CHAPTER IV

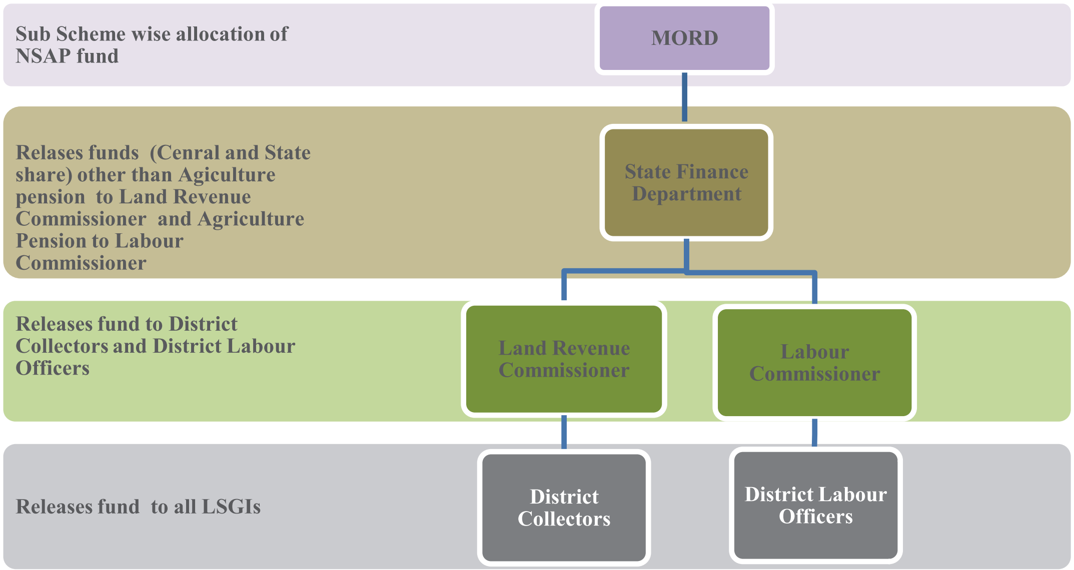
DISBURSEMENT OF SOCIAL SECURITY PENSION BENEFITS

The second audit objective set for this performance audit was to ascertain whether the **scheme funds were optimally utilized and disbursement of benefits to eligible beneficiaries was made in timely and regular manner with minimal difficulty to the beneficiaries.**

This involved an assessment of the fund utilization, disbursement and beneficiary maintenance mechanism - the outcome of which result in the beneficiaries receiving social security pensions timely and regularly.

The scales of assistance envisaged under the NSAP framework constitutes the central assistance and States are required to contribute at least equally to provide a decent level of assistance for the beneficiaries. Central assistance under NSAP is determined based on BPL population of the State. Up to March 2014, GoI provided funds as Additional Central Assistance (ACA), to the State's Consolidated Fund as a single allocation for all sub-schemes and the States had the flexibility to allocate funds among various schemes as required. From April 2014 onwards, NSAP became a Centrally Sponsored Scheme under MoRD and funds are being released by MoRD as an annual allocation sub-scheme wise. The State Government allots funds to the Labour Commissioner for Agricultural Labour Pension and to the Land Revenue Commissioner for other pension schemes for eventual transfer to LSGIs for implementation. The fund flow is depicted in **Chart 4.1.**

Chart 4.1: Social Security Pension Fund flow



The key principles envisaged under the NSAP with reference to payments under social security schemes include electronic transfer and regular monthly disbursement of pensions and benefits preferably at the doorstep of the beneficiaries. A review of the fund augmentation and disbursement process disclosed that the central assistance was inadequate, pension disbursements were irregular and disbursement monitoring mechanism was absent. However, the State Government has commenced linking Aadhaar numbers to beneficiary accounts and transferring pension payments directly into the bank accounts of beneficiaries, benefits of which are perceptible, though the measures are still incomplete, as brought out below:

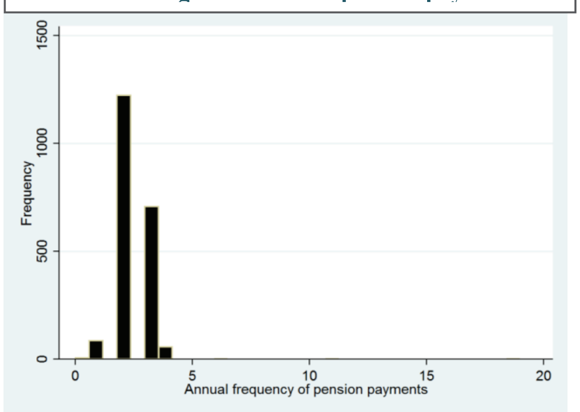
4.1 Inadequate central assistance

NSAP envisages that the criteria for allocation of central share are the BPL population of the State and the number of beneficiaries as reported by the State Government. The Guidelines envisage that funds would be allocated in two instalments. While the first instalment of 50 *per cent* of the annual allocation would be released automatically, the release of second instalment would depend upon the State utilizing 60 *per cent* of the available funds, furnishing utilization certificate, a certificate that funds have been transferred to the beneficiaries and the State submitting the proposal by 15 December along with other certificates as prescribed. The State Government did not fulfill this requirement and the details of BPL beneficiaries were also not being sent to the Central Government, which contributed to the short receipt of central share. The central share received during 2014-15 was only ₹127.69 crore as against an estimated ₹583.40 crore required as central assistance for BPL beneficiaries under NSAP. The shortfall had to be augmented through the resources of the State Government, which was avoidable.

4.2 Irregularity of disbursements

Social security pension schemes are in the nature of income support schemes and every beneficiary under the scheme is entitled to receive pension on a monthly basis. A review disclosed that:

Chart 4.2: Irregular release of pension payments



a) The State Government did not release the funds to Disbursing Officers regularly so as to enable them to make the payments monthly. The State Government released funds in three or four instalments in a year to generally coincide with festive occasions such as Onam, New Year etc. An overwhelming 93 *per cent* of respondents to the structured questionnaire categorically stated that pension payments were not being received regularly as shown in **Chart 4.2**. This phenomenon was prevalent across wards.

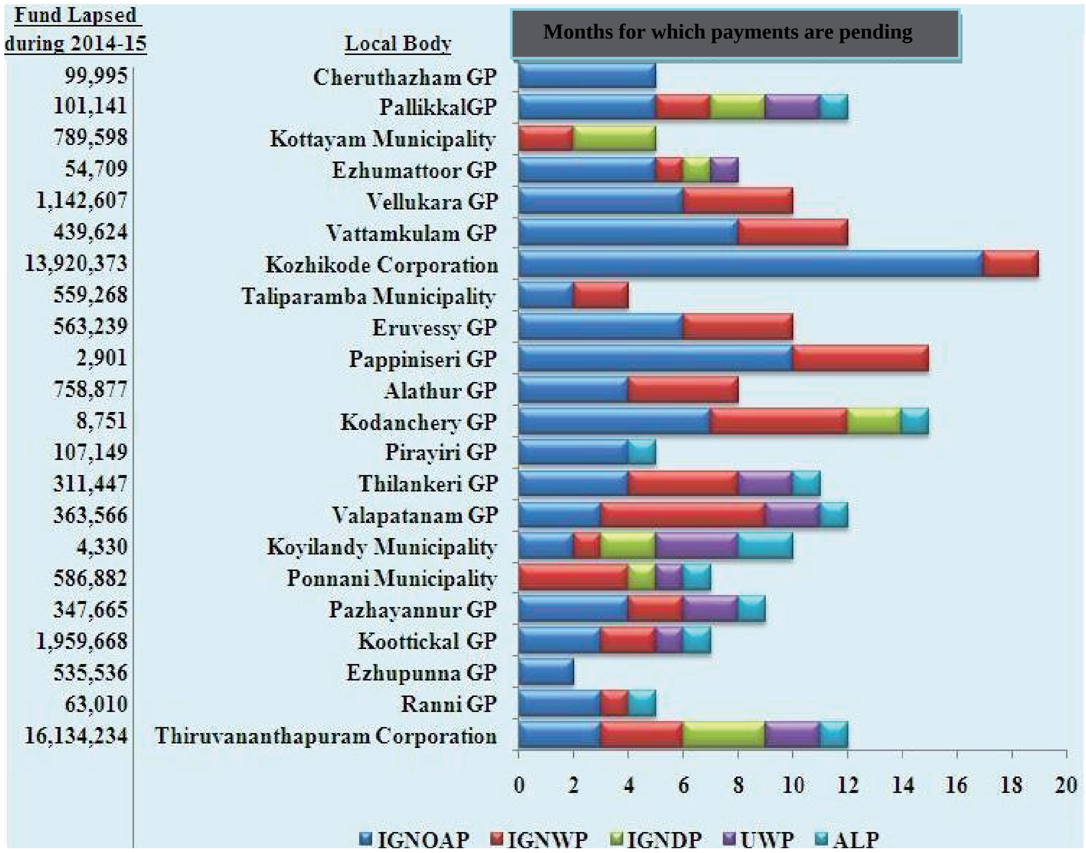
b) Further, the quantum of funds released by the State Government was not in accordance with the requirement of local bodies. To make matters worse, even while releasing funds in lump sum the State Government generally specified the periods for which pensions should be disbursed. This was paradoxical, as in spite of availability of funds and accumulated arrears of pensions payable, the local bodies had to surrender funds due to the restriction imposed by the State Government. The trend of allowing funds to lapse has been continuing during the entire five year period of audit. In 29 out of the sample of 32 GPs/Municipalities selected for audit the funds that lapsed during the past five years are shown in **Table 4.1** as under.

Table 4.1: Funds allowed to lapse during the last five years

Description	2010-11	2011-12	2012-13	2013-14	2014-15
Funds allowed to lapse (₹in crore)	1.54	1.39	6.06	2.87	4.12

To provide a perspective of the magnitude of the inconsistency, 22 out of these 29 GPs/Municipalities, which allowed funds to lapse during the year 2014-15 had accumulated arrears of payment as shown in **Chart 4.3** below.

Chart 4.3: Funds lapsed during 2014-15 vis-à-vis pending arrears of pension payment



The accumulated arrears generally related to the period from September 2014 to January 2015. However, in Kozhikode Corporation and Pappiniseri GP the payments were pending from September 2013 and April 2014 respectively.

In the case of Udayamperoor GP, however, the funds allocated by the District Collector/District Labour Officer for payment of various pensions vis-à-vis the amounts requested by GP based on the actual number of beneficiaries, was short by ₹66.73 lakh.

4.3 Lack of disbursement monitoring mechanism

The disbursement monitoring mechanism entails proper identification of beneficiaries, ensuring their continued eligibility and monitoring payments to beneficiaries. Review revealed that:

a) While NSAP guidelines stipulate that every beneficiary under the schemes shall be issued a Pension Passbook, the LSGIs have not issued pass books to the beneficiaries. Except Thiruvananthapuram Corporation and Perinthalmanna Municipality none of the other GPs/Municipalities had issued Identity Cards/Pension Cards to beneficiaries and there was no mechanism in the LSGIs to identify beneficiaries.

b) There was no system in the LSGIs to ensure that the beneficiaries are still in existence and continuing to fulfill the eligibility criteria (such as an annual verification/life certificate/widows etc). As such, under the existing mechanism the LSGIs were not in a position to ensure that irregular payments were not made in respect of deceased pensioners. In one case relating to Karumkulam GP, audit observed that pension has been disbursed for periods after the death of the beneficiary (Pension ID 102930100077).

Also, pension payable to deceased pensioners pertaining to periods prior to their death were not being released to their legal heirs as envisaged in the NSAP/State Government guidelines. In 18 GPs/Municipalities, Audit observed 394 such cases of pensions not released to legal heirs of deceased pensioners involving an amount of ₹10.22 lakh.

The Department stated (21 January 2016) that in future pension payment can be linked to death registration.

c) None of the local bodies test checked was verifying whether acknowledgements for the entire amounts given to postal authorities (excluding money orders returned) have been received. In the absence of mechanism to verify acknowledgements, the LSGIs could not ensure that pensions were actually disbursed to the beneficiaries. Audit further observed that in cases where money orders were initially returned due to absence of the pensioner, in the second attempt only the net amount after deducting the money order commission was being paid to the beneficiary, which was incorrect and violated the directions of the State Government. Audit observed 481 such cases across 11 out of the 32 GPs/Municipalities.

d) Absence of a disbursement monitoring mechanism was further evident as Audit observed 211 cases of duplicate payments or beneficiaries receiving multiple pensions across 18 GPs/Municipalities involving an amount of ₹25.38 lakh.

Linkage of Aadhaar numbers: Recognising potential benefits, GoI has preferred Aadhaar based platform for pension disbursement and has directed the

State to develop a plan to enable the beneficiaries get Aadhaar numbers and to link the Aadhaar Numbers with their Bank/PO accounts. LSGIs have started linking Aadhaar with the pension accounts of beneficiaries and the work was in progress. Benefits of this linkage were immediately discernible as local bodies had independently identified and suspended payments (₹12.12 lakh) in 138 of the 211 cases observed by Audit, though the irregularly payments were yet to be recovered (except ₹31,635, which has been recovered in Udayamperoor GP). The remaining 73 cases of beneficiaries receiving double payments/multiple pensions noticed by Audit are in the 12 GPs/Municipalities as shown in **Table 4.2** below:

Table 4.2: Details of beneficiaries receiving double payments/multiple pensions

Sl No	Name of local body	No. of cases receiving multiple payments or double payments	Amount in (₹)
1	Pappiniseri GP	02	44,680
2	Eruvessy GP	02	72,600
3	Kozhikode Corporation	13	1,86,645
4	Vattamkulam GP	12	2,66,315
5	Kottayam Municipality	03	1,40,820
6	Pallickal GP	02	28,925
7	Parakkadavu GP	01	2,300
8	Thiruvananthapuram Corporation	19	2,96,970
9	Koottickal GP	01	10,800
10	Ponnani Municipality	04	1,20,060
11	Koyilandy Municipality	11	3,21,250
12	Vellamunda GP	03	40,580
	Total	**73**	**15,31,945**

The Department replied (21 January 2016) that while Aadhaar could not be made mandatory, efforts are being made at the local body level to reduce duplicate pensions based on linkage of Aadhaar numbers and ration cards and that once Direct Benefits Transfer is fully functional most of the duplication would end.

e) **Introduction of electronic transfer of payments:** One of the key principles of NSAP guidelines was to encourage electronic payments and disburse pensions and benefits preferably at the doorstep of the beneficiaries. Until recently, the local bodies were disbursing the payments predominantly through money orders and the money order commission is borne by the State Government. While NSAP guidelines had envisaged that administrative expenditure on the schemes should not be more than three *per cent*, the expenditure on money order commission alone was five *per cent* of amount disbursed. For a perspective of costs, ₹16.71 crore was incurred during the period 2010-11 to 2014-15 as money order commission in the sample of 31 GPs/Municipalities.

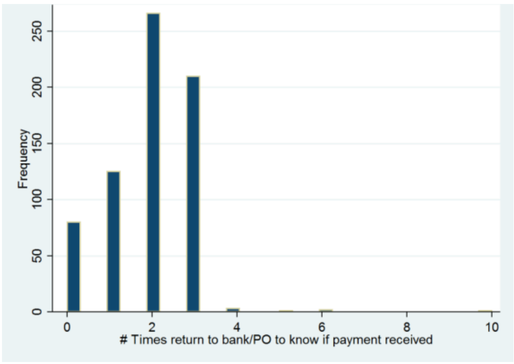
Direct Benefit Transfer system: From February 2015 onwards, the Government introduced Direct Benefit Transfer (DBT) system for crediting the amounts directly to the Bank/Post Office (PO) Savings accounts of beneficiaries. It is envisaged that in cases where Bank/PO account numbers are not available or if the beneficiary is very old/bed ridden, the amount would be sent by electronic Money Order (eMO) at their option. The Director Panchayats releases payments to Banks/POs for payment by DBT and 12 batches of payments had so far been released to Banks/POs. As of December 2015, pensions from February 2015 to August 2015 have been disbursed through this system. While this measure has enabled the State Government to overcome existing limitations and ensure that payments are made only to the targeted beneficiaries, some procedural issues needed be sorted out as brought out below:

- There is not only a lag in crediting the amounts to the accounts of beneficiaries but also a serious lapse of not being able to credit to the beneficiary accounts. As of 19 November 2015, out of ₹373.22 crore released to the Bank for disbursement, ₹117.57 crore was remaining in the bank account without being disbursed.
- Similarly, out of ₹925.92 crore given to Post Offices for disbursement, the postal authorities could not credit ₹24.27 crore to the accounts of beneficiaries[10], which was returned to the Director of Panchayats. Procedural issues in this regard have not been addressed and the Director Panchayat/Local bodies was not able to determine whether the pensions have been correctly credited to beneficiary accounts.

The Department agreed and replied (21 January 2016) that more money was lying with post offices than with the banks and limited financial powers of sub post offices were contributing to the delay. It was further stated that the Department was considering issuing bankers cheques for beneficiaries not having a valid bank account.

Based on the Department's suggestion that the position be verified in at least two sub post offices, a test check carried out in a Head Post Office (Chengannur) and two sub post offices (Ayiroor South and Kumbanad) did not disclose any amounts remaining undisbursed with these Post Offices beyond what was already pointed out by Audit.

Chart 4.4 - Average number of beneficiary visits to Banks /POs



- There was no system in the local bodies to inform the beneficiaries about payments that have been credited to their accounts. Against the backdrop of payments being received at irregular intervals, this was inconveniencing the beneficiaries as they had to visit the Bank/PO several times to check whether the payments have been credited or not. Most of the respondents to the structured questionnaire reported that they had to

[10] Report of the Post Master General dated 10 December 2015

visit their Banks/POs multiple times to know whether payment has been received in their accounts as shown in **Chart 4.4**.

Audit conclusions

1. The social security pension schemes were not serving as income support schemes to beneficiaries for monthly sustenance as they were being disbursed through three or four irregular instalments annually. Systemic deficiencies were plaguing the fund augmentation and disbursement mechanism. While inability of the State Government to fulfill the criteria for obtaining central share of assistance was burdening the resources of the State, its mechanism of releasing lumpsum amounts to local bodies at irregular intervals was defeating the very purpose of assistance.

2. The restrictive disbursement instructions imposed by State Government while releasing funds to local bodies was leading to an ironical situation of allowing funds to lapse even though payments of social security pensions were in arrears.

3. Disbursement monitoring mechanism was lacking and as such the Local Self Government failed to identify beneficiaries, verify their eligibility status and ensure that pensions are being disbursed to the correct beneficiaries. They could neither detect multiple pension payments or double payments.

4. The initiatives of linking beneficiary accounts with Aadhaar numbers to identify beneficiaries and Direct Benefit Transfer to ensure payments to targeted beneficiaries, though not complete, were bringing in discernible benefits to the State Government. However, procedural issues would have to be sorted out and technology leveraged further so that the benefits are harnessed by beneficiaries also.

Recommendations

1. State Government should address the systemic deficiencies in augmentation and disbursement of funds and ensure regular monthly pension disbursements to beneficiaries.
2. Local bodies need to institute a process of annual verification of beneficiaries to ensure continued fulfillment of eligibility criteria. Technology could be leveraged to the extent possible. Disbursement monitoring mechanism needs to be strengthened.
3. Linkage of Aadhaar with beneficiary accounts needs to be expeditiously completed and duplicate/ghost beneficiaries need to be weeded out on priority. Procedural issues leading to failure in crediting social security pensions to beneficiary accounts through Direct Benefit Transfer need to be addressed and resolved.
4. A system of providing mobile alerts to beneficiaries could be introduced to inform the beneficiaries of the payments credited to their accounts to enhance

beneficiary convenience. Local Self Government could also harness the full potential of technology in enhancing the quality of service delivery and consider introducing mobile payments or payments through business correspondents.

Thiruvananthapuram, **(N. NAGARAJAN)**

The 27 May 2016 Principal Accountant General (General and Social Sector Audit), Kerala

Countersigned

New Delhi, **(SHASHI KANT SHARMA)**

The 30 May 2016 Comptroller and Auditor General of India