

As mentioned, the two main objectives of the Act were to provide 100 days of wage employment to every rural in need of such employment and to create durable assets to strengthen the livelihood resource base of the rural poor. To ensure this, the Act and the Operational Guidelines prescribed a number of conditions for the works to be taken up viz:

- Planning for works from the GP level upwards;
- Proper estimation of works;
- List of priority-wise permissible works which could be taken up;
- Prescribed a wage : material ratio of not less than 60:40; and
- Use of contractors/machinery was prohibited.

In succeeding paragraphs findings relating to execution of works under the scheme have been discussed.

Audit findings

6.1 Execution of works without plans

Annual Plan is a working plan that identifies the activities to be taken up on priority in a year. Works under MGNREGS were to be executed on the basis of annual plans approved by the *Panchayats*.

Audit observed that 11 test checked districts¹ executed works of rural connectivity without including them in the annual plans. The year-wise break-up of works targeted and executed there against is as below:

Table 6.1: Year-wise breakup of works

Year	Rural Connectivity Works targeted	Rural Connectivity Works completed	Excess works executed
2007-08	27.79	80.86	53.07
2008-09	63.74	199.83	136.09
2009-10	53.44	112.03	58.59
2010-11	120.15	223.83	103.68
2011-12	15.86	69.20	53.34
Total	280.98	685.75	404.77

(₹ in crore)

The State Government stated (January 2013) that rural connectivity works were executed in excess of approved labour budget keeping in view the priorities and needs of the *GPs*. Further, change in decisions during open meetings of *Gram Sabha* resulted in variations in number of works executed.

¹Azamgarh, Balrampur, Kushinagar, Barailly, Moradabad, Sitapur, Lucknow, Rampur, Gonda, Jalaun and Varanasi.

The reply was not acceptable as only the works approved in annual plans were to be taken up. Adhocism in execution of works runs the risk of rendering the entire Annual Plan exercise irrelevant and futile.

6.2 Execution of unapproved works

As per paragraph 6.4.1 of the Guidelines, the funds under MGNREGS were to be spent on the works which have been administrative approved and technically sanctioned by the competent authorities. However, Audit observed that 237 works were executed in seven test checked districts by incurring an expenditure of ₹ 13.25 crore during 2007-12 which were neither administratively approved nor technical sanction obtained from the competent authority. District wise details of such unapproved works is given in the table below:

Table 6.2: Execution of works without Administrative/Technical Sanctions

Sl. No.	Name of District	Name of GPs/KPs/ZPs	No. of works	Amount (₹in lakh)
1.	Bareilly	KP-Bhadpura (05 GPs)	9	7.49
2.	Ghaziabad	KP-Moradnagar (01 GP)	1	0.32
3.	Gonda	KP-Babhanjot (03 GP)	6	0.71
4.	Kushinagar	ZP Kushinagar	202	1,281.67
5.	Moradabad	KP-Bahjoi, Bilari and Moradabad (07 GP)	15	29.30
6.	Sultanpur	KP-Bhadaiya	1	0.31
7.	Unnao	KP-SikandarpurKarn (01 GP)	3	5.23
Total	7 districts	6 KPs, 17 GPs, 1 ZP	237	1,325.03

The State Government stated (January 2013) that each muster roll contains work identification number before handing them over to the functionaries and the identification number can be generated only after administrative and financial sanction of a work. Since MIS feeding of these muster rolls was not effectively done, some work executed without administrative and financial sanctions were not able to be monitored.

The State Government needs to ensure that the works not sanctioned are not executed as it vitiates the entire administrative process.

6.3 Sanctions on inflated estimates

MGNREGS guidelines provided preparation of realistic estimates. However, Audit noticed that estimates were not realistic and there was a wide difference between the actuals on these works and the estimated expenditure. In 170 test checked GPs of eight districts, there was a difference of ₹ 6.75 crore between the actual and the estimated expenditure during 2007-12. The district wise details of works executed, amount sanctioned and actual expenditure is given below:

Table 6.3: Works executed on the basis of inflated estimates

Sl. No.	Name of district	No. of GP	No. of Works	Sanctioned Amount	Actual Expenditure	Inflated Estimate
1.	Allahabad	29	176	2.66	1.25	1.41
2.	Bareilly	30	155	2.10	1.27	0.83
3.	Ghaziabad	08	28	0.37	0.19	0.18
4.	Gonda	30	195	4.13	2.17	1.96
5.	Jalaun	17	37	0.77	0.33	0.44
6.	Sultanpur	28	131	2.52	1.20	1.32
7.	Unnao	09	20	0.58	0.31	0.27
8.	Varanasi	19	79	0.85	0.51	0.34
Total		170	821	13.98	7.23	6.75

The State Government stated (January 2013) that estimates were prepared in excess of actual works due to provisioning for additional work which may be required during execution and also attributed it to the payment of 0.5 per cent of the estimated cost of works to TAs.

Reply is not in consonance with the guidelines, because if any additional work is to be taken up, the same should be approved by competent authority and not built into work's estimates. Material should also not be procured in excess of requirement of the approved works. This also indicates a lack of technical expertise while planning and estimating the works.

6.4 Execution of low priority works

Schedule-I of the Act has prescribed eight works in order of priority for execution. As per this schedule, the highest priority was to be given to 'water conservation and water harvesting' works and the lowest priority to the works on rural connectivity.

However, audit observed that 5.56 lakh works (35.75 per cent) out of 15.55 lakh works executed during 2008-12 were lowest priority works i.e. work of rural connectivity. Water conservation works (1.42 lakh works representing 9.16 per cent) was fourth in the list of executed works. At the level of GPs, the percentage of execution of lowest priority works ranged between 12 and 79 per cent during 2007-12. It was also observed that the ZP, Kushinagar, during 2008-11, executed 404 works of lowest priority valuing ₹ 21.75 crore (out of 425 works valuing ₹ 23.13 crore) which represented 94 per cent in terms of number and cost both.

In reply, the State Government stated (January 2013) that the works have been executed keeping in view the needs and honouring the basic structure of the scheme which gives the GPs the prerogative to decide upon the projects to be taken up.

The reply was not convincing as the priorities fixed in the guidelines were not observed thereby compromising the objective of creating durable community assets.

6.5 Execution of inadmissible works

Construction of earthen roads

MGNREGS guidelines stipulated that non-durable assets like earthen roads, should not be taken up as these do not provide all weather access to rural habitations. However, Audit observed that 2,265 earthen road works (valuing ₹ 15.60 crore) out of 8,900 works in 405 GPs of 18 test-checked districts were executed during 2007-12. The district-wise earthen roads constructed are tabulated below:

Table 6.4: Construction of earthen roads

Sl. No.	Name of districts	No. of GPs	Total No. of works executed	No. of earthen works	Amount (₹ in lakh)
1	Azamgarh	30	878	324	133.97
2	Bulandshahar	26	451	145	60.77
3	Bareilly	30	299	157	109.85
4	Gonda	30	292	109	110.80
5	Unnao	30	1,102	228	221.61
6	Moradabad	30	891	112	96.88
7	Allahabad	20	287	32	12.33
8	Sitapur	28	1,090	118	125.04
9	Ghaziabad	9	178	23	18.99
10	Banda	18	180	36	93.66
11	Rampur	10	491	101	68.72
12	Balrampur	18	677	177	87.84
13	Kushinagar	25	300	58	50.09
14	Varanasi	20	444	268	74.21
15	Chitrakoot	9	250	15	34.06
16	Lucknow	20	660	277	202.07
17	Sultanpur	23	230	50	23.05
18	Jalaun	17	200	35	35.59
Total		393	8,900	2,265	1,559.53

The State Government stated (January 2013) that good quality earthen roads could be used as all weather roads.

The reply is not convincing as this work is inadmissible under the Guidelines.

Other inadmissible/improper works

Works like construction of large bridges, distribution of plants, beautification of ponds, etc. was inadmissible under the scheme. However, Audit noticed that 272 inadmissible/improper works (valuing ₹ 10.26 crore) out of 4,212

works were executed during 2008-12 in the 10 test checked districts. The district-wise details are given in table below:

Table 6.5: Execution of other inadmissible/improper works

Sl. No.	Districts	No. of GPs/ KPs/ LDs	Total no of work executed	No. of inadmissible works	Amount (₹ in lakh)	Works executed
1	Azamgarh	14 GPs	455	15	7.52	Distribution of plants
2	Gonda	3 GPs and 2 KPs	528	54	185.79	Interlocking works
3	Kushinagar	Zila Panchayats	425	08	254.00	Bridges of more than 15 metre length.
4	Moradabad	2 GPs , 01 KPs	37	3	5.07	Earth filling in school/ temple, model pond
5	Rampur	9 GPs, 01 KPs	239	9	27.57	Purchase of plants
6	Sultanpur	1 KPs, 1 Line Department	24	12	71.13	Inter-locking works
		18 GPs, 3 KPs	295	28	70.23	Construction of ponds without inlet/outlet
7	Unnao	20 GPs, 2 KPs	1102	93	278.26	Ponds beautification (model ponds)
		2 GPs		2	5.50	Construction of seven shops on lands of SC beneficiaries
8	Varanasi	10 GPs, 2 KPs	444	35	81.04	Use of spun pipes in drainage work blocking source of recharge.
		4 GPs		4	4.42	Ponds constructed without inlet/ outlet.
9	Lucknow	2 GPs	660	6	12.14	Mid-day meal sheds in Primary School
10	Chitrakoot	ZP	03	3	23.60	Drains in Kashi Ram Awaas Yojna
Total		84 GPs , 12 KPs 2 ZPs and 1 Line Department	4,212	272	1,026.27	

The State Government accepted (January 2013) that interlocking works would not be executed in future, inlet/outlet would be ensured in construction of ponds, inquiry would be conducted regarding earth filling works, and in case of defalcation, recovery would be made from the concerned. About construction of bridge more than 15 metre length, it was stated that action has been taken against erring officials and construction of model ponds with bench, boring and boundary wall has been disallowed.

Thus, the Government accepted the audit observations. However, no documents were produced in support of these assertions and the outcomes need to be watched in audit.

6.6 Physical verification of completed works

Joint physical verification of works in test checked eight *GPs* of Balrampur, Bareilly, Kushinagar and Moradabad districts revealed that the works of installation of hand pumps, construction of tree guards, plantations, construction of roads in full length, laying of hume pipes, construction of culvert, installation of gate and fencing wire in pond etc., on which ₹ 7.21 lakh was spent, were not executed, though shown completed in records (*Appendix-XI*). Audit also noticed that 3.85 lakh plants (cost: ₹ 4.85 lakh) were distributed to villagers for plantation during June 2008 to February 2009 in 11 test checked *GPs* in Azamgarh district. The distribution of plants was not permissible under MGNREGS. Further, the sites of plantations could also not be shown to audit during site inspection.

The State Government accepted the aforesaid audit observations for three districts (Balrampur, Kushinagar and Moradabad). However, documentary evidence with regard to plantation sites by district Bareilly was not produced to audit and also not attached with the reply. Regarding distribution of plants in Azamgarh district the State Government replied that no public place was available and hence plants were distributed to people for plantation in the open area of their houses.

The reply was not in accordance with the guidelines as the scheme did not provide for distribution of plants.

6.7 Incomplete/abandoned works

Financial Rules provided for adhering to the prescribed time-schedule and cost of work as per the estimate and any variation in time and cost should be approved by the competent authority. Audit noticed various irregularities in work execution in this regard.

Abandoned works

In two test checked districts, 19 works were abandoned due to lack of planning after incurring an expenditure of ₹ 18.19 lakh during 2008-12. The details are given in the table below:

Table 6.6: Abandoned works

Name of District	Number of PRIs and line Department	Number of works abandoned	Nature of works executed	Amount (₹ in lakh)
Chitrakoot	GP-1(Karvi Block)	1	BW/Kharanja work	1.08
Sultanpur	Zila Panchayat	18	EW/Soling	17.11
Total		19		18.19

Incomplete works

In four test checked districts, 51 works were incomplete due to non-adherence of prescribed time schedule even after incurring an expenditure of ₹ 1.76 crore during 2008-12. The details are given below:

Table 6.7: Incomplete works

Name of District	Number of PRIs	No of incomplete	Nature of works executed	Amount (₹ in lakh)
Azamgarh	GP-4	5	Brick soling	3.80
	KP-1	2	Pakki Nali	1.60
Bareilly	ZP	5	EW/Khajanja work	12.26
Kushinagar	ZP	28	Pullia, Approach and Mitti Karya	146.78
Moradabad	GP-4	4	Mitti Bharai work	2.73
	ZP	7	Khadanja, Nali	8.64
Total	8- GP, 1- KP and 3- ZP	51		175.81

In reply, the State Government submitted (January 2013) vague replies for incomplete and abandoned works viz. instruction had been issued to complete the works, works had been executed as per demand of work, no additional budget was demanded, and funds allocated had been refunded. The replies are not relevant to the audit observations.

6.8 Procurement of material

The State Government did not prescribe a procedure for purchases as was required under the Guidelines. Further, the existing procedure as per the Financial Handbook, Vol. VI of the State Government was also not followed. Resultantly ad hoc procedures were followed by different functionaries thereby denying the Government the benefits of competitive rates as is evident from the instances noticed in audit and discussed below:

In Sitapur district, construction material costing ₹ 45.16 lakh in GPs under Hargaon KP, ₹ 57.07 lakh in GPs under Persendi KP and ₹ 2.15 lakh in GPs Angoi under Machhrehata KP were procured without any tender/quotation formalities.

No specific reply was furnished to audit.

6.9 Irregular deduction of royalty

State Government ordered (May 2010) that the royalty for digging of earth for MGNREGS works would not be deducted. However, Audit noticed that royalty amounting to ₹ 41.60 lakh, ₹ 3.97 lakh and ₹ 49.26 lakh (total ₹ 94.83 lakh) were deducted (2008-12) by Zila Panchayat, Unnao, Public Works Department, Sultanpur and Zila Panchayat, Kushinagar respectively on digging of earth for MGNREGS works. The amounts so deducted (₹ 94.83 lakh) were deposited in Government account.

The State Government stated (January 2013) that action was being taken for depositing back the royalty in Unnao and Kushinagar districts. In Sultanpur district audit observation was not accepted.

However, documentary evidence regarding non-deduction of royalty after May 2010, was neither produced during audit nor attached with the reply.

6.10 Payment of wages

The Scheme commenced with a daily wage rate of ₹ 58 which was enhanced to ₹ 80 with effect from 23 May 2007 and to ₹ 100 with effect from 1 August 2007. It was further increased to ₹ 120 with effect from 1 January 2011. As per guidelines, attendance of workers was to be recorded on daily basis and payments be made at prescribed rates after measuring the works. However, Audit observed:

- In 17 GPs, 6 KPs (District: Azamgarh, Kushinagar, Rampur and Sultanpur), 2 ZPs (District: Azamgarh, Banda) and one Line Department (District: Moradabad) the labourers were paid wages at lower rate during May 2007 to March 2011 resulting in short payment of wages amounting to ₹ 4.50 lakh.
- In GP Shambhupur of Azamgarh district, the labourers were paid wages at higher rate (April to June 2007), resulting into excess payment of ₹ 62,000.
- In GP Baijuapur and Bani of Balrampur and Sultanpur districts respectively, 108 labourers with similar name and Bank account numbers were engaged twice at the same or different works during the same period resulting into fraudulent payment of ₹ 62,000.
- In 11 test checked GPs of district Rampur and one GP of district Moradabad wages were paid before or without measuring works resulting into irregular payment amounting to ₹ 22.29 lakh.
- In GP Gazipur, 62 labourers were deployed for digging of pond in Vabhanpura Pohari Bava from 2 April 2008 to 31 April 2008 while the month of April happens to be of only 30 days. This indicates at the possibility of fraudulent payment.

- Receipt in support of payment made in cash was being obtained on the relevant muster rolls upto August 2008. In four test checked *GPs* of Azamgarh and Balrampur districts, ₹ 4.46 lakh was paid in cash through muster rolls but no signature or thumb impression was obtained from the labourers in token of receipt of payment. This again indicates at the possibility of fraudulent payments.

In reply, the State Government stated (January 2013) that the short payment of wages in concerned districts was due to late receipt of Government orders regarding wage revision. Regarding payment at higher rate in *GP* Shambhupur of Azamgarh, it was stated that on demand of labourers, the payments were made at current rate of ₹ 100 per day. No replies were furnished regarding the other instances detailed above for the *GPs* of Azamgarh, Balrampur, Gonda, Rampur and Sultanpur districts.

6.11 Wage-material ratio

As per the Guidelines of MGNREGS, the cost of material component of projects including the wages of skilled and semi-skilled workers was not to exceed 40 *per cent* of the total cost of the project.

In all *GPs* and *KPs* of 18 test checked districts, the material component was more than the prescribed limit of 40 *per cent* during 2009-12 (*Appendix-XII*). Consolidated year wise details of expenditure incurred in *GPs* and *KPs* of test checked districts on excess material component are given below in Table:

Table 6.8: Excess expenditure on material component

Year	Excess material component in <i>GPs</i> (₹ in crore)	Excess material component in <i>KPs</i> (₹ in crore)	Total (₹ in crore)	Short generation of mandays (In crore)
2009-10	45.87	8.84	54.71	0.55
2010-11	18.24	22.72	40.96	0.41
2011-12	3.52	5.33	8.85	0.07
Total	67.63	36.89	104.52	1.03

Thus, a sum of ₹ 104.52 crore was incurred on material component in excess of the prescribed limit resulting into concomitant short generation of 1.03 crore person days of employment at the rate of ₹ 100/120 per day prevailing in the year concerned. Further, this amount should have been made good from the budget of the State Government as per the scheme guidelines.

The State Government did not furnish any reply to this observation.

6.12 Elimination of bogus/duplicate works

With a view to eliminating bogus/duplicate works, the guidelines provided for allotting Unique Identity (UID) Number to each work. The other checks included taking photograph at beginning, during and after completion of the works and worksite boards showing dates of their commencement/completion

etc. However, physical verification revealed the followings, indicating possibility of bogus/duplicate works:

- No UID numbers were allotted to 1,199 works (₹ 13.36 crore) which were executed during 2007-12 before issuance of muster rolls for these works in 10 test checked districts (*Appendix-XIII*).
- No photographs before commencement, during execution and after completion of works were taken/found attached with the concerned files of 2,169 works (₹ 27.08 crore) in 267 test checked GPs of 12 districts (*Appendix-XIV*).
- No work site boards were provided for 3,599 works (₹ 42.41 crore) in 436 test-checked GPs (*Appendix-XV*).

The State Government, while accepting the deficiency in eleven districts, stated (January 2013) that with the issuance of E-muster rolls the shortcomings would be negligible in future. Regarding works without three stage photographs and worksite board it stated that the monitoring was done and instructions had been issued for ensuring their 100 *per cent* compliance.

6.13 Project completion report and handing over of works

As per the Guidelines, a Project Completion Report (PCR), a photograph of the work completed and a Social Audit Report should be placed in the file of the concerned work. However, Audit noticed that project completion report of 3,091 works (₹ 38.22 crore) which were physically verified in 363 test-checked GPs of 16 test-checked districts, were not available in the concerned files. In 3483 works (₹ 43.91 crore) of 17 districts there was no record of the Vigilance and Monitoring Committee (VMC)/social audit reports. Further, 4,242 works (₹ 51.48 crore) executed (2007-12) in 444 test-checked GPs were not handed over to the user groups as of March 2012.

The State Government stated (January 2013) that the instructions had been issued again for maintenance of PCRs. Regarding VMC/social audit reports of works, instruction had also been issued for compliance in future.

6.14 Worksite facilities

The implementing agencies were to provide the facilities such as medical aid, drinking water, shade etc at the worksites. A survey of 3,400 beneficiaries² in audit in 13 test checked districts revealed that no such facilities were provided in the majority of the cases. Moreover, in 167 GPs of eight test checked districts (Allahabad, Azamgarh, Balrampur, Bareilly, Chitrakoot, Ghaziabad, Moradabad, Rampur) cost of tools was not provided to the laborers. This indicated that the labourers were deprived of the mandated facilities.

²Information in respect of remaining 5 test-checked districts (Balrampur, Chitrakoot, Kushinagar, Sultanpur and Varanasi) could not be customized.

The State Government did not furnish any convincing reply.

6.15 Other interesting points

- A recharge drain, constructed (2009-10) at a cost of ₹ 3.20 lakh in G P Gosaipur Mohav of district Varanasi was dismantled subsequently as it was constructed without the requisite permission of PWD, rendering the expenditure unfruitful.
- DPC, Chitrakoot released (May and June 2007) ₹ 1.56 crore to the Uttar Pradesh Cooperative Construction and Development Limited, Karvi, Chitrakoot for construction of 21 ponds at an estimated cost of ₹ 1.85 crore (revised). This was in violation of the scheme guidelines which prohibited engagement of contractor/agencies for execution of works. In preliminary report of the technical committee, the works amounting to ₹ 91 lakh was found executed as of July 2010. The district authorities ordered (November 2011) for recovery of balance amount (₹ 65 lakh) from the agency. However, the amount was lying unrecovered (March 2012).
- As per State Government orders³ (July 2003) the survival of the plants in 5th year of plantation should not be less than 65 *per cent*. However, Audit observed that the survival percentage of the plants at the end of 2011-12 in test checked 30 *GPs* of three *KPs* (Bhadaiya, Dostpur and Dubepur) of Sultanpur district was only six *per cent*. An expenditure of ₹ 9.74 lakh was incurred on their plantation and their tree guards. Besides, in 30 *GPs* of three *KPs* (Hilauli, Sikandarpur Karn and Auras) of Unnao district, no records were produced for verification by audit regarding their plantation and supply of tree guards (expenditure: ₹ 22.25 lakh) indicating at either wasteful or fraudulent expenditure.
- In *KP* Bahjoi, district Moradabad, plantation work in the park was executed (2008-09) at an expenditure of ₹ 2.24 lakh through a private nursery on contract basis in violation of MGNREGS guidelines. As a result no wage employment was generated.

6.16 Conclusion

The works were executed without they being included in the annual plans and numerous works were taken up without the requisite administrative approval and technical sanction. The estimates of works were also not realistic. The priority in execution of works as prescribed in the Guidelines was not adhered to. The highest number of works executed pertained to rural connectivity rather than water conservations and water harvesting as envisaged in the guidelines. Inadmissible works such as earthen roads were also executed. Besides, neither the rules for procurement of material under the Scheme were prepared as required nor the extant purchase rules followed. There were also

³ Principal Secretary (Forest) Govt. of UP order dated 10 July 2003.

cases of excess and short payment of wages and disproportionate wage and material ratio. Thus nearly all the salient features of the Operational Guidelines with regard to works and their execution were found to be flouted to varying degrees in the State.

6.17 Recommendations

- The Government should ensure that only admissible works should be executed as per the priority fixed in the guidelines and after due incorporation in the annual plans.
- The Government should prescribe procurement procedures for the MGNREGS or alternately stringently enforce the application of extant financial rules in this regard.