

# **CHAPTER – 1**

## **INTRODUCTION**



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#### **1.1 Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)**

National Rural Employment Guarantee Scheme (NREGS), a Centrally Sponsored Scheme, was launched (February 2006) in 20 (out of 22) districts in Jharkhand<sup>1</sup> by merging (February 2006) the ongoing Sampoorna Gramin Rojgar Yojana (SGRY) and National Food for Work Programme (NFFWP). Subsequently two districts were covered from 1 April 2007 onwards<sup>2</sup>. Presently, the State has 24 districts all of which are covered under NREGS. The name of the Act was changed to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in October 2009<sup>3</sup>.

The objective of the scheme was to enhance livelihood security in rural areas by providing at least 100 days guaranteed wage employment demanded by registered adult household members. The Central Government was to bear 100 *per cent* wage cost of unskilled manual labour and 75 *per cent* of the material cost including the wages of skilled and semi-skilled workers. The wages for skilled and semi-skilled workers and material cost were to be shared in the ratio of 75:25 by the Government of India (GoI) and the State Government. Employment was to be provided within 15 days from the date of application for demand of work failing which the State Government was to pay daily un-employment allowance at the specified rate. The scheme also served auxiliary objectives such as generating productive assets, protecting the environment, empowering rural women and promoting social equity.

#### **1.2 Organisational structure**

In Jharkhand, the scheme is being implemented by the Rural Development Department (RDD) under the overall supervision of the Principal Secretary. The Employment Guarantee Commissioner (EGC) is responsible for implementation of the scheme at the State level, the Deputy Commissioner (DC), designated as District Programme Co-ordinator (DPC) at the district level, the Block Development Officers (BDOs), designated as Chief Block Programme Officers (CBPOs), and Block Programme Officers (BPOs) at the block level and Panchayat Sevaks (PS) and Gram Rozgar Sahayak (GRS) were made responsible for the implementation of the scheme at the Gram Panchayat<sup>4</sup> (GP) level.

<sup>1</sup> Excluding the districts Deoghar and East Singhbhum

<sup>2</sup> Notification for implementation of scheme was issued on 26 March 2007

<sup>3</sup> Vide notification no. J-1104/3/2009-NREGA dated 7 January 2010

<sup>4</sup> Gram Panchayat Elections was held between December 2010 and January 2011 in the state of Jharkhand

### **1.3 Audit objectives**

We conducted a Performance Audit of MGNREGS to assess whether:

- structural mechanisms have been put in place and adequate capacity building measures were taken by the State Government for implementation of the Act;
- 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;
- funds were released, accounted for and utilised by the State Government in compliance with the provisions of the Act/Guidelines/Rules;
- there was an effective process of registration of households, allotment of job cards and allocation of employment in compliance with the Operational Guidelines;
- the primary objective of ensuring livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates was effectively achieved and unemployment allowance for inability to provide job on demand was paid in accordance with the Act and the Guidelines;
- MGNREGS works were properly planned and economically, efficiently and effectively executed in a timely manner and in compliance with the Act and the guidelines and durable assets were created and maintained;
- the auxiliary objective of empowering rural women was achieved;
- 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;
- all requisite records and data were maintained at various levels; and
- there was an effective mechanism to assess the impact of MGNREGS.

### **1.4 Audit criteria**

The audit criteria for the performance audit were adopted from the following sources:

- NREG Act 2005 and amendments thereto;
- Notifications of National Rural Employment Guarantee Scheme issued by Government of Jharkhand in 2007 (NREGS, Jharkhand, 2007);
- Operational Guidelines, 2008 issued by the Ministry of Rural Development (MoRD), GoI;
- MGNREGA Works Field Manual;
- NREG Financial Rules 2009;
- Muster Roll Watch Guidelines 2006; and
- Jharkhand Financial Rules 2001, Jharkhand Public Works Department/Accounts Code 2001 and MGNREG Audit of Schemes Rules, 2011.

### 1.5 *Audit scope and methodology*

The performance audit of the implementation of MGNREGS in the State for the period 2007-2012 was conducted between March to August 2012 through test check of records in the office of the State Employment Guarantee Commissioner, six<sup>5</sup> out of 24 implementing Districts /DRDAs, 17 blocks<sup>6</sup> in the selected districts, 167 Gram Panchayats<sup>7</sup> and detailed check of records and joint physical verification with the State officials of 1670 works<sup>8</sup>. Besides, we also interviewed 1670 beneficiaries under the scheme.

An entry conference was held (1 March 2012) with the Principal Secretary, Rural Development Department, Jharkhand wherein the audit objectives, criteria, scope and methodology were discussed. An exit conference with the Principal Secretary, RDD was held on 25 July 2012 wherein the audit findings along with the recommendations made by audit were discussed. The detailed reply of the State Government on the audit observations was awaited (March 2013). The audit findings are discussed in the succeeding chapters.

### 1.6 *Constraints faced by audit*

Paragraph 9.1 of the Operational Guidelines, 2008 stipulates maintenance of various important records<sup>9</sup> at line department, district, block and GP level. However, during the course of audit we noticed that records were either not maintained at all or were maintained (*Appendix I*) improperly by the implementing agencies<sup>10</sup>. Thus, inadequacy in maintenance of records diluted the purpose of the Act as actual critical inputs, processes, outputs and outcomes of the scheme remained undisclosed.

<sup>5</sup> Dumka, Gumla, Palamu, Pakur, Ranchi and West Singhbhum districts. Test checked line departments have also been included in the sampled districts

<sup>6</sup> Angra, Bherno, Chaibasa Sadar, Chanho, Chainpur, Chakradharpur, Dumka Sadar, Gumla Sadar, Hiranpur, Jama, Jarmundi, Jhinkpani, Kanke, Lesliganj, Pakur Sadar, Palamu Sadar and Sisai blocks were selected

<sup>7</sup> 10 Gram Panchayats were selected in each block except in Jhinkpani block of West Singhbhum district where all the seven existing GPs were selected

<sup>8</sup> Ten works were selected per GP totalling to 1670 in number

<sup>9</sup> Application Register, Job Card Register, Muster Roll Receipt Register, Asset Register, Complaint Register, Monthly Allotment and Utilisation Certificate Watch Register

<sup>10</sup> Gumla, BDO Chainpur, Palamu, Panchayats of Chakradharpur, Jhinkpani block of West Singhbhum, Line department- NREP-2, Ranchi, DFO (East) Division Ranchi, DFO (SF) Division Ranchi, DFO (Afforestation) Division, Ranchi, DFO (North) Division, Palamu DFO (Afforestation) Division, Palamu, E.E NREP, Palamu BDO Kanke, BDO, Lesliganj (Palamu), BDO Sisai (Gumla)