

Executive Summary

The National Rural Employment Guarantee Act, (NREGA) was enacted with the objective of enhancing livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year, to every household whose adult members volunteer to do unskilled manual work. The Act initially came into force in 200 districts with effect from 2 February 2006. According to the Act, rural households have a right to register themselves with the local Gram Panchayats (GPs), and seek employment. Work is to be provided within 15 days from the date of demand, failing which the State Government will have to pay unemployment allowance at the stipulated rates. It is noted that the Act is a unique laudable Act of Parliament which confers a right on the rural households to demand up to 100 days of employment as a matter of their statutory right.

Of the total available funds of Rs. 12074 crore (including the States' share of Rs 813 crore) upto March 2007, the State Governments could utilize Rs. 8823 crore (73 per cent).

A Performance Audit of the implementation of NREGA in the initially notified 200 districts was taken up during May–September 2007, in response to a request from the Ministry of Rural Development, so as to provide assurance that the processes under the Act were put in place and were being adopted effectively by the State Governments. The performance audit report was issued to the Ministry, which sent its response, and also forwarded the comments of 21 State Governments on relevant sections of the report. While doing so, the Ministry categorized the audit findings into (a) specific instances of irregularities and deviations committed by the implementing agencies of the State Governments, and (b) issues relating to the general principles in the Act, guidelines and instructions. As regards specific instances of irregularities/deviations, the Ministry stated that it could not be expected to comment on such findings, as the relevant evidence was not available with it, nor was it practicable to comment on such findings, as the relevant evidence was not available with it, nor was it practicable for the Ministry to examine such evidence. Further, the Ministry stated that the State Governments were not subordinate organs of the Government of India, but were co-ordinate authorities within the framework of NREGA and the Constitution. However, audit holds that NREGA is a Central legislation, and the Ministry bears overall responsibility for co-ordinating and monitoring its administration and ensuring economical, efficient and effective utilization of funds provided by the GoI.

According to the Ministry's figures, 3.81 crore households had registered under the Act, Out of these, while, 2.12 crore households had demanded employment, 2.10 crore households were provided employment during 2006-07.

The applications for work are to be submitted primarily at the Gram Panchayat, and it was crucial to maintain proper records of employment demanded, employment provided, number of days of employment generated, entitlement for employment allowance etc. However, the examination of field-level records by Audit revealed that record maintenance, particularly at GP level was, was poor, demonstrating the lack reliability and authenticity of the reported figures. Also, as the applications for demand

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for work were not documented or dated, and dated receipts for such applications were not issued in most cases, the eligibility of rural households for unemployment allowance, in these cases, was unverifiable. This would indicate that there is a high probability of only partial capturing of the demand for work.

There were several cases of delayed payment of wages, for which no compensation was paid. While there was a high probability that all demands for work were not being captured, there were also instances of non-payment of unemployment allowance which became due to employment seekers even where the records indicated that demand was not provided within 15 days from date of demand. Yet no one was fined for the violation of the Act. This indicates lack of an effective grievance redressal mechanism which defeated the very purpose of the Act of conferring a statutory right on the rural households for demanding upto 100 days of employment.

The poor record maintenance further diluted the purpose of the Act as in the absence of dated acknowledgement of the application for work, there was no way the employment seekers could prove denial of demanded work and could claim entitlement for unemployment allowance.

Systems for financial management and tracking were deficient, as monthly squaring and reconciliation of accounts at different levels to maintain financial accountability and transparency was not being done. The status of inspection of works, and holding of Gram Sabhas to conduct Social Audit Forum was also not up to the mark.

Subsequent to the original audit, some of the sampled districts were revisited to check the improvement in maintenance of records in February-March 2008, covering 24 GPs in 12 blocks in 12 districts in 6 States from within the original audit sample. The scrutiny revealed that while there was a definite improvement in record maintenance especially in Uttar Pradesh after the conduct of initial audit, the maintenance of basic records at the GP level, in particular the employment register was still deficient and there was considerable scope for improvement.

The Ministry needs to ensure that State Governments take swift action to remedy these deficiencies and strengthen the processes and procedures for implementation of NREGA. The record maintenance at GP level needs to be streamlined. It should be ensured that all applications are dated, and dated receipts of applications are given to the job applicants. Up-to-date data entry of the important documents such as Job Card Register, Muster Rolls (with Job Card number and other details), Employment Register (to indicate employment demanded) and Asset Register is essential to achieve transparency and accountability and minimize fictitious/ duplicate entries, besides providing a basis for verification.

All states should also be persuaded to put in place effective grievance redressal mechanisms so as to ensure that the purpose of NREG Act to provide 100 days employment as a matter of right is not diluted.

Further, Government of India may consider amending NREGA for partial reimbursement (out of GoI funds) of payment of unemployment allowance, while instituting controls to minimize occasions to pay unemployment allowance. In the present scenario, since State Governments have to shell out funds for payment of unemployment allowance, there is an incentive for non-transparent recording of employment demand.