

Chapter 8 Other Issues

8.1. Recovery of Permanent Advance given to the consumers

The one-time advance given to enable the domestic LPG consumer to pay for the first cylinder delivered at market rates on joining the PAHAL (DBTL) Scheme is termed 'Permanent Advance' (PA). This advance would remain with the consumer till the connection is terminated, when the advance would be recovered from the security deposit lying with the OMCs. It was, however, noticed that in 29.92 lakh cases (16.68 lakh in IOCL, 5.95 lakh in HPCL and 7.29 lakh in BPCL cases), the security deposit held by the OMC was much lower than the advance paid; the amount of shortfall being ₹68.39 crore (₹35.70 crore in IOCL, ₹15.77 crore in HPCL and ₹16.92 crore in BPCL). As such, recovery of the PA would not be possible in these cases.

Audit also noticed that PA continues to be held by the consumer even when the consumer's status changes to Non Cash Transfer Compliant (NCTC). Audit noticed 9.58 lakh (7.92 lakh in IOCL, 0.53 lakh in HPCL and 1.13 lakh in BPCL) such NCTC consumers in the three OMCs holding ₹49.21 crore (₹41.09 crore in IOCL, ₹2.82 crore in HPCL and ₹5.30 crore in BPCL) as Permanent Advance (PA) collectively. As such consumers were not eligible for PA under the Scheme, this led to blocking of funds.

The OMCs replied (April/May 2016) as follows:

- (i) IOCL and BPCL stated that for old connections and connections issued to BPL families with zero security deposit, security deposit was inadequate to cover PA. The OMCs also stressed that issuance of PA to all consumers was as per the PAHAL policy. Regarding transfer of PA to Non Cash Transfer Compliant consumers, IOCL and BPCL stated that all these consumers were CTC at the time of transfer of PA and had subsequently become NCTC.
- (ii) IOCL added that in case the consumer becomes CTC subsequently, by seeding Aadhaar or bank account number, further payment of PA was not triggered. At the time of transfer, advance amount was recovered either by adjusting it against security deposit or by means of cash, if security deposit was less than the recoverable amount.
- (iii) BPCL also suggested that these issues could be taken up with MoP&NG.
- (iv) HPCL stated that there was no relation between security deposit of cylinder and regulator, and PA. These were maintained in different account heads and therefore, the question of inadequacy of security deposit for recovery of PA did not arise. Regarding continuing PA with Non-Cash Transfer Compliant (NCTC) consumers,

HPCL stated that advance was paid to a consumer on becoming CTC and was retained till termination. Subsequently if a consumer becomes NCTC due to removal of Aadhaar in NPCI mapper or closure of bank account, the data would indicate payment of PA to NCTC consumer and that there was no irregularity in the matter.

The replies of the OMCs need to be considered in view of the following:

- That security deposit and Permanent Advance (PA) were maintained in separate accounts, as pointed out by HPCL, is well appreciated. Audit has only highlighted the problem that would be faced by the OMCs in recovering PA at the time of termination of connection in cases where the security deposit was inadequate. Moreover, IOCL has been adjusting PA against security deposit, as stated in its reply.
- The HPCL reply that when a CTC consumer changes into NCTC, PA would remain and there was no irregularity needs to be viewed against the fact that the purpose of PA was to enable the eligible domestic LPG consumer to purchase the first cylinder at market price without any extra financial burden. When the status of consumer changes from CTC to NCTC, the very purpose for which the PA was released gets defeated resulting in blocking of funds which could be diverted to much eligible LPG consumers to purchase their first LPG cylinder at market price.

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.