

Chapter – I Introduction

1.1 Background of the scheme

The Mahatma Gandhi National Rural Employment Guarantee Scheme, 2005 (MGNREGS), the biggest anti-poverty programme initially came into force in 200 districts with effect from 2 February 2006 and then extended to additional 130 districts in the financial year 2007-2008. The remaining districts have been notified under the MGNREGA with effect from 1 April 2008 and the scheme covered the entire country with the exception of districts having a hundred *per cent* urban population. The Act provides a legal guarantee of 100 days of wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work at the minimum wage rate notified for agricultural labour prescribed in the State or an unemployment allowance. The primary objective of this scheme is to enhance livelihood security to rural household while the auxiliary objectives are protecting the environment, empowering rural women, minimising rural-urban migration, fostering social equity and strengthening rural governance through decentralisation and processes of transparency and accountability.

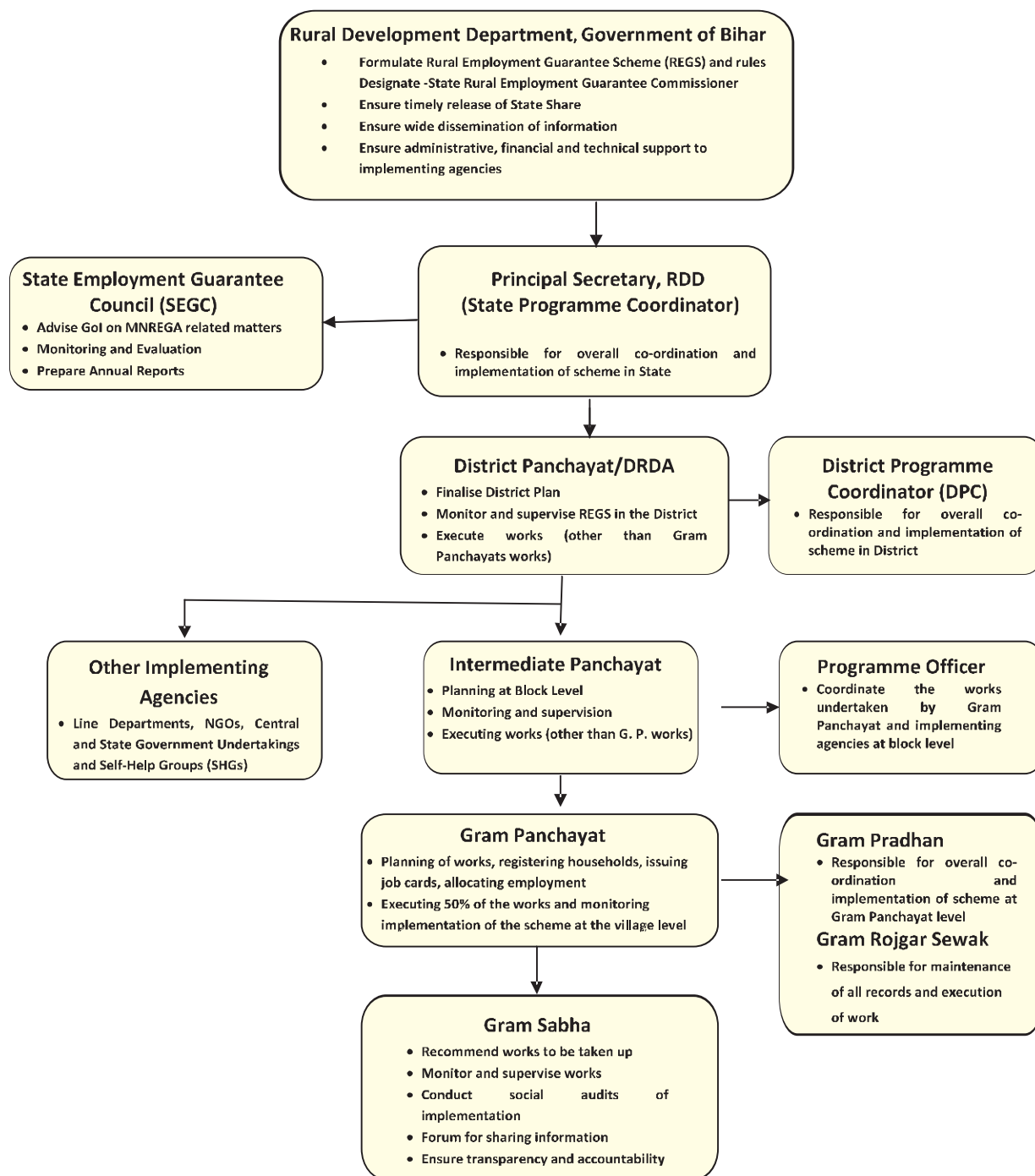
Bihar has a population of 104 million of which 89 *per cent* reside in rural area. The Government of Bihar launched the programme in 23 districts in February 2006 with Central Government funding. Simultaneously, it launched the Bihar Rural Employment Guarantee Scheme (BREGS) in the remaining 15 districts with State Government funding. Both scheme followed the Central MGNREGS guidelines. In the second phase, from April 2007, the scheme was rolled out across the State with central funding. In Bihar during 2007-12, 1.34 crore households were registered under the scheme and total man days creation was 52.97 crore.

1.2 Organisational setup

The Principal Secretary, Rural Development Department (RDD), Bihar designated as State Programme Coordinator, is the administrative head at the state level and is responsible for formulation of policies, programme and their implementation through the department. The State Employment Guarantee Council (SEGC) advises the government on implementation, monitoring and evaluation and preparation of Annual Reports. At the District level, while the Zila Parishad is the Principal Authority for planning and implementation, the District Magistrate is the District Programme Coordinator for implementation of the scheme. At Block level and Village level, the Panchayat Samiti and the Gram Panchayat respectively is the principal Authority for planning and implementation. The Programme Officer at Block level assists the Panchayat Samiti and Gram Panchayats in carrying out their functions under the Scheme.

The organisational structure for implementation of MGNREGS is depicted in chart-1 below:-

Chart-1: Organisational structure



1.3 Audit objectives

The audit objectives for the Performance Audit were to assess whether :

- the structural mechanisms have been put in place and adequate capacity building measures taken by the State Governments for implementation of the Scheme,
- the procedures for preparing perspective and annual plan at different levels for estimating the likely demand for work, and preparing shelf of projects were adequate and effective,
- the funds were released, accounted for and utilised by the State Governments in compliance with the provisions of Scheme/ Guidelines/Rules,
- there was an effective process of registration of households, allotment of job cards, and allocation of employment in compliance with the Operational Guidelines,
- the livelihood security by providing 100 days of annual employment to the targeted population was achieved and the unemployment allowance for inability to provide job-on-demand,
- MGNREGS works were properly planned and economically, efficiently and effectively executed in a timely manner and in compliance with the scheme and the guidelines, and durable assets were created, maintained and properly accounted for,
- the auxiliary objectives of protecting the environment, empowering rural women, reducing rural-urban migration, fostering social equity etc. were effectively achieved,
- the convergence of the scheme with other Rural Development Programmes as envisaged was effectively achieved in ensuring sustainable livelihood to the targeted rural community and improving the overall rural economy,
- all records and data were maintained at various levels and the MGNREGA data automated completely and provides reliable and timely MIS,
- transparency was maintained in implementation of the scheme by involving all stakeholders in various stages of its implementation from planning to monitoring and evaluation,
- there was effective mechanism at State level to assess the impact of MGNREGS on individual households, local labour market, migration cycle and efficacy of assets created.

1.4 Audit criteria

The following audit criteria were adopted for Performance audit:

- NREGA-2005 and amendments thereto.
- Guidelines–Operational Guidelines 2006 and 2008 issued by the Ministry of Rural Development, GOI, regarding NREGA and the circulars issued by MoRD.
- Fund Rules 2006, Financial Rules 2009 and Audit of Scheme Rules 2011.

- Reports of the State/District by National Level Monitors, available with MoRD and respective States' NREGS Commissioners.
- Muster Roll Watch Guidelines.
- Guidelines /Checklist for internal monitoring by states.
- Performance indicators framed by GOI/State Governments.
- MNREGS Vision, Strategic Framework and Plan of Action (2010-2011) by MoRD.
- MGNREGA Works Field Manual.

1.5 Audit scope

The Performance audit covered the period 2007-12 and conducted between February and July, 2012. During the audit, the records of the Rural Development Department (RDD) Government of Bihar, Zila Parishads (ZP), District Rural Development Agencies (DRDA), District Programme Coordinator Offices, 54 Panchayat Samitis (PS) and 250 Gram Panchayats (GP) level offices were test checked.

1.6 Audit sampling

All the 38 districts were divided into four strata based on geographical indicators and number of job cards issued. From each of the stratum 25 *per cent* of the districts were selected and thus 10 districts¹ were selected on the basis of SRSWOR using the random table. Additional five districts² were selected to give geographical balances by covering district from each corner of the state. Further, 25 *per cent* blocks (Panchayat Samitis) from the selected districts and 25 *per cent* Gram Panchayats from selected blocks were selected on the basis of SRSWOR. Within each Gram Panchayat, two villages were randomly selected. From the selected villages 10 registered households were selected for beneficiary survey and another 10 households were selected for job card verification by using random table. Accordingly, 15 districts, 56 blocks and 256 Gram Panchayats were selected for the Performance Audit. But, on account of strike of PRS in one of the selected districts (Nawada) having four Panchayat Samitis and 14 Gram Panchayats, Nawada was replaced by another district (Kishanganj) having two Panchayat Samitis and 10 Gram Panchayats. Thus, 15 districts, 54 blocks and 252 Gram Panchayats were finally selected for audit (Annexure –I).

1.7 Audit methodology

In order to explain the objectives of this audit, its methodology, scope, coverage, focus and to elicit the departmental views/concerns, an entry conference was held with the Principal

¹ Aurangabad, Begusarai, Bhojpur, Darbhanga, Jehanabad, Kishanganj, Madhubani, Mujaffarpur, Munger and Sitamarhi,
² Araria, Banka, Bhabhua, Nalanda and West Champaran

Secretary, Rural Development Department in February 2012. The audit methodology included the updating and consolidation of domain knowledge/information, impact assessment through household beneficiary survey and physical verification of works executed. Audit evidences were collected through replies to audit questionnaire, audit memos, copies of documents and through personal interaction with responsible departmental officials and scheme functionaries.

An exit conference was also held on 2.11.2012 with the Principal Secretary, Rural Development Department (RDD), Government of Bihar and the representatives from the department wherein the audit findings were discussed through power points presentation and the replies of the department have been incorporated in the report at appropriate place.

1.8 Previous audit report

A Performance Audit of wage employment programme including MGNREGS was conducted by the office of the Principal Accountant General (Audit), Bihar for the year 2005-07 between March, 2007 and July, 2007 and findings were reported through the Comptroller and Auditor General's (C&AG) Civil report of the State of Bihar for the year ended 31 March 2007. The main findings contained in the Report were as follows;

- There were deficiencies in planning process and Perspective Plan for five years were not prepared,
- Door to door survey under MGNREGS was not conducted though required for identification and registration of labourer. Duplicate copy of job card was not being maintained,
- Individual/family photographs were not pasted in job card register. Excess reporting of job card to the government,
- Unique identification number was not assigned to work, cases of incomplete and abandoned work and same labourer was recorded twice or thrice on same and different muster rolls of same day/period. Notice board was not displayed at work site,
- Minimum wage was not paid and in several cases, there was delay in payment of wage,
- Administrative expenses incurred in excess of admissible limit,
- Unspent balance of SGRY and NFFWP were not transferred to NREGS account,
- Significant deficiencies were noticed in maintenance of muster roll,
- key records like Application registration register, Employment register, Muster roll register, Complaint register and Asset register were not maintained,
- In sufficient monitoring of schemes and non constitution of Vigilance and Monitoring Committee.

After a gap of five years from the last Performance audit of MGNREGS, the scheme was again reviewed and it was observed that almost all the shortcomings pointed out in the last Audit Report still persist, which have been discussed in foregoing paragraphs.

1.9 Acknowledgements

Audit acknowledges the co-operation and assistance extended by the authorities of RDD, Government of Bihar, DPC and the other scheme functionaries during the course of performance audit.

1.10 Limitations

Replies were furnished by audited entities and State Government against limited audit observations only.