

CHAPTER-I INTRODUCTION

Social Audit is an audit of a Scheme/Programme that is conducted jointly by the Government functionaries and the people, especially by those people who are affected by, or are the intended beneficiaries of such scheme. Hence, Social Audit can be described as verification of the implementation of a programme/scheme and its results by the community with active involvement of the primary stakeholder. This is done by comparing official records with actual ground realities, with the participation of the community in the verification exercise and reading out the findings of the verification exercise aloud in a public platform. Oral testimonies and facts are obtained from the public and compared with the official records. The Social Audit process goes beyond accounting for the money that has been spent to examine whether the money was spent properly and has made a difference to people's lives.

The major objectives of Social Audit are to promote transparency and accountability in the implementation of programme, inform and educate people about their rights and entitlements, provide a collective platform for people to express their needs and grievances, promote people's participation in all stages of the implementation and strengthening the scheme by deterring corruption and improving implementation.

1.1 Background

Section 17 of the Mahatma Gandhi National Rural Employment Guarantee Act 2005 (Act) states that the *Gram Sabha* would monitor the execution of works within the *Gram Panchayat* (GP), conduct regular Social Audits of all the projects under the scheme taken up within the GP. GP shall make available all relevant records to the *Gram Sabha* for the purpose of conducting the Social Audit.

The Government of India, Ministry of Rural Development (Ministry), in consultation with the Comptroller and Auditor General (C&AG) under sub section (1) of section 24 of the Act, has framed a set of Rules in April 2011 titled the "Mahatma Gandhi National Rural Employment Guarantee Audit of Scheme Rules-2011" (Rules).

The Rules *inter-alia* included Social Audit facilitation by the State Governments, identification and creation of independent organization *viz.* Social Audit Unit (SAU), process of conducting Social Audit and obligations of certain persons in relation to Social Audit. As per 3 (1) of Rules, the State Government shall facilitate conduct of Social Audit of the works taken up under the Act in every GP at least once in six months in the manner prescribed under these Rules. The Social Audit Unit (SAU), an independent organization, would facilitate conduct of Social Audit by *Gram Sabha* with the help and support of Resource Persons identified by State SAU at district and village levels. The Resource Persons along with the primary stakeholders shall verify the records related to payment, procurement of materials and other financial transactions, visit the work sites, contact wage seekers, collate records and convene a *Gram Sabha* to discuss the findings of the verification exercise and to review the compliance on transparency and accountability, fulfilment of rights and entitlements of labourers and proper utilization of funds. The Social Audit Report (SAR) shall be prepared in local language based on their findings to be read out to the *Gram Sabha*. The *Gram Sabha* will deliberate on the findings and the implementing agencies have to respond to the report presented in the *Gram Sabha*.

1.2 Audit Objectives

The audit was conducted to assess:-

- Whether independent SAU were established with adequate resources in each state;
- Whether planning of Social Audit was effective and Social Audits conducted during 2014-15 were in accordance with extant orders.
- Whether follow up mechanism by State Employment Guarantee Council (SEGC), Central Employment Guarantee Council (CEGC) and Ministry of Rural Development (Ministry), etc. was adequate.

1.3 Audit Scope and Methodology

The audit covered 29¹ States to review the establishment of Social Audit Unit, availability of resources persons and planning process. However, the audit of the execution of Social Audit was restricted to 1140² GPs of 290 Districts in 25 States as in the remaining four states *viz.* **Arunachal Pradesh,**

¹ Except Delhi as MGNERS is not applicable.

² Assam (49), Goa (20), Himachal Pradesh (23), Meghalaya (48), Mizoram, (28) Uttrakhand (32), West Bengal (40) and in other States 50 GPs each

Kerala, Manipur and Nagaland, Social Audit was not done as per the Rules. In each state, the GPs were selected from the randomized list of all Social Audits done across the state during 2014-15 using by Simple Random Sampling without Replacement (SRSWR) method.

An entry conference was held on 27 April 2015 with Ministry of Rural Development (Ministry) to discuss audit methodology, scope, objectives and criteria. In addition, entry conferences were also held by the Pr. Accountants General/Accountants General with the State Government before commencement of audit at State level. Audit included examination of records of Ministry, State Government department responsible for implementing Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), SAU Headquarters; District Programme Coordinators (DPC) and Programme Officers (PO). Audit teams also visited selected GPs for evaluation of the SAR and also POs/DPCs of selected GPs for evaluating their support to Social Audit and follow up action on SAR taken by them.

Exit conference was held at the State level by the Pr. Accountant General/ Accountant General with the State Government, where state-specific findings were discussed. After the conclusion of audit and consolidation and analysis of audit findings, an exit conference was held with Ministry on 17 November 2015 wherein audit findings and recommendations were discussed. Replies received from the Ministry (December 2015) have been suitably incorporated in the Report.

1.4 Audit Criteria:

Audit criteria were derived from:

- Mahatma Gandhi National Rural Employment Guarantee Act, 2005;
- Mahatma Gandhi National Rural Employment Guarantee Audit of Scheme Rules, 2011;
- Instructions issued by the Ministry and rules issued by State Government and SAU from time to time in this regard;
- MGNREGA Operational Guidelines 2013 and Amendment thereon.

1.5 Structure of the Report

The audit issues have been analysed from an all-India perspective and the layout of the Report is as under:

- Chapter 2 gives the status of SAUs, resource persons and their capacity building.
- Chapter 3 deals with the planning and execution of Social Audit.
- Chapter 4 deals with the follow up action on SARs.

1.6 Acknowledgement

We wish to acknowledge the cooperation received from Ministry of Rural Development, State Governments, SAUs, and MGNREGS implementing departments in the States during the audit process.