

## Chapter-5: Financial Management

Prudent financial management of a scheme ensures that the intended benefits of the schemes reach beneficiaries in time as envisaged in the scheme. The objective of audit scrutiny in respect of financial management was to examine whether timely availability and release of funds to the implementing agency was ensured for disbursement to the beneficiaries on a monthly basis as per NSAP guidelines and also integration with PFMS, etc. Examination of records relating to financial management of the schemes revealed the following:

### 5.1 Non-submission/delay in submission of proposals by States/UTs

According to NSAP guidelines, the first instalment of the Scheme would be released without any proposal for release of the instalment to a State/UT that had taken second instalment of the previous year. The second instalment to the State/UT is released after utilisation of at least 60 per cent of total available funds (including opening balance plus releases during the year and miscellaneous receipts). For the release of second instalment the State/UT Governments were required to send a proposal to the Central Government with requisite documents/certificates/annexures. Thus, the first instalment is released without any assessment of data of eligible beneficiaries and any documentation from States/UTs regarding verification of beneficiaries.

The proposal for release of second instalment should be submitted by 15<sup>th</sup> December. Further, the States/UTs, which have not received the second instalment in the previous financial year, will have to submit proposals for second instalment of the previous financial year and the first instalment of current year along with all requisite documents required.

12 States/UTs submitted proposals to the Ministry for the release of second instalment with a delay ranging between six days and 575 days as detailed in **Table 5.1**.

**Table 5.1: State-wise delay in submission of proposal and release of 2<sup>nd</sup> Instalment**

State/UT	Year	Date of proposal of 2 <sup>nd</sup> instalment	Delay in submission of proposal (in days)	Date of release of 2 <sup>nd</sup> instalment
1. Arunachal Pradesh	2017-18	05-09-2018	264	25.03.2019
	2018-19	19-11-2019	339	Not released
	2019-20	12-07-2021	575	Not released
	2020-21	12-07-2021	209	Not released
2. Jharkhand	2017-18	15.01.2018	30	18.01.2018
	2018-19	28.12.2018	13	15.03.2019
3. Ladakh	2020-21	21.12.2020	6	22.03.2021
4. Manipur	2017-18	17.03.2018	91	03.04.2018
	2018-19	23.03.2019	97	21.12.2019
	2019-20	18.05.2020	153	22.12.2020
5. Meghalaya	2017-18	21.12.2017	6	16.03.2018
	2018-19	21.12.2018	6	01.02.2019
6. Mizoram	2017-18	18.01.2018	33	05.03.2018
	2018-19	09.01.2019	24	12.03.2019

State/UT	Year	Date of proposal of 2 <sup>nd</sup> instalment	Delay in submission of proposal (in days)	Date of release of 2 <sup>nd</sup> instalment
	2019-20	17.01.2020	32	06.02.2020
	2020-21	30.07.2021	227	31.01.2021 - 1 <sup>st</sup> tranche 22.03.2021 - 2 <sup>nd</sup> tranche
<b>7. Kerala</b>	2017-18	19.01.2018	34	13.09.2018
	2018-19	15.02.2019	61	23.03.2019
	2019-20	03.07.2020	200	31.08.2020
<b>8. Punjab</b>	2018-19	26.12.2018	11	Not released
<b>9. Rajasthan</b>	2018-19	07.01.2019	23	12.03.2019
	2020-21	13.01.2021	29	26.02.2021
<b>10. Tamil Nadu</b>	2018-19	31.01.2019	47	08.03.2019
	2019-20	03.01.2020	19	03.03.2020
	2020-21	04.01.2021	17	27.08.2021
<b>11. Uttarakhand</b>	2017-18	26.04.2018	130	28.05.2018
	2018-19	17.06.2019	180	31.03.2021
<b>12. Sikkim</b>	2018-19	19.02.2019	66	12.06.2019

Ministry released 2<sup>nd</sup> Instalment to States in last quarter of financial year in case of Arunachal Pradesh, Jharkhand, Ladakh, Madhya Pradesh, Mizoram, Kerala, Rajasthan, Tamil Nadu and Uttarakhand and after the completion of financial year for Manipur, Kerala and Sikkim. Hence, the delay in submission of proposal by States for 2<sup>nd</sup> instalment impacted the release of funds by the Ministry. This affected the frequency of distribution of pension as only 11 States/UTs were disbursing pension on monthly basis and remaining States/UTs could not disburse pension on monthly basis as discussed in para 6.2.

Hence, the delays in submission of the proposal by States to the Ministry resulted in delay in release of funds impacting availability of funds with the States for scheme implementation and timely disbursement of pension.

*The Ministry in its reply (December 2022) stated that due to late receipt of proposal from State/ UT, the release of second instalment gets delayed. However, the States/UTs disburse the pension from their own resources.*

Audit scrutiny pointed out that there were delays in payment of pension to the beneficiaries as detailed in para no 6.2.

## 5.2 Delay in release of funds by States/UTs

As per terms and conditions of sanction letter of Ministry, the States/UTs shall transfer the funds to scheme implementing departments within three days of receipt of fund, failing which the States/UTs will be liable to pay interest at the rate of 12 *per cent* beyond three days from the date of receipt of funds.

21 States/ UTs did not transfer funds received from the Ministry to implementing departments within the stipulated time of three days and delay of as much as 990 days was noticed in case of

Sikkim. The delay in transfer of funds from the state treasury (on receipt of instalment from the Ministry) to the state implementing department in these States is detailed in **Table 5.2**:

**Table 5.2: State/UT-wise delay in transfer of funds to implementing department**

State/UT	Period of delay	Interest liability (₹ in lakh)
1. Andhra Pradesh	18 days to 224 days	3187.67
2. Arunachal Pradesh	251 to 265 days	103.65
3. Assam	14 to 96 days	14.93
4. Bihar	181 days in 1 <sup>st</sup> instalment and 9 days in 2 <sup>nd</sup> instalment	119.00
5. Haryana	4 days to 290 days	865.00
6. J & K	19 days to 129 days	217.96
7. Maharashtra	39 days to 189 days	1668.00
8. Manipur	10 to 196 days	222.12
9. Meghalaya	12 to 114 days	126.72
10. Mizoram	10 to 403 days	66.98
11. Odisha	5 days to 73 days	1706.00
12. Punjab	36 days to 139 days	357.68
13. Tamil Nadu	117 to 287 days	210.07
14. Telangana	17 days to 250 days	1864.47
15. Tripura	3 days to 38 days	76.86
16. Uttarakhand	18 to 59 days	463.66
17. West Bengal	7 to 25 days	774.42
18. Nagaland	58 to 544 days	683.29
19. Sikkim	60 days to 990 days	131.00
20. NCT Delhi	17 days to 87 days	87.42
21. Puducherry	8 days to 46 days	38.54
<b>Total</b>		<b>12985.44</b>

Levy of penal interest on delayed transfer of funds was provisioned as a deterrent to obviate diversion/mis-utilisation/parking of funds, to maintain overall financial discipline and ensure monthly disbursement of pension to intended beneficiaries. However, this was not adequately monitored. Neither did the States/UTs share details of delayed transfer of funds with the Ministry nor did the Ministry ask the defaulting States about accounting for interest on delayed transfer of the funds.

The delays in transferring funds to the implementing department resulted in non-disbursement of monthly pension to beneficiaries. Accordingly, even though NSAP envisaged monthly payment of pension, four States were disbursing pension on a quarterly basis, while two were disbursing pension annually while 17 States/UTs were disbursing pension on ad-hoc basis.

*The Ministry in its reply (December 2022) stated that the concerned clause of 12 per cent interest on late transfer of fund in SNA was not relevant as 21 days' time has now been given*

to transfer of fund to SNA as per revised procedure for release of funds issued by DoE, vide O.M. dated 23 March 2021.

The observation related to the period 2017-21, while the revised procedure as per above mentioned O.M is with effect from 1 July 2021.

### 5.3 Estimation of funds for North-Eastern States

According to the instructions of budget circular related to the allocation of funds for North-eastern States, all the Ministries/Departments (except those specifically exempted by Ministry of Development of North-Eastern Region) are required to spend 10 *per cent* of the Gross Budgetary Support from their allocation under Central Sector Schemes and under Centrally Sponsored schemes for the benefit of North-Eastern Region & Sikkim. Accordingly, the Department of Rural Development allocated 10 *per cent* of total allocated funds to NSAP scheme to NE States. Year-wise allocation and utilization of funds by North-Eastern States is detailed in **Table 5.3**.

**Table: 5.3: Year-wise allocation and utilisation of funds in NE States**

(₹ in crore)

Year	Budget Estimates	Revised Estimates	Actuals	Surrender	Per cent of Surrender
2017-18	950.00	299.57	261.42	688.58	72.48
2018-19	997.50	338.38	338.38	659.11	66.08
2019-20	920.00	920.00	428.96	491.05	53.38
2020-21	920.00	410.92	410.89	509.12	53.34

As seen from the above table, more than 50 *per cent* of NSAP funds allocated to North-Eastern States were surrendered to the MoRD every year and could not be utilized.

On being enquired about reasons for surrender, the Ministry replied that there is a ceiling on the number of beneficiaries prescribed for each State/UT and funds were accordingly released. As per procedure, 10 *per cent* of the grants were mandatorily earmarked for the NE States, however, actual budgetary requirement, based on the number of beneficiaries, upto the prescribed ceiling in this regard for NE States was very low *vis-à-vis* the budget allocation for these States.

The Ministry's contention is not acceptable since analysis of beneficiary coverage in NE States revealed that:

- Meghalaya was unable to achieve coverage according to cap of beneficiaries for IGNOAPS and IGNWPS despite availability of funds.
- In Manipur, the levels as per the cap was not achieved for IGNOAPS, IGNWPS and IGNDPS.

- In case of NFBS, four North-Eastern States, viz. Meghalaya, Manipur, Nagaland and Sikkim were unable to cover beneficiaries as per the cap fixed by the Ministry.

Thus, despite the availability of funds, these States could not cover beneficiaries even according to the cap fixed by the Ministry and consequently surrendered funds to the Ministry. Hence, the funds allocated to North-Eastern States were not utilised to cover eligible NSAP beneficiaries.

*The Ministry in its reply (December 2022) stated that NSAP schemes have obtained exemption from DoNER for mandatory earmarking of funds for North East region subject to adherence of 10 per cent allocation by the Department as a whole in November 2021.*

The reply of the Ministry is silent on why the States were not able to achieve coverage according to cap of beneficiaries fixed by the Ministry, even though sufficient funds were released.

#### 5.4 Non-Submission/Delay in submission of Utilization Certificates

According to the NSAP guidelines, while submitting the proposal for release of second instalment of a particular year, the States/UT government need to furnish Utilization Certificates (UC) for the State/UT as a whole for the funds received during the previous financial year in the prescribed proforma indicating sub-scheme-wise utilization. In addition to this, the State/UT also needs to furnish UC for the funds received in the first instalment during the current financial year in the prescribed proforma.

Five States/UTs did not submit UCs to the Ministry in time. State-wise delays are detailed in **Table 5.4**.

**Table 5.4: Details of delay in submission of UCs by States**

State/UT	Details of UC	Date of submission
Arunachal Pradesh	UCs for 2017-18	June 2020
	UCs for 2018-19	October 2021
Goa	Consolidated UCs for 2015-16 to 2019-20	July 2020
Kerala	UCs pertaining to NFBS for 2018-19 and 2020-21	Not submitted
Telangana	UCs pertaining to NFBS for 2019-20 and 2020-21	Not submitted
Andaman & Nicobar Islands	UCs for 2012-13	November 2020

Further, there was a mismatch in expenditure figures reported in the UC and actual expenditure incurred by 15 States/UTs as detailed in **Annexure 5.1**. Difference in expenditure figures as shown in UCs submitted by the State and actual expenditure at the State level indicated that there were cases of overstatement and understatement of expenditure by the States. Understatement of expenditure figures by a State/UT results in lesser release of funds by the Ministry, as the MoRD takes into account the unspent balance of the previous year while releasing funds for the ensuing year. Overstatement of expenditure

by the State results in release of more than the required funds by a State/UT. This, in turn, impacts the financial management of the scheme.

*The Ministry in its reply (December 2022) stated that funds were not released to these States/UTs due to non-submission of UCs.*

The Ministry did not reply with regard to mismatch in expenditure figures reported in the UCs and actual expenditure incurred by the States.

## **5.5 Diversion of funds**

The allocation under NSAP to the States/UTs were meant for disbursement of pension under various sub-schemes of NSAP. Out of the total allocation to a State/UT, three *per cent* fund was meant for administrative expenditure. During audit instances of diversion of funds by Ministry and States/UTs out of allocated funds for NSAP were noticed as discussed below:

### **5.5.1 Utilisation of IEC funds**

The Ministry of Rural Development in January 2017 decided to campaign through hoardings in States and UTs for giving due publicity to all programmes/schemes of the Ministry. Administrative approval and financial sanction of ₹ 39.15 lakh was taken (June 2017) for publicity campaign through hoardings with a limit of 10 hoardings at each capital city of the state and UT. Administrative approval and expenditure sanction of ₹ 2.44 crore was taken (August 2017) for campaigning Gram Samridhi, Swachh Bharat Pakhawada and publicity material of multiple schemes of the Ministry through five hoardings in each District for 19 States. Work orders were issued to DAVP in June and September 2017. Publicity campaigns were to be undertaken in September 2017. The funds for the said campaign were stated to be available under National Rural Employment Guarantee Scheme and were approved by the competent authority to be incurred under the same head; however, audit observed that funds were actually incurred from social security welfare-NSAP schemes.

However, the advertisement of only PMAY-G and DDU-GKY schemes were mentioned in the work order and no schemes of NSAP were included in the work order. Further, the campaigns were to be undertaken by DAVP under intimation to the department; however, the payment to DAVP was made without confirmation of the execution of the work.

Hence, planned IEC activities under NSAP were not undertaken as envisaged and funds of ₹ 2.83 crore were diverted for campaigning in respect of other schemes of the Ministry. Hence, IEC activities intended to create awareness among potential beneficiaries of NSAP could not be taken up even though there was earmarking of funds for IEC activities.

*The Ministry in its reply (December 2022) stated that the said matter has been taken up with IEC division of the Department.*

### 5.5.2 Diversion of NSAP funds of ₹ 57.45 crore at State/UT level

According to NSAP guidelines, States are required to submit a non-diversion and non-embezzlement certificate along with proposal for release of second instalment under the NSAP scheme.

In six States/UTs, instances of diversion of funds were observed as discussed in **Table 5.5**.

**Table 5.5: Details of diversion of funds in States/UTs**

State/UT	Audit Observation	Diversion of funds (₹ in crore)	Diverted to
1. Rajasthan	NFBS funds (2017-18) meant for 12347 beneficiaries were diverted for payment of insurance premium to LIC for BPL and Aastha Card holder insured person under <i>Pannadhay Jeevan Amrit Yojana</i> (Aam Aadmi Beema Yojana) in September and December 2017.	7.37	State scheme
2. Chhattisgarh	NSAP funds were diverted for payment under State Schemes	0.60	
3. Jammu & Kashmir	NSAP funds were used for of the payment of pension under State budget sponsored scheme Integrated Social Security Scheme	0.009	
	NSAP funds were irregularly remitted into State Treasury	3.00	Lying in State Treasury
4. Odisha	Diversion of funds to other schemes, towards release of funds by the State Government to PRIs, construction, and maintenance of Anganwadi Centre building etc	1.66	For miscellaneous activities not related to NSAP
5. Goa	Funds transferred from IGNOAPS to NFBS during the year 2017-18 to 2019-20.	1.37	
6. Bihar	Central and State share under IGNOAPS was diverted to pay pension under IGNDPS in 2018-19 due to non-availability of funds under IGNDPS.	42.93	Other sub-schemes of NSAP
	Funds under IGNOAPS were diverted for making payment under NFBS. The administrative fund of ₹1.08 lakh was diverted for purchasing of blankets under MVPY scheme.	0.51	
<b>Total</b>		<b>57.45</b>	

Above mentioned inter sub-scheme diversion of NSAP funds and diversion of NSAP funds to State schemes amounting to ₹ 57.45 crore indicated shortcomings in financial management prevalent at the State level. Such shortcoming in financial management not only deprived intended beneficiaries of pensionary entitlements but also reflected poorly on part of the States in depicting the actual financial position of NSAP in a transparent and fair manner.

*The Ministry in its reply (December 2022) stated that the observations have been referred to the concerned States/UTs.*

### 5.6 Idling of funds of ₹ 18.78 crore

One of the key principles of NSAP is regular monthly disbursement of pension. The State/UT should transfer the funds to the scheme implementing department within three days from its

receipt from the Ministry, enabling the scheme implementing department to disburse pension on a monthly basis to the beneficiaries.

However, in eight States/UTs, funds received under NSAP were lying idle either with the concerned States/UTs or with implementing agencies as detailed in **Table 5.6**.

**Table 5.6: State/UT-wise details of idling of funds**

State/UT	Audit Observation	(₹ in crore) Amount
<b>Bihar</b>	NSAP funds remained parked in State Bank of India, Secretariat Branch Patna since 2017-18.	9.45
<b>Sikkim</b>	Though bank accounts for NSAP transactions was changed from a private sector bank to public sector bank on 1 April 2020, NSAP funds were lying with the private sector bank as of 31 March 2022.	4.10
	Funds withdrawn in August 2018 from the treasury were lying in the bank for more than three years.	0.20
<b>Arunachal Pradesh</b>	NSAP funds lying idle since 2018-19.	1.44
<b>Goa</b>	Unspent funds of 2012-13 were lying idle.	0.65
<b>Kerala</b>	NFBS funds lying idle since 2017-18.	0.79
<b>A&amp;NI</b>	NSAP funds lying idle since January 2021.*	1.19
<b>Jammu &amp; Kashmir</b>	IGNOAPS funds were lying idle since 2019-20.	0.90
<b>Tripura</b>	NSAP funds lying undisbursed for the last 5 years.	0.06
<b>Total</b>		<b>18.78</b>

\*Till completion of field audit i.e., June 2022

Hence, ₹ 18.78 crore were lying idle in eight States for a period ranging from one to five years. Idling of funds at State/District level indicates that the reporting of financial positions by Districts is not being ensured. The reasons for idling of funds were such as release of funds at the fag end of the financial year, non-revalidation of funds from administrative department, duplication and non-permissible age limit of the beneficiaries. It also shows lack of financial monitoring on part of the States/UTs which manifested in irregular payment of pension to the beneficiaries as discussed in Chapter-6.

In **Odisha**, during the period 2017-18 to 2020-21, it was observed that there was persistent saving of funds under IGNOAPS. The closing balance under the scheme was ₹ 149.82 crore, ₹ 154.66 crore, ₹ 174.09 crore and ₹127.42 crore during the years 2017-18, 2018-19, 2019-20 and 2020-21 respectively.

*The Ministry in its reply (December 2022) stated that as per Ministry of Finance instructions, States have been instructed to refund unspent balance of Central grant and accrued interest thereon to Consolidated fund of India. Further, the observation has been referred to the concerned States/ UTs.*

## 5.7 Inadmissible administrative expenditure of ₹ 5.98 crore

According to NSAP guidelines, States/UTs may use upto three *per cent* of NSAP funds released during the year towards administrative expenses to streamline implementation of schemes under NSAP. Admissible items under administrative expenses include printing and distribution of pension passbooks, printing of application forms, organization of camps, IEC activities etc.

- ❖ Administrative funds were incurred within limit of three *per cent* of NSAP funds in 17<sup>5</sup> States.
- ❖ In five<sup>6</sup> States/UTs administrative expenditure was incurred beyond prescribed limit of three *per cent*.
- ❖ Tamil Nadu did not fully utilize the funds meant for administrative expenses but gave utilization certificate for the full amount, thereby, overstating administrative expenses by ₹ 41.63 crore during 2017-21.
- ❖ In 10 States/UTs, funds meant for administrative expenses were used on inadmissible items during 2017-21 as detailed in **Table 5.7**.

**Table 5.7: State/UT-wise details of inadmissible items**

		(₹ in crore)
State/UT	Details of inadmissible items	Amount
1. Arunachal Pradesh	Payment of honorarium.	1.36
2. Assam	Repairing of conference hall of CPRD.	0.04
3. Bihar	Payment of wages to security guards and IT personnel, civil works, hiring of vehicles, refreshments, etc.	2.38
4. Chhattisgarh	Vikas Yatra, transportation expenses, salary of operators engaged in Directorate of Social Welfare Procurement of face masks for prevention of covid-19 to pension beneficiaries, printing of pamphlets, flex hoarding for awareness for Covid-19 and CM Tirth Yatra Scheme.	0.24
5. Jammu & Kashmir	Salaries, repair of vehicle and travelling allowance.	0.27
6. Madhya Pradesh	Hiring of office vehicles	0.33
7. Odisha	Remuneration of Group-D employees of State Government, monthly professional fees towards engaging consultants, hiring charges of vehicles.	0.95
8. Tripura	Repairing of lift, maintenance of website, payment of service charges to the Agartala Municipal Council, cleaning/ sweeping/ gardening, purchasing of electrical items, repairing of vehicle, etc.	0.15
9. Uttarakhand	Procurement of almirahs, petrol, repair of vehicle, consultancy fee for income tax, etc. not related to NSAP.	0.09
10. West Bengal	Celebration of special days, hiring of vehicles and purchase of air conditioning machine, telephone expenses etc.	0.17
<b>Total</b>		<b>5.98</b>

<sup>5</sup> Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Maharashtra, Punjab, Tamil Nadu, Telangana, Uttar Pradesh, Arunachal Pradesh, Assam, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.

<sup>6</sup> Chhattisgarh, Manipur, Rajasthan, Jammu & Kashmir and West Bengal.

Administrative expenses incurred beyond prescribed ceiling deprived eligible beneficiaries of the pensionary benefits to the extent of excess expenditure. Further, expenditure on inadmissible items amounting to ₹ 5.98 crore indicated lack of financial discipline and violation of NSAP Guidelines, besides weakening of the IEC initiatives.

The Ministry in its reply (December 2022) stated that the observations have been referred to the concerned States/UTs.

## 5.8 Gap in digitisation of eligible Beneficiaries' data

The Ministry allocated funds to the States/UTs on the basis of State/UT-wise cap fixed on the number of beneficiaries or digitised number of beneficiaries whichever is less. The eligibility for funds of a State/UT is restricted to digitised number of beneficiaries within the cap fixed in respect of that State/UT in terms of number of beneficiaries. Thus, non-digitisation deprives an otherwise eligible beneficiary from schemes benefits.

In 16 States/UTs<sup>7</sup> audit observed that there was a gap of 7.66 lakh between cap fixed by Central government and digitisation done by these States/UTs as detailed in **Table 5.8**.

**Table 5.8: Details of States/UTs where digitization was incomplete**

Sl. No.	Name of the State/UT	Name of the Sub-scheme	Cap fixed by the Centre	Number of beneficiaries whose data were digitized	Gap in digitization	% age gap in digitization
		(A)	(B)	(C)	(B-C)	
1.	Chhattisgarh	IGNWPS	260625	194114	66511	25.52
		NFBS	12801	8060	4741	37.04
2.	Himachal Pradesh	IGNDPS	3125	1706	1419	45.41
		NFBS	684	0	684	100.00
3.	Jammu & Kashmir	IGNOAPS	132837	129854	2983	2.25
		IGNWPS	7891	7617	274	3.47
4.	Jharkhand	IGNOAPS	993567	986752	6815	0.69
		IGNWPS	272108	266697	5412	1.99
		IGNDPS	31286	26364	4922	15.73
		NFBS	14148	5753	8395	59.34
5.	Maharashtra	IGNOAPS	1350000	1128191	221809	16.43
		IGNWPS	100000	79393	20607	20.61
		IGNDPS	50000	9336	40664	81.33
6.	Odisha	IGNWPS	528570	508015	20555	3.89
		IGNDPS	90754	85805	4949	5.45
7.	Punjab	IGNOAPS	201039	112955	88084	43.81
		IGNWPS	42187	19294	22893	54.27
		IGNDPS	6473	5982	491	7.59
8.	Rajasthan	IGNDPS	56854	30513	26341	46.33
9.	Uttarakhand	IGNOAPS	239498	202763	36735	15.34
		IGNWPS	95313	28027	67286	70.59
		IGNDPS	14386	2955	11431	79.46
		NFBS	4808	530	4278	88.98

<sup>7</sup> Chhattisgarh, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Maharashtra, Odisha, Punjab, Rajasthan, Uttarakhand, Arunachal Pradesh, Meghalaya, Sikkim, Tripura, ANI, Chandigarh and Delhi.

Sl. No.	Name of the State/UT	Name of the Sub-scheme	Cap fixed by the Centre	Number of beneficiaries whose data were digitized	Gap in digitization	% age gap in digitization
		(A)	(B)	(C)	(B-C)	
10.	Arunachal Pradesh	IGNOAPS	29290	5894	23396	79.88
		IGNWPS	3565	288	3277	91.92
		IGNDPS	1284	112	1172	91.28
		NFBS	346	0	346	100.00
11.	Meghalaya	IGNOAPS	77980	56001	21979	28.19
		IGNWPS	8498	8026	472	5.55
12.	Sikkim	IGNOAPS	16418	00	16418	100.00
		IGNWPS	1614	00	1614	100.00
		IGNDPS	817	00	817	100.00
13.	Tripura	IGNOAPS	141510	135305	6205	4.38
		IGNWPS	17927	17541	386	2.15
		IGNDPS	2144	2130	14	0.65
14.	Andaman & Nicobar Islands	IGNOAPS	5924	590	5334	90.04
		IGNWPS	1504	3	1501	99.80
		IGNDPS	301	1	300	99.67
		NFBS	86	0	86	100.00
15.	Chandigarh	IGNOAPS	5111	2378	2733	53.47
		IGNDPS	204	100	104	50.98
		NFBS	80	0	80	100.00
16.	New Delhi	IGNOAPS	119403	114064	5339	4.47
		NFBS	2270	0	2270	100.00
<b>Total</b>			<b>4947656</b>	<b>4185562</b>	<b>762094</b>	

Ministry of Finance vide O.M. I-11011/103/2013-DBT dated 12 December 2014 expanded operationalisation of DBT for IGNOAPS, IGNWPS and IGNDPS across the country. Further, the Ministry of Finance vide O.M. of even number 19 December 2014 stated that the digitisation of data bases was to be completed for the purpose of Direct Benefit Transfer. Non-digitisation of eligible beneficiaries is fraught with possibility of duplication/payment to ineligible beneficiaries.

## 5.9 Integration with PFMS

The data analysis of Phase-I audit involving validation logs indicated that in some cases, names of the NSAP beneficiary in PFMS did not match with names of bank account holder to which NSAP benefits were transferred. In 4,713 cases of beneficiaries, under IGNOAPS, IGNDPS, IGNWPS and NFBS, payments were made to bank accounts (as per PFMS validation log) which did not match with the NSAP beneficiary names.

As mentioned in para 5.8, DBT was operationalised for pension schemes under NSAP in December 2014. Further, Department of Expenditure vide their O.M. No. 48(06)/PF.II/2016 dated 26 April 2017 mandated that all the departments (both Central and State) should initiate DBT transactions with relevant scheme codes which was to be passed on the PFMS. This is necessary so that National Payments Corporation of India may settle its claim for DBT transactions done through it, with the respective department implementing the schemes.

Audit observed that:

- In 20 States/UTs, the Scheme was integrated/partially integrated with PFMS.
- In 12 States/UTs<sup>8</sup>, the Scheme was not integrated with PFMS.

In the absence of integration with PFMS, the purpose of Direct Benefit transfer is defeated and there were possibilities of duplicate/multiple payments to beneficiaries. Integration with PFMS is helpful in real time monitoring of position of funds by Ministry and the concerned States and facilitating correct estimate of funds which is essential for prudent planning of the schemes. Further, credit of pension to wrong bank account number cannot be ruled out due to non-verification of bank account number which is facilitated on PFMS.

*The Ministry in its reply (December 2022) stated that all the States/UTs (other than UTs without legislature) had adopted SNA model to transfer the funds from Treasury to scheme SNA with mapping thereof in PFMS for further disbursement of funds to beneficiaries from the Financial Year 2021-22/ 2022-23.*

Ministry may expedite mechanism to avoid recurrence of deficiencies pointed out by audit and also ensure up-dation of database of beneficiaries.

## 5.10 Aadhaar Integration

NSAP emphasises on electronic/IT enabled services for distribution of pension. NSAP Guidelines envisages Aadhaar based platform for pension disbursement. This platform further enhances efficiency in the sanction, payment and disbursement process. Many States/UTs have reached an advanced stage in Aadhaar enrolment of beneficiaries, recognising the fact that this helps in reduction of leakages and duplication. It also provides mobility to the pensioners in case of migration from one place to another. This platform supports financial inclusion also.

At national level, 32 per cent of data of total NSAP beneficiaries is still to be seeded with Aadhaar. Five States/UTs (Andhra Pradesh, Goa, Kerala, Chandigarh and Lakshadweep) had achieved 100 per cent integration of beneficiary data with Aadhaar while Haryana and Punjab had integrated 99 per cent of beneficiaries with Aadhaar. In Nagaland, Aadhaar was not integrated with beneficiary data. In Bihar, Aadhaar integration of NSAP beneficiaries was not done during the audit period, consequently, Aadhaar based platform in distribution of pension to beneficiaries was not utilised. Status of Aadhaar integration in 15 States (during the audit period) is given in **Annexure 5.2**.

In the absence of Aadhaar integration, unique identity of beneficiaries could not be ensured, which was fraught with risk of multiple pension payments to the same beneficiary. Non-integration with Aadhaar also hinders in implementation of DBT which is essential to ensure

<sup>8</sup> Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Telangana, Uttarakhand, Mizoram, Nagaland, Sikkim and Puducherry.

that there is no leakage of benefits till it reaches the intended beneficiary. Further, in cases of non-integration of Aadhaar, payment of pension to such beneficiaries migrating from one part of the country to another could not be facilitated.

At the same time, as per UIDAI notification, consent of the individual is mandatory for using his/her Aadhaar for delivering of financial and other subsidies benefits and services. However, audit observed that in 11 States/UTs<sup>9</sup>, consent of individual beneficiary for using his/her Aadhaar was not being obtained in violation of UIDAI gazette notification no. 13012/79/2017/Legal-UIDAI (No. 6 of 2017) dated 19 December 2017.

*The Ministry in its reply (December 2022) stated that Aadhaar integration with respect to 73 per cent beneficiaries have been completed and the States/UTs are being pursued for achieving complete seeding of beneficiary data with Aadhaar number.*

Thus, Gap in digitization and non-integration of beneficiaries' data fully with PFMS and Aadhaar shows ineffective implementation of DBT in NSAP. It has also led to less release of funds by the Ministry, resulting in less coverage of beneficiaries. Further, in case of non-digitization of eligible beneficiaries, possibility of duplication/payment to ineligible beneficiaries cannot be ruled out.

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<sup>9</sup> Goa, Himachal Pradesh, Kerala, Madhya Pradesh, Punjab, West Bengal, Arunachal Pradesh, Manipur, Nagaland, ANI and Ladakh.