

## 8.1 Introduction

As mentioned earlier, two main objectives of the Act are to provide 100 days of wage employment to every household in need of it and to create durable assets to strengthen the livelihood resource base of the rural poor. In this context, the Act and the Operational Guidelines prescribe a number of conditions for the works to be taken up:

- The ratio of wage to material costs should not be less than 60:40 (Paragraph 9 in Schedule I of the Act);
- The list of priority-wise permissible works which can be taken up under MGNREGS should be as indicated in the Act (Paragraph 1B of the Schedule I to the Act);
- Use of contractors and machinery are not allowed (Paragraph 11 and 12 of the Schedule I to the Act);
- Allotment of at least 50 *per cent* of the works to GPs for execution (section 16 (5) of the Act); and
- Administrative and technical sanction for all works to be obtained in advance, by December of the previous year (Para 6.4.1 of the Operational Guidelines).

In the succeeding paragraphs audit findings related to the works executed under the Scheme are discussed.

## 8.2 Wage-Material Ratio

According to paragraph 9 in Schedule I of the Act, the cost of the material component of projects, including wages of skilled and semi-skilled workers, taken up under the Scheme shall not exceed 40 *per cent* of the project cost. Further, the Act defines 'project' as any work taken up under the Scheme for the purpose of providing employment to the applicants (Section 2- Definitions, of the Act). Essentially, each work taken up under MGNREGS should have an unskilled labour component of not less than 60 *per cent* of total cost of work.

The Ministry, however, failed to take adequate steps to ensure that this ratio was maintained at 'project' level by the implementing agencies. On the contrary the Ministry diluted this provision by stipulating in the Operational Guidelines (Para 6.2) that the required 60:40 ratio should be applied 'preferably at the gram panchayat, block and district levels'. This was in contravention to the provisions of the Act, according to which the ratio was to be maintained at the project or work level. As a result, a large number of works were taken up in violation of the 60:40 wage-material ratio.

Further, it was seen that in 649 GPs (16.87 per cent of all test checked GPs), 18 blocks and 38 districts in Andhra Pradesh, Assam, Bihar, Gujarat, Jharkhand, Madhya Pradesh, Punjab, Rajasthan, Sikkim, Tripura, Uttar Pradesh, Uttarakhand and Dadra & Nagar Haveli (12 states and one UT) the material cost exceeded the prescribed level by ₹ 1,594.37 crore. Details are given in **Annex-8A** and case study.

The excess expenditure on material cost was equivalent to short generation of at least 15.03 crore persondays in Andhra Pradesh, Assam, Jharkhand, Madhya Pradesh, Sikkim, Tripura and Uttarakhand (seven states) on this account. The state-wise details are given in **Annex-8A** and case study.

The Ministry stated that wage material ratio of 60:40 will now be considered at GP level through an amendment to the schedule carried out in May 2012. Further, MIS (NREGASoft) generated regular 'alerts' on violation of wage-material ratio for necessary action by the states. Furthermore, Ministry had taken a decision to engage CAs/CA firms to assist the state in assessing the state share based on accounts of State Employment Guarantee Fund and other records/documents. The states would have to bear additional liabilities (in addition to that mandated by Section 22 of the Act) for violation and incorrect calculation of wage-material ratio.

The Ministry further stated that paragraph 9 in Schedule 1 of the Act provides flexibility to aggregate the projects at any level for the purpose of calculating the wages of skilled and semi-skilled workers as well as materials. Hence, maintenance of 60:40 ratio between wages and material at gram panchayat level did not amount to a violation of the provisions of the Act or the Schedule. It was also clarified in para 6.2.2 of the Operational Guidelines that to ensure creation of sustainable assets and a holistic approach to planning, a project approach should be adopted for defining a work. This would enable subsuming a number of works as activities under an umbrella work or project. The project may be formulated with the block as a unit so that the Programme Officer may coordinate the activities under it at sub block levels. Inter block projects may also be formulated at the district level.

The reply of the Ministry was not in consonance with the provisions of the Act as paragraph 9 in Schedule I of the Act did not provide such flexibility. The Act clearly defines a project as 'any work taken up under the Scheme for the purpose of providing employment to the applicants' which was unambiguous. The principle of aggregation can only be applied in case of a project which serves many GPs, which was not the case here.

### ***Case Study: Madhya Pradesh***

Audit noted that the wage material ratio of 60:40 as stipulated in the Operational Guidelines was not maintained even at the district level. Out of the 13 test checked districts, the material cost exceeded the prescribed level by ₹ 69.40 crore in three districts (Balaghat, Dhar and Satna) during 2007-08, ₹ 93.61 crore in seven districts (Ashoknagar, Balaghat, Datia, Dhar, Indore, Satna and Shahpur) during 2008-09, ₹ 71.68 crore in ten districts (Ashoknagar, Balaghat, Chhindwara, Datia, Dhar, Indore, Satna, Sehore, Shahpur and Vidisha) during 2009-10, ₹ 63.25 crore in six districts (Balaghat, Dhar, Khargone, Satna, Sehore and Vidisha) during 2010-11 and ₹ 11.70 crore in three districts (Balaghat, Satna and Vidisha) during 2011-12. The violation of the prescribed wage-material was due to the execution of material intensive works like cement concrete roads, construction of wells, etc. The excess expenditure of ₹ 309.64 crore on material was equivalent to employment by 3.51 crore persondays.

## **8.3 Non Permissible Works**

As per paragraph 1B in Schedule I of the Act, focus of MGNREGS was to be on eight categories of works, in order of priority as listed in box below. Further, para 6.1.2 of the Operational Guidelines provides that in order to undertake works outside the list mentioned in Schedule I of the Act, the state governments should make use of paragraph 1(ix) in Schedule I of the Act, whereby new categories of works may be added to the Schedule. For this, notification by the Central Government in consultation with the state government was required.

### ***List of permissible works, in order of priority***

1. Water conservation and water harvesting;
2. Drought proofing (including afforestation and tree plantation);
3. Irrigation canals including micro and minor irrigation works;
4. Provision of irrigation facility, horticulture, plantation and land development of land owned by households belonging to the SCs and STs or BPL families or to the beneficiaries of land reforms or Indira Awas Yojna, etc.
5. Renovation of traditional water bodies including de-silting of tanks;
6. Land development;
7. Flood control and protection works including drainage in water logged areas; and
8. Rural connectivity to provide all weather access, however, no cement concrete roads should be taken up (para 6.1.1 of the Operational Guidelines).

Scrutiny of records revealed that during the period 2007-08 to 2011-2012, 1,02,100 inadmissible works were undertaken in the test checked 940 GPs, 45 blocks and 40 districts in 23 states and two UTs and by two line departments in Bihar and Uttar Pradesh. These inadmissible works included construction of earthen/*kutch*a road, cement concrete road, construction of raised platform for cattle and other animals, construction of bathing *ghats*, repair of roads, construction of boundary walls for schools and foundation work of houses under Elamkulam Manakkal Sankaran Housing Scheme/Indira Awas Yojana, etc. The amount spent on these 1,02,100 works was ₹ 2,252.43 crore<sup>1</sup>. The irregularities were noticed in Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Mizoram, Nagaland, Odisha, Punjab, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh, Andaman & Nicobar Islands and Puducherry (23 states and two UTs). The state/UT-wise details in addition to case studies are given in **Annex-8B**.

The Ministry stated that some new works were added to the list of permissible works vide notification dated 4 May 2012. Further, during the course of field inspections by the officials of the Ministry under Area Officer Scheme, such violations were detected and brought to the notice of states for further corrective action.

The reply of the Ministry is not correct because non-permissible works had been executed in violation of the provision of the Act.

### **Case Study: Execution of inadmissible works valuing ₹ 1.69 crore**

#### **Chhattisgarh:**

In Bastar and Bakawand blocks of district Bastar, 105 soil-water conservation works worth ₹ 1.69 crore were sanctioned during 2007-09. On physical inspection of the work sites, it was found that against the works sanctioned, work of construction of boundary wall was carried out in the schools in these blocks in contravention of the provisions of the Act.

On being pointed out by Audit, the CEO, Zila Parishad, Bastar stated (July 2012) that the wall was constructed for protection of plants and school building and was helpful for conservation of soil and water.

The reply was not correct as construction of boundary wall of school cannot be categorized under works for conservation of soil and water. The work was clearly outside the ambit of permissible works.

<sup>1</sup> includes the amounts in the case studies

### ***Case Study: Andhra Pradesh***

Audit observed that inadmissible payments of ₹ 33 lakh were made in January 2009 at Allagadda and Dhone blocks in Kurnool district for arrangements for CM's meeting at these places. Payments for pandal, superstructure, lights, sound, chairs and sofa, flower decoration, transportation, etc., including Service Tax were made to the firm which was not registered with the Service Tax Department. Consequently, the genuineness of the payments could not be verified during audit.

## **8.4 Works on Personal Land of Ineligible Beneficiaries**

The list of permissible works in the Act permits land development activities on the land belonging to SC/STs, BPL families, land of the beneficiaries of land reforms or land of the beneficiaries under IAY Scheme. Audit, however, observed that works were carried out on the land of ineligible beneficiaries in 61 GPs in Assam, Goa, Kerala and Uttar Pradesh (four states) **Annex-8C**.

The response of the Ministry on the matter was awaited.

## **8.5 Abandoned/Unfruitful Works**

Audit observed that 9,220 works in 256 GPs, 15 blocks and 13 districts had been abandoned in 10 states and one UT of Assam, Chhattisgarh, Goa, Jammu & Kashmir, Jharkhand, Kerala, Maharashtra, Odisha, Punjab, Uttar Pradesh and Lakshadweep. The expenditure of ₹ 209.57 crore incurred on these works had become unfruitful. The reasons for abandonment were public obstruction, inundation of executed part, land dispute, absence of forest clearance, etc. This indicated that these works were taken up without adequate planning. Details are given in **Annex-8D**.

Further, it was seen that 44 works amounting to ₹ 2.36 crore in 16 GPs in seven states of Assam, Bihar, Chhattisgarh, Gujarat, Kerala, Punjab and Rajasthan did not serve any purpose due to faulty design, land disputes or poor construction. Details are given in **Annex-8E**.

Works initiated were to be completed in a timely manner so as to ensure that meaningful benefits were received by the local community. However, it was seen that 7,69,575 works amounting to ₹ 4,070.76 crore in 403 GPs, 27 blocks and 20 districts in the 12 states and one UT of Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Jharkhand, Karnataka, Manipur, Odisha, Rajasthan, Tripura, Uttar Pradesh and Puducherry and by three line departments in Bihar were incomplete even after one to five years. Undue delay in completion of works rendered the expenditure unfruitful. Details are given in **Annex-8F**.

The Ministry stated (November 2012) that opening of new works by panchayats and line departments was regulated by an advisory issued on 3 September 2012. With the new system as also reflected in NREGASoft, at the time of allocation of works on demand, the system would show only the list of incomplete works. Thus, the workers would be assigned to incomplete works first and new works from approved shelf of works would be shown only if there were no incomplete works or the labour demand exceeded the labour potential of incomplete works. The Ministry further stated that, vide advisory issued on 24 August 2012, states were asked to split works (which are to be executed over more than one year), into annual work elements, with each annual segment given a distinct work identity. It further clarified that some works were left incomplete because of revisions of wage and material rates which raise the actual cost beyond the approved estimates.

## 8.6 Maintenance of Plantation Works

According to para 6.1.3 of Operational Guidelines, the maintenance of assets created under the Scheme including protection of afforested land was to be considered as permissible works under MGNREGS. Test check of records revealed that 56,916 plantation works amounting to ₹ 25.19 crore in 202 GPs, one block and five districts in nine states of Andhra Pradesh, Bihar, Gujarat, Jharkhand, Kerala, Manipur, Mizoram, Rajasthan and Uttar Pradesh were rendered wasteful due to non-maintenance of plants. The physical inspection of plantation works corroborated the audit findings. Details are given in **Annex-8G** and case study.

The Ministry stated (November 2012) that it had circulated to all the states 'Muzzaffarpur model of roadside plantations' for implementation under MGNREGS vide an advisory dated 10 September 2012. In the said model, aged, widowed, handicapped and women job card holders of adjoining village who acted as Van Poshaks, were employed in raising and looking after the roadside plantations under MGNREGS. This gave the villagers a sense of belonging and ownership and there was no need of physical fencing around the plants. The survival rate of these plantations was also high. Further, the states were asked to find out the reasons for non-completion of incomplete works and to take required measures to ensure their completion.

### **Case Study: Jharkhand**

In Gumla district of Jharkhand, 18 NGOs were allotted 24 works relating to plantation of mango trees, Jatropa, different kinds of fruit plantation, mixed intensive lac orchard, Safed Musli and Stevia in 10,435.419 acres, at an estimated cost of ₹ 19.41 crore, under MGNREGS during 2007-08. It was noticed that DRDA Gumla released ₹ 13.00 crore for completion of plantation work. The balance amount was to be released during successive years for maintenance of plantation. Audit observed the following:

- Works like Stevia Crop Plantation and Safed Musli cultivation were not to be carried out as per clarification of MoRD.
- None of these 24 plantation works were approved by the gram sabha but were approved by District Programme Coordinator.

- Works of Stevia Crop Plantation and Safed Musli cultivation were awarded on contract basis to M/s Brahmanand Farms and Research Center, Jamshedpur for ₹ 4.92 crore against which ₹ 4.86 crore were released, in contravention of the provisions of the Act.
- ₹ 59.00 lakh against the estimated cost of ₹ 69.00 lakh for Jatropha plantation in 679.34 acres were released to an NGO.
- The district administration cancelled all MOUs and agreements with the agencies and lodged FIRs (July 2008) against them (except NGO 'Pradan') for fake purchase of compost. Thereafter, physical verifications were conducted by the Department (August 2008 to February 2009) and it was found that plantations on only 2,433.74 acres (23 per cent) were done, against the approved area of 10,435.419 acres. During physical verification, survival of 13 lakh plants as against 74.73 lakh plants sanctioned, were reported.
- Consequent to the verification, cases were filed against all agencies for the recovery of ₹ 10.13 crore paid to them. The amount was not recovered till June 2012.

District Development Commissioner, Gumla stated that FIRs had been lodged against NGOs and Certificate cases\* had also been filed for recovery of government money. Notwithstanding the post-facto action initiated by district administration, the entire released amount of ₹ 13 crore was rendered infructuous.

\* Certificate case means recovery case under state's Public Demand Recovery Act.

## 8.7 Creation of Durable Assets

As already mentioned, creation of durable assets was an important objective of the Scheme as listed in the Act. Further, Operational Guidelines also provide for maintenance of assets created under the Scheme. However, it was seen that assets created from 3,91,951 works amounting to ₹ 6,547.35 crore in 148 GPs in two states and one UT of Mizoram, West Bengal and Puducherry and all test check units in three states, Gujarat, Kerala and Tamil Nadu were not of durable nature. The works included construction of *boribandhs*<sup>2</sup>, earthen roads, etc. The details of these works are given in **Annex-8H**.

The Ministry stated (November 2012) that the durability and quality monitoring of assets created under MGNREGS were emphasised in the new draft Operational Guidelines (Chapter 15: Quality Management of MGNREGA Works). Further, the Ministry had asked the states to effect convergence of MGNREGS with other programmes to enhance the durability of assets. States were asked to deploy independent State Quality Monitors (SQMs) to assess the quality of assets to ensure their durability. These SQMs would comprise retired chief engineers and executive engineers.

<sup>2</sup> Small structure constructed across non-perennial rivulets by stacking gunny-bags filled with mud/sand for the purpose of storage of water during monsoon and its percolation underground, so as to bring up the water-table.



## 8.8 Procurement Procedures

The General Financial Rules allow purchase of goods without bids or quotations up to ₹ 15,000 only. Purchases above ₹ 15,000 were to necessarily involve bids/quotations, while for purchases of more than ₹ one lakh, bids were to be obtained only through limited or advertised tender enquiries.

The Operational Guidelines (para 6.2) also provide for adoption of a transparent and reasonable procedure for procurement under the MGNREGS. Audit observed that material valuing ₹ 24.90 crore had been procured in 73 GPs, 10 blocks and seven districts and one line department of five states *viz.* Andhra Pradesh, Jammu & Kashmir, Jharkhand, Nagaland and Uttar Pradesh in an arbitrary manner without following the laid down rules/procedures. The details are given in **Annex-8I** and case study.

The Ministry stated (November 2012) that it was one of the parameters of enquiry/inspection done by National Level Monitors/State Level Monitors (when an enquiry was assigned to them) and Ministry officials under Area Officer Scheme.

### *Photographs of non-permissible, poorly executed works and non-creation of durable assets*



*Construction of boundary wall at village bhond, block Bastar, district Bastar, Chhattisgarh*





*Broken earthen road constructed under MGNREGS, gram panchayat-Khalispur, block Chiraigaon, district Varanasi, Uttar Pradesh*



*Water harvesting structure of Mahatabandha, Jariput village in GP Kunjari, of block Tangi, Khurda district, Odisha*





*Damaged check dam at Atar Singh ki dhani, GP Bajna block Rajakhera, district Dholpur, Rajasthan*

### ***Case Study: Procurement of Material without floating tender and quotation***

#### **Jharkhand:**

Jharkhand Financial Rules prescribe purchase of goods above ₹ 15,000 by inviting quotations/tenders. Further, Jharkhand Rural Development Department (May 2010) directed that purchase of materials costing up to ₹ 50,000 be made through inviting quotation/open tenders. All DPCs were required to fix the rate of material at the district level after inviting open tenders and the name of block wise panel of agencies/firms was to be made available to BDOs. All implementing agencies including line departments had to purchase material from the empanelled firms only.

Audit observed that in four test checked blocks (128 works in 26 GPs) and three line departments in four districts, material worth ₹ 1.95 crore was purchased from unregistered suppliers on hand receipts during 2007-12, which was in violation of prescribed norms.

The state government accepted the observation and assured to take necessary action in this regard. Further, DPC, Pakur stated that registered suppliers were identified and instructions had been issued to procure the material from them.

## 8.9 Deficient Stock Maintenance Practices

Proper maintenance of stock/raw material is necessary to avoid any wastage or pilferage. Audit observed that material worth ₹ 50.88 crore had not been accounted for at work sites in the case of two states, Andhra Pradesh and Assam, as per details given in **Annex 8J**.

It was also observed that material of ₹ 1.05 crore had been procured in excess of requirement in three states. Details are given in **Table-14**. The excess material was either damaged or in an unusable condition.

**Table-14 : Excess purchase of material**

(₹ in crore)

Sl. No.	Name of State	District	Block	GP	Item purchased	Amount
1	Assam	1	-	-	First Aid Boxes	0.09
		1	-	-	Printing of two lakh job cards	0.17
2	Odisha	-	-	3	Excess cement bags purchased	0.01
3	Rajasthan	-	4	-	Procurement of excess tent, medical kit, jhula and water tank	0.78
<b>Total</b>		<b>2</b>	<b>4</b>	<b>3</b>		<b>1.05</b>

## 8.10 Unique Number for Each Work

Under para 6.2.1 of Operational Guidelines, a unique identity number was to be given to each work to avoid duplication. Audit observed that unique identity number had not been assigned to each work in 66 districts (out of 182 test checked districts, 36.26 per cent) in 13 states and one UT viz., Arunachal Pradesh, Bihar, Gujarat, Jammu & Kashmir, Kerala, Maharashtra, Manipur, Nagaland, Punjab, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh and Lakshadweep. Interestingly, in a few states, unique identity number was generated while feeding the data in the MIS. However, this number was not reflected in any of the basic records like Annual Plan, muster rolls, etc. Hence, in such cases the possibility of duplication of works cannot be ruled out. Further, the correctness of data of works entered in the MIS was also doubtful. The details are given in **Annex-8K**.

## 8.11 Technical Support to Gram Panchayats

As per Para 6.3.3 of Operational Guidelines, the role of the line departments such as Public Works Department, Forest Department, Water Resource Department, Flood Control Department, etc., was to give technical support by way of estimates, measurement and supervision of the works executed. Works were to be executed by job card holders and muster rolls were to be maintained. No overhead charge was to be given to any line department for this activity.

Audit observed that technical support of the line department had not been sought by the GPs in the works executed by them in any of the test checked 27 districts in four states of Kerala, Mizoram, Nagaland and Uttar Pradesh. **(Annex-8L)**

Further, test check of records revealed that overhead charges amounting to ₹ 73 lakh had been paid to the implementing agency (Rural Engineering Service) for their technical support in five test checked districts of Madhya Pradesh.

The Ministry stated (November 2012) that it had asked the states to create and fill up the posts of Gram Rojgar Sahayaks (one for each GP), Technical Assistants/Junior Engineers (one JE for certain number of GPs depending upon the number of works, accessibility, expenditure, etc.) and Panchayat Development Officers (PDOs) on contract basis. The expenditure was to be met out of six *per cent* administrative expenses provided to the states for effective implementation of the Scheme.

#### ***Good Practice: Tripura***

The state unit of NIC in collaboration with Rural Development Department had designed and developed a MIS solution called RuralSoft for online preparation of technical estimate, according technical sanction and issuance of online work order.

For this purpose, individual user ID and password were given to all JEs/ TAs/ AEs/EEs/SEs for logging into the system. The practice adopted by the state government would ensure preparation of estimates with more accuracy and transparency.

### **8.12 Use of Contractors**

As noted earlier, the Act prohibits the use of contractors in the execution of MGNREGS works. Audit, however, observed that works amounting to ₹ 4.83 crore were executed by engagement of contractors by the implementing agencies in two GPs, one block and seven districts in five states *viz.* Assam, Chhattisgarh, Kerala, Nagaland and Uttar Pradesh in contravention of the Act. The details are given in **Annex-8M**.

### **8.13 Use of machinery**

Operational Guidelines do not permit use of machinery for works under MGNREGS. A few instances of use of machinery during execution of rural connectivity works like digging, etc., valuing ₹ 18.21 crore were noted in 40 GPs, one block and four districts in six states *viz.* Bihar, Karnataka, Manipur, Odisha, Punjab and Tripura. The details are given in **Annex-8N**.

The Ministry stated (November 2012) that as per paragraph 12 in Schedule I of the Act as far as practicable, a task funded under the Scheme was to be performed by using manual labour and not machines. Machinery which could displace labour was not to be used in executing the tasks under the Scheme.

## 8.14 Prior Sanction of Works

Para 6.4.1 of Operational Guidelines stipulates that all works would require administrative/technical sanction in advance, by December of the year preceding the proposed implementation. Audit observed that 334 works and one plantation work for ₹ 22.37 crore had been executed without obtaining the required sanctions in 53 GPs, 14 blocks and one district in six states viz. Arunachal Pradesh, Assam, Chhattisgarh, Mizoram, Odisha and Uttar Pradesh. The cases are detailed in **Annex-8O**.

Audit further observed that a sum of ₹ 78 lakh was spent in excess of the sanctioned amounts on 124 works in eight GPs and one block out of test checked units in five states viz. Haryana, Jharkhand, Meghalaya, Nagaland and West Bengal. The implementing agencies did not take any action to obtain revised sanction. The details are given in **Annex-8P**.

## 8.15 Transparency Requirements

According to para 6.6.5 of the Operational Guidelines, the Citizen Information Board with MGNREGA logo was to be set up at all work sites. These were to contain essential information viz. estimate of work, date of commencement of work, stipulated date of completion of work, SoRs, work status, etc. This stipulation was for improved transparency of the works taken up under MGNREGS.

Audit observed that Citizen Information Board had not been displayed in 59 districts (32.42 per cent of all test checked districts) in nine states viz. Gujarat, Maharashtra, Manipur, Nagaland, Odisha, Rajasthan, Tripura, Uttar Pradesh and West Bengal. The details are given in **Annex-8Q**.

The Ministry stated (November 2012) that the states had been repeatedly requested to ensure compliance with the required provisions.

## 8.16 Schedule of Rates (SoR)

As per Para 6.7.2 of Operational Guidelines, the state governments may undertake comprehensive work, time and motion studies for preparation of SoR. The SoR are necessary to ensure a fair wage rate for the works done under MGNREGS.

Audit, however, observed that the state governments did not undertake comprehensive work, time and motion studies required for compiling the SoR in 35 districts in six states of Arunachal Pradesh, Bihar, Kerala, Manipur, Punjab and Sikkim. The details are given in **Annex-8R**. In the absence of such studies, the reasonableness of the rates applied for these works was questionable.

The Ministry stated (November 2012) that Kerala had conducted time and motion studies in Palakkad, Wayanad, Idukki and Kasargod districts during 2011 to formulate the state specific SoR. Based on the data collected, the SoR was being piloted in one block of Palakkad district in the first

phase at present. In the second phase, the data would be validated in the remaining 10 districts of the state.

### 8.17 Measurement Books

According to para 6.7.5 of Operational Guidelines, measurement of work was to be recorded in the measurement books maintained by qualified technical personnel in charge of the worksite.

Audit observed that a payment of ₹ 11.43 crore was made by the implementing agencies without measurement of the works or measurement of works by non- technical personnel in 709 of the test checked works in 53 GPs and two blocks in six states viz. Assam, Bihar, Jharkhand, Kerala, Tamil Nadu and Uttar Pradesh. The details are given in **Annex-8S**. In the absence of proper measurements, the veracity of the works could not be ascertained.

### 8.18 Worksite Facilities

As per paragraphs 27 and 28 in Schedule II to the Act read with Para 6.8.1 of Operational Guidelines, the implementing agencies were to provide adequate worksite facilities for workers. These were to include medical aid, safe drinking water, shade for children and periods of rest, first aid box with adequate material for emergency treatment and other health hazards and a crèche, if there were more than five children below the age of six years.

Audit observed that there were deficiencies in these worksite facilities in 40 districts (22 per cent of all test checked districts) in seven states and one UT viz. Gujarat, Kerala, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh, West Bengal and Puducherry. The details are given in **Annex-8T**.

### 8.19 Project Completion Report

According to para 6.9 of Operational Guidelines, on completion of every project, a project completion report (PCR) was to be prepared as per the prescribed format in the works register and the details entered therein were to be verified by a senior officer. Pre -commencement of work, mid work and post work project condition were to be recorded with photographs. The PCR was to be placed in the file pertaining to the work in the office of the implementing agency to serve as a record of verification of completion of work.

Audit observed that three stage photographs i.e., pre, mid and post were not available in completed work files in 55 districts (30 per cent of all test checked districts) in 10 states and two UTs viz. Arunachal Pradesh, Assam, Gujarat, Kerala, Maharashtra, Manipur, Nagaland, Odisha, Tamil Nadu, Uttar Pradesh, Lakshadweep and Puducherry and for the entire state of Karnataka. As such, the status of projects examined was unascertainable from records. The details are given in **Annex-8U**.

It was also observed that the PCR had not been prepared after completion of 5,92,280 works in 75 districts (41 per cent of all test checked districts) in 14 states and one UT viz. Arunachal Pradesh,



Assam, Bihar, Gujarat, Himachal Pradesh, Kerala, Nagaland, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, West Bengal and Puducherry and for the entire state of Karnataka . The details are given in **Annex-8V**.

The Ministry stated (November 2012) that it had issued an advisory to the states on 28 March 2012 for updating status of completed works in MIS (NREGASoft).

## 8.20 Suspected Misappropriation

Joint physical inspection of 794 works amounting to ₹ 21.78 crore by Audit and officials from implementing agencies in 184 GPs, 15 blocks and 18 districts revealed suspect transactions in 10 states viz. Andhra Pradesh, Assam, Bihar, Haryana, Jharkhand, Madhya Pradesh, Manipur, Nagaland, Odisha and Rajasthan. There was no physical evidence of the works. Some works featured twice. Further, some cases of material having been purchased post completion of work or incorrect entries in measurement books or withdrawal of money without execution of work were also noticed. Thus, these payments were suspect and call for investigation. Details are given in **Annex-8W**.

The Ministry stated (November 2012) that it had taken a decision to engage CAs/CA firms to assist the states in assessing the state share based on accounts of SEGF and other records/documents. An advisory in this regard had been issued to the states on 22 June 2012. The states would have to bear additional liabilities (in addition to that mandated by Section 22 of MGNREGA) for misappropriation of funds not recouped.

## 8.21 Expenditure of ₹ 1,935.49 crore in violation of the Act

In Andhra Pradesh, a system of Work Executing Member (WEM) was introduced in 2009. Under this system GPs were to identify a suitable person as WEM from among the sarpanch/members/any other suitable person of gram panchayat, through its resolution, for construction of roads and Rajiv Gandhi Bharat Nirman Sewa Kendras (RGBNSK). As reported by internal audit of the Ministry the state had incurred expenditure of ₹ 1,935.49 crore<sup>3</sup> during 2009-2012 (till August 2012), on material component through WEMs and only ₹ 54.51 crore on wages component on these works. Audit observed the following irregularities in this system:

- Internal audit conducted by the Ministry revealed that the wage-material ratio in works executed by Work Executing Member were 5.25:94.75 in case of water bound macadam road, 0.27:99.73 in case of Rajiv Gandhi Bharat Nirman Sewa Kendras and 2:98 in case of cement concrete roads with drainage.
- Work Executing Member does not fall in the category of implementing agency as specified in the Act. He was engaged through a Memorandum of Understanding executed between the state government and Work Executing Member. Funds were transferred to the personal bank account of Work Executing Member for making further payment to the

<sup>3</sup> 2009-10- ₹ 3.86 crore, 2010-11- ₹1,098.89 crore, 2011-12- ₹ 637.68 crore and 2012-13 - ₹ 195.06 crore - (up to August 2012)

suppliers in cash in violation of financial rules. Work Executing Member was paid 2.5 *per cent* supervision charges (agency commission) for his services. Engagement of Work Executing Member was in nature of a contract which violated the Act.

- Provisions of General Financial Rules, 2005 had not been followed in procurement of materials and bills and vouchers for procurement of material were not maintained for future examination. Government of Andhra Pradesh (February 2012) brought out separate orders for material procurement through tendering after being pointed out by Audit.
- The internal audit report also observed that the quality of works was not of prescribed standard.

Thus, engaging Work Executing Members was flawed and also defeated the basic objective of the Act of providing wage employment as only 2.74 *per cent* of total expenditure of ₹ 1,990 crore was incurred on wages.

It was further observed that though Andhra Pradesh government had withdrawn Work Executing Member System in June 2012, the following irregularities were still to be rectified:

- Excess expenditure on material of ₹ 1,139.49 crore was to be recovered from the state. It was estimated that excess expenditure on material could have resulted in generation of additional 10.63 crore persondays, if the prescribed wage material ratio were adhered to.
- As supervision charges were not permissible under the Act, they were to be quantified and recovered.

The Ministry while agreeing with the audit observation stated that clarification had been sought from the state government.

### ***Recommendation:***

***The Ministry may monitor the maintenance of the prescribed wage material ratio strictly. State governments may be asked to make good, the amounts spent in excess of 60:40 ratio.***