

## Chapter 10

### Conclusion and Recommendations

#### 10.1. Conclusion

The PAHAL (DBTL) Scheme, introduced in November 2014 and extended to the entire country in January 2015, intends to dis-incentivise diversion, weed out fake and duplicate connections, protect entitlement, improve availability of LPG cylinders and ensure subsidy to domestic consumers while allowing self-selection in subsidy. Audit appreciates the implementation of the Scheme covering 19.26 crore registered domestic LPG consumers (16.17 crore active and 3.09 crore other than active consumers) and 16,781 distributors across the three Oil Marketing Companies (OMCs), viz., Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL), and Bharat Petroleum Corporation Limited (BPCL). The following conclusions emerge from the audit of implementation of the Scheme:

- Audit noticed a marked growth in sale of LPG cylinders to commercial consumers post implementation of PAHAL (DBTL) Scheme. However, there has also been a sharp increase in offtake of domestic LPG cylinders not entitled to receive subsidy, which increases the risk of diversion, particularly considering the significant price difference between domestic LPG cylinders not entitled to receive subsidy and commercial LPG cylinder on account of differential taxes and duties levied on the two categories of consumers.
- Even though National Informatics Centre and the OMCs had carried out de-duplication checks on the domestic LPG consumer database, Audit noticed instances of multiple connections existing both within and between OMC. Besides, connections blocked on suspicion of being multiple connections were often unblocked without maintaining adequate documentation of justification for such unblocking. Scrutiny of the selected sample indicated that there were inadequate input checks for the domestic LPG consumer database, which adversely affected its accuracy and integrity.
- The OMCs have addressed the bulk of PAHAL (DBTL) Scheme related complaints though the target of seven days for redressal could not be achieved.
- A significant quantum of failed transactions was noticed which is a matter of concern as it could deprive the genuine LPG consumers of their legitimate subsidy. Audit noticed that a major reason for failure of transactions was inaccurate data entry by distributors.

- As on 31 December 2015, there were 1.55 crore non-cash transfer compliant consumers. The possibility that this includes consumers who deserve the subsidy cannot be ruled out.
- In the sample scrutinised, Audit noticed that non-cash transfer compliant consumers hold ₹49.21 crore as Permanent Advance. As these consumers were not eligible for advance, this led to blocking of funds. Besides, Audit noticed that the security deposit of a significant number of consumers was much lower than the Permanent Advance paid to them. As the Permanent Advance is expected to be recovered from the security deposit when the connection is terminated, its recovery in such cases remain doubtful.
- The subsidy burden over the period from April 2015 to December 2015 was lower than that for the comparable period in 2014 by ₹23,316.21 crore. However, this was a combined effect of decrease in off-take of subsidised cylinders by consumers (₹1,763.93 crore) and lower subsidy rates arising from the sharp fall in crude prices (₹21,552.28 crore) in 2015-16. While implementation of the PAHAL (DBTL) Scheme coupled with the 'Give it up' campaign has resulted in the reduction of offtake of domestic subsidised LPG cylinders, the resultant subsidy savings was not as significant as that generated through fall of subsidy rates.

## **10.2 Recommendations**

Audit suggests the following recommendations in order to address the issues highlighted in this Report.

- (i) Effective steps may need to be taken to dis-incentivise diversion of non-subsidised domestic LPG cylinders to the commercial segment.
- (ii) Considering that audit scrutiny of the selected sample revealed existence of multiple connections, the entire database needs to be scrutinised by the OMCs and effective action should be ensured. The integrity of the database needs to be maintained. While the OMCs assured institution of appropriate checks for new additions to the consumer database, there is an urgent need to ensure correctness and integrity of the existing database. Appropriate and transparent documentation of blocking and unblocking of suspected multiple connections also needs to be ensured.
- (iii) Appropriate input control, data validation and strict oversight is essential at the distributor interface to ensure correctness of data entry at their end, which would not only improve the integrity of the consumer database but also eliminate failed transactions arising from incorrect information.
- (iv) Audit has noted the decrease in the number of Non Cash Transfer Compliant consumers. However, more focussed outreach efforts may be necessary to ensure that deserving consumers are not deprived of subsidy for want of knowledge of the Scheme or clarity regarding its processes.

- (v) Appropriate policy decisions may be necessary to address the blocking of Permanent Advance with Non Cash Transfer Compliant consumers and recovery of Permanent Advance from consumers having a lower security deposit compared to it.



**(H. PRADEEP RAO)**

**Deputy Comptroller and Auditor  
General and Chairman, Audit Board**

**New Delhi**

**Dated : 18 July 2016**

**Countersigned**



**(SHASHI KANT SHARMA)**

**Comptroller and Auditor General of India**

**New Delhi**

**Dated : 18 July 2016**