

**THIRTY-SEVENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2001-2002)**

**THIRTEENTH LOK SABHA
WORKING OF CIRCLE STAMP DEPOTS
MINISTRY OF COMMUNICATIONS AND
INFORMATION TECHNOLOGY
(Department of Posts)**

*[Action Taken on 17th Report of Public Accounts Committee
(13th Lok Sabha)]*



सत्यमेव जयते

*Presented to Lok Sabha on 24 April 2002
Laid in Rajya Sabha on 24 April 2002*

**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2002/Vaisakha, 1924 (Saka)

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2001-2002)

Shri N. Janardhana Reddy — *Chairman*

MEMBERS

Lok Sabha

2. Shri Adhi Sankar
3. Shri M.O.H. Farooq
- *4. Shri Bhartruhari Mahtab
5. Dr. Madan Prasad Jaiswal
6. Shri M.V.V.S. Murthi
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11. Vacant
12. Shri C. Sreenivaasan
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Rajya Sabha

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21. Shri Satish Pradhan
22. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri K. V. Rao — *Joint Secretary*
3. Shri Devender Singh — *Deputy Secretary*
4. Shri R. C. Kakkar — *Under Secretary*

Appointed as Chairman of the Committee w.e.f. 15.3.2002 vice Shri Narayan Datt Tiwari resigned from Chairmanship of Committee consequent upon his appointment as Chief Minister.

Electd w.e.f. 29 November, 2001 vice Shri Vijay Goel ceased to be member on his appointment as a Minister.

** Elected w.e.f. 29 November, 2001 vice Shri Annasaheb M.K. Patil ceased to be member on his appointment as a Minister.

☞ Ceased to be Member of the Committee consequent upon their retirement from Rajya Sabha w.e.f. 9.4.2002.

© Ceased to be Member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 12.4.2002.

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Thirty-Seventh Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 17th Report (13th Lok Sabha) on "Working of Circle Stamp Depots".

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 19th April, 2002. Minutes of the sittings form Part II of the Report.

3. 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 to the Report.

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

NEW DELHI;
19 April, 2002

29 Chaitra, 1924 (Saka)

N. JANARDHANA REDDY,
Chairman,
Public Accounts Committee.

(v)

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the observations/recommendations of the Committee contained in their Seventeenth Report (Thirteenth Lok Sabha) on paragraph 43 of the Report of C&AG of India for the year ended 31 March, 1997 (No. 6 of 1998) Union Government (Post and Telecommunications) relating to "Working of Circle Stamp Depots" and paragraph 55 of the Report of C&AG of India for the year ended 31 March, 1998 (No. 6 of 1999) relating to "Post Office Saving Certificates."

(2) The Seventeenth Report which was presented to Lok Sabha on 21 December, 2000 contained ten recommendations/observations. Action Taken Notes on all these recommendations/observations have been received from the Ministry of Communications (Department of Posts) and categorised as follows:

- (i) Recommendations and observations which have been accepted by Government:
Sl. Nos. 1,2,3,4,5,6,7,9 and 10
[Paragraph Nos. 17, 18, 27, 28, 29, 36, 49, 55 and 58]
- (ii) Recommendations and observations which the Committee do not desire to pursue in view of the replies received from Government:
Sl. No. 8 [Paragraph No. 52]
- (iii) Recommendations and observations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:
-NIL-
- (iv) Recommendations and observations in respect of which Government have furnished interim replies:
-NIL-

3. On examination of the subject the Committee had found several disquieting aspects in the working of Circle Stamp Depots including transportation of postal stamps and cash certificates, fraudulent encashment of lost cash certificates with the collusion of some staff members, working of Post Office Saving Banks (POSB) non-reconciliation of figures between Circle Stamps Depots (CSDs) and Head Post Offices (HPOs).

The Committee therefore, had *inter-alia* recommended to the Department of Posts as under:—

- (i) To issue suitable instructions to ensure that there is constant interaction between the dispatch point and receiving end so as to ensure that the possibility of pilferage/diversion is minimised and all such cases of pilferage/shortages of Saving Certificates are detected in time and notified to all concerned to prevent their fraudulent encashment.
- (ii) To take action against guilty staff members involved in the fraudulent encashment of cash certificates.
- (iii) To take up all the outstanding issues with the Ministry of Finance (Department of Economic Affairs) for their early resolution.
- (iv) To apply suitable corrective measures to ensure continuous and effective coordination between CSDs and PAOs for timely detection of discrepancies.

4. The observations/recommendations made by the Committee and the Action Taken Notes furnished by the Government thereon have been reproduced appropriately in the subsequent chapters of this report. The Committee are pleased to observe that all the recommendations have been accepted by the Ministry of Communications barring the recommendation contained in Para 52 of the earlier report which the Committee do not desire to pursue in view of the reply given by the Department.

5. The Committee will now deal with the action taken by the Government on some of their recommendations.

Change in mode of transport of postage stamps, stationery etc.

[Sl.No. 2, Para 18]

6. The Committee had expressed their deep concern over the delay ranging from two months to one year suffered by the consignments booked by Railways from ISP Nasik to reach their destinations and also losses of consignments booked by Passenger trains. The Committee had found the losses of Postal Stationery during transit due to lack of coordination among various agencies *viz.* Railways, Presses and CSDs. The Committee were however, informed that DoP started sending Postal Stamps through Insured Post Parcels since 1997 only. The Committee were also not happy to note that DoP had not initiated any action when the consignment did not reach the destination despite shortage of stamps. The Committee had, therefore, desired the DoP to apprise them the outcome of the new mode of transport introduced by them and also the cases of losses/shortage of stamp/stationery, if, any, since the introduction of new mode of transport.

7. The Ministry of Communications (Department of Posts) in their action taken replies have *inter-alia* stated that the DoP had been alert and identified the problem as early as in March, 1995. They made reference to

Railways on this issue and simultaneously the Ministry of Finance and Indian Security Press were advised to provide them a system of road transport from Nasik Road to CSDs on the pattern of security Printing Press Hyderabad as early as 26.5/2.6.1995. As nothing concrete emerged inspite of several references/meetings, the matter was discussed in the meeting of Finance Secretary wherein ISP Nasik Road was directed to explore the possibility of transporting postal stationery by road like SPP Hyderabad to avoid loss in transit. Pending action by the Ministry of Finance, the DoP had already introduced the system of transportation through Insured Parcel Bags. All their efforts for getting India Security Press, Nasik Road to deliver the goods to all Circle Stamp Depots (CSDs) on the pattern of Security Printing Press Hyderabad, were stonewalled due to the provision of Rule 48 of Appendix-2 of F.H.B. Vol. II (Rules for supply and distribution of stamps), which lays down that all supply of stamps is F.O.R. Nasik Road. The Department of Posts finally approached Ministry of Finance (Department of Revenue) on 13.3.2000 to consider review/amendments to these rules. The Ministry of Finance (Department of Revenue) has appointed a committee under the Chairmanship of Dr. G.C. Srivastava, Additional Secretary (Admn.) Department of Revenue *vide* their resolution No. 33-2/99-ST dated 27 June 2000. This Committee is yet to submit its report for consideration by Ministry of Finance and other concerned offices.

8. The DoP has further stated that the new mode of transportation through Insured Parcel Bags is working well and no case of loss of bags has been reported during 1997-98, 1998-99 and 1999-2000. Nine cases of shortage of Stamps and Stationery in parcel, received from Indian security Press Nasik Road, have been reported. This comes to only 0.0028% of average revenue earned by sale of stamps from 1997-98 to 1999-2000.

9. The Committee appreciate the efforts made by the DoP in introducing new mode of transportation of postal stationery through Insured Parcel Bags which reportedly prevented loss of bags containing Postal stamps and stationery during 1997-98 to 1999-2000. The Committee, however, find that a few cases of shortage of stamps and stationery were reported which comes to 0.0028% of the average revenue earned by the sale of stamps during 1997-98 to 1999-2000. The Committee have been informed that on the request of the DoP, Ministry of Finance (Department of Revenue) has appointed a Committee, under the Chairmanship of Additional Secretary (Admn.) Department of Revenue, to consider review/amendments of the provisions of Rule 48 of Appendix-2 of FHB Vol. II (Rules for supply & distribution of Stamps) which according to DoP has become a stumbling block for delivering goods to all Circle Stamps Depots on the pattern of SPP Hyderabad. The recommendations of the Committee were awaited at the time of furnishing of Action Taken Replies. The Committee would, therefore, like to be apprised of the recommendations of the Committee and the follow up action taken thereon.

Action against offenders
[Sl.No. 4 Paragraph 28]

10. The Committee had found that certificates worth Rs. 5.27 crore were fraudulently encashed due to non-adherence of the rules which according to the DoP were foolproof as far as fraudulent encashment of saving certificates by negligent post office staff members or due to their collusion with the unscrupulous elements were concerned. The Committee were informed that the Department had identified some 115 offenders departmentally and the CBI was looking into some cases. The Committee had desired that the proceedings/investigations against all offenders be pursued to logical end and exemplary action taken against them. The Committee had also desired to be apprised of the total amount involved in fraudulent encashment from 1991 till date and the action taken against guilty staff members all over the country.

11. The Ministry in their action taken notes have *inter-alia* stated that Certificates were fraudulently encashed due to the non-adherence of the rules by negligent Post Office staff members or due to their collusion with unscrupulous elements. 115 departmental officials were identified to be responsible for violation of the rules and procedures. The departmental action against 66 officials have been completed. 63 officials have been inflicted with the penalties while one official was exonerated and in another case, the case was dropped on finalisation of the disciplinary action. One case had to be dropped due to the death of the official. Departmental proceedings are continuing in respect of 30 more officials. In respect of the remaining 19 officials, departmental action is pending due to the pendency of the Police cases against them, "the concerned records being in Police custody". The police cases and the CBI cases are also being pursued. The total amount involved in the fraudulent encashment of saving certificates lost in transit from the custody of Railways till date is Rs. 7.06 crore.

12. 69 more officials have been identified for various lapses in the cases detected subsequently and 10 officials have been placed under suspension and two have been arrested by the police. Departmental/Police/CBI investigations are progressing. One official has already been punished after completion of departmental action. The cases are being pursued vigorously.

13. The Committee find that DoP could complete the Departmental proceedings/action only against 66 out of 115 offenders (58%) identified by the Department. The Committee are not satisfied with the pace of investigation and the reasons advanced for the tardy pace of investigations. It is seen from the Action Taken Replies that 69 new cases have been identified by the Department for various lapses out of the cases detected subsequently. The Committee note that some officials were suspended/arrested for their lapses. The Committee would like the Department to

pursue the investigation proceedings against these officials more vigorously so that exemplary action is taken against officials found guilty. The Committee would also like to be informed of the precise action taken by the Department in this regard within three months after the presentation of this Report.

Remuneration to Department of Post
[Sl. No. 6 Paragraph No. 36]

14. The Committee had found that the agency functions such as post office saving certificates, Postal Saving Bank (POSB) etc. which were primarily banking functions were entrusted to an discharged by DoP on behalf of the Ministry of Finance since long ago. The Committee had noted that the DoP operated the POSB on behalf of Ministry of Finance with eleven crore account holders, in excess of Rs. 1,80,000 crore in cumulative deposits and annual collection in the vicinity of Rs. 66,000 crore which emerged as the largest retail bank in the country. The Committee had also noted that while all the proceeds of POSB were passed on to the Ministry of Finance, the DoP was supposed to be remunerated on actual basis to cover its costs. Taking note of the serious difficulty in maintaining about 2,75,42,965 silent accounts in the POSB blocking an amount of Rs. 403,14,90,996/- the Committee had desired the Review Committee constituted by the Ministry of Finance to review the existing system of postal saving bank and make suitable recommendations for the resolution of all the outstanding issues between DoP & MoF. The Committee had also desired that the issue of management of Saving Certificates be placed before the review committee for their consideration. The Committee had also desired to be apprised of the recommendations of the Review Committee on the resolution of all outstanding issues between the DoP & MoF.

15. The Ministry of Communications (Department of Post) in their action taken note have *inter alia* stated that the Department of Posts operates the Post Office Savings Bank (POSB) as an agency function on behalf of the Ministry of Finance. For this work, the Ministry of Finance reimburses the costs to the Department of Posts on a mutually agreed basis. Currently, the Ministry of Finance reimburses the Department of Posts @ Rs. 88.40 per account. This rate has been arrived at assuming per account transactions to be 4.80 per year. However, the Department of Posts has staked a claim for higher remuneration based upon statistical data validated by the National Savings Organisation, which indicates the per account transactions to be 5.21 as against 4.8. The Ministry of Finance has suggested constitution of an Expert Group to go into the matter in detail. However, with a view to obviating delay in the matter, the Department of Posts has requested the Ministry of Finance for settlement of the issue without waiting for an Expert Group to examine the issue. The matter is being pursued with Ministry of Finance. As regards, the issue concerning silent accounts the Ministry of Finance has already initiated

action on the recommendations of the Department of Posts to levy maintenance charges of Rs. 20/- per annum from the balance at credit in a silent account. In case the balance in the account falls below Rs.20/- and continues to be so at the end of the financial year in which the balance fell short, the account shall be closed and the balance at credit forfeited towards payment of the maintenance charges. It is expected that a Gazette Notification to this effect would be issued shortly by the Ministry of Finance.

Although the terms of reference of the Review Committee require it to only examine policy issues such as the mandate, statute and the vision of the POSB, the directions of the PAC in the matter have been communicated to the Ministry of Finance for further necessary action.

16. The Committee in their earlier Report had desired that the Review Committee, constituted by the Ministry of Finance to review the existing systems of Postal Saving Bank, also consider all the outstanding issues between DoP and Ministry of Finance and make suitable recommendations for their resolutions. Further, the Committee also desired that another function *i.e.* issue and maintenance of saving certificate, be placed before aforesaid Committee for their consideration. The Committee have been informed that "though the terms of reference of the Review Committee require it to only examine policy issues such as the mandate, statute and the vision of the POSB, the directions of the PAC in the matter have been Communicated to the Ministry of Finance for further necessary action".

From the Action Taken Replies furnished to the Committee it is seen that the issue pertaining to the reimbursement of costs for operating the POSB scheme is yet to be resolved between the Ministry of Finance and DoP as DoP has sought higher remuneration based on statistical data validated by National Saving Organisation which indicated per account transaction to be 5.21 as against 4.8. Though the Ministry has suggested to constitute an Expert Group to resolve the matter yet the DoP has been pursuing the Ministry of Finance to settle the issue without waiting for the outcome of the Expert Group proposed to be constituted for the purpose. The Committee note that the Ministry of Finance has initiated positive action on the aspects of maintenance of Silent Accounts in the POSB and a Gazette Notification to that effect was awaited at the time of furnishing Action Taken Replies. The Committee hope that the Review Committee and Expert Group have by now submitted their report on the aspects referred to them. The Committee would, therefore, like to be apprised of the outcome of these Reports and also the action taken by the Ministry of Finance and DoP in pursuance of these recommendations.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee note that there are 19 circle Stamp Depots (CSDs) all over the country and they receive their requirement of postal stationery from Government Presses at Nasik Road and Hyderabad. The CSDs are linked to the Government Presses as per geographical proximity and capacity of the presses to supply stamps and stationery. The Security Printing Press (SPP), Hyderabad manufactures stationery items (Post Card, Inland Letter Card and Embossed Envelopes) whereas India Security Press, Nasik Road manufactures postage stamps and embossed envelopes, registered envelopes and aerogram. In order to meet the requirement beyond the capacity of Government Presses, since 1995-96, DOP has also approved two printers allocated at Kanpur and Chennai. The Private Printers are printing only three Flap Inland Letters. In case government presses are not in a position to print some stamps they are printed through private printers by DOP. The Committee find that loss to the DOP on account of pilferage/loss of postal stationery in transit during the period 1991—97 was Rs. 3.17 crore which increased to Rs. 5 crore during 1994—98. This increase, according to DOP, was mainly due to larger consignments of high value stamps being subjected to pilferage in Bihar, Uttar Pradesh, West Bengal and Karnataka Circle. The DOP, however, denied it as loss to the DOP on the ground that the face value of stamps has not been taken into account by the Department. The Committee are perturbed to note the view of the DOP that it was not a loss to the Department since these articles can be easily sold to the public even in Post Offices by the unscrupulous elements in the Department or these being put in parallel circulation by Private vendors at the face value of such stationery thus causing loss to the Government exchequer though not directly to the DOP. Such an attitude is unfortunate, to say the least. Though the DOP claimed to have no knowledge or misuse of lost stationery, the Committee desire to know whether any recovery out of these lost consignments has been made so far.

[Sl. No. 1 of Appendix III. Para 17 of Seventeenth Report of Public Accounts Committee (13th Lok Sabha)]

Action Taken

The observation and concern of the Hon'ble Committee regarding the misuse of pilfered/lost postal stationery is accepted. At the time of oral evidence before the committee, the Department of Posts submitted that it has no knowledge of misuse of lost stationery and stamps as no case of parallel circulation of postal stationery and stamps causing loss to the Government exchequer has been reported so far. Infact Department of Posts has no machanism to identify the stolen postage stamps and stationery during transit and their subsequent use by unscrupulous elements. The giant size of the outlets of the Department for sale of stamps and stationery and non-availability of any identifying number like currency notes, makes the policing work impossible.

It is stated that no recovery of goods out of lost consignments indicated in para 43.5.1. of CAG report No. 6 of 1998 has been made except the amount of compensation received from Indian Railways. The average loss on this account sustained in the years under review is 0.08% of the average sale of stamps and stationery at the rate of Rs. 6270.83 millions per year.

[Department of Posts, New Delhi. O.M. No. 42-01/2001-Phil(PT-VI)
Dated 1.5.01]

Recommendation

The Committee cannot but express their profound concern over the fact that the consignments booked by rail from ISP, Nasik, took two months to one year time to reach their destinations and that the losses of consignments were mainly in respect of despatches booked by passenger trains. The Committee further note that lack of proper coordination between the presses, CSDs and the Railways was the cause of losses of postal stationery during transit. The Committee find that after the Audit pointed out this lacuna, the DOP adopted the other mode of transportation of postage stamps and stationery though SPP, Hyderabad was already using only road transport for despatching consignments of postal stationery. The Committee also find the DOP have since 1997 started sending postal stamps through their own service i.e. insured post parcels and railways interference has been stopped. The Committee are, however, unable to understand as to why despite shortage of stamps, DOP did not get alert after a reasonable period of time when consignment did not reach the destination. The Committee would like to be iuformed of the performance/success of the changed mode of transport and the cases of losses/shortages of stamps/stationery since the introduction of the new mode of transport.

[Sl No. 2 Appendix III Para 18 of Seventh Report of Public Accounts
Committee (13th Lok Sabha)]

Action Taken

The Department of Posts had been alert and identified the problem as early as in March 1995. The first reference to Railways on this issue was sent on 10/14-3-95. Simultaneously, the Ministry of Finance and the India Security Press, Nashik Road were advised to provide a system of road transport from Nashik Road to Circle Stamps Depots on the pattern of Security Printing Press, Hyderabad as early as 26-5/2-6-95. As nothing concrete emerged in spite of various subsequent references/meetings, the matter was discussed in the meeting with Finance Secretary on 2-6-99, wherein India Security press, Nashik Road was directed to explore the possibility of transporting postal stationery by road like Security Printing Press Hyderabad to avoid loss in transit, Pending action by Ministry of Finance, (Department of Economic Affairs), The Department of Posts has already introduced the system of transportation through Insured Parcel Bags.

All efforts of the Department of Posts for getting India Security Press, Nashik Road deliver the goods to all Circle Stamp Depots on the pattern of Security Printing Press Hyderabad, were stonewalled due to the provision of Rule 48 of Appendix-2 of F.H.B. Vol. II (Rules for supply and distribution of stamps), which lays down that all supply of stamps is F.O.R Nashik Road. The Department of Posts finally approached Ministry of Finance (Department of Revenue) on 13.3.2000 to consider review/amendments to these rules. The Department of Revenue Ministry of Finance has appointed a committee under the chairmanship of Dr. G.C. Srivastava Additional Secretary (Admn.) Department of Revenue *vide* their resolution No. 33-2/99-ST dated 27 June, 2000. This Committee is yet to submit its reports for consideration by Ministry of Finance and other concerned offices.

The new mode of transportation through Insured Parcel Bags is working well and no case of loss of bags containing Postal Stamps & Stationery has been reported during 1997-98, 1998-99 and 1999-2000. A few cases of shortage of stamps and stationery in packets, received from India Security Press, Nashik Road have been reported. Details are in Annexure 'A'. This comes to only 0.0028% of average revenue earned by sale of stamps in the relevant period.

[Department of Posts, O.M. No. 42-01/2001-Phil (Pt. I) Dated: 1/5/2001]

ANNEXURE-A

**STATEMENT SHOWING DETAILS OF SHORTAGE IN
CONSIGNMENTS FROM INDIA SECURITY PRESS,
NASHIK ROAD TO VARIOUS CIRCLE STAMPS
DEPOTS DURING 1997-98 TO 1999-2000**

Sl. No.	Circle	CSD	No. of case	Value (in Lakhs)	Remarks
	Punjab	Ludhiana		4.16	Shortage in Pkts in Insured Parcels
	Rajasthan	Jaipur		4.00	Shortage in Pkts in Insured Parcels
	Tamilnadu	Chennai	1	0.03	Shortage in Pkts in Insured Parcels
4.	Total		9	8.19	
5.	Average		3	2.73	
6.	Average sales per year		Rs. 96363.00		
	Percentage of shortage		0.0028		

Recommendations

The Committee note with concern that the face value of saving certificates amounting to Rs. 487 crores including IVPs, KVPs and NSCs LOST IN TRANSIT (through Railways) during 1994-98 were noticed by DOP in 1990. The Committee are surprised to note that despite huge losses of saving certificates which were taking place in various Circles and despite the serious risk of their fraudulent encashment, DOP did not switch over immediately to a safer and more reliable mode of transport to avoid these losses. The Committee take note of the fact that only after being pointed out in Audit, the DOP woke up and started (March 2000) sending these certificates by their own express insured parcel service i.e. after incurring huge losses. The Committee find that prior to 1997 there was no provision in the rules of DOP for circulation of details (Nos. face value etc.) of saving certificates lost in transit to all the post offices to avoid their fraudulent encashment. The committee further observe that there is every possibility of Saving Certificates being fraudulently encashment if the movement of consignments is not tracked. The Committee, therefore, desire that DOP issue suitable instructions to ensure that there is constant interaction between the dispatch point and the receiving end so as to ensure that the possibility of pilferage/diversion is minimized and all case of pilferage/shortages of Saving Certificates are detected well in time and notified to all concerned to prevent their fraudulent encashment.

[Sl. No. 3 of Appendix III para 27 of Seventeenth Report of PAC
(Thirteenth Lok Sabha)]

Action Taken

After detailed interaction with the Ministry of Finance, the mode of transportation of Savings Certificates from ISP, Nasik to the different Circle Stamp Depots was changed and a new system of sending the Certificates by Express Parcel Post was introduced from March, 2000. Detailed instructions had already been issued to all Heads of Circles in letter No. 22-5/98-Inv. (Pt.) dated 5/6.11.98 for keeping a close watch on the receipt of consignments from ISP, Nasik. In letter No. 61-13/97-SB dated 29.9.99, amendment of Rule-42 of POSB Manual Vol. II was introduced and all the Heads of Circles were instructed to keep a watch on the receipt of Certificates and they were directed to circulate the details of the Certificates lost in transit.

While introducing the new system of transportation of Savings Certificates by Express Parcel Post, the 'BD' Directorate of the Department in its letter No. 13-2/99 dated 11.5.2000 had issued guidelines to all the Heads of Circles for special monitoring of the movement of the consignments and it was also directed to identify a nodal officer in each Circle to monitor the safe receipt of the packages containing financial instruments from ISP, Nasik. After the new mode of transportation was introduced, there has been no report about the loss of consignments of Certificates so far.

In the Directorate letter No. 22-1/2001-Inv. Dated 16th March, 2001, the instructions were again reiterated, stressing the urgent need to ensure that there is constant interaction between the dispatch point (ISP) and receiving end (CSD) so as to ensure that the possibility of pilferage/diversion is avoided and all cases of pilferage/shortage of Savings Certificates and valuables are detected well in time and notified to all concerned to prevent their fraudulent encashment.

A software called 'Sanchay Post' developed by the Department of Posts has been introduced in 317 Post Offices in the country where Savings Bank computerization has been done, with a view to avoiding fraudulent encashment of the Certificates.

[Department of Posts, New Delhi O.M. No. 22-1/2001-Inv. Dated 23-5-2001]

Recommendations

While taking note of the claim of DOP that the rules are foolproof as far as fraudulent encashment of the saving certificates is concerned, the Committee find that certificates worth Rs. 5.27 crores were fraudulently encashed due to non-adherence of the rules by negligent post office staff members or due to their collusion with the unscrupulous elements. The Committee were informed by the representatives of DOP during oral testimony that the Department had identified some 115 offenders departmentally and the CBI was looking into some cases. The Committee

hope that the proceedings/investigations against all offenders would be pursued to logical end and exemplary action taken against them. The Committee would also like to be apprised of the total amount involved in fraudulent encashment from 1991 till date and the action taken against guilty staff members all over the country.

[Sl. No. 4 of Appendix III para 28 of Seventeenth Report of PAC
(Thirteenth Lok Sabha)]

Action Taken

Certificates were fraudulently encashed due to the non-adherence of the Rules by negligent Post Office staff members or due to their collusion with unscrupulous elements. 115 departmental officials were identified to be responsible for violation of rules and procedures. The departmental action against 66 officials have been completed. 63 officials have been inflicted with the penalties. In one case, the official was exonerated and in another case, the case was dropped on finalisation of the disciplinary action. One case had to be dropped due to the death of the official.

Departmental proceedings are continuing in respect of 30 more officials. In respect of the remaining 19 officials, departmental action is pending due to the pendency of the Police cases against them and as the concerned records being in the police custody. The police cases and the CBI cases are also being pursued.

The total amount involved in the fraudulent encashment of Certificates lost in transit from the custody of Railways till date is Rs. 7.06 crores. (Details given in Annexure).

69 more officials have been identified for various lapses in the cases detected subsequently and 10 officials have been placed under suspension and two officials have been arrested by the Police. Departmental/Police/CBI investigations are progressing. One official has already been punished after completion of departmental action. The cases are being pursued vigorously.

[(Department of Posts, New Delhi O.M. No. 22-1/2001-Inv.Dated
23-5-2001)]

ANNEXURE-E

[[CIRCLE-WISE DETAILS OF FRAUDULENT ENCASHMENT OF
SAVINGS CERTIFICATES LOST IN TRANSIT FROM THE
CUSTODY OF RAILWAYS FROM ISP NASIK TO CSDs (AS ON
MARCH 2001)]]

Sl. No.	Circle	Amount involved
1	2	3
1.	U.P.	2,58,78,835
2.	Bihar	11,61,050*

1	2	3
3.	Delhi	3,86,09,900
4.	Madhya Pradesh	35,000
5.	Orissa	9,15,900
6.	Rajasthan	85,000*
7.	Haryana	39,50,450
	Total	7,06,36,135

*Figures have since been reconciled after getting details from circle.

Recommendations

The Committee were informed during evidence that DOP has developed a software called "Sanchay Post" introduced in 250 post offices out of 1,37,000 post offices in the country with a view to avoiding fraudulent encashment of the lost certificate. The Committee desire that DOP should take up the task of computerization of their post offices vigorously. Needless to say, this would not only prevent fraudulent encashment of postal certificates but would also go a long way in enhancing the efficiency and speed of postal services. The Committee consider computerization all the more desirable as the postal service is still a peerless service provider in terms of its extensive reach and network throughout the length and breadth of the country.

[Sl. No. 5, Appendix III, Para 29 of 17th Report of PAC (13th Lok Sabha)]

Action Taken

In keeping with the recommendations of the Public Accounts Committee, the Department of Posts is vigorously pursuing its policy of computerizing the Post Office Savings Bank (POSB) operations across the country. To this end, an expedited computerization programme has been launched which will facilitate the computerization of the Savings Bank branches of all the Head Post offices by the end of the financial year 2001-02. To enable the Department to attain this objective the Ministry of Finance have provided a special grant of Rs.30 crores for the years 2000-01 and 2001-02. It is expected that as a result of this technological upgradation, the quality of customer services will improve and there will also be corresponding improvement in the employee productivity. Computerization is also likely to have a salutary effect on prevention of fraudulent practices in the Savings Bank by virtue of improved records management. Considering the fact that the Post Office Savings Bank

essentially caters to the banking needs of the common man, such a programme of computerization would also effectively imply deployment of state of the art technology for the benefit of the masses.

[Ministry of Communications/Department of Posts O.M. No. 16-2/99-SB(Sr.AO) dated 12th June, 2001.]

Recommendations

The Committee note that the agency functions such as post office saving certificate, postal saving bank (POSB) etc. are primarily banking functions entrusted to and discharged by DOP on behalf of Ministry of Finance since long ago when banking network in the country was not extensive. The Committee also note that the DOP operates the POSB on behalf of Ministry of Finance with eleven crore account holders, in excess of Rs.1,80,000 crores in cumulative deposits and annual collection in the vicinity of Rs.66,000 crore which has emerged as the largest retail bank in the country. The Committee find that while all the proceeds of POSB are passed on to the Ministry of Finance, the DOP is supposed to be remunerated on actual basis to recover its costs. According to DOP, despite validation of their claim by the National Saving Organisations, reluctance on the part of Ministry of Finance to remunerate the DOP the rate of 5.21 transaction per account was causing substantial loss to DOP already in the deficit. The Committee note the serious difficulty of the DOP in maintaining about 2,75,42,965 silent accounts in the POSB having blocked money of Rs. 403,14,90,996-. The Committee hope that the five members Review Committee appointed by Ministry of Finance in November, 1999 to review the system of Postal Saving Bank would come out without further delay with concrete and fair recommendations for the resolution of these long outstanding issues between DOP and Ministry of Finance. The Committee desire that the issue and management of Saving Certificates, another banking function may also be placed before the review Committee for their consideration. The Committee would like to be informed of the outcome of setting up of the review Committee in resolving the long outstanding issues between Ministry of Finance and Department of Posts, which were referred to them.

[Sl. No. 6, Appendix III, Para 36 of 17th Report of PAC (13th Lok Sabha)]

Action Taken

The Department of Posts operates the Post Office Savings Bank (POSB) as an agency function on behalf of the Ministry of Finance. For this work, the Ministry of Finance reimburses the costs to the Department of Posts on a mutually agreed basis. Currently, the Ministry of Finance reimburses the Department of Posts @ Rs. 88.40 per account. This rate has been arrived

at assuming per account transactions to be 4.8 per year. However, the Department of Posts has staked as claim for higher remuneration based upon statistical data validated by the National Savings Organisation, which indicates the per account transactions to be 5.21 as against 4.8. The Ministry of Finance has suggested constitution of an Expert Group to go into the matter in detail. However, with a view to obviating delay in the matter, the Department of Posts has requested the Ministry of Finance for settlement of the issue without waiting for, an Expert Group to examine the issue. The matter is being pursued with Ministry of Finance.

As regards, the issue concerning silent accounts the Ministry of Finance has already initiated action on the recommendations of the Department of Posts to levy maintenance charges of Rs. 20/- per annum from the balance at credit in a silent account. In case the balance in the account falls below Rs. 20/- and continues to be so at the end of the financial year in which the balance fell short, the account shall be closed and the balance at credit forfeited towards payment of the maintenance charges. It is expected that a Gazette Notification to this effect would be issued shortly by the Ministry of Finance.

Although the terms of reference of the Review Committee require it to only examine policy issues such as the mandate, statute and the vision of the POSB, the directions of the PAC in the matter have been communicated to the Ministry of Finance for further necessary action.

[Ministry of Communications/Department of Posts O.M. No. 16-2/99
SB (Sr.AO) dated 28 February, 2001]

Recommendations

The Committee note that defective printing of Inland Letter Cards (ILCs) supplied to CSD, Chennai, excess payment due to delay in finalisation of printing charges for India Security Printing Press, Nasik Road and Security Printing Press, Hyderabad; excess printing through private printers and Government Presses leading to overstocking and shortage of postage stamps are the cases where Circle Offices and the CSDs displayed lack of systematic approach and deviated from the laid down guidelines. Department of Posts accepted their failure and assured the Committee that they have since modified the system where there is no scope for recurrence of such mistake. The Committee would like to know the current position with regard to finalization of printing charges and settlement of outstanding dues with ISP and SPP. The Committee hope that disciplinary action initiated in the matter of shortage of stationery would be pursued to its logical end and punitive action taken against

officials at fault. The Committee would also like to caution the DoP not to be complacent but to ensure that through effective and constant review the guidelines are adhered to strictly by all concerned.

[Sl. No. 7 of Appendix III, Para 49 of Seventeenth Report of PAC
(Thirteenth Lok Sabha)]

Action Taken

The rates of Postal Stationery and Stamps, supplied by the Government Presses for the year 1989-90 to 1995-96, as recommended by the Cost Accounts Branch of Ministry of Finance, have since been finalized and implemented *vide* our Order No. 26-2/2000-Phil dated 10.5.2000. For the period from 1996-97 onwards the presses are being paid as per the final rates of 1995-96, subject to adjustment on recommendation of rates by the Cost Accounts Branch, for the relevant period.

2. The Cost Accounts Branch, Ministry of Finance could not recommend rates for the periods from 1996-97 onwards as the requisite cost data and other information have not been furnished till date by the presses, despite repeated follow-ups. General Manager, Government Presses and the Department of Economic Affairs, Ministry of Finance have been requested to expedite the date/other information to Cost Accounts Branch, for early finalization of their report for the period from 1996-97 to date. However, as regards settlement of outstanding dues in the ISP and SPP it is intimated that the recommendation of the CAB have been implemented retrospectively *i.e.* from 1989-90 *vide* our letter dated 10.5.2000 referred to above the adjustment of the payments already made to the presses is under process. Paying Units have been directed that no payment be made to the Government Presses till entire over-paid amount is adjusted. The adjustment of payments for supply of items of postal stationery and stamps etc, is a continuous process.

3. Disciplinary proceedings for imposing major penalty under CCS (CCA) Rules, 1965, against the Principal Offender, Shri K.N. Das, Postal Assistant, Circle Stamp Depot, Patna have reached advanced stage and would be pursued to its logical end.

4. In order to ensure that no excess printing is done by Government/Private Printers, leading to over-stocking amended guidelines have been issued *vide* DO No. 19-01/01-Phil dated 4.1.2001 and will be followed scrupulously/monitored from year 2001-2002 onwards.

[Department of Posts New Delhi, O.M. No. 42-01/01-Phil (Pt-II)
Dated: 1.5.01]

Recommendation

The Committee note that acknowledgements for remittance of stamps/stationery in seven CSDs, test checked by Audit, valuing Rs. 483.93 crore were awaited from HPOs for the period 1994—97. The Committee further note that the value of such acknowledgements came down to

Rs. 2.12 crores as on November 1998 following better internal control and stricter monitoring by the DoP pursuant to Audit observations. In order to prevent such recurrences, the Committee consider it essential and desirable that all cases of non-receipt of acknowledgements be cross checked and reconciled by CSDs with the concerned HPOs within the stipulated period of time so that all cases of loss of postage stamps in transit including theft or fraud could be detected well in time. The Committee are optimistic that the DoP would surely strengthen and put institutionalised mechanism in place for stringent control and monitoring in the interest of its own image, credibility and better public service. The DoP accepted their failure to follow the system and procedure particularly in West Bengal and UP Circles and also some individual failures. The Committee reiterate that DoP needs to streamline the procedure to ensure that HPOs send acknowledgements promptly to CSDs. The Committee would like to be apprised of the action taken against the individual officials for their failure to follow the system and procedure especially in West Bengal and Uttar Pradesh and the corrective steps taken to avoid recurrences in future.

[Sl. No. 9, Appendix III, Para 55 of Seventeenth Report of PAC
(Thirteenth Lok Sabha)]

Action Taken

During oral evidence before the Committee the Department has already submitted that all acknowledgements mentioned in para 43.11 of CAG of India, Report No. 6 of 1998 have been received and filed in records. All heads of Circles have been directed on 24.4.2000 to ensure that all acknowledgements of remittances sent to Head Post Offices, are received and recorded regularly. These instructions have been reiterated on 11.1.2001 to ensure time-bound action and strict compliance.

2. Subsequently investigations made by Heads of Circle for determining the responsibility for non-acknowledging the invoices revealed that stamp and stationery despatched to Head Post Offices were acknowledged by these Head Post Offices immediately after receipt and signed acknowledgements were forwarded to Circle Stamp Depots by post which were not received in time. As there were no irregularities on the part of Postmasters concerned, no disciplinary action was initiated. As already submitted in reply to question No. F.40 of the PAC questionnaire received on this sub-para. Suitable instructions have been issued to avoid recurrences in future.

[Department of Posts, New Delhi, O.M. No. 42.01.2001-Phil (Pt-IV)
Dated: 26.3.2001]

Recommendation

The Committee note the discrepancies in figures of CSD/HPOs regarding postage stationery supplied/received. The Committee further note that the outstanding discrepancies ranging from one year to seven

years to certain Circles have since been reconciled as per the deposition made before them during evidence. That such discrepancies should have occurred and persisted for years together despite standing instructions, points only towards laxity in adhering to the prescribed procedure and departmental instructions and poor monitoring and ineffective command system. The Committee would, therefore, like the DoP to apply suitable corrective measures to ensure continuous and effective coordination between CSDs and PAOs for timely detection of discrepancies.

[Sl. No. 10, Appendix III, Para 58 of Seventeenth Report of PAC
(Thirteenth Lok Sabha)]

Action Taken

After the oral evidence before Public Accounts Committee was over, the Department had addressed all Heads of Circles on 24.4.2000 (reiterated on 18.1.2001) to ensure that the reconciliation work between CSDs, HPOs and PAOs is done regularly. Instructions for careful inspection by the Heads of Circles of Circle Stamp Depots and of Postal Account Offices have also been issued so that this aspect of non-reconciliation is taken care of. The PAOs are inspected once in a year by the Head of Circle. The Circle Stamp Depots are inspected twice a year by Officers nominated by the Heads of Circles.

2. For the purpose of ensuring continuous and effective coordination between Postal Accounts Office and Circle Stamp Depots for timely detection of discrepancies, a quarterly statement showing details and action taken to reconcile these, has been introduced from Postal Accounts Offices of the different Circles to the Postal Accounts Wing of the Directorate, to ensure sustained monitoring of the progress of reconciliation.

[Department of Posts, New Delhi O.M. NO. 42-01/01-Phil.(Pt.-V)
Dated 1.5.01]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The Committee would like the DoPs to have both the instances of payment of transportation charges/freight looked into and followed up and suitable remedial/corrective action taken. The Committee would also like to be apprised of the matter in due course.

[Sl. No. 8 Appendix III, Para 52 of Seventeenth Report of Public Accounts Committee (Thirteenth Lok Sabha)]

Action Taken

Investigation made by the Department of Posts revealed that the payment of Rs. 3.94 Lakhs made by the CSD, Bhubaneswar to Security Printing Press, Hyderabad as transportation and escort charges is in order. The payment was made as per the system existing at the time up to 31.3.93 of paying transportation and escort charges separately, from printing charges.

2. Regarding the payment of Rs. 1.07 Lakhs by CSD Jammu to Railways, consultations made with Railways, revealed that according to ICRA coaching tariff No. 24 Part-I (Vol. I) goods carried in separate vehicles are charged at a minimum weight, of 60 quintal per 4 wheeled vehicle.

3. In view of the above position, the charges paid in both the instances are as per rules and are therefore in order.

[Department of Posts, New Delhi, O.M. No. 42-01/01-PHIL (Pt. III)
Dated 1.5.01]

CHAPTER IV

**RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH
HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH
REQUIRE REITERATION**

-NIL-

CHAPTER V

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
GOVERNMENT HAVE FURNISHED INTERIM REPLIES**

-NIL-

NEW DELHI;
19 April, 2002

29 Chaitra, 1924 (Saka)

N. JANARDHANA REDDY,
Chairman,
Public Accounts Committee.

PART II

MINUTES OF THE TWENTY-FOURTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2001-2002) HELD ON 19 APRIL, 2002

The Committee sat from 1000 hrs. to 1040 hrs. on 19 April, 2002 in Committee Room 'E' Parliament House Annexe.

PRESENT

Shri N. Janardhana Reddy — *Chairman*

MEMBERS

Lok Sabha

2. Dr. Madan Prasad Jaiswal
3. Shri Bhartruhari Mahtab
4. Shri Rupchand Pal
5. Kunwar Akhilesh Singh
6. Shri Chhatrapal Singh

Rajya Sabha

7. Shri Satish Pradhan
8. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri K.V. Rao — *Joint Secretary*
2. Shri Devender Singh — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*
4. Shri B.S. Dahiya — *Under Secretary*

Officers of the Office of C&AG of India

1. Shri P. Sesh Kumar — Pr. Director of Audit (DT)
2. Shri V. Ravindran — Pr. Director of Audit (AF & Navy)
3. Shri I.D.S. Dhariwal — Director (Reports — P&T)

2. At the outset, the Chairman, PAC welcomed the Members of the Committee. Thereafter, the Committee took up for consideration and adoption of the following five draft reports:

- (i) ***
- (ii) ***
- (iii) ***
- (iv) Action Taken on the recommendations contained in 17th Report of PAC (13th Lok Sabha) on "Working of Circle Stamp Depots."
- (v) ***

3. After some discussion, the Committee adopted the reports without any modification/amendment.

4. The Committee authorized the Chairman to finalise the draft report at Sl. No. 2 after considering the comments of the Ministry of Defence from security angle. They also authorised the Chairman to finalise the draft reports in the light of changes arising out of the factual verification by Audit, if any, and also to present these reports to Parliament.

5. ***

The Committee then adjourned.

APPENDIX
CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry concerned	Conclusions and Recommendations
2	3	3	4
1.	9	Ministry of Communications and I.T. (Deptt. of Posts)	<p>The Committee appreciate the efforts made by the DoP in introducing new mode of transportation of postal stationery through Insured Parcel Bags which reportedly prevented loss of bags containing Postal stamps and stationery during 1997-98 to 1999-2000. The Committee, however, find that a few cases of shortage of stamps and stationery were reported which comes to 0.0028% of the average revenue earned by the sale of stamps during 1997-98 to 1999-2000. The Committee have been informed that on the request of the DoP, Ministry of Finance (Department of Revenue) has appointed a Committee, under the Chairmanship of Additional Secretary (Admn.) Department of Revenue, to consider review/amendments of the provisions of Rule 48 of Appendix-2 of FHB Vol. II (Rules for supply & distribution of Stamps) which according to DoP has become a stumbling block for delivering goods to all Circle Stamp Depots on the pattern of SPP Hyderabad. The recommendations of the Committee were awaited at the time of furnishing of Action Taken Replies. The Committee would, therefore, like to be apprised of the recommendations of the Committee and the follow up action taken thereon.</p>
2.	13	-do-	<p>The Committee find that DoP could complete the Department proceedings/actions only against 66 out of 115 offenders (58%) indentified by the Department. The Committee</p>

1 2**3****4**

POSB scheme is yet to be resolved between the Ministry of Finance and DoP as DoP has sought higher remuneration based on statistical data validated by National Saving Organisation which indicated per account transaction to be 5.21 as against 4.8. Though the Ministry has suggested to constitute an Expert Group to resolve the matter yet the DoP has been pursuing the Ministry of Finance to settle the issue without waiting for the outcome of the Expert Group proposed to be constituted for the purpose. The Committee note that the Ministry of Finance has initiated positive action on the aspects of maintenance of Silent Accounts in the POSB and a Gazette Notification to that effect was awaited at the time of furnishing Action Taken Replies. The Committee hope that the Review Committee and Expert Group have by now submitted their report on the aspects referred to them. The Committee would, therefore, like to be apprised of the outcome of these Reports and also the action taken by the Ministry of Finance and DoP in pursuance of these recommendations.

2	3	4
		<p>are not satisfied with the pace of investigation and the reasons advanced for the tardy pace of investigations. It is seen from the Action Taken Replies that 69 new cases have been identified by the Department for various lapses out of the cases detected subsequently. The Committee note that some officials were suspended/ arrested for their lapses. The Committee would like the Department to pursue the investigation proceedings against these officials more vigorously so that exemplary action is taken against officials found guilty. The Committee would also like to be informed of the precise action taken by the Department in this regard within three months after the presentation of this Report.</p>
<p>3. 16 Ministry of Communications and I.T. (Deptt. of Posts)</p>		<p>The Committee in their earlier Report had desired that the Review Committee, constituted by the Ministry of Finance to review the existing systems of Postal Saving Bank, also consider all the outstanding issues between DoP and Ministry of Finance and make suitable recommendations for their resolutions. Further, the Committee also desired that another function <i>i.e.</i> issue and maintenance of saving certificate, be placed before aforesaid Committee for their consideration. The Committee have been informed that "though the terms of reference of the Review Committee require it to only examine policy issues such as the mandate, statute and the vision of the POSB, the directions of the PAC in the matter have been communicated to the Ministry of Finance for further necessary action".</p> <p>From the Action Taken Replies furnished to the Committee it is seen that the issue pertaining to the reimbursement of costs for operating the</p>

1**2****3****4**

POSB scheme is yet to be resolved between the Ministry of Finance and DoP as DoP has sought higher remuneration based on statistical data validated by National Saving Organisation which indicated per account transaction to be 5.21 as against 4.8. Though the Ministry has suggested to constitute an Expert Group to resolve the matter yet the DoP has been pursuing the Ministry of Finance to settle the issue without waiting for the outcome of the Expert Group proposed to be constituted for the purpose. The Committee note that the Ministry of Finance has initiated positive action on the aspects of maintenance of Silent Accounts in the POSB and a Gazette Notification to that effect was awaited at the time of furnishing Action Taken Replies. The Committee hope that the Review Committee and Expert Group have by now submitted their report on the aspects referred to them. The Committee would, therefore, like to be apprised of the outcome of these Reports and also the action taken by the Ministry of Finance and DoP in pursuance of these recommendations.
