

Chapter –IV Financial Management

The MGNREGS is implemented as a centrally sponsored scheme on a cost sharing basis between Central and State Government in the ratio of 90:10. The Central Government share includes 100 per cent wage costs of unskilled workers and 75 per cent of the non-wage component, cost of work site facilities and Administrative expenses including salary and allowance of Programme Officer and its support staff. Funds are released directly to districts. The State Government had to bear expenses on unemployment allowances and routine administrative expenses in implementing the scheme apart from bearing 25% cost on material including payment of wages to skilled and semiskilled workers. The state share is to be released within 15 days from the release of the central share.

4.1 Financial outlay and expenditure

During 2007-12, the State Government could utilise ₹ 8,110.84 crore out of the total available funds of ₹ 8,184.26 crore. Year wise release of funds by GOI and State Government for implementation of the scheme in the state and utilisation thereof for the period 2007-12 was under:

Chart-3:

Funding pattern prior to december, 2011

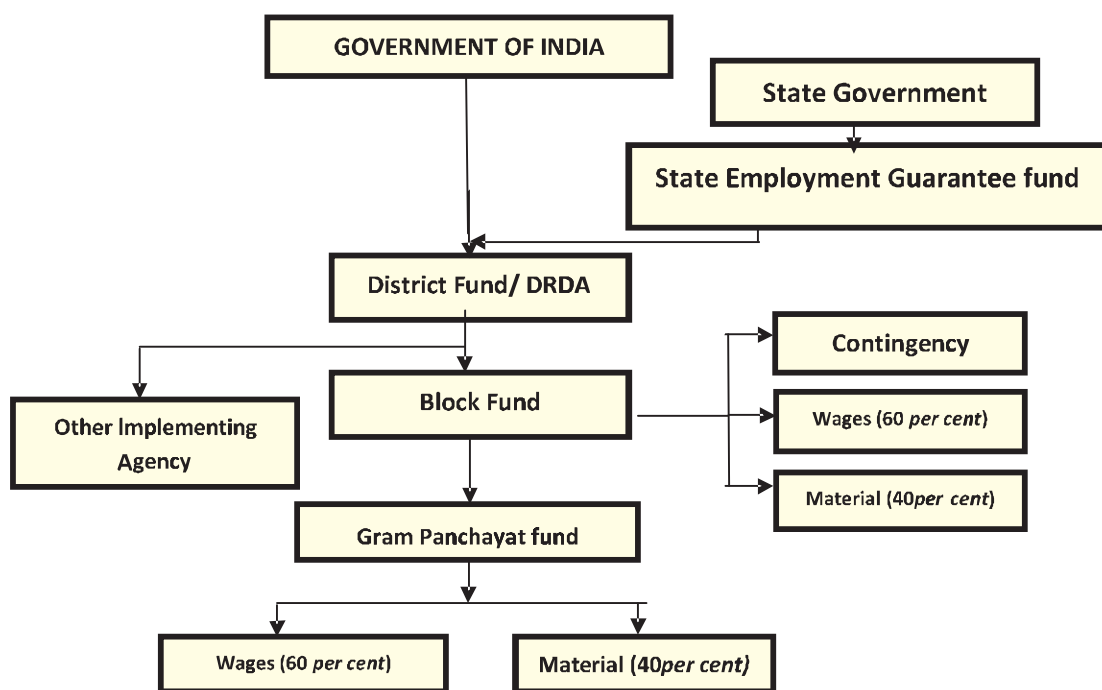


Chart-4

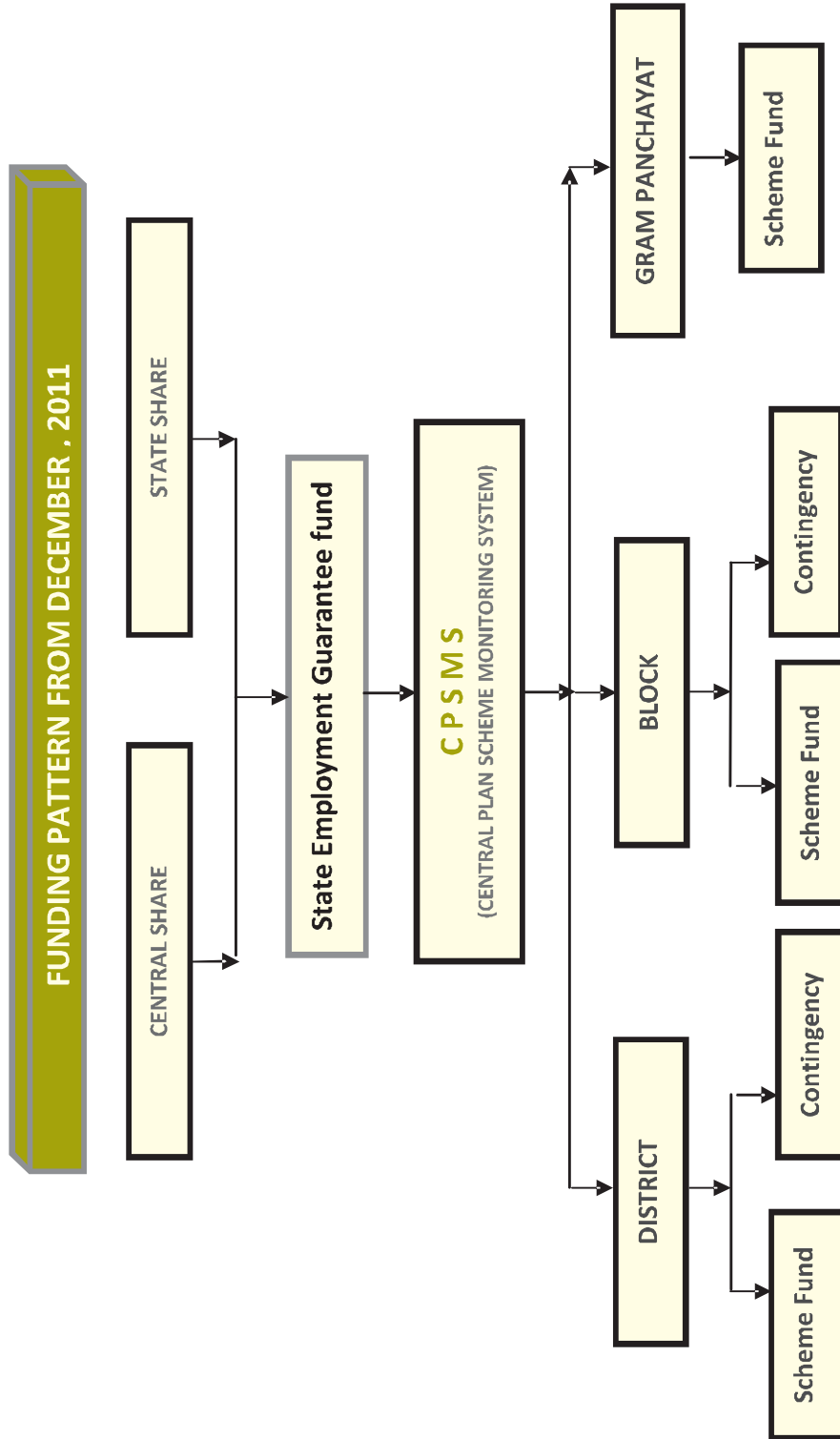


Table-2
Overview of Finances (State)

(₹ in crore)

Year	O.B	Fund of last year received during this year	Received In current year		Misc. receipt	Total fund available	Expenditure	#Percentage of unspent grant	C.B	Fund demanded from Central Government as per labour budget	Short release of Central Grant	Short release of Central Grant (in %)
			Central share	State share								
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=(10-[3+4***])	(12)	
07-08	795.35	103.32	465.58	50.07	58.57	1472.88	1053.35	28.48	419.53*	2000.26	1534.68	76.72
08-09	638.30	3.84	1365.58	143.90	25.96	2177.57	1305.85	40.03	871.72*	2411.54	1104.58	45.80
09-10	1201.19**	63.14	890.27	251.85	64.26	2470.71	1621.70	34.36	849.01	3258.94	2226.16	68.30
10-11	849.01**	142.52	2095.00	250.53	67.64	3404.70	2512.92	26.19	891.78	4416.67	2313.02	52.37
11-12	891.78**	8.66	1300.73	17.22	20.27	2238.66	1617.02	27.77	621.64	3298.85	2505.78	75.95
Total		321.48	6117.16	713.57	236.7		8110.84					

Source: RDD, Government of Bihar

Note: * Details of receipt and expenditure for the year 2007-08 and 2008-09 are based on Annual Report on MGNREGS published by RDD, govt. of Bihar whereas the position for the year 2009-12 is based on statement of finance maintained by RDD. In Annual Report, the opening balance is not same as closing balance of previous year.

** The RDD furnished the revised statement of finance for the year 2009-12 which do not tally with finance given in Annual Report.

*** Grant against demand of the year but received in next year has been taken into account in the year of demand.

Further, the total fund received by the sampled districts during the years 2007-12 from the Centre and State Government including miscellaneous receipts was as under: -

Table-3
Overview of Finances (Sampled District)

(₹ in crore)

Name of the unit	Fund Available	Fund utilised	Percentage of fund utilised	Expenditure on wage	Expenditure on material	Administrative expenditure
Darbhanga	507.18	325.95	64.26	205.54	109.04	11.37
Jehanabad	167.91	126.71	75.46	83.82	39.20	3.69
Madhubani	213.61	146.89	68.76	85.31	51.20	10.38
Araria	294.68	199.69	67.76	123.07	71.12	5.50
Aurangabad	350.34	249.83	71.31	151.22	90.22	8.39
Bhabhua	102.56	81.76	79.71	53.43	23.71	4.63
Munger	218.13	152.88	70.08	88.92	59.18	4.78
Muzaffarpur	775.09	646.35	83.39	382.04	240.43	23.88
Sitamarhi	448.90	310.43	69.15	199.39	103.86	7.18
Begusarai	461.50	291.36	63.13	171.49	108.17	11.70
Nalanda	345.68	269.51	77.96	159.69	97.30	12.52
Banka	225.66	188.69	83.61	112.08	70.91	5.70
W. Champaran	344.73	277.41	80.47	176.64	93.31	7.46
Bhojpur	325.19	239.81	73.74	134.76	94.98	10.07
Kishanganj	151.46	118.51	78.24	71.43	41.56	5.52
Total	4932.62	3625.78		2198.83	1294.19	132.77

Source: RDD, Government of Bihar

It would be seen from above tables that the utilisations in the districts were poor as 16 per cent to 35 per cent grants remained unutilised in different districts.

4.2 Short/Non release of Central and State share

- It was observed from the information furnished by the government that the central share was not released as per demand submitted by the state through labour budget. Short release in central share ranged from 46 *per cent* to 77 *per cent* during 2007-12.

Release of central share against Labour Budget mainly depends on past and current year trend of the district with respect to household's demand, sufficient justification in case of sharp increase in demand, unspent balance of fund available with the districts, social audit of all works and submission of authentic MPR.

Scrutiny of records revealed that the labour budget was prepared without including unspent balance and it was not based on previous year trend of expenditure and job provided and delay in submission of labour budget as discussed in para 3.5. Further, the ratio of providing jobs was decreasing year to year and no justification was given for sharp increase of demand which had caused less receipt of central share.

- Section 7.3.11 of MGNREGA stipulates that the state share of fund is to be released by the State Government within 15 days of the release of the central funds. It was observed that in 13 out of 15 test checked districts, state share was released with delay ranging from 9 to 313 days which resulted in creation of less mandays and liability in shape of pending bills of wage and materials (Para 5.8). However, in other two districts, records couldn't be produced to provide information about timely release of state share (**Annexure-VIII**).
- Madhubani district did not receive the state share of ₹ 56 lakh, for the year 2011-12.
- In Munger, Central as well State share could not be released for the year 2009-10 as the district failed in utilising the grant (60 *per cent*) in time.

4.3 Lapses in accounting procedure

As per para 8.6.1 of operational guidelines, to reduce the risk of financial 'leakages' and to promote transparency and fund management, the practice of monthly squaring of accounts under three head *viz.*, (i) money held in bank account, ii) advances to implementing or payment agency and iii) vouchers of actual expenses was to be ensured by the scheme functionaries at district (DPC), block (PO) and GP (PRS) level. However, the monthly squaring of accounts was not done by any of the sampled test checked entities and, not uploaded in MGNREGS website and ultimately not put in public domain.

4.4 Difference between opening and closing balance of MPR, UC and CA report

Monthly Progress Report (MPR) is the important tools of internal control for the government to watch and monitor the progress of the schemes in respect of expenditure towards execution of schemes and position of employment generation of the month. MPR was important record to ascertain the deviations and therefore proper reconciliation and corrective action could be taken every month. The monthly labour budget is to be compared by the RDD with the MPR of that particular month and shortfall, if any, was to be removed by proper monitoring.

Comparison of Opening Balance (OB) and Closing Balance (CB) of MPR and Utilisation certificate for the period 2007-12, revealed that in 14 districts, there was considerable difference between C.B and O.B of the aforesaid two data source. In the Chartered Accountant (CA) report of test checked districts, difference in C.B and O.B was observed in nine districts⁶ ranging from ₹ 2 lakh (minimum in Kishanganj during 2009-10) to ₹43.45 crore (maximum in Muzaffarpur during 2008-09).

The deviations from actual figures in MPR in 60 *per cent* of the test checked districts indicated that data was unreliable and therefore the position of fund utilisation and employment generation was also incorrect (**Annexure-IX**).

4.5 Administrative expenditure in excess of admissible limit

As per para 8.1.1 (iii) of the MNREGS guidelines (2008), the Central Government will bear administrative expenses as may be determined by the Central Government. These will include, *inter alia*, the salary and allowances of Programme Officers and their support staff and for work site facilities. The aim is to enhance development expenditure so that the administrative expenditure is enhanced automatically. The administrative expense is determined as per utilisation of the fund for execution of scheme and the rate was four *per cent* (till March'09) and six *per cent* (*w.e.f.* April 2009) thereafter of the total cost of the expenditure on schemes which includes both Central and State share during 2007-12.

Audit scrutiny revealed that there was excess administrative expenditure in comparison to admissible limit amounting to ₹10.39 crore in seven districts⁷. The variation of expenditure in excess of admissible limit ranged from 7 to 104 *per cent*. This happened due to poor utilisation of grant of ₹ 574 crore (25 *per cent* of the available grants). Excess Administrative expenditure not only caused less utilization of grants for development works but also impacted adversely on creation of mandays (**Annexure-X**).

The ADPC, Begusarai, Bhabhua, Muzaffarpur accepted the audit contention and stated that the excess expenditure beyond permissible limit was incurred and matter is being reviewed. However, the department replied that over all administrative expenditure for the

⁶ Bhojpur, Darbhanga, Jehanabad, Kishanganj, Munger, Muzaffarpur, Nalanda, Sitamarhi & West Champaran

⁷ Banka, Begusarai, Bhabhua, Bhojpur, Madhubani, Munger and Muzaffarpur

state has never exceeded the six *per cent* limit.

The reply is not reasonable as the limit of administrative expenditure had to be maintained in district frame work.

4.6 Diversion of MGNREGS fund

In Araria and Munger, it was observed that ₹ 22 lakh (2008-09) and ₹ 64 lakh (2008-12) respectively meant for execution of MGNREG scheme, was diverted for the purpose of BPL survey work and for contingent expenditure of DRDA (purchase of A.C., fuel for vehicle and payment of rent of DRDA building) and Zila Parishad which not only caused loss of 60,000 mandays but also deprived the grass root level beneficiaries from benefit in terms of employment and asset creation (**Annexure-XI**).

The district authorities Araria replied that the MNREGS fund was temporarily diverted for BPL survey as there was no fund available under BPL survey head and the diverted amount would be recouped as soon as fund would be made available under the BPL head, while DRDA. Munger replied that non availability of fund was the reason for diversion.

The reply is not reasonable as recoupment was not done before closure of the accounts (31 March) and even after lapse of more than four years. If it was temporary diversion, the amount should have been recouped within that financial year from State Budget for the purpose as no recoupment is possible once account is closed. In fact the accounts have wrongly depicted due to diversion of fund.

Recommendation

- The demand for funds submitted to the Central Government should be realistic and steps should be taken for optimum utilisation of the available fund and release of state share on time.
- Monthly labour budget should be compared with the MPR and steps may be taken to remove the gap/shortfall in achieving the intended target.