CHAPTER IV : DISBURSEMENT OF PENSION

4.1   Introduction

4.1.1 Pension is disbursed through Pension Disbursing Agencies (PDAs) comprising Banks, Defence Pension Disbursing Offices (DPDOs), Treasuries, PAOs and the Post Office, Kathua. Majority of the pensioners receive pension through banks (about 74.8 *per cent*) or DPDOs (18.5 *per cent*). Banks have established their Centralised Pension Processing Centres (CPPCs), which are the focal points in each bank to process the pension cases.

4.1.2 Under the existing arrangement, the banks disburse the pension from their own funds and seek reimbursement from the RBI on a daily basis. They are required to send detailed Pension Payment Scrolls to the PCDA (P) for proper accounting of the expenditure. The banks are also authorized to revise the pension, based on government orders issued from time to time. The RBI pays agency commission to the banks based on the number of transactions handled by them. The DPDOs make the payment by directly operating the government account. The **Aashraya** software used by the DPDOs facilitates payment of pension and contains the electronic database of the pensions disbursed by the DPDOs. The disbursements made by other PDAs like treasuries and Post Office, Kathua are adjusted later through the Accountants General (A&E) or Director (Department of Post).

4.1.3 We test checked disbursement of pension in 16 (*sixteen*) CPPCs of the Public Sector Banks, 10 (*ten*) DPDOs of the Defence Accounts Department, and 08 (*eight*) Treasury Offices of the State Governments with the objective of testing timely disbursement of correct pension. The physical sample consisted of at least 300 cases from each PDA. In addition, bulk soft data maintained by the 16 selected CPPCs and 63 DPDOs was analysed using data analytics techniques. The findings are given in the succeeding paragraphs.

4.2   Underpayment to Defence Pensioners

Analysis, using IT tools, of the e-scrolls and payment vouchers for one month, obtained from the PDAs during field audit, indicated that 21,434 pensioners (out of 18.96 lakh) were under-paid. The amount of under-payment in the identified cases was calculated for the entire period of disbursement to the pensioners, beginning from the date when the pension became due to them, and came to ₹ 106.17 crore as shown in the **Table 4.1** given below:

Table 4.1 : Details of underpayment to Defence Pensioners

Sl. No.	Description	Number of pensioners affected	Underpaid (₹ in crore)	Number of PDAs involved
1	Incorrect fixation of Service Pension	1,120	62.59	12
2	Wrong rounding-off of Qualifying Service	418	1.62	3
3	Non-restoration of Commuted portion of Pension	1,826	4.19	6
4	Disability Element not paid or paid at lower rate	35	0.47	5
5	Non-rounding off of Disability Pension	1,254	10.89	3
6	Non-payment of Monetary allowances attached to Gallantry Awards	49	0.34	8
7	Family Pension not revised	4,401	18.08	12
8	Non-revision or wrong revision of Additional Pension admissible to pensioners above 80 years of age	864	1.67	10
9	Fixed Medical Allowance not revised	11,164	5.76	19
10	Non-revision of Constant Attendance Allowance admissible to pensioners with 100% disability	79	0.38	10
11	Ex-gratia amount not revised	224	0.18	9
	Total	**21,434**	**106.17**	

Of these, 229 pensioners in two CPPC[13]s and 37 pensioners in 20 DPDOs[14] were not getting even the minimum guaranteed pension of ₹ 3500. In 297 cases, the pension was not revised for several years after the revision orders were issued, due to non-availability of basic records. **Annexure-5** gives a summary of the important cases of under-payments observed.

Subsequently, when the bulk soft data of e-scrolls for the five years period 2011-12 to 2015-16 was analysed using IT tools, it indicated possible under-payment aggregating to ₹228.85 crore, as shown in **Annexure-6.** The cases coming out of the audit analysis were intimated to the concerned agencies for detailed investigation and appropriate action**.**

MoD stated that the matter was being taken up with the concerned PDAs for necessary action.

4.3   Overpayment to defence pensioners

4.3.1   Similarly, analysis of pension payment accounts and e-scrolls for one month at the 17 PDAs and 08 treasuries indicated that overpayments were made by the PDAs to 11,973 (out of 18.96 lakh) defence pensioners due to reasons like wrong entry of date of birth, qualifying service, and the group of service *etc.,* in their databases. When the overpayment was calculated for the

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[13] SBI Guwahati and Bank of Baroda, Delhi
[14] 20 DPDOs at Red Fort-II Delhi, Brar Square Delhi, Rohtak, Sonepat, Jalandhar, Amritsar, Bhatinda, Ropar, Jammu S N, Jammu A R, Udhampur, Srinagar, Leh, Allahabad, Gorakhpur, Hyderabad, Secunderabad, Banglore, vellore, Kottayam

entire period of disbursement to the pensioners, beginning from the date when the pension became due to them, the amount came to ₹118.23 crore. The details are given in **Table 4.2** below:

Table 4.2 : Details of Overpayments to Defence Pensioners

Sl. No.	Description	Number of pensioners affected	Overpayment (₹ in crore)	Number of PDAs involved
1	Incorrect fixation of pension	509	36.52	15
2	Wrong rounding-off of Qualifying Service	616	2.84	1
3	Dearness relief	110	0.88	7
4	Commutation of Pension	609	10.14	9
5	Disability Pension (broad-banding)	103	0.84	3
6	Double disability	1	0.07	1
7	Disability to family pensioner	1	0.08	1
8	Gallantry Awards	8	0.02	2
9	Family Pension	39	0.55	5
10	Additional Pension	233	1.65	7
11	Irregular additional pension	83	1.27	1
12	Irregular payment of Fixed Medical Allowance (FMA)	8,604	21.62	19
13	Constant Attendance Allowance	8	0.08	2
14	Overpayment to NCC officers	41	5.95	9
15	Wrong revision of pension of civilians	100	2.95	1
16	Reservists[15]	908	32.77	11
	Total	**11,973**	**118.23**	

MoD stated that overpayments were due to incorrect feeding/ incorrect information in their data bases; and that the PDAs had been advised to take corrective steps.

4.3.2 Subsequently, when the bulk soft data of e-scrolls for the five years period under review *i.e.*, 2011-12 to 2015-16 was analysed using IT tools, it indicated possible overpayment aggregating to ₹518.70 crore. The details are in **Annexure-6.** All the cases were intimated to the concerned agencies for detailed verification and appropriate action.

MoD stated that the matter was being taken up with the concerned PDAs for necessary action.

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[15]The service rendered while in active service in the Armed Forces is called "Colour" service and that in reserve is called "Reserve" Service. The minimum "colour" service for earning service pension is 15 years. Individuals, who retire after 15 years of combined colour and reserve service, are granted "Reservist Pension". Over-payments occurred due to irregular revision by the PDAs as per the orders applicable for the service personnel.

4.4   Double payments

On analysis using IT tools of 10,55,000 records in e-scrolls of 16 banks' CPPCs and the DPDOs for the month of February 2015, we found 153 records in which the same PPO number was either linked to two accounts or double pension was credited to the same account. On verification in the banks, 59 of these cases turned out to be of double payment, of which in 26 cases, the banks had already detected the double payment and taken action for recovery. However, in 33 cases the recovery of double payment of ₹ 91.90 lakh had either not started or had not completed. In the remaining 94 (153-59) cases, data entry errors were noticed (the PPO number was entered wrongly by the banks) and were rectified by the bank after being pointed out.

MoD stated (June 2017) that in 19 out of the 33 cases, recovery had commenced, and necessary liaison had been done for recovery in remaining cases.

4.5   Other irregularities in pension disbursement

- In Bank of Baroda (BOB), New Delhi there were 26 accounts in which pensions of 03 to 92 pensioners were credited into *one* account number.

- In Central Bank of India (CBI), Mumbai, pension was credited twice to the accounts of pensioners against identical PPOs, resulting in overpayment of ₹34.94 lakh for the period 2013-16.

- Similarly, Bank of Maharashtra credited the amounts twice to the accounts in *nine* cases, involving overpayment of ₹10.62 lakh. Bank of Maharashtra also paid ₹20.25 lakh to four pensioners of other departments against Defence Head.

- SBI, Mumbai paid ₹ 12.56 lakh during 2011-12 to 2015-16 to *four* pensioners of Central Reserve Police Force.

- In SBI, Guwahati, the date of birth in 2,453 cases was mentioned as '31/12/3001'. SBI, Guwahati also authorised payment of pension without PPOs. 32 PPOs were missing and 51 reported burnt.

- In SBI, Patna, PPOs of 1496 pensioners were not with the CPPC and payment of pension was being made without PPO as of March 2016.

- In Pauri Garhwal Treasury, the date of birth of 30 *per cent* of the total 2285 pensioners was not fed in the system and the date of birth of 29.6 *per cent* pensioners was fed as '15/07/1947'. This Treasury also paid ₹31.83 lakh without original PPOs in *four* cases.

- In Farrukhabad Treasury, *four* PPOs were missing (reported destroyed by termite and moisture) and the payment was being authorized without PPOs.

MoD stated (March 2017) that the details had been called for from the PDAs for issue of suitable orders.

4.6   Delay in recovery of overpayments

RBI instructions stipulate that the overpayments should be adjusted against the amount standing to the credit of the pensioner. Our examination of e-scrolls and pensioners' profile showed that the PDAs delayed recovery of over-payments/ wrong payments (identified by PDAs) to 6,900 defence pensioners, amounting to ₹62.04 crore (**Annexure-7**). In some cases, the recovery was made at the rate of ₹1.00 per month only, meaning it could not be recovered during the life time of the pensioners. MoD stated that details of overpayments had been called for examination and issuing necessary guidelines.

4.7   Deficiencies in the pensioners' data

As stated in Para 1.6.2, we consolidated the e-scroll data for 2011-12 to 2015-16 received in the PCDA (P) office and from the PDAs, which totalled to about 7.15 crore records. The data was matched with the data in the pensioners' profile maintained by PCDA (P). **Annexure-8** summarises the mismatch in the data contained in the e-scrolls with that in the pensioners' profile maintained by the PCDA (P).

It was observed that the format prescribed by the PCDA (P) for the 'Pensioners Profile' to be maintained by the PDAs required 67 fields to be captured by the PDAs, such as, Name, Rank, Identity number during service, date of birth, *etc*. However, there were instances of incomplete and wrong data captured in the Pensioners' profile maintained by the PDAs. For example:

(i)   Missing Account number

In 11 out of 17 PDAs the Bank Account number appearing in the pension payment scroll did not appear in the Profile database. The number of unmatched transactions in the PDAs ranged from 78 to 4,41,980 (column 4, **Annexure-8**). This indicates absence of an important validation check to ensure that the pensions are paid to the correct account.

(ii)   Missing Name and PPO number

In 13 out of 17 PDAs either the name or the PPO number was not indicated in the scrolls. The number of transactions in which the names were not indicated in the PDAs' records ranged from 137 to 2,08,844; and the number of records

in which PPOs were not indicated in the PDAs' records ranged from 26 to 1,38,991 (column 5 and 6, **Annexure-8**).

(iii)   Date of birth errors

In all PDAs except Andhra Bank, the date of birth was either not captured or captured wrongly in many cases. For example,

a)   In 27,55,097 transactions the date of birth was not captured.

b)   In 2,55,483 transactions the date of birth was mentioned as 31/12/3001.

c)   In 23,954 transactions the date of birth was not matching with that recorded by PCDA (P).

d)   In 14,125 transactions the date of birth was not matching with that in the Bank profile.

e)   In 162,777 transactions, as per the 'date of birth' in the Pensioners' profiles, the pensioner had served even after attaining the age of superannuation (column 8, **Annexure-8**).

As the date of birth has financial implication in the case of 'Additional pension', paid on attaining the age of 80 years and above, absence of or wrong date of birth was an important missing control.

(iv)   Pension for same PPO credited to different accounts

As the PPO has a unique number, payment against a PPO cannot be credited to two different Bank accounts. We observed that in 9,696 cases (column 9, **Annexure-8**) pension was credited to more than one bank account number against the same PPO. This indicates that either the PPO number was incorrectly fed in the scroll or payment in one of the accounts was irregular.

(v)   Pension for different PPOs credited to one bank account

Though the pension is credited to the individual pensioner's bank account on the basis of one unique PPO, we observed 38,127 cases where pension was credited to one bank account against multiple PPOs (column 10, **Annexure-8**). This indicates that either the PPO number or the account number was incorrect.

(vi)   Non-matching of the Bank scroll data with the PCDA data

PPO contains the personal and service details of the pensioners based on the pensioners' profile data held by the PCDA (P). Ink signed PPO is issued by the PCDA (P) to the banks, which are the pension disbursing agencies. The banks transcribe the data in the PPO for building their own pensioners profile

on the basis of which pensions are disbursed. The e-scrolls contain data based on the pensioners' profile maintained by the banks.

However, on matching the e-scroll data of the banks/ DPDOs with the pensioners' profile [maintained by PCDA (P)], on the "Bank account number" and "PPO No." fields, it was observed that scroll records did not match with the PCDA (P) records in 5,15,869 cases (column 11, **Annexure-8**). This reflects that either the PPO number fed was incorrect or no reconciliation was carried out by the PCDA (P) with the records of PDAs. Due to inaccuracy in capturing data and non-reconciliation between PDAs and PCDA (P), incorrect or fraudulent payment of pension cannot be ruled out and therefore needs to be thoroughly investigated.

MoD stated (June 2017) that the matter needed further examination, and a data purification cell had been opened to reconcile the master data with the information in e-scrolls.

4.8 Disbursement of pension by DPDOs

Aashraya software was developed by the CGDA for accounting and disbursement of defence pension through Defence Pension Disbursing Offices (DPDOs). We observed that:

- Due to non-integration with the database of PCDA (P), DPDOs were feeding the data in the Aashraya software manually and many fields were left blank due to non-availability of the information at the DPDO level.

- Lack of validation checks on the data fed posed challenge to the integrity of the data. For example: field "Recstats" accepted alphanumeric data instead of only alphabetical; the Field "Date" accepted any number from '0' to '99999999'; and the field Qualifying service accepted '0' in many cases.

Audit scrutiny of the History Master of Aashraya software revealed that:

(i)   In 1,854 out of 425,495 records, name of two pensioners with different regimental numbers appeared against the same PPO number.

(ii)   In 31,419 cases of disability/ invalid out, the percentage of disability was not mentioned.

MoD stated (March 2017) that e-PPO project was under development stage and integration of database between PCDA (P) and DPDOs could be done after completion of that project.

4.9   Non-deduction of Income Tax from pensioners

Para 88.1 of the Defence Pension Payment Instructions requires that PDAs are responsible for deducting Income Tax at source (TDS) from the pensioners.

- Audit scrutiny of Aashraya data revealed that DPDOs deducted Income Tax only in case of 157 out of 4,38,234 pensioners (March 2016).

- Udham Singh Nagar Treasury made pension payment to 230 service pensioners in March 2015 but did not deduct Income Tax. Pauri Garhwal Treasury disbursed pension to 1140 service pensioners in March 2015 but did not deduct Income Tax in any of these cases except for 344 service pensioners of Sub-Treasury, Satpuli.

- Audit scrutiny of scroll (February 2016) of CPPC BOB New Delhi revealed that no deduction of Income Tax was made even though total payment was more than the exemption limit in 81 cases.

- The other PDAs that did not deduct TDS were DPDO, Secunderabad (3129 cases), Treasury Kozhikode (862 cases), DPDO Ernakulum (4154 cases), and CPPC BOM, Pune (32,985 cases).

We observed that Permanent Account Numbers (PAN) were not available in the bulk data obtained from the PCDA (P) and the PDAs, except for SBI and DPDOs. Capturing the PAN in the basic details of the pensioner could facilitate tax deduction at source by the PDAs.

4.10   Verification of Life Certificates

Pensioners are required to produce a life certificate signed by designated authorities, once a year. We observed that in some cases, life certificates were missing.

Obtaining a life certificate in the designated format and signed by a designated authority could be a challenge for a pensioner, especially with increasing age. To mitigate the problem, PCDA (P) had made the digital life certificates obtained through the Jeevan Praman scheme of the Government, an admissible document. The Jeevan Praman initiative enables citizens to obtain biometrically enabled digital life certificates through mobile phones and designated service centres.

Although Aadhaar number is essential in order to derive the benefit of Jeevan Praman, our examination of the banks' payment scrolls indicated that only a few of them (*e.g.*, Punjab National Bank and Central Bank of India) had captured the Aadhaar number, that too for only a part of their pensioners.

4.11   Other comments

The Post office, Kathua maintains defence pension disbursement accounts of 4,599 defence pensioners. Due to non-availability of required infrastructure the Post office is maintaining the record of pension disbursement manually.

4.12   Conclusions and Recommendations

An analysis of the reasons for the under-payments and over-payments indicates that they were mostly on account of non-revision or incorrect revision of pension and incorrect feeding of pensioners' rank, group, qualifying service, date of birth, *etc.,* in the database of the Pension Disbursing Agencies (PDA). The PDAs were building their databases of the pensioners' profiles by manually transcribing into their systems the data from the PPOs issued by the PSAs. This system was prone to transcription error as is manifest in the audit findings discussed above. Further, since the PDAs were authorized to carry out the revisions *etc.,* of the pensions, timely detection of errors committed by them would be critically dependent on timely submission of the payment scrolls to the PCDA (P) and comprehensive audit of these scrolls by the PCDA (P).

Non-integration of the databases of the PSAs and the PDAs, coupled with inadequate control over submission by the PDAs of payment details to the PCDA (P), has led to systemic inefficiencies resulting in under-payments, over-payments and other irregularities in the disbursement of pension, as discussed in the preceding paragraphs. These deficiencies were symptomatic and under-scored the need for a more robust pension disbursement system that builds upon the progress already made in the different stakeholders in automating the system and also leverages the advancements in information technology.

In light of the above, the following recommendations are made:

- The architecture of the pension system should be designed such that the pensioners' critical information should flow seamlessly and electronically from the point of origin (*e.g.,* the Record Offices) to the destination (PDAs) through the pension sanctioning authorities (PSAs). This will obviate the need for manual transcription of information, especially in the PDAs, saving resources and plugging scope for mistakes.

- There should be comprehensive validation checks for the information captured at the origin, and it should not be tampered with at any intermediate stage without proper authority and audit trail.

- PCDA (P) should implement comprehensive e-audit of the scrolls for prompt detection of deviations, including under and overpayments, to enable prompt action.

- MoD should liaise with the Department of Posts to computerise the Post Office, Kathua.

- PAN number should be captured in the original profile maintained by the ROs and travel through the chain of transmission to the PDAs to facilitate TDS.

- In order to provide a hassle-free method of submitting life certificates to the PDAs, Aadhaar number should be captured by the ROs while the person is in service and form part of the basic information that travels through the transmission chain to the Pension Disbursing Agencies through the Pension Sanctioning Authorities. In the existing cases, proactive action on the part of the PSAs and PDAs was required to obtain Aadhaar numbers of the pensioners and populate the PDAs databases. This would pave the way for hassle-free life certificates for the pensioners.

- PSAs and PDAs should undertake advocacy for propagating the advantages of Jeevan Praman.

MoD, while noting the recommendations, added that instructions had been issued to include PAN, Aadhar, mobile number, and email addresses of the pensioners and their dependents. Further, instructions have been issued that no PPO would be generated without Aadhar Number for Indian Nationals.