

# **KNOWLEDGE CENTRE- DEFENCE AUDIT**

## **PA ON DISBURSEMENT OF DEFENCE PENSION**

### **GROUP- XII**

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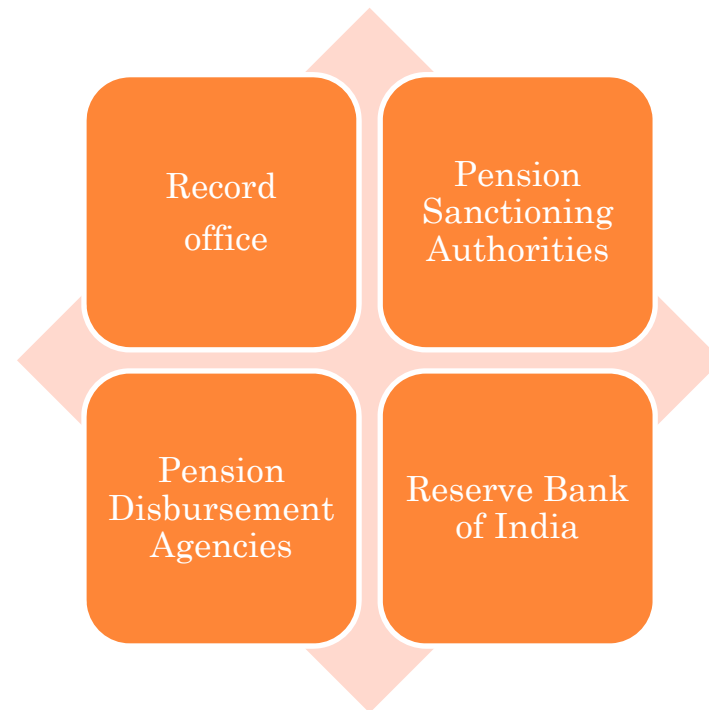
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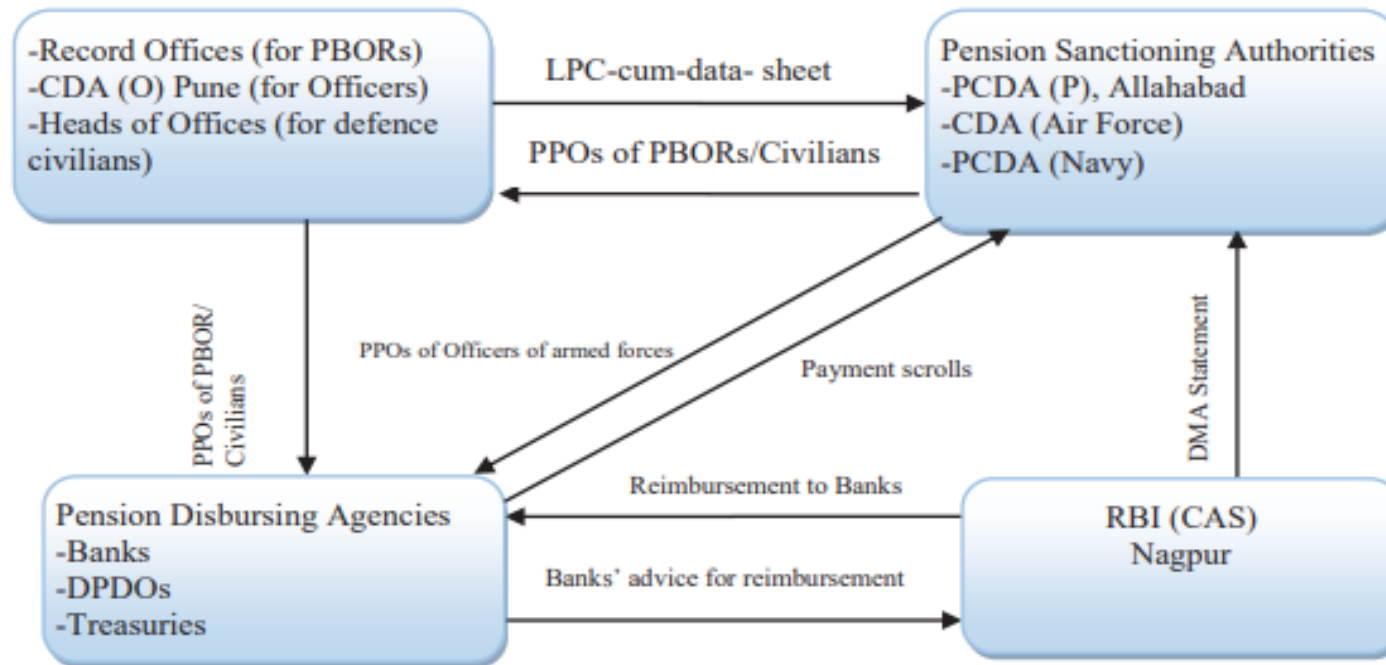
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# INTRODUCTION TO DEFENCE PENSION

- As of April 2016 defence pension was being disbursed to over 25 lakh defence pensioners with an annual expenditure of over 60,000 crore.
- The Defence Accounts Department (DAD) is the focal agency.
- **Stakeholders in Management of Defence Pension**



# DEFENCE PENSION MANAGEMENT SYSTEM



## TYPES OF PENSION

- (1) Service Pension.
- (2) Ordinary Family Pension.
- (3) Special Family Pension.
- (4) Liberalized Family Pension.
- (5) Disability Pension.
- (6) War Injury Pension.

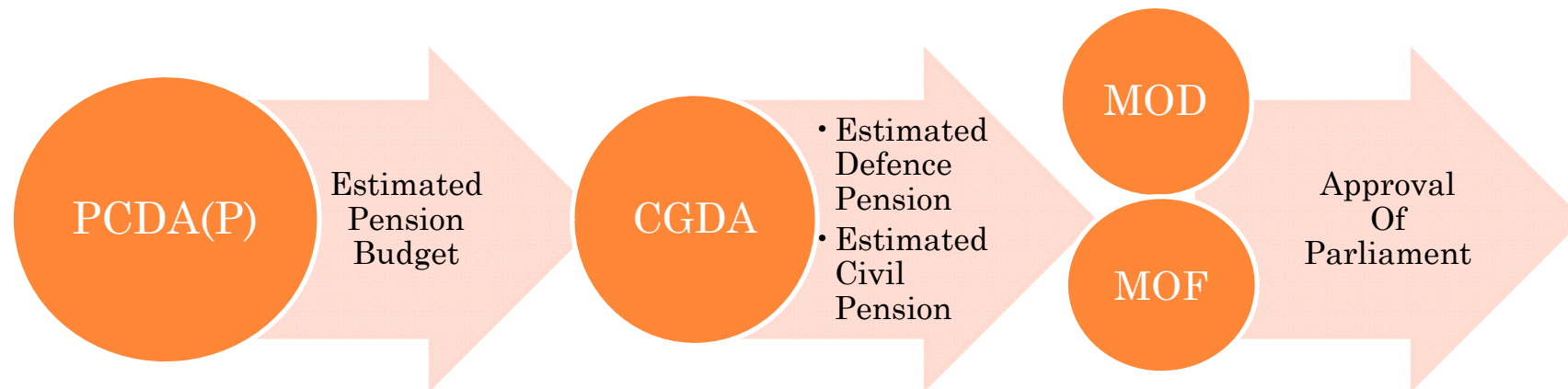
# Audit Design Matrix

S. N	Audit Objective	Audit Question	Audit Criteria	Evidence	Data Collection
1.	To examine the sanctioning and accounting of pension	i. Whether there are any deviation between allotted budget and expenditure for Defence pension?	1. Whether the last year's expenditure is taken into account while calculating the next year's budget? 2. Whether actual data is taken into account for expected outgo instead of incremental budget? 3. Whether Impact of new govt orders is considered in estimates?	Budget proposal docs, Records of approved allotments, correspondence amongst PCDA(P), CGDA & MoD(F) regarding budget	Budget docs of a/c section PCDA(P)
		ii. Whether proper accounting of expenditure is done?	1. Whether pension payment accounts received from PDAs reflect head wise/ category wise expenditure on pension? 2. Whether the expenditure under various heads has been properly classified and promptly booked to the heads of accounts?	Examination of Scrolls and compilation of expenditure to its proper heads of accounts,	Pension Payments accounts in respect of banks and treasuries
		iii. Whether there are any irregularities in issuing of Pension Payment Order?	1. Whether original PPOs issued are correct? 2. Whether Govt. orders were correctly applied in the issue of corrigendum PPOs and revision of pension by the PDAs?	Pension Payment Orders, Claims received from RO at PCDA(P)	Examination of Basic record files of 300 pensioners at each PDA

2	<b>To examine the correctness of disbursement of pension</b>	i. Whether there are any deviations in the payment of pension?	<p>1. Whether pension revisions have been done correctly and timely by the PDAs as per latest govt. orders?</p> <p>2. Whether commutation pension has been restored on due date?</p> <p>3. Whether additional pensions was paid after attaining the age of 80 years or before?</p> <p>4. Whether excess payment of pension after death of pensioners has been recovered?</p>	Dispatch registers of Ros, personnel case files of pensioners, descriptive roll of pensioners	Examination of Basic record files of 300 pensioners at each PDA
		ii. Whether civilian pensioners of defence services and their families granted pension are getting correct pension?	<p>1. Whether life certificate and other mandatory certificates are obtained annually from each pensioner and kept in personal records of pensioner?</p> <p>2. Whether is it ensure that the revision of pension in this category is not erroneously revised as per orders applicable for armed forces?</p>	Check payment registers, demand registers, pension payment account, Life certificates	Analysis of procedure, manual checks in each PDA
		iii. Whether any discrepancies in the Pensioner's data?	<p>1. Whether data are captured correctly for generation of PPO's?</p> <p>2. Whether basic data of pensioners mentioned in payment vouchers of PDA's are matched with electronic data held with PSA?</p>	Soft data of PCDA(P), Copy of pensioner's records	Analysis of Soft backup data and outputs of the software system for the year 2011-12 to 2015-16

# FINANCIAL MANAGEMENT

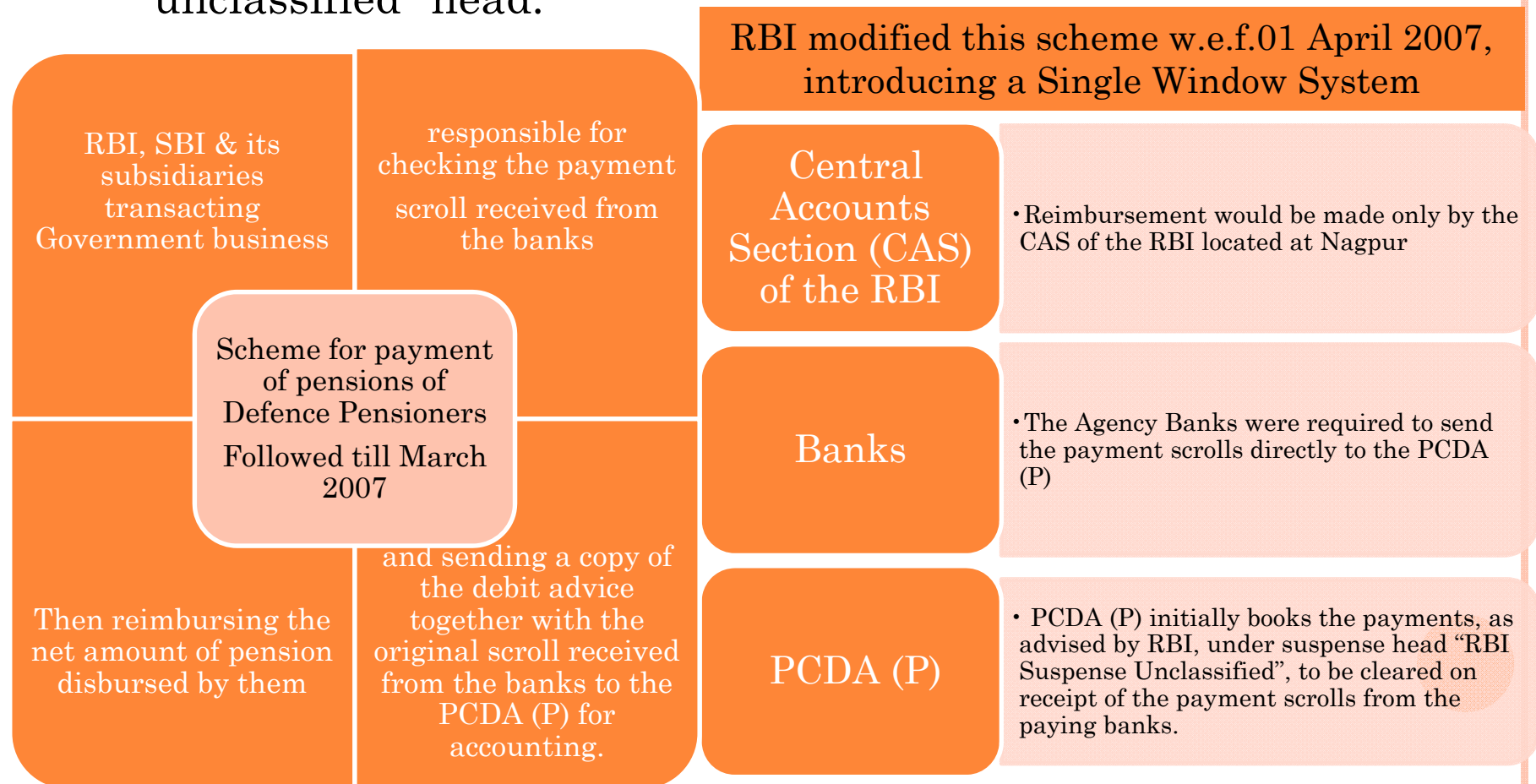
- The pension of officers and personnel of Army and of defence civilians is sanctioned by PCDA(P).
- Defence Pension Budget Preparation Process



- **Audit Findings:**
- **Excess of Expenditure over Budget Estimates:** the expenditure exceeded the allotment in 03 of the 05 years period from 2011-12 to 2015-16. There were minor savings in the years 2013-14 and 2015-16.

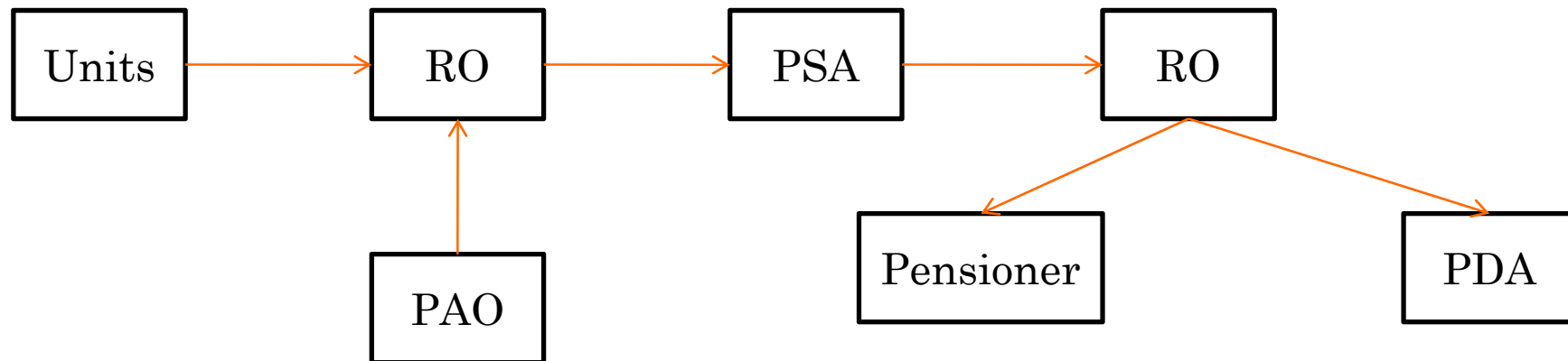
## ○ Incomplete Accounting of Expenditure

- **Substantial non-booking of expenditure under pension head:-** The information furnished by PCDA (P) showed that substantial amount of expenditure in each year was not booked to the pension head of account of that year and the expenditure of the earlier years was lying in the “RBI suspense unclassified” head.



- **Delay in processing and authorisation of pension.**

- Process of authorisation and disbursement of Pension.



**Case 1: Record office JAT regiment, Bareilly.**

Pension papers were received late from respective offices in 81 out of 94 cases received in feb 2015 and in 95 out of 127 cases received in feb 2016.

- **Delay in payment of DCRG due to delay in issue of PPO.**

If payment of DCRG has been authorised after three months from DoD, interest may be allowed beyond the period of three months.



## ○ Irregularities in PPOs

- Sanction of both FMA & ECHS contribution.
- Grant of pension by PCDA (Navy) Mumbai.

Analysis of soft data of PCDA(P) indicated sanction by PCDA(P) of both ECHS & FMA facility in 2579 cases, which indicated that validation checks needed to be reconfirmed.

DA is not calculated on classification allowance while calculating DCRG. Test check revealed that DA on classification allowance was wrongly taken into account in 56 cases.

## ○ Review of the workflow of pension authorisation process.

- Manual flow of information
- No online connectivity between three pillars.



# DISBURSEMENT OF PENSION

- Underpayment of Rs. 106.17 Cr to Defence Pensioners
- Overpayment of Rs.118.23 Cr to Defence pensioners
- Double Payments of Rs. 91.90 lakh in which recovery had either not started or had not completed
- Other irregularities in pension disbursement
  - Pensions of 03 to 92 pensioners were credited into one account number
  - Paid Rs. 20.25 lakh to four pensioners of other depts against Defence Head
  - Payment of pension was being made without PPO
  - DOB of 29.6 % pensioners in Pauri Garhwal Treasury was fed as '15/07/1947'
- Delay in recovery of overpayments to 6,900 defence pensioners, amounting to Rs. 62.04 crore
- Deficiencies in the pensioners' data
- Disbursement of pension by DPDOs
  - DPDOs were feeding the data in the Ashraya software manually
  - In 31419 cases of disability/ invalid out, the percentage of disability was not mentioned



# DISBURSEMENT OF PENSION

- Non-deduction of Income Tax from pensioners
- Verification of Life Certificates
- The Post office, Kathua is maintaining the records of pension disbursement manually
- **Conclusions**
  - Incorrect revision and incorrect feeding of pensioners' data in database
  - Non-integration of the databases of the PSAs and the PDAs
- **Recommendations**
  - Pensioners' critical information should flow seamlessly and electronically from the point of origin to the destination (PDAs)
  - Comprehensive validation checks at the origin
  - Comprehensive e-audit of the scrolls for prompt detection of deviations
  - Computerise the Post Office, Kathua
  - Provide a hassle-free method of submitting life certificates



# CONTROL WEAKNESSES

As per audit report, some weaknesses were reported in Defence Pension Management System which needed to be addressed to make the system more robust, efficient and effective.

## Record Offices

- Record offices were deficient in controls resulting in monitoring of delays in processing of the pension claims at different stages.
- Delays mainly due to in getting information from the units.
- Requirement to minimise procedural requirements.

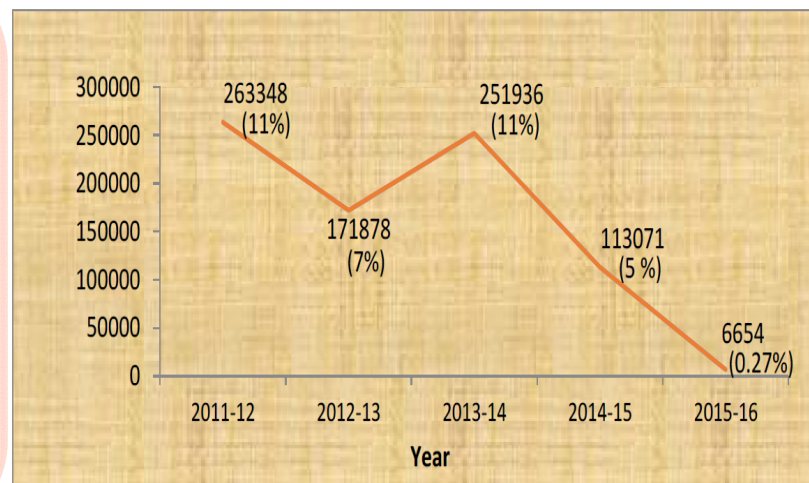
## RBI

- Lack of control over expenditure
- Deficiencies in the DMA statement

## PCDA (P)

- Discrepancy in the no. of pensioners stated by MOD.
- Control deficiencies in expenditure accounting leads to huge amounts in Suspense A/c.
- Inadequate audit of Pension Payments (Chart 4)
- Inadequate monitoring of fake/ fraudulent/overpayments for period 2011-2012 to 2015-16.

Chart 4 : Pensioners Accounts Audited by PCDA (P)



Source: Data received from the PCDA (P)

# RECOMMENDATIONS

1. PDAs send e-scrolls electronically to the PCDA(P).
2. Regular updating and reconciliation of Master Data of banks and PCDA(P).
3. Adopting the grievance monitoring system of the CPAO.

The above will help in the system robustness and pensioner satisfaction.

# Thank You

