



**Report of the  
Comptroller and Auditor General of India  
on  
Implementation of PAHAL (DBTL) Scheme  
(Pratyaksh Hanstantrit Labh Yojana)**



**Union Government (Commercial)  
Ministry of Petroleum and Natural Gas  
Report No. 25 of 2016  
(Compliance Audit)**

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**For the period ended 31 March 2016**

**Union Government (Commercial)  
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# Contents

Chapter	Particulars	Page No.
	Preface	i
	Executive Summary	iii to vii
1	Introduction	1
2	PAHAL (DBTL) Scheme	5
3	Removing Incentive for Diversion	13
4	Weeding out Fake/Duplicate Connections	16
5	Delivery of Cylinders to Genuine Users	35
6	Protection of Entitlement and Ensuring Subsidy	38
7	Self-selection in Subsidy	42
8	Other Issues	43
9	Savings in Subsidy through PAHAL (DBTL) Scheme	45
10	Conclusion and Recommendations	51
	Annexures	55
	Abbreviations and Glossary of Special Terms	60

## Preface

This Report of the Comptroller and Auditor General of India has been prepared for submission to the President of India under Article 151 of the Constitution of India for being laid before the Parliament. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

The Report contains results of audit of 'Implementation of Pratyaksh Hastantrit Labh Yojana (PAHAL (DBTL) Scheme)' introduced by Government of India in November 2014 for transfer of subsidy on Liquefied Petroleum Gas (LPG) directly to the consumers linking their Aadhaar Number, Bank account and LPG Consumer ID. The Scheme is implemented by three Government of India owned Oil Marketing Companies, viz., Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL) and Bharat Petroleum Corporation Limited (BPCL). The Scheme involves 16.17 crore domestic LPG consumers serviced by 16,781 LPG distributors of the three Oil Marketing Companies. Given the significance of the Scheme and its widespread impact, an audit of its implementation was taken up.

The Report highlights few concerns noticed in implementation of the PAHAL (DBTL) Scheme and also addresses the financial impact of the Scheme.

Audit wishes to acknowledge the cooperation extended by the three Oil Marketing Companies (BPCL, HPCL and IOCL) and Ministry of Petroleum and Natural Gas in providing records, information and clarification in completing the audit.

# Executive Summary

## Introduction:

Liquefied Petroleum Gas (LPG) is a clean fuel and hence Government of India (GoI) wanted to popularise use of this fuel for domestic use by making it affordable for the consumer. Subsidised supply of domestic LPG was intended to protect the consumers from highly volatile international prices. The under-recoveries of Oil Marketing Companies (OMCs), viz., Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) arising from subsidising were compensated partly through budgetary support from GoI and partly through subsidy given by upstream companies on purchase of crude. GoI introduced “Pratyaksh Hanstantrit Labh Yojana” (PAHAL (Direct Benefit Transfer for LPG) Scheme) for transferring the subsidy on LPG directly to the consumers on 15 November 2014 in 54 districts (1<sup>st</sup> Phase) and in the remaining 622 districts on 1 January 2015 (2<sup>nd</sup> phase). Aadhaar number was not mandatory for a customer to avail of subsidy benefit under the PAHAL (DBTL) Scheme.

## Objectives of PAHAL Scheme:

The objectives of the PAHAL (DBTL) Scheme were to:

- Remove incentive for diversion
- Weed out fake/duplicate connections
- Protect entitlement and ensure subsidy to the customer
- Improve availability/delivery of LPG cylinders to genuine users
- Allow self-selection in subsidy.

PAHAL (DBTL) Scheme envisaged curbing pilferage and diversion in domestic LPG distribution system of OMCs by affecting transfer of subsidy directly into the Bank account of eligible consumers. The Scheme is being implemented by the OMCs through its network of LPG distributors who constitute the interface with customers.

## Highlights

While PAHAL (DBTL) Scheme appears to have addressed the concern regarding diversion of subsidised LPG cylinders to commercial consumers, the risk of diversion of non-subsidised domestic LPG to commercial consumers still remains. Audit observed that the number of domestic consumers consuming more than 24 cylinders in the first seven months of 2015-16 is 2.6 times that in the whole year of 2014-15. It was also noticed that 23,104 domestic consumers in IOCL, 5,662 in HPCL and 7,993 in BPCL had consumed more than 12 cylinders in the first seven months of 2015-16. Since there is a significant difference in

cost of non-subsidised domestic LPG and commercial LPG on account of differential taxes and duties levied on the two categories of consumers, there is a risk of diversion associated with higher consumption of domestic non-subsidised cylinders.

**(Paragraph 3.1 & 3.2)**

Audit noticed multiple LPG connections having the same Aadhaar number or same Bank account in the consumer database maintained by the OMCs. In some of the multiple connections, two or more than two connections constituting the multiple connections drew subsidy and Permanent Advance whereas in the remaining cases, one of the multiple connections remained 'active' while the other connections were indicated as 'transferred' or 'in-transit'. Though, subsidy was paid only for the 'active' connection, the possibility of payment of subsidy to 'transferred' or 'in-transit' connections in future cannot be ruled out.

**(Paragraph 4.1.1 (i) & (ii))**

Considering that the de-duplication exercise carried out by National Informatics Centre is presently on a real time basis, it was reasonable to expect that the database of consumers provided by the OMCs would not have any duplicate connection bearing 'Same Name Same Address' (SNSA). Audit scrutinised a sample of 34 *per cent* of the distributor database and found a number of exact matches (100 *per cent* match) of SNSA cases. This was noticed in all the three OMCs. Further, Audit also verified existence of connections with 'Same Name, Same Date of Birth and Same Registered Mobile Number' to identify multiple connections in the database. Audit examination indicated presence of multiple connections on the basis of these parameters. A total of 15,885 consumers linked with 34,729 connections were noticed against the first parameter across the OMCs, 11,171 consumers linked with 24,329 connections were noticed against the second parameter.

**(Paragraph 4.1.1 (iii) & (iv))**

Audit verified existence of multiple connections bearing 'Same Aadhaar Number' and 'Same Bank IFSC and Same Bank Account Number'. The verification identified 74,180 LPG customers linked to 37,090 Aadhaar numbers indicating existence of multiple connections. In the case of 'Same Bank IFSC and Same Bank Account Number', 17,694 LPG 'active' customer IDs were linked with 8,847 same bank IFSC and same bank account number.

**(Paragraph 4.1.2 (i) & (ii))**

Audit noticed that the Date of Birth of consumers were not accurately captured in the LPG Database. Further, LPG connections were issued to minors in violation of the LPG Control Order. Audit scrutiny also revealed incorrect capture of PIN codes, Aadhaar numbers, and incorrect seeding of IFS Codes in the consumer database of OMCs indicating lack of appropriate input controls. Such inconsistencies in the consumer database is evidence of invalid entries in the database and poor input controls, which compromises the authenticity

and integrity of the consumer database. Further, this may also lead to consumers being unable to avail of the subsidy benefit under the Scheme.

**(Paragraph 4.4)**

While the OMCs have addressed most of the Scheme related complaints of the customers, the target of redressal within seven days could not be achieved. Audit observed that the achievement rate of redressal within seven days was 86 *per cent* in IOCL, 76 *per cent* in HPCL and 82 *per cent* in BPCL. The overall rate of achievement was, however, 97.8 *per cent* of the complaints received regarding PAHAL (DBTL) Scheme from 1 January 2015 to 15 August 2015 as per data furnished to Audit. There were however instances where time taken to resolve the complaints ranged from one month to more than six months (1,611 cases in IOCL; 2,292 in HPCL and 11,740 in BPCL).

**(Paragraph 5.1)**

Issue of subsidised LPG cylinders beyond the quota of 12 cylinders per annum and instances of payment of Permanent Advance to multiple connections were noticed in audit examination. In 2014-15, the cap of 12 subsidised cylinders per annum had been violated and 15.57 lakh active domestic consumers had received more than 12 subsidised cylinders from April 2014 to 31 March 2015 leading to excess payment of subsidy. In the sample checked, intra-OMC de-duplication indicated that 37,499 consumers during the year 2014-15 and 8,707 consumers during the year 2015-16 (up to 31 October 2015) having multiple connections had availed more than their quota of 12 subsidised cylinders. Besides, 51,443 consumers had received permanent advance amounting to ₹1.30 crore on multiple connections.

**(Paragraph 5.2)**

Audit noticed that the reason for failure of 485 out of 751 failed transactions was attributable to distributors which emphasises the need for effective monitoring of data entry by OMCs and adequate input controls and validations in the database to ensure its accuracy. Moreover, some transactions failed as some of the Grameen Banks were not on National Payment Corporation of India's (NPCI) system. There is a need to ensure synchronisation of all customer banks with the payment bridge of NPCI.

**(Paragraph 6.1)**

Though customers have joined the PAHAL (DBTL) Scheme and linked their Bank account and in some cases Aadhaar number to the domestic customer database, transactions for transferring the Permanent Advance have failed. Audit examination of the same indicated that a total of 47.23 lakh consumers did not receive Permanent Advance amounting to ₹169.09 crore as on 31 October 2015. Since the purpose of payment of Permanent Advance is to assist the consumer in purchasing LPG cylinders at market price without any financial burden, it is imperative that all the eligible LPG consumers receive the advance upon their

first refill booking. Non-transfer of permanent advance to consumers defeated the objective of providing for permanent advance under the PAHAL (DBTL) Scheme.

**(Paragraph 6.2)**

Non-Cash Transfer Compliant (NCTC) consumers are those, who have not joined the PAHAL (DBTL) Scheme. A marketing research agency engaged by BPCL (May 2015) indicated that as many as *77 per cent* of the NCTC consumers wished to be a part of the Scheme but were deterred by lack of knowledge, lengthy process, low process clarity, time taken for processing, *etc.* This underlines the possibility that more efforts may be essential for the outreach to all LPG consumers so that deserving consumers are not deprived of subsidy, particularly considering that *28 per cent* of the NCTC consumers are rural consumers.

**(Paragraph 7.1)**

A one-time Permanent Advance is given to the domestic LPG consumer so as to enable the consumer to pay for the first cylinder delivered at market rates on joining the PAHAL (DBTL) Scheme. This advance is meant to remain with the consumer till the connection is terminated, when the advance would be recovered from the security deposit lying with the OMCs. Audit noticed that the security deposit held by the OMC was much lower than the advance paid in 29.92 lakh cases; the amount of shortfall being ₹68.39 crore. As such, recovery of the Permanent Advance (PA) would not be possible in these cases. Moreover, PA continued to be held by the consumer even when the consumer's status changes to Non Cash Transfer Compliant (NCTC). Audit noticed 9.58 lakh NCTC consumers holding ₹49.21 crore as Permanent Advance collectively.

**(Paragraph 8.1)**

MoPNG estimated (February 2016) potential savings in LPG subsidy for 2015-16 at ₹9,211 crore while the OMCs estimated the savings for the same period at ₹5,107.48 crore. The methodologies adopted by the Ministry and the OMCs were different. In both estimations, however, Audit noticed inherent inconsistencies which would lower the estimated savings. MoPNG assumed that the inactive or blocked consumers, who were not eligible for subsidy would have availed the entire quota of 12 cylinders against the national average per capita consumption of 6.27 cylinders in 2014-15. Considering the national average off take of 6.27 cylinders (as used by OMCs in their estimation), the estimated savings in subsidy for the year 2015-16 would be ₹4,813 crore only.

**(Paragraph 9.1)**

IOCL (the coordinating agency of OMCs for LPG) considered the average subsidy rate in 2014-15 while working out the subsidy savings for 2015-16. This has led to an over-statement of savings in subsidy, in view of the sharp fall in prices in 2015-16 vis-à-vis 2014-15. If the average subsidy of ₹169.45 per cylinder in 2015-16 was considered (as used

by MoPNG in their estimation), and after considering the savings in subsidy due to opting 'Give-it Up' by 67.27 lakh consumers (as on 29 February 2016), the subsidy savings would reduce to ₹3,473.48 crore, instead of ₹5,107.48 crore estimated by the OMCs.

**(Paragraph 9.2)**

The actual subsidy payout during the period from April 2015 to December 2015 was ₹12,084.24 crore as against ₹35,400.46 crore during April 2014 to December 2014. The significant reduction of ₹ 23,316.21 crore in subsidy payout was on account of the combined effect of decrease in off take of subsidised cylinders by consumers and lower subsidy rates arising from the sharp fall in crude prices in 2015-16. Audit examination indicated that reduced subsidy rate on account of fall in crude oil price resulted in reduced subsidy payout of ₹21,552.28 crore, while the effect on the same due to reduced offtake of cylinders by consumers worked out to ₹1,763.93 crore. Therefore, it is evident that the lower subsidy rates in 2015-16 is, by far, the most significant factor resulted in subsidy savings.

**(Paragraph 9.3)**

Audit suggests the following recommendations in order to address the issues highlighted in this Report:

- (i) Effective steps may need to be taken to dis-incentivise diversion of non-subsidised domestic LPG cylinders to the commercial segment.
- (ii) Considering that audit scrutiny of the selected sample revealed existence of multiple connections, the entire database needs to be scrutinised by the OMCs and effective action should be ensured. The integrity of the database needs to be maintained. While the OMCs have assured institution of appropriate checks for new additions to the consumer database, there is an urgent need to ensure correctness and integrity of the existing database. Appropriate and transparent documentation of blocking and un-blocking of suspected multiple connections also needs to be ensured.
- (iii) Appropriate input controls, data validations and strict oversight is essential at the distributor interface to ensure correctness of data entry at their end which would not only improve the integrity of the consumer database but also eliminate failed transactions arising from incorrect information.
- (iv) Audit has noted the decrease in the number of Non-Cash Transfer Compliant consumers. However, more focussed outreach efforts may be necessary to ensure that deserving consumers are not deprived of subsidy for want of knowledge of the Scheme or clarity regarding its processes.
- (v) Appropriate policy decisions may be necessary to address the blocking of Permanent Advance with Non Cash Transfer Compliant consumers and recovery of Permanent Advance from consumers having a lower security deposit compared to it.

# Chapter 1 Introduction

## 1.1. Introduction

Liquefied Petroleum Gas (LPG) is a clean fuel. Government of India (GoI) has been subsidising the domestic supply of LPG to popularise the use of this fuel for domestic use and render it affordable to the domestic consumers. Traditionally, LPG was made available to domestic consumers by the Government of India owned Oil Marketing Companies (OMCs) at a subsidised price. The under-recoveries of OMCs arising from subsidising LPG were compensated partly through budgetary support from GoI and partly through subsidy given by upstream companies on purchase of crude. GoI introduced (15 November 2014) “Pratyaksh Hanstantrit Labh Yojana” (PAHAL (Direct Benefit Transfer for LPG) Scheme) for transferring the subsidy on LPG gas directly to the consumers. The Scheme is being implemented by three OMCs, viz., Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL) and Bharat Petroleum Corporation Limited (BPCL) through their network of LPG distributors. Considering the significance of the Scheme and its implementation, an audit was carried out for examination of the implementation of PAHAL (DBTL) Scheme.

## 1.2. Audit objective and scope

The audit objectives includes whether the implementation of the Scheme:

- Effectively removed incentive for diversion of LPG cylinders;
- Weeded out fake/duplicate LPG connections effectively;
- Provided for protecting entitlement and ensuring subsidy to the consumers;
- Effectively improved availability/delivery of LPG cylinders to genuine users;
- Allowed self-selection in subsidy (*i.e.*, subsidy giving up);
- Was carried out efficiently and in compliance with the laid down process.

Audit covered the implementation of the Scheme by the three OMCs for the period from 1 January 2015 to 31 October 2015.

## 1.3. Audit sample and sampling methodology

As on 31 October 2015, there were 16,781 LPG distributors in the country servicing 19.26 crore registered domestic LPG consumers. The OMC-wise LPG distributors and consumers are indicated in the table below:

**Table-1: Details of OMC-wise LPG distributors and consumers**

Particulars	IOCL	HPCL	BPCL	Total
Total number of LPG distributors	8,343	4,271	4,167	<b>16,781</b>
<i>Number of active LPG domestic consumers (in crore)</i>				
Aadhaar Cash Transfer Compliant (ACTC) consumers	4.17	2.08	2.25	<b>8.50</b>
Bank Cash Transfer Compliant (BCTC) consumers	2.82	1.58	1.55	<b>5.95</b>
Total Cash Transfer Compliant (CTC) consumers	6.99	3.66	3.81	<b>14.45</b>
Non-Cash Transfer Compliant (NCTC) consumers	0.83	0.40	0.48	<b>1.72</b>
<b>Total active domestic LPG consumers</b>	<b>7.82</b>	<b>4.06</b>	<b>4.29</b>	<b>16.17</b>
Number of other than active consumers	1.58	0.76	0.74	<b>3.09</b>
<b>Total registered domestic LPG consumers</b>	<b>9.40</b>	<b>4.82</b>	<b>5.03</b>	<b>19.26</b>
Cash Transfer Compliant to total active consumers (%)	89.34	90.08	88.75	<b>89.37</b>
Non-Cash Transfer Compliant to total active consumers (%)	10.66	9.92	11.25	<b>10.63</b>

Audit adopted risk based sampling and selected 34 *per cent* of the LPG distributors for further scrutiny.

The risk parameters considered for such selection were:

- Subsidy pay-outs pertaining to the distributor with *distributors accounting for higher subsidy pay-outs being considered as higher risk category.*
- The number of Bank Cash Transfer Compliant (BCTC) consumers with *distributors having a higher number of BCTC consumers being considered higher risk category since such consumers do not have the added safeguard of Aadhaar number check.*
- Changes made to name, address or bank account based on probability that *higher the frequency of changes, the higher the perceived risk.*
- Number of complaints with *higher number of complaints receiving the higher the risk.*
- Number of failed transactions<sup>1</sup>; *higher the number of failed transactions, higher the risk of consumers being deprived of advance or subsidy.*

While selecting the distributors, due consideration was given to representation of geographical regions in the sample. The database of each OMC was ordered zone-wise (north, south, east and west) and a sample of the top 34 *per cent* was selected. It was also ensured that distributors were in each OMC was represented in the sample to the extent the Company's market share. IOCL accounts for half the distributors while the other two OMCs have one-fourth share each and this ratio was maintained in the selection of sample.

<sup>1</sup> Any transaction which is returned/rejected by Bank/National Payment Corporation of India is classified as a Failed Transaction

The data obtained from the central servers of the three OMCs as on 31 October 2015 was ordered as per the above-mentioned risk parameters and the top 34 *per cent* distributors were selected.

Top one *per cent* of distributors (165 LPG distributors) were also selected for detailed verification at the distributors' end.

In the case of LPG consumers, audit examination was carried out on a sample of 11.89 crore domestic LPG consumers (comprising 9.94 crore active and 1.95 crore other than active consumers) coming under the selected 34 *per cent* distributors out of a total population size of 19.26 crore consumers. The details of the sample selected for examination in audit is given in the table below:

**Table-2: OMC-wise sample selected for audit**

Name of OMC	Number of LPG Distributors			Registered LPG domestic consumers (in crore)		
	Total	Selected	%	Total	Selected	%
IOCL	8,343	2,840	34.04	9.40	5.80	61.70
BPCL	4,271	1,460	34.18	4.82	3.25	64.61
HPCL	4,167	1,416	33.98	5.03	2.84	56.46
<b>Total</b>	<b>16,781</b>	<b>5,716</b>	<b>34.06</b>	<b>19.26</b>	<b>11.89</b>	<b>61.73</b>

#### 1.4. Audit criteria

The criteria for the audit was drawn from provisions of:

- i) Handbook on -'PAHAL' Pratyaksh Hanstantrit Labh Direct Benefits Transfer For LPG (DBTL) Consumers Scheme (version 2) published by Ministry of Petroleum and Natural Gas
- ii) Dhande Committee Report on Review of Direct Benefit Transfer for LPG Scheme (May 2014)
- iii) Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000 and Amendment's thereto vide Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2009.
- iv) Office Memoranda and Circulars issued by Ministry of Petroleum and Natural Gas and Petroleum Planning and Analysis Cell (PPAC) regarding implementation and operation of PAHAL (DBTL) Scheme.

#### 1.5. Audit methodology

The data from central server (being the central point of implementation of PAHAL (DBTL) Scheme) as provided by three OMCs in respect of 34 *per cent* LPG distributors was test checked and analysed in audit. Initially one *per cent* of the population of distributors as on 15 August 2015 was selected for audit scrutiny. Instances of multiple connections in this

sample necessitated detailed analysis of a larger sample size and hence, the sample size was subsequently increased to 34 *per cent* with the balance 33 *per cent* pertaining to data as on 31 October 2015. The data analysis was carried out with the help of Interactive Data Extraction and Analysis (IDEA) software.

Audit checked the uniqueness and correctness of customer database, adequacy of systems put in place by OMCs to ensure de-duplication, and correctness of the transactions relating to release of Permanent Advances and refill subsidy to Cash Transfer Compliant customers. Audit also conducted physical verification of records of 165 LPG distributors (one *per cent* of total population of LPG distributors) spread across the four regions of country and three OMCs to examine the procedures followed and documentation maintained at the distributors end. The sample of 'active consumers' were used for audit examination in general, while the data in respect of 'other than active consumers' in combination with the data in respect of 'active consumers' were used for specific checks on multiple connections.

Audit also attempted to validate the overall financial impact of the PAHAL (DBTL) Scheme as worked out by Ministry of Petroleum and Natural Gas and OMCs.

The draft audit report containing audit findings was issued to the three OMCs on 22 February 2016. Replies to the draft audit report were received in April 2016 (BPCL) and May 2016 (IOCL and HPCL), which were duly incorporated in this Report. The draft audit report was issued (June 2016) to the Ministry of Petroleum and Natural Gas (MoPNG). The reply furnished (June 2016) were also duly incorporated in this Report.

## Chapter 2

### PAHAL (DBTL) Scheme

#### 2.1. Introduction of Direct Benefit Transfer for LPG Scheme

In 2011, a Task Force was set up to suggest ways and means to tackle the problem of increasing under recoveries to OMCs and diversion of domestic subsidised cylinder to the commercial sector having bearing on subsidy outgo. The terms of reference of the Task Force included identification of a framework for direct transfer of subsidy to the consumers based on Aadhaar Number. The Task Force in its report (July 2011) recommended the implementation of LPG subsidy in three phases as follows:

Phase I: Impose cap on consumption of subsidised cylinders.

Phase II: Direct transfer of subsidy to consumers into Aadhaar enabled bank account

Phase III: Target segmented consumers to restrict subsidy only to intended beneficiaries.

Direct Bank Transfer for LPG (DBTL) Scheme was launched (1 June 2013) by GoI with a cap of nine cylinders to achieve efficient subsidy administration. This cap was revised to 11 in February 2014 and to 12 for 2014-15. The Scheme envisaged curbing pilferage in and diversion of domestic LPG distribution system of OMCs by effecting cash transfer of subsidy directly into the bank account of the eligible consumers. The Scheme envisaged payment of market price for the domestic cylinders by LPG consumers and the transfer of subsidy amount directly to consumer's bank account. Domestic LPG consumers were required as per the Scheme to link their Aadhaar Number and Bank Account Numbers with their LPG consumer ID to avail the subsidy on domestic LPG cylinders. The consumers who linked their Bank account and Aadhaar number to their LPG consumer ID were termed Cash Transfer Compliant (CTC) and were eligible to receive a one-time Permanent Advance (PA) of ₹435/- to enable them to pay market price of the first cylinder and subsequently the applicable subsidy amount on delivery of refills. The Scheme was implemented in 291 districts of the country.

#### 2.2. Suspension of DBTL Scheme

Having an Aadhaar number was a pre-requisite for availing subsidy under the DBTL Scheme. This led to consumer grievances, particularly in districts where Aadhaar penetration was low. The DBTL Scheme was suspended in March 2014 and a committee headed by Shri S. G. Dhande was constituted (March 2014) to review the functioning of the Scheme. Subsequently, on 15 November 2014, direct benefit transfer for subsidy on domestic LPG was re-introduced under the "Pratyaksh Hanstantrit Labh Yojana" (PAHAL (DBTL) Scheme).

### **2.3. Introduction of PAHAL (DBTL) Scheme**

The PAHAL (DBTL) Scheme was introduced on 15 November 2014 in 54 districts (1<sup>st</sup> phase) and subsequently extended to the remaining 622<sup>1</sup> districts on 1 January 2015 (2<sup>nd</sup> phase). Unlike DBTL Scheme, Aadhaar number was not mandatory for a consumer to avail of subsidy benefit under the PAHAL Scheme. An LPG consumer had the option of linking her/his bank account to her/his LPG consumer ID without quoting the Aadhaar number and receive subsidy in that bank account.

The PAHAL (DBTL) Scheme is being implemented by the Oil Marketing Companies (OMCs) through its network of LPG distributors who constitute the interface with consumers. The distributors maintain the LPG consumer database (containing the particulars of the domestic LPG consumer, including a unique LPG ID, name, address, date of birth, bank account details and Aadhaar number in case available) for the area earmarked for the distributorship and periodically synchronises the same to the central system maintained by the OMCs. The distributors deliver LPG cylinders in response to a request from the consumer at market prices and uploads proof of receipt by the consumer (indicating completion of the transaction) to the central system. The action for reimbursement of subsidy to the consumer is initiated by the OMC (central system) which sends the advice to the sponsor bank (State Bank of India) and onward to the National Payment Corporation of India (NPCI) enabled payment platform for crediting the bank account of the LPG consumer. The information regarding transfer of subsidy to the consumer is received by the central system of the OMCs who then prefer a subsidy claim with the Government for reimbursement.

### **2.4. Features of PAHAL (DBTL) Scheme**

- Objectives of PAHAL (DBTL) Scheme are:
  - a. Remove incentive for diversion.
  - b. Weed out fake/duplicate connections.
  - c. Protect entitlement and ensure subsidy to the consumer.
  - d. Improve availability/delivery of LPG cylinders to genuine users.
  - e. Allow self-selection in subsidy.
- The conditions for receipt of subsidy under the Scheme are as follows:

Consumers who wished to join the Scheme had to be Cash Transfer Compliant (CTC) to receive LPG subsidy amount and had two options:

  - **Option I (Primary):**

Wherever Aadhaar number is available; it would remain the medium of cash transfer. Thus, an LPG consumer who has an Aadhaar Number has to link it to their Bank account number and LPG consumer number. These

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<sup>1</sup> The Scheme was extended to all districts in the country on 01 January 2015. But OMCs were authorized to exclude some districts/part of district or distributors from the Scheme for reasons like connectivity issues, etc. with the prior approval of Ministry of Petroleum and Natural Gas.

consumers would be referred as **ACTC** (Aadhaar Cash Transfer Compliant) consumers.

▪ **Option II** (Secondary):

If an LPG consumer does not have an Aadhaar number, then he/she can directly receive subsidy in his/her Bank account without the use of Aadhaar number. These consumers would be referred as **BCTC** (Bank Cash Transfer Compliant) consumers.

- Domestic LPG consumers who have already joined the earlier DBTL Scheme by linking their Aadhaar number and Bank account number to the LPG database would not need to take fresh action for receiving subsidy since the subsidy would be transferred to their Bank accounts via Aadhaar number based on the previous seeding.
- In the districts where the Scheme has been launched, domestic LPG cylinders would be sold at market determined price (*i.e.*, price which does not include subsidy) from the date of launch of the Scheme.
- The total cash applicable on LPG cylinder ('total cash' is the difference between market determined price and the subsidised retail selling price as applicable on the date of delivery) would then be transferred to the Bank account of CTC consumer for each subsidised cylinder delivered up to the cap of 12 cylinders for the whole year as per his/her entitlement.
- Non-CTC consumers were allowed 3 months' grace period (up to 14 February 2015 for 1<sup>st</sup> phase and 31 March 2015 for 2<sup>nd</sup> phase) from the date of launch of PAHAL (DBTL) Scheme to become CTC. During this period, such consumers would receive their entitled cylinders at the then applicable subsidised retail selling price.
- After the grace period of three months, all non-CTC LPG consumers got an additional three-month parking period (*i.e.*, up to 14 May 2015 for 1<sup>st</sup> phase and 30 June 2015 for 2<sup>nd</sup> phase), during which time, the sale would be at market determined price for all LPG consumers. During this period, the CTC consumers would get their subsidy in their bank account and the subsidy pertaining to transactions of non-CTC consumers would be held back with the respective OMC. This withheld subsidy amount would be transferred to such LPG consumers who became CTC anytime during this parking period. The withheld subsidy amount relating to such LPG consumers who did not become CTC during the parking period would lapse and sale of refill cylinders to them would continue at market determined price till such time the consumer attains CTC status.
- A one-time permanent advance (PA) would be credited in the bank account of the consumer who joined the Scheme after booking of first refill. The advance would be notified, from time to time, and would be paid as soon as the consumer made the first

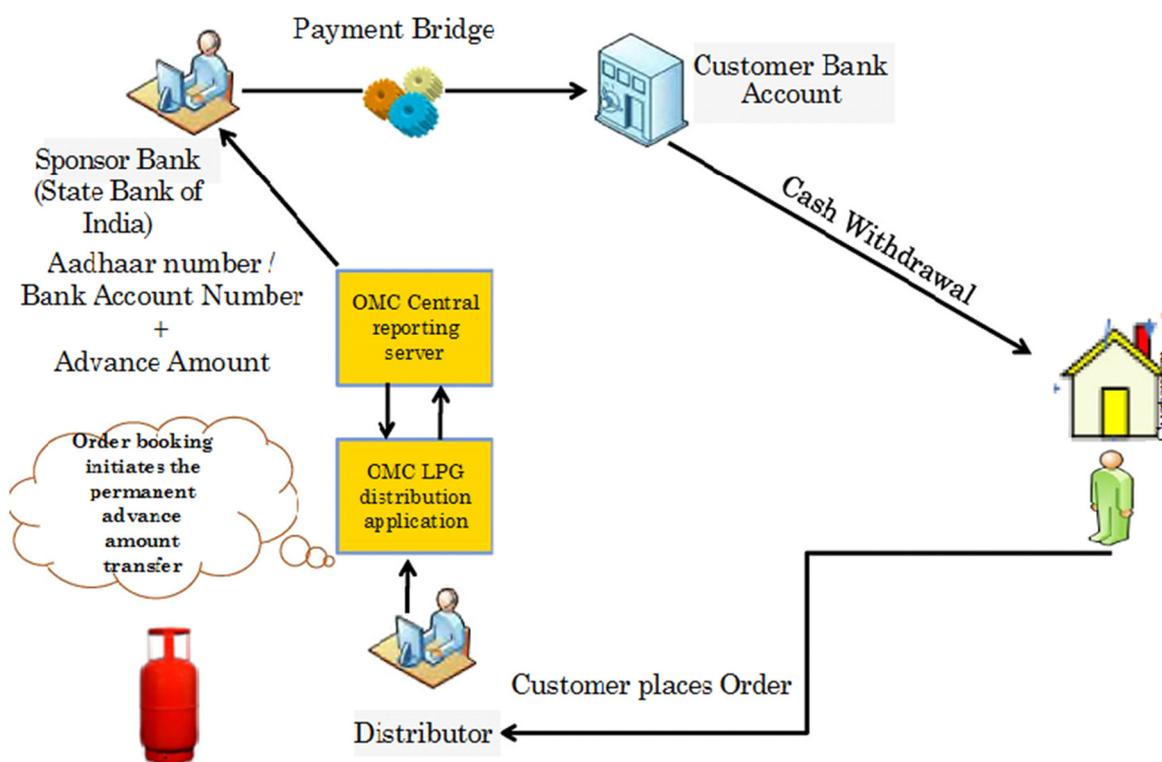
booking for a cylinder after joining the Scheme to ensure that the consumer had sufficient money required to pay for the first LPG cylinder. The PA amount was ₹568/- for the period 15 November 2014 to 31 March 2015. Thereafter, the PA amount has been revised every month and it varied from region to region<sup>1</sup>.

- LPG consumers who were provided permanent advance on a previous scale would not be eligible for any differential payment on account of the revision in the permanent advance

## 2.5. Payment process of the Scheme

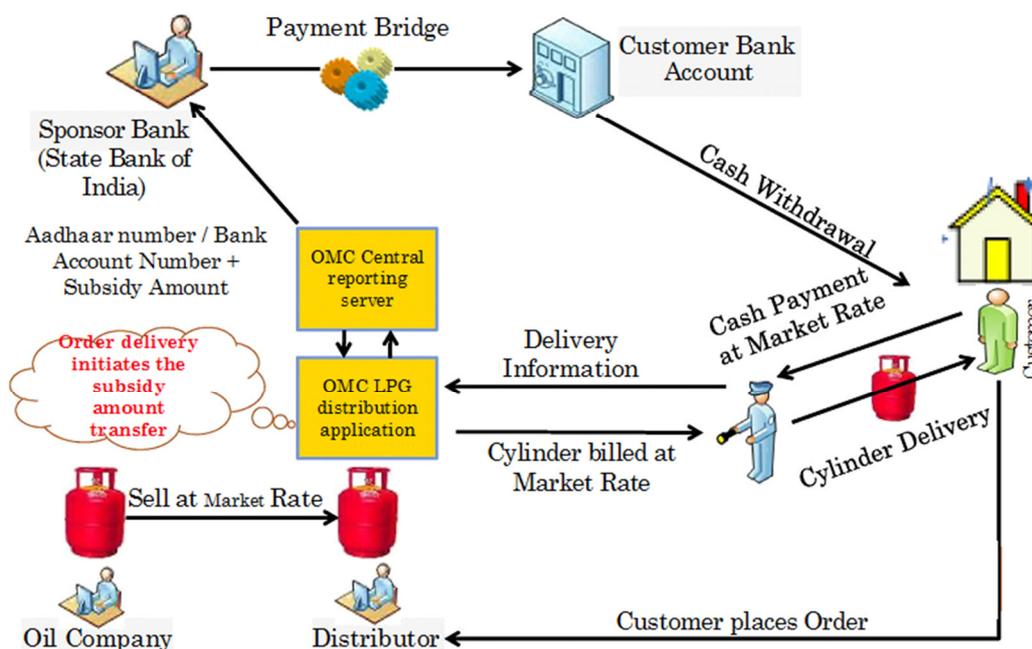
The process of transfer of advance and subsidy to the consumer under the Scheme is represented in the flow charts below:

**Figure-1: Transfer of one time cash advance (Permanent Advance)**



<sup>1</sup> Price varies from sales location to location depending upon transportation charges involved in view of distance from supply point and also State as well as local taxes applicable to that particular sales location.

Figure-2: Transfer of Refill Subsidy



## 2.6. Procedure for settlement of PAHAL (DBTL) claims of OMCs

OMCs were allowed to claim PA in respect of all CTC consumers at the time of launch of the Scheme, but subsequently PA claim was to be made only after disbursement for PA amount to the additional consumers that joined the Scheme. Similarly, OMCs were required to lodge claims with GoI, on quarterly basis, towards subsidy amount successfully transferred to the Bank account of the LPG consumers. However, while lodging such claim OMCs are not entitled to claim the entire subsidy amount transferred to the consumers. OMCs were entitled to claim subsidy amount only after deducting uncompensated cost<sup>1</sup>. Additionally, OMCs are also entitled to claim Project Management Expenditure<sup>2</sup> on quarterly basis, restricted to ₹50 lakh per district.

Ministry of Petroleum and Natural Gas (MoPNG/Ministry) vide letter dated 7 August 2015 introduced monthly settlement mechanism for PAHAL (DBTL) subsidy from the year 2015-16, wherein OMCs were required to open a separate Bank account called 'Buffer Account' for receiving the cash subsidy. OMCs then had to submit Audited statement of DBTL sales made on all India basis to Petroleum Planning and Analysis Cell (PPAC) that would scrutinize the sales figure communicated by OMCs and forward to the Ministry. MoPNG was

<sup>1</sup> Uncompensated cost are the cost elements such as import loss/non-revision loss etc. which are not included in the methodology of cost price determination as mentioned in the appendix attached to the scheme.

<sup>2</sup> Project Management Expenses includes Seeding expenditure, Software charges/upgrade, Expenditure on forms/SMS/seeding, Aadhaar generation camps, etc.

to process and send the proposal along with its recommendation to Integrated Finance Division (IFD) of MoPNG, which after examination would give its concurrence for release of cash subsidy applicable for each month. MoPNG would release the amounts to the Buffer Account of each OMC. Each OMC will be allowed to withdraw the subsidy amount from Buffer Account based on the quantity of LPG sold under PAHAL (DBTL) Scheme during the period. The status of various claims lodged by the OMCs with MoPNG under DBTL/PAHAL Scheme and the subsidy amount sanctioned by Government of India (GoI), for credit to Buffer Account is indicated in Annexure I.

In response to Chapter 10, MoPNG stated (June 2016) that Permanent Advance has been discontinued with effect from 1 April 2016. Department of Expenditure approved adjustment of ₹6702.96 crore of one-time cash incentive (Permanent Advance) paid by the OMCs in the year 2013-14 and 2014-15 to the consumers under the Scheme from the surplus available in the Buffer Account.

### **2.7. Coverage under the PAHAL (DBTL) Scheme**

The PAHAL (DBTL) Scheme intends to cover all domestic LPG consumers which stood at 16.17 crore serviced by 16,781 distributors as on 31 October 2015. Indian Oil Corporation Ltd. (IOCL) accounts for approximately half the market share with 7.82 crore consumers and 8,343 distributors. The other two OMCs cover the balance consumers with the market share divided nearly equally between them (*i.e.*, Bharat Petroleum Corporation Ltd. (BPCL) having 4.06 crore consumers serviced by 4271 distributors and Hindustan Petroleum Corporation Ltd. (HPCL) having 4.29 crore consumers serviced by 4167 distributors). Of the total of 16.17 crore domestic LPG consumers, 10.63 *per cent* have not joined the Scheme and were designated (31 October 2015) as Non Cash Transfer Compliant (NCTC) consumers. Of the 14.45 crore CTC consumers, 8.50 crore (59 *per cent*) were Aadhaar compliant (ACTC consumers). The balance 5.95 crore CTC consumers (41 *per cent*) had furnished only Bank account details and were BCTC consumers (31 October 2015).

### **2.8. IT Systems for implementing PAHAL (DBTL) Scheme**

The three OMCs (IOCL, BPCL and HPCL) had different IT systems and IT architecture for implementing the PAHAL (DBTL) Scheme. IOCL and HPCL had a de-centralised server architecture, a server at the distributor end and a central server with the OMC. The software used on the distributor servers of IOCL is Indsoft while the software used by HPCL is Distributor and Consumer Management System (DCMS). Each distributor maintains the consumer database pertinent to her/ his distributorship and carries out transactions on the server operating on the specified software system (Indsoft for IOCL and DCMS for HPCL).

In the case of IOCL, any consumer creation/change requests are received at distributor premises based on the consumer request and such requests get pushed to Central Server for execution. The Central Server authorizes such requests, executes them based on the business logic and creates/changes the consumer's data first at Central Server. Subsequently, the changes are percolated back to the distributor software along with the request execution status. This mechanism ensures no unauthorized change happens to consumer database at the distributor level and the Central Server always has first information on creation/change of customer details. The transaction data at the distributor end is synchronised with the central server at periodic intervals.

In the case of HPCL, any consumer creation/change requests are received at distributor premises based on the consumer request and action is taken in local DCMS system. Periodically, the requests gets synchronised to the central server. As per this process, all changes are made to consumer database at distributor level and then the data is synchronised to the central server on periodic basis. The central server is used for accumulation of transactions and for generating various periodic and MIS reports.

BPCL, on the other hand, has a single integrated centralised server which operates on software, LPGNext and maintains the consumer master data as well as the record of day to day transactions of the distributors on a real time basis.

## **2.9. Audit findings**

It may be noted that the magnitude of inconsistencies in data highlighted in the observations may not be material in terms of the number of cases or amounts involved when compared with the sample size checked in audit. However, the findings are reported to indicate the extent of achievement of the Scheme objectives and to highlight certain inconsistencies from system perspective so that the Scheme and the systems can be fine-tuned for even better delivery of services to LPG consumers. Audit is of the opinion that any beneficiary in a social security and welfare measure like PAHAL (DBTL) Scheme should not be denied of his/her legitimate benefit only because of inconsistency in data processing and management or in the framework within which it is being implemented.

The audit findings on each objective of PAHAL (DBTL) Scheme are grouped under the following chapters.

- Chapter 3: Removing Incentive for Diversion
- Chapter 4: Weeding out Fake/Duplicate Connections
- Chapter 5: Delivery of Cylinders to Genuine Users
- Chapter 6: Protection of Entitlement and Ensuring Subsidy
- Chapter 7: Self-selection in Subsidy

*Report No. 25 of 2016*

Chapter 8: Other Issues

Chapter 9: Savings in Subsidy through PAHAL (DBTL) Scheme

Chapter 10: Conclusion and Recommendations

## Chapter 3

### Removing Incentive for Diversion

#### 3.1. Increase in growth rate of commercial LPG and decline in growth rate of domestic LPG

LPG cylinders in the country are sold to three broad categories of consumers, viz., domestic consumers, non-domestic non-exempt (NDNE) consumers and auto LPG consumers. Audit compared the sales pattern of these three categories in terms of their growth in sales during the period from April to October 2015 (post implementation of the Scheme) against an identical period in 2014. The results are tabulated below:

**Table-3: Growth in sales across different categories of consumers during April-October 2014-15 vis-a-vis April-October 2015-16**

(In per cent)

Month	Domestic sale		NDNE packed sale <sup>1</sup>		Auto LPG sale	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
April	12.0	7.8	-13.3	41.2	-23.0	14.5
May	17.4	3.5	-11.0	37.0	-24.8	10.2
June	12.8	10.3	-11.1	28.3	-21.3	6.5
July	5.8	9.6	-15.8	38.8	-26.0	6.2
August	11.1	5.2	-13.3	43.7	-25.8	4.5
September	17.2	2.5	-3.7	40.0	-20.1	7.8
October	7.5	10.4	-9.9	66.3	-23.8	7.2

There has been a sharp growth in offtake of NDNE and auto LPG cylinders after introduction of PAHAL (DBTL) Scheme. The negative growth rate of NDNE and of auto LPG categories in the year 2014-15 turned positive in 2015-16 and NDNE sales rose significantly. This is accompanied by decline in the growth of sales in the domestic segment particularly after the end of the parking period of the Scheme, i.e., w.e.f. July 2015.

The changes in the sales pattern of the different consumer categories indicating an increase in offtake in the non-domestic segment vis-à-vis domestic segment could in the opinion of Audit be due to the positive effect of PAHAL (DBTL) Scheme since it has done away with dual pricing thereby curbing the incentive for diversion of domestic LPG cylinders for non-domestic use.

While replies of IOCL and HPCL (May 2016) were silent on this issue, BPCL agreed (April 2016) with the findings of Audit.

<sup>1</sup> Sale of LPG in filled cylinders is known as packed sale. In case of Non Domestic Non Exempt (NDNE) consumers sale of LPG is made either as packed sale (i.e., in cylinders) or as Bulk sale (i.e., through tankers- mainly to industrial consumers).

### 3.2. Large scale offtake of non-subsidised domestic LPG

A domestic CTC consumer is entitled to receive subsidy on 12 cylinders per annum under the PAHAL (DBTL) Scheme. A consumer can consume more than the quota of 12, but for the consumption in excess of 12 cylinders the consumer has to pay market prices and he/she would not be entitled to receive the subsidy. Considering that the national average consumption of domestic LPG cylinders per household was 6.27 in 2014-15, it may be reasonable to assume that the requirement of LPG in a household would not, in general, exceed 24 cylinders in a year (double the quota allowed for subsidy). Increase in offtake of non-subsidised LPG cylinders by domestic consumers prima facie points to positive outcome of the Scheme objective subject to removal of incentive for diversion.

Audit noticed a significant increase in the offtake of domestic non-subsidised cylinders during the year 2015-16 compared to 2014-15 in the 34 *per cent* sample examined in audit. The number of domestic consumers consuming more than 24 LPG cylinders during the first seven months of 2015-16 (April to October 2015) exceeded the corresponding numbers for the entire year of 2014-15 by 261.34 *per cent* as shown below.

**Table-3: Details of offtake of non-subsidised domestic LPG cylinders during April-October 2014-15 vis-à-vis April-October 2015-16**

Name of OMC	No. of active LPG domestic consumers who consumed more than 24 cylinders during 2014-15	No. of active LPG domestic consumers who consumed more than 24 cylinders in the first seven months of 2015-16 (April to October 2015)
IOCL	1,506	5,056
HPCL	353	1,332
BPCL	1,211	1,635
<b>Total</b>	<b>3,070</b>	<b>8,023</b>
<b>Percentage increase in consumption</b>		<b>261.34</b>

Thus, the number of domestic consumers consuming more than 24 cylinders in the first seven months of 2015-16 is 2.6 times that of the entire year of 2014-15. It was also noticed in audit that 23,104 number of domestic consumers (with a minimum consumption of 12 cylinders during 2014-15) in IOCL, 5,662 in HPCL and 7,993 in BPCL had consumed more than 12 cylinders and their consumption during the first seven months of 2015-16 was higher than that of the entire year of 2014-15.

Audit would however highlight the risk associated with higher consumption of domestic non-subsidised LPG cylinders since there is a significant price difference between the price of commercial and domestic non-subsidised LPG on account of additional duties and levies (*i.e.*, customs duty, excise duty, and value added tax differentials). Considering the duty differential, an equivalent 14.2 kg LPG cylinder would cost ₹233.20 higher for the

commercial consumer *vis-à-vis* the domestic non-subsidised consumer (at prices applicable to Mumbai in October 2015). This difference was much higher than the price difference between subsidised and non-subsidised domestic LPG cylinder, which in October 2015 stood at ₹ 99.86. There is, therefore, the risk of diversion of non-subsidised domestic LPG for commercial uses.

The OMCs, in their reply (April/May 2016), stated that the consumers have not consumed more than 12 subsidised cylinders in the prescribed period, which is the capping limit as per control order. HPCL further stated that the consumers had taken more cylinders as their consumption is high and that distributors have been advised to monitor such consumers to establish their genuineness. BPCL added that the cases where the consumption has been very high were reticulated consumers with a higher quota based on the number of households.

The reply of BPCL is factually incorrect as Audit had specifically filtered the sample data to weed out reticulated consumers. The contention of the OMCs that the cap of 12 subsidised LPG cylinders has not been exceeded is well appreciated. However, the need to address the possibility of diversion of non-subsidised domestic cylinders to commercial consumers, given the significant price difference between the two is reiterated.

In response to the conclusion made in Chapter 10 on the above aspects, MoPNG stated (June 2016) that sale of commercial LPG cylinders registered a growth rate of 39.3 *per cent* in the period from April 2015 to March 2016 compared to the corresponding period last year, while that of domestic LPG cylinders registered only 7.1 *per cent* growth. This might be attributable to curtailing diversion of domestic subsidized LPG with the implementation of PAHAL (DBTAL) Scheme.

The reply is to be viewed against the fact that though there was growth in commercial LPG cylinders, there was also significant growth registered in respect of domestic non-subsidised cylinders during the year 2015-16 as compared to 2014-15. Such being the case, Audit highlighted the risk associated with higher consumption of domestic non-subsidised LPG cylinders in view of the price difference between the commercial and domestic non-subsidised LPG.

**Audit noticed a marked growth in sale of LPG cylinders to commercial consumers post implementation of PAHAL (DBTL) Scheme. However, there has also been a sharp increase in offtake of domestic LPG cylinders not entitled to receive subsidy, which increases the risk of diversion, particularly considering the significant price difference between domestic LPG cylinders not entitled to receive subsidy and commercial LPG cylinder on account of differential taxes and duties levied on the two categories of consumers.**

## Chapter 4

### Weeding out Fake/Duplicate Connections

The LPG Control Order, 2000 (as amended) permits single LPG cooking gas connection to a household and restricts possession of more than one LPG connection by a household under the public distribution system. Each domestic LPG connection has a unique consumer ID with uniqueness maintained across all three OMCs. The parameters recorded in the domestic LPG consumer database include, *inter alia*, the name, address, Aadhaar number and Bank account number. Multiple connections arise when two or more LPG consumer IDs are found linked to the same consumer which can be identified through identical Aadhaar number, Bank account number, Name and Address. To implement the control order and restrict subsidy outgo, it is necessary to identify multiple connections receiving subsidy on LPG and take necessary steps for blocking/terminating such connections.

Audit checked the existence of multiple connections of consumers in a sample covering 34 *per cent* of distributors. The de-duplication exercise was conducted by Audit on the basis of the following parameters:

- ‘Same Aadhaar number’,
- ‘Same Bank account number and IFSC<sup>1</sup>’,
- ‘Same Name and Same Address’,
- ‘Same Name, Date of birth and Registered mobile number’.

Audit findings on multiple LPG connections on the basis of the analysis using the above criteria are discussed below:

#### **4.1. Identification of multiple connections on the basis of same Aadhaar number and same Bank account number**

With introduction of the PAHAL Scheme, consumers necessarily need to link their bank account details with the LPG consumer database in order to avail subsidy. In case the consumer has an Aadhaar number, this should also be linked to the consumer database. Such consumers are designated as Cash Transfer Compliant (CTC) consumers who become eligible for transfer of subsidy to their designated bank account.

To ensure identification of multiple connections, OMCs started a de-duplication exercise in May 2013 within their respective databases (intra OMC de-duplication) on the basis of Aadhaar number. Post introduction of PAHAL, the OMCs also introduced an inter-OMC de-duplication exercise on Aadhaar number which started in May 2014. Later Bank IFSC and account number de-duplication was also included in 2015.

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<sup>1</sup> IFSC stands for ‘Indian Financial System Code’

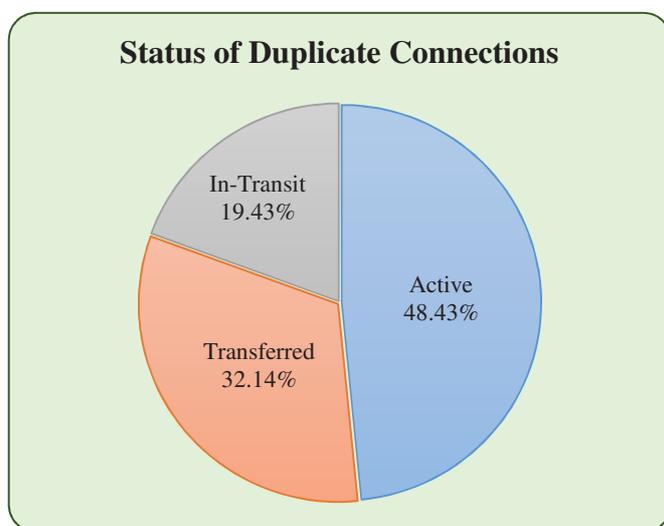
Considering the fact that OMCs have been carrying out intra and inter OMC de-duplication on Aadhaar number and Bank account number, multiple connections were not expected in the consumer database received by Audit from the OMCs. However, Audit noticed instances of multiple connections in the sample selected (34 per cent distributors of the OMCs).

#### 4.1.1. Intra OMC de-duplication

Audit noticed multiple LPG connections having the same Aadhaar number and bank account number in the respective databases of the OMCs. It was seen that in some cases, one of the multiple connections remained 'active' while the other connections were indicated as 'transferred' or 'in-transit'. Subsidy in these cases was paid only for the 'active' connection even though the risk of the consumer availing of such subsidy in future could not be ruled out. Where two or more of the multiple connections were 'active', the cylinders continued to be delivered and subsidy transferred in respect of these 'active' multiple connections.

(i) **Multiple connections having same Aadhaar number** - It was noticed that the sample checked in HPCL had 1400 LPG consumers linked with 700 Aadhaar numbers indicating duplicate connections. The break-up of these duplicate connections is indicated in the Pie Chart below.

**Figure-3: Break-up of duplicate LPG connections in HPCL**



As seen from the Chart, the status of nearly half of the duplicate connections, *i.e.*, 48.43 per cent was "Active", while 32.14 per cent and 19.43 per cent of duplicate connections have 'transferred' and 'in-transit' status respectively. All these duplicate connections could avail supply of subsidised refills and thus get undue benefit.

The sample checked in BPCL did not indicate any multiple 'active' connections linked with the same Aadhaar number.

The data made available (December 2015/January 2016) by IOCL indicated presence of multiple connections for the same Aadhaar number. However, IOCL in reply (April/May 2016) clarified that the data provided to Audit had been from a Data warehouse (Sybase IQ) and that these multiple connections have been weeded out from the Oracle production data by applying a unique constraint on the Aadhaar number field. The contention of IOCL has been verified by Audit and found acceptable. As such, multiple connections for the same Aadhaar number were not seen in the production server of IOCL. It however needs to be noted that

when sample data was solicited from IOCL, the accurate set of data ought to have been provided to Audit. Besides, the rationale behind maintenance of different data for the same set of consumers in multiple databases was not clear to Audit.

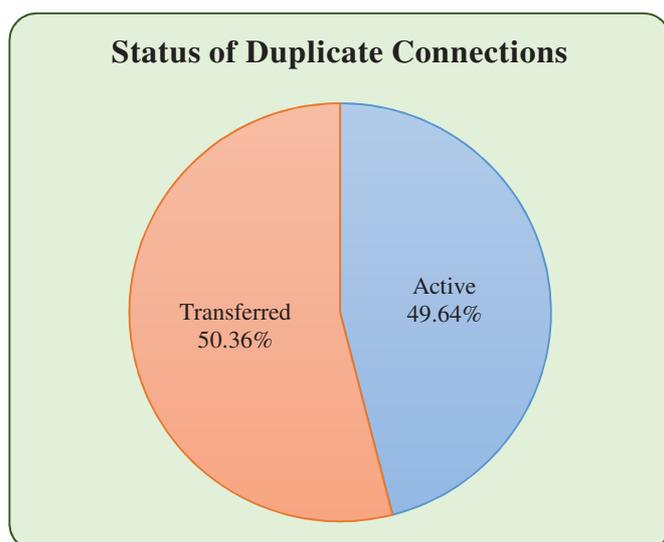
HPCL in its reply (April/May 2016) stated that in respect of duplicate connections identified, the duplicate consumers have been terminated and payment of subsidy has been stopped. Further, the Aadhaar number was said to have been corrected and show cause notice issued to distributors for wrong seeding.

Audit noted that HPCL has accepted the audit observation and initiated remedial action in cases where both the duplicate connections were 'active'. It is stressed that in other cases where only one of the duplicate connections was 'active' and the other was 'transferred' or 'in-transit', the possibility of future duplicate subsidy pay-outs could not be ruled out. Specific safeguards in this regard are essential to forestall such future eventuality.

**(ii) Multiple connections having the Same Bank IFSC and Same Bank Account Number**

In the sample selected from IOCL database, 43,323 LPG consumer IDs were found linked with 21,504 bank IFSC and Bank account numbers. Audit noticed instances where more than two connections were linked to the same bank IFSC and Same Bank account number. This included four distinct bank accounts linked with 12 active LPG consumer IDs, two cases where a bank account was linked to 11 and 16 'active' LPG IDs respectively. The break-up of the duplicate connections is indicated in the Pie Chart below.

**Figure-4: Break-up of duplicate connections (IOCL)**



As seen from the Chart, 49.64 per cent of duplicate connections were "Active", while remaining 50.36 per cent of duplicate connections were having 'transferred' status. All these duplicate connections could avail supply of subsidised refills and thus get undue benefit.

In the sample selected in HPCL, 14,198 LPG consumer IDs were found linked with 6,614 bank IFSC and account numbers. In the case of HPCL also, Audit noticed instances where more than two connections were linked to the same bank IFSC and same bank account number. Further scrutiny revealed that out of 7,584 duplicate connections, 7,561 connections (99.70 per cent) were having "Active" status while remaining

23 connections were having “Transferred/In-Transit” status. These duplicate connections could avail supply of subsidised refills and thus get undue benefit.

The sample checked in BPCL did not indicate multiple active LPG connections having same bank IFSC and same bank account number.

IOCL in its reply (April/May 2016) stated that at the time of commencement of PAHAL (DBTL) Scheme, no restriction had been imposed on seeding same bank account for multiple consumers. Considering that the above system was prone to misuse, de-duplication exercise with bank account number as a unique field was subsequently carried out on intra and inter-company basis. After analysis of the data, OMCs started blocking multiple connections identified on the basis of same bank account in the month of May 2015. Presently, one to one relationship between bank’s account number and LPG consumer ID (for domestic category only) has been enforced. However, there were NDEC<sup>1</sup> consumers, for whom field officers were authorized to approve request for connecting multiple connections to same bank IFSC and account number, after field verification.

HPCL replied (April/May 2016) that these cases were due to:

(i) Multiple connections with consumers having connections in both/other distributors that have now been blocked,

(ii) Few consumers were Aadhaar Cash Transfer Compliant consumers with common bank account seeded against two consumers due to erroneous entries by bank and absence of de-duplication/validation check in the earlier phases of Scheme implementation. Such consumers have now been asked to seed the correct Aadhaar number in their bank accounts. In some cases, distributor was said to have taken action by re-seeding the revised bank details in their system. HPCL further stated that all duplicate bank accounts as identified by Audit, have been blocked and were being activated only after due verification, on a case to case basis, as some accounts might be valid, in case of beneficiaries being joint account owners or consumers with different households. Such consumers were being advised to provide individual account numbers. HPCL assured to complete this exercise by 31 May 2016.

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<sup>1</sup> Non-Domestic Exempt Category (NDEC) consumers include hospitals, hostels, supplies for Mid-day Meal schemes, Government Office canteens, Messes of Police, Border Security Force(BSF),Central Industrial Security Force (CISF), Defence Establishments, charitable institutions, etc. NDNE customers are not eligible for subsidy on LPG cylinders.

The reply of the OMCs is to be viewed in the light of the following:

- The IOCL contention that one to one relation of bank IFSC and bank account number and consumer ID has been ensured is not acceptable as the multiple connections identified by Audit pertain to January 2016, much after May 2014 the date from which Management stated that blocking of multiple connections had been implemented. Besides only domestic LPG consumer database has been considered by Audit and thus the possibility of inclusion of NDEC consumers as stated in reply was remote.
- The corrective action taken by HPCL at the instance of Audit is noted.

Audit reiterates the need for ensuring that a single bank IFSC and bank account number is mapped to a single LPG consumer ID. Besides, there is a need for addressing the significant number of multiple connections designated as ‘transferred’ where the possibility of payment of subsidy in future cannot be ruled out.

**(iii) Identification of duplicate connections on the basis of same name and address**

National Informatics Centre (NIC) commenced a de-duplication exercise in June, 2012 on two parameters, *namely*, Same Name Same Address (SNSA) and Different Name Same Address (DNSA) in order to identify households with duplicate connections. Since July 2015, this de-duplication was carried out online and on a real time basis for new LPG connections.

For carrying out the de-duplication on the specific parameters of name and address, NIC obtained the data from the three OMCs and converted it into a unified format, standardised the same and determined the sufficiency of the available information against name and address to carry out the de-duplication exercise. A “fuzzy logic” algorithm was then used to segregate consumers into ‘Same Name Same Address’ (SNSA) and ‘Different Name Same Address’ (DNSA) categories with a sub-category of near and far under each. The result of the de-duplication exercise was periodically communicated to the OMCs as a ‘suspect list’ for further verification of ‘Know Your Customer’ (KYC<sup>1</sup>).

Considering that the de-duplication exercise has been carried out (since July 2015) by NIC on a real time basis, it could be expected that the database provided by the OMCs would not have any duplicates on these parameters (SNSA and DNSA). Audit scrutinised a sample of 34 *per cent* of the distributor database on SNSA and found a number of exact matches (100 *per cent*) of same name and same address. This was noticed in all the three OMCs, the details of which are as given below:

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<sup>1</sup> Know Your Customer (KYC) consists of information on POA- Proof of Address and POI- Proof of Identity with supporting documents.

**Table-4: Details of SNSA duplicates across OMCs**

Name of OMC	Number of consumers with SNSA	Number of LPG connections linked to consumers in Column 2
(1)	(2)	(3)
IOCL	6,364	13,949
HPCL	586	1,193
BPCL	8,935	19,587
<b>Total</b>	<b>15,885</b>	<b>34,729</b>

Audit considered only 'active' LPG consumers while identifying multiple connections bearing same name and address.

The OMCs replied (April/May 2016):

- IOCL stated that by visually checking the list provided by Audit, it could be inferred that the data available in the 'address' field was not sufficient in many cases to identify the connection as SNSA. For these consumers whose addresses were insufficient, KYC need to be completed only after which, de-duplication results would show the correct 'suspect list'. They further informed that the connections identified by Audit have been blocked from the central server so that fresh KYCs could be accepted from the consumers concerned and only upon field verification, would they be regularized.
- BPCL stated that the legacy data that has been migrated into current system did not had the complete name and address and with this limited data, it was not possible to conclude whether these were multiple connections. KYC for these consumers need to be completed and only then, it could carry out the de-duplication process.
- HPCL stated that all the cases identified by Audit have either been corrected or blocked.

As can be seen from the responses, the OMCs have stressed the insufficiency of information in the 'name' and 'address' fields which renders the de-duplication exercise by NIC incomplete. Therefore, there is an urgent need for correction of the consumer database to ensure accurate consumer information for an efficient de-duplication of the consumers, considering that the de-duplication exercise was started as early as June 2012.

The corrective action taken by HPCL at the instance of Audit is noted.

**(iv) Identification of multiple connections on the basis of Name, Date of Birth, Registered Mobile Number of consumers**

The de-duplication exercise carried out by NIC has been on two essential parameters, *namely*, 'name' and 'address' of the consumer. The OMCs also carried out intra and inter OMC de-duplication on Aadhaar number and Bank IFSC and Bank account number. Audit considered

a different combination of parameters to verify the existence of multiple connections in the database. The parameters considered by Audit were 'Same Name, Same Date of Birth (DOB)' and 'Same Registered Mobile Number'. This combination of parameters was chosen as it was expected that a combination of these three parameters is highly likely to be unique to an individual. A check of such combination in the 34 per cent of the selected sample indicated presence of multiple connections as tabulated below. Audit considered only 'active' consumers for the analysis.

**Table-5: Break-up of connections having Same Name, DOB and Mobile Number across OMCs**

Name of OMC	Number of consumers with common parameter	Number of LPG connections available with consumers at Column 2
(1)	(2)	(3)
IOCL	6,322	13,163
HPCL	4,830	11,128
BPCL	19	38
<b>Total</b>	<b>11,171</b>	<b>24,329</b>

The OMCs replied (April/May 2016) as follows:

(i) IOCL stated that many of the suspects in the list provided by Audit have same name but different address and hence these connections were not identified in the current de-duplication system of NIC. IOCL further stated that as per present de-duplication process, mobile numbers were not used to identify a suspect. Besides, the Date of Birth (DOB) was not properly captured in the system because legacy data had been migrated into the current system without cleansing the data and thus DOB could not be used as a field for de-duplication. IOCL, while accepting that the above combination may lead to identification of multiple suspected connections, further informed that on field verification of the cases shared by audit, they found that:

- a) Some cases were genuine.
- b) Dummy data was uploaded by the distributor in some cases, since mobile number and DOB were mandatory fields.
- c) Wherever there were multiple connections, the Company assured that action was being taken.

(ii) BPCL pointed out that the number of cases identified by Audit were very few. It was also stated that a separate master of mobile numbers was being updated and the legacy mobile numbers were no longer in use. BPCL also stated that DOB captured in the database was not reliable for carrying out de-duplication.

(iii) HPCL informed that all consumers with same name and different connections with the same distributor have been blocked and after verification of multiple connections, all duplicate connections shall be terminated. It was further explained that the consumers were from rural areas with common names and the distributor had uploaded common dates of birth while registering the consumers. Further, the cylinder booking was stated to have been done by consumers, from the same number as they were not conversant with the Interactive Voice Response System (IVRS) of the OMCs. HPCL assured to carry out corrections in the dates of birth, mobile numbers and to train the users on IVRS usage.

The replies of the OMCs need to be viewed in light of the following:

- (i) All the three OMCs have highlighted the poor quality of the database, particularly the date of birth and the mobile number of the LPG consumer. There is a need for maintaining integrity of the database before de-duplication is done to weed out multiple connections.
- (ii) Audit has carried out its analysis on the database provided by the OMCs. In case BPCL has a different database for mobile number of consumers, the same ought to have been made available to Audit rather than the incorrect legacy data.
- (iii) The replies of IOCL and HPCL imply that distributors were permitted to seed dummy data or own data in the consumer database at least in some cases. Therefore, remedial measures need to be urgently put in place to ensure accuracy of the database. However, the corrective action taken by HPCL at the instance of Audit is noted.

**4.1.2. Inter OMC de-duplication**

The three OMCs maintain distinct consumer databases and hence the need to check for multiple LPG connections across OMCs.

**(i) Multiple connections having same Aadhaar number**

In the selected sample of 34 per cent, Audit noticed that there were multiple connections having the same Aadhaar number across different OMCs which were ‘active’. It was seen that 74,180 LPG consumer IDs had been linked to 37,090 Aadhaar numbers indicating multiple connections, details of which are tabulated below:

**Table-6: Details of connections having same Aadhaar number across OMCs**

Combination of OMCs	No. of Aadhaar numbers	No. of LPG unique consumer IDs
HPCL & IOCL	13,698	27,396
IOCL & BPCL	10,640	21,280
BPCL & HPCL	12,752	25,504
<b>Total</b>	<b>37,090</b>	<b>74,180</b>

Audit also noticed that 23 Aadhaar numbers were linked to 69 'active' domestic LPG IDs in all the three different OMCs (one LPG ID in each OMC).

The OMCs replied (April/May 2016) as below:

- IOCL stated that the Aadhaar lookup was done for every consumer before subsidy payment for intra and inter OMC de-duplication against Aadhaar numbers.
- BPCL stated that inter OMCs online de-duplication for Aadhaar and bank account numbers was presently being carried out and that the cases quoted by Audit were the ones where the transfers were made prior to the commencement of this de-duplication process. The Company also informed that only the oldest connection has been retained on identification of multiple connections with the others being blocked.
- HPCL assured that the duplicate consumers identified by Audit have been blocked and unblocking was being done only after surrender of the duplicate connection of another OMC.

The reply of the OMCs (April/May 2016) is to be viewed in the light of the following:

- (i) The contention of IOCL that Aadhaar lookup would identify duplicates is not tenable as the lookup table was specific to IOCL database and could not identify duplicates across OMCs. This was borne out by the existence of multiple domestic 'active' connections across different OMCs, as reported by Audit.
- (ii) The response of BPCL that the instances reported by Audit pertained to the period prior to the inter OMC de-duplication process is not accurate as the database considered by Audit pertains to 31 October 2015 whereas the inter-OMC de-duplication commenced in May 2014.
- (iii) Corrective action taken by HPCL at the instance of Audit is noted.
- (iv) It is also important to note that while the web service recently introduced by the OMCs for identification of duplicate Aadhaar numbers (across all OMCs) would act as a check for prospective consumers, it would not detect duplicates in the existing database of the OMCs for which specific efforts need to be undertaken to weed out such duplicates.

**(ii) Multiple connections having same bank IFSC and Bank account number**

Audit noticed instances of multiple connections having same bank account across OMCs. In the selected sample, 17,694 'active' LPG consumer IDs were noticed against 8,847 bank IFSC and bank account numbers indicating multiple connections. The details are tabulated below:

**Table-7: Details of multiple connections having same bank IFSC and account number across OMCs**

Combination of OMCs	No. of bank accounts	No. of LPG unique consumer IDs
HPCL & IOCL	3,471	6,942
IOCL & BPCL	3,010	6,020
BPCL & HPCL	2,366	4,732
<b>Total</b>	<b>8,847</b>	<b>17,694</b>

Audit also observed that 21 Unique LPG IDs that were active have been linked with 7 bank IFSC and account numbers across the three OMCs.

IOCL stated (April/May 2016) that they carried out online de-duplication process on the data provided by Audit upon which 5710 records were found to be still duplicate. These bank accounts have been deseeded and the connections have been blocked.

BPCL stated (April 2016) that inter-OMC multiple connections were being identified presently and action initiated and that the instances highlighted by Audit pertained to the period prior to the inter-OMC de-duplication process.

The corrective action taken by IOCL at the instance of Audit is noted. The reply of BPCL, however, is not tenable as Audit had identified duplicate bank IFSC and account numbers across OMCs in the database pertaining to 30 October 2015, after the commencement of inter-OMC de-duplication exercise in May 2014. Meanwhile, HPCL did not specifically reply to this issue (May 2016).

#### **4.2. Status of action taken by OMCs on multiple connections identified**

Multiple LPG connections were identified through de-duplication exercise on the basis of 'name and address' carried out by NIC and on 'Aadhaar number and bank IFSC and bank account number' carried out by the OMCs. The suspect list of multiple connections received from NIC was first verified by the OMCs against information submitted by these consumers as part of KYC procedures along with proof of identity and address. If the connections were established as multiple, the first connection was retained and all subsequent connections taken by the consumer were blocked. No cylinder was delivered or subsidy transferred on blocked connections. Such blocked connections, however, could later be un-blocked based on the revised/corrected KYC submitted by the consumer to prove that the blocked connection was a unique one. In case multiple connections were identified by OMCs themselves, the blocking of duplicate connections was done immediately without waiting for verification of information supplied as part of KYC procedure.

OMC-wise status of multiple connections identified, blocked, regularised and terminated since commencement of de-duplication exercise from June 2012 and up to 30 October 2015 was as under:

**Table-8: Multiple connections identified, blocked, regularised and terminated from June 2012 and up to 30 October 2015 across OMCs**

(In numbers)

Name of OMC	No. of suspected multiple connections identified	No. of connections blocked	No. of connections regularised after submission of KYC	No. of connections terminated
IOCL	2,67,06,353	64,40,445	77,21,680	2,02,869
HPCL	69,86,654	18,73,936	46,26,931	41,485
BPCL	1,10,67,453	15,10,351	77,12,503	5,712
<b>Total</b>	<b>4,47,60,460</b>	<b>98,24,732</b>	<b>2,00,61,114</b>	<b>2,50,066</b>

The analysis of the table above indicated the following:

- While 4.48 crore multiple connections were identified by OMCs from June 2012 to 30 October 2015, only 0.98 crore connections remained blocked with 2.01 crore connections having been regularised after submission of KYC forms by the consumers. Only limited number of connections, *i.e.*, only 2.50 lakh, (till October 2015) have actually been terminated on this account. The majority of the connections which had been blocked due to suspected multiple connections have, thus, been subsequently un-blocked.
- A connection could be blocked for reasons other than being a suspected multiple connection. Yet, against 4.48 crore connections suspected to be multiple connections, the total number of blocked, regularised and terminated connections was only 3.01 crore (as on 30 October 2015) indicating that in respect of 1.46 crore connections, blocking, regularising or termination had not been carried out.

The OMCs in their reply (April/May 2016) confirmed that all suspected multiple connections were not blocked. BPCL and IOCL pointed out that the 'Different Name Same Address' (DNSA) category of consumers was not blocked by the OMCs. IOCL also stated that in their modified process, all inactive connections would be included in the category 'blocking due to multiple connections'.

As per the response of the OMCs, the DNSA category of suspected multiple connections identified by NIC were not blocked. As such, rectification measure was not taken by the OMC to verify these DNSA connections identified. The practice of considering all inactive connections as being blocked due to multiple connections, as indicated by IOCL would give an incorrect picture of action taken by the OMCs on identified multiple connections.

#### 4.3. Process of blocking and un-blocking connections

Audit assessed the process of blocking and subsequent un-blocking of LPG connections in the 34 *per cent* sample selected. It was noticed that though a majority of blocked connections were eventually un-blocked, the reasons for blocking and un-blocking and the dates of blocking and un-blocking of the connections were not sufficiently documented.

- In IOCL, 57.95 lakh connections had been blocked, of which 30.81 lakh (53.16 *per cent*) were subsequently un-blocked. The date of blocking had not been recorded in 24.04 lakh cases (41.48 *per cent*) and in another 6.71 lakh cases (11.58 *per cent*) an invalid date (01/02/1900) was recorded. The date of un-blocking was also reported incorrectly as 01/02/1900 in 9.62 lakh of the connections (31.22 *per cent*) un-blocked. Besides it was seen that reasons for un-blocking had not been recorded in any of the 30.81 lakh cases un-blocked.
- In HPCL, 1.09 crore connections had been blocked, of which 67.07 lakh connection (61.53 *per cent*) was subsequently un-blocked. The date of blocking was not mentioned in 68.14 lakh cases (62.51 *per cent*) while the date of un-blocking had an invalid date in 320 cases. The reason for blocking was not indicated in 74.19 lakh cases (68.06 *per cent*) blocked while 19.37 lakh of connections un-blocked (28.88 *per cent*) indicated reasons for un-blocking as 'others'.
- In BPCL, 47.14 lakh connections had been blocked of which 31.06 lakh connections (65.88 *per cent*) have been subsequently un-blocked. The date of blocking was not mentioned in case of 4.93 lakh connections (10 *per cent*), while the date of blocking and reasons thereof was not mentioned in 0.67 lakh cases. In case of 17.15 lakh connections (36 *per cent*) blocked cases, reason for blocking was recorded as 'others'.

Field audit of the blocking and un-blocking process in the selected one *per cent* of distributors (165 distributors) indicated that:

- In 27 cases, connections were un-blocked on the basis of termination voucher of another OMC indicating the closure of the duplicate connection. In such cases, though the Permanent Advance of terminated connection was recovered, the additional subsidy availed due to multiple connections was not recovered. Considering that the number of subsidised cylinders which has been consumed by a consumer was indicated on the termination voucher, this ought to have been adjusted against the continuing LPG connection.

The OMCs replied (April/May 2016) to Audit on the following lines:

- (i) IOCL stated that the actual date of blocking and un-blocking was determined from a separate table (TBL\_ADMIN\_ACTION) rather than the table made available to Audit for analysis (MST\_CONSUMER). It was also stated that the centralised Indsoft

System was populated from legacy data and the data corresponding to 'new' blocking and un-blocking had been investigated and found to be correct.

- (ii) HPCL stated that blocking and un-blocking of connections were carried out in the system through various sources like directly at distributor level, blocking by Sales Officers through Web application and central blocking of bulk customers. The date of blocking and un-blocking was a system stamp data and captured automatically in system. It was also assured that consumers were being unblocked by distributors only after obtaining necessary KYC documents and on surrender of duplicate connections, if any.
- (iii) BPCL stated that prior to 2013, data was maintained in the decentralised distributor server and for these cases there was a possibility of date of blocking not being recorded in the system. After migration to the centralised server, system logs were maintained for capturing the blocking and un-blocking dates. It was added that post migration, the reasons for blocking were maintained at an optimum level and reasons, codes not found notionally relevant were clubbed under 'others'.
- (iv) The OMCs acknowledged that at present there is no system for adjustment of subsidised refill consumed by a consumer through multiple connections. However, the Audit suggestion for clubbing consumption of multiple connections at the time of surrender was well taken and would be incorporated during subsequent development.

The replies of the OMCs need to be considered in the following context:

- (i) The IOCL contention regarding existence of different sets of databases with different values for dates of blocking and un-blocking is subject to risk. 'Date' being a specific field data ought to be captured at a single point, automatically, by the system and populated in all relevant tables. It is unclear why different values exist for the same field in different tables and needs to be appropriately addressed.
- (ii) While appreciating the steps being taken by HPCL for ensuring automatic capture of the dates of blocking and unblocking, further action is required for presenting accurate and transparent documentation regarding blocking and un-blocking of connections in the light of significant number of cases noticed by Audit without essential details.
- (iii) While the problems with legacy data as indicated by BPCL is appreciated, there is a need for its correction now, particularly considering that the migration to the centralised system had taken place in 2013. Considering that the reason for blocking of as many as 17.15 lakh consumers in the 34 *per cent* sample checked have been recorded as 'others', there is a need for assigning more definite reasons for blocking and subsequent un-blocking to maintain transparency of the database and trigger further action.

The assurance of the OMCs regarding proposed adjustment of subsidised refill consumed by a consumer through multiple connections during termination of one of the connections is noted.

#### **4.4. Integrity of the consumer database**

It is essential to ensure integrity of the consumer database to weed out fake and duplicate connections. Audit noticed invalid entries in the database which points to poor input control and therefore, compromises the authenticity and integrity of the consumer database.

##### **4.4.1. Non recording/improper recording of date of birth of consumers**

The LPG Control Order lays down that LPG connection can only be provided to a consumer who is 18 years of age and above. It is, therefore, important to accurately capture the date of birth of the consumer in the LPG consumer database.

Audit noticed that out of the total sample of 9.94 crore consumers, date of birth was not captured in respect of 3.40 crore domestic consumers (0.30 crore in IOCL, 1.09 crore in HPCL and 2.01 crore in BPCL). Another 55,407 LPG consumers were seen to be minors (48,405 in IOCL; 7001 in HPCL and one in BPCL). Besides, 73.50 lakh (73.43 lakh in IOCL; 0.06 lakh in HPCL and 0.01 lakh in BPCL) consumers had a date of birth between January and December 1900 which seems unlikely. Yet another 2100 consumers (1,047 in IOCL and 1,053 in HPCL) indicated a future date of birth which was evidently inaccurate.

IOCL in its reply (April/May 2016) stated that the date of birth was not proper in the system as the legacy data was migrated into the current system without data cleansing. This was reiterated by BPCL. HPCL (April/May 2016) stated that their database was very old and has been migrated from time to time and hence date of birth was not maintained appropriately in all cases. All OMCs assured that steps were being taken towards correction. The OMCs further stated the following:

- IOCL accepted mistakes in capturing valid entries for Date of Birth and that the age validation logic was not checking the minimum date selected. IOCL further stated that system restriction would be incorporated so that year of birth before 1899 or invalid DOB cannot be entered. The reply also assured that an action plan was being taken up for connections to minors. Field force would be sensitised and distributors advised against issuing connections to minors. The list given by Audit would be shared with field for verification and action would be taken on erring distributors if connections were found issued to minors which would be subsequently blocked. It has also been informed that system checks were being put in place to ensure that LPG connections were not issued to minors. Additionally, measures for validation and updation of valid Date of Birth and PIN codes both in their Consumer Master at Central Server

and in the Client Database, a case in point being “date validation logic” was now being initiated.

- BPCL informed that recently DOB field has been made mandatory and the field was being correctly captured for all new connections released. System control has been put in to ensure that the applicant was a major. Connection issued to minor has been terminated and action has been initiated against the distributor as per Marketing Discipline Guidelines (MDG).
- HPCL (May 2016) has stated that distributors have been advised to correct dates of birth in the system after verifying with documents.

OMCs have accepted the Audit finding and assured corrective action and the specific steps taken by them in this regard are noted.

#### **4.4.2. Incorrect capture of PIN codes in addresses**

Audit noticed that 83.34 lakh domestic LPG consumers (83.22 lakh in IOCL; 2,969 in HPCL and 8,904 in BPCL) had addresses that bore an army PIN code. In another 80.25 lakh cases (2.20 lakh in HPCL and 78.05 lakh in BPCL), the PIN codes have not been captured at all, and in another 3.39 lakh cases (45,332 in IOCL; 275 in HPCL and 2.93 lakh in BPCL), PIN codes of less than six digits were documented.

IOCL in reply (April/May 2016) stated that system checks would be ensured for the future new connections to pre-empt these aberrations. BPCL assured (April 2016) that system checks have been ensured to accept only six digit numbers as PIN code and that data has been obtained from Census 2011 which shall be incorporated into the system to ensure accuracy of district-wise PIN codes. HPCL stated (April 2016) that their LPG consumer database was very old and has been migrated from time to time and hence PIN codes were unavailable or improperly maintained. HPCL assured that they were in the process of upgrading the current software in centralized database with enhanced features and controls which would eliminate the errors gradually over a period of time. HPCL (May 2016) further stated that distributors have now uploaded the correct PIN codes in the system after verifying with documents.

OMCs accepted the observation and initiated corrective action at the instance of Audit which is noted.

#### **4.4.3. Incorrect capture of Aadhaar numbers in the consumer database**

Aadhaar number uniquely identifies an individual. Accurate recording of this data is essential for ensuring the uniqueness of the consumer database. An Aadhaar number necessarily has 12 digits and it never starts with ‘0’ or ‘1’. Audit noticed instances of incorrect capture of Aadhaar numbers in the sample test checked as under:

- Aadhaar number starting with '1' has been captured in the system in respect of 188 LPG consumers of IOCL, 258 LPG consumers of BPCL and 252 LPG consumers of HPCL. Additionally, 62 consumers of BPCL were found linked to Aadhaar numbers starting with '0'.
- The system used by IOCL and HPCL permitted the capture of Aadhaar numbers with less than the stipulated 12 digits. 42 such cases were noticed in IOCL and 14 in HPCL.
- In respect of 19,538 active LPG domestic consumers in HPCL, the Aadhaar number was not recorded, though these consumers were depicted as ACTC consumers in the database.
- Besides, in some cases, incorrect capture of Aadhaar numbers was noticed while conducting field audit of the distributors. (Details at Chapter 6, para 6.1).

IOCL in its reply (April/May 2016) while pointing out that the error was marginal (being noticed in only 45 entries of 8 crore entries) accepted that there was no check implemented for ruling out entry of Aadhaar numbers starting with '1'. It assured that action has already been taken to deseed these consumer Unique IDs and system check has now been incorporated to address such invalid entries.

BPCL stated (April 2016) that action has already been taken to correct the incorrect Aadhaar numbers that were seeded and it has system controls to ensure that the length of Aadhaar number is restricted to 12.

HPCL stated (May 2016) that the incidence of non-availability of Aadhaar against Aadhaar Cash Transfer Compliant (ACTC) consumer was found in cases where Aadhaar number was deseeded from the system before generating the Transfer Voucher. HPCL assured that such practise has currently been discontinued and in case of null and wrong entries, distributors were taking remedial action by way of re-seeding the correct Aadhaar numbers in their system after verification with documents.

OMCs have initiated corrective action on being pointed out by Audit. It is reiterated, however, that the results of audit pertain to only 34 *per cent* of the distributors scrutinised and hence the OMCs would need to carry out verification in the entire database and initiate corrective action. OMCs need to ensure accurate seeding of Aadhaar numbers in the consumer database as it is a key input for smooth functioning of the Scheme.

#### **4.4.4. Non-linking of available Aadhaar numbers with LPG IDs in the consumer database**

In course of field audit of the selected sample of 165 distributors, Audit noticed that in 104 cases, the Aadhaar number of consumers was not linked by the distributor with relevant LPG IDs despite being available.

IOCL and BPCL in reply (April/May 2016) stated that with the launch of PAHAL (DBTL) Scheme from January 2015, all efforts were made to reach the desired CTC target before the end of Parking Period so that subsidy of the willing consumers did not lapse. For ATC consumers to be cash transfer compliant, Aadhaar seeding was necessary to be done in both LPG database and the consumer bank and the OMCs/distributors/consumers faced many issues related to Aadhaar seeding with the banks; the gap between Aadhaar seeded consumers and cash transfer compliant consumers being 10-15 *per cent* resulting in the possibility of these consumers facing problems with Aadhaar linking in bank. The OMCs informed that the matter had been raised with MoPNG and OMCs were permitted to seed bank account for consumers facing problems with linking Aadhaar to bank accounts to reduce consumer inconvenience. The OMCs also stated that after November 2015, all distributors have been strongly advised to seed Aadhaar in LPG database and resultantly the Aadhaar seeding in the LPG database has improved by March 2016.

The difficulties highlighted by OMCs and consumers in linking of Aadhaar numbers to the respective bank accounts are appreciated. However, simultaneous linking of Aadhaar number to consumer database and bank account is a more secure method of ensuring uniqueness of the database and hence all out efforts are essential to ensure maximum coverage of ATC consumers in the LPG database for domestic consumers. Audit notes the assurance of the OMCs that efforts were now being made for higher percentage of Aadhaar seeding.

The reply of HPCL (May 2016) did not include response on this issue.

#### **4.4.5. Incorrect seeding of IFSC in the consumer database**

The Indian Financial System Code (IFSC) of the consumer bank is essential information for effecting direct transfer of LPG subsidy to the consumer. It is an eleven character code with first four being alphabetic characters representing the bank name, fifth being '0' and the last six characters indicating the bank branch. Audit noticed the following cases of incorrect seeding of bank IFSC in the sample checked.

- For 17,852 LPG domestic consumers of IOCL and 3,714 consumers of BPCL, the bank IFSC has been recorded with less than eleven digit, non-alphanumeric value.

- For another 12,762 LPG domestic consumers of IOCL and 4,725 LPG consumers of HPCL, the first four alphabetic characters representing the bank name were found missing in the bank IFSC. Of these, in case of 253 consumers, the bank IFSC had six numeric characters while another 4,472 consumers, the IFSC had nine numeric characters only.
- In addition, in another 1,691 active LPG domestic consumers of HPCL, no value has been recorded against their IFSC and bank account number though they have BCTC status.

It was noticed that the bank account number of consumers were also not accurately recorded. Account numbers with less than six digits, alphanumeric characters, special characters were noticed. Such anomalies in recording of IFSC and bank account number of consumers would lead to consumers being unable to avail of the subsidy benefit.

IOCL in reply (April/May 2016) stated that the 16,582 cases have been identified and traced back to an issue in the seeding process where the last digit was truncated for certain IFSCs and assured that the cases were being identified for the total master data would be corrected. IOCL also stated that invalid entries could be partly attributed to manual seeding done at distributor end, for whom bank verification was not carried out, in order to speed up the seeding process. Further, cases where the first four alphabetic characters representing the bank name were found missing, were a result of bank account data being seeded by banks and sent to IOCL, one such bank being Punjab Maharashtra Co-operative Bank (PMCB) that had sent a wrong set of IFSCs and these cases were being corrected now.

BPCL stated (April 2016) that prior to the receipt of IFSC master data from National Payment Corporation of India, BPCL had uploaded the IFSC master available from the RBI site. BPCL requested Audit to share the data to enable BPCL to verify the 3,714 cases.

HPCL assured (May 2016) to check and correct the IFS Codes in co-ordination with banks and consumers. It also stated that all consumers with invalid bank account numbers had been converted to ACTC, after carrying out corrections.

The desired information has been provided by Audit to BPCL. Audit notes the efforts being made by the OMCs for correction of the databases, at the instance of Audit. Inaccurate seeding of IFSC and bank account number could deprive genuine LPG consumers from availing subsidy benefit under the Scheme and needs to be urgently corrected. It may be mentioned here that of the 16,582 cases of incorrect seeding of IFSC, 12,678 cases noticed in IOCL as well as the 1,691 cases of 'Null' entries in HPCL pertain to active Bank Cash Transfer Compliant (BCTC) domestic consumers. Incorrect seeding has resulted in non-payment of subsidy in these cases which needs to be quantified and corrective action is required to be taken by the OMCs. It is pertinent to note that these aberrations noticed could

easily be rectified by mandating a set of input data controls to ensure the validity and accuracy of the consumer database.

MoPNG, in response to the conclusion made on the above aspects in Chapter 10, stated (June 2016) that OMCs were continually undertaking Inter and Intra company de-duplication process for issuing new LPG connections. As on 2 May 2016, total 3.49 crore LPG connections had been blocked after de-duplication.

The reply is to be viewed in the light of the fact that deficiencies were noticed in the de-duplication process carried out by the OMCs, as multiple connections existed both within and between OMCs even after de-duplication exercise. Several instances of data integrity and validation deficiencies were also noticed.

**Even though National Informatics Centre and the OMCs had carried out de-duplication checks on the domestic LPG consumer database, Audit noticed instances of multiple connections existing both within and between OMC. Besides, connections blocked on suspicion of being multiple connections were often un-blocked without maintaining adequate documentation of justification for such un-blocking. Scrutiny of the selected sample indicated that there were inadequate input checks for the domestic LPG consumer database, which adversely affected its accuracy and integrity.**

## Chapter 5

### Delivery of Cylinders to Genuine Users

#### 5.1. Complaints of consumers and their redressal

Audit reviewed redressal of consumer grievances by the OMCs to assess the satisfaction of domestic LPG consumers post implementation of PAHAL (DBTL) Scheme. The Scheme provided that a consumer can register a complaint through a toll free number of the respective OMC, or physically send their complaints to the LPG distributor or use the web based OMC portal. The handbook of PAHAL (DBTL) prescribed that 98 *per cent* of the consumer grievances had to be disposed of within seven days. A review in audit of the consumer grievances on PAHAL (DBTL) Scheme received through the three modes indicated that the OMCs could not achieve the targeted redressal rate of 98 *per cent* within seven days. Audit observed that the achieved rate was 86 *per cent* in IOCL, 76 *per cent* in HPCL and 82 *per cent* in BPCL. The overall rate of achievement was, however, 97.8 *per cent* of the complaints received regarding PAHAL (DBTL) Scheme from 1 January 2015 to 15 August 2015 as per data furnished to Audit. There were, however, instances where time taken to resolve the complaints ranged from one month to more than six months (1,611 cases in IOCL; 2,292 in HPCL and 11,740 in BPCL).

IOCL in its reply (April/May 2016) stated that 89 *per cent* of the complaints pertaining to IOC related issues were resolved within 7 days. Of the balance 11 *per cent* complaints, 7 *per cent* get closed between 7 -15 days and only 4 *per cent* complaints took more than 15 days. It was also stated that it was possible that the actual complaint resolution was done earlier but the status was updated later indicating a delay, due to absence of check on input date of closure in their system that was said to have been incorporated later.

BPCL stated (April/May 2016) that most of the grievances were on account of issues pending with banks, National Payment Corporation of India (NPCI) and Unique Identification Authority of India (UIDAI) and only a few pertained to BPCL for which it took needful action.

HPCL stated (May 2016) that the closure period of consumer grievances ranged up to one week because some issues like correction of bank account numbers/IFS Code took lesser time in resolution while others like changing the preferred mode of cash transfer from one bank to another, might have taken more time. However, all grievances pertaining to the PAHAL (DBTL) Scheme were closed and that there was no open complaint.

While the effort of the OMCs for redressal of consumer grievances is appreciated, there is a need for speedier resolution. Besides, considering that a number of agencies were involved in the resolution of consumer complaints, there is a case for coordinated approach of all stakeholders in this regard, viz., OMCs, NPCI, UIDAI and banks.

## **5.2. Violation of quota of subsidy payable on 12 cylinders per year**

The annual cap on domestic LPG cylinders on which subsidy would be payable was fixed at 12 w.e.f. 1 April 2014. Audit noticed that the cap of 12 subsidised cylinders had been violated in the following cases:

(i) In 2014-15, the cap of 12 cylinders per annum on which subsidy would be payable had been violated and 15.57 lakh active domestic consumers (1,881 in IOCL; 365 in HPCL and 15.55 lakh in BPCL) had received subsidy on more than 12 subsidised cylinders from April 2014 to 31 March 2015 leading to excess payment of subsidy.

(ii) Audit noticed that some consumers were identified as multiple connections on the basis of intra-OMC de-duplication exercise done on 'Aadhaar number', 'Bank account number and IFSC', 'Same Name, Same Address' and 'Same Name, Same Date of Birth and Same Registered mobile number' during test check of the sample (as commented at para 4.1.1 above). These consumers received subsidy on more than 12 cylinders considering all the multiple connections the consumers had and hence were paid additional subsidy. Some of these consumers were also paid permanent advance on their multiple connections and thus received additional advance. In the sample checked, intra-OMC de-duplication indicated that 37,499 consumers (20,389 of IOCL, 3,772 of BPCL and 13,338 of HPCL) during the year 2014-15 and 8,707 consumers (4,449 of IOCL, 1,293 of BPCL and 2,965 of HPCL) during the year 2015-16 (up to 31 October 2015) having multiple connections had availed subsidy on more than 12 cylinders. Besides, 51,443 consumers (27,631 of IOCL, 6,788 of BPCL and 17,024 of HPCL) had received permanent advance on multiple connections. The details are at Annexure II.

Multiple connections having same Aadhaar number and bank IFSC and account number had also been noticed during inter-OMC de-duplication of the sample test checked. Of these, the consumers who had availed subsidy on more than 12 cylinders numbered 38,286 in 2014-15 and 6,488 in 2015-16 (up to 31 October 2015). Besides, 65,498 consumers of the identified inter-OMC duplicates in the sample had availed of permanent advance twice amounting to ₹1.30 crore on multiple connections (details at Annexure II).

OMCs in their reply (April/May 2016) stated that the consumers have not consumed more than 12 subsidised cylinders in the prescribed period, which was the capping limit as per the LPG Control Order.

The reply of OMCs is to be viewed against the fact that audit analysis for 2014-15 indicated a significant number of instances where the capping limit has been violated. In the case of multiple connections, the consumer has not violated the cap of 12 cylinders for each connection, but combined consumption on multiple connections of the same consumer exceeded the intended cap of 12 cylinders per year.

### **5.3. Discrepancy noticed in central server leading to incorrect count of cylinders on which subsidy availed**

During the course of field audit of the distributors, it was noticed that in a distributor of IOCL in the Northern Region, the quota count was erroneously displaying a lower count than cylinders actually delivered to the consumers on which subsidy was payable. This was noticed in eight cases which occurred because the quota count repeated itself (for example the count of four was displayed twice in a case) leading to the anomaly. Further, in 82 cases, the number of refills delivered on which subsidy was payable as reflecting in business portal did not match with the subsidy payment details in delivery history.

IOCL in its reply (April/May 2016) stated that the eight cases pertained to consumers who had ordered one or more refills during the Parking Period, for whom subsidy amount was parked. Since, quota was stamped at the time of refill booking, these refills were accounted in subsidised cylinder quota (12 cylinders) for that consumer. But subsequently, at the time of his next refill consumption after Parking Period, these refills were accounted or excluded based on CTC conversion in Parking Period.

However, reply is not tenable, as the PAHAL (DBTL) Scheme does not allow consumption of more than 12 cylinders in a financial year on which subsidy is payable and the system should have adjusted the consumption of such cylinders during the Parking Period.

MoPNG, as a response to Chapter 10, stated (June 2016) that the Grievance Redressal Mechanism was being reviewed continuously. Technology platforms like Mobile Apps and Social Media were also being used to redress grievances related to LPG.

However, the fact remains that the OMCs were not able to meet the targeted achievement for grievance redressal.

**The OMCs have addressed the bulk of PAHAL (DBTL) Scheme related complaints though the target of seven days for redressal could not be achieved.**

## Chapter 6

### Protection of Entitlement and Ensuring Subsidy

#### 6.1. Failed transactions

The smooth operation of PAHAL (DBTL) Scheme and protection of entitlement of the consumer depend on seamless transfer of advance and subsidy to the account of the entitled domestic LPG consumer. However, cash transfer to the consumer is not effected when a transaction is treated as failed transaction. A transaction is considered as failed one when the transaction is returned or rejected by bank or National Payment Corporation of India (NPCI). In such cases, the bank credits the unpaid amount back to the account of the OMCs. The major reasons for transaction failures and the non-payment of Permanent Advance (PA) to LPG consumers (as noticed from field audit of limited test check) are indicated below:

**Table-9: Details of reasons for failed transactions from 1 January to 15 August 2015**

Reasons	Number of cases			
	IOCL	HPCL	BPCL	Total
Bank account wrongly entered by the distributor	161	70	39	270
Other data entry errors (Name, Aadhaar number, IFSC, etc.) by the distributor	80	12	29	121
Pending action at the distributor's end	38	40	16	94
Incorrect data given by consumer	69	2	13	84
Other reasons for failed transactions <sup>1</sup>	52	15	115	182
<b>Total</b>	<b>400</b>	<b>139</b>	<b>212</b>	<b>751</b>

As can be seen from the above table, 485 out of 751 failed transactions (representing 64 *per cent*) were due to reasons attributable to distributors, which emphasises the requirement of effective monitoring by OMCs and adequate input controls and validations in the database to ensure its accuracy.

In addition to the above, it was noticed that some transactions failed as some of Grameen Banks were not on the system of NPCI. In the case of Aryavart Kshetriya Grameen Bank, only one IFS Code was mapped to the entire bank. Besides, erratic payments of refill subsidy were noticed in respect of Purvanchal Grameen Bank. It is, therefore, necessary that the OMCs contemplate adequate efforts to ensure synchronisation of all consumer banks with the payment bridge of NPCI.

<sup>1</sup> Inactive Aadhaar number, Difference in name in OMC database and Bank account, Account name changed in Bank.

IOCL and BPCL stated (April/May 2016) that the consumer becomes eligible for subsidy transfer only after suitable verification. For ACTC consumers, the Aadhaar number seeded in the LPG database was looked up in the NPCI database for availability of bank account information and only on its availability, subsidy was triggered. For BCTC consumers, the bank account and IFSC seeded in the LPG database was verified with the bank concerned and subsidy was transferred only after successful verification. In case of errors in data entry, such consumers would remain non-compliant for subsidy transfer. This process of verification had, however, been made inactive during the period December 2014 and March 2015 as per the Control Order which has contributed to the high failure rate. Transactions also failed even after successful mapping, reasons for which could be seen from NPCI portal. The OMCs also pointed out that transactions failed as bank seeding was earlier not restricted to NACH/APB<sup>1</sup> compliant banks linked to NPCI (e.g. Grameen banks) which has now been modified to accept bank seeding only from NPCI linked banks.

HPCL replied (May 2016) that necessary corrective action has already been instituted in the system to prevent failure of transactions and that the current status has improved drastically.

The replies of IOCL and BPCL substantiate the steps taken by them to seed only NPCI compliant bank accounts. While this would reduce the number of failed transactions, it would also deprive a number of genuine consumers from subsidy benefit as their banks (e.g., Grameen banks) are not linked to NPCI. There is a need for expanding the coverage of NPCI linked banks to ensure smooth cash transfer to the deserving consumers. It is also noted that the OMCs have not addressed the need to streamline the data entry mechanism at the distributor's end to ensure accurate seeding of bank details to enable the consumer derive benefits of the Scheme. Further, corrective action taken by HPCL at the instance of Audit is noted.

## **6.2. Non-transfer of permanent advance**

Audit noticed that though consumers have joined the PAHAL (DBTL) Scheme and linked their bank account and in some cases Aadhaar number to the domestic consumer database, transactions for transferring the permanent advance have failed. In the sample studied in Audit, there were 47.23 lakh active domestic LPG consumers who had failed to receive Permanent Advance as on 31 October 2015 as indicated in the table below:

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<sup>1</sup> National Automated Clearing House (NACH) and Aadhaar Payment Bridge (APB).

**Table-10: Details of LPG Consumers and PA pending for transfer**

Name of OMC	Number of active LPG domestic consumers not received PA after becoming CTC	Amount of pending PA for transfer to consumers account (₹ in crore)
IOCL	35,60,916	127.48*
BPCL	2,59,596	9.31
HPCL	9,02,277	32.30*
<b>Total</b>	<b>47,22,789</b>	<b>169.09</b>

*\*As amount of PA pending for transfer to consumers of IOCL & HPCL was not contained in the data furnished to Audit, average PA amount of BPCL (₹358/-) has been adopted while working out the amount.*

Since the purpose of payment of Permanent Advance (PA) was to assist the consumer in purchasing LPG cylinders at market price without any financial burden, it was imperative that all the eligible LPG consumers received their PA upon their first refill booking. Non-transfer of PA, therefore, defeated the objective of providing for permanent advance.

The OMCs responded (April/May 2016) on the following lines:

- (i) IOCL stated that interim analysis revealed the following reasons for non-triggering of Permanent Advance to CTC compliant consumers:
  - The PA was triggered to a CTC compliant consumer only on making first booking. There were a number of cases in the sample where consumer has become compliant but was yet to book a refill.
  - In some cases, PA was not triggered even after issue of the first refill. This was due to the fact that either the bank data was not complete/not verified/put on hold/deseeded or the consumer had converted to NCTC. (UID Master not complete). IOCL also attributed the non-transfer of PA to system issues like downtime of Change Data Capture Service, for which it assured to take corrective action. Moreover, it was informed that triggering of PA had been put on hold vide Finance Ministry's letter dated 8 March 2016.
- (ii) BPCL stated that PAs were withheld on account of pending Accounts Verification response or negative response received from the banks for BCTC Consumers or in case of Aadhaar Inactive Status for ACTC consumers. All such consumers were advised to rectify the same. Once the error was rectified the payment would be triggered as per re-trigger cycle. BPCL also asserted that both advance and subsidy were on hold for consumers where corrective action was pending.
- (iii) HPCL stated (May 2016) that on a sample review, it was found that:
  - a. Some consumers had given wrong bank account details, which were accepted by the portal initially, but rejected later by bank after verification and were later converted to NCTC from CTC.

- b. In some cases, the wrong bank account details were corrected and payment transferred subsequently, as per refills.

HPCL assured that since Aadhaar numbers for these cases were readily available with the distributor, consumers were being advised to update their Aadhaar numbers in the banks also in order to make them CTC and that corrective action would be taken.

The replies of OMCs need to be viewed in the following context:

- While Audit appreciates IOCL response that in some cases the PA had not been triggered as refills had not been booked, there were a total of 20.73 lakh cases where PA has not been triggered even after the first refill issued to the consumer. IOCL's contention that PA could not be triggered because bank data was incomplete/incorrect is not tenable as subsidy was being transferred to the same consumers. While the system issues are appreciated, they need to be redressed within a specified period, given the implications of non-transfer of PA. Audit notes the assurance of IOCL regarding corrective action.
- The reply of BPCL is not factually correct as audit analysis of the sample indicated that there were 8,509 (2014-15) and 18,394 (2015-16) consumers who had not received their PA after becoming CTC though they received subsidy to the tune of ₹28.19 lakh during the year 2014-15 and ₹98.61 lakh during the year 2015-16 respectively.
- While appreciating the efforts being taken by HPCL for seeding Aadhaar number of consumers, wherever available, in order to make them CTC, it may be stated that after correction of bank account numbers, where payment for refills taken was transferred, steps ought to have been taken for transfer of Permanent Advance also to these consumers.

**A significant quantum of failed transactions was noticed which is a matter of concern as it could deprive the genuine LPG consumers of their legitimate subsidy. Audit noticed that a major reason for failure of transactions was inaccurate data entry by distributors**

## Chapter 7

### Self-selection in Subsidy

#### 7.1. Non Cash Transfer Compliant (NCTC) consumers

Non-cash transfer compliant (NCTC) consumers are those who have not joined PAHAL (DBTL) Scheme. The details of bank account and/or Aadhaar number of these consumers are not linked to their consumer IDs and they do not receive any subsidy on LPG consumption. The number of NCTC consumers as on 31 October 2015 was 1.72 crore. Audit appreciates that NCTC consumers may include fake/multiple LPG connections that have rightly been weeded out. However, as pointed out in a report of M/s Neilson (marketing research agency) engaged by BPCL to obtain a feedback from LPG consumers regarding PAHAL (DBTL) Scheme implementation (May 2015), as many as 77 per cent of the NCTC consumers wished to be a part of the Scheme, but were deterred by lack of knowledge, lengthy process, low process clarity, time taken for processing, etc. This underlines the possibility that more efforts may be essential for outreach to all LPG consumers so that deserving consumers are not deprived of subsidy, particularly considering that 28 per cent of NCTC consumers are rural consumers. In this context, Audit notes that the number of NCTC consumers is on the decline having reduced to 1.55 crore as on 31 December 2015. However, more efforts may be essential to ensure protection of entitlement and subsidy of the deserving domestic LPG consumer.

#### 7.2. Give-it up initiative

The Give-it up campaign was launched as a part of PAHAL (DBTL) Scheme in order to encourage the affluent consumers who could pay the market price of LPG supply, for opting out of subsidy. This exercise would also significantly reduce under-recoveries for OMCs and subsidy outflow for the government.

It was noticed that the number of consumers giving up subsidy had gone up significantly from 0.22 lakh consumers in January 2015 to 1.67 lakh in March 2015, which further increased to 67.27 lakh in February 2016.

**As on 31 December 2015, there were 1.55 crore non-cash transfer compliant consumers. The possibility that this includes consumers who deserve the subsidy cannot be ruled out.**

## Chapter 8 Other Issues

### 8.1. Recovery of Permanent Advance given to the consumers

The one-time advance given to enable the domestic LPG consumer to pay for the first cylinder delivered at market rates on joining the PAHAL (DBTL) Scheme is termed 'Permanent Advance' (PA). This advance would remain with the consumer till the connection is terminated, when the advance would be recovered from the security deposit lying with the OMCs. It was, however, noticed that in 29.92 lakh cases (16.68 lakh in IOCL, 5.95 lakh in HPCL and 7.29 lakh in BPCL cases), the security deposit held by the OMC was much lower than the advance paid; the amount of shortfall being ₹68.39 crore (₹35.70 crore in IOCL, ₹15.77 crore in HPCL and ₹16.92 crore in BPCL). As such, recovery of the PA would not be possible in these cases.

Audit also noticed that PA continues to be held by the consumer even when the consumer's status changes to Non Cash Transfer Compliant (NCTC). Audit noticed 9.58 lakh (7.92 lakh in IOCL, 0.53 lakh in HPCL and 1.13 lakh in BPCL) such NCTC consumers in the three OMCs holding ₹49.21 crore (₹41.09 crore in IOCL, ₹2.82 crore in HPCL and ₹5.30 crore in BPCL) as Permanent Advance (PA) collectively. As such consumers were not eligible for PA under the Scheme, this led to blocking of funds.

The OMCs replied (April/May 2016) as follows:

- (i) IOCL and BPCL stated that for old connections and connections issued to BPL families with zero security deposit, security deposit was inadequate to cover PA. The OMCs also stressed that issuance of PA to all consumers was as per the PAHAL policy. Regarding transfer of PA to Non Cash Transfer Compliant consumers, IOCL and BPCL stated that all these consumers were CTC at the time of transfer of PA and had subsequently become NCTC.
- (ii) IOCL added that in case the consumer becomes CTC subsequently, by seeding Aadhaar or bank account number, further payment of PA was not triggered. At the time of transfer, advance amount was recovered either by adjusting it against security deposit or by means of cash, if security deposit was less than the recoverable amount.
- (iii) BPCL also suggested that these issues could be taken up with MoP&NG.
- (iv) HPCL stated that there was no relation between security deposit of cylinder and regulator, and PA. These were maintained in different account heads and therefore, the question of inadequacy of security deposit for recovery of PA did not arise. Regarding continuing PA with Non-Cash Transfer Compliant (NCTC) consumers,

HPCL stated that advance was paid to a consumer on becoming CTC and was retained till termination. Subsequently if a consumer becomes NCTC due to removal of Aadhaar in NPCI mapper or closure of bank account, the data would indicate payment of PA to NCTC consumer and that there was no irregularity in the matter.

The replies of the OMCs need to be considered in view of the following:

- That security deposit and Permanent Advance (PA) were maintained in separate accounts, as pointed out by HPCL, is well appreciated. Audit has only highlighted the problem that would be faced by the OMCs in recovering PA at the time of termination of connection in cases where the security deposit was inadequate. Moreover, IOCL has been adjusting PA against security deposit, as stated in its reply.
- The HPCL reply that when a CTC consumer changes into NCTC, PA would remain and there was no irregularity needs to be viewed against the fact that the purpose of PA was to enable the eligible domestic LPG consumer to purchase the first cylinder at market price without any extra financial burden. When the status of consumer changes from CTC to NCTC, the very purpose for which the PA was released gets defeated resulting in blocking of funds which could be diverted to much eligible LPG consumers to purchase their first LPG cylinder at market price.

**In the sample scrutinised, Audit noticed that non-cash transfer compliant consumers hold ₹49.21 crore as Permanent Advance. As these consumers were not eligible for advance, this led to blocking of funds. Besides, Audit noticed that the security deposit of a significant number of consumers was much lower than the Permanent Advance paid to them. As the Permanent Advance is expected to be recovered from the security deposit when the connection is terminated, its recovery in such cases remain doubtful.**

## Chapter 9

### Savings in Subsidy through PAHAL (DBTL) Scheme

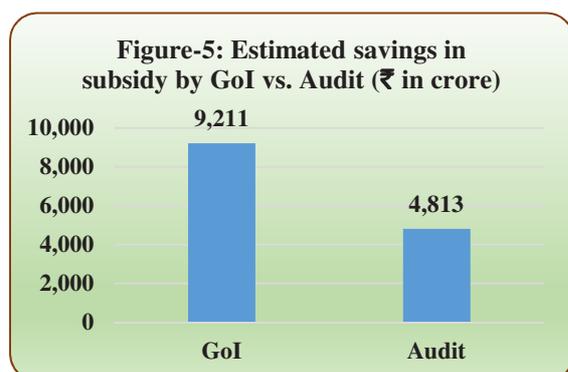
The PAHAL (DBTL) Scheme was expected, *inter alia*, to weed out fake/duplicate connections, address the concern regarding diversion and promote self-selection in subsidy. This, in turn, would reduce the diversion of domestic LPG cylinders for commercial use, decrease of subsidy outgo and thereby generate savings for the Government. The PAHAL (DBTL) Scheme commenced on 15 November 2014 in 54 districts and was subsequently extended to the remaining 622 districts on 1 January 2015. The Scheme had a three month grace period. As such, the specific effect of the Scheme for the year 2014-15 would be confined to 54 districts for the period 15 February to 31 March 2015, which may not be very significant. Quantification of savings for 2015-16 was obtained from MoPNG and OMCs and the following were noticed:

#### 9.1. Savings on account of PAHAL (DBTL) Scheme estimated by Government of India for 2015-16

MoPNG estimated (February 2016) that the potential savings in LPG subsidy for 2015-16 would be ₹9,211 crore. This has been worked out after considering that 4.53 crore domestic LPG consumers would not avail of subsidised cylinders during 2015-16 (including 1.42 crore domestic consumers who had not joined the Scheme and hence not eligible to receive subsidy and 3.11 crore blocked/inactive consumers). It has also been assumed that all of these consumers would have availed 12 subsidised cylinders @ ₹169.45 subsidy per cylinder (being the average subsidy in 2015-16 in Delhi State). The details of subsidy savings worked out by MoPNG is shown below:

**4.53 crore domestic LPG consumers not joined the Scheme/blocked/inactive x 12 cylinders per year x ₹169.45 being the average subsidy = ₹ 9,211 crore**

The results of analysis of the savings in subsidy estimated by GoI in audit is depicted in the graph given below. In this regard, the following aspects need to be considered:



(i) The national average per capita consumption of domestic LPG cylinders in 2014-15 was 6.27 cylinders. As such, the underlying assumption made while working out the subsidy savings that blocked/inactive consumers would have availed the maximum quota of 12 cylinders on which subsidy is

payable appears to be an overstatement. Considering the national average offtake of 6.27 cylinders (2014-15 average), the estimated subsidy savings for 2015-16, as per the methodology adopted by the Ministry, would be ₹4,813<sup>1</sup> crore. The difference in subsidy savings on account of adoption of higher national average per capita consumption alone is ₹4,398 crore. The actual subsidy savings, however, are as reported in Para 9.3 below.

(ii) While the 1.42 crore domestic consumers who have not joined the PAHAL (DBTL) Scheme have contributed to subsidy savings of ₹1508.68 crore (1.42 crore consumers x ₹169.45 per cylinder x 6.27 cylinders per year) which was indeed a direct outcome of the Scheme implementation in 2015-16, the savings from 3.11 crore blocked/inactive consumers cannot be attributed entirely to implementation of the PAHAL (DBTL) Scheme in 2015-16. In fact, it was noticed that the number of blocked/inactive domestic consumers as on 1 April 2015 was 3.34 crore which decreased to 3.11 crore (19 February 2016).

MoPNG stated (June 2016) that an intensive exercise was carried out for identifying duplicate/ fake/ghost/inactive domestic LPG connections and, as of 1 April 2016, 3.46 crore such consumers had been blocked. As a result of implementation of DBTL mechanism, it became possible to block these consumers, as the subsidy was transferred in the accounts of only those consumers who had registered under PAHAL and who have cleared after de-duplication exercise. In addition, 1.33 crore consumers were not availing subsidy and the total works to 4.79 crore consumers, and for these consumers who were outside the subsidy net, the estimated savings would be ₹9740 crore (i.e., 4.79 crore consumers x 12 cylinders x ₹169.45 being the average subsidy per cylinder for 2015-16). It was further added that the principle applied was a sound one, since the past experience was that the full quota of 12 cylinders would have been drawn by the suspect consumers who were diverting domestic cylinders.

The reply is to be viewed against the fact that the de-duplication was carried out by the OMCs through National Informatics Centre in June 2012, and as a result of which the duplicate/ fake/ghost/inactive domestic LPG connections were blocked. On the other hand, the DBTL Scheme was launched in June 2013 and PAHAL (DBTL) Scheme was launched in November 2014. As such, the entire blocking of fake, duplicate, or inactive consumers cannot be attributed to the outcome of PAHAL (DBTL) Scheme. In other words, as pointed out by Audit above, the real outcome of PAHAL (DBTL) Scheme was the subsidy savings on account of 1.33 crore consumers not linking their Aadhaar number and Bank account with the Scheme. Further, Audit is of the view that the national per capita consumption of 6.27 cylinders per annum is a more appropriate and realistic parameter than the full permissible quota of 12 cylinders for calculation of estimated savings.

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<sup>1</sup> 4.53 crore consumers x ₹169.45 per cylinder x 6.27 cylinders per year.

## 9.2. Savings estimated by OMCs for 2015-16

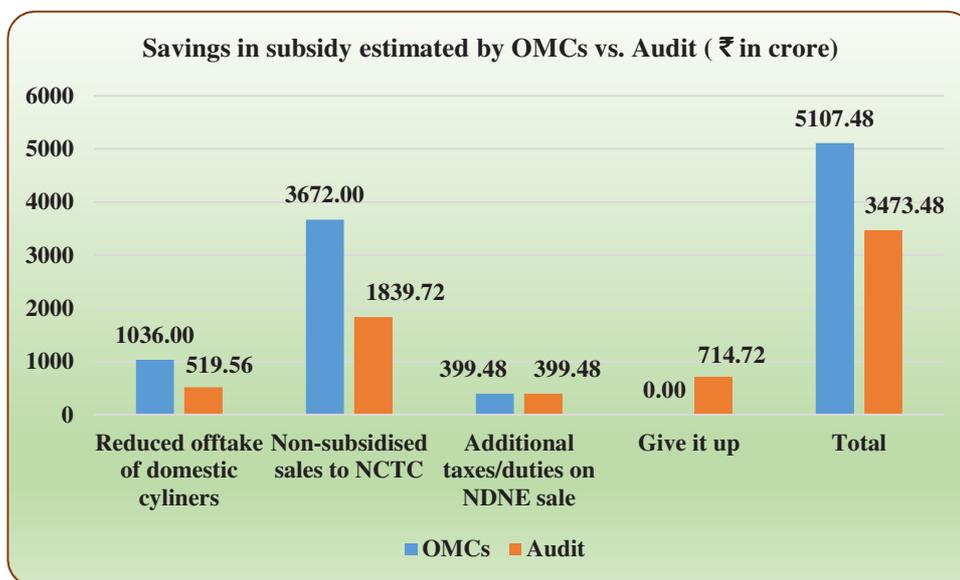
Audit observed that the OMCs worked out the projected subsidy savings for the year 2015-16 differently. IOCL (the coordinating agency of OMCs with GoI for LPG) estimated subsidy savings of ₹5107.48 crore in its submission to Petroleum Planning and Analysis Cell (PPAC) by considering the following:

- Savings due to reduction in domestic LPG consumption (by considering the increase in domestic consumer base in 2015-16 compared to 2014-15 coupled with the reduction in offtake of domestic cylinders): **₹1036 crore**
- Savings due to non-subsidised sales to 1.73 crore domestic consumers (non-cash transfer compliant consumers as on September 2015): **₹3672 crore**
- Additional taxes/duties due to rise in sale of non-domestic non-exempt (NDNE) LPG cylinders: **₹399.48 crore**

Audit analysed the assumptions applied by the OMCs and calculation of estimated subsidy savings. The results of analysis is depicted in the Chart alongside. In this regard, the following aspects need to be considered:

(i) While working out the subsidy savings<sup>1</sup>, OMCs considered an average annual consumption of 6.27 cylinders per consumer and average subsidy of ₹338 per cylinder

(average subsidy rate applicable to Delhi market in 2014-15). While the assumption of annual consumption of 6.27 cylinders per consumer based on the average national



offtake of 2014-15 was reasonable, consideration of average subsidy rates of 2014-15 at ₹338 per cylinder led to an over-statement of savings, in view of the sharp fall in prices during 2015-16 vis-à-vis 2014-15. In fact, if the average subsidy of ₹169.45 per cylinder for

<sup>1</sup> Subsidy savings pertaining to reduction in domestic LPG consumption and non-subsidized sale to domestic consumers.

2015-16 was considered (as used by MoPNG in their estimation), the estimated subsidy savings would reduce to ₹2359.28 crore (₹1839.72 crore + ₹519.56 crore) adopting the same methodology as the OMCs except for the value of subsidy.

(ii) Alongside implementation of PAHAL (DBTL) Scheme, a 'Give it Up Campaign' has been operational which has resulted in 67.27 lakh domestic consumers having opted out as on 29 February 2016. This would have also led to estimated savings in subsidy of ₹714.72<sup>1</sup> crore. Thus, the total estimated subsidy savings projected for 2015-16 would work out to ₹3473.48<sup>2</sup> crore (details are at Annexure-III).

(iii) It may also be noted that the OMCs have assumed 1.73 crore Non Cash Transfer Compliant (NCTC) domestic consumers (as on September 2015). However, their number has reduced to 1.42 crore as on February 2016 as stated by MoPNG. As such, the savings in subsidy on account of NCTC consumers, as worked out by the OMCs may need to be rationalised.

The difference in estimated savings on account of inconsistencies in estimation pointed out at (i), (ii), and (iii) above alone is ₹ 1,634 crore. The actual subsidy savings, however, are as reported in Para 9.3 below. The subsidy savings, as worked out by the OMCs at ₹5107.48 crore and as revised by Audit to ₹3473.48 crore (in line with the comments made at (i), (ii) and (iii) above) is at Annexure – III.

While BPCL (April 2016) agreed with findings of Audit, HPCL did not offer (May 2016) specific response on this issue. On the other hand, though IOCL did not offer any specific response on this issue, it forwarded (May 2016) a reply given on behalf of the OMCs to MoPNG with regard to a Parliamentary Question on "Savings on LPG subsidy". Scrutiny of the same revealed that while calculating the savings on LPG subsidy, IOCL followed a similar approach as adopted by MoPNG (refer Para 9.1 above) as updated up to 31 March 2016 (considering 4.87 crore blocked/inactive consumers, offtake of 12 cylinders per annum per customer and average subsidy of ₹156.48 per cylinder in 2015-16 thereby the savings worked out to ₹9,144 crore). The shortcomings of this methodology has already been highlighted in the said para above.

### **9.3. Actual subsidy savings in the first three quarters of 2015-16 (April to December 2015) vis-à-vis comparable period of 2014-15**

Audit compared the actual subsidy payout during April 2015 to December 2015 against the same during April 2014 to December 2014. It was noticed that subsidy paid during April 2015 to December 2015 was ₹12,084.23 crore, as against the subsidy of ₹35,400.44 crore during similar period in 2014-15. The fall in subsidy payout in 2015-16 compared to

<sup>1</sup> 67.27 lakh consumers x ₹169.45 subsidy per cylinder x 6.27 cylinder per year = ₹714.72 crore

<sup>2</sup> ₹2359.28 crore + ₹714.72 crore + ₹399.48 crore (additional tax/duties on NDNE sale) = ₹3473.48 crore.

2014-15 (worked out for nine months period from April to December 2015) was a combined effect of decrease in off take of domestic cylinders on which subsidy was paid and the lower subsidy rates arising from the sharp fall in crude prices in 2015-16.

The total decrease in subsidy in 2015-16 (April – December 2015) compared to 2014-15 (April – December 2014) was ₹23,316.21 crore (i.e., ₹35,400.44 crore - ₹12,084.23 crore). The contribution of lower subsidy rates and lower off take in quantity causing this reduction in subsidy payout is summarized below (the detailed calculation are at Annexure IV).

- To arrive at the effect of reduced subsidy rates on lower subsidy payouts in 2015-16, the consumption levels of 2015-16 had been considered while applying the difference in the subsidy rates between 2014-15 and 2015-16, which works out to ₹21,552.28 crore.
- To arrive at the effect of reduced quantity of offtake of subsidised LPG, the subsidy rates were held constant at 2014-15 levels while considering the decrease in consumption levels in 2015-16 over 2014-15, which was an outcome of the PAHAL (DBTL) Scheme. This works out to ₹1,763.93 crore.

It is evident from the above analysis that the effect of lower subsidy rates in 2015-16 was by far the most significant factor resulting in subsidy savings. While the reduced off take of subsidised LPG, which could be considered to be an outcome of implementation of PAHAL (DBTL) Scheme, has contributed to savings in subsidy, its effect was not as significant.

From the above, the following issues emerge:

- (i) While working out subsidy savings in a year as an outcome of efforts made during that year, it may be reasonable to compare the savings achieved in that year vis-à-vis savings of previous year(s) after considering the changes in external parameters *like* change in crude prices. As such, it may not be correct to attribute the number of blocked/inactive consumers in a year to efforts made entirely during that year.
- (ii) While working out/estimating the savings in subsidy, the average off take of cylinders by domestic consumers and average subsidy rates for the year need to be considered. This assumes particular importance as the average off take of cylinders was slightly higher than half the cap allowed under the Scheme (average off take of 6.27 against the cap of 12) and subsidy rates being halved (as against average subsidy of ₹338 per cylinder in 2014-15, it was ₹169.45 per cylinder (average for the period from April to December 2015) in 2015-16).

(iii) Comparing the actual subsidy payouts in 2015-16 (April – December 2015) over a comparable period of 2014-15, a high quantum of subsidy savings was noticed. However, 92 *per cent* of such savings could be attributed to the fall in subsidy rates alone. While implementation of PAHAL (DBTL) Scheme coupled with the ‘Give-it up’ campaign resulted in reduction of off take of domestic subsidised LPG cylinders, the resultant subsidy savings was not significant compared to the savings generated through fall of subsidy rates.

**The subsidy burden over the period from April 2015 to December 2015 was lower than that for the comparable period in 2014 by ₹23,316.21 crore. However, this was a combined effect of decrease in off-take of subsidised cylinders by consumers (₹1,763.93 crore) and lower subsidy rates arising from the sharp fall in crude prices (₹21,552.28 crore) in 2015-16. While implementation of the PAHAL (DBTL) Scheme coupled with the ‘Give it up’ campaign has resulted in the reduction of offtake of domestic subsidised LPG cylinders, the resultant subsidy savings was not as significant as that generated through fall of subsidy rates.**

## Chapter 10

### Conclusion and Recommendations

#### 10.1. Conclusion

The PAHAL (DBTL) Scheme, introduced in November 2014 and extended to the entire country in January 2015, intends to dis-incentivise diversion, weed out fake and duplicate connections, protect entitlement, improve availability of LPG cylinders and ensure subsidy to domestic consumers while allowing self-selection in subsidy. Audit appreciates the implementation of the Scheme covering 19.26 crore registered domestic LPG consumers (16.17 crore active and 3.09 crore other than active consumers) and 16,781 distributors across the three Oil Marketing Companies (OMCs), viz., Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL), and Bharat Petroleum Corporation Limited (BPCL). The following conclusions emerge from the audit of implementation of the Scheme:

- Audit noticed a marked growth in sale of LPG cylinders to commercial consumers post implementation of PAHAL (DBTL) Scheme. However, there has also been a sharp increase in offtake of domestic LPG cylinders not entitled to receive subsidy, which increases the risk of diversion, particularly considering the significant price difference between domestic LPG cylinders not entitled to receive subsidy and commercial LPG cylinder on account of differential taxes and duties levied on the two categories of consumers.
- Even though National Informatics Centre and the OMCs had carried out de-duplication checks on the domestic LPG consumer database, Audit noticed instances of multiple connections existing both within and between OMC. Besides, connections blocked on suspicion of being multiple connections were often unblocked without maintaining adequate documentation of justification for such unblocking. Scrutiny of the selected sample indicated that there were inadequate input checks for the domestic LPG consumer database, which adversely affected its accuracy and integrity.
- The OMCs have addressed the bulk of PAHAL (DBTL) Scheme related complaints though the target of seven days for redressal could not be achieved.
- A significant quantum of failed transactions was noticed which is a matter of concern as it could deprive the genuine LPG consumers of their legitimate subsidy. Audit noticed that a major reason for failure of transactions was inaccurate data entry by distributors.

- As on 31 December 2015, there were 1.55 crore non-cash transfer compliant consumers. The possibility that this includes consumers who deserve the subsidy cannot be ruled out.
- In the sample scrutinised, Audit noticed that non-cash transfer compliant consumers hold ₹49.21 crore as Permanent Advance. As these consumers were not eligible for advance, this led to blocking of funds. Besides, Audit noticed that the security deposit of a significant number of consumers was much lower than the Permanent Advance paid to them. As the Permanent Advance is expected to be recovered from the security deposit when the connection is terminated, its recovery in such cases remain doubtful.
- The subsidy burden over the period from April 2015 to December 2015 was lower than that for the comparable period in 2014 by ₹23,316.21 crore. However, this was a combined effect of decrease in off-take of subsidised cylinders by consumers (₹1,763.93 crore) and lower subsidy rates arising from the sharp fall in crude prices (₹21,552.28 crore) in 2015-16. While implementation of the PAHAL (DBTL) Scheme coupled with the 'Give it up' campaign has resulted in the reduction of offtake of domestic subsidised LPG cylinders, the resultant subsidy savings was not as significant as that generated through fall of subsidy rates.

## **10.2 Recommendations**

Audit suggests the following recommendations in order to address the issues highlighted in this Report.

- (i) Effective steps may need to be taken to dis-incentivise diversion of non-subsidised domestic LPG cylinders to the commercial segment.
- (ii) Considering that audit scrutiny of the selected sample revealed existence of multiple connections, the entire database needs to be scrutinised by the OMCs and effective action should be ensured. The integrity of the database needs to be maintained. While the OMCs assured institution of appropriate checks for new additions to the consumer database, there is an urgent need to ensure correctness and integrity of the existing database. Appropriate and transparent documentation of blocking and unblocking of suspected multiple connections also needs to be ensured.
- (iii) Appropriate input control, data validation and strict oversight is essential at the distributor interface to ensure correctness of data entry at their end, which would not only improve the integrity of the consumer database but also eliminate failed transactions arising from incorrect information.
- (iv) Audit has noted the decrease in the number of Non Cash Transfer Compliant consumers. However, more focussed outreach efforts may be necessary to ensure that deserving consumers are not deprived of subsidy for want of knowledge of the Scheme or clarity regarding its processes.

- (v) Appropriate policy decisions may be necessary to address the blocking of Permanent Advance with Non Cash Transfer Compliant consumers and recovery of Permanent Advance from consumers having a lower security deposit compared to it.



**(H. PRADEEP RAO)**

**Deputy Comptroller and Auditor  
General and Chairman, Audit Board**

**New Delhi**

**Dated : 18 July 2016**

**Countersigned**



**(SHASHI KANT SHARMA)**

**Comptroller and Auditor General of India**

**New Delhi**

**Dated : 18 July 2016**



# Annexures



## Annexure I

(As referred to in Para 2.6)

## (A) Status of various claims under DBTL Scheme (June 2013 to February/March 2014) (₹ in crore)

OMC	Permanent advance claims			Subsidy claims			Project Management expenditure claims		
	Amount claimed	Amount received	Amount outstanding as on 31.3.2014	Total amount claimed	Amount received	Amount outstanding as on 31.3.2014	Total amount claimed	Amount received	Amount outstanding as on 31.3.2014
IOCL	529.17	529.17	0.00	1,600.06	1,586.96	13.10	16.82	16.82	0.00
BPCL	300.11	300.11	0.00	866.58	859.92	6.67	16.87	16.87	0.00
HPCL	404.91	404.91	0.00	1,401.90	1,390.12	11.78	9.85	9.33	0.52
<b>Total</b>	<b>1,234.19</b>	<b>1,234.19</b>	<b>0.00</b>	<b>3,868.54</b>	<b>3,836.70</b>	<b>31.84</b>	<b>43.54</b>	<b>43.02</b>	<b>0.52</b>

## (B) Status of various claims under PAHAL (DBTL) Scheme (November 2014 to March 2016) (₹ in crore)

OMC	Permanent advance claims			Subsidy claims			*Project Management expenditure claims		
	Amount claimed	Amount received	Amount outstanding as on 31.3.2016	Total amount claimed	Amount received	Amount outstanding as on 31.3.2016	Total amount claimed	Amount received	Amount outstanding as on 31.3.2016
IOCL	2,731.15	2,349.62	381.53	10,122.93	7,313.14	2,809.79	149.35	55.23@	94.12
BPCL	1,386.12	1,166.81	219.31	4,880.63	3,519.03	1,361.6	71.20	56.01	15.19
HPCL	1,256.27	1,004.29	251.98	5,029.33	3,653.66	1,375.67	83.86	54.22	29.64
<b>Total</b>	<b>5,345.54</b>	<b>4,520.72</b>	<b>824.82</b>	<b>20,032.89</b>	<b>14,485.83</b>	<b>4,573.61</b>	<b>304.41</b>	<b>165.46</b>	<b>138.95</b>

\* Includes expenditure on "Give it up" and employee rewards

@ ₹ 23.94 crore received on 02.4.2016

## (C) Status of Buffer Account as on 31 March 2016

(₹ in crore)

Name of OMC	Subsidy amount sanctioned by GoI for credit to Buffer Account	Subsidy amount withdrawn by OMC from Buffer Account #
IOCL	8,482.77	8,289.17
BPCL	4,279.62	3,963.22
HPCL	4,406.70	4,017.49
<b>Total</b>	<b>17,169.09</b>	<b>16,269.88</b>

# It also includes ₹ 2,878.80 crore (IOCL), ₹ 1,466.93 crores (BPCL) and ₹ 1,409.19 crore (HPCL) on account of one time incentive towards Permanent Advance.

Note: GoI has not yet sanctioned any amount for credit in Buffer Account in respect of subsidy claims for the month of December 2015 to March 2016.

**Annexure II**

(As referred to in Para 5.2)

**(A) Effect of Intra-OMC Duplicates on payment of refill subsidy (due to delivery of excess subsidised cylinders)**

Particulars of the Multiple Connection identified	No. of multiple active connections availing more than 12 cylinders					
	IOCL		BPCL		HPCL	
	2014-15	2015-16 (up to Oct. 2015)	2014-15	2015-16 (up to Oct. 2015)	2014-15	2015-16 (up to Oct.2015)
Multiple connections for the same Aadhaar no. (intra)	-	-	0	0	146	10
Multiple connections for same IFSC and bank account no.	12,236	1,730	0	0	8,301	1,271
Multiple connections 'Same Name Same Address'	3,099	1,417	3,764	1,293	384	64
Multiple connections (Same Name, DOB and registered mobile number)	5,054	1,302	8	0	4,507	1,620
<b>Total</b>	<b>20,389</b>	<b>4,449</b>	<b>3,772</b>	<b>1,293</b>	<b>13,338</b>	<b>2,965</b>

**(B) Effect of Intra-OMC Duplicates on payment of Permanent Advance (PA)**

Particulars of the Multiple Connection identified	No. of multiple active connections having availed PA twice in		
	IOCL	BPCL	HPCL
Multiple connections for the same Aadhaar no. (intra)	-	0	80
Multiple connections for same IFSC and bank account no.	15,819	0	10,238
Multiple connections (SNSA)	6,367	6,780	314
Multiple connections(Same Name, DOB and registered mobile number)	5,445	8	6,392
<b>Total</b>	<b>27,631</b>	<b>6,788</b>	<b>17,024</b>

**(C) Effect of Inter-OMC Duplicates on payment of refill subsidy (due to delivery of excess subsidised cylinders)**

Particulars of the Multiple Connection identified	No. of multiple active connections availing more than 12 cylinders					
	IOCL & BPCL		BPCL & HPCL		HPCL & IOCL	
	2014-15	2015-16 (up to Oct.2015)	2014-15	2015-16 (up to Oct.2015)	2014-15	2015-16 (up to Oct.2015)
Multiple connections for the same Aadhaar no. (inter)	9,332	1,942	10,926	1,708	12,370	2,172
Multiple connections for same IFSC and bank account no.	1,400	152	1,910	254	2,348	260
<b>Total</b>	<b>10,732</b>	<b>2,094</b>	<b>12,836</b>	<b>1,962</b>	<b>14,718</b>	<b>2,432</b>

**(D) Effect of Inter-OMC Duplicates on payment of Permanent Advance (PA)**

Particulars of the Multiple Connection identified	Multiple active connections having availed PA twice in					
	IOCL & BPCL		BPCL & HPCL		HPCL & IOCL	
	No. of multiple connections	Amount of PA (₹ in lakh)	No. of multiple connections	Amount of PA (₹ in lakh)	No. of multiple connections	Amount of PA (₹ in lakh)
Multiple connections for the same Aadhaar no. (inter)	14,114	39.60	18,704	28.29	20,108	38.68
Multiple connections for same IFSC and bank account no.	3,946	9.08	3,528	7.68	5,098	6.23
<b>Total</b>	<b>18,060</b>	<b>48.68</b>	<b>22,232</b>	<b>35.97</b>	<b>25,206</b>	<b>44.91</b>

## Annexure-III

(As referred to in Para 9.2)

## Statement of Projected savings due to PAHAL (DBTL) Scheme for the year 2015-16

Particulars	Savings as per OMCs	Savings as per Audit
<b>a) Savings due to reduction in Domestic LPG Consumption</b>		
By consumption pattern of 2014-15 , 94 per cent cylinder were sold within cap, so reduction in subsidies sale (No. of cylinders )	1,53,30,493	1,53,30,493
Subsidy saving for 6 months considering average subsidy (in ₹ crore)	518*	259.78**
<b>Projected Annual Savings (₹ in crore) (a)</b>	<b>1,036.00</b>	<b>519.56</b>
<b>b) Saving due to Non-Subsidised Sales to Domestic Consumers (NCTC)</b>		
No. of NCTC consumers in September 2015 drawing non-subsidised cylinders	1,73,15,837	1,73,15,837
<b>Projected savings considering average subsidy (in ₹ crore) (b)</b> (Considering average per capita consumption of 6.27 cylinders for the year 2015-16)	<b>3,672.00*</b>	<b>1,839.72**</b>
<b>c) Additional Taxes/Duties due to rise in NDNE sale</b>		
Sale in April – September 2014 ( MT)	4,70,854	4,70,854
Sale in April – September 2015 ( MT)	6,50,501	6,50,501
Increase in NDNE sale compared to previous year from April - September (MT)	1,79,647	1,79,647
Average Price of NDNE per MT (₹)	42,000	42,000
Customs Duty @ 5 per cent of Refinery Transfer Price (₹)	1,250	1,250
Total price after Excise Duty @ 8.33 per cent of average price of NDNE (x) (₹)	45,498.6	45,498.6
Total price after VAT @ 14 per cent of x (₹)	51,868.4	51,868.4
So, total contribution per MT by ( customs+ excise + VAT) (₹)	11,118.4	11,118.4
<b>Annual gain in NDNE sale (₹ in crore) (c)</b>	<b>399.48</b>	<b>399.48</b>
<b>d) Savings due to ‘Give it Up’ campaign</b>		
Total LPG domestic consumers opted out (February 2016)	Not considered by OMCs	67,27,130
<b>Projected saving due to ‘Give it Up’ (₹ in crore) (d)</b> (considering average per capita consumption of 6.27 cylinders for 2015-16 )		714.72**
<b>Projected Annual Saving for GoI ( a+b+c+d) (₹ in crore)</b>	<b>5,107.48</b>	<b>3,473.48</b>

\* Considering ₹ 338/- per cylinder (weighted average of 2014-15)

\*\* Considering ₹ 169.45 per cylinder [weighted average of 2015-16 (December 15)]

**Annexure –IV**  
(As referred to in Para 9.3)

**A. Change in total subsidy in 2015-16 compared to 2014-15 due to reduction in subsidy rates keeping the quantity of 2015-16 constant:**

Month	Qty. of LPG on which subsidy paid in 2015-16 (in MT)*	Average subsidy per MT in 2014-15 (in ₹)*	Average subsidy per MT in 2015-16 (in ₹)*	Decrease in average subsidy/ MT (in ₹)	Amount (₹ in crore)
	Q`	S	S`	s = (S-S`)	sQ`
April	1159831	33528	13132	20396	2,365.59
May	1195246	31864	12990	18874	2,255.91
June	1187242	34188	14978	19210	2,280.69
July	1225906	33057	11498	21559	2,642.93
August	1214751	32580	9818	22762	2,765.02
September	1241519	30227	10878	19349	2,402.22
October	1305094	27184	6456	20728	2,705.20
November	1254082	25673	6903	18770	2,353.91
December	1386063	24170	11322	12848	1,780.81
<b>Total</b>					<b>21,552.28</b>

\* Actual for 2014 and 2015

**B. Change in total subsidy in 2015-16 compared to 2014-15 on account of reduced offtake of subsidised cylinders keeping the subsidy rate of 2014-15 constant:**

Month	Average subsidy per MT in 2014-15 (in ₹)*	Qty. of LPG on which subsidy paid in 2014-15 (in MT)*	Qty. of LPG on which subsidy paid in 2015-16 (in MT)*	Decrease in quantity (in MT)	Amount (₹ in crore)
	S	Q	Q`	q = (Q-Q`)	Sq
April	33528	1205900	1159831	46069	154.46
May	31864	1268860	1195246	73614	234.56
June	34188	1182600	1187242	-4642	-15.87
July	33057	1257180	1225906	31274	103.38
August	32580	1275580	1214751	60829	198.18
September	30227	1374860	1241519	133341	403.05
October	27184	1324750	1305094	19656	53.43
November	25673	1402730	1254082	148648	381.62
December	24170	1489960	1386063	103897	251.12
<b>Total</b>					<b>1,763.93</b>

\* Actual for 2014 and 2015

## List of Abbreviations

Sl. No.	Abbreviation	Description of Abbreviated Term
1	ACTC	Aadhaar CashTransfer Compliant
2	APB	Aadhaar Payment Bridge
3	BCTC	Bank Cash Transfer Compliant
4	BPCL	Bharat Petroleum Corporation Limited
5	CTC	Cash Transfer Compliant
6	DBTL	Direct Benefits Transfer for LPG Consumers
7	DNSA	Different Name Same Address
8	DOB	Date of Birth
9	GoI	Government of India
10	HPCL	Hindustan Petroleum Company Limited
11	IFD	Integrated Finance Division of MoPNG
12	IFSC	Indian Financial System Code
13	IOCL	Indian Oil Corporation Limited
14	IVRS	Interactive Voice Response System
15	KYC	Know Your Customer
16	LPG	Liquefied Petroleum Gas
17	MoF	Ministry of Finance
18	MoPNG	Ministry of Petroleum and Natural Gas
19	MT	Metric Tonne
20	NACH	National Automated Clearing House
21	NCTC	Non Cash Transfer Compliant
22	NDEC	Non Domestic Exempt category
23	NDNE	Non Domestic Non Exempt
24	NIC	National Informatics Centre
25	NPCI	National Payment Corporation of India
26	OMC	Oil Marketing Companies
27	PA	Permanent Advance
28	PAHAL	Pratyaksh Hanstantrit Labh Yojana
29	PMCB	Punjab Maharashtra Co-operative Bank
30	PPAC	Petroleum Planning and Analysis Cell
31	SBI	State Bank of India
32	SNSA	Same Name Same Address
33	TV	Transfer/Termination Voucher
34	UIDAI	Unique Identification Authority of India

## Glossary of Special Terms

Term	Meaning
Aadhaar Number	Aadhaar is a 12 digit individual identification number issued by the Unique Identification Authority of India (UIDAI).
Active Consumer	Consumer who is taking refill of LPG cylinders at prescribed intervals.
Auto LPG Consumers	Consumers who use LPG as fuel in their automobiles.
Buffer Account	A separate Bank Account opened by State owned Oil Marketing Companies to receive cash subsidy towards domestic LPG from Government of India.
Commercial Use	LPG used for carrying out business with aim to earn profit.
CTC	Cash Transfer Compliant: A' consumer who has joined the PAHAL (DBTL) Scheme by any of the following two ways and is ready to receive LPG subsidy directly into his bank account. ACTC (Aadhaar Cash Transfer Compliant) - If LPG consumer has linked his/her Aadhaar number to both LPG consumer number and to the bank account Or BCTC (Bank Cash Transfer Compliant) - If LPG consumer has linked his/her bank account number to LPG IDs
DCMS	Distributor and Consumer Management System (DCMS) is a software used by LPG distributors of HPCL.
De-duplication	Exercise done to identify duplicate/multiple connections.
Domestic Consumer	Consumer using LPG in household for cooking purpose.
Failed Transactions	Any transaction which is returned/rejected by Bank/NPCI is Classified as a "Failed Transaction"
Give-it up Scheme	Scheme launched by Government of India to encourage affluent consumers to opt out of subsidy voluntarily.
Grace Period	Period of 3 months from the date of launch of the Scheme to LPG consumer not having CTC status to become CTC.
Indsoft	Indsoft is a software used by LPG distributors of IOCL.
Interactive Voice Response System	Self-answering telecommunication system used by LPG consumers for refill booking, complaint, etc.
Know Your Consumer	Procedure followed for obtaining information on Proof of Address (POA) and Proof of Identity (POI) with supporting documents.
LPG Next	LPG Next is software provided by BPCL to their LPG distributors as interface.

<b>Term</b>	<b>Meaning</b>
NCTC	Non Cash Transfer Compliant: An LPG consumer who has not linked his/her Aadhaar number to either LPG consumer or bank account or both LPG consumer number and bank account Or An LPG consumer who has not linked his/her bank account number to LPG consumer number
PAHAL	DBTL (Direct Benefits Transfer for LPG Consumers) Scheme has been named as 'PAHAL' which means "Initiative". It is an acronym based on Hindi translation of the Scheme: " <i>Pratyaksh (Direct) Hastantarit (Transferred) Labh (Benefit)</i> "

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