

## OVERVIEW

Audit of control systems in India Security Press (ISP) Nashik, which is entrusted with the task of printing and supply of security papers and stamps for the Union and state governments and other entities, disclosed deficient controls in the procedures for indents, printing and supply as also non-existent risk perception in this high risk function.

Sharp swings in the indents received from state governments, union territories etc. were not investigated. ISP's annual printing programmes never had any relationship with the indents and were consistently lower than the total indents. Over the eight year period since 1996 to 2004, ISP printed only 46 *per cent* of the total indents. The actual supply was still lower at 43 *per cent* of the indents.

ISP did not carry out assessment of risks associated with the process of indent, printing and supply of stamp papers and stamps. It failed to gauge the risk of the severe short supply of stamp on the functions dependent on the stamps and stamp paper and the possibility of counterfeit. ISP had no effective control over the actual quantity of security paper manufactured by the private paper mills, nor on the manufacture, custody and use of dandy rolls, the equipment that introduces the security features in the papers during its production.

The printing and supply procedures were also deficient. There were cases of theft on the shop floor and many in transit, which entailed the risk of siphoning of the genuine stamps outside the prescribed channel. The physical security system at the gates and on the printing shop floor was lax.

The decision of ISP to permit the presence of the representatives of the successful bidder for disposal of printing machine during its dismantling was questionable since it entailed the risk of its reassembly for counterfeit printing. Similarly, ISP was negligent in disposal of the printing machine and the perforating machine to the same vendor, which further heightened the risk of their misuse.

ISP had not established a surveillance and intelligence system to provide assurance that genuine stamps were used and fake stamps were not in currency nor did it confirm setting up the vigilance-cum-surveillance unit as a remedial measure as per the decision of the Ministry. It confined its role to that of a printer and limited its verification of genuineness of the stamps to those referred to it by investigation agencies. ISP did not prepare comprehensive response to the high risk of counterfeit stamps despite large number of stamps referred to it for examination being found fake.