

CHAPTER – I

Introduction

1 Introduction

1.1 Direct Benefit Transfer

Direct Benefit Transfer (DBT) is a major reform initiative of the Government of India (GoI) to ensure better and timely delivery of benefits to the people. This marks a paradigm shift in the process of delivering Government benefits like wage payments, fuel subsidies, food grain subsidies, etc. directly into the bank accounts of beneficiaries, removing leakages and enhancing financial inclusion.

The Government of Kerala (GoK) had introduced the DBT system for Social Security Pensions (SSPs) from May 2015, crediting the amounts directly to the Bank/ Post Office Savings Accounts of beneficiaries, through Electronic Money Order and Direct to Home (DTH) of the beneficiaries. At present, there are two modes of payment:

1. Crediting the amount to Bank account of the beneficiaries, and
2. Disbursement of pension in DTH mode through Primary Agricultural Credit Societies (PACS).

The Government of India issued directions¹ to set up DBT Cell in the State which would act as a focal point for implementation of DBT schemes of both Government of India and States. In Kerala, State DBT Cell is constituted² with Additional Chief Secretary (Finance) as Chairman.

Among the DBT schemes in the State, the expenditure by the State Government is the highest in respect of SSPs. The responsibility for implementation of Social Security Pension Schemes (SSP Schemes), including those under National Social Assistance Programme (NSAP) in the State, are vested with the Local Self Government Department (LSGD). The Director of *Panchayats* is the Nodal Officer for SSPs. The DBT Cell functioning under the Director of *Panchayats* co-ordinates all the activities relating to the SSP Schemes. The Schemes are managed using Sevana Pension software developed by the Information Kerala Mission (IKM). The software is deployed in the Local Self Government Institutions (LSGIs) within the State of Kerala. Applications for SSPs are submitted in the LSGIs and the initial verification and selection of beneficiaries and their enrolment in Sevana Pension software are carried out by LSGIs.

¹ Vide DO No. I-11011/145/2015-DBT-Cab dated 25 May 2016 from Secretary to Government of India.

² Government of Kerala vide GO(P) No. 108/2016/ Fin dated 29 July 2016 constituted State DBT Cell in Finance Department.

Periodical disbursement of pension is initiated at the DBT Cell and disbursements are done through Banks and PACS.

The Government of Kerala constituted a wholly owned Government Company, viz. Kerala Social Security Pension Limited (KSSPL), under the Finance Department with the objective of improving the disbursement of various SSPs, including welfare pensions in the State. The State Government had issued orders in June 2018 to transfer credit the KSSPL Account with the funds earmarked in State Budget every year for the purpose. The KSSPL was also allowed by the State Government to raise funds from Public, Public Sector Undertakings (PSUs) and other institutions through suitable financial instruments including deposits and loans to meet the differential funds needed to fulfil the expenditure requirements.

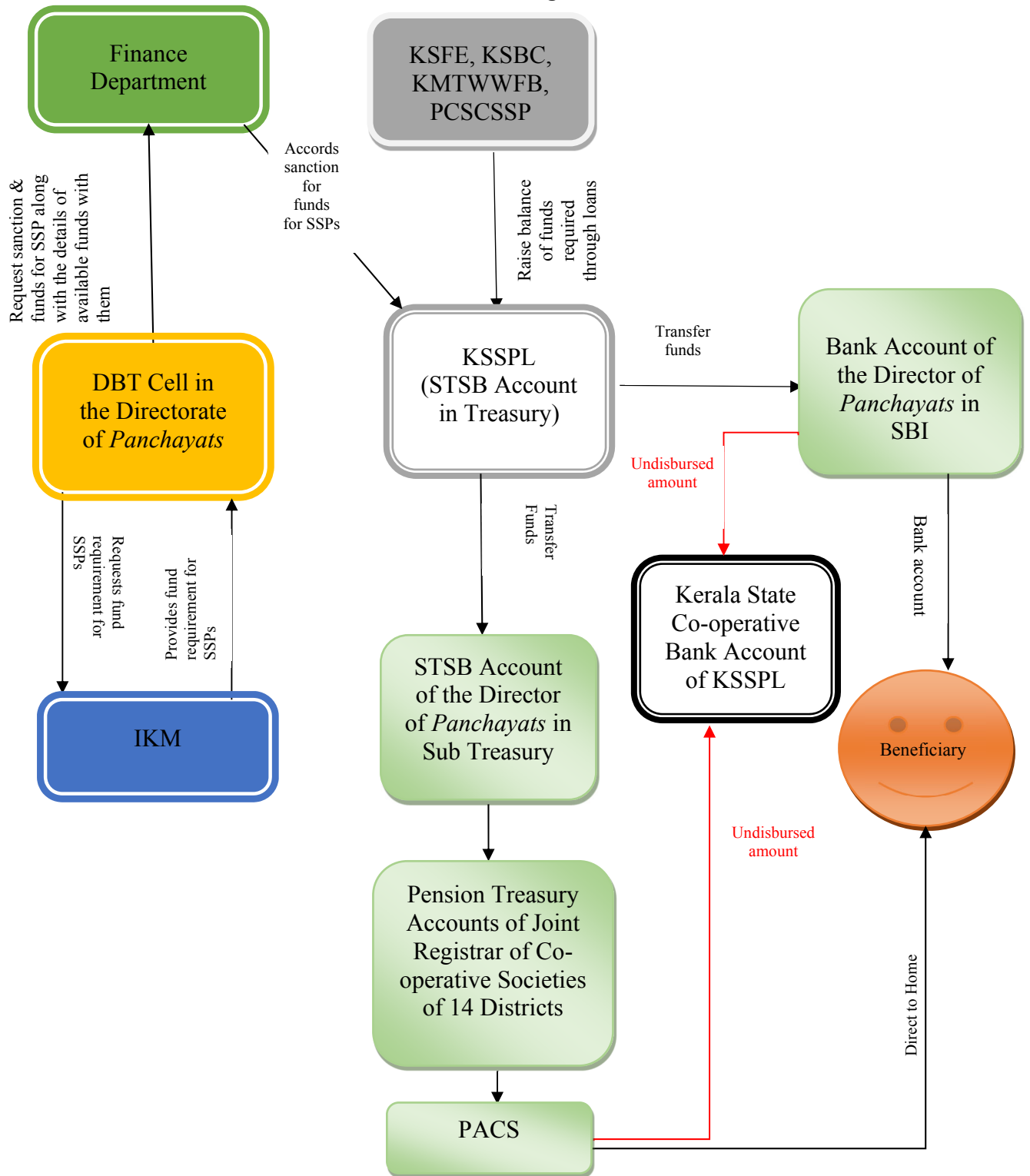
During 2018-19 to 2020-21, KSSPL had availed loans amounting to ₹22,266.66 crore from various entities³ for the disbursement of SSPs. However, loan amounting to ₹19,472.14 crore was availed by the KSSPL in excess of the requirement for that period. In spite of that, out of the loan amount raised by KSSPL for SSPs, the KSSPL released ₹4,478.85 crore less than what was disbursed by the DBT Cell as SSPs. The KSSPL also incurred expenditure amounting to ₹1,596.34 crore as repayment liabilities on account of the loan raised. The KSSPL has thus not been fiscally prudent, and some of its other deficiencies have also been commented at Paragraphs 2.7.1 to 2.7.4 of this Report.

The entire borrowings by KSSPL as above for the periods 2018-19, 2019-20 and 2020-21 have not been reflected in the budget of the State Government for those respective years and hence remained outside the Legislative control. A paragraph on the off-budget borrowings by KSSPL during 2019-20 have already appeared as Paragraph 2.6.2 in the Kerala State Finance Audit Report of the C&AG of India for the year ended 31st March 2020.

The process of fund disbursement for SSPs is depicted below in **Figure 1.1**.

³ Primary Co-operative Societies Consortium for Social Security Pension, Kerala State Financial Enterprises, Kerala State Beverages Corporation and Kerala Motor Transport Workers Welfare Fund Board.

Figure 1.1



The DBT Cell in the Directorate of *Panchayats* communicates the fund requirement of SSPs for a particular month along with the details of available balance funds with them to the Finance Department of the State Government. The Finance Department accords sanction for the entire funds required for the disbursement of SSPs for that month and directs KSSPL to transfer credit the differential funds for meeting the required expenditure to the Bank account and Treasury account maintained by the Director of *Panchayats*. The KSSPL then transfer credits the funds required for disbursement of SSPs to the Bank account of the Director of *Panchayats* maintained in the State Bank of India.

The funds required for disbursement through DTH mode is transfer credited by KSSPL to the Special Treasury Savings Bank Account of the Director of *Panchayats* maintained in the Sub Treasury. The Director of *Panchayats* transfers the amount to the Bank accounts of the beneficiaries and transfer credits the amount to the Pension Treasury Accounts of the Joint Registrar of Co-operative Societies in the 14 Districts for disbursement to DTH beneficiaries through PACS.

The number of beneficiaries under the five SSP Schemes and total amount disbursed between 2017-18 and 2020-21 are as detailed in **Table 1.1** below:

Table 1.1

Details of scheme-wise number of beneficiaries and amount disbursed

Sl. No.	Name of the Scheme	No. of Beneficiaries				Amount disbursed (₹ in crore)			
		2017-18	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21
1	Indira Gandhi National Old Age Pension (IGNOAP)	20,77,492	22,18,254	22,67,911	25,66,332	2,653.54	4,002.32	3,196.81	5,259.09
2	Indira Gandhi National Widow Pension (IGNWP)	12,35,399	12,91,647	12,72,733	13,37,271	1,467.20	2,285.01	1,799.91	2,927.69
3	Agriculture Labour Pension (ALP)	4,66,962	4,59,019	4,06,790	4,15,172	572.83	849.95	589.38	920.49
4	Indira Gandhi National Disability Pension (IGNDP)	3,56,956	3,84,236	3,77,108	3,94,243	432.10	706.07	545.44	882.82
5	Pension for Unmarried Women above 50 years (UMWP)	76,264	81,029	79,980	84,210	92.11	143.57	113.01	183.33
Total		42,13,073	44,34,185	44,04,522	47,97,228	5,217.78	7,986.92	6,244.55	10,173.42
Total Amount disbursed						₹29,622.67 crore			

(Information furnished by DBT Cell)

Of the above five pension schemes, three schemes come under National Social Assistance Programme (NSAP) and are being funded additionally by the State Government. As per the details furnished by the DBT Cell, the number of beneficiaries who are receiving IGNOAP, IGNWP and IGNDP coming under NSAP is 6,88,329. During the period under audit, 50.79 per cent of beneficiaries

are availing DBT in their Bank account and for the remaining 49.21 *per cent* of beneficiaries, the amount was disbursed through the DTH mode.

1.2 Application Software

The Sevana Pension software is the web-based application developed by IKM and deployed in the LSGIs within the State of Kerala to automate the internal processes from registration of beneficiaries to disbursement of pension under DBT. The intention was to provide efficient and transparent mechanism in the social security services executed through it in order to improve the effectiveness and service delivery of LSGIs in this sphere. The primary objective of the Sevana Pension software were:

- To streamline the disbursement of social welfare benefits to the poorest of the poor in the society, and
- To provide efficient and transparent mechanism in the delivery of social security services.

The Sevana Pension software manages SSPs in the State of Kerala, which includes registration of beneficiaries and its management at LSGIs, fund estimation, bill generation and Bank payment file generation by IKM for the DBT Cell in the Directorate of *Panchayats*.

The Sevana Pension software was developed in the .NET framework 2.0 with SQL Server 2014 as back-end database. The application is hosted in State Data Centre-2 and is available through internet. LSGIs use KSWAN (Kerala State Wide Area Network), NOFN (National Optical Fibre Network) and BSNL FTTH (Fibre to the Home) for accessing the software.

The Sevana Pension software can be initiated using the link available in 'Welfare Pension' portal (<https://welfarepension.lsgkerala.gov.in>). The portal also contains a 'Reports' page which gives statistical data relating to SSPs and a 'Search' page to view the payment details of a particular beneficiary by giving the Pensioner ID. Since it is a web application available through internet, end users can access it using their personal computers.

1.3 Audit Objectives

The broad objectives of this Performance Audit were to assess whether:

1. The DBT programme of the State has been effective in providing timely and appropriate pensionary benefits directly to the beneficiaries; and
2. The Sevana Pension software has been instrumental in bringing accuracy, transparency and effectiveness to the process of DBT.

1.4 Sources of Audit Criteria

The following Guidelines, Circulars, Orders, etc. and their provisions were the sources of criteria for this Performance Audit:

- Guidelines of Schemes on process of identification and authentication of beneficiaries and payments,
- Standard Operating Procedures, Handbook on DBT and Guidelines for State DBT Cell issued by DBT Mission,
- Documents, Circulars, Orders, Instructions and Notifications issued by DBT Mission, Central Ministries and State Government,
- Instructions regarding maintenance of database, generation of various reports of IT controls and Government Orders (GOs), Circulars and Guidelines issued by GoK and IKM, Handbook on IT Audit by INTOSAI Working Group on IT Audit (WGITA) and IT Audit Manual issued by CAG of India, and
- General Financial Rules (GFR), 2017.

1.5 Scope and Methodology of Audit

The Performance Audit was conducted covering the period from 2017-18 to 2020-21. Audit examined the records in the State DBT Cell, Finance Department in the Government Secretariat, Directorate of *Panchayats* including the DBT Cell under it, IKM, KSSPL and 37 LSGIs.

The five SSP Schemes implemented by the Local Self Government Department (LSGD) were selected for audit as detailed below:

1. Indira Gandhi National Old Age Pension (IGNOAP) (NSAP⁴),
2. Indira Gandhi National Widow Pension (IGNWP) (NSAP),
3. Indira Gandhi National Disability Pension (IGNDP) (NSAP),
4. Pension for Unmarried Women above 50 years (UMWP) (State Scheme⁵) and
5. Agriculture Labour Pension (ALP) (State Scheme)

⁴ Funded by Government of India and Government of Kerala.

⁵ Funded only by the Government of Kerala.

Five⁶ out of 14 districts and 37⁷ out of 389 LSG Offices in the five selected Districts were selected for audit by Simple Random Sampling Without Replacement method using IDEA software.

An Entry Conference was held on 08 March 2021 with the Additional Chief Secretary to LSGD, Officers of Finance Department, Directorate of *Panchayats* and IKM in which the Audit Objectives, Criteria and Methodology of this Performance Audit were explained.

Audit also test-checked the files and records available with the State DBT Cell, Finance Department in the Government Secretariat, Directorate of *Panchayats*, IKM, KSSPL, selected LSGIs and corresponding PACS in the selected Districts.

An Exit Conference was held on 10 January 2022 with the Secretary (Expenditure) of Finance Department, Director of *Panchayats* and officers of the Finance Department. The Government and the Department accepted the audit findings and stated that they would correct the system based on the Audit recommendations.

1.6 Disclaimer

The observations featuring in this Audit Report are a result of test-check in the selected offices. Government may initiate checks of the database/ records across the State and rectify the defects.

1.7 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Additional Chief Secretary (Finance), Principal Secretary (LSGD), Director of *Panchayats*, Executive Director (IKM), District and field level functionaries of selected districts during the course of the Performance Audit.

⁶ Idukki, Malappuram, Pathanamthitta, Thiruvananthapuram and Thrissur.

⁷ Corporations – Thiruvananthapuram and Thrissur.
Municipalities – Chalakkudy, Chavakkad, Kattappana, Manjeri, Nedumangad, Pandalam, Pathanamthitta, Tanur, Thodupuzha and Varkala.
Grama Panchayats – Alakkode, Anad, Athavanad, Ayiroor, Chemmaruthy, Irimbiliyam, Kadavallur, Keezhattur, Koipuram, Kottanad, Kunnathukal, Manamboor, Muttom, Naranganam, Nenmanikkara, Omallur, Pallivasal, Poovachal, Santhanpara, Varandarappilly, Vatanappally, Vazhakkad, Vazhikkadavu, Vellangallur and Velliyamattom.