

# Chapter-2

## **Performance Audit of Implementation of Social Security Pension Schemes**

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**Panchayat Raj and Rural Development  
Department**

## 2.1 Introduction

Government of India (GoI) introduced the National Social Assistance Programme (NSAP) as a centrally sponsored scheme in August 1995, to provide social security to vulnerable sections of the society, particularly those living below the poverty line (BPL). It is one of the flagship welfare schemes of the GoI that comprises several social welfare benefit schemes, viz., National Old Age Pension Scheme (NOAPS), National Family Benefit Scheme (NFBS), National Widow Pension Scheme (NWPS), National Disability Pension Scheme (NDPS) and Annapurna Scheme.

NSAP was transferred to the State Plan with effect from 2002-03 and since then funds are being provided by GoI to the States as Additional Central Assistance (ACA) to implement this programme. The responsibility for identification of beneficiaries, sanction of benefits and their disbursement has been vested with State Governments. With the rate of NOAPS being increased to ₹200 per month with effect from 1 April 2006 from ₹75 per month per beneficiary and the introduction of two new Pension Schemes, one each for widows (NWPS) and disabled (NDPS) in February 2009 allowing ₹200 per month per beneficiary, the NSAP emerged as one of the most important social security programmes.

### 2.1.1 Overview of Pension Schemes in Andhra Pradesh

In April 2006, State Government brought all the pension schemes being implemented in the State under the single umbrella of the Panchayat Raj and Rural Development (PR&RD) Department to bring about uniformity in sanction and disbursement of pension and entrusted the responsibility for release of funds and monitoring of the schemes to the Society for Elimination of Rural Poverty<sup>1</sup> (SERP), an agency of the PR&RD Department. Simultaneously, State Government introduced Integrated Novel Development in Rural Areas and Model Municipal Areas (INDIRAMMA) programme to develop basic infrastructure facilities in villages and towns on saturation basis (**Saturation** implies that no eligible person/area is left out from the ambit of the schemes covered by the programme). Social security pension is one of the important components of INDIRAMMA programme.

The details of pension schemes being implemented in the State are tabulated below, along with the eligibility criteria and scale of pension.

Pension Category	Eligibility		Amount to be paid per month (₹)
	Up to March 2011	From April 2011	
<b>Government of India</b>			
NOAPS	65 years and above	60-79 years	200
		80 years and above	500
Widow Pension	40-64 years	40-59 years	200
Pension to persons with disability	18-64 years Disability (>40 per cent)	18-59 years Disability (>40 per cent)	200

<sup>1</sup> SERP is an independent autonomous body registered under Public Societies Act, established with the objective of poverty reduction through social mobilization and improvement of livelihoods of rural poor in the State

Pension Category	Eligibility		Amount to be paid per month (₹)
	Up to March 2011	From April 2011	
<b>Government of Andhra Pradesh</b>			
Old Age Pension	65 years and above		200
Widow Pension	Irrespective of age		200
Pension to persons with disability	No age limit Disability (>40 per cent)		500
Weavers Pension	Minimum age: 50 years Should belong to Weavers' Society and be associated with weaving		200
Toddy Tappers	Minimum age: 50 years Should belong to Toddy Tappers' Cooperative Society/an individual tapper under Tree for Tapper scheme		200
Pension to AIDS patients	Below 65 years		200
Dr. YSR Abhaya Hastham <sup>2</sup>	18-50 years Should be an active member in an active Self Help Group for minimum one year		500

*Common eligibility requirements:*

The beneficiary should be a

- member of a BPL family
- local resident of the district
- not covered under any other pension scheme

As per records of SERP, about 72.36 lakh<sup>3</sup> persons in the State are covered under various pension schemes of GoI and State as of March 2013.

## 2.2 Organisational set up

All Social Security Pension (SSP) schemes in the State are implemented by PR&RD Department. Principal Secretary to Government, PR&RD Department is responsible for overall implementation of SSP schemes. He is assisted by Commissioner for Rural Development (CRD), Chief Executive Officer (CEO), SERP, Director, Self Help Group (SHG) and other staff. Within SERP, SSP Cell under Director (SHG) is implementing SSP schemes in the State.

## 2.3 Audit Framework

### 2.3.1 Audit objectives

Performance audit of implementation of SSP schemes was carried out to assess whether,

- the system of identifying targeted beneficiaries/pensioners under each scheme was in place and was working efficiently;

<sup>2</sup> Dr. YSR Abhaya Hastham scheme (introduced in November 2009) was integrated with Social Security Pension schemes in September 2011

<sup>3</sup> (i) Under GoI: Old age pensions: 11.36 lakh; Widow pensions: 4.21 lakh; Disabled pensions: 0.42 lakh (ii) Under State scheme: Old age pensions: 31.53 lakh; Weavers pension: 1.45 lakh; Widow pensions: 13.57 lakh; Disabled pensions: 8.42 lakh; Toddy Tappers: 1 lakh; Anti Retroviral Therapy pensions: 0.40 lakh

- scheme funds were optimally utilised for the benefit of targeted beneficiaries/pensioners and there was no diversion of funds;
- the department was sensitive to the inherent risks associated with its activities and had devised and put in place adequate system of internal controls;
- PR&RD Department/SERP was able to monitor and provide support to pensioners and periodically reviewed the impact of its activities and took remedial measures wherever required; and
- grievance redressal mechanism was in place and was working effectively.

### **2.3.2 Audit Criteria**

Audit findings were benchmarked against the criteria sourced from the following:

- Scheme guidelines and instructions issued by GoI and State Government from time to time;
- Annual Plans of the State, Budget and Outcome Budgets of PR&RD Department; and
- Andhra Pradesh Financial Code.

### **2.3.3 Audit Scope and Methodology**

Performance audit of implementation of SSP schemes<sup>4</sup> was carried out between May 2012 and February 2013 and covered transactions relating to sanction and disbursement of pension under NSAP (GoI), INDIRAMMA pension to old age persons, widows, disabled persons, toddy tappers and AIDS patients (State schemes) during 2008-13.

An Entry Conference was held with the Principal Secretary to the Government, PR&RD Department and Addl. CEO, SERP in June 2012 wherein audit objectives, methodology, scope, criteria and audit sample were explained and agreed to. Audit methodology involved scrutiny of records and files relating to the schemes in Secretariat, Commissionerate, SERP and selected offices of Project Director, District Rural Development Agencies (DRDAs), Mandal Parishad Development Officers (MPDOs), Municipal Commissioners (MCs), Gram Panchayats, Wards etc. Audit findings were discussed with the Principal Secretary, PR&RD Department and the CEO, SERP in Exit Conference in November 2013. The replies of Government as well as its view expressed in the Exit Conference have been incorporated at appropriate places in the report.

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<sup>4</sup> This review does not cover implementation of Dr. YSR Abhaya Hastham scheme for SHG women since it is different from other pension schemes. Under the scheme equal contribution from beneficiary as well as from Government are taken and periodically transferred to LIC of India. The corpus thus generated till the age of 60 years will be used for giving monthly pension on crossing 60 years of age. The scheme also includes death and disability insurance cover including scholarship to the children of the women

### 2.3.3.1 Sample size

Pilot study of implementation of the schemes was carried out in Ranga Reddy district in May 2012. Apart from that, two districts each were chosen from the three regions of the State (Coastal Andhra<sup>5</sup>, Telangana<sup>6</sup> and Rayalaseema<sup>7</sup>) for audit scrutiny based on their budgetary allocations and backwardness indices. Further, field study was carried out in integrated tribal development agency area of Paderu (Visakhapatnam district). In each district, 25 per cent mandals and urban local bodies were selected for audit based on the number of pensioners. Thus, out of 425 field units in the eight test checked districts, 103 units (**Appendix-2.1**) were selected for field audit. Audit also analysed the database of pensions maintained by the PR&RD Department and correlated findings from this analysis with substantive check of records at unit level.

In addition, audit teams interacted with 6,572 beneficiaries at random from among the beneficiaries who were at the units for drawing pension (category-wise and district-wise details are given in **Appendix-2.2**) and their feedback with regard to beneficiary identification, pension sanction, and disbursement processes of SSP schemes was obtained. Discussions were held with the departmental authorities/SERP at various levels.

Audit findings are discussed in the succeeding paragraphs.

## 2.4 Financial and Physical Performance

SERP is the nodal agency for implementation of SSP schemes in the State. CRD as the Chief Controlling Officer, draws funds from Government account and places them at the disposal of SERP for further release to banks and other Pension Disbursing Authorities (PDAs) for disbursement to beneficiaries.

Year-wise details of budgetary allocation and expenditure incurred on pension schemes during the five year period 2008-13 are given below.

**Table – 2.1: Year-wise budget and expenditure**

(₹ in crore)

Year	GoI release	State allocation including GoI release	Expenditure	Unutilised funds
2008-09	157.16	1609.90	1603.00	6.90
2009-10	309.07	2036.62	1875.07	161.55
2010-11	331.13	1931.97	1910.72	21.25
2011-12	331.13	1950.84	1950.24	0.60
2012-13	637.70	2188.23	2188.23	0
<b>Total</b>	<b>1766.19</b>	<b>9717.56</b>	<b>9527.26</b>	

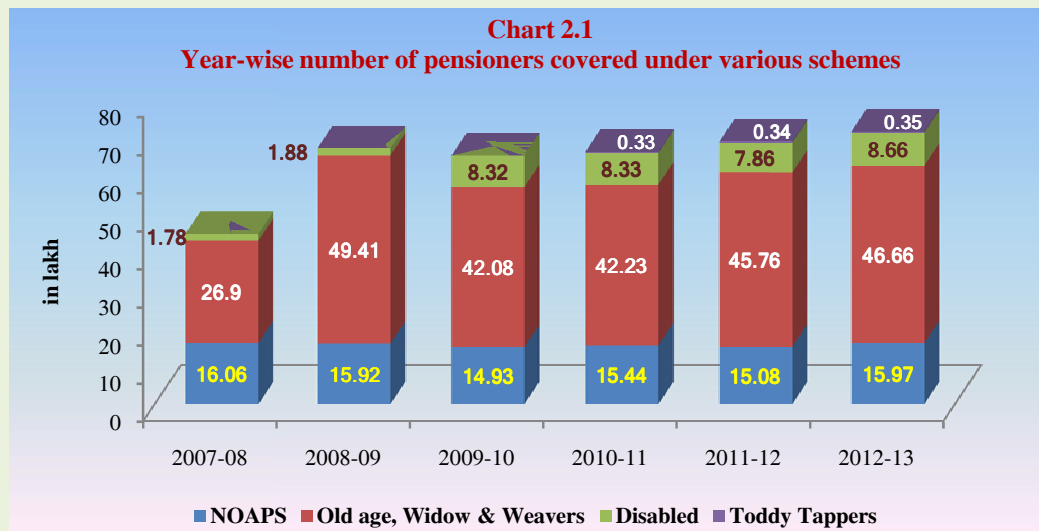
Source: Appropriation Accounts of respective years and information furnished by SERP

<sup>5</sup> SPS Nellore and Srikakulam

<sup>6</sup> Mahbubnagar and Nalgonda

<sup>7</sup> Anantapur and Chittoor

Among the pension schemes implemented by State Government, major coverage was under INDIRAMMA old age and widow pensions (65 per cent), NOAPS (22 per cent) and disabled pensions (12 per cent). Year-wise details of pensioners covered under various schemes are given below.



Source: Outcome budgets of Rural Development Department

Note: Number of pensioners for the year 2012-13 is up to January 2013

Financial and physical progress in implementation of various pension schemes are discussed below:

- There was an increase of 80 per cent in budgetary allocation and 93 per cent in expenditure during 2008-09 over 2007-08 and a spurt in number of pensioners also during 2008-09 (23 lakh overall with 84 per cent increase in old age and widow pensioners) compared to 2007-08. Disabled pensioners increased by 342 per cent during 2009-10 compared to 2008-09. Government in its reply (August 2013) confirmed that after the introduction of INDIRAMMA scheme in April 2006 and initiation of the mass contact programme ‘Rachabanda’ in 2011 where pension applications were received directly by Panchayat Secretary at Village level and MPDO at mandal level from applicants through these programmes, number of pensioners increased by 52.83 lakh. Government attributed increase in disabled pensions to conversions from old age and widow categories to disabled category pensions on account of increase in the scale of pension (₹500 per month). This was also confirmed by Principal Secretary during Exit Conference.
- Savings of ₹182.80 crore during 2009-11, were attributed (June 2013) by CRD to non-release of funds on account of budget freeze imposed by Government. Saving of ₹19.20 crore during these two years under the category ‘AIDS patients’ was attributed to non-completion of the selection process of beneficiaries.

- Expenditure during 2011-12 and 2012-13 matched budget and there were neither excesses nor savings. This was due to drawal of the entire budget provision by CRD on a monthly basis and booking it to expenditure irrespective of the actual disbursement of pension amount during the month. This was facilitated by bringing the SSP schemes under the so-called '**green channel**' services with effect from July 2011 under which funds were released on annual basis irrespective of periodic utilisation of funds. Finance Department issued (July 2011) orders prescribing the periodicity of submission of bills for payment and the respective departments were made responsible for smooth implementation of programmes without any hindrance.

However, Audit noted that Government has not so far prescribed any mechanism for such control in the operation of State Nodal Account (SNA), electronic transfer of funds to banks and retention of undisbursed funds by SERP. Also, no mechanism was prescribed by CRD for reconciliation of balances available with SERP. In this backdrop, drawal of funds by CRD for disbursement of pension and booking the amount to expenditure without expending it have resulted in funds remaining outside Government account and without reconciliation (₹153.29 crore as of March 2013). Further, reconciliation between SNA and the participating banks is also not taking place.

- Audit scrutiny revealed that SERP had not maintained any record of its transactions, including Cash Book and had relied only on the Bank Scrolls as a means of proof of its transactions/activities. There were six<sup>8</sup> other units out of the test checked 103 units, which had also not maintained Cash Books.
- Test check of 103 units further revealed several control failures. Illustrative instances are listed below:
  - ⇒ Receipts were not recorded in the Cash Books of 84 out of 103 units (82 per cent);
  - ⇒ Balances in the Cash Books were not reconciled with bank balances in 86 units (83 per cent);
  - ⇒ There were delays in submission of Utilisation Certificates in 21 units (20 per cent).

Government replied (August 2013) that necessary controls would be instituted with regard to these issues. During Exit Conference, Government while admitting that non-maintenance of Cash Book by SERP and other unit offices was an important lapse, assured that the department would examine the funds flow and the infirmities would be addressed through linkage to Aadhaar.

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<sup>8</sup> Malkajgiri and Dharmavaram municipalities, Duttaluru, Kattangur, Mellacheruvu and Valigonda mandals

## 2.5 Programme Implementation

### 2.5.1 Identification of Beneficiaries

As per operational guidelines<sup>9</sup>, eligible pensioners have to be identified in the Gram Sabhas or Ward Sabhas (stages in sanction and the concerned authorities in Gram Sabhas/Ward Sabhas are given in *Appendix-2.3*). Audit scrutiny of records in 103 units and interaction with the beneficiaries revealed that process of identification was not followed in 22 test checked units. Authorities<sup>10</sup> responsible for scrutiny and identification of the applications did not exercise the required checks i.e. availability of valid ration cards, proof of age and death certificate of spouse (in case of widow pension). Validation of applications which is an elaborate five-step process (*Appendix-2.4*) involving verification with respect to the ration cards of the applicants as well as the existing pensioners' databases so as to avoid duplication was outsourced to a private agency in 2010 on nomination basis, without establishing any mechanism for verification and authorisation of pensions at Government level.

In 89 test checked units, there was no mechanism even to inform the applicants about the sanctioning of their pensions. Instances were found of male pensioners receiving widow pension, women whose husbands were alive receiving widow pensions, old age pensions given without any proof of age, more than one pension being sanctioned to the same individual, ineligible persons receiving pension, pension applications being accepted/rejected without the prescribed endorsements and various other irregularities (details in *Appendix-2.5*).

Data in the pension system is dynamic and keeps changing. Analysis of the database for the months of May and December 2012 revealed a number of irregularities. Some of these are detailed below.

#### 2.5.1.1 Mismatch between Pension database and Civil Supplies database

Pension schemes are available only to BPL population who possess 'white' ration cards<sup>11</sup>; which is a primary condition for eligibility of pension. In respect of 5.54 lakh (out of 71.12 lakh) pensioners, the ration card number was not even included in the pension database. It was further found that 10.62 lakh ration cards (out of the remaining 65.58 lakh) in the pensioners' database did not match with the corresponding ration card data/BPL data<sup>12</sup> of the Civil Supplies Department. During beneficiary survey also, Audit noticed that the ration card numbers/names did not tally in 52 cases with ration card details (where ration cards were brought voluntarily by pensioners).

<sup>9</sup> GO Ms. No. 83 dated 27 March 2006 of Panchayat Raj & Rural Development (RD. II) Department

<sup>10</sup> Panchayat Secretary and Mandal Parishad Development Officer in rural areas, Bill Collector and Municipal Commissioner in urban areas

<sup>11</sup> For the APL families, pink ration cards are used

<sup>12</sup> contained in the WAP, YAP, AAP, TAP, RAP, ICFS cards databases of Civil Supplies Data



### **2.5.1.2 Sanction of pensions to ineligible persons under Old Age and Weavers category**

The minimum age stipulated for sanctioning old age pension is 60 years for GoI scheme i.e. NOAPS and 65 years for State scheme i.e. INDIRAMMA. However, there were 5,754 persons who were sanctioned pension under NOAPS whose age was less than 60 years and 17,462 persons drawing pension under INDIRAMMA scheme, whose age was less than 65 years. Further, Weavers pension was sanctioned to 244 individuals in Chittoor district, who had not crossed the mandatory age limit of 50 years.

### **2.5.1.3 Sanction of more than one pension to same beneficiary/double drawals**

Analysis of pension database further revealed 24,595 cases in the State (16,418 in the sampled districts) where more than one pension was sanctioned to the same individual on the same ration card. During test-check, 151 cases of double drawal were noticed in 10 unit offices<sup>13</sup>.

### **2.5.1.4 Other inconsistencies in the database**

- There are 14,225 Pink Ration Card holders *i.e.* members of APL families, who are not eligible for pension, but were nevertheless getting pension as of December 2012. State Government had already paid ₹19.63 crore in this regard and will have to incur an amount of approximately ₹3.41 crore annually on this account. SERP replied (March 2013) that instructions would be issued to remove such ineligible pensioners.
- There are 4,786 pensioners whose age was indicated as '0' in the database. Further, widow pensions were sanctioned to 4,543 males.

From the above, it is clear that the mechanism in place for scrutiny of applications for sanction of pensions suffers from several shortcomings. During Exit Conference, Government stated that it would strengthen the validation controls at input level and also informed that the details of sanctions would be published in GP offices. With regard to database irregularities, Government stated that instructions have been issued in August 2013 to the Project Directors of DRDAs for conducting enquiries on the issues raised by Audit and to take necessary steps for rectification. During Exit Conference, Government further stated (November 2013) that there were multiple databases available in the Department and that action would be taken to integrate all such databases and prepare a Master database.

## **2.5.2 Pending applications**

State Government sanctioned pensions on saturation basis under INDIRAMMA programme in three phases up to 2008-09. Thereafter, fresh sanctions were limited to the vacancies caused due to death of pensioners. Fresh applications were accepted by the Government in 'Rachabanda-II' (November 2011) public interaction programme.

<sup>13</sup> Gudur (1), Vangara (2), Kothuru (5), Polaki (10), Srikakulam MC (9), Laveru (7), Chintapalli (39), Koyyuru (4), G.K. Veedhi (63) and Yerpedu (11)

During the period August 2010 to April 2012, 30.03 lakh applications were received by the MPDOs/MCs for sanction of pension. Of these, 17.89 lakh applicants were found eligible after validation/de-duplication process. However, about 25 per cent (4.45 lakh) of these applicants were yet to be sanctioned as of March 2013. Further, during test check (in Ranga Reddy, Srikakulam and SPS Nellore districts), ***Audit observed that there were several bundles of applications lying in the offices of MPDOs/MCs awaiting scrutiny and processing for sanction of pension. Since these bundles were yet to be opened, and no registers were maintained to log these applications, Audit is unable to quantify the number of such pending applications.***

Government replied (August 2013) that pensions to the eligible 4.45 lakh applicants has been sanctioned from July 2013 onwards.

However, further verification in the pilot district (Ranga Reddy) revealed that actual disbursement of pension did not take place even as of October 2013 due to non-release of funds. During Exit Conference, Principal Secretary also highlighted the issue of verification of applications and need to quickly process these.

### **2.5.3 Disbursement of Pension**

#### **2.5.3.1 Smart Card System**

Social security pensions were being disbursed manually up to 2007-08 through Panchayat Secretaries and Self Help Groups. Manual payment is fraught with the risk of disbursement to ineligible/incorrect persons, misappropriation of money owing to drawal of pension in respect of dead pensioners etc. As part of its initiative to ensure timely payment of pension and to bring in transparency and accountability into the system, Government decided (2007) to migrate to smart card based payment through bio-metric authorisation on the lines of disbursement of wages under MGNREGA which was entrusted to 10 banks on consent basis. These banks were required to complete enrolment of pensioners, issue smart cards and commence disbursement of pension through use of smart card/bio-metric authorisation within six months from the date of entrustment. PR&RD Department signed MoUs with 10 banks (between July 2008 and February 2010) for an initial period of three years on payment of two per cent of disbursement value per month as service charges. However, no penalty clause was included in the MoUs with banks to take care of timelines for enrolment and disbursement.

Later, in June 2011, PR&RD Department signed a similar MoU with the Department of Posts (DoP) of GoI. State Government paid an amount of ₹32.02 crore to the 10 banks<sup>14</sup> and DoP as service charges as of August 2013. Comparative picture of all the three modes in disbursement of pensions is given in ***Appendix-2.6***. Audit observations in this regard are as follows:

- Validity of MoU had expired for four banks (*viz.*, Axis Bank, Union Bank of India, APGV Bank and State Bank of India) in March/April 2012 but they were

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<sup>14</sup> Union Bank of India, ICICI Bank, ING Vysya Bank, State Bank of Hyderabad, Axis Bank, APGV Bank, Corporation Bank, Andhra Bank, Punjab National Bank, and Indian Bank

allowed to continue their operations. On this being pointed out in Audit, PR&RD Department re-entered into MoU with Axis Bank and terminated MoU of the other three banks.

- As per the MoU, the Department was to provide valid and complete data in electronic form to banks and DoP which in turn should undertake necessary field level enrolment of beneficiaries by capturing 6/10 finger prints, photo and personal details. While the implementing agencies (banks/DoP) were to have completed the process of enrolment and issued smart cards within six months, as of February 2013 (i.e. after the lapse of five years), only 47.15 lakh pensioners (66 *per cent*) out of 70.96 lakh pensioners were issued smart cards.
- PR&RD Department reviewed the performance of banks and decided (March 2013) to delist four banks<sup>15</sup> due to poor performance and allotted these areas to DoP. The enrolment already completed by these four banks was not utilised and the DoP was required to re-enrol the pensioners allotted to it in the areas where these four banks were operating earlier. Pending completion of enrolment process, pension is being disbursed manually and the number of carded pensioners has gone down to 43.61 lakh (from 47.15 lakh) and 31.43 lakh (42 *per cent*) pensioners were yet to be enrolled as of August 2013. The objective of introducing smart card based payments is thus not achieved fully since almost about half the number of pensioners is being disbursed pension manually. Therefore, Audit cannot vouchsafe the correctness of amounts disbursed manually.
- As per the MoUs, banks and DoP were to procure Point of Sale (PoS) devices to implement the smart card project and engage women from Self Help Groups (SHG) as service providers. Government decided (January 2010) to sanction an amount up to ₹20,000 for procurement of a PoS device by SHG women and released (March 2010 to October 2011) ₹14.85 crore to banks for procurement of 7,425 PoS devices. However, PR&RD Department did not enforce the condition of engagement of SHG women as Customer Service Provider (CSP)<sup>16</sup> and this provision in fact, was not incorporated in the MoUs entered into during the above period. Subsequently (March 2013), two banks which received ₹10.04 crore (Andhra Bank: ₹5.14 crore and State Bank of Hyderabad: ₹4.90 crore) from the Government in this regard were delisted. As there was no binding clause in MoUs with regard to ownership of these devices in the event of de-listing of bank, Government was not in a position to utilise these devices after de-listing of banks which rendered the amount wasteful.

Government in its reply confirmed (August 2013) that four banks were delisted from the project due to non-performance and non-compliance to Aadhaar requirement and their unwillingness to continue in the project. During Exit Conference, Government responded that PoS device was the property of banks

<sup>15</sup> Andhra Bank, State Bank of Hyderabad, ING Vysya Bank and Indian Bank

<sup>16</sup> 231 male members were engaged as CSP in the test checked Srikakulam district

and further stated that a decision was taken to appoint Village Organisation (VO) as the CSP to bring more control in the system.

- Disbursements are being made through carded-but-manual (CBM) mode due to non-functioning of PoS terminals, non-reading of finger prints etc. The average CBM payments ranged up to 21 *per cent* (Axis Bank). The disbursing banks are required<sup>17</sup> to refund the money paid manually to Government, where smart card system has been operationalised. It was observed from the records (for the period February - September 2012) produced to Audit, that the amount recoverable by Government from the banks on this account stood at ₹88.15 crore.

Government stated (August 2013) that notices for remittance of amount were issued (amount not specified) to the banks concerned but it did not furnish the details of recovery. During Exit Conference, Government stated that service delivery by banks was poor and assured that suitable clauses would be incorporated in the MoUs with banks to take care of timelines for enrolment and disbursement.

### 2.5.3.2 Smart Card project in Chittoor district

Implementation of smart card project was taken up in 48 (out of 66) mandals and all the eight municipalities of Chittoor district in July 2008 and six banks were entrusted with the task. Audit scrutiny of disbursement of pension in this district revealed the following:

- As per Government orders, all the mandals are to send the pension payment details to DRDA to enable the latter to provide a consolidated position to the Government on a monthly basis. However, DRDA, Chittoor did not have any information with regard to the number of pensioners who were paid through smart card/carded-but-manual/manual mode in the district.
- There were delays in disbursement of pension ranging from 4 to 34 days, non-completion of enrolment and non-resolution of problems pertaining to electronic benefit transfer (EBT) payments by the banks.
- DRDA finally switched over to manual mode of payment in June 2012 and the smart card based payment was limited to only six mandals and the eight municipalities.
- Even in these six mandals, enrolment process was not completed and disbursement to non-carded beneficiaries ranged between 3 *per cent* (Karvetinagaram) to 84 *per cent* (Vedurukuppam). In respect of municipalities, it ranged between 8 *per cent* (Pungunur) to 22 *per cent* (Tirupati).

While the banks were yet to complete the enrolment of all the pensioners in the smart card system, Government entrusted the task of pension disbursement through smart card system to DoP in Chittoor district in March 2013. Even before ensuring that a

<sup>17</sup> Circular No. 1417/RD\_SHG/EBT/2010 (dated 31 August 2010) of Commissioner, PR&RD Department

minimum gestation period is provided to DoP for enrolling the pensioners, Government selected Chittoor as one of the five districts for pilot implementation of Aadhaar based enumeration with effect from May 2013 without setting up any linkage between the two (DoP and Aadhaar) or devising a way forward to utilise the work done by the banks or DoP in this regard.

With regard to non-adoption of data of banks by DoP, Government, during Exit Conference, responded that PoT device was the property of banks and that there is no option but to go through the process again. Inadequate planning and absence of a proper roadmap to operationalise the technological advancements have led to a situation where Government is having to duplicate the process with new service providers. This adversely impacts the timely disbursement of pension to the targeted beneficiaries since they are being paid through manual mode and in the absence of proper data/details with DRDAs, the reliability of such payments is open to question.

Regarding Aadhaar seeding, Government stated (November 2013) that VOs were instructed to collect Aadhaar details from each beneficiary and document them and that the process of this documentation would be completed in two to three months time.

### ***2.5.3.3 Payment through Department of Posts (DoP)***

Disbursement of SSP was entrusted in Nalgonda district to DoP during 2011. Out of about four lakh pensioners, as of March 2013, 3.77 lakh were enrolled for payment through bio-metric authorisation and of the 59 mandals in the district, in 53 mandals pension is being disbursed through 'Point of Transaction Devices' (PoTD) with effect from June 2011. Audit scrutiny in this regard revealed the following:

- DoP enrolled 14,132 messengers/nominees for receiving pension on behalf of the actual pensioners. As per the extant procedure<sup>18</sup>, this is permitted after following a prescribed procedure for verification. Audit could not verify compliance with the prescribed procedure since the necessary details were not provided to it.

State Government instructed (January 2013) that adequate number of additional CSPs should be positioned in 12 GPs along with machines for disbursement of pensions to 20,826 pensioners by 30 January 2013. However, additional CSPs were not appointed (as of March 2013) to make payment of pensions.

- Disbursing officials/CSPs were not recording the details of finger print mismatch, temporary migration, death, etc., in PoTD. Due to this, payment in subsequent months was affected in respect of people who could not get pension during a month for various reasons.
- Pensions to 60,685 new pensioners enrolled biometrically were not disbursed between July and October 2011 for want of sanction of arrears from SERP and the amount of undisbursed pension aggregated to ₹2.90 crore.

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<sup>18</sup> Circular number 2672/RD-SHG/EBT/2011, dated 7 June 2011 of Commissioner, RD

- CRD released (March 2011) a refundable advance of ₹2.22 crore to DoP as initial deposit for opening of 4.44 lakh savings bank accounts (at ₹50 per account) for INDIRAMMA pension beneficiaries<sup>19</sup> of Nalgonda and Nizamabad districts. The amount was paid from MGNREGA Administration funds. The advance was to be recovered from first five monthly pensions (at ₹10 per month) i.e. by August 2011 from the pension amounts for refunding it to CRD. Although, Government requested (August 2011) DoP to open zero balance accounts for these pensioners there was no progress in this regard even after lapse of a year. Audit observed that Government had not recovered the amount of ₹2.22 crore (to be recovered by August 2011) from DoP even as of March 2013.

#### **2.5.3.4 Non-disbursement of disability pension based on measure of disability**

State Government enhanced (November 2008) the rate of pension to ₹500 to disabled pensioners from the level of ₹200 per month and introduced a slab system for payment of pension at the rate of ₹500, ₹600 and ₹700 in three disability categories viz., (i) 40 - 60 per cent, (ii) 61 - 80 per cent and (iii) 81 per cent and above respectively. However, SERP did not sanction pension to disabled persons in relation to the percentage of disability even though it started screening for the extent of disability right from January 2010 through a 'Software for Assessment of Disability for Access, Rehabilitation & Empowerment' (SADAREM). The 2008 decision of the Government to pay pension in proportion to the percentage of disability has thus not been implemented even as of August 2013 due to non-issue of orders by Government. This adversely affected the pensioners with higher level of disability who were needy of enhanced amount of pension. During Exit Conference (November 2013), Government confirmed non-payment of disabled pension at enhanced rate.

#### **2.5.3.5 Paid acquittances**

Audit reviewed paid acquittances for the month of June (paid in July) 2012 in the sampled 103 unit offices, and observed deficiencies like non-preparation of abstracts, non-indication of dates of disbursement, temporary/permanent migration, death, delays in disbursement, CBM payments, etc. Scrutiny also revealed the following:

- Abstracts of payment were not prepared and signed by PDAs in 90 out of 103 units. As such, details of category-wise payments made and the amounts refunded are not ascertainable.
- In 99 units, dates of disbursement were not indicated by PDAs. There were also cases where names of some pensioners were not printed in the acquittances (noticed in 47 out of 103 units) due to technical snag. As the CSP was making payments as per the printed acquittances, Audit could not secure assurance whether payments were being made to right persons.

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<sup>19</sup> Nalgonda: 2,57,443; Nizamabad: 1,86,846

- Date of death and temporary/permanent migration was not indicated in 63 units. Mentioning of dates is crucial for timely stoppage of pension, determine arrears portion, etc. In three mandals (Madakasira, Parigi and Hindupur) of Anantapur district, Audit noticed five cases of unauthorised drawal of pension amount of deceased pensioners. The MPDOs of Parigi and Hindupur confirmed (September 2012/March 2013) audit finding and stated that instructions have been issued to CSPs for recovery of the amounts paid.
- Acquittances were not signed by MPDO/MC and his/her staff in support of their supervision (in 45 units).
- In 60 units, thumb impressions were taken without indicating names of the pensioners.
- In 26 units, payments to smart card holders were made manually on reasons of non-functioning of smart card, finger prints not accepted by the machines etc.
- In Nalgonda district where disbursements are made through post offices, filled acquittances are not being submitted to MPDOs (13 units).
- There were discrepancies in gender of pensioners (52 units).
- In Shamshabad mandal (Ranga Reddy district), it was observed in 13 cases that pensions were being disbursed to persons other than actual pensioners and the acquittances contained signatures of persons other than the beneficiaries.
- In Malkajgiri circle of GHMC<sup>20</sup>, bank accounts are opened for individual pensioners and monthly pension amount was credited to the bank accounts. Therefore, there were no acquittances in this circle. Review of bank scrolls in the office of Malkajgiri Municipal Commissioner indicated that there were inordinate delays (ranging between 82 and 87 days) in crediting the amount to individual accounts of pensioners.
- GHMC, Malkajgiri circle has been making pension payments to two to three beneficiaries with a single account number having same residential address (in 78 out of 1,567 cases) and the name of actual beneficiary was not found in the data maintained by the circle. In 225 cases, pension was paid to two or more beneficiaries residing in one house.
- In Shamshabad mandal, disbursement was not being made during the designated period (1 to 5 of every month). Pensions for the months of March, April and May 2012 were disbursed after a delay of four days. Pensions for October 2011 and January 2012 were disbursed after a delay of 30 days.

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<sup>20</sup> Greater Hyderabad Municipal Corporation

Government stated (August 2013) that MPDOs/Municipal Commissioners are scrutinising the paid acquittances regularly. The reply is not correct as observed by Audit in the test checked units. Government further stated that the synchronised data was being shared with SSP server. However, suitable mechanism is to be put in place for SERP to check compliance with this requirement. Government, during Exit Conference, assured to examine the issue and explore the possibility of checking the data on real time.

#### 2.5.3.6 Results of beneficiary survey

Results of Audit interaction with beneficiaries (6,572) in the test checked units are given below:

- ⇒ In respect of thirty two *per cent* of beneficiaries', age indicated in the ration card did not match with that mentioned in the acquittances/database.
- ⇒ Twenty *per cent* of beneficiaries expressed satisfaction about method of disbursement.
- ⇒ Nineteen *per cent* of beneficiaries stated that their pension was sanctioned after multiple attempts.
- ⇒ Sixteen *per cent* of beneficiaries stated that there were delays in payment of pension.

## 2.6 Financial Management

### 2.6.1 Electronic Fund Management System (e-FMS) and submission of Utilisation Certificates (UCs)

Pension disbursement procedure was modified with effect from January 2012 with the introduction of electronic fund management system (e-FMS) where funds were directly released to the designated functionaries from SERP's State Nodal Account (SNA) of identified banks. The undisbursed funds were to be refunded to the banks and the amount is to be adjusted by SERP while releasing pension for the subsequent month. Banks in turn are required to submit utilisation certificates (UCs) to SERP to claim the commission payable to them. Audit observations in this regard are as follows.

Funds released to PDAs (MMSs/MPDOs/Mandal Coordinators) are shown in financial statements of DRDAs as "Advances to sectoral officers" and are adjusted on receipt of UCs with refund of undisbursed pension.

As of March 2012 (accounts for subsequent period were not compiled), the test checked DRDAs were to receive UCs for about ₹751 crore<sup>21</sup> which remained outstanding in their books. In the case of Chittoor district, UCs for ₹4.66 crore released to three RDOs *viz.*, Chittoor, Tirupati and Madanapalli prior to 2006-07 were still awaited. Further, annual accounts of DRDA, Chittoor revealed negative balances (₹1.25 crore) against the implementing agencies, which casts doubts on utilisation and refund of undisbursed funds.

<sup>21</sup> Anantapur: ₹7.24 crore; Chittoor: ₹137.38 crore; Mahbubnagar: ₹192.54 crore; Nalgonda: ₹3.05 crore; Ranga Reddy: ₹3.14 crore; SPS Nellore: ₹7.76 crore; Srikakulam: ₹73.80 crore; and Visakhapatnam: ₹325.90 crore



Further, as per the guidelines (March 2006), CEO, SERP was expected to send quarterly UCs to State Government and annual comprehensive reports on evaluation studies during the review period for the amounts disbursed towards SSP schemes. Scrutiny of records in PR&RD Department did not evidence any proof of receipt of quarterly UCs from SERP.

UCs submitted to GoI did not conform to the prescribed format in GFR-19A. This was crucial as it would reveal the checks exercised by the grantee (State in this case) to ensure that the expenditure conformed to the stated objectives.

Government stated (August 2013) that annual audit (by the Chartered Accountants appointed by SERP) in the test checked districts was awaited and that UCs were being submitted in the format prescribed by GoI. Audit scrutiny, however, revealed that the said format did not conform to the format (Form-19A) prescribed in the General Financial Rules. During Exit Conference, Government assured a relook into the issue.

### **2.6.2 Operation of multiple bank accounts**

With the introduction of e-FMS, Government designated SBH as Nodal Bank for proper utilisation and streamlining of fund flow to DRDAs. Audit observations in this regard are as follows:

- SBH, Adarshnagar Branch opened (November 2011) Savings Bank (SB) Account in the name of CEO, SERP which was a SNA for release of funds to all PDAs in violation of Government orders to open head-wise accounts. As such, details of category-wise pension releases and the expenditure particulars are not ascertainable.
- SERP also opened (February 2012) a separate SB account with SBH, Adarshnagar Branch in the name of CEO, SERP, for crediting undisbursed funds by Unit Officers. To the end of March 2013, the balance in this account was ₹153.29 crore. With regard to utilisation of undisbursed funds, SERP stated (March 2013) that it had no specific plans for utilisation of undisbursed pension and that, it would be utilised for release of pensions sanctioned over and above the allocated pensions.
- DRDAs and MPDOs (33 units) continued to operate multiple bank accounts and have also retained unspent/undisbursed funds with them instead of transferring the balances to SNA as required. In the test checked units, funds aggregating ₹2.18 crore (61 units) were not remitted to DRDA/SERP by the respective MPDOs/MCs. Further, test checked DRDAs retained an aggregated amount of ₹14.53 crore<sup>22</sup> as of March 2012 (accounts for subsequent period were not yet compiled) without refunding the balances to SERP although the DRDAs were divested from financial management of SSP scheme funds with effect from January 2012.

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<sup>22</sup> Anantapur: ₹0.90 crore, Chittoor: ₹1.83 crore, Mahbubnagar: ₹3.20 crore, Nalgonda: ₹2.76 crore, Ranga Reddy: ₹2.49 crore, SPS Nellore: ₹0.04 crore, Srikakulam: ₹1.66 crore and Visakhapatnam: ₹1.65 crore

Government stated (August 2013) that instructions would be issued to close multiple accounts and to maintain single account.

### 2.6.3 Utilisation of GoI funds provided under NOAPS

With effect from April 2011, GoI lowered the eligible age for sanction of pension under NOAPS from 65 to 60 years and instructed State Government to identify the beneficiaries in the age group of 60 - 64 years. Further, GoI enhanced pension amount to ₹500 for pensioners above 80 years of age. In this background, State Government brought Abhaya Hastham (AH) scheme into the fold of SSP schemes and identified only women beneficiaries (4,14,692) in the age group of 60 - 64 years, who were already drawing pension under AH scheme. State Government sanctioned (September 2011<sup>23</sup>) NOAPS to these persons thereby reducing its burden to the extent of ₹149.29 crore during the period September 2011 to February 2013 (around ₹8.30 crore per month) in payment of AH pension.

Thus, State Government instead of identifying and sanctioning pension to all the eligible beneficiaries (both men and women) in the age group of 60 - 64 years, is utilising GoI funds towards meeting its own top-up requirement for AH pensions. Further, State Government is not making pension payment at enhanced rate (at ₹500 per month) to the pensioners above 80 years.

While confirming utilisation of GoI funds, CRD stated (January 2013) that top-up requirement on State Government was reduced accordingly. SERP confirmed (March 2013) non-payment of enhanced rate of pension due to involvement of huge budgetary allocation owing to sanction of pensions on saturation mode. However, since it is a conscious decision of State Government to sanction pension on saturation mode it should provide adequate funds to meet its objective rather than diverting GoI funds released for specific purposes.

## 2.7 Internal Controls

As brought out in the foregoing paragraphs, internal controls relating to identification of beneficiaries, scrutiny of applications, sanction of pension, and disbursement of pension amount were inadequate leaving the system open for possible manipulation and denial of pensionary benefits to vulnerable sections of society.

Significant areas of inadequate internal controls are given below.

Identification of beneficiaries	Sanction of pension	Disbursement of pension
<ul style="list-style-type: none"> <li>Absence of uniform format for applying for pension</li> <li>Inadequate scrutiny of applications by Panchayat Secretaries with regard to eligibility of applicants</li> </ul>	<ul style="list-style-type: none"> <li>Non-communication of sanction of pension to the beneficiary could lead to possible misappropriation of pension amount</li> </ul>	<ul style="list-style-type: none"> <li>Drawal of cash by Mandal Coordinator from district Headquarters and physical transportation to mandal headquarters</li> </ul>

<sup>23</sup> GO Ms. No. 314, dated 7 September 2011 of PR&RD Department

<ul style="list-style-type: none"><li>• Absence of scrutiny at the level of Mandal Parishad Development Officers (MPDOs) and consequent uploading of incorrect data with regard to age</li><li>• The details of applicant, as given in the application forms are not validated against the civil supplies database, which contains the details of all the BPL families</li></ul>	<ul style="list-style-type: none"><li>• Absence of mechanism to fix responsibility on the MPDO for furnishing incorrect particulars of applicant</li><li>• Absence of mechanism for checking the receipt of all required documents from the applicants</li></ul>	<ul style="list-style-type: none"><li>• Disbursement by CSPs through manual override citing non-functional PoS devices, non-matching finger prints, cases of lost smart cards, etc.</li><li>• Absence of internal reconciliation within the MPDOs about details of undisbursed funds</li></ul>
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### 2.7.1 Non-compliance with Government instructions

Government ordered<sup>24</sup> (December 2011) that all MPDOs and Municipal Commissioners (Unit Officers - UOs) should ensure that signed acquittances are obtained from all villages before 10<sup>th</sup> of each month for updating the disbursement data electronically in the facility provided for this purpose on or before 15<sup>th</sup> of each month. Further, Unit Officers were also instructed to arrange for periodic reconciliation of SSP accounts and monthly internal audits.

Scrutiny of records in the sampled units revealed the following:

- UOs did not maintain any Registers to watch submission of paid acquittances by Customer Service Providers (CSPs).
- UOs were not scrutinising the signed acquittances for identification and verification of temporary migrations, deaths, conversions to Abhaya Hastham, etc., and instead they were relying on the inputs of Mandal Coordinators (appointed by banks).
- CSPs were not completing the abstract of disbursements and break-up of category-wise undisbursed pensions and resultantly, blank abstracts were being submitted by Mandal Coordinators to UOs. In the absence of this information, the correctness of the amounts remitted is not susceptible of verification by MPDOs.

SERP accepted (March 2013) that due to delays in submission of acquittances by banks, there was little time left with MPDOs for their scrutiny.

Apart from the activities relating to identification of beneficiaries, sanction of pension and their disbursement, there were control failures in financial transactions and accountancy of receipts, non-reconciliation of balances etc., as brought out in paragraph 2.6.

## 2.8 Monitoring

Monitoring is important to ensure success of implementation of any welfare programme, especially when there is involvement of private parties, banks and other stakeholders in delivery of required services. Audit observations with regard to monitoring are as follows.

<sup>24</sup> GO Ms. No. 380, PR & RD Department dated 1 December 2011

### **2.8.1 State Level Vigilance and Monitoring Committee**

A State Level Vigilance and Monitoring Committee was constituted in October 1995 to review the implementation of all centrally sponsored rural development programmes. To assess the implementation of schemes and flow of funds at various levels including allocations, releases, utilisations of unspent balances, meeting of the Committee is required to be convened once every quarter. The present committee was re-constituted in January 2010 and a review of the records of SERP revealed that the Committee met only twice<sup>25</sup> during the period April 2010 to September 2012 (as of date of audit) against the requirement of 10 meetings and mainly discussed the issue of payment of pension at enhanced rate to octogenarian pensioners relating to NSAP apart from the issues pertaining to other centrally sponsored rural development programmes.

### **2.8.2 Audit of SSP schemes**

In the test checked DRDAs, annual audit by Chartered Accountants was completed up to 2011-12. However, quarterly audit of SSP schemes was not conducted at any level in the State, though it was ordered by Government in October 2009. Scrutiny of records in the test checked districts revealed that the instructions of Government in this regard were not translated into action by DRDAs as not a single DRDA compiled accounts on a quarterly basis. Similarly, despite specific orders from Government in December 2011, no arrangements were made by MPDOs for internal audit of social security pensions as of March 2013. Moreover, there is no Internal Audit wing in SERP to appraise the schemes and flag areas of non-compliance with prescribed procedures.

While confirming non-conduct of audit at quarterly intervals, SERP stated (July 2012) that a panel of Chartered Accountants was communicated to all the DRDAs to take up annual audit.

### **2.8.3 Grievance redressal mechanism**

The online grievance redressal mechanism introduced by SERP in September 2012 is in its nascent stage. Grievances<sup>26</sup> numbering 10,178 were addressed against 16,460 grievances and the remaining 6,282 grievances were returned to DRDAs as of January 2013. It was however, observed that only MPDOs and DRDAs can access the system and the pensioners have no way of logging in their complaints online.

Further, in the test checked units (except 16 units in Nalgonda district where DoP is the banker), information about the names and telephone numbers of CSPs and Mandal Coordinators were not displayed in the offices of GPs and MPPs. Similar information along with details of banks and service providers was also not displayed in the test checked DRDAs.

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<sup>25</sup> 18 October 2010 and 25 August 2012

<sup>26</sup> viz., restoration of cancelled pensions to temporary and permanent migrants, transfers from one place to another

Government replied (August 2013) that grievances could be registered at Gram Panchayat level through Rural Development call centre (1800 200 4455 - toll-free number). It was further stated that a community entitlement based mobile application is proposed for collecting the grievances and new applications for sanction of pensions from village level.

## **2.9 Conclusion**

*While around 72 lakh people have been covered as of March 2013 under various pension schemes by State Government, there was no clarity with regard to the actual number of applications received, processed and number of people sanctioned pension, applications rejected and reasons for rejection/delays in sanctioning pension, since the relevant registers were not maintained by the Unit Offices.*

*The objective of bringing transparency in payment of pension through smart card based payment could not be achieved to full extent even after lapse of five years as only 66 per cent of the total pensioners (February 2013) were issued smart cards.*

*Scrutiny of acquittances by MPDOs/MCs was inadequate and there were deficiencies like non-preparation of abstracts, non-indication of dates of disbursement, temporary/permanent migration, death, delays in disbursement, CBM payments, etc. Financial management was marked by operation of multiple bank accounts, retaining/non-remitting unspent balances by MPDOs to DRDAs and DRDAs to SERP, non-submission of UCs by implementing agencies etc. Record maintenance was poor and weak internal controls left gaps and vulnerabilities in the system. Monitoring of sanction and disbursement of pensions was not effective and there was no internal audit wing in SERP to provide assurance about the extent of compliance with the applicable rules and procedures in implementing the pension schemes.*

Government replied (August 2013) that it had initiated several measures to sanitise the pensioners database and ensure proper identification of the beneficiaries through Aadhaar seeding. During Exit Conference in November 2013, Government admitted that there were clear disconnects and while reiterating the steps taken to streamline the system, assured corrective action on all the issues raised by Audit.

## **2.10 Recommendations**

- Cleansing of database of SSP schemes should be completed on priority in a time-bound manner so as to eliminate ineligible pensioners from the system and suitable mechanism should be evolved to cross-verify the data of eligible beneficiaries at Government level.
- Government should enforce its decision to disburse pensions through smart card and institute suitable mechanism to ensure this.
- Proper maintenance of scheme-wise and category-wise application registers and other prescribed registers by Unit Officers should be ensured.

- Steps should be taken for disbursement of disability pension based on the degree of disability as envisaged.

The recommendations were discussed in the Exit Conference and accepted by Government. Government also assured that appropriate steps would be taken to strengthen the system further.