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**NON-COMPLIANCE  
DEPARTMENT OF POSTS**

**BY**

**MINISTRY OF COMMUNICATIONS  
(DEPARTMENT OF POST)**

**PUBLIC ACCOUNTS COMMITTEE  
(2017-18)**

**EIGHTY NINTH REPORT**

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**SIXTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

PAC No.2123

**EIGHTY NINTH REPORT**

**PUBLIC ACCOUNTS COMMITTEE**  
**(2017-18)**

(SIXTEENTH LOK SABHA)

**NON-COMPLIANCE BY DEPARTMENT  
OF POSTS**

**MINISTRY OF COMMUNICATIONS  
(DEPARTMENT OF POST)**



*Presented to Lok Sabha on:*

09/02/2018

*Laid in Rajya Sabha on:*

09/02/2018.

**LOK SABHA SECRETARIAT  
NEW DELHI**

February 2017/ Magha 1939 (Saka)

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\* Not appended to the Report.

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2017-18)**

**Shri Mallikarjun Kharge** - **Chairperson**

**MEMBERS**

**LOK SABHA**

2. Shri Sudip Bandyopadhyay
3. Shri Subhash Chandra Baheria
4. Shri Prem Singh Chandumajra
5. Shri Nishikant Dubey
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphiu Rioh
10. Shri Abhishek Singh
11. Prof. Ram Shanker
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udasi
15. Dr. P. Venugopal

**RAJYA SABHA**

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Bhubaneswar Kalita
19. Shri Mohd. Ali Khan
20. Shri Sukhendu Sekhar Roy<sup>†</sup>
21. Shri Ajay Sancheti
22. Shri Bhupender Yadav

**SECRETARIAT**

1. Shri A.K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Shri Paolienlal Haokip - Deputy Secretary

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\* Elected w.e.f. 29 December, 2017 in lieu of vacancy caused due to retirement of Shri Shantaram Naik.

† ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 18 August, 2017 and re-elected w.e.f. 29 December, 2017.

**COMPOSITION OF THE SUB COMMITTEE - IV OF THE PAC (2016-17)**

**Sub-Committee – IV (Civil and Non-compliance of timely submission of Action Taken Notes)**

- |                    |   |    |                                   |
|--------------------|---|----|-----------------------------------|
| Convenor           | : | 1. | Shri Bhartruhari Mahtab           |
| Alternate Convenor | : | 2. | Shri Gajanan Chandrakant Kirtikar |
| Members            | : | 3. | Shri Nishikant Dubey              |
|                    |   | 4. | Dr. P. Venugopal                  |
|                    |   | 5. | Shri Ajay Sancheti                |
|                    |   | 6. | Shri Shivkumar C. Udasi           |

**COMPOSITION OF THE SUB COMMITTEE- IV OF THE PUBLIC ACCOUNTS  
COMMITTEE (2017-18)**

**Sub-Committee – IV (Civil Ministries and Non-compliance of timely submission of  
Action Taken Notes)**

Convenor	:	1.	Shri Bhartruhari Mahtab
Alternate Convenor	:	2.	Shri Gajanan Chandrakant Kirtikar
Members	:	3.	Shri Nishikant Dubey
		4.	Dr. P. Venugopal
		5.	Shri Ajay Sancheti
		6.	Shri Shivkumar C. Udasi
		7.	Shri Mohd. Ali Khan

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\* Nominated w.e.f. 18 January, 2018.

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## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2017-18), having been authorised by the Committee, do present this Eighty-ninth Report (Sixteenth Lok Sabha) based on “Non-Compliance by Department of Posts and the issues involved in Paragraphs 3.1 and 3.4 of the C&AG Report No. 17 of 2014; 3.1, 3.2, 3.4 and 3.6 of the C&AG Report No. 20 of 2015; and 3.3 and 3.4 of C&AG Report No. 55 of 2015” relating to the Ministry of Communications (Department of Posts).

2. The Public Accounts Committee (2016-17) took up the subject for detailed examination and report. The Sub-Committee- IV under the Convenorship of Shri Bhartruhari Mahtab, M.P took evidence of the representatives of the Ministry of Communications (Department of Posts) on the subject at their sitting held on and 22<sup>nd</sup> February, 2017. As the Sub-Committee needed more time in finalizing the report, the subject was retained for report during 2017-2018. Accordingly, a draft Report was prepared and finalized by the Sub-Committee and placed before the Public Accounts Committee for their consideration.

3. The Public Accounts Committee (2017-18) considered and adopted this draft Report at their sitting held on 30<sup>th</sup> January, 2018. Minutes of the sittings are appended to the Report.

4. For facility of reference and convenience, the Observations/Recommendations of the Committee have been printed in bold and form Part II of the Report.

5. The Committee would like to express their thanks to the representatives of the Ministry of Communications (Department of Posts) for tendering evidence before the Sub-Committee and furnishing information in connection with the examination of the subject.

6. 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;  
February, 2018  
Magha 1939 (Saka)

MALLIKARJUN KHARGE  
Chairperson,  
Public Accounts Committee.





## PART -I REPORT

### **NON-COMPLIANCE BY DEPARTMENT OF POSTS**

This report of the Committee is based on the examination by Sub-Committee IV of PAC (2016-17 and 2017-18) on Non-Compliance by Department of Posts and the issues involved in Paragraphs 3.1 and 3.4 of the C&AG Report No. 17 of 2014; 3.1, 3.2, 3.4 and 3.6 of the C&AG Report No. 20 of 2015; and 3.3 and 3.4 of C&AG Report No. 55 of 2015. Apart from monitoring the timely submission of Action taken notes on Audit paragraphs and reports that have not been selected by the Committee for examination during a particular term, the Sub-Committee of PAC on Civil Ministries and non-compliance in timely submission of Action Taken Notes also has taken up examination of certain identified paragraphs in detail.

#### **I. Paragraphs 3.1 and 3.4 of the CAG Report No. 17 of 2014**

##### **(a) Internal Control in Postal Accounts Offices of Department of Posts (DoP) (Para 3.1)**

2. Despite having an extensive, exhaustive and detailed mechanism for preparation and maintenance of accounts as also prescribed checks and balances to ensure that the controls are effective and that accounts are prepared properly and submitted to the various authorized channels well in time, the Department of Posts has not given due importance to the existing control mechanism. As a result, Bank Reconciliation work was in arrears since 2009 resulting in items remaining unlinked both in the Bank Scrolls and Post Office Schedules in respect of drawings/remittances from/to Banks amounting to ₹ 19354.89 crore and ₹ 26637.83 crore respectively. The work of posting of issue and discharge of 27,90,228 Cash Certificates valuing ₹ 1420.90 crore in 13 PAOs was in arrears from April 1999. There was an outstanding amount of ₹ 19,433.97 crore in the Objection Books of Cash Certificates which remained unadjusted at the end of March 2012. Further, out of ₹ 367.40 crore towards non-adjustment of Contingent Expenses, an amount of ₹ 70.57 crore was reconciled/adjusted after being pointed out by audit in 15 PAOs. An amount of ₹ 38.04

crore towards Pension (including commission) was recoverable from other departments for payment of Pension made on their behalf.

**(b) Non-adjustment of Contingent Expenses**

3. Rule 364 to 367 of P&T FHB Volume-I, inter alia prescribe that Post Offices are required to prepare Abstract Contingent (AC) Bills on the 10th and on the last working day of the month and send it to the PAO along with the monthly Cash Account. Monthly Detailed Contingent (DC) Bills are prepared by Post Offices and sent to the Controlling Officer for counter signature along with all sub vouchers not later than 10<sup>th</sup> of the following month to which the charges relate. After counter signatures, these are sent to the PAO on or before 5th of the second month to which the charges relate. The PAO is then required to review the bills to bring to notice irregular use of AC Bills, if any, and issue reminders to Heads of Circles for prompt submission of DC Bills. Audit scrutiny of records of 15 PAOs from 2009-10 to 2011-12 revealed that DC Bills amounting to ₹ 367.40 crore remained unadjusted. An analysis of data indicated the increasing trend in non-adjusted AC Bills from ₹ 84.57 crore in 2009-10 to ₹ 182.93 crore in 2011-12. The non-adjustment of outstanding Contingent Bills was fraught with the risk of misappropriation of Government money. Audit observed one such case where departmental authorities of Bihar Circle in September 2010 found that entry of 3534 vouchers, relating to non-submission of DC Bills for the period February 2010 to September 2010 were fake. These bore false signatures of the countersigning authorities thereby facilitating fraudulent payment of ₹ 3.60 lakh for which action is being taken by the Department.

4. Asked about the present status of the amount which remains unadjusted relating to the 15 PAO during the period 2009-10 to 2011-12, the Ministry replied;

“Present status of unadjusted amount is ₹ 12.18 crore against outstanding amount of ₹ 296.83 crore in 15 PAOs during the period from 2009-10 to 2011-12. This nominal outstanding of ₹ 12.18 crore in 4 PAOs will be cleared shortly. The details are as follows.

Sl. No	Name of PAO	Amount outstanding (In crore)							
		2009-10		2010-11		2011-12		Total	
		Audit Figure	Current Status	Audit Figure	Current Status	Audit Figure	Current Status	Audit Figure	Current Status
1	Delhi	9.94	1.97	3.64	2.36	6.78	1.86	20.36	6.19
2	Kolkata	5.97	1.98	12.53	1.90	14.33	2.09	32.83	5.97
3	Patna	28.36	0.00	37.40	0.00	48.87	0.02	114.63	0.02*
4	Trivandrum	13.67	0.00	12.64	0.00	23.64	0.00	49.95	0.00
<b>TOTAL</b>		<b>57.94</b>	<b>3.95</b>	<b>66.21</b>	<b>4.26</b>	<b>93.62</b>	<b>3.97</b>	<b>217.77</b>	<b>12.18</b>

\*This amount is involved in fraud case for which departmental enquiry, police & court case is pending. The remaining 11 PAOs have reduced their outstanding amount to Nil."

5. On the reason for the increasing trend in non-adjusted AC Bills from ₹ 84.57 crore in 2009-10 to ₹182.93 crore in 2011-12, the Ministry in reply wrote:

"The reasons for the increasing trend in non-adjusted AC Bills from ₹ 84.57 crore in 2009-10 to ₹ 182.93 Crore in 2011-12 were non adherence of time schedule for forwarding the contingent bills by HPOs duly countersigned to the PAOs. Suitable instructions have been issued on various occasions on the subject. This issue is also being monitored through internal inspection so that the amount placed in objection book due to non-receipt of AC/DC bills is cleared in time."

6. When asked to state what action has been taken against the fraudulent payment of ₹ 3.60 lakh regarding non-submission of DC bills pertaining to the Bihar Circle in September, 2010 and whether any responsibility has been fixed against the erring officials, the Ministry replied:

"This fraud valued at ₹ 3.60 lakhs was detected on 07.09.2010. An investigation revealed that the fraud was primarily conducted by Shri Sudama Kumar, PA Patna GPO in connivance with other staff of Patna GPO. The offender used to make fake bills of the outsourced staff and take payments. Departmental investigation has been completed and all the co-offenders except one has been awarded statutory penalties. The case against one of the main offenders is under enquiry and a major penalty proceeding against the official is under process. An amount of ₹ 1.75 lakh has also been recovered from different offenders. As regards police investigation, an FIR No. 288/10 has been lodged with Kotwali P.S. Patna by Bihar Circle and the case is stated to be under trial court."

7. During their deposition before the Committee, the representative of the Ministry submitted the reasons for the objections of Audit concerning their accounting practices like

delays in adjustment of accounts and action taken by them to redress the problem in the following words:-

"As the hon. Members are aware, we have around 1.55 lakh touch points in the country where we gather information on the accounts. Accounting structure is, in the villages we have the branch offices, which are connected to sub post office which will have around 20 branches. From the sub offices they go to the head post office, which is the main accounting unit. Each head post office would have roughly around 20-30 sub offices and around 100-200 branch offices. Like this, we have around 811 accounting offices in the country, we have 23 PAOs. These paras have arisen because manually we were getting it; there were discrepancies. To resolve the discrepancies, it was taking time. ....

What we have done is, we have developed core banking solution, which facilitates the submission of the schedules, along with cash accounts. So, there is no question of any manual submission now. If at all it does not come, then the account would not reconcile, and go forward. The scope of these objections coming in future does not arise."

**(c) Non-reconciliation of Post Office Schedules with Bank Scrolls**

8. Rule 5.27 of Postal Accounts Manual Volume-I stipulates that the items appearing in the Postal Schedule should be paired item-wise with the Bank Scroll. The items remaining unlinked in the Bank Scroll or Postal Schedules should be transcribed with full details in two separate registers. The procedure of reporting and accounting of transactions of DoP introduced from October 1993 involves the daily scrolls of drawings from/remittances into Bank being prepared by the dealing Bank separately in quadruplicate and one copy is sent to the PAO while another is retained as office copy. Two copies are sent to the 'Focal Point Bank' with challan/cheques. The 'Focal Point Bank' then consolidates the scrolls received from various branches and prepares a main scroll and sends it to the Postal Accounts Office. The Postal Accounts Office is required to verify the duplicate copy of the main scroll with the daily scroll sent by dealing Bank and point out discrepancies every day to the Bank. One copy is sent to the HPO. Audit observed that, in eight out of 15 PAOs, the reconciliation was not completed on time by the PAOs due to non-receipt of monthly schedules from the dealing HPOs. Some of these Schedules were found pending since 2004. An amount of ₹ 5136.17 crore and ₹ 14218.72 crore towards drawings from Banks

and remittances to the extent of ₹ 8071.69 crore and ₹ 18566.14 crore remained unlinked in Bank Scrolls and Post Office Schedules respectively.

9. As to whether any time frame has been fixed by DoP to complete the reconciliation work in arrears or any assurance given to establish a system of timely reconciliation in view of the associated risk of fraud, the Ministry submitted:

"The DAPs were given deadlines regularly for completion of reconciliation work in arrears in PACS software. Recently, 28.02.2017 was fixed for completion of reconciliation of pairing work. Most of the offices have updated their work but in few offices the work is delayed. In these offices, it will be completed within six months."

10. Asked if there is any adequate mechanism within the PAOs to keep a check on reconciliation of Post Office Schedules with Bank Scrolls, the Ministry in reply wrote:

"The problem of accumulated arrears in reconciliation and pairing was examined and the system modified as under:-

The experience of working in the manual scheme had shown that with the large number of bank branches handling the work, delays often occurred in the transmission of the relevant documents (paid cheques, challans, scrolls etc.) to the PAOs for accounting. To remove the above difficulties and make reconciliation easier, the system was changed and reporting by respective branch was dispensed with and Focal Point Branch was introduced. Now the bank transactions were reported to the PAO by the dealing branches through a focal point branch instead of directly reporting to them as done earlier thereby simplifying the procedure of reconciliation and reduction in arrears.

During the 11<sup>th</sup> five year plan (2007-2012) a decision was taken to implement the PACS software in the year 2012 to make reconciliation of remittances and drawings at PAO with reference to Focal Point branch on a day-to-day basis. The software automated the process of reporting of Government Business Transactions from Postal Units and Banks and Branches (through Focal Point Branches) and related reporting / communications from RBI (Reserve Bank of India), SBI GAD, and also Inter Government Adjustments by designing, developing and deploying suitable computerized systems and web based interfaces. Immediately after implementation of PACS software, regular VCs (Video Conferences) were conducted to check the following:

1. Progress of implementation.
2. Readiness in respect of e-scrolls from all agency banks.
3. Problems, if any, in current e-scrolls.

4. Readiness in respect of e-schedules (Implementation of Meghdoot software)
5. Arrangements with Head Post Offices with clean data in Post Office schedules.
6. Arrangement to expedite PACS implementation etc.

Timelines have been framed to complete the pending reconciliation of bank pairing work of drawing and remittances. In the beginning the PAOs faced many difficulties including slow net connectivity, missing cheque numbers in e-scrolls, incorrect cheque dates, mingled scrolls, bulk amount entry, irregular entries of clearance of cheques, wrong accounting of dishonored cheques etc.

The position of pairing work and reconciliation work has improved. Moreover, the pending work (manual & computerized) is almost cleared. The present position of Circle wise reconciliation from dashboard of the software is enclosed."

**(d) Pending Suspense balances**

11. As pointed out by Audit, para 1.1 of Controller General of Accounts' Manual on Suspense heads prescribes that items of receipts and payments which cannot at once be taken to a final head of receipt or expenditure owing to lack of information as to the nature or for any other reasons, are to be booked temporarily under the Major Head 8658— Suspense Accounts. The Suspense heads are to be cleared immediately on receipt of the relevant details/information as receipts and expenditure cannot be reflected accurately if amounts remain un-cleared under the Suspense heads. Scrutiny of records of 14 PAOs revealed that from 2009-10 to 2011-12 substantial amounts were lying under Credit and Debit Suspense.

12. Explaining the reasons for the substantial suspense balances both under credit and debit suspense in PAOs Kolkata, Nagpur, Patna, Ahmedabad and Lucknow, the Ministry submitted:

"Reasons for substantial suspense balance is normally due to non-receipt of schedules, vouchers and requisite supporting documents from units. Sometimes any new product/service is launched and its amount is put under suspense head till the approval of a new head of account is received from DG (Audit)/CGA. Further during the review Debit broad sheet for 2011-12, it was found that a TE (Transfer Entry) in PAO Ahmadabad was booked for Rs. 79, 34,47,673/- instead of Rs. 7,93,47,673/-

inadvertently which resulted in the total DB figure in March 2012 as Rs. (-)727.67 crore instead of Rs. (-) 11.78 crore. The same has been subsequently rectified.

However, special drives have been taken to liquidate the huge accumulation of suspense amount and significant result has been achieved.

The amount pointed in CAG report related to 2009-10 to 2012 was Rs. 2016.97 crore under Credit suspense and Rs. 1529.83 crore under debit suspense which has now reduced to ₹ 2.79 crore under credit suspense and Rs. -8.67 crore under debit suspense which shall also be adjusted shortly.

The PAO-wise pendency is indicated below:

Sl. No	Name of PAO	Credit Suspense(In Crore)							
		2009-10		2010-11		2011-12		Total	
		Audit Figure	Current Status	Audit Figure	Current Status	Audit Figure	Current Status	Audit Figure	Current Status
1	Ahmedabad	9.69	0.07	3.58	0.23	18.24	-0.02	31.51	0.28
2	Bangalore	9.13	0	10.08	0	3.7	0	22.91	0.00
3	Kolkata	174.68	0.30	170.95	0.76	202.72	0.78	548.35	1.84
4	Lucknow	93.14	0.29	25.94	0.12	94.96	0.26	214.04	0.67
	Total	286.64	0.66	210.55	1.11	319.62	1.02	816.81	2.79
Debit Suspense(In Crore)									
1	Ahmedabad	59.53	-0.01	-15.71	0.42	-727.67	-11.78	-683.85	-11.37
2	Bangalore	49.35	0.00	46.51	0.00	42.94	0.00	138.80	0.00
3	Jaipur	2.85	0.03	2.74	0	3.59	0.07	9.18	0.10
4	Kolkata	285.83	0.15	282.21	0.54	194.98	0.96	763.02	1.65
5	Lucknow	40.92	0.24	21.22	0.13	49.09	0.25	111.23	0.62
6	Nagpur	249.16	-0.29	162.14	-0.11	186.91	0.73	598.21	0.33
	Total	687.64	0.12	499.11	0.98	-250.16	-9.77	936.59	-8.67

13. On whether the DOP has evolved a time bound programme for reducing the substantial suspense balance as the amounts outstanding for a long time under the same is fraught with the risk of misappropriation, the Ministry replied:

"Suspense clearance is a dynamic and ongoing exercise. However substantial suspense balance as outstanding is being liquidated by conducting special drives. In this regard instructions are issued from time to time. The status of suspense is also monitored in monthly VCs at Headquarters level.

Further under IT modernization project, after full rollout of CSI there will be no scope of pending suspense.”

14. Asked to furnish the current position of suspense balance, the Ministry submitted as follows:-

“The current position of Suspense balance up to month Feb 2017 (PAO wise) is given below:-

Sl No.	Circles	8661- CREDIT & DEBIT SUSPENSE UPTO Feb 2017					
		8661-140-02-CREDIT (IN CRORE)			8661-140-03-DEBIT(IN CRORE)		
		CREDIT SUSP			DEBIT SUSP		
		O.B	Addn/clear	C.B	O.B.	Addn/Clear	C.B
1	Delhi	5.37	-2.34	3.03	3.22	0.88	4.10
2	West Bengal	207.56	-34.66	172.90	201.77	7.21	208.98
3	Andhra Pradesh	274.02	-59.40	214.62	3.41	-0.05	3.36
4	Uttar Pradesh	64.58	-1.98	62.60	34.38	10.71	45.09
5	Tamil Nadu	34.36	-31.21	3.15	45.21	-7.01	38.20
6	BASE (Army)	8.99	-14.54	-5.55	-67.22	-16.24	-83.46
7	Bihar	73.19	-21.67	51.52	95.9	-51.06	44.84
8	Haryana	0.02	0.72	0.74	0.03	0.00	0.03
9	Karnataka	5.26	9.51	14.77	52.16	17.16	69.32
10	Madhya Pradesh	12.57	31.58	44.15	29.34	52.00	81.34
11	Orissa	2.82	-5.33	-2.51	4.06	4.34	8.40
12	Rajasthan	6.54	-5.92	0.62	4.18	-1.39	2.79
13	Punjab	-0.19	1.90	1.71	2.90	0.00	2.90
14	Assam	111.97	4.89	116.86	200.24	6.28	206.52
15	Kerala	4.98	0.44	5.42	0.5	0.88	1.38
16	Gujarat	1.96	9.89	11.85	-9.62	13.03	3.41
17	Himachal Pradesh	8.29	-3.17	5.12	3.17	-3.91	-0.74
18	Jammu & Kashmir	-35.64	23.82	-11.82	14.71	14.53	29.24
19	Maharashtra	-27.6	21.20	-6.40	-63.01	52.39	-10.62
20	North East	13.15	-0.21	12.94	5.05	-0.01	5.04
21	Chhattisgarh	6.64	-6.62	0.02	1.52	-1.46	0.06
22	Jharkhand	-279.65	238.42	-41.23	-110.77	124.57	13.80
23	Uttarakhand	11.97	-4.23	7.74	17.20	2.28	19.48
	<b>TOTAL</b>	<b>511.16</b>	<b>151.09</b>	<b>662.25</b>	<b>468.33</b>	<b>225.13</b>	<b>693.46</b>

However, a special effort is being made in March to clear the same.



15. Asked why and how the pending suspense balances occur and what effective measures are in place to check recurrence and reduce the pendency, the representative of the Department during deposition before the committee stated:-

"Sir, primarily along with the cash account which is submitted to the main accounting unit, that is, the Postal Accounting Office, the schedules also have to be sent. First we want to know the final position of the revenue expenditure. Under pressure they first send the cash account details and then they send the schedules a little later. When they send, due to slackness in monitoring, these suspense account balances arise. With the IT system in place now, both have come together. These are all earlier periods before the introduction of IT. That is why these have come and we keep on monitoring. At the Circle level, we have Director (Postal Accounts) who monitors it. Similarly in every Division, there is a Divisional Officer who is monitoring it. We keep on focussing on it. In fact, this is an area of focus for us and with the ITG solution in place now, we will not be finding this difficulty."

**(e) Arrear in Post Office Cash Certificate work**

16. Para 2.4 of Postal Accounts Manual Volume-II stipulates that HPO-wise detail of stock and issue of Cash Certificates is to be maintained by the PAO in a register and should be verified each month with the figures in the Detail Book. Secretary, DoP in April 2007 taking note of a huge fraud of ₹ 104 crore in West Bengal Circle made the Head of Circles personally responsible to ensure that Cash Certificate work should not remain pending in any circumstances. Audit observed that 27,90,228 Cash Certificates valuing ₹ 1420.92 crore remained unposted in the Stock and Issue Register in 13 out of 15 PAOs as on 31 March 2012. Further, in eight out of 13 PAOs, posting of Cash Certificates were not done for more than 10 years and in four PAOs i.e. Hyderabad, Chennai, Lucknow and Bhopal, more than one lakh un-posted items in each PAO were found.

17. Asked if there is any stringent monitoring mechanism within the DoP to ensure that Cash Certificates are posted and verified regularly and the present status of the fraud of ₹ 104 crore and the unposted cash certificate of ₹ 1420.92 crores in the Stock and Issue Register, the Ministry replied:

"Yes. As per the procedure laid down under down under para 2.4 of the Postal Accounts manual, stringent Monitoring Mechanism for checking the posting of Stock and Issue Register of PO certificates has been carried out by all the PAOs. Various

instructions were issued to PAOs and Circles time and again to get the returns of POCC from respective field units ....Moreover, since 01.07.2016 as per OM No. 1/04/2016-NS.II dated 13.05.2016 issued from Ministry of Finance, Department of Economic Affairs, Budget Division and endorsed by Financial Services Division, Department of Posts vide letter No. 61-01/2016-SB dated 23.06.2016, no pre-printed NSC/KVP will be issued. User/Customer has to open one NSC/KVP Account in the CBS or Sanchaya Post System against one purchase application. After opening the account, Pass-Books will be issued to Customers. Hence, generation/preparation of physical Certificates, Issue Journal has been stopped w.e.f. 01.07.2016.

As far as the latest status of fraud of Rs. 104 crore is concerned, the information collected from Vigilance Section shows that the fraud was of Rs. 94.52 crore and as on date Rs. 7.70 lakh has been recovered from different offenders. 13 Prime Offenders were awarded penalties of Dismissal from service. 26 regular cases have been registered with the CBI, in which 12 FIRs have been registered and in 14 cases, cases of disproportionate assets are at various stages of examination of evidence/witnesses. Properties of the accused have been attached and depending on the verdict of the Hon'ble Courts, recovery would be made from the properties.

There are 14 Disproportionate Assets Cases running in the instant case. Amount involved in each case is detailed below:

Sl No.	Name of the officials	RC Number	Spl Case Number	Amount Involved
1	Sri Vijoy Prasad	31/2006	71/11	7,83,000.00
2	Sri Brij Bhusan Singh	32/2006	77/11	38,92,696.00
3	Subir Mukherjee & Mala Mukherjee	40/2006	74/11	47,33,051.00
4	Goutam Banerjee	41/2006		25,09,749.44
5	Digbijoy Chatterjee & Krishna Chatterjee	47/2006	60/11	51,77,651.65
6	Kartick Ch Saha	04/2007	38/11	42,88,250.00
7	Karick Chandra Ghosh & Maya Ghosh	13/2007	66/11	32,32,082.00
8	Ravindra Singh & Usha Singh	18/2007	83/11	29,21,512.00
9	Anil Kr Jha & Pushpa Jha	23/2007	83/11	15,48,636.25
10	Silil Kr Chowdhury, Champaran Chowdhury & Umesh Kr Dokania	25/2007	68/11	1,23,45,735.95
11	Zilur Rahim	28/2007	63/11	28,66,504.10
12	Debtosh Banerjee	23/2008	73/11	30,04,838.03
13	Subhash Ch Layek	22/2007	10/11	19,28,081.00
14	Subhash Chandra	41/2009	53/11	54,34,729.02

			Total Amount	5,46,66,516.44
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18. On being asked to elaborate on the efforts to recover the ₹ 104 crore scam money relating to cash certificates, the Department's representative stated during evidence:

"Sir, about this recovery, I would not be able to tell you exactly. It was around Rs. 10 to Rs. 12 crore. Now, we are invoking the Acts to recover any property in the name of the officials also. Some of them go to courts also. So, there is a legal case."

19. During evidence, the representative of the Ministry, elaborating on the efforts made to resolve the problem stated;

"Sir, there was an arrear in Post Office Cash Certificates work. In 13, out of 15 PAOs, 27,90228 cash certificates valuing Rs. 1,020.92 crore remained un-posted in the S&I Register. As of 1<sup>st</sup> July, 2016, the work of issue and discharge of cash certificates has been stopped with the change in procedure of Post Office Cash Certificate. Currently, all cash certificates are being issued as entries in passbooks through a computerised system; and rigorous efforts are being made to reduce the legacy work. Earlier, the cash certificates, the Kisan Vikas Patra etc., used to come directly to the postal account offices, but now, it is coming in an electronic form. Earlier, it used to come in physical format. Now, this issue will be very much resolved after this implementation. In future, no new issues would be crop up."

20. Further explaining the position, the representative of the Department also stated;

"Sir, would elaborate it. Earlier, it used to come manually. Suppose, some post offices issued, they would say 'issued' and then they would note it the stock register as issued. When it is discharged, some would show as discharged. Then, they used to link it up. Now, what is happening is that whenever there is an issue, our database has total information that it is being issued. When it is being discharged, the system facilitates the correlation directly. Now, we are doing it in a passbook also so that anywhere anytime in the country, you can see in the system; and you can do both the 'issue and discharge'. So, it is completely resolved. The legacy, we are following it up because we need to closely monitor. There could be a fraud also or there could be some discrepancy. So, we are very serious about it. At the circle level, we are forming committee because this legacy once for all has to be eliminated."

(f) Non-receipt of the list of unsold Post Office Cash Certificates

21. As per Para 2.47 of Postal Accounts Manual Volume-II, a list of Post Office Cash Certificates remaining unsold in HPOs on the 31st March of each year are to be received in the PAO annually. The entries in the list should be compared with those in the Stock and Issue Registers and any discrepancies noticed should be settled with the Post Master

concerned. A Register is maintained in the PAOs to keep a watch over receipt of lists of unsold Cash Certificates. This check is an important means of detecting fraudulent issues within one year of the transactions. Audit scrutiny of records revealed that in eleven PAOs the lists of unsold Certificates were not submitted by HPOs within one year of the transactions taking place.

22. On whether non-submission of list of unsold cash certificates by HPOs within one year of the transactions taking place is indicative of the fact that PAOs did not have an effective control over the monitoring of the same and the all India status in this regard, the Department in reply wrote:

“As per the procedure laid down under para 2.47 of Postal Accounts Manual, stringent Monitoring Mechanism for the checking the non-submission of list of unsold cash certificates by HPOs has been carried out by all the PAOs. Various instructions were issued to PAOs and Circles time and again to get the returns of POCC from respective field units .....As far as the all India status is concerned, after making all out efforts, most of the PAOs could get the lists from the HPOs. Now the pending for non-submission of the list of unsold certificates is from a few HPOs only. Strict vigil is being carried out by the Objection Group to raise the objection and settlement of the discrepancies through repeated reminders and phone calls with the concerned units in regular measure. Spot settlement teams are also being sent to HPOs by all the PAOs for early settlement. After attending to the emergent issue, a study will be attempted. The All India Status is as follows:

<b>Statement showing submission of the list of unsold Cash Certificates by HPOs</b>				
<b>Sl. No.</b>	<b>Name of PAO</b>	<b>Period from which due previously</b>	<b>Current Status</b>	<b>Remarks</b>
1	Cuttack	2003-04	2015-16	Completed
2	Bangalore	2009-10	2015-16 in Progress	cleared
3	Trivandrum	2009-10	2016-17 in progress	cleared
4	Bhopal	2009-10	2014-15 in Progress	cleared
5	Kapurthala	2009-10	2015-16	cleared
6	Nagpur	2007-08	2014-15 in progress	cleared
7	Ahmedabad	1998-99	Old 2000-2006 clear From 2006-2010 is pending now 2015-16 is in progress	cleared
8	Kolkata	2009-10	2013-14 in Progress	cleared

9	Lucknow	2009-10	2014-15 in Progress	cleared
10	Jaipur	2009-10	2016-17 in Progress	Cleared
11	Delhi	2010-11	2010-11 in Progress	Being Cleared

Statement showing status of submission of list of unsold Cash Certificates for remaining PAOs		
Sl. No.	Name of PAO	Current Status
1	Ambala	2016-17 in Progress
2	Sundernagar	2016-17 in Progress
3	Chennai	2016-17 in progress
4	Jammu	2015-16 in Progress
5	Raipur	Cleared upto 1.7.2016
6	Shillong	2013-14 in progress
7	Patna	2014-15 in progress
8	Hyderabad	2015-16 in progress

23. On whether concerned HPO has submitted the list of unsold cash certificates which was still pending since 1998-99 to the Ahmedabad PAO, the Ministry replied:

"The list of unsold cash certificates pending since 1998-99 to 2/2006 has been submitted by HPOs to the Ahmadabad PAO. Posting of List of unsold Certificates is pending from March-2006 to 2010 which is being done manually. However, the work from 2011 to 2015 is complete and for 2015-16, the work is in progress. The Circles have been given a target of three months (till 30.6.2017) to complete the work."

**(g) Outstanding amount in the Objection Book of Cash Certificate**

24. Para 2.58 to 2.61 of the Postal Accounts Manual Volume-II, stipulate that the Objection Statement should be filled up and copied in the Circle Objection Book. A reference should be made into the register of refunds and recoveries from the Cash Accounts to watch whether any item appearing in the P.O. Certificates Objection Statement has been recovered or refunded. If any recovery or refund is traceable, the corresponding entry in the Objection Statement should be cancelled. The Objection Statements should then be forwarded to the Postmaster concerned to return the Objection Statement with their explanations, not later than a fortnight from the date on which it is received. A watch over the pending objections should be kept through the Objection Book and reminders should be

issued whenever the return of an Objection Statement is delayed by 4 days beyond the scheduled time. It was noticed in Objection Books of 7 out of 15 PAOs that an amount of ₹ 19433.97 crore was pending for settlement as on 31 March 2012 in respect of Certificates issued and discharged. Further, out of total of ₹ 19,433.97 crore, an amount of ₹18,996 crore, which constitutes 98 per cent was outstanding against Kolkata PAO.

25. On whether the DoP have recovered the amount of ₹ 18,996 crore out of the total outstanding amount of Rs. 19,433.97 crore as found in the objection Book of Cash Certificate in 7 out of the 15 PAOs, the Ministry in their reply wrote:

“After the receipt of Audit Para, PAO Kolkata has confirmed that ₹ 18,996 cr was erroneously entered in the Objection Book, whereas the actual amount was Rs. 996 crore only. The same has been corrected in the Objection Book. As on date, the outstanding under CC OB is Rs. 2.61 crore only. Details as follows:

<b>Outstanding amount in the objection Book of Cash Certificates</b>			
<b>Sl. No.</b>	<b>Name of PAO</b>	<b>Amount outstanding Previously (Rs in crore)</b>	<b>Amount outstanding now (Rs in crore)</b>
1	Hyderabad	335.72	0
2	Cuttack	2.17	0
3	Kapurthala	91.45	0.2
4	Chennai	0.17	0.17
5	Kolkata	996	0
6	Nagpur	6.87	0.81
7	Trivandrum	1.59	1.43
<b>TOTAL</b>		<b>1433.97</b>	<b>2.61</b>

27.

Asked to explain as to why objection Book of Cash Certificates was not maintained in PAO Ahmedabad, Delhi and Bangalore PAOs, they wrote:

“The Head of Offices have been asked to investigate the matter and fix responsibility on erring officials for any instances of negligence that they may uncover during the investigation.”

**(h) Outstanding in the Objection Book maintained for MOs**

28. As per para 3.22 of Postal Accounts Manual Volume-II, if any discrepancy is found by PAOs in the totals of the lists of MOs, issued and brought out in the summary or discovered between the total of the summary and the credit in the Cash Account, the same should be brought to the notice of the Postmaster in the form of an Objection Statement for adjustment. While verifying the Objection Book of six PAOs, Audit noticed that an amount of ₹19.34 crore was outstanding for the last seven to 12 years and in the case of Lucknow PAO, the outstanding was since 1972-73.

29. On whether the DoP have any stringent monitoring mechanism within the PAOs for clearance of outstanding amount in objection Book and also for non-maintenance of objection Books, the Ministry submitted in writing as follows:

“Yes. As per the procedure laid down under para 2.58 to 2.64 of Postal Accounts Manual, stringent Monitoring Mechanism for the clearance of outstanding amount in Objection Book is being carried out by all the PAOs. Concerted efforts have been made by PAOs to clear the outstanding in the Objection Book of CCs. After implementation of PATRAM Software, there is a module of Objection Book in the software which generates objections as per procedure.”

30. Explaining the reasons for the inordinate delay in adjusting the outstanding amount of ₹ 19.34 crore in the Objection Book in six PAOs during the last 7 to 12 years, they wrote:

“The period for which this outstanding amount of MO in Objection Books pertains to is very old and tracing the records pertaining to that period has become extremely difficult. However, 5 PAOs out of 6 PAOs have shown progress to reduce the outstanding amount in MO Objection Book and as on date the outstanding is ₹ 2.33 crore compared to earlier outstanding of ₹ 19.34 crore. The Department is exploring the possibility of reconstructing the record to clear the outstanding in the MO Objection Book for the said period.”

31. Explaining the reason why there has been inexplicable delay in adjusting the outstanding amount in Objection Book by the Lucknow PAO since 1972-73, the Ministry wrote:

“The amount shown as outstanding in the MO Objection Book pertains to the period when DAP, Lucknow was not in existence i.e. before decentralization of account from Deputy Accountant General P&T. As intimated by DAP, Lucknow tracing those

records pertaining to that period has become extremely difficult. The Department is exploring the possibility of reconstructing the record to clear the outstanding in the MO Objection Book for the period after formation of DAP Lucknow."

32. Asked whether any concrete efforts have been made by DoP to ensure clearance for the outstanding amounts in Objection Book, the Ministry wrote:

"Yes. As per the procedure laid down under para 2.58 to 2.64 of Postal Accounts Manual, stringent Monitoring Mechanism for the clearance of outstanding amount in Objection Book is being carried out by all the PAOs."

(i) Delay in recovery of penal interest from Public Sector Banks for delayed remittances

33. Instructions issued by Reserve Bank of India in April 2005 provided for recovery of interest on delayed remittances by Public Sector Banks. The instructions further stipulated that for the total amount which was not remitted in time, the penalty due along with the details of individual cases should be intimated by the concerned Ministry/Department to the Head Office of the Bank concerned. This should be done on a quarterly basis by the 15th of the following month. In case of the DoP, the Circle Postal Accounts Offices are mandated to raise the penal interest claim on behalf of Post Offices in a concerned Circle. Test check of records of 13 out of 15 PAOs revealed that the PAOs did not take action to raise the claims for recovery of penal interest of ₹ 8.86 crore from various Public Sector Banks (as on 31 March 2012). It was further observed that in Bangalore PAO, an amount of ₹2.74 crore was outstanding since 2003-04 onwards.

34. Asked about the present status of the recovery of penal interest of the remaining amount of ₹ 8.50 Crore from various Public Sector Banks as on 31 March 2012, they submitted:

"The present status of penal interest is as under:

Statement showing current status of non-recovery of penal interest				
Sl. No	Name of PAO	Period for which outstanding	Amount(In crore)	
			Audit Figure	Current Status



1	Bangalore	2003-04 to 12/2011	2.74	2.56
2	Bhopal	2009-10 to 2010-11	0.09	0.09
3	Chennai	1/12 to 3/12	0.03	0
4	Cuttack	2008-09	0.04	0
5	Delhi	Sep-08	1.12	0
6	Hyderabad	2/2007 to 6/2011	2.06	2.06**
7	Jaipur	9/10 to 3/12	0.26	0.14*
8	Kapurthala	1/09 to 3/09	0.06	0
9	Kolkata	2006 to 2008	0.04	0.03
10	Nagpur	9/2006 to 12/2010	0.04	0
11	Patna	Dec-11	1.96	0.02
12	Trivandrum	2007-08 to 2010-11	0.37	0.21
13	Raipur	2009-10 to 2010-11	0.05	0.05
<b>TOTAL</b>			<b>8.86</b>	<b>5.16</b>
<p>**This amount has been proposed for waiver.</p> <p>* An amount of ₹ 1.82 crore which was under consideration of waiver with CGA but they did not accept it and now is recoverable which will add to this figure and final pending come to ₹ 1.96 crore. The total outstanding amount will also get revised to ₹ 6.98 crores.</p>				

In this regard certain correspondences have been made at PAO level. This issue has been taken at CGA level and also discussed in all Apex committee meetings. In last meeting held on 3.2.2016, it was asked that the issue may be settled by 31<sup>st</sup> March 2016 but no progress happened. A DO letter from Secretary (Posts) has again been written to Secretary (Expenditure) and to the CGA for immediate action.

35. The Committee during evidence desired to know how penal interests gets accrued for delayed remittances from PSBs dating back to 2003-04, and the steps taken by the department to address the problem. The representative of the Department responded saying:

"...we are attending to this part. We have developed, what is called PACS, the Postal accounts software where now the reconciliation has been facilitated. After that, we are not getting these issues. It is because, immediately we are taking up with the bank and because it is current. So, things are getting resolved. This one is one issue where we could not move forward even after taking it up with the banks. Then we requested the intervention of the CGA saying that our accounts are like this. Some of the banks have to be advised now to settle our accounts. ... They said, they will take it up with the banks and then come back to us. So, we are following up the issue. In fact, in the office of the Controller General of Accounts there is one Committee which looks into these types of complaints.

36. Asked about the reasons for inordinate delay in recovering the penal interest of ₹ 2.74 crore by Bangalore PAO since 2003-04 and whether the Department of Post detected such cases all over India where PAOs did not take action for recovery of claims, the Ministry replied:

“The claim of penal interest of Bangalore PAO was submitted by banks for waiver due to force majeure reasons like migration to CBS software, holidays in industrial state branches, power failure etc.

The waiver in r/o above PAO for outstanding penal interest were rejected by CGA and are still in correspondence for recovery. All PAOs have taken the action for recovery of claims but payment is pending on the part of banks which are persuaded at all level as explained in Question 18. However, interest is being raised regularly by extracting the report from PACS software by each PAO. The interest raised by PAOs are monitored at headquarter and during Internal Inspection also.”

**(j) Non-recovery of amount of pension paid to pensioners of other Organizations**

37. DoP discharges the agency function of disbursement of pension/family pension on behalf of other Departments and in return, receives commission at rates fixed by DoP from time to time. The payment of pension/family pension is made through HPOs. The HPOs are required to send Monthly Cash Accounts along with relevant payment vouchers/schedules to the PAO for effecting recovery from the concerned Departments/ Undertakings. Scrutiny of records of 13 PAOs revealed that an amount of ₹ 38.04 crore was outstanding against Railways, EPFO, CMPF and DoT/BSNL for the pension paid by Post Offices and commission due. It was further observed that an amount of ₹15.61 crore which constituted 41 per cent of total outstanding amount was to be recovered by PAO Patna alone since 2002-03.

38. On whether the DoP have recovered the outstanding amount of ₹ 38.04 Crore against Railways, EPFO, CMPF and DoT/BSNL for the pension paid by Post Offices and also the commission due, they replied:

“DoP has recovered an amount of Rs.24.1 crore out of ₹ 38.04 Crore. Amount worth ₹ 13.94 crore is still to be recovered which includes ₹ 12.7 crore against EPFO and Rs. 1.24 crore against CMPF. The matter has been pursued vigorously with EPFO and CMPF headquarters for expeditious action to reimburse the full outstanding amount to DoP. The concerned PAOs are being directed for reconstruction of vouchers at unit level and where such reconstruction is not feasible

by preferring Memo of Admission of payment by the units, so that these reconstructed vouchers and MAPs duly accepted by the Postal Accounts Offices could be provided to EPFO and CMPF for reimbursement of claims."

39. Asked to explain as to why there has been inordinate delay in recovering the amount of ₹ 15.61 crore for the pension paid by Post Offices and also the commission due by PAO Patna since 2002-03 and to provide details of action taken over such cases all over India, the Department wrote:

"P.A.O. Patna has recovered ₹ 6.70 Crore out of ₹ 15.61 crore and ₹. 8.91 crore is outstanding. In this regard P.A.O. Patna has intimated that the pension paid vouchers of the pensioners of E.P.F.O. have already been sent to E.P.F.O. Zonal office Ranchi, Jamshedpur and Patna after raising debit a long time ago however, EPFO has intimated that the vouchers have not been received by them after a lapse of 5 to 6 years. The Department is exploring the possibility of reconstructing vouchers based on the records available at PAO Patna and submitting the same to the EPFO so that the matter can be taken up with them at a higher level. PAO Patna is regularly pursuing the matter for reimbursement of the outstanding amounts from the concerned units, but no positive steps have been taken by the EPFO. PAO Patna has intimated that the total outstanding amounts till date against E.P.F.O. is ₹ 9,29,11,476/- including ₹ 3,46,51,428/- against EPFO Ranchi, ₹ 1,67,09,808/- against E.P.F.O. Jamshedpur and ₹ 4,15,50,240/- against EPFO Patna/Muzaffarpur and Bhagalpur. PAO Patna has further intimated that they have urged EPFO Ranchi and Jamshedpur and Patna several times to reimburse the requisite amounts to them. They further said that any progress in this regard will be communicated soon. D.O. letters from D.D.G.(PAF) level have also been issued to Dr V.P. Joy Central Provident Fund Commissioner, EPFO Head Office, New Delhi and to Shri B. K. Panda, CMPF Commissioner, Dhanbad, Jharkhand on 28.12.2016 and 04.01.2017 respectively for expeditious action to reimburse the full outstanding amount to DoP. Also D.O. letter from Secretary (P) to Commissioner EPFO and Commissioner CMPF Dhanbad has been issued on 17.3.2017 to expedite settlement of the matter.

(k) Delay in issue of Inspection Reports

40. Para 15.01 & 15.16 of Postal Accounts Manual Volume-I provide that inspection reports be issued within one month from the date of completion of inspection. Further, the units inspected are required to reply promptly within one month for the settlement of observation to correct the system deficiency, if any. Scrutiny of records of 12 PAOs revealed that the IRs was issued with delay ranging from 1 to 365 days.

41. On whether the DoP has augmented the shortage of staff so as to complete the internal check of Postal Units within the time frame and ultimately avoid financial irregularities, the department in reply wrote:

"The para relates to completion/delay of internal check of Postal Units and revolves around two points viz.;

- i) Shortage of staff and
- ii) Computerization

A major problem faced by the Postal Accounts Offices (PAOs) is huge shortage of staff in the core group viz. Group 'B' and 'C' who carry out Internal Check of Postal Units. The reasons for non-recruitment/shortage of staff in Group 'B' and 'C' cadre are as under:

#### **Shortage of Staff in Group 'B'**

Consequent upon merger of JAO (Junior Accounts Officer) & AAO (Assistant Accounts Officer) cadre as AAO w.e.f. 1<sup>st</sup> January 2006 by the 6<sup>th</sup> Pay Commission and merger of Group 'B' cadre of DoP and DoT (Department of Telecom) with effect from 1<sup>st</sup> September 2009, the revised RRs (Recruitment Rules) for the post of AAO/AO were formulated and forwarded to the nodal Ministries for approval. The RRs are to be first approved by DoPT (Department of Personnel and Training) and then by UPSC (Union Public Service Commission) and finally by DoLA (Department of Legal Affairs). The RRs are in the second stage of completion in which it will be forwarded to UPSC for its approval. Once the RRs of AAOs/AOs are notified the gap will be filled.

#### **Shortage of Staff in Group 'C'**

Prior to 1.4.2009 the recruitment process in this cadre was governed by a Screening Committee. Before 2009, the pace of recruitment was very slow and this resulted in shortage of staff in Group 'C' cadre. Currently recruitment is being carried out by the SSC (Staff Selection Commission) and therefore the pace of recruitment has increased. The gap in the recruitment of Group 'C' cadre is expected to be normalized soon.

#### **Computerization of system to offset delay**

The Postal Accounts Offices which are entrusted with the internal check aspect of its units are also a part of the CSI (Core System Integration) module of the IT project. The problem of delays is attributable to the deficiency in staff. As of now the audit process is outside the IT module however, once the CSI rollout occurs (expected

date is Dec, 2017) the Internal Audit Module would be activated. The Internal Audit Module of CSI would enable efficient monitoring of Audit checks and would help the internal check teams to conduct more exhaustive checks on the various postal units. The reports would be generated automatically by the system once the objections are raised by the audit teams."

42. Asked whether there is any mechanism within the DoP for effective monitoring of the working of Internal Check Organization of PAOs, they wrote:

"Proper mechanism exists in the DoP for effective monitoring of the working of the Internal Check Organization of Postal Accounts Offices as laid down under chapter XV of Postal Accounts Manual Vol-I. As per provision under para No 15.16, a Control Register in form DG(PA) -97 is maintained in PAOs to watch issue and disposal of Inspection Reports which is reviewed by the DA(P) / GM (Finance) on 10<sup>th</sup> of every month. Similarly another register in form DG (PA)-97-A is also maintained to keep a close watch over the disposal of Inspection Reports. This register is also reviewed by the Head of Office in the last week of every month."

(I) Wasteful Expenditure

DoP failed to take effective action for utilization of Bogies purchased in 2004 resulting in wasteful expenditure to the extent of ₹ 5.46 crore (Para 3.4)

43. Department of Posts (DoP) had been utilizing 97 full Bogie Railway Mail Service (RMS) Vans in 2002. Out of these 97 Bogies, 50 had Vacuum Break System (VBS) and 40 had Air Brake System (ABS). The 50 RMS Bogies with VBS manufactured in 1978-79 had almost completed their life span of 25 years. The Ministry of Railways had stated that only those coaches which had a life span of over five years could be fitted with ABS. Therefore, these coaches could not be fitted with the ABS system. In 2002, the Department required 60 full Bogies with ABS system and 12 standby coaches for carriage of Mails in different trains. DoP was of the view that if it did not go for new coaches, Railways would be providing Second Class coaches in various Mail carrying trains and the effective area of utilization in Second Class coaches would be much less as compared to full Postal Bogies of the same size. Accordingly, DoP placed a Purchase Order on Rail Coach Factory, Kapurthala in July, 2003 for supply of 25 Broad Gauge full Bogie RMS coaches with ABS for ₹12.41 crore at an estimated unit cost of ₹49.63 lakh each. These Bogies were to be used in Southern (13), South Eastern (4), Eastern (5) and Western (3) Railways for

carrying Postal Mails. Advance payment for the same was made to the Railways. Audit scrutiny of records at Office of the Chief Postmaster General (CPMG), Chennai (March, 2012 and May, 2012) revealed that 13 Bogies intended for Southern Railways were received during July 2004. Out of these 13 Bogies, 11 Bogies valuing ₹ 5.46 crore were lying idle at Tondiarpet Marshalling Yard, Chennai. It was further observed that the CPMG Chennai took up the matter with DoP Headquarters only in March, 2012 for disposal of these 11 Bogies which were lying idle. The DoP Headquarters, in response sought (May, 2012) non-utilization report from the respective Postal Circles. On this being pointed out by Audit, Director (Mail Management), DoP stated (January 2013) that these 11 coaches had not been put to use by the Railways. It was further stated that the Ministry of Railways had been requested to indicate the possibility of the use of these coaches. DoP further replied that the current status of utilization of the remaining 12 coaches placed at the disposal of Western, Eastern and South Eastern was being obtained from the concerned Circles. The reply of DoP does not explain the reasons as to why these 11 coaches were not put to use by the Railways. The reply is further contradicting as the Southern Railway, Chennai had specifically stated (June 2012) that none of these coaches were fit for use. Further, it was the responsibility of DoP to ensure utilization of these coaches on which substantial amount was invested and also to keep a strict vigil on its own assets. The reply of DoP that current status of utilization of the remaining 12 coaches placed at the disposal of Western, Eastern and South Eastern was being obtained from the Circles further reflected the casual approach being adopted by DoP in ensuring the utilization of the valuable assets procured for smooth functioning of Railway Mail Services. Thus inaction on the part of DoP to take effective steps for utilization of Railway Bogies purchased in 2004 resulted in wasteful expenditure to the extent of ₹5.46 crore.

44. Asked to explain the reason as to why DoP did not seek the reasons for non-utilization of 11 coaches valued at ₹ 5.46 crore which are lying idle at Tondiarpet Marshalling Yard, Chennai, the Department replied:

“The postal vans under reference were a part of the procurement of 25 postal vans in the year 2003. The purchase order was made through the Department's order dated 30.07.2003 placed on the Rail Coach Factory (RCF), Kapurthala. The trains to which these postal vans were to be attached were clearly mentioned in the order. A

copy of the order was also endorsed to Director, Railway Stores (W), and Railway Board.

2. The postal vans were procured for deployment on select trains plying on routes having high volume of mail. The deploying of Postal vans in place of second class seater SLR coaches, (which is the class/type of accommodation provided by Railways on trains where postal vans are not available) was to ensure maximum space utilization by optimal stacking of mail bags. SLR coaches are not operationally feasible for mail carriage on account of compartmentalization and provision of berths. Also, change in the braking system of coaches from vacuum braking system to air braking system (ABS) of coaches by Railways meant that the earlier postal vans, which were due for condemnation needed to be replaced with the new braking system, i.e. ABS.

3. Non-deployment of the postal vans has been an area of major concern for the Department. Several of these vans have also been substituted with second class passenger bogies by the Railways without informing the Department of Posts, leading to severe problems in mail operations due to the use of unsuitable bogies. Sometimes the postal vans are substituted with space reserved for handicapped persons in passenger bogies. Even for the deployment of the few postal vans, a lot of effort and time was spent by the Department of Posts. Many of them were subsequently attached to slower and lower priority trains but some were not deployed at all by the Railways and stayed unutilized. The matter was repeatedly discussed with the Railways, but the issue could not be resolved.

4. The matter was brought to the notice of the Committee of Secretaries, chaired by the Cabinet Secretary in a detailed note submitted by the Department of Posts. The Committee of Secretaries met on 12.09.2006 where these issues were discussed in detail and it was *inter-alia* decided that the Ministry of Railways, in consultation with the Department of Posts would take necessary steps to resolve the problem relating to deployment of adequate space in the trains for quick and efficient movement of mails. The Railways have stated that since the manufacturing of the postal vans, ground realities had changed drastically. The Railways have been focusing on the need for augmenting capacity in popular trains due to increase in passenger traffic, perennial large waiting list in popular trains and demands for augmentation from various forums.

5. For the above mentioned reasons, the eleven coaches under reference could be not deployed on the identified trains after manufacturing and supply by RCF Kapurthala to Southern Railway zone. Out of these eleven postal vans, ten are presently lying idle at Tondiyarpeta and one is being used by the Railway authorities for their own purposes without intimation/permission of the Department of Posts.

6. The note for the Committee of Secretaries submitted by the Department further reveals that postal vans were already functioning on train numbers 6003/6004 (Howrah-Chennai Mail), 6009/6010 (Mumbai Mail), 6329/6330 (Trivandrum-Malabar Express) and 6347/6348 (Trivandrum-Cannore Express) and had to be replaced by the new postal vans. It is unclear from the available records, whether the new postal vans were not deployed due to compatibility issues on account of these trains having either vacuum brake system or air brake system. However, it is established that the postal vans manufactured and supplied to Southern Railways which were to be deployed onto the above mentioned trains, had air brake systems. Therefore, it is apparent, that the postal vans manufactured in 2004 could not be deployed on the identified trains/routes for reasons attributable to Railways. Since the manufacturing of postal vans having air brake system was ordered based upon the advice of the Railways, the Department had no choice but to depend on the Railways for the utilization of the postal vans under reference.

7. The option of deploying the idle postal vans onto other trains, i.e. trains running on 40/20 seater SLR accommodation was also not justified, as the mail volume on these routes was less and did not merit additional accommodation. Even if the postal vans were deployed on other trains, the haulage charges paid for mail conveyance would also have been 2 to 4 times higher than the actual payment on the 40/20 seater SLR accommodation.

8. For the period 2007-2011 (5 years), efforts were made by the Railways to seek utilization of the postal vans lying idle in Southern zone, by other Railway zones, however nothing fruitful came out for reasons already brought out in para 4 above. The problem of increasing passenger traffic has in fact grown over the years and further added to the difficulty of deployment of postal vans onto the trunk routes/routes identified for postal vans. The purchase of postal vans made in the year 2003/04 were the last and the Department has since made no purchase of postal vans for reasons already discussed and that even getting scheduled accommodation (approved by Railways) on the important mail routes has been a daunting task for many years.

9. Even after receipt of audit Para in the year 2012, several efforts have been made by the Department for utilization of the idle postal vans, in addition to the prior efforts stated in preceding paras. Details of the efforts made have already been brought out in the Action Taken Note submitted to the C&AG.

- i. The matter was taken up with the Railways and meetings were held with them on 02/04/2013 and 06/08/2013.
- ii. Tamil Nadu Circle was addressed on 02/06/2015 to intimate the actual number of postal vans lying idle & unused at Tondiyarpet, Chennai along with the present position and photographs of the postal vans. Tamil Nadu Circle intimated the details



along with photographs of ten postal vans (as mentioned earlier, one van was being used by the Railways) and stated that these vans would require repairs to bring them into operation.

- iii. The details of postal vans along with a list of identified trains (identified at the time of purchase) to which those coaches could be deployed had been sent to the Ministry of Railways on 25/03/2014 for giving the estimates for periodic overhaul (POH).
- iv. The response from Railway Board, Ministry of Railways was received on 26/02/2015 with an estimate of Rs. 1,33,41,624/- for repair/overhaul of these ten postal vans.
- v. The Department further wrote to Railways seeking the expected life span of the Postal Vans after the POH. In its reply, Southern Railways intimated that the estimated cost of one postal van for POH and conversion to centre buffer coupler(CBC) braking system is Rs.31,21,060/- and the estimated life span is 13 years.
- vi. As the rate intimated was very high against the amount intimated earlier (para iv), Railways was again addressed 03/04/2016 to clarify the rate if CBC coupling change was necessary.
- vii. Tamil Nadu Circle, on confirmation from the Railways, intimated the Postal Directorate that the POH of the ten coaches could be done without conversion to CBC at the rate of Rs.15, 89,625/- per coach, subject to the deployment of the postal vans (post POH), to trains having non-CBS rakes. The cost of overhaul had been communicated as Rs.1,58,96,250/-for all the ten postal vans, which is a slight increase from the initial quote.
- viii. A decision for finalizing the trains/routes on which the to-be overhauled postal vans may be deployed is being followed up with the Railways. Further a decision on carrying out the POH shall only be possible after the confirmation of the trains/routes identified by the Railways.

In view of the preceding paras, it is submitted that the Department has made several efforts for utilization of the postal vans under reference and the same could not be utilized for reasons beyond its control.

However, efforts made for utilization of the idling postal vans as mentioned in the above paras, the Department has been continuously engaging with the Railways at the apex level. Several discussions have been held at the level of Secretary (Posts) and Chairman, Railway Board to discuss inter-alia, the utilization of the idling postal vans on select routes with heavy parcel traffic. Accordingly, trains on a few routes have been tentatively been agreed to by the Railways in consultation with the Department and discussions on other routes is ongoing. Once completed, it is expected that the idling postal vans would be deployed."

45. Asked whether the 12 coaches for Railway Mail Services placed at the disposal of Western, Eastern and Southern Railways were fit for the said purpose, and to state why the DoP had to act only after being pointed out by the audit, the Department in reply wrote:

“The twelve postal vans, out of the total twenty five postal vans procured in the year 2004, and placed at the disposal of the Western, Eastern and South Eastern Railway zones are already deployed for the intended purpose. Ten postal vans are running in trains namely Chennai Express /Chennai Mail – 5 postal vans, Golden Temple Express –1 postal van, Suarashtra Express- 1 postal van and Yoga Express – 3 postal vans. The remaining 2 postal vans are kept as standby by the Railways.”

46. On whether there is any mechanism within DOP for ensuring utilization of valuable assets of Railway Mail Coaches procured for smooth functioning of Railway Mail Services, the Department replied:

“The Department carries out regular exercises of assessing utilization of RMS coaches (postal vans). There is regular evaluation of the actual utilization of the space in postal vans by the postal Circles concerned. Coordination meetings between the respective authorities of the Zonal Railways and Postal Circles are held. Matters requiring the intervention of the Railway Board/Postal Directorate are referred to the Postal Directorate. Postal vans running in various trains are fully utilized since parcel volumes, especially e-commerce parcels has been steadily increasing over the last two years. The Railways has been requested on various occasions to deploy the idle parcel vans to the trains on important mail routes, having high volume of parcels. Though the request has so far not been acceded to for reasons discussed in para 4 of reply to Point no. 24, the Railways have agreed to allow carriage of parcels in the assistant guard cabin of front SLR by the Department on three routes, namely Howrah-Guwahati, Hyderabad–Delhi and Mumbai- Howrah since the month of February 2017. This is, however, only on a pilot basis and will be extended to other trains subsequently.”

## **II. PARAGRAPHS 3.1, 3.2, 3.4 AND 3.6 OF THE CAG REPORT NO. 20 OF 2015**

47. Department of Posts should ensure that the delivery performance of all kind of mail and money orders are effectively monitored across all the Circles and at Postal Directorate level. Take steps to improve performance of signature scanning and updation of passbook

through printers in all the Circles. Ensure that all computer hardware and peripherals supplied to the POs are in working order for better services to the customers.

(a) **Performance Audit on Planning and Implementation of 'Project Arrow' Scheme in Post Offices (Para 3.1)**

48. Department of Posts (DoP) introduced 'Project Arrow' Scheme in April 2008, to transform India Post into a vibrant and responsive organization. The project envisaged up-gradation of the Post Offices (POs) in urban and rural areas, enhancing the quality of service and improving their 'look and feel' environment. The project also aimed at creating conducive and friendly work environment both for the staff and the customers visiting the POs by providing all IT enabled services through secure connectivity and improving the service quality levels in core business areas such as Mail Delivery, Savings Bank, Money Remittances and other Financial services. Some of the important findings are:

- The mail operations of DoP were independently evaluated in 75 selected POs under nine Circles. Audit found that in most of the circles, mail operations have improved. However, in some circles there was a scope for further improvement.
- Audit noticed that more than 82 per cent of the mail received in the test checked POs was being delivered on the same day, yet it was below the prescribed tolerance levels of 100 percent.
- Evaluation of booking and delivery of MOs revealed that delivery performance of MOs in test checked post offices in Delhi, North East, Uttar Pradesh and Gujarat Circles was below the threshold limit.
- The banking performance of the selected POs in nine postal circles was evaluated with regard to the prescribed norms. It was noticed that performance of selected post offices with regard to signature scanning and updation of passbook through printers was not satisfactory.
- The delivery performance of speed post was better than those of private couriers in major cities, at the tehsil level and at village level.
- Information kiosks, procured for providing postal information and internet browsing facility to the customers in Post Offices were underutilized. 75 per cent of kiosks test checked by audit were not being utilised at all.

49. Asked to explain the reasons for the shortfall in the overall performance of timely arrival of mail in Maharashtra, Rajasthan, Tamil Nadu and Gujarat Circles below the threshold level, the Department replied:

"As per the reports received from the Circles, occasionally delay in arrival of mail is noticed due to load capacity and late departure of trains, flights etc. Mail monitoring cell is set up to monitor timely arrival and dispatch of mail. Similarly, quality monitoring cell is set up at Circle level/Regional level/Divisional level to monitor timely arrival and processing of speed post mail."

50. On whether the Postman beat back-up plan have been put in place in Rajasthan, Delhi and Gujarat Circles where performance of the same was below the threshold level, they wrote:

"There is a Postmen Beat backup plan, concerned SPM (Sub Post Master) and ASPOs (Assistant Superintendent of Post Offices) make arrangements by engaging other Postmen/Outsiders for effecting same day delivery."

51. When asked as to whether DOP have taken steps to ensure accuracy and legibility in overall delivery stamp impression in all the poor performing HPOs/POs like UP Circle, they replied:

"The provisions are already there in Clause 103 (1), 103 (2) & 103-A of Postal Manual Volume-V for maintaining "Book of Postmarks" in every Post Office, in each set of a Mail Office and Transit Section and in every record Office in which impressions of all the stamps and seals holding the date or other movable types should be taken daily before they are brought into use. As per the rules, it should be ensured that all the required changes have been correctly made, and the Postmaster, Head Shorting Assistant, Mail Agent, Mail Guard or Record Assistant, as the case may be, is required to see that this rule is carried out and that the impressions are distinct and clear, and he should initial the book every day after all the impressions of the day have been taken. Provisions for cleaning of seals and stamps are also mentioned in the above rules. All the Circles have been directed to adhere to the rulings.

Apart from the above, the Department is exploring the use of latest technology in inks to improve the durability of stamp imprints. It is also working with other organisations to improve the quality of stamps which would ensure accuracy and legibility in overall stamp impression."

52. Asked to explain as to why the Gujarat Circle recorded a very low performance with respect to monitoring mail sorting, the Department in reply submitted:

"As per the report received from Gujarat Circle, periodical statistical reviews are being carried out at Mail office levels as per Directorate guidelines for Sorting Assistants working in Mail Offices, Computerization Registration Centre, Speed Post

Centre, Parcel Hub and Transit Sections and necessary instructions are also being issued in respect of Mail Sorting to the concerned RMS Divisional Heads."

53. Explaining as to why Post offices in Rajasthan, Uttar Pradesh, Tamil Nadu and Gujarat Circles were not adhering to the scheduled delivery hours, they wrote:

"As per the reports received from the Circles, it is not a regular phenomenon, sometimes however, due to unavoidable circumstances like late arrival of mail due to delayed buses or trains, or due to heavy traffic jams/ breakdown of Mail Motor Services which subsequently result in late sorting, the delivery may get delayed marginally. However, sincere efforts are made to ensure that mail is sorted in time and is given out for delivery by the scheduled hour, and Postmen staff adheres to the scheduled delivery hour. Close monitoring is also being done through Data Extraction Tool and surprise checks are also being conducted by Inspectorial Staff.

54. Asked about the reasons for the delivery performance of Ordinary, Registered and Speed Post Mails in the Test Checked Circles by Audit being very disappointing as the same was far below the prescribed level, the Department replied:

"As per the reports received from the Circles, the delivery percentage is within the tolerance level most of the times, but sometimes it goes down due to certain reasons beyond control like heavy receipt of mail on certain occasions, shortage of staff, breakdown on mms/mmc, closure of offices on State holidays, deliberate refusal of court notices and insufficient address. Expansion of delivery zones in urban areas is also a major factor. Also, addressee specific articles like Passports, Driving licenses etc. cannot be delivered if the addressee is not present at the address."

55. On whether any corrective measures have been taken in this regard, they submitted as follows.

"Regular monitoring is being carried out at Circle/Regional/Divisional level. Inspecting authorities has been directed to make surprise checks to examine delivery performance of the Post Offices. Outsourcing Staff is being engaged to ensure uninterrupted and smooth mail operations in the Circle."

56. Asked to explain the reason as to why DoP could not maintain the prescribed level of same day delivery of 95 percent of the money orders in Tamil Nadu, Delhi, Uttar Pradesh and Gujarat Circles, the Department wrote:

"It is being ensured that Money Orders are being delivered/paid within the prescribed timelines. Sincere efforts are being made by the delivery staff but it gets hampered sometimes due to many reasons like migration of population, deliberate refusal of MOs by the tenants sent by the landlords related to Court Cases, incomplete address of addressees etc."

57. Explaining the reasons for Delhi Circle of the DoP not entertaining the account transfer request within the prescribed time limit of 3 working days, they wrote:

"In Sanchay Post software which was being used to carry out POSB (Post Office Savings Bank) work, there was a facility to generate request ID for each account transfer request in the Post offices and every effort was made to entertain and complete the account transfer requests as per KPI (Key Performance Indicators) prescribed by the Department since 2014. Currently Post Offices have migrated to the CBS (Core Banking System) platform and all the Post Offices in Delhi Circle are now working under the CBS platform. Except TNF (Technically-non-Feasible) locations, all the Post offices in the entire country are working under the CBS platform. We are offering Post Office transactions to our customers and presently, there is no need for customers to transfer their account. In case, any customer wishes to transfer his/her account, it can be done in the same day by the Post office. Thus such delay used to happen when Sanchay Post software was in use, however, now this delay doesn't happen in the CBS platform."

58. Asked if there is any effective monitoring mechanism within DoP for compliance of its instructions in the Blue Book of Project Arrow of the year 2009 for efficient banking operation, they replied:

"Yes. Banking Operations are monitored through Key Performance Indicators (KPI) for Savings Bank, which is a very effective monitoring mechanism within the Department of Posts."

59. Asked to furnish details of performance of Speed Post Services in comparison with private courier services, they submitted:

"As per the market research on Speed Post conducted through IMRB (Indian Market Research Bureau) International in the year 2012-13, the market share of Speed Post in overall courier market was 17.4% to 20.2% by value & 31.5 to 32.5% by volume. The quantum of market share of courier companies from the year 2013-14 onwards is not available as the Department has not conducted market research/study of Speed Post. However, the traffic and revenue of Speed Post has been increasing over the years. The information of traffic and revenue generated from Speed Post in the last three years is furnished below:-

60. On whether the DOP has initiated any steps to improve the customer satisfaction in the lines of UP Circle under the Project Arrow, they replied:

"For satisfaction of the customer, the Department aims at keeping the post office neat and clean, consistency of quality of service, timely completion of counter transactions, reduction of waiting times at counters and friendly interaction of staff with customers. For higher customer satisfaction, provision has also been made to conduct customer satisfaction surveys. For this, at least five feedback forms are filled up every day and at least 15 forms each for Multi Purpose Counter Machines (MPCM) and Savings Bank Counter/ web based services are filled up every week."

61. Asked if the DoP has taken any measure to ensure that all computer hardware and peripherals supplied to the POs are in working order for providing better services to the Customers, they replied:

"The Department of Posts constituted a committee which submitted a report in 2014

Year	Traffic (in crore)	Revenue (Rs. In crore)
2013-14	36.99	1372.21
2014-15	39.87	1495.21
2015-16	41.43	1605.21

with regard to procurement and maintenance of hardware. Life cycle of hardware has been fixed by the Committee.

The Circle/Regional Heads of the Department of Posts are entrusted with maintenance of all computer hardware and peripherals at Circle/Regional level. Requisite onsite warranty and service centre network is also sought during procurement."

62. Asked as to why DoP procured additional hardware amounting to ₹ 41.33 lakh for 70 Project Arrow POs in Tamil Nadu and Rajasthan Circles which were already covered under computerization and modernization programme, they wrote:

"The Heads of Circles have been empowered to procure additional hardware as and when requirement arises. In the instant case due to an increase in traffic, it became exigent to procure the requisite hardware to ensure quality service delivery standards in those Circles."

63. On the efforts being made by DoP to ensure optimum utilization of Kiosks and up to what extent the Kiosks were utilized, they replied:

"Kiosks were supplied to 500 Post offices in 2008 to provide information on Postal products to the consumers. Heads of Postal Circles were advised to ensure maximum utilization of the same. The Kiosks were supplied in 2008 and have reached the end of life after 5 years. As technology progresses, multiple channels are being utilised for information dissemination such as India Post website, mobile apps, 1924 help line number etc."

**(b) Banking and Money transfer operations in Department of Posts (Para 3.2)**

64. The objective of computerisation of postal savings bank functions through the Sanchay Post software was to reap the benefits of IT to improve the operational performance, besides providing error free and faster service to the customers. The database has not been secured and is easily susceptible to data manipulation, which may lead to fraud. As data entry mode is being used for data entry even when on-line module is in operation, the data does not get validated by the controls/ rules built into the software causing many rule violations in opening of accounts and loss to Government besides exposing system to the risk of fraud. The software is unable to exercise necessary control to prevent opening of multiple/excess accounts and deposits, thus causing loss to government due to payment of excess interest. The customer application forms which were the only available information given by the customer duly signed by him with the necessary declarations were not preserved in many POs.

65. Asked if DoP has taken any corrective measures on preservation of backup data for Banking and Money Transfer operations after completion of the same in view of the assurance given after being pointed out in the C&AG Report No. 1 of 2006 they replied:

"Yes, defined back up policy and preservation of backup data is being followed for Banking and Money transfer operations. There are standing instructions to keep back-up data daily in external hard disc provided for the purpose. As per Backup Policy (March 2010) of DoP, backup files are to be saved on a node or transferred to a node after completion of transaction. Backups are to be written to an external media such as CD/DVD every week and sent to the designated, identified office for safe custody. Instructions have been issued to the Circles reiterating the guidelines in this regard. For offices which have migrated to the CBS platform, daily backup is taken in Data Recovery Centre and also in tape drives."

66. Asked if the DoP is planning to evolve a system to monitor the same till the core Banking Solution is rolled out in all the Pos, they wrote in reply:



"Yes, DoP has already adopted a backup policy for both Core Banking Solutions and standalone systems as mentioned above."

67. On whether or not the DoP assume that access to the server may give access to the database where all POSB transactions are being recorded exposing it to the risk of fraud, they replied:

"The existing system of Core Banking Solutions available in 23242 Post Offices is very robust which grants access to users only on proper authentication of credentials. Access to servers where the data resides (such as the Data centre which is at an off-site location managed professionally as in the case of Banks) is not possible and hence it is proved to be a secured system. In respect of non-migrated Post Offices the following security measures are followed:-

1. In place of Windows based authentication, SQL server based authentication is enabled.
2. The System administrator password is kept in a sealed cover at the Office of the Divisional Superintendent which may be required only during fresh installation or during restoration of the data base. Hence the existing system includes monitoring of reinstallation and restoring data bases through an authorized system administrator.
3. Whenever online module of Sanchay Post is made operational the data entry module is disabled.

Due to extreme reasons if any previous data is to be corrected as a part of minus balance settlement, misquoting, data entry module is enabled for a particular user who is authorized to make changes after approval by the Competent Authority. Hence the risk of exposing records for frauds is minimized."

68. On the steps that have been taken by DoP to control the physical access in the case of Sanchay Post, as it is operating in a standalone mode in all the post offices with data residing in the local server, they wrote:

"As explained in para 44 user authenticated access, creating logs in the system for transaction with time stamp, not allowing even the server administrator to read this log details, designing a tool to capture data correction made in the Data Base either through application or directly are in place."

69. On whether the IT controls or manual controls were adequate to prevent acceptance of deposits beyond the prescribed limits with check on irregular interest being credited or deposited beyond accepted prescribed limits, they submitted:

"IT controls are in place adequately validating all prescribed limits towards debits and credits including check on duplicate KYC in the CBS. In respect of legacy systems where Sanchay post is operational these controls are either through application or user controls. Limits on deposits and check on excess payment of interest are validated taking into account the availability of data at the local server level. Since these offices are not integrated in the legacy system (Sanchay Post) KYC validation across other Post offices and limiting the deposits beyond prescribed limits is managed through declaration in the application format presented by the customers."

70. Explaining the reason for the excess withdrawal of money, over and above the amount in deposit, in 213 SB Account resulting in minus balances of Rs. 6.10 lakh in 9 HO/SOs during July, 2013 and September 2013 despite the instructions of DoP and assurance given in the ATN of Para 2.7 & 2.10 of C&AG Report No. 1 of 2006, the Department wrote:

"The Department has made concerted efforts to reduce minus balances in recent years by strictly monitoring through fortnightly video conferences before migration to CBS. The minus balances are finally settled only by recovery and are not written off. The efforts to settle the remaining minus balances are still going on. However out of 213 SB accounts pointed by audit 151 SB accounts with an amount of Rs. 5.2 lakhs have been settled. The balance 62 accounts shall be settled within a period of 6 months. No account having minus balance was migrated to Core Banking Solutions. In the Core Banking Solution platform there is no chance of giving payment in an account without having adequate balance. So, there will not be any such case in future in the CBS Post Offices. For the non-CBS Post offices, a weekly report on the minus balances is reviewed by the Circles, and action is taken."

71. As to whether the DoP has any plan for evolving a system to ensure compliance of deduction of TDS, if Form 15-G and Form 15-H are not submitted by the depositors, they submitted:

"TDS is evolved both in Sanchay post and CBS system and by default TDS is calculated and deducted within the system. For those customers who have opted out of TDS by submitting form 15G and 15H, the system exempts TDS. At the application level provision exists for TDS by default."

72. Asked if the DoP ensure that the application forms containing specimen signatures are kept in safe custody, their reply reads;

"Yes. In the Core Banking Solution scanned images are made available for viewing by the operators in the system."

73. Asked if the filling up of the particulars of customer in the application form for opening a POSB account with junk data in 773 accounts in 11 HOs/SOs of 6 Postal Circle during July, 2013 to September, 2013 amounts to violation of the guidelines of the Reserve Bank of India regarding 'Know your customer', they wrote:

"Instructions were given to correct these accounts. As a part of pre-migration activities to make a Post office ready for migration, the accounts (having junk data) without the name of the depositor or otherwise were listed and corrected. With rollout of CBS in the entire Departmental Post Offices in phased manner it will not be possible to open and operate accounts without names and addresses of the depositors. CIF ID has since been introduced for CBS Post Offices."

74. Asked whether or not the DoP has issued instructions to the Circles to weed out duplicate account in a time bound manner in all the POs after verifying the accounts, they replied:

"Yes, instructions have been issued to weed out duplicate accounts in a time bound manner and have already been weeded out in Core Banking Solutions Post Offices at the time of migration of data."

75. Explaining as to why Post Offices did not take due diligence and enforce checks with regard to irregular payment of interest which was within their domain of work, the Department submitted:

"Instructions have been issued to all the Circles to avoid such recurrences. After rollout of CBS in all the Departmental Post Offices in phased manner such kind of discrepancies shall not be repeated."

76. Asked about the present status of the recovery by the West Bengal Postal Circle of the outstanding amount of ₹ 3.15 crore from the Railway, Telecom and EPF organization for pension payment through 22 HPOs/POs during the period from 1989-90 to 2012-13, they replied:

"PAO West Bengal Circle Kolkata has recovered Rs. 1.93 crore out of Rs. 3.15 crore and only Rs. 1.22 crore is outstanding. Effective steps are being taken for clearance of outstanding amount as informed by Director of Accounts (Postal) Kolkata vide her D.O."

letter dated 21.02.2017 and e-Mail dated 16.03.2017. D.O. letter from Secretary (Posts) to the CPMG West Bengal Circle has also been issued on 06.03.2017 for clearance of the outstanding dues mentioned in the CAG Para. D.O. Letter from Secretary (P) to Commissioner EPFO and Commissioner CMPF has also been issued on 17.3.2017 to expedite settlement of the matter”.

**(c) Failure to raise claim against other departments (Para 3.4)**

77. Audit found that Department of Post initially failed to raise claim of Rs. 15.37 crore towards pension payments in West Bengal Postal Circles, service tax on speed post charges for delivery of Aadhaar letters and service charges for disbursement of Social Security Pensions in Andhra Pradesh out of which an amount of ₹ 12.22 crore was recovered/claimed only after being pointed out by Audit.

Department of Posts (DoP) besides providing Postal Services also performs agency functions, which include disbursement of pension/family pension and social security. Report No. 20 of 2015 - 87 - pension to the pensioners/family pensioners on behalf of Central Government departments, State Governments, Autonomous Organizations etc., Further, as per Memorandum of Understanding (MoU) with Unique Identification Authority of India (UIDAI), delivery of Aadhaar Cards through Speed Post on concessional rate is also being done by DoP. Scrutiny of records in West Bengal and Andhra Pradesh Postal Circles revealed the following:

- Failure to raise claims for payment of pension
- Non-realisation of service tax from UIDAI on speed post charges
- Non-realisation of service charges for disbursement of social security pension

78. Asked to apprise the Committee of the reason for the lapse in non-realization of service charges to the extent of ₹. 1.18 crore by Andhra Pradesh Postal Circle towards disbursement of pension, the Department wrote:

“It is submitted that AP Circle consistently pursued the matter with the erstwhile Government of AP for release of Service Charges during the fortnightly meetings held with the Govt. of AP. As a result of those concerted efforts, the Service Charges for the period from Jan 2013 to June 2013 have been received during the month of March, 2014. It is further submitted that the sanction of service charges by the then Govt. of AP was delayed due to issues related to bifurcation of Telengana State.”

**(d) Excess retention of cash balance (Para 3.6)**

79. In violation of codal provisions, cash in excess of the prescribed maximum limit was retained in 25 Post Offices test checked in nine Postal Circles. Rule 128 of Postal Financial Hand Book Volume I provide that cash balance in Post Offices should be kept as low as possible consistently with proper working of Post Office and should except, in very special circumstances, be within the limits of daily maximum and minimum cash balances prescribed by Senior Superintendent of Post Offices (SSPO)/Chief Post Masters General (CPMG). The object of fixing maximum cash balances for post offices is to avoid, as far as possible, the retention of unnecessarily large sums of money. The cash in excess of the maximum limit fixed by the competent authority should be remitted to bank. As per Rule 150 of Postal Manual Volume VIII, the retention of cash balance in Post Offices is to be monitored through weekly statement of cash balance report sent by Head Post Offices/General Post Offices to Divisional/Circle Offices for verification/investigation. This rule also provides that in case the excess balances are retained frequently in any Post Office, SSPO should properly investigate the matter and report the same to Circle Office. A comment on retention of excess cash was made in Report No. 1 of 2007 wherein a recommendation was made by audit that "effective measures should be taken to retain the cash balances within the authorized limits through better coordination, effective monitoring and by allowing post offices with large cash transactions to deal with banks directly and issue cheques instead of making cash payments". DoP in their Action Taken Note (ATN) dated 11 November 2008 accepted the recommendation of the Comptroller and Auditor General of India and stated that the Directorate was monitoring compliance of recommendations.

80. Asked to explain the reasons as to why 25 Post Offices in 9 Postal Circles retained cash balances abnormally in excess of the prescribed limit without remitting to the Bank, the Department replied:

"Cash was retained in excess in 25 Post Offices of 09 Circles due to the following various reasons:

- i. Payment of Old Age Pension, eMOs in Bulk.

- ii. Non-availability of cash from Banks in the early hours of a day and cash is to be kept overnight to meet the payment liabilities in the early hours of the next day.
- iii. Late receipt of cash from Sub Post Offices in the early hours of the day for which excess cash is required to be kept overnight in the previous day.

However, all the Circles have been issued strict instructions to monitor the cash balances in the Post Offices, failing which strict action will be taken against the erring officers.

81. Explaining as to why weekly statement of Cash balance, which is an important tool for monitoring retention of excess cash, was not sent to Divisional/Circle officers by 12 out of 25 Post Offices, they submitted;

"There is a prescribed procedure for sending Excess Cash Balance (ECB) Memos for monitoring excess cash in B & C class offices. Whenever cash is kept in excess of authorized balances, the Sub Post Master is required to submit ECB Memos furnishing the reasons for excess retention of cash. Head Post Office has to submit a weekly statement of its cash balances to the Superintendent for scrutiny, as per rule-150 of Postal Manual, Vol. VIII. However, all the Circles have been issued strict instructions to monitor the cash balances in the Post Offices, failing which strict action will be taken against the erring officers."

82. On whether any action has been taken with regard to the embezzlement of ₹ 40.00 lakh in HPO Jalandhar in November 2008 and the burglary of an amount of ₹ 24.67 lakh in Jaunpur in September, 2007, the Department stated:

"An amount of Rs. 1,00,000/- has already been recovered from Shri Dharam Paul the then TC-I Jalandhar City HO now PA Jalandhar, Cantt HO. The case has also been reported to Police Authority Jalandhar and an FIR has been lodged vide No. 335 dated 06.11.2008. The Commissioner of Police has informed that every possible effort was made to trace the culprit but could not be traced and an untraced report has been filed on 31.01.2012. A complaint for registration of FIR was given to DIG, CBI Chandigarh vide SSPO's Jalandhar letter No. F-VII/7/2008-09 dated 26.07.2012, but Supdt. of Police CBI, SCB, Chandigarh vide their letter No. 629/CECH 2012s0094 dated 21.09.2012 has informed that the CBI does not have jurisdiction to take up such cases on the request of the department, therefore, the matter has been allowed to rest. However, keeping in view the seriousness of the offence, ACP/ Central, Jalandhar has been directed to make vigorous efforts to trace the case. Further, Commissioner of Police, Jalandhar vide letter no. 683/PC dated 10.03.2014 has intimated that a Special Investigation Team of ADCP-1, Jalandhar, ACP Central, Jalandhar and SHO, P.S. New Baradari, Jalandhar has been constituted to conduct an inquiry. As such, the case is still under police

investigation. Regarding recovery of loss sustained by the Department under PAD Act, it is intimated that it is a dacoity case and miscreants are the main offenders in the case. The case relating to burglary of an amount of Rs. 24.67 lakh in Jaunpur (U.P.) of September, 2007 is pending in the Hon'ble court and will be settled as per the decision."

83. Asked if the DoP has evolved any mechanism for proper cash management in the Divisional/Circle Offices, the Department replied:

"There is a prescribed procedure for retaining Cash in Post Offices. Every office has a memo of authorized balances which is issued by the Divisional Head. It is the responsibility of the Post Master to comply with the procedures and in case the balance exceeds the maximum limit, the Post Master should send the excess cash as remittance to bank or to the cash office."

### **III. Paragraphs 3.3 and 3.4 of CAG Report No. 55 of 2015**

#### **(a) Non-claiming of rent (Para 3.3)**

84. Failure of Chief Postmaster General, Karnataka Circle to claim rent from Bangalore Metro Rail Corporation Limited for the land given on temporary basis resulted in non-realisation of rent amounting to ₹1.64 crore.

85. As per Paragraph 22 (b) of Schedule of Financial Powers of Department of Posts (DoP), the Heads of Circles may rent vacant lands belonging to / or leased by the Postal Department to Government officials or private persons or bodies under annual contract or lease at the most favourable rates. A request was made by Bangalore Metro Rail Corporation Limited (BMRCL) to the Post Master General (PMG), General Post Office (GPO) Bengaluru, in July 2009 for temporary requirement of 1015 Sq mtr of land in GPO premises to facilitate construction of Metro Station between east end of GPO and west end (Chinnaswamy Cricket Stadium). Audit scrutiny of records (March 2015) in the O/o Chief Post Master General Post Office Bengaluru revealed that Chief Post Master General, Karnataka Circle accepted the proposal of BMRCL. However, no rent was claimed for land acquired by BMRCL on temporary basis which was in contravention to the provisions contained in Schedule of Financial Powers. Further, it was also noticed that an adjacent land measuring 810.12 Sq. mtr belonging to BSNL was given to BMRCL (September 2009) on temporary basis, for which BMRCL had offered standard rent @ 7 per cent per annum

of the guidance value of land published by the Government. Thus, lapse on the part of CPMG, Karnataka Circle to claim rent from BMRCL for temporary requirement of land (1015 Sq mtr) resulted in non-claim of rent of ₹ 1.64 crore as shown in the table below:

(₹ in crore)

Period	No. of Months	Total land	Rate per Sq.mtr / per month	Amount
01.08.2009 to 31.12.2009	5	1015 Sq. mtr	238.07	0.12
01.01.2010 to 31.12.2014	60			1.45
01.01.2015 to 31.03.2015	3			0.07
<b>Total</b>				<b>1.64</b>

On this being pointed out by Audit, the Ministry while agreeing to the audit contention replied (October 2015) that the matter regarding payment of rent has been taken up with BMRCL and the same is under consideration. BMRCL has informed that they will be indicating the amount payable towards rent shortly. Thus omission on part of CPMG Karnataka Circle to claim rent while leasing out land to BMRCL led to non-realisation of rent of ₹ 1.64 crore.

86. Explaining as to why no rent was claimed for the land acquired by BMRCL on temporary basis by the Chief Post Master General (CPMG) Karnataka Circle, they wrote:

"On 12.6.2009 BMRCL made a formal request to CPMG Karnataka to hand over an area of 1176.36 sq. mts to carry out construction work of underground metro station. The proposal of BMRCL was not considered.

The Chief Secretary, Govt. of Karnataka held a high power meeting on 8.7.2009 and requested the CPMG to reconsider the decision as the construction of metro station is in the interest of the public. Hence, an area of 753.68 sq. meters was provided to BMRCL from 07.05.2010 to 31.10.2015 for construction of underground metro station.

On ascertaining that the BMRCL authorities are paying rent to BSNL, DOP also made a claim with BMRCL authorities at the same rate was claimed by BSNL. The requisite value has been paid/settled."





1	2	3	4	5	6	7	8
ASD, Chennai	January 2003 to August 2004	325	145 to 231	293	185	108	6.48
	September 2004 to November 2014	275		248	133	115	42.43
	December 2014	275	40 to 237	248	135	113	0.37
	January 2015 To March 2015	275		248	131	117	1.23
GM, PA&F Chennai	September 2006 to December 2014	250	102 to 185	225	146	79	23.70
ASD Kolkata	February 2013 to January 2015	428	145 to 320	364	238	126	9.59
<b>Total</b>							<b>83.80</b>

Further it was also observed that despite closure of Automated Processing Centre in January 2012, ASD Chennai continued with the existing CMD of 275 KVA whereas maximum demand recorded was between 40 to 74 KVA during the period from January 2012 to March 2015. On this being pointed out by Audit, the Ministry stated (October 2015) that as regard ASD Chennai, the load was reduced to 275 KVA from 325 KVA with effect from May 2004. The maximum demand came down to 110 KVA as AMPC machines stopped functioning since 2012 and TNEB was requested to reduce the load from 275 KVA to 125 KVA. A new service connection was sanctioned in March 2015 for conversion of HT supply to LT supply and a transformer for LT supply was fixed in August 2015. In respect of GM, PA&F Chennai, it was stated that TNEB had admitted that meter was faulty and would be replaced with a new meter. In respect of ASD Kolkata, it was stated that CESC was raising bill for 290 KVA from May 2015. The reply furnished by the Ministry is not acceptable as it had entered into an agreement with Tamil Nadu Electricity Board for supply

of 325 KVA, which was reduced to 275 KVA from August 2004 and continued till March 2015 which was still higher than the required CMD as detailed below.

From August 2004 the CMD remained 275 KVA whereas the average consumption during September 2004 to December 2011 was 167 KVA only. After the closure of AMPC from January 2012 the average consumption was 51 KVA only. Despite the above, steps for reduction in load were only initiated after a lapse of nine years (January 2013) and ASD Chennai continued to pay for higher CMD despite reduction in consumption. Thus due to delay in regularly assessing the energy requirements by Tamil Nadu and West Bengal Postal Circles, the Department had to incur avoidable excess payment of ₹ 0.84 crore as demand charges for the period from January 2003 to March 2015.

90. Explaining as to why ASD Chennai and Kolkata and GM, PA&F, Chennai did not review the demand for their energy requirements regularly for their respective units by continuing with the existing Contracted Maximum Demand (CMD) which was far in excess of required demand, they wrote:

"The Contracted Maximum Demand (CMD) of Electricity has been calculated taking into account the requirement of the summer season. Kolkata is a hot and humid place the summer period extends from March till the end of September.

In the Automated Mail Processing Centre (AMPC) building, apart from AMPC there is another office i.e. National Sorting Hub, which is also Air Conditioned. Moreover, 24 hour Speed Post Booking counters have recently been opened at AMPC building Kolkata which are consuming more electricity.

The demand for power in Automated Mail Processing Centre (AMPC), Kolkata is always on the rise on account of new activities like processing of e-commerce parcel etc.

The present Contracted Maximum Demand (CMD) of 290 KW is being reviewed and as advised by the Electrical Wing it will be reduced to 246 KW without affecting AMPC operation.

#### **Tamil Nadu Circle**

(a) In respect of Airmail Sorting Division, Automated Mail Processing Centre (AMPC) machines were condemned by the Competent Authority on 05.08.2015 and the machines were disposed only on 02.09.2015. Immediately, action was taken for

conversion of High Tension(HT) line to Low Tension(LT) line and was completed on 02.07.2016. Bills are being raised by Tamil Nadu Electricity Board (TNEB) according to revised tariff for LT connection only.

(b) Regarding recovery of the enhanced amount of Security deposit, the matter is being pursued with TNEB.

**GM(PA&F)**

(a) In respect of office of the GM(PA&F), the old meter has been replaced with a digital meter w.e.f. 28.01.2016 and the electricity consumption after the installation of digital meter matches with the actual consumption.

(b) Necessary action has been initiated for providing individual meter for each office/division in GM office complex to reduce the higher tariff due to consolidated consumption."

91. Explaining the reasons as to why ASD Chennai continued with the existing CMD of 275 KVA though maximum demand recorded was between 40 to 74 KVA during January 2012 to March 2015 despite closure of Automated Processing Centre in January, 2012, the Department wrote:

"In respect of Airmail Sorting Division (ASD), Automated Mail Processing Centre (AMPC) machines were condemned by the Competent Authority on 05.08.2015 and the machines were disposed only on 02.09.2015. Immediately, action was taken for conversion of High Tension(HT) line to Low Tension(LT) line and completed on 02.07.2016. Bills are being raised by Tamil Nadu Electricity Board (TNEB) according to revised tariff for LT connection only."

92. Explaining as to why ASD Chennai initiated steps for reduction in load only after a lapse of 9 years in January 2013 and continued to pay for higher CMD despite reduction in power consumption, they submitted:

"The Head of Offices have been asked to investigate the matter and fix responsibility on erring officials for any instances of negligence that they may uncover during the investigation."

**PART-II**  
**OBSERVATIONS/RECOMMENDATIONS**

**1. NON-ADJUSTMENT OF CONTINGENT EXPENSES**

The Committee note the seriousness of the problem of unadjusted contingent expenses in the department, which have led to frauds in some of the test checked cases in 15 PAOs out of 23 that Audit have pointed out. The Committee are further constrained to note that even after a lapse of two years after Audit had first raised its objections the Department have not been able to clear non-adjusted contingent expenses with more than ₹ 12 crore remaining to be adjusted. Non-adjustment of outstanding contingent bills was fraught with the risk of misappropriation of government money and financial impropriety. The Committee express grave concern over the laxity shown by the Department in monitoring timely adjustment of contingency expenses. They, therefore, recommend that the Department make all out efforts to settle all pending contingent Bills/expenses, including the PAOs not audited by the C&AG within 6 months, take stringent action against non-complaint officials, and those involved in any fraud or misappropriation of Government money.

**2. NON-RECONCILIATION OF POST OFFICE SCHEDULES WITH BANK SCROLLS**

The Committee note that system improvements have been effected with regard to reconciliation of Post Office Schedules with Bank scrolls. They also note, however, that pendency remains of the Audit period even after a lapse of 3 years. Audit pointed out that in 8 out of 15 Postal Accounting Offices (PAOs), the reconciliation was not completed on time by the PAOs due to non-receipt of monthly schedules from the dealing HPOs. Some of these schedules were found pending since 2004. An amount of ₹ 14218.72 crore towards drawings from Banks and remittances to the extent of ₹ 8071.69 crore and ₹ 18566.14 crore remained unlinked in Bank scrolls and Post office schedules respectively. The Committee are constrained to observe the conspicuous silence of the Ministry regarding the latest figure of the reconciliation amount of Post office schedules with Bank scrolls. They, therefore, desire that the Department complete all pending reconciliation and pairing

work, including the years prior to and post the audited period, within a specified time, not later than six months from the date this report is presented to Parliament. They also recommend that a quarterly review of the performance of all the PAOs to be put in place to check any pending reconciliation of Post Office Schedules and Bank scrolls.

### 3. PENDING SUSPENSE BALANCES

The Committee took serious note of the existence of ₹ 2.79 crore under credit suspense and ₹ - 8.67 crore under debit suspense in the various PAOs. They observe that the Department have checked the problem of any fresh suspense balances accumulation by leveraging IT. However, the position of Suspense balances of earlier years remains huge. The Committee desire that a special drive with a set time frame be launched to clear all such cases, and any failure to clear arrears by a stipulated date may be strictly dealt with and appropriate punishment meted out to responsible officials.

### 4. ARREAR IN POST OFFICE CASH CERTIFICATE WORK

The Committee note that 27,90,228 Cash Certificates valuing ₹ 1420.92 crore remained unposted in the Stock and Issue Register in 13 out of 15 PAOs as on 31 March 2012. Further, in eight out of 13 PAOs, posting of Cash Certificates were not done for more than 10 years and in four PAOs i.e. Hyderabad, Chennai, Lucknow and Bhopal, more than one lakh un-posted items in each PAO were found. They also note that of the ₹ 94.52 crore misappropriated in a scam involving Cash certificates, only ₹ 10 to 12 crore has been recovered from different offenders. 13 Prime Offenders were awarded penalties of dismissal from service. 26 regular cases have been registered with the CBI, in which 12 FIRs have been registered and in 14 cases, cases of disproportionate assets are at various stages of examination of evidence/witnesses. Properties of the accused have been attached and depending on the verdict of the Hon'ble courts, recovery would be made from the properties. The Committee desired that the cases registered should be vigorously pursued and exemplary punishments

awarded to the culprits. The Committee would also like to be apprised of the position after the implementation of the Electronic format, and a statement on whether any internal audit on the functioning and efficiency of the new system has been conducted, and the outcome thereof.

5. NON-RECEIPT OF THE LIST OF UNSOLD POST OFFICE CASH CERTIFICATES

The Committee note that while Para 2.47 of Postal Accounts Manual Volume-II warrants a list of Post Office Cash Certificates remaining unsold in HPOs on the 31st March of each year to be received in the PAO annually, audit had pointed out that in eleven PAOs the lists of unsold Certificates were not submitted by HPOs within one year of the transactions taking place. As many as 8 PAOs have pendency in submission of unsold certificates by HPOs under them. The Committee feels the Ministry has not shown due diligence in preventing the occurrence of delays in settlement of pending submission of unsold certificates by HPOs nor in having the pendencies cleared. The Committee desire that a stringent regime of monitoring mechanism and disincentives for delays in timely submission of unsold cash certificates be evolved and implemented forthwith.

6. OUTSTANDING AMOUNT IN THE OBJECTION BOOK OF CASH CERTIFICATE

The Committee observed a serious systemic flaw in the Department as manifest from the fact that Objection Book of Cash Certificates were not even maintained in three of the test-checked PAOs, namely Ahmedabad, Delhi and Bangalore/Bengaluru. The revelation brings to light the complete absence of monitoring, internal audit and regular inspections. The Committee further take strong exception to the Department writing to the head of Offices in concerned PAOs asking them to investigate a matter which clearly is the responsibility of the heads of Offices concerned. The Committee desire that exemplary punitive action be taken on the guilty heads of Offices. Further, they desire that proper training should be imparted to officials on promotion to higher positions of responsibility. They also desire the department to evolve a set of expectations for incumbents of jobs of

various positions against which monitoring and inspections or internal performance appraisals can be carried out at regular intervals.

7. OUTSTANDING IN THE OBJECTION BOOK MAINTAINED FOR MOs

The Committee note with dismay the huge delays in clearance of outstanding amount in Objection Book of Money Orders, with the matter left unsettled for 7-12 years. They also note the delay in adjusting the outstanding amount in Objection Book by the Lucknow PAO since 1972-73. The very fact that such important financial matters were left to be uncovered by Audit, portrays the decay in the systems within the Department. The Committee desire that all pending adjustments be settled at the earliest. They also desire that a comprehensive action plan be evolved to put in place a strong and effective internal performance audit ensuring proper and timely inspections, surprise audits, etc.

8. DELAY IN RECOVERY OF PENAL INTEREST FROM PUBLIC SECTOR BANKS FOR DELAYED REMITTANCES

The Committee observe that the department had failed to take up cases of penal interests accruing due to delayed remittances by PSBs in a timely manner, leading to accumulation of such interests and avoidable disputes with several Public Sector Banks over payments of penal interests. The Committee further note that the matter has since been referred to the Controller General of Accounts. They also note the department's assurance that, henceforth, such laxity in follow up of delayed remittances will not recur as Postal Accounts Software (PACS) have been put in place to check such delays. The Committee recommend that the issue of pending penal interest recoveries be pursued with diligence and that the Department may approach the Ministry of Finance and the RBI in the matter to obtain directions to banks for paying up the dues. Further, they recommend that a quarterly exercise be carried out by each Circle Postal Accounts Offices to settle such remittances and penalties, if any, due from banks.



9. NON-RECOVERY OF AMOUNT OF PENSION PAID TO PENSIONERS OF OTHER ORGANIZATIONS

The Committee took serious note of the inordinate delays in recovery of pension disbursements by the post offices as well as commission due from departments such as Railways, EPFO, CMPF and DoT/BSNL. They feel that the trend manifests a lack of responsibility of the concerned PAOs. They express grievous concern especially over the delays exposed in Patna PAO where recoveries of ₹ 15.61 crore which constituted 41 percent of total outstanding dating back to 2002-03 are still pending. The department's reply that EPFO took 5-6 years to claim that they have not received the pension paid vouchers is not tenable. The Committee would like to be apprised of whether any reminders had been issued by the PAO during those 5-6 years and with what result. The Committee recommend stringent punitive action taken on the head of the PAO concerned for such gross dereliction of duty.

10. DELAY IN ISSUE OF INSPECTION REPORTS

The Committee note that inspection reports which are time-bound were allowed to be delayed for up to 365 days. Inspection reports are primarily meant to detect system weaknesses so that the same can be remedied. Such a callous attitude towards inspection reports reveals a attitudinal laxity as well as lack of organizational discipline. Computerization can only further facilitate an organizational will to excel, not bring it about. The Committee, therefore, recommend a thorough review of the human resources management practices in the department to be followed by a stringent regime of discipline which promotes dedication and merit and punish laxity and casual approach to work.

11. WASTEFUL EXPENDITURE

The Committee note with serious concern about Audit's revelation that eleven full Bogie RMS coaches, meant for carrying mails, obtained by the Department of Posts during July 2004 at a cost of ₹ 5.46 crore were lying idle at Chennai. Department of Posts stated in January 2013 that many coaches had not been put to use by the Railways. Audit further pointed out that Chief Post Master General,

Chennai took up the matter with Department of Posts headquarters only in March, 2012 for disposal of the 11 bogies. The Committee of Secretaries in their meeting held on 12.09.2006 had decided that Ministry of Railways in consultation with Department of Posts would take necessary steps to resolve the issue. However, the status quo remained the same leading to a wasteful expenditure of ₹ 5.46 crore by the Department of Posts.

On the non utilization of railway postal vans procured by the Department of Posts, the Committee felt that there is a need to review the entire arrangement with the Railways. They felt a need to strengthen inter-departmental cooperation where by DoP should not need to procure railway vans, but rather intimate their needs to Railways who shall arrange to provide the needed capacity on each route identified by the DoP as requiring additional capacity for mail haulage. The Committee therefore recommend that the DoP should take up the matter with the railways accordingly so that such wasteful expenditures by one department in procurements which fall outside their core functions and competence are avoided in future.

12. PERFORMANCE AUDIT ON PLANNING AND IMPLEMENTATION OF 'PROJECT ARROW' SCHEME IN POST OFFICES

The Committee note from Audit's observations that the overall performance of the Department in timely delivery of mail as well as Money orders is far from satisfactory. They also note from the replies of the department that the department is more focussed on explaining the delays rather than trying to come up with solutions to remedy the delays. The Committee felt that the claims of existence of adequate monitoring systems within to keep watch over performance in timely delivery is rather an admission not only of the failure of their delivery systems but also of the so called monitoring system, given the shortfalls in performance highlighted by the Audit team. The Committee, therefore, recommend that the DoP should conduct a thorough review and, if necessary, commission a study on system improvement which shall look the best global practices and their feasibility in the Indian context.

**13. FAILURE TO RAISE CLAIM AGAINST OTHER DEPARTMENTS**

The Committee are perturbed to note that Department of Posts have failed to raise demands in time for services it delivered resulting in huge amounts remaining due with other departments. The situation reflects a deeper lack of financial discipline in the department more than anything else. The Committee desire that apart from enhanced efforts to realize the pending claims from concerned departments/agencies, the DoP should evolve a system whereby remittances from client departments are automated, leveraging digital advances in banking and financial transactions.

**14. EXCESS RETENTION OF CASH BALANCE**

The Committee took strong exception to cash retention in excess of the prescribed maximum limit in 25 Post Offices test checked in nine Postal Circles. Audit in 2007 had already pointed out the potential risks of excess retention and made recommendations, which the Department claimed to have complied with thereafter. However, the compliance apparently was just on paper. The Committee strongly condemns such attitude of the government and desire that more stringent system of monitoring and stricter norms for compliance to the department's own code of financial conduct be evolved, implemented and reported to this Committee.

NEW DELHI;  
February, 2018  
Magha 1939 (Saka)

MALLIKARJUN KHARGE  
Chairperson  
Public Accounts Committee

