



## **C O N T E N T S**

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### **PART II\***

**Minutes of the Sittings of the Public Accounts Committee  
(1987-88) held on :**

**11.9.1987**

**18.4.1988**

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**\*Not printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).**

**PUBLIC ACCOUNTS COMMITTEE**

**(1987-88)**

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**Shri Amal Datta**

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**SECRETARIAT**

1. Shri K. H. Chhaya—*Joint Secretary*
2. Shri B. D. Duggal—*Chief Financial Committee Officer*
3. Shri S. M. Mehta—*Senior Financial Committee Officer*

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\*Ceased to be a member of the Committee consequent on his retirement from Rajya Sabha w.e.f. 1.4.88.

## INTRODUCTION

**I, the Chairman of the Public Accounts Committee, do present on their behalf this Hundred and Thirty-Second Report on Paragraph 53 of the Report of the Comptroller and Auditor General of India for the year 1985-86, Union Government (Posts and Telecommunications) relating to frauds committed by Extra Departmental Staff.**

**2. The Report of the Comptroller and Auditor General of India for the year 1985-86, Union Government (Posts and Telecommunications) was laid on the Table of the House on 8th May, 1987.**

**3. This Report deals with frauds committed at Extra Departmental Post Offices in villages and elsewhere, where the volume of work does not justify full time Departmental Staff and are manned by Extra Departmental post-masters like school masters, station masters, shop-keepers etc. who possess some independent means of subsistence or have spare time to earn sufficient income in addition to the allowance they obtain from the Department. Such persons receive monthly remuneration for work for 3-5 hours a day and deal with all postal transactions pertaining to Savings Bank Accounts, money orders, sale of postal stationery, issue of registered/insured articles and acceptance of PLI premia.**

**4. The Committee have noted that the Extra Departmental post offices are responsible for 75 per cent of the detected frauds involving more than 50 per cent of the total amount involved in such frauds, amounting to Rs. 8.50 lakhs in the year 1983-84 and Rs. 13.96 lakhs in 1984-85. The amount involved in such detected frauds has been increasing year after year and it rose to Rs. 77,55,674 in 1985-86. However, in 1986-87, the amount came down to Rs. 46,28,054. The Committee feel that even though the extent of frauds in the Extra Departmental Post Offices is small as compared to the totality of transactions these require special consideration as these involve rural population who are mostly illiterate and for whom the savings are precious taking into account their meagre resources. Although the amount defrauded is paid back to the depositor in full, along with interest for the period during which the**

amount has been defrauded, the Committee is of the opinion that frauds are capable of causing not only financial loss to the Department but also generate deep anguish and avoidable tension to the depositors mostly belonging to low income group and also transit the image of POSB, which is bound to have repercussions on the Small Savings Movement itself. The Committee feel that it is imperative that every care and precaution is taken to minimise frauds involving Extra Departmental Post Offices. The Committee expect the Department to ensure that all the instructions on the subject are observed scrupulously and preventive checks are exercised meticulously so that all such frauds are nipped in the bud. The Committee have emphasised that the machinery for detection of frauds needs to be strengthened and closely monitored.

5. The Committee have noted that many of the frauds in the Savings Bank and National Savings transactions remain undetected for long periods mainly due to the non-observance of the prescribed Departmental instructions. Accordingly, they have suggested that all unscrupulous officials who are responsible for defrauding depositors should be dealt with severely and there should be no hesitation in taking strict disciplinary action for contributory negligence and direct involvement, without exception, and with due promptitude so that the number of frauds is reduced and the faith of such depositors in the efficacy of the system is not eroded. The Committee have desired to be apprised of further steps initiated by the Government in this direction.

6. The Committee (1987-88) examined Audit Paragraph 53 at their sitting held on 11 September 1987. The Committee considered and finalised the Report at their sitting held on 18 April 1988. Minutes of the sitting form\* Part II of the Report.

7. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix III to the Report.

8. The Committee would like to express their thanks to the Officers of the Ministry of Communications (Department of Posts) for the cooperation extended to them in giving information to the Committee.

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\*Not printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

(vii)

9. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of Comptroller and Auditors General of India.

NEW DELHI ;  
April 22, 1988  
Vaisakha 2, 1910 (S)

AMAL DATTA  
Chairman,  
Public Accounts Committee

## REPORT

### FRAUDS COMMITTED BY EXTRA DEPARTMENTAL STAFF

#### *Introductory*

Post Offices in villages and elsewhere, where the volume of work does not justify full time Departmental staff on the basis of 8-hour work load, are manned by Extra Departmental post-masters like school masters, station masters, shopkeepers etc., who possess some independent means of subsistence or have spare time to earn sufficient income in addition to the allowance they obtain from the Department.\*

2. Such persons receive monthly remuneration for work for 3—5 hours a day and deal with all postal transactions pertaining to Savings Bank Accounts, money orders, sale of postal stationery, issue of registered/insured articles and acceptance of PLI premia. The allowances paid are only to compensate for the work done for the Postal Department. The Extra Departmental Post Offices are the hard core of the postal network in the rural sector of the country. Out of the 1,44,129 post offices in the country 1,18,941 post offices are of the Extra Departmental category. These constitute 82 per cent of the total number.

3. On an average, a rural Extra Departmental Post Office serves 4—5 villages and a population of 4,000. But for this system, the Department of Posts could not have covered such a large rural area of the country at a relatively small cost.

#### *Small Savings Schemes*

4. The Post Office Savings Bank is an agency function performed on behalf of the Ministry of Finance and operated through a vast network of post offices which include Head Post Offices, other Departmental Post Offices and Extra Departmental Post Offices. Different types of small savings schemes are being operated through post offices viz., (i) Savings Bank Account; (ii) Recurring Deposit/Cumulative Time Deposit Account and (iii) Time Deposit Account.

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\*This report is based on Paragraph 53 of the Report of the Comptroller and Auditor General of India for the year 1985-86 Union Government (Posts and Telecommunication) which deals with frauds committed at extra departmental post offices. The paragraphs from the Audit Report is reproduced at Appendix I.

5. There are over 9 lakh different types of accounts of the above mentioned categories in all the post offices with a balance of Rs. 24,000 crores as on 31.3.87 in all small savings schemes. Nearly 25 crore transactions are made in these accounts during the year. During the year 1986-87, an amount of nearly Rs. 10,000 crores had been handled by the post offices in the shape of receipts and payments in various small savings schemes operated through post offices.

#### *Incidence of Frauds*

6. According to the Department of Posts, frauds in Savings Bank transactions occur not only in Extra Departmental Post Offices but also in Head Post Offices and other Departmental Post Offices. An analysis was carried out by the Department on the incidences of frauds in TD and CTD/RD Accounts for the year 1983-84 and 1984-85 with particular reference to defalcations in the Extra-Departmental Post Offices. The analysis revealed that during the said two years the Extra Departmental Post Offices were responsible for 75% of the frauds involving more than 50% of the total amounts of frauds aggregating Rs. 8.50 lakhs in the year 1983-84 and Rs. 13.96 lakhs in the year 1984-85 (excluding the information from one Postal Circle).

7. The Department of Posts have furnished the following statement which shows the number\* of Savings Banks frauds during the last five years :—

Year	No. of SB fraud cases	Amount involved in frauds (Rs.)	Total P.O. Deposits (Rs. in crores)
1	2	3	4
1982-83	674	39,82,875	11,410.79
1983-84	1029	66,21,280	13,523.83
1984-85	810	55,48,105	17,219.98
1985-86	1276	77,55,674	21,473.10
1986-87	584	46,28,054	24,656.72

\*While figures of transactions are actual figures, those of frauds are the figures detected and not actual frauds.



8. The Department claims that if these frauds are viewed against the phenomenal growth and magnitude of SB work handled in the post offices, the number of frauds and the amount involved is quite insignificant. However, since the number of frauds detected may also be quite insignificant compared to the number actually committed, the claim is really not based on comparable figures.

*Modus operandi of Frauds*

9. In post evidence information the Department stated that generally, the following types of *modus operandi* are resorted to in committing frauds at the Extra Departmental Post Offices :

- (i) Suppression of deposits
- (ii) Forged signatures

(i) *Suppression of Deposits*

10. The common *modus operandi* of frauds committed at the Extra Departmental Post Offices or at a single handed post office is by suppression of deposits. The examination of the pass books at the Head Office once a year at the time of interest posting goes a long way in the detection of frauds especially at the Extra Departmental and single handed post offices. However, in the absence of any compulsion on the part of the Department to obtain the pass books from the depositors especially the rural depositors who according to the Department, do not want to part with their pass books, it is not possible to check and confirm all the entries made in the pass books. Suppression of deposits in the RD and CTD accounts can be done by the SPMs/BPMs for long periods of time. In such cases, the depositor will be presenting the pass book for sanction of withdrawal or closure after maturity period and only at that stage, fraud, if any, can be detected. In the case of TD accounts, premature closures are permitted at sub-offices and large sums can be defrauded without the knowledge of the depositors who would normally present the pass book for closing the account after a number of years.

(ii) *Forged Signature*

11. The other *modus operandi* resorted to is withdrawal made with forged signatures of the depositors or by altering fraudulently the amount mentioned in the withdrawal application. Since there is no counter-check at the time of transaction, the only possible detection is either at the account office level, in the case of branch office or at the head office level in the case of

both the branch office and single handed sub-office when the signatures can be compared against the specimen signatures on record.

*Intrinsic faith of the depositor in the post-master etc.*

12. Frauds are also facilitated due to intrinsic faith of the depositors in the integrity of the branch post master/sub post master with whom the pass books are invariably left by the depositors. In many cases the depositors even leave some blank withdrawal forms duly signed by them for obtaining withdrawals. It is only when the EDBPM or the SPM is suddenly taken ill or has to be away from his office for long periods of time due to leave or any compelling circumstances that the withdrawal (fraudulent) comes to light and is investigated into by the Inspectorate staff and the Divisional Superintendents but by that time enough damage has usually taken place.

*Control measures*

13. There are several control measures prescribed in order to prevent/detect frauds in savings bank transactions. The Department of Posts have issued various orders from time to time and reiterated them as and when necessary.

14. It has been prescribed that the various field officers and other authorities will furnish certificates in the matter of compliance of the various instructions. It has also been specifically prescribed that Mail Overseers/Inspecting Officers will make a mention of various checks carried out in their diaries. The Heads of Circles have been asked to ensure the receipt of reports and in turn to furnish Quarterly Report of the action taken to the Directorate. The receipt of these reports in the Directorate is being monitored and such reports are also being received from many of the Circles intimating that the action is being taken on various instructions issued from the Directorate to minimise SB frauds and the same are being followed. According to the Department, the detection of frauds in SB is the result of the various checks and controls prescribed in this regard. Further, as already mentioned, laxity in this regard leading to the perpetration of the frauds is also looked into and not only is responsibility fixed but also recoveries are made from the persons involved in the frauds.

15. The Department of Posts have stated that post office Savings Bank has already got a very cautious and documentation approach in regard to Savings Banks facilities, so much so that the Savor Committee which went

into the facilities available at the Extra Departmental Post Offices, had observed that certain restrictions work as a deterrent to the public to bank with the post offices savings bank. Yet it is not possible for the Department to relax these restrictions at the Extra Department Branch Offices/sub Offices. The Department of Posts have added that the in-built checks and account controls prescribed by the Department are already very exhaustive and elaborate, leaving hardly any further scope for more preventive measures. According to the Department, fraudulent activities on the part of a few mischievous elements both in the staff and the public, cannot altogether be eliminated, the extent of frauds can be curbed by more intensive preventive actions of surprise visits and squad checking of the Extra Departmental branch offices and sub offices.

16. Keeping in view these measures, the Department issued instructions to all Heads of Circles in October 1985 to carry out 100 per cent checks of all SB Accounts in selected Extra Departmental branch offices/sub offices and single handed post offices by forming special squads. This campaign was a one time affair which ended on 31 December, 1985. However, from 1.1.86, a regular exercise in selecting one Extra Deptmental branch office/sub office every month by the Divisional Superintendent of Post offices for a thorough check of all kinds of accounts has been prescribed. Besides, on the recommendations of the Committee set in October 1985 to go into the simplification of the procedure for improvement in the Savings Bank and Savings Bank Control Organisation, a large number of improvements have been introduced in the maintenance of ledger cards, their binding and the frequency of their agreements so as to detect frauds promptly. Procedural changes have also been made in regard to issue and discharge of the National Savings Certificates which had been engaging the attention of the Department for quite some time as sizeable amount had been defrauded in such schemes.

17. The Department have added that a complete review of the frauds in both Extra Departmental post offices and the single handed post offices was also undertaken at the level of the Minister of State for Communications and the Secretary(Posts).

*Action against the persons involved in Savings Bank frauds*

18. The Department of Posts stated that generally, the cases of loss resulting from frauds are reported to the police for investigation and prosecution. However, cases of loss below Rs. 5000 in the case of Departmental employees, and below the amount of security deposit in the case of extra departmental

employees, are not reported to the police because the police investigations lead to criminal prosecution and court proceedings are invariably very lengthy and cumbersome. The intention of the Department is not expose the staff to unnecessary harassment when no criminality on their part is involved and the losses occur due to sheer negligence and carelessness. According to the Department, disciplinary action is taken in such cases and deterrent punishment is given to those involved. In case of frauds involving small amount the disciplinary authority has the discretion of not reporting the case to the police and take disciplinary action against the officials involved. However, all frauds involving substantial amounts of loss due to misappropriation/theft are reported to the police for investigation and criminal prosecution of the staff, including the Extra departmental staff and the member of the public involved. The details of actual frauds and extent of recoveries and departmental action taken during the last 3 years is given in Appendix II.

#### *Compensation to the depositors*

19. During evidence before the Committee, the Secretary (Deptt. of Posts) stated that as far as individual depositor is concerned, he is reimbursed completely. He also stated that the rules are very clear that all defrauded amount has to be restored in full along with interest for the period during which the amount has been defrauded.

#### *Steps to enlighten the depositors*

20. The Department has taken several steps to educate and guide the depositors and also to frustrate the possible attempts to defraud the depositors of their money.

These steps include :

- (i) Important instructions advising depositors about certain "do's—don'ts" have been incorporated in the pass book. A meticulous observance of these instructions would frustrate any attempt to defraud the depositors of his rightful money.
- (ii) The depositor is advised of the various provisions of the P.O.S.B. rules by the S.A.S. agents, who guide them in making investments and earn substantial commission on many of the instruments. The S.B. assistants at the counters/EDBPM also educate and guide them in this regard.

- (iii) Besides, the service of the departmental officials like the Inspector of Post Offices/Public Relation Inspectors/Savings Bank Development Officers are also utilised for the purpose of giving guidance to the public or assisting them in final withdrawal/closure of the accounts in the event of the death of the depositor.
- (iv) Important instructions including rates of interest in regard to Savings Bank and National Saving Certificates are displayed for the guidance of the public in the Post Office buildings and other departmental buildings.
- (v) Every Post Office has an enquiry counter to provide detailed information/guidance to the public on any matter including SB/NSC. The public is also encouraged to meet with Postmaster/Asstt. Postmaster directly to clear any doubts or points regarding mistakes/suspicious entries made in the passbook/NSC's etc.
- (vi) The National Savings Organisation also undertakes marketing campaigns to attract more investments by the public in National Savings Schemes. The NSC frequently organises seminars and public meetings in which they educate the public about all types of savings bank work. Queries/doubts of the public are cleared during such meetings.
- (vii) The cheating or fraudulent actions on the part of a very small segment of postal staff is not highlighted generally as this would defeat the purpose of marketing campaigns and the public would shy away from P.O. Savings Bank. All banking institutions play down the mishaps relating to cheating/frauds so that unnecessary scare is not created and public confidence in the integrity of the bank is not shaken.

21. The Department also indicated that the following expenditure was incurred on the utilisation of media during the last 3 years for education and guidance of the depositors :

	Publicity expenses of NSO (in thousand of rupees)	Expenditure incurred by DAVP
1983-84	1107	2626
1984-85	2336	3796
1985-86	793	5293
<b>Total :</b>	<b>4236</b>	<b>11715</b>

22. The Committee note that the Extra Departmental Post Offices were responsible for 75 per cent of the detected frauds involving more than 50 per cent of the total amount involved in such frauds, amounting to Rs. 8.50 lakhs in the year 1983-84 and Rs. 13.96 lakhs in 1984-85 (excluding information from one Postal Circle).

23. The Committee also note that the amount involved in such detected frauds has been increasing year after year and rose to Rs. 77,55,674 in 1985-86. However, in 1986-87, the amount came down to Rs. 46,28,054. The Committee also note that the total deposits in the Savings Bank accounts have been increasing continuously and the total post office deposits stood at Rs. 21,473.10 crores and Rs. 24,656.72 crores during the years 1985-86 and 1986-87, respectively.

24. The Department of Posts have pleaded that when the extent of frauds is viewed against the phenomenal growth and the magnitude of the savings bank work handled in the post offices, the number of frauds and the amount involved is quite insignificant.

25. The committee are of the opinion that even though the extent of frauds in the Extra Departmental Post Offices is small as compared to the totality of transactions these require special consideration as these involve rural population who are mostly illiterate and for whom the savings are precious taking into account their meagre resources. The Department stated during evidence that the amount defrauded is paid back to the depositor in full along with interest for the period during which the amount has been defrauded. Still the Committee are of the opinion that frauds are capable of causing not only financial loss to the Department but also generate deep anguish and avoidable tension to the depositors mostly belonging to low income group but they also tarnish the image of POSB, which is bound to have repercussions on the Small Savings movement itself. It is, therefore, imperative that every care and precaution is taken to minimise frauds involving Extra Departmental Post Offices. The Committee expect the Department to ensure that all the instructions on the subject are observed scrupulously and preventive checks are exercised meticulously so that all such frauds are nipped in the bud. The machinery for detection of frauds should be strengthened and closely monitored.

26. The Committee note that many of the frauds in the Savings Bank and National Savings transactions remain undetected for long periods mainly due to the non observance of the prescribed Departmental instructions. They accordingly, suggest that all unscrupulous unofficals who are responsible for defrauding depositors should be dealt with severely and there should be no hesitation in

taking strict disciplinary action for contributory negligence and direct involvement without exception, and with due promptitude so that the number of frauds is reduced and the faith of such depositors in the efficacy of the system is not eroded. The Committee would like to be apprised of further steps initiated by the Government in this direction.

27. The Post Office Savings Bank Pass Book contains a number of "do's" and "don't's", but these are only for the depositors. These "do's" and "don't's" will be of help to literate or semi-literate depositors but these do not seem to be adequate enough for the illiterate depositors. The Committee note that recently the Department of Posts have brought out a Post Office Savings Bank Hand Book wherein they have put a separate chapter on the control measures against frauds. These contain certain instructions to the staff which are, however, not known to the depositors.

28. The Committee recommend that the instructions meant for the staff who handle these transactions should also be brought to the notice of the depositor. These instructions may, preferably, be appended to the pass book itself so that the public should know what are the services they can claim from the post offices and what services they should not seek from the members of the staff. It is also imperative that these instructions are given wide publicity through Radio and T.V. network so that the illiterate depositors are also apprised of these instructions. In this context the Committee note that an expenditure of Rs. 1.60 crores was incurred during the last 3 years from 1983-84 to 1985-86 both by the National Savings Organisations and D.A.V.P. on the utilisation of media for the education and guidance of the illiterate depositors in rural areas, women, labour class etc. about small savings. In the opinion of Committee the amount spent is not adequate after taking into account the deposit mobilisation from the Post Offices. The Committee feel that these efforts need to be intensified further so that the depositors besides being apprised of the distinct features of the National Savings Scheme are also informed of the pre-cautions they are required to take to avoid being defrauded. The Committee would like to be apprised of further developments in this regard.

29. The Committee note that many of the frauds do not come to notice even after a lapse of one year or more. They come to notice only when the pass book is received for adding interest on deposits, actual deposits/withdrawal by the depositor himself or in the case of CTD/RD etc. after 5 or 10 years after the date of maturity for repayment. As one of the preventive measures, the Committee suggest that the Government may examine whether it will be possible to make zerox copies of the relevant pages of the ledger cards and hand the same over to the depositors at fixed intervals say, once a year. They hope that the

introduction of this additional check which will enable the depositors to know their balance periodically would act as a strong deterrent against frauds.

30. The Committee also feel that it would be worth while to associate some public men through an Advisory Committee, to have some kind of supervision over the single handed Extra Departmental Post Offices. In the event of any complaint, the depositor may approach the Advisory Committee. The institution of Panchayat might be utilised for the purpose. The Committee are of the opinion that such an arrangement will not militate against the secrecy of the banking transactions as in the situation contemplated, it would be the depositor himself, who would be utilising the agency of the Advisory Committee/Panchayat. The Committee would urge the Government to start introduction of this scheme in some limited areas as an experimental measure and would like to be apprised to further action in this regard.

NEW DELHI;  
April 22, 1988  
Vaisakha 2, 1910 (S)

AMAL DATTA,  
Chairman,  
Public Accounts Committee.



## **APPENDIX I**

(vide para 1 of the Report)

***Paragraph 53 of the Report of C. & A. G. for the year 1985-86  
Union Government (Posts & Telecommunications) on Frauds committed by  
Extra-Departmental Staff***

### **53. Frauds committed by Extra-Departmental Staff**

Post offices in villages and elsewhere, where the volume of work does not justify full time departmental staff, are manned by extra departmental postmasters like school masters, station masters, shopkeepers who possess some independent means of subsistence or have spare time to earn sufficient income in addition to the allowance they obtain from the department. Such persons receive monthly remuneration for work for 3 to 5 hours a day and deal with all postal transactions pertaining to Savings Bank accounts, money order, sale of postal stationery issue of registered/insured articles and acceptance of PLI premia.

The departmental rules prescribed detailed checks over the work done by extra departmental officials. The checks fall broadly under two categories (a) accounting control by post offices to whom daily accounts are rendered by extra departmental postmasters and (b) surprise visits/periodical inspections by departmental officials like mail overseers (monthly), inspectors and assistant superintendents of post offices (annually).

The checks are designed to ensure that all receipts and payments are promptly and correctly brought to account and the extra departmental officials work strictly in accordance with the rules and procedures. The departmental officials are also expected to verify correctness of the transactions entered in the post office account and to verify the cash balance with the extra departmental officials by actual counting.

A review of frauds and misappropriation cases reported during the years 1981-82 to 1983-84 in Maharashtra and Gujarat circles, has, however, showed that exercise of accounting checks and physical control by departmental offi-

cial had by and large not been very effective. In particular, it was noted that 386 frauds (67 per cent) related to Savings Bank transactions in these two circles committed by the Extra Departmental Branch Postmasters (EDBPMs) alone involving Rs. 13.62 lakhs were reported during these three years as indicated below (Table 53) :—

TABLE 53

Year	Total No. of fraud cases	Total loss (Rs. in lakhs)	No. of Savings Bank frauds	Amount involved (Rs. in lakhs)	No. of Savings Bank frauds committed by ED staff	Amount involved (Rs. in lakhs)	Percentage over 4
<b>1981-82</b>							
Maharashtra	207	11.90	58	3.81	42	1.97	72
Gujarat	84	2.76	45	2.34	8	0.16	18
<b>1982-83</b>							
Maharashtra	147	11.49	59	6.06	38	3.71	64
Gujarat	206	10.10	149	4.50	60	0.32	40
<b>1983-84</b>							
Maharashtra	261	9.44	74	4.28	58	2.82	78
Gujarat	414	7.19	189	4.97	180	4.64	95
			574			386	13.62

A study in audit of 33 fraud cases in Maharashtra Circle involving Rs. 4.25 lakhs and 28 fraud cases in Gujarat Circle in Saving Bank section involving Rs. 3.89 lakhs indicated the modus operandi, as below in the department's investigation reports :

- (a) Deposits accepted by the EDBPMs/sub-post masters (SPMs) were noted in pass books, but were either not entered in departmental accounts or less amounts were entered in accounts.
- (b) Withdrawals were made on forged signatures on account holders or by alternating fraudulently the amounts mentioned by them in withdrawal applications.

- (c) **Inspections by mail overseers and other departmental supervisory staff have been purfunctory with the result that the omissions/commissions on the part of EDBPMs/SPMs and the financial irregularities committed by them remained undetected for long.**

**The department stated (November 1986) that several instructions had been issued for ensuring checks and controls at all levels during July-December 1985 and that the question of restricting the vesting of SB powers to only such of the Branch Offices where there was reasonable volume of work was also under consideration as recommended by a committee set up on extra departmental agents. The department added that it was very concerned and was taking all possible steps to reduce the incidence of such frauds.**

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## APPENDIX II

(vide para 18 of the Report)

*Actual frauds and extent of recoveries and departmental action taken during the last three years*

(A) All India figures of amount of SB frauds and recoveries made during the last five years are as below :—

Sl. No.	Year	No. of cases	Amount (Rs.)	Amount of recoveries (Rs.)	Percentage of Recoveries
1.	1982-83	674	39,82,875	3,99,117	10.3
2.	1983-84	1029	66,21,280	3,69,709	5.6
3.	1984-85	810	55,48,105	3,34,785	5.9
4.	1985-86	1276	77,55,674	1,54,325	1.9
5.	1986-87	584	46,28,054	29,04,147	62.7

(B) In the following number of cases the officials including extra departmental employees were proceeded departmentally, prosecuted and convicted since 1982-83 :—

Sl. No.	Designation	Proceeded Departmentally	Prosecuted/ Criminal action taken	Convicted
1.	EDBPMs	2096	857	74
2.	EDSPMs	63	11	4
3.	Mail Overseers	21	22	—
4.	Postal Assistant	1025	150	35
5.	Supervisory Staff	56	—	—
6.	SBCO Staff	3	1	—
7.	I.P.O.s	39	—	—

### APPENDIX III

(vide Para 7 of Introduction)  
*Observations and Recommendations*

S. No.	Para No.	Ministry/Deptt. concerned	Observations/Recommendations
1	2	3	4
1	22-25	Ministry of Communications (Deptt. of Posts)	<p>The Committee note that the Extra Departmental Post Offices were responsible for 75 per cent of the detected frauds involving more than 50 per cent of the total amount involved in such frauds, amounting to Rs 8.50 lakhs in the year 1983-84 and Rs. 13.96 lakhs in 1984-85 (excluding information from one Postal Circle).</p> <p>The Committee also note that the amount involved in such detected frauds has been increasing year after year rose to Rs. 77,55,674 in 1985-86. However, in 1986-87, the amount came down to Rs. 46,28,054. The Committee also note that the total deposits in the Savings Bank accounts have been increasing continuously and the total post office deposits stood at Rs. 21,473.10 crores and Rs. 24,656.72 crores during the years 1985-86 and 1986-87, respectively.</p> <p>The Department of Posts have pleaded that when the extent of frauds is viewed against the phenomenal growth and the magnitude of the savings</p>

1	2	3	4
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bank work handled in the post offices, the number of frauds and the amount involved is quite insignificant.

25 Ministry of Communications (Deptt. of Posts)

The Committee are of the opinion that even though the extent of frauds in the Extra Departmental Post Offices is small as compared to the totality of transactions these require special consideration as these involve rural population who are mostly illiterate and for whom the savings are precious taking into account their meagre resources. The Department stated during evidence that the amount defrauded is paid back to the depositor in full along with interest for the period during which the amount has been defrauded. Still the Committee are of the opinion that frauds are capable of causing not only financial loss to the Department but also generate deep anguish and avoidable tension to the depositors mostly belonging to low income group but they also tarnish the image of POSB, which is bound to have repercussions on the Small Savings Movement itself. It is, therefore, imperative that every care and precaution is taken to minimise frauds involving Extra Departmental Post Offices. The Committee expect the Department to ensure that all the instructions on the subject are observed scrupulously and preventive checks are exercised meticulously so that all such frauds are nipped in the bud. The machinery for detection of frauds should be strengthened and closely monitored.

2 26 —do—

The Committee note that many of the fraud in the Savings Bank and National Savings transactions remain undetected for long periods mainly due to the non observance of the prescribed Departmental instructions. They accordingly, suggest that all unscrupulous officials who are responsible for defrauding depositors should be dealt with severely and there

should be no hesitation in taking strict disciplinary action for contributory negligence and direct involvement, without exceptions, and with due promptitude so that the number of frauds is reduced and the faith of such depositors in the efficacy of the system is not eroded. The Committee would like to be apprised of further steps initiated by the Government in this direction.

3      27-28      —do—

The Post Office Savings Bank Pass Book contains a number of "do's" and "dонт's", but these are only for the depositors. These "do's" and "dонт's" will be of help to literate or semi-literate depositors but these do not seem to be adequate enough for the illiterate depositors. The Committee note that recently the Department of Posts have brought out a Post Office Savings Bank Hand Book wherein they have put a separate chapter on the control measures against frauds. These contain certain instructions to the staff which are, however, not known to the depositors.

—do—

The Committee recommend that the instructions meant for the staff who handle these transactions should also be brought to the notice of the depositor. These instructions may, preferably, be appended to the pass book itself so that the public should know what are the services they can claim from the post offices and what services they should not seek from the members of the staff. It is also imperative that these instructions are given wide publicity through Radio and T.V. network so that the illiterate depositors are also apprised of these instructions. In this context the Committee note that an expenditure of Rs. 1.60 crores was incurred during the last 3 years from 1983-84 to 1985-86 both by the National Savings Organisations and D.A.V.P. on the utilisation of media for the education and guidance of the





against the secrecy of the banking transactions as in the situation contemplated, it would be the depositor himself, who would be utilising the agency of the Advisory Committee/Panchayat. The Committee would urge the Government to start introduction of this scheme in some limited areas as an experimental measure and would like to be apprised of further action in this regard.

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