

**MISAPPROPRIATION OF PUBLIC MONEY IN
DEPARTMENT OF POSTS**

[Action Taken by the Government on the Observations/Recommendations of
the Public Accounts Committee contained in their 84th Report (17th Lok Sabha)]

MINISTRY OF COMMUNICATIONS/ DEPARTMENT OF POSTS

**PUBLIC ACCOUNTS COMMITTEE
(2025-26)**

TWENTY NINTH REPORT

EIGHTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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PUBLIC ACCOUNTS COMMITTEE (2025-26)

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Presented to Lok Sabha on: 05.08.2025

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**LOK SABHA SECRETARIAT
NEW DELHI**

July, 2025 / Sravana, 1947 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2025-26)

Shri K. C. Venugopal - Chairperson

MEMBERS

LOK SABHA

- 2. Shri T. R. Baalu**
- 3. Dr. Nishikant Dubey**
- 4. Shri Jagdambika Pal**
- 5. Shri Jai Parkash**
- 6. Shri Ravi Shankar Prasad**
- 7. Dr. C. M. Ramesh**
- 8. Prof. Sougata Ray**
- 9. Shri Magunta Sreenivasulu Reddy**
- 10. Smt. Aparajita Sarangi**
- 11. Dr. Amar Singh**
- 12. Shri Tejasvi Surya**
- 13. Shri Anurag Singh Thakur**
- 14. Shri Balashowry Vallabhaneni**
- 15. Shri Dharmendra Yadav**

RAJYA SABHA

- 16. Shri Ashokrao Shankarrao Chavan**
- 17. Shri Shaktisinh Gohil**
- 18. Dr. K Laxman**
- 19. Shri Praful Patel**
- 20. Shri Sukhendu Sekhar Ray**
- 21. Shri Tiruchi Siva**
- 22. Dr. Sudhanshu Trivedi**

Secretariat

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| 1. Shri H. Ram Prakash | - | Joint Secretary |
| 2. Smt. Archana Pathania | - | Director |
| 3. Dr. Faiz Ahmad | - | Deputy Secretary |
| 4. Shri Nahar Singh | - | Senior Secretariat Assistant |

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2025-26) having been authorised by the Committee, do present this Twenty Ninth Report (Eighteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Eighty Fourth Report on “**Misappropriation of Public Money in Department of Posts**”.

2. The Eighty Fourth Report was presented to Lok Sabha/laid in Rajya Sabha on 07th February, 2024. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Twenty Ninth Report at their sitting held on 25.07.2025. Minutes of the Sitting are given at Appendix I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** in the body of the Report.

4. The Committee also place in record their appreciation of the assistance rendered to them in the matter by the Committee Secretariat and the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Eighty Fourth Report (Seventeenth Lok Sabha) is given at Appendix-II.

NEW DELHI;
25 July, 2025
03 Sravana, 1947 (Saka)

K C VENUGOPAL
Chairperson,
Public Accounts Committee

CHAPTER - I

REPORT

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Eighty-Fourth Report (17th Lok Sabha) on "Misappropriation of Public Money in Department of Posts".

2. The Eighty-Fourth report was presented to Lok Sabha/laid in Rajya Sabha on 07.02.2024. It contained nine Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the Ministry of Communications (Department of Posts), and are categorized as under:

- (i) Observations/Recommendations which have been accepted by the Government:
Para Nos. 1, 2, 3, 4, 5, 6, 7, 8 and 9.

Total: 9
Chapter - II

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:
Para No. NIL

Total: 0
Chapter - III

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:
Para No. NIL

Total: 0
Chapter - IV

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies/no replies:
Para No. NIL

Total: 0
Chapter - V

3. The detailed examination of the subject by the Committee had revealed certain shortcomings/deficiencies on the part of the Ministry of Communication (Department of Posts) which inter-alia included failure in implementing internal checks for prevention of fraudulent activities, poor monitoring mechanism etc. The Committee had accordingly given their observations/recommendations in their Eighty Fourth Report.

4. The Action Taken Notes furnished by the Ministry of Communication (Department of Posts) on each of the Observations/Recommendations of the Committee contained in their Eighty Fourth Report have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the action taken by the Government, on some of their Observations/Recommendations which either need reiteration or merit comments.

5. The Committee desire Ministry of Communication (Department of Posts) to furnish Action Taken Notes in respect of Observations/ Recommendations contained in Chapter I of the Report, positively within three months of the presentation of the Report to the Parliament.

Recommendation No. 1

Internal Control and Monitoring

6. The Committee in their original report had recommended as under:-

“The Committee observe that Post Office Saving Bank Manuals issued by Department of Posts (DoP) prescribes the internal checks and clearly defines the responsibilities for prevention of frauds and fraudulent activities in Saving Bank Operations for various levels of staff in Sub Post Offices, S.O. Group and Saving Bank Control Organization in Head Post Offices, Divisional, Regional and Circle Offices. However, Audit scrutiny revealed misappropriation of public money amounting to ₹95.62 crore in Post Offices spread over fourteen Postal Circles, due to failure of the Head Post Offices in implementing internal checks codified for prevention of Fraudulent Activities in operation of Post Office Saving Bank (POSB) Schemes. The DOP added that most of the cases pointed out by Audit relate to manual manipulation or alteration of the Sanchay Post database by official/s with malafide intent. The Committee are shocked to note that despite having prescribed internal checks/inspections at different levels/offices such as Daily Audit by SBCO Branch; Checking in Accounts Branch; Checking in Postal Accounts Offices; Internal

Check Inspection / Internal Audit; Verification of withdrawals of ₹10,000/- and above at the counters of Branch Post Offices (BOs); Quarterly visit to Branch Post Offices and visits by various authorities including Chief Post Master Generals (CPMGs) etc. instances of misappropriation of money were observed. As regards the measures taken for preventing frauds and fraudulent activities in Saving Bank Operations at various levels, the Department explained that various technological steps have been taken to make the system more secure and avoid any chances of fraud. Besides, rollout of Core Banking Solution (CBS) in all post offices, Finacle, a highly secure system with proven security features across the banking system has been introduced. Also, various other initiatives have reportedly been taken that include introduction of e-Passbook; CBS-CSI GL integration, which enables automatic accounting of all transaction carried out in Finacle in CSI; Fraud Risk Management Unit (FRMU); Online PAN Validation; e-KYC; Aadhaar authenticated payment etc. The Committee, while noting the steps being taken by the Department to secure customer access, desire that check/inspection done by each of the levels/offices may be tracked through an integrated online portal, so that deviations if any are brought to the notice of higher ups at an early stage and timely action taken thereon to prevent frauds and fraudulent activities in Saving Bank Operations. The Committee also recommend stringent punitive action against the officials who failed to ensure implementation of the internal checks codified for prevention of Fraudulent Activities in operation of Post Office Saving Bank (POSB) Schemes.”

7. Action taken by Ministry

“Investigation into loss and fraud cases is conducted by field units supervised by the investigation Division of Postal Directorate and any gaps/systematic loopholes/lacunae in rules/procedure noticed are immediately brought to the notice of the concerned Division(s) for timely plugging of the loop holes to prevent the frauds.

Internal consultation is underway for effective implementation of the recommendation of the committee for development of an integrated online portal for tracking of the checks/inspections. The committee would be apprised of the progress made in this regard.

Postal Circles identify the officials who fail to ensure implementation of the internal checks codified for prevention of fraudulent Activities in operation of Post Office Savings Bank (POSB) Schemes in the Circle Level Investigation (CLI) and stringent punitive action is taken as per rules. In case any deviation is noticed in the periodic review of any case, specific directions are issued to the Circles by the Postal Directorate for action and report.

All the concerned 14 Postal Circles have been addressed on 02.05.2024 for submitting compiled details of punitive action taken against the officials who failed to ensure implementation of the internal checks codified for prevention of Fraudulent Activities in operation of Post Office Saving Bank (POSB) Schemes in all the cases reviewed in the Audit. Final compliance on this para will be submitted based on reports from the Circles.”

8. Vetting Comments of Audit

“Ministry may intimate to the PAC regarding progress made in respect of development of integrated online portal.

Further, the Ministry may furnish a report on punitive action taken against officials by Circles, to the PAC”.

9. Ministry’s Final Reply

In respect of the 60 fraud cases observed by PAC across 14 Circles, details of punitive action taken against the officials are as follows:-

- i. Total number of offenders including prime offender (108), co-offenders(46) and subsidiary offenders (1018) identified for taking disciplinary action- 1172
- ii. Number of offenders against whom disciplinary Action has been completed -718
- iii. Number of offenders against whom disciplinary Action has been/is being initiated-267
- iv. Number of offenders (including prime, co and sub offenders) against whom disciplinary action could not be taken due to their death and retirement -187
- v. A total of 985 offenders who had committed fraud and sub offenders who had failed to ensure implementation of the internal checks codified for preventing of fraudulent activities in operation of POSB schemes, in the 60 cases have been punished severely. The Committee desire that latest status of development of integrated online portal for monitoring of loss and fraud cases.

A total of 985 offenders who had committed fraud and sub offenders who had failed to ensure implementation of the internal checks codified for preventing of fraudulent activities in operation of POSB schemes, in the 60 cases have been punished severely.

Comments of the Committee

10. The Committee had desired for development of the integrated online portal for tracking of the checks/inspections to prevent frauds in Saving Bank

operations. The Ministry, in their final ATN, have stated that approval of the creation of the integrated online portal for monitoring of Loss and Fraud cases has already been accorded. The Functional Requirement Specifications (FRS) are being examined and the portal is under development. The Committee had also desired to know the punitive action taken by the Ministry against the remaining offenders who had failed to ensure implementation of the internal checks codified for preventing of fraudulent activities in operation of POSB schemes. The Ministry in their ATN have stated that a total of 985 offenders who had committed fraud and sub offenders who had failed to ensure implementation of the internal checks codified for preventing of fraudulent activities in operation of POSB schemes, in the 60 cases have been punished severely. The Committee desire that latest status of development of Integrated online portal for monitoring of loss and fraud cases be apprised to the Committee. The Committee also desire to be apprised of the nature of punitive action taken against each category of offenders, working and retired.

Recommendation No.2

11. The Committee in their original report had recommended as under:-

“As regards applicability of the RBI Guidelines with respect to the Post Office Saving Bank (POSB) operations, the Committee have been apprised that the traditional Post Office Savings Bank was under the purview of Ministry of Finance and has been functioning as an agency. However, POSB is now covered under the Payment and settlement Systems Act, 2007 and hence RBI guidelines are required to be followed in case of all digital modes of transactions. Besides, while defining Operating Procedure for POSB operations, RBI guidelines are also taken into consideration wherever feasible. The Department also stated that technology management of POSB Operations has been handed over to India Post Payment Bank (IPPB) from August 2022, which is regulated by the RBI. The Committee, while noting the large volume of transactions involved in the POSB desire that DOP should also enter into an MOU with RBI for undertaking a review of the Internal controls/Internal checks in place at regular intervals to arrest fraudulent activities in operation of Post Office Saving Bank (POSB) Schemes and ensure safety of the

hard-earned money of customers and ensure that they do not become vulnerable to fraudulent activities.”

12. Action taken by Ministry

“Recommendation of the committee for the Department to enter into an MOU with RBI, for undertaking a review of the internal controls/internal checks in place to arrest fraudulent activities in operation of Post Office Savings Bank Schemes, has been sent to the Department of Economic Affairs, Ministry of Finance for necessary guidance/inputs in the matter. The Committee would be apprised of the progress made in this regard”.

13. Vetting Comments of Audit

“Ministry may intimate the PAC on status regarding the review by RBI on the efficiency of internal controls in Post Office Savings Bank Schemes and subsequent course of action to the PAC”.

14. Ministry’s Final Reply

“The recommendation of the Committee for the Department to enter into MoU with RBI is being examined at the end of Department of Economic Affairs, Ministry of Finance. The matter is being pursued with DEA”.

Comments of the Committee

15. The Committee had desired that the Department of Posts enter into an MoU with RBI, for undertaking a review of the internal controls/internal checks in place to arrest fraudulent activities in operation of Post Office Saving Bank schemes. The Ministry in their ATN has stated that this matter has been sent to the Department of Economic Affairs, Ministry of Finance and is being pursued with DEA. The Committee desire that the latest status be communicated to it.

Recommendation No.3

16. The Committee in their original report had recommended as under:-

“With respect to the poor monitoring mechanism in the Department Of Posts, the committee in their 89th Report (16th Lok Sabha) on the subject “Non-Compliance by Department of Posts” and 15th Report on action taken by the Government on the Observations and Recommendations contained in the 89th Report had inter alia highlighted monitoring issues viz. ‘pension disbursement’ and retention of excess cash in Post Offices’ and recommended evolving and implementing a more stringent system of monitoring and stricter norms of compliance to the Departments own code of financial conduct. The Committee would also like to be apprised of the updated account of details of action taken in this regard.”

17. Action taken by Ministry

“Pension Disbursement w.r.t EPFO and Coal Mines

1. The Disbursement of EPFO Pension was being done through Post Offices. At the level of PAO after due consolidation of the actual number of transactions and the schedules received from Post Offices, the debit/credits to the EPFO/CMPF organizations were passed through the settlement accounts for claiming reimbursement from the respective Departments. The Major recoverable amount as reflected in the PAC Paras pertains to Bihar from the period 2002 to 2013 and Jharkhand Circles for the period 2002 to 2014. As on 31.12.2017 the outstanding amount of ₹ 13.49 crores from EPFO and ₹ 3.079 crores from CMPF was pending for realization.

2. Consequent to the Audit objections raised on the matter and the ibid PAC Para, after vigorous pursuance by the Circles, an amount of ₹ 8.10 crores from EPFO and ₹ 2.71 crores from CMPF was recovered. As on date the outstanding balances against these organizations is ₹ 5.07 crores against EPFO and ₹ 35 lakhs against CMPF.

3. It has come to light that the order dated 14.07.2010 for stoppage of pension disbursement through Post Offices was not marked correctly by the EPFO Zonal Office Muzaffarpur, Bihar. It was marked to the Postmaster General, Postal and Accounts Patna (Bihar). There is no such Post and hence, the letter did not reach either the Circle office or PAO. As a result of

displacement of the communications the EPFO pension continued to be disbursed through Post Offices upto 2014.

4. Regular correspondences and reminders were issued from the Circle level, and the highest levels at DoP Headquarters to Patna & Ranchi EPFO and CMPF Zonal Offices as well as to the Regional Provident Fund Commissioner, Commissioner Coal Mines Provident Fund Head-Quarters New Delhi, for the reimbursement of Pension and the commission amount disbursed by Post Offices.

5. In the meantime, due to the New Application Software introduced by EPFO In 2011, some of the vouchers already sent by the Circle PAOs were not traceable at their end. All efforts are being made to locate supporting documents and proof of payments for the reimbursement of the Ibid amount.

6. Frequent meetings with the EPFO/CMPF authority at Patna and Ranchi are being held. Both the PAOs have been asked to form a Committee including the officials/officers of EPFO/CMPF to sort out the issue and remit the remaining payment to Department of Posts at the earliest”.

18. Vetting Comments of Audit

“Ministry may intimate the final status of outstanding dues and recovery made and balance pending from EPFO/CMPF to PAC”.

19. Ministry’s Final Reply

1. As intimated by the Circles concerned, the total outstanding balances due for reimbursement, as on date, are ₹4.99 crores & ₹ 33.49 lakhs from EPFO and CMPF respectively. [Two cheques amounting to ₹32,97,670/- dated 14.03.2023 and ₹6,76,711/- dated 10.08.2023 were received from EPFO Jamshedpur and encashed by PAO Ranchi but were not taken into account as break up details of amount (pension and commission) was not received from EPFO]

2. Regular meetings with the EPFO/CMPF authorities at Patna and Ranchi are being held to sort out the issue of reimbursement of the outstanding dues.

3. Amendment of the operating procedure for disbursement of EPFO pension through Post Offices is being re-examined by the Department of Posts. Further, the concerned Circles have also been asked for updating the exact dues outstanding from EPFO as on date.

4. As per the amendments in the operating procedure, the payment for disbursement of the pension is to be made in advance by the EPFO through cheque and this has to be credited into the Government Account by the Head Postmaster. The Head Post Offices are required to claim service charge at the rate of 2.5% of the undisbursed amount of pension as certified in the summary sheet.

Retention of excess cash in Post Offices

A consolidated report is available through the Core System Integrator (CSI) to the Postal Divisional Heads, pan India, to monitor the opening and closing cash balances of all the Post Offices with reference to their maximum & minimum cash balances.

Further, the alert mechanism has also been deployed across the country”.

20. Final Vetting Comments of Audit

Audit has no further comments.

Comments of the Committee

21. The Committee had recommended to evolve and implement a more stringent system of monitoring and stricter norms of compliance to the Departments own code of financial conduct. However, the ATN has not clarified this position. The Committee desire to be communicated in this regard. The Committee had also desired to be apprised of the updated status of the account details of action taken in this regard. The ATN states that total outstanding balances due for reimbursement are ₹4.99 crores and ₹ 33.49 lakhs from EPFO and CMPF respectively. However, recovery of balance outstanding and the result of meetings held with EPFO/CMPF authorities of Patna and Ranchi to sort out the issue of reimbursement of the outstanding dues were not received. The Committee desire to be apprised of latest status

in this regard. The Committee also desire to know further progress in respect of the amendment of the operating procedure for disbursement of EPFO pension through post offices which was being re-examined by the Department of posts along with the updation of the exact dues outstanding from the concerned Circles from EPFO as on date.

Recommendation No.4

Sanchay Post Data Migration

22. The Committee in their original report had recommended as under:-

“The Committee observe that to safeguard the public money and enable better customer experience, DoP decided to computerize the banking operations through one central platform under IT Modernisation Project 2012. Accordingly, DoP started implementation of Core Banking Solution (CBS) from December 2013 to enable customers to operate their accounts to achieve "Anywhere, Anytime Banking by replacing the existing banking platform of “Sanchay Post” software in Post Offices. Since data from Sanchay Post software, was migrated to Finacle software as live accounts, and to ensure that such data was not tampered and manipulated, the Department stated that detailed instructions were issued from the technical team to all the Circles/Post Offices in regard to preparation of Go- Live in the form of ‘Check list for Go-Live’. DoP however, indicated that incorrect migration of closed accounts into Finacle might have occurred due to various reasons including carelessness by the operating staff at field level. Further, after such errors came to notice, corrective action is being taken including identification of such accounts and marking such identified accounts for closure. To obviate fraud in wrongly migrated accounts, all accounts that matured, but were not seen as closed after 3 years have been marked 'FREEZE'. The closure of such frozen accounts is allowed only through Head Post Offices and with the approval of two supervisors after obtaining proper KYC and other necessary documents. No manipulation/ data entry in the existing data base is allowed in Finacle which is a standard banking application used by various banks across the banking sector. Observing that the Department is itself not confident of accuracy of data migrated from Sanchay Post to Finacle and the

identification process of tampered and manipulated accounts is still underway, the Committee cannot help expressing apprehension over ensuring hassle free delivery of services till the last mile. The Committee desire that the process of verification of Sanchay data be completed in a time bound manner so that the confidence of both urban and rural clientele in the country's oldest banking system is ensured and public money safeguarded. The Committee while noting that e-KYC is likely to be implemented shortly in POSB which will facilitate biometric authentication of customers, strengthening the existing system further, desire that the same be completed at the earliest and the Committee be apprised thereof."

23. Action taken by Ministry

The POSB data migration activity was carried out in a phased manner from 2013-14 to 2022-23 due to the vast scale of operations and number of post offices.

This involved data entry from manual records and migration of the existing Sanchay Post software database to the Core Banking Software (CBS) in Finacle. Discrepancy was noticed between the legacy Sanchay Post data and Finacle data mainly due to legacy issues and inaccuracies in the Sanchay Post and manual data. Efforts to reconcile the data began in 2018. In 2022, a time-bound strategy outlining the activities involved was formulated. A comprehensive data re-verification exercise was undertaken, which included identification of discrepancies in classification of accounts and the status of accounts (live/closed/transferred out) for accounts matured before migration and seen as live in Finacle etc. The progress made in this regard is substantial and the task is being completed in a time bound manner, as directed by the Committee.

Development of the e-KYC module for POSB is underway.

24. Vetting Comments of Audit

Ministry may furnish data and documents that support the substantial progress made in reconciliation exercise to the PAC.

Also, progress made in respect of e-KYC module for POSB may be intimated to the PAC.

25. Ministry's Final Reply

The data re-verification exercise is presently being undertaken. POSB data discrepancies are being identified through ground level record verification. The progress made in this regard is being monitored closely. All efforts are being made to complete this entire discrepancy identification process in a time bound manner.

Aadhaar based eKYC service is expected to be rolled out in Post offices shortly.

Comments of the Committee

26. The Committee had desired that process of verification of Sanchay data be completed in a time bound manner in order to maintain public confidence and safe-guard public money. However, the ATN states that the data re-verification exercise is presently being undertaken. The Committee recommend that the re-verification exercise be completed and the Committee be apprised thereof. The Committee had also desired to know the progress made in respect of Aadhaar based eKYC service which was expected to be rolled out in Post Offices. The ATN states in this regard that Aadhar based eKYC is expected to be rolled out in post-offices shortly. The Committee desire to be apprised of the latest status regarding rolling out of eKYC service in post offices.

Recommendation No.5

Un-authorised withdrawal of funds by postal staff

27. The Committee in their original report had recommended as under:-

“The Committee note that the S.O. Branch as well as SBCO in Head Post Offices failed to carry out the prescribed checks relating to the POSB Operations. This coupled with delays in timely validation of data migrated from Sanchay Post to CBS led to misappropriation of public money of at least ₹ 95.62 crore in various Post Offices of 14 Circles, as test checked by Audit. Further in some cases, inspecting authorities of the Department also failed to detect the fraud/misappropriations even after a lapse of more than five years and frauds came into light only after customer complaints. In response, the Department contended that the frauds committed by using the stated modus operandi, are not technology driven and could not be

detected for long due to failure in supervision on the part of Account Offices or/and SBCO. This has happened despite appropriate control mechanism being already available. Regarding the product/scheme wise fraud details and the extent of public money lost due to this, the Department informed that a fraud case may involve misappropriation spread across various products/schemes viz SB, RD, TD, PLI/RPLI, fraud associated with remittances etc. and their specific details are not maintained at present. The Department of Posts however, maintains consolidated data of live cases of loss and fraud, inclusive of cases that are more than 15 years old. Similarly, the details of amount recovered is maintained which includes recovery in all types of live loss and fraud cases. As regards the action taken against the fraudsters, the DOP stated that besides the recoveries being made, disciplinary action is taken against the primary/main identified offenders and subsidiary offenders with penalties like dismissal, compulsory retirement, withholding of increment, reduction to lower stages etc. imposed under the CCS (CCA) Rules 1965, and measures such as recovery, reduction/withholding of pensionary benefits taken with respect to pensioners under CCS (Pension) Rules 2021 in the case of departmental officials and GDS (Conduct and Engagement) Rules 2020 as applicable with respect to Gramin Dak Sevaks. DOP also added that cases of imposition of penalties, there is indirect recovery as when an employee is dismissed from service, all his pensionary benefits are ceased thereby resulting in substantial saving to the Government. This indirect recovery to the Government exchequer is not exactly quantifiable. The Committee desire the Department to take measures for maintaining details of frauds and amounts involved under specific products/scheme heads so as to enable pointed monitoring; and immediate introduction of preventive measures as and where required. The Committee also recommend that major reasons/modus operandi of frauds may be studied and besides plugging the loop holes, all branches may be directed to introduce checks to avoid a repeat of similar frauds in their areas. Also, the general public may also be made aware of the modus operandi of the frauds to with a view to ensuring safety of their money.”

28. Action taken by Ministry

Internal consultations underway for effective implementation of the recommendation of the committee by development of an integrated online portal to maintain the details of frauds and amounts involved product/scheme/head wise and

enable focused monitoring and immediate introduction of preventive measures as and when required.

Preliminary Reports of Frauds and Circle Level Investigation (CLI) Reports from Circles, report any new modus operandi and make suggestions for systemic improvements. The reports are examined in detail at the Postal Circle and Directorate level and action taken for recurrence of such frauds and rectification of any systemic lacunae. Postal Circles have been addressed on 02.05.2024 for informing the present status in this regard and suggestions for future improvement. The existing monitoring system has been strengthened with the setting up of dedicated Fraud Risk Monitoring Unit (FRMU). The FRMU monitors the fraud risk in POSB and generates systemic alerts on its web portal to check and avert frauds. The Postal Divisions verify the alerts and submit reports online.

29. Vetting Comments of Audit

Ministry may intimate progress made in respect of development of integrated online portal for monitoring of frauds to the PAC.

Also, report on action taken by the circles on the basis of FRMU alerts along with supporting documents may be furnished to the PAC.

30. Ministry's Final Reply

Approval for the creation of the integrated online portal for monitoring of Loss and Fraud cases has already been accorded. The Functional Requirement Specifications (FRS) are being examined and the portal is under development.

Comments of the Committee

31. The Committee had desired to know the status of the creation of the integrated online portal for monitoring of loss and fraud cases after getting the approval along with the result of Functional Requirement Specifications (FRS) and the progress made for the development of portal. The Ministry in their ATN have stated that the approval for creation of 'Integrated online Portal' for monitoring of loss and fraud cases has already been accorded. However, it further states that the 'Functional Requirement Specifications' (FRS) are being

examined and the portal is under development. The Committee desire that the latest status in this regard be communicated to it.

Recommendation No.7

Fraud Risk Management Unit (FRMU)

32. The Committee in their original report had recommended as under:-

“The Committee note that a separate Fraud Risk Management Unit (FRMU) has been established to scrutinize the alerts generated by the system about various transactions, on the basis of certain set of rules. In case of any deviation from the specified rules, alerts are generated and the same are verified through Post Offices and Inspectors of the Department. In this regard, DOP also stated that the FRMU analyses the data of FINACLE Database, studies the frauds/modus operandi and develops the scenarios wherever possible in regard to the risk areas in the operation of Small Savings Schemes. Based on the scenarios, alerts are generated by FRMU and sent to Divisional Office (DO) for verification. DO in turn sends the alerts to Head Post Offices for verification. Alerts are thoroughly verified by Head Post Offices and reported back to DO for further action. The Circle Office monitors the FRMU alerts attended by DOs/HOs. FRMU alerts are generated during the following scenarios: Revival of Silent A/c pre-mature closure of RD/TD/MIS/PPF/SCSS accounts, NSC/KVP discharged at offices other than the registration office, agent transactions like closure of discontinued RD accounts/RD loans/premature closure of RD accounts/Idle RD accounts, closure of all discontinued schemes, operation in idle account, online transactions like E-Banking/M-Banking and channel transactions, etc. While noting the growing complexities of the frauds, the Committee recommend that FRMU should also be aptly augmented by strong internal controls and regular updating/strengthening. To ascertain and maintain the effectiveness of the FRMU, the Committee also recommend that a review of the functioning of Unit should be conducted at periodic intervals. Concrete steps should also be taken to reduce the average time taken for processing and redressal of the fraud cases under the new dispensation.”

33. Action taken by Ministry

“FRMU prepares scenarios for alert generation. Scenarios are prepared based on the inputs/ recommendations in Circle Level Investigation (CLI) reports received from investigation/vigilance division.

The present FRMU interface has been developed in-house and is maintained by the Department's Centre for Excellence in Postal Technology (CEPT). As per the Governance Framework of the IT 2.0 project under implementation in the Department of Posts, the Enterprise Fraud Risk Management (EFRM) solution for Financial Services is to be managed by the India Post Payments Bank (IPPB). A new EFRM Solution for Banking is proposed under IT 2.0. New scenarios required to be incorporated and fraud tracking solution as recommended in the report are being taken up with IPPB for inclusion in the proposed solution in IT 2.0”.

34. Vetting Comments of Audit

Ministry may apprise the PAC about details of the Enterprise Fraud Risk Management (EFRM) solution proposed to be implemented under IT 2.0 project.

35. Ministry's Final Reply

“Enterprise Fraud Risk Management (EFRM) solution for banking and insurance operations is being developed and implemented under IT 2.0 project through IPPB.

IPPB has already identified the new scenarios required to be incorporated and the fraud tracking solutions for EFRM under IT 2.0 project. The Scope of work is being examined for finalization in the Department”.

Comments of the Committee

36. The Committee had recommended for augmentation of Fraud Risk Management Unit (FRMU) by strong internal controls and regular updating/strengthening and to ascertain and maintain the effectiveness of the FRMU. The Committee had also recommended that a review of the functioning of Unit should be conducted at period intervals along with the concrete steps

to reduce the average time taken process and redressal of the fraud cases under the new dispensation. The Ministry in their final Action Taken reply have stated that Enterprise Fraud Risk Management (EFRM) solution for banking and insurance operation is being developed and implemented under IT 2.0 project through IPPB and has already identified the new scenarios required to be incorporated and the fraud tracking solutions are being taken up. It further states that the scope of work is being examined for finalization in the department. The Committee, therefore, desire to be apprised of the latest status in this regard.

Recommendation No.9

Recovery in the cases of fraud

37. The Committee in their original report had recommended as under:-

“The Committee observe that out of the frauds/misappropriation of public money amounting to ₹ 95.62 crore, DoP has only been able to recover ₹ 14.39 crore (inclusive penalty/interest of ₹ 40.85 lakh) and an amount of ₹ 81.64 crore remains to be recovered. Taking exception to the sluggish pace of recoveries from the fraudsters, the Committee may be apprised of the reasons for the same and the measures being taken to recover the dues with promptitude.”

38. Action taken by Ministry

Instructions for ensuring prompt recovery from the offenders including initiation of action under Revenue Recovery Act for freezing movable and immovable properties stand issued to the Circles. Reminders in this regard were issued on 02.05.2024.

The updated recovery figure in these cases is ₹ 20,94,71,395, as per recent reports received from the circles. The Committee would be apprised regarding the specific reasons for slow pace of recovery/non-recovery in these cases on receipt of details reports from the Circles.

39. Vetting Comments of Audit

Ministry may submit final compliance in respect of recovery of misappropriated money and the reasons for sluggish pace of recovery to the PAC.

40. Ministry's Final Reply

The updated recovery figure in the case is ₹21,05,27,009/-, as per the recent reports from the Circles.

The reasons for slow pace of recoveries are as under:-

- i. Stay in interim stay orders from the courts on the orders of penalties/punishments imposed on the offenders.
- ii. The slow pace of action by the District Revenue Authorities in invoking Revenue Recovery Act against the properties identified in the name of main offenders and their family members are reasons for non-recovery.

Comments of the Committee

41. The Committee had taken exception to the sluggish pace of recoveries from the fraudsters and had desired to be apprised of the reasons thereof along with the measures taken to recover the dues promptly. The Ministry, in their ATN have stated that stay in interim stay orders from the courts on the orders of penalties/punishments imposed on the offenders and the slow pace of action by the District Revenue Authorities in invoking Revenue Recovery Act against the properties identified in the name of main offenders and their family members are the reasons for non-recovery.

The Committee desire that the Ministry take adequate steps to vacate the stay orders in the courts and expedite the pace of action by the District-Revenue Authorities against the offenders and the latest status of recovery of the remaining amount be communicated to the Committee.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observations/Recommendation No. 1

The Committee observe that Post Office Saving Bank Manuals issued by Department of Posts (DoP) prescribes the internal checks and clearly defines the responsibilities for prevention of frauds and fraudulent activities in Saving Bank Operations for various levels of staff in Sub Post Offices, S.O. Group and Saving Bank Control Organization in Head Post Offices, Divisional, Regional and Circle Offices. However, Audit scrutiny revealed misappropriation of public money amounting to ₹95.62 crore in Post Offices spread over fourteen Postal Circles, due to failure of the Head Post Offices in implementing internal checks codified for prevention of Fraudulent Activities in operation of Post Office Saving Bank (POSB) Schemes. The DOP added that most of the cases pointed out by Audit relate to manual manipulation or alteration of the Sanchay Post database by official/s with malafide intent. The Committee are shocked to note that despite having prescribed internal checks/inspections at different levels/offices such as Daily Audit by SBCO Branch; Checking in Accounts Branch; Checking in Postal Accounts Offices; Internal Check Inspection / Internal Audit; Verification of withdrawals of ₹10,000/- and above at the counters of BOs; Quarterly visit to Branch Post Offices and Visits by various authorities including CPMGs etc. instances of misappropriation of money were observed. As regards the measures taken for preventing frauds and fraudulent activities in Saving Bank Operations at various levels, the Department explained that various technological steps have been taken to make the system more secure and avoid any chances of fraud. Besides, rollout of Core Banking Solution (CBS) in all post offices, Finacle, a highly secure system with proven security features across the banking system has been introduced. Also, various other initiatives have reportedly been taken that include introduction of e-Passbook; CBS-CSI GL integration, which enables automatic accounting of all transaction carried out in Finacle in CSI; Fraud Risk Management Unit (FRMU); Online PAN Validation; e-KYC; Aadhaar authenticated payment etc. The Committee, while noting the steps being taken by the Department to secure customer access, desire that check/inspection done by each of the levels/offices may be tracked through an integrated online portal, so that deviations if any are brought to the notice of higher ups at an early stage and timely action taken thereon to prevent frauds and fraudulent activities in Saving Bank Operations. The Committee also recommend stringent punitive action against the officials who failed to ensure implementation of the internal checks codified for prevention of Fraudulent Activities in operation of Post Office Saving Bank (POSB) Schemes.

Action Taken by Ministry

Investigation into loss and fraud cases is conducted by field units supervised by the investigation Division of Postal Directorate and any gaps/systematic loopholes/lacunae in rules/procedure noticed are immediately brought to the notice of the concerned Division(s) for timely plugging of the loop holes to prevent the frauds.

Internal consultation is underway for effective implementation of the recommendation of the committee for development of an integrated online portal for tracking of the checks/inspections. The committee would be apprised of the progress made in this regard.

Postal Circles identify the officials who fail to ensure implementation of the internal checks codified for prevention of fraudulent Activities in operation of Post Office Savings Bank (POSB) Schemes in the Circle Level Investigation (CLI) and stringent punitive action is taken as per rules. In case any deviation is noticed in the periodic review of any case, specific directions are issued to the Circles by the Postal Directorate for action and report.

All the concerned 14 Postal Circles have been addressed on 02.05.2024 for submitting compiled details of punitive action taken against the officials who failed to ensure implementation of the internal checks codified for prevention of Fraudulent Activities in operation of Post Office Saving Bank (POSB) Schemes in all the cases reviewed in the Audit. Final compliance on this para will be submitted based on reports from the Circles.

Vetting Comments of Audit

Ministry may intimate to the PAC regarding progress made in respect of development of integrated online portal.

Further, the Ministry may furnish a report on punitive action taken against officials by Circles, to the PAC.

Ministry's Final Comments

Approval for the creation of the integrated online portal for monitoring of Loss and Fraud cases has already been accorded. The Functional Requirement Specifications (FRS) is being examined and the portal is under development. In respect of the 60 fraud cases observed by PAC across 14 Circles, details of punitive action taken against the officials are as follows:-

- i. Total number of offenders including prime offender (108), co-offenders (46) and subsidiary offenders (1018) identified for taking disciplinary action-1172
- ii. Number of offenders against whom disciplinary Action has been completed - 718

- iii. Number of offenders against whom disciplinary Action has been/is being initiated-267
- iv. Number of offenders (including prime, co and sub offenders) against whom disciplinary action could not be taken due to their death and retirement - 187

As such, a total of 985 offenders who had committed fraud and sub offenders who had failed to ensure implementation of the internal checks codified for preventing of fraudulent activities in operation of POSB schemes, in the 60 cases have been punished severely.

**Ministry of Communications/Department of Posts' case No. 22-4/2024-PA
(IA)/542-54/84th Report**

Comments of the Committee, see Para No. 10 of Chapter I

Observations/Recommendations No. 2

As regards applicability of the RBI Guidelines with respect to the Post Office Saving Bank (POSB) operations, the Committee have been apprised that the traditional Post Office Savings Bank was under the purview of Ministry of Finance and has been functioning as an agency. However, POSB is now covered under the Payment and settlement Systems Act, 2007 and hence RBI guidelines are required to be followed in case of all digital modes of transactions. Besides, while defining Operating Procedure for POSB operations, RBI guidelines are also taken into consideration wherever feasible. The Department also stated that technology management of POSB Operations has been handed over to India Post Payment Bank (IPPB) from August 2022, which is regulated by the RBI. The Committee, while noting the large volume of transactions involved in the POSB desire that DOP should also enter into an MOU with RBI for undertaking a review of the Internal controls/Internal checks in place at regular intervals to arrest fraudulent activities in operation of Post Office Saving Bank (POSB) Schemes and ensure safety of the hard-earned money of customers and ensure that they do not become vulnerable to fraudulent activities.

Action Taken by Ministry

Recommendation of the committee for the Department to enter into an MOU with RBI, for undertaking a review of the internal controls/internal checks in place to arrest fraudulent activities in operation of Post Office Savings Bank Schemes, has been sent to the Department of Economic Affairs, Ministry of Finance for necessary guidance/inputs in the matter. The Committee would be apprised of the progress made in this regard.

Vetting Comments of Audit

Ministry may intimate the PAC on status regarding the review by RBI on the efficiency of internal controls in Post Office Savings Bank Schemes and subsequent course of action to the PAC.

Ministry's Final Comments

The recommendation of the Committee for the Department to enter into MoU with RBI is being examined at the end of Department of Economic Affairs, Ministry of Finance. The matter is being pursued with DEA.

**Ministry of Communications/Department of Posts' case No. 22-4/2024-PA
(IA)/542-54/84th Report**

For Comments of the Committee, please see Para No. 15 of Chapter I

Observations/Recommendations No. 3

With respect to the poor monitoring mechanism in the Department Of Posts, the committee in their 89th Report (16th Lok Sabha) on the subject "Non-Compliance by Department of Posts" and 15th Report on action taken by the Government on the Observations and Recommendations contained in the 89th Report had inter alia highlighted monitoring issues viz. 'pension disbursement' and retention of excess cash in Post Offices' and recommended evolving and implementing a more stringent system of monitoring and stricter norms of compliance to the Departments own code of financial conduct. The Committee would also like to be apprised of the updated account of details of action taken in this regard.

Action Taken by Ministry

Pension Disbursement w.r.t EPFO and Coal Mines

1. The Disbursement of EPFO Pension was being done through Post Offices. At the level of PAO after due consolidation of the actual number of transactions and the schedules received from Post Offices, the debit/credits to the EPFO/CMPF organizations were passed through the settlement accounts for claiming reimbursement from the respective Departments. The Major recoverable amount as reflected in the PAC Paras pertains to Bihar from the period 2002 to 2013 and Jharkhand Circles for the period 2002 to 2014. As on 31.12.2017 the outstanding amount of ₹ 13.49 crores from EPFO and 3.079 crores from CMPF was pending for realization.

2. Consequent to the Audit objections raised on the matter and the ibid PAC Para, after vigorous pursuance by the Circles, an amount of ₹ 8.10 crores from

EPFO and ₹ 2.71 crores from CMPF was recovered. As on date the outstanding balances against these organizations is ₹ 5.07 crores against EPFO and ₹ 35 lakhs against CMPF.

3. It has come to light that the order dated 14.07.2010 for stoppage of pension disbursement through Post Offices was not marked correctly by the EPFO Zonal Office Muzaffarpur, Bihar. It was marked to the Postmaster General, Postal and Accounts Patna (Bihar). There is no such Post and hence, the letter did not reach either the Circle office or PAO. As a result of displacement of the communications the EPFO pension continued to be disbursed through Post Offices upto 2014.

4. Regular correspondences and reminders were issued from the Circle level, and the highest levels at DoP Headquarters to Patna & Ranchi EPFO and CMPF Zonal Offices as well as to the Regional Provident Fund Commissioner, Commissioner Coal Mines Provident Fund Head-Quarters New Delhi, for the reimbursement of Pension and the commission amount disbursed by Post Offices.

5. In the meantime, due to the New Application Software introduced by EPFO In 2011, some of the vouchers already sent by the Circle PAOs were not traceable at their end. All efforts are being made to locate supporting documents and proof of payments for the reimbursement of the Ibid amount.

6. Frequent meetings with the EPFO/CMPF authority at Patna and Ranchi are being held. Both the PAOs have been asked to form a Committee including the officials/officers of EPFO/CMPF to sort out the issue and remit the remaining payment to Department of Posts at the earliest.

Vetting Comments of Audit

Ministry may intimate the final status of outstanding dues and recovery made and balance pending from EPFO/CMPF to PAC

Ministry's Final Comments

1. As intimated by the Circles concerned, the total outstanding balances due for reimbursement, as on date, are ₹4.99 crores & ₹ 33.49 lakhs from EPFO and CMPF respectively. [Two cheques amounting to ₹32,97,670/- dated 14.03.2023 and ₹6,76,711/- dated 10.08.2023 were received from EPFO Jamshedpur and encashed by PAO Ranchi but were not taken into account as break up details of amount (pension and commission) was not received from EPFO].

2. Regular meetings with the EPFO/CMPF authorities at Patna and Ranchi are being held to sort out the issue of reimbursement of the outstanding dues.

3. Amendment of the operating procedure for disbursement of EPFO pension through Post Offices is being re-examined by the Department of Posts. Further, the

concerned Circles have also been asked for updating the exact dues outstanding from EPFO as on date.

4. As per the amendments in the operating procedure, the payment for disbursement of the pension is to be made in advance by the EPFO through cheque and this has to be credited into the Government Account by the Head Postmaster. The Head Post Offices are required to claim service charge at the rate of 2.5% of the undisbursed amount of pension as certified in the summary sheet.

Retention of excess cash in Post Offices

A consolidated report is available through the Core System Integrator (CSI) to the Postal Divisional Heads, pan India, to monitor the opening and closing cash balances of all the Post Offices with reference to their maximum & minimum cash balances. Further, the alert mechanism has also been deployed across the country.

Final Vetting Comments of Audit

Audit has no further comments.

**Ministry of Communications/Department of Posts' case No. 22-4/2024-PA
(IA)/542-54/84th Report**

Comments of the Committee, see Para No. 21 of Chapter I

Observations/Recommendations No. 4

The Committee observe that to safeguard the public money and enable better customer experience. DoP decided to computerize the banking operations through one central platform under IT Modernisation Project 2012. Accordingly, DoP started implementation of Core Banking Solution (CBS) from December 2013 to enable customers to operate their accounts to achieve "Anywhere, Anytime Banking by replacing the existing banking platform of "Sanchay Post" software in Post Offices. Since data from Sanchay Post software, was migrated to Finacle software as live accounts, and to ensure that such data was not tampered and manipulated, the Department stated that detailed instructions were issued from the technical team to all the Circles/Post Offices in regard to preparation of Go- Live in the form of 'Check list for Go-Live'. DoP however, indicated that incorrect migration of closed accounts into Finacle might have occurred due to various reasons including carelessness by the operating staff at field level. Further, after such errors came to notice, corrective action is being taken including identification of such accounts and marking such identified accounts for closure. To obviate fraud in wrongly migrated accounts, all accounts that matured, but were not seen as closed after 3 years have been marked 'FREEZE'. The closure of such frozen accounts is allowed only through Head Post Offices and with the approval of two supervisors after obtaining proper KYC and other necessary documents. No manipulation/ data entry in the existing data base is

allowed in Finacle which is a standard banking application used by various banks across the banking sector. Observing that the Department is itself not confident of accuracy of data migrated from Sanchay Post to Finacle and the identification process of tampered and manipulated accounts is still underway, the Committee cannot help expressing apprehension over ensuring hassle free delivery of services till the last mile. The Committee desire that the process of verification of Sanchay data be completed in a time bound manner so that the confidence of both urban and rural clientele in the country's oldest banking system is ensured and public money safeguarded. The Committee while noting that e-KYC is likely to be implemented shortly in POSB which will facilitate biometric authentication of customers, strengthening the existing system further, desire that the same be completed at the earliest and the Committee be apprised thereof.

Action Taken by Ministry

The POSB data migration activity was carried out in a phased manner from 2013-14 to 2022-23 due to the vast scale of operations and number of post offices.

This involved data entry from manual records and migration of the existing Sanchay Post software database to the Core Banking Software (CBS) in Finacle. Discrepancy was noticed between the legacy Sanchay Post data and Finacle data mainly due to legacy issues and inaccuracies in the Sanchay Post and manual data. Efforts to reconcile the data began in 2018. In 2022, a time-bound strategy outlining the activities involved was formulated. A comprehensive data re-verification exercise was undertaken, which included identification of discrepancies in classification of accounts and the status of accounts (live/closed/transferred out) for accounts matured before migration and seen as live in Finacle etc. The progress made in this regard is substantial and the task is being completed in a time bound manner, as directed by the Committee.

Development of the e-KYC module for POSB is underway.

Vetting Comments of Audit

Ministry may furnish data and documents that support the substantial progress made in reconciliation exercise to the PAC.

Also, progress made in respect of e-KYC module for POSB may be intimated to the PAC.

Ministry's Final Comments

The data re-verification exercise is presently being undertaken. POSB data discrepancies are being identified through ground level record verification. The progress made in this regard is being monitored closely. All efforts are being made to complete this entire discrepancy identification process in a time bound manner.

Aadhaar based eKYC service is expected to be rolled out in Post offices shortly.

**Ministry of Communications/Department of Posts' case No. 22-4/2024-PA
(IA)/542-54/84th Report**

Comments of the Committee, see Para No. 26 of Chapter I

Observations/Recommendations No. 5

The Committee note that the S.O. Branch as well as SBCO in Head Post Offices failed to carry out the prescribed checks relating to the POSB Operations. This coupled with delays in timely validation of data migrated from Sanchay Post to CBS led to misappropriation of public money of at least ₹ 95.62 crore in various Post Offices of 14 Circles, as test checked by Audit. Further in some cases, inspecting authorities of the Department also failed to detect the fraud/misappropriations even after a lapse of more than five years and frauds came into light only after customer complaints. In response, the Department contended that the frauds committed by using the stated modus operandi, are not technology driven and could not be detected for long due to failure in supervision on the part of Account Offices or/and SBCO. This has happened despite appropriate control mechanism being already available. Regarding the product/scheme wise fraud details and the extent of public money lost due to this, the Department informed that a fraud case may involve misappropriation spread across various products/schemes viz SB, RD, TD, PLI/RPLI, fraud associated with remittances etc. and their specific details are not maintained at present. The Department of Posts however, maintains consolidated data of live cases of loss and fraud, inclusive of cases that are more than 15 years old. Similarly, the details of amount recovered is maintained which includes recovery in all types of live loss and fraud cases. As regards the action taken against the fraudsters, the DOP stated that besides the recoveries being made, disciplinary action is taken against the primary/main identified offenders and subsidiary offenders with penalties like dismissal, compulsory retirement, withholding of increment, reduction to lower stages etc. imposed under the CCS (CCA) Rules 1965, and measures such as recovery, reduction/withholding of pensionary benefits taken with respect to pensioners under CCS (Pension) Rules 2021 in the case of departmental officials and GDS (Conduct and Engagement) Rules 2020 as applicable with respect to Gramin Dak Sevaks. DOP also added that cases of imposition of penalties, there is indirect recovery as when an employee is dismissed from service, all his pensionary benefits are ceased thereby resulting in substantial saving to the Government. This indirect recovery to the Government exchequer is not exactly quantifiable. The Committee desire the Department to take measures for maintaining details of frauds and amounts involved under specific products/scheme heads so as to enable pointed monitoring; and immediate introduction of preventive measures as and where required. The Committee also recommend that major reasons/modus operandi of frauds may be studied and besides plugging the loop holes, all branches

may be directed to introduce checks to avoid a repeat of similar frauds in their areas. Also, the general public may also be made aware of the modus operandi of the frauds to with a view to ensuring safety of their money.

Action Taken by Ministry

Internal consultations underway for effective implementation of the recommendation of the committee by development of an integrated online portal to maintain the details of frauds and amounts involved product/scheme/head wise and enable focused monitoring and immediate introduction of preventive measures as and when required.

Preliminary Reports of Frauds and Circle Level Investigation (CLI) Reports from Circles, report any new modus operandi and make suggestions for systemic improvements. The reports are examined in detail at the Postal Circle and Directorate level and action taken for recurrence of such frauds and rectification of any systemic lacunae. Postal Circles have been addressed on 02.05.2024 for informing the present status in this regard and suggestions for future improvement. The existing monitoring system has been strengthened with the setting up of dedicated Fraud Risk Monitoring Unit (FRMU). The FRMU monitors the fraud risk in POSB and generates systemic alerts on its web portal to check and avert frauds. The Postal Divisions verify the alerts and submit reports online.

Vetting Comments of Audit

Ministry may intimate progress made in respect of development of integrated online portal for monitoring of frauds to the PAC.

Also, report on action taken by the circles on the basis of FRMU alerts along with supporting documents may be furnished to the PAC.

Ministry's Final Comments

Approval for the creation of the integrated online portal for monitoring of Loss and Fraud cases has already been accorded. The Functional Requirement Specifications (FRS) are being examined and the portal is under development.

**Ministry of Communications/Department of Posts' case No. 22-4/2024-PA
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Comments of the Committee, see Para No. 31 of Chapter I

Observations/Recommendations No. 6

The Committee, while expressing their dissatisfaction over the manner in which the Department has claimed that with indirect recovery effected by withholding

pensionary benefits of a dismissed employee, there is saving to the Government, would like to emphasize that concrete steps should be taken to plug the loopholes in the existing monitoring system. The Committee are also of the considered opinion that not only disciplinary action needs to be taken against the erring employees, but appropriate measures taken for recovering the misappropriated amounts urgently. Further the Committee desire to be apprised of cases where criminal proceedings have been initiated against the employees found involved in misappropriation of funds.

Action Taken by Ministry

Internal consultations underway for effective implementation of the recommendation of the committee by development of an integrated online portal to maintain the details of frauds and amounts involved product/scheme/head wise and enable focused monitoring and immediate introduction of preventive measures as and when required.

Preliminary Reports of Frauds and Circle Level Investigation (CLI) Reports from Circles, report any new modus operandi and make suggestions for systemic improvements. The reports are examined in detail at the Postal Circle and Directorate level and action taken for recurrence of such frauds and rectification of any systemic lacunae. Postal Circles have been addressed on 02.05.2024 for informing the present status in this regard and suggestions for future improvement. The existing monitoring system has been strengthened with the setting up of dedicated Fraud Risk Monitoring Unit (FRMU). The FRMU monitors the fraud risk in POSB and generates systemic alerts on its web portal to check and avert frauds. The Postal Divisions verify the alerts and submit reports online.

The updated status of the criminal proceedings initiated against the culprits in the cases reviewed by Audit is being collated based on reports called from the Circles and would be provided to the committee at the earliest.

Vetting Comments of Audit

Ministry may intimate progress made in respect of development of integrated online portal to the PAC.

Also, Ministry may furnish report on criminal proceedings initiated against the culprits by Circles to the PAC.

Ministry's Final Comments

Approval for the creation of the integrated online portal for monitoring of Loss and Fraud cases has already been accorded. The Functional Requirement Specifications (FRS) are being examined and the portal is under development.

As per the latest status obtained from the Circles, FIR against the main offenders in 50 out of 60 fraud cases has already been lodged and the matter is either under further investigation or under trials before the courts. In one case, the main offender expired before detection of fraud and in another case, the main offender committed suicide and thus FIR could not be lodged against the culprits in these two cases. However, in respect of remaining 8 cases, all concrete and tangible efforts are being made by the Circles/Regions/Divisions to get the FIR lodged in close liaison with the police authorities.

Observations/Recommendations No. 7

The Committee note that a separate Fraud Risk Management Unit (FRMU) has been established to scrutinize the alerts generated by the system about various transactions, on the basis of certain set of rules. In case of any deviation from the specified rules, alerts are generated and the same are verified through Post Offices and Inspectors of the Department. In this regard, DOP also stated that the FRMU analyses the data of FINACLE Database, studies the frauds/modus operandi and develops the scenarios wherever possible in regard to the risk areas in the operation of Small Savings Schemes. Based on the scenarios, alerts are generated by FRMU and sent to Divisional Office (DO) for verification. DO in turn sends the alerts to Head Post Offices for verification. Alerts are thoroughly verified by Head Post Offices and reported back to DO for further action. The Circle Office monitors the FRMU alerts attended by DOs/HOs. FRMU alerts are generated during the following scenarios: Revival of Silent A/c pre-mature closure of RD/TD/MIS/PPF/SCSS accounts, NSC/KVP discharged at offices other than the registration office, agent transactions like closure of discontinued RD accounts/RD loans/premature closure of RD accounts/Idle RD accounts, closure of all discontinued schemes, operation in idle account, online transactions like E-Banking/M-Banking and channel transactions, etc. While noting the growing complexities of the frauds, the Committee recommend that FRMU should also be aptly augmented by strong internal controls and regular updating/strengthening. To ascertain and maintain the effectiveness of the FRMU, the Committee also recommend that a review of the functioning of Unit should be conducted at periodic intervals. Concrete steps should also be taken to reduce the average time taken for processing and redressal of the fraud cases under the new dispensation.

Action Taken by Ministry

FRMU prepares scenarios for alert generation. Scenarios are prepared based on the inputs/ recommendations in Circle Level Investigation (CLI) reports received from investigation/vigilance division.

The present FRMU interface has been developed in-house and is maintained by the Department's Centre for Excellence in Postal Technology (CEPT). As per

the Governance Framework of the IT 2.0 project under implementation in the Department of Posts, the Enterprise Fraud Risk Management (EFRM) solution for Financial Services is to be managed by the India Post Payments Bank (IPPB). A new EFRM Solution for Banking is proposed under IT 2.0. New scenarios required to be incorporated and fraud tracking solution as recommended in the report are being taken up with IPPB for inclusion in the proposed solution in IT 2.0.

Vetting Comments of Audit

Ministry may apprise the PAC about details of the Enterprise Fraud Risk Management (EFRM) solution proposed to be implemented under IT 2.0 project.

Ministry's Final Comments

Enterprise Fraud Risk Management (EFRM) solution for banking and insurance operations is being developed and implemented under IT 2.0 project through IPPB.

IPPB has already identified the new scenarios required to be incorporated and the fraud tracking solutions for EFRM under IT 2.0 project. The Scope of work is being examined

for finalization in the Department.

Ministry of Communications/Department of Posts' case No. 22-4/2024-PA (IA)/542-54/84th Report

Comments of the Committee, see Para No. 36 of Chapter I

Observations/Recommendations No. 8

As regards the action being taken against the offenders fund involved in the misappropriation of public money, the Department apprised the Committee that out of 98 main offenders, 37 Co-offenders and 782 Subsidiary offenders, action was yet to be taken in case of 34 Main Offenders, 25 co-offenders and 342 Subsidiary offenders. The Committee note from Department's response that out of a total of 917 offenders whose involvement is of varying degrees, action was yet to be initiated in as many as 401 cases i.e., about 44 percent of cases. Considering these facts, the Committee are of the considered view that the approach of Department while dealing with the serious offences of misappropriation of public money has been lackadaisical. The Committee also note from the reply of the Ministry that based on the amount of misappropriation involved, loss and fraud cases are periodically reviewed at the Directorate and similar action is taken across field establishments. Further, necessary instructions for completion of pending aspects of the cases are issued on case-to-case basis. Status of action taken against offenders is also reviewed and Circles and Regional offices are instructed to take timely action as per CVC guidelines. The Committee are not satisfied with the action taken by the

Department to monitor and expedite these cases with immediate effect and complete the proceedings and book the culprits in a time bound manner. Further, on account of slow process of action being taken, the Committee would also lie to be apprised of the reasons for the delay in the manner.

Action Taken by Ministry

A proposal to create a special cell for this purpose in the Investigation Division of the Postal Directorate is under process.

The concerned Circles have been addressed for review of the cases and intimating the reasons for slow progress. The Committee would be apprised about the progress based on reports from the Circles.

Vetting Comments of Audit

Ministry may intimate the progress made in respect of special cell proposed to be created at Postal Directorate to the PAC.

Also, Ministry may apprise the PAC about the status of criminal proceedings in respect of the remaining 401 cases and the reasons for the slow progress in completion of proceedings against the fraudsters.

Ministry's Final Comments

Approval for constitution of 'special cell' and resource/work allocation in this regard has been accorded. Two officials are being posted to this Special Cell in the initial stage and the Cell will commence its functioning soon.

This para is related to status of disciplinary proceedings being conducted against the offenders by the Circles and not Criminal Proceedings. The status of departmental action against the offenders has been presented in reply to para 1 above.

Out of 60 cases taken across 14 Circles for audit, the total number of offenders is 1172 and disciplinary action has been completed against 718 of them. The disciplinary action is yet to complete against 267 offenders instead of 401 reported at the time of actual audit. However, following are the reasons for slow progress in finalization or in initiation of disciplinary proceedings.

Non completion of Past Work Verification in many cases due to complex modus operandi and large number of POSB accounts standing in the PO of fraud.

Stay/interim stay orders against the recovery /punishment, obtained by the offenders from the competent court leading to disciplinary action becoming sub-judice & remaining incomplete.

Observations/Recommendations No. 9

The Committee observe that out of the frauds/misappropriation of public money amounting to ₹ 95.62 crore, DoP has only been able to recover ₹ 14.39 crore (inclusive penalty/interest of ₹ 40.85 lakh) and an amount of ₹ 81.64 crore remains to be recovered. Taking exception to the sluggish pace of recoveries from the fraudsters, the Committee may be apprised of the reasons for the same and the measures being taken to recover the dues with promptitude.

Action Taken by Ministry

Instructions for ensuring prompt recovery from the offenders including initiation of action under Revenue Recovery Act for freezing movable and immovable properties stand issued to the Circles. Reminders in this regard were issued on 02.05.2024.

The updated recovery figure in these cases is ₹ 20,94,71,395, as per recent reports received from the circles. The Committee would be apprised regarding the specific reasons for slow pace of recovery/non-recovery in these cases on receipt of details reports from the Circles.

Vetting Comments of Audit

Ministry may submit final compliance in respect of recovery of misappropriated money and the reasons for sluggish pace of recovery to the PAC.

Ministry's Final Comments

The updated recovery figure in the case is ₹21,05,27,009/-, as per the recent reports from the Circles.

The reasons for slow pace of recoveries are as under:-

- i Stay in interim stay orders from the courts on the orders of penalties/punishments imposed on the offenders.
- ii The slow pace of action by the District Revenue Authorities in invoking Revenue Recovery Act against the properties identified in the name of main offenders and their family members is another reason for non-recovery.

**Ministry of Communications/Department of Posts' case No. 22-4/2024-PA
(IA)/542-54/84th Report**

Comments of the Committee, see Para No. 41 of Chapter I

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

NIL

CHAPTER IV

**OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND
WHICH REQUIRE REITERATION**

NIL

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES/NO REPLIES

NIL

**NEW DELHI;
25 July, 2025
03 Sravana, 1947 (Saka)**

**K C VENUGOPAL
Chairperson,
Public Accounts Committee**

**MINUTES OF THE EIGHTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE
(2025-26) HELD ON 25 JULY, 2025**

The Public Accounts Committee sat on Friday, 25 July, 2025 from 1500 hrs to 1515 hrs in Committee Room No. 53, Samvidhan Sadan, New Delhi.

PRESENT

Dr. Nishikant Dubey-Acting Chairperson

LOK SABHA

2. Shri Jai Prakash
3. Dr. C.M. Ramesh
4. Smt. Aparajita Sarangi
5. Dr. Amar Singh
6. Shri Jagdambika Pal
7. Shri Magunta Sreenivasulu Reddy

RAJYA SABHA

8. Shri Shaktisinh Gohil
9. Dr. K. Laxman
10. Dr. Sudhanshu Trivedi

LOK SABHA SECRETARIAT

- | | | |
|------------------------------|---|------------------|
| 1. Shri H. Ram Prakash | - | Joint Secretary |
| 2. Smt. Archana Pathania | - | Director |
| 3. Shri Alok Mani Tripathi - | | Deputy Secretary |
| 4. Shri Pankaj Sharma | - | Deputy Secretary |
| 5. Smt. Malvika Mehta | - | Deputy Secretary |
| 6. Dr. Faiz Ahmad | - | Deputy Secretary |

**REPRESENTATIVES FROM OFFICE OF COMPTROLLER AND AUDITOR
GENERAL OF INDIA**

Sl. No.	Name	Designation
1.	Ms. Smita S. Chaudhri	Dy. Comptroller & Auditor General
2.	Ms. Gurveen Sidhu	Director General
3.	Ms. Ritu Dhillon	Director General
4.	Shri Deen Dayal Verma	Principal Director of Audit (Navy)

The Hon'ble Chairperson could not attend the Sitting. As per Rule 258 (3), the Members present elected Dr. Nishikant Dubey as the Acting Chairperson. Thereafter, Hon'ble Chairperson welcomed the Members and the officials of the Office of the Comptroller and Auditor General of India (C&AG) to the Sitting of the Committee. Then, the following four draft Reports were taken up for consideration:-

- i. Action Taken Report on the 84th Report (17th Lok Sabha) on the subject "Misappropriation of Public Money in Department of Posts";
 - ii. Action Taken Report on the 86th Report (17th Lok Sabha) on the subject "Establishment and Operationalisation of Sagar Prahari Bal";
 - iii. Action Taken Report on the 89th Report (17th Lok Sabha) on the subject "Indo-Nepal Border Road Project"; and
 - iv. Action Taken Report on the 140th Report (17th Lok Sabha) on the subject "Manpower and Logistics Management in Delhi Police".
3. After some deliberations, the Committee adopted all the aforesaid Draft Reports without any modifications and authorized the Chairperson to finalize the Reports and present the same to the House.

***The Committee then adjourned.
A copy of the proceedings of the Sitting has been kept on record.***

APPENDIX-II
(Vide Paragraph 5 of Introduction)

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE
OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS
COMMITTEE CONTAINED IN THEIR EIGHTY FOURTH REPORT (SEVENTEENTH
LOK SABHA)**

(i)	Total number of Observations/Recommendations	09
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1, 2, 3, 4, 5, 6, 7, 8 and 9	Total: 09 Percentage: 100
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government: Para No. – NIL	Total: 0 Percentage: 0
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Para No. – NIL	Total: 0 Percentage: 0
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies: Para No. – NIL	Total: 0 Percentage: 0
