Chapter 1	Introduction

1.1 Introduction

Prior to issue of a nationally accepted identity document for Indian residents, multiple documents viz., Driving License, Permanent Account Number (PAN), Voter Identity Card etc., were in use as proof of identity and address. The absence of easily verifiable identity documents was conducive to identity frauds and for leakages in the system of delivery of benefits from Government sponsored schemes and hence there was a need for having one unique identity for the residents of the country.

The concept of unique identification was first discussed and worked upon in 2006, when administrative approval for the project "Unique ID for BPL families" was given on 03 March 2006 by the erstwhile Department of Information Technology (DIT), Ministry of Communications and Information Technology. Subsequently, a Process Committee was set up (03 July 2006) to suggest processes for updation, modification, addition and deletion of data fields from the core database under the Unique ID for BPL families' project.

DIT submitted a "Strategic Vision – Unique Identification of Residents" to the Process Committee, which appreciated and approved the need of a UID Authority to be created by an executive order under the aegis of the then Planning Commission (now NITI Aayog) to ensure a pan-departmental and neutral identity for the Authority. The Process Committee decided (30 August 2007) to furnish a detailed proposal based on the resource model for seeking its "in principle" approval to the erstwhile Planning Commission.

Based on the recommendations of the Committee of Secretaries and decision of the Empowered Group of Ministers (EGoM), Unique Identification Authority of India was created on 28 January 2009 as an attached office of the then Planning Commission (replaced by NITI[1] Aayog in 2015)[2]. Prime Minister's Council on UIDAI (substituted by a Cabinet Committee on UIDAI on 22 October 2009) was constituted on 30 July 2009 to advise UIDAI on the programme, methodology and implementation to ensure coordination between Ministries/Departments, stakeholders and partners.

As per Cabinet's approvals, the work of Aadhaar enrolment was initially geographically divided between UIDAI and Registrar General of India (RGI). Accordingly, UIDAI was assigned to do Aadhaar enrolment in 24 States and Union Territories (UTs) and RGI was to do enrolment in 12 States and UTs.

In September 2015, UIDAI was brought under the Ministry of Electronics and Information Technology (MeitY) (erstwhile Department of Electronics & Information Technology). For giving statutory standing to UIDAI, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Bill, 2016 was introduced in Parliament as Money bill on

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[1] NITI (National Institution for Transforming India) Aayog is the premier policy 'Think Tank' of the Government of India, providing both directional and policy inputs.

[2] In September 2015, UIDAI was attached to the Department of Electronics & Information Technology (DeitY) of the then Ministry of Communications and Inform ation Technology (Mo CIT).

03 March 2016, which was notified (26 March 2016) as the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016) .

UIDAI has responsibility to issue a Unique Identification (UID) to all residents, that was robust enough to eliminate duplicate or fake identities and could be verified and authenticated anytime, anywhere. The digital identity platform set up by UIDAI with the brand name 'Aadhaar', generated the first UID in September 2010 and the ambitious Aadhaar Scheme was launched on 29 September 2010 in Tembhli, a village in Nandurbar district of Maharashtra State in India, from where first Aadhaar was issued. The Aadhaar database has since reached 129.04 Crore by March 2021 and is considered as one of the largest biometric based identification systems in the world.

1.2   Constitutional validity of Aadhaar

After launch of Aadhaar, Government progressively made the Aadhaar Card mandatory for numerous welfare schemes. These include subsidised food under the Public Distribution System, guaranteed wages to labour under the Mahatma Gandhi National Rural Employment Guarantee Scheme, linking of PAN Card, telecom subscriber verification etc. However, the Aadhaar scheme was challenged from time to time by several petitioners in various courts of law and its constitutional validity was sub- judice since 2010. The five judges Constitution Bench of the Hon'ble Supreme Court in its landmark judgment of 26 September 2018, upheld the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, to be constitutional[3].

The salient points of the judgment[4] of Hon'ble Supreme Court of India are as follow:

a. The Aadhaar Act, 2016 does not violate fundamental right of privacy. Section 7 of the Act is constitutional. 'Benefits' and 'services' should be those which have the colour of some kind of subsidies namely welfare schemes of the Government whereby Government is doling out such benefits which are targeted at a particular deprived class.

b. Residents are held entitled to obtain Aadhaar number but such an enrolment was voluntary in nature. However, it becomes compulsory for those who seek to receive any subsidy, benefit or services under the welfare schemes of the Government, expenditure whereof is to be met from the Consolidated Fund of India. As such CBSE, NEET, JEE, UGC etc. cannot make the requirement of Aadhaar mandatory for the students.

c. No deserving persons would be denied the benefit of a scheme on the failure of authentication and it would be appropriate to make a suitable provision for establishing an identity by alternate means.

d. No child shall be denied benefit, of any of the welfare schemes covered under Section 7, if, for some reasons, she/he is not able to produce the Aadhaar number and the benefit shall be given by verifying the identity on the basis of any other document.

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[3]   Writ Petition (Civil) No. 494 of 2012 before the Hon'ble Supreme Court of India which also considered several other writ petitions in its judgment dated 26 September 2018

[4]   The Bench delivered its 4:1 verdict:-
- Majority opinion of Chief Justice Dipak Misra, Justice A.K. Sikri and Justice A.M. Khanwilkar
- Concurring opinion of Justice Ashok Bhushan
- Dissenting opinion of Justice D.Y. Chandrachud

e. Regulation 27 of Aadhaar (Authentication) Regulations 2016 which provides archiving a data for five years was struck down. Retention of data beyond six months was made impermissible.

f. Section 57 which enabled body corporate and individuals to seek authentication was held unconstitutional and void.

g. Section 139AA of Income tax Act 1961 (for seeding of PAN with Aadhaar) held constitutional.

h. Rule 9 of the amended PMLA Rules, 2017 which mandates linking of Aadhaar with bank accounts was held unconstitutional.

i. Department of Telecommunications' Circular dated 23 March 2017 mandating linking of mobile numbers with Aadhaar was held unconstitutional.

Thus, though Aadhaar is a legal document and mandatory for obtaining benefits of Government schemes and programmes, residents can furnish it voluntarily for proving identity in case of other services also. To implement the judgment of the Supreme Court, Government passed the Aadhaar and Other Laws (Amendment) Act, 2019 (notified on 23 July 2019)[5] in the Parliament to incorporate further safeguards to protect privacy of data, foil misuse of personal information of its citizens and for averting denial of services and benefits to eligible persons. In addition, to facilitate better services through Aadhaar, voluntary use of Aadhaar authentication was provided for obtaining SIM cards and for opening bank accounts, with necessary changes in the Indian Telegraph Act, 1885 and the Prevention of Money Laundering Act, 2002 respectively.

1.3   UIDAI Authority

1.3.1   Powers of the Authority

UIDAI performs functions as defined by the Section 23 and 23A of Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016. It has authority to develop the policy, procedure and systems for issuing Aadhaar numbers to Individuals and perform authentication thereof under this Act.

The powers and functions of the Authority, inter alia, include

(a) Specifying, by regulations, demographic information and biometric information required for enrolment and the processes for collection and verification thereof;

(b) Collecting demographic information and biometric information from any individual seeking an Aadhaar number in such manner as may be specified by regulations;

(c) Appointing of one or more entities to operate the Central Identities Data Repository;

(d) Generating and assigning Aadhaar numbers to individuals;

(e) Performing authentication of Aadhaar numbers;

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[5]   Government of India introduced "The Aadhaar and Other Laws (Amendment) Ordinance, 2019" on 02 March 2019, notified as an Act on 23 July 2019

(f)   Maintaining and updating the information of individuals in the Central Identities Data Repository in such manner as may be specified by regulations;

(g)   Omitting and deactivating of an Aadhaar number and information relating thereto in such manner as may be specified by Regulations;

(h)   specifying the manner of use of Aadhaar numbers for the purposes of providing or availing of various subsidies, benefits, services and other purposes for which Aadhaar numbers may be used;

(i)   Specifying, by regulations, the terms and conditions for appointment of Registrars, enrolling agencies and service providers and revocation of appointments thereof;

(j)   Establishing, operating and maintaining of the Central Identities Data Repository;

(k)   Sharing, in such manner as may be specified by regulations, the information of Aadhaar number holders, subject to the provisions of this Act;

(l)   calling for information and records, conducting inspections, inquiries and audit of the operations for the purposes of this Act of the Central Identities Data Repository, Registrars, enrolling agencies and other agencies appointed under this Act;

(m) Specifying, by regulations, various processes relating to data management, security protocols and other technology safeguards under this Act;

(n)   levying and collecting the fees or authorising the Registrars, enrolling agencies or other service providers to collect such fees for the services provided by them under this Act in such manner as may be specified by regulations;

The Authority may

(a) enter into Memorandum of Understanding or agreement, as the case may be, with the Central Government or State Governments or Union territories or other agencies for the purpose of performing any of the functions in relation to collecting, storing, securing or processing of information or delivery of Aadhaar numbers to individuals or performing authentication;

(b) by notification, appoint such number of Registrars, engage and authorise such agencies to collect, store, secure, process information or do authentication or perform such other functions in relation thereto, as may be necessary for the purposes of this Act.

The Authority may engage consultants, advisors and other persons as may be required for efficient discharge of its functions under the Act on such allowances or remuneration and terms and conditions as may be specified by contract.

The Authority may, for the discharge of its functions under this Act, or any rules or regulations made there under, by order, issue such directions from time to time to any entity in the Aadhaar ecosystem, as it may consider necessary. Every direction issued shall be complied with by the entity in the Aadhaar ecosystem to whom such direction is issued.

1.3.2   Organizational Set-up

UIDAI has its headquarters (HQ) in New Delhi and has eight (8) Regional Offices (ROs) across the country. The locations of ROs and the States/ UTs under their jurisdiction are illustrated

in **Figure 1.1**. UIDAI also operates two Data Centers (DCs), one at Hebbal, Bengaluru, Karnataka and the other at Manesar, Haryana**.**

Figure 1.1
Regional Offices of UIDAI

A Chairperson appointed on part-time basis heads the Authority with two part-time members and a Chief Executive Officer (CEO), who is also the Member-Secretary of UIDAI. The CEO is the legal representative of the Authority and is responsible for its day-to-day administration and implementation of its work programs including drawing up of proposals arising out of the discharge of functions assigned to UIDAI, preparation of accounts etc. At the HQ, the CEO is assisted by Deputy Directors General (DDGs) who are Joint Secretary level Officers of Government of India and are in-charge of various wings of UIDAI. Each of the eight ROs of UIDAI is headed by a DDG. As on 31 March 2021, UIDAI Headquarters had 130 sanctioned posts[6] in various cadres whereas person-in-position were 95. In the eight UIDAI ROs, out of total sanctioned posts of 219, person-in position were 148 as on 31 March 2021. The Authority functioned mostly with officers on deputation from various Government Departments.

1.3.3 Registrars

UIDAI authorizes entities as Registrars for the purpose of enrolling residents. Their roles and responsibilities are defined vide Memorandums of Understanding (MoU) signed by them with UIDAI. Central and State Government Departments, banks and other Public Sector organizations can be appointed as Registrars. Registrars have the option to carry out enrolment either by themselves or through Enrolment Agencies further sub-contracted by them. UIDAI had authorised 177[7] Registrars as on 31 March 2021.

1.3.4 Enrolment Agencies

UIDAI or the Registrars appoint Enrolment Agencies (EAs) for collecting demographic and biometric information of residents as part of the enrolment process. EAs setup Enrolment Centers for enrolment of residents and for correction/ updation of resident data. The EAs employ operators who are responsible for enrolling residents, capture the demographic and

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[6] Data source: Information furnished by UIDAI.
[7] Data source: Information furnished by UIDAI.

biometric information using the enrolment software, for uploading into the Central Identities Data Repository (CIDR)[8]. The quality of the documents collected by the EAs in respect of the demographic information of residents is scrutinized through a back-office Quality Check verification process by a quality control team. There were 436 Enrolment Agencies as on 31 March 2021.

1.4   Legislation, Rules and Regulations

The Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act 2016 (hereafter referred to as Aadhaar Act) and the Aadhaar and Other Laws (Amendment) Act 2019 provide the statutory basis for the operations of UIDAI. Drawing from the powers conferred by the Act of 2016, UIDAI notified various regulations for discharge of its mandated responsibilities. Aadhaar (Enrolment & Update) Regulations 2016, Aadhaar (Authentication) Regulations 2016, Aadhaar (Data Security) Regulations 2016 and Aadhaar (Sharing of Information) Regulations 2016 and amendments thereto regulate the activities related to the functioning and activities of UIDAI. The regulations generally cover all the areas of operation of UIDAI. Requirements of the Act and corresponding provisions in the various regulations are mapped in **Appendix-I**. The UIDAI Procurement Manual 2014 and GFR 2005/2017 regulate purchases and procurement in the organization.

1.5   Structure of the Report

The Performance Audit Report contains seven Chapters. **Chapter 1** gives introduction to the topic. **Chapter 2** explains the audit scope, audit objectives, audit criteria and audit methodology applied along-with the good practices followed by the Authority and the constraints faced during audit. **Chapter 3** describe the audit findings relating to "Enrolment and Update Ecosystem" and "Authentication Ecosystem" whereas **Chapter 4** contains audit findings on "Management of Finances and Contracts". **Chapter 5** and **Chapter 6** are related to "Security of Aadhaar information system" and "Redressal of Customer Grievances" respectively. Finally, **Chapter 7** gives the conclusion of the Audit Report.

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[8]   Aadhaar numbers issued along with the demographic and biometric information are secured in the centralized database viz., CIDR of UIDAI at Bengaluru.