



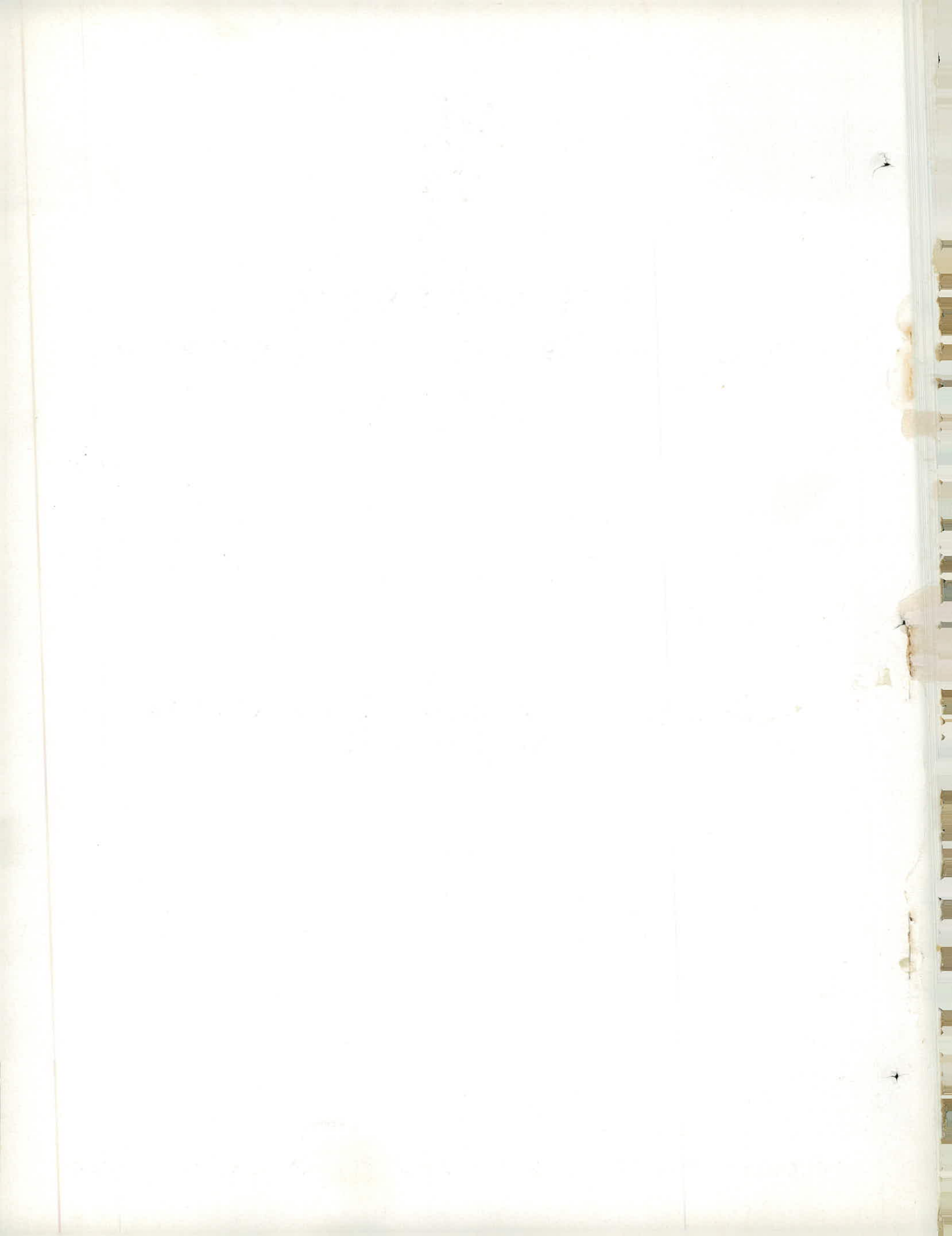
सत्यमेव जयते

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

**FOR THE YEAR ENDED 31 MARCH 1995
NO. 7 OF 1996**

Presented in Parliament on... 17-7-96

UNION GOVERNMENT (POSTS AND TELECOMMUNICATIONS)





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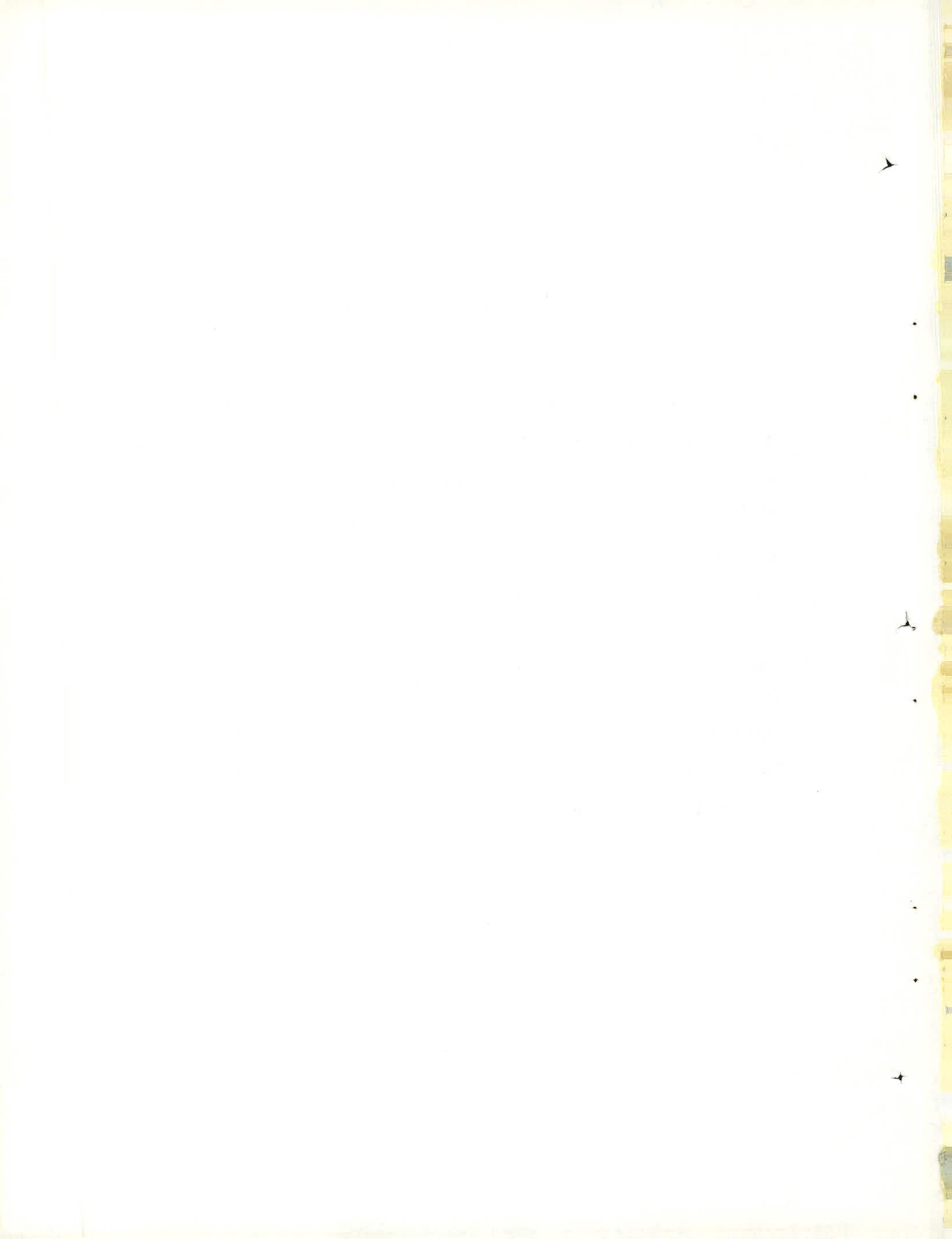
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PREFATORY REMARKS

This Report for the year 01 April 1994 to 31 March 1995 has been prepared for submission to the President under Article 151 of the Constitution. It covers matters arising from the Accounts of the Departments of Posts and Telecommunications under the Ministry of Communications for the year 1994-95 and the results of test-audit of the financial transactions of the two Departments and their constituent units.

The cases mentioned in this Report include those which came to notice in the course of audit and audit review during 1994-95. Matters relating to earlier years which could not be covered in the previous Reports have also been included wherever necessary. Transactions subsequent to 1994-95 have been mentioned wherever relevant.



OVERVIEW

This Audit Report for the year April 1994 to March 1995 is divided into two sections:

Section I	--	Chapters 1 to 4	Department of Posts
Section II	--	Chapters 5 to 9	Department of Telecommunications

It contains 46 paragraphs including 5 reviews. The major findings in the Report are summarised below.

Section I - Department of Posts

I. Financial results

The department incurred net loss of Rs 402.93 crores on various postal services in 1994-95 compared to net loss of Rs 334.01 crores incurred on the same services during 1993-94. The net losses on postal services have increased from Rs 160.95 crores in 1990-91 to Rs 402.93 crores in 1994-95.

The deficit of the department increased from Rs 92 crores in 1992-93 to Rs 352 crores in 1994-95. The revenue expenditure during the five years 1990-95 increased from Rs 1033 crores to Rs 1522 crores (47 *per cent*) whereas the revenue receipts increased from Rs 841 crores to Rs 1170 crores (39 *per cent*) during the period *ibid*.

(Paragraph 1)

II. Expenditure control

Excess expenditure of Rs 33.59 crores under Revenue-Voted and Rs 2.08 crores under Capital-Voted-Grant no.14 requires regularisation by Parliament.

(Paragraph 2)

III. Working of Postal Life Insurance

The annual growth in number of policies and sum assured was 4.74 and 17.20 *per cent* during 1990-95 as against 6.09 and 20.80 *per cent* during 1984-90. Overall percentage of growth in terms of policies and sum assured in PLI was 17.60 and 61.74 as against 34.40 and 71.20 respectively in LIC during March 1991 to March 1994. Sector wise analysis of new business secured indicated downward trend in growth rate in almost all the sectors except civil departments and defence, where there was a swinging trend. Improper maintenance of premium ledger accounts resulted in missing credits and huge arrears in posting which hampered timely settlement of claims. In a large number of cases, there was delay of six months to above two years in settlement of claims. Flat rate remuneration was revised in 1989-90 from Rs 13 to Rs 37.39 per policy from 1990-91 without the approval of Ministry of Finance.

(Paragraph 3)

IV. Irregular issue of National Savings Certificates

There were irregular payments of interest and commission amounting to Rs 27.08 lakhs on National Savings Certificates held in excess of permissible limit and irregular issue of NSCs in 88 post offices in Orissa circle. Further interest of Rs 7.64 lakhs has become due for payment on similar NSCs matured but not encashed.

(Paragraph 4.1)

V. Infructuous payment of rent

Mail Motor Service (MMS), Mumbai paid avoidable rent of Rs 11.99 lakhs and incurred further liability of Rs 3.91 lakhs for an accommodation in Santacruz without using it. An amount of Rs 2.39 lakhs

deposited for the construction of boundary wall in this complex remained unrecovered from the International Airport Authority of India.

(Paragraph 4.2)

VI. Avoidable expenditure on construction of a post office building

Construction of a building with floor area of 9087 sq ft for a sub-post office and the residence of sub-postmaster constructed at Golaghat in North Eastern Circle at a cost of Rs 27.63 lakhs in excess of norms resulted in avoidable expenditure of Rs 16.33 lakhs. Only 3907 sq ft was utilised for the sub-post office and residence of sub-postmaster leaving 5180 sq ft unutilised.

(Paragraph 4.3)

Section II - Department of Telecommunications

VII. Performance

There was overall growth in telephone traffic during the last four years. Telex traffic showed a downward trend.

The capacity utilisation which was 85.64 *per cent* during 1991-92 came down to 81.46 *per cent* at the end of 1994-95. Compared with the optimum capacity utilisation of 92 *per cent* 12.68 lakh lines remained unused at the end of 1994-95. Out of this, 4.70 lakh connections existed in 8 circles, in each of which, the existing waiting list (total 2.69 lakhs) was less than the spare capacity not utilised.

Total number of applicants wait-listed for telephone connections came down from 22.90 lakhs in 1992 to 21.53 lakhs in 1995. Had the department utilised this optimum capacity, it could have reduced the waiting list by more than 58 *per cent*. Non-utilisation of the optimum

capacity deprived the department of potential revenue of approximately Rs 804 crores *per annum*.

(Paragraph 5)

VIII. Appropriation Accounts

There was a saving of Rs 517.62 crores against final provision for Telecommunication Services.

In 8 cases, re-appropriation amounting to Rs 52.66 crores was injudicious as the original provisions under the sub-heads to which funds were transferred were adequate. In three sub-heads from which funds amounting to Rs 56.68 crores were transferred, re-appropriation was injudicious as actual expenditure exceeded even the original provision.

In 10 sub-heads under major head "5225-Capital Outlay on Telecommunications Services", the re-appropriation made after the last batch of the supplementary demands exceeded the twin limits of Rs 1 crore and 25 *per cent* of the sanctioned provision. The re-appropriations were neither reported to the Parliament alongwith the last batch of Supplementary Demands nor approval of Secretary (Expenditure) was obtained in any of these cases. In other four sub-heads under the same major head, re-appropriation exceeding the limit of Rs 1 crore was made without prior approval of Secretary (Expenditure).

(Paragraph 6)

Revenue

IX. Revenue arrears

Arrears of telephone revenue increased from Rs 439.82 crores in March 1992 to Rs 955.81 crores in March 1995 indicating deficiency in effective monitoring and prompt recovery action by the department. At the end of June 1995, the outstanding telephone revenue was Rs 1057.40

crores, of which Rs 867.58 crores (82 *per cent*) was due from private parties. Arrears of rent of telegraph, teleprinter and telephone circuits increased from Rs 35.17 crores in March 1992 to Rs 81.06 crores in March 1995. Similarly arrears on account of telex/intelex charges increased from Rs 4.22 crores to Rs 8.13 crores during the period *ibid*.

(Paragraph 7.1)

X. Inadequacies in billing of customers and other losses of revenue.

Of the major cases of non-billing or short billing of customers and other losses of revenue involving Rs 19.51 crores pointed out by Audit, while the demands were raised for the entire amount, recovery of only Rs 1.77 crores was confirmed.

(Paragraphs 7.2 to 7.4)

Reviews

XI. Planning and procurement of cables by Madhya Pradesh Telecom Circle

The Chief General Manager, Telecommunications (CGMT) Madhya Pradesh, Bhopal procured cables valued at Rs 77.76 crores prior to decentralisation of procurement in disregard of his financial powers, which included cables worth Rs 9.18 crores procured from unauthorised vendors and Rs 2.05 crores by way of extra expenditure incurred due to incorrect retrospective amendment in rates. In violation of specific directive of the department to keep the procurement of cable within the budget provision, the CGMT spent Rs 21.80 crores to Rs 43.39 crores over the final budget allotments during 1991-92 to 1993-94.

Incorrect application of rate by not availing the benefit of reduction in duties and prices on supplies after the scheduled date of delivery resulted

in unauthorised payment of Rs 2.19 crores to vendors inspite of categorical instructions of DOT. Purchase of non-standard cables resulted in improper expenditure of Rs 3.52 crores. Laying of cables in excess of norms prescribed by the department resulted in extra expenditure of around Rs 52 crores *per annum*.

(Paragraph 8.1)

XII. Computerisation in Department of Telecommunications

Computerised Information System in Department of Telecommunications (CIS-DOT) which was scheduled to be completed by October 1991 was yet to be completed. As a result, the expected cash return of Rs 342 crores *per annum* was yet to be realised. Extra expenditure of Rs 65.16 lakhs incurred on account of revision of price was attributable to failure of the department to finalise the supply order quickly and provide quality assurance schedule in time.

Wasteful expenditure of Rs 29.56 lakhs was incurred due to poor capacity planning by DOT. An avoidable expenditure of Rs 64.29 lakhs was incurred in disregard of DOT's instruction on setting up of computer centres at other than SSA headquarters.

In 51 SSAs, Telephone Revenue Billing and Accounting computerisation on agency basis was still being continued despite department's instructions of July 1990 to dispense with it after two years.

(Paragraph 8.2)

XIII. Working of retail telecommunication stores depot, Bhubaneswar

Retail Telecommunication Stores Depot (RTSD), Bhubaneswar was shifted from Cuttack in October 1990. Deficient control in shifting of stores

from Cuttack through challans did not provide assurance about receipt of full quantity of stores despatched for Bhubaneswar. Failure of administration to follow the established system and procedure in regard to receipt, issue and accounting of stores at RTSD Bhubaneswar resulted in deficient control in management of stores. Test check revealed issue of stores worth Rs 2.18 crores in excess of indents, issue of stores valued at Rs 17.12 crores without issue notes, non-receipt of acknowledgments from consignees of stores valued at Rs 2.18 crores and non-disposal of non-moving and obsolete stores valued at Rs 2.23 crores.

(Paragraph 8.3)

XIV. Remote area business message network

The Expenditure Finance Committee (EFC) approved, in July 1987, the establishment of a satellite based data communication services to remote areas called remote area business message network (RABMN) with a capacity of 1000 connections. The project, estimated to cost Rs 15.05 crores, was commissioned in July 1991, incurring an expenditure of Rs 33.32 crores. As against the expected 1000 users of the network, only 499 were availing the service as of March 1995, 78 *per cent* of which were located in urban centres. The project, expected to be remunerative, yielding a net profit of Rs 1.60 crores *per annum*, was actually incurring losses since its commissioning. During July 1991 and March 1995, the cumulative revenue losses without reckoning the interest on capital were Rs 8.87 crores. Against the expected cash-flow of Rs 5.26 crores from the project by the end of March 1995 the project reflected a net liability of Rs 36.97 crores.

(Paragraph 8.4)

Other topics

XV. Non recovery of advance

The department placed orders on a firm for 500 numbers of 2/15 Multi Access Radio Relay system at Rs 38.52 crores even after the firm delayed supplies in two such contracts earlier and despite being aware that there were defects in equipment supplied earlier. The suppliers were also paid an advance of Rs 13.49 crores in November 1991 at commercial rate which was subsequently reduced to 10 per cent on the request of the suppliers. The department had to short-close the purchase order in December 1992 due to non-supply of the system by the firm. It has not taken effective action to recover the amount of advance of Rs 13.49 crores and interest of Rs 8.99 crores.

(Paragraph 9.1)

XVI. Idling of cross-bar equipment

In Andhra Pradesh, Madhya Pradesh, Rajasthan and Karnataka Circles, cross-bar exchange equipment valuing Rs 14.04 crores procured during 1985-93 for installation/ expansion of existing exchanges could not be utilised due to subsequent decision to set up electronic exchanges. While equipment costing Rs 1.50 crores was diverted, that costing Rs 12.54 crores remained idle.

(Paragraph 9.2)

XVII. Loss due to under-utilisation of exchange capacity

Full connectable capacity of Chinchwad-I exchange was not utilised during July 1990 to February 1995 after its expansion in January 1990 despite waiting list of more than 2663 on account of failure to carry out area transfer in time. This resulted in loss of potential revenue of Rs 6.11 crores.

(Paragraph 9.3)

XVIII. Irregular expenditure on local insulation of GI wire

Galvanised iron wires, bare as well as insulated are stocked items which are procured by the Chief General Manager Telecommunications (CGMT) Stores, Calcutta. However, instead of obtaining insulated wire from CGMT Stores Calcutta, the Chief General Manager Telecom (CGMT), Assam Circle got 9585 km of 2 mm dia with polyvinyl chloride of 1 mm thickness and 12409 km of 3.55 mm dia of 1.5 mm thickness locally insulated without approval of DOT. Besides, the wire insulated locally was different from specifications prescribed by DOT. This resulted in irregular expenditure of Rs 4.79 crores.

(Paragraph 9.4)

XIX. Wasteful expenditure and idle investment on purchase of cast iron pipes

Two Divisional Engineers Telephones and one Director Telecom Projects in Orissa Circle purchased, between October 1990 and November 1992, cast iron pipes valuing Rs 386.53 lakhs from a trading firm for use in optical fibre cable works against the departmental specifications that only galvanised iron pipes be used in such works. The purchases, at 2.5 times higher rates to the then prevailing DGSD rate were made without calling any tenders and were beyond their delegated powers. This resulted in extra expenditure of Rs 2.29 crores.

(Paragraph 9.5)

XX. Unauthorised purchase of telephone instruments

The Assistant General Manager Material Management (AGM-MM), Bihar Circle placed purchase order, in July 1993, for 2000 sets of electronic push button telephones (EPBT) plan-103 (1+1) instruments, at Rs 46 lakhs,

which was a central purchase item of DOT, on an unapproved firm. Only 992 instruments valuing Rs 28.42 lakhs were received and the balance order was cancelled. In addition he placed another purchase order on the same unapproved firm for supply of 25000 EPBT-TPS instruments valuing Rs 1.30 crores in disregard of his financial powers.

(Paragraph 9.6)

XXI. Avoidable expenditure on hiring accommodation

Premature demolition of existing buildings of office-cum-stores of Assistant Engineer, Circle Telecom Stores, Guwahati by CGMT, Assam Circle in disregard of DOT's instructions to synchronise demolition with construction plan led to an avoidable expenditure of Rs 75.05 lakhs towards rent from March 1990 to November 1995 at recurring monthly rental liability of Rs 1.37 lakhs. The work order for construction was yet to be issued as of December 1995.

(Paragraph 9.7)

XXII. Avoidable expenditure

Seven fork lift trucks purchased during November 1988 to April 1990 at the cost of Rs 63.55 lakhs for Telecom store depots at Ambala, Cuttack, Guwahati, Nagpur, New Delhi and Jammu were not utilised at all or were used very sparingly due to absence of work load, indicating injudicious procurement not based on proper assessment of requirement.

(Paragraph 9.8)

XXIII. Unnecessary purchase of High Density Poly Ethylene pipes - blocking of funds

Department of Telecommunications (DOT) issued instructions in February 1987 to discontinue use of high density poly ethylene (HDPE)

pipe for underground ducts in local network. In contravention of DOT's instructions, the Telecom District Engineer, Dhanbad placed orders, in November 1990, for 45 km HDPE pipe and accessories (a non-stocked item) valuing Rs 63.97 lakhs for laying in local network, even though it was beyond his financial powers. Out of total 47.4 km of HDPE pipe procured, 31.775 km of the pipe and accessories are still lying unutilised, resulting in blocking of funds of Rs 48.10 lakhs.

(Paragraph 9.10)

XXIV. Wasteful expenditure due to failure of cost check unit

Failure of cost check unit to detect supply of wrong equipment by the Indian Telephone Industries resulted in questionable expenditure of Rs 43.42 lakhs on the procurement.

(Paragraph 9.11)

XXV. Irregular payment of Octroi

The department paid Octroi charges amounting to Rs 41.96 lakhs on Telecommunication equipment and stores received during the period April 1991 to March 1995 at Amritsar, Faridabad and Hoshiarpur despite constitutional provision exempting Central Government property from such payments and further, inspite of the injunction granted in 1988 by the Allahabad High Court (Lucknow bench) restraining the municipal authorities from charging Octroi duty till disposal of the case. The department failed to issue instructions to field units for obtaining similar injunctions from the respective High Courts.

(Paragraph 9.12)

XXVI. Excess payment of Central Excise duty and State Sales tax

On the procurement of Rural Automatic Exchanges and Integrated Line and Trunk exchanges of 512 ports capacity DOT failed to avail of the concessional Central Excise duty available on them due to its failure to furnish the requisite certificate. This resulted in department paying Excise duty at higher rates in respect of eight rural exchanges of Tamil Nadu Circle, leading to excess payment of Rs 32.70 lakhs inclusive of State Sales tax amounting to Rs 1.23 lakhs.

(Paragraph 9.15)

XXVII. Wasteful expenditure in laying underground cables at Puri

In Orissa Circle, utilisation of higher specification cable resulted in wasteful expenditure of Rs 27.91 lakhs being the difference of the prices of the cable of the two specifications.

(Paragraph 9.16)

XXVIII. Avoidable expenditure on procurement of reinforced cement concrete pipes

General Manager Telecom Projects (GMTP), Jalandhar, instead of going for open tenders, purchased 1.24 lakh metres 150 mm RCC pipes at Punjab Government approved rates by splitting the total purchases to keep the amount within his financial powers. During the same period, General Manager Telecom, Jalandhar purchased the same type of RCC pipes through open tender at much lower rates. This resulted in an extra expenditure of Rs 24.53 lakhs.

(Paragraph 9.17)

XXIX. Avoidable expenditure on laying of cable

Telecom District Engineer, Ajmer got cable laying work executed through contractor though as per departmental instructions the work should have been carried out by departmental labour and sufficient surplus labour was available. This led to avoidable expenditure of Rs 22.39 lakhs.

(Paragraph 9.19)

XXX. Idle investment

A building for housing a Remote Line Unit (RLU) exchange, planned in 1986, was constructed at Perungudi in Tamil Nadu Circle at a total cost of Rs 14.28 lakhs in June 1991. Meanwhile, the equipment for the RLU was received twice, once in 1988 and again in 1989 but since the building was not ready these were diverted to other stations. While the RLU building remained almost unutilised since its completion in June 1991, the RLU at Perungudi, planned nine years back, was yet to come up as of July 1995.

(Paragraph 9.24)

XXXI. Idle investment on procurement of steel

In October 1992, Executive Engineer Telecom Civil Division, Jalandhar procured 99.530 tonnes of 22 mm diameter steel valuing Rs 11.15 lakhs. With its receipt, the stock level increased to 142.988 tonnes. The consumption of steel of this diameter between October 1992 and November 1994 was only 5.744 tonnes leaving a balance of 137.244 tonnes in stock. This resulted in idle investment of Rs 11.15 lakhs for nearly three years with no future prospects of its utilisation.

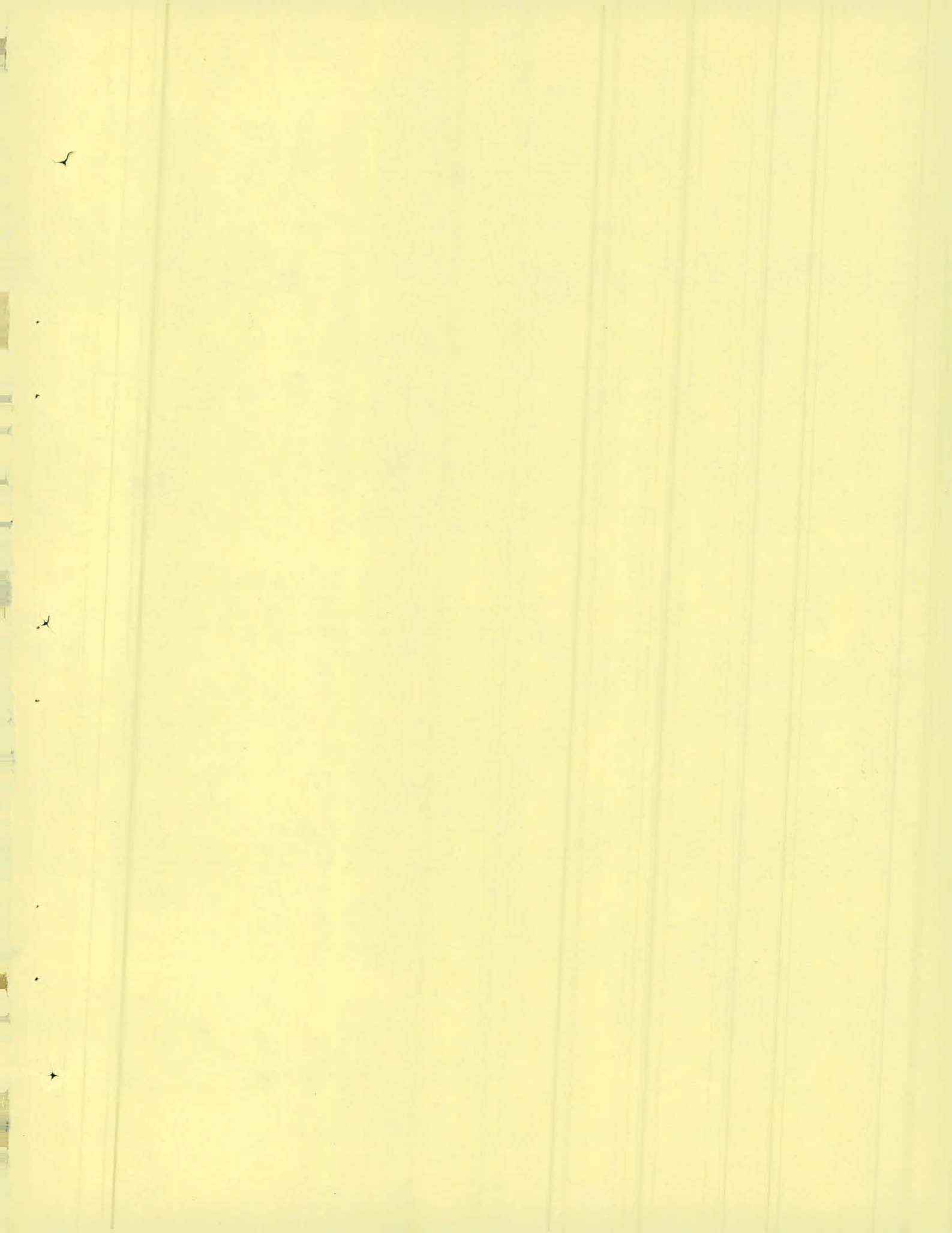
(Paragraph 9.25)

XXXII. Excess payment to suppliers

Under the Modified Value Added Tax scheme introduced in March 1986 the suppliers are allowed credit in Excise duty on goods used in relation to the manufacture of the final product for utilising the said credit towards payment of Excise duty leviable on the final products.

The General Manager Telecom, Kanpur made excess payment of Rs 10.66 lakhs to various suppliers by allowing Excise duty element on raw material price as well as on final product viz. drop wire procured during 1992-94. The revenue implications of such purchases by the department throughout the country is likely to be very high.

(Paragraph 9.27)



SECTION I - DEPARTMENT OF POSTS

CHAPTER 1

ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

1.1 Functions

The Department of Posts under Ministry of Communications is primarily responsible for transmission of mail and money.

The department also discharges certain agency functions for the Government of India namely postal savings banks, other small savings schemes including Mahila Samridhi Yojana, postal life insurance, collection of Customs duty on postal articles from abroad, disbursement of pension to railway pensioners and family pension to the families of employees of coal mines and industries covered by the Employees Provident Fund Scheme.

India is a member of the Universal Postal Union and of the Asian Pacific Postal Union. The Department of Posts runs four Foreign Post Offices (FPO) at Mumbai, Calcutta, Madras and New Delhi to handle international mail and also five sub-FPOs at Ahmedabad, Bangalore, Cochin, Jaipur and Srinagar for the convenience of users.

1.2 Organisation

The Department of Posts is a part of the Ministry of Communications. The management of the department vests in the Postal Services Board. The Board headed by a Chairman has three Members holding the portfolios of Operations, Development and Personnel respectively. The Chairman is also the Secretary to the Government of India in the Department of Posts. The Board directs and supervises the management of the Postal Services in the country with the assistance of eighteen Deputy Directors General in the Directorate General of Posts.

As on 31 March 1994 there were 152786 Post Offices in the country. Of this, 135982 were in rural areas and 16804 were in urban areas. The categories of post offices (numbers within brackets) are Head Post Offices (835), Departmental Sub-Post Offices (24909) and Extra Departmental, sub or Branch Post Offices (127042). In addition, there are 573 Sorting Offices, 438 Record Offices, 46 Postal Stores Depots, 19 Circle Stamps Depots, 5 Postal Training Centres, a Postal Staff College and 63 Dispensaries.

The department has 19 Postal Circles assisted by 40 Regional Directorates controlling 435 Postal Divisions and 68 Railway Mail Service Divisions. Speed post service is available with 74 countries. The department also has a civil wing responsible for planning, designing and execution of departmental buildings/projects. The civil wing is a multi disciplinary organisation comprising Architectural, Civil and Electrical engineering disciplines.

1.3 Manpower

- (i) The staff strength of the department during 1991 to 1995 was as under:

Table 1.3(i) Number of employees

(Figures in lakhs)

As on 31 March	Departmental employees	Extra Departmental employees	Total
1991	2.93	2.99	5.92
1992	2.91	3.05	5.96
1993	2.90	3.06	5.96
1994	2.90	3.07	5.97
1995	2.88	3.09	5.97

- (ii) The revenue expenditure on pay and allowances, conveyance of mails and printing of stamps, postcards and stationery during the last five years were as under:

Table 1.3 (ii) Revenue expenditure

(Rs in crores)

Category	1990-91	1991-92	1992-93	1993-94	1994-95
(a) Pay and allowances, contingencies, interim relief, etc.	1004.60	1106.22	1246.83	1439.41	1657.55
(b) Pensionary charges	150.31	182.28	203.64	227.43	253.40
(c) Stamps, post cards etc.	34.77	38.81	45.77	45.69	61.97
(d) Stationery and printing etc.	23.41	25.74	18.50	22.51	17.58
(e) Conveyance of mails (Payments to Railways and air mail carrier)	55.92	105.37	78.95	68.66	67.45

1.4 New services in mail operations

In 1994-95, the department introduced following new mail services to provide quicker, more reliable and responsive services capable of meeting the present and future needs of customers:

- (a) Metro channel was introduced from 2 April 1994 to provide time bound processing i.e. delivery of all pin coded mails between Delhi, Calcutta, Mumbai, Madras, Bangalore and Hyderabad within 24 to 48 hours.
- (b) Rajdhani channel was introduced from 16 May 1994 to provide speedy processing of pincoded mail between State capitals and New Delhi.

- (c) Business channel (Corporate Mail) was introduced from 1 July 1994. First class unregistered mail of Government, Semi-Government and Corporate bodies are referred to as business corporate mail. These mails are received in bulk and are heavy. Under this system, the mail is received in post offices or mail offices specially designated for the purpose at special counters and are segregated at sorting stage. Transmission is done with special identification. This ensures quick processing of business mails.
- (d) Express Parcel Service was introduced from 1 December 1994 to provide a reliable and time-bound service between Delhi-Mumbai, Delhi-Calcutta and Delhi-Madras.

1.5 Postal traffic

According to information supplied by the department, the volume of traffic handled by it during 1993-94 and 1994-95 was as under:

Table 1.5 Postal traffic

Item	1993-94	(in lakhs)	
		Actual	1994-95
Post cards	5315		5976
Registered letter	2727		2962
Letter cards (Inland)	8131		8494
Money order	1092		1090
News paper(single)	1735		1629
News paper (bundle)	474		308
Parcel	622		677
Indian Postal Order	226		434
Printed card	1499		1137
Value payable letter	76		85
Other periodicals	370		333
Acknowledgment	654		697
Book pattern etc.	1356		1015
Telegraphic money order	24		24
Printed books	556		845
Speed post	54		78
Insured letter	68		73
Printed letter	12871		14125

Table 1.5 indicates that except printed card, money order, newspaper (single), newspaper (bundle), book pattern etc. and other periodicals, there was general increase in other traffic.

1.6 Earnings from postal services and their costs

According to department the average per unit cost and per unit revenue realised from the different postal services during the year 1994-95 is as under:

Table 1.6 Per unit gain/loss in operation of postal services

Services	Per unit cost (in paise)	Per unit revenue (in paise)	Unit loss(-) gain(+) (in paise)	Traffic (in lakhs)	Total loss/gain	
					Loss (Rs in crores)	Gain (Rs in crores)
Post card	172.52	15.00	- 157.52	5976	94.13	-
Registered letter	1061.55	600.00	- 461.55	2962	136.71	-
Letter card(Inland)	177.69	75.00	- 102.69	8494	87.22	-
Money order	1507.67	1360.82	- 146.85	1090	16.00	-
Newspaper(single)	222.79	26.41	- 196.38	1629	31.99	-
Newspaper(bundle)	283.47	49.51	- 233.96	308	7.21	-
Parcel	2066.89	1701.00	- 365.89	677	24.77	-
Indian Postal Order	672.50	116.53	- 555.97	434	24.13	-
Printed card	161.70	60.00	- 101.70	1137	11.56	-
Value payable letter	723.02	299.29	- 423.73	85	3.60	-
Other periodicals	327.86	155.04	- 172.82	333	5.75	-
Acknowledgment	154.49	100.00	- 54.49	697	3.80	-
Book pattern etc.	240.27	215.45	- 24.82	1015	2.52	-
Telegraphic MO	1785.55	1582.82	- 202.73	24	0.49	-
Printed books	300.66	170.36	- 130.30	845	11.01	-
Speed post	1628.71	4693.08	+3064.37	78	-	23.90
Insured letter	1482.82	1790.65	+ 307.83	73	-	2.25
Printed letter	217.38	239.40	+ 22.52	14125	-	31.81
Total					460.89	57.96

The department incurred a net loss of Rs 402.93 crores on overall postal services in 1994-95 as compared to net loss of Rs 334.01 crores

during 1993-94. Out of 18 services mentioned above, 15 services were rendered on loss basis.

Comparative position of the net loss incurred by the department on various postal services during the years 1990-91 to 1994-95 was as under:

Year	Net loss incurred (Rs in crores)
1990-91	160.95
1991-92	267.14
1992-93	398.42
1993-94	334.01
1994-95	402.93

1.7 Revenue realisation

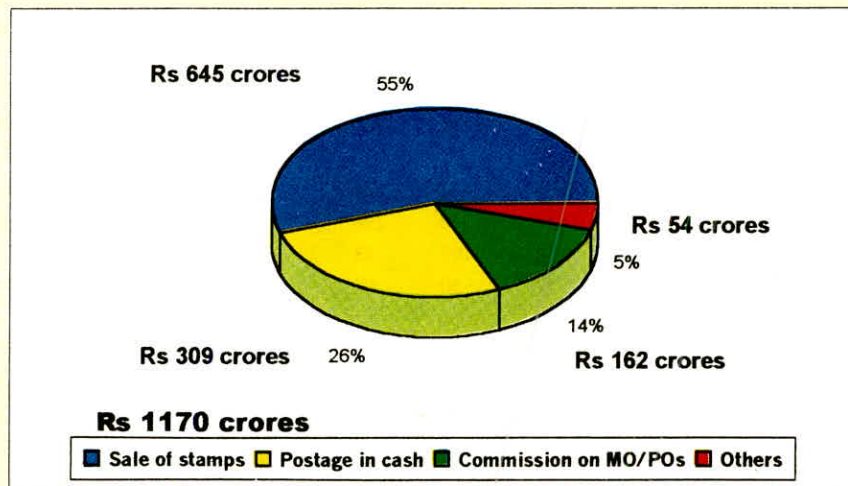
Revenue realisation during the five years ending 1994-95 is given below:

Table 1.7 Sources of revenue (Rs in crores)

Items	Gross revenue				
	1990-91	1991-92	1992-93	1993-94	1994-95
- Sale of ordinary and service stamps (affixed on cards, letters, parcels, book post ordinary, registered and insured categories including speed post)	512	570	610	630	645
- Postage realised in cash (newspaper, franking machines at subscriber's premises, pre-postage etc.)	173	201	268	288	309
- Commission on account of money orders and postal orders	111	126	136	145	162

- Net receipts from other Postal Administrations	22	25	34	04	08
- Other receipts (central recruitment fees, passport form fee etc.)	23	26	26	38	46
Total gross revenue	841	948	1074	1105	1170

REVENUE REALISED DURING 1994-95 Department of Posts



The increase in revenue receipts by Rs 65 crores during 1994-95 as compared to the previous year was mainly due to increase in volume on 3 items of profit making traffic and also partly due to decrease in 6 items of loss making traffic as referred to in paragraph 1.5.

1.8 Financial Outlays and Physical Performance

1.8.1 Financial outlays for the Eighth Five Year Plan (1992-97) and the Annual Plan Outlays for 1992-93 to 1994-95 were as under:

Table 1.8.1 Financial outlays and actuals

(Rs in lakhs)

Sl. No.	Particulars	Outlay for Eighth Five Year Plan 1992-97	Annual Plan 1992-93	Actual 1992-93	Annual Plan 1993-94	Actual 1993-94	Annual Plan 1994-95	Actual 1994-95
1.	Expansion of Postal Network	2365	200	166	450	293	633	683
2.	Upgradation of Technology including National Savings (POSB)	13503	2376	1539	1594	720	3778	3447
3.	Post Office Buildings and Staff Quarters	12135	3208	3898	3800	5001	4010	4458
4.	Training	500	142	128	105	136	80	200
5.	Mail Motor Service Vehicles	1480	340	298	350	319	175	144
6.	Marketing	650	195	53	147	45	100	24
7.	Railway Mail Service Vehicles	250	50	00	50	00	08	08
8.	Speed Post Service	550	10	23	25	18	123	120
9.	Material Management	490	79	00	140	77	122	69
10.	Postal Life Insurance	577	00	08	56	19	171	113
	Total	32500	6600	6113	6717	6628	9200	9266

From the above table it would be observed that during the first three years of the Eighth Five Year Plan the actual expenditure on civil works i.e. post office buildings and staff quarters has exceeded the annual plan outlays. The total expenditure of Rs 13357 lakhs on these items during three years exceeded the total Plan outlay of Rs 12135 lakhs.

1.8.2 Physical targets for Eighth Five Year Plan 1992-97, annual targets and actuals for 1992-93 to 1994-95 are shown in Appendix - I.

An analysis of annual financial outlays and physical targets vis-a-vis their achievement of some important activities are brought out the following:

- (i) Under "expansion of postal network" the actual expenditure during 1994-95 was Rs 683 lakhs against the annual plan outlay of Rs 633 lakhs. However, only 35 post offices were opened against target of 230, 4 extra departmental branch offices were opened against 80, 31 divisional sub offices were opened against 150, while achievement in upgradation of operational equipment was considerably higher at 230 *per cent*.
- (ii) On construction of postal building although Rs 4458 lakhs (111 *per cent* of the plan outlay) were spent during 1994-95, construction of postal buildings and staff quarters was completed in 121 (64 *per cent*) and 346 (76 *per cent*) cases only as against the target of 188 and 456 respectively.
- (iii) The expenditure on manpower development (training) during 1994-95 was Rs 200 lakhs against annual plan outlay of Rs 80 lakhs. However, achievement was less than the target. In-service training to only 5675 officials was imparted against the target of 7100 officials, 50000 EDBPMs were targeted to be given refresher training but no training was provided and only 4277 savings banks personnel were given refresher training against the target of 4900.
- (iv) No in-house printing and paper cutting machines were commissioned against the target of four machines each year.

1.9 Financing of expenditure/source of funds

Net budgetary support for capital expenditure was Rs 67.96 crores against the total provision of Rs 76.96 crores while that for revenue expenditure it was Rs 1522.22 crores against the total provision of Rs 2130.70 crores

As on 31 March 1995, the cumulative capital outlay on postal services stood at Rs 642.35 crores.

1.10 Operating results

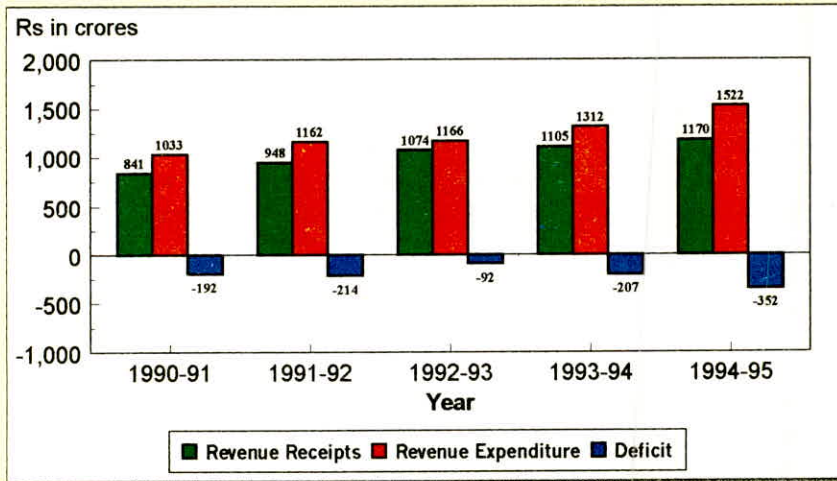
The growth of revenue expenditure vis-a-vis receipts and the operating ratio (percentage of revenue expenditure to revenue receipts) for the last five years are given below:

Table 1.10 Working results of the postal department

(Rs in crores)

Year	Revenue receipts	Revenue expenditure	Revenue deficit	Operating ratio (Percentage of expenditure to receipts)
1990-91	841	1033	192	122.8
1991-92	948	1162	214	122.6
1992-93	1074	1166	92	108.6
1993-94	1105	1312	207	118.7
1994-95	1170	1522	352	130.1

Working Results Department of Posts



1.11 Agency functions

The department renders agency functions as detailed in Para 1.1 of this chapter.

The moneys received and paid out are accounted for under the Public Account. The balances under each of them reflected in the Finance Account (under the Public Account heads) are given below:

Table 1.11 Deposits under savings bank/postal life insurance scheme
(Rs in crores)

Head of Account	Amounts outstanding as on 31 March				
	1995	1994	1993	1992	1991
8001 - Savings Deposits					
-101 Post Office					
savings bank	18925	16606	15000	13851	10908
deposits	(522)*	(469)	(416)	(466)	(647)

-103	Fixed and time deposits	3519 (14)	2980 (14)	2716 (13)	2860 (15)	2972 (55)
-104	Cumulative time deposits	87(Dr) (76)	2 (76)	108 (77)	202 (77)	270 (83)
-105	Post office recurring deposits	5320 (668)	4307 (509)	3631 (439)	3094 (414)	2638 (385)
8006 - Public Provident Funds**						
-101	Public Provident Funds	1027	698	466	301	190
	Postal part	(6)	(5)	(3)	(4)	(2)
8002 - Savings Certificates						
-101	Post Office certificates	54076	43430	38708	35783	33341
8011 - Insurance and Pension Funds						
-101	Postal Insurance Life Annuity Fund	1524	1289	1079	902	779

* The number of accounts in lakhs are given in brackets

** Public Provident Funds are handled by other agencies like banks also.

The department gets remuneration for the services at rates fixed from time to time by the Ministry of Finance based on the number of transactions. Out of Rs 490.14 crores due for recovery from the Ministry of Finance, only Rs 191.42 crores were realised as of March 1995.

1.12 Adverse balances in Finance Accounts

Following adverse balances appear in the Finance Accounts for 1994-95:

Table 1.12 Adverse balances in debt, advance and deposit heads

(Rs in lakhs)

Head of Account	Amount outstanding as on 31 March				
	1995	1994	1993	1992	1991
- 7610-800 Other advances	79.54	76.41	74.31	72.62	29.16
	(Cr)	(Cr)	(Cr)	(Cr)	(Cr)
- 8001-104 Cumulative time deposits	8740.80	-	-	-	-
	(Dr)				
- 8002-102 State saving certificates	15.19	13.90	8.70	-	-
	(Dr)	(Dr)	(Dr)		
- 8002-104 Defence saving certificates	3163.26	3150.77	2688.44	2737.32	2088.96
	(Dr)	(Dr)	(Dr)	(Dr)	(Dr)
- 8002-106 National development bonds	103.54	92.55	48.30	-	-
	(Dr)	(Dr)	(Dr)		
- 8443-111 Other departmental deposits	10.74	2.23	10.26	3.20	-
	(Dr)	(Dr)	(Dr)	(Dr)	

The department stated in December 1994 that instructions were issued to the Circle Postal Accounts Offices to liquidate the adverse balances at the earliest. However, despite this, the adverse balances as shown in the above table are not only persisting but their number as well as amounts have increased during 1994-95 as compared to 1993-94.

1.13 Suspense balances in Finance Accounts

The amounts initially booked under suspense are ultimately to be cleared either by payment or recovery in cash or by book adjustment. Finance Accounts for the year ended 31 March 1995 showed a net debit balance of Rs 97.71 crores under Major Head 8658-Suspense Account. The net balance of Rs 97.71 crores does not give the correct picture as the amount under debit suspense was Rs 3109.97 crores and that under credit suspense Rs 3446.67 crores besides opening balance Rs 434.41 crores (net after adjustment of Rs 20138.69 crores wrongly taken to this head in earlier year) under debit suspense. The picture of suspense balances is far from

satisfactory and needs constant review to ensure that no item remains unadjusted longer than is reasonably necessary.

1.14 Advances from Public Account

Postal advances from the Public Account given by the department are very heavy as would be indicated from the table below: (Rs in crores)

Head of Account	Amount outstanding as on 31 March				
	1995	1994	1993	1992	1991
8553-101					
Postal Advances	659.63	611.74	524.10	471.61	458.10

During 1994-95, the disbursement of postal advances amounted to Rs 647.69 crores and receipts amounted to Rs 599.79 crores. The net advances outstanding for recovery as on 31 March 1995 stood at Rs 659.63 crores. The outstanding advances under this head are increasing year after year and remain outside the Consolidated Fund of India. Despite comments made in this regard in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1991 to 1994, Union Government (Posts and Telecommunications), heavy outstanding balances under the head 8553-101 Postal Advances are awaiting adjustment.

1.15 Follow up on Audit Reports

Lok Sabha Secretariat issued instructions in April 1982 to all Ministries requesting them to furnish notes indicating remedial/corrective action taken by them to the Ministry of Finance (Department of Expenditure) on various paragraphs contained in the Audit Reports, as soon as they were laid on the Table of the House, duly vetted by Audit.

A review of the position regarding receipt of Action Taken Notes on the paragraphs included in the various Audit Reports upto the period ending 31 March 1994 revealed that the Ministry has not submitted the remedial/corrective Action Taken Notes on the following paragraphs as of November 1995 in spite of the instructions .

Audit Report Number and Year	Paragraph No.	Subject
9 of 1990	2	Philatelic Services
7 of 1991	5	Fraudulent payment of higher rent for office accommodation
7 of 1992	4.4	Procurement of medicines
7 of 1993	3.2	Unused staff quarters
7 of 1994	3.1	Postal staff college and postal training centres
	4.1	Non-implementation of plan for de-dusting plants
	4.2	Vacant staff quarters at Nagpur
7 of 1995	1	Organisational set-up and financial management
	2	Appropriation Audit and control over expenditure - Grant No.14
	3.2	Construction of Meghdoot Bhawan at New Delhi
	4.1	Loss in sale of waste paper
	4.2	Construction of Head Post Office building at Cuttack
	4.3	Non-utilisation of staff quarters - defective planning

The matter was referred to the Ministry in November 1995; their reply was awaited as of December 1995.

CHAPTER 2

Appropriation Accounts

2.1 Budget Grants and Expenditure

A summary of Appropriation Accounts (Postal services) of sums expended in the year ended 31 March 1995, compared with several sums authorised in the schedule appended to the Appropriation Acts, 1994 passed under Articles 114 and 115 of the Constitution of India, is given below:

Table 2.1 Appropriations and Expenditure

(Rs in crores)

	Original grant	Supplementary grant	Total appropriation	Actual expenditure	Excess(+) Saving(-)
Revenue					
Voted	1975.13	120.98	2096.11	2129.70	33.59
Charged	0.01	1.00	1.01	1.00	(-)0.01
Capital					
Voted	56.86	18.02	74.88	76.96	2.08
Total	2032.00	140.00	2172.00	2207.66	35.66

The Overall excess of Rs 35.66 crores constituted 25.47 *per cent* of supplementary grant of Rs 140 crores and 1.64 *per cent* of the total revised provision of Rs 2172 crores.

In para 1.66 of their Report on "Excess over Voted Grants and Charged Appropriations (1992-93) and Action Taken on 60th Report of Public Accounts Committee (10th Lok Sabha)", the Committee had adversely commented on unrealistic assessment of requirement of funds by the department. The Committee further hoped that the Department of Posts will take sufficient care in future while projecting their requirements of

funds so as to curtail excess expenditure. However, shortcomings in correct estimation is persisting.

2.2 Insufficient supplementary grant

The department obtained supplementary grant of Rs 140 crores in March 1995, yet there was an uncovered/excess expenditure of Rs 35.66 crores under Revenue and Capital sections of the grant. This is indicative of defective budgeting, lack of adequate control and monitoring of expenditure.

2.3 Excess over grant/appropriation

In the Revenue section (voted) there was an excess of Rs 33.59 crores and Rs 2.08 crores in the Capital section (voted). Details of the grant/ appropriation are given below:

Table 2.3 Excess over Grant

(Rs in crores)

Sl. No.	Grant No.14	Total grant or appropriation	Actual expenditure	Excess	Contributing reasons as stated by the Government
1	Revenue-voted	2096.11	2129.70	33.59	Payment of interim relief, bonus arrears due to increase in ceiling for its payment, hike in electricity charges, price escalation and more activities under maintenance, payment of previous years bills for supply of postal stationery articles to Government press, Nasik and more expenditure under leave travel concession due to extension of block year for leave travel concession.
2.	Capital-voted	74.88	76.96	2.08	Escalation in cost of construction works.

Apparently, most of the reasons advanced by the department for excess expenditure were of such nature for which timely action to obtain

additional funds could have been taken. The excess requires regularisation from Parliament under Article 115(1)(b) of the Constitution.

2.4 Recoveries in reduction of expenditure

The demands for grants are for the gross amount of expenditure i.e. inclusive of recoveries arising from use of stores etc. procured in the past or expenditure transferred to other departments/Ministries. While appropriation audit is done by comparing the gross expenditure with the gross amount of grant, the excess and shortfall in recoveries indicate inaccurate estimation of recoveries and defective budgeting.

In the revenue section against estimated recoveries of Rs 659.00 crores, actual recoveries were Rs 608.48 crores only which has the impact of increase in the net expenditure under the grant.

CHAPTER 3

PERFORMANCE REVIEW

3. Working of Postal Life Insurance

3.1 Introduction

The Postal Life Insurance (PLI) Scheme is operated through the Post Office Insurance (POI) Fund which forms part of the Public Account. The entire cost of the establishment and management of the scheme is borne by the POI Fund.

The scheme covers employees of Central/State Governments, Public Sector Undertakings, Banks and Financial Institutions etc.

In March 1995, the scope of the PLI scheme was extended to general public in rural areas for providing insurance cover to them.

3.2 Organisational set up

The operation of PLI scheme is an agency function of the Department of Posts (DOP) which is discharged on behalf of the Ministry of Finance (MOF). An independent new PLI Directorate headed by a Chief General Manager (CGM) has started functioning in New Delhi since July 1995 on enlarging of the scope of PLI scheme from March 1995 to general public in rural areas.

The scheme offers five types of insurance viz., Whole Life, Endowment, Convertible whole life and Anticipated Endowment Assurance and Rural PLI scheme.

The accounts of the Fund are centrally maintained by the Director, PLI, Calcutta and business is secured through Development officers and field guides.

3.3 Scope of Audit

The functioning of PLI scheme was commented in the Reports of the Comptroller and Auditor General of India, Union Government (Posts and Telecommunications) for the year 1977-78 and 1988-89.

The working of the PLI scheme for the period 1990-91 to 1994-95 was reviewed by Audit during June to September 1995.

3.4 Highlights

- **The growth in the number of new policies secured during 1990-95 was sluggish. Overall percentage of growth in terms of policies and sum assured was 17.60 and 61.74 in PLI against 34.40 and 71.20 respectively in LIC. during March 1991 to March 1994.**
- **Sector-wise analysis indicated downward trend in growth rate in almost all the sectors except civil departments and defence where there was a swinging trend.**
- **Targets for new business were generally not achieved by most of the circles. These were not related to the achievements of the earlier years and were generally lower than the previous year's achievements.**
- **Improper maintenance of premium ledger accounts resulted in missing credits and huge arrears in posting which hampered the timely settlement of claims. The department failed to ensure**

payments to the insurants on the date of maturity or within two months of receipt of death claims due to improper maintenance of accounts in many cases.

- Increase in flat rate remuneration from around Rs 13 in 1989-90 to Rs 37.39 per policy from 1990-91 onward to cover indirect cost of operation of PLI did not have sanction of Ministry of Finance.
- Improper maintenance of records by circles concerned led to huge variation in figures between circle office and Director, PLI Calcutta.
- Alleged misappropriation of Rs 8.92 lakhs by encashing fraudulent refund orders was suggestive of need for strengthening the Internal Control system.

3.5 General picture/Growth

3.5.1 Overall growth of business : During 1990-95, the number of active insurance policies and the value of sum assured thereof increased by 4.74 and 17.20 *per cent per annum* as against 6.09 and 20.80 *per cent per annum* during 1984-90 as shown below:

Table 3.5.1 (i) Overall growth of business

	1990-91	1991-92	1992-93	1993-94	1994-95	Percentage annual growth	
						1984-90	1990-95
Number of policies (in lakhs)	16.92	18.04	19.00	19.92	20.93	6.09	4.74
Sum assured (Rupees in crores)	2567.85	3092.34	3622.74	4153.36	4776.92	20.80	17.20

A comparison with LIC showed a better rate of annual growth by the LIC, although, bonus given by PLI has been consistently higher than LIC. During the period March 1991 to March 1994, the growth in number of policies in LIC was 34.40 *per cent* against 17.60 *per cent* in PLI. The annual growth of sum assured in LIC was 71.20 *per cent* against 61.74 *per cent* in PLI during the same period as indicated below:

Table 3.5.1 (ii) Number of active policies and sum assured

	as on 31.3.91 (in crores)		as on 31.3.94 (in crores)		Percentage increase	
	Number of policies	Sum assured	Number of policies	Sum assured	Policies	Sum assured
PLI	0.17	2567.85	0.20	4153.36	17.60	61.74
LIC	4.56	149681.33	6.13	256259.49	34.40	71.20

3.5.2 New Business : The department procured new business ranging from 1.56 lakh policies to 1.66 lakh policies with the sum assured ranging from Rs 476.27 crores to Rs 693.65 crores *per annum* during 1994-95 as shown below:

Table 3.5.2 (i) New Business

	1990-91	1991-92	1992-93	1993-94	1994-95
Number of policies (in lakhs)	1.56	1.60	1.51	1.57	1.66
Sum assured (Rupees in crores)	476.27	558.49	578.16	595.39	693.65
Percentage growth of policies over the preceding year	(-)4.29	2.56	(-)5.62	3.97	5.73
Percentage growth of sum assured over the preceding year	10.12	17.26	3.52	2.98	16.50

The growth in the number of new policies secured was sluggish.

3.5.3 Sector-wise new business : As on 31 March 1995, the scheme had 20.93 lakh active policies. The growth of new business, sector wise, during the last five years was as under:

Table 3.5.3 Number of policies secured

Sector	1990-91	1991-92	1992-93	1993-94	1994-95
Posts and Telecommunications	33206	32666	29348	31289	28230
Civil Departments	72393	83722	75583	82590	79933
Defence	11950	13830	22510	21849	28224
Defence Civilians	1003	1076	565	332	320
Railways	4665	2074	2439	985	1958
Banks	3636	3321	2377	2205	2381
Public Sector undertakings both centre and state	29505	23270	18476	17474	24859

The table indicates that the PLI is not gaining popularity amongst Defence Civilians, Railways and Bank employees.

3.5.4 Targets for new business : Targets for procuring new business were fixed by the Directorate every year. It was seen that fixation of targets for procurement of new business was not based on realistic assessment.

The department attributed non-achievement of targets to shortage of staff in West Bengal circle, outbreak of plague in Gujarat, earth quake in Maharashtra and Assembly elections in the other States. All these reasons, barring staff shortage were of temporary nature and are not convincing.

3.6 Maintenance of accounts

The premium paid by the insurants is required to be accounted for properly in the individual premium ledger accounts being maintained by the respective circles. With the computerisation of PLI records in circle offices except Jammu and Kashmir and West Bengal circles, the posting of premium in ledger accounts was dispensed with.

It was noticed that:

- Ten circles were not maintaining registers for unadjusted items and missing credits. Therefore, in these cases the position of unadjusted items and non-credits could not be ascertained.
- Arrears in posting work were not cleared regularly resulting in increase in arrears.
- The annual statement of premium paid showing missing credits, if any, as required under the rules was not being sent to the insurants in many cases.

3.7 Settlement of claims

As per the terms of PLI, the assured value becomes due for payment on the date of maturity of the policy or receipt of intimation regarding death of the insurant. The department is responsible to initiate action for prompt settlement of all such claims. A review by Audit in 9 circles revealed that the position of settlement of claims was good in Delhi, Kerala, Madhya Pradesh, Orissa and West Bengal, whereas, the performance in other circles was not satisfactory. The percentage of pending death claims to total death claims were very high in Andhra Pradesh, Rajasthan, Tamil Nadu and Uttar Pradesh circles which ranged between 23 and 71 *per cent*.

Analysis of age-wise break-up of claims settled in some circles as given in Appendix-II indicated that the position of timely settlement of maturity and death claims was far from satisfactory in Andhra Pradesh, Orissa and West Bengal circles. The main reasons for delay in settlement were the missing credits and delay in verification of claim papers. Number of pending cases were due to receipt of incomplete claim papers, delay in verification of documents, missing credits and non posting.

3.8 Extra premium fund

Extra premium fund consisted of additional premium collected from defence personnel for coverage of additional risk. The balance in this account at the end of 1994-95 was Rs 5.24 crores. With the discontinuation of extra premium in April 1965, there was no need for the maintenance of this fund outside PLI fund. This fund needs to be merged in the main PLI fund.

3.9 Computerisation of PLI work

The department decided to introduce in-house computers in all circles except Jammu and Kashmir, West Bengal and Director PLI Calcutta. However, computerisation in all the circles is still under various stages of installation/ commissioning. The work is still being managed by manual posting of schedules. In Orissa circle, the computers were installed and commissioned in September 1993. However, against daily out-turn of 800 schedules, it was giving out-turn between 400 and 500 schedules only per day. The reason for the shortfall was stated to be illegible entries in the schedules.

3.10 Flat rate remuneration (FRR)

Indirect cost for PLI work at post offices are charged at flat rate. It is calculated on total number of active policies and is directly transferred from Post Office Insurance Fund. Till 1989-90, the rate was Rs 13 per policy which was revised in June 1992 to Rs 37.39 per policy *per annum* from 1990-91. However, sanction of the Ministry of Finance, on whose behalf DOP is operating PLI scheme, was not obtained.

3.11 Delay in declaration of bonus

The department has delayed declaring bonus. The bonus for 1993-94 was declared in November 1995 and the bonus for 1994-95 was yet to be declared. Delay in declaring the bonus can erode confidence of insurants.

3.12 Other topics

3.12.1 Misappropriation of PLI fund

Issue of bogus refund orders of PLI and their encashment in different Head Post Offices in Tamil Nadu circle resulted in misappropriation of Rs 8.92 lakhs during 1989-90 to 1992-93. The case was under investigation by Central Bureau of Investigation. This brings out the need for strengthening the Internal Control system.

3.12.2 Excess payment due to defective agreement

It was decided in July 1985 to take a computer system from a private firm on hire in West Bengal circle office. A formal agreement was executed in May 1986.

The contract provided for payment to the contractor on the basis of total number of active policy accounts irrespective of number of schedules

received in each calendar month. Due to this provision in the agreement, the contractor got separate payments for posting of arrear schedules received for the previous months in addition to payments against such policy accounts during the pervious months, when schedules for them were not received; resulting in avoidable payment of Rs 5.65 lakhs during October 1988 to January 1994.

3.12.3 Variation between circle offices figures with those of Director Postal Life Insurance, Calcutta

Scrutiny of statements received from all the circles in the office of Director of PLI, Calcutta revealed that there were variations between the figures of premium income, number of new policies issued and sum assured furnished by the circles and those worked out on the basis of schedules.

The Director Postal Life Insurance, Calcutta stated in August 1995 that the discrepancies existed at circle offices' level which indicated improper maintenance of records by them. Immediate action is needed to reconcile the discrepancies in figures.

The matter was referred to the Ministry in January 1996; their reply was awaited.

CHAPTER 4

OTHER TOPICS

4.1 Irregular issue of National Savings Certificates

Post Office Savings Certificates Rules 1960 provide for purchase of 7 year National Savings Certificates (NSC) II issue upto a maximum of Rs 50000 by a company, corporation or a firm. Further National Savings Certificate Rules 1981 provide for issue of VI series NSC in the names of individuals only and not in the names of corporations, companies, firms, institutions whether registered or unregistered in the name of a sole - proprietary business. Interest paid on any excess holding or on NSCs issued in contravention of these rules should be refunded forthwith to the Government, failing which, the amount involved should be recovered from any money payable by the Government to the investor or as arrear of land revenue. Where, however, the government is satisfied that such purchase or acquisition is due to bonafide error on the part of the holder thereof, it may authorise payment of simple interest applicable to post office savings bank accounts. Further, commission is not payable to the authorised agents on holdings invested in excess of the prescribed limit or on NSCs issued in contravention of rules.

Test check conducted in Orissa Circle between October 1994 and March 1995, revealed irregular payment of interest of Rs 10.99 lakhs and Rs 14.66 lakhs in NSC II and VI issues respectively in 88 post offices in contravention of these rules i.e. over and above interest admissible under the Savings Bank rules for such deposits. Besides, an amount of Rs 1.43 lakhs was paid as commission to the authorised agents on these issues. Thus the department made irregular payment of interest and commission of Rs 27.08 lakhs on matured NSCs, Rs 7.64 lakhs has become further due for payment of interest on NSCs matured but not encashed.

The concerned Postmasters stated that the irregularly paid interest together with agent's commission on the above issues would be recovered and the balance payment of interest due would not be made. Confirmation of recovery was awaited as of June 1995.

The matter was referred to the Ministry in September 1995; their reply was awaited as of December 1995.

4.2 Infertuous payment of rent

The Mail Motor Service (MMS), Mumbai took a premises consisting of 793 square metre on rent for its Santacruz depot in April 1972 from International Airport Authority of India (IAAI). The department vacated the premises in October 1985 and shifted the MMS depot to Sion.

Test check by Audit in November 1994 and March 1995 revealed that the department did not hand over the premises to IAAI at the time of vacating it. The premises were handed over to IAAI only after over 9 years in March 1995. However, the department paid, in November 1992, licence fee amounting to Rs 11.99 lakhs for the period November 1985 to November 1992 after sanction of the same by the Chief Postmaster General (CPMG), Mumbai. Further, an amount of Rs 3.91 lakhs for the period December 1992 to March 1995 was also payable. The department, thus incurred infertuous expenditure of Rs 11.99 lakhs and has a liability of Rs 3.91 lakhs on account of rent of the building without utilising it.

Besides, CPMG, Mumbai sanctioned construction of a compound wall at Rs 2.39 lakhs in 1992 even while the premises were not required/utilised since November 1985. The amount was deposited with IAAI in February 1992. Though the compound wall was not constructed, this amount has not been refunded by IAAI as of March 1995.

The Senior Manager, MMS, Mumbai did not state any reason for retaining the premises and making payment of rent without utilising it.

The matter was referred to the Ministry in August 1995; their reply was awaited as of December 1995.

4.3 Avoidable expenditure on construction of a post office building

Post Master General (PMG), North Eastern Circle, Shillong sanctioned construction of a building at Golaghat with floor area of 7054 sq ft for use as sub-post office (SPO) and the residence of the sub-postmaster in June 1984 at an estimated cost of Rs 20.17 lakhs. The construction of the building was completed in December 1989 at a cost of Rs 20.40 lakhs.

As per the norms prescribed by the department, the requirement of accommodation for office-cum-residence in a sub-post office is only 3000 sq ft. Notwithstanding the fact that the plinth area of the building was already far in excess of the requirement, the Chief Post Master General (CPMG), Assam Circle sanctioned another estimate for extension of the building with floor area of 2033 sq ft which was completed in January 1991 at a cost of Rs 7.23 lakhs.

Only 3907 sq ft i.e. 43 *per cent* of total floor area of 9087 sq ft was being utilised for the sub-post office and the residence of the sub-postmaster and the remaining accommodation was lying unused since December 1989/January 1991. Thus, sanction of the building without reference to need/requirement of the sub-post office led to construction of excess accommodation of 5180 sq ft (3147 sq ft in first phase and the entire 2033 sq ft in second phase) leading to avoidable expenditure of Rs 16.33 lakhs.

The CPMG stated, in July 1995, that the construction of second phase was approved in 1989 as the accommodation in first phase of

construction fell short by about 1000 sq ft for the office-cum-residence of sub-postmaster and also to have an extra accommodation for the proposed head post office.

The reply is not tenable as the construction made in the first phase itself was far in excess of the prescribed norms for office-cum-residence for a sub-post office. This is further borne by the fact that only 3907 sq ft out of 7054 sq ft constructed in the first phase was actually being used for office-cum-residence of the sub-postmaster. Further extension of the building supposedly for a head post office by CPMG without approval of competent authority for upgrading the existing sub-post office was unwarranted; which resulted in avoidable expenditure of Rs 16.33 lakhs (Rs 9.10 lakhs for first phase on pro-rata and the entire cost for the second phase).

The matter was referred to Ministry in August 1995; their reply was awaited as of December 1995.

**SECTION II - DEPARTMENT OF
TELECOMMUNICATIONS**

CHAPTER 5

ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

5.1 Functions of the Department

The main functions of the Department of Telecommunications (DOT) are planning, engineering, installation, operation, management and maintenance of voice and non-voice telecommunication services all over India and with other countries. The department is also responsible for frequency allocation and management in the field of radio communications in close co-ordination with the International bodies. It enforces wireless regulatory measures and monitors wireless transmissions of all users in the country.

5.2 Organisation

The Department, forms a part of the Ministry of Communications. The management of the department vests in the Telecommunication Commission with four full-time and four part-time members and a Chairman, all of whom have the rank of Secretary to the Government of India. The following public sector undertakings also function under the overall administrative control of the department:

- (i) Hindustan Teleprinters Limited (HTL), for the manufacture of teleprinters and ancillary equipment and data modems.
- (ii) Indian Telephone Industries Limited (ITI), which manufacture telecommunication equipment such as telephone instruments, transmission equipment, exchange equipment etc.

- (iii) Mahanagar Telephone Nigam Limited (MTNL), which manages and operates the telephone and telex services at Delhi and Mumbai.
- (iv) Telecommunication Consultants India Limited (TCIL), which provides technical and management consultancy services in the field of Telecommunication in India and abroad.
- (v) Videsh Sanchar Nigam Limited (VSNL), entrusted with the responsibility of operating, maintaining and developing India's International Telecommunication Services.

The department had a network of 18956 telephone exchanges, 412 telex exchanges and 108 trunk automatic exchanges as on 31 March 1994. Under transmission system, it had an aggregate of 1.23 lakhs route km of coaxial cables, microwave, UHF/VHF optical fibre system. Besides, it has six factories located at Mumbai, Calcutta, Jabalpur, Richhai, Bhilai and Kharagpur to manufacture various types of equipment.

5.3 Manpower

The total number of staff employed, including the staff in MTNL and industrial workers in Telecom Factories during 1992-95 was as under:

Table 5.3 Manpower

As on 31 March	Gazetted	Non gazetted	Industrial workers	Total
1992	16880	349940	6000	372820
1993	19579	359610	5744	384933
1994	24841	364246	5977	395064
1995	25933	387125	5637	418695

Compared to 1992, there was an increase of 54 *per cent* in gazetted and 11 *per cent* in non-gazetted staff while there was 6 *per cent* reduction in industrial staff.

5.4 Operating ratio

The operating ratio i.e. the ratio of working expenses to the revenue earned improved from 61.2 *per cent* in 1993-94 to 49.5 *per cent* in 1994-95.

5.5 Growth in telephone traffic and capacity

The growth in both domestic and international traffic during the last four years is indicated below:

Table 5.5 Growth in telephone traffic

	1991-92	1992-93	1993-94	1994-95
- No. of telephone metered call units (in crores)*	2978.4	4415.1	4672.4	5860
- No. of Direct Exchange Lines (DEL) telephones (in thousands)	5809.9	6797.0	8025.6	9795
- No. of metered calls per DEL	5126.4	6495.7	5822.3	5982.6
- No. of effective trunk calls (in crores)**	25.1	20.6	16.2	9.6
- Telephone paid minutes in international trunk calls (in crores)***	47.4	61.4	74.3	74.3

* Includes subscriber dialled trunk calls inland and international

** Excludes subscriber dialled trunk calls

*** Covers all trunk calls to telephone administrations in all other nations

A review of the above figures shows that there is an overall increase in the traffic during the last four years. The operator assisted trunk calls had gradually declined to 9.6 crores in 1994-95.

5.6 Fall in telex traffic

There was substantial fall in telex traffic during the year 1994-95 as indicated below:

Table 5.6 Decline in telex traffic

	1991-92	1992-93	1993-94	1994-95
- No. of telex metered call units (in crores)	45.12	38.86	33.74	28.75
- No. of telex calls per working line	9282	7921	7154	6554

There has been a downward trend in the telex traffic in the last four years. The telex traffic which stood at 45.12 crores metered call units during the year 1991-92 was down to 28.75 crores metered call units during the year 1994-95.

5.7 Revenue receipts

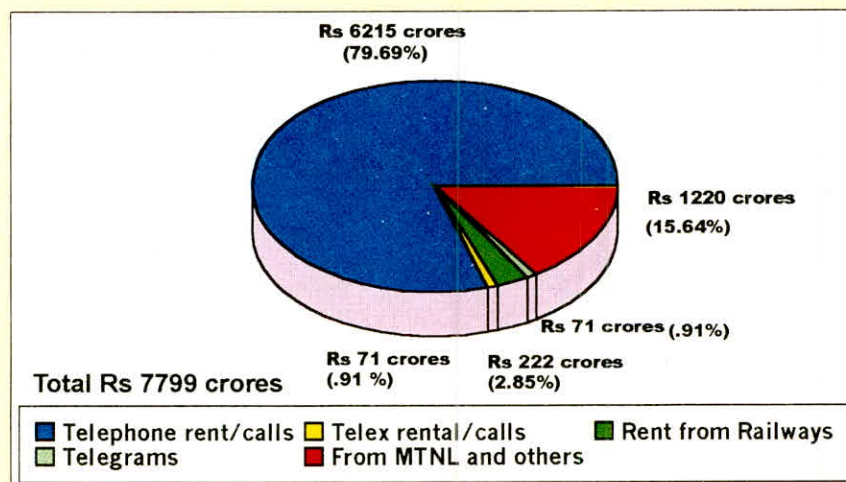
Telecommunication tariff was revised upwards in June 1992 and April 1993. The receipts of the department during the year 1994-95 vis-a-vis receipts during the preceding three years are given below:

Table 5.7 Trends in revenue receipts

	(Rs in crores)			
Major Head	1991-92	1992-93	1993-94	1994-95
- Telephone rentals and call charges	3025	3762	4964	6215
- Telex rental and call charges	81	94	85	71
- Telegram receipts	78	67	72	71
- Rent of wires and instruments leased to Railways, Canals and others etc.	159	85	270	222
- Receipts from other telephone/telegraph administrations	351	1	635	-

- Receipts from Mahanagar Telephone Nigam Limited (MTNL)	555	478	585	720
- Other receipts including application/registration fee for new services	66	317	365	669
- Less payments to other telephone/telegraph administrations	(-)440	(-) 46	(-)881	(-)169
Total	3875	4758	6095	7799

REVENUE REALISED DURING 1994-95 Department of Telecommunications



5.8 Capacity utilisation and waiting list

The capacity of telephone exchanges in the country including the four metropolitan cities, of which two are covered directly by the department and two by MTNL, their utilisation by DOT and waiting list as at the end of last four years is given below:



Table 5.8(i) Utilisation of telephone capacity
(No. of lines in lakhs)

Year	Equipped capacity of DOT	Working connections of DOT	Percentage utilisation of equipped capacity by DOT	Percentage utilisation of equipped capacity in Metros			
				Mumbai	Calcutta	Delhi	Madras
1991-92	67.83	58.09	85.64	88.36	84.17	85.43	91.88
1992-93	79.68	67.97	85.30	93.06	89.24	86.37	90.01
1993-94	97.95	80.25	81.93	89.64	85.37	85.52	87.96
1994-95	120.25	97.95	81.46	86.92	85.48	83.90	90.39

Table 5.8 (ii) Waiting list

Year	Mumbai	Calcutta	Delhi	Madras	Other stations	Total
1991-92	2.13	0.44	3.17	0.92	16.24	22.90
1992-93	2.11	0.62	3.40	1.09	21.23	28.45
1993-94	0.93	0.49	2.51	0.90	20.14	24.97
1994-95	0.50	0.52	1.30	0.86	18.35	21.53

It would be seen from the above that utilisation of the capacity of telephone exchanges had dropped from 85.64 *per cent* in 1991-92 to 81.46 *per cent* at the end of 1994-95 against the optimum utilisation level of 92 *per cent* prescribed by DOT. Accordingly, capacity of 12.68 lakh lines, worked out on the basis of optimum utilisation level, was not used at the end of 1994-95. Out of this, the utilisable capacity of 4.70 lakh connections existed in eight circles, in each of which the waiting list (total 2.69 lakhs) was less than the spare capacity not utilised by the department.

On the other hand, 21.53 lakh applicants were waitlisted for new telephone connections. Optimum capacity utilisation would have reduced the overall waiting list in the country by more than 58 *per cent*. Less than optimal capacity utilisation deprived the department of potential revenue of Rs 804 crores approximately *per annum*, worked out on the basis of total revenue realised and total number of connections during 1994-95.

5.9 Physical performance and financial outlays

5.9.1 Physical performance

The targets for expansion of telecommunication facilities during 8th Five Year Plan vis-a-vis the targets and achievement during first three years of the plan period are given below:

Table 5.9.1 Development plans

Item	Target for 8th Five Years Plan <u>1992-97</u>	<u>1992-93</u>		<u>1993-94</u>		<u>1994-95</u>	
		Targets	Achiev- ment	Targets	Achiev- ment	Targets	Achieve- ment
- Switching capacity (lakh lines)	70.3	11.44	11.86	15.44	18.27	19	22.28
- Direct exchange lines (lakh lines)	55.8	8.5	9.87	11.00	12.29	14	17.70
- Coaxial cables (route km)	3000	1000	1112	800	848	600	1239
- Microwave system (route km)	20000	3200	2578	3500	3383	4500	4967
- UHF system (route km)	150000	3000	5710	6000	4822	20000	5639
- Optical fibre system (route km)	20000	3500	3586	4200	6442	6000	6931
- Telex exchanges	-	-	-	-	-	-	5
- Telex lines (Lines)	31200						
Local	-	3534	3274	3118	2132	2125	1215
Transit	-	2288	1708	1714	648	1850	384
- Tax Capacity (Lines)	272000	49500	42000	37500	40600	120600	137600

Though the target fixed for laying coaxial cables during 8th Plan was fully achieved in the first three years of the plan period, the progress of achievements of UHF systems was slow. As against the target of 150000 route km, only 16171 route km have been completed in three years.

5.9.2 Allotment and expenditure

(Rs in crores)

Items	Outlay of 8th Five year Plan 1992-97	Annual plan outlays for 1992- 93	Actual expen- diture 1992- 93	Annual plan outlays for 1993- 94	Actual expen- diture 1993- 94	Annual plan outlays for 1994- 95	Actual expen- diture for 1994- 95
1. Local telephone system (Switching capacity and Direct exchange lines)	14837	2902	3004	3287	3376	3491	4205
2. Long distance switching (Tax capacity lines)	435	148	59	205	62	158	94
3. Long distance transmission (Coaxial cable microwave system optical fibre and UHF systems in route-km)	4357	548	678	1150	1090	1827	1311
4. Telex and telegraphs	760	80	61	142	85	95	59
5. Insat and Intelsat (Satellite Earth Stations)	95	35	10	43	13	90	27
6. Other land and buildings	480	80	57	190	82	94	83
7. Ancillary systems	451	127	32	198	33	60	36
Total	23615	4412	3901	5879	4743	5815	5815

Funding pattern:

(Rs in crores)

	Budget Estimate (1994-95)	Planned Revised Estimate (1994-95)	Actual Expenditure
(i) Internal Resources	4530	4380	4657
(ii) Extra Budgetary Support	1235	1585	1226
	5765	5965	5883

5.10 Financial results

Working results of the department during the years 1991-92 to 1994-95 are given below:

Table 5.10 Financial performance

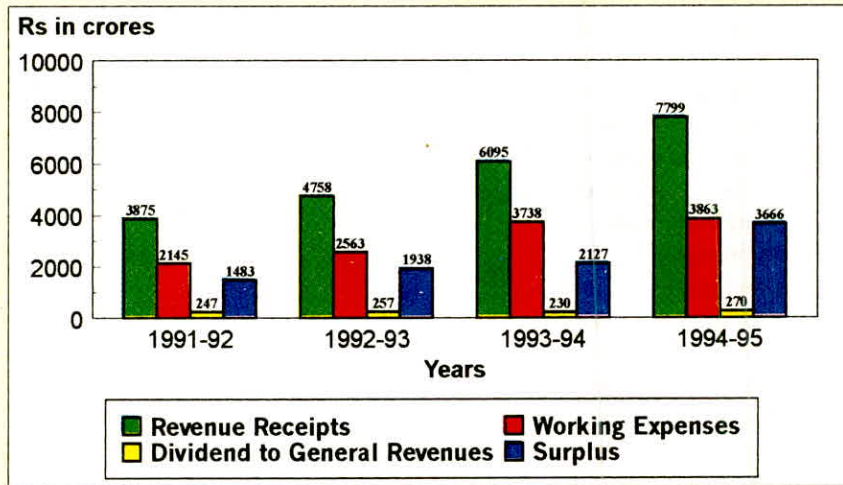
(Rs in crores)

	1991-92	1992-93	1993-94	1994-95		
				Budget estimates	Revised budget estimates	Actuals
- Revenue receipts	3875	4758	6095	8152	7698	7799
- Net working expenses	2145	2563	3738	4483	4124	3863
- Dividend to General Revenues (Interest)	247	257	230	263	269	270
- Gross working expenses	2392	2820	3968	4746	4393	4133
- Surplus	1483	1938	2127	3406	3305	3666

The surplus of revenue over revenue expenditure during 1994-95 increased to Rs 3666 crores from Rs 2127 crores in 1993-94.

FINANCIAL RESULTS

Department of Telecommunications



5.11 Financing

The capital and revenue expenditure of Rs 5865.14 crores and Rs 8353.63 crores in 1994-95 in Grant no.15 on Telecommunication Services referred to in Chapter 6 of this Report were financed as follows:

Capital Major Head 5225 - Capital Outlay on Telecommunication Services

(Rs in crores)

- | | |
|---|---------|
| (i) Amount transferred from revenue account towards depreciation | 976.29 |
| (ii) Appropriation from surplus to Capital Reserve Fund and drawing the same amount from the fund | 3580.31 |

(iii) (a) Return of loan by MTNL directly taken as minus capital expenditure	21.70
(b) Capital receipts of OYT deposits and other schemes appropriated	6.59
(c) Capital receipt from deposits on leased telecom services	(-0.04)
(d) Capital receipts of telex deposits	(-0.51)
(e) By using interest bearing deposits received from MTNL for Telecom projects by transferring it as minus capital expenditure	1226.00
(iv) Capital receipts of Tatkal Telephone scheme deposits appropriated	2.19
(v) Capitalised stores issued from past years' purchases under:	
(a) General stores	7.73
(b) Factory stores	9.10
(c) Civil engineering stores	3.05
(d) Stores sold/written off	1.03
(e) Manufacturing suspense	31.70
(vi) Net budgetary support from the Capital head	-
Total Capital expenditure	5865.14

**Revenue Major Head 3225 -
Telecommunication Services**

(i) Recoveries on account of sale of stores sold, overhead charges and amount met from Revenue Reserve Fund etc. adjusted in deduction of Working Expenses	529.53
(ii) Expenditure on Telecommunication Services met from budget	3831.58
(iii) Revenue Major Head 3230-101 Dividend to General Revenues, met from budget	269.75
(iv) Revenue Major Head 3231-101- from budget by appropriation of P&T Surplus to Capital Reserve Fund	3634.00
(v) Revenue Major Head 3231-102- from budget by appropriation of P&T Surplus to Revenue Reserve Fund	31.89
(vi) Revenue Major Head 3275-Other Communication Services - grants-in-aid to C-DOT and ITI met from budget	56.88
Total Revenue Expenditure	8353.63

The repayment of loan of Rs 21.70 crores by MTNL made during the year was accounted as deduction under capital expenditure (Major Head 5225) instead of crediting the amount to the loan head of account (7225-190). As a result, the outstanding balance of loans has been overstated and the capital expenditure has been correspondingly understated.

An amount of Rs 1226 crores was received from MTNL as interest bearing deposit for financing telecommunication projects during 1994-95. While this was credited under deposit head, simultaneously an equivalent amount was shown as disbursement under the head by transferring the same as deduction under capital expenditure (Major Head 5225). As a result, the capital expenditure has been understated and the liability to repay deposits has not been exhibited in the Finance Accounts.

To a similar deficiency pointed out in Para 5.10 of the Report No.7 of 1995, the Ministry stated in the Action Taken Note (ATN) that Rs 21.70 crores is annual instalment of loan being a part of value of assets transferred to MTNL which was converted to loan on its formation during 1986 and thus taken as reduction of capital expenditure. The amount of bonds received from MTNL is initially taken to Major Head 8342 - Deposits under Public Accounts and later transferred as recoveries in reductions of capital outlay on Telecom services.

5.12 Finance Accounts

The adverse balances under following heads of account due to misclassification are persisting in the Finance Accounts for the year 1994-95:

Head of Account	Amount (Rs in lakhs)
(a) 8005 State Provident Fund	
a(i) 60-Other Provident Fund	
a(i)(1) 101-Workmen's CP Fund (1985-86)	28.69 (Debit)
a(i)(2) 102-Contributory Provident Pension Fund (1977-78)	6.75 (Debit)
(b) 8336-Civil Deposits	
b(i) 101-Security Deposits (1977-78 and earlier)	0.78 (Debit)

Out of three items of adverse balances, two relate to the year 1977-78 and earlier and the other relates to the year 1985-86. Adverse balances need in-depth scrutiny and liquidation at the earliest.

5.13 Suspense Balance

A debit balance of Rs 1825 crores under 8658 - Suspense Account was shown in the Finance Account for the year 1994-95. It was noticed that there was an increase of Rs 266 crores in the Suspense Account on net basis as compared to 1993-94 when it was Rs 1559 crores (Debit). During the year 1994-95, while Rs 584 crores were cleared out of suspense balance, Rs 850 crores were added under minor head 106 - Telecom Accounts Office Suspense. Efforts need to be made to reduce the balances under "suspense heads".

5.14 Follow up on Audit Reports

Lok Sabha Secretariat issued instructions in April 1982 to all Ministries requesting them to furnish notes indicating remedial/corrective action taken by them to the Ministry of Finance (Department of Expenditure) on various paragraphs contained in the Audit Reports as soon as they were laid on the Table of the House, duly vetted by Audit.

A review of the position regarding receipt of Action Taken Notes on the paragraphs included in the various Audit Reports upto the period ending 31 March 1994 revealed that the Ministry had not submitted the remedial/corrective Action Taken Notes as of November 1995 on 60 paragraphs as per details in Appendix III. However, Action Taken Notes in respect of 40 of them were received during December 1995, which are under scrutiny. This shows considerable improvement in the position from the past outstandings.

The matter was referred to the Ministry in December 1995; their reply was awaited as of December 1995.

CHAPTER 6

Appropriation Accounts

6.1 Budget Grants and Expenditure

A summary of Appropriation Accounts (Telecommunication Services) of sums expended in the year ended 31 March 1995, compared with the sums authorised in the schedule appended to the Appropriation Acts, 1994 passed under Articles 114 and 115 of the Constitution of India is given below:

Table 6.1 Appropriations and Expenditure

(Rs in crores)

	Original grant	Supplementary grant	Total appropriation	Actual expenditure	Excess(+) Saving(-)
Revenue					
Voted	8721.10	0.01	8721.11	8353.63	(-)367.48
Charged	0.30	-	0.30	0.03	(-)0.27
Capital					
Voted	5814.99	200.00	6014.99	5865.13	(-)149.86
Charged	0.01	-	0.01	-	(-)0.01
Total	14536.40	200.01	14736.41	14218.79	(-)517.62

The overall savings of Rs 517.62 crores were 2.58 times the supplementary grant of Rs 200.01 crores.

6.2 Appropriation Audit

6.2.1 Savings in grants/appropriations

Savings in the grant or appropriation indicate that the expenditure could not be incurred as estimated, anticipated and planned. It may be suggestive of deficient budgeting or shortfall in performance.

The Public Accounts Committee, in para 1.24 of their 60th Report (10th Lok Sabha) presented in February 1994 commented on large amount of savings as compared to the sanctioned provision. The Committee desired that the Ministry should take the issue seriously with appropriate measures to overcome the unfortunate situation of large savings and also desired that detailed note in respect of savings from a grant or appropriation during each year involving Rs 100 crores and above be furnished to the Committee along with explanatory notes for excess expenditure incurred. Details of cases covered by the above criteria in respect of Department of Telecommunications as noticed in the course of Appropriation Audit are given below:

Table 6.2.1 Savings in grant
(Rs in crores)

Sl. No.	Grant no.15	Savings	Contributing reasons as stated by the Department
(a)	Revenue-voted	367.48	Less expenditure under salaries, travel expenses, dearness allowances, overtime allowance, office expenses, rent, rates and taxes, professional and special services, non-receipt of advice of transfer debits and less receipt of plant and equipment than anticipated under petty works. Non raising of bonds, less leasing of equipments, less supply of papers from DGSD/local purchase, less cost of printing of forms at Govt. presses, less grant-in-aid to C-DOT under other communication services
(b)	Capital-voted	149.86	Less receipt of apparatus and plants, cables and wires, non completion of land deed, building works, less procurement of stores from private firms and less advance payment to contractor

The reasons given above would indicate that the assessment of requirement of funds was not made realistically.

6.2.2 Surrender of funds

Savings in a grant or appropriation are to be surrendered as soon as these are foreseen without waiting for the end of the year.

In the Accounts for 1994-95, it was noticed that against the final savings of Rs 517.62 crores, the amount surrendered was only Rs 440.67 crores at the close of financial year.

6.2.3 Injudicious re-appropriation

(i) In 8 cases, re-appropriation amounting to Rs 52.66 crores as shown in Appendix IV was injudicious as original provisions under the sub-head to which funds were transferred by re-appropriation was more than adequate and consequently, final saving under the sub-head was greater than the amount re-appropriated to these sub-heads and remained wholly unutilised; and

(ii) In 3 sub-heads, from which funds amounting to Rs 56.68 crores as shown in Appendix V were transferred, re-appropriation was injudicious as the actual expenditure exceeded the original provision before such re-appropriation.

6.2.4 Unauthorised re-appropriation

(i) On the recommendations of the Public Accounts Committee, Government has prescribed that any order for re-appropriation which has the effect of increasing the budget provision under a sub-head by more than 25 *per cent* of the budget provision or rupees one crore, whichever is more shall be reported to the Parliament alongwith the last batch of supplementary demands for the financial year and if such re-appropriation is made after the last batch of the supplementary demands, prior approval

of the Secretary (Expenditure) in the Ministry of Finance should be obtained by the Financial Advisor of the Department concerned.

Test check of accounts for the year 1994-95 revealed that in 10 cases under Major Head "5225 - Capital outlay on Telecommunications Services" as detailed below, the re-appropriation made after the last batch of the supplementary demands, exceeded the twin limits of rupees one crore and 25 per cent of the sanctioned provision but the department did not obtain prior approval of Secretary (Expenditure).

Table 6.2.4 Unauthorised re-appropriation

Sl. No.	Sub-head	Amount (Rs in crores)	Percentage of re-appropriation to budget provision
1.	BB-3(2) Long Distance switching system subscribers trunk dialing and other trunk dialing system	O- 10.86 R- 5.00	46.0
2.	BB-4(5) Long Distance transmission systems and carrier system open wire	O- 130.52 R- 77.00	59.0
3.	BB-4(6) High Frequency Radio System	O- 15.56 R- 58.00	372.8
4.	BB-4(7) Voice Frequency Telegraphy	O- 9.90 R- 6.00	60.6
5.	BB-5(1) Telecommunication Engineering Centre	O- 0.00 R- 1.00	Nil original provision
6.	BB-5(3) Technical and Development Circle	O- 0.05 R- 1.00	2000.0
7.	BB-5(4) Ancillary system Store Depots	O- 1.89 R- 1.00	52.9

8.	BB-5(5) Telecommunication Factories	O- 3.25 R- 2.00	61.5
9.	BB-5(8) Telecommunication Computer system	O- 5.19 R- 33.00	635.8
10.	BB-6(1) Other land and buildings, Administrative offices	O- 24.00 R- 8.00	33.3

(ii) Further, in the context of the efforts for keeping the deficit under control, Ministry of Finance had prescribed that all re-appropriations which would have the effect of increasing the budget provision by more than rupees one crore under a sub-head should be made only with the approval of the Secretary (Expenditure).

On test check of the accounts for the year 1994-95, it was observed that in 4 cases under the head "5225 Capital outlay on Telecommunication services", the re-appropriations exceeded the limit of rupees one crore for which approval of the Secretary (Expenditure) was not obtained:

Sl. No.	Sub Head	Re-appropriated amount (Rs in crores)
1	BB-1(2) Telex system	2.00
2	BB-2(1) Telephone Exchange Automatic	73.00
3	BB-4(4) Ultra High Frequency and Very High Frequency Relay system	33.00
4	BB-5(2) Training Centres	3.00

6.2.5 Recoveries in reduction of expenditure

The demands for grant are for the gross amount of expenditure i.e. inclusive of recoveries arising from use of stores etc., procured in the past or expenditure transferred to other Department or Ministry. While Appropriation Audit is done by comparing the gross expenditure with the gross amount of grant, the excess and shortfall in recoveries indicate inaccurate estimation of recoveries and defective budgeting.

In the revenue section, against estimated recoveries of Rs 544.40 crores, actual recoveries were Rs 529.54 crores only while in the capital section, against estimated recoveries of Rs 5815.00 crores, the actual recoveries were Rs 5865.13 crores.

CHAPTER 7

REVENUE

7.1 Revenue arrears

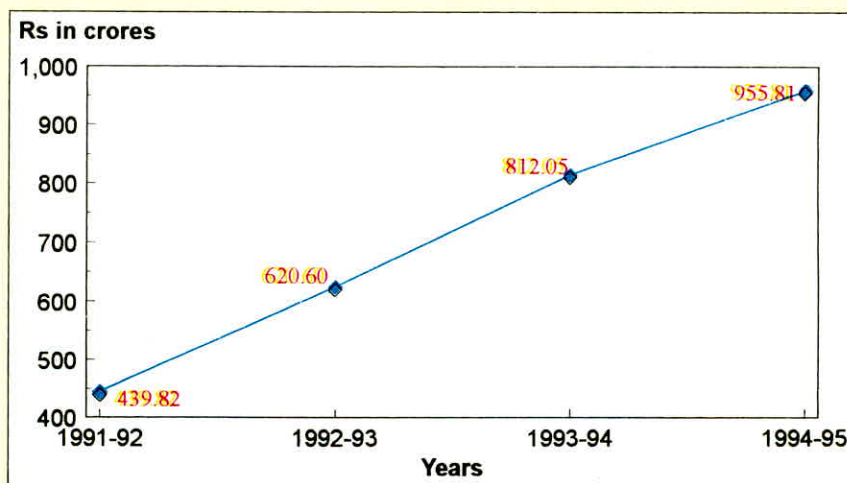
7.1.1 The position of arrears, demand raised, and amount collected for telephone services for the four years ending March 1995 is given below:

Table 7.1.1 Revenue arrears (telephones)

(Rs in crores)

Year	Arrears as on 1st April	Demand raised during the year	Total demand (2+3)	Amount collected during the year	Arrears	
					at the close of the year (4-5)	percent of total demand raised during the year (Col 6 ÷ Col 3x100)
1.	2.	3.	4.	5.	6.	7
1991-92	335.33	3094.42	3429.75	2989.93	439.82	14.21
1992-93	439.82	3896.98	4336.80	3716.20	620.60	15.93
1993-94	620.60	5216.37	5836.97	5024.92	812.05	15.57
1994-95	812.05	6400.29	7212.34	6256.53	955.81	14.93

REVENUE ARREARS (TELEPHONES)
Department of Telecommunications



The arrears of telephone revenue have been increasing over the years. At the end of March 1995 the arrears increased to Rs 955.81 crores as compared to Rs 439.82 crores at the end of March 1992. System of monitoring and prompt recovery needs to be strengthened.

7.1.2 The amount of outstanding revenue on 1 July 1995 had increased to Rs 1057.40 crores. Age-wise break up of the amount outstanding was as under:

Table 7.1.2 Outstanding telephone revenue

(Rs in crores)	
Year	Amount
Upto 1985-86	12.43
1986-87 to 1993-94	386.37
1994-95	295.10
1995-96 (upto June 1995)	363.50
Total	1057.40

Thus while over Rs 12 crores were outstanding for more than 9 years, Rs 386.37 crores are outstanding for more than one year.

7.1.3 Category-wise break up and the total telephone dues as at the end of June 1994 and June 1995 were as under:

Table 7.1.3 Category of subscribers having dues

(Rs in crores)

Category of subscribers	Amount at the end of	
	June 1994	June 1995
Central Government	28.92	31.54
State Governments	110.14	136.32
Defence Organisation	21.15	21.96
Private Parties	687.36	867.58
Total	847.57	1057.40

The Department in the remedial/corrective action taken notes in respect of paras 7.1.1, 7.1.2 and 6.1.1, 6.1.2 of the Report of the Comptroller and Auditor General of India for the years ended 31 March 1991 and 1992, Union Government (Posts and Telecommunications) stated that collection efficiency of telephone revenue is monitored at the Directorate level by fixing performance targets for the units twice a year. However, the arrears have been increasing; indicating shortcoming in monitoring and prompt action for recovery.

7.1.4 According to departmental instructions the department is required to furnish to Audit by 31 August every year the particulars of the revenue outstanding for recovery as at the end of June every year. However, the requisite information was not received even by 30 November 1995 from 11 out of 21 Circles/Telephone Districts.

7.1.5 Write off

Dues amounting to Rs 20.21 lakhs were written off, during 1994-95, in 7 Circles/Districts. Reasons for their write off were as given below:

Reasons	Per cent
Whereabouts of subscribers not known	34.4
Solvency of the subscribers not established	5.7
Closure of subscribers firms or concerns	4.6
Death of subscribers	4.2
Departmental files not available and other reasons	51.1
Total	100.0

7.1.6 Cases under litigation

In 7 Circles, recovery of Rs 12.93 crores was under litigation as on 1 July 1995. The progressive position was as follows:

Table 7.1.6 Cases under litigation

	No.	Amount involved (Rs in crores)
- Cases under litigation as on 1 July 1994	8795	9.83
- Cases in which litigations commenced during the period from July 1994 to June 1995	5329	7.78
- Cases decided during the period from July 1994 to June 1995	4649	4.68
- Cases decided out of the above, in favour of the Department	1621	0.98
- Cases under litigation as on 1 July 1995	9475	12.93

Out of 4649 cases in which decisions were given during the year only 1621 were in favour of the department.

7.1.7 Arrears of rent of telegraph, teleprinter and telephone circuits and telex/intelex charges

Arrears of revenue on renting of telegraph, teleprinter and telephone circuits and telex/intelex connections to the various categories of subscribers are indicated below:

**Table 7.1.7 Revenue in arrears
(telegraph, telex/intelex etc.)**

(Rs in crores)						
Year	Arrears as on 1 April	Demand raised during the year	Total demand (2+3)	Amount collected during the year	Closing balance as on 31 March (4-5)	Arrears at the close of the year for bills issued upto end of December - of relevant financial year
1	2	3	4	5	6	7
Circuits (Telephones and Telegraph)						
1991-92	39.44	75.99	115.43	72.94	42.49	35.17
1992-93	42.49	88.11	130.60	78.36	52.24	41.66
1993-94	52.24	127.97	180.21	101.40	78.81	67.64
1994-95	78.81	131.86	210.67	119.52	91.15	81.06
Telex/Intelex charges						
1991-92	14.79	96.54	111.33	96.98	14.35	4.22
1992-93	14.35	95.01	109.36	92.74	16.62	5.63
1993-94	16.62	91.76	108.38	91.70	16.68	7.30
1994-95	16.68	76.80	93.48	76.41	17.07	8.13

The revenue arrears overdue for collection in respect of circuits have gone up from Rs 35.17 crores in 1991-92 to Rs 81.06 crores in 1994-95 and represent 7.4 months' average billing and those of telex/intelex charges from Rs 4.22 crores to Rs 8.13 crores during the same period despite decrease in the demand raised.

The department in their remedial/corrective action taken notes in respect of paras 6.1.8 to 6.1.11 and 7.1.8 to 7.1.10 of the Report of the Comptroller and Auditor General of India for the years ended 31 March 1992 and 1993, Union Government (Posts and Telecommunications) respectively had stated that vigorous efforts were being made by the

department to realise the outstanding dues promptly. The department further stated that the arrears of rent of telegraph, telephone and teleprinter circuits were reviewed periodically at various levels. Despite this assurance, the arrears have been increasing.

7.1.8 Year-wise break up of the outstanding dues as on 1 April 1995 for bills issued upto December 1994 is given below:

Table 7.1.8 Outstanding dues(circuits/telex/intelex)
(Rs in crores)

	Rent for communication circuits	Telex/intelex charges	Total
Upto 1984-85	1.84	0.40	2.24
1985-86 to 1992-93	28.80	3.58	32.38
1993-94	21.61	2.07	23.68
1994-95 (upto Dec 1994)	28.81	2.08	30.89
Total	81.06	8.13	89.19

7.1.9 Arrears of revenue to the tune of over Rs 1146 crores impinges seriously on the financial health of a commercial department like Department of Telecommunications. The department needs to take special steps to recover the outstanding dues.

The matter was referred to the Ministry in December 1995; their reply was awaited.

Recovery of revenue at the instance of Audit

Test check by Audit revealed non-billing or short billing in 58 major cases involving Rs 19.51 crores due to non-receipt of advice notes in

Telephone Revenue Accounts branch, issue of bills at old rates and incorrect fixation of rent etc. as discussed in succeeding paragraph numbers 7.2 to 7.4. On being pointed out by Audit, the department raised demands for the entire amount and confirmed recovery of Rs 1.77 crores as of December 1995.

7.2 Non-billing or short billing of customers

7.2(i) Non-receipt of advice notes

As per departmental rules, completed advice notes in respect of telecommunication facilities provided, are to be sent by the operating branch of the Telephone District to the Telephone Revenue Accounts (TRA) branch within a week of the provision of the facility to enable the TRA branch to post them in Subscribers Record Cards (SRCs) and issue bills to the subscribers. TRA branch is to obtain a list of non-directory items from the operating branch in April each year and check it with SRCs to ensure that the rent in respect of all the telecommunication facilities had been recovered.

Cases of delayed billing/non-billing due to non-receipt of advice notes for telecommunication facilities by TRA branch of the department noticed during test-check are commented upon in the Report of the Comptroller and Auditor General of India every year. However, despite department's assurance that no telephone facility was being released without issuing the advice notes and completing the formalities, the deficiency widely persists due to ineffective internal control system of the department. Test check by Audit revealed short billing/ non-billing of Rs 171.93 lakhs in 5 Telecommunications Circles involving 12 cases as shown in Appendix-VI.

On being pointed out by Audit, Rs 31.14 lakhs out of this were recovered by the department. Recovery particulars of the balance amount were awaited.

7.2(ii) Bills issued at old rates

Tariff for certain telecommunication services including rental charges for telephone connections beyond local area was revised with effect from December 1986, October 1988, June and November 1992. Cases of short recovery of rental due to non-application of revised tariff by the Telephone Revenue Accounts Branch of the Department were commented in the Report of the Comptroller and Auditor General of India, Union Government (Posts and Telecommunications) for the years 1987-88 to 1993-94. In response to audit observation the department issued instructions in September 1991 to avoid recurrence of such cases. The deficiency, however, persists. The amount of short realisation of revenue on this account as revealed in test check, has gone up from Rs 17.68 lakhs in 1987-88 to Rs 46.43 lakhs in 1994-95 in 6 Telecommunications Circles in seven cases as shown in Appendix-VII. On being pointed out by Audit, Rs 22.01 lakhs have been recovered so far.

The matter was referred to the Ministry during May-September 1995. The Ministry accepted the facts in respect of serial Nos. 3 and 4 of Appendix-VII and stated that action had been taken to recover the dues. Their reply in respect of other cases was awaited as of December 1995.

7.2(iii) Lines leased to Railways

Rentals for lines and wires/circuits leased to Railways are initially recovered on a provisional basis pending finalisation of rates, which are decided later, for a block of five years by the Department of Telecommunications in consultation with the Railway Board.

The Department fixed rental applicable for the years 1981-82 to 1985-86 in February 1988. The rentals for 1986-87 onwards were to be applied on provisional basis at the tariff decided for the previous five year block.

It was noticed by Audit in February 1994 that the Department did not revise the rental effective from 1981-82 in respect of speech circuits from Howrah to Burdwan (four), Howrah to Ajimgang (one) and Calcutta to Krishna Nagar (one) leased to Eastern Railways. This resulted in short-recovery of Rs 7.00 lakhs for the period April 1981 to March 1994. On being pointed out by Audit recovery of Rs 0.59 lakh was made in June 1994. Confirmation of recovery of the balance amount was awaited. Besides, the department has not revised the tariff due for revision in 1986-87 and 1991-92 and continued to charge at the rate applicable upto 1985-86 in respect of these circuits as of October 1995.

The matter was referred to the Ministry in May 1995; their reply was awaited as of December 1995.

7.2(iv) Other reasons

Test check in audit revealed short/non realisation of rent amounting to Rs 126.25 lakhs in 16 cases in eight Telecommunications Circles as shown in Appendix-VIII. These were mainly due to omissions like incorrect fixation of rent, non-issue of bills, incorrect adoption of contingency charges for arriving at the capital cost for fixation of rent, charging rent in respect of long distance telephone connections treating them as connections within local area, incorrect application of tariff rates, non-recovery of licence fee in respect of EPABXs. On the matter being pointed out by Audit, the Department recovered Rs 56.38 lakhs. The balance was yet to be recovered.

Though similar irregularities were pointed out in earlier Reports of the Comptroller and Auditor General of India, the irregularity is persisting. The amount of short/non-realisation has also increased from Rs 27.58 lakhs in 1992-93 to Rs 126.25 lakhs in 1994-95.

Ministry accepted the facts in respect of serial Nos. 2, 4, 5, 8 and 10 of Appendix-VIII. Replies in respect of others were awaited as of December 1995.

**7.3 Incorrect fixation of rent -- short realisation of revenue -
Rs 13.42 crores**

Director General Doordarshan (DGD) under the Ministry of Information and Broadcasting placed a firm demand for provision of TV bearer channels on rent and guarantee basis for their exclusive use between New Delhi and Calcutta in February 1972. The project estimate for the work was sanctioned at an estimated cost of Rs 4.64 crores in June 1972. However, the then Director General of Posts and Telegraphs (DGPT) now Department of Telecommunications (DOT) took more than 11 years to provide the service in October 1983. The department communicated tentative annual rent Rs 54.72 lakhs in December 1983.

Audit scrutiny, in May 1994, revealed that the tentative rentals fixed and communicated in December 1983 were not correct. The correct rentals based on final expenditure worked out to Rs 1.73 crores *per annum*. Thus, incorrect fixation of rentals resulted in short realisation of revenue of Rs 13.42 crores for the period October 1983 to March 1995.

On being pointed out by Audit, the department issued arrear bill for Rs 13.42 crores in September 1994. Response of the DGD regarding

acceptance of payment has not been received by the department as of November 1995.

7.4 Other losses of revenue

7.4(i)(a) Incorrect fixation of rent and non realisation of dues amounting to Rs 87.75 lakhs

On receipt of a firm demand from Army authorities for provision of 120 channel UHF link between two stations, the department quoted provisional rent at Rs 18.61 lakhs *per annum* with 5 years guarantee period in June 1987. The Army authorities accepted the same in August 1987. The system was provided in July 1991.

Audit of the records of General Manager, Telecommunications (GMT), Chandigarh in January 1995, revealed that the rent quoted was not correct. The correct rental worked out to Rs 26.59 lakhs *per annum*. It was also noticed that no rent bill for the system was issued other than the amount initially realised on demand note. This resulted in non-recovery of departmental dues amounting to Rs 87.75 lakhs for the period July 1991 to June 1995.

On being pointed out by Audit, GMT, Chandigarh issued bill in August 1995. Acceptance by Army authorities of liability for payment has not been received by the department as of November 1995.

(b) Non-recovery of royalty for establishing private telecommunication system

According to departmental rules no person can establish, maintain and operate telecommunication facilities beyond the limits of his private property without a licence from the Department of Telecommunications (DOT). The licence for privately owned facilities not worked for gain is

granted by Head of the Telecommunications Circle subject to certain prescribed conditions including levy of royalty at prescribed rates.

It was noticed by Audit in July 1994 that the General Manager Telecommunications (GMT) Ernakulam District under Kerala Telecommunications Circle granted licence for laying optical fibre cable in 'Ernakulam city' to Bharat Petroleum Corporation Limited (BPCL), Kochi to serve as a telecommunication link amongst the various oil companies in January 1991. The licence was granted without the approval of the competent authority and also without obtaining advance deposit of royalty due. The department did not levy royalty even after commissioning of the system in March 1992. It resulted in accumulation of royalty amounting to Rs 23.46 lakhs for three years (1992-95).

On being pointed out by Audit in July 1994 the GMT issued, in November 1994, a demand note for Rs 23.46 lakhs towards the royalty due. BPCL's response to accept liability for payment was awaited as of November 1995.

(c) Provision of telecommunication facility in violation of codal provisions

According to departmental rules whenever a request is received for providing telecommunication facilities on rent and guarantee basis, the rate of rental and period of guarantee is fixed and got accepted from the applicant before the service is provided. The rules further provide that yearly rental bills for guaranteed installations will be issued in advance.

It was noticed by Audit in December 1994, that various types of underground cables were provided to Army authorities on rent and guarantee terms without observing codal provisions by the General Manager

Telecommunications, Chandigarh. Recovery of rent at the rate of Rs 3.16 lakhs *per annum* has become due from the date of utilisation of the facility. The cables were being utilised by Army since April 1992 even without formal handing over of the same by the department. This resulted in non-recovery of departmental dues aggregating to Rs 12.78 lakhs including installation charges of Rs 2.88 lakhs for the period April 1992 to May 1995.

7.4(ii)(a) Non issue of advance rental bills

Departmental rules provide that the rental for telecommunication facilities for a period shall be payable before the commencement of the rental period.

It was noticed by Audit, in July 1994, that the Telephone Revenue Accounts (TRA) branch of General Manager Telecommunications (GMT), Calicut under Kerala Telecommunications Circle failed to observe the provisions of the departmental rules and realise the annual advance telephone rental due from 62 subscribers provided with Private Branch Exchanges. This resulted in non-realisation of annual telephone rental amounting to Rs 8.90 lakhs for the billing period commencing from May/June 1994.

On being pointed out by Audit, the bills covering all the cases had since been issued in February 1995. The Ministry accepted the facts in September 1995 and stated that a warning had been issued to the officer responsible for the lapse.

(b) Non revision of rental on expiry of guarantee period

Departmental rules provide that the rental in respect of telecommunication facilities provided on rent and guarantee basis should be levied on standard flat rates after expiry of guarantee period.

Ahmedabad Telecom District provided 30+300 lines PABX board to Commissioner of Police, Ahmedabad on 5 years rent and guarantee terms in March 1978. It was noticed by Audit in August 1993 that non-revision of rental on expiry of initial period of guarantee resulted in short realisation of Rs 6.00 lakhs for the period from April 1983 to May 1992 when the facility was retrieved on installation of subscriber's own EPABX.

On being pointed out by Audit, the amount was recovered in March 1995.

(c) Non-recovery of compensation for premature surrender of telecommunication facility

Departmental rules provide that Private Exchange or Private Branch Exchange (PBX) installations required to be guaranteed for a specified period will be provided after Rent and Guarantee (R&G) terms for the facility are accepted by the party and prescribed payments received. Departmental rules further provide that in case of guaranteed telephone lines surrendered before the expiry of the guarantee period full rent for the unexpired period of guarantee should be recovered from the guarantor.

Bangalore Telecommunications District under Karnataka Telecom Circle provided a 200/600 lines extendable type PABX Board to Indian Space Research Organisation (ISRO) in December 1984. The minimum guarantee period for the board was 7 years with annual rental of Rs 1.90 lakhs. ISRO surrendered the facility in April 1989 during currency of R&G

period but the department did not recover compensation of Rs 4.91 lakhs for unexpired period of guarantee.

On being pointed out by Audit, in January 1993, the department recovered the compensation in full in April 1995.

7.4(iii) Continuation of telephone connections despite non-payment of dues

According to departmental instructions, telephone bills are payable within 15 days of the date of issue, failing which the telephone connection is liable to be disconnected. Reports of the Comptroller and Auditor General of India for the years ended 31 March 1987 and 1991 to 1994; Union Government (Posts and Telecommunications) commented on the non-compliance with these instructions.

During test check of records of Ludhiana Telecom District under Punjab Telecommunications Circle in January 1995, 17 cases were detected where private subscribers continued to have the telephone facility for several months despite non payment of outstanding bills ranging from 3 to 15. This resulted in accumulation of telephone dues amounting to Rs 17.99 lakhs in these cases, for the period from August 1989 to July 1994 (except one case of 1986) when the last telephone connection was disconnected.

Accepting the facts and figures, the Ministry stated in November 1995 that supplementary bills for Rs 17.99 lakhs were issued to the parties and Rs 1.76 lakhs relating to one case have since been realised. The Ministry further stated that four subscribers against whom bills for Rs 4.11 lakhs were pending have filed civil suits in the Court of Law and in other cases recovery was being pursued vigorously. It further added that disciplinary action has also been taken/initiated against the erring officials.

7.4(iv) Short recovery of maintenance charges

According to departmental instructions of August 1989, the annual maintenance charges of underground cable for exclusive use of an organisation were increased from 1 *per cent* to 10 *per cent* of the capital cost, after expiry of the initial period of guarantee of ten years.

Test check in audit in March 1993 revealed that the Telecom District Engineer, Dibrugarh under Assam Telecommunications Circle did not recover maintenance charges in two cases from Indian Air Force, and in one case from All India Radio, Dibrugarh at the revised rate, which resulted in short recovery of Rs 7.21 lakhs for the period from September 1989 to August 1994.

The matter was referred to the Ministry in May 1995; their reply was awaited as of December 1995.

7.4(v) Non-realisation of licence fee for public documents transmission service

Departmental rules provide that a telephone subscriber can be licensed by the Department of Telecommunications (DOT) to use his own FAX machine for sending his private and business documents on the telephone line and data modems rented by him on payment of licence fee of Rs 3000 *per annum* for private use and Rs 15000 *per annum* to public purpose.

Test check in Gujarat, Karnataka and Uttar Pradesh Telecommunications Circles, revealed that the department failed to renew the licences or did not collect charges due in advance which resulted in non-realisation of licence fee amounting to Rs 17.87 lakhs in 153 cases as shown in Appendix-IX.

On the matter being pointed out by Audit, Rs 3.86 lakhs were recovered by the department. Recovery particulars of the balance amount were awaited. The matter was referred to the Ministry in April-August 1995 while the facts in respect of 36 cases of Gujarat Telecommunications Circle were accepted by the Ministry, reply in respect of other cases was awaited as of December 1995.

7.4(vi) Non/Short billing of non directory items of telecommunication facilities

Rules provide that a register of guaranteed lines and exchanges should be maintained in telephone branch of each Divisional Office which should furnish all additions and alterations made in this register during the preceding year to Telephone Revenue Accounts (TRA) branch in April each year to facilitate correct billing for the services provided. Telephone/Commercial branch is also required to furnish a list of non-directory items including private branch exchanges and private exchanges etc. to TRA branch in April each year to ensure that all services provided are billed for by obtaining completed advice notes.

Failure of the department to observe the prescribed procedure due to weak internal control system resulted in short/non-realisation of departmental dues amounting to Rs 29.29 lakhs in six cases in two Telecommunications Circles as shown in Appendix-X.

On being pointed out by Audit, Rs 26.82 lakhs were recovered by the department. Recovery particulars of the balance amount were awaited.

7.4(vii) Irregular grant of concession in rental for voice-cum-data circuits leased to press

The Department of Telecommunications provided 50 *per cent* concession in rental for leased circuits used for data transmission/facsimile by news agencies and newspapers for propagation of news with effect from April 1990. The concession was further increased to 66.67 *per cent* of normal charges with effect from January 1991. The concession was not extended to circuits leased for transmission of commercial data to commercial institutions like banks etc. or videotex/news scan and stock scan services/voice-cum-data circuits leased to news papers etc.

It was noticed in test check by Audit in December 1993/May 1994 that in Kerala Telecommunications Circle, the department allowed concession in rental to four voice-cum-data circuits leased to press in April 1990 and July 1992. The irregular grant of concession in rental lead to short realisation of revenue of Rs 12.45 lakhs for the period April 1990 to May 1995.

On being pointed out by Audit, an amount of Rs 4.99 lakhs relating to three cases was recovered by the department.

The matter was referred to the Ministry, in July 1995; their reply was awaited as of December 1995.

7.4(viii) Short realisation of revenue from subsidiary users of Banknet

Department of Telecommunications (DOT) permitted in March 1990 the Reserve Bank of India (RBI) to set its private data network known as 'Banknet'. The facility was provided through departmental leased circuits inter-connecting various cities to this network under the scheme.

The circuits were leased to RBI and the tariff for the leased data circuits was to be charged on the basis of tariff applicable to circuits provided to them on network configuration and on the speed of data modems connected to these circuits. Subsidiary users i.e. nationalised banks and other Financial Institutions were also allowed the facility on payment for the circuits leased for connecting them to Banknet.

As per the departmental rules, rental for local data circuits were leviable at 2.5 times the rental for speech circuits within local area of a telephone system. 38 data circuits were provided under Banknet in Karnataka and Maharashtra Telecommunications Circles to the subsidiary users. The Department failed to levy correct rental and charged at a rate of 1.25 times of rental of speech circuit instead of 2.5 times. This resulted in short realisation of revenue amounting to Rs 11.50 lakhs during April 1990 to June 1995.

On being pointed out by Audit in June 1993/March 1994, Rs 5.71 lakhs were recovered by the department. The recovery particulars of the balance amount were awaited.

The matter was referred to the Ministry in June-July 1995; their reply was awaited as of December 1995.

7.4(ix) Short recovery of rent due to non application of revised tariff

Bi-monthly rate of rental for telephone connections provided from measured rate exchange vary according to the capacity of the exchange. When the exchange is upgraded by addition of new lines, the rental charges as applicable to the upgraded exchange becomes recoverable. Departmental rules provide that Subscribers Record Cards (SRCs) of an exchange should be reviewed regularly by Telephone Revenue Accounts (TRA) branch to

ensure revision of rent and correct billing. Tariff applicable to measured rate exchange system was also revised in March 1990.

Test check by Audit in March 1993/April 1994 revealed that SRCs of six measured rate exchanges in Vijayavada and five exchanges in Rohtak under Andhra Pradesh and Haryana Telecommunications Circles respectively were not reviewed by TRA branch after expansion of the capacity of the exchanges and revision of the tariff. The rental and installation charges continued to be recovered at pre-revised rates resulting in short recovery of Rs 6.84 lakhs during May 1993 to June 1994. Though similar irregularities were pointed out in earlier Reports of the Comptroller and Auditor General of India, it is persisting.

On this being pointed out by Audit, supplementary bills were issued and Rs 6.44 lakhs were recovered. The Ministry accepted the facts.

7.4(x) Non-revision of rent

The rent for telecommunications facilities is charged at higher of the flat rate and the rate arrived on the basis of estimated capital cost. Where the actual cost exceeds the estimated cost by more than 10 *per cent* the rent already fixed is to be revised keeping in view the revised cost. Departmental rules further provide that cables used for exclusive use of a private party or Government department are charged annual rental at a fixed percentage prescribed from time to time. The department revised the fixed percentage from 18 to 20 *per cent* of capital cost in August 1989.

It was noticed by Audit in May 1993 that in two cases, facilities were provided to Devdam project and army by Gujarat and Himachal Pradesh Telecommunications Circles in December 1984 and March 1990 respectively. The departmental failure to claim rent based on revised cost

and at correct percentage for the facility resulted in short realisation of rent amounting to Rs 10.12 lakhs till December 1994.

On being pointed out by Audit, Rs 6.74 lakhs were recovered from the army. Recovery of Rs 3.38 lakhs in respect of Devdam project is uncertain as the long distance telephone connection had already been disconnected in January 1993.

The matter was referred to the Ministry in May and August 1995. The Ministry accepted the facts in first case. Reply to second case was awaited as of December 1995.

CHAPTER 8

REVIEWS

8.1 Planning and procurement of cables by Madhya Pradesh Telecom Circle

8.1.1 Introduction

Department of Telecommunications (DOT) decentralised procurement of jelly filled cables from October 1992 onwards. Accordingly, Heads of Telecom Circles were empowered to place orders at DOT's approved rates on approved suppliers in consultation with their Internal Financial Advisers subject to the conditions that the requirement was properly assessed, strict adherence is kept to budget provision for cables and quantity ordered is covered by sanctioned project estimates.

8.1.2 Scope of Audit

Review of purchase of jelly filled cables by the Chief General Manager, Telecom (CGMT), Bhopal, was conducted during December 1994 and January 1995 with a view to ascertaining compliance to guidelines of DOT on their procurement.

8.1.3 Highlights

- **CGMT, Bhopal procured cables valued at Rs 79.81 crores prior to decentralisation of procurement of cables by DOT in October 1992 in disregard of his financial powers. This included procurement of cables for Rs 2.05 crores from unauthorised vendors.**

- In violation of specific directive of DOT to keep the procurement of cable within the budget provision, CGMT, Bhopal spent Rs 21.80 crores to Rs 43.39 crores over the final budget allotment during 1991-92 to 1993-94.
- Incorrect application of rate by not availing the benefit of reduction in duties and prices on supplies after the scheduled date of delivery resulted in unauthorised excess payment of Rs 2.19 crores to vendors, inspite of categorical instructions of DOT.
- Purchase of non-standard cable resulted in improper expenditure of Rs 3.52 crores.
- Laying of cables in excess of norms prescribed by DOT resulted in extra expenditure of around Rs 52 crores *per annum*. The circle did not maintain proper records of receipt, procurement, issue and utilisation of cables.

8.1.4 Irregular purchase of cables

Prior to introduction of decentralisation of purchase of cables, in October 1992, the cables required for the circles were being allotted and orders placed centrally by the DOT. Even in emergent circumstances the financial powers of CGMs for purchase of stores of non-stocked items were limited to Rs 5 lakhs *per annum*. However, it was observed in Audit that during 1991-93, CGMT, Bhopal, procured cables worth Rs 77.76 crores from private suppliers as indicated below in disregard of departmental instructions:

Year	Cables procured (In Lckm)	Value (Rs in crores)
1991-92	3.43	21.56
1992-93	6.46	56.20

The CGMT Bhopal stated, in July 1995, that orders for purchase of jelly filled cables were placed from time to time with the approval of DOT. The reply of the CGMT is not supported by any document/order containing any approval of DOT for purchases made prior to decentralisation in October 1992. As such, purchase of cables worth Rs 77.76 crores was irregular.

During 1992-93 and 1993-94 when the purchases were decentralised, CGMT, Bhopal procured cables far in excess of quantity allotted by DOT as under:

Year	Quantity allotted (Lckm)	Quantity procured (Lckm)	Excess procured (Lckm)	Value of excess procurement (Rs in crores)
1992-93	10.20	14.43	4.23	61.34
1993-94	5.15	8.23	3.08	44.66

Lckm - Lakh conductor kilometre

8.1.5 Excess expenditure in procurement of cables from unauthorised vendors

Two purchase orders for supply of 1205 km of different sizes of cables were placed on two firms, M/s Sterlite Industries and M/s UP Com. Limited, who were not authorised vendors for supply of cables at the time of placing orders, in December 1991. Orders were placed without specifying the price in the two purchase orders. Instead, it was mentioned that the initial payment would be restricted to rates mentioned in purchase

order placed on another firm in June 1991 with a provision that in case, the DOT revised the prices of cables retrospectively the same would be applicable to this purchase order. The DOT approved revised rates of cables in January 1992. The CGMT, Bhopal issued two amendments in January and February 1992 making the rates fixed in January 1992 applicable retrospectively to the purchase orders issued on these firms in December 1991.

As a result of the aforesaid irregular action, by CGMT, Bhopal: (a) the department had to incur an extra expenditure of Rs 2.05 crores and (b) cables worth Rs 9.18 crores were procured without proper authorisation by DOT.

In reply, CGMT stated that the M/s Sterlite Industries was authorised vendor as the Telecom Engineering Centre (TEC) had issued the type approval to him in September 1991. He further, stated that orders for purchase of jelly filled cables were placed from time to time with the approval of DOT.

The above reply of the CGMT is incorrect, as no orders of DOT conveying approval for purchase of cables were shown to Audit.

8.1.6 Purchase of non-standard cable

CGMT Bhopal purchased 1000 pairs and 600 pairs of cables which were not included in the specifications of DOT. As such, cables of these specifications were not included in the tender enquiry made in 1991 consequently their rates were not finalised by the DOT. However, the CGMT, Bhopal procured 25 km of these cables valuing Rs 3.52 crores. This resulted in not only irregular expenditure but in procurement of non-standard cables.

8.1.7 Procurement of cables without sanction of estimates

The instructions of DOT issued in June 1992 stipulated that quantity of cable to be ordered should be covered by sanctioned estimates of approved works. However, these orders were generally not followed before placing the orders for local purchase.

CGMT placed purchase orders for procurement of different sizes of cables during 1991-94 and an expenditure of Rs 10.95 crores was incurred whereas the requirement of these cables was not included in any approved work.

The CGMT stated that the expenditure for procurement of cable was booked against the sanctioned estimates. The reply is untenable as the requirements of these cables were not included in any approved work and the purchases were against estimates drawn only for the procurement of cables. The CGMT clarified in response to audit observations that action would be taken to transfer the amount against the estimates of the approved work.

8.1.8 Excess payment of Central Excise Duty

As per terms and conditions of purchase order approved by DOT, any increase in duties that would take place beyond the scheduled delivery period was to be to the suppliers account but the benefit of any downward revision would go to the purchaser. However, it was observed in Audit that Central Excise duty payable in 18 cases was not restricted to rates applicable within scheduled delivery dates in respect of supplies received beyond the scheduled delivery date. This resulted in excess payment of Rs 8.97 lakhs.

The CGMT while accepting the position stated that concerned units would be addressed in the matter for recovery.

8.1.9 Excess payment due to wrong application of rates

DOT clarified in December 1992 that though the procurement of underground cable would remain decentralised and CGMs were authorised to place orders to procure the same on year to year basis from 1993-94 onwards, but the responsibility for assessment of requirement of cable, floating of tenders and finalisation of the rates and vendors continued to be with DOT. It was further clarified in May 1993 that the circles would not place orders till the ordering price and vendors were finalised by the DOT.

Further, as per the standard terms and conditions of the purchase order for supplies made beyond the stipulated period the rates prevalent prior to thirty days of the original delivery period was to be taken for all future supplies. However, the purchaser would be entitled to the benefit of any decrease in price due to downward revision as per price variation clause.

- a) Test check of seven purchase orders issued between December 1991 and May 1993 with stipulated delivery period as March 1992 and August 1993 revealed that the supplies were received beyond the stipulated period. However, the payments were made at the higher rates prevailing in the year 1992-93 instead of at the rates applicable at the time of receipt. This resulted in excess payment of Rs 26.24 lakhs.
- b) Similarly in respect of seven purchase orders placed between May 1993 and January 1994 on three firms with stipulated dates of delivery as November 1993 and February 1994 respectively, the benefit of decrease in prices beyond the stipulated period of delivery

was not taken into account while making payments. This resulted in excess payment of Rs 33.99 lakhs.

- c) The DOT while approving the procurement of cables for first quarter of 1994-95 in May 1994 cautioned the circle that the tender for the procurement of cables for that year was under process and the quoted prices of cables were generally much lower than the approved rates of 1993-94. It, therefore, directed the circles to incorporate a special clause in the proposed purchase order to the effect that in case the prices finalised against 1994-95 tenders were lower than the approved rates of cables for 1993-94, the same would be applicable for the said purchase order also.

Test check by Audit of 23 payments made against three purchase orders issued on two firms during the first quarter of 1994-95 revealed that the bills were paid at the approved rates of 1993-94 as against the approved rates of 1994-95 which were lower despite inclusion of special clause in the purchase orders and in disregard of the directive of DOT. This resulted in excess payment of Rs 32.83 lakhs. In addition, the excess payment at 1993-94 rates on remaining purchase orders placed during the first quarter of 1994-95 worked out to Rs 62.82 lakhs on pro-rata basis.

8.1.10 Excess payment due to irregular application of price variation clause

As per the standard terms and conditions of purchase orders placed by DOT, the price variation clause of purchase order would not be applicable after the expiry of original delivery period mentioned in the purchase order but price as prevalent thirty days prior to original delivery period mentioned in purchase order would be applicable for future supplies.

However, purchaser would be entitled to benefit of any decrease in price due to downward revision as per price variation clause.

It was observed in Audit that price variation clause was extended, supplies were received in July-August 1994, in 32 cases, which were beyond the scheduled delivery date of 30 June 1994. However, the benefit of reduction in prices was not obtained by the department, which resulted in excess payment of Rs 45.33 lakhs.

Test Check of similar cases in four units in respect of purchase orders issued between May 1991 and June 1992, where deliveries were made beyond originally scheduled date of delivery in 23 cases, revealed excess payment of Rs 9.12 lakhs.

The CGMT stated that the price variation clause was applied as per terms and conditions of purchase orders. The reply is not tenable. By correctly applying the price variation formula as stipulated in the contract, the benefit of downward revision of price should accrue to the department.

8.1.11 Non-levy of liquidated damages on account of delayed supplies

The department failed to recover liquidated damages amounting to Rs 41.52 lakhs on delayed supplies of six purchase orders issued between 1991 and 1994.

8.1.12 Cable planning

In any telephone exchange system, the cost of cable component forms a substantial portion of the total cost of the project. Detailed cable plans are required to be prepared for economic planning period of 5, 10 and 15 years for primary, secondary, and distribution cables respectively. Where the detailed cable plans are not prepared according to economic

planning period, provision of cable is to be made as per the conductor kilometer (ckm) norms per exchange line prescribed from time to time.

Test check revealed the following:

(a) Excess allotment

Cables were procured far in excess of allotments by 110 to 152 *per cent* as detailed below:

(Figures in km)

Year	Opening balance	Cables Allotted	Cables received	Total (2+4)	Cable laid	Closing Balance
1	2	3	4	5	6	7
1990-91	1003	N.A.	4304	5307	3937	1370
1991-92	1370*	1457	3668	5038	3457	1581
1992-93	1581@	3134	6598	8179	5007	3172*
1993-94	3172**	3239	N.A.	N.A.	N.A.	--
1994-95	NOT AVAILABLE					

Note :* As per circle office statement, the OB was 1271 and CB was 1482.

@ As per circle office statement, the OB was 2509 and CB was 4121.

** Bifurcation of figures between the cable received through CSD/CTS and through private suppliers was not available.

No record was available at circle office to ascertain centrally the quantity of cable received through private suppliers and through store depots. It would be seen from the above table that there was considerable mismatch between the allotment of cable, cables received and utilised. The information regarding cables procured and utilised during 1993-94 and 1994-95 was not available either at circle level or at Directorate level. This indicates lacunae in the basic record keeping in the absence of which, monitoring of correct utilisation of cable cannot be done. Further, discrepancies between the closing balance of previous year and opening

balance of subsequent year were also noticed which was suggestive of the unreliability of data.

(b) Procurement beyond budgetary sanction

Actual expenditure incurred in procuring cables was more than the budget allotment by Rs 21.80 to Rs 43.39 crores during 1991-92 to 1993-94. The CGMT spent 1.54 to 2.06 times the budget allotment under procurement of cables, which is a serious misuse of powers by him.

(Rs in crores)				
Year	Budget allotment	Actual expenditure	Excess over allotment	Percentage of excess-expenditure
1991-92	20.56	42.36	21.80	106
1992-93	44.75	68.88	24.13	54
1993-94	59.63	103.02	43.39	73

(c) Cables laid in excess of prescribed norms

Cables were laid far in excess of the prescribed norms as detailed below:

Period as on 31st March	Total equipped capacity	Cable to be laid as per approved norms of 8 ckm per line	Add 10 per cent extra for other works	Total cable to be laid	Cable actually laid in ckm	Total cable laid in excess	Cable laid excess during the year	Cost of excess laid cable @ Rs 14.5 crores per ckm
1	2	3	4	5	6	7	8	9
1991	265171	2121368	212137	2333505	3294944	961439	325406	47.18
1992	366456	2931648	293165	3245813	4237816	992003	30564	4.43
1993	480418	3843344	384334	4227678	6210988	1983310	991307	143.74
1994	624885	4999080	499908	5498988	7562000	2063012	79702	11.56
TOTAL								206.91

The laying of cables in excess of prescribed norms resulted in unproductive and avoidable expenditure of Rs 206.91 crores during the four year period 1990-1994 at an average of Rs 52 crores *per annum* and over-capitalisation of asset to that extent.

The CGMT stated that norm of 8 ckm per line does not include the cables required to be laid under 'Mission Better Communication', rehabilitation work and transmission technology exchange such as E-10-B, C-DOT etc., and also for reducing the overhead alignment. The reply of the CGMT is not convincing. The standards prescribed by the DOT was with reference to the equipped capacity of the exchanges, which included the new technology exchanges like E-10-B, C-DOT etc. Even after allowing 10 *per cent* for rehabilitation work, Mission Better Communication etc., the cables laid were far in excess.

8.1.13 Absence of control mechanism

As per DOT guidelines of June 1992, maintenance of control register, numerical account in circle office and control register in field units required to be maintained were not maintained by field units (consignee) and by circle office. Consequently there was no feedback either from field units to circle or to Telecom Directorate. This resulted in absence of control mechanism and feed back.

The matter was referred to the Ministry in November 1995; their reply was awaited as of December 1995.

8.2 Computerisation in Department of Telecommunications

8.2.1 Introduction

Prior to 1989, computerisation in the Department of Telecommunications (DOT) was limited to the four metros. In 1989 DOT formulated an integrated computerisation policy termed as Computerised

Information System in Department of Telecommunications (CIS-DOT). The objectives of CIS-DOT project which was estimated to cost Rs 200 crores were better communication service, effective management information system, effective planning, decision support system and improved operational efficiency.

The CIS-DOT was proposed to be implemented in two phases, Phase I covering computerisation of Subscribers Line Management System (SLMS), Subscribers Metering Information System (SMIS), Customers Service System (CSS), Directory Enquiry (DQ), Telephone Revenue Billing and Accounting (TRBA) and Pay Roll Accounting (PRA) in 166 locations was to be completed by 30 June 1990 at an estimated cost of Rs 25 crores. CIS-DOT Phase II at an estimated cost of Rs 175 crores was to cover all the remaining Secondary Switching Areas (SSAs) and exchanges of more than 1000 lines and was to be completed by 2 October 1991.

8.2.2 Scope of Audit

This review analyses DOT's computerisation policy to evaluate procurement of hardware and software and its implementation in 12 Telecom Circles viz. Andhra Pradesh, Gujarat, Haryana, Karnataka, Himachal Pradesh, Kerala, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh.

8.2.3 Organisational set up

At the apex level, a computer cell headed by Deputy Director General in the DOT functions as nodal point for policy formulation and monitoring of computerisation in the department.

The implementation of computerisation in Telecom Circles is carried out under the overall administrative control of Chief General Managers, Telecommunications (CGMT).

8.2.4 Procurement of hardware and software

8.2.4.1 Project implementation

It was noted in audit that the department did not take the approval of PIB/CCEA for this investment in the project. To achieve the objectives laid out above, the CIS-DOT aimed at centralised planning and procurement of hardware in order to achieve economy in purchases and standardisation and uniformity of hardware. However, as brought out in succeeding paras, due to inordinate delay and other difficulties encountered in the finalisation of tenders, the department had to abandon the foregoing objective and allowed the circles to make local purchases of their hardware/software requirements in 1991. The result was that the benefit of having a uniform standardised system all over the country could no more be available.

In response to tenders issued in November 1989, DOT placed purchase orders in October and November 1990 for supply of hardware and software at the cost of Rs 116.40 lakhs and Rs 94.80 lakhs on firms 'A' and 'B' respectively. The firms were to complete the supplies within two months. The total value of the order of second firm was revised to Rs 124.77 lakhs in May 1991 due to inclusion of some additional items.

The firms did not supply the hardware and software due to non-finalisation of quality assurance schedule by the department and revision of material list before placing the supply orders. Both the firms approached the department in March 1991 for increase in prices due to increase in Custom duty in December 1990, increase in margin money and devaluation of rupee. The department accepted the request for increase in prices. The extra expenditure of Rs 65.16 lakhs on account of revision of prices on supplies made against orders placed in October and November 1990 was attributable

mainly to delay of one year in finalisation of purchase order and failure of the department to provide quality assurance schedule in time.

8.2.4.2 Procurement of equipment of lower specification

In six SSAs test checked viz. Guntur, Bangalore, Ernakulam, Kannur, Quilon and Lucknow, the system had to be upgraded very early due to poor capacity planning involving an amount of Rs 29.56 lakhs. In Hyderabad Telecom District, two systems procured at a total cost of Rs 40.75 lakhs for TRBA and Directory Enquiry were abandoned within a short span as the capacity to handle number of direct exchange lines (DELs) was found to be insufficient. In Mysore, a system acquired for DQ at a cost of Rs 21 lakhs was similarly abandoned as the system was very slow. In Mangalore SSA, non-upgradable systems purchased were replaced immediately at a cost of Rs 8.81 lakhs.

8.2.4.3 Avoidable expenditure on additional computer centres

In four SSAs in Andhra Pradesh and Kerala Circles additional computer centres in locations other than the SSA headquarters were set-up involving an expenditure of Rs 64.29 lakhs in disregard of DOT's instructions which could have been avoided had the SSAs planned for generation of bills for the entire SSA from the headquarters itself.

8.2.5 Software

8.2.5.1 Software acquisition policy

The department has relied on outside agencies for development of major application software viz. TRBA, commercial services, directory enquiry and fault repair service etc. Chief General Managers of respective circles were empowered to acquire software. This resulted in application software of one function of one circle varying from other circles and in

some cases even within a circle it varied from division to division. In the absence of uniform software, the department was deprived of the opportunity of economies of scale in procurement, standardisation of software, training and adherence to the targets fixed by DOT.

8.2.5.2 Ownership rights

"Ownership and replication rights" over the software were not acquired by most of the circles.

In Andhra Pradesh although ownership rights over CMC developed package were acquired, the same were not utilised. Similarly in Kerala Circle though ownership and replication rights over the software developed by M/s Wipro and M/s Transmatics were incorporated in the agreement, but were not utilised due to lack of expertise in the department. The vendors charged each SSA the full software development and implementation charges though the same software was supplied to all the SSAs. The above policy of the department resulted in divisions procuring software independently entailing avoidable expenditure. Data collected from the circles test checked revealed payment of software development charges amounting to more than two crores of rupees as given below:

S.No.	Name of the Circle	Amount spent on software development (Rs in lakhs)
1.	Tamil Nadu	13.12
2.	Punjab Chandigarh Rs 2.00 lakhs Ludhiana Rs 2.40 lakhs	4.40
3.	Andhra Pradesh	130.32
4.	Orissa	1.93
5.	Madhya Pradesh	17.70
6.	Kerala	43.52

The exact amount of additional expenditure on account of decentralised purchase of software for identical use as against central purchase and replication could not be worked out in the absence of information.

8.2.5.3 Deficiency in software packages

In six (Andhra Pradesh, Karnataka, Madhya Pradesh, Orissa, Punjab and Tamil Nadu) out of twelve circles test checked, the software package acquired for TRBA were found to suffer from several deficiencies.

TRBA software developed by CMC in Warangal SSA (AP circle) is not billing the rentals for accessories provided to DELs, despite the details being available in the master data base file.

Major software packages were developed by various vendors and these were put to use without obtaining the source code. In the absence of access to the programme files, the department was unable to detect any changes, unauthorised or authorised, made either to the software or data. Though some of the vendors made available the source code, the department was still depending on the vendors for any modifications to the software.

In Madurai and Trichy SSAs, the telephone bills for all subscribers under SSAs could be prepared only if local call charges statements and advice notes were received for each and every exchange. In case of non-receipt of the statement even from a single small and remote exchange, the bills could not be prepared for the entire group. In the absence of source code, the software could not be modified even when minor changes were required.

8.2.6 Budget and expenditure

Analysis of expenditure on computerisation between 1991-92 to 1994-95 in seven circles (Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh) revealed that huge amounts were surrendered due to poor planning and implementation. Only a total of Rs 1864.32 lakhs out of total allotment of Rs 3642.28 lakhs during 1991-95, representing only 51.2 *per cent* of allotment was utilised in all seven circles. In Madhya Pradesh, only Rs 0.30 lakh was spent during 1991-92 to 1994-95 against allotment of Rs 269.69 lakhs whereas, in Uttar Pradesh it was a meagre Rs 64.26 lakhs against allotment of Rs 236.28 lakhs during 1991-92 and 1992-93.

8.2.7 Implementation of computerisation policy

Though the CIS-DOT project aimed at computerisation of all 320 SSAs by October 1991 the progress of various services at the end of November 1994 was as under:

Service	No. of stations computerised
Directory Enquiry	206
Fault Repair Service	182
Commercial Service	21
Telephone Revenue Billing	73
Pay bill and Staff Accounting	112
Customer Service	8
Project Management	2
Office Automation	32
Management Information Service	27
Human Resource Development System	4
Material Management	1

8.2.7.1 Telephone revenue billing and accounting (TRBA)

As per DOT guidelines issued in May 1989 computerisation of TRBA was to be completed by 1993. Against this, only 185 out of 320 SSAs have computerised TRBA as of March 1995 fully/partially. In 95 SSAs it was still under progress and in remaining 40 SSAs computerisation was yet to be taken up. In 8 circles out of 12 test checked, the percentage of shortfall ranged between 43 and 100.

In Andhra Pradesh Circle, it was found that manual records like subscriber record cards were still being maintained and relied upon though TRBA is computerised.

In Hyderabad Telephone District, while computerised statements showed outstanding against some subscribers, the manual subscriber cards were tampered with to show the amount as having been paid. This resulted in an alleged fraud involving Rs 15.82 lakhs.

In Vijayawada, Guntur and Visakhapatnam SSAs (AP Circle) it was observed that manual system of billing and accounting was resorted to after facing prolonged system breakdowns and unpredictable system's behaviour. In Vijayawada, system's failure had been a regular feature ranging upto 65 days due to erratic behaviour of software.

In many circles, TR billing is computerised but accounting is still being done manually defeating the objective of reducing tedium for staff and providing reliable accounting systems for the management to facilitate decision-making.

8.2.7.2 Agency basis computerisation

DOT directed the field units in July 1990 that TRBA computerisation wherever entrusted to the private agencies on Service

Bureau Basis (SBB) for more than two years should be taken over by the department. However, in six out of 12 circles test checked, TRBA is still being done on agency basis in 51 SSAs. An estimated amount of Rs 113.08 lakhs was spent on this account in these six circles during 1988 to 1995. In Bangalore Telephone District, TRBA entrusted to M/s Kirloskar Computers Services Limited on SBB basis in November 1984 continued upto March 1995, although more user friendly and advanced software packages than the one being adopted were available. In Ahmedabad Telephone District TRBA is being done by outside agencies since 1992 due to lack of sufficient hardware and an amount of Rs 38.80 lakhs was spent.

8.2.7.3 Directory enquiry (DQ) and Fault repair service (FRS)

DOT decided to computerise DQ and FRS in all MAX-I exchanges with more than 5000 lines and a package called 'COMMANDIR' was procured for this purpose. Heads of the circles were authorised to procure hardware and implement the system.

It was observed that though more than six years has elapsed after the decision to standardise the system was taken, the progress was very slow in almost all circles. The percentage of shortfall ranged between 50 and 100 *per cent* in the circles.

Although computerisation of DQ and FRS are priority areas for enhancing customer satisfaction, the implementation of the same was far from satisfactory.

Thus, implementation of computerisation though intended to be completed by 1993 still remains incomplete. As such target had to be refixed to 1995. This was attributable to delays in tender processing for procurement of equipment, site preparation, installation of systems and non availability of software packages.

In 16 SSAs test checked, installation delays ranged from 4 months to 39 months resulting in idling of equipment worth Rs 339.28 lakhs.

In Orissa Circle, computers procured at a cost of Rs 41.81 lakhs remained underutilised due to non-supply of software packages by DOT except Pay Roll Package.

8.2.8 Limitation in software/hardware

8.2.8.1 Non-integration

In many SSAs, the packages were being run on independent systems. Unless these are re-engineered and interfaces for networking the TRBA packages with other customer related packages such as commercial services, directory enquiry, FRS and cable records etc., are developed, customer satisfaction could not be improved. Also if the systems are integrated, management would be able to get updated data about status in respect of the above customer related services.

Documentation of the system operating and user instructions is almost non-existent. In Hyderabad Telecom District a user manual prepared in 1991 is only available and subsequent modifications made to the software were not incorporated. In Kerala Circle, though the agreement laid down for handing over documentation etc., the department lacked expertise to take over the same and utilise. In Karnataka circle no documentation exists. Similar is the case with many other circles.

8.2.8.2 Back-up

It was observed in test check in Hyderabad Telephone District that only one back-up is being retained off-site, as against the conventional procedure of having three back-ups at different time intervals.

8.2.9 Cost benefit

It was envisaged that computerisation in the telecom circles will bring in the benefits of increase in revenue from reduction in faults and time for fault clearance, additional connections by up-to-date cable records, quicker issue of first bill by computerisation of commercial section activities, reduction in inventory, faster project implementation and increase in manpower productivity. A net cash flow of Rs 342 crores was expected to accrue to the department over a period of 6 years as against expenditure of Rs 200 crores on computerisation. However, the achievement of the objective could not be ascertained in the absence of completion of computerisation.

8.2.10 Summing-up

- **Phase I and II of the CIS-DOT Project could not take off in the way, it was visualised and to that extent, it was a set-back to the computer policy implementation. Computerisation has been extremely slow and is lagging behind the schedule. Expected cash return of Rs 342 crores *per annum* is, therefore, yet to be realised.**
- **An extra expenditure of Rs 65.16 lakhs incurred on account of revision of prices was attributable to failure of the department to finalise the supply order quickly and to provide quality assurance schedule in time.**
- **Wasteful expenditure of Rs 100.12 lakhs was incurred due to poor capacity planning by DOT.**
- **Application softwares were not standardised, nor were the ownership rights over the softwares obtained.**

- **Deficiency in software packages resulted in an avoidable delay in preparation of bills for subscribers in Madurai and Trichy SSAs.**
- **An avoidable expenditure of Rs 64.29 lakhs was incurred in disregard of DOT's instructions on setting up of computer centres other than SSA headquarters.**
- **In 51 SSAs, TRBA computerisation on agency basis is still being continued despite DOT's instructions to dispense with it after two years.**

The matter was referred to the Ministry in December 1995; their reply was awaited.

8.3 Working of retail telecommunication stores depot, Bhubaneswar

8.3.1 Introduction

Retail telecommunication stores depots (RTSD) are set up at different places in the country for receipt, stocking and distribution of Telecom Stores. These depots function under the Administrative control of concerned Chief General Manager Telecommunication (CGMT) with technical control and supervision of Chief General Manager, Telecom Stores (CGMTS), Calcutta. The RTSD in Orissa was functioning at Cuttack and shifted from Cuttack to Bhubaneswar in October 1990.

8.3.2 Scope of Audit

The review of RTSD, covering the period from October 1990 to March 1995 was conducted by Audit to examine compliance with the systems and procedures regarding receipt and issue of stores and

maintenance of accounts of stores transaction. The findings are contained in succeeding paragraphs.

8.3.3 Deficient control in shifting of stores

Physical examination of items of stores at Cuttack was not done and reconciled with book balance before transferring them to Bhubaneswar in October 1990 through private transporters. Acknowledged copies of challans of stores through which these were handed over to the transporters were not reconciled with the office copies of challans to ensure that items handed over to them were actually received at Bhubaneswar. Test check of 400 out of over 1600 challans revealed that in five cases the acknowledged copies of challans were not available with the RTSD. Further scrutiny of records revealed that the transporters did not claim transportation charges against these five challans. In the absence of acknowledged challans and the fact that the transporters did not even prefer claim for transportation charges suggests that the full quantity of stores valued at Rs 23.86 lakhs was not physically received at RTSD, Bhubaneswar and possibility of pilferage/loss/diversion in transit cannot be ruled out. The department need to set up an Enquiry to establish that all the stores were received.

8.3.4 Working of RTSD

8.3.4.1 Excess issue of stores

The officer in-charge of RTSD is to issue telecom stores only against indents from competent officers. The items and their quantities issued against indents should not exceed those included in the indents. Since agreement of items and their quantities in the indent, issue vouchers, acknowledged copy of issue vouchers and entries in the stock register are the only means of control over correctness of despatch and receipt of stores, as a rule, no additions or alterations are to be made in the indent.

However, test check of indents of six, out of 60 indenting officers placed during 1991-93 for cable alone revealed unauthorised alterations leading to excess issue of stores, valued at Rs 2.18 crores, against 39 indents. Acknowledgments of receipts of stores of these indents were not available with the RTSD. Thus, absence of control of issue of items strictly as per indents and combined with non-receipt of acknowledgment did not provide assurance about correct issue of stores and their receipt by the indenting authorities.

The officer in-charge of RTSD stated, in April 1994, that the corrections and additions in the indents were made by the indenting officer and these were attested by him after ascertaining the position from the indenting authorities.

The reply is not tenable as neither any confirmation for the additions and alterations from the indenting authorities nor any supplementary indents from them were on record. Unauthorised alteration in indents entail risk of fraudulent drawl of stores.

8.3.4.2 Issue of stores without issue notes

As per departmental rules, issue notes are required to be prepared in six copies for each issue of stores. Besides sending three copies of the issue notes to Telecom Stores, Calcutta and retaining one copy at the RTSD, two copies are required to be sent to the receiving officer for verification of the stores supplied and return of acknowledged copy to the store depot for record.

On a test check of 12 sensitive items of stores, it was observed that stores valued at Rs 17.12 crores were supplied to Telecom Sub-Division by

the officer in charge of the store depot through challans without preparation of issue notes.

Of the above, issue of stores valued at Rs 10.35 crores were regularised subsequently one month to 36 months after their issue by preparation of covering issue notes. For the balance stores worth Rs 6.77 crores issue notes had not been prepared at all.

It was further observed that in case of 35 issue notes relating to cable stores neither the master copy nor the supporting challans were available in the guard file maintained for the purpose at the stores depot. The acknowledged copies of the issue notes were also not available to show that the material was actually received by the authorities concerned.

The Officer in-charge of the store depot stated, in April 1994, that stores were issued to meet the targeted development works which were regularised subsequently and the stores valued at Rs 6.77 crores related to purchase items meant for the divisions concerned.

The reply is not tenable as issue of stores without preparation of covering issue notes tantamounts to unauthorised store transaction. Besides, in terms of the instructions of DOT, the purchase items of stores should have been received directly at the sites by the sub-division concerned. Receiving the stores relating to purchase items at the RTSD and mixing up of the same with other items of stores was irregular.

8.3.4.3 Write-back of stores

As per the departmental rules, stores issued during the financial year, but not physically despatched by the 15 April following, should be written back in the same year in which the issue of stores was accounted for and Telecom Stores, Calcutta intimated alongwith the write back vouchers

by the 30 April, so that the stores account could be adjusted before the closure of the annual accounts.

It was, however, observed that the above procedure was not followed at the RTSD. As a result, during 1990-93 stores issued but not despatched against 328 issue vouchers were not written back. Test check of pending issue vouchers revealed that of the above unadjusted cable stores not despatched against 57 issue vouchers relating to two out of nine Telecom Districts was valued at Rs 1.65 crores. The Officer in-charge of the RTSD stated in May 1995 that action was being taken to write back the store in the account year 1994-95.

8.3.4.4 Slow-moving and non-moving stores

34 slow/non moving items valued at Rs 1.72 crores have been lying in store for over four years. In addition, five items viz saddles-A, power plant 50V/12A, AH batteries, Group selector racks and relay selector racks valued at Rs 0.51 crore are surplus to the requirement of Orissa Circle on account of bulk receipt during 1991-93. These have not been taken into stock account of the depot and are lying in open. No action has been taken for disposal of these slow/non moving and surplus items valued at Rs 2.23 crores.

8.3.5 Verification of stores

Departmental rules provide that a continuous or progressive stock taking (PST) should be carried on by Officer-in-charge of stores in such a manner that all stores are completely verified once in six months for specified items and once in the course of a financial year for others. The rules also provide for continuous stock taking by independent stock verifiers (ISV) deputed by CGMTS, so as to obtain complete verification of each item of stores in the depot at least once a year.

Out of 1596 items of stores, the Officer in-charge of the RTSD conducted PST in respect of four items only during last six years even after it was pointed out by Audit in September 1993. Stock taking by ISV of only 34 items was conducted in November 1994. In the absence of continuous PST by officer in-charge and stock taking by ISV, there was no scope to verify the actual position of stock held in the depot.

8.3.6 Summing up

- **Failure of administration to follow the established systems and procedures in the RTSD, Bhubaneswar in the matter of receipt, issue and accounting of stores did not provide assurance about existence of effective control over correct receipt, issue, acknowledgment and accountal of stores. Audit scrutiny revealed cases of issue of stores worth Rs 2.18 crores in excess of indents, issues valued at Rs 17.12 crores without issue notes, non-receipt of acknowledgments from consignees for stores valued at Rs 2.18 crores, Non-disposal of non-moving and obsolete stores valued at Rs 2.23 crores and failure of the stores administration to conduct physical verification.**

- **Since failure to follow established procedures can lead to loss/pilferage/defalcation of government property, the department needs to appoint an Enquiry Committee to establish that there was no malpractice in the stores depot and streamline the system of store maintenance in future.**

The matter was referred to the Ministry in September 1995; their reply was awaited as of December 1995.

8.4 Remote area business message network

8.4.1 Introduction

Department of Telecommunications (DOT) established a satellite based data communication services to remote areas called remote area business message network (RABMN) with a capacity of 1000 connections in July 1991 at an expenditure of Rs 33.32 crores. The actual expenditure exceeded the amount (Rs 15.05 crores) approved by the Expenditure Finance Committee (EFC).

8.4.2 Working results

As per the memorandum submitted to the EFC the project was expected to be remunerative in about a year's time after commissioning. On its full loading, it was to yield a net profit of Rs 1.60 crores *per annum*. However, the forecast regarding viability of the project did not come out correct and the project was running at a loss since its commissioning in July 1991 as indicated below:

(Rs in lakhs)

Year	Gross revenue	Annual recurring expenditure (ARE)		Net Loss	
		Without interest on capital	With interest on capital	Without interest on capital	With interest on capital
1991-92 (From July 1991)	37.66	304.35	522.75	266.69	485.99
1992-93	125.21	405.80	697.00	280.59	571.79
1993-94	213.26	405.80	697.00	192.54	483.74
1994-95	258.85	405.80	697.00	146.95	438.15

(i) The cumulative loss incurred by the RABMN during July 1991 to March 1995 was Rs 8.87 crores without reckoning the interest on capital and Rs 19.79 crores with interest at 10 *per cent* on capital. Even the recurring expenditure on the project is not self supporting.

(ii) Further, as per the cash flow analysis presented before the EFC, net benefit of Rs 5.26 crores was expected from the project by the end of March 1995, after meeting all capital and operational/maintenance costs by the end of 1993-94. However, far from achieving the net cash inflow the project reflected a net liability of Rs 36.97 crores at the end of March 1995 worked out on the basis of cash outflow on capital investment, annual recurring expenditure and cash inflow from annual revenues during 1991-92 to 1994-95 on account of the following:

(a) As against the projected 1000 connections, only 499 customers have availed the service.

(b) The actual cost of setting up the network has gone up from Rs 15.05 crores approved by EFC in July 1987 to Rs 33.32 crores while the revenue has not increased pro-rata and instead has been less than the projections.

(c) The revenue realised was a meagre Rs 258.85 lakhs during 1994-95 on account of lower than expected connections while the annual recurring expenditure excluding the interest on capital employed worked out to Rs 405.80 lakhs. If the annual interest on capital is added, the net annual recurring expenditure is of the order of Rs 697 lakhs. Revenue income is only about 37 *per cent* of the ARE.

(d) The estimated unit cost of Rs 3 lakhs on micro terminals, which is to be borne by the customers, has gone up to Rs 7 lakhs on commissioning of the network which could be a disincentive for customers.

8.4.3 Achievement of objective

Finally, apart from the huge losses, the objective of launching the scheme viz. connecting the remote area subscribers to the cities/metropolis for quick data transmission has also not been fully achieved. Out of 499 users, 78 *per cent* are located in the urban centres where other means of data transmission could be available.

8.4.4 Other points:

(i) Master earth station equipment imported through Indian Telephone Industries was partially exempt from payment of Customs duty under Government's notification of March 1988. However, against Rs 11.03 crores which was required to be paid as customs duty, an amount of Rs 12.25 crores was actually paid resulting in an overpayment of Rs 1.22 crores. While accepting the audit observation, the department stated, in May 1995, that action was being taken to get refund of the amount of excess Customs duty.

(ii) Realisation of bills amounting to Rs 40.27 lakhs for the period from October 1992 to January 1995 was outstanding from Coal India Limited and its subsidiaries as of December 1995.

The matter was referred to the Ministry in October 1995; their reply was awaited as of December 1995.

CHAPTER 9

OTHER TOPICS

9.1 Non recovery of advance

Department of Telecommunications (DOT) placed a purchase order in October 1991 for 500 numbers of 2/15 Multi Access Radio Relay (MARR) System valued at Rs 38.52 crores on Marine Communication Electronic (MACE) Limited, Visakhapatnam, a State Government Undertaking. The systems were to be supplied by May 1992.

The purchase order on MACE was placed by DOT despite being aware that systems supplied by this firm, in December 1989, were found technically defective in many respects and production capacity of the firm was low. The firm had failed to supply 400 systems within the stipulated period i.e. by October 1991 against an earlier order of November 1990. As per terms of the purchase order, an advance of Rs 13.49 crores was paid in November 1991 to MACE being 35 *per cent* of the value of purchase order at commercial rate of interest. An indemnity bond for the amount of advance was obtained. The interest rate was subsequently brought down to 10 *per cent* at the request of the supplier. It amounted to giving undue benefit to the supplier.

The supplier failed to adhere to the delivery schedule and did not supply even a single system upto December 1992, when DOT short-closed the purchase order. However, DOT neither took any action to forfeit the Bank Guarantee of Rs 1.93 crores obtained initially from MACE against the purchase order nor any legal action was taken to invoke the indemnity bond for realising the amount of advance and interest.

The department stated, in August 1995, that the Director Telecom Stores, Madras was authorised in May 1993, to recover the entire advance alongwith the interest. However, the entire amount was still outstanding as of December 1995. In January 1994, the supply order was partially restored for 50 systems worth Rs 3.58 crores on the repeated requests of the Andhra Pradesh Government. However, no supplies were received as of October 1995.

Thus, injudicious purchase order has resulted in blocking of Rs 13.49 crores paid as advance which remains outstanding since November 1991 with little prospects of its early recovery, loss of interest of Rs 8.99 crores at commercial rates upto December 1995 and setback to Rural Communication Network.

The matter was referred to the Ministry in June 1995; their reply was awaited as of December 1995.

9.2 Idling of cross-bar equipment

Department of Telecommunications (DOT)/Chief General Managers Telecommunications (CGMT) procured cross-bar exchange equipment costing Rs 14.04 crores during 1985-1993, out of which equipment costing Rs 12.54 crores was lying idle as given below:

(i) Madhya Pradesh circle:

(a) Based on allotment of cross-bar exchange equipment made by DOT in August 1988, CGMT, Bhopal approved in December 1988 project estimate for installation of cross-bar exchange at Khandwa. Within nine months, he requested the DOT, in September 1989, for allotment of C-DOT exchange equipment. By the time DOT cancelled supply order in September 1991, cross-bar exchange equipment valued at Rs 1.46 crores

had already been received which was still lying unutilised as of March 1995.

(b) DOT sanctioned two estimates in 1984 for installation of cross-bar exchanges at Durg and Bhilai. Equipment valued at Rs 12.43 lakhs were received during March 1985 and September 1988. In December 1987, the DOT made allotment of 5000 lines E-10-B electronic exchange for Durg including 2000 lines Remote Line Unit (RLU) for Bhilai. The equipment was lying idle with no prospects of its further utilisation.

(ii) Andhra Pradesh Circle:

CGMT, Hyderabad sanctioned 2500 lines MAX-I cross-bar exchange at Mahbubnagar in September 1988 at a cost of Rs 322.24 lakhs. After two years, in December 1990, he requested the DOT for allotment of electronic exchange. A 3000 line electronic exchange was allotted in February 1991 which was commissioned in March 1994. Cross-bar exchange equipment worth Rs 60.98 lakhs were received upto March 1994, out of which, equipment valuing Rs 41.40 lakhs were lying in stock. Besides, Rs 2.18 lakhs was incurred upto December 1994 towards rent for godown and insurance charges.

(iii) Rajasthan Circle:

DOT/CGMT, Jaipur sanctioned, installation of cross-bar exchanges at Balotra, Bharatpur, Bhilwara and Udaipur during December 1984 and November 1989. However, the DOT allotted C-DOT/E-10-B electronic exchanges in all these four places between June 1989 and January 1991 in lieu of cross-bar exchanges. Meanwhile, cross-bar exchange equipment valued at Rs 10.22 crores was received at four places, of which equipment costing Rs 1.03 crores was diverted. Balance equipment valuing Rs 9.19 crores was still lying in stock.

(iv) Karnataka Circle:

DOT approved installation of a cross-bar exchange at Mandya in April 1988 and placed orders on ITI for supply of equipment. However, in August 1988, the GMT, Karnataka circle gave orders for diversion of cross-bar equipment received at Tumkur to Mandya without cancelling the supply order on ITI. The exchange was commissioned in June 1989. Meanwhile, cross-bar exchange equipment worth Rs 1.67 crores was received at Mandya, of which, equipment valued at Rs 0.28 crore was diverted and the remaining equipment costing Rs 1.35 crores remained unutilised. Besides, the department incurred Rs 2.07 lakhs towards rent of godown for storage of equipment since 1991 to February 1995.

Thus, deficient planning in allotment of exchange, delay in cancellation of orders for cross-bar exchange equipment and lack of coordination resulted in the department being saddled with equipment valued at Rs 12.54 crores, for which it has no use.

The matter was referred to the Ministry in April and August 1995; their reply was awaited as of December 1995.

9.3 Loss due to under-utilisation of exchange capacity

As per departmental instructions, the exchange capacity should be utilised to the extent of 90 *per cent* within six months of commissioning.

Test check by Audit revealed that the capacity of Chinchwad-I exchange under multi-exchange area of Pune Telephones was increased from 6000 to 6600 lines in January 1990. Full connectable capacity was not utilised during July 1990 to February 1995 though, a waiting list of more than 2663 existed during this period. This led to loss of potential revenue of

Rs 6.11 crores during the period from July 1990 to February 1995 at the rate of average revenue per telephone.

General Manager, Pune Telephones stated, in December 1995, that the optimum capacity could not be utilised pending transfer of areas among three exchanges namely Chinchwad-I, Chinchwad-II and Bhosary. The reply is not tenable as the area transfer was decided in 1989 itself. The actual area transfer was delayed and was completed in May 1993 and December 1994. Thus, lack of planning and delay in area transfer resulted in loss of potential revenue of Rs 6.11 crores besides inconvenience to the waitlisted persons, some of whom could have been provided with telephone connections much earlier.

The matter was referred to the Ministry in September 1995; their reply was awaited as of December 1995.

9.4 Irregular expenditure on local insulation of GI wire

The Chief General Manager Telecommunication (CGMT), Assam Telecom Circle, Guwahati received 32010 km of bare galvanised iron wire of 2 mm diameter (dia) at rates varying from Rs 455 to Rs 537 per km and 14600 km of 3.55 mm dia at rates varying from Rs 1237 to Rs 1481 per km during 1989-90 to 1992-93 under purchase orders placed by CGMT, Stores, Calcutta and on transfer from different depots to meet targets fixed by the Directorate for provision of new telephone connections.

Galvanised Iron (GI) wires, bare as well as insulated are stocked items and are procured centrally by the CGMT Stores, Calcutta. However, instead of obtaining insulated wire from CGMT Stores, Calcutta, the CGMT, Assam circle, got 9585 km of 2 mm dia and 12409 km of 3.55 mm dia of bare GI wire insulated with Polyvinyl Chloride (PVC) locally. The

cost of the GI wires after insulation by local firms worked out to Rs 1755 to Rs 1987 per km for 2 mm dia (insulation thickness 1 mm) and Rs 4087 to Rs 4681 per km for 3.55 mm dia (insulation thickness 1.5 mm) as against the central procurement price of GI insulated wire (insulation thickness 0.5 mm) at Rs 600.61 to Rs 707.20 for 2 mm dia and Rs 1652.56 to Rs 1731.60 for 3.55 mm dia by CGMT Store, Calcutta during the same period.

The action of CGMT, Assam Circle in getting it insulated instead of obtaining insulated GI wire through CGMT, Stores, Calcutta, was not only irregular but also led to irregular expenditure of Rs 4.79 crores.

The CGMT, Assam Circle Guwahati stated, in July 1995, that thick insulation on bare GI wire was necessary to meet the climatic conditions, heavy rain fall, thick vegetation growth, rough terrain etc.

The reply is not tenable since the specifications for insulation coating relevant for that period contained in No.52-29-87-TRC (Revised) dated 2 August 1988 prescribe insulation of 0.5 mm throughout the country.

The matter was referred to the Ministry in July 1995; their reply was awaited as of December 1995.

9.5 Wasteful expenditure and idle investment on purchase of cast iron pipes

According to the specifications for laying optical fibre cable (OFC), an additional protection of 150 mm diameter (dia) galvanised iron (GI) pipes at rail crossings and 75 mm dia GI pipes covered with concrete

cement in crossing culverts on nullahs and rail/road bridges is to be provided.

As per the provision included in the estimates of 44 schemes for OFC routes in Orissa Circle 75 mm and 100 mm dia GI pipes were to be used. Notwithstanding this, the Divisional Engineer Telecom Projects (DETP), Jeypore (subsequently shifted to Berhampur), Divisional Engineer Microwave Projects (DEMWP), Bhubaneswar and Director Telecom Projects (DTP), Sambalpur procured 48696 metres of 150 mm dia cast iron (CI) pipes valuing Rs 386.53 lakhs at a rate of Rs 745 per metre from a firm during October 1991 to November 1992 for use in OFC works.

Scrutiny by Audit in September 1992, revealed following irregularities:

(i) Purchase of cast iron pipes was made ignoring DOT's instructions to use only galvanised iron pipes.

(ii) Orders for 12374 metres CI pipes valued at Rs 99.22 lakhs were placed by DETP, Jeypore during October 1991 and August 1992 without inviting open tenders and without assessment of the requirement. DEMWP, Bhubaneswar and DTP, Sambalpur also placed orders for CI pipes at the same rate for 4015 metres and 32307 metres valued at Rs 31.67 lakhs and Rs 255.64 lakhs respectively on the same firm during December 1991 and November 1992. It was noticed that out of 48696 metres CI pipes procured, 7010 metres valuing Rs 21.30 lakhs were still lying in stock. Besides accounts of consumption of 2110 metres CI pipes procured at a cost of Rs 16.35 lakhs were not made available.

(iii) The Divisional Officer is empowered to purchase CI pipes, a non-stocked item, upto Rs 25000 at a time subject to annual limit of Rs 5 lakhs.

The DETP, Jeypore, DEMWP, Bhubaneswar and DTP, Sambalpur placed supply orders in disregard of the financial powers vested in them.

(iv) It was revealed that firm on which the order was placed was a trading concern which supplied CI pipes by purchasing it from a manufacturing firm, which was already on DGSD rate contract since July 1991. While the DGSD rate contract for 150 mm dia cast iron pipe during the period of the procurement ranged upto Rs 292.12 per metre, procurement was made at Rs 745 per metre in the present case. This action by the Divisional office to place supply orders beyond their financial powers at rates more than 2.5 times the DGSD rates resulted in excess payment of Rs 2.29 crores.

The matter was referred to the Ministry in August 1995; their reply was awaited as of December 1995.

9.6 Unauthorised purchase of telephone instruments

Department of Telecommunications (DOT) decentralised the procurement of electronic push button telephone (EPBT) instruments of tone pulse switchable (TPS) model in September 1992 and authorised the Chief General Managers Telecom (CGMsT) of the respective Circles to place purchase orders direct on designated suppliers at rates approved by DOT. The total quantity of EPBT for each Circle was determined by the DOT. The orders for supply were to be placed by CGMT in consultation with Internal Financial Advisor (IFA). The procurement of EPBT plan 103(1+1) instrument, however, continued to be centralised with DOT since procurement of EPBT-TPS instrument only was decentralised in September 1992.

In Bihar Telecommunication Circle Patna, the Assistant General Manager, Material Management (AGM-MM) placed a purchase order on 5 July 1993 on a firm for supply of 2000 sets of EPBT plan 103(1+1) telephone instruments with battery eliminator at Rs 2300 each valued at Rs 46 lakhs without inviting tenders. The AGM (MM) placed orders for supply of the sets without analysing the requirement as 551 sets were in stock on the date on which the supply order was given which were sufficient for requirement of 10 months on the basis of the total number of instruments utilised during July 1993 - November 1994.

The firm supplied 992 instruments costing Rs 28.42 lakhs by September 1993. Thereafter the purchase order was cancelled. Out of the above, only 719 sets were utilised until August 1995 and 273 instruments valuing Rs 7.83 lakhs were still lying in stock.

The AGM (MM) placed another purchase order for supply of 25000 EPBT instruments of TPS model valued at Rs 1.30 crores at the base price of Rs 521 plus Central Excise and Sales tax with the same firm on 5 July 1993 again without assessment of requirement and invitation of tenders. This concerned firm was not authorised by DOT for supply of EPBT (TPS) sets in respect of Bihar Circle. The purchase order was placed by the AGM (MM) without the approval of the CGMT. A supply of 15963 EPBT (TPS) instruments worth Rs 1.04 crores was received between July and September 1993 against above purchase order; the order was cancelled in September 1993 for the balance quantity.

Subsequently, the matter was put up for approval of the CGMT on 19 July 1993, who approved the proposal for EPBT(TPS) instruments, post-facto, as fait-accompli. Further, he also gave post-facto approval for purchase of EPBT plan 103(1+1), for which powers were not delegated to him.

The AGM (MM) placed orders beyond financial powers delegated to him from unapproved firms without assessing the actual requirement. This led to an irregular expenditure of Rs 28.42 lakhs on account of purchase of EPBT (Plan 103), and of EPBT (TPS) at Rs 1.04 crores.

The matter was referred to the Ministry in April/August 1995 for taking appropriate administrative action against AGM for transgressing his delegated authority and placing purchase orders on unapproved firms. The reply was awaited as of December 1995.

9.7 Avoidable expenditure on hiring accommodation

The Department of Telecommunications (DOT) issued instructions in June 1984 to ensure that demolition of old buildings is taken up in such a manner that by the time the demolition is over, the department is in a position to commence construction so that rent on hiring buildings could be minimised.

The office-cum-stores godown of the Assistant Engineer In-charge, Circle Telecom Store, Guwahati was functioning in Central Telegraph Office Compound departmental buildings at Panbazar, Guwahati. He shifted the offices to hired buildings during March 1990 to March 1992 without synchronising the demolition of the existing buildings with commencement of construction activity of new buildings. The buildings at Panbazar were demolished as per orders of Chief General Manager Telecommunications (CGMT), Assam Circle, between December 1991 and September 1992. The administrative approval and expenditure sanction (AAES) amounting to Rs 8.52 crores for construction of the buildings was issued in May 1994 by DOT two and a half years after demolition of the buildings. Even after three years of demolition and more than a year after

issue of AAES by DOT, the work order for construction of the new buildings could not be issued as of November 1995. Thus, the premature demolition of existing buildings has led to an avoidable expenditure of Rs 75.05 lakhs towards rent for the period from March 1990 to November 1995 at recurring monthly rental liability of Rs 1.37 lakhs.

The CGMT, Assam Telecom Circle, Guwahati stated, in May 1995, that the delay occurred in preparation of detailed preliminary drawings by the Architect and revision of the project estimates.

It is, thus, evident that buildings were demolished prematurely even without obtaining the sanction and finalisation of the drawings resulting in avoidable expenditure of Rs 75.05 lakhs on rent until November 1995.

The matter was referred to the Ministry in August 1995; their reply was awaited as of December 1995.

9.8 Avoidable expenditure

As part of modernisation programme of store depots, the Chief General Manager Telecom Stores, Calcutta procured 24 fork lift trucks without any requisition from store depots, at a cost of Rs 183.61 lakhs during November 1988 to April 1990.

Test check of utilisation of fork lift trucks in six store depots at Ambala, Cuttack, Guwahati, New Delhi, Nagpur and Jammu revealed that seven fork lift trucks supplied to them were not utilised at all in Ambala and Guwahati (two trucks) store depots. The trucks were used only for 60 hours, 113 hours, 173 hours and 270 hours in Nagpur, Jammu, New Delhi and Cuttack store depots respectively during the last 5 years due to lack of

workload. The operators for these trucks were not sanctioned/ posted as of August 1995 in any of the depots test checked by Audit, except Guwahati.

To an enquiry by Audit, Depot management, Guwahati stated that the fork lift trucks were not of any use to them as the storeyard was earthen and they did not have adequate workload for fork lift trucks.

Non-utilisation/low utilisation of the trucks was indicative of injudicious procurement, not based on proper assessment of requirement.

The procurement of the seven fork lift trucks, thus, resulted in avoidable expenditure of Rs 63.55 lakhs.

The matter was referred to the Ministry in August 1995; their reply was awaited as of December 1995.

9.9 Unnecessary procurement of equipment

Department of Telecommunications (DOT) decided in November 1979 to open Long Distance Public Telephone (LDPT) under Multi Access Rural Radio (MARR) system during Sixth Five Year Plan (1980-85). This policy was reviewed in January 1986 and it was decided to install MARR equipment only where it was cost effective and in remote and inaccessible rural areas, where the conventional method of erecting open wires could not be adopted. It was also decided to provide LDPTs on conventional overhead wires as far as possible. A MARR system is capable to serve an area upto 20 km radial distance.

Test check by Audit in May 1994 revealed that for the provision of LDPTs to the Gram Panchayats on conventional overhead lines, stores worth Rs 45.64 lakhs were received with the approval of Assistant General Manager (Cash & Stores) by the Telecom District Manager (TDM),

Bhavnagar under Gujarat Telecom Circle between October 1991 and July 1993 despite department's decision of August 1991 to provide LDPTs only on MARR system. The stores were still lying unutilised as of September 1995.

It was further noticed that TDM Bhavnagar also received in May and November 1993 two numbers 4/30 channel MARR systems of Indian Telephone Industries make costing Rs 15.45 lakhs for installation at Ghogha and Sihor base stations under Bhavnagar secondary switching area for providing LDPTs to Gram Panchayats. The allotment of these equipment by CGMT was made without studying the feasibility and ascertaining the necessity of installation of these equipment at these locations. It was observed that at Sihor a 2/15 channel MARR system was already commissioned in January 1993 and there was no justification for installation of a 4/30 channel MARR system at Ghogha as the radial distance of 20 villages out of 29 proposed to be covered under the system was more than 20 km from Ghogha. As such, bulk of the villages were not capable of being served by the system, which works only within a radial distance of 20 km. As such, the equipment could not be utilised resulting in an unfruitful expenditure of Rs 15.45 lakhs.

Thus, lack of proper planning and frequent policy changes resulted in unnecessary procurement of equipment valued at Rs 61.09 lakhs.

The matter was referred to the Ministry in August 1995; their reply was awaited as of December 1995.

9.10 Unnecessary purchase of High Density Poly Ethylene (HDPE) pipes - blocking of funds

The Department of Telecommunications (DOT) issued instructions, in February 1987, to discontinue use of High Density Poly Ethylene (HDPE) pipes for underground ducts in local network. However, the Director Telecom South (DTS), Ranchi approved a scheme, in disregard of DOT's instructions in February 1991 at a cost of Rs 1.50 crores for laying 24 way cable duct with 86.48 km class-3 HDPE pipes from Dhanbad telephone exchange to the proposed telephone exchange at Sariadhella. The value of HDPE pipes taken in the estimate was Rs 1.04 crores which constituted 69 *per cent* of the total cost of the scheme.

The Telecom District Engineer (TDE), Dhanbad had already placed orders on a Calcutta based firm on DGSD rate contract in November 1990, even before the approval of the project, for supply of 45 km of HDPE pipes, a non stocked item, at a cost of Rs 54 lakhs, which was beyond his financial powers as he was competent to make purchases only upto Rs 25000 of non-stocked items at a time subject to a limit of Rs 5 lakhs *per annum*. 47.4 km HDPE pipe was received between March and June 1991. Accessories worth Rs 9.97 lakhs were also procured by him in March 1991 at the rates approved by another division i.e. Divisional Engineer, phones, Ranchi from another firm.

However, the HDPE pipes and accessories could not be utilised on the proposed route and remained idle till February 1992 because the Chief General Manager Telecom (CGMT), Patna to whom a proposal for post facto approval of purchase and use of HDPE pipes was sent by DTS Ranchi, did not accord his approval. Meanwhile, the department used 8.755 km HDPE pipe locally during March 1992 - May 1993 in cable laying work and 6.870 km of pipe was transferred to other divisions during June

1993 - June 1995. The Balance 31.775 km pipe and accessories worth Rs 48.10 lakhs were still lying unutilised as of June 1995. Thus, unnecessary and irregular purchase has rendered the expenditure of Rs 48.10 lakhs questionable.

The matter was referred to the Ministry in September 1995; their reply was awaited as of December 1995.

9.11 Wasteful expenditure due to failure of cost check unit

The Department of Telecommunications (DOT) placed two purchase orders on Indian Telephone Industries (ITI), Raebareilly in April and May 1988 respectively for supply of 3000 and 5000 lines cross-bar exchange equipment for installation at Hubli Pinto Road and Shimoga in Karnataka circle.

While executing the above purchase orders, ITI supplied (June 1988-May 1990) 79 frames relating to electro - mechanical trunk automatic exchanges (TAXs) worth Rs 43.42 lakhs in addition to the cross-bar exchange equipment. The department's cost check unit functioning at the ITI's premises failed to cross check the description of these frames with those given in the respective purchase orders before authorising payment. The department, instead of returning them to ITI, diverted 32 frames to other places during April 1991 and January 1992 and the balance 47 frames were still lying in stock as of August 1995. There are no prospects for utilisation of the frames diverted as well as those lying in stock as the department has phased out all the electro-mechanical TAXs in the country since March 1992 through installation of digital electronic exchanges.

Thus failure of the department to check the supplies against the purchase orders resulted in wasteful expenditure of Rs 43.42 lakhs.

The matter was referred to the Ministry in July 1995; their reply was awaited as of December 1995.

9.12 Irregular payment of Octroi

Mention was made in Paragraph No. 46 of the Report No. 4 of 1989 of the Comptroller and Auditor General of India, Union Government (Posts and Telecommunications) about irregular payment of Octroi of Rs 42.81 lakhs to the Nagar Mahapalika, Lucknow in violation of Article 285(1) of the Constitution of India as per which property of Union Government shall be exempt from all taxes imposed by a state or authority except where they were authorised to levy them prior to the coming up of the Constitution of India. The department in their Action Taken Note had stated that on a writ petition filed by them in 1988 the Hon'ble High Court Allahabad (Lucknow bench) restrained the Nagar Mahapalika from charging Octroi duty till disposal of the case.

Test check revealed that Telecom District Manager, Faridabad, General Manager Telecom, Amritsar and Telecom District Engineer, Hoshiarpur paid Rs 17.84 lakhs, Rs 18.05 lakhs and Rs 6.07 lakhs respectively to the respective Municipal Corporations as Octroi charges on the Telecom equipment/ stores received during April 1991 to March 1995. The Octroi charges were paid by the department inspite of the provision in the Constitution to exempt property of the Union Government from all taxes.

The department stated in December 1991, December 1992 and February 1994 that the Municipal authorities did not agree to grant exemption. However, the Department of Telecommunications failed to bring to the notice of field units the injunction granted by the Lucknow Bench of Allahabad High Court restraining Lucknow Municipality from

charging Octroi to enable them to obtain similar injunction from respective High Courts.

The matter was referred to the Ministry in June 1995; their reply was awaited as of December 1995.

9.13 Payment of cess

As per the decision of the Government of Maharashtra dated 18 February 1980, State Government/Central Government Departments are exempt from levy of Education Cess and Employment Guarantee Cess on the premises taken on lease for their use.

The offices of Chief General Manager, Telecommunications (CGMT), Maharashtra Circle and Chief General Manager Telecommunications Project (CGMP), Mumbai are located in a building, whose first two floors are taken on lease by the Mahanagar Telephone Nigam Limited (MTNL), Mumbai since April and October 1985. The offices of CGMT and CGMP occupy approximately 29281 sq ft out of the total plinth area of 81780 sq ft taken on lease by the MTNL. As per the existing arrangement, the rent is paid by the MTNL and the pro-rata rent is reimbursed to it by the CGMT and CGMP, Mumbai.

An amount of Rs 37.28 lakhs was paid towards Education Cess and Employment Guarantee Cess during the period April/ September 1985 to September 1994 for the portion occupied by the CGMT and CGMP which are exempt from such payment.

The Ministry stated, in December 1995, that Municipal Corporation of Greater Mumbai has agreed to refund the amount of cess paid by the offices of CGMT and CGMP. Confirmation of refund was awaited as of December 1995.

9.14 Wasteful expenditure in installation of a higher capacity electronic telex concentrator

The General Manager Telecommunications (GMT), Orissa Circle, Bhubaneswar sanctioned, in April 1988 a project for installation of 150 lines electronic telex concentrator, in replacement of the existing 100 lines Strowger telex exchange at Cuttack at an estimated cost of Rs 98.19 lakhs. The electronic telex concentrator was commissioned in April 1993 at a cost of Rs 115.17 lakhs.

It was observed by Audit, in February 1995, that at the time of sanction of the project estimate, the number of working connections was 58 and there was no waiting list. Thus, the department did not have any justification for increasing the capacity of the concentrator from 100 to 150, while replacing the existing concentrator with electronic concentrator. As of April 1995, there were only 61 working connections.

The Telecom Divisional Manager (TDM), Cuttack attributed slackness in demand to subscribers preference for fax. Thus, the decision of the department to increase the capacity of the concentrator from the existing 100 lines to 150 lines while replacing it with an electronic exchange resulted in avoidable expenditure of Rs 33.96 lakhs, being the difference in cost of 150 and 100 lines electronic concentrators.

The matter was referred to the Ministry in August 1995, their reply was awaited as of December 1995

9.15 Excess payment of Central Excise duty and State Sales tax

Rural Automatic Exchanges (RAX) and Integrated Line and Trunk (ILT) exchanges (upto 512 ports capacity) procured by the Department of Telecommunications (DOT) for Rural Telecommunication network were exempted from Central Excise duty in excess of 15 *per cent ad valorem* in terms of Government of India notification of March 1990 as further amended from time to time. The concessional duty was available on furnishing a certificate issued by an officer not below the rank of General Manager in DOT through the manufacturer concerned at the time of clearance of RAX/ILT exchange equipment to the effect that these were required for the establishment of a Rural Telecommunication network by DOT and would not be used for any other purpose.

Mention was made in paragraphs 9.14 and 9.18 of the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1993 and 1994, Union Government (Posts and Telecommunications) respectively about non-availing of this concession in Central Excise duty amounting to Rs 57.62 lakhs (inclusive of State Sales tax) by the department.

It was further observed by Audit, in September 1993 and September 1994, that the department placed purchase orders between February 1991 and October 1993 for supply of RAX and ILT exchange (upto 512 ports capacity) for installation in 8 rural exchanges in Tamil Nadu Circle. The supplies were received between March 1991 and March 1994. The department could not avail concessional Central Excise duty due to its failure to furnish the prescribed certificate. This resulted in an excess payment of Central Excise duty of Rs 31.47 lakhs. In addition, the department had to make excess payment of State Sales tax, surcharge and additional surcharge on Sales tax amounting to Rs 1.23 lakhs.

The matter was referred to the Ministry in April 1995, their reply was awaited as of December 1995.

9.16 Wasteful expenditure in laying underground cables at Puri

The Sub-divisional Officer Phones (SDOP), Puri utilised a total of 19224 conductor kilometre (ckm) of cables of which 5066 ckm was of diameter (dia) 0.63 mm in place of the standard specification of 0.51 mm, in the project for increasing the capacity of Puri C-DOT exchange from 2000 to 3000 line. The sanctioned estimates of the project also provided for laying of cables of dia 0.51 mm only.

The utilisation of cables of higher specification resulted in wasteful expenditure of Rs 27.91 lakhs being the difference of the prices of the cable of the two specifications utilised in the project.

SDOP, Puri stated, in May 1995, that against his indents for cables of dia 0.51 mm, the Retail Telecom Store Depot (RTSD), Bhubaneswar supplied cables of dia 0.63 mm, which were utilised in view of the targeted commissioning of 3000 lines C-DOT exchange.

The reply of the SDOP is not tenable. RTSD, Bhubaneswar had supplied 14620 ckm cables of dia 0.51 mm which was sufficient to meet the requirement of 14555 ckm cables included in the approved estimates of the project. Extra quantity of cable used in project could have been obtained from RTSD Bhubaneswar, which is only 60 km from Puri, rather than utilising cable of higher specifications, which resulted in avoidable expenditure of Rs 27.91 lakhs.

The matter was referred to the Ministry in September 1995; their reply was awaited as of December 1995.

9.17 Avoidable expenditure on procurement of reinforced cement concrete pipes

General Manager Telecom Project (GMTP), Jalandhar placed 64 purchase orders for a total of 1.24 lakh metres 150 mm RCC pipes for laying optical fibre cable valuing Rs 115.74 lakhs during October 1993 to March 1995 at Rs 93.65 and Rs 88.25 per metre on 14 firms by splitting the total purchases with a view to keep the amount of each purchase within his financial powers. The orders were placed without inviting open tenders.

Test check by Audit in April 1995 of the records of another officer of the department i.e. General Manager Telecom (GMT), Jalandhar revealed that he had purchased same type of RCC pipes at much lower rates of Rs 80.39 and Rs 73.08 per metre during 1993-94 and 1994-95 respectively under open tender system.

Thus, the GMTP, Jalandhar not only committed irregularity in placing the purchase orders by splitting them, but also caused loss to Government of Rs 24.53 lakhs by not adopting open tendering system.

The GMTP, Jalandhar stated, in April 1995, that the purchases were made at rate contract approved by Punjab Government between November 1989 and February 1994. The contention is not tenable as in the first instance he was not competent to approve the total purchases made during the two years. Besides, he failed to enquire the rates being paid for similar pipes by another officer of the department and did not invite open tender to get the benefit of competitive rates.

The matter was referred to the Ministry in August 1995; their reply was awaited as of December 1995.

9.18 Extra expenditure on purchase of reinforced cement concrete spun pipes

Divisional Engineer, Microwave Projects, (DEMWP), Bhubaneswar procured 53.87 km of reinforced cement concrete (RCC) pipes and collars, both non-stocked items, between July 1990 and December 1992, costing Rs 56.05 lakhs. Divisional Engineer Telecom Projects (DETP), Jeypore, Orissa also procured 13.35 km of RCC pipes valuing Rs 11.19 lakhs between January and August 1992.

Scrutiny of documents revealed that they placed orders for supply of pipes without inviting open tenders and conducting rate analysis. The rates were finalised on the basis of quotations collected from two local firms namely M/s Konark Spun Pipes Company, Koraput and Balaji Spun Pipes Company, Bhubaneswar. Both the firms were registered with the Directorate of Export Promotion and Marketing, Government of Orissa, Bhubaneswar for supply of RCC pipes and collars and had entered into a rate contract for supply of pipes and collars of identical specifications at rate much lower than at which orders were placed by DEMWP, Bhubaneswar and DETP, Jeypore from time to time. The divisional officers did not verify the rates of pipes and collars offered by these firms to other Government departments/agencies before finalising the rates. They purchased the pipes and collars by transgressing their financial powers at rates 1.28 to 2.84 times higher than the rate contract with Directorate of Export Promotion and Marketing for identical specifications. This resulted in extra expenditure of Rs 23.21 lakhs.

The matter was referred to the Ministry in August 1995; their reply was awaited as of December 1995.

9.19 Avoidable expenditure on laying of cable

Department of Telecommunications (DOT) issued instructions in February 1988 that cable laying work may be entrusted to outside agencies only when the existing labour force with the department is fully occupied. The instructions were reiterated in October 1988.

During test check of records of the Telecom District Engineer (TDE), Ajmer, in June 1993, it was revealed that in contravention of the instructions, cable laying work was done through contractors during 1989-90 to 1992-93. This resulted in avoidable expenditure of Rs 22.39 lakhs.

While replying to audit observation, TDE Ajmer stated in September 1993 that surplus labourers available with his office were deployed as drivers, peons, on development works, for giving new telephone connections and for replacement of overhead lines by dropwire etc. The reply of TDE is not tenable, as scrutiny of records, in June 1994, revealed that after adjusting the daily mazdoors for the above jobs, the TDE, Ajmer was still left with 56 to 66 surplus labourers daily during that period, while the contractor had deployed only between 10 to 30 mazdoors daily.

The matter was referred to Ministry in August 1995; their reply was awaited as of December 1995.

9.20 Infertuous expenditure in laying of cable

An estimate for laying 20 pairs underground cable by replacing overhead alignment between Barbil and Bolani in Keonjhar was sanctioned by Telecom District Engineer (TDE), Dhenkanal at a cost of Rs 11.08 lakhs. 11.016 km cables valuing Rs 18.24 lakhs were laid through a

contractor during July and September 1991 for which he was paid Rs 2.42 lakhs.

However, of the above, 6.813 km of cables valuing Rs 11.23 lakhs were reported stolen between July and December 1991 for which first information report (FIR) was lodged with the police between July 1991 and December 1991. Thus, while on one hand cables were stated to be laid, on the other, thefts continued over a period of six months. The Sub-divisional Officer, Telecom, Keonjhar/TDE Dhenkanal did not produce measurement books when asked for by Audit to check the correctness of cables stated to have been laid. In his reply he stated that Measurement Books (MBs) were maintained and after passing the bill, these were returned to the contractors. Since MBs are basic departmental records, their return to contractors is not understandable. In the absence of the MBs, it was not possible to vouch-safe the genuineness of the payments made to the contractor.

No fresh cables were laid in place of stolen cables and the long distance connections were diverted to Bolani exchange, being within its local area, after stable trunk media was given through microwave link.

TDE, Dhenkanal stated, in April 1995, that Barbil was theft prone area. He added that as the cable was not commissioned, it was not possible to know the dates of thefts.

Thus, an expenditure of Rs 20.66 lakhs, which included extra cost of Rs 4.12 lakhs on unauthorised use of cable of higher specification (10 lbs in place of standard specification of 6.5 lbs) incurred on laying the underground cables between Barbil and Bolani had gone waste on account of alleged theft carried out over a period of six months, during which the work of laying the cable was also in progress.

The matter was referred to the Ministry in August 1995; their reply was awaited as of December 1995.

9.21 Avoidable payment of handling charges

Department of Telecommunications (DOT) placed nine purchase orders with three Public Sector Undertakings (PSU) for supply of 620 numbers of 30 and 120 channels digital ultra high frequency terminals and accessories including equal number of antennae costing Rs 71.37 crores between January 1989 and June 1991. In terms of the agreement, the PSUs were to supply antennae after procuring the same from a Madras based private manufacturer.

It was noticed in Audit that while the PSUs placed orders on the private manufacturer for the antennae to be supplied direct from Madras to the ultimate consignees, it charged 8 *per cent* handling charges. Since the antennae were being procured directly from the private manufacturer, a fact known to the department, they ought to have delinked this item and obtained them directly from the private manufacturer, thereby saving Rs 16.84 lakhs towards handling charges.

The Ministry stated, in September/October 1995, that the issue regarding placement of direct orders for antennae on Madras firm was examined before placement of orders as a package and it was decided that the antennae should come alongwith the main equipment so that there should not be any problem at the time of installation and commissioning of the system and there is no mismatch in the equipment supplied by other manufacturer.

The reply of the Ministry is not tenable as the department had procured the antennae directly from the same firm in August 1988 for

utilisation in their network and the PSUs did not have any role in integration of the antennae with the system.

Thus, injudicious decision of procuring antennae through PSUs instead of direct procurement from the approved supplier led to an avoidable payment of handling charges of Rs 16.84 lakhs.

9.22 Avoidable loss of revenue

A 1000 line C-DOT telephone exchange was set up in March 1993 in replacement of the existing 90 lines MAX-III exchange at Kadakkal under Kollam switching area. The department failed to ensure that cable laying work was ready by the time the exchange was set up. On account of non-synchronisation of setting up of exchange and laying of cable work, it could not utilise the prescribed connectable capacity of 90 *per cent* of the exchange within six months of commissioning of the exchange, though large number of subscribers were waitlisted. Only 60 *per cent* of connectable capacity was utilised by September 1993, i.e. six months after the commissioning and the department took nearly two years to utilise the optimum capacity. The shortfall in providing connections to the waitlisted subscribers upto the connectable capacity within six months of commissioning of the exchange resulted in avoidable loss of potential revenue of Rs 14.49 lakhs during October 1993 to August 1995, besides inconvenience to the public who were waiting for the telephone facility to be provided by the Telecom Department.

The Telecom District Manager, Kollam admitted in February 1994 that the underutilisation was due to delay in cable laying work.

The matter was referred to the Ministry in July 1995; their reply was awaited as of December 1995.

9.23 Non-recovery of damage charges

In order to facilitate laying of gas pipeline and to avoid damage to the underground cables of the department, Gujarat Gas Company Limited (GGCL) asked the General Manager Telephones, Surat in December 1989 to supply the route diagram of underground cable network in Surat city. The GGCL also requested the department one day prior to actual dates of excavation (7 May and 1 June 1991) to depute supervisors to guard telephone cable during actual excavation. However, the department did not coordinate with GGCL to supply proper cable route diagram and depute supervisors at the time of excavation, which resulted in damage to the departmental underground cables and consequent failure of telephone services in various areas. The department had to spend Rs 29.46 lakhs in May/June 1991 to rectify the damages.

On being pointed out by Audit in August 1991, Rs 15 lakhs were realised between April and July 1992. Rs 14.46 lakhs are yet to be realised as of June 1995. The recovery of the balance amount was remote as GGCL has disputed the claim. Had the department coordinated with GGCL and taken appropriate steps, damages to departmental property and inconvenience to subscribers could have been avoided.

The matter was referred to the Ministry in June 1995, their reply was awaited as of December 1995.

9.24 Idle investment

Administrative approval and expenditure sanction for construction of a Remote Line Unit (RLU) building at Perungudi was accorded by the General Manager, Madras Telephones in November 1987 at an estimated cost of Rs 9.35 lakhs. The construction of the building was completed at a

cost of Rs 14.28 lakhs and made over to installation wing in June 1991. Meanwhile, the equipment for the RLU at Perungudi was received in 1988 and again in 1989. However, since the building was not ready, some of them were diverted to other stations during 1988-91. In September 1991, it was decided that installation of exchange would not be taken up in that building due to induction effect caused by a nearby electricity sub-station.

The RLU building has remained almost unutilised since its construction in June 1991. The RLU at Perungudi planned nine years back in 1986 was yet to come up as of July 1995.

The CGM, Madras Telephones stated in June 1993 that the installation of RLU at Perungudi was deferred for the present for want of equipment and that the technical hitch due to proximity of the electricity sub-station would be taken care of at the time of equipment installation.

The reply is not tenable as the required equipment was delivered earlier but had to be diverted elsewhere as the building was not ready. The point relating to proximity of the electricity sub-station should have been taken care of before selection of the site for building. Further, the department took no remedial action for removal of the induction effect caused by the electricity sub-station despite recommendations made in that regard by the Power Telecommunication Co-ordination Committee in December 1990.

The matter was referred to the Ministry in October 1995; their reply was awaited as of December 1995.

9.25 Idle investment on procurement of steel

Executive Engineer, Telecom Civil Division, Jalandhar paid an advance of Rs 74.57 lakhs in October 1992 to the Steel Authority of India Limited for supply of 600 tonnes steel of various diameters which included 99.530 tonnes of 22 mm diameter steel valuing Rs 11.15 lakhs. The supply was completed in November 1992.

The stock of 22 mm diameter steel in October 1992, in his store was 43.458 tonnes. With the receipt of 99.530 tonnes during October to November 1992, the stock level increased to 142.988 tonnes. The consumption of steel of this diameter between October 1992 and November 1994 was only 5.744 tonnes leaving a balance of 137.244 tonnes valuing Rs 15.37 lakhs with no future prospects of utilisation. Thus, procurement of 22 mm diameter steel was not need based.

The Executive Engineer, Civil, Jalandhar attributed (January 1995) the heavy stocks to non-utilisation of steel due to formation of a separate Telecom Civil Division at Ludhiana bifurcating Telecom Civil Division, Jalandhar in January 1993, when major works were transferred to that division.

The reply is not tenable as Ludhiana Civil Division made no purchase of 22 mm diameter steel after its formation in January 1993. Before formation of Ludhiana division, 4 tonnes of 22 mm diameter steel was lying in Ludhiana sub-division of which 0.815 tonne was still lying unused as of July 1995.

Thus, procurement of steel in October 1992 resulted in idle investment of Rs 11.15 lakhs for nearly three years with no prospects of its utilisation in the near future.

The matter was referred to the Ministry in June 1995; their reply was awaited as of December 1995.

9.26 Unauthorised expenditure

Procurement of 1+7 analogue subscriber carrier system was centralised in Department of Telecommunications (DOT). In March 1992, DOT asked the heads of circles to intimate their requirement of this system during 1992-93 to enable them to take procurement action. In October 1992, DOT issued instructions that no orders should be placed by any field unit on the manufacturers at the price at which the system was procured earlier, since the prices had come down.

However, the General Manager (GM), Punjab Telecom Area, Jalandhar placed orders for supply of 90 units of the system in September 1992 on a private manufacturer at a cost of Rs 61.11 lakhs in violation of DOT instructions. This firm on which orders were placed was not approved by the DOT for supply of this system. The orders were placed without inviting open tender at a price higher than that on which orders were earlier placed on other firms by the DOT. Scrutiny by audit further revealed that the requirement of the number of units of this system was not worked out before placing orders, as only 61 units were utilised between December 1992 and September 1995 and 29 sets, including 10 defective sets valuing Rs 24.22 lakhs were lying unused as of October 1995.

Subsequently, in June 1993, DOT fixed a price of Rs 58240 per unit on the basis of rates received in response to its tenders. Thus, due to violation of the instructions of DOT, an extra expenditure of Rs 10.69 lakhs on procurement of 90 sets at Rs 67900 per set in place of Rs 58240 was incurred.

The GM, Punjab Telecom Area stated, in April 1995, that instructions of October 1992 were received by him in December 1992, by which time the equipment were already received. The reply of the GM, Punjab Telecom Area, is not tenable since he placed orders for supply at higher rate without inviting tenders and without assessing the requirement.

The Department of Telecommunications needs to conduct an enquiry and take disciplinary action against the officer, if it is established that orders were placed to give benefit to a private vendor.

The matter was reported to the Ministry in September 1995; their reply was awaited as of December 1995.

9.27 Excess payment to suppliers

Under the Modified Value Added Tax (MODVAT) scheme introduced in March 1986 the suppliers are allowed credit in excise duty paid on the goods used or in relation to the manufacture of the final product for utilising the said credit towards payment of excise duty leviable on the final products.

Test check by Audit in July 1994 revealed that the General Manager Telecommunications (GMT), Kanpur made purchases of drop wire during 1992-94. While calculating price variation, base price of raw material used viz. copper fixed by the department included the element of excise duty also. Since under the MODVAT scheme, credit is taken of the duty paid at intermediate stage(s) while paying the duty on final product viz. drop wire, this resulted in an excess payment of Rs 10.66 lakhs.

In reply the GMT, Kanpur stated, in April 1995, that as per Department of Telecommunications (DOT) instructions, issued in November 1994, the benefits under MODVAT were being passed on to the

department by way of competitive quotations by the vendors in the tender and as such it was in-built in the cost structure. However, an examination of the case in DOT revealed that while fixing the basic rate of raw material viz copper wire rod, the DOT had also included the element of excise duty and accordingly issued the above instructions which led to excess payment. This is further supported by the fact that DOT has fixed basic price after excluding excise duty element from base price and accordingly issued revised instructions in June 1995, to work out the price variation on copper rod wire and other copper based items on the revised basic price of copper rod excluding the excise duty.

Since test check in audit of only one district brought out an overpayment of Rs 10.66 lakhs; the revenue implications of such purchases made by DOT all over the country is likely to be very high. However, no action to recover the excess payments made on such purchases has yet been taken by the department.

The matter was referred to the Ministry in December 1995; their reply was awaited as of December 1995.

9.28 Infertuous expenditure in laying of cable at Sirsa

In September 1990 the Indian Air Force (IAF) station, Sirsa, made enquiries from Sub-divisional Officer Telephones, Sirsa for providing 25 speech circuits and 3 telegraph circuits. Instead of responding to the enquiries made by Air Force Station the department took up laying of cables without going through formalities like obtaining firm demand from IAF, sanction of estimates, quoting of rent and guarantee terms and obtaining acceptance thereof etc. When about 90 *per cent* of the cable laying work had already been completed in May 1991 at an expenditure of Rs 9.20 lakhs, the department quoted the rent and guarantee terms. This

was not accepted by the IAF authorities as the Air Force Station took the plea that no firm demand was placed by them.

Thus, laying of cables without receipt of firm demand from IAF authorities resulted in infructuous expenditure of Rs 9.20 lakhs.

The matter was referred to the Ministry in August 1995; their reply was awaited as of December 1995.

9.29 Wasteful expenditure

Telephone directories are published by private publishers at their cost, who retain partly the revenue from advertisements included in these directories. General Manager (GM) Bangalore Telecom District (BGTD) in Karnataka Circle entered into an agreement in September 1987 with a Delhi based firm (Contractor) for printing and supply of five consecutive annual issues of their telephone directories commencing from the year 1988. The agreement covered free supply of equal number of supplements, normally to be issued 6 months after issue of each of the main directory including additions, deletions and changes which take place since the release of the annual issue.

While five issues of the main directory (1988-1992) were supplied by the contractor during the period from October 1988 and December 1993 against the above contract, no supplement was got printed even though GM, BGTD got five changed number lists printed departmentally between January 1989 and October 1994. In the process, the department incurred an avoidable expenditure of Rs 7.97 lakhs. The department did not even approach the contractor for printing of the changed number lists as supplements free of cost as per the agreement.

On being pointed out by Audit, in April 1993, GM, BGTD stated that DOT's guidelines were only for main directory and not for changed number lists.

The reply is not tenable as the agreement provided for printing of supplements normally 6 months after issue of each of the main directory containing additions, deletions and changes which take place since the release of the annual issue.

The matter was referred to the Ministry in September 1995; their reply was awaited as of December 1995.

9.30 Avoidable payment of penal charges on electricity due to non-maintaining power factor

According to the terms of agreement entered into in August 1991 by the Telecom District Engineer, Latur in Maharashtra circle with the State Electricity Board, Maharashtra for supply of high tension electricity for Latur Telephone Exchange, the shortfall in maintaining power factor (the ratio of power actually consumed to that drawn from the supply system is termed as power factor of the load) upto 0.85 till 20 May 1992 and 0.90 thereafter attracted penal charges at the rate of 0.5 *per cent* of the monthly bill (excluding fuel charges, adjustment charges, meter rent and electricity duty) for each 1 *per cent* fall in the power factor below the minimum limit. Such shortfall can be avoided by installing adequate capacitors panel depending on load for correcting the power factor.

However, the department could not maintain minimum power factor as per agreement since they did not install the capacitors and thus, paid Rs 7.31 lakhs towards penal charges between January 1992 and November

1994. The capacitors panel was installed only in November 1994 for maintaining the minimum power factor.

The delay on the part of the department resulted in avoidable payment of penal charges of Rs 7.31 lakhs.

The matter was referred to the Ministry in June 1995; their reply was awaited as of December 1995.



(VIJAY KUMAR)
Director General Of Audit
Posts and Telecommunications

Delhi
The 26 FEB 1996

Countersigned



(C.G.SOMIAH)
Comptroller and Auditor General of India

New Delhi
The 16 MAR 1996

Appendix I

(Referred to in Paragraph 1.8.2 at page 8)

Physical targets and achievements for 1992-93 to 1994-95

Sl. No.	Particulars	Revised targets for Eighth Plan 1992-97	Physical targets 1992-93	Actuals/achievement	Physical targets 1993-94	Actuals/achievement	Physical targets 1994-95	Actuals/achievement
1	2	3	4	5	6	7	8	9
1.	Expansion of Postal Network							
	Opening of Post Offices	2090	700	751	771	782	230	35
	(i) EDBOs	1440	600	635	671	667	80	4
	(ii) DSOs	650	100	116	100	115	150	31
	(iii) Supply of letter boxes	-	-	-	-	-	56000	42250
	(iv) Opening of Panchayat Dak Sewa Kendra	2500	-	-	-	-	500	-
	(v) Upgradation of operational equipment	350 offices	-	-	-	-	100 offices	230
2.	Mechanisation and Modernisation							
	(i) Multipurpose counter machine	5000	1000	Nil	1000	250	1000	1500
	(ii) Modernisation of Post offices	1053	-	-	-	-	53	115
	(iii) MIS Dak Bhawan and 19 circle head quarters		-	-	-	-	-	-
	(iv) Computerisation of Head Post Offices	Major Head Offices	3 metro cities (Mumbai, Calcutta Madras)	3	Major HPOs	0	0	0
	(v) Mechanisation of cash supply in rural areas	100 vans						
	(vi) Track and trace	22	-	-	2	2	2	2
	(vii) Money transfer and electronic mail	75	Formulation of scheme for 75 towns	Formulated	75 locations	-	26 locations	26

1	2	3	4	5	6	7	8	9
	(viii) Franking machines	-	-	-	30	-	40	-
	(ix) Stamp cancelling machines	-	-	-	-	-	185	-
	(x) Stamp and seals	25000	1000	100	8000	6000	20000	14000
	(xi) Mechanised/sorting equipment	Metro cities	2 (Mumbai/ Madras)	1 (Mumbai)	1	-	one at Madras	1
3.	Construction of Postal Buildings and staff quarters							
	(i) Postal buildings	-	130	141	NA	105	188	121
	(ii) Staff quarters	-	250	236	NA	297	456	346
4.	Manpower Development (Training Project)							
	(i) In-service training to departmental officials	32500	6500	8624	6500	5569	7100	5675
	(ii) Refresher training to All EDBPMs	All super-EDBPMs	23800	Nil	23800	50000	50000	-
	(iii) Refresher training for savings bank personnel	All supervisors	-	-	-	-	-	-
	(iv) Training in computers	22500	0	0	4900	4108	4900	4277
	(v) Management development training programme for officers	-	-	-	-	-	-	-
	(vi) Training for trainers	-	-	-	-	-	-	-
5.	Mail Motor Service (Transport service)							
	(i) MMS Vehicles	560	112	123	112	124	37	37
6.	Marketing							
	(i) Market survey on speed post	-	-	-	1	1	1	-
	(ii) Survey of services offered by department	-	-	-	-	1	1	-
	(iii) Film on speed post	-	-	-	1	1	1	-
	(iv) Film on corporate image building	-	-	-	1	1	1	-
7.	Speed Post Service							
	(i) Establishment of business centres	-	5	-	5	5	48	48
	(ii) Renovate speed post centres	-	-	-	-	-	-	-
	(iii) Manpower recruitment	-	-	-	-	-	-	-

1	2	3	4	5	6	7	8	9
8.	Railway Mail Service Vehicles							
	(i) Construction Vans	20	-	-	-	-	-	-
	(ii) Re-modelling	398	20	-	20	15	5	5
9.	Material Management							
	(i) In-house printing machines	12	4	4	4	3	4	-
	(ii) Paper cutting machines	12	4	1	4	5	4	-
	(iii) Computerised PSDs and Directorate	46 PSDs and Directorate	-	-	-	11 PSDs and Directorate	20	20
10.	Postal Life Insurance							
	(i) Computerisation	3 circles	5 circles	5 circles	3 circles	1	5	5
	(ii) Upgradation	-	2 circles	2 circles	3 circles	2	2	2
	(iii) Training on computerisation	-	-	-	-	-	-	-

Appendix II
(Referred to in Paragraph 3.7 at page 25)
Agewise break-up of PLI claims settled

Circle Year	No. of claims settled on due date	No of claims settled after a delay upto 6 months upto one year	Claims settled upto delay exceeding 6 months	Claims settled after delay over one year upto two years	Claims settled after delay exceeding two years
1	2	3	4	5	6
Andhra Pradesh					
<u>1991-92</u>					
Maturity	95	1527	247	38	-
Death	21	194	77	89	7
<u>1992-93</u>					
Maturity	96	1548	251	41	-
Death	20	199	80	92	7
<u>1993-94</u>					
Maturity	112	1769	287	44	-
Death	29	271	108	124	11
<u>1994-95</u>					
Maturity	120	1899	308	47	-
Death	21	208	83	96	8
DELHI					
<u>1991-92</u>					
Maturity	999	37	49	NIL	NIL
Death	53	20	11	NIL	NIL
<u>1992-93</u>					
Maturity	986	43	38	NIL	NIL
Death	40	35	15	NIL	NIL
<u>1993-94</u>					
Maturity	1022	39	24	NIL	NIL
Death	63	52	-	NIL	NIL
<u>1994-95</u>					
Maturity	1081	18	12	NIL	NIL
Death	80	29	NIL	NIL	NIL
KERLA					
<u>1991-92</u>					
Maturity	422	4	NIL	NIL	NIL
Death	55	8	NIL	NIL	NIL
<u>1992-93</u>					
Maturity	440	4	NIL	NIL	NIL
Death	75	2	NIL	NIL	NIL
<u>1993-94</u>					
Maturity	488	2	1	NIL	NIL
Death	58	4	NIL	NIL	NIL
<u>1994-95</u>					
Maturity	555	1	NIL	NIL	NIL
Death	100	1	NIL	NIL	NIL
MADHYA PRADESH					
<u>1991-92</u>					
Maturity	261	327	NIL	NIL	NIL
Death	123	4	NIL	NIL	NIL
<u>1992-93</u>					
Maturity	62	443	-	NIL	NIL
Death	133	5	2	1	NIL
<u>1993-94</u>					
Maturity	143	522	-	NIL	NIL
Death	137	-	3	NIL	NIL
<u>1994-95</u>					
Maturity	142	578	-	-	NIL
Death	111	-	1	-	NIL

1	2	3	4	5	6
ORISSA					
<u>1991-92</u>					
Maturity	16	291	3	4	NIL
Death	20	22	19	5	2
<u>1992-93</u>					
Maturity	127	472	64	25	6
Death	39	45	36	15	39
<u>1993-94</u>					
Maturity	247	360	23	14	NIL
Death	75	31	17	8	2
<u>1994-95</u>					
Maturity	179	490	23	2	2
Death	39	48	32	8	1
RAJASTHAN					
<u>1991-92</u>					
Maturity	402	9	3	NIL	NIL
Death	72	27	23	1	NIL
<u>1992-93</u>					
Maturity	469	5	4	1	NIL
Death	37	35	23	1	NIL
<u>1993-94</u>					
Maturity	441	20	5	NIL	NIL
Death	42	24	8	NIL	NIL
<u>1994-95</u>					
Maturity	473	18	3	NIL	NIL
Death	72	15	16	3	NIL
WEST BENGAL					
<u>1991-92</u>					
Maturity	2205	253	31	NIL	NIL
Death	156	21	18	7	NIL
<u>1992-93</u>					
Maturity	2218	249	34	-	NIL
Death	209	32	21	6	NIL
<u>1993-94</u>					
Maturity	3453	251	21	-	NIL
Death	172	33	24	4	NIL
<u>1994-95</u>					
Maturity	3111	247	23	-	NIL
Death	336	35	29	5	NIL

Appendix III

(Referred to in paragraph 5.14 at Page 45)

PART A

Position of outstanding ATN in respect of Department of Telecommunications

Audit Report Number and Year	Paragraph No.	Subject
No. 9 of 1990	33	Rural communication
	43	Loss of stores
	45	Infructuous expenditure on procurement of panels
No.7 of 1991	26	In-house computers in four metropolitan telephone districts
No.7 of 1992	9	Inventory management - audit observations
	10.2	Excess payment of Customs duty
	10.3	Avoidable expenditure due to negligence in clearing equipment imported through DGSD
No. 7 of 1993	7.1	Durgapur - Bankura narrowband microwave scheme
	7.4	Installation of auto exchange at Bankura
	7.5	Installation of a 2000 lines containerised exchange at Port Blair
	8.5	Infructuous expenditure due to negligence in clearing imported equipment
	8.8	Hiring of hostel accommodation
	8.11	Revenue foregone
	8.12	Unfruitful investment on land
	8.15	Overpayment of railway freight due to misclassification of stores
	8.19	Delay in preferring claims for damages to departmental property
No.7 of 1994	8.3	Guntur Chirala microwave system
	8.4	Bellary-Gangavathy UHF system
	9.1	Purchase of defective jelly filled cables
	9.2	Avoidable expenditure on procurement of GI drop wire
	9.3	Unfruitful investment on imported ELCs
	9.6	Cross-bar exchange equipment lying idle
	9.7	Avoidable expenditure on local insulation of GI wire
	9.9	Excess expenditure on purchase on switch board cables
	9.11	Redundant expenditure on Tiptur-Tumkur UHF link
	9.12	Pune-Loni UHF system

	9.16	Blocking of capital on purchase of land
	9.20	Non-recovery of compensation for damages to departmental property
	9.21	Improper assessment of cables and accessories
	9.28	Irregular sanction of honorarium to staff
	9.29	Loss due to non-recovery of cost of rejected exhaust fans
No.7 of 1995	8.1	Modern foundry plant at Kharagpur
	8.2	Replacement of multi auto exchange at Gangtok
	8.3	Cuttack-Sambalpur digital microwave scheme
	8.4	Mysore-Kollegal optical fibre cable project
	9.1	Avoidable payment of commitment charges on foreign loan
	9.4	Non-accounting of stores
	9.6	Overpayment of transportation charges
	9.8	Fraudulent/Irregular payment to carriage contractors
	9.11	Idle inventory of electronic teleprinter machines
	9.13	Inordinate delay in providing telecommunication facilities
	9.16	Procurement of obsolete equipment
	9.18	Excess payment of Central Excise duty
	9.20	Loss due to delay in inspection of consignment and filing of insurance claim
	9.21	Avoidable expenditure in purchase of land
	9.23	Extra expenditure on laying cables of different specifications
	9.25	Non-recovery of compensation for damage to departmental property
	9.26	Unfruitful expenditure on construction of a building

PART B

Position of outstanding ATN in respect of paragraphs partly received

Department of Telecommunications

Audit Report sNumber and Year	Paragraph No.	Subject
No.7 of 1991	14 (1 TO 6) 24 (2)	Short billing due to omission to issue bills at revised rates Short/Non recovery of rental charges due to various omissions
No.7 of 1992	7.2 III(3,5,11 to 15) IV (7,15) 7.3 II(2)	Non-billing or short billing of customers Other losses of revenue
No. 7 of 1993	6.2 (i) 1-4,16 (ii) A-II 6 TO 11, 14,20,21 B-IV 1,2 (v) A-VII 7 6.3 (i)1,2,3,	Non-billing or short billing of customers Other losses of revenue
No.7 of 1994	5 (5.1, 5.2, 5.5, 5.6, 5.9, 5.12) 7.2 (i) 1,6,9,10, 11,13,14 (ii) II -4,8 (iii) III-1,2,3,4,5 (v) V 3,7	Organisational set up and financial management Non-billing or short billing of customers
No.7 of 1995	5 (5.3,5.4,5.9, 5.10,5.12) 6 (6.1,6.2,(I,II)) 7.2 (i) II-1,2,3 (ii) III-3,9 (iii) IV-1,4 (iv) V-1,2 (v) VI-1 7.3 (i) 2,5	Organisational set up and Financial Management Appropriation audit and control over expenditure Grant No. 15 Non-billing or short billing of customers Other losses of revenue

Appendix IV

(Refer to in paragraph 6.2.3 (i) at page 48)

Significant cases of re-appropriation which were injudicious on account of their non-utilisation

Grant No.15 - Department of Telecommunications

(Rs in crores)

Major Head	Sub Head	Amount of re-appropriation to the sub-head	Amount of final saving under the sub-head after re-appropriation
Revenue			
3225 - Telecommunications services	A-5(4)(1) Telegraphs and Telex	1.46	4.32
	A-5(4)(5) Telecommunication Engineering Centre	4.02	23.43
	A-5(4)(10) Other Telecommunication Buildings	0.25	2.12
	A-5(6) Technical and Development circle	0.04	1.07
3231 - Appropriation from Telecommunications surplus	C-2 Appropriation to revenue reserve fund	3.89	32.00
Capital			
5225 - Capital outlay on Telecommunications services	BB-1(2) Telex systems	2.00	19.56
	BB-4(4) Ultra High Frequency and Very High Frequency Relay systems	33.00	241.51
	BB-6(1) Administrative offices	8.00	17.66
Total		52.66	341.67

Appendix V

(Referred to in paragraph 6.2.3 (ii) at page 48)

Significant cases of re-appropriation which were injudicious as the actual expenditure was excess over the final provision

Grant No. 15 - Department of Telecommunications

(Rs in crores)

Sl. No.	Major Head	Sub Head	Amount of re-appropriation from the sub-head	Amount of final excess under the sub-head after re-appropriation
Revenue				
1.	3225 - Telecommunications services	A-5(5)(1) Establishment for telephones	(-)1.00	2.26
2.	3231 - Appropriation from Telecom surplus	C-1 Appropriation to capital reserve fund	(-) 43.68	331.68
Capital				
3.	5225 - Capital outlay on telecommunication services	BB-2(2) Telephone Exchange Manual	(-)12.00	16.45
Total			(-)56.68	350.39

Appendix VI

(Referred to in paragraph 7.2(i) at page 58)

Non-billing or short billing of customers - non-receipt of advice notes

Sl. No.	Particulars of lines/ cables/PBX etc.	Period of short/non recovery	Amount of short/non recovery	Position of bills issued/recovery made after issue of Audit memo	Amount recovered/ month of recovery	Amount to be recovered	Remarks
1	2	3	4	5	6	7	
(Rs in lakhs)							
<u>Gujarat Telecommunications Circle</u>							
1.	Provision of a speech circuit to Indian Air Force between stations 'A' and 'B' in September 1985	September 1985 to June 1995	5.18	-	5.18		Bill issued in January 1995
2.	Provision of a speech circuit to Indian Navy between stations 'D' and 'C' in October 1984	October 1984 to June 1995	5.53	--	5.53		Bill issued in January 1995
3.	Provision of three speech circuits to private parties namely M/s Deepak Petrochem Ltd., Vadodara, M/s Sodhan Sanskar Pvt. Ltd., Alkapuri and M/s Jalan Forge provided in May, June and October 1992	May 1992 to April 1995	3.20	<u>2.92</u> May, August & September 1994	0.28		Bill issued in July 1995
4.	Provision of a speech circuit to M/s Essar Steels Ltd., Hajira between Surat and Mumbai in October 1990	October 1990 to April 1994	6.00	<u>6.00</u> March 1993 and March 1994	--		

1	2	3	4	5	6	7
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Maharashtra Telecommunications Circle

5.	Provision of 20/20 lbs underground cable between stations 'E' and 'F' to Army authorities in April 1990	April 1990 to April 1995	41.01	--	41.01	Bill for 15.39 lakhs issued based on old capital cost in January 1995 recovery awaited. IInd bill for Rs 25.62 lakhs issued in March 1995
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Punjab Telecommunications Circle

6.	Provision of 30 channel PCM system to IAF in September 1992	September 1992 to October 1993	5.29	<u>5.20</u> September and November 1993	0.09	-
7.	Provision of 50/6.5 lbs and 20/20 lbs underground cable to Army authorities in July 1992	July 1992 to March 1995	2.82	<u>2.82</u> January 1995	-	-
8.	Provision of 100/10 lbs, 50/10 lbs, 20/6.5 lbs and 10/6.5 lbs underground cable to Army authorities in December 1992	December 1992 to May 1995	25.19	-	25.19	Facts accepted, bills were yet to be issued (December 1994)

Rajasthan Telecommunications Circle

9.	Provision of 11 km of 20/20 lbs underground cable between stations 'G' and 'H' to Army authorities in September 1991	September 1991 to April 1995	15.19	-	15.19	Bills issued (July 1995)
10.	Provision of underground cable to M/s Hindustan Zinc Ltd. in September 1990	September 1990 to September 1992	14.20	<u>14.20</u> August 1993	-	

1	2	3	4	5	6	7
<u>Uttar Pradesh Telecommunications Circle</u>						
11.	Provision of 2 pairs of 500/20 lbs underground cable between stations 'I' and 'J' to Army authorities in June 1989	June 1989 to March 1995	34.80	-	34.80	Bill for Rs 28.00 lakhs issued in November 1993 and June 1995 payment particulars still awaited
12.	Provision of 20/20 lbs underground cable to Indian Air Force authorities in October 1986	October 1986 to October 1994	13.52	-	13.52	Bill issued in March 1994, payment particulars awaited
		Total	171.93	31.14	140.79	

Appendix VII

(Referred to in paragraph 7.2(ii) at page 59)

Non-billing or short billing of customers - bills issued at old rates

Sl. No.	Particulars of lines/ cables/PBX etc.	Period of short/non recovery	Total amount of short/non recovery	Position of bills issued/recovery made after issue of Audit memo	Amount recovered/ month of recovery	Amount to be recovered	Remarks
1	2	3	4	5	6	7	
(Rs in lakhs)							

Bihar Telecommunications Circle

1.	Provision of 3 speech circuits between New Delhi and Bokaro Steel City in November 1989 and one circuit between Mython-Bokaro Steel City in December 1991 to M/s Steel Authority of India	November 1990 to February 1994	6.44	6.44 November 1994	-	-	
2.	Provision of Data and speech circuits to M/s Coal India Ltd. between Calcutta and Dhanbad in May 1989	May 1990 to February 1994	4.57	-	4.57	-	Bill issued in August 1994

Gujarat Telecommunications Circle

3.	Provision of 20 + 200 lines PABX in January 1977 and its expansion to 30 + 300 lines in February 1988 to Ahmedabad Municipal Corporation	December 1986 to May 1995	7.46	7.46 February 1995	-	-	
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1	2	3	4	5	6	7
<u>Madhya Pradesh Telecommunications Circle</u>						
4.	Provision of 23 speech circuits to various subscribers	November 1992 to April 1995	13.11	<u>8.00</u> March/ April 1994	5.11	Supplementary bills issued for balance amount in March 1994
<u>Punjab Telecommunications Circle</u>						
5.	Provision of 50/20 lbs underground cable to Indian Air Force authorities in June 1987	June 1987 to June 1995	6.87	--	6.87	Supplementary bill issued in April 1993 and February 1995
<u>Uttar Pradesh Telecommunications Circle</u>						
6.	Seven speech circuits provided to Defence authorities between February 1967 and February 1990	July 1992 to June 1994	3.09	-	3.09	Bills issued in July 1994
<u>West Bengal Telecommunications Circle</u>						
7.	Provision of 6 speech circuits to Civil Defence, one to Durgapur Steel Project and one circuit to TISCO, Burnpur	October 1989 to March 1995	4.89	<u>0.11</u> January 1992	4.78	5 circuits relating Civil Defence involving short billing of Rs 2.09 lakhs had already been closed in July 1991, chances of recovery of dues relating to them are remote.
Total			46.43	22.01	24.42	

Appendix VIII

(Referred to in paragraph 7.2(iv) at page 60)

Non-billing or short billing of customers -

other reasons

Sl. No.	Particulars of lines/ cables/PBX etc.	Audit- observation	Period of short/non recovery	Total amount of short/non recovery	Position of bills issued/recovery made after issue of Audit memo		Remarks
					Amount recovered/ month of recovery	Amount to be recovered	
1	2	3	4	5	6	7	8
(Rs in lakhs)							
<u>Andhra Pradesh Telecommunications Circle</u>							
1.	Replacement of 3 numbers of 100 watts HF transmitters/receiver equipment with National Mineral Development Corporation Limited on Visakhapattanam-Bacheli Kerandul wireless circuits in February 1990	On replacement, rental bills at revised rates not issued	February 1991 to June 1993	5.38	<u>5.38</u> September 1993	-	-
2.	Provision of 200 lines EPABX Board to Super Speciality Hospital, Thirupathi in March 1993	Non-issue of bills for the facility provided	March 1993 to May 1995	4.12	<u>4.12</u> October 1994	-	-
<u>Assam Telecommunications Circle</u>							
3.	Provision 20/20 lbs underground cable to Air Force authorities in July 1990	Incorrect fixation of rent on rent and guarantee basis	July 1990 to June 1995	10.31	-	10.31	Bill issued in March 1995
<u>Gujarat Telecommunications Circle</u>							
4.	Provision of upgraded costal wireless station to Kandla Port in December 1985	Incorrect fixation of rental	December 1985 to December 1994	5.23	-	5.23	Bill issued in May 1995

1	2	3	4	5	6	7	8
5.	Provision of 230 telephone connections in GMT, Surat to various subscribers	Failure to adhere to the revised procedure resulting in short recovery	May 1989 to October 1993	3.99	<u>2.69</u> July 1994	1.30	-
<u>Jammu and Kashmir Telecommunications Circle</u>							
6.	Provision of two lengths 20/20 lbs underground cable to IAF authorities in February/August 1987	Incorrect fixation of rent	February 1987 to June 1995	11.18	-	11.18	Bill issued (January 1995)
<u>Karnataka Telecommunications Circle</u>							
7.	Provision of 300 lines EPABX Board to Indian Institute of Management, Bangalore in August 1988	Short charging of annual rental of EPABX Board and non recovery of installation charges	March 1989 to May 1993	10.74	<u>10.74</u> March/November 1994	-	-
8.	Provision of 600 lines EPABX Board to Indian Space Research Organisation, Satellite Center in September 1988	Short collection of rental for the Board and non recovery of installation charges for extensions	September 1988 to April 1990	6.26	<u>6.26</u> July 1994	-	-
9.	Provision of 100/10 lbs underground cable to M/s Hindustan Machine Tools Ltd., Bangalore in June 1988	-do-	June 1988 to March 1994	17.43	-	17.43	Bill issued in March 1994; recovery awaited
<u>Orissa Telecommunications Circle</u>							
10.	Provision of two data circuits and one voice frequency (VF) circuit to South Eastern Railway between Calcutta-Puri in November 1991 and October 1992	Incorrect fixation of rent	November 1991 to March 1995	5.36	--	5.36	Bills issued in August 1994

1	2	3	4	5	6	7	8
<u>Punjab Telecommunications Circle</u>							
11.	Provision of a speech circuit to Army authorities in November 1991	Non issue of bills	November 1993 to June 1995	3.82	<u>3.82</u> March 1995	-	-
12.	Provision of EPABX Board to Defence authorities in replacement of existing boards between February 1990 and June 1991	Non recovery of licence fee in respect of EPABXs and rent of outdoor plant maintained by the department	February 1990 to May 1992	8.70	<u>8.70</u> January 1995	-	-
13.	Provision of one 60 channel UHF system to Air Force Authorities in December 1991	Incorrect fixation of rental	December 1991 to December 1994	15.11	-	15.11	IAF authorities are reluctant to pay the short billed amount due to incorrect rental quoted initially
14.	Provision of high speed data circuits to Army Authorities in August/September 1991 and June 1992	Short recovery of rental	September 1991 to May 1995	3.53	<u>3.53</u> March 1995	-	-
<u>Uttar Pradesh Telecommunications Circle</u>							
15.	Provision two lengths of 20/20 lbs underground cable to Army authorities in June 1991	Incorrect fixation of rent and short realisation of installation charges	June 1991 to June 1995	3.95	-	3.95	-
16.	Provision of two lengths of 50/20 lbs underground cable to IAF authorities in June 1993	Incorrect fixation of rental	June 1993 to June 1995	11.14	<u>11.14</u> paid/adjusted by March 1995	-	-
			Total	126.25	56.38	69.87	

Appendix IX

(Referred to in paragraph 7.4(v) at page 67)

Other losses of revenue -

**non realisation of licence fee for public
document transmission service**

Sl. No.	Particulars of lines/ cables/PBX etc.	Period of short/non recovery	Total amount of short/non recovery	Position of bills issued/recovery made after issue of Audit memo	Amount recovered/ month of recovery	Amount to be recovered	Remarks
1	2	3	4	5	6	7	
(Rs in lakhs)							
<u>Gujarat Telecommunications Circle</u>							
1.	36 Fax cases	December 1989 to July 1994	4.25	3.86	0.39		Bill issued and recovery is awaited in one case (May 1995)
<u>Karnataka Telecommunications Circle</u>							
2.	44 Fax cases	April 1989 to June 1995	4.70	-	4.70		-
<u>Uttar Pradesh Telecommunications Circle</u>							
3.	73 Fax cases	December 1988 to March 1995	8.92	-	8.92		Bills issued and recovery awaited (June 1995)
Total			17.87	3.86	14.01		

Appendix X

(Referred to in paragraph 7.4(vi) at page 68)

Other losses of revenue - short billing of non directory items

Sl. No.	Particulars of lines/ cables/PBX etc.	Period of short/non recovery	Total amount of short/non recovery	Position of bills issued/recovery made after issue of Audit memo	
				Amount recovered/ month of recovery	Amount to be recovered
1	2	3	4	5	6
(Rs in lakhs)					
<u>Gujarat Telecommunications Circle</u>					
1.	Non realisation of licence fee from 48 subscribers who owned EPABXs	January 1990 to November 1995	3.34	<u>2.17</u> January 1994 to January 1995	1.17
2.	Short billing in respect of 51 internal and 121 external extensions of PBX/PABXs in 17 cases in Surat Telecom District	May 1987 to April 1996	5.87	<u>5.53</u> March 1994 to March 1995	0.34
3.	Non billing of 38 telex Subscribers in Bhuj and Surat	September 1984 to December 1994	4.44	<u>4.44</u> September 1994	
4.	Non-short recovery of licence fee in respect of 75 subscribers EPABX in Ahmedabad Baroda, Himmat Nagar and Rajkot Telecom Districts	June 1989 to July 1994	4.01	<u>3.91</u> August 1995	0.10
5.	Short realisation of revenue in 81 long distance telephone connections cases at Valsad Telecom District	March 1981 to July 1991	7.43	<u>6.57</u> March 1995	0.86

1	2	3	4	5	6
<u>Karnataka Telecommunications Circle</u>					
6.	Non billing of rental/ non realisation of compensation for pre- mature surrender in respect of additional 100 lines PABX board provided to M/s NGEF Ltd., Bangalore	April 1987 to April 1993	4.20	<u>4.20</u> July 1994	
		Total	29.29	26.82	2.47

GLOSSARY OF TERMS AND ABBREVIATIONS

Analogue	An electrical signal which is analogous to changing physical quantity measured
Coaxial cable	A cable with a single wire in the centre of cylindrical conductor forming a pair for carrying electrical signals
Cross-bar exchange	A telephone exchange where switching connections are made by operation of two bars, one horizontal and another vertical
CKM	Cable conductor kilometre - cable sheath kilometres multiplied by the number of conductor pairs in each cable
CTMX	Computerised Trunk Manual Exchange
CT Boxes	Cable termination Boxes
DEL	Direct exchange line, one each for every telephone connection
Digital exchange	The exchange having signals coded into binary pulses and having little or no moving parts
EDBPM	Extra departmental branch postmaster
EPABX	Electronic private automatic branch exchange
EPBT	Electronic push button telephone
ELC	Electronic line concentrator - meant to provide instant telephone connections to new subscribers on already existing but saturated cables
EMTP	Electro mechanical teleprinters
ETP	Electronic Teleprinter
Hertz or Hz	Frequency (cycles per second), named after Heinrich Hertz - usually in ranges of kilo 1000 - KHz, mega 1,000,000 - MHz or giga 1,000,000,000 - GHz
HF	High frequency
HDPE	High density polyethylene
ILT	Integrated line and trunk

ICP	Indian crossbar project
LCA	Licence collaboration agreement
LDPT	Long distance public telephone
MAX	Multiple automatic exchange operating on electrical mains supply
Multiplexing	By which several circuits are combined for transmission over a common transmission path
MARR	Multi access rural radio
Mb/s	Mega bits per second denoting digital frequency
Optical Fibre	Glass fibres using lightwaves for transmission of signals
OYT	Own your telephone
PBX	Private branch exchange
PABX	Private automatic branch exchange
PCM	Pulse code modulation
PVC	Polyvinyl chloride
Repeater	The signals carried by the coaxial cable need boosting at regular intervals, so repeaters are installed to boost the signals
RLU	Remote line unit
RTN	Rural telecom network
STD	Subscriber trunk dialling
TAX	Trunk automatic exchange
Telex	Teleprinter exchange
TPS	Tone pulse switchable
UHF	Ultra high frequency (300 to 3000 MHz)

