

Chapter 6

Suspected Fraud and Corruption

This Chapter deals with loopholes in the implementation of PMS scheme, leading to suspected fraudulent drawal of scholarship by ghost institutes and diversion of scholarship by institutes from bank accounts of the students to bank accounts of the institutes. Inadequate monitoring led to payment of scholarship to beneficiaries, who failed to complete the course. Audit verified records of the sampled DWOs, institutes, selected banks and conducted joint physical inspection of the institutes and found cases of suspected fraudulent drawl of scholarships. The observations have been highlighted in this Chapter.

- Due to absence of detailed checklist for inspection of private educational institutions, 5,185 beneficiaries of 15 ineligible institutions, were granted PMS, amounting to ₹ 15.79 crore, during 2016-20.
- During 2017-21, 2,996 students of 22 sampled institutes in six sampled districts, were paid PMS amounting to ₹ 7.36 crore, even after their discontinuance of the courses.
- One institute had applied for scholarships on behalf of discontinued students and was successful in getting the scholarship funds credited to the bank accounts of the students amounting to ₹ 2.36 crore and subsequently, transferring the same to the institute's bank account, through suspected fraudulent means.

6.1 Suspected Fraud and Corruption

As per provisions contained in the Handbook of DBT, issued by the Planning Commission, Government of India, DBT aims to ensure accurate targeting of beneficiaries as well as reducing fraud and corruption. Audit examined the implementation of both the PMS and the Medhabruti scholarship schemes under DBT, in order to ascertain whether the Departments had been able to successfully plug in the leakage of Government funds and prevent cases of fraud. Audit findings in this regard are detailed in the following paragraphs.

6.1.1 Suspected siphoning of Government funds of ₹ 15.79 crore, due to absence of a detailed procedure for inspection of the institution by DWOs, before issue of User IDs for the scholarship portal

As per PMS software manual, DWOs are required to provide user IDs and passwords to all colleges/ institutes, to allow them to register in the PRERANA portal and to access/ update details of their affiliation, courses offered, number of seats approved for each course, *etc.* Using these IDs & passwords, colleges/ institutes forward the applications of eligible students to the concerned DWO Offices, for onward transmission to the Department. The institutes, from where students may avail such scholarships, for post-matric courses, include the Industrial Training Institutes (ITIs) and Diploma institutions. In order to enroll students in Diploma or ITI courses run by them, across the State of Odisha, must have valid affiliation from the State Council for Technical Education and the Vocational Training, Skill Development and Technical Education (SDTE) Department.

Audit noted that there was no provision for inspection of private educational institutions, for the purpose of sanction of PMS. In the revised PMS guidelines (May 2018) of MoSJE, inspection of private educational institutions, by officials to be nominated by the District Collectors, was made mandatory. In pursuance of this, the SSD Department issued (August 2018) guidelines for constitution of district committees, for the purpose of such inspections.

On analysis of the PRERANA database, Audit noticed that 30 institutes, in six districts, registered in the PRERANA portal during 2017-20, had obtained affiliation from the Bharat Sevak Samaj (BSS), Tamil Nadu and the National Council of Vocational Research and Training (NCVRT), New Delhi. In 26 of these 30 institutes, 8,557 students had applied for PMS, during 2017-20. Out of these, 5,185 beneficiaries, of 15 institutes, had been granted PMS, amounting to ₹ 15.79 crore, during the period 2016-20 (**Appendix 6.1**). It was noted that the SDTE Department had intimated (November 2019) the SSD Department that, neither the BSS, nor the NCVRT, were eligible agencies, for granting affiliation to institutes, for running Diploma courses. SSD Department, accordingly, instructed (December 2019) the DWOs not to allow registration of educational institutions affiliated by these bodies. The fact remains that, due to the non-incorporation of detailed criteria in the PRERANA system, as well as lack of monitoring on the part of the Department, 5,185 students had already been granted scholarships, irregularly.

Joint physical inspection of 16 institutes, affiliated by NCVRT and BSS, were carried out in September and October 2021, by the Welfare Extension Officers

(WEOs) and Assistant District Welfare Officers (ADWOs), of the DWOs, in the presence of Audit officials. The results of these verifications are summarised in the table below.

Table 6.1: Results of JPI conducted

Particulars	Mayurbhanj	Balasore	Total
(a) No. of colleges for which JPIs were conducted	11	5	16
(b) No. of colleges which existed without the required basic infrastructure, such as classrooms/laboratory/workshop/hostel/faculty and non-teaching staff, etc.	8	0	8
(c) No. of institutes not found in existence	3	5	8
(d) No. of applications from (c), sanctioned during 2016-20	426	82	508
(f) Amount of PMS disbursed in respect of (d) (₹ in crore)	1.23	0.23	1.46

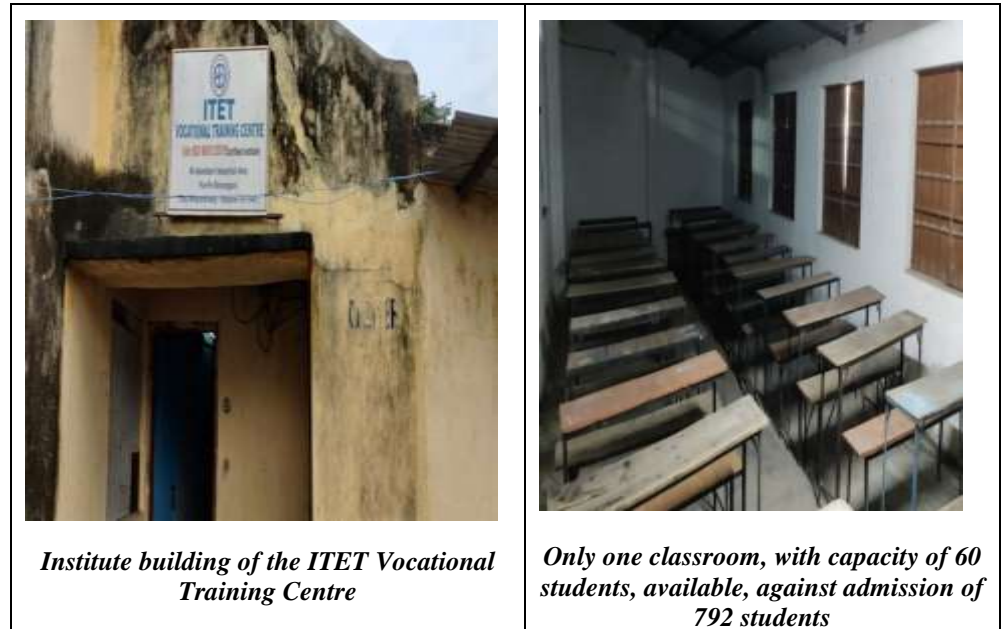
(Source: JPI of institutes, records of DWO and PRERANA/ iFMS database)

- **Non-existence of eight institutes:** Of the 16 institutes verified during the joint verification, it was noted that eight were not in existence and the existence of these institutes could not be ascertained even from the local people. Details of any inspection carried out by the concerned DWO of Mayurbhanj and inspection reports therein, were also not available, except in two cases, as discussed in **Paragraph 4.5.2**.
- **Status of other eight institutes:** The other eight institutes, in Mayurbhanj district, had stopped functioning from 2020, after rejection of their applications by the DWO, on instructions of the SSD Department. However, by then, 29 students, from seven of these institutes, had received PMS, amounting to ₹ 7.13 lakh, during 2017-18 and 2018-19. It was noted that these 29 students had also been paid PMS, amounting to ₹ 4.71 lakh, from other institutes, as mentioned in **Paragraph 5.1.2**.
- **Institutes running without infrastructure:** One institute⁵⁹ in Mayurbhanj district did not have its own physical infrastructure (classroom, workshop, staffroom, etc.) and was using the infrastructure of another neighbouring institute. In case of the other seven institutes⁶⁰ of the district, the infrastructure was found to be inadequate, in comparison to the number of students admitted. For example, in one institute, only classroom was available for 792 students and the institute had no workshop for students. Besides, it was also seen that

⁵⁹ Global Institute of Safety and Training, Gadadeulia, Mayurbhanj

⁶⁰ Ashutosh Vocational Training Centre, Raghunathpur, Baripada; Mayurbhanj Safety Training Institute and IVET Vocational Training Centre at Baisinga; ITET Vocational Training Centre and Odisha Safety Training Institute at Asanabani, Rairangpur; SAI Safety Training Institute and SAI Vocational Training Centre, Puruna Baripada

288 beneficiaries, belonging to the ITET Vocational Training Centre, were granted PMS at a rate applicable for hostellers, despite the fact that the institute had no hostel available. Details of teaching staff, as well as hostel records, were not produced to Audit, to ascertain if the institutes were functioning.



Institute building of the ITET Vocational Training Centre

Only one classroom, with capacity of 60 students, available, against admission of 792 students

SSD Department admitted, only in November 2019, after it had been pointed out by DWO, Mayurbhanj and clarification had been sought by SDTE, that: (i) BSS and NCVRT were not empowered affiliating agencies and (ii) hence, the affiliated institutes were not eligible for registration for PMS in PRERANA. This indicated that due diligence had not been exercised during the verification process, before registering these institutes in PRERANA, for grant of PMS. The PRERANA software was also not equipped properly, to identify and filter out these ineligible institutes. As a result, PMS, amounting to ₹ 15.79 crore, was appropriated by non-existing/ ineligible institutes.

The SSD Department stated (September 2022) that: (i) registration of institutions located in districts was the responsibility of the DWOs concerned, (ii) in the new portal (OSSP), it had been ensured that duly recognised and authorised institutions were added, after syncing information from databases like UDISE, SAMS and AISHE.

Recommendation 6.1:

Reasons for suspected fraud in the payment of PMS may be investigated, responsibility may be fixed on the defaulting officials and suitable action may be taken for recovery of PMS.

Recommendation 6.2:

The SSD Department may frame detailed guidelines for inspection of institutes, prior to their registration on the scheme portal of OSSP and the quantum of inspections to be conducted by district level officials, as well as the records to be verified in private institutions, should be specified.

6.1.2 Availing of PMS by students who had discontinued education

6.1.2.1 Payment of PMS to students

As per PMS guidelines in regard to SC/ ST/ OBC/ EBC students, issued by GoI, if it is reported by the institute, at any time, that a scholar has failed to make satisfactory progress during an educational course, or there has been irregularity in attendance without due permission, *etc.*, the authority sanctioning the scholarships may either cancel the scholarship, or stop or withhold further payments, for such periods, as it may think fit. Further, the PMS Guidelines for SC/ ST/ OBC students, stipulate that a student has to refund the scholarship amount, if, during the course of the year, he/ she discontinues the course for which PMS was awarded.

On analysis of the PRERANA and OSSP database, as well as the payment files submitted by the SSD Department, DWOs of the eight test-checked districts and 69 sampled institutions, Audit found that 2,996 students, of 22 sampled institutes, in six sample districts, had left their courses midway, during 2017-21. However, those students had been paid PMS, amounting to ₹ 7.36 crore, even after their discontinuance of the courses. The district-wise institutes, number of such students granted PMS and amounts thereof, are tabulated below.

Table 6.2: Disbursement of PMS to discontinued students

Sl. No.	District	No. of Institutions	No. of students	Amount (₹ in lakh)
1.	Gajapati	5	113	7.65
2.	Jharsuguda	2	30	13.74
3.	Kalahandi	1	22	1.89
4.	Malkangiri	2	121	5.44
5.	Mayurbhanj	8	2,619	698.00
6.	Sundargarh	4	91	9.43
Total		22	2,996	736.15

(Source: Information received from the SSD Department and DWOs)

Audit observed that the authorities of the institutes concerned had either not verified or ignored ineligibility of the students for PMS, before recommending their renewal applications, for subsequent years of the applicable courses, to the DWOs, for sanction. Further, the PRERANA and OSSP portals also did not have a provision to mark the applicants as active/ discontinued, for judging the eligibility of students for PMS. One of the illustrative cases, is as discussed in **Paragraph 6.1.2.2**.

The SSD Department accepted the audit observation and stated (September 2022) that cases of deliberate manipulation, as pointed in audit, are communicated to DWOs, for verification and necessary action.

6.1.2.2 Grant of PMS to discontinued students of SSIT

In one of the test-checked institutes, viz. Sakuntala Sudharsan Institute of Technology (SSIT) in Mayurbhanj district, 2,176 SC/ ST students were paid PMS, amounting to ₹ 6.41 crore, during 2016-20, as detailed in the table below.

Table 6.3: Disbursement of PMS to SC/ ST students of SSIT during 2016-20

Year	No of applicants who submitted applications	No of applicants who got PMS	Amount (₹ in lakh)
2016-17	295	293	101.09
2017-18	640	622	177.59
2018-19	691	685	192.41
2019-20	606	576	169.76
Total	2,232	2,176	640.85

(Source: PRERANA database)

Audit found that the institute was running three-year diploma courses, wherein 1,369 students⁶¹ had taken admissions during 2016-20⁶². Audit analysed the semester results of the 2016-19 and 2017-20 batches and found that 138 and 142 students, respectively, had not cleared their final examinations and had discontinued their studies. However, they were found to have applied for PMS and SSIT and had also forwarded their renewal applications to the DWO,

Figure 6.1: Mandate form submitted to bank

Place:-
Date:-
To
The Chief Manager
Bank of Boroda
~~XXXXXXXXXXXXXXXXXXXX~~

Sub:- Herewith authorization letter to transfer the PRERANA amount from my SB A/C No:-
Sir

Most respectfully, I Sri/Kumari ~~XXXXXXXXXXXXXXXXXXXX~~ student of SSIT (polytechnic) bearing a student saving account No ~~XXXXXXXXXXXXXXXXXXXX~~ at your branch, hereby giving herewith authorize to transfer my PRERANA amount to SSIT (polytechnic), Kalakad for reimbursement of expenses incurred regarding the College Fees, HOSTEL fees and other administrative expenses by the SSIT (polytechnic) for four years/ till completion of my course. Kindly do the needful.

Thanking You
Yours Faithfully

Secretary
SSIT (Polytechnic), Karanjla, MBJ.

Signature of student

⁶¹ SC: 218, ST: 1,027 and General: 124

⁶² 2016-17: 315; 2017-18: 370, 2018-19: 314 and 2019-20: 370

Mayurbhanj, certifying their eligibility for PMS, for the period 2016-20, for two batches (2016-19 and 2017-20).

Subsequently, they were paid PMS, amounting to ₹ 2.36 crore. On verification of the bank statements of 63 such students, to ensure that PMS had indeed been disbursed to them, it was found that a sum of ₹ 2.36 crore, received by them, towards PMS, for the period 2016-20, had been transferred to the bank account of SSIT, on the strength of the mandate (A format prepared by the institute for the students to transfer the entire scholarship amount, from the student's bank account, to the institute bank account as placed alongside) signed by the students concerned and submitted to the banks. Thus, complicity of the management of SSIT, in availing PMS, through suspected fraudulent means, for their appropriation, cannot be ruled out as evident from the following.

- **Mismatch of signatures:** Signatures of 41 students, for PMS pertaining to the year 2016-17, did not match with the signatures in their applications for the years 2017-18 and 2018-19. During the beneficiary interview of 14 recipients of PMS, by the team of Audit officials, the recipients concerned stated that they had not submitted any application for PMS, during the course period of 2016-20.
- **Role of SSIT in opening of bank accounts of beneficiaries:** The bank accounts of 1,077 beneficiaries were found to have been opened in one bank, *i.e.* Bank of Baroda, Church Compound Branch, Balasore, which is 130 kms away from SSIT and the bank account numbers were allotted serially. In all these cases, the introducers for opening bank account were the office bearers of SSIT and the mobile phone numbers given in the accounts were those of SSIT. In the beneficiary interview of 14 beneficiaries, 12 of them expressed ignorance about opening of these bank accounts and signing mandate forms, authorising the bank to transfer the PMS scholarships to SSIT.

Thus, loopholes in the IT systems, in regard to filtering out ineligible/ fake beneficiaries, facilitated availing of PMS in the names of fake/ ineligible students. Further, failure on the part of the DWOs and institutes, in undertaking detailed verification of accounts and linking them to Aadhaar, *etc.*, as contemplated under DBT, coupled with complicity of the institutes concerned, led to leakage of PMS funds, by suspected fraudulent means.

No reply was furnished by the SSD Department.

Recommendation 6.3:

Institutes may be asked to forward the list of students who are continuing their courses in subsequent years, along with their applications, to the concerned DWOs, for verification of continuance, before issue of sanctions.

6.1.3 Acceptance of applications and payment of PMS to ghost beneficiaries

Audit analysis of the PRERANA database revealed that applications, purportedly submitted by 69 applicants belonging to 14 institutes, in three districts, for PMS, for the academic years 2016-17 to 2020-21, had been forwarded by the Principals, to the DWOs, after necessary scrutiny, for approval/ sanction. Upon approval of the applications by the DWOs, PMS, amounting to ₹ 14.17 lakh, was released, as detailed in the table below.

Table 6.4: Payment of scholarships to ghost students

Sl. No.	Name of the district	Academic Year	No. of Institutions	No. of students	Amount (₹)
1	Kalahandi	2016-17	9	44	7,68,711
		2018-19		6	56,015
2	Jharsuguda	2016-17	4	10	1,61,747
		2017-18		3	1,35,000
		2019-20		3	1,35,000
		2020-21		2	88,400
3	Sundargarh	2018-19	1	1	72,000
Total			14	69	14,16,873

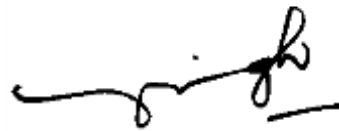
(Source: Information received from the Institutions)

Audit verified the particulars of these 69 applicants, from the admission registers of the concerned 14 institutes and did not find their names in the said registers. On enquiry, the Principals of the institutes confirmed (November and December 2021) that no such students had been enrolled in their institutions. On further analysis, Audit noted the following deficiencies:

- Out of 69 beneficiaries, 52 beneficiaries of 11 institutes were paid ₹ 10.07 lakh, as PMS, during the period 2018-21, but they were not registered on the PRERANA portal. No explanation was available with the Department/ DWO on this serious lacuna (*i.e.*, payment to non-registered students).
- In case of the remaining 17 beneficiaries pertaining to six institutes, it was seen that, although they were all registered on the PRERANA portal, details of only six students were forwarded to the DWO and payment of ₹ 2.31 lakh was made. The institutes did not forward the applications of the remaining 11 students, to the DWOs, but payment of ₹ 1.79 lakh was made to those students. Thus, there was a significant lack of checks and balances, at the levels of the DWOs, as well as the Department, leading to irregular payments, as noted above.
- Audit observed that: (i) the authorities of the institutes had utilised the documents of the students for siphoning the scholarship amounts and (ii) the DWOs and the Department had not exercised due diligence, while disbursing the PMS amount of ₹ 14.17 lakh, since this was done without ensuring student registration on PRERANA portal and in the concerned institutes. The matter, therefore, merits further investigation, with a view to fixing responsibility and recovering ₹14.17 lakh, appropriated through illegal means.

The SSD Department stated (September 2022) that the matter pointed out in Audit has been referred to concerned DWOs, for detailed investigation and necessary action.

Bhubaneswar
The 23 MAY 2023

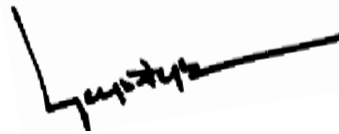


(RAJ KUMAR)

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The 01 JUN 2023



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Comptroller and Auditor General of India