Executive Summary

Identification of the right individuals, especially the targeted beneficiaries, was a major stumbling block encountered by the Union and State Governments while rolling out various welfare schemes. Absence of a valid and authenticated identity document was adversely affecting implementation and delivery of various Government welfare Schemes. Citizens were required to furnish multiple documents such as passports, driving licenses and ration cards etc. as identity proofs to various Government as well as private agencies, making it inconvenient for them and especially those who did not have any of these identity documents. To overcome the challenge, the Union Government decided to introduce a unique identity (UID) for the residents of India and to implement this project, they established Unique Identification Authority of India (UIDAI) in January 2009. The Authority was mandated to lay out plans and policies to implement the “Aadhaar” project, which gave UIDAI the mandate to generate and issue Aadhaar, to the residents of India.

The first UID, a 12-digit unique number that can be authenticated digitally, with the brand name ‘Aadhaar’ was generated in September 2010. Since then, UIDAI has generated more than 129 Crore Aadhaars, till the end of March 2021 and Aadhaar is now established as an important identity document for residents. Various Ministries/Departments of the Government as well as other entities such as banks, mobile operators, rely upon Aadhaar for identity of the applicant.

However the Aadhaar scheme was challenged from time to time by several petitioners in various Courts of law. The five judges Constitution Bench of the Hon’ble Supreme Court in a landmark judgment of 26 September 2018, upheld the constitutional validity of the Aadhaar (Targeted delivery of Financial and Other Subsidies and Benefits) Act 2016 (the Aadhaar Act, 2016). The Court has clearly ruled on the compulsory and voluntary requirements of Aadhaar for residents for availing benefits of various schemes and services.

The UIDAI had staff strength of 130 at its Delhi Headquarters and staff strength of 219 at its Regional Headquarters at the end of March 2021. The work was being carried out by officers and staffs mostly either on deputation or from outsourced agencies. Besides UIDAI also assisted States with ICT assistance and provided State level personnel through the National Institute for Smart Governance (NISG), for creating awareness and issue of Aadhaar. The UIDAI’s budget in 2020-21 was ₹613 Crore with actual expenditure of ₹892.67 Crore (excess expenditure met from unspent balance of 2018-19 and 2019-20) whereas revenue earned was ₹322.40 Crore on account of various license fees, charges, penalties etc.

The Performance Audit for the period 2014-15 to 2018-19 examined the functioning of UIDAI in supporting the Government’s vision to assign, as good governance, unique identity numbers to individuals residing in India. However, statistical information on generation, update and authentication services of Aadhaar and financial information referred to in the Report have been updated upto March 2021, to the extent as furnished by UIDAI.
Significant audit findings are given below:

- The Aadhaar Act stipulates that an individual should reside in India for a period of 182 days or more in the twelve months immediately preceding the date of application for being eligible to obtain an Aadhaar. In September 2019, this condition was relaxed for non-resident Indians, holding valid Indian Passport. However, UIDAI has not prescribed any specific proof/document or process for confirming whether an applicant has resided in India for the specified period and takes confirmation of the residential status through a casual self-declaration from the applicant. There was no system in place to check the affirmations of the applicant. As such, there is no assurance that all the Aadhaar holders in the country are ‘Residents’ as defined in the Aadhaar Act.

  **UIDAI may prescribe a procedure and required documentation other than self-declaration, in order to confirm and authenticate the residence status of applicants, in line with the provisions of the Aadhaar Act.**

  (Paragraph 3.2.1)

- Uniqueness of identity of the Applicant, established through a de-duplication process is the most important feature of Aadhaar. It was seen that UIDAI had to cancel more than 4.75 Lakh Aadhaars (November 2019) for being duplicate. There were instances of issue of Aadhaars with the same biometric data to different residents indicating flaws in the de-duplication process and issue of Aadhaars on faulty biometrics and documents. Though UIDAI has taken action to improve the quality of the biometrics and has also introduced iris based authentication features for enrolment for Aadhaar, the database continued to have faulty Aadhaars which were already issued.

  **UIDAI may tighten the SLA parameters of Biometric Service Providers (BSPs), devise foolproof mechanisms for capturing unique biometric data and improve upon their monitoring systems to proactively identify and take action to minimize, multiple/duplicate Aadhaar numbers generated. UIDAI may also review a regular updation of technology. UIDAI also needs to strengthen the Automated Biometric Identification System so that generation of multiple/duplicate Aadhaars can be curbed at the initial stage itself.**

  (Paragraph 3.2.2)

- Issue of Aadhaar numbers to minor children below the age of five, based on the biometrics of their parents, without confirming uniqueness of biometric identity goes against the basic tenet of the Aadhaar Act. Apart from being violative of the statutory provisions, the UIDAI has also incurred avoidable expenditure of ₹310 Crore on issue of Bal Aadhaars till 31 March 2019. In Phase-II of ICT assistance a further sum of ₹288.11 Crore was released upto the year 2020-21 to states/schools primarily for issue of Aadhaars to minor children. The UIDAI needs to review the issue of Aadhaar to minor children below five years and find alternate
ways to establish their unique identity, especially since the Supreme Court has stated that no benefit will be denied to any child for want of Aadhaar document.

*UIDAI may explore alternate ways to capture uniqueness of biometric identity for minor children below five years since uniqueness of identity is the most distinctive feature of Aadhaar established through biometrics of the individual.*

(Paragraph 3.2.3)

- All Aadhaar numbers were not paired with the documents relating to personal information of their holders and even after nearly ten years the UIDAI could not identify the exact extent of mismatch. Though with the introduction of inline scanning (July 2016) the personal information documents were stored in CIDR, existence of unpaired biometric data of earlier period indicated deficient data management.

*UIDAI may take proactive steps to identify and fill the missing documents in their database at the earliest, in order to avoid any legal complications or inconvenience to holders of Aadhaar issued prior to 2016.*

(Paragraph 3.2.4)

- During 2018-19 more than 73 per cent of the total 3.04 Crore biometric updates, were voluntary updates done by residents for faulty biometrics after payment of charges. Huge volume of voluntary updates indicated that the quality of data captured to issue initial Aadhaar was not good enough to establish uniqueness of identity.

*UIDAI may review charging of fees for voluntary update of residents’ biometrics, since they (UIDAI) were not in a position to identify reasons for biometric failures and residents were not at fault for capture of poor quality of biometrics.*

(Paragraph 3.3.1)

- UIDAI did not have a system to analyze the factors leading to authentication errors.

*UIDAI may make efforts to improve the success rate of authentication transactions by analysing failure cases.*

(Paragraph 3.5.1)

- UIDAI did not carry out verification of the infrastructure and technical support of Requesting Entities and Authentication Service Agencies before their appointment in the Authentication Ecosystem, despite stipulations in Aadhaar (Authentication) Regulations.

*UIDAI may conduct thorough verification of the documents, infrastructure, and technological support claimed to be available, before on-boarding the entities (Requesting Entities and Authentication Service Agencies) in the Aadhaar ecosystem.*

(Paragraph 3.5.2)
UIDAI is maintaining one of the largest biometric databases in the world; but did not have a data archiving policy, which is considered to be a vital storage management best practice.

**UIDAI may frame a suitable data archival policy to mitigate the risk of vulnerability to data protection and reduce saturation of valuable data space due to redundant and unwanted data, by continuous weeding out of unwanted data**

(Paragraph 3.6.1)

UIDAI’s arrangements with the Department of Posts were not adequate to guarantee delivery of Aadhaar letters to the right addressee, as seen from the large number of Aadhaar letters being returned as undelivered.

**UIDAI may address the delivery problems with their logistic partner namely DoP, by designing a customized delivery model, which will ensure delivery of Aadhaar letters to the correct addressee.**

(Paragraph 3.6.2)

UIDAI provided Authentication services to banks, mobile operators and other agencies free of charge till March 2019, contrary to the provisions of their own Regulations, depriving revenue to the Government.

**UIDAI needs to be alert and cautious in matters concerning charges for delivery of services and ensure that decisions for non-levy of charges are taken with due process and approvals, which are properly documented and available for verification by any stake holder.**

(Paragraph 4.2.1)

UIDAI did not penalise the Managed Service Provider for failure to achieve the expected service levels in the performance of biometric solutions.

**UIDAI may levy penalties on Biometric Service Providers for deficiencies in their performance in respect of biometric de-duplication (FPIR/ FNIR) and biometric authentication (FMR/ FNMR). Agreements in this regard should be modified, if required**

(Paragraph 4.4.1)

The support services to States by way of a State Resource Personnel to be provided by National Institute of Smart Governance (NISG) through the ICT assistance given to them, was duly approved by the Cabinet Committee for one year only, but the same continued for years together as approved by UIDAI.

**UIDAI have to accept their own responsibility for issue of Aadhaar and limit/reduce their continued reliance on other agencies for support. They may partner with State Governments to increase the enrolment functions for issue of Aadhaar.**

(Paragraph 4.4.2.1)
➢ There was deficiency in assessment of the requirements for Field Service Engineers (FSE) resources to be hired from NISG and in monitoring the payments made to them.

*UIDAI should strictly follow the standards of financial propriety while procuring services and ensure that advances are not paid for in excess of requirements.*

(Paragraph 4.4.2.2)

➢ UIDAI could not avail rebate on franking values worth ₹30.19 Crore offered by the Department of Posts due to deficiency in their agreements with Print Service Providers.

*UIDAI may incorporate suitable clauses in their Agreements with all agencies mentioning clearly that the benefits accruing due to UIDAI's resources need to be passed on to them and vendors to indemnify UIDAI towards the loss/ cost arising due to their actions.*

(Paragraph 4.4.3)

➢ UIDAI had not effectively monitored funds released to States as Grants-in-Aid towards ICT assistance for creating infrastructure.

*UIDAI may improve upon its financial management of grants given to State Authorities by proper monitoring and ensuring regular and timely receipt of Utilization Certificates from them. It may also discontinue monetary assistance given to States/schools and other agencies for enrolment of minor children below five for issue of Aadhaar numbers.*

(Paragraph 4.4.4)

➢ Monitoring of the information system operations of authentication ecosystem partners was deficient to the extent that UIDAI could not confirm compliance to its own regulations.

*UIDAI may ensure that each of the existing REs and ASAs are audited by them or by the Auditor appointed by it within a cycle of three years so as to provide adequate assurance about compliance to the Regulations.*

*UIDAI may consider suspension of the services of REs and ASAs if they fail to conduct annual audit in time as prescribed by the Regulations 2016.*

*UIDAI may ensure the implementation of Aadhaar Data Vault process and institute/carry out periodic audits independently, to enhance the security of Aadhaar number storage data by user organizations. UIDAI may deal the cases of non-compliance of directions as per the Act and as per conditions in the agreement with AUAs/KUAs (Authentication User Agencies and e-KYC User Agencies)*

(Paragraphs 5.2.1, 5.2.2 and 5.2.3)
The process of capturing of grievances/complaints has not been streamlined and does not display a clear picture for analysis. Also the complaints lodged at the RO level did not get the attention of UIDAI HQ, compromising the effectiveness of the grievance redressal mechanism, besides the delays in settlement of grievances. *UIDAI may explore the possibility of introducing a single centralized system where grievances/complaints lodged even at ROs are also captured so as to enhance the quality of customer servicing.*

(Paragraphs 6.2.1 and 6.2.2)

UIDAI, in the Exit Conference held on 14 October 2020, has agreed to the audit recommendations.