CHAPTER-II
DEPARTMENT OF POSTS

2.1 Functioning of Mail Motor Service in DoP – Follow up Audit

2.1.1 Introduction

The Postal network of the country is divided into 22 Postal Circles for administrative convenience. The Department has created one more new Postal Circle named "Telangana Postal Circle" which is co-terminus with the State of Telangana. With the creation of Telangana Circle, the number of the Postal Circles is now 23.

Mail Motor Service (MMS) in Department of Post (DoP) came into existence in 1944. The functions of MMS include pick-up and transportation of mail, conveyance of mail bags between Post Offices, Railway Mail Services (RMS) Offices, Transit Mail Offices (TMOs), Railway Stations, Air Mail Sorting Offices and Sea Ports and conveyances of cash in addition to Logistic Posts services in selected cities.

The MMS wing of DoP is responsible for operation and maintenance of 1309 Mail Motor vehicles, out of which, 224 are CNG propelled environment friendly vans operating in Mumbai, Delhi and Ahmedabad. There are 91 MMS units throughout the country to operate the fleet of Mail Motor vehicles out of which 17 MMS units are having full-fledged workshops.

Comparative statistics of mail traffic handled during 2015-16 as compared to the previous years is given in **Table-1** below.

Table – 1

(Number in crore)

Article	2012-13	2013-14	2014-15	2015-16
Postcards	114.54	113.67	194.58	104.70
Letters	349.93	351.22	264.89	370.40
Registered Newspapers	47.83	49.01	49.13	50.24
Parcels	9.36	9.49	10.44	11.17
Packets	83.88	85.43	83.41	87.53
Total	**605.54**	**608.82**	**602.45**	**624.04**

The Heads of the Circles concerned allot funds under each head of operation to each Mail Motor Service unit. Details of the Budget provision and expenditure in respect of all the units during the three-year period ending 31 March 2016 are shown in the **Table:-2** below:

Table: 2
Statement showing Budget provision and expenditure details
(₹ in crore)

Year	Budget Provision		Actual Expenditure		Excess/Saving(-)	
	Capital	Revenue	Capital	Revenue	Capital	Revenue
2013-14	4.48	97.92	9.45	109.17	4.97	11.25
2014-15	2.03	120.12	5.60	117.18	3.57	-2.94
2015-16	19.5	126.4	14.56	119.12	-4.94	-7.28

Source: Appropriation accounts

Scope of Audit

Audit was conducted as a follow up Audit of Para 3.1 of Report No. 2 of 2003 on the Functioning of Mail Motor Service with a view to assessing the compliance of the assurances given by the Ministry in the Action Taken Notes (ATN). Para 3.1 contained eleven sub paras from 3.1.5.1 to 3.1.5.11 with Audit observations to which Department had furnished compliance/assurance. The current Audit was carried out during July and August 2016 of records of 27 MMS units of 15 Circles[1] covering a three year period from 2013-14 to 2015-16.

Audit Objectives

The Audit was conducted to evaluate as to whether:

- DoP had complied with the assurances given in the ATN on Para no 3.1 of Audit Report no. 2 of 2003;
- The activity related to MMS is in compliance with extant rules, regulations and procedure; and
- MMS is functioning efficiently, effectively and economically.

Sources of Audit Criteria

The sources of main audit criteria were:

- Accounting Procedure for Mail Motor Service;
- Circulars/Orders issued by Directorate, DoP;
- Departmental Standards/Norms fixed by Directorate, DoP, Circle Offices and Heads of MMS Units;
- Audit findings in Audit Report no. 2 of 2003; and
- Assurances given in the ATN by DoP

[1] 1. Andhra Pradesh (Hyderabad and Vijayawada), 2. Assam (Guwahati), 3. Bihar (Patna), 4. Delhi (Delhi), 5. Gujarat (Ahmedabad and Vadodara), 6. Kerala (Ernakulam and Thiruvananthapuram), 7. Karnataka (Bengaluru and Mysuru), 8. Madhya Pradesh (Indore and Bhopal), 9. Maharashtra (Mumbai, Nagpur and Pune), 10. Orissa (Bhubaneshar and Cuttack), 11. Punjab (Chandigarh and Jalandhar), 12. Rajasthan (Jaipur and Udaipur), 13. Tamil Nadu (Chennai and Vellore), 14. Uttar Pradesh (Kanpur and Meerut) and 15. West Bengal (Kolkata).

2.1.2 Audit Findings

2.1.2.1 Operation and Maintenance of Vehicles

A. Fleet Utilization

Para 3.1 of Report No. 2 of 2003 highlighted that vehicles in the fleet were fully utilized only in few units and prescribed norms of daily coverage (100 Kms and 8 hours) and deployment were not adhered to. The Ministry in their ATN had stated that the departmental vehicles were mostly being utilized in full, either in terms of km or hours.

Audit observed that there was a downward revision in the norms for fleet utilization. Departmental instructions issued in January 2003 provided that each vehicle should cover, on an average, a minimum run of 70 Km per day in the intra-city schedules and 120 Km per day in the case of inter-city schedules. Further, the instructions also envisaged that vehicle should work on a schedule for at least 8 hours a day including a lunch break of 30 minutes. Optimum utilization of vehicle in two shifts, wherever possible, should also be explored.

Scrutiny of Vehicle Schedule records of the fleet utilization in 27 MMS units under 15 Circles revealed that the revised norms for fleet utilization, which were reduced, were not achieved by the Department during 2013-14 to 2015-16.Details of non-achievement of prescribed norms of daily coverage of minimum of 70 Kms and deployment of 8 hours in intra city schedules are shown in **Table: 3** below:

Table-3
Statement showing deployment of Trip Schedules

Year	Total Schedules	No. of schedules covering less than 70 Km	No. of schedules deployed for less than 8 hours
2013-14	803	367	474
2014-15	901	379	481
2015-16	907	364	472
Total	**2611**	**1110**	**1427**

Source: Data compiled from Vehicle Schedule records at MMS units

It is seen from the above table that 1110 schedules (43 *per cent*) out of 2611 schedules operated by the vehicles in 27 units could not achieve the reduced norm of 70 Km per day. Similarly, 1427 schedules (55*per cent*) were deployed for less than 8 hours a day. In the case of inter-city schedules operated in Kolkata and

Trivandrum units, out of 127 schedules operated by the vehicles, the prescribed norm of daily coverage of 120 KMs was not adhered to in 64 schedules.

Ministry, while accepting the Audit observations, replied (December 2016) that in some places due to high density population locations and narrow roads for connectivity of posts offices, RMS Offices, Transit Mail offices, etc, some schedule may not be covering the norms of 70 Kms but comparatively position has improved and almost all the schedules are revised for 8 hours and more. It was also replied that as a further course of action in this regard, circles have been instructed to re-examine such schedules so that prescribed norms of minimum run of 70 kms and 120 kms may be achieved 100 *per cent*.

The reply is not acceptable since even after reducing the norms of minimum run from 100 Kms to 70 Kms per day by a vehicle, a good number of vehicles were neither being optimally utilized nor majority of the vehicles adhered to the prescribed norm of work for at least 8 hours a day. Further, the issues stated by the Department would have already been factored into while fixing the norms and keeping in view the observation about the high density population location and narrow roads, the non-achievement of the norms for atleast 8 hours work is inexplicable.

B. Non-installation of IGL fuel pumps in the Depot premises

In order to optimize utilization of vehicles, it was imperative to minimize the empty run which results in dead mileage. For this purpose the parking of vehicles should have been near the collection/delivery points and fuel should get filled during the schedule operations. Clause 62 of Book of Accounting Procedure for MMS provide that a fuel pump can be installed at MMS depot if the fuel consumption per month is more than 4500 Kg/KL of CNG/Diesel.

Para No.3.1.5.2 of Audit Report No. 2 of 2003 pointed out the instances of empty deployment of vehicles in response to which Ministry in their ATN had given assurance for corrective actions.

Audit scrutiny revealed that in Delhi Circle, the total monthly consumption in the circle was approximately 48000 Kg. However, Delhi Circle did not take concrete steps to get the fuel pump installed in its three depots although the proposal for setting up CNG filling station in three MMS Depots in Delhi Circle was initiated in 2009 with M/s IGL and sent to Postal Directorate for approval in December 2011. Decision on the proposal was still pending (March 2017).

It was also observed that an internal review was carried out (December 2011) on the offer extended by IGL whereby a cost saving to the tune of ₹ 4.37 lakh per month was estimated on installation of IGL fuel pumps at three Depot premises. Thus, the Department had foregone a total cost savings of ₹ 1.57 crore[2] during the period from 2013-14 to 2015-16 due to the lethargic approach being taken in this regard.

Accepting the Audit observation, Ministry replied that Delhi circle has been instructed to expedite the matter.

2.1.2.2 Disposal of Condemned Vehicles

As per Schedule VII of Delegation of Financial Powers, the life of Heavy Motor Vehicles is fixed in terms of distance run of 400000 Kms and length of use for 10 years whichever is reached later and for, Motor Vehicle fitted with engines up to 20 hp, it is 150000 kms and 6.5 years. A vehicle should be condemned only after a certificate has been obtained from one of the following authorities to the effect that the vehicle is not fit for any further economical use :-

(i) An Electrical & Mechanical Workshop of the National Airport Authority

(ii) The Workshop of State Road Transport Corporation

(iii) At locations where workshops mentioned at (i) and(ii) are not available Transport Workshops under the Central or State Government Departments

Condemned vehicles have to be disposed off within three months from the date of placing of fresh order. These instructions were reiterated in October 2013. A comment on non-disposal of condemned vehicles was also made in Para no. 3.1.5.7 of Report no. 2 of 2003. Ministry in their ATN had stated that suitable instruction for disposal of vehicles within three months from the receipt of the replacement was reiterated to avoid such recurrence. Audit scrutiny of the records in 27 units in fifteen circles revealed that 166 vehicles were condemned in 5 units during 2013-14 to 2015-16 and they were operated beyond the date of condemnation. The delay in disposal of these vehicles ranged from 6 to 40 months as shown in the **Table-4** below:

[2] ₹4.37 lakh x 36 months = ₹1.57 crore

Table 4
Statement showing delay in condemnation of vehicles

Sl. No.	Name of Circle	Name of units	No. of condemned vehicles	Year of condemnation	Period pending disposal as on June 2016 (in months)
1	West Bengal	Kolkata	30	2015	6 to 14
2	Delhi	Delhi	48	2015	18
3	Maharashtra	Mumbai	39	2013to 2016	18 to 40
4	Tamil Nadu	Chennai	38	2015	18
5	Uttar Pradesh	Kanpur	11	2013	33
	Total		**166**		

Source: As per information furnished by units

Condemnation of above mentioned vehicles was done due to completion of prescribed life of the vehicle or non-economical to the department.

National Green Tribunal (NGT) had issued (July 2016) orders that all diesel vehicles which are more than 15 years old and are Bharat Stage (BS) -I, BS-II to be scrapped. Further, these vehicles will not get a no-objections certificate (NOC) which would allow them to be registered elsewhere outside Delhi and the National Capital Region which effectively means they cannot be used anywhere in the country

Audit observed that all the vehicles declared condemned by the department were more than 15 years old, these vehicles were not disposed off despite the declaration of condemnation and were being operated beyond the date of condemnation. This resulted not only in expenditure on their maintenance but also in violation of the orders issued by the NGT.

Ministry replied that vehicles are kept on road after the declaration by Motor Vehicle Disposal Committee (MVDC) to run by maintaining with minimum possible expenditure till replacement of new vehicles are received. In the case of majority of Mail vehicles, they are supplied by manufacturers in the form of chassis or chassis with driver's cab. The process of body constructions and tender process, etc., and the supply of chassis through Directorate General of Supplies and Disposal (DGS&D) also take its own time. After receipt of the replacement, old vehicles are disposed off. Further, circles have been instructed to expedite the same. Ministry also stated that condemned vehicle could not be replaced due to ban on purchase of vehicle. Ministry of Finance has lifted the ban in October 2014 for procurement of vehicles against condemned ones only. Proposal for condemnation as per the norms are being proceeded and vehicles are being replaced accordingly.

The reply is not acceptable since vehicles are normally condemned when their economic utility comes to an end. With a view to avoiding disruption of services, Department could have resorted to the hiring option wherever it was cheaper. Further, the risk factor of operating vehicles beyond their useful lives has not been taken into consideration by the Department.

2.1.2.3 Supply and Installation of GPS

DoP placed (May 2015) a work order on M/s CE Info System Pvt. Ltd., New Delhi for supply and installation of Global Positioning System (GPS) in 990 operational vehicles across the country with the objectives of

- tracking the actual location of motor vehicle on a digitalized/satellite map;
- Web enabled solution to provide information to control room about the status of the vehicles on real time basis;
- land marking of the location of the post offices on digitalized/satellite map;
- real time two way communications between vehicle and the control room;
- integrating with the operational package and
- Developing customized MIS.

The total cost of the work order was ₹ 2.05 crore including mandatory Annual Maintenance Contract (AMC) for ₹ 1.05 crore for hardware and Software for five years.

As per the clause 5 of work order, the hardware was to be installed within six months of issue of work order and software was to be customized and implemented within the same period i.e., by 13 November 2015. Clause 6 of the agreement provides that the successful tenderer should impart training to the MMS staff on operation of the GPS hardware and customized software for generating various reports.

Audit scrutiny of the records in the selected units revealed that out of 795 GPS procured between May 2015 and February 2016 in 27 units of the 15 circles, 18 GPS in four units[3] were not installed due to non availability of vehicles as they were off road, condemned, not in operation due to RTO limitation, etc. Out of the 777 GPS installed, it was seen that only 320 GPS were functioning to some extent in 12 units and the remaining 457 were not functional as of June 2016. Directorate had made full payment of ₹ 49.40 lakh for hardware supplied by the vendor in May/June 2016.The details are in **Table-5** below:

[3] Kolkata-14, Ernakulam-2, Bhubaneshwar-1 and Kanpur-1

Table - 5

Statement showing status of GPS installed

Sl. No.	Units	No. of GPS Not functioning	Period of non-functioning (in Months)
1	Hyderabad	42	8
2	Vijayawada	6	9
3	Kolkata	45	4
4	Delhi	125	12
5	Trivandrum	8	6
6	Mumbai	161	8
7	Chandigarh	9	9
8	Jalandhar	3	9
9	Chennai	17	9
10	Kanpur	19	9
11	Meerut	4	9
12	Nagpur	18	10
	Total	**457**	

Source: As per information furnished by units

Audit examination further revealed that though Delhi and Maharashtra Circles were having the largest number of fleet and were allotted the maximum number of devices, the GPS were not made operational till date in Delhi Circle due to connectivity issues and in Maharashtra circle, the systems were not functioning due to various operational issues**.** It was also observed that in four units [4] where GPS was functioning, the desired reports were not generated or there was difference between GPS generated and MIS reports.

Further review of records at Postal Directorate revealed that although the GPS device was web based, the problem of low web connectivity was not discussed/commented by the vendor/postal authorities during the trial run in Delhi (April 2015), Mumbai and Hyderabad (October 2015). It was only on receiving performance reports of circles (March-August 2016) and recommendation of firm (October 2015), the Directorate recommended the Technical wing of DoP to upgrade the bandwidth to 3 Mbps in September 2016 after nearly one year of installation. Monitoring Committee was also not formed in circles.

Ministry replied that Department has provided Sify network in all the locations and bandwidth for web connectivity was not adequate to accommodate huge data of GPS software in Sify network. It was also stated that necessary efforts were under

[4] Bhubaneswar, Indore, Bhopal and Cuttack units

process by technical division of Directorate to provide higher bandwidth for smooth operation of GPS software.

The reply is not acceptable as M/s Sify was selected (2012) for providing internet connectivity in all Post Offices including 15 Mail Motor Offices with speed of 256 mbps depending upon the average concurrent users under "IT modernization project of DoP" and GPS was not the criteria at that time. However, GPS provision was the new requirement, proper internet bandwidth which was pre-requisite for GPS should have been ready before issue of work order and the project should have been monitored centrally by the Directorate. Ministry has not provided any fixed time schedule for increase in band width to complete operationalization of GPS system in all circles.

2.1.2.4 Lapses in preparing Proforma Accounts

Proforma Accounts in the prescribed format are drawn by each unit to arrive at the running cost per Km of the MMS. In terms of the Accounting Procedure (Chapter XVIII, Para 148) prescribed for the Mail Motor Service, individual units are required to prepare every month, a Proforma Account for submission to the Head of the Circle by the 10th of the following month. Further, at the end of the year, Annual Proforma Account should be prepared and submitted to the Directorate through the Head of the Circle by 31st May each year.

Audit pointed out certain omissions/deficiencies in maintenance of proforma accounts under para 3.1.5.10 of Report No. 2 of 2003. Department in the ATN stated that suitable instructions were issued to the units to submit it as per the rules.

Scrutiny of available records of 27 MMS units in 15 circles however, revealed that the following internal control lapses still exist in the maintenance of Proforma Accounts by different units as shown below:

- Seven MMS units[5] in seven circles had submitted the monthly accounts to Circle office with a delay ranging up to 271 days;
- Eight MMS units[6] in six circles did not submit their monthly accounts to Circles;
- Nine units[7] did not raise debits amounting to ₹ 34.38 lakh for Logistics Post and ₹ 1.76 crore for cost of job done for other units in deviation from Rule 136 of Book of Accounting Procedure of MMS.

[5] Delhi, Bengaluru, Hyderabad, Mumbai, Guwahati, Patna and Ahemadabad .

[6] Bhopal, Jaipur, Indore, Kanpur, Pune, Vijayawada, Chandigarh and Udaipur

[7] Hyderabad, Thiruvananthapuram, Ernakulam, Vijayawada, Bengaluru, Nagpur, Kanpur, Pune and Kolkata.

- Debits aggregating ₹ 81.56 lakh against other units for diverting the manpower were not raised by Delhi Circle.
- Incorrect calculation of cost per Km in four units due to incorporation of kilometres run by hired vehicles (Delhi), adoption of wrong figures for direct and indirect charges (Cuttack) and understatement of expenditure (Kolkata and Kanpur).

Ministry replied that necessary instructions have been issued as to follow the time schedules to submit the proforma account, calculations to be done clearly as per the guidelines, the expenditure and kilometers of hired vehicles not to be included in the proforma cost of MMS vehicles and regular Accounts Transfer Debits (ATDs) to be issued &account adjusted under relevant Head of Account.

However, the fact remains that no responsibility was fixed by the Department for continued accounting lapses.

2.1.2.5 Conveyance of Mail through Private Contractors

Business Development & Operations Division of DoP issued (March 2008) guidelines to hire vehicles from private parties which *inter alia* stated that vehicles should not be hired at a rate higher than the operational cost per kilometer of the MMS unit concerned. Further DoP's instructions of February 2013 stipulated that variation in fuel price, if any would also be taken into account while making payment.

The Financial Powers of Head of Circles for hiring of commercial vehicles for conveyance of mails issued by DoP in September 2007 had stipulated the limit of ₹ 60 lakh per annum.

Review of records of 27 units in 15 circles for the period from 2013-14 to 2015-16 revealed that in eight[8] circles which had hired vehicles during the period, Delhi unit was hiring at a rate higher than the Cost/km of departmental vehicle. It was noticed that Delhi unit was paying ₹ 51/km as hiring charge as against the average cost of operation of ₹ 41.28/km during 2014 to 2016 which also include the pay and allowance of staff, repair and maintenance, depreciation, interest on vehicles and pensionary charges. This resulted in excess payment of ₹ 50 lakh during the period.

It was further noticed that Delhi unit had exceeded the delegated limit and incurred an unauthorized expenditure of ₹ 1.37 crore during 2015-16. No specific reason in this regard had been furnished.

[8] Assam, Gujarat, Delhi, Karnataka, Kerala, Maharashtra, Uttar Pradesh and Orissa

Ministry replied that instructions have been issued to follow the prescribed tender formality of hiring of vehicles, their price negotiation, if any, required and utilization within the funds availability. Clarification of Delhi circle that proforma cost of same type of departmental vehicle was higher, therefore in exigencies of services, the hired vehicles were utilized from the approved contractor was also endorsed with the reply.

Clarification of Delhi circle is not supported by any detailed workings and hence, is not acceptable since it deviates from the Departmental instruction that hiring should be resorted to only when it is cheaper.

2.1.2.6 Avoidable payment of tax

Para 3.1.5.11 of Report No. 2 of 2003 pointed out failure of the Department to claim exemption from payment of Motor Vehicle Tax in some circles since Article 285 (1) of the Constitution provides that the properties of the Union shall be exempt from all taxes imposed by a State or by any authority within a State. Ministry in their ATN stated that road tax on mail vans was paid due to insistence by the O/o the Regional Transport Authority (RTA). The RTA authority denied issuing fitness certificate in absence of prior payment of road tax.

Audit scrutiny of the records of 27 units in 15 circles revealed that 11 units under seven[9] circles had paid ₹ 37.92 lakh as state taxes during 2013-16 in contravention of the Constitutional provision.

Admitting the Audit observation, Department replied that the matter has been taken up at higher level with the Secretary, Transport to issue necessary instruction to state RTOs to exempt the Mail Motors for road taxes.

2.1.3 Conclusion

Para 3.1 of Report No. 2 of 2003 on the Functioning of Mail Motor Service (MMS) pointed out that prescribed norms of daily coverage and deployment, non-disposal of condemned vehicles, etc. were not being adhered to. Ministry in their Action Taken Note (ATN) had stated that suitable instructions had been issued to strictly follow the guidelines. Despite the assurances given in the ATN, the irregularities were still persisting which goes to show that remedial and corrective measures had not been fully implemented. There were repetitive instances of non-adherence of the prescribed norms of daily coverage and deployment, absence of norms to control fuel consumption, continued deployment of condemned vehicles for want of timely replacement, omissions and deficiencies in maintenance of

[9] Bihar (Patna ₹ 4.06lakh), Gujarat (Ahmedabad ₹ 3.17 lakh and Vadodara ₹ 1.44lakh), Karnataka (Bengaluru ₹ 3.83 lakh and Mysuru ₹ 0.24 lakh),Kerala (Ernakulam ₹ 1.03 lakh and Trivandrum ₹ 2.4 lakh), Maharashtra (Nagpur ₹ 6.84 lakh and Pune ₹ 11.2 lakh),Odisha (Bhubaneshwar ₹ 0.72 lakh) and Uttar Pradesh (Kanpur ₹ 2.99 lakh)

proforma accounts, etc. Further, out of the 795 Global Positioning System (GPS) procured for installation in the MMS vehicles, 457 devices were not functioning.

2.1.4 Recommendations:

- The fleet utilization need to be improved keeping in view the volume of mail traffic and availability of vehicles in the unit.
- Condemnation of vehicles may be done when their operations cease to be economical and condemned vehicle be disposed off expeditiously.
- Need for CNG pumps in Delhi MMS may be assessed considering pros and cons and if considered desirable, expeditious action may be taken for installation of CNG pumps to avoid future loss to the department.
- A timeline may be fixed to install GPS in all the vehicles to complete operationalization of GPS systems in all circles.
- Prescribed norms/departmental instruction may be adhered while hiring of vehicle from the private contractor.

2.2 Irregular parking of funds and consequential loss of interest

Director of Accounts (Postal), Cuttack did not claim interest of ₹ 64.07 crore from State Bank of India for delay in remittance of Government money. Besides, ₹ 485.61 crore was allowed to be irregularly retained in a current account opened in violation of RBI guidelines.

Central Treasury Rules (CTR) provide that Posts & Telecommunications (P&T) transactions with Bank need not pass through the treasury accounts and will be brought to account direct against the P&T balance in the books of the Reserve Bank of India (RBI). Both debit and credit transactions are advised daily by the Bank to the Director of Accounts (Postal)/Circle Accountants (Telecom) and the Disbursing Officers concerned through debit and credit scrolls. RBI advised (January 1986) State Bank of India (SBI) that Head Post Offices (HPO) are not required to open separate current accounts and maintain minimum balance with the bank managing the Clearing House as per Clearing House Rules.

As per the directions issued (May 2008) by the Ministry of Finance (MoF) in respect of small saving schemes of Ministry of Finance (Public Provident Fund & Senior Citizen's Savings Scheme), all remittances shall be credited to Government Account within three days for Private Sector Banks (including holidays) and three days excluding holidays for Public Sector Banks. In case of delays, the penalty payable by accredited banks on such delayed remittances shall be the applicable rate of interest payable to the depositor plus 0.5*per cent* in case of delays up to 30 days and plus 1 *per cent* in case of delays beyond 30 days.

Audit scrutiny of records revealed that Rourkela HPO in Odisha Postal Circle was making all postal transactions in an authorized bank account at SBI Uditnagar branch, Rourkela. However, it was noticed that a separate current account was being operated by SBI (Main), Bisra Road, Rourkela since June 2011 to facilitate Postmaster, Rourkela HPO as clearing house member. It was also noticed that Director of Accounts (Postal), Cuttack in April 2011 had authorised SBI (Main), Bisra Road, Rourkela to conduct the postal transactions of Rourkela HPO for clearing settlement only and to make debit/credit of day to day clearing balance to the authorized Government account at SBI Uditnagar.

Further, from October 2011 all cheques remitted by HPO Rourkela to SBI Rourkela for clearance were credited to current account in SBI (Main), Bisra Road without being remitted to DoP balance in the books of the RBI. The bank also did not send daily scroll to DA(P) Cuttack and Postmaster, Rourkela HPO. The details of accumulated balance in unauthorized current account at SBI (Main), Bisra Road and details of remittance to authorized Government account at Uditnagar Branch and final transfer to RBI were as under:-

Table - 6

Balance in unauthorized current account during various periods

Period of credit of cheque proceeds in unauthorized current account at SBI (Main) Bisra Road	Accumulated balance in unauthorized current account at Bisra Road (₹ in crore)	Amount transferred to authorized Govt. Account at SBI Uditnagar (₹ in crore)	Date on which amount credited to authorized Govt. account	Date of transfer to RBI from Uditnagar branch	Balance retained by SBI(main) Bisra Road in current account number (₹ in crore)
1	**2**	**3**	**4**	**5**	**6 (2-3)**
13-10-2011 to 31-3-2012	30.50	15.00	3-4-2012	10-4-2012	15.50
1-4-2012 to 21-3-2015	274.76	106.81	21-3-2015	27-3-2015	167.95
22-3-2015 to 3-10-2015	256.40	150.00	3-10-2015	8-10-2015	106.40
4-10-2015 to 4-4-2016	213.80	213.80	4-4-2016	12-4-2016	0
Total		**485.61**			

Thus, SBI Rourkela irregularly retained Government money of Small Savings Scheme of MoF to the extent of ₹ 485.61 crore in an unauthorized account and remitted it to authorized Government Account with a delay ranging from 22 days to 1157 days.

On being pointed out by Audit in November 2015, January 2016 and April 2016, the unauthorized current account was closed on 4th April 2016 and final balance of ₹ 213.80 crore was transferred to authorized Government account for credit to the balance of DoP in the books of RBI.

Audit noticed that DAP, Cuttack who was to realize interest for delayed credit of DoP's money to Government account did not realize any interest for delay in respect of SBI Uditnagar Rourkela. An amount of ₹ 64.07[10] crore was recoverable towards interest from SBI for delay in transfer of money from unauthorized account to authorized account.

Thus, failure of postal authorities to keep a vigil over the Government money not only resulted in amounts lying in unauthorised current account for more than four years but also non-realisation of ₹ 64.07 crore for delayed transfer of Government money in Odisha Circle.

Admitting the Audit observation, Ministry replied (February 2017) that in spite of clear instructions from DA(P), Cuttack, SBI Rourkela irregularly opened a separate current account in the name of the Postmaster, Rourkela HPO in June 2011, violating RBI guidelines to facilitate as clearing house member for which SBI authorities are solely responsible. It was also stated that since October 2011, all cheques remitted by the Rourkela HPO to SBI Main Branch Rourkela for clearance were credited to the said current account without being remitted to the authorized Government account on day to day basis. It was further replied that SBI Main branch Rourkela did not send any scrolls to the Postal Accounts wing of the DoP or to the Rourkela HPO during the period.

It was added that instructions have been issued (December 2016) to all circles to avoid such type of irregularities and the matter had also been taken up with the Chairman SBI for expediting the issue of payment of penal interest to Department of Post.

However, the fact remains that lack of monitoring of remittances since October 2011 and causing them to lie undetected for a longer period indicated the failure of internal control system of the Department. It is pertinent to mention that Audit, vide para 3.1.7.1 (ii) of Report No. 17 of 2014 regarding Non-reconciliation of Post Office Schedules with Bank Scrolls by Postal Accounts Offices of DoP, had pointed out that the mechanism prevalent in PAOs to keep a check on

[10] applicable rates of interest for SCSS of MoF plus 1 *per cent* or 0.5 *per cent* as the case may be

reconciliation of Post Office schedules with Bank Scrolls was inadequate and ineffective. This had resulted in Government money lying in an unauthorized account for more than four years. Penal interest for the delayed transfer of Government money was also not realized.

2.3 Loss of Revenue on Non-Registered Newspapers

Newspapers not registered with Registrar of Newspapers in India were irregularly allowed to avail of concessional tariff which resulted in loss of revenue of ₹ 2.45 crore in four Postal Circles viz. Karnataka, Maharashtra, Tamil Nadu and Gujarat even after assurances given by DoP in April 2013.

Rule 129 of Post office Guide, Part-I relating to Conditions for Charging Special Rates for Book Packets containing Periodicals stipulates that the special rates of postage in respect of a book packet containing periodicals shall be applicable only if it is registered with the Registrar of Newspapers in India (RNI) under the Press and Registration of Books Act, 1867 (25 of 1867) and the periodical bears in print in any convenient place, either on the first or last page thereof, the superscription "Registered with the Registrar of Newspapers in India (RNI)" mentioning that number. After RNI Registration, the newspaper has to separately register itself with the concerned authorized[11] postal authorities. Accordingly, a license is issued to the concerned publisher by the concerned postal authority, valid for a period of three years which requires to be renewed periodically. Further, newspapers that fail to comply with the above conditions for availing concessional rates are to be treated as book packets and tariff[12] is charged accordingly.

Comments regarding short realization of postage charges by allowing concessional tariff to ineligible publications were made in Paragraph 3.2 of Audit Report No. CA-II of 2008, Paragraph 2.8 of Audit Report No 14 of 2008-09 and Paragraph 3.3 of Report No. CA 17 of 2014 of Comptroller and Auditor General of India. Ministry in their Action Taken Notes (ATNs) submitted (April 2013), while accepting the audit conclusion, stated that consolidated instructions on registered newspapers were issued in May 2008 to all the circles. It was also stated (April 2013) that after the issue of these instructions, grant of registration to ineligible publications under the category of registered newspaper have reduced. It was further added (August 2015) that the system of periodic checks on posting of registered newspapers/magazines was being reiterated to the Circles to take care of the checks and balances. Audit noticed that the instructions issued in May 2008 and assurances given by the Ministry in the ATNs were, however, not being

[11] Divisional Superintendent Offices and independent Gazetted Postmasters

[12] The rates applicable for book packets were ₹ 2/- up to 31.5.2001 and ₹ 4/- from 1.6.2001 onward.

complied with by the Circles and the deficiency continued to persist as discussed below.

Audit scrutiny (August 2015 to August 2016) of records of post offices under 15 Divisions in four Postal Circles viz. Karnataka, Maharashtra, Tamil Nadu and Gujarat revealed that the newspapers which were not registered with RNI were allowed to avail concessional tariff of ₹ 2.45 crore since April 2013 as shown in the table below:

Table - 7

Concessions to Unregistered Newspapers

Sl.No	Name of the Circle	Name of the Division	Amount since April 2013 (₹ in Lakh)
1	Karnataka	Kalaburagi	53.20
		Bidar	
2	Maharashtra	Mumbai Region (North East)	133.41
		Nashik	
		Malegaon	
		Dhule	
		Nagpur City	
		Nagpur MFL	
		Satara	
3	Tamil Nadu	Tirunelveli	12.35
		Chengalpattu	
4	Gujarat	Ahmedabad City	45.91
		Vadodara East	
		Vadodara West	
		Rajkot	
		Total	**244.87**

It was also noticed that in some of the cases, the registration number written on the cover page of newspaper or in the documents furnished by the publishers at the time of applying for postal registration were allotted to some other newspapers by the RNI. Since these newspapers did not have the certificate of registration from RNI, book packet rates should have been charged instead of allowing concessional tariff.

On this being pointed out (January 2017) by Audit, Ministry, while accepting the audit findings, stated (April 2017) that heads of the above four Circles have been instructed to look into the matter personally for recovery. It further directed all the Circles to review the position and exercise effective monitoring to arrest the leakage of revenue, if any. Here it is worth mentioning that despite repeated audit observations, DoP had not taken effective steps to ensure that all the rules and regulations with regard to concessional tariff were followed scrupulously.

In ATN on previous audit observations, DoP simply issued instructions to all the circles but did not monitor action taken by the circles. On the other hand, circles were reluctant to evolve a system so that instructions of DoP regarding concessional tariff was implemented in toto. As a result, ineligible newspapers which were not registered with RNI, continued to avail concessional tariff which resulted in short realization of revenue to the extent of ₹2.45 crore.

It was also revealed that in addition to the amount indicated above for the period since April 2013, there were cases of such concessional tariff to the extent of ₹4.21 crore for period prior to April 2013.

Recovery has to be made from all the ineligible newspapers along with the amount of such recovery pointed out in the earlier reports and responsibility needs to be fixed against erring officials by the DoP.

2.4 Excess payment of Haulage Charges

Uttar Pradesh, Tamil Nadu and Gujarat circles made payment for excess berths than sanctioned which resulted in excess payment of ₹ 2.70 crore besides non-claim of rebate of ₹ 0.18 crore

Department of Posts (DoP) issued instructions (January 2007) to all heads of Circles regarding payment of haulage charges to Railways under the revised system of berth displacement. These instructions stipulated the following:

- Seat displacement system was replaced by berth displacement system for calculation of haulage charges and half bogie was to be treated as 36 berths in Broad Gauge (BG) and 32 berths in Meter Gauge (MG);
- Rates based on distance slabs effective from April 2006 to December 2007 were also finalized, which were to be reviewed from time to time; and
- Rebate of 2 *per cent* on Capital Investment by DoP shall continue to be given on postal vans.

In February 2007, DoP clarified the category of postal vans for the purpose of haulage charges, according to which payment were to be made for four slabs of berths i.e. (i) 1-18, (ii) 19-36 (iii) 37-54 and (iv) 55 - 72. These instructions were circulated to all Heads of Circles in February 2007.

Comments regarding excess payment of haulage charges were made in Report No. CA 14 of 2008-09 and para 5.3 of AR 9 of 2010-11. Ministry in their Action Taken Note (ATN) submitted in April 2010 had stated that suitable instructions had been issued to all concerned. It was, however, noticed that deficiency continued to persist as discussed below due to failure of adequate control mechanism at Circle level.

Audit scrutiny of records in the office of Chief Postmasters General (CPMsG) Uttar Pradesh, Gujarat and Tamil Nadu Postal Circles during (January to August 2016) revealed that haulage charges of ₹ 2.70 crore was paid to Railways of different Circles for the period from October 2010 to June 2015 for excess berths than sanctioned as shown in the table below.

Table - 8

Details of Excess Payments for the Berths

Name of Circle	Sections	Period	Number of berths sanctioned	Number of berths for which claim paid to Railway	Payment made	Payment due	Excess payment
							(₹ in crore)
Uttar Pradesh	Jhansi-Lucknow Jhansi-Allahabad Barauni-Gwalior	October 2010 to October 2012	18	36	1.84	0.92	0.92
Tamil Nadu	Thiruvanathapuram -Mumbai New Delhi – Chennai Central	April 2012 to November 2014	18	36	5.67	4.08	1.59
Gujarat	Jodhpur and Delhi	March 2015 to June 2015	36	54	0.56	0.37	0.19
	Total						**2.70**

It was also noticed that in Gujarat Circle, DoP while making the payment of haulage charges did not avail rebate of ₹ 17.65 lakh being 2 *per cent* for Capital Investment for 19 postal vans.

On this being pointed out by Audit, Ministry in their reply (November 2016), while agreeing to the audit contention, stated that Uttar Pradesh circle had made excess payment and proposed that the overpaid amount would be recovered by adjustment from the future bills of Haulage charges preferred by Railway authorities. As regards other two circles, it was stated that all the circles had been addressed to ensure to avoid recurrence of instances of over payment.

Thus omission on the part of postal authorities while making the payment for haulage charges without ascertaining the sanctioned berths resulted in avoidable excess payment of haulage charges and rebate of ₹ 2.88 crore out of which ₹ 36.31 lakh was recovered by Gujarat Circle after being pointed out by Audit.

2.5 Avoidable payment on hiring of Remotely Managed Franking Machines

CPMG, Maharashtra and Gujarat Circles entered into agreements with M/s Pitney Bowes India Pvt. Ltd for hiring Remotely Managed Franking Machines (RMFMs) without properly assessing the business in the BPCs/MBCs in their respective circles. CPMsG agreed for payment for minimum of three lakh impression which in case of most of the BPC/MBCs was much higher than the actual volume of business. This resulted in avoidable payment of ₹ 86.09 lakh.

Department of Posts (DoP) issued (February 2013) instructions to all the Chief Postmasters General (CPMsG) to replace the Electronic Franking Machines installed in Departmental Offices with Remotely Managed Franking Machines (RMFMs)[13] on hire basis. Both low & high speed RMFMs were to be hired on click charge basis, if hiring was found economical and cost effective at Circle level. The deadline set for installation of RMFMs was 30th June 2013.

Chief Post Master General, (CPMG) Maharashtra and Gujarat Circles entered into agreements with M/s Pitney Bowes India Private Limited for hiring 41 RMFMs for three years, which were to be used at various Business Post Centers (BPCs)/Mail Business Centers (MBCs) in two circles as shown in the table below:

Table - 9

Details of Hiring of RMFMs

Sl.No.	Name of Circle	Name of supplier	No. of RMFMs hired	Month of agreement
1	Maharashtra	M/s Pitney Bowes India Pvt. Ltd, Mumbai	33	October 2013
2	Gujarat	M/s Pitney Bowes India Pvt. Ltd, New Delhi	08	July and December 2013
	Total		**41**	

The agreement stipulated that Circles were to pay at fixed cost for a minimum of three lakh impressions or the actual number of impressions per machine per month whichever was higher @ ₹ 0.14 per impression. However, in Mumbai region under Maharashtra Circle, clause 7 of the agreement stipulated that monthly minimum volume was to be considered on the sum total of all transactions for 33 units to be consolidated quarterly i.e. 2.97 crore impressions per quarter.

[13] It allows more security features like generation of two dimensional (2D) Matrix code, creation of electronic support system, facilitating remote setting of meters, eliminating human intervention and flow of data from franking machines to the Server. The RMFMs offer a secure, unique and digital frank and do not rely on mechanical seals.

Scrutiny of records in Maharashtra and Gujarat Circles revealed that the actual impressions on 27 RMFMs out of 41 RMFMs[14] rarely achieved the agreed target of three lakh impressions per machine per month during the period from August 2013 to June 2016. This indicates that these RMFMs were hired without assessing the volume of mail at the BPCs/MBCs and this lapse on the part of concerned postal authorities not only resulted in less number of clicks than the minimum agreed but also led to avoidable expenditure of ₹ 86.09 lakh as discussed below:

- In 22 BPCs/MBCs under Mumbai region of Maharashtra Circle, the actual number of impressions during November 2013 to January 2016 was far below the agreed number (three lakh) of impressions per machine per month. The average number of impressions in those BPCs/MBCs ranged between 0.77 lakh to 1.64 lakh i.e. between 26 *per cent* and 55 *per cent* of the minimum number impressions. Further, even though in 11 other RMFMs, the impressions ranged between 3.46 lakh and 6.27 lakh, yet the actual volume of impressions was always less than the agreed minimum volume of 2.97 crore impressions taken for all the 33 machines for a quarter. This resulted in avoidable extra expenditure of ₹ 55.67 lakh.
- In BPCs/MBCs of Vadodara, Rajkot and Bhavnagar under Gujarat Circle, the actual number of impressions during August 2013 to June 2016 never reached the agreed benchmark of minimum of three lakh impressions. The average number of impressions in these three BPCs/MBCs ranged between 0.82 lakh to 1.45 lakh, i.e. 27*per cent* to 48 *per cent* of the minimum impressions (three lakh) per machine per month. Further, in RMFMs installed in BPCs/MBCs of Surat and Anand, the impressions were below the minimum level of three lakh in 22 months out of 35 months. This resulted in avoidable expenditure of ₹ 30.42 lakh as detailed in Table below.

[14] Three RMFMs installed in Gujarat region were meeting the benchmark.

Table - 10

Details of Avoidable Payment due to Hiring of RMFMs

Sl. No	Name of Circle	Period during which RMFM under utilised	Clicks required as per agreement during the period	Actual clicks during the period	Total no. of short clicks	Avoidable payment (₹ in lakh)
1	Maharashtra	November 2013 to January 2016	254400000	219196365	35203635	55.67
2.	Gujarat	August 2013 to June 2016	41100000	21466944	19633056	30.42
Total						**86.09**

On this being pointed out by Audit, Ministry has stated that CPMsG has been requested to take corrective action so as to ensure optimum utilization and that there was no loss to the Department. It was further stated that instructions were also given to review the minimum limit of impressions in case of hiring of RMFMs.

Hence, it was imperative that before entering into agreements with firms to hire RMFMs, Circles should have assessed the volume of business in those BPC/MBCs where these were to be installed. While entering into an agreement, Circles may ensure that the interest of DoP is protected by taking trend of number of clicks in to account for assessing the volume of BPCs/MBCs on cluster basis. DoP may also ensure that there is uniformity in the method of calculation of impression volume by Circle (monthly/quarterly) until and unless there are specific reasons for deviation.