CHAPTER-III

PERFORMANCE AUDIT

SOCIAL WELFARE DEPARTMENT

3.1 Performance Audit of Dayanand Social Security Scheme

Highlights

The Dayanand Social Security Scheme (DSSS) was implemented by the State Government from January 2002, to provide monthly financial assistance to the most vulnerable sections of the society viz., senior citizens above the age of 60 years, single women and disabled persons (up to the age of 60 years). The first phase of the scheme was implemented (January 2002) through the Life Insurance Corporation of India (LIC). The second phase was implemented (September 2003) through the Mapusa Urban Co-operative Bank (MUCB) and the third phase (February 2006) through the Goa State Co-op. Bank (GSCB), as disbursing banks for pension. The financial assistance was increased from Rs 500 per month to Rs 750 per month with effect from November 2005 and further to Rs 1,000 per month from April 2007. With its popularity, awareness among people and quantum of assistance, the scheme has succeeded in creating a social security net for targeted beneficiaries. However, there were some areas of concern which are highlighted in the review as under:

- The Government did not make adequate provision in budget for disbursement of pension through co-operative banks under DSSS resulting in off budget borrowings to the tune of Rs 121.82 crore without prior approval of the legislature.

(Para 3.1.6)

- The system of selection of beneficiaries was defective, lacked accountability and facilitated ineligible persons to seek undue benefit under the DSSS.

(Para 3.1.7)

- Failure to stop pension of 12,971 non-genuine beneficiaries found in two surveys conducted in 2004 and 2005 resulted in avoidable extra burden to the tune of Rs 43.53 crore to Government.

(Para 3.1.8.2)

- Though the Government decided to conduct a survey of all existing beneficiaries in August 2006 the delay in finalizing the survey agency resulted in extending undue benefit of the scheme to non-genuine beneficiaries.

(Para 3.1.8.3)

- The Government delayed the payment of instalments of purchase price to LIC resulting in extra liability of penal interest of Rs 16.91 crore.

(Para 3.1.10.1)

- Though HDFC Bank and GSCB offered to distribute pension under DSSS at lower rate of service charges, the department continued to pay service charges to MUCB at higher rate incurring extra expenditure of Rs 1.07 crore.

(Para 3.1.10.2)

3.1.1 Introduction

The Government introduced the Dayanand Social Security Scheme (DSSS) from January 2002 (under the Goa Dayanand Social Security Rules 2001) to provide financial assistance of Rs 500 per month with an increase of Rs 25 *per annum* to the most vulnerable sections of the society viz., senior citizens above the age of 60 years, single women and disabled persons up to the age of 60 years. The benefits under the scheme were available only if the per capita income of the applicant was less than the amount of financial assistance under the scheme and the applicant was not in receipt of financial assistance from any other source.

The first phase (January 2002) of the scheme was implemented through the Life Insurance Corporation of India (LIC) by entering into a Memorandum of Understanding (MoU) in terms of which the Government purchased pension for each pensioner by paying a price computed by LIC based on the age of the beneficiary. The LIC in turn was required to pay pension to the beneficiaries @ Rs 500 per month for life with an annual increment of Rs 25. The second phase (September 2003) was implemented through the Mapusa Urban Co-operative Bank (MUCB) and the third phase (February 2006) through the Goa State Co-op. Bank (GSCB), as disbursing banks for pension. The financial assistance was increased from Rs 500 per month to Rs 750 per month with effect from November 2005 and further to Rs 1,000 per month from April 2007.

The year-wise details of number of beneficiaries receiving pension under the scheme were as follows:-

As on March every year	LIC	MUCB	GSCB	Total
2001-02	5,720	-	-	5,720
2002-03	20,243	-	-	20,243
2003-04	20,099	32,303	-	52,402
2004-05	19,459	36,917	-	56,376
2005-06	17,967	54,483	-	72,450
2006-07	17,357	58,468	13,218	89,043
2007-08	16,839	58,244	22,199	97,282

Figures as at the end of each year
Source: as per details provided by LIC, MUCB and GSCB

3.1.2 Organizational set-up

The Scheme is implemented by the Social Welfare Department, headed by a Secretary and is assisted by Director of Social Welfare. The application for financial assistance along with proof of age, affidavit by applicant certifying income countersigned by a MLA, residence proof, etc., is scrutinized by the department. The sanctioning committee consisting of Chief Minister, Minister of Social Welfare and Opposition leader sanctions pensions under the scheme. The disbursements are made through LIC, MUCB and GSCB.

3.1.3 Audit Objectives

The audit objectives were to assess whether:-

- The scheme objectives have been met.
- The scheme has been implemented economically, efficiently and effectively.
- The internal control system to safeguard against errors, irregularities in operational and financial matters existed and functioned effectively.

3.1.4 Scope of Audit and Methodology

Records maintained by the Director of Social Welfare for the period 2003-08 were test checked in audit during March to May 2008. The audit objectives were discussed in an entry conference with the Secretary alongwith other officials of the Department in February 2008. The audit process included discussions with officials of the Department, collection of data through examination of records and their analysis. Records relating to the Scheme were examined and data collected and analysed with reference to the audit objectives and criteria. The views of the Department have been taken into account while finalizing the review. The audit findings were discussed with the Secretary in the exit conference held in July 2008.

3.1.5 Financial Outlay

The Scheme is entirely funded by the State Government. The expenditure incurred for the period 2003-08 was to the tune of Rs 369.74 crore which accounted for as under:

(Rupees in crore)

Year	Budget Provision	Actual Expenditure	Excess(+) /Savings (-)
2003-04	40.34	38.27	-2.07
2004-05	40.20	43.45	+3.25
2005-06	62.00	72.00	+10.00
2006-07	67.77	70.42	+2.65
2007-08	83.60	145.60	+62.00
Total	**293.91**	**369.74**	**+75.83**

The excess in the year 2005-06 was due to revision of financial assistance from Rs 500 to Rs 750 per month. The excess in the year 2007-08 was due to revision of financial assistance to Rs 1,000 per month and clearance of LIC overdues to the tune of Rs 32.82 crore. The expenditure (Rs 38.27 crore) under the scheme in the year 2003-04 which was two *per cent* of the total revenue expenditure (Rs 1,763.59 crore) of the State Government gradually increased to over five *per cent*[♣] during the year 2007-08.

3.1.6 Off-budget borrowing for disbursing DSSS pension

Off budget borrowing to finance the Scheme

The first phase of Dayanand Social Security Scheme (DSSS) was implemented through Life Insurance Corporation of India (LIC) for 21,133 beneficiaries (as of October 2002). As per the Memorandum of Understanding (MoU) the Government was required to pay Rs 122.04 crore to LIC in five instalments upto October 2006 and LIC in turn was to pay pension to the beneficiaries. Second and third phases were implemented through Mapusa Urban Cooperative Bank (58,244 beneficiaries as of March 2008) and Goa State Cooperative Bank (22,199 beneficiaries as of March 2008) respectively.

The Department failed to pay instalments to LIC in time. Considering a high rate of interest of 13 *per cent* charged by LIC, the department cleared outstanding balance of Rs 42.62 crore[♦] (between March 2007 and March 2008) due to LIC from the available budgetary provision. As there was no budget provision left for payment of pensions to beneficiaries covered under second and third phases, the department availed overdraft of Rs 121.82 crore (Rs 28.36 crore in 2006-07 and Rs 93.46 crore in 2007-08) from these co-operative banks.

The interest debited by the banks for overdraft during the period from April 2007 to February 2008 was Rs 1.17 crore. The Government replied (August 2008) that off-budget borrowings were made as the Government could not provide sufficient funds to pay the outstanding amounts due to LIC. The reply is not tenable as the off-budget borrowing undermines legislative authority and hence should have been avoided. Any such move to save cost should be with approval and prior knowledge of legislature.

3.1.7 Planning

The system of selection of beneficiaries is vital for an effective implementation of any scheme. Therefore the system of selection needs to be devised carefully and made foolproof so that only genuine persons become beneficiaries. No such foolproof system was devised for selection of beneficiaries under the DSSS.

[♣] Scheme expenditure Rs 145.60 crore against total revenue expenditure of the State Rs 2,777.76 crore in the year 2007-08

[♦] Rs 9.80 crore on 31 March 2007 and Rs 32.82 crore during 2007-08

The applications for the financial assistance under the scheme were required to be submitted by beneficiaries to the Director of Social Welfare along with the documents in proof of age, affidavit by the applicant certifying income countersigned by a MLA, proof of residence, medical certificate in case of disabled persons, death certificate and marriage certificate in case of widows, etc.

The applications were to be scrutinized by the Department and recommended for sanction by the Committee constituted for the purpose. The affidavits indicating the income of the beneficiaries countersigned by the MLAs were accepted without cross verification of applicant's claim of income by competent government authority. This inadequate processing resulted in sanction of financial assistance to 17,320 non-genuine beneficiaries as found out during the surveys conducted in January 2004 and February 2005.

With effect from June 2005, verification of eligibility in case of new applicants is being done by a Government Public Sector Undertaking – Goa Electronics Limited (GEL) at a cost of Rs 38 per application. However, this scrutiny does not cover the verification of income – the crucial criteria to determine the eligibility of applicants. As per the BPL Survey conducted in the year 2003 by the Rural Development Agency of the State Government identified only 6,947 families living below poverty line in Goa. However, there were 97,282 beneficiaries (effectively families as only one spouse is allowed benefit under the scheme) claiming their monthly income to be less than Rs 1,000.

Defective selection of beneficiaries

Thus, the system of selection of beneficiaries was defective, lacked accountability and facilitated ineligible persons to seek undue benefit under the DSSS. As a result, a large number of ineligible persons have become beneficiaries under the scheme, causing tremendous burden on exchequer. The Department agreed with the audit observation and offered to take appropriate decision on the matter.

3.1.8 Implementation

3.1.8.1 Payment to non-genuine cases

Government paid pension to 9,315 non- genuine beneficiaries in first phase

The DSS Scheme was implemented from January 2002 and 40,818 applications were sanctioned upto June 2003 by the sanctioning committee without pre-verification. The Government decided (June 2003) to conduct a house to house survey of these beneficiaries by appointing Centre for Development, Planning and Research (CDPR), Pune, a private agency. The survey result (January 2004) indicated that 11,839 cases (29 *per cent*) were non-genuine. The department stopped pension in respect of 1,191[♥] expired beneficiaries in April 2004. Comments were incorporated vide para No. 3.1.14 of the Audit Report for the year 2003-04 on the inaction of the Government to stop the payment of pension to 10,648 non-genuine beneficiaries. The

[♥] 566 cases disbursed by LIC and 625 cases disbursed by MUCB department further stopped pension in 1,333♠ doubtful cases paid through LIC in March 2005. No action has been taken on the remaining 9,315 non-genuine cases so far (August 2008) and they are receiving same pension as on date.

Pension paid to 3,656 non-genuine beneficiaries in second phase

Subsequently, the department entrusted the work of survey of additional 22,359 cases which were sanctioned without pre-verification, to the same agency and the report of the survey submitted in February 2005 indicated that 5,481 cases (25 *per cent*) were non-genuine. The department stopped pensions to 1,825 cases only and 3,656 non-genuine beneficiaries continued to receive the same pension till date (August 2008).

The Department stated that only those cases confirmed as non-genuine were stopped and the remaining cases were reported to Village Panchayats/Municipalities and based on the report of the Village Panchayats/Municipalities action is taken by the Government. However the details of number of cases reported to Village Panchayats/Municipalities and those confirmed/not confirmed by these local bodies were not furnished by the department.

3.1.8.2 Failure to make recovery from non-genuine beneficiaries

Inaction of the department to stop pension in respect of 9,315 non-genuine beneficiaries found during first phase of survey and 3,656 non-genuine beneficiaries found in the second phase of survey has resulted in avoidable extra burden to the tune of Rs 43.53 crore® (**Appendix 3.1**) to Government. The department stated (August 2008) that a survey has been proposed to identify/assess the eligibility of all beneficiaries.

3.1.8.3 Delay in conducting a survey

According to the Census Report 2001 the State has 1.09 lakh senior citizens above 60 years of age out of the total population of 13.48 lakh. As on 31 March 2008 there are 74,686 senior citizens availing financial assistance under the scheme. As the number of beneficiaries has been increasing rapidly and many beneficiaries were sanctioned pension without pre-verification, the Government decided (August 2006) to conduct a survey of the existing beneficiaries through Department of Planning, Statistics and Evaluation (DPSE). The DPSE submitted (November 2006) a budget of Rs 90,000 for survey of 10 *per cent* of the cases in two months and also sought clarification regarding terms of reference for taking up the survey. The Director of Social Welfare, instead of finalizing terms of reference and furnishing clarifications sought by DPSE, proposed (July 2007) a survey to be conducted through a private agency. Though the department invited (November 2007) tenders from private agencies to conduct the survey, a final decision on this was awaited (May 2008).

♠ 319 duplicates, 817 non-traceable and 197 no bank details all paid through LIC

® Pension paid from February 2004 to March 2008 to 9,315 non genuine beneficiaries found in first survey - Rs 32.84 crore and from March 05 to March 08 to 3,656 non-genuine beneficiaries of second survey - Rs 10.69 crore

Considering the huge expenditure on the scheme (over five *per cent* of the total revenue expenditure during 2007-08), the delay in implementation of Government decision to conduct fresh survey has resulted in extending undue benefit under the scheme to non-genuine beneficiaries at the cost of public exchequer.

The Department stated (August 2008) that the Government has now decided to conduct the survey of all the existing beneficiaries through DPSE.

3.1.8.4 Processing of applications

Improper processing of applications

According to the general condition under rule 3(A) of the Rules regulating the Scheme, the income of the beneficiary should be less than the financial assistance under the scheme. Scrutiny of 390 applications out of 5,823 beneficiaries in Quepem and Pernem talukas sanctioned pension during the period from January 2005 to March 2008 revealed that the important condition of income limit was not observed scrupulously. In respect of 59 cases, the family income shown in the ration card attached with the application forms was between Rs 1,000 per month and Rs 11,000 per month. In respect of another 13 cases, the monthly income mentioned in the application form/ affidavit itself was between Rs 1,200 per month and Rs 13,000 per month. The amount of pension payment involved in these 72 ineligible cases was Rs 13.04 lakh up to March 2008 which will increase in future.

The Department stated (August 2008) that there is no relevance of the income declared by the applicant in the application form for DSSS and as shown in the ration card. The reply is not tenable as the income shown in the ration card was declared by the applicant voluntarily and in respect of 13 cases the application itself showed that the income was above the limit indicating that the processing and scrutiny of applications was not done properly.

3.1.9 Maintenance of records

No records were maintained by the department

The Department has not maintained any books of accounts for the implementation of the scheme. As a result the department had to solely depend on LIC and the cooperative banks for basic data and information such as the latest position of number of beneficiaries, additions and deletions to the list of beneficiaries, purchase price calculations, service fee payable and interest charged, etc. The department did not have any record of cheques issued to the beneficiaries by LIC or co-operative banks which had remained uncleared. As a result, balance totaling Rs 50.02 lakh in 33 current accounts opened by MUCB for keeping the amount of uncleared cheques from March 2004 onwards remained unnoticed by the department until it was reported by the bank in August 2007.

The Department stated that the amount was kept in separate accounts for the accountancy purpose. The reply is not tenable as, if this amount was utilized for payment of LIC dues the department could have saved Rs 25.03 lakh interest charged by LIC at the rate of 13 *per cent per annum*.

3.1.10 Financial management

3.1.10.1 Payment of interest of Rs 16.91 crore

Extra liability due to delay in payment of purchase price

The scheme was initially implemented through the Life Insurance Corporation of India from 01 October 2002. As per the Memorandum of Understanding with LIC, the Government had agreed to pay the pension purchase price in five years, i.e., one-fifth of the purchase price every year and interest @ 13 *per cent* on outstanding amount. In the beginning 21,133 beneficiaries were enrolled with LIC and the pension purchase price payable was calculated as Rs 122.04 crore. The annual installment payable was Rs 24.40 crore at different intervals and full purchase price was to be paid by October 2006. The purchase price payable for 1,333 beneficiaries for which pension was stopped with effect from March 2005 amounting to Rs 5.68[©] crore was adjusted by the LIC. Thus total purchase price (Rs 116.36[⊕] crore) alongwith interest (Rs 31.73 crore) payable to LIC was Rs 148.09 crore. The Department was not able to make timely payment of installments to LIC and therefore the department had to pay a penal interest of Rs 16.91 crore leading to total payment of Rs 165.00 crore (2002-08) to the LIC. Failure of the Department in ensuring payment of purchase price as per the agreement resulted in extra liability of Rs 16.91 crore as detailed in **Appendix 3.2**.

The Department stated that the Government did not provide sufficient funds to pay the outstanding amount to LIC. If the Government had opted for borrowings from market at the average rate of 7.42 *per cent* (average rate of borrowings of the State Government during 2002-06) for timely payment of purchase price installments, an amount of Rs 7.26 crore[⊗] could have been saved.

3.1.10.2 Extra liability of Rs 1.07 crore on account of service charges

A mention was made under paragraph 3.1.11 of the Audit Report for the year 2003-04 that the Government awarded the work of disbursement of pensions to MUCB without inviting offers from public sector banks and the rate of service charges agreed at two *per cent* of the amount disbursed was also much higher when compared to 0.19 *per cent* charged by the SBI for undertaking government transactions.

Extra liability due to non-acceptance of lowest offer

The Department made enquiries (December 2005) with State Bank of India, HDFC Bank, GSCB and ICICI Bank for their rates for service charges to be charged. The HDFC Bank offered (December 2005) to do the disbursement work free of cost, UTI bank at Rs one per entry plus Rs 2,500 per month and GSCB at Rs one per beneficiary plus Rs 2,000 per month. However, the Government continued to operate the scheme through MUCB at the same rate

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[©] Purchase price paid for 1,333 beneficiaries Rs 7.52 crore less pension paid and expenditure Rs 1.84 crore

[⊕] Purchase price Rs 122.04 crore less amount adjusted by LIC Rs 5.68 crore

[⊗] Interest paid @ 13 *per cent* Rs 16.91 crore (-) Interest payable @ 7.42 *per cent* Rs 9.65 crore i.e two *per cent* of amount disbursed as service charges up to March 2007 and @ Rupees five per beneficiary from April 2007 onwards. The MUCB debited Rs 1.82 crore as service charges up to December 2006 and demanded Rs 49.70 lakh for the month up to February 2008. The reason indicated by the department for rejection of HDFC Bank's offer was the difficulties in transferring all accounts to that bank. However there was no condition in HDFC Bank's offer to transfer all accounts to that bank (which was subsequently clarified by the bank in May 2006).

The Department stated that HDFC did not agree to provide overdraft facilities hence their offer was not considered. Even after considering the second lowest offer of GSCB which provided overdraft facilities to the scheme, continuation of pension disbursement through MUCB at higher rate of service charges resulted in avoidable expenditure of Rs 65.70 lakh (already paid for the year 2006) and further avoidable liability of Rs 41.23 lakh (payable from January 2007 to February 2008).

3.1.10.3 Idle balances in the current accounts of co-operative banks

According to clause 4(ix) of the MoU with the MUCB and GSCB the Government was to allot the amount required for two months pension disbursements in advance with the banks along with the amount required for one month pension disbursements. Further as per clause 4(x) in case the balance in account falls short for distribution of pension the banks have to provide overdraft facilities. Accordingly, the department maintained huge balances with these two banks. A scrutiny of bank account with MUCB revealed that after covering the amount required for distribution of pension, the lowest balance kept idle was Rs 3.27 crore during the period from September 2004 to April 2005 (eight months), Rs 94 lakh from May 2005 to December 2005 (eight months) and Rs 1.30 crore from February 2006 to June 2006 (five months). Similarly the lowest balance of amount available with the Goa State Co-operative Bank ranged from Rs 1.71 crore to Rs 4.09 crore during the period from April 2006 to June 2006. The department was not able to monitor the balances in the bank accounts and was not able to keep them at minimum required level, as this could have saved Rs 28 lakh[¥] as interest to the Government calculated at the average borrowing rate of 7.52 *per cent* during the period.

The Department stated that the balances were kept according to the provisions of the MoU with the banks. The reply is not tenable as the provisions of MoU were not enforceable because allotting two months pension requirement in advance and at the same time providing overdraft facilities whenever balances fall short for distribution of pension is contradictory. While the department kept its fund idle in banks according to the provisions of the MoU, it did not honour the provisions of the MoU with the LIC for payment of installments of

[¥] Rs 3.27 crore @ 7.52 *per cent* for 8 months = Rs 16.39 lakh, Rs 94 lakh @ 7.52 *per cent* for 8 months = Rs 4.71 lakh, Rs 1.30 crore @ 7.52 *per cent* for 5 months = Rs 4.07 lakh and Rs 1.71 crore @ 7.52 *per cent* for 3 months = Rs 3.21 lakh.

purchase price and paid penal interest (@13 *per cent*) on this account. Hence due care was not taken to protect financial interest of the Government while agreeing to the provisions in the MoU with the banks.

3.1.11 Conclusion

With its popularity, awareness among people and quantum of assistance, the scheme has succeeded in creating a social security net for targeted beneficiaries. However due to defective planning and tardy implementation of the scheme, the benefits are also being availed of by a large number of ineligible persons, resulting in a heavy burden on exchequer. Money spent on giving assistance to ineligible beneficiaries has programme and fiscal implications. These funds could have been utilized for financing other developmental programmes or easing fiscal position of the State.

3.1.12 Recommendations

The department may –

- Assess the eligibility of beneficiaries under DSSS de novo and weed out the ineligible beneficiaries.
- Take immediate action to recover the financial assistance given to non-genuine beneficiaries based on the survey report.
- Establish a mechanism to ascertain and keep complete records of beneficiaries and other details under the scheme.