CHAPTER-IV

FINANCIAL MANAGEMENT

4.1 Financing in MGNREGS

The MGNREGS is a demand driven wage employment programme. Releases of Central Share (CS) of funds are based on the projection of labour demand in the agreed-to (between Central and State Government) labour budget. The Central releases are based on District/State specific anticipated labour demand proposals rather than on predetermined budget allocations.

In Chhattisgarh, the State Government bears the additional expenditure on 50 days' wages for unskilled workers, compensation for delayed payments of wages, unemployment allowance, and administrative expenses of the State Employment Guarantee Council (SEGC). The wage-material ratio of 60:40 was consistently maintained in the six selected districts from 2019-24, indicating that priority had been given to labour intensive works.

The sharing ratio between GoI and the State under the various components of the MGNREGS is given in ***Table 4.1.***

Table 4.1: Fund sharing by Central and State Government

Details of component	Central share (CS) in *per cent*	State share (SS) in *per cent*
Wages for unskilled manual workers	100	Nil
Wages for skilled and semi-skilled workers	75	25
Cost of material	75	25
Unemployment allowance	Nil	100
Administrative Expenditure	100	Expenditure of SEGC
Additional 50 days wages for unskilled manual workers	Nil	100

(Source: MGNREG Act, 2005 & GoCG. Gazette notification.)

4.2 State Rural Employment Guarantee Fund

Sub-section 1 of Section 21 of MGNREGA provides for the establishment of the State Employment Guarantee Fund (SEGF) for implementation of the MGNREGS in an implementing State. The State Government established SEGF in March 2012.

The Central share of MGNREGS fund is released to SEGF for onward allocation of funds to the Districts/Panchayats/Programme Implementing Agencies (PIAs) of the State. As per rules, the interest accruing on account of MGNREGS funds should be a part of the SEGF and shall be spent only under the instructions of the Central Government.

The detailed status of availability of funds and expenditure incurred for MGNREGS during 2019-24 as of 31st March 2024 is given in ***Appendix 4.1*** and summarised in ***Table 4.2.***

Table 4.2: Availability of fund and Expenditure incurred during 2019-24

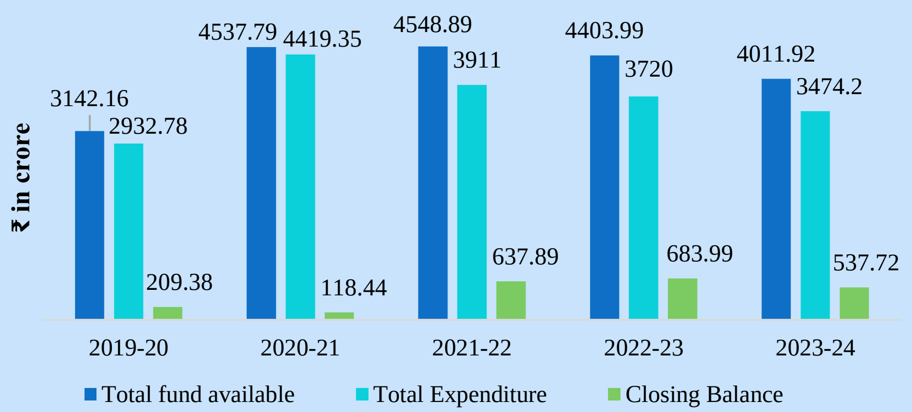
(₹ in crore)

Financial Year	Opening Balance	Total release	Misc. Receipt	FTO rejected amount	Total fund available	Total Expenditure	Closing Balance
2019-20	115.47	3021.67	5.02	0.00	3142.16	2932.78	209.38
2020-21	209.38	4331.50	38.20	41.29	4537.79	4419.35	118.44
2021-22	118.44	4444.91	188.92	203.39	4548.89	3911.00	637.89
2022-23	637.89	3786.04	67.98	87.93	4403.99	3720.00	683.99
2023-24	683.99	3619.38	28.30	319.74	4011.92	3474.20	537.72
Total	**1765.17**	**19203.50**	**328.42**	**652.35**	**20644.75**	**18457.33**	**2187.42**

(Source: Data provided by CGREGC)

The total available funds, expenditure incurred, and savings has been depicted in ***Chart 4.1*.**

Chart 4.1: Details of fund available, expenditure and savings



During the five-year period the total expenditure ranged from 84 to 97 *per cent* of the total available fund. However, for the period 2019-24, out of total 20.83 lakh approved works, only 12.64 lakh works (61 *per cent*) were completed with an expenditure of ₹ 15,514.60 crore while 3.87 lakh works were ongoing/incomplete and 4.32 lakh works could not be started (as of October 2024).

Total expenditure of ₹ 18,457.33 crore was incurred on wages (₹ 13,555.58 crore), materials (₹ 4,088.44 crore), and administrative expenses (₹ 813.33 crore) out of the available fund of ₹ 20,644.75 crore during 2019-24 as detailed in ***Appendix 4.1***. Furthermore, the closing balance at the end of each financial year, indicates underutilisation of funds.

The Government stated (July 2025) that late fund allocation by the Ministry of Rural Development, GoI, and incomplete use of previous years' funds led to unspent balances, which appear as the final balance and are carried forward as the opening balance for the next financial year.

4.3 Irregular payment of employee contributions towards EPF from administrative expenses

Para 12.5.2 of the Operational Guidelines, 2013, provides that the Central Government may allocate up to six *per cent* of the total annual MGNREGS expenditure to States as administrative expenses to support staffing and capacity-building efforts. Separately, under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, employers including principal employers are mandated to ensure timely EPF contributions for all eligible employees. Non-compliance attracts penalties and damages as assessed by the EPF Commissioner. The employees under MGNREGS also come under jurisdiction of EPFO Act w.e.f. April 2015.

The GoCG directed (May 2020) that EPF contributions from April 2015 to June 2018 be assessed based on employee eligibility, particularly for those earning below ₹ 15,000 per month, who must contribute 12 *per cent* of their salary along with matching employer contributions and administrative charges. The directive also instructed that both employee and employer contributions be deposited regularly.

Audit observed that in 28 districts, EPF contributions amounting to ₹ 29.62 crore for the period April 2015 to March 2023 remained unpaid. Non-remittance of statutory dues resulted in accumulation of liabilities of ₹ 84.59 crore of which ₹ 54.96 crore was on account of penalty, interest and damages under the EPF Act. To address the issue of penalty the GoCG sanctioned ₹ 40 crore and placed at the disposal of the Commissioner, MGNREGC. The Department failed to ensure compliance to the EPF Act, and thereby liabilities were created on the State Government.

It was further observed that the employee contribution of ₹ 74.72 lakh, for the period April 2015 to June 2018, was irregularly paid by seven offices[1] from the administrative expenditure head, instead of deducting from salary of concerned employees.

In reply, the Government stated (July 2025) that the entire sanctioned amount of ₹ 40 crore was subsequently released to all 30 district offices. The delays in salary and EPF deposits for officers/employees under MGNREGS were due to delayed fund allocation under the administrative head by the Government of India, resulting in penalties and interest.

The reply is not acceptable as despite the release, an amount of ₹ 14.96 crore on account of interest and penalties remained unpaid. Delay in fund allocation by GoI does not exempt the State from the responsibility to ensure timely remittance of the EPF contribution.

4.4 Non-payment of compensation for delayed payment of wages

As per Section 3(3) of the MGNREGA, 2005, workers must be paid their wages within 15 days of closure of the muster roll, and any delay beyond this period

[1] Commissioner (₹ 11,89,110), DPC: Balrampur (₹ 7,52,894), Dantewada (₹ 4,45,664), Raipur (₹5,17,491), Surguja (₹ 3,87,017); PO: Dantewada (₹ 13,24,747), Dharsiwa (₹11,05,855), Tilda (₹ 17,49,257)

entitles them to compensation at the rate of 0.05 *per cent* per day of the unpaid wages. As outlined in AMC, such compensation must be paid upfront from the State Employment Guarantee Fund, settled within 15 days of becoming due, and processed like wage payments, with any rejections duly recorded in *NREGASoft* by the Programme Officer. Additionally, under Para 8.8 of the Operational Guidelines, compensation is to be paid automatically along with delayed wages and must be reported in the MIS (R-14.1) to ensure transparency and accountability. The status of compensation payable for delayed payment of wages during 2019-24 is given in ***Table 4.3***.

Table 4.3: Status of compensation payable for delayed payment of wages

Year	Delayed Compensation payable			Approved and Paid Amount (in ₹)		Total Rejected PDs (in crore)
	PDs (in crore)	Amount payable (₹ in crore)	Amount yet to be verified (₹ in crore)	Approved Amount	Paid Amount	(percentage of payable PDs)
2019-20	6.40	2.82	0.11	362	254	6.12 (96)
2020-21	14.18	6.90	2.28	729	0	9.30 (66)
2021-22	13.72	6.79	2.12	29551	1676	9.27 (68)
2022-23	17.95	8.45	2.65	6194	5650	11.82 (66)
2023-24	0.01	0.01	-	97	97	0.01(91)[2]
Total	**52.26**	**24.97**	**7.16**	**36933**	**7677**	**36.52 (70)**

(Source: MIS data of NREGASoft)

Audit observed that during the period 2019-24, a significant number of compensation claims (66 to 91 *per cent*) for delayed wage payments were rejected in MIS citing reasons such as natural calamities or "compensation not due," without providing any justification or supporting documentation. Against a total payable compensation of ₹ 24.97 crore, only ₹ 7,677 was disbursed, claim of ₹ 7.16 crore remained unverified, while budget provision of ₹ 1.75 crore during 2019-24 was lapsed due to non-utilisation.

In six test-checked ZPs, ₹ 5.75 crore was due for compensation, yet only ₹ 254 was paid. Similarly, in 12 test-checked JPs, compensation of ₹ 1.99 crore was rejected without any documentary evidence, and in 48 GPs, ₹ 13.07 lakh in compensation was due but all delay days were rejected without justification. Thus, compensation claim for delayed payments were rejected without proper justification.

The Government stated (July 2025) that delays in wage payments were due to the late receipt of funds from the GoI. Further, *NREGASoft* does not have a provision for compensatory allowance payments.

Reply is not acceptable as compensation for delayed payment of wages to the entitled workers was to be paid automatically through MIS. Delay in fund receipt and absence of provision in software does not justify rejection or non-verification of claims without any justification and supporting records.

2 (141878/155088) *100=91 *per cent*