PRESS RELEASE

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

New Delhi
23rd September, 2020

CAG’s Performance Audit Report on ‘National Pension System’ presented in Parliament

Report of the Comptroller and Auditor General (CAG) of India on Performance Audit on ‘National Pension System’ (Audit Report No. 13 of 2020) was presented in Parliament here today. The National Pension System (NPS) was introduced from 01 January 2004 for new entrants to Central Government service (except Armed Forces) replacing the old pension system. NPS was also applicable to new employees of all autonomous bodies of Central Government Ministries/Departments with effect from 01 January 2004. State Governments too adopted NPS on voluntary basis for their employees.

Its basic features were:

- Employee to pay a monthly contribution, matched by the Central Government
- On exit from NPS, the individual would be mandatorily required to invest 40 per cent of pension wealth to purchase an annuity and 60 per cent would be paid to the subscriber in lump sum.
- For exit prior to the age of 60, the mandatory annuitisation would be 80 per cent of the pension wealth and 20 per cent would be paid as lump sum.

Performance Audit was undertaken to get an assurance that the system for NPS was established as envisaged; all eligible Government Sector employees had been covered under the NPS; and due contributions (subscribers’ and employers’) were timely deducted and remitted to Trustee Bank.

The Performance Audit findings have been categorized under three broad headings in the Report, viz. Planning, Implementation and Monitoring. Salient points of the Report are;

Planning:

- Even after 15 years from introduction of NPS, rules on service conditions/retirement benefits were pending finalisation.

(Para 3.2)
In respect of States and Central and State Autonomous Bodies, PFRDA did not fix timelines to upload legacy data and transfer of legacy contributions to the Trustee Bank, affecting the timely transfer. PFRDA was not aware of the quantum of legacy amount to be transferred to the Trustee Bank.  

(Para 3.5)

There was no indication that actuarial evaluation of the fund/ scheme was conducted once in two years, as recommended by the High Level Expert Group (HLEG) and therefore audit could not draw assurance on viability of the fund/ scheme.  

(Para 3.9)

Implementation

- There was no assurance that all Nodal Offices and 100 per cent of eligible employees were covered under NPS, even after 15 years of implementation.  

(Para 4.1.1, 4.1.3)

- Delays were noticed in issue of Permanent Retirement Account Number (PRAN), first deduction of NPS contributions, bills reaching PAO, uploading Subscriber Contribution Files (SCFs) and remittance of contributions to the Trustee Bank.  

(Para 4.3.1, 4.3.2, 4.4, 4.5, 4.6)

- Of the sample selected for audit, ₹5.20 crore of Central Government/ CABs DDOs and ₹793.04 crore of States/ UTs DDOs were not remitted to the Trustee Bank by nodal offices who had joined NPS.  

(Para 4.8)

Monitoring

- Out of 66-68 Ministries/ Departments between 2012-13 and 2018-19, not all had constituted the Monitoring and Overseeing Committees comprising of Joint Secretary, Principal Chief Controller of Accounts/ Chief Controller of Accounts and Financial Advisers rendering the implementation weak.  

(Para 5.1.1)

Recommendations

- A foolproof system needs to be put in place to ensure that all nodal offices and eligible employees are registered under NPS. Delays need to be penalised and compensation effected to avoid loss to the subscriber.

- Government to ensure that rules on the service matters are in place for the government NPS subscribers.

- Government must identify all cases of legacy contributions, not remitted to Trustee Bank and ensure its remittance with due interest and compensation to prevent loss to the subscriber.

- In line with PFRDA Act, immediate steps to be taken to provide Minimum Assured Return to the subscriber, ensuring timely social security post retirement.

- DFS may arrive at minimum replacement rate taking into consideration the annuity rates, increased longevity and interest rates.
GoI in January 2019 has taken the following initiatives for the benefit of Government sector NPS subscribers, which addresses some of the long pending issues:

- GoI has notified that Government subscribers would be compensated for non-deposit or delayed deposit of contributions during 2004-12 at GPF rates.

- Government sector NPS subscribers were allowed choice of schemes and Fund/ Asset Managers with effect from 1 April 2019.

BSC/SS/TT