The gist of the findings of C&AG on the status of implementation of Audit of Scheme Rules 2011 was presented by the officials of C&AG before Secretary(RD), AS&FA and the undersigned on 17th November, 2015 at 11.00 AM. A copy of the presentation is filed. Pursuant to the presentation there was a discussion on how to effectively implement the rules and Secretary(RD) has desired the following:

(i) All States must be asked to set up independent Social Audit Units (SAU) latest by February, 2016. SRD may write a letter to the States requesting them to utilize funds under Social Audit for setting up and staffing the SAU. The Ministry of Rural Development will closely monitor this aspect of work.

(ii) In at least 50% of the GPs the Social Audit should be conducted in consonance with the Rules every year. The Ministry will take all possible steps towards ensuring this.

(iii) In the meeting of the Task Forces two to three States should be invited to participate.

(iv) No pilot Social Audit process will be rolled out in the States because it is not serving any purpose.

(v) The Four groups of Task Force should be asked to present their report in a combined meeting as early as possible in the Ministry where SRD will remain present.

(vi) Our response to the findings needs to be sent to the office of C&AG within the next fortnight.

Ms. Rakshita Swamy will be working on all above in close coordination with Programme Division, MGNREGA.
Draft Compliance Audit of "Mahatma Gandhi National Rural Employment Guarantee Scheme- Audit of Scheme Rules, 2011

Chapter-1

Mahatma Gandhi National Rural Employment Guarantee Scheme Audit of Scheme Rules, 2011- Introduction, Audit Approach and Organisation of the findings

1.1 Introduction

A social audit (SA) is a process by which the final beneficiaries are empowered to audit any scheme, programme, project or policy implemented for them. It can be described as checking and verification of programme/scheme implementation and its results by the community with the active involvement of the primary stakeholders. Major objectives of SA are to promote transparency and accountability in the implementation of programme, inform and educate people about their rights and entitlements, provide platform for people to express their needs and grievances, promote people’s participation in all stages of the implementation and strengthening the scheme by deterring corruption and improving implementation.

Mahatma Gandhi Rural Employment Guarantee Act (MGNREGA) was notified on 7 September 2005 with the objective of enhancement of livelihood security of households in rural areas of the country by providing 100 days of guaranteed wage employment in every financial year to every rural household whose adult members volunteer to do unskilled manual work. Creation of durable assets and strengthening the livelihood resource base of the rural poor were other important objectives. Section 17 of the Act provided for SA of the implementation of the scheme.

To make SA operational, the Government of India, in April 2011 notified the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) Audit of Schemes Rules, 2011 (Act). This Act inter-alia included SA facilitation by State Governments, creation of independent Social Audit Unit (SAU), process of conducting SA, responsibilities of various functionaries.
1.2 Audit Approach

1.2.1 Audit Scope and Sampling methodology

The audit covered all the States to examine as to how far the provisions of Act were being followed for conducting SA. A sample of 50 Gram Panchayats (GP) where SAs were conducted during the year 2014-15 was selected by Simple Random Sampling without Replacement (SRSWR) for evaluation of SA done.

1.2.2 Audit Methodology

This audit was carried out at the request of Ministry of Rural Development (MoRD). After preparation of the audit guidelines, an entry conference with the MoRD was held on 27 April 2015 to discuss audit methodology, scope, objectives and criteria. In addition, entry conferences were also held with the State Governments before commencement of audit at State level. Audit included examination of records of MoRD, State Government department responsible for implementing MGNREGS, SAU headquarters; District Programme Coordinators (DPC) and Programme Officers (PO). Audit parties also visited selected GPs for evaluation of social audit reports (SAR) and also POs/DPCs of selected GPs for evaluating their support to SA and follow up action on SAR taken by them.

1.2.3 Audit Objectives

The overall objective of this compliance audit was to evaluate the extent of assurance provided through SAs as per Act. This Compliance Audit was undertaken to ascertain whether:

- A competent, capable and independent SAU existed within the state;
- SAU provided adequate support mechanisms like planning, capacity building capacity of Gram Sabha (GS), felicitation of records, reporting and follow up for SARs within the state;
- SAs executed during 2014-15 were adequate, effective and in accordance with the rules and regulations and actively supported and helped by DPC, PO and other state government functionaries; and...
Other agencies like Central Employment Guarantee Council (CEGC), State Employment Guarantee Council (SEGC), Ministry of Rural Development (MoRD), etc., carried out their roles with due diligence.

1.2.4 Audit Criteria:

The audit criteria for the compliance audit were derived from:

- Relevant provisions of Mahatma Gandhi National Rural Employment Guarantee Act, 2005;
- MGNREGS Audit of Scheme Rule, 2011;
- Circulars/Instructions of MoRD on minimum norms of recruitment to be followed by SAUs;
- Guidelines and clarification issued for Special Project on social audit, 2014;
- Letter issued by MoRD on minimum norms of recruitment to be followed by SAU;
- Circulars/Instructions of MoRD on setting up of a Support Cell for Social Audit in the National Institute of Rural Development (NIRD); and
- Rules and regulations issued by State Governments and SAU as applicable within the state.

1.3 Organisation of audit findings

The audit issues have been analyzed from a nation-wide perspective and only brief, summarized information on findings in different states are provided. Audit findings have been reported in five different chapters. Chapter 1 gives a brief overview, audit methodology adopted to arrive at the audit findings. Chapter 2 gives the status of SAUs, resource persons and their capacity building. Chapter 3 details the lapses in planning and execution of SAs. Chapter 4 highlights the failure in taking follow up action on SARs and chapter 5 outlines the conclusions of the compliance audit.

1.4 Acknowledgement

We acknowledge the cooperation and assistance extended by the MoRD, State Governments, SAUs, MGNREGS implementing departments and their officials at various stages during conduct of this compliance audit.
Chapter-2
Social Audit Unit and Resource Persons

2.1 Social Audit Unit

Section 4 of the Act stipulates that State Government shall identify or establish an independent organization ‘SAU’ to facilitate to conduct SAs of MGNREGS works. This SAU may either be a Society or a Directorate, independent of the implementing departments/agencies. The Director/Chief Executive Officer of the Society/Directorate shall be a person who has worked in the social sector for the rights of the people for at least 15 years. The work may also be outsourced to an outside agency preferably possessing adequate experience in rights and entitlement based programme. The SAU shall have an independent staff structure comprising State Resource Persons (SRP) and thematic experts, District Resource Persons (DRP) and Village Resource Persons (VRP). The SAU is responsible for:

• Ensuring that a SA as per the Act is conducted in every GP twice a year;
• Prepare a calendar at the beginning of the year to lay out sequence of SAs across all GPs;
• Develops guidelines to regulate all activities of recruitment, conduct of SA, capacity building;
• Build mechanism to review the quality of SAR; and
• Provide policy advice to the State Government on how to ensure time bound follow up on grievances and imposing effective punitive action.

As per section 7 (6) of the Act, cost of establishing the SAU and conducting SA shall be met by the Central Government as a central assistance in accordance with the instructions issued in this regard. Further, in August 2012 and April 2013, MoRD issued instruction/clarification that cost of establishing SAU and conducting SA was to be met from 1 per cent within 6 per cent of administrative charges under MGNREGS.

2.2 Status of SAUs

2.2.1 Non establishment of SAU

We noted that in seven states SAU was not constituted. In Himachal Pradesh, Jammu and Kashmir and Jharkhand formation of SAU was in progress while the states of Arunachal Pradesh, Goa, Kerala and Uttarakhand had not initiated the
process of setting up of SAU. In response to audit observation, the State Government of Goa stated that it had already incurred heavy expenditure on administration for implementation of the scheme and hence it was not possible to set up SAU within six per cent administrative charges allowed by the MoRD. Non-establishment of independent SAUs in large number of cases defeated the intended objective of the Act.

Case study- Arunachal Pradesh

In absence of SAU, the implementing department i.e. Department of Rural Development, had engaged a private firm, M/s Moksha Consultancy to conduct SA. As per agreement (January 2014) SA of 809 GPs pertaining to the year 2013-14 was to be completed within 12 months. However, SA of only 660 GPs was completed and payment of 103.82 lakh had been made to the firm. No SAR report had been submitted by the firm (July 2015).

2.2.2SAU as a cell within the Department

In eight states1 SAUs were functioning as a cell within the department of Rural Development of the State Governments. In these states working officers of the department of Rural Development had been given additional charge of SAUs.

2.2.3SAU as Society or NGOs

In 14 states, societies/NGOs had been set up to work as SAUs. We noted that out of these 14 states, in five states2 they were not functioning independently as these were headed by the officers of the Rural Development Departments. In Odisha, the Society was not functional due to vacant post of Director since March 2014 and lack of desired dedicated structure. In Gujarat, NGO named ‘Unnati’ was selected by tendering process and engaged on contract basis till January 2015.

Thus, the provisions of the Act were not complied with.

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1 Assam, Bihar, Haryana, Maharashtra, Nagaland, Punjab, Rajasthan and West Bengal.
2 Madhya Pradesh, Manipur, Mizoram, Odisha and Tamil Nadu.
In other nine states\(^3\) societies/NGOs were functioning as independent SAUs with full time Director as their head.

The issue of not-setting up of independent SAU was also taken up with MoRD. In its reply MoRD stated that it had not given any pre-defined time frame for establishing the independent SAU to the State Governments. However, in every Performance Review Committee (PRC) and Review Meeting, State Governments were advised to comply with the provisions of the Act.

### Case Study - Andhra Pradesh and Telangana

Society for Social Audit, Accountability and Transparency (SSAAT) was envisaged as an independent society. This society tasked with developing appropriate tools and methodologies for training, facilitating and enabling rural poor to conduct SA. However, its independence was not ensured either in administrative or financial or technical matters. Director, SSAAT reported to the Principal Secretary, Department of Rural Development. In practice all files relating to policy decisions, finance and administrative issues with long terms implications or any new social audit programme to be taken up were being submitted to Principal Secretary, Rural Development. Decision relating to release of funds or involving expenditure over rupee one lakh were exercised by Commissioner, Rural Development (CRD). Even the calendar of social audit schedule has to be approved by the CRD. Though there were no specific government instructions in this regard, it infers that issues which were to be approved by Governing Body were by default being approved by Principal Secretary, Rural Development being Chairperson/Vice-Chairperson of the Governing Body. Thus, the SAU lacked functional independence.

### 2.3 Independent Bank Account for SAU

In order to be functional as an independent body, SAUs must have financial autonomy. Para 1(b) of Chapter III of Social Audit Manual provides that SAU must have a bank account of its own to receive fund of one *per cent* of the Administrative Fund under MGNREGS provided by the Central Government. It

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\(^3\) Andhra Pradesh, Chhattisgarh, Gujarat, Karnataka, Meghalaya, Sikkim, Tripura, Telangana and Uttar Pradesh.
was, however, seen that out of fourteen states where SAUs was working independent of the scheme implementing department, two SAUs (Odisha and Tripura) did not have its own bank account.

2.4 Resource Persons for Social Audit

To function as an independent body, SAU must have independent staff structure comprising of SRPs and thematic experts, DRPs and VRPs. Section 4 of the Act provided that SAU shall identify and train appropriate number of SRPs, DRPs and VRPs to facilitate the GS in conducting SA.

2.4.1 Availability of Resource Persons for Social Audit

We noted that in nine states where independent SAUs were established, shortage of state level resource persons in seven SAUs as on 1 April 2015 which ranged between six and 33 per cent. In Karnataka the shortage was 75 per cent. At district level, in five states¹, shortage of resource persons ranged between five per cent and 36 per cent. We also observed that:

- At village level record/information on identification and deployment was not provided to audit in three states (Chhattisgarh, Gujarat, and Uttar Pradesh).

- In Sikkim all 22 district resource persons were discharging the duties of VRP and no extra persons were deployed at the village level.

- In Meghalaya resource persons were not identified at the district, block and village level.

- In Tripura record/information on availability of resource persons was not furnished by SAU. There was no shortage of VRPs in Andhra Pradesh, Karnataka and Telangana.

We also noted that in three states², out of five states where society/NGOs functioning as SAUs but headed by departmental officers, resource persons were

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¹ Andhara Pradesh, Chhattisgarh, Karnataka, Telangana and Uttar Pradesh
² Madhya Pradesh, Manipur and Odisha
not deployed at any level except in Madhya Pradesh where 245 village resource persons were deployed against the requirement of 4600.

Analysis availability of resources persons in SAUs which were established as a cell within the department showed that:

- In Assam faculty and staff members of SIRD were deployed to conduct SAs.
- In Haryana SA was got conducted through untrained staff.
- In Punjab members of Nehru Yuva Kendra were deployed for SA.
- In Maharashtra, there was 100 per cent shortage of district resource persons and only 390 village resource persons were deployed for SA.

2.4.2 Transparency in recruitment process

Norms of recruitment of staff of independent SAU issued by MoRD in August 2014 stipulates that post of Director shall be filled by a social activist experienced in conduct of SA and right based activities for not less than 10 years. Further, if retired government official is appointed by the State for the position of Director, SAU only officials who have not served in any Government position since the last five years shall be eligible. We, however, observed that:

- In Meghalaya, Director was appointed after relaxing prescribed criteria of eligibility. Moreover, there was no representative from MoRD in the selection committee.
- In West Bengal, State Government, April 2015, appointed a retired government official as Director, SAU despite knowing his aspiration of continuing his part time association as Secretary with a NGO implementing programme funded by West Bengal State Rural Livelihood Mission, Nation Rural Livelihood Mission and MGNREGS. We also noted that West Bengal did not follow the weightage attached to criteria prescribe by MoRD while short-listing the DRPs.
2.4.3 Training of Resource Persons

Training is inculcation of knowledge and professional skill for the performance of SA. In States where SAUs were working as an independent unit, we observed that:

- In Gujarat, there was shortfall of 24 per cent in imparting training to Taluka (Block) Resources Group (BRPs) during 2013-15 which consequently weakened the process of SAs.
- In Tripura, examination of record of SAU did not show whether activities like selection of VRPs, imparting training for smooth facilitation of SA had been done by the SAU.

In another five states where SAUs were created as society but headed by departmental officers, we noted that in Madhya Pradesh only 245 Village Social Animators (VSA) were trained to facilitate Gram Samparich Samiti in conducting SAs. However, format for reflecting audit findings were either not filled up properly or in detailed. This showed that trainings imparted to VSA at a cost of ₹6.78 lakh did not yield desired results.

2.5 Special Project

In order to support the State to conduct the SAs as laid down in the rules, MoRD decided to provide technical assistance under a special project that would be in operation till 2017. Under this, the cost of engaging SA resource persons at the state and district level was to be reimbursed to the States/UT. The release to the States was to be made in two installments in the following manner:

a) 50% on constituting SAU in the manner prescribed by MoRD

b) 50% on identifying and placing the District Social Auditor prescribed by the MoRD
MoRD, in March 2015, released 79.20 lakh to the eight States\textsuperscript{6} under this project. We, however, noted that Gujarat, Nagaland and Punjab despite not having independent SAU, received 28.38 lakh under special project. Further, thirteen states\textsuperscript{7} failed to avail the benefit of special project to create independent SAUs. In response to the audit MoRD stated that no progress report had been received from the States. Thus, even with the special provision of funds, SA could not be strengthened.

\subsection*{2.6 Diversion of funds from capacity building}

MoRD, in March 2014, released 23.50 crore to National Institute of Rural Development (NIRD) to implement a project on training of trainers/capacity building of staff in the field of SA. We, however, noted that NIRD, at the instance of MoRD diverted 20.39 crore towards Intensive Participatory Planning Exercise (18.89 crore) and Sansad Aadrsh Gram Yojana (1.50 crore). Diversion of funds meant for capacity building on SA diluted its importance.

**Recommendation:**

- MoRD may fix a time frame and impress upon the State Governments to set up an independent SAU to carry out SA.
- Availability resource persons at all levels and their capacity building may be ensured to conduct SA as prescribed under the Act.

\textsuperscript{6} Andhra Pradesh(9.90 lakh), Chhattisgarh(13.86 lakh), Gujrat(11.22 lakh), Nagaland(7.26 lakh), Punjab(9.90 lakh), Sikkim(3.94 lakh), Tamil Nadu(15.18 lakh), Tripura(5.94 lakh)

\textsuperscript{7} Assam, Bihar, Goa, Haryana, Himachal Pradesh, Jharkhand, Maharashtra, Jammu and Kashmir, Nagaland, Punjab, Rajasthan, Uttarakhand ad West Bengal
Chapter-3
Planning and Execution of Social Audit

3.1 Planning

Section 6(1) of the Act provides that each SAU shall, at the beginning of the year, frame an annual calendar to conduct at least one SA in each GP every six months. A copy of the calendar shall be sent to all the DPCs for making necessary arrangements. The calendar should lay out the sequence and dates of GSs and SA public hearing for all the GPs of the State. Any change in the actual conduct of SA vis-à-vis the SA calendar approved, is to be considered as a violation of the process and can take place only with the approval of Director, SAU and Principal Secretary, Rural Development Department.

We noted that in seven states\(^8\) where SAUs were working as societies and headed by independent Director or officer of the department, prescribed annual calendar to conduct SA of GPs was not prepared. In another five states\(^9\) annual calendar was prepared.

In five states\(^10\) where SAUs were working as a cell within the department, annual calendar was not prepared.

Hence an important work to monitor the implementation of SA process was bypassed.

3.2 Evaluation of Social Audit process

To assess the effectiveness of the SA, we selected 1125 GPs in 25 states\(^11\) wherein `415.53 crore\(^12\) was incurred on MGNREGA works and SA was stated to have been conducted during 2014-15. We, during field verification, however,

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\(^8\) Andhra Pradesh, Gujarat, Madhya Pradesh, Manipur, Odisha, Telangana and Uttar Pradesh
\(^9\) Chhattisgarh (prepared in November 2014), Karnataka, Meghalaya, Mizoram and Sikkim
\(^10\) Assam, Haryana, Maharashtra, Punjab and West Bengal
\(^11\) Except Arunachal Pradesh, Kerala, Manipur and Nagaland.
\(^12\) In Gujarat expenditure on MGNREGA was made available only on 27 GPs out of 50 GPs.
noted that in 14 GPs in four states\textsuperscript{13} SA was not conducted which implied that reliable data on SA was not available with the State Governments.

Our findings are detailed below:

\subsection{Availability of record}

Section 5 of the Act and provisions of para 13 of Operational Guidelines 2013 (OG) stipulate that PO shall ensure that all the records and information of the implementing agencies including action taken report (ATR) on the previous SA are properly collated and provided along with photocopies to the SAU for facilitating conduct of SA at least 15 days in advance of the scheduled date of meeting of the GS conducting SA. The SAU teams shall conduct door to door visit to meet beneficiaries of the MGNREGS and share relevant information with them. These teams shall also visit project sites and physically verify whether completed projects match information contained in the records of the implementing agencies.

In nine states where independent SAUs were established we noted that:

- In Chhattisgarh, Gujarat, Meghalaya we could not find any evidence to ensure availability of records. In Sikkim in 12 GPs, 51 records pertaining to Stock Register, Work files, Measurement Book, Asset Register and Photographs were not made available to SAU team.

- In Tripura neither the implementing agencies nor the SAU sought any record/information from District/Block/GP level as required under the Act. Therefore, there was little assurance of examination of records by the SAU relating to execution of works and expenditure incurred thereon.

- In Karnataka, no communication was made by SAU to DPC/PO seeking of records to be produced. In the test-checked districts, few cases of non-production of records in GPs were observed. The SAU had not put in place any monitoring mechanism for production of records and action taken thereon.

\textsuperscript{13} Haryana (1), Jammu and Kashmir (8), Jharkhand (4) and Punjab (1)
• In Andhra Pradesh and Telangana SAU sent intimation 4 to 13 days in advance by email, consequently, records relating to complete expenditure were not made available/audited.

• In 50 test checked GPs, in Uttar Pradesh records were not provided 15 days in advance in 45 (90 per cent) GPs. In 13 (26 per cent) GPs, records were provided on same day of GS meeting. We also noted that in five\textsuperscript{14} out of 50 test-checked GPs, the line departments did not furnish record of executed works to SAU team. In other GPs the status of executed works was not ascertained by POs.

• Out of 446 GPs where SAs was conducted during 2014-15, in 195 GPs door-to-door visit to meet beneficiaries of the MGNREGS under audit and share relevant information with them was not done. This included Gujarat, Tripura and Uttar Pradesh where SAU team did not conduct door-to-door visit at all. In Meghalaya, in 46 GPs out of 47 GPs door-to-door visits was not carried out by SAU teams.

• In three states\textsuperscript{15}, no evidence of physical verification of project sites was available on record.

In five states where society/NGO were set up as SAU but headed by departmental officers, we noted that:

• In Madhya Pradesh and Odisha, evidence of list of records examined by SAU teams was not found on record.

• In Tamil Nadu all information and record obtained and examined by SAU teams.

• In Madhya Pradesh and Odisha door-to-door visit was not carried out to meet beneficiaries of the MGNREGS and share relevant information with them.

\textsuperscript{14}(1) Charwa, block Chayal, district Kaushambi (2) Gosa Prayagpur, block Ganj Muradabad, district Unnao (3&4) Laxmanpurmatahi, and Matha block Balha districts Bahraich (5) Sadjore block Nababagjia, district Bahraich

\textsuperscript{15}Gujarat, Tripura and Uttar Pradesh
In Madhya Pradesh and Odisha, SAU teams partially verified the project sites.

In eight states where SAUs were working as cell within the department we noted that:

- In Assam in 48 test checked GPs social auditor failed to collect information and check the issues pertaining to maintenance and collection of record. In nine to 25 GPs records like Job Card Register, Asset Registers, Material Registers at work site, complaint registered though not maintained/updated but stated to be maintained in SARs. Besides this, in 14 to 47 GPs mis-match of figure of number of works executed, involvement of expenditure, number of job card holders etc. was noticed in SARs.

- In 34 GPs, in Bihar, evidence in support of verification of records such as copies of document was not enclosed with SARs. In another 14 GPs, SARs were no available. In two GPs, Gram Sabha was not held due to lack of quorum.

- In Haryana, SAU teams were collecting records on the date of GS meeting for SA as a result of which records were not verified by them.

- In Maharashtra, SARs were filled up perfunctorily making it difficult to ascertain the verification status. In Jawhar block, record of line department was not made available to social audit team.

- In 34 out of 46 test check GPs in Punjab, POs did not make necessary arrangement for submission of records to SAU teams 15 days in prior to commencement of GS meeting for SA.

- In Rajasthan, in 13 GPs records were provided after a delay of five to 11 days.

- In Assam, Bihar, Haryana, and Punjab SAU team did not conduct door-to-door visit to meet beneficiaries of the MGNREGS and share relevant information with them. In Rajasthan and West Bengal 50 to 80 per cent of the GPs door-to-door visit was not undertaken.
- In Haryana and Punjab, SAU teams did not physically verify the work sites. In Rajasthan only 2 per cent of the works were physically verified. There was no evidence of physical verification of work sites was found on record in Assam, Bihar and Maharashtra.

Non-requisition/production of records in large number of cases as brought out above indicates non-compliance with the laid down provisions. Besides, the mechanism in place in conducting SAs was also seriously eroded in the absence of complete documentation and appropriate verification procedure.

### 3.2.2 Awareness among stakeholders about Social audit meeting

Section 4 (2) (c) of Act and para 13.3.2 of OG provides that the labour and the village community shall be informed about the GS conducting SA by the resource persons as well as the POs to ensure full participation. We noted that

- In two states (Jammu & Kashmir and West Bengal), the labour and village community was not informed about the GS conducting SA to ensure full participation.

- In Assam, 363 Job card holders in 45 villages were interacted with during compliance audit on random basis with a view to assessing the awareness amongst them on SA and their involvement in the process. Nine to 67 per cent villagers expressed their ignorance on the process of SA. Similarly, 58 per cent of villagers interviewed stated that they were not aware of GS for SA which indicated unsuccessful awareness campaign. The Director SIRD also stated that 10 to 25 per cent people could be involved during GS for SA.

- In Bihar, in all the sampled GPs (except Dumri and Jhakhra Sheikh), no evidence was found on record to ascertain whether the labourers and communities were informed about the SA by GS.

- In Chhattisgarh, no documentary evidence regarding intimation of SA by GS to labour and village communities was produced to audit in 45 out of
the 50 test checked GPs. However, in two GPs it was stated that labour and village communities informed through Munadi by kotwar.

- In Madhya Pradesh, in 27 out of 50 test checked GPs, all the residents of the respective villages were informed through Munadi. In 23 GPs though Secretaries replied that all concerned in GPs were informed but did not produce Munadi orders to audit for verification.

3.3 Social Audit by Gram Sabha

Provisions of the Act and OG vis-à-vis audit findings with regard to holding and reporting mechanism by GSs in GPs test checked in audit were as under:

(i) Convening of GS meeting to discuss the findings of SA - (Section 6 (4) of the Act and para 13.3.5 of OG)

In 14 States, out of 624 SAs conducted during 2014-15, 48 GSs meetings were not held. In Madhya Pradesh, Odisha and Tripura SA findings were not discussed in GS meetings. In Assam, SA findings were not discussed in GS meetings. In Mizoram (6 GPs) and Gujarat (15 GPs) SA findings were not discussed.

(ii) GS meeting convened in a neutral public space (Para 13.3.5 of OG)

We noted that in Andhra Pradesh (50 GPs), Karnataka (21 GPs), Meghalaya (7 GPs), Mizoram (11 GPs), Telangana (49 GPs) and Tripura (18 GPs) SA meetings were not held at neutral place while in Chhattisgarh, Gujarat, Madhya Pradesh, Odisha, Sikkim and Uttar Pradesh social audit meeting were held at neutral place.

(iii) GS meeting chaired by an elderly villager not a part of Panchayat or any other implementing agency (Para 13.3.5 of OG)

We found that in four states SA meetings were chaired by Sarpanch or member of Panchayat or government officers. In 20 GPs (Madhya Pradesh), 27 GPs

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16 Sheri and Domhara
17 Munadi is a process of intimation by announcement for conduct of Social Audit Gram Sabha
18 Kotwar is a person who announces intimation of Social Audit Gram Sabha
19 Boda, Banspur, Bantuni, Bangui, Bandhibodakachar, Bodakachar, Bhikewara, Chhapra Duariyakheda, Deukkari, Ddodhambasti, Patanpur, Harilikachar, Jamrudonga, Jagantola(M), Khapasani, Kumbadi, Khulson, Munair, Patnura, Sirsod, Sitakumath, Sivnapat,
20 states with independent body (Society/NGO) headed by independent Director or officers of the department.
21 SAU as independent body headed by independent Director or Departmental officers - Andhra Pradesh, Gujarat, Karnataka and Telangana
(Odisha) and 38 GPs (Tripura) meetings were chaired by person from Panchayat or implementing agency. In Chhattisgarh, Sikkim, Tamil Nadu and Uttar Pradesh all meetings were chaired by elderly persons not connected with implementation of the scheme.

In the states where SAUs were working as cell within the department, 205 GS meetings in six states\textsuperscript{22} were not chaired by elderly persons from stakeholders. However, in Assam all the GS meetings in test check GPs were chaired by elderly person.

(iv) Decision and resolutions of the GS not put to vote (Para 13.3.5 of OG)

In ten states\textsuperscript{23} decision of the GS were not put to vote.

(v) Discussion on ATR on the previous SA (Section 6(9) of the Act)

In eleven states\textsuperscript{24} ATRs on the previous SAs were not discussed.

(vi) SARs not in local language and displayed on the notice board of the GP (Section 6 (8) of the Act)

We noted that in seven states\textsuperscript{25} SARs were not prepared in local language and also not displayed on the notice board. In Andhra Pradesh, Chhattisgarh, Telangana, Uttar Pradesh, Bihar and West Bengal SARs were also not displayed.

(vii) List of works examined as part of the SARs (Section 7(1) of the Act)

In two states\textsuperscript{26} list of works examined was not made a part of SARs.

(viii) List of ‘records not produced’ as a part of the SARs (Section 7(1) of the Act)

In five states\textsuperscript{27} list of records not produced was not a part of SAR.

(ix) Evidence of verification of records with SARs (Para 13.3.10 of OG)

In six states\textsuperscript{28} there was no evidence in SARs on verification of records.

\textsuperscript{22} Bihar (50), Haryana (17), Maharashtra (25), Punjab (30), Rajasthan (50) and West Bengal (33).

\textsuperscript{23} States with independent SAU- Andhra Pradesh, Madhya Pradesh, Odisha, Telangana, Tripura and Uttar Pradesh and States with cell within the department-Assam, Bihar, Maharashtra and West Bengal

\textsuperscript{24} States with independent SAU- Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Odisha, Telangana and Tripura and States with cell within the department-Assam, Bihar, Maharashtra, Punjab and West Bengal

\textsuperscript{25} States with independent SAU- Mizoram, Odisha, Sikkim and Tripura and States with cell within the department-Assam, Haryana and Maharashtra

\textsuperscript{26} States with independent SAU- Odisha and Uttar Pradesh

\textsuperscript{27} States with independent SAU- Karnataka, Madhya Pradesh, Odisha and Uttar Pradesh and States with cell within the department-Assam
(x) Wall painting to display the money paid to job card holders (Para 13.3.4 (vii) of OG)

In fourteen states there was no wall painting to display details of money paid to job card holders.

(xi) Video recording of the proceeding of the GS and uploading on web-site (Para 13.3.11 of OG)

In thirteen states proceeding of the GS was not video recorded. In Punjab and West Bengal video recording was not done in 36 and 17 GPs respectively. In seven states though the video recording were done but were not uploaded on the website.

(xii) Presence of District Programme Coordinator (DPC) or nominated officer (Section 6(7) of the Act)

In ten states neither the DPC nor member nominated by him had attended the GS meeting. In Tripura (50GPs) and Bihar (22 GPs), there was no evidence to establish the presence of DPC or nominated member in GS meetings.

(xiii) Participation by Village Community (Section 6(3) of the Act)

In nine states in all the GPs, GS meetings were held with less than 10 per cent of participation by village communities. In additional to this, in Tamil Nadu (7 GPs), Tripura (27 GPs) and Chhattisgarh (39 GPs) GSs were attended by less than 10 per cent of village communities.

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28 States with independent SAU: Gujarat, Odisha, Tripura and Uttar Pradesh and States with cell within the department- Bihar and Haryana
29 States with independent SAU: Andhra Pradesh, Chhattisgarh, Gujarat, Madhya Pradesh, Odisha, Sikkim, Tamil Nadu, Telangana, Tripura and Uttar Pradesh and States with cell within the department- Bihar, Haryana, Punjab and West Bengal
30 States with independent SAU: Andhra Pradesh, Chhattisgarh, Gujarat, Madhya Pradesh, Meghalaya, Odisha, Sikkim, Telangana, Tripura and Uttar Pradesh and States with cell within the department- Assam, Bihar and Haryana
31 States with independent SAU: Karnataka, Madhya Pradesh and Tamil Nadu and States with cell within the department-Maharashtra, Punjab, Rajasthan and West Bengal
32 States with independent SAU: Chhattisgarh (50), Gujarat (30), Odisha(50), Tamil Nadu (29) and Uttar Pradesh (40) and States with cell within the department- Assam (49), Bihar (12), Haryana (25), Punjab(34) and West Bengal (32)
33 States with independent SAU: Andhra Pradesh, Karnataka, Odisha, Telangana and Uttar Pradesh and States with cell within the department- Bihar, Haryana, Rajasthan and West Bengal
(xiv) **Countersignature of chairperson on the SAR (3.3.12 of OG)**

In 10 states\(^{34}\) SARs were not signed by the chairperson of the GS meeting.

(xv) **Hosting of SARs on the website (Section 4(2) of the Act)**

In 10 states\(^{35}\) SARs were not uploaded on the website.

Hence provisions of the Act were largely breached.

3.4 **Honorarium/wages to resource persons**

We noted that against the demand of SIRD for release of `325.20 lakh (September 2014) and `255.39 lakh (November 2014) for undertaking SAs and honorarium to resource persons, the Government of Assam released `3.00 lakh and `187.52 lakh from the administrative expenses under MGNREGS for payment of remuneration of DRPs and BRPs. No fund for pre audit activities like awareness campaign, training inputs, preparation and printing of audit materials and their publicity etc. was received which adversely impacted the conduct of SA.

In Bidar district of Karnataka, `16.02 lakh for 2013-14 to resource persons was not paid in spite of availability of fund. SAU stated (July 2015) that delay was brought to notice of the Rural Development Department.

DPCs in Meghalaya, in 2014-15, engaged and paid `54.38 lakh to 23 NGOs for conducting SAs of MGNREGS works. We observed that there was no uniform rate for conduct of SA as the rate claimed by NGOs varies from `700 to `1700 per Village Employment Council though in most of the cases the NGO who conducted the SA was the same.

Thus the State Governments did not comply with the provisions of the Act diluting the spirit of SA.

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\(^{34}\) States with independent SAU- Chhattisgarh (8 GPs), Gujarat (21 GPs), Madhya Pradesh (30 GPs), Odisha (37 GPs), Tamil Nadu, Tripura and Uttar Pradesh and States with cell within the department- Bihar, Maharashtra and West Bengal

\(^{35}\) States with independent SAU- Madhya Pradesh, Meghalaya, Mizoram, Odisha, Tamil Nadu and Tripura and States with cell within the department- Assam, Bihar, Maharashtra and Punjab.
Recommendation:

- It may be ensured that annual calendar, as envisaged in the Act, is prepared in the beginning of the financial year and followed accordingly.
- Record management should be improved at all levels to facilitate credibility of SA.
- Social audit team must ensure verification of project sites and conduct door to door visit in compliance with the extant provisions.
- Awareness amongst the stakeholders for full participation in the GS meetings on SA may be ensured.
- Conduct of SA meetings and reporting mechanism, as per the provisions of Act may be ensured.
Chapter-4

Follow up of social audit

4.1 Follow up

SA would not be complete unless there is a time bound follow up action on the grievances that were identified. Time bound follow up is the responsibility of the State Government towards all the people who have participated in the SA in the State. Section 7 (4) of the Act provides that State Government shall be responsible to take follow up action on the findings of SAs.

4.2 Follow up at District and Block level

Para 25 (c), Schedule I of Section 4(3) of MGNREGS Act 2005 and Para 13.3.15 OG provides that after GS meeting, a SA public hearing should be held in the block headquarter in the presence of MGNREGA workers, elected representatives and officials to discuss the SA findings and ensure that orders are issued in open on SA findings. Further, on conclusion of the SA public hearing at the block level, district level consultations may be organized for Pramuckhs and members of Block Panchayat for reviewing the follow up on grievances raised.

We, however, noted that in eight states\(^{36}\) public hearing after SA was not held at block level. We also noted that:

- In Odisha, in 10 test checked blocks no public hearing was held. In four test check blocks\(^{37}\) public hearing presided by POs as the officers nominated to preside over the meetings were not made themselves available. In two blocks (Jharbandh and Khariar), minutes of the public hearings were not sent to DPCs for follow up action.

\(^{36}\) States with independent SAU- Gujarat, Karnataka, Tripura and Tamil Nadu and States with cell within the department- Assam, Haryana, Punjab and West Bengal

\(^{37}\) Khariar, Nuapada, Sukurli and Jagatsinghpur
• In Maharashtra, in four test checked districts\textsuperscript{38}, no action was taken on ATRs submitted by the blocks.

• In Odisha, DPCs did not monitor the conduct of Public hearings by the block.

Not holding the public hearing at block level after conduct of SAs to discuss the follow action and lack of monitoring of action taken on SA at district level defeated the very purpose of SA.

In Sikkim, out of 1053 issues pointed out by the SAs for 2014-15, 584 issues were resolved by POs and DPCs.

In Uttar Pradesh, in seven cases First Information Report (FIR) were lodged while 444 cases in 16 test check districts involving misappropriation of `164.22 lakh were pending as of March 2015.

4.3 Recovery of misappropriated amount

Section 7(3) of the Act provides that every DPC or any official on his behalf shall take steps to recover the amount embezzled or improperly utilised and maintain a separate bank account for the amounts so recovered.

We, however, noted significant portion of the misappropriated amount pointed out in SAs, as tabulated below, was yet to be recovered:

\[\begin{array}{|c|c|c|c|c|c|}
\hline
\text{S.No.} & \text{State} & \text{Amount misappropriated} & \text{Amount recovered} & \text{Balance} & \%age of recovery \\
\hline
1 & Andhra Pradesh & 54.41 & 19.55 & 34.86 & 36 \\
2 & Telangana & 54.01 & 16.35 & 37.66 & 30 \\
3 & Uttar Pradesh & 3.44 & 0.03 & 3.41 & 1 \\
\hline
\end{array}\]

Further, no separate bank account for amount so recovered was maintained.

\textsuperscript{38} Nashik, Nanded, Nagpur and Wardha
4.4 Follow up at State Level

Section 7(3) of the Act provides that the State Government shall be responsible to take follow up on the findings of the SA. The State Employment Guarantee Council (SEGC) shall monitor the action taken by the State Government and incorporate the ATR in the annual report to be laid before the State Legislature by the State Government.

We noted that SEGC was not constituted after April 2013 in Andhra Pradesh and Telangana. In five states\(^39\) SEGC did not monitor the action taken by the State Governments on SARS.

In Uttar Pradesh and West Bengal related records were not made available to audit.

In Karnataka, year-wise annual report had not been placed before the State Legislature for want of approval from SEGC.

In Meghalaya, action taken reports on findings of SAs for 2013-14 and 2014-15 was yet to be incorporated in the annual report.

In Sikkim, SEGC rendered its duty effectively with regard to monitoring of SARS by the State Government.

This implied the poor monitoring of action taken on SARS at state level.

4.5 Submission of summary findings of SAs to Comptroller and Auditor General of India (CAG)

Section 3(2) of the Act provides that summary of findings of SAs conducting during the financial year shall be submitted by the State Government to the CAG.

We noted in 13 states\(^40\) summary findings of the SAs were not being submitted to CAG.

\(^{39}\) Gujarat, Haryana, Madhya Pradesh, Odisha and Punjab

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4.6 Submission of action taken report on SAs to the Parliament

Rule 13.4.7 of the OG provides that action taken on the SARS shall be incorporated in the annual report to be laid before the Parliament. We, however, noted that action taken on the SARS was not incorporated in the annual report of the MoRD placed before the Parliament.

Recommendation:

- Follow up action at all levels as per provisions of the Act may be ensured.
Chapter-5

Conclusion

Social Audit was brought into MGNREGS to promote transparency and accountability in the implementation of scheme, educate people about their rights and entitlements and provide platform for people to express their grievances and strengthening the scheme by deterring corruption and improving implementation.

Setting up of SAUs was vital to facilitate social audit. To make social audit operational, the Government of India, in April 2011 notified the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) Audit of Schemes Rules, 2011 (Act).

We observed that out of 29 states, SAUs were not set up in seven states. Even where these were established, working of SAUs was not complied with the laid down procedures. Availability of resource persons at desired level and their capacity building was not ensured. Special project launched to support the conduct of social audit also failed to strengthen the infrastructure for social audit.

We observed deficiencies in planning and execution of social audit such as non-preparation of annual calendar for social audit, poor documentation, non-verification of work sites, lack of awareness amongst stake holders, non-convening of Gram Sabha meetings etc.

We also observed that post social audit block level public hearings were not organized to take follow up actions. Instances of not taking of action by District Programme Coordinators to review the action taken on social audit reports were also observed.

State Employment Guarantee Council did not monitor the action taken on social audit reports. Similarly, State Governments failed to submit the summary findings of social audit reports to Comptroller and Auditor General of India.

Neither the State Governments nor the Central Government incorporated the action taken on social audit reports in the annual reports to be laid before respective State Legislature and Parliament.
Thus, non compliance of the MGNREGS Audit of Scheme Rules, 2011 designed for creating infrastructure, conduct of social audit and follow up action deprived the beneficiaries and stakeholders of their active involvement to check and verify the gaps and leakages in scheme implementation which often get left out in the process monitoring.

The MoRD is required to take necessary steps to ensure the compliance of MGNREGS Audit of Scheme Rules, 2011.

Sd/-
Director General of Audit
Central Expenditure