

## OVERVIEW

This Report contains the results of two Performance Audits pertaining to the Department of Posts under the Ministry of Communications and Information Technology and one Information Technology Audit pertaining to the Office of the Development Commissioner (Small Scale Industries) under the Ministry of Small Scale Industries.

### **Ministry of Communications and Information Technology**

#### **Performance Audit Report of Mail Management in the Department of Posts**

Mail management involves mail collection, sorting, transmission and delivery of letters and other articles and is aimed at ensuring early delivery of mail, efficient utilisation of the resources and improved customer services. In view of the large volume of incoming and outgoing mail, efficient management of mail is one of the most important tasks of the Department of Posts (DoP).

Some of the major deficiencies observed by Audit in respect of mail management were as follows:

- Mail traffic registered a decline of nearly 50 *per cent* during last five years due to increased competition from private couriers and other modes of communication especially the value added services in telecom sector. Despite this, DoP failed to improve its operational efficiency, reduce staff costs and modernize its operations to render better services to the customer.
- DoP continued to incur losses during last five years and 16 out of the 20 postal services continued to sustain losses over the years. The net loss for the year ending 31 March 2006 was Rs 1207.71 crore.
- The projects for computerization of Head Records Offices, Computerised Registration Centres and Transit Mail Offices have fallen behind schedule and the computers installed were not being used for faster processing of mail and other articles in handling offices. Hardware worth Rs 6.72 crore remained idle due to inadequate infrastructure, non-preparation of site, etc.
- Department's efforts to modernize and mechanise mail sorting operations at Chennai and Mumbai to improve operational efficiency through introduction of Automatic Mail Processing machines and Culler-Facer-Cancellor machines also did not succeed despite investment of Rs 60.25 crore due to its failure to standardise mail and ensure adequate public awareness about the advantages of using standard postal stationery.
- Book Now Pay Later facility was allowed to customers without taking advance deposits from them which resulted in accumulation of outstanding dues of Rs 1.36 crore in 12 Head Post Offices test checked.
- Business Post facility was extended to customers without taking advance which resulted in accumulation of outstanding dues of Rs 2.02 crore in eight Head Post Offices test checked.

- Agreement was signed with United Arab Emirates without taking into account weight and distance element which resulted in loss of Rs 9.15 crore during the period February 2002 to December 2002.

(Chapter 1)

### **Performance Audit of Management of Cash in Post Offices**

DoP receives cash for rendering various services through the sale of postage stamps and stationery; agency services and deposits in various Post Office Savings Bank and other accounts. The cash so collected is remitted at the end of the day to the concerned head post offices (HPOs) by the post offices under their accounts jurisdiction, after retaining the authorized balance of cash. The HPOs remit the cash to the deficit post offices under their jurisdiction to meet their liabilities. The objectives of effective cash management are to ensure availability of liquid cash, promptness and accuracy in accounting, and safety.

Some of the major deficiencies observed by Audit in management of cash in post offices were as follows

- Divisional heads failed to review and revise cash balance limits of the post offices as 57 per cent of the post offices test checked were found to irregularly retain cash much in excess of authorized maximum limits. The problem of retention of excess cash balance was more severe in head post offices.
- An amount of Rs 1.90 crore was paid as demand draft charges to banks by 23 HPOs and their sub offices under 10 circles during the period 2003-06. This expenditure could have been minimized had the sub-post offices been delegated powers to draw/ remit cash directly from/into the banks.
- Security arrangements in post offices were found inadequate. Large cash amounting to more than rupees one crore was retained overnight in post offices without even providing an armed security guard. Such an arrangement is fraught with the serious risk of theft and robbery.
- Weak internal controls were resulting in large number of cases of suspected theft of cash in post offices and frauds. More than five thousand cases of loss and suspected fraud were registered in the department during the period 2003-04 to 2005-06 involving an amount of Rs 32.73 crore, out of which only 34 per cent was recovered.
- 7,625 cases of theft etc were pending for settlement at the end of March 2006. Out of this, 63 per cent cases i.e. 4,816 cases were pending due to non completion of departmental proceedings/investigations.
- An amount of Rs 1,819 crore remained unlinked in the bank scrolls and Rs 3,934 crore in the post office schedules in respect of drawings from banks at the end of March 2006. Similarly, an amount of Rs 4,645 crore remained unlinked in the bank scrolls and Rs 4,906 crore in the post office schedules in respect of remittances into banks.

(Chapter 2)

### **IT Audit of Small Enterprise Information & Resource Centre Network**

An e-governance project “Small Enterprise Information & Resource Centre Network” (SENET) was conceived in 1993 by the Office of the Development Commissioner to provide an all-India and decentralized information network primarily for meeting the information requirement of small enterprises and other target groups. The project was implemented only by February 2002, and despite an expenditure of Rs 11.41 crore, it had not been able to fully achieve its objective of disseminating information in a timely manner to the intended users. Audit examination revealed weak application controls and data integrity over the SENET applications, ineffective control over operational costs, deficient general Information Technology controls and weaknesses in IT security. The information on the internet website ‘SIDO Online’ was not updated regularly, and the contents in respect of many categories were invalid and outdated.

*(Chapter 3)*