

Chapter 7: Financial Management

Chapter 7: Financial Management

7.1 Budget for settlement of PMUY claims

OMCs' claims against release of LPG connections under PMUY are required to be lodged with PPAC on a quarterly basis which was revised to monthly basis from September 2016. PPAC scrutinizes and forwards the same to MoPNG which in turn reimburses the claims to OMCs.

Year-wise release of PMUY connections and settlement thereof was as given below:

Table 7.1: Details of funds allocated and utilization

(figures in crore)

Year	PMUY connections released	Budget Estimate	Revised Estimate	Budget utilized	OMCs' claims processed	Remarks
2016-17	2.00	2000.00	2500.00	2500.00	Up to January 2017	Balance claims of ₹498.77 crore for 2016-17 were settled in 2017-18.
2017-18	1.56	2500.00	2251.81	2251.81	Up to September 2017	Balance claims of ₹672.84 crore for 2017-18 were settled in 2018-19.
2018-19	2.39 (including 2.09 crore under E-PMUY)	3200.00	N.A.	3200.00	Up to August 2018 (part payment)	<ul style="list-style-type: none"> Balance claims amounting to ₹1232.00 crore for the period from Aug-18 to Nov-18 were settled in 2019-20. Payment of claim of ₹177.11 crore for December 2018 was under process at MoPNG

In this regard, audit observed that while scaling up the scheme target to eight crore, the year-wise target for release of PMUY connections was also revised (September 2017) to two crore connections each for the years 2016-17 to 2019-20. However, neither the RE for 2017-18 nor the BE for 2018-19 was allocated in line with the revision of targets or for meeting the shortfall for the previous years.

This has resulted in partial settlement of the claims in these years due to shortfall in the budget.

This situation is likely to persist in view of further release of PMUY/E-PMUY connections unless MoPNG gets sufficient budget to settle the pending claims of the OMCs including the shortfall arising due to partial settlement of claims.

MoPNG replied (May 2019) that it has reimbursed claims amounting to ₹9183 crore and there are no claims pending as on date.

Ministry's reply may be viewed against the fact that out of ₹9183 crore, claims of ₹1232 crore for the year 2018-19 (Aug.2018 to Dec.2018) were settled from the budget of 2019-20. Further, claims amounting to ₹1894.59 crore for the period from January 2019 to March 2019 were yet to be processed by PPAC. Thus, cyclical shortfall in the budget resulted in delay in reimbursement of claims of OMCs.

7.2 CSR funds collected from NOCs without assessing the realistic requirement

CCEA, while approving the scheme, had stipulated that MoPNG may, from within the available savings from the total scheme funds and CSR fund of OMCs, spend no more than two *per cent* towards administration and IEC related activities. MoPNG, while issuing modalities for implementation of PMUY, directed (June 2016) the OMCs that 20 *per cent* of CSR funds of National Oil Companies¹⁹ would be used for release of LPG connections under PMUY to the extent of two *per cent* administrative / IEC expenses. IOCL was nominated as the nodal agency.

Accordingly, the NOCs had contributed 20 *per cent* of their CSR funds as given below:

Table 7.2: Details of CSR funds contributed by NOCs (₹ in crore)

Company	CSR Contribution			
	2016-17	2017-18	2018-19	Total
ONGC	107.13	-	-	107.13
GAIL	16.30	-	-	16.30
OIL	15.80	12.35	11.23	39.38
IOCL	41.60	76.43	85.38	203.41
BPCL	31.82	36.67	40.54	109.03
HPCL	16.58	25.27	31.44	73.29
Total	229.23	150.72	168.59	548.54

Utilization of CSR fund by the OMCs for release of LPG Connections under PMUY as on March 2019 was as below:

Table 7.3: Details of utilization of CSR funds by OMCs (₹ in crore)

OMC	2016-17	2017-18	2018-19	Total
IOCL	41.60	10.79	54.20	106.59
BPCL	16.44	12.94	29.58	58.96
HPCL	15.99	14.09	31.06	61.14
Total	74.03	37.82	114.84	226.69

Audit observed that MoPNG, instead of working out the realistic requirement of CSR funds for utilization in PMUY, directed the NOCs to pool in 20 *per cent* of their CSR fund as per past practice. Since only an amount of ₹286.69 crore²⁰ had been utilized till March 2019, an amount of ₹261.85 crore is lying idle with IOCL which is the pool operator.

OMCs replied (April 2019) that the unutilized fund gets carried forward to the next year. Further, in order to utilize the fund, MoPNG has allowed releasing connections to single male members as per SECC-2011 data, 5 Kg Double Bottle Cylinder (DBC) connections and BPL families of Taj Trapezium Zone who were not part of SECC data.

Replies are to be viewed against the fact that in the absence of realistic assessment of the requirement for CSR funds excess contribution in the CSR pool has resulted in idling of funds.

¹⁹ NOCs viz. ONGC, IOCL, BPCL, HPCL, GAIL and OIL

²⁰ This includes an amount of ₹60 crore released to BPCL to meet shortfall arising from previous BPL scheme.

MoPNG replied (May 2019) that IOCL has been advised to return back the excess fund, if any, to the concerned NOC.

7.3 Expenditure on IEC/PME activities in excess of maximum eligible amount

In addition to PMUY claims, the OMCs are also entitled to claim reimbursement towards two *per cent* expenditure on Administrative/IEC activities on a quarterly basis subject to equivalent utilization for release of LPG connections under PMUY from CSR fund contributed by the NOCs.

IEC/PME claims of the OMCs are also to be settled by MoPNG through PPAC on the basis of the lowest of the following three:

- Two *per cent* of net PMUY claims released to the individual OMC up to the quarter;
- Actual expenditure on PME/IEC up to the quarter as claimed by OMCs and
- Actual amount utilized from CSR funds for releasing LPG connections under PMUY.

OMC-wise details of expenditure on IEC/PME, claims lodged and settled were as follows:

Table 7.4: Details of IEC/PME expenditure by OMCs and claims thereagainst
(₹in crore)

OMCs	Expenditure incurred on IEC / PME activities for the period April 2016-December 2018	PMUY Cash assistance claims processed by PPAC for the period April 2016-December 2018	Eligibility as per cumulative PMUY Claims processed by PPAC (2% of Col.3)	Amount utilized from CSR fund for release of LPG Connections under PMUY	Least as per eligibility for the period April 2016 to December 2018 (least of col.2, 4 & 5)	Cumulative amount of IEC/PME claims approved and released by MoPNG
1)	2)	3)	4)	5)	6)	7)
IOCL	166.43	4425.38	88.51	88.51	88.51	51.34
BPCL	138.84	2446.91	48.94	29.38	29.38	16.44
HPCL	126.44	2523.59	50.47	30.08	30.08	30.08
Total	431.71	9395.88	187.92	147.97	147.97	97.86

As seen from the above, there has been an extra expenditure of ₹243.79 crore on IEC/PME activities by the OMCs over and above the reimbursable amount up to December 2018 which is an additional burden on the OMCs. Further, the utilization of CSR fund by BPCL and HPCL was less than respective allowable limits of two *per cent* of PMUY claims which led to reduction in their reimbursable expenditure on account of IEC/PME activities.

Even if the overall outlay of ₹12800 crore for PMUY is considered, the maximum eligible amount for reimbursement of IEC/PME would be ₹256 crore only. This additional cost to OMCs is bound to increase in subsequent years as PMUY is to be implemented by 2019-20.

OMCs replied (April 2019) that successful implementation of such a big scheme required deployment of huge resources leading to high IEC/PME expenses which cannot be equated with a normal project. It was also stated that MoPNG has been requested to increase this limit to four *per cent*.

While noting the above reply, audit observed that as the limit for IEC/PME fixed by CCEA while approving the scheme was not increased even while scaling up the target from five crore to eight crore LPG connections under PMUY, this extra expenditure incurred in view of the increasing requirement of IEC/PME will have to be borne by the OMCs from their own budget till the completion of the scheme.

Ministry, in its reply, (May 2019) did not offer any comments.

7.4 Non-transfer of subsidy to PMUY consumers

The non-loanee PMUY beneficiaries are entitled for refill subsidy right from the first refill. However, for loanee beneficiaries, the subsidy is to be transferred only after recovery of loan in full. In order to enable transfer of refill subsidy to consumers' bank account, Bank account details and Aadhaar number of consumer has to be mapped with LPG connection by the LPG distributor.

Analysis of PMUY transaction data (as on 31 December 2018) using data analysis tool revealed that:

- a) Subsidy of ₹78.85 crore (IOCL: ₹44.38 crore, BPCL: ₹13.04 crore and HPCL: ₹21.43 crore) for 10.5 lakh non-loanee PMUY consumers (IOCL: 5.97 lakh, BPCL: 1.48 lakh and HPCL: ₹3.05 lakh) had not been transferred to their bank account despite these consumers being active and taking refills;
- b) Similarly, subsidy amounting to ₹108.66 crore (IOCL: ₹66.02 crore, BPCL: ₹15.55 crore and HPCL: ₹27.09 crore) for 15.43 lakh loanee PMUY consumers (IOCL: 9.53 lakh, BPCL: 2.06 lakh and HPCL: 3.84 lakh) on subsequent refills had not been transferred to bank accounts of these consumers. Out of 15.43 lakh consumers, loan of 3.23 lakh consumers (IOCL: 2.24 lakh, BPCL: 0.26 lakh and HPCL: 0.73 lakh) had been recovered fully. Subsidy of remaining consumers was due as their consumption was less than six refills²¹ as on 31 December 2018.

OMCs replied (April 2019) that subsidy failure is due to various reasons like Aadhaar non-linking / de-linking or account being inactive with banks / NPCI. However, the issue has been deliberated with banks and NPCI and certain actions have been initiated in October 2018 for process improvement in handling such issues.

MoPNG added (May 2019) that subsidy transaction failure rate is merely 0.5 *per cent* and the OMCs constantly monitor and take remedial measures to retrigger the subsidy transaction.

Replies have to be viewed against the fact that non-transfer of subsidy to six *per cent* of PMUY consumers may act as a disincentive to consume more refills since they belong to BPL category and have paid higher cost for the refills without receiving subsidy. This assumes importance in view of low pattern of refill consumption by PMUY beneficiaries.

7.5 Ineffective scrutiny of PMUY Claims by PPAC

As per PMUY guidelines, claims submitted by the OMCs shall be duly audited and accompanied with audit certificate. It further provides that PPAC would scrutinize the cash assistance claims of the OMCs from their books of account and can cross check from accounts maintained and for this purpose may call for any related records or visit and examine records maintained by OMCs at site, plant, regional office, head-office *etc.*

²¹ Loan recovery up to six refills was deferred from 1 April 2018 up to 31 March 2019.

As AHL TIN as per SECC-2011 list was the primary criterion for ascertaining the beneficiaries' eligibility as per scheme guidelines, it was essential to put in place adequate validations on AHL TIN so as to avoid extension of benefits to ineligible persons or issue of multiple connections to same beneficiary / household. Further, PPAC, having been assigned a critical role of scrutinizing PMUY claims, was also required to conduct due diligence before recommending PMUY claims to MoPNG so as to identify and restrict the OMCs' claims on account of duplicate/ multiple / LPG connections.

In this regard, audit observed that PPAC carried out a de-duplication exercise on AHL TIN contained in consumer data (Excel files) furnished by OMCs and till March 2018 identified 38 cases of duplicate LPG connections released to the same SECC household / individual. However, the methodology adopted by PPAC for this de-duplication was limited to the extent of matching of AHL TIN in MS-Excel for the claim submitted for that month, within and amongst OMCs, instead of on all the claims submitted to PPAC till that date.

Audit also observed that the consumer data furnished by OMCs to PPAC did not contain some important fields like gender, date of birth etc. of the consumers. Further, there were deficiencies in this data as blank names of beneficiaries, blank / truncated / incomplete AHL TIN etc. were observed in some cases. Review of these fields / information was important in view of the fact that PPAC had conducted (August 2017) a study on PMUY implementation and had noticed severe irregularities viz. release of LPG connections to ineligible beneficiaries (male, minor etc.) by OMCs under PMUY. Thus, had these fields / information been obtained and reviewed before processing of OMCs' claims, the scrutiny by PPAC would have been far more effective.

PPAC replied (April 2019) that as per the scheme, it is not mandated to verify the eligibility of the beneficiaries as the OMCs as per the scheme undertake de-duplication exercise electronically and other measures for due diligence for new LPG connections. It also stated that subsequent to submission of its report on implementation, it has started verifying the duplicate connections issued within the same month within and amongst OMCs.

MoPNG replied (July 2019) that review of complete information of beneficiaries before processing the claims will result in duplication of efforts and will also lead to digression from the mandate assigned to PPAC. Further, adequate checks and balances have been introduced to ensure proper validation of the claims submitted by OMCs.

Reply has to be viewed against the fact that PPAC is the only agency empowered by the Government to scrutinize PMUY claims of the OMCs before reimbursement. Further, the additional de-duplication exercise conducted by PPAC may not serve the desired purpose of de-duplication effectively as the same is not being done on cumulative data.