

CHAPTER III : AUTHORISATION OF PENSION

3.1 Introduction

3.1.1 The Record Offices (RO) are the repositories of information in respect of PBOR. They are responsible for initiating the pension proposals⁸ through issue of Discharge orders to the Units, getting the finalised documents from the Units eight months (Army) in advance, obtaining clearance from PAO (OR) on Last Pay Certificate (LPC)-cum-datasheets, sending these papers to the respective pension sanctioning authorities (PSA)⁹ and dispatching the PPOs to the pensioner and the pension disbursing agencies (PDAs) after they are received from the PSAs. In case of army, the unit concerned forwards to the Records Office the Discharge Roll of the individual, together with other relevant papers like Medical Examination Report and the information regarding nominations *etc.*

3.1.2 The ROs send the information to the PSAs in the form of LPC-cum-Data Sheets, which contain the basic information necessary to enable the Pension Sanctioning Authorities (PSAs) to process the pension case and issue the PPO. Departmental instructions¹⁰ lay down specific milestones for the Units and ROs for sending the information and papers of the retiring personnel to the PSAs, obtaining the PPOs from the PSA two months preceding the date of discharge (DOD) and dispatching the same to the pensioner and the PDA, one month in advance of the DOD. The milestones for Army, Air Force and Navy are summarized in **Annexure-4A, 4B & 4C**.

3.2 Delays in processing and authorization of pension

3.2.1 As stated, the instructions require that the PPOs should be dispatched to the pensioners and the PDAs one month in advance of the Date of Discharge (DOD). We test checked the dispatch of PPOs to the PDAs/ pensioners in 10 out of the 54 ROs and found that the laid down timelines in many cases were not met. The following is a summary of our findings:

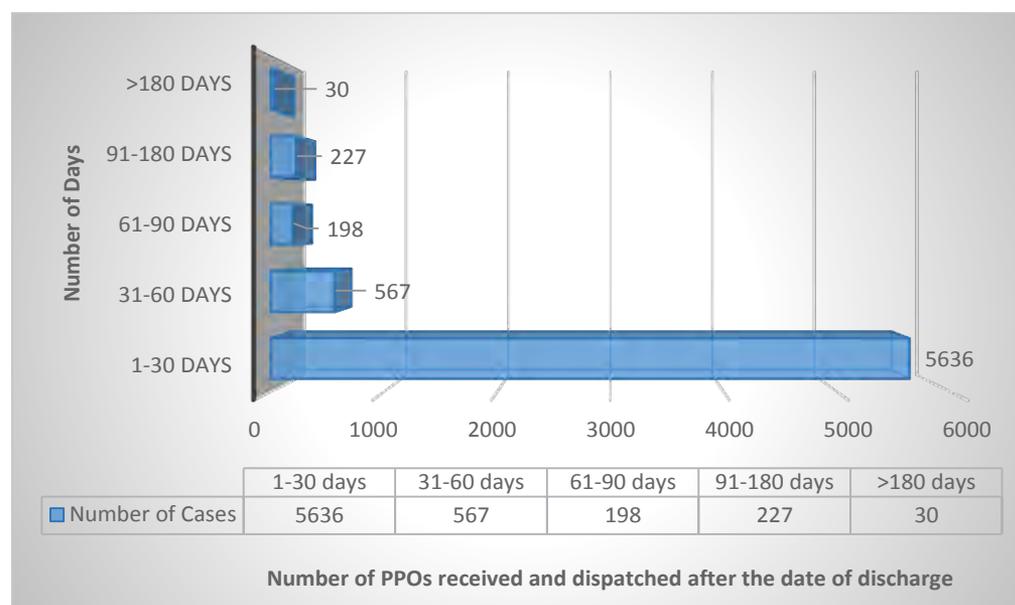
⁸ In case of officers the proposals are initiated by the respective Heads of Departments at the Services Headquarters.

⁹ PCDA (P), Allahabad; CDA (Air Force) and CDA (Navy).

¹⁰ For example, the Integrated HQ of Ministry of Defence (Army), Adjutant General's Branch instructions (November 2013) require all Record Offices to strictly adhere to the time schedule of dispatch of original copy of PPOs to the PDAs by one month preceding the date of discharge of individual concerned from the Army and copy to be issued simultaneously to the individual. Similar instructions for Air Force are contained in Air-HQ/41005/Policy/PA-III dated 11 April 2007.

- (i) In the Records Office JAT Regiment, Bareilly pension papers were received late from the respective units in 81 out of 94 cases received in February 2015 and in 95 out of 127 cases received in February 2016.
- (ii) In the Records Office JAT Regiment, Bareilly, 26.77 per cent of the PPOs in 2011-12 and 32.27 per cent of PPOs in 2012-13 were dispatched after the date of discharge. The date of dispatch was not recorded in the prescribed column of the PPO Progress Register for the years 2013-14 to 2015-16, so the extent of delay could not be ascertained.
- (iii) In the Records Office, Rajputana Rifles, Delhi, 485 (26.72 per cent) out of 1815 PPOs dispatched during 2011-12 to 2015-16 were dispatched one to two months after the date of discharge.
- (iv) In Records Office ASC (South), Bangalore and the Records Office EME Secunderabad, of the 1040 and 985 cases test checked, 762 and 736 cases respectively were outstanding as of 31 August 2016 for finalisation of family pension claims, for want of details from the Next of Kin (NOK).
- (v) In the Directorate of Air Veterans (DAV)¹¹, New Delhi, out of 21,340 PPOs received from PSA *i.e.*, JCDA (AF) during 2011-12 to 2015-16, 6658 PPOs (31.20 per cent) were received after the date of discharge of pensioners. Age-analysis of the delay in receipt from the PSA after date of discharge is given in the **Chart 3** below:

Chart 3 : Delay at the DAV in receipt and despatch of PPOs after the date of discharge



¹¹ DAV is the nodal agency for processing the pension cases for the Air Force personnel. It has a co-coordinating role *vis a vis* the Air Force Record Office, AFCAO, JCDA (AF), PCDA (P) and PDAs.

- (vi) Of the 225 test checked PPOs, all the 216 PPOs that were received in the DAV before the date of discharge were dispatched to the PDAs and pensioners after the date of discharge. DAV attributed the delay to late submission of records by the Air Force Record offices (AFRO) due to observations raised by CDA (AF), late receipt of pension papers from units and observations raised by the audit agencies (Defence Accounts Department) belatedly.

MoD stated that instructions had already been issued (November 2013) to ROs for submission of claims to the PSAs well in advance from the date of discharge/ superannuation. However, the audit findings indicate that those instructions were not implemented in the above cases.

3.3 Delay in payment of DCRG due to delay in issue of PPOs

Para 49 of the Pension Regulations for Army, Part –II stipulates that if the payment of Retirement Gratuity in case of normal retirement has been authorized after three months from the date of discharge, interest may be allowed beyond the period of three months from the date of discharge; and in all the cases where the interest has been paid, action shall be taken to fix the responsibility for the delay in the payment of Gratuity and take disciplinary action against the officers responsible. We observed that of the 21,340 PPOs issued in the DAV during 01/04/2011 to 31/03/2016, 237 PPOs were issued after more than three months from the date of discharge (DOD), entailing not only financial hardship to the pensioners, but also the potential liability for interest on delayed payment of gratuity.

3.4 Irregularities in PPOs

3.4.1 Sanction of both Fixed Medical Allowance and ECHS contribution

Ex-Servicemen who retire on or after 01 April 2003 have to compulsorily become member of a Contributory Health Scheme (ECHS) and are not eligible to draw the Fixed Medical Allowance (FMA). Existing pensioners, who opt for ECHS, will also not be entitled for FMA.

Our test audit revealed that FMA was sanctioned even when the pensioner had opted for ECHS in *six* PPOs issued by the PCDA (P) and *five* PPOs issued by JCDA(AF).

MoD stated that validation checks had been applied to prevent notification of both FMA and ECHS contribution simultaneously. However, the analysis of soft data of the PCDA (P) indicated sanction by the PCDA (P) of both FMA and ECHS facility in 2,579 cases, which indicated that the validation checks needed to be re-confirmed and further verification done in the identified cases to ensure that there was no double benefit.

3.4.2 Grant of Pension by the Principal CDA (Navy) Mumbai

Dearness Allowance is not allowed on Classification Allowance¹² while calculating Death-cum-Retirement Gratuity (DCRG). Records of 606 Naval pensioners (Sailors post-2006 retirees) at the Principal CDA (Navy), Mumbai revealed that in 56 cases DA on Classification Allowance was wrongly taken into account while calculating the reckonable emoluments for DCRG. Principal CDA (Navy), Mumbai stated that the Corrigendum PPOs would be issued in those cases. The recovery of the overpayment in these cases needs to be monitored.

3.5 Need to review the workflow of the pension authorisation process

3.5.1 We reviewed the procedure laid down by Army, Air Force and Navy for processing the pension cases, and noted that:

- In Army, a pension case passes through *four* authorities and *six* stages before it reaches the PDAs and the pensioner; the prescribed time is *eight* months (**Annexure-4A**).
- In Air Force, a pension case passes through *five* authorities and *six* stages before it reaches the PDA and the pensioner; the prescribed time for this is *nine* months (**Annexure-4B**).
- Similarly, in Navy, a pension case passes through *four* authorities and *six* stages before it reaches the PDA and the pensioner; the prescribed time for this is *twelve* months. (**Annexure-4C**).

We also noted that in the case of PBOR, the PPOs are sent by the PSAs to the ROs for dispatching to the PDAs and the pensioner, whereas in case of officers, the PSAs send the PPOs directly to the PDAs.

3.5.2 We observed that the information flows manually from the Record Offices to the PCDA (P) in the LPC-cum Data Sheets, in hard copy as well as CDs, where it is transferred to the PCDA's system after checking the hard copy. The PPOs, after being received from the PCDA (P), are sent manually by the ROs to the PDAs and the pensioners. Similarly, the PDAs, after receiving the hard copy of the PPOs, manually transcribe the data into their systems to build a data base of customer profile containing the basic information necessary for payment of pension to the pensioners. There is no online connectivity between the ROs, PSAs and the PDAs, the three most important pillars of the pension management system in defence. This system is not only inefficient and time consuming but also prone to transcription errors at different stages. If connected online, with proper validation checks, the flow

¹² Classification Allowance is granted to PBORs on attaining certain trade related qualification in each group. Fifty percent of the classification allowance is reckoned for pension.

of information can be faster and efficient. It will also ensure that only validated data is transferred from the point of origin (RO) to the point of destination (PDA), without any manual intervention at any other point of the transmission chain. Online connectivity of the three pillars and automated flow of validated information in a secure mode will obviate the need for data entry at multiple points and the attendant errors of transcription.

MoD stated that action on the points suggested regarding online connectivity, automated flow of information *etc.*, was in hand and a Request For Proposal had been issued.

3.6 Conclusions and Recommendations

The defence pension authorisation process would appear to have several inefficiencies including long drawn procedures, lack of adequate monitoring and absence of an integrated transmission chain among the stakeholders that enables automated flow of validated information, free from manual transcription errors. Overcoming these inefficiencies would greatly enhance the efficiency and effectiveness of the defence pension management system.

In the past years, the pension authorisation process on the civil side has been simplified to a great extent and the authority for sanctioning pension has been delegated to the heads of the department/ offices. The matter needed further examination to see if some of the best practices on the civil pension side could be incorporated into the defence pension authorisation process, in order to make it simpler and more efficient. MoD stated that defence pension was much more complicated than civil pension and it was necessary to have limited number of Pension Sanctioning Authorities. Further, the National Institute of Smart Governance (NISG), which was appointed as consultant to review the process of pension sanction and disbursement, had not suggested decentralisation.

In light of the foregoing, we recommend that:

- The existing monitoring system for the authorisation of the pension should be strengthened. There should be stricter enforcement of the timelines prescribed for processing of the pension cases and dispatch of the PPOs to the pensioners as well as to the PDAs.
- In addition to the NISG study, the existing procedure for authorisation of pension should be reviewed by an expert body to see if it could be simplified to make the process less cumbersome and less time consuming. On the non-defence, civil pension side, the Heads of offices have the delegated powers to sanction pension, and the Central Pension Accounting Office acts as an interface between the departments and the banks. Similar delegation on the defence side could be explored which would lead to simpler procedures.

- The three pillars-ROs, PSAs and PDAs, should be connected online, enabling automated flow of information in the transmission chain, with proper validation and security checks, to ensure that only validated data travels from the ROs to the PSAs and from PSAs to the PDAs in a secure mode.
- PSAs should develop system to send the PPOs electronically to the PDAs directly, obviating the need for routing them back through the ROs. This will substantially reduce the time taken in despatch of the PPOs to the PDAs and save considerable time of the PDAs in manually transcribing the PPO data into their system, which is prone to transcription errors. The e-PPO project of the PCDA (P) should be implemented expeditiously.
- The suggested automated system should generate MIS for better monitoring of the delays at each stage of the pension processing. This will facilitate timely and focused intervention.