CHAPTER 1
MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

DEPARTMENT OF POSTS

Performance Audit of Mail Management in the Department of Posts

HIGHLIGHTS

- **Mail traffic registered a decline of nearly 50 *per cent* during last five years due to increased competition from private couriers and other better modes of communication especially the value added services in telecom sector. Despite this, DoP failed to improve its operational efficiency, reduce staff costs and modernize its operations to render better services to the customer.**

(Paragraph 1.6.1)

- **The department continued to incur losses during last five years and sixteen out of the 20 postal services being provided by DoP continued to sustain losses over the years. The net loss for the year ending 31 March 2006 was Rs 1207.71 crore.**

(Paragraph 1.6.2)

- **According to National Test Letter Run conducted by the department, only 55 *per cent* of mail was delivered within the prescribed norms for delivery.**

(Paragraph 1.6.3)

- **The projects for computerization of Head Records Offices, Computerised Registration Centres and Transit Mail Offices have fallen behind schedule and the computers installed were not being used for faster processing of mail and other articles in handling offices. Hardware worth Rs 6.72 crore remained idle due to inadequate infrastructure, non-preparation of site, etc.**

(Paragraph 1.13)

- **Department's efforts to modernize and mechanise mail sorting operations at Chennai and Mumbai to improve operational efficiency through introduction of Automatic Mail Processing machines and Culler-Facer-Cancellor machines also did not succeed despite investment of Rs 60.25 crore due to its failure to**

standardise mail and ensure adequate public awareness about the advantages of using standard postal stationery. As a result, the Automatic Mail Processing machines are being underutilized to the extent of 66.39 *per cent* to 71.78 *per cent* and Culler-Facer-Cancellor machines to the extent of 93.20 *per cent* to 98.54 *per cent*.

(Paragraph 1.14)

- **Similar projects for introducing Automatic Mail Processing Centres at a total cost of Rs 84.27 crore at Delhi and Kolkata have been delayed due to deficient project management.**

(Paragraph 1.11.3)

- **Book Now Pay Later facility was allowed to customers without taking advance deposits from them which resulted in accumulation of outstanding dues of Rs 1.36 crore in 12 Head Post Offices test checked.**

(Paragraph 1.9.2)

- **Business Post facility was extended to customers without taking advance which resulted in accumulation of outstanding dues of Rs 2.02 crore in eight Head Post Offices test checked.**

(Paragraph 1.10)

- **Terminal dues amounting to Rs 2.84 crore were pending against 23 countries from 1999 to 2004.**

(Paragraph 1.11.1)

- **Agreement was signed with United Arab Emirates without taking into account weight and distance element which resulted in loss of Rs 9.15 crore during the period February 2002 to December 2002.**

(Paragrah 1.11.2)

- **The department also did not effectively monitor settlement of complaints to improve customer satisfaction.**

(Paragraph 1.12)

SUMMARY OF RECOMMENDATIONS

- **In view of decline in mail traffic, DoP should review its manpower requirement for various postal services and revise staff norms taking into account automation and computerization introduced, new value added services started and substantial reduction in traffic of traditional postal service to bring down increasing cost of postal operations.**

- **To counter declining traffic and intense competition from private courier industry, DoP should take effective steps in a time bound manner to enhance its efficiency in terms of timely delivery of mail and improve customer satisfaction.**

- **DoP should evolve a mechanism to ensure that norms prescribed for handling of articles in mail offices and Computerised Registration Centres are strictly adhered to.**

- **DoP should take steps to make its operations relating to premium services more competitive by ensuring timely delivery. Departmental instructions for grant of rebate and collection of advance from BNPL and business post customers should be scrupulously followed.**

- **To improve their utility DoP should integrate all the three standalone software for HRO, CRC and TMO which will also obviate duplicate feeding of data and delays.**

- **DoP should standardize mail to ensure that Automatic Mail Processing Centres and Culler Facer Cancellor machines are optimally utilized. DoP could start with its registered mail sector.**

1.1 INTRODUCTION

Mail management involves mail collection, sorting, transmission and delivery of letters and other articles and is aimed at ensuring early delivery of mail, efficient utilisation of the resources and improved customer services. In view of the large volume of incoming and outgoing mail, efficient management of mail is one of the most important tasks of the Department of Posts (DoP). India has the largest postal network in the world with 1,55,516 post offices, out of which 1,25,148 post offices are situated in rural areas.

1.2 SCOPE OF AUDIT

Performance audit of Mail Management in DoP was conducted during April to August 2006, covering the period 2001-2002 to 2005-06. Twenty one out of 22 postal circles were reviewed in audit. In each of the circles, two Head Post

Offices (HPOs) and seven sub offices (SOs), including two rural SOs, under each HPO were selected randomly for the purpose of audit.

1.3 AUDIT OBJECTIVES

The main audit objectives were to verify that:

- mail collection, transmission and delivery system was prompt and efficient;
- management of collection, transmission and delivery of mail ensured optimal utilization of resources and customer satisfaction; and
- computerization and modernization of mail operations were effective and adequate.

1.4 AUDIT CRITERIA

The main audit criteria used for audit were as follows:

- ➢ Norms and instructions issued from time to time for collection, transmission and delivery of mail.
- ➢ Reports and returns prescribed in respect of transmission and delivery of mail.
- ➢ Benchmarks for operational and financial performance indicators fixed by DoP.
- ➢ Annual plans of DoP for computerization/modernisation of mail operations

1.5 AUDIT METHODOLOGY

The audit methodology included examination of records in DoP and in selected postal circles and post offices, issue of audit questionnaire and discussions with the auditee to evaluate the performance of the mail management on the basis of the audit criteria broadly outlined earlier.

1.6 AUDIT FINDINGS

Audit findings with regard to collection, transmission and delivery of mail and steps taken for computerization, mechanisation and modernisation of mail operations are discussed in the succeeding paragraphs.

1.6.1 Mail Traffic

The mail traffic vis-à-vis revenue of DoP for the past five years is given below:

Year	Mail traffic (Registered and Unregistered mail) (in crore)	Percentage decline in traffic as compared to previous year	Revenue of DoP** (Rs in crore)	Staff strength *	Percentage decline in staff strength as compared to previous year
2000-01	**1420.32**	**10.00**	**1646.58**	**593878**	
2001-02	**1103.06**	**22.34**	**1818.60**	**573211**	**3.48**
2002-03	**909.41**	**17.56**	**1998.44**	**559408**	**2.41**
2003-04	**863.53**	**5.05**	**2050.59**	**542940**	**2.94**
2004-05	**736.77**	**17.00**	**2095.76**	**537614**	**0.98**

**staff strength pertains to mail operations.*
********Revenue includes speed post and business post*
Figures for 2005-06 not furnished by the department

The mail traffic had registered a sharp decline of 48.12 *per cent* during last five years. The reasons for this significant decrease in mail traffic were tremendous growth of telecom services including value added services and steady rise in private courier industry. Though the mail traffic had declined by nearly 50 *per cent*, Audit observed that the staff strength had remained almost stagnant with only 9.47 *per cent* reduction during this period. Audit observed that the Postal Services Board had accepted in November 2001 the report of the Committee on Manpower Planning and decided to set up a core group to examine and draw up implementation plan for the committee's recommendations including suggestion for evolving new manpower norms on stabilization of computerized systems. But no new norms were evolved and implemented even after lapse of six years despite significant decline in mail traffic handled by the department. The percentage reduction in the staff strength vis-à-vis mail traffic was negligible, resulting in high cost of operations of postal services.

Recommendation

In view of decline in mail traffic, DoP should review its manpower requirement for various postal services and revise staff norms taking into account automation and computerization introduced, new value added services started and substantial reduction in traffic of traditional postal service.

Despite losing substantial traffic to private operators and telecom services, DoP's steps to arrest this trend to improve its operational efficiency, cost effectiveness has not been significant. Computerization and modernization of mail operations in DoP has not improved operations to the expected level.

1.6.2 Cost-effectiveness of postal operations

Audit observed that though the mail traffic was showing a declining trend over the years, the revenue showed an increasing trend mainly because of increase in traffic of value added services like speed post, business post, speed post passport service, express parcel post, media post, meghdoot post card, greeting post, data post, e-bill post and e-post, etc.

Overall, 16 out of the 20[Ω] postal services being provided by DoP continued to sustain losses over the years. Only four services viz., Competition post cards, foreign mail, insurance and letters were making marginal profits. The comparative position of the net losses incurred by the Department on various postal services, including speed post during the period 2001-2006 was as follows:

Year	Net loss (Rs in crore)
2001-02	1352.93
2002-03	1173.53
2003-04	1162.21
2004-05	1289.11
2005-06	1207.71

1.6.3 Operational Efficiency

DoP norms envisage that mail should be delivered within two to five days following the day of posting.

The department conducts National Test Letter Run (NTLR) to determine the average time taken for delivery of mail. It gives the full picture of the time taken between collection of letters from post boxes in the originating stations and the delivery of letters to the addressees at the destination. There are 59 NTLR centres in all and each centre is expected to post a total of 400 test letters per month to other centres to determine the actual time taken in transmission of mail at the national level.

Audit scrutiny of the NTLR reports pertaining to the period from January to December 2005 revealed that only 55 *per cent* of mail was delivered within the prescribed norms for delivery.

Thus NTLR survey conducted by the department itself showed low level of operational efficiency in terms of delivery of mail.

Audit scrutiny of the records of DoP further revealed that the findings of the NTLR were not submitted to the Head of the Mail Management and Transport Section in the DoP headquarters defeating the very purpose of conducting these surveys intended to study and improve the efficiency of mail operations.

[Ω] Post cards, Letters, Registration, Letter cards (Inland), Money orders, Newspapers (single), Newspapers (bundle), Indian Postal Orders, Printed Postcards, Value payable post, Other periodicals, Acknowledgements, Book packets and Sample packets, Telegraphic MOs, Printed books, Insurance, Parcels, Competition Post Cards, Speed post and Foreign mail.

Recommendation

Due to declining traffic and intense competition from private courier industry, DoP should take steps to enhance its efficiency in terms of timely delivery of mail to improve customer satisfaction.

1.7 Collection, transmission and delivery of mail

1.7.1 Non-observance of procedure relating to collection of unregistered mail

Departmental rules provide that articles posted in letter boxes should be brought to the post offices immediately before the hour fixed for the clearance of the letter boxes. In order to check the timely clearance of letter boxes, Postmasters are required to frequently post test letters and note the results in their order books. Postmasters are also required to frequently check whether the stamps affixed on letters are not used-up or fake and note these results in their order books. Departmental rules also provide that the sorting assistants are required to make entries in their error books for the articles collected with inadequate postage after calculating the due postage in respect of articles received with inadequate postage.

In delivery offices the total postage due on all unpaid/insufficiently paid unregistered articles of the letter mail received for delivery is required to be entered along with the realization particulars in the unpaid register by the delivery assistant.

Audit scrutiny of the records of 42 Head Post Offices (HPOs) and 294 Sub Offices (SOs) in 21 circles test checked showed that there were neither entries relating to posting of test letters in the order books nor any entries in the error books. However, entries were made in the unpaid register. It was further observed that postage to the extent of Rs 15.09 lakh was not collected in the following post offices:

(Rs in lakh)

S.No.	Name of Post office	Postage due	Amount collected	Balance
1.	Vijayawada	0.42	0.27	0.15
2	Bilaspur	3.23	-	3.23
3.	Raipur	3.67	-	3.67
4.	Indore	7.33	-	7.33
5.	Bhubaneswar	0.82	0.11	0.71
	Total	**15.47**	**0.38**	**15.09**

On this being pointed out by Audit, the concerned post masters accepted the facts.

Audit carried out a survey in August 2006 by posting test letters in 21 circles to verify whether due postage was calculated by the sorting assistants. Audit posted 750 letters with no postage or with less postage. Audit observed that the due postage was not calculated and collected on any of these letters. This may have become an endemic source of loss of revenue for DoP and can be attributed to inadequate monitoring by the sorting assistants and post masters.

1.8 Sorting

Sorting offices perform detailed sorting of mail received from post offices. Sorting offices function round the clock in two or three shifts. Departmental instructions stipulate that there should not be any transfer of unsorted mail from one shift to another for more than five occasions in a month and even in such cases, the quantum of each transfer should not exceed five to ten *per cent* of the total mail handled in the shift. Excessive transfers of unsorted mail from one shift to another shows less than optimal performance by the sorter and results in delay in transmission of mail. Audit noticed that there were shift to shift transfers and consequent delay in transmission and delivery as discussed below.

1.8.1 Delay due to holding of mail

Audit scrutiny in 21 circles disclosed that mail remained unsorted at the end of each day due to shift to shift transfers. Further test check in nine circle revealed that the pendency of mail ranged between 10 *per cent* to 83 *per cent* at the end of a day due to shift to shift transfers. Such transfers were abnormally high in Assam, Kerala and Orissa as shown in **Annexure-I**. This resulted in delay in sorting and delivery of mail. Audit further observed that the records pertaining to shift to shift transfers were not maintained in 12 circles.

On this being pointed out by audit, it was stated by Senior Superintendent of RMS Kochi and Orissa that shift to shift transfer of mail was due to shortage of staff, late running of trains, heavy rush of mail, etc. The ground of shortage of staff is not tenable in the face of declining mail traffic. Further, late running of trains in no way affects the sorting process in the mail office and heavy rush of mail is only an occasional feature.

1.8.2 Non-closure of unjustified mail offices

DoP instructions of December 1985 stipulated that a mail office shall handle a minimum of 30,000 articles and 500 registered articles per day. In November 2003, powers for closure/merger of mail offices with workload of less than the minimum were delegated to the Heads of Circles.

Audit observed that 65 out of 460 mail offices were not even handling 10000 articles, which was far below the prescribed limit as shown in **Annexure-II**. The number of unregistered articles handled by these offices ranged between 1238 and 9993.

Further test check in Kerala, Orissa, Tamil Nadu and West Bengal circles showed that though mail traffic was below the norms in 10 mail offices, they continued to function resulting in avoidable expenditure of Rs 1.51 crore as detailed below.

S.No.	**Name of circle/ Mail office**	**Expenditure incurred on running ten mail offices (Rs in lakh)**
1	Kerala	1.92
2.	Orissa	17.42
3.	Tamil Nadu	6.69
4.	West Bengal	125.03
		151.06

1.8.3 Poor performance of Computerised Registration Centres

DoP prescribed a norm of 1000 registered articles per day to be handled by a sorting assistant working in Computerised Registration Centre (CRC). Audit observed that during the period January to July 2006, 50 out of 100 CRCs were handling registered articles below the prescribed norms. It was further noticed that in 31 CRCs, the number of registered articles was even less than 500.

Continuation of these CRCs would entail avoidable expenditure on maintenance of office, rent, electricity apart from expenditure incurred on account of salary and wages etc.

1.9 Speed Post

Speed post guarantees time bound and assured delivery of all inland and international speed post articles. The deficiencies with regard to speed post are discussed below.

1.9.1 Irregular grant of rebate to bulk customers

As per the instructions issued by DoP in August 2001, rebate was to be allowed to only those bulk customers who signed the Speed Post contract. Departmental instructions (November 1995) stipulated that bulk customers of Speed Post were to be granted rebate of five *per cent* of the business if the monthly business ranged between Rs 10,000 and Rs 49,999 and 10 *per cent* for business of Rs 50,000 and above. As per terms and conditions of the agreement, customers would be served with monthly bills before 10th of the following month and they would be entitled to rebate at the above rates subject to the condition that they made payment by the end of the billing month.

Test check of the bill registers in 13 HOs in 10 circles revealed that the above condition of granting rebate to bulk customers was not being followed scrupulously and rebate was being granted to even those customers who failed to comply with the departmental instructions. This resulted in irregular grant of rebate of Rs 57.88 lakh as shown in **Annexure-III**.

1.9.2 Failure to take advance deposit from BNPL customers

In order to increase the market share for speed post by motivating bulk customers, department introduced in November 1990, the ‘Book Now Pay Later’ (BNPL) scheme. Speed post customers who provide an average monthly business of Rs 5000 or more can be provided with BNPL facility against a deposit, equivalent to the value of two months’ transactions. Under this scheme, customers need not make payment at the time of booking; instead they could make payment at the time of presentation of bill which is to be issued by 10th of the following month.

Scrutiny of records by Audit in 12 HPOs revealed that BNPL facility was allowed to the customers without taking advance deposits from them resulting in accumulation of outstanding dues amounting to Rs 1.36 crore during 2000-01 to 2005-06 as shown in **Annexure-IV.** DoP stated that the services were allowed with the intention of enhancing the business and to meet the challenges from private couriers. Department's failure to take advance deposits was fraught with the risk of non-realisation of dues from the customers.

1.10 Business post

The Department launched Business Post with effect from 1 January, 1997 in order to meet the specific needs of bulk customers. It provides value addition to all traditional services offered by the Post in the form of collection, insertion, addressing, sealing, franking, etc. Departmental instructions stipulated that postage for the mail items as well as the charges for the Business Post activities should be realized from the customers in advance.

Test check by Audit in eight HPOs revealed that the Business Post facility was extended to the customers without taking advance. This resulted in accumulation of outstanding dues of Rs 2.02 crore during 2000-01 to 2005-06 as shown in **Annexure-V.** DoP stated that the services were allowed with the intention of enhancing the business and to meet the challenges from private couriers. Department's failure to take advance deposits is fraught with the risk of non-realisation of dues from the customers.

1.11 International Post

The facility for sending mail to foreign countries has been provided by the DoP at its Foreign Post Offices and sub-Foreign Post Offices. Audit observed the following deficiencies in the management of international mail.

1.11.1 Non-collection of terminal dues

Letter Post Manual of the Universal Post Union specifies that the detailed accounts for collection of terminal dues i.e., payment for the costs incurred for international mail received from the dispatching administration, should be sent to the debtor administration[1] within one year of the closure of accounts.

Audit scrutiny of the records of Director, Airmail Accounts Office; Postal Directorate revealed that the terminal dues amounting to 4.73 lakh Special Drawing Rights (SDR)[2] (one SDR = Rs.60) i.e. Rs 2.84 crore pertaining to the period from 1999 to 2004 were pending against 23 countries. No detailed justification for pendency was furnished to audit by the department.

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[1] Debtor administration is the one which owes terminal dues to the other administration being the difference between the letters sent and received

[2] SDR - An international type of monetary reserve currency created by the International Monetary Fund which operates as a supplement to the existing reserve of member countries.

On this being pointed out by Audit, DoP stated that settlement of terminal dues was a continuous process. The reply is not tenable as the dues should be settled promptly and should not be allowed to remain outstanding for such a long period.

1.11.2 Deficiency in agreement with UAE

The instructions issued by Ministry of External Affairs (MEA) stipulated that foreign aid agreements and commercial agreements required prior approval of MEA.

DoP entered into an agreement for Express Parcel Service in December 2001 with UAE (Emirates Post). As per the agreement, both the administrations agreed to apply the imbalance rate[3] of 3.5 SDRs inclusive of all charges concerned per express parcel.

Audit observed that DoP signed the agreement without the prior approval of MEA, which was mandatory. DoP had fixed rates for delivery of inland speed post articles based on the weight of speed post articles and distance to be covered. As per the rates fixed by DoP the rates for sending inland speed post of maximum weight covering maximum distance would cost Rs 1,785. However, according to this agreement only 3.5 SDRs i.e. Rs 210 were to be paid for any article irrespective of weight and distance. It was noticed that agreement was signed without taking into account this crucial weight and distance element. This resulted in loss of Rs 9.15 crore during the period February 2002 to December 2002. This agreement was terminated in December 2002.

On this being pointed out by Audit, DoP accepted the loss only to the extent of Rs 3.18 crore. It was further stated that the disciplinary proceedings against the then Secretary (Posts) and disciplinary case against the then Additional G.M. (BD) was under process and the same had not been finalized as yet.

The reply with regard to amount of loss is not tenable as the calculation worked out by Audit was based on the distance and weight elements, which were not taken into account by DoP.

Recommendation

> *DoP should ensure that norms prescribed for handling of articles in mail offices and Computerised Registration Centres are strictly adhered to.*
>
> *DoP should take steps to make its operations relating to premium services more competitive by ensuring timely delivery.*
>
> *Departmental instructions for grant of rebate and collection of advance from BNPL and business post customers should be scrupulously followed.*

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[3] The administration which has received a larger quantity of international express mail items than it has sent during that year shall have the right to collect from the other administration as compensation, an imbalance charge for the surface handling and delivery costs it has incurred for each additional item received.

1.12 Settlement of complaints and customer satisfaction

For better customer satisfaction public complaints should be attended to promptly. As per DoP norms, the maximum period for settlement of complaints is three weeks for unregistered mail, 15 days for speed post and 12 weeks for Registered/Insured letter mail. DoP made the system of registration of complaints on-line in March 2006.

Quarterly analysis of complaints received, settled and pending for the quarter ending March 2006 disclosed that maximum number of complaints were received in respect of registered letters and speed post. The position of settlement of complaints in respect of these two major items (for quarter ending March 2006) is given in the table below:

Item	Opening Balance	Received	Total	Settled	Pending
Registered Letters	14,637	50,719	65,356	49,391	15,964 (24.43 %)
Speed Post	4,456	32,073	36,529	31,968	4,561 (12.49 %)

Thus, a significant portion of complaints received during the quarter remained unsettled. The major postal circles contributing to these complaints were Maharashtra, Tamil Nadu, Karnataka and Delhi.

Audit scrutiny of records revealed that 33,658 complaints were pending as on March 2006 in respect of various postal services. Age wise analysis of these complaints is given in the table below:

Nature of complaint	Total pending				
	Below 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
Unregistered mail	712	169	19	0	900
Speed Post	3458	999	96	8	4561
Registered letters	14207	1563	134	60	15964
Insured letters	503	74	5	4	586
Unregistered parcels	81	6	3	2	92
Registered parcels	3254	536	8	140	3938
Insured parcels	47	0	0	0	47
VPP articles	6263	1182	123	2	7570
Total	**28525**	**4529**	**388**	**216**	**33658**

Audit observed that the Post offices did not maintain complaint registers to show the number and nature of complaints received, disposed and pending in the Post Offices. The compendium on Processing and Disposal of Public Complaints prescribes that the inspecting officers during the course of inspection/visit should review this register and record their remark in the Order

Book. There was no provision in the software package with the customer care center for recording complaints on unregistered articles necessitating maintenance of a separate register manually.

1.13 Computerisation of mail operations

In order to improve quality of services and to meet the growing challenges from couriers, it was imperative that DoP formulated an IT policy to streamline its mail operations and ensure better customer service.

1.13.1 Inadequate computerization in the Tenth Five Year Plan

The Tenth Five Year Plan envisaged computerisation and networking of all Head Record Offices (HROs), CRCs and Transit Mail Offices (TMOs). DoP developed three standalone software packages to handle the operations of HRO, CRC and TMO.

The Standing Finance Committee (SFC) recommended an expenditure of Rs 4.35 crore for computerization of HROs, Rs 15.94 crore for CRCs and networking and Rs 0.38 crore for track and trace system of accountable articles in February 2003.

It was noticed that Rs 1.31 crore incurred on computerization till March 2006 was largely unfruitful as there was negligible utilization of these three stand alone software packages and the computers were used only for routine work of typing, etc.

1.13.2 Idling of hardware

Under computerisation of post offices scheme, computer and peripherals were provided to the sub offices by the DoP.

In order to ensure that there was no delay in installation of computers, it was imperative that sites were kept ready. Audit scrutiny of records revealed hardware worth Rs 6.72 crore procured during 2004-05 to 2005-06 in the following circles remained idle as of August 2006.

S.No.	Name of Circle/PO	Value of hardware lying idle (Rs in crore)
1.	Assam	0.20
2.	Bihar	0.05
3.	Chhattisgarh	0.05
4.	Gujarat	6.16
5.	Jharkhand	0.07
6.	Maharashtra	0.10
7.	Orissa	0.06
8.	West Bengal	0.03
		6.72

On this being pointed out by audit, it was stated that installation was held up for want of requisite accommodation and supporting equipment.

1.13.3 Information technology security related issues

Computer security guidelines issued by DoP in May 2001, July 2001 and July 2004 stipulated allocation of specific user IDs and passwords, regular revision thereof and effective controls thereon.

1.13.3.1 Deficient password system

As per these guidelines, the passwords used to gain access to the packages and the system resources should not be easy to guess, should be changed regularly and should comprise a minimum of eight alphanumeric characters.

Audit scrutiny revealed the following deficiencies in password procedures in all the 21 circles:

- the system accepted passwords of single character,
- the user IDs and passwords were not changed,
- the system did not provide controls against unauthorised attempts to login,
- the system did not generate log reports on unauthorised attempts.

On this being pointed out, Senior Postmasters/ Postmasters of the respective Post offices replied that suitable instructions would be issued to follow the guidelines issued by DoP.

1.13.3.2 Non formulation of disaster recovery and business continuity plan

DoP had issued orders for taking regular backup of data but did not have a documented disaster recovery and business continuity plan for all its computerized activities. Audit scrutiny in 21 circles showed that even the orders issued for regular backup of data were not being followed. It was also observed that the backup data was not being reviewed periodically in order to ensure that there was no problem in data retrieval. The backup data was also not stored in off site locations.

Recommendation

DoP should integrate all the three stand alone software to avoid duplicate feeding of data and delays. Security related issues should also receive priority attention.

1.14 Mechanisation and modernisation

Mail processing and delivery is the core activity of DoP. To undertake the task of expeditious sorting, transmission and delivery, DoP proposed to mechanise the mail processing system. In order to achieve the objective of mechanization it was imperative that the DoP considered and implemented standardization of mail, availability of adequate infrastructure and complete study of the pros and cons of the project. Audit observed that there were deficiencies at each of the stages which resulted in under-utilisation of machines introduced. These deficiencies are discussed below.

1.14.1 Underutilisation of Automatic Mail Processing System

To modernize and cut down delays in sorting of mail, DoP installed imported automatic mail processing system (AMPC) at Mumbai and Chennai costing Rs 42 crore in April 1993 and August 1995 respectively.

The under utilisation of AMPC Mumbai was commented in paragraph 3.1 of the report of Comptroller and Auditor General of India for the year ended 31 March 1994. The department in their reply to the Public Accounts Committee (PAC) stated that with the introduction of machineable three flap inland letter card from 1995, the output of AMPC would increase substantially.

Audit scrutiny of records (April-August 2006) in AMPC Mumbai and Chennai showed that against the projected target of sorting 9.88 lakh and 8.40 lakh mail daily, only 3.32 lakh mail were being sorted at Mumbai and 2.37 lakh at Chennai. Audit observed that even after lapse of more than 10 years from the date of installation of AMPCs, DoP did not achieve the envisaged target and only one fourth of the capacity of these machines was being utilised.

On this being pointed out by Audit, it was stated that due to non-availability of adequate quantum of machinable mail, these machines could not be utilised to the optimum level. It was further stated AMPC authorities had appealed to various companies, banks, firms, Government offices to make their mail machinable.

Thus, the modernization efforts of the Department, after incurring expenditure of Rs 42 crore on procurement of AMPCs, did not yield the desired results as AMPC did not have sufficient machinable mail to process.

1.14.2 Under utilisation of Culler-Facer-Canceller (CFC) machines

The Culler-Facer-Canceller (CFC) Machine performs the functions of segregating, facing and canceling. The primary function of these machines is to segregate or cull machinable mail for processing through AMPCs. Two CFCs each were procured and installed at AMPC Mumbai and Chennai in July 2002 at a cost of Rs 18.25 crore.

Audit scrutiny (April-August 2006) of records in Mumbai and Chennai revealed that against the projected target of 7 lakh and 2.34 lakh per day only 35,281 and 7762 mail were received at AMPC Mumbai and Chennai respectively during 2005-06. The percentage of mail culled through CFC per day was 6.80 *per cent* in Mumbai and 1.46 *per cent* in Chennai as shown in the table below.

Name of the unit	Projection of mail to be received as per EFC per day	Mail received per day	Mail culled through CFC per day	Percentage of mail processed by CFC w.r.t no. of mail received per day
CFC Mumbai	7,00,000	518605	35,281	6.80
CFC Chennai	8,40,000	530500	7,762	1.46

On this being pointed out by Audit, it was stated that due to various difficulties like non-fixing of postage stamps at proper place as per the specification of the machine, non-detection of embossed stamps, etc, the projected targets could not be achieved.

Thus the expenditure of Rs 18.25 crore on procurement of four CFC machines for automation of mail processing did not yield the desired results due to the failure of the department to adequately publicise the need for using standardized postal stationery and make the public aware of the advantage of such an automated system.

1.14.3 Deficient management of AMPC projects at Delhi and Kolkata

The project for AMPC Kolkata was approved by EFC in May 2001 at a cost of Rs 40.63 crore and was to be completed in two phases by 2002-03. Phase-I of the project was to be taken up during 2001-02 at an estimated cost of Rs 27.02 crore and Phase II during 2002-03 at an estimated cost of Rs. 13.61 crore. However, due to escalation in cost from Rs 27.02 crore to Rs 33.20 crore i.e. more than 20 *per cent* of the approved cost, the project could not take off as the guidelines of February 2002 of Ministry of Finance stipulated that if the costs increased in excess of 20 *per cent*, the matter was to be re-submitted to the EFC along with Revised Cost Estimate (RCE). The AMPC project for Kolkata was again approved by EFC only in May 2005 at an estimated cost of Rs 41.90 crore, along with the AMPC project for Delhi at a cost of Rs 42.37 crore. The projects were to be completed in the final year of Tenth Five Year Plan period i.e., 2006-07.

Audit observed that DoP incurred an expenditure of Rs 5.68 crore as of August 2006 on the construction of buildings at Delhi and Kolkata. Chances of implementation of the project within current five year plan (upto March 2007) were remote as the minimum projected time requirement for commissioning of the project was 15 months from the date of issue of global tender. Audit observed that only technical specifications were finalized and global tender had been issued as of August 2006.

1.14.4 Non-integration of weighing scales with MPCMs

DoP procured 1846 weighing scales at a cost of Rs 1.70 crore for its attachment with multi purpose counter machine (MPCM) during 1997-98 to 2001-02. The purchase order stipulated that the vendor was responsible for connectivity of these weighing scales to the MPCMs by integrating the weighing scales with the software of the department. The main justification for procurement of these weighing scales was that the sensors attached to these weighing scales would weigh the articles automatically instead of the weight being fed manually in the MPCM.

The vendor failed to integrate these weighing scales with the MPCMs. As a result, the weights were fed into the system manually defeating the purpose for which these weighing scales were procured.

DoP accepted the fact that the machines were not attached with the MPCMs and the weights were fed into the system manually.

1.14.5 Non-installation of electronic weighing scales

As a part of modernization programme during the Tenth Five Year Plan, DoP proposed in March 2005 to provide Electronic Weighing Scales to the Post Offices covered under computerisation networking.

DoP placed purchase orders for 5232 electronic weighing scales of different specifications in March 2005. The purchase order stipulated that the weighing scales were to be certified and stamped by Weights and Measures Department to the effect that they conform to IS 9281.

It was noticed that out of 1259 weighing scales received in Kerala circle during August to November 2005, only 196 scales were installed leaving a balance of 1063 scales as the required certificates were not furnished by the suppliers. Seventy Four scales received in damaged condition, were neither replaced nor repaired by the vendor. Further, these 196 weighing scales were not connected to the MPCMs due to non-integration with the 'Meghdoot' software.

Thus 1063 weighing scales costing Rs 86.51 lakh received between August to November 2005 remained uninstalled for more than a year. Moreover, the replacement of self indicating weighing scales by Electronic Weighing Scales could not be achieved.

Recommendation

DoP should take more effective steps to standardize the mail to ensure that Automatic Mail Processing Centres and Culler Facer Cancellor machines are optimally utilized. DoP could start with its registered mail sector.

1.15 CONCLUSION

During the period 2000-01 to 2004-05, there was 48.12 percentage decline in mail traffic. However, there was no commensurate redeployment of staff strength. There were delays in all stages of mail operations, like collection, sorting, transmission and delivery of mail. This was also corroborated by the National Test Letter Run Report of 2005 which showed that only 55 *per cent* of mail was delivered within the prescribed norms for delivery. On an average, 25 *per cent* mail remained unsorted at the end of a day due to shift to shift transfers which resulted in delay in sorting and delivery of mail.

There were instances of leakage of revenue as DoP allowed BNPL and business post facilities to the customers without taking advance deposits from them.

A total of 33,658 complaints were pending beyond the stipulated norms of settlement. Department's failure to address the complaints expeditiously can lead to further dissatisfaction to customers.

The main objective of computerization was not achieved as the data relating to accountable articles in the course of its journey from booking to delivery was not integrated. The installation of Automatic Mail Processing Centres and Culler Facer Cancellors did not yield the desired results as these machines remained grossly underutlised due to lack of sufficient machinable mail. The department needs to address these issues urgently to improve its mail operations.

ANNEXURE-I
(Referred to in paragraph 1.8.1)

Shift to Shift Transfer per day in sorting offices during 2005-06

	Volume of mail received	**Volume of mail held up**	**Percentage of mail held up**
Assam	16001	10275	64.21
Chhattisgarh	175819	1826	1.04
Maharashtra	85615700	5515100	6.44
Uttaranchal	30644	3740	12.20
Madhya Pradesh	42158	7120	16.89
Kerala	693080	368743	53.20
Orissa	39449724	32772490	83.07
Punjab	42640337	4160900	9.76
Delhi	128177591	326000	0.25

Source : Registers maintained in mail offices to show the details of articles received, transferred from the previous shift, disposed off in the shift and transferred to the next shift

ANNEXURE - II
(Referred to in paragraph 1.8.2)
Handling of traffic by mail offices

CIRCLE	S.NO.	NAME OF MAIL OFFICE	UNREGISTERED	REGISTERED
ANDHRA PRADESH	1	Hindupur RMS	2807	202
	2	Adoni RMS	2022	193
	3	Nandyal RMS	9861	442
	4	Chittor RMS	6879	648
	5	Gudur RMS	3782	766
	6	Chirala Stg	5181	346
	7	Vijaynagram RMS	1965	450
ASSAM	8	Lakhimpur RMS	6355	700
	9	Karimganj RMS	4965	262
	10	Dimaur RMS	2298	1140
	11	Mariani RMS	4477	629
	12	Lumding RMS	3349	211
CHHATTISGARH	13	Chindwara RMS	6772	631
	14	Jagdalpur Stg	4739	362
	15	Raigarh RMS	5854	609
GUJARAT	16	Amreli Stg	8368	305
	17	Dhola RMS	3108	194
	18	Ghandidham RMS	9324	938
	19	Porbandar RMS	7240	401
HARYANA	20	Panipat RMS	8038	470
	21	Sonipat RMS	7238	1240
HIMACHAL PRADESH	22	Una Stg	5446	713
	23	Hamirpur Stg	6161	585
	24	Kalka RMS	4156	681
	25	Rampur Stg	1902	310
JHARKHAND	26	Sahibganj RMS	7109	509
	27	Mahdupur RMS	9993	746
	28	Koderma RMS	6784	525
	29	Hazaribagh Rd RMS	9054	1085
KARNATAKA	30	Kumta Stg	7344	847
	31	Arsikere RMS	6796	439
KERALA	32	Muvattupuzha Stg	6191	764
MADHYA PRADESH	33	Bina RMS	5035	325
	34	Betul RMS	3706	379
	35	Khandwa RMS	8244	624
	36	Neemuch RMS	2730	256

	37	Mandsaur RMS	8504	514
	38	Satna RMS	9513	850
	39	Rewa Stg	6825	605
	40	Chattarpur Stg	5154	421
	41	Pairia RMS	1238	212
MAHARASHTRA	42	Karad Stg	4722	667
	43	Manmad RMS	4657	559
	44	Parbhani RMS	8675	781
ORISSA	45	Puri RMS	8929	473
	46	Kendrapada Stg	6843	1113
	47	Keonjhargarh Stg	6348	1313
	48	Dhankanal Stg	8871	965
	49	Baripada Stg	8310	816
	50	Jajpur RMS	8308	1453
	51	Bhadrak RMS	9900	893
	52	Balasore RMS	9195	1727
	53	Rayagarh RMS	4297	582
	54	Parlakhemundi Stg	2375	262
	55	Phulbani Stg	3185	300
	56	Balangir Stg	6200	512
	57	Titalgarh RMS	1975	232
PUNJAB	58	Dhuri RMS	6440	632
	59	Ropar RMS	9749	901
RAJASTHAN	60	Dungarpur RMS	7339	472
	61	Pali Stg	7384	834
TAMIL NADU	62	Pattukotai Stg	7070	207
	63	Virdachalam RMS	8562	846
	64	Udagamandalam Stg	9089	705
	65	Kovilpatti Stg	4465	434

ANNEXURE –III
(Referred to in paragraph 1.9.1)

Statement showing irregular grant of rebate to bulk customers

Sl.No.	Name of circle	Name of the HO	Discount allowed (Rs in lakh)
1	Andhra Pradesh	Vishakhapatnam	4.72
2	Assam	Guwahati	1.75
3	Gujarat		11.77
4	Jharkhand	Jamshedpur and Dhanbad	2.03
5	Kerala	Trivandrum	3.33
6	Madhya Pradesh		10.88
7	Maharashtra	Pune	0.23
8	Orissa	Bhubaneswar	3.23
9	Tamilnadu	Chennai	2.58
		Coimbatore	
10	West Bengal	Howrah	17.36
		Kolkata	
	Total		**57.88**

Source : Registers showing the total number of articles booked on each day of the month

ANNEXURE –IV
(Referred to in paragraph 1.9.2)

Statement showing outstanding amounts against BNPL customers

S.No	Name of the Circle	Amount (Rs in lakh)
1	Andhra Pradesh	2.96
2	Assam	13.97
3	Bihar	1.88
4	Chhattisgarh	15.42
5	Delhi	25.50
6	Kerala	11.67
7	M.P Circle	16.58
8	Maharashtra	27.80
9	North East	0.76
10	Orissa	1.88
11	Punjab	3.02
12	Rajasthan	3.22
13	West Bengal	11.90
	Total	**136.56**

Source : Registers maintained to show the BNPL deposits realized in advance

ANNEXURE-V
(Referred to in paragraph 1.10)

Statement showing non-recovery of postage in advance for mail items from the customers

S.No	Name of the Circle	Amount (Rs in lakh)
1	Andhra Pradesh	12.80
2	Assam	23.17
3	Chhattisgarh	1.10
4	Gujarat	11.88
5	Kerala	8.34
6	Maharashtra	40.35
7	Orissa	3.96
8	Tamilnadu	100.00
	Total	**201.60**

Source: Registers maintained for entering the details pertaining to business post activities, available in business post centres.