Executive Summary
1 Background

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was enacted in September 2005, and implemented in a phased manner between February 2006 and April 2008 in all rural districts of the country. The Act aims at enhanced livelihood security of rural households, by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. Creation of durable assets is also an important objective of the Scheme.

A performance audit of the implementation of MGNREGA in the State was conducted, covering six districts (Nalgonda, Ranga Reddy, Anantapur, Kurnool, Visakhapatnam and Vizianagaram), 18 mandals and 180 Gram Panchayats (GPs), as well as 1,800 works and 1,789 beneficiaries. Electronic data from the AP MGNREGS MIS for four districts using IT tools was also analysed. The main findings of the performance audit are summarised below:

2 Structural Mechanisms and Capacity Building Measures and Planning

- The structural mechanisms and capacity building measures adopted by the State Government for implementation of MGNREGA were largely adequate. (Paragraphs 3.1 to 3.5)

- Adequacy of the shelf of works in the test checked Districts, Mandals and GPs was not a major hindrance to implementation of the scheme and provision of employment to the wage-seekers. (Paragraph 4.2)

3 Financial Management

- Audit scrutiny revealed several deficiencies in financial management, including accumulation of unspent funds, non-adjustment of outstanding advances, etc. (Paragraphs 5.7 and 5.9)

4 Execution of Works

- One of the major issues with the implementation of MGNREGA is the large number of works-in-progress in a GP (around 100). Given the available administrative infrastructure, this cannot be managed and supervised effectively. (Paragraph 8.3.2)
• High material component works were executed by Line Departments, which were in violation of the Act. (Paragraph 8.4)

• The main problem with MGNREGA implementation in Andhra Pradesh was the lack of focus on creation of durable assets. Audit found large numbers of incomplete works, as well as works (across different categories – land development, water conservation and harvesting, horticulture, and GP and Mandal office buildings) improperly executed and not serving the intended objectives of assets beneficial to the local community. (Paragraphs 8.3.2 and 8.5)

5 Achievement of auxiliary objectives

• With regard to the auxiliary objectives of empowering rural women and social equity, it is found that women, SC, ST and OBC beneficiaries were properly represented, evidencing no discrimination in provision of employment. As regards protecting the environment, a high degree of priority was given to identifying and executing works, which could be construed as environmentally friendly e.g. water conservation and water harvesting, drought proofing including afforestation and tree plantation etc. (Paragraphs 9.2.1, 9.2.2 and 9.2.3)

6 Record Maintenance and MIS

• Register maintenance at the GP level was non-existent, while such maintenance at the Mandal level was inadequate. (Paragraph 11.2)

• While audit notes the importance of the State Government’s transaction-based MGNREGS MIS, through which payments are generated (as opposed to the post facto MIS adopted elsewhere), there were significant control deficiencies in the MIS, which need to be addressed urgently. Audit analysis of MIS data revealed huge numbers of overlapping Muster Roll entries, which were also substantiated through test-check. (Paragraph 11.4)

7 Grievance redressal, transparency and accountability

• While mechanisms for grievance redressal were functional, there were delays in grievance redressal and the status of redressal was not being uploaded onto the AP MGNREGS MIS website. (Paragraph 12.2.1)

• Third party quality control teams were not covering works executed by Line Departments. (Paragraph 12.2.3)
8 Impact Assessment

- The beneficiary surveys conducted by Audit confirmed an improvement in the lives of workers (income, change in expenditure pattern, bargaining power), accompanied by a reduction in migration to urban areas.  

9 Good Practices

While there were several lacunae in the implementation of MGNREGA in the State relating to financial management, record maintenance, muster roll entries, delays in payment of wages, creation of durable assets, non-completion of works etc., there were several positives and good practices being followed in the State, which are worthy of emulation by the other States. These good practices are listed below:

- The system for capture of technical inputs for preparation of detailed inputs and generation of detailed estimates using the AP MGNREGS software is adequate, and is worthy of emulation in other States.

- The implementation of a centralised Electronic Fund Management System (eFMS), linked to a transaction-based MIS by the State Government eliminates the problem of parking/blockade of unutilised funds at the District and lower levels.

- The State Government has, recently, issued a circular, specifying the timelines for completion of various tasks, the responsible functionaries, the method for calculating starting and ending dates for computation of delay and compensation to be levied from the responsible functionaries for delays.

- Andhra Pradesh has introduced the concept of formation of semi-permanent groups (Shrama Shakti Sangham) of workers, to be formed by the workers themselves (and not decided by the GP/mate). Works are executed through such groups, and not individual beneficiaries.

- In May 2009, the Society for Social Audit, Accountability & Transparency (SSAAT), an independent autonomous body, was established by the State Government, making it responsible for facilitating conduct of social audit. Detailed guidelines on the conduct of social audit were issued by the State Government in September 2007; these were replaced in August 2008 by the Andhra Pradesh Social Audit Rules, 2008.