CHAPTER – II
ECONOMIC SECTOR

CHAPTER-II

ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2024 deals with the findings arising from audit of State Government Departments under Economic Sector.

During 2023-24, against a total budgetary provision of ₹ 4,390.28 crore, an expenditure of ₹ 3,400.82 crore was incurred by 16 departments under the Economic Sector. Department-wise details of budget provision and expenditure incurred are shown in **Table-2.1**.

Table-2.1: Department-wise budget provision and expenditure

(₹ in crore)

Sl. No.	Name of the Department	Budget Allocation (BA)	Expenditure	Percentage of Expenditure to BA
1.	Planning and Programme Implementation	400.40	248.46	62.05
2.	Agriculture	302.89	220.91	72.93
3.	Horticulture	138.46	96.83	69.93
4.	Land Resources, Soil and Water Conservation	27.89	26.38	94.59
5.	Animal Husbandry and Veterinary	88.82	75.85	85.40
6.	Fisheries	26.52	26.01	98.08
7.	Co-operation	21.35	18.31	85.76
8.	Rural Development	587.60	349.65	59.50
9.	Commerce and Industries	68.70	63.01	91.72
10.	Sericulture	17.67	16.36	92.59
11.	Tourism	14.69	13.25	90.20
12.	Public Works	1,338.20	1,109.98	82.95
13.	Irrigation and Water Resources	99.85	25.20	25.24
14.	Information and Communication Technology	5.35	5.34	99.81
15.	Food, Civil Supplies and Consumer Affairs	341.37	263.90	77.31
16.	Power and Electricity	910.52	841.38	92.41
Total		**4,390.28**	**3,400.82**	**77.46**

Source: Appropriation Accounts: 2023-24

Barring Planning and Programme Implementation Department, Horticulture Department, Rural Development Department and Irrigation and Water Resources Department where the utilisations were 62.05 *per cent*, 69.93 *per cent*, 59.50 *per cent* and 25.24 *per cent* respectively, all other Departments managed to utilise more than 70 *per cent* of the funds allocated to them. The overall savings under Economic Sector was 22.54 *per cent* against the budget allocation.

During 2023-24, an expenditure of ₹ 476.22 crore, including funds pertaining to previous years, of the State Government under Economic Sector were test checked in Audit. This Chapter includes one Performance Audit Report and two Compliance Audit Paragraphs, as discussed in the following paragraphs.

PERFORMANCE AUDIT

RURAL DEVELOPMENT DEPARTMENT

2.2 Performance Audit on the Implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in Mizoram

2.2.1 Overview of MGNREGA

The National Rural Employment Guarantee Act (NREGA), 2005 was enacted in September 2005, subsequently renamed as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in October 2009. The mandate of the Act is to enhance the livelihood security of the households in rural areas by providing 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteered to do unskilled manual work.

The Act was notified in 200 districts in the first phase effective from February 2006 and then extended to an additional 130 districts in the financial year 2007-08. The remaining districts were notified under MGNREGA effective from April 2008. Thus, the MGNREGA covers the entire country with the exception of districts that have a 100 *per cent* urban population. In the State of Mizoram, all the 11 Districts are covered except for the Aizawl Municipal Corporation Areas.

The rationale of the Act is based on combining the productive capacity of Villagers to build and nurture assets, along with alleviating the problems of chronic unemployment and poverty. The Act provides opportunities to develop rural infrastructure through watershed development, restoration of water bodies, activities aimed at forestry, land development, soil erosion and flood control, and construction of roads and institution facilities.

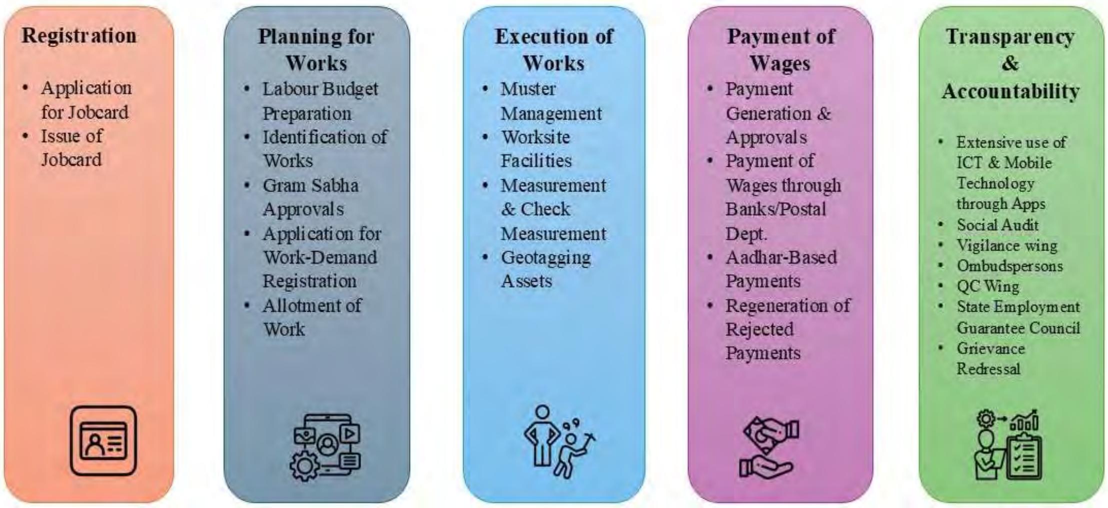
2.2.2 Important aspects of implementation of MGNREGA

The Seventy-third Constitutional Amendment Act, 1992 which empowers the Panchayati Raj Institutions as a third-tier government is not applicable in Mizoram. However, the traditional Village Councils (VCs) governed by 'Lushai Hills District (Village Councils) Act, 1953, have been constituted in all the eleven districts. The Village Employment Councils (VECs) is responsible for implementation of the scheme at the village level.

Major entitlements of the MGNREGS Scheme

- **Right to a Job Card.**
- **Right to demand and receive work within 15 days.**
- **Right to unemployment Allowance.**
- **Right to plan and prepare a Shelf of Projects.**
- **Right to obtain work within a radius of five kilometres.**
- **Right to worksite facilities.**
- **Right to notified wage rate.**
- **Right to receive wages within 15 days.**
- **Compensation for delay in payment of wages.**
- **Right to time-bound redressal of grievances and right to conduct concurrent social audits of all MGNREGS expenditure.**

Overview of MGNREGS



Planning and Execution of Works:

As per Section 16(1) of the MGNREG Act, the Gram Panchayat (Village Employment Council in case of Mizoram) shall be responsible for identification of projects in the Gram Panchayat (village Council in Mizoram) area to be taken up under a Scheme as per the recommendations of the Gram Sabha and the Ward Sabhas and for executing and supervising such works.

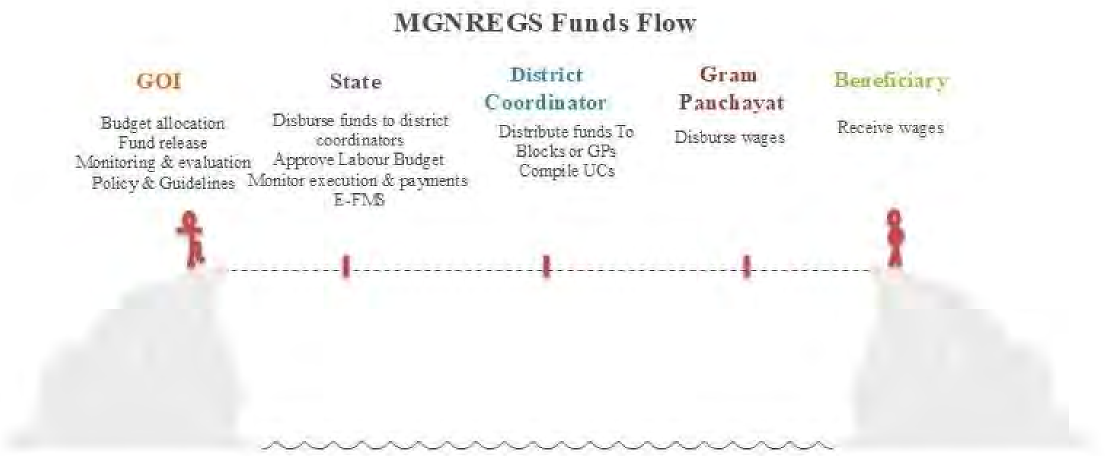
- A VEC may take up any project under a Scheme within the area of the Village Council (VC) as may be sanctioned by the Programme Officer.
- Every VEC shall, after considering the recommendations of the Gram Sabha and the Ward Sabhas, prepare a development plan and maintain a shelf of possible works to be taken up under the Scheme as and when demand for work arises.

- The VEC shall forward its proposals for the development projects including the order of priority between different works to the Programme Officer (PO) for scrutiny and preliminary approval prior to the commencement of the year in which it is proposed to be executed.
- The PO shall allot at least 50 *per cent* of the works in terms of its cost under a Scheme to be implemented through the VECs.

As per Sections 16(5) of the Act, at least 50 *per cent* of the works (by cost) must be executed by the VECs; other implementing agencies could include Forest/ Horticulture/ Panchayat Raj Engineering Departments, *etc*., as well as State Public Sector Undertakings (SPSUs) and Non-Governmental Organisations (NGOs)/ Self Help Groups (SHGs)

Funding:

The fund flow process in MGNREGS is as below:



Permissible Works, Expenditure Components, *etc.*:

As per the Operational Guidelines, 2013 only those works can be taken up which results in creation of durable assets and strengthen livelihood resources of the rural poor. List of permitted works (in order of priority) is specified in Schedule-I to the Act. These include water conservation, land development, forestry/ horticulture, rural connectivity projects, *etc*.

The Government of India (GoI) has also prepared guidelines for the 'convergence' of MGNREGA works with schemes/ activities of other Departments.

Use of contractors is prohibited; as far as possible, tasks funded under the scheme shall be performed by using manual labour and not machines.

The Ratio of unskilled wages to material costs (including semi-skilled or skilled wages) should be 60:40 (Paragraph 7.1.5 of Operational Guidelines, 2013).

Grievance Redressal:

The State Government shall, by rules, determine appropriate grievance redressal mechanisms to ensure a responsive implementation process (Sections 17 and 19 of the Act).

Novel Features of MGNREGS: Demand-Driven & Rights-Based Legal Guarantee

Aspect	What Makes it Novel
Legal Entitlement	Every rural household has the right to demand up to 100 days of guaranteed wage employment per financial year for unskilled manual work. This right is enforceable under the Mahatma Gandhi National Rural Employment Guarantee Act, 2005.
Demand-Driven Nature	Unlike supply-driven schemes, work must be provided within 15 days of a demand. If not, the State Government must pay unemployment allowance.
Accountability Mechanism	Legal penalties and compensation provisions create accountability on the part of the State if entitlements are not met.
Social Audits & Transparency	Social audits by Gram Sabhas and proactive disclosure of information are institutionalised to prevent corruption and empower beneficiaries.

2.2.3 Organisational Chart

The organisational chart for implementation of MGNREGA in Mizoram is given in the following Chart:

Chart-2.1: Organisational Chart of MNGREGA Implementation (Rural Development Department)

Key stakeholders at various levels		
National Level	• Central Employment Guarantee Council • Ministry of Rural Development	
State Level	• State Government • State Employment Guarantee Council	• Policy formulation, guidelines, and overall supervision of MGNREGA implementation. • Advises the State Government on MGNREGA implementation and policy matters.
District Level	• District Programme Coordinator • District Rural Development Office	• Oversees the overall implementation of MGNREGA within the district. • Managing the technical aspects of MGNREGA projects.
Block Level	• Programme Officer • Block Panchayat	• Coordinating MGNREGA activities within the block, including work allocation, monitoring and resolving grievances.
Village Level	• Village panchayat • Village Employment Council	• Identifying works, managing Job Card holders, and overseeing the implementation of MGNREGA projects within the village.
Civil Society	• Civil Society Organisations • Self Help Groups	• Awareness generation, capacity building, and social accountability.

Source : MGNREGA Operational Guidelines, 2013

2.2.4 Audit Objectives

The Performance Audit was conducted to assess whether:

- Planning process and financial management practices were adequately geared towards achieving the goals of the Act, while adhering to relevant rules and regulations;
- Fair access to employment opportunities was achieved, as well as employment adequately generated, leading to social protection and livelihood security as envisaged;
- Durable and useful assets were created and maintained in compliance with rules and regulations, while ensuring convergence with other programmes/ schemes; and
- Appropriate and adequate monitoring, social audit and grievance redressal systems were in place and functioning as envisaged to achieve greater transparency and accountability.

2.2.5 Audit Scope and Methodology

Audit commenced with an Entry Conference (25 June 2024) with representatives of the State Government. Field Audit was carried out between July and August 2024, covering scrutiny of records/ documents at the State, District, Block and VEC levels for the period 2019-20 to 2023-24. Joint Physical Verification of at least 10 Works and Surveys of at least 15 Beneficiaries were also carried out in each sampled village. The draft report and audit findings were discussed in the Exit Conference (20 January 2025) in which the Secretary, Rural Development Department and Deputy Secretary, Finance Department of the State Government were present, and the report was finalised after taking into consideration the replies of the State Government.

2.2.6 Audit Criteria

The Audit Criteria adopted for the Performance Audit were:

- Mahatma Gandhi National Rural Employment Guarantee Act, 2005, Operational Guidelines 2013, amendments thereto, and Rules issued under the Act;
- Annual Master Circulars issued by the Ministry of Rural Development (MoRD), GoI;
- Mizoram State Mahatma Gandhi Rural Employment Guarantee Scheme, 2014 (as notified by State Government);
- Mizoram State Mahatma Gandhi Rural Employment Guarantee Fund Rules, 2014 (as notified by State Government);
- Orders, Circulars and Instructions, Guidelines, *etc*., issued by Government of India and the State Government;
- General Financial Rules, 2017; and
- Mizoram Public Procurement Rules, 2020.

2.2.7 Audit Sampling Model

Two districts out of the 11 districts in the State were selected using the Stratified Random Sampling Method in Interactive Data Extraction and Analysis (IDEA) software. Strata in the sampling method consist of two categories: Upper and Lower, based on the total expenditure of the district during the audit period. One district each from upper strata and lower strata were selected. Further, two blocks from each sampled district were also selected based on Stratified Random Sampling Method in IDEA software using expenditure as the criteria in both the cases.

Four VECs from each sampled Block were selected. VECs were selected through Probability Proportional to Size without Replacement taking expenditure as criteria.

Table-2.2: Sample size for selection of works

Sl. No.	No. of Districts covered in the State	No. of Blocks covered	Total No. of VECs covered in the State	Minimum No. of works covered per VEC	Min. No. of works covered in the State
1.	2 (Mamit & Kolasib)	4[37]	16[38]	10	160

Due care was taken while selecting beneficiaries for survey to ensure coverage of all categories of beneficiaries (SC/ ST, BPL, women, disabled, Small and Marginal farmers). The Beneficiary Survey covered 240 beneficiaries (15 from each selected VEC).

[37] Mamit District: Zawlnuam & Kawrtethawveng, Kolasib District: Bilkhawthir & Thingdawl

[38] **Kawrtethawveng Block VECs**: i. Rajiv Nagar, ii. Thaidawr, iii. Mualthuam, iv. Khantlang **Zawlnuam Block VECs:** i. Kanhmun, ii. Kawrthah, iii. Bawrai iv. Bawngva **Bilkhawthir Block VECs**: i. Saiphai, ii. College Veng, iii. Vairengte III (I.O.C Veng), iv. Kolasib Tuitha Veng **Thingdawl Block VECs**: i. Lungdai, ii. Kawnpui North, iii. Serkhan, iv. Lungmuat

2.2.8 Impact Assessment

We conducted Joint Physical Verification of at least 10 selected works in each VEC along with Departmental authorities (July and August 2024). We also conducted Beneficiary Survey among 240 beneficiaries from two Districts along with the Departmental authorities for impact analysis of the scheme.

2.2.9 Acknowledgement

The office of the Principal Accountant General, Mizoram acknowledges and appreciates the cooperation rendered by the Rural Development Department, the District Programme Coordinators, the Programme Officers and field functionaries including the Presidents and Members of the Village Employment Councils during this Performance Audit.

2.2.10 Financial Sharing Pattern of MGNREGA

The Mahatma Gandhi National Rural Employment Guarantee Act operates as a Centrally Sponsored Scheme (CSS), with funding shared between the Central and State Governments. The financing structure outlined in Section 22 of the Act is as follows:

Table-2.3: Key Components

Expenditure Item	Funded By
Wages for unskilled manual labourers	100 *per cent* by Central Government
Material cost and wages for skilled/ semi-skilled labour	75 *per cent* by Centre, 25 *per cent* by State
Administrative expenses (including staff salaries)	75 *per cent* by Centre, 25 *per cent* by State
Unemployment allowance (if due work is not provided)	100 *per cent* by State Government

A Central Government shall meet the cost of the following:

(i) Wages for Unskilled Workers: The entire cost of wages for unskilled manual labourers.

(ii) Skilled and Semi-Skilled Workers: 75 *per cent* of the costs associated with materials and wages for skilled and semi-skilled workers.

(iii) Administrative Expenses: This includes salaries and allowances for Programme Officer (PO) and their support staff, as well as work site facilities, determined by the Central Government.

(iv) Central Employment Guarantee Council (CEGC): The administrative expenses incurred by the CEGC.

B State Government shall meet the cost of the following:

(i) Skilled and Semi-Skilled Workers: 25 *per cent* of the costs related to materials and wages for skilled and semi-skilled workers.

(ii) Unemployment Allowance: If the State cannot provide wage employment within 15 days of application, it is responsible for paying an unemployment allowance.

(iii) State Employment Guarantee Council (SEGC): Administrative expenses of the SEGC.

This cost-sharing arrangement ensures that both levels of government play a crucial role in financing MGNREGA, promoting rural employment through a structured financial framework.

The overall receipt and expenditure incurred for the implementation of MGNREGA during 2019-2024 is given in **Table-2.4**.

Table-2.4: Year-wise fund received and expenditure

(₹ in crore)

Year	Fund Received				Expenditure	Percentage of expenditure	Closing balance
	Opening balance	GoI	State	Total			
2019-20	10.13	470.05	42.09	522.27	517.21	99.03	5.06
2020-21	5.06	539.50	38.62	583.18	569.48	97.65	13.70
2021-22	13.70	549.35	39.41	602.46	601.41	99.83	1.05
2022-23	1.05	568.45	27.03	596.53	588.09	98.58	8.44
2023-24	8.44	534.44	16.22	559.10	552.45	98.81	6.65
Total		**2,661.79**	**163.37**		**2,828.64**		

Source: Departmental records

Audit analysis of year-wise fund receipts and expenditure under MGNREGA for the period 2019-20 to 2023-24 revealed that the total funds received amounted to ₹ 2,828.64 crore, of which ₹ 2,661.79 crore (94.1 *per cent*) was contributed by the Government of India and ₹ 163.37 crore (5.9 *per cent)* by the State Government. The percentage of expenditure to available funds remained consistently high, ranging from 97.65 *per cent* in 2020-21 to 99.83 *per cent* in 2021-22, indicating efficient fund utilisation. However, the State's annual contribution showed a declining trend, from ₹ 42.09 crore in 2019-20 to ₹ 16.22 crore in 2023-24, raising concerns regarding the State's sustained financial commitment to the scheme.

Further, the year-end closing balances exhibited volatility, dropping to as low as ₹ 1.05 crore in 2021-22. Such thin year-end balances present a liquidity risk, potentially constraining the State's ability to meet sudden demand surges, ensure uninterrupted wage disbursements, or respond to delays in Central releases. The mismatch between fund availability and field-level needs could affect the timely implementation of works and erode beneficiary confidence.

2.2.10.1 Number of Households (HH) and Persons registered under Job Card

During 2019-20 to 2023-24, the number of households registered Job Cards issued under MGNREGA increased steadily from 2,00,635 during 2019-20 to 2,18,630 during 2023 - 24. The overall number of households and persons registered, and the employments availed in the whole State and in sampled districts during 2019-20 to 2023-24 as per Management Information System (MIS) reports are given in **Tables-2.5** and **2.6**.

Table-2.5: Overall number of households and persons registered in Job Cards and the employments availed in the whole State

(A) Job Card Registration Details (HH & Persons)

Year	Registered HH	Registered Persons	Job Cards Deleted (HH)	Job Cards Included (HH)
2019-20	2,00,635	2,45,275	6,607	11,584
2020-21	2,07,562	2,33,943	9,896	15,782

Year	Registered HH	Registered Persons	Job Cards Deleted (HH)	Job Cards Included (HH)
2021-22	2,08,802	2,30,008	8,580	8,610
2022-23	2,14,612	2,41,358	4,213	8,392
2023-24	2,18,630	2,47,430	5,107	7,644

(B) Employment Demanded and Availed (HH & Persons)

Year	Employment Demanded (HH)	Employment Offered (HH)	Employment Availed (HH)
2019-20	2,03,118	2,03,057	2,02,975
2020-21	2,13,976	2,13,845	2,13,737
2021-22	2,12,268	2,12,265	2,12,105
2022-23	2,16,402	2,16,359	2,16,082
2023-24	2,19,862	2,19,836	2,19,212

Source: MIS Report as furnished by the Department.

Table-2.6: Overall number of households and persons registered in Job Cards and the employments availed in the sampled districts

Sl. No.	District	Year	No. of Registered Household and persons		No. of Job Card deleted in current YR		No. of Job Card included in current YR		Cumulative (HH)	Employment demanded		Employment offered		Employment Availed	
			House-hold	Persons	House hold	Persons	House -hold	Persons	Total	House-hold	Persons	House-hold	Persons	House-hold	Persons
1.	Kolasib	2019-20	19,400	23,403	587	3,198	1,149	1,281	19,400	19,899	20,384	19,893	20,378	19,855	20,334
2.	Mamit		21,152	23,106	706	1,447	1,113	1,250	21,150	21,409	21,570	21,404	21,565	21,396	21,556
3.	Kolasib	2020-21	20,536	22,448	1,222	4,237	2,277	2,917	20,536	21,476	23,004	21,476	23,004	21,450	22,967
4.	Mamit		21,732	24,070	670	1,720	1,174	1332	21,731	22,110	22,273	22,110	22,273	22,106	22,266
5.	Kolasib	2021-22	20,372	21,545	901	2,510	704	1,068	20,372	20,583	20,971	20,583	20,971	20,543	20,931
6.	Mamit		21,851	24,092	799	1,641	801	1,504	21,850	22,501	22,687	22,501	22,687	22,453	22,639
7.	Kolasib	2022-23	20,971	22,676	178	684	731	1,176	20,931	21,072	21,764	21,067	21,759	21,043	21,724
8.	Mamit		22,378	24,612	606	1,320	985	1,214	22,378	22,801	23,218	22,798	23,215	22,793	23,205
9.	Kolasib	2023-24	21,223	23,481	206	997	422	838	21,183	21,196	21,771	21,192	21,767	21,173	21,705
10.	Mamit		22,746	24,950	604	1,483	830	1,005	22,745	23,121	23,421	23,121	23,421	23,054	23,339

Source: MIS Report as furnished by the Department

The district-wise and year-wise details of households and persons registered under MGNREGA during 2019-20 to 2023-24 are given in ***Appendices-2.1*** to ***2.5***.

The reasons for the higher value in the number of households demanding, offered and availing employment as compared to the cumulative number of households, was because there was inclusion of the households whose Job Cards were deleted during the year but were given employment for a period during the same year before their Job Cards were deleted. The deletion of Job Card from the Registration Register was done when necessitated due to permanent change of residence or migration of the families holding the Job Card.

It is evident from the above **Tables-2.5** and **2.6** that there are discrepancies in the figures as the cumulative number of households included in the Job Card should match with the total number of households in the beginning of the year minus the number of households deleted plus number of households added during the year. This indicated that the figures given in the Management Information System (MIS) report are not correct and not reliable. Audit noticed that no payment of wages was made to the Job Card holders after deletion of Job Cards.

Scrutiny of MIS data for 2019-20 to 2023-24 revealed systemic inconsistencies in job card registration and employment records under MGNREGA. The reported household size, derived from the number of registered persons and households, remained abnormally low (1.10 to 1.22), well below the normative rural household average of 4-5, indicating probable data entry errors or misclassification. Year-on-year additions and deletions of job cards did not reconcile with cumulative household figures. For instance, during 2020-21, a net increase of 5,886 households was expected based on additions and deletions, however, the cumulative figure increased by 6,934, resulting in an unexplained discrepancy of 1,048 households. Similar discrepancies were observed across multiple years.

Further, the employment demand, offer, and availed figures were nearly identical in all years (coverage >99.70 *per cent)*, a pattern statistically improbable in large-scale demand-driven programmes. This raises concerns of data fabrication or manual adjustment to portray administrative efficiency.

These anomalies undermine the credibility of MIS as a reliable tool for performance monitoring and policy formulation. Audit recommends that the Department conduct an independent data validation exercise and reconcile MIS figures with field-level records to ensure data integrity and accountability.

2.2.11 Rules framed by the State Government

Section 32 of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005 stipulates that the State Government may, through a notification and subject to prior publication, establish rules consistent with the Act and the regulations set forth by the Central Government to implement its provisions.

Good Practice

We observed that the State Government had framed all key regulations under MGNREGA, including the MGNREG Scheme Rules, the State Employment Guarantee Fund Rules, 2014, and specific rules for Grievance Redressal, Unemployment Allowance, Compensation for Delay in Wage Payment, and other operational aspects.

These were in alignment with the national MGNREGA framework, ensuring conformity with its overarching guidelines and objectives.

Audit Snapshot

Why did we do this audit?

- To assess compliance with MGNREG Act & Guidelines
- To verify fund management, planning, monitoring & employment generation.
- To Evaluate transparency & delivery of guaranteed wage employment.
- To evaluate whether durable assets were created and maintained.

What did we find?

- Lack of scrutiny of Annual Action Plans at the Block and District level resulted in execution of inadmissible works.
- Delays in release of funds.
- Inadequate IEC activities led to low awareness.
- Large shortfall in social audits (31.12 - 81.69 *per cent*)
- Weak monitoring, IEC, and grievance redressal.
- Overall governance and oversight deficiencies undermined MGNREGA's objective of ensuring rural livelihood security.

Registered Households:
2.19 lakh during 2023-24

Unskilled Workers:
2.47 lakh during 2023-24

Average Employment Days: 100

Total expenditure incurred: ₹ 2,828.64 crore during 2019-20 to 2023-24

What do we recommend?

- Conduct baseline surveys to ascertain the labour demand.
- Scrutinise Annual Action Plans at Block and District level so that non-permissible works are not included.
- Timely release of funds to avoid interest and timely implementation of the scheme.
- Stop diversion of administrative funds.
- Conduct annual door-to-door job card verification.
- Ensure timely release of wages to job card holder.
- Implement comprehensive IEC at all levels.
- Make the State Quality Control and Monitoring Unit functional.
- Strengthen the Social Audit Unit to ensure conduct of the required number of audits.

Audit Findings

Audit Objective-wise findings are discussed below.

Audit Objective-1: To assess whether the planning process and financial management practices were adequately geared towards achieving the goals of the Act while adhering to relevant rules and regulations

2.2.12 Planning

2.2.12.1 Non-conduct of survey for the planning of the scheme

Paragraph 6.2(i) of the Operational Guidelines, 2013, mandates that a survey of Job Card holders must be conducted in every Gram Panchayat (GP) (Village Employment Council in case of Mizoram) to establish a baseline for assessing the demand for employment in that GP. This survey is intended to gather information on the seasonal labour demand from each Job Card holder. To facilitate this, expert institutions may be empanelled in each State to finalise the framework and methodology for pilot baseline surveys. Once the methodology is established, these institutions will train district teams to carry out the surveys. Additionally, leading Civil Society Organizations (CSOs) could assist in this process.

During audit, it was noted that the State Government had not conducted any baseline survey to gather information on the seasonal labour demand from Job Card holders, nor had it empanelled any expert institution to develop the survey framework.

The State Government while acknowledging the audit observations stated (January 2025) that these issues could be addressed during Rozgar Diwas, Gram Sabha meetings, and through multiple application channels (oral, written, telephonic and online submission) to gauge the employment demand. These methods will effectively capture the labour requirements, ensuring timely and demand driven employment generations.

The State Government further recognised the importance of aligning with the prescribed guidelines and acknowledged that a formal survey could provide additional insights to enhance planning and implementation. The State Government also stated that they would examine the feasibility of empanelling expert institutions to develop the survey framework and methodology and to conduct training for district teams.

The responses of the State Government are not tenable as a baseline survey is necessary for successful implementation of the scheme. Further, despite their own assertion that the scheme operates on a demand-driven basis, beneficiary surveys conducted by Audit revealed that none of the Job Card holders had made formal requests for work and instead, demands were submitted by VEC on behalf of the Job Card holders as discussed in **Paragraph 2.2.14.4**.

The absence of a formal baseline survey to assess seasonal labour demand, as mandated under Paragraph 6.2(i) of the Operational Guidelines, 2013 undermined the quality and effectiveness of labour budget planning in the State. Without a structured and inclusive mechanism to capture employment demand from all Job Card holders, particularly during different agricultural and lean seasons, the planning process relied on informal and potentially inconsistent methods such as Rozgar Diwas, Gram Sabha inputs, and individual applications. This may have resulted in underestimation or misallocation of person-days and have not been adequately responsive to actual household needs.

Recommendation: The State Government may ensure that a baseline survey is conducted to ascertain the labour demand.

2.2.12.2 Preparation of Annual Development Plan/ Labour Budget not in line with the Act

As outlined in Section 16(3) and (4) of the MGNREG Act, every Gram Panchayat is mandated to prepare a Development Plan and maintain a shelf of works, which must be forwarded to the Programme Officer (PO) for scrutiny and preliminary approval before the start of the fiscal year in which the projects are intended to be executed. The Development Plan serves as an Annual Work Plan which includes a list of projects for each village, complete with administrative and technical approvals, allowing for immediate initiation of works upon demand. As per Paragraph 6.3 of the Operational Guidelines, 2013 the projects to be taken up as part of the Labour Budget should emerge from an integrated plan for local development with focus on Natural Resource Management especially on a micro watershed basis so that sustainable livelihoods are created. Five steps suggested for preparation of the Plan include Identification of needs, Identification of Resource Envelope, Preparation of Draft Development Plan, Approval of Gram Sabha and Plan finalisation.

In Mizoram, the process of preparation for the Development Plan is as follows:

(i) The VECs convene annual meetings of the Gram Sabha (GS) to estimate labour demand and prioritise works for the upcoming financial year.

(ii) Based on Gram Sabha recommendations, VECs prepare an Annual Action Plan (AAP) and submit it to the PO. This plan should detail existing work demands, previous years' demands, ongoing projects, proposed costs, anticipated expenses, and potential implementing agencies.

(iii) The PO shall review individual Village Annual Plans for technical feasibility and compiles a consolidated Block Level proposal for submission to the District Programme Coordinator (DPC).

(iv) The DPC shall evaluate all Block proposals and consolidate them into a District Plan that includes a block-wise shelf of projects with specified time frames, expected person-days generated, and total costs. This plan is then discussed and approved by the DPC.

(v) The DPC shall also oversee the preparation of detailed technical estimates and project reports for each approved work, outlining technical specifications along with expected outputs and outcomes.

With reference to the prescribed process in the Operational Guidelines mentioned above, Audit observed significant deficiencies during the audit of records from two sampled districts (Mamit and Kolasib) covering four Blocks (Zawlnuam, Kawrtethawveng, Thingdawl, and Bilkhawthlir), and 16 Village Councils.

A comparative summary of the norms prescribed and the practices observed are given in **Table-2.7**.

Table-2.7: Prescribed norms and practices

Step	Norm Prescribed in MGNREGA Operational Guidelines	Practice Observed in Mizoram
1. Identification of Needs	Conduct Gram Sabha meetings to prioritize community needs through participatory tools. Special attention to SC/ ST priorities.	Presidents of 16 VCs claimed that meetings were held, but no minutes were available.
2. Resource Mapping	Identify available resources from other schemes and local sources in consultation with Panchayat or VECs.	No evidence that resource envelopes were assessed or integrated during plan preparation.
3. Preparation of Draft Development Plan	Match identified needs with resources to prepare a comprehensive Development Plan, including a shelf of projects for MGNREGA.	Annual Action Plans were prepared without project-wise detailing, land parcel IDs or timelines not available. No implementing agencies were identified.
4. Technical Feasibility Review	PO to consolidate village plans into a Block-level plan after technical scrutiny and submit to DPC.	POs uploaded village plans directly into MIS without conducting technical scrutiny or preparing a Block-level plan.
5. Approval at Gram Sabha and DPC Levels	Development Plan including MGNREGA components to be approved in Gram Sabha and finalized in Gram Panchayat/ VEC meetings.	DPCs did not consolidate or approve Annual District Plans. No documentation for 2019–24 planning cycle.
6. Community Awareness & Transparency	Display of approved works in public places to ensure community awareness and transparency.	Approved project lists in VC Houses were not displayed; publicity regarding planned works was minimal.

Despite the Act's requirement for Gram Sabha meetings to approve development plans, there was no documentation confirming that such meetings to discuss and approve development plans were held in the 16 villages reviewed. Village Council Presidents, who are also Village Employment Council Presidents, claimed that meetings were convened to identify work types and approve AAPs. The AAPs are vital as they represent participatory planning outcomes. However, this essential activity was absent as there was no record of Gram Sabha's minutes for approval of the AAPs.

At the Block level, while village AAPs were collected and compiled, they were not scrutinised for technical feasibility or compliance with guidelines. The POs did not prepare consolidated Block Level proposals for the approval of the DPC. Instead, village plans were merely uploaded into the MIS.

At the District level, there was no documented AAPs for 2019-2024 that included a block-wise shelf of projects detailing labour demand assessments or estimated costs. AAPs submitted by POs at Block levels lacked scrutiny for feasibility or compliance.

All the village-level plans plot numbers or timelines for project execution were not specified. Additionally, in Annual Plans there was no identification of implementing agencies.

There was minimal publicity regarding proposed works submitted by VECs; and not a single VEC ensured that the list of approved works were displayed in Village Council Houses for community awareness.

The above findings indicate serious shortcomings in the formulation and preparation of Development Plans/ Annual Action Plans in Mamit and Kolasib districts from 2019-20 to 2023-24. The implementation proceeded without approved plans at both Block and District levels; plans prepared were mere compilations from village level without adequate scrutiny for admissibility or technical feasibility. The absence of documented evidence confirming technical feasibility assessments further substantiates these audit observations.

While acknowledging the audit observations regarding deficiency in preparation and scrutiny of AAPs as mandated under Section 16(3) & (4) of MGNREG Act, the State Government in its reply stated (January 2025) that efforts were made to prepare the AAPs as per the schedule prescribed by Ministry of Rural Development (MoRD). The VECs convened meetings to identify work to prioritise, and plans were compiled and uploaded in the MIS. However, the Government recognises the need for improvement in documentation and scrutiny processes to ensure compliance with guidelines.

The reply of the State Government stating that all the Annual Plans were prepared as per the schedule prescribed by MoRD is not tenable. The VECs convening meetings to identify 'work to be prioritised' in the annual plans and uploading the annual plans in the MIS were not the only procedures required. Other procedures such as scrutiny for technical feasibility, admissibility and demand assessments were also not followed.

The absence of participatory planning, documentation, and technical scrutiny in the preparation of AAPs undermines the core principles of community ownership, transparency, and accountability. Without Gram Sabha approvals or public display of approved works, community oversight is weakened, increasing the risk of irrelevant or misaligned projects. The inability to assess technical feasibility or identify implementing agencies led to poor execution and resource inefficiency. Moreover, uploading unverified plans into the MIS compromises the integrity of programme monitoring and may conceal systemic non-compliance, potentially resulting in financial and operational irregularities.

2.2.12.3 Inadmissible Expenditure

As specified in Paragraph 7.3.1 of the Operational Guidelines, 2013, works such as boulders, pebbles, or shrub removal, as well as silt application are not permitted as standalone projects. These activities may only be conducted as part of broader initiatives aimed at transforming uncultivable and barren or fallow lands into cultivable areas through one-time land development efforts.

Furthermore, Paragraph 7.2.2 of the Operational Guidelines, 2013 indicates that if a State Government finds the existing list of permissible works inadequate for generating sufficient employment under MGNREGA, it may propose additional works that could enhance employment opportunities and contribute to the creation of durable assets and strengthen the livelihood resources of rural communities. These proposals must be submitted to the Central Government for review and approval.

Audit examination of the AAPs from the two sampled districts revealed that several village AAPs included non-permissible boulder works related to retaining walls. The details of these non-permissible works are summarised in ***Appendices-2.6*** and ***2.7***.

The lack of thorough examination regarding the admissibility and technical feasibility of the AAPs at the Village level has led to inclusion of inadmissible works in the AAPs. Specifically, the Annual Action Plans submitted to the Government of India (GoI) for two sampled districts included non-permissible works resulting in inadmissible expenditure of ₹ 0.59 crore. The inadmissible expenditure of ₹ 0.28 crore was for 23 works in Mamit District and ₹ 0.31 crore across 12 works in Kolasib District during 2019-20 and 2023-24.

These works were shown as completed and executed through the VECs. Also, there was no indication of technical feasibility checks or justification aligning with permissible work criteria.

The AAPs were submitted to the Government of India without proper scrutiny, enabling the uploading of non-permissible works into the MIS.

The lack of scrutiny at the planning stage allowed inadmissible works to be executed and publicly funded, resulting in an avoidable expenditure of ₹ 0.59 crore. This not only undermines the intended objectives of MGNREGA which focus on generating employment through durable and livelihood-enhancing assets but also reflects systemic weaknesses in oversight and technical vetting.

The State Government while acknowledging the audit observation regarding inclusion of non-permissible works in the annual plan, have assured its commitment to improve the planning, execution and monitoring process to prevent such oversight in the future and ensure compliance with the Operational Guidelines.

Recommendation: The State Government may ensure monitoring and scrutiny of Annual Plans at the Block and District level so that non-permissible works are not included in the Annual plan.

2.2.12.4 Database not maintained by Block Resource Centres

According to Paragraph 4.3.2 of the Operational Guidelines, 2013 a Block Resource Centre (BRC) will be set up as a resource and facilitation centre for knowledge inputs, capacity building and convergence. Existing resource organizations from the voluntary sector could be identified as BRC. The BRC will perform the following functions:

(i) Technical Support: Providing technical inputs for planning by leveraging a broader network of resource persons/ institutions.

(ii) Data Management: Maintaining a comprehensive database of local natural resources, such as groundwater, rainfall, and soil types, which are essential for effective planning. The BRC also facilitates access to maps and topographical sheets of each habitations for Cluster Facilitation Teams (CFTs).

(iii) Convergence Facilitation: Ensuring convergence between MGNREGA and other government production-oriented schemes to address gap filling and value addition so that assets created under MGNREGA are productively used by the poor to enhance their income.

Audit observed that while BRCs were established in each block, there was a significant deficiency in maintaining databases related to local natural resource endowments. Additionally, BRCs struggled to effectively facilitate convergence between MGNREGA and other production-oriented Government schemes, which limited opportunities for addressing gaps and adding value to existing programmes.

The absence of reliable databases on natural resources restricts evidence-based planning and results in poorly targeted interventions. Furthermore, the BRCs' inability to facilitate convergence weakens the integration of MGNREGA with other development schemes, leading to missed opportunities for income generation and long-term asset utility for rural communities.

The State Government has acknowledged the audit observations regarding the deficiencies in the functioning of the BRCs. To address the identified gaps and strengthen the role of BRCs, the Government assured to undertake the following corrective measures:

(i) Database Development and Resources Mapping;

(ii) Capacity Building and Training;

(iii) Convergence Action Plans;

(iv) Monitoring and Evaluation; and

(v) Awareness and outreach.

Recommendation: The State Government may consider developing and operationalising a block-level digital database system within each BRC to systematically capture, update, and share information on local natural resources (e.g., soil, water, topography) and convergence activities.

2.2.12.5 Human Resource and Capacity Building Institution

As envisaged in Paragraph 5 of Operational Guidelines, 2013, the capacity building and technical support for rural development officials at the State, District, and Block levels as well as for Panchayat Raj Institutions (PRIs) is crucial for effective implementation of Government rural development schemes, policies and plans. The successful execution of centrally sponsored programmes like MGNREGA involves intricate and multi-layered processes. Additionally, recent amendments to the MGNREG Act, 2005 have underscored the need to enhance capacity building among all stakeholders to achieve desired outcomes. To strengthen the capacity building infrastructure, several key aspects need to be ensured:

(i) Adequate infrastructure at cutting-edge level of implementation;

(ii) An institutionalised arrangement for involvement of Civil Society Organisations (CSOs) in training and support;

(iii) Trainers need to have required practical experience from the field in the subjects they are imparting training on;

(iv) Training to be linked to implementation experience and the context of implementation;

(v) Development of relevant course content and quality training material;

(vi) A certification system to ensure quality of training; and

(vii) A minimum acceptable standard for human resource capabilities to be defined to bring parity to human resources deployed across diverse conditions.

To facilitate this, a cascading network of capacity-building institutions should be established. States should assess fund requirements for capacity building and allocate specific funds from the administrative expense head. Each District must create a Training Action Plan tailored to cater to the requirements of each category of functionaries.

The State Institute of Rural Development & Panchayati Raj Institution (SIRD&PRI) is tasked with MGNREGA Human Resource Development and capacity building. Training has been conducted on need basis from the Administrative Fund without prior assessments.

Details of training imparted to MGNREGA staff in Mizoram during 2019-20 to 2023-24 is given in **Table-2.8**.

Table-2.8: Training imparted to MGNREGA staff at State Institute of Rural Development (SIRD)

Sl. No.	Year	Number of staff employed under MGNREGA	Number of staff assessed as requiring training on Human resource & Capacity building	Number of staff trained
1.	2019-20	773	357	357
2.	2020-21	799	NIL	NIL
3.	2021-22	811	NIL	NIL
4.	2022-23	829	NIL	NIL
5.	2023-24	881	119	119

Source: Reply of the Department

From the above **Table-2.8**, it can be seen that training requirements were not assessed and no employees were imparted training during 2020-21 to 2022-23, however, 357 and 119 staff were provided training during 2019-20 and 2023-24 respectively. Audit further observed the absence of a structured training calendar, training modules and prior assessment of requirements along with lack of training opportunities during the specified period except 2019-20 and 2023-24.

The lack of systematic assessment and consistent implementation of training programs for MGNREGA staff has critical implications for the effective implementation of the scheme. The absence of training from 2020-21 to 2022-23, despite increasing staff strength, suggests a neglect of continuous capacity development, which is essential for effective planning, implementation, and monitoring of MGNREGA works. This gap likely contributed to operational inefficiencies, non-compliance with guidelines, and weak convergence efforts observed during the same period.

The State Government accepted (January 2025) the audit observations regarding the deficiencies in assessments, planning and implementation of capacity-building initiatives for MGNREGA staff.

The State Government however clarified that Covid-19 pandemic severely disrupted all planned training activities from 2019-20 to 2022-23, making it challenging to conduct in-person training sessions. While online training could have been explored, constraints such as limited digital infrastructure in rural areas and lack of technical know-how among stakeholders hindered this approached.

The State Government further stated that training under MGNREGA was imparted primarily through the SIRD&PRI; however, efforts would be made to address emerging requirements through need-based training sessions.

There was no upward consolidation of the village plan into Block and District plans with proper scrutiny for technical feasibility and admissibility of the works under the scheme. This resulted in inclusion of non-permissible works which are in the negative list as per the Operational Guidelines. The Block Resource Centres did not maintain the database for natural resource endowment (*viz*., Groundwater, rainfall, soils, *etc*.). The State Government also did not ensure the convergence of MGNREGA and other production-oriented schemes of the Government for gap filling and value addition in the AAPs. The State Government did not prepare the training requirement, training modules or calendar for human resource development and capacity building.

Recommendation: The State Government may consider institutionalising an Annual Training Needs Assessment (TNA) and Training Action Plan (TAP) for MGNREGA staff at all levels, linked to performance gaps and scheme implementation priorities. This plan should include blended learning methods (in-person and digital), a calendar-based schedule, and be supported by a structured budget under the administrative expenditure head.

2.2.13 Deficiencies in Financial Management

During the course of audit, deficiencies in financial management, especially with regard to delay in release of the State and Central Share and diversion of funds from the administrative component were observed, as discussed in the succeeding Paragraphs.

2.2.13.1 Delay in release of Central Share and State Share by the State Government

As per the Government of India Sanction Orders for Material Components and Administrative Contingency, the State Government should transfer the fund along with State share to the State Employment Guarantee Fund within three days during 2019-20 to 2020-21 and within 15 days during 2021-22 to 2023-24 from the date of receipt of these funds. In case of non-transfer beyond this period, the State Government would be liable to pay interest at the rate of 12 *per cent* per annum for the period of delay beyond the specified period related to the funds released during 2019-20 to 2020-21. However, there is no provision of interest payment by the State Government for delayed release of funds beyond the specified time during 2021-22 to 2023-24.

Audit observed that the State Government did not release the Central Share of Funds and the State share within three days from the date of receipt of funds from the Government of India. There were delays in release of the Central share of fund during 2019-20 to 2022 - 24 ranging from 12 days to 345 days as given in ***Appendix-2.8***.

Similarly, the State Government did not release the State matching share within the stipulated period of three days. There were delays in release of the State Matching share for periods ranging from 53 days to 213 days as given in ***Appendix-2.9***.

The delay in release of Central and State share attracted a penal interest of ₹ 3.62 crore (***Appendix-2.8***) during 2019-20 to 2020-21 but this had not been paid by the State Government.

Such delays disrupt the timely execution of planned works, affecting wage disbursement and employment generation for rural households who rely on the scheme for livelihood support. Secondly, the withholding of funds beyond the prescribed timeline violates the scheme's financial discipline and accountability provisions, leading to non-compliance with Government of India guidelines.

The State Government, while accepting (January 2025) the delay in the release of Central and State Shares as highlighted in the audit stated that the delays were due to factors beyond the control of the Rural Development Department. It stated that efforts were being made to streamline the fund release process through better coordination with the Finance Department to avoid such delays in the future. The matter regarding penal interest would be taken up with the concerned officials of the State Government for necessary action. The State Finance Department also stated (January 2025) that the delays in releasing of MGNREGA funds during 2019-20 to 2023-24 were 'due to the financial crisis faced by the State, especially cash crunch in the exchequer'.

Recommendation: The State Government may ensure timely release of funds to the Implementing Agencies for timely implementation of the Scheme.

2.2.13.2 Diversion of Administrative Funds of the Scheme

As per Paragraph 12.5.6 of the Operation Guidelines, 2013, expenditure from the MGNREGA Administrative Fund is not permissible for payment of Salaries/ remuneration to functionaries already engaged by the Government/ PRIs/ any other implementing agency.

During the course of Audit, it was observed that out of ₹ 16.82 crore released by the Central Government for meeting administrative expenses during 2022-23, an amount of ₹ 1.30 crore was diverted by the State Rural Development Department to meet the salary of the then District Rural Development Agency (DRDA) employees without getting prior approval from the Government of India (GoI). The amount has not been recovered from DRDA as of January 2025.

The State Government acknowledged (January 2025) that ₹ 1.30 crore was utilised to meet the salary requirements of DRDA employees due to urgent financial constraints, with the intention of recovering the amount in due course. They have also recognised that this utilisation does not align with MGNREGA guidelines. Efforts are already underway to refund/ recoup the diverted amount at the earliest, and necessary steps are being taken to prevent such occurrences in the future.

The reply of the State Government is not tenable since diversion of MGNREGA for meeting fund requirements for other purposes is not permissible and against the spirit of the scheme.

Conclusion

There were significant lapses in financial management under MGNREGA, including persistent delays in the release of Central and State shares ranging up to 345 and 213 days respectively which disrupted timely wage payments and scheme implementation, violating Government of India guidelines and attracting unpaid penal interest of ₹ 3.62 crore. Additionally, the diversion of ₹ 1.30 crore from the administrative fund to pay salaries of DRDA employees, without prior approval from GoI, constituted a clear breach of Operational Guidelines, 2013 and undermined the integrity of scheme financing. These actions reflect poor fiscal discipline and weak internal controls, adversely affecting the efficiency of the programme.

Audit Objective-2: To assess whether fair access to employment opportunities was achieved, as well as employment adequately generated, leading to social protection and livelihood security as envisaged

2.2.14 Access to employment opportunities and generation of employment

2.2.14.1 No door-to-door survey conducted for registration

As envisaged in Paragraph 3.1.1 of Operational Guidelines, 2013, there may be some households who did not seek registration earlier as they were not aware of their entitlements or were denied and therefore have not been registered. There would be another category of households who would like additional names to be entered on account of one or more members having become adult(s) There would be yet another category whose details were entered wrong in the MIS database.

To ensure that the above mentioned three categories are registered, a door-to-door survey should be undertaken by each VEC every year to identify eligible households who have been missed out and wish to be registered. It needs to be ensured that this survey is held at that time of the year when people have not migrated to other areas in search of employment or for other reasons. The PO will lay down a schedule for this survey and ensure that all GPs in his/ her charge have done this survey.

During the course of audit in the 16 sampled villages, it was observed that door to door survey to identify eligible households to be registered under the Act was not done. Besides, the names of newly eligible adults were not added, and corrections for Job Card holders whose details were incorrectly entered in the MIS database were also not made.

While accepting the fact (January 2025) the State Government stated that door-to-door surveys were not conducted in the 16 sampled villages to identify eligible households for registration. Instead, information dissemination was carried out using Public Announcement Systems and traditional methods like 'Tlangau'[39] or Public Crier to inform villagers.

The State Government also recognised the limitations of these methods in ensuring comprehensive coverage of all eligible households, especially those who may not be at home/ in the village when the announcements are made. The State Government further stated that they will ensure compliance with guidelines by conducting annual door-to- door surveys in all Gram Panchayats (GPs) and updating the MIS database for new adult members and corrections in Job Card details.

By not carrying out a door-to-door survey, it is likely that the State Government may have excluded eligible households. Families who were unaware of their rights or previously denied registration may continue to be left out, preventing them from accessing benefits to which they are entitled. Without a systematic survey, errors in the MIS database may persist, leading to incorrect records and potential difficulties in service delivery. Further, households which need to add newly eligible adults may struggle to update their records, affecting their ability to receive benefits.

Recommendation: The State Government may ensure conduct of door-to-door surveys so that no adult individuals who are ready to do unskilled labour are left

2.2.14.2 Information, Education and Communication (IEC) activities not done

As envisaged in Paragraph 5.4.2 of Operational Guidelines, 2013, the State should develop an Information Education and Communication (IEC) Plan on MGNREGA with focus on reaching out to the registered workers as well as other groups which could benefit from MGNREGA. The IEC plan should clearly indicate State, District, Block and local level activities. Creative mix of interpersonal communication (IPC) methods, mid media and

[39] 'Tlangau' is a traditional village crier who made all important public announcement on behalf of the Village administration like the Chief or Village Councils. He is usually hired by the village administration and paid annually by the public either in terms of paddy/rice or money and his annual rate to be paid by each family is fixed by the village administration

mass media need to be evolved to disseminate the chosen messages. Civil Society Organisations (CSO) can be engaged for support and strengthening of IEC activities to eventually ensure that wage seekers are able to secure their rights, entitlements, demand work and demand wage payments on time. Cost effective media interventions like puppet shows, folk dance and songs, street plays focused group discussions, participatory games, wall writings, posters, notice boards, *etc.*, can be used for dissemination of messages in rural areas.

It was observed that the State Government did not prepare the IEC Action Plan since 2016. The IEC activities undertaken were in the form of media interventions such as telecast of documentary film at Door Darshan Kendra and local television networks, publication Operational Guidelines, 2013 in vernacular language only. There was no record to show dissemination of information through interpersonal communications such as puppet shows, folk dance and songs, street plays, focused group discussions, participatory games, *etc.*, during 2019-20 to 2023-24.

The absence of a structured IEC Action Plan and the minimal, limited-scope media interventions observed during 2019–20 to 2023–24 indicate serious non-compliance with the IEC mandate under Paragraph 5.4.2 of the Operational Guidelines, 2013. The State Government's reliance solely on passive dissemination methods, such as telecasting films and publishing guidelines, without employing interpersonal communication tools like street plays, puppet shows, or focus group discussions, has significantly weakened grassroots awareness. This has likely contributed to poor understanding of entitlements among rural workers, reduced demand for work, and limited citizen participation in the programme.

While accepting the audit observation, the State Government (January 2025) acknowledged that IEC activities can be funded from the administrative cost of the scheme. The State Government also assured that the formulation of a comprehensive IEC Action Plan and incorporate cost-effective media interventions to ensure widespread dissemination of information about MGNREGA entitlements and rights in alignment with the guidelines.

Recommendation: The State Government may formulate and implement a comprehensive, multi-tiered IEC Action Plan covering State, District, Block, and GP levels, with clear timelines, responsibilities, and budget allocations under the administrative expenditure head.

2.2.14.3 Job Cards in the custody of the Village Employment Council

As per Paragraph 3.1.5 (Box No. 3.4) of the Operational Guidelines, 2013, in order to ensure transparency and accountability, it must be ensured that the Job Card is always in the custody of the household to whom it is issued. If for any reason such as like updating of record, it is taken by the Project Implementing Agencies, it must be returned the same day after updates. Possession of Job Card by any other person, including functionaries and PRIs, without valid reason, shall be considered as a violation of the MGNREG Act and punishable under Section 25 of the Act, which states that whoever contravenes the provisions of this Act shall on conviction be liable to a fine which may extend to one thousand rupees.

During the course of beneficiary survey in all the 16 sampled villages, it was observed that all the Job Cards were in the custody of the VECs. There was no reason whatsoever on record as to why the Job Cards were in the custody of the VECs all the time during 2019 to 2024. Also, keeping the Job Cards in the custody of the VECs denied the Job Card holders about information on their entitlements and also left them unaware of the correctness or otherwise of the entries made in the Job Cards.

The State Government stated that the custody of Job Cards with VEC came to notice only after audit pointed this out.

The State Government also took note of the violation highlighted and the concerns raised about lack of access to information by beneficiaries regarding their entitlements and entries made in their Job Cards. Moving forward, the State Government had issued clear instructions to concerned officials to immediately return Job Cards to the rightful holders and ensure that no permanent retention occurs, vide letter dated 22 January 2025

Additionally, the State Government stated that awareness campaigns would be conducted to educate beneficiaries and officials on their rights and responsibilities related to Job Cards to promote transparency and accountability in compliance with Operational Guidelines, 2013.

Recommendation: The Department may ensure that Job Cards are updated regularly and kept in the custody of the card holders.

2.2.14.4 Formal request for works not done by Job Card holders

As outlined in Clause 4.3 of Master Circular on MGNREGA, State Governments are mandated to put in place multiple mechanisms like oral application, written application, telephonic application, through Kiosk set up by the State Government and online application by which rural households can submit applications for demand for work at the Gram Panchayat, Block and District level.

It was observed that there was no system in place for formal demand of work by job seekers/ Job Card holders. Instead, the demand for works were done by the VECs on behalf of the job seekers. This practice, while partly attributed to local constraints such as low literacy and lack of stationery, compromises transparency and restricts citizen participation in the scheme.

The State Government accepted the observations and stated (January 2025) that the VECs have been facilitating group-based demands on behalf of job seekers due to practical difficulties faced by Job Card holders in rural areas, such as literacy barriers and lack of stationery resources. The State Government will henceforth adopt other options of oral applications, online and telephonic applications which could provide an alternative accessible option for job applications. The Government would strengthen awareness campaign such as the use of digital platforms and kiosks for online applications including Capacity Building Programmes for training the beneficiaries.

Going forward, the system for receiving work applications should necessarily include multiple access points such as POs, Gram Rozgar Sahayaks, VEC Members, Ward Members, Anganwadi Workers, Mates, Self Help Groups (SHGs), Village Organisations, Village Revenue Functionaries, Common Service Centres, Producer Groups under Deeendayal Antyodaya Yojana-National Rural Livelihood Mission, and MGNREGA Labour Groups. This inclusive, multi-actor approach is essential to uphold the rights of rural workers and strengthen the demand-based nature of the scheme.

Recommendation: The Department should establish a system for submission of work applications through prescribed modes, ensuring that Job Card holders are able to register their demand for employment in a timely and accessible manner.

2.2.14.5 Periodical Updating of Job Cards not done

As per Paragraph 3.1.5(xiv) and (xv) of Operational Guidelines, 2013 GPs will also undertake an annual updating exercise of Job Cards in the same manner as registration, the time for which should be fixed keeping in mind the work and migration season of the local workforce. Any modifications in the particulars of the household as entered at the time of registration will be simultaneously updated into Management Information System, following the same steps. Similarly, if for any reasons, a Job Card is to be cancelled, the Programme Officer, after independent verification of facts and giving the concerned person an opportunity to be heard, may direct the Gram Panchayat/ Village Employment Council to cancel such Job Cards. The list of all cancelled Job Cards will be made public and should be presented to the Gram Sabha. Information should accordingly be entered in the MIS. In the MIS, the Job Cards may, however, appear to have not been deleted, and an asterisk will appear against such cards meaning that the Job Card was issued earlier but is no more valid.

During the course of the beneficiary survey in the 16 sampled villages, it was noticed that the signatures of the accountant were not available and payment details not made in Job Cards as shown **Table-2.9** and **Table-2.10** respectively.

Table-2.9: No signature of the Accountant

Sl. No.	Name of Village	Name of RD Block	Name of District	Total No of beneficiaries surveyed	Total Number of JCs without signature of Accountant
1.	Rajiv Nagar	Kawtethawveng	Mamit	17	17
2.	Mualthuam	Kawrtethawveng	Mamit	16	16
3.	Khantlang	Kawrtethawveng	Mamit	15	15
4.	Lundai	Thingdawl	Kolasib	15	15
5.	Serkhan	Thingdawl	Kolasib	18	18
6.	Lungmuat	Thingdawl	Kolasib	15	15

Source: Beneficiary survey report

Table-2.10: Entry for payment details not made in JCs

Sl. No.	Name of Village	Name of RD Block	Name of District	Total No of beneficiaries surveyed	Total Number of JCs without details of payment entered in JC	Year(s)
1.	Rajiv Nagar	Kawrtethawveng	Mamit	17	17	2021-22 & 2022-23
2.	Saiphai	Bilkhawthlir	Kolasib	16	16	2022-23

Source: Beneficiary survey report

On further scrutiny of the payment details in the Bank Pass Books, it was observed that payments to the Job Card holders were fully made during the period, but the Job Cards were not updated.

Audit of 16 sampled villages across Mamit and Kolasib districts revealed widespread non-compliance with Paragraph 3.1.5(xiv) and (xv) of the Operational Guidelines, 2013 which mandate annual updating of Job Cards including signatures, beneficiary details, and payment records. Data showed that 96 Job Cards lacked the signature of the Accountant, and 33 Job Cards had no payment details entered for multiple financial years (2021-22 and 2022–23), despite evidence of payment in beneficiaries' bank passbooks.

This non-updation of Job Cards undermines transparency and weakened the credibility of the MIS, which relies on accurate field-level records. Beneficiaries are denied access to up-to-date information on entitlements, wages earned, and work performed which are the key elements for ensuring accountability and facilitating social audits. Moreover, the absence of verification or deletion of obsolete Job Cards increases the risk of data inflation and potential misuse of funds.

While accepting (January 2025) audit observations the State Government assured to take up the following activities immediately:

i) Immediate instructions for Job Card updates;

ii) Enhanced Monitoring System; and

iii) Training and awareness Programmes.

The State Government has not furnished further information on the action taken (May 2025).

2.2.14.6 Wages not paid within the prescribed time

As per Paragraph 8.8(ii) of Operational Guideline, 2013, to ensure timely payments to the workers for the work done, State shall fix up maximum time limits for each completing process resulting in payment of wages to the wage seekers, in such a way that each wage seeker gets the wage payments for the work done in the week by the end of the subsequent week.

Also, as per Paragraph 8.8(iii) of Operational Guidelines, 2013, in case wages are paid beyond 15 days of work done, compensation as calculated under provisions of Payment of Wages Act, 1936 shall be paid along with wages without the worker having to file a claim for compensation. It is clarified that this will not affect the individual's rights and entitlements under the relevant Acts.

During the course of the beneficiary survey and cross verification of Job Cards and bank statements in the sampled districts of Mamit and Kolasib, it was observed in Mamit District that there were delays in payments of wages beyond the stipulated period of 15 days ranged between 11 and 80 days from the last day of completion of work as given in **Table-2.11**.

Table-2.11: Delayed payment of wages in Mamit District:

Sl. No.	Name	Name of village & District	Job Card No.	Period of work	Wage amount (in ₹)	Last due date of payment of wages	Date of actual payment	Delay in days
1.	Lalthangi	Kawrthah, Mamit	218-D	19/05/2020 to 03/06/2020	3,150	18/06/2020	04/07/2020	19
2.	Lalthangi	Kawrthah, Mamit	-do-	13/06/2020 to 29/06/2020	3,150	14/07/2020	08/08/2020	24
3.	Lalchunglura	Kawrthah, Mamit	407-D	22/08/2019 to 31/08/2019	1,899	15/09/2019	04/12/2019	80
4.	Lalchunglura	Kawrthah, Mamit	-do-	20/09/2019 to 28/09/2019	1,688	13/10/2019	13/12/2019	51
5	Lalbiakvela	Kawrthah, Mamit	406-D	05/12/2023 to 16/12/2023	2,739	31/12/2023	03/02/2024	34
6.	Lalhmuchhuaka	Kawrthah, Mamit	432-D	16/11/2022 to 23/11/2022	1,631	08/12/2022	20/12/2022	12
7.	Niranjoy Chakma	Khantlang, Mamit	102-D	18/10/2021 to 26/10/2021	932	10/11/2021	22/12/2021	41
8.	Niranjoy Chakma	Khantlang, Mamit	102-D	17/11/2021 to 21/11/2021	932	06/12/2021	22/12/2021	15
9.	Banakumar Chakma	Khantlang, Mamit	11-D	18/10/2021 to 26/10/2021	1,864	10/11/2021	22/12/2021	41
10.	Lalrama	Thaidawr, Mamit		9/12/2019 to 18/12/2019	2,110	02.01.2020	05/03/2020	61
11.	Lalrama	Thaidawr, Mamit		16/01/2020 to 29/01/2020	2,532	13.02.2020	20/03/2020	33
12.	Lalrama	Thaidawr, Mamit		20/02/2020 to 27/02/2020	1,479	14.03.2020	07/04/2020	23
13.	Sulekha Chakma	Rajiv Nagar, Mamit	749-D	5/12/2023 to 6/12/2023	2,739	01/01/2024	03/02/2024	32
14.	Kinendra	Rajiv Nagar, Mamit	599-D	16/08/2023 to 26/08/2023	2,490	10/09/2023	21/09/2023	11

Sl. No.	Name	Name of village & District	Job Card No.	Period of work	Wage amount (in ₹)	Last due date of payment of wages	Date of actual payment	Delay in days
15.	Dhanabi	Rajiv Nagar, Mamit	1007	16/08/2023 to 26/08/2023	2,490	10/09/2023	21/09/2023	11
16.	Dhanabi	Rajiv Nagar, Mamit	1007	12/01/2024 to 27/01/2024	3,486	11/02/2024	25/03/2024	42
17.	Kusum	Rajiv Nagar, Mamit	175-D	16/08/2023 to 26/08/2023	2,490	10/09/2023	21/09/2023	11
18.	Kinaram	Rajiv Nagar, Mamit	147-D	16/08/2023 to 26/08/2023	2,490	10/09/2023	21/09/2023	11

Source: Beneficiary survey report

Audit observed that wage payments under MGNREGA in Mamit District were frequently delayed, ranging from 11 to 80 days beyond the permissible 15-day period, in violation of Paragraphs 8.8(ii) and 8.8(iii) of the Operational Guidelines, 2013. Despite the legal provision for automatic compensation for delayed payments, no evidence of such payments was found. The delays, recurring across several years and villages, indicate systemic inefficiencies in the wage disbursement process, including technical issues, poor fund flow coordination, and inadequate MIS oversight. The State Government's explanation attributing delays to unspecified technical glitches was generic and insufficient, as it neither acknowledge nor address the root causes. These persistent delays undermine the core objective of MGNREGA to provide timely wage-based livelihood security to rural households.

While accepting (January 2015) the fact, the State Government stated that the delays in payment of wages were caused by technical issues which had affected the timely payment of wages to workers. The State Government had assured to immediately rectify the technical glitches. However, the details of technical glitches were not specified in the Government's reply.

Though the State Government attributed the delays to technical glitches and assured corrective measures, the recurring nature of delays across multiple years and villages indicates systemic errors in fund flow mechanisms, MIS coordination, and system-level accountability.

Recommendations: The State Government may consider strengthening real-time fund flow monitoring and establishing a District-level grievance redressal and escalation mechanism to ensure timely wage disbursal and uphold worker entitlements.

2.2.14.7 Social Security in terms of Insurance not provided to the Job Card holder

As per Paragraph 8.9 of the Operational Guidelines, 2013 the workers are covered under the Janashree Bima Yojana (JBY)[40] implemented by Ministry of Finance. JBY provides life insurance coverage and disability benefits to rural people.

Rashtriya Swasthya Bima Yojana (RSBY)[41] has been extended to all Mahatma Gandhi NREGA workers/ beneficiaries who have worked for more than 15 days in the preceding financial year.

District Programme Coordinators and Programme Officers are required to make workers aware of these schemes. For RSBY a list of workers/ households that are entitled to this scheme is available in NREGASoft. This list should be downloaded and names of households that are already not covered under RSBY be shared with the nodal department in the State Government that is implementing RSBY. DPCs and POs should also help in enrolment for RSBY whenever enrolment takes place in respective district/ block. In Mizoram the Job Card holders were not insured under any of the Insurance schemes.

Thus, due to lackadaisical attitude of the District Programme Coordinators and Programme Officers in creating awareness of the schemes among the Job Card holders, the workers were denied their rightful entitlement to avail the abovementioned insurance schemes of the Government of India. This omission deprived MGNREGA workers of essential life insurance, disability protection, and health coverage, thereby exposing vulnerable rural households to catastrophic financial risks in times of illness, injury or death. It reflected deficiencies in inter-departmental coordination, awareness generation and execution of mandated social protection measures.

In reply, the State Government stated (February 2025) that efforts were made at the District and Block levels to guide eligible workers towards enrolment under alternative Social Security Schemes available in the State.

The reply of the State Government is not tenable as there is no record to show that Job Card holders have availed the benefit of any insurance scheme available in the State.

Recommendation: The Department may ensure that the DPCs and POs undertake structured awareness initiatives to sensitise workers about the available insurance/ social security schemes.

Conclusion:

Door-to-door surveys of household to ensure registration of all the adult members who are willing to do unskilled manual works had not been done. Consequentially the possibility of entitled members being left out from the list of Job Card holders cannot be ruled out. This also reduces the possibility of making necessary corrections in case of wrong entries in the Job Cards or MIS. Under IEC activities there was no dissemination

[40] JBY has been merged with Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) in 2015

[41] RSBY has been replaced with Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (ABPMJAY) in 2018

of information through interpersonal communications like puppet shows, folk dance and songs, street plays and other forms of activities. The lists of approved works were also not displayed in the Village Council House. Job Cards were not in the custody of the Job Card holders and periodical updating of Job Cards was not done. This denied the Job Card holders basic information such as the number of day-works they have been provided. Payment of wages were not made on time in Mamit District.

Audit Objective-3: To assess whether durable and useful assets were created and maintained in compliance with rules and regulations, while ensuring convergence with other programmes/ schemes.

2.2.15 Creation and maintenance of durable and useful assets

2.2.15.1 Non-verifiable works

Creation of durable assets and strengthening of rural livelihood base is an important objective under the MGNREGA. With an objective to improve the transparency and to enhance the visibility of the programme, the Ministry of Rural Development, Government of India has started implementation of GeoMGNREGA for geotagging of assets created under MGNREGA in partnership with the National Remote Sensing Centre (NRSC) of the Indian Space Research Organisation (ISRO) *viz*., BHUVAN since 11 December 2017. It follows a systematic creation of database on assets using technological interventions like mobile-based photo geo-tagging and a GIS based information system for online recording and monitoring.

During the course of Joint Physical verification (July-August 2024) of works, it was observed that in three out of the 16 sampled villages in Mamit District, works such as roadside plantation, construction of irrigation canals, *etc*., were not traceable on ground as given below in **Table-2.12**.

Table-2.12: List of non-verifiable works

Sl. No.	Name of work	Year	Name of Village	Name of RD Block	Name of District	Value of work (₹ in crore)
1.	Roadside plantation from Jalata (Devi's House) to BSF	2020-21	Rajiv Nagar	Kawrtethawveng	Mamit	0.12
2.	Roadside plantation	2021-22	Rajiv Nagar	Kawrtethawveng	Mamit	0.02
3.	Roadside plantation	2021-22	Rajiv Nagar	Kawrtethawveng	Mamit	0.01
4.	Roadside plantation	2021-22	Rajiv Nagar	Kawrtethawveng	Mamit	0.01
5.	Construction of Irrigation Canal at Khantlang	2019-20	Khantlang	Kawrtethawveng	Mamit	0.03
6.	Afforestation/ Roadside Plantation	2019-20	Bawngva	Zawlnuam	Mamit	0.03
Total						**0.22**

Source: Joint Physical Verification Report

The photographic evidence uploaded on the BHUVAN portal, meant to enhance transparency under the GeoMGNREGA system, was found to be misleading, showing images of bush clearance around naturally grown trees instead of plantations. The payments were made without proper verification, without any monitoring for quality and without proper maintenance of records such as asset register to record the works claimed to have been implemented.

Fig 3: Non -Verifiable Roadside Plantation at Bawngva, Mamit District.

In reply (January 2025), the State Government stated that further investigations on the audit observations were made internally. With regards to roadside plantations (Sl. Nos. 1 to 4 and 6 of **Table-2.12**), the Government accepted that roadside plantations were not actually done, rather, the naturally growing indigenous trees were conserved by clearing the nearby bushes and under-growths in the two sampled villages mentioned (Rajiv Nagar and Bawngva Villages).

In connection with the ‘Construction of Irrigation Canal at Khantlang’ (Sl. No. 5 of **Table-2.12**), it was accepted that the construction of canal was not done, instead the work has been diverted as ‘Construction of Public Water Point’ by the Village Employment Council (VEC) without informing the higher authorities.

However, the contention of the State Government is not acceptable as audit noticed that there were no naturally indigenous trees in the above-mentioned sites.

The expenditure of ₹ 0.22 crore on unverifiable or unauthorised MGNREGA works reflects serious weaknesses in field-level execution, monitoring and accountability. The misreporting of physical works and manipulation of geotagged images undermines the credibility of the GeoMGNREGA platform and indicates possible misappropriation of public funds. The diversion of works without approval and lack of documentation also constitute violations of Operational Guidelines, 2013.

Recommendation: The State Government may ensure proper monitoring of execution of works so the permissible works relating to creation of durable assets and strengthening of the livelihood of rural population are executed.

2.2.15.2 Non-convergence with other Programmes/ Schemes

Creation of durable assets and securing livelihood of rural households through convergence of MGNREGA works with resources of other programmes/ schemes available with panchayats/ village councils and other line department is a critical feature of MGNREGA. Recognising this, the framework for such convergence has been outlined in Paragraph 15 Operational Guidelines, 2013. The resources are not restricted to availability of funds but include technical expertise and knowhow that officials of the line departments may be endowed with.

The modes of convergence that can help meet the objectives of MGNREGA in different ways are:

(i) Funds may be made available from other schemes, to meet cost of an identifiable part of the project that could result in enhanced durability of assets created/ proposed using MGNREGA funds.

(ii) Funds may be made available from other schemes as livelihood component for putting to use for livelihood, assets created/ proposed using MGNREGA funds.

(iii) The third mode could be to provide for technical inputs from concerned departmental officials. The inputs could be either in the form of supervision by technical staff during work execution for improving the quality of assets created/ proposed or for capacity building for using assets under MGNREGA for livelihood.

(iv) Yet another mode could be gap filling, meaning pooling together funds of MGNREGA and other schemes like Backward Region Grant Fund (BRGF), Finance Commission, Rashtriya Krishi Vikash Yojana (RKVY), National Afforestation Programme (NAP), Pradhan Mantri Gram Sadak Yojana (PMGSY), National Horticulture Mission (NHM), Total Sanitation Scheme (TSC), Funds from the State Budget, *etc*., and deploying the pooled funds for creation of an asset. Wherever funds are pooled in, the non-negotiable principles applicable to the implementation of MGNREGA including social audit, would be applicable to the work as a whole.

(v) A combination of two or more of the above modes is also possible.

All initiatives of convergence will be within the parameters of MGNREGA, especially the need to design labour-intensive works and the need to ensure that there is a complete ban on contractors.

During the course of audit, it was observed that the Annual Plans and Perspective Plans for implementation of MGNREGA did not envisage any convergence with other programmes or schemes. During execution also, there was no pooling of resources like funds and there were no technical inputs from other departments. The State Government did not add any new work to the list of permissible works.

The State Government while accepting the audit observation stated (January 2025) that planning at the grassroots level was done based on actual requirements and approved by the Gram Sabha, the potential for pooling resources, technical expertise and additional funding from other schemes to enhance the durability of assets and livelihood outcomes has not yet been explored. The State Government stated that it would take necessary steps to integrate convergence with other relevant schemes in future plans to ensure the MGNREGA objectives were met more effectively and sustainably.

***Conclusion*:**

Due to lack of proper monitoring for quality, improper maintenance of records such as asset registers and payment without proper verification of the actual implementation of the projects/ works, some of the works could not be verified during Joint Physical Verification. Also, non-compliance with Operational Guidelines resulted in non-convergence of the scheme with other Government programmes/ schemes.

Recommendation: The State Government may ensure that AAPs are prepared by duly considering convergence with technical inputs from related line departments, ensuring pooling of human, natural and financial resources in order to achieve the objective of providing jobs to the unskilled labour and to also create durable assets.

Audit Objective-4: To assess whether appropriate and adequate monitoring, social audit and grievance redressal systems were in place and functioning as envisaged to achieve greater transparency and accountability.

2.2.16 Quality Monitoring of works and Social Audit

2.2.16.1 Absence of Quality Control and Monitoring of work under MGNREGA

Optimum utilisation of scarce resources available in creating assets under MGNREGA and optimising outcome will be possible only when required quality management is carried out timely and systematically, so that the assets created are economical, durable and productive. To achieve this, it is to be ensured that selection of work, site, survey, planning, design, layout, execution, monitoring and follow up are as per the technical norms.

Paragraph 14.7 of Operational Guidelines, 2013 envisage setting up of State Quality Monitoring Unit comprising of State Quality Monitors (SQM) for each District in the State and a Nodal Officer of the rank of at least Superintending Engineers who will function as the Director (QM) will coordinate the work of SQM. The Director (QM) should be independent of the implementation machineries. The inspection/ measurement and analysis of work with respect to technical aspect will be done by engaging separate SQM for each district.

Also, as per Paragraph 7.12 of Annual Master Circular 2019-20, a quality monitoring cell should be constituted at the State and district level. The State Quality Monitoring Cell should have 10 to 15 technical officials empanelled from the cadre of retired Executive Engineer. The empanelled technical officials will work under the overall supervision and direction of Chief Engineer (CE)/ Superintending Engineer (SE) of the State. The empanelled technical officials will monitor & evaluate at least 10 *per cent* of the works executed under MGNREGA in each District of the State. The expenditure of these works should be at least ₹ 0.05 crore & above for Kutcha (Earth) works and ₹ 0.10 crore & above for the Pucca (masonry) works.

The District Quality Monitoring (DQM) cell should have a panel of 10 to 15 technical officials in the cadre of retired Assistant Engineer and above, under EE/ SE. The Engineers will monitor and evaluate at least 10 *per cent* of the works executed under MGNREGA. The expenditure of these 10 *per cent* works should be at least ₹ 0.03 crore & above for Kutcha (Earth) works and ₹ 0.05 crore & above for the Pucca (masonry) works.

Monitoring of each work should be done in two stages *i.e.,* during construction and after completion.

Accordingly, the State Government notified the constitution of the 'State Quality Monitoring Unit' on 31 October 2013 which consists of an Executive Engineer (EE) of Rural Development (RD) Department as the Director along with one Assistant Engineer, one Works Manager and one Junior Engineer (JE), also from RD Department.

During the course of the Audit, it was however noticed that the 'State Quality Monitoring Unit' had not been functioning till date and had not performed any task of inspection/ measurement and analysis of work with respect to technical aspect. Also, the State Government had not engaged separate SQMs for each district. Moreover, the Director of the State Quality Monitoring Unit was of the rank of an Executive Engineer and not in the rank of Superintending Engineer (SE) as prescribed.

Thus, optimum utilisation of scarce resources in creating assets under MGNREGA was not ensured as the State Quality Monitoring Unit did not perform any monitoring and supervision works since its inception.

While accepting (January 2025) the audit observation, the State Government acknowledged the lapse in the functioning of the State Quality Monitoring Unit. To ensure optimum utilisation of resources and creation of durable and productive assets under MGNREGA, the State Government assured that the State Quality Monitoring Unit will be strengthened with technical personnel appointed both at the state and district levels. Monitoring and inspection would be conducted rigorously during and after construction as per prescribed guidelines to ensure compliance with quality norms.

Recommendation: Quality monitoring Unit must be strengthen at the State and District levels to ensure economical and effective execution of works and for creation of durable and productive assets in line with MGNREGA guidelines.

2.2.16.2 Shortfall in conducting of social audit in sampled villages

MGNREGA gives a central role to Social Audit as a continuous process of public vigilance involving potential beneficiaries and other stakeholders which covers verification of 11 stages (Paragraph 11.2.1 of the Operational Guidelines 2005) of implementation right from registration of families to social audit in the Gram Sabha. As envisaged in Paragraph 20.4(xvii) of Master Circular, the District Programme Co-ordinator shall ensure that social audits are done in all GPs once in six months and ensure follow up action on social audit reports. The Social Audit Unit (SAU) in Mizoram was created on 19 March 2012.

During the course of audit, it was observed that the Social Audit Unit of the State did not ensure the conduct of Social Audit once in every six months, as detailed below in **Tables-2.13 & 2.14**.

Table-2.13: Short fall in conducting of Social Audit in sampled Villages in Mamit District

Sl. No.	Name of the VC	Year	No. of Social Audit due	Social Audit conducted	Shortfall in Social Audit	Shortfall (in *per cent)*
1.	Rajiv Nagar	2019-2024	10	3	7	**70**
2.	Thaidawr	2019-2024	10	2	8	**80**
3.	Mualthuam	2019-2024	10	2	8	**80**
4.	Khangtlang	2019-2024	10	2	8	**80**
5.	Kanhmun	2019-2024	10	3	7	**70**
6.	Kwarthah	2019-2024	10	3	7	**70**
7.	Bawrai	2019-2024	10	3	7	**70**
8.	Bawngva	2019-2024	10	5	5	**50**

Source: Department's reply

Table-2.14: Short fall in conducting of Social Audit in sampled Villages in Kolasib District

Sl. No.	Name of the VC	Year	No. of Social Audit due	Social Audit conducted	Short fall in Social Audit	Shortfall (in *per cent)*
1.	Saiphai	2019-24	10	4	6	**60**
2.	College Veng	2019-24	10	5	5	**50**
3.	Vairengte III (I.O.C veng	2019-24	10	5	5	**50**
4.	KolasibTuithaVeng	2019-24	10	3	7	**70**
5.	Lungdai	2019-24	10	5	5	**50**
6.	Kawnpui North	2019-24	10	5	5	**50**
7.	Serkhan	2019-24	10	5	5	**50**
8.	Lungmuat	2019-24	10	5	5	**50**

Source: Department's reply

It was further observed that despite preparing its yearly plan of Social Audit, the SAU did not achieve it plan in any of the years during 2019-20 to 2023-24 as given in **Table-2.15.**

Table-2.15: Achievement of Social Audit targets

Sl. No.	Financial Year	Total No. of Villages	Total No. of villages planned for Social Unit	Percentage of planned villages	Total No. of Audited villages during the FY	Percentage of Audited villages during the FY
1.	2019-2020	874	822	94.05 *per cent*	506	57.89 *per cent*
2.	2020-2021	874	455	52.06 *per cent*	455	52.06 *per cent*
3.	2021-2022	874	515	58.92 *per cent*	272	31.12 *per cent*
4.	2022-2023	874	610	69.79 *per cent*	714	81.69 *per cent*
5.	2023-2024	874	803	91.88 *per cent*	316	36.16 *per cent*

Source: Department's reply

The above **Table-2.15** indicates that the SAU did not achieve its target in the whole State, despite having sufficient manpower.

While accepting the audit observation, the State Government stated (January 2025) the main reason for shortfall in conducting Social Audit during 2019-24 was due to insufficiency of funds. As for instance, the Social Audit Unit, Mizoram received three instalments of funds during 2023-24. The last installment was received late in March *i.e.,* 27 March 2024 and the fund could not be utilised within the financial year. Hence audit coverage was only 316 villages during 2023-24. However, the State Government stated that there was significant improvement in audit coverage during the current year 2024-25. All 874 villages in the State had been audited once and Mizoram had recorded 100 *per cent* achievement for the first time since the establishment of the Social Audit Unit in Mizoram.

Social audits are a key mechanism for ensuring community-level oversight of MGNREGA implementation. Non-conduct of social audits on a regular basis undermines transparency in wage payments, material procurement and project execution. Without community scrutiny, there is a higher likelihood of financial irregularities such as ghost beneficiaries, inflated bills, non-existent works, and misutilisation of funds going undetected. Social audits also help beneficiaries understand their rights and entitlements. A shortfall in audits results in continued ignorance among workers about wage delays, work demand provisions, unemployment allowances, and compensation for delayed payments.

A shortfall in conducting social audits under MGNREGA undermines accountability and community participation, increasing the risk of financial irregularities, misappropriation of funds and denial of worker entitlements.

The important Social Audit Findings along with Action Taken of the sampled district are given in **Table-2.16**.

Table-2.16: Statement showing social audit findings in Mamit and Kolasib districts during 2019-20 to 2023-24 and action taken

Sl. No.	Year	Description of Main findings of social audit report for Mamit District	Follow up action taken by the DRDO/ DPC on the social audit findings
1.	2019-20	Job Card Holders are not aware of MGNREGA.	More Awareness Campaigns organised through public meeting and Rozgar Diwas.
2.		Job Cards are not updated	Action taken to updated Job Cards regularly.
3.	2020-21	Photographs of the cardholders were missing on some Job Cards.	All VECs were informed to take necessary action for the same.
4.	2021-22	Citizen Information Board are not displayed	All Executing agencies were instructed to display CIB in all the works.
5.		Some Job Card did not have signature of the holders	Job Card holders were informed to give their signature and updated regularly.
6.	2022-23	No First Aid facilities at the work site.	Provision is made for First Aid facilities at the work site.

Sl. No.	Year	Description of Main findings of social audit report for Mamit District	Follow up action taken by the DRDO/ DPC on the social audit findings
7.	2023-24	Seven Bogus Job Cards in Thaidawr Village found at the time of Audit.	These Bogus Job Cards are deleted and payments already made also recovered.
8.	2023-24	Mates have not been trained properly.	It is proposed to organise Training Programmes for all Mates in the district.
9.		Worksite facilities are not provided	Order issued for all Gram panchayats to arrange worksite facilities *viz.,* shade, drinking water at worksites as far as feasible.
10.		Job Card in the custody of Village Sarpanch/ VCP and full details of family member eligible for work under MGNREGA not noted in the Job Cards.	Order issued to concerned officials for all Job Cards be in the custody of the Job Card Holders and full details of family members eligible for works under MGNREGA to be noted in the Job Cards.
11.		Citizen Information Boards are found to be missing.	Order issued to all concerned officials to take necessary action in displaying Citizen Information Board properly and display wall paintings related to MGNREGA wherever possible.

Source: Department's reply

Thus, the audit finding by the SAU substantiates the CAG's audit findings in lapses in implementation of the MGNREGA in the State.

Recommendation: Social Audit may be strengthen with proper planning to ensure conduct of the required number of audits.

2.2.16.3 Grievance Redressal Mechanism

Rule 4 of the Mizoram Mahatma Gandhi Grievance Redressal Rules, 2014 envisages placing of complaint box in the office of the Programme Officer, Additional District Programme Coordinator or District Programme Coordinator and at the state level and complaints can also be submitted either in writing, through phone call and email (internet) or orally in person.

It was observed in audit that complaint boxes were not placed in all the prescribed offices and dedicated phone numbers and e-mail IDs were also not made available to the Job Card holders except at the District and Block level.

Consequently, the Programme Officer, Additional District Programme Coordinator or District Programme Coordinator did not receive any grievances/ complaints from the Job Card holders during 2019-20 to 2023-24 in the sampled districts and blocks by not providing avenues for lodging complaints to the Job Card holders, the department and the scheme functionaries were also deprived of the opportunity to obtain feedback on the quality of implementation of the scheme as a whole and this rendered correction/ modification of scheme-delivery methods not possible.

While accepting the audit observation, the State Government acknowledged that complaint boxes have not been placed in all prescribed offices and dedicated phone numbers or e-mails

IDs were not made available at the district or block level. It was further stated that steps would be taken to ensure compliance with the Mizoram Mahatma Gandhi Grievance Redressal Rules, 2014.

The State Government established the State Quality and Monitoring unit which was not in line with the prescribed guidelines and was not even functional. There was substantial shortfall in the conduct of social audit in all the sampled Villages. Facilities such as dedicated phone numbers, e-mail IDs and complaint boxes for receiving grievances were also not provided.

Recommendation: Avenues for lodging complaints such as telephone number, email ID (internet) and complaint boxes may be made available to the Job Card holders.

2.2.17 Conclusion

The overall planning process was not satisfactory as the State Government did not conduct Baseline Survey to gather information on seasonal demand from each Job Card holder nor had it empanelled an expert institution to develop the survey framework. There were no consolidation of the village plans into Block and District plans with proper scrutiny for technical feasibility and admissibility of the works under the scheme. This resulted in inclusion of non-permissible works in the Annual Action Plans which were ultimately executed despite being in the negative list as per the Operational Guidelines. The absence of reliable database on natural resource restricts evidence-based planning and results in poorly targeted interventions. Poor financial management resulted in delays in release of funds and diversion of funds for other inadmissible purposes. Door-to-door surveys of households, to ensure enrolment of all the adult members willing to do unskilled manual work, was not done and the Information, Education and Communication (IEC) plan was not prepared for proper dissemination of information. Comprehensive convergence with other line departments for pooling of resources, including technical knowhow was absent. Avenues for submission of application for demand for works through verbal mode, written application, telephonic call or through online mode were not provided to the Job Card Holders. There were delays in payment of wages to the Job Card holder. The State Quality Control and Monitoring Unit was not functional and there were shortfalls in conducting Social Audit

2.2.18 Recommendations

The State Government may-

(i) ensure that a baseline survey is conducted to ascertain the labour demand;

(ii) scrutinise Annual Plans at Block and District levels so that non-permissible works are not included in the Annual Plan;

(iii) ensure timely release of fund to the Implementing Agencies for implementation of the scheme;

(iv) ensure timely payment of wages to the job card holders;

(v) ***conduct door–to-door survey to identify eligible households and disseminate information through cost effective media intervention under Information, Education and Communication (IEC) activities to ensure widespread information of the Scheme;***

(vi) ***prepare and implement a comprehensive IEC Action Plan, incorporating interpersonal and local media communication methods to improve grassroots awareness and increase genuine demand for work; and***

(vii) ***ensure timely and quality conduct of social audits through dedicated social audit units, with follow-up mechanisms to act on audit findings and enhance transparency and accountability at the Gram Panchayat level.***

COMPLIANCE AUDIT PARAGRAPHS

HORTICULTURE DEPARTMENT

2.3 Irregular Parking of fund

The Horticulture Department parked ₹ 1.66 crore in Civil Deposit and deprived the intended beneficiaries of the Scheme

The Horticulture Department prepared (2020) a project proposal for creation of Interest Subvention Scheme with a financial target of ₹ 1.66 crore under Agriculture & Allied Sectors. The Scheme aims to encourage production of crops, domestic animals, fish, post-harvest development activities including processing to increase productivity and create confidence to farmers and entrepreneurs through Government intervention to mitigate the burden of poor loan recovery. The objectives of the scheme were to create access to credit, access to market, technology upgradation, ease of doing business and a sense of security for farmers and registered agri-entrepreneurs belonging to the Agriculture & Allied Sectors who actually availed agriculture loan by Interest Subvention up to eight *per cent* of the loan interest subject to maximum assistance of ₹ 2.50 lakh per beneficiary.

The eligibility criteria of the Scheme, *inter alia,* include all farmers and entrepreneurs belonging to Agriculture and Allied Sectors having valid farmers' card issued by the line Department in respect of farmers (valid registration certificate issued by competent authority in the case of Entrepreneurs) and valid loan certificate with outstanding statement from a recognised Bank. Incremental term loan or fresh term loan or incremental or fresh working capital extended during the financial year 2021-22 would be eligible for coverage with a maximum upper ceiling for assistance at ₹ 2.50 lakh. Further, as per the project proposal, the proposed Nodal Agency, *i.e.*, NABARD was to identify the beneficiaries, and selection was to be done by the line Department, NABARD and Banks concerned as per applications received from the loanees.

Test check (October 2023) of the records of the Director, Horticulture Department, Government of Mizoram, revealed that the Director, Horticulture Department, submitted a proposal to the State Government (Horticulture Department) on 01 December 2020 seeking sanction for the implementation of various schemes, including the Interest Subvention Scheme for Agriculture and Allied Sectors, involving an amount of ₹ 1.66 crore under the Special Central Assistance to States for Capital Expenditure. The State Government accorded (23 February 2021) expenditure sanction of ₹ 1.66 crore for the Interest Subvention Scheme under Special Central Assistance to States under the Major Head '4401- Capital outlay on Crop Husbandry'. As per the technical cost break-up of the Scheme, assistance was targeted for 64 units (beneficiaries) with the upper ceiling of ₹ 2.50 lakh per unit and the administrative cost @ 3.75 *per cent* for the project amounting to ₹ Six lakh.

Scrutiny of records revealed that other than the eligibility criteria, the criteria for selection of the beneficiaries was not incorporated in the Scheme guidelines. It was also observed that the entire sanctioned amount of ₹ 1.66 crore was parked under the Major Head '8443-

Civil Deposit' since 26 March 2021 without any recorded reason and remained unutilised for more than three years and six months as of August 2024.

The matter was reported to the Department and Government in September 2024 and the State Government while agreeing to the Audit observation stated (30 October 2024) that the Department had requested the State Government three times in September 2021, October 2022 and October 2024 to release the parked fund. It was also stated that NABARD did not provide any loan to farmers under Agriculture and Allied Sectors as NABARD schemes/ programmes are 100 *per cent* grant. The reply further stated that selection of the beneficiary can be made only after receipt of the fund.

From the reply of the Government, it is evident that the expenditure sanction was made without any assessment of the actual requirement of funds. Also, since the sanctioned amount of ₹ 1.66 crore continues to be parked in Civil Deposit as of October 2024, the intended beneficiaries were deprived of the scheme and the capital expenditure of the Government for the year 2020-21 was inflated in the accounts of the Department. This act of the Department indicated poor coordination between the line Department & State Government and the mismanagement of public funds.

2.4 Non-recovery of outstanding loan

The Horticulture Department did not recover the interest-free outstanding loan of ₹ 85.00 lakh from two Societies, thereby defeating the objective of the Revolving Fund Scheme to provide timely liquidity support and facilitate smooth ginger marketing by ginger growers (farmers) within and outside the State

The objective of Revolving Fund Scheme under Ginger Marketing Support of the Government of Mizoram is to provide timely liquidity support to facilitate smooth ginger marketing by ginger growers (farmers) within and outside the State.

As per the Operational Guidelines of the Scheme, revolving fund of ₹ 2.00 crore was allocated to the Horticulture Department, which would operate the fund through a dedicated bank account in Mizoram Cooperative Apex Bank. The liquidity support would be extended to eligible aggregators such as Mizoram Agricultural Marketing Solution (MAMSoL), entrepreneurs or any qualified entities working with farmers to facilitate receiving, sorting and dispatching ginger. The fund was to be interest-free. The revolving fund would facilitate timely payments to the farmers before actual realisation of payments from the buyers at designated destinations/ centres.

Test check (October 2023) of records of the Director, Horticulture Department, Government of Mizoram revealed that agreements were signed between the Horticulture Department as the lender and two loanees/ aggregators *viz*., MAMSoL (signed on 08 March 2019) and Mizoram Farmers' Society (MIFAS) (signed on 19 March 2019). The key terms included:

➢ MAMSoL would receive a loan of ₹ 1.00 crore while MIFAS would receive ₹ 70 lakh in two instalments. The first instalment was to be disbursed to MAMSoL and MIFAS at the rate of ₹ 50.00 lakh and ₹ 35.00 lakh respectively;

- The total amount of the loan was to be fully repaid within 15 days after payment from ginger buyers was realised, or within six months from the release of the second installment, whichever came earlier. The loan was interest-free;
- Default in repayment within the stipulated time would lead to forfeiture of the mortgage and the Government could take further legal action; and
- The aggregators also agreed to returns any unused portion of the loan if deemed necessary by the Department.

Accordingly, the Horticulture Department disbursed the first instalment of the revolving fund to MAMSoL and MIFAS at the rate of ₹ 50.00 lakh and ₹ 35.00 lakh, respectively as detailed in **Table-2.17**.

Table-2.17: Disbursement of first instalment

(₹ in lakh)

Sl. No.	Name of Society	Amount of loan sanctioned	Amount released as first instalment		Security of the loanee in the form of mortgage
			Amount	Date	
1.	Mizoram Agriculture Marketing Solution (MAMSoL)	100.00	50.00	08.03.2019	Up to ₹ 200.00 lakh (Bank Guarantee)
2.	Mizoram Farmers Society (MIFAS)	70.00	35.00	26.03.2019	₹ 71.23 lakh (Two Land Settlement Certificates valuing ₹ 18.83 lakh + ₹ 52.40 lakh)
Total		**170.00**	**85.00**		

MAMSoL secured a bank guarantee of up to ₹ 200.00 lakh, while MIFAS mortgaged land settlement certificates worth ₹ 71.23 lakh as security.

Audit identified a key control weakness: the terms of the agreement did not specifically stipulate a scheduled due date for repayment of the loan. In the agreement with MIFAS, there was a clause which stated that MIFAS, the loanee, would submit all vouchers/ bills within 25 days from the release of the first instalment and the second instalment would be released only after this. No such clause was observed in the agreement with MAMSoL; here, the submission of bills was tied only to the release of the first instalment.

Audit was unable to determine the due date for repayment of the loan as the Department did not disburse the second instalment of the loans to both loanees. Further, the loanees too did not inform the Department the date on which they received payment from ginger buyer(s). This oversight left the Department unable to track or enforce timely repayment.

On 06 June 2019, the Technical Committee on Ginger Marketing[42] in its meeting decided that only after recovery of the outstanding loan and submission of the vouchers, release of the second instalment will be considered. It also set 18 June 2019 as the repayment deadline. Despite repeated notices, including a final demand in February 2023, neither MAMSoL nor MIFAS repaid their loans. MIFAS requested an extension until April 2023,

[42] Constituted by the Government of Mizoram on 06 June 2018 to manage and monitor the revolving fund scheme of ₹ 200.00 lakh for ginger marketing

but MAMSoL did not respond. As of August 2024, the two loanees have not repaid their loans.

Thus, the two loanees have not repaid their loans for more than four years and five months from the date of disbursement of the loan and the Department has not taken any action to forfeit/ liquidate the mortgages of the loanees. This inaction exposed the Department to a potential loss of ₹ 85.00 lakh. It also defeats the objectives of the Scheme to provide timely liquidity support to ginger growers (farmers) within and outside the State since the capacity of the Department to finance other farmers/ entities is weakened due to the locking up of capital of ₹ 85.00 lakh.

The matter was reported to the Department and Government (September 2024) and the State Government while agreeing to the Audit observation initially merely endorsed (30 October 2024) the Directorate's action of repeatedly reminding the two loanees to repay their outstanding loan, but later stated (29 November 2024) that "action is being taken and is yet to be finalised by the Government".

Thus, due to lack of pro-active measures from the Government, the Horticulture Department did not recover the interest-free outstanding loan of ₹ 85.00 lakh from two Societies, thereby defeating the objective of the Revolving Fund Scheme to provide timely liquidity support and facilitate smooth ginger marketing by ginger growers (farmers) within and outside the State.

Recommendation: The Department should initiate immediate action to forfeit the mortgages of the loanees.