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Unit 1
Basic Concepts of Internal Audit: Definition, Types and Code of Ethics for Internal Auditors

Learning Outcomes:
- Definition of Internal Audit
- Types of Internal Audit
- Principles of Internal Audit
- Code of Ethics for Internal Audit Professionals

The need for an internal audit in Ministries and Departments primarily stems from the need for feedback to Ministries through periodic review of internal controls. The primary function of internal audit practice is thus “evaluating the effectiveness of other controls”. Thus internal audit aids Ministries by providing periodic feedback about functioning of internal controls and suggesting measures to strengthen them.

1.1 Definitions

International Organisation of Supreme Audit Institutions (INTOSAI) standard ISSAI 1003 defines internal audit function as “an appraisal activity established or provided as a service to an entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy of internal control”.

The Institute of Internal Auditors (IIA) defines Internal Audit as follows: “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The Institute of Chartered Accountants of India (ICAI) defined internal audit as “an independent management function, which involves a continuous critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity’s strategic risk management and internal control system”.

All these definitions visualise internal audit practice as a function aimed at evaluating the adequacy and effectiveness of risk management, governance and control processes thereby adding value and improving a Ministry’s operations. In the context of Government and public sector functioning, serving public interest must be the overriding objective guiding these operations.
The definitions above also establish that Internal Auditors are expected to provide a wide range of services to the executive authorities, which include assurance and advisory services.

Assurance services are the internal auditor’s objective assessment of evidence to provide an independent opinion or conclusion regarding processes, systems or mechanisms put in place by the executive to ensure achievement of objectives and accomplishment of goals. Advisory services, on the other hand, are focussed on positive recommendations to improve performance and/or controls and are generally performed at the specific request of the government agency. Refer Guideline No. 8 of the CGA’s Draft Handbook on Internal Audit relating to the Types of Services, (given in Unit 2 of this material) which states that: “Based on the Engagement Objectives, the Internal Audit Wing (IAW) performs Assurance Services to meet Audit objectives and advisory services. These services are performed by using the appropriate frameworks and procedures.”

In performance of assurance services, Internal Audit is expected to focus on assessing whether governance, risk management and control processes provide reasonable assurance that:

a. significant programmes, plans and business objectives will be achieved;
b. financial, managerial, and operating information is accurate, reliable, and timely;
c. resources are acquired economically and used efficiently;  
d. assets are safeguarded; and  
e. the organisation is in compliance with policies, procedures, contracts, and applicable laws and regulations;

The internal auditors should maintain objectivity and not assume responsibility of Ministry officials.

Refer the Guidelines on Internal Audit in the CGA’s Draft Handbook on Internal Audit relating to the Principles for Effective Internal Audit (given in Unit 2).

**Guideline No. 1**

**INTERNAL AUDITING PRINCIPLES FOR EFFECTIVE GOVERNMENT AUDITING IN CIVIL MINISTRIES**

*The Controller General of Accounts (CGA) issues Internal Audit Policies for effective internal auditing, the compliance of which is mandatory. These policies are based on internal auditing principles which are framed and updated by the CGA. These principles must be adhered to in all aspects of internal auditing.*

**IIA’s Core Principles for the Professional* Practice of Internal Auditing**

For an Internal Audit Wing (IAW) to be considered effective, all these principles should be present and operating effectively:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the programmes
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

*It may be noted that use of the word “professional” includes the “function” of internal audit viewed from the perspective of Civil Ministries.

Thus, internal audit focuses on whether governance, risk management and control processes provide reasonable assurance that

- significant financial, managerial and operating information is accurate, reliable and timely;
- resources are acquired economically and used efficiently;
- assets are safeguarded;
- actions of the Ministry are in compliance with policies, procedures, contracts, applicable laws and regulations; and
- Significant plans and objectives of programmes and schemes will be achieved.
Refer the Guidelines on Internal Audit in CGA’s Draft Handbook on Internal Audit relating to the Nature of Work of Internal Audit activity. (given in Unit 2)

**Guideline No. 7**

**Nature of Work**

The internal audit activity must evaluate and contribute to the improvement of the Ministry’s governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

**Risk Management**

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

**Control**

The internal audit activity must assist the Ministry in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

**1.2 Types of Internal Audit**
1.2.1 Regularity Audit

- Regularity or Compliance Audit primarily focuses on verifying that the expenditure conforms to the laws, rules, regulations and orders governing the powers to incur and sanction expenditure and the procedure to be followed by government servants in dealing with government transactions. Such audits also verify whether the rules and orders regulating the conditions of service and pay and allowances and pensions of Government servants are adhered to.

- The internal auditor is expected to bring to the notice of Ministries instances of deviations from the rules / orders on the subject and to suggest remedial measures. The responsibility for further action in the matter rests with Ministries.

1.2.2 Propriety Audit

- During Propriety Audit, the focus is on actions/events which suggest improper expenditure or waste of resources even if such expenditure is covered under rules and no obvious irregularity may appear to have been committed. Propriety Audit, “extends beyond the formality of the expenditure to its wisdom, faithfulness and economy”. Thus, the scope of propriety audit extends beyond regularity audit to identify cases of improper or infructuous expenditures which may have been incurred in conformity with existing rules and regulations.

1.2.3 Performance Audit

- The focus of Performance Audit is to ascertain whether the stated objectives of Ministry/Department have been achieved with due regard to economy and efficiency in expenditure. This audit examines the relationship between inputs, outputs and outcomes in development schemes and programmes to ensure that:
  
  - The expenditure incurred was not in excess of the requirement (ECONOMY);
  - The output has been achieved with the minimum amount of inputs or that for given amount of inputs, maximum possible output has been achieved (EFFICIENCY); and
  - The expenditure incurred has resulted in achievement of the intended objective (EFFECTIVENESS).

- Hence, Performance Audit focuses on a comprehensive review to assess and evaluate the economy, efficiency and effectiveness of development schemes, projects or Ministries. Such audits provide information to improve programme performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

1.2.4 Information Systems Audit

- Many government departments have computerised their operations. The focus of Information Systems Audit, also referred to as IT Audits, is to determine whether IT systems have been designed to achieve Ministry’s goals. The focus of audit is on the attributes of data (correct, consistent and reliable data stored and disseminated as peer authorised procedure), assets (hardware and software) and resources (technological, physical and human resources).

1.2.5 Financial Audit

- Financial audit provides reasonable assurance that the financial statements of the Ministry present a true and fair view. In government accounts, this audit is performed by the Comptroller and Auditor General (C&AG).
1.2.6 Grant or Contracts Audit

- Grant and contract audits are designed to evaluate complaints with the conditions of grants, the contracting process and third party contractual performance.

1.2.7 Fraud and Financial Irregularity Audit

- Fraud and financial irregularity audits are designed to verify the existence and magnitude of suspected fraud and financial irregularities. Internal audit may be requested to conduct a fraud and financial irregularity audit as a result of discovery or suspicion of a fraud or financial irregularity having taken place.

Risk Based Audit

- “Risk Based Auditing” is an approach that focuses on the Ministry’s response to the risks it faces in achieving its goals and objectives. The context for audits is thus provided by the Department’s objectives, the associated risks and the risk management process rather than on “controls” and deviations therefrom. The role of the internal auditor too shifts from an examination of compliance with controls to a review of the risk management processes.

- In the absence of an explicit recognition of risks and of well-designed and sufficiently robust risk management processes embedded within government systems, it would not be possible yet for Internal Audit to rely on the Department’s own view of risks while determining the scope of an audit engagement. A pragmatic approach requires that Internal Audit, in conjunction with Ministry undertakes the risk assessment exercise and accordingly draws up its audit plan. Over time, it should be possible to place greater reliance on the risk assessment done by Departments and the risk-control matrices developed by them.

1.3 Codes of Ethical Conduct for Internal Auditing Professionals

1.3.1 Introduction:

The primary purpose of a code of ethical conduct for a professional organisation is to promote an ethical culture among professionals who serve others. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management and control.

The additional functions of a code of ethical conduct for a professional organisation include

- Communicating acceptable values to all members;
- Establishing objective standards against which individuals can measure their own performance; and
- Communicating the Ministry’s values to outsiders.

The mere existence of a code of ethical conduct does not ensure that its principles are followed or that those outside the Ministry will believe that it is trustworthy. A measure of the cohesion and professionalism of a Ministry is the degree of voluntary compliance with its adopted code. A code of ethical conduct worded so as to reduce the likelihood of members being sued for substandard work would not earn the confidence of the public. A code of ethical conduct can help establish minimum standards of competence, but it is impossible to require equality of competence by all members of a profession. To be effective, the code must provide for disciplinary action for violators.
1.3.2 Typical Components of a Code of Ethical Conduct

A code of ethical conduct for professionals should contain at least the following:

i) **Integrity**: A refusal to compromise professional values for personal gain. Another facet of integrity is performance of professional duties in accordance with relevant laws. The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

ii) **Objectivity**: A commitment to providing stakeholders with unbiased information. Another facet of objectivity is a commitment to independence from conflicts of economic or professional interest. Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

iii) **Confidentiality**: A refusal to use organisational information for private gain. Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

iv) **Competency**: A commitment to acquiring and maintaining an appropriate level of knowledge and skill. Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.

The Code of Ethics applies to both entities and individuals that perform internal audit services. Refer the Guidelines on Internal Audit in the CGA’s Draft Handbook on Internal Audit relating to the Principles to be followed by Internal Auditor (given in Unit 2).

**Guideline No. 2**

**CODE OF CONDUCT and ETHICAL GUIDELINES IN GOVERNMENT AUDITING**

*The distinguishing mark of a Government Internal Auditor is acceptance of responsibility to serve the public interest. In this regard, the Government of India rules and ethical guidelines issued by the CVC must be adhered to by the internal auditor.*

**Guideline No. 3**

**INDEPENDENCE and OBJECTIVITY**

*The internal audit activity must be independent and internal auditors must be objective in performing their work*. The CGA’s Office issues guidance on independence and objectivity, compliance of which is mandatory.

**Guideline No. 4**

**PROFICIENCY and DUE PROFESSIONAL CARE**

*Engagements must be performed with proficiency and due professional care.*

**Guideline No. 5**

**USE OF PROFESSIONAL JUDGEMENT**

*Auditors must use professional judgement in planning and performing audits, advisory engagements and in reporting the results. Auditors must document significant decisions that affect audit objectives, scope and methodology; findings; conclusions and recommendations resulting from professional judgement.*

Footnote 1: IA Standard.
### 1.4 Internal Audit Ethics—Integrity

**Rules of Conduct—Integrity**

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<tr>
<th>Internal Auditors:</th>
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<tr>
<td>1.4.1 Shall perform their work with honesty, diligence and responsibility.</td>
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<td>1.4.2 Shall observe the law and make disclosures expected by the law and the profession.</td>
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<tr>
<td>1.4.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.</td>
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<td>1.4.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.</td>
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### 1.5 Internal Audit Ethics—Objectivity

**Rules of Conduct—Objectivity**

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<tr>
<th>Internal Auditors:</th>
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<tr>
<td>1.5.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.</td>
</tr>
<tr>
<td>1.5.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.</td>
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<tr>
<td>1.5.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.</td>
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For example, if Ministry overrides of an important control and creates exposure to a material risk, the internal auditor is ethically obligated to report the matter to senior officials charged with performing the governance function.

#### Conflict of Interest Policy:
A conflict of interest policy should

- i. Prohibit the transfer of benefits between a Government official and those with whom the Ministry deals;
- ii. Prohibit the use of Ministerial information for private gain.

### 1.6 Internal Audit Ethics—Confidentiality

**Rules of Conduct—Confidentiality**

<table>
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<th>Internal Auditors:</th>
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<tr>
<td>1.6.1 Shall be prudent in the use and protection of information acquired in the course of their duties.</td>
</tr>
<tr>
<td>1.6.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectivities of the organisation.</td>
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1.7 Internal Audit Ethics – Competency

Rules of Conduct – COMPETENCY:

**Internal auditors:**

1.7.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

1.7.2 Shall perform internal audit services in accordance with the International Standard for the Professional Practice of Internal Auditing (Standards).

1.7.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

1.8 Internal Audit Charter

The Internal Audit Charter is the reference point for internal audit activity at the Ministry as it defines the purpose, authority and responsibility. The charter is referenced to the IIA Definition of Internal Auditing, the Code of Ethics and the Standards (through the CGA Internal Audit policies contained in the Generic Audit Manual) thereby aligning the Ministry’s Internal Audit Wing with global standards and best practices.

The Internal Audit Charter establishes the position of the IAW within the Ministry’s organisation, including the nature of the PR. CCA/CCA/CAs (in their capacity as CAE) relationship with the Secretary and Audit Committee, authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of the internal audit engagement.

The CAE prepares the Ministry’s Audit Plan in accordance with the guidelines/framework contained in Generic Internal Audit Manual issued by o/o CGA. The nature of assurance services and consulting services provided to the Ministry must be defined in the internal audit plan and should be within the Ministry’s Internal Audit Wing’s capability as assessed using the Internal Audit Capability Maturity Model (IA - CM).

The CAE should present to Audit Committee an annual review of the Ministry’s internal audit Plan and whether any changes are required to it. Also an assessment of the Internal Audit Wing’s (IAWs) current status on the Internal Audit – Capability Maturity Model (IA-CM) is also required.
WORK BOOK

1. What is the primary function of internal audit?

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2. How does the IIA define internal audit?

__________________________________________________________________________
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3. What are the different types of internal audit?

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4. What are the typical components of a code of ethical conduct?

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5. How many core principles are there for the professional practice of internal auditing?

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__________________________________________________________________________
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6. Name any 5 core principles for the practice of internal auditing?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

7. Internal audit provides reasonable assurance that:

1. ___________________________ is accurate, reliable and timely
2. ___________________________ are acquired economically
3. ___________________________ are safeguarded
4. Compliance with ___________________________ and ___________________________
5. ___________________________ will be achieved

8. Name the 3 E’s of performance audit

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

9. Financial audit provides reasonable assurance that financial statements of the ministry present a ________ and ________ view.

10. In risk based auditing, the role of internal auditor shifts from examination of _________________ to review of the risk management process

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__________________________________________________________________________

11. The primary purpose of a code of ethical conduct is to

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__________________________________________________________________________
__________________________________________________________________________
After learning the basics of Internal Audit in Unit 1, let us have a look at the standards and guidelines to be followed for conducting Internal Audit in Ministry of Rural Development.

**An Overview of the International Standards for the Professional Practice of Internal Auditing (ISPPA)**

The broad schema/layout of ISPPA also known as the Standards helps in a better understanding especially for new auditors as it gives an overview of what is internal audit, the different phases of the internal audit process (also known as Internal Audit cycle) and the minimum performance levels in the activities therein to qualify as effective internal audit. By grasping the broad schema the new internal auditor would be able to form a holistic view and comprehend as to how his work fits into the whole piece.

Internal audit as defined by The Institute of Internal Auditors (The IIA) lays down the boundaries on what can be considered as a legitimate internal audit activity, to include risk, control and governance processes only. It lays down that the fundamental objective of internal audit is to help in improving the Ministry’s operations by providing an assurance (or lack of it) that the activities are being carried out in a manner as envisaged by those in charge of Governance, i.e. the Secretary and the Ministry. In addition the internal auditors may perform an advisory role to improve opportunities for the programme/scheme management in meeting business objectives. The output of the assurance activity is an internal audit report that contains an opinion on the area of the programme/scheme under review and of the advisory activity the output is usually an insight or advice.

The definition of internal audit is elaborated through The Standards, which are of two types, viz. Attribute and Performance Standards.

The Attribute Standards lay down the qualities that an individual internal auditor should display and what the internal audit function (IAW) should display as a whole. Individual auditors must display PROFICIENCY and being OBJECTIVE while carrying out their work. The Internal Audit Wing (IAW) has an Audit Charter so that all within the Programme/ Scheme know the role, responsibility and authority of internal audit. Also the IAW should have a well-defined and operational Quality Assurance and Improvement Programme (QAIP) which needs to be well publicised so as to foster trust and reliability of the internal audit reports and other communication issued by IAW.
The Performance Standards are a basis against which the internal audit operations can be measured. They broadly fall in to the below three types:

1. **Standard for managing the internal audit activity.** This is the responsibility area of the head of internal audit and a basis to measure his/her performance.

2. **Standard on the nature of work of internal audit.** This clearly defines risk, control and governance processes. Anything beyond this is outside the ambit of internal audit.

3. The next few standards define the minimum set of activities within the 4-stages of the audit cycle, viz. Planning, Performance, Communicating and Monitoring. For each of these phases there are short standards that briefly state as to how these minimum activities should be performed.

The Standards are the minimum requirements of performance. For e.g. one of the standards requires that the head of internal audit reports to the audit committee every year, wherein he/she discloses whether a quality assessment was carried out on internal audit and what were the main findings.

Periodic reporting on quality assessment improves trust and confidence the executive management can place on internal audit. The IIA has a guidance in the manner in which Quality Assessment on internal audit is to be carried out by assessing the level of compliance of the internal audit activities against each standard.

In addition to The Standards, The IIA takes out position papers, and one of the most well read position papers is titled *The three lines of defense in effective risk management and control*. In the Three lines of defense model, management control is the first line of defense in risk management, the various risk control and compliance oversight functions established by management are the second line and independent assurance, i.e. internal audit is the third line of defense.

The Definition of Internal Audit, The Standards, Guidances, Position papers are part of the IIA Professional Practices Framework (IPPF). While IIA’s International Standards is essential for meeting the responsibilities of internal auditors and internal audit, the other elements of IPPF create a framework to support this responsibility. The IPPF is in two parts, viz. those elements that require mandatory compliance and non-mandatory compliance.

**Suggested readings:**

*IIA International Professional Practices Framework*

*IIA International Standards for the Professional Practice of Internal Audit*

**Introduction to the Internal Audit Guidelines**

The internal audit guidelines for internal auditing at Central Civil Ministries/Departments of Government of India are enclosed. These have been extracted from the Draft Internal Audit Handbook being prepared by the O/o CGA and are adapted from the ISPPA to make them relevant for IAWs in Ministries/Departments. Some chapters have been edited/abridged where these are not so relevant for the internal audit of schemes/programmes of the MoRD e.g. CGA and Ministry level Guidelines. There are 32 guidelines in 4 areas to ensure effective internal audit, viz.
1. **SECTION I - Introduction to Internal Audit Guidelines (IAG) for effective internal auditing**

2. **SECTION II - GENERAL GUIDELINES**
   General guidelines are framed to lay the foundation for effective internal auditing by decreasing internal audit risk i.e. giving a positive assurance when there is actually a significant issue or giving an adverse opinion when the actual status is fine. These are the platform for providing an objective risk based assurance.

3. **SECTION III - CGA LEVEL GUIDELINES**
   These guidelines are aimed at assisting the CGA exercise effective oversight over the internal audit activity at the Central Civil Ministries/Departments to ensure that the assurance function adds value at individual Ministries and also support, on an overall basis, the accomplishment of the Finance Budget of the Government of India.

4. **SECTION IV - MINISTRY LEVEL GUIDELINES**
   These guidelines provide guidance to the Pr. CCA/CCA/CA in their capacity as CAE on managing the internal audit activity at the Ministry in order that the internal audit function adds value to the achievement of the Ministry’s objectives.

5. **SECTION V - GUIDELINES FOR PERFORMING INTERNAL AUDIT ENGAGEMENTS**
   These guidelines guide the Internal Audit Wings on what is expected while performing an internal audit engagement. They also provide a basis for performance appraisal of the internal audit engagement. Compliance with these guidelines would result in minimising internal audit risk at the engagement level.

By reading these pages, any internal auditor can, in a few days, form a clear insight of what is expected of him/her. The guidelines are to be read along with the theoretical concepts and explanations contained in the Generic Internal Audit Manual.

The potential value that effective internal auditing brings to Central Civil Ministries/Departments is significant considering the large annual budgetary outlay that these Ministries collectively expend on a yearly basis. Even a small improvement in achieving objectives can provide a significant yearly impact. Effective performance and governance is clearly a priority at these Ministries and internal audit needs to play its assurance role effectively. Hence, the effectiveness of these internal audit guidelines in promoting effective internal auditing should be tested continuously and changes carried out periodically, as and when required.

**Section I**

**INTRODUCTION TO INTERNAL AUDIT GUIDELINES (IAG) FOR EFFECTIVE INTERNAL AUDITING**

In order to standardise and also bring internal auditing in line with international standards, the Controller General of Accounts (CGA) has framed internal audit guidelines for effective internal auditing. These are based on expectations by stakeholders of Government Internal Auditing in India, are aligned with international standards in internal auditing issued by The Institute of Internal Auditors (IIA) as well as benchmarked with global best practices followed by Government internal auditors in other countries.
The principal stakeholder of Government audit is the general public. The current times encourage innovative disruption in order to deliver order of magnitude results. Given the current challenges facing Central Civil Ministries/Departments and their programmes along with the heightened expectations of the general public, the oversight provided through auditing is more critical than ever. Effective Government internal auditing provides objective analysis and information required to make the decisions necessary to help create a better future for the public by reducing the risks to achieving the Government’s objectives.

The overarching objective of the IAGs is to decrease Audit Risk in internal audit at Ministries, both at an engagement level and whilst providing an overall opinion on a particular Ministry’s portfolio of significant risks. Compliance with these internal audit guidelines is hence mandatory for meeting the expectations from the Pr. CCA/CCA/CA in their capacity as CAE and the Internal Audit Wings at Central Civil Ministries.

**Based on their applicability, the types of IAGs are as follows:**

- a. General guidelines create a platform for providing objective and risk based assurance
- b. CGA level guidelines promote effective audit in Central Civil Ministries
- c. Ministry level guidelines assist the Pr. CCA/CCA/CA in their capacity as CAE in managing the internal audit activity at individual Ministries
- d. Engagement level guidelines minimise audit risk while performing the engagement

**The purpose of the internal audit guidelines is to:**

- a. Guide the Internal Audit Wings (IAWs) in carrying out an effective internal audit through an objective risk based assurance in the areas of Governance, Risk Management and Control processes
- b. To provide a set of best practices which, when followed, mitigate Audit Risk to within a tolerable level as specified by the Ministry’s Audit Committee. Audit risk is the risk of giving false positives (i.e. giving a positive assurance over a subject matter when there is a substantial issue) or a false negative (where an adverse opinion is given over a subject matter while the actual conditions are satisfactory).
- c. Establish the basis for the evaluation of internal audit performance.
- d. Foster improved organisational processes and operations.

The IAGs are a set of principles-based, mandatory requirements consisting of statements of core requirements for the functional practice of internal auditing at the Central Civil Ministries/Departments and for evaluating the effectiveness of performance.

The IAGs employ terms as defined specifically in the Glossary to the IIA Standards. To understand and apply the IAGs correctly, it is necessary to consider the specific meanings from the Glossary. Furthermore, the IAGs use the word “must” to specify an unconditional requirement and the word “should” where conformance is expected unless, when applying functional judgement, circumstances justify deviation.

The IAGs apply to individual internal auditors and the internal audit activity. All internal auditors are accountable for conforming with the IAG related to individual objectivity, proficiency, and due functional care and the standards relevant to the performance of their job responsibilities. Pr. CCA/CCA/CA in their capacity as CAEs are additionally accountable for the internal audit activity’s overall conformance with the *Internal Audit Guidelines.*
In the IAGs the word *Programme* is used to denote programmes, schemes, departments, units, processes, structures, PSUs and any other auditable unit at the Ministry which is the subject matter under internal audit.

**Section 2**

**General Guidelines**

This section establishes General Guidelines to be followed in internal audit of Central Civil Ministries/Departments and related organisations of the Government of India. These guidelines are *Audit Risk* minimisation measures as they lay down a solid foundation for objective and risk based assurance services. In order that these guidelines are current to the present environment the Controller General of Accounts (CGA) regularly reviews the veracity of these internal audit guidelines in promoting effective internal auditing, based on stakeholder surveys at Central Civil Ministries. The CGA also benchmarks these guidelines with changes in global internal audit standards that promote effective internal auditing.

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<td>6.</td>
<td>Definition of Internal Audit</td>
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<td>7.</td>
<td>Nature of Work</td>
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<td>Types of Services</td>
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**Guideline No. 1**

**INTERNAL AUDITING PRINCIPLES FOR EFFECTIVE GOVERNMENT AUDITING IN CIVIL MINISTRIES**

The Controller General of Accounts (CGA) issues Internal Audit Guidelines for effective internal auditing, the compliance of which is mandatory. These Guidelines are based on internal auditing principles which are framed and updated by the CGA. These principles must be adhered to in all aspects of internal auditing.

**IIA’s Core Principles for the Professional² Practice of Internal Auditing**

The core principles taken as a whole, articulate to effective internal audit. For an internal audit wing (IAWs) to be considered effective, all principles should be present and operating effectively. Achievement of the core principles may vary from Ministry to Ministry, but failure to achieve any of the principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit’s mission. These core principles are as follows:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)

² It may be noted that use of the word “professional” includes the “function” of internal audit viewed from the perspective of Civil Ministries.
Aligns with the strategies, objectives, and risks of the programmes
Is appropriately positioned and adequately resourced
Demonstrates quality and continuous improvement
Communicates effectively
Provides risk-based assurance
Is insightful, proactive, and future-focused
Promotes organisational improvement

In order to conform to the principles, some guidelines have been formulated which are being specified below.

**Guideline No. 2**

**CODE OF CONDUCT AND ETHICAL GUIDELINES IN GOVERNMENT AUDITING**

*The distinguishing mark of a Government Internal Auditor is acceptance of responsibility to serve the public interest. In this regard, the Government of India rules and ethical guidelines issued by the CVC must be adhered to by the internal auditor.*

The public interest is defined as the collective well-being of the community of people and entities the auditors serve. Observing integrity, objectivity, and independence in discharging their functional responsibilities assists auditors in meeting the principle of serving the public interest and honouring the public trust. The principle of the public interest is fundamental to the responsibilities of auditors and critical in the Government environment. The ethical principles that guide the work of auditors who conduct audits are a) the public interest; b) integrity; c) objectivity; d) proper use of Government information, resources, and positions; and e) professional behaviour.³

The Government of India through the various rules and guidelines discusses the behavioral norms for Government officials and establishes an expectation that Government officials would carry out public functions ethically. A periodic evaluation should be made of the ethics programme at the Internal Audit Wings and a yearly declaration of its adherence should be taken from individual internal auditors.

**Guideline No. 3**

**INDEPENDENCE and OBJECTIVITY**

*The internal audit activity must be independent and internal auditors must be objective in performing their work. The CGA’s Office issues guidance on independence and objectivity, compliance of which is mandatory.*

The focus is on the Pr. CCA/CCA/CA and Internal Audit Wings (IAWs) having the organisational independence to be able to carry out the engagements in an unfettered manner and ensure that the internal auditor maintains individual objectivity whereby he/she has an impartial, unbiased attitude and avoid any conflict of interest. Impairments to independence and objectivity can be either internal or external impairments. *Impairment to organisational*

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³Adapted from US Government Accountability Office (GAO), *Yellow Book IIA Standard.*

⁴IIA Standard.
independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding\(^5\).

Also organisational independence and individual objectivity should be in fact and appearance. *Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board.*

This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organisational levels.

*Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditor don’t subordinate their judgement on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organisational levels.*

Guideline No. 4

**PROFICIENCY AND DUE PROFESSIONAL\(^6\) CARE**

Engagements must be performed with proficiency and due professional\(^6\) care.

Proficiency is a collective term that refers to the knowledge, skills and other competencies required of internal auditors to effectively carry out their functional responsibilities. It encompasses consideration of current activities, trends, and emerging issues, to enable relevant advice and recommendations.

Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement’s objectives.
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied.

\(^5\)Interpretation to IIA Standard

\(^6\)It may be noted that use of the word “professional” includes the “function” of internal audit viewed from the perspective of Civil Ministries.
• Adequacy and effectiveness of governance, risk management, and control processes.
• Probability of significant errors, fraud, or non-compliance.
• Cost of assurance in relation to potential benefits.

In exercising due professional care, internal auditors must consider the use of technology-based audit and other data analysis techniques.

Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

Guideline No. 5

USE OF PROFESSIONAL JUDGEMENT

Auditors must use professional judgement in planning and performing audits, advisory engagements and in reporting the results. Auditors must document significant decisions that affect audit objectives, scope and methodology; findings; conclusions and recommendations resulting from professional judgement.

Exercising professional judgement is a basic expectation from an internal auditor and is the result of independence, objectivity, integrity, proficiency and use of professional skepticism. Additionally internal auditors must demonstrate critical thinking capabilities and develop their own point of view on subject matter under audit in order to arrive at professional judgements.

*It may be noted that use of the word “professional” includes the “function” of internal audit viewed from the perspective of Civil Ministries.

Guideline No. 6

DEFINITION OF INTERNAL AUDIT

Internal auditing is an independent, objective assurance and advisory activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The definition of internal auditing is the statement of fundamental purpose, nature and scope of internal auditing.

Guideline No. 7

NATURE OF WORK

Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organisation’s governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

*It may be noted that use of the word “professional” includes the “function” of internal audit viewed from the perspective of Civil Ministries.

7As per IIA Definition.

8As per the IPPF. Numerical references (other than Policy numbers) are to the corresponding standards specified by the IPPF. Reference to IIA Standard 2100.
**Governance**

The internal audit activity must assess and make appropriate recommendations to improve the organisation’s governance processes for:

- Making strategic and operational decisions.
- Overseeing risk management, governance and control.
- Promoting appropriate ethics and values within the organisation.
- Ensuring effective organisational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organisation.
- Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.

The internal audit activity must evaluate the design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes, and activities.

The internal audit activity must assess whether the information technology governance of the organisation supports the organisation’s strategies and objectives.

**Risk Management**

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

*Determining whether risk management processes are effective is a judgement resulting from the internal auditor’s assessment that:*

- Organisational objectives support and align with the organisation’s mission.
- Significant risks are identified and assessed.
- Appropriate risk responses are selected that align risks with the organisation’s risk appetite.
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and the board to carry out their responsibilities.

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation’s risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations or both.

The internal audit activity must evaluate risk exposures relating to the organisation’s governance, operations, and information systems regarding the:

- Achievement of the organisation’s strategic objectives.
- Reliability and integrity of financial and operational information.

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5 As per the IPPF. Numerical references (other than Policy numbers) are to the corresponding standards specified by the IPPF. Reference to IIA Standard 2110.

10 Reference from IIA Standard 2120.
• Effectiveness and efficiency of operations and programmes.
• Safeguarding of assets.
• Compliance with laws, regulations, guidelines, procedures, and contracts.

The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

During advisory engagements, internal auditors must address risk consistent with the engagement’s objectives and be alert to the existence of other significant risks.

Internal auditors must incorporate knowledge of risks gained from advisory engagements into their evaluation of the organisation’s risk management processes.

When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

Control

The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation’s governance, operations, and information systems regarding the:

• Achievement of the organisation’s strategic objectives.
• Reliability and integrity of financial and operational information.
• Effectiveness and efficiency of operations and programmes.
• Safeguarding of assets.
• Compliance with laws, regulations, guidelines, procedures, and contracts.

Internal auditors must incorporate knowledge of controls gained from advisory engagements into evaluation of the organisation’s control processes.

Guideline No. 8

TYPES OF SERVICES

Based on the Engagement Objectives, the Internal Audit Wing (IAW) performs Assurance Services (to meet audit objectives and advisory services. These services are performed by using the appropriate frameworks and procedures).

Assurance services involve the internal auditor’s objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor. Generally, three parties are participants in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matters.

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1. Reference from IIA Standards 2130.
2. Reference from IIA Standards.
matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.

Advisory services are generally performed at the specific request of Ministry/ Department. The nature and scope of the advisory engagement are subject to agreement with the Ministry/ Department. Advisory services generally involve two parties: (1) the person or group offering the advice — the internal auditor, and (2) the person or group seeking and receiving the advice — the Ministry/ Department. When performing advisory services, the internal auditor should maintain objectivity and not assume management responsibility.

The framework/procedures used in internal audit depend upon the objectives to be tested. The audit objectives vary widely and include assessments of programme effectiveness, economy and efficiency, risk and internal control evaluation and compliance review. The procedures used for meeting audit objectives can either be an examination, review or agreed upon procedures. An examination is a common procedure followed while assessing internal controls or regulatory compliance to form an opinion on whether the subject matter being audited is in conformance with the criteria in all material respects. In a review of any performance area, the internal auditor does sufficient testing to express a conclusion whether any information came to his/her attention that the subject matter is not based on or in conformity with the criteria. An agreed-upon procedure engagement, the Internal Auditor does not express an opinion or a conclusion but only reports the findings based on the Agreed-upon procedure applied. Advisory engagements are usually to decrease risk or improve the opportunities for achieving the programme objectives. Depending upon the engagement objectives, the appropriate methodology and procedures are used.

In performance of assurance services, internal audit is expected to focus on assessing whether governance, risk management and control processes provide reasonable assurance that:

f. significant programmes, plans, and business objectives will be achieved;

g. financial, managerial, and operating information is accurate, reliable, and timely;

h. resources are acquired economically and used efficiently;

i. assets are safeguarded; and

j. the organisation is in compliance with guidelines, procedures, contracts, and applicable laws and regulations;

In the process of evaluating whether public agencies are accomplishing their objectives, auditors gather and analyse information and thereafter report on events and developments which affect adequacy and effectiveness of elements of the control systems. These reports provide an opportunity to the Government to initiate necessary remedial measures and take steps for improvement in programme delivery. Further, they provide a reasonable assurance that improprieties have not occurred and if they have, they will be reported for appropriate follow-up action.

An efficient and effective internal audit practice therefore warrants that the Internal Audit Wings in Ministries have trained and competent staff and supervisory officers. Simultaneously, its independence should be ensured through an internal audit charter and a clear mandate. The quality of internal audit and performance of the Internal Audit Wings should be assured by instituting an effective oversight mechanism in the Ministry by establishing an Audit Committee in the Ministry and through an external review conducted by the office of Controller General of
Accounts. Ultimately, the utility of an Internal Audit practice rests on an adequate appreciation of its role by the Government and an effective follow up system to implement the suggestions of internal audit.

This section establishes the pre-eminent role of the Controller General of Accounts (CGA) and his/her office in developing, advocating and promoting the function of Government Internal Audit in the Central Civil Ministries, Government of India.

The Office of the CGA organises training programmes / issues guidelines from time to time to ensure proficiency in internal auditing, risk management, governance, internal control, information technology audit, data analytics, auditing tools and techniques education, protection against frauds, information security and other knowledge areas.

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**Mission**

The stated mission of the Internal Audit Division (IAD) in O/o Controller General of Accounts in the area of internal audit is to provide “dynamic leadership”(initiatives and direction) for the function of Government Internal Auditing in Central Civil Ministries, Government of India and includes

- Advocating and promoting the culture of objective and risk based assurance in Government internal auditing;
- Advocating and promoting the value that internal audit officers add to the Civil Ministries of the Government of India;
- Providing comprehensive functional education, capacity building and development opportunities; internal audit guidelines and other functional practice guidance; and certification programmes;
- Researching, disseminating, and promoting to practitioners and stakeholders knowledge concerning internal auditing and its appropriate role in control, risk management, and governance within the context of the Central Civil Ministries, Government of India;
- Educating Government Internal Audit Officers and other relevant audiences on best practices in Government internal auditing;
- Bringing together internal auditors from all Government bodies in India whether at a Central or State level to share information and experiences.
Guideline No. 9

MANAGING GOVERNMENT INTERNAL AUDIT IN CENTRAL CIVIL MINISTRIES

The Controller General of Accounts exercises an effective oversight over the internal audit activity at the Central Civil Ministries/Departments to ensure that this assurance and advisory activity adds value to the respective Ministries and, on an overall basis, to the accomplishment of the yearly Finance Budget of the Government of India.

The Internal Audit Division (IAD) at CGA office performs all the activities of a Central function for strengthening the internal audit activity of Central Civil Ministries/Departments of Government of India. They provide oversight and support in capacity building, laying down the internal audit guidelines and procedures. The CGA office reviews the performance of Internal Audit Wings by way of obtaining the Annual Reviews from Central Civil Ministries/Departments. Compiles the information and reports the major findings [Annual Review at a Glance] to the Finance Secretary / Secretary (Expenditure).

Guideline No. 10

ESTABLISHING BEST PRACTICES IN INTERNAL AUDIT

The Controller General of Accounts lays down the best practices for effective internal auditing at the Central Civil Ministries/Departments of the Government of India including Internal Audit Guidelines (IAG) as laid down in the Generic Internal Audit Manual (GIAM).

The New Charter of duties issued by the Secretary, Department of Expenditure, Ministry of Finance lays down the purpose, authority and responsibility of internal audit at Ministries and compliance of the observations should be ensured for speedy settlement. The New Charter of duties and responsibilities is to be adopted by individual Ministries / Department.

Guideline No. 11

SUPPORTING ENGAGEMENT OF PR.CCAs/CCAs/CAs WITH THE AUDIT COMMITTEES AT MINISTRIES

The Controller General of Accounts plays a coordinating / supporting role in the interaction of Pr.CCAs/CCAs/CAs(I/c.) of line Ministries / Departments with their respective Audit Committees to create a working relationship between the Audit committee and internal audit, so that an objective and risk based assurance is available for decision making.

In its endeavour for strategic and operational excellence, management takes support from internal audit through their audit, analysis and insight. Internal audit has a synergistic relationship with the audit committee which also reviews the governance function. The PR. CCA/CCA/CA in their capacity as CAE and audit committee mutually determines important risks and objectives for the Internal Audit Wings (IAWs). The audit committee is essential for building and supporting an independent, competent and effective internal audit function, while on the other hand, internal audit must deliver high valued internal audit services to the audit committee and programmes to sustain the needed level of support.
Guideline No. 12

TECHNICAL SUPPORT TO Pr. CCA/CCA/CAs IN THEIR CAPACITY AS CAEs AT MINISTRIES

At the Controller General of Accounts office a technical capability to provide guidance and support to the PR. CCA/CCA/CA in their capacity as CAE and the internal audit activity at the Ministries is delivered through an Internal Audit Centre of Excellence (IA-CoE). This professional guidance will be based on research using surveys, interviews relating to the Ministry/Area for which the guidance is sought and review of global technical literature for its suitable applicability. The IA-CoE will rapidly develop Data Analytics capabilities and support internal audit of Ministries.

Guideline No. 13

ENCOURAGING TO MAINTAIN PROFICIENCY LEVELS IN INTERNAL AUDIT

Through assessment of the internal audit needs at individual Ministries, the Office of the Controller General of Accounts will review plans that ensure proficiency both at an individual Government internal auditor level and engagement team level through Government Internal Auditor certification programmes and other certifications conducted by its training and development institute, INGAF. Where the CGA concludes that the resource gap is unlikely to get filled with such trainings and the concerned Ministry carries a significant audit risk, the CGA Office would nominate and/or recommend proficient auditors or outsourced service providers to that Ministry’s engagement team for periods of time that it may deem necessary.

The CGA Office continuously assesses skill needs to consider whether the workforce of internal auditors in the IAWs of Central Civil Ministries/Departments has the necessary competencies that match those that are necessary to fulfill particular audit mandates or scope of audits to be performed. The CGA office has a process for recruitment, hiring, continuous development, assignment and evaluation of staff to maintain a competent workforce.

Section 4

MINISTRY LEVEL GUIDELINES FOR MANAGING THE INTERNAL AUDIT WING

This Section establishes requirements and provides guidance for managing the internal audit wing at the Ministry. It identifies the role of the Pr. CCA/CCA/CA in their capacity as CAE and lays down guidelines for interactions with the Audit Committee, Secretary, Integrated Financial Adviser and senior officials at the Ministry. The Section also lays down the minimum requirements for the effective management of the Internal Audit Wing (IAW).

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**Mission of Internal Audit**

The Internal Audit Wings in Civil Ministries is expected to articulate their Mission for Internal Audit which states what Internal Audit Wings aspire to accomplish within their Ministry. An example of the same is provided below:

“To enhance and protect organisational value at the Ministry by providing risk-based and objective assurance, advice, and insight.”

**Internal Audit Charter**

The Internal Audit Charter is the reference point for internal audit activity at the Ministry as it defines the purpose, authority and responsibility. The charter is referenced to the IIA Definition of Internal Auditing, the Code of Ethics and the Standards (through the CGA Internal Audit Guidelines contained in the Generic Audit Manual) thereby aligning the Ministry’s Internal Audit Wing with global standards and best practices.

The Internal Audit Charter establishes the position of the IAW within the Ministry’s organisation, including the nature of the PR. CCA/CCA/CAAs (in their capacity as CAE) relationship with the Secretary and audit committee, authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of the internal audit engagement.

**Relationship between the Audit Committee and the PR. CCA/CCA/CA in their capacity as CAE**

The PR. CCA/CCA/CA in their capacity as CAE formally reports to the Audit Committee and there exists a synergistic relationship between him/her and the audit committee.

**Reporting by PR. CCA/CCA/CA in their capacity as CAE at the Ministry**

The CAE has a direct reporting relationship with the Integrated Financial Advisor and regularly updates the secretary on all important matters that come to his/her notice within time.

**Guideline No. 14**

**ROLE OF PR. CCA / CCA/ CA IN THEIR CAPACITY AS CAE**

The Pr. CCA/CCA/CA in their capacity as CAE, must effectively manage the Internal Audit Wing to ensure it adds value to the organisation.

The PR. CCA/CCA/CA in their capacity as CAE will perform all the activities as head of the Internal Audit Wing (IAW) at the Ministry. These are planning the internal audit, communication and approval of the plans, resource management, laying down the guidelines and procedures for the IAW, coordination, and reporting to the senior management and audit committee and Quality Assurance.

Adds value: - The internal audit activity adds value, when it considers the Ministry’s strategies, objectives and risks, strives to offer ways to evaluate and enhance governance, risk management and control processes and objectively provides relevant assurance.
**Guideline No. 15**

**REPORTING BY THE PR. CCA/CCA/CA IN THEIR CAPACITY AS CAE TO THE SECRETARY, INTEGRATED FINANCIAL ADVISOR and AUDIT COMMITTEE**

The Pr. CCA/CCA/CA in their capacity as CAE must report regularly to the Integrated Financial Advisor and periodically to secretary and audit committee on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan and on its conformance with the internal audit guidelines in the CGA Generic Manual. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of management /audit committee.

**Guideline No. 16**

**ANNUAL AUDIT PLAN and 3 YEAR AUDIT PROGRAMME**

The Pr. CCA/CCA/CA in their capacity as CAE should submit to the audit committee a risk based annual audit plan by January 15 which is consistent with the Ministry’s goals. The plan should be updated and kept current during the year for significant risk changes in the business environment and risk exposures. This should be accompanied with an updated three-year rolling Audit Programme to ensure adequate visibility on the coverage of risks in the Audit Universe.

The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions\(^{13}\).

**Internal Audit Capability Maturity Model (IA - CM)**

The IIA IA-CM assists the Pr. CCA/CCA/CA in their capacity as CAE to conduct a self-assessment of the Ministry’s existing internal auditing capabilities on six elements, viz existing services and role of internal audit, existing people management, existing professional practices\(^{14}\), existing performance management, existing organisational relationships and culture and existing organisational structure. The strategy and action plans to progress to higher maturity levels needs to be incorporated in the Annual Plans of the Internal Audit Wings.

**Guideline No. 17**

**COMMUNICATION and APPROVAL OF INTERNAL AUDIT PLANS**

The chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to the secretary, Integrated Financial Advisor and the audit committee for review and approval.

By March 1\(^{st}\) of every year the Pr. CCA/CCA/CA in their capacity as CAE should present the Annual Internal Audit plan and 3-year rolling audit programme to the audit committee, along with the impact of resource limitations. The audit committee would then on the basis of its risk appetite consider either rolling forward certain audit areas and /or supplement its audit team by engaging external consultants/firms and follow a co-source approach to its auditing activities.

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\(^{13}\) Reference from IIA Standards 2010.

\(^{14}\) It may be noted that use of the word “professional” includes the “function” of internal audit viewed from the perspective of Central Civil Ministries.
Guideline No. 18

RESOURCE MANAGEMENT

The Pr. CCA/CCA/CA in their capacity as CAE must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan. Where the CAE observes any present/future gaps, he/she must bring it to the notice of the CGA office.

Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.5

Proficiency of the internal audit team must be considered so that any reasonable person can ongoing through the annual audit plan, arrive at a view that there are adequate resources available to the CAE. Also the competency of the individual auditor must have a mandatory element of critical thinking capabilities.

Guideline No. 19

MANDATORY COMPLIANCE WITH INTERNAL AUDIT GUIDELINES

The Pr. CCA/CCA/CA in their capacity as CAE must follow the Guidelines and procedures as per the CGA Generic Internal Audit Manual and Advisories to guide the internal audit activity. During an engagement, where there is a non-conformance, the same should be mentioned in the audit report.

The compliance of the CGA’s Internal Audit Guidelines is a mandatory requirement and forms an important part of the CAE’s performance appraisal. Where there is a lack of clarity, the CAE must forward his/her query to the CGA’s Centre of Excellence (CGA-CoE) in a timely manner for interpretation/direction. The responsibility for achieving the Annual Audit plan remains with the CAE.

Guideline No. 20

RECEIVING TECHNICAL SUPPORT FROM IA-CoE IN O/o CGA

The Centre of Excellence (IA-CoE) in the IAD in O/o CGA has been set up to provide guidance and support to the Pr. CCA/CCA/CA in their capacity as Chief Audit Executive (CAE) and to the Internal Audit Wings (IAW) in the Central Civil Ministries. This guidance will be provided by competent staff and outsourced subject matter experts who will carry out research and also review global technical literature for its suitable applicability. The IAW’s will support the research, through surveys, interviews and insights relating to the Ministry/ Area for which the guidance is sought.

The IA-CoE will also rapidly develop Data Analytics capabilities and support Internal Audit Wings of Central Civil Ministries.

Centre of Excellence in the IAD of the CGA

The IA-CoE in the IAD is a central repository for propagation of best practices in internal audit (including governance, risk and control). It will also function as a technical support on

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5References from IIA Standards.
internal audit to IAWs in Central Civil Ministries/Departments and Departments in meeting their objective of adding value to the functioning of their respective Ministries.

To achieve this the Pr. CCA/CCA/CA in their capacity as CAEs of their respective Ministries would need to provide timely information, feedback and seek support/guidance on areas relating to internal audit and related consultancy. This would be achieved by the CAE:

- Preparing their own Internal Audit Manual for their respective Ministries and updating the same from time to time.
- Facilitating the Ministry in maintaining an updated Risk Register
- Reporting on the current level of capability of the IAW and seeking direction and support on plans to move up the Internal Audit Capability Maturity Model (IIA-CM).
- Responding to surveys on the state of implementation of the Generic Internal Audit Manual (GIAM) within Ministries and Departments.
- Sharing of best practices and case studies from the Ministry with the IA-CoE in IAD.
- Reporting on Annual Plans on internal audit, consultancy and capacity building and progress against them.
- Having workshops and meetings with other Pr. CCA/CCA/CA in their capacity as CAEs and IAWs from synergistic clusters of Ministries to ensure that the synergies of common/similar strategies, issues, risks and learning’s in internal audit may be leveraged for common gain. Parameters should be devised by the IA-CoE of the IAD with inputs from Ministries concerned.
- Working with the IA-CoE for identifying outsourced service providers with expertise in Risk Management, Control Evaluation, Governance Audits, Information Security, Data Analytics and such other areas of competency constraints as may be required, from time to time.
- Seeking advice and support on capacity building of internal auditors through training, certification, seminars, exchanges, etc.
- Seeking guidance and support from help desk in O/o CGA on areas of complexity, inadequate competence, consultancy, governance, etc., as and when required.

Guideline No. 21

INTERNAL AUDIT OF GOVERNANCE PROCESSES

The Pr. CCA/CCA/CA in their capacity as CAE must report to the secretary, Integrated Financial Advisor and the audit committee on the adequacy and effectiveness of governance processes at the Ministry, toward the achievement of its objectives.

Governance at the Ministry would be the combination of guidelines, processes and structures implemented under the directives of the secretary to inform, direct, manage, and monitor the activities of the Ministry to achieve its objectives. These would also include activities that ensure the Ministry’s credibility, establish equitable provision of services, and assure that the code of conduct is complied with in accordance with Government rules.
Guideline No. 22

OBTAINING EXTERNAL SERVICE PROVIDERS TO SUPPORT / COMPLEMENT THE INTERNAL AUDIT ACTIVITY

Prior to the commencement of an audit engagement, the Pr.CCA/CCA of Central Civil Ministries, in their role as Chief Audit Executive, must assess whether the audit team has the knowledge, skills, and other competencies needed to perform an effective audit of the subject matter and must fill the competency gap where it exists through internal resources and/or external service providers.

Where required, activities should be coordinated with other internal and external providers of assurance and advisory services to ensure coverage and minimise duplication of efforts.

Each member of the internal audit activity need not be qualified in all disciplines but collectively the audit team should possess the requisite competency to conduct an effective audit of that particular engagement. Where there is a gap, the internal audit activity may use external service providers qualified in disciplines such as risk management, internal auditing, information technology, environmental affairs, and other areas as needed to meet the internal audit activity’s responsibilities.

Guideline No. 23

IAW’s VALUE ADD TO THE RISK MANAGEMENT PROCESS

The Internal Audit Wing should play a valuable role to assist the Ministry in improving its understanding and management of risk; by providing training and capacity building, evaluating the effectiveness of risk management processes and reviewing significant risk exposures to the governance, operations and information systems of programmes/schemes and the adequacy of controls therein.

Under Guidelines No 7, Nature of Work references from IIA Standards on scope of work on risk management processes have been discussed. Pr. CCAs/CCAs in their role as CAEs, gather insights across the Ministry’s activities and hence may be in a position to offer valuable suggestions on Enterprise wide Risk Management (ERM) activities of the Ministry. While internal auditors do not have primary responsibility for ERM implementation or their maintenance, the IAW’s activities may include:

- Reviewing the adequacy and effectiveness of the existing ERM processes in the programmes/schemes/SBUs of the Ministry and providing recommendations for improvement.
- Reviewing critical control systems and risk management processes and responses for adequacy and effectiveness.
- Advising on the design and improvement of control systems and risk mitigation strategies.
- Implementing a risk-based approach to planning and executing the internal audit process.
- Reviewing the assumptions in management’s risk assessments, responses and assurances.
- Providing assurances on the completeness, accuracy, and appropriateness of management’s classification and reporting of risks.
- Facilitating Risk Self - Assessment workshops.

For this, risk competencies among internal auditors must continue to grow to support the growing expectations from stakeholders. However, where the ERM capabilities of the IAWs
are still inadequate the Pr. CCA/CCA/CA in their capacity as CAE should seek the services of in-house resources from other areas and/or outsourced subject matter experts. The services of the CoE in the IAD of the O/o CGA may be utilised to identify such service providers.

**Guideline No. 24**

**QUALITY ASSURANCE and IMPROVEMENT PROGRAM**

The Pr. CCA/CCA/CA in their capacity as CAE is responsible for maintaining and developing a Quality Assurance Programme that covers all activities of the Ministry’s Internal Audit Wings. The CAE must communicate annually the results of the quality assurance and improvement programme to the Integrated Financial Advisor and the audit committee. Disclosure should include the scope and frequency of the internal and external assessments, the qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest, conclusions of assessors and corrective action plans.

The processes and tools used for ongoing internal quality assessments include engagement supervision, compliance with checklists and procedures, feedback from audit customers and other stakeholders, selective peer review of working papers by staff not involved in the respective audits, project budgets, audit plan completion, cost recoveries, performance metrics etc.

**Section 5**

**Guidelines for Performing Internal Audit Engagements**

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**Guideline No. 25**

**ENGAGEMENT PLANNING**

Prior to the commencement of the engagement the internal auditor must adequately plan the audit so as to achieve the audit objectives and based on this submit, before the field visit, a Terms of Reference (TOR) to the audited organisation.

- The Internal Audit Wing develops and documents a plan for each engagement to include objectives, scope, timing and resource allocations
- **Planning considerations:** While planning the audit, the following aspects are also considered so as to identify opportunities for making significant improvements, viz.
  - The objectives of the programme/activity under audit and controls to ensure performance/achievement of these programme objectives
o An assessment of significant risks relating to
  • the activity under audit
  • its objectives
  • resources, and operations

and how the potential impact is kept to acceptable levels.

  o Understanding the governance, risk management and control process at the
    programme/activity under audit along with a comparison with a framework
    like COSO so as to assess and conclude on their adequacy and effectiveness

  • Engagement Objectives: Based on the preliminary survey, the internal auditor
    identifies what the audit intends to achieve through a statement of objectives.
    Engagement objectives could be thought as questions about the activity/programme
    under audit, which the auditors seek answers for based on evidence obtained and
    assessed against some criteria. These questions are usually on the significant risks
    observed by the internal auditor during audit planning.

  • Engagement Scope is the subject matter of the programme, scheme, and activity
    from where the evidence is to be collected and identifies the type of records, time
    period, locations, etc., and is the boundary of the auditor’s field work.

  • Assigning staff and other resources should collectively as a team have the requisite
    proficiency and time availability for accomplishing the audit objectives thereby
    completing the audit in a satisfactory manner.

Steps:

  • During planning the auditor does a preliminary survey to become familiar with the
    activities, risks, controls and to identify the areas of emphasis of the programme/
    activity under audit. Comments and suggestions are invited from the staff. Based
    on the risk assessment report, the auditor frames the audit objectives and scope and
    issues a Terms of Reference (TOR) on the engagement to the audited organisation.

  • A key activity in planning the audit of schemes/programmes is that the internal
    auditor must conduct a preliminary risk assessment of the scheme/program under
    review and the significant risks must be covered as part of the engagement objectives.
    In order to accomplish this activity, the internal auditor also considers

    o the reliability of the scheme/programme management’s assessment of risk

    o the scheme/programme process for monitoring, reporting and resolving risk
      and control issues

    o Scheme/programme management’s reporting of events that exceed the limit of
      the Ministry’s risk appetite and the Ministry’s response to those reports

    o Risks in related activity to the activity under review

  • Internal auditors must summarise the results of the review of management’s
    assessment of risk, the background information and any survey work as a separate
    section titled Auditor’s Risk Assessment Report (RAR).
Documents:
Before commencement of field work the following documents need to be in the Engagement’s working papers file

- Audit Planning Memo (APM)
- Preliminary Survey findings report
  - Includes Auditor’s Risk Assessment Report (RAR)
- Engagement Terms of Reference (TOR)

Guideline No. 26

ENGAGEMENT WORK PROGRAMME

*The internal auditor must prepare a written audit programme for each audit and update it as necessary so as to achieve the audit objectives.*

Prior to the audit, the internal auditor must develop and document work programme that include procedures for identifying, analysing, evaluating and documenting information during the engagement to include

- Audit objectives
- Risks, processes, transactions that are to be examined
- Nature of testing required
- Documents the information to be examined and the internal auditor’s procedures to be applied on it.

Before commencement of the field visit, the audit programme should be ready for use in all material respects except the selection of sample size. Also the audited organisation should be informed in advance of the scope of review including interviews, records to be seen, information requirements, etc.

Guideline No. 27

ENGAGEMENT SUPERVISION

*Audit supervisors must demonstrate adequate oversight on the audit engagement and in a manner to mitigate audit risk.*

During field work the Audit supervisor should be in contact with the field staff and get updates on critical aspects in order to decrease Audit Risk.

The extent of supervision will depend upon the proficiency and experience of the internal auditors and the complexity of the engagement.

Guideline No. 28

OBTAINING SUFFICIENT and APPROPRIATE EVIDENCE

*The internal auditor must obtain sufficient and appropriate evidence to provide a reasonable basis for their findings and conclusions on the audit objectives.*
Evidence to be collected is around the subject matter under testing. Auditors should identify criteria relevant to the audit objectives that permit consistent assessment of the subject matter.

After establishing the criteria, the auditors should identify potential sources of information that could be used as evidence and choose the appropriate source. Appropriateness is the measure of quality of evidence and includes relevance, reliability and usefulness while concluding on the audit objectives. Sufficiency is a measure of quantity and whether enough evidence has been obtained to persuade a knowledgeable person that the findings are reasonable. The auditor should determine the amount and type of evidence needed to address the audit objectives and adequately plan the audit work.

Auditors should determine the overall sufficiency and appropriateness of the evidence to form a reasonable basis for the findings and/or conclusions within the context of the internal audit objectives. An overall assessment of evidence is important.

**Evidence is not sufficient or appropriate when**

- Using that evidence carries an unacceptable high risk that it could lead to improper findings or conclusions
- The evidence has significant limitations
- The evidence does not provide an adequate basis for addressing the audit objectives

When auditors identify limitations or uncertainties in evidence that is significant to the audit findings and conclusions, they should apply additional procedures as appropriate, to include

- seek independent corroborating evidence
- presenting the findings and conclusions with a disclosure in the report describing the limitations or uncertainties with the validity or reliability of evidence
- determining whether to report the limitations or uncertainties’ as a finding including any related internal control deficiencies, programme deficiencies, etc.

**Guideline No. 29**

**PERFORMING INTERNAL AUDIT FIELD WORK**

To obtain sufficient and appropriate audit evidence, the internal auditor must identify, analyse, evaluate and document information within the context of the internal audit objectives. The engagement supervisor must ensure due discussion and adequate consideration of audited organisation feedback along with a proper closure of the field visit through an exit meeting.

While obtaining audit evidence to meet the audit objectives, the internal auditor will perform the below mentioned activities for identifying, analysing and evaluating information, viz.

- Gathering input from audited organisation’s staff through survey, interviews, internal control checklist, etc
- Analysing relationships amongst financial and/or non-financial information through analytical procedures
- Review of process maps for evaluating the efficiency of processes and controls
- Checklists to ensure that the auditor has completed diligently the audit procedures that were planned to be completed
• Where required, computerised audit tools and techniques should be used to perform auditing activities, including using
  o Generalised Audit Software (GAS) to perform various analytical procedures on the audited organisation’s data
  o Using continuous monitoring techniques for online real time monitoring of systems and transactions

• The Pr. CCA/CCA/CA in their capacity as CAE should encourage the usage of computerised working papers and audit management software. While using electronic working papers, adequate security should be ensured and the working papers should be protected from unauthorised change

• Auditors need to draw conclusions on the transactions in the activity under audit. By applying statistics, the auditor can test relatively small samples to draw these conclusions. While many auditors may prefer to engage experts for statistical sampling, however the internal auditor should be proficient in deciding when to use which sampling method, viz. statistical, judgemental, discovery sampling

• The CAE must control access to engagement records, develop retention requirements for engagement records, regardless of the medium in which these records are stored

• Before commencing the engagement, the work programme should be documented and approved. The work programme should include technology based audit and sampling techniques

• The process of collecting, analysing, interpreting and documenting information should be supervised to provide reasonable assurance that the engagement objectives are met and that the internal audit’s objectivity is maintained

Guideline No. 30

DOCUMENTING ENGAGEMENT ACTIVITIES

Engagement activities should be documented in sufficient detail to enable an experienced auditor with no previous connection to the audit to understand from the audit documentation the nature, timing, extent and results of audit procedures performed, the audit evidence obtained and its source and the conclusions reached, including evidence that supports the auditors’ significant judgements and conclusions.

Auditors need to document significant decisions affecting the audit objectives, scope and methodology; findings; conclusions and recommendations.

The Pr. CCA/CCA/CA in their capacity as CAE needs to approve a documentation policy which covers the custody and retention of advisory engagement records, as well as their release to internal and external parties. These guidelines must be consistent with the Ministry’s Guidelines and any pertinent regulatory or other requirements. The Guidelines must cover:-

• Need for Internal Audit Wings to document sufficient, reliable and relevant information to support their engagement results and conclusions.

• Need for controlled access to engagement records. The Pr. CCA/CCA/CA in their capacity as CAE must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.
• Retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation’s guidelines and any pertinent regulatory or other requirements.

Documenting Information

Internal auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.

The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation’s guidelines and any pertinent regulatory or other requirements.

The chief audit executive must develop guidelines governing the custody and retention of advisory engagement records, as well as their release to internal and external parties. These guidelines must be consistent with the organisation’s guidelines and any pertinent regulatory or other requirements.

Guideline No. 31

COMMUNICATING THE RESULTS OF THE ENGAGEMENT

The internal auditors must communicate the results of the audit in a timely manner. Final communication by the internal auditor of the engagement results must contain an opinion and/or conclusions. Where also an overall opinion is issued on an audit area or activity it must take into account the expectations of the Ministry and must be supported by sufficient, reliable, relevant and useful information. The reason for an unfavourable overall opinion must be stated.

While communicating the results of the audit, the following matters should be taken care of, viz.

• Where certain audit observations are of a nature that delaying, the reporting may impact the achievement of programme/scheme objectives, and then the auditor should communicate to the concerned authority their findings at an early date and even during the course of audit.

• The audit reports structure should include the engagement’s objectives and scope as well as applicable conclusions, recommendations and action plans. In case there is a scope limitation, this should be brought out in the reports.

• Internal auditors are encouraged to acknowledge satisfactory performance and best practices being followed by the audited organisation.

• To ensure quality of the audit reports they must be clear, accurate, and concise and issued in a timely manner. The internal audit wing should bring objectivity in the observations and their recommendations should be constructive and complete.

• All reports should be issued by the Pr. CCA/CCA/CA in their capacity as CAE as he/she retains the overall responsibility even if some duties have been delegated to others. Where there is an error or omission in the report, the CAE must circulate corrected information to all the recipients of the earlier communication.

Reference from IIA Standard 2330.
• In case there is full conformance of CGA Internal Audit Guidelines during the audit engagement, this should be mentioned in the report.

• Overall opinions could be ratings, conclusions or other descriptions of results. Such an opinion may be in relation to controls around a specific process, risk or business acceptance of unit.

Guideline No. 32
MONITORING PROGRESS and COMMUNICATING ACCEPTANCE OF RISKS

The Pr. CCA/CCA/CA in their capacity as CAE must establish and maintain a system to monitor the satisfactory disposition of the results communicated to the programme/scheme management. Where there is inordinate delay in resolving issues, the CAE may conclude that the programme/scheme management has accepted the risk of not taking action. The CAE should include these open issues as part of his/her yearly reporting to the audit committee on risks unacceptable to the Ministry.

After issue of the audit report, the role of addressing the issues raised and accepted is of the programme/scheme management. It is not uncommon that the internal auditor sends reminders to know the follow-up status of these outstanding issues. However after a reasonable time the Pr. CCA/CCA/CA in their capacity as CAE may conclude that the issues still remaining open imply that the programme/scheme management has for the time being accepted the risk of not taking action and hence should be included in the portfolio of unacceptable risks for the purposes of reporting to the Ministry.

Standards on Internal Audit Issued by ICAI

SIA 1
Planning an Internal Audit

The basic objective of the SIA is to establish standards and provide guidance in respect of planning an internal audit and helping in achieving the objective of an internal audit function. Adequate planning ensures that appropriate attention is devoted to significant areas of audit, potential problems are identified, and that the skills and time of the staff are appropriately utilised. Planning also ensures that the work is carried out in accordance with the applicable pronouncements of the Institute of Chartered Accountants of India. Planning should also be based on the knowledge of the entity’s business.

SIA 2
Basic Principles Governing Internal Audit

The purpose of this Standard on Internal Audit (SIA) is to establish standards and provide guidance on the general principles governing internal audit. This standard explains the principles, namely, integrity, objectivity and independence, confidentiality, due professional care, skill and competence, work performed by others, documentation, planning, evidence and reporting which governs the internal auditor’s professional responsibilities.
SIA 3
Documentation
The purpose of the Standard on Internal Audit is to establish standards and provide guidance on the documentation requirements in an internal audit. Adequate documents act as basis for the planning and performing the internal audit. Documents provide the evidence of the work of the internal auditor. This standard provides guidance regarding the form and content of the internal audit documentation, detention and retention of the same and identification of the preparer and reviewer.

SIA 4
Reporting
The purpose of the Standard on Internal Audit (SIA) 4, Reporting is to establish standards on the form and content of the internal auditor’s report issued as a result of the internal audit performed by an internal auditor of the systems, processed, controls including the items of financial statements of an entity. This SIA describes the basic elements of an internal audit report such as opening, objectives, scope paragraphs and executive summary. This SIA also deals with the different stages of communication and discussion of the report and describes the reporting responsibilities of the internal auditor when there is a limitation on the scope. The standard also lays down the reporting responsibilities of the internal auditor when there is restriction on usage and circulation of the report.

SIA 5
Sampling
Sampling provides the guidance regarding the design and selection of an audit sample and also on the use of the audit sampling in the internal audit engagements. This SIA also deals with the evaluation of the sample results. The standard also provides guidance on the use of sampling in risk assessment procedures and test of controls performed by the internal auditor to obtain an understanding of the entity, business and its entity, business and its environment, including mechanism of its internal control. The areas covered by the SIA include design of sample tolerable and expected error, selection of sample, evaluation of sample results, analysis of errors in the sample, projection of errors and reassessing sample risk. This also describes the internal auditor’s documentation requirements in the context of the sampling.

SIA 6
Analytical Procedure
The Standard on Internal Audit (SIA) 6, Analytical Procedures provide the guidance regarding the application of analytical procedures during internal audit. The SIA deals with the aspects such as, the nature and purpose of analytical procedures, analytical procedures as risk assessment procedures and in planning the internal audit, analytical procedures as substantive procedures, analytical procedures in the overall review at the end of the internal audit, extent of reliance on analytical procedures and investigating unusual items or trends.

SIA 7
Quality Assurance in Internal Audit
The Standard on Internal Audit (SIA) 7, Quality Assurance in Internal Audit establishes standards and provides guidance regarding quality assurance in internal audit. A system for assuring the quality in internal audit should provide reasonable assurance that the internal auditors comply with professional standards, regulatory and legal requirements so that the reports issued by them
are appropriate in the circumstances. This Standard provide the guidance to the person entrusted with the responsibility for the quality of the internal audit whether in-house internal audit or a firm carrying out internal audit. This standard also provides the extensive knowledge about the internal quality review, external quality reviews and communicating the results thereof.

**SIA 8**

**Terms on Internal Audit Engagement**

The terms of engagement defines the scope, authority, responsibilities, confidentiality, limitation and compensation of the internal auditors. Terms of Internal Audit Engagement lay down clarity between the internal auditors and the users of their services for inculcating professionalism and avoiding misunderstanding as to any aspect of the engagement. This Standard on Internal Audit (SIA) 8, *Terms of Internal Audit Engagement* provides guidance in respect of terms of engagement of the internal audit activity whether carried out in house or by any external agency. This SIA describes the elements of the terms of engagement viz, scope, responsibility, authority, confidential, limitation, reporting, compensation and compliance with standards.

**SIA 9**

**Communication with Management**

The Standard on Internal Audit (SIA) 9, Communication with Management provides a framework for the internal auditor’s communication with management. It identifies some specific matters to be communicated with the management as described in the terms’ of engagement like the internal auditor’s responsibilities in relation to the terms of engagement, planned scope and timing of the internal audit, significant findings from the internal audit. The Standard also provides the extensive knowledge about the communication process to make the two-way communication effective like the forms and timing of communication process. This Standard also provides the guidance for the documentation of the same.

**SIA 10**

**Internal Audit Evidence**

The purpose of this Standard is to establish standards on the basic principle that the internal auditor should obtain sufficient appropriate audit evidence through compliance and substantive procedures to substantiate his checking and findings and enable him to draw reasonable conclusion therefrom. The SIA also explains the concept of sufficient appropriate internal audit evidence, procedures to be performed to obtain internal audit evidence namely, inspection, observation, inquiry and confirmation, computation and analytical review.

**SIA 11**

**Consideration of Fraud in an Internal Audit**

As the name indicates, the purpose of this Standard is to establish standards on consideration of fraud in an internal audit. This Standard provides guidance on the designing and implementation of the internal controls in an entity that would also help the internal audit to assess the risk of frauds. The Standard also establishes the responsibilities of the internal auditor relating to the fraud prevention and detection. The SIA also provides guidance regarding the communication and documentation of fraud.
SIA 12

Internal Control Evaluation

The purpose of this Standard on Internal Audit is to establish standards and provide guidance on the procedures to be followed by internal auditor in evaluating the system of internal control in an entity and for communicating weaknesses therein to those charged with governance. The Standard also extensively deals with aspects such as meaning and inherent limitations of internal controls, control environment, risk assessment, tests of control and communication of weaknesses. The SIA also describes role of the internal auditor in evaluating internal controls.

SIA 13

Enterprise Risk Management

The purpose of this Standard on Internal Audit is to establish standards and provide guidance on review of an entity’s risk management system during an internal audit or such other review exercise with the objective of providing an assurance thereon. The Standard establishes process of enterprise risk management and the role of the internal auditor. This Standard also provides guidance regarding the internal audit plan and information which internal auditor should provide in this report.

SIA 14

Internal Audit in an Information Technology Environment

The purpose of this Standard on Internal Audit is to establish standards on procedures to be followed when an internal audit is conducted in an Information Technology (IT) Environment. This Standard describes skill and competence needed by the internal auditor to conduct an internal audit in an information technology environment, factors to consider while planning such an internal audit, matters that may affect audit in an IT environment, assessment of risk, audit procedures, review of the IT environment and documentation.

SIA 15

Knowledge of the Entity : Its Environment

The purpose of this Standard is to establish standards and provide guidance on what constitutes the knowledge on an entity’s business, its importance to the various phases of an internal audit engagement and the techniques to be adapted by the internal auditor in acquiring such knowledge about the client entity and its environment, prior to commencing an internal audit engagement and subsequently thereafter, at all stages of the internal audit process. This Standard also sets out the guidelines regarding the application, usage and documentation of such knowledge by the internal auditor.
SIA 16
Using the Work of an Expert

The purpose of this Standard is to establish standards and provide guidance where the internal auditor uses the work performed by an expert. The Standard also explains situations in which the need for using the work of an expert might arise, factors to consider when deciding whether to use the work of an expert or not, evaluating the skills and competence and objectivity of an expert, procedures for evaluating the work of an expert, references to an expert in the internal auditor’s report, etc.
1. Elaborate the term: ISPPA

_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

2. What are the two types of standards?

_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

3. What is the main role objective of Internal Auditing Guidelines?

_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

4. Who is principal stakeholder of Government Audit?

_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

5. Internal Audit Wings need ________________ independence to carry out their engagements

6. Proficiency is a collective term referring to which three aspects of internal auditors?
   Ans: ___________________________________________________________________
7. Effective risk management requires that significant risks are _______ and _______

8. Who are the three participants in assurance services?

___________________________________________________________________

____________________________________________________________________

____________________________________________________________________

9. Before commencing field work, which documents need to be in the working papers file?

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________

10. What audit engagement activities should the auditor document?

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________

11. Internal audit must communicate the results of the audit in a ___________ manner
3.1 Introduction

The main objectives of Ministries and departments in the Government of India include:

a. Proper management of public resources and government authority while ensuring compliance with laws, regulations, policies and procedures;

b. Ensuring reliability of financial reporting;

c. Ensuring operational efficiency and effectiveness.

The departmentalisation of accounts was introduced in Government of India in 1976. As per provision of the Scheme, the Secretary, Ministry of RD is the Chief Accounting Authority of the Ministry. This responsibility is discharged by him through and with the assistance of Integrated Financial Advisor. The payment and accounting functions of the Ministry have been decentralised by setting up a separate accounting division headed by the Chief Controller of Accounts. The payment and accounting function has a set-up of Pay and Accounts Offices vesting the cheque drawing powers to drawing and disbursing officers.

Rule 70 of the GFR 2017 designates the Secretary of the Ministry/Department as the Chief Accounting Authority of his Ministry/Department. It states that the Secretary/Chief Accounting Authority of the Ministry/Department shall -

• Be responsible and accountable for financial management of his Ministry or Department.

• Ensure that the public funds appropriated to the Ministry or Department are used for the purpose for which they were meant.

• Be responsible for the effective, efficient, economical and transparent use of resources of the Ministry or Department in achieving the stated project objectives of that Ministry or Department while complying with the performances standards.

• Review and monitor regularly the performance of the programmes and projects assigned to his Ministry to determine whether the stated objectives are achieved.

• Be responsible for preparation of expenditure and other statements relating to his Ministry or Department as required by regulations, guidelines or directives issued by Ministry of Finance.
• Shall ensure that his Ministry or Department maintains full and proper records of financial transactions and adopts systems and procedures that will at times afford internal controls.

• Shall ensure that his Ministry or Department follows the Government procurement procedure for execution of works, as well as for procurement of services and supplies and implements it in affairs, equitable, transparent and cost-effective manner.

3.2 Internal Audit Wing’s Coverage

The Controller General of Accounts (CGA) has the responsibility for establishing and maintaining a technically sound accounting system in the departmentalised accounting offices and towards this, to establish an efficient internal audit set up in the Ministry. The scope of internal audit function as prescribed by the CGA is codified in the Civil Accounts Manual and the Inspection Code issued by his office. The Internal Audit Wing, headed by the Chief Controller of Accounts and working under the overall supervision of the Financial Adviser in the Ministry/Department assist the secretary in the discharge of this responsibility. The following are under the jurisdiction of the Internal Audit Wing of the concerned Ministry/Department.

• The Principal Accounts Office (Pr. AO).

• Pay and Accounts Office (PAO).

• Offices of the Drawing and Disbursing Officers (DDOs) in Ministry/Department, Indian Missions and other Government of India offices abroad.

• The implementing agencies for various schemes and programmes of the Ministry/Department.

• Accounts of all grantee institutions are open to inspection by CAG and internal audit by Pr. Accounts office of Ministry/Department, whenever the institution is called upon to do so and a provision to this effect should invariably be incorporated in all orders sanctioning grant in aid.

3.3 Mandate of Internal Audit

The requirements for Internal Audit should be detailed in a clearly defined audit mandate. The Internal Audit Charter formally documents the audit mandate and the powers granted to it to achieve the stated objectives. The charter defines the framework within which internal audit operates, establishes the functional and administrative reporting of internal audit, establishes the position of internal audit within the Ministry and serves as the foundation for the Annual Audit Plan. A carefully developed audit mandate and charter are critical for establishing an effective internal audit function and defining its duties.
A model internal audit charter could be as follows:

**Annual Audit Plan:** The internal audit function is a key component of Public Financial Management within each Ministry/Department. Historically, this function has confined itself to merely ensuring that accounting and related records were properly maintained and the expenditure by spending agencies was made in compliance to laws, rules and regulations. This concept has undergone a sea change and the move towards a risk-based approach to internal audit is a paradigm shift. The planning is an important aspect of every project and similarly of performing the internal audit function to achieve the objective. In this regard the guidelines from O/o Controller General of Accounts have been issued from time to time which includes recommendations for utilising 60% of working days for risk-based internal audit of schemes and 40% of working days for compliance/regulatory audit. The planning for compliance/regulatory audit or risk-based internal audit should be made on risk-based approach. To facilitate smooth conduct of Internal audit engagements, Annual Audit Plan should be finalised by 15 January every year and a copy of the same should be endorsed to the internal audit division, O/o Controller General of Accounts by 15 February.

By 15 January every year, Internal Audit Wing would submit an Annual Audit Plan, for the next financial year, through the financial advisor to the audit committee and thereafter perform the audits approved by the audit committee, in the manner defined in the audit manual. Annual Audit Plan would be based on the risk assessments carried out by the divisions and take into account issues derived from the current audit strategy that is approved by the audit committee. Wherever the divisions have not completed the risk identification and categorisation exercise, the chief audit executive may make his/her own assessment in this regard and explain the same in the Annual Audit Plan. A copy of approved Annual Audit Plan should be sent to O/o Controller General of Accounts by 15 March every year.

**Reports:** All audit reports should be prepared within one week and issued immediately after the approval of chief audit executive of the Ministry/Department. Reports, which have significant issues, would be circulated with the approval of vice-chairman of the audit committee. Also, summary of major observations on the basis of work done by the internal audit parties during a financial year would be brought out in the Annual Audit Review for the Ministry/Department and would be submitted to the chairperson of the audit committee. This Annual Audit Review should also be submitted to the office of Controller General of Accounts in the prescribed format by 31 May. The programme divisions would be required to take follow-up actions on the audit report and significant non-compliance would be brought to the notice of the audit committee for adequate action. Reports would be addressed to head of department with endorsement to concerned entity of the Ministry/Department.

**Access:** Internal audit would have unfettered access to all officers, buildings, information, explanations and documentation required to discharge the audit responsibilities in a comprehensive and effective manner.

**Independence:** Independence of Internal Audit Wing of the Ministry/Department would be ensured by providing a clear mandate to it. The performance of internal audit would also be periodically reviewed by Pr. CCA/CCA/CA. Results of this assessment will be shared by chief audit executive with the audit committee in the Ministry/Department.
**Organisation Structure of Internal Audit Wing:** The internal audit function would be headed by a Principal Chief Controller of Accounts/Chief Controller of Accounts/Controller of Accounts, who will function as a Chief Audit Executive (CAE) in the Ministry/Department. Chief audit executive would report to the secretary of the Ministry/Department through financial advisor of the Ministry/Department. Functionally, internal audit would report to an audit committee chaired by secretary of the Ministry/Department, with financial advisor of the Ministry/Department being its vice-chairman and chief audit executive (or an officer nominated by him) as its member secretary. Audit committee would also have other division heads/members from finance wing to provide inputs for the function.

**Independence of Internal Audit Function:** The Institute of Internal Auditors (IIA) defines that the Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence to effectively carry out the responsibilities of the internal audit activity, the chief audit executive (Pr. CCA/CCA/CA in case of Central civil ministries/Departments) has direct and unrestricted access to senior management and the board. This can be achieved through a dual reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional and organisational levels.

In order to maintain the requisite technical standards of accounting in the Departmentalised Accounting offices, the O/o Controller General of Accounts has the powers to inspect the offices with a view to ensuring that accounts are maintained accurately, comprehensively and in a correct manner. For this purpose, an Inspection Wing (Internal Audit Division) has been set in the office of Controller General of Accounts. The Internal Audit Division is structured in three sections viz. (i) Centre of Excellence (ii) Planning and co-ordination and (iii) Inspection Wing.

Government entities must establish protections to ensure that internal audit activities are empowered to report significant issues to appropriate oversight authorities. Safeguarding auditor independence is particularly needed when the IAW reports to officials who may also be held accountable for any significant problems. Examples of such protections include statutory requirements that:

- Prevent the audited Ministry/Department from interfering with the conduct of audit work, staffing of the audit activity and publication of the audit report.

- Ensure the CAE reports to the highest executive level in the Government entity and that report distribution requirements ensure the transparency of audit results.

- Require that completed audit reports are made available to the public.
**Role of Audit Committee:** Audit committee would supervise the overall functioning of Internal Audit Wing of the Ministry/Department and establish priorities for its functioning. It would approve the Internal audit charter, provide the strategic direction and facilitate availability of resources for effective discharge of responsibilities of the internal audit practice in the Ministry/Department. It would specify the areas, which may be taken up for audit as part of work programme of the relevant financial year. Audit committee would have an oversight over the functioning of internal audit of the Ministry/Department and all the major and significant audit observations would be presented to the committee. It would deliberate on modalities to resolve key audit issues brought out by the Internal Audit Wing of the Ministry/Department including resolution of outstanding issues. The committee would also evaluate performance of Internal Audit Wing and offer guidance, as may be necessary, to improve its functioning and effectiveness.

**Internal Audit Management Team:** Each Ministry/Department should also have an Internal Audit Management Team for a closer supervision of the internal audit function of the Ministry/Department and to ensure quality assurance in audit engagements. The internal audit management team would be headed by chief audit executive and would comprise key functionaries of the accounts and audit wings of the Ministry/Department. This would also serve as a forum for discussion and cross-fertilisation of ideas to improve the quality of internal audit. The management team would meet regularly to discuss execution of approved Annual Audit Plan of the Ministry/Department, coordinate the work programme of different audit teams and also to decide upon the approach to various audits. Guidance and advisories to the audit teams would be issued by the management team as may be required. The management team may also discuss and decide upon ways to improve performance of internal auditors in the individual audit engagements.

**Audit Teams and Staff:** The audit teams would comprise regular internal audit staff posted in the Internal Audit Wing of the Ministry/Department, staff from Pay and Accounts Offices not directly involved with payment and accounting of the audited unit, such other officials of the Ministry/Department who may be considered necessary and consultants who may be hired as appropriate and necessary to deliver the audit programme. Teams would conduct internal audit as per the approved programme. No auditor should audit his own decision nor should he be involved in audit of a unit where he may have worked within the past one year.

**Types of Audit Services:** The Internal Audit Wing of the Central Civil Ministries/Departments would undertake Assurance Engagements as per the overall directions of the Audit Committee. Besides, the Internal Audit Wing of the Ministry/Department would take special audit engagements with defined Terms of reference given by the executive wing of the Ministry/Department. These special engagements would be intimated to the audit committee in the next meeting of the committee.

### 3.3.1 Internal Audit Charter:

Rule 70 of the GFR 2017 delineates the responsibility for sound financial management to the Secretary of the Ministry/Department and states that being the chief accounting authority, s/he shall ensure that his Ministry or Department maintains full and proper records of financial transactions and adopt systems and procedures, that will, at all times afford better internal controls. In pursuance of these changes, the charter of financial advisors has also been revised in 2006. The revised charter stipulates that Internal Audit Wings working under the control and supervision of CCAs/ CAs would move beyond compliance/regulatory audit and focus on:-
i) The appraisal, monitoring and effectiveness of individual schemes;

ii) Assessment of adequacy and effectiveness of internal controls in general, and soundness of financial systems and reliability of financial and counting reports in particular;

iii) Identification and monitoring of risk factors (including those contained in the outcome budget);

iv) Critical assessment of economy, efficiency and effectiveness of service delivery mechanism to ensure value for money; and

v) Providing an effective monitoring system to facilitate mid-course corrections.

The above revised charter would be carried out as per the guidelines issued by the CGA from time to time. Hence internal audit wings are expected to focus on efficiency and effectiveness in Government operations and proper management of public resources. Further, the revised charter has augmented the scope of internal audit, from merely ascertaining whether the rules and regulations have been followed and procedures in accounting and financial matters complied with to include appraisal and evaluation of individual schemes, assessment of adequacy of internal control, monitoring of risk factors, efficiency etc. The detailed manual of each Ministry/Department should have an internal audit charter, which is approved by the audit committee.

The mandate of internal audit would include examination and evaluation of all aspects of functioning of the spending units and would not be limited to compliance audit only. It would help in identification and monitoring of risk factors and carry out a critical assessment of economy, efficiency and effectiveness of service delivery mechanism to ensure value for money and assist financial advisers in the appraisal, monitoring and evaluation of individual schemes.

The audit plan would concentrate on extensive coverage of the high risk areas and set up its audit priorities and coverage based on risk assessment and available resources. Internal audit would thus provide an effective monitoring system to facilitate mid-course corrections.

Refer the Guidelines on Internal Audit in the CGA’s Draft Handbook on Internal Audit relating to the Role of Pr.CCA/CCA/CA in their capacity as CAE, Guideline No. 14 (given in Unit 2) states that “The Pr. CCA/CCA/CA in their capacity as CAE, must effectively manage the Internal Audit Wing to ensure it adds value to the organisation.”

The PR. CCA/CCA/CA in their capacity as CAE will perform all the activities as head of the Internal Audit Wing (IAW) at the Ministry. These are, planning the internal audit, communication and approval of the plans, resource management, laying down the policies and procedures for the IAW, coordination, and reporting to the senior management and audit committee and quality assurance.

Effectively managed-The Internal Audit Wing is effectively managed when it achieves the purpose and responsibility included in the internal audit charter, conforms to the internal audit policies as per the CGA Generic Manual and regularly considers the trends and emerging issues that could impact the achievement of the Ministry’s objectives.

Adds value: - The internal audit activity adds value, when it considers the Ministry’s strategies, objectives and risks, strives to offer ways to evaluate and enhance governance, risk management and control processes and objectively provides relevant assurance.
Proficiency:- The Pr. CCA/CCA/CA in their capacity as CAE. The CAE demonstrates proficiency when he/she is sought upon by senior Ministry officials to discuss risks and controls, frame objectives for data analytics, identify ways to strengthen organisational governance and known for bringing objectivity to discussions/advice.

3.3.2 Audit Committee:

To provide an effective oversight mechanism for functioning of the Internal Audit Wings in individual ministries, an audit committee should be constituted in each Ministry. Secretary of the Ministry/Department would chair the audit committee, the other members would include financial advisor (vice-chairperson), Chief Controller of Accounts/Controller of Accounts (convener/member secretary) and programme division heads as members. Subject experts may also be associated wherever necessary. The alternative could be to enlarge the mandate of existing Standing Audit Committees to include oversight and stewardship of the internal audit function as one of its responsibilities. Internal audit contributes to improved governance by reporting critical internal control problems, suggesting questions or topics for the audit committee’s meeting agendas, and coordinating carefully with the external auditor and management to ensure the committee received effective information.

Audit Committee in Ministry/Department

<table>
<thead>
<tr>
<th>Secretary (Chairperson)</th>
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</thead>
<tbody>
<tr>
<td>Financial Adviser (vice-chairperson)</td>
</tr>
<tr>
<td>Chief Controller of Accounts (Convener/Member Secretary)</td>
</tr>
</tbody>
</table>

The terms of reference of the audit committee should include:

- Ensure development of an effective system of risk management within the Ministry and ensure that, this system supports the controls which, in turn provide a reasonable expectation of achieving the organisations objectives;
- Supervise the overall functioning of Internal Audit Wing of the Ministry and establish priorities for its functioning;
- Provide the strategic direction and facilitate availability of resources for effective discharge of responsibilities of the Internal Audit Wing of the Ministry;
- Approve the internal audit charter and establish the role, responsibility and structure of internal audit function within the Ministry;
- Approve the annual internal audit plan;
- Evaluate performance of the Internal Audit Wing of the Ministry and offer guidance as may be necessary, to improve its functioning and effectiveness;
- Ensure that internal audit observations and suggestions are implemented by audited units to improve efficiency in operations and compliance with rules and procedures;
- Determine modalities to resolve key audit issues brought out by the Internal Audit Wing of the Ministry.

The internal audit function should have a formal reporting relationship with the audit committee. The Chief Audit Executive (Pr. CCA/CCA/CA) should put up a quarterly review of the internal audit function before the audit committee which would take up significant issues with the concerned divisions both in writing and in review meetings organized for this purpose.
Audit Committee may also assign special audits to the chief audit executive (CAE) of the Ministry and may direct that, for such audits CAE would report directly to the audit committee within a prescribed time-frame.

Refer the Guidelines on Internal Audit in the CGA’s Draft Handbook on Internal Audit relating to the REPORTING BY THE PR. CCA/CCA/CA IN THEIR CAPACITY AS CAE TO THE SECRETARY, INTEGRATED FINANCIAL ADVISOR and AUDIT COMMITTEE (given in Unit 2) wherein “The Pr. CCA/CCA/CA in their capacity as CAE must report regularly to the Integrated Financial Advisor and periodically to secretary and audit committee on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan and on its conformance with the internal audit policies in the CGA Generic Manual. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of management / audit committee.”

The Pr. CCA/CCA/CA in their capacity as CAE’s reporting and communication to management / audit committee must include information about:

- The audit plan.
- Independence of the internal audit activity.
- The audit plan and progress against the plan.
- Resource requirements.
- Results of audit activities.
- Conformance with the internal audit policies as per the CGA manual and action plans to address any significant conformance issues.
- Management’s response to risk that in the chief audit executive’s judgement may be unacceptable to the Ministry.

3.4 Internal Audit Management Team

The Ministry should also have an Internal Audit Management Team for a closer supervision of the internal audit function of the Ministry and to ensure quality assurance in audit engagements. The management team would be headed by chief audit executive and would comprise key functionaries of the accounts and audit wings of the Ministry. This would also serve as a forum for discussion and cross-fertilisation of ideas to improve the quality of internal audit. The management team would meet regularly to discuss execution of approved annual audit plan of the Ministry, coordinate the work programme of different audit teams and also to decide upon the approach to various audits. Guidance and advisories to the audit teams would be issued by The Management Team as may be required. The management team may also discuss and decide upon ways to improve performance of internal auditors in the individual audit engagements.

3.5 Audit Teams and Staff

The audit teams would comprise regular internal audit staff posted in the Internal Audit Wing of the Ministry, staff from pay and accounts offices not directly involved with payment and accounting of the audited unit, such other officials of the Ministry who may be considered necessary and consultants who may be hired as appropriate and necessary to deliver the audit programme. Teams would conduct internal audit as per the approved programme. No auditor should audit his own decision nor should he be involved in audit of a unit where he may have worked within the past one year.
3.6 Responsibilities of Internal Audit Wings in Government Ministries

The primary function of internal audit is to verify the accuracy and completeness of accounts. As such it is more important that all prescribed audit checks, however routine they may be, are regularly applied. It is the general experience that more serious irregularities or defalcations are discovered as a result of the proper application of the routine checks than otherwise. The main responsibilities and duties of the Internal Audit Wings in the Government Ministries include the following:

i. Study of accounting procedures prescribed for the Department with a view to ensuring that they are correct, adequate and free from any defects or lacunae.

ii. Watch over the implementation of the prescribed procedures and the orders issued from time to time.

iii. Scrutiny and check of payments and accounting work of the accounting units.

iv. Investigation of important arrears in accounting and other concerned records.

v. Coordination with other Ministries and CGA regarding internal audit procedures.

vi. Periodical review of all account records.

vii. Pursuance/settlement of objections taken in test audit notes issued by statutory audit officers and other matters relating to statutory audit.

viii. To examine and report on points or irregularities brought to its notice by the Principal Accounts Office/PAOs.

ix. To prepare an annual plan of internal audit each year.

x. To prepare the quarterly tour programme of the inspecting officers on the basis of the annual plan and to issue intimation to the officers concerned. Deviation from the tour programme, if any, should be got approved beforehand.

xi. To watch the progress of the inspection done by field parties and to ensure that approved programme are followed.

xii. To issue the inspection report normally within 15 days of the date of completion of the audit of the office to which it pertains. The audit reports so issued shall be approved by CA/CCA.

xiii. To pursue the inspection reports and ensure the settlement of objections included in reports.

xiv. To prepare annual review of the audit reports and submit the same to the O/o the CGA and the Chief Accounting Authority in the month of May of the following year to which the annual review pertains.

xv. To attend all general questions relating to internal audit organisation.

xvi. To keep the manual of internal audit up-to-date.

xvii. To submit the various reports.

xviii. To keep a register of files and cases in accordance with the instructions issued.

xix. To pursue and settle objections included in the test audit notes of statutory audit. For this purpose a register will be maintained, setting apart separate folios for each DDO, to keep a watch over the progress of settlement of audit objections. As regards the test audit notes already issued by the statutory audit parties, the details of objections, awaiting settlement will also be obtained from the concerned PAOs.
and DDOs through internal audit parties and entered in the said register for further pursuance. The progress made towards the settlement of outstanding objections will be reviewed monthly and appropriate further action taken to ensure their speedy settlement. The compliance of the objections reported to have been made by the PAOs as well as DDOs be verified during next internal audit of concerned office. The register will also be produced to Statutory Audit Parties, whenever, asked for, for verification of settlement of objections raised.

In public expenditure management system, it is necessary that there is a system of “Checks and Balances” to ensure that the executives are discharging their duties efficiently and effectively, which in other words would mean cost-effectiveness and efficiency in government activities. Internal audit in Government is thus expected to play a significant role in improving the following:-

a. Quality of public expenditure
b. Proper implementation of rules and procedures
c. Maintenance of proper records
d. Accuracy in expenditure reporting
e. Efficiency and economy in public expenditure
f. Propriety of expenditure
g. Effectiveness of expenditure
h. Proper realisation, accounting and reporting of revenue receipts

Thus the internal audit in Government can play a significant role in assisting the heads of departments (HOD) to achieve their aims and objectives. Internal audit is therefore, considered as an integral part of the management.
1. The revised charter, India rule 70 of the GFR 2017 specifies that internal audit wings (laws) would focus on:

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

2. Constitution of audit committee includes:

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

3. Audit teams would comprise

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

4. Name key responsibility of the law

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

5. What are the main objectives of ministries/ departments in Government of India?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
6. State any three points which should be included in terms of reference of audit committee.
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

7. List five areas in Government which internal audit is expected to improve.
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

8. What are the functions of the secretary/chief accounting authority of the ministry/department?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

9. List the offices under the jurisdiction of the law
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

10. A carefully developed audit mandate and charter are critical of_________ and ____________

11. _________________ are responsible for maintaining an adequate system of internal controls to manage risks, which may adversely impact achievement of objectives.
4.1 Introduction

Internal Control is a process effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance that the following general objectives relating to operations, reporting and compliance are being achieved:

- fulfilling accountability obligations;
- complying with applicable laws and regulations;
- executing orderly, ethical, economical, efficient and effective operations; and

safeguarding resources against loss, misuse and damage. “Simply defined, internal control is the process by which an organisation governs its activities to effectively and efficiently accomplish its mission.” – INTOSAI

As per COSO, Internal Control is a process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives.

In simple terms, internal controls are activities and safeguards that are put in place by a Ministry to ensure that its activities are proceeding as planned. Internal controls are essential for good governance.

The objectives of internal control are three-fold:

a) Operations: Operations objectives relate to achieving the entity’s mission. Appropriate objectives include improving (i) financial performance (ii) productivity (iii) quality (iv) innovation and (v) customer satisfaction. Operations objectives also include safeguarding of assets;

b) Reporting: Objectives relate to financial and non-financial reporting and internal or external reporting; and

c) Compliance: Objectives relate to laws, rules and regulations that set minimum standards of conduct.
4.1.1 Fulfilling Accountability Obligations:
Accountability is the process whereby public service bodies and the individuals within them are held to account for their decisions and actions including their stewardship of public funds, fairness, and all aspects of performance. This will be realized by developing and maintaining reliable and relevant financial and non-financial information and by means of a fair disclosure of that information in timely reports to internal as well as external stakeholders.

Non-financial information may relate to the economy, efficiency and effectiveness of policies and operations (performance information), and to internal control and its effectiveness.

4.1.2 Complying with Laws and Regulations:
Government Ministries are required to follow many laws and regulations. Examples include the Constitution, Finance Act, International treaties, laws and regulations on proper administration, accounting law, environmental protection and civil rights law, tax laws, anti-corruption law.

4.1.3 Executing Orderly, Ethical, Economical, Efficient and Effective Operations:
The Ministry’s operations should be orderly, ethical, economical, efficient and effective.

‘Orderly’ means in a well-organised or methodical way.

‘Economical’ means not wasteful or extravagant. It means getting the right amount of resources of the right quality delivered at the right time and place at the lowest cost.

‘Effective’ refers to the accomplishment of objectives or to the extent to which the outcome of an activity match the objectives or the intended effects of that activity.

‘Efficient’ refers to the resources used to achieve the objectives. It means the minimum resource inputs to achieve a given quantity and quality of output, or a maximum output with a given quantity and quality of resource inputs.

‘Ethical’ relates to moral principles. The importance of ethical behaviour and prevention and detection of fraud and corruption in the public sector has become more emphasised since the nineties. General expectations are that public servants should serve the public interest with fairness and manage public resources properly. Citizens should receive impartial treatment on the basis of legality and justice. Therefore, public ethics is a prerequisite to, and underpins public trust and is a keystone of good governance.

4.1.4 Safeguarding of Resources Against Loss, Misuse and Damage:
(i) The significance of safeguarding the resources in the public sector needs to be stressed. This is due to the fact that budgetary accounting or accounting on cash basis, which is still widespread in the public sector, does not provide sufficient assurance related to the maintenance of records of the resources. As a result, the
Ministry does not always have a record of all their assets, which makes them more vulnerable. Therefore, controls should be embedded in each of the activities related to the management of resources of the entity, from the entry until the disposition.

(ii) Other resources such as information, source documents and accounting records are also in danger of being stolen, misused or accidentally destroyed. Safeguarding such resources and records has become increasingly important since the arrival of computer systems. Sensitive information stored on computer media can be destroyed, copied, distributed and abused if care is not taken to protect it.

4.2 Types of Internal Controls:

- Preventive: Prevents or minimises errors/irregularities from occurring. For example: segregation of duties, dual cheque signing authority, purchase policy.
- Detective: Highlight errors or irregularities after they have occurred. For example: bank reconciliation, audit, physical verification of fixed assets.
- Reconstructive: Effective back-up and disaster recovery plans. For example: Disaster Recovery Procedures.

4.3 Need for Internal Controls in Government:

The size and scale of government operations calls for effective internal controls over its activities. Internal controls help strengthen the public accountability of government and help balance the competing demands of delivering a responsive and quality service to the community while recognising fiduciary responsibilities and maintaining standards of probity, prudence and ethics.

4.4 Internal Control Framework

Committee of Sponsoring Organisations (COSO) has developed an internal control framework that is widely accepted across organisations and countries, the world over. The key concepts of COSO framework include:
4.4.1 Relationship between Objectives and Components

The relationship between objectives and components of internal control can be depicted with the help of the COSO Cube as given in the figure on the next page. As per COSO:

(1) There is a direct relationship between the objectives, which represent what a Ministry strives to achieve, and the internal control components, which represent what is needed to achieve them. The relationship is depicted in a three dimensional matrix, in the shape of a cube. The three objectives – accountability, compliance, and operations – are represented by the vertical columns, the five components are represented by horizontal rows, and the Ministry and its departments are depicted by the third dimension of the matrix.

(2) Each component row “cuts across” and applies to all three objectives. For example, financial and non-financial data generated from internal and external sources, which belong to the information and communication component, are needed to manage operations, to report and fulfil accountability purposes, and to comply with applicable laws.

(3) Similarly, looking at the objectives, all five components are relevant to each objective. Taking one objective, e.g. effectiveness and efficiency of operations, it is clear that all five components are applicable and important to its achievement.

(4) Internal control is not only relevant to an entire Ministry but also to an individual department of such ministry. This relationship is depicted by the third dimension, which represents entire Ministries and departments. Thus, one can focus on any of the matrix’s cells.

(5) The five components of internal control are briefly explained in the subsequent paragraphs.
(A) Control Environment: Internal controls are thus continuous processes, and not isolated efforts or events, which provide a reasonable assurance that controls are in place to mitigate identified risks. According to the COSO Framework, everyone in a Ministry/Department has responsibility for internal control to some extent. Virtually all employees produce information used in the internal control system or take other actions needed to affect control. The commitment of people in the Ministry, especially those at the top, is critical to implementation of internal controls within the Ministry. This control environment sets the tone and includes integrity, ethical values of the individuals and of the Ministry as a whole.

(1) Control environment means the overall attitude, awareness and actions of Ministry regarding the internal control system and its importance in the Ministry.

(2) The control environment is the foundation for the entire control system. It provides the discipline and structure as well as the climate which influences the overall quality of internal control. It has overall influences on how objectives and strategy are established, and control activities are structured.

(3) The control environment sets the tone of a Ministry, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure.

(4) Elements of the control environment are:
   • the personal and professional integrity and ethical values of the Ministry, including a supportive attitude towards internal control;
   • commitment to competence;
   • the “tone at the top” i.e. management philosophy and operating style;
   • organisational structure;
   • assignment of authority and responsibility, and
   • human resource policies and practices.

(B) Risk assessment:

(1) This refers to the process of identifying and analysing relevant risks which threaten achievement of the Ministry’s objectives and determining the appropriate response. As stressed in the definition, internal control can provide only reasonable assurance that the objectives of the Ministry are being achieved. Risk assessment, as a component of internal control, plays a key role in the selection of the appropriate control activities to undertake.

(2) Elements of risk assessment are:
   • risk identification;
• risk evaluation (assessing the likelihood and significance of the risk and then categorising the risk as high, medium or low), and
• risk acceptance (understanding and defining the level of risk, the Ministry is able to live with).

This is important because control activities designed to mitigate risks have a cost and hence it may sometimes be prudent to live with a risk — since the costs of eliminating these risks may be much more than the benefits which are likely to accrue from these efforts.

(3) Consequently, setting objectives is a precondition to risk assessment. Objectives must be defined before the risks to achievement of these objectives can be identified and necessary actions need to be taken to manage the risks. That means, having in place, an on-going process for evaluating and addressing the impact of risks in a cost-effective way and having staff with the appropriate skills to identify and assess the potential risks.

(C) Control Activities: Control activities are the policies and procedures established and executed to address risks and to achieve the Ministry’s objectives.

To be effective, control activities need to:
• be appropriate (that is, the right control in the right place and commensurate to the risk involved);
• function consistently according to plan throughout the period (that is, be complied carefully by all employees involved and not bypasses when key personnel are away or the workload is heavy).
• be cost-effective (that is, the cost of implementing the control should not exceed the benefits derived);
• be comprehensive, reasonable and integrated into the overall organisational objectives.

Control activities include a range of policies and procedures as indicated below:

(i) Authorisation and approval procedures: Authorising and executing transactions and events should be only done by persons acting within the scope of their authority. Authorisation is the principal means of ensuring that only valid transactions and events are initiated as intended. Authorisation procedures, which should be documented and clearly communicated to managers and employees, should include the specific conditions and terms under which authorisations are to be made. Conforming to the

Indicators of weak controls:

- Government policies set out in Acts, Rules, Statutes and Regulations, etc. (weak control; policies poorly understood/improperly followed)
- Employees’ codes of conduct (weak control, violation of codes)
- Clear systems like budget, treasury, etc. (weak control, wrong budgetary assumptions, inadequate treasury control, etc.)
- Identification and control of internal and external risk factors (personnel policy, economic changes, calamities, etc.) (weak control: potential or real risk factors not controlled)
- Cost-benefit analysis of major activities (weak controls absence of CBA)
- Commitment to change (weak controls a rigid system not responding to change)
terms of an authorisation means that employees act in accordance with directives and within the limitations established by Ministry.

(ii) **Segregation of duties (authorising, processing, recording, reviewing):** To reduce the risk of error, waste, or wrongful acts and the risk of not detecting such problems, no single individual or section should control all key stages of a transaction or event. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist. Key duties include authorising and recording transactions, processing, and reviewing or auditing transactions. Collusion, however, can reduce or destroy the effectiveness of this internal control technique. A small department may have too few employees to fully implement this technique. In such cases, the Ministry must be aware of the risks and compensate with other controls. Rotation of employees may help ensure that one person does not deal with all the key aspects of transactions or events for an undue length of time. Also, encouraging or requiring annual holidays may help reduce risk by bringing about a temporary rotation of duties.

(iii) **Controls over access to resources and records:** Access to resources and records is limited to authorised individuals who are accountable for the custody and/or use of the resources. Restricting access to resources reduces the risk of unauthorised use or loss to the government and helps to achieve objectives. The degree of restriction depends on the vulnerability of the resource and the perceived risk of loss or improper use, and should be periodically assessed. When determining an asset’s vulnerability, its cost, portability and exchangeability should be considered.

(iv) **Verifications:** Transactions and significant events are verified before and after processing. e.g. when goods are delivered, the number of goods supplied is verified with the number of goods ordered. Afterwards, the number of goods invoiced is verified with the number of goods received. The inventory is verified by performing physical stock verification.

<table>
<thead>
<tr>
<th>Indicators of weak controls:</th>
</tr>
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<tbody>
<tr>
<td>• Reviews of performance against objectives (weak controls absence of reviews)</td>
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<tr>
<td>• Documentation of activities (weak controls absence of proper documentation)</td>
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<tr>
<td>• Prescription of performance indicators (weak controls lack of performance indicators)</td>
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<tr>
<td>• Key reconciliations like basic reconciliation, cash reconciliation, asset reconciliation, etc.) (weak controls, erratic or non-reconciliation)</td>
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(v) **Reconciliations:** Records are reconciled with the appropriate documents on a regular basis, e.g. the accounting records relating to bank accounts are reconciled with the corresponding bank statements.

(vi) **Reviews of operating performance:** Operating performances are reviewed against a set of standards on a regular basis, assessing effectiveness and efficiency.
(vii) **Review of operations, processes and activities:** Operations should be reviewed. This type of review of the actual operations of a Ministry is different from the monitoring of internal controls.

(viii) **Supervision (assigning, reviewing and approving, guidance and training):** Competent supervision ensures that internal control objectives are achieved. Assignment, review, and approval of an employee’s work encompass:

- Clearly communicating the duties, responsibilities and accountabilities assigned to each staff member;
- Systematically reviewing each member’s work to the extent necessary;
- Approving work at critical points to ensure that it flows as intended.

Delegation of work should not diminish the accountability of person delegating the work. Superiors also provide their subordinates with the necessary guidance and training to help ensure that errors, waste, and wrongful acts are minimised and that directives are understood and achieved.

The above mentioned list is exhaustive but enumerates the most common preventive and detective control activities.

Once a control activity is implemented, it is essential that assurance about its effectiveness is obtained. Moreover, it must be clear that control activities form only a component of internal control. They should be integrated with the components of internal control.

(ix) **Information Technology Control Activities:**

1. As information technology has advanced, Ministries have become increasingly dependent on computerised information systems to carry out their operations and process, maintain, and report essential information. As a result, the reliability and security of computerised data and of the systems that process, maintain, and report these data are a major concern to the Ministry and its auditors.

2. The use of automated systems to process information introduces several risks that need to be considered by the Ministry. These risks arise, inter alia, from:

- Uniform processing of transactions;
- Information systems automatically initiating transactions;
- Increased potential for undetected errors;
- Existence, completeness, and volume of audit trails;
- The nature of the hardware and software used; and recording of unusual or non-routine transactions.

For example, an inherent risk from the uniform processing of transactions is that any error arising from computer programming problems will occur consistently in similar transactions. Effective information technology controls can provide the Ministry with reasonable assurance that information processed by its systems meets desired control objectives, such as ensuring the completeness, timeliness, and validity of data and preserving its integrity.
(3) Information systems imply specific types of control activities. Therefore information technology controls consist of two broad groupings:

- General controls; and
- Application controls

**General Controls**

(1) General controls are the structure, policies and procedures that apply to all or a large segment of an entity’s information systems and help ensure their proper operation. They create the environment in which application systems and controls operate.

(2) The major categories of general controls are:
- entity-wide security programme planning and management,
- access controls,
- controls on the development, maintenance and change of the application software,
- system software controls,
- segregation of duties, and
- service continuity.

**Application Controls**

(1) Application controls are the structure, policies and procedures that apply to separate, individual application systems, and are directly related to individual computerised applications. These controls are generally designed to prevent, detect, and correct errors and irregularities as information flows through information systems.

(2) General and application controls are interrupted and both are needed to ensure complete and accurate information processing.

(3) Because information technology changes rapidly, the associated controls must evolve constantly to remain effective.

**Some examples of control activities:**

- Segregation of duties - separating authorisation, custody, and record keeping roles.
- Authorisation of transactions - review of particular transactions by an appropriate level.
- Retention of records - maintaining documentation to substantiate transactions.
- Supervision or monitoring of operations.
- Physical safeguards - use of cameras, locks, physical barriers, etc. to protect property.
- Top-level reviews - analysis of actual versus planned, periodic and regular operational reviews, metrics, and other key performance indicators.
• IT Security controls - Controls to ensure that access to systems and data is restricted to authorised personnel, such as usage of passwords and review of access logs.

• IT application controls - Controls over information processing enforced by IT applications, such as edit checks to validate data entry, accounting for transactions in numerical sequences, and comparing file totals with control accounts.

An efficient internal control system is immensely useful to the Ministry in reducing misuse and waste of resources and facilitates the achievements of the stated goals and objectives of the Ministry/Department.

(D) Information and Communication:

Information and communication are essential to the realisation of all the internal control objectives. For example, one of the objectives of internal control in a Government Ministry is fulfilling public accountability obligations. This can be achieved by developing and maintaining reliable and relevant financial and non-financial information and communicating this information by means of a fair disclosure in timely reports. Information and communication relating to the Ministry’s performance will create the possibility to evaluate the orderliness, ethicality, economy, efficiency and effectiveness of operations. In many cases, certain information or communications have to be provided in order to comply with laws and regulations.

Information

1. A pre-condition for reliable and relevant information is the prompt recording and proper classification of transactions and events. Pertinent Information should be identified, captured and communicated in a form and time frame that enables staff to carry out their responsibilities (timely communication to the right people). Therefore, the internal control system and all transactions and significant events should be fully documented.

2. Information systems produce reports that contain operational, financial and non-financial, and compliance related information and that make it possible to run and control the operations. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to enable decision-making and reporting.

3. Ministry’s ability to make appropriate decisions is affected by the quality of information which implies that the information is:

   • Appropriate (Is the needed information thereof);
   • Timely (Is it there when required?);
   • Current (Is it the latest available?);
   • Accurate (Is it correct?);
   • Accessible (Can it be obtained easily by the relevant parties).
Communication

1. Effective communication should occur in all directions, following down, across and up in the Ministry, throughout all components and the entire structure.

2. All personnel should receive a clear message from the top that control responsibilities should be taken seriously. They should understand their own role in the internal control system, as well as how their individual activities relate to the work of others.

3. Information is a basis for communication, which must meet the expectations of groups and individuals, enabling them to carry out their responsibilities effectively.

4. One of the most critical communications channels is that between the senior officials of the Ministry and their staff. The senior officials must be kept up to date on performance, developments, risks and the functioning of internal control, and other relevant events and issues. In the same way, they should communicate to their staff what information it needs and provide feedback and direction.

5. In addition to internal communications, Ministry should ensure that there are adequate means of communicating with, and obtaining information from external parties, as external communications can provide input that may have a highly significant impact on the Ministry achieving its goals.

(E) Monitoring:

(1) Monitoring internal controls ensures that controls are operating as intended and that they are modified appropriately for changes in conditions. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of both in order to ensure that internal control achieves the desired results.

(2) Ongoing monitoring occurs in the course of normal, recurring operations of a Ministry. It is performed continually and on a real-time basis, it reacts dynamically to changing conditions and is ingrained in the entity’s operations. As a result, it is more effective than separate evaluations. Since, separate evaluations take place after the fact, problems will often be identified more quickly by ongoing monitoring routines.

Indicators of weak controls:

- Regular receipt of government orders, rules, regulations, etc., by the field formulations concerning their sphere of activity (weak controls: absence of a quick communication system)
- Regular reporting system for management control (weak controls: absence of a reporting system through periodic returns)
- A system of communication with internal audit (weak controls: internal audit not informed timely about system breaches)
(3) The scope and frequency of separate evaluations should depend primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. When making that determination, the Ministry should consider the nature and degree of changes, from both internal and external events, and their associated responses and related controls; and the results of the ongoing monitoring. Separate evaluations of control can also be useful by focusing directly on the effectiveness of the controls at a specific time. Separate evaluations may take the form of self-assessments as well as a review of control design and direct testing of internal control. Separate evaluations may also be performed by the external auditors.

(4) Usually, some combination of ongoing monitoring and separate evaluations will ensure that internal control maintains its effectiveness over time.

(5) All deficiencies found during ongoing monitoring or through separate evaluations should be communicated to the appropriate level of the Ministry to take necessary action. The term “deficiency” refers to a condition that affects an entity’s ability to achieve its general objectives. A deficiency, therefore, may represent a perceived potential or real shortcoming, or an opportunity to strengthen internal control to increase the likelihood that the entity’s general objectives will be achieved.

(6) Monitoring internal control should include policies and procedures that ensure that the findings of audits and other reviews are adequately and promptly resolved. Managers are required to:

(i) promptly evaluate findings from audits and other reviews, including those showing deficiencies and recommendations reported by auditors and others who evaluate agencies’ operations,

(ii) determine proper actions in response to findings and recommendations from audits and reviews; and

(iii) complete, within established time-frames, all actions that correct or otherwise resolve the matters brought to their attention.

(7) The resolution process begins when audit or other review results are reported to Ministry, and is only completed after action has been taken that

• corrects the identified deficiencies,
• produces improvements, or
• demonstrates that the findings and recommendations do not warrant Ministry action.

The relation between the components of internal control and objectives of internal control is shown in the following diagram.
For controls to function effectively, Ministry must receive feedback about control activities in a timely and reliable manner. Hence, communication should flow down, across and up the Ministry, through all components and the entire structure. The internal control system should also be monitored through a well-designed process of review to ensure that it functions in an optimal manner. Monitoring activities normally comprise ongoing monitoring activities and/or separate evaluations. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control is most effective when controls are “built in” and not “superimposed” on the Ministry’s systems and operations. In-built controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions. By building internal control, it becomes part of and integrated within the basic management processes of planning, executing and monitoring.

Internal control is not one vent or circumstance, but a series of actions that permeate an entity’s activities. These actions are ongoing basis. They are pervasive and inherent in the way the Ministry runs.

In the above context:

“Internal Control System means all the policies and procedures [internal controls] adopted by the Ministry to assist in achieving objective of ensuring, as far as possible, the orderly and efficient conduct of operations, including adherence to policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. The internal audit function constituted a separate component of internal control with the objective of determining whether other internal controls are well designed and properly operated.” (Refer AAS 6 issued by the ICAI)
Internal audit, itself a critical component of the internal control system, is entrusted with this review function. As is evident, like all controls, internal audit activities also entail costs and hence in keeping with overall objective of economy, efficiency and effectiveness of expenditure, the internal audit function must also be conducted with due regard to these principles.

4.5 Internal Control Evaluation:

Evaluation is the process Ministry uses to determine whether:

- The Ministry/Department will likely achieve its goals and objectives;
- The elements of the organisation’s system of internal control are functioning effectively; and
- Risks to the organisation and opportunities for improvement are being identified.

Evaluation involves periodic assessment of the Ministry’s performance compared to established expectations or measurement standards.

**Distinction between Monitoring and Evaluation:**

Monitoring involves performing daily or routine procedures- like supervision. It helps to ensure operations are in compliance with the Ministry’s system of internal control.

Evaluation involves doing periodic assessments of the Ministry’s performance compared to established expectations or measurement standards.

4.6 Means of Internal Control Evaluation:

- Questionnaire/Checklists
- Flow Charts/Narratives
- Facilitated Workshops
- Control Self Assessment
### Sample Questionnaire/Checklist:

- Have the risks the Ministry faces been assessed?
- Are control objectives identified to manage the risks?
- Have control policies and procedures been established to achieve the control objectives?
- Is there a positive control environment?
- Are the internal controls sufficient to effectively discharge responsibilities of various departments?
- Have effective internal controls been implemented throughout the Ministry/Department?
- Are the Ministry’s internal controls based on sound internal control standards?
- Is the Ministry’s internal control structure appropriate and have cost-effective control practices been implemented?
- Have the control practices been prescribed through official directives, plans, and policies?
- Is there an established means of continually monitoring the operation of the Ministry’s internal control practices?
- Does the Ministry have an understanding of the difference between internal control and audit?
- Has it been recognised that an audit function is integral to the Ministry’s internal control?
- Is there an established audit function?
- Is the independence of auditor ensured?
- Is there an established system to monitor the Ministry’s progress in implementing internal and external auditor recommendations?

### 4.7 Effected by People:

(1) Internal control is accomplished by individuals within a Ministry. Consequently, internal control is effected by people. They should know their roles and responsibilities, and limits of authority. Although the senior officials primarily provide oversight, they also have overall responsibility for the internal control system. As internal control provides the mechanism needed to help understand risk in the context of the Ministry’s objectives, the personnel will put internal control activities in place and monitor and evaluate them. Therefore, internal control is a tool used by the Ministry and is directly related to its objectives. Thus, all personnel in the Ministry play an important role in making it happen.

(2) Similarly, internal control is affected by human nature. People do not always understand, communicate or perform consistently. Each individual brings to the workplace a unique background and technical ability, and has different needs and priorities. These realities affect, and are affected by, internal control.
4.8 Internal Controls Provide only Reasonable Assurance and not Absolute Assurance

(1) No matter how well designed and operated, internal controls cannot provide an absolute assurance regarding the achievement of a Ministry’s objectives. Reasonable assurance equates to a satisfactory level of confidence under given considerations of costs, benefits and risks.

(2) Determining how much assurance is reasonable, requires judgement. In exercising that judgement, Ministry should identify the risks inherent in its operations and the acceptable levels of risk under varying circumstances, and assess risks both quantitatively and qualitatively.

(3) Reasonable assurance reflects the notion that uncertainty and risk relate to the future, which no one can predict with certainty. Also factors outside the control or influence of the Ministry can affect the ability to achieve the objectives. Limitations also result from the following realities:

- human judgement in decision making can be faulty;
- breakdowns can occur because of simple errors or mistakes;
- controls can be circumvented by collision of two or more people;
- senior officials may override the internal control system; and
- decisions on risk responses and establishing controls need to consider the relative costs and benefits.

These limitations preclude Ministry from having absolute assurance that objectives will be achieved.

(4) Reasonable assurance recognises the fact that the cost of internal control should not exceed the benefit derived. Cost refers to the financial measures of resources consumed in accomplishing a specified purpose like rupees spent and to the economic measure of lost opportunity, such as delay in operations, decline in service levels or productivity, or low employee morale. Benefit is measured by the degree to which the risk of failing to achieve stated objective is reduced. Examples include increasing the probability of detecting fraud, waste, abuse, or error; preventing an improper activity; or enhancing legal and regulatory compliance.

(5) Designing internal controls that are cost beneficial while reducing risk to an acceptable level requires that officials clearly understand that overall objectives should be achieved. Systems with excessive controls in one area of operations may adversely affect other operations. For example, employees may try to circumvent burdensome procedures, inefficient operations may cause delays, excessive procedures may stifle employee creativity and problem solving or impair the timeliness, cost or quality of services provided to beneficiaries. Thus, benefits derived from excessive controls in one area may be outweighed by increased costs in other activities.
4.9 Limitations on the Effectiveness of Internal Controls

(1) An effective internal control system, no matter how well conceived and operated, can provide only reasonable and not absolute assurance about the achievement of the Ministry’s objectives or its survival. It can give information about the Ministry’s progress, or lack of it, towards the achievement of the objectives. But internal control cannot change an inherently poor personnel into a good one.

(2) An effective system of internal control reduces the probability of not achieving the objectives. However, there will always be the risk that internal controls fail to operate as designed.

(3) Because internal control depends on the human factor, it is subject to flaws in design, errors of judgement or interpretation, misunderstanding, carelessness, fatigue, distraction, collusion, abuse or override.

(4) Shifts in government policy or programmes, demographic or economic conditions are typically beyond management’s control.

4.10 The Role of Internal Audit in Internal Control

(1) Internal audit is a very important component of internal control. Internal auditors examine the effectiveness of internal control and recommend improvements, but they do not have primary responsibility for establishing or maintaining it.

(2) To achieve effective internal control, best practice requires a robust internal audit function complementary with other tools such as fraud controls, safety audit and programme evaluation. Thus, one of the principal functions of internal audit is the examination of internal control systems. Internal audit provides the senior officials, with a valuable resource to evaluate internal control systems, and to provide assurance concerning the effectiveness of control systems. Internal audit is, in effect, part of the performance monitoring process.
1. What are the three general objectives of internal control?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

2. Which is the widely accepted internal control framework?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

3. What are the five key components of internal control?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

4. List four elements of control of environment?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

5. List five control activities?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

6. What are the two groups of IT controls?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

7. Five categories of it general controls are......
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

8. Five examples of application controls......
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

9. Quality of information is implied if the information is ____________.

10. What do you mean by “tone at the top”?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
Unit 5
Introduction to Risk Management and Fraud Risk Awareness

Learning Outcomes:

✓ Risks and Controls.
✓ Risk Management.
✓ Role of Internal Audit.
✓ Internal Auditor’s Role in Risk Management.
✓ Fraud: Nature, Prevention and Detection.
✓ Fraud Indicators.

Understanding Risk

A risk is anything that could jeopardize the achievement of objectives of a Ministry. The following questions should be asked by the senior officials while formulating a Ministry-wide policy/activity. The auditors, on the other hand, while evaluating internal control need to see if such issues have been considered while formulating policies and control activities.

- What could go wrong?
- How could we fail?
- What must go right for us to succeed?
- Where are we vulnerable?
- What assets do we need to protect?
- Do we have liquid assets or assets with alternative uses?
- How could someone steal from the Department?
- How could we know whether we are achieving our objectives?
- On what information do we must rely?
- On what do we spend the most money?
- How do we bill and collect our revenue?
- What decisions require the most judgement?
- What activities are most complex?
- What activities are regulated?
- What is our greatest legal exposure?

5.1 Introduction

(Refer the relevant Guidelines on internal audit provided in Draft Handbook on Internal Audit of the CGA, given in Unit 2 of this material)

The objective is to establish controls that prevent misuse and wastage of resources and facilitate achievement of objectives of Government of India. Thus, the present system of government financial management has a mechanism in place to guide departments in their day-to-day operations.
Audits, both external and internal, have traditionally sought to report on deviations from those controls by offices and officials in performance of their duties as part of regular work. Such audits, known as Compliance Audits or Regularity Audits have thus tried to improve governance, build up the public’s trust in government and thereby strengthen democracy.

The primary difference between traditional and modern approach to Internal Audit lies in the explicit recognition of the concepts of “risks” and “controls” in modern internal audit practice.

### 5.2 Risks and Controls

Risks can be understood as the possibility of an event occurring that will have an adverse impact on the achievement of objectives. Every risk has two components, namely likelihood and impact. Hence, for the Ministry to be protected from the adverse impact of such risks, it is necessary that each risk identified is assessed and measured in terms of its impact (significance) and likelihood of occurrence (probability) and then an appropriate response is developed to address these risks.

**For analysing risks, the following questions can be asked:**

i. What can go wrong? (Risk Identification)

ii. What is the probability of it going wrong? (Risk Likelihood)

iii. What are the consequences? (Risk Impact)

Some activities are inherently more prone to risk than others, e.g. procurement activities would be more prone to risks than accounting for expenditure. Similarly, in other cases a change in circumstances may affect the risk structure, e.g. year-end expenditure may be driven by considerations to avoid lapse of budget and hence may necessitate closer monitoring of controls.

The Ministry needs to identify its own risks as well as parameters for their categorisation as High, Medium or Low. Refer Figure below for an indicative categorisation of risk likelihood. Similar categorisations would also be required for risk impact. Also refer later section on assessing risks.

<table>
<thead>
<tr>
<th>Risk Likelihood</th>
<th>How likely is the risk to occur?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High</strong></td>
<td>It is highly likely to occur.</td>
</tr>
<tr>
<td></td>
<td>Performance data shows evidence of an inability to meet the requirements.</td>
</tr>
<tr>
<td></td>
<td>The process is extremely difficult to perform.</td>
</tr>
<tr>
<td><strong>Moderate</strong></td>
<td>It is probable or likely to occur.</td>
</tr>
<tr>
<td></td>
<td>No data available to show the ability to meet requirements.</td>
</tr>
<tr>
<td></td>
<td>The process is somewhat difficult to perform.</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td>It is unlikely that the risk will occur.</td>
</tr>
<tr>
<td></td>
<td>Performance data shows evidence that the requirements will be met.</td>
</tr>
<tr>
<td></td>
<td>It is a common process and not difficult to perform.</td>
</tr>
</tbody>
</table>
5.2 Risk Management

5.2.1 Risk Identification

The first step in risk management is identification. A strategic approach can be, identifying risks against key Ministry objectives. Risks relevant to the objectives are then considered and evaluated, resulting in a small number of key risks. Identifying key risks is important in order to allocate responsibility for management of these risks.

A Ministry’s performance can be at risk due to internal or external factors at both the Ministry and activity levels. It is, therefore, important that risk identification is comprehensive.

Risk identification should be an ongoing, interactive process and is often integrated with the planning process.

5.2.2 Risk Assessment

(1) Risk assessment is the process of identifying and analysing risks relevant to the achievement of the Ministry’s objectives and determining the appropriate response. As stressed in the definition, internal control can provide only reasonable assurance that the objectives of the Ministry are being achieved. Risk assessment as a component of internal control, plays a key role in the selection of the appropriate control activities to undertake.

(2) Consequently, setting objectives is a precondition to risk assessment. Objectives must be defined before the risks to the achievement of these objectives can be identified and the necessary actions to manage the risks can be taken. That means having in place an ongoing process for evaluating and addressing the impact of risks in a cost-effective way and having staff with the appropriate skills to identify and assess the potential risks. Internal control activities are a response to risk and are designed to contain the uncertainty of outcome that has been identified.
5.2.3 Risk Evaluation

In order to decide how to handle risk, it is essential not only to identify in principle that a certain type of risks exist, but to evaluate its significance and assess the likelihood of the risk event occurring. The methodology for analyzing risks can vary, largely because many risks are difficult to quantify (e.g. risk to reputation and image) while others lend themselves to quantification (particularly financial risks). As such, risk evaluation, especially for the former is a subjective exercise. (2) One of the key purposes of risk evaluation is to inform the Ministry about areas of risk where actions need to be taken and their relative priority. Therefore, it will usually be necessary to develop some framework for categorizing all risks. Generally, such categories will be as high, medium, or low. It is better to minimize the categories, as over refinement may lead to spurious separation of levels which in reality cannot be separated clearly.

5.2.4 Risk Profile

The result of the actions outlined above will be a risk profile for the Ministry.

5.2.5 Development of Responses

After having identified and evaluated the risks, Ministries/Departments need to develop a response to either eliminate the risk or to contain it within acceptable limits i.e. manage the risk. Internal control is one of the principal means by which risk is managed. Other devices used to manage risk include the transfer of risks to third parties, sharing risks, contingency planning and the withdrawal from unacceptably risky activities. The options available at this stage are to transfer, tolerate, terminate or treat the risk.

- Obtaining insurance is an example of transferring the risk

- Risk may also be tolerated if the cost of appropriate control is so high as to outweigh the consequential benefits

- Termination of a risk may be necessitated if there is likelihood that presence of such risk may result in grave consequences or even in complete failure of the project/scheme. This may sometimes call for cessation of the activity itself - a decision not always possible in Governments because of the political and social sensitivities involved

- However, treatment of risks through appropriate control activities is often the most obvious choice. Risk assessment should play a key role in the selection of appropriate control activities to undertake.

Some risk may still remain, even after instituting necessary controls, but it may be advisable to tolerate such “residual risk” especially if the costs to eliminate these are very high and they are within acceptable limits.

Acceptable risk is a risk that is understood and tolerated usually because the cost or difficulty of implementing an effective counter measure exceeds the expectation of loss. What is “acceptable risk” is a judgement exercised by the Ministry. Since controls have associated costs, it is important to ensure that the benefits of risk reduction are greater than the cost of controls.
Since governmental, economic, industrial, regulatory and operating conditions continually change, the risk environment of a Ministry is constantly changing, and priorities of objectives and the consequent importance of risks will shift and change. An ongoing, interactive process to identify changed conditions and take actions as necessary is fundamental to risk assessment. Risk models and related controls have to be regularly revisited and reconsidered in order to have assurance that the risk profile continues to be valid, that responses to risk remain appropriately targeted and proportionate, and mitigating controls remain effective as risks change over time.

The internal audit activity must evaluate risk exposures relating to the Ministry’s governance, operations, and information systems regarding the:

- Achievement of the Ministry’s strategic objectives
- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations and programmes
- Safeguarding of assets and
- Compliance with laws, regulations, policies, procedures, and contracts.

Determining whether risk management processes are effective is a judgement resulting from the internal auditor’s assessment that:

- Ministry’s objectives support and align with its mission
- Significant risks are identified and assessed
- Appropriate risk responses are selected that align risks with the Ministry’s risk appetite and
- Relevant risk information is captured and communicated in a timely manner across the Ministry; enabling employees to carry out their responsibilities.

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the Ministry’s risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

### 5.3 Role of Internal Audit

There must be a reasonable assurance that risks, which may adversely impact the achievement of Ministry’s objectives, have been identified, assessed and have been controlled or managed within acceptable levels i.e. within the risk appetite of the Ministry. An effective internal audit mechanism is required to constantly evaluate these controls, report upon their adequacy and efficacy and ability to ensure mid-course corrections through an institutionalised follow up system.

Audits, both external and internal, have traditionally sought to report on deviations from these controls by offices and officials in performance of their duties as part of regular work. Such audits, known as Compliance or Regularity Audits have thus tried to improve governance, build up the public’s trust in Government.
The primary difference between the traditional and modern approach to Internal Audit lies in the explicit recognition of the concepts of risks and controls in modern internal audit practice.

5.4 Internal Auditor’s Role in Risk Management

Below are specified 12 key actions for Pr. CCAs/CCAs in their role as CAEs and Internal Audit Wings to consider. By focusing on these key actions, Internal Audit Wings will be better positioned to meet the growing stakeholder requirements around risk.

The Internal Audit Wings are recommended to:

a. Be advocates for the advancement of formal risk management processes in the Ministry/Department.

b. Seek opportunities to help expedite the implementation of formal risk management, and sustain it when it is already in place.

c. Strive to provide assurance on risk management as a whole, not just on individual risks.

d. When providing risk management assurance, ensure the criteria for such assurance is well understood.

e. When conducting a risk-based audit, link the scope and results to specific risks faced by the Ministry/Department.

f. Continue to increase the percentage of the audit plan focused on risk management.

g. Explore ways to integrate assurance with other internal assurance providers; combined and integrated assurance can be more effective and efficient.

h. Periodically discuss with Ministry/Department, the key risk areas to ensure internal audit’s focus aligns with that of the Ministry/Department.

i. Work with risk-related functions, where existing outside of Internal Audit Wings, to ensure appropriate leveraging and reliance on risk assessment efforts by all such functions.

j. The risk assessment should, ideally, be updated as and when risks arise and not as per specified periodicity.

k. While requests from Ministry/Department should typically be considered for an audit plan, be cautious to ensure such requests do not divert valuable internal audit resources from higher-risk areas.

Continue to grow internal audit capabilities around risk to ensure internal audit functions can meet the changing stakeholder expectations of the future in an environment that increasingly becomes complex and risky.

5.5 Fraud – Nature, Prevention and Detection

5.5.1 Definition from the IIA Glossary

Fraud is any illegal act characterised by deceit, concealment, or violation of trust. These acts are not dependent upon threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.
5.5.2 Effects of Fraud

A. Monetary losses from fraud are significant, but its full cost is immeasurable in terms of time, productivity, and reputation, including customer relationships.

b. Thus, a Ministry should have a fraud programme that includes awareness, prevention, and detection programme. It also should have a fraud risk assessment process to identify fraud risks.

5.5.3 Causative Factors of Fraud

a. Pressure or incentive is the need that the fraudster is trying to satisfy by committing the fraud.

b. Opportunity is the fraudster’s ability to commit the fraud. This characteristic is the one that the organisation can most influence, e.g., by means of controls and procedures.

c. Rationalisation is the fraudster’s ability to justify the fraud.

5.5.4 Examples of Fraud

a. Asset misappropriation is stealing cash or other assets (supplies, inventory, equipment, and information). The theft may be concealed, e.g., by adjusting records. An example is embezzlement, the intentional appropriation of property entrusted to one’s care.

b. Skimming is theft of cash before it is recorded, for example, accepting payment from a customer but not recording the sale.

c. Disbursement fraud involves payment for fictitious goods or services, overstatement of invoices, or use of invoices for personal reasons.

d. Expense reimbursement is payment for fictitious or inflated expenses, for example, an expense report for personal travel, nonexistent meals, or extra mileage.

e. Payroll fraud is a false claim for compensation, for example, overtime for hours not worked or payments to fictitious employees.

f. Financial statement misrepresentation often overstates assets or revenue or understates liabilities and expenses. Management may benefit by selling stock, receiving bonuses, or concealing another fraud.

h. Information misrepresentation provides false information, usually to outsiders in the form of fraudulent financial statements.

i. Corruption is an improper use of power, e.g., bribery. It often leaves little accounting evidence. These crimes usually are uncovered through tips or complaints from third parties. Corruption often involves the purchasing function.

j. Bribery is offering, giving, receiving, or soliciting anything of value to influence an outcome. Bribes may be offered to key employees such as purchasing agents. Those paying bribes tend to be intermediaries for outside vendors.

k. A conflict of interest is an undisclosed personal economic interest in a transaction that adversely affects the organisation or its shareholders.

l. A diversion redirects to an employee or outsider a transaction that would normally benefit the organisation.

m. Wrongful use of confidential or proprietary information is fraudulent.

n. Tax evasion is intentionally falsifying a tax return.
5.5.5 Division of Responsibilities

Control is the principal means of preventing fraud.

1) Management is primarily responsible for establishing and maintaining control.

2) Internal auditors are primarily responsible for preventing fraud by examining and evaluating the adequacy and effectiveness of control.

3) They are not responsible for designing and implementing fraud prevention controls.

4) Internal auditors are not expected to detect all fraud.

5) Internal auditors must exercise due professional care by considering, among other things, the probability of significant errors, fraud, or noncompliance.

6) Thus, internal auditors must consider the probability of fraud when developing engagement objectives.

5.6 Components of a Fraud Prevention System

a. Fraud prevention involves actions to discourage fraud and limit the exposure when it occurs. A strong ethical culture and setting the correct tone at the top are essential to prevention.

b. Overlapping control elements of a fraud prevention program are presented below and on the next page. They are based on the COSO control framework.

1) The control environment includes such elements as a code of conduct, ethics policy, or fraud policy.

2) A fraud risk assessment generally includes the following:

   a) Identifying and prioritizing fraud risk factors and fraud schemes

   b) Mapping existing controls to potential fraud schemes and identifying gaps

   c) Testing operating effectiveness of fraud prevention and detection controls

   d) Documenting and reporting the fraud risk management

3) Control activities are policies and procedures for business processes that include authority limits and segregation of duties.

The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

4) Fraud-related information and communication practices promote the fraud risk management programme and the organisation’s position on risk. The means used include fraud awareness training and confirming that employees comply with the organisation’s policies.

   a) A fraud hotline can open the channel of communication for employees to report suspected improprieties.

5) Monitoring evaluated antifraud controls through independent evaluations of the fraud risk management programme and use of it.
5.7 Responsibility for Detection

a. Internal auditors are not responsible for the detection of all fraud, but they always must be alert to the possibility of fraud.

b. An internal auditor’s responsibilities for detecting fraud include evaluating fraud indicators and deciding whether any additional action is necessary or whether an investigation should be recommended.

5.8 Fraud – Indicators

**Understanding link between weak internal control and fraud.**
Weak internal controls not only permit fraud, they actually encourage it.

**Costs of fraud:**
- Loss of public confidence in Government
- Loss of reputation of the innocent
- Punishment of fine perpetrator

**Fraud prevention:**
- Commitment to maintain good controls
- Elected officials’ support for Ministry’s commitment to controls

**How to control the fiduciary risk of fraud:**
- Follow up on adverse indicators
- Check the control documents
- Careful examination of unusual transactions
- Analytical review of transactions through sources

**Most common types of fraud:**
- Missing assets/inventory
- Pilfering
- Inflated travel claims
- Double payments
- False claims
- Payroll fraud

In short, bypassing the regulatory framework is the most common anatomy of any fraud. The audit trail will be available through control documents like cash back, stock ledger, bin cards, etc.

5.8.1. Low-Level Fraud V/s Executive Fraud

a) Fraud committed by staff or line employees most often consists of theft of property or embezzlement of cash. The incentive might be relief of economic hardship, the desire for material gain, or a drug or gambling habit. Stealing petty cash or merchandise, lapping accounts receivable, and creating non-existent vendors are common forms of low-level fraud.

Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the Ministry, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.
b) Fraud at the executive level is very different. The incentive is usually either maintaining or increasing the stock price, receiving a large bonus, or both. This type of fraud consists most often of producing false or misleading financial statements.

5.8.2 Terminology of Fraud Indicators

a. A document symptom is any kind of tampering with the accounting records to conceal a fraud. Keeping two sets of books or forcing the books to reconcile are examples.

b. Situational pressure can be personal (e.g., financial difficulties in an employee’s personal life) or organisational (e.g., the desire to release positive news to the financial media).

c. Opportunity to commit is especially a factor in low-level employee fraud. Poor controls over cash, merchandise, and other organisational property, as well as lack of compensating accounting controls, are enabling factors.

d. A lifestyle symptom is an unexplained rise in an employee’s social status or level of material consumption.

e. Rationalisation occurs when a person attributes his or her actions to rational and creditable motives without analysis of the true and especially unconscious motives. Feeling underpaid is a common rationalisation for low-level fraud.

f. A behavioural symptom (i.e., a drastic change in an employee’s behaviour) may indicate the presence of fraud. The guilt and the other forms of stress associated with perpetrating and concealing the fraud may cause noticeable changes in behaviour.

5.8.3 Procedures for Detection

The nature and extent of the procedures performed to detect fraud depend on the circumstances of the engagement, including the features of the Ministry and the internal auditor’s risk assessment. Accordingly, no text can feasibly present lists of all procedures relative to fraud. However, analytical procedures are routinely performed in many engagements. They may provide an early indication of fraud. Analytical procedures are performed to assess information collected in an engagement. The assessment compares information with expectations identified or developed by the internal auditor.

5.8.4 Some Indicators of Possible Fraud

a. Frauds and their indicators (often called red flags) take different norms:

1. Lack of employee rotation in sensitive positions such as cash handling
2. Inappropriate combination of job duties
3. Unclear lines of responsibility and accountability
4. Unrealistic sales or production goals
5. An employee who refuses to take vacations or refuses promotion
6. Established controls not applied consistently
7. High reported profits when competitors are suffering from an economic downturn
8. High turnover among supervisory positions in finance and accounting areas
9. Excessive or unjustifiable use of sole-source procurement
10. An increase in sales far out of proportion to the increase in cost of goods sold
WORK BOOK

1. The primary difference between the traditional and modern approach to internal audit lies in the recognition of _____________ and _______________ in modern internal audit.

2. What are the two components of risk?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

3. What are the three categories for likelihood and impact of risk?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

4. What is the first step in the risk management process?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

5. What are the four options to respond to a risk?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

6. Fraud is characterised by ______________, _______________ and _________________.

7. Monetary losses for fraud are significant but its full cost is ________________

8. Name the three causative factors of fraud.
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
9. Give five examples of fraud.
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

10. __________________________ is the principal means of preventing fraud.

11. Internal audit is expected to detect all frauds. (True or False)
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

12. What are internal audit’s responsibilities for detecting fraud?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

13. What are the costs of fraud?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

14. What are the most common types of fraud?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

15. Name three red flags.
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
Learning Outcomes:
How to conduct a Government Internal Audit/ Stages in Government Internal Audit:

- Planning and Preparation of Audit Engagement.
- Performing the Audit Engagement.
- Reporting and Follow-up.
- Quality in Internal Audit Reporting.
- Review of Pending Audit Issues in Audit Committee Meeting.

6.1 Introduction

The internal audit process comprises five main phases:

- Planning the audit engagement
- Preparing for Audit
- Performing the audit engagement
- Reporting upon the audit engagements and

Follow-up Action

(Refer the relevant Guidelines on Internal Audit provided in Draft Handbook on Internal Audit of the CGA, given in Unit 2 of this material)

These phases can be seen at the level of the individual audit engagements as also for the internal audit function for the Ministry.
At the individual audit engagement level, the internal auditor:

- Establishes what is going to be audited (planning).
- Gathers relevant information from internal and external sources and prepares a work programme (preparation).
- Implements the approved plan (performing).
- Communicates the results achieved (reporting) and reports on implementation of agreed improvement measures (follow up).

It should also be noted that while internal auditing consists of the above-noted phases, detailed methodology including audit programme and relevant testing may need to be tailored to a specific internal audit, e.g. information technology, finance, operations, etc. For ease of understanding, these phases can be compressed into the planning, execution and reporting phase. Further, if the primary focus of the internal auditing engagement is advisory rather than assurance, the process may be amended in consultation with the Chief Audit Executive of the Ministry.

**Planning of the audit engagements** should include preliminary survey and research about the unit to be audited. The input of senior officials and the Board is typically included in this process. Background study about the scheme/operations/activity of the audited unit will give an idea about the activities undertaken and controls present in the system and would help in deciding the focus and approach of the audit engagement. The appropriate level of testing and evaluation of Controls would be decided upon, depending on the time and resources available. Some basis for this testing exercise must also be considered and documented (Random sampling, judgemental sampling, etc.).

**The audit report or the final engagement communication** should be issued mentioning the key findings of audit. The report should be concise and bring out all significant and material observations. The findings should be supported by audit evidence which should form a part of the working papers. There should be proper indexing of working papers given as annexures to the report. Also, the audit observations included in the main body of the report and evidence mentioned in the annexure should be appropriately referenced and the cross-referenced.

**A typical internal audit assignment involves the following steps:**

1. Establish and communicate the scope and objectives for the audit to appropriate management.
2. Develop an understanding of the operational area under review. This includes objectives, measurements and key transaction types. This involves review of documents and interviews. Flowcharts and narratives may be created if necessary.
3. Describe the key risks facing the business activities within the scope of the audit.
4. Identify control procedures used to ensure each key risk and transaction type is properly controlled and monitored.
5. Develop and execute a risk-based sampling and testing approach to determine whether the most important controls are operating an intended.
6. Report problems identified and negotiate action plans with management to address the problems.

7. Follow-up on reported findings at appropriate intervals. Internal audit departments maintain
   A follow-up database for this purpose.

Duration of audit assignments vary based on the complexity of the activity being audited and internal audit resources available. Many of the above steps are iterative and may not all occur in the sequence indicated. By analysing and recommending business improvements in critical areas, auditors help the organisation to meet its objectives. In addition to assessing business processes, Information Technology (IT) Auditors also review information technology controls.

6.2 Planning and Preparing for Audit Engagements

Audit planning comprises both development of a macro plan (Annual Audit Programme) and audit plans for specific audit assignments. The plan establishes the priorities of the internal audit activity, consistent with the Ministry’s goals and objectives.

6.2.1 Annual Audit Programme

The Annual Audit Programme is developed in consultation with senior officials of the Ministry/Department after factoring in the changes in external and internal environment. To facilitate smooth conduct of audit engagements, annual audit programmes should be finalised by 15 January every year and communicated to various auditee units and other stakeholders giving sufficient notice. A copy of the annual plan should also be sent to the O/o CGA. Since it would not be possible for the Internal Audit Wings to audit all units every year, prioritisation is necessary. Risk analysis and availability of audit resources are important considerations while deciding audit priorities. Efforts should be made however to audit key activities or units every year while ensuring that other units are also covered within a defined period.

While preparing the Annual Audit Programme, it would be safe to plan for about 210 working days (after deducting weekly holidays, public holidays, eligible leave, time required for travel, preparation of reports, follow up activities, training, etc.). If previous experience suggests that special audits may also need to be undertaken, then the requirements thereof should also be factored in. An average of 10 working days may be kept for regular audits and 15-23 days for special audits. Given the number of audit teams (1 Sr.AO/AO, 2AAOs, 2 Accountants) available in the Ministry, the number of units to be audited can be decided. The parameters mentioned earlier could be used to select the units to be audited in the audit cycle covered by the Annual Audit Programme.

6.2.2 Development of Annual Audit Programme

The annual work programme outlines a prioritised list of proposed audit engagements, including the indicative audit scope for each engagement and an estimate of required resources.

6.2.3 Review and Updating of Audit Universe

The audit universe is the aggregate of all areas that are available to be audited within the Ministry/Department. To define the universe, the Ministry can be organised/segredated into auditable activities/units, which may be defined by function or activity, by organisational unit or division,
or by project or programme, etc. Some examples of auditable activities include information systems, major contracts and functions such as procurement, payment and accounting. The budgetary allocations to the units/ schemes etc., are also a consideration in deciding upon the audit universe. The audit universe should be carefully selected and emphasis should be on risk assessment and critical areas of operations of the Ministry. The annual assessment of risks within the audit universe and the identification of manageable audit engagement entities establish the internal audit priorities.

6.2.4 Risk Assessment and Prioritisation

The risk assessment process should be an elaborate exercise conducted in coordination with various executive authorities of the Ministry. This should decide upon the processes/units/ activities/schemes which should be audited. The priorities should be on the basis of risk perception and rating of the Ministry. While selecting the number of units of similar types to be audited, a random sampling technique should be used so that the selected sample is representative of the actual population. A part of judgemental sampling may also be used for selecting areas, States and/ or Districts for auditing. The risk assessment and work programme preparation process should be reviewed regularly and refined as necessary to ensure that it remains efficient and comprehensive and provides adequate documentation of key decisions. This should be decided in consultation with the Audit Committee. The detailed audit programme assigning resources for the individual audits would be decided by the Chief Audit Executive of the Ministry.

6.2.5 Identification of Processes and Areas with High Risk Rating

Based on the risk rating exercise the work programme of internal audit would be finally developed. In the initial stages, this exercise would involve substantial judgement of the auditors and executive authorities. The process would mature once risk registers are developed in the Ministries and Risk Committees are put into place and become functional and active.
6.2.6 Inclusion of Special Audit Engagements into Work Programme

Special audits, as and when assigned by the Ministry, would be undertaken by the internal audit wing as per Terms of reference given by the Ministry. The audit committee should be informed about these engagements subsequently.

6.3 Planning Individual Audits

Internal audit activities involve expenditure of public funds. Hence, it is important that each audit engagement is conducted in an economical, efficient and effective manner. Developing an audit plan for each audit engagement is the first step in this direction.

6.3.1 Planning the Audit Engagements

During this phase of the engagement, the supervisor and team members develop a good working knowledge and understanding of the business objectives, processes, operations and associated risks of the subject of the audit engagement, including recent changes in major systems. On completion of this phase, the audit team would have identified and documented the significant risks and key controls at the audit engagement level, evaluated the effectiveness of design of these controls and developed plans to test their operating effectiveness.

6.3.2 Background Study and Research by the Audit Team about the Audit Unit to understand its Business Operations and Critical Priority Areas

The objectives of audit unit/scheme/activity of the government should be understood well so that the focus of audit is aligned to achievement of objectives of the audit unit/scheme/activity. Audit team members should initiate an in-depth review of the subject of the engagement so as to develop a sound understanding of its management and business processes and practices, policies and procedures and external and internal environment. It is important to keep in mind any significant and recent or proposed changes to the subject of the engagement and any issues of Ministry concerned. Knowledge gained through audit engagements and other sources should be used to update this information and to develop an improved understanding, particularly in respect of schemes being implemented by the Department.

6.3.3 Preliminary Analysis of Key Controls and Risks Faced by the Ministry

Risks involved in running a department depend upon operations of the department. It is important to consider information obtained from the assessment of risks and key controls at the institutional level when assessing risks and related controls at the audit unit level. In this respect, the auditors determine whether significant entity-wide risks were identified at the institutional level that must be assessed at the audit engagement level. If such entity-wide risks have been identified, the auditor documents the key controls established at the audit engagement level to address the risks and evaluates the design effectiveness of those key controls. To do so, the auditor identifies the control objectives for the relevant key activities, processes or systems under review, the auditor assesses whether the significant entity-wide risks could impact on the achievement of the identified control objectives. If so, then the auditor reviews the internal control design and identifies the corresponding key controls designed to mitigate the risks to achieve the control objectives. If so, then the auditor reviews the internal control design and identifies the corresponding key controls designed to mitigate the risks to achieving the control objectives. Evaluation of compliance to the controls specified in the various codes, manuals and government orders is then carried out to assure effectiveness of controls in fulfilling the objectives.
6.3.4 Development of Engagement Objectives along with Scope, Criteria and Approach

Once a good understanding of the subject of the engagement has been acquired, risks have been identified, key controls have been documented and the design effectiveness of controls have been evaluated, the audit team confirms the engagement’s objectives and identifies the detailed scope for the next phase of the audit, taking into consideration the objectives and scope of the audit. The objectives address whether the governance risk, risk management and control processes of the subject of the engagement provide reasonable assurance that:

- Significant financial, managerial and operating information is accurate, reliable and timely
- Resources are acquired economically and used efficiently
- Assets are safeguarded
- Actions of the Ministry/Department are in compliance with policies, procedures, contracts and applicable laws and regulations; and
- Significant programme, plans and business objectives will be achieved

The engagement objective is a board statement that is often thought of as a question that the auditor seeks to answer. The auditor is expected to draw a conclusion with respect to each objective. In planning the detailed audit work to be performed, the auditor must ensure that the work will result in sufficient evidence to meet the objectives of the audit engagement.

6.3.5 Finalisation of Audit Plan

It is important that the auditor reviews each identified audit objective and determines whether after completion of the audit engagement and after sufficient evidence has been obtained, a conclusion can be arrived at. To do so, the auditor must take into consideration the extent to which significant activities, process or systems are identified to test operating effectiveness of key controls at the audit engagement level. The detailed scope statement clearly describes the areas, processes, activities or systems that will be the subject of the audit engagement and to which conclusions will apply. It also addresses the time period and locations, particularly if there are geographical limitations to the audit. The statement also indicates any issues or areas that have been excluded from the scope of the audit.

6.3.6 Development of Sample Audit Work Programme for A few Schemes

The detailed Internal Audit Manual should identify some key schemes in the Ministry and develop standard testing and working methodology for audit of these schemes. A checklist approach may be used in developing an illustrative work programme. This will facilitate an efficient audit of the selected scheme and other scheme being implemented by the Ministry.

To sum up, for any project, good planning is half the job done. Internal Audit is no exception but it is generally given a low priority because auditors are in a hurry to get on with the job. Audit plan ensures high quality of audit and provides evidence of internal audit’s due diligence. The importance of audit plan cannot be over-emphasised and Internal Audit Wings in Ministry/Department would do well to make this a standard practice. Moreover, although an initial audit plan is prepared, audit planning continues throughout the audit period as additional information is gathered.
6.4 Performing the Audit Engagement

Once the audit programme has been finalised, the same should be communicated to the auditee units 30 days before the commencement of audit so that they are ready with records and are prepared for audit. The audit team may also send a questionnaire along with the communication.

6.4.1 Intimation of Audit

Before the commencement of any audit, the concerned unit should be informed about the schedule of the audit. For this purpose, a commencement letter should be sent to the head of the audited department at least a month before the audit is to be initiated so as to provide sufficient time to arrange the necessary records and resources for a smooth conduct of the audit.

The commencement letter should be addressed to the highest individual responsible for the function/department and at least include the following details:

- Objective of audit
- Scope of the audit and period it shall cover
- Estimated duration of the audit
- Names of auditors especially indicating name of the team leader
- Information regarding entry and exit conferences.
- Request for necessary information and documents.

6.4.2 Opening Meeting (Entry Conference)

Internal audit engagements normally start with an entry conference, a meeting between the internal auditors and the Head of Department/Head of Office of the Ministry being audited. The primary purpose of this meeting is to establish an appropriate environment for the audit. In this meeting, internal auditors communicate the proposed objectives and scope of the audit engagement and seek to understand the objectives and risk management practices in the Ministry. Issues or areas of special concern that the auditee Ministry/Department would like audit to address and logistical details (nodal officer to coordinate audit requirements of space, records, meetings, etc.) are also discussed in the entry conference. Thus, the audit objectives, detailed scope, approach and testing plan for performing the audit objectives, detailed scope, approach and testing plan for performing the audit, communication and reporting strategy are identified along with the Ministry’s representative who would be responsible for coordinating management action plans and monitoring the status of implementation of recommendations.

The entry conference sets the tone for effective audit by establishing effective communication lines with the auditee unit. It also helps the internal auditor to validate the information he had gathered during the planning stage and assess the attitude and perception of the key personnel towards controls.

Audits with an element of surprise do not have any entry conference.

6.4.3 Documentation of Meetings

All the meetings with the audit client should be appropriately documented and minuted. These minutes should form a part of working papers relating to the audit engagement.
6.4.4 Requisitioning Appropriate Record and Methodology Followed for Testing of Controls

The audit team should requisition appropriate records from the audit client well in advance. The audit memos should clearly mention the list of records called by the audit team along with date and also give details of any statement required to be prepared by the client. If the data is present in the soft form, a copy of database may be taken for preliminary analysis. The auditor now tests the operating effectiveness of key controls identified at the audit engagement level, including those controls designed to address the significant entity-wide risks (identified at the institutional level in the relevant governance audit/s) that impact on achievement of objectives at the audit engagement level.

The detailed testing and sampling plan, audit work performed, and results from assessments of the operating effectiveness of the activities, processes or systems under review are documented. Operating effectiveness refers to the effectiveness of the operation of an internal control activity. The operation is not effective when a properly designed key control is not operating as designed (or as planned) or the person performing the control does not possess the necessary authority or qualifications to perform the key control effectively.

Because the results of several audit tests will likely be summarised to form a conclusion with respect to one or more audit criteria or objectives, results of each audit test and the evidence gathered is documented on the applicable matrix (or referenced to supporting documentation) to ensure that the following is evident:

- Engagement objective and criterion to which the test is linked
- Sources of information used to design the test
- Means by which the test was conducted
- Test results and their analysis and
- Observations and recommendations made

6.4.5 Audit Evidence is the information collected, analysed, and evaluated by the auditor to support an audit observation. Audit evidence relates both to the quantity and quality (or reliability) of evidence to be obtained by auditors. It is important for auditors to obtain sufficient, appropriate and reliable audit evidence to enable them to draw reasonable conclusions on which to base their audit opinions. Sufficiency is the measure of quantity of audit evidence while appropriateness refers to reliability of the audit evidence and its relevance to a particular assertion. Evidence is considered appropriate when it is both relevant and reliable.

6.4.6 Reliability of Audit Evidence

The reliability of audit evidence is influenced by its source which may either be internal or external; and by its nature which may be visual, documentary or oral. The auditor must be aware of the following matters in assessing the reliability of audit evidence:

a) Audit evidence from external sources (for example, confirmation received from a third party) is more reliable than that obtained from the Ministry’s records
b) Audit evidence obtained from the entity’s records is more reliable when the related accounting and internal control system operates effectively
c) Audit evidence obtained directly by auditors is more reliable than that obtained by or from the Ministry/Department
d) Audit evidence in the form of documents and written representations are more reliable than oral representations; and

e) Original documents are more reliable than photocopies, telexes or facsimiles

f) Large samples are more reliable than smaller ones and statistical samples more persuasive than non statistical samples

Evidence collected during the process of audit should be carefully documented. When the audit evidence obtained from different sources are consistent with one another, they become persuasive to the auditor. However, when the auditor’s evaluation of audit evidence suggests that evidence from one source is inconsistent with that from another, it is the responsibility of the auditor to determine what additional procedures must be undertaken to resolve the inconsistency. Decisions regarding the type of evidence to seek, the audit approach used to obtain it, and how much evidence is sufficient require both due diligence and professional judgement.

### 6.4.7 Development of Working Paper for the Engagement

Working papers are the supporting documents for the entire audit engagement. They provide a complete audit trail and demonstrate, in detail, how the audit engagement was performed. Working papers also contain the evidence to support the final summary of observations and the final audit report. More specifically, working papers support the observations, recommendations and audit engagement rating and provide a demonstrable link between reports issued and the work performed. In addition, working papers can be used to:

- Justify and provide proof of work performed, and help auditors respond to questions about coverage or results
- Document reasons for removing observations and/or recommendations that were included in earlier versions of reports
- Facilitate supervisory quality assurance reviews
- Provide supporting evidence when external auditors or other reviewers want to rely on the results

The working papers should be appropriately indexed and should have the requisite evidence to support the audit observation. There should be referencing and cross-referencing of the working papers with the relevant audit observations to make it more meaningful and useful for stakeholders.

### 6.4.8 Development of Audit Observations

Audit observations emerge through a process of comparing “what should exist” (the audit criteria) with “what exists” (the audit evidence). When there is a difference between “what exists” and “what should exist,” the auditor assesses the effect, impact and cause associated with the variance and documents it as an observation. The accumulating of observations provides the auditor with the necessary foundation on which to develop the audit engagement conclusions, recommendations and audit report.
**Audit work papers** are documents either created by the auditor or gathered by him during the audit engagement. They record information support the conclusions and audit results and hence reflect on the quality of audit conducted. The working papers aid internal auditors in planning, performing and supervising audit work, working papers are also a good source of evaluation of the internal auditor’s work by external auditors and for peer review.

Working papers are contained in two types of files: permanent audit file and the current audit file.

**Permanent audit file** contains information that is relevant to current and future audits as it consolidates all important documents at one place. It also provides a basis for consistency in testing and allows comparison of key performance indicators over time. Permanent audit files typically include (i) organisational chart (ii) description of schemes, programme, systems, procedures and business plans (iii) corrective action plans (iv) legal and regulatory issues impacting the organisation (v) risk assessment (vi) correspondence of continuing interest future audit (vii) updated audit programmes.

**Current audit files** contains record of all the audit work schedules and documents relevant to the current audit. These should represent a clear record of the audit process, procedures, findings, conclusions and reports. Current audit files typically include (i) copies of the draft and final audit reports (ii) significant findings and issues identified during the audit and how they were resolved (iii) audit planning documentation (iv) administration/correspondence documents (v) follow-up of previous audit reports (vi) updated audit programmes (vii) supporting documentation for the audit conclusions (viii) minutes of entry and exit meeting.

### 6.4.9 Conducting Exit Meeting with the Audit Client

Monitoring the quality of audit work is imperative for an efficient and effective audit. The supervisor must discharge this duty with due care and especially review the documentation; evidence gathered by individual auditors and the audit conclusions. Once the supervisor has satisfied himself that audit has been completed, in accordance with the audit plan he should review all working papers, check supporting evidence for audit observations and prepare a draft report highlighting the weaknesses in design and implementation of the internal control system, instances of non-compliance with policies, prescribed procedures, rule and regulations and transactions which do not measure up to standards of propriety. The draft report should be sent to the Head of Department/Head of Office for obtaining Department’s views on audit observations.

Providing a draft report with findings for review and comment by responsible officials of the audited entity and others helps the auditors to develop a report that is fair, complete, and objective. Including the views of responsible officials results in a report that presents not only the auditors’ findings, conclusions, and recommendations, but also the perspectives of the responsible officials of the audited entity and the corrective actions they plan to take makes the report more meaningful.

An exit meeting should be held with key officials of the Ministry being audited to discuss the draft internal audit report. This meeting should aim to obtain the views of the officials on each audit observation including additional facts that the Ministry may wish to provide, which would then be analysed and the auditor may agree to reconsider his conclusions in the light...
of the information provided by the management. Evaluation of the comments should also be included in the report, as appropriate. If the audited entity refuses to provide comments or is unable to provide comments within a reasonable period of time, the auditors may issue the report without receiving comments from the audited entity. In such cases, the auditors should indicate in the report that the audited entity did not provide comments.

In case of disagreement, views of the Department and reasons for disagreement should be taken on record. It is expected that upon conclusion of this meeting, the draft internal audit report becomes an agreed document between the department and the internal audit.

Discussions during the exit conference should be minuted and form part of the audit working papers. A copy of the minutes should also be given to the department for their information.

### 6.5 Reporting and Follow-up

Audit reports are the end products of audit engagements. Hence, the auditors should take utmost care in drafting the report. The audit reports must be accurate, objective, clear, concise and complete and should be issued in a timely manner (normally within a fortnight of completion of the audit engagement) to facilitate initiation of appropriate remedial action. The reports must satisfy audit objectives and measure up to the expectations of senior officials and audit committee. Satisfactory performance of the auditee unit, whenever evident, should also be acknowledged in the Reports.

Audit Reports should carry the legend Internal Audit Report of ____name of Ministry ____for the period ___ on the cover page and should also mention the date of issue of the audit report. Further it should clearly mention that establishing appropriate internal controls and preparation of financial statement are the responsibilities of management and responsibility of auditor is to express opinion on efficiency of internal controls in achieving management objectives. Each audit report must be approved by the competent authority, signed by the authority designated for this purpose and addressed to the authority as mentioned in the internal audit charter.

It is desirable that audit reports have an executive summary which contains details of audit objectives, scope of audit, summary of audit observations and highlight the significant observations which require immediate action on part of senior officials.

#### 6.5.1 Report Drafted Using 5C Framework

The audit observations should be developed by using 5C framework with reference to engagement objectives:

| **Criteria:** What should exist? The benchmarks or expectations identified as the basis against which audit evidence is compared. |
| **Condition:** What exists? The factual evidence found in the course of the audit. The condition identified the nature and the extent of the observation. A clear and accurate statement of condition evolves from the auditor’s comparison of actual evidence with appropriate criteria. |
**Consequence/Effect/Impact:** What effect did it have? The risk or exposure to the institution and/or others as a result of the difference between the criteria and the condition should be recorded. The effect establishes the actual or potential impact of the condition. The significance of a condition is usually judged by its effect. It can be expressed in quantitative terms. To warrant reporting, an effect should be sufficiently serious to justify the action (and related cost) to correct the difference (the deficiency).

**Cause:** What did it happen? The possible or likely reason for the difference between the expected and actual condition should be explored. The cause may be obvious or may be identified by deductive reasoning. The identification of similar causes for a number of observations may highlight an underlying them to which an audit recommendation should be addressed. Identification of the cause of an unsatisfactory condition is a prerequisite to making a meaningful recommendation for corrective action.

**Corrective Action/Recommendation:** What should be done? The actions suggested or required to correct the situation and prevent future occurrences. The relationship between the audit recommendation and the underlying cause of the condition should be clear and logical. In developing sound recommendations, the internal auditor ensures that the recommended action is within the scope of the client, address the cause and not just the symptoms, and is at least intuitively viable.

Audit Findings should be grouped together depending on the severity of risk. High risk areas would be those where absence of immediate corrective action may have a major negative impact on achievement of objectives. Medium risks may be those areas where failure to take action could result in significant consequences. Low risk areas are those where suggested action would bring in greater efficiency or enhanced controls at minimal additional costs.

### 6.5.2 Issue of Report to Stakeholders

The audit reports should be issued to all the stakeholders who are required to take action on the report and who are included in the distribution list approved by the Audit Committee. This would necessarily include the head of the organisation of the audit unit and head of the concerned administrative division.

### 6.6 Quality in Internal Audit Reporting

Internal Audit Reports should be issued in the format prescribed by the O/o Controller General of Accounts. To ensure that these reports are effective, they should be complete, concise, accurate and objective and should be issued in a timely manner. The reports should be based on facts and free from any person criticism. The audit findings should be worded constructively and the recommendations should focused on achievement of objectives.

**Other details which should be kept in mind include:**

- The reports should have proper spelling, grammar and punctuation.
- Fonts and formatting should be proper and consistent.
• Report addressee name and title should be proper and spelt correctly.
• Report number and subject title should be included correctly on the report.

6.7 Follow-up Actions

The true achievement of an audit engagement is reflected in implementation of the recommendations and an improved control system. The importance of this phase should therefore not be underestimated. The detailed manual should bring out a procedure for developing and monitoring of significant internal audit observations and issues raised. Clearly defined systems should be laid out.

System of monitoring and resolution of audit issues needs to be established: There should be a defined time-frame for submission of Action Taken Reports on the audit observations made by the internal audit wing of the Ministry. These ATRs should be examined and IAWs should offer its comments/ recommendations to the administrative division of the Ministry for taking it up further. The monitoring of audit paras should also aim to resolve old audit paras and the progress in their settlement should be closely watched by the Pr. CCA/CCA/CA.

6.8 Review of Pending Audit Issues in Audit Committee Meetings

Issues which could not be resolved within a period of six months through communication with the administrative division/ audit client should be reported to the Audit Committee. Chairman of the Audit Committee would issue further directions on the issue.
WORK BOOK

1. What are the five main phases of internal audit process?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

2. If the primary focus of internal auditing engagement is advisory, then the audit process may be amended in consultation with _____________________________.

3. What should a commencement letter include?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

4. List any four matters an auditor must be aware of while assessing the reliability of audit evidence.

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

5. What does current audit file typically include?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

6. The appropriate level of testing and control evaluation depends on availability of which two factors?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
7. Audit findings need to be supported by _____________.

8. Audit observations need to be included in which part of the report?
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

10. Annual audit plans need to be finalised by _________________.

11. The annual audit programme outlines three items, namely
    ____________________________________________________________
    ____________________________________________________________
    ____________________________________________________________

12. What is the audit universe?
    ____________________________________________________________
    ____________________________________________________________
    ____________________________________________________________

13. Internal audit priorities are established on the basis of _____________ and ________________.

14. While selecting units of a similar type for auditing, what technique should be used?
    ____________________________________________________________
    ____________________________________________________________
    ____________________________________________________________

15. At the audited unit, the engagement starts with ________________
16. Audit evidence is considered appropriate when it is ______ and ________________.

17. Evidence from external sources is more reliable than if obtained from ____________.

18. Give two means of effectively managing working papers.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

19. List five items permanent audit file typically includes.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

20. List five items working paper file typically includes.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
Units 7 To 15 - Refer Volume II
- Learning Material on Rural Development Schemes/Guidelines
Unit 16
Audit Tools and Techniques

Learning Outcomes:
✓ Knowledge & Skill requirements from Internal Auditors.
✓ Usage of Auditing Tools and Techniques.
✓ Types of Tools and Techniques.
  ➢ Electronic Work Papers
  ➢ Data Extraction/ Data Analytics Tools
  ➢ Automated Self Assessments Tools
  ➢ Online Audit Management Software
  ➢ Continuous Monitoring Tools/ Business Intelligence.

16.1 Knowledge and Skill Requirements from Internal Auditors

16.1.1 Internal Auditors are expected to be proficient in internal audit and perform their work with due professional care. Additionally, they must have sufficient knowledge to evaluate the risk of fraud and the way it is managed within the programmes/schemes but are not expected to have expertise of person whose primary responsibility is detecting and investigating fraud. Also, they must have sufficient knowledge of key information technology risks and controls of the scheme/program. Further the auditor should have knowledge in using automated auditing techniques.

16.1.2 While performing the audit, the field internal auditor is concerned with planning, analyzing and managing evidence to support his/her audit conclusions. Hence an understanding on the different types and sources of evidence and then selecting the appropriate source is the starting point. This is followed by proficiency in the use of tools and techniques required for the audit. Also as information is mainly available through the auditee team, hence developing a healthy working relationship between the auditee and auditor would usually result in an effect audit. Hence people skills are a necessary quality of the internal auditor.

16.2 Knowledge on the Usage of Auditing Tools and Techniques

16.2.1 With the introduction of risk based internal audit approach in Ministries/Departments, increasing computerisation and focus on digital technology, the thrust and the influx of big data in Government, it is essential that internal auditors understand the following areas and the ability to use the tools and techniques that are provided to them, viz.

   a. Evaluation of internal controls, identifying fraud indicators and auditing in an IT environment.
   b. Risk based audit, risk assessment, design and development of risk matrix, mapping risks with controls.
   c. Application of professional standards.
   d. Sampling techniques.
   e. Report writing techniques.
   f. Usage of computer assisted auditing techniques (CAATs).
16.2.2 To meet the above, internal auditors need to periodically do self-assessment on whether they are adequately skilled for the internal audit reviews/engagements that they are to perform and continuously update their knowledge skills and usage of tools and techniques, by either self-study or getting themselves enrolled for specialised training courses through NIRD&PR.

16.3 Types of Tools and Techniques
Auditing tools and techniques are available for all the four stages in the audit cycle, viz. Planning, Performing, Communicating and Monitoring and can be classified into the below three types:

- Soft skill techniques – These are soft skill techniques developed through training courses that help internal auditors interact effectively with auditee team
- Frameworks – These are methodologies which assist the internal auditor develop specific questionnaires, programmes, checklists, audit programmes, testing routines, audit reports, etc. for the specific review/engagement
- Automated tools – These are software applications that assist in auditing digital data and performing activities on IT

16.3.1 Soft Skill Techniques
In all the four stages of the audit cycle, internal auditors are interacting with auditee and these interactions can be classified as interviewing, negotiating and presentations. For e.g. a questionnaire is a document through which a written interview is conducted. Again, negotiating skills are helpful while an audit recommendation is under discussion with management. Also, an audit report is a written presentation. Over the time specific techniques relevant to internal auditors have been developed on interviewing, negotiating and presentations for which courses are available at NIRD&PR.

16.3.2 Frameworks
In the 1970s, there was a standard Internal Control Questionnaire (ICQ) issued by ICAI which was modified to fit the business for which the audit engagement was being carried out. This was an early framework to refer to. Since then libraries of frameworks and methodologies now exist and a google search on any aspect will usually give some results. One of the prominent global frameworks that executive management refers to are guidance issued by COSO (www.coso.org). These are on governance and operational performance, guidance on internal controls and guidance on enterprise risk management.

The Institute of Internal Auditors website (www.theiia.org) has detailed guidance on most aspects relating to internal audit. These are in the form of advisories to the international standards for the professional practices of internal auditing and other technical literature. For e.g. guidance on various aspects of IT audit can be found in their Global Technology Audit Guide Series (GTAG). Also, guidance on internal audit can be found on the websites of ICAI, ICSI, etc.

Using these frameworks, methodologies, guidance, advisories, etc., and the internal auditor’s understanding of the programme/schemes, he/she draws up for that specific internal audit engagement, structured documentation as surveys, questionnaires, checklists, risk assessment, audit programme, testing procedures, audit report formats, etc.
16.3.3 Automated Tools

Since the last two decades, internal auditors are increasingly using automated tools as electronic working papers, continuous monitoring, and continuous self-assessments. Also with ICT on a mobile phone platform and intelligent data analytics many of the internal audit departments have dramatically transformed the value proposition that they now offer to their entities. Some of the automated tools being used commonly are as under:

a) Electronic Work Papers

These are automated work papers as linked excel sheets, with other applications as Word, PowerPoint, etc. One recent application is an automated structured audit report (ASAR). In one case field auditors release the audit report through their mobile phone within a few hours of completing the audit at a remote location using ASAR. Electronic Work papers however, have risks relating to security, privacy and their retention and the Head of Internal Audit needs to periodically review the controls.

b) Data Extraction/Data Analytics Tools

Initially internal auditors who had auditee departments using large database were the early adapters of performing analysis using excel spreadsheets. Later, generalised audit software was developed by vendors as ACL, IDEA which made the data extraction and analysis easier for wide array of analytical and statistical functions and procedures, are programmable, etc. They proved very effective and are widely used today.

c) Automated Self-Assessment Tools

One of the popular practices in surveys has been getting process teams to collectively discuss management and internal controls in that business process. These collective assessments are commonly anchored by the internal auditor who facilitates and oversees the whole activity. This activity is known as Control Self-assessment (CSA) and to bring in objectivity originally excel was used and now certain products as anonymous voting using keypad technology are also used which allow instant display of results (summaries), for e.g. Option Finder® (Option Technologies Interactive). The self-assessment technique is now commonly used in different forms as Risk and Control Self-Assessment (RCSA), etc.

d) Online Audit Management Software

Today the management of audit activities of the Internal Audit Wing (IAW) is online and MoRD has an online portal for this.

e) Continuous Monitoring Tools/ Business Intelligence

Continuous monitoring can be utilised through various applications. Almost all ERP vendors including SAP standard characteristics correlate various data elements and through rules create an audit file. For e.g. flag all cash payments above Rs 10,000. These rule-based file creations have become extremely sophisticated resulting in online monitoring and offering predictive insights. These are initial developments for the future application of artificial intelligence as audit bots.
1. What are the three types of tools and techniques available for conducting the audit?

___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________

2. The three types of interactions between internal auditor and the auditee are:

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

3. Name the various automated tools used by internal auditors.

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

4. What are soft skill techniques?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

5. What are the six essential areas every internal auditor should understand?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

6. While performing the audit, the field internal auditor is concerned with ________________ , ________________ and ________________ to support his/her audit conclusions.

7. What are the four stages of audit cycle?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
17.1 Introduction

Internal audit reports provide a formal means of notifying senior management in the Ministry, the Audit Committee, and other stakeholders of audit observations, related risks, and areas for improvement. The internal audit function normally communicates engagement results via internal audit reports, which include the engagement’s objectives, scope, conclusions, recommendations, and management’s responses and action plans.

A well-written audit report provides senior management in the Ministry, the Audit Committee, and other stakeholders a better understanding of the audited activity’s governance, risk management, and control processes. It also provides an opportunity to suggest how the potential impact of key risks can be maintained at an acceptable level and/or acknowledge the engagement client’s satisfactory performance. In addition, a well-written audit report presents an opportunity to highlight the internal auditors’ in-depth knowledge of the organisation’s business processes and provide recommendations for improvement.

It is essential that the work of the internal audit function is adequately documented to enable an auditor with no earlier connection to the audit to understand the audit procedures performed, the evidence obtained and the conclusions arrived at in the audit report. We provide below certain guidelines from the CGA’s Draft Handbook on internal audit relating to audit documentation and report writing (Communicating the results of the engagement).

Internal Audit guideline No. 30

Documenting Engagement Activities

Engagement activities should be documented in sufficient detail to enable an experienced auditor with no previous connection to the audit to understand from the audit documentation the nature, timing, extent and results of audit procedures performed, the audit evidence obtained and its source and the conclusions reached, including evidence that supports the auditors’ significant judgements and conclusions.

Auditors need to document significant decisions affecting the audit objectives, scope and methodology findings conclusions and recommendations.

The Pr. CCA/CCA/CA in their capacity as CAE need to approve a documentation policy which covers the custody and retention of advisory engagement records, as well as their release to internal and external parties. These policies must be consistent with the Ministry’s guidelines and any pertinent regulatory or other requirements. The policy must cover:

- Need for internal audit wings to document sufficient, reliable and relevant information to support their engagement results and conclusions.
- Need for controlled access to engagement records.
- Retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation’s guidelines and any pertinent regulatory or other requirements.
Internal Auditguideline No. 31

Communicating the Results of the Engagement

The Internal auditors must communicate the results of the audit in a timely manner. Final communication by the internal auditor of the engagement results must contain opinion and/or conclusions. If an overall opinion is issued on an audit area or activity, it must take into account the expectations of the Ministry and must be supported by sufficient, reliable, relevant and useful information. The reason for an unfavourable overall opinion must be stated.

While communicating the results of the audit, the following matters should be taken care of, viz.

• If certain audit observations are of a nature that delaying the reporting may impact the achievement of programme/scheme objectives, then the auditor should communicate to the concerned authority their findings at an early date and even during the course of audit.

• The audit reports structure should include the engagement’s objectives and scope as well as applicable conclusions, recommendations and action plans. In case there is a scope limitation, this should be brought out in the reports.

• Internal auditors are encouraged to acknowledge satisfactory performance and best practices being followed by the auditee.

• To ensure quality of the audit reports, they must be clear, accurate and concise and issued in a timely manner. The Internal audit wing should bring objectivity in the observations and their recommendations should be constructive and complete.

• All reports should be issued by the Pr. CCA/CCA/CA in their capacity as CAE as he/she retains the overall responsibility even if some duties have been delegated to others. Where there is an error or omission in the report, the CAE must circulate corrected information to all the recipients of the earlier communication.

• In case there is full conformance of CGA internal audit guidelines during the audit engagement, this should be mentioned in the report.

• Overall opinions could be ratings, conclusions or other descriptions of results. Such an opinion may be in relation to controls around a specific process, risk or business acceptance of unit.

17.2 Report Content and Structure

The style and format of written internal audit reports varies across Ministries. The internal audit report structure could be consistent with the Ministry’s reporting format. According to the IIA Standard 2420 – Quality of Communications, “Communications must be accurate, objective, clear, concise, constructive, complete, and timely.” The content and level of detail should be determined by the needs of the stakeholders. The following questions about the reader(s) should be considered:

• Who are the most important readers of the report?

• How much do they know about the audited activity?

• How do they plan to use the report?

• How do the identified issues impact the reader?
The structure of a report often includes the following components:

i. Audit report title.

ii. Objective (purpose of engagement).

iii. Scope (audited activities, nature and extent of work, scope limitations).

iv. Background (brief synopsis of the activity being audited or an explanation of the process).

v. Recognition (positive aspects of area or activity audited or appreciation of cooperation).

vi. Engagement rating (ranking, outcome [i.e., red, yellow, green]).

vii. Conclusions (summary opinion/assessment of the engagement, often highlighting critical observations).

viii. Observations - each observation should be listed in order of significance (grouped by activity if applicable) and often include:
   b. Criticality rating (measure of risk significance [i.e., high, medium, low,]).
   c. Statement of facts (condition, criteria, cause, effect/risk), which can be supported with relevant examples, data, analytics, tables, or charts.
   d. Audit recommendations (corrective action to mitigate the risk identified in the observation).
   e. Management’s action plans (corrective action, activity owner, and target date for completion).

ix. Distribution list.

17.3 Report Issuance

Engagement results should be communicated according to the agreed communication timelines for submission. This allows management to take appropriate corrective action.

17.4 Report Writing Style Considerations

When drafting the internal audit report, readers’ needs should be considered. The results should be presented in an organised way, such as placing observations in chronological order, by significance, or grouping by topic, cause, or effect/risk. Language used should be simple and relatively free of technical jargon and sentences should be short and to the point. Charts, graphs, diagrams, tables, illustrations and other graphics help to highlight key messages. The tone of the report should be constructive.

17.5 The Executive Summary

The executive summary should provide a clear and concise overview of the engagement results delivering well supported, relevant information to stakeholders. The summary should not contain technical jargon and internal audit methodologies, which can be in the detailed report. The executive summary generally contains significant observations or key messages from the internal audit report and may include concerns encountered with senior officials of Ministry relating to implementing corrective actions. It helps to include a table that lists the number of observations/recommendations per audited activity, according to their importance. The key
observations can be summarised in a positive manner (focus toward enhancement) or a negative manner (focus toward weaknesses). Internal audit is encouraged to acknowledge satisfactory performance when applicable and to show the trend (positive or negative) compared to prior audits of the same activity.

The executive summary may include repeat observations from a previous audit. Additionally, information on action plans from previous audits that have not been completed, or have implementation dates that have expired, may also be included. In such cases, it is beneficial to include historical information on the repeat observations and management’s action plans. The executive summary should also highlight good practices observed during the audit and any significant steps taken by management in improving the governance, risk management, and internal controls of the programme or schemes of the Ministry.

The key components of an executive summary generally include:

- Introduction, objectives, scope, and engagement results.
- Conclusions for the audited activity/processes.
- A summary of significant observations or key messages.
- Concerns relating to establishing corrective actions, deadlines, and/or situations where the CAE concludes that management has accepted a level of risk that may be unacceptable to the organisation.

17.6.1 Introduction and Scope of the Internal Audit Engagement

The introduction provides basic information about the entity, activity, or process audited. The scope may indicate the period covered, the type of internal audit being conducted (i.e., compliance, assurance, performance or follow-up audit), specific risks, relevant systems, and/or the departments or functions assessed.

17.6.2 Internal Audit Engagement Conclusions

As specified in the Guideline No. 31 above “Final communication of engagement results must include applicable conclusions, as well as applicable recommendations and/or action plans. Where appropriate, the internal auditors’ opinion should be provided. An opinion must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.” Internal auditors’ conclusion of the condition of the audited activity/process helps the reader understand the significance of the observations. The financial impact caused by the internal control weaknesses and irregularities also can be used to convey the significance of the observations.

17.6.3 Objectives and Scope

The objectives and scope in the internal audit report should be consistent with the approved engagement plan. This section typically describes the audit purpose, risks, scope, and scope limitation, if any.

17.6.4 Observations

Observations (also referred to as findings), recommendations, and management’s action plans (responses) make up the core of the written internal audit report. The starting point used to develop the observation is knowledge of the “criteria” and its variance from the “condition.” observed. The goal is to develop a condition-based and a root cause-based recommendation/management action plan.
An easy way to remember the components of observations is the 5 Cs i.e.

- Condition
- Criteria
- Cause
- Consequence and
- Corrective action and recommendations

These are described below:

- **Criteria**: Standards, measures, or expectations used in making an evaluation and/or verification of an observation (what should exist). Criteria are used to compare and evaluate the existing condition(s) and can be written policies, procedures, laws, regulations, and/or guidelines. Choosing the appropriate criteria enables the internal auditor to reach suitable conclusions and consequently provide meaningful assurance to senior management and the board. Examples of appropriate criteria may include:
  - Internal (e.g., Ministry’s policies and procedures).
  - External (e.g., Laws and regulatory requirements).
  - Leading practices (e.g., Ministry best practices, professional guidelines, key performance measures).

- **Condition**: Factual evidence identified by the auditor during the course of the engagement (what exists). Condition is the key issue the internal auditor considers, and it can be measurable or observable.

- **Cause**: Underlying reason for the difference between the criteria and condition (why does the difference exist?). It answers the questions “what allows the condition to exist?” and “why did the condition occur?” It is essential that internal audit work with management to identify the root cause of the gap. Merely fixing the issue does not address what caused the issue to exist and does not improve the overall governance, risk, and control environment. Finding and appropriately addressing the root cause will reduce (and optimally eliminate) the future recurrence of the condition.

- **Consequence**: Impact, risk or exposure encountered because the condition is not consistent with the criteria (the consequence of the difference). It can be an effective communication tool for delivering the significance of each observation and could assist management with prioritising their action plans, and internal auditors with prioritising follow-up.

In determining the degree of risk or exposure, internal auditors consider the effect that the observation may have on the organisation’s operations and/or financial reporting process. Effects can be existing or potential.

- Existing (real) effects are factual and seen as a result of the condition.
- Potential effects are exposures where no real effect has yet occurred or been found.

In addition to the internal auditors’ observations and recommendations, the identified risks should be documented in the audit report, along with the impact, to provide clarity of the issue to the stakeholders.
Consideration of the individual observation ratings within the report generally impacts the overall engagement conclusion (as mentioned above in the section entitled “Internal Audit Engagement Conclusions”). When ratings are used, rating criteria should be clearly defined and consistently applied across all internal audit reports for assurance engagements.

- Corrective Action and Recommendations are internal auditors’ suggestions for correcting conditions, and identifying the cause to prevent recurrence (or the creation of new conditions). Recommendations provide an efficient and effective way to address the gaps identified between condition and criteria. Recommendations are divided into two categories: a combination of condition and root cause based recommendations may be appropriate, depending upon the particular observation.
  
  o **Condition-based Recommendations:** Provide an interim solution for correcting the current condition (e.g., removing inappropriate access).
  
  o **Cause-Based Recommendations:** Actions needed to prevent the condition/observation from occurring again. Root cause-based recommendations are typically longer-term solutions and may involve more time (e.g., creating and implementing an access review policy).
  
  o **Corrective Action Plans:** Recommendations and/or action plans must be included in the final reports. Actions that were initiated by management during the internal audit engagement, but before the issuance of the written report, can also be acknowledged.

Action plans arising from internal auditors’ recommendations have the potential to transform Ministry processes and help meet its goals. Action plans are effective when designed and executed in a way that addresses the root cause. Validation of the action plan(s) with the auditee is important to assure issues are effectively and efficiently addressed. Although internal auditors may be experts in governance, risk management, and internal controls, they cannot assume managerial responsibility for the action plans, or claim to understand the business better than the engagement client.

Observations should be written in such a way that the reader understands and accepts internal audit’s assessment of the risk, as well as its impact on organisational objectives. Observations should be supported with evidence, brief and organised, and explain in simple language how the condition compares to a set of criteria. Recommendations, explained in the next section, should provide a practical, feasible solution to manage the risks identified in the observations, thereby eliciting a positive response from the engagement client.

A good practice is to create a preliminary draft report (also referred to as an audit memorandum, observation worksheet, or audit comment referral) as a tool for communicating with senior and line management to enhance the engagement process. It could include a draft of the condition, criteria, cause, effect, and recommendations. Such a report can assist in starting a constructive discussion for finding reasonable solutions (agreed actions), even at early stages of the internal audit engagement. If the conditions are critical, management may be able to address the conditions before other areas of the organisation are impacted. Working collaboratively with the internal auditors, management provides action plans based on internal audit’s observations and recommendations, including:
Agreed Action: The actions that will be taken by management to correct the current condition and causes, thereby preventing future reoccurrence. Generally, management’s action plans correlate with internal audit’s recommendations. If management disagrees with the observation or facts identified by internal audit, further details can be provided to reach agreement or a sound explanation should be provided by management for discussion and resolution.

Responsible Personnel: Identifies the person or group responsible for the action. This may be the activity/process owner, manager, or senior management.

Due Date for Action Plan: Target date for completing the action plan. The CAE should ensure the proposed timeline is appropriate based on the level of risk.

If the CAE encounters concerns with management when establishing corrective actions and deadlines and is unable to resolve the concerns after escalation to senior management, it is appropriate to discuss the concerns and resolution with the board. These concerns might pertain to the sufficiency of management’s action plan, the deadline for action, or the classification or description of the observation.

17.7 Report Review Process

As noted in Standard 2440 – Disseminating Results, the CAE is responsible for reviewing and approving the final engagement communication before issuance. This is an important step to assure work was performed properly and recommendations align with the organisation’s business objectives.

The CAE reviews and approves the final engagement communication before issuance and decides to whom and how it will be disseminated so results are given due consideration. Although the review process will vary depending on the size of the internal audit activity, the CAE (or designee) should establish a review process for validating report observations. Depending on the size of the internal audit staff, the review process may include the following steps:

- Review engagement records to ensure:
  - The work performed is consistent with the audit scope, engagement objectives and guidelines.
  - Observations and recommendations are clearly stated and supported by sufficient, reliable, relevant, and useful evidence.

- Draft the internal audit report with cooperation from the internal audit team.

- Validate the draft report and forward to the CAE (or designee) for review.

- The CAE (or designee) reviews the draft report and returns the report to the internal audit team if there are issues requiring clarification.

- The CAE (or designee) authorises communication of observations to management for feedback before issuance of the final written internal audit report.

- Upon review and agreement with management’s action plans and target completion dates, the CAE (or designee) authorises issuance of the final written internal audit report.

- The CAE retains overall responsibility for the final engagement communication, even when delegating review responsibilities.
17.8 Communicating Results

An integral and important part of the internal audit engagement is the presentation of the work performed and the derived results. Consequently, careful preparation is required as the final audit report shows the work of internal auditors to senior management in the Ministry, the Audit Committee, and other stakeholders, and can also be used as a reference for future assurance and/or advisory engagements. As noted in Guideline 31 “The chief audit executive is responsible for communicating the final results to parties who can ensure the results are given due consideration.”

17.8.1 Presenting Reports – Types of Communication

Organisations use many varying formats; but, general guidelines are applicable for most presentations and reports. Such presentations and/or reports should:

- Ensure the engagement’s objectives, scope, and results are included.
- Be clear, concise, and easy to read and/or understand.
- Contain accurate and complete information that is presented objectively, constructively, and timely.
- Ensure conclusions and engagement results are supported by sufficient, reliable, relevant, and useful information based on appropriate analyses and evaluations.
- Link the objective of the work performed with the organisation’s strategic objectives.
- Identify and analyse the root cause of the issues to support the recommendations and actions plans that enhance the business (when applicable).

The means by which final internal audit engagement results and reports are distributed can also vary; however, they are generally presented with the use of hard copy or printouts.

17.9 Follow-up Actions Planned by Internal Audit

According to Standard 2500 – Monitoring Progress, “The Chief Audit Executive must establish and maintain a system to monitor the disposition of results communicated to management.” If agreed-upon action plans are not acted on by management, there is little value of the internal audit engagement’s results to the organisation. In accordance with Standard 2500.A1, the Chief Audit Executive must have a monitoring process in place to validate action plans are implemented effectively or confirm that senior management has accepted the risk of not taking action.

The follow-up on the action plan is performed by the internal audit activity. A best practice is to create a tracking spreadsheet or system, including the audit observation, action plan, responsible personnel, and target completion dates. As corrective actions are completed, the audit observation is closed; an ageing analysis is generated for all opened and pending observations; and communication takes place with management as needed. The tracking and ageing analysis is also a good tool to share with senior management and the board.

Follow-up activities can be performed at specific time intervals, or on an ongoing basis. When performed at specific time intervals, the CAE may schedule specific assignments in the annual internal audit plan to perform a follow-up for incomplete or expired action plans from the previous year(s). When follow-up activities are performed on an ongoing basis, the follow-up process is usually performed monthly or quarterly and consists of three elements: collecting information; verifying the completion of the action plan; and reporting results to the engagement
client, senior management, and periodically to the board (under certain circumstances, reporting to regulators may be required as well).

- Collecting information: Internal auditors charged with the follow-up process must collect information from management regarding the status of action plans (i.e., those action plans that are completed, those that are in process, and those that are not yet implemented — partially or in total — and those that are overdue).

- Verifying completion of action plans: For action plans reported by management as implemented, internal auditors should verify that the observations and associated risks originally raised are appropriately mitigated. Verification may be performed for all completed action plans or on a selective basis, depending on the risk significance.

  o In cases where management determines certain action plans are no longer necessary, the CAE must discuss the matter with senior management. The CAE must communicate to the board if the matter is not resolved (refer to Standard 2600 – Communicating the Acceptance of Risks).

  o There are several tools in the market that facilitate the follow-up process, allowing internal audit to utilise workflow from risk assessment, to report delivery, to action plan follow-up. As an example, workflow could allow the sending of automatic emails when an action plan is nearing its target completion date. Internal auditors should not lose focus that the main objective of the follow-up process is to validate that the agreed-upon actions have been implemented and are working effectively.

… Ideally Action Plans must be S.M.A.R.T. i.e. Smart, Measurable, Achievable, Relevant And Time Bound.
1. What are the criteria for communication of assignment results?

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

2. Name the seven parameters that determine the quality of communication.

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

3. Name the 5c and their alternate statements

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__________________________________________________________________________

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4. What are the three types of criteria?

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5. Name the three types of recommendations

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6. Expand S.M.A.R.T

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Case Study for Discussion

Inspection Report of DDO ……… Years 2008-09 to 2010-11

1) Facts and Observations (Rs. ‘000s)

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Expenses</th>
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</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>6143</td>
<td>5003</td>
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</tbody>
</table>

2) At commencement of audit 18 paras were o/s
3) 1 para settled, 17 remained o/s (reply not furnished)
4) Excess consumption of petrol Rs. 13.09 lakhs
5) Reports talk about condition, criteria, effect and recommendations
6) Comments on advances – Travel / LTA / HBA / MCA
7) Sampling staff doing 40 audits / years travelling on weekends
8) Non conduct of PV of dead stock items
9) Non reconciliation of receipts of DDO with PAO
10) Non reconciliation of GPF A/c for 2009-10 and 2010-11

Points for Reflection

1) How do we select an auditee (50 lakhs budget). Do we have a system of A, B, C categorisation with correlated frequency?
2) Do we need to reports in Rs. ‘000s?
3) Relevance of covering three years together. How current are our audits?
4) Thirty eight old paras, fifteen paras added in audit of DG of Audit. Should not our focus be on reduction of outstanding paras?
5) At commencement of audit eighteen paras were o/s, one para settled. Seventeen paras remained o/s. Do we have a time limit for settlement? What happens if it is not settled? Is there any dis-incentive for non-settlement?
6) Excess fuel consumption of Rs. 13 lakhs. Unspent money 11 lakhs i.e. 24 / 60 lacs or 40% of money budgeted was not spent. Can our reports highlight the big picture and MACRO figures? This fact was not even commented upon – How much is spent on activities critical to achieving programme/scheme objectives?
7) Reports talk about condition, criteria, effect and recommendations. What about root cause? What about accountability?
8) Unadjusted advances - are our rules soft or are we not highlighting the impact on staff?
9) Can we move towards automation of staff compensation with preventive controls?
10) March selected for audit. Are we giving them enough time for audit? Are we giving them enough time for discussions with auditees? For exit interview? For action plans? Is quality suffering if there is too much pressure on numbers?

11) What about physical verification of assets? Was it conducted? Overall value of discrepancies?

12) What are the implications of non-reconciliation between the DDO and PAO or non-reconciliation of the GPF? What are the financial amounts involved? What is the implication or impact?

**Audit Report - II**

<table>
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<tr>
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<td>11,56,01,000.00</td>
</tr>
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</table>

**Comments**

1) Color Coding : Excellent (Red, Orange and Green)

2) Deficient procurement system. No local purchase committee. Vendors contacted directly, quotations received by hand – What is the value of transactions?

3) Use of condemned cars (Red) and expenses of Rs. 4.30 lakh thereon.

4) Non adjustment of advances of Rs. 3.77 crores for purchase of laptops in 2004. Pointed out in previous audit report too. Unsettled for how long? Who is responsible? What is the response?

5) Non maintenance of register of grants and on watching of utilisation certificates. Rating – orange? Quantum of grants not specified)

6) MACROS : Under which heads was there the maximum deviation?


8) What per cent of the accounts have we covered w.r.t. value of transactions and volume?

**Comments/Questions on Risk Based Audit Report of a Ministry**

1) Brave effort for a start. Detailed scope of audit and methodology. Lot of effort in the risk identification stage. Risk Ratings have been developed (Red/Yellow/Green).

2) No macro figures provided. We must give some basic financial details of auditee to let the reader better understand the scope of our work.

3) Need to bifurcate between inherent and residual risks

4) Working papers for control evaluation could be more elaborate. Number of transactions, value, result, cause, impact?

5) What are the standards or key performance criteria? How have you measured achievement against targets/budgets?

6) What is the feedback from the targeted beneficiaries? How many have we met? How do we select the NGO’s (if any are funded)?
7) Do we look at the MIS – accuracy, timelines, adequacy of the same?
8) What is the quantum of funds? Was it transferred on time? How much was delayed and by how much time? What is the cost of delay – financially / socially?
9) What per cent of our audits is RBIA?
10) Where Ministries are new to ERM? How geared are we to play an advisory role?
11) Are we perceived as partners for better governance or as watchdogs (or bloodhounds)?
12) How effectively are we training our staff to perform the role expected of them?
Unit 7
Rural Development Schemes

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)
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<td>3</td>
<td>Key Processes</td>
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<td>Permissible works</td>
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<td>Funding pattern and funds flow</td>
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<td>Risk areas for audit</td>
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<td>7</td>
<td>Checklist for internal audit</td>
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<tr>
<td>APO</td>
<td>Additional Programme Officer</td>
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<td>AS/FS</td>
<td>Administrative / Financial Sanction</td>
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<td>BRC</td>
<td>Block Resource Centre</td>
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<tr>
<td>CCI</td>
<td>Cross-Cutting Issues</td>
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<td>Chief Executive Officer</td>
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<td>Cluster-Level Facilitation Teams</td>
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<td>District Programme Coordinator</td>
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<td>DWMA</td>
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<td>EAS</td>
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<td>F.I.R</td>
<td>First Information Report</td>
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<tr>
<td>GP</td>
<td>Gram Panchayat</td>
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<td>Information Education and Communication</td>
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<td>Individual Household Latrine</td>
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<tr>
<td>IIPE</td>
<td>Intensive Participatory Planning Exercise</td>
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<tr>
<td>JC</td>
<td>Job card</td>
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<td>Junior Engineer</td>
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<td>Measurement Book</td>
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<td>MoDWS</td>
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<td>Particularly Vulnerable Tribal Group</td>
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<td>SoRs</td>
<td>Schedule of Rates</td>
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<td>Unique Identification Number</td>
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<td>Watershed Development Team</td>
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<td>ZP</td>
<td>Zilla Parishad</td>
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</table>
**Learning Outcome**

By the end of the learning, the reader will be enabled to understand the following:

a) About MGNREGA – Objectives and Coverage of MGNREGS
b) Key stakeholders in the scheme and their Rights and Entitlements
c) Planning Process at different levels
d) Permissible works under MGNREGS
e) Funds Flow and Financing Pattern
f) Maintenance of records at different levels
g) Administrative structure
h) Risk areas relating to the scheme
7.1 Introduction

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was enacted on 7 September, 2005 and came into force w.e.f. 2 February, 2006. Presently the Act covers the entire country with the exception of districts that have hundred per cent urban populations. The Act made supplementary livelihood in rural areas through unskilled manual work a legal right. Any rural household seeking unskilled manual work could register its family in the Gram Panchayat and obtain a job card. The MGNREGA has given rise to the largest employment programme in human history and is unlike any other wage employment programme in its scale, architecture and thrust. Its bottom-up, people-centred, demand-driven, self-selecting, and rights-based design is distinct and unprecedented. With the objective of meeting the provisions of the Act, the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) was formulated and was aimed to achieve:-

- Employment
- Quality Assets
- Social inclusion
- Strengthening Panchayati Raj Institutions
- Effecting Transparency & Accountability in Governance

7.2 Core Objectives of MGNREGA

- Providing at least one hundred days of unskilled manual work as a guaranteed employment in a financial year to every household in rural areas as per demand, resulting in creation of productive assets of prescribed quality and durability;
- Strengthening the livelihood resource base of the poor;
- Proactively ensuring social inclusion and
- Strengthening Panchayati Raj Institutions.

7.3 Eligibility

All Household members having age more than 18 years and residing in rural areas are eligible to at least 100 days of guaranteed wage employment on demand in a financial year.

7.4 Non-negotiable provisions of the scheme

- Wage to material ratio at 60:40 should be maintained at GP level.
- For all works taken up by the Gram Panchayats, the cost of the material component including the wages of the skilled and semi-skilled workers shall not exceed forty per cent at the Gram Panchayat level.
The works executed shall be done by using manual labour without engaging any contractors or machinery (Except as permitted).

Equal wages to all, without any gender bias, based on the quantity of work done.

7.5 Rights of the wage seekers

- Every rural household whose adult is willing to do work under MGNREGS has a right to get a job card.
- Every rural household has a right to get minimum 100 days unskilled wage employment on demand in a financial year.
- Wage seekers are entitled for employment on demand and he/she is alternatively entitled for getting daily unemployment allowance in case employment is not granted within 15 days of demand.
- Wage payments are exclusively made in the account of the wage seekers directly ensuring better transparency.
- Payment of wages should be made within 15 days after completion of work.
- In case the payment of wages is not made within fifteen days from the date of closure of the muster roll, the wage seekers shall be entitled to receive payment of compensation for the delay, at the rate of 0.05% of the unpaid wages per day of delay beyond the sixteenth day of closure of muster roll.
- If work site is more than 5 km from the village, the wage seeker will get additional 10% extra on wage realisation as travel compensation.
- The scheme has inbuilt mechanism for grievance redressal.
- The scheme has feature of accident compensation claim in case of accidents at work site. The scheme also provides Ex-Gratia Payments for permanent disability or death as a result of accident at a work site.

7.6 Entitlement to the wage seekers:

- Safe drinking water shall be provided at worksite.
- Resting facilities by way of shades/tents shall be provided to the wage seekers during the working hours at work site.
- First aid box shall be made available at each work site and ensure availability of useful and adequate medicines.
- Child care shall be ensured for working women having children below 5 years at the work site (Minimum collectively 5 and above children should be available to avail of this facility)

7.7 Salient Features of Mahatma Gandhi NREGS

7.7.1 The salient features of the MGNREGS are as below:

a) As a poverty alleviation programme, MGNREGS statutorily guarantees 100 days of Employment in a Financial Year on demand through enactment of MGNREGA (National Rural Employment Guarantee Act)
b) The Act has identified 9 categories of works to be taken up for providing employment to the job seeking rural households.

c) It is a demand-driven programme where provision of work is triggered by the demand for work by wage-seekers. The scheme also mandates keeping ready off the shelf of works by the authorities.

d) The funding pattern of the scheme comprises 100% funding for unskilled labour cost and 75% of the material cost of the work by Central Government and rest shall be borne by the State government.

e) As a strengthening of Panchayati Raj Institutions, the scheme requires Gram Panchayat as autonomous body to execute 50% of total works as implementing Agency. This ensures no interference of other authorities, Special Provisions of Social Audit in the Act ensures effective transparency and accountability of the works.

Note: The works that can be taken up under MGNREGS have been detailed in the operational Guidelines 2013 as amended from time to time.

WORK BOOK

1. What are the core objectives of MGNREGA?

2. What are the non-negotiable provisions of the scheme?

3. Explain eligibility criterion rights and entitlements of wage seekers?

4. Salient features of MGNREGS?
7.8 Key stakeholders: The key stakeholders in the execution of the scheme are as below.

**KEY STAKEHOLDERS**

7.8.1 Village Level

a. **Wage Seekers**

The wage seekers are the primary stakeholders of the Programme. The rights of the wage seekers are:

- Application for registration
- Obtaining a Job Card (JC)
- Application for work and to obtain a dated receipt for the application made
- Getting work within fifteen days of application or from the date when work is sought in the case of an advance application, whichever is later. If employment is not provided, right to get unemployment allowance
- Facilities of drinking water, shade, first aid box and creche, etc., at the work site
- Right to get 10% extra wage in case of employment provided beyond 5 km of radius.
- Right to check their Muster Rolls (MRs) and to get all the information regarding their employment entered in their JCs.
- Right to get wages, which will be made on weekly basis or in any case not later than a fortnight after the date on which such work was done.
- Medical treatment in case of injury in the course of employment including cost of hospitalisation if required and ex gratia payment in case of disability or death in the course of employment.
b. **Gram Sabha**

The Gram Sabha (GS) is the principal forum for wage seekers to raise their voices and make demands. The GS has the following rights and responsibilities under the Act:

- It recommends works to be taken up and is the final authority to determine the order of priority in which works will be initiated under MGNREGA.
- Monitor the execution of works within the GP.
- It is the primary forum for conduct of social audits. It provides a platform to all residents to seek and obtain all relevant information from all the Implementing Agencies including GP in relation to MGNREGA works implemented in the GP area.
- Ward sabhas (wherever in practice) have similar functions as the Gram Sabha.

c. **Gram Panchayat**

The GP is the pivotal body for planning and implementation. The GP is responsible for the following activities:

- Receiving applications for registration
- Verifying registration applications
- Registering households
- Issuing Job Cards (JCs)
- Receiving applications for work
- Issuing dated receipts for these applications for work
- GP as the primary stakeholder has to ensure that work should be allotted to wage seekers on demand as per Act
- Identification and planning of works, developing shelf off projects including determination of the order of their priority. This list is forwarded to Programme Officer for scrutiny and preliminary approval
- Maintaining records and accounts and providing utilisation certificates in formats prescribed by Central/ State Government
- Prepare annually, a report containing the facts and figures and achievements relating to the implementation of the Scheme within its jurisdiction and, copy of the same to be made available to the public on demand and on payment of such fee as may be specified in the Scheme
- Make available all relevant documents including the Muster Rolls, bills, vouchers, measurement books, copies of sanction orders and other connected books of account and papers to the GS for the purpose of conducting the social audit.
- Awareness generation, social mobilisation and monitoring implementation at village level.
- Convening the Gram Sabhas for planning and social audit.
d. **Gram Rozgar Sahayak (GRS)**

GRS as a primary stakeholder has the following responsibilities:

- Assisting Gram Panchayat in executing MGNREGS works at GP level
- Ensuring that all mates (Facilitators) attend work sites on time and take roll calls / attendance in prescribed Muster roll at work site only.
- Facilitating Planning process, Gram Sabha meetings & Social Audits
- Ensuring work site facilities and updating job cards of the workers regularly
- Maintaining all MGNREGS related registers at the GP level
- Distributing pay slips amongst workers along with mates

7.8.2 **Block Level**

a. **Programme Officer (PO)**

The PO being primary stakeholder acts as a coordinator for the MGNREGS at the block level. The important functions of the PO are:

- Consolidating, after scrutiny, all project proposals received from GPs into the Block Plan and submitting it to the District Panchayat for scrutiny and consolidation.
- Issuing muster rolls including E-muster rolls on demand of GRS.
- Monitoring and supervising implementation of works taken up by GPs and other implementing agencies within the block
- Ensuring prompt and fair payment of wages to all labourers and payment of unemployment allowance in case employment is not provided on time
- Maintaining proper accounts of the resources received, released and utilised.
- Redressing grievances within the block.
- Ensuring conduct of social audits and following up on required actions.
- Setting up Cluster-Level Facilitation Teams (CFTs) to provide technical support to GPs within each cluster of GPs.
- Ensure the maintenance of all the required information and records of all implementing agencies at all levels.
- Liaison with banks and post offices for opening up of new accounts and making regular and timely payments to wage seekers.
- Organise the formal monthly meetings with civil society organisations (CSOs) involved in MGNREGS implementation.

➢ The PO is accountable to the District Programme Coordinator (DPC).

b. **Jr. Engineer**

➢ Preparation of work estimates
➢ Giving the layout of works for construction / civil works under MGNREGS
➢ Issue of technical sanctions for all MGNREGS works
➢ Monitor execution of works
➢ Provide technical supervision
➢ Check-measure the measurements recorded in M book
➢ Validate measurement of work taken by amte

c. **MIS manager**

➢ Data entry and generation of job cards, work demand (Registered), technical estimate, work commencement letters, etc.
➢ Generation of pay orders and preparing necessary cheques
➢ Maintenance of accounts, registers, files and other MGNREGS related documents
➢ Generation of MIS and other review reports for Programme Officer

d. **Block Panchayat**

The function of the Panchayat at intermediate level shall be to:

➢ Approve the Block level Plan for forwarding it to the District Panchayat at the district level for final approval;
➢ Supervise and monitor the projects taken up at the Gram Panchayat and block level;
➢ Carry out such other functions as may be assigned to it by the State Council, from time to time.

### 7.8.3 District Level

a. **District Programme Coordinator (DPC)**

The State Government designates a DPC, who can be either the Chief Executive Officer of the District Panchayat (DP), or the District Collector (DC), or any other district-level officer of appropriate rank. The DPC is responsible for the implementation of the scheme in the district.

- Assist the District Panchayat in discharging its functions.
- Receive the Block Panchayat plans and consolidate them along with project proposals received from other implementing agencies for inclusion in the District Plan for approval by the District Panchayats.
- Review, monitor and supervise the performance of the POs and all implementing agencies in relation to MGNREGS works.
- Ensure that First Information Report (FIR) is filed in every case in which there is prima facie, evidence of misappropriation or financial irregularity.
- Coordinate an Information Education and Communication (IEC) campaign for MGNREGS within the district.
• Develop annual plans for training and capacity building of various stakeholders within the
district.
• Submit periodic progress and updates to the State Government.
• Ensure that social audits are done in all GPs once in six months and ensure follow-up action
on social audit reports
• Ensure that all entries relating to works such as details of the shelf of works, status of
implementation, photographs of works at three different stages and information of regarding
completion of works are entered in NREGAsoft at every required stage.
• Supervise NREGAsoft online to ensure compliance of all transactions including issue of
JCs, recording of applications for work, allocation of work, generation of wage slips and
Fund Transfer Orders (FTOs), entries relating to work performed, delayed payment of
wages and unemployment allowance.
• Ensure that all funds received by Implementing Agencies and district level authorities
including Panchayats are posted in NREGAsoft no later than two days of receipt of such
funds.

b. **District Panchayat**

District Panchayats are responsible for:

• Consolidation of Annual Block Plans (within the district) into a District Plan
• Adding any inter-block work that according to them will be a good source of employment
• Monitoring and supervision of the MGNREGS in the district
• Carry out such other functions as may be assigned to it by the State Council, from time to
time.

### 7.8.4 State Government Level

a. **State Employment Guarantee Council**

A State Employment Guarantee Council (SEGC) or ‘State Council’ is to be set up by every
State Government under Section 12 of MGNREGA. The SEGC has the following roles and
responsibilities:

➢ Advise the State Government on the implementation of the Scheme
➢ Review the monitoring and redressal mechanisms and suggest improvements
➢ Evaluate and monitor the Scheme within the State
➢ Recommend the proposals of works to be submitted to the Central Government under para
1B (xvi) of Schedule I of the Act.
➢ Promote widest possible dissemination of information about this Act and the Schemes
under it
➢ Prepare the annual report to be laid before the State Legislature by the State Government.
b. **State Government**

The responsibilities of the State Government include:

- Make Rules on matters pertaining to State responsibilities under Section 32 of the Act
- Develop and notify the Rural Employment Guarantee Scheme for the State
- Set up the SEGC (State Employment Guarantee Council) and establish State Employment Guarantee Fund (SEGF)
- Set up a State level MGNREGS implementation agency/mission
- Set up a State level MGNREGS social audit agency/directorate with adequate number of people with knowledge on MGNREGA processes and demonstrated commitment to social audit.
- Establish a network of professional agencies for training, technical support and for quality-control measures
- Regular review, research, monitoring and evaluation of MGNREGS processes and outcomes
- Ensure accountability and transparency in the Scheme at all levels
- Generate widest possible awareness about MGNREGA across the State and ensure that civil society organisations involved in mobilising MGNREGA workers do meet official at least once a month.
- Ensure compliance with all processes laid down in Act, Rules and guidelines.

7.8.5 **Central Government Level**

a. **Central Employment Guarantee Council**

The Central Employment Guarantee Council (CEGC) or ‘Central Council’ has been set up under the Chairmanship of the Union Minister for Rural Development. The roles and responsibilities of the CEGC, as per the Act, are to:

- Establish a central evaluation and monitoring system;
- Advise the Central Government on all matters concerning the implementation of the Act
- Review the monitoring and redressal mechanism from time to time and recommend improvements required
- Promote the widest possible dissemination of information about the Schemes
- Monitoring the implementation of this Act;
- Preparation of annual reports to be laid before Parliament by the Central Government on the implementation of this Act.

b. **Ministry of Rural Development (MoRD)**

The Ministry of Rural Development is the nodal Ministry for the implementation of MGNREGA. The roles and responsibilities of the MoRD are:
• Make Rules under the Act
• Issue Operational Guidelines for the effective implementation of the Act
• Review list of permissible works under MGNREGA in response to demands of State Governments
• Constitute the CEGC
• Set up National Employment Guarantee Fund
• Set up National Management Team (NMT) within the Department of Rural Development to perform the national-level functions under MGNREGA
• Make budgetary allocation and ensure timely release of Central share
• Maintain and operate the MIS to capture and track data on critical aspects of implementation, and assess the utilization of resources through a set of performance indicators
• Support and facilitate use of Information Technology (IT) to increase the efficiency and transparency in implementation of the Act
• Facilitate technical support and capacity building to improve outcomes
• Support innovations that help in improving processes towards the achievement of the objectives of the Act
• Monitoring, Evaluation and Research on the performance of MGNREGS
• Empanel agencies that can be used by State Governments as PIAs for implementation of MGNREGS works and determine the percentage value of funding that can be given to them to meet their administrative costs.

7.8.6 Other Organisations

a. **Ombudsman**

In keeping with the principles of transparency and accountability, the State Government will establish the office of Ombudsman in all districts for expeditious redressal of grievances regarding implementation of MGNREG Scheme.

b. **Directorate of Social Audit**

All States should establish an independent Social Audit Unit (SAU) to conduct Social Audits twice a year in all GPs where MGNREGS is implemented and reports should be submitted to CAG. Director of the SAU is responsible for this process.
c. **Banks / Post Offices**

All banks or Post offices

As wage disbursement agencies, banks or post offices play a vital role in transaction of wage payments to ensure fairness and transparency in MGNREGS.

d. **GPS Agencies**

GPS Agency as a stake holder will ensure payments based on the correct measurements of works and complete transparency in the system based on the longitude and latitude of the completed work through Geo tagging.

### 7.8.7 Civil Society

Civil Society Organizations (CSOs) working at the grass-roots can play a very significant role in awareness generation among wage-seekers and in supporting and building capacities of GPs and State Governments in planning, implementation and social audit of MGNREGS. Self Help Groups (SHGs) can play a direct role in spreading awareness, organizing work, accessing entitlements and ensuring social accountability.

The organisational structure for the implementation of MGNREGS can be depicted in the following diagram.

**Organisational Structure:**
WORK BOOK

1. List out the stakeholders of the scheme at all levels?

2. What are the roles and responsibilities of the GRS?

3. What are the functionalities of GS and GP?

4. List out roles and responsibilities of PO and JE?

5. What are the funding councils constituted at Central and State level?

6. Who are the stakeholders at district level? List out their roles?
7.9 Key Processes

7.9.1 Job Card Registration

- The Job Card is a key document that records workers’ entitlements under MGNREGA. It legally empowers the registered households to apply for work, ensures transparency and protects workers against fraud.

- A household having adult members desirous of seeking unskilled employment in MGNREGA may apply for registration. The application for registration may be given on plain paper to the local Gram Panchayat and Community Service Centre (CSC).

- To allow maximum opportunities to families that may migrate, registration shall also be opened throughout the year at the GP office.
• Application for registration must be made on behalf of the household by any adult member and should contain names of those adult members of the household who are willing to do unskilled manual work (‘adult’ means a person who has completed 18 years of age), particulars such as age, sex, SC/ST status.

• After receiving application for Job Card (JC), the GP will verify:
  a. Whether the household is really an entity as stated in the application
  b. Whether the applicant households are local residents in the GP concerned
  c. Whether applicants are adult members of the household.

• The process of verification shall be completed as early as possible, as and in any case not later than a fortnight after the receipt of the application in the Gram Panchayat.

• All particulars of a household found to be eligible after verification, will be entered in the MIS (NREGASoft) by the Panchayat Secretary or the Gram Rojgar Sahayak (GRS) or a person duly authorised by the State Government. Every registered household will be assigned, through the system, a unique registration number.

• If a household is found to be eligible for registration, the GP will, within a fortnight of the application, issue a JC to the household to one of the members of the applicant household in the presence of a few other residents of the GP.

• The registration shall be valid for a period of five years

7.9.2 Application for work

• Every adult member of a registered household whose name appears in the JC shall be entitled to apply for unskilled manual work.

• As per Schedule II para 7 of the Act, applications for work must be for at least fourteen days of continuous work.

• Applications for work should generally be submitted to the GP

• Applications for work given in writing should state the following:
  a. The registration number of the JC;
  b. The date from which employment is required; and
  c. The number of days of employment required.

• Application for work may be on plain paper or it may be in a printed proforma that will be made available free of cost at the GP (Form No. 6).

• Every GP should organise a Rozgar Diwas at least once every month. At this event the GP should pro-actively invite applications for work from potential workers for the current as well as subsequent quarters.

• The information on work requested and work allotted is required to be mentioned in the JC and Employment Register also.
• The work entitlement of 100 days per household per year may be shared between different adult members of the same household.

• Applicants who are provided work shall be intimated by the GP/PO by means of a communication sent to them at the address given in the job card, and also by a public notice displayed at the offices of the GP and the PO.

• While providing employment, priority shall be given to women in such a way that at least one-third of the beneficiaries shall be women who have registered and requested for work under the Scheme.

7.9.3 Unemployment Allowance

• If an applicant is not provided employment within fifteen days of receipt of his/her application seeking employment, he/she shall be entitled to a daily unemployment allowance.

• The unemployment allowance will be paid as per Section 7 of the Act. The allowance will not be less than one-fourth of the wage rate for the first thirty days and not less than one-half of the wage rate for the remaining period of the financial year.

7.9.4 Labour Budget Projection & Works Identification

• Labour Budget (LB) entails planning, approval and funding under MGNREGA. Sub-section 6 of Section 14 of the MGNREGA mandates that the District Programme Coordinator (DPC) under MGNREGA shall prepare in the month of December every year, a labour budget for the next financial year containing the details of anticipated demand for unskilled manual work in the district and the plan for engagement of workers in the works covered under the programme.

7.9.5 Baseline survey to assess quantum and timing of demand for work

• A survey of job card holders is to be mandatorily conducted in every Gram Panchayat (GP), in order to prepare a baseline to assess the quantum and timing of demand for employment in the GP. The survey will elicit information on the seasonal demand for labour from each job card holder in the GP.

• The projects to be taken up as part of the Labour Budget should emerge from an integrated plan for local development with focus on Natural Resource Management especially on a micro watershed basis so that sustainable livelihoods are created. The following steps are suggested for preparation of the Plan:

Step 1 – Identification of needs

Needs of the people may be identified through consultations at the habitation level which have to be noted down in the order of priority. Also in large Village Panchayats, consultations may be held with different stakeholders like MGNREGS workers, SHGs, small and marginal farmers, Watershed Committees and agricultural labourers and their needs identified and prioritised. Special efforts should be taken to include the priorities suggested by SCs and STs. In addition to consultations, participatory techniques like focus group discussions, transect walks, natural resource-cum-social mapping, participatory priority setting, etc., should be adopted. This could be facilitated by either the Cluster Facilitation Teams or a Task
Force set up for the purpose, consisting of elected members of the Village Panchayat officials, experts, representatives of Civil Society and Community Based Organisations as well as representatives of stakeholders. Such Task Force has to be trained properly for the planning process.

**Step 2 – Identification of Resource Envelope**

The Cluster Facilitation Team or Task Force as the case may be, in consultation with the Village Panchayat could identify the resources available locally from different Schemes like Integrated Watershed Management Programme, Rashtriya Krishi Vikas Yojana, Nirmal Bharat Abhiyaan, National Rural Drinking Water Programme, BRGF, ICDS, etc., and the own resources of the Panchayat including grants of the Central and State Finance Commissions.

**Step 3 – Preparation of Draft Development Plan**

The Cluster Facilitation Team/Task Force would, in partnership with the elected Panchayat, prepare the Development Plan by matching the prioritised needs with the resources available. Those elements of the Development Plan which could be taken up under MGNREGS, would be noted separately as a shelf of projects to be included in the Labour Budget. (Development Plan is an Annual Plan for MGNREGA which is prepared by every GP after considering the recommendations of Gram Sabha and Ward Sabhas).

**Step 4 – Approval of Gram Sabha**

The draft Plan would be presented in the Gram Sabha and got approved by incorporating the suggestions of the Gram Sabha.

**Step 5 – Plan finalisation**

The Plan including the MGNREGA component approved by Gram Sabha would be discussed in a special meeting of the Gram Panchayat without disturbing the priority of work decided by Gram Sabha.

**7.9.6 Consolidation of annual plans and labour budgets at block and district level**

- Once approved by the GS, each GP will submit its Annual Plan and LB along with a copy of the resolution of the GS to the Programme Officer. The Programme Officer, will
  a. Scrutinise the GP Annual Plans against the list of permissible works as specified in MGNREGA;
  b. Check whether the wage material ratio for the list of works proposed for inclusion in the Annual Plan for the GP, meets the requirements of the Act and Schedule.
  c. Collate all works within the block and
  d. Present the Block Plan before the Block Panchayat.
- The Block Panchayat will not reject a work proposed by the GP if it is within the parameters of the Act. If it is outside the parameters of the Act, then it will be returned to the GP with a request to recast the proposal in accordance to the provisions of the MGNREGA.
- The Block Panchayat will maintain the priority indicated by the GP while accepting the proposals of GPs for preparation and consolidation of a block level annual development plan.
• The Block Panchayat will then submit the Block Annual Development Plan to the District Panchayat.

• The DPC will
  a. Scrutinise the Block Annual Development Plan of works against the list of permissible works as specified in MGNREGA;
  b. Collate all works within the district into the District Annual Development Plan.
  c. Ensure that the District Annual Development Plan has adequate number of schemes to meet work demand in all seasons in all panchayats.
  d. Present District Annual Development Plan and District Labour Budget to the District Panchayat.

• The District Panchayat shall approve the District Annual Development Plan and Labour Budget within 15 days of their presentation.

• After approval of Labour Budget by the District Panchayat, month-wise projections of
  (i) Number of Households to be provided employment,
  (ii) Persondays to be generated,
  (iii) Estimated expenditure on works
  (iv) List of works to be undertaken would be disaggregated, GP-wise and sent to respective GPs for data entry.

7.10 Technical Estimation and Work Estimation

Whenever we compare lengths, weights and quantities we need to know exact measurement. A unit of measurement is a definite magnitude of a physical quantity, defined as a standard for measurement of the same physical quantity. Any other value of the physical quantity can be expressed as a simple multiple of the unit of measurement. There are different kinds of measurements like quantities length; area, volume and weight there are difference in the shapes and characteristics of different kind of objects. There are three types of mathematical shapes which you need to understand while working in MGNREGS. Linear shapes are one-dimensional which goes only in one direction. There are some shapes which take two directions. These are called two-dimensional shapes. Ex: Rectangular, Square, Circular, etc., are the shapes which extend in two directions and quantifications of their size depends on the length of both sides which is called area. There are also some shapes which extend in third direction mostly height/ depth. Quantifications of such things are done by volume. Normal units of volumes are Cubic meters, Cubic feet/Litres.

\[
\begin{align*}
\text{Length} & = L \\
\text{Area} & = L^2 \\
\text{Volume} & = L^3
\end{align*}
\]
Once the work to be done is finalised and is also quantified, expected estimated cost is required to be assessed. After quantification, one need to know the rates of different works, types of materials required workout and the total cost of work. Rates of works and material may vary significantly depending on the geographical area and other factors.

(Ref: Training module for Barefoot Technicians (BFT-1.1)-Elelment-11)

To keep uniformity and to address other related issues, engineering departments work out and document the rates of different labour components as well as material used in construction. This document is called Schedule of Rate or SoR. Schedule of Rates for MGNREGA works may be referred as Rural Standard Schedule of Rates (RSSOR).

Each State shall have their own SoRs for MGNREGS works

Sample of Schedule of Rates (SoR) (Rates shown may not be applicable in your location)

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Units</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0301</td>
<td>Earth work in bulk excavation (exceeding 30 cm in depth, 1.5 m in width as well as 10 sqm on plan) including disposal or stacking of excavated soil lead up to 50 m lift up to 1.5m, disposed soil to be levelled and neatly dressed. Loose or soft soil</td>
<td>Cum</td>
<td>29.24</td>
</tr>
<tr>
<td></td>
<td>Dense or hard soil</td>
<td>Cum</td>
<td>37.83</td>
</tr>
<tr>
<td></td>
<td>Hard Morrum</td>
<td>Cum</td>
<td>50.15</td>
</tr>
<tr>
<td>0302</td>
<td>Earth work in bulk excavation (exceeding 30 cm in depth, 1.5 m in width as well as 10 sqm on plan) including disposal or stacking of excavated soil lead up to 50 m lift up to 1.5m Disintegrated or soft rock (Not requiring blasting)</td>
<td>Cum</td>
<td>119.82</td>
</tr>
<tr>
<td></td>
<td>Hard rock requiring blasting</td>
<td>Cum</td>
<td>147.30</td>
</tr>
<tr>
<td></td>
<td>Hard rock requiring chiseling (where blasting is prohibited)</td>
<td>Cum</td>
<td>257.9</td>
</tr>
<tr>
<td>0303</td>
<td>Earth work in rough excavation banking excavated earth in layers not exceeding 20 cm in depth breaking clods watering, rolling each layer with ½ tonne roller or wooden or steel hammers and rolling every third and top most layer with power roller of min. Loose or soft soil</td>
<td>Cum</td>
<td>36.54</td>
</tr>
<tr>
<td></td>
<td>Dense or hard soil</td>
<td>Cum</td>
<td>45.30</td>
</tr>
<tr>
<td></td>
<td>Hard Morrum</td>
<td>Cum</td>
<td>51.13</td>
</tr>
<tr>
<td>0304</td>
<td>Earth work in rough excavation, filling excavated earth in to depressions on banking as directed, top surface to be levelled and neatly dressed Loose or soft soil</td>
<td>Cum</td>
<td>32.48</td>
</tr>
<tr>
<td></td>
<td>Dense or hard soil</td>
<td>Cum</td>
<td>41.76</td>
</tr>
<tr>
<td></td>
<td>Hard Morrum</td>
<td>Cum</td>
<td>46.93</td>
</tr>
<tr>
<td>0305</td>
<td>Deduct for not rolling with power roller minimum 8 tonnes in item No:0303</td>
<td>Cum</td>
<td>2.21</td>
</tr>
<tr>
<td>0306</td>
<td>Deduct for not watering in item No:0303</td>
<td>Cum</td>
<td>1.45</td>
</tr>
</tbody>
</table>

As mentioned these SoR are updated every year and it is mandatory to use the latest approved Schedule of Rates.

(Ref: Training module for Barefoot Technicians (BFT-1.5) - Elelment-1)
7.11 Estimation of works

Estimation is an approximate assessment or calculation to arrive at the value of a work or activity proposed. The estimate will be useful to assess the time required for completion of a work or activity and to assess the required resources like manpower and money. Estimated value may not be same as the true expenditure. However, the actual expenditure to be incurred shall be 10% variation of the estimated amount.

7.11.1 Types of estimates

a. Detailed Estimates:

Detailed estimates have task-wise detailed dimensions, i.e., length, width, depth or height quantities as mentioned in the following format

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Description of task</th>
<th>Unit of work (Cum/m²/rm*/Nos)</th>
<th>Number</th>
<th>Length (m)</th>
<th>Width (m)</th>
<th>Depth (m)</th>
<th>Quantity (in Cum/m²/rm)</th>
</tr>
</thead>
</table>

* rm indicates running meters

b. Abstract Estimate

Based on the detailed estimate, Abstract of estimate is prepared as below format.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Description of task</th>
<th>Unit of work (Cum/m²/rm*/Nos)</th>
<th>Quantity</th>
<th>Rate**</th>
<th>Amount</th>
</tr>
</thead>
</table>

* rm indicates running meters

** Rates are to be taken from applicable schedule of rates document.

c. Detailed cum Abstract Estimate:

This is the combination of detailed and abstract estimates, both. Generally in MGNREGS, the detailed and abstract estimates are used as they are small and simple works.

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Description of task</th>
<th>Unit of work (Cum/m²/rm*/Nos)</th>
<th>Number</th>
<th>Length (m)</th>
<th>Width (m)</th>
<th>Depth (m)</th>
<th>Quantity (in Cum/m²/rm)</th>
<th>Rate**</th>
<th>Amount</th>
</tr>
</thead>
</table>

* rm indicates running meters

**Rates are to be taken from applicable schedule of rates document.
Example of a detailed and abstract estimate of a water absorption trench

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Description of task</th>
<th>Unit of work (Cum/m²/rm*/Nos)</th>
<th>Number</th>
<th>Length (m)</th>
<th>Width (m)</th>
<th>Depth (m)</th>
<th>Quantity (in Cum/m³/rm)</th>
<th>Rate** (Rs)</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Trench cutting</td>
<td>Cum</td>
<td>1</td>
<td>6</td>
<td>3</td>
<td>0.5</td>
<td>9</td>
<td>100</td>
<td>900</td>
</tr>
</tbody>
</table>

Earth work excavation for trench in ordinary soil and deposit on trench bank with an initial lead off of 10 m depth up to 1m including all operational incidental labour charges. Such as breaking clouds, trimming slopes etc. complete for finished item of work as per SS 20B in ordinary soils.

7.11.2 Basic components of Estimates

1. Description of the work/task/activity
2. Dimension of the work/task/activity
3. Designs and Drawings
4. Specification of works/tasks
5. Detailed quantities of task
6. Rates
7. Lead statements
8. Report accompanying the estimate.

(Ref: Training module for Barefoot Technicians (BFT-1.5) - Element-2.)
WORK BOOK:

1. Explain process of obtaining Job Card?

2. Elicit the process included in Labour Budget preparation?

3. Explain briefly about process for work allocation to wage seekers?

4. What are the shapes included in MGNREGS works and how they are measured?

5. List out SoR for different labour components?

6. How many types of estimates are in MGNREGS? List out basic components of estimates?
7.12 Permissible Works under MGNREGS

When Act was implemented only 8 types of works were permissible in NREGS. From 2013, the same was expanded to 20 works and now they are under four categories

<table>
<thead>
<tr>
<th>Category of works</th>
<th>Works Execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Works relating to Natural Resources Management Category-A Works</td>
<td></td>
</tr>
<tr>
<td>Individual Asset for Vulnerable Sections (Only HHs in paragraph 5) Category-B Works</td>
<td></td>
</tr>
<tr>
<td>Common Infrastructure from NRLM Complaint Self Help Groups Category-C Works</td>
<td></td>
</tr>
<tr>
<td>Rural Infrastructure Category-D Works</td>
<td></td>
</tr>
</tbody>
</table>

- **Water Conversation**: 
  - Underground dykes
  - Earthen dams
  - Stop dams
  - Recharging grounds
- **Watershed Management**: 
  - Contour trenches
  - Contour bunds
  - Boulder checks
  - Gabion structures
- **Irrigation**: 
  - Creation of micro and minor canals
- **Traditional water bodies**: 
  - Desilting of irrigation tanks
- **Afforestation**: 
  - Plantation
- **Land Development**: 
  - In common land
- **Improving Productivity of lands**: 
  - Farm ponds plantation
- **Improving livelihoods through Development of fallow / waste land**: 
  - Development of land
- **Construction of house**: 
  - IAY
  - Promotion of livestock
  - Piggery
  - Goat shed
  - Poultry shed
- **Promotion of fisheries**: 
  - Fish drying yards
  - Storage facilities
- **Agricultural Productivity**: 
  - Creation of durable infrastructure
  - Post harvesting facilities
  - Common work sheds for livelihoods activities of SHGs
  - Construction of house
  - PMAY
  - Promotion of livestock
  - Cattle shed
  - Goat shed
  - Poultry shed
- **Rural sanitation**: 
  - IHHL Community toilets
  - Anganwadi toilets
  - Solid and liquid waste management
- **Road Connectivity**: 
  - Internal roads
  - Street roads
- **Play fields**: 
  - Play grounds
  - Burial grounds
- **Disaster Preparedness**: 
  - Flood control and Protection works
  - Deeping and repairing flood channels
  - Construction of storm water drains for coastal protection
- **Construction of buildings**: 
  - Pucca buildings for GPs, Anganwadi centres, RG Seva Kendras, etc.
  - Food grain storage structures
  - Storage facilities
Works Execution

The GP is the single most important agency for executing MGNREGA works as Section 16 (5) of the Act mandates that at least fifty per cent of the works in terms of cost under a scheme shall be allotted to GPs for implementation.

The other Project Implementing Agencies (PIA) can be line departments of the Central or State Government, District Panchayat, Panchayat at intermediate level, Gram Panchayat or any other local authority or Government undertaking or non-governmental organisation authorised by the Central Government or the State Government to undertake the implementation of any work taken up under a Scheme.

All the implementing agencies converge at the GP. The GPs will act as the single window for facilitation of MGNREGA works at the village level. As GPs are the custodian of shelf of works, all works proposed by other PIAs working in the same GP have to ensure that their proposals are passed in the GS and included in the Annual Development Plan of the GP.

GPs shall be the first choice for designating a PIA for any work. However, there may be instances when agencies other than the GP are required to be selected. The selection of the Implementing Agency, other than the GP, will be done by the DPC and will be based on technical expertise, capacity to handle work within the given time frame, proven track record for work, and the overall interests of beneficiaries. The selection of the Implementing Agency will have to be indicated in the Development Plan. DPC will also consider approving a panel of PIAs for each work to ensure that alternative options are available in the event where an agency fails to execute the work. This will ensure that works do not suffer because of an individual agency’s failure, and that work seekers get employment on time.

The responsibility for opening works on time as in the labour budget and the Annual Plan will lie squarely with the PIAs. If any Implementing Agency (including a GP) is unable to open the works allotted, it will immediately inform the Programme Officer, who will entrust the work to another agency, chosen from a panel of agencies approved project-wise for that block in the Development Plan for the District. If for any reason, the work proposed to be opened up on a given date is not started, the PO will direct the applicants to a work being executed by another Implementing Agency. The time for various activities must be fixed according to the needs of workers, particularly migrant workers.

In the event of GP being the PIA, the concerned line department will provide technical support to the GP in terms of (i) providing designs and estimates, (ii) quality parameters (iii) supervision of the works executed. No overhead charge will be given to any line department for this.

7.13 Muster rolls

- Before starting a work, the GP shall inform the PO, so that the PO can issue the required muster rolls. If the PIA is other than GP, then the concerned GP will inform the same to the PO, who will issue work order to the concerned PIA along with the required muster rolls.

- The muster rolls should be authorised by the PO and issued to GPs and other implementing agencies within three days from the date they declare their intent to start works. Only those musters that are signed/certified by PO are considered authentic for generation of pay orders. Necessary steps should be taken to avoid fake musters.
• A record of muster rolls issued by the block & muster rolls received by the GP shall necessarily be maintained and strictly monitored.

• Currently, there are two distinct processes adopted for issue of muster viz (i) e-muster & (ii) paper muster. It is clarified here that e-muster shall be the norm. Only in exceptional and unavoidable circumstance, paper musters can be issued.

• Weekly muster rolls shall be adopted to ensure timely payment of wages to the MGNREGS wage seekers.

7.14 Work site Management & Attendance

• For helping the Gram Rozgar Sahayak in managing work site facilities including taking attendance of the workers, a mate should be appointed for each work. Preference in appointment of mates should be given to women workers or differently abled persons who are adequately trained for performing the duties expected of mates.

• Workers’ attendance and the wages paid will be shown against each name with the signature/thumb impression of the worker.

• Any person desirous of seeing the current muster roll will be provided access to it at the worksite during working hours on all working days.

• When a work is in progress, the workers engaged in that work will select from among themselves not less than five workers on a weekly rotational basis to verify and certify all the bills/vouchers of their work site, at least once a week.

• A copy of the sanctioned estimate and the work order must be available for public inspection at the work site.

• Attendance should be captured by mate/Gram Rozgar Sahayak only in the muster roll signed and authorised by the PO. Subsequent to the recording of attendance in paper muster or e-muster that contains the names of workers who have been allocated the work through NREGAsoft, the recorded attendance must be entered in NREGAsoft within 2 days of closure of muster.

• Attendance for semi-skilled/skilled workers will also be recorded likewise. Workers in this category will be required to provide some identity proof such as EPIC card or any other document from Government/Semi-Government authority. A note to this effect will be made in relevant document.

7.15 Work site Facilities

• Work site facilities (Medical aid, drinking water and shade) are to be provided at the work site.

• The first aid box should be replenished as and when required and should not have medicines that have expired.

• Provision of drinking water may require trolleys for fetching water from long distances.

• In case the number of children below the age of six years accompanying the women working at any site are five or more, a crèche will need to be provided. One of such women
workers shall be made to depute to look after such children. She will be paid wages equal to the prevalent wage rate paid to the unskilled worker. The expenditure will be separately recorded.

- All expenditure on work site facilities should be booked as part of administrative expenditure (not as part of work).

### 7.16 Measurement of works, Check measurements and Calculation of wages

- All measurements of work done shall be recorded in the Measurement Book (MB) duly authorised and issued by competent authority.

- Weekly measurement of works should be undertaken by measurement officers (Technical Assistants/Overseers/ Junior Engineers). Measurement officers should ensure that all measurements are taken within three days after close of weekly muster. This is crucial for timely wage payments.

- All measurements should be captured task-wise so that nothing remains invisible and underpaid.

- Checking of measurement recorded by TA/ overseer/ junior engineer by an authority higher than the measurement officer is crucial for effective monitoring and ensuring quality of MGNREGS works. Appropriate check measurement norms have to be adopted by States to ensure creation of quality assets. However, these norms should in no way affect timely payments of wages.

- A physically completed work can be closed only after the check measurement engineer has thoroughly examined the work and records.

- In case of execution of works by line departments, the official from line department who has accorded technical sanction has to conduct check measurement after the work is completed.

- Wages to be paid to workers shall be calculated on the basis of work out-turn. As the SoRs are required to be so worked out that when a group of workers work for the required duration, the out-turn would enable them to earn an amount equal to the prevailing notified wage rate under section 6(1) of the Act. Therefore, there would be no case when a worker would be required to be paid more than the notified wage rate. NRGEAssoft prevents entry of an amount higher than the notified wage rate.

### 7.17 Generation of Pay Order

States/ districts that do not use e FMS, will need to generate pay orders. The equivalence of a pay order in e FMS is a Fund Transfer Order (FTO) that the system generates upon feeding the requisite information. (MAHATMA GANDHI NREGS, Operational Guidelines 2013, 4th Edition)

- Pay orders can be generated through the software after weekly muster rolls & measurements recorded in Measurement Book are entered into NREGAssoft. In order to assure timely payment of wages to the labour, pay orders should be generated within 3 days after close of weekly muster. Pay orders generated through NREGAssoft will have unique IDs and will be mapped to the muster roll numbers.
• The pay order contains muster-wise wages earned by each worker. The pay order clearly indicates work details, muster details, wage seeker details, job card details, account details and amount earned by each wage-seeker.

• Pay orders are required to be authorised by GP or Programme Officer and then submitted to the wage paying agency along with the pay-cheque/advice.

7.18 Distribution of pay slip

• Individual pay slips or wage slips communicate to each worker, the details of weekly wage payments like work ID, wage rate, number of days worked, amount earned by the worker during the week, etc., thereby increasing transparency in the implementation of program.

• Individual pay slips shall be generated through NREGAssoft along with pay orders.

• Gram Rozgar Sevak along with mates are responsible for distribution of pay slips amongst workers.

7.19 Project Completion Report (PCR)

• On completion of every project, a Project Completion Report (PCR) should be prepared as per the prescribed format in the Works Register and the details entered therein should be verified by a senior officer. Summary details should also be made available to concerned ward, block and district panchayat member, MLA and MP.

• Geo-tagged time-stamped photographs of the site before the start of work, at intermediate stage and of the work after its completion should be taken as a record of the work and attached to PCR and uploaded onto NREGAssoft.

• PCR should be placed in the file pertaining to the work in the office of the Implementing Agency. This would serve as a record of verification of completion of work.

• All executed works should be closed (or partially closed) upon completion. For closure of any work in NREGAssoft, all muster and expenditure details are required to be filled in.

7.20 Convergence

Planning for works and managing the convergence would require institutional arrangements for proper coordination at district, block and village level. The institutional platform for such dovetailing will be the Gram Sabha at the village level, and then the Gram Panchayat.

District: To execute the convergence model at the village, block and district level, a District Resource Group (DRG) headed by the DPC may be formed at the district level. For all categories of works permissible under MGNREGS, there would be corresponding nodal Ministry/Department at Centre/State Government level responsible for technical specification and standards. The DRG will consist of expert and technical personnel from all line departments at the district level. The DRG will ensure that technical quality of the convergence project will be maintained.

Functions of DRG:

• To advise, formulate, appraise and monitor the implementation of MGNREGS works and the convergence model.
• Identify common areas of convergence of work under different schemes.

• Scrutinise the district plans and other schemes. Examine the appropriateness as per the district hydro-geological, climatic conditions and adequacy of works in terms of likely demand and their feasibility.

• Ensure that sequencing of works selected by Gram Sabha under MGNREGS and the work taken up by the line department that is proposed for convergence are compatible with each other.

**Block level:**

A Block Resource Group may be constituted comprising the Programme Officer of MGNREGA. The Programme Officer and BRG will ensure that works selected by Gram Sabha under MGNREGS and the work taken up by the line department that is proposed for convergence are compatible with each other.

**Village level:**

A Village Resource Group (VRG) may be constituted comprising the technical assistants appointed under MGNREGA, the work mates, the Gram Rozgar Sahayak and any field level technical staff engaged in implementing the programmes identified for convergence. At the village level, the VRG will facilitate the planning process with the support of BRG.
Work Book

1. How many categories of permissible works are in MGNREGS works? List out category D-works?

2. Explain briefly about PIAs executing works under MGNREGS?

3. What is muster roll?

4. What is M Book and its importance in MGNREGS?

5. What is the process of wage payment?

6. Write about CPR?

7. Elicit functions of DRG in convergence?
### 7.21 Funding Pattern

<table>
<thead>
<tr>
<th>Component</th>
<th>Central share</th>
<th>State Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages for unskilled labour</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>Wages for skilled and unskilled labour &amp; cost of material</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>Other components</td>
<td>Administrative expenses as may be determined by Central Government</td>
<td>Unemployment allowance in the case wage employment not provided within 15 days</td>
</tr>
<tr>
<td>Employment guarantee councils</td>
<td>Administrative expenses of the Central Employment Guarantee Council</td>
<td>Administrative expenses of the State Employment Guarantee Council</td>
</tr>
</tbody>
</table>

### 7.22 Fund Flow

Before the beginning of each financial year, on or before 31 December, all States/UTs shall present their annual work plan and LB to the Ministry of Rural Development.

The Ministry of Rural Development will, in consultation with concerned State Government examine the proposals (LB) received from the States and review the performance of the States and UTs with respect to the implementation of the Act and estimate the persondays that the State is likely to need for next financial year. Based on this agreed to LB, an estimate of the amount required by the State for the next FY will be made.

As soon as the LB of a State is agreed to, States need to revise (if required) their month-wise and district-wise projected labour demand and the consequent fund requirement for the FY as a whole based on prevailing notified wage rate.
FUNDS FLOW PATTERN

Fund transfer from Central Govt

Fund transfer from State Govt

State Employment Guarantee Fund

DISTRICT

e-FMS

Payment of wages

Payment of material

Admin Expenditure
## 7.23 LIST OF RECORDS TO BE MAINTAINED

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of the Register</th>
<th>Level at which register is to be maintained</th>
<th>Content</th>
<th>Maintained By</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tender/Contract Register</td>
<td>Gram Panchayat/Block/District</td>
<td>This register will contain information on details of tender advertised or floated by Gram Panchayat/Block/District. Copy of tender advertisement and copy of agencies/vendors applied will be maintained in a separate folder to verify the details.</td>
<td>At GP level by Panchayat Secretary, Block level by Programme Officer District level by DPC.</td>
</tr>
<tr>
<td>2</td>
<td>Material Procurement Register</td>
<td>Gram Panchayat/Block/District</td>
<td>This register will contain information on details of material procured.</td>
<td>At GP level by Panchayat Secretary, Block level by Programme Officer District level by DPC and other implementing agencies</td>
</tr>
<tr>
<td>3</td>
<td>E-Muster Roll Issue folder/Register</td>
<td>Block</td>
<td>This register/folder will contain a copy of printout from NREGASoft of e-muster rolls issued by the PO.</td>
<td>PO</td>
</tr>
<tr>
<td>4</td>
<td>e-Muster Roll Receipt folder/Register for GPs</td>
<td>Gram Panchayat/Other implementing agencies</td>
<td>This folder/register will contain a copy of printout from NREGASoft of e-muster received by GP.</td>
<td>GP and other implementing agencies</td>
</tr>
<tr>
<td>5</td>
<td>Job Card Application Register</td>
<td>Gram Panchayat/Block</td>
<td>This register will contain the name of the applicant, date of receipt of application and the details of job cards issued. It has the provision to record reasons/justification for non-issuance of job card(s), if there is any.</td>
<td>at Gram Panchayat level by Panchayat Secretary and at Block level by Programme Officer</td>
</tr>
<tr>
<td>6</td>
<td>Employment Register</td>
<td>Gram Panchayat/Block/Other implementing agencies</td>
<td>This register will contain information on details of application for work, allotment of work, performance of work and the wages or unemployment allowance paid to the worker.</td>
<td>at Gram Panchayat level by Panchayat Secretary and at Block level by Programme Officer and other implementing agencies</td>
</tr>
<tr>
<td>7</td>
<td>Works Register</td>
<td>Gram Panchayat/Block/Other implementing agencies</td>
<td>This register contains details of each work such as serial number and priority in approved shelf of works, name and address of PIA, date on which work was triggered, its cost, location, completion date, expenditure incurred, date on which completion certificate was issued.</td>
<td>at Gram Panchayat level by Panchayat Secretary and at Block level by Programme Officer and other implementing agencies</td>
</tr>
<tr>
<td>8</td>
<td>Assets Register</td>
<td>Gram Panchayat/Block/Other implementing agencies</td>
<td>This register contains details of the asset, its cost, location, current status, benefits derivable and the details of works.</td>
<td>at Gram Panchayat level by Panchayat Secretary and at Block level by Programme Officer and other implementing agencies</td>
</tr>
<tr>
<td>S. No.</td>
<td>Name of the Register</td>
<td>Level at which register is to be maintained</td>
<td>Content</td>
<td>Maintained By</td>
</tr>
<tr>
<td>-------</td>
<td>----------------------</td>
<td>---------------------------------------------</td>
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<td>---------------</td>
</tr>
<tr>
<td>9</td>
<td>Complaint Register</td>
<td>Gram Panchayats/ Block/District/other Implementing Agencies</td>
<td>This Register contains the date of receipt of the complaint, the details of the complainant, the action taken on the complaint, response of complainant on Action Taken Report (ATR), and the date of final disposal</td>
<td>at Gram Panchayat level by Panchayat Secretary, Block level by Programme Officer, District level by DPC and other implementing agencies.</td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>10</td>
<td>Financial Records Gram Panchayats/ Block/District/other Implementing Agencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Voucher Folder</td>
<td>Gram Panchayats/ Block/ District/other Implementing Agencies</td>
<td>This folder contains details of all vouchers kept in a serial number. These have tube linked up to the corresponding entries in the cash book. Vouchers in respect of contingency expenses need to be separated from others and, accordingly, linked to cash book.</td>
<td>at Gram Panchayat level by Panchayat Secretary, Block level by Programme Officer, District level by DPC and other implementing agencies.</td>
</tr>
<tr>
<td></td>
<td>b. Grant Register</td>
<td>Gram Panchayats/ Block/ District/other Implementing Agencies</td>
<td>This register contains details of all entries of grants received from Centre and State. Information on amount received with date and source of funds be maintained and accordingly reflected in the cash book.</td>
<td>at Gram Panchayat level by Panchayat Secretary, Block level by Programme Officer, District level by DPC and other implementing agencies.</td>
</tr>
<tr>
<td></td>
<td>c. Cash Book &amp; Ledger</td>
<td>Gram Panchayats/ Block/ District/other Implementing Agencies</td>
<td>All payments and receipts are to be recorded in detail.</td>
<td>Maintained by concerned person</td>
</tr>
<tr>
<td></td>
<td>d. Stock Register</td>
<td>Gram Panchayats/ Block/ District/other Implementing Agencies</td>
<td>This register contains details of all the receipts and issues of the stock items under MGNREGA. The inward and outward movement of materials for a given period should be recorded to ensure an effective inventory control</td>
<td>at Gram Panchayat level by Panchayat Secretary, Block level by Programme Officer, District level by DPC and other implementing Agencies.</td>
</tr>
<tr>
<td></td>
<td>e. Monthly Receipts &amp; Payments</td>
<td>Gram Panchayats/ Block/ District/other Implementing Agencies</td>
<td>This register contains all information relating to date-wise receipt of fund, expenditure, balance available with the implementing agency and the details about submission and pendency of utilisation certificate.</td>
<td>This register will be maintained at Gram Panchayat level by Panchayat Secretary, Block level by Programme Officer, District level by DPC and other implementing agencies.</td>
</tr>
<tr>
<td></td>
<td>f. Bank Reconciliation Statements</td>
<td>Gram Panchayats/ Block/ District/other Implementing Agencies</td>
<td>This folder contains bank reconciliation statements to reconcile the differences between the balances as per the bank column of the cash book and withdrawals/receipts made from the dedicated MGNREGA bank account. The purpose is to check that all transactions relating to the bank are properly recorded by the implementing agency in its cash book/ledger.</td>
<td></td>
</tr>
</tbody>
</table>
7.24 Administrative Expenditure

- As per the provision of Section 18 of the Act, the State Government is required to make available, to the District Programme Coordinator and the Programme Officers, necessary staff and technical support as may be necessary for effective implementation of the Scheme.

- To enable the States/UTs for augmenting human resources and developing capacity for critical activities Central Government provides up to 6% of the total expenditure on MGNREGA in a FY as administrative expenses. This Central financial assistance is provided to States/UTs, under section 22 (c) State governments are advised to supplement this, if required, for effective implementation of the Provisions of MGNREGA the 6 per cent cap on administrative expenses shall operate at the State level. At least two-thirds of this 6% should be spent at the block-level and below. Panchayats, in accordance with their needs and requirements may utilise the administrative expenses for approved activities.

- **The permissible activities under administrative expenditure are**
  - Trainings
  - IEC Activities
  - MIS
  - Quality Management
  - Setting up of grievance redressal system
  - Professional/technical services
  - Operational expenses
  - ICT facilities in GPs
  - Additional Staff deployment
  - Social Audits
  - Work site Facilities
  - Evaluation and Research
  - Contingency Expenditure
  - Ex-gratia Payment
  - Medical Treatment
  - Hospitalisation

- **Expenses not allowed under administrative costs**
  
  The following items shall under no condition be booked under the administrative costs of MGNREGA:
  - Purchase of vehicles and repair of old vehicles.
  - Civil works.
- Salaries/ remuneration of functionaries already engaged by the Government/ PRIs/ any other implementing agency.
- Material procurement for works.

### 7.25 Payment Schedule

The PIA will send the payment advice to banks in non-electronic form from GP/Block/District they must use the MIS for generating the wage list and send it to financial institutions along with pay order. Wage list and pay order should be sent as data file to financial institutions for their use. In such cases, the following payment schedule will be applicable:

An ideal payment schedule that is based on e-FMS and leverages Core Banking Solutions (CBS) of banks and NEFT/RTGS/ECS platforms for payment/settlement is as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Day-1</th>
<th>Day-2</th>
<th>Day-3</th>
<th>Day-4</th>
<th>Day-5</th>
<th>Day-6</th>
<th>Day-7</th>
<th>Day-8</th>
<th>Day-9</th>
<th>Day-10</th>
<th>Day-11</th>
<th>Day-12</th>
<th>Day-13</th>
<th>Day-14</th>
<th>Day-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Execution of works</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Making &amp; Checking Measurement</td>
<td>❌</td>
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<td>❌</td>
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<tr>
<td>Data entry at computer centre</td>
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<td>❌</td>
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<td>❌</td>
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</tr>
<tr>
<td>Pay order generation &amp; preparation of cheques/ payment advice</td>
<td></td>
<td></td>
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<td>❌</td>
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<td>❌</td>
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</tr>
<tr>
<td>Handing over cheques to SPO/Banks</td>
<td></td>
<td></td>
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<td>❌</td>
<td>❌</td>
<td>❌</td>
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</tr>
<tr>
<td>Conveyance of cash to paying agency at GP level</td>
<td></td>
<td></td>
<td></td>
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<td>❌</td>
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</tr>
<tr>
<td>Disbursement of wages by paying agency</td>
<td></td>
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<td>❌</td>
<td>❌</td>
</tr>
</tbody>
</table>
### 7.26 Timelines for various steps involved in preparation and finalisation of Labour Budget

<table>
<thead>
<tr>
<th>Date</th>
<th>Action to be taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>15th August</td>
<td>Gram Sabha to approve GP Annual Plan and submit to PO</td>
</tr>
<tr>
<td>15th September</td>
<td>PO submits consolidated GP Plans to Block Panchayat</td>
</tr>
<tr>
<td>2nd October</td>
<td>Block Panchayat to approve the Block Annual Plan and submit to DPC</td>
</tr>
<tr>
<td>15th November</td>
<td>DPC to present District Annual Plan and LB to District Panchayat</td>
</tr>
<tr>
<td>1st December</td>
<td>District Panchayat to approve District Annual Plan</td>
</tr>
<tr>
<td>15th December</td>
<td>DPC to ensure that shelf of projects for each GP is ready</td>
</tr>
<tr>
<td>31st December</td>
<td>Labour Budget is submitted to Central Government</td>
</tr>
<tr>
<td>January</td>
<td>Ministry scrutinises the Labour Budget and requests for compliance for deficiencies, if any</td>
</tr>
<tr>
<td>February</td>
<td>Meetings of Empowered Committee are held and LB finalised</td>
</tr>
<tr>
<td>February, March</td>
<td>Agreed to LB communicated to States. States to feed data of month-wise and district-wise break-up of “Agreed to” LB in MIS and communicate the same to districts/blocks/GPs</td>
</tr>
<tr>
<td>Before 7th April</td>
<td>States to communicate OB, Centre to release upfront / 1st Tranche.</td>
</tr>
</tbody>
</table>
WORK BOOK:

1. What do you know about funding pattern in MGNREGS?

2. Draw the fund flow chart and explain it?

3. List of all registers maintained in MGNREGS?

4. What are the permissible and non-permissible expenses under administrative expenditures?

5. Draw the payment schedule flow chart?

6. Write the steps involved in preparation and finalisation of Labour Budget?
## Risk Areas for Audit

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Level of Implementation process</th>
<th>Possible Risk</th>
<th>Responsible Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>IEC activities</td>
<td>• Non-conduction of IEC activities regarding act and scheme (rights, entitlements and responsibilities of wage seekers and other beneficiaries)</td>
<td>Program officer (PO) from block level Vigilance and monitoring committee at GP level</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 2.    | Registration of families whose members are potential NREGS workers | • Absence of the concerned functionary  
• Denial of registration to eligible applicants  
• Incomplete list of adults in each household  
• Registration of bogus families/individuals  
• Rejection of ‘incomplete’ registration forms  
• Asking for money for registering names/families | Sarpanch / Gram Panchayat/Secretary                                                     |
| 3.    | Distribution of Job Cards       | • Delay in receiving job cards  
• Issuance of false Job Cards (bogus cards)  
• Issuance of Job Cards to ineligible persons: a. to non-residents; b. to minors; c. to those not members of the listed family.  
• Non-issuance of Job Cards  
• Asking for money for issuing Job Cards | Sarpanch                                                                               |
| 4.    | Custody of Job Cards            | • Job Cards may be in custody of GP office, GRS, or PRI members or any other dominating person in the GP                                                                                                 | Involvement of Community Based Organizations (CBO) like SHGs, vigilance and monitoring Committee at GP level, Program officer (PO) from block level |
| 5.    | Receipt of work application     | • Non-acceptance of work application by the relevant authorities  
• Wrong date or no date recorded on the work application  
• Rejection of ‘incomplete’ forms  
• Oral application or request for work being made an excuse for denial of work on time | Sarpanch / PO                                                                          |
| 6.    | Payment of unemployment allowance | • Denial of unemployment allowance by wrongly accusing a person of not reporting for work  
• Late payment of unemployment allowance  
• Payment of unemployment allowance to the wrong person  
• Payment of unemployment allowance to non-existent (ghost) persons  
• Demanding bribe for paying allowance | Programme Officer                                                                     |
<table>
<thead>
<tr>
<th>S. No.</th>
<th>Level of implementation process</th>
<th>Possible Risk</th>
<th>Responsible Authority</th>
</tr>
</thead>
</table>
| 7     | Selection of works to be taken up in a particular Gram Panchayat | • Selection of a low priority or inappropriate work  
• Selection of work that serves a vested interest  
• Lack of public support/ cooperation for that work  
• Poor selection of a worksite  
• Improper selection of beneficiaries for individual works | Sarpanch |
| 8     | Provision for vulnerable sections | • Chance of non-priority given to vulnerable sections in provision of employment and as well as in sanction of individual works. | Vigilance and monitoring committee at GP level  
Program officer (PO) from block level. |
| 9     | Development and approval of technical estimates and issuance of work order | • Exaggerated or inaccurate technical estimate  
• Inclusion in estimate of unnecessary expenditure  
• Excessive rates and material  
• Unclear work order that does not make the details of the work clear, or leaves scope for misinterpretation | Junior Engineer/ Sarpanch |
| 10    | Planning and Execution Process | • Improper conduction of Gram sabha  
• Identification of works are not on basis of participatory methods i.e., identified by GRS or Sarpanch or Secretary without consultation of villagers  
• Non-availability of approved ADP for the GP  
• Not displaying list of approved works in GP in local language  
• Fail to identify survey numbers of sites where works to be executed  
• Non-availability of photographs of the work site at all three stages of work execution  
• Fail to prepare detailed estimates and sanctions before work execution in district plan  
• Fail to forward labour budget by the DPC to the state Government and onwards to MoRD based on the district Plan  
• Fail to prepare five-year district perspective plan  
• Sometimes only specific works may be carried out in entire block/district on interest of official but not required by villagers. | Vigilance and monitoring Committee at GP level  
Program officer (PO) from block level. |
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| 11    | Muster roll                      | • Chance of including names of non-active job card holders in muster roll.  
• Delay in Generating Muster Roll  
• Tampering with Muster Rolls | Vigilance and monitoring Committee and CBOs at GP level  
Program officer (PO) at block level | |
| 12    | MIS data                         | • Chance of difference between information in physical documents and digital information (data in MIS)  
• Job card entries, number of employment days provided and wage received, works sanctioned to individuals and status of works etc | Program officer (PO) | |
| 13    | Allotment of work                | • Giving out-of-turn allotments  
• Favouring or discriminating against people in allotting type/ location of work  
• Not respecting the gender quota  
• Not informing the applicant and then marking him/her as absent  
• Demanding money for allotting work | Sarpanch/PO | |
| 14    | Implementation and supervision of work | • Recording of non-existent (ghost) workers  
• Recording of fictitious (ghost) works  
• Work not conforming to work specifications or prescribed standards  
• Supply of less than sanctioned/poor quality materials and tools | Sarpanch/PO/ Designated agency | |
| 15    | Job card entries                 | Unavailability of entries in JCs after work done | Vigilance and monitoring Committee at GP level  
GRS and Village Secretary | |
| 16    | Facilities at worksite           | Possibility of unavailability of all facilities to be provided as per guidelines | Vigilance and monitoring Committee and CBOs at GP level | |
| 17    | Procurement of Materials & Services | • Improper selection of material suppliers.  
• Low quality material procured.  
• Delay in procurement of material  
• Charging Material Component to Wage Component  
• Non maintenance of Wage/ Material Ratio of 60 : 40  
• Variation in cost component  
• Variation in material consumed as per MB and actually procured  
• Payment made on dubious vouchers to the vendors | |
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| 18    | Payment of wages                | • Non-payment of wages  
• Late payment of wages  
• Underpayment of wages  
• Payment of wages to the wrong person  
• Payment of wages in the name of non-existent (ghost) workers  
• Payment of wages for non-existent projects  
• Failure to pay minimum Wages  
• Payment of Wages of more than 100 days to beneficiaries from Central funds | Implementing/Designated agency |
| 19    | Delay wage payment / material payment & non payment of compensation | • Delay may be because of negligence of financial institutions or official. Delay may be in transfer of funds from centre to state and to end user.  
• Most of the times compensation to wage seekers is not paid.  
• Whether delay in MR generation and credit beneficiary?  
• No availability of services of financial institutions to wage seekers (May be far from villages or unavailability of bank mitras)  
• Intentional delay of wage disbursement by financial institutions. | Program officer (PO)  
District Program Co-coordinator (DPC)  
Commissioner from state level  
National Monitoring Cell from MoRD |
| 20    | Evaluation of completed work     | • Taking and/or recording of improper measurements  
• Not consolidating the information regarding the works in one place  
• Issuing of false completion certificates  
• Works not conforming to specifications/standards  
• Data recorded in a confusing or incomprehensible manner  
• Chance of making CPR for same work with different names  
• Chance of making CPR without work done | Sarpanch/PO/Designated Agency.  
Vigilance and monitoring Committee and CBOs at GP level  
Program officer (PO) at block level |
| 21    | Machinery and Contractor         | • Chance of using machine in MGNREGS works (known or unknown to job card holders).  
• MGNREGS works may be given to contractor for execution. | Vigilance and monitoring Committee and CBOs at GP level  
Program officer (PO) at block level |
<p>| 22    | Sign boards                      | • Non-existence of sign boards at work sites | VMC and Program officer (PO) |</p>
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| 23    | Transparency                   | • Information not being made available because a failure to carry out the transparency requirements as specified in guidelines and in the points mentioned above  
• Failure to obtain entitlements due to failure to enforce accountability of officials; inability to get clarifications or answers to queries with regard to the scheme  
• Various aspects of the programme carried out without the people’s involvement  
• Failure of the grievance redressal mechanism  
• Lack of opportunity for individuals and the Gram Sabha as a collective to review the functioning of all aspects of the programme | Sarpanch/PO/ Designated Agency          |
| 24    | Barefoot Technician            | Non-utilisation of BFTs services                                                                                                                                                                                                                                                                                                              | Sarpanch/PO/ Designated Agency          |
| 25    | Convergence                    | • Failure to establish coordination between implementing agencies identified for convergence  
• Assets under MGNREGS have not been interlinked using GPS System  
• Poor Performance of GPS agencies                                                                                                                                                                                                                                                                                                           | Programme Implementing Agencies        |
| 26    | Geo-Tagging                    | • Assets under MGNREGS have not been interlinked using GPS System  
• Poor Performance of GPS agencies                                                                                                                                                                                                                                                                                                          | Designated Agencies                    |
| 27    | Funds Flow                     | • Failure to adhere to the following prerequisites for release of first and second Instalment of funds  
  o Compliance of requisite norms viz.  
  o actual performance(physical and financial)  
  o release of proportionate state share  
  o 60% utilisation of TAF (Total Available Fund )  
  o utilisation certificate of current and previous year  
  o non diversion and non-embezzlement certificate  
  o Audit report of previous year.  
  o Delay in release of funds from State treasury to SEGF  
• Within the Centrally sponsored Scheme  
• Outside Centrally sponsored Scheme  
• Shortfall in release or non-release of matching state share by the State Govt                                                                                                                                                                                                                                                        | MoRD                                   |
<p>| 28    | Diversion of Funds             | Using of administrative fund for non-permissible activities                                                                                                                                                                                                                                                                                  | State Monitoring cell and National Monitoring Cell from MoRD |
| 29    | Administrative cost            |                                                                                                                                                                                                                                                                                                                                            | State Monitoring cell and National Monitoring Cell from MoRD |</p>
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| 30     | Social Audit                    | • Improper conduct of social audits (Ex. Team will visit and interact with GP officials only Verification of documents at office but not physical verification of assets)  
• No cross checking of Muster rolls, M Books, wage lists  
• No door to door visits  
• Not conducting social audit twice in year etc. | SAU from state level  
MoRD from central level                      |
| 31     | Ombudsman                       | • Non-establishment of ombudsman offices by state  
• Failure to appoint Ombudsman by state government  
• Non-maintenance of panel of suitable persons for ombudsman by selection committee | State Employee ment Guarantee cell /Designated authority |
| 32     | Evaluation and Research         | • Fails to conduct evaluation and research studies to assess the implementation of the scheme | MoRD                                   |
| 33     | Additional aspects pertaining to scheme/financial matters | • Unspent balances at the end of the financial year  
• Purchase of instruments and machinery out of Scheme Fund.  
• Non conducting of financial audits  
• Non adjustment of advances  
• Bank reconciliation not done on monthly basis  
• Non crediting interest to Saving Bank account of programme fund/ administrative fund by Bank | Concerned Authorities                     |
Check list for Internal Audit

1. Whether any IEC activities were conducted? If yes, on which content were they conducted? When were they conducted?
2. Whether there is any multiple registrations of JCs or Ghost JCs?
3. Whether JCs are in custody of wage seekers?
4. Whether JCs were renewed w.e.f.1.4.2017?
5. Whether photographs of applicants were attached on the job card register as well as JCs?
6. Whether record was maintained for the acknowledgement issued to wage seekers for demand application?
7. Whether priority given to vulnerable sections in provision of wage employment /in sanction of Category B works?
8. Whether all entries are made in JCs?
9. Whether identification of works has been done in GS?
10. Whether the VMCs have been formed and functional?
11. Whether list of approved works displayed in GP in local language?
12. Whether MGNREGS works were added in GPDP?
13. Whether any tampering has been carried out in muster roll?
14. Whether work commenced without muster roll? If so where and when?
15. Whether all works were completed in stipulated time?
16. Whether CPRs were submitted for all completed works?
17. Whether any duplication of works?
18. Whether machinery was used in any work? If so when and where?
19. Whether sign boards/paintings were maintained for completed works?
20. Whether there were delays in payments to beneficiaries?
21. Whether compensation was paid to beneficiaries for delay in wage payment? If so how much?
22. Whether unemployment allowance paid to eligible applicants? If so how much?
23. Whether there was delay in MR generation and credit to beneficiary?
24. Whether wage payment was done from State funds or Central if more than 100 days of Employment was provided?
25. Whether there are any variations between cost component of material, and variation in consumption as per MB and procured material?
26. Whether employment was provided within 15 days after demand application?
27. Whether all registers were maintained and filled?
28. Whether there is any diversion of funds within Centrally sponsored Scheme or State sponsored Scheme?
29. Is there any check measure by higher authority on measurement recorded by TA/JE?
30. Are there any advances or balances to be adjusted from material suppliers?
31. Whether major variations in execution of work being done at block level without authorisation/permission of competent authority.
32. Whether funds from the scheme utilised for other administrative and travel expenses at block or district level?
33. Whether balance of administrative funds account were shown in balance shown?
34. Is there any difference between passbook and balance sheet of opening/closing bank balance?
35. Whether bank reconciliation was prepared monthly?
36. Whether Social Audits and Financial Audits were conducted?
WORK BOOK

1. Enlist major risk areas in MGNREGS?

2. What are the checks to be followed in fund flow in MGNREGS?

3. What are the major check lists for internal audit?
Unit 8
Rural Development Schemes

PRADHAN MANTRI GRAM SADAK
YOJANA (PMGSY)
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Learning Outcome

By the end of the learning, the reader will be enabled to understand the following:

- About the Pradhan Mantri Gram Sadak Yojana (PMGSY)
- Organisation Structure at National, State and District Level
- Steps involved in Preparation, appraisal, finalisation and Execution of Proposal at all different levels.
- Fund Flow
- Record Maintenance
8.1 Introduction

Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched on 25 December 2000 as a fully funded Centrally Sponsored Scheme to provide all-weather road connectivity in rural areas of the country. The programme envisages connecting all habitations with a population of 500 persons and above in the plain areas and 250 persons and above in hill States, the tribal and the desert areas. According to latest figures made available by the State Governments under a survey to identify Core Network as part of the PMGSY programme, about 1.67 lakh Unconnected Habitations are eligible for coverage under the programme. This involves construction of about 3.71 lakh km. of roads for New Connectivity and 3.68 lakh km. under upgradation. The President of India, in his address to Parliament on 25 February, 2005, announced a major business plan for rebuilding rural India called Bharat Nirman. The Finance Minister, in his Budget Speech of 28 February, 2005, identified Rural Roads as one of the six components of Bharat Nirman and has set a goal to provide connectivity to all habitations with a population of 1000 persons and above (500 persons and above in the case of hilly or tribal areas) with an all-weather road. A total of 59564 habitations are proposed to be provided new connectivity under Bharat Nirman. This would involve construction of 1,46,185 kms of rural roads. In addition to new connectivity, Bharat Nirman envisages upgradation/renewal of 1,94,130 kms of existing rural roads. This comprises 60% upgradation from Government of India and 40% renewal by the State Governments.

8.2 Programme Objectives

- The primary objective of the programme is to provide good all-weather connectivity to all eligible unconnected habitations in the core network with a population of 500 persons and above. In respect of the Hill States (North-East, Sikkim, Himachal Pradesh, Jammu & Kashmir, Uttaranchal), Desert Areas (as identified in the Desert Development Programme) and Tribal (Schedule V) areas and selected Tribal and Backward Districts (as identified by the Ministry of Home Affairs and Planning Commission), the objective is to connect habitations with a population of 250 and above. The programme envisages single all-weather connectivity.

- The PMGSY will permit the upgradation (to prescribed standards) of the existing roads to those districts where all eligible habitations of the designated population have been provided with all-weather connectivity. However, upgradation is not central to the scheme.

8.3 Salient Features of PMGSY

- All-weather connectivity roads to all habitations which are not connected previously by any mode

- Unit for programme is Habituation and not revenue village.

- Habitation should have a population of 500 within 1.5 km of radius.

- Establishment of core network of all-weather roads to harsen the social and economic growth
• Core Network shall have through routes and link routes. Through routes collects the traffic from link areas and leading to marketing centres either directly or through higher category road e.g. Major District Road, State Highway or National Highway.

• PMGSY exclusively works around rural areas.

• Repair of already constructed road is not permitted in the PMGSY

• It is solely funded through central funding agencies.

**8.4 Stakeholders of PMGSY**

**8.4.1 National Level Structure:**

**District Rural Road Development Agency:** is apex organisation which is responsible for overall planning, policy making and monitoring execution of Scheme at pan India level. Minister of Rural Development shall be President of the General Body. It also comprises of Secretary, Rural Development as Vice-President.

**Director General of Rural Road Development Agency:** is the responsible person for heading all Projects team from I to III, Technical Team and Finance and Administration team.

**DRRDA Executive Committee:** is responsible for preparing rural road development plan, identification of core network, design, project appraisal, coordination with Indian road congress, procurement and preservation of literature, management of OMMAS, preparation for guidelines, etc.

**8.4.2 State Level Structure:**

As per Para 7 of PMGSY guidelines, each State Government would identify a suitable agency (or in case of large States, even two suitable agencies) having a presence in all the districts and having established competence in executing time-bound road construction work. These agencies shall be designated as Executing Agencies. These could be the Public Works Department/Rural Engineering Services/Rural Engineering Organisation/Rural Works Department/ Zilla Parishads/ Panchayati Raj Institutions, which have been in existence for some time and have the necessary experience, expertise and manpower. In States where more than one Executing Agency has been identified by the State Government, the distribution of work would be done with the district as a unit.

Each State Government shall nominate a Department as the Nodal Department. The Nodal Department shall have overall responsibility for the implementation of PMGSY in the State. All communication between the MoRD and the State Government would be with and through the Nodal Department/State level Agency. The Nodal Department shall normally be the State Department responsible for rural roads.

The Nodal Department will set up a State level autonomous Agency, to be called the State Rural Roads Development Agency (SRRDA), with distinct legal status under the Registration of Societies Act. Preferably this Agency should have a nodal or coordinating role for the entire Rural Road Sector in the State. This Agency shall receive the funds from MoRD for the PMGSY programme. Where such an agency already exists, such as Marketing Boards in Haryana and Punjab, the State can entrust the work to it, provided the necessary PMGSY provisions are brought into force. All the proposals shall be vetted by the Agency before they are put up before the State Level Standing Committee (SLSC) and are sent to the NRRDA for clearance by the Ministry of Rural Development.
The General Body of the Agency may include professionals and retired senior officials / academicians with long association with the road sector, in order to pool experiences and help develop a comprehensive approach. The Executive Committee of the Agency may include the stakeholders at the operational (Directorate) level to enable informed decision making and implementation.

The functions of the Agency in relation to PMGSY would include:

- Rural Road Planning and Sectoral Coordination.
- Management of Funds.
- Preparation and submission of annual proposals.
- Works Management.
- Contract Management.
- Financial Management.
- Quality Management.
- Maintenance Management.

It is expected that the Agency would, over time, be responsible for these activities not only in respect of PMGSY, but the entire rural roads sector.

A suggested set-up for the Agency is as under:

# SQC : State Quality Coordinator
The Chief Executive Officer of the Agency would need to be a Senior Officer of the Nodal/Executing Department preferably with a presence in the State Secretariat hierarchy.

The Agency shall appoint a Financial Controller, to oversee the operationalisation of the rural roads accounting system. The agency shall maintain centralised accounts, which will be accessed by the Programme Implementing Unit (PIU) and the Financial Controller’s primary responsibility would be the enforcement of accounting standards and arranging the auditing thereof. The Financial Controller would need to be a professional with the adequate knowledge and experience of Works Accounting.

The Agency would also appoint an Empowered Officer (distinct from the Financial Controller). Generally of the rank of Chief Engineer, familiar with Project Management of PMGSY.

The Agency would identify a State IT Nodal officer in order to oversee the regularity and accuracy of the data being furnished by the Programme Implementation Units (PIU) and will be responsible to oversee the upkeep of the hardware and software as well as the IT training requirements of the personnel dealing with the PMGSY. The IT Nodal officer should have a background of statistical data computation for the sector, particularly computer based systems. A qualification in IT would be an added advantage.

The Agency will appoint a senior Engineer (not below the rank of Superintending Engineer) to function as State Quality Coordinator (SQC) at the State level. His function will be to oversee the satisfactory functioning of Quality Management mechanism within the State. This would also involve overseeing the follow up action on the reports of the NQMs. Detailed description of the SQC’s functions is available in Chapter 11 on Quality Management.

**District programme implementation unit (DPIU)**

The Programme Implementation Units (PIU) are the basic units for project planning, execution and accounting. A PIU may consist of one or more Engineering Divisions, appropriately headed by an Executive Engineer or Superintending Engineer. The PIU would be directly responsible for contracting implementation and Quality Management of PMGSY works. The PIU would also be the financial and accounting centre at the field level.

Since PMGSY has high management, quality and accounting standards, PIUs should be set up and operationalised keeping the following in view:

- PIU should be adequately dedicated to PMGSY in terms of personnel deployment. As such it is necessary that where the PMGSY workload in a Division is up to ₹ 1 crore, 1 JE should be exclusively in charge. For ₹ 1-5 crore, 1 AE/AEE should be exclusively in charge with supporting dedicated JEs, and where the work load is ₹ 5 crore or more an XEN/EE should be In charge and the Division should be exclusively devoted to PMGSY work.

- PMGSY personnel of the PIU should be deputed for regular training in Technical, Accounting Contract Management and Quality aspects of the programme and the SRRDA should arrange for the training in coordination with the STAs and NRRDA.
• PMGSY personnel of the PIU should normally have a tenure of at least three years. Frequent transfers particularly of trained and experienced staff adversely affect a fine-tuned programme like PMGSY and will have a negative impact on funding of the programme in that State.

• The supervisory structure of the PIU should be adequately dovetailed with the departmental segments and PMGSY requirements. As such, adequate technical and financial powers need to be delegated to the XEN/EE and SE in terms of the Departmental Works Manual and Financial Code.

• The PIU should be directly accountable to the SRRDA. Not only must the XEN/EE be declared an officer of the SRRDA (to enable him to access the SRRDA account) but his supervisory officers, the SE and CE should also be accountable to the SRRDA. For this purpose the CE In charge of PMGSY should be a senior officer of the SRRDA and both he and CEO should be empowered to make entries as reporting or reviewing officers, for the ACRs of the XEN/EEs and SEs involved in the programme.

8.4.5 State level standing committee

A State Level Standing Committee (SLSC) set up preferably under the chairmanship of the Chief Secretary will be responsible for close and effective monitoring of the programme and to oversee the timely and proper execution of works. The SLSC needs to comprise all the main stakeholders in the programme, including:

• Secretaries of the Programme Departments (Rural Development and PWD).
• Secretaries of the Transport, Finance, Forests & Environment and IT Departments.
• State Informatics Officer (NIC) and
• State Technical Agencies (STAs).

The Secretary of the Nodal Department shall be the Member-Secretary

The Committee shall vet the Core Network, the CNCPL and CUPL (see Chapter-3) and shall clear the annual project proposals. In addition to this, the Committee shall also review quarterly, the following:

• Progress of ongoing works.
• Quality Control (2nd tier at State level).
• Capacity enhancement and training of executing agency.
• Computerised online project and accounts management.
• Budgeting of maintenance funds.
• Land width availability for roads; and forests and environmental clearance.
• Provision of public transport on PMGSY roads created.
• Road safety issues.
• Convergence with rural development and poverty alleviation programmes etc.
• Issues impinging on rural road sectoral policy.
Since the primary purpose of PMGSY (and indeed of rural connectivity) is to enable basic access to the rural hinterland and thus increase the tempo of economic activity and reach of social services, the SLSC’s role is crucial to exploiting the development potential created by the new assets.

### 8.4.6 State technical agencies

While States are primarily responsible for the programme, in view of the need to enhance technical inputs for design and techno-economic innovation, State Technical Agencies have been appointed by NRRDA to assist the States. The main functions of the Agencies are:

- Verification of the District Rural Roads Plan prepared by the district Programme Implementation Unit (PIU).
- Post-Scrutiny of Core Network.
- Scrutiny of the Detailed Project Reports for road works prepared by the District PIU.
- Providing requisite technical support to the PIUs in design, particularly in CD works.
- Undertaking normal tests of parameters for road design and Quality Control tests for District Programme Implementation Units and State Quality Control Mechanism.
- Training and R&D Monitoring.
- The Agencies will be selected for appointment on the basis of recommendation of the State Government. In order to qualify:
  - Members of STA should have a Civil engineering background and qualifications including one or more with specialisation in Traffic/ Transportation/Highway Engineering.
  - The Agency should have a well established laboratory with adequate testing facilities; and
  - The Agency should have the infrastructure/facility necessary for organising training programmes.

### 8.5 Key Processes involved in the execution of PMGSY

#### Standards and specification:

Separate specifications for the low volume/rural roads were not available prior to launching of PMGSY, therefore, a variety of standards and specifications have been developed with the help of Indian Roads Congress and other institutions of repute. These publications enabled the executing agencies to implement the programme with confidence on technical parameters.

RRDA have formulated operations manual to uniform execution of scheme at all levels across India. The main composition of the Manual is as follows.

#### 8.5.1 Operational Manual:

**a) Planning:** This involves preparation of Master Plan which comprises District Rural Road Development Plan (DRRDP), Identification and Establishment of Programme Implementation Unit (PIU) at each district

Preparation of DRRDP involves following steps:

- Constitution of the Team.
• Preparation of Database.
• Map preparation.
• Preparation of a list of Unconnected Habitations and the selection of the optimal road links.
• Consideration and approval by the Intermediate Level Panchayat.
• Submission of the Block Level Rural Roads Plan to the District Planning Committee.
• Scrutiny by the District Planning Committee.
• Consideration and approval by the District Panchayat.
• Forwarding of the District Rural Roads Plan to the State Level Standing Committee.
• Vetting of the District Rural Roads Plan by the State Level Standing Committee.

b) **Annual Proposals and their Clearance**: Annual proposals consisting of list of roads eligible under PMGSY are to be finalised by the District Panchayat based on the DRRP and Core Network, a CNCP List or a CUPL is to be prepared by the PIU/ SRRDA prioritising the list of eligible road works and the annual proposal will be prepared on the basis of the List as follows:

• In States where existing rural through routes are in reasonably good condition (i.e. PCI is generally above 3), the prioritisation of new links will be taken up for construction in the order of the CNCPL. Based on the likely value of proposals required to be submitted, the PIU will mark off the eligible road works in the Order of Priority to the required total value of the District allocations, applying the per km cost based on previous years cost for similar type of work (new connectivity/ upgradation, etc.).

• In States where the existing rural through routes are in very poor condition (PCI is generally 3 or less) because of neglect of maintenance, upgradation / renewal of through routes may be taken up as an adjunct to new connectivity and the procedure will be as follows:

  ➢ **Step 1**: Select the New Connectivity Link as per CNCPL in order of priority.

  ➢ **Step 2**: Identify the rural Through Routes (called associated Through Route) from which the new link is taken off till such road reaches the nearest market centre/ higher category road.

  ➢ **Step 3**: Find out the Pavement Condition of the associated rural through routes identified in Step 2 (from the PCI register, See Para 14.9).

  ➢ **Step 4**: Decide the type of intervention required based on the PCI. This implies a decision whether the roads leading to the market centre require Upgradation or Surface Renewal or routine Maintenance. Associated Through Routes having PCI 3 and below and 6 years or more old can be taken up for Upgradation/ Renewal. For the roads with PCI above 3, or whose age is less than 6 years, Routine Maintenance or, if due, Renewal will be adequate, unless there are structural / geometrical/ drainage deficiencies which need to be improved through Upgradation.

  ➢ **Step 5**: Include all other eligible new links as per Comprehensive New Connectivity Priority List (CNCPL) coming on to the Through Routes identified in Step 3 even if
such links are lower in the Order of the Priority. These eligible new links would be the subsidiary link routes.

- **Step 6:** Each project will thus comprise a sub-network of a primary new connectivity link, the associated Through Route(s) and subsidiary new connectivity links (falling on the associated Through Routes). The project proposal will include new construction for the new links and Upgradation/ renewal of the Through Routes based on age and PCI. Generally each such project would form a package for tendering purposes (all the packages of a particular year would form a Batch for future maintenance purposes).

- **Step 7:** Make a rough estimate of the project cost based on per km construction/upgradation cost. Through Routes and subsidiary Link Routes required to be considered, are also be included while calculating the total value. Take up additional links from the CNCP list and repeat steps 1 to 5 till the total cost of the selected projects cover the district allocation.

- In case of districts where no new connectivity remains, only the existing rural Through Routes may need upgradation. In such cases the Comprehensive Upgradation Priority List (CUPL) will apply and road works will be selected out of the CUPL in order of priority, to the extent of the district allocation.

- In drawing up the annual list of the road works, it shall be ensured that the Order of Priority for New Connectivity/ Upgradation is strictly followed. The only exception (in new connectivity links) from the order of priority is in respect of those routes of the Core Network that include the Village Panchayat Headquarters or Market Centres or other educational or medical essential services or those which stand notified by the State Government as places of tourist interest. In such cases, new connectivity may be taken up irrespective of the population size.

- A Preliminary Survey should be done by the PIU in all cases to ascertain from the Local Panchayat that land is likely to be available for the road work.

Once proposal is finalised, it is then sent for formal approval from concerned MP, Gram Panchayats, etc. These proposals then shall be finalised by SRRDA by July.

On receipt of the District proposals list, the SRRDA will scrutinize the list to ensure that

- The road works have been approved by the District Panchayat.

- All the road works are part of the Core Network; follow the order of the CNCPL/CUPL as the case may be, except where the road work is not feasible for specific and justified reasons.

- In case Associated Through Route has been taken up along with a Primary New Connectivity, that all subsidiary New Connectivity as per Core Network has been included.

- The proposals of MPs have been given due consideration and MP I and MP II have been correctly filled in.

- The total value of the proposal (based on the line estimate) is as per requirement.
Upon receipt of approval from SLSC, SRRDA shall convey it to PIU of district. Then PIU shall start preparing DPRs.

c. **Design:** The District Rural Roads Plan gives guidance on the general topology of the network of rural roads required to connect all eligible rural habitations. This will have to be translated on to the ground in the form of properly aligned road links.

The IRC: SP 20:2002, Rural Roads Manual gives detailed guidance on selection of the alignment. The following supplementary points need to be kept in mind at the time of alignment definition:

- In order to minimise/ avoid land acquisition, the alignment should follow existing cart tracks and footpaths to the maximum extent possible, subject to considerations of geometrics and hydrology.
- It is always useful to consider two or three possible route alignments and evaluate each alternative for the construction costs to be incurred and related benefits accrued, before finalising an alignment. By adopting such an approach, many unfavourable features can be avoided like long length covered by problematic soils (e.g., black cotton soils), too many cross-drainage works, high cost bridges, landslide susceptible slopes on hill roads, etc. Similarly, the ease with which the desired geometric design standards can be attained may vary from one alternative to another alternative.

d. **Geometric design standards:** The IRC Rural Roads Manual gives the geometric design standards to be followed. Particular attention is required in adopting the Carriageway Width (CW) based on traffic volume considerations. Once the CW is fixed, compatible Roadway (RW) and Road Land Width (RLW) will have to be provided. Where traffic is likely to be very low as in short roads terminating in dead ends, and is not likely to increase substantially in future, a carriageway way of 3.0 m may be designed instead of the normal 3.75 m.

The design of road should also consider Topographical and Related Ground Survey, Soil Survey and Material, cross drainage structures, traffic survey, local material that can be used, Road side shoulder, Pavement crust design, etc.

### 8.5.2 Project Preparation:

The project preparation involves following stages and the authorities responsible are as follows

<table>
<thead>
<tr>
<th>Stages</th>
<th>Authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Estimate length of roads for new connectivity and/or upgradation</td>
<td>1. SRRDA</td>
</tr>
<tr>
<td>2. Distribution of State’s allocation among districts</td>
<td>2. State Nodal Department</td>
</tr>
<tr>
<td>3. Selection of list of proposals in each district</td>
<td>3. District Panchayats, with assistance of PIU</td>
</tr>
<tr>
<td>4. Vetting of list of proposals for each year &amp; administrative approval</td>
<td>4. State-level Standing Committee with assistance of SRRDA</td>
</tr>
<tr>
<td>5. Preparation of DPRs</td>
<td>5.</td>
</tr>
<tr>
<td>6. Scrutiny of DPRs</td>
<td>6. PIU /PIU/STA/PTA</td>
</tr>
<tr>
<td>7. Technical sanction</td>
<td>7. Nodal Department/SRRDA</td>
</tr>
</tbody>
</table>
a. Project preparation involves following steps:

- Selection of alignment
- Topographical survey
- Soil survey
- Material survey
- Hydrological survey
- Traffic Estimation
- Pavement Design
- Drainage Plan
- Design of cross-drainage works
- Preparation of Land Plans
- Preparation of road drawings
- Preparation of drawings of C.D works
- Selection of specifications
- Estimation of quantities of items of work
- Analysis of Rates
- Estimate
- Preparation of DPR documents

b. Scrutiny of Detailed Project Reports:

DPRs for Rural Roads are usually prepared by JE/AE level staff. Though Rural Roads are generally small low volume roads, the technical inputs required may actually be quite high because of the need to cater to the sensitivities of the local community directly affected by the road. As such, scrutiny of DPRs by senior officers is essential to ensure that the road is not only technically well engineered, but also well integrated with community requirements. This requires intervention at Executive Engineer and Superintending Engineer levels on key parameters based on local knowledge and long field experience.

The following steps are involved in the scrutiny of the DPRs:

1. Completion of Forms F1-F9 by PIUs and submission to the SE
2. Completion of Forms F1-F9 by PIUs and submission to the SE
3. Scrutiny of DPRs by STAs
4. Preparation of Summary of Proposals by SRRDA
5. Submission of Proposals to NRRDA and test scrutiny of 15% cases by NRRDA

The scrutiny of the project undergoes at different levels. Primary level scrutiny is completed at DPIU followed by SE and finally by the STAs. Once scrutiny is completed, it is sent for
compilation by PIU. The tendering documents are uploaded in OMMS. Summary of the proposals then are submitted to NRRDA. NRRDA upon review gives approval to these proposals.

8.5.3 Procurement:

PMGSY have adopted standard bidding process. All the States shall follow the State-specific Standard Bidding Document, prescribed by the NRRDA, for all the tenders. The Standard Bidding Document, inter alia, provides for:

- A two-envelope tendering process consisting of the Technical Bid and Financial Bid (except in the case of some World Bank works). The technical bids to be opened first and evaluated and the financial bids of only those bidders to be opened whose technical bids are found responsive after evaluation.
- Time-frame for various activities in the tendering process.
- Clear qualifications for the contractor to qualify for Bidding.
- Evaluation of bidding capacity in each case.

8.6 Project Implementation and Contract Management:

PMGSY requires that all works should be executed by contractors with the capability of executing the work within the given time and with the requisite quality. PMGSY places high emphasis on both time and quality. Contracting out the work makes it possible to achieve both objectives of speedy execution and good quality by emphasising requirements of adequate execution capacity (in terms of engineering personnel and necessary equipment and machinery) and adequate quality testing. The Standard Bidding Document developed for PMGSY not only sets down the well established procedures of competitive bidding to ensure selection of qualified contractors with the necessary expertise and ability, it also ensures that the contract terms and conditions are commensurate with the need to make both time and quality assurance the essence of the contract.

Every work under the Programme is required to be contracted as per the provisions of Standard Bidding Document prescribed by NRRDA. The successful bidder, after furnishing the required Performance Security as per clause 32 of Instruction to Bidders (ITB), executes the Agreement, after which a notice to proceed with the work, often termed as ‘Work Order’ is issued by the employer. For purposes of PMGSY, ‘Employer’ means the State Government or the SRRDA. The performance of the contract will start from the date of issue of the notice to proceed with the work. The execution of work and management of the contract is required to be done strictly as per the conditions of contract.

8.6.1 Contract documents

To properly manage the contract, it is necessary to understand the contract documents and their order of priority. As given in the agreement constituting the contract, the following documents shall form part of the contract, interpreted in the following order of priority:

a. Agreement
b. Notice to Proceed with the Work (Work Order)
c. Letter of Acceptance
d. Contractor’s Bid
e. Contract Data  
f. Special Conditions of Contract (SCC)  
g. General Conditions of Contract (GCC)  
h. Specifications  
i. Drawings  
j. Bill of Quantities (BOQ), and  
k. Any other document listed in the Contract Data.  

The obligations arising out of these documents, generally in the naturally occurring sequence is given in the following paragraphs.  

8.6.2 Pre-mobilisation

a. **Insurance:** The contractor is required to provide insurance cover from the start date to the date of completion as per clause 13 of the GCC. Insurance policies and certificates shall be delivered by the contractor to the engineer for the approval before the start date. The contractor and employer should note that as per clause 52 of GCC, it is a fundamental breach of the contract if the contractor fails to provide insurance cover.

b. **Subcontracting:** After the issue of work order, the engineer (i.e. the Executive Engineer who would be the ‘engineer’ as defined in the contract) would first ascertain whether there is any sub-contracting allowed within the Contract. As per clause 4.2(k) of ITB, if the contractor has proposed to sub-contract the work and the proposal has been accepted by the competent authority, the sub-contracting will be allowed. The conditions of sub-contract will be governed by clause 7 of General Conditions of Contract (GCC).

c. **Mobilisation Advance:** As per clause 45 of the GCC, the contractor is entitled to get mobilisation advance up to 5% of the contract price (excluding routine maintenance). The advance shall be paid by the employer against submission by the contractor of an unconditional Bank Guarantee in the prescribed format by a commercial bank acceptable to the employer in an amount equal to advance payment. The Bank Guarantee shall remain effective until the advance payment has been repaid. The amount of the Bank Guarantee shall be progressively reduced by the amounts repaid by the contractor. The employer is entitled to ensure that the advance payment has been used by the Contractor for the purpose it has been released. The employer is entitled to ask for copies of invoices or other documents as may be determined by him. The repayment of advance will be effected by the engineer by deducting proportionate amounts from the payments due or otherwise falling due.

8.6.3 Mobilisation

The contractor is required to mobilise men, material and machinery within 10 days after the date of issue of the work order. The duration between the date of issue of the work order and the date of actual commencement of the work is termed as ‘Mobilisation Time’ which is very important for the contractor as well as the ‘engineer’. During this period, the complete planning of the work and mobilisation of resources i.e. men, material and machinery is carried out for ensuring not only completion of the work,
but also timely completion of various items of work so as to ultimately achieve the target of timely completion of whole work with requisite quality.

The following activities are required to be completed, generally in the suggested order, by the ‘engineer’ and the contractor during the Mobilisation Time:

a. **Deployment of Contractor’s personnel:** As per clause 9 of the GCC, the contractor is required to employ the technical personnel enumerated in the contract data. At the start of the Mobilisation Time, technical and administrative instructions will be passed on to the contractor by the engineer and therefore, to fully understand the instructions and before any further activity is allowed, the contractor will be required to employ his key technical personnel who will interact with the engineer. At the mobilisation stage, at least one graduate engineer and required number of diploma engineers should be deployed to attend to the work programme, working drawings and recording of pre-commencement level. After the mobilisation activities completed, the requirement of technical personnel will depend on the items of work being executed but soon after the commencement of the work, the technical personnel required for field laboratory should be in place till the completion of the work.

b. **Listing of Requirements by Engineer:** As per the Bill of Quantities, the requirement of material, labour and machinery during the construction period divided suitably in the defined durations is required to be listed by the ‘engineer’. The ‘engineer’ will also prepare the list of the equipments required to establish the field laboratory. These will be based on the data entered in Appendix to ITB with reference to clause 4.4 B (b) (iii) of the ITB and the list of equipments given in Contract Data to GCC.

c. **Work Programme:** Based on the BOQ and the list of requirements of men, material and machinery, the ‘engineer’ is required to guide the contractor for the preparation of work programme. The Work Programme is the programme showing the general methods, arrangements, order and timing of all the activities in the works along with monthly cash flow forecasts for the construction of the works. Based on the guidance of the ‘engineer’ and availability of resources, the Contractor is required to prepare his work programme and assess the requirement of additional men, material and machinery. The work programme should be detailed in such a way that the date of start and date of completion of every item of work is clearly laid down; the details of requirements for completion of various items of works including cash flow forecasts should also be captured. It is desirable that a sample PERT-chart of complete activity of construction should be drawn up wherein the details of every large or small activity should be clearly shown. It is also desirable that in the work programme, the contractor should clearly indicate the tentative periods during which the presence of the engineer or his representatives will be required at site.

d. **Handing over of Site to Contractor:** The ‘engineer’ is required to handover the full possession or part possession (at least 75%) of the work site to the contractor. As far as possible, the ‘engineer’ should handover the possession of the full work site.

e. **Working Drawings and Designs:** While the ‘engineer’ is handing over the possession of the work site, complete set of working drawings should be handed over to the contractor which,
inter-alia, will include L Section, Cross-Section and Plan of road alignment, drawings of CD works and designs as decided by the ‘engineer’.

f. **Specifications and Drawings of Temporary Works:** The contractor has to submit the specifications in drawings of proposed temporary works for the approval of the engineer as per clause 18 of the GCC. The contractor shall be responsible for temporary works as well as for the safety of all the activities on the site.

g. **Approval of Work Programme:** Once the above activities are complete, the work programme will be submitted by the contractor for approval of the ‘engineer’ and the ‘engineer’ after checking that the work programme is realistic (keeping in view seasonal factors) shall accord his approval. It is important that the time period given for completion of different portions of the work are properly checked with reference to availability of machinery and if necessary the ‘engineer’ should advise the contractor to redraw the work programme before according his approval. It is to be stressed that as per clause 26.2 of GCC (“An update of the programme shall be a programme showing the actual progress achieved on each activity and the effect of the progress achieved on the timing of the remaining works, including any changes to the sequence of the activities”), not deploying requisite key personnel or equipment is a fundamental breach of the contract as per clause 52.2 k of PMGSY guideline which is worded as “if the contractor fails to deploy machinery and equipment or personnel as specified in the contract data at the appropriate time”.

h. **Establishment of Field laboratory:** The contractor will establish the field laboratory at a convenient location as approved by the engineer. It will be ensured by the contractor that the laboratory has all the equipments as required by the engineer. It should be noted that the contractor will not be allowed to commence the work if the field laboratory is not established in the stipulated time-frame. Non-establishment of the laboratory within the time given is a fundamental breach of the contract. The contractor shall have some area available for holding meetings with PIU. It is suggested that the contractor should provide a temporary site office along with the field laboratory. Such an office would serve as a meeting place between PIU engineers and the contractor’s engineers. Also the works programme and other day-to-day required information can be kept in such office.

i. **Pre-commencement Levels:** Recording of pre-commencement levels is the first activity of the work programme. After the handing over of the possession of the work site, actual measurements of pre-commencement levels will be recorded by the representative of the ‘engineer’ in the Measurement Book. The acceptance signature of the representative of the contractor will invariably be recorded.

**Intimation of mobilisation**

As soon as the above mentioned activities are complete, and in particular the men and machinery are in position and site Quality Control Laboratory has been established, the PIU shall inform the SQC so that the Empowered Officer can operationalise the financial limits for the contract package (See para 13.1.4 of PMGSY guideline).
8.7 Management meetings

As per clause 29 of GCC, there is a provision for management meetings to review plans and progress of work. The ‘engineer’ may require the contractor to attend the management meetings. It is highly desirable that the ‘engineer’ should organise the first management meeting within three days of issue of the work order and the items listed above under the head of mobilisation should be attended to in this management meeting. It is also desirable that the ‘engineer’ works out a schedule of management meetings in relation to the work programme. A communication listing the schedule should be sent to the contractor well in advance so that the business of review of progress of works is well understood and appreciated by all the concerned. The management meeting should be an integral part of the contract management process to ensure that there are no deficiencies or delays on part of the contractor or the employer/ engineer. As such it would be useful to maintain a clear record of such meetings. A copy would be given to the contractor, and a copy would be given to the AE/JE, with the office copy being filed in the relevant management meeting file for the package.

8.8 Commencement of work, progress and time control

The contractor will commence the work as per the work programme. The ‘engineer’ is required to monitor the progress of execution of work in relation to the work programme and as per clause 26 of GCC, in case, the contractor is not in a position to carry out the work as per the work programme, the updated/revised work programme shall be invariably submitted by the contractor, without affecting the total stipulated duration of the contract. In case of initial delay in activities, the contractor may adjust the activities of the further work within the stipulated duration and furnish the revised work programme, within the duration prescribed in the contract data, for approval as per provisions of the contract. If the contractor fails to submit revised work programme, there is a provision of withholding the amount as per the contract data. The ‘engineer’ is empowered to withhold from the next due payment and continue to withhold this payment until the next payment after the date on which overdue programme is submitted. The ‘engineer’s approval of the programme shall not alter the contractor’s obligations.

8.9 Updating work programme

The revised/updated work programme shall be a programme showing the actual progress achieved for each of the activities and the effect of the progress achieved on the timing of remaining works including any changes to the sequence of the activities. The contractor is free to revise the programme and to submit it to the ‘engineer’ again at any time. The revised/updated work programme must show the effect of variations if any and compensation events (if any).
8.10 Sub-contracting during construction

The contractor may propose sub-contracting any part of the work during execution, beyond what has been stated in clauses 7.1 and 7.2 of GCC generally to make up for unexpected delays which cannot be made up in the normal course. To enable the contractor to complete the work as per terms of the contract, the employer will consider the following before according approval.

a. The contractor shall not sub-contract the whole of the works.

b. The contractor shall not sub-contract any part of the work without prior consent of the employer. Any such consent shall not relieve the contractor from any liability or obligation under the contract and he shall be responsible for the acts, defaults and neglects of any of his sub-contractor, agents and workmen.

The engineer should satisfy himself before recommending to the employer whether

a. the circumstances warrant such sub-contracting; and

b. the sub-contractor so proposed for the work possess the experience, qualifications and equipment necessary for the job proposed to be entrusted to him in proportion to the quantum of works to be sub-contracted.

8.11 Liquidated damages

In case the following milestones are not achieved by the contractor, he shall be liable for payment of liquidated damages for the period that the completion date is later than the intended completion date as per clause 44 of the GCC:

i. If 1/8th of the value of entire contract work has not been completed up to 1/4th of the period allowed for the completion.

ii. If 3/8th of the value of entire work has not been completed up to ½ of the period allowed for completion.

iii. If 3/4th of the value of entire contract work has not been completed up to ¾ of the period allowed for completion.

1% of the initial contract price, rounded off to the nearest thousand, per week, is the amount of liquidated damages for delay in completion subjected to maximum of 10% of initial contract price.

The engineer is empowered to withhold the amount of liquidated damages if Contractor fails to achieve the above milestones. However, if the contractor achieves the subsequent milestone in time, the withheld amounts would be restored.

The engineer should note that the quality and time are the essence of the contract, as such, the delay in completion of the work constitutes a fundamental breach of the contract as per clause 52 of PMGSY guideline. The provision in this respect is given below:

a. The contractor stops the work for 28 days when no stoppage of work is shown on the current programme and the stoppage has not been authorised by the engineer.

b. The contractor has delayed the completion of the work by the number of days for which maximum amount of liquidated damages can be paid, as defined in clause 44.1.
c. If the contractor has not completed at least 30% of the value of work required to be completed after \( \frac{1}{2} \) of the completion period has elapsed.

As soon as a delay occurs, it is essential for the engineer/employer to issue appropriate notices/letters giving clear reference of the specific clauses of contract. Since a legal contract is involved, unofficial/oral warnings to contractors should not be resorted to as a substitute for a formal notice. The employer is empowered to terminate the contract if the fundamental breach of the contract occurs in respect to delay in completion of the work.

8.12 Quality Control

As per clause 16 of the GCC, the contractor has to construct and install and maintain the works in accordance with specifications and drawings. Section 5 ‘Specifications’ of the contract document forms the part of contract and all the works shall be carried out by the contractor strictly as per specifications prescribed in section 5. As per clause 31 of GCC, the contractor is solely responsible for carrying out mandatory tests prescribed in Rural Roads Manual and for correctness of test results whether performed in his field laboratory or elsewhere. For ensuring effective quality control, the employer/engineer will be required to ensure the following:

a. The contractor will be required to furnish a Quality Management Plan along with the work programme. The Engineer will prepare the schedule of those tests which will be carried out in presence of JE, AE or EE as per the provisions given in Quality Control Register/Handbook.

b. The Contractor is required to establish field laboratory as per provisions of clause 31.1 of the GCC read with clause 4.4 B (h) of ITB. The engineer will ensure that the field level quality control laboratory required for mandatory tests is established by the contractor during the mobilisation time.

c. No material will be used on the work unless the mandatory tests have been conducted and the material has qualified the tests parameters. No work will be accepted unless the mandatory tests for workmanship have been conducted and the workmanship has qualified the tests parameters. In case the contractor has failed to comply with the above, the engineer will take cognizance of this under clause 30 of the GCC and will issue a written notice to the contractor for rectification of the defect.

d. Quality Control Register Part I will be maintained by the designated personnel of the contractor at the field laboratory and this register will be made available for inspecting officers as prescribed in the conditions of the contract. For this the contractor will be required to furnish clear authorisation because the responsibility of maintenance of Quality Control Register will be of the contractor. Every week, the abstract of the register will be communicated by the personnel of the contractor to the assistant engineer in-charge of work in the format ‘Abstract of Tests Conducted’ given in Quality Control Register Part II.

e. The personnel of the contractor responsible for laboratory will inform the AE the cases of non-conformance within the duration (generally within next two days of conducting tests) prescribed by the engineer in the form prescribed by PIU which will include the test number, name of test, date of test, results and its comparison with standard values.
f. The AE will maintain Quality Control Register Part II which is abstract of the mandatory tests conducted and record of non-conformance reports. The AE will ensure that non-conformance report is issued to the contractor immediately on occurrence. The contractor will take immediate steps for rectification. In case the contractor fails to comply with the above, the engineer will take cognizance of this under clause 30 of the GCC and will issue a written notice to the contractor for rectification of the defect.

g. As per clause 22 of GCC, the contractor has to allow access to the site to the engineer and other authorised persons. The supervising officer in the department, the State Quality Monitors and National Quality Monitors will be carrying out inspections of the work and subject to guidelines issued separately for the purpose, the instructions given by the above persons will be the instructions to the engineer. The engineer/ employer will ensure the compliance of the instructions of the inspecting officers through the contractor.

h. As per clause 30 of the GCC, without affecting the contractor’s responsibility, the engineer shall check the work and notify the contractor if any defects are found. The engineer is also empowered to instruct the contractor to search for a defect and to uncover and test any item of work that the engineer considers may have a defect.

i. As per clause 32, even after the completion of work but before the end of the defect liability period, the contractor has to correct the defects within the specified duration of time.

The engineer should note that the time and quality are the essence of the contract, and failure to ensure quality of the work constitutes a fundamental breach of the contract as per clause 52 of the GCC, provision of which include:

i. Clause 52.2 (i):- if the contractor fails to set up a field laboratory with the prescribed equipment, within the period specified in the contract data.

ii. Clause 52.2 (c):- The engineer gives notice that failure to correct a particular defect is a fundamental breach of contract and the contractor fails to correct it within a reasonable period of time determined by the engineer.

iii. Clause 52.2 (k): If the contractor fails to deploy machinery and equipment or personnel as specified in the contract data at the appropriate time.

It is very essential for the engineer to issue appropriate written notices/ letters giving clear reference of the specific clauses of contract, if the instances of unacceptable quality are detected. The employer is empowered to terminate the contract if a fundamental breach of the contract occurs.

8.13 Cost control and variations

The execution of work is required to be done as per the items and quantities detailed in the Bill of Quantities. The contractor is paid for the quantity of work done at the rate approved for the purpose either on the basis of Schedule of Rates in case of percentage rate tenders or on the basis of approved rates given in Bill of Quantities for each item of work in case of item rate tenders.

Having regard to the scope of works and sanctioned estimated cost, the engineer has the power to order in writing, variations within the scope of works he considers necessary or advisable during the
progress of work. The contractor shall carry out such works and such variations shall form the part of the contract. If the engineer gives oral order for variations, these orders will have to be confirmed by written directions.

If rates for variation items are specified in the Bill of Quantities, the contractor shall carry out such work at the same rate. This shall apply for variations only up to the limit prescribed in the contract data. If the variation exceeds this limit, the rate shall be derived under the provisions of clause 36.3 of GCC for quantities (higher or lower) exceeding the deviation limit.

8.14 **Extension of intended completion date**

The engineer is empowered to extend intended completion date in the following events:

- If a compensation event occurs.
- If it is impossible for completion to be achieved by intended completion date because of a variation order issued by the engineer.

The engineer shall decide within 21 days of the request of the contractor whether, and by how much time, the extension is to be granted. The contractor is required to give full and detailed proposal for extension of time along with supporting information. It should be noted that as per para 27.2 of GCC, if the Contractor fails to cooperate in dealing with a delay, the delay because of the failure shall not be considered in assessing the new intended completion date. The engineer as per clause 28 of the GCC is empowered to instruct the contractor to delay the start or progress of any activity within the works. However, the engineer will have to obtain a written approval of the employer for ordering delay totaling more than 30 days.

8.15 **Payments and deposits**

As per clause 38 of the GCC, the contractor is required to submit fortnightly/monthly statements of value of the work done including variations and compensation events, if any, supported with detailed measurement of each item. The engineer within 14 days is required to check the contractor’s statement and certify the amount. It is to be noted that the value of work executed shall be determined on the basis of measurements by the engineer.

Payments shall be adjusted for various deductions and the engineer shall pay the contractor amounts certified within 15 days of date of each certification.

The rates quoted by the contractor shall be deemed to be inclusive of the sales and other levies, duties, royalties, cess, toll, taxes of Central and State Governments, local bodies and authorities that the contractor will have to pay for the performance of this contract.

The engineer shall deduct a security deposit of 5% from each running payment due to the contractor. The security deposit and performance security, aggregating to 10%, of the contract price shall be released to the contractor, after completion of defect liability period provided that the contractor has corrected defects notified to him during the period of performance guarantee and the contractor has satisfactorily completed the routine maintenance of roads as per the conditions of contract. The engineer would convert security deposits for the defect liability period into interest bearing securities of a scheduled commercial bank in the name of employer if so desired by the contractor.
The amendment to SBD applicable for the tenders invited after 15th February, 2005 provides for release of 50% of the retention amount and performance security for unbalanced bids just after completion of the construction work. However, the release of rest of the retention amount and performance security shall be done only after the routine maintenance period.

8.16 Compensation events

The contractor is entitled for compensation for the following events, if these events have not been caused by the contractor:

- The engineer orders a delay or delays exceeding a total of 30 days.
- The effects on the contractor of any of the employer’s risks.
- If a compensation event prevents or is likely to prevent the works being completed by the intended completion date, the intended completion date shall be extended in writing by the engineer. The engineer shall decide whether and by how much the intended completion date shall be extended.

8.17 Defect liability period and routine maintenance

All the contracts under PMGSY will not only be a construction contract but will also include the routine maintenance for five years. Description of items to be attended during the routine maintenance has been clearly laid down in the contract data. As per clause 32 of GCC, the contractor will be required to attend to the defects during the defect liability period. The contractor is also required to carry out routine maintenance of the work executed by him, in such a way that road surface and structures are kept in defect-free condition during the entire maintenance period of five years. To fulfill the above objectives, the contractor is required to fulfill the requirements stipulated in para 32.2.2, 32.2.3 and 32.2.4 of GCC.

The engineer is required to issue written notices to correct the defects noticed during the defect liability period. In case the defect is not satisfactorily rectified within the given time period, the engineer shall deduct the cost and get the defect corrected under clause 33 of the GCC.

8.18 Dispute resolution

The Standard Bidding Document of PMGSY provides for simplified and effective dispute redress mechanism, governed by clause 24 of GCC. Any dispute or difference of any kind arising in connection with the execution of the contract whether before its commencement, during the progress of work, after the termination or abandonment or breach of contract, in the first instance is required to be referred for settlement to the competent authority specified in contract data. Generally, the States have empowered superintending engineers and chief engineers of the executing department for the above purpose. Either party have right of appeal against the decision of competent authority to the Standing Empowered Committee, in case the amount appealed against exceeds rupees one lakh. The composition of Standing Empowered Committee (SEC) shall be as per clause 24.3 of GCC.

In States where mandatory provisions of arbitration are applicable the provisions of clause 24 and 25 of the general conditions of contract under the Standard Bidding Document for Pradhan Mantri Gram Sadak Yojana will not be applicable. Such State Governments will propose modifications in the provisions of clause 24 and 25 of the general conditions of contract under the Standard Bidding
Document for Pradhan Mantri Gram Sadak Yojana. States may keep in view the provisions in this respect applicable to World Bank-funded PMGSY works. The details are given in Annexure 9.1 of PMGSY guideline.

8.19 Completion

The contractor shall request the engineer to issue a certificate of completion of the construction of the works, and the engineer will do so upon deciding that the works is completed. In case of routine maintenance the contractor shall request the engineer to issue the certificate of completion of the routine maintenance and the engineer will do so upon deciding that the routine maintenance is completed.

8.20 Final account

The contractor shall supply the engineer with a detailed account of the total amount that the contractor considers payable for works under the contract within 21 days of issue of certificate of completion of construction of works. The engineer shall issue a defect liability certificate and certify any payment that is due to the contractor for works within 42 days of receiving the contractor’s account if it is correct and complete. If the account is not correct or complete, the engineer shall issue within 42 days a schedule that states the scope of the corrections or additions that are necessary. If the account is still unsatisfactory after it has been resubmitted, the engineer shall decide on the amount payable to the contractor and issue a payment certificate within 28 days of receiving the contractor’s revised account. The payment of final bill for construction of works will be made within 14 days thereafter.

In case the account is not received within 21 days of issue of certificate of completion as provided in clause 50.1 above, the engineer shall proceed to finalise the account and issue a payment certificate within 28 days. The payment of final bill for construction of works will be made within 14 days thereafter.

In case of routine maintenance, the contractor shall supply the engineer with a detailed account of the total amount that the contractor considers payable under the contract 21 days before the end of the routine maintenance period. The engineer shall issue a routine maintenance completion certificate and certify any final payment that is due to the contractor within 42 days of receiving the contractor’s account if it is correct and complete. If it is not, the engineer shall issue within 42 days a schedule that states the scope of the corrections or additions that are necessary. If the final account is still unsatisfactory after it has been resubmitted, the engineer shall decide on the amount payable to the contractor and issue a payment certificate within 28 days of receiving the contractor’s revised account. The payment of final bills for routine maintenance will be made within 14 days thereafter.

In case the account is not received within 21 days of issue of certificate of completion as provided in clause 50.3 above, the engineer shall proceed to finalise the account and issue a payment certificate within 28 days. The payment of final bill for routine maintenance will be made within 14 days thereafter.

8.21 Termination

As per clause 52 of the GCC, the employer is empowered to terminate the contract if the contractor causes a fundamental breach of the contract. Some of the main conditions of fundamental breach are:

- The contractor stops the work for 28 days without authorisation of engineer.
- Contractor fails to correct the defect within the time determined by engineer.
• Contractor delays the completion of work by the number of days for which maximum amount of liquidated damages can be paid.
• Contractor has not completed 30% of the value of work after half of the completion period.
• Contractor fails to establish field laboratory.
• Contractor fails to deploy required machinery and equipment for construction and personnel as prescribed in the contract.

If the contract is terminated, the engineer shall issue the certificate for value of work and if the total amount due to employer exceeds any payment due to the contractor, the difference shall be recovered from the deposits available with the employer, if amount is still left un-recovered it will be a debt payable to employer.

Operations Manual for Rural Roads As per the clause 54 of GCC, if the contract is terminated because of contractor’s default the property as mentioned in the said clause shall be deemed to be the property of the employer and credit of the same will be given to the contractor.

Other key processes are

8.22 Monitoring and Quality Management:

8.22.1 Quality standards

Road works under PMGSY are designed and constructed to standards prescribed in the Rural Roads Manual and Book of Specifications for Rural Roads of Ministry of Rural Development published by Indian Road Congress, August, 2004. In order to provide guidance to the officers implementing the PMGSY, the NRRDA has brought out a Quality Control Handbook at the work level, which provides the information regarding equipment for tests, procedures for quality control tests, process of recording the test results in prescribed registers of tests and details about the drainage aspects and third party inspections. Proper quality testing and recording is an essential feature of PMGSY which believes that relentless testing and meticulous quality control is the only way to build good roads.

8.22.2 Three-tier set-up for quality management

Ensuring the quality of the road works is the responsibility of the State Governments, who are implementing the programme. To this end, all works must be effectively supervised. The Quality Control Register prescribed by the NRRDA to operationalise the provisions of the mandatory testing prescribed under the specifications shall invariably be maintained for each of the road works. Payment shall not be made to the contractor unless the tests have been conducted as per the prescribed procedure and the results have been found to be satisfactory. A three-tier Quality Management mechanism is envisaged under the Pradhan Mantri Gram Sadak Yojana. The first tier of quality management mechanism is in-house quality control system of the executing agency whereas, the second tier of quality management mechanism will be independent quality assurance system operationalised by the State Government. Therefore, the State Governments would be responsible for the first two-tiers of the Quality Management Structure. The third tier is envisaged as independent quality management mechanism operationalised by the NRRDA, as such, this tier would be enforced by NRRDA through the National Quality Monitor (NQM).
### a. First tier

The in-house quality control system to ensure the implementation of quality standards by way of carrying out mandatory tests shall be termed as first tier of quality management mechanism. The supervision of works by the officers of implementing agency will also form part of this system. The PIUs as the first-tier of quality management have the crucial responsibility in the Quality Assurance system which determines the quality standard delivered by the contractor. The PIU’s quality management functions shall include:

- Preparation of quality DPRs with adequate attention to aspects impinging on quality, including geometrics, drainage and correct estimation of items and scope of work. The quality standards will be as prescribed in the Rural Roads Manual.

- Effective selection process for contracting of execution of works, based on proven capacity and ability of the contractors, including access to funds, equipment and engineering resources. Even where contracting is centralised, PIUs will be preparing the bid documents and the NITs, which are crucial in the selection of competent contractors. The quality standards will be as prescribed in the Rural Roads Manual and specified in the Standard Bidding Document.

- Ensuring that the contractor brings adequate resources to bear for the proper execution of the contracted work including
  - Necessary equipment
  - Qualified key engineering personnel
  - Field laboratory properly equipped for testing quality

As per PMGSY guidelines, payment cannot be made to contractor unless these conditions are satisfactorily fulfilled and work programme approved. The quality standards will be as prescribed in the Standard Bidding Document and Quality Control Handbook.

- Supervising Site Quality Control arrangements including materials and workmanship, primarily through testing as per provisions of the Quality Handbook.

- Taking action to ensure replacement of defective material and rectification of defective workmanship.

Where in-house capacity in a PIU is limited, a Project Implementation Consultant (PIC) may be outsourced for carrying out all or any of the PIU functions including actual operation of the first level of quality control. The PIC will be recruited on the basis of NRRDA’s PIC procurement procedure which is quality- cum -cost based. The PIU, as employer/principal for the PIC will continue to have overall responsibility for the first level of quality control.

To ensure quality control on materials and work management at site, the PIU shall ensure that:

i. All the tests are conducted by the designated staff of the contractor and the test results are recorded in the Quality Control Registers prescribed, maintained separately for each of the road work. The registers shall be in two parts, viz,
ii. Part 1 Register is the register of all Quality Control Tests conducted by the person who is responsible for the basic Quality Control Testing. It is, therefore, maintained by the person who is responsible for the basic QC tests. If the contract provides for Quality Control by Contactor, the Part 1 Register will be issued to the contractor for each road work; but if the responsibility of basic QC tests is with department (for agreements entered into prior to adoption of SBD), the register will be issued to the site-in-charge officer of basic quality control testing, not below the rank of junior engineer/sub-engineer.

iii. The Part 1 Register will always be available at the work site. If some tests are required to be conducted in a laboratory situated away from the work, the prescribed format of the test conducted will be duly filled up on a separate sheet and this sheet will be pasted on the space prescribed for the test but the register will not be taken away from the site in any case.

iv. The Part 1 Register contains forms for tests sufficient to accommodate quantities given in Para 12.2 of the Rural Roads Manual for a length of road up to 3 km. If the quantities of the items in the work exceed this, additional forms required as per prescribed frequency may be added at the end of the register and the corresponding entries should be done in the abstract. In case the quantities or the items in the work are less, the remaining forms may be left blank and a corresponding note recorded in the abstract. If the length of the road is more than 3 km, additional Register(s) should be maintained. The Part I Register will have the following three sections:

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Earthwork</td>
</tr>
<tr>
<td>2</td>
<td>Granular Construction</td>
</tr>
<tr>
<td>3</td>
<td>Bituminous Construction</td>
</tr>
</tbody>
</table>

vi. For effective Quality Control, the following percentages of various categories of tests will be done in the presence of the JE/AE/EE:-

vii. **50 per cent** of the tests are conducted in the presence of the in-charge JE of the work. The JE should record his observations in the Quality Control Register, Part I.

viii. **20 per cent** of the tests are conducted in the presence of the AE in charge of the work recorded in the quality Control Register, Part I.

ix. **5 per cent** of the tests shall be conducted in the presence of the EE in charge of the work, and the EE should record his observations in the Quality Control Register, Part I. The EE will also see that the Non-Conformance Reports are issued in time and timely action is taken by the contractor.

Register Part II is the Record of abstract of the tests conducted and Non-Conformance Reports. It will be maintained by the site-in-charge officer not below the rank of assistant engineer. If the test results do not conform to the prescribed limits, a Non-Conformance Report (NCR) in the format prescribed in the Register will be issued to the contractor.
A monthly return of the tests shall be submitted in the prescribed profoma (annexure 11.1 of PMGSY guideline) by the AE to the EE in the first week of every month. The EE will review this return regularly to see that the Quality Control tests are being performed at the desired frequency and with the desired accuracy. The EE will also verify that the Non-Conformance Reports are being issued by the AE whenever non-conformance occurs and the contractor is taking action promptly on the Non-Conformance Reports. Payment to the contractor shall be regulated by the EE as per the returns of the Quality Control tests. Any deviation will be the personal responsibility of the EE.

The SE in charge of the circle and the chief engineer having jurisdiction are responsible for the proper functioning of the PIU as part of their normal administrative duties. Their inspection and quality testing supervision will therefore be counted as part of effective supervision of the first tier of quality management (and not as a second tier of quality management). The SE/CE shall

1. During his visits to the work, oversee the operation of the Quality Control Testing procedure and record his observation in the Quality Control Register, Part I. The SE and CE will also verify that the Non-Conformance Reports are issued in time and action is being taken by the contractor promptly.

2. Prepare Inspection Reports in the prescribed formats which shall be sent to the PIU for taking remedial action. A copy of all such reports will be endorsed to the State Quality Coordinator in the SRRDA. The report shall be detailed and precise and shall cover all aspects of the work inspected, including:
   - Design and estimation
   - DPR
   - Contract Management by PIU
   - Contractor performance
   - Quality testing
   - Online data entry status

b. Second tier

While the first tier of Quality Management has the primary function of quality control through enforcement of technical standards, the function of the second tier of independent quality management is to improve the quality and effectiveness of the enforcement process. This includes

- Checks to ensure that the first tier is properly functional
- Independent quality tests to verify that the quality control system is achieving its intended objective
- Detection of systemic flaws in the quality control process and action to improve the process
- Independent supervision of deterrent and punitive measures in respect of the first tier and the contractor
In order to be able to take an independent, impartial and dispassionate view of quality control, it is essential that the second tier should have no stake in the outcome. In other words, it should have nothing to do with the day-to-day or supervisory management or administration of contracts so that issues of legal action against the contractor, disciplinary proceeding against PIU officials, answerability to audit etc. do not colour its judgment or actions.

The second tier of Quality Management will function from the SRRDA, utilising up to 0.5% of the project funds provided for the PMGSY. The second tier will be headed by the State Quality Coordinator (SQC), an officer of the SRRDA. Quality management function may be provided by a combination of

- Independent Quality Management Division of the Executing agency
- State Quality Monitor, mainly retired senior engineers of the State with adequate experience in road project management and suitable for the assignment.
- Outsourced Consultancy organisations with proven capabilities selected on quality-cum-cost criteria based on NRRDA’s Project Management Consultant (PMC) procurement document.

All functionaries in the system will be designated by the generic term ‘State Quality Monitor’.

The SRRDA will nominate/appoint State Quality Coordinator with the following minimum qualifications:

a. He/She should be a graduate civil engineer not below the rank of superintending engineer.

b. He/She must possess field experience of working for construction of roads for at-least five years in last ten years. Also in the last five years he/she should have worked for at-least two years in the field of construction/ maintenance of road works.

In some cases it has been noticed that officers having the experience in the field of construction of irrigation structures or water supply schemes and now deployed for rural roads are being designated as SQCs. Appointing an engineer with inadequate knowledge and experience as the Head of Quality Control will defeat the very purpose. Officers not possessing the laid down experience should not be designated to work as SQC. States will ensure that the State Quality Coordinator appointed by the State Government possesses the above qualifications, in case the present SQC does not possess the above Qualifications State will take appropriate steps to appoint an officer who fulfils the qualification criteria.

The main function of the State Quality Coordinator will be the following-

- Supervise the first-tier Quality Management arrangement.
- Liaise with the STAs who function as the second tier of Quality Control for Design and DPR.
- Coordinate and control the activities of State Quality Monitoring arrangement (the second tier), and ensure compilation by PIUs of action on the reports of State Quality Monitors. (SQM)
- Facilitate and coordinate the activities of the National Quality Monitoring arrangement (the third tier) and ensure compilation by PIUs of action on the reports of National Quality Monitors.
• Prepare monthly abstracts of SQM visits and an Annual Quality Report based on the Reports of SQMs and NQMs, Identifying systemic and procedural deficiencies in the Quality Management System and submit the Report for the consideration of the SRRDA and the State Level Standing Committee.

• To assess training requirements at PIU level and to arrange for and coordinate training programmes in coordination with STAs.

• To act as nodal point for request of public complaints and for taking action thereon.

Supervision of the first tier of Quality Management shall include

• Obtaining a certificate from PIUs at the time of commencement of the contract that
  • Contractors have brought the necessary machinery and equipment
  • Field laboratory has been established
  • Key engineering personnel have been deployed by the contractor

• The work programme has been approved after the certificate is received, the State Quality Coordinator shall intimate the empowered officer of the SRRDA to allocate the credit limits for the contract and operationalise the accounting system in order to enable payments to be made and accounted for.

• Obtaining monthly return of the tests (Annexure 11.2 of PMGSY guideline) conducted by the PIU, and the action taken on non-conformance reports (see para 11.4.4 of PMGSY Guideline). The SQC shall test check to see that payments to contractors have not been made in the absence of satisfactory tests.

Liaison with the State Technical Agencies to ensure quality in Design and DPR including:

• Holding of initial coordination meeting with STAs and PIUs (see para 6.2 of PMGSY guideline) to sort out issues of design, investigation and data collection, so that DPR is of acceptable standard.

• Coordination of the scrutiny process so that STAs get adequate time to scrutinise DPRs.

• Sorting out issues raised by STAs during scrutiny of DPRs, and making references to NRRDA for clarifications where required, through the chief engineer (PMGSY), (see para 7.4 of PMGSY guideline)

To coordinate and control the activities of the State Quality Monitors and operationalise the second tier of Quality Management, the SQC will proceed as follows:

• Draw up programmes for SQM inspections in such a way that every work is inspected at-least three times. The first two inspections of every work should be carried out during the execution of work spaced at least three months apart and the last inspection should be carried out on the completion of every work, within one month of its completion.

• The schedule should be drawn up monthly, specifying the block and preferably the road, so as to ensure systematic coverage. Effort may be made to get those road works in the package inspected first by SQM, which have not been inspected by the NQMs. This may include other roads in package, one road of which was inspected by an NQM recently.
• The SQM should be asked to give his inspection report, covering all the following aspects.
  i. Design of pavement and CD works.
  iii. Management of the contract, deployment of qualified staff by the contractor and establishment of Quality Control Laboratory by the contractor.
  iv. Work Programme and progress of work.
  v. Execution methodology and adherence to specifications.
  vi. Arrangement at Quality Testing Laboratories.
  vii. Record of Tests – Quality Control Registers and their up to date maintenance.
  viii. Accuracy of Quality Tests, issuance of Non-Conformance Reports (NCR) and action of contractor on NCRs.
  ix. Inspection by departmental officer/ SQMs or NQMs and compliance of the instructions.
  x. Provision and execution of CD works and side drains.
  xi. Road furniture, Logo and Signboards.
  xii. Timely payment to the contractors.
  xiii. Other issues including the technical knowledge of the staff of the executing agency and the contractor.

• The SQC should examine the reports with regard to their adequacy and counsel SQMs in case of deficiency. The State Quality Coordinator should send the Monitor’s reports to the Project Implementing Unit with a copy to the SE. Compliance reports to the SQC should be routed through the CE/SE. All cases of delay in reporting compliance and major cases of deviation from acceptable quality standards should be taken seriously. The SRRDA may adopt a two-level classification for quality, Unsatisfactory and Satisfactory. The earlier NQM formats can be used for inspection of works by the State Quality Monitors. For grading the works as ‘Satisfactory’ and ‘Un-satisfactory’, the corresponding changes shall be made in the format.

• Each month, the SQC will compile an abstract of the SQM visits giving the district-wise grading and send copies to the DPIU, CE, Nodal Department and NRRDA in the prescribed format (Annexure 11.3).

• The State Quality Control Coordinator should send an annual report to NRRDA through the State Nodal Agency comprising the analysed performance of the State Quality Monitoring System in a prescribed format. The analysis should include the SQM reports, NQM reports, Action taken in individual cases and systemic deficiencies detected and remedied.

• The Annual Quality Report will be forwarded to the NRRDA, the STAs concerned and the PTA for the State. The PTA shall analyse the Report and after such further study and field visits as may be necessary, with the approval of NRRDA, shall make recommendations on action to be taken at systemic and organisational level to improve quality of constructed roads and the programme performance in general.
The suggested guidelines to SQM are attached as Annexure 11.4 of PMGSY Guidelines.

As part of the Quality Management process, the SQC shall also look after the training needs of the PMGSY staff and contractor’s personnel, drawing up an annual programme of training at various institutions such as the NITHE, CRRI, State Training Institutes, and Engineering Institutes, etc. He shall operationalise a management system for training programmes and ensure that training inputs are optimised.

The State Quality Coordinator/Head of PIU shall be the authority to receive and inquire into complaints/representations in respect of quality of works and they would be responsible for sending a reply, after proper investigation, to the complaint within 30 days. The SRRDA, for this purpose, shall ensure the following:

- The name, address and other details of the State Quality Coordinator will be given adequate publicity in the State (including tender notices, websites, etc.) as the authority empowered to receive complaints.
- The State Quality Coordinator shall register all complaints and will get them enquired into by the PIU or if circumstances so require, by deputing a State Quality Monitor.
- All complaints shall be acknowledged on receipt (giving registration number) and likely date of reply shall be indicated. On receipt of the report, the complainant shall be informed of the outcome and the action taken/proposed.
- Action on anonymous/pseudonymous complaints will be taken as per extant instructions of the State Government.
- Complaints received through the Ministry of Rural Development/NRRDA will normally be sent to the State Quality Coordinator for enquiry and necessary action. In case report from an SQM is desired, this shall be furnished within the time specified. In case an adequate response is not received within the stated time schedule, the NRRDA may depute an NQM and further processing will be done only on the basis of NQM report.

The SQC shall make a monthly report to the State Nodal Department/SRRDA in the prescribed format (Annexure 11.5 of PMGSY guideline). The status of action taken on complaints shall be discussed as an Agenda item of the State Level Standing Committee, a copy of the proceedings of which shall be sent to the MoRD.

Supplementary guidelines on quality control will be issued from time to time by the NRRDA. However, the Nodal Agency in the State should ensure that adequate quality consciousness is created among the PIUs. Also, adequate number of SQMs should be made available under the SQC to undertake the tasks assigned to the second tier, with the designated frequency.

c. Third tier

Whereas the State Government is responsible for Quality Management, the NRRDA arranges for external Quality Assurance by deploying National Quality Monitors, whose responsibility is to verify that the State’s Quality Management is adequate. Their role is to guide the Quality Management team and to give feedback on the quality management shortcomings to enable systematic improvements.

As the third tier of the Quality Management Structure, the NRRDA engages independent National Quality Monitors (NQM), mostly retired senior engineers from State/ Central Organisations. The
detailed guidelines for the third tier of quality management shall be issued by NRRDA from time to time. As per the present guidelines, the NQMs are given the programme of inspection once in two months for carrying out inspection as per the programme for the forthcoming two months, indicating the districts (and blocks) to be visited. The inspection schedule of NQMs is also displayed on PMGSY website. Guidelines for the Third Tier Independent Quality Monitoring are available on the OMMS website. The present guidelines provide for:

- **Arrangements for Inspection by NQM:** The NQMs will be sent a letter of request once in two months covering the two months period. The details of schedule of visit will also be available on PMGSY website in the last week of the preceding month to enable SQC and PIUs to make necessary arrangements:
  - It will be the responsibility of the SQC to ensure adequate arrangement for inspection by the NQM, including local stay and transport.
  - The NQM is required to inspect these districts in a single visit in one State in each two months (the total districts inspected during one visit shall not exceed three). He should finalise a suitable programme to spend not more than three days in each district inspecting normally between 2-4 works on each day and one old road work of PMGSY completed at-least one year back to assess the maintenance in each district (two works in progress or one work in progress and two completed works or four completed works but in both cases one work of earlier phases completed at-least one year back to be inspected to assess the routine maintenance). The format for inspection of work for assessment of routine maintenance shall be prescribed by NRRDA.
  - The programme of inspection is valid for the month mentioned in the letter of request only, and in no case should the inspection spill over to the next month, since it will not be counted in a valid inspection.

**Prioritisation of Works for Inspection:** The NQM will prioritise the selection of roads as per guidelines of NRRDA from time to time.

- **Information and Details to be furnished to the NQM by the PIU:**
  - Phase-wise list of all works according to the priority with details of dates of previous inspection, for the block of the district due to be visited.
  - A road map showing location of roads to enable planning of itinerary and selection of works to be inspected.
  - Necessary work information in respect of the road selected by NQM for inspection in part-1 of the inspection report format (form C1 and C2) for ongoing and completed works respectively.
  - Any previous inspection report of the selected road and Action Taken Report thereon.

**Guidelines to NQMs for filling up the Inspection Formats:**

- Before filling in part-2 (forms D1 and D2) respectively for ongoing and completed works, NQMs should traverse the entire road up to the end habitation.
• NQM should focus on project management by the PIU and make his observations on
  • DPR quality.
  • Contract management.
  • Quality management.
  • Post-inspection discussion
• The NQM should hold informal meeting with the PIU officers to discuss the results of
  inspection and to suggest improvements necessary in order to obtain better quality.
• Submission of Inspection Report by NQM and action by PIU/SQC.
• Copy of part II of reporting format will be handed over by NQM to the PIU before leaving
  the district. The NQM should also forward a copy of the completed report to the SQC and
  NRRDA within 10 days of the date of completion of inspection.
• The PIU will immediately inform the SQC in case the NQM report is not received before he
  leaves the district and the SQC shall inform NRRDA.
• The SQC shall at the end of each month submit a report to NRRDA on NQM visits to the
  State during the month in format given in Annexure 11.6.
• The PIU will not wait for the grading of the work to be communicated by NRRDA or SQC
  but will start taking action based on inspection reports furnished by NQM immediately after
  inspection, unless it disagrees with a recommendation. In all such cases, the matter should
  be immediately referred to the SQC.
• SQC should ensure that the PIU takes immediate steps to implement the observation of
  NQM. In case PIU proposes not to implement a recommendation the SQC should give
  suitable advice or if required, seek further clarification from the NRRDA.
• The reports of the NQM will be examined in NRRDA and internal grading of works will be
  done as ‘Satisfactory’ or ‘Unsatisfactory’.

The grading of works will be done by National Quality Graders (NQG) based on the report of
NQM and the following guidelines:
• The NQG will carefully read the observations of the NQM given in the Part II of the
  Inspection Report and summarise them in the prescribed format (Annexure 11.7). Every
  sub-item in format F(Annexure 11.7) will be graded as ‘Satisfactory’ (S) or ‘Unsatisfactory’
  (U). Grading of sub-item will be done as per details given in column ‘How to grade’. Based
  on the grading of sub-items, the main items will be graded. If, the grading of any of the sub-
  items is U, the complete item will be graded as U.
• Based on the grading of the items, the grading of the work will be done on the basis of the
  overall grading of the individual issues. The overall grading will be coded based on the
  issue(s) graded unsatisfactory in the following manner:
• Management Standard: In this issue items about information in format C-1/D-1 and
  inspections will be incorporated and if any of the two items are graded U; the overall grading
  of the institutional issues will be U, which will be graded as UMS.
- Contract Management: If any of the sub-items is graded U, the overall grading of the contract management issues will be U, which will be graded as UCM.

- Quality of Work: The grading of quality issues will be based on grading of items pertaining to design, quality control arrangements and quality of works. If any of the sub-items in the items of quality control arrangements and quality of works is graded as U, the overall quality of this issue will be U, which will be graded as UQW.

- Works found ‘Satisfactory’ will be graded simply as ‘S’.

**Action Taken Report**

- The Following Action will be taken on the grading of works by NQG:
  - The overall grading will be communicated to the State Quality Coordinator. The action in respect of institutional issues i.e. UMS will be taken by the SRRDA and ATR will be communicated to NRRDA.
  - The action in respect of UCM i.e. contract management issues will be taken by PIU and the ATR will be communicated to NRRDA through the SQC. If the work is graded as UCM the ATR is expected to include details of action taken against the contractor and/or PIU.
  - The action in respect of UQW i.e. work quality issues will be taken by PIU and the ATR will be communicated to NRRDA through the SQC. If the work is graded as UQW the ATR is expected to include details of action taken against the contractor and/or the staff of PIU in addition to rectification of work. The work or any of its items graded as unsatisfactory will be required to be re-done unless in-situ rectification is possible. While furnishing the ATR, the head of PIU will clearly mention that whether the item of work graded as unsatisfactory has been removed and re-done and if in-situ rectification has been done, the process of rectification will be explained in sufficient details.

- The following action will be taken by SQC in respect of Action Taken Reports:
  - Whether the grading has been communicated by NRRDA or not, it will be basic duty of the SQC to take Action Taken Report from the PIU after the lapse of one month of inspection i.e. if, inspection is done in January the SQC must have ATR from PIU positively in the first week of March.
  - As soon as the grading of particular work is communicated to SQC, the compilation of ATRs will be carried out by him and ATR will be sent to NRRDA in the format given as Annexure 11.8 within one month of receipt of grading of the work. It is quite possible that some time will be required to complete the action on the observations of NQM, still when the action is started it will be reported in column 5 of the format and in column 6 word ‘Yes’ will be used if the action is complete, but word ‘No’ will be used if action is not complete and in column 7, probable date will be shown when action is likely to be completed. The ATR will be treated interim, if the action is not complete and the ATR will be treated final, if the action is complete. The monitoring of Action Taken Reports will be done accordingly in NRRDA.
8.22.3 Quality control laboratories

The States are required to establish (or cause the contractor to establish) the Field Level Quality Control Laboratories and district level laboratories as per the provisions of the Rural Road Manual. The laboratories are required to be provided with the equipments and trained staff. The Laboratories of Engineering Colleges and other institutions can also be used for higher level of Quality Control Testing. For meeting the requirements of testing, the SRRDA may empanel the laboratories of such institutions and may also fix the rates for conducting different tests. The training and staffing of the laboratories under its control should be done by the State Governments.

Taking cognizance of the views put forward by State Executing Agencies that for conducting accurate surveys and soil and materials tests, laboratory testing facilities need to be properly provided, it has been decided to provide a one-time assistance for the replacement/ upgradation of district level and Central level labs, acquisition of mobile laboratories whereever considered necessary can also be provided. (See also para 11.4 of PMGSY guideline). For the purpose:

- The State Executing Agency will forward a consolidated proposal after joint assessment with the State Technical Agency (STA).
- The requirement of equipment shall be worked out, in accordance with the Rural Roads Manual and Quality Control Handbook issued by NRRDA.

In case of mobile laboratory equipment, the operating costs will be borne by the State Government. It is expected that PIUs will possess survey equipments such as Dumpy level, Abney level, Theodolite, chain, steel and metallic tapes, plane table, etc., in order to ensure acceptable DPR quality.

Regular training programmes should be organised for the staff of laboratories also to ensure effectiveness of testing process and accuracy of results.

8.22.4 Entry in OMMS

In respect of NQM visits, Quality Management Division of NRRDA will place inspection data on the website by selecting the name of the NQM and the road visited, and entering the date and grading.

The SQC is required to similarly enter data of SQM visit in the website on the Quality Monitoring database.

PIUs will check the data in the database and supply the print out-of PMGSY roads in the district showing status of previous inspection by NQM/SQM, to enable NQM to decide on the road to be inspected on a visit.

8.23 Flow of funds

The state level Autonomous Agency for each state shall receive the funds for the PMGSY from the MoRD /NRRDA. These include the program funds, Administrative Expenses funds and maintenance funds. The Agency will be responsible for rendering its accounts to the state nodal Department and the ministry of Rural Development.

The SRRDA shall select a branch of any public sector bank, or institution-based bank, having a branch at the State headquarters and internet connectivity for operating the PMGSY’s OMMS. Once selected, the accounts shall not be changed to any other bank or branch without the concurrence of the NRRDA.
There shall be written understanding from the bank that it will follow the guidelines of the government of India for payments from PMGSY fund. The concerned branch will maintain internet connectivity and enter the data into relevant module of the OMMS. The SRRDA shall communicate to the NRRDA and MoRD the details of the bank branch and the account numbers. There will be separate account number for the programme fund, for the administrative expenses fund and maintenance fund.

The bank shall provide the following facilities to the PIUs by its branches at the headquarters of PIUs.

i. To draw self-cherub by the PIUs
ii. To accept deposits of money received by the PIU in the bank account of the SRRDA maintained at the State level
iii. Clear the cherubs issued on the account at par, the same day at the designated accounts.
iv. To furnish bank statement at the close of each month showing the opening balance of bank authorisation account, details of PIU’s cheques encashed during the month and the balance of bank authorisation account on the closing day of month. This statement shall also be furnished to the SRRDA.

v. For interest paid to SRRDA, the bank statement will show both the gross amount of interest and tax deducted at source.

The SRRDA will declare the executive engineers of PIUs/heads of PIUs (who are the drawing and disbursing officers of the PIU) as its ex-officio members or officers so as to enable them to draw on the funds of the Agency from the programme fund account. They shall be authorised signatories.

There will be no separate bank accounts of the PIUs.

The SRRDA shall designate a senior officer as the financial controller of this agency so that he can oversee the implementation of the accounting system. The financial controller would be senior accounts officer, with adequate experience in works accounting.

The SRRDA will nominate one of its senior officers, normally of the rank of chief engineer as the empowered officer. It shall be open only to the empowered officer to inform the bank of the names of the authorised signatories, for issuing cheques on the agency’s bank account.

The empowered officer will furnish this list of authorised signatories along with attested signatures to the bank, apart from himself maintaining a record of it. This list will be verified quarterly and updated list supplied to the funding pattern of the scheme up to 2014 November was 100% CSS. However since Jan 2015 it is Central State 60:40.

### 8.24 Procedure for release of administrative expenses

At the district level, the programme will be coordinated, and implemented through a dedicated Programme Implementation Unit (PIU). All PIUs will be manned by competent technical personnel from amongst the available staff or through deputationists. In exceptional cases and with the prior approval of NRRD, consultants may be engaged to build up or enhance capacity. NRRDA's model documents shall be used for the purpose.

All staff costs will be borne by the State government. The Pradhan Mantri Gram Sadak Yojana does not provide for any staff costs. However, the administrative and travel expenses of PIUs and SRRDA costs will be met to the following extent, with the state government bearing any additional costs:
<table>
<thead>
<tr>
<th>Item</th>
<th>% of funds released</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Admin. Expenses for PIUs</td>
<td>1.00%</td>
</tr>
<tr>
<td>(b) Travel Expenses of PIUs</td>
<td>0.50%</td>
</tr>
<tr>
<td>(c) Admin. &amp; Travel Expenses (SRRDA)</td>
<td>0.25% (₹ 25 lakh maximum)</td>
</tr>
<tr>
<td>(d) Independent quality monitoring second tier</td>
<td>0.50%</td>
</tr>
</tbody>
</table>

For this purpose:

(I) Administrative expenses shall, in addition to usual office expenses, include all expenses incurred in relation to the operation of the OMMS computers and their maintenance, including internet charges and data entry costs. Amounts paid on account of outsourcing of execution and management related functions may also be paid out of administrative expenses within the limits prescribed. However, expenditure on purchase of vehicles, payment of salaries & wages and purchase or construction of buildings is not permissible.

### 8.25 Registers and Records to be maintained under PMGSY

Pradhan Mantri Gram Sadak Yojana (PMGSY) has given an emphasis on online record retention. Thus, they have developed OMMS where records are submitted, reviewed and retained for future use. National rural road development agency (NRRDA) is the principal agency for maintenance, management and modification of online monitoring and Management System (OMMS). The important formats that have been developed under OMMS are as follows:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Form No.</th>
<th>Description of the form</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PMGSY/IA/F-3</td>
<td>Cash Book of SRRDA</td>
</tr>
<tr>
<td>2.</td>
<td>PMGSY/IA/F-3A</td>
<td>Cash Book of PIU for programme fund</td>
</tr>
<tr>
<td>3.</td>
<td>PMGSY/IA/F-10C</td>
<td>Abstract of outstanding bank authorisation with pius</td>
</tr>
<tr>
<td>4.</td>
<td>PMGSY/IA/F-10D</td>
<td>PIU- wise Register of Cheques Issued</td>
</tr>
<tr>
<td>5.</td>
<td>PMGSY/IA/F-12</td>
<td>Accounts of Secured Advance</td>
</tr>
<tr>
<td>6.</td>
<td>PMGSY/IA/F-15</td>
<td>Record Measurement Book</td>
</tr>
<tr>
<td>7.</td>
<td>PMGSY/IA/F-16</td>
<td>Bill Measurement Book</td>
</tr>
<tr>
<td>8.</td>
<td>PMGSY/IA/F-17</td>
<td>Transfer Entry Order</td>
</tr>
<tr>
<td>9.</td>
<td>PMGSY/IA/F-18</td>
<td>Contractors Ledger</td>
</tr>
<tr>
<td>10.</td>
<td>PMGSY/IA/F-20</td>
<td>Detailed Completion Report</td>
</tr>
<tr>
<td>S. No.</td>
<td>Form No.</td>
<td>Description of the form</td>
</tr>
<tr>
<td>-------</td>
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<td>------------------------------------------------------------</td>
</tr>
<tr>
<td>11.</td>
<td>PMGSY/SR/F-21</td>
<td>Register for Statutory Deductions from Contractors / Suppliers</td>
</tr>
<tr>
<td>12.</td>
<td>PMGSY/SR/F-22</td>
<td>Register of Deposits Repayable</td>
</tr>
<tr>
<td>13.</td>
<td>PMGSY/SR/F-23</td>
<td>Register for Miscellaneous Works Advance</td>
</tr>
<tr>
<td>14.</td>
<td>PMGSY/SR/F-24</td>
<td>Register of Sanctioned Estimates</td>
</tr>
<tr>
<td>15.</td>
<td>PMGSY/SR/F-27</td>
<td>Register of Internet Bearing Securities / Bank Guarantees</td>
</tr>
<tr>
<td>16.</td>
<td>PMGSY/SS/F-33</td>
<td>Bill Register</td>
</tr>
<tr>
<td>17.</td>
<td>PMGSY/SS/F-35</td>
<td>Goods Received Sheet</td>
</tr>
<tr>
<td>18.</td>
<td>PMGSY/SCH/F-52</td>
<td>Bank Authorisation and Reconciliation Statement</td>
</tr>
<tr>
<td>19.</td>
<td>PMGSY/SCH/F-52D</td>
<td>Schedules Forming Part of Balance Sheet as at</td>
</tr>
<tr>
<td>20.</td>
<td>PMGSY/SCH/F-53A</td>
<td>Schedule of Construction of New Roads</td>
</tr>
<tr>
<td>21.</td>
<td>PMGSY/SCH/F-53B</td>
<td>Schedules Forming Part of Balance sheet as at 20</td>
</tr>
</tbody>
</table>

### 8.26 Relevant Internal Audit Guidelines

#### 8.26.1 Scope of Internal Audit:

The SRRDA and PIUs shall be within the jurisdiction of internal audit. The internal audit will conduct periodic financial review of the PMGSY to assess the operation project financial management system, including review of internal control mechanisms, books of accounts, registers, and other records as well as effectiveness of the procurement process in the SRRDA and PIUs. The scope of internal audit includes examination and evaluating the policies, procedures and system which are in place in the SRRDA to ensure:

- Reliability and integrity of information compliance with the PMGSY Guidelines.
- Plans, procedure, laws and regulations.
- Safeguarding assets, economical and effective use of resources
- Accomplishment of established objectives and goals for operations or programme, and
- Apprise the management about effectiveness of internal control and other areas of interest and concern.
## Risk Areas

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Level of Implementation</th>
<th>Risk</th>
<th>Responsible Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central</td>
<td>Finalisation of annual allocation after prescribed timeline</td>
<td>CE</td>
</tr>
<tr>
<td>2</td>
<td>State</td>
<td>Missing timelines of Processing of Project Proposal</td>
<td>CE, SE, EE</td>
</tr>
</tbody>
</table>
| 3      | State                   | Tendering:  
  a. Terms and conditions of standard bidding documents not followed  
  b. Non-adherence of proper tendering process.  
  • Lack of publicity- Not meeting criteria as per standard bidding document  
  • Award to single bidder-without proper justification and approval  
  • Award not given to L1- Without proper justification and approval | SE, CE |
| 4      | State and Regional      | EMD Money  
  a. Diversion of EMD money  
  b. Non-timely release of EMD  
  c. Improper maintenance of EMD records | EE, SE |
| 5      | District                | a. Unauthorised use of Security Deposit  
  b. Non-timely release of Security Deposit  
  c. Improper maintenance of security deposit records | EE |
| 6      | Regional and District   | Incomplete agreement prepared for award of work | EE, SE |
| 7      | Regional and District   | Bank guarantee  
  a. Bank guarantee not of adequate value  
  b. Bank guarantee not renewed on time.  
  c. In case of encashment of guarantee, claim not filed within the stipulated time period  
  d. Guarantee documents not kept in safe custody  
  e. Bank guarantees not verified for genuineness.  
  f. Guarantees not drawn on banking institutions as mentioned in standard bidding document | EE, SE |
| 8      | Regional, District, Constituency, Block | Maintenance of measurement book  
  a. Entries not made upon completion of different stages of work but upon completion of entire work  
  b. Non-recording of test check report by competent authority | EE, DE, AE / AEE |
<p>| 9      | State                   | Huge unspent balance of SRRDA at end of FY | CE |
| 10     | Central                 | Diversion of funds: Central funds used for maintenance of PMGSY roads | CE |
| 11     | Regional and District   | Payment without due approval of extra items, deviation or rate analysis. | EE, SE, DEE |</p>
<table>
<thead>
<tr>
<th>S. No.</th>
<th>Level of Implementation</th>
<th>Risk</th>
<th>Responsible Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Regional and District</td>
<td>Non-fulfilment of the terms and conditions of the agreement document including</td>
<td>CE, SE, EE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. Site engineer not hired</td>
<td></td>
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<td></td>
<td></td>
<td>b. Field laboratory not established</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Test check of material/work not done</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>d. Insurance as per agreement not done</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>State, Regional and</td>
<td>a. Delay in final payment</td>
<td>CE, SE, EE</td>
</tr>
<tr>
<td></td>
<td>District</td>
<td>b. Final payment without completion certificate</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>District</td>
<td>Statutory deductions</td>
<td>EE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. Non-recovery of statutory deductions such as income tax, labour cess, welfare cess, VAT</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Non-timely remittance of collected deductions</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Central and State</td>
<td>Delay in release of funds From Ministry/ Treasury to SRRDA</td>
<td>MoRD, State Government</td>
</tr>
<tr>
<td>16</td>
<td>State, Regional and</td>
<td>Administrative budget used for inadmissible items</td>
<td>CAO, EE</td>
</tr>
<tr>
<td></td>
<td>District</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Regional and District</td>
<td>Overrun risks</td>
<td>SE, EE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. Time overrun</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>b. Cost overrun</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Regional and District</td>
<td>Final payment to contractor without EOT sanctioned by the competent authority</td>
<td>SE, EE</td>
</tr>
<tr>
<td>19</td>
<td>District</td>
<td>OMMAS based balance sheet to be submitted to NRDA, SRRDA</td>
<td>EE</td>
</tr>
<tr>
<td>20</td>
<td>State, Regional and</td>
<td>Non-achievement of target length of PMGSY road as per annual plan achieved</td>
<td>SE, EE</td>
</tr>
<tr>
<td></td>
<td>District</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Regional and District</td>
<td>Final payment without completion certificate</td>
<td>SE, EE</td>
</tr>
<tr>
<td>22</td>
<td>District, Constituency</td>
<td>Poor/no maintenance of roads- as per the maintenance contract.</td>
<td>EE, DEE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>i. Patches and potholes repairs</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>ii. Rain cuts restored and dressing of beams done</td>
<td></td>
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<td></td>
<td></td>
<td>iii. Culverts and causeways maintained.</td>
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<td></td>
<td></td>
<td>iv. Making up of shoulders as per specifications</td>
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<td></td>
<td></td>
<td>v. Cutting of grass/small trees</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>vi. Whitewash of guard stones/milestones &amp; parapets of CD works</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>State</td>
<td>Grievances about roads not addressed (Report as per ‘Meri Sadak’ portal)</td>
<td>CE, SQC</td>
</tr>
<tr>
<td>24</td>
<td>State</td>
<td>Non-compliance of CA audit report/Performance audit report</td>
<td>CAO, FA</td>
</tr>
<tr>
<td>25</td>
<td>State</td>
<td>Non-submission of the UC</td>
<td>CAO, FA</td>
</tr>
</tbody>
</table>
Checklist for Internal Audit:

The checklist is illustrative only and not exhaustive. The internal auditor may look into the areas which he/she considers necessary based on his/her examination of the accounts/records of the PIUs/SRRDA.

Internal Audit should see that:

- Grant received has been utilised for the purpose for which it was sanctioned.
- Grant-in-aid earmarked for administrative expenses has been utilised for the purposes as detailed in paragraph 12 of PMGSY Programme Guidelines only.
- PMGSY funds have not been appropriated for meeting State Government expenditure.
- Funds sanctioned for the Programme Fund Account have been diverted for meeting administrative expenses and vice versa.
- Money lying under the head interest income has not been utilised for incurring PMGSY expenditure unless specifically authorised to do so by the MoRD.
- Funds received for Programme Fund from MoRD/NRRDA have been accounted for in the Programme Fund Account only.
- Funds received for Administrative Expenses Fund from MoRD have been accounted for in the Administrative Expenses Fund Account only.
- Utilisation Certificate has been prepared in the format prescribed in the MoRD’s letter No. P-17017/6/2007-RC dated 07.08.2007.
WORK BOOK

1. Enumerate core objectives of the PMGSY

2. List down any two salient features of PMGSY?

3. Enumerate structure adopted under PMGSY at all levels?

4. List down composition of State Level Standing Committee (SLSC)?

5. What are the core functions of SLSC?

6. Enumerate 7 steps of annual Proposal preparation and clearance as per Operations Manual of PMGSY?

7. List down the steps involved in scrutiny of the proposal under PMGSY?

8. Enumerate Elements of the Contract documents under PMGSY?

9. Under which section of contract GCC insurance cover is mandated?

10. Under which circumstances extension of dates are permitted?
Unit 9
Rural Development Schemes

Pradhan Mantri Awas Yojana (GRAMIN)
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<td></td>
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### Abbreviations

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<th>Abbreviation</th>
<th>Full Form</th>
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</thead>
<tbody>
<tr>
<td>AAP</td>
<td>Annual Action Plan</td>
</tr>
<tr>
<td>ATR</td>
<td>Action Taken Report</td>
</tr>
<tr>
<td>BLBC</td>
<td>Block Level Bankers Committee</td>
</tr>
<tr>
<td>BPL</td>
<td>Below Poverty Line</td>
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<tr>
<td>C&amp;AG</td>
<td>Comptroller and Auditor General of India</td>
</tr>
<tr>
<td>CBS</td>
<td>Core Banking Solutions</td>
</tr>
<tr>
<td>CPGRAMS</td>
<td>Centralised Public Grievance Redress and Monitoring System</td>
</tr>
<tr>
<td>CPSMS</td>
<td>Central Plan Scheme Monitoring System</td>
</tr>
<tr>
<td>CRPs</td>
<td>Community Resource Persons</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social responsibility</td>
</tr>
<tr>
<td>CSS</td>
<td>Central Sponsored Scheme</td>
</tr>
<tr>
<td>DAY-NRLM</td>
<td>Deen Dayal Anthyodaya Yojana – National Rural Livelihood Mission</td>
</tr>
<tr>
<td>DDUGJY</td>
<td>Deen Dayal Upadhyaya Gram Jyoti Yojana</td>
</tr>
<tr>
<td>DLBC</td>
<td>District Level Bankers Committee</td>
</tr>
<tr>
<td>DRDA</td>
<td>District Rural Development Agency</td>
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<tr>
<td>EC</td>
<td>Empowered Committee</td>
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<tr>
<td>eFMS</td>
<td>Electronic Funds Management System</td>
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<td>FTO</td>
<td>Fund Transfer Order</td>
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<td>Gram Panchayat</td>
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<td>Gram Sabha</td>
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<td>HSCAS</td>
<td>House Sites-cum- Construction Assistance Scheme</td>
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<td>IAY</td>
<td>Indira Awas Yojana</td>
</tr>
<tr>
<td>IIT</td>
<td>Indian Institute of Technology</td>
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<tr>
<td>JRY</td>
<td>Jawahar Rozgar Yojana</td>
</tr>
<tr>
<td>MIS</td>
<td>Monitoring and Information System</td>
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<tr>
<td>MoRD</td>
<td>Ministry of Rural Development</td>
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<td>MGNREGS</td>
<td>Mahatma Gandhi National Rural Employment Guarantee Scheme</td>
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<tr>
<td>NABARD</td>
<td>National Bank for Agriculture &amp; Rural Development</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organisation</td>
</tr>
<tr>
<td>NIC</td>
<td>National Informatics Centre</td>
</tr>
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<td>NIT</td>
<td>National Institute of Technology</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
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<td>NSDC</td>
<td>National Skill Development Corporation</td>
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<td>NTSA</td>
<td>National Technical Support Agency</td>
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<td>Public Financial Management System</td>
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<td>Panchayati Raj Institutions</td>
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<td>PMAY-G</td>
<td>Pradhan Mantri Awas Yojana – Gramin</td>
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<td>PMU</td>
<td>Programme Management Unit</td>
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<td>PMUY</td>
<td>Pradhan Mantri Ujjwala Yojana</td>
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<tr>
<td>PWL</td>
<td>Permanent Wait List</td>
</tr>
<tr>
<td>QP</td>
<td>Qualification Pack</td>
</tr>
<tr>
<td>RLEGP</td>
<td>Rural Landless Employment Guarantee Programme</td>
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<td>RGGVY</td>
<td>Rajiv Gandhi Grameen Vidyutikaran Yojana</td>
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<tr>
<td>RSBY</td>
<td>Rastriya Swasthiya Bima Yojana</td>
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<tr>
<td>SAU</td>
<td>Social Audit Unit</td>
</tr>
<tr>
<td>SBM-G</td>
<td>Swachh Bharat Mission – Gramin</td>
</tr>
<tr>
<td>SC</td>
<td>Scheduled Caste</td>
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<tr>
<td>SCB</td>
<td>Scheduled Commercial Banks</td>
</tr>
<tr>
<td>SECC</td>
<td>Socio-Economic Caste Census</td>
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<td>SHGs</td>
<td>Self -Help Groups</td>
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<tr>
<td>SLBC</td>
<td>State Level Bankers Committee</td>
</tr>
<tr>
<td>SNA</td>
<td>State Nodal Account</td>
</tr>
<tr>
<td>Sq.m</td>
<td>Square Meter</td>
</tr>
<tr>
<td>ST</td>
<td>Scheduled Tribe</td>
</tr>
<tr>
<td>STSA</td>
<td>State Technical Support Agency</td>
</tr>
<tr>
<td>UTs</td>
<td>Union Territories</td>
</tr>
<tr>
<td>VHP</td>
<td>Village Housing Programme</td>
</tr>
<tr>
<td>ZP</td>
<td>Zilla Parishad</td>
</tr>
</tbody>
</table>
Learning Outcome

By the end of the learning, the reader will be enabled to understand the following:

a) PMAY-G Aim and Objective
b) Eligibility Criteria and Sanction process of PMAY-G
c) Process of implementation of PMAY-G
d) Fund Flow and Fund management
e) E-Governance in PMAY-G
f) Scope of Convergence with other schemes
g) Risk areas at all levels
9.1 Historical Background

Public housing programme in the country started with the rehabilitation of refugees immediately after Independence. In 1957, as a part of the Community Development Movement (CDM), a village Housing Programme (VHP) was introduced providing loans to individuals and cooperatives, of up to ₹ 5000/- per unit. Only ₹ 67,000 houses could be constructed in this scheme till the end of the Fifth Five Year Plan (1974-1979). Another scheme introduced in the Fourth Five Year Plan (1969-1974), called the House Sites-cum-Construction Assistance Scheme (HSCAS), was also transferred to the State Sector from 1974-75.

Rural Housing Construction was allowed for SCs/STs and freed bonded labourers under National Rural Employment Programme (NREP-1980), and Rural Landless Employment Guarantee Programme (RLEGP-1983). A full-fledged rural housing programme Indira Awas Yojana (IAY) was later launched in June, 1985 as a sub-scheme of RLEGP, with earmarking of funds for the construction of STs/STs and freed bonded labourers. In Jawahar Rozgar Yojana (1989), 6% of the funds were allocated to housing for SCs/STs and freed bonded labourers. In the financial year 1993-94, the coverage was extended to Non –SC/ST families by increasing the fund under JRY to 10%.

9.1.1 Indira Awas Yojana (IAY)

IAY was made an independent programme w.e.f 1 January, 1996 aimed at addressing housing needs of the Below Poverty Line (BPL) households. After 30 years of implementation of IAY, in view of limited scope of coverage (BPL) under the programme there still are considerate gaps in rural housing.

9.2 PRADHAN MANTRI AWAS YOJANA-G (PMAY-G) - Objectives

Government has committed to provide “Housing for All” by 2022. To fulfill the Government commitment and to address the rural housing gaps, IAY has been reconstructed into Pradhan Mantri Awas Yojana - Gramin (PMAY-G) w.e.f. 1 April, 2016.

PMAY-G aims to provide a pucca house with basic amenities to all houseless households and households living in kutcha and dilapidated houses in rural areas by 2022. To achieve the objective of “Housing for All”, the target number of houses to be constructed by the year 2021-22, is ₹ 2.95 crore. The immediate objective is to cover 1.00 crore households in rural areas, that are houseless or living in kutcha / dilapidated house, in three years from 2016-17 to 2018-19 and enable construction of quality houses by the beneficiaries using local materials, designs and trained masons. For houses to become homes, adoption of a habitat approach through convergence is proposed.
9.3 Key Features of PMAY-G

- Providing assistance for construction of 1.00 crore houses in rural areas over the period of three years from 2016-17 to 2018-19.
- The minimum unit (house) size enhanced from 20 sq.m (under IAY) to 25 sq.m including a dedicated area for hygienic cooking.
- Enhancement of unit assistance from ₹ 70,000 to ₹ 1.20 lakh in plains and from ₹ 75,000 to ₹ 1.30 lakh in hilly States, difficult areas and IAP districts.
- The cost of unit (house) assistance is to be shared between Central and State Governments in the ratio of 60:40 in plain areas and 90:10 for North- Eastern and three Himalayan States (Jammu & Kashmir, Himachal Pradesh and Uttarakhand).
- Provision of assistance (₹12,000) for toilets through convergence with Swach Bharat Mission -Gramin (SBM-G), MGNREGS or any other dedicated source of funding.
- Provision of 90/95 persondays of un-skilled labour wage under MGNREGA for construction of house, over and above the unit assistance.
- Identification and selection of beneficiaries, based on the housing deficiency and other social deprivation parameters in SECC-2011 data, and verified by the Gram Sabhas.
- Setting up of National Technical Support Agency (NTSA) at national level to provide technical support in achieving the target set under the programme. The beneficiaries of PMAY-G, in addition to being provided financial assistance, shall also be offered technical assistance in the construction of the house.
- If the beneficiary so chooses, he/she will be facilitated to avail of loan up to ₹ 70,000 from Financial Institutions.
- Special Projects to be sanctioned by the Ministry of Rural Development after the approval of the Empowered Committee.
- Convergence with other Government schemes for provision of basic amenities viz., toilet, drinking water, electricity, clean & efficient cooking fuel, treatment of social and liquid waste, etc.
- All payments to the beneficiary to be made electronically to their Bank/Post office accounts that are linked to Adhaar with consent.
- Sensitisation of the beneficiaries on PMAY-G.
- Focus on construction of quality houses by the beneficiaries using local materials, appropriate designs and trained masons.
- Adoption of saturation approach using Gram Panchayat, Block or District as unit, wherever possible.
9.4 Social Earmarking of Targets:

The available resources under the Scheme in a district are earmarked for various categories as under:

(i) At least 60% of the total PMAY-G funds and physical targets should be utilised for construction/upgradation of dwelling units for SC/ST BPL households.

(ii) A maximum 40% for non-SC/ST BPL rural households.

(iii) PMAY-G funds and physical targets will be earmarked for BPL minorities in each State as indicated by the Ministry.

Three per cent of the above categories are for physically and mentally challenged persons. If any particular category is exhausted or not available in a district, allocation can be utilised for other categories as per priorities given in the Guidelines after it has been certified to this effect by the Zilla Parishad/DRDA concerned.

9.5 Empowered Committee

There shall be an Empowered Committee chaired by Secretary, Ministry of Rural Development consisting of the following members:

(i) Additional secretary, Ministry of Rural Development

(ii) Joint Secretary (Housing), Ministry of Rural Development

(iii) Advisor, NITI Ayog

(iv) Representative of HUDCO

(v) Secretary dealing with Rural Housing, of the State/UT concerned

(vi) Representative of Internal Finance Division

9.5.1 Functions of the Empowered Committee

(i) Approve Annual Action Plan of States/UTs

(ii) Approve Special Projects

(iii) Review the programme and suggest studies

(iv) Reallocate targets

(v) Approve supply of construction material in lieu of financial assistance

9.5.2 Annual Action Plan

The States and UTs should prepare Annual Action Plan for implementation of PMAY-G. The plan would, inter alia, include the road-map for time-bound completion of the houses sanctioned and ensure convergence with other schemes. The AAP should contain the district-wise plan highlighting the strategy that is to be adopted for saturating priority households.


9.6 Funding Pattern & Funds Flow

9.6.1 Sharing of the Scheme Cost:

Pradhan Mantri Awas Yojana – Gramin is a Centrally Sponsored Scheme funded on cost-sharing basis between the Government of India and the State Governments in the ratio of 75:25. However, in the case of North-Eastern States and Sikkim, funding is shared between the Government of India and these States in the ratio of 90:10, respectively. In the case of Union Territories, the entire funds under this Scheme are provided by the Government of India.

9.6.2 Allocation of Scheme Funds:

From the annual budgetary grant for PMAY-G, 95% of funds would be released to States/UTs for construction of new houses under PMAY-G. This will also include 4% allocation towards administrative expenses. 5% of the budgetary grant would be retained at the Central level as reserve fund for Special Projects.

Allocation to States/UTs and from States/UTs to districts, blocks and wherever the States so desire, to the Village Panchayats would be on the basis of houseless people from among the BPL population for each category i.e. SC, ST, minorities and others, once the Socio Economic Caste Census (SECC) currently under way is finalised.

9.6.3 Administrative expenses

Up to 4% of the funds released can be utilised for administering the scheme, of which up to 0.5% can be retained at the State level and the balance shall be distributed to the districts. The district allocation would include two parts, one part to meet fixed expenditure which would be same for all districts in a State and the other part proportional to the targets allotted to the district in order to meet working expenses. The States may decide the formula and also the formula for distribution to the intermediate and Village Panchayat levels in accordance with workload assigned to them. The norms adopted by States for distribution of funds under this category shall be intimated to the Ministry of Rural Development within six months.

Eligible items of expenditure under administrative expenses are the following:-

- Up to 1% of administrative expenses should be used for IEC activities for preparation of IEC material including electronic material especially on different designs and technology options;
- Up to 1% of administrative expenses should be used for Social Audit;
- Imparting habitat and housing literacy to beneficiaries;
- Construction of prototypes and preparation of small scale models for demonstration;
- Cost of photographs of the house at various stages and of uploading them;
- Cost of quality supervision and monitoring through visits;
- Cost of hardware/software for MIS;
- Cost of data entry in Awaassoft, including hiring of personnel on contract;
- Training of master masons and beneficiaries providing labour, including training on maintenance practices;
- Training of Community Resource Persons (CRPs) and NGOs;
- Payment of honorarium to CRPs and service charges to NGOs;
- Training of officials and elected representatives of Panchayats;
- Conduct of assessments and evaluation studies.

The administrative expenses shall be shared by the Centre and States in the same ratio as applicable to the main programme expenditure.

**Fund Flow**

![Fund Flow Diagram]

**9.6.4 Fund Management**

**Basic principles in Fund Management**

- The States/UTs shall maintain single savings account in a scheduled commercial Bank at State level and referred as SNA (State Nodal Account) and the account details shall also be registered in Awaasoft and with PFMS
- The annual central allocation and matching State share shall be deposited in SNA
- SNA shall operate bank account only electronically through a FTO
- The State/UT Government shall designate two signatory authorities (a creator/maker as first signatory and approver/checker as second signatory). The FTO will have to be digitally signed by these two authorities.
- Part of annual allocation that is payable to State borrowed from NABARD shall also be deposited into SNA
• The administrative fund admissible at the State level shall be kept in a separate saving bank account and districts also can have single saving bank account for transacting administrative funds
• The transfer of assistance to the beneficiaries shall be done to his/her registered bank/PO accounts through digitally signed FTO.
• If the beneficiary opts to borrow money from financial institutions facilitated under PMAY-G, may receive the funds in the same account as loan.
• Supply of construction material in lieu of financial assistance to the beneficiaries will require prior approval of the Empowered Committee. The State Government will directly transfer the payment to the supplier from the SNA through PFMS by FTO.
• After the end of Financial Year, the reconciliation of the opening balance as on first April between bank balance in the SNA and the balance as per Awaassoft shall be undertaken by the 15th of April. An audited statement of the State Nodal Account must be furnished to the Ministry by the 15th of May.

9.6.5 Funds Release and Accounting:
• For accounting and release of fund, the State / UT shall be considered as a unit.
• The annual allocation will be released in two instalments. First instalment shall be equal to 50% of annual allocation and second instalment shall be equal to the annual allocation minus first instalment and applicable deductions as prescribed in the guidelines.
• The ministry will release funds to the consolidated Fund of the States and UTs with legislature, as per the provision made in the Central Budget for release of Programme funds to the States and UTs with legislatures respectively. In respect of UTs without legislatures, the funds would be released through letter of authority issued by the Ministry.
• The miscellaneous receipts and interest accrued on PMAY-G funds shall be treated as part of scheme resources. The directions will apply to Central and State matching share.
• The State / UTs may front load the expenditure by using their own resources and recoup its interest accruing on such amount later from the Central Government funds. In such scenario, the interest accrued on the State advances over and above the matching State share shall be clearly accounted by the States / UTs.
• The States / UTs are free to supplement the unit assistance under PMAY-G through their own resources. It can be done either by SNA by communicating to Ministry or separate account.

a. Release of funds
(i) The annual allocation will be released in two instalments.
(ii) First instalment shall be equal to 50% of Central share of annual allocation and will be released in the beginning of the financial year
(iii) Second instalment shall be equal to the Central share annual allocation minus first instalment on condition of
• Utilisation of 60% of total available funds on Awaassoft
• Achievement of physical progress as per prescribed criteria and indicators
• States/UTs have to submit proposal for second instalment along with required documents in prescribed Performa (for details refer Guidelines 10.5.3) before 31 December

<table>
<thead>
<tr>
<th>Year</th>
<th>Criteria</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current year</td>
<td>Target fixing</td>
<td>100%</td>
</tr>
<tr>
<td>Current year</td>
<td>Issue of sanctions</td>
<td>95%</td>
</tr>
<tr>
<td>Current year</td>
<td>Freezing of beneficiary accounts</td>
<td>100% of the sanction</td>
</tr>
<tr>
<td>Current year</td>
<td>Release of 1st instalment to the beneficiary</td>
<td>100% of the sanctions in terms of generation of FTO</td>
</tr>
<tr>
<td>Previous year</td>
<td>House constructed</td>
<td>80% of sanction</td>
</tr>
</tbody>
</table>

**b. State Share**

The State Government shall release full State share within a period of 15 days of the Central share and a copy of sanction order releasing the State share need to be uploaded on Awaassoft.

**c. Transfer of Funds**

The central allocation of funds including administrative funds which have been sent to State Consolidated Fund should be transferred to the State Nodal Account within 15 days from the date of receipt of Fund failing which a penal interest rate of 12%p.a would be applicable. The State will provide a certificate regarding deposition of penal interest during the time of releasing of next instalment failing which the same will be deducted from its Central share.

**d. Reallocation of Funds**

If any State/UT is unable to utilise its allocated funds/targets within reasonable time decided by Empower Committee, such funds will be reallocated to other better performance States/UTs by the Empower Committee.

**e. Administrative Expenses**

The Administrative Funds to the States/UTs would be released in two instalments. The first instalment would be released unconditionally along with programme funds. Second instalment of administrative funds would be released on submission of proposal by States/UTs. However, the release of the programme funds would not be contingent upon utilisation of administrative funds.
9.7 Implementation of the scheme

9.7.1 Identification and Selection of beneficiaries

a. Eligibility Criteria:

Fairness and transparency in identification and selection of beneficiaries is the cornerstone for realising the goal of “Housing to All”.

Moving away from BPL list, the universe of eligible beneficiaries under PMAY-G will include all the houseless and households living in zero, one or two room houses with kutcha wall and kutcha roof as per SECC data.

b. Prioritisation of beneficiaries:

There will be multi-layered prioritisation with the universe of eligible PMAY-G beneficiaries. Priority will be assigned on the basis of parameters reflecting housing deprivation in each category viz., SC/ST/Minorities and others.

Within the above priority groups, households that fulfill the criteria of “compulsory inclusion” as defined in SECC will be further elevated. Automatically included households shall not rank lower than other households within a priority group. The scores will be calculated from the socio-economic parameters given below with each having equal weights.

- Households with no adult member between age 16 to 59.
- Female headed households with no adult male member between age 16 to 59.
- Households with no literate adult above 25 years
- Households with any disabled member and no able bodied adult member
- Landless households deriving the major part of their income from manual casual labour.

Households with higher deprivation scores will be ranked higher within the sub-groups.

c. Priority List:

- System generated category-wise ranked priority list could be downloaded from the programme MIS-Awaassoft.
- The lists will be circulated to the concerned Gram Panchyats from verification by Gram Sabha / Village Sabha (Lowest unit of local Self Government).
- In case if there is a tie with more than one household within a sub-group having same deprivation score, the Gram Sabha will rank the households according to the priority of the following parameters;
  - Widows and next-of-kin of members of defense/paramilitary/police forces killed in action (even if not BPL);
  - People living with HIV (PLHIV)
  - Households with a single girl child.
- Beneficiary families of the STs and other forest dwellers (Recognition by Forest Act 2006).
- Transgender persons

d. Grievance Redressal in identification of beneficiary:

- Once the list have been made available by Gram Sabha, any competent authority delegated by State / UT will ensure that the lists are widely publicised within the Gram Panchayat for a minimum period of seven days.
- The competent authority is also responsible for the entry of the list in Awaassoft.
- A window period of 15 days would be provided for the submission of complaints regarding wrongful deletion or change.
- The complaint maybe collected by any village level functionary/ official and thereafter forwarded to competent authority.
- The competent authority shall enquire into the complaints, prepare a report and submit the same in time-bound manner, the time period for which to be decided by the State/UT, to an Appellate Committee that is to be constituted by the State.
- The State / UT Government shall constitute a three-member Appellate Committee at the district level which is headed by District Magistrate / Collector.

e. Permanent Wait List:

- After disposal of all cases in Gram Panchayats, by the Appellate Committee, the Gram Panchayat-wise permanent waitlist for each category with a district rank for each household will be published.
- Every year the permanent list will be updated.

9.7.2 Construction of House

a. Unit Assistance to the Beneficiary

- Under PMAY-G, the beneficiary is provided a unit assistance of ₹1.20 lakh in plain areas and ₹1.30 in hilly States, difficult areas and IAP districts for construction of Pucca House.
- In addition, 90/95 persondays of unskilled labour during house construction is provided under MGNREGS, if household is not completed 100 days of employment in that financial year and willing to work.
- ₹12,000 assistance is provided for construction of Toilet under SBM or MGNREGS or any other dedicating financing source.
- The minimum size of house is to be 25 sq.m, including a dedicated area for hygienic cooking.

b. Tagging of land and mapping of Trained Mason

- Block level officer will capture through the mobile application ‘Awaas App’ the geo-referenced photograph of the beneficiary in front of the currently living house followed by a geo-tagged photograph of the land on which beneficiary proposed construct the house and upload in ‘Awaassoft’.
• In case beneficiary wants to construct house on same land where currently living, should be clearly indicated.

• In case of landless beneficiary, State has to ensure to provide land from Government or other public lands, where connectivity and drinking water availability is ensured.

c. Issue of sanction letter to beneficiary

• After registration of the beneficiary details and validation of bank account, a sanction order shall be individually generated in Awaassoft with distinct PMAY-G ID and Quick Response Code

• Allotment of house shall be made jointly in the name of the husband and wife, except in the case of widow/unmarried/separated person.

• The State may also allot the house solely in the name of women

• The State may also facilitate the registration of land in the joint name of wife and husband

• In the case of house allotted in disabled quota, allotment should be only in the name of such persons

• The issue of sanction may inform beneficiary through SMS also

• The beneficiary can obtain sanction letter from block office or can download from PMAY-G website by using PMAY-G ID

d. Release of first instalment to Beneficiary

• The first instalment shall be released to the beneficiary electronically to the registered bank account within seven working days from the date of issue of sanction order.

e. Mode of construction

• The house shall be constructed by the beneficiary himself/herself or get the house constructed under his/her supervision.

• No contractor should be engaged by State Government for the construction of houses under PMAY-G.

• The house shall also not to be constructed by any Government department or Agency, except where specifically authorised.

• In case where beneficiary is old/disabled/infirm and not in position to get the house constructed on his own, such houses shall be taken up as part of the mason training programme.

• In case, still beneficiaries are left out, State Government will ensure that they are assisted through GPs or Government functionaries to get their houses constructed.

f. Time Limit for Completion of House

• The construction of house should be completed within 12 months from the date of sanction

9.7.3 Release of the assistance to the beneficiaries

There shall be minimum of three instalments and can have seven stages in house construction

a. House sanction
b. Foundation  
c. Plinth  
d. Windowsill  
e. Lintel  
f. Roof cast  
g. Completed

9.7.4 Beneficiary Support Services:
To ensure timely completion of quality houses within the available resources in addition to providing financial assistance to the beneficiaries for the house construction, it is essential that crucial support services are provided to the beneficiaries as follows:

- Sensitisation of the beneficiaries
- Development and provision of house design typologies
- Training of Masons and Skill Certification
- Sourcing of construction material
- Support to old and disabled beneficiaries
- Facilitating loan of up to ₹ 70,000 from banks

9.8 Technical Support Mechanism:
To provide technical support in achieving the target “Housing for All“ the following mechanism is provided at different levels:

<table>
<thead>
<tr>
<th>Level</th>
<th>Support Mechanism</th>
<th>Activities</th>
<th>Personnel Involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>National Technical Support Agency for Rural Housing</td>
<td>• Ensuring quality construction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Part of NRRDA)</td>
<td>• Monitoring of implementation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Management of extra budgetary finances</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IEC activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Development and management of e-Governance solutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Data analytics</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Organising trainings workshops</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Coordinate/monitor/facilitate the functioning of technical facilitate centres in States/UTs</td>
<td></td>
</tr>
</tbody>
</table>
| State/UT Technical Institutions identified by State/UT | • Sensitises beneficiaries about housing designs and construction technologies  
• Trainings of masons and its monitoring  
• Assist the beneficiary in completion of the house |  
| State Programme Management Unit | • Undertake the tasks of implementation, monitoring and supervision of quality of construction  
• Allocation of targets to districts and blocks  
• Fixing the number of instalments | • State Nodal Officer  
• Technical expert in housing construction  
• Expert in IT/MIS/PFMS  
• Financial expert  
• Social mobilisation expert  
• Training coordinator  
• Support staff |  
|  | • Monitor preparation of permanent waitlist and drawl of annual select list  
• Mapping of new administrative units in Awaassoft  
• Development of regional specific house typologies within the State  
• Categorisation of difficult areas  
• Drawing up convergence plan with different Central/State programmes/schemes  
• Monitor disbursement of loan to beneficiary  
• Plan and organise mason trainings in the State  
• Plan, organise and facilitate sensitisation of beneficiaries  
• Monitor progress of construction as per the prescribed timeline  
• Manage and monitor the State Nodal Account  
• Manage Awaassoft related administrative functions  
• Submission of proposal to Centre for release of Funds |
<table>
<thead>
<tr>
<th>District</th>
<th>District level PMU</th>
<th>Block</th>
<th>Block Level PMU</th>
<th>Gram Panchayat</th>
<th>GP</th>
</tr>
</thead>
</table>
|          | • Finalisation of block-wise PWL list and drawl of Annual Selection List  
          • Facilitate allotment of land for landless beneficiaries  
          • Plan, organise and facilitate sensitisation of beneficiaries in the district  
          • Plan and organise mason trainings in the district, including selection of trainees after screening  
          • Facilitate collective sourcing of construction materials for the beneficiaries where needed | • Plan production of construction material through MGNREGS, SHGs under Day-NRLM  
• Coordinate the banks for loan disbursement  
• Prepare special project proposals and monitor the implementation  
• Monitor progress of construction as per the prescribed timeline  
• Monitor reporting on Awaassoft | • Registration of beneficiaries  
• Issue of sanction letter to beneficiaries  
• Orientation to beneficiaries  
• Map a village functionary to beneficiary  
• Tag trained mason to beneficiary  
• Monitor the progress of house construction and timely release of instalments to beneficiary  
• Reporting of the progress of construction through AwaasApp/ Awaassoft | • Tagging of PMAY-G house  
• Follow up beneficiary and facilitate the construction | • GP official  
• GRS  
• SHGs  
• CSOs  
• Bharat Nirman Volunteers | • Programme officer  
• Technical professional in construction  
• IT professional  
• Training coordinator  
• Support Staff  
• Block level officer  
• MIS Data entry operator  
• Technical supporting staff |
9.9 Role of Panchayats

The Gram Panchayats have the most critical role to play in the actual implementation of the scheme. They include the following:-

1. The Gram Panchayats, through Gram Sabhas, should prioritise and finalise the Permanent Waitlist of eligible beneficiaries prepared on the basis of SECC-2011.
2. The Gram Panchayats will facilitate orientation of beneficiaries on different aspects of the scheme.
3. The Gram Panchayats would identify the families who are unable to construct houses on their own and help in getting the houses of these families taken up for construction as a part of the mason training programme. In case there are still some beneficiaries left out, the Gram Panchayats shall help to get their house constructed.
4. The Gram Panchayats will assist in identifying common land available for allotment to the landless beneficiaries.
5. The GP may facilitate beneficiaries in accessing materials required and identification of trained masons.
6. The GP would facilitate beneficiaries in availing benefits of the schemes of the Central and State Governments through convergence.
7. The GPs should discuss the progress of the scheme in their scheduled meetings and help resolve the problems being faced by the beneficiaries. The GPs should also proactively assist the social audit teams.
8. The GP may assist in identifying the local level functionary to be tagged with each PMAY-G house for ensuring their timely completion.

Role of Self-Help Groups (SHGs):

a. SHGs should be involved in creating awareness among the beneficiaries of PMAY-G.
b. SHGs need to be involved in the construction/completion of houses sanctioned to the beneficiaries.
c. SHG members should be trained as certified social auditors to undertake social audit of the PMAY – Gramin.
d. Production of building materials by the SHGs, where feasible, should be taken up for supply of the same to the beneficiaries at reasonable cost.

9.10 Convergence

To provide basic amenities and further assistance to PMAY-G beneficiaries, State/UT Governments need to be ensured to converge with existing schemes, both Central and State schemes.
<table>
<thead>
<tr>
<th>S.No.</th>
<th>Amenity/Assistance</th>
<th>Scheme to be converged</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Construction of toilets</td>
<td>SBM or MGNREGS or any other dedicating financing source.</td>
</tr>
<tr>
<td>2</td>
<td>Support of 90/95 persondays of unskilled labour work</td>
<td>MGNREGS</td>
</tr>
<tr>
<td>3</td>
<td>Access to safe drinking water</td>
<td>National Rural Drinking Water Programme (NRDWP) or any related schemes</td>
</tr>
<tr>
<td>4</td>
<td>Electricity</td>
<td>Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Ministry of Power</td>
</tr>
<tr>
<td>5</td>
<td>Solar lanterns, solar home/street lighting system</td>
<td>Ministry of New and Renewable Energy Sources</td>
</tr>
<tr>
<td>6</td>
<td>Biogas</td>
<td>National Bio-gas and Manure Management programme</td>
</tr>
<tr>
<td>7</td>
<td>LPG connection</td>
<td>Pradhan Mantri Ujjwala Yojana (PMUY) Ministry of Petroleum and Natural Gas</td>
</tr>
<tr>
<td>8</td>
<td>Management of Solid &amp; Liquid Waste</td>
<td>SBM or any other scheme of the State/UT Government</td>
</tr>
<tr>
<td>9</td>
<td>Building materials for PMAY-G houses like bricks, mud blocks, fly ash bricks</td>
<td>MGNREGS</td>
</tr>
<tr>
<td>10</td>
<td>Development of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>House sites</td>
<td>MGNREGS</td>
</tr>
<tr>
<td></td>
<td>Bio-fencing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Paved paths</td>
<td></td>
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<tr>
<td></td>
<td>Approach roads</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Soil conservation &amp; protection works</td>
<td></td>
</tr>
</tbody>
</table>

The scheme/programmes mentioned above are illustrative but not exhaustive. ST/UT Governments may take the initiative of convergence with any State or Central Schemes/Programmes.

9.11 Reporting and Monitoring

A robust monitoring mechanism has been adopted to monitor performances as well as the process under PMAY-G

9.11.1 Reporting

- All reporting under PMAY-G shall be through reports generated in Awaassoft.
- The progress of the States/UTs under the scheme shall monitor only through the reports generated from Awaassoft.
9.11.2 Performance
The parameters followed for monitoring performance of States/UTs
- Fixing of targets to blocks and districts within one month from communication target by Centre
- Registration of beneficiaries should be done within two months from communication target by Centre
- Freezing of account of beneficiary and issue sanction should be within three months from communication target by Centre
- Release of first instalment to the beneficiary within 15 days of sanction
- Completion of first inspection within three months of sanction
- Completion of targets within stipulated time

9.11.3 Monitoring
Monitoring under PMAY-G is conceived to be multi-level and multi-agency with profuse use of technology. Monitoring will be done at two levels i.e, Government of India and State/UT Government with emphasis on quality and timely completion of house construction.

The community based monitoring system may be adopted by States/UTs utilising the SHG Network under NRLM, NGOs and CSOs.

9.11.4 Audit
The State will ensure that the accounts at all levels are audited by a Chartered Accountant selected from a panel approved by the C&AG. The auditing should be completed before 31 August of the next financial year. All the PMAY-G Accounts at all levels shall also be open to audit by the C&AG as well as by the Internal Audit Wing of the Pay and Accounts Office of the Ministry of Rural Development.

9.11.5 Social Audit
Social Audit Units (SAU) set up by State/UT Government under MGNREGA, to be roped in to facilitates conduct of Social Audit in PMAY-G. Social Audit is a continuous and ongoing process, involving public vigilance and verification of implementation of the scheme. Formal Social Audit is to be conducted in every Gram Panchayat at least once in a year, involving a mandatory review of all aspects.

9.12 Special Projects
Five per cent of annual Central allocation under PMAY-G would be retained at the Central Government level as reserve fund and this would be used for financing the proposals under Special Projects received from the States. Under Special Project, the States may submit proposals in respect of the following:

A. Rehabilitation / relocation of families whose houses has been completely/substantially damaged on account of
   - Natural hazards as categorised in the extent National Disaster Management Plan of National Disaster Management Authority- Flood, earthquake, fire etc.
• Law and Order problems

B. Settlement of families affected due to/benefited by
• International border issues
• The Scheduled Tribes and other Traditional Forest Dwellers Act 2006
• Occupational diseases like silicosis, asbestos, people affected by over-use of pesticides

C. Settlement of surrendered militants and their families

D. New technology demonstration- especially focus on affordable and green technologies and using local available materials (for further details refer Chapter 11 of PMAY-G Guidelines)

9.13 Grievance Redressal:
• There shall be a grievance redressal mechanism set up at different levels of administration viz., Gram Panchayat, District and the State. An official of the State Government needs to be designated at each level to ensure disposal of grievance to the satisfaction of the complainant.
• The official who is designated to each level would be responsible for disposing off the grievance / complaint within a period of 15 days from the date of receipt.
• The details of the designated grievance redressal official (including name, telephone number and address) to each level for addressing the grievance and the procedure to file it should be clearly displaced in each Panchayat. The procedure displayed should also indicate the escalation process if the complainant is not satisfied with the disposal of his / her grievance. Awareness also needs to be generated about lodging of complaints on the CPGRAMS portal.
• With regard to the complaints received in the Ministry of Rural Development through CPGRAMS or otherwise, the same would be forwarded to the respective State Government for redressal of the grievance. The officers designed at each level for redressal of grievance should take necessary action and furnish the Action Taken Report to the Ministry under intimation to the complainant within one month of the receipt of the complaint.
• In order to expeditiously redress the grievances and to uphold the rights of the rural poor, the State / UTs may consider utilising the services of Ombudsman under MGNREGA to dispose of grievance and reported incidences of irregularities under PMAY-G.

9.14 E-Governance in PMAY-G
In PMAY-G, Programme implementation and monitoring shall be executed through on end to end e-Governance model. There will be two systems for e-Governance based service delivery.

a. The PMAY-G MIS - Awaassoft
b. The PMAY-G Mobile Application – AwaasApp
### Functions handled by various user levels as Awaassoft / AwaasApp:

<table>
<thead>
<tr>
<th>User Level</th>
<th>Functions handled through Awaassoft / AwaasApp</th>
</tr>
</thead>
</table>
| Centre     | • Setting target for States  
            | • Uploading of sanctions for fund release to State  
            | • Approval for State Nodal Account |
| State      | • Allocating targets to districts  
            | • Adding State Debit Account details  
            | • Confirming fund receipt from Centre  
            | • Releasing the State share  
            | • Setting the instalment values and payment levels  
            | • Generation of FTO for fund transfer of Admin Fund  
            | • Fixing the digital signatory levels.  
            | • Activation / Deactivation of DSC  
            | • Managing bank / branch master lists  
            | • Generation of FTOs for admin fund payments |
| District   | • Review and approve proposal for house sanction  
            | • Allocating targets to blocks  
            | • Generation of order sheet for FTO (if applicable)  
            | • Generation of FTO for payment of instalments (if applicable) |
| Block      | • Uploading beneficiaries’ waitlist after verification of SECC data  
            | • Registration of beneficiaries  
            | • Capturing MGNREGA job card  
            | • Capturing Bank Account Details  
            | • Capturing old house and construction site photographs  
            | • Freezing beneficiary account  
            | • Generation of order sheet for FTO  
            | • Generation of FTOs for payment of instalments  
            | • Inspection and approval of inspection photographs  
            | • Data Entry for transactions prior to FY 2015-16 |
## Risk Areas

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Level of Implementation</th>
<th>Possible Risk</th>
<th>Controlling Authority</th>
</tr>
</thead>
</table>
| 1      | Identification of beneficiary | • Eligibility criteria not followed in selection and prioritisation of beneficiaries  
         • Failure to send list of beneficiaries identified for verification to respective GPs  
         • Failure to verify list in Gram Sabha  
         • Failure to publicise the verified list in GP  
         • Failure to receive complaints on list at GP level  
         • Failure to send complaint report to Appellate committee in time-bound manner | District/GP  
         GP President, Secretary and members  
         BDO, Designated Competing Authority at District level |
| 2      | Updating of Permanent list | • Failure to update the permanent list of beneficiaries after receiving recommendations from GP | GP Secretary  
         BDO, Designated Competing Authority at District level |
| 3      | Beneficiary Support Service | Failure to provide support services to the beneficiary like  
         • Sensitisation of the beneficiaries  
         • Development and provision of house design typologies  
         • Training of Masons and Skill Certification  
         • Sourcing of construction material  
         • Support to old and disabled beneficiaries  
         • Facilitating loan of up to ₹ 70,000 from Banks | GP President,  
         GP Secretary  
         BDO  
         District Designated competing authority |
| 4      | Technical Support to Beneficiary | Failure to identify technical institutes | Technical support staff of block |
| 5      | Targets | Shortfall in achievement in construction of houses | Designated Nodal Office at State level  
         Collector at District level  
         BDO at Block level |
| 6 | Implementation | • Failure to disclose PMAY-G activities in local areas  
• Engagement of contractors for construction of house  
• Shortfall in size of house constructed  
• Failure to converge with other schemes in construction of house  
• Non-inclusion of beneficiary as labour in construction of house  
• Non-completion of houses in stipulated time  
• Showing incomplete house as completed  
• Non-fixing of PMAY-G Logo on completed houses | Technical support staff of block  
GP Secretary  
BDO |
|---|---|---|---|
| 7 | Financial | • Failure to utilise funds allotted for PMAY-G  
• Failure to release State share in stipulated time  
• Failure to transfer funds from State Consolidated Fund to SNA in stipulated time  
• Opening of multiple bank accounts at district level to receive administrative fund from SNA  
• Diversion of administrative fund for other schemes  
• Utilisation of administrative fund for non-permissible activities  
• Failure to enter interest on savings account of PMAY-G in financial Statements submitted to Central Government  
• Failure to prepare reconciliation of bank statement and sending to MoRD  
• Non-recovery of TDS from vendors (Admin expenses) | PD, DRDA / DDO at District level  
Designated Nodal Office at State level  
Head of Accounts Division |
| 8 | Monitoring of the Programme | • Failure to conduct Social Audits  
• Failure to adopt community based monitoring system  
• Failure to provide accounts for CAG audit and Internal Audit | BDO, Nodal Officer Social Audit Units |
Checklist for Internal Audit

1. Whether eligibility criteria were followed in identification and selection of beneficiaries based on SECC data?
2. Whether priority of beneficiaries was done according to prescribed parameters?
3. Whether beneficiaries’ list was verified in Gram Sabha?
4. Whether list of beneficiaries publicised in GP for stipulated time?
5. Whether grievances of people were taken into consideration in finalisation of beneficiary list by concerned authority?
6. Whether permanent waitlist of beneficiaries was updated annually by including eligible beneficiary?
7. Whether sensitisation of beneficiaries done about affordable technologies and materials in house construction and PMAY-G Programme?
8. Whether tagging and mapping of training mason to sanctioned beneficiary done?
9. Whether facilitation was done for loans from financial institutions wherever required?
10. Whether support was provided to help old people who were in need in construction of house?
11. Whether identified technical institutes are providing new affordable and eco-friendly technologies in house construction
12. Whether States have achieved the annual target in construction of houses?
13. Whether activities of PMAY-G were given publicity in local areas?
14. Was any contractor engaged in construction of houses?
15. Whether construction of houses happened in stipulated time?
16. Whether convergence of other schemes happened?
17. Whether eligible beneficiaries were included in construction of house as labour?
18. Whether size of houses constructed are less than prescribed size?
19. Whether incomplete houses shown as completed?
20. Whether completed houses were left without fixing logo of PMAY-G?
21. Was there any blockade of Funds of PMAY-G in SNA by State Government?
22. Whether State share was released in stipulated time? If failed, interest of 12% p.a on Centre share was deposited?
23. Whether administrative funds were diverted to other Central/State Schemes?
24. Whether multiple bank accounts were opened to receive administrative fund at district level?
25. Whether administrative fund was utilised for non-permissible works?
26. Whether administrative expenditure exceeded than stipulated per cent?
27. Whether interest received on savings account was entered in financial statements?
28. Whether bank reconciliation statements were submitted to centre?
29. Whether Social Audits conducted on programme?
30. Whether monitoring of programme is done on concurrent base including SHGs, CSOs, etc.?
31. Whether TDS was recovered from vendors?

Note: The above list is not exhaustive. Auditors may look into various factors depending on local field level situations.
WORK BOOK

1. Explain briefly about identification and selection process of beneficiary under PMAY-G?

2. Enlist any four salient features of PMAY-G?

3. Enlist the support services under PMAY-G?

4. What are the roles and responsibilities of Gram Panchayat in implementation of PMAY-G?

5. Explain the processes included in construction of PMAY-G house?

6. Brief about Assistance provided to beneficiary under PMAY-G?

7. What are the basic principles of Fund Management in PMAY-G?

8. List out schemes which can be converged with PMAY-G?

9. What are the permissible activities under Administrative Cost in PMAY-G?

10. Explain about e-Governance in PMAY-G?
Unit 10
Rural Development Schemes

National Social Assistance Programme (NSAP)
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<td>State-specific variation of guidelines</td>
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### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACA</td>
<td>Additional Central Assistance</td>
</tr>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
</tr>
<tr>
<td>BPL</td>
<td>Below Poverty Line</td>
</tr>
<tr>
<td>CSS</td>
<td>Central Sponsored Scheme</td>
</tr>
<tr>
<td>CPSMS</td>
<td>Central Plan Scheme Monitoring System</td>
</tr>
<tr>
<td>GP</td>
<td>Gram Panchayat</td>
</tr>
<tr>
<td>GS</td>
<td>Gram Sabha</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>IGNOAPS</td>
<td>Indira Gandhi National Old Age Pension Scheme</td>
</tr>
<tr>
<td>IGNDPS</td>
<td>Indira Gandhi National Disability Pension Scheme</td>
</tr>
<tr>
<td>IGNWPS</td>
<td>Indira Gandhi National Widow Pension Scheme</td>
</tr>
<tr>
<td>IAY</td>
<td>Indira Awas Yojana</td>
</tr>
<tr>
<td>IES</td>
<td>Information, Education and System</td>
</tr>
<tr>
<td>MIS</td>
<td>Monitoring and Information System</td>
</tr>
<tr>
<td>MoRD</td>
<td>Ministry of Rural Development</td>
</tr>
<tr>
<td>MGNREGS</td>
<td>Mahatma Gandhi National Rural Employment Guarantee Scheme</td>
</tr>
<tr>
<td>MPR</td>
<td>Monthly Progress Reports</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-Government Organisations</td>
</tr>
<tr>
<td>NFBS</td>
<td>National Family Benefit Scheme</td>
</tr>
<tr>
<td>NIC</td>
<td>National Informatics Centre</td>
</tr>
<tr>
<td>NLM</td>
<td>National Level Monitors</td>
</tr>
<tr>
<td>NMBS</td>
<td>National Maternity Benefit Scheme</td>
</tr>
<tr>
<td>NOAPS</td>
<td>National Old Age Pension Scheme</td>
</tr>
<tr>
<td>NRLM</td>
<td>National Rural Livelihood Mission</td>
</tr>
<tr>
<td>NSAP</td>
<td>National Social Assistance Programme</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>NSAAC</td>
<td>National Social Assistance Advisory Committee</td>
</tr>
<tr>
<td>PDA</td>
<td>Pension Disbursing Authority</td>
</tr>
<tr>
<td>PRC</td>
<td>Performance Review Committee</td>
</tr>
<tr>
<td>PRIs</td>
<td>Panchayati Raj Institutions</td>
</tr>
<tr>
<td>RSBY</td>
<td>Rashtriya Swasthya Bima Yojana</td>
</tr>
<tr>
<td>SAU</td>
<td>Social Audit Unit</td>
</tr>
<tr>
<td>SECC</td>
<td>Socio Economic Caste Census</td>
</tr>
<tr>
<td>SHGs</td>
<td>Self-Help Groups</td>
</tr>
<tr>
<td>TB</td>
<td>Tuberculosis</td>
</tr>
<tr>
<td>UTs</td>
<td>Union Territories</td>
</tr>
<tr>
<td>VMCs</td>
<td>Village Monitoring Committees</td>
</tr>
<tr>
<td>ZP</td>
<td>Zilla Parishad</td>
</tr>
</tbody>
</table>
Learning Outcome

By the end of the learning, the reader will be enabled to understand the following:

a) About NSAP – Objectives and Coverage
b) Different types of sub-schemes of NSAP
c) Eligibility Criteria and Scale of Assistance of all sub-schemes
d) Implementation of sub-schemes of NSAP
e) Funds Flow and Financing Pattern of the programme
f) Administrative Structure
g) Administrative Expenses
h) Monitoring and Evaluation of the Scheme at all levels
i) Redressal Mechanism
j) Convergence with other schemes
k) Risk areas for Internal Audit
l) Checklist for Internal Audit
10.1 HISTORICAL BACKGROUND

10.1.1 Introduction

The Directive Principles of State Policy of the Constitution of India enjoin upon the State to undertake within its means a number of welfare measures, targeting the poor and the destitute in particular. Article 41 of the Constitution of India directs the State to provide public assistance to its citizens in the case of unemployment, old age, sickness and disablement as well as in other cases of undeserved want, within the limit of the State’s economic capacity and development. Social security, invalid and old age pensions figure as Items 23 and 24 of the seventh Schedule of the Constitution of India in the Concurrent List.

It is in compliance with these guiding principles, that the Government of India introduced on Independence Day, 1995 the National Social Assistance Programme (NSAP) as a fully funded Centrally Sponsored Scheme targeting the destitute, defined as any person who has “little or no regular means of subsistence from his / her own source of income or through financial support from family members or other sources”, to be identified by the States and UTs, with the objective of providing a basic level of financial support.

The NSAP initially had the following three components: -

a) National Old Age Pension Scheme (NOAPS)
b) National Family Benefit Scheme (NFBS)
c) National Maternity Benefit Scheme (NMBS)

10.1.2 Changes in the components of NSAP

Transfer of National Maternity Benefit Scheme to Department of Family Welfare.

- The National Maternity Benefit Scheme was transferred to the Department of Family Welfare to become part and parcel of the Population Stabilisation Programme w.e.f.1.4.2001.

10.1.3 Introduction of Annapurna Scheme

On 1 April 2000, a new scheme known as the Annapurna Scheme was introduced to provide 10 kgs of foodgrains per month free of cost to eligible beneficiaries who could not be covered under NOAPS.

10.1.4 Transfer to State Plan as Additional Central Assistance (ACA)

- In the year 2002-03, NSAP was transferred to the State Plan and funds were, from then on, released as Additional Central Assistance (ACA) to States and UTs with the Ministry of Finance releasing funds to the States Consolidated Fund as a single allocation for all the sub-schemes, and with the freedom given to the States to allocate to the individual sub-schemes as per need. In the case of Union Territories (UTs), the Ministry of Home Affairs made the releases.
10.1.5 Expansion to cover all eligible BPL persons

- From the year 2007, the scheme was expanded to cover all eligible persons Below Poverty Line (BPL). The scheme for old aged persons was renamed as Indira Gandhi National Old Age Pension Scheme (IGNOAPS).

10.1.6 Introduction of Indira Gandhi National Widow Pension Scheme (IGNWPS) and Indira Gandhi National Disability Pension Scheme (IGNDPS)

NSAP was expanded in 2009 to cover more vulnerable groups below poverty line. In February 2009, Government of India approved pension to widows below poverty line in the age group of 40-64 years. This scheme was named Indira Gandhi National Widow Pension Scheme (IGNWPS). It also approved pension to persons suffering from severe or multiple disabilities in the age group of 18-64 years. This scheme was named Indira Gandhi National Disability Pension Scheme (IGNDPS).

For the purpose of defining severe or multiple disabilities, the following legal provisions are followed:

a) As per Section 56(4) of the Persons with Disabilities Act, 1995 (PWD Act, 95), “persons with severe disability” means a person with 80% or more of one or more disabilities.

b) As per Section 2(h) of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (National Trust Act,1999), “Multiple Disabilities” means combination of two or more disabilities.

10.1.7 Reconversion to Centrally Sponsored Scheme (CSS)

From 1 April, 2014, NSAP has again become a Centrally Sponsored Scheme (CSS) under the Ministry of Rural Development. Funds are now released by the Ministry of Rural Development to all States and Union Territories, based on annual allocation, sub-scheme wise.

10.2 SALIENT FEATURES OF SCHEMES OF NSAP

10.2.1 Existing Components of NSAP

The NSAP at present includes five sub-schemes as its components:

- Indira Gandhi National Old Age Pension Scheme (IGNOAPS)
- Indira Gandhi National Widow Pension Scheme (IGNWPS)
- Indira Gandhi National Disability Pension Scheme (IGNDPS)
- National Family Benefit Scheme (NFBS)
- Annapurna Scheme

10.2.2 Eligibility Criteria and Scale of Assistance

The assistance under the sub-schemes of NSAP are applicable for persons belonging to ‘Below Poverty Line (BPL)’ category. The other eligibility criteria and the scale of assistance under the sub-schemes of NSAP are as follows:

10.2.3 Indira Gandhi National Old Age Pension Scheme (IGNOAPS):

The eligible age for IGNOAPS is 60 years. The pension is ₹ 200 pm for persons between 60 years and 79 years. For persons who are 80 years and above the pension is ₹ 500 per month.
10.2.4 Indira Gandhi National Widow Pension Scheme (IGNWPS):
The pension of ₹ 300 per month is provided to widows belonging to BPL households in the age group of 40-79. After attaining the age of 80 years, the beneficiary is shifted to IGNOAPS for getting pension of ₹ 500 per month.

10.2.5 Indira Gandhi National Disability Pension Scheme (IGNDPS):
The eligible age for the pensioner is 18 years and above and the disability level has to be 80%. The amount is ₹ 300 per month and after attaining the age of 80 years, the beneficiary will get ₹ 500 per month. Dwarfs will also be an eligible category for this pension.

10.2.6 National Family Benefit Scheme (NFBS)
An amount of ₹ 20000 will be given as a lumpsum assistance to the bereaved household in the event of death of the bread winner. It is clarified that any event of death (natural or otherwise) would make the family eligible for assistance. A woman in the family, who is a home maker, is also considered as a ‘bread winner’ for this purpose.

The family benefit will be paid to such surviving member of the household of the deceased poor, who after local inquiry, is found to be the head of the household. For the purpose of the scheme, the term “household” would include spouse, minor children, unmarried daughters and dependent parents. In case of death of an unmarried adult, the term household would include minor brothers/ sisters and dependent parents. The death of such a breadwinner should have occurred whilst he/she is more than 18 years of age and less than 60 years of age. The assistance would be given to every case of death of breadwinner in a family.

10.2.7 Annapurna Scheme:
Ten kgs of foodgrains (wheat or rice) is given per month per beneficiary. The scheme aims at providing food security to meet the requirements of those eligible old aged persons who have remained uncovered under the IGNOAPS.

10.2.8 Norms for Central Assistance
Central assistance to States / UT under NSAP is determined on the basis of BPL Population of the State. For calculating the estimated number of beneficiaries under each scheme for each State/UT, the population figures as per the census of 2001 and the poverty ratio determined by the Planning Commission have been taken into account. If there are more deserving beneficiaries, the State has the option to give them pension from its own resources.

10.3 IMPLEMENTATION
10.3.1 Selection of Beneficiaries
a. Awareness generation:
District, block/intermediate and village level panchayats should play a vital role in creating awareness among the people. They generate awareness among the people about eligibility, scale of assistance and the procedure to be followed for obtaining benefits.
b. Confirmation of the existing beneficiaries:

Need for annual verification of the existing beneficiaries under NSAP.

c. Identification of new beneficiaries:

Based on the available BPL list, the beneficiaries should be proactively identified by reaching out to their households. However, if an eligible person’s name does not figure in the BPL list, he/she should not be left out. For age, the birth certificate or school certificate may be relied on. In their absence, ration card and EPIC may be considered. If there is no valid document, any Medical Officer of any government hospital may be authorised to issue the age certificate. In the case of widows, the State may designate a Revenue Authority to issue the certificate. States may also ensure that authorities issuing death certificates for married males, must ensure that name of the surviving wife (widow) is mentioned in the death certificate. In case of persons with disability, the State should mandatorily organise camps at convenient localities to which the potential beneficiaries are taken by vehicle free of cost. Disability Certificates should be issued on the spot.

10.3.2 Timelines for different processes relating to the schemes of NSAP

<table>
<thead>
<tr>
<th>Duration</th>
<th>Process completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 days</td>
<td>Verification after submission of applications</td>
</tr>
<tr>
<td>20 days</td>
<td>Discussions on list of applicants with the recommendations of verifying Authority Gram Sabha / Ward Sabha</td>
</tr>
<tr>
<td>15 days</td>
<td>Discussions on list of applicants with the recommendations of verifying Authority Gram Panchayat / Municipality</td>
</tr>
<tr>
<td>10 days</td>
<td>Sanctioning Authority will convey approval to the applicants in the form of a Sanction Order with a copy to Gram Panchayat / Municipality concerned.</td>
</tr>
</tbody>
</table>

Note: The time for processing of application from the time of receipt till sanction or rejection should not exceed 60 days.

10.3.3 Administrative Responsibilities

a. State / UT Level

- Ensure timely disbursement of funds to districts/Municipality after ascertaining what amount is to be allocated to each sub-scheme. The State Nodal Department should ensure collection and submission of quarterly reports of expenditure to the Ministry.
- Comply with any modifications that Ministry of Rural Development may make, based on review.
- Intimate to the Ministry the number of beneficiaries under each scheme of NSAP, through MPR in prescribed format.
- Constitute State level and District Level Committees for implementation, review and evaluation of NSAP. This would include Social Audit also.
• Identify/nominate, at least one Nodal Officer of suitable rank each at the district and Intermediate Panchayat / Municipality level with supporting staff for effective implementation of NSAP.
• Furnish a certificate annually by 15 December of each year indicating the number of persons covered under the schemes of NSAP.
• Adopt and use NSAP-MIS. If the State has its own MIS software, it should enable it to port the required data to NSAP-MIS.

b. District Level
• Efficient implementation of the NSAP in accordance with the guidelines and the procedures therein.
• Giving wide publicity to NSAP and generation of awareness.
• Convening meetings of the District Level Committee regularly.
• Monitoring and compiling information about the implementation of the scheme and furnishing it to the State authorities on a quarterly basis, for onward transmission to the Ministry.

c. Gram / Intermediate Panchayat / Municipality Level
• Disseminating information about NSAP regarding procedure for obtaining benefits. In this task, voluntary organisations, SHGs, Asha workers, Anganwadi workers, etc., can be involved actively,
• Periodic reviews, discussions should be held in Gram Sabha/ ward level meetings.
• Wherever SHGs of NULM or NRLM are in existence, they should be actively involved in identification of beneficiaries.
• The Gram Panchayats / Municipalities should play an active role in the identification of the beneficiaries under all the schemes of NSAP.
• The identification could be based on (a) application by the candidate or (b) own volition of Gram Panchayat / Municipality or (c) report of any other competent authority. In all cases the application form has to be filled up. However, due care should be taken, to ensure minimum load on beneficiary, considering their vulnerability.
• Monitoring and necessary follow-up in sanctions and disbursement.
• The Gram Panchayats / Municipalities shall report every case of death of pensioner to the designated Sanctioning Authority. Cases of mistaken / false identity should also be reported immediately for corrective action.

10.4 ALLOCATION, RELEASE AND DISBURSEMENT OF FUNDS
10.4.1 Allocation of Funds
Once the Socio-Economic Caste Census (SECC) is finalised, the allocation of funds to the States / UTs for the schemes of NSAP would be on the basis of the number of old aged, widowed and disabled people from among the eligible population arrived at using the SECC data for which criteria will be fixed by the Ministry of Rural Development.
The States / UTs shall intimate the distribution of the funds received between the sub-schemes of NSAP to the Ministry of Rural Development within a month after the allocation of State/UTs is conveyed to them.

10.4.2 Release of Funds

The releases shall be as follows:

a) The annual allocation will be released in two instalments.

b) First instalment shall be equal to 50% of the annual allocation fixed in accordance with the provisions specified.

c) Second instalment shall be equal to the annual allocation minus first instalment with the provisions specified.

10.4.3 Administrative Expenses

State Governments are permitted to utilise up to 3% of the NSAP funds released during the year towards administrative expenses to streamline implementation of Schemes under NSAP. The second instalment of the administrative funds shall be released upon utilisation of 60% of the available administrative funds and subject to fulfilment of conditions, if any, stipulated during the previous release.

10.4.4 Disbursement of Pensions

The guiding principle for disbursement of pension has to be the convenience and choice of the beneficiary. Though the possible modes of payment are Banks, Post Office Account, Money Order and Cash disbursement, Bank Account or Post Office Savings Account would be preferred.

10.5 ELECTRONIC/IT/ ENABLED TRANSFER OF PENSIONS

10.5.1 NSAP - MIS

To put in place a fund management system that is IT-enabled, the Ministry has developed software, which is transaction / work-flow based. It can also be used by States/ UTs for their own pension schemes. The Ministry has developed this MIS for all States and UTs to adopt. States and UTs which have developed their own software will have to ensure porting of their information / data onto NSAP-MIS through a bridge-software. It is mandatory that the States having their own software must ensure/enable porting of data on the Ministry’s NSAP-MIS.

The functional features of NSAP-MIS include:

a. Beneficiaries’ Database

The States /UTs are required to maintain a database of eligible beneficiaries and upload it in the public domain. The beneficiary data should include all details of the beneficiary including his / her photograph. Since belonging to a BPL family is a pre-condition for sanction of pension, the proposed link with the BPL database should be used to avoid duplication of pensioners.
b. Legacy Data

This legacy database is required to be uploaded on the NSAP website. For this purpose, legacy data formats for IGNOAPS, IGNWPS and IGNDPS are placed on the NSAP website. Since legacy data are huge, it can be entered in the legacy data formats which are downloadable from the NSAP website and entered offline (without continuous use of internet) and sent to Ministry / NIC, Delhi for processing and uploading. The data should be complete in all respects and the mandatory fields must be filled. The data on new pensioners need to be entered online.

10.5.2 Process flow for new beneficiaries

For new pensioners, the data entry should be made directly on the NSAP website, using the State / district / sub-district logins. The identification form of a new beneficiary is filled by the ‘application receiver’, the verification is done by the ‘verifying officer’, the sanctioning and issue of sanction order is done by ‘sanctioning authority’ and disbursement is done by the “Pension Disbursing Authority (PDA)”. There are separate logins created for each role in the whole procedure.

10.5.3 Funds Flow

The fund flow module contains the estimation of funds required, allocation and release. Estimation is done from bottom – up i.e., village or ward to district to State and then Ministry, as per number of beneficiaries. Allocation and release is done from top to down i.e., Ministry to State to district, up to the level of the PDA.

10.5.4 Central Plan Scheme Monitoring System (CPSMS)

The primary objective of CPSMS is to establish an efficient fund flow system and expenditure network. It generates scheme - specific MIS on utilisation of funds released from Consolidated Fund of India on real time basis.
10.6 MONITORING AND EVALUATION

10.6.1 National Social Assistance Advisory Committee (NSAAC)
A National Social Assistance Advisory Committee (NSAAC) will be established at the all India level to assist the Ministry of Rural Development in the monitoring and evaluation of the NSAP and to advise on matters related to policy and its effective implementation. NSAAC members may include representatives from the related Ministries or Departments of the Central Government.

10.6.2 State Level Committee (SLC)
The State level Committee should be headed by the Chief Secretary or Additional Chief Secretary nominated by Chief Secretary. Secretaries of Departments concerned such as Finance, Rural Development, Panchayati Raj, Municipal Affairs, Social Welfare, Health, Revenue, Women and Child Development, Minorities, SC, ST, etc.

10.6.3 District Level Committee (DLC)
The District Level Committee will be responsible for implementation, monitoring and evaluating the programme within the district and for matters concerned therewith.

10.6.4 Vigilance and Monitoring Committees:
The VMCs at the State and district levels are also a forum for review of implementation of the programme.
10.6.5 Social Audit:
Social Audit is essential in the implementation and monitoring of the schemes under NSAP. Social Audit not only leads to the refinement of the schemes but also enhances transparency and accountability. Social Audit is to be conducted by Gram Sabha/Ward Committee. Social Audit under NSAP should be held at least once in every six months. The announcement of the Social Audit should be made by the District Officer at least 30 days in advance. It should be ensured that beneficiaries from amongst SCs, STs and Minorities also are represented in the Social Audit Committees.

The minutes of the Social Audit held shall be recorded by an officer authorised, signed by all participants and sent to the district officer.

10.6.6 Grievance Redressal Mechanism:
The State should put in place a grievance redressal system at the Gram / Intermediate Panchayat / District / Municipality levels, and designate an officer of appropriate seniority to whom the grievances can be addressed. Complainant must be given a receipt, indicating the time line for redressal. The office of the designated officer must keep a record of complaints received, action taken and the outcome. The complainant must be informed in writing about action taken.

10.7 ADMINISTRATIVE EXPENSES
10.7.1 Eligible items of expenditure
a) Printing and distribution of pension book, printing of application forms
b) Organising camps for issue of disability certificates to disability pension beneficiaries
c) 1% of the administrative expenses may be earmarked for IEC activities.
d) Training-Nodal officers, officials of PRIs, NGOs, etc.
e) Impact Assessment
f) MIS activities (Data entry, Report generation, etc.)
g) Quality Supervision
h) Operational expenses
i) Stationery

9.6.2 Items of expenditure not permissible
These would include: -

a) Salaries/ remunerations /honoraria of functionaries already engaged by the Government/PRIs/ Municipalities/Any other implementing agency
b) Purchase of new vehicles and repair of old vehicles
c) Civil works
10.8 CONVERGENCE

The following convergence should be automatic:

a) All the NSAP beneficiaries should be enrolled for benefits under RSBY or State level health insurance schemes.

b) All the NSAP beneficiaries should be covered under Aam Admi Bima Yojana.

c) Special efforts should be made to provide housing under Indira Awas Yojana and urban housing schemes to eligible beneficiaries under NSAP.

d) The State Livelihood Missions, both rural and urban, should proactively enrol all the women beneficiaries of NSAP in the SHGs of NRLM / NULM.

e) It should be ensured that all NSAP beneficiaries automatically get the benefit of food security.

f) NSAP beneficiaries of rural areas and / or their family members should be given job cards and proactively provided employment under MGNREGA.

g) NSAP beneficiaries and / or their children should be given preference for training under Ajeevika Skills Programme.

At the micro-level, using the SHG network data on the needs of each family should be collected and converged. NSAAC should specifically coordinate the convergence exercise. The above suggestions are not exhaustive. The States may have their own schemes for the betterment of the lives of the poor families. There may be new schemes in future also. There should be a conscious effort to refer to the database of the NSAP beneficiaries whenever identification of beneficiaries in other schemes is done, because given their vulnerable socio-economic and health conditions, the NSAP beneficiaries would be eligible for other schemes also.

10.9 STATE - SPECIFIC VARIATION OF GUIDELINES

These principles should be the guiding factor in the implementation plan of NSAP at the State / District and local level. These guidelines will be subject to a one-time approval of the National Social Assistance Advisory Committee constituted in the Ministry of Rural Development.

The State guidelines should contain the following details:

- Procedure for identification of beneficiaries, sanction of pension
- Timelines for the different process including appeal and review.
- Administrative arrangements
- Mode of disbursement
- Process for social audit and annual verification
- Road map for electronic transfer, MIS and monitoring.

Ref: For more information, do refer “nsap_guideleines_oct2014"
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<td>Awareness generation (IEC activities)</td>
<td>Non-creation of awareness about scheme at all levels</td>
<td>SLC, DLC</td>
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<td>2</td>
<td>Appointment of verification team and publicity of team members</td>
<td>Failed to appoint verification team, No wide publicity even after appointment of team</td>
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| 3     | Confirmation of existing beneficiaries | • Failure to conduct annual verification  
• Not informing the reasons for deletion from the list to concerned beneficiaries | Verification Team appointed by State, GP, Local NGO’s and SHG’s at GP level |
| 4     | Identification of new beneficiaries | • Improper verification and overlooking of applications and documents (i.e., ineligible persons may be identified)  
• Not recording and informing reasons for rejection of application  
• Non-discussion on list of applicants with the recommendations of verifying authority | Verification Team appointed by State, GP, Local NGO’s and SHG’s at GP level |
| 5     | Issuing and Custody of Pension Pass book | • Non-issuing Pension Pass Books to beneficiaries who have been sanctioned pension  
• Pass Books may be in custody of GP office, PRI members or any other dominating person in the GP | Block Revenue officer  
GP secretary |
| 6     | Allocation and Release of funds | • Inter-appropriation or re-appropriation of distribution of funds between sub-schemes of NSAP by States and UTs  
• Not Informing MoRD about distribution of funds between sub-schemes of NSAP by States and UTs in stipulated time (i.e. one month) | MoRD / State |
<p>| 7     | Reports | Non-submission of quarterly reports of expenditure to MoRD by States | State Government |
| 8     | Administrative expenses | Administrative expenditure on ineligible items | MoRD / State |
| 9     | Timeline for different processes | Delay in process as per norms (i.e., Within 60 days) | BDO, DLC |
| 10    | NSAP-MIS | Failure of States to upload the required data on their own software in NSAP-MIS (Beneficiary database, Legacy data and New pensioners) | BDO, Collector |</p>
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| 11| Disbursement of pensions                   | • Non-disbursement of pensions on monthly basis.  
• Disbursement of benefit to the Ghost Beneficiary                                                             | BDO, Collector                 |
| 12| Monitoring and Evaluation                   | • Improper representation of Expert and NGOs for Monitoring committees at NSAAC, SLC, DLCS  
• Non-existing and non-functional VMCs                                                                          | Collector / State Government   |
| 13| Administrative arrangements- State Level    | • Negligence in applying modifications informed by MoRD after reviews of scheme  
• Non-intimation to Ministry about the number of beneficiaries under each sub-scheme of NSAP through MPR (Monthly Progress Reports)  
• Failure to constitute State level and District Level Committees for implementation, review, Evaluation and Social Audit. | State Government               |
| 14| Administrative arrangements- District Level | • Not conducting the District Level Committee meetings regularly.  
• Failure to furnish the quarterly reports to the State authorities.                                               | Collector                      |
| 15| Administrative arrangements- Block/GP Level  | • Non-inclusion of voluntary organisations, SHGs, Aasha workers, Anganwadi workers, NRLM, (where applicable) etc., in IEC activities, in periodic reviews, discussion held in GS and identification of beneficiaries. | GP Secretary / BDO / Collector |
| 16| Grievance redressal                         | • Non-existence of grievance redressal at all levels (district, block and GP)  
• Failure to designate appropriate senior official  
• Not addressing the grievances of the beneficiaries                                                               | SLC                            |
| 17| Social Audit                               | • Non-conduction of social audit  
• Non-availability of minutes of social audit GS of NSAP                                                          | SLC                            |
Checklist for Internal Audit

1. Whether awareness of schemes has been created through IEC activities?
2. Whether people are aware of verification team members appointed for verification of existing and new beneficiaries?
3. Whether pension passbooks were issued to concerned beneficiaries or in the custody of concerned authority?
4. Whether quarterly reports have been sent to MoRD?
5. Have there been repeated incidents of ghost pensioners, defalcations, losses and irregularities. If so, when have they occurred?
6. Whether these occurred due to system failure and defects or due to individual omissions?
7. Whether those system defects were corrected by amendment/rules. Whether action was taken for fixing responsibility?
8. Whether maintenance of accounting and other records is done in prescribed format. If not, reasons for non-maintenance?
9. Whether periodical monitoring is conducted by concerned committees?
10. Whether district level committee meetings were conducted on regular basis and minutes of meetings were recorded?
11. Whether received grievances are addressed?
12. Whether office orders exist regarding exercise of delegation powers of concerned authority?
13. Whether the second eye is being followed in the maintenance of the cash book and adequate methods for simple cheques are taking places or not?
14. Whether some critical staff have continued in the same position without rotation for unjustifiable length of time?
15. Whether any interference by unauthorised staff is being made?
16. Whether monthly reconciliation of bank statements is being carried out?
17. Whether the list of existing beneficiaries was provided to PIA of other rural development schemes?
18. Whether local NGOs, SHGs, Asha workers, Anganwadi workers, etc., are included in identification of beneficiaries?
19. Whether social audit of the scheme has been done as per guidelines? When was the last social audit conducted? Whether action was taken to rectify the omissions noticed?
WORK BOOK:

1. Write briefly about sub-schemes of NSAP?
__________________________________________________________________________________
__________________________________________________________________________________

2. Write the eligibility criterion for any two sub-schemes of NSAP?
__________________________________________________________________________________
__________________________________________________________________________________

3. What is the procedure to verify the list of existing beneficiaries?
__________________________________________________________________________________
__________________________________________________________________________________

4. Write the procedure of identification of new beneficiaries in time-line?
__________________________________________________________________________________
__________________________________________________________________________________

5. Write brief information on fund flow under NSAP
__________________________________________________________________________________
__________________________________________________________________________________

5. What do you know about NSAP-MIS?
__________________________________________________________________________________
__________________________________________________________________________________

6. Explain briefly about Monitoring and Evaluation structure under NSAP?
__________________________________________________________________________________
__________________________________________________________________________________

7. List out permissible and non-permissible expenditures under administrative expenses?
__________________________________________________________________________________
__________________________________________________________________________________

8. Write brief information about Convergence?
__________________________________________________________________________________
__________________________________________________________________________________

9. What are the details to be followed in preparation of state variation guidelines?
__________________________________________________________________________________
__________________________________________________________________________________

11. Describe the process of Social Audit in NSAP?
__________________________________________________________________________________
__________________________________________________________________________________

12. Explain the grievance redressal mechanism in NSAP?
__________________________________________________________________________________
__________________________________________________________________________________
Unit 11
Rural Development Schemes

National Rural Livelihood Mission (NRLM)
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Abbreviations

Advisory Committee (AC):- A policy making Committee at the national level consisting of eminent persons representing CSOs, financial institutions, industry associations, academicians, poverty and development experts and others.

AHD: Department of Animal Husbandry

APMARKFED: - Andhra Pradesh State Cooperative Marketing Federation Limited

Bank Mitras: A customer relationship manager, who is either an SHG member or from the community and is placed in local banks and plays the role of community facilitators.

GoI: - Government of India

Below Poverty Line (BPL): Rural population living Below Poverty Line as per approved list of GoI

Block Programme Management Unit (BPMU):- A block level unit for overseeing implementation of NRLM in the block

Bridge Financing: - Financial intermediation by the primary federations to attract mainstream financing for SHGs

CAPART:-- Council for Advancement of People’s Action and Rural Technology

CBO:- Community Based Organization

Coordination Committee (CC):- A Committee under the Chairmanship of Secretary, Ministry of Rural Development, GoI to oversee the activities of the Mission

CEO ZP: Chief Executive Officer of a Zila Panchayat.

Chief Executive Officer (CEO): - Chief Executive Officer of the SRLM as appointed by the State Government.

Community Investment Fund (CIF): - A fund to help poor households meet their demand for improved access to credit for investment needs.

Community facilitator: - Person from the community trained to form and handhold SHGs and their federation

Community Resource Person (CRP): shall mean best practitioners and role models from among the members of Self Help Groups and their service providers

CS: - Capital Subsidy

CSO: Civil Society Organization

CSP: Community Service Provider

CSR: Corporate Social Responsibility

DCBO: District Capacity Building Organization.
Demand Driven Strategy: States to formulate their own action plans for poverty reduction.

DLRC: District Level Review Committee

DPMU: - shall mean the District Project Management Unit responsible for implementing the Mission’s programmes in the district as per the guidelines

District Rural Development Agency (DRDA): A registered society registered under a Societies Registration Act or a district cell in the Zilla Parishad having a separate identity to oversee the implementation of different anti-poverty programmes

EOI: Expression of Interest

Federation of SHGs: An aggregation of 5 to 20 SHGs. Primary federations will usually be at village level, 2nd level federation at block or cluster of villages level and district level federation at the district level with the federation at each level having its own purpose, functionality and identity

GP: - Gram Panchayat.

Gram Sabha: - as defined by the Panchayat Act.

HIV: Human Immunodeficiency Virus

HR Policy: Human Resource Policy for putting in place a professional institutional structure at various levels to implement the Mission objectives

HRD: - Human Resource Development

ICT: Information, Communication & Technology

IFD: - Integrated Finance Division

ITDA: - Integrated Tribal Development Agency

KSAV: - knowledge, skills, attitude and values

KVIC: Khadi & Village Industry Commission

KYC: - Know Your Customer

Mahatma Gandhi National Rural Employment Gurantee Scheme (MGNREGS): A Scheme under an Act notified on Sept. 7, 2005 to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

M/o SW: - Ministry of Social Welfare

Micro Investment Plans (MIPs): A simple list of investments that members would like to make with the financial support of their Self Help Group

MIS: Management Information System

Mission: - NRLM at the centre and SRLM at the State level

MoRD: - Ministry of Rural Development, Government of India
**MSME:** - Ministry of Micro, Small and Medium Enterprises

**NABARD:** - National Bank for Agriculture and Rural Development

**NGO:** - Non-Governmental Organization

**NIRDPR:** - National Institute of Rural Development and Panchayati Raj

**National Mission Management Unit (NMMU):** - The national level unit comprising of multi disciplinary team of experts

**NSDC:** - National Skill Development Corporation

**NTFP:** - Non Timber Forest Produce

**Officers and Staff:** - shall mean all whole time and part time employees of the Society or Project duly appointed by any authority or officer, duly empowered to do so, and would include consultants, fellow and research staff, if any.

**Officers of the Society:** - shall mean all post holders of the Society.

**Project Approval Committee (PAC):** - The Committee to consider terms and conditions governing assistance to the Special Projects

**PD(DRDA):** - shall mean the Project Director of District Rural Development Authority

**PDS:** - Public Distribution System

**Programme Evaluation and Review Technique (PERT):** - shall mean a network model that allows for randomness in activity completion times consisting of steps like (i) identifying the specific activities and milestones, (ii) determining the proper sequencing of the activities, (iii) constructing a network diagram, (iv) estimating the time required for each activity, (v) determining the critical path and (vi) updating the PERT Chart as the Project progresses

**PF:** - Provident Fund

**PFT:** - Project Facilitation Team at sub cluster level.

**PHC:** - Primary Health Centre

**Participatory Identification of Poor (PIP):** - shall mean a methodology for Identification of poor that helps to identify and list very poor, poor, differently abled, vulnerable, tribal, chronically ill patients, nomads and other marginalized communities in the project village.

**PO:** - Project Officer

**PPCP:** - Public-Private-Community Partnership

**PPP:** - Public Private Partnership

**PPPP:** - Public-Private-People’s-Partnerships

**PPs:** - means Panchasutra Principles consisting of five good group management practices i.e. regular meetings, regular savings, regular inter-loaning, timely repayment of loans and up-to-date books of accounts.

**PRI:** - Panchayati Raj Institutions

**Project Screening Committee (PSC):** - A Committee at the Central level to examine the Special Projects

**PVTG:** - Particularly Vulnerable Tribal Group

**RBI:** - Reserve Bank of India
RF :- Revolving Fund

**Rural Self-Employment Training Institutes (RSETIs):** to be set up by banks in each district of the country for providing skill training for the rural BPL youths

**Self Help Group (SHG):** A group of 5-20 primarily rural BPL women who have come together for collective action for their social and economic development

**SMD:** State Mission Director

**SMMU /SRLM:** State Mission Management Unit /State Rural Livelihoods Mission

**State Project Management Unit (SPMU):** shall mean the State Project Unit who is responsible for Project Administration.

**Technical Advisory Group (TAG):** A body at the national Level, which will coordinate the appraisal missions to the states

**TFI:** Total Financial Inclusion

**The Project:** means National Rural Livelihoods Mission.

**UT:** Union Territory

**VDC/VO:** shall mean the Village Development Committee/Village Organisation at the village level.

**VPRC:** Village Poverty Reduction Committee

**WCD:** Ministry of Women and Child Development

**Zila Panchayat Sub Committee (ZPSC):** shall mean a Sub Committee of the Zila Panchayat, notified by Government
Learning Outcome

By the end of the learning, the reader will be enable to understand the following:

a) Historical perspective about the NRLM scheme.
b) Objective of the NRLM
c) Salient features of NRLM
d) Organization structure and Key stakeholders in NRLM
e) Key process involved in the implementation of programme
f) Funding pattern and fund flow of the programme
g) List of Records to maintained in the Programme
h) Possible risk areas at different level and phase of programme
i) Audit checklists
11.1 Introduction

The programme of Ministry of Rural Development which targets Rural Poverty and Employment issues started in a focused manner in the 1980s with launching of Integrated Rural development Programme (IRDP). Major reforms were implemented in this programme in 1999 when IRDP was restructured to Swarnajayanti Gram Swarojgar Yojna (SGSY). Organising rural poor into Self Help Groups (SHGs) was the cornerstone strategy of this Programme. In states, identification of Rural Poor into SHGs was prerequisite of the programme and it got widespread acceptance.

A systematic review of this programme over a period of time brought shortcomings of the programme such as vast diversity across the states in terms of mobilization of poor, insufficient and inefficient capacity building of the poor, insufficient investment in the capacity building institutions, poor linkages particularly with banks leading to low credit borrowing etc. Several states returned their funds due to poor utilization of funds. Some other drawbacks were absence of aggregate federations of poor such as SHG federations, Village Organizations (VO) etc. This was one of the biggest setbacks for the programme as it could not fulfill the target of including 4.5 Crore Rural Poor Families (as per 2010 estimates) under the umbrella of this programme.

Thus, the Central Government restructured the programme again in 2011. The SGSY was restructured into the National Rural Livelihood Mission (NRLM) with emphasis on institution built and operated by poor themselves. One major observation came out of consultation with Experts, NGOs and Civil Society Representative that Institution Building for poor should come with External Support. These institutions will take care of Capacity Building of poor. Successful candidate of these groups shall act as leaders for rest of SHG group members and thus a chain will be created. Ofcourse, this will have extensive support from Ministry of Rural Development (MoRD), State Mission, External Consultants, Bankers etc.

Strong institutional platforms of the poor empower the poor households and enable them to build-up their own human, social, financial and other resources. They, in turn, enable them to access their rights, entitlements and livelihoods opportunities, including services (both from the public and private sector). The social mobilization process enhances solidarity, voice and bargaining power of the poor. These processes enable them to pursue viable livelihoods based on leveraging their own resources, skills and preferences. Thus, they come out of abject poverty and do not fall back into poverty. NRLM also believes that the programme can be up scaled in a time bound manner, only if it is driven by the poor themselves.

11.2 Core objectives of the scheme

Towards building, supporting and sustaining livelihoods of the poor, NRLM harnesses the innate capabilities of the poor, complements them with capacities (information, knowledge, skills, tools, finance and collectivization) to deal with the rapidly changing external world. Being conscious of the
livelihoods activities being varied, NRLM works on three pillars –

To meet these objectives Ministry of Rural Development has laid down a guideline for program implementation in the form of NRLM framework for Implementation. Thus, it is essential to review performance of scheme in term compliance with this document. The essential feature of framework is as follows:
11.3 Salient features

11.3.1 Social Inclusion and Institutions of the Poor

**Universal Social Mobilization:** The essence of the scheme to include all strata of the society under SHG umbrella. Thus, at least 50% of the member should belong to poor and vulnerable section among SCs and STs, 15% should belong to minority, 3% should belong to Differently Abled group and there should be 100% coverage of BPL families.

**Promotion of Institutions of the Poor:** NRLM focuses on the strong establishment of networks of SHG groups at village level while federation of SHGs at Block and District level which will focus on capacity building. It will be centre for technology dissemination, access to financial institutions. It will act as catalyst institute for overall development of village and society.

**Training, Capacity building and skill building:** NRLM would ensure that the poor are provided with the requisite skills for managing their institutions, linking up with markets, managing their existing livelihoods, enhancing their credit absorption capacity and credit worthiness, etc. A multi-pronged approach is envisaged, for continuous capacity building of the targeted families, SHGs, their federations, Government functionaries, bankers, NGOs and other key stakeholders. Particular focus would be on developing and engaging community professionals and community resource persons for capacity building of SHGs and their federations and other collectives. NRLM would make extensive use of ICT to make knowledge dissemination and capacity building more effective.

11.3.2 Revolving Fund and Capital Subsidy:

Subsidy would be available in the form of revolving fund and capital subsidy. The Revolving Fund would be provided to the SHGs (where more than 70% members are from BPL households) as an incentive to inculcate the habit of thrift and accumulate their own funds towards meeting their credit needs in the long-run and immediate consumption needs in the short-run. Subsidy would be a corpus and used for meeting the members’ credit needs directly and as catalytic capital for leveraging repeat bank finance. The key to coming out of poverty is continuous and easy access to finance, at reasonable rates, till they accumulate their own funds in large measure.

11.3.3 Universal Financial Inclusion:

NRLM would work towards achieving universal financial inclusion, beyond basic banking services to all the poor households, SHGs and their federations. NRLM would work on both demand and supply side of Financial Inclusion. On the demand side, it would promote financial literacy among the poor and provides catalytic capital to the SHGs and their federations. On the supply side, it would coordinate with the financial sector and encourage use of Information, Communication & Technology (ICT) based financial technologies, business correspondents and community facilitators like ‘Bank Mitras’. It would also work towards universal coverage of rural poor against loss of life, health and assets. Further, it would work on remittances, especially in areas where migration is endemic. There shall be provision of interest subsidy of 7% per annum to the SHGs where at least 70% of the families belong to BPL. However, this interest subsidy shall be removed once SHGs have availed cumulative loan of 1 lakh per household.
11.3.4 Livelihoods

Poor have multiple livelihoods as a coping mechanism for survival. NRLM would look at the entire portfolio of livelihoods of each poor household, and work towards stabilizing and enhancing the existing livelihoods and subsequently diversifying their livelihoods. NRLM would also work on the infrastructure creation and marketing support to the institutions of poor. The range of activities may include marketing support, market research, technology extension, building support with Private and Government Organization, Identification of Beneficiary etc. 20% of states programme outlay shall be reserved for this purpose.

To enhance livelihood opportunity NRLM shall focus on up gradation of existing skill. A collaboration shall be establish with Training Institutions.

11.3.5 Convergence and partnerships

Convergence: NRLM would place a very high emphasis on convergence with other programmes of the Ministry of Rural Development and other Central Ministries, and programmes of state governments for developing synergies directly and through the institutions of the poor.

Partnerships with NGOs and other CSOs: NRLM would proactively seek partnerships with Non-Government Organizations (NGOs) and other Civil Society Organizations (CSOs), at two levels -strategic and implementation. The partnerships would be guided by NRLM’s core beliefs and values, and mutual agreement on processes and outcomes. NRLM would develop a national framework for partnerships with NGOs and other CSOs. Further, NRLM would seek partnerships with various other stakeholders at various levels directly, or through the institutions of the poor.

Linkages with PRIs: In view of the eminent roles of Panchayat Raj Institutions (PRIs) that include governance, agency, commercial and political, it is necessary to consciously structure and facilitates a mutually beneficial working relationship between Panchayats and institutions of the poor, particularly at the level of Village Panchayats. Formal mechanisms would need to be established for regular consultations between the institutions of the poor and the PRIs for exchange of mutual advice, support and sharing of resources. However, care would be taken to protect their autonomy. Where there are no PRIs, the linkages would be with traditional local village institutions.

11.3.6 Sensitive Support

Extensive Support Structure: NRLM’s process intensive effort would require dedicated human resource. Thus, there shall be dedicated support structures at National Level, State Level, District Level and Sub District Level. There shall be NRLM Advisory, Coordination and Empowered Committees and National Mission Management Unit at the national level, State Rural Livelihoods Missions (SRLMs) as autonomous bodies and State Mission Management Units at state level, District Mission Management Units at district level, and sub-district units at block and/or cluster levels would constitute these support structures. These support structure would create suitable linkages between Government, PRIs and District Rural Development Agencies (DRDA). These support structures would be staffed with professionally competent and dedicated human resources through appropriate arrangements including partnerships and outsourcing of services. A clear objective of this support structure is to incubate an internal sensitive support structure, consisting of the institutions of the poor, their staff and other social
capital. Over time, the role of the internal support structure should increase and replace the external structure in many of these processes.

The Key areas of these support structure to look upon are Technical support to SRLM, MIS operations, facilitating bank and market linkages, performance review and appraisal.
The Joint Secretary/Additional Secretary, NRLM, MoRD leads NRLM as Mission Director and head of its National Mission Management Unit (NMMU), comprising multidisciplinary team of professionals from open market on contract, and requisite support staff. Thematic sub-groups in Social Inclusion, Financial Inclusion and Livelihoods would be setup. Technical Support Cell (TSC) within NMMU would coordinate technical support and multidisciplinary appraisal missions to the states. TSC would build and maintain a pool of national resource persons, advisers and experts in all relevant disciplines, drawn from NMMU, state missions and the development sector. Exclusive cells in NMMU would be responsible for Placement-linked Skill Development and Innovative Livelihoods Projects.

Major roles and responsibilities of NMMU is as follows

- Technical Support to States/UTs
- Knowledge Management and Capacity Building:
- Developing Partnerships for banking and market linkages:
- Supporting States and UTs in roll-out of NRLM:

11.4.2 Support Structures at the State Level

State Rural Livelihoods Mission (SRLM): An SRLM, constituted by State Government, would oversee the implementation of all NRLM related activities in the state. An autonomous body under the State Government, SRLM would be incorporated as a society, trust or company. Its Governing Body (GB) and the Executive Committee (EC) provide guidance and advice in all aspects of planning and implementation. The Governing Body with the Principal Secretary/Secretary, Rural Development as its Member-secretary/Convener, would be chaired, preferably, by the Chief Minister or the Chief Secretary. The Executive Committee would be chaired, preferably, by the Chief Secretary/Development Commissioner with the Principal Secretary, RD as Vice-chairperson and the State Mission Director as convener. In states, where the State Governments would want to use an existing society as SRLM, its articles of association/bye-laws need to be amended to incorporate NRLM objectives and broaden the membership in the Governing Body on the lines indicated above.

State Mission Management Unit (SMMU): SRLM would implement the NRLM activities in the state through an SMMU, at the state level, headed by a full-time State Mission Director (SMD). The tenure of the SMD would, preferably, be three years. SMD would be a senior officer, preferably who has worked as District Collector already.

The major responsibilities of the SMMU include:

- Lead all NRLM activities in the state;
- Drafting policies and implementation guidelines of the mission at the state level;
- Handholding support to district and sub-district implementation/support structures;
- Ensuring quality implementation of different components/thematic interventions;
- Ensuring proper linkages with the DRDAs;
- Managing convergence and partnerships; and
- Any other function, as required.
States with multiple agencies implementing livelihoods programmes: In some states, there are multiple agencies/departments engaged in activities aligned with NRLM objectives. These include externally aided projects, or the programmes of departments of Women & Child Development, Tribal Affairs, Social Justice and Social Welfare, etc. NRLM presents an opportunity to converge all such initiatives. The guiding principles for convergence include: strengths of existing partners are leveraged; existing social and human capital is not lost; NRLM non-negotiable principles are not compromised; and duplication of effort is avoided. The SRLM would partner with appropriate government organizations and entrust implementation responsibilities to them.

11.4.3 Support Structures at the District Level

District Mission Management Unit (DMMU): The DMMU of the SRLM would be responsible for meeting NRLM objectives and implementing NRLM activities in the district. DMMU, linked suitably with DRDA, would be a facilitating and support unit for field structures. It would interface and forge convergence with District Administration and line departments, banks, NGOs and corporate agencies. A broad-based District Advisory Group/Review and Coordination Committee, chaired by District Collector, that includes representatives of the institutions of the poor and NGOs that work with them in a significant way, would review NRLM activities and provide inputs for improving and developing subsequent plans.

A multidisciplinary DMMU, led by District Mission Manager (DMM), hired from open market on contract or on deputation from Government, includes functional specialists in Social Inclusion, Financial Inclusion, Livelihoods, Capacity Building, Programme Management, Programme Support etc., and support staff, as required. These specialists and staff would be hired in a phased manner, as required, on contract or on deputation.

A Capacity Building cell (CB cell), within DMMU, would be responsible for imparting training to the field implementation units and nurturing the community resource persons from the poor and developing them as trainers. Initially, DMMU staff themselves may be the trainers. As the programme expands, the CB cell would empanel external resource persons.

11.4.4 Support Structures at Sub-district level

The Sub-district level Support Structure is either –
- Block Mission Management Unit (BMMU) led by a Block Mission Manager (BMM) and consisting of 3-5 spearhead teams; or
- Project Facilitation Team at cluster (sub-block) level; or
- combination of both.

The members of sub-district structure(s), including the BMMs, if any, would be recruited from the open market or on deputation.

The principal responsibilities of these sub-district field teams/structure(s) include: mobilizing all poor households into SHG fold; strengthening existing and new SHGs; building SHG federations and other institutions of the poor at various levels; and building capacities of the poor, their institutions, CRPs and other social capital. These institutions, over a period of 2-3 years, would assume the responsibility
for sustaining all interventions. These sub-district teams would give way for this and shoulder emerging new responsibilities, with re-training. The sub-district units would take into account the social mobilization and institution building already achieved in the block by NGOs or CSOs or by Government Organizations. The action plan for the block would be based on a systematic diagnosis of the ground situation. The action plan would strengthen the work on ground and plan to cover the uncovered areas.

Organization of Support Structure

These teams would promote mechanisms for active collaboration between the Block Administration and the institutions of poor. As capacities increase, gradually, institutions of the poor – SHG Federations – interface and converge with the Block Administration on their own. A Block Review and Coordination Committee, that includes representatives of the institutions of the poor and NGOs that work with them in a significant way, would review NRLM activities in the block and provide inputs for improving subsequent plans.

Organizational Structure of SHGs and Federation
Apart from Support structure which acts as external institutions, internal institutions are Basic units of village level SHGs, Primary Federation/Village Organizations (VO), Cluster Level Federations, Block Level federations and District Level federations. These Federations are integral part of NRLM which will replace these external support agencies.

Integration of these federations has been summarized in the below diagram.

11.5 Key processes in Programme Implementation Including Monitoring and Evaluation

NRLM has adopted certain process for effective implementation of programme. This includes preparation of annual action plan demand generation at sub-district level, district level. NRLM also consider the phased inclusion of SHGs formed under SGSY. This transition from SGSY to NRLM would be implemented in a phased manner and the states would cover all the districts over a period of 5-7 years.

11.5.1 Transition of SGSY to NRLM

All States/UTs transit to NRLM within a period of one year from the date of formal launch of NRLM. Further funding under SGSY ceases thereafter. A nodal officer shall be designated for the process of transitioning to NRLM. Multidisciplinary team shall be constituted to execute the process of transition. SRLM shall be establish as an autonomous body and there after it shall appoint state mission director, state mission management unit (SMMU) and deploying staff in SMMU.

Technical assistance shall be provided from NRLM/SRLM in preparatory work, preparing Annual action plan, stakeholder consultation, situation analysis, formulating State perspective implementation plan (SPIP). SPIP will automatically consider as a part of MoU submitted between SRLM and NMMU.

11.5.2 Planning for NRLM Implementation

SMMU would prepare SPIP consolidating all District Action Plans and incorporating SMMU action plan. SMMU would submit SPIP, duly approved by its Governing Body, to NRLM/ MoRD for appraisal and approval. Depending on the readiness of the state, this may take time up to 6-12 months from the formal launch of NRLM. In the mean time, the state would submit the initial annual action plan for the first year, by 31 December.
11.5.3 Initial Annual Action Plan (IAAP)

IAAP for the first year is a simple plan of action for one year. It would articulate the implementation support structures in place. Based on the broad indication of resource availability to the State in the year, each SRLM would undertake a prioritization exercise and prepare IAAP (if they have not submitted SPIP). The key elements in IAAP include:

- Background and Details of SRLM and SMMU
- Selected Districts and Blocks for implementation selected using objective and transparent phasing logic and their details
- Phasing planned and Key Results of Mobilization and Linkages - households, SHGs, institutions, villages, clusters, blocks, districts
- Staffing; Staff Induction and Capacity Building Plan
- CRP Strategy and Capacity Building in institutions, HR in institutions, Procurement
- Plans for IT, MIS, Communications, Convergence and Partnerships
- Technical Assistance/Support Plan
- Plan for Studies/Approach Papers, Situational Analysis, Consultations/Workshops
- Plan for formulating 5-6 year SPIP
- Activity Timeline; Activity-Time-Cost-Responsibility Matrix
- Budget

This IAAP would be appraised and approved, like any other Annual Action Plan from the state. Releases would be made according to the approved IAAP.

11.5.4 Phasing

To be driven by the poor themselves, NRLM needs to develop social capital of the poor. This would take some time in the initial years, but multiply rapidly later. Availability of professional staff would also be limited initially. It would also be important that quality and effectiveness of the interventions is not diluted. Therefore, the state is expected to cover all the districts and blocks in the state in a phased manner, over 5 to 7 years. The state would need to identify districts and blocks for each of the phases and develop a clear roll-out plan. The broad criteria for the selection of initial intensive districts and blocks by the States include – (i) Each phase having representation of different socio-economic regions of the State; (ii) Poverty districts/blocks first; and (iii) Districts/blocks with SHGs and livelihoods programmes running successfully and high social capital first. The PURA (Provision of Urban Amenities in Rural Areas) clusters would be covered under intensive approach.

States (like Andhra Pradesh and Kerala) that are already implementing NRLM processes on a state-wide basis transit right-away into state-wide NRLM. Each of these states would submit SPIP and Annual Action Plans covering the entire state for appraisal and approval. States like Tamil Nadu, Madhya Pradesh, Bihar, Orissa, Meghalaya, Assam & Manipur are already implementing large rural livelihoods programme funded by multilateral and bilateral agencies. Similarly Rajasthan and North Eastern States...
of Nagaland, Mizoram, Tripura and Sikkim are commencing rural livelihoods projects funded by multilateral agencies. The action plan of all these states should reflect the status of the ongoing rural livelihoods programme and the synergies planned between NRLM and the ongoing programmes.

In districts and blocks not selected for NRLM, the guidelines for non-intensive blocks would be applicable. The state would work out separate action plans for intensive and non-intensive blocks to arrive at the consolidated plan for the state.

The blocks that are taken up for NRLM implementation, ‘intensive blocks’, would have access to a full complement of trained professional staff and cover a whole range of activities of universal and intense social inclusion, financial inclusion, livelihoods, partnerships etc. The ‘intensive blocks’ have a whole range of activities. These include:

i. Saturated mobilization of all identified BPL households in every village of the block;
ii. Promotion of institutions of the poor – SHGs and their primary federations;
iii. Creating and strengthening large base of social capital or community professionals;
iv. Revolving fund to the SHGs;
v. Capital Subsidy to primary federations for supporting one or more of the following -
   o Safety nets and small grants to poorest;
   o On-lending to SHGs against their MIPs;
   o Health Risk Fund to complement health savings;
   o Food and nutrition security;
   o Performance of services like grassroots planning, technology dissemination etc.
vi. Bank finance to SHGs and primary federations for financing MIPs;

vii. Activities in select pro-poor livelihoods like agriculture, livestock, non-farm, skills -
   o Specialized livelihood institutions and producer collectives;
   o Productivity enhancement initiatives and community extension models;
   o Small scale productive infrastructure and local value addition;
   o Collective inputs purchase and collective marketing;
   o Cost reduction of inputs and consumption items; etc.

vii. Public-Private-Community-Partnerships for last mile service delivery of entitlements, public services and livelihoods support services

However, in the remaining blocks, ‘non-intensive blocks’, with limited staff in PRIs, NGOs and/or DRDAs, the activities would be limited in scope and intensity -

i. Strengthening existing SHGs and forming new affinity-based SHGs of BPL women;
ii. Capacity Building and Training to SHGs and SHG Leaders;
iii. Providing revolving fund to SHGs;
iv. Providing Capital Subsidy to SHGs with link to bank finance; and
v. Linkages with mainstream institutions including existing local level livelihood initiatives like watersheds, dairy, etc.

However, RSETIs’ self-employment/enterprise development and skill development/placement would be present in all districts across both intensive and non-intensive blocks.

11.5.5 Situation Analysis – Current Reality Assessment

One of the first and important elements in preparing SPIP is Situational Analysis – Current Reality Assessment/Poverty Diagnostics of the poor, using secondary data, sample participatory assessments and quick studies.

This would culminate in a Stakeholders’ Consultations/Sharing Workshop with Community Leaders, Civil Society, Bankers and Government Departments discussing and fine-tuning draft set of strategies based on NRLM core guiding principles and the Situation Analysis.

11.5.6 State Perspective and Implementation Plan (SPIP) and Annual Action Plan

SPIP is a long-term (5-7 year) plan for reducing poverty comprehensively in the state, outlining the results, core strategies and key activities in a phased manner. It is a dynamic document subject to regular and periodic modifications based on the learning/feedback from the progress of program implementation. Apart from results, strategies and activities, it also articulates the implementation arrangements and financial resources for achieving these results in a phased and time-bound manner.

Each SRLM would undertake a prioritization exercise and prepares draft SPIP. To facilitate this process, the parameters for allocation of resources would be shared at the earliest. Final state-approved SPIP would be submitted to NRLM/MoRD.

11.5.7 Appraisal of SPIP and Annual Action Plan

NRLM/NMMU, on receipt of SPIP, would screen (specifically constituted screening team) it initially through a desk-appraisal for compliance on the checklist and readiness in the context of poverty situation in the state and broad priorities and outcomes for NRLM.

If satisfied, NRLM would field a multidisciplinary Joint Appraisal Mission. Appraisal Mission would use a range of methodologies including Visits to field locations, Participatory Assessments, High Level Meetings and Discussions with Key Officials and State Level Multi-stakeholder Workshop(s) to review and refine SPIP. It would specifically assess and agree with SRLM, phasing, strategies and results; staffing, implementation capacity of units at various levels and timeline; partnership arrangements with government departments, banks, NGOs, people’s institutions etc.; and administrative and fiduciary arrangements.
Based on the agreed actions with the Appraisal Mission, SRLM would submit its revised SPIP and Annual Action Plan. TSC/Appraisal Mission would review the revised SPIP and Annual Plans and prepare an appraisal document for approval of SPIP. For the subsequent years, the TSC would appraise the Annual Action Plans in the context of SPIP and the feedback provided by supervision missions, concurrent evaluation studies, and the minimum quantitative/qualitative performance criteria laid down from time to time.

11.5.8 Approval of SPIP and Annual Action Plan

MoRD/NRLM Empowered Committee would consider the final revised plan after appraisal, together with appraisal document, for approval. SMD and/or State Secretary, RD would make the presentation, during this process. Considering all aspects, including allocation available to the state as per the allocation formula, the Committee would give its final approval, with appropriate modifications and allocate resources as per this finally approved SPIP, agreed results and Annual Action Plan. NRLM/NMMU and SRLM/SMMU, then, would enter into an MoU or sign an addendum to MoU, to include SPIP into it. NRLM/NMMU would ensure completion of the approval exercise by 15 March of the fiscal year in which SPIP is submitted.

Then, NRLM/NMMU would seek SRLM’s Implementation Readiness – Fully Inducted Team; HR Policy and Manual; Administrative & Financial Rules; Partners identified and Framework(s) for Partnerships; and Operational Manual. On satisfied with SRLM’s readiness, NRLM/NMMU would release the first of the two tranches in a year (i.e. 50% of the annual allocation) into the SRLM Special Bank Account and SRLM would formally launch the SPIP.

11.5.9 Subsequent Annual Plans and Tranches

As SPIP implementation progresses, subsequent tranches would be subject to the half-yearly reviews, annual reviews and plans, and utilization of the previous tranche(s) released and the balance funds available. Half Yearly Review Missions would review implementation against the plan (Annual Plan and SPIP) and the minimum quantitative/qualitative performance criteria laid down by NRLM, from time-to-time.

Based on the broad indication of resource availability to the State in a particular year, SRLM would undertake a prioritization exercise and prepare Annual Action Plan dovetailing from SPIP. The state-approved Annual Action Plan and the rolling plan for the coming three years have to reach NRLM/NMMU on or before 15 December every year.

Annual Review and Planning Mission would review these plans for the coming year and for the coming three years. The Review and Planning Mission would be guided by the feedback of the previous missions and other studies, its own review of the performance so far, and the funds available as per agreed allocation parameters or otherwise and prioritization. Accordingly, it would make its recommendation.
In the light of this recommendation, Empowered Committee would consider these plans [revised, if suggested by the Review and Planning Mission], and accord approval. The releases would flow accordingly. NRLM/NMMU would ensure completion of approval exercise by 15 March, every year.

11.6 Audit
Audit is one of the crucial activities for successful conduct of the scheme. It is an integral part of Monitoring and evaluation Process. This act as a controlling mechanism to minimize the risk.

11.6.1 Scope of Internal audit
1. Tracking the receipts and payments statement and take the balance equation test for assets and liabilities of the federating.
2. Validate all transactions recorded in books of accounts during the quarter.
3. Examine disbursement of loan, withdrawal of saving and other payments made during the period and verify whether that transaction qualifies as per the set rules, procedures and policy set by the CLF.
4. Randomly select the groups where recently disbursement has been made or overdue are reported and reconcile the ledger with group records.
5. Reconciliation of bank statements with books of accounts.

11.6.2 Reporting
1. Internal auditor should submit the report directly to the Office Bearers of the CLF /Executive committee within fifteen days of completion of quarter.
2. Executive Committee will discuss the observations/findings and suggestions contained in the report and decide on appropriate action.

11.6.3 External Audit
Audit of books of accounts and financial statements by the certified chartered accountant is a statutory requirement. Appointment of competent chartered accountant is done by the Executive Committee (EC) of CLF with an approval of general body of the society in annual general meeting.

11.6.4 Appointment of the Internal Auditor
The Executive Council of the CLF should appoint the Internal Auditor. The responsibility of getting the half yearly audit done shall be of the CLF Manager.

11.6.5 Audit of the SHGs
Checking the details of all the income and expenditure accounts of the SHGs is known as audit. All the accounts of the transactions that take place at the SHG and VO level are written at the same time. It is also consolidated every month. Often there are some mistakes in the accounts written by members. The
staffs who conducts the audit identifies them and thus the accounts become more accurate. The accounts of the SHGs should be checked every 6 months. The staff of the Organization or the CLF should carry out this responsibility.

11.6.6 Items to be checked during Audit

- Tally the actual cash in hand with the debit credit statements
- Check the minutes’ book
- Details like whether the minutes of all the meetings of the SHG are being recorded, whether important decisions are documented in it, whether all the members have signed on it, should be checked during audit.
- Checking bills and vouchers
- Details like whether the amount on the bills tallies with the amount on the vouchers, whether the price of the purchased item is rational, whether the signatures of the treasurer and the purchaser appear on the vouchers, should be checked.
- Check whether the amounts of savings and loans have been correctly entered.
- Details like, the total savings amount collected every month, total loans disbursed, balance amount, amounts deposited and withdrawn from the bank, tally with each other should be checked.
- Check whether interest on loans is correctly calculated
- Check whether interest on loans is correctly calculated as per the rate of interest applicable.
- Check all the totals and whether the balance amount is correctly carried forward
- The account register has the records of savings, loans and repayment of each member. Check these records for accuracy and tally them with the daily accounts book and the individual passbooks of the members.
- Check the individual members’ passbooks for accuracy and tally them with the records of the SHG
- Prepare the future financial statement
- Debit credit statement, income expenditure statements, cumulative statement, and trial balance. o Check the bank pass book and prepare the reconciliation statement
- Check at least four cases for utilization of loans
- When the SHG disburses the loan, it is important to check how the loan has been utilized. For this purpose, at least four loan-takers should be checked to see how they have utilized the loan.
- Check whether the loan has been utilized for the same purpose as was stated. For e.g. if the loan was taken for purchasing goats, ascertain whether the goats are really purchased or not.
- Check the records of payment of insurance installments When women take loans, it is mandatory that they get themselves/their husbands/property/animals insured.
- Check the installments paid for insurance and ascertain whether it continues over the entire loan period. Similarly, also check if the members have taken insurance through the insurance service of the CLF and check the installments paid for the same.
- Check the rate of repayments done
If mistakes are identified during audit, the auditing staff should correct them and inform about the same to the SHG/VO.

11.6.7 Objectives of Statutory Audit/External audit
An external audit is a formal, independent review of an entity’s financial statements, books of accounts records, transactions, and operations, performed by the accountants of the PLF/SLF in order to:

i. Assess whether the financial statements give a true and fair view and are prepared in accordance with prevailing statutory requirements.

ii. Lend credibility to financial statements and other management reports

iii. Ensure accountability for the stakeholders – Member SHGs and Financing institutions.

iv. Identify weaknesses in internal controls and systems

11.6.8 Timeline for External Audit
PLF/SLF shall ensure completion of the external audit and get the final audited statement certified by charted accountant/departmental auditor at the end of financial year, before …….of following financial year, as per the bye-laws and Act under which the PLF/SLF have been registered.

11.6.9 Annual Audit
At the end of the financial year, i.e. April, a Chartered Accountant shall do the annual audit. The Chartered Accountant shall be appointed in the Annual Meeting of the CLF. The CLF Manager shall provide all the necessary assistance to the Chartered Accountant for conducting the Audit. The CLF Manager shall also ensure that the Chartered Accountant complies with the time schedule prescribed by law. The Manager shall also be responsible for submitting the accounts to the Charity Commissioner on time.

11.7 Funding pattern and funds flow

11.7.1 Allocation of Funds to the States
NRLM is a Centrally Sponsored Scheme, implemented in all states & UTs except in Delhi and Chandigarh. The financing of the Mission shall be shared between the Centre and the States/UTs on the following basis:

<table>
<thead>
<tr>
<th>SL. No.</th>
<th>States/UTs</th>
<th>Central Share (%)</th>
<th>State Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>North Eastern States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim)</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>2.</td>
<td>All Other States</td>
<td>75</td>
<td>25</td>
</tr>
<tr>
<td>3.</td>
<td>Union Territories</td>
<td>100</td>
<td>0</td>
</tr>
</tbody>
</table>
Out of the total allocation for NRLM 20% of the allocation will be earmarked for Skill development and placement and innovative projects. Of the remaining 80% of the allocation, 10% will be retained at the Center to be given later to the better performing states as an additional installment, on demand. Before the commencement of the financial year, each State would get an indicative allocation based on the inter-se incidence of poverty among the States/UTs to enable the states to prepare their plans. The plans would be appraised and approved by the NRLM/ Empowered Committee, and the approved outlay would not exceed the indicative allocation for the State. The appraisal of the states’ plans would take into account allocations among various components, which should take into account the initial conditions in the states (degree of social mobilization, extent of financial inclusion, etc.) and priorities in the annual action plan. The Empowered Committee of Ministry of Rural Development would approve the State Action Plan.

11.7.2 Procedure for Release of Funds

All the States are required to transit to NRLM within 12 months of the formal launch of NRLM. SGSY and NRLM would, thus, run in parallel in some states during this period. Accordingly, there would be two streams of funding. In the states that have not complied with the conditions for transit to NRLM, the financial norms & procedure for the release and flow of funds would remain as under SGSY. In the states that have complied with the conditions for the transit to NRLM, the flow of funds from the centre to the states that move into NRLM would be through SRLM. For this, SRLM would open a separate bank account and notify the same to NMMU. SRLM would devolve funds to the districts in accordance with district-wise allotments indicated in the Annual Action Plan.

The release of Central share to the SRLMs would be in two installments -

- The first installment during the months of April-May, subject to the approval of the State Annual Action Plan and the terms and conditions stipulated from time to time;
- The second installment in the months of October-December on the request of SRLM in prescribed pro-forma and on fulfillment of the following conditions:
  - Utilization of at least 60% of the available funds including the opening balance;
  - State Government’s contribution during the previous year released (in case of deficiency therein, Central share would be reduced proportionately);
  - The opening balance of the SRLM should not exceed 10% of the allocation of the previous year (in case, the opening balance exceeds this limit, the Central share would be proportionally reduced);
  - Audit Reports, Utilization Certificates for the previous year furnished;
  - Achievement with reference to Annual Action Plan; and
  - Other terms and conditions stipulated at the time of the previous release should have been met.
- The amount retained at the centre to be given to better performing states will be allotted to them as additional installment on the following criteria:
  - Expenditure of more than 75% of the total available funds by 31st December
  - Request for additional funds over and above the allocation for the year; and
  - Performance on key NRLM indicators.
• However, the additional amount would not exceed one installment (i.e. 50%) of the State allocation. Care would be taken to ensure that poverty states get their due allocation and better performing States get incentive for reaching their poverty reduction targets quickly.

• Any balance fund out of the earmarked allocation to the states will be distributed to all the states that have lifted the second installment, except those states who have already been sanctioned additional funds for better performance. The distribution will be done in proportion to the allocation of the states for the ongoing financial year.

• With respect to the states that have not conformed to the NRLM requirements, the funds would continue to flow directly to the DRDAs as per the extant procedures under SGSY.

11.8 Eligible Items of Expenditure

The following are the eligible items of expenditure under the State Action Plans:

i) **Institution Building** – Participatory vulnerability assessment, formation/promotion of new SHGs, federations and other collectives

ii) **Training & capacity building** – of institutions of the poor, CRPs, staff and other stakeholders; includes knowledge dissemination, education and advocacy

iii) Revolving fund and capital subsidy

iv) Interest Subsidy

v) Infrastructure creation & marketing

vi) Skills and Placements projects

vii) **Administrative cost** – Mission (Programme) management costs including costs of monitoring, evaluation & learning

11.9 Fund Tracking System

NRLM would put in place a comprehensive financial management system at SRLM to ensure transparency, efficiency and accountability. NRLM would position an IT-based fund tracking system and promotes e-book keeping in institutions of the poor and in support structures.

All the fiduciary management systems/procedures relevant to centrally sponsored schemes would, however, be applicable.

11.10 Economic Assistance/Financial Norms/Ceilings

1. **Formation of SHGs** – Rs. 10,000 per SHG to be given to NGOs/CBOs/Community Coordinators/ Facilitators/Animators towards group formation and development.

2. **Revolving Fund (RF)** – As a corpus to SHG with a minimum of Rs. 10,000 to a maximum of Rs. 15,000 per SHG. This is given to all SHGs that have not received RF earlier. SHGs with more than 70% BPL members are eligible for RF.

3. **Capital Subsidy (CS)** – Capital subsidy ceiling is applicable, both for members of SHGs and individual beneficiaries @Rs. 15,000 per general category and Rs. 20,000 per SC/ST and differently abled category. The maximum amount of subsidy that an SHG is eligible for is Rs. 2.50 lakh. Only BPL members are eligible for individual subsidy, and, only those SHGs with
more than 70% BPL members are eligible for the subsidy to SHGs.

4. Capacity building and skills training - Rs. 7,500 per beneficiary – The amount available under this component is used for training and capacity building not only of the beneficiaries but also of all other stakeholders, including programme officers and staff, community professionals, concerned government officials, NGOs, PRI functionaries etc. Expenditure on exposure visits and immersion visits is also be covered under this component. The skill building training here refers to member level training for self-employment and is distinct from the Placement-linked Skills training and the RSETI training.

5. Interest subsidy - Subsidy on interest rate above 7% per annum for all SHG loans availed from banks, based on prompt repayment. Interest subsidy is provided to SHGs for onward transmission to their members till he/she has availed a bank loan up to an amount of Rs 1.00 lakh. It is expected that there will be repeat doses of financing to members in SHGs and this limit of 1.0 Lakh is the cumulative loan availed by a member. This subsidy is not available on such occasions when the SHG is availing capital subsidy.

6. One time grant for corpus fund for sustainability and effectiveness of federations –
   - Rs 10,000 for Village/Panchayat level federation
   - Rs 20,000 for Block level federation
   - Rs 100,000 for District level federation

7. Administrative expenses – 5% of the allocation, net of the component relating to skill development & placement and net of the component of RSETIs. This amounts to 5% of Central release to the State and the corresponding State share.

8. Infrastructure and Marketing - Up to 20% (25% in case of north eastern states and Sikkim) of the Central share and the corresponding State share of allocation i.e. the state’s programme outlay.

9. Skills and Placement Projects and Innovations (20% of the Central allocation) - Expenditure on innovative projects should not exceed 5%; and the remaining 15% is for placement linked skill development projects. 50% of the allocation for placement linked skill development projects (7.5% of the Central allocation) is retained at the centre for multi-state skill development projects and the balance is allocated to states to implement state specific skill development and placement projects. The States have to add the corresponding state share to the amount released to them.

11.11 List of records including accounting records to be maintained

Basic Books/Registers to be maintained by PLF/SLF

1. Minutes Books: This contains all the decisions of the EC/GB separately including processes followed.

2. Cash Book: It contains every cash transaction (receipt or payment) date wise.

3. Bank Book: It contains every bank transaction (receipt or payment) date wise.
4. Voucher: Receipt, payment and journal voucher with proper supporting
5. Loan ledger: It contains the details of loan and repayment of all the SHG members.
6. General Ledger: The general ledger contains control accounts of all personal ledgers, the profit and loss account and different asset and liability accounts.
7. Fixed Asset Register (FAR): After purchasing of assets, accession number is to be allotted for all assets.
8. Stock Register: For consumable items
9. Membership registers: Details of members and share purchased by members.
10. Meeting registers of general body and Executive Committee.
11. Monthly receipt and payment report.
14. Record of the items purchased.
15. Records of assets and liabilities.
16. Procurement meeting register.
17. Name and address of members
20. Staffing details with Bio-data
21. Leave register
22. Relevant documents, vouchers, account registers.
24. Share certificate book
## Risk Areas

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<thead>
<tr>
<th>S. No.</th>
<th>Level of Implementation</th>
<th>Possible Risk</th>
<th>Responsible Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Support structures</td>
<td>• Members representations in SHGs i.e., eligible poorest/poor covered or not? &lt;br&gt;• Inadequate representation to stakeholders such as financial institutes, SHG members etc..&lt;br&gt;• Support structures for implementation of NRLM not formed at state, district level, block level etc&lt;br&gt;• Inadequate or inefficient resource persons for facilitating capacity building activities at state, district, block and different Institutional level blocks/cluster federations hiring of members in the capacity building cell&lt;br&gt;• Inadequate capacity building inputs for or inefficient training of the staff included in capacity building work of Institutions formed under NRLM&lt;br&gt;• Lack of coordination/convergence among multiple agencies&lt;br&gt;• State Rural Livelihoods Missions (SRLMs) function with the required level of autonomy with adequate delegation of powers&lt;br&gt;• Whether adequate staffs are available or not i.e sanction vs availability</td>
<td>SMMU/DMMU/BMMU</td>
</tr>
<tr>
<td>2</td>
<td>SHG federations</td>
<td>• Gaps in SHGs Formation process not much focus on inclusion related issues &lt;br&gt;• Inadequate or inefficient training to SHG members. (SHG member capacity building/member awareness levels on Group management and functions)&lt;br&gt;• Support services to poor and needy members in strengthening their livelihoods or absence of forward and backward linkages with SHGs&lt;br&gt;• Whether SRLMs are adequately pro-active in providing support for livelihoods promotion of SHGs in terms of branding, marketing, value chain development, etc.&lt;br&gt;• Whether preparation of Micro Credit Plans (MCPs) and Credit linkage are practiced properly as mentioned in Guidelines or community operational manual with banks are happening as per the schedules prescribed in the community operations manual.</td>
<td>SMMU/DMMU/BMMU</td>
</tr>
<tr>
<td>S. No.</td>
<td>Level of Implementation</td>
<td>Possible Risk</td>
<td>Responsible Authority</td>
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<tr>
<td>3</td>
<td>Rolling of SGSY to NRLM</td>
<td>Transformation process from SGSY to NRLM, the NRLM suggested process orientated process followed or not?</td>
<td>Mission Director/CEO/ SRLM</td>
</tr>
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| 4     | Identification process  | • Failure in selection of the blocks according to MoRD instructions  
  • Wrong identification of blocks/clusters  
  • Inappropriate promotion of the SHG federations in terms of capacity building, linkages etc  
  • Process of selection/identification of poorest/poor members of beneficiaries is not working satisfactorily as per mandate of the programme  
  • Capacity building of community institutions plan vs progress members at SHG, VO and CLF levels is quantitatively and qualitatively inadequate to ensure build-up of required social capital at the ground level. | SMMU/DMMU/BMMU |
| 5     | Preparation, appraisal and implementation of SPIP | • Failure to prepare of Annual Action plan  
  • Inadequate alignment of activities in SPIP (State Perspective for Implementation Plans)  
  • Inadequate situation analysis to estimate the coverage of poorest of the poor (POP), BPL and vulnerable families. | SMMU |
| 6     | Annual action plan, planning and implementation | • Elements of annual action plan are not conversant with SPIP.  
  • Annual Action plans tasks planed Vs achievements  
  • Inability or delay in achieving status, building partnerships plan vs progress of readiness in terms of human resource capacities/policy, identification of partnering institutions for linkages etc | SMMU/DMMU |
| 7     | Funds management | • Rollout process from SGSY to NRLM not completed in specified time  
  • Under utilization (less than 60%) of funds which is released as an opening balance  
  • Shortfall in release or non-matching state share  
  • Non compliance with prerequisites for release of funds such as audit report, utilization certificate ete  
  • Expenditure under non permissible heads  
  • Diversion of funds  
  - Within the centrally sponsored scheme  
  - Outside centrally sponsored scheme  
  • Inefficient monitoring of fund management system  
  • Inadequate or no maintenance of e-Book for fund tracking  
  • Fund flow from SRLM up to community institutions is seamless (using the fastest and safest mode of transfer) without any systemic flaws resulting in bottlenecks | SMMU/DMMU/BMMU |
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<tr>
<th>S. No.</th>
<th>Level of Implementation</th>
<th>Possible Risk</th>
<th>Responsible Authority</th>
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</table>
| 8     | Fund allocation         | • Inappropriate /under/over distribution of funds for formation of SHGs  
• Delay in release of funds from State treasury to SRLM (both Centre and State share)  
• Ineligible SHGs received revolving fund / community investment fund  
• Over/Under/ No distribution of capital subsidy to ineligible SHGs  
• Over/Under/Non utilization of funds for capacity building of SHGs/SHG federations.  
• Funds for infrastructure, state outlays and innovation not utilized  
• CIF and RF are not rotated adequately resulting in the idling of funds at various levels | DMMU/ BMMU                              |
| 9     | Record Keeping          | • Books of records not maintained properly i.e placing of Books, updation and accuracy in maintaining/writing records at various levels  
• Absence of required records (i.e., Cashbook, Bank Book Voucher, Loan ledger, General Ledger, Fixed Asset Register (FAR), Stock Register, Membership registers and Meeting registers of general body and Executive Committee)  
• Monthly receipt and payment report not maintained or not prepared at all  
• Monthly income and expenditure report not maintained or not prepared at all  
• Whether the SRLMs follow a clear time schedule for completion of Audit of Account and submission of Audit Report  
• Following records not maintained as per laid criterion bank reconciliation statement, record of the items purchased, records of assets and liabilities, procurement meeting register, name and address of members, annual progress report, annual audit report, annual action plan and annual budget, Monthly MIS and progress report, Staffing details with Bio-data, Leave register, relevant documents, vouchers, account registers, Bye-laws, share certificate book, etc | SHG/SHG federations at all Level        |
Check list for Internal Audit: To verify

1. whether Support structure have appropriate composition at all level
2. whether appropriate authority is supervising these support structures
3. whether rolling of SGSY to NRLM have taken place within 12 months
4. whether adequate and capable human resources have been placed in NMMU/SMMU/DMMU and Capacity Building units
5. whether Capacity building of support institutes have been completed
6. whether clusters have been identified as per saturation model
7. whether identification of clusters have been done in accordance with priority criterion laid down in framework
8. whether SHGs are formed to meet the composition requirement of the scheme
9. whether capacity building of these SHG federations have been completed
10. whether SPIP has been prepared, appraisal completed and plan has been approved.
11. whether that annual action plan has been approved and components are in conversant with policy framework
12. whether Fund tracking system with IT support is in place
13. whether funds are released as milestone laid done in policy document
14. Track down utilization of the funds released to the SRLM/DMMU/SHG federations
15. whether adequate linkages have been established with Banks and Markets
16. whether SHGs have started adopting panchsutra and financial activity
17. whether following records, Reports and Registers are maintained adequately

✓ Minutes Books, Cash Book, Bank Book Voucher, Loan ledger
✓ General Ledger, Fixed Asset Register (FAR), Stock Register
✓ Membership registers, Meeting registers of general body and Executive Committee, Monthly receipt and payment report.
✓ Monthly income and expenditure report, Bank reconciliation statement.
✓ Record of the items purchased. Records of assets and liabilities.

✓ Procurement meeting register, Name and address of members


✓ Leave register, relevant documents, vouchers, account registers.

✓ Bye-laws, Share certificate book

18. whether internal and external audit have been taken placed, observations communicated and observations have been addressed within the time.
1. Enumerate origin of NRLM?

__________________________________________________________________________________
__________________________________________________________________________________

2. Enumerate any two salient feature of NRLM

__________________________________________________________________________________
__________________________________________________________________________________

3. Explain in brief about rolling of SGSY to NRLM?

__________________________________________________________________________________
__________________________________________________________________________________

4. Enumerate Support structures at all Level?

__________________________________________________________________________________
__________________________________________________________________________________

5. Explain process of approval of SPIP?

__________________________________________________________________________________
__________________________________________________________________________________

6. List down any five records to be maintained by PLF/CLF?

__________________________________________________________________________________
__________________________________________________________________________________

7. List down funding pattern under NRLM?

__________________________________________________________________________________
__________________________________________________________________________________

8. Enumerate financial assistance under NRLM?

__________________________________________________________________________________
__________________________________________________________________________________

9. Explain concept of Revolving fund?

__________________________________________________________________________________
__________________________________________________________________________________

10. What is the composition of Fixed Asset register?

__________________________________________________________________________________
__________________________________________________________________________________
Unit 12
Rural Development Schemes

Shyama Prasad Mukherji Rurban Mission (SPMRM)

National Rurban Mission (NRuM)
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## Abbreviations

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<tr>
<td>BDO</td>
<td>Block Development Officer</td>
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<td>BPL</td>
<td>Below Poverty Line</td>
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<tr>
<td>CDMU</td>
<td>Cluster Development and Management Unit</td>
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<tr>
<td>CGF</td>
<td>Critical Gap Funding</td>
</tr>
<tr>
<td>CSC</td>
<td>Citizen Service Centres</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DDO</td>
<td>District Development Officer</td>
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<tr>
<td>DDUGKY</td>
<td>Deen Dayal Upadhyaya Grameen Kaushalya Yojana</td>
</tr>
<tr>
<td>DPMU</td>
<td>District Project Management Unit</td>
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<tr>
<td>DPR</td>
<td>Detailed Project Report</td>
</tr>
<tr>
<td>GFR</td>
<td>General Financial Rules</td>
</tr>
<tr>
<td>GIS</td>
<td>Geographical Information System</td>
</tr>
<tr>
<td>ICAP</td>
<td>Integrated Cluster Action Plan</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<tr>
<td>IEC</td>
<td>Information Education and Communication</td>
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<td>LPG</td>
<td>Liquefied Petroleum Gas</td>
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<td>NHM</td>
<td>National Health Mission</td>
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<td>NMMU</td>
<td>National Mission Management Unit</td>
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<td>NRDWP</td>
<td>National Rural Drinking Water Programme</td>
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<tr>
<td>NRuM</td>
<td>National Rurban Mission</td>
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<tr>
<td>PKVY</td>
<td>Paramparagat Krishi Vikas Yojana</td>
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<tr>
<td>PMGSY</td>
<td>Pradhan Mantri Gram Sadak Yojana</td>
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<td>PMKSY</td>
<td>Pradhan Mantri Krishi Sinchai Yojana</td>
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<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
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<tr>
<td>PRI</td>
<td>Panchayati Raj Institutions</td>
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<td>RGGLVY</td>
<td>Rajiv Gandhi Grameen LPG Vitaran Yojana</td>
</tr>
<tr>
<td>RKVY</td>
<td>Rashtriya Krishi Vikas Yojana</td>
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</table>
RMSA  - Rashtriya Madhyamik Shiksha Abhiyan
SBM  - Swachh Bharat Mission
SLEC  - State Level Empowered Committee
SNA  - State Nodal Agency
SPMRM  - Shyama Prasad Mukherji Rurban Mission
SPMU  - State Project Management Unit
SSA  - Sarva Shiksha Abhiyan
Learning Outcome

By the end of the learning, the reader will be enabled to understand the following:

a) Aim, Objectives and Coverage of RURBAN
b) Organizational Framework
c) Implementation and fund flow
d) Implementation
e) Funds Flow and Financing Pattern of the programme
f) Monitoring and Evaluation structure in RURBAN
g) Convergence with other schemes
h) Risk areas for internal Audit
i) Check list for internal audit
12.1 Introduction
The National Rurban Mission (NRuM) aims at development of a cluster of villages that preserve and nurture the essence of the rural community life with focus on equity and inclusiveness without compromising with the facilities perceived essentially urban in nature, thus creating a cluster of ‘Rurban villages’. The Mission intends to simulate local economic development, enhance basic services and create well planned Rurban clusters. About 300 Rurban clusters will be developed over the next five years, which have latent potential for growth, in all States and UTs, which would trigger overall development in the region.

Under this Mission, every Rurban cluster will be developed as a project comprising components covering training linked to economic activities, developing skills and local entrepreneurship and will provide necessary infrastructure amenities. These projects will be implemented over a fixed timeframe of three years by integrating and converging the implementation of project components. This will be followed by an operations and maintenance period of ten years. The Mission will be implemented keeping the States as anchors and key implementers. The institutional framework under the Mission envisages the engagement of key stakeholders at the National, State, District and Gram Panchayat level for implementing the Mission. The Institutional arrangement will implement the Mission in accordance with various Mission guidelines and frameworks. The following sections present the Framework of Implementation for setting up State Institutional Arrangements for identification, development, implementation and operation and maintenance of Rurban Clusters in a state.

12.2 Aim and Coverage of Mission
Large parts of rural areas in the country are not stand-alone settlements but part of a cluster of settlements, which are relatively proximate to each other. These clusters typically illustrate potential for growth, have economic drivers and derive location and competitive advantages. Hence, making a case for concerted policy directives for such clusters. These clusters once developed can then be classified as ‘Rurban’.

Shyama Prasad Mukherji Rurban Mission (SPMRM) aims at developing such rural areas by provisioning of economic, social and physical infrastructure facilities. The Mission aims at development of 300 Rurban clusters, in the next five years. These clusters would be strengthened with the required amenities, for which it is proposed that resources be mobilized through convergence of various schemes of the Government, over and above which a Critical Gap Funding (CGF) would be provided under this Mission, for focused development of these clusters.

12.3 National Rurban Mission (NRuM) – Vision Statement
The National Rurban Mission (NRuM) follows the vision of “Development of a cluster of villages that preserve and nurture the essence of rural community life with focus on equity and inclusiveness without compromising with the facilities perceived to be essentially urban in nature, thus creating a cluster of “Rurban Villages”.

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12.4 Mission Objective
The objective of the National Rurban Mission (NRuM) is to stimulate local economic development, enhance basic services, and create well planned Rurban clusters.

Mission Outcomes
The larger outcomes envisaged under this Mission are:

(i) Bridging the rural-urban divide-viz: economic, technological and those related to facilities and services.
(ii) Stimulating local economic development with emphasis on reduction of poverty and unemployment in rural areas.
(iii) Spreading development in the region.
(iv) Attracting investment in rural areas

12.5 Rurban Cluster
A ‘Rurban cluster’, would be a cluster of geographically contiguous villages with a population of about 25000 to 50000 in plain and coastal areas and with a population of 5000 to 15000 in desert, hilly or tribal areas. As far as practicable, clusters of villages would follow administrative convergence units of Gram Panchayats and shall be within a single block/tehsil for administrative convenience.

12.6 What is an ICAP?
Integrated Cluster Action Plan (ICAP) shall be a key document covering baseline studies outlining the requirements of the cluster and the key interventions needed to address these needs and to leverage its potential. The ICAP prepared for the cluster will enunciate:

i. A strategy for the cluster integrating the vision for each Gram Sabha, identified in the cluster.
ii. The desired outcomes for the cluster under the Rurban Mission

The resources to be converged under various Central Sector, Centrally Sponsored and State Sector schemes.

iii. The Critical Gap Funding (CGF) required for the cluster.

iv. Most importantly, the ICAP would delineate the cluster areas to form well planned layouts following the planning norms (as laid down in the State Town and Country Planning Acts/similar Central or State statutes as may be applicable), which would be duly notified by the State/UTs. These plans would be finally integrated with the District Plans/Master Plans as the case may be.

Why is an ICAP needed?
An ICAP is required for a scientific and systematic assessment of the requirements of a cluster and identification of the components to be developed for the cluster. The ICAP will guide the development of the cluster; it will include a long term vision for the cluster, interventions through various government schemes, plan the convergence of implementation of government schemes and lay out a strategy for operations and maintenance of the facilities created in the cluster. The CGF for the cluster will be determined on the basis of the projections in the ICAP.
The spatial planning component of the ICAP will ensure that the Rurban Cluster develops in the long term as well planned layouts with enforcement mechanisms similar to those in urban areas.

### Steps involved in process for Preparation of ICAPS

**12.7 Organisational Framework**

The National Rurban Mission, (NRuM), is proposed to be implemented in a Mission mode, keeping the States as anchors and key implementers. The framework envisages the engagement of key stakeholders at the National, State, District and Gram Panchayat level as described below:

**12.7.1 National Level**

The NRuM will be run at the Centre, by the National Mission Directorate headed by the Joint Secretary, in-charge at the Ministry of Rural Development. This Mission Directorate would be supported by a National Mission Management Unit (NMMU).

**12.7.2 State Level**

At the State level, Department of Rural Development or an Agency or any Department nominated by the State Government will be designated as the State Nodal Agency (SNA) for purposes of the National
Rurban Mission (NRuM). The Department/SNA will be supported by a State Project Management Unit (SPMU) to be set up in the Department/SNA.

Preferably, the selected agency should be under the administrative domain of the State Government’s Rural Development and/or Panchayati Raj Department, as the case may be.

NRuM also will provide State Technical State Technical Support Agencies (STSAs) - Institutions of repute, empanelled by the Ministry and engaged by the States, to support in selection of clusters, preparation of ICAPs and spatial plans and to hand hold the States in these processes.

**12.7.3 District Level**

A District Project Management Unit (DPMU) may be set up at the District Collector’s office with up to three professionals:

i. Regional Planning Specialist
ii. Convergence Specialist and
iii. Rural Development and Management Specialist.

The existing pool of Prime Minister Rural Development Fellows (PMRDFs) of the State wherever present may also be engaged. The District Project Management Unit will report to the District Collector. This unit shall be responsible for coordinating with implementing departments/agencies for ensuring notification of planning areas and related spatial planning matters, convergence of schemes planned in the ICAP in an integrated and time-bound manner. These DPMUs shall also work in close co-ordination with the SPMU.

**12.7.4 Cluster Level**

At the Cluster level, a Cluster Development and Management Unit (CDMU) will be set up for each Rurban cluster comprising at least two professionals,

i. Spatial planning professional and
ii. Rural development and management professional.

This unit will closely monitor the spatial planning aspects and the ICAP preparation for the cluster and will also closely monitor the progress of the activities in the cluster and provide regular updates to the DPMU/SPMU.

**12.7.5 Role of Panchayati Raj Institutions**

The State Nodal Agency will consult the Panchayati Raj Institutions at the Zilla, Panchayat Samiti and the Gram Panchayat on the NRuM activities to be undertaken in the Clusters. The Mission should be adopted by the Gram Sabhas of all the participating Gram Panchayats through Gram Sabha. PRI members are to be included at all stages of the project cycle from planning, implementation, monitoring and evaluation and maintenance of assets created during the project period.

**12.8 Implementation**

**Steps followed by States to kick start the Mission:**

The States would need to follow a step by step approach to culminate in identification of clusters, preparation of ICAPs, DPRs and submission of CGF applications. The broad steps to be followed are explained below:
Step 1: Designation of a State Level Nodal Agency (SNA):
States will, for purposes of the National Rurban Mission (NRuM), identify a State Nodal Agency (SNA) preferably, the selected agency should be under the administrative domain of the State Government’s Rural Development and/or Panchayati Raj Department, as the case may be.

Step 2: Constitution of a SLEC:
The States will then constitute a State Level Empowered Committee (SLEC), headed by the Chief Secretary, for approval of the ICAPs and DPRs.

Step 3: Identification of State Technical Support Agencies (STSAs):
These are Institutions of repute, empanelled by the Ministry and engaged by the States, to support in selection of clusters, preparation of ICAPs and spatial plans and to hand hold the States in these processes.

Step 4: Selections of Clusters:
The SNA, with support from the STSAs, will identify Rurban clusters following a methodology recommended by the Ministry. The clusters will be selected also in consultation with the District Collector/CEO-Zilla Parishad/DDO/closely involving the Gram Panchayats.

Step 5: Approval of the Rurban cluster:
The Rurban clusters identified will be approved by the SLEC and submitted to the Ministry for approval. Along with the submission of selected clusters, the consent of the State to notify these clusters as planning areas under the relevant State Act.

Step 6: Setting up of District Level Committees:
The District level Committee will be constituted with the officers of the concerned line Departments and Sarpanchs of the concerned Gram Panchayats.

Step 7: Preparations of ICAPs:
The SNA will then prepare ICAPs, with support from the STSAs in consultation with the District Collector/ CEO-Zilla Parishad/DDO/closely involving the Gram Panchayats.

Step 8: Setting up of State Project Management Unit (SPMU):
The Department/SNA will constitute a lean State Project Management Unit (SPMU) to be set up in the Department/ SNA to support the SNA in the Mission.

Step 9: Setting up of District Project Management Unit (DPMU) and Cluster Development and Management Unit (CDMU):
The SNA may then set up the DPMU and CDMU. The DPMU may be comprising up to three professionals (regional planning professional, convergence specialist and rural management/ development professional) and will be set up at the District Collector’s/CEO ZP office. The CDMU will be set up for each Rurban cluster comprising at least two professionals:

i. Spatial planning professional

ii. Rural Development and Management professional.
Step 10: Approval & Vetting of ICAP by SLEC:
The ICAPs along with CGF application and with investment estimates will then be submitted by the SNA to the SLEC for necessary approvals.

Step 11: Submission of ICAPs & CGF application to Ministry:
The ICAPs & CGF application, duly approved by the SLEC, will then be submitted to Ministry for appraisal and approval.

Step 12: Preparations of DPRs:
Post approval of the ICAP by Ministry, the SNA will then prepare DPRs for the individual components as identified in the ICAP, and obtain approvals for each DPR from the respective line departments in line with the norms and requirements of the relevant scheme guidelines.

Step 13: Submission of approved DPRs and CGF applications to the SLEC:
The SNA will then submit the filled in CGF application with the final project costing along with DPR approvals to the SLEC for approval.

Step 14 Submission of approved CGF application to Ministry:
The SNA will then submit the SLEC approved CGF application to Ministry for approval.

Step 15 Commencement of Site activities:
Post the approval of the CGF application, the SNA will then commence the activities on the site w.r.t. the components identified and prioritized in the ICAP.
12.8 Steps Followed States to Kick Start the National Rurban Mission

12.8.1 Selection of the ‘Rurban Clusters’

There will be two categories of clusters under NRuM: Non-Tribal and Tribal and the process of selection will vary for each of these categories.

Non-Tribal Clusters:

For selection of Non-tribal clusters, the Ministry would provide a list of leading sub districts to each State, within which the clusters could be identified. The selection of these sub districts by the Ministry would be based on parameters such as

(i) Decadal Growth in Rural Population
(ii) Decadal Growth in Non-Farm work force participation
(iii) Presence of Economic Clusters
(iv) Presence of places of Tourism and Pilgrimage significance and
(v) Proximity to Transport Corridors.

Appropriate weightages have been given for each parameter. Thereafter, within these sub districts, so identified by the Ministry, the State Governments could select the clusters and while doing so, could include the following performance parameters:

i. Decadal growth in Rural Population.
ii. Rise in Land Values.
iii. Decadal growth in Non-Farm Work force participation.
iv. Percentage Enrollment of girls in secondary schools.
v. Percentage Households with Bank accounts under Pradhan Mantri Jan Dhan Yojana.
vi. Performance in Swachh Bharat Mission (Grameen).

Any other factor which the States may consider relevant may also be included. However, a total weightage of 80% would be given for the first 4 parameters and the States will have the flexibility to choose the last three parameters, subject to a total weightage of 20%.

While selecting the Rurban cluster the State may identify a large village/gram panchayat that are growth centers with resources available in the area that could potentially lead the economic transformation of the region. These growth centers could also be block headquarter villages or census towns. The clusters could then be formed by identifying geographically contiguous villages/gram panchayats within a radius of 5–10 km (or radius appropriate to the population density and geography of the region) around the identified growth center.
Tribal Clusters:

For identification of the tribal clusters, the Ministry would select the leading sub districts falling within the top 100 tribal districts of the country, based on the Scheduled Tribes population. The selection of these sub districts would be based on parameters such as

(i) Decadal growth in Tribal Population
(ii) Current Tribal Literacy Rate
(iii) Decadal growth in Non-Farm Work force participation
(iv) Decadal growth in Rural Population and
(v) Presence of Economic Clusters. Appropriate

Weightages have been given for each of these parameters while selecting the sub districts. Thereafter, within these sub districts so identified by the Ministry, the State Governments would select the clusters and while doing so, could include the following performance parameters:

i. Decadal growth in Tribal Population.
ii. Growth in Tribal Literacy rates.
iii. Decadal growth in Non-Farm Work force participation.

Any other factor which the States may consider relevant may be included in addition to the above three parameters, provided the weightage for the above three parameters is not reduced below 80%. While selecting the Rurban cluster, in addition to the quantitative aspects mentioned in section 12.2.2 above, the state shall lay special emphasis on tribal areas and villages so as to ensure development of tribal areas.
12.9 Project Funding

The identified Rurban Cluster will be developed as a project with project components. The project shall be implemented over a fixed time-frame of three years by integrating and converging the implementation of the project components. This will be followed by an Operations and Maintenance period of 10 years.

The Project shall be considered as a unit of funding under the Mission. Funds for the Project shall be mobilized through convergence of various Central Sector, Centrally Sponsored and State Schemes. The Mission shall provide Critical Gap Funding (CGF) to the Project to supplement the funds mobilized through convergence of various schemes.

12.9.1 Convergence of Centrally Sponsored, Central Government and State Government schemes:

Convergence of various existing Centrally Sponsored, Central Sector, and State Schemes towards integrated implementation in a Rurban cluster is one of the fundamental principles under NRuM. Thus, it is envisaged that under NRuM, funds from these converged schemes shall contribute towards the development of the interventions proposed and is expected to meet the majority of capital costs for the projects.

12.9.2 Critical Gap Funding (CGF):

The CGF provided shall be in addition to the funds available to the Project through various schemes. The entire CGF will be funded by the Mission through Ministry. The CGF will be provided to bridge the funding gap posed by availability of scheme funds and fulfilling the development aspirations of the ‘Rurban Cluster’ as identified in the ICAP. For plain areas, the CGF will be capped at 30% of the Project capital expenditure or Rs. 30 crores, whichever is less. In desert, hilly and tribal areas the CGF will be capped at 30% of the Project capital expenditure or Rs. 15 crores, whichever is less.
12.9.3 Resources under CSR:
These resources can also be leveraged for better implementation of the programme. The support through CSR could be in the form of deployment of human resources and not necessarily as financial grants.

12.9.4 The Operations and Maintenance Expenses of the project will be recovered through user charges as per the user charges policy in the State with shortfall supported by the State budget.

12.9.5 Administrative Costs:
National Level:
A budget of Rs. 2.5 crore each year (0.5% of the CGF for 2015-16) has been kept at the National Mission Directorate for supporting the National Mission Management Unit and other arrangements at the Centre for managing the Mission

State Level:
In order to support the NRuM, an administrative budget of 2% of the amount of CGF has been provided for supporting the State Government towards project development and supporting SPMUs, DPMUs, CDMU and other support arrangements at the State.

12.9.6 Innovation Fund:
An additional budget of 5% of CGF has been provided as an Innovation budget towards research and development, funding State Technical Support Agencies, capacity building, provision of awards and recognition and other Mission related activities etc.

12.9.7 Fund Release & Fund Flow Mechanism
The Critical Gap Funding (CGF) approved for the Rurban Cluster will be transferred from the Ministry to the State Government, which in turn will ensure that it will be credited into a dedicated bank account maintained by the SNA. The CGF for each cluster will be divided into three installments, over a period of three years, in accordance with the project schedule finalized during the approval of the NRuM project.

The SNA would then transfer the CGF to a dedicated bank account at the District Level. The District Collector shall utilize the funds from this account for the components of the ICAP proposed to be funded by CGF. The State Governments/Gram Panchayats may utilize these dedicated bank accounts for channelizing any additional funding for the Rurban cluster.

For Central Sector, Centrally Sponsored and State Sector schemes converged under the National Rurban Mission (NRuM) for a cluster, the fund flow arrangement shall be in accordance with the relevant Scheme Guidelines and these funds will not be routed through the dedicated bank accounts at the State and the district level.

Release of Administrative funding: The Ministry shall release Rs. 35 lakhs (Rupees thirty five lakhs only) per Rurban cluster approved in the State for preparation of ICAPs. This will be adjusted against the 2% administrative budget for each State.
**12.9.8 Fund Release:**

The funds would be released in three installments at appropriate stages of the project cycle.

- **The first installment** – 30% of CGF will be released after the approval of the ICAP by the Ministry.

- **The second installment** – 30% of CGF will be released after the submission of DPR approvals by SLEC, approval of the final CGF for the project by the Ministry, which will be followed with commencement of construction activities at the site.

- **The third installment** – 40% of CGF will be released after submission of Utilization Certificate in accordance with the GFR rules and a field visit by Ministry.

The SNA shall transfer 35% of the CGF received as third installment to the Project and the balance 5% of the CGF shall be transferred by the SNA after completion of construction of all project components. The SNA shall verify the completion of the project through site visits. A copy of the completion report will have to be sent to the Ministry for information and record.
12.10 Capacity Building

**Training and Administrative Support:**

In order to support the NRuM, adequate budgets have been provided for capacity development and other IEC activities at the State Government level for managing the implementation of clusters. NRuM Training modules: In addition to the initiatives by the State Government, the Mission Directorate shall undertake training and capacity building at the National, Regional and State level. Appropriate funds shall be utilized towards undertaking the training and capacity building activities.

12.11 Implementation Strategy

**Types of Strategies:** After approval of the CGF by the Empowered Committee, the State shall appoint agencies for the implementation of the projects for construction and for O&M period either through conventional contracts or Public Private Partnerships (PPP) as per the approved implementation plan. Broadly the implementation strategy may include the following

**Capital Works**

a) Implementation of all components of the project by the State Government agencies.

b) Implementation through PPP.

**Operation & Maintenance**

The SNA shall nominate or appoint agencies for Operations and Maintenance (O&M) during the O&M period of 10 years either through conventional contracts or through Management contracts with a private sector operator as per the strategy finalized in the ICAP. Broadly the Implementation strategy may include the following:

- O&M of the project components by the Gram Panchayats, State Government agencies or private partners.
- O&M of project components like water supply, sewerage, solid waste management etc. as a combined utilities management contract with a private sector operator.
- The Ministry will issue separate guidelines to help State Governments identify components that can be taken up through the PPP mode. Standard modules of PPP will be developed and State Government may adopt these standard modules.

12.12 Monitoring and Evaluation

The scheme will have effective Monitoring and Evaluation mechanisms in place. Field visits will be conducted before the release of the 3rd installment of CGF. The team will comprise officials from the Ministry as well as State Nodal Agency.

At the National and State level, a separate, real time web based monitoring system will be put in place for the scheme covering all aspects and components. Every process taken up under this programme, will be tracked for the progress, photographed and made available in public domain. Similarly, photographs of all assets at different stages would be uploaded. The outputs under each activity would be measured every quarter vis-à-vis the physical and financial targets set out in the ICAP.
12.13 Gender and Social Inclusion

Specific activities addressing the special vulnerabilities and development needs of socially excluded communities such as scheduled caste, scheduled tribes, people with disabilities, single women and old people without care givers included in the budgets at the cluster level.

12.14 Grievance Redressal

An appropriate grievance redressal mechanism shall be constituted under the chairpersonship of the concerned SNA wherein the NRuM projects are being implemented for handling local level grievances. Similarly, a mechanism for grievance redressal shall also be institutionalized under the chairpersonship of Joint Secretary, Ministry for handling grievances wherein intervention of Ministry is required.

12.15 Convergence

Convergence can be taken up with the following schemes.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Desirable Components</th>
<th>Desirable outcome</th>
<th>Name of the Scheme for convergence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Skill Development training Linked to Economic activities to Economic Activities</td>
<td>At-least 70 percent household with one beneficiaries in each households</td>
<td>Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY)</td>
</tr>
<tr>
<td>2</td>
<td>Agri-services and Processing</td>
<td>Support to the Agriculture and Allied activity components as per RKVY</td>
<td>Rashtriya Krishi Vikas Yojna (RKVY)</td>
</tr>
<tr>
<td>3</td>
<td>Agri services and farm productivity</td>
<td>Support to components under end to end irrigation supply chain as per PMKSY</td>
<td>Pradhan Mantri Krishi Sinchai Yojna (PMKSY)</td>
</tr>
<tr>
<td>4</td>
<td>Agri Services</td>
<td>Support to organic farming cluster identified under PKVY</td>
<td>Paramparagat Krishi Vikas Yojna (PKVY)</td>
</tr>
<tr>
<td>5</td>
<td>Digital Literacy (access to digital resources for all citizens)</td>
<td>At least one e-literate person in every household.</td>
<td>Digital India</td>
</tr>
<tr>
<td>6</td>
<td>24x7 Piped Water Supply</td>
<td>70 liters per capita per day (lpcd) of safe drinking water for every households throughout the year</td>
<td>National Rural Drinking Water Programme (NRDWP)</td>
</tr>
<tr>
<td>7</td>
<td>Sanitation</td>
<td>100% HH with Individual Household Latrines</td>
<td>Swachh Bharat Mission- Grameen</td>
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<tr>
<td>8</td>
<td>Solid and Liquid Waste Management</td>
<td>Solid waste collection + Secondary transport for all HHs wastes and liquid waste management</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Solid Waste Treatment/Vermi compost Pit</td>
<td>Vermi-composting plant per 25000 persons/liquid waste unit (as per SBM-G guideline)</td>
<td></td>
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<tr>
<td>No</td>
<td>Service Type</td>
<td>Description</td>
<td>Applicable Schemes</td>
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<td>-----------------------------------------------------------------------------</td>
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<tr>
<td>10</td>
<td>Village Streets with Drains</td>
<td>All village to be covered with Drains</td>
<td>Applicable Central and State government schemes</td>
</tr>
<tr>
<td>11</td>
<td>Street Lights</td>
<td>All village to be covered with Street Lights</td>
<td>Applicable Central and State government schemes</td>
</tr>
<tr>
<td>12</td>
<td>Fully equipped Mobile Health Unit</td>
<td>Mobile Unit as per NHM norms</td>
<td>National Rural Health Mission (NHM) - Rural</td>
</tr>
<tr>
<td>13</td>
<td>Upgradation of primary, secondary and higher secondary schools</td>
<td>Ensuring primary and secondary school within a reasonable distance from all households along with facilities of Drinking water provisions, Toilet blocks (separate for boys and girls) and adequate class rooms.</td>
<td>Rashtriya Madhyamik Shiksha Abhiyan (RMSA), Sarva Shiksha Abhiyan (SSA), Rashtriya Uchcharat Shiksha Abhiyan</td>
</tr>
<tr>
<td>14</td>
<td>Inter village roads Connectivity</td>
<td>Ensure connectivity between all villages</td>
<td>Pradhan Mantri Gram Sadak Yojana (PMGSY) for road connectivity</td>
</tr>
<tr>
<td>15</td>
<td>Public transport</td>
<td>Public transport to nearest urban centre from each block</td>
<td>Applicable State government schemes</td>
</tr>
<tr>
<td>16</td>
<td>Citizen Service Centres- for electronic delivery of citizen centric services/e-gram connectivity</td>
<td>One ICT enabled front end Common Service Centre (CSC) per 2 to 3 Villages</td>
<td>Digital India Mission</td>
</tr>
<tr>
<td>17</td>
<td>LPG Gas Connections/ Improved Chulhas</td>
<td>One LPG retail outlet per village or per 1800 households</td>
<td>Rajiv Gandhi Grammeen LPG Vitaran Yojana (RGGLVY)</td>
</tr>
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</table>
## Risk Areas in the Scheme

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Level of implementation process</th>
<th>Risk areas</th>
<th>Control Authority</th>
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<tbody>
<tr>
<td>1</td>
<td>Organizational structure</td>
<td>Improper organization set up at all levels by State Government</td>
<td>State Project Management Unit (SPMC)</td>
</tr>
<tr>
<td>2</td>
<td>Selection of Rurban Clusters(Tribal &amp; Non Clusters)</td>
<td>Not followed given parameters in selection process of clusters</td>
<td>State level empowered committee set up by Chief Secretary</td>
</tr>
<tr>
<td>3</td>
<td>Critical Gap Funding (CGF)</td>
<td>Failure to follow the criteria of the CGF funding</td>
<td>State Nodal Officer and CPM and National Rurban Mission</td>
</tr>
<tr>
<td>4</td>
<td>CSR (Corporate Social Responsibility)</td>
<td>Non utilization of effective services of CSR</td>
<td>State Nodal Agency with support of SPMU</td>
</tr>
<tr>
<td>5</td>
<td>Operations and Maintenance Expenses</td>
<td>Non recovery of O &amp; M expenses through proper user charges Failure to sanction shortfall from state budget</td>
<td>Sate Nodal Agency</td>
</tr>
<tr>
<td>6</td>
<td>Allocation Administrative Costs &amp; Innovation Budget</td>
<td>Non Maintenance of 0.5% of CGF for supporting NMMU and other arrangements at Central level. Non release of 2% of CGF for supporting SPMU, DPMU, CDMU and other arrangements at Central level. Non release of 5% of CGF for supporting research and development, Technical Support Capacity Building etc activities.</td>
<td>JS, Rurban, MoRD and CPM, NRUM</td>
</tr>
<tr>
<td>7</td>
<td>Fund flow</td>
<td>Delay in fund release from MoRD-State-SNA-District</td>
<td>JS, Rurban and CPM, NRUM</td>
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<td>8</td>
<td>Capacity Building</td>
<td>Non provision of budget for IEC and capacity building activities at all levels. Failure to conduct IEC and capacity building activities at all levels.</td>
<td>State Nodal Agency and NRUM</td>
</tr>
<tr>
<td>9</td>
<td>Implementation</td>
<td>Failure to appoint appropriate agencies for implementation in appropriate time by SNA</td>
<td>SLEC</td>
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<td></td>
<td>Monitoring and Evaluation</td>
<td>Failure to comprise of monitoring teams. Failure to conduct field visit before the release of 3rd instalment of CGF. Failure to maintain web based monitoring system and updating of project progress. Failure to measure outputs of physical and financial targets set out in ICAP in every quarter.</td>
<td>SNA and NRUM</td>
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<tr>
<td>10</td>
<td>Gender and Social Inclusion</td>
<td>Failure to address needs of vulnerable sections</td>
<td>SLEC</td>
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<tr>
<td>11</td>
<td>Grievance Redressal</td>
<td>Failure to set up Grievance Redressal mechanism at State and Ministry level. Non-functioning of Grievances Redressal Mechanism</td>
<td>SLEC</td>
</tr>
<tr>
<td>12</td>
<td>Convergence</td>
<td>Failure to coordinate with other Central and State sponsored schemes for effective convergence</td>
<td>SNA</td>
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WORK BOOK:

1. Brief about aim, coverage and objectives of Shyama Prasad Mukherji Rurban Mission (SPMRM)

2. What is Rurban Cluster’ and elicit process of selection

3. Differentiate the parameters to be followed in selection of Tribal & Non-Tribal clusters

4. What is an ICAP and draw the steps involved in preparation ICAP

5. Draw the flow chart relating to steps followed by States in implementation

6. What is CGF and write parameters on which CGF would be granted

7. Explain the Monitoring and Evaluation system

8. Enlist all Central and State sponsored schemes which are converging with RURBAN project

9. List out important risk areas

10. Elicit the checklist of internal audit in RURBAN
Check List for Internal Audit:

1. Whether all institutions (NMMU, SPMU, DPMU, CDMU etc.) were set up?
2. Whether given parameters were followed in selection of clusters (Tribal and Non-Tribal)?
3. Whether criteria for CGF followed (Plain/Hilly areas)?
4. Whether CSR services were utilized? On which components?
5. Whether O&M expenses were recovered from user charges? How much?
6. If any shortfall, was it adjusted from the State Budget? How much?
7. Whether stipulated percentages of CGF was released and utilized as per norms?
8. Whether any research and development, trainings were taken up? How many?
9. Whether funds released from State to SNA, SNA to District in stipulated time?
10. Whether budget was provided IEC and Capacity building activities at all levels?
11. Whether allocated budget for IEC and Capacity building activities was used for other activities?
12. Whether registers and records for accounts were properly maintained for CGF, administrative cost, Innovation fund and Capacity building activities?
13. Whether norms were followed in appointment of implementing agencies (PPP)?
14. Whether monitoring teams were comprised at Central and State levels?
15. Whether field visits were conducted by monitoring teams before the releasing third instalment of CGF?
16. Whether web based monitoring system was established?
17. Was the progress of the project updated in Web?
18. Whether Outputs of physical and financial targets setup in ICAP were measured on quarterly basis?
19. Whether needs of vulnerable sections were given priority?
20. Whether grievance redressal was existed and functional?
21. Whether available Central and State sponsored schemes mentioned in guidelines were converged with projects effectively.
22. Whether office orders exist regarding exercise of delegation powers of concerned authority.
23. Whether the second eye is being followed in the maintenance of the cash book and adequate methods for simple cheques are taking places or not.
24. Whether annual verification of stock as required under General Financial Rules (GFR) has been done.
25. Whether some critical staff has continued in the same position without rotation for unjustifiable length of time.
26. Whether any interference by unauthorized staff is being made.
27. Non adoption of correct procedure with regard to purchase policy envisaged in GFR.
28. Whether monthly reconciliation of bank statements is being carried out.
29. Whether CPR was submitted in time?
Unit 13
Rural Development Schemes

Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)
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<tr>
<td>AP</td>
<td>- Action Plan (The equivalent of this for YP States in Year Programme)</td>
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<tr>
<td>APL</td>
<td>- Above Poverty Line</td>
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<tr>
<td>BPL</td>
<td>- Below Poverty Line</td>
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<tr>
<td>CAG</td>
<td>- Comptroller and Auditor General</td>
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<tr>
<td>CAPART</td>
<td>- Council for Advancement of People’s Action and Rural Technology</td>
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<tr>
<td>CBOs</td>
<td>- Community Based Organisations</td>
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<tr>
<td>COO</td>
<td>- Chief Operating Officer</td>
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<td>CRP</td>
<td>- Community Resource Person</td>
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<tr>
<td>CSOs</td>
<td>- Community Social Organisations</td>
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<tr>
<td>CTSA</td>
<td>- Central Technical Support Agency</td>
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<tr>
<td>DONER</td>
<td>- Development of North Eastern Region</td>
<td></td>
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<tr>
<td>DRDA</td>
<td>- District Rural Development Authority</td>
<td></td>
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<tr>
<td>DSS</td>
<td>- Decision Support System</td>
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<td>DDU-GKY</td>
<td>- Pandit Deen Dayal Upadhya Grameen Kaushalya Yojana</td>
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<tr>
<td>EC</td>
<td>- Empowered Committee</td>
<td></td>
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<tr>
<td>ERP</td>
<td>- Enterprise Resource Planning</td>
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<tr>
<td>FMS</td>
<td>- Financial Management System</td>
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<tr>
<td>GOI</td>
<td>- Government of India</td>
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<tr>
<td>GP</td>
<td>- Gram Panchayat</td>
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<td>IAP</td>
<td>- Integrated Action Plan</td>
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<td>ICDS</td>
<td>- Integrated Child Development Scheme</td>
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<tr>
<td>ICT</td>
<td>- Information and Communication Technology</td>
<td></td>
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<tr>
<td>IEC</td>
<td>- Information, Education, Communication</td>
<td></td>
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<tr>
<td>IFD</td>
<td>- Integrated Finance Division</td>
<td></td>
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<tr>
<td>IRDP</td>
<td>- Integrated Rural Development Programme</td>
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<tr>
<td>IT</td>
<td>- Information Technology</td>
<td></td>
</tr>
<tr>
<td>ITI</td>
<td>- Industrial Training Institute</td>
<td></td>
</tr>
<tr>
<td>LWE</td>
<td>- Left Wing Extremist</td>
<td></td>
</tr>
<tr>
<td>LQAS</td>
<td>- Lot Quality Assurance Sampling</td>
<td></td>
</tr>
<tr>
<td>MES</td>
<td>- Modular Employable Skills</td>
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<tr>
<td>MGNREGA</td>
<td>- Mahatma Gandhi National Rural Employment Guarantee Act</td>
<td></td>
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<tr>
<td>MIS</td>
<td>- Management Information Systems</td>
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<tr>
<td>MoRD</td>
<td>- Ministry of Rural Development</td>
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<tr>
<td>MOU</td>
<td>- Memorandum of Understanding</td>
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<tr>
<td>MSP</td>
<td>- Multi-state Project</td>
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</tbody>
</table>
MSME - Micro, Small and Medium Enterprises
NABARD - National Bank for Agriculture and Rural Development
NABCONS - NABARD Consultancy Services
NAG - National Advisory Group
NCVT - National Council for Vocational Training
NIRDPR - National Institute of Rural Development and Panchayati Raj
NIOS - National Institute of Open Schooling
NMMU - National Mission Management Unit
NRHM - National Rural Health Mission
NRLM - National Rural Livelihood Mission
NSDC - National Skill Development Corporation
NSDA - National Skill Development Agency
NSDM - National Skill Development Mission
NSAP - National Social Assistance Programme
OJT - On Job Training
PAC - Project Approval Committee
PFMS - Public Financial Management System
PMAY - Pradhan Mantri Awas Yojana
PIAs - Project Implementing Agencies
PIP - Participatory Identification of Poor
PRI - Panchayati Raj Institutions
PWD - Persons with Disability
RD - Rural Development
RL - Rural Livelihood
SRLM - State Rural Livelihood Mission
SC/ST - Scheduled Castes /Scheduled Tribes
SGSY - Swarnajayanti Gram Swarojgar Yojana
SHG - Self-Help Group
SPIP - State Perspective and Implementation Plan
SSP - Single State Project
TSA - Technical Support Agency
UC - Utilisation Certificate
YP - Year Programme (This is the equivalent of AP for YP States)
Learning Outcome

By the end of the learning, the reader will be enabled to understand the following:

a) Origin of DDU-GKY
b) Other Components of DDU-GKY
c) Key features of DDU-GKY
d) Stakeholders in DDU-GKY
e) Key Process of DDU-GKY including support structures at all level
f) Fund Flow and Financial Management in DDU-GKY
13.1 Introduction
The Government of India has set an ambitious target for providing skill training to 500 million of its youth by 2022, which is in line with the estimated demand for skilled manpower over the next decade. As per the 2011 Census, India has 55 million potential workers between the age group of 15 and 35 years in rural areas. The statistics also reveal that many industrialised nations are facing an ageing population problem. These countries are expected to face a cumulative shortage of 57 million workers by 2020. These numbers represent a historic opportunity for India to transform its demographic surplus into a demographic dividend. Several Ministries have been assigned targets for skilling India’s youth to contribute to the Government’s vision for making India the skill capital of the world.

Lack of formal education, marketable skills and other constraints imposed by poverty place significant entry barriers to today’s job market. Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), the skill training and placement programme of the Ministry of Rural Development (MoRD), is therefore, designed not only to provide high quality skill training opportunities to the rural poor, but also to establish a larger ecosystem that supports trained candidates to secure a better future. It occupies a unique position amongst other skill training programmes, due to its focus on the rural poor youth and its emphasis on sustainable employment through the prominence and incentives given to post-placement tracking, retention and career progression.

13.2 About DDU-GKY
Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) is the skill and placement initiative of the Ministry of Rural Development, Government of India (MoRD). It evolved out of the need to diversify incomes of the rural poor and to cater to the occupational aspirations of their youth. The programme’s focus is on skilling and placement in the formal sector for rural youth who are poor. DDU-GKY has its origins in the ‘Special Projects’ component of the Swarna Jayanti Gram Swarozgar Yojana (SGSY), which was subsequently renamed as Aajeevika Skills when SGSY was converted to National Rural Livelihood Mission.

Besides helping to reduce poverty, it rides on the hopes and aspirations for a better quality of life in large sections of the rural poor. This has greater significance in the current context, where 430 million people in our country are in the age group 15-34 and constitute 35% of the population (Census 2011). This age group is projected to increase to 464 million by 2021. This can result in a “demographic dividend” for India if the capabilities of the youth are also developed.

DDU-GKY aims to skill rural youth who are poor and provide them with jobs having regular monthly wages at or above the minimum wages. It is one of the clusters of initiatives of the Ministry of Rural Development, Government of India that seeks to promote rural livelihoods. It is a part of the National Rural Livelihood Mission (NRLM) - the Mission for poverty reduction called Aajeevika.
MoRD pursues its goal of rural poverty reduction by adopting a multi-pronged strategy. This includes programmes for rural infrastructure (Pradhan Mantri Gram SadakYojana – PMGSY), rural housing (Indira Awas Yojana - IAY), employment guarantee (Mahatma Gandhi National Rural Employment Guarantee Scheme - MGNREGS), livelihood promotion (National Rural Livelihood Mission - Aajeevika) and social pensions (National Social Assistance Programme - NSAP). DDU-GKY derives its importance from its potential to reduce poverty by diversifying incomes and reducing their uncertainty.

The skilling target for the MoRD for Twelfth Plan was revisited in the mid-term review and taking into consideration the limited budget availability the target has been revised to skilling of 10.5 lakh rural BPL candidates. However the recent policy initiatives for industry engagement under DDU-GKY are expected to enable scaling up of programme.

13.3 Key Features
- Ensuring that all trainees are from poor rural households.
- Ensuring that trainees are able to access skilling and placement services free of cost.
- Adopting a Gram Panchayat (GP) saturation approach to enrolment to enable better mutual support.
- Providing financial assistance for transport/ lodging and food during training.
- Providing for post-placement support for six months.
- Providing for post-placement counseling, facilitation and tracking for one year.
- Providing training in a number of trades that do not require formal education.
- Working with Self-Help Groups (SHGs) to authenticate performance.
- Encouraging exemplary performance in skill development by various stakeholders by instituting awards by State Government.
- Migration Support and Alumni Network to enable farm to factory transition.
- Emphasis on regions like Jammu & Kashmir (HIMAYAT), 27 Left Wing Extremist Districts (ROSHNI) and North East States.
- Standards-led delivery Pioneering Standard Operating Procedures to provide essential quality assurance framework for training infrastructure and service delivery.
- Inclusive Programme Design which involves mandatory coverage of socially disadvantaged groups (SC/ST 50%, Minority 15%, Women 33%)

13.4 Special Components of the Programme

13.4.1 ROSHINI -Special Initiative for Most Critical Left-Wing Extremist Affected Areas

A special initiative for most critical left-wing extremist affected areas, Roshini, with separate guidelines has been launched that takes into account the peculiar situation in extremist affected districts. In particular, it provides for training programmes over different time periods. Currently these are for three, six, nine and twelve months. In the twelve month format, besides the normal, skill, IT and soft skill
training, trainees are also provided National Institute of Open Schooling (NIOS) certification (8th or 10th) depending on the level at which they dropped out of the formal school system.

### 13.4.2 HIMAYAT - Special Scheme for Jammu and Kashmir

MoRD operates a special scheme under DDU-GKY for Jammu and Kashmir which unlike other DDU-GKY flavours covers: i. Urban as well as rural youth ii. Below Poverty Line (BPL) as well as Above Poverty Line (APL) persons iii. Wage employment in the formal sector as well as self-employment. This is a 100% Centrally funded scheme implemented with the help of the State government by a dedicated Himayat Mission Management Unit located in both Srinagar and Jammu.

### 13.5 Stakeholders

#### 13.5.1 DDU-GKY follows a three-tier implementation model. The DDU-GKY National Unit at MoRD is the agency responsible for national policy-making, funding, technical support and facilitation. The DDU-GKY State Skill Missions embedded in general within the State Rural Livelihood Missions (SRLMs) and NIRD&PR are envisioned to play a central role in providing co-funding and implementation support to DDU-GKY in the state; and the Project Implementing Agencies (PIAs) who implement the programme through skill training and placement projects. Gram Panchayats and Self-Help Group (SHG) also play vital role for successful implementation of project. The Rural Youth between the age of 18-35 years are expected to be placed continuously for at least 3 months in the organised sector.

#### 13.5.2 To execute programme in more structured and efficient manner, following support structures have been created at National level.

**a. National Advisory Group (NAG)** will be constituted to support MoRD with inputs, feedback and suggestions to improve the quality and scope of DDU-GKY. NAG will be drawn from among policy planners, other Central Ministries, State Governments, industry, academia, civil society, industry organisations and international organisations. The activities for the NAG are the following: Identify policy and implementation issues related to DDU-GKY at National, State and local level covering process and procedure, systems and institutions. Identify issues related to convergence with other skill development initiatives of Central and State Governments. Identify and disseminate best practises related to DDU-GKY across States.

**b. Empowered Committee (EC)** The Empowered Committee (EC) of NRLM shall be the single-window agency for approval of key policy and financial matters pertaining to DDU-GKY except such financial matters which require appraisal of SFC/EFC and approval by MRD/CCEA. The EC shall be composed of:

(i) Secretary, Rural Development, MoRD Chairperson
(ii) Additional Secretary & Financial Advisor, MoRD- Member
(iii) Additional Secretary (Rural Livelihoods), MoRD- Member
(iv) Principal Secretaries/ Secretary (RD) from States- Invitees
(v) Poverty and Rural Development Experts/ Bankers- Invitees
(vi) Joint Secretary (Skills) & Addl. CEO, NRLPS Member-convener
The EC will perform the following activities:

(i) Approve all policy matters relating to DDU-GKY;

(ii) Approve the State Perspective Implementation Plan (SPIP), Action Plan (AP of AP States) and Year Programme (YP) of non-AP;

(iii) Approve innovative projects including innovative project proposals for the special groups and conflict areas (Person with Disabilities, transgender, victims of trafficking, manual scavengers, rehabilitated bonded labour and others, in supersession of existing norms;

(iv) Approve large scale captive skilling projects, Industry Internship projects, Projects with course duration of more than 12 months, and any other skill developmental projects of national impact;

The key stakeholders are represented in the following diagram

Schematic Representation of DDU-GKY stakeholder structure
13.6 Key Processes

DDU-GKY implementation depends on categorisation of the States. These States are categorised into three major categories.

13.6.1 AP States

States that fulfill the following five conditions are designated as AP States.

i. Have a full time COO/Programme Manager in charge of skills and placement.

ii. Have a dedicated skills team at the State level to support COO skills.

iii. Have a dedicated skills team at the district and sub-district level to support COO skills.

iv. Have a policy that is aligned with the national guidelines on how to appraise new and ongoing projects.

v. Have a policy clarifying how DDU-GKY PIAs can use spare capacity (men and material) in government institutions and buildings.

AP States approve individual projects without prior clearance from MoRD. They do so using provisions in these guidelines within the boundaries of an AP approved by the EC in MoRD. MoRD will continue to undertake supportive supervision of these projects with the help of NIRD&PR and NABCONS or any other designated CTSA appointed for the purpose. The State and PIA will enter into an MoU (the format for submission of AP can be accessed from http://ddugky.gov.in). Both States and PIAs will be required to submit compliance reports of advisories issued in the course of supervision from time to time. In
addition to these, each PIA is required to have dedicated quality teams (Q teams) who inspect training centres each month using protocols issued by MoRD. Besides they are also required to independently test the placement and retention record reported by the placement team of the PIA via their web site and passed on to the DDU-GKY database (when it is ready). The Q team will use ‘Lot Quality Assurance Sampling’ (LQAS) standards approved by NIRD&PR. Results from these inspections will be checked by the SRLM using its own Q teams or those of its designated technical support agency (CTSA). NIRD and NABCONS will also be reviewing the work of the Q teams of the PIA and the SRLM.

13.6.2 Non-AP States
States that do not fulfill AP criteria are designated as YP States. YP States like their AP counterparts need to get their Year Programme approved by the EC in MoRD. This is the equivalent of AP for YP States. Additionally, they also need to get individual projects approved by the EC in MoRD as notified by the Ministry. Power to approve individual DDU-GKY projects will devolve to States as soon as they fulfil the five AP conditions. All other steps and protocols for programme administration and quality control in the case of projects in YP States are the same as in AP States.

13.6.3 Multi-State Project
Traditionally most DDU-GKY projects and their SGSYSP predecessors were sanctioned by MoRD as MSPs. They were also monitored directly by MoRD with the help of CTSA with very little involvement of State governments. Going forward, no new MSP will be sanctioned, but helping PIAs bring these projects to an orderly closure is the joint responsibility of both the State and Central governments. In this they will be assisted by NIRD&PR and NABCONS, the two designated CTSAs for DDU-GKY. Each state and union territory has been allocated to one of these two agencies. The responsibility to develop protocols and train state and PIA personnel are currently allocated to NIRD&PR. Details of allocation of States between NIRD&PR and NABCONS can be accessed from http://ddugky.gov.in. The steps involved in the management of Multi-State DDU-GKY projects are the same i.e.

i. Workflow driven ERP to be used by PIA for programme management including daily reporting from the training centres.

ii. Allowing CTSA to monitor progress via an interface with the ERP. CTSA to issue fortnightly advisories to PIA on corrections required if any.

iii. Inspection of training centres by Q teams of PIA.

13.7 Activities to be undertaken:
Following activities need be undertaken at SRLM to implement DDU GKY in respective States.

1. **Establish Team:** establish dedicated team at State, district and sub-district level

2. **Empanel TSA:** All procurement formalities to be completed to take TSA on board for assisting SRLM in evaluating and inspecting proposals from PIA.

3. **Build IT Platform:** Establish skill and placement ERP platform

4. **Conduct Skill Gap Assessment:** Create a State level youth database using SECC household id by conducting SGAs and placement demand surveys. This is an ongoing process.
5. **Consult Stakeholders:** Prepare a seven year SPIP in consultation with prospective employers and skill providers in the private and government sectors.

6. **Consult PIAs:** Prepare AP in consultation with PIAs desirous of implementing DDU-GKY projects in the State.

7. **SPIP & AP approval:** Get the SPIP & AP approved by the EC of MoRD.

8. **Build PIA and SRLM capacity:** Organise workshops for SRLM teams and PIA project preparation and Q teams.

9. **Receive Project Proposals:** Arrange to download and process project proposals submitted electronically by PIAs 24X7 round the year. Ensure that there is a clear audit trail that captures time stamp at all stages. The formats for submission of proposals and the URL on which proposals shall be submitted shall be notified by MoRD.

10. **Appraisal:** Appraisal of the proposal shall be done in the manner and the system notified by MoRD and score shall be automatically generated. All applications that score the minimum marks shall qualify for consideration by the PAC.

11. **Hold PAC meeting:** Hold PAC meetings on the 1 Tuesday of each month to consider all projects received by the 2nd Tuesday of the previous month.

12. **Ensure Supportive Supervision:** Review the PIAs, regular MIS and online accounting MIS each fortnight and issue advisories in case of deviations or failure to meet monthly targets.

13. **Achieve targets:** Review compliance by PIA of previous advisories issued by SRLM and MoRDs CTSA.

14. **Review the PIAs monthly targets** for training candidates - conduct a review of the monthly targets for training candidates (category-wise) assigned to the PIAs. In case of shortfall, PIAs should make plans to address the gap and ensure that annual targets are achieved. Where there is shortfall in achievement of the targets fixed for the project for SC/ST, Minorities and women up to 5% in each category, the PIA shall submit a proposal seeking relaxation from the PAC. In case the proposal for relaxation is not accepted by the PAC, then proportionate deductions shall be made from the subsequent releases for the shortfall in the assigned targets.

15. **Ensure Quality Conduct once** in two months quality audit of each training centre and previously reported placements.

16. **Ensure that PIA receives instalments** within 30 days of becoming eligible. This would be possible only if the decision to release funds is taken solely on the basis of well published scoring systems that the PIA, CTSA and the SRLM’s internal finance division buys into. SRLM will have to use the MIS to predict the date by when the PIA would be submitting their claim for instalment and ensure that the concurrent monitoring, both physical and financial, are completed before that date. This is possible if the PIA has a detailed real time physical and financial MIS and exposes this over the internet to the CTSA and the SRLM.

17. **Monitoring of Retention:** DDU-GKY has progressed from being a programme that provides skilling to one that also ensures placement. Retention is the new goal.
18. **Organise Job Melas** Bring together both prospective employers who have a good track record and rural youth who have either employable skills or can be trained by the employer at the cost of the employer.

19. **Establish Migration Support Centres**: Many of the jobs in the formal sector are unfortunately available in areas that are distant from the areas where the rural poor reside. Establish support centres where DDU-GKY alumni are assisted in:
   i. Finding accommodation
   ii. Finding alternate/better paying jobs
   iii. Sorting out problems with the local administration
   iv. Dealing with personal issues by providing access to a professional counselor.

20. **Establish helplines**: in the office of the collector/district magistrate for DDU-GKY women beneficiaries who migrate outside their district. In the case of women beneficiaries who are being placed outside the district, there should be designated mobile phone helpline and nodal officers whom they can contact on mobile phone or email in case of a crisis. It will be the duty of the collector/D.M of the home district to contact the destination district collector either directly or through the State Government to help the women in distress.

21. **Establish an DDU-GKY alumni programme**: Organise programmes that nurture and encourage DDU-GKY alumni. Newsletters, annual get together, recognition for high achievers, assistance in finding better paying jobs, convergence with other government programmes for higher education are some of the activities that can be taken through this

22. **Convergence**: with State Missions for skill development - explore convergence opportunities with State Missions for skill development as well as various departments. Some of the programmes have similar objectives and target group as DDU-GKY and provide opportunities to develop synergies.

23. **Setting standards for training centres**: using a ranking system - A ranking system for the training centres will be operationalised to ensure quality standards. The training centres need to maintain minimum standards, infrastructure and technical expertise as detailed in guidelines. In order to bring elements of competition between the PIAs, a system for ranking training centres based on a commonly agreed criteria will also be put in place. e.g. The centres can be ranked as one star, two star, three star, etc. This ranking will vary after each inspection.

24. **Establish Career Guidance Centres**: Setting up Career Guidance centres at various levels, both at district and block. These will channelise candidates into training programs, apprenticeships and jobs. The services will include counselling to potential candidates, linking candidates to service providers, etc.

25. **Providing information about DDU-GKY in public domain**: All information related to DDU-GKY has to be placed in public domain, especially by maintaining website where information is updated regularly. This will help the public to take informed decisions as well as bring in transparency.
26. **Conduct training and capacity building programme for GP functionaries** - Regular training of GP functionaries to build their capacity to actively participate and play a pro-active role in various activities related to DDU-GKY.

The steps 2, 4, 5, 18 and 19 are not applicable to Non-AP States. For step 7, the Year Programme (YP) shall be approved by EC of MoRD.

**13.8 Selection and Eligibility Criteria of Programme Implementing Agency:**

In order to be eligible to apply for a project, an entity should be:-

(i) Registered under Indian Trust Acts or any State Society Registration Act or any State Cooperative Societies or Multi-State Cooperative Acts or the Companies Act 2013 or the Limited Liability Partnerships Act 2008, or

(ii) A Government or a semi-government organisation at the State and National level.

Category of PIAs and corresponding project sizes and project periods for which they will be eligible under the DDU-GKY is as follows:

**13.8.1 Category A:**

(a) Foreign placement PIA, i.e. an entity which has annually placed 500 or more overseas jobs with a minimum salary of USD500 or more per month in the last two years from the date of application for a project; or

(b) A Champion Employer who has a valid “Champion Employer MoU” with MoRD; or

(c) Captive employer, i.e. an entity which has provided 500 or more captive jobs annually in own or subsidiary agencies/companies the last two years from the date of application for a project; or

(d) an entity owning an industry with a turnover of average ₹100 crore in previous three years, and placement of 500 or more candidates in own or subsidiary agencies/companies in last two years from the date of application for a project; or

(e) an educational institute of high repute, i.e. a PIA, which is an educational institute with a minimum score of 3.50 on CGPA out of 4.00 in NAAC grading or is a community college which has received funding from UGC or AICTE in the last two years; or

(f) a PIA which has completed three or more projects under DDU-GKY (or SGSY-SP) in the last five years and has been issued a project closure certificate; or

(g) an entity which has given training to 20000 beneficiaries and has provided placement to 70% trainees during the previous 5 years

They are entitled to get project of cost up to ₹ 50 crore and for maximum of 5 years duration.

**13.8.2 Category B:**

(a) A PIA which has annually placed 200 to 499 candidates in overseas jobs with a minimum salary of USD500 or more per month in the last two years from the date of application for a project; or
(b) A PIA which has provided 200 to 499 captive jobs annually in own or subsidiary agencies/ companies the last two years from the date of application for a project; or

(c) A PIA which has completed at least one DDU-GKY (or SGSY-SP) project in the preceding three years and have fulfilled all the conditions set in the project; or

(d) Training institutions which have not implemented DDU-GKY (or SGSY-SP) project of the Ministry in last three years, but are well established skills providers (defined as being more than five years old and having annual turnover greater than ₹15 crore, in each of the last three years); or

(e) An NSDC partner, i.e. where NSDC has a stake, either through equity or loan will fall under this category.

They are entitled to get project up to ₹ 15 crore and minimum for three years.

13.8.3 Category C: All other entities which do not qualify as Category ‘A’ or Category ‘B” above or who do not have prior experience in skilling, and have undergone PIA orientation course organised by MoRD. They are entitled for project cost up to ₹ 5 crore.

PRN registration: In order to apply for the project one has to get a Permanent Registration Number which will be a unique number for applying the projects in all States.

13.9 Activities to be undertaken by PIA

Following steps should be followed by PIA to undertake the project from MoRD

a. Appraisal: The appraisal of the project involves four major stages viz PRN, Project Application submission, Initial screening and Qualitative Appraisal.

b. PAC: Projects which qualify for the QA process shall be placed before State Project Approval Committee. The project may either get approved or rejected.

c. Sanctioning of the Project and Signing of MoU: State SRLMs will sanction the project accompanied by fund release as per Guidelines.

d. PCO: Project commencement order

e. Implementing of Project

f. Inspections

g. Closure

SRLM shall develop protocol for PIA which includes inspection of training centres, due diligence before allowing a training centre to begin operation, post-placement tracking for one year, verification of accounts, fortnightly review of online MIS, field appraisal of application for DDU-GKY project, teaching English, teaching computers, soft skills, look and feel of training centres Training centre day opening and day closing, distance education using live studio based broadcasts by master trainers, mobilisation, counseling, screening, aptitude assessment, selection of candidates job melas, on the job training, placement verification, post placement support payment, claim for 2nd, 3rd and 4th instalments, application form for project approval, third party certification, career progression payment verification, one year retention payment verification, work readiness and employability centers, migration support centres, role of SHG, role of Gram Panchayat, PIA documents.
13.10 Funding pattern and Funds flow

Funding pattern: According to the revised Guidelines 2016, Funding will be sanctioned in the ratio of 60:40 of project cost by Ministry of Rural Development and State, respectively.

Allocation of funds follows following divisions

1. **Allocation to States**: Annual allocations to States will be done using a mix of State poverty ratios and States absorption capacity.

2. **Allocation to North-eastern States**: Out of the total allocation for DDU-GKY, 10% will be earmarked for North Eastern States including Sikkim. The Central Government may notify a sub-scheme for North-eastern States taking into account the special nature of assistance necessary in the region. Till then projects shall be evaluated in terms of these guidelines.

3. **Allocation for Himayat**: A separate DDU-GKY vertical for Jammu and Kashmir is in operation since 2012-13. This is a 100% Centrally funded scheme. The target is to skill an additional 1,00,000 youth from Jammu and Kashmir and place at least 70,000 of them in the formal sector and in self-employment in next five years.

4. **Allocation for Roshini**: Another DDU-GKY vertical was launched in 2013-14 for rural poor youth in 24 most critical Left Wing Extremist (LWE) affected districts. It has been expanded to 27 LWE districts on 25 July, 2013.

13.10.2 Fund release - Centre to AP States and to PIAs in AP States: On approval of the AP in January, funds are earmarked for each State. Funds meant for PIAs are released to the SRLM via PFMS. State share is also to be credited to the state DDU-GKY bank account. All payments to PIAs in AP States will be made by the SRLM. 50% of the funds required to be spent by the SRLM, its district and sub-district units will be disbursed in advance. When 60% of the total amount available is spent, as reflected in the MIS, the remaining 50% will be disbursed via PFMS. For this a separate core banking enabled account will have to be registered by all users of DDU-GKY resources including TSC and PIA because all fund flows and accounting will be through PFMS using electronic fund transfers.

13.10.3 Fund release - Centre to non - AP States and to PIAs in non-AP States - On approval of the non-AP States YP in January, funds are earmarked for non-AP states as well. 50% of the funds payable to PIAs during the year according to the year programme approved by the EC for non AP states and the 1.5 % fee of the 13 CTSA are released through CPSMS to the CTSA. Once the CTSA disburses 60% of the funds routed to it, the remaining 50% for the financial year will be released to the CTSA. State share has to reach the PIA within 10 days of release of Central share by the CTSA.

13.10.4 Accounting Systems: The cabinet decision on the fund allocation for NRLM has mandated 25% of the total budgetary allocation for the skills programme. Therefore, an exclusive accounting system to track the funds for DDU-GKY programme from the Central level to the sub-district level has to be established. The State Governments have to incorporate the necessary instructions in their administrative and financial management systems to capture the fund flow for the skills programme.
13.10.4 **Fund Release to PIA**: Fund will be released in four installments to the PIA in the ratio of 25:50:15:10 of total project cost based on eligibility conditions.

PIAs will receive payments from the SRLM for projects sanctioned through the AP route by AP States. In the case of projects in YP States and on-going multi-State projects in both AP and YP States, PIA will be paid by MoRDs CTSA. All payments will be made according to the following release conditions:

1st Instalment: On sanction of project and signing of MoU.

2nd Instalment:
- Spending 60% of funds disbursed as 1st instalment as visible in website.
- Achieving 40% of physical target inclusive of sub-targets such as for SC/ST, minorities, etc.
- Submitting audited expenditure statement like P&L statement, Balance sheet, etc., with respect to previous year for cases after 30 September.

3rd Instalment:
- Spending 90% of funds disbursed as 1st and 2nd instalments as visible in website.
- Achieving 90% of physical target inclusive of sub-targets such as for SC/ST, minorities, etc.
- Submitting audited expenditure statement like P&L statement, Balance sheet, etc., with respect of previous year for cases after 30 September.

4th Instalment:
- On achieving all targets (Achieving 100% of physical target inclusive of sub-targets such as for SC/ST, minorities, etc., and certification of 70% of the candidates) and submission of project closure documents as well as signed score card.

For processing payments to PIAs, in instances where validating invoices is resulting in delaying the payments as per agreed time limits, then payments should be made “on account” and deductions if any should be made from subsequent payments to PIAs. Eligibility conditions for release of funds at all four stages are determined by the MIS statements of the PIA available on their website. The MIS statements have to indicate the physical and financial achievements. If the achievements meet the conditions for release of payment at each stage, a request for processing the payments will be generated and sent to PIAs or SRLMs.

CTSAs should ensure that completion of all the audit process has to be completed within seven days of PIA becoming eligible as per the MIS. The financial details which used to determine eligibility should pertain only to the reference period for each instalment.

13.10.5 **Electronic processing of fund release** - PIAs, CTSA and SRLM will be required to maintain a separate account linked to Public Financial Management System (PFMS) since all payments will be made to this account electronically when all release conditions have been completed and authenticated. Digital signatures will be acceptable in the case of documents that are transmitted electronically.
13.10.6 **Administrative expenditure:** There are no limits prescribed for administrative expenditure. However, the PIA cannot create assets from project funds except where it is approved by PAC/EC or Guidelines & SOP.

13.10.7 **Financial management information system:**
Public Financial Management System (PFMS) will be used as tracking tool for financial management of PIA and SRLM i.e all project related transactions need to be routed through PFMS. This may also use to generate analytical reports.

13.11 **List of Records including Accounting Records to be maintained at each level**

The following Records are to be maintained by PIA:


13.12 **MIS:** Incorporating a robust internet-enabled workflow-driven MIS is critical for the success of the programme. An online reporting system and website http://ddugky.gov.in. has been developed. This is being converted to an internet-enabled workflow-driven ERP platform so that all aspects of programme management including submission of proposals, release of funds, training centre management, etc., can be handled through this. Currently this website contains details of DDU-GKY projects under implementation, latest status on progress made in each project across all States and districts, details about PIAs, training centres, etc.

States can use this platform for hosting and delivering a variety of project services like Financial Management System (FMS), Decision Support Systems (DSS) for skills development activities (within the framework of the National MIS). The NMMU will provide support in respect of the activities and outputs related to the scope of work of ERP - based MIS for State missions.

PIAs will have to maintain trainee - specific information and meet all applicable reporting requirements. The regularity and quality of entry of information will be supervised by the SRLM and the CTSA.
## Risk Areas

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Level of Implementation</th>
<th>Possible Risk</th>
<th>Responsible Authority</th>
</tr>
</thead>
</table>
| 1.     | Project deliverables    | PIA did not:  
  • approach to SRLM for planning of mobilization  
  • follow GP saturation model  
  • prefer SECC data, PMAGY, SAGY  
  • mobilize candidates as per prescribed criteria  
  • demonstrate about trades and their attributes to the candidates during mobilization  
  • conduct counseling for mobilised candidates and their parents/guardians  
  • conduct aptitude and selection for candidates to identify a trade  
  • conduct due diligence for functional training centers  
  • get the approved due diligence before starting of training  
  • maintain batch size within 35 candidates after batch freezing  
  • maintain attendance track record  
  • conduct formative assessment at the training center as per activity cum lesson planner  
  • conduct summative assessment  
  • conduct summative assessment within completion of training  
  • conduct assessment through NCVT/SSC/ MoRD notified agencies  
  • get certificate on time prescribed by certification agency  
  • implement project as per SOP  
  • meet PPWS target  
  • complete training and placement within the time of completion of project  
  • conduct tracking of trained candidates  
  • submission of different reports on time  
  • pay cash and non-cash entitlements to candidates  
  • pay salaries to trainers, master trainers and Q team members on time  
  • coverage of sanctioned SC/ST, minorities, women, PWD targets  
  • comply with default issued by issuing authorities  
  • Comply with advisories issued for training centre, on the job training placement and financial verification  
  • Conduct concurrent monitoring by Q team | SRLM / CTSA |
<p>| | | |</p>
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</table>
| **2** | **PIA control** | **PIA did not:**
|   |   | • study market demand for selected trades and identify catchment areas as per aspiration of youth
|   |   | • deploy manpower in the field as per job descriptions and their KPIs
|   |   | • follow prescribed recruitment process for appointment of trainers, master trainers, operation, finance and quality team
|   |   | • obtain appropriate eSOP certificate for all appointed project staff before deployment
|   |   | • procure training and non-training equipment and deploy in each training center
|   |   | • ensure delivery of training and usage of equipment
|   |   | • develop industry aligned training curriculum and teaching and learning material
|   |   | • provide career counseling support to candidates and parents
|   |   | • identify appropriate site(s) for on the job training
|   |   | • liaison with suitable employers
|   |   | • arrange employment well in advance before completion of training
|   |   | • approach 100% candidates for placement and retention
|   |   | • dedicated team for each and every activity of the project
| **3** | **Fund release and fund management** | **MoRD/SRLM**
|   |   | • Delay in fund release by ministry to state and state to PIAs
|   |   | • Instalment amount may not be released on time after completion of all verifications and released without verifications
|   |   | • Appropriation and misappropriation of fund by SRLM and PIAs
|   |   | • Register for bank guarantee is not maintained by SRLM
|   |   | • Performance guarantee obtained from PIA at the time of MoU
|   |   | • PIA and SRLM did not maintain single dedicated bank account and linked with PFMS
|   |   | • PIA did not facilitate to candidates for opening of bank account, who are not having it

**SRLM / CTSA**
<table>
<thead>
<tr>
<th></th>
<th>SRLMs and TSAs operation</th>
<th>SRLM did not:</th>
</tr>
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<tbody>
<tr>
<td>4</td>
<td></td>
<td>• establish adequate project manpower</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• build SRLM project ERP platform and has API with PIA and MoRD ERP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• conduct skill gap assessment, job mela, migration support centre, alumni meet for candidates, training and capacity building of their own and PIA functionaries, identification of JRP s and their remuneration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• hold PAC on time</td>
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<tr>
<td></td>
<td></td>
<td>• sanction project as per eligibility criteria</td>
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<tr>
<td></td>
<td></td>
<td>• sanction project for target approved in action plan</td>
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<tr>
<td></td>
<td></td>
<td>• conduct appraisal within stipulates time</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• have DMMU at district</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• conduct concurrent monitoring as prescribed in SOP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• act as per CTSA/MoRD advice and compliance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• follow default procedures</td>
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<tr>
<th>5</th>
<th>CTSAs Control</th>
<th>CTSA did not:</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>• conduct concurrent monitoring as prescribed in SOP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• issue advisories to SRLM</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• conduct training and capacity building of SRLM and PIA s and prospective PIA s</td>
</tr>
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<tr>
<th>6</th>
<th>MoRD Control</th>
<th>Did not</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>• sanction action plan target for each state</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• review state wise performance based on CTSA’s feedback</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• release fund to state based on CTSA’s feedback</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• monitor utilisation of project and program cost</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• provide information to different stakeholders.</td>
</tr>
</tbody>
</table>

MoRD/CTSA

MoRD

Secretary/JS, MoRD
Checklist for Internal Audit: Audit has to verify whether

1. States have completed pre-requisite for categorisation
2. SRLM have completed assigned task as per guideline
3. SPIP has been approved by EC
4. Staffing and capacity building of the staff at all levels have been completed at all
5. PIA identification/appraisal and due diligence have been completed before assigning project
6. All stakeholders are enabled with ERP platform of MIS
7. Digital signatures and other pre-requisites for electronic fund transfers have been completed
8. Enrolment/Training/Placement and post-placement tracking is as per guideline
9. Support facilities like establishment of helpline have been established at district level
10. Documents such as MoU, Project Sanction order, Project budget proposal, Bank statements, Assets list, Payment invoices and vouchers, PFMS transactions list, Cash book, Bank book, Ledgers, Agreements with vendors, MIS reports, Appointment of Auditors, Audited financial statements including Utilisation certificates, Receipts & Payment a/c, Income & Expenditure a/c, Balance sheet and schedules forming part of financial statements and other necessary documents as per Project Guidelines and Standard Operating Procedures have been placed at all levels
11. Payment invoices are verified before release of instalments to PIA
12. Previous audit observations have been resolved
13. Monitoring visits at PIA have been conducted by the monitoring agencies
1. Enumerate origin of DDU-GKY?

__________________________________________________________________________________
__________________________________________________________________________________

2. What are the other special component projects associated with DDU-GKY?

__________________________________________________________________________________
__________________________________________________________________________________

3. List down structure of DDU-GKY?

__________________________________________________________________________________
__________________________________________________________________________________

4. Enlist composition of National Advisory Group (NAG)?

__________________________________________________________________________________
__________________________________________________________________________________

5. List down any five salient features of DDU-GKY?

__________________________________________________________________________________
__________________________________________________________________________________

6. How States are categorised in DDU-GKY? List five parameters for AP States?

__________________________________________________________________________________
__________________________________________________________________________________

7. What are the key functions of SRLM in terms of DDU-GKY?

__________________________________________________________________________________
__________________________________________________________________________________

8. How PIAs are classified under DDU-GKY?

__________________________________________________________________________________
__________________________________________________________________________________

9. Enumerate funding pattern to PIAs?

__________________________________________________________________________________
__________________________________________________________________________________

10. Enumerate any two pre-requisites for releasing instalments to PIA?

__________________________________________________________________________________
__________________________________________________________________________________
Unit 14
Rural Development Schemes

Saansad Aadarsh Gram Yojana
(SAGY)
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<td>Risk areas</td>
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<td>7</td>
<td>Check list for internal Audit</td>
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## ABBREVIATIONS

<table>
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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>AABY</td>
<td>Aam Aadmi Bima Yojana</td>
</tr>
<tr>
<td>ATMA</td>
<td>Agricultural Technology Management Agency</td>
</tr>
<tr>
<td>BNV</td>
<td>Bharat Nirman Volunteer</td>
</tr>
<tr>
<td>BPL</td>
<td>Below Poverty Line</td>
</tr>
<tr>
<td>BRGF</td>
<td>Backward Regions Grant Fund</td>
</tr>
<tr>
<td>CAMPA</td>
<td>Compensatory Afforestation Fund Management and Planning Authority</td>
</tr>
<tr>
<td>CSC</td>
<td>Common Service Centre</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>FRA</td>
<td>The Schedule Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act</td>
</tr>
<tr>
<td>GIS</td>
<td>Geographic Information System</td>
</tr>
<tr>
<td>GP</td>
<td>Gram Panchayat</td>
</tr>
<tr>
<td>IAY</td>
<td>Indira Awaas Yojana</td>
</tr>
<tr>
<td>ICDS</td>
<td>Integrated Child Development Services Scheme</td>
</tr>
<tr>
<td>IIT</td>
<td>Indian Institute of Technology</td>
</tr>
<tr>
<td>IMR</td>
<td>Infant Mortality Rate</td>
</tr>
<tr>
<td>IWMP</td>
<td>Integrated Watershed Management Programme</td>
</tr>
<tr>
<td>MGNREGA / MGNREGS</td>
<td>Mahatma Gandhi National Rural Employment Guarantee Act/ Scheme</td>
</tr>
<tr>
<td>MKSP</td>
<td>Mahila Kisan Sashakti karan Pariyojana</td>
</tr>
<tr>
<td>MMR</td>
<td>Maternal Mortality Rate</td>
</tr>
<tr>
<td>MNRE</td>
<td>Ministry of New and Renewable Energy</td>
</tr>
<tr>
<td>MP</td>
<td>Member of Parliament</td>
</tr>
<tr>
<td>MPLADS</td>
<td>Member of Parliament Local Area Development Scheme</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro Small and Medium Enterprises</td>
</tr>
<tr>
<td>NABARD</td>
<td>National Bank for Agriculture and Rural Development</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>-----------</td>
<td>--------------------------------------------------------------------------</td>
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<tr>
<td>NDDB</td>
<td>National Dairy Development Board</td>
</tr>
<tr>
<td>NFSA</td>
<td>National Food Security Act</td>
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<tr>
<td>NHM</td>
<td>National Health Mission</td>
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<tr>
<td>NIRD&amp;PR</td>
<td>National Institute of Rural Development and Panchayati Raj</td>
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<tr>
<td>NLM</td>
<td>National Literacy Mission</td>
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<td>NRDWP</td>
<td>National Rural Drinking Water Programme</td>
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<tr>
<td>NRLM</td>
<td>National Rural Livelihood Mission</td>
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<tr>
<td>PDS</td>
<td>Public Distribution System</td>
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<tr>
<td>PMGSY</td>
<td>Pradhan Mantri Gram Sadak Yojana</td>
</tr>
<tr>
<td>PMJDY</td>
<td>Pradhan Mantri Jan-Dhan Yojana</td>
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<tr>
<td>PTA</td>
<td>Parent Teacher Association</td>
</tr>
<tr>
<td>PWD</td>
<td>Persons with Disability</td>
</tr>
<tr>
<td>RGGVY</td>
<td>Rajiv Gandhi Grameen Vidyutikaran Yojana</td>
</tr>
<tr>
<td>RGPSA</td>
<td>Rajiv Gandhi Panchayat Sashakti karan Abhiyan</td>
</tr>
<tr>
<td>RKVY</td>
<td>Rashtriya Krishi Vikash Yojana</td>
</tr>
<tr>
<td>RMSA</td>
<td>Rashtriya Madhyamik Shiksha Abhiyan</td>
</tr>
<tr>
<td>RSBY</td>
<td>Rashtriya Swasthya Bima Yojna</td>
</tr>
<tr>
<td>RSETI</td>
<td>Rural Self Employment Training Institutes</td>
</tr>
<tr>
<td>SAGY</td>
<td>Saansad Adarsh Gram Yojana</td>
</tr>
<tr>
<td>SAU</td>
<td>Social Audit Unit</td>
</tr>
<tr>
<td>SHG</td>
<td>Self Help Group</td>
</tr>
<tr>
<td>SIRD</td>
<td>State Institute of Rural Development</td>
</tr>
<tr>
<td>SRI</td>
<td>System of Rice Intensification</td>
</tr>
<tr>
<td>SSA</td>
<td>Sarva Shiksha Abhiyan</td>
</tr>
<tr>
<td>UIDAI</td>
<td>Unique Identification Authority of India</td>
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<tr>
<td>VDP</td>
<td>Village Development Plan</td>
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Learning outcome

At the End of this course learner would learn:

● Origin of Sansad Aadarsh Gram Yojna (SAGY)
● Objectives of SAGY
● Key Stake Holders under SAGY
● Key features of SAGY
● Village Identification and Selection Process under SAGY
● Steps in Preparation/Finalisation of Village Development Plan (VDP)
● Funds arrangement under SAGY
14.1 Introduction

Mahatma Gandhi’s concept of rural development revolves around creating model villages for transforming ‘swaraj’ into ‘su-raj’.

His vision of an ideal village, in his own words:

“An ideal Indian village will be so constructed as to lend itself to perfect sanitation. It will have cottages with sufficient light and ventilation built of a material obtainable within a radius of five miles of it…. The village lanes and streets will be free of all avoidable dust. It will have wells according to its needs and accessible to all. It will have houses of worship for all; also a common meeting place, a village common for grazing its cattle, a co-operative dairy, primary and secondary schools in which industrial education will be the central fact, and it will have panchayats for settling disputes. It will produce its own grains, vegetables and fruit, and its own khadi. This is roughly my idea of a model village. (Harijan, 9-1-1937; Vol. 64#: Pg. 217-18.)

That village may be regarded as reformed…where the largest possible number of village industries are flourishing, in which nobody is illiterate, where the roads are clean, there is a fixed place for evacuation, the wells are clean, there is harmony among the different communities, and untouchability is completely absent, in which everybody gets cow’s milk, ghee etc., in moderate quantities, in which nobody is without work, and which is free from quarrels and thefts… (Letter to Munnalal Shah, 4-4-1941; Vol. 73#: Pg. 421).

“My idea of village swaraj is that it is a complete republic, independent of its neighbours for its own vital wants, and yet interdependent for many others in which dependence is a necessity. Thus every village’s first concern will be to grow its own food crops and cotton for its cloth. It should have a reserve for its cattle, recreation and playground for adults and children. Then if there is more land available, it will grow useful money crops, thus excluding ganja, tobacco, opium and the like. The village will maintain a village theatre, school and public hall. It will have its own waterworks, ensuring clean water supply. This can be done through controlled wells or tanks. Education will be compulsory up to the final basic course. As far as possible every activity will be conducted on the cooperative basis. There will be no castes such as we have today with their graded untouchability. (Harijan, 26-7-1942; Vol. 76#: Pg.308-9.)

The task before every lover of the country is how to reconstruct the villages of India so that it may be as easy for any-one to live in them as it is supposed to be in the cities. Harijan, 7–3–1936 (Collected works of Mahatma Gandhi)
14.2 GOAL

The goal of Saansad Adarsh Gram Yojana (SAGY) is to translate this comprehensive and organic vision of Mahatma Gandhi into reality, keeping in view the present context.

14.2.1 VALUES OF SAANSAD ADARSH GRAM YOJANA

Far beyond mere infrastructure development, SAGY aims at instilling certain values in the villages and their people so that they get transformed into models for others. These values include:

i. Adopting people’s participation as an end in itself – ensuring the involvement of all sections of society in all aspects related to the life of village, especially in decision-making related to governance

ii. Adhering to Antyodaya – enabling the “poorest and the weakest person” in the village to achieve well-being

iii. Affirming gender equality and ensuring respect for women

iv. Guaranteeing social justice

v. Instilling dignity of labour and the spirit of community service and voluntarism

vi. Promoting a culture of cleanliness

vii. Living in consonance with nature – ensuring a balance between development and ecology

viii. Preserving and promoting local cultural heritage

ix. Inculcating mutual cooperation, self-help and self-reliance

x. Fostering peace and harmony in the village community

xi. Bringing about transparency, accountability and probity in public life

xii. Nurturing local self-governance

xiii. Adhering to the values enshrined in the Fundamental Rights and Fundamental Duties of the Indian Constitution

14.2.2 OBJECTIVES

The main objectives of SAGY are:

i. To trigger processes which lead to holistic development of the identified Gram Panchayats

ii. To substantially improve the standard of living and quality of life of all sections of the population through –
   a. improved basic amenities
   b. higher productivity
   c. enhanced human development
   d. better livelihood opportunities
   e. reduced disparities
f. access to rights and entitlements  
g. wider social mobilisation  
h. enriched social capital  

iii. To generate models of local level development and effective local governance which can motivate and inspire neighbouring Gram Panchayats to learn and adapt  
iv. To nurture the identified Adarsh Grams as schools of local development to train other Gram Panchayats  

14.2.3 APPROACH  
In order to achieve these objectives, SAGY would be guided by the following approach:  

i. Leveraging the leadership, capacity, commitment and energy of the Members of Parliament (MP) to develop model Gram Panchayats.  
ii. Engaging with and mobilising the community for participatory local level development.  
iii. Converging different government programmes and private and voluntary initiatives to achieve comprehensive development in tune with people’s aspirations and local potential.  
iv. Building partnerships with voluntary organisations, co-operatives and academic and research institutions.  

v. Focusing on outcomes and sustainability  

14.2.4 ACTIVITIES IN AN ADARSH GRAM  
An Adarsh Gram should evolve out of people’s shared vision, using their capacities and available resources to the best extent possible, duly facilitated by the MP, the Gram Panchayat, civil society and the government machinery. Naturally, the elements of an Adarsh Gram would be context-specific. However, it is still possible to broadly identify the important activities. They would include:
a. Personal Development
   i. Inculcating hygienic behaviour and practices
   ii. Fostering healthy habits including daily exercise and games
   iii. Reducing risk behaviour- alcoholism, smoking, substance abuse, etc.

b. Human Development
   i. Universal access to basic health facilities consisting of health card, medical examination
   ii. Total immunisation
   iii. Balancing the sex-ratio
   iv. 100% institutional delivery
   v. Improving nutrition status for all, with special focus on children, adolescent girls, pregnant women, and lactating mothers
   vi. Strong focus on the special needs of Persons With Disability (PWD), especially children and women
   vii. Universal access to education facilities up to class X and retention
   viii. Conversion of schools into ‘smart schools’. Smart schools will have IT enabled classrooms, e-libraries, web based teaching and will make all students e-literate required for providing quality education
   ix. Adult literacy
   x. E-literacy
   xi. Village libraries including e-libraries

c. Social Development
   i. Activities for promotion of voluntarism like Bharat Nirman Volunteers
   ii. Building the capacity of the people to fully participate and contribute to local development
   iii. Activities for honouring village elders, local role models especially women, freedom fighters and martyrs
   iv. Activities for violence and crime-free villages such as:
      a. Setting up Citizen Committees
      b. Sensitisation, especially of youth
   v. Village sports and folk arts festivals
   vi. Having a village song to instill a sense of pride among the people
   vii. Celebrating ‘Village Day’
   viii. Proactive steps for inclusion and integration of socially excluded groups, especially Scheduled Castes and Scheduled Tribes.
d. Economic Development

i. Promoting diversified agricultural and allied livelihoods, including livestock and horticulture, through-
   o Organic farming
   o Soil health cards
   o Crop intensification such as SRI
   o Setting up of seed banks
   o Collection and value addition to Non-Timber Forest Produce, Livestock development including Gobar Bank, cattle hostel
   o Micro-irrigation
   o Agro-service centres

ii. Rural industrialisation like:
   o Post-harvest technology applications
   o Micro-enterprises
   o Dairy development and processing
   o Food processing
   o Traditional Industries

iii. Skill Development of all eligible youth for self-employment and placement

iv. Village Tourism including eco-tourism

   All the above activities should focus particularly on lifting households out of poverty, for which organising and federating women SHGs, providing employment to all workers, and bringing about financial inclusion are very important.

e. Environmental Development

i. Activities for a clean and green village consisting of:
   a. Providing toilets in each household and in all public institutions and ensuring their proper use
   b. Appropriate solid and liquid waste management

x. Roadside plantations

xi. Tree plantation in accordance with local preferences in homesteads, schools and public institutions – including green walkways

xii. Social forestry

xiii. Watershed management especially renovation and revival of traditional water bodies

xiv. Rainwater harvesting- rooftop as well as others

xv. Reducing local pollution of air, water and land
f. Basic amenities and services
   i. Pucca houses for all houseless poor/poor living in kutcha houses
   ii. Drinking water, preferably treated piped water with household taps
   iii. Internal all weather roads with covered drains
   iv. All weather road connectivity to the main road-network
   v. Electricity connection to all households and street-lights including from alternative sources of energy, especially solar
   vi. Pucca infrastructure for public institutions- Anganwadis, schools, health institutions, Gram Panchayat Office and libraries
   vii. Civic infrastructure including community halls, buildings for SHG federations, playgrounds and burial grounds/crematoria
   viii. Village markets
   ix. Infrastructure for PDS outlets
   x. Micro mini banks/post offices/ATMs
   xi. Broadband connectivity and Common Service Centres
   xii. Telecom connectivity
   xiii. CCTVs in public places

g. Social Security
   i. Pensions for all eligible families- old age, disability and widow
   ii. Insurance schemes like Aam Aadmi Bima Yojana
   iii. Health insurance- RSBY
   iv. PDS- universal access to all eligible households

h. Good Governance
   i. Strengthening of local democracy through strong and accountable Gram Panchayats and active Gram Sabhas
   ii. E-Governance resulting in better service delivery
   iii. Provision of UIDAI cards to all
   iv. Ensuring regular and punctual attendance of government and panchayat staff
   v. Time-bound service delivery in line with Department’s Citizens Charter
   vi. Holding of Mahila Gram Sabhas before every Gram Sabha
   vii. Holding of a Gram Sabha at least four times a year
   viii. Holding of Bal Sabhas every quarter
ix. Proactive disclosure of all information pertaining to the implementation of the programme in the public domain and through wall-writing, notice boards in the local language. This should necessarily include the list of beneficiaries, item-wise budgets and expenditure.

x. Gram Panchayat acting as an information facilitation centre

xi. Timely redressal of grievances filed by people, such that:
   1. Grievances of all nature to be submitted to the Gram Panchayat / Charge Officer and dated receipt to be given
   2. Grievances to be redressed within three weeks along with written reply
   3. Institutionalisation of regular open platforms for airing of grievances and their redressal, coordinated by the Gram Panchayat

Half-yearly Social Audit of the programme implementation by the Gram Sabha facilitated by the Social Audit Units set up under MGNREGA

14.5 STRATEGY

In order to convert the identified village into an Adarsh Gram through the specified activities, the following are the possible strategies:

a. Entry point activities to energise and mobilise the community towards positive common action

b. Participatory planning exercise for identifying people’s needs and priorities in an integrated manner

c. Converging resources from Central Sector and Centrally Sponsored Schemes and also other State schemes to the extent possible.

d. Repairing and renovating existing infrastructure to the extent possible.

e. Strengthening the Gram Panchayats and people’s institutions within them

f. Promoting transparency and accountability

For operationalising the strategies, the suggested framework indicating the list of Centrally Sponsored Schemes which could be utilised for different activities. The operational details need to be contextualised locally, expanded as required, and fleshed out with innovative ideas.

14.6 IDENTIFICATION OF ADARSH GRAM

A Gram Panchayat would be the basic unit. It will have a population of 3000-5000 in plain areas and 1000-3000 in hilly, tribal and difficult areas. In districts where this unit size is not available, Gram Panchayats approximating the desirable population size may be chosen.

The MP would be free to identify a suitable Gram Panchayat for being developed as Adarsh Gram, other than his/her own village or that of his/her spouse.

The MP will identify one Gram Panchayat to be taken up immediately, and two others to be taken up a little later. Lok Sabha MP has to choose a Gram Panchayat from within his/her constituency and Rajya
Sabha MP a Gram Panchayat from the rural area of a district of his/her choice in the State from which he/she is elected. Nominated MPs may choose a Gram Panchayat from the rural area of any district in the country. In the case of urban constituencies, (where there are no Gram Panchayats), the MP will identify a Gram Panchayat from a nearby rural constituency.

Primarily, the goal is to develop three Adarsh Grams by March 2019, of which one would be achieved by 2016. Thereafter, five such Adarsh Grams (one per year) will be selected and developed by 2024.

14.7 PLANNING

A Village Development Plan would be prepared for every identified Gram Panchayat with special focus on enabling every poor household to come out of poverty.

Before the formal plan formulation starts, there has to be systematic environment creation and social mobilisation which will be spearheaded by the MP himself/herself. The Gram Panchayat should also be fully involved. Some of the activities which could be considered are:

a. Interaction (charcha) with the Gram Sabha, Mahila Sabha, Bal Sabha
b. Interaction (charcha) with occupational groups and local organisations, including youth clubs
c. Organisation of cultural and sports events
d. Wall writings, Shivirs, Padayatras, Nukkad naataks, etc
e. Painting and literary competitions on how the village could be made a model one.
f. Demonstration of videos of best practices in village development

A two-stage participatory planning process is suggested in which the MP plays a lead facilitator role, along with the Gram Panchayat and the District Collector. In the first stage, activities which could be implemented by the people themselves through behavioural and social changes, self-help and mutual help, shramdaan, local contributions, and local resources need to be identified. These could include the following:

- Having the community, including all elected representatives and government functionaries, take a collective pledge that the community will work towards its economic upliftment in a time-bound manner so that no family in the village will languish below poverty line
- Collectively reading out and reaffirming the fundamental rights and fundamental duties of the Indian Constitution
- Organising health camps
- Organising cleanliness drives
- Conducting animal health camps
- Intervention in anganwadis to improve attendance and quality of service delivery
- Intervention in local schools improving attendance, enhancing quality of education, improving the quality of mid-day meals, etc., in partnership with the PTAs
- Planting of trees
- Revitalising/organising SHGs
- Organising Rozgar Diwas under MGNREGA
- Improving Public Distribution System (PDS)
- Organisation of grievance redressal camps with the participation of the District Collector and key district level officers particularly relating to civil supplies, social welfare, land revenue, etc.

The second stage of the planning process could continue with the following broad steps:

14.7.1 SITUATION ANALYSIS:
This, which would have been started during the first stage itself, is a two-fold process – both being undertaken at the same time

i. A baseline survey, which has two purposes; firstly, to identify details of the existing scenario in different areas of development so that improvements could be suitably bench-marked to this. Secondly, to provide basic data on the deficiencies and gaps in infrastructure, amenities and services as well as the potential for future economic and human development. This should preferably be got done through an expert agency. In the alternative, an academic institution or a group of trained experts could be assigned the task.

ii. Participatory Situation Analysis: This should be got done through the local community involving trained facilitators. The training would be arranged by the NIRD & PR. The key participatory techniques which could be used are:
   - Social Map: It is a map, drawn by the local persons, particularly women, depicting households according to different categories, important institutions, physical and social infrastructure and other amenities.
   - Resource mapping: This helps understand the natural and physical resources at the command of the village. This is also prepared by the local people and the map would show the following:
     - Land use
     - Water bodies
     - Irrigation structures
     - Physical layout of the land – showing slopes, undulations, drainage patterns, etc.
   - Needs matrix: This is prepared with the involvement of a cross-section of the local households to rationally assess the collective needs of the village and their priorities.
   - The data collected through the situation analysis should be captured on a GIS platform.

14.7.2 REVIEW OF PERFORMANCE OF THE FIRST STAGE:
This will be an exercise led by the MP jointly with the District Collector, the Gram Panchayat, and the community, to critically assess the performance in the first stage – that is, what the village has been able to achieve on its own and what it will definitely be able to complete in a reasonable period of time.
Strategy setting:

Based on the review of the first stage, and data from the baseline survey and the participatory assessments, a select group of stakeholders, officials and experts could suggest the strategies for development and the activities needed to operationalise the strategies. In other words, the schemes and projects required would be outlined.

Identifying the resource envelope:

The resources available need to be mapped. Broadly, they could be classified as follows:

- Resources of fully tied schemes – Centrally sponsored and State- such as IAY, PMGSY etc
- Resources which are partially tied and permit flexibility of use like MGNREGS, RKVY, NRLM, NHM, SSA, etc.
- Resources which are largely untied such as BRGF, MPLADS etc., which permit a great deal of flexibility to fill in critical gaps as required
- Local Area Development Scheme of MLAs may also be tapped, subject to their consent
- Purely untied resources of the Gram Panchayats like own revenue, Central and State Finance Commission grants, etc.
- Resources which could be mobilised locally in cash, kind and labour
- CSR funds

The above categories of resources should be used in a convergent and integrated manner to generate maximum synergy. In respect of Central Sector/Centrally Sponsored Schemes/programmes, the Ministries/Departments concerned will take appropriate action to make suitable changes in the guidelines to enable priority to be given to the Adarsh Gram.

Finalisation of needs:

This is best done through a two-part process: the first part being consultations with the different stakeholders particularly women SHGs and farmer groups and the second part being the Gram Sabha discussions. In these fora, the summary of the results of the exercises done so far has to be presented in a simple and clear manner and the needs and priorities finalised as normatively and unanimously as possible.

14.8 PREPARATION OF THE DRAFT VILLAGE DEVELOPMENT PLAN (VDP):

A Working Group will be set up by the District Collector consisting of officials and outside professionals/experts to draw up the draft Village Development Plan on the basis of the needs prioritised by the people. The VDP should also include the activities, contributions, and achievements of the first stage. It should state the expected outputs and outcomes along with the timelines.

14.8.1 Clearance of the VDP by the Gram Sabha:

The draft VDP will be presented to the Gram Sabha for discussion and clearance.

14.8.2 Approval of the VDP:

This will be done by the district level committee headed by the District Collector, in the presence of the MP duly considering his/her comments and suggestions. While approving the VDP, the committee will
clearly indicate the phasing of different components with specific targets for three months, six months, nine months, one year and beyond.

14.8.3 Projectisation and sanctions:
The components of the approved plan should thereafter be projectised by the departmental officers concerned, who should then get the administrative, financial and technical approvals as may be necessary under the guidelines of the respective scheme. The District Collector will personally coordinate this exercise to make it smooth and time-bound. He will be assisted by the Charge Officer.

14.8.4 Disclosure and Dissemination:
The details of all the processes and all the components of the approved plan covering the physical and financial aspects and the expected outputs and outcomes should be pro-actively disclosed and disseminated widely.

It has to be ensured that the planning process organically emerges from the environment creation and social mobilisation exercise which prepares the ground for this. Also, adequate care should be taken to prevent this from becoming either a routine or technical exercise.

N.B: The deliverables under the scheme may be classified and reported as immediate (within 3 months), short term (within 6 months), medium term (within 1 year) and long term (beyond 1 year).

14.9 TIMELINES
Along with the finalisation of the Plan, timelines need to be indicated for different activities including the ‘soft’ interventions at the personal and social levels. While activity-specific timelines would vary according to the local situation, certain broad timelines are suggested below:

<table>
<thead>
<tr>
<th>Item of Work</th>
<th>Time from the date of launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection of Adarsh Gram</td>
<td>One month</td>
</tr>
<tr>
<td>Awareness generation on the scheme</td>
<td>Two months</td>
</tr>
<tr>
<td>Environment creation and social mobilisation</td>
<td>Three months</td>
</tr>
<tr>
<td>Initialisation of First Stage activities</td>
<td>Three months</td>
</tr>
<tr>
<td>Review of First Stage activities</td>
<td>Five months</td>
</tr>
<tr>
<td>Completion of preparation of VDP</td>
<td>Seven months</td>
</tr>
<tr>
<td>Approvals and sanctions</td>
<td>Eight months</td>
</tr>
<tr>
<td>Activities to begin</td>
<td>Nine months</td>
</tr>
<tr>
<td>Review of progress of VDP at Gram Sabha level and district level</td>
<td>One year</td>
</tr>
</tbody>
</table>
14.10 ROLES AND RESPONSIBILITIES:

The responsibility of implementing the SAGY will rest with elected representatives of Panchayats and the functionaries of the programmes’ concerned at different levels. The two must work together to accurately identify the common needs of the village and the needs of vulnerable households in particular, leverage resources of different programmes, facilitate people’s participation in implementation, monitoring and maintenance of works taken up under the scheme.

Overall coordination and review mechanisms will also be laid out at different levels. In addition, this scheme will also serve the purpose of demonstrating best practices for dissemination to other areas. Specific roles and responsibilities of how this will be done are outlined below:

Member of Parliament:

► Identify and select the Adarsh Gram
► Engage with the community in the village and motivate them to take up development activities on their own according to their capacity
► Propagate the values of the scheme
► Initiate start-up activities to build up the right environment
► Facilitate the planning process
► Mobilise additional resources to the extent possible, particularly from CSR and philanthropies
► Fill up critical gaps in the plan using MPLADs funds
► Monitor the progress periodically and take the lead in sorting out issues and problems
► Proactively facilitate transparency and accountability in the programme implementation and help sort out public grievances
► Coordinate with the community to achieve the desired, non-tangible outcomes, particularly the social ones

Government of India:

At the national level, the nodal ministry for implementing this scheme will be the Ministry of Rural Development. For overseeing the implementation, there will be two national level committees. One will be headed by the Minister for Rural Development with the participation of the Ministers in charge of Planning, Programme Implementation and other key ministries as may be decided. The second committee will be headed by the Secretary of Rural Development with representatives from the following ministries/departments not below the rank of Joint Secretary:

► Panchayati Raj
► Planning
► Land Resources
► Women and Child Development
► Health and Family Welfare
The committee may co-opt experts in the key thematic areas of this scheme. It would be assisted by a small, focused, high impact secretariat comprising three resource persons on contract.

The tasks of the Committee would be to:

- Monitor the process of identification and planning
- Review the implementation of the scheme
- Decide mechanism for concurrent monitoring and post-project evaluation for which a web-based monitoring system will be developed, laying down standardised monitoring practices across States.
- Identify bottlenecks and problems, and initiate remedial action where necessary- including changes of the guidelines of this Scheme.
- Indicate specific resource support that each ministry will provide to build capacity across States
- Promote cross-learning across States
- Disseminate best practices in village level development including through video and print
- Issue operational guidelines and advisories from time to time which may be item-specific or pertaining to the scheme in general

State level:
Given the number of State schemes which will be drawn into the fold of this scheme and the variation in implementation structures for different Centrally sponsored programmes across States, there has to be an Empowered Committee headed by the Chief Secretary consisting of the relevant departments and
including experts as required, with at least two civil society representatives. The Secretary of the Rural Development Department of the State will be the member-convenor. Two full time resource persons on contract may be deployed to support the work of this State level committee.

This committee will meet at least once a quarter and perform the following tasks:

► Supplement the Central SAGY guidelines and issue State-specific instructions which take into account different State schemes. These must lay out the roles and responsibilities of functionaries at the GP, block, district and State level
► Review Village Development Plans from across constituencies and suggest changes, if required to ensure that the key outputs are achieved within the stipulated timelines
► Review implementation and lay down monitoring mechanisms supplementary to the web-based monitoring system
► Identify bottlenecks, and the technical and administrative support required and issue necessary instructions/ Government Orders from time to time
► Coordinate with the committees at the national level as required
► Develop a time table for exposure visits to the model villages and design a State level plan for dissemination of best practices
► Design a grievance redressal mechanism for the scheme which will be put in place at the level of the Charge Officer and the district in accordance with scheme guidelines

This Committee may interact with MPs, if necessary in small groups, to identify problems and sort them out.

**District level**

The District Collector will be the nodal officer for implementing SAGY. The district collector will conduct a monthly review meeting with representatives of the participating line departments. The Member(s) of Parliament concerned will chair the review meetings. The heads of the GPs concerned will also be invited for these monthly meetings.

The District Collector will appoint a competent Charge Officer of sufficient seniority, for every Gram Panchayat who will coordinate the implementation at the local level and will be fully responsible and accountable for the implementation. The District Collector will also actively involve Prime Minister’s Rural Development Fellows (PMRDFs) and identified professionals of the District Mission Management Units, of NRLM in the scheme, wherever they are there.

The District Collector will be responsible for:

► Conduct of the baseline survey
► Facilitation of village level plan preparation
► Converging the relevant schemes
► Coordination of scheme implementation across line departments
Review of progress on a monthly basis and reporting to the State and Government of India.

Adherence to grievance redressal and proactive disclosure norms laid down by the respective scheme guidelines

Arrangement of frequent site visits to assess progress.

14.11 USE OF TECHNOLOGY AND INNOVATIONS:
Adoption and adaptation of technology and introduction of innovations are critical to this programme. These would broadly be in the following areas:

Space applications and remote sensing: This will be used in the planning and monitoring of the programmes. Assets will also be mapped using GIS. The State remote sensing agencies would provide necessary support.

Mobile based technologies - These are essentially for monitoring the programmes through geo-tagging. The NIC would provide the necessary modules and the support.

Agriculture related technologies and innovations - These could improve productivity and add value – to be sourced from the local Krishi Vigyan Kendra and the District ATMA.

Livelihood related technologies and innovations - These could be sourced from the National Innovation Foundation and the Bank of Ideas and Innovations set up by the Ministry through the State Rural Livelihood Missions.

Appropriate building construction technologies - These would be developed using expert organisations which work with local material and local designs. The Ministry of Rural Development and Rural Housing Knowledge Network of IIT Delhi would provide the necessary back-up.

Road construction technologies - This would be made available by The National Roads Development Agency of the Ministry of Rural Development.

Water supply and sanitation related technologies - The Ministry of Drinking Water and Sanitation would provide the technologies that are cost-efficient and innovative.

The Ministry of Rural Development would prepare a compendium of relevant technologies and innovations and carry out a dissemination exercise specially aimed at Adarsh Grams.

14.12 LEVERAGE THE STRENGTHS OF THE PRIVATE, VOLUNTARY AND CO-OPERATIVE SECTORS:
SAGY should proactively tap the resources and the strengths of the private, voluntary and co-operative sectors which could help in:

Providing technical assistance in planning and monitoring

Making available relevant technologies for local adoptions

Making investments/providing services for local economic development, either independently or to supplement Government efforts through:
- Training and capacity building local functionaries
- Skilling local youth to improve employability
- Providing market linkages to local products through standardisation, quality assurance, etc
- Mentoring for personal and social development

14.13 CAPACITY BUILDING:
Implementation of this programme requires highly motivated and knowledgeable personnel. Also the Gram Panchayats concerned have to be suitably capacitated. The Ministry of Rural Development would put in place a specially designed capacity building programme to be operationalised by the National Institute of Rural Development and Panchayati Raj (NIRD & PR), Hyderabad through the SIRDs at the State level. Further, the Ministry of Rural Development would:

- Prepare detailed handbooks for operationalising the different components for the stakeholders.
- Document and disseminate best practices related to innovative village development.
- Set up a help-desk in the NIRDPR to serve as a single point for clarification of doubts and for giving advice where necessary.
- Identify the best performing Gram Panchayats for peer-group learning through twinning arrangements.

14.14 OUTCOMES:
SAGY is expected to have other significant outcomes which would include:

- Increased livelihoods/employment opportunities
- Reduction in distress migration
- Freedom from bonded labour, child labour and manual scavenging
- 100% registration of deaths and births
- Evolution of alternate dispute resolution system acceptable to all sections of the community
- Peace and Harmony
- Demonstration effect on other Gram Panchayats

14.15 MONITORING:
At the national level, a separate, real time web based monitoring system will be put in place for the scheme covering all aspects and components. The system would have the interface enabling the MP and other key stakeholders to log-in and give suggestions/comments, and even raise queries or complaints, which should be promptly responded to by the implementing authorities.
Every process taken under this programme, will be photographed and geo-tagged and made available in public domain. Similarly, photographs of all assets at different stages would be uploaded.

The outputs under each activity would be measured every quarter vis-à-vis the physical and financial targets set out in the Village Development Plan. Further, the core monitorable indicators of the Twelfth Five Year Plan would be utilised as appropriate.

The outcomes will also be tracked from time to time to the extent possible.

14.15.1 EVALUATION
A mid-term evaluation of performance would be conducted through a competent independent agency. Also a post-project assessment of performance and outcomes would be similarly undertaken.

14.15.2 AWARDS
Awards are proposed to be given in the following categories:

i. Best practices
ii. Best Charge Officers
iii. Best District Collectors
iv. Best Adarsh Grams

14.15.3 SUSTAINABILITY:
Post-project sustainability is expected to be achieved through the following:

- Continuing leadership and guidance of the MP
- Strong ownership and leadership of the Gram Panchayat and the village community with role clarity on operation and maintenance of the assets created under the programme.
- Involvement of the private sector in operation and maintenance of bigger assets like sewerage and large water supply schemes.
- Involvement of SHGs in the operation and maintenance of smaller community assets like vermi-compost systems, small water supply schemes, nutrition centres, citizen service centres, libraries, etc.
- Clear protocols in respect of departmental responsibilities in operation and maintenance to be laid down and agreed upon, upfront at the time of approval of projects under the Plan.
## 14.16 RISK AREAS

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<tr>
<th>S. No.</th>
<th>Level of Implementation</th>
<th>Possible Risk</th>
<th>Responsible Authority</th>
</tr>
</thead>
</table>
| 1      | Identification of Village | ● Village not identified in a given time frame as per guidelines  
            ● Village not identified as per laid down criteria of guideline          | Member of Parliament (M.P)                                      |
| 2      | Planning Process         | ● Inadequate mobilization  
            ● Following activities did not conducted as part of first stage of planning process  
            a. Interaction (charcha) with the Gram Sabha, Mahila Sabha, BalSabha  
            b. Interaction (charcha) with occupational groups and local organizations, including youth clubs  
            c. Organization of cultural and sports events  
            d. Wall writings, Shivirs, Padayatras, Nukkad naataks etc  
            e. Painting and Literary Competitions on how the village could be made a model one.  
            f. Demonstration of videos of best practices in village development.  
            ● Inadequate behavioral changes in villagers  
            ● Inadequate/Improper Situation analysis  
            ● Stakeholders are not considered/involved during situation analysis  
            ● Inadequate/Faulty baseline survey  
            ● MP/District Collector did not participate in review and appraisal of baseline survey, participatory assessment etc.  
            ● Strategy not laid down by District Collector/MP  
            ● Needs not finalized in consultation with village stakeholders  
            ● Resource Envelop not identified or error in identification | M.P & Gram Panchayat                                      |
| 3      | Preparation of Village Development plan | ● Village development plan in not prepared in time  
            ● Village development plan is not prepared in consultation with stake holders  
            ● VDP not finalized and approved by Gram Sabha  
            ● District Collector/MP not involved in preparation/finalization of VDP | District Collector                                      |
| 4      | Mobilization of Funds    | ● Funds not/under mobilized from existing schemes as per financial needs of village | All existing Central and States Sponsored schemes authorities |
14.17 CHECK LIST FOR INTERNAL AUDIT:

1. Ensure that MP have identified village for Sansad Aadarsh Gram Yojna as per guideline in a given time frame.
2. Ensure that initial level discussion have been conducted in presence of MP/District Collector.
3. Ensure that behavioral changes exercises have been conducted.
4. Ensure need assessment has been conducted with consultation of all stake holders.
5. Ensure resource mapping has been completed using Participatory Rural Appraisal Methods.
6. Ensure that District Collector and MP have reviewed and appraised Situation analysis, resource mapping before setting strategy for village development.
7. Ensure that villagers have participated in preparing village Development Plan.
8. Ensure that VDP have been approved by Gram Sabha after thorough consultation with Village Stake Holders.
9. Ensure that District Collector/MP approved VDP.
10. Ensure that funds sanctioned for different schemes utilized as per financial need of village.
WORK BOOK

1. What is the Idea of Mahatma Gandhi on Model Village?

__________________________________________________________________________________
__________________________________________________________________________________

2. Enlist any four salient features of SAGY?

__________________________________________________________________________________
__________________________________________________________________________________

3. Enlist any two primary stakeholders of SAGY?

__________________________________________________________________________________
__________________________________________________________________________________

4. What are the roles and responsibilities of District Collector with Reference to SAGY?

__________________________________________________________________________________
__________________________________________________________________________________

5. What is purpose of Base line Survey?

__________________________________________________________________________________
__________________________________________________________________________________

6. What are the tools of Resource Mapping?

__________________________________________________________________________________
__________________________________________________________________________________

7. What are timelines with reference to SAGY?

__________________________________________________________________________________
__________________________________________________________________________________

8. What is VDP?

__________________________________________________________________________________
__________________________________________________________________________________

9. What the sources are of funds under SAGY?

__________________________________________________________________________________
__________________________________________________________________________________
Unit 15

Rural Development Schemes

PRADHAN MANTRI KRISHI SINCHAYEE YOJANA (PMKSY)

With Special Focus on Integrated Watershed Development Programmes (IWMP)
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## ABBREVIATIONS

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<th>Description</th>
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<tr>
<td>AC&amp;FW</td>
<td>Agriculture Cooperation &amp; Farmers Welfare</td>
</tr>
<tr>
<td>AIBP</td>
<td>Accelerated Irrigation Benefit Programme</td>
</tr>
<tr>
<td>ATMA</td>
<td>Agriculture Technology Management Agency</td>
</tr>
<tr>
<td>BRGF</td>
<td>Backward Regions Grant Fund</td>
</tr>
<tr>
<td>CAPART</td>
<td>Council for Advancement of People’s Action &amp; Rural Technology</td>
</tr>
<tr>
<td>CAZRI</td>
<td>Central Arid Zone Research Institute</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CIPET</td>
<td>Central Institute of Plastics Engineering and Technology</td>
</tr>
<tr>
<td>CPRs</td>
<td>Common Property Resources</td>
</tr>
<tr>
<td>CRIDA</td>
<td>Central Research Institute for Dryland Agriculture</td>
</tr>
<tr>
<td>CST</td>
<td>Central Sales Tax</td>
</tr>
<tr>
<td>CSWCRTI</td>
<td>Central Soil &amp; Water Conservation Research &amp; Training Institute</td>
</tr>
<tr>
<td>DAC&amp;FW</td>
<td>Department of Agriculture, Cooperation &amp; Farmers Welfare</td>
</tr>
<tr>
<td>DDP</td>
<td>Desert Development Programme</td>
</tr>
<tr>
<td>DIP</td>
<td>District Irrigation Plan</td>
</tr>
<tr>
<td>DP</td>
<td>District Panchayat</td>
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<tr>
<td>DoLR</td>
<td>Department of Land Resources</td>
</tr>
<tr>
<td>DONER</td>
<td>Development of North Eastern Region</td>
</tr>
<tr>
<td>DPR</td>
<td>Detailed Project Report</td>
</tr>
<tr>
<td>DRDA</td>
<td>District Rural Development Agency</td>
</tr>
<tr>
<td>GoI</td>
<td>Government of India</td>
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<tr>
<td>GP</td>
<td>Gram Panchayat</td>
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<tr>
<td>GPS</td>
<td>Global Positioning System</td>
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<td>GS</td>
<td>Gram Sabha</td>
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<tr>
<td>HP</td>
<td>Horse Power</td>
</tr>
<tr>
<td>HRD</td>
<td>Human Resource Development</td>
</tr>
<tr>
<td>ICAR</td>
<td>Indian Council of Agricultural Research</td>
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<td>ICRISAT</td>
<td>International Crops Research Institute for Semi-Arid Tropics</td>
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<tr>
<td>IEC</td>
<td>Information, Education and Communication</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>IDWG</td>
<td>Inter-Departmental Working Group</td>
</tr>
<tr>
<td>IMD</td>
<td>Indian Meteorological Department</td>
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<tr>
<td>IIIFM</td>
<td>Indian Institute of Forest Management</td>
</tr>
<tr>
<td>ISRO</td>
<td>Indian Space Research Organisation</td>
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<tr>
<td>IWDP</td>
<td>Integrated Wastelands Development Programme</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>IWMP</td>
<td>Integrated Watershed Management Programme</td>
</tr>
<tr>
<td>KVK</td>
<td>Krishi Vigyan Kendra</td>
</tr>
<tr>
<td>MGNREGA</td>
<td>Mahatma Gandhi National Rural Employment Guarantee Act</td>
</tr>
<tr>
<td>MH</td>
<td>Million Hectare</td>
</tr>
<tr>
<td>MI</td>
<td>Micro Irrigation</td>
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<tr>
<td>MIS</td>
<td>Micro Irrigation System</td>
</tr>
<tr>
<td>MLALAD</td>
<td>Member of Legislative Assembly Local Area Development</td>
</tr>
<tr>
<td>MoA</td>
<td>Ministry of Agriculture</td>
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<tr>
<td>MoRD</td>
<td>Ministry of Rural Development</td>
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<tr>
<td>MoWR</td>
<td>Ministry of Water Resources</td>
</tr>
<tr>
<td>MPLAD</td>
<td>Member of Parliament Local Area Development</td>
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<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>NABARD</td>
<td>National Bank for Agriculture &amp; Rural Development</td>
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<tr>
<td>NABCONS</td>
<td>NABARD Consultancy Services</td>
</tr>
<tr>
<td>NAEP</td>
<td>National Afforestation &amp; Eco-development Project</td>
</tr>
<tr>
<td>NCPAH</td>
<td>National Committee on Plasticulture Applications in Horticulture</td>
</tr>
<tr>
<td>NDC</td>
<td>National Data Centre</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>NEC</td>
<td>National Executive Committee</td>
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<tr>
<td>NEH</td>
<td>North Eastern &amp; Himalayan States</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>NRAA</td>
<td>National Rainfed Area Authority</td>
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<td>NRM</td>
<td>Natural Resource Management</td>
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<td>NSC</td>
<td>National Steering Committee</td>
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<td>NRSC</td>
<td>National Remote Sensing Centre</td>
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<tr>
<td>NRSA</td>
<td>National Remote Sensing Agency</td>
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<tr>
<td>NWDPRA</td>
<td>National Watershed Development Project for Rainfed Areas</td>
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<tr>
<td>PIAs</td>
<td>Project Implementing Agencies</td>
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<tr>
<td>PMKSY</td>
<td>Pradhan Mantri Krishi Sinchayee Yojana</td>
</tr>
<tr>
<td>PRA</td>
<td>Participatory Rural Appraisal</td>
</tr>
<tr>
<td>PRI</td>
<td>Panchayati Raj Institutions</td>
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<tr>
<td>PVC</td>
<td>Poly Vinyl Chloride</td>
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<tr>
<td>RIDF</td>
<td>Rural Infrastructure Development Fund</td>
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<tr>
<td>RKVY</td>
<td>Rashtriya Krishi Vikas Yojana</td>
</tr>
<tr>
<td>RVP&amp;FPR</td>
<td>River Valley Project &amp; Flood Prone River Project</td>
</tr>
<tr>
<td>SAGY</td>
<td>Saansad Adarsh Gram Yojana</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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</tr>
<tr>
<td>SAU</td>
<td>State Agricultural University</td>
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<tr>
<td>SC</td>
<td>Scheduled Caste</td>
</tr>
<tr>
<td>SGRY</td>
<td>Sampoorna Grameen Rojgar Yojana</td>
</tr>
<tr>
<td>SGSY</td>
<td>Swarnjayanti Gram Swarozgar Yojana</td>
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<tr>
<td>SHGs</td>
<td>Self-Help Groups</td>
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<tr>
<td>SIRDs</td>
<td>State Institutes of Rural Development</td>
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<tr>
<td>SIP</td>
<td>State Irrigation Plan</td>
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<tr>
<td>SLNA</td>
<td>State Level Nodal Agency</td>
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<tr>
<td>SLSC</td>
<td>State Level Sanctioning Committee</td>
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<tr>
<td>S&amp;MF</td>
<td>Small &amp; Marginal Farmers</td>
</tr>
<tr>
<td>ST</td>
<td>Scheduled Tribe</td>
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<tr>
<td>UC</td>
<td>Utilisation Certificate</td>
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<td>UGs</td>
<td>User Groups</td>
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<tr>
<td>VOs</td>
<td>Voluntary Organisations</td>
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<tr>
<td>WC</td>
<td>Watershed Committee</td>
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<tr>
<td>WDF</td>
<td>Watershed Development Fund</td>
</tr>
<tr>
<td>WDT</td>
<td>Watershed Development Team</td>
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</tbody>
</table>
Learning Outcome

By the end of the learning, the reader will be enabled to understand the following:

a) About PMKSY and Focus on IWMP
b) Objective and Eligibility Criteria of IWMP
c) Organisational set up at different levels
d) Criteria for selection of watershed projects
e) Fund flow and pattern
f) Capacity building under IWMP
g) Monitoring and Evaluation of IWMP at all levels
h) Convergence
i) Risk areas for internal Audit
j) Checklist for internal audit
15.1 Introduction

Out of the total geographical area of the country of 329 MH, about 146 MH is degraded and 85 MH is rainfed arable land. This includes degraded land not only under private ownership, but also the one with the departments of panchayat, revenue and forest. All these lands are prioritised for development under various watershed development projects under these guidelines. During the 11th Five Year Plan, major thrust would be laid on developing the untreated areas. Substantial dependency on rainfall makes cultivation in unirrigated areas a high risk, less productive profession. Empirical evidences suggest that assured or protective irrigation encourages farmers to invest more in farming technology and inputs leading to productivity enhancement and increased farm income.

Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) was launched on 1 July, 2015 with the objective to achieve convergence of investments in irrigation sector at field level. The scheme aims at providing end-to-end solutions in irrigation supply chain, viz. water sources, and distribution network and farm level applications. PMKSY not only focuses on creating water sources for assured irrigation, but it is also creating protective irrigation by harnessing rain water at micro level through ‘Jal Sanchay’ and ‘Jal Sinchan’. Micro irrigation is an integral component of the scheme to maximise water use efficiency at farm level. PMKSY adopts State level planning and projectised execution that allows States to draw up their own irrigation development based on District Irrigation Plans and State Irrigation Plan.

15.2 Objectives of the scheme

The broad objectives of PMKSY are:-

a) Achieve convergence of investments in irrigation at the field level (preparation of district level and, if required, sub-district level water use plans).

b) Enhance the physical access of water on the farm and expand cultivable area under assured irrigation (Har Khet ko pani),

c) Integration of water source, distribution and its efficient use, to make best use of water through appropriate technologies and practices.

d) Improve on-farm water use efficiency to reduce wastage and increase availability both in duration and extent,

e) Enhance the adoption of precision-irrigation and other water saving technologies (More crop per drop).

f) Enhance recharge of aquifers and introduce sustainable water conservation practices

g) Ensure the integrated development of rainfed areas using the watershed approach towards soil and water conservation, regeneration of groundwater, arresting runoff, providing livelihood options and other NRM activities.
h) Promote extension activities relating to water harvesting, water management and crop alignment for farmers and grassroots level field functionaries.

i) Explore the feasibility of reusing treated municipal waste water for peri-urban agriculture, and attract greater private investments in irrigation.

15.3 Programme Components of PMKSY:

Components of the PMKSY are as under:

A. Accelerated Irrigation Benefit Programme (AIBP) – to focus on faster completion of ongoing Major and Medium Irrigation projects – being implemented by MoWR, RD&GR.

B. PMKSY (Har Khet Ko Pani) – to focus on source augmentation, distribution, ground water development, lift irrigation, diversion of water from water plenty to water scarce areas, supplementing rain water harvesting beyond IWMP & MGNREGA, repair, restoration, renovation of traditional water bodies, etc., – being implemented by MoWR, RD&GR.

C. PMKSY (Per Drop More Crop) – to focus on micro level storage structures, efficient water conveyance & application, precision irrigation systems, topping up of input cost beyond MGNREGA permissible limits, secondary storage, water lifting devices, extension activities, coordination & management - being implemented by DAC&FW.

D. PMKSY (Watershed Development) - to focus on ridge area treatment, drainage line treatment, soil and moisture conservation, water harvesting structure, livelihood support activities and other watershed works being implemented by DoLR.

15.4 Watershed Development

Watershed Development Projects have been taken up under different programmes launched by the Government of India. The Drought Prone Area Programme (DPAP) and the Desert Development Programme (DDP) adopted the watershed approach in 1987. The Integrated Wasteland Development Projects scheme (IWD) taken up by the National Wasteland Development Board in 1989 also aimed at developing wastelands on a watershed basis. This programme has now been brought under the administrative jurisdiction of the Department of Wastelands Development in the Ministry of Rural Development. The fourth major programme based on the watershed concept is the National Watershed Development Programme in Rainfed Areas (NWDPRA) under the Ministry of Agriculture.

The Integrated Wasteland Development Projects made silvipasture, soil and moisture conservation on wastelands under government or community or private control as their predominant activity. The NWDPRA combines the features of all these three programmes with the additional dimension of improving arable lands through better crop management technologies.

15.4.1 The key features of this new unified approach can be broadly outlined as follows:

a) Delegating Powers to States:

States will now be empowered to sanction and oversee the implementation of watershed projects within their areas of jurisdiction and within the parameters set out in these guidelines.
b) **Dedicated Institutions:**

There would be dedicated implementing agencies with multi-disciplinary professional teams at the national State and district levels for managing the watershed programmes.

c) **Financial Assistance to Dedicated Institutions:**

Additional financial assistance would be provided for strengthening of institutions at the district, State and national level to ensure professionalism in management of watershed projects.

d) **Duration of the Programme:**

With the expanded scope and expectations under this approach, the project duration has been enhanced in the range of 4 to 7 years depending upon nature of activities spread over three distinct phases viz., preparatory phase, works phase and consolidation phase.

e) **Livelihood Orientation:**

Productivity enhancement and livelihoods shall be given priority along with conservation measures. When effectively integrated with the Watershed Development Projects, a comprehensive animal husbandry component would contribute significantly to ensuring a better and sustainable livelihood for the people of the rainfed areas.

f) **Cluster Approach:**

The new approach envisages a broader vision of geo-hydrological units normally of average size of 1,000 to 5,000 hectares comprising clusters of micro-watersheds. If resources and area exist, additional watersheds in contiguous areas in clusters may be taken up. However, smaller size projects will be sanctioned in the hilly/difficult terrain areas.

g) **Scientific Planning:**

Special efforts need to be made to utilise the information technology and remote sensing inputs in planning, monitoring and evaluation of the programme.

h) **Capacity Building:**

Capacity Building and training of all functionaries and stakeholders involved in the watershed programme implementation would be carried out on war footing with definite action plan and requisite professionalism and competence.

i) **Multi-Tier Approach:**

There would be a multi-tier ridge to valley sequenced approach, which should be adopted towards the implementation of the Watershed Development Projects at district level for managing the watershed programmes.

15.4.2 **Project Objectives:-**

The objectives of each Watershed Development Project will be:-

a) To promote the economic development of the village community which is directly or indirectly dependent on the watershed through:- Optimum utilisation of the watershed’s
natural resources like land, water, vegetation, etc., that will mitigate the adverse effects of drought and prevent further ecological degradation, employment generation and development of the human and other economic resources of the village in order to promote savings and other income-generation activities.

b) To encourage restoration of ecological balance in the village through:- Sustained community action for the operation and maintenance of assets created and further development of the potential of the natural resources in the watershed. Simple, easy and affordable technological solutions and institutional arrangements that make use of and build upon, local technical knowledge and available materials.

c) Special emphasis to improve the economic and social condition of the resources-poor and the disadvantaged sections of the Watershed Community such as the assetless and the women through:- More equitable distribution of the benefits of land and water resources development and the consequent biomass production. Greater access to income generating opportunities and focus on their human resource development.

15.4.3 Technology Inputs

At the State and National levels, core GIS facilities, with spatial and non-spatial data, would be established and augmented with satellite imagery data received from NRSC, ISRO and Survey of India. All the GIS layers for various themes would be overlaid having a geo-referenced base layer up to the level of village boundaries in the first instance.

This core GIS data may be given controlled access/distribution over network for local project planning. Application software for web-enabled integrated watershed development, spatial and non-spatial data standards and meta-data would also be worked out. Once such a knowledge base is in place, it would be possible to define watershed project boundaries with assignment of unique-identification (unique-id) to each project. It would also be possible to map treatment area with respect to their respective administrative formations in terms of villages, blocks and districts.

Remote sensing data would be utilised for finalising contour maps for assessment of run-off and for identifying structures best suited for location of projects. Each district and State centre would be equipped with IT and domain professionals with desired skills. A National Portal will be created which will host the data generated for all watershed projects in the entire country. Inputs will be compiled from all concerned Ministries / Departments including Ministry of Rural Development / Ministry of Environment and Forest / Ministry of Agriculture. The National Portal will be commissioned and maintained by the NRAA.
15.5 Organisational Framework

An appropriate institutional arrangement would be made at various levels for effective and professional management of watershed development projects.

### 15.5.1 National Rainfed Area Authority:

National Rainfed Area Authority (NRAA) would, inter-alia, be responsible for:

a) Supporting the process of preparing strategic plans for watershed based development projects at the State and district level keeping in view specific agro-climatic and socio-economic conditions.

b) Assisting in the preparation of State-specific technical manuals for the multi-disciplinary and integrated approach required for implementation of these projects together with the standards and specifications, etc.

c) Supporting State Level Nodal Agencies in identifying resource organisations and establishing capacity building arrangements.

d) Facilitating action research relevant to watershed development programme in different agro-climatic regions.

e) Conducting studies, evaluation and impact assessment from time to time so that the benefits of these are available for improving the quality of watershed management projects.

f) Facilitating convergence of different schemes and projects of Government of India which are having similar objectives.

g) Accessing additional funds from other sources including private sector, foreign funding agency, etc., and facilitate its use to fill up critical gaps in the programme as well as upscale successful experiences through innovative organisations at field levels.

h) Acting as an effective coordinating mechanism between all bodies/organisations/ agencies/ departments/ ministries, etc., who are involved in watershed programmes.

i) Organising regional and international conferences, seminars and workshops, study tours, and information sharing.
j) Providing technical knowledge inputs and expertise.

k) Such other activities as may be decided by the governing body of NRAA /Government from time to time.

15.5.2 Central Level Nodal Agency (CLNA)

Whereas each Ministry is free to set up its own mechanism to oversee watershed development programmes, it shall also have the option to set up a Nodal Agency at the Central level in the Department for managing and implementing watershed development projects. These nodal agencies will comprise professional multi-disciplinary experts experienced in the fields of agriculture, water management, institution and capacity building etc.

The Nodal Agency will perform the following important functions:

a) Facilitate allocation of the budgetary outlay for the projects among the States keeping in view the criteria as specified in the Guidelines.

b) Interact with State and District Level Agencies, facilitate and ensure smooth flow of funds to the District Watershed Development Units as per the fund flow norms as well as recommendations from the State Level Nodal Agencies.

c) Actively support capacity building programmes at all levels.

d) Strongly support, augment and initiate Information, Education and Communication (IEC) activities with modern IT inputs.

e) Ensure close monitoring through on-line systems.

f) Establish suitable systems for field visits, monitoring, social audits and impact assessment through interaction with State and district level agencies for effective implementation of the projects at ground level.

g) Prepare a panel of evaluators or evaluation agencies and undertake evaluation studies, impact assessment studies and such other evaluation tasks as deemed fit from time to time.

h) Support as well as facilitate participation in national, regional and international conferences, seminars and workshops, study tours, research / field studies and information sharing.

i) Act as an effective coordinating mechanism between all bodies, organisations, agencies, departments, Ministries, etc., which are involved in watershed programmes.

j) Undertake all such activities which are useful for the purposes of ensuring that watershed programmes become major vehicles for the overall and all-round development of rainfed areas in the country.

15.5.3 State Level Nodal Agency (SLNA)

The SLNA will be required to review the programme and provide enabling mechanism to set up State Data Cell and ensure regular reporting to the Central Government/ Nodal Agency at the Central level in the Department.

The SLNA would consist of one representative from the NRAA, one representative from the Central Nodal Ministry, one representative from NABARD, one representative each from the State Department
of Rural Development, Agriculture, Animal Husbandry and allied sector, one representative from Ground Water Board and one representative from an eminent voluntary organisation and two professional experts from research institutes / academia of the State. There will be also representation from NREGA, BRGF and other related implementing agencies at the State level. The SLNA will sanction watershed projects for the State on the basis of approved State perspective and strategic plan as per procedure in vogue and oversee all watershed projects in the State within the parameters set out in these Guidelines.

The main functions of the SLNA will be to:

- Prepare a perspective and strategic plan of watershed development for the State on the basis of plans prepared at the block and district level and indicate implementation strategy and expected outputs/outcomes, financial outlays and approach the Nodal Agency at the Central level in the Department for appraisal and clearance.
- Establish and maintain a State level data cell from the funds sanctioned to the States, and connect it online with the National Level Data Centre.
- Provide technical support to District Watershed Development Units (DWDU) throughout the State.
- Approve a list of independent institutions for capacity building of various stakeholders within the state and work out the overall capacity building strategy in consultation with NRAA/Nodal Ministry.
- Approve Project Implementing Agencies identified/selected by DWDU/District Level Committee by adopting appropriate objective selection criteria and transparent systems.
- Establish monitoring, evaluation and learning systems at various levels (Internal and external/ independent systems).
- Ensure regular and quality on-line monitoring of watershed projects in the State in association with Nodal Agency at the Central level and securing feedback by developing partnerships with independent and capable agencies. Constitute a panel of Independent Institutional Evaluators for all watershed projects within the State, get this panel duly approved by the concerned Nodal Agencies at the central level and ensure that quality evaluations take place on a regular basis.
h) Prepare State Specific Process Guidelines, Technology Manuals, etc., in coordination with the Nodal Ministry/ NRAA and operationalise the same.

15.5.4 District Watershed Development Unit (DWDU):

A separate dedicated unit, called the District Watershed Development Unit (DWDU) will be established at the district level. This unit will oversee the implementation of watershed programme in each district and will have separate independent accounts for this purpose. DWDU will function in close coordination with the District Planning Committee.

Oversee the implementation of watershed programme in each district and will have separate independent accounts for this purpose.

The functions of DWDU will be as follows:

a) Identify potential Project Implementing Agencies (PIAs) in consultation with SLNA as per the empanelment process as decided by the respective State governments.

b) Take up the overall responsibility of facilitating the preparation of strategic and annual action plans for watershed development projects in respective districts.

c) Providing professional technical support to Project Implementing Agencies (PIAs) in planning and execution of watershed development projects.

d) Develop action plans for capacity building, with close involvement of resource organisations to execute the capacity building action plans.

e) Carry out regular monitoring, evaluation and learning.

f) Ensure smooth flow of funds to watershed development projects.

g) Ensure timely submission of required documents to SLNA / Nodal Agency of the Department at Central level.

h) Facilitate co-ordination with relevant programmes of agriculture, horticulture, rural development, animal husbandry, etc., with watershed development projects for enhancement of productivity and livelihoods.

i) Integrate watershed development projects/ plans into District Plans of the district planning committees. All expenditure of watershed projects would be reflected in district plans.

15.5.5 Role of District and Block Panchayats

The District Panchayat / Zilla Parishad will have an important role of governance in matters relating to the co-ordination of various sectoral schemes with watershed development projects, review of progress, settling disputes, etc. Where the Panchayat system is not in operation, this role will be played by the DWDU/District Autonomous Councils.

Intermediate Panchayats have an important role in planning the watershed development projects at the intermediate level. They can also provide valuable support to PIAs and Gram Panchayats/ Watershed Committees in technical guidance with the help of their subject matter specialists.
15.5.6 Institutional arrangements at project level

a. Project Implementing Agency (PIA)

SLNA would be responsible for implementation of watershed projects in different districts. These PIAs may include relevant line departments, autonomous organisations under State/ Central Governments, Government Institutes/ Research bodies, Intermediate Panchayats, Voluntary Organisations (VOs).

The following Criteria may be observed in the selection of these PIAs:

a) They should preferably have prior experience in watershed related aspects or management of watershed development projects.

b) They should be prepared to constitute dedicated Watershed Development Teams.

Roles and Responsibilities of the PIA

The Project Implementing Agency (PIA) will provide necessary technical guidance to the Gram Panchayat for preparation of development plans for the watershed through Participatory Rural Appraisal (PRA) exercise, supervise watershed development activities, inspect and authenticate project accounts, encourage adoption of low cost technologies and set up institutional arrangements for post-project operation and maintenance and further development of the assets created during the project period.

The PIA shall submit the Action Plan for Watershed Development Project for approval of the DWDU/ DRDA and other arrangements and periodical progress report to DWDU.

b. Watershed Development Team

The WDT is an integral part of the PIA and will be set up by the PIA. Each WDT should have at least four professional degree members including a woman. WDT should function in close collaboration with the team of experts at the district and State level. DWDU will facilitate the training of the WDT members.

Roles and Responsibilities of WDT

The WDT will guide the Watershed Committee (WC) in the formulation of the watershed action plan.

a) Assist Gram Panchayat / Gram Sabha in constitution of the Watershed Committee and their functioning.

b) Organising and nurturing User Groups and Self-Help Groups.

c) Mobilising women to ensure that the perspectives and interests of women are adequately reflected in the watershed action plan.

d) Conducting the participatory baseline surveys, training and capacity building.

e) Preparing detailed resource development plans including water and soil conservation or reclamation, etc., to promote sustainable livelihoods at household level.

f) Common property resource management and equitable sharing.

g) Preparing Detailed Project Report (DPR) for the consideration of Gram Sabha.

h) Undertake engineering surveys, prepare engineering drawings and cost estimates for any structures to be built.
i) Monitoring, checking, assessing, undertaking physical verification and measurements of the work done.

j) Facilitating the development of livelihood opportunities for the landless.

k) Maintaining project accounts.

l) Arranging physical, financial and social audit of the work undertaken.

m) Setting up suitable arrangements for post-project operation, maintenance and future development of the assets created during the project period.

15.5.7 Institutional Arrangements at the Village Level and People’s Participation

a. **Self-Help Groups**: The Watershed Committee shall constitute SHGs in the watershed area with the help of WDT. These Groups shall be homogenous groups having common identity and interest who are dependent on the watershed area for their livelihood. Each Self-Help Group will be provided with a revolving fund of an amount to be decided by the Nodal Ministry.

b. **Watershed Committee (WC)**: The Gram Sabha will constitute the Watershed Committee (WC) to implement the watershed project with the technical support of the WDT in the village. The Gram Sabha may elect/appoint any suitable person from the village as the Chairman of Watershed Committee. The Watershed Committee (WC) will comprise at least 10 members, half of the members shall be representatives of SHGs and User Groups, SC/ST community, women and landless persons in the village. Where a watershed project covers more than one Gram Panchayat, separate committees will be constituted for each Gram Panchayat. The Secretary of the Watershed Committee (WC) will be selected in a meeting of the Gram Sabha and work under the direct supervision of the president of Watershed Committee (WC).
a) Convening meetings of the Gram Sabha, Gram Panchayat, Watershed Committee for facilitating the decision making processes in the context of Watershed Development Project.

b) Taking follow-up action on all decisions.

c) Maintaining all the records of project activities and proceedings of the meetings of Gram Panchayat, Watershed Committee (WC) and other institutions for Watershed Development Project.

d) Ensuring payments and other financial transactions.

e) Signing the cheques jointly with the WDT nominee on behalf of the Watershed Committee.

c. Role of Gram Panchayat

The Gram Panchayat would perform the following important functions:

- Supervise, support and advise Watershed Committee from time to time.
- Authenticate the accounts/expenditure statements of Watershed Committee and other institutions of watershed project.
- Facilitate the convergence of various projects/schemes to institutions of watershed development project.
- Maintain asset registers under watershed development projects with a view to retaining it after the watershed development project.
- Provide office accommodation and other requirements to Watershed Committee.
- Allocate usufruct rights to deserving user groups/SHGs over the assets created.

15.6 Implementation

15.6.1 Criteria for selection of watershed projects

The following criteria may broadly be used in selection and prioritisation of watershed development projects:

a) Acuteness of drinking water scarcity.

b) Extent of over-exploitation of groundwater resources.

c) Preponderance of wastelands/degraded lands.

d) Contiguity to another watershed that has already been developed/treated.

e) Willingness of village community to make voluntary contributions, enforce equitable social regulations for sharing of common property resources, make equitable distribution of benefits, create arrangements for the operation and maintenance of the assets created.

f) Proportion of scheduled castes/scheduled tribes.

g) Area of the project should not be covered under assured irrigation.

h) Productivity potential of the land.
15.6.2 Project Management

The major activities of the Watershed Development Projects will be sequenced into (i) Preparatory, (ii) Works and (iii) Consolidation and withdrawal Phase. The project duration may be spread over three different phases as decided by the Nodal Ministry and as given below:

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<thead>
<tr>
<th>Phase</th>
<th>Name</th>
<th>Duration</th>
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<tr>
<td>I</td>
<td>Preparatory Phase</td>
<td>1-2 Years</td>
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<tr>
<td>II</td>
<td>Watershed Works Phase</td>
<td>2-3 Years</td>
</tr>
<tr>
<td>III</td>
<td>Consolidation and Withdrawal Phase</td>
<td>1-2 Years</td>
</tr>
</tbody>
</table>

- **Preparatory Phase:**

  The major objective of this phase is to build appropriate mechanisms for adoption of participatory approach and empowerment of local institutions (WC, SHG, and UG).

  The main activities will include:
  
  a) Works based on urgent needs of the local communities such as revival of common natural resources, drinking water, development of local energy potential, augmenting groundwater potential etc.
  
  b) Repair, restoration and upgradation of existing common property assets and structures (such as village tanks) may be undertaken to obtain optimum and sustained benefits from previous public investments and traditional water harvesting structures.
  
  c) Productivity enhancement of existing farming systems could also be an activity that helps in community mobilisation and building rapport
  
  d) Baseline surveys needed for preparation of Detailed Project Report (DPR),
  
  e) Selection of sites and beneficiaries.
  
  f) Preparation of the DPR, including activities to be carried out, selection of beneficiaries and work-sites and design and costing of all works, ensuring that the interests, perceptions and priorities of women, Dalits, Adivasi and the landless are adequately reflected in the DPR.

- **Watershed Works Phase:**

  In this phase, the DPR will be implemented. The main activities will include:

  a) Ridge Area Treatment

  b) Crop demonstrations for popularising new crops/varieties, water saving technologies such as drip irrigation or innovative management practices. As far as possible varieties based on the local germplasm may be promoted.

  c) Drainage line treatment with a combination of vegetative and engineering structures, such as earthen checks, brushwood checks, gully plugs, loose boulder checks, gabion structures, underground dykes, etc.
d) Promotion and propagation of non-conventional energy saving devices, energy conservation measures, biofuel plantations, etc.

c. Consolidation and Withdrawal Phase:

In this phase the resources augmented and economic plans developed in Phase II are made the foundation to create new nature-based, sustainable livelihoods and raise productivity levels.

The main objectives under this phase are:

a) Consolidation and completion of various works.

b) Building the capacity of the community based organisations to carry out the new agenda items during post-project period.

c) Sustainable management of (developed) natural resources

d) Up-scaling of successful experiences regarding farm production systems / off-farm livelihoods.

15.7 Allocation of funds, approval of projects and release of funds

15.7.1 Allocation of Funds to States:

The Nodal Ministry / Department would allocate the budgetary outlay for the projects among the States keeping in view the following criteria and past performance of the state (physical and financial) viz unspent balance, outstanding utilisation certificates, percentages of completed projects out of total projects, etc., except in those schemes where States have flexibility to allocate funds between watershed and other schemes.

15.7.2 Allocation of Funds to Districts

The State level nodal agencies will distribute funds to the districts keeping in view the following criteria:-

a) District level perspective and strategic plans in watershed based development projects.

b) Percentage of rainfed area in the district to the total cultivated area of the State.

c) Percentage of wastelands/ degraded lands/ panchayat lands in the district to the total geographical area of the State.

15.7.3 Approval and sanction of Watershed Development Projects

By the end of February each year, the States will submit detailed Annual Action Plans indicating ongoing liabilities as well as new projects which they wish to take up. On receipt of the sanction orders for the new projects from SLNA; the Nodal Ministry would release funds directly to the district level agency. The existing release procedure of Departmental Nodal Agencies may however continue if release of funds to the district level agency is not feasible.

The distribution of budget for specific watershed projects for the various components therein is given below:
The payments of salaries to the WDTs/ Secretary of the Watershed Committees, etc., would be exclusively charged from the administrative cost component. Savings, if any, in each component of the project cost can be utilised for activity in watershed works only.

Purchase of vehicles and other equipment, etc., and construction of buildings are not allowed. However, purchase of computers and related software is permitted.

PIAs belonging to Line Departments may preferably outsourced to VOs/CBOs community mobilisation and capacity building activities.

### 15.7.4 Procedure for release of instalments:

The Central share of funds shall be released to the DWDUs / agency for the three phases of the implementation spread over the project period.

a) The first instalment comprising preparatory phase activities viz., 20% of the Central share will be released straight away upon the sanction of the project by the SLNA.

b) The second instalment comprising 50% of the Central share towards the project cost will be released on proper certification and submission of documents after completion of the preparatory phase and 60% expenditure of the first instalment.

c) The third instalment of 30% i.e. 25% of the Central share towards the works phase of the project cost and 5% for the consolidation phase will be released on proper certification of expenditure of 75% of the total funds released supported by relevant documents.

### 15.7.5 Watershed Development Fund

One of the mandatory conditions for selection of villages for watershed projects is people’s contribution towards the Watershed Development Fund (WDF). The contributions to WDF shall be a minimum 10% of the cost of NRM. The Secretary, Watershed Committee (WC) shall maintain a completely separate account of the income and expenditure of the WDF. After completion of Phase II, at least 50% of the
WDF funds shall be reserved for maintenance of assets created on community land or for common use under the project.

15.8 Foreclosure of projects

The project work should start within three months of the receipt of first instalment by DWDU / agency. Steps can also be initiated for suo-motu foreclosure by the State / Central Government under the following circumstances.

a) Consistent apathy on the part of State and district level authorities towards the project.

b) Non-submission of DPR / approved work plan for two years after the expiry of preparatory phase without any valid justification.

c) If any matter relating to project is subjudice in any court of law and no order for staying the project activity has been passed by the court.

d) Any other reason which justifies foreclosure as decided by district/State/Centre from time to time.

15.9 Capacity Building Strategy

Capacity building support is a crucial component to achieve the desired results from watershed development projects. NRAA would facilitate the evolution of operational strategies for capacity building in each State in consultation with SLNA and other resource organisations. The capacity building strategy and activities enumerated below by NRAA, Nodal Agencies at the Central level, and consortiums of resource organisations should be funded separately over and above the earmarked budget for institution and capacity building in the preparatory phase of the watershed development project.

Key Components of Capacity Building Strategy

a) Dedicated and decentralised institutional support and delivery mechanism

b) Annual Action Plan for Capacity Building

c) Pool of resource persons

d) Well prepared training modules and reading materials

e) Mechanism for effective monitoring and follow-up.

15.10 Monitoring, Evaluation and Learning

15.10.1 Monitoring

Regular monitoring of the project will have to be carried out at each stage. The PIA shall submit quarterly progress reports (countersigned by the Watershed Committee (WC) President) to the DWDU for further submission to the SLNA.

The role of the SLNA is critical in ensuring that the following systems are followed at the appropriate levels:

a) Internal Monitoring by project teams (PIA/DWDU)

b) Progress Monitoring
c) GIS/ Web Based On-Line Monitoring

d) Self-Monitoring by communities

e) Sustainability Monitoring

f) Social Audits


g) Independent and External Monitoring by independent agencies

h) Process Monitoring

**15.10.2 Evaluation**

There will be a national panel of Evaluating Agencies in each Ministry. A minimum percentage of evaluations and impact studies will be carried out by national level agencies. Each evaluation will include physical, financial and social audit of the work done. Evaluators are to be seen not so much as inspectors but as facilitators. The concurrent and post-project evaluation would be conducted to assess the status of watershed related interventions.

**15.11 Convergence**

Eleventh Five Year Plan offers an opportunity to converge and harmonise resources of different schemes and programmes specially those under Bharat Nirman and other flagship schemes with watershed development projects. Efforts should be made to converge all relevant schemes at project level. Convergence of different schemes and projects of Government of India which are having similar objectives are facilitated by NRAA at national level and convergence of various projects/ schemes to institutions of watershed development project would be facilitated by GP level also.
WORK BOOK

1. Brief about aim, coverage and objectives of PMKSY?

__________________________________________________________________________________
__________________________________________________________________________________

2. What are all major components of PMKSY?

__________________________________________________________________________________
__________________________________________________________________________________

3. Explain the organisation structure at all levels under IWMP?

__________________________________________________________________________________
__________________________________________________________________________________

4. Write about the fund flow under IWMP?

__________________________________________________________________________________
__________________________________________________________________________________

5. Write the selection of criterion for watershed projects?

__________________________________________________________________________________
__________________________________________________________________________________

6. Write the role and responsibilities of DWDC?

__________________________________________________________________________________
__________________________________________________________________________________

7. Brief explanation about Monitoring and Evaluation system?

__________________________________________________________________________________
__________________________________________________________________________________

8. Write the roles and responsibilities of WDT?

__________________________________________________________________________________
__________________________________________________________________________________
<table>
<thead>
<tr>
<th>S. No.</th>
<th>Level of implementation process</th>
<th>Risk areas</th>
<th>Control Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IEC activities</td>
<td>• Failure to conduct IEC activities</td>
<td>DWDU</td>
</tr>
<tr>
<td>2</td>
<td>Institutional arrangements</td>
<td>• Non-existence of institutional set up at all levels (SLNA, DWDU, etc.)</td>
<td>SLNA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Failure of functionality of institutions set up at all levels (SLNA, DWDU, etc.)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Failure to set up proper institutional set up at village level (WDT).</td>
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</tr>
<tr>
<td>3</td>
<td>IT</td>
<td>• Failure to utilise the services of technical inputs (i.e, Remote sensing data).</td>
<td>SLNA / RS Agency / NRSC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Failure to set up domain skilled human resources at State and district levels.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>GP &amp; PRIs</td>
<td>• Poor participation in programmes planning, reviews and disputes, etc., at block level.</td>
<td>DWDU</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Failure to support PIAs.</td>
<td></td>
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<td></td>
<td></td>
<td>• Failure of involvement of watershed committee at GP level.</td>
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<tr>
<td></td>
<td></td>
<td>• Failure to support the PIAs at GP level.</td>
<td></td>
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<td></td>
<td></td>
<td>• Failure to maintain registers under watershed projects programme.</td>
<td></td>
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<tr>
<td>5</td>
<td>PIA</td>
<td>• Improper selection of PIAs.</td>
<td>SLNA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Failure of required services provided by PIAs.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Poor performance of PIAs in execution of programme.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Implementation</td>
<td>• Improper selection of watershed projects.</td>
<td>DWDU</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Failure to follow project management phases.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Delay in commencement of the projects. (i.e., The project work should start within three months of the receipt of first instalment by DWDU / agency)</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Fund flow</td>
<td>• Failure to follow the time line for submission of detailed annual plan for the projects.</td>
<td>SLNA, Water-shed, Cell Data Centre CWCDC</td>
</tr>
<tr>
<td>S. No.</td>
<td>Level of implementation process</td>
<td>Risk areas</td>
<td>Control Authority</td>
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</tbody>
</table>
| 8     | Capacity Building                | • Failure to conduct the capacity building activities at various required levels of the projects.  
• Failure to maintain the separate fund for the activities. | DWDU/ SLNA        |
| 9     | Monitoring and Evaluation        | • Irregular monitoring at each level.                                      | DWDU/ SLNA        |
|       |                                  | • Failure of submission of quarterly progress reports by PIAs.              |                   |
|       |                                  | • Non-conduct of social audits.                                             |                   |
|       |                                  | • Failure of monitoring on GIS/Web based activities.                        |                   |
|       |                                  | • Failure of monitoring by independent agencies.                            |                   |
|       |                                  | • Failure to set up of evaluation agencies.                                 |                   |
|       |                                  | • Improper selection of evaluation agencies                                |                   |
|       |                                  | (i.e., DWDU may choose any agency from the SLNA approved panel, the only condition being that the agency should not belong to the area being evaluated). |                   |
|       |                                  | • Poor performance of evaluation agencies                                  |                   |
|       |                                  | (i.e., Each evaluation will include physical, financial and social audit of the work done) |                   |
|       |                                  | • Failure to conduct the concurrent and post-project evaluation done.       |                   |
| 10    | Convergence                      | • Failure to implement convergence process of other schemes to watershed programmes | SLNA / WCDC      |
CHECKLIST FOR INTERNAL AUDIT:

1. Whether all IEC activities were carried out?
2. Whether the required institutional set up has been done at all levels (State, district, etc.)?
3. Whether the institutions set up has been functional?
4. Whether the technical data have been utilised properly for projects?
5. Whether the technical human resources were set up?
6. Whether the PRIs at block level and SHGs at GP level are fully active and supportive to PIA?
7. Whether the PIAs have been selected as per norms?
8. Whether the PIAs’ performance has been monitored?
9. Were watershed projects selected as per criteria?
10. Whether the projects have been commenced as per norms?
11. Whether the funds were allocated to districts as per process of planning?
12. Whether the funds were allocated to various components of watershed projects as per norms?
13. Was there any delay in release of funds? Where?
14. Were foreclosure of projects found?
15. Whether the records were maintained for foreclosure of projects found? And sent to higher authorities?
16. Whether the capacity building activities (trainings, etc.) were carried out? And fund allocated separately?
17. Whether the regular social audits were conducted?
18. Whether monitoring was done properly?
19. Whether evaluation took place properly?
20. Whether the PIAs did submit progress reports on quarterly basis?
21. Whether the concurrent and post-project evaluation has been done?
22. Whether the convergence of various schemes with watershed projects?
23. Was there any grievance redressal mechanism?