

Executive Summary

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Productive absorption of under employed and surplus labour force of the rural sector had been a major focus of planning for rural development. In order to provide direct supplementary wage-employment to the rural poor through public works, many programmes were initiated in the country. The situation of unemployment was compounded by the absence of any social security mechanism. There was, therefore, an urgent need to ensure at least some minimum days of employment in the shape of manual labour to every household in the rural areas. Recognising the urgent need to ensure certain minimum days of wages employment, Government of India (GoI) passed (September 2005), National Rural Employment Guarantee Act (NREGA) with a legal guarantee by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members were ready to do unskilled manual work. The other objective of the NREGA was to create durable assets, to ensure that there is a source of livelihood for the economically weaker section of the population to proactively include the weaker section of society and also aims at strengthening of Panchayati Raj establishments across India. The scheme of NREGA was known as National Rural Employment Guarantee Scheme which was rechristened (October 2009) as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). It is a centrally sponsored scheme implemented on a cost sharing basis between the GoI and the State Government. The State Government also bears the total expenditure of delayed payment of the wages to the workers, unemployment allowance and administrative expenses of the State Employment Guarantee Council (SEGC).

Punjab is a rural area dominated State. Out of total area of 50,362 square kilometre, 48,265 square kilometre of area was under rural category. Similarly, 62.52 *per cent* of the population was rural population. Agriculture is the mainstay of the rural population and rural work force was dependent on crop seasons for work. MGNREGS can be implemented effectively in the State by synchronising the demand of work by the said labour.

The United Nations' member states jointly committed (September 2015) to the Sustainable Development Goal (SDG)-1 and 2 which seek to end poverty in all forms everywhere and to end hunger, achieve food security and improved nutrition. To that extent, this scheme supports these SDG goals.

The PA was conducted during July 2021 to April 2022 by covering the period of 2016-2021 by test checking the records of Joint Development Commissioner-cum-Commissioner (MGNREGS), Punjab. In this PA out of 22 districts, six districts, 12 Blocks (two blocks from each selected district), and 120 GPs (10 GPs from each selected blocks) were selected by adopting

statistical sampling method i.e. Stratified Random Sampling on expenditure basis through IDEA software. Besides, 1,200 beneficiaries were also selected randomly to conduct beneficiaries' survey. In the selected GPs, 1,573 works were completed during 2016-2021, out of which, 551 works were selected for physical verification and audit examination.

Audit examined the planning process for implementation of the scheme; the allocation, release and utilisation of funds earmarked for the scheme; implementation of the scheme and the achievement of the relevant Sustainable Development Goals; and the monitoring, internal control and grievance redressal mechanism.

Audit noticed that planning was from top to down. Assessment of demand had not been done through door-to-door and baseline surveys. The Labour Budget prepared, was not realistic in nature. Department, therefore, had resorted to calculating the demand taking budget as the basis. The approved budget was then distributed down to the districts and the Gram Panchayats. Development Plans were not prepared at GP level and convergence works were not proposed by the GPs. Rather, these were allocated at the block level. District Perspective Plans were not prepared despite requirements. There were deficiencies in issuing and updation of Job Cards. IEC activities and *Rozgar Diwas* were not conducted to spread awareness about the Scheme.

Funds were released with delays ranging between three and 304 days with an average delay of 87 days. Though the scheme is for giving employment to those, in need of daily wages; non-payment of wages defeated the very objective of the scheme. Further, harassment of vendors cannot be ignored as well, as the payments due to vendors was running into crores for each year. There was no provision made for compensating the workers for delay in payment of wages. Policy for payment of unemployment allowance was not formulated. There were variations between the NREGASoft data and the certified financial accounts. It was noticed that expenditures were irregularly incurred on maintenance of old vehicles, civil works and on other items which were not covered under the scheme. Convergence works were decided and marked as convergence by the POs and no discussion was held in Gram Sabhas. In this scenario, whether the works were convergence works in the true sense or not could not be verified in audit. It could also not be verified whether other sector resources were substituted by MGNREGS resources. Many of the works taken up were lying incomplete. The mandatory records like Measurement Books and Muster Rolls were not maintained and the NREGASoft system lacked necessary application control to prevent system override for making payments in the absence of validated data from MBs. Payments were seen to have been released though measurement were not recorded or incompletely recorded in the measurement books. It was seen that

expenditure was being booked against completed works as well. Work site facilities as envisaged were not provided in most of the cases. No verification of bills/vouchers was being done as envisaged. There were cases of non-observance of wage to material ratio of 60:40. The Department had done little to maintain transparency in release of payments for execution of works. In the absence of validation checks, persons were drawing wages on two job cards, simultaneously on different works. Physical verification of certain works revealed expenditure rendered unfruitful due to works lying incomplete or work lying in various states of disuse. One of the most glaring discrepancy noticed was that during 2016-17 to 2017-18, 28 and 19 *per cent* respectively of GPs did not generate a single person day of job.

The envisaged monitoring and steering of the scheme at the highest level of State Employment Guarantee Council (SEGC) was reduced to being a perfunctory exercise reducing accountability of Executive to the Legislature. The mechanism to be set up for monitoring and grievances redressal were dys-functional. In the absence of proper analysis of manpower requirements, initial records and registers were not maintained. These coupled with the lack of vigilance and monitoring, made the scheme most susceptible to misuse of funds and frauds. There was no assurance on faithful recording of demand and payment of wages defeating the objective of the scheme.

Recommendations:

In light of the audit findings, the Department needs to conduct baseline and door-to-door surveys, so that rights-based entitlement can be ensured to the eligible beneficiaries. The Department should ensure to adopt bottom to top approach in preparation of Labour Budget. MGNREGS, being a demand driven programme, requires the beneficiaries to be aware of their rights. Therefore, IEC activities need to be stepped up besides organising *Rozgar Diwas* on regular basis.

The Department may ensure that funds are released to the implementing agencies in time to avoid delay in utilisation of funds. It may be ensured that timely payment of due wages is made to the workers. The Department may take steps to resolve the issue of non-payment of unemployment allowance to the eligible beneficiaries. It may also take steps to ensure that the expenditure is not incurred on prohibited heads of expenditure.

The Department may ensure the updation of Job Cards to avoid the irregular expenditure from MGNREGS funds by making payment to deceased workers or to double job card holders in a single household. The Department may consider clearing the pendency of compensation for delayed payments to unskilled workers. The Department may prepare the estimates for works in a manner provided in the operational guidelines. All mandatory record may be

maintained to ensure transparency. The Department should prepare the estimates for works in a realistic manner after making proper analysis of requisite work.

The SEGC and the Department need to ensure intensive monitoring of the Scheme for proper implementation. The SEGC may consider undertaking a State level, comprehensive, independent evaluation of the Scheme. The Department should evolve a proper mechanism to conduct social audit of all the GPs and ensure the timely settlement of gaps raised in the social audit reports. The Department should reassess the manpower requirement and ensure that adequate number of staff with requisite skills are provided for the smooth functioning of the scheme. Record maintenance at all levels needs to be streamlined with sound mechanism of monitoring and funds release should be linked with proper maintenance/verification of records.