

# Executive Summary

**T**he Mahatma Gandhi National Rural Employment Guarantee Act, (MGNREGA) was enacted with the objective of enhancing livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year, to every household whose adult members volunteer to do unskilled manual work. The Act initially came into force in 200 districts with effect from 2 February 2006 and was expanded to cover all the rural districts by 1 April 2008.

This is the second performance audit of the Scheme. The first performance audit was undertaken in 2007-08. The period of coverage of the first audit was February 2006 to March 2007. The present performance audit of the implementation of MGNREGA was taken up in response to a request from the Ministry of Rural Development and covers the period from April 2007 to March 2012. Implementation of the Scheme was checked in 3,848 gram panchayats in 28 states and four union territories.

The important findings of the performance audit are given below:

- Analysis of data related to the performance of the Scheme showed that there has been significant decline in per rural household employment generation in the last two years. The per rural household employment, declined from 54 days in 2009-10 to 43 days in 2011-12. There was also a substantial decline in the proportion of works completed in 2011-12. It was also seen that Bihar, Maharashtra and Uttar Pradesh, which together account for 46 *per cent* of the rural poor, utilised only about 20 *per cent* of the Central Scheme funds. This indicated that the correlation between poverty levels and implementation of MGNREGA was not very high.
- As per section 16(3) of the Act, gram panchayats were required to prepare the annual development plan on the basis of recommendations of the gram sabha. In 1,201 GPs (31 *per cent* of all test checked GPs) in 11 states and one UT, annual plans were either not prepared, or were prepared in an incomplete manner.
- In 14 states and one UT, 129.22 lakh works amounting to ₹ 1,26,961.11 crore were approved in the annual plans. But only 38.65 lakh works (30 *per cent* of planned works) amounting to ₹ 27,792.13 crore were completed during the audit period, indicating significant inefficiencies in implementation of annual plans.

- In terms of the MGNREGA, the states were to notify schemes and rules for its implementation. However, it was seen that despite passage of seven years, after the Act came into force, state governments of Haryana, Maharashtra, Punjab, Rajasthan and Uttar Pradesh (five states) did not formulate rules, as of March 2012.
- Audit observed that Information, Education and Communication (IEC) plans were not formulated in 12 states and two UTs. Shortfalls in utilization of IEC funds were also noticed. In a demand driven scheme like MGNREGS, awareness of beneficiary rights would be a critical factor in its success. The low level of IEC activities would have an adverse effect on the awareness levels of the beneficiaries and would, in turn, hamper the beneficiaries from fully realizing their rights.
- Governments of four states (Arunachal Pradesh, Kerala, Manipur and Tamil Nadu) had not appointed dedicated Gram Rozgar Sahayaks. Further, persistent and widespread shortages of Gram Rozgar Sahayaks as against the requirements were noticed in the case of nine states (Assam, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Punjab, Uttar Pradesh and Uttarakhand). The shortages ranged from 20 to 93 *per cent*.
- The Ministry relaxed all conditionalities and released a sum of ₹ 1,960.45 crore in March 2011 to the states, contravening norms of financial accountability. An amount of ₹ 4,072.99 crore was released by the Ministry between 2008-12 to states for use in the subsequent financial year, in contravention of budgetary provisions and General Financial Rules. Also, excess funds of ₹ 2,374.86 crore were released by the Ministry to six states, either due to wrong calculation or without taking note of the balances available with the states.
- Job cards were not issued to 12,455 households in six states. Photographs on job cards represent an important control against fraud and misrepresentation. Photographs on 4.33 lakh job cards were not found pasted in seven states. Non payment/under payment of wages of ₹ 36.97 crore was noticed in 14 states. There were several cases of delayed payment of wages for which no compensation was paid.
- Schedule I of the Act prescribes that the material component of the work should not exceed 40 *per cent* of the total work cost. In 12 states and one UT, cases of the material cost exceeding the prescribed ratio were noticed. The material cost exceeded the prescribed level by ₹ 1,594.37 crore in the test checked cases.
- In the test checked districts of 25 states/UTs, 1,02,100 inadmissible works amounting to ₹ 2,252.43 crore were undertaken. These inadmissible works included construction of earthen/*kutcha* roads, cement concrete roads, construction of raised platforms for cattle and other animals, construction of bathing *ghats*, etc. Works amounting to ₹ 4,070.76 crore were incomplete despite passage of significant time, rendering the expenditure unfruitful.
- In 10 states and four UTs, Governments had not constituted Social Audit Units to facilitate the social audit forums. In 11 states and one UT, it was seen that significantly fewer social audits from prescribed norms were conducted.

- Monitoring at the Central level was unsatisfactory. The Central Council could not fulfil its statutory mandate of establishing a central evaluation and monitoring system even after six years of its existence. The only monitoring activity carried out was in the form of 13 *ad-hoc* field visits to six states by the Council members. No follow up action was taken on these visits by the Council.
- Deficiencies, relating to both non-maintenance and incorrect maintenance of prescribed basic records, were noticed in 18 to 54 *per cent* of the all test checked GPs, for various types of records. Widespread deficiencies in the maintenance of records restricted the process of proper verification of the outputs and outcomes of the Scheme.
- There were substantial differences between the data uploaded in the MIS and actual records maintained/information available with Directorate/DPC. Apart from the erroneous entries made in the database, a number of cases were noticed where the states were not entering data on a regular basis. Hence, the MIS data on physical and financial performance of the Scheme was not reliable. In addition, the MIS suffered from faulty programming logic and missing validation controls. Cases of data manipulation, without any reference to basic records and without any apparent basis, were also noticed.

## Summary of Recommendations

- *The widespread shortage of staff at all levels, adversely affects the implementation of the Scheme. The staff position should be closely monitored by the Ministry and shortfall on this account should be taken up with the state governments.*
- *MGNREGS, being a demand driven programme, requires the beneficiaries to be aware of their rights. However, the shortfall in IEC expenditure and non-formulation of IEC plans indicated gaps in the creation of awareness among beneficiaries. IEC activities need to be stepped up for better beneficiary awareness.*
- *Monthly squaring of accounts is an important control over utilization of funds. Progress of monthly squaring of accounts should be checked during release of funds by the Ministry.*
- *In the interest of uniformity and for easier consolidation of accounts, the Ministry may consider developing a model format of accounts.*
- *Ministry of Rural Development should invariably ensure compliance with required rules and prescribed guidelines for transparency in release of funds.*
- *Non-payment of unemployment allowance and non-maintenance of essential records were noticed by Audit across all states. A possible reason for non-payment of unemployment allowance could be the non-sharing of unemployment allowance by Central Government and the perceived burden on the state exchequer. In order to safeguard the interests of the beneficiaries, the Ministry may consider partial reimbursement of unemployment allowance. Further, strict action may be taken*

*against erring officials when any case of non-payment of unemployment allowance is noticed.*

- *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.*
- *The absence of physical records and their incorrect maintenance at the GP level makes verification of the achievements of the Scheme an extremely difficult task; it also increases the risk of mis-appropriation of funds. Record maintenance at GP level needs to be streamlined. Record maintenance should be monitored closely at all levels and fund release should be linked to proper maintenance of records.*
- *The CEGC and the Ministry need to ensure intensive monitoring of the Scheme for its proper implementation. They need to design a system for verification and audit of work.*
- *The Ministry or CEGC may consider undertaking a national level, comprehensive, independent evaluation of the Scheme.*
- *The Ministry should examine and reconcile the deficiencies in software design and make necessary changes to the NREGASoft. There is a need to put in place stricter controls for data modification after authentication and closure of data entry.*