

2 Audit Framework

2.1 Background

The implementation of MGNREGA in Andhra Pradesh was reviewed and reported through paragraph 2.1 of the CAG's Audit Report (Local Bodies) for the year ended 31 March 2007. The main findings of that Performance Audit are summarised below:

- Employment Guarantee Scheme funds to the extent of ₹38.08 crore were diverted to other schemes.
- Of the 23.39 lakh rural households who were provided employment during the period from February 2006 to March 2007, the targeted 100 days of employment in a financial year was achieved only in respect of 79,969 households (3 per cent).
- Though payments of wages were delayed beyond 15 days to 53 per cent of the test checked labourers, no compensation was paid.
- Out of the works shown as completed, it was observed that 45 per cent of works were closed after incurring expenditure of less than 50 per cent of their estimated cost. Closure of works after partial execution had adverse implications on creation of durable assets, a key objective of the scheme.
- Since statutory records at Mandal/GPs were either not maintained or incompletely maintained, audit could not ensure that the provision of legal guarantee of 100 days employment had been translated into action.
- Social audits were not conducted at regular intervals; only 19 per cent of GPs had been covered through social audits.

State Government has not furnished its Explanatory Note on the above findings.

2.2 Audit Objectives

While the earlier audit confined to scrutiny of records of the implementing agencies, the current Performance Audit focuses on the broad and micro issues in implementation of the Act, which included physical verification of 1,800 works and survey of 1,789 beneficiaries. In addition, electronic data from the AP MGNREGS MIS for four selected districts was also analysed.

The main objectives of the current performance audit of implementation of MGNREGA are to ascertain the following:

1. Whether structural mechanisms were put in place and adequate capacity building measures taken for implementation of the Act?
2. Whether the procedures for preparing perspective and annual plan at different levels for estimating the likely demand for work, and preparing shelf of projects were adequate and effective?

3. Whether funds were released, accounted for and utilised by State Government in compliance with the provisions of the Act/Rules?
4. Whether there was an effective process of registration of households, allotment of job cards, and allocation of employment in compliance with the Act/Rules?
5. Whether the primary objective of ensuring the livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates was effectively achieved, and whether unemployment allowance for inability to provide job-on-demand was paid in accordance with the Act and relevant Rules?
6. Whether MGNREGA works were properly planned and economically, efficiently and effectively executed in a timely manner and in compliance with the Act and Rules, and whether durable assets were created, maintained and properly accounted for?
7. Whether the auxiliary objectives of protecting the environment, empowering rural women, reducing rural-urban migration, fostering social equity, etc., were effectively achieved in accordance with the Act and the Rules?
8. Whether the convergence of the Scheme with other Rural Development Programmes as envisaged was effectively achieved in ensuring sustainable livelihood to the targeted rural community and improving the overall rural economy?
9. Whether all requisite records and data were maintained at various levels and whether the MGNREGA data was automated completely, and provided reliable and timely MIS?
10. Whether complete transparency was maintained in implementation of the Act by involving all stakeholders in various stages of its implementation from planning to monitoring and evaluation?
11. Whether there was an effective mechanism to assess the impact of MGNREGA on individual households, local labour market, migration cycle and efficacy of assets created?

2.3 Sources of Audit Criteria

The main sources of audit criteria adopted for the performance audit were:

- The Act, amendments thereto, and Rules issued under the Act;
- Operational Guidelines and circulars issued by the Ministry of Rural Development (MoRD), GoI;
- MGNREGA Vision, Strategic Framework and Plan of Action (2010-11) issued by MoRD; and
- AP Rural Employment Guarantee Scheme, 2006 (as notified by State Government) and GOs, circulars and instructions issued by State Government.

2.4 Audit Scope and Methodology

Field audit was carried out between November 2011 and August 2012, covering scrutiny of records/documents at the State, District, Mandal and GP levels for the period 2009-10 to 2011-12, physical inspection of work sites, and survey of/ interaction with beneficiaries. In addition, electronic data from the AP MGNREGS MIS for four selected districts⁹ (Anantapur, Ranga Reddy, Nalgonda, and Vizianagaram) for the period 2009-10 to 2011-12 was analysed using IT Tools (Microsoft SQL Server 2008/2000 and Microsoft Excel 2007).

An Entry Conference was held in April 2012 with the Principal Secretary (Rural Development) along with other departmental officials, wherein the audit scope, objectives and approach were explained. The draft report was issued to State Government in July 2012, who provided a detailed response in August 2012. A supplementary report, covering the findings in respect of one district (Anantapur) as well as results of re-analysis of electronic data from the AP MGNREGS MIS, was issued to State Government in December 2012. The main audit findings were also discussed in an Exit Conference in December 2012 with the Principal Secretary (Rural Development), along with other departmental officials; an additional response subsequent to the Exit Conference was also received in December 2012 and February 2013. The responses furnished by State Government were duly considered, while finalising this Report.

2.5 Audit Sample

Out of 22 districts implementing the scheme, six districts, viz., Nalgonda, Ranga Reddy, Kurnool, Anantapur, Visakhapatnam and Vizianagaram, were selected for audit. In each district, three mandals and 10 Gram Panchayats (GPs) in each mandal were identified for detail scrutiny of records. The sample was selected using statistical sampling techniques¹⁰ stratifying the districts into three regions viz., Telangana, Rayalaseema and Andhra and the subsequent levels viz., selection of mandals, GPs, works and beneficiaries. 1,800 works and 1,789 beneficiaries in the GPs were selected for physical verification, field visits and survey. Details of the audit sample are indicated in *Appendix-1*.

⁹ Electronic data in respect of only these districts was made available

¹⁰ Simple random sampling without replacement (SRSWOR) and systematic sampling methods