Chapter 5

FINANCIAL ADMINISTRATION
Finance plays a vital role in Administration. Finance and Administration are as inseparable as a body and its shadow. Without money no activity can be performed by the Government. Finance is the life blood of Government in action. Finance fuels the administrative engine. Without finance the administration and its programmes cannot operate. Rightly, did Kautilya the ancient Indian political philosopher stated that "all undertakings depends upon finance. Hence, the foremost attention shall be paid to the treasury."¹ For every activity of the Government money is required. With more finances the Government can be expanded. Administration has close affinity with finance. In the words of L.D.White Finance and administration cannot be divorced, every administrative act has its financial implications."²

Sound Fiscal Management is therefore of vital importance to government. As revenue is derived from the humblest citizen, it is a moral responsibility of the government to spend it efficiently and economically. The method and style of financial administration do influence and even condition the socio economic behavior of the people. So, the Task Force (Hoover Commission) in its report rightly pointed out that "at the core of Modern government, budget is the nuts and bolts of public policy."³

Before undertaking any scheme, the government must know its cost and its sources of income. With the concept of Welfare State the activities of government are fast expanding, a huge amount of money is needed. Inefficient and thoughtless financial administration cannot be tolerated now a days. It should be efficient, quick and work in such a way that no money is wasted. All the earlier welfare programmes implemented by the Central and
State Governments, failed to reach the aspired goals and objectives, either due inadequate funds or misuse of funds. Keeping in view of all these things the MGNREGA has given top priority for proper financial administration in implementing this programme. The necessary funds will be released well in advance by the Central and State Governments for its implementation. Hence, there is no inadequacy of funds for this scheme. Proper monitoring and auditing system is introduced in implementing the scheme. Hence, in this chapter an attempt is made to review the role of finance in the administration of MGNREGS.

**Funding Pattern**

As the MGNREGS is a Centrally Sponsored Scheme (CSS) the cost sharing between the Centre and the State is at 90:10 ratio.

**Central Government Funding**

As per MGNREG Act the Central Government will bear the following costs:

1. The entire cost of wages for unskilled manual workers.
2. 75 percent of the cost of material and wages for skilled and semi-skilled workers.
3. Administrative expenses will be determined by the Central Government. These will include, *inter alia*, the salary and allowances of staff related to EGS and work site facilities.
Provision for Administrative Cost

The total administrative cost should not exceed 6% of the annual allocation for the district. The administrative cost includes expenditure relating to Information, Education and Communication, Capacity Building, Staff Cost, Management Information System, Operations and Maintenance.

Constitution of National Employment Guarantee Fund (NEGF)

Government of India shall constitute National Employment Guarantee Fund (NEGF) for implementing various tasks under the National Employment Guarantee Act.

Government of India constitutes a Committee with Secretary, Rural Development, Government of India as Chairman to manage the fund. The committee will receive the proposals from State/District. They examine and review the performance of States/Districts in implementation of the Act. Then the committee will approve the amount and releases and transfer the funds to the State / District.

Basis for release of funds to the State / Districts

The central Government will release the funds basing on the following norms.

1. Government of India releases funds based on State Annual Work Plan and Budget Proposals (AWPB). The State will formulate and submit a State Annual Work Plan and Budget Proposals (AWPB) to the NEGF Committee. The Committee will decide and sanction the budget likely to be used by the State / District in that year. The AWPB received from the
State/District shall reflect the Labour Budgets approved by the District Panchayats.

2. The AWPB will provide an opportunity for the State / Districts to submit proposals for works other than the works specified in Schedule-I. This will enable the Central Government to examine their proposals under Section-1 (ix) of Schedule-I of the Act and to notify them on time.

3. The AWPB will also reflect use of the funds received in the previous year by the State / Districts as well as on the key performance indicators determined under the Scheme. This helps the Committee to decide the quantum of assistance to be released for a financial year.

**Release of first installment by Govt. of India**

The initial installment as seed money in the form of Revolving Fund under the scheme will be released to the Receptacle Fund of the District. Before the beginning of the financial year, Govt. of India releases 90% of the anticipated expenditure for at least 6 months to the District Programme Coordinator towards Central share. 

**Release of Second Installment by Govt. of India**

Proposals for release of next installment shall be submitted on a prescribed pro-forma to the Chairman, Committee for NEGF, Govt. of India. The release will be subjected to following conditions:

1. Utilization of 60% of the funds released or funds available for the year,
2. Submission of Certificate regarding receipt of State Share within 15 days of release of Central Funds,
3. Submission of copy of sanction order of the State Share,
(4) Submission of certified copy of the Bank Statement indicating credit of the State Share duly authenticated by the Branch Manager and the Accounts Officer in charge of the EGS account at the District Level,

(5) Submission of No diversion and Non-embezzlement certificate, and

(6) Any other condition indicated from time to time.

**Release of Central Share for the Each Financial year**

The Central Government will normally release funds equal to the expenditure incurred and admissible under the Scheme on the basis of the actual utilization pattern. If it is felt that the initial installment approved is not adequate for meeting the District's Half-Yearly requirements, the Central Government may release a larger installment of funds to the District. If the pace of utilization is slow, the Central Government may release a smaller amount.⁷

**Essential Conditions for release of funds by Govt. of India**

The Government of India releases funds for MGNREGS subject to the following conditions.⁸

(1) **Submission of Audit Report of previous financial year**

The release of Central Share of funds during the next financial year would depend on the submission of Audit Report of the Chartered Accountant and Utilization Certificate of the previous year, which must be submitted latest by 30th September of next year by the District Programme Coordinator.
(2) Attending to Audit Observations

If the Audit Report is not received, or if the observations of the Auditor and of the Ministry on the Audit Report are not properly attended to, or complied with, to the satisfaction of the Ministry within the financial year, the Ministry will be within its right to stop the funds for the next financial year. The responsibility for payment of unemployment allowances arising out of the non-availability of funds for this reason shall be on the State Government.

(3) Submission of Utilization Certificate with Opening and Closing Balances

The District Programme Coordinator will ensure that the Opening and Closing Balances are included and tallied both in the Audit Report and Utilization Certificate. In case of variation due to any unavoidable reasons, it has to be clearly explained with the, reasons to the satisfaction of the Ministry, of Rural Development with documentary support, if any. If this is not done, the Ministry may stop further release of funds in the next year.

(4) Certificate of Non-embezzlement of funds

The Central Government may suspend assistance to an Implementing Agency for improper use of funds. Assistance will be restored after remedial measures have been affected. In such cases, the District Programme Coordinator / Programme Officer will allocate alternative employment to the workers affected.

(v) Certificate of Compliance with the provisions of the Act

The Central assistance to MGNREGS will be subjected to the Works and Processes permissible under the Act and the Guidelines communicated.
Allocations by Government of India

The Government of India allocates the funds basing on the plans and the proposals submitted by various states under MGNREGS works. The table 5.1 gives the details of financial allocation by Union Government during 2006-07 to 2009-10.

**Table-5.1**
Financial Allocations under MGNREGS in India during the Years
2006-07 to 2009-10

<table>
<thead>
<tr>
<th>Inspired Element</th>
<th>Lengthen Rush</th>
<th>Year</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Outlay</td>
<td>11300</td>
<td>12000</td>
<td>30000</td>
<td>39100</td>
<td></td>
</tr>
<tr>
<td>(In Rs. Crores)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Release</td>
<td>8640.85</td>
<td>12610.39</td>
<td>29939.60</td>
<td>31306.31</td>
<td></td>
</tr>
<tr>
<td>(In Rs. Crores)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Available fund (Including OB): Rs. in Crores</td>
<td>12073.55</td>
<td>19305.81</td>
<td>37397.06</td>
<td>46502.52</td>
<td></td>
</tr>
<tr>
<td>Expenditure (Rs. in Crores)</td>
<td>8823.35</td>
<td>15856.89</td>
<td>27250.10</td>
<td>31490.79</td>
<td></td>
</tr>
<tr>
<td>Average wage per day</td>
<td>65</td>
<td>75</td>
<td>84</td>
<td>89</td>
<td></td>
</tr>
<tr>
<td>Average cost per day</td>
<td>97</td>
<td>110</td>
<td>126</td>
<td>130</td>
<td></td>
</tr>
</tbody>
</table>

*Up to Feb.2010.

The Data in the table 5.1 shows that the total outlays for the implementation of MGNREGS increased more than three times within four years of implementation. The central releases are also increased more than three times. It makes it clear that the UPA Government is giving top priority for the MGNREGS.

The total available funds in the first year implementation of MGNREGS is Rs.12073.55 crores, they pool of funds enhanced to Rs.19305.81 crores, in 2007-08, Rs.37397.06 crores in 2008-09 and Rs.46502.52 crores by the February 2010. The percentage of expenditure from total available funds is

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unevenly distributed. In 2006-07 around 73.08 percent amount was spent from available funds. It increased to 82.13 percent in the following year. But in 2008-09 the percent of spent amount reduced to 72.87 percent. It further declined to 67.71 percent during the lost year to study. It is a welcome development to note that the average wage per day gradually increasing from Rs.65 in 2006-07 to Rs.89 in 2009-10. The average cost per day is showing upward trend.

**State Government Funding**

The State Employment Guarantee Fund will be utilized for the following purposes.¹⁰

1. 25 percent of the cost of material and wages for skilled and semi-skilled workers.
2. Unemployment allowance payable in case the State Government cannot provide wage employment within 15 days of application.
3. Administrative expenses of the State Employment Guarantee Council.

**Release of State government share under the EGS**

State Government shall release its 10% share within 15 days from the date of release of funds by Central Government.

**Allocations of funds by the State Government**

The State Government allocates the funds for its share after receiving the funds from Government of India for MGNREGS works. The details of funds allocated by the State Government during 2006-07 to 2009-10 were given in the table 5.2.
Table-5.2

Allocation of Funds by State Government for MGNREGS Works

(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Funds available</th>
<th>Total expenditure</th>
<th>Balance by end of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>1400</td>
<td>989</td>
<td>411</td>
</tr>
<tr>
<td>2007-08</td>
<td>120974</td>
<td>102499</td>
<td>18475</td>
</tr>
<tr>
<td>2008-09</td>
<td>190362</td>
<td>171362</td>
<td>19000</td>
</tr>
<tr>
<td>2009-10</td>
<td>341036</td>
<td>323232</td>
<td>17804</td>
</tr>
</tbody>
</table>

Source: Commissioner, Department of Rural Development.

It can be inferred from the table 5.2 that during first two years of study the unspent money is equal i.e., 15.27 percent. In the following years the unspent money is 9.89 percent and 5.51 percent in 2008-09 and 2009-10 respectively. It means that the expenditure on MGNREGS is gradually increasing, which indicates that the participation rate of rural poor is also increasing.

**Financial Administration at District Level**

State Government will designate District Collector as District Programme Coordinator as Receiver of the Central funds as well as State share for implementation of the scheme. The District Programme Coordinator shall be responsible for ensuring all the activities required to fulfill the objectives of the Act are carried out.

**Preparation of Annual Work Plan and Budget Proposals**

The district EGS cell prepares the annual work plan in the following manner.

1. The District Programme Coordinator will prepare Annual Work Plan and Budget Proposals (AWPB) for the District as per the Labour Budget approved by the District Panchayats. The AWPB may also include the
proposals for the works other than the once specified in the Schedule-I. The AWPB will reflect on the use of previous funds received by the Districts as well as on the key performance indicators determined under the Scheme.

2. District Collector / District Programme Coordinator shall receive 90% of the Project Cost from MGNREGS as Central Share and 10% of the Project Cost as State share to the Receptacle Fund.

3. District Programme Co-ordinator (DPC) shall send 0.2% of funds received from GOI and state share to CRD to meet expenditure on State EGS unit and other activities at state level.

Heads of Expenditure

The funds under MGNREGS shall be spent under 3 heads:

(1) Works Cost includes for wages paid to the labourer both unskilled and skilled, the cost of material and cost of facilities provided at the Work-site,

(2) Administrative Cost includes payment of Salaries to the staff employed under the Scheme, cost of stationary and contingencies, cost of unemployment allowances, and

(3) Awareness, Communication and Publicity Cost include cost of training, publicity and awareness.
Table - 5.3  
Funds Position Comparative Report From 2006-07 to 2009-10  
Report as on 23-10-2010  
(Rs in lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>O.B. as on 1st April of the year</td>
<td>0.00</td>
<td>6295.99</td>
<td>2209.19</td>
<td>10819.13</td>
<td>19324.31</td>
</tr>
<tr>
<td>2</td>
<td><strong>Funds Releases:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Govt. of India</td>
<td>12583.32</td>
<td>11327.20</td>
<td>23932.21</td>
<td>0.00</td>
<td>47842.73</td>
</tr>
<tr>
<td></td>
<td>Govt. of India (NRRWP Share)</td>
<td>1104.11</td>
<td>25.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1129.11</td>
</tr>
<tr>
<td></td>
<td>SEGFS</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>10000.00</td>
<td>10000</td>
</tr>
<tr>
<td></td>
<td>Govt. of A.P.</td>
<td>1398.14</td>
<td>1258.58</td>
<td>1372.25</td>
<td>1286.90</td>
<td>5315.87</td>
</tr>
<tr>
<td></td>
<td>eFMS Payments</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>6138.24</td>
<td>6138.24</td>
</tr>
<tr>
<td>3</td>
<td>a) Funds transfer from NRRWP Scheme</td>
<td>85.10</td>
<td>76.18</td>
<td>1.50</td>
<td>0.00</td>
<td>162.78</td>
</tr>
<tr>
<td></td>
<td>b) Misc. receipt (Interest)</td>
<td>83.01</td>
<td>128.04</td>
<td>91.52</td>
<td>159.79</td>
<td>462.36</td>
</tr>
<tr>
<td></td>
<td>c) Misc. receipt (Others)</td>
<td>0.00</td>
<td>0.00</td>
<td>472.83</td>
<td>0.00</td>
<td>472.83</td>
</tr>
<tr>
<td></td>
<td>d) Borrowings from Other Schemes</td>
<td>0.00</td>
<td>300.00</td>
<td>0.00</td>
<td>0.00</td>
<td>300.00</td>
</tr>
<tr>
<td>4</td>
<td><strong>Total Funds Available</strong></td>
<td><strong>15253.68</strong></td>
<td><strong>19410.99</strong></td>
<td><strong>28079.50</strong></td>
<td><strong>28404.06</strong></td>
<td><strong>91148.23</strong></td>
</tr>
<tr>
<td>5</td>
<td><strong>Funds Utilization</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) On Wages</td>
<td>8114.03</td>
<td>14472.08</td>
<td>12661.02</td>
<td>22803.16</td>
<td>58050.29</td>
</tr>
<tr>
<td></td>
<td>b) On Semi-skilled and skilled wages</td>
<td>339.49</td>
<td>2178.64</td>
<td>384.05</td>
<td>136.10</td>
<td>3038.28</td>
</tr>
<tr>
<td></td>
<td>c) On Material</td>
<td>0.00</td>
<td>0.00</td>
<td>3265.30</td>
<td>3447.31</td>
<td>6712.61</td>
</tr>
<tr>
<td></td>
<td>d) On Administrative</td>
<td>504.17</td>
<td>551.08</td>
<td>651.45</td>
<td>1079.92</td>
<td>2786.62</td>
</tr>
<tr>
<td>6</td>
<td>Borrowings Returned (3d)</td>
<td>0.00</td>
<td>0.00</td>
<td>298.55</td>
<td>0.00</td>
<td>298.55</td>
</tr>
<tr>
<td>7</td>
<td><strong>Total</strong></td>
<td><strong>8957.69</strong></td>
<td><strong>17201.80</strong></td>
<td><strong>17260.37</strong></td>
<td><strong>27466.49</strong></td>
<td><strong>70886.35</strong></td>
</tr>
<tr>
<td>8</td>
<td><strong>Closing Balance</strong></td>
<td><strong>6295.99</strong></td>
<td><strong>2209.19</strong></td>
<td><strong>10819.13</strong></td>
<td><strong>937.57</strong></td>
<td><strong>20261.88</strong></td>
</tr>
<tr>
<td>9</td>
<td><strong>Advances Outstanding</strong></td>
<td><strong>1365.67</strong></td>
<td><strong>1329.39</strong></td>
<td><strong>1613.93</strong></td>
<td><strong>659.69</strong></td>
<td><strong>4968.68</strong></td>
</tr>
<tr>
<td>9</td>
<td><strong>Net Available Funds</strong></td>
<td><strong>4930.32</strong></td>
<td><strong>879.80</strong></td>
<td><strong>9205.20</strong></td>
<td><strong>277.88</strong></td>
<td><strong>15293.2</strong></td>
</tr>
</tbody>
</table>

Source: Commissioner, Department of Rural Development
The data in the table-5.3 shows that the available funds for the implementation of MGNREGS is gradually increasing for the district during four years of the study. The total available funds in 2006-07 is Rs.15253.7 lakhs, which increased to Rs.19410.09 lakhs Rs.28079.5 lakhs and Rs.28404.06 lakhs in 2007-08, 2008-09 and 2009-10 respectively.

The share of Government of India in 2006-07 is 89.73, including NRRWP share. In the following year the share is declined to 58.48 per cent. Again in 2008-09 it increased to 90.12 per cent, during the last year of study there is no share of Central Government funds. The reason behind for these fluctuations in the share of Central Government with regard to district is that Union Government releases its total share to the State Government, which distributes to different districts on the basis of need. Another reason is that in 2009-10 the opening balance in the district is Rs.10819.13 lakhs. The allocation from State Employment Guarantee Fund (SEGF) in nil during first three years, and in the last year Rs.10000 lakhs were released from SEGF.

In the same way eFMS payments is nil for first three years. The funds transferred from NRRWP scheme miscellaneous receipts (interests) other miscellaneous receipt is negligible which are less than one percent during four years of study.

The percentage of utilization of funds from available funds is not evenly distributed. It ranges between 96.70 percent (2009-10) to 61.47 percent (2008-09). The lion share of utilized funds is spent on wages during four years of study. To be more precise in the year 2006-07 around 90.58 percent amount was spent on wages. It is 84.13 percent, 73.35 percent and 83.02
percent in 2007-08, 2008-09 and 2009-10 respectively. The utilization of funds on semi skilled and skilled wages is high in 2007-08, which touched to 12.66 percent. During the remaining years the share is less than 4 per cent. No amount was spent on material during first two years of study. In 2008-09 an amount of Rs.3265.3 lakhs and Rs.3447.31 lakhs in 2009-10 were spent on materials. It is pertinent to note that the percentages of administrative expenses are reducing from 5.63 percent in 2006-07 to 3.93 percent in 2009-10.

Operation of EGS fund at the District level

The EGS fund at the district level will be operated as given below.\textsuperscript{12}

1. The District Programme Coordinator will receive the funds from Centre and the State and deposit in the nationalized banks for further releasing to the Mandals.

2. The District Programme Coordinator will allot and release funds to the Mandals basing on the approved Mandal EGS Plans in proportion to the demand.

3. The District Programme Coordinator will deposit seed money with the Head Post Office which is equal to the disbursement of wages through all the Post Offices in the District in a month. This deposit will enable the Sub Post Offices / Branch Post Offices to make payment immediately on receipt of Pay Orders without waiting for clearing of the cheque issued by the MPDO along with the Pay Order.
Daily Monitoring of Payments

The District Programme Coordinator will monitor the payments made by each MPDO on daily / weekly basis.

Maintaining of Financial Registers

The District Programme Coordinator will maintain the following Financial Registers through EGS Cell.¹³

(1) Bank Book,
(2) Cash Book,
(3) Cheque Issue Register,
(4) Bank Reconciliation Register,
(5) Journal Register,
(6) General Ledger,
(7) Register of Cheque Books,
(8) Advance watch Register, and
(9) Stock Register.

Monthly Coordination Meeting with the Banks and Post Offices

The District Programme Coordinator will hold monthly meeting with Officials of Principal Banks and Head Post Office to review the disbursements and sort out the issues for timely release of payments to the labour. Reconciliation with Banks and Post Offices can also be made during the meeting.

Financial Administration at Mandal Level

Mandal Parishad Development Officer (MPDO) shall be designated as the Receiver of the funds under EGS at Mandal level.
**Delegation of powers to MPDO**

Mandal Parishad Development Officer (MPDO) will be authorized by the District Programme Coordinator to issue Pay Orders and cheques and operate the funds allotted to the Mandal under the Scheme for payment of Works Cost, Administrative Cost, Awareness, Communication and Publicity Cost.

**The Authorized Expenses under Works Cost**

The following are the authorized expenses under the category of works costs.  

1. Wages, additional wages paid to skilled and unskilled labour,
2. Cost of sharpening of tools paid to unskilled and skilled labour,
3. Cost of Materials,
4. Payment to Gram Panchayat towards the cost of survey by Field Assistant,
5. Payment to CBOs for the work of service of Pay Orders and wage slips to individual labour,
6. Cost of drinking water at the work site,
7. Cost of temporary sheds at the work site,
8. Cost of First Aid kit at the work site,
9. Cost of services of care taker for children,
10. Cost of payment of medical expenses to the workers / children injured in course of employment,
11. Cost of payment of hospitalization charges,
12. Cost of conveyance of injured to the hospital,
13. Cost of Payment of Ex-gratia, and
The Authorized Expenses under Administrative Cost

The following items were authorised under administrative cost at Mandal level.¹⁵

(1) Salaries and allowances to the staff employed under the scheme at Mandal, District and State,
(2) Cost of Computers, Printers and other peripherals and their maintenance,
(3) Printing and stationary,
(4) Traveling allowances,
(5) Cost of meetings,
(6) Cost of Monitoring and Review,
(7) Cost of Conduct of Grama Sabhas,
(8) Cost of Service charges paid to banks and post offices,
(9) Cost of preparation of EGS Plans,
(10) Cost of compensation paid to labour for delayed payments,
(11) Cost of unemployment allowances, and
(12) Cost of Other contingences.

The following are authorized expenses under Awareness, Communication and Publicity Cost.

(1) Cost of IEC Campaign, and
(2) Cost of Training and Capacity building.

Payment procedure at the Mandal Level

The following procedure will be followed for the payment of different costs.¹⁶

(1) All payments shall be made by the MPDO through Pay Orders,
(2) Every payment shall be release to the savings account of the receiver in a Bank or Post Office,

(3) MPDO will deposit funds in the banks in proportion to number of accounts of the labour opened by the bank under MGNREGS,

(4) MPDO will issue Pay Order along with cheque for the amount ordered to be paid,

(5) MPDO shall arrange to hand over the Pay Order and the cheque to the concerned Bank or Sub Post Office,

**Issue of Pay Orders**

The following are the guidelines for MPDO to issue pay orders.17

(1) Mandal Parishad Development Officer (MPDO) shall issue Pay Orders in Quadruplicate in case of payment through banks and six copies in case of payment through Post Offices.

(2) The Pay Order shall have the details of Purpose of Expenditure, Name of the Receiver, Amount, Account Number of the Receiver and Name of the Disbursing Institution.

(3) Every Pay Order shall have unique number with provisions for entry of Voucher Number and Head of Account at the District level by EGS Cell.

(4) All payments except payment to individual wage seekers of a Village disbursed through Post Office shall be made through Bank. For example Payment to supplier of material, establishment charges etc; shall be made through Bank.
Time limit for issuance of Pay Orders by MPDO

The MGNREGA prescribed particular time limits for various payments under the scheme. They are given below.18

1. Payment of wages shall be made to the labour every week and in any case not later than a fortnight.

2. Musters Roll will be closed every week and sent to the MPDO along with details of the work done by the same labour mentioned in the Muster Roll.

3. Mandal Computer Center will process the amount to be paid to each individual labour depending on the number of days worked and the quantity of the work turned out.

4. MPDO will issue village-wise Pay Orders to Bank / Sub Post Office and Branch Post Office for payment of wages and additional wages to the labour giving the details of Name of the labour, Period of work, Number of days worked, Amount payable and Account Number of the labour along with the cheque for the amount mentioned in the Pay Order.

5. MPDO will send the soft copy and two copies of Pay Order (Original and Duplicate) in case of disbursement through Banks and 5 copies in case of disbursement through Post Office to SPM within 2 days of receipt of Muster Roll.

6. MPDO will send one copy of the Pay Order to the Secretary, Gram Panchayat for display on the notice board / village information wall.

7. MPDO will send one copy of Pay Order to EGS cell of District Programme Coordinator.

8. Separate Pay Order will be issued on Banks for payment of materials and salaries to the staff.
Financial Registers to be maintained by MPDO

The MPDO will maintain the following Financial Registers.

1. Bank Book,
2. Cheque Issue Register,
3. Bank Reconciliation Register,
4. Journal Register,
5. General Ledger,
6. Register of Cheque Books,
7. Advance watch Register, and
8. Stock Register.

Uploading of daily transactions to DPC server

Mandal Parishad Development Officer shall upload all the Pay Orders to DPC Server on daily basis and conform with the Accounts Officer / Computer Operator of the TZGS Cell. Alternatively, MPDO will send soft copies of Pay Orders in a CD form along with the Quadruplicate copy by courier.

Coordination Meetings

Mandal Parishad Development Officer shall convene meeting of Officials of Banks and Post Offices every month to sort out issues relating to timely disbursement of wages and reconcile the disbursements with reference to Pay Orders issued.

Financial Administration at Gram Panchayat level

Gram Panchayat will perform the following financial functions.

1. Gram Panchayat will open a Savings Account in a Bank.
2. Gram Panchayat will arrange to draw and disburse the wages to Field Assistants.

3. Gram Panchayat shall maintain following Financial Registers:
   (i) Cash Book
   (ii) Project Cost Register with the details of work-wise expenditure on completion of every work.
   (iii) Stock Register

Distribution of Individual Wage Slips and Withdrawal by VO

The guidelines issued by the Government of Andhra Pradesh for the implementation of MGNREGS given special importance to women organized Village Organization (VO). With regard to financial affairs they discharge following functions.\textsuperscript{20}

(1) MPDO will send individual wage slips to the Gram Panchayat along with the Triplicate copy of the Pay Order.

(2) Secretary, Gram Panchayat will take the services of the VO for distribution of individual wage slips.

(3) The Village Organization will keep sufficient number of withdrawal forms of Banks and Post Offices to supply to labour.

(4) VO will help in filling up the withdrawal forms for drawing wages.

(5) VO will give identity of the labour witness to the Post Office at the time of withdrawal of money.

Process for the Disbursement of Wages

The following is the procedure to be followed by various agencies for the proper disbursement of wages to wage seekers.
Role of Banks in Payment of Wages

All nationalized banks and their sponsored banks have agreed for disbursement of wages to the labour through their branches.

Guidelines for Opening of Account by Employment Seekers

(1) Initially, Individual Savings Account of the wage seekers of a village will be opened in a Bank or Post Office located in that village or within two Kilometers distance.

(2) Every wage seeker of a family will have an Individual Savings Account in a Bank or Post Office. If there are 4 adult wage seekers in a family, each one of them will have a separate Savings Account.

(3) There can be about 500 Savings Accounts in a Bank or Post Office.

(4) If, two agencies i.e. Bank and Post Office are located in a village, the labourers will be given option to choose any one of it. There should be One Disbursing Agency for any village.

(5) Wherever Bank or Post Office is not located, such labourers will be given an option to go to nearest Bank or Post Office. In ITDA areas, labourers will be given the option to have a common account for the village in the name of Gram Panchayat or VO or any Other Agency as may be opted by them. The amount will be deposited to this Common Account by the MPDO and the person authorized by them shall draw and disburse the amount to the wage seekers in the presence of community in the village.

Procedure for opening of Savings Account

The following is the procedure to be followed while opening the Savings Account.21
1. MPDO will send the list of labourers of a village who have reported to the work to the bank convenient to the village for opening of individual SB accounts.

2. The Branch Manager of a concerned Bank will supply sufficient number of Account Opening Forms and also in soft copy.

3. Immediately on receipt of list from the MPDO the Bank Manager will engage a photographer for taking photographs (digital) of the labourer for the purpose of opening of SB account. 4. The actual cost of the photograph will be paid by the MPDO through a cheque for all SB accounts opened by the bank.

5. The MPDO hand over the forms to Secretary/ Gram Panchayat and get them filled up by the labour with assistance of members of VO / SHG within 4 days.

6. Panchayat Secretary will bring the filled up Account Opening Forms to MCC and assists the Computer Operator for computerization.

7. MPDO will handover both hard and soft copies of Account Opening Forms to Branch Manager within 6 days of labour reporting to the work.

8. The Bank Manager will take introduction from the Secretary, GP / members of SHGs / VO and open the account as per simplified KYC norms without initial deposit.

**Time limit for payment of wages by the Banks**

The following is the time limit for the payment of wages.22

(1) Immediately on receipt of the Pay Order along with cheque, the Branch Manager shall credit amount to individual’s SB account either manually or through soft copy and Debit the amount to MPDO’s a/c.
(2) The Branch Manager will send back the duplicate copy of the Pay Order to the MPDO within 2 days certifying that the amounts ordered have been credited to individual accounts of the labour.

(3) The Branch Manager will allow the labour to draw the money through withdrawal form from the same day of receiving the Pay Order and the cheque.

(4) Branch Manager can segregate the payments into 2 days if the Pay Order is issued for more than 200 labourer.

(5) The Branch Manager will update the passbook on every payment.

Role of Post Offices in Payment of Wages

The Postal Department has also agreed to disburse the wages under MGNREGS through all of its branches.

Preparation of Post Office Branch-wise List of Wage seekers

Respective MPDOs in each Mandal prepares Branch Post Office-wise list of wage-seekers in each village and handed over to concern Sub Post Office with the help of Branch Post Master. The list should contain the following details.23

i) Name of the village, ii) Name of the Branch Post Office, iii) Name of the Sub Post Office iv) Pin Code of Sub Post Office vi) Name of the Head Post Office, vii) PIN Code of Head Post Office. The Nodal Officers of the Postal Divisions will assist the respective MPDOs in the above process and obtain the lists of labours to whom post office SB accounts are to be opened in each Village and Mandal.
1. The Sub Post Master will liaise with the M.P.D.O.s and B.O.s and ascertain approximate number of S.B. accounts to be opened in the Mandal and villages under the jurisdiction of Sub Post Office and indent for sufficient number of account opening forms.

2. The MPDOs will provide necessary assistance to the labourer to whom accounts are to be opened through Gram Panchayat Secretary in approaching the Branch Post Office located in their village and in filling up the required forms, giving of introduction, specimen signatures and attestation of LTIs etc. Job Card can also be produced at the time of opening of accounts, if it is already issued.

3. Leaders of Village / Mandal CBO can also guide and assist the wage seekers in opening of accounts.

4. The Branch Post Master will accept the applications for opening of SB accounts, Pay-in-slip, Specimen Signature Slips etc. from the wage-seekers without insisting for initial deposit.

5. The Branch Post Master will forward the Applications to the Sub Post Office with an entry in the BO daily account on the date of receipt itself.

6. The MPDOs will arrange for initial deposit of Rs.50/- per account through a cheque drawn in favour of the Sub Post Master of the SO concerned, for opening of Post Office Savings Bank Accounts in the names of individual wage seekers.

7. The SPM will immediately process the applications for opening of SB accounts on the same day of receipt of applications by making entries in the Long Book, Ledgers and all connected records and allotting the Account Numbers and issue Pass Books on receipt of cheque from MPDO towards initial deposit of Rs.50/- per account.
8. The SPM will send the Pass Books to the BPM concerned after entry in the BO ship for delivery to the account holders through Branch Post Office.

9. The SPM will send a copy of the list of wage seekers with their account numbers to MPDO.

10. Immediately on receipt of Pass Books from SO, the BPM will deliver the same to the individual account holders under acknowledgement.

11. The time frame for delivery of passbooks to the account holders will be four days from the date of receipt of applications in the Branch Office or three days from the date of receipt of cheque from MPDO towards initial deposit.

12. Post Office will not allow closure of the SB accounts opened under the Scheme without the prior permission from the MPDO.

**Deposit of amount by the DPC in the head post office**

The District Programme Coordinator / Project Director (DWMA) will assess the probable amount of wages to be paid through Post Office in a month and deposit an equal amount with the Head Post Office located at the District Headquarters. The above deposit will enable the Post Offices to arrange for immediate payment to wage seekers as per the Pay Order without waiting for the clearance of the cheque issued along with the Pay Order.

**Receipt of pay order in sub post office**

Each MPDO will generate village-wise and Branch Post Office-wise Pay Order in five copies along with list of labourer and send to Sub Post Office. The Pay Order should contain: Name of, the village, Name of the Branch Post Office, Name of the Sub Post Office and Name of the Head Post
Office on top and i) Name of the labour ii) Account Number of individual labour iii) Amount to be credited to his/her account. MPDO will send the Pay Order to concerned Sub Post Office along with the cheque for the total wage amount in favour of Sub Post Master.

MPDO will send another cheque in favour of Sub Post Master towards service charges at the rate of 2% of the wage amount. The MPDO will send five copies of the Pay Order to the Sub Post Master. SPM will return one copy to MPDO as acknowledgement of the cheque and crediting of the amount to the individual account holder. SPM will retain the second copy and forward Third and Fourth copies to the concerned Branch Post Office. The Branch Post Master will display the Third copy on the Post Office notice board and Fourth copy will be used as office record. SPM will send the Fifth to the Head Post Office for posting in SB Ledgers and for information of the Savings Bank Control Organisation.

**Action at branch post office**

Immediately on receipt of Third and Fourth copies of Pay Order from SPM, the Branch Post Master will make necessary entries in individual SB accounts in the SB journal on the same day of receipt. The BPM will also display a copy of the Pay Order on the notice board for information of the account holders.

**Cash-flow**

The Pay Order will be issued by the concerned MPDOs once in a week/ fortnight. The Nodal Officer in the Head Post Office and SPM will make arrangements for remittance of cash to the Sub Post Office and Branch Post
Office respectively through Special Carriers. Head Post Masters / Sub Post Masters will make cash arrangements on the assumption that the entire amount credited will be withdrawn by the labourer.

**Savings Bank Withdrawals**

1. The amounts credited to the individual accounts will earn interest as applicable from time to time.

2. The amounts from the individual SB accounts can be withdrawn by the account holders in the same manner as prescribed for any other withdrawal from SB account by submission of withdrawal form and pass book.

3. Withdrawal will commence from the date of receipt of Pay Order by Sub Post Office / Branch Post Office.

4. Payments can be staggered in 2-3 days so that at least 200 withdrawals are allowed on each day. In any case, all payments should be completed within three days from the date of receipt of Pay Order.24

**S.B. Withdrawals at branch post offices**

1. The Branch Post Master will make payment to labourer immediately on receipt of cash from the Sub Post Office or through special carriers who approach with the application for withdrawal, passbook etc.

2. The BPM will allow withdrawals upto Rs.2000/- per account on each occasion as per the existing PO SB Rules.

3. Withdrawals beyond Rs.2000/- will be referred to the Sub Post Office for sanction by SPM. The SPM will dispose of such applications on priority basis, in any case, within two days of receipt of the application from the Branch Office.
Time line for Payment of Wages by Post Office

Day 1 - The SPM will credit the amount to individual accounts immediately on receipt of Pay Order along with the cheque from MPDO.
- SPM will draw / indent for cash from Bank / Head Post Office.
- SPM allows withdrawal at Sub Post Office level.
- SPM will send Pay Order to BOs after crediting the amount to individual A/cs.

Day 2 - Branch Post Master receives the Pay Order from SPM.
- BO receives the cash from S.O. / H.O.
- BO allows withdrawal.

Day 3 - BO allows withdrawal for the remaining labourer.

Coordination meetings with DPC and MPDOs

1. The Project Director (DWMA) will convene a monthly co-ordination meeting with the Divisional Nodal Officers of the Postal Divisions at District level for reviewing the implementation, identifying the problems and finding out the solutions.

2. MPDO / Mandal Programme Officer will convene a Fortnightly co-ordination meeting with the Postal Sub Divisional heads and Sub Postmasters for reviewing the implementation, identifying the problems and finding out the solutions.

Accounting and Auditing of MGNREGS Works

The MGNREGA made it obligatory for implementing agencies to maintain proper accounting and auditing of releases and expenditure under various heads.
Accounting System

The District Programme Coordinator and Mandal Parishad Development Officer shall carry out reconciliation of the financial transactions every month.

Preparation of Statement of Accounts

The District Programme Coordinator and Mandal Parishad Development Officer shall prepare Statement of Account under following 3 heads and verify.

(1) Money held in the Banks,
(2) Advances released, and
(3) Value of Expenditure Vouchers.

Public display of Accounts

The District Programme Coordinator and Mandal Parishad Development Officer shall make the accounts available to public on the Internet at all levels of aggregation.

Auditing System

Audit of the accounts under the Scheme is compulsory. Regular audit of accounts at District, Mandal and Gram Panchayat level is to be done by Local Fund Auditors or by registered Chartered Accountants empanelled by the State Government. The audit by the Accountant General shall be carried out as per the rules in vogue.25
Annual Audit

Each District and Mandal shall compulsorily carry out Annual Audit at the end of the financial year. The Audit will be done either by Local Fund Auditors or by the Chartered Accountant appointed by the State Government. A copy of the Audit Note will be sent to the State Government, Accountant General will also conduct the Audit of Accounts of NREGS in addition to audit conducted by the Chartered Accountants. The Audit Team of the Accountant General shall be supplied with a copy of the Audit Conducted by the Chartered Accountants or Local Fund Audit.

Concurrent Audit

Concurrent Audit will also be undertaken in addition to Annual Audit for reducing the risk of financial leakages and to initiate appropriate action in time.

Submission of Audit Reports to State Government

1) A consolidated Audit Report of the District, whether conducted by the Chartered Accountant or the Local Fund Auditor or the Internal Audit Cell and Auditors of the Accountant General or Comptroller and Auditor General and Social Audit Report will be sent State Government.

2) Action on Audit Reports by the State Government.

3) The State Government will ensure speedy action against the concerned Officials / non-officials for misappropriation of funds, frauds, incorrect measurements, falls entries in the muster rolls and other irregularities of a serious nature, result in the leakage of government / public funds / resources and the denial of entitlements to the workers. The State Government will also take appropriate steps to prevent such irregularities.
Social Audit

MGNREGS is the first scheme of government of India which envisaged and implemented all the practical means of good governance. National portal of MGNREGS is the most popular website of the government covering all the crucial issues of transparency and accountability. Anybody can lodge a public grievance, check redressal or rolls readily available on the site. Civil society is actively engaged and promoted in MGNREGS to provide professional institutional support. Similarly, minimum wage as declared and provided by state governments is displayed on the site to empower the rights of rural people. Although the government of India had passed an act entitled "The Minimum Wages Act, 1948" to provide minimum wages to the labourers and protect them from exploitation, but hardly a labourer was aware mandatory for block and district level authorities to inspect, supervise and monitor each work and keep all record on-line along with progress reports. The MGNREGA 2005 lays stress upon social audit. Section-17 of MGNREGA mandates the following:

"The Gram Sabha shall conduct regular social audits of all the projects under the scheme taken up within the Gram Panchayat."\(^{26}\)

"The Gram Panchayat shall make available all relevant documents including the muster rolls, bills, vouchers, measurements book, copies of sanction orders and other connected books of account and process to the Gram Sabha for the purpose of conducting the social audit."\(^{27}\) It is a matter of pride that social audit of MGNREGS is being carried out regularly and following aspects are being covered under this audit:
• Registration of household
• Issue and updation of entries in job cards
• Receipt of work applications
• Selection of projects
• Execution of works
• Maintenance of essential documents like muster rolls, measurements books, employment and asset registers
• Payment of wages.

On the basis of MGNREGA guidelines the Government of Andhra Pradesh has introduced various initiatives to prevent corruption in MGNREGS. For instance, it has taken the bold step of paying all MGNREGS wages through post offices. This is an example of the 'separation of payment agencies from implementing agencies'. This system virtually removes any intention of the implementing agencies to create false muster roles, since the payments are beyond their reach. In addition, Andhra Pradesh has put in place a system of institutionalised social audits, involving routine verification of MGNREGA records through participatory processes. These safe guards are quite effective.
Conclusion

To run the administrative mechanism finance is essential. The success or failure of any programme largely depends upon the financial allocation and proper management of such finances. The MGNREGA specifies the details of financial administration for effective implementation of the scheme. The funds for the scheme are made available by Central Government and State Government in 90:10 ratios respectively. As per the MGNREGA the Central Government bears the costs like wages unskilled labour, 75 percent of semi-skilled wages and administrative expenses. On the other hand, the State Government bears the expenses like 25 percent of cost material and semi skilled workers, unemployment allowance and administrative expenses of SIGC. To carry out various financial tasks separate funds are created at Central and State level. The Union Government will release funds to the MGNREGS on the basis of State’s audit reports, utilization certificates, non-embezzlement certificates, compliance certificate etc. The allocations as well as expenditure on the scheme are increasing year by year at central level as well as at state level. At district level, the district programme coordinator receives the funds for the union as well as state government. The district level EGS team prepares the annual work plan and budget proposal for the identified works under MGNREGS basing on these proposals the funds will be realized by the central and state governments. The money at the district level is spent under the heads i.e. works cost, administrative cost, awareness and communication cost. At mandal level the MPDO issues pay orders and cheques on the basis of authorization given by District programme coordinator. The MPDO is authorized to spend money under 14 categories
related to works, 12 type's expenses under administrative cost. And two types expenses under awareness, communication and publicity category. All payments have to be made through banks and post offices. The MGNREGA specifies time limits for the payment of costs. The gram panchayat opens account in bank and pays the salaries of field assistants from that account. It is maintaining three types of financial registers. The village organization of SHG distribute, wage slips and withdraws to wage seekers. Every wage seeker family has to open savings account by following some guidelines. There is a specified time limit for the payment of wages by banks and post offices. The DPC as well as MPDO have to carryout the reconciliation of financial transactions every month and have to prepare the statement of accounts. It is obligatory for every district and mandal to carry out annual audit at the end of financial users. They consolidated audit report of the district is to be submitted to the state, on which the state government takes action.
References


5. Ibid. pp 52-55.


7. Ibid. p 8.


10. Ibid. p 67.


12. Ibid. p 14.

14 Ibid. p.16.
15 Ibid. p.19.
18 Ibid. p.18.
20 Ibid. p.135.
22 Ibid. p.33
24 Ibid. p.20.
25 Ibid. p.22.
27 Ibid. p.42.