 2004 and October 2008, made provision in the estimates of works only for construction of 72.353 kms (SH: 56.721 kms; MDR: 15.632 kms) which was 24 *per cent* of the total road length. Against this, construction of drainage in a length of 26.898 kms was done leaving side drains unexecuted in a length of 45.455 kms (63 *per cent*). The Department failed to ensure construction of side drains for the sanctioned stretches of roads as of May 2010. Besides, construction of drainage system for the remaining portions in a length of 224.197 kms was still to be planned. Meanwhile due to non-providing of adequate drainage and non-maintenance of partly executed drains the crust of these roads sustained damages estimated at ₹14.38 crore during 2005-10 as is evident from the above photographs.

The Principal Secretary stated (September 2010) that in DPRs now being prepared and got approved provision of construction of side drains is being made. The reply is not acceptable as

[14] Dehra, Jubbal and Theog.

execution of drainage works as per sanctioned estimates was also not done and indicated failure of the Department to provide adequate drainage system for structural safety of these roads and in reducing the maintenance costs.

1.1.9.4 Avoidable expenditure due to adoption of uneconomical specification

Mention was made in Paragraph 4.12 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 2001 (Civil)- Government of Himachal Pradesh regarding avoidable expenditure on providing of renewal coat to roads owing to adoption of conventional method of Pre-mix Carpeting (PC) and seal coat (SC) separately instead of Mixed Seal Surfacing (MSS) or PC treatment of one time laid one layer. The Public Accounts Committee in its 148th Report (10th Vidhan Sabha) had recommended that the matter relating to laying of renewal coat on roads may be taken up with the Ministry of Road Transport and Highways for consideration. However, no action in this regard had been taken by the Department as of April 2010.

Scrutiny of records of five divisions[15] revealed (March-April 2010) that periodical maintenance/ annual surfacing/renewal coat/strengthening of road crust over an area of 7,53,519 sqms of road surface was executed in 24 cases between April 2006 and November 2009 with the conventional method of PC with SC at a cost of ₹8.23 crore. Had the periodical maintenance, etc., been executed with MSS, the same was to cost ₹6.75 crore. Failure to adopt proper specification in these cases had resulted in extra expenditure of ₹1.48 crore (₹8.23 crore minus ₹6.75 crore).

The Principal Secretary stated (September 2010) that according to topography of the area and high density of rain/snow fall, provision of PC with SC was made in the DPRs and the works were executed accordingly. The replies are not acceptable unless specifications are modified as per topography of different places in the State.

1.1.9.5 Uneconomical execution of works

According to the State Financial Rules, the powers delegated to accept tender/technical sanction was ₹15 lakh for EEs with more than three years experience and ₹five lakh for EEs with less than three years experience.

Scrutiny of records of eight divisions[16] revealed (February-March 2010) that the EEs had awarded (April 2005-March 2010) major portion of 17 works (estimated cost ₹3.55 crore) by splitting them up in 721 parts/agreements to 202 contractors at a cost of ₹5.33 crore. The tendered rates quoted by the contractors ranged between 95 *per cent* below and 676 *per cent* above the amount put to tender. Benefit of competitive rates was, thus, not derived by floating single tender for each work. Approval of the competent authority to split up the works had also not been obtained. The EEs confirmed the facts and stated (February-March 2010) that the works were split up in view of their exigency and sanctions were being obtained. The replies are not tenable as sanction should have

15 Dehra, Dharampur, Jubbal, Nalagarh and Theog.
16 Bharmour, Dharampur, Jubbal, Kasauli, Nalagarh, Palampur, Theog and Una.

been obtained from the competent authority before splitting and awarding the works to the contractors.

In exit conference, the Principal Secretary assured (September 2010) to issue instructions for obtaining sanctions of the competent authority for regularisation of expenditure.

1.1.9.6 Delay in completion of works

(i) Timeframe prescribed for completion of any work is the essence of a contract. The contractors are therefore required to adhere strictly to the time schedule. Besides, progress of the work should be commensurate with the time allotment.

Improvement work of Dharwala-Kharamukh road (MDR-52) in 3.600 kms long portion (kms 40/0 to 43/600) was awarded (October 2004) to a contractor at a tendered cost of ₹80.84 lakh. The contractor commenced the work in October 2004 and the work was stipulated to be completed by February 2006. Scrutiny of records of Bharmaur division revealed that the contractor had executed work for value of ₹49.95 lakh (62 *per cent*) and did not complete the remaining work as of July 2010. The completion of work had been delayed by 52 months. Thus, delay in completion of work has resulted in non-accrual of timely benefit of smooth and safe traffic facility to the road users despite incurring an expenditure of ₹49.95 lakh.

The Principal Secretary stated (September 2010) that the contractor had stopped the work for which penality of ₹4.44 lakh was levied. This will be recovered from him.

(ii) HPRIDC awarded (August 2008) strengthening of Una-Barsar-Jahu-Kalkhar-Nerchowk road (SH-16) from kms 93.440 to 108.830 to a contractor for ₹33.50 crore under World Bank funded State Road Project. The scope of work included widening of road to standard intermediate lane configuration in a length of 15.390 kms alongwith construction of 13 slab culverts, 33 pipe culverts and 20 box culverts. The work was divided into two milestones with 2.760 kms and 12.630 kms to be achieved in milestones one and two respectively. As per contract agreement both the milestones were stipulated to be completed by 10 February 2010. The contractor commenced the work on 8 August 2008 and it was still in progress as of May 2010.

Scrutiny of records in the office of the HPRIDC revealed that encumbrance free site to the contractor was made available in July 2009 due to non-completion of land acquisition process on time. Due to delay in handing over of site the contractor could execute work to the extent of ₹3.47 crore (10 *per cent* of contract price) till May 2010. The failure of the Department to complete the land acquisition process for ensuring timely availability of encumbrance free site delayed the completion of work. Since 90 *per cent* work is still to be executed, it is likely to result in considerable delay in providing quality road facility to the public. In exit conference, the Principal Secretary stated (September 2010) that though completion of the land acquisition, forest sanctions and shifting of utilities before award of work is an ideal condition but keeping in view the timeframe fixed for the project it was considered necessary to undertake these activities simultaneously. The reply is not acceptable as proper co-ordination amongst all the departments/ agencies involved in the process should have been ensured for completion of work within the prescribed timeframe.

1.1.10 Contract Management

1.1.10.1 Non-recovery of Government dues

Contract management includes negotiating the terms and conditions of contracts and ensuring compliance therewith as well as documenting and agreeing to any changes that may arise during its implementation. The cases of poor contract management by the Department are discussed below:

(i) Two divisions[17] entered into eight contracts with six contractors between August 2004 and December 2008 for improvement/widening of SHs/MDRs. As per estimates/agreements, the contractors were to stack 43,433 cum serviceable stone costing ₹73.84 lakh. On failure to do so, recovery for stone not stacked/ less stacked was to be made at prescribed rate from their running account bills. However, part recovery for 12,483 cum stone amounting to ₹21.22 lakh only was made leaving an unaffected recovery of ₹52.62 lakh for 30,950 cum stone from the contractors.

The Principal Secretary stated (September 2010) that the matter will be investigated and recoveries if not made earlier would be made from the contractors.

(ii) In case of delay in completion of work by a contractor, compensation upto 20 *per cent* of the tendered cost of the work was to be levied. In seven test-checked divisions[18], 51 jobs of road works awarded to 38 contractors between October 2004 and December 2009 for ₹8.51 crore were not completed within the stipulated time between May 2005 and February 2010. As such compensation of ₹91.66 lakh was leviable on them. Two divisions[19] had levied compensation of ₹56.85 lakh in respect of five cases only between January 2006 and June 2009 which had also not been recovered as of March 2010.

The Principal Secretary stated (September 2010) that the cases will be looked into and where the delay was on the part of contractors, compensation/liquidated damages will be levied. He further stated that action to recover the levied compensation/liquidated damages is being taken up by issuing instructions to the divisions concerned.

1.1.10.2 Payment to contractors without approval

As per standing orders of the State Government issued in October 2004, any deviation necessitated during execution of work, should have prior approval of the competent authority before executing such deviation and incurring any expenditure.

The bills of the contractors for deviated items of works should be finalised and the contracts closed within a period of six months of the dates of completion of the works after obtaining approval of the competent authority.

Scrutiny of records of three divisions[20] revealed that three contracts awarded between September 2004 and March 2006 at tendered cost of ₹7.72 crore were completed between March 2007 and April 2009. Against this, payments aggregating ₹9.05 crore were made to the

17 Bharmour and Theog.
18 Bharmour, Dehra, Dharampur, Hamirpur, Kasauli, Palampur and Theog.
19 Bharmour and Dehra.
20 Fatehpur, Kasauli and Kullu-II.

contractors. Thus, excess payments of ₹1.33 crore over the tendered amount were made to the contractors without getting the deviations approved from the competent authority. Though a period ranging between 13 months and 38 months had lapsed as of May 2010 since the completion of these contracts but the contracts had not been closed by finalising the bills due to non-approval of deviations.

In the exit conference, the Principal Secretary appreciated the audit in highlighting the point and assured that instructions will be issued to all concerned to avoid inordinate deviations without approval of the competent authority.

1.1.10.3 Undue benefit to a contractor

Mobilisation advances are paid to the contractors exclusively for the costs of mobilisation and against the new key construction equipment purchased for the work and brought to the site subject to a maximum of 10 *per cent* of contract price.

HPRIDC entered (April-May 2008) into two agreements with a Chinese company for widening of two SHs in a length of 125.504 kms at tendered cost of ₹354.76 crore. The time stipulated for completion of these works is 30 and 36 months respectively. Mobilisation advance of ₹17.73 crore (five *per cent* of tendered cost) was paid (June-July 2008) to the above company. The company completed work for value of ₹18.80 crore upto February 2010 against the prescribed financial milestone of ₹201.86 crore. No progress of works after February 2010 was available with HPRIDC.

Scrutiny of records revealed that against the value of work done (₹18.80 crore) ₹13.08 crore was paid to the company on 'Interim Payment' certificates finalised between March 2009 and April 2010 after deduction of ₹3.32 crore on account of mobilisation advance. Thus, mobilisation advance of ₹14.41 crore had not been recovered. Had the HPRIDC monitored the progress of work properly to get the financial milestones achieved, whole of the mobilisation advance could have been recovered from the firm till February 2010. The Board of Directors of HPRIDC while reviewing the status of State Road Projects in their meeting held in December 2009 had observed that the progress of Chinese company was extremely slow, quite behind schedule and required timely and appropriate action as per terms of the contract agreements. No action in this regard has been taken by HPRIDC as of May 2010.

Thus, undue favour of ₹18.33 crore was extended to the firm due to non-levy of delay damages (₹3.92 crore) as per clause 8.7 of the contract agreement and delay in recovery of mobilisation advance (₹14.41 crore) due to department's inability to make the Chinese company adhere to the prescribed milestones for timely completion of the work.

1.1.11 Monitoring

Norms and periodicity of inspection of works by the CEs, SEs and EEs had not been prescribed. However, in June 2007 the E-in-C at the instance of audit issued instructions for inspection of works by various inspecting officers without prescribing any time schedule/periodicity. In two test-checked-divisions[21] CE had conducted inspection on six occasions during 2005-10 while

[21] Dehra and Theog.

SEs and EEs had conducted inspections on 17 and 11 occasions during the same period for which inspection notes were issued by them. The EEs in the remaining cases stated (March-April 2010) that though inspections had been conducted from time to time, inspection notes could not be issued due to rush of work. The reply is not in consonance with the instructions issued by the E-in-C for carrying out inspections at regular intervals, issuing of inspection notes and to maintain the proper record thereof.

In the absence of inspection notes, entries in the site order books, inspection registers, quality control registers, etc., the quality control mechanism and monitoring of works was inadequate.

Further, after entrustment of SHs and MDRs works to HPRIDC the Operation Manual brought out by the Corporation in 2007-08 also provided for frequent inspection of works by officers from the Headquarters as essential for effective monitoring of the project. Accordingly, MD is required to inspect the project under his jurisdiction at least once in a quarter and CE-cum-PD or EE concerned at least once in a month. Inspection report/tour observations should invariably be issued within seven days of completion of inspection. During 2008-2010 against the required 148 and 444 inspections, the MD and CE-cum-PD had inspected the projects on 18 and 61 occasions respectively. No reasons for inadequate inspection of ongoing projects were advanced by the officers at HPRIDC headquarters.

The Principal Secretary stated (September 2010) that necessary instructions will be issued to fix the norms and periodicity of inspections by the officers of PWD, to issue inspection notes and for maintenance of site order books, inspection registers, etc.

1.1.12 Conclusion

- Though achievements against the targets in providing road connectivity are satisfactory, a strengthened road network is essential for socio-economic development of the State.
- To achieve the objective of good quality roads in a time bound manner there exist no State Road Policy for plans and action for improvement and upgradation of State Highways(SHs) and Major District Roads(MDRs).
- The work of upgradation/improvement of SHs and MDRs did not match the IRC standards. Since State Highways and Major District Roads are secondary roads, inadequate capacity, insufficient pavement and poor riding quality are likely to affect road user cost. There were cases of damages to roads due to improper drainage system and execution of works without technical sanctions.
- The works were delayed due to non-availability of land before awarding them to the contractors.
- Due to non-levy of liquidated damages (LDs) on the contractors for delay/non-completion of works and non-recovery on account of levied LDs and useful material, undue favour was extended to them.
- Poor contract management and inadequate monitoring of works contributed instances of sub-standard road works and unfruitful expenditure leading to denial of envisaged quality road facility to the public.

1.1.13 Recommendations

- The Government should formulate a long term master plan expeditiously with clear milestones and timelines for providing the facility of good quality roads to the public.

- Funds should be provided in a planned manner to avoid the need for their drawal at the fag end of the financial year besides giving rise to improper accounting practices.

- Norms for periodic maintenance of roads need to be ensured on realistic basis by revising yardstick rates so that roads are maintained properly.

- Execution of repair and maintenance of road works by the EEs should be taken up after preparing the estimates and obtaining necessary sanction of the competent authority wherever required.

- The Department should ensure availability of encumbrance free land after obtaining the necessary approvals and clearances for timely completion of road works.

- For effective contract management, the State Government should issue suitable directions/instructions to the agencies involved in the construction of roads to take prompt action against the contractors where the work is behind schedule, to ensure recovery of liquidated damages and payment of deviated quantities of works only after approval by the competent authority.

- An appropriate system needs to be evolved to ensure adequate inspection and monitoring of the ongoing works of improvement/strengthening and periodic maintenance of SHs/MDRs.

These findings were referred to the Government in August 2010; their reply had not been received (September 2010).

Rural Development Department

1.2 Implementation of Mahatma Gandhi National Rural Employment Guarantee Act

The State Government started implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) from the date it came into force viz. 2 February 2006. The basic objective of the Act is to provide 100 days of guaranteed employment in a financial year to every household whose adult members volunteer to do unskilled manual work at the minimum wage rate. Performance audit of the Act revealed that during 2005-10, the State Government generated 617.70 lakh persondays of employment by spending ₹1,039.63 crore and benefiting 4.97 lakh (cumulative number) rural households in the State. Though the employment provided to women was satisfactory, significant areas of deficiencies noticed by audit are as under:

- ***There were deficiencies in the planning process, particularly in the preparation of five year District Perspective Plans (DPPs).***

  (Paragraph 1.2.7.2)

- ***To reduce the risk of financial 'leakage' and to promote transparency and accuracy in fund management, the practice of monthly squaring of accounts was not introduced at any level to verify that all money released are accounted for under three heads viz. money held in bank accounts at various levels, advances to implementing or payment agencies and expenditure vouchers.***

  (Paragraph 1.2.8.1)

- ***Works were not taken up as per the priority list but rural connectivity which was at the bottom in the priority list was given top priority. This resulted in non-execution of adequate number of works such as drought proofing, afforestation and soil conservation for addressing the chronic cause of poverty and strengthening the natural resource base of rural livelihood. Besides, during 2007-10, nine out of 12 selected Blocks irregularly spent ₹19.19 crore on works not permissible under the Act or separately notified by the GOI.***

  (Paragraph 1.2.10.2)

- ***Wages of ₹ 97.45 lakh were paid to workers with delay ranging from 15 to 90 days after the prescribed period of a fortnight.***

  (Paragraph 1.2.11.2)

- ***Muster Rolls maintained by the 48 test-checked GPs did not bear unique identity numbers. Besides the signature of inspecting officer(s) in token of having the works inspected were also not found recorded on Muster Rolls in any of the test-checked GPs.***

  (Paragraph 1.2.11.4)

- ***The Status of inspection of works at State, District and Block levels was poor and the State Government had not designated any State and District Quality Monitors for ensuring quality audit of works as of June 2010. Besides, monitoring at higher level by the State Employment Guarantee Council was also found deficient.***

  (Paragraphs 1.2.13.1, 1.2.13.2 and 1.2.7.1)

1.2.1 Introduction

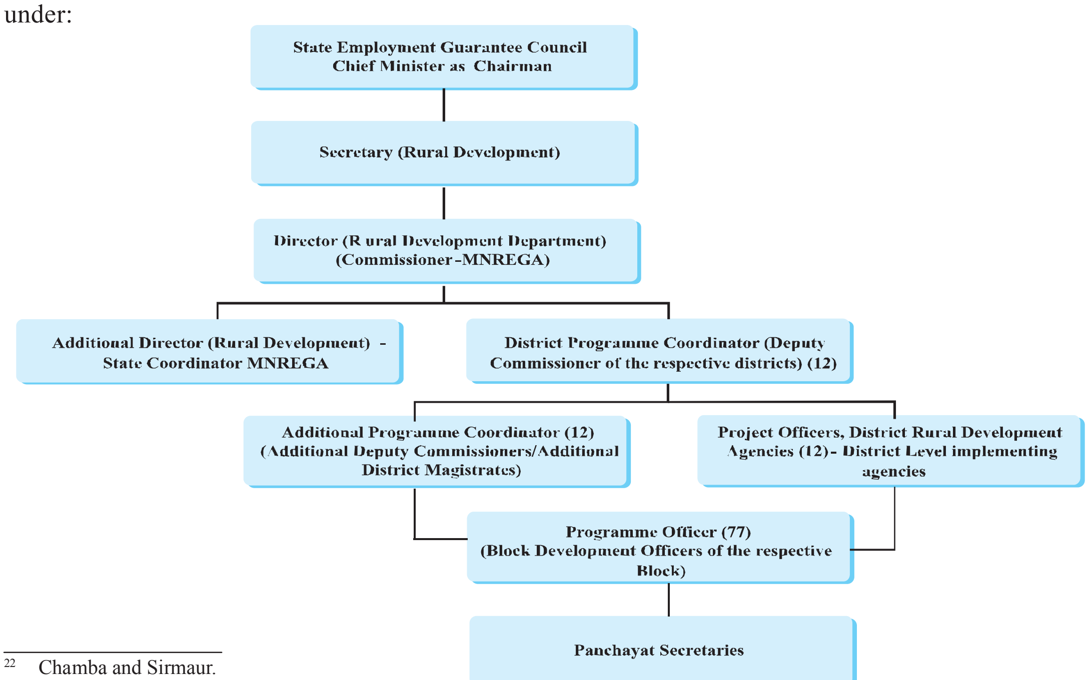
The Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MNREGA) guarantees 100 days of employment in a financial year to any rural household whose adult members are willing to do unskilled manual work. The Act initially came into force with effect from 2 February 2006. Out of the 12 districts in the State, two[22] districts were notified in 2005-06, two[23] districts in 2007-08 and the remaining eight[24] districts in 2008-09. The basic objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days' of guaranteed employment, besides 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 Panchayat* (GP) and seek employment. Work is to be provided within 15 days of the date of demand failing which the State Government will have to pay unemployment allowance to the applicant at the stipulated rates. The Central Government will bear all costs other than the following which are to be borne by the State Government:

- 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.

1.2.2 Organisational Set up

Rural Development Department (RDD) of the State is the nodal Department for implementation of the MNREGA. The organisational set up for implementation of the scheme in the State is as under:



22 Chamba and Sirmaur.
23 Kangra and Mandi.
24 Bilaspur, Hamirpur, Kinnaur, Kullu, Lahaul and Spiti, Shimla, Solan and Una.

1.2.3 Scope of Audit

The performance audit covered the period 2005-10 and was carried out during March-June 2010 through a sample check of records in the offices of the Director, Rural Development (Director), five[25] out of 12 District Programme Coordinators (DPCs) in the State, 12[26] out of 39 Blocks in the selected districts and 48 out of 598 GPs falling under the jurisdiction of the selected Blocks. The selection of districts and Blocks was based on Simple Random Sampling without Replacement (SRSWOR) method, and GPs were selected on the basis of Probability Proportionate to Size with Replacement (PPSWR) method.

1.2.4 Audit Objectives

The main audit objectives were to assess whether:

- effective steps were taken by the State Government for planning, implementation and monitoring/ evaluation of the MNREGA outcomes;
- the procedures of preparing perspective and annual plans 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 in compliance with the Act and guidelines for registration of households, issue of job cards, planning and execution of works, payment of wages/ unemployment allowance, accounting and utilisation of funds;
- there was an adequate and effective mechanism for social audit and grievance redressal; and
- there was an adequate and effective mechanism at different levels for monitoring and evaluation of MNREGA outcomes.

1.2.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- The MNREGA, 2005 and notification issued thereunder;
- The MNREGA Operational Guidelines (2006) which were further revised in 2008; and
- Instructions and orders issued by GOI, Ministry of Rural Development/State Government from time to time.

1.2.6 Audit Methodology

The performance audit of implementation of the Act commenced with an entry conference (May 2010) with Secretary, RDD, wherein the audit objectives, audit criteria, scope of audit and methodology were discussed.

Audit conclusions were drawn after scrutiny of records in selected units, analysis of available data, issue of audit memoranda and examination of the responses of various functionaries. The report was finalised after taking into account the views put forth by the Government during an exit conference held in August 2010 with the Secretary (RDD).

[25] Chamba, Hamirpur, Kangra, Kullu and Sirmaur.

[26] Bamsan, Bhattiyat, Dehra, Fatehpur, Kullu, Lambagaon, Nadaun, Naggar, Panchrukhi, Rajgarh, Salooni and Shillai.

Audit Findings

1.2.7 Planning

1.2.7.1 Preparatory steps

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 to offer productive employment on demand. The following preparatory steps were required to be taken for planning and effective implementation of the Act:

❖ **Formulation of State Employment Guarantee Scheme**

In accordance with Section 4 (i) of the Act, every State Government was required to formulate and notify within a year from the date of commencement of the Act, a scheme for giving effect to the provision of Section 3 of the Act ensuring guarantee of employment to rural households. The State Government notified Himachal Pradesh Rural Employment Guarantee Scheme (HPREGS) in November 2006 to comply with above provisions within the prescribed timeframe. Further, the Act required the State Government to make rules to carry out the provisions of the Act and indicate grievances redressal mechanism. Formulation of such rules was crucial for the effective implementation of the Act.

The State Government notified (December 2009) rules with regard to social audit and grievance redressal mechanism after delay of more than three years of formulation of HPREGS. It was noticed that grievance redressal mechanism was non-existent upto 2008-09 at State level as Complaint Register was maintained only from 2009-10. Due to non-formation of grievance redressal mechanism at State level, in two[27] out of five districts selected for test-check, 342 out of 391 public complaints pertaining to the period 2005-09 were not disposed of by the concerned DPCs and the complainants could not get their complaints resolved at the State level.

In exit conference, the Secretary accepted the facts and stated (August 2010) that complaints from the public were mostly resolved without delays. However, no documentary proof in support of above contention was furnished to audit.

❖ **State Employment Guarantee Council (SEGC)**

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 implementation, evaluation and monitoring of the scheme. The State Government constituted SEGC in July 2006 with the Chief Minister as Chairman, the Rural Development and Panchayati Raj Minister as Vice-Chairman, 14 official members and 15 non-official members. To oversee the implementation of the scheme, the SEGC was required to convene meetings twice a year.

It was noticed that the SEGC held only two meetings in December 2006 and January 2009 against the required number of seven.

Inadequate monitoring by the SEGC, resulted in non-exercising of any check over planning process, execution of works without technical estimates, preparation of shelf of works without

[27] Kangra and Sirmaur.

ensuring work priorities according to the provision of the Act as brought out in paragraphs 1.2.10.2 and 1.2.10.4.

Additional Director, RDD stated (June 2010) that due to busy schedule of the Chief Minister and other administrative reasons, the required meetings of SEGC could not be convened. The fact, however, remains that high level monitoring for implementation of the Act was inadequate.

1.2.7.2 District Perspective Plan

The MNREGA 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 linkage between these works and long term employment generation and sustainable development.

In three[28] out of five test-checked districts, DPPs were not prepared. In the remaining two[29] districts, DPPs were prepared but the same were not prepared as per guidelines and instructions of GOI issued in August 2006. In the DPPs of these two districts prioritisation of works as per Section 4 (3) of the Act was not done and works which were not permissible under the Act were included for execution. Also, these DPPs were not sent for approval of GOI uptill May 2010. In the absence of DPPs the types of works which should be executed in the districts to ensure long term employment generation and sustained development were not identified. This resulted in unplanned execution of works on adhoc basis. The Government stated (September 2010) that the preparation of DPP is an exhaustive process which requires expertise and resource mapping skill.

1.2.7.3 Annual Plans

The Annual Plan (AP) is a working plan that identifies the activities to be taken up on priority in a year. MNREGA guidelines envisaged that the process for approval of APs from different levels of PRIs viz., GPs, Intermediate Panchayats (IPs) and District Panchayats must be completed by December of the preceding year. For ensuring people's participation in the planning process, Gram Sabha should be convened in advance to estimate demand for labour and propose the number and priority of works to be taken up in the following year. The APs of GPs were to be forwarded to the Programme Officer who would scrutinise and consolidate them into a block plan. The block plan which also identifies works involving more than one GP, was to be then forwarded to the DPC for scrutiny and consolidation into a district plan. The DPC would examine and approve the district plan.

It was noticed in audit that documented annual plans as discussed above were not prepared during 2005-10 in any of the districts selected for test-check. In the absence of these plans there were no shelf of projects for timely approval, thus affecting the ability to meet demand for employment. Besides, in the absence of details of physical assets and enduring outcomes in the District Annual Plans, no meaningful comparison of actual achievements-vis-à-vis plan is possible.

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[28] Hamirpur, Kangra and Kullu.
[29] Chamba and Sirmaur.

The Government stated (September 2010) that instructions regarding preparation of Annual Action Plans have been reiterated and implementing agencies have been directed to prepare documented Annual Plans.

1.2.8 Financial Management

GOI released funds directly to districts upto March 2009 and thereafter to Director, Rural Development for implementation of the scheme. The release of funds was based on the State Government's labour budget appraisal containing the details of anticipated demand of households for employment and cost per personday. A separate bank account was required to be opened at district, Block and GP levels. Similarly, the State Government was also required to establish a State Employment Guarantee Fund (SEGF) from which State share was to be released directly to districts.

1.2.8.1 Financial Performance

The year-wise position of funds released by the GOI and the State Government for implementation of the scheme and utilisation thereagainst during 2005-10 is given as under:

Table: 1.2.1

(₹ in crore)

Year	Opening balance	Funds received from		Total funds released	Funds utilised	Unutilised fund at the close of year
		GOI	State Government (including interest and other receipt)			
2005-06	Nil	8.73	0.01	8.74	0.54	8.20
2006-07	8.20	45.23	7.84	53.07	32.08	29.19
2007-08	29.19	125.96	18.91	144.87	122.83	51.23
2008-09	51.23	410.11	40.81	450.92	325.60	176.55
2009-10	176.55	375.47	59.12	434.59	558.58	52.56
Total		**965.50**	**126.69**	**1092.19**	**1039.63**	

Source: Departmental figures

From the above table it can be seen that out of total financial assistance of ₹1092.19 crore provided by the GOI and the State Government during 2005-10, utilisation of funds on implementation of scheme was ₹1039.63 crore (95 *per cent*). In five test-checked districts, against total releases of ₹646.81 crore during the aforesaid period, utilisation of funds was ₹612.43 crore as detailed in Appendix-II. The percentage of utilisation of funds in these districts ranged between 16 and 98 *per cent*.

❖ **Delay in release of State share**

As per guidelines, State share of funds is required to be released within 15 days of the release of Central funds. It was, however, noticed that during 2005-10 State share amounting to ₹73.99 crore was not released within 15 days of the release of funds by the GOI. The delay in release of funds ranged between 15 and 169 days. Deputy Director (Statistics) Rural

Development Department stated (July 2010) that due to lengthy procedure of obtaining expenditure sanction delay occurred in release of State share on some occasions. The reply is not acceptable as initiation of timely action is necessary to ensure timely release of funds to the implementing agencies.

❖ **Establishment of State Employment Guarantee Fund**

According to the scheme guidelines, the State Government was required to establish a fund to be called the State Employment Guarantee Fund (SEGF). The fund was to be expended and administered as a revolving fund with rules that govern and ensure its utilisation according to the purpose of the Act. The SEGF was set up in the State in July 2008 but the State Government has not designed a complete Financial Management System as of June 2010. This was necessary to ensure transparency, efficiency and accountability and track the use of funds towards the final outcomes. The Government stated (September 2010) that framing of rules of SEGF is under process.

❖ **Monthly squaring of accounts**

To reduce the risk of financial 'leakage' and to promote transparency and accuracy in fund management, the practice of monthly squaring of accounts is required to be introduced to verify that all money released under MNREGA are accounted for under three heads viz. money held in bank accounts at various levels, advances to implementing or payment agencies and expenditure vouchers. It was noticed that monthly squaring of accounts was not done by any of the test-checked units viz. District, Block and GPs. In the absence of it accuracy of actual expenditure, advances paid and unspent amount lying in bank accounts could not be verified in audit.

The Government stated (September 2010) that instructions have been issued to the implementing agencies to ensure monthly squaring of accounts and reconciliation thereof.

1.2.9 Registration and issue of Job Cards

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

- Household may submit an application for registration or submit an oral request.
- A Gram Sabha shall be convened to mobilise applications for registration and conduct verification.
- 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. Photograph of adult member applicants should be attached to the job cards, number assigned and entered in the Job Card Register.

Audit scrutiny revealed the following:

1.2.9.1 Discrepancies in registration at Panchayat level

In 40, out of 48 selected GPs covering 11,730 registered households, the following discrepancies were noticed in receipt of applications for registration and maintenance of job card registers:

- There were no signatures of 737 job card holders in Job Card Registers (JCRs).
- Joint photographs were not affixed in 657 cases.
- Verification in respect of 392 cases was not done by the Pradhans of concerned GPs.
- In 570 cases there were no signatures of registering authority (Pradhan) in the JCRs.
- In 274 cases date of registration was not entered in the JCRs.
- In GP Simbalkhola (Panchrukhi Block) 48 households applied for registration in November 2008, but they had not been registered as of March 2010.

In the exit conference, the Secretary assured (August 2010) to take corrective action on these matters.

1.2.9.2 Registration of Minor member of households

Operational guidelines of MNREGA provided for registration of only adult members who volunteer to do unskilled manual work.

Scrutiny of JCRs in the test-checked districts revealed that 419 minors of 308 households were registered in five GPs[30] of Salooni Block. In GP Sanooh, 16 minors were also engaged on 21 works (involving 35 muster rolls) between June 2006 and September 2007 and paid wages for 716 days at the rate of ₹75 per day which was applicable for an adult worker.

The Government stated (September 2010) that the matter has been taken up with the concerned implementing agency and strict departmental/penal action is contemplated against the defaulters.

1.2.10 Execution of works

According to the Act and MNREGA guidelines the following requirements for execution of works should be complied with:

- To avoid duplication, a unique identity number should be assigned to each work.
- Administrative approval and technical sanctions should be obtained for all works in advance, by December of the previous year.
- Worksite facilities viz. medical aid, drinking water, shelter and creche (if there are more than five children below the age of six years) are to be ensured by the implementing agency.
- Asset Registers for completed works is required to be maintained at GP and Block level.

[30] Bhandal: 169; Jakhota: 21; Ligga: 81; Rast: 16 and Sanooh: 132.

Scrutiny of the records of 48 GPs in five districts selected for test-checked revealed the following:

1.2.10.1 Unique identity number not assigned to works

No unique identity numbers were allotted to works in any of the Panchayats to ensure proper records of works and to avoid duplication in execution of works.

1.2.10.2 Execution of low priority/inadmissible works

As per operational guidelines read with Section 4 (3) and schedule-1 of MNREGA, the works be taken up in order of priority as laid down in the scheme. The works of water conservation and water harvesting works were the first priority and rural connectivity was the lowest in the priority list. Detail of expenditure incurred on different works during 2005-10 in the five test-checked districts in order of their priority are tabulated below:

Table: 1.2.2

(₹in crore)

Sr. No.	Category/priority of works	Number of Works	Expenditure incurred	Percentage to total works
1	Water conservation and harvesting	17,748	123.93	13
2	Drought proofing, afforestation and plantation	2,873	22.76	2
3	Irrigation canals and minor irrigation works	12,861	106.07	9
4	Provision of irrigation facilities to SC/ST etc.	3,805	24.62	3
5	Renovation of traditional water bodies	8,128	54.54	6
6	Land development	7,665	53.49	6
7	Flood control and protection work	15,312	136.00	11
8	Rural connectivity	63,856	471.56	47
9	Other works	3,694	15.90	3
	Total	**1,35,942**	**1008.87**	

Source: Departmental figures

From the above table it would be seen that implementing agencies ignored statutory priorities in execution of works and gave highest priority to rural connectivity which was the lowest in the priority list. Out of 1,35,942 works executed at a cost of ₹1008.87 crore during 2006-10, 63,856 works (47 *per cent*) costing ₹471.56 crore pertained to rural connectivity. Works such as water conservation and harvesting, drought proofing (including afforestation and plantation) irrigation and renovation of traditional water bodies were not taken up in order of their priorities as execution of such works was important to strengthen the natural resource base of rural livelihood and address the main cause of poverty. This indicated lack of planning at Block and district levels as the POs and DPCs did not scrutinise the appropriateness of proposals for execution of works as required under the guidelines.

Similarly, during 2007-10, an expenditure of ₹19.19 crore was incurred by nine out of 12 selected blocks on construction of 3298 works such as Shamshan Ghat, Rain shelters, Kuchha/Pacca paths, Kitchen sheds in primary schools, etc., which were not notified by the GOI.

Thus, execution of aforesaid works in violation of the provision of the Act was irregular.

Further, Asset Registers were not maintained in any of the test checked Blocks and GPs since the inception of the scheme. In the absence of Asset Register at Block and GP levels, current status and benefits derivable by the beneficiaries could not be ascertained in audit. Also, non-maintenance of asset register implied that there was no record of the durable assets created and it would not be possible to ensure their subsequent maintenance and retention of ownership.

The Government stated (September 2010) that instructions to the implementing agencies have been issued for taking up works as per the priority reiterating that rural connectivity may be given last priority and water conservation/harvesting works be given first priority as envisaged in the Act and to maintain Asset Registers.

In the exit conference the Secretary stated (August 2010) that as per scheme guidelines GPs had the liberty in selection of works and administration was not to issue any directions to them. The reply is not acceptable as focus of the scheme on the works in order of priority was already laid down in the Act.

1.2.10.3 Construction of roads contrary to specifications

As per guidelines rural connectivity was to be provided with all weather access within the village area. During 2006-10 in Dehra, Rajgarh and Shillai Blocks 172 works of Kutcha roads were executed at the cost of ₹2.24 crore without stabilisation of top surface and adequate provision for drainage and culverts. This occurred due to faulty preparation of estimates by the departmental technical staff posted at Block and GP levels. As a result, it was not possible to make these roads negotiable in all seasons particularly in the rainy season as is evident from the following photograph:

Photograph-1.2.1

Link road Naini-Dhar to Jhakando in Shillai Block.

The Government stated (September 2010) that instructions have been issued to all the implementing agencies to stabilise the roads with locally available aggregate and providing adequate drainage system to make them negotiable in all seasons of the year.

1.2.10.4 Execution of works without technical estimates

Technical sanction is an assurance that proposal is structurally sound and that the estimate is calculated accurately based on adequate data. It was noticed that during 2007-10 in Salooni Block, 6,932 works were executed through panchayats at a cost of ₹36.17 crore without preparing estimates or obtaining technical sanctions. The assessment of works was done after completion of work and measurements were recorded in the MBs in such a manner that the value of works executed equaled the sanctioned cost. As such, due to execution of works without preparation of detailed technical estimates, the quality of works could not be ensured.

The PO concerned admitted the facts and stated (May 2010) that technical estimates were not prepared due to shortage of technical staff and rush of work.

The Secretary in the exit conference assured (August 2010) that necessary directions to the implementing agencies would be issued.

1.2.10.5 Execution of works through agencies not specified in the Act

As per operational guidelines of MNREGA, the Gram Panchayat is the single most important agency for execution of works as the Act mandates earmarking a minimum of 50 *per cent* of the works in terms of costs to be executed by the Gram Panchayat. The other Implementing Agencies (IAs) can be intermediate Panchayats, line departments of the Government, Public Sector undertaking of the Central and State Governments Cooperative Societies with a majority shareholding by the Central and State Governments and reputed NGOs having a proven track record of performance. Besides, Self Help Groups (SHGs) can also be considered as IAs.

In Salooni Block of Chamba district, during 2006-10, the PO entrusted execution of 473 works to "local committees" of the villagers who had no proven track record of performance and technical expertise. Besides, these committee got registration under the Himachal Pradesh, Societies Registration Act, 2006 without any shareholding of State/Central Government. As such, these committees were not eligible implementing agencies. An expenditure of ₹5.54 crore was incurred on works during the aforesaid period through the committees. Scrutiny further revealed that no records relating to employment generated, expenditure incurred on wages and material was available with the PO concerned. The PO without obtaining the above details and getting the assets created accounted for in the record of concerned GPs, made payment to these committees. Moreover, the possibility of siphoning of funds by way of collusion among labourers and middleman (committees) to share inflated wages cannot be ruled out. Besides, periodical reports were sent to GOI without incorporating the factual position of persondays generated for the rural masses.

The Government stated (September 2010) that necessary instructions have been issued to the DPO Chamba and the PO (BDO) Salooni has been chargesheeted on this count.

1.2.10.6 Preparation of Project Completion Report

MNREGA guidelines stipulate that on completion of every project/work, a Project Completion Report (PCR) should be prepared as per the prescribed format in the work register and the details entered therein should be verified by a senior officer. A photograph of completed work should be taken as a record of work done and attached to PCR. PCR should be placed in the file pertaining to the work in the office of the implementing agency. This would serve as a record of verification of completion of work.

In five[31] out of 12 selected Blocks 9,313 works were got executed and shown as completed at a cost of ₹47.95 crore in the works register but the requisite PCR setting forth the above particulars were not prepared and kept on record. In the absence of any PCR duly verified by a responsible officer the authenticity of completed works could not be verified in audit.

The Government stated (September 2010) that implementing agencies have been directed to prepare Project Completion Report as per the prescribed format.

1.2.10.7 Wage-material ratio not maintained

In four[32] out of 12 selected Blocks, the requisite ratio was also not maintained to the prescribed extent as percentage of wage costs was between 50 and 58 *per cent* during the aforesaid period. In 48 GPs selected for test-check, 243 works were completed during 2006-10, it was noticed that in respect of 168 works the ratio of wage component was less than 60 *per cent* and it ranged between 12 and 58 *per cent* respectively. As the amount spent on material exceeded the prescribed limit of 40 *per cent,* the purpose of prescribing higher ratio for wage component was defeated resulting in availability of less funds for employment generation.

1.2.11 Employment and wages

1.2.11.1 District Schedule of Rates

The MNREGA operational guidelines stipulate that:

- District Schedule of Rates (DSR) should be prepared for each district and should be posted at worksite in the local language.
- The State Government should prepare exhaustive and detailed list of tasks required for undertaking works, in different geomorphological conditions and the productivity norms for DSR should be worked out for each locale in such a way that seven hours of normal work earns minimum wages on a piece rate basis.

It was noticed in audit that the requisite DSR was not prepared in any of the district selected for test-check. The labourers engaged on work were required to finish a fixed quantity of work as per the prevalent Schedule of Rates (SOR) applicable in the Public Works Department (PWD). Since the SOR of PWD were based on the work to be done by healthy and able bodied labourers not above the age of 65 years, non-preparation of the DSR was contrary to the objective of the scheme as any willing adult member including old aged and disabled would not be able to complete the works as per SOR of PWD.

While admitting the facts in the exit conference the Secretary stated (August 2010) that it was not possible to prepare the DSR due to non-availability of technical competence in the Department. He further stated that DSR would differ from one district to another owing to different geographical

[31] Bamson, Bhattiyat, Fatehpur, Nadaun and Salooni.
[32] Bhattiyat, Naggar, Panchrukhi and Shillai.

conditions. The reply is not acceptable in view of the fact that MNREGA guidelines required fixation of productivity norms for DSR in respect of each locale in such a way that seven hours of work earns minimum wages on a piece rate basis.

1.2.11.2 Payment of wages

As per guidelines the workers were to be paid wages on a weekly basis and in any case not beyond a fortnight of the date on which work was done. In the case of delay beyond a fortnight, workers were entitled to compensation as per the provisions of the payment of wages Act, 1936.

Audit noticed that in 37 out of 48 GPs selected for test-check, labourers engaged on 672 muster rolls during 2008-10 were not paid wages (₹97.45 lakh) on time i.e. within the prescribed period of a fortnight. The delay in payment of wages ranged between 15 and 90 days. No compensation was paid to labourers for delayed payment.

The Government stated (September 2010) that in some far flung/remote Gram Panchayats there are some instances of delayed payments. The fact, however, remains that delayed payment of wages is a violation of the Act and also affects the livelihood security of the labourers.

It was further noticed that in 13[33] test-checked GPs of Hamirpur (Six GPs) and Kangra (Seven GPs) districts, wages to the labourers for 5,652 persondays during 2008-10 were paid less than the minimum wages notified by the State Government from time to time resulting in short payment of wages amounting to ₹1.11 lakh. The concerned POs stated (April-May 2010) that wages were paid after the assessment of work executed. The reply is not acceptable as payment of minimum wages as notified by the State Government was to be ensured to the labourers.

1.2.11.3 Employment generation

The primary objective of MNREGA is to enhance livelihood security by providing at least 100 days of guaranteed employment in the year of demand. The position of mandays generated, expenditure incurred on implementation of the scheme and number of households to whom benefit of employment was provided in the State during 2006-10 is given below:

Table: 1.2.3

Year	Mandays generated (number in lakh)	Expenditure incurred on implementation of scheme (₹ in crore)	Number of households who availed the benefit of employment (In lakh)
2005-06[34]	Nil	0.54	Nil
2006-07	29.90	32.08	0.64
2007-08[35]	97.53	122.83	2.71
2008-09	205.29	325.60	4.44
2009-10	284.94	558.58	4.97
Total	**617.66**	**1039.63**	

Source: Data supplied by the Director Rural Development

[33] Hamirpur: Barara, Bharmoti Khurd, Booni, Chamboh, Dhanwan and Tapre. Kangra: Alampur, Bhol Khas, Jakhota, Dhanot, Matial, Papahan and Trehal.

[34] During 2005-06 GOI released funds in March 2006 after the Act came into force from 2 February 2006 in two districts (Chamba and Sirmaur) only. ₹0.54 crore were spent on works already in progress under Food for Work Programme submerged under MNREGA. Mandays generated were thus reflected in the progress of that programme.

[35] During 2005-06 and 2007-08 two more districts (Kangra and Mandi) were covered under the scheme and from 2008-09 onward remaining eight districts were also covered.

From the above table it would be seen that during 2006-10, 4.97 lakh households (cumulative number) availed the benefit of employment generation by incurring an expenditure of ₹1039.63 crore. Out of 4.97 lakh households, only 1.29 lakh households (26 *per cent*) availed the benefit of 100 days employment in a year.

The Additional Director RDD stated (June 2010) that it is a demand driven programme and in some cases households who demanded employment did not turn up for getting employment. He further stated that households who demanded 100 days employment were provided employment according to their demands. This was corroborated as audit did not detect any case where a household had made a demand but not given employment.

❖ **Employment to women**

MNREGA guidelines envisage that while providing employment, priority shall be given to women in such a way that at least one third of the beneficiaries who have registered and requested for work under the scheme are provided wage employment.

During 2006-10, total persondays generated under the scheme was 617.66 lakh, of which, employment for 244.43 lakh (40 *per cent*) persondays was given to women beneficiaries. Thus, overall position with regard to employment provided to women in the State was satisfactory, keeping in view the benchmark of coverage of one third of women beneficiaries under the Act.

1.2.11.4 Muster Rolls

According to the MNREGA guidelines, Muster Rolls (MRs) issued from the Block level, each with a unique identity number were to be maintained by the GPs, in a proforma suggested by the Ministry of Rural Development (MORD).

Audit scrutiny revealed the following:

- MRs maintained by 48 GPs in test-checked districts did not bear unique identity numbers.
- In two test-checked GPs, 18 MRs[36] used were not issued by the concerned Blocks and GPs maintained them in a proforma/format other than the prescribed one.
- In the case of 137 MRs test-checked in audit the signature of the person taking daily attendance of labourers was not found recorded.
- In respect of 52 MRs pass order/certificate of payment was not found recorded by the Pradhan of concerned GPs.
- The signature of Inspecting Officer, on MRs in token of having the works inspected were also not available in any of the GP test-checked in audit.

The Government stated (September 2010) that the matter has been taken up with the concerned implementing agencies for remedial action.

[36] Drug: 13 and Kotiutrao: five.

1.2.12 Record maintenance

Maintenance of records under MNREGA is critical to ensure verified compliance with the legal guarantee of 100 days employment on demand. As per the guidelines the following important records are required to be maintained at Block and GP levels:

- Application Registration Register-which records application/requests for registration of households;
- Job Card/Employment Register-which records (for each registered household) details of employment demanded, employment allotted and employment actually taken up;
- Muster Rolls-which is a record of attendance and payment of wages for individual workers;
- MR Issue/Receipt Register-which records issue and receipt of Muster Rolls (from the PO to GP); and
- Complaint Register-which records details of complaint made and action taken.
- Monthly allotment and Utilisation Certificate Watch Register-which contains date-wise information on allotment, expenditure, balance available with the implementing agency and the details regarding submission and pendency of utilisation certificate.

Scrutiny of records revealed that Monthly Allotment and Utilisation Certificate Watch Registers were not maintained in any of the test-checked Blocks and GPs since the inception of the scheme. Further, complaint registers were not maintained in Chamba district, four[37] out of 12 selected blocks and all the 48 test-checked GPs.

In the absence of monthly allotment and utilisation certificate watch register, check over expenditure, balance funds available with the implementing agencies and details regarding pendency of utilisation certificates was not possible.

The Government stated (September 2010) that necessary instructions in this regard have been issued to the implementing agencies.

1.2.13 Monitoring

MNREGA operational guidelines stipulate the following procedures for monitoring and reporting:

- State, district and Block level official shall inspect 2, 10 and 100 *per cent* of works respectively every year.
- Financial audit of all districts is mandatory.
- District Internal Audit Cells shall be constituted to scrutinise the reports of Gram Sabha.
- Verification and quality audit by external monitors must be taken up at State and district levels through State and District Quality Monitors to be designated by the State Government.
- 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 in progress.

[37] Bhattiyat, Fatehpur, Nadaun and Salooni.

Audit scrutiny revealed the following:

1.2.13.1 Inspection of works by State, District and Block level officials

As per the provision of the guidelines, state level officers were required to inspect two *per cent* of the works executed during the year. Similiarly, 10 *per cent* of the works were to be inspected by district level officers and 100 *per cent* by the block. The position of inspections conducted by various functionaries at State, District and Block during 2006-10 is given below:

Table: 1.2.4

(In numbers)

Level of functionaries	Works executed	Inspection required	Inspection conducted	Shortfall (%)
State	1,35,942	2,719	Nil	2,719 (100)
District*	81,587	8,159	5,576	2,583 (32)
Block*	30,079	30,079	15,474	14,605 (49)

Source: Figures supplied by the Department

* In selected districts and blocks

From the above table it can be seen that no work was inspected by the State level officers during 2006-10. In the selected districts and blocks there was shortfall of 32 and 49 *per cent* respectively in inspections conducted. Further, in support of inspection reported to be conducted by the district and block officials, no documented proof viz. inspection notes were available with them for remedial action, if any, required for proper execution of works.

While admitting the facts, the Secretary in the exit conference assured (August 2010) to look into these matters and to issue necessary directions to the implementing agencies.

1.2.13.2 Appointment of State and District Quality Monitors

The State Government was required to ensure monitoring of the implementation of the Act through the external monitors at State and district levels.

The State Government had not instituted the mechanism of State Quality Monitor (SQM) and District Quality Monitors (DQM) for verification and ensuring quality audit of works as of June 2010. In the absence of any designated SQM and DQM the monitoring mechanism remained to be adequately strengthened.

The Government stated (September 2010) that the matter regarding appointment of State/District quality monitors is under the consideration of the State Government.

In the exit conference, the Secretary assured (August 2010) to look into the matter and issue necessary directions.

1.2.13.3 Vigilance and Monitoring Committees

For every work sanctioned under the scheme there should be a local Vigilance and Monitoring Committee (VMC) comprising of member of the locality or village where the work is undertaken to monitor the progress and quality of work while it is in progress.

It was noticed that in all 48 test checked GPs, village specific VMCs were not formed. Instead the VMCs were formed wardwise consisting of three to 10 members. Besides, due representation was not ensured to 50 *per cent* MNREGA worker, SC/ST and women in these VMCs as was required in the guidelines. It was further noticed that these committees were also non-functional as completion certificates of the works duly supported by the final report of the committee were not placed in any of the meetings of Gram Sabha in the Panchayat where work has been executed.

1.2.13.4 Establishment of District Internal Audit Cell

No district level internal audit cells had been established to scrutinise the reports of Gram Sabha as of June 2010. The Government stated (September 2010) that necessary instructions in this regard have been issued to the implementing agencies.

1.2.14 Social Audit, Transparency and Grievance Redressal

MNREGA 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 scrutinising 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[38] of implementation right from registration of families to evaluation through 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, works and details of expenditure on it, duration of work, persondays generated, reports of local committees and copies of muster rolls should be made available in a pre-designated 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.

Scrutiny of records revealed that during 2006-10 out of 48 test-checked GPs, Social Audit Forums were not held in 27 GPs whereas in 9 GPs forums were held only on one occasion in four years. In the case of remaining 11 Panchayats forums were held at the prescribed intervals. Besides, updated data on demand received, registration, number of job cards issued, list of people who demanded work and been given/not given employment funds received and spent, payments made, works sanctioned and works started, cost of works, details of expenditure on works, duration of work, persondays generated, reports of local committees and copies of muster rolls were not made public in any of the test-checked GPs. Thus, the Central role to social audit as means of continuous public vigilance and ensuring transparency and accountability at GP level was inadequate.

The Secretary in the exit conference assured (August 2010) to issue necessary directions.

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[38] Registration of families; Distribution of Job Cards; Receipt of works application and issue of dated receipts; Preparation of shelf of projects and selection of sites; Development and approval of technical estimates and issuance of work order; Allotment of work to applicants; Execution of works and maintenance of muster rolls; Payment of wages; Execution of work; Payment of unemployment allowance and mandatory social audit in the Gram Sabha.

1.2.14.1 Citizens' Charter

As per guidelines a model 'Citizens' Charter covering all aspects of the duties of Panchayats and officials under the Act, describing the specific steps involved in implementing the provisions of the Act, and laying down the minimum service level mandated by these provisions on Panchayats and the officers were not developed and displayed at district, Block and GP levels in the test-checked units to ensure proactive disclosure of information on MNREGA to the public.

The Secretary in the exit conference assured (August 2010) to issue necessary directions in this regard Appointment of State/District quality monitors is also under the consideration of the State Government.

1.2.15 Conclusion

- Absence of a District Perspective Plan to ensure linkages between REGS works, long term employment development and lack of inputs at the grass root level in the annual plans resulted in execution of works in an unplanned manner on adhoc basis.

- Implementing agencies ignored statutory priorities in execution of works. As a result, out of total expenditure of ₹1008.87 crore incurred on works, 471.56 crore (47 *per cent*) pertained to low priority works of road construction. This impacted upon non-strengthening of nature resource base of rural livelihood by not taking up works of highest priority such as water conservation, drought proofing, afforestation and minor irrigation to address the issue of poverty.

- There were instances of delay in payment of wages (₹97.45 lakh), less payment of wages (₹1.11 lakh), lacunae in preparation of job cards in 40 out of 48 selected GPs and execution of non-permissible works costing ₹19.19 crore in nine out of 12 selected blocks.

- An innovative feature of the Act was to ensure transparency through regular meeting of Gram Sabhas and conduct of Social Audits. The central role to social audit as a means of continuous public vigilance and ensuring transparency and accountability at GP levels was inadequate.

- The monitoring mechanism was also weak as status of inspection of works and formation of Vigilance Monitoring Committee was also not upto the mark. Besides, monitoring at high level by the SEGC was not being ensured as per provision of the Act for its effective implementation.

1.2.16 Recommendations

- For ensuring a long term shelf of projects, preparation of District Perspective Plan should be ensured. The districts must also be directed to ensure timely preparation of Annual Plans at the three levels viz. at GP, Block and district. To simplify the work at GP level, the Annual Plan at GP level could be limited to identifying works and estimating labour demand, with estimation of likely costs etc., to be worked out by the technical assistant at the Block level.

- The State Government should ensure timely release of its share to streamline the financial management and utilisation of funds for intended purpose. In order to guard against any manipulation, the State Government should also ensure that monthly squaring of accounts is regularly conducted.

- The State Government should ensure that works are taken up by the implementing agencies in the order of priority as envisaged in the Act.
- SEGC meetings should be held as per guidelines at prescribed intervals to ensure effective implementation of the Act at the highest level.