

Executive Summary

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About this Report

The performance audit of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in Uttarakhand has been carried out during 2024-25, covering the period 2019-24.

Why we have taken up this audit?

MGNREGS is a flagship initiative aimed at enhancing livelihood security in rural India by guaranteeing 100 days of wage employment annually to rural households. In Uttarakhand, where over 66 *per cent* of the population resides in rural areas, the scheme is critical for poverty alleviation and rural development, particularly in the hilly districts facing geographic isolation and economic disparities. This performance audit was undertaken to assess whether MGNREGS achieved its objectives of employment generation, asset creation and social security in Uttarakhand. In view of its importance as a flagship social welfare programme and the associated implementation risks, the evaluation focused on planning, financial management, registration and employment generation, asset creation, capacity building and monitoring mechanisms, with specific reference to compliance with the provisions of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005, and the Operational Guidelines, 2013.

What we have found?

During April 2019 to March 2024, the State utilised the fund of ₹ 3,638.95 crore out of available funds ₹ 3,647.21 crore. Wage employment was provided to 27.04 lakh Households (HHs). It created 11.56 crore persondays¹ with a wage payment of ₹ 2,340.06 crore. The State also created 3.42 lakh assets under the scheme on water harvesting, plantation, land development, rural connectivity, *etc.* during 2019-24. Out of 10.35 lakh to 11.84 lakh registered HHs in the State, annually 4.72 lakh to 6.54 lakh HHs were provided employment during 2019-24 at an average of 21 days per HHs per year.

The audit identified lapses in financial management and implementation of MGNREGS in the state. Delays in releasing Central and State shares to the State Employment Guarantee Fund (SEGF) led to an avoidable interest liability of ₹ 2.03 crore and an outstanding liability of ₹ 122.40 crore for wages and materials.

Operational Guidelines, 2013 mandates that each Gram Panchayat (GP) must conduct an annual door-to-door survey to identify eligible HHs that may have been overlooked and wish to be registered under the Act. Audit observed that none of the selected GPs conducted door-to-door surveys during the period 2019-24. The Job Card (JC) is a key document that records workers entitlements under MGNREGS. It legally empowers the registered HHs to apply for work, ensures transparency and protects workers against fraud. The application for JC may be given on plain paper to the local GP by the job seeker. Para 3.1.5 (i) stipulates that if a HH is found to be eligible for registration, the GP will, within a fortnight of the receipt of application, issue a JC to

¹ Persondays: number of employment days provided to HHs.

the HH. The application register for registration was not maintained in any of the test checked GPs. All entries in the JC should be duly authenticated by means of signature of an authorised officer. An analysis of the JCs of selected beneficiaries revealed that out of 200 JCs, 78 JCs (39 *per cent*) were found without photographs, and 50 JCs (25 *per cent*) had no updated information regarding the date on which work was done.

Planning deficiencies were evident, with Labour Budgets approved without grassroots consultation and baseline surveys not conducted, resulting in inaccurate demand estimation and gaps in convergence initiatives. Employment outcomes were unsatisfactory—only one to four *per cent* of households received the full entitlement of 100 days of work, and average financial benefits were significantly below targets. Many job card holders were denied employment even after making requests.

Systemic delays in wage disbursement were observed, with compensation for delays rarely approved and unemployment allowances not paid, despite statutory provisions. Implementation was hampered by non-maintenance of key registers, lack of mandatory surveys and deficient project execution—such as incomplete water harvesting structures and missing plantation components. Muster Rolls (MRs) contained doubtful entries, and original MRs were often unavailable post work initiation, raising concerns over wage disbursement accuracy.

As per Section 23(6) of the MGNREGA, the Programme Officer (PO) is required to maintain a complaint register and address complaints within seven days. Audit noticed that the complaint registers at the Dy. District Programme Co-ordinators (DPC) offices and in selected Blocks were not being maintained, which prevented the audit from verifying the number of complaints received and their disposal, thereby compromising accountability and the effectiveness of grievance redressal mechanisms.

The establishment of vigilance mechanisms was mandated at various levels for effective oversight of MGNREGA implementation. These include:

- A State-level Vigilance Cell headed by a Chief Vigilance Officer (CVO).
- A District-level Vigilance Cell under the district authority.
- Vigilance and Monitoring Committees (VMCs) at the local level, constituted with Gram Sabha approval.

These bodies were tasked with receiving complaints, conducting regular field visits to identify irregularities, taking suo-moto action based on media reports and engaging with workers at worksites. The absence of vigilance cells at the state, selected district and at the village level, resulted in significant lapses in oversight.

The oversight mechanism was weak as the State Employment Guarantee Council (SEGC) did not function effectively. Key positions remained vacant, technical committees were absent and capacity-building measures were not undertaken reflecting a broader gap in compliance with MGNREGA mandates.

In the selected districts, the shortfall in conducting of social audit was ranging between 79 *per cent* and 99 *per cent*. Thus, the Department missed an opportunity to utilize the social audit mechanism to strengthen the implementation of the scheme for

the benefit of the intended beneficiaries. Further, Social Audit Units raised 88,915 audit observations during 2019-2024 for the entire state. However, the corrective measures were taken only in 52,173 (59 per cent) social audit observations. Amongst 200 beneficiaries surveyed, 193 beneficiaries (97 per cent) reported livelihood improvements, emphasizing the scheme's role in stabilizing and enhancing rural livelihoods.

Thus audit identified several key issues as discussed below which were hindering the smooth functioning of MGNREGS and need to be addressed to enhance its effectiveness.

- **Delays in Wage Payments:** Significant delays in wage payments were noticed, 1,232 MRs across 160 selected works revealed that payments for 411 MRs (33 per cent), involving 2,946 laborers, were delayed by four to 157 days.
- **Insufficient Employment Generation:** This often occurred due to poor planning, lack of sufficient work opportunities and delays in project implementation.
- **Lack of Awareness:** Many rural households, particularly in remote areas, remain unaware of their entitlements under MGNREGS. This lack of awareness leads to the underutilisation of the scheme and exclusion of eligible beneficiaries.
- **Non-maintenance of key registers, lack of mandatory surveys, deficient project execution**
- **Representation of Women:** Audit noticed that the out of total employment generated (11.56 crore persondays) in the state during 2019-24, representation of women was 6.48 crore persondays (56 per cent). In test checked districts, it ranged from 53 per cent to 74 per cent during 2019-24. Further, it was between 44 per cent and 60 per cent in test checked blocks of Almora district during 2019-24 and between 62 per cent and 78 per cent in test checked blocks of Tehri Garhwal district which is appreciable.

To ensure the continued success of MGNREGS, it is crucial to address these challenges. Streamlining administrative processes, improving transparency and ensuring better coordination between different government agencies can go a long way in enhancing the effectiveness of the scheme.

What do we Recommend?

In light of the audit findings, we recommend that:

1. *The State Government should empanel expert institutions to conduct baseline and annual door-to-door surveys in all Gram Panchayats (GPs) for demand estimation and for convergence initiatives. Annual Plan and Labour Budget should be prepared timely after ensuring a bottom-up approach.*
2. *Automated systems must be established for monitoring fund transfers and alerting on deadlines, ensuring timely payments and accurate fund utilization. Delay compensation to beneficiaries in NREGASoft should be automated.*
3. *Inconsistencies in muster roll (MR) issuance must be addressed. It should be considered that demand for work is met without artificial restrictions such as pre-marking attendance days or limiting employment to 100 days. Delays in wage payments should be addressed by ensuring that funds are available and*

disbursed within the prescribed time frame. Proper verification of MGNREGS works should be ensured through inspections, record checks and geotagged image validation.

- 4. The Department should ensure timely appointment of the State Employment Guarantee Council (SEGC) and District Level Technical Committee (DTC) to prevent gaps in its functioning. It should consider to appoint and operationalize State Quality Monitors (SQMs) and District Quality Monitors (DQMs) cells across all districts to ensure compliance with the prescribed inspection percentages.*
- 5. Social audits in all GPs should be conducted at least biannually, as mandated, and deviations from the guidelines addressed. The settlement of pending social audit observations and recoveries should be expedited and accountability for financial misappropriations ensured.*

Management Response

The Department in its reply accepted the audit observations/findings and ensured that it will issue consolidated guidelines to all districts to address the issues raised. The Secretary, RDD described the report “as valuable in strengthening the scheme moving forward”.