

Manual 8: Auditing of GP Accounts in Orissa

8.1 Audit, its significance and changing practice-

Like other public authorities the local bodies of Orissa including Grama Panchayats are subject to annual and periodical audit in respect of their accounts on receipts and payments. The concept of audit has also widened over period of time to include performance audit and social audit in addition to the conventional practice of financial audit. While the financial audit is carried out by the statutory bodies as per the procedure laid down in the legal instruments or by the prescribed authorities, the social audit, on the contrary, is performed by the target beneficiaries themselves, for whom a scheme along with the allocated funds was sanctioned. Even the concept and system of financial audit have undergone substantial changes to cope with the changing priorities and advancing tools and technologies. Further, the audit of PRIs including that of Grama Panchayats is carried out at various levels, from the District Audit Cell to Local Fund Audit to the Test-Check audit by C&AG of India. With the increasing flow of funds from Centre to the PRIs based upon the recommendation of the successive Finance Commissions, the test check audit by C&AG of India has assumed critical significance. Non-adherence to the norms and standards of book keeping prescribed under C&AG guidelines or serious lapses and deviations vis-à-vis the said guidelines can cost the PRIs including the GPs their entitlement to periodical grants from the Centre and other external sources, which are at any rate indispensable for the sustenance of various developmental programmes run by them. Thus the PRIs including Grama Panchayats of a State need to maintain constant care and vigil over every receipt and every payment that they may transact in course of a financial year, so that they won't have to face any serious objection from the auditors, especially from the external auditors like C&AG of India.

8.2 Type of Audit Objections normally facing a GP-

It is worthwhile for the PRI functionaries to know in advance the types of objections that the auditors may raise on their accounts. This understanding shall help them take proactive measures right since inception, which would stand them in good stead at the time of audit by any agency. In this connection, the test-check audit held during 2006-07 by C&AG of India into accounts of Orissa's PRIs for the year 2005-06 is a handy pointer. This Test-Check audit, as is the practice, examines the accounts of only 20% of the total number of PRIs. The following instances of irregularities were pointed out by C&AG in course of their last audit-

- **Advances lying unadjusted (Rs 25.60 crore)** -Advances made to the individuals/contractors/suppliers should be regularly and promptly adjusted and unspent balances refunded/recovered immediately. In case of 278 PRIs as on 31.03.2007, advance of Rs 25.60 crore were not adjusted since long as detailed below:-.

- Panchayat Samitis 74 24.40
- Gram Panchayats 204 01.20

Total 278 25.60

Some advances remained outstanding for the periods ranging from one to thirty years. However the age of the advances pending could not be known in case of majority of the PRIs due to non- maintenance of list of outstanding advances and Advance ledgers. The

possibility of recovery of old advances is remote and may lead to loss of Government money.

- **Diversion of funds (Rs 77.56 lakh)-** As per Panchayat Samiti Accounting Procedure (PSAP) Rules and Gram Panchayat Act, funds placed at the disposal of the PRIs by the Government by way of grant for scheme should be utilized for the purpose for which they have been received. Funds should not be diverted without approval of the Government. In contravention of the above, Rs 77.56 lakh of scheme funds have been diverted during 2000-06 in four PSs and nineteen GPs for expenditure on other schemes.

- **Non collection/remittance of Royalty (Rs 79.14 lakh)-** As per Government (Orissa Minor Mineral Concession) Rules, the royalty should be deducted from the bills on execution of works and remitted to Government account forthwith. Royalty for Rs.8.70 lakh in two PSs and 4 GPs was not realized from the work bills. In 13 PSs and 50 GPs, the royalty for Rs.70.44 lakh though realized from the bills were not remitted to Government account in violation of the rules.

- **Wasteful expenditure on plantation (Rs 2.52 lakh) -**The cashew plantations made in the wasteland of the Government involving expenditure of Rs 2.57 lakh out of SGRY scheme were shown as handed over to 105 SC/ST beneficiaries in 12 GPs under Nabarangapur PS. But, on physical verification of the plantation sites jointly by the BDO, JE and Audit in presence of beneficiaries (December 2006), no plants could be seen in the land. Reasons of non- availability of plants stated by the BDO were due to non-maintenance and absence of watch and ward by the beneficiaries. The reply was not tenable in audit since there were no arrangements made for maintenance and watch and ward by the PS. Failure to take follow up action by the PS led to wasteful expenditure of Rs.2.57 lakh on plantation.

- **Irregular expenditure on transportation charges (Rs 37.10 lakh) -** As per SGRY / NFFWP guidelines, the transportation charges of food grains were to be borne by the State Government from their own resources and the cash component could not be used for transportation. Records of eight PSs and nine GPs revealed that total amounts of Rs 37.10 lakh were utilized irregularly from the scheme funds during 2001-06 towards transportation charges of food grains.

- **Irregular expenditure on repair and maintenance (Rs 11.94 lakh) -**As per SGRY Guidelines, GPs were permitted to spend up to maximum of 15 *per cent* of the funds on maintenance of the public assets created under the wage employment programme. In case of five GPs, the expenditure in excess of prescribed limit of 15 per cent was incurred on repair and maintenance of assets leading to irregular expenditure of Rs 11.94 lakh.

- **Creation of non-durable assets-** As per SGRY guidelines read with the provisions of Rural Road Manual, the construction of rural road should be above minimum standard of Grade-I metalling, so that the road would be all weather and a durable asset. Check of records of four GPs revealed, Rs 5.65 lakh was utilized during 2004-06 on construction of moorum roads which led to creation of non durable assets and ultimately resulted in wasteful expenditure

- **Non realization of dues in Gram Panchayats Rs 15.30 lakh-** The Gram Panchayats collect revenues on leasing of their assets like ponds, ferries, markets, lands, tanks, etc. Records of 43 GPs revealed, Rs 15.30 lakh was not realized during 1966-06 towards the leasing value on the above assets owned by them.

- **Non production of vouchers to Audit parties-** The supporting vouchers in respect of expenditure for Rs 80.87 lakh in 19 GPs could not be produced to audit. In the absence of vouchers, the authenticity of expenditure could not be ensured.

In their **Conclusion and recommendations**, the Audit Report of C&AG observed, “the expenditure was not commensurate with the receipts resulting in accumulation of unutilized balances. Annual Accounts were not prepared for which authenticity of accounts could not be ensured. The loss of revenue for idling of assets, irregular/inadmissible expenditure in violation of rules, wasteful expenditure on works and non remittance of statutory deductions to Government account indicate that internal control mechanisms are not adequate to ensure proper financial management. In view of the findings as explained in previous chapters, the following recommendations are made for consideration of the Government. The Government should ensure that:

- Annual Accounts are prepared by the PRIs regularly and timely;
- Funds are used timely and unspent balances refunded promptly;
- Data base on finances are maintained in all levels of PRIs;
- Statutory deductions are remitted to Government accounts timely;
- Schemes are implemented as per Guidelines;
- Effective control and supervision to be applied to prevent wasteful expenditure etc;
- Works are completed in time;
- Idle assets are utilized to enhance the revenue of the PRIs”.

[Source: Audit Report (Panchayati Raj Institutions), Orissa For the Year 2005-2006 by Comptroller and Auditor General of India]

8.3 Provisions relating to Audit of GP Accounts-

8.3.1 The Sections 100 and 100-A (Audit and Accounts) of the O.G.P. Act, 1964 deal with the provision of auditing the accounts of Grama Panchayats in Orissa. As per **Section 100** the Grama Panchayat is expected to keep regular accounts of money received by and of money disbursed from Grama Fund in the prescribed manner. The provisions of **Orissa Local Fund Audit Act, 1948** shall apply in respect of audit of Grama Funds.

8.3.2 The Section 100-A, which was added by way of amendment to the mother Act in 1994 (Orissa Act 6 of 1994) provides for the periodical review of the financial position of Gram Panchayats by a specially constituted State Finance Commission. This Commission shall make recommendations for the improvement of financial position of Grama Panchayats to the Governor as required under Article 243-I (Constitution of State Finance Commissions) of the Constitution. The Recommendations of the State Finance Commission together with an Explanatory Memorandum on the Action Taken Report by the State Government shall be laid in the State legislature.

8.3.3 It is worthwhile to know that prior to the amendment of OGP Act in 2004, the Section 100 of the Act authorized the Director of Gram Panchayats in the Dept of Panchayatiraj to serve as Examiner of Local Accounts, and the State Government might

appoint such number of Deputy/Assistant Examiner of Local Accounts as they considered necessary. to discharge the powers and functions of the Examiner of Local Accounts, and the said Director might also appoint such number of auditors as he might deem necessary for undertaking the auditing works. But to comply with the recommendation of Eleventh Finance Commission (2000) that the finances of local bodies ought to be managed under the guidance and authority of Comptroller Auditor General of India, Orissa brought about an **amendment to the Section 100 of the OGP Act in 2004**, whereby the role assigned earlier to the Director Gram Panchayats as Examiner of Local Accounts was deleted. The Amendment of 2004 stipulated that the State Government is to notify for the specific purpose of the OGP Act the appointment of an Examiner of Local Accounts along with necessary number of Deputy and Assistant Examiners, and the Examiner of Local Accounts so appointed may with the approval of the State Government appoint such number of auditors, as he may deem necessary.

8.4 Orissa Local Fund Audit Act and Rules -

8.4.1 'The Local Fund' is defined under **Section 2(c) of the Orissa Local Fund Audit Act, 1948** as 'any Fund not being a Cantonment Fund to the control and management of which a Local authority is legally entitled and any cess, rate, duty or tax which such authority is legally entitled to impose and to property vested in such authority'. **The Section 3 of the LFA Act** is an overriding provision which says that notwithstanding the provisions made in any other law concerning any local authority, the accounts of all local authorities shall if notified by the State Government to that effect be subject to audit under this Act and Rules made there-under. The LFA Act 1948 has a total of 15 Sections and the **LFA Rules 1951** consists of a total of 21 Rules along with 5 Forms (Forms A, B, C, D and E). The five Forms attached to the OLF Rules are as follows:

- **Form 'A'**- Irregularities in payment and adjustment vouchers to be disposed of finally before the next audit;
- **Form 'B'**- Irregularities and omissions in accounts and registers (other than those detailed in Form 'A') with instructions and suggestions for future guidance;
- **Form 'C'** – Audit Objection Statement on the account of the year. ;
- **Form 'D'** – Daily objection statement issued and received back ; and
- **Form 'E'** – Unrectified Objections of previous audit reports.

8.4.2 As per **Section 4 of the OLFA Act** the State Govt. may appoint by notification an Officer of the Government as the Examiner of Local Accounts, and such number of Deputy or Assistant Examiners of Accounts as are necessary along with assignment of powers and functions to them. The Examiner of Local Accounts may taking the approval of the Government appoint such number of auditors as he deems necessary.

8.4.3 As per **Section 13 of Orissa Local Fund Audit Act, 1948** all charges in respect of production of documents and attendance of persons necessary in connection with the audit of a local authority are payable by that authority.

8.4.4 As per **Rule-11 of the Orissa Local Fund Audit Rules 1951**, the Auditor shall audit all accounts up to the end of the financial year for which complete accounts have been prepared. But the Revenue side of the account shall be checked up-to-date.

8.4.5 As per **Rule 3** the auditor shall issue notice to the local authority concerned of his intention to audit the accounts of its accounts at least two weeks before the date on which he intends to start the audit work. He shall also send along with this notice a list documents or records, which are required in connection with the audit. Besides these documents and records he may requisition in course of the audit any other document or record from the Executive Officer or Head of Ministerial Establishment of the concerned local authority.

8.4.6 The **Rule 20** describes the general powers and duties of auditors, which are briefly as follows:

- (a) **Preliminary Verification-** Before commencing the audit proper, the auditor shall verify the cash balance, securities, postage stamp, stock of saleable forms, unspent balance of permanent advance, undisbursed pay, statement of Revenue Court fee Stamps and printed forms kept for issue of receipts for payments. The purpose of making such a preliminary verification is to examine at the end of the audit whether the data on these sums, securities and forms etc. tally with the data resulting from the audit process.
- (b) **Contents of the Statement of the Auditor's Statement-** The auditor shall append to his report a statement on assets and liabilities, indicating the financial position of the local authority. Such fixed assets as land, building, plant, machinery, tools etc. shall be excluded from the statement. Only liquid assets such as cash (in hand or the treasury, Bank, or Post Office), investments, loans, advances and outstanding rents and rates and such liabilities as unspent balances of earmarked grants, contributions payable, deposits, unpaid bills, etc. shall be reflected in his statement.
- (c) **Statement on money received from external sources-** His report should mention inter alia whether money borrowed on the security of allocated revenues or received as a grant from Government or other source for a specific purpose has been expended for such purpose.
- (d) **Report on Sinking Fund-** In case a sinking fund has been instituted, the report should mention whether it is being properly kept up.
- (e) **Enquiry as to Security against the loans, advances and investments etc. –** The auditor's report should mention whether all advances, loans and investments by the Local authority are fully secured.
- (f) **Detail note on the loans borrowed-** The report is to provide a detail note on the loans contracted by the local authority and state if the prescribed provision has been made for the repayment of the principal and interest from out of the revenues of the local authority concerned.
- (g) **Report on separate accounts for any undertaking if maintained-** If the local authority maintains any separate accounts for any of its trading or undertaking, the auditor's report ought to reflect his views as to whether the

accounts so maintained are a true and authentic picture of the trading or undertaking during the concerned period.

- (h) **Certification by the Auditor-** And the Auditor shall certify in his report the correctness of the annual accounts audited by him.

8.4.7 Additional matters to be covered in the Auditor's Report-

Rule 21 contains further instructions regarding the Auditor's Report, which is to cover such additional matters as follows-

- (a) The first paragraph of the report ought to mention the dates of commencement and completion of the audit and the number of working days actually consumed for the purpose;
- (b) It ought to mention the date upto which the accounts have been passed by the Finance Committee, if any, and examine and report on the system of check exercised by such committee;
- (c) It should contain the auditor's opinion as to if a reserve fund e.g. depreciation reserve fund should be opened;
- (d) A statement showing the following particulars is to be attached to the auditor's report-
 - (i) cash recoveries on audit objections;
 - (ii) money saved by the detection of embezzlement due to audit; and
 - (iii) saving due to miscellaneous causes.
- (e) The report at its end ought to give a brief resume of the matters dealt with in the report along with an observation on the state of the accounts as a whole.

8.4.8 As per **Section 6 of OLFA Act**, the Auditor has the power to issue summons in writing to call for the production of any document or of a whole-time paid employee of the local authority, as may be required in the auditing process. As per **Rule 10(Audit Requisitions) of OLFA Rules**, if the document called for is not produced in time, the Auditor shall report to the heads of the local authority about this act of non-compliance. If the document is still not produced, he shall report the whole matter to the Examiner of Local Accounts for necessary action at his end.

8.4.9 As per **Section 7(Penalty for disobeying direction of Auditor) of OLFA Act** any person who willfully neglects or refuses to comply with the direction of the Auditor in respect of production of documents or attendance of persons necessary in course of the auditing process shall be on conviction liable to a fine not exceeding one hundred rupees.

8.4.10 As per **Rule 5 (Removal of Office Records)** of the above Rules, the Auditor shall not remove any record from the office of the local authority being audited without the written permission of the head office of that authority.

8.4.11 As per **Rule 7 (Duties of Auditors in checking accounts)** the Auditor while auditing the accounts of the local authority shall try to ascertain the following matters:

- (a) whether the accounts and papers are presented before him in proper form;
- (b) whether particular items of receipts and expenditure are stated in sufficient detail;
- (c) whether payments are supported by adequate vouchers and authority;

- (d) whether all sums received or ought to have been received have been brought into account ;
- (e) whether all expenditures have been made lawfully;
- (f) whether any loss has been incurred due to negligence or misconduct of any person;
- (g) whether all sanctions have been made by proper authority; and
- (h) whether a separate account has been maintained for every transaction in property.

8.4.12 As per Rule 13 (Embezzlements), if the Auditor detects a case of embezzlement or infers it from any suspicious circumstances of irregularity, he shall send a written report on the matter immediately to the Chairman or managing authority of the local body and also to the Examiner of Local Accounts. When the case of any fraud or embezzlement is fully established the Auditor shall submit a full report of the case to the Examiner of Local Accounts, who may order a detailed and up-to-date enquiry into the said case with intimation to the State Government.

8.4.13 As per Section 8 (Audit Report) of Orissa LFA Act, after completion of the audit, the auditor shall submit the audit report in a prescribed format to the Examiner of Local Accounts, who in turn shall forward a copy of the same to the local authority concerned.

8.4.14 As per Rule 14 (Form of the Report) of the OLFA Rules the Audit Report shall consist of two parts; 1- the Schedules and 2- Report in prescribed format. The Schedules showing technical irregularities shall be presented in two forms, Form-A and Form-B. Form-A shall mention irregularities in payments and manipulations in vouchers, and Form-B shall mention omissions and commissions in maintenance of accounts and registers. The Schedules shall be left in the local office till the conduct of the next audit. The next auditor shall verify as to every item in the schedule has been disposed of and the local authority concerned has taken adequate action on all items.

8.4.15 As per Rule 15, the next auditor shall check as to whether all the sums surcharged by the previous auditor have been recovered and duly credited to the Local Fund concerned and whether the cases in which no action has been taken have been duly disposed of on the others by the competent authorities.

8.4.16 As per Rule 16 (Objection Settlement) the Auditor shall ensure the use of 3 Forms (Forms C, D and E) in the matter of raising and settlement of objections arising out of or related to the auditing exercise. **Form-C** shall be used by the auditor for issuing an objection statement. **Form-D** shall be used for taking the initials from the Executive Officer or Head of the Ministerial Staff of the local body on the statement of day-to-day progress of auditing and as well on the memo of objections. In the said Form the auditor shall also record the replies by the concerned officials of local body, and re-issue of any further objections and replies thereto. **The Form-E** shall be used for mentioning the previous issues, which remain still unsettled and which need to be brought to the notice of the head of the concerned office.

8.4.17 As per Rule 17 (Time allowed for replies to Objection) every statement of objections raised by the auditor shall be replied within one to three clear working days before the close of the audit. The Auditor should complete the writing of the audit report before the close of the audit.

8.4.18 As per **Rule 18**, the auditor may raise his objections not only on matters relating to vouchers, but on any matter which he thinks worthwhile.

8.4.19 The Asst. Examiner of Local Accounts shall scrutinize the audit reports and shall approve the same with his comments on the objections raised by the auditors. After approval of the audit reports the copies shall be communicated to the concerned G.Ps, Panchayat, Panchayat Samiti and District Panchayat Office for necessary action at their level.

8.4.20 Under Section 9 (Power of Examiner of Local Accounts to surcharge or charge illegal payment or loss incurred by negligence) of the Orissa Local Fund Audit Act 1948 the Auditor is required to state in his report to the Asst. Examiner of Local Accounts the following findings:-

- (a) Any payment which appears to him to be contrary to law;
- (b) Any amount of deficiency or loss, which appears to have been incurred by the negligence or misconduct of any person; and
- (c) Any amount which ought to have been but is not brought into account by any person.

8.4.21 After considering such report, the Examiner of Local Accounts may –

- (a) order that no action shall be taken in matter of above discrepancies; or
- (b) serve a notice on the person found to be a defaulter to show cause within one month of the notice so served, as to why the questionable payment made by him should not be surcharged or charged against him.

8.4.22 After the concerned person submits his response to the show-cause notice so served on him, the Examiner of Local Accounts may surcharge or charge the payment in question against that person. And in every case the Examiner of Local Accounts shall certify the amount due from that person.

8.4.23 Under Section 10 (Recovery of Surcharges or Charges) of L.F.A. Act any amount due from any person, if not paid within one month, can be recovered from him through the procedure of a certificate case just in the manner of recovery of arrears of land revenue as laid down in Orissa Public Demands Recovery Act 1962. The amount so recovered shall be deposited to the concerned District Collector, who in turn shall transmit the said amount to the local authority concerned.

8.4.24 Under Section 11 (Appeal from order of surcharge or charge) of the Orissa LFA Act any person aggrieved by the order for surcharge or charge against him may within 14 days of the said order prefer an appeal against it before an authority to be

appointed by the State Government, and the authority so appointed may after making necessary enquiry set aside the order or pass any other order which he deems proper. Pending the disposal of such order, all proceedings for recovery of the certified amount shall be stayed.

8.5 Power of the Examiner of Local Accounts to condone-

As per **Rule 24(1)** the Examiner of Local Accounts may condone an undue payment from the Local Fund or a case of short realization of revenue, which even if illegal satisfies in his opinion the following conditions -

- (i) If there was no misconduct or negligence on the part of the persons making or authorizing such payment or short realization of revenue;
- (ii) If such payment or short realization of revenue was bona fide though a similar type of case had not been condoned before;
- (iii) If such a payment or short realization doesn't exceed Rs.50/-.

The **Rule 24(2)** says that the Examiner of Local accounts shall submit to the State Government a report of all such cases of condonation along with reasons in each case in an annual statement by 25th of May.

8.6 Half-yearly Statement by Collector on surcharges collected-

As per Rule 185 the Collector shall prepare a half-yearly statement on the amount realized through surcharge proceedings deposited into the Treasury and the amount paid into the Grama Fund and shall submit it to Director Grama Panchayats and Examiner of Local Accounts by 31st October and 10th April every year.

8.7 Expenses of Audit to be borne by local body-

Under **Section 12 (Payment of expenses incurred in civil suit)** of the above Act, all expenses incurred by the Collector in connection with legal suit for recovery of the certified amount shall be borne in the first instance by the State Government. Then the State Government may realize the said cost from the local authority concerned.

8.8 A Partial Provision for Social Audit in OGP Act and Rules-

The **Rule 158** says that all accounts of the GP upto the previous month shall be considered and passed in the monthly meeting of the GP. The GP before passing the accounts may undertake such scrutiny of the said accounts as it may consider necessary. After the accounts are passed the Sarpanch shall certify to that effect on the body of the Cash Book. The Panchayat Extension Officer shall scrutinize the accounts of the GP every month and bring to the notice of the proper authorities any discrepancy, misappropriation or defalcation. **Rule 159** requires the annual accounts of the GP showing total receipt and payment during the year under the several items with opening and closing balance to be prepared. And **Rule 160(1)** says that the annual account together with the utilization certificates for the grants-in-aid received during the financial year shall with the prior approval of the GP be placed before the Grama Sasan in a meeting convened for the purpose. **Rule 160(2)** says that after Grama Sasan gives its approval to the accounts so placed, the Sarpanch shall certify on the body of the annual

accounts and the UCs of the grants-in-aid to the effect that such accounts and UCs have received the approval of Grama Sasan. Then Sarpanch shall submit the approved accounts to District Panchayat Officer by the 31st of May. **Rule 160 (3)** says that a copy of the accounts so approved shall be published on the notice board of the GP. Considering the scope for subjecting the annual accounts including grants of the GP to the scrutiny and approval by the Grama Sasan, the **Report of the Second State Finance Commission of Orissa (2004)** observes, "This provision thus serves to some extent the purposes of social audit as well as transparency of accounts". [*vide Chapter VIII (Grant-in-aid) of the Report of 2nd SFC, Orissa*]

8.9 Concept of Social Audit-

8.9.1 The need for holding a social audit into the working of any beneficiary-oriented governmental scheme is now being emphasized by both Centre and States including Government of Orissa, though there does prevail widespread confusion around this concept across the sectors of development and sections of population. The concept of social audit has to be understood in contradistinction to other two types of audit, namely financial audit and performance audit. Broadly speaking, the financial audit is carried out by the professionals trained in the theory and practice of accountancy, and such an audit, which is normally held after the concerned project has been fully executed and accounted for, may be conducted away from the physical site of the project and in absence of the personnel and workers, except of course the key executants and functionaries, who were engaged in its implementation. The financial audit, mainly concerned as it is with the question of observance or non-observance of the norms and parameters of accountancy, has to go by what records and documents have been maintained for the purpose. The performance audit, which is mostly conducted by the higher executives in charge of monitoring a project, primarily concerns itself with overall physical output or lack or deficiency of it as perceived through their own notion of development or performance. But in contrast, the social audit is the job of the very group beneficiaries or the target community of the project itself, and they need to be assured at each moment of its implementation that it adequately caters to their interests and entitlement as mentioned in the concerned scheme or project document. The social audit is thus an independent mechanism or platform in the hands of the collective of project beneficiaries to ensure that the benefits of the project at each stage of its implementation flow unhindered to them. Concurrently the social audit can be conceived as a tool or process, by which the beneficiary groups can hold the personnel or executants of the project accountable for any act of omission or commission. Since the target beneficiaries themselves are required to exercise constant vigil over the entire process of implementation of a project, they render it so transparent as it won't be possible otherwise.

8.9.2 Though very many schemes of the Government talk nowadays of social audit as an integral part of their texture, none of them has explained it as elaborately and as clearly as the Operational Guidelines of NREGA, 2005.

8.10 Social Audit as mandated under NREG Act 2005-

8.10.1 Operational Guidelines of NREGA 2005 (third edition 2008) in its Chapter-12 entitled 'TRANSPARENCY AND ACCOUNTABILITY: PUBLIC VIGILANCE

AND SOCIAL AUDITS' gives a detail note on the concept and mechanism of social audit with remarkable clarity. It says that the term 'social audit' basically means a continuous process of public vigilance over the entire process of implementation of a scheme or project by the beneficiary groups themselves. However, another term 'social audit forum' which is also used in the chapter ought to mean a periodic assembly of the concerned beneficiaries or villagers convened by Gram Sabha to resolve specific complaints or doubts that might have arisen in respect of quality of work done or propriety of entitlements delivered. The social audit forum as a mandatory review of all aspects of the project shall be held at the Gram Sabha meetings at least once every six months. At these 'Social Audit Forums' information will be read out publicly, and people will be given an opportunity to question officials, seek and obtain information, verify financial expenditure, examine the provision of entitlements, discuss the priorities reflected in choices made, and critically evaluate the quality of work as well as the services of the programme staff. Thus, the Social Audit Forum will not only give people an opportunity to review compliance with the ongoing requirements of transparency and accountability, but will also serve as an institutional forum where people can conduct a detailed public audit of all NREGA works that have been carried out in their area in the preceding six months.

8.10.2 The success of the Forum depends upon the open and fearless participation of all people, particularly potential beneficiaries of the programme. Effective public participation requires adequate publicity about the Forum as well as informed public opinion. This itself requires that people have prior access to information from the President of the Gram Panchayat in a demystified form. The date, time, agenda, importance and sanctity of the Forum must be widely publicized so as to ensure maximum participation. All the relevant documents, including complete files of the works or copies of them, should be made available for inspection at the Gram Panchayat office atleast 15 days in advance of the Social Audit Forum. No fees should be charged for inspection. Copies of the documents should be provided at cost price, on demand, within one week of the request being made. The summaries of relevant documents should be displayed on charts on the day of the Forum, and at the Gram Panchayat office during the preceding 15 days.

8.10.3 Social Audit Forum: Procedural Aspects-

- i) Sound procedures are essential for the credibility of a Social Audit Forum. Proceedings should be conducted in a transparent and non-partisan manner, where the poorest and most marginalized can participate and speak out in confidence and without fear. Care has to be taken that the Forum is not manipulated by vested interests.
- ii) The quorum of the Forum must be the same as for all Gram Sabhas, with the quorum being applied separately to all relevant categories (e.g. women, SC, ST and OBCs). However, lack of a quorum should not be taken as a reason for not recording queries and complaints; social audit objections must be recorded at all times.
- iii) The Social Audit Forum must select an individual to chair its meetings who is not part of the Panchayat or any other Implementing Agency. The meeting must not be chaired by the Panchayat President or the Ward Panch.

- iv) The Secretary of the Forum must also be an official from outside the Gram Panchayat.
- v) The person responsible for presenting the information should not be a person involved in implementing the work. The vigilance committee members, or a school teacher for instance, could be considered for the purpose of reading aloud the information as per the required format.
- vi) All officials responsible for implementation must be required to be present at the Social Audit Forum to answer queries from members of the Gram Sabha.
- vii) Decisions and resolutions must be made by vote, but dissenting opinions must be recorded.
- viii) Minutes must be recorded as per the prescribed format, by a person from outside the Implementing Agencies, and the minutes register must be signed by all participants at the beginning and at the conclusion of the meeting (after the minutes have been written).
- ix) All objections must be recorded as per the prescribed format.
- x) The 'action taken report' relating to the previous Social Audit Forum must be read out at the beginning of each Forum.
- xi) In addition, every District could bring in technical expertise (engineers and accountants) from outside the District to help prepare information for dissemination, attend selected Social Audit Forums and take detailed notes. Immediately after the Forum, they could visit the worksites and conduct detailed enquiries in cases where people have raised objections or testified that there is corruption.
- xii) The reports of these Social Audit Forums, and the reports of the technical team, should be submitted to the Programme Officer and the District Panchayat within a specified time frame for necessary action.
- xiii) During the Social Audit Forum, the Right to Information Act and social audit manuals should be publicized so that the Forum serves as an ongoing training ground for the public vigilance process.
- xiv) The Programme Officer is responsible for ensuring that the Social Audit is convened.
- xv) The District Programme Coordinator will regularly review that Social Audits are being conducted. The State Employment Guarantee Council and Central Employment Guarantee Council will also review the Social Audit mechanisms and processes from time to time. Follow-up action on Social Audit must be ensured at each level.