

## CHAPTER V : INTERNAL CONTROLS

Based on the findings of audit discussed in the preceding chapters, some important control weaknesses can be identified in the defence pension management system. These weaknesses, discussed in the following paragraphs, need to be addressed to make the system more robust, efficient and effective.

### 5.1 Control Weaknesses in the Record Offices

The Record offices were deficient in controls resulting in inadequate monitoring of the delays in processing of the pension claims at different stages. It was observed that although the Record Offices were designed to be the repository of service records, substantial amount of time was being taken, often contributing significantly to the delays, in getting information from the units *etc.*, before the date of discharge of the ex-servicemen. There appeared to be a need to review the existing arrangement to ensure that the Record Offices possess updated information when the pension cases are due to be taken up and the procedural requirements of sending the cases back to the units are minimized.

### 5.2 Control deficiencies in PCDA (P)

#### 5.2.1 Discrepancy in the number of pensioners

As per Ministry of Defence statement presented in Lok Sabha (February 2017) the assessed number of defence pensioners was 25,00,631 as on 01/04/2016 which was also confirmed to the Audit by the CGDA. However, on consolidating the pensioners' data obtained by Audit from all the CPPCs of banks and other Pension Disbursing Agencies for March 2016, the number of pensioners came to 29,14,594. The difference in these numbers shows lack of adequate control in maintaining correct information and it needs to be reconciled by the CGDA/PCDA (P). This also under-scored the need for only one source of truth in capturing the pensioners' information, *e.g.*, the Record Offices; for strong controls to ensure that the PDAs send their payment scrolls immediately after making the disbursements; and for comprehensive audit of the information in the scrolls received in PCDA (P)'s office.

MoD stated that data collected from each PDA indicated that the number of pensioners on 01 April 2017 was 30,31,618. However, there was no indication that the number had been reconciled with its master database of PPOs issued; in the absence of this, the authenticity of the number of pensioners remained unverified. MoD while carrying out the assessment of the actual number of

pensioners on first of April every year needs to reconcile the data with the number of PPOs issued.

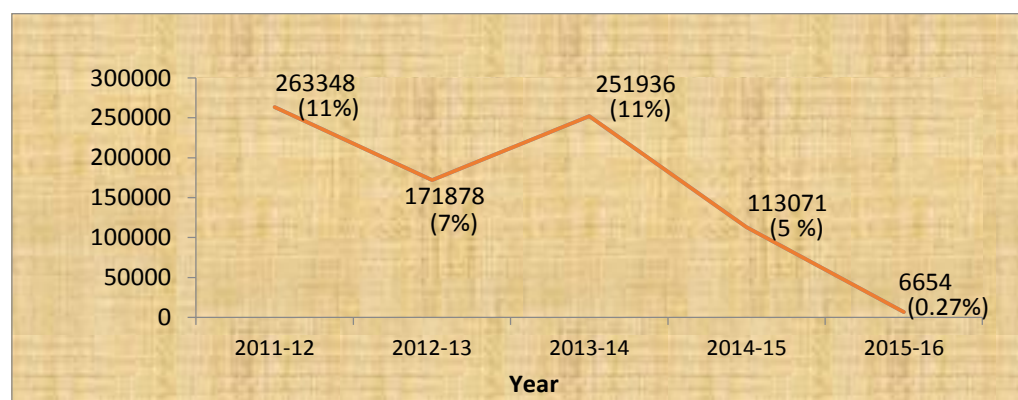
### 5.2.2 Control deficiencies in expenditure accounting

PCDA (P) is required to book the expenditure on pension to the correct head after matching the amount of reimbursement advised by the RBI with the detailed payment scrolls received from the banks. As the receipt of scrolls from the banks is irregular, PCDA (P) has little control over recording of correct expenditure on pension, and thousands of crore of expenditure, already reimbursed by RBI to the banks, remain pending for years in the suspense account, affecting the correctness of the account in a material manner. As stated in Para 5.3.2, absence of scroll numbers or mistakes in scroll numbers in the Date wise Monthly Accounts (DMAs) sent by the RBI adds to the difficulty of monitoring expenditure and its correct accounting by the PCDA.

### 5.2.3 Inadequate Audit of Pension Payments

The Defence Accounts Department Office Manual stipulates that audit of defence pension payments should be conducted at least once in a financial year to ensure that the payments made to the pensioners have been subjected to the prescribed checks. Scrutiny of Internal Audit Reports of the PCDA (P) for the period 2011-12 to 2015-16 revealed a decreasing trend in the coverage of internal audit of pension accounts, from 11 to 0.27 *per cent* of the pension accounts as shown in **Chart 4** below. PCDA (P) attributed it to shortage of manpower. MoD stated (March 2017) that PCDA (P) had started in-house development of e-audit software and their spot audit teams were also being detailed to rectify/ reconcile the mismatch in data. We observed that the e-audit project, conceptualized in September 2014 for audit of pension payment through e-scrolls, was not implemented as yet. PCDA (P) attributed it to submission of e-scrolls by PDAs in incorrect format despite several instructions. The need for priority implementation of this important control measure can hardly be over-emphasized.

**Chart 4 : Pensioners Accounts Audited by PCDA (P)**



Source: Data received from the PCDA (P)

MoD stated that efforts were on for data purification and e-audit.

#### 5.2.4 Inadequate monitoring of overpayments and fake/ fraudulent payments of pension

Overpayments, fake or fraudulent payments of pension, as pointed out in internal audit, were pending recovery at the end of each year during 2011-12 to 2015-16. The recovery in respect of the overpayments ranged from 19 to 31 per cent with the net balance at the end of March 2016 being ₹33.56 crore as per the **Table 5.1** given below:

**Table 5.1 : Status of recovery of overpayment of pension**

On the Year Ending	Cumulative balance of Overpayment (₹ in crore)	Cumulative Recoveries (₹ in crore)	Net Balance (₹ in crore)	Percentage of Recovery [(Col.3/Col.2)*100]
1	2	3	4	5
March 2012	29.96	5.82	24.14	19
March 2013	31.16	7.63	23.53	24
March 2014	35.73	11.25	24.48	31
March 2015	43.87	12.84	31.03	29
March 2016	47.29	13.73	33.56	29

The recovery in respect of the fake/ fraudulent payment ranged from 0 to 25 per cent and the net balance at the end of March 2016 was ₹ 47.70 lakh as per the **Table 5.2** given below:

**Table 5.2 : Status of recovery of fake / fraudulent payment of pension**

On the Year ending	Cumulative balance of Fake/ Fraudulent Payment (₹in lakh)	Cumulative Recovery (₹ in lakh)	Net Balance (₹ in lakh)	Percentage of Recovery [(Col.3/Col.2)*100]
1	2	3	4	5
March 2012	37.87	0	37.87	0
March 2013	41.87	8.04	33.83	19
March 2014	63.24	8.04	55.21	13
March 2015	63.24	15.54	47.70	25
March 2016	63.24	15.54	47.70	25

MoD stated that recoveries were being pursued.

#### 5.2.5 Inadequate monitoring of outward claims on foreign countries

The PCDA (P) acts as the Overseas Paying Agent (OPA) for pensioners of United Kingdom (UK), Myanmar and Pakistan, who are residing and drawing

pension in India and whose pension liability is that of United Kingdom (UK), Myanmar and Pakistan Governments respectively.

We observed that no settlement/ reimbursement of the claims from Myanmar, Pakistan and UK (in respect of HKSRAR-Hong Kong Singapore Royal Artillery Regiment) had taken place since 2011-12. Total outstanding claims from Myanmar, Pakistan and HKSRAR were ₹ 6.06 crore, ₹ 19.19 crore and ₹3.91 crore respectively as on 31 March 2016. MoD stated that the amounts had been claimed but were not being reimbursed by the concerned authorities.

### 5.2.6 Pensioners' grievances

Analysis of the data of Complaint Cell of the PCDA (P) revealed that the number of complaints outstanding reflected increasing trend, as shown in the **Table 5.3** given below:

**Table 5.3 : Details of outstanding complaints**

Year	Opening Balance	No. of complaints received	No. of complaints resolved	No. of complaints outstanding as on 31 <sup>st</sup> March
1	2	3	4	5
2011-12	303	11,785	11,851	237
2012-13	237	10,095	10,106	226
2013-14	226	10,456	10,366	316
2014-15	316	12,826	11,446	1,696
2015-16	1696	38,609	37,119	3,186

PCDA (P) Allahabad attributed it to the exponential increase in the number of complaints and less manpower for the disposal of the complaints. It was also observed that the format for registering grievances did not have the subject matter, due to which the classification of grievances into different categories was difficult.

In this connection, the defence pension system could benefit from the practice on the civil pension side, where the Central Pension Accounting Office (CPAO) has implemented a grievance monitoring system in which each PDA can log into the CPAO website and get details of the grievance cases forwarded to them by the CPAO and the number of cases remaining outstanding against them.

MoD stated that the complaint lodging facility was being revamped and the suggestion made by Audit to adopt the practice in CPAO will be implemented.

### 5.2.7 Pension Adalat Cell

All cases received in a year were not settled during the year as given in the **Table 5.4** below:

**Table 5.4 : Settlement of Pension Adalat cases**

Year	No. of Pension Adalat held	Number of Cases Received	Outstanding as on the end of March					Number of Cases Settled as of 31 March 2016
			2012	2013	2014	2015	2016	
1	2	3	4	5	6	7	8	9
2011	7	2856	299	69	00	00	00	2856
2012	6	2604	69	00	00	00	00	2604
2013	6	3441	—————	—————	160	00	00	3441
2014	6	1287	—————	—————	—————	141	00	1287
2015	10	1284	—————	—————	—————	—————	21	1263
Total	35	11472	368	69	160	141	21	11451

PCDA (P) Allahabad stated that the cases had been referred to the Record Offices, Heads of the Offices, Pension Disbursing Authorities and individuals for obtaining relevant inputs. Pension Adalats were held by JCDA (AF) at Dehradun and Nagpur in 2015. Out of 761 cases registered, 86 were outstanding as of June 2016.

### 5.3 Control Weaknesses in RBI

#### 5.3.1 Lack of control over expenditure

As discussed in Chapter II, after the introduction of the Single Window system in 2007, RBI has delinked the submission of scrolls from the claims of reimbursement from the banks. It was pointed out that this had weakened the control over the expenditure on account of pension. This would also appear to be corroborated from the following two examples:

- (i) During 2011-12 to 2015-16, CAS, RBI, Nagpur adjusted ₹554.81 crore pertaining to 103 transactions that had been reimbursed to the agency banks wrongly in the prior periods, ranging from 01 to 3,978 days. 97 of these transactions pertained to the period after 01 April 2007, when the Single-Window system was introduced by RBI.
- (ii) During the same period, the difference between the amount reimbursed by RBI to Bank of Baroda (BOB) and the amount paid by BOB to the Defence pensioners, was ₹179.55 crore, as detailed in the **Table 5.5** below. This indicates possible excess payment to BOB, which needs to be verified and reconciled.

**Table 5.5 : Details of re-imburement by the RBI**

(Amount in ₹)

Year	Defence Pension reimbursed by RBI to Bank of Baroda	Defence Pension paid by Bank of Baroda (data provided by BOB)	Difference (Col 3 - Col 2)
1	2	3	4
2011-12	525,85,86,366	471,56,84,860	54,29,01,506
2012-13	579,99,01,790	531,00,37,266	48,98,64,524
2013-14	675,03,55,263	619,60,27,314	55,43,27,949
2014-15	698,45,09,803	694,02,37,346	4,42,72,457
2015-16	825,36,40,653	808,94,64,263	16,41,76,390
<b>Total</b>	<b>3304,69,93,875</b>	<b>3125,14,51,049</b>	<b>179,55,42,826</b>

Source: CAS, RBI, Nagpur and Bank of Baroda

MoD stated (March 2017) that the excess payment could be on account of the manual scrolls not furnished to audit, but BOB/ PCDA (P) did not furnish details of any manual scrolls matching with the excess amount claimed by BOB.

### 5.3.2 Deficiencies in the DMA Statement

RBI furnishes to the PCDA (P) a Date wise Monthly Account (DMA) giving date wise details of the amounts reimbursed to each bank. The DMA should contain important details like the scroll number of the bank against which the reimbursement was made, the date and amount of payment *etc.*, to enable the PCDA to match the information in the DMA with the details contained in the payment scrolls received from the banks and book it to the correct head of account. Therefore, the DMA is an important control instrument.

Our examination of the 110 DMA statements sent by CAS, RBI, Nagpur revealed important omissions in the DMA, such as missing scroll number; reimbursements made for an amount for which the scroll number was given in the receipt column (in which case, it should be credited to government account); payment made for an amount for which the scroll number was mentioned as zero; the same scroll number being mentioned on two different dates; the scroll number not being mentioned serially; and reimbursement for transactions that had taken place upto seven years back. These deficiencies considerably undermined the value of the DMA as a control instrument. For example, in the absence of correct information about the scroll number, it will be difficult for the PCDA to link the reimbursement made by RBI with the concerned scroll number sent by the bank. The details of such cases are mentioned in **Annexure-9**.


## 5.4 Conclusions and Recommendations

It would be apparent from the above findings that control weaknesses existed in each pillar of the defence pension system, which tended to reduce its efficiency and effectiveness. Strengthening the existing controls and incorporating some new controls, keeping in mind the technological developments and the need to integrate the different pillars of the pension system in a co-ordinated manner, will add to its robustness and enhance the effectiveness of the system as well as the pensioner satisfaction.

In light of the foregoing, it is recommended that:


- Controls should be strengthened to ensure that the PDAs send e-scrolls electronically to the PCDA (P) Allahabad simultaneously while seeking reimbursements from RBI.
- Regular updating and reconciliation of Master Data of banks and PCDA (P) needs to be done. Any change in Master Data by the PDA should be mandatorily communicated to PCDA (P) once in a month.
- PCDA (P) should consider adopting the grievance monitoring system of the CPAO.

New Delhi  
Date: 3 July 2017

  
(Praveen Kumar Tiwari)  
Director General of Audit  
Defence Services

Countersigned

New Delhi  
Date: 3 July 2017

  
(Shashi Kant Sharma)  
Comptroller and Auditor General of  
India