

CHAPTER-III DEPARTMENT OF POSTS

3.1 Performance Audit on Planning and Implementation of 'Project Arrow' Scheme in Post Offices

Executive Summary

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 both in terms of upgrading/comprehensive improvement and enhancing the quality of service in 'core business areas' and improving their 'look and feel' environment so as to create unique identity. 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 the core business areas such as Mail Delivery, Savings Bank, Money Remittances and other Financial services. A total of 18,611 Post Offices were covered (up to 2012-13) under this scheme.

The Performance Audit of planning and implementation of Project Arrow scheme in Post Offices revealed the following:

- The mail operations of DoP were independently evaluated by audit in the 75 selected HPOs/POs under nine Circles. Audit found that in most of the circles, mail operations have improved as was evident from data collected by the audit. 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 *per cent*.
- An evaluation of performance and review of records relating to delivery of MOs and booking of MOs as eMOs 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 local level, major cities and at the tehsil 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.

Summary of Recommendation:

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.

3.1.1 Introduction

Department of Posts (DoP) launched a Quality Improvement Project called 'Project Arrow' in April 2008, to transform India Post into a vibrant and responsive organization. The project envisaged upgradation of the Post Offices (POs) in urban and rural areas both in terms of upgrading/comprehensive improvement and enhancing the quality of service in 'core business areas' and improving their 'look and feel' environment so as to create unique identity. The project 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 the core business areas such as Mail Delivery, Savings Bank, Money Remittances and other Financial Products. A total of 18,611 Post Offices, out of more than 1.54 lakh Post Offices were covered during 2008-09 to 2012-13 under "Core Operations", out of which 2,394 POs were also covered under "Look and Feel". The Scheme had the following objectives:

- Make a visible, tangible and noteworthy difference in POs that matters to the common man;
- Verify and certify progress on ongoing basis using clearly defined Key Performance Indicators (KPIs) for each improvement area;
- Set the foundation for a comprehensive transformation of India Post;

The focus of Project Arrow was on improving the Core Operations of POs and enhancement of Look and Feel to create unique identity. Salient features for 'Core Operations' and 'Look and Feel' are as follows:

3.1.2 (i) Core Operations:

- **Mail Delivery:** Ensure same day delivery of mail received and same day dispatch of mail collected;
- **Savings Bank:** Reduce transaction time at counters and for account transfer/closure and settlement of deceased claim cases;
- **Money Remittances:** Delivery of money orders (MOs) on the day of receipt and providing web-enabled remittance services;
- **Office Service Level:** Improve customer satisfaction along all parameters from appearance to operations;

3.1.2 (ii) Look and Feel:

- **Human Resource:** Identify roles and job descriptions for all and design suitable training packages to enhance operational and soft skills of staff;
- **Infrastructure:** Develop standardized and consistent interior and exterior blueprint and ensure uniform implementation;
- **Technology:** Decide on required hardware, software and connectivity to enable POs to provide all IT enable services even in rural areas;
- **Branding:** Ensure uniform brand hierarchy as well as consistency for all products and services;

3.1.3 Key Performance Indicators (KPIs)

A set of the KPIs¹ was prescribed by DoP to monitor the performance of the Core Operations. Each such identified KPIs had a tolerance level to see whether the service level had gone below this threshold. In order to keep a track of KPIs, a system of online Web-based reporting/monitoring, through a Data Extraction Tool (DET) was put in place which directly extracted information from operations transacted on computers in POs so

¹ KPIs : Punctuality in receipt of mail, completion of beat sorting to include all mail in days's delivery; same day delivery of all mail received in the post office, Postman beat back-up plan, delivery stamp impressions, adherence to scheduled delivery hours etc

that there was no scope of any tampering with the record of actual transactions. The DET tracks KPIs relating to Mails, Savings Bank and Accounts and also enables generation of performance reports and calculation of revenue in Project Arrow POs. The detailed monitoring procedure along with the scorecard system throws up instantaneously, the POs with consistent low composite KPI scores which in turn can start up rectification processes without delay.

The performance of POs covered under 'Project Arrow' was required to be monitored daily by the Programme Office, which should be then followed up by interaction with the Heads of Circles at prescribed intervals by the Steering Committee chaired by Secretary (Posts) via video conferencing every fortnight.

3.1.4 Implementation of Project Arrow in phases

This Project was initially implemented through a pilot study in 50 Post Offices of 10 Postal Circles² in May 2008. Additional post offices were added in a phased manner. A total of 18611 Post Offices were covered (up to 2012-13) under this project as shown in Table-1 given below:

Table-1
Details of target fixed for Post Offices to be covered vis-à-vis achievements under Core Operation and Look and Feel activity

Year	Phase	Target fixed (No. of Post Offices)		Achievements (No. of Post Offices)		Expenditure incurred (₹ in crore)	
		Core Operations	Look and Feel	Core Operations	Look and Feel	Core Operations	Look and Feel
2008-09	Phase-I,II	1,724	500	1,724	500	Expenditure incurred on this activity was not included under the Project Arrow ³ .	86.56
2009-10	Phase-III		500		503		56.00
2010-11	Phase- IV	8,000	530	8,721	525		80.41
2011-12	Phase V	5,000	229	5,128	207		19.07
2012-13	Phase VI	3,000	780	3,038	780		70.03
Total		17,724	2,539	18,611	2,515		312.07

(Source: Information furnished by DoP)

² Andhra Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, North East, Odisha, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand

³ To strengthen the core operations for which computer hardware and software etc were required; expenditure on this was funded from the scheme "Modernisation of the Post Offices" started in 8th five year plan onward.

3.1.5 Scope of Audit

Performance Audit was conducted with a view to examine the implementation of the 'Core Operations' vis-à-vis 'Look and Feel' in the POs covered under the 'Project Arrow' Scheme covering the period 2008-09 to 2012-13.

The Performance Audit was conducted during July 2013 to October 2013 in DoP Headquarters and in 75 HPOs/POs under nine Postal Circles⁴. In these circles, the Audit was conducted in the O/o Chief Post Masters General (CPMG), Regional Offices, Divisional Offices, Senior Superintendent of Post Offices, Head Post Offices and Electrical and Civil Divisions.

Out of the 30 Postal Regions under nine selected Circles, 13 Regions were selected for Audit. For this purpose, two Postal Regions having maximum numbers of POs covered under Project Arrow were selected, if the numbers of Postal Regions was more than three. In case of circles having three or less Postal Regions, only one was selected. Besides, Civil and Electrical Divisions and concerned Postal Stores Depots of selected Circles were also audited. In each selected region, one division having highest numbers of POs covered under Project Arrow was selected. Under each selected Postal Division, two HPOs/ GPOs were selected through random sampling. Under each HPOs/GPOs, two Delivery Sub Offices were selected through simple random sampling.

3.1.6 Audit Objectives

The Performance Audit on 'Project Arrow' Scheme was conducted to examine:

- Whether the POs covered under Project Arrow are fulfilling the expectations of the general public as per the scheme;
- Whether the Scheme was implemented economically and efficiently and as per the relevant rules and procedures;
- Whether the scheme was being properly monitored at Postal Directorate as well as Circle level;

3.1.7 Sources of audit criteria

The main sources of audit criteria were

- Relevant plan documents and other files, reports, etc. and Annual Plans of DoP;

⁴ Delhi, Rajasthan, Uttar Pradesh, Gujarat, Maharashtra, Madhya Pradesh, North East, Tamil Nadu and Andhra Pradesh.

- Norms and instructions issued from time to time for implementation of the 'Project Arrow' Scheme;
- Procurement manuals;
- Web based monitoring tool in respect of selected POs;
- KPIs prescribed for the various services etc.;

3.1.8 Audit Methodology

The audit was conducted by visiting the premises of the entity audited. The manual, records, documents and data in the computerised system, wherever available were analysed and compiled to arrive at audit conclusions. Besides, the validation of KPIs devised for Project Arrow, end to end test letters were also posted by audit to evaluate the efficiency of mail system. Regarding rating of POs, the parameter used by the TUV India Pvt. Limited⁵ was used. A survey was also conducted by Audit team during the course of Audit to assess the customer and staff satisfaction.

The entry and exit conference was held with Secretary (Posts) in June 2013 and October 2014 respectively.

3.1.9 Audit Findings

Audit findings with regard to planning, implementation and monitoring of Project Arrow Scheme in POs is discussed in succeeding paragraphs under two broad categories i.e. Performance on Core Operation and Planning and Procurement.

3.1.9.1 Performance on Core Operation

DoP claims to have accrued benefits of providing the quality of service to customers under 'Core Operations' and improvement in the 'look and feel' of the POs. The benefits accrued to DoP from the Project Arrow scheme inter-alia include same day delivery of mail and money orders, faster saving bank transactions, sense of pride among employees and speedy service to general public. The audit observations in this regard are as under:

⁵ M/s TUV India Pvt. Limited was appointed as an auditor by DoP to visit the 50 post offices and validate the result of the implementation of the Project Arrow. Post Offices were rated on Mailing, Remittances, banking, Infrastructure and office service level and Human resources on weightage (total 100 points) of 46, 12, 10, 22, and 10 respectively.

Mail operations and delivery

Mail operations are fundamental to India Post and it plays a very important role in carving the image of India Post in the public. The process of delivery of mails begins with the arrival of mail at the POs in the morning. The stamped and sorted mail is then handed over to the postman for delivery. The mail aspiration for India Post is to ensure same day delivery of mail received and this issue was addressed as key focus of 'Project Arrow Scheme' for which the KPIs have been developed by DoP. The target for KPIs was kept at 100 per cent to ensure compliance of same day delivery of the mail received. This includes all kinds of mail like registered post, speed post, ordinary mail and registered parcel.

During performance audit, the working and records of 75 HPOs/POs under nine circles was examined. Audit observed that though there was remarkable improvement in the working of the POs, there is still a scope for further improvement.

(i) Evaluation of mail operation

The mail operations of DoP were independently evaluated by audit in the 75 selected HPOs/POs under nine Circles. Audit found that in most of the circles, mail operations have improved as was evident from data collected by the audit. However, in some circles there was a scope for further improvement as indicated in Table-2 given below:

Table-2
Statement showing performance of various mail operations in Audited Post Offices

(in per cent)

Name of Circle (No of Post Offices)	Mail arrival time	Postmen beat back up plan	Postmen's reporting on time	Delivery stamp impression	Mail sorting completion time	Adherence to scheduled delivery hours
Maharashtra(7)	57.14	100.00	100.00	100.00	100.00	100.00
Madhya Pradesh (7)	100.00	100.00	100.00	100.00	100.00	100.00
Rajasthan (7)	57.14	85.71	71.43	100.00	85.71	71.43
Tamilnadu (7)	85.71	100.00	100.00	100.00	85.71	57.14
Delhi (6)	100.00	83.33	100.00	100.00	100.00	100.00
North East (7)	100.00	100.00	100.00	100.00	100.00	100.00
Uttar Pradesh (14)	61.54	76.92	76.92	23.08	46.15	41.67
Gujarat (8)	75.00	87.50	87.50	87.50	37.50	75.00
Andhra Pradesh (12)	100.00	100.00	100.00	100.00	100.00	100.00
Average	81.84	92.61	92.87	90.06	83.90	82.80

Following points emerged from this evaluation against prescribed performance parameter of 100 *per cent*:

- a) The overall performance of arrival of mail in time in test checked circles was measured as 82 *per cent* with a range of 57 *per cent* in Rajasthan and Maharashtra Circles to 100 *per cent* in Delhi, Madhya Pradesh, Andhra Pradesh and North East Circles.

DoP while agreeing (August 2014) to the audit observation stated that delay in arrival of mail was due to traffic jam/breakdown of Mail Motor Service vehicles which was beyond the control of Circles. It was further stated that the phenomenon was occasional and corrective measures have now been taken. It was also stated that Project Arrow was being monitored through fortnightly video conference by Secretary (Posts) with CPMGs, which kept the circles alert and responsible for any shortfall in KPIs.

DoP accepted that despite the performance of project arrow being monitored at the highest level, there were still shortfall in the post offices test checked in Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh and Gujarat Circle. Further, DoP has given reply for shortfall in U.P Circle only, whereas it was silent on performance in other Circles where the performance is below the threshold level.

- b) The Postman beat back-up plan was observed to be at 93 *per cent* on average which was ranging from 77 *per cent* in UP circle to 100 *per cent* in Maharashtra, Madhya Pradesh, Tamil Nadu, Andhra Pradesh and North East Circles.

DoP in their reply (August 2014) stated that the postmen beat backup plan was in place in the UP Circle. It was also stated that during the leave of any postman, the arrangement was made by engaging another postman. However, no specific reply was furnished in respect of POs test checked in Rajasthan, Delhi and Gujarat Circles where performance was below the threshold level.

- c) 93 *per cent* of the postmen reported for duty in time and went out for delivery as per the attendance and error books of the concerned POs. The range of performance by the circles under this activity was from 71 *per cent* in Rajasthan circle to 100 *per cent* in Delhi, Maharashtra, Madhya Pradesh, Tamil Nadu, Andhra Pradesh and North East Circles.

DoP stated that Rajasthan Circle has instructed all concerned divisional heads to ensure timely reporting of duty by all postmen. However, DoP did not furnish reply for the remaining circles.

- d) The overall delivery stamp impression was observed to be accurate and legible in 90 *per cent* of selected HPOs/POs in nine circles. However, the UP Circle showed a very

poor performance under this activity with only 23 *per cent* but all other selected POs in seven circles were observed to be excellent with 100 *per cent* performance in the activity except Gujarat with 88 *per cent*.

DoP in their reply (August 2014) stated that cleanliness of delivery stamps were ensured in every post office in UP Circle so that delivery stamp impression was accurate and legible but as regard Gujarat Circle, no reply was furnished. DoP's claim was however, not found accurate in the test checked HPOs/SOs.

e) As per the records maintained in the selected 75 HPOs/POs, morning mail was being sorted out in 84 *per cent* of the POs at prescribed time of 15-30 minutes before the scheduled delivery hours. The lowest performance on sorting activity was in Gujarat Circle as only 38 *per cent* Post Offices were observing prescribed timings whereas 100 *per cent* sorting at the prescribed time was observed in Madhya Pradesh, Delhi, Maharashtra, Andhra Pradesh and North East Circles.

It was further observed that on an average 83 *per cent* of the postmen in 75 HPOs/POs selected for audit adhered to scheduled delivery hours. UP Circle with 42 *per cent* and Maharashtra, Madhya Pradesh, Delhi, Andhra Pradesh and North East Circles with 100 *per cent* adherence to scheduled delivery hours indicated that there was scope of improvement in other four circles viz. Rajasthan, Uttar Pradesh, Tamil Nadu and Gujarat.

DoP stated (August 2014) that all bags in the Post offices were being opened on the same day of its receipt. It was further stated that except during receipt of large quantum of mails during recruitments/admissions, the delivery hour got delayed marginally. It was also stated that UP Circle was ensuring that the entire Postman staff should adhere to scheduled delivery hours.

The fact remains that as pointed out in the observations above, POs in Rajasthan, Uttar Pradesh, Tamil Nadu and Gujarat Circles were not adhering to the scheduled delivery hours.

(ii) Evaluation of mail delivery

Against a target of 100 *per cent* for same day delivery of mail as prescribed in the Blue Book⁶ of Project Arrow, the tolerance level for delivery of Ordinary, Registered and Speed Post mails was further prescribed by Standing Finance Committee as 0 *per cent*, 5 *per cent* and 3 *per cent* respectively. Thus, all ordinary mails were required to be delivered on the same day whereas 95 *per cent* of the Registered Mail and 97 *per cent* of Speed Post were

⁶ Blue Book on the Project Arrow institutionalizes the efforts of the Project Management team and codifies the ideas, mutually agreed goals and targets, implementation details and performance measurement tool.

to be delivered on the day of receipt at the delivery Post Office. On review of records related to the delivery of ordinary, registered and speed post mail in test checked POs, following results were noticed as indicated in Table-3 given below:

Table-3
Delivery performance of Ordinary, Registered and Speed Post Mail

(Figures in per cent)

Name of Circle (No. of Post Offices)	Ordinary letter (Range)	Registered letter (Range)	Speed Post (Range)
Maharashtra (7)	89.29 (25 to 100)	96.43 (75 to 100)	92.86 (75 to 100)
Madhya Pradesh (7)	100.00	97.50 (87.50 to 100)	90.00 (67.50 to 100)
Rajasthan (7)	100.00	76.79 (25 to 100)	76.79 (25 to 100)
Tamilnadu (7)	100.00	76.79 (50 to 100)	91.07 (75 to 100)
Delhi (6)	54.17 (25 to 100)	68.75 (50 to 100)	77.08 (50 to 100)
North East (7)	75.00 (25 to 100)	83.93 (25 to 100)	85.71 (37.50 to 100)
Uttar Pradesh (14) ⁷	48.08 (0 to 100)	76.92 (25 to 100)	73.08 (25 to 100)
Gujarat (8)	81.25 (0 to 100)	67.19 (0 to 100)	73.44 (0 to 100)
Andhra Pradesh (12)	91.67 (50 to 100)	98.96 (87.50 to 100)	86.46 (75 to 87.50)
Average	82.16	82.58	82.94

DoP in its reply (August 2014) stated that they have fixed the tolerance limit at a very high level and was able to achieve the same to a large extent. It was also stated that delivery performance was regularly monitored through fortnightly video conference by Secretary (Posts) with circle's head. However, the delivery performance occasionally goes down due to reasons beyond the control of circles like, receipts of heavy mails on particular days, closure of offices due to holidays, deliberate refusal of court notices by addressees, incomplete/ insufficient address and migrating population/change of address.

⁷ One post office was non-delivery post office

The reply of DoP confirms the audit observation but despite the monitoring at apex level (Secretary), the performances of some of the test checked POs were very disappointing as the same was far below the prescribed level, which require immediate corrective action.

3.1.9.2 Money Remittances

Money Remittance is an important area for India Post and aspiration from remittances business is to ensure that at least 95 *per cent* of the money orders received are paid on the same day. Further, as per KPI, all Money Orders (MOs) should be booked as Electronic Money Order (eMO). The performance relating to delivery of MOs and booking of MOs as eMOs are indicated in the Table-4 below:

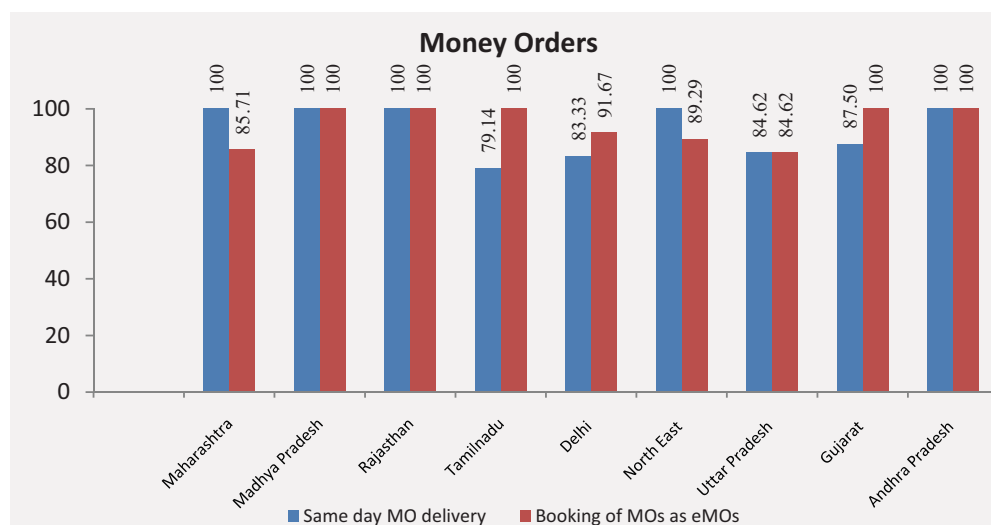
Table-4
Performance relating to delivery of MOs and booking of MOs as eMOs

(Figures in per cent)

Name of Circle (No of Post Offices)	Same day MO delivery (Range)	Booking of MOs as eMOs (Range)
Maharashtra (7)	100	85.71 (0 to 100)
Madhya Pradesh (7)	100	100
Rajasthan (7)	100	100
Tamilnadu (7)	79.14 (0 to 100)	100
Delhi (6)	83.33 (0 to 100)	91.67 (50 to 100)
North East (7)	100	89.29 (25 to 100)
Uttar Pradesh (14)	84.62 (0 to 100)	84.62 ⁸ (0 to 100)
Gujarat (8)	87.50 (0 to 100)	100
Andhra Pradesh (12)	100	100

⁸ As one of the POs out of 14 is not a delivery Post Office hence the percentage is based on 13 POs only.

The performance of money orders delivered on the same day is shown in the chart below:



An evaluation of performance and review of records relating to delivery of MOs and booking of MOs as eMOs revealed that the delivery performance of MOs in Tamil Nadu, Delhi, Uttar Pradesh and Gujarat Circles was below the threshold limit. Further only 85 to 92 *per cent* MOs were being booked as eMOs in Maharashtra, Delhi, North East and Uttar Pradesh Circles.

DoP in its reply stated (August 2014) that in Gujarat Circle, overall same day delivery percentage of money orders was 96 *per cent*. It was also stated that Directorate was regularly monitoring the delivery performance of money orders through fortnightly video conferencing held by the Secretary (Post) with CPMsG. However, the reply was silent about delivery performance of MOs in other circles.

The fact remains that the prescribed level of same day delivery of 95 *per cent* of the money orders was not maintained in Tamil Nadu, Delhi, Uttar Pradesh and Gujarat Circles.

Since money remittance is an important area for India Post, all efforts should be made to ensure that the money orders are delivered as per the prescribed timelines across all the circles.

3.1.9.3 Banking

DoP operates Small Savings Schemes on behalf of Ministry of Finance, Government of India. The Post Office Savings Bank operates Savings Accounts, Recurring Deposit (RD), Time Deposit (TD), Monthly Income Scheme (MIS), Public Provident Fund (PPF), National Savings Certificate (NSC) and Senior Citizens Savings Scheme (SCSS).

The following KPIs were prescribed by DoP in the Blue Book of Project Arrow in January 2009 for efficient banking operations:

- Accounts transfer requests are settled within three working days;
- Deceased claim cases having nomination are settled within three working days of receipt of application;
- All specimen signatures in respect of Saving Bank, Recurring Deposit, Monthly Income Scheme and National Saving Certificate/ Kisan Vikas Patra are scanned in the database;
- Pass-books of customers be updated through passbook printers;

The idea of updating of pass books through pass book printers is to instil confidence in the customer about his balance and decrease the risk of frauds committed by counter clerks of not crediting the correct amounts deposited by the account holder. Further signature scan also helps in saving the time of counter clerks.

The banking performance of the selected POs in nine postal circles was evaluated with regard to the above prescribed norms and the following results were noticed as indicated in Table-5 below:

Table-5
Performance of various banking services

(in per cent)

Name of Circle (No. of Post Offices)	Transfer requests (Range)	Settlement of deceased claim cases (Range)	Signature scans for all SB, RD and MIS (Range)	Signature scans for NSC/KVP (Range)	Updating of customers' passbooks through printers (Range)
Maharashtra (7)	100.00	100.00	100.00	85.71 (0 to 100)	85.71 (0 to 100)
Madhya Pradesh(7)	100.00	100.00	100.00	85.71 (0 to 100)	100.00
Rajasthan (7)	100.00	100.00	100.00	100.00	21.43 (0 to 50)
Tamilnadu (7)	100.00	100.00	100.00	100.00	0.00
Delhi (6)	83.33 (0 to 100)	100.00	100.00	0.00	58.33 (0 to 100)
North East (7)	100.00	100.00	95.29 (67 to 100)	57.14 (0 to 100)	35.71 (0 to 50)
Uttar Pradesh (14)	100.00	85.71 (0 to 100)	71.43 (0 to 100)	50.00 (0 to 100)	14.29 (0 to 100)
Gujarat (8)	100.00	100.00	100.00	37.50 (0 to 100)	87.50 (0 to 100)
Andhra Pradesh (12)	100.00	100.00	100.00	91.67 (0 to 100)	33.33 (0 to 100)

From the table, it is clear that:

- Accounts transfer requests were entertained within the prescribed time limit in all the circles test checked except Delhi;
- Deceased claims were not being settled within the prescribed time limit in U.P Circle;
- Signature scanning was in arrears in seven out of the nine Circles test checked;
- Pass books were also not being updated through passbook printers in most of the test checked POs but in MP all the test POs, Pass books were updated through printers ;

DoP while accepting (August 2014) audit observations did not provide any reasons for non-achievement of the benchmarks in the stated circles. However, it was stated that pending cases of deceased claims were being monitored regularly in UP Circle. It was also informed that Post Offices were directed to use pass book printers for updating. It was further stated that circles have also been instructed to repair the pass book printers locally in case they were not working. DoP further stated that signature scanning is being monitored through fortnightly video conferences and as on 1 August 2014, 98.31 *per cent* signatures had been scanned.

DoP needs to monitor effectively the compliance to its instructions as in the post offices test checked in Delhi Circle revealed that the percentage of signatures scanned for NSCs/KVPs was zero *per cent*, whereas in Gujarat and U.P Circles, the performance was 38 and 50 *per cent* respectively. As regard updation of customer's passbooks through printers, no passbooks were being updated through printers in test checked POs in Tamil Nadu Circle, whereas only 21, 36 and 14 *per cent* pass books were being updated through printers in Rajasthan, North East and Uttar Pradesh Circles respectively.

Thus it can be seen that performance with regard to transfer request and settlement of deceased claims was 100 *per cent* except in Delhi and U.P. Circles where it was 83 and 86 *per cent* respectively. However, the performance with regard to signature scanning and updation of passbook through printers needs to be improved.

3.1.9.4 Comparison of Speed Post with Private Couriers services

Speed Post service was introduced in 1986 to provide a fast and time bound delivery service in major cities of the country. Since then the network has been expanded across the country. Of late private couriers are giving a stiff competition to speed post services. Since, more than 10 *per cent*⁹ of the total revenue of DoP comes from Speed Post services,

⁹ In 2010-11, 2011-12, 2012-13, and 2013-14 , the percentage of the revenue from the speed post was 10.76, 11.26, 13.47 and 12.79 *per cent* respectively of the total revenue of DoP.

the performance of the Speed Post should not be below the standard of the service provided by the Private Couriers.

In order to compare the performance/quality of Speed Post Service of DoP with Private Courier Agencies for delivery of mails, a test check was conducted by Audit in eight circles viz. Gujarat, Maharashtra, Rajasthan, Tamil Nadu, Delhi, Andhra Pradesh, Uttar Pradesh and Madhya Pradesh Circles out of nine circles selected for Audit.

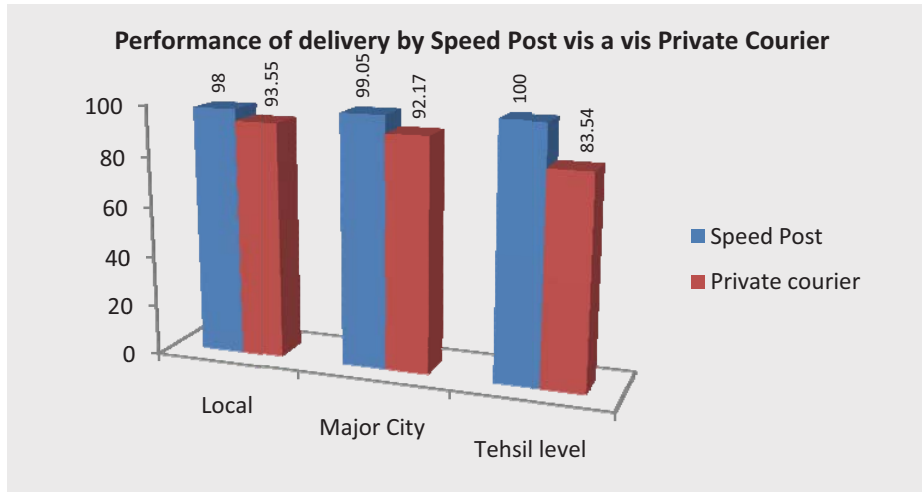
The test check was conducted by posting letters to local, major cities and tehsils. A total of 284 test letters were posted by speed post and 287 by different private courier service providers¹⁰. The number of letters sent, letters actually delivered, and time taken for delivery of test letters by Speed Post as well as private couriers is shown in Table-6 below:

Table-6
Time taken for delivery of mails by Speed Post of DoP vis a vis Private Couriers

Type of Area/location	Speed Post				Private Courier			
	No. of Test letters sent by audit	No. of Test letters received by addressee	Days taken for delivery of Test letter	Test letters delivered (in per cent)	No. of Test letters sent by audit	No. of Test letters received by addressee	Days taken for delivery of Test letter	Test letters delivered (in per cent)
			From - To				From - To	
Local	100	98	1 - 11	98.00	93	87	1 - 12	93.55
Major City	105	104	1 - 9	99.05	115	106	1 - 10	92.17
Tehsil level	79	79	1 - 7	100.00	79	66	1 - 23	83.54
Total:	284	281		98.94	287	259		90.24

Delivery performance of letters sent by speed post vis-à-vis those sent through private couriers is given in the chart below:

¹⁰ DTDC, First Flight, Blue Dart/DHL and Local couriers



As far as delivery performance is concerned, the above table shows that 98 *per cent* letters were delivered by speed post in local areas as compared to 93.55 *per cent* by private couriers. In Major cities 99.05 *per cent* letters were delivered by speed post whereas in case of private couriers the *per cent* was only 92.17 *per cent*. In respect of Tehsil level, delivery performance of Speed Post was 100 *per cent* as compared to 83.54 *per cent* of private courier service. The feed-back particulars about the delivery of articles received from addressees related to the Postal Department and Private Operators were confirmed. Thus based on the results, it could be reasonably concluded that the speed post service of DoP was better than the services provided by the private courier services, though there was still room for improvement in speed post service in certain areas.

DoP in its reply (August 2014) to audit observations stated that DoP would continue to make efforts to maintain high standards to serve the customers and follow the audit observations.

Recommendations

Department of Posts (DoP) 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*

3.1.9.5 Assessment of satisfaction level of the Customers and employees

The assessment of customer's satisfaction through survey under "Look and Feel" was conducted as a part of the performance audit and in this regard a feedback form was given

to the randomly selected visiting customers for their feedback. For this purpose, 15 and 30 customers (a total of 1,455 customers) in each selected Sub-Post Offices (SPO) and Head Post Offices (HPO) respectively, were requested to give feedback. The questionnaire included availability of stationary and forms, queuing time, cleanliness, multi-purpose counter operations, staff diligence, adequacy of computers to meet customer demands and availability of customer facilities in the Post Offices etc. On the basis of the points awarded by the customers, it was noticed that 83 *per cent* of customers were satisfied with the services and working of the Post Offices with a range of 63 *per cent* in the UP circle to 100 *per cent* in Gujarat, Maharashtra and Madhya Pradesh Circles.

In addition to above, employee's job satisfaction survey at their place of work was also conducted in the selected POs. In the survey, feedbacks on the pre designed questionnaire obtained from 25 staff members or the total staff (in case the total staff is less than 25) of each of the selected POs so as to ascertain the motivation and job satisfaction level of the postal staff. On the basis of points awarded by the staff members in feedback of the job satisfaction survey, it was concluded that 87 *per cent* of the postal staff were found to be satisfied with the job. The least satisfactory staff was in the North East circle with 67 *per cent* but 100 *per cent* staff of Maharashtra, Madhya Pradesh, Tamil Nadu, Gujarat and Andhra Pradesh were observed to be satisfied at their place of work.

On being pointed out by Audit, DoP stated that to improve the customer satisfaction, UP Circle has formed Post Forums at Project Arrow Post Offices with eminent people of the area/locality to meet regularly and discuss about the quality of services. Regarding staff satisfaction, it has been stated that North East Circle has taken corrective measures and reported that staff satisfaction level has reached to 95 *per cent*.

3.1.10 Planning and Procurement

Planning involves establishing the scope, aims and objectives of a project, the way in which the project will be performed, the roles and responsibilities of those involved, and the time and cost estimates. Procurement is the acquisition of goods, services or works from an outside external source. It is imperative that the goods or services are appropriate and are procured at the best possible cost to meet the needs in terms of quality and quantity, time and location. The deficiencies in planning and procurement during implementation of project arrow are discussed below:

3.1.10.1 Idling of Hardware

In order to provide better services to customers, it was imperative that all computer hardware and peripherals must be working properly. It was observed that computer accessories and passbook printers worth ₹ 1.09 crore were lying idle or unserviceable

since 2009. Since the services of Post Offices under Project Arrow are linked to proper functioning of various hardware items, idling or unserviceable condition of hardware items may be a hindrance in providing better services to customers thereby defeating the basic purpose of the Project Arrow.

In reply to Audit observations, DoP stated (August 2014) that in Rajasthan Circle, instructions have been issued to all concerned to get the faults in hardware repaired whenever noticed. It was also stated that in Maharashtra Circle, the batteries for idle UPS were being purchased in a phased manner according to availability of funds. However, DoP did not furnish any reply for idling/unserviceable condition of hardware in other POs of selected Circles.

Recommendation

- Department of Posts (DoP) should ensure that all computer hardware and peripherals supplied to the POs are in working order for providing better services to the customers.

3.1.10.2 Duplication in Procurement of hardware

During Annual Plan 2009-10, DoP had proposed to replace the existing hardware of some POs which were covered in Ninth Plan under 'Computerisation and Networking' project. It was also proposed to supply extra computers in other POs where the availability of computers was less than the prescribed requirement for implementation of project arrow. However, DoP made it clear that hardware will be supplied for one scheme only i.e. either 'Project Arrow' or 'Computerisation and Networking' and there will be no duplicity.

Audit observed that additional hardware amounting to ₹ 41.33 lakh as detailed in Table-7 given below was procured for 70 Project Arrow POs in Tamil Nadu and Rajasthan circles which were already covered under computerisation and modernisation programme.

Table-7
Procurement of additional hardware

(₹ in lakh)

Name of Circles	No. of Post Offices	Items purchased	Quantity	Amount
Tamilnadu	20	Desktop Computers	20	7.72
Rajasthan	50	Desktop Computers with preloaded Operating System	87	33.61
Total	70		107	41.33

(Source: Information furnished by DoP)

In reply, DoP stated (August 2014) that the Circles procured additional hardware out of the fund allotted under the Project Arrow Phase VI for achievement of targets, transmission of DET and better connectivity without breakdown of work in Project Arrow Post Offices. It has also been stated that Circles have instructed all concerned divisions where hardware is supplied to ensure that no computer remains unutilised.

The reply of DoP is not acceptable in view of the fact that procurement of computers from the funds allotted under 'Project Arrow' for the POs were already covered under 'Modernization and Computerization' scheme and the amount could have been utilized for other 'Project Arrow' related works.

3.1.10.3 Under-utilisation of Information Kiosks

Information Kiosk is computer based equipment containing all the information about the Post office activities having Internet connectivity for use by the customers. Each selected Post office of Project Arrow was to be provided one Information Kiosk to provide postal information and internet browsing facilities to the customers.

DoP placed two purchase orders on M/s Agmatel, through DGS&D rate contract, in April and September 2008 for procurement of 52 nos. and 448 nos. of Information Kiosks respectively at a cost of ₹ 6.62 crore. These Kiosks were to be supplied to POs in 12¹¹ postal circles. The purpose of these Kiosks was to provide postal information and Internet browsing facility to the customers in the post offices.

DoP took up the matter of utilisation of Kiosks with the concerned circles in July 2009. On being enquired by Audit about the utilisation of Kiosks, it was stated by DoP that information received from the circles was not readily available. A further test check in 75 POs in nine selected circles revealed that 63 Kiosks were supplied to these POs, out of which 48 Kiosks were not being utilised at all and 15 were being utilised to negligible extent. Since no information about utilisation of information Kiosks is available with DoP, idling of kiosks cannot be ruled out in respect of all 500 Kiosks procured at a cost of ₹ 6.62 crore.

In reply to Audit observations, DoP stated (August 2014) that the use of Kiosks depends on the consumers and the Post Offices were responsible to increase the awareness about the facility to its walk in customers so that the optimum utilisation of Kiosks is ensured.

Reply of DoP is general in nature and does not furnish any information as to what efforts were made to ensure optimum utilisation of Kiosks and up to what extent the Kiosks were utilised. Non utilisation of kiosks not only resulted into wastage of public money but also

¹¹ AP, Bihar, Gujarat, Jharkhand, MP, Maharashtra, NE, Odisha, Rajasthan, TN, UP and Uttarakhand circles

failed to provide automated information to customers about services being provided by DoP and thus the basic purpose of purchase of kiosks was defeated.

Conclusion

The Project Arrow scheme has undoubtedly transformed the post offices in the country. The POs do not only have better look and feel but Core Operations of their working has also improved. However, many aspects of the project like monitoring system, implementation of CBS and planning and procurement were not found up to mark. Further, since the services of Post Offices are linked to proper functioning of various hardware items, it was imperative that all such items were kept in working condition. Last but not the least; the scheme has covered a small percentage of post offices in metropolitan cities, state capitals, other major cities and urban areas only. Thus, this project needs to be accorded high priority so as to ensure that the scheme covers the post offices throughout the country and satisfies the needs of general public.

3.2 Banking and Money Transfer Operations in Department of Posts

Introduction

The Post Office Savings Bank (POSB) Scheme¹² is the oldest and largest banking scheme of India Post with approximately 28 crore Savings Accounts in about 1.54 lakh post offices as on 31 March 2013. The POSB Scheme is an agency function, performed by the Department of Posts (DoP), on behalf of the Ministry of Finance (MoF).

In order to modernize its services and computerize the entire work of the Savings Bank (SB) a separate software 'Sanchay Post' for SB operations in post offices was developed by M/s Datanet Corporation, Bangalore¹³ on Windows NT platform with Microsoft SQL Server as RDBMS and Power Builder as the front-end tool. The Sanchay Post software developed to work in a Local Area Network environment within a post office was introduced in January 2003 and has been upgraded from time to time. The latest version is "Sanchay Post 7.0".

An Information Technology (IT) Audit of Sanchay Post 4.5 Software was conducted in 2005 and the same was printed in C&AG Report No.1 of 2006. DoP in their Action Taken Note (July 2008) had given assurances to take the corrective measures on various audit observations, however, some of the assurances are not fully realised as shown in **Annexure-VIII**.

¹² The POSB offers various savings schemes like Savings Bank (SB), Recurring Deposits (RD), Time Deposits (TD), Public Provident Fund Accounts (PPF), Monthly Income Scheme (MIS) and Senior Citizens Savings Scheme (SCSS). These various savings schemes are available in the Head, Sub and Branch Post Offices (POs) for the convenience of the general public.

¹³ M/s Datanet Corporation is a Bangalore based software developing company engaged by DoP for development of the software for Post Office Saving Bank needs. The company developed and made operational the software during 1997-98.

The present audit was conducted during July 2013 to September 2013 in 22 General Post Offices (GPOs)/Head Post Offices (HPOs)¹⁴ and 21 Sub Offices (SOs)¹⁵ in nine circles out of 22 Postal Circles¹⁶, covering the period from 2010-11 to 2012-13.

3.2.1 Audit Findings

Audit findings relating to Banking and Money Transfer Operations in DoP highlighted significant deficiencies which are discussed below:

3.2.1.1 IT Controls/issues

(i) Non-preservation of periodical backups

The Backup Policy for preservation of data, issued by DoP in March 2010 stipulated that backup files ideally 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/DVD¹⁷ every week and sent to the designated/identified office for safe custody.

Audit however observed that the instructions for preservation of periodical backups as mentioned above were not followed in eight POs¹⁸ of four circles of the selected 43 POs.

The backup of data not only ensures restoration of the lost data in the event of some disaster or mishap but also play a crucial role in the event of frauds committed by the staff members in investigating and deciding the nature, cause and quantum of fraud. It was seen that the Departmental authorities were able to pin point the nature, cause and quantum of frauds in a number of cases as given in **Annexure-IX** because of availability of proper backups.

DoP accepted the audit observation and stated (October 2014) that instructions were issued (September 2014) to the circles reiterating the guidelines in this regard. It was further stated that after implementation of Core Banking Solutions (CBS) in all the Post Offices in a phased manner, the data would be stored automatically in the Central server and taking Back-up at each Post Office would not be required.

¹⁴ Chitradurga, Kolar, Mumbai, Mahim, Berhampur, Aska, Saharsa, Motihari, Jalandhar, Amritsar, St. Thomas Mount, Vellore, Trichy, Srirangam, Ernakulam, Thrissur, New Delhi, RAmesh Nagar, Mahbubnagar, Adilabad, Kadapa, Kurnool

¹⁵ Challekere, Bangarpet, Churchgate, B S Road, MDC, Nuagaon, Supal, Raxaul, Modeltown, Rayya, Ashok Nagar, Gandhi Nagar, Teppakulam, Mannachanallur, Edappalli, Punkunnu, SRT Nagar, Tagore Garden, Nirmal, Yerramukkapalli, Kurnool Camp

¹⁶ Circles are in general co-terminus with a State with few exception such as Maharashtra Circle covers states of Maharashtra and Goa, North Eastern Circle covers Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, Punjab Circle covers Punjab and Chandigarh, Tamilnadu Circle covers Tamilnadu and Puduchery and West Bengal Circle covers West Bengal, Sikkim and A&N Islands

¹⁷ CD/DVD – Compact Disc/Digital Versatile Disc

¹⁸ **Andhra Pradesh**-Mahabubnagar HO; **Bihar**-Motihari HO, Raxaul SO and Supaul SO; **Maharashtra**-Churchgate SO and Mumbai GPO; **Karnataka**-Bangarpet SO and Chitradurga HO

Though DoP accepts the audit observation, the fact remains that DoP had not taken any corrective measure on preservation of backups despite assurance given in Action Taken Note on the similar observation raised in the para 2.9.2 of Report No. 1 of 2006, as shown in **Annexure-VIII**.

Audit recommends that all the postal circles may be instructed to ensure that all the POs follow the defined backup policy and preservation of backup data without any exception and Directorate may evolve a system to monitor the same till the CBS is rolled out in all the POs.

(ii) Inadequate physical access controls - Server used for day to day operations

As per the security instructions (July 2004) of DoP, the server should not be accessible to any un-authorised person either through the network or in physical manner. A register should be maintained for regulating physical entry to the server room. The head of office will visit the server room at least once during the day to ensure that the security instruction is being followed. These instructions also envisaged that in post offices only the departmental software required for the operations has to be loaded in the computers.

Audit however observed non-compliance of these instructions in 4 POs¹⁹ of three circles. It was seen that the server itself was being used as a node for performing day to day operations and was placed in a place easily accessible to all. The physical access controls become more important in the case of Sanchay Post as it is operating in a stand-alone mode in all the post offices with data residing in the local server. Access to the server leads to access to the database itself where all POSB transactions are being recorded, exposing it to the risk of fraud through direct data editing using Data Base Administrator (DBA) privileges available on the server.

DoP while accepting the audit observation (October 2014) stated that instructions were issued (September 2014) to the circles reiterating the guidelines in this regard. It was further stated that after implementation of CBS in all the Post Offices in a phased manner, the data would be maintained in the Central server to which the Postmaster or any employee at Post Office level would not have any access.

The reply of DoP is not acceptable as access to the server may give access to the database where all POSB transactions are being recorded, exposing it to the risk of fraud.

Audit recommends that the instructions, restricting access to server may be carried out effectively across all the postal circles so that the risk of manipulation of data could be minimised.

¹⁹ Andhra Pradesh-Kadapa HO, Yerramukkapalli SO; Bihar- Supaul MDG; Kerala-Ernakulam HO

(iii) Usage of Data Entry Module for day to day activities of all Savings Bank (SB) schemes

DoP issued instructions (December 2007) and (January 2008) to uninstall the Data Entry Modules²⁰ of Sanchay Post. To facilitate legacy data (old data) entry and for starting ongoing and fresh entry, two separate data entry screens – Data Entry Module and Online Module, respectively were embedded in the system. But even after entering old data and starting the application with current ongoing accounts data, Audit found that most of the offices continued to use the legacy data entry screen. The continued use of Data Entry Modules resulted in non-validation of input data and exposed the system to risk of fraud²¹. Recognising this aspect, DoP had issued additional instructions in September 2012 on use of Data Entry module, also requiring maintenance of register of such changes duly signed by Postmaster/Sub Postmaster.

Audit found that in 17 post offices out of the selected 43, during the years 2010 - 11 to 2012-13, data entry module was being utilized for day to day work, i.e for account opening, deposit/withdrawal and transfer of account, etc. Even the prescribed register for recording the corrections made through data entry was not maintained in nine of these post offices.

Some of the observed instances indicating poor input validation control of data are given in Table-1 below:

Table-1

Sl. No.	Instruction	Finding
(1)	DoP issued instructions (August 2005) that outstanding balances in all SB Accounts other than individual accounts should be refunded to depositors on a date not later than 31 December 2005 and the deposits in an account other than individual account shall not earn any interest after 31 December 2005. These instructions were reiterated in July 2010 directing the circles to close all such accounts by 31 July 2010 and a certificate to that extent was to be forwarded to DoP Hqrs.	In 18 HOs/SOs of seven Postal Circles, 167 Public Accounts with a balance of ₹ 36,26,084 were still existing and an interest of ₹ 83,207 was also credited after 31 December 2005. This is in spite of implementation of software control incorporating 2005 instructions in online module by version 5 of Sanchay Post.

²⁰ The software had a data entry module separately for each savings scheme which was used for creating master data during the initial stages of computerization at the post offices. Once all data were entered, the data entry module was to be un-installed and transactions had to be carried out through the online module

²¹ Many instance of fraud were determined to have been committed through use of Data Entry Modules (refer Annexure-IX)

Sl. No.	Instruction	Finding
(2)	The Post office Savings Bank Accounts Rules envisage ²² that the maximum amount of deposits to be retained in a Post Office savings bank Account was ₹ 1.00 lakh in single and ₹ 2.00 lakh in joint account and the interest payable to a SB account of Single type was ₹ 3,500 and for a joint account was ₹ 7,000 per annum till 30 September 2011.	In four circles out of the selected nine circles SB deposits in excess of the permissible limits were allowed in SB accounts in 10 HOs/SOs out of the selected 43 HOs/SOs and interest of ₹ 1,20,721 was allowed more than the prescribed maximum ceiling amount of ₹ 3,500 and ₹ 7,000 respectively in 39 numbers of SB accounts.

The above instances indicate that neither IT controls nor manual controls were adequate to prevent acceptance of deposits beyond the prescribed limits and there was no check on irregular interest being credited on deposits beyond accepted prescribed limits.

DoP accepted the audit observation and stated (October 2014) that the usage of data entry module for all SB schemes would automatically get discontinued once a Post Office is brought on the CBS platform.

The reply of DoP is not acceptable as until the Post Offices are brought on CBS platform, deposits beyond the prescribed limits and irregular credit of excess interest thereon would continue, which should not be allowed. Further, DoP in their ATN had also assured that before making a module online, the data entered is normally validated and only in case of exigency data entry module is used to make corrections. Despite assurance given by DoP, the deficiency continued to persist.

It is recommended that on the basis of audit observation, the similar exercise may be carried out by DoP in other Circles to ensure that deposits beyond the prescribed limit are not accepted and interest credited, if any, be recovered.

(iv) Pass book printer not working

One of the deliverables of Sanchay Post Package is printing of pass books of account holders. Printing of ledger copies of the account holders on the pass book after each transaction has the dual benefit of instilling confidence in the customer about his balances and also serves as a preventive control for frauds committed by counter clerks of not crediting the correct amounts deposited by the account holder. Since the aim was to minimise the manual intervention and to ensure that the deposits of the investors are actually deposited through 'Sanchay Post', passbook printers should have been available for printing pass books.

²² Rules 4 and 5 of Post office Savings Accounts Rules 1981 in POSB Manual Vol.III

During the audit in eight post offices of three circles²³ it was observed that the pass book printers were not working and as a result, the entries in the pass book were made manually. It was also observed that in two SOs²⁴ though Saving Bank operations were computerised, the pass book printers were not supplied to these post offices.

DoP accepted the audit observation and stated (October 2014) that necessary instructions were issued (September 2014) to the Circles reiterating the guidelines in this regard.

3.2.1.2 Operational Issues

(i) Minus balances in SB Accounts

A banking software should have necessary inbuilt controls which prevents customers from withdrawing amounts in excess of the balance at credit. Strong controls should exist for preventing excess withdrawals, as POSB rules did not permit this.

DoP had identified the reasons for minus balances²⁵ and issued instructions (September 2004) to monitor the minus balances and take all the remedial measures to settle the same.

However, on an analysis of the data in nine HOs/SOs out of the selected 43 HOs/SOs (during July 2013 to September 2013) Audit observed that excess withdrawal of money, over and above the amount in deposit, was allowed in 213 SB accounts resulting in minus balances of ₹ 6.10 lakh. Details are given in Table-2 below:

Table-2
Details of SB accounts having minus balances

	Circle	Number of Post Offices	Number of SB accounts having minus balances	Amount of Minus balance (₹)
1	Bihar	1	6	15307
2	Kerala	3	52	47347
3	Tamil Nadu	4	154	448543
4	Delhi	1	1	98706
	Total	9	213	609903

DoP accepted the audit observation and stated (October 2014) that the Department had made concerted efforts to reduce minus balances in recent years by constant monitoring through fortnightly video conferences. It was further replied that the focussed efforts to settle the remaining minus balances were on.

²³ Andhra Pradesh- Mahabubnagar-HO, Kadapa-HO, Kurnool B Camp-SO; Karnataka- Kolar-HO, Chitradurga-HO, Bangarpet-SO; Bihar- Motihari-HO, Raxaul-SO

²⁴ Yerramukkapalli and Rayya under Andhra Pradesh and Punjab Postal Circles

²⁵ Minus balance means making payments to an account holder in excess of the amount at his/her credit, which is a very serious irregularity.

Despite the instructions by DoP and assurance given in the ATN of the para 2.7.2.10 of C&AG Report No. 1 of 2006, the deficiency continued to persist (**Annexure-VIII**).

Audit recommends that DoP may carry out such exercise across all the POs and effective steps may be taken to prevent such lapse in future by introducing necessary IT controls in existing package or enforcing the necessary checks manually till the roll out of CBS.

(ii) Payment of interest without deducting TDS from SCSS Account

As per Rule 172 of POSB Manual Volume-I, an individual can open a Senior Citizen Savings Scheme (SCSS) Account with a minimum of ₹ 1,000 and a maximum of ₹ 15.00 lakh. Quarterly interest is payable on these accounts. An individual of the age of 60 years or more may open such account with a maturity period of five years. An individual of the age of 55 years or more but less than 60 years who has retired on superannuation or under Voluntary Retirement Scheme can also open such account, subject to the condition that the account is opened within one month of receipt of retirement benefits and the SCSS deposit should not exceed the amount of retirement benefits. DoP issued instructions (September 2010) regarding TDS²⁶ which stipulated that tax should be deducted at source @ 10 per cent, if the amount of interest exceeds ₹ 10,000 in a financial year. TDS is not to be deducted if the payee up to the age of 65 years gives declaration in Form 15-G²⁷ that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be NIL. In case of senior citizens of the age of 65 years or above age, declaration should be in Form 15-H. No Surcharge or Education Cess and Secondary Education Cess is to be deducted.

Audit found that in six HO/SOs of three circles, TDS of ₹ 13,29,455 in respect of 365 depositors was not deducted from SCSS accounts though the depositors had not submitted Form 15G/15H (in duplicate). The details are given in Table-3 below:

Table-3
Details of non-recovery of TDS from SCSS Depositors

Circle	Number of Post Offices	Total number of Accounts involved	Amount of TDS not recovered (₹)
Tamil Nadu	3	348	11,19,356
Kerala	2	16	1,76,349
Karnataka	1	1	33,750
Total	6	365	13,29,455

²⁶ TDS – Tax Deduction at Source

²⁷ Form No. 15G and Form No. 15H are self-declaration forms required to be furnished by the assessee to his banker for nil deduction / lower deduction of TDS (tax deducted at source) on interest on deposit

DoP accepted the audit observation and stated (October 2014) that instructions were issued (September 2014) to the Circles reiterating the guidelines in this regard.

Though DoP accepted the lapse, the fact remains that it was the responsibility of the Postmasters to deduct TDS from the accounts of depositors, who had not submitted Form 15-G or Form 15-H. By not deducting and depositing the TDS, the concerned Postmasters are liable to be penalised by the Income Tax Department as per the relevant provisions under Income Tax Act. This lapse on the part of concerned postmasters resulted in non-deduction of TDS of ₹ 13.29 lakh. It is recommended that DoP may evolve a system to ensure the compliance of deduction of TDS, if Form 15-G and Form 15-H are not submitted by the depositors.

(iii) Non-preservation of Depositor Applications Forms

Rule 21(1) of POSB Manual, Volume-I, provides that the application forms containing specimen signatures shall be kept in guard files. The signature in the application form should be used to check the signature on the application for withdrawal or transfer of the account. The signatures are also required to be scanned and stored in Sanchay Post software. Manual preservation of specimen signatures was also mandatory.

Audit observed that in 10 Post Offices of five Postal Circles, the original application forms for 1,060 depositors were not available for verification as given below in Table-4:

Table-4
Details of non-availability of depositor application forms

Circle	Number of Post Offices	Number of deposits checked	Total number of deposits without application form
Andhra Pradesh	4	1,37,032	865
Tamil Nadu	2	244	145
Kerala	2	44	21
Karnataka	1	24	16
Delhi	1	16	13
Total	10	1,37,360	1,060

Further on a test check in two HPOs of Andhra Pradesh Postal Circle, it was observed that specimen signature in respect of 96 depositors were not available in the database of Sanchay Post. The original application forms with the signature of deposit holders were also not available in the Post Offices.

DoP accepted the audit observation and stated (October 2014) that the availability of scanned signatures was being monitored now. It was further stated that these inconsistencies are being attended while migrating to CBS.

Though DoP confirms the system failure, the fact remains that in case the original application itself was not available in the post office and specimen signatures were not available, there are risks of the amount being paid to a third person or the frauds may take place by taking advantage of the non-availability of original details of the depositor. Thus, DoP should ensure that application forms containing specimen signatures are kept in safe custody.

(iv) Operating the accounts without names of the depositors

As per Rule 23 of POSB Volume-I, a customer while opening an account is required to fill his name, address etc in the prescribed application form. Post Master should verify whether all the columns available on the application form were properly filled in by the depositor. After verification, the details along with specimen signature of the depositor have to be fed into Sanchay Post database and are important for identification of the customer.

An analysis of data of Sanchay Post Database by Audit during July 2013 to September 2013, in 11 HO/SOs of six Postal Circles, revealed that the name and address field were filled with junk data in 773 accounts. The name of the account holder was recorded as 'POSTMASTER' 'sdfdsf' or 'xyz'. These instances indicate that the concerned Postmasters were opening and authenticating the accounts without ascertaining the actual name and address of the depositor, in violation of the guidelines of Reserve Bank of India regarding 'Know Your Customers'²⁸ (KYC). Hence, the objective of the KYC guidelines, to prevent POs being used by the criminal elements for money laundering, is defeated. The details are given in Table-5 below:

Table-5
Details of accounts operating with junk data

	Circle	Number of Post offices	Number of Accounts checked	Number of Accounts having junk data
1	Andhra Pradesh	3	37,481	708
2	Delhi	1	145	7
3	Karnataka	1	32	3
4	Kerala	2	44	5
5	Maharashtra	1	145	44
6	Tamil Nadu	3	315	6
	Total	11	38,162	773

²⁸ This is used for customer identification process which involves reasonable efforts to determine true identity and beneficial ownership of accounts, source of fund, the natures of customers business, reasonableness of operations in the account in relation to the customers' business etc.

DoP accepted the audit observation and stated (October 2014) that prior to rollout of CBS in Post Offices in phased manner, the data would be cleansed and it would not be possible to open and operate accounts without names and addresses of the depositors.

The contention of DoP that prior to rollout of CBS in Post Offices in phased manner, the data would be cleansed is not acceptable as till the time CBS is rolled out, acceptance of junk data and the approval of postmasters to open such accounts cannot be accepted. Further, similar exercise may be done for other offices and KYC guidelines should be implemented without any exception for all the account holders in all the POs.

3.2.1.3 Problems or errors caused due to non-availability of unique id for account holders

(i) Opening of more than one savings bank account by the same depositor in the same post office

POSB Rule²⁹ stipulates that single accounts can be opened by an adult or a minor or on behalf of a minor or a person of unsound mind by a guardian. Joint accounts can be opened by two or three adults to be operated by them (a) jointly or by the survivors/survivor which is called Joint-A type account (b) either of them/any of them or either of the survivors or survivor which is called Joint-B type account. Any number of the accounts can be opened by the depositor(s) but not more than one single and one joint account can be opened in each post office.

On a scrutiny of the SB Accounts in Sanchay Post Package for the years 2010-11 to 2012-13, it was noticed that in nine HOs/SOs under four Circles out of the 43 selected HOs/SOs, 31 depositors opened more than one SB Account in the same post office. The details are given in Table-6 below:

Table-6
Details of opening of more than one SB account by the same depositor in the same post office

	Circle	Number of Post offices	Number of depositors opened more than one SB account
1	Andhra Pradesh	3	21
2	Bihar	2	2
3	Tamil Nadu	3	4
4	Punjab	1	4
	Total	9	31

²⁹ Rule 20 (I) of POSB Manual Vol.I,

Thus, inadequacies in the software and omission on the part of concerned Postmaster in verifying the details of account holders resulted in opening of duplicate accounts in the same post office in contravention of rules.

DoP accepted the audit observation and stated (October 2014) that there is no customer id in Sanchay Post database and opening of more than one SB account by the same person is possible. It was further replied that after rollout of CBS in all Post Offices in a phased manner, no individual would be in a position to maintain two SB accounts in the same Post Office.

DoP may instruct the Circles to weed out duplicate account in time bound manner in all the POs after verifying the accounts.

(ii) Irregular opening/acceptance of subscription in PPF accounts resulting in irregular payment of interest

Rule 150 (iii) of POSB Manual Volume-I stipulate that an individual may subscribe to the Public Provident Fund (PPF) scheme on his/her own behalf or on behalf of a minor of whom he/she is a guardian, which should not exceed ₹ 70,000³⁰ in a year in all accounts taken together. The contribution in excess of limit was to be refunded to the subscriber without any interest. In August 1992, MoF directed that a subscriber may, on the expiry of 15 years from the end of the year in which the initial subscription was made but before the expiry of one year thereafter, may exercise an option that he would continue to subscribe for a further period of five years, failing which these deposits will be treated as irregular deposits and will not carry any interest. DoP in December 2010 stipulated that PPF accounts opened in the name of Hindu Undivided Family (HUF) prior to 13 May 2005 cannot be extended after maturity and no deposit can be accepted in such accounts after maturity. It was further stipulated that PPF account opened in the name of HUF prior to 13 May 2005 which have already matured but not yet closed shall be closed on 31 March 2011 after which no further interest was admissible.

Test check of records in 67 Post Offices for the period from March 2010 to March 2013 in 13 circles, revealed that, deposits were made by subscribers beyond the prescribed limit; after maturity in HUF accounts and after maturity without proper extension which resulted in irregular payment of interest of ₹ 5.72 crore during 2010-11 to 2012-13 on these PPF accounts. These irregularities remained undetected by the PPF authorities until pointed out by Audit. The details are furnished in **Annexure-X**.

³⁰ Enhanced to ₹ 1,00,000 with effect from 1 December 2011 vide SB Order No.24/2011 dated 24 November 2011

On this being pointed out by Audit, DoP while accepting the audit observation stated (October 2014) that as there is no customer-id in Sanchay Post database, considering the maximum prescribed limit for PPF accounts standing in one's name and in minor's name with the same person as guardian is not possible in Sanchay Post. It was further stated that the Circles have already been directed for recovery of the excess paid interest. DoP also stated that after rollout of CBS in all Post Offices in phased manner such discrepancies would not occur.

The reply of DoP is not tenable as Audit comment on the irregular opening/acceptance of subscription in PPF accounts is based on the analysis of data/records maintained in the post offices, which was provided to Audit. This indicates that the Post Offices did not carry out due diligence and enforce the checks with regard to irregular payment of interest which was within their domain of work. Further, internal audit wing of DoP should have been vigilant enough to point out such irregularities in future.

(iii) Acceptance of Monthly Income Scheme (MIS) deposits in excess of prescribed limits and allowing of interest thereon.

DoP circulated MoF instructions (September 2007) which stipulated that an individual can open a Monthly Income Scheme (MIS) account with multiples of ₹ 1,500. The maximum investment limit is ₹ 4.50 lakhs in single account and ₹ 9.00 lakhs in joint account. Further, if an account is opened through an authorised agent, a commission is also paid to the agent for opening and subsequent deposit into the account.

As per Rule 168(6) of POSB Manual Volume-I, if a depositor has made an excess investment beyond the prescribed limit in MIS Scheme, the excess deposit beyond the prescribed limit will be refunded at POSB rate of interest to the depositor. The interest already paid on the excess amount will be recovered/ adjusted from the amount refunded. The commission paid to the agent on the excess investment will also be recovered.

A test check of MIS accounts in 17 HOs/SOs, in seven Postal Circles, revealed that the depositors made excess deposits amounting to ₹ 3.29 crore and excess payment of interest of ₹ 26.63 lakh in 105 number of cases was paid by these Post Offices. Further, these accounts were opened through authorized agents, as such commission to the extent of ₹ 89,851 was also to be recovered from the agents. The details of excess paid interest are given in Table-7 below:

Table-7
Details of acceptance of MIS deposits in excess of prescribed limits and allowing of interest there on

	Circle	Number of Post offices	Number of cases	Amount of excess paid interest (₹)
1	Andhra Pradesh	6	32	525020
2	Tamil Nadu	1	2	26438
3	Karnataka	1	1	6442
4	Maharashtra	3	23	598778
5	Odisha	1	4	35095
6	Bihar	4	41	1294172
7	Punjab	1	2	177125
	Total	17	105	2663070

DoP while agreeing to the Audit observation stated (October 2014) that the circles have already been directed to recover the excess paid interest. It was further replied that after rollout of CBS in all Post Offices in phased manner such discrepancies would not occur.

Though DoP accepted the audit comments, however there is an urgent need to incorporate necessary IT or manual control (if IT control is not feasible) so that excess deposits as well as irregular interest thereon is not allowed to be credited into depositors account. Further DoP may take steps to identify such lapses in all other POs and ensure that excess interest and the commission, on the deposits beyond prescribed limit, may be recovered from the concerned depositors and agents respectively. DoP may also ensure that these lapses do not recur even prior to rollout of CBS in all Post Offices.

3.2.1.4 Delay in delivery of Electronic transmission of money order (eMOs)

eMO facilitates transmission of Money Orders electronically among connected post offices (HOs and SOs) registered as eMO offices. The eMO network reduces the need for physical transmission of Money Orders and the objective of the system is to ensure that MOs get paid within a day of booking. In the manual system correctness of the PIN Code was not critical. However, in the eMO system, the transmission is entirely dependent on the correctness of the PIN Code.

During Audit in 12 HOs/GPO³¹ under six circles, delay in delivery was observed in 56,258 eMOs out of which 54,185 (96 per cent) eMOs were due to incorrect PIN Code. It is the responsibility of Postal Assistant to select the correct PIN code of the payment office irrespective of whether it is eMO office or not.

³¹ Kerala - Thrissur-HO, Ernakulam-HO; Andhra Pradesh - Kadapa-HO, Kurnool-HO; Bihar - Motihari-HO; Tamil Nadu - St.Thomas Mount-HO, Trichy-HO, Sri Rangam-HO, Vellore-HO; Delhi - New Delhi-HO; Maharashtra - Mumbai-GPO and Mahim-HO

DoP accepted the audit observation and stated (October 2014) that instructions were issued (September 2014) to the Circles reiterating the guidelines in this regard.

Conclusion

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. As pointed out in this report, the assurances given by DoP in their Action taken Report for the Performance Audit Report No.1 of 2006 of C&AG on Sanchay Post on various parameters, were not fully realised.

The database has not been secured and its present position 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.

DoP needs to urgently address these inadequacies and ensure that Core Banking Solutions that it intends to implement in the near future addresses these system shortcomings. In the meantime, the manual controls should be strengthened to prevent any irregular payment of interest and commission to the depositors and agent respectively. Further, DoP may carry out such exercise across all the POs for identification of similar cases so as to draw assurances from the senior management that Government money has not been paid irregularly.

3.3 Excess claim of remuneration amounting to ₹ 63.88 crore

In Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Tamil Nadu Postal Circles, MSY accounts were treated as live accounts in violation of instructions issued by DoP Directorate and remuneration of ₹ 63.88 crore was claimed on these MSY accounts from the Ministry of Finance

Government of India introduced (September 1993) a scheme called Mahila Samridhhi Yojana (MSY) to encourage savings among rural women in the country. The Scheme came into effect from 1 October 1993. Under this scheme, incentives were paid to rural women who opened and operated Mahila Samridhhi Accounts in Post Offices.

Subsequently, Government of India discontinued this scheme and merged it with the "Swayamsidha" Scheme with effect from July 2001. The existing MSY account holders were given an option to convert their accounts into Saving Bank (SB) Accounts with Post Offices. However, this option was not exercised by a number of MSY account holders, and a large number of MSY accounts continued to exist in the books of Post Offices. Department of Posts (DoP) issued (April 2011) instructions to all Heads of Circles to close these accounts by charging prescribed service charge. DoP is paid remuneration from Ministry of Finance (MoF) for live SB accounts as per rates prescribed by the MoF.

Audit scrutiny (June 2013 to August 2014) of records of Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Tamil Nadu Postal Circles revealed that instead of complying with April 2011 instructions, these Circles continued to treat MSY accounts as live SB accounts and accordingly claimed remuneration of ₹ 63.88 crore from MoF for 2011-12 to 2013-14 as shown in the **Annexure-XI**. Further it was found that Directorate of DoP had failed to monitor the closure or conversion of the MSY accounts since July 2001.

On this being pointed out by Audit (July 2014), DoP took up the matter (September 2014) with the MoF wherein it was stated that Postal Circles had been addressed to reconcile their SB live accounts figures for the last three financial years and excess claim, if any, would be adjusted in the claim to be preferred by DoP from MoF for the year 2014-15.

The fact remains that the circles failed to comply with the instructions issued by DoP in April 2011 to close all MSY accounts and continued to treat these accounts as live SB accounts for the purpose of claiming remuneration. DoP also did not keep a watch over the closure of MSY accounts and claimed remuneration of ₹ 63.88 crore at SB rates for these ineligible accounts without verifying the information provided by the Circles.

It is, therefore, imperative that DoP Directorate before claiming the remuneration from MoF should ensure that the remuneration is being claimed correctly and no remuneration is being claimed on those accounts which were to be closed.

3.4 Failure to raise claim against other departments

Department of Post initially failed to raise claim ₹ 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

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**

The payment of pension/family pension to pensioners/family pensioners of other departments is made through Head Post Offices (HPOs) and Sub Post Offices (SPOs). HPOs are required to send monthly cash account along with relevant payment schedules to the Circle Accounts Office to affect recovery from the Department/Undertakings concerned.

Audit scrutiny (April 2013) of records of General Manager, Postal Accounts and Finance (GM (PAF)) West Bengal Postal Circle, Kolkata revealed that claims were not raised against Railways, Telecom and EPF Organisation for pension payment of ₹ 13.02 crore (**Annexure-XII**) through 22 HPOs/POs during the period from 1989-90 to 2012-13.

On this being pointed out by Audit, DoP while agreeing to the facts stated (August 2014) that an amount of ₹ 9.87 crore had been adjusted/claimed and the efforts were being made to recover the remaining amount. Further, DoP also directed all Postal Accounts Offices to streamline the system of timely raising of claims by writing/pursuing with the HPOs under their account jurisdiction.

- **Non-realisation of service tax from UIDAI on speed post charges**

DoP entered into a Memorandum of Understanding (MoU) with the Unique Identification Authority of India (UIDAI) in April 2010 for delivery of Aadhaar Cards through Speed Post across the country. The agreement was valid for two years. However, after the expiry of MoU, in April 2012, DoP continued to provide service for booking, transmission and delivery of Aadhaar letters at a mutually agreed rate of ₹ 20 per Aadhaar letter up to 50 grams.

DoP revised (September 2012) the speed post tariff from 01 October 2012 whereby charges for articles up to 50 grams were revised to ₹ 35 excluding Service Tax which was also applicable for Aadhaar letters. However, DoP decided to charge at a uniform special rate of ₹ 20 plus service tax per Aadhaar letter posted as speed post item from October 2012 weighing up to 50 grams.

Audit scrutiny of records (January 2013) in Andhra Pradesh Postal Circle, Hyderabad revealed that the billing for delivery of Aadhaar letters as speed post during November and December 2012 was made at a rate of ₹ 20 per article and no service tax as prescribed were charged from the UIDAI. This lapse on the part of postal authorities in Andhra Pradesh Circle resulted in non-realisation of service tax of ₹ 1.17 crore as detailed in Table-1 below:

Table-1

Month	Rate of Speed Post (₹)	Service Tax @12.36% (₹)	Total rate to be charged (₹)	Actual rate charged (₹)	Short Billing per article (₹)	Number of articles booked in the month	Short Billed amount (₹ in lakh)
November 2012	20	2.47	22.47	20	2.47	5,88,456	14.53
December 2012	20	2.47	22.47	20	2.47	41,56,814	102.67
Total						47,45,270	117.20

On this being pointed out (January 2013) by Audit, it was replied (June 2014) by the Assistant Postmaster General (FS&BD), Office of the Chief Post Master General, Hyderabad that the entire amount of ₹ 1.17 crore had been recovered from UIDAI, New Delhi.

• **Non-realisation of service charges for disbursement of social security pension**

Government of Andhra Pradesh (GoAP) entered into a MoU with DoP in June 2009 for disbursement of National Rural Employment Guarantee Scheme (NREGS) wages. In order to have an electronic and effective mode of payment mechanism for disbursement of Social Security Pensions (SSP) i.e. the old age pensions, widow pensions and disabled pension, the MoU was subsequently amended in March 2011 to include disbursement of SSP. The amendment of March 2011 in MoU stipulated that GoAP would pay service charges @ 1.25 per cent and 0.6 per cent to DoP for disbursement of pension through Post Offices and Post Office franchisees³² respectively.

Audit scrutiny of records (September 2013) of Chief Postmaster General, Andhra Pradesh Circle, Hyderabad revealed that though ₹ 112.24 crore was disbursed towards pension under two Postal Regions³³ comprising five Postal Divisions during January 2013 to June 2013 service charges @ 1.25 per cent and 0.6 per cent respectively were not realised from GoAP. This lapse resulted in non-realization of service charges to the extent of ₹ 1.18 crore by AP Postal Circle as indicated in the Table-2 given below:

³² The franchisees would be one of Self Help Group members of the village as selected officials of Rural Development Department of Government of Andhra Pradesh

³³ Hyderabad and Kurnool

Table-2

(₹ in lakh)

Name of Division	Period during which pension disbursed	Pension Disbursed through		Service charge due for		Total Col. (5) + Col. (6)
		Post offices	Franchisee	Post offices @1.25%	Franchisee @ 0.6%	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Chittoor	March 13 to June 13	1,051.12	352.11	13.13	2.11	15.24
Tirupati	February 13 to June 13	1,013.86	406.33	12.67	2.43	15.10
Nalgonda	January 13 to June 13	1,862.81	573.48	23.28	3.44	26.72
Nizamabad	January 13 to June 13	1,924.90	1,641.85	24.06	9.85	33.91
Suryapet	January 13 to June 13	1,896.57	501.33	23.70	3.00	26.70
Total		7,749.26	3,475.09	96.84	20.83	117.67

DoP in its reply stated (September 2014) that since July 2013, administrative process in Andhra Pradesh was hampered due to Telangana bifurcation on account of which there was a delay in release of service charges by the State Govt. It was also stated that entire dues as pointed out by Audit were recovered from State Government by March 2014.

Thus due to lack of effective action by DoP an amount of ₹ 15.37 crore was not claimed for services provided to other departments. However, after being pointed out by Audit, an amount of ₹ 12.22 crore was recovered/claimed. DoP may examine pension claims as well as service charges and service taxes to be collected from other government organizations across all the postal circles and take effective measures to recover the outstanding claims.

3.5 Non-availing of discount of ₹ 91.37 lakh for telephone services and broadband internet connections

Failure to take timely follow up action by Postal Regions/Divisions on instructions of Postal Directorate resulted in non-availing of discount of ₹ 91.37 lakh on telephone/broad band internet bills from BSNL.

Department of Posts (DoP) entered into a Memorandum of Understanding (MoU) with M/s Bharat Sanchar Nigam Limited (BSNL) in December 2006, for provision of telecom services³⁴ to DoP. A special package was extended by BSNL to DoP, in May 2008, which included waiver of installation charges and security deposit, free internet, besides allowing

³⁴ Voice telephone, broadband etc.

discount³⁵ for land line telephone charges, if combined monthly bill amount for the telephone connections in a Secondary Switching Area exceeded ₹ 1 lakh in a month. In addition, a flat discount of 10 *per cent* for all broad band connections was also extended. Accordingly, Postal Directorate instructed (May 2008) to all Heads of Circles to take full advantage of the above package and to avail the same, in pursuance of MoU signed between BSNL and DoP for various telecom services.

Audit scrutiny of records (March 2013 to May 2014) revealed that Post Masters General (PMsG) /Senior Superintendents of Post Offices (SSPOs) of nine³⁶ regions/divisions in six Postal Circles failed to take up timely follow up action on the instructions issued by the Postal Directorate which resulted in non-availing of discount (May 2008 to April 2014) to the extent of ₹ 73.72 lakh for telephone connections for which bills exceeded ₹ 1 lakh and ₹ 17.65 lakh for broadband connections as detailed in **Annexure-XIII**. DoP also failed to monitor the follow up action taken by the Circles on the matter.

On this being pointed out by Audit ((March 2013 to May 2014), the PMsG Central, Southern and Western regions Tamil Nadu Circle and SSPO Jalandhar in Punjab Circle while accepting the audit observation stated that matter would be taken up with BSNL to avail discount. The SSPO Patiala, Ambala and Jammu stated that no discount was availed as no MoU was received in their offices. The CPMG, Andhra Pradesh Circle replied that centralized billing was not done in order to keep a watch over the expenditure. SSPO Jaipur, Rajasthan Circle replied that matter has been taken up with Circle Office for taking up the case with BSNL to avail the discount.

Thus lapses on the part of these circles to keep a track of the instructions issued by DoP resulted in non-availing of discount to the extent of ₹ 91.37 lakh from BSNL. The above instances also indicate failure of internal control and monitoring mechanism at Circle and Directorate level. Therefore, DoP needs to review such lapses across all the postal circles and ensure that discount offered by BSNL on various services is availed by the respective postal circles.

The matter was referred to DoP in July 2014. Reply was awaited as of October 2014.

³⁵ Bills between ₹ 1 and 2 lakh – 5*per cent* and above ₹ 2 lakh – 10*per cent*

³⁶ Southern Tamil Nadu, Western Tamil Nadu, Central Tamil Nadu, Hyderabad, Jaipur, Jalandhar, Patiala, Ambala, Jammu.

3.6 Excess retention of cash balance

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.

However, despite the assurance given by DoP as mentioned above, the deficiency continued to persist. Audit scrutiny (July 2013 to June 2014) of records in 25 Post Offices³⁷ in nine Postal Circles³⁸ revealed that cash balances retained by these Post Offices were abnormally in excess of the prescribed limit (**Annexure-XIV**) and the excess cash was not remitted to Bank. It was further observed that on a number of occasions, though opening cash balance itself was sufficient to meet day's requirements, heavy cash was drawn from Bank which also contributed to retention of cash beyond the prescribed limits. Further, the weekly statement of cash balance, which was an important tool for monitoring retention of excess cash in post offices, was also not being sent to Divisional/Circle Offices regularly by 12 Post Offices out of 25.

³⁷ Bengaluru, Basavanagudi, R.T. Nagar, HAL, Jaynagar, R Nagar, Jalahalli, Nagpur, Mumbai, Ludhiana, Jalandhar, Jammu, Ambala Cantt, Shimla, Jehanabad, Gopalganj, Lucknow, Chowk Lucknow, Faizabad, Jhansi, Chennai, Virudhachalam, Periakulam, Kallakurichi and Tirupattur

³⁸ Karnataka, Maharashtra, Punjab, Jammu and Kashmir, Haryana, Himachal Pradesh, Bihar, Uttar Pradesh and Tamil Nadu

On this being pointed out by Audit, all the nine Circles stated that since the cash was received from Sub Offices (SOs) after closing hours of the bank, excess cash was retained in the HPOs. It was also stated that in case of bank holiday or strike in bank on any day, cash was to be withdrawn on previous day and excess cash was retained to meet the requirement of Sub Offices during early hours. It was stated by GPO Nagpur that statement of balances was not sent to higher authorities due to heavy receipt of cash from Sub Offices and counters.

The replies of the Postal Circles are general in nature and do not justify retention of cash abnormally in excess of the prescribed limits on regular basis. It also indicates that cash management was not planned properly and no action was taken to assess the requirements of cash on day to day basis.

Further, DoP in their ATN to Para 2.7.1.2 of Report No.1 of 2007 had also stated that the issue of cheques at Sub Office level was also taken up to facilitate issue of cheques instead of cash at SOs and any payment of more than ₹ 20,000 was compulsorily to be made through cheque.

Thus, had these steps been taken in totality, excess retention of cash could have been minimized. Moreover, retention of excess cash is also fraught with the risk of misappropriation of Government money or theft due to inadequate security arrangements as is evident from instances given below:

- Embezzlement of ₹ 40 lakh kept in unembedded chest in HPO, Jalandhar in November 2008;
- An amount ₹ 24.67 lakh was burgled in September 2007 in HPO Jaunpur due to inadequate security arrangements.

Thus, failure of Post Offices to comply with codal provisions resulted into unwarranted retention of cash balance abnormally in excess of prescribed limit. Further, because of weak internal control system in Divisional/Circle Office, cash retained in excess of the prescribed limit went unnoticed and no investigation was carried out for retention of excess cash by the Divisional/Circle Offices. Besides, DoP failed to evolve a mechanism for proper cash management despite assurance given by them.

The matter was referred to DoP in July 2014. Reply was awaited as of October 2014.