

CHAPTER - I

SOCIAL SECTOR

1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2012 deals with the findings on audit of the State Government units under Social Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under Social Sector during 2011-12 are given below:

Table No. 1.1.1

Name of the departments	Total Budget allocation	Expenditure (₹ in crore)
School Education	630.53	589.36
Technical Education	13.40	13.46
Higher Education	108.01	84.54
SCERT	30.43	18.30
Youth Resources and Sports	90.35	87.42
Art and Culture	19.79	16.28
Health and Family Welfare	284.74	281.33
Water Supply & Sanitation	89.39	77.64
Urban Development	128.43	75.58
Rural Development	120.81	122.19
Municipal Affairs	19.25	4.67
Information and Public Relations	22.18	22.05
Labour	9.23	9.23
Employment and Training	18.11	17.61
Social Security and Welfare	167.09	116.76
Women Welfare	12.38	12.38
Rajya Sainik Board	1.68	1.68
Total Number of Departments = 17	1765.80	1550.48

Besides the above, the Central Government has been transferring a sizeable amount of funds directly to the Implementing agencies under Social sector to different departments of the State Government. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table No. 1.1.2

(₹ in crore)

Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
Rural Development	Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGA)	District Rural Development Agencies (DRDAs)	673.47
	Indira Awas Yojana (IAY)	District Rural Development Agencies (DRDAs)	34.48
School Education	Sarva Shiksha Abhiyan (SSA)	State Mission Authority	97.98
	Rashtriya Madyamik Shiksha Abhiyan (RMSA)	Nagaland Education Mission Society	28.26
Health & Family Welfare	National Rural Health Mission (NRHM)	State Health Society	94.75
		State Blindness Control Society	1.22
		State TB Control Society	2.07
	National Aids Control	Nagaland Aids Control Society	17.04
Water Supply and Sanitation	National Rural Drinking Water Programme	Public Health Engineering Department	80.91
Forest	National Aforestation and Eco Development	State Forest Development Agency	13.10

(Source: Central Plan Scheme Monitoring System)

1.2 Planning and Conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders.

After completion of audit of each unit on a test check basis, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the auditee for compliance. Some of the important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit reports, which are submitted to the Governor of State under Article 151 of the constitution of India for laying on the table of the Legislature.

During the year, test check of audits involving expenditure of ₹ 1922.05 crore (including funds pertaining to previous years audited during the year) of the State Government under Social sector were conducted. The Chapter contains one Performance Audit and five transaction audit paragraphs as discussed in succeeding paragraphs:

RURAL DEVELOPMENT DEPARTMENT

1.3 Performance Audit on Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in Nagaland

The National Rural Employment Guarantee Act (NREGA) guarantees employment for more than three lakh rural poor of Nagaland for 100 days in a year. Under the Act, Gram Sabha is the body to assist in identification of beneficiaries, recommend development plans and social audit of all the projects within the Gram Panchayat jurisdiction.

The Performance audit on “Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)” in Nagaland was attempted to review the systems adopted by the Departments and the efforts of the State Government to ascertain whether objectives of the scheme were met in economical, efficient and effective manner.

Highlights

There was short fall in release in matching share of ₹ 113.17 crore by Government of Nagaland (GoN) during 2007-08 to 2011-12 which affected implementation of the scheme to that extent.

(Paragraph-1.3.10.2)

During the transmission of scheme funds from nine test-checked POs to 71 test-checked VDBs in four districts suspected financial leakage of ₹ 84.35 crore was observed.

(Paragraph-1.3.10.8)

Tampering of muster rolls by way of cutting, over writing, erasing and pasting of papers were noticed in five VDBs out of the test-checked 71 VDBs having wage payment of ₹ 10.31 lakh.

(Paragraph-1.3.12.3)

100 projects amounting to ₹ 10.84 crore stated to have been completed did not exist physically indicating possible misappropriation of ₹ 10.84 crore in 71 test-checked VDBs alone. Short execution by diverting the amount to non-permissible works in respect of 57 works valued at ₹ 10.32 crore and execution of 49 non-permissible works valued at ₹ 11.12 crore were also noticed during joint physical verification.

(Paragraph-1.3.13.6)

State level official functionaries could verify only 50 works (30 per cent) against the target of 168 works during the last five years. The district level officials carried out inspection of 273 works (33 per cent) against the target of 839 works whereas, the block functionaries carried out inspection of 3657 works (44 percent) against the targeted 8384 works.

(Paragraph-1.3.17.4)

297 social audits (57 per cent) at VDB level were conducted against the requirement of 522 social audit meetings in the 71 test-checked VDBs.

(Paragraph-1.3.17.5)

1.3.1 Introduction

The National Rural Employment Guarantee Act (NREGA), 2005 enacted in September 2005 and brought into force with effect from February 2006 aimed to cover one of the most backward district (Mon) of Nagaland during 2006-07 to 2010-11 in order to enhance livelihood security of rural households by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work.

The NREGA, 2005 was extended to additional four districts (Kohima, Mokokchung, Wokha and Tuensang) in the financial year 2007-2008. The remaining six districts (Dimapur, Peren, Zunheboto, Phek, Kiphire, and Longleng) have also been notified under the NREGA, 2005 with effect from 1st April 2008.

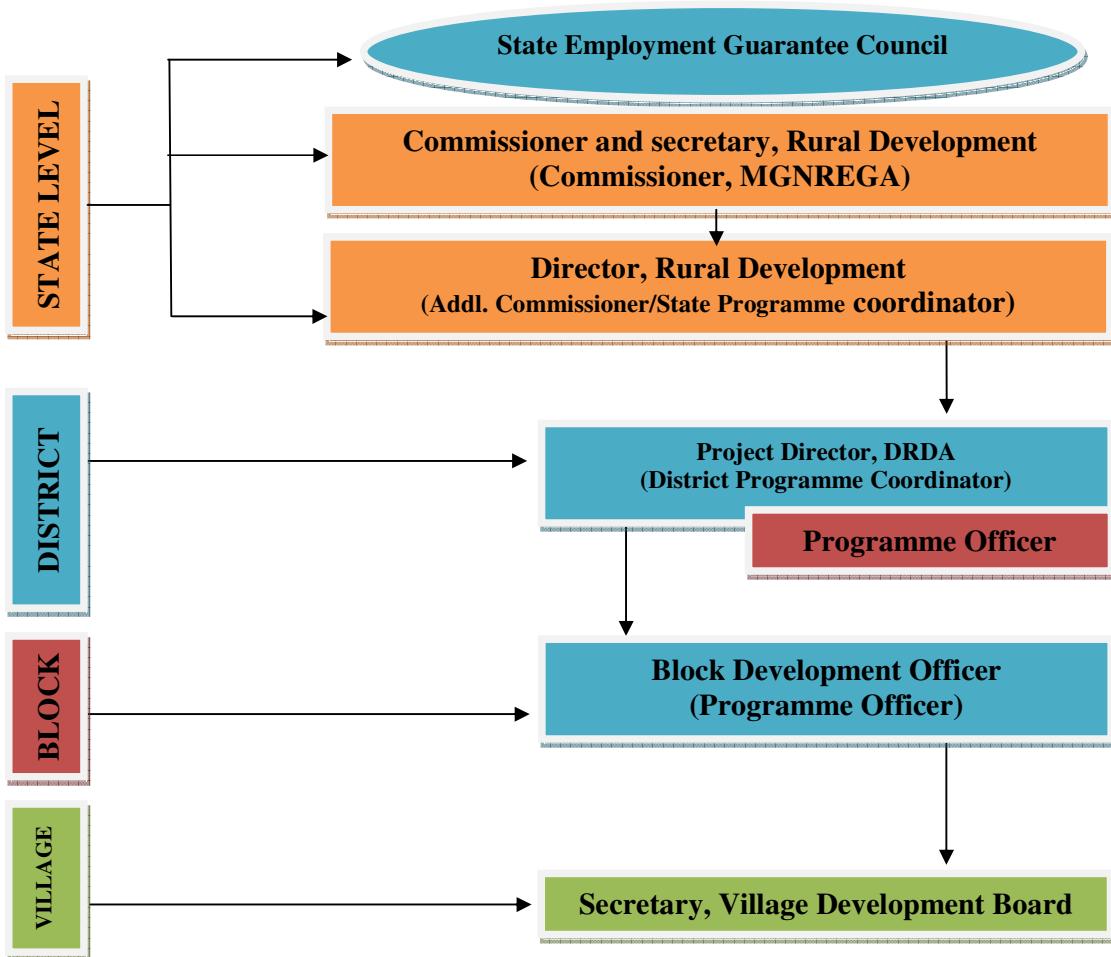
The rationale of the NREGA, 2005 is based on combining the productive capacity of villagers to build and nurture assets and thereby alleviating the problems of chronic unemployment and poverty. The NREGA, 2005 provides opportunities to develop rural infrastructure through watershed development, restoration of water bodies, activities aimed at forestry, land development, soil erosion and flood control and construction of roads and institutional facilities.

The name of the Act was changed to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in October 2009.

1.3.2 Organisational Setup

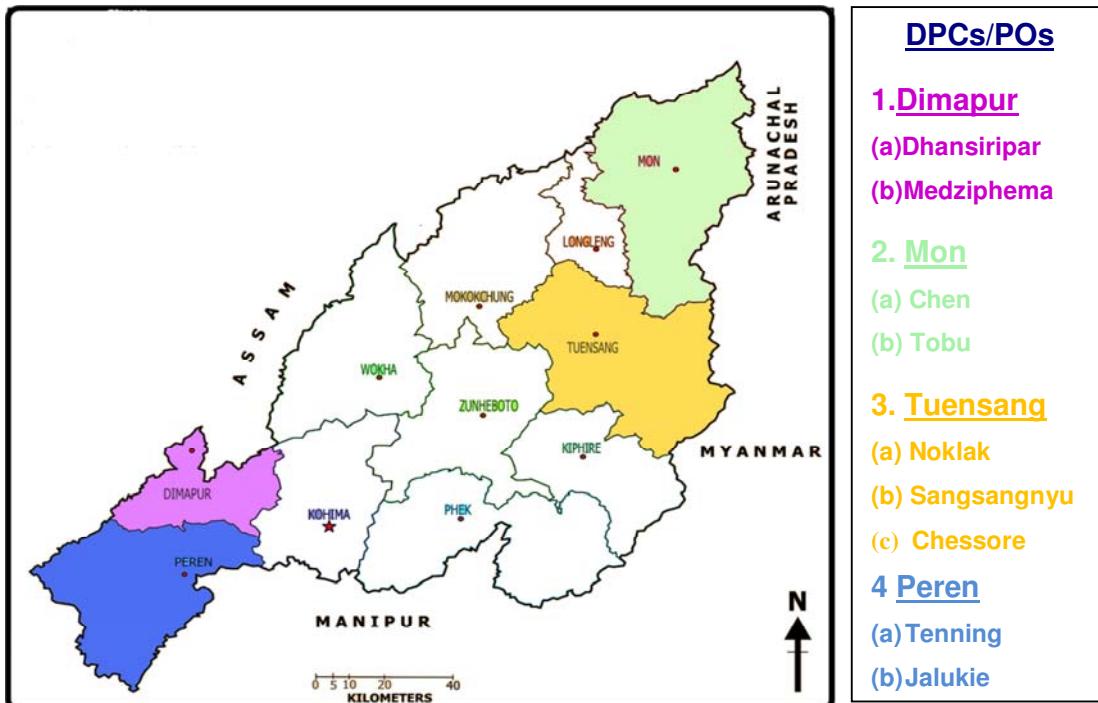
1.3.2.1 Institutional Arrangements for Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

At the State level, the Department of Rural Development is the nodal agency for the implementation of the scheme. A State Employment Guarantee Council (SEGC) to advise the State Government on the implementation of the scheme was set up in the year 2007. At the district level the Project Director (PD), District Rural Development Agency (DRDA) is designated as District Programme Coordinator (DPC) for the scheme implementation. The Programme Officer (PO) is also designated at Districts to assist DPC and is responsible for administering the scheme. At the block level, the Block Development Officer (BDO) is designated Programme Officer (PO) for overseeing the scheme. The scheme was further extended with a Block Assistant Programme Officer (BAPO) at the block level to assist PO who is exclusively responsible for the implementation of the scheme within the block. Finally the Village Development Board, the designated authority to implement the scheme at villages headed by Secretary is the pivotal body of the scheme. The MGNREGS implementation structure in the State is as shown in the following chart:



1.3.3 Scope of Audit

The instant Performance Audit covered the period from 2007-2012 through test check of records of the Commissioner, SEGC, Additional Commissioner attached to Rural Development Department, 4 DPCs out of 11, nine POs out of 54 and 71VDBs out of 1129 in the four selected/sampled districts during April 2012 to August 2012. Additionally audit also checked the remedial action taken by the State Government on the audit observations made by the Comptroller and Auditor General of India in the Union Report 2007-08. The details of coverage are indicated in the map below:



Source: National sample survey of India.

1.3.4 Audit Objectives

The broad objectives of the Performance Audit of MGNREGS were to assess:-

- ▶ Whether structural mechanisms were in place and adequate capacity building measures taken by State Government for implementation of the Act?
- ▶ Whether procedures for preparing perspective plan and annual plan at different levels for estimating the likely demand for work, and preparing shelf of projects were adequate and effective?
- ▶ Whether funds were released, accounted for and utilised by the state Government in compliance with the provisions of Act?
- ▶ Whether there was an effective process of registration of households, allotment of job cards and allocation of employment in compliance with the Act?
- ▶ Whether primary objective of ensuring the livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates was effectively achieved and whether the unemployment allowance for inability to provide job-on-demand paid in accordance with the Act?
- ▶ Whether MGNREGS works properly planned and economically, efficiently and effectively executed in timely manner and in compliance with the Act and whether durable assets were created, maintained and properly accounted for?

- ▶ Whether the auxiliary objectives of protecting the environment, empowering rural women, reducing rural-urban migration, fostering social equity etc were effectively achieved in accordance with the Act?
- ▶ Whether the convergence of the scheme with other rural Development programmes as envisaged was effectively achieved in ensuing sustainable livelihood to the targeted rural community and improving the overall rural economy?
- ▶ Whether all requisite records and data maintained at various levels and whether the MGNREGS data automated completely and provides reliable and timely MIS?
- ▶ Whether complete transparency was maintained in implementation of the Act by involving all stakeholders in various stages of its implementation from planning to monitoring and evaluation?
- ▶ Whether there was effective mechanism at central and state level to assess the impact of MGNREGS on individual households, local labour market, migration cycle and efficacy of the assets created?

1.3.5 Audit Criteria

The audit criteria for the purpose of this Performance Audit were derived from the following sources:

- ▶ NREG Act-2005 and amendments thereto.
- ▶ Guidelines-Operational Guidelines 2006 and 2008 issued by the Ministry of Rural Development (MoRD), GoI, regarding MGNREGA and the circulars issued by MoRD.
- ▶ Fund Rules 2006, Financial Rules 2009 and Audit of Scheme Rules 2011.
- ▶ Reports of the State/District by National Level Monitors, available with MoRD and respective States' NREGS Commissioners.
- ▶ Muster Roll Watch Guidelines.
- ▶ Guidelines/Checklist for internal monitoring by states.

1.3.6 Audit Methodology

Audit methodology was based on:

(i) Audit sampling

Statistical sampling method was adopted for selection of districts, Blocks and VDBs. By applying Simple Random Sampling Without Replacement (SRSWOR), four out of 11 districts were selected. Under each district, a minimum of two blocks and 25 *per cent* of the total blocks were selected for detailed check. A total of nine blocks under these four districts were audited. Under each Block, a minimum of 25 *per cent* of VDBs were selected. A total of 71 VDBs under the nine blocks were selected for audit.

(ii) Examination/verification of records

Scrutiny of records in audit took place at State Government (State Employment Guarantee Council and Directorate of Rural Development), District Programme Coordinators (DPCs), Programme Officers, Village Development Boards including individual works and Social Audit Meetings.

(iii) Physical verification of projects

All 1007 works executed in selected 71 VDBs were physically verified in audit.

(iv) Beneficiary survey

Audit conducted a beneficiary survey in the 71 VDBs and 16 beneficiaries on an average were surveyed in each VDB. A total of 1140 beneficiaries were interviewed.

(v) Entry/exit conference

An entry conference was held to discuss the objectives of the Performance Audit on 26 March 2012 with the officers of State Government. Audit findings were communicated to the management and a presentation made on the findings which were also discussed in an exit conference held on 19 September 2012. The replies of the Department furnished in October 2012 have duly been incorporated in the Report at appropriate places.

1.3.7 Acknowledgment

The office of the Accountant General (Audit), Nagaland places on record our sincere appreciation for the co-operation of the Commissioner, NREGA, Nagaland, Rural Development Department and designated Officers under Rural Development Department at district and Block levels.

AUDIT FINDINGS

Audit Objective - 1

1.3.8 Structural Mechanism and Capacity Building

1.3.8.1 State Employment Guarantee Council (SEGC)

Under Section 4 of the Act, State Government has to formulate Rules for implementation of the Scheme. The Rules *inter alia* have to determine the grievance redressal mechanism at the block and the district level and procedure to be followed in such matters to lay down terms and conditions to determine the eligibility for unemployment allowance and to provide for the manner of maintaining books of account of employment of labourers.

GoI fixed a time frame upto August 2006 for framing of Rules for implementation of the scheme in the State. The Rules were framed by GoN only in August 2008, after a delay of two years. However, it was observed that the Rules were framed without incorporating procedure on financial management system and redressal mechanism to

be followed at blocks and districts for smooth functioning of the scheme. The lapses in this regard are discussed in **Paragraph 1.3.17.1.**

The Act, further, stipulates that every State Government should set up a State Employment Guarantee Council (SEGC) under Section 12 of MGNREGA, which is responsible for advising the State Government on the implementation, evaluation and monitoring of the scheme, deciding on the “*preferred works*” to be implemented under MGNREGA, recommending proposals of work to GoI by the State Government and preparing Annual Report on MGNREGA to be presented to the State Legislature. The State Government had set up SEGC headed by State Rural Employment Guarantee Commissioner only in August 2008. As per the Rules framed by the SEGC, the general body shall meet once in six months. Though the Committee met thrice after the setting up of the Council, the SEGC did not prepare any annual report on MGNREGA for presentation to State Legislature.

SEGC constituted (March 2009) an Executive Committee consisting of eight members to assist in discharge of its duties. As per the norms fixed in the rules framed by the SEGC, the Executive Committee should meet at least once in every two months. However, it was noticed in audit that the Committee did not meet since the date of constitution. The SEGC/Executive Committee did not appoint any expert group to obtain technical support and advice to improve the quality of scheme implementation, as envisaged. Instead, Commissionerate was entrusted for technical support and advice.

Thus, the fact remains that not only the SEGC was set up belatedly they also did not hold any meetings since the date of constitution. Hence, the work proposals were recommended to the Central Government without evaluation and proper monitoring of preferred works proposed by the DPCs.

The Department while accepting the audit observation stated (October 2012) that the Executive Committee under the Chairmanship of Commissioner, MGNREGA was constituted in August, 2008. However, no formal meetings were convened but informal meetings and interactions were held at regular intervals or whenever a need arose. Department also stated that strengthening of the State level mechanism especially technical personnel is on the anvil. Informal meetings as stated, however, could not be verified in audit due to absence of any records in this regard.

1.3.8.2 District Level Structural Mechanism

District: The State designated Project Directors, DRDA as DPCs and provided support staff in the field of Works, IT, accounts etc, to assist the DPCs in overseeing implementation of the scheme.

Block: As per the Operational Guidelines, 2008, the State Government was required to appoint a full time dedicated Programme Officer not below the rank of Block Development Officer (BDO). Instead the regular BDOs were made responsible for implementation of MGNREGA in addition to their normal duties and were supported by Block Assistant Programme Officer (BAPO), regular engineers, data entry

operators and accountants. In the absence of full time dedicated Programme Officer and Technical Assistants to supervise the works at Block level, monitoring and reporting of MGNREGA works suffered to that extent.

Village: Although VDBs¹ were authorised for scheme implementation right from planning to convening meeting for social audit and also monitoring the implementation of the scheme at village level, the State Government did not create any posts of full time Village Development Officers and Junior Engineers at village level for scheme implementation. The State Government did not deploy any support staff. In two test-checked districts² there were Gram Rozgar Sahayaks (GRS) posted to assist VDBs at village level. In other two test-checked districts (Mon and Tuensang) the Village Level Workers (VLW) under Backward Region Grant Fund (BRGF) scheme were assisting the VDBs for implementation of MGNREGA scheme also. In the test-checked VDBs, there were no engineers, data entry operators and accountants for effective implementation of the scheme. The planning processes such as assessment of labour, identification of works to meet the estimated labour demand, estimated cost of works etc. were not worked out at grass root level by the VDBs. This could be largely attributed to the absence of support staff with the VDBs.

The Department stated (October 2012) that due to remoteness and difficult terrain of the State and numerous schemes being implemented in all the villages, it is difficult to inspect and monitor all the works as envisaged in the guidelines. They further stated that the VLWs were appointed in five BRGF Districts and were assigned to work as GRS to assist the VDBs in the implementation of MGNREGA. Hence, the GRS were not appointed in BRGF Districts.

The reply of the Department is not tenable as the 28 test-checked VDBs in the two test-checked BRGF districts stated that appointed VLWs in the villages did not perform the duties as GRS to assist the VDBs in the implementation of the MGNREGA scheme.

1.3.8.3 Gram Rozgar Sahayak (GRS)

Operational Guidelines, 2008 suggested the appointment of GRS in each VDB to ensure the effective implementation of scheme with responsibility to maintain MGNREGA accounts, overseeing the process of registration, distribution of job cards, ensuring the requisite VDB meetings and social audit. Further the SEGC should determine the job description, minimum qualification and the process through which GRS should be appointed and evaluated. It was observed in audit that:

- The State Government or SEGC did not frame any job description, minimum qualification, etc. for selection of GRSs. Scrutiny of records revealed that the DPC, Dimapur appointed 199 GRSs in 197 villages under Dimapur district on honorarium (₹ 1000 per month) basis since May 2009. Out of 199 GRSs appointed, 163 GRSs were appointed as per the recommendations made by the

¹A statutory body under Village Council

²Dimapur and Peren

Secretaries of VDBs in their respective villages and remaining 36 GRSs were appointed as per the recommendation made by the VIPs.

- Out of a total of 79 VDBs in Peren district, DPC, Peren appointed 48 GRSs in 48 villages under Tenning and Peren Block on honorarium (₹ 1000 per month) basis since September 2009 only and 31GRSs in 31 villages under Jalukie Block were appointed only in September 2010.
- Though the 278 GRSs were appointed after a delay ranging from 13 to 18 months from the date of implementation of the scheme, none of the GRS in two districts was provided any kind of training to discharge their duties effectively.
- Scrutiny of records (May 2012) revealed that DPC, Mon and Tuensang did not appoint GRSs in 205³ villages since the implementation of the scheme. Instead Village Level Workers (VLW) appointed under Backward Region Grant Fund (BRGF) was assigned for assisting VDBs for the implementation of the Scheme but the VDBs were not aware of such an arrangement. The fact further emerged from the beneficiary survey that such assistance was not provided to VDBs by the VLWs. Thus, VDBs only implemented the scheme related matters in all 28 test-checked VDBs. Due to the non-appointment of GRSs, records were maintained by the VDB Secretary/VCs and the non/poor maintenance of records were also noticed in the verification of all selected VDBs in sampled districts as discussed in the **Paragraph 1.3.16.2**. National Level Monitors (NLM) (June 2010) while reviewing RD schemes in Mon and Tuensang districts also reported that VDB Secretaries were functioning as GRS.

Due to the absence of GRSs in two districts and delay in appointment in the other two test-checked districts the accounts as well as other records were not maintained properly.

While accepting the facts and figures, the Department stated (October 2012) that the Government did not frame a separate job description for GRS and the delay in extension/fresh appointment was mainly due to non-receipt of proposal from the VDBs/Blocks as well as non-availability of qualified candidates for appointment.

1.3.8.4 Information, Education and Communication (IEC) Plan

For effective communication of information about the Act and Scheme is essential for awareness generation, State has to undertake intensive IEC exercise to publicise the key provision and procedures to be followed under the scheme to help the public articulate the demand and claim their entitlements. These activities should be widely disseminated especially in remote areas through visual and print media, pamphlets and brochures.

³Mon – 98, Tuensang - 107

MoRD (March 2007) released funds (₹ 19 lakh) to three districts (second and third phase of implementation) for undertaking special media campaign which was essential for informing beneficiaries, implementing agencies and general public about the rights and obligations of the NREG Act. Wall painting, hoardings, banners were to be put up at prominent places like post offices, bus terminals, important buildings displaying the basic provisions for the knowledge of targeted group in local language. An action plan of the special media campaign approved by the Governing body of the DRDA were to be intimated to the MoRD to establish the utilisation of the funds according to the approved action plan.

Scrutiny (April-August 2012) revealed that DPC Dimapur, Mon Tuensang and Peren undertook awareness generation at the beginning of the scheme implementation and continued only once after a gap of two years through flex advertisement and posters in the district and did not observe the intensive community mobilisation recommended by the MoRD.

The awareness indicator (flux) displayed by the DPC/PO, Dimapur at Chumukedima (National highway- Paglapahar) indicated that the unskilled wages was displayed for ₹ 100 per day although there was a revision in wages to ₹ 118 per day since January 2011. Due to poor IEC activities undertaken by the DPC/PO Dimapur, beneficiaries in the Paglapahar Village remained unaware of the changes in the scheme.

The awareness indicator (metallic board) in Sangsangnyu Village, Sangsangnyu Block, Tuensang district placed (*Photograph No. 1.3.1*) at road side marketing shed was in dilapidated condition which indicated the poor IEC activities undertaken by the DPC/PO Tuensang.

The Department incurred an amount of ₹ 16.42 lakh⁴ towards IEC activities out of the allocated ₹ 19 lakh. It was observed that 56 test-checked out of 71 VDBs were not aware of any IEC plan. The above fact was confirmed from the beneficiary survey that the public were unaware about the provisions and procedures to be followed for registration, demand for employment and unemployment allowances, grievance redressal and social audit under the scheme.



Photograph No. 1.3.1

Out of 1140 beneficiaries interviewed during the performance audit, 126 beneficiaries were not aware about the general scheme activities and benefits.

Thus, the Department failed to create awareness about the scheme through the IEC plan even after incurring ₹ 16.42 lakh for the purpose which resulted in the public remaining unaware about their entitlements.

⁴ DPC, Dimapur-₹ 7.12 lakh, DPC, Tuensang ₹ 2.80 lakh and DPC Peren ₹ 6.50 lakh

While accepting the facts the Department assured (October 2012) that more IEC activities would be taken up by way of displaying hoarding, wall painting etc. at appropriate places in future. The directions were also given to the programme Officers to update the information especially the wage rates on the signboard/hoarding etc.

1.3.8.5 Training

VDBs, District and State level Departmental personnel involved in implementation of MGNREGA were required to be trained in discharging their responsibilities under the Act. State Institute for Rural Development (SIRD) was assigned the task of imparting training to all personnel involved in the scheme implementation. However, it was noticed in audit that the training programmes were not conducted at regular intervals to train the supporting staff and stake holders.

Scrutiny of records of State Institute for Rural Development (SIRD), Kohima revealed that the Institute planned 34 training programmes (nine programmes exclusively for officers, five computer based programmes for departmental staff and 13 for VDBs and seven programmes common to officers and VDBs) as per the calendar of training programmes (2008-12)out of which 13 programmes (three programmes exclusively for officers, one computer based programme for departmental staff and one for VDBs and eight programmes common to officers and VDBs) were conducted during 2008-12, thus achieving only *38 per cent* of the target.

- SIRD proposed for organising 11 training programmes to the officers and stakeholders during 2008-09 (at estimated cost of ₹ 32.42 lakh) to train 318 officials and 3242 non-officials. Accordingly, GoI released (March 2009) ₹ 29.10 lakh based on the proposal sent by the SIRD. It was observed that the SIRD had conducted 12 training programmes. However, the total number of persons trained was only 159 officials (*50 per cent*) and 1157 non-officials (*36 per cent*).
- The training was limited to only 2008-09. No initiatives were taken to conduct training as planned in their calendar of training programme in the years 2009-10 to 2011-12, except one programme.
- The shortfall in organising training programme under MGNREGA ranged from *100 per cent* to *87 per cent* during 2009-10 to 2011-12.The fact was verified in audit and it was noticed that 24 VDBs (*33 per cent*) out of 71 test checked VDBs provided training for MGNREGA activities at the Block level.
- DPC, Dimapur, Mon and Peren released (May 2008) ₹ 4.50 lakh to SIRD for conducting social audit training to VDBs as verified from the DPC records. However, ₹ 4.50 lakh was not accounted as seen from the annual accounts of SIRD.
- Neither SIRD proposed nor the SEGC allocated funds for conducting training programmes for the flagship scheme MGNREGA, during 2009-10 to 2011-12.

The Extension Training Centre (ETC) at Tuensang was meant for imparting training for the RD programmes under the umbrella of SIRD. However, SIRD faculty imparted four training programmes (*10 per cent*) against the 41 training programmes planned during 2010-12. The DPC stated that faculties from SIRD used to conduct training as per the calendar of training programme prepared by SIRD. Despite presence of ETC it was observed in audit that there existed deficiencies in training at the level of Blocks and VDBs in Tuensang district which was evident during scrutiny of records of three blocks and 18 VDBs. Lack of proper training on scheme implementation activities not only disadvantaged poor maintenance of records but also affected planning and preparation of development plans at VDB level.

Despite recommendation by the Nagaland University after carrying out impact appraisal of MGNREGA in Nagaland (March 2009), for providing more training to the human resources section for effective implementation of the programme, the Council had not initiated any concrete action.

The scheme guidelines provide that training programmes should give priority to the competencies required for effective planning, work measurement, public disclosure, social audits and use of the Right to Information Act, 2005. However, the Department failed to train the human resources hindering effective implementation of the programme.

While accepting the facts, the Department stated (October 2012) that frequent change of VDB Secretaries had affected the effective implementation of the programme to a great extent and also stated that trainings had been arranged for newly appointed VDB Secretaries from time to time along with other stakeholders and functionaries especially on MIS.

Audit Objective - 2

1.3.9 Preparation of Perspective and Development plan

1.3.9.1 District Perspective Plan

The District Perspective Plan was intended to facilitate advance planning and to provide a development perspective for the District and was aimed to identify the types of MGNREGS works encouraged in the districts for long term employment generation and sustained development as per paragraph 4.5 of the NREGA Operational Guidelines, 2008. The Annual development plan is the working plan that identifies the activities to be taken up on annual basis from the Perspective Plan. The expert agency selected for preparation of Perspective plan should survey each village to identify the local needs for generating long term employment.

The plan should confer the details of the funds allocation available with different development departments which implement various Centrally/State sponsored programmes and the year-wise allocation for the next five years along with the comprehensive plan for the development activities to be taken up in different villages and blocks during the coming five years. During the preparation of Perspective plan,

the District Planning Committee should be involved. The plan preparation should take care of closure of schemes like Sampoorna Grameen Rozgar Yojana (SGRY), National Food for Work Programme (NFFWP) and transfer of resources to MGNREGA outlays.

It was noticed in audit that the District Perspective Plans were prepared in all the three test-checked districts and Agricultural Finance Corporation, Guwahati and National Institute of Rural Development (NIRD), Guwahati was involved in preparation of District Perspective plan at a total cost of ₹ 22.63 lakh⁵. Further, perspective plan for Mon district for second phase (2011-16) prepared at a cost of ₹ 23.02 lakh by the expert agency was approved only in May 2012 by the SEGC after a delay of one year and two months.

Though the Council (June 2012) stated that the District Perspective Plans were prepared by these agencies after conducting survey of the villages to identify the local needs, 67 VDBs (*94 per cent*) out of 71 test-checked VDBs have stated that the agency did not conduct any survey of their villages to identify the local needs. Test-check of 26 VDBs as well as beneficiary survey in two blocks (Medziphema and Dhansiripar) in Dimapur district revealed that the selected expert agency collected relevant data from the Circuit house, Dimapur in order to complete the survey of the 26 villages. Similarly, 41 VDBs test-checked out of 45 VDBs in three districts (Tuensang, Mon and Peren) also featured similar data collection methodology for preparation of perspective plan.

Further, the plan prepared did not include details of the funds to be allocated year-wise to different development departments which implement various centrally/state sponsored programmes along with the comprehensive plan for the development activities to be taken up in different villages and blocks during the coming five years.

The entire procedure of plan preparation and approval was made without involvement of the District Planning Committee in contravention to the roles and responsibilities of the District Planning Committee as envisaged in the Article 243ZD of the Constitution of India due to not constituting District Planning Committees in nine districts and non-functioning though constituted in two districts. The plan prepared had not taken care of closure of schemes like SGRY, NFFWP and transfer of resources to MGNREGA outlays.

In short, the perspective plan prepared by the expert agency failed to feature socio-economic aspects of development, fundamental causes of poverty and outcome based strategies in the Perspective plan. Although the plan covered all aspects of natural resource management along with socio-economic development in the rural areas, due to absence of district Planning Committees/any other similar body, there was no value input in the preparation of district perspective plan as envisaged.

⁵Dimapur-₹ 8.42 lakh, Tuensang-₹ 10lakh and Peren-₹ 4.21 lakh

It was also noticed in audit that the agency completed the process of perspective plan by March 2009 for Dimapur and Peren though the programme commenced from April 2008. Hence, entire works executed during 2008-09 was outside the approved Perspective plan in Dimapur and Peren districts.

This was confirmed during the scrutiny of works records of 71 test-checked VDBs, 1116 works were planned with a project cost of ₹ 159.68 crore in perspective Plan for 71 VDBs under nine blocks in four districts during 2007-2012, whereas, 71 VDBs executed 1007 works with a project cost of ₹ 161.05 crore during 2007-08 to 2011-12. Out of the executed projects, 406 works (40 *per cent*) with project cost of ₹ 57.49 crore was outside the Perspective Plan in the test-checked 71 VDBs.

Even after incurring ₹ 45.65 lakh⁶, due to the poor identification of projects by the expert group the Perspective plan failed to yield any result thereby hindering the socio-economic development in the test-checked districts.

While accepting the facts the Department (October 2012) stated that in some cases works were taken up through the resolutions made by Village Councils and remained outside the District Perspective Plan.

1.3.9.2 Development Plan

Section 16(4) of the Act states that every VDB should prepare a working plan called Development Plan selected out of Perspective plan and to be forwarded to Programme Officer for scrutiny and primary approval before the commencement of the year in which it was proposed. The plan should comprise of projects for each village to include (i) Assessment of labour demand (ii) estimated labour demand (iii) estimated cost of works and wages and (iv) benefits expected in terms of employment and physical improvements out of the estimated works. The selected projects for inclusion in the Development Plan should be supported with plot number of each site and unique location code in the plan.

It was observed in audit that no Development Plans were prepared in any of the 71 test-checked VDBs. Instead simple list of projects were forwarded to PO wherein neither the assessment of labour data nor the estimated costs of the projects were incorporated.

Thus, the Development Plans (list of projects) prepared at the level of VDBs were unrealistic and not based on facts and figures. The PO at Block converts the list of projects into the Development Plan.

During the scrutiny of records of 71 VDBs, 44 VDBs (62 *per cent*) stated that meeting on 2nd October every year was not conducted to identify and recommend the works to be approved as Development Plan. 27 VDBs (38 *per cent*) reported that they had conducted their meetings to identify and recommend the works to be approved as Development Plan.

⁶(₹ 22.63 lakh + ₹ 23.02 lakh)

In sum, the list of projects prepared by the VDBs without any assessment of labour demand, identification of works to meet the labour demand, estimated cost of works and wages and benefits expected in terms of employment generation and physical improvements failed to generate the guaranteed employment and this further assisted the VDBs to divert the projects outside the Perspective plan as discussed in **Paragraph 1.3.13.2.**

While accepting the facts, the Department stated (October 2012) that Labour Budgets/Annual Action Plans of all the Districts for each year were prepared as per the list of schemes taken from the District Perspective Plans.

1.3.9.3 Delay in finalisation of Development Plan

As per paragraph 4.4 of MGNREGA Operational Guidelines 2008, process of preparation of development plan should be completed by 15th October, 30th November, 31st December and 31st January every year at the level of VDB, PO, DPC and SEGC for the works to be executed in the ensuing financial year. As per the time frame for Development plans, final approval of the shelf of projects should be completed by December of the year preceding the financial year in which the shelf of works were to be executed.

Scrutiny of records of four test-checked DPCs revealed that there was a delay in submission of Development plans from POs to DPCs which ranged from two to four months. Subsequently, delay in submission of Development plans from DPC to SEGC also ranged from two to eight months. The Council also admitted that the delay by some DPCs had hampered the consolidation of the proposals.

Thus, there was a delay in finalisation of shelf of projects as well as delay in release of funds from GoI ranging from one to four months against first tranche and this was due to delay in submission of Development plan to GoI.

While accepting the facts, the Department stated (October 2012) that the delays in the finalisation of Development plans were due to late submission of list of projects by the respective VDBs which subsequently caused delay in finalisation of shelf of Schemes and assured that necessary action and compliance would be done henceforth.

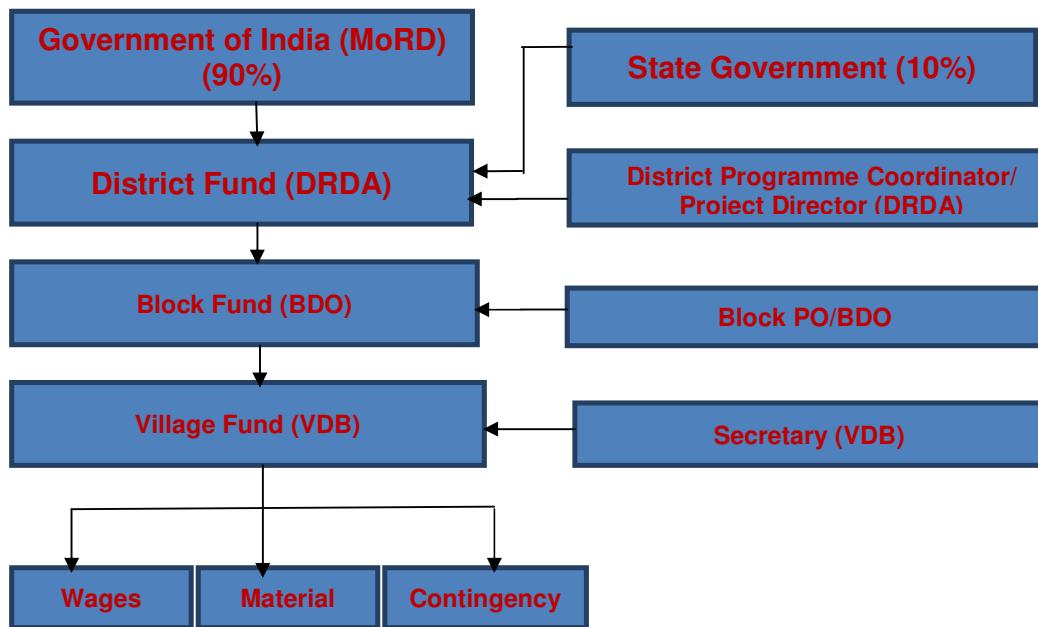
Audit Objective - 3

1.3.10 Release of Funds, Accountability and Utilisation

1.3.10.1 Funds Flow

As per Operational Guidelines of MGNREGA, 2008 a State Employment Guarantee Fund (SEGF) is to be established as a revolving fund for receipt of Central and State funds for implementation of the Scheme. It was observed that the SEGF was established by Government of Nagaland in August 2008, by notification. However, the SEGF could not be made operational till March 2009 due to delay in setting up of State Employment Guarantee Council (SEGC). As a result, GoI released the scheme funds to the bank accounts of DPCs (DRDAs) directly for implementing the scheme as depicted in the organisational structure below:

Organisational Structure and Fund flow mechanisms



The following was noticed in management of funds:

- The total fund availability was never brought into a single umbrella in the State in order to analyse the required matching share (*10 per cent*) of the State for programme implementation.
- The financial management system at State level failed to monitor payment of wages and unemployment allowances to track transfer of funds from DPC to the implementing agencies and to monitor and reconcile expenditure incurred by the districts as the funds had been directly transferred to the bank accounts of individual DPCs.
- Unspent balances were reported by the DPCs through Annual approved accounts duly certified by the Chartered Accountants. However, unspent balances with nine test-checked POs and 71 test-checked VDBs remained undisclosed.

Department stated (October 2012) that from the very inception of the programme in Mon District (Ist Phase) during 2007-08, the State Employment Guarantee Council (SEGC) was duly constituted in July 2006, with the approval of the State Cabinet, amongst others, including setting up of Nagaland State Rural Employment Guarantee Fund, Nagaland NREGA Scheme, approval of Shelf of Scheme etc for the effective implementation of the programme in Mon District. With the inclusion of new Districts, *i.e.*, Phase 2 and Phase 3 Districts, the purview of the SEGC was subsequently extended to the entire State. However, the fact remained that the Council was functioning from March 2009 only.

1.3.10.2 Financial Outlay and Expenditure

As per financing pattern prescribed, GoI bear the cost of wages for unskilled manual labours and also 75 *per cent* of the cost of material, wages for skilled and semi skilled workers. In addition to that GoI also bears administrative expenses including the salary and allowances of Programme Officers and supporting staff and works site facilities. The State Government has to bear 25 *per cent* of the cost of materials, wages for skilled and semiskilled labours. Unemployment allowances and administrative expenses of the SEGC also have to be borne by Government of Nagaland (GoN).

During 2007-08 to 2011-12, GoI directly transferred scheme funds (₹ 2050.21 crore) to the implementing agencies (DPCs) in the State. GoN released their matching share (₹ 91.85 crore) to the DPCs through the Department of Rural Development.

The year-wise receipt and expenditure of funds for the period from 2007-08 to 2011-12 for implementation of the programmes are detailed below:

Table No.1.3.1

(₹ In lakh)

Year	Fund proposed to GoI	Fund released by GoI	Funds proposed as matching share of GoN	Fund released by GoN	Fund released to 11 DPCs (after deducting administrative expenses)	Short fall in state share (Col 4-5)
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
2007-08	NA	4801.86	480.02	256.00	246.00	224.02
2008-09	NA	24779.18	2477.92	1600.00	1538.51	877.92
2009-10	31993.54	48950.30	4895.03	1704.00	1531.84	3191.03
2010-11	55830.04	60696.07	6069.61	1950.00	1791.35	4119.61
2011-12	71945.12	65793.57	6579.36	3674.63	3886.05*	2904.73
Total	159768.70	205020.98	20501.94	9184.63	8993.75	11317.31

- Including the previous year's funds.

Source:- Departmental figures

It is observed from the above table that:

- Though the State had proposed funds of ₹ 878.24 crore for implementation of the scheme in 2009-10 and 2010-11, the GoI had released ₹ 1096.46 crore (excess release of ₹ 218.22 crore).
- While the GoN had to release a matching share of ₹ 205.02 crore being 10 *per cent* of the total releases (90 *per cent* from central releases made by the GoI), the actual transfer of funds by the State Government was only ₹ 91.85 crore (45 *per cent*). Thus, there was a short fall in release in matching share for ₹ 113.17 crore from GoN during 2007-08 to 2011-12.
- Short release of ₹ 113.17 crore by the Government of Nagaland affected the implementation of scheme mainly in the material component of the works projected in the labour budget during 2007-08 to 2011-12. Non-release of matching share affected in assets creation due to shortage of materials observed during physical verification of the projects as discussed in **Paragraph 1.3.13.6.**

The Department stated (October 2012) that there was substantial amount of shortfall in the mandatory State Matching Share towards the implementation of MGNREGA programme in the State. The accumulated shortfall stands at ₹ 1.37 crore due to perennial funds constraint since the inception of the programme. Department also added that due to meager State Plan funds, the State Government which had to allocate funds to different sectors and other flagship programmes also had not been able to match the Government of India releases.

1.3.10.3 Establishment of Revolving Fund and operation of Bank Accounts

The State Government established (August 2008) the State Employment Guarantee Fund (SEGF) by way of a notification. However, the State Government did not establish Revolving Funds under MGNREGS at District, Block and VDB level.

Four test-checked DPCs utilised ₹ 0.93 crore⁷ for programme implementation, out of the interest accrued (₹ 1.33 crore⁸) in the bank accounts operated for scheme due to the non-establishment of revolving fund with DPCs.

It was noticed that separate bank accounts were opened in public sector banks for fund management under the scheme at the State, District, Block and 33 VDB levels to observe financial management system. However, 38 VDBs⁹ opened the bank accounts with Nagaland State Co-operative Bank (NSCB) which is under the State Co-operative Sector in violation to the notification issued by the MoRD.

44 VDBs out of 71 test-checked operated joint accounts for MGNREGS fund as per the provisions under the guidelines. However, 27¹⁰ test-checked VDBs in Mon and Peren operated joint accounts by VDB secretary and PO in place of VDB secretary and Village Chairman by violating the provisions of scheme guidelines.

While accepting the facts, the Department stated (October 2012) that the State Government was yet to notify the establishment of Revolving Fund and stated that the accrued interest of MGNREGA funds has been utilised for the implementation of the programme. The Department assured that the State Government had taken up the matter for compliance on priority.

1.3.10.4 Delay in submission of Labour Budget

Section 14(6) of the Act prescribes preparation of a Labour Budget by the end of December for the next financial year. The Labour Budget should contain details of the anticipated demand for unskilled manual works in the district and the plan for engagement of labours in the MGNREGS works. The DPC should forward the same to the State Government which would in turn, forward it with its recommendation to MoRD by 31st January to enable it to release the central share of funds for implementing the Scheme.

⁷DPC, Dimapur (₹ 0.43 crore), DPC, Mon (₹ 0.03 crore) and DPC, Tuensang (₹ 0.46 crore) and DPC, Peren (₹ 0.01 crore)

⁸DPC, Dimapur (₹ 0.51 crore), DPC, Mon (₹ 0.07 crore) and DPC, Tuensang (₹ 0.59 crore) and DPC, Peren (₹ 0.16 crore)

⁹ 18 VDBs in Tuensang and 20 in Dimapur

¹⁰ 10 VDBs in Mon and 17 VDBs in Peren

It was noticed in audit that there were delays in submission of Labour Budget at all levels against the stipulated dates for submission in the four test-checked districts. It was also noticed that there were inordinate delays in processing and submission of Labour Budget at all levels and delays ranged from one to eight months.

- There were delays ranging from two to four months at the level of PO to DPC.
- There were delays ranging from one to eight months at the level of DPC to SEGC.
- There were delays ranging from two to seven months at the level of SEGC to MoRD.

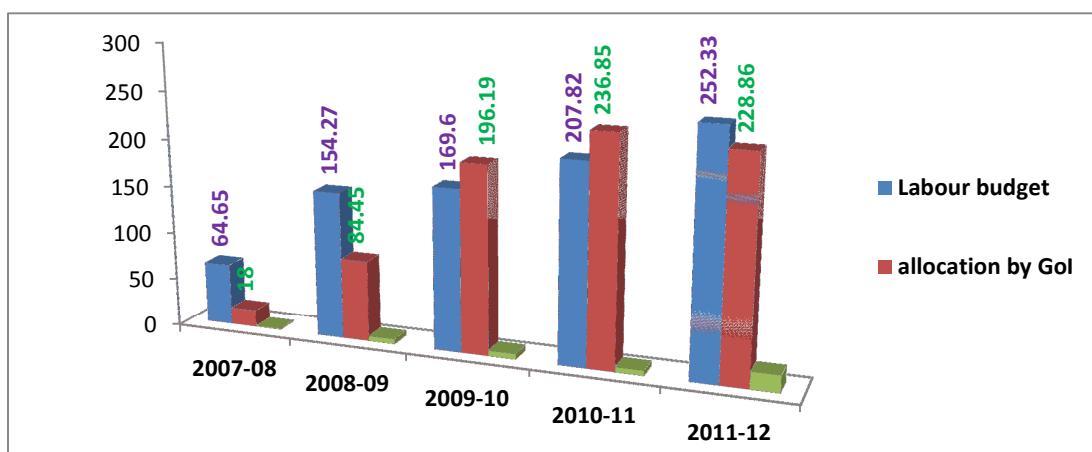
The delay in submission of labour budget had resulted in delay in release of funds from GoI as discussed in **Paragraphs 1.3.10.6**.

1.3.10.5 Fund Management at four DPCs

During 2007-08 to 2011-12, four test-checked DPCs proposed for ₹ 848.67 crore¹¹ and GoI allocated ₹ 764.35 crore which was 90 percent of the proposed Labour Budget for the five year period. However, the allocation was irregular during 2009-10 and 2010-11 as shown in the graph below:

Graph No. 1.3.2

(₹ in crore)



The Department stated (October 2012) that irregular allocation of funds was due to the increase in the number of Job Card Holders in the course of implementation of the programme and the subsequent enhancement of wage rate to ₹ 118 by Government of India w.e.f 1st January 2010. This necessitated the Districts to submit the funds requirement over and above the amounts indicated in Labour Budget as well as in the Perspective Plans.

¹¹2007-08 (₹ 64.65 crore), 2008-09 (₹ 154.27 crore), 2009-10 (₹ 169.60 crore), 2010-11 (₹ 207.82 crore) and 2011-12 (₹ 252.33 crore)

However, the labour budget prepared did not hold any substantial data analysis to match the release of funds by GoI.

1.3.10.6 Delay in release of funds by GoI due to late submission of Labour Budget by GoN

As per the provision under 8.4 of the MGNREGA Operational Guidelines, State labour budget received in the Ministry would be examined and communicated to the State for review. The Empowered Committee under the Ministry of Rural Development would take a decision on the amount to be sanctioned according to the review made by the State. However, in principle, first tranche would be proportional to the percentage of mandays projected for the first six months for the year (upto September) in the district labour budget subject to condition that it would not exceed 50 *per cent* of the total amount approved in the labour budget.

It was found in audit there were delays in processing and submission of Labour Budget ranging from one to eight months at the level of DPC to SEGC and subsequent delays in submission of Labour Budget to MoRD from SEGC ranging from two to seven months as discussed in **Paragraph 1.3.10.4.**

It was noticed during the scrutiny of records of four DPCs that the release of funds in first tranche was delayed between one and five months which ranged from 3 to 49 *per cent* instead of 50 *per cent*. The details are given below:

Table No. 1.3.2 (a)

(a) Dimapur

(₹ in lakh)

Year	Labour Budget		Released by GoI		Total released by GoI	Released by GoN	
	GoI	GoN	First tranche (April to September)	Second tranche (October to March)		Month	Amount
2007-08	-	0		54.50	54.5	0	0
2008-09	5139.02	519.5	240.15	3182	3422.15	Mar	111
2009-10	5650.3	194.40	1400.51	2667.56	4068.07	Jan	134
2010-11	7118.12	790.89	5674.25	2354.82	8029.07	Mar	140.98
2011-12	8488.85	943.21	4498.13	2421.97	6920.10	Mar	550.66
Total	26396.29	2448	11813.04	10680.85	22493.89		936.64

(Source: Departmental figures)

As per the funding structure, 50 *per cent* of the approved Labour budget should be released by September every year. As per the funds released during 2007-08 to 2011-12, the release of 50 *per cent* (first installment/tranche) was delayed by one to four months. Release of grant (first installment/tranche) was only 7 *per cent* as of September against the total funds during 2008-09. Similarly, during 2009-10, the release of grant (first installment/tranche) was 34 *per cent* only.

Table No. 1.3.2 (b)

(b) Mon

(₹ in lakh)

Year	Labour Budget		Released by GoI		Total released by GoI	Released by GoN	
			First tranche (April to September)	Second tranche (October to March)		Month	Amount
	GoI	GoN					
2007-08	3274.87	0	355.08	500	855.08	January	32
2008-09	4295.90	0	100	300	400	Dec/ Mar	174
2009-10	4730.48	0	4700.59	3392.01	8092.60	January	174
2010-11	5009.82	0	922.47	4580.96	5503.43	-	0
2011-12	6054.24	0	1808.33	3370.43	5178.76	April/ Sept/ March	605.46
Total	23365.31	0	7886.47	12143.40	20029.87		985.46

(Source: Departmental figures)

In the case of Mon district, against the proposed labour budget (₹ 32.75 crore) during 2007-08, only 26 *per cent* (₹ 8.55 crore) was received by the DPC Mon out of which first tranche was 42 *per cent* (₹ 3.55 crore). During the period from 2008-09, 2010-11 and 2011-12 release of first tranche was delayed from 3 months to 5 months and was ranged from 17 to 35 *per cent* only.

Table No. 1.3.2 (c)

(c) Tuensang

(₹ in lakh)

Year	Labour Budget		Released by GoI		Total released by GoI	Released by GoN	
			First tranche (April to September)	Second tranche (October to March)		Month	Amount
	GoI	GoN					
2007-08	3190.80	354.53	890.12	0	890.12	March	82
2008-09	3046.90	338.55	0	2273	2273	Dec/Mar	147.46
2009-10	3294.35	366.04	958.64	3457.61	4416.25	Jan	139
2010-11	4522.90	502.55	3277.44	3021.98	6299.42	March	281.97
2011-12	6366.70	707.41	3228.14	2725.5	5953.64	July/Feb	427.31
Total	20421.65	2269.08	8354.34	11478.09	19832.43		1077.74

(Source: Departmental figures)

In Tuensang district, scheme fund for first tranche was not released during 2008-09. During 2009-10 and 2010-11 the first tranche release was ranged from 22 to 32 *per cent* against the 50 *per cent* as stipulated in the Operational Guidelines of MGNREGA.

Table No. 1.3.2 (d)

(d) Peren

(₹ in lakh)

Year	Labour Budget		Released by GoI		Total released by GoI	Released by GoN	
			First tranche (April to September)	Second tranche (October to March)		Month	Amount
	GoI	GoN					
2008-09	2946.91	327.43	235.19	2115	2350.19	Dec/March	89
2009-10	3285.10	365.01	1253.19	2758	4011.19	Dec	124
2010-11	4131.77	459.09	1628.39	2224.51	3852.90	March	105.73
2011-12	4323.70	480.41	2098.19	2735.62	4833.81	July	212.00
Total	14687.48	1631.94	5214.96	9833.13	15048.09		530.73

(Source: Departmental figures)

In Peren district, scheme fund for first tranche was only *10 per cent* released during 2008-09. During 2009-10 and 2011-12 the first tranche release was ranged from 31 to *43 per cent* against the *50 per cent* as stipulated in the operational guidelines of MGNREGA.

Thus, the delay in submission of Labour budget to MoRD resulted in subsequent delay in release of funds in first tranche ranging from *7 per cent* to *43 per cent* instead of targeted *50 per cent* resulting in non-achievement of guaranteed employment for 100 days inspite of demand for jobs.

The Department accepted (October 2012) the facts and stated that there was delay in submission of Labour budget to the Ministry of Rural Development, GoI in the initial years as duly pointed out by audit and noted for timely submission and compliance.

1.3.10.7 Non-permissible expenditure out of Administrative contingency fund

As per the Operational Guidelines (March 2007) MoRD categorised the permissible and non- permissible expenditure under administrative expenses to include, *inter alia* the IEC activities, Training, MIS maintenance, quality supervision setting up grievances redressal system, engaging professional services, operational expenses, salary and allowance of additional staff dedicated to MGNREGA under permissible category. Items of expenditure such as purchase of new vehicle and repair of old vehicle and civil works were not permitted through funding of MGNREGA. Funds received and utilised for scheme and administrative expenditure at four DPCs for ₹ 42.86 crore¹² is shown in the *Appendix-1.1 (a) to 1.1 (d)*. However, it was observed in audit that in all the four test-checked DPCs, the expenditure charged to Administrative Expenses had been diverted for several non-permissible items such as purchase of vehicles, civil works and procurement of computers for VDBs. Though the items such as purchase of vehicles and transfer of funds to SEGC were distinctly shown in annual approved accounts, under the Schedule-A: Administrative Expenses, the Government of Nagaland had not taken any corrective action to avoid diversion of scheme funds. The details are given below:

(a) Procurement of vehicles

The four test-checked DPCs incurred expenditure of ₹ 2.88 crore for procurement of 47 light vehicles in violation of the provisions of the Operational Guidelines of the MGNREGA. The details are given below:

- (a) DPC Dimapur utilised ₹ 0.66 crore out of the scheme fund for purchase of 10 vehicles during 2008-12.
- (b) DPC Mon utilised ₹ 0.67 crore out of the scheme funds for purchase of 11 vehicles during 2007-12.

¹² DPC Dimapur (₹ 12.40 crore), Mon (₹ 10.28 crore), Tuensang (₹ 11.22 crore) and Peren (₹ 8.96 crore)

- (c) DPC Tuensang utilised ₹ 0.88 crore out of the scheme funds for purchase of 15 vehicles during 2007-12.
- (d) DPC Peren utilised ₹ 0.67 crore out of the scheme funds for purchase of 11 vehicles during 2008-12.

(b) Civil works

The three test-checked DPCs incurred an expenditure of ₹ 0.59 crore for construction of new buildings as detailed below:

- (a) DPC, Dimapur utilised ₹ 0.27 crore¹³ for civil works which were outside the purview of Operational Scheme Guidelines.
- (c) DPC, Mon and Tuensang utilised ₹ 0.13 crore and ₹ 0.19 crore respectively (March 2012) for construction of building for Ombudsman out of scheme administrative funds whereas the physical verification revealed that the office was accommodated within the building of DRDA (DPC), Mon and Tuensang.

(d) Procurement of Computers for VDBs

DPC, Dimapur and Peren incurred (January 2012) an expenditure for ₹ 1.21 crore and ₹ 0.49 crore respectively for purchase of computer and supporting accessories¹⁴ to 274 VDBs (195 VDBs in Dimapur and 79 VDBs in Peren district) for MIS reporting and generating wages slip. DPCs did not observe any procurement procedures while procuring the accessories from M/s Apex Business resources, Dimapur.

Out of 195 sets of computers procured at DPC, Dimapur, Programme Officer, Dhansiripar and Medziphema received 29 and 67 sets of computers respectively and issued to 96 VDBs. Similarly, 54 sets of computer procured by DPC, Peren were also issued to 54 VDBs (31 in Jalukie block and 23 in Tenning block). Test-check of 43 VDBs¹⁵ in four blocks revealed that 43 sets of computers were received (January 2011) for feeding of MIS data. In all test-checked VDBs under four blocks in Dimapur and Peren districts, the Secretaries stated that the computers could not be used for the purpose for which they were spared due to non-availability of computer assistants and also stated that the computers became idle due to not imparting training to GRS/VDBs. Thus, the expenditure of ₹ 1.70 crore incurred towards procurement of computers became unfruitful. Further, the MIS feeding data at the level of implementing agencies could not be commenced even after investing ₹ 1.70 crore for the MIS functionaries.

Thus, due to diversion of administrative funds of ₹ 5.17 crore towards non-permissible items, the permissible activities such as IEC activities, training, quality supervision, setting up of redressal system and engaging professional services

¹³Construction of building for Ombudsman ₹ 0.17 crore, extension of one room of RD Guest House - ₹ 0.03 crore, providing Cement concrete topping on terrace at Office building ₹ 0.01 crore and Cement concrete flooring at office compound ₹ 0.06 crore

¹⁴ Computer with UPS (1), Printer (1), Computer table (1) and computer chair(1)

¹⁵ 26 in Dimapur and 17 in Peren

mandated in the Act were neither targeted nor attained during the scheme implementation thus effecting the successful implementation of the scheme in the State.

The Department accepted (October 2012) the facts and stated that due to hilly terrain of the State, the transportation was a big problem and hence, vehicles were purchased for field functionaries purely out of necessity to ensure smooth and unhampered monitoring, inspection and supervision of the Scheme. Alongside some civil works were also carried out like extension of office rooms for accommodation of MGNREGA functionaries and computers provided to them for effective implementation of the programme.

1.3.10.8 Disbursement at Blocks

Nine test-checked POs in four sampled districts allocated ₹ 161.05 crore to 71 VDBs during 2007-12 out of the block's total allocation of ₹ 445 crore¹⁶ for generating 95.24 lakh mandays in 71 villages through 1007 projects/works.

However, during the test-check, it was seen that 71 VDBs under nine blocks in four test-checked districts received only ₹ 76.70 crore against the allocated funds of ₹ 161.05 crore as detailed below:

Table No. 1.3.3

(₹ in lakh)

District	Sampled Blocks	No of VDBs	Number of test checked VDBs	Funds Released		Total	Actual Receipt (both wages and material)	Interest accrued with VDBs	Total funds available	Expenditure on wages
				Wages	Material					
Dimapur	Medziphema	67	18	2208.53	1441.92	3650.45	1055.46	6.02	1061.48	1054.52
	Dhansiripar	29	8	513.75	335.42	849.17	197.49	0.27	197.76	196.44
Mon	Chen	21	6	1118.51	591.37	1709.88	981.68	0.39	982.07	981.61
	Tobu	16	4	962.23	459.54	1421.77	802.3	1.36	803.66	802.23
Tuensang	Sangsangnyu	20	6	571.07	306.62	877.69	422.93	0	422.93	363.52
	Noklak	25	8	868.35	568.00	1436.35	691.96	0	691.96	664.12
	Chessore	12	4	936.94	570.23	1507.17	761.98	0	761.98	727.75
Peren	Tenning	23	7	1164.56	779.93	1944.49	1132.52	1.14	1133.66	1119.34
	Jalukie	31	10	1632.09	1075.75	2707.84	1623.44	1.52	1624.96	1579.68
TOTAL		244	71	9976.03	6128.78	16104.81	7669.76	10.7	7680.46	7489.21

(Source: Departmental/VDB figures)

Audit attempted to track the funds flow from PO to VDBs. It was noticed that as per the POs records, ₹ 161.05 crore (Wage component-₹ 99.76 crore and material - ₹ 61.29 crore) was released to 71 test-checked VDBs for implementation of 1007 projects. However, 71 VDBs received ₹ 76.70 crore for implementation of the projects (*Appendix-1.2*). The funds available with the 71 VDBs were not adequate to

¹⁶PO, Dhansiripar (₹ 33.05 crore), Medziphema (₹ 113.64 crore) under Dimapur district, PO, Chen (₹ 53.05 crore), Tobu (₹ 41.46 crore) under DPC, Mon, PO, Sangsangnyu (₹ 33.48 crore), Noklak (₹ 46.84 crore), Chessore (₹ 30.90 crore) under Tuensang district and Tenning (₹ 47.49 crore), Jalukie (₹ 45.1 crore) under Peren district.

meet the wage component of ₹ 23.06 crore. The material cost of ₹ 61.29 crore was neither routed through the accounts of VDBs nor accounted by them. Instead the accountability in terms of releases was limited upto the level of PO. Thus, an overall short receipt of funds of ₹ 84.35 crore was observed in the accounts of 71 VDBs leading to a possibility of misappropriation of such funds and therefore, needs further investigation. As per the records of the POs, there were entries of releases to each VDB and also the amounts released. The Cheque Number and dates were also recorded in several POs. However, the amounts stated by POs were not actually credited to VDB accounts.

Thus, the short availability of funds affected project implementation severely as there were 100 non-executed and 57 short executed works noticed during physical verification of various projects in 71 villages under nine Blocks in four districts as detailed in **Paragraph 1.3.13.6**.

1.3.10.9 Complaints reported by Village executives

Three members belonging to three villages lodged a complaint to the District Administration, Tuensang district regarding non-receipt of wages and material components under MGNREGA programme under Thonoknyu block. The district administration, Tuensang forwarded the copy of the complaint to audit during the audit coverage of sample district (Tuensang). Though the Block was not selected as per the sample selection method adopted in audit, as per the suggestion of district administration, audit called for all the records from PO, Thonoknyu Block and cross verified the records with the three VDBs¹⁷.

Scrutiny of payment registers and Actual Payment Receipt furnished by PO, Thonoknyu revealed that ₹ 46.57 lakh was allocated to VDB, Chilliso as wage component during 2008-09 to 2011-12 for implementation of various projects in Chilliso village under the MGNREGA. However, the VDB accounts operated with NSCB Tuensang showed that only ₹ 24.67 lakh was credited in the account of VDB, Chilliso during the period mentioned above.

Similarly, VDB Pang received ₹ 28.44 lakh only against the allocation of ₹ 62.84 lakh made by PO Thonoknyu during the period from 2008-09 to 2011-12 as per the bank passbook operated with NSCB Tuensang.

VDB Thonoknyu received ₹ 45.36 lakh against the allocation of ₹ 82.73 lakh made by PO Thonoknyu during the period from 2008-09 to 2011-12 as per the bank passbook operated with NSCB Tuensang.

Thus, financial misappropriation of ₹ 93.67 lakh (₹ 21.90 lakh-VDB Chiliso, ₹ 34.40 lakh VDB Pang and ₹ 37.37 lakh-VDB, Thonoknyu) between the actual payment register and credit into the respective accounts of aforementioned three VDBs towards the wage component for the period of five years could not be ruled out.

¹⁷Chilliso, Pang and Thonoknyu

Thus, the management failed to observe financial transparency during the scheme implementation which needs further investigation.

The Department accepted (October 2012) the facts and stated that the complaint lodged to District Administration on non-receipt of wages and material components under MGNREGA by Chilliso, Pang and Thonoknyu villages was under investigation and once the final report is received, the same shall be furnished to audit.

Audit Objective - 4

1.3.11 Registration of households, allotment of job cards and allocation of employment in compliance with the Operational Guidelines

1.3.11.1 Registration and Employment

As per the provisions under chapter 5 of the Operational Guidelines of MGNREGA 2008, before demanding employment under MGNREGA, every rural household had to register themselves to get a job card. A door to door survey also had to be undertaken to identify the persons willing to register under the Act. Households could submit an application for registration or submit an oral request.

The application for registration containing name, age, sex and SC/ST status should be included in the application for registration to obtain job card. In addition to that a photograph of the adult member willing to work was also required to be affixed on the application form for registration. Every registered household should be assigned a unique registration number after the verification by VDB and the copies of the registration should be sent to the PO for further tracking and recording so that PO could consolidate record for likely demand and also to organise resources accordingly. Job card application register should be maintained at the level of VDB/PO for tracking and recording. The process was further extended to issue of well designed job card within a fortnight of application for registration. The job card issued would be valid for five years and would be in the custody of household to whom it was issued. A register containing name of the applicant, photograph, registration number and date of registration etc. was required to be maintained to monitor the issue of the job card at VDB/PO level. A door to door survey should be undertaken by the team headed by Secretary of VDB to identify the person who is willing to work under the Act. The willing persons should register to avail the entitlement of 100 days employment in a financial year.

Scrutiny in the 71 test-checked VDBs in nine blocks in four districts revealed the following:

- **Door to door survey:** Only 22 VDBs (31 *per cent*) conducted the required door to door survey out of the 71 test-checked VDBs. 48 VDBs (68 *per cent*) did not conduct any door to door survey at the time of implementation of the scheme and one VDB was silent on the survey. Instead of door to door survey, 38 VDBs out of 48 VDBs conducted survey through announcements and conducting meeting in church and Village hall. 10 VDBs stated that no

training was provided for the purpose of door to door survey and hence it was not conducted. The survey was carried out during the subsequent years by the 11 VDBs only out of 22 VDBs who initially conducted door to door survey out of the 71 test checked VDBs. Village Chairman and VDB Secretaries conducted survey in 19 villages instead of formulating team for survey out of 22 VDBs who conducted door to door survey. Non-conducting the door to door survey was reflected in the beneficiary survey also and 68 beneficiaries (*6 per cent*) were not aware of the scheme benefits. Only seven VDB secretaries got orientation training at district and block level out of the two team members who conducted the door to door survey in 22 villages.

- Application form for registration as prescribed by Government of India was adopted as per the guidelines in the four test-checked districts. However, the form for registration printed by the DPCs remained without any space for affixing photographs of the beneficiaries.
- The printed registration form for application also did not reach 28 VDBs (*39 per cent*) out of 71 test-checked VDBs, for issue to the beneficiaries.
- ***Application register for job cards registration:*** Out of 71 test-checked VDBs, 31 VDBs (*44 per cent*) maintained application register for job card registration and remaining 40 VDBs did not maintain any such register to ascertain the name of applicant, date of receipt/request and date of issue of job cards.
- The registrations were opened throughout the year in 48 VDBs (*68 per cent*) out of 71 VDBs. However, VDBs month wise breakup of the registration vis-à-vis the applications received for registration with respect to BPL families could not be ascertained in any of the test-checked 71 VDBs including the 48 VDBs due to irregular updation of the register.
- Verification of the application was not completed within 15 days of application and all particulars were not entered in the register in three VDBs. Out of the remaining 68 VDBs, the registration list was not regularly updated in 12 VDBs to add eligible workers and delete the ineligible workers due to death, migration, getting Government job, etc. The registration list was not displayed in the 68 VDB notice boards. The meeting of registered workers was not conducted in 32 test-checked VDBs.

Non adherence to the provisions under registration and employment resulted in delay in issue of job cards and existence of duplicate job cards with the VDBs as discussed in ***Paragraph 1.3.11.2.***

The Department accepted (October 2012) the facts and stated that during the initial years of launching of the programme, mass general awareness about the implementation of the MGNREGA programme was carried out and people came forward for registration and employment under the programme. People in rural areas have now become much aware and enlightened about the programme.

1.3.11.2 Job Cards

The VDB/PO should be responsible for providing wage employment to the applicants within 15 days from the date of receipt of application otherwise unemployment allowances would be payable to the applicant as per the provisions of the Act. Scrutiny of job cards in audit revealed the following:

- Job cards were issued within 15 days of application to every registered household in only 30 VDBs. The remaining 24 VDBs had not issued the same within the stipulated period of 15 days from the date of application. Although the application for job card was requested by the applicants (410) in Old Tesen village, Tenning Block between 18.6.2008 and 20.6.2008, the VDB, Old Tesen issued the job cards only on 29.7.2008; *i.e.* after a delay of 22 to 25 days. Beneficiary survey also highlighted the facts wherein 181 beneficiaries (16 *per cent*) reported the delay in issue of job card which ranged from 16 days to 60 days.
- Though 42 test-checked VDBs maintained the job card issue register, only 37 VDBs updated the register regularly. 29 VDBs (41 *per cent*) did not maintain job card register. List of addition and deletion in the Job Card Register was read out in the meeting of VDB and intimated to PO only by 41 VDBs regularly.
- Only 5 VDBs out of 71 test-checked earmarked a day of the week as an employment guarantee day to disclose the information regarding registration of employment followed by issue of job card.
- Thus, the authenticity of the application for registration, issue of job card and employment awarded to the wage seekers could not be ascertained in audit in 34VDBs¹⁸. 17 test-checked VDBs stated that non-maintenance of records was due to non-awareness of the provisions under the Act as there was no training in this regard provided to them.
- DPC, Dimapur issued 8842 job cards only to PO, Kuhuboto during 2007-12 whereas PO, Kuhuboto reported the issue and demand of 9000 job cards to audit as of March 2012. This indicates the utilisation of scheme funds against 158 ghost job card holders under Kuhuboto block.

Scrutiny of records of job card register maintained with VDB, Pessao, Tobi, Mon revealed that two job cards were issued to the same persons with same particulars but with different photographs as shown in *Photographs* No. 1.3.2 & 1.3.3.

¹⁸29 VDBs did not maintain the register and 5 VDBs did not update the register

Photograph No.1.3.2

1. Registration Number of the Household	2. Name of the applicant	3. Gender	4. Age	5. Block / Cluster
3. Village	4. Block / Cluster	5. District	6. MGNREGA Beneficiary	7. Details of the Applicant of the household willing to work
7. Details of the Applicant of the household willing to work	8. Date of registration	9. Signature / Founds Impression of the Applicant	10. Photo	11. Person's Name & Signature of Engineering Authority

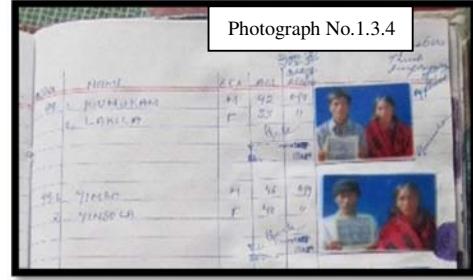
Similarly, scrutiny of VDB, Shiponger, Chessore, Tuensang revealed that duplicate job cards were in existence for same person. A *Photograph No. 1.3.4* on this issue is placed alongside.

Photograph No.1.3.3

1. Name of the applicant	2. Village	3. Block / Cluster	4. District	5. MGNREGA Beneficiary
6. Details of the Applicant of the household willing to work	7. Details of the Applicant of the household willing to work	8. Date of registration	9. Signature / Founds Impression of the Applicant	10. Photo
11. Seal & Signature of Engineering Authority	12. Seal & Signature of Engineering Authority	13. Seal & Signature of Engineering Authority	14. Seal & Signature of Engineering Authority	15. Seal & Signature of Engineering Authority

Due to non adherence to the procedures laid down in the Act for registration and employment, the VDBs provided undue advantage to persons through issue of duplicate job cards.

The Department stated (October 2012) that in Dimapur, the actual job card issued to PO Kuhuboto was 9000 as on 31.03.12 as per the records. The figure of 8842 job cards to Kuhuboto was wrongly reported to DPC through oversight which is regretted. In case of Mon and Tuensang Districts, the POs concerned were directed to verify the case/fact and if found correct, to cancel the Job Cards immediately.



Audit Objective - 5

1.3.12 Ensuring livelihood security by providing 100 days annual employment to the targeted rural community

1.3.12.1 Generation of Employment

The VDB/PO should be responsible for providing wage employment to the applicants from the date employment had been sought, or within 15 days of the date of application, whichever is applicable.

41 VDBs out of test-checked 71 on enquiry stated to Audit that 100 days of employment sought for by the applicants were provided. 30 VDBs did not provide 100 days employment to the applicants. The entitlement of employment was shared between different adult members of the same household in 60 VDBs.

Paragraph 5.5.9 of MGNREGA Operational Guidelines prioritised at least one-third of the beneficiaries should be women for registration and employment under the scheme.

Eight test-checked VDBs under Noklak reported that 30 *per cent* of the employment was provided to women. However, PO, Noklak stated that only 22 *per cent* employment could be provided to women out of 9197 job card holders in Noklak Block in violation of MGNREGS guidelines to provide 30 *per cent* employment to women.

An average of 67 days employment was generated during 2007-08 to 2011-12 for 287168 (average) registered households in the State. The State average wages for the unskilled workers ranged from ₹ 66 to ₹ 100 against which the average of wages under the scheme ranged from ₹ 20 to ₹ 98 during 2007-08 to 2011-12.

Though Social equity was fostered by the way of providing employment to 98 *per cent* ST population in the 71 test-checked VDBs, neither genders equity nor could the guaranteed employment be achieved in the sampled VDBs.

The Department accepted (October 2012) that only 22 *per cent* employment was actually provided against the reported 30 *per cent* employment to Women.

1.3.12.2 Muster Rolls

Payment of wages should be recorded initially in the numbered muster rolls maintained at the work site. Muster rolls should indicate job card number, name of the worker, number of days worked, attendance and the wages paid against each worker with signature or LTI. MoRD (October 2006) issued a muster roll watch guidelines for verification of MGNREGA muster rolls pertaining to each work by the State, District and Block level at 2 *per cent*, 10 *per cent* and 100 *per cent* of works respectively.

Paragraph 6.4.4 of MGNREGA Operational Guidelines 2008 provided that Mate should be selected in a fair and transparent manner to supervise work and record attendance in muster rolls at work site in the ratio of 1:50 of mates to labourers. Mate should measure the works on daily basis in coordination with technically qualified persons in order to assess the quality of work executed. In addition to this, provision of work site facilities also should be ensured by Mate.

However, it was noticed in audit that the State Government did not appoint mates for recording attendance and supervision of work.

Due to non appointment of Mate, tampering of muster rolls, poor quality of works executed in terms of unexecuted/short executed projects and shortage in work site facilities were noticed in audit and those deficiencies which are discussed in *Paragraphs 1.3.12.3, 1.3.13.5 & 1.3.13.6*.

1.3.12.3 Deficiencies in Muster Rolls

Scrutiny (July 2012) of muster rolls of wage payment maintained with VDB, Ntu, Tenning block, Peren district revealed that the wage payments were made to the job card holders without recording number of days of employment provided as well as the actual wages paid against the engagement in the muster rolls.

Scrutiny of muster rolls in audit revealed the followings:

- Scrutiny of muster rolls of Construction of check dam (₹ 19.04 lakh) constructed during 2011-12 revealed that all 433 job card holders registered in Ntu village, Tenning Block were engaged for executing the construction work from 7.4.2011 to 13.6.2011. Scrutiny of muster rolls revealed that 200 workers

out of 433 registered job card holders in the village received wages for 12 days (4.4.2011 to 16.4.2011). However, the attendance available in the muster rolls only for four working days. Thus, the PO, Tenning Block released ₹ 1.89 lakh to 200 job card holders for eight working days @ ₹ 118 per day without performing the job.

- Tampering of muster rolls by way of cutting, over writing, erasing and pasting of papers were noticed in five out of the test-checked 71 VDBs. Six muster rolls¹⁹ having wage payment of ₹ 10.31 lakh were tempered by using correction fluid and other means. This could result in unauthorised payment of wages to ineligible beneficiaries. Possibility of ghost workers in those cases also could not be ruled out.
- Muster rolls contained job card numbers against the name of card holder. Piece rate system was not adopted in the test-checked four DPCs and measurement was made after the completion of work (ranging from 5 days to 15 days) as per the releases made for the work concerned.
- A Committee comprising of five members for verification of muster rolls was set up (August 2007) at State level. However, no such verification was carried out in test-checked 71 VDBs during 2007-12.
- Scrutiny of records of 26 VDBs in Dimapur district revealed that the printed muster rolls did not contain any column for wages paid against each worker. This fact was pointed out (June 2010) by the National Level Monitors (NLM), MoRD while reviewing the scheme in Dimapur district. However, this was not rectified in the muster rolls maintained at Dimapur district.

Thus, due to non appointment of Mates and failure of the Committee set up for muster roll verification at State level to monitor the muster roll maintenance as per the Operational Guidelines resulted in unauthorised payment of wages to the ineligible beneficiaries for ₹ 12.2 lakh.

The Department accepted (October 2012) and assured that proper verification would be carried out for corrective measures in the Blocks and VDBs to avoid such deficiencies in future.

Audit Objective - 6

1.3.13 Proper planning and economic, efficient, effective and timely execution of the works in compliance with the Act

1.3.13.1 Permissible works

The intention of MGNREGA is to provide basic employment guarantee in the rural areas and as per the schedule I of the Act the focus of MGNREGA should be on the

¹⁹Kiyeto (893) construction of link road (₹ 0.90 lakh), Sethikema A (225 & 226) construction & upgradation of agri link road with H/P culvert (₹ 2.80 lakh), Thilixu (17854) construction of ring well (₹ 0.48 lakh), Maneakshu (1022) Afforestation (₹ 6.02 lakh), Chessore (3908) construction of approach road (₹ 0.11 lakh)

works relating to (i) water conservation and water harvesting (ii) drought proofing including afforestation and tree plantation (iii) irrigation canal including micro and minor irrigation canal (iv) provision of irrigation facility, plantation, horticulture, land development on the land owned by the SC/ST (v) renovation of traditional water bodies including desilting tanks (vi) land development, (vii) flood control and protection works including drainage in water logged areas (viii) rural connectivity to provide all weather access and other works notified by the GoI in consultation with the GoN.

Scrutiny of records of planning and execution of works in compliance with the Act revealed that permissible as well as non-permissible works as indicated in Schedule I of the Act were taken up for execution in the four test-checked DPCs. Low priority permissible works (road works) were given higher preferences for execution in the four test-checked DPCs. Detail analysis are given following paragraphs:

1.3.13.2 Deviation from Plan made in Perspective Plan

Scrutiny of perspective plan approved in respect of 71 VDBs under nine test-checked blocks in four test-checked districts revealed that 1116 number of works were planned for five years to cover six sectors at a total estimated cost of ₹ 159.68 crore wherein 382 projects (34 *per cent*) were planned for Rural Connectivity at an estimated cost of ₹ 79.66 crore (50 *per cent*). This indicates that maximum priority was accorded to the lowest sector among the prioritised category against the prescribed scheme guidelines. Details are shown below:

Table No. 1.3.4

(₹ in lakh)

Name of sample Blocks	Afforestation and plantation		Flood control & Soil conservation		Infrastructure		Land Development		Rural Connectivity		Water Conservation and Water Harvesting		Total	
	No.	cost	No.	cost	No.	cost	No.	cost	No.	cost	No.	cost	No.	Cost
Dhansiripar	14	95.33	9	54.81	1	5.61	4	35.50	38	460.76	26	76.65	92	728.7
Medziphema	29	306.18	56	3017.79	1	8.36	6	106.19	130	3710.42	69	390.21	291	7539
Tobu ²⁰	16	208.73	5	22.60	0	0	32	490	9	61.87	8	18.50	70	801.7
Chen ²¹	21	176	7	66.00	0	0	45	433.50	15	161.00	17	24.00	105	860.5
Chessore	0	0	10	107.81	0	0	5	247.94	18	954.92	10	97.80	43	1408
Sangsangnyu	10	7.01	8	46.69	0	0	0	0	39	640.18	6	5.57	63	699.5
Noklak	9	23.91	16	103.91	0	0	27	256.80	24	410.22	32	227.41	108	1022
Jalukie	30	98.55	29	239.50	14	72.17	19	242.50	50	761.66	72	321.77	214	1736.15
Tenning	29	107.91	0	0	6	29.36	2	26.50	59	805.09	34	203.20	130	1172.06
Total	158	1023.62	140	3659.11	22	115.5	140	1838.93	382	7966.12	274	1365.11	1116	15967.61

(Source: Departmental figures)

Against the works taken up in 71 test-checked VDBs under nine blocks in four test-checked districts mentioned above, 1007 works amounting to ₹ 161.05 crore had been completed during 2007-12 as per the utilisation reports, MIS reporting and measurement books, as shown in the following table:

²⁰ for the period 2007-08 to 2010-11

²¹ for the period 2007-08 to 2010-11

Table No. 1.3.5

(₹ in lakh)

Name of sample Blocks	Afforestation and plantation		Flood control & Soil conservation		Infrastructure		Land Development		Rural Connectivity		Water Conservation and Water Harvesting		Total	
	No.	cost	No.	cost	No.	cost	No.	cost	No.	cost	No.	cost	No.	Cost
Dhansiripar	08	66.76	05	39	0	0	1	9.00	56	641.02	21	93.39	91	849.17
Medziphema	08	28.60	99	507.83	0	0	10	63.50	291	2675.50	82	375.02	490	3650.45
Tobu ²²	08	74.67	0	0	02	39.69	0	0	22	1307.41	0	0	32	1421.77
Chen ²³	07	559.74	03	38.68	0	0	05	94.47	55	883.38	04	133.61	74	1709.88
Chessore	01	35.00	01	7.17	0	0	08	162.00	29	1098.61	11	204.39	50	1507.17
Sangsangnyu	0	0	0	0	0	0	0	0	30	877.69	0	0	30	877.69
Noklak	0	0	04	88.06	0	0	01	16.24	31	1295.47	07	36.58	43	1436.35
Jalukie	11	115.45	07	136.13	8	144.73	8	211.42	47	1553.12	30	546.99	111	2707.84
Tenning	16	133.69	0	0	03	75.07	0	0	49	1519.90	18	215.83	86	1944.49
Total	59	1013.91	119	816.87	13	259.49	33	556.63	610	11852.10	173	1605.81	1007	16104.81

(Source: Departmental figures)

It can be seen from the tables above that there were deviations from the planning made in each sector of the Perspective Plan and the prioritised projects remained unexecuted as given below:

- 1007 numbers of works (₹ 161.05 crore) were reported as completed against 1116 projects planned (₹ 159.68 crore) in the Perspective Plan. However, none of the test-checked blocks executed the works planned as per the Perspective plan. This indicates faulty preparation of Perspective plan by the expert agency. This further point towards the deficiency in preparation of estimates at inflated rates in the Perspective plans as discussed in **Paragraph 1.3.9.1**.
- 158 Afforestation and plantation works were planned at an estimated cost of ₹ 10.24 crore during 2007-12. However, only 59 works (37 *per cent*) could be completed for ₹ 10.14 crore in the 71 test-checked VDBs. This shows that afforestation and plantation works were executed at unidentified areas outside the perspective plan engaging more labourers for availing wage/material components out of the scheme funds which resulted in non-achievement of 99 planned projects.
- 119 (85 *per cent*) of Flood Control and Soil Conservation projects were completed in the 71 test-checked VDBs for ₹ 8.17 crore against the planned 140 projects costing ₹ 36.59 crore. 119 projects were completed at lower cost for ₹ 8.17 crore on actual execution which was one-fifth of the projection made in the Perspective plan. This also shows the failure in preparation of proper estimates in the Perspective plan.
- 13 infrastructure projects were completed (₹ 2.59 crore) against the planned 22 projects for ₹ 1.15 crore. This indicates not only the deviation in execution

²² for the period 2007-08 to 2010-11

²³ for the period 2007-08 to 2010-11

of projects from the estimates prepared but also the failure in execution of the projects in accordance with the estimates prepared in the Perspective plan.

- Although 140 projects were planned for land development in the Perspective plans for ₹ 18.39 crore, only 33 projects (24 *per cent*) were executed for ₹ 5.57 crore (30 *per cent*) which points towards the diversion of project funds for completion of low priority works.
- Although 274 projects were planned for Water Conservation and Water Harvesting in the Perspective plan for ₹ 13.65 crore, only 173 projects (63 *per cent*) could be executed for ₹ 16.06 crore (18 *per cent* above estimate) which points towards the variation in execution of projects above the estimated costs projected in the perspective plan.
- Against the 382 rural connectivity planned for ₹ 79.66 crore in the Perspective plan, 71 VDBs carried out 610 lowest prioritised works for ₹ 118.52 crore. VDBs completed 228 rural connectivity programmes outside the Perspective plan. This further confirms that aforementioned prioritised planned programmes remained unexecuted due to the diversion of ₹ 38.86 crore to unplanned rural connectivity programme in the Perspective plan in respect of 71 villages.

Although there was deviation from high preference to low preference works which were executed outside the purview of the Perspective plan, the development plan also got approved by appropriate levels for concluding labour budget for these low priority works. However, GoN did not take any action for eliminating execution of such works.

NLM (June 2010) while reviewing RD projects in Mon and Tuensang district stated that emphasis had been awarded for strengthening infrastructure for communication (construction of roads). However, it is pertinent to mention that the Perspective plans were prepared for strengthening all the identified priority sectors but preference given to low priority works defeated the planned vision.

The Department accepted (October 2012) and stated that deviations from the Perspective plan had occurred due the Villages undertaking some prioritised works through the resolutions passed by the Village Councils while carrying out specific works, especially in remote and far flung areas.

1.3.13.3 Works and Execution

It was observed during the test-check of the works that the stipulated guidelines and norms were not adhered to in the State of Nagaland as detailed below;

- As per clause 6.1.1(ix) and 6.1.2 of the operational guidelines of MGNREGA, 2008, the State Government was required to notify other works in consultation with GoI as per Section I (ix) of Schedule-I. However, State Government did not notify the permissible works to be executed and other work categories were also not included in the Perspective plan and Development plan.

- Deploying machinery is strictly prohibited under MGNREGA. However, it was observed that heavy machinery was used for execution of MGNREGA works. 28 out of 71 test-checked VDBs stated that machinery was used for execution of works. This was further confirmed through the beneficiary survey wherein 30 *per cent* of the beneficiaries surveyed had stated that machinery was used for executing MGNREGA works.
- All the works were executed only as per the administrative sanction and no technical sanctions were available at VDB or PO level.
- As per guidelines unique identification number had to be given for each work. However, it was observed in audit that different identity numbers were given for the same work which was executed in phased manner during the year or in the subsequent year.

Thus, as seen from the above the execution of works under MGNREGA in the State was carried out without adhering to the norms and procedures laid down in the guidelines resulting in execution of non-permissible works, works outside the Perspective Plan and engagement of machinery instead of labour.

The Department accepted (October 2012) and stated that deviations from the Perspective plan had occurred due the Villages undertaking some prioritised works through the resolutions passed by the Village Councils while carrying out specific works, especially in remote and far flung areas.

1.3.13.4 Involvement of contractor in execution of work

As per the operational guidelines, use of contractors was prohibited and as far as possible tasks should be performed by using manual labourers and not machines.

Physical verification of projects in Panso-B under Noklak Block, Tuensang district



revealed that construction of sanitary drainage (₹ 13.54 lakh) and irrigation canal (₹ 5.26 lakh) planned during 2011-12 was diverted for construction of Rest House (*Photograph No. 1.3.5*) and PHC building (*Photograph No. 1.3.6*) in the village. During the physical verification it was also found that the construction of Rest house building was under progress and the labour stated that the work was allotted to an Assam based contractor which was also authenticated by the VDB.

Department stated (October 2012) that there was no involvement of any Contractor for execution of work at Panso B under MGNREGA and works were taken up by the VDB through the village Council Resolution.

Reply is not tenable as the PO and the VDB Secretary accepted the facts during joint physical verification of the projects.

1.3.13.5 Worksite facilities

Work site facilities should be ensured by the implementing agencies as per the provision 6.8 of the operational guidelines of MGNREGA, 2008. Medical aid, drinking water, shade and crèche were to be provided (Schedule II Section 27 & 28 of MGNREGA).

Scrutiny revealed that work site facilities like shade and first aid were provided. However, drinking water and crèche were not provided. Cost of tools were not provided to the workers instead tools procured by the DPC were issued to VDBs for work execution.

SEGC approved ₹ 4.46 crore for the procurement of 22306 medicine kits @ ₹ 2000 (*photograph No.1.3.7*)

from different agencies to cover 223102 households in the State at the ratio of one medical kit each to every 10 households in a village. Scrutiny of records of four test-checked DPCs revealed that ₹ 1.87 crore²⁴ was spent for purchase of 9341 medicine kits to cover 93411 households in the four districts. However, the list of medicines, quantity, rates etc. were not available in the orders issued by the SEGC.

Scrutiny of records of 71 test-checked VDBs revealed that 959 medicine kits were only received against the 3490 medical kits procured for 34905 households in the 71 villages. Thus, there was a short receipt of 2531 medicine kits valued at ₹ 0.51 crore with the 71 VDBs.

The Department accepted (October 2012) the facts and stated that this was due to poor maintenance of records at the VDB level and Department assured record upkeep at all levels particularly at VDB level for future guidance and necessary action.



Photograph No.1.3.7

1.3.13.6 Physical verification of projects

Creation of durable assets and strengthening the livelihood resource base of the rural poor is an important objective of the Scheme. The cost of material component of projects including the wages of the skilled and semi-skilled workers taken up under the scheme should not exceed 40 *per cent* of the total project costs. As far as practicable, a task funded under the scheme should be performed by using manual labourer and not machines. Provision of regular inspection and supervision of works to be taken up under the scheme shall be made to ensure proper quality of work as well as to ensure that the total wages paid for the completion of the work commensurate with the quality and quantity of work done.

²⁴ Dimapur (₹ 6 1.06 lakh), Mon (₹ 53.12 lakh), Tuensang (₹ 44.38) and Peren (₹ 28.26 lakh)

1007 works were executed during 2007-12 in 71 test-checked VDBs under nine blocks in four DPCs for ₹ 161.05 crore. Joint physical verification of the projects revealed that 100 projects sanctioned and allocated remained unexecuted though payments were made and reported as completed amounting to ₹ 10.84 crore. The VDBs had not executed 57 projects valued at ₹ 10.32 crore due to diversion of the amount to non-permissible works. The VDBs had executed 49 non-permissible works valued at ₹ 11.12 crore which were outside the purview of the guidelines. Details are stated in the *Appendix-1.3 (i) to 1.3 (iii)* and the analysis is shown below:

Table No. 1.3.6

(₹ in lakh)

Name of the test checked DPC	Name of Block	No. of VDBs	No. of projects selected during 2008-09 to 2011-12	Physical verification conducted	No. of un-executed projects	Cost of unexecuted projects	No. of projects noticed as short in execution	Cost of short in executed projects	No. of non-permissible projects	Cost of non-permissible project
Dimapur	Medziphema	18	490	490	26	154.05	3	14.71	14	206.76
	Dhansiripar	8	91	91	34	268.18	3	33.61	7	35.03
Mon	Tobu	4	32	32	2	88.87	2	73.19	7	246.15
	Chen	6	74	74	5	81.18	7	126.64	2	62.92
Tuensang	Chessore	4	50	50	1	37.06	1	50.63	4	165.34
	Sangsangyu	6	30	30	9	62.77	2	12.42	5	55.25
	Noklak	8	43	43	6	72.68	5	161.24	6	229.83
Peren	Jalukie	10	111	111	11	187.86	11	208.07	3	102.30
	Tening	7	86	86	6	131.05	23	351.38	1	8.52
Total		71	1007	1007	100	1083.70	57	1031.89	49	1112.10

(Source: Departmental figures)

It can be seen from the above table that:

- Out of 1007 projects, 100 projects (10 per cent) valued ₹ 10.84 crore were found un-executed in 71 villages under the four test-checked DPCs.
- In 57 projects implemented by the VDBs there was short execution in approved items of work valued ₹ 10.32 crore.
- Implementing agencies were permitted to execute 49 non-permissible projects valued ₹ 11.12 crore outside the approved perspective plan as well as development plan.

To summarise, 100 projects amounting to ₹ 10.84 crore stated to be completed did not exist physically indicating possibility of misappropriation of ₹ 10.84 crore in 71 test-checked VDBs alone. Short execution by diverting the amount to non-permissible works in respect of 57 works valued at ₹ 10.32 crore and execution of 49 non-permissible works valued at ₹ 11.12 crore were also noticed during joint physical verification. The above observations were authenticated by the VDBs during joint physical verification.

Thus, the non-execution as well as short execution of projects was due to non-availability of funds at VDB level, though it was reported as released to the VDBs for implementation of the projects by the PO as discussed in **Paragraph 1.3.10.8**. Non-

execution as well as short execution of projects hampered the creation of durable assets and also defeated the basic objective of the scheme to provide employment for 100 days.

The Department accepted (October 2012) the facts and stated that this was due to land dispute, local problem etc. as all projects under MGNREGA were land based projects. Non permissible works were taken up which were absolutely necessary for the village through Village Council resolution.

1.3.13.7 Interesting cases noticed during joint physical verification

Interesting cases noticed during the joint physical verification of the projects supported with photographs are given below:

1.3.13.8 Short execution of Projects



(a) During the physical verification of projects under Tenning block, Peren district it was noticed that a check dam was constructed by the VDB, Ntu



during 2011-12 for ₹ 9.52 lakh. The check dam (*Photograph No. 1.3.8*) was in the shape of *fishery pond* and an embankment in cement concrete structure was made to store water. This embankment/check dam was not connected with any channel to utilise the water for irrigation purpose. Thus, the check dam constructed under the scheme did not serve the desired objectives.

(b) During the joint physical verification, it was seen that ₹ 125.16 lakh was released (2008-12) to VDB, Basimpukam for constructing irrigational channel for 41.70 km @ ₹ 3 lakh per km. However, 30 km channel was constructed at a total cost of ₹ 90 lakh resulting in short execution of 11.7 km irrigation channel costing ₹ 35.16 lakh (*Photograph No. 1.3.9*).

1.3.13.9 Non permissible Projects

During 2010-12, PO, Noklak released ₹ 118.34 lakh to VDB, New Pangsha for construction of road from New Pangsha to Lang river (9.63 km). The VDB constructed the road for 5 km in terms of earth cutting for ₹ 35.67 lakh and the remaining ₹ 85.67 lakh was diverted for construction of bridge across the river Lang. A photograph showing the



A bridge under construction on Lang river by the VDB new Pangsha under PO, Noklak, Tuensang

ongoing construction of bridge is placed alongside.



Photograph No.1.3.11

placed alongside.

PO, Tobu released ₹ 95.35 lakh to VDB, Maneakshu for construction of a circular road (6.35 km) during 2009-10. The VDB diverted ₹ 21 lakh out of the released funds for constructing an office building for Village Guard. A photograph showing the Office constructed for Village Guard is



Photograph No.1.3.12

Guest house constructed by VDB Maneakshu

The VDB, Maneakshu further diverted ₹ 36.96 lakh for construction of Guest House in the village which is not permissible as per the provisions of MGNREGA Operational Guidelines. Thus, the proposed circular road could be constructed for a distance of only 2.5 km with the remaining funds of ₹ 37.39 lakh.

A photograph showing the Guest House is placed alongside.

Audit Objective - 7

1.3.14 Protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity.

1.3.14.1 Empowerment of Rural Women

Women were included for execution of work as labourers only and they were not included in higher capacities like mates, Gram Rozgar Sahayak, etc. in the 69 out of 71 test-checked VDBs. Two lady GRSs were engaged in two villages (Old Jalukie and Inbung under Peren district). Bank/Post office accounts were not opened either in the name of women in a household or as a joint account as the wages were paid in cash to all the job card holders. There was empowerment of women socially and economically as the earning of the women enhanced the status of their family. Women were also politically empowered due to their participation in the decision making process under the scheme as per the beneficiary survey conducted in 71 villages covering 22 *per cent* women participants.

1.3.14.2 Fostering Social Equity

Scheduled Tribe (ST) only were included for execution of work as labourers in the 71 test- checked VDBs as 92 *per cent* of the population in the State belong to ST. STs were included in higher capacities of GRS in Dimapur District alone. No atrocities on STs were reported in the 71test-checked VDBs as per the beneficiary survey conducted in 71 villages covering 98 *per cent* ST participants.

1.3.14.3 Protecting the Environment

One of the scheme objectives was to protect the environment along with creation of assets by generating rural employment to the poor.

During physical verification of projects executed in



Photograph No.1.3.14

Samzuram village under Jalukie block in Peren district, it was noticed that



Photograph No.1.3.13



Photograph No.1.3.15

VDB, Samzuram constructed play ground (₹ 47.02 lakh) across the Mangleu River-let during 2011-12 and blocked the water flow into river Mangleu. It would be seen from the *Photograph Nos.1.3.13 to 1.3.15* that instead of preserving the environment the VDB, Samzuram devastated the Mangleu River by constructing playground across it. The construction of play ground without proper assessment and feasibility not only defeated the purpose of play ground but also may destroy the ecological balance of village area.

VDB, Samzuram replied (September 2012) that the preservation of the river would be made at the earliest.

Audit Objective - 8

1.3.15 Convergence of the Scheme with other Rural Development Programmes as envisaged was effectively achieved in ensuring sustainable livelihood to the targeted rural community and improving the overall rural economy.

1.3.15.1 Convergence programme

Convergence of MGNREGA funds with the funds from other sources for creation of durable assets is permissible which was intended to create additional employment as per provision 14.1 of the operational guidelines 2008 of the MGNREGA. Convergence of the Scheme with other Rural Development Programmes was required to be planned effectively to achieve and ensure sustainable livelihood to the targeted rural community and improve the overall rural economy.

Guidelines were prepared by GoI in respect of (1) Integrated Watershed Management Programme, (2) Programmes of Ministry of Agriculture, (3) Indian Council for Agricultural Research (KVK), (4) Swarnajayanti Gram Swarojgar Yojana (SGSY), (5) Ministry of Environment, (6) Ministry of Water Resources, (7) Prime Minister Gramin Sadak Yojana (PMGSY) and (8) Afforestation and other schemes. However, the effort for convergence was not made in the State of Nagaland as detailed below;

- The Guidelines for other RD schemes were neither discussed at a State level meeting of the departments concerned nor in the meeting of the District level

officers involved in implementation of MGNREGS defeating the stated objective.

- District Resource Groups were neither formed at the district level nor trained for execution of the Convergence schemes.
- Perspective plan was prepared for the district and availability of resources under various Rural Development Programmes²⁵ for convergence was estimated, along with MGNREGS works. However, in four test-checked districts the same were confined to the Perspective plan and no efforts were made for convergence. No checklist was prepared for the convergence schemes to be taken up by Department of Rural Development.
- DPRs prepared in respect of convergence works were not prepared by any of the 71 test- checked VDBs. Thus, VDBs were neither aware nor maintained the wage material ratio in the works to be taken up under convergence programmes.
- Job cards holders were employed in the convergence programmes as verified physically in three VDBs²⁶ where the convergence programmes were executed. Separate social audit was not carried out for three convergence programmes executed with the Department of Horticulture. The wage payment was made in cash. The executed works under convergence programme were not monitored as per the MGNREGA guidelines.

Government of Nagaland sanctioned ₹ 15 crore for MGNREGA convergence activities with Horticulture Department during 2009-10 in eleven districts in the State. Out of the total allocation, ₹ 1.5 crore (10 *per cent*) was stipulated for State share and remaining ₹ 13.50 crore (90 *per cent*) was to be made out of MGNREGA scheme. Implementation/monitoring of above convergence schemes in four test-checked districts are discussed below:



Dimapur

Scrutiny of records of DPC, Dimapur revealed that ₹ 223.20 lakh was sanctioned for convergence programme with Department of Horticulture in the ratio of 90:10 for Dimapur district during 2010-11. Department of Horticulture released (May 2010) ₹ 22.32 lakh for horticulture activities under the convergent programme. DPC, Dimapur released (March 2010) matching Share of ₹ 100 lakh to two blocks for construction of horti-link road against the stipulated share of ₹ 200.88 lakh. DPC,

²⁵LADP, Agri, Horti, R&B, School Education and Forest

²⁶Diphupar B (Medziphema), Maksha (Sangsangnyu) & Panso B (Noklak)

Dimapur released ₹ 26 lakh (₹ 20 lakh out of GoI share and ₹ 6 lakh out of horti share) to the Medziphema block.

During the test-check of records of PO, Medziphema, it was noticed that the fund of ₹ 20.00 lakh was utilised for black topping of road to connect it with Floriculture unit at Diphupar (*Photograph No.1.3.16*). It was also noticed that ₹ 6 lakh out of ₹ 22.32 lakh released to PO, Medziphema, however, was not utilised for any horticulture activities. The utilisation of convergent programme fund (₹ 20 lakh) for black topping was picturised during the physical verification and this remained without any sign board (*Photograph 1.3.16*).

Mon

Scrutiny of records of DPC, Mon revealed that ₹ 164.70 lakh was sanctioned for convergence programme with Department of Horticulture in the ratio of 90:10 for Mon district during 2010-11. Department of Horticulture released (May 2010) ₹ 16.47 lakh for horticulture activities under the convergent programme.

DPC, Mon utilised ₹ 16.47 lakh against the normal MGNREGA programme as the release was in the form of State share defeating the purpose for which the funds need to be utilised.

Tuensang

Scrutiny of records of DPC, Tuensang revealed that ₹ 80 lakh was sanctioned for convergence programme with Department of Horticulture in the ratio of 90:10 for Tuensang district during 2010-11. Department of Horticulture released (May 2010) matching share of ₹ 8.00 lakh for horticulture activities under the convergent programme.

The DPC, Tuensang appropriated ₹ 8.00 lakh for three blocks²⁷ for construction of horti-link road. The allocated amount was further appropriated to 60:40 as wage material ratio instead of appropriating the share to 10 *per cent* of the share of horticulture towards material cost. Thus, share of ₹ 72 lakh (90 *per cent*) was not provisioned in this convergence scheme.

Joint Physical verification (June 2012) of the projects pertaining to convergent activities under Sangsangnyu and Noklak block revealed that no such convergent activities (construction of horti-link road) were taken up under the convergence programmes with Horticulture Department, which indicate possible misappropriation of ₹ 6.00 lakh.

Peren

Scrutiny of records of DPC, Peren revealed that ₹ 110 lakh was sanctioned for convergence programme with Department of Horticulture in the ratio of 90:10 for Peren district during 2010-11. Department of Horticulture released (May 2010)

²⁷Noklak ₹ 4.00 lakh, Sangsangnyu ₹ 2.00 lakh, Noksen ₹ 2.00 lakh

matching share of ₹ 11.00 lakh for horticulture activities under the convergent programme.

DPC, Peren appropriated ₹ 11.00 lakh for two blocks²⁸ for construction of horti-link road. The allocated amount was further appropriated to 60:40 as wage material ratio instead of appropriating the share to 10 *per cent* of the share of horticulture towards material cost. Thus, share of ₹ 99 lakh (90 *per cent*) was not provisioned in this convergence scheme.

Joint Physical verification (June 2012) of the projects under Tenning and Jalukie block revealed that no such convergent activities (construction of horti-link road) were taken up under the convergence programmes with Horticulture Department, which indicate possible misappropriation of ₹ 11.00 lakh.

Thus, convergence with other Rural Development Programmes planned could not be effectively achieved to ensure sustainable livelihood to the targeted rural community and improve the overall rural economy.

The State Government did not launch an afforestation drive along National Highways in the State to increase the green cover in violation of the circular (February 2011) issued by MoRD.

The Department accepted (October 2012) the facts and stated though sanction was made for construction of Horti link road under convergence programme with Horticulture Department, the villages utilised the amount for black topping of road to Horticulture (floriculture) Unit. In respect of Mon and Peren District, the Department accepted the facts.

The Department added that two projects were taken up under Convergence viz. Horti link road in Topunyu area leading to orange farm connecting Agri link road in Sangsangnyu and horti link road in Nokyan village leading to Asheki area in Tuensang District.

Reply in the case of two projects reported as executed by the Department under Convergent programme was not tenable as the projects sanctioned were not found as executed during the joint physical verification.

Audit Objective - 9

1.3.16 Record maintainance at various levels, MGNREGA data automation and provision of reliable and timely MIS data

1.3.16.1 Printing of MGNREGA documents

As per the provision 9.1 of the Operational Guidelines 2008, records as prescribed were to be maintained at different levels for keeping information on critical inputs, processes, outputs and outcomes.

²⁸Tenning ₹ 7.47 lakh, Jalukie ₹ 3.53 lakh

DPC, Peren printed various records like registers, job cards, muster rolls, MBs, Demand form, application forms, slip pads, Cash Books, stock registers, social audit reports forms etc. valued at ₹ 53.65 lakh. Scrutiny of records revealed that the DPC did not observe any procurement procedures while purchasing the printed records from different firms, instead DPC procured all the above mentioned records without analysing the requirement from the field offices/VDBs.

Scrutiny of records of 17 VDBs out of 71 test checked VDBs revealed that Cash Book, stock register, job card application register, job card register, asset register, social audit report forms, application forms, demand forms, receipt book were not available with them to record critical inputs, processes and outcomes. Although the DPC, Peren incurred ₹ 14.61 lakh²⁹ for printing of aforementioned records out of the total printing cost of ₹ 53.65 lakh, the intended purpose of printed records failed to achieve any results due to the non-delivery of items to the VDBs. Thus, the VDBs in Peren district could not maintain Cash Book, stock register of the items received and issued, receipt of wages paid to the labourers and other MGNREGA related documents.

1.3.16.2 Maintenance of records

Status of maintenance of prescribed records at different levels (9 test-checked blocks and 71 VDBs) and the reasons as well as impacts are tabulated below:

Table No. 1.3.7

Name of record	To be maintained with		Status of maintenance		status of non maintenance	
	PO	VDB	PO	VDB	PO	VDB
Muster roll issue register	9	0	9	0	0	0
Muster roll receipt register	0	71	0	42	0	29
Job card application register	9	71	0	30	9	41
Job card register	9	71	9	42	0	29
Employment Register	9	71	0	45	9	26
Works register	9	71	0	0	9	71
Asset register	9	71	5	37	4	34
Compliant register	9	71	3	48	6	23
Monthly allotment and utilisation watch register	9	71	0	0	9	71

(Source: Departmental figures)

Scrutiny of records of 71 test-checked VDBs, revealed that 45 VDBs maintained employment registers properly and entered the job card and employment in the respective registers. However, process of timely employment application could not be verified due to the absence of date of application in the registers maintained by VDBs.

²⁹ Cash book (₹ 0.68lakh), Stock register (₹ 2.26 lakh), Job card application register (₹ 2.92 lakh), Job card register (₹ 3.97 lakh), Asset register (₹ 1.57 lakh), Social audit form (₹ 0.71 lakh), Application forms (₹ 0.97 lakh) and Receipt book (₹ 1.53 lakh)

Wages were correctly entered in the job cards furnished by 99 *per cent* of beneficiaries during the beneficiary survey.

Wages paid were available in the job cards verified during beneficiary survey of 1130 beneficiaries out of 1140 beneficiaries. Audit could not ascertain the proper link between work register and asset register because none of the 71 test-checked VDBs maintained work register. Complaint registers were available in the 48 test-checked VDBs which however, remained without any complaints. 23 VDBs did not maintain any compliant register.

POs collected data on households registered, job card issued, employment generated etc. at the time of issue of job card and data on employment was collected during the measurement of work in order to enter the date in the MGNREGA website once in a year. Fund allocations towards the VDBs were posted offline by PO at the time of sanction/release to VDBs. The expenditure was treated as the muster roll payments but were neither collected nor posted in the State website. There was no mechanism at PO level to verify the authenticity of data received and uploaded in the MGNREGA website due to the lack of internet facilities.

Similarly, mechanism was not available at districts as well as State to verify the authenticity of data as the data entered by the PO offline was transferred to State cell for online entry through CDs. Thus, the progress of work could not be assessed on the basis of MPRs which were required to be sent through the computer based MIS by the 9 test-checked POs.

In sum proper prescribed records were not maintained to correlate the input and output process for the successful implementation of the scheme.

The Department accepted (October 2012) the poor maintenance of records at VDB level and noted the observation for compliance in future.

Audit Objective - 10

1.3.17 Transparency in implementation of the Act by involving all stakeholders in various stages of its implementation from planning to monitoring and evaluation.

1.3.17.1 Grievance Redressal at various levels

PO at block level and DPC at the district level were designated as the grievances redressal officers to deal with the grievances. The name and address of the petitioner has to be uploaded in the MGNREGS website on a weekly basis. The person registering the grievance should also be given a receipt with number and date so that follow up status of disposal of grievances could be traced from a counter in the office of the PO/DPC.

However, the system of acknowledgement of grievance petitions at VDB/Block/District level was in the form of complaint registers only. Level of timeliness and transparency in settlement of the complaints were not determined in

the redressal mechanism. Oral complaints were not recorded in the test-checked districts/block/VDB. Helpline facility though set up was not functional in the State.

Scrutiny of the complaint register maintained at different levels revealed the status as 'Nil' and the timely disposal of oral complaints could not be assessed due to the poor maintenance of complaint register at all levels of grievance redressal forum.

In the absence of grievance redressal mechanism, a tool for identifying areas that require attention of senior management at various levels, the Department failed to address the issue for mitigation of the grievances.

1.3.17.2 Ombudsman

As per the operational guidelines of MGNREGS, an Ombudsman was to be appointed in each district. Ombudsman for MGNREGA were appointed (May 2011) in four test-checked DPCs in order to address the complaints against the Village Councils/VDBs elected members and staff. Eminent civil society persons were nominated and selection of Ombudsmen was made by the selection Committee in exercise of powers conferred under Section 27(1) of MGNREG Act. Although Offices of the Ombudsman were attached to the DPCs office, the appointed Ombudsmen in the four test-checked districts were not available in their office during the audit. Thus, the general timeliness and transparency in disposing of the complaints by the Ombudsman could not be ascertained.

Though Ombudsmen were appointed in all eleven districts since June 2011, sitting allowances and other remunerations were not fixed by the SEGC as of June 2012.

1.3.17.3 Vigilance and Monitoring Committees

The operational guidelines of MGNREGS provides that a local Vigilance and Monitoring Committee (VMC) should be constituted for every work sanctioned to monitor the progress and quality of work. It would comprise of seven members elected by the Village Councils/VDBs. Out of that at least 50 *per cent* of members should be from among MGNREGA workers and also consist of ST women members. The report of the Committee on the completion of the work should be placed in the VDB meetings and subsequently be forwarded to the PO/DPC. The VMC should also facilitate the social audit.

Scrutiny of the 71 test-checked VDBs revealed that 11 VDBs did not constitute VMC since the date of implementation of the scheme. Out of 60 VDBs which constituted VMCs, only 4 VDBs had 9 or more members and remaining 56 VDBs consisted of 2 to 8 members. Out of 56 VMCs, only 13 VMCs consisted of women members in the Committee.

VMC was appointed by the Village Council/VDB and got approved by the DPC in 60 VDBs. However, neither the VC/VDB nor the DPC apprised VMC about the work, time frame and quality parameters. Thus, the Committee did not furnish any completion report on the monitoring of the projects verified by the VMC in 39 test-checked VDBs out of 71 VDBs.

State Government did not ensure the constitution of the Committee before releasing the funds to VDBs under MGNREGA.

Thus, the main aspects envisaged in the programme viz. effective registration, allocation of employment, quality of works executed and timely payment of wages without monitoring by a Committee in violation of the provisions of the scheme guidelines.

1.3.17.4 Monitoring and Evaluation

For internal verification of works at field level by the official functionaries, targets were fixed which were to be achieved within a quarter. Accordingly, the block level official functionaries had target to complete the internal verification of 100 *per cent* of works and district level had to complete 10 *per cent* and State level targeted to complete 2 *per cent* of works executed during a quarter. Status of internal verifications made at different levels in the four test-checked districts are given below:

Table No.1.3.8

Name of the sample district	Total number of works executed	No. of verification targeted for			No. of verification carried out			shortfall in No. of verification		
		State	District	Block	State	District	Block	State	District	Block
Dimapur	4936	99	494	4936	0	22	1497	99	472	3439
Tuensang	704	14	70	704	1	40	535	13	30	169
Mon	1197	24	120	1197	24	103	1185	0	17	12
Peren	1547	31	155	1547	25	108	1510	06	47	37
Total	8384	168	839	8384	50	273	4727	118	566	3657

(Source: Departmental figures)

It can be seen from the table that State level official functionaries could verify only 50 works (30 *per cent*) against the target of 168 works during the last five years. The district level officials carried out inspection of 273 works (33 *per cent*) against the target of 839 works while the Block functionaries carried out inspection of 3657 works (44 *per cent*) against the target of 8384 works.

The State Government appointed State Quality Monitors (SQM) for reviewing the implementation of the scheme. However, districts did not identify the District Quality Monitors (DQM) at district level.

Scrutiny of 71 test-checked VDBs in the four districts revealed that the SQM conducted only one quality inspection in Kuthur Village, Chessore Block, Tuensang district during the last five years. However, reports on the quality inspection were recorded in the Village Inspection Register and a separate report in this regard was not made available to audit.

In sum, comprehensive and continuous assessment of the scheme by way of inspections, field visits and sample checks remained un-assessed. Therefore, the Central Government was unable to draw up broad indicative measures for the quality monitors at various levels.

The Department accepted (October 2012) the facts and stated that it was making all efforts to ensure that the works are verified by all levels and State Level Core Team was already under consideration for undertaking the monitoring and supervisory visits of works.

1.3.17.5 Social Audit

MGNREGA Operational Guidelines, 2008 featured an innovative role to social audit as a means of continuous public vigilance (NREGA, Section 17). The basic objective of the social audit was to ensure public accountability in the implementation of the projects, laws and policies. The social audits were intended to promote transparency, participation, consultation and consent, accountability and redressal mechanism of the scheme.

It was noticed in audit that the State Government did not constitute any independent organisation/directorate/society at State level for facilitation for social audit. The State Government did not undertake any social audit on pilot basis in few blocks as decided (November 2011) in the national workshop on social audit. The State Government neither identified nor appointed Director of Social Audit as of June 2012.

Overall performance of social audit in four test-checked districts are tabulated as under:

Table No.1.3.9

Name of the sample District	No. of social audits required to be conducted as per norms	No. of social audits conducted	Name of the test checked blocks	No. of social audits required to be conducted as per norms	No. of social audits conducted	No. of test checked VDBs under the Blocks	No. of social audits required to be conducted as per norms	No. of social audits conducted
Dimapur	1570	785	Dhansiripar	230	27	8	64	8
			Medziphema	536	203	18	144	107
Mon	980	680	Chen	210	210	6	60	58
			Tobu	160	160	4	40	34
Tuensang	1070	214	Chessore	120	51	4	40	26
			Noklak	250	44	8	80	22
			Sangsangnyu	200	60	6	60	25
Peren	632	316	Tenning	184	92	7	14	7
			Jalukie	248	124	10	20	10
Total	4252	1995		2138	971	71	522	297

(Source: Departmental figures)

Thus, only 297 social audits (*57 per cent*) at VDB level were held against the requirement of 522 social audit meetings in the 71 test-checked VDBs. Social audits conducted during 2007-08 to 2011-12 in four test-checked districts and nine test-checked blocks were only *47 per cent* and *45 per cent* of the norms respectively. The date, time and agenda about the social audit were widely publicised. The required quorum in the meeting of Village Councils/VDBs was available in the social audits conducted. However, the social audit meetings were not chaired by a person outside the Village Councils/VDBs. Similarly, Secretary of the social audit forum was also not an official outside the Village Councils/VDBs in the 71 test-checked VDBs.

Decisions/resolutions were adopted on the basis of votes and all important aspects were discussed in the social audit meetings.

Adequate preparatory work including scrutiny of record and interaction with the beneficiaries were not undertaken by the social audit team before the public hearing at the Gramsabha/Village Council meeting. MGNREGA officials were not present in full strength. Full records were not made available before the public hearing so as to enable villagers to be ready to pose relevant questions to the social audit team officials. Internal cells were not constituted under the DPC



in the four test-checked districts so as to take suitable action thereon.

Audit attended three (Diphupar, Dimapur dist. (16/5/12), Chaoha Chingnyu, Mon dist. (29/5/12), and Kuthur (*photograph No.1.3.17*), Tuensang dist. dated (9/6/2012) social audit meetings as observers and following deficiencies were noticed in the social audit conducted in the abovementioned villages.

- Evidence for advance notice to the date of social audit forum was not available.
- Use of publicity modes was also not available.
- Summaries of the effective participation, information were not prepared in advance.
- Summaries of muster rolls and bills were neither prepared in advance nor presented in the meeting.
- Original files/documents were not available on the day of forum for cross-verification.
- Quorum of the social audit forums was inadequate and there were no women representatives.
- Secretary of the forum was not from outside the village.
- Instead of village Committee members, VDB announced the information as per the required format in Diphupar village.
- Although decisions and resolutions were by votes, it was not recorded.
- Minutes of the meeting were recorded by members of the VMC instead of a person outside the implementing agencies.
- The action taken report on the previous social audit report was not read out at the beginning of forums conducted at aforementioned dates.
- Technical expertise was neither invited nor present in the forum for detail enquiries.
- Check list on mandatory agenda was not prepared to review whether the norms and provisions of the Act were being observed.

NLM (June 2010) while reviewing RD projects in Dimapur district reported that no social audit was conducted in the villages.

In sum, continuous process of public vigilance through social audit to ensure the public accountability in the implementation of the projects, laws and policies were absent throughout the period of implementation of the scheme.

The Department stated (October 2012) that advance information indicating the date, venue and time to all concerned in the Villages for conduct of Social Audit were being made through notifications. Villagers do not want to let anybody outside the villages to be the Secretary of the VDB. Women were also engaged in the Social Audit. However, in many villages the attendance of women was still very poor. All the decisions and resolutions passed during the meetings were recorded by the concerned Secretaries.

The reply is not tenable as the provisions of social audit under MGNREGA were not followed and this was verified in the three social audit meetings attended by the Audit team.

Audit Objective - 11

1.3.18 Effective mechanism at State level to assess the impact of MGNREGS on individual households, local labour market, migration cycle and efficacy of assets created.

1.3.18.1 Evaluation Studies

The literature on MGNREGA comprising scholarly reviews in the form of research articles as well as media reports give much importance to different themes and analyse performance of MGNREGS differently. The School of Agricultural Science and Rural Development, Nagaland University conducted (February 2009) study on MGNREGA in four districts (Mon, Wokha, Kohima and Mokokchung). The study revealed that;

- 88 *per cent* beneficiaries expressed their opinion that registration and job cards were provided free of cost. 20 *per cent* of the respondents reported that the works were allotted to them within 15 days of the date of demand. All the works were selected on the basis of village meeting reported by 97 *per cent* respondents
- MPRs were prepared in accordance with the guidelines but not furnished within the time frame fixed by the MoRD. Thus, there was delay in release of funds from MoRD. Wage material ratio was a standard for all works at 60:40 without considering the actual requirement as per model SOR.

It was noticed in audit that the State did not take any action on the study conducted and reported (March 2009) by Nagaland University to the Department of RD.

1.3.19 Conclusion

Mahatma Gandhi National Rural Employment Guarantee Scheme aimed to enhance livelihood security of rural households by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. However, performance of the MGNREGA in the State for the last five years could not achieve guaranteed wage employment due to improper planning made in the perspective plan. The Department also randomly issued job cards and as a result job cards were misused. Several instances of unexecuted projects, execution of non-permissible projects and diversion of projects outside the Perspective plan had defeated the purpose for which the scheme was designed. Implementation of convergence programmes in the State was not encouraging as the public was not aware of the schemes and were not executed according to the approved action plan. Absence of monitoring mechanism in the State also adversely affected the implementation of scheme. Mandatory inspections by State level, district level and block level were not carried out. Auxiliary objectives were not achieved due to the execution of low prioritised works.

1.3.20 Recommendations

- ▶ *Record maintenance at VDB level needs to be streamlined. Maintenance of important documents such as job card register, muster rolls, employments register and asset register to achieve transparency and accountability and also to provide a basis for verification should be ensured at VDB level.*
- ▶ *State Government should review the existing administrative and technical set up for the implementation of the MGNREGA and to take suitable measures to address the gaps. State should review the position of Gram Rozgar Sahayaks and take suitable remedial measures.*
- ▶ *For ensuing long term shelf of projects, preparation of district Perspective plan should be ensured.*
- ▶ *State Government should set up a proper mechanism to ensure that projects reported as complete exist at the field level and also ensure that projects are completed timely and no diversion of projects is allowed towards non-permissible works.*
- ▶ *State Government should plan convergence programmes effectively to ensure sustainable livelihood to the targeted rural community.*
- ▶ *State Government should ensure monthly reconciliation of accounts regularly and steps should be taken to ensure that MGNREGS funds are not diverted or mis-utilised.*
- ▶ *State Government should ensure the inspection of works by different level officers. Vigilance Monitoring Committee should be strengthened wherever formed and impact analysis of the scheme should be undertaken.*

- ***State Government should ensure conducting of social audits in all VDBs twice in a year.***

HEALTH AND FAMILY WELFARE DEPARTMENT

1.4 Fraudulent drawal

Failure of the Drawing & Disbursing Officer and Treasury Officer to exercise statutory checks envisaged in Receipts & Payments Rules resulted in fraudulent drawal of ₹ 30.65 lakh.

Sub-clause 3 of Rule 66 of the Receipts and Payments Rules, 1983 stipulates that entries in all money columns of the pay bills are to be totalled separately under each section and part to arrive at the total entitlements as well as net payable after the statutory deductions in red ink. Section wise totalling of the pay bills must be checked by the Drawing Officer himself or by some responsible official other than the person preparing the bill. Treasury Rules further prescribe various checks to be exercised by the Treasury Officer before accepting the claim and to record the omission or correction and to limit the payment admissible in respect of each bill presented by the Drawing and Disbursing officers of the establishments.

Scrutiny (April 2012) of paid vouchers in respect of the Chief Medical Officer, Zunheboto for the period from November 2010 to October-2011 revealed that the establishment drew ₹ 509.56 lakh in 40 pay bills against the admissible net salary of ₹ 478.91 lakh by inflating the total of the pay bills resulting in fraudulent drawal of ₹ 30.65 lakh (*Appendix – 1.4*).

Thus, failure of the Drawing Officer in checking the pay bill and the Treasury Officer in exercising the prescribed checks resulted in fraudulent drawal of ₹ 30.65 lakh.

While accepting the facts (July 2012), the Government stated that the excess amount drawn would be recovered in installments from the concerned officials. The Department also recovered/deposited (June/July 2012) ₹ 8 lakh in two installments³⁰ and the balance amount of ₹ 22.65 lakh had not been recovered (October 2012).

1.5 Excess Expenditure

The Executive Engineer, Medical Engineering Division, Kohima incurred an excess expenditure of ₹1.32 crore due to non-acceptance of the lowest bid. The delay in handing over the site to the contractor is fraught with the risk of further cost escalation.

Nagaland Public Works Department (NPWD) Code in its Clause 291 states that sealed tenders should invariably be invited in the most open and public manner possible, by advertisement in the Government Gazette or the press, or by public notice and clause 293 stipulates that usually the lowest tender should be accepted, unless there is some objection to the capability of the contractor, the security offered by him

³⁰ ₹ 5 lakh- vide Challan No1 dtd 11/06/2012 & ₹ 3 lakh vide Challan No 1 dtd 13/07/2012

or his execution of former work. When lowest tender is not accepted, the reasons may be furnished in the Comparative Statement duly attested for the audit purpose.

The Central Vigilance Commission (CVC) observed that post tender negotiations are the main source of corruption. Hence, it directed (November 1998) that no negotiations should be resorted to with any tenderer other than the lowest tenderer.

Executive Engineer (EE), Medical Engineering Division, Kohima displayed (January 2007) Notice Inviting Tender for the work “Construction of 100 bedded New District Hospital at Kohima” in their notice board at an estimated cost of ₹ 7.31 crore as per NPWD (Housing) SOR 2004. Five bidders participated in the bidding though NIT was not published in any National/Local News Papers or the Government Gazette. Amongst four qualified bidders who submitted (February 2007) their bids, one bidder³¹ quoted at par with SOR 2004 and others had quoted 12 *per cent*³², 22.5 *per cent*³³ and 40 *per cent*³⁴ respectively above SOR 2004.

Scrutiny of records (May 2012) revealed that the Division forwarded (February 2007) the Comparative Statement to the Chief Engineer (Housing) without giving any recommendation. The Chief Engineer, in violation of the above rules, negotiated with third bidder (L3) who quoted at 18 *per cent* above SOR 2004 and recommended (July 2007) to the Engineer in Chief (EIC) to award the work to L3 bidder. The EIC approved (July 2007) the recommendation and the EE awarded (July 2007) the work to the L3 bidder at the negotiated rate of 18 *per cent* above SOR 2004, i.e at ₹ 8.63 crore . There was nothing on record as to why L3 bidder was awarded the work and why the bids of other bidders (L1 and L2) were rejected, even though L1 and L2 were financially sound and technically capable of taking up the work. However, it was observed that a VVIP recommended (November 2005) to the Department to award the work to the third contractor³⁵ as he was financially sound and capable of taking up such works as and when the allotment of work was decided even though L1 and L2 were financially sound and capable of undertaking the works. By awarding the work to the 3rd lowest bidder, the Division incurred an excess expenditure of ₹ 1.32 crore (₹ 8.63 crore - ₹ 7.31 crore).

Further scrutiny revealed that the contractor commenced the work in May 2009, after a gap of 22 months after the award of work and he was paid ₹ 5.15 crore (May 2012) up to 5th Running Account Bill. The contractor also requested (October 2010) the Department to enhance the rate from 18 *per cent* to 80 *per cent* above SOR 2004 as there was a delay of 22 months in handing over the site from the date of issue of the work order, citing that there was a steep hike in the value of materials during this period, though no escalation was allowed till the date of audit. The work was still incomplete (February 2013).

³¹ M/s Zeliezhu

³² M/s Hexad Syndicate

³³ M/s Peter Kuotsu & Company

³⁴ M/s Fulutsu & Co

³⁵ M/s Peter Kuotsu & Company

Thus, the Department not only violated the principles of transparency in floating the tender but also incurred an excess expenditure of ₹ 1.32 crore by not selecting the eligible lowest bidder, in violation to the provisions of NPWD code and CVC guidelines. Further, the action of the Department to issue work order before finalisation of the site was fraught with the risk of cost escalation.

The matter was reported to the Government (May 2012). The reply had not been received (February 2013)

1.6 Suspected fraudulent drawal

Principal Director of Health & Family Welfare drew ₹ 86.24 lakh for procurement of Computer Hardware items, Hospital linen, etc on the basis of fictitious bills.

The Department of Health and Family Welfare (HFW) drew (March 2011) ₹ 86.24 lakh for purchase of various equipment and materials on three Fully Vouched Contingent Bills as shown below:-

Table No.1.6.1

Bill No & Date	Items procured	Amount drawn (in ₹)	Name of the Firm/Supplier
838 of 31.03.11	Computers & Accessories	4075000	M/s Kuotsu Enterprises, Kohima
825 of 31.03.11	Hospital Linen	4399959	
790 of 24.03.11	Cameras & Printers	148950	
Total			8623909

Scrutiny of these vouchers in Audit (August 2012) revealed that the supplier charged 12.5 *per cent* of Value Added Tax (VAT) on Computers & Computer Accessories against the admissible rate of 4 *per cent* in respect of Bill No 838 above. Audit also observed certain deficiencies in the supplier's bills such as lack of supply order reference, serial no of the bill, date, etc., although certificate of receipt of all the materials in full and in good condition were recorded by the Principal Director/DDO on the body of all the sub-vouchers.

On enquiry from the Assistant Commissioner of Taxes (ACT), Kohima Zone (August 2012), where the above firm is registered³⁶ it was learnt that the above firm is a retail dealer dealing in detergents, cosmetics and toiletries only and not with computers and accessories, mattress, etc. Scrutiny of VAT return obtained from the ACT, Kohima in respect of the above firm also revealed that the firm filed a 'NIL' return for the period from 01-04-2010 to 31-12-11. Audit also observed that the above firm was not an empanelled firm authorised to supply computer peripherals by the Department of Information Technology and Communication (IT&C), Government of Nagaland.

Thus, it is suspected that the Principal Director, HFW fraudulently drew ₹ 86.24 lakh on the basis of fictitious bills.

³⁶ Tax Payer's Identification Number (TIN) No.13070059074

The Government in reply stated that (October 2012) the Department issued supply orders to M/s Kuotsu Enterprises against the above bills and had received the goods in full. The tax deducted was also deposited in the treasury. They also stated that the above firm was solely responsible for filing the NIL return under VAT and the Department is not responsible for that. The Department also furnished copy of Stock Register against Computers and Accessories and material verification reports against other items.

The reply is not tenable because the above firm was not an empanelled firm authorised to supply computers and accessories by the IT&C Department and not dealing in the above materials purchased by the Department. Further, as per the Stock Register and the verification report the materials were received during May to August 2011 whereas as per the certificate of receipt of materials recorded on the body of the supplier's bills, the materials were received in March 2011 itself.

1.7 Extra avoidable expenditure

Principal Director, Health & Family Welfare Department incurred an avoidable expenditure of ₹ 101.56 lakh on procurement of Machinery & Equipments, Hospital linen, etc by allowing inconsistent rates to different suppliers.

According to Rule 160 of the GFR, all government purchases should be made in a transparent, competitive and fair manner, to secure best value for money and to eliminate arbitrariness in the procurement process. Sub-rule (xiv) of Rule 160 further envisages that contract should ordinarily be awarded to the lowest valued bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document.

(i) Principal Director, Health & Family Welfare Department procured Machinery and Equipment worth ₹ 874.97 lakh in two bills³⁷ from three suppliers in August 2009 and January 2010 without calling for tenders in violation of established principles of procurement. A scrutiny (May 2012) of vouchers revealed the following

- (a) the rates allowed to one supplier (August 2009) against five items were much higher as compared to the rates allowed to another supplier (difference in rate ranged from ₹ 2250 to ₹ 190480) for supplying the same items in January 2010, which resulted in avoidable excess expenditure of ₹ 17.75 lakh (*Appendix-1.5*);
- (b) In case of five items supplied in August 2009, different rates (difference ranging from ₹ 80 to ₹ 300) were allowed to two different suppliers, which resulted in excess expenditure of ₹ 3.79 lakh (*Appendix-1.5*); and

³⁷ Bill No 273 dtd 27/8/09 -₹ 375 lakh – for setting up of Regional Diagnostic Centres at Wokha, Zunheboto, Phek, Mon & Geriatric Centre, Kohima and Bill No.536 dtd 19/01/10 -₹ 499.97 lakh for distribution to District Hospitals

- (c) in case of four items, the difference of rate paid to two different firms in August 2009 and January 2010 ranged from ₹10 to ₹ 4100, leading to an excess expenditure of ₹ 17.47 lakh (*Appendix-1.5*);
- (ii) Similarly, the Department also procured Hospital Linen, Nursing sundries, etc valued at ₹ 433.67 lakh in March 2011 and March 2012 from two suppliers³⁸ without calling for any tenders. Cross verification of these bills revealed that there was abnormal variation in rates in respect of two items ranging from ₹ 1110 to ₹ 4550 within one year, resulting in avoidable expenditure of ₹ 62.55 lakh (*Appendix-1.5*).

On enquiry regarding the selection of suppliers and the rates accepted without any competitive bidding, the Department stated (May 2012) that the purchases were made from the reputed firms and the rates were allowed on the recommendation of the Purchase Board, though no tender were invited. However, no records to substantiate their reply were made available to audit.

Further, the Department stated (June 2012) that the difference in rate were allowed to different suppliers because the items supplied by them were of different specifications and furnished the specification of various items. The Government also endorsed the replies of the Department (October 2012). However, audit observed that bills submitted by the suppliers on the basis of which payment was made did not contain the specifications as stated by the department, in the absence of which it is difficult to conclude that there were indeed any differences in specifications.

Thus, the Department incurred an avoidable expenditure of ₹ 101.56³⁹ lakh due to arbitrary procurement in contravention of the procedures laid down for public procurement and by allowing inconsistent rates to different suppliers for same items.

SCHOOL EDUCATION DEPARTMENT

1.8 Fraudulent drawal

Failure to exercise statutory checks envisaged in Receipts & Payments Rules on the part of the Treasury Officer and Drawing & Disbursing Officer resulted in fraudulent drawal of ₹ 25.99 lakh.

Sub-clause 3 of Rule 66 of the Receipts and Payments Rules, 1983 stipulates that entries in all money columns of the pay bills are to be totalled separately under each section and part to arrive at the total entitlements as well as net payable after the statutory deductions in red ink. Section wise totalling of the pay bills must be checked by the Drawing Officer himself or by some responsible official other than the person preparing the bill. Treasury Rules further prescribe various checks to be exercised by the Treasury Officer before accepting the claim and to record the omission or

³⁸ M/s Kuotsu Enterprises, Kohima and M/s North East Marketing Company, Dimapur

³⁹ ₹ 17.75 lakh+₹ 3.79 lakh+₹ 17.47 lakh ₹ 62.55 lakh=₹ 101.56 lakh

correction and to limit the payment admissible in respect of each bill presented by the Drawing and Disbursing officers of the establishments.

Scrutiny (November 2011 and April 2012) of the pay bill vouchers of the Deputy Inspector of Schools (DIS), Niuland for the period from 03/2010 to 06/2011 revealed that the DIS drew ₹ 764.83 lakh in 60 pay bills against the admissible net salary of ₹ 738.84 lakh by inflating the totals of the pay bills. This resulted in fraudulent drawal of ₹ 25.99 lakh. (**Appendix- 1.6**)

Thus, failure of the Drawing Officer in checking the pay bill and the Treasury Officer in exercising the prescribed checks resulted in fraudulent drawal of ₹ 25.99 lakh.

The matter was reported to the Government (May 2012). Reply had not been received (February 2013).