PUBLIC ACCOUNTS COMMITTEE
(2000-2001)

SEVENTEENTH REPORT

(THIRTEENTH LOK SABHA)

WORKING OF CIRCLE STAMP DEPOTS

MINISTRY OF COMMUNICTIONS
(DEPARTMENT OF POST)

L O K S A B H A S E C R E A T A R I A T
N E W D E L H I
December 2000/Agrahayana 1922 (Saka)

CONTENTS

COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2000 - 2001)

-
-
-

Shri Narayan Datt Tiwari - Chairman

LOK SABHA

-
2. Shri Vijay Goel
3. Dr. Madan Prasad Jaiswal
4. Shri C. Kuppusami
5. Shri M.V.V.S. Murthy
6. Shri S. Murugesan
7. Shri Rupchand Pal
8. Shri Prakash Paranjpe
9. Shri Chandresh Patel
10. Shri Annasaheb M.K. Patil
11.* Shri M.O.H. Farook
12. Shri N. Janardhana Reddy
13. Shri Chhattrapal Singh
14. Shri Prabhunath Singh
15. Shri Balram Singh Yadav

RAJYA SABHA

16. Shri P.N. Siva
17. Dr. Y. Radhakrishna Murty
18. Shri K. Rahman Khan
19.** Shri Onward L. Nongtdu
20. Prof. Ram Gopal Yadav
21. Shri Anantray Devshanker Dave
22. Shri S.R. Bommai

LOK SABHA SECRETARIAT

1. Dr. A.K. Pandey - Additional Secretary
2. Shri P.D.T. Achary - Joint Secretary

3. Shri Devender Singh - Deputy Secretary

---

* Elected w.e.f. 2 August, 2000 vice Shri Rajesh Pilot expired.

* * Elected w.e.f. 25 August, 2000 vice Shri Vayalar Ravi - Ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 1 July, 2000

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Seventeenth Report on Paragraph 43 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1997, (No. 6 of 1998) Union Government (Post and Telecommunications) relating to " Working of Circle Stamp Depots" and paragraph 55 of the Report of C&AG of India for the year ended 31 March 1998 (No.6 of 1999) relating to "Post Office Saving Certificates".

2. The Report of the C&AG for the year ended 31 March, 1997 (No.6 of 1998), Union Government (Post and Telecommunications) was laid on the Table of the House on 8 June, 1998 and Report No.6 of 1999 was laid on the Table of the House on 29 October, 1999.

3. The Committee took the evidence of the representatives of the Ministry of Communications (Department of Post) on the subject at their sitting held on 6 April, 2000. The Committee considered and finalised this Report at their sitting held on 12 November, 2000. Minutes of the sitting form Part II* of the Report.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix* to the Report.

5. The Committee would like to express their thanks to the Public Accounts Committee (1999-2000) for taking evidence on Paragraph 43 and obtaining information thereon.

6. The Committee would like to express their thanks to the officers of the Ministry of Communications (Department of Post) for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

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

NEW DELHI; NARAYAN DATT TIWARI,

12 December, 2000 Chairman,
21 Agrahayana, 1922(Saka) Public Accounts Committee

-
-
-
-
-
-
-
-
-

REPORT

-

Introductory

The Circle Stamp Depots (CSDs) are responsible for indenting, storing and distribution of postage stamps and other postal stationery such as post-cards, inland letter cards, envelopes, aerograms, Indian Postal Orders. The CSDs also handle receipt and distribution of National Savings Certificates (NSCs), Indira Vikas Patras (IVPs), Kisan Vikas Patras (KVPs) etc. Presently, there are 19 CSDs in the country. The CSDs and the Regional Stamp Depots (RSDs) are headed by the Superintendents under the control of Regional Post Masters General with overall administrative control of the Chief Post Masters General (CPMG) of the Circles concerned. The CSDs receive their supply of postal stamps and stationery from India Security Press, Nasik and Security Printing Press, Hyderabad. Since 1995-96, Department of Post (DoP) has also approved two private printers for supply of postal stationery to CSDs.

2. This Report is based on paragraph No. 43 of the Report of the Comptroller & Auditor General of India for the year ended 31 March, 1997, No. 6 of 1998, Union Government (Post & Telecommunications) and paragraph No.55 of the Report of C&AG for the year ended 31 March 1998 (No. 6 of 1999) which are reproduced at Annexure-I & II of the Report. The paragraph No.43 (No. 6 of 1998) is a review of the Working of Circle Stamp Depots which was conducted by Audit in April-May 1997 to examine whether these were functioning effectively and in accordance with the codal provisions laid down by DoP. The short-comings noticed in Audit regarding the functioning of CSDs and in the management of Post Office Saving Certificates and various issues involved therewith are discussed in the succeeding paragraphs.

Loss of stamps, inland letters and envelopes

3. As per the procedure for procurement of postal stamps etc. as laid down in the department, for supply and distribution of stamps and stationery, the heads of Postal circles send a forecast after obtaining the necessary information from the CSDs. The forecast is based on averaging the preceding three years' annual consumption and adding 10% to that. The balance in hand on first April of every year is deducted from the annual forecast. There are 19 circle Stamp Depots linked to the two Government Presses at Nasik & Hyderabad as per geographical proximity and capacity of the presses to supply stamps and stationery. The Security Printing Press, Hyderabad manufactures some stationery

items only (Postcard, inland letter card and embossed envelope) whereas India Security Press, Nasik manufactures both postage stamps and all stationery items (postcard, inland letter card, embossed envelopes, registered envelopes & aerogram). Further, in order to meet the requirement beyond the capacity of Govt. Presses, the DoP had approved two private printers namely Calcutta Security printer, Kanpur and Madras Security Printer, Chennai which have been approved by Reserve Bank of India. Prior to 1994-95, the forecast was placed on the Government presses directly by the heads of circles but from 1995-96 onwards the forecast was centralised in the Directorate i.e. Office of the Director General (Post) for better logistics management and CSDs are attached for supply again as per geographical proximity and supply capacities. The annual forecast is released by the Directorate and the CSDs are informed of the same. The CSDs place quarterly indent on the Government presses as per the forecast and supplies are made to them by the respective presses. As regards indents on private presses the orders for printing are given by the Directorate and supplies of assigned quantities are made by the presses to the CSDs attached to them.

4. The Secretary, DoP during evidence stated that DoP are placing the orders for three flap ILCs on private printers. In case of emergency when Govt. presses express their inability to print commemorative stamps then these stamps are also got printed through them.

5. Test check by Audit in nine postal circles disclosed 70 cases of loss of postage stamps, ILCs and envelopes in transit, valuing Rs. 3.17 crore, during 1991-97 as per details given below:

e of the circle and e stamps Depot	Period of loss	Type of Postal Stationery lost	Face value of the lost postal stationery (Rs. in lakh)	Compensation received from Railways (in Rs.)	No. of cases of loss of consign-ment
m ahati	1993-97	Postage Stamps, Inland Letter Cards (ILC)	61.66	8000	8
ataka, Bangalore	June 1996	Postage Stamps	40.00	0	1
aya Pradesh al	June 1996	Post Cards Postage Stamps	34.08	6950	13
Patna	1994-95	Postage Stamps	1.60	-	1
ab Ludhiana	May 1991 to August 1996	Postage Stamps	5.87	-	13
sthan Jaipur	September 1992 and October 1993	Postage Stamps	9.20	1200	2
l Nadu Chennai	July 1994	Postage Stamps	8.0	600	1
Pradesh now & Kanpur	1994-97	Postage stamps	72.37	90	16
Bengal Calcutta	1991-96	Postage Stamps and ILCs	84.58	-	15
			317.36	16840	70

6. According to DoP loss to the Department on this account during 1994 -98 was over Rs. 5 crore as per details given below:

		(Rupees)
1994-95	-	77,37,574.90
1995-96	-	95,10,699.10
1996-97	-	3,27,25,051.95
1997-98	-	42,904.30
	Total	5,00,16,230. 25

The increase in 1996-97 was mainly due to larger consignments of high value stamps being subjected to pilferage in transit especially relating to Bihar Circle (Rs.1,81,73,051), UP Circle (Rs.53,62,500), WB Circle (Rs.47,20,500) and Karnataka Circle (Rs. 40,00,000). According to DoP, this loss to the Department did not include other despatches from Security Presses valuing Rs.1.82 crore for which delivery had not been given by the Railways to CSDs.

7. Replying to the audit observations that loss of Rs. 3.17 crore as loss of postage stamps and ILCs represented revenue loss to the Department equal to the face value of stamps/ILCs as the same can be easily used by miscreants for parallel circulation or sale, DoP in their action taken note on the C&AG report stated that it is not correct to term the value of lost/stolen consignments as loss to the Department as the face value of stamps has not been taken into account by the Department. DoP, however, stated that the cost of printing and transportation shall be the actual loss to the Department and further observed that DoP, had no knowledge of misuse, parallel circulation or sale of such stamps/stationery from any corner so far.

8. In reply to a written question as to the normal mode of transport of these articles from the printing presses to the stamp depots, the DoP stated :-

"The India Security Press Nasik who is the oldest supplier of stamps and stationery to the Department of Post, has been supplying the stamps and stationery by railways either booked in wagon or as wooden box packings booked by passenger trains. The Security Printing Press, Hyderabad which is comparatively a new unit uses mainly road transportation through their own trucks or trucks on hire under guard/escort. The private press supplies are made Free On Railway (FOR) destination at the CSDs. They have been made to adopt the system of road transportation."

9. According to the information furnished by DoP to the Committee in response to a written question, there have been several reports from CSDs and Postal Circles about short receipt/non-receipt of stamps and stationery during transit. Apart from losses during transit by rail, the system of despatching consignments by railways was found to cause delays ranging from two months to one year resulting in frequent shortages at the CSDs. DoP further sated that the reports of instances of loss of postage stamps and stationery from the CSDs, circle heads etc., were examined in the Directorate along with the reports of inordinate delays suffered by consignments in transit, it was found that the boxes despatched by the India Security Press on passenger trains were the ones lost in transit and this was specially found in routes where a number of transhipments were involved en-route. According to DoP, corrective actions from time to time were taken which were mainly directed at switching over to

alternative modes of transport like road transport and use of insured parcel bags.

10. On the aspect of delay in transit the representative of the Ministry of Railway during evidence stated:

"Now in the year 1980s , Railways have revolutionised their system of operation. At that time, the problem was that the economy was suffering because of non-supply of wagons. Coal was not being moved to the power houses. So, the railways almost dramatically within a period of three years have changed their whole operation policy. Now, everything is moving in block rakes, that is point-to-point and not in piecemeal. Piecemeal loading and booking is being discouraged. Booking is allowed but movement is not allowed in piecemeal. It is moving from one point to another. So, if any wagon is being loaded in piecemeal, it is natural that there may be some detention. If it is booked by passenger train, if there is no direct passenger train, some transhipment is involved. Therefore, there may be delay unless somebody is in charge of that or unless somebody escorts this consignment."

11. The Committee desired to know the steps taken by DoP for faster delivery and complete security of consignments of postal stationery particularly in persuading the Indian Security Press Nasik to send postal stationery by insured post parcel bags and also in switching over to road transport on lines with the practice followed by Security Printing Press Hyderabad. The department in the information submitted to the Committee stated that the matter was taken up with the Ministry of Finance/ISP Nasik, directing them not to despatch any consignment of stamps by passenger trains under any circumstances in future.

12. The representative of DoP during evidence stated that since 1997 DoP have started sending postal stamps through insured parcel only.

13. It is seen from the Audit paragraph that as against the face value of the lost postal stationery of Rs.3.17 crore during 1991-97, which increased to over Rs. 5 crore till 1998 the amount of compensation received from Railways was a meagre Rs. 16,840.

14. According to the information made available by DoP, the consignments are booked Free On Railways, Nasik Road, (FOR Nasik Road) as per clause 48 of Appendix 3 to Financial Hand Book Vol.2, and not insured on the face value of the instruments. As such, Railways give a meagre amount of compensation to the Department for the lost instruments as per the procedure and rules. The compensation given by Railways is based on the weight of the consignments so transported and not according to the face value of the instruments. The Department of Post has stated that the Railways are paying compensation according to Railways (extent of monetary liabilities and prescription of percentage charges) Rules, 1990 framed under Section 103 and 112 of the Railways Act, 1989.

15. The representative of the Ministry of Railways was asked during evidence to clarify the procedure applicable on FOR and explain the nature of those articles which are booked free on Railways. He deposed:

"According to the rule, Government Treasury has been defined in our Coaching Tariff. It includes not only coins, currency notes etc., but it also includes stamps and postal saving certificates. It has been mentioned here that first a value has to be declared and then a percentage charge has to be paid. This charge is nothing but the cost of insurance. Now, in the year 1990 a request has come from the Secretary, Post to our Chairman stating that this percentage charge be waived as it has been waived in the case of the Reserve Bank of India when they were carrying the currency notes etc. When the Reserve Bank of India made this request, we have given them permission and waived this condition. But there was another condition which they were fulfilling that is about the consignment being escorted . So, if it is being escorted by them, the Railways have to give under the Rules four persons free to travel alongwith the van or the wagon which is booked so that the escort party or whosoever it is can take care of this consignment. In addition, they can make a request to the Railways for provision of RPF, if they do not give their own security, they can ask for even RPF at their own cost. This provision is also there in the rules. But this thing has not been done by the Postal Department whereas the Reserve Bank has religiously been providing this escort. So, there is no incident of theft in such cases."

16. The representative of the Railways further stated that the Railway Act ibid also provides that in case percentage charge is not paid, the payment is made at the rate of Rs.50/- per kilogram.

17. The Committee note that there are 19 Circle Stamp Depots (CSDs) all over the country and they receive their requirement of postal stationery from Government Presses at Nasik and Hyderabad. The CSDs are linked to the Government presses as per geographical proximity and capacity of the presses to supply stamps and stationery. The Security Printing Press (SPP). Hyderabad manufactures stationery items (post card, inland letter card and embossed envelopes) whereas India Security Press (ISP). Nasik manufactures both postage stamps and embossed envelopes, registered envelopes and aerogram. In order to meet the requirement beyond the capacity of Government presses, since 1995-96, DoP has also approved two printers located at Kanpur and Chennai. The Private Printers are printing only three flap inland letters. In case government presses are not in a position to print some stamps they are printed through private printers by DoP. The Committee find that loss to the DoP on account of pilferage/ loss of postal stationery in transit during the period 1991-97 was Rs. 3.17 crore which increased to Rs. 5 crore during 1994-98. This increase, according to DoP, was mainly due to larger consignments of high value stamps being subjected to pilferage in Bihar, Uttar Pradesh, West Bengal and Karnataka circle. The DoP, however denied it as loss to the Department on the ground that the face value of stamps has not been taken into account by the Department. The Committee are perturbed to note the view of the DoP that it was not a loss to the Department since these articles can be easily sold to the public even in Post Offices by the unscrupulous elements in the Department or these being put in parallel circulation by private vendors at the face value of such stationery thus causing loss to the Government exchequer though not directly to the DoP. Such an attitude is unfortunate, to say the least. Though the DoP claimed to have no knowledge or misuse of lost stationery, the Committee desire to know whether any recovery out of these lost consignments has been made so far.

18. The Committee cannot but express their profound concern over the fact that the consignments booked by rail from ISP Nasik, took two months to one year time to reach their destinations and that the losses of consignments were mainly in respect of despatches booked by passenger trains. The Committee further note that lack of proper coordination between the presses, CSDs and the Railways was the cause of losses of postal stationery during transit. The Committee find that after the Audit pointed out this lacuna, the DoP adopted the other mode of transportation of postage stamps and stationery though SPP, Hyderabad was already using only road transport for despatching consignments of postal stationery. The Committee also find that DoP have since 1997 started sending postal stamps

through their own service i.e. insured post parcels and railways interference has been stopped. The Committee are, however, unable to understand as to why despite shortage of stamps, DoP did not get alert after a reasonable period of time when consignment did not reach the destination. The Committee would like to be informed of the performance/success of the changed mode of transport and the cases of losses/shortages of stamps/stationery since the introduction of the new mode of transport.

Loss of National Saving Certificates (NSCs) and
Kisan Vikas Patras (KVPs)

19. The audit paragraph highlights that two circles out of nine test checked in audit disclosed that NSCs and KVPs of face value of Rs.180.80 crore were lost in transit in Assam Circle during 1994-97 and KVPs of Rs.4.45 crore were reported lost in transit during 1995-96 in Bihar Circle. It is seen from reply to Starred Question No.15 answered in Lok Sabha on 29 November, 1999 that the total face value of savings certificates including Indira Vikas Patras (IVPs), KVPs and NSCs lost in transit from the custody of Railways during 1994-98 in all the 19 circles was Rs.487 crore.

20. DoP in reply to a written query stated that the cases of loss of saving certificates in transit between ISP Nasik and the concerned CSDs from the custody of Railways started coming to the notice of Department in 1990 and the magnitude of loss of consignments increased during 1994-96. During this period, Railways took more than six months to transport certain consignments to the place of destination. Delays in transportation of saving certificate consignments was brought to the notice of Railways and ISP Nasik by the Department vide letters dated 10.3.95 and 2.6.95. Railways were requested by DoP to supply the Department with the wagon numbers and the date of their movement from Nasik railway station to keep track of the movement of the consignments. However, no such information has ever been supplied by Railways to DoP with the result that departmental investigation on this aspect was limited to inquiry and pursuance with railway authorities at various levels to expedite the delivery of the delayed consignments.

21. The Committee desired to know the steps taken by DoP to avoid losses of cash certificates in transit particularly switching over to the transportation of these certificates by road. The Secretary, DoP deposed during evidence:

"From March onwards we have changed the mode of transport for certificates. As you have rightly observed, from SPP, Hyderabad we get it by truck and you asked why can we not adopt the same for ISP, Nashik. After a lot of discussion with the Ministry of Finance and the ISP, Nashik people, now we have decided that effective from 31st March 2000 all such certificates will be sent by express insured parcel service. Postage stamps are sent by insured parcel and we have our own express parcel service for certificates. This touches all the speed post destinations in the country. So, it will go under our custody from ISP, Nashik onwards so that the intermediary of Railways is avoided."

22. According to Audit paragraph ISP Nasik despatched a consignment of KVPs to Circle Stamp Depot Patna in September 1995. Out of this consignment, KVPs valuing Rs.4.45 crore were reported missing at the time of taking the delivery from Railways. The Superintendent CSD Patna lodged compensation claim with the Railways in January, 1996 and also informed the CPMG, Patna about the loss. The CPMG, however, did not notify the loss of these certificates to all the heads of circles to guard

against their fraudulent encashment. Subsequently, it was detected that out of these lost certificates, 24 KVPs valuing Rs.1.20 lakh were fraudulently issued by a Post Office in Patna and were encashed in Delhi between October-December 1996 by three persons. It was only after the above racket of fraudulent issue of KVPs came to light that CPMG Patna notified loss of KVPs to all the heads of circles in February 1997.

23. DoP informed the Audit in November 1997 that delay in circulation of lost certificate would be investigated. In reply to the written query of the Committee, DoP informed that the investigations were conducted in this regard by the Department and as a result of this, two officials were found to have neglected their official duty. DOP further stated that there was no provision in the Rules to circulate the loss of certificates during transit from the custody of Railways prior to 11 September, 1997 when the Department amended the extant Rules making it mandatory for the Circles to notify the details of such losses also.

24. In response to another written query of the Committee whether there was any case of loss of particular assignment of NSCs and KVPs not notified to the post offices even after fraudulent encashment of cash certificates from certain consignments having been detected, the DoP replied:-

"There has been a case where the loss of cash certificates was not circulated by Assam Circle because of the non receipt of information from the railways regarding loss of these instruments in transit and also due to non confirmation of the arrival of the wagon in question by the railways authorities at Guwahati. The information also could not be circulated by Assam circle because by their prior experience they felt that the consignments at Guwahati junction could be received intact from Railways even after a period of one and a half years of despatch from ISP Nasik. The loss of these certificates was later on circulated on 12/12/97 to all the circles by Assam circle, when fraudulent encashment of certificates from the consignment was notified to Assam circle by PMG Kanpur on 27/10/97."

25. As per the information furnished by DOP, the total amount of the instruments encashed fraudulently in 96 cases was Rs.1.40 crore out of the total loss of instruments of the face value of Rs.185.25 crore during the period from 1994-98. It has however, been seen from the reply to a Starred Question No. 15 answered in Lok Sabha on 29 November, 1999 that the total face value of saving certificates including IVPs, KVPs and NSCs lost in transit from the custody of Railways during 1994-98 in all 19 Circles was Rs.487 crore out of which certificates worth Rs.4.7 crore were fraudulently encashed during the corresponding period. The C&AG in para 55 of their Report No. 6 of 1999 have further pointed out such fraudulent encashment and also mismatch in accounts of saving certificates. The Secretary DoP during evidence disclosed that the figure of fraudulent encashment of saving certificates was Rs. 5.27 crore excluding the value of stationery and stamps.

26. Asked to explain the control mechanism in vogue in the DoP to prevent fraudulent encashment of saving certificates, the Department stated that the Rules are foolproof and explicit in the Post Office Manuals and that the possibility of fraudulent encashment could only occur due to non-adherence of the Rules by negligent and unscrupulous Post Office staff members and due to other reasons. The Committee desired to know the action taken by the DoP against the guilty officials and steps taken to eliminate chances of involved fraudulent encashment of these certificates. The Secretary, DoP during

evidence stated that :

"…………..In our modernisation plan we are trying to inter-connect all the Circles through modem so that we get a faster information. But the problem is not limited to this. The problem is something more than this. The problem is that to prevent fraudulent encashment of the certificates all the post offices will have to be notified. For that we have developed our own in-house software. We call it SANCHAY POST. ………………………... We have already supplied it to the post offices which have been computerised. There it comes on the screen as to what is the number of KVPs, NSCs etc. which have been received and what are the numbers which are missing. It advises the Postmasters that those which are missing have not to be encashed unless a postal official, in collusion with the offender encashes it. In that way we take disciplinary action. In this particular case we have already identified 115 offenders departmentally. Forty-six have been punished. The CBI is also looking into this case where they have arrested three officials of Mongolpuri post office and the SPM of that post office is absconding. They have also arrested four outsiders. They have also arrested two bank mangers from U.P. who were involved in the racket. We have been taking action against all these departmental officials wherever we have observed that there has been a collusion or there has been contributory negligence or they have not gone about the business in accordance with the departmental rules."

27. The Committee note with concern that the face value of saving certificates amounting to Rs. 487 crores including IVPs, KVPs and NSCs lost in transit (through Railways) during 1994-98 were noticed by DoP in 1990. The Committee are surprised to note that despite huge losses of saving certificates which were taking place in various Circles and despite the serious risk of their fraudulent encashment, DoP did not switch over immediately to a safer and more reliable mode of transport to avoid these losses. The Committee take note of the fact that only after being pointed out in Audit, the DoP woke up and started (March 2000) sending these certificates by their own express insured parcel service i.e. after incurring huge losses. The Committee find that prior to 1997 there was no provision in the rules of DoP for circulation of details (Nos., face value etc.) of saving certificates lost in transit to all the post offices to avoid their fraudulent encashment. The Committee further observe that there is every possibility of the Saving Certificates being fraudulently encashed if the movement of consignment is not tracked. The Committee, therefore, desire that DoP issue suitable instructions to ensure that there is constant interaction between the despatch point and the receiving end so as to ensure that the possibility of pilferage/diversion is minimised and all cases of pilferages/shortages of Saving Certificates are detected well in time and notified to all concerned to prevent their fraudulent encashment.

28. While taking note of the claim of DoP that the rules are foolproof as far as fraudulent encashment of the saving certificates is concerned, the Committee find that certificates worth Rs.5.27 crore were fraudulently encashed due to non-adherence of the rules by negligent post-office staff members or due to their collision with the unscrupulous elements. The Committee were informed by the representatives of DoP during oral testimony that the Department had identified some 115 offenders departmentally and that CBI was looking into some cases. The Committee hope that the proceedings/investigations against all offenders would be pursued to logical end and exemplary action taken against them. The Committee would also like to be apprised of the total amount involved in fraudulent encashment from 1991 till date and the action taken against guilty staff members all over the country.

29. The Committee were informed during evidence that DoP has developed a software called `Sanchay Post' introduced in 250 post offices out of 1,37,000 post offices in the country with a view to avoiding fraudulent encashment of the lost certificate. The Committee desire that DoP should take up the task of computerisation of their post offices vigorously. Needless to say, this would not only prevent fraudulent encashment of postal certificates but would also go a long way in enhancing the efficiency and speed of postal services. The Committee consider computerisation all the more desirable as the postal service is still a peerless service provider in terms of its extensive reach and network throughout the length and breadth of the country.

30. Agency functions such as post office saving certificates, postal savings bank (POSB), public provident fund etc., are primarily banking functions which are discharged by DOP on behalf of the Ministry of Finance. These functions were assigned to DOP long ago when banking network in the country was not very extensive. According to Audit, the volume of transaction under these schemes has increased manifold and DoP is not in a position to handle these functions efficiently. The C&AG has, therefore, observed that in view of large amounts of public money involved under each of these schemes, it is necessary that accounting of transactions and management of these functions should be done at par with banking standards.

31. In reply to the query of the Committee as to what remuneration is paid to DoP by the Ministry of Finance (DEA) for performing various banking functions discharged by DoP, the Secretary, DoP during evidence stated:

"We are having an outstanding balance in Savings Bank and Savings Certificates to the tune of Rs. 1,51,639 crores as on 31.3.99. This is the balance of SBs and the various types of certificates taken together. We get remunerated by way of service charge for each type of function that we perform. Under Savings Bank, we are remunerated at the rate of Rs. 80.35 per account. For KVP and NSC, we are remunerated at the rate of Rs. 22.67 and for Indira Vikas Patra that has now been discontinued we were remunerated at the rate of Rs. 6.62. When we total up all these remuneration, we get about Rs. 1,184 crore. For 1999-2000, we are getting Rs. 1,055 crore from the Ministry of Finance."

Reimbursement of POSB operating cost

32. The Committee also took up for consideration the outstanding issues of the DoP with the Ministry of Finance regarding the Post Office Saving Banks. According to DoP, reimbursement of costs for operating the POSB Schemes is one of the issues of importance pending with the Ministry of Finance. The DoP in a post evidence note stated:

> "The Department of Posts operates the POSB as an agency function on behalf of the Ministry of Finance. Over the years, the POSB with eleven crore account holders, in excess of Rs. 1,80,000 crores in cumulative deposits and annual collections in the vicinity of Rs. 66,000 crores has emerged as the largest retail bank in the country. While all the proceeds of the POSB are passed on to the Ministry of Finance, the Department of Posts is remunerated on actual basis to cover its costs. An Expert Group in its report recommended that the rate of remuneration to the Department of Posts for the savings bank would be Rs. 34 per account. Each year thereafter, the cost would be escalated by

10%. The expert Group based its recommendations on the understanding that at an average, 3.6 transactions take place per account per year. These statistics were subsequently corrected to arrive at the figure of 4.8 transactions per account per year. The Ministry of Finance however expressed some reservations on the statistical base and thereafter a fresh exercise was undertaken which showed the transactions to infact be 5.21 per account per year. The Ministry of Finance independently verified these statistics with the help of the National Savings Organisation (NSO),one of its own subordinate offices. However, despite validation of the claims of the Department of Posts by the NSO and numerous requests, the Ministry of Finance has not agreed to remunerate the Department of Posts at the rate of 5.21 transactions per account. This is causing substantial loss to the Department of Posts, which is already in the deficit. It is important to point out that the Department of Posts is only seeking to recover its costs and is not building even a marginal profit into its claims with the Ministry of Finance."

Maintenance of silent Accounts

33. Another outstanding issue with the Ministry of Finance, according to DoP, is maintenance of silent accounts in the POSB. DoP in their note ibid stated:

"A survey made in 1998 revealed that there are about 2,75,42,965 silent accounts in the POSB. The total amount of money blocked up in these accounts is estimated to be Rs. 403,14,90,996.00. Over the years, the number of such silent account has swelled further. The maintenance of the silent accounts is causing a great financial strain on the already limited resources of the Department of Posts. A huge, infructuous expenditure is incurred by the Department year after year on maintaining the documentation of these silent accounts. A large amount of scarce space is also taken up in the post offices by records pertaining to the silent accounts. The Ministry of Finance has been dithering over the proposal of the Department to levy an annual fee on the silent accounts and closing silent accounts whose balance falls below the prescribed limit as a result of annual deduction of the resultant fee. The operations of the POSB as well as the cost incurred by the Department on the POSB would be substantially streamlined if a decision could be taken without further delay in the matter. It may be pointed out that the proposal of the Department of Posts is entirely in consonance with the practice adopted by the banks in this regard."

34. In another post evidence note submitted to the Committee, the DoP have stated that a five members Committee has been constituted by the Department of Economic Affairs, Ministry of Finance vide its order No. F. No.18-8/99-NSII dt. 13 November 1999 to review the system of Postal Savings Bank . The detailed terms of reference of the Review Committee are:

"(i) - To review the existing mandate of the Post Office Savings Bank and examine the feasibility of suitably enlarging it consistent with enhanced customer expectations and recent technological advancements particularly those in the field of information technology and electronic banking.

(ii) - To examine the relevance and adequacy of existing statutory provisions governing the Post Office Savings Bank and suggest modifications required, if any, to facilitate the existing as well as the envisaged functions of the Post Office Savings Bank.

(iii) - To outline the vision of the Post Office Savings Bank in the context of the economic liberalisation and globalisation of the Indian economy, recent technological advancements and the best interests of the customers."

35. The DoP further mentioned the present status of the Review Committee's work as under:

"(i) - Department of Posts is preparing a paper on the statutory framework on Post Office Savings Bank.

(ii) - The Chief Postmasters General of the department of Posts are interacting with local chambers of commerce, consumer groups and users of Post Office Savings Bank with a view to elicit their views on the financial services offered by the post office as well as on the need for making them more friendly and need-based.

(iii) - Department of Economic Affairs, Ministry of Finance is interacting with the chambers of commerce and consumer organisations.

After the feedback from the cross-section of the people and different organisations are obtained, Committee will deliberate in detail the terms of reference."

36. The Committee note that the agency functions such as post office saving certificate, postal saving bank (POSB) etc. are primarily banking functions entrusted to and discharged by DoP on behalf of Ministry of Finance since long ago when banking network in the country was not extensive. The Committee also note that the DoP operates the POSB on behalf of Ministry of Finance with eleven crore account holders, in excess of Rs 1,80,000 crores in cumulative deposits and annual collection in the vicinity of of Rs 66.000 crore which has emerged as the largest retail bank in the country. The Committee find that while all the proceeds of POSB are passed on to the Ministry of Finance, the DoP is supposed to be remunerated on actual basis to recover its costs. According to DoP, despite validation of their claim by the National Saving Organisations, reluctance on the part of Ministry of Finance to remunerate the DoP at the rate of 5.21 transaction per account was causing substantial loss to DoP, already in the deficit. The Committee note the serious difficulty of the DoP in maintaining about 2,75,42,965 silent accounts in the POSB having blocked money of Rs. 403,14,90,996/-. The Committee hope that the five members Review Committee appointed by Ministry of Finance in November, 1999 to review the system of Postal Saving Bank would come out without further delay with concrete and fair recommendations for the resolution of these long outstanding issues between DoP & Ministry of Finance. The Committee desire that the issue and management of Saving Certificates, another banking function, may also be placed before the Review Committee for their consideration. The Committee would like to be informed of the outcome of setting up of the review Committee in resolving the long outstanding issues between Ministry of Finance & Department of Post which were referred to them.

Defective printing of Inland Letter Cards

37. According to Audit Paragraph, DoP placed an order for printing and supply of five crore inland letter cards (ILCs) on a private printer in January 1993. The Superintendent, CSD, Chennai received

supply of 2.48 crore ILCs from the printer during April-July 1993 and issued the same to other CSDs for sale without ensuring that the ILCs received were as per proof approved by DoP. On having noticed that Hindi inscriplion "Bharat" printed on the ILCs appeared like "Marat", the DoP asked all the heads of postal circles to stop sale of defective ILCs and return them to CSD Chennai. 83 lakh ILCs were returned by post offices to CSD Chennai which were subsequently destroyed. Remaining 1.65 lakh ILCs were already sold out for which DoP released payment of Rs. 30.53 lakh to the printer for defective ILCs used after recovery of penalty of only Rs. 3.05 lakh for defective printing.

38. The DoP in their action taken note on the audit paragraph have stated that the proof of the specimen of the items are now checked and approved by the Postal Department before circulation to the customers. The concerned Superintendent of CSD Chennai has been suitably dealt with for his failure and has been transferred from the Post.

Delay in finalisation of printing charges

39. DoP had finalised rates for printing charges in 1990-91 for supplies of postal stationery received from Security Press, Nasik. For subsequent years, DoP asked CSDs to make payments provisionally at the 1990-91 rates pending finalisation of printing charges. However, CSDs did not follow DoP's instructions and were making payments to ISP Nasik and Hyderabad at the rates claimed by the press. Thus, CSDs made payment of Rs. 22.59 crore during 1992-97 to Nasik Press and Rs. 6.07 crore to Hyderabad Press for 1994-97 over and above the last approved rates of 1990-91 and 1993-94 respectively.

40. The DoP in their action taken notes on the Audit Paragraph have stated that the Committee for fixation of rates of sales prices of postal stationery to be charged by ISP Nasik and SPP Hyderabad was set up by Ministry of Finance (DEA) in 1992. After DoP persued with the Ministry of Finance (Department of Expenditure) for expediting this issue in May 1997 the Committee finalised its recommendations in the meeting held on 9.3.1998. It was decided that the Cost Accounts Branch (CAB) of the Department of Expenditure shall vet and recommend reasonable prices payable for all items supplied by both the presses and such recommended prices shall be final. According to DoP, recommendations from Department of Expenditure were still awaited as of April 2000. As of November 1998 an amount of overpayment of Rs.26.67 crores for ISP & 4.96 crore for SPP, totalling to Rs. 31.64 crores was pending for adjustment.

Excess printing through private printers

41. To meet the short supply of postal stationery by Government presses viz, ISP Nasik and SPP, Hyderabad, DoP approved in April 1995, two private printers at Calcutta and Chennai for printing and supply of postal stationery to CSDs. Audit found that CSDs placed higher demand on private printers in excess of their requirement which led to overstocking.

42. Asked to explain the laid down procedure for making assessment of requirement of postage stationery by various Circle Stamp Depots, the DoP in a note stated that forecast is prepared by the Head of Circles taking average annual consumption for past three years and deducting balance in hand

on 1st April every year and 10% is added to the average as a matter of practice. The indents on printers is not placed by CSDs but by the Directorate on a careful assessment of centralised forecast received from the heads of circles.

43. When asked whether there was a complaint from any of the Government Presses about non-placement of adequate orders, DoP stated that the forecast is communicated to the printing presses not only to plan out their production schedule but also to supply the stationery to the different CSDs in a predetermined manner. Hence Department cannot place orders on the basis of the requirement of SPP, Hyderabad on what the latter considers as adequate.

44. When asked as to what prompted DoP to approve two private printers in April 1995 for printing and supply of postal stationery to CSDs, the representative of DoP during evidence stated :

"In early 90s, there used to be production difficulties in both the presses (ISP & SPP). They were not able to supply according to the demand. There used to be shortages. In order to overcome the shortages ,the Department, in consultation with the Ministry of Finance, appointed two private security printers for the supply of stationery."

45. Replying to the query of the Committee regarding the reasons for excess printing, he further added.

"The Government presses were asked to prune down and not to act on the earlier indent which was given by the CSDs. But they were asked to act according to the fresh indents which have been placed on them so that supply from the private printers plus from the Government would match the actual requirement. But it so happened that the Government Presses did not act accordingly. They continued to supply according to the old indent. These cases were taken up by the Department with the Department of Economic Affairs repeatedly. It took a couple of years before the matter could be sorted out and a matching between demand and supply could be achieved."

46. As per Audit to meet the short supply of postal stationery by government presses viz. ISP Nasik and Security Printing Press, Hyderabad, DoP approved in April 1995 two private printers namely, Calcutta Security Printers Kanpur and Madras Security Printers Chennai for printing and supply of postal stationery to CSDs. DoP allocated the quantities of postal stationery to the two Government presses and two private presses and attached CSDs to them for supply of postal stationery . CSDs were asked to place indents on the presses directly. CSDs placed higher demand on the private printers and obtained supplies in excess of their requirements. This resulted in overstocking of various items of postal stationery in the CSDs during 1995-97. Test check conducted in DoP in respect of competition single post card revealed the overstocking of this item in various CSDs as on 1 April 1997 as under:

Name of CSD	Expected period for which available

	stock will last as on 1 April 1997
Ahmedabad	44 months
Bangalore	16 months
Bhopal	120 months
Bhubaneswar	48 months
Calcutta	24 months
Chennai	73 months
Delhi	48 months`
Ernakulam	21 months
Guwahati	24 months
Jaipur	60 months
Kanpur	24 months
Lucknow	60 months
Ludhiana	30 months
Nasik Road	48 months

47. Asked as to the reasons for huge accumulation of postal stationery, the representative of DoP during evidence accepted that the reasons for overstocking happening in the circle office and the CSD was lack of systematic approach and mismatch between demand and supply in certain areas in certain item. He conceded that individual responsibility was not fixed in these cases. He, however, informed that there was no overstocking as on date because the DoP have now modified the system making it difficult for recurrence of such mistakes of overstocking.

Shortage of stamps

48. A comparison of stock register of CSD, Patna with the relevant invoices of supplies was made by Audit in April 1997. Audit disclosed short receipt of postage stamp and ILCs valuing Rs. 16.44 lakhs for the period 1994-96. In their reply to the Committee, DoP stated that the shortages were due to loss in transit. Further in another case, annual physical verification of stamps and stationery at CSD Patna on 16 August, 1995. Director, Postal Services pointed out shortage of postage stamp and stationery worth Rs.6.23 lakh. In their reply, the DoP stated that the matter was investigated by conducting a Circle Level Inquiry and it was found that the total amount of shortage of stamps and stationery after adjusting the stock found in subsequent search was Rs. 3.63 lakh. The inquiry has established lapses on the part of three officials and disciplinary action is being taken.

49. The Committee note that defective printing of inland letter cards (ILCs) supplied to CSD, Chennai, excess payment due to delay in finalisation of printing charges for ISP, Nasik and SPP Hyderabad; excess printing through private printers and Government presses leading to overstocking and shortage of postage stamps are the cases where Circle offices and the CSDs displayed lack of systematic approach and deviated from the laid down guidelines. DoP accepted their failure and assured the Committee that they have since modified the system where there is no scope for recurrence of such mistake. The Committee would like to know the current position with regard to finalisation of printing charges and settlement of outstanding dues with ISP and SPP. The Committee hope that disciplinary action initiated in the matter of shortage of stationery would be pursued to its logical end and

punitive action taken against officicials at fault. The Committee would also like to caution the DoP not to be complacent but to ensure that through effective and constant review the guidelines are adhered to strictly by all concerned.

Irregular payment of transportation charges

50. CSD Bhubneshwar paid transportation charges and escort charges of Rs. 3.94 lakh to SPP, Hyderabad prior to November 1993 though printing charges were inclusive of such charges. The Committee note that in the Action Taken Notes on audit paragraph the DoP has stated that SPP Hyderbad informed that printing charges were inclusive of transport charges for supplies made after 1.4.93 when procedure was changed and the bill worth Rs. 3.94 lakh pertained to the period 1992-93 and as such the payment of transportation and escort charges by CSD, Bhubaneswar may not be treated as irregular.

51. Audit has further pointed out that CSD Jammu paid rail freight in May 1995 and April 1996 for 224 quintals as against the actual weight of 120 quintals which resulted in excess payment of Rs. 1.07 lakhs. In this case DoP informed the Committee that excess payment was made on insistence of Railway authorities for release of wagons. Since the charging by the railways authorities at Jammu has not been as per the railway rules, the matter of refund of excess paid amount of Rs. 1.07 lakh is being pursued with higher railway authorities.

52. The Committee would like the DoP to have both the instances of payment of transportation charges/freight looked into and followed up and suitable remedial/corrective action taken. The Committee would also like to be apprised of the matter in due course.

Wanting acknowledgments of Postal Stationery

53. According to Audit Paragraph, Head Post Offices (HPOs) obtain supply of stamps and stationery from CSD concerned. On receipt of stamps in HPO, one copy of the invoice duly acknowledged is returned to CSD. During review of acknowledgments in seven CSDs viz., Bangalore, Calcutta, Hyderabad, Jaipur, Kanpur, Lucknow, Patna and RSD Nasik, it was noticed that large number of acknowledgments of supply of postal stationery totalling Rs 483.93 crore were yet to be received from HPOs for the period 1994-97. In Calcutta and Lucknow CSDs, the number of wanting acknowledgments was very high viz. Rs 300 crore and Rs 163 crore respectively during the above period as compared to less than Rs 15 crore in other CSDs

54. In their Action Taken Notes on the Audit Paragraph the DOP have stated that acknowledgments should be returned to the concerned CSD not later than 15 days of the receipt of supply. After ascertaining the position from all Postal Circles in the country the DoP further stated that wanting acknowledgments for remittance has now come down to Rs. 2.12 crores pertaining to CSDs Kanpur, Bangalore and Patna as on November 1998 after DoP issued reminders to concerned HPOs.

55. The Committee note that acknowledgments for remittance of stamps/stationery in seven CSDs, test checked by Audit, valuing Rs. 483.93 crore were awaited from HPOs for the period 1994-97. The Committee further note that the value of such acknowledgments came down to Rs. 2.12 crores as

on November 1998 following better internal control and stricter monitoring by the DoP pursuant to Audit observations. In order to prevent such recurrences, the Committee consider it essential and desirable that all cases of non-receipt of acknowledgments be cross checked and reconciled by CSDs with the concerned HPOs within the stipulated period of time so that all cases of loss of postage stamps in transit including theft or fraud could be detected well in time. The Committee are optimistic that the DoP would surely strengthen and put institutionalised mechanism in place for stringent control and monitoring in the interest of its own image, credibility and better public service. The DoP accepted their failure to follow the system and procedure particularly in West Bengal and UP Circles and also some individual failures. The Committee reiterate that DoP needs to streamline the procedure to ensure that HPOs send acknowledgements promptly to CSDs. The Committee would like to be apprised of the action taken against the individual officials for their failure to follow the system and procedure especially in West Bengal and Uttar Pradesh and the corrective steps taken to avoid recurrences in future.

Non reconciliation of figures between CSDs and HPOs.

56. On receipt of supply of postage stationery, Head Post Offices take them in their stock and intimate the value of stamps received, to the Circle Postal Accounts Office through monthly cash accounts. The circle postal accounts office in turn sends a statement showing the amount credited by different Head Post Offices in their cash accounts on account of various types of stamps received from stamp depots. On receipt of statement, the Superintendent CSD is required to verify that all the supplies made by him to various Head Offices have been accounted for and there is no discrepancy in the figures of supply maintained by CSD and those reported by circle postal accounts office. Discrepancies, if any, are required to be reconciled and settled at the earliest. It was, however, observed during audit that differences between the two sets of figures were not reconciled. The discrepancies were outstanding for one to seven years in Assam, Bihar, Gujarat, Kerala, Punjab and West Bengal circles test checked. The net discrepancy in the accounts in these circles was Rs 36.30 crore for the period 1991-97 indicating that supplies made by CSDs to respective Head Post Offices were not accounted for. Heads of circles need to reconcile the discrepancies as these may include not only the cases of misclassification but also actual cases of loss due to theft, fraud etc.

57. On the question of non-reconciliation of figures between CSDs and HPOs as pointed out by audit, the representative of DoP deposed during evidence, inter-alia that all the unreconciled items have been reconciled and not a single item was pending.

58. The Committee note the discrepancies in figures of CSD/HPOs regarding postage stationery supplied/received. The Committee further note that the outstanding discrepancies ranging from one year to seven years to certain Circles have since been reconciled as per the deposition made before them during evidence. That such discrepancies should have occurred and persisted for years together despite standing instructions, points only towards laxity in adhering to the prescribed procedure and departmental instructions and poor monitoring and ineffective command system. The Committee would, therefore, like the DoP to apply suitable corrective measures to ensure continuous and effective coordination between CSDs and PAOs for timely detection of discrepancies.

NEW DELHI; NARAYAN DATT
TIWARI,
12 December, 2000 Chairman,
21 Agrahayana, 1922(Saka) Public Accounts
Committee