CHAPTER-III

DEPARTMENT OF POSTS

3.1 Management of Investment of Fund of Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI)

Management of fund of PLI and RPLI suffered from deficiencies like incorrect assessment of investable funds on daily net accretion basis and also monthly investable fund basis. The delay in Investment resulted in loss of potential return to the tune of ₹ 984 crore. Delay in reinvestment of returns from Government of India Special Security Floating Rate Bond (GOISSFRB), non-adherence to Insurance Regulatory and Development Authority (Investment) Regulations and instances of non-availing of Cenvat credit were also noticed.

3.1.1 Introduction

The Postal Life Insurance (PLI) Scheme was started in 1884 as a welfare measure for the employees of Post and Telegraph Department. The schemes was extended to the employees of all Central and State Government Departments, Nationalized Banks, Public Sector Undertakings, Financial Institutions, Local Bodies and Educational Institutions aided by the Government etc. In March 1995, the benefits of PLI were extended to rural population of the country under the banner of Rural Postal Life Insurance (RPLI). Both PLI scheme and RPLI scheme form part of Public Account and are operated through Post Office Life Insurance Fund (POLIF) and Rural Post Office Life Insurance Fund (RPOLIF) respectively.

These funds were placed at the disposal of the Ministry of Finance (MoF) and they earned interest at par with special deposit scheme as decided by MoF from time to time[1]. MoF in October 2006 decided that the PLI and RPLI funds should be invested as per the Insurance Regulatory and Development Authority (IRDA) regulations. This proposal was approved by the Cabinet in December 2007 and accordingly an accumulated balance of ₹ 20,894 crore (POLIF: ₹ 15,345 crore and RPOLIF: ₹ 5,549 crore) was declared as frozen as on 31 October 2009. The fund was invested in the Government of India Special Security Floating Rate Bond (GOISSFRB) in three phases i.e. ₹ 7,000 crore each on 31 March 2011 and 30 March 2012 and balance ₹ 6,894 crore in 28 March 2013. The investment activities began with effect from November 2009 with the assistance of two fund managers viz. SBI Fund Management Private Limited (SBIFMPL) and UTI Asset Management Company Limited (UTIAMCL).

[1] Till finalisation of conversion of funds to Government of India Special Security Floating Rate Bond (GOISSFRB), which was completed on 28 March 2013 in phased manner.

Year-wise breakup of premium realised on PLI/RPLI policies and Investment made during the years from 2009-10 to 2014-15 is shown in Table-1 below:

Table-1

Premium realised and Investment in respect of POLIF and RPOLIF

(₹ in crore)

Year	Premium realised		Investment	
	POLIF	RPOLIF	POLIF	RPOLIF
2009-10[2]	2,415.21	1,357.71	331.04	482.27
2010-11	3,006.24	1,111.53	2,021.93	1,384.99
2011-12	3,684.06	1,554.81	3,967.44	1,877.61
2012-13	4,558.39	1,696.02	3,465.13	2,088.79
2013-14	5,351.89	1,960.38	6,511.67	2,642.69
2014-15	5,967.21	1,984.32	7,477.81	2,252.22
Total	**24,983.00**	**9,664.77**	**23,775.02**	**10,728.57**

(Source: Financial Review Report of POLF & RPOLIF for the years 2009-10 to 2014-15)

3.1.2 Scope of Audit

The audit of Management of Investment of Insurance Fund of PLI and RPLI was conducted during January and February 2016 covering the period from 2009-10 to 2014-15. Eleven Postal Circles[3], comprising of 56 Head Post Offices were selected for scrutiny. Besides, relevant documents were also seen in Circle PLI offices, Circle Postal Accounts Offices, Director PLI (DPLI) Kolkata, PLI Directorate, New Delhi and Investment Division (ID) Mumbai.

3.1.3 Audit Findings

Audit was conducted with the objective that the Insurance funds were effectively and efficiently collected, accounted and invested as per applicable rules and regulations[4]. The audit findings relating to Management of Investment of Fund of PLI and RPLI highlighted the significant deficiencies and instances of weak and ineffective control which are discussed below:

3.1.3.1 Investment of Daily Net Accretion

Daily Net Accretion is derived from the difference between all PLI/RPLI Receipts consisting of Insurance Premium, Loan refunds, Interest on Loan and other

[2] Investment activities commenced only from November 2009.

[3] Andhra Pradesh (10 HO), Delhi (1 HO) Gujarat (3 HO), Haryana (2 HO), Punjab (2 HO) Karnataka (6 HO), Kerala (5 HO), Maharashtra (6 HO), Tamil Nadu (9 HO), Uttar Pradesh (7 HO) and West Bengal (5 HO).

[4] Such as Postal Accounts Manual, Post Office Insurance Fund (Custody and Investment) Regulations 2010, IRDA Regulations.

miscellaneous items like Fees, Conversion Charges Penalty etc. and all PLI/RPLI Payments arising out due to Closure of Policy on account of Maturity/Death/Surrender/Paid up Policy, Disbursement of Loans, Refund of Premium, Rebate allowed and Medical Fees paid etc. in postal network across the country on a day. The daily net accretion figure is uploaded offline to NIC System by the HPOs and National Level Fund Flow Statement is generated on the basis of these receipts/payments data. Fund flow statement is downloaded next day by DPLI, Kolkata and Net Accretion amount so arrived at is communicated to PLI Directorate which in turn instructs Investment Division to invest the amount in the market through the fund managers on daily basis.

(a) Delay in Investment of Daily Net Accretion generated through McCamish

McCamish system was introduced (February 2014) to improve accounting and generation of net accretion of fund on online mode. The existing NIC system was migrated to McCamish system in phased manner. The NIC system of respective HPOs was completely closed down before it was migrated to McCamish. The daily net accretion of fund was either generated through McCamish system (for HPOs migrated to McCamish) or through NIC system (for HPOs not migrated to McCamish).

On examination of records at DPLI, Kolkata it was observed that the data generated through McCamish was not being considered for investment of daily net accretion though the first HPO had migrated on 10 February 2014. DPLI, Kolkata considered the McCamish data of daily net accretion from 17 February 2015 only. However the amount generated through McCamish was being consolidated while calculating the Monthly Investable surplus thereby resulting into delay in investment of daily net accretion under the McCamish system for the period February 2014 to February 2015 amounting to ₹ 72.50 crore (PLI: ₹ 64.27 crore and RPLI: ₹ 8.23 crore) as detailed in **Annexure-I**.

Ministry replied (July 2016) that only the pilot of Core Insurance Solution was rolled at that time as all the modules were not working and Daily Net Accretion was one of the modules that was not working. It further added that Daily Net Accretion module started working in February 2015 only.

Audit is of the view that as the Daily Net Accretion module of McCamish system began working from February 2015, the NIC System should not have been closed in respect of the HPOs migrated to McCamish, and both the systems should have run in parallel till the Daily Net Accretion module started working.

(b) Wrong uploading of receipts and payments by HPOs resulted in incorrect computation of daily net accretion for investment

The receipts and payments figures, as uploaded by HPOs in any of the system (NIC or McCamish) on daily basis, should match with Cash Account[5] figures prepared by the HPOs.

Scrutiny of records as uploaded in NIC system and cash accounts maintained in selected 56 HPOs for selected three months[6] during the period 2012-13 to 2014-15, it was noticed that receipts/payments figures of daily cash accounts statements of the selected HPOs did not match with the figures uploaded by the respective HPOs in the system. Summary of HPOs wherein detail of mismatch of data in number of days in a month and the amount affected during the selected months is furnished in Table-2 below:-

Table-2

Summary of HPOs wherein Mismatch of data in number of days and amount affected thereof as uploaded in system vis-à-vis daily cash account

(₹ in crore)

SelectedMonth	**Range =>**	**Mismatch of data in number of days.**					**Total Amount**
		01-10 Days	**11-20 Days**	**> 20 Days**	**Total**	**Amount[7]**	
June 2012	PLI	13	19	22	**54**	9.24	11.75
	RPLI	27	17	10	**54**	2.51	
September 2013	PLI	13	25	17	**55**	10.85	14.92
	RPLI	26	15	12	**53**	4.07	
March 2015	PLI	03	09	41	**53**	16.65	23.84
	RPLI	08	18	25	**51**	7.19	

(Source: - NIC data from system & Cash Account data from selected HPOs)

From the table it is evident that out of test check of 56 HPOs, mismatch of figures was noticed in 51 to 55 HPOs, which lead to under or over investment of fund resulting in either Insurance fund lying un-utilised or the Government's fund (other than PLI/RPLI) being utilised imprudently. The mismatch has an impact of ₹ 11.75 crore, ₹ 14.92 crore and ₹ 23.84 crore on the investment in the months of June 2012, September 2013 and March 2015 respectively.

On this being pointed out by Audit, Ministry replied (July 2016) that due to inadvertent wrong uploading of receipts/payments figures and non-furnishing of figures on time by concerned Post offices, there was a mismatch between the

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[5] Daily Cash Account statements are prepared by respective HPOs based on daily cash transactions.

[6] June, 2012, September, 2013 and March, 2015.

[7] The amount reflects the sum total of differences between amount uploaded and amount reflected in cash book.

uploaded figures and cash accounts figures. It was also stated that the net accretion as per uploaded figures has been invested on daily basis and non-uploaded figure included in Cash Account had been invested through monthly investable surplus statement. As such there was no over or under investment and the amount has been invested either on daily or monthly basis.

The reply of Ministry confirmed that HPOs failed to follow the instructions of PLI Directorate issued in March 2009 and reiterated in August 2009 regarding uploading of data and its verification thereof to ascertain the daily investible surplus. The investments are made on daily basis and mismatch of figures has an adverse impact on daily investment which may result in either under or over investment. Further this daily mismatch may impact the monthly figures as the deviation would spill over to the successive months.

3.1.3.2 Investment of Monthly Investable Surplus

Monthly Investible surplus is computed by DPLI, Kolkata after compilation of Detail Book (DB) figures of Director of Accounts, Postal {DA (P)} of each Circle, Civil, Defence and Railway Accounts offices as uploaded in *e-lekha*[8] for the month and thereby adjusting the investments already made through daily net accretion of that month. The balance figure so arrived at is further invested.

(a) Non-settlement of suspense accounts resulted in under investment

DA(P) offices receives Cash Accounts from HPOs on monthly basis along with schedules and vouchers in support of receipts and payments and prepare consolidated accounts in DB. The amount of receipts and payments against which schedules/vouchers are not received from HPOs are placed in 'Credit /Debit suspense' accounts. These suspense figures remain unsettled till compliance from HPOs is received. DA (P) finally uploads such DB figure under PLI/RPLI head in *e-lekha*. DPLI Kolkata, while calculating Monthly Investible Surplus, considers such DB figure booked against the receipt and payments of PLI/RPLI. The suspense account figures did not find any place in the computation of Investible surplus despite the fact that gross receipts and payments had already been considered for investment on daily basis.

Scrutiny of DB figures maintained in Postal Accounts Offices of 11 Circles test checked for the period from 2009-10 to 2014-15 revealed that:

- An amount of ₹ 83.70 crore and ₹ 328.54 crore were outstanding as Debit Suspense balance and Credit Suspense balance respectively against 46 HPOs

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8 Web based software providing an electronic payment and accounting information system for the Civil Accounts Organization of the Government of India.

of eight Circles[9] under PLI/RPLI payments and receipts at the end of 31 March 2015.

- DPLI Kolkata considered only the adjusted DB figure booked by DAPs giving no weightage to suspense figures. Such accounting treatment resulted in excess or under investment.

Credit suspense appeared higher meant realised premium had been understated by the quantum of credit suspense. Thus non consideration of credit suspense resulted in under investment of ₹ 244.84 crore as brought out in the Table-3 below:-

Table -3

Year wise debit and credit Suspense amount

(₹ in crore)

Year	Credit Suspense	Debit Suspense	Net Adjustment
2009-10	25.85	2.38	23.48
2010-11	65.26	14.16	51.09
2011-12	35.16	10.69	24.47
2012-13	50.06	17.57	32.48
2013-14	38.55	10.97	27.58
2014-15	113.66	27.93	85.74
Total	**328.54**	**83.70**	**244.84**

(Source: - Data gathered from DA (P) offices of 11 Circles test checked)

Scrutiny further revealed that during the period from 2009-10 to 2014-15, suspense accounts had remained unsettled in DA (P) offices due to non-receipt of schedules/vouchers in support of receipts and payments from respective HPOs.

On this being pointed out by Audit, the Ministry replied (July 2016) that investments were made on daily basis as well as monthly basis on the basis of booked figures. Keeping the receipts and payments under suspense head pending receipt of supporting documents/ vouchers is in conformity with codal provisions.

Ministry should have considered the impact of suspense figure while arriving at monthly investable surplus. Ignoring the suspense account figures in respect of insurance fund resulted in under investment of fund and loss of return on such under invested fund. DoP needs to review their policy with regard to investment of Insurance Fund on Suspense Account figures.

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9 Andhra Pradesh-10 HPOs, Delhi-1 HPO, Gujarat- 3 HPOs, Kerala-5 HPOs, Maharashtra- 6 HPOs, Tamil Nadu- 9 HPOs, Uttar Pradesh- 7 HPOs and West Bengal- 5 HPOs

(b) Delay in investment of premiums collected through cheques against pay deductions cases

DPLI, Kolkata used to receive pay-deducted premiums through cheques from a few Civil and Defence offices having no access to *e-lekha*. To ensure speedy investment of premium amount so collected, PLI Directorate, New Delhi envisaged a process of uploading such premiums on daily basis through NIC System by GPO, Kolkata. It was however noticed that GPO, Kolkata did not adhere to the instructions issued resulting in an avoidable delay in investment.

Scrutiny of records in DPLI, Kolkata and GPO Kolkata revealed that during the period from 2012-13 to 2014-15, a sum of ₹ 213 crore[10] had been received as premium from five offices.[11] The time taken for encashment of cheques in GPO, Kolkata and preparation of Monthly Investable Surplus by DPLI, Kolkata for investment including the time taken by Postal Accounts Office[12], Kolkata for booking activities ranged between 24 days to 54 days in 2012-13, between 13 days to 54 days in 2013-14 and between 21 days to 54 days in 2014-15.

On account of this delay, PLI directorate failed to invest the amount of ₹ 213 crore in time resulting in loss of interest of ₹ 2 crore[13].

Ministry in their reply (July 2016) stated that in order to mitigate delay in accounting of cheques procedure relating to receipt of cheques from organisation which remit premier on PLI policies through cheques has been changed with effect from June 2015 and further stated that changed procedure will bring prompt clearance of cheques.

The reply of Ministry is not acceptable as the loss of interest pointed out was due to non-uploading of amount in NIC System on clearance of Cheques by GPO, Kolkata in violation of the instruction issued by PLI Directorate which resulted in failure to invest the fund at the time of credit into account thereby losing some gain on investment. Even in the revised system only the time taken by DPLI, Kolkata to send cheques to GPO, Kolkata is eliminated but the delay in other activities remains same.

Thus, PLI directorate failed to timely invest ₹ 213 crore and suffered a loss of interest of ₹ 2 crore.

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10 Cheques having value more than Rupees one lakh have been scrutinised.

11 Director of Accounts & Treasuries, Puducherry; AG (A&E) Tamil Nadu, AG (A&E) Kerala; Director of Accounts, Panaji, Goa & PAO Assam Rifles, Shillong.

12 Once the cheque was realised by the GPO, Kolkata, information was sent to Postal Account Office for booking and classification in e-lekha for DPLI, Kolkata to prepare Monthly Investable Surplus.

13 Interest has been worked out applying ROI rate calculated by fund managers.

(c) Delay in Investment of Monthly Investable Surplus resulted in loss of return of ₹ 984 crore

Audit scrutiny of Monthly Investable Surplus records of the period from November 2009 to March 2015 at DPLI, Kolkata revealed that the monthly investable surplus, which was to be invested next day of the compilation (due date being 25th of the subsequent month),was invested with a delay up to two years and more. Delay in investing surplus amount with respect to due date and the resultant loss of return in the case of POLIF is detailed in Table-4 below:-

Table-4

Loss in potential earnings due to delay in investment of Monthly Investable Surplus of POLIF

Delay in investing PLI Monthly Investable Surplus							Amount of loss (in ₹ crore)
Period	Total[14] No. of month	Up to 1 month	>1 month Up to 6 month	>6 month Up to 1 Year	> 1 Year Up to 2 Years	>2Years	
2009-10	5	0	0	5	0	0	88.37
2010-11	11	0	0	3	5	3	146.43
2011-12	11	0	0	0	4	7	183.36
2012-13	12	0	0	0	12	0	215.16
2013-14	11	0	0	0	11	0	217.35
2014-15	11	6	5	0	0	0	16.57
Total	**61**	**6**	**5**	**8**	**32**	**10**	**867.24**

(Source: - Data collected from books of accounts in DPLI, Kolkata office)

- Positive surplus in POLIF in 61 out of 65 months (November 2009 to March 2015) were invested with a delay ranging from 15 days to more than two years as indicated in the above table, which resulted into a loss of potential earnings of ₹ 867 crore[15] on delayed investment of ₹ 8,132 crore.

- Excess investment of ₹ 593 crore made from Government funds in four months[16] was lying unadjusted for 7 to 27 months on which POLIF earned ₹ 46 crore as return on Investment. Since the amount invested did not belong to POLIF, the return earned must be refunded to the Government account.

Similarly delay in investing surplus amount with respect to due date and the resultant loss of return in the case of RPOLIF is detailed in Table-5 below:-

[14] The months where positive investable amount was available, has been considered in the table for both PLI & RPLI.

[15] Return has been worked out applying ROI rate calculated by fund managers.

[16] October 2010, August 2011, March 2014 and March 2015.

Table-5

Loss of potential earnings due to delay in investment of Monthly Investable Surplus of RPOLIF

Delay in investing RPLI Monthly Investable Surplus							Amount of loss of return (₹ in crore)
Period	**Total No. of months**	**Up to 1 month**	**>1 month Up to 6 month**	**>6 month Up to 1 Year**	**> 1 Year Up to 2 Years**	**>2 Years**	
2009- 10	6	0	0	2	3	1	27.86
2010-11	9	0	0	0	0	9	48.71
2011-12	5	0	0	0	0	5	10.11
2012-13	2	0	0	0	2	0	26.90
2013-14	4	0	0	3	1	0	2.26
2014-15	6	2	4	0	0	0	1.58
Total	**32**	**2**	**4**	**5**	**6**	**15**	**117.42**

(Source: - Data collected from books of accounts in DPLI, Kolkata office)

- Positive surplus in RPOLIF in 32 out of 65 months (November 2009 to March 2015) were invested with a delay ranging from six days to more than two year as indicated in the above table, which resulted into loss of return of ₹ 117 crore on delayed investment of ₹ 723 crore.
- Excess investment of ₹ 718 crore was made from government funds in 33 months was lying unadjusted for 5 to 51 months on which RPOLIF earned ₹ 102 crore as return on Investment. Since the amount invested did not belong to RPLI, the return earned must be refunded to the Government account.

On this being pointed out by Audit, Ministry while agreeing to the loss of return stated that monthly investable surplus was derived after obtaining the schedules from various agencies. It was further stated that exercise should be completed by 25th of succeeding month, DPLI cannot do the same in the absence of complete schedules.

Ministry should take up the issue with the Department/Units concerned for electronic submission of schedules and also prepone the cut-off date to avoid delay in investment of surplus fund and resultant loss thereon.

3.1.3.3 Appointment and extension of contracts of Fund Managers and Custodian Bank without any competitive bidding

As approved by Union Cabinet in the meeting held on 13 December 2007 two largest public sector Mutual Funds (SBIFMPL & UTIAMCL) had been appointed, initially for two years, as fund managers for investment of POLIF and RPOLIF in relaxation of provisions of General Financial Rules. Two years term was however extendable on the basis of their performance. In the Cabinet Note, it was envisaged that fee structure of fund managers would be decided mutually and fund managers would also have to professionally manage the fund to ensure return of not less than the existing interest rate of 8 *per cent* without depleting the corpus.

The agreements with SBIFMPL and UTIAMCL were signed by the Department on 6 November 2009 for two years and the investment of POLIF and RPOLIF started from November 2009. Accordingly, a management fees at prescribed rates, as amended from time to time, were payable to the fund managers. On scrutiny of records available at Directorate of PLI, Audit observed the following:

(a) PLI, Directorate, instead of exploring the option to appoint any other fund manager by way of competitive bidding, allowed the fund managers to perform uninterruptedly. Though the management fee was reduced through mutual negotiation, in absence of any competitive bidding, there was no assurance that it was the most economical and competitive offer.

(b) The responsibility of appointing Custodian Bank had been passed on to the fund managers and in terms of such arrangement the charges payable to custodian was directly debitable to the clients account. Thus it was evident that custodian bank related activities right from their selection, appointment, charges payable to them and control over them had been fully vested with the fund managers instead of keeping control by the DoP over it. However the approved Cabinet note only provided for appointment of fund managers. HDFC was selected as Custodian bank by the fund managers in October 2009.

(c) In case of custodian fee also, the charges were reduced with mutual negotiation without exploring the possibility of lesser charges through competitive bidding.

Thus, it may be construed from above that PLI wing of DoP ceded their right to appoint and control the custodian and relied fully on the fund managers. Since the payments to the custodian were borne by the DoP, selection of custodian and deciding on rates and fees without giving recourse to the applicable rules was a gross violation of General Financial Rules.

In reply, Ministry stated (July 2016) the following:

- Appointment of Fund Managers (FMs) was not close ended. So far there was no cause to doubt their performance. Considering the highly technical nature of the work done, evaluation process and roll over to new fund managers, it was proposed that the process should be done with a consultant on board and the matter was under consideration.
- Provisions of GFR, perhaps were required to be followed in the case of appointment of custodian by department directly, which was not the case and hence there appears no violation of GFR in appointment of Custodian by Fund Managers.

The reply is not acceptable in view of the following:

- The appointment of FM was close ended as FM was nominated for initial period of two years by relaxing GFR provisions. Further, Ministry did not devise any benchmark to evaluate the performance of the FM and GFR provisions were not followed after two year. Though more than six years have elapsed the Ministry could not even appoint any consultant to evaluate the process and roll over to new FMs. Ministry has conveniently interpreted continuance of FM by quoting from Cabinet Note.
- Provisions of GFR are not only applicable to appointment of Custodian but also for all the issues where Government expenditure is involved.

3.1.3.4 Investment division activities

In terms of Gazette Notification published in May 2008, Investment Board (IB) was constituted as the apex body for the purpose of laying down the policy guidelines and investment strategy that will set the framework for the day to day decisions on investments. Member (PLI) of the Postal Services Board function as the Chairman of the Investment Board with three Financial Experts drawn from outside. The Chief Investment Officer (CIO) shall function as Convener Member of the Investment Board. The Investment Division (ID) is headed by a CIO who executes the policy framework and structure of investments as per the decisions of the IB. PLI Directorate had sanctioned four posts of Directors besides the post of CIO. Investment Division was therefore responsible for managing the Insurance Funds of the Department of Posts and investing the same in the capital markets following the IRDA guidelines. Audit findings in this regard are given in subsequent paragraphs.

(a) Delay in re-investment of return on Government of India Special Securities Floating Rate Bond (GOISSFRB) resulted into loss of return

The frozen fund of ₹ 15,345 crore in POLIF and ₹ 5,549 crore in RPOLIF as on 31 October 2009 was converted into GOISSFRB which earned interest payable on half yearly basis.

The half-yearly interest earned on the above instrument had been credited from time to time to POLIF and RPOLIF accounts maintained with HDFC Bank being the custodian. After receipt of interest PLI Directorate, New Delhi was required to promptly direct the custodian bank to transfer the fund to Fund Managers' accounts to ensure early investment of same.

Audit scrutiny of the bank statements for the above accounts, revealed that there was a delay in issuing instruction by the PLI Directorate to transfer the funds for re-investment to the Fund Managers. Though there was a delay of up to 44 days in 2011-12, there was no delay in 2014-2015. The delay in the transfer of funds resulted in loss of return for ₹ 7 crore[17] as given in Table-6 below:

Table-6
Loss of interest due to delay in reinvestment of GOISSFRB returns

(₹ in lakh)

Year	POLIF		RPOLIF	
	Range of delay	Loss of interest	Range of delay	Loss of interest
2011-12	Up to 44 days	289.10	Up to 44 days	90.79
2012-13	Up to 9 days	126.20	Up to 9 days	41.94
2013-14	Up to 6 days	104.88	Up to 5 days	25.72
2014-15	1 days	12.52	Nil	0
Total		**532.70**		**158.45**
Grand Total: 691.15 lakh (say ₹ 7 crore)				

(Source: - Data collected from records of Investment Division, PLI, Mumbai)

On examination of data so gathered it was observed that substantial amount of ₹ 3.80 crore had been invested after a delay of 44 days while delay of 5 days to 9 days had been noticed in investing ₹ 2.99 crore which resulted in loss of interest. It was also observed that this was not only a loss but also undue benefit to custodian who enjoyed benefit of these funds.

[17] Interest has been worked out applying ROI rate calculated by fund managers.

Ministry replied (July 2016) that in respect of the interest received on 30 September 2011 the advice of transfer of half yearly interest for investment was issued on 11 November 2011 after finalisation of the authorised signatories to operate relevant CSGL (Constituents' Subsidiary General Ledger) accounts. In respect of the interest received for other periods, Ministry replied that the intimation of interest receipt and its final investment were not immediate consequent processes and further added that it was a time taking exercise and cannot be done in an automated manner, since many checks and cross checks had to be done at various levels, including the RBI.

The reply of Ministry is not acceptable owing to the fact that the periodicity of interest to be received is well known and the related work could be initiated well in time as was done by the Department in 2014-15 to avoid the delay in investment.

(b) Loss due to not availing Cenvat Credit while paying Service Tax

In terms of GOI Notification[18] read with Cenvat Credit Rules, 2004, a provider of taxable service shall be allowed to take Cenvat Credit, if such Service Tax was paid on any input service received by the provider of output services. An amendment to the Cenvat Credit Rules was imposed making restriction on availing Cenvat credit within one year effective from 1 March 2015[19].

PLI Directorate, New Delhi while making payment to Fund Managers and Custodian Bank for their services rendered, reimbursed Service Tax too. The Service Tax[20] amounting to ₹ 2.97 crore[21] paid on input services during the period between 2009-10 to 2014-15 could have been utilized as Cenvat Credit by the management while paying Service Tax on output services of Insurance business. But such credit of input services had not been passed on by Investment Division, Mumbai in time to the DPLI, Kolkata who was responsible to make payment of Service Tax for output services. Investment Division Mumbai had finally intimated the quantum of unutilized Cenvat Credit to DPLI, Kolkata in January, 2016 and by that time entire credit had lapsed.

Thus due to inaction on the part of Investment Division, PLI Mumbai and lack of adequate monitoring over fund management by PLI Directorate resulted into loss of ₹ 2.97 crore because of non-availing of Cenvat credit.

Ministry replied (July 2016) that suitable instructions have been issued (May 2016) for availing Cenvat credit for strict observance.

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[18] No. 23/2004 - Central Excise (N.T.), dated 10/09/2004.
[19] vide Notification No. 6/2015-Central Excise (N.T.) dated 1st March, 2015.
[20] including Education cess and Higher Education Cess.
[21] ₹ 2.18 crore to Fund Managers and ₹ 0.79 crore to Custodian Bank.

However the fact remained that by the time the information reached to DPLI, Kolkata, the entire credit has become time barred. The instructions of Ministry would be applicable for availing future credit if followed by the all concerned and the loss of ₹ 2.97 crore could not be reversed.

(c) IRDA's investment holding pattern not followed

According to the PLI Investment Policy, the investment activity will be guided primarily by the IRDA (Investment) Regulations 2000 as amended from time to time. Audit scrutiny revealed the following important deviations by the ID of PLI Mumbai as prescribed by IRDA on holding pattern:

- The investment in "Government securities or other Approved Securities" was within the range of 30-35 *per cent* during the year 2012-13 to 2014-15 instead of prescribed minimum percentage of 50. The investments as on 31 March 2015 in this category were as low as 29.52 *per cent*.
- The investment in "Approved Investment and Other investment" was more than the prescribed maximum percentage of 50 in all the years from 2012-13 to 2014-15. The investments as on 31 March 2015 in this category were as high as 68.57 *per cent*.
- However investments in the "Investment in housing and infrastructure" were constantly maintained at the prescribed limit of more than 15 *per cent* in all years. The investment was highest at 35.92 *per cent* in 2012-13 and was at 30.13 *per cent* as on 31 March 2015.

Ministry replied (July 2016) that legally PLI and RPLI were not under the IRDA. It further added that the Investment Board (8 June 2015) had decided that "frozen corpus" would be taken into consideration for the purpose of determining holding pattern of POLIF and RPOLIF only and that compliance with IRDA (Investment) Regulations must be ensured expeditiously as it was a commitment given to Union Cabinet. Investment Board decided to fix a time frame up to 31 December 2016 and in no case beyond 31 March 2017 to ensure mandatory holding in Government securities where there was shortfall.

The above reply was not tenable as the Investment Policy Document of the Division stated that, 'the investment activity will be guided primarily by the IRDA (Investment) Regulations, 2000, issued under the Insurance Act, 1938 and the amendments made thereto from time to time.' Hence, IRDA regulations were very much applicable to the Investment Division. Further the Investment Board has accepted that deviation from the IRDA (Investment) Regulations was a non-compliance to Union Cabinet approval.

Conclusion:

Management of fund of PLI and RPLI suffered from deficiencies like incorrect assessment of investable funds on daily net accretion basis as well as monthly investable fund basis, delay in Investment and resultant loss to the tune of ₹ 984 crore, delay in reinvestment of returns from GOISSFRB, and deviation from the IRDA (Investment) Regulations adherence to which was required as per the Cabinet approval. Besides instances of non-availing of Cenvat credit were also noticed.

3.2 Management of vacant plots of land in Department of Posts (DoP)

Department did not assess the actual requirement before acquiring/purchasing the plots of land. It was in possession of 472 vacant freehold plots measuring 6.77 lakh square meters having value of ₹ 209.55 crore as of December 2015. 100 plots measuring 4.08 lakh sq. meter acquired on lease as far back as in 1978 for construction of post office buildings/staff quarters were still lying vacant and an amount of ₹ 3.37 crore was paid towards lease rent up to 2014. 241 plots of 3.24 lakh square meter acquired at ₹ 13.94 core were encroached. Failure of the department in taking adequate precautionary measures not only resulted in encroachment but also led to unnecessary litigation which could have been avoided.

3.2.1 Introduction:

The Postal Network of India is the largest postal network in the world having more than 1.54 lakh post offices spread across length and breadth of the country. While the core activity of the Department is collection, processing, transmission and delivery of mail, there is also a diverse range of retail services undertaken by the Department which include money remittance, banking as well as insurance services. Besides disbursing pension and family pension to Military and Railway personnel, the Postal Department has also undertaken responsibility of social benefit payments under Mahatma Gandhi National Employment Rural Guarantee Act (MGNERGA) and other social security pension schemes.

As on 31 March 2015, DoP had 26,326 buildings in possession throughout the country. Out of these, 4,441 buildings are owned by the Department, 20,181 buildings are rented and 1,704 buildings are rent free (**Annexure-II**). Besides, DoP also has in its possession 1,763 vacant plots which were either purchased/acquired or received as a gift for construction of buildings for postal services over a period of time.

Audit of Management of vacant plots of land in DoP was conducted to assess that the land/plots were utilized/guarded effectively and efficiently. The audit was conducted during December 2015 to January 2016 in 22 Postal Circles spread throughout the country.

Audit noticed certain deficiencies which are discussed in succeeding paragraphs:

3.2.2 Blockade of scarce land resources due to prolonged vacancy of plots

Departmental rules provide[22] that for purchase or acquisition of land, the suitability of site should be decided by the Head of the Circle as per departmental needs. If the land or property is suitable, the Head of the Circle should, in the first instance, consult the Chief Revenue Officer of the district, and obtain from him the fullest possible information as to the probable cost of the land.

Scrutiny of records (December 2015 to January 2016) in 20 Postal Circles revealed that 1,608 freehold plots measuring 48.08 lakh square meter[23], which were acquired/purchased in distant past (even in 19th Century) for construction of Post offices and Staff Quarters were still lying vacant **(Annexure-III)**. The acquisition cost of 980 free hold plots (out of 1608) as intimated by the circles was ₹ 77.03 crore. The acquisition cost of the balance 628 plots was not made available by the circles. It was further observed that the present value of 472 vacant freehold plots measuring 6.77 lakh square meters in four circles out of a total 1608 plots, as provided by the postal authorities, had risen to ₹ 209.55 crore (December 2015) from their original acquisition cost of ₹ 4.33 crore as shown in the Table-1 given below:

Table-1

(₹ in crore)

Name of Circle	**Number of plots lying vacant**	**Area of vacant plots (in Sq. Mtr)**	**Cost of vacant plots**	
			Acquisition cost	**Present value**
Andhra Pradesh	122	2,15,229.20	1.58	139.71
Karnataka	334	4,19,089.22	2.48	61.86
Orissa	12	35,067.64	0.17	4.97
Maharashtra (Mumbai)	4	7,406.50	0.10	3.01
Total	**472**	**6,76,792.56**	**4.33**	**209.55**

(Sources: Data provided by Postal Circles)

The present market value of the vacant land which was not available in other circles, would also have risen manifold. It was also observed that out of the 472 plots mentioned above, 468 plots were lying vacant for a period ranging from 25 years to more than 75 years.

22 Rule 458 of Postal Manual Volume II.

23 No information was made available in respect of Chhattisgarh and Delhi Circles and hence not included.

From the above it can be inferred that DoP kept acquiring/purchasing plots of land without genuine requirements. With decrease in the normal activities of postal department, most of these plots may not be of any productive use.

On this being pointed out by Audit, Ministry while agreeing to the audit contention stated (July 2016) that lands are acquired/purchased in advance assessing the future needs of the Department. It has been further stated that after full urbanization the cost of the land increases manifold making it impossible to procure land at market cost due to limited financial allocations. With regard to increase in Market value, Ministry stated that the vacant land does not have current commercial and market value in the real sense as the plots were purchased for a specific purpose and cannot be utilised for any commercial activity. It was also stated that due to limited allocation of funds under Plan Head number of construction activities are less as compared to availability of plots. Further, Ministry stated that sufficient fund projections have been made to NITI Aayog under thirteen year Perspective Plan for covering construction activities on all the available vacant plots.

The department should carry out an exercise to assess the genuine requirement of each and every plot and the plots which are not likely to be put to productive use may be considered for divesting by way of transfer to other departments or otherwise. Due to prolonged vacancy of these plots, some of the plots have been encroached as discussed in subsequent paragraph, which is an additional menace for the DoP.

3.2.3 Encroachment on plots

Para 461 of Postal Manual Vol-II, stipulates that all sites purchased or acquired should be carefully watched by the local departmental officer to prevent encroachment and the Divisional Officer in whose jurisdiction the site lies should report to the Head of the Circle concerned in cases of any encroachment. DoP directed (February 2010) all the circles to give priority for construction of boundary walls on those plots where encroachment has taken place or where there is immediate threat of encroachment or possibility of forfeiture in case of non-construction.

Scrutiny of records (December 2015 to January 2016) made available to audit in respect of 19 out of 22 circles revealed that 241 plots, having an area of 3.24 lakh square meter with an acquisition cost of ₹ 13.94 crore were encroached (**Annexure-IV).** Further, the present value of 107 encroached plots with 76,683 square meter as provided by six circles, has also risen to ₹ 63.90 crore from their original value of ₹ 3.59 crore as shown in the Table-2 given below:

Table - 2

(₹ in crore)

Name of Circle	Number of plots encroached	Area of encroachment (in Sq. Mtr)	Acquisition cost of encroached plots	Present value of encroached Plot
Andhra Pradesh	11	4,151.00	0.14	3.14
Gujarat	21	3,768.63	0.04	2.95
Karnataka	33	13,533.55	0.05	6.56
Madhya Pradesh	6	6,494.62	3.15	5.44
Maharashtra	18	37,279.60	0.10	36.52
Rajasthan	18	11,455.45	0.11	9.29
Total	**107**	**76,682.85**	**3.59**	**63.90**

(Sources: Data provided by Postal Circles)

On this being pointed out by Audit, Ministry while agreeing to the audit contention stated (July 2016) that the Heads of Circles were directed to secure the land by way of barbed wires/fences and circles have also been directed to ensure strict vigilant action. It has been further stated that efforts are being made to remove encroachments by taking up the matter with the concerned authorities.

Rapid urbanization has led to exponential increase in the value of the plots as compared to their acquisition cost. Hence, it was imperative that Department should have taken adequate measures to protect these plots from encroachment by miscreants.

3.2.4 Non/improper maintenance of Records of Lands and Buildings

Para 546 of Postal Manual Vol-I stipulates that the Heads of Circles are responsible for proper maintenance of the land records. Rule 484 of P&T FHB Vol-I specifies maintenance of Register of Lands and Buildings in form of Loose Leaf Registers. All expenditure relating to any new construction, acquisition of land or building and additions, should be recorded in the register. Each folio is allotted to each building / vacant plot, and maintained in a binder of loose leaf ledger. All events viz. construction of building, additions to building, sale of building, transfer of ownership to other organizations, abandoning or dismantlement etc. are to be noted in the leaf earmarked for that plot/building.

Scrutiny of records made available to audit in respect of 1250 plots in 13 out of 22 postal circles revealed that these circles did not follow the stipulated instructions regarding maintenance of land records which resulted in non-maintenance of consolidated records at Circle Office or Regional Office in 11 Postal Circles[24]. It was also noticed that in two circles, though registers were maintained but they were not

[24] Andhra Pradesh; Karnataka; Uttar Pradesh; Kerala; West Bengal; North East; Jammu & Kashmir; Himachal Pradesh; Jharkhand; Bihar; Orissa.

properly updated[25] i.e. details of construction of boundary wall, other activities etc were not noted in the registers.

Further, with technological advancement in the country, the records relating to land and buildings should have been digitized in order to have a comprehensive picture of immovable assets available in the circles vis-à-vis their utilization.

On this being pointed out by Audit, Ministry while agreeing to the audit contention stated (July 2016) that all the circles have been asked to maintain the Register of land and buildings as stipulated in the rules and keep it updated. It has also been stated that as per instructions of Ministry of Urban Development, web based Government land data maintenance system is being developed.

DoP needs to keep a close watch over the immovable assets under its possession and encroachment issues should be dealt with alacrity so as to protect the interests of the department.

3.2.5 Payment of lease rent without utilization of Plots

Para 449 of Postal Manual Vol-II stipulates that when it is necessary to hire a building, a tender should be called for. Before accepting the tender, the sanction or approval to the payment of rent for the building must be obtained from the competent authority. Heads of Circles may at their discretion depart from the procedure of calling for tenders for leased buildings in cases where there are positive objections to doing so or the demands are emergent.

Scrutiny of land records made available to audit (December 2015 and January 2016) revealed that in 16 Circles out of 22 Circles, 100 plots measuring 4.08 lakh sq. meter acquired on lease for construction of post office buildings/staff quarters, as far back as in 1978, were still lying vacant and an amount of ₹ 3.37 crore during the period upto 2014 was paid towards lease rent (**Annexure -V).** It was further observed that in Delhi Circle alone, 19 plots measuring 53,137 square meter taken on lease of ₹ 2.37 crore during 1983 to 2014 were still lying vacant without any use. In Mumbai Postal Region alone, nine plots measuring 16,597 square meter taken on lease during 1984 to 1992 were still lying vacant.

The above instances indicate that the Department did not assess the actual requirement before acquiring/purchasing the plots of land. Though these plots were purchased/acquired for construction of Post Offices and Staff Quarters, these remained vacant for a very long period of time. Even the plots taken on lease were also lying vacant and the lease rent was paid for these plots.

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[25] Madhya Pradesh and Rajasthan.

On this being pointed out by Audit, Ministry while agreeing to the audit contention stated (July 2016) that lands are acquired/purchased or taken on lease in advance assessing the future needs of the department as the land may not be available later even on lease. It was further stated that construction activities are less as compared to availability of plots due to limited allocation of funds under Plan Head. Further, Ministry stated that sufficient fund projections have been made to NITI Aayog under thirteen year Perspective Plan so that maximum construction work in the available vacant plots can be carried out during the plan period.

With the increase in population and rapid urbanization, the value of these plots had risen many times as compared to their acquisition cost. Hence, it was imperative that Department should have taken adequate measures to protect these plots from encroachment by miscreants. However, failure of the Department in taking adequate precautionary measures not only resulted in encroachment on these vacant plots by miscreants but has also led to unnecessary litigation cases which could have been avoided. The Department should explore the possibility of divesting the vacant plots of land which are not likely to be put to productive use by way of transfer to other departments or otherwise.

3.3 Short realization of revenue due to non-adherence of rules of Bill Mail Service

Concessional rate under Bill Mail Service was extended to ineligible customers which resulted into short realization of revenue of ₹ 2.74 crore.

Bill Mail Service (BMS) was introduced with effect from 15 September 2003 by Department of Post (DoP) to provide a cost effective solution for mailing of periodic communications in the nature of financial statement, bills, monthly account bills or other items of similar nature. Under this service, mails may be posted by a service provider to the intended customer at least once in 90 days. With effect from August 2007, the charges for BMS are ₹ 3 for first 50 grams and ₹ 2 for every additional 50 grams or part thereof. To avail the benefit of concessional tariff under BMS, number of postings of the bill mail should not be less than 5000 pieces (mails) at a time.

Scrutiny of records (September 2014 to March 2016) of 43 Head Post offices (HPOs)/Business Post Centre (BPC) under nine[26] Postal Circles revealed that the customers availing the BMS were given an advantage of concessional tariff during July 2007 to March 2016, even if the number of articles posted were less than 5000 at a time. Hence, the customers were irregularly charged concessional rate applicable for BMS instead of the rate applicable for ordinary letter postage i.e. ₹ 5 per article.

[26] Karnataka, Bihar, Jharkhand, Maharashtra, Tamil Nadu, Orissa, Delhi, Gujarat and West Bengal.

This resulted in short realization of revenue of ₹ 2.74 crore by 43 HPOs/BPCs under nine Postal Circles as shown in **Annexure-VI**.

On this being pointed out by Audit, Ministry stated (April 2016) in respect of Karnataka Circle that:

- In Hospet and Nanjangud HOs, LIC did not utilise the BMS and posted the articles in the form of Inland Letter Cards for which ₹ 2.50 was charged. Further, ₹ 0.50 was collected per article as handling charges, which was wrongly included under the franked value of ₹ 3 per article, giving an impression that the articles were posted under BMS. It was further stated that this should have been separately classified and accounted for under handling charges.
- In Mangalore, Hubli, Gulbarga, Belgaum and Puttur HOs, the Ministry stated that customers had posted more than 5000 articles at a time but due to problem in function of franking machine such as power failure and availability of manpower, the number of articles franked on the day of receipt of BMS articles is less than 5000. Such franked articles had been posted and accounted for in the franking register only. It was also stated that no registers have been prescribed for recording the number of articles received/posted under BMS across the counter at a time. It was further stated that, instructions have been issued to the Circles to start maintaining register so as to have proper monitoring mechanism for recording articles under BMS.
- The Postmasters/Head of HOs/BPCs of other eight circles while agreeing to the audit observations stated that action will be taken to follow the BMS norms.

The replies furnished by Ministry for post offices in Karnataka Circle are not acceptable as:

- In Hospet and Nanjangud HOs, the LIC and BSNL were sending premium notices and telephone bills through pre-printed inland letters / bills to subscribers and not through the Inland letter post cards as claimed in the reply. Thus, these inland letters should have been affixed with the postage of ₹ 5 at ordinary rate instead of at the BMS concessional rate of ₹ 3. The Postmasters had also stated that in future correct ruling and procedure of bill mail service would be followed.
- Further, in respect of Mangalore, Puttur, Belgaum, Gulbarga HOs and RMS Hubli, the replies are not acceptable since the department itself has stated that no register was prescribed for monitoring number of articles posted and instructions have been issued to the Circles to start maintaining registers for

recording articles under BMS. It is not clear as to how it can be stated that in Mangalore, Hubli, Gulbarga, Belgaum and Puttur HOs, more than 5000 articles were being posted when there was no mechanism in the post offices to keep a check over the number of articles posted through BMS.

Thus, non-adherence of the rules regarding BMS resulted in short realization of revenue of ₹ 2.74 crore.

3.4 Non-realisation of amount of dishonoured cheques

Lack of effective action at Head Post Offices and Divisional Offices in Andhra Pradesh, Bihar and Jharkhand Postal Circles resulted in non-realisation of 1,364 dishonoured cheques valued ₹ 11.62 crore received from State Government towards payment of wages under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).

Postal Circles of Andhra Pradesh, Bihar and Jharkhand signed a Memorandum of Understanding (MoU) with Department of Rural Development of the concerned State Governments in March 2006, August 2009 and January 2009 respectively for payment of wages under National Rural Employment Guarantee Scheme (NREGS) through Post Office Savings Bank Accounts.

As per the MoU, the District Programme Coordinators (DPCs) of the district, identified for implementation of scheme (NREGS), will assess the probable amount of wages to be paid as well as number of accounts to be opened involving Post Offices (POs) in a month of the district and place an equal amount as a deposit with the Head Post Offices (HPOs) located at the district headquarters. The following procedure was to be adopted regarding realisation of amount by the Postal Department:

- The cheques presented by the DPCs at HPO will be taken into account and got cleared as per existing procedure without any delay. Date of clearance of each cheque should be kept under watch by the Head Postmaster (HPM) through the register of cheques received and sent for clearance.
- In case of any rare occasion of the cheque being dishonoured, the matter was to be referred to the DPC concerned with a demand to pay the amount without delay. Further, the matter was also to be reported to the Divisional Head i.e., Superintendent of Post Offices (SPOs) promptly, for necessary action.

A comment on “dishonoured NREGS cheques” was made in Paragraph no. 2.2.6.3 (Annex – IV) of Audit Report No. 13 of 2012-13. Ministry in their Action Taken Note (July 2013) accepted the audit findings and stated that all the heads of Circles had been directed to follow up the instructions prescribed in the existing rules and provisions. Ministry had also advised the circles in September 2012 to take necessary corrective action and ensure that such irregularities would not occur.

However, test check of records during October 2015 to March 2016 revealed that due to failure to keep vigil over realisation of cheques at the HPOs as well as SPOs level in 13 HPOs in Andhra Pradesh, Bihar and Jharkhand Circles, cheques amounting to ₹ 11.62 crore received towards NREGS payments from the respective State Governments during October 2007 to April 2013 were dishonoured and the amount of dishonoured cheques remained unrealised till date as shown in the Table-1 given below:

Table -1

(₹ in crore)

Sl.No.	**Name of Circle**	**Period**	**No. of HPOs involved**	**No. of cheques dishonoured**	**Amount of dishonoured cheques**
1	Andhra Pradesh	October 2007 to September 2012	5	513	5.95
2	Bihar	June 2009 to April 2013	7	787	5.23
3	Jharkhand	December 2009 to September 2010	1	64	0.44
	Total		**13**	**1,364**	**11.62**

On this being pointed out by Audit (October 2015 and March 2016), Assistant Director (BF), office of the Chief Postmaster General (CPMG), Andhra Pradesh Postal Circle, Hyderabad while accepting the facts and figures, stated (March 2016) that it was proposed to recover the amount of dishonoured cheques from one time deposit lying with DoP in other districts. It was also stated that feasibility of deducting the amount of dishonoured cheques from the existing rolling fund available at District Head Quarters, would also be explored. The Postmasters of Bihar and Jharkhand Postal Circles accepted the facts and stated that efforts would be made to realise the amount of dishonoured cheques.

The above instance indicates that lack of effective action by Department to ensure recovery of dishonoured cheques resulted in non-realisation of ₹ 11.62 crore due to non-pursuance of 1,364 dishonoured cheques despite advising all the circles in September 2012 to take necessary corrective action and to ensure that such irregularities do not recur.

DoP needs to have an effective system in place so that immediate action could be taken for realization of dishonoured cheques and accountability of the concerned officials fixed for lapses in doing so.

The matter was reported to Ministry in March 2016; their replies were awaited (July 2016).

3.5 Non-realisation of service charge

Eleven HPOs under West Bengal and Delhi Postal Circles failed to observe the procedures for claiming service charge towards disbursement of pension on behalf of EPFO which resulted in non-realization of ₹ 0.83 crore.

Department of Posts (DoP) and Employees Provident Fund Organization (EPFO) agreed in July 2001 to disburse pension to the pensioners of EPFO through all Departmental Post Offices under the scheme called Employees' Pension Scheme-1995. The EPFO was required to send a Monthly Statement of Pension Payment (MSPP) for all the existing pensioners along with an account payee cheque for the total amount of monthly pension to the Head Post Offices (HPOs). The EPFO was also required to send a summary sheet in duplicate to HPOs representing consolidated amount of pension to be disbursed through Sub Post Offices (SOs) and HPOs. After crediting pension to the individual pensioner's account, the Head Post Offices were to send the MSPP and summary sheet certifying the date of credit along with a cheque for undisbursed amount of pension (incorporating information of SOs) to the EPFO by 10th of the month. The HPOs were also required to claim service charge at the rate of 2.5 *per cent* of the disbursed amount of pension as certified in the Summary Sheet.

Audit scrutiny (August 2014 updated in March 2016) of records of 11 HPOs under West Bengal and Delhi Postal Circles revealed that these HPOs disbursed an amount of ₹ 33.45 crore towards pension to the pensioners of EPFO during March 2012 to February 2016. However, the service charge @ *2.5 per cent* was not claimed by the HPOs even after the receipt of duplicate copies of MSPP and the summary sheet certifying the date of credit from HPOs/SOs. This lapse on the part of the HPOs resulted in non-realisation of service charge amounting to ₹ 0.83 crore from EPFO as shown in the Table-1 below:

Table -1

(₹ in crore)

Sl. No.	Name of Circle	No. of HPOs	Period during which pension disbursed	Amount of pension disbursed	Amount of service charge
1.	West Bengal	2[27]	March 2012 to February 2015	31.35	0.78
2	Delhi	9[28]	March 2012 to February 2016	2.10	0.05
Total				**33.45**	**0.83**

On this being pointed out by Audit, the Postmaster, Mal HPO, while accepting the facts stated (January 2016) that necessary action would be taken for realisation of service charges from EPFO. The Postmaster, Cooch Behar stated (May 2015) that the

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27 Mal, Cooch Behar.

28 Ashok Vihar, Delhi GPO, Indraprastha, Jhilmil, Krishna Nagar, Lodhi Road, Naraina, Sarojini Nagar, Ramesh Nagar.

service charge for the period from April 2004 to February 2015 had been claimed from the EPFO Authority. The Postmasters of nine HPOs in Delhi Circle accepted the facts and stated that no such orders were received for realization of service charge.

Ministry while accepting the facts (July 2016) stated that efforts were being made to realise the service charge.

Thus, failure on the part of the concerned HPOs to scrupulously follow the instructions of DoP not only resulted in non-realisation of service charge to the tune of ₹ 0.83 crore from EPFO but also indicated deficient internal control mechanism in the department.