

MGNREGA guarantees 100 days of wage employment to every rural household willing to take up manual labour. Performance audit revealed that the intended beneficiaries had not been able to fully exercise their rights.

In the gram panchayats audited, several deficiencies regarding registration of workers and delays or non-issue of job cards were noticed. Also, it was seen that obtaining a job card does not automatically translate into employment when demanded by the beneficiary. In the test checked gram panchayats, it was noticed that in over 47,687 cases, the beneficiaries were neither provided employment on demand nor received unemployment allowance.

Further, even after receiving employment, widespread instances of non-payment and delayed payment of wages were observed in 23 states. These cases demonstrate that considerable efforts were needed to provide adequate livelihood security. The scale of inadequacies in providing livelihood security could not be fully ascertained in view of the pervasive and extensive deficiencies in record maintenance at all levels. Non-maintenance or incorrect maintenance of basic records was noticed in 18 to 54 *per cent* of the test checked GPs. In such a situation the legal guarantee of 100 days of employment on demand and other aspects of the implementation of the Scheme were not fully verifiable.

Irregularities were also noticed in the works undertaken under MGNREGS. Instances of works abandoned midway or not completed for a significant period were noticed. Works of ₹ 2,252.43 crore, which were undertaken under the Scheme were not permissible. It was seen that 7,69,575 works amounting to ₹ 4,070.76 crore were incomplete even after one to five years. It was also noted that expenditure on works amounting ₹ 6,547.35 crore did not result in creation of durable assets. Cases of diversion of funds for other uses were also seen in a large number of states.

The larger issue, in relation to the works, was the non-adherence to the statutory 60:40 wage-material ratio. The Ministry, in contravention of the Act, which stipulates that this ratio has to be maintained for each work, relaxed this provision. The Operational Guidelines issued by the Ministry stated that this ratio was to be maintained “Preferably at the gram panchayat, block and district level”. In a limited quantification exercise in 12 states and one UT, it was seen that the non-adherence to this ratio led to short generation of 15.03 crore persondays during the audit period.

The Act makes the Ministry legally responsible for monitoring the Scheme and giving such directions to the states as necessary for its proper implementation. In fact, the Act requires the Ministry to set-up a Central Employment Guarantee Council that was to be responsible itself for monitoring the Scheme and suggesting improvements. The Council worked under the chairmanship of the Minister of Rural Development and included other stakeholders. However, it was seen that the Council had done little in terms of monitoring of the Scheme. In the six years of its existence, a few Council members conducted just 13 field visits and the Council had not put in place an effective system of monitoring and evaluation, as required under the Act.

The monitoring mechanisms of the Ministry, as envisaged in the Operational Guidelines, also included the system of National Quality Monitors, for verification and quality audits and an online MIS–NREGASoft. It was seen that the Ministry was yet to operationalize the system of National Quality Monitors. Also, poor internal controls and lack of any cross-verification had seriously eroded the reliability and credibility of the data in the MIS. Instances of data manipulations which were seemingly without any basis, were noted in audit.

The Act and the Operational Guidelines require the states and the Panchayati Raj Institutions to monitor the implementation of the Scheme in a variety of ways. Gaps in the envisaged monitoring mechanisms were noticed in a large number of states. There were significant shortages in verification of works by state officials. Quality Monitors and Vigilance and Monitoring Committees had not been appointed in several states. Social audit remained ineffective to a large extent as social audit units had not been established. Shortfalls in social audit were noted in a number of states.

There were deficiencies in the approval and release of funds by the Ministry. Numerous instances were noticed in which the Ministry released grants in excess of demand and in breach of its own conditionalities. In fact, in 2010-11, the Ministry relaxed all conditionalities (except furnishing utilisation certificate) associated with the release of funds. No basis for this decision was provided by the Ministry. As a result, ₹ 1,960.45 crore were released in the month of March 2011 alone, without exercising proper financial controls.

The Ministry needs to take decisive steps to ensure proper implementation of the Scheme. It needs to focus on developing intensive monitoring and evaluation systems.

An analysis of the data provided by the Central Employment Guarantee Council disclosed some adverse trends. The expenditure incurred under the Scheme had been stagnant for the last three years and actually showed a marginal decline in 2011-12. We noted that the decline in expenditure would have an aggravated effect on employment generation in view of the progressive increase in wages over the years. Employment generated declined from 283.59 crore persondays in 2009-10 to 216.34 crore persondays in 2011-12. The completion of works also saw a significant decline in 2011-12.

An analysis of releases made to states for the period under review and poverty data showed that three states – Bihar, Maharashtra and Uttar Pradesh had 46 *per cent* of the rural poor in India, but accounted for only about 20 *per cent* of the total funds released under the Scheme. This would indicate that the poorest of poor were not fully able to exercise their rights under MGNREGA.



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