

Chapter II

Audit Framework

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2.1 Audit objectives

The objectives of the Performance Audit of implementation of MGNREGS in the State of Karnataka were to assess whether:

Planning process and financial management practices were adequately geared towards achieving the goals of the Act, while adhering to relevant rules and regulations.

Fair access to employment opportunities was achieved, as well as employment adequately generated, leading to social protection and livelihood security as envisaged.

Durable and useful assets were created and maintained in compliance with rules and regulations, while ensuring convergence with other programmes/schemes.

Appropriate and adequate monitoring, social audit and grievance redressal systems were in place and functioning as envisaged to achieve greater transparency and accountability.

2.2 Audit criteria

Audit criteria for evaluating the performance audit were derived mainly from:

- Mahatma Gandhi National Rural Employment Guarantee Act, 2005; Operational Guidelines, 2013; amendments thereto and Rules issued under the Act;
- Annual Master Circulars (AMC) issued by the Ministry of Rural Development (MoRD), GoI;
- Karnataka State Rural Employment Guarantee Scheme (as notified by State Government);
- Orders, circulars and instructions, Guidelines, *etc.*, issued by Government of India and the State Government;
- Karnataka Financial Rules and Karnataka Public Works Departmental Code (KPWD Code).

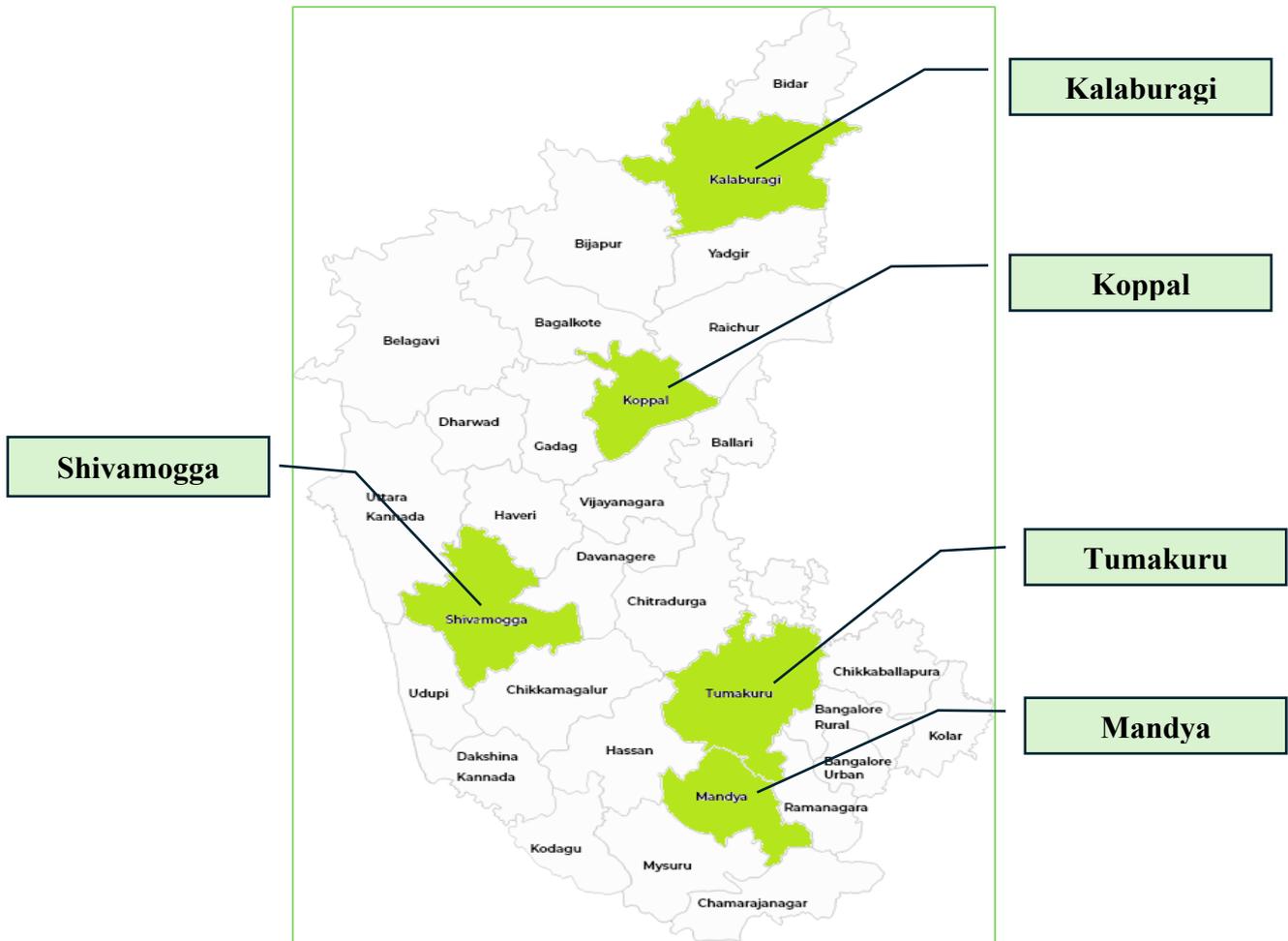
2.3 Audit scope and methodology

Field Audit was carried out between June and September 2024, involving scrutiny of records/documents at the Secretariat/Commissionerate, five selected Districts, 10 Taluks (two in each selected District) and 40 GPs (four in each selected Taluk) for the period from 2019-20 to 2023-24.

The sample was selected using stratified multi-stage sampling design *i.e.*, selection was at district, taluk, GP, works and beneficiary level. The sampling plan adopted is indicated in **Appendix 2.1**. Accordingly, the total sample size comprised 5 out of 31 districts (**Exhibit 2.1**), 10 taluks within the selected districts and 40 GPs within the selected taluks. This sample was approved by the Statistical Advisor on 03 July 2024. A total of 400 beneficiaries were surveyed and joint inspection of 400 works was conducted along with Departmental authorities during July to September 2024. The list of the selected districts, taluks and GPs is given in the **Appendix 2.2**.

Exhibit 2.1

Geographical presentation of district sample (5 out of 31 districts)



The Entry Conference was held with the Additional Chief Secretary to Government, RDPR Department (ACS) on 13 June 2024 wherein the audit methodology, scope, objectives and criteria were discussed. The audit methodology involved document analysis, responses to audit queries, Joint Physical Verifications (JPV) with department staff and collection of photographic evidence, wherever necessary. A beneficiary survey was also conducted with the help of a structured questionnaire designed to capture the perception of the

beneficiaries about the Scheme. The results of the Performance Audit were discussed with the ACS, RDPR in the Exit Conference held on 05 May 2025. Replies of the State Government received (May 2025) have been suitably incorporated in the Report.

2.4 Previous audit findings on MGNREGS

Performance audit of MGNREGS for the period from 2007-08 to 2011-12 was conducted during April to June 2012 and the findings were included in the Report of the Comptroller and Auditor General of India for the year ended March 2012 (Report No.7 of 2013 – Government of Karnataka).

The Committee on Local Bodies and Panchayat Raj Institutions discussed (June 2020 to March 2021) the Performance Audit Report and placed its Report (No.33) in the Legislature on 23.03.2021. As per the Report of the Committee, majority of the paragraphs were closed except three paragraphs wherein the cases were filed with the Lokayukta. Details of such paragraphs are given in **Appendix 2.3**. Current performance audit showed that similar omissions (irregular payment of wages, irregularities in muster rolls and execution of works) still persisted as detailed in Chapter-V.

2.5 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the State Government, Panchayat Raj Institutions (PRIs) and their officials at various stages for conduct of the performance audit.

2.6 Chapters

Audit findings are organised into four chapters:

- **Planning and Financial Management**
- **Employment Generation**
- **Execution of Works**
- **Monitoring, Social Audit and Grievance Redressal**