CHAPTER – 4

FINANCIAL MANAGEMENT

Chapter 4

Financial Management

4.1 *Funding pattern*

The Operational Guidelines, 2008 specify the financing pattern under MGNREGS. Funds are envisaged to be provided by the Central Government and the State Government for implementation of the scheme in the following manner:

Table 2: Funding Pattern

Central Share	State Share
Entire cost of wages for unskilled manual workers.	-
75 *per cent* of the cost of material and wages for skilled and semi-skilled workers.	25 *per cent* of the cost of material and wages for skilled and semi-skilled workers.
Administrative expenses as may be determined by the Central Government including *inter alia* the salary and allowances of Programme Officers (PO) and their support staff and work site facilities.	Unemployment allowance payable in case the State Government cannot provide wage employment within 15 days of application.
Administrative expenses of the Central Employment Guarantee Council.	Administrative expenses of the State Employment Guarantee Council.

4.1.1 *Release of funds*

As per the Operational Guidelines, 2008 (paragraph 8.3) the release of funds under the scheme is based on the State's proposals. The first release to a district, when it is notified under NREGA, as seed money to the district NREGS account, will be made as determined by the Ministry of Rural Development. Subsequent release will be made upon submission of the labour budget. Funds may flow from the district to the GPs directly under intimation to the POs.

4.1.2 *Labour Budget*

Section 14 sub section (6) Chapter IV of NREGA provides that the DPC shall prepare a labour budget for the next financial year projecting the details of anticipated demand for unskilled manual work in the district and the plan for engagement of labourers in the works covered under the scheme. MoRD will estimate the requirement of funds on the basis of projections and sanction funds after examining the labour budget and the utilisation of funds previously released.

In the labour budget, estimation of labour demand should be close to actual achievement trends of the previous year in terms of households demand, days of employment and expenditure. The labour budget will be based on a realistic estimate of the number and kind of works to be taken up as derived from the annual shelf of project in the development plan.

We noticed the following irregularities in preparation of the labour budgets:

4.1.2.1 Unrealistic preparation of labour budgets

The labour budgets prepared in the State was unrealistic

The effectiveness of the planning process has to be measured against the actual execution of planned labour budgets. The State submitted its first labour budget in the year 2008-09.

Analysis of the estimated demand as per labour budget with actual employment provided during the period 2008-12 in the State revealed shortfall/variation ranging between 40 and 59 *per cent* in the planned employment generation as shown in **Table 3:**

Table 3: Variation between estimated demand and actual execution of planned labour budget

(Person days in lakh)

Shortfall in actual employment generation against the planned employment			
Year	**Estimated demand as per labour budget**	**Actual employment provided**	**Percentage of shortfall (Col. 3 to 4)**
1	**2**	**3**	**4**
2008-09	NA	7.55	-
2009-10	20.53	8.42	59
2010-11	13.82	8.31	40
2011-12	9.46	4.70	50

Source: Information furnished by RDD

Similarly, in five[1] out of six test checked districts we noticed wide variations between estimated demands and actual provision of employment. The shortfall in actual person days generated ranged between 39 and 67 *per cent* of the estimated demand as detailed in **Table 4:**

The shortfall in actual person days generated ranged between 39 and 67 *per cent* of the estimated demand

Table 4: Details of estimated demand of employment and actual provision of employment

(Person days in lakh)

District	Period	Estimated demand as per labour budget	Actual employment provided	Percentage of shortfall (Col. 3 to 4)
1	**2**	**3**	**4**	**5**
Ranchi	2008-12	497.37	166.37	67
Dumka		262.81	160.35	39
Pakur		384.10	230.90	40
Palamu		330.36	129.84	61
Gumla		318.83	109.04	66
West Singhbhum		NA	163.74	--

Source: Information furnished by DPCs

The districts did not prepare the labour budget by following the actual achievement trends of the previous year in terms of households demand, days of employment demanded and expenditure incurred. Non-preparation of Perspective Plans and preparation of deficient development plans by the districts (as discussed in paragraphs 3.1.1 and 3.1.2 of Chapter 3) adversely affected the proper estimation of projected person days and estimation of required funds thereon.

This also led to sharp reduction in sanction of annual labour budget by MoRD as discussed below:

[1] Dumka, Gumla, Pakur, Palamu and Ranchi.

4.1.2.2 Sharp reduction in funds for annual labour budget

Approval of labour budgets of the State by MoRD decreased during 2009-12 as the State could not generate the projected person days

The State presented a total budget proposal for the period 2008-12 amounting to ₹ 13,953.95 crore. However, MoRD sanctioned ₹ 9,788.76 crore for the period. The details are given in **Table 5**:

Table 5: Details of budget proposed and actual generation of person days against projected person days

Year	Budget proposal (₹ in crore)	Labour Budget approval by GoI (₹ in crore)	Percentage of approval (Column 3 to 2)	Projected person days in approved labour budget (No. in crore)	Actual achievement in person days generation (No. in crore)	Achievement (In *per cent*) (Column 6 to 5)
1	*2*	*3*	*4*	*5*	*6*	*7*
2008-09	3510.42	2610.46	74	NA	7.55	-
2009-10	3194.17	3103.09	97	20.53	8.42	41
2010-11	2591.57	2277.00	88	13.82	8.30	60
2011-12	4657.79	1798.21	39	9.46	4.70	50
Total	**13953.95**	**9788.76**		**43.81**	**28.97**	

Source: Information furnished by RDD

It is evident from **Table 5** that generation of employment in the State during 2009-12 was only 41 to 60 *per cent* against the projected person days. Accordingly, approval of labour budget from MoRD also decreased from 97 to 39 *per cent*. Further, during 2011-12 the State proposed a higher labour budget of ₹ 4,657.79 crore, claiming that the funds would be utilised for drought relief works since the State was facing drought for two consecutive years. The Empowered Committee of MoRD, however, approved labour budget of ₹ 1,798.21 crore only.

During the exit conference (July 2012) the Principal Secretary stated that figures used for generation of person days during 2011-12 needs to be updated. The fact however remains that the figures for the year 2011-12 were supplied by the Department itself.

4.1.2.3 Loss of Central funds

The prescribed Central share under MGNREGS was 96 *per cent* of the approved labour budget from 2009-10 onwards while prior to 2009-10, it was 94 *per cent*. The remaining four *per cent* and six *per cent* was to be borne by the State Government.

The status of approved labour budget and release thereagainst during 2008-12 is detailed in **Table 6:**

The State was deprived of Central share amounting to ₹ 4,591.47 crore during 2008-12 owing to slow pace of expenditure by the districts

Table 6: Approved labour budget and actual release

(₹ in crore)

Year	Approved labour budget by MoRD	Central liability	Actual release	Loss of Central fund
2007-08	NA	NA	664.80	NA
2008-09	2610.46	2453.83	1790.38	663.45
2009-10	3103.09	3019.96[2]	803.94	2216.02
2010-11	2277.00	2185.92	962.87	1223.05
2011-12	1798.21	1726.28	1237.33	488.95
Total	**9788.76**	**9385.99**	**4794.52**	**4591.47**

Source: Information furnished by RDD

It is evident from **Table 6** that during 2008-12 the release of Central share by MoRD was only ₹ 4794.52 crore against the liability of ₹ 9385.99 crore. Thus, the State was deprived of Central share amounting to ₹ 4,591.47 crore during 2008-12 owing to slow pace of expenditure by the districts as discussed in paragraph 4.1.3.

4.1.3 Receipt and utilisation of funds

Receipt and utilisation of funds in the six test checked districts during 2007-12 is detailed in **Table 7** below:

Table 7: Receipt and utilisation of funds during 2007-12

(₹ in crore)

The test checked districts utilised the available funds ranging between 58 and 82 per *cent* during the period 2007-12

Year	Opening Balance	GoI release	State release	Misc. receipts	Total fund available	Expenditure	Unspent Balance	Percentage of expenditure (Col. 7 to 6)
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
2007-08	139.85	298.94	67.20	17.59	523.58	362.15	161.43	69
2008-09	161.43	643.38	52.72	7.18	864.71	500.31	364.40	58
2009-10	364.40	273.84	20.74	25.50	684.48	478.54	205.94	70
2010-11	205.94	273.76	23.97	6.36	510.03	418.33	91.70	82
2011-12	91.70	301.33	28.87	28.36	450.26	310.68	139.58	69
Total	**963.32**	**1791.25**	**193.50**	**84.99**	**3033.06**[3]	**2070.01**	**963.05**[4]	

(Source: Information furnished by the DRDAs)

It may be seen from **Table 7** above that out of total available fund of ₹ 3033.06 crore, only ₹ 2,070.01 crore could be utilised by the DPCs in the six test checked districts during 2007-12.

Thus, DPCs utilised the available funds ranging between 58 and 82 *per cent* during the period 2007-08 to 2011-12. During audit we observed that:

- On cross verification of the allotment made to DRDA with the MoRD website, we noticed that in DRDA, Ranchi there was short receipt of funds amounting to ₹ 302.92 crore during 2008-09 and 2011-12 (***Appendix 4***). As per the information available on the website of MoRD under MGNREGS, the said amount was shown released to DPC, Ranchi, but it could not be traced in the DRDA's accounts.

  On this being pointed out, DPC stated (September 2012) that matter has to be examined at the level of MoRD, GoI for getting clarification.

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2 Approved labour budget during 2009-10 was ₹ 3103.09 crore. Central liability (96 *per cent*) of approved budget works out to ₹ 2978.97 crore. Thus there was a difference of ₹ 40.99 crore in the figure furnished by RDD.

3 There was a difference of ₹ 38.35 crore in total available fund in the data furnished by the DRDAs of six test checked districts when compiled by audit.

4 There was a difference of ₹ 63.48 crore in unspent balance in the data furnished by the DRDAs of six test checked districts when compiled by audit.

- The permissible limit for administrative expenses was four *per cent* of total expenditure with effect from 1 April 2007 which was enhanced to six *per cent* from March 2009[5]. Contrary to the above, in Dumka district, an excess expenditure of ₹ 0.82 crore[6] over the prescribed limit of four *per cent* was incurred as administrative expenses in 2007-08.

  DPC, Dumka accepted the audit observation (July 2012) and stated that from 2008-09 onwards administrative expenses incurred have been within the prescribed limit.

4.1.3.1 Delay in release of State share

As per paragraph 8.4.4 of the Operational Guidelines, 2008, the State share was to be released within 15 days from the date of release of Central share by GoI. This provision was made in order to ensure that funds were available with the implementing agency at the right time.

The delays in release of State share ranged between 5 and 293 days during 2009-12

During audit we however noticed that in three[7] out of six test checked districts there were delays in release of State share which ranged between 5 and 293 days during 2009-12 ***(Appendix 5)***. The reasons for delay were not on record.

The matter has been reported to the Government. Their reply is awaited (March 2013).

4.1.3.2 Non-creation of State Employment Guarantee Fund (SEGF)

Under Section 21 (1) of the Act the State Government may, by notification, establish a fund called the State Employment Guarantee Fund for the purpose of implementation of the scheme. The amount standing to the credit of the State fund shall be expended and administered as a revolving fund in such manner and subject to such conditions and limitations as may be prescribed by the State Government for the purposes of implementation of the Act. The operational guidelines (para 8.2.3) also provide for establishing similar revolving fund at the district, block and Gram Panchayat levels. The SEGF funds were to be established at the State and district levels by 1 March 2006.

SEGF was not created in any of the test checked blocks and GPs

We however, noticed that though the notification for establishment of the fund was issued (August 2009), SEGF became operational only in March 2012. SEGF was not created in any of the test checked blocks and GPs.

During the exit conference, the Principal Secretary accepted (July 2012) the delayed formation of SEGF; however, specific reasons for delay were not stated. As regards SEGF, the Department stated that as it had already been established at district level, there was no need to establish SEGF at block and panchayat levels.

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5 MORD letter no. J-11011/18/2007-NREGA date : March 2009.

6 Total scheme expenditure ₹ 37.26 crore, Admissible administrative expenditure (4 *per cent*) = ₹ 1.49 crore. Actual administrative expenditure ₹ 2.31 crore – Admissible administrative expenditure ₹ 1.49 crore = Excess expenditure ₹ 0.82 crore.

7 Palamu, Ranchi and West Singhbhum.

The reply of the Department in respect of formation of SEGF at block and Panchayat level was not in conformity with the MGNREGS operational guidelines (paragraph 8.2.3).

4.1.4 SGRY funds not merged with MGNREGS

As per paragraph 14.1.2 of the Operational Guidelines, 2008, funds available with PRIs from other sources (such as National Finance Commission, State Finance Commission, State Departments) and other Central or Centrally Sponsored Schemes (such as the Swarnjayanti Gram Swarozgar Yojana (SGSY), Drought Prone Areas Programme (DPAP), Desert Development Programme (DDP), Backward Area Grant etc.) can also be dovetailed with NREGA funds for the construction of durable community assets/works permissible under NREGA but not *vice versa*. Further, GoI, MoRD directed (June 2009) the Secretary, Rural Development Department, GoJ, Ranchi to merge SGRY funds with MGNREGS.

In Ranchi, Palamu and Gumla districts ₹ 4.43 crore pertaining to SGRY fund was not merged with MGNREGS fund

During scrutiny of records of six test checked districts we observed that in three districts (Ranchi, Palamu and Gumla), ₹ 4.43 crore pertaining to SGRY fund (Handling and Transportation of food grains) and National Food For Work Programme (NFFWP) was not merged with MGNREGS as shown in **Table 8**:

Table 8: SGRY funds not merged with MGNREGS fund

Sl. No.	Name of test-checked district	District/Block	Scheme	Amount (₹ in crore)
1.	Ranchi	Ranchi district level	SGRY (Handling and Transportation of food grains)	1.91
2.	Palamu	Palamu district level		1.90
		Lesliganj block		0.03
3.	Gumla	Sisai block		0.06
		NREP Division		0.07
			NFFWP	0.46
Total				**4.43**

(Source: Information furnished by DPCs)

In Ranchi district, SGRY funds were required to be merged from 2 February 2006. Despite this, the district continued to provide budget separately under SGRY and incurred expenditure under SGRY up to March 2008. Consequently, GoI also objected to the non-merger of SGRY funds with MGNERGS and clarifications were sought before further release of GoI fund relating to 2008-10.

On this being pointed out in audit, the DPCs accepted (August 2012) the facts and assured to take necessary action in this regard.

4.1.5 Diversion of fund

As per paragraphs 8.2.6 and 8.4.4 of the Operational Guidelines, 2008 funds provided under MGNREGS cannot be diverted to other schemes/purposes and to this effect DPCs were required to furnish a certificate in respect of non-diversion of funds to MoRD.

In Ranchi and Dumka districts MGNREGS funds were diverted to other schemes/ purposes

We however noticed that in Kanke block of Ranchi district, ₹ 75 lakh was diverted (January 2010) to Indira Awaas Yojana (IAY) from MGNREGS funds[8] during 2009-10 by DRDA, Ranchi. Similarly, in Dumka district, a sum of ₹ 1.05 lakh[9] was diverted (February 2011) from MGNREGS fund to pay audit fee for 2009-10 to Chartered Accountants for MPLAD, DPAP and IAY schemes and the said amount had not been recouped as of July 2012.

In reply BDO, Kanke stated that matter is being examined (August 2012) whereas no reply was furnished by DPC, Dumka.

4.1.6 Parking of funds in non-interest bearing account

As per rule 9 (3) (e) (vi) of NREG Financial Rules 2009, a certificate of the District Programme Coordinator that all funds received have been credited to Savings Bank Account is required for release of the Central Funds from National Fund to State Fund.

In Ranchi, West Singhbhum and Palamu districts MGNREGS funds were deposited in current accounts resulting in loss of interest

During scrutiny of bank records of four implementing agencies[10] of Ranchi and West Singhbhum districts, we noticed that the agencies had deposited funds amounting to ₹ 65.37 crore received under MGNREGS during 2007-12, in the current account instead of savings bank account.

Similarly, in Sadar Medininagar block of Palamu district, funds amounting to ₹ 11.08 crore[11] were kept in current account of SBI during the period 2007-12 in violation of the rules resulting in loss of interest to MGNREGS fund.

The DPCs West Singhbhum and Palamu districts (July – August 2012) accepted the observation and assured to take necessary action in this regard. During the exit conference the Principal Secretary accepted (July 2012) that funds should have been kept in savings accounts.

4.1.7 Transparency and accuracy in management of funds

Paragraph 8.6 of Operational Guidelines, 2008 envisages 'Monthly Squaring of Accounts' to reduce the risk of financial leakages and to promote transparency and accuracy in fund management. This consists of verifying all the money released under the Scheme being accounted for under three heads viz. assessment of money held in bank accounts at various levels, depiction of the details of the advances to implementing agencies and referencing of vouchers of actual expenses.

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8 ₹ One crore was provided to Kanke block by DPC Ranchi under MGNREGA which was credited in the related bank account of scheme (Bank of India, Pithauria A/c No. 494610100005752) on 11.12.2009. Out of this, ₹75 lakh was diverted into Indira Awaas Yojana (IAY) which was credited into IAY bank account (Bank of India, Pithauria A/c No. 494610100004159).

9 Out of ₹ 1.82 lakh paid to CA firm as audit fees, ₹ 0.77 lakh pertains to MGNREGS.

10 DFO, Social Forestry Division Ranchi - ₹ 3.33 crore for the period May 2007 to March 2012 in Canara Bank A/C No.- 1642201001310 and Bank Of India A/c No. 490920110000305 ; BDO Chanho- ₹ 1.02 crore for the period February 2008 to March 2012 in Jharkhand Gramin Bank, Tangar and Choreya branch Chanho A/C No. C/D-2 and C/D-9; Minor Irrigation Division, Chaibasa, West Singhbhum, Punjab National Bank ₹ 34.82 crore; NREP Division, West Singhbhum- PNB, Chaibasa ₹ 26.20 crore in A/c No.1073000100143961.

11 BDO, Sadar (Palamu)- ₹ 11.08 crore (SBI A/C No. 30491133662).

Further, according to Rule 100 of Jharkhand Public Works Accounts (JPWA) Code, temporary advances are required to be given to subordinate officers (not below the rank of Assistant Engineers) against passed vouchers. Subsequent advances are to be sanctioned only after adjustment of the previous outstanding advances only.

During scrutiny we observed that the prescribed norms/codal provisions/operational guidelines regarding monthly squaring of accounts was not carried out uniformly in the test checked districts which resulted in several discrepancies in fund management as discussed in the succeeding paragraphs:

- Funds released to five implementing agencies[12] at Gumla and Ranchi districts were not accounted for properly and monthly squaring of accounts was not carried out. Scrutiny of the cheque register maintained by the divisions also revealed that MGNREGS fund of ₹ 18.04 crore was provided during 2007-12 to the divisions but no cash book was maintained by the concerned divisions. Only the cheque receipt and issue register were maintained. Besides, MIS also revealed that a sum of ₹ 1.07 crore was received in the Forest East Division, Ranchi in the year 2010-11 on account of miscellaneous fund including interest but the same was not found in the divisional records. Pass-books and up-to-date bank reconciliation statements were not produced to audit. Further, out of ₹ 18.04 crore a sum of ₹ 11.63 crore was advanced during the period 2007-12 to Range Forest Officers (RFOs) of the aforesaid mentioned divisions as temporary advance to execute works under MGNREGS, without recording the same in the cash book.

  This was in contravention of the above rule, as subsequent advances were granted by the divisions[13] without demanding adjustment vouchers from the RFOs for previous advances.

  On this being pointed out, the DFOs replied that adjustment of advances would be done after the receipt of adjustment vouchers (May 2012).

- In three line departments[14] ₹ 16.59 crore was provided as temporary advance to 10 JEs during 2007-12 for MNREGS works. The amount remained unadjusted (July 2012) even after delays ranging between two and seven years. Executive Engineer, NREP Division stated (August 2012) that detailed enquiries were under progress against the concerned JEs for recovery of advances. In case of Zila Parishad, West Singhbhum FIRs were lodged (August 2011) against three JEs for recovery of advances.

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[12] Forest East Division, Ranchi and Social Forestry Division Ranchi- ₹ 12.79 crore, Gumla Forest Division, Gumla ₹ 4.11crore, DFO Afforestation, Ranchi- ₹ 0.63 crore, DFO, Wild life Division, Ranchi-₹ 0.51 crore.

[13] Forest East Division, Ranchi and Social Forestry Division Ranchi, Gumla Forest Division, Gumla, DFO Afforestation, Ranchi, DFO, Wild life Division, Ranchi

[14] MESO and Zila Parishad of West Singhbhum, NREP Division, Gumla

- In Zila Parishad, West Singhbhum a sum of ₹ 30.03 crore was shown adjusted against advance of ₹ 31.68 crore during the period 2007-11. Adjustment vouchers and concerned measurement books for ₹ 30.03 crore were not produced to audit. The Chartered Accountant also certified on the cash book dated 24 October 2011 that no supporting vouchers and measurement books were furnished to him for verification. Hence, the possibility of misappropriation of funds cannot be ruled out.

- As per Rule 93 of JPWA Code the disbursing officer should check all the entries in the cash book as soon as possible. The cash book should be signed by him at the end of the month and such signature should ensure that all the entries were accurate including the closing balance. In NREP-II division Ranchi, closing balance on 31 May 2011 was ₹ 3,28,06,401.75 which was reduced to ₹ 3,20,72,871.58 in the opening balance of 21 June 2011.

Opening and closing balances in the cash books had been altered without recording any reasons in the cash books

Similarly, the closing balance as on 21 June 2011 was ₹ 3,20,72,871.58. However, though no transactions were made between 22 June 2011 and 30 June 2011, the opening balance as on 1 July 2011 was reduced from ₹ 3,20,72,871.58 to ₹ 1,16,53,681.33. The circumstances under which the sum of ₹ 2,04,19,190.25 was reduced from the cash book without any adjustment of vouchers could not be ascertained by audit. As such possibility of misappropriation of ₹ 2.12 crore (₹ 2,04,19,190 + ₹ 7,33,530) due to alterations in the cash book cannot be ruled out.

On this being pointed out in audit, the EE accepted (March 2012) the observation and stated that without actual adjustment, the amount in the cash book was reduced on the basis of the Chartered Accountant's certificate. However, adjustment will be made in future.

The reply of the EE was not in order as no measurement books were produced to audit and without getting the vouchers reducing the amount in the cash book was highly irregular. Hence, possibility of manipulation in cash book in future also cannot be ruled out.

- In Bharno block of Gumla district, ₹ 5 lakh was advanced to 20 beneficiaries for 20 schemes (at the rate of ₹ 25,000 per schemes) for completion of the works within three months[15] during 2007-08 and the same was treated as final expenditure.

  We noticed that all these schemes were incomplete (June 2012). Action to recover the advances was however, not taken by the competent authority. Thus, misappropriation of Government money could not be ruled out. BDO, Bharno accepted (June 2012) the fact and stated that necessary legal action would be initiated to recover the amount.

[15] 20 October 2007 to 31March 2008

- In Sisai block, Gumla during test check of the cash book we noticed that ₹ 1.86 lakh was drawn on self cheque by the BDO and in the names of two block personnel[16] between April 2008 and August 2009. However, neither was the amount entered in the advance register nor were any vouchers in support of the payment maintained.

  Similarly, in Bharno block, ₹ 27.07 lakh was drawn through 45 cheques in favour of beneficiaries, committees, bank, post office and Large Area Multipurpose Societies (LAMPS) between November 2007 and October 2011 for construction of ponds, wells and roads etc. However, no vouchers in support of the payments made were available with the block. As such, misappropriation of Government money cannot be ruled out.

  On this being pointed out, the concerned BDOs stated (June and July 2012) that necessary action will be taken and the concerned officials will be asked to furnish the vouchers.

  Thus, in absence of proper accounting of funds in accordance with the procedure defined under the scheme guidelines, scheme funds are at the risk of being misappropriated.

4.1.8 Other irregularities in financial management

During audit we noticed other instances of financial irregularities which are discussed in the succeeding paragraphs:

- In Zila Parishad, West Singhbhum, an amount of ₹ 1.07 crore was irregularly advanced (September 2008) to four Junior Engineers[17] (JE) posted in another division[18] by the then Executive Engineer, Rural Development Special Division, Chaibasa who had additional charge of the post of District Engineer. These schemes were not even administratively approved by the DPC, West Singhbhum. On this being informed by the district, MGNREGS Commissioner, Jharkhand ordered (October 2008) to recover penal interest from the concerned JEs besides initiating departmental/criminal proceedings against them.

  We noticed that out of ₹ 1.07 crore, cheques amounting to ₹ 63 lakh (related to two JEs) could not be encashed. The remaining cheques amounting to ₹ 44 lakh were however got encashed by the two JEs (Anjani Kumar and Satish Prashad) on 26 September 2008 which were refunded by them after a delay of 35 to 640 days without penal interest of ₹ 1.16 lakh. Thus, neither was penal interest recovered from the two JEs nor was any departmental/criminal proceedings initiated (June 2012).

- As per Jharkhand Financial Rules 2001, materials above ₹ 15,000 are required to be procured by inviting tenders. In Zila Parishad, West Singhbhum, an estimate of ₹ 12.51 lakh for furnishing of a conference hall in Collectorate building was prepared in January 2009. DPC accorded

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16 John Khalkho, Cashier (Nazir), Md Husain Khan, GRS
17 Anjani Kumar, Satish Prasad, Satrughan Singh, Anil Kumar Srivastava
18 RDSD, Chaibasa, West Singhbhum

(February 2009) Administrative Approval and provided an allotment of ₹ 12.52 lakh. The work was allotted to the JE in February 2009.

We noticed the following irregularities:

- There was no provision in MGNREGS for furnishing of conference hall from MGNREGS fund.
- The estimate was prepared in January 2009 and AA was accorded in February 2009. However, supply of different furnishing material along with electrical works was made in December 2008 itself.
- Supply of material, furnishing work and electrification was carried out by M/s. Sunrise Roadlines Construction Division, Chaibasa. However no records relating to selection of agency by inviting tenders were produced to audit.
- Bills were neither passed for payment by the competent authority nor were payment certificates recorded in any of the bills.

4.2 Conclusion

Budget estimation under MGNREGS was defective due to unrealistic preparation of labour budget by DPCs. The State was deprived of Central share owing to slow pace of expenditure by the districts. Funds provided under the Scheme to DPCs were not fully utilised. There was delay in release of State share by the State Government. Though the notification for establishment of the SEG fund was issued (August 2009) by the Government, it became operational only in March 2012. Further, SEGF was not created in any of the test checked Blocks and GPs. SGRY and NFFWP funds were not merged with MGNREGS funds. Various deficiencies viz. diversion of fund, loss of interest due to parking of funds in non-interest bearing accounts, non adjustment of advances, alteration of figures in cash book, etc. were observed. The Government could not ensure adherence to the prescribed financial norms/provisions of guidelines of monthly squaring of accounts as a result of which transparency and accuracy in management of scheme funds suffered.

4.3 Recommendations

- Preparation of realistic labour budget at the district level should be ensured;
- Monthly squaring of accounts should be ensured at different levels to maintain financial accountability and transparency; and
- Strict financial discipline in utilisation of scheme funds should be enforced.