

CHAPTER III
PERFORMANCE REVIEWS

3.1 Implementation of National Rural Employment Guarantee Act

Highlights

National Rural Employment Guarantee Act, 2005 guarantees 100 days of employment to all households whose adult members are willing to do unskilled manual work. The planning process was defective leading to poor performance of the scheme. Unemployment allowance was not paid to any beneficiary.

- **The process of planning was weakened due to non-preparation of labour budget and District perspective plan.**

(Paragraphs 3.1.8.2 and 3.1.8.4)

- **With grama sabhas not being convened in any test checked GPs in Palakkad district and door-to-door survey not being conducted at the commencement of the Act in 13 out of 16 GPs in Palakkad and Wayanad districts, prospective beneficiaries were not made fully aware of the benefits entitled to them.**

(Paragraphs 3.1.10.1 and 3.1.10.2)

- **Majority of the job card holders (108913 out of 213840) in the state did not apply for work due to lack of awareness and restrictions imposed on them from applying for jobs.**

(Paragraph 3.1.11.1 and 3.1.11.2)

- **Out of 267614 registered households in the state, employment was provided only to 99107 households (37 per cent). The number of households who got employment for 100 days was 537 (0.54 per cent).**

(Paragraph 3.1.11.5)

- **Rate of wages paid in 12 out of 16 Grama Panchayats in the selected districts was less than the minimum wage rate of Rs 125 and there was a delay of upto 56 days for payment of wages in eight selected GPs in Wayanad.**

(Paragraphs 3.1.12.1 and 3.1.12.3)

- **Unemployment allowance was not paid to any household in the State.**

(Paragraph 3.1.13.1)

Particulars	Palakkad	Wayanad
Area (Sq Km)	4480	2131
Population	2617482	780619
SC Population	432578	33364
ST Population	39665	136062
BPL households	204605	64794

Rural households which had registered themselves with the local Grama Panchayats were entitled for wage employment for 100 days in a year or else unemployment allowance at the prescribed rates would have to be paid. Detailed operational guidelines issued by the Ministry of Rural Development and KREGS prescribed

- the types of works that could be covered under NREGA;
- the minimum entitlements of labour;
- the roles and responsibilities of different functionaries from the State Government to the District, Block and Grama Panchayat level; and
- the detailed procedures for planning, financial management, registration, allocation of employment, execution of works, payment of wages and unemployment allowance; etc.

Primary Objectives of the scheme were:

- (i) To provide legal Guarantee of 100 days of employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work at the minimum wage rate prescribed in the State or else pay unemployment allowance.
- (ii) To create durable assets for Grama Panchayats and village population.

The following were the Secondary Objectives :

- (i) Protecting the environment
- (ii) Empowering the rural women and
- (iii) Reducing the rural urban migration and fostering social equity.

3.1.2 Organisational set up

The Ministry of Rural Development (MoRD) is the nodal Ministry for implementation of NREGA at national level. A Central Employment Guarantee Council was set up for ensuring timely and adequate resource support to the States. At the State level, State Employment Guarantee Council (SEGC) was constituted (March 2006) with the Minister (RD) as the Chairman to advise the State Government on the implementation of the Scheme and also to evaluate and monitor it. As required under the Act, the State Government designated Commissioner of Rural Development as the

State Rural Employment Guarantee Commissioner responsible for ensuring that all activities required to fulfil the objectives of the Act are carried out. District Collectors were designated as District Programme Coordinators (DPC) and are responsible for implementation of the scheme in the district. Programme Officer (PO) who is not below the rank of a Block Development Officer appointed by the Government is responsible for implementation of the scheme at block level. Grama Panchayats (GPs) are responsible for implementing the scheme at village level. Panchayats at district, block and village levels are the principal authorities for planning and implementation of the scheme. Line Departments, NGOs, Central and State Government undertakings and Self Help Groups were not nominated as implementing agencies (IAs) in the state though as per the Act they could be nominated as IAs.

3.1.3 Audit Objectives

The audit objectives were to see whether:

- effective preparatory steps for planning, implementation and monitoring/evaluation of outcomes had been carried out by the State Government.
- the procedures for preparing perspective and annual plan at different levels for estimating the likely demand for work and preparing shelf of projects were adequate and effective
- funds released for NREGA were accounted for and utilized in compliance with the guidelines
- there was an effective process for registration of households, allotment of job cards, and allocation of employment in compliance with the guidelines
- NREGA works were properly planned, executed and durable assets were created and properly accounted for
- wages and unemployment allowance were paid in accordance with the Act and the guidelines and the intended objective of providing 100 days of annual employment at the specified wage rates was effectively achieved.
- there was adequate and effective mechanism at different levels for monitoring and evaluation of NREGA outcomes.
- there was an adequate and effective mechanism for social audit and grievance redressal.

3.1.4 Audit Criteria

The audit criteria were:

- NREGA Act and notifications issued thereunder
- NREGA Operational Guidelines (2006)
- Circulars and documents issued by the MoRD
- Kerala Rural Employment Guarantee Scheme

- Orders and circulars issued by the State Government and the Commissioner of Rural Development.

3.1.5 Audit Scope and Methodology

Both the districts where NREGA was implemented (Palakkad and Wayanad) were selected for review. In each district, 2 blocks were chosen using Simple Random Sampling Without Replacement. The selected blocks were Alathur and Malampuzha in Palakkad district and Kalpetta and Sulthan Bathery in Wayanad district. Four Grama Panchayats in each block were chosen using Probability Proportionate to Size (PPS) Sampling as detailed below.

Districts	Palakkad		Wayanad	
Blocks	Alathur	Malampuzha	Kalpetta	Sulthan Bathery
Grama Panchayats	Erumayur Kannambra Kizhakkenchery Vandazhy	Elappully Malampuzha Peruvembu Pudussery	Kottathara Meppady Muppainad Vythiri	Meenangadi Nenmeny Poothady Pulpally

In addition to test check of records in the selected PRIs, records of the Commissioner of Rural Development, District Programme Co-ordinators were also test checked. The period of audit coverage was February 2006 to March 2007. The review was conducted during the period from May to October 2007 and the findings are given below.

3.1.6 Audit Findings

The audit findings are discussed in the succeeding paragraphs.

3.1.7 General

NREG Scheme is unique in the sense that it is a demand driven scheme. As per the Act, Government is bound to provide employment for 100 days a year to any rural household who demands unskilled work. Unlike in other Centrally Sponsored Schemes, State Government was made liable under the Act to pay compensation in the form of unemployment allowance to those households which demanded but were not provided with employment as demanded subject to a maximum of 100 days in a year. The fact that the PRIs are required to apply for funds whenever 60 *per cent* of funds allotted is utilised for providing employment shows that there is no funds constraint for the implementation of the scheme.

3.1.7.1 Delay in formulating KREGS

According to Section 4(1) of the Act, every State Government is required to formulate its own Rural Employment Guarantee Scheme (REGS) in conformity with the provisions of the Act within six months from the date of commencement of the Act. Although the State Government should have formulated the REGS not later than 4 March 2006 since the date of commencement of the Act was 5 September 2005, it was seen that KREGS was formulated on 23 June 2006 after a delay of three months.

3.1.7.2 Rules not framed

The State Government is required to frame necessary rules in line with the provisions of the Act as per Section 32 of the Act. Even after two years from the promulgation of the Act, the State Government did not frame any rule for implementation of the scheme. This lapse on the part of the Government had affected various phases of implementation of the Act such as publicity, door to door survey, registration, issue of job card, providing employment, etc. as pointed out in subsequent paragraphs.

3.1.8 Planning

Planning is critical to the successful implementation of a scheme. A key indicator of success is the timely and adequate generation of employment while ensuring that the design and selection of works are such that good quality assets are created. The basic aim of the planning process is to ensure that each District is prepared well in advance to offer productive employment on demand.

3.1.8.1 District Perspective Plan

The District Perspective Plan (DPP) was to be prepared having a developmental perspective for the districts and linkages between the types of REGS works and long term employment generation and sustained development. Further, demand for employment in each district was to be drawn up based on decisions taken in the Grama Sabha meetings. It was observed that though DPP was prepared in Palakkad district by Centre for Management Development (February 2007), it was not approved by the District Panchayat and was also not forwarded to the MoRD. Specification of physical assets to be created such as length of road, size of tank, etc. and enduring outcomes such as villages connected by newly constructed roads, area irrigated by newly constructed tank, etc. were not specified in the DPP. Of the total outlay of Rs.394.29 crore provided in the DPP of Palakkad district, Rs.236.76 crore (60.05 per cent) was earmarked for micro irrigation works and priority was next given to renovation of traditional water bodies with an outlay of Rs.63.31 crore (16.06 per cent) as shown in the table below:

SI No	Permissible Works	Provision as per DPP	
		Amount in (Rs. lakh)	As percentage of total outlay
1	Water conservation and water harvesting	3161	8.01
2	Drought proofing	1549	3.93
3	Micro Irrigation works	23676	60.05
4	Provision for irrigation works to land owned by SC/ST and beneficiaries of IAY	52	0.13
5	Renovation of traditional water bodies	6331	16.06
6	Land development	1710	4.34
7	Flood control and protection works	1328	3.37
8	Rural connectivity	1622	4.11
	Total	39429	100.00

**The process
of planning
was defective**

3.1.8.2 DPP not prepared in Wayanad District

In Wayanad district, DPP was not prepared. In the absence of DPP, long term advance planning and a developmental perspective for the district could not be provided resulting in inclusion of such projects in the annual plans of PRIs which were not envisaged in DPP.

3.1.8.3 Annual plan

Annual Plan is the working plan which identifies the activities to be taken up on priority in a year. For ensuring people's participation in the planning process, Grama Sabha should be convened in advance to estimate demand for labour and propose the number and priority of works to be taken up in the following year. Participation of likely beneficiaries in the Grama Sabha was to be ensured so that their priorities and needs could be adopted in the Annual Plan. The annual plans of GPs were to be forwarded to the PO who would scrutinise and consolidate them into a block plan. The block plan which also identifies works involving more than one GP was to be then forwarded to the DPC for scrutiny and consolidation into a district plan. The DPC would examine and approve the district plan.

The timings of Grama Sabha meetings were to be decided taking into consideration working season to ensure maximum participation of beneficiaries. This was not adhered to in three* out of eight GPs test checked in Palakkad. As a result, Grama Sabhas convened for preparation of annual plans had very low attendance. The recommendations formulated in Grama Sabhas were to be forwarded to the GPs for preparing an annual plan indicating clearly the existing demand for work. In none of the 16 selected GPs, the demand for work was worked out in the annual plans. Audit scrutiny revealed that the estimated person days of employment was provided only in four* out of eight selected GPs in Wayanad and one* GP out of eight selected in Palakkad. However, the specification of physical assets and enduring outcomes were not given in the annual plan of any of the test checked GPs. Thus the annual plan did not fully serve the purpose for which it was made. It was seen that annual plans of GPs were not consolidated into a block plan and the block plans into a district plan in either of the districts.

3.1.8.4 Labour Budget

GPs should forward proposals to the PO who in turn should consolidate the proposals of GPs and match the demand for work in the block with the employment opportunities arising from the proposed projects. After approval by the Block Panchayat, the block plan should be forwarded to the DPC. The DPC should prepare a 'labour budget' containing details of anticipated demand for work in the district and the plan for engaging labourers in the works which should ultimately be submitted to the District Panchayat for approval. Though POs, Alathur and Palakkad forwarded the proposals to DPC, Palakkad (October 2006), he could not prepare the labour budget due to non-receipt of similar proposals from other Blocks. Similarly, labour budget was

* Erumayur, Malampuzha and Pudussery GPs

* Kottathara, Meppady, Nenmeny and Vythiri

* Malampuzha

also not prepared in Wayanad in the absence of proposals from the Blocks. As a result there was hardly any effective planning for implementation of the scheme.

3.1.9 Funding

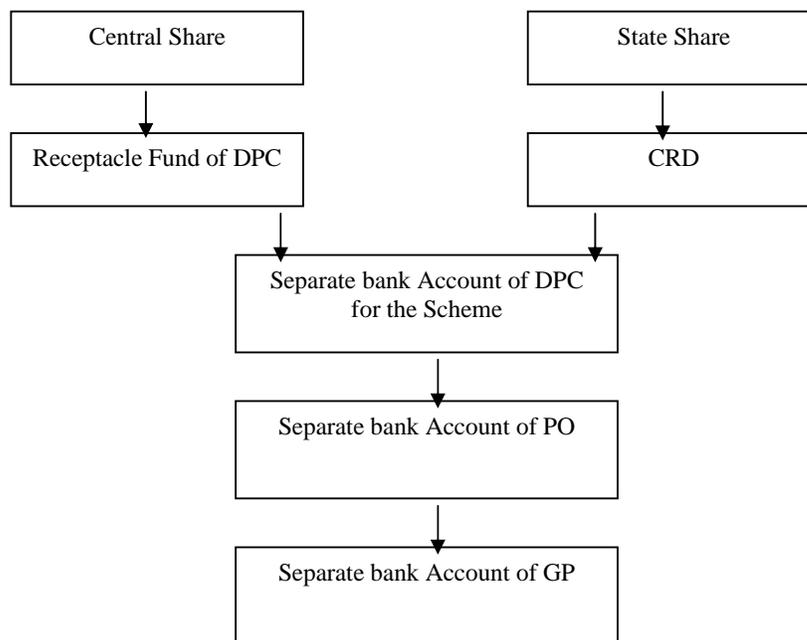
Funds required for implementation of the scheme are provided by the Central and State Governments in the following manner.

Government of India	State Government
Entire wages of unskilled workers	Unemployment allowance
75% of cost of materials and wages of semi-skilled/skilled workers	25% of cost of materials and wages of semi-skilled/skilled workers
Administrative expenses of Central Employment Guarantee Council, Programme Officers and their staff	Administrative expenses of State Employment Guarantee Council

Barring unemployment allowance and administrative expenses of State Employment Guarantee Council (SEGC), State Government has to bear only a maximum of 10 *per cent* of the expenditure if the wage material ratio of 60:40 is maintained. In cases where the material/skilled labour used were less than 40 *per cent*, the state share would be even less than 10 *per cent*. In the test checked GPs in Wayanad district where no material was used for the works executed under the scheme, the State share was only on the administrative cost of SEGC.

3.1.9.1 State Employment Guarantee Fund

The State Government, by notification was to establish a fund called State Employment Guarantee Fund (SEGF) which was to be expended and administered as a Revolving Fund (RF). It should also simultaneously frame Rules that would govern and ensure its utilisation according to the purposes of the Act. However, no such fund was established and no rules therefore were framed. Similarly, RFs which were to be set up at District, Block and GP levels were also not constituted. In the absence of RFs, the transactions of money made for implementation of the scheme were outside the purview of RFs. Central share of funds was credited direct by MoRD to the bank accounts of DPCs maintained for the purpose whereas state share was passed on to them through CRD. The amount required for implementation was to be provided to the GPs and other implementing agencies as shown in the following flow chart.



In Palakkad district the amount was not transferred in advance to the PO or GP. As per the arrangements made with 15 different banks in Palakkad, the DPC deposited the share of GPs in the accounts maintained by the DPC at the district level in such banks and the GPs were allowed to draw money from these accounts. Thus all the unspent balances were held in the bank accounts of the DPC. Unspent balance as per the accounts of DPC was Rs.9.08 crore whereas the balance as per the bank accounts was Rs.11.26 crore including interest of Rs.51 lakh. Thus there was a difference of Rs.2.18 crore which was not reconciled. As the DPC was maintaining accounts in so many banks, the risk of misappropriation could be mitigated by effective reconciliation.

3.1.9.2 Accounts maintained in non-public sector banks

As per the guidelines separate accounts in Public sector banks alone should be opened for keeping funds of the scheme. Out of 15 bank accounts opened by the DPC and GPs in Palakkad district, four were non-operative accounts and four were in non-public sector banks. The details of amounts deposited in such accounts and the balance amounts were as follows:

Rs.99 lakh deposited in non-public sector banks and non-operative

(Rupees in lakh)

SI No	Name of Bank	Whether nationalised	Amount Deposited	Interest credited	Amount Withdrawn	Balance Amount	Whether account is operative
1	Federal Bank	No	36.00	0.85	17.05	19.80	Yes
2	South Indian Bank	No	27.00	0.63	20.00*	7.63	No
3	Catholic Syrian Bank	No	18.00	0.42	15.00*	3.42	No
4	Dhana Lakshmy Bank	No	9.00	0.36	---	9.36	No
5	Corporation Bank	Yes	9.00	0.18	---	9.18	No
	Total		99.00	2.44	52.05	49.39	No

* These are amounts transferred to other banks and not the real expenditure

Out of Rs.99 lakh deposited in these banks, Rs.49.39 lakh was outstanding as balance (March 2007) including interest accrued. Keeping money unnecessarily in non-operative bank accounts and in non-public sector banks was not in conformity with the guidelines.

Out of Rs.48.36 crore available the utilisation was Rs.27.90 crore.

3.1.9.3 Receipt and utilisation of funds

Out of Rs.48.36 crore received upto March 2007, the amount utilised was Rs.27.90 crore leaving an unspent balance of Rs.20.46 crore as detailed below:-

(Rupees in crore)

District	Opening Balance (Central Share)	Receipts			Total Receipts			Total	Utilisation	Unspent Balance
		Central Share	State Share	Misc Receipts	Central Share	State Share	Misc Share			
Palakkad	5.35	17.44	2.49	---	22.79	2.49	---	25.28	16.20	9.08
Wayanad	6.27	14.37	2.27	0.17	20.64	2.27	0.17	23.08	11.70	11.38
Total	11.62	31.81	4.76	0.17	43.43	4.76	0.17	48.36	27.90	20.46

Source : Progress Report submitted by State Government to GoI.

The percentage of utilisation was 57.69 per cent. Of the unspent balance of Rs.20.46 crore, Rs.2.22 crore was with the GPs and the balance of Rs.18.24 crore was with the DPCs. The utilisation of fund received from various sources was unsatisfactory.

3.1.10 Registration and issue of Job Cards

The scheme is open to all rural households willing to undertake unskilled manual work. The entitlement of 100 days of guaranteed employment in a year is in terms of household which can be shared within the household. Those who register and apply for work are entitled to be provided with employment. The details of households registered under the scheme and provided employment were as given below:

District	No of rural households	No of households				Provided with job for 100 days	Maximum person days entitled	Person days provided	Expenditure (Rs in crore)
		Registered	Issued job cards	Demanded job	Provided with job				
Palakkad	455911	166200	139684	56919	55150	255	5691900	1156675	16.20
Wayanad	160398	101414	74156	48008	43957	282	4800800	893400	11.70
Total	616309	267614	213840	104927	99107	537	10492700	2050075	27.90

As against 104.93 lakh person days of employment entitled to 104927 households which demanded employment, 20.50 lakh person days (19.54 per cent) of employment could be provided in the state.

Against the envisaged execution of eight categories of works costing Rs.394.29 crore in the DPP of Palakkad, the financial achievement was only Rs.16.20 crore. According to the guidelines, at least 60 per cent of funds were to be utilised as labour component. Thus at least Rs.236.57 crore should have been spent on payment of wages alone. The employment that could have been generated by utilising Rs.236.57 crore was 189.26 lakh person days which was

more than sufficient to provide employment to all the registered 166200 households in Palakkad district. This points to the need of implementing the district perspective plan for the successful implementation of the scheme.

3.1.10.1 People's participation

It was mandatory to convene a Grama Sabha when the Act commenced to explain the provisions of the Act, mobilise applications for registration and conduct verifications. Audit scrutiny revealed that none of the test checked GPs in Palakkad district convened the grama sabhas at the commencement of the Act. As a result the PRIs could not make the beneficiaries fully aware of the benefits of the scheme.

3.1.10.2 Door to door survey not conducted

To create awareness among the people about the scheme and to identify persons willing to register under the Act, a door-to-door survey was to be conducted by a team headed by the President of GP involving ward members, SC/ST and women residents, a village level Government functionary and the GP Secretary. Such a survey was conducted only in three[♦] out of 16 GPs test checked in selected districts which also contributed to the lack of awareness among the people about the benefits they were entitled to under the scheme. This had an inverse effect on the demand for work as detailed in paragraph 3.1.11.1

Awareness programmes were not effective.

3.1.10.3 Application for Registration

Application for registration under the scheme should be given to the GP in the form prescribed by the Government. The procedure for applying for registration was so simple that even an oral request for registration could be entertained. The GP should verify the application not later than a fortnight after the receipt of the application and register the household. The total registered households in Palakkad and Wayanad districts were 1,66,200 and 1,01,414 respectively. The percentage of such registered households to the total rural households were 36 and 63 in the two districts respectively. The difference was attributable to the fact that Wayanad district was more economically backward and there were restrictions on registration in Palakkad as mentioned in the subsequent paragraph.

3.1.10.4 Restriction on registration

Though as per the scheme, registration was open throughout the year, CRD instructed the DPCs (January 2006) to receive applications between 2 and 16 of February 2006. In accordance with this direction, the applications were received in Palakkad district only during these days whereas in Wayanad applications were received throughout the year. Even though the registration restarted continuously from September 2006 in Palakkad, no registration was done during the intervening period from February 17 to August 2006. This was in violation of the guidelines and prevented the prospective beneficiaries from registering themselves under the scheme and enjoying the benefits assured by the Act.

[♦] Meppady, Pudussery and Vythiri.

3.1.10.5 Job cards not issued to all registered households

Job cards were issued to 79.91 per cent registered households.

The GPs were to issue job cards to every registered household within a fortnight of receipt of application. The Job Card is a critical legal document to ensure transparency and to protect labourers against fraud. The cost of job card including photograph was to be borne as part of the programme. Job cards were however not issued to all registered households. Out of 2,67,614 registered households in the state, job cards were issued only to 2,13,840 households (79.91 per cent). Non-issue of job cards could be attributable to lack of awareness among people about the scheme and requirements/specifications contrary to the scheme as explained below.

In Wayanad district all registered households except SC/ST were required to produce photographs to be affixed in the job cards at their cost resulting in delay in processing the cards. Those beneficiaries who found it difficult to spend money on photograph could not obtain job cards. In Palakkad where 84.05 per cent of registered households obtained job cards, the cost of photographs was borne by the GPs whereas in Wayanad only 73.12 per cent obtained job cards. Demanding photographs from the beneficiaries was irregular and affected the issue of job cards. Since the date of issue of job cards was not recorded in the relevant registers, actual delays in issue of job cards were not ascertainable in audit.

3.1.10.6 Defective maintenance of job cards

A testcheck of job cards in Palakkad district revealed that validity period of job card, date of issue, signature/thumb impression of members of household etc. were not recorded in the job card. As the job card was a critical legal document, non-recording of such vital information in the job card was detrimental to the interest of beneficiaries in matters of transparency and prevention of frauds.

3.1.11 Demanding and providing employment

Job card holders are entitled for job if demanded by submitting an application for work to the GP. Application should contain the registration number of the job card, the date from which employment is required and the number of days to be employed. A single application is sufficient for a number of days in different spells during a year. Joint applications could also be submitted by several applicants. A dated receipt for application received should be issued to the applicant in proof of receipt of application. The GP is responsible for providing employment to the applicants within 15 days from the date on which employment has been sought. If a GP is unable to provide employment, it will be the responsibility of PO to do so. If a PO fails to provide employment, DPC should intervene to provide employment. On the other hand the applicant is bound to do work of any type permissible under the Act as directed by the GP/PO.

3.1.11.1 Majority of job card holders did not apply for work

Out of 213840 job card holders in the State, only 104927 demanded employment (49.07 per cent). The percentage of registered households who did not apply for work worked to 60.79. The reasons for not demanding jobs by majority of beneficiaries were availability of alternate seasonal work such

as coffee seed plucking, paddy cultivation, aversion to take up unskilled work, lack of awareness, etc.

In the four test checked Blocks, out of 78857 job card holders, 49917 (63.30 per cent) demanded job as detailed below:

SI No	Block	No of job card holders	Job card holders who demanded job	Percentage
1	Kalpetta	21881	20848	95.28
2	Sulthan Bathery	29995	17693	58.99
3	Alathur	14932	4603	30.83
4	Malampuzha	12049	6773	56.21
	Total	78857	49917	63.30

In Alathur Block only 30.83 per cent of job card holders applied for job. Job card holders in selected GPs in the Block who demanded job were still lower as detailed below.

SI No	Grama Panchayat	No of Job card holders	Job card holders who demanded job	Percentage
1	Erumayur	1937	427	22.04
2	Kannambra	1925	586	30.44
3	Kizhakkenchery	2301	779	33.85
4	Vandazhy	1734	378	21.80
		7897	2170	27.48

For similar reasons, percentage of job seekers in Nenmeny GP (Wayanad district) was also low. Out of 4700 job card holders, 950 applied for job which was only 20.21 per cent

3.1.11.2 Job card holders restricted from applying for job

Applications for work must be for at least 14 days of continuous work and there shall be no limit on the number of days of employment for which a person may apply or on the number of days of employment actually provided to him subject to the aggregate entitlement of the household. A period of employment shall ordinarily be at least 14 days continuously with not more than six days a week. A test check of applications for work submitted by job card holders in Pulpally and Mananthavady GPs in Wayanad revealed that the original demand of 100 days made by 452 applicants was corrected as 14 days. In three GPs (Mananthavady, Poothady and Thirunelli) there were applications which did not contain number of days of employment demanded by job card holders. In Meenangadi, Noolpuzha and Poothady GPs applications demanding work for less than 14 days were accepted in violation of the Act. The applications submitted to three GPs (Meenangadi, Mananthavady and Noolpuzha) were not dated. A test check of Muster Rolls and Employment Register in respect of selected works in Palakkad district further revealed that the job days applied for and that allocated to all beneficiaries were the same.

Allotment of jobs was not done in a true and fair manner.

In two such cases job applied for and allocated were 5 ½ days each. Further, the date of application of all beneficiaries was the same in respect of each work. All the above evidences indicated the allotment of jobs in these GPs was not done in a true and fair manner.

3.1.11.3 Dated Receipt not given

Dated receipts were not issued in all cases to the applicants in proof of receipt of application in three[†] out of eight selected GPs in Palakkad district. In the absence of dated receipts, the possibility of details in the applications having been manipulated could not be ruled out.

3.1.11.4 Employment Guarantee Day not earmarked

A particular day of the week should have been earmarked as employment guarantee day as per guidelines for processing work applications and related activities such as disclosure of information, allocation of work, payment of wages and unemployment allowance. None of the GPs test checked earmarked a day as employment guarantee day. Thus one of the components for ensuring transparency in the implementation of the scheme was not adhered to.

3.1.11.5 Low coverage of the scheme

Prime objective of the scheme is to provide employment. However, it was seen in audit that out of 2,67,614 households registered under the scheme in the State, job was provided only to 99,107 households (37.03 *per cent*). Of these, 100 days of employment was provided only to 537 households (0.54 *per cent*) as mentioned in table under paragraph 3.1.10.

The employment generated in the state by 99107 households was 20.50 lakh at an average of 20.68 person days per household as against 100 person days envisaged by the Act. Thus the achievement of the scheme during 2006-07 was only 20.68 *per cent* which was far from satisfactory. The POs and DPCs also failed to intervene to make appropriate arrangements for providing employment when the GPs and POs were found unable to provide employment.

3.1.11.6 Allotment of works not properly intimated

The allotment of work should be intimated to the job card holders in the form of a letter to their address on the job card and it should be notified publicly at the offices of the GP and PO. None of the selected GPs or Blocks sent intimation of allotment of job to the beneficiaries. Only three* GP out of 16 in selected districts notified allotment of work at their offices.

3.1.11.7 Results of survey

A survey conducted by Audit among three beneficiary groups in two different work sites in Meenangadi GP during September 2007 revealed that they were not aware that job could be demanded for different periods in a single application and that they were eligible for compensation if payment of wages was not made within 15 days from the date of work. This indicated that

100 days of employment was provided to 0.54 *per cent* of households provided with work.

[†] Elappully, Peruvembu and Pudussery

* Meenangadi, Nenmeny and Pothady GPs

ignorance among beneficiaries about the right and entitlements under the Act led to the low rate of demand.

3.1.12 Payment of wages

The payment of wages is the most important component of the scheme. The minimum wage rate of Rs.125 fixed by the State Government for agricultural labourers was made applicable to the scheme. Under no circumstances should the labourers who work for 7 hours a day be paid less than the above wage rate. Both men and women are entitled for equal wages. Wages could be paid either on a time-rate or on a piece-rate basis. Under time-rate basis labourers who work for seven hours a day are entitled to full wages irrespective of the quantum of work whereas under piece-rate basis wages are paid in terms of volume of work done by the labourers which should be measured individually.

3.1.12.1 Payment of wages at rates below minimum wage

In 12 GPs out of 16 in selected districts the average wage paid for works was as low as Rs.60 as detailed below:

Sl No	Name of PRI	Number of completed works	Number of works where wage was less than minimum of Rs.125	Average wage earned in all works together (Rs)	Lowest average wage earned in a work (Rs)
1	Elappully GP	20	2	123.72	81.90
2	Peruvembu GP	31	4	124.06	102.00
3	Erumayur GP	26	23	100.00	63.00
4	Kannambra GP	69	66	118.00	65.00
5	Kizakkenchery GP	49	17	120.00	65.00
6	Vandazhy GP	15	15	106.00	60.00
7	Vythiri	140	9	121.36	114.00
8	Meppady	93	3	124.32	120.32
9	Poothady	285	22	115.00	105.00
10	Pulpally	186	20	120.86	110.00
11	Meenangadi	77	3	121.06	118.52
12	Kottathara	77	2	118.15	115.00

The wage rates were less than the minimum wage rate in 12 test checked GPs.

The reason for the low wage rates was non revision of work norms by the State Government. As the estimation was made based on Standard Data Book and PWD Schedule of rates, GPs could not ensure payment of wages at the rate of Rs.125. The wage rates went below the minimum in such works where the out turn was disproportionately low when compared to the quantum prescribed in Standard Data Book. This had an adverse effect on demanding jobs by the households as discussed in paragraph 3.1.11.1.

3.1.12.2 Minimum wage rate and wages paid were not displayed

Though it was mandatory to display minimum wage rates at work sites, none of the GPs displayed the same in any of the work sites. In all the test checked GPs, wages were credited to the bank account of the labourers. The details of wages paid were displayed in none of 16 GPs test checked in both districts. As a result, the beneficiaries were not aware of the entitlement of minimum wage and transparency in payment was affected to that extent.

3.1.12.3 Delay in wage payments

According to the Act, disbursement of daily wages should be made on a weekly basis or in any case not later than a fortnight after the date on which such work was done. However, payment was delayed by 1 to 56 days in respect of 191 works test checked in all selected GPs in Wayanad district as detailed in **Appendix V**. The maximum delay occurred in Meppady GP where it was upto 56 days. None of the GPs paid any compensation as per the provisions of the payment of wages Act, 1936 for the delay in payment of wages. Timely payment of wages is integral to providing employment and hence delay in payment resulted in delay in extending the benefit to the households.

3.1.12.4 Details of payment not entered in job cards.

It was mandatory to record the details of payment both in the muster rolls and in the job card. However, the details of payment were recorded only in the muster rolls and not in the job cards in the test checked GPs in Palakkad district as no space was provided for recording it.

3.1.12.5 Improper maintenance of muster rolls.

Muster Roll is an important document which is one of the basic records facilitating payment of wages. Separate muster roll with unique identity number should be maintained for each work wherein the details of attendance and absence of all workers involved in the work, wages paid and signature/thumb impression of the payee are recorded. Muster rolls are to be issued by the PO to the GPs and properly accounted by PO and GPs. The maintenance of muster rolls and their accounts was defective as described below:

Muster rolls were not properly maintained.

- The muster roll for skilled labour used by Pudussery GP was not in the prescribed format and was not issued by the PO.
- No unique identity number was assigned to the muster rolls. Instead, the GPs used their own method of assigning identity number which varied from GP to GP.
- PO, Alathur did not maintain Muster Roll Issue Register in the prescribed format. Muster Rolls were accounted in a General Stock Register.
- None of the GPs returned copy of used muster rolls to POs and the POs did not maintain a record of muster rolls returned by GPs.

3.1.13 Payment of unemployment allowance

If a worker who had applied for work is not provided with employment within 15 days from the date on which work is demanded, the State government is liable to pay unemployment allowance to the workers at such rates as fixed by them. Such rates shall not be less than one fourth of the wage rate for the first 30 days and not less than one half of the wage rate for the remaining period.

3.1.13.1 Unemployment allowance not paid to any household

Though the applications for work were submitted to the GPs, the total number of persondays of employment demanded by all households were not consolidated even at GP level. In the absence of consolidated details about

jobs demanded, exact amount of unemployment allowance payable could not be determined in Audit.

There were 213840 lakh job card holders in the state out of which 104927 applied for work. One hundred days of employment as guaranteed by the Act could be given only to 537 households. However, no unemployment allowance was disbursed in the state. The reasons for this were:

- Ignorance of beneficiaries regarding the benefits of the scheme.
- Restraining job card holders from applying for job as mentioned in paragraph 3.1.11.2

Based on the number of households who actually applied for job and assuming that all those households applied for 100 days of employment, the unemployment allowance payable would work to Rs.105.53 crore as shown in **Appendix VI**. The state Government failed not only to provide employment fully financed by the GOI but also to pay unemployment allowance to those who were not provided with employment. As against this, the total expenditure on the scheme was only Rs.27.90 crore. This indicated the degree of laxity on the part of the state government to provide employment.

Unemployment allowance amounting to Rs.105.53 crore was not paid.

3.1.13.2 Short provision of employment

A comparison of number of days for which job was demanded and the actual days of employment provided at GP level was not possible as consolidated details of demand were not available in any GP. An attempt made by Audit to consolidate and compare the details revealed that in Kannambra GP as against 19194 days of employment demanded by 640 households, the GP could provide employment for 10930 persondays only. However, the PO, Alathur reported to the DPC that 586 households were provided with 8754 person days of employment. The possibility of cases of such misreporting by other POs also could not be ruled out. Though 8264 person days of employment were not provided to those households, which demanded job, no unemployment allowance was paid by the GP.

3.1.13.3 Non payment of compensations

The payment of unemployment allowance should be made not later than 15 days from the date on which it becomes due for payment ie. within 30 days from the date of application for job. In the event of any delay, the recipients shall be entitled to compensation based on the same principles as wage compensation under the payment of wages Act, 1936 which shall be borne by the State Government. As no unemployment allowance was paid in any of the GPs test checked, the beneficiaries were also entitled to be paid compensation. However, in the absence of consolidated details about jobs demanded, the compensation payable could not be worked out in Audit.

3.1.14 Execution of works

Under the Act, the focus of the scheme shall be on eight categories of works such as water conservation, drought proofing, irrigation canals, provision of irrigation facility to land owned by priority sector of beneficiaries, renovation of traditional water bodies, land development, flood control and rural connectivity. Each work should be assigned a unique identity number to avoid

duplication. Standard designs should be put together as a document at the district level and should be made available to GPs. All works in the state were implemented through GPs and contractors were barred from execution of works.

3.1.14.1 Land development in private school

It was observed in audit that two GPs in Wayanad (Nenmeni and Vellamunda) constructed play grounds in private schools in their area under the scheme. The total expenditure incurred on these works was Rs.2.20 lakh. Constructing play grounds on private property was in violation of the Act as the asset created belonged to private persons/bodies.

3.1.14.2 Wage material ratio exceeded

The ratio of wage costs to material cost should not be less than the minimum norm of 60:40 i.e. the material cost including wages of skilled labourers and mate should not exceed 40 *per cent* of the total cost of the work. However, in Wayanad district no material was used in any work test checked. In Pudukkottai GP in Palakkad district the cost of materials exceeded 40 *per cent* in respect of seven out of 20 works executed. As the amount spent on materials exceeded the prescribed limit, the amount spent on generation of employment was less. The purpose of prescribing such a ratio was that at least 60 *per cent* of the funds allotted under the scheme should be utilised for providing unskilled labour.

3.1.14.3 Quantity towards probable variation in tape measurement not deducted

All earth works exceeding 300 cubic metre should be measured by recording initial and final levels. In such cases payments could be made based on tape measurement provided that 15 per cent of the quantity should be deducted for possible variation. Under NREGS this provision is applicable only to earth works exceeding 600 cubic metres. To circumvent this stipulation, such works were split into several reaches which enabled the GPs to make payment on the basis of tape measurement without the mandatory deduction of 15 *per cent*. This resulted in excess payment of Rs.1.72 lakh in 36 works in four GPs in Wayanad as detailed in **Appendix VII**.

3.1.14.4 Execution of works which were not included in the Annual Plans

According to the guidelines, the works to be executed by the GPs should be those included in the respective annual plans. However, it was seen in audit that in three[‡] GPs in Wayanad district, 78 works out of 789 executed were those not included in the annual plan. In Meppady GP, 52 out of 145 works executed (35.86 *per cent*) were those not included in the annual plan. This resulted in taking up non-prioritised works thereby reducing the role of Grama sabhas in planning to that extent.

**In three GPs
78 works
implemented
were those not
included in
annual plan.**

[‡] Kottathara, Meppady and Thirunelly GPs

3.1.14.5 Exaggerated figures of Administrative and Technical Sanctions

In the selected GPs, 1229 works were completed incurring a total expenditure of Rs.4.39 crore against the Administrative Sanction (AS) for Rs.10.64 crore for those works. This showed that the figures shown in the AS were exaggerated by 142.37 *per cent*. Similarly, the figures given in the Technical Sanction (TS) were exaggerated by 82.92 *per cent* on an average as the amount for which TS accorded was for Rs.8.03 crore as detailed below.

(Rs in crore)

Sl No	Blocks	No of completed works in 4 selected GPs	AS Amount	TS Amount	Actual Expenditure	Percentage of exaggeration of		
						AS to TS amount	AS to actuals	TS to Actuals
1	Alathur	148	1.64	0.48	0.24	241.667	583.33	100
2	Malampuzha	155	1.61	0.93	0.48	73.12	235.41	93.75
3	Kalpetta	341	3.08	2.36	1.75	30.51	76.00	34.86
4	Sulthan Bathery	585	4.31	4.26	1.92	1.17	124.48	121.88
	Total	1229	10.64	8.03	4.39	32.50	142.37	82.92

This large variation between AS and TS amounts and between TS amounts and actuals was due to inaccurate estimation, non-execution of certain items of works owing to difficult situation at site, existence of hard strata of soil, objection from public, etc.

3.1.14.6 Quantity of work exceeded the estimated quantity

The executed quantity of certain items of work exceeded the estimated quantity by 129.47 to 263.78 *per cent* in Pudussery GP as shown in the following table.

Sl No	Name of work	Item	Quantity as per estimate	Quantity executed	Percentage of increase
1	Improvement and side protection works to Thottanadu thodu	Clearing thick jungle	5540 M ²	12712.5 M ²	129.47
2	Construction of drainage in Netaji Nagar	Clearing light jungle	4800 M ²	11330 M ²	136.04
3	Improvement and side protection of Kunjappan Patta Thodu	Clearing light jungle	4500 M ²	16370 M ²	263.78

From the above table it could be observed that estimation was not done on realistic basis. The percentage of increase of quantities also indicates that proper inputs for estimation were not taken into consideration. Therefore the

possibility of manipulations in measurement in this case could not be ruled out.

District schedule rates not prepared.

3.1.14.7 District schedule of rates not prepared

According to the scheme, separate schedule of rates for each district should be prepared in order to ensure payment of minimum wages to every household. However, the District Schedule of Rates were not prepared in both the districts which resulted in payment of wages at rates less than the minimum wage rate of Rs.125 leading to under payment of Rs.3.30 lakh in 186 works in 12 selected GPs .

3.1.14.8 Standard designs not put together

The scheme envisaged that standard designs should be put together at the District level and made use of at GP level. However, no standard designs were made use of by the GPs leading to unnecessary preparation of designs each time for similar works.

3.1.15 Creation of Durable Assets

3.1.15.1 Specification of assets not indicated in the annual plan.

The detailed specifications of assets such as length and width of roads, size of tanks, etc. to be constructed were to be indicated in the annual plan. However, the annual plans did not contain such details. On completion of the works, the assets were not documented or accounted which may lead to improper utilisation and upkeep of assets and their loss/encroachment.

3.1.15.2 Enduring Outcome

The annual plan also did not indicate the enduring outcomes such as area irrigated by newly constructed tank, villages connected by the newly constructed road, etc. As a result, on completion of the projects, the outcomes in two GPs out of eight in Wayanad could not be assessed.

Transparency and accountability could not be achieved as no meetings of grama sabha were held at least once in six months.

3.1.16 Transparency and Accountability

An innovative feature of NREGA is that it gives a central role to social audits as a means of public vigilance. The basic objective of social audit is to ensure public accountability. Social audit is a public assembly where all details of projects are scrutinised. The periodic assemblies convened by the Grama sabha as part of Social audit is called Social Audit Forum. Social audit is an ongoing process through which the potential beneficiaries and other stakeholders of a project are involved at every stage starting from the planning to the implementation, monitoring and evaluation. This ensures complete transparency in the process of implementation of projects, participation of all beneficiaries in decision making and accountability of the elected representatives and Government functionaries. Though Grama sabha meetings to review the implementation of the scheme were to be held at least once in every six months no meeting was convened in any GP. This deprived the people of conducting a detailed public audit of all NREGA works carried out in their area during the preceding six months.

3.1.17 Monitoring and Evaluation

At village level, Gramasabhas should monitor all the works including registration, issue of job cards, providing employment and the timely payment

of wages whereas the Block Panchayat and Programme Officer should monitor all these activities of all GPs, flow of funds, social audit and payment of unemployment allowance, etc. The district level monitoring of all blocks should be done by District Panchayat and the DPC and state level monitoring of performance of all districts should be done by the State Government and consolidated reports sent to the Central Government.

3.1.17.1 State Quality Monitors and District Quality monitors were not designated.

For verification and quality audit, the State Government was to designate State Quality monitors with the approval of the State Employment Guarantee Council (SEGC). The District Panchayat was to designate District Quality Monitors with the approval of State Government. However Monitors were not designated either at state level or at district level leading to non-conduct of verification and quality audit.

3.1.17.2 Evaluation not done.

Regular district-wise evaluations and sample surveys of specific works should be conducted by SEGC. Block-wise evaluation studies should be conducted by DPC. SEGC should develop its own evaluation system in collaboration with research institutions of repute. The evaluation studies should throw light on particular innovations in planning, monitoring and implementation. The findings should be used for initiating corrective action. No evaluation of performance was done at any level resulting in lack of corrective action wherever necessary.

3.1.17.3 Report on inspection not available

The state level officer should inspect and test check works undertaken in the state, the district level officer should test check 10 *per cent* of works undertaken in the district and block level officer should check 100 *per cent* works undertaken in the Block. There was nothing on record to show that the inspection and test checks were conducted to the extent prescribed. Moreover, no report on inspection and test check was available.

3.1.17.4 Evaluation of impact of NREGA

As no evaluation was conducted, the impact of implementation of NREGA could not be studied. In the light of introduction of the scheme, the relevance of the following social security schemes has to be re-examined as the income limit fixed for eligibility was less than the wages for 100 days (12500).

The relevance of continuing social security pensions has to be reviewed in the context of implementation of the scheme.

SI No	Scheme	Income limit for eligibility
1	Unemployment wages	12,000
2	Agricultural Workers Pension	11,000
3	Old age pension	11,000
4	Unmarried women pension	6,000
5	Handicapped pension scheme	6,000
6	Widow/Destitute pension	3,600

If a person enjoying one of the above pensions gets employment for 100 days under NREGS, he would not be entitled to the pension as he would have crossed the income limit. Government have not studied this aspect.

3.1.17.5 Increase of daily Wage rates

Before the implementation of NREGA the prevalent wage rate was Rs.100 to Rs.110 for men and Rs.60 to Rs.80 for women in four* GPs out of 8 test checked in Wayanad. After the implementation of the scheme general wage rate increased to Rs.125 irrespective of gender difference. This is an achievement of the scheme which was not foreseen. Thus, evaluation studies need to be conducted for implementing the scheme intensively in low wage areas.

3.1.18 Conclusion

Review on implementation of NREGS conducted in 16 GPs under 2 districts revealed that 2.14 lakh job cards were issued against which 20.50 lakh mandays of employment were generated at an expenditure of Rs. 27.90 crore. 58 per cent of Rs.48.36 crore released to the districts for implementation of the scheme was utilized by the GPs.

The scheme provided generation of employment through participative planning duly involving the PRIs and the village population through Grama Sabhas in order to identify the works to be taken up for generation of employment and creation of utility durable assets. It was however observed that the DPP was not prepared in Wayanad district. In Palakkad district, though DPP was prepared, it was not approved by the District Panchayat. Non-framing of rules for implementing NREGA had affected various phases of implementation of the Act.

In the two districts, out of the total number of 2.68 lakh households registered, only 1.05 lakh households demanded work. However, employment was only provided to 0.99 lakh households. Of these, the percentage of households provided with 100 days of employment ranged between 0.45 to 0.59 percent of the registered households which demanded employment. No unemployment allowance was paid. In the absence of consolidated details about jobs demanded, exact amount of unemployment allowance to be paid could not be ascertained. Instances of delay in payment of wages and lacunae in preparation, distribution and receipt of job cards were also noticed in audit. Cases of restriction on registration of households was also noticed.

An innovative feature of the scheme was to ensure transparency through regular meetings of the Grama Sabha and conduct of Social Audits. However, it was noticed that the social audits to review the implementation of the scheme were not conducted thereby defeating one of the objectives of the scheme. Monitoring mechanism was also not in place.

* Meppady, Muppainad, Pulpally and Thirunelli

3.1.19 Recommendations

- Government should frame Rules for implementation of NREGA
- The Process of planning should be strengthened so as to enable the GPs, POs and DPCs to provide employment for 100 days to all registered households.
- Government should analyse why majority of job card holders did not apply for jobs.
- Government should examine the reason for non-payment of unemployment allowance.
- Government should immediately take action to prepare District schedule of rates so as to ensure minimum wages to all beneficiaries
- Government should monitor all activities starting from planning to payment of wages and make sure that the scheme is implemented in the state as envisaged in the Act.
- Government should evaluate the impact of the scheme in the State to strengthen its implementation.