Chapter-III
Department of Posts

3.1 Irregular hiring of Casual Labourers without Contract/ Agreement

Department of Posts directly hired/ engaged casual labourers on daily wages for various tasks like mail sorting, delivery of mails, loading and unloading of mails/ parcels and back office work etc., without entering into valid contracts/ agreement in contravention of the General Financial Rules (GFR), orders and instructions issued by Department of Post from time to time on outsourcing of man power. The irregular expenditure incurred on outsourced manpower in 18 Postal Circles was ₹ 95.94 crore.

The Department of Posts (DoP) had vide its letter dated 04 February 1997, intimated all Heads of Postal Circles about a complete ban on recruitment of casual workers and of the requirement to obtain prior approval for such recruitment. These instructions were reiterated vide letter dated 14 February 2002. The Department later issued guidelines for outsourcing in September 2009 which, *inter-alia*, laid down terms and conditions to serve as "guiding principle for outsourcing while engaging labour on contractual basis". These terms and conditions provided for outsourcing through a registered/licensed agency/ company selected as per prescribed rules under GFR 2005[41] (since replaced by GFR, 2017). Most notably, these rules ordinarily envisage selection and award of outsourcing work through a transparent bidding process. Additionally, the Manual for Procurement of Consultancy & Other Services, 2017 stipulates mandatory procurement through Government e-Marketplace (GeM) Portal (launched in 2016) of goods and services available at the portal.

Audit scrutiny of records for the period 2016-17 to 2018-19 at field offices of DoP under eighteen[42] (18) Circles, revealed that contrary to its own instructions, casual labourers were directly engaged on daily wages for performing skilled duties as well as non-skilled tasks such as mail sorting, delivery of mails, loading and unloading of mails/ parcels and back office work etc., which were of regular nature. The field offices obtained these services without entering into any valid agreement or contract with any licensed/ qualified agency or company. It neither maintained any panel/ list of eligible and capable agencies contractors nor followed the tendering procedures for outsourcing engagement of manpower. This was not only violative of GFRs but also of the Department's own instructions on outsourcing for engaging labour on contractual basis. Audit found that in the test checked units/ offices, the total expenditure incurred on wages paid to casual labourers engaged directly, without any valid contract/ agreement and without following the process laid down in GFR worked out to ₹ 95.94 crore (details in **Annexure 3.1.1**).

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41 Rules 178-185 of GFR 2005 and Rules 197-206 of GFR, 2017.

42 Bihar, Delhi, Gujarat, Himachal Pradesh, Jharkhand, Kerala, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, West Bengal, Haryana , Punjab, J&K and Karnataka.

The Department confirmed the facts (February 2020) but justified deviations from the procedures laid down in GFRs on various grounds. These include acute shortage of staff at various operative levels, emergent nature of works in the Post Offices/ Railway Mail Service units, practical difficulties/ constraints encountered while undertaking tenders for outsourcing and hiring through GeM and its offices being widely spread across the country. It also intimated that it has given directions to all Circles to ensure that all the possible steps are taken to fill up the vacancies and to follow the laid down procedures for hiring and utilizing manpower.

The reply of the Department is not acceptable as the fact remains that engagement of labour/ manpower directly and without following a transparent process was violative both of GFR and its own instructions. As a result, the Department had incurred irregular expenditure on hiring of labour in the test checked units amounting to ₹ 95.94 crore.

Further, even though only a test check was done in a limited number of units, violations were seen to exist in most Postal Circles. This shows that the Department had not devised any mechanism for monitoring compliance with GFRs and its instructions. As such the irregularity being more widespread cannot be ruled out given that the average annual expenditure on wages in the period covered by audit has been approximately ₹ 368 crore. Further, despite being aware of constraints faced in implementing a transparent and cost effective process for contracting labour, no concrete and coordinated plan of action to address the same has been mooted.

3.2 Loss of ₹ 12.22 crore and liability of ₹ 15.33 crore due to non-execution of MoU

Postal Directorate issued instructions in March 2017 directing the Circles to enter into a special tie-up or MoU with the respective State Governments to claim service charges from them for the value-added services provided in disbursement of MGNREGS wages. Andhra Pradesh and Telangana Postal Circles failed to follow these instructions and did not enter into any such tie-up/ MoU with the State Governments. This resulted in loss of ₹ 27.55 crore since they could not get the expenditure reimbursed from the State Governments in the absence of a tie-up/ MoU.

Department of Posts (DoP) disburses Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) wages to the beneficiaries through Post Offices on behalf of Ministry of Rural Development (MoRD) since its inception. Combined Andhra Pradesh (AP) Postal Circle was providing the value added services[43] to Department of Rural Development Andhra Pradesh in connection with the MGNREGS wages disbursement since 2009. In other Postal Circles, MGNREGS wages were disbursed manually or using Rural Information Communication Technology (RICT) devices. In this regard, tripartite agreement was signed between AP Postal Circle, Department of Rural Development, AP State and APOnline, Hyderabad on 22 June 2009 to disburse the MGNREGS wages. On formation of Telangana Circle (June 2014), two separate tripartite agreements were executed by AP Postal Circle and

[43] Disbursement of wages Aadhaar based biometric through Point of Transaction Devices.

Telangana Postal Circles with APOnline and TSOnline respectively to continue value added services in the circles. The said agreements were valid upto 31 March 2017 or till implementation of National Electronic Fund Management System (NeFMS), whichever was earlier. NeFMS system was implemented in AP and Telangana Circles in February 2017 and December 2017 respectively. As per the agreement, the service charges were being paid directly to APOnline/ TSOnline by Rural Development Department, Government of Andhra Pradesh/ Telangana till November 2016.

Postal Directorate issued (March 2017) instructions to Circles not to claim any service charge for wage disbursement from State or Public Financial Management System (PFMS)/ National Payments Corporation of India (NPCI) as the claim was being preferred centrally to MoRD every year @ ₹ 80 on account of maintenance of each MGNREGS Saving Bank account for the entire network of Post Offices in the country. However, Directorate instructions stipulated that the Circles could continue to claim service charges from the respective State Governments for value added services, if any, agreed upon through some special tie-up or Memorandum of Understanding (MoU).

In contravention of the aforesaid instructions, both the Circles entered into bipartite agreement with APOnline/ TSOnline to provide the required technical support in both the circles for which APOnline/ TSOnline preferred claim for ₹ 27.55 crore for the period from December 2016 to August 2020, against which the Circles paid ₹ 12.22 crore leaving a pending liability of ₹ 15.33 crore as of September 2020, as shown in **Table 3.2.1** below:

Table 3.2.1: Statement showing Pending Liability

(₹ in crore)

Circle	Period	Claims preferred by APT/ TSOnline	Amount paid by DoP Circle	Pending liability
Andhra Pradesh	February 2017 to July 2018	7.94	*6.73	1.21
Telangana	December 2016 to August 2020	19.61	5.49	14.12
Total		**27.55**	**12.22**	**15.33**

***APOnline had withheld DoP funds of ₹ 6.73 crore (₹ 3.47 crore and ₹ 3.26 crore) towards settlement of service charges pertaining to prior period.**

The cost (paid to AP/ TS Online) for the required technical support was met from DoP funds by Andhra Pradesh and Telangana Postal Circles for the above value-added services. Though DoP Directorate had instructed (March 2017) to execute special MoU/ tie-up with State Government for provision of value-added services, the Andhra Pradesh and Telangana Postal Circles did not execute the same with State Government Departments and therefore could not claim the service charges. Under the earlier tripartite agreement among DoP Postal circles, respective Rural Development Departments of State Governments and APOnline/ TSOnline, State Governments had released service charges which were shared by DoP Circles and AP/ TSOnline as per the agreements[44]. But subsequently, Andhra Pradesh and Telangana Postal Circles entered into bipartite MoU with only APOnline/ TSOnline instead of the state governments in contravention of DoP instructions.

The matter pertaining to Telangana Circle was referred (December 2019) to the Ministry which denied (July 2020) the audit contention and stated that instructions issued in March 2017 did not ask the Circles to discontinue the agreement with the APOnline/ TSOnline and there were no direction to field units to discontinue the existing services. Continuing the agreement with APOnline/ TSOnline was very well within the delegated powers (May 2006) and Telangana Circle had contributed a revenue of ₹ 146.91 crore during the period January 2018 to July 2018 and this revenue was a collective outcome of the efforts put in by Telangana Circle in unison with APOnline/ TSOnline. Hence, no loss had been incurred by continuation of the agreement with APOnline/ TSOnline.

The reply of DoP is not acceptable as the instructions (March 2017) of Postal Directorate clearly stipulated that Circles can continue to give value-added services, if any, by having a special tie-up/ MoU with the State Governments whereas the Circles entered into MoU with APOnline/ TSOnline in contravention of the instructions without any tie up with state concerned. Further, it was clearly mentioned in the last tripartite agreements made on 07 October 2016 between DoP, Telangana Circle, Department of Rural Development, Government of Telangana State (RD-GOTS) and TSOnline Hyderabad that service charges receivable from RD-GOTS will be shared between DoP and TSOnline till migration to NeFMS. In the absence of any MoU/ tie-up, State Government was not bound to pay any services charges for the value added services provided by the AP and Telangana Circles for disbursement of MGNREGS wages. Regarding contributing to revenue by Telangana Circle, it is pointed out that no payment was received between January 2018 to July 2018 from the Department of Rural Development of both the States. The issue of payment of Service charges for value added services was raised by the Circle in a meeting held on 06 April 2017 with the Chief Secretary of Government of AP and the Government of AP expressed their inability to extend the service charges from their side. In spite of that DoP continued value added service in AP and Telangana Postal circle through APOnline and TSOnline much beyond implementation of NeFMS. Further, Postal Circles also accepted the fact that they requested Rural Departments of concerned State Governments to release the required service charges for provision of value added services which was refused on the ground that after the introduction of the NeFMS system, the service charges component had been removed from admin cost by the Government of India which implied that the State Governments were not expected to incur any kind of expenditure towards service charges to the wage disbursing agencies under MGNREGS.

[44] Service charges as received from State Government was shared between DoP and APOnline in the ratio of 50:50 for the period from 01 June 2015 to 31 December 2015 and 55:45 from 01 January 2016 to 16 October 2016.

Thus, failure of Andhra Pradesh and Telangana Postal Circles to follow the Postal Directorate instructions and continuing with the tie up for value added services without any MoU with the concerned State Governments and after implementation of NeFMS resulted not only in loss of ₹ 12.22 crore, but also in further liability of ₹ 15.33 crore to DoP.

3.3 Non-recovery of Building and Other Construction Workers Welfare Cess

Seven Postal Circles under the Department of Posts failed to recover the Building and Other Construction Workers' Welfare Cess (BOCWWC) under the BOCWWC Act, 1996 amounting to ₹ 1.93 crore from contractors' bills. This resulted in cess of this amount not being remitted to the concerned State Building and Other Construction Workers' Welfare Boards.

The Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 was enacted to regulate the employment and conditions of service of building and other construction workers and provide for their safety, health and welfare measures. This act provided for constitution of Building and Other Construction Workers' Welfare Boards. To augment the resources of these Boards, Government enacted the Building and Other Construction Workers' Welfare Cess (BOCWWC) Act, 1996 which provided for levy and collection of a Building and Other Construction Workers' Welfare Cess [45] (hereinafter referred to as "the cess") on the cost of construction incurred by employers[46]. In case of a building or construction work of a Government, this Act and related Rules[47], provide for deduction of the cess at source and its remittance to the respective Welfare Boards. State Governments have also issued notifications to enforce the provisions of the BOCWWC Act, 1996.

Department of Posts (DoP) has its own dedicated Works Wing for building construction and civil works and has adopted the CPWD Works Manual and its General Conditions of Contract. In the context of the BOCWWC Act, 1996, the relevant clauses of the General Conditions of Contract are 19, 37 and 38. As per Clause 19, the contractor is required to comply with provisions of the Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and the BOCWWC Act, 1996. Clause 37 *inter-alia*, provides that the cess would be payable by the contractor and if under any law etc., it becomes payable to the State Government by the Government of India and not by the contractor, GOI will have the right to recover the same from the dues of the contractor. Clause 38 provides that all tendered rates should be inclusive of all taxes and levies (except service tax) payable under the relevant statutes.

Audit conducted a test check of compliance with provisions of BOCWWC Act, 1996 with respect to works undertaken by DoP in 13 Postal Circles covering the period

45 Cess is to be levied at such rate not exceeding two *per cent*, but not less than one *per cent* of the cost of construction and collected from every employer in relation with building and other construction work.

46 In case of establishments where building or construction work is done by or through a contractor or by employment of building workers supplied by a contractor employer is defined as the contractor.

47 Section 2(1) (d) of the BOCWWC Act, 1996 and Rule 4(3) of BOCWWC Rules, 1998.

2014-15 to 2017-18. The test check has disclosed that in seven (7) Postal Circles[48], DoP had not recovered the cess under the provisions of the BOCWWC Act, 1996 from the bills of the contractors relating to Building or other construction works while in the remaining test checked Circles, deductions were being made. As a result, in the seven defaulting Circles, cess totaling ₹ 1.93 crore for the period 2014-15 to 2017-18 (**Annexure 3.3.1**) had not been collected and was thus also not remitted to the concerned State Building and Other Construction Workers' Welfare Boards. This amounted to non-compliance both with the statute and Clause 37 of the General Conditions of the Contract (GCC). If the scope of the checks were extended to more Circles and a longer period, the quantum of non-recovery of the cess is likely to be much higher. It is also pointed out that as Clause 38 of the GCC envisaged that all taxes and levies should be factored in the tendered price, failure to recover the cess from the tendered price, also resulted in undue payments to the concerned contractors.

Several Postal Civil Divisions in Circles, where recoveries were not being made, attributed the non-compliance to lack of directions/ instructions from DoP on this subject. While it is true that the DoP should have issued directions on the requirement of complying with the statute, the onus of complying with the statutory requirements and the GCC is that of local executing authorities. It is pointed out that six Postal Circles had deducted the cess and remitted the same to their respective State Welfare Boards without waiting for instructions from the DoP. In addition, some Postal Civil Divisions incorrectly citied contract clauses/ Notice Inviting Tender (NIT) or absence of the same for justifying non-recovery of the cess.

The Department accepted the audit observation and issued (July 2019) instructions to all the Head of Circles to comply with the provisions of the Building and other Construction Workers Welfare Cess Act, 1996 to levy and collect the cess by Department and remit the same to respective State Welfare Boards. Further, after being pointed out by Audit, Postal Civil Divisions in Mumbai, Cuttack and Bangalore have started deducting cess from the bills of the Contractors including a partial recovery of past dues. However, all these steps constitute belated responses when the requirement was for issuing clear and timely directions to ensure compliance with statutory provisions.

Thus, test check of compliance with the provisions of the BOCWWC Act, 1996 showed that seven Postal Circles failed to recover and remit the cess to the tune of ₹ 1.93 crore for the period 2014-15 to 2017-18 meant for welfare measures of construction workers. As the GCC required contractors to factor all taxes and levies including the cess, in their tendered price non-recovery of the same from payments made to contractors, resulted in undue payments to them.

[48] Bihar, Jharkhand, Karnataka, Maharashtra, Odisha, Uttar Pradesh and West Bengal

3.4 Irregular retention of pension contribution under New Pension Scheme (NPS) by Department of Posts

The Department of Posts irregularly retained both the employee and employer's share of the pension contribution under NPS amounting to ₹ 19.16 crore during the period 2011-18, resulting in monetary loss of ₹ 1.88 crore to the concerned employees due to failure to invest these contributions in Trustee Banks.

Government of India (GoI) had introduced a new Defined Contribution Pension Scheme also referred to as the New Pension Scheme (NPS). This scheme was applicable to all Government employees except the armed forces, joining Government service on or after 01 January 2004.

The NPS works on defined contribution basis with contribution at two tiers viz. Tier-I and Tier-II. Contribution to Tier-I is mandatory for all Government servants and equals 10 *per cent* of Basic Pay plus Dearness Allowance (DA), which is deducted from the salary bill of the Government Servants each month, by the Pay and Accounts Office (PAO)/ Drawing and Disbursing Officer (DDO) concerned. The Government also makes an equal matching contribution. Tier-I contributions (and the investment returns thereon) are kept in a non-withdrawable Pension Tier-I Account. Tier-II contribution is optional and at the discretion of the Government servant.

To develop and regulate Pension Funds under NPS, the Government established the Pension Fund Regulatory and Development Authority (PFRDA) on 10 October 2003 to develop and regulate the Pension Funds under the NPS. The PFRDA appointed a Central Record keeping Agency (CRA)[49] to maintain records of contributions and their deployment in various pension fund schemes. The records of the contribution are kept in an account known as the Permanent Retirement Account for each employee identified by a Permanent Retirement Account Number (PRAN).

The Controller General of Accounts (CGA) under the Ministry of Finance has periodically issued guidelines for PAOs and DDOs on NPS. The CRA has also issued Standard Operating Procedure (SOP) which inter-alia, require DDOs to obtain applications from employees for registration under NPS within seven days of joining and forward the same to concerned PAOs. In addition, DDOs are required to submit pay bills and bills for Government's contribution to PAOs for payment and further accounting of the pension contributions. The PAOs in turn are required to be pass the contributions on to the Trustee Bank for investment without any delay so that there is no loss to the employees. The above guidelines/ instructions were also endorsed to DoP for necessary action.

Audit scrutiny of records relating to NPS (July 2018 to November 2019) in 14 out of 23 Postal Circles revealed that out of the 58,276 employees recruited during the period 2011-2019, PRAN were not generated in the case of 3,676 employees (6.31 *per cent*). Postal Circle-wise details are given in **Table 3.4.1**. In Andhra Pradesh, Telangana, Uttar

[49] National Securities Depository Limited was appointed CRA.

Pradesh and Uttarakhand Circles, the percentage of PRAN not generated ranged from 12.71 to 17.12 *per cent* of employees recruited during 2011-2019.

Table 3.4.1: Circle wise details of employees where PRAN not generated from 2011-12 to 2018-19

Postal Circles		Employees recruited under NPS	PRAN not generated	Percentage of PRAN not generated
1	AP and Telangana *(Two Circles)*	3,429	587	17.12
2	Bihar	3,658	307	8.39
3	Delhi	NA	80	-
4	Gujarat	6,286	97	1.54
5	Haryana	2,043	46	2.25
6	Himachal Pradesh	1,232	0	0.00
7	Jharkhand	1,810	61	3.37
8	Kerala	6,808	159	2.34
9	Madhya Pradesh	3,487	127	3.64
10	Maharashtra	10,841	403	3.72
11	Odisha	3,553	343	9.65
12	Rajasthan	4,218	37	0.88
13	Uttar Pradesh	9,688	1231	12.71
14	Uttarakhand	1,223	198	16.19
Total		**58,276**	**3,676**	**6.31**

As a result of the failure to generate PRAN in the case of 3,676 employees , pension contributions pertaining to the period 2011-2019 recovered from these employees and the matching Government contributions , amounting to ₹ 19.16 crore, were not remitted to the respective employee/ subscriber's accounts. This not only resulted in irregular retention of the NPS contributions in the Government Accounts but also resulted in monetary loss to the concerned employees due as their contributions could not be passed on to Trustee Banks for investment. The estimated loss of returns to the employees works out to ₹ 1.88 crore at the rate of 9.85[50] *per cent* on total Pension contribution of ₹ 19.16 crore.

An age wise analysis of the unremitted contributions shows that out of the total unremitted amount of ₹ 19.16 crore, ₹ 65.40 lakh (3.73 *per cent*) was not transferred for more than six years. Further, contributions amounting to ₹ 3.29 crore (17.18 *per cent*) remained un-remitted for over three years and ₹ 15.15 crore (79 *per cent*) for three years as of March 2019. This is shown in **Table 3.4.2**.

Table 3.4.2: Period wise NPS contribution not remitted

Period	Contribution not remitted (Figure in ₹)	Percentage of non-remittance
2011-12 to 2012-13	65,40,513	3.73
2013-14 to 2015-16	3,29,29,249	17.18
2016-17 to 2018-19	15,15,73,738	79.09
Total	**19,16,48,345**	

50 Loss of income/ returns has been computed on the base of the interest rate of 9.85 *per cent* {annual rate of interest (average returns of the three fund managers viz. LIC, SBI &UTI under Scheme Central Government as taken from the Annual Report of NPS Trust for the year 2017-18)}

The above shows the extent of delays in generating PRAN for a significant number of new employees leading to contributions remaining unremitted for prolonged periods.

On this being pointed out by Audit, DoP stated (October 2019) that necessary instructions had been issued by the Circles to the concerned DDOs to contact officials for whom PRAN had not been generated and submit the required information for settlement of un-posted amounts. It also mentioned that some of the officials for whom PRAN was not available may no longer be in service or be on long leave.

The reply is not acceptable as the DDOs should have ensured that the duly filled in applications/ Common Subscriber Registration Form (CSRF) forms were received from employees within seven days of their joining, and then passed on to the concerned PAO/ Director of Accounts (Postal) Offices (DAP). The PAOs/ DAP Offices in turn, should have also pursued this aspect as per extant instructions.

Thus, failure of the DDOs and PAOs of DoP to promptly ensure registration of new entrants under NPS and generation of PRANs, resulted in irregular retention of contributions under NPS of 3,676 new employees amounting to ₹ 19.16 crore during the period 2011-19. As a result, this amount could not be transferred for investment to the Trustee Banks leading to loss of returns estimated at ₹ 1.88 crore, to the concerned employees.

3.5 Infructuous expenditure on procurement of Remotely Managed Franking Machines

Department of Posts (July 2010 and August 2011) decided to introduce and procure Remotely Managed Franking Machines (RMFMs) for Departmental use, in place of Electronic Franking Machines. Accordingly, in eight Postal Circles 159 RMFMs were procured at a cost of ₹ 2.51 crore of which 104 RMFMs worth ₹ 1.47 crore, were lying unutilised due to compatibility, capacity and maintenance issues, rendering the expenditure infructuous.

Department of Posts (DoP) decided (July 2010) to introduce Remotely Managed Franking System (RMFS) which provided for replacement of Electronic Franking Machines by Remotely Managed Franking Machines (RMFM). RMFMs are not required to be physically carried to a Post Office for loading postage value, as this task can be performed through remote centers. The decision to introduce this system was taken as it was based on new technology with security features[51] and elimination of human intervention for loading credit in franking machines. Subsequently, general operating procedures (August 2010) for RFMS and specific operating procedures for Departmental Franking machines under RFMS (April 2012) were issued to Postal Circles.

[51] Like generation of 2D barcode with frank impression.

DoP issued (July 2010 and August 2011) instructions to the Postal Circles for introduction and procurement of RMFMs for Departmental use[52]. The instructions were for purchase of low speed franking machines available at Directorate General of Supplies and Disposals (DGS&D) rate contract as per their requirement, subject to availability of non-plan funds. As there was no DGS&D rate contract for high speed machines, in case of requirement hiring of such machines was allowed. In addition, low speed machines could also be hired if found economical and cost effective. Later, (February 2013), these instructions relating to Departmental use of RMFMs, were updated inter-alia, to provide for purchase of RMFMs available under DGS&D rate contracts from Plan Funds instead of non-plan funds. The option of hiring both low and high speed RMFMs, if found economical and cost effective was continued. Thus, Circles were required to evaluate and compare the option of purchase and of hiring either low or high speed RMFMs.

Records of procurement and hiring of RMFMs, were test checked (March 2018 to February 2019) in eight out of 23 Postal Circles by audit. The test check revealed that in these eight Postal Circles[53], 159 RMFMs[54] were procured during 2013-15 at a cost of ₹ 2.51crore. Out of the above, 104 RMFMs (65 *per cent*) worth ₹ 1.47 crore, were not utilized. Audit scrutiny revealed that RMFMs were lying idle due to compatibility, maintenance and capacity issues. Details are given in **Annexure 3.5.1**. Circle-wise analysis covering numbers of unutilized machines along with reasons for non-utilization is given in **Table 3.5.1**.

Table 3.5.1: Circle-wise status of non-utilization

Postal Circles	RMFMs procured	RMFMs lying idle	Reasons of non-utilization
Andhra Pradesh	22	17	Cartridge problem, low speed, not suitable for bulk handling such as in MBC and BPC[55], AMC[56] , repair and service issues.
Telangana	24	24	Cartridge problem, not suitable for bulk handling, repair issues, low speed.
Punjab	10	7	Machines were non-repairable, were not suitable due to low speed and had high maintenance cost
Haryana	2	1	Slow speed of machines and manual feeding of articles.
Himachal Pradesh	4	3	Technical problem; no AMC and lack of consumables such as cartridges.

52 DoP provides Franking Machine Licenses under three categories i.e. (i) Individual Franking Machines: FM supplied by DoP to individuals such as to Government offices for their need (ii) Commercial Franking Machines: Private /Government entities buy their own machines and franks/value is loaded by DoP/Banks and (iii) Departmental Franking Machine: these are DoP's own machines and are located in Post Offices.

53 (i) Andhra Pradesh, (ii) Delhi, (iii) Haryana, (iv) Himachal Pradesh, (v) Maharashtra (incl. Mumbai & Goa), (vi) Punjab, (vii) Telangana and (viii) Rajasthan

54 Including low end and mid end machines.

55 Business Postal Centres.

56 Annual Maintenance Contract.

Delhi	28	16	Machines not suitable for bulk handling; problems related non-availability of consumables such as cartridges; low speed; machines being non-repairable and absence of trained staff.
Mumbai, Goa and Maharashtra	57	27	Technical problems relating to server and motor; high AMC cost; no renewal of AMC; lack of consumables such as cartridges and low level of use.
Rajasthan	12	9	No AMC and closure of BPCs.
Total	**159**	**104**	

Out of these eight Circles, seven Circles[57] had also separately hired machines for franking mail on "click charge basis[58]" and incurred an expenditure of ₹ 11.37 crore as the low end RMFMs procured earlier, were found unsuitable. Details are given in **Annexure-3.5.2**.

Idle RMFM at Sansad Marg Post Office, Delhi

Idle RMFM at Jawahar Nagar Post Office, Jaipur

DoP in their reply, (August 2019) stated that RMFMs were procured keeping in view the specifications and volume of mail at that time. However, thereafter the volume of personal mail had declined while business mail started to grow. In this scenario, high end Franking Machine was required to handle the increase in volume of mails. DoP also stated that instructions have been issued to use the low speed idle Franking Machine at counters for franking of mail in Post Offices where volume of mail is not high.

The reply is not acceptable as field units had been consulted both on specifications and the volume of mail to be handled, and requisition had been given for both low as well

57 (i) Andhra Pradesh, (ii) Delhi, (iii) Haryana, (iv) Maharashtra (incl. Mumbai & Goa), (v) Punjab (vi) Telangana and (vii) Rajasthan

58 The user i.e., the DoP has to pay @ 14 paise per click/ impression. Service Tax as applicable from time to time shall also to be paid.

as high end machines. Though the projected requirement was for the full range of RMFMs, DoP restricted its approval for purchase of only low end, upper low end and mid end machines, which were available on DGS&D rate contracts. It allowed higher end machines to be taken only on hiring basis and left it to the Circles to assess different options and decide. The fact that several machines remained unused on account of low speed, unsuitability for handling larger volumes of mail and lack of features such as automatic feed shows that both shortlisting of machines by the Postal Directorate and procurement by Circles, were made without evaluating the capability of the machines vis-a-vis requirements. DoP's reply also does not address issues relating to serviceability, non-availability of AMC and support, inadequate supply of consumables such as cartridges, and non-availability of trained personnel which also led to low utilization. Besides, the belated transfer of machines to Post Offices with low volume of mails, would also not yield any benefit on account of issues relating to serviceability.

Thus, failure of DoP to properly evaluate requirement for RMFMs with reference to capacity, volume of work and compatibility, and to ascertain economic viability taking into account maintenance issues and costs, as also to address serviceability issues led to idling of 104 RMFMs in eight Postal Circles. This rendered the expenditure of ₹ 1.47 crore on these machines infructuous. No corrective action was taken by the Department since 2015 to address the issues leading to the idling of the machines except belatedly diverting some machines to Post Offices with low volume of mails.

3.6 Excess expenditure on Energy Charges due to application of incorrect tariff categorization

Maharashtra Postal Circle incurred avoidable excess expenditure of ₹ 58.41 lakh by accepting incorrect category of tariff on energy charges billed by electricity authorities.

Maharashtra Electricity Regulatory Commission (MERC) determines the tariff for supply of electricity through the Distribution Licensees for various classes of consumers within the State of Maharashtra. As per the MERC order dated 16 August 2012 applicable with effect from 01 August 2012, the consumption of electricity by 'Post Offices' was categorised under 'LT X-Public Services' for Low Tension connections and 'HT IX- Public Services' for High Tension connections. Further, the tariff was revised by MERC with effect from 01 June 2015, 01 November 2016 and 01 April 2017 with the same categories of billing.

Test check of paid electricity bills for the period June 2016-March 2018 in 336 Post Offices/ Postal Units, which were in the name of Departmental Authorities under different regions of Maharashtra Postal Circle of the Department of Posts, revealed that electricity authorities i.e. MSEDCL[59] were levying higher energy charges as connections to these units were categorized as "Commercial" instead of "Public Services". These higher charges were paid by formations under the DoP without

[59] Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)

adequate scrutiny of the bills. The total excess billed energy charges worked out to approximately ₹ 58.41 lakh in respect of the test checked units.

On being pointed out by Audit (June 2019), DoP in its reply (December 2019) accepted the facts and figures and stated that all Regions in the Maharashtra Circle have been directed to take immediate action for conversion of electricity meters from 'Commercial Service category' to 'Public Service category' without delay and submit replies to the Postal Directorate. It was also intimated that the Pune and Nagpur Regions had converted 331[60] and 26 meters respectively, into Public Service Category.

The reply is not acceptable as it does not explain the lapse in not ensuring re-categorization of Postal Units as "Public Services" connections even six years after MERC had passed orders for categorizing Post offices as "Public Services". Further, while there are 2,216 Departmental Post Offices in the Circle, DoP has informed about conversion of electricity meters to Public Service Category only in the case of 357 Post Offices. For other Post Offices, it has only directed the Maharashtra Circle to complete the action. No action has also been initiated for adjustment of excess energy charges paid by the Post offices.

Thus, due to omission on the part of the Maharashtra Postal Circle and units under it, to get the electricity connections categorized as "Public Services", test checked postal units under the circle paid excess energy charges amounting to ₹ 58.41 lakh during the period June 2016-March 2018. It is also pointed out that the finding being reported is with respect to test checked units only from amongst units with electricity connections in the name of departmental authorities and for the excess payments made from 2016-17. The excess payment is likely to be much higher if all electricity connections including those where connections were not in the name of departmental authorities and for the period prior to 2016-17, are also taken into account. The department needs to strengthen its internal controls/ internal audit.

[60] Of which only 50 connections were in the name of Departmental Authorities covered under this para.