

## Chapter - 2

# Audit approach and previous audit findings

### 2.1 Audit approach

#### 2.1.1 Audit methodology

In order to assess the economy, efficiency and effectiveness of processes related to the implementation of MGNREGS, the audit procedure included inspection of various records, procedures and also physical inspection of selected works at the GP level. A beneficiary survey was also conducted with the help of a structured questionnaire designed to capture the perception of the beneficiaries about the Scheme. The Performance Audit started with an Entry Conference held on 10 April 2012 with the Principal Secretary, RDPR department, where audit methodology, scope, objectives and criteria were discussed. The field audit of the relevant records of the State Government, Zilla Panchayats (ZPs), Taluk Panchayats (TPs) and GP offices was conducted between April and June 2012.

An Exit Conference was held with the Principal Secretary, RDPR department on 8 January 2013 to discuss the audit findings. Out of eight<sup>3</sup> test-checked districts, the State Government furnished (January 2013) replies in respect of three districts (Bijapur, Chamarajanagar and Hassan), which have been incorporated appropriately.

National Informatics Centre (NIC) was engaged (2005) by the MoRD to develop a web-enabled Management Information System (MIS) ([www.nrega.nic.in](http://www.nrega.nic.in)) for tracking processes and outcomes of MGNREGS. The website architecture is based on the processes envisaged in the Act which includes (a) village-wise registration and job cards details (b) demand and allocation of work, (c) muster rolls and their payment details (d) details of work planned (e) fund management.

In addition to the data sets for the year 2007-12 provided by NIC, the MIS data sets were also obtained from the RDPR department. Both the data sets relating to 30 districts were analysed and the audit findings have been incorporated in this Report at appropriate places.

#### 2.1.2 Audit objectives

The main audit objectives of the performance audit were to ascertain whether

- Structural mechanisms were put in place by the State Government for implementation of the Act;

<sup>3</sup> Bellary, Bijapur, Chikkaballapur, Chamarajanagar, Gadag, Hassan, Raichur and Shimoga

- The procedure for preparing perspective and Annual Plan at different levels for estimating the likely demand for work and preparing a shelf of projects were adequate and effective;
- The process of registration of households, allotment of job cards and allocation of employment in compliance with the Act and rules was effective;
- Works under the Scheme were properly planned and executed in compliance with the Act and rules, durable assets were created and properly accounted for;
- Funds released for the Scheme were accounted and utilised in compliance with the provisions of the Act and other extant rules;
- Wages and unemployment allowance were paid in accordance with the Act and the intended objective of providing 100 days of employment in a year at the specified wage rates was effectively achieved;
- There was an adequate and effective mechanism at different levels for monitoring and evaluation;
- There was an adequate and effective mechanism for Social Audit and grievance redressal; and
- MIS controls were adequate and working to achieve safeguarding of data integrity, confidentiality, reliability and availability.

### **2.1.3 Audit criteria**

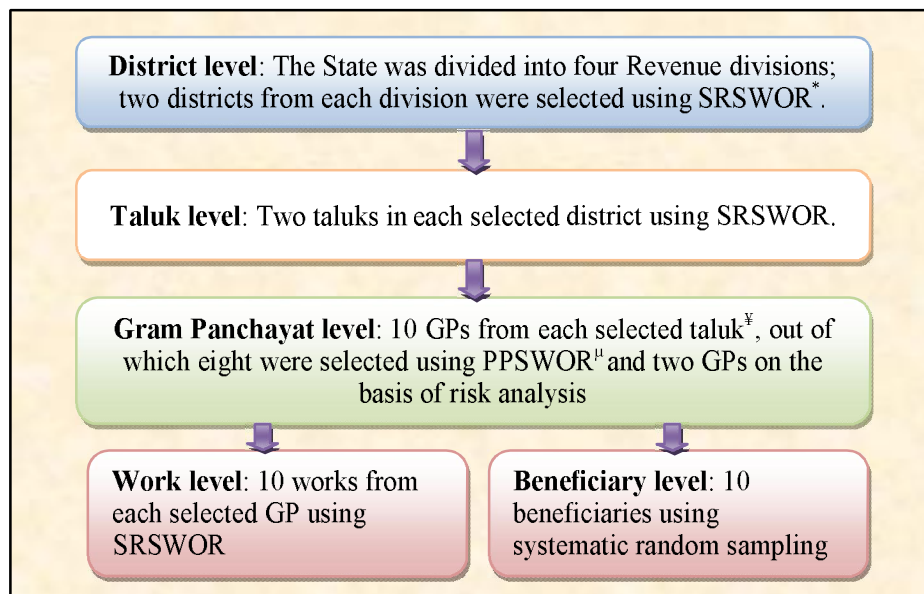
The main sources of audit criteria for the performance audit were as under:

- The MGNREG Act, 2005 and amendments thereto;
- The Operational Guidelines, 2008 issued by the MoRD, GoI;
- Circulars and letters issued by MoRD, GoI and RDPR department, Karnataka;
- Karnataka Transparency in Public Procurements Act, 1999; and
- NREGA data sets provided by NIC, New Delhi and RDPR department.

### **2.1.4 Audit scope and sample**

The scope of audit was restricted to eight out of the 30 districts implementing MGNREGS in Karnataka. The period of audit coverage was from 2007-08 to 2011-12.

The sample was selected using stratified multi stage sampling design *i.e.*, selection was at district, taluk, GP, works and beneficiary level. The sampling plan used is shown in **Chart 5**.

**Chart 5: Sampling Plan**

\* SRSWOR: Simple Random Sampling without Replacement

<sup>‡</sup> PPSWOR: Probability Proportional to Size without Replacement

<sup>‡</sup> except Gudibande taluk in Chikkaballapur district which has only seven GPs

As a result of sampling plan, the total sample size comprised eight districts, 16 taluks within the selected districts and 157 GPs within the selected taluks. The list of the selected districts, taluks and GPs are given in the **Appendix 1**. Audit conducted a survey of 1,553 beneficiaries in 157 test-checked GPs (10 beneficiaries in each GP<sup>4</sup>).

## 2.2 Previous audit findings

Performance audit of MGNREGS for the period February 2006 to March 2007 was conducted in 2007-08 and the findings were included in the Report of the Comptroller and Auditor General of India (Panchayat Raj Institutions) for the year ended 31 March 2007.

While discussing the Report on MGNREGS for the year ended 2006-07, the Committee on Panchayat Raj Institutions (PRIs) and Local Bodies in its Report (2010-11), *inter alia*, had recommended the following:

- Preparation of District Perspective Plan;
- Preparation of realistic labour budget;
- Timely release of funds for the Scheme;
- Proper survey to identify the beneficiaries before issue of job cards;
- Proper maintenance of Employment Registers by GPs;
- Timely payment of wages; and

<sup>4</sup> Out of sampled 1,570 beneficiaries, 17 beneficiaries in three ZPs (Chikkaballapur-four, Gadag-four and Hassan-nine) could not be interviewed as they were not available.

➤ Organising Social Audit in Gram Sabha

The Action Taken Report was awaited from the State Government (April 2013).

### **2.3 Acknowledgement**

Audit acknowledges the cooperation and assistance extended by the State Government, PRIs and their officials at various stages for conduct of the performance audit.