

CHAPTER 2 MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

DEPARTMENT OF POSTS

Performance Audit of Management of Cash in Post Offices

HIGHLIGHTS

- 57 per cent of the post offices test checked were found to retain cash much in excess of authorized maximum limits. The problem of retention of excess cash balance was more severe in Head post offices.

(Paragraph 2.7.1.2)

- Divisional heads failed to exercise adequate control and monitoring over the post offices. Thirty eight percent of head post offices test checked did not send weekly statement of cash to the Divisional heads.

(Paragraph 2.7.1.3)

- An amount of Rs 1.90 crore was paid as demand draft charges to banks by 23 HPOs and their sub offices under 10 circles during the period 2003-06. This expenditure could have been minimized had the sub-post offices been delegated powers to draw/ remit cash directly from/into the banks.

(Paragraph 2.7.1.4)

- Security arrangements in post offices were found inadequate. Large cash amounting to Rs one crore or more was retained overnight in post offices without providing an armed security guard. Such an arrangement is fraught with the serious risk of theft and robbery.

(Paragraph 2.9)

- Weak internal controls were resulting in large number of suspected frauds and theft of cash in post offices. More than five thousand cases of loss and fraud were registered in the department during the period 2003-04 to 2005-06 involving an amount of Rs 32.73 crore, out of which only 34 per cent was recovered.

(Paragraph 2.10.1)

- 7,625 cases of loss and suspected fraud were pending for settlement at the end of March 2006. Out of this, 63 per cent cases i. e. 4,816 cases were pending due to non completion of departmental proceedings/investigations.

(Paragraph 2.10.2)

- **An amount of Rs 1,819 crore remained unlinked in the bank scrolls and Rs 3,934 crore in the post office schedules in respect of drawings from banks at the end of March 2006. Similarly, an amount of Rs 4,645 crore remained unlinked in the bank scrolls and Rs 4,906 crore in the post office schedules in respect of remittances into banks. Delays in reconciliation with the bank and clearance of unlinked amounts is fraught with the risk of fraud and embezzlement.**

(Paragraph 2.8.2)

SUMMARY OF RECOMMENDATIONS

- **Cash balance limits should be reviewed regularly and revised for ensuring better cash management in post offices**
- **Effective measures should be taken to retain the cash balances within the authorized limits through better coordination, effective monitoring and by allowing post offices with large cash transactions to deal with banks directly and issue cheques instead of making cash payment.**
- **Reconciliation of unlinked items in the bank scrolls and post office schedules in respect of drawings from banks/remittances into banks should be ensured at the earliest to clear unlinked items.**
- **Security arrangements should be beefed up in post offices retaining substantial amount of cash overnight. Departmental instructions pertaining to provision of security should be reviewed and revised keeping in view the huge cash balances maintained in the post offices.**
- **Internal control and monitoring should be strengthened in view of the large number of frauds in Savings Bank operations and cases of theft/robberies in post offices.**

2.1 INTRODUCTION

The Department of Posts (DoP) provides a range of basic postal services to its customers through its postal network, together with agency services like banking and insurance. DoP receives cash for rendering various services through the sale of postage stamps and stationery; agency services and deposits in various Post Office Savings Bank and other accounts. The cash so collected is remitted at the end of the day through account bags* to the concerned head post offices (HPOs) by the post offices under their accounts jurisdiction after retaining the authorized balance of cash. The HPOs remit the cash through account bags to the deficit post offices under their jurisdiction to meet their liabilities. For this purpose, the HPOs use the cash collected from the counters and from the post offices under their jurisdiction. In case, the available cash falls short of the

* account bag - used to transport cash and other articles between a sub-office and its HPO. It contains cash bags and articles, documents, etc., connected with accounts as well as correspondence unconnected with accounts.

amount to be disbursed, cash is withdrawn from the banks with which the HPOs have current accounts. Surplus cash is deposited in the banks by the HPOs. The objectives of effective cash management are to ensure availability of liquid cash, promptness/accuracy in accounting, and safety.

2.2 ORGANIZATIONAL SETUP

DoP under the Ministry of Communications and Information Technology is managed by the Postal Services Board comprising the Chairman and three Members (Operations, Development and Personnel). Deputy Directors General, Directors and Assistant Directors General provide necessary support to the Board at the Headquarters.

The entire country has been divided into 22 postal circles and each circle is headed by a Principal Chief Postmaster General/Chief Postmaster General. Each circle is divided into regions comprising groups of field units, called divisions (Postal and Railway Mail Service Divisions). Each region is headed by a Postmaster General who is the post manager of the area. The post offices are headed by Postmasters who are under the supervision of Superintendents of Post Offices (SPOs). Post offices in the country are categorized as head, sub and branch post offices. A Head Post Office is the main office of a group of post offices consisting of itself and a number of sub-post offices and branch post offices which have been placed under its accounts jurisdiction. There are altogether 1,55,516 post offices as on 31 March 2005[@], out of which 822 are HPOs, 25113 departmental sub-post offices, 2398 extra-departmental sub-post offices and 127183 branch post offices.

2.3 SCOPE OF AUDIT

Performance audit of “Management of Cash in Post Offices” was carried out during April to July 2006 covering the transactions for the years 2003-04 to 2005-06 in selected post offices under 21 Postal Circles, except Jammu & Kashmir Postal circle. Altogether 58 HPOs, 115 departmental and extra departmental sub-post offices and 57 branch post offices along with the concerned Postal Accounts Offices and Divisional offices were audited. One HPO under each Region subject to a minimum of two HPOs in a circle and one departmental sub-post office, one extra-departmental sub-post office and one branch post office under each HPO were selected for audit. The sub and branch post offices were selected at random.

2.4 AUDIT OBJECTIVES

The performance audit of Management of Cash in Post Offices was taken up with a view to ascertain that

- Collection, retention, disbursement and remittance of cash in post offices was efficient and effective to ensure availability of cash for smooth functioning of post offices, minimize unnecessary retention of

[@] The figures of 2005-06 is under compilation stage and not printed yet.

cash in excess of prescribed limits and render quality postal services to the customers.

- Cash related transactions were correctly accounted for and promptly settled.
- Norms for custody and safety of cash in post offices were being adhered; and
- internal control mechanism was effective to minimise frauds, thefts and misappropriation of cash in post offices.

2.5 AUDIT CRITERIA

The following criteria were used in evaluating performance:

- Norms pertaining to forecasting of cash requirement in post offices, fixation of minimum and maximum cash/stamp balances and revision of authorized balances;
- departmental rules pertaining to compilation and maintenance of accounting records, custody and security of cash including cash-in-transit; and
- prescribed internal control measures including norms on inspections and checks by departmental officers for preventing frauds and misappropriation of cash in post offices.

2.6 AUDIT METHODOLOGY

The audit methodology involved examination of documents and discussions with the Management to evaluate the management of cash in post offices based on the audit criteria broadly outlined earlier. A survey was also conducted by Audit to evaluate the customer satisfaction.

2.7 AUDIT FINDINGS

The deficiencies observed during audit with regard to retention and accounting of cash, security arrangements, internal control system and customer satisfaction are discussed in the succeeding paragraphs.

2.7.1 Retention of cash and stamps in post offices

Departmental rules stipulate that Divisional Heads shall fix the maximum cash and stamp balances that can be held by a post office under their jurisdiction. Cash in excess of the maximum limit should be remitted to the bank/cash offices on daily basis. In case it is necessary to keep cash in excess of the authorized limits the reasons for keeping such excess cash should be recorded. Similarly, if it is necessary to keep stamps in excess of the authorized limits, the reasons thereof should also be recorded. It was seen in audit that the above norms regarding efficient management of cash balances in post offices were not strictly observed as discussed in the succeeding paragraphs.

2.7.1.1 Non revision of cash balance limits in post offices

Departmental rules stipulate that Divisional Heads have to fix the maximum cash and stamp balances that can be held by each head post office, sub-post office and branch post office under their jurisdiction. The maximum cash balance limit of a post office is the highest sum that it should ever be allowed to have in its possession. The maximum limit is fixed to avoid retention of unnecessary large amounts of money in the post offices without authorization.

Audit scrutiny of 230 randomly selected post offices under 21 circles revealed that the cash balance limit was not revised in 154 post offices (67 *per cent*) though the cash transactions had increased manifold in these post offices during the intervening period. Of these 154 post offices, cash balance limit was not revised in 64 post offices for last one to three years, in 55 post offices for three to five years and in 35 post offices for above five years. Cases of delay in fixations of cash balance limit for more than three years are given in **Annexure-I**.

In case of Chapra, New Delhi, Tumkur and Tiruchirapalli head post offices; Karcheliya, Rajnagar, Thuruvikkal and Jaintipur sub post offices and Venkode branch post office, maximum limits of cash was fixed seven years back which had not been revised though the cash flow in these post offices had increased substantially in view of revision of rates of postal stationery and increased business. Non-revision or delay in the revision of the authorized balances highlight failure of supervisory officers (SPOs) to closely monitor the working of post offices under their control and take prompt action to revise cash balance limits, wherever necessary as per rules.

2.7.1.2 Retention of excess cash and stamps in post offices

Rules provide that the cash in excess of the maximum limit fixed by the competent authority should be remitted to bank on daily basis. Excess retention of cash beyond the prescribed limits is not desirable on the reasons of security in post offices. Audit test checked the position of cash balance in selected post offices for two randomly selected months for each of the last three years (2003-06). Audit scrutiny in 230 post offices under 21 postal circles disclosed that 57 *per cent* of the post offices test checked did not observe the prescribed maximum cash balance limit as per the details given in the table below:

Type of Post offices	Number of post offices test checked	Number of post offices having excess cash balance	Percentage of post offices having excess cash balance
Head Post Offices	58	55	94.83
Sub post offices	115	58	50.43
Branch post offices	57	19	33.33
Total	230	132	57.39

The problem of excess retention of cash was more acute in Head Post Offices (HPOs) throughout the country as about 95 *per cent* of the HPOs test checked were found to be holding cash much in excess of prescribed limits. The

excess cash balance was retained without exhibiting any liability for the next day in the records of post offices.

It was also noticed that against the authorized maximum cash limit of Rs 30 lakh in 2004-05 (enhanced to Rs 35 lakh in August 2005), the Raipur HPO in Chhattisgarh circle retained excess cash balance between Rs 0.52 lakh to Rs 5.42 crore beyond the prescribed limits for 137 days out of 180 days test checked.

HPO-AU under Uttaranchal circle retained excess cash between Rs 25.53 lakh to Rs 339.38 lakh for 136 days over and above the authorized maximum limit of Rs 20 lakh (enhanced to Rs 40 lakh in May 2004). HPO L and M under Delhi circle with cash limits of only Rs 10 lakh and Rs 20 lakh retained cash up to Rs 1.51 crore and Rs 1.78 crore respectively. The position was also equally alarming in HPOs which retained large amount of cash much beyond their prescribed cash balance limits.

Similarly, rules provide that every office is required to keep a stock of stamps which would be fixed by the Divisional heads of the concerned post offices. Audit scrutiny in 58 HPOs revealed that 37 HPOs (64 *per cent*) retained stamps (postage stamps, revenue stamps and central recruitment fees) ranging from Rs 54 thousand to Rs 537.23 lakh in excess of the authorized limits during the months of February and October of 2003-04 to 2005-06.

In reply, the postmasters in different circles stated that the main reason for excess retention of cash was receipt of cash from the sub-post offices, customers, agents etc. after the banking hours. The reply indicates that DoP has not been able to address this persistent problem by ensuring better coordination between the HPOs and sub post offices, allowing more sub post offices to open accounts in the banks and working out special arrangements with the banks for depositing excess cash after banking hours, if necessary. Excessive retention of cash by post offices is not only irregular but also fraught with the serious risk of theft and robbery in the absence of adequate security arrangements in the post offices.

2.7.1.3 Non-submission of statement of balances by the HPOs

Each head post office is required to send a statement of cash balances every week to the Divisional heads for scrutiny. The Divisional heads should carefully scrutinize the cash balance statement of all the HPOs under them and the cases of frequent retention of excess cash more than the prescribed limits by head post offices must be investigated.

Audit scrutiny in 58 HPOs under 21 circles revealed that in 22 HPOs (38 *per cent*) weekly statements of balances were not prepared and in another 10 HPOs (17 *per cent*) the statements were not submitted regularly to the Divisional heads. **Annexure-II.** In the absence of statement of balances, the Divisional heads failed to monitor the cash balances and revise the limits wherever necessary. This also indicates weak internal controls of Divisional heads in monitoring the cash management in their subordinate offices.

2.7.1.4 Avoidable payment of demand draft charges

Audit observed that 23 HPOs and their sub offices under 10 circles paid an amount of Rs 1.90 crore as demand draft charges to nationalized banks on purchase of demand drafts for remittance of cash between post offices during the period from 2003-04 to 2005-06. This expenditure could have been minimized had the sub-post offices been delegated powers to draw or remit cash directly from/into the banks.

The Department permitted (September 1994) the post offices with annual turnover of Rs 60 lakh and above to open accounts with nationalized banks for their day to day cash transactions. This limit was lowered to Rs 40 lakh per annum in October 2001. However, it was observed that in Maharashtra Circle although 68 sub-post offices having turnover of Rs 40 lakh and above were identified in February 2004 for opening of accounts with Banks but pending approval from the DoP, the post offices were yet to open bank accounts as of July 2006. Similarly, 21 sub-post offices having annual turnover of more than Rs 40 lakh under Tiruvananthapuram North division in Kerala Circle were yet to open account with the banks.

Further, it was observed that out of 224 sub-post offices (SO) under 14 HPOs in five circles, only 40 sub-post offices were drawing cash directly from the banks while balance 184 sub-post offices were drawing cash from the concerned HPOs although these sub-post offices had a nationalized bank in their close neighbourhood. Circle-wise details of sub-post offices drawing cash from HPOs inspite of having a nationalized bank in the near vicinity is given in the table below:

Name of the Circle	Number of HPOs audited	No. of SOs having nationalized bank nearby	No. of SOs drawing cash from the HPOs
Andhra Pradesh	5	60	41
Chattisgarh	2	68	52
Delhi	2	38	38
Rajasthan	2	22	17
Tamil Nadu	3	36	36
Total	14	224	184

As the concentration of bank branches is much higher than the concentration of HPOs in the country, it would be logical to allow major sub post offices to open accounts with nationalized banks for their day to day cash transactions.

2.7.1.5 Savings/deposits payments made in cash instead of cheque

As per the provisions of Income Tax Act, payments exceeding Rs 20,000 are to be made through cheques. However, a test check in five HPOs in four circles as detailed in the table below revealed that in 232 cases payments in respect of small savings transactions were made in cash for amounts exceeding Rs 20,000 to customers in violation of rules:

Name of the Circle	Name of the HPO	No of cases
Assam	Guwahati University	24
Gujarat	Gandhinagar	33
Tamil Nadu	Tiruvallur and Dharmapuri	162
Uttaranchal	Dehradun	13
Total		232

Recommendations

- *Cash balance limits should be reviewed regularly and revised, wherever necessary, for ensuring better cash management.*
- *Effective measures should be taken to retain the cash balances within the authorized limits through better coordination, effective monitoring and by allowing post offices with large cash transactions to deal with banks directly and issue cheques instead of making cash payments.*

2.8 Accounting of cash in post offices

Head post office is the primary accounting unit which renders accounts alongwith vouchers to the Postal Accounts office. The Postal Accounts office classifies the expenditure head-wise and prepares classified abstract for each HPO. It also pairs drawings from/remittances into banks made by the post offices. Deficiencies noticed in accounting of cash transactions are discussed in the succeeding paragraphs.

2.8.1 Huge amounts pending under suspense head

Accounting procedures prescribe that if any transaction cannot be classified to the correct head of account for want of details such as date of payment, name of the person to whom it was paid, head of account, etc., such expenditure will temporarily be classified to the suspense head and taken to the objection book. On receipt of the details from the concerned postmasters, the same will be classified to the correct head and taken to the final head of account.

Test check of records in the Postal Accounts offices in 21 circles revealed that credit suspense of Rs 1,807.83 crore and debit suspense of Rs 2,262.34 crore were outstanding at the end of March 2006 for want of proper classifications and final settlement. Circle-wise details of outstanding balances under the Suspense head are given in **Annexure-III**. The total outstanding debit suspense for the year 2005-06 had increased by 213 *per cent* over the previous year. The position was alarming in the Maharashtra Circle since it accounted for 71 *per cent* of the total pending Suspense balances. Other circles having significant amounts under Suspense head are West Bengal, Tamil Nadu, Uttar Pradesh, Jharkhand and Bihar. The amounts were pending for proper classification since the cash accounts submitted by the field units were not properly supported by relevant schedules and vouchers. Continuance of huge amounts under suspense heads not only affects the accuracy of accounts but is also fraught with the risk of non-detection of irregularities for want timely settlement and reconciliation. In reply, the Postal Accounts offices stated that action would be taken to clear the pending suspense balances.

2.8.2 Unlinked items in respect of drawings from bank and remittance into bank

Drawings from and remittances into banks made by the post offices are adjusted by the banks against the balance of the latter. The daily scrolls of drawings from/remittances into bank are prepared by the dealing bank separately in quadruplicate and one copy sent to the concerned post office and two copies are sent to the 'focal point bank' with challans/cheques. The "focal point bank" consolidates the scrolls received from various branches and prepares a main scroll and sends it to the Postal Accounts Office. The Postal Account office verifies the scrolls with the post office schedules and notes the unlinked items in the registers, one for the items included in the PO schedules but not in the daily bank scrolls and the other for the items included in the daily bank scrolls but not in the post office schedules.

Drawings from bank

Audit scrutiny in 21 Postal Accounts offices revealed that a sum of Rs 1819.10 crore drawn from banks remained unlinked in the bank scrolls in the books of Postal Accounts offices at the end of March 2006. Similarly, drawings of Rs 3,934.40 crore from banks remained unlinked in the post office schedules at the end of March 2006. Substantial unlinked amounts of drawings existed in Maharashtra, Delhi, Bihar, Uttar Pradesh, Gujarat, and Andhra Pradesh circles. Reconciliation work in respect of drawings from banks in the bank scrolls and post office schedules had not been done in Chhattisgrh Circle since 2003-04, in five circles since 2004-05 and in nine circles since 2005-06 as shown in **Annexure-IV**.

Remittances into banks

An amount of Rs 4645.43 crore remitted into banks remained unlinked in the bank scrolls at the end of March 2006. Similarly, remittances of Rs 4906.43 crore remained unlinked in the post office schedules at the end of March 2006. Large amounts of unlinked remittances pertained to Delhi, Uttar Pradesh, West Bengal, Karnataka, Andhra Pradesh, Maharashtra, Madhya Pradesh, Kerala and Jharkand. Reconciliation work in respect of remittances into banks in the bank scrolls and post office schedules had not been done in Chhattisgarh and Madhya Pradesh Circles since 2003-04, in six circles since 2004-05 and in seven circles since 2005-06.

Circle-wise details of amounts remaining unlinked at the end of March 2006 in respect of drawings from and remittances into bank in the bank scrolls and post office schedules are given in **Annexure-IV**.

Non receipt of debit/credit bank scrolls in time from banks and postal schedules from the post offices was stated to be the reasons for pending reconciliation work. Outstanding in bank reconciliation could conceal frauds and embezzlements in the Government accounts defeating the very purpose of linking.

Large balances under Suspense heads awaiting settlement, and huge amounts of unlinked drawings/remittances from/into banks indicate the priority being accorded to bank reconciliation work in the post offices.

Recommendations

- *Amounts under suspense should be properly followed up and accounted for in the respective heads so as to clear pending suspense balance.*
- *Reconciliation of unlinked items in the bank scrolls and post office schedules in respect of drawings from banks/remittances into banks should get adequate attention.*

2.9 Security arrangements in post offices

Rule 120 of P&T Manual Vol. VIII stipulate that each head post office should be provided at the discretion of the Head of the Circle with a chowkidar, whole or part time, for guarding it at night. However, it was noticed in audit that security arrangements in the test checked HPOs were not adequate considering the volume of cash being retained by the HPOs. Test check during the month of February 2006 revealed that cash ranging from Rs 9.01 lakh to Rs 3.39 crore was retained overnight in 34 HPOs under 15 circles under inadequate security. Out of these 34 HPOs, in nine HPOs cash was retained overnight for more than one crore of rupees without even providing an armed security guard. Such an arrangement was fraught with the risk of theft and robbery. In fact the department had registered 1676 cases of theft and robbery involving an amount of Rs 5.33 crore across 21 circles during the period 2003-04 to 2005-06.

Recommendations

- *Security arrangements should be beefed up in post offices retaining substantial amount of cash overnight.*
- *The provisions relating to security aspect appearing in P&T Manual needs review.*

2.10 Failure of Internal controls

Internal control is an essential prerequisite for efficient and effective management of an organization/department. Establishing an effective internal control mechanism involves assessment of the risks the organization faces both externally and internally. Control measures such as close monitoring, timely reconciliations, systematic review and reporting, compliance with regulations; regular inspections and prompt investigations act as a major deterrent to the occurrence of fraud and thefts in an organization.

2.10.1 Large number of suspected fraud and theft cases

A total of 5,455 cases of loss and suspected frauds were registered in DoP during the period 2003-04 to 2005-06 involving an amount of Rs 32.73 crore, of which only 34 per cent was recovered i.e. Rs 10.98 crore. Audit observed that suspected frauds in Savings Bank/Recurring Deposit/Time Deposit and theft/robberies of cash accounted for 63 per cent of the total cases registered

during the said period. It was also noticed that frauds in Savings Bank/Recurring Deposit/Time Deposit had increased during the last two years as detailed below

Year	Number of suspected fraud cases detected	Increase over previous year	% increase over previous year	Amount involved (Rs in crore)
2003-04	558	--	--	3.75
2004-05	583	25	4.48	7.55
2005-06	613	30	5.15	5.20

Maximum number of frauds relating to Savings Bank/Recurring Deposit/Time Deposits were noticed in Andhra Pradesh circle followed by Tamil Nadu and Maharastra/Gujarat circles. These circles accounted for 51 *per cent* of the total frauds in Savings Bank/Recurring Deposit/Time Deposit cases registered during the years 2003-04 to 2005-06. Similarly, maximum number of theft/robberies cases was noticed in Maharastra circle followed by Kerala and Tamil Nadu circles. These circles accounted for 40 *per cent* of the total theft/robberies registered during the said period.

Audit also observed that frauds in Savings Bank/Recurring Deposit/Time Deposit cases were mainly due to short/non-crediting of money received from customers into their accounts and fraudulent withdrawal of money from their accounts. In case of cash certificate frauds, the certificates were sold to the public but the sale proceeds were misappropriated instead of crediting them into government accounts. Theft and robbery cases involved theft of cash retained in post offices as well as theft of cash-in-transit. Two cases of fraud are discussed below to highlight internal control failures:

a) Suspected fraud case in Kasturba Gram sub-post office of Madhya Pradesh circle

While the minimum and maximum authorized cash balance limits of Kasturba Gram sub-post office, Madhya Pradesh circle were Rs 5,000 and 7,500 respectively, cash was retained in excess of the authorized limits ranging from Rs 75,138 to Rs 2,80,423 during the period 13 June 2005 to 29 June 2005. The sub-postmaster committed a serious irregularity by utilizing the excess cash for his personal end. He made good the shortage of cash by sale of Kisan Vikas Patras (KVPs) for which entries were not made in the accounts. The suspected fraud occurred because the excess retention was not pointed out by the senior postmaster of Indore GPO while checking the daily account of the sub-post office. The case was detected by the deputy postmaster on 16 August 2005 and the investigation was yet to be finalized as of October 2006.

b) Suspected fraud at sub-post offices under Chhattisgarh circle and Kerala circle

The sub-postmaster withdrew Rs 4.11 lakh from the account of a depositor by forging the signature of the depositor. Audit observed that the savings bank accounts at Sundernagar sub-office were not updated due to non posting either in

the savings branch at the HPO or at the savings branch at Circle Office (SBCO). This non updation of accounts might have been a contributory cause for wrongful withdrawal.

In Kerala circle, wrongful withdrawals of Rs 11.45 lakh by the sub-postmaster of Chottanikkara sub-post office during the July 2000 to May 2004 from the Savings Bank accounts of the depositors were also noticed.

c) Theft at Kanpur HPO under Uttar Pradesh circle

A cash advance of Rs 8.01 lakh drawn by the counter assistant in Kanpur HPO in March 2003 for discharge of National Savings Certificates (NSC) was reported lost from the postal counter. Audit observed that the advance was drawn for making payment to the depositors through an agent which was irregular. Further, such large amounts were drawn for making cash payment though payments exceeding Rs 20,000 are required to be made by cheque.

2.10.2 Delay in finalization of departmental investigations

Control measures such as prompt finalization of the departmental investigations and timely initiation of disciplinary action acts as a major deterrent for others. The Central Vigilance Commission while observing the delay in disposal of disciplinary cases had instructed all the Ministries and Departments in May 2000 to complete departmental inquiry within a period of six months from the date of appointment of inquiry officers.

It was noticed in audit that 7,625 suspected fraud and theft cases were pending for settlement at the end of the March 2006. Out of these cases, 2895 cases were pending between one and five years, 1226 cases between five and ten years, 789 cases between 10 and 15 years, 470 cases between 15 and 20 years and 460 cases above 20 years. Cases pending for settlement for more than one year constituted 77 *per cent* whereas cases pending for more than five years constituted 39 *per cent* of the total pending cases. Further, out of the total pending cases, 2,809 cases were pending due to non completion of police and court proceedings and 4,816 cases i.e. 63 *per cent* of the total cases were pending due to non completion of departmental proceedings/investigations. The details of pending cases are given in **Annexure-V**.

Recommendations

- *Internal controls, monitoring and review mechanism should be reviewed and enforcement strengthened in view of the large cases of frauds in Savings Bank operations, theft and robberies.*
- *Measures should be taken to expedite finalisation of loss and fraud cases pending for more than one year due to non completion of departmental proceedings/investigations.*

2.11 CONCLUSION

Management of cash in post offices plays a key role in the operational performance of DoP, both in terms of revenue generation and customer satisfaction. An efficient management of cash implies easy availability of liquid cash, promptness and accuracy in accounting, and safety. However, as brought out in the above report, the limits fixed for cash balances in post offices did not reflect the actual volume of cash being handled by various post offices. Most of the post offices retained cash far in excess of the limits prescribed. The limits were not being reviewed and revised periodically. This coupled with inadequate security and failure in following the accounting procedures and carrying out the supervision and inspections effectively has exposed the system to misappropriation, frauds and thefts. As many as 5,455 cases of suspected fraud and loss were registered in DoP during the period 2003-04 to 2005-06 involving an amount of Rs 32.73 crore.

There is an urgent need for DoP to review the prescribed cash limits and revise them to reflect the actual volume of cash being handled in post offices. Efforts would also have to be made to strengthen the internal controls and security arrangements. Amounts under suspense head should be brought down and arrears in reconciliation cleared.

ANNEXURE – I

(Referred to in paragraph 2.7.1.1)

Statement showing non fixation of cash balance limit in post offices

Category of POs	Cash balance limit not fixed			
	Between 1 & 3 years	Between 3 & 5 years	Above 5 years	Total
HPOs	21	15	10	45
SOs	27	28	20	75
BOs	16	12	5	33
Total	64	55	35	154

ANNEXURE – II

(Referred to in paragraph 2.7.1.3)

Statement on non submission of weekly statement of balances by HPOs for the period 2003-04 to 2005-06

Sl. No.	Name of the Circle	Name of the HPO	Whether statements of balances were submitted weekly
Statements not prepared			
1	Assam	1. Guwahati University	NO
2	Bihar	2. Chapra	NO
		3. Arrah	NO
3	Chhattisgarh	4. Raipur	NO
		5. Bilaspur	NO
4	Delhi	6. New Delhi	NO
		7. Kalkaji	NO
5	Jharkhand	8. Jamshedpur	NO
6	Kerala	9. Trivandrum	NO
7	Madhya Pradesh	10. CTT Nagar	NO
		11. Indore	NO
8	Maharashtra	12. Alibag	NO
		13. Panjim	NO
		14. Pune	NO
		15. Nagpur	NO
		16. Latur	NO
9	Punjab	17. Dasuya	NO
10	Uttaranchal	18. Dehradun	NO
11	Uttarpradesh	19. Kanpur	NO
		20. Allahabad	NO
		21. Barabanki	NO
		22. Hardoi	NO
Statements not submitted regularly			
12	Gujarat	23. Surendranagar	Not submitted from April 2003 to June 2004 & September 2005 to November 2005
13	Haryana	24. Ambala	Submitted monthly instead of weekly
14	Himachal Pradesh	25. Shimla	Submitted monthly instead of weekly
15	Karnataka	26. Tumkur	Not submitted from December 2005 to April 2006 & August 2005 to September 2005
16	North Eastern	27. Shillong	Partially submitted
		28. Itanagar	Partially submitted
17	Rajasthan	29. Sikar	Submitted fortnightly instead of weekly
18	West Bengal	30. Barasat	Partially Submitted
		31. Midnapore	Partially submitted
		32. Malda	Partially submitted

ANNEXURE-III

(Referred to in paragraph 2.8.1)

Statement showing pending suspense balances from 2003-04 to 2005-06
(Rs.in crore)

Name of the Circle	Up to 2003-04		Up to 2004-05		Up to 2005-06	
	Credit	Debit	Credit	Debit	Credit	Debit
Andhra Pradesh	0.6	0.009	1.61	0.02	10.76	0.11
Assam	10.42	24.48	6.73	16.02	9.01	27.58
Bihar	38.48	59.74	35.3	80.25	40.38	67.16
Chhattisgarh	31.15	25.39	39.63	31.44	17.38	31.41
Delhi	541.43	22.8	6.37	0.1	6.51	0.1
Gujarat	36.22	42.99	24.53	41.29	16.54	41.57
Haryana	0.13	0.001	0.91	0.11	0.09	0.00
Himachal Pradesh	839.76	152.02	1058.79	149.63	10.34	10.89
Jharkhand	29.05	57.37	43.4	74.4	37.16	77.87
Karnataka	NA	NA	0.44	0.3	0.7	0.33
Kerala	0.57	--	0.09	0.22	0.26	0.08
Madhya Pradesh	28.47	34.91	23.65	23.19	18.07	5.8
Maharashtra	7.72	46.46	44.67	85.17	1299.22	1606.35
North Eastern	4.23	7.19	4.27	7.89	5.45	9.94
Orissa	1.99	4.06	4.25	4.36	0.83	1.13
Punjab	7.79	0.06	1.14	0.12	0.43	0.06
Rajasthan	0.01	0.03	0.03	0.03	0.35	0.19
Tamil Nadu	0.04	--	0.07	0.85	166.01	25.41
Uttaranchal	3.25	12.09	7.08	3.52	5.07	1.8
Uttar Pradesh	1039.88	178.19	75.13	110.53	66.99	77.92
West Bengal	23.48	61.12	29.95	93.02	96.28	276.64
Total	2644.67	728.91	1408.04	722.46	1807.83	2262.34

ANNEXURE-IV

(Referred to in paragraph 2.8.2)

Statement showing amounts remaining unlinked in respect of the drawings from and remittances into the banks at the end of March 2006. (Rs in crore)

Name of the Circle	Unlinked drawings from banks			Unlinked remittances into banks		
	In the bank scrolls	In the post office schedules	Status of reconciliation work	In the bank scrolls	In the post office schedules	Status of reconciliation work
Andhra Pradesh	187.95	260.21	-----	367.88	437.16	-----
Assam	79.22	100.18	Not done since Nov. 2003	295.73	147.05	Not done since Nov. 2003
Bihar	324.89	323.49	Not done since 2004-05	60.05	142.35	Not done since 2004-05
Chhattisgarh	9.64	90.28	Not done since 2003-04	60.42	109.8	Not done since 2003-04
Delhi	(-)14.00	896.43	-----	2.08	1019.24	-----
Gujarat	139.15	311.21	Not done for 2005-06.	167.06	115.35	Not done for 2005-06
Haryana	5.51	35.43	Not done for 2005-06.	13.28	19.07	Not done for 2005-06
Himachal Pradesh	1.23	11.13	Not done for 2005-06.	0.79	1.15	Not done for 2005-06
Jharkhand	62.91	71.68	Not done since 2004-05	172.07	322.65	Not done since 2004-05
Karnataka	91.55	146.82	-----	380.51	645.23	-----
Kerala	39.68	88.10	Not done for 2005-06.	225.05	258.53	Not done for 2005-06
Madhya Pradesh	22.53	40.68	Not done for 2005-06.	278.58	290.89	Not done since 2003-04
Maharashtra	152.22	1067.91	Not done for 2005-06.	342.81	511.35	Not done for 2005-06
North Eastern	17.94	10.84	Not done since 2004-05	88.13	60.72	Not done since June 2003
Orissa	2.92	0.19	Not done since Feb. 2005	476.11	99.4	Not done since 2004-05
Punjab	38.96	41.39	Not done for 2005-06.	232.80	152.61	Not done for 2005-06
Rajasthan	71.48	71.48	Not done for 2005-06.	16.84	16.84	Not done for 2005-06
Tamil Nadu	1.14	206.54	-----	6.50	139.74	-----
Uttaranchal	1.20	2.02	-----	2.57	2.46	-----
Uttar Pradesh	466.4	4.41	-----	922.02	23.39	-----
West Bengal	116.58	153.98	Not done since 2004-05	534.15	391.45	Not done since 2004-05
Total	1819.10	3934.40		4645.43	4906.43	

ANNEXURE-V

(Referred to in paragraph 2.10.2)

Statement on outstanding fraud and theft cases for the years 2003-04 to 2005-06

Break-up of pending cases

Sl. No.	Year	No. of cases pending at the end of the year	Break-up of pending cases					
			Below one year	Between one and five years	Between five and ten years	Between ten and fifteen years	Between fifteen and twenty years	Above twenty years
1	2003-04	8255	2023	6232 above one year				
2	2004-05	7480	1656	2879	1265	783	451	446
3	2005-06	7625	1785	2895	1226	789	470	460

Reasons for pendency

Sl. No.	Year	No. of cases pending at the end of the year	Reasons for pendency				
			Departmental proceedings/investigations				Others (non completion of Police and Court proceedings)
			Departmental investigation	Adjustment of loss	Disciplinary cases	Total	
1	2003-04	8255	1153	1998	1572	4723	3532
2	2004-05	7480	N/A	N/A	N/A	--	N/A
3	2005-06	7625	1348	1877	1591	4816	2809

5840 i.e. 76.59 per cent of cases were pending for more than one year; 2945 i.e. 38.62 per cent of cases were pending for more than five years; 1719 i.e. 22.54 per cent of cases were pending for more than ten years; 930 i.e. 12.20 per cent of cases were pending for more than fifteen years and 460 i.e. 6.03 per cent of cases were pending for more than twenty years.

During the year 2005-06, 4816 cases i.e. 63 per cent of the cases were pending for non completion of departmental proceedings.