

## CHAPTER V : MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

### Department of Posts

#### 5.1 Organisational Set-Up and Financial Management

##### 5.1.1 Functions of the Department

The postal system in India has a history of handling communications infrastructure for the country for almost 150 years and currently has the largest network in the world.

The primary services rendered by the Department of Posts (DoP) are as follows:

- Communication services – Letters, Post Cards, etc.
- Transport services – Parcel, Logistics, etc.
- Financial services – Savings Bank, Money Order, Insurance, etc.
- Value added services – Speed Post Service, Business Post, Direct Post, etc.

As part of its Universal Service Obligation, the postal system is expected to ensure provision of efficient postal services at affordable prices to users all across the country. Transmission and delivery of mail is the core traditional business of the Postal Department. Over the years several value added services like bulk mail, business post and speed post have been introduced by DoP.

The Post Office Savings Bank Scheme is an agency function performed by the Department of Posts (DoP) on behalf of the Ministry of Finance, Government of India for which the Ministry of Finance remunerates the DoP at rates fixed from time-to-time. In discharge of its agency functions, DoP represents the oldest and largest banking network in the country and plays a critical role in mobilizing small savings, primarily in rural areas. DoP also assists people in transfer of money from place to place through ‘money order’ and ‘postal order’.

The Department of Posts also provides life insurance. Postal Life Insurance (PLI) has been providing life insurance coverage since 1884 to Government employees. Since 1995 PLI has been extended to the rural population of the country under a new scheme Rural Postal Life Insurance. While PLI covers employees of Central and State Governments, Central and State Public Sector

Undertakings, Universities, Government-aided Educational institutions, staff of the Defence Services and Para-Military forces, RPLI has a much larger mandate of covering rural areas.

The net accretion to the PLI/RPLI fund will now be invested as per the IRDA Investment guidelines. For this purpose an Investment Board chaired by Member (PLI) has been set up at New Delhi. The DoP has signed an agreement with the Fund Managers (UTI Asset Management Co Ltd and SBI Fund Management Pvt. Ltd) for operationalization of Investment of accretion to PLI/RPLI funds. For carrying out the day to day work of investment, an Investment Division has also been set up at Mumbai headed by the Chief Investment Officer.

DoP is also engaged in disbursement of pension and family pension to military and railway pensioners, family pension to families of coal mine employees and industries covered by the Employees Provident Fund Scheme.

During 2008-09 the DoP launched 'Project Arrow', an initiative to transform India Post into a vibrant and responsive organization and make a visible and positive difference in postal operations to benefit the customers. The department identified 50 post offices in Phase I and 450 Post Offices in Phase II.

There is a Mail Business Development & operations wing in DoP which deals with Wet Lease of Freighter Aircraft, Setting up of Mail Business Centres, Setting of Automatic Mail Processing Centres, publicity for redesigned pin code and National Address Data Base Management System. In order to improve its mail delivery and transmission services in the North East, Department of Posts decided to induct dedicated freighter aircraft for carriage of mail, parcel and logistics to and from the North Eastern Region. Induction of the freighter aircraft has provided the Department the necessary carrying capacity for the mail bound for/from North East and has eliminated delays in transmission.

### **5.1.2 Organisational set-up**

The Department of Posts is part of the Ministry of Communications and Information Technology, Government of India. The Secretary, Department of Posts, as the Chief Executive of the Department, is also the Chairperson of the Postal Services Board and Director General, India Post. The Board has six Members for the portfolios of Personnel, Operations, Technology, Postal Life

Insurance & (Chairman Investment Board), Human Resource Development and Planning.

The department has 22 Postal Circles that are divided into 37 Regional offices, controlling 442 Postal Divisions and 46 Postal Stores Depots. There is also a Base circle to cater to the postal communication needs of the Armed Forces. The staff strength of the department as on 31 March 2009 was 4.83 lakh with 2.10 lakh departmental employees and 2.73 lakh Gramin Dak Sewaks<sup>s</sup>.

The Board directs and supervises the management of postal services throughout the country with the assistance of Chief Postmasters General in Circles and Senior/Deputy Directors General in the Directorate General of Posts. A Business Development Directorate (BDD) was set up in DoP in 1996 to ensure focused management of value added services viz., Speed Post, Speed Post Passport Service, Business Post, Express Parcel Post, Media Post, Meghdoot Post Card, Greetings Post, Data Post, E-Bill Post and E-Post. Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) Schemes are monitored by PLI Directorate headed by the Chief General Manager, PLI.

### **5.1.3 Postal traffic**

The volume of traffic projected and actually handled by the DoP in respect of unregistered and registered mail over the last 3 years from 2006-07 to 2008-09 is given in **Annex-I**.

Actual volume of unregistered mail in respect of post cards, printed post cards and competition post cards, parcels and letter has shown a decreasing trend during 2008-09 as compared to 2006-07. The revenue from mails relating to inland letter cards, news papers, book packets, printed books, other periodicals and acknowledgement however, has shown a positive trend. In the category of registered postal services, volume under classical services like money orders, insurance, and registered letters/parcels has declined. The exception to this trend is the quantum of speed post, which has increased by almost 84% over the period 2006-07 to 2008-09.

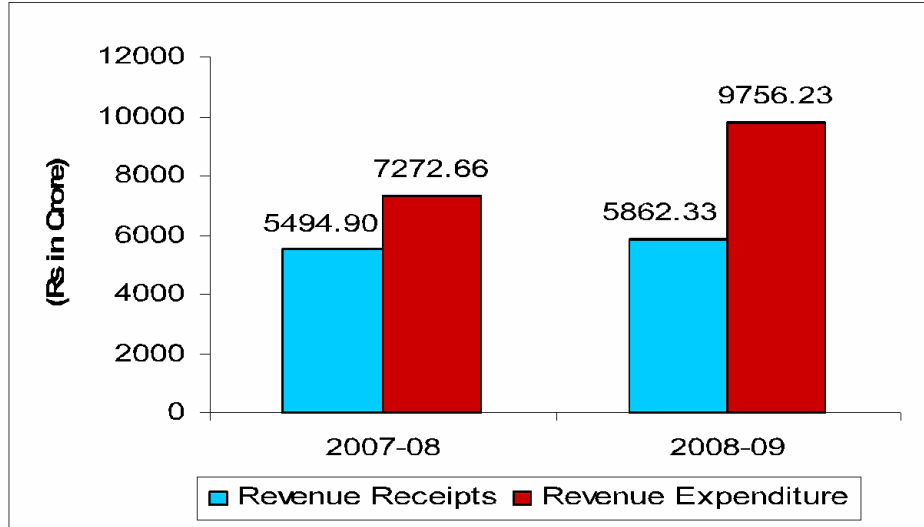
### **5.1.4 Financial Performance**

The total revenue receipts during 2008-09 showed an increase of 6.68 per cent over the previous year. The increase was, however, much less than the

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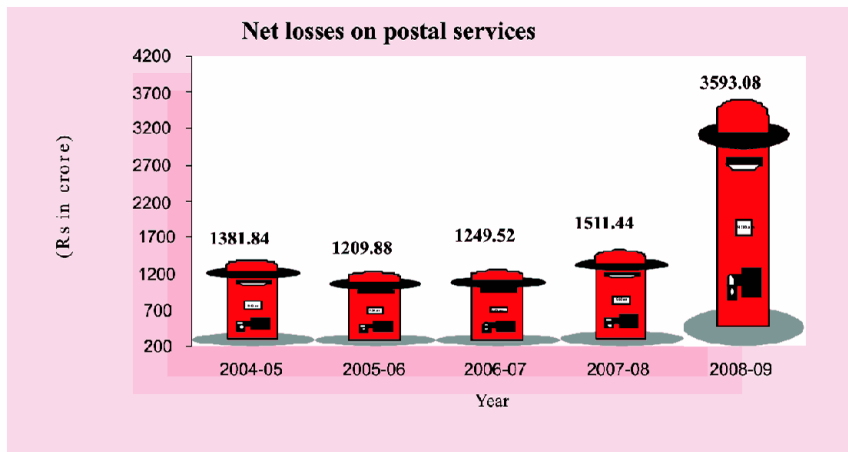
<sup>s</sup> In the rural, remote corner of the country, Postal Services are rendered through Branch Post Office, working for limited hours utilizing the services of rural based personnel called "Gramin Dak Sevaks" (previously called Extra Departmental Agents) who work on a part time basis.

increase in the gross revenue expenditure which was 34.15 per cent more than the preceding year as shown in the chart below.



The details of revenue receipts and revenue expenditure are given in **Annex-II**.

There was a net loss of Rs 3593.08 crore on postal services\* in 2008-09. The comparative position for the period 2003-08 is as under:



The Department's net loss which was more than Rs 1380 crore in 2004-05 had declined in subsequent years and was less than Rs 1250 crore in 2006-07.

\* Net loss was calculated as the difference between revenue receipts & recoveries and revenue expenditure, i.e.,  $\{(Rs\ 5862.33 + Rs.\ 300.82) - Rs\ 9756.23\}$ .

However, as at the end of 2008-09, the net loss had spurted past Rs 3500 crore, representing an increase of Rs.2081.64 crore (137.73 per cent) as compared to the preceding year.

#### **5.1.5 Role of Audit**

During the audit of the DoP, Audit endeavoured to examine and assess whether established systems were functioning effectively, stipulated procedures were adhered to and whether financial propriety was observed. Subjects for compliance audit were selected on the basis of an assessment of the risk associated with various activities carried out by postal units. Parameters for assessing risk included volume of transactions, materiality, relative importance of the function/service, past audit results, etc. The audit of postal units was conducted through 15 Branch Audit Offices located mainly in State capitals.

The audit process helps the auditee to identify areas of financial and managerial controls that need attention for efficient and effective management. Audit has also proved to be an aid in effecting revenue recoveries.

Some of the persistent deficiencies that have appeared in the audit reports relating to DoP in the last five years include:

- (1) Irregular payment of interest on PPF / MIS\*.
- (2) Non - deduction of income tax at source from interest payments made under Senior Citizens Savings Scheme.
- (3) Excess payment of haulage charges.
- (4) Short realization of postage charges from ineligible publications.
- (5) Non-levy of Service Tax.

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\* PPF – Public Provident Fund; MIS – Monthly Income Scheme

## 5.2 Irregular payment of commission to banks

### **Irregular payment of commission of Rs. 81.32 lakh in obtaining bank drafts from nationalised banks due to failure of five Post Offices in Bihar Circle to follow codal provisions.**

Departmental rules<sup>1</sup> stipulate that when remittances are to be made for bonafide public purposes by a Government official, Government drafts payable at par would be issued to him. Instructions to this effect were issued in June 1998 by the Reserve Bank of India (RBI) to the Chief General Manager, State Bank of India (SBI) and its Associated Banks and General Managers of all Nationalised Banks. The same instructions were reiterated by the Ministry of Finance and circulated to all Ministries/Departments including the Department of Posts in September 1998. These instructions were further reiterated by RBI authorities in a meeting in Patna on 10 November 2005 and same were circulated by Postmaster General (PMG) Bihar Circle to all the Senior Superintendents of Post Offices and Senior Postmasters under his control.

Audit scrutiny of records (July-August 2009) of five Head Post Offices (HPOs)<sup>2</sup> in Bihar circle revealed that these HPOs, in contravention of the instructions issued by the PMG, continued to make the payment of bank charges in obtaining demand drafts from nationalised banks during December 2005 to March 2009. This omission on the part of the Postmasters resulted in irregular and avoidable payment of Rs 81.32 lakh as shown below.

Table-1

| Sl. No.      | Name of HPO | Period of payment of bank charges | Amount<br>(Rupees in lakh) |
|--------------|-------------|-----------------------------------|----------------------------|
| 1.           | Chapra      | December 2005 to February 2009    | 27.94                      |
| 2.           | Gopalganj   | December 2005 to March 2009       | 3.84                       |
| 3.           | Siwan       | December 2005 to October 2008     | 20.34                      |
| 4.           | Bhagalpur   | January 2006 to February 2009     | 24.16                      |
| 5.           | Motihari    | July 2006 to December 2007        | 5.04                       |
| <b>Total</b> |             |                                   | <b>81.32</b>               |

On this being pointed out by Audit, the Senior Postmasters of all five head post offices while admitting the facts stated that no instructions had been received by them regarding issue of demand drafts at par by the banks.

<sup>1</sup> Clause 1,2 and 4 (1) of appendix 21 of P&T Financial Handbook Vol. 1

<sup>2</sup> Bhagalpur, Chapra, Gopalganj, Motihari and Siwan

Thus, failure of the five head post offices in Bihar circle to scrupulously follow the instructions issued by Ministry of Finance led to irregular payment of commission of Rs 81.32 lakh towards purchase of demand drafts for bonafide public purposes.

The matter was referred to the Ministry in August 2009; their reply was awaited as of December 2009.

### **5.3 Excess payment of haulage charges**

**Failure of CPMsG Gujarat, Orissa and Uttar Pradesh Circles to verify the claim of haulage charges made by Railways resulted in excess payment of Rs. 2.10 crore.**

Department rules provide that bills for haulage charges shall be received in the office of the Head of the Circle concerned and he should verify the same before accepting them. Department of posts (DoP) decided to pay for the haulage charges to the Railways by seat displacement method with effect from 1 October 2002. DoP instructed all Heads of Circles in January 2005 that in case of re-designation of any Mail carrying train to a different Railway Zone due to re-organisation of Railways, the details of ad-hoc payment already made may be intimated to the concerned circles to prevent excess payment to Railways. Departmental instructions further stipulated that there should be monthly meeting with Zonal Railway authorities and concerned CPMG to sort out the difficulties in operational issues and billing and payment of dues.

The Chief Postmasters General (CPMsG), Haryana and Orissa Circles were designated as the nodal officer for Northern Railway and South Eastern Railway respectively against whom the bills relating to haulage charges were to be preferred by the Railways.

Audit scrutiny of records (January 2009) of CPMG Uttar Pradesh Circle, Lucknow revealed that the CPMG made a payment of haulage charges for six trains belonging to Northern Railway for the period from April 2003 to November 2007. Thus, CPMG, Uttar Pradesh, Lucknow's failure to take into cognizance of the fact that CPMG, Haryana Circle, Ambala was the nodal officer for Northern Railway resulted in irregular payment of haulage charges to the extent of Rs. 1.37 crore

Similarly, CPMG Orissa Circle, Bhubaneswar did not take into account re-designation of Mail carrying train nos. 2809/2910 from Maharashtra Postal Circle to Orissa Postal Circle in March 2005 and paid an amount of Rs. 48.89

lakh for the period April 2004 to September 2004 in March 2005 which had already been paid by Maharashtra Postal Circle in December 2004.

Audit scrutiny of records (June 2009) in CPMG Gujarat Circle revealed that though Section ID 29 (Indore-Nagda) working in the train No, 287/288 of Western Railway was closed in January 2007, Gujarat Postal Circle continued to make payment for haulage charges till March 2009 without ascertaining the factual position of closure of a division. This lapse on the part of Gujarat Postal Circle resulted in irregular payment of haulage charges of Rs. 24.16 lakh.

On this being pointed out by Audit, the CPMG Lucknow stated (May 2009) that Rs. 1.37 crore was adjusted from the amount admissible for payment to North Central Railway. CPMG Orissa while accepting the facts stated (February 2009) that excess paid amount of Rs. 48.89 lakh was adjusted in July 2007. CPMG Ahmedabad while accepting the fact (August 2009) stated that the entire amount pointed out by Audit was recovered in full from the approved bill of Western Railway from the month of April 2009.

Thus, failure of the concerned CPMsG to scrupulously follow the departmental instructions and codal provisions resulted in excess payment of haulage charges to the extent of Rs. 2.10 crore, which were adjusted by CPMGs on being pointed out by audit. The system of payment of haulage charges needs to be stream lined and monitored to avoid such irregular payments.



**Annex-I**

(Referred to in paragraph No. 5.1.3)

**(A) Unregistered mail***(Numbers in lakh)*

| Sl. No | Item  | 2006-2007 |         | 2007-2008 |         | 2008-09   |         |
|--------|---|-----------|---------|-----------|---------|-----------|---------|
|        |   | Projected | Actual  | Projected | Actual  | Projected | Actual  |
| 1.     | Post cards                                  | 2109.87   | 1913.02 | 2189.04   | 1779.52 | -         | 1792.72 |
| 2.     | Printed Post cards & Competition Post Cards | 931.43    | 765.88  | 915.24    | 650.78  | 581.82    | 727.52  |
| 3.     | Letter cards (Inland)                       | 2472.46   | 2224.74 | 2620.20   | 2164.62 | 2084.80   | 2249.49 |
| 4.     | <b>News Papers</b>                          |           |         |           |         |           |         |
|        | Single                                      | 1026.24   | 917.63  | 1087.56   | 972.57  | 976.06    | 998.77  |
|        | Bundle                                      | 172.48    | 163.53  | 182.79    | 151.65  | 146.48    | 169.92  |
| 5.     | Parcels                                     | 420.67    | 410.94  | 445.81    | 421.91  | 434.90    | 416.24  |
| 6.     | Letters                                     | 7521.87   | 7144.51 | 7971.33   | 6633.44 | 6416.97   | 6738.62 |
| 7.     | Book packets                                | 927.17    | 817.15  | 982.57    | 893.22  | 905.19    | 915.66  |
| 8.     | Printed books                               | 497.15    | 487.42  | 526.86    | 527.31  | 559.08    | 596.91  |
| 9.     | Other periodicals                           | 394.50    | 422.68  | 418.07    | 428.18  | 459.89    | 489.97  |
| 10.    | Acknowledgement                             | 780.99    | 663.00  | 803.03    | 669.71  | 646.89    | 1691.43 |

**(B) Registered mail and others***(Numbers in lakh)*

| Sl. No | Item                              | 2006-2007 |         | 2007-2008 |         | 2008-09   |         |
|--------|-----------------------------------|-----------|---------|-----------|---------|-----------|---------|
|        |                                   | Projected | Actual  | Projected | Actual  | Projected | Actual  |
| 11.    | Money Orders (MOs)                | 1229.31   | 987.93  | 1193.47   | 989.45  | 908.14    | 890.08  |
| 12.    | Insured letter and parcel         | 91.80     | 88.01   | 97.28     | 84.84   | 83.98     | 84.18   |
| 13.    | Value payable letters and parcels | 85.22     | 85.56   | 90.31     | 78.18   | 77.30     | 74.69   |
| 14.    | Registered letters and parcels    | 1953.90   | 1947.47 | 2070.66   | 1796.36 | 1776.90   | 1779.29 |
| 15.    | Speed Post                        | 1150.53   | 1286.00 | 1219.28   | 1725.50 | 2179.24   | 2114.17 |

**Annex-II**  
(Referred to in paragraph No. 5.1.4)

**(A) Revenue Realisation**

*(Rs in crore)*

| Name of the service                            | 2007-08        | 2008-09        | Percentage increase/decrease over previous year |
|--|----------------|----------------|---|
| Sale of stamps                                 | 566.82         | 605.76         | 6.9   |
| Postage in cash                                | 1964.81        | 2036.45        | 3.6   |
| Commission on MOs/IPOs                         | 2886.74        | 3171.94        | 9.9   |
| Other receipts                                 | 120.77         | 174.79         | 44.7  |
| Net receipts from other postal administrations | -44.24         | -126.61        | -186.2  |
| <b>Gross Revenue</b>                           | <b>5494.90</b> | <b>5862.33</b> | <b>6.7</b>                                      |

**(B) Revenue expenditure**

*(Rs in crore)*

| Category  | 2007-08        | 2008-09        | Percentage increase/decrease over previous year |
|---|----------------|----------------|---|
| (a) Pay and allowances, contingencies, Bonus, Dearness allowances, etc. | 5114.10        | 6819.72        | 33.4  |
| (b) Pensionary charges  | 1608.84        | 2274.30        | 41.4  |
| (C) Stamps, Post Cards etc.   | 26.06          | 27.34          | 4.9   |
| (d) Stationery and Forms printing etc.                                  | 53.13          | 55.17          | 3.8   |
| (e) Conveyance of Mails (payments to Railways and Air mail carriers)    | 261.74         | 271.59         | 3.8   |
| (f) Other expenditure   | 208.79         | 308.11         | 47.6  |
| <b>Total</b>  | <b>7272.66</b> | <b>9756.23</b> | <b>34.1</b>                                     |