

CHAPTER - II

Implementation and Management of Direct Benefit Transfer in SSP Schemes

2 Implementation and Management

One of the objectives of Audit was to verify the effectiveness in providing timely and appropriate pensionary benefits directly to the beneficiaries of Social Security Pension Schemes under Direct Benefit Transfer programme.

Under the ambit of DBT, the State DBT Cell, constituted under the instructions of GoI, is the nodal agency for all DBT Programmes in the State. However, for the purpose of SSPs, a DBT Cell in the Directorate of *Panchayats* is the nodal office for co-ordinating all activities related to disbursement of SSPs. The applications for SSPs are received and processed in LSGIs and the beneficiary list of SSPs and the funds received for the disbursement of SSPs are managed by this DBT Cell in the Directorate of *Panchayats*. Funds required for the disbursement of SSPs are being managed by KSSPL separately through the funds received from GoK and additionally through the loans raised from various entities within the State.

In order to verify the effectiveness of the DBT programme, Audit test-checked the process of approval of applications and management of SSP Scheme beneficiaries in selected LSGIs and DBT Cell, and analysed back-end data of Sevana Pension software obtained from IKM. In spite of the limitations in the availability of data regarding fund arrangement and its utilisation, Audit also scrutinised the accounting of funds for SSPs by KSSPL.

On test-check of files and on analysis of data in the selected LSGIs, Audit noticed deficiencies in the process of verification and approval of applications for SSPs, like:

- Irregular approval/ payment of IGNWP to those legally divorced,
- Sanction of SSPs to Government Employees and Service Pensioners who are ineligible for SSPs,
- Irregular disbursement of SSPs to those who were reported deceased as per the Register of Deaths,
- Disbursement of two pensions to single beneficiaries,
- Payment to the beneficiaries who were suspended by the LSGIs,
- Ineligible disbursement of Old Age Pension at enhanced rate, etc.

In the accounting of funds for SSP Schemes in KSSPL and DBT Cell, Audit noticed non-maintenance of books of accounts, non-reconciliation of funds for the disbursement of SSPs, deficiencies in tracking the undisbursed amount and

refund, etc.

These and other deficiencies noticed during audit are discussed in detail in the succeeding paragraphs.

2.1 Functioning of State DBT Cell

The Government of India issued directions⁸ 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. The State DBT Cell was to be set up to ensure coordination between the Central Ministries and States which would enable faster decision-making, eliminate duplication of efforts and smoothen out differences, if any, hence fostering an easier transition of schemes on to DBT. In Kerala, State DBT Cell was constituted in July 2016 with the Additional Chief Secretary (Finance) as Chairman.

Scrutiny of records relating to the DBT Schemes and replies to the Audit requisitions revealed certain shortcomings in the functioning of State DBT Cell, as given below:

1. There is no coordination among the State DBT Cell and various Departments operating DBT schemes. No Advisory Board has been constituted in the State till date. State DBT Coordinator and Implementation Support layer too were not constituted in the State;
2. The State DBT Cell has so far been inactive except for the creation of scheme code to Centrally Sponsored Schemes in DBT Bharat portal and uploading the monthly transaction details and connected matters. A core DBT application for coordinating the activities of DBT schemes is absent in the State DBT Cell. No specific/ consistent protocols were established and followed for validation and verification of beneficiary database. No specific Information and Communication Technology (ICT) applications were developed to capture the data for DBT transfers;
3. The details of current status of DBT schemes implemented in the State, such as setting up of goals, deadlines for on-boarding of schemes on DBT, monitoring the progress against the targets, collating and analysing the data points and preparing progress report of the State pertaining to each Department/ Scheme, were not readily available with the State DBT Cell;
4. Various attributes such as manpower, hardware, connectivity, training for capacity building and implementation of various DBT schemes have not yet been assessed by the State DBT Cell;

⁸ Vide DO No. I-11011/145/2015-DBT-Cab dated 25 May 2016 from Secretary to Government of India. Accordingly, Government of Kerala, vide GO(P) No. 108/2016/ Fin dated 29 July 2016, constituted State DBT Cell in Finance Department.

5. No training was provided for skill development in the area of digitising beneficiary records, understanding end-to-end processes and Frequently Asked Questions (FAQs) and acquainting with troubleshooting guides for performing the duties in an efficient and error-free manner;
6. Details as to the procedure of documentation in respect of beneficiary identification and enrolment, beneficiary validation/ registration and generation and processing of payment file were not readily available with the State DBT Cell;
7. No specific guidelines/ norms/ instructions were issued by the State DBT Cell for classifying a scheme as DBT scheme. The State DBT Cell did not have a list of all the schemes where DBT was applicable in the State;
8. The details of threshold for acceptance and non-acceptance of beneficiaries fixed by the Departments concerned are not available with the State DBT Cell. The Cell also does not have the details as to how the guidelines for wrong inclusion and erroneous exclusion of the beneficiaries are defined and documented and whether it is followed scrupulously. The State DBT Cell stated that the above details would be furnished only after the receipt of the same from the implementing Departments;
9. The Sevana Pension software is not integrated with payment module for seamless updation of data on the State DBT portal. The data on State DBT portal is not displayed in real-time and not even periodically updated. The State DBT Cell collects the expenditure details from Budget Allocation and Monitoring System (BAMS) and uploads it manually to State DBT portal. No system has yet been framed to upload the data in the DBT Bharat portal;

The Government replied (May 2022) that necessary steps will be taken to ensure that the State DBT Cell, being the nodal agency in the State, is functioning as per the required norms.

2.2 Deficiencies in Verification

The Government had given instruction⁹ that the Verifying Officers¹⁰ shall conduct a detailed verification about the eligibility for SSPs and submit the same to the Welfare Standing Committee. The eligibility criteria and various guidelines issued by the Government of Kerala for the verification process of five SSP Schemes implemented by the State are as detailed in **Appendix – I**.

⁹ Vide GO (MS) No. 483/2017/Fin dated 06 November 2017 and GO (MS) No.97/2020/Fin. dated 23 September 2020.

¹⁰ For IGNOAP - Village Extension Officer/ Revenue Inspector, IG NWP – Integrated Child Development Services (ICDS) Supervisor, IGNDP – Health Inspector, ALP – Agriculture Officer, UMWP - ICDS Supervisor.

Audit scrutinised (March 2021 to November 2021) a total of 38,797 out of the 1,04,727 applications (37.05 per cent) received in the sample LSGIs. It was noted that in the case of 11,667 applications, instead of a detailed verification report, the Verifying Officer had only mentioned whether the applicant was 'eligible' or 'ineligible'. There was thus no assurance that the Welfare Standing Committee had based their decisions on the actual circumstances of the applicant.

It was also noted that 513 (2.97 per cent) of the 17,285 applicants whose applications were rejected earlier on various grounds were subsequently approved as fresh applications. Of the above, 511 applicants did not go for the appeal process as mandated in the Government order¹¹. The system does not record details relating to the rejected applications. This enabled these 511 applicants to go for second applications instead of appealing, as directed in the Government orders, thereby subverting the mandated process of approving the pensions. Two of the 513 applicants got approval as fresh applications in spite of the fact that their appeals had already been rejected.

The irregular approval of SSPs by the Secretaries of the LSGIs without re-verification of eligibility criteria by a Committee consisting of the Chairman of Development Affairs Committee, Secretary of the LSGI and a Gazetted Officer of the LSGI resulted in potential irregular payment of pension to these 513 beneficiaries upto April 2021.

Box No.1

Audit observed in two cases¹² relating to Thrissur Corporation that the applications were rejected by the Verifying Officers stating that the applicants were in better financial position. The applicants filed appeal before the Regional Joint Director, Urban Affairs, Kochi which were subsequently rejected stating the same reason. In contravention to the orders of the appellate authority, the Welfare Standing Committee still approved the fresh applications filed by these two applicants and the Secretary of Thrissur Corporation sanctioned the pension in December 2020 and March 2021.

On this being pointed out, the Secretary of Thrissur Corporation stated that the SSPs were sanctioned to the applicants on the basis of favourable report of the Verifying Officer concerned on the new application. The reply is not acceptable as sanctioning of SSPs to the applicants, whose applications were rejected by the Secretary of the LSGI and the Appellate Authority after verification, were not in order.

The Government replied (May 2022) that a new proforma covering all relevant details as pointed out by the Audit will be introduced. Regarding applicants

¹¹ Vide GO (MS) No.427/2019/Fin. dated 20 November 2019 and guidelines to apply for SSPs available in the website of LSGD.

¹² Pensioner ID No.101700223793 and Pensioner ID No.101700224247.

whose first applications were rejected on various grounds and who later received approval on their second applications, the Government also stated that the Finance Wing (District Finance Inspection Squad) has been entrusted to examine the cases.

The Government may expedite the rectification process to avoid payments to ineligible persons.

2.3 Laxity in verification process and ineffective system

As per the Guidelines¹³ issued by GoK, persons who are having better physical circumstances, like income exceeding one lakh rupees, family having vehicle above 1000cc capacity, etc. are not eligible for SSPs.

Audit verified (November 2021) the rejected SSP applications and noticed that five beneficiaries who were already receiving pension have again applied for SSPs. However, this could not be identified by the Verifying Officer. These five second applications were rejected not because of their duplication but because of various other reasons, such as better financial condition, family have vehicle above 1000cc capacity, etc. as reported by the Verifying Officers in their reports. On cross-verification in the Sevana Pension software, it was noticed that these persons were already included in the active beneficiary list and had received various SSPs prior to the application dates of the recently rejected application, as detailed in **Appendix II**. As these beneficiaries are having better financial conditions as revealed in the verification reports of the Verifying Officers while scrutinising the second applications, the SSPs already being drawn by these beneficiaries are also liable for stoppage. Lack of such input controls, as mentioned in Paragraph 3.5, will lead to erroneous approval of second application by a beneficiary.

The Government replied (May 2022) that periodical monitoring has not yet been decided by the Government. Since Aadhaar number is mandatory to apply for SSP, the software checks the new applicants with the existing pensioners.

While the reply appears to be sound on the surface, the reality on the ground shows none of the second applications were cancelled on account of Aadhaar numbers being repeated. Instead, the applications were rejected due to better financial condition of the applicants, as brought out in the reports of the Verifying Officer. Moreover, the reply lacks merit as a new application finds place in the system only after it is approved, which means that control checks to weed out ineligible applicants are already redundant by that stage.

Lack of proper verification and monitoring process has given undue advantage of SSP to otherwise ineligible beneficiaries.

¹³ Vide GO (MS) No.97/2020/Fin. dated 23 September 2020.

2.4 Delay in approval of SSPs by Secretaries of LSGIs

The Government of Kerala directed¹⁴ LSGIs that SSPs are to be approved within 40 days of receipt of the application.

Audit verified (September 2021) the data in Sevana Pension software (data dump) and noticed that in the cases already sanctioned by the LSGIs, the approval of SSPs for 5,73,406 persons out of the 54,56,498 persons included in the data dump were delayed beyond the envisaged timeline of 40 days, i.e. a delay for 10.51 *per cent* of total approved applicants. In respect of selected LSGIs, there was a delay in approval of SSP in 37,459 cases, as detailed in **Appendix III** and as shown in **Table 2.1** below:

Table 2.1
Delay in approval of SSPs in the selected Districts

District	No of applications approved with delay	Maximum delay in months	Range of Delay			
			1 to 10 days	11 days to 1 month	1 month to 1 year	More than 1 year
Idukki	3,328	18	72	369	2,870	17
Malappuram	5,137	20	74	414	4,601	48
Pathanamthitta	3,866	24	63	288	3,409	106
Thiruvananthapuram	16,314	27	80	392	15,017	825
Thrissur	8,814	25	130	587	7,854	243
Total	37,459		419	2,050	33,751	1,239

(Source: Sevana Pension Database)

Out of the 86,675 applications approved in the LSGIs of selected districts, 37,459 applications, i.e. 43.22 *per cent*, were approved beyond the stipulated timeline of 40 days, causing hardship to the applicants and impeding the pace of inclusion. Therefore, non-compliance by the Secretaries of LSGIs on the process timeline prescribed by the Government had resulted in delay in approval/ payments to the SSP beneficiaries.

The Government replied (May 2022) that the Director of *Panchayats* has been directed to issue instructions reiterating the position in processing the application for SSPs.

As SSPs are given to those who do not have any other source for their basic needs, swift action by the Government would ensure that benefits are delivered to those in due time.

¹⁴ Vide Circular dated 28 September 2019.

2.5 Irregular approval of beneficiaries

2.5.1 Approval of second SSP

As per Government order¹⁵, two SSPs for one individual are admissible only in the cases of beneficiaries of Disability Pension.

The cross-verification of the data for double pension with the help of Aadhaar number revealed that 3,990 individuals are receiving ineligible second pension, out of which 13 are cases where the same individuals got approved as beneficiaries of Widow Pension and Unmarried Women Pension at the same time, as pointed out in detail in Paragraph 2.5.2. However, there were also beneficiaries whose Aadhaar numbers were not recorded in the database. Hence, Audit did a cross-verification using 'Name' and 'Address' fields to check for 'Disbursement of same pension more than once to a beneficiary', which disclosed irregular payment of SSPs to 823 beneficiaries, as detailed in Paragraph 2.11.2.

The existence of ineligible double pension indicates that the Software is not able to perform basic validation to identify duplication in Aadhaar number or similar data such as Electoral Card number.

The Government replied that from 6 February 2017 onwards, only one pension is permissible. The Sevana Pension software has been modified in such a way that entry of a second pension will lead to suspension of SSP.

The reply is not acceptable as Audit noticed instances of irregular double pensions even after 6 February 2017, which shows that the modification in the Software is not effective and has not been tested rigorously before its deployment.

2.5.2 Approval and Disbursement of two pensions (IGNWP and UMWP) to single beneficiary

An analysis of the list of beneficiaries of IGNWP and UMWP of Sevana Pension software with Aadhaar numbers revealed that 13 women were irregularly entitled for both pensions, as detailed in **Appendix IV**.

Out of the above 13, five women are 'Active' in both pensions and received both pensions as on August 2021. Among the above five women, three women applied for IGNWP first and later for UMWP. In another case date of application and approval of pension was one and the same. In yet another five cases, both the SSPs are 'Active' and both pensions were disbursed till July/November 2019 and the second pension was seen to be withheld thereafter for mustering. Out of the remaining three cases, in two cases, one pension was

¹⁵ Vide GO (MS) No.282/2016/Fin dated 15.07.2016 of GoK.

active and the other one suspended, it was seen that in the third case, with different names with same Aadhaar Number, both the SSPs are suspended.

The failure to provide input controls in the Scheme Management software had resulted in loss to the Government and inclusion of ineligible persons as beneficiaries. Moreover, lack of proper monitoring by the Secretaries of LSGIs as stipulated in the orders issued by the Government requires urgent disciplinary action against the officials.

Box No.2

An applicant applied for SSP under IGNOAP on March 2017 in Vazhakkad Grama Panchayat (GP) and attached a request for cancellation of widow pension due to remarriage. The IGNOAP application was rejected by the Secretary, Vazhakkad GP due to non-attaining of the age of 60 years. Audit verified (October 2021) the Sevana Pension software, and noticed that the applicant is included in the active beneficiary list (Pension ID:109200600232) and has received widow pension from April 2015 to June 2021. Non-cancellation of widow pension even after the intimation of the remarriage had resulted in unauthorised payment of pension amounting to **₹0.54 lakh**.

The Government replied (May 2022) that the Director of Panchayats has been instructed to recover the amount and to take action against erring officials. The Government has already directed to link Sevana Civil Registration software with Sevana Pension software.

In the case of SSP Schemes, the Government may make the submission of Aadhaar number mandatory and also fix responsibility for lax monitoring, and ensure recovery of the amount.

2.5.3 Approval of SSPs without production of required certificates along with the application

Applications for each category of SSP Schemes need to be submitted along with the respective certificates¹⁶ from the authorities concerned proving their eligibility for SSPs.

Out of 86,675 applications for SSPs approved in the selected LSGIs during the audit period, 21,512 applications were test-checked. It was seen that in 278 cases, SSPs were sanctioned without production of mandatory certificates, viz. income certificate, death/ missing certificate from Village Officers and self-attested non-remarriage certificate. This resulted in irregular payment of pension up to **₹0.68 crore** to ineligible beneficiaries till April 2021. The district-wise details are given in **Appendix V**.

¹⁶ Income certificate for all SSPs, Non-remarriage certificate for IGNOAP and UMWP from Village Officers and Death Certificate for IGNOAP from LSGIs.

The Government replied (May 2022) that compliance/ verification of eligibility criteria can be strictly adhered to as and when action is taken.

Since SSPs are largely dependent on borrowed funds, the Government may expedite compliance for better financial management.

2.5.4 Beneficiaries added to a local body without submitting application

The applications for SSP Schemes are verified by the Verifying Officer of LSGIs and confirmation of eligibility of the applicant is reported to the Secretaries of LSGIs. The Secretaries of LSGIs shall accept the application only after cross-examination of the report. The verified cases, together with the report of the Verifying Officer, are placed before the Welfare Standing Committee for approval, which finally sanctions pension to the beneficiaries.

The details of initial data entry of the beneficiaries are stored in the database in a table named TR_WebPensionDataEntry. The table contains the User IDs of those who made the data entry and the approver of the beneficiary. From the User IDs, it is possible to identify the LSGI to which the user belongs. The first five digits of the User ID is the code of the local body.

An analysis of the data available in the table revealed that in 25 cases, beneficiaries added by a user of one LSGI are approved by the user of another LSGI, i.e. beneficiaries have been added from one LSGI to another LSGI. Audit physically verified (September 2021) two cases, which were in Kunnathukal *GP* and Chathannoor *GP* and confirmed that neither any application had been received at these *GPs* where these beneficiaries have been added nor their verification done.

The need for annual verification of beneficiaries for ensuring the continued fulfilment of eligibility criteria, strengthening of disbursement monitoring mechanism, linkage of Aadhaar number with beneficiary accounts, weeding out of ghost/ duplicate beneficiaries, etc. were recommended (as detailed in **Appendix VI**) in the Report of the CAG of India on Performance Audit of SSP schemes (Report No.6 of the year 2016). However, the non-compliance of these recommendations has led to the repetition of such incidences, as pointed out in Paragraphs 2.5.1, 2.5.2, 2.11.2 and 2.11.3 of this Report.

The Government replied (May 2022) that the Director of *Panchayats* is looking into the matter and that the Finance Inspection Wing will also conduct enquiry in this regard.

Since the issue involves process subversion, the Government may issue strict directions in this regard to avoid future recurrence.

2.5.5 Beneficiaries included during Welfare Standing Committee meetings held prior to their application date

Applications received for SSPs are scrutinised and the list of eligible individuals approved by the Welfare Standing Committee. In the Sevana Pension software, the Welfare Standing Committee details are recorded as 'Council' details. After the approval, the Council details, the total number of beneficiaries considered by the Council and the number of beneficiaries approved by the Welfare Standing Committee, are entered in the system. Subsequently, the details of approved beneficiaries are entered. During data entry of beneficiaries, the year is selected first, and the required Council is selected from the list of Councils for that year. After selecting a Council, beneficiary details are added to that Council, which is limited to the number of approved beneficiaries approved by the Council and already recorded.

A scrutiny of the data available in the tables TR_PensionWebFormEntry (containing details of initial data entry), TR_Pension (master file of all approved beneficiaries) and TR_RegistrationFW (details of Councils) revealed that in 953 cases, beneficiary details were recorded against Councils held prior to their date of application and an amount of **₹6.10 crore** have been paid to these beneficiaries. It was found in the database that slots were left vacant in many of the Councils, to which erroneous addition of beneficiaries are possible.

On examining the process of addition of beneficiary, it was noticed that the chance of accidental addition to an incorrect Council is remote, meaning thereby that the chance of malafide in these 953 cases is very strong.

The Government replied (May 2022) that a beneficiary is added only if he/ she satisfies all prescribed eligibility conditions. These conditions are scrutinised by the Secretary of the LSGI concerned. The LSGI Secretary and the Verifying Officer will be liable for any financial loss due to the sanction of pension for ineligible persons without following the guidelines issued by the Government.

As the reply is not specific to the point raised by Audit, subject specific remarks are awaited (October 2022).

2.5.6 Ineligible approval/ payment of SSPs noticed during Beneficiary Survey

A Beneficiary Survey was conducted by a joint team of Audit and LSGI's representatives. A total number of 772 households in the selected LSGIs were randomly selected for the survey which revealed that beneficiaries were ineligible in 152 cases (19.69 *per cent*), as detailed in **Appendix VII**.

The Government replied (May 2022) that the cases would be examined.

Since almost 20 *per cent* sample of the test-checked cases revealed ineligible beneficiaries, the matter may be given top priority as ineligibility on this scale leads to enormous outflow of funds which is completely unwarranted.

2.6 Irregular sanction of SSPs

2.6.1 Sanction of SSPs to Government Servants/ Service Pensioners/ Temporary Employees

The Government stipulates¹⁷ that the applicant should not be a recipient of salary/ pension/ family pension from Central Government/ other State Governments, should not be a retiree from Central/ State Public Sector Undertakings and a recipient of Pension/ Family Pension, and should not be an Income Tax Payer. In the following cases, concealing the fact that they are Government Employees, Service Pensioners or Temporary Employees, they were irregularly entered as beneficiaries and several thousands of them were receiving SSPs.

The Government of Kerala informed¹⁸ the Director of *Panchayats* that Service Pensioners and Government employees who were receiving SSPs have been removed from the beneficiary list.

On verification of individual payment details available in the Sevana Pension Portal, it was found that payment to these beneficiaries had been discontinued from July 2019.

Audit obtained (February 2021) the data regarding list of sanctioned SSPs to Government Servants/ Service Pensioners/ Temporary Employees from the DBT Cell in the Directorate of *Panchayats* and compared it with the data of Sevana Pension software and noticed that a total number of 9,201 Service Pensioners and Government employees irregularly received SSPs. The total amount thus disbursed as SSPs to these ineligible persons for the three-year period from 2017-18 to 2019-20 works out to **₹39.27 crore**, as detailed in **Appendix VIII**.

It was noticed (April 2021) by Audit that there were Government employees and Service/ Family Pensioners who were receiving SSPs from the year 2000 itself. If the irregular payments of SSPs from the year 2000 are also to be taken into account, the loss to the Government would be huge.

In respect of the selected districts, Audit observed irregular payments amounting to **₹3.70 crore** in 835 cases on this account, as detailed in **Appendix IX**.

¹⁷ Vide GO (MS) 483/2017/Fin dated 06 November 2017 and GO (MS) No.97/2020/Fin. dated 23 September 2020.

¹⁸ Vide letter No.1447197/SFC-B2/2020/Fin dated 07 October 2020.

Lack of proper verification of the eligibility conditions of the applications and identification of beneficiaries had resulted in irregular disbursement of SSPs to ineligible persons and consequent loss to the Government. The irregular payments have not yet been recovered. Moreover, concealing the facts regarding receipt of pension by Service/ Family pensioners and Government employees by defrauding the Government should have attracted disciplinary action. However, neither any action nor any enquiry has been initiated till now (October 2022).

As SSPs are to be given only to those who have no other means for their livelihood, the issue highlighted here is of grave concern.

2.6.2 Disbursement of SSPs to Government Servants/ Service Pensioners/ Temporary Employees even after their suspension from beneficiary list

On a test-check and analysis of data, it was observed that, SSPs were again irregularly disbursed to 400 Government employees, out of the 9,201 Service Pensioners and Government employees who received SSPs as mentioned in Paragraph 2.6.1 above, under 403 transactions even after their removal from the list of those receiving SSPs, as detailed in **Appendix X**. In 399 cases, SSPs were disbursed for two months, i.e. August and September 2019 batches¹⁹. In respect of one case, viz. SSP ID No.109500400174, pension was disbursed even after permanently removing it in July 2019 from receiving the SSP, in four batches, as detailed in **Appendix XI**.

In all the 400 cases, the transactions were “Successful”. Pensions were credited to the Bank Accounts for 319 persons and for 81 persons it was disbursed through DTH mode. Absence of proper control in the Sevana Pension software to check such ineligible beneficiaries during generation of bills and the laxity in proper verification and monitoring by the DBT Cell had resulted in loss of **₹0.10 crore** to the Government. More importantly, the absence of proper control in the software opens up the possibility of many more such cases occurring in future and escaping the Government’s notice, leading to more such expenditure towards ineligible beneficiaries.

The Government replied (May 2022) that the matter will be looked into.

The Government may rectify this on priority as it involves Service pensioners and Government employees who are already having regular sources of income and who should be acted against for committing such gross irregularities.

¹⁹ Instead of monthly disbursement, SSPs were disbursed in three to nine batches with each batch comprising of two to five months of pending instalments during the audit period.

2.7 Poor accounting practices and resultant deviations in the accounts

The role of KSSPL (hereinafter referred to as the Company) in generation of funds starts at the stage when the Finance Department accords sanction for the total fund requirement to meet the disbursement of SSPs and simultaneously directing the Company to transfer credit the funds at the designated Treasury/ Bank Accounts. The direction/ sanction from the Finance Department is on the basis of a communication received from the DBT Cell in the Directorate of *Panchayats* regarding fund requirement for a particular month. The Company already will be having some amount at its disposal which have been received from GoK²⁰ for the disbursement of SSPs. The differential amount to meet the requirement of DBT Cell will be arrived at by the Company and that amount is to be raised as loans by the Company. After meeting the fund requirement, the Company transfer credits the required funds to the designated Bank/ Treasury Accounts.

Audit noticed serious procedural/ control lapses, with respect to accounting, on the part of the Company/ DBT Cell, such as non-maintenance of accounts, non-reconciliation of accounts, excess availing of loans, its irregular repayment, etc., as detailed below:

2.7.1 Non-maintenance of books of accounts

As per Section 128 (1) of the Companies Act 2013, every Company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which give a true and fair view of the state of the affairs of the Company. Section 2 (13) (i) of the Act states that books of account include records maintained in respect of all sums of money received and expended by a Company and matters in relation to which the receipts and expenditure take place.

- **Kerala Social Security Pension Limited**

The Company maintains accounts with the State Bank of India (SBI), Special Treasury Savings Bank, State Co-operative Bank and Union Bank and numerous cash transactions take place every day. Except for Bank Pass Books, the Company is not maintaining any ledgers/ registers in the prescribed format. As the Company is not maintaining separate cash books or any subsidiary accounts, the details of funds received from the Government of India/ State, funds raised from public/ PSUs and other institutions, funds transfer credited to Banks for beneficiaries, and funds if any repaid on account of loans, etc. are not available on records. As such, Audit is not in a position to ascertain the true and fair picture of the transactions of the Company. Non-maintenance of Cash

²⁰ Government of India funds are transferred directly to the DBT Cell in the Directorate of *Panchayats*.

Books and non-entry of monetary transactions in it or in any other subsidiary registers is indicative of weak control mechanism over financial reporting and may lead to financial irregularities and cases of misappropriation.

Further, the Company produced an audited accounts for the year 2018-19 to Audit in December 2021, which had been finalised only in October 2021, after a delay of more than two years. The audited accounts for the years 2019-20 and 2020-21 are yet to be finalised (October 2022).

The Statutory Auditor²¹ had given Qualified Opinions in the audited accounts for the year 2018-19, and commented that due to absence of documents, they were unable to verify and comment on the correctness of the transactions, check the pension disbursed and amount held back by PACS, and check and verify the end use of the pension payments. The opinion also states that due to non-provision of supporting documents for Government grant receivable out of the total grant receivable, they were unable to comment on its correctness. The audited accounts also state that even though the Company has received ₹1,000 crore from M/s Kerala State Beverages Corporation during the year 2018-19, due to the absence of any information or explanation, the transactions could not be verified to express an opinion thereon.

- **DBT Cell in the Directorate of *Panchayats***

The DBT Cell maintains accounts with SBI for disbursement of pensions and for receiving the refund of the undisbursed pensions. The DBT Cell did not maintain cash book relating to the transactions during the period covered under audit. Due to non-maintenance of cash book and subsidiary accounts in proper form, Audit could not ascertain and verify the bank balance. Non-maintenance and non-entry of monetary transactions in the cash book is indicative of weak control mechanism over financial reporting.

The Government replied (May 2022) that several meetings were held with the Company, Director of *Panchayats*, Registrar of Co-operative Societies, etc. for formulating an efficient reconciliation process for the fund allotted to the Company towards disbursement of SSPs. The Government had directed the Administrative Department to instruct the Company to provide details required by the Audit. Regarding the qualified opinion of the Auditor, the Government replied that the Administrative Department has been directed to instruct the Company to take necessary corrective action in the matter. In the case of DBT Cell in the Directorate of *Panchayats*, Government replied that instructions had been given to the Director of *Panchayats* to keep cash book and subsidiary books.

Since substantial funds, specifically borrowed funds, are involved in the SSPs, non-maintenance of even the minimum books of accounts and non-reconciliation of accounts point out to serious dereliction of duties by officials

²¹ RRM & Associates LLP, Chartered Accountants, Thiruvananthapuram.

concerned and potential for financial misuse, misappropriation and fraud. Hence, the Government may compulsorily ensure the upkeep of accounts and its reconciliation to avoid possible misuse and misappropriation of funds.

2.7.2 Allocation and usage of Funds for SSPs

As per the details furnished by the DBT Cell and the Company, the funds received from the Government of India/ Government of Kerala/ Director of *Panchayats*, loans raised by the Company to fulfil the requirements of SSPs, and the funds transfer credited to the Director of *Panchayats* during the period from 2017-18 to 2020-21 are as detailed in **Appendix XII**.

Audit noticed that during the years 2018-19 and 2020-21, the Company was having sufficient funds amounting to **₹5,579.28 crore** and **₹11,924.14 crore** in their accounts against the requirements of **₹4,654.96 crore** and **₹10,226.56 crore** respectively. In spite of having adequate funds, the Company still needlessly raised excess loans amounting to **₹6,818.82 crore** and **₹8,604.19 crore** respectively for those years. In respect of the year 2019-20, while the requirement for the year was greater than the amount in the account by **₹2,794.52 crore**, the Company went ahead with borrowing **₹6,843.65 crore**. In short therefore, loans amounting to **₹4,049.13 crore** were raised by the Company in excess of the final disbursement for 2019-20. Audit had enquired about the reason for availing excess loan to the tune of **₹19,472.14 crore** for these three years but no reply has been received till date (October 2022).

The Company had paid interest amounting to **₹1,596.34 crore** during the period from 2018-19 to 2020-21 from the loan amount raised for the disbursement of SSPs, which was in violation of the Government orders and the Memorandum of Association, which stipulates that the liability of the loan availed by the Company for the disbursement of SSPs shall rest with the Government. An amount of **₹10,848.61 crore** is outstanding against loans availed by KSSPL from various institutions as on 31 March 2021. When this loan amount is repaid from the Consolidated Fund, the revenue expenditure of the State will increase accordingly.

Audit noticed (November 2021) that there were differences in the amount received by DBT Cell and that disbursed by them during the years 2018-19 to 2020-21, as detailed in **Table 2.2** below.

Table 2.2
Details of excess amount disbursed during the period 2018-19 to 2020-21
(₹ in crore)

Year	Particulars		
	Amount credited as stated by KSSPL	Amount disbursed as SSPs by DBT Cell	Difference in Amount disbursed
2018-19	4,654.96	7,986.92	(-)3,331.96 ²²
2019-20	5,044.52	6,244.55	(-)1,200.03

²² The negative figure indicates excess spending by DBT Cell.

Year	Particulars		
	Amount credited as stated by KSSPL	Amount disbursed as SSPs by DBT Cell	Difference in Amount disbursed
2020-21	10,226.56	10,173.42	53.14
Total			(-)4478.85

(Source: Information furnished by DBT Cell and KSSPL)

The reasons for the difference in funds and the source through which the excess fund requirement was met could not be explained by the Company or the DBT Cell as the reconciliation of funds was not done. This has been explained in detail in Paragraph 2.7.3 below.

The Government replied (May 2022) that the difference was due to erroneous taking of a part of the amount disbursed in 2018-19 to 2019-20. The reply is not acceptable to Audit as the difference of **₹4,478.85 crore** between total amount received and disbursed for the three years from 2018-19 to 2020-21 could not be clarified by the Government.

2.7.3 Non-reconciliation of funds for the disbursement of SSPs

As per Rule 93(bb) (4) of the Kerala Treasury Code, in whatever manner the accounts are maintained, the official concerned should reconcile the accounts periodically at least once in a month with the accounts kept by the Treasury and prepare a reconciliation statement at the end of each month and see that the closing balance of the month agrees with the balance in the account kept by the Treasury. This rule is also applicable in the case of money deposited in a Bank Account.

The Company stated that a total amount of **₹19,926.04 crore** availed as loan was transfer credited to the Directorate of *Panchayats* for disbursement of SSPs from 2018-19 to 2020-21 whereas the Directorate of *Panchayats* stated that an amount of **₹21,314.65 crore** was received from the Company for disbursement of SSPs for these periods as shown in **Table 2.3**.

Table 2.3

Details of amount transfer credited by KSSPL to the Director of *Panchayats* for disbursement of SSPs

Year	Amount furnished by	
	KSSPL	Directorate of <i>Panchayats</i>
2018-19	4,654.96	5,269.23
2019-20	5,044.52	5,818.86
2020-21	10,226.56	10,226.56
Total	19,926.04	21,314.65

(Source: Information furnished by DBT Cell and KSSPL)

Difference in amount transferred to the tune of ₹1,388.61 crore was noticed for the periods 2018-19 and 2019-20 and this was not seen to be reconciled. When this was pointed out, the Company reiterated that the amount transferred to the Directorate of *Panchayats* was only ₹9,699.48 crore for the periods 2018-19 and 2019-20.

The Government replied (May 2022) that the Director of *Panchayats* and the Company have been directed to take urgent steps to reconcile accounts as pointed out by Audit.

Since periodical reconciliation of accounts is not only an important exercise in financial prudence but also a safe and best practice to keep the accounts safe from misuse and malpractices, the Government may strictly ensure its compliance.

2.7.4 Deficiencies in tracking the undisbursed amount and refund

In all pension sanctioning orders issued by the Government, directions were also issued to refund the undisbursed pension amount to the Company's account.

Audit noticed (November 2021) that though the amount required for disbursement of SSPs were transfer credited by the Company to the Director of *Panchayats* for disbursement to beneficiaries, the refund of the undisbursed pension of beneficiaries were credited back by the PACS/ Banks concerned partially to the Company account and partially to the Bank Account of the Director of *Panchayats*. Hence, the Company was not aware of the actual volume of undisbursed amount.

On this being pointed out, the Company replied that it had received a number of amounts in its account throughout the month as undisbursed pension most of which were remitted by the PACS and some by Banks, *GPs* and even individuals. The Company stated that it was not able to identify the remitter or account from which the amounts were remitted. Besides, the data regarding the actual undisbursed pension with the Banks and with the PACS, who are the distributors of SSPs, is not with the Company and hence it was not possible to make reconciliation of the account.

Though the Department/ the Company is handling huge amount for disbursement of SSPs every month, no system exists to monitor the utilisation of the amount transferred, the amount disbursed as pension, the amount undisbursed and the amount credited back. Moreover, the Government is also not exercising any control over the Company or the DBT Cell, even though substantial amount of Government fund is involved in the SSPs. This may lead to the potential risk of misappropriation and fraud without getting noticed.

The Government replied (May 2022) that several meetings were held with the Company, Director of *Panchayats* (DBT Cell), Registrar of Co-operative

Societies, etc. for formulating an efficient reconciliation process for their fund allotted to the Company towards disbursement of SSPs.

The weakness in systems and procedures is a serious threat to fund management and needs to be rectified immediately in view of the high risks outlined above.

2.8 Non-adherence to the timely disbursement of SSPs

The NSAP guidelines envisage monthly disbursement of SSPs to the beneficiaries. To ensure the monthly disbursement of SSPs, the central share for disbursement of three NSAP Schemes, i.e. IGNOAP, IGNWP and IGNDP, are released twice in a year. The SSPs are given to those who have no regular means of subsistence. To ensure their daily sustenance, SSPs are to be disbursed monthly.

On an analysis of the disbursement of SSPs during the audit period from April 2017 to March 2021, it was noticed that SSPs were not being disbursed monthly. Instead, SSPs were disbursed in three to nine batches with each batch comprising of two to five months of pending instalments during the above audit period. Non-disbursement of SSPs as monthly payments leads to hardship for the beneficiaries who have no other means of livelihood. The frequency of disbursement is as shown in **Table 2.4**.

Table 2.4
Frequency in disbursement of SSPs

Year	Frequency of disbursement in batches
2017-18	4
2018-19	3
2019-20	4
2020-21	9

(Source: Data from Sevana Pension site)

This irregularity in timely payment of pension had been pointed out by Audit (April 2022) for which no reply has been received (October 2022).

The above aspect had already been reported as Paragraph 4.2 of the Report of the CAG of India on Performance Audit of SSP Schemes (Report No.6 of the year 2016) for the GoK. However, the issue is still persisting.

2.9 Denial of pension to eligible beneficiaries due to erroneous bill processing

Beneficiaries of IGNWP and UMWP are required to submit 'Non-Remarriage Certificate' every year. Beneficiaries above 60 years are exempted from submitting non-remarriage certificate.

The Finance Department had directed that the beneficiaries of IGNWP and UMWP should be authorised pension for July and August 2021 regardless of their submission of 'Non-remarriage Certificate', i.e. no one should be excluded due to non-submission of the said certificate.

A scrutiny of the conditions applied in the Stored Procedure (SP)²³ revealed that IGNWP and UMWP were restricted to those who have submitted the Non-remarriage Certificate, as detailed in **Appendix XIII**. On analysis of data, it was found that 26,950 beneficiaries were excluded from the pension payment for the months of July and August 2021.

The omission occurred due to the negligence on the part of IKM in modifying the procedures run at the back-end for bill processing as per the new Government order and lack of control of DBT Cell on IKM. Similar omission by IKM resulted in erroneous payment to beneficiaries who are suspended by the LSGIs leading to loss of **₹4.08 crore**, as mentioned in Paragraph 2.13 of this Report.

Changes in the software modules need to be done with proper Change Management system, including documentation, testing, acceptance, etc. This applies to changes made in the SPs also which are executed separately for data processing related to the software. Lack of proper Change Management procedure is the main reason for occurrences of such errors in processing which lead to denial of benefit to the beneficiaries or huge loss to Government.

The controlling Department is not able to verify the correctness of activities performed by IKM. Automated bill generation, with option for DBT Cell to select the categories of beneficiaries to be included or excluded for authorisation of pension, would have eliminated the scope of such omissions.

The Government replied (May 2022) that IKM has been directed to rectify the defects pointed out by Audit.

The Government may direct IKM, the developer, for an automated bill generation process with option for the DBT Cell to select the categories of beneficiaries to be included or excluded for authorisation of pension and to stay themselves away from its administration.

2.10 Payment by 'Direct to Home' mode does not qualify as Direct Benefit Transfer

DBT, as elaborated in Rule 87 of General Financial Rules (GFR), 2017 stipulates that transfer of benefits should be done directly to beneficiaries under various Government Schemes and Programmes using ICT. Necessary process reengineering to minimise intermediary levels and to reduce delay in payments

²³ An independent software module which contain instructions which would be executed when it is run on the back-end database.

to intended beneficiaries with the objective of minimising pilferage and duplication should be done for all Government Schemes and Programmes.

During the audit period 2017-18 to 2020-21, a total amount of **₹29,622.67 crore** was disbursed for the five SSPs. Out of this, **₹15,312.33 crore** (51.69 per cent) was transferred direct to the Bank Accounts of the beneficiaries and ₹14,310.34 crore (48.31 per cent) was paid in cash Direct to Home of the beneficiaries through PACS agents. The payment in cash through the PACS does not qualify as DBT, as it is not done directly to beneficiaries and does not minimise intermediary levels. Further, in respect of DTH disbursements, only the signature/ thumb impression of the beneficiaries are obtained as acknowledgement by the agent which is kept in the PACS concerned.

Absence of an automated beneficiary-wise acknowledgement had resulted in possibility of fraud in disbursement through DTH mode as illustrated in Box No.3 below Paragraph 2.11.3 of the Report.

This was pointed out to the Government in June 2022 for which a reply has not been received yet.

2.11 Irregular disbursement of SSPs

2.11.1 Irregular payment of Widow Pension

As per Government Circular²⁴, legally divorced women and women deserted from husband are not eligible for IGNWP.

Audit verified (March 2021 to December 2021) a total of 14,924 sanctioned applications of IGNWP in selected LSGIs and noticed that IGNWP was irregularly sanctioned to 165 applicants who were legally divorced and to 420 applicants who were deserted by their husbands. Irregular payment of pension to legally divorced persons and persons deserted by husbands resulted in loss of **₹0.52 crore** and **₹1.28 crore** respectively. The district-wise details are given in **Appendix XIV**.

The Government replied (May 2022) that necessary directions have been issued to suspend/ weed out ineligible persons from Sevana Pension software and to recover the amount already disbursed.

Since substantial amount is involved in these cases, Government may expedite the recovery.

2.11.2 Disbursement of same pension more than once to a beneficiary

As per Government Order²⁵, under no circumstances can the same type of pension be allowed as a second pension.

²⁴ Circular No.97/2019/Fin dated 11 December 2019 of GoK.

²⁵ GO (MS) No.67/2017/Fin dated 06 February 2017 of GoK.

Analysis of data revealed that the same pensions were disbursed more than once to 823 beneficiaries in 1,703 Pensioner IDs during the period 2017-18, 2018-19 and 2019-20. Irregular disbursement of pension during the period from April 2017 to March 2020 resulted in a loss of **₹3.83 crore** to Government as detailed in **Appendix XV**. The above loss has been calculated excluding the one SSP for which the beneficiaries are eligible for.

Failure on the part of the LSGIs to ensure adequate verification before payment, along with the lack of monitoring by the DBT Cell and inadequate controls in Sevana Pension software had resulted in the irregular payment of same pension to a beneficiary more than once and consequent loss to Government.

The Government replied (May 2022) that the DBT Cell has been instructed to monitor properly.

The Government may monitor the action taken by the DBT Cell to ensure that the issues are sorted out at the earliest.

2.11.3 Irregular disbursement of SSPs to those who were reported deceased as per the Register of Deaths

To avoid misuse of SSPs by the legal heirs of the deceased persons, the Government had instructed²⁶ all the Secretaries of LSGIs to take immediate action to suspend the deceased from the Sevana Pension software. In the case of DTH, the PACS after every disbursement should report the cases of deceased to the LSGIs. The Secretaries of the LSGIs, after enquiry, shall remove the deceased from the beneficiary list. The LSGIs across the State maintain the list of deaths occurred within the jurisdiction of the LSGI concerned in the Register of Deaths.

On cross-verification of beneficiary list with Register of Deaths, Audit noticed (March 2021 to November 2021) that out of 3,08,843 beneficiaries, 4,039 beneficiaries were deceased and their deaths had been registered in the same LSGI which had to remove the name of the beneficiary from the database.

The SSPs were paid in 1,698 out of these 4,039 cases, resulting in irregular payment amounting to **₹2.63 crore**. The district-wise details are given in **Appendix XVI**.

Box No. 3

Out of the 4,039 cases, in six cases in Varkala Municipality, pension was paid as DTH even after the date of death of the beneficiary. This had resulted in irregular payment of SSPs amounting to **₹0.01 crore**.

After being pointed out by Audit, the Secretary submitted the collection particulars in respect of the beneficiaries as detailed in **Appendix XVII**.

²⁶ Vide Circular No.69/2018/Fin dated 26 July 2018 of GoK.

On receipt of reply to the Audit observation, Audit visited the Varkala Service Co-operative Bank and scrutinised the acknowledgements of the SSP beneficiaries. In respect of these beneficiaries, different types of signatures and thumb impression were recorded against the acknowledgment column of the same person. It was also noticed that most of the amount were remitted by the same person. Under these circumstances, Audit suspects the possibility of fraud in respect of these transactions.

The Varkala Municipality then followed the same method of Audit and found out that SSPs amounting to ₹0.03 crore were paid to 38 beneficiaries (with the help of Aadhaar number attached with the death details) as DTH after death. In these cases too, recovery is in progress and the Secretary has assured to give the detailed list of the collection particulars in this regard.

Almost 50 *per cent* of the beneficiaries are paid through DTH mode by PACS for which the only assurance is the acknowledgement through a signature or a thumb impression in the form given by the agent. This is incongruous with the DBT, which requires Aadhaar enabled verification.

The need for a system to provide mobile alerts to beneficiaries about the payments credited to their accounts was recommended to Government (as detailed in **Appendix VI**) in the Report of CAG of India on Performance Audit of SSP Schemes (Report No.6 of 2016 of GoK). The effective implementation of such a system in the case of DTH would have helped the Government in detecting such malpractices.

The Government replied (May 2022) that IKM has been instructed several times to link Sevana Pension software with Sevana Civil Registration portal and to weed out the beneficiaries on their deaths. As the details of Aadhaar have not been seeded in the Sevana Civil Registration portal, there is difficulty in obtaining complete information of death cases. Regarding fraudulent transactions in the Varkala Municipality, the Government replied that the Secretary of the Varkala Municipality has been instructed to take steps to recover the amount of pension disbursed after the death of beneficiaries. The Director of *Panchayats* has been instructed to conduct internal audit.

While the Government may bring in the necessary internal controls to ensure such instances do not take place, action may also be taken to recover the payments and fix responsibility on the officials concerned as this is a case of potential misappropriation.

2.12 Irregular transfer of funds in respect of cases reported as deceased

The Government instructed²⁷ that the PACS after every disbursement should

²⁷ Vide Circular No.69/2018/Fin. dated 26 July 2018 of Finance (SFC-B) Department, GoK.

report the cases of deceased beneficiaries to the local bodies. The Secretaries of the local bodies after enquiry should remove the deceased beneficiaries from the beneficiary list.

On an analysis of SSP disbursement data table of Sevana Pension software for the period from 2017-18 to 2020-21, it was noticed that funds were transferred to PACS in 6,79,585 transactions to 96,285 beneficiaries, though these beneficiaries were reported as deceased by PACS two to 20 months earlier, as detailed in **Appendix - XVIII**. A cross-verification of these details with the DBT disbursement details available in the online site of LSGD revealed that due to non-removal of deceased beneficiaries from the list by the Secretaries of LSGIs as instructed by the Government, the DBT Cell unnecessarily transferred funds to PACS for disbursement to those beneficiaries who were already reported as “Deceased” by PACS. The total amount transferred on this account up to April 2021 works out to **₹118.16 crore**. Due to the transfer of funds to PACS in the name of beneficiaries who were deceased, the Government incurred a loss of **₹0.87 crore** towards payment of interest. The irregular transfer of the funds in respect of cases reported as deceased is of grave concern as it could lead to potential fraud and misappropriation.

In respect of the selected districts, Audit noticed (March 2021 to November 2021) the transfer of funds amounting to **₹5.93 crore** to PACS for disbursing SSP in respect of the 4,701 cases who were already reported as deceased. This resulted in loss of **₹0.04 crore** to the Government towards payment of interest. The district-wise details are as shown in **Appendix - XIX**. It was observed by Audit that neither any verification was done by the Secretaries of LSGIs to check the facts reported by PACS nor any action taken to suspend the undue payments, both of which necessitate strict disciplinary action against the erring officials.

This was pointed out to the Government in December 2021 for which a reply has not been received yet. Specific replies/ action-taken had been requested (February 2022 and March 2022) for which a response has not been received yet (October 2022).

The Government may take action to plug such leakages and also fix responsibility on the erring officials.

2.13 Disbursement of SSPs to ineligible persons who were suspended from the beneficiary list

The batch wise DBT status report, such as initiated records, transferred records, success records and failed records pertaining to all the five SSPs are available for the public in LSGD website Sevana Pension Social Security System (<https://welfarepension.lsgkerala.gov.in/DBTStatusRpt.aspx>) under the tab “DBT – Appropriation Information”. Individual disbursement details are also available in the same Sevana Pension website.

On verification of the TR_Expenditure Table²⁸ of Sevana Pension software made available to Audit, it was noticed that five batch-wise DBT Reference numbers were captured in the Table against the year 2018 and transactions amounting to **₹4.08 crore**, disbursed vide these DBT Reference numbers in 10,406 transactions, were recorded as “Successful”, as detailed in **Appendix XX**. However, the details relating to these transactions were not available in the ‘DBT – Appropriation Information’ in the Sevana Pension website. The disbursements relating to these batches were also not found in the individual disbursement details available through the “Search” option on the website.

On a cross-verification of the TR_PensionerBillDBTFinal Table, it was noticed that these DBT Reference numbers pertain to disbursements for the period from December 2018 to April 2019.

The matter was verified (September 2021) in the files available in DBT Cell and it was observed that in a Note dated 26 April 2019, it was stated that the DBT Cell had noticed erroneous disbursement of pensions to some ineligible persons, such as suspended persons. This fact was confirmed by IKM too. The matter was referred to a higher level from the DBT Cell and the Government²⁹ ordered the Director of *Panchayats* to stop the payments and to recover the amount already paid. However, the amount thus paid has not been recovered so far (October 2022).

The district-wise details furnished by the DBT Cell regarding the number of beneficiaries and the amount disbursed in respect of five SSPs during the year 2018-19 were 44,43,185 and **₹7,986.93 crore** respectively. On an analysis, it was noticed that the disclosed amount of **₹7,986.93 crore** was arrived at by deducting **₹4.08 crore** from the original transaction amount of **₹7,991.01 crore** that was captured in the TR_Expenditure Table. The irregular payment was thus concealed from the details furnished to Audit and also from the reports that are available on the website for the public.

An application software is deployed in order to provide efficient and transparent mechanism in the management of such SSPs executed through them. In the instant case, the disbursements were made to ineligible persons who are suspended from receiving SSPs. Thus, it is evident that absence of proper controls in the Sevana Pension software to check such ineligible beneficiaries during initiation of bills and also due to the lack of proper verification and monitoring by the DBT Cell, had resulted in a loss of **₹4.08 crore** to the Government.

The Government replied (May 2022) that instructions have been issued to the DBT Cell and the IKM to recover the amount. The Government also stated

²⁸ Local body-wise and DBT reference-wise details of successful and failed amount of SSP beneficiaries of Sevana Pension software.

²⁹ Vide letter no. 1170386/SFC B2/18/Fin dated 30 April 2019.

about examining the matter of giving DBT Cell proper control over Sevana Pension software.

Since the delay in rectification process may lead to recurrence of the issue, this may be rectified at the earliest.

2.14 Ineligible disbursement of Indira Gandhi National Old Age Pension at enhanced rate

Beneficiaries of IGNOAP on attaining the age of 75 years are eligible for enhanced rate of pension at the rate of ₹1,500 per month with effect from April 2016³⁰.

An analysis of the data in relation to the Date of Birth and Pension Payment details in the Sevana Pension software revealed that 1,60,950 beneficiaries were ineligibly disbursed pension in 2,15,497 instances at the enhanced rate of ₹1,500 per month. The excess payment was done for these beneficiaries for one to 27 months before attaining the age of 75 years, resulting in a loss of **₹10.11 crore** to the Government as detailed in **Appendix - XXI**.

Failure in providing proper controls in the Sevana Pension software and non-verification of eligibility criteria regarding payment of IGNOAP at enhanced rate before generation and sanction of the bill for payment of pension by IKM/DBT Cell had resulted in this excess disbursement of SSP and consequent loss to Government.

The Government replied (May 2022) that they will examine the case and take remedial action. This may be done without any further delay.

2.15 Irregular transfer of amount to PACS due to non-suspension/non-removal of remarried beneficiaries of IGNWP and UMWP from the SSP beneficiary list

LSGI Secretaries were instructed³¹ to collect the information of death/remarriage of beneficiaries through *Anganwadi*/ASHA Workers³² and exclude them from the database in the respective month.

Analysis of IGNWP and UMWP beneficiary data disclosed that 399 beneficiaries who were below 60 years of age out of 6,57,577 DTH beneficiaries were reported by PACS 15 to 24 months ago as being remarried but continued

³⁰ Vide GO (MS) No.24/2016/Ord dated 01 March 2016 of GoK.

³¹ Vide Circular No.69/2018/Fin. dated 26 July 2018 of Finance (SFC-B) Department, GoK.

³² *Anganwadi* Worker means a women employed to provide additional and supplementary health care and nutritional services to children and pregnant women under the Integrated Child Development Services Scheme. Accredited Social Health Activist (ASHA) Worker is a trained female community health activist, selected from the community itself under the National Health Mission. ASHA worker will work as an interface between the community and the Public Health System.

to be in the beneficiary list as their names were not removed after verification by the LSGIs concerned. Out of the 399, for 368 beneficiaries, no fund was transferred to PACS for disbursement of their pension as detailed in **Appendix XXII**. For the remaining 31 cases as detailed in **Appendix XXIII**, the DBT Cell continued to transfer funds to PACS totalling **₹0.08 crore** till June 2021, for disbursement of pension. However, PACS, being aware of the status, refunded the amount.

The inaction by LSGD in verifying the status of the women resulted in irregular transfer of funds to PACS for ineligible beneficiaries. All such women continued to be on the active beneficiaries list though their names should have been removed immediately upon information that the status had changed.

The Government replied (May 2022) that PACS and LSGIs have already been issued guidelines for strict compliance and currently PACS are reporting the death/ remarriage cases without delay through Sevana Pension software. Further, regarding remarried cases, the Director of *Panchayats* and the Director of Urban Affairs have also been instructed to look into the matter.

The reply shows that compliance by the Secretaries of LSGIs to the Government Circular³³ was not strictly done. Detailed instructions were given in the said order to gather monthly details of deceased/ remarried beneficiaries through *Anganwadi*/ ASHA Workers and remove them from the database. Since the Secretaries of LSGIs were not adhering to the above Circular, it led to the unnecessary transfer of large amounts to PACS. The inaction on the part of the Secretaries of the LSGIs calls for strict administrative action.

2.16 Non-deployment of Performance Audit Supervisors in LSGIs

The Director of *Panchayats* vide instructions³⁴ regarding deployment of Performance Audit Supervisors, proposes that the Performance Audit Supervisors in LSGIs ensure every month that the instructions given therein were being complied with by the LSGIs concerned and the non-compliances were reported without any delay.

Audit noticed (November 2021) that in any of the selected LSGIs, the envisaged Performance Audit Supervisors were not seen deployed to monitor the compliance of Government instructions and to report its non-compliance.

The Government replied (May 2022) that the Director of *Panchayats* has been instructed to look into the matter. In the absence of these Supervisors, it would be difficult to monitor the scheme. Therefore, the Government may do the needful at the earliest.

³³ Vide Circular No.69/2018/Fin. dated 26 July 2018.

³⁴ Circular dated 28 September 2019 of the Director of *Panchayats* regarding deployment of Performance Audit Supervisors in LSGIs.

2.17 Conclusion

Audit found that the effectiveness of DBT in SSPs were plagued with various inefficiencies and other lacunae, which were impacting its success. Moreover, only around 51 *per cent* beneficiaries could be technically held as availing of DBT, while the remaining 49 *per cent* were receiving their pensions in a roundabout way which would not qualify as “Direct” Benefit Transfer. Some of the important issues noticed in this regard are highlighted as hereunder:

- There is no coordination between the State DBT Cell and the Departments operating various schemes in the State. The State DBT Cell has not constituted the Advisory Board and the State DBT Coordinator and Implementation Support layer as directed in the guidelines. The details of State DBT schemes were not readily available with the State DBT Cell as the same were not centrally monitored by them;
- Non-adherence of the application process timeline led to delays in the approval and consequent payment of SSPs, causing hardship to the applicants;
- Absence of a system for identifying applications once rejected resulted in inclusion of ineligible applicants subsequently as beneficiaries, by accepting fresh applications from them;
- Lack of control in the LSGIs for verifying the financial condition/ status of the beneficiaries led to approval and continuous disbursement of SSP to ineligible beneficiaries;
- The LSGIs lack proper mechanism to cross-verify the new applications with active beneficiary list to identify the persons who are applying for a second time;
- Improper verification of applications for SSPs by the Verifying Officers and the Secretaries of LSGIs led to irregular sanction of SSPs to Government Employees/ Service Pensioners and Temporary Employees and consequent loss of money to the Government;
- Failure to adhere to the provisions/ instructions regarding maintenance of even basic accounts, and non-reconciliation of accounts by KSSPL and DBT Cell in the Directorate of *Panchayats* not only results in lack of transparency in booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process. These may also lead to fraud and misappropriation, thereby putting additional burden on the exchequer which is already starved of funds;
- The KSSPL raised loans in excess of the requirement and paid interest from the loan amount so raised. Reasons for the same have not been shared with Audit;
- Neither KSSPL nor the Directorate of *Panchayats* have done the reconciliation of funds for the disbursement of SSP;

- There is no effective mechanism for ensuring the receipt of the SSP by the intended recipient;
- To the extent that SSP payments are made through the PACS (referred to as “Direct to Home”), such payments can be considered only as Benefit Transfers, and not as DBT in the opinion of Audit. DBT, as elaborated in Rule 87 of GFR, 2017 indicates that “Transfer of benefits should be done directly to beneficiaries under various Government schemes and Programmes using ICT. Necessary process reengineering to minimise intermediary levels and to reduce delay in payments to intended beneficiaries with the objective of minimising pilferage and duplication should be done for all Government Schemes and Programmes.” Therefore, payment in cash through the PACS does not amount to Direct Benefit Transfer, as it is not done directly to beneficiaries and does not minimise intermediary levels;
- Non-integration of Sevana Pension software with Register of Death and failure of the LSGI authorities in cross-verification of payment details with the Register of Deaths in the same LSGI had led to irregular payment of SSPs in the name of the deceased leading to suspected embezzlement of money and consequent loss to the Government;
- Non-verification of deceased cases reported by PACS to the LSGIs resulted in repeated unnecessary transfer of SSPs to PACS leading to blockage of funds and consequent loss to the Government towards payment of interest.

2.18 Recommendations

In view of the Audit findings above, the Government may consider:

- Directing the State DBT Cell to constitute an Advisory Board, State DBT Coordinator and Implementation Support layer. Efforts may be made for coordination among various Departments operating DBT Schemes by implementing specific ICT applications and real-time communication, and also through monitoring and the periodical updating of data in the State DBT portal;
- Fixing responsibility for the process of dereliction of duties and responsibilities by the officials concerned in the approval of SSPs;
- Ensuring that applications opting for payment of SSPs through DTH mode is strictly limited to most deserving beneficiaries who are unable to avail the banking facilities on their own, after conducting detailed verification and ascertaining the genuineness of the condition of the applicant;

- Fixing responsibility on the officials concerned who erred in sanctioning SSP at enhanced rate before the beneficiary attained the age of 75 years;
- Taking necessary action to include the details of all applications received for SSPs, irrespective of their approval or rejection, in the database to avoid future approval to ineligible applicants;
- Preparing a detailed proforma for providing the outcome on the verification of applications against the eligibility criteria, financial conditions/ physical circumstances;
- Ensuring that the LSGIs cross-verify all new applications with the active beneficiary list to avoid duplication of payment;
- Ensuring that the validation of data is done 100 *per cent* in order to weed out duplicate/ ineligible beneficiaries and to avoid errors;
- Issuing strict directions to fix responsibilities in the cases of irregular sanction of SSPs to Government employees/ Service pensioners and take strict and necessary action to rectify the deficiencies pointed out;
- Ensuring strict compliance for the maintenance of books of accounts, other relevant books and papers, and the financial statement for every financial year which give a true and fair view of the state of affairs of the Company, as required under Section 128(1) of the Companies Act 2013;
- Initiating immediate steps to set right the financial statements and transactions of KSSPL;
- Accepting the responsibility for the repayment liabilities of KSSPL and may exercise essential financial control over KSSPL;
- Issuing strict directions to KSSPL and Directorate of *Panchayats* to do the reconciliation of funds for the disbursement of SSPs and to monitor them;
- Linking the Sevana Pension software with the available database in the LSGIs for effective and essential correlation of facts relating to the beneficiaries and to plug irregular and ineligible disbursements. The database should also be cleaned regularly to weed out inconsistent entries;
- Fixing responsibilities on the LSGI authorities for the irregular transfer of funds to PACS due to non-verification of deceased cases reported by PACS;

- That disbursement of pension and its acknowledgement be done using automated or technology-enabled system like Aadhaar, rather than physical methods, like signature or thumb impression on receipts.