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Report of the Comptroller and Auditor General of India

for the year ended March 2001

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Union Government
Posts and Telecommunications
No.6 of 2002

CONTENTS

SECTION - II — DEPARTMENT OF POSTS

PREFATORY REMARKS

This Report for the year ended March 2001 has been prepared for submission to the President of India under Article 151(1) of the Constitution. It relates to matters arising from test-audit of financial transactions of the Ministry of Communications.

So far as the Department of Telecommunications is concerned, the transactions have been checked up to 30 September 2000. This was because Bharat Sanchar Nigam Limited was incorporated on 15 September 2000 as a company with limited liability by shares under the Companies Act, 1956 with its registered and corporate office in New Delhi, and the business of providing telecommunications services in the country, entrusted to the Department of Telecom Services (DTS) and Department of Telecom Operations (DTO), was transferred to Bharat Sanchar Nigam Limited with effect from 1 October 2000.

The Report contains 65 paragraphs including five comprehensive performance reviews. The section pertaining to the Department of Telecommunications contains:

- 46 paragraphs;
- three comprehensive performance reviews on (i) Production management of Telecom Factories at Kolkata, Bhilai and Richhai, (ii) Management of Telecom Stores and (iii) Working of Telecom Civil Divisions.

14 Paragraphs and two comprehensive performance reviews on Speed Post Services and working of Postal Accounts offices are included in the section pertaining to the Department of Posts.

The Draft Audit Paragraphs (DAPs) and draft comprehensive performance reviews were forwarded to the Secretary Department of Telecommunications (DoT) and the Secretary Department of Posts (DoP) for furnishing their replies within six weeks.

While Secretary DoP did not furnish replies to two DAPs and to one comprehensive performance review issued to him, Secretary DoT did not furnish replies to 60 DAPs including three comprehensive performance reviews, out of 119 DAPs including three comprehensive performance reviews issued to him.

The cases mentioned in the Report are among those, which came to notice in the course of audit conducted during the year 2000-01 and early part of the 2001-02. It also includes cases noticed during earlier years wherever relevant.

OVERVIEW

This Audit Report for the year 2000-01 containing 65 paragraphs including five comprehensive performance reviews is presented in two sections:

Section I	Chapters 1 to 5	Department of Telecommunications (DoT)
Section II	Chapters 6 to 9	Department of Posts (DoP)

Some of the important Audit findings included in this Report are summarised below:

Financial Implications

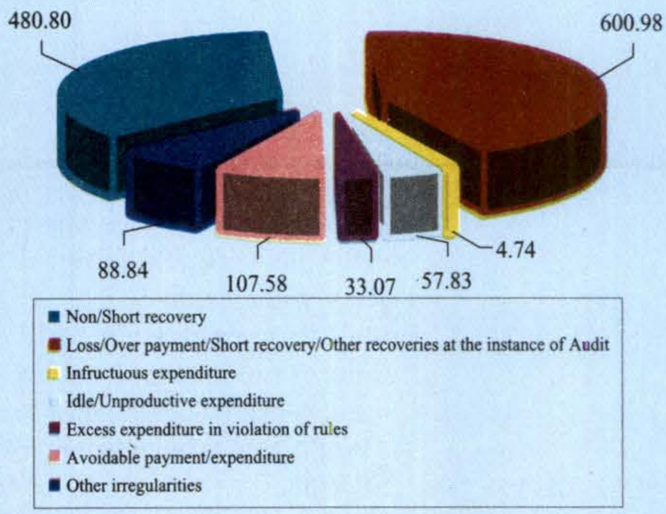
The total quantifiable financial implication of paragraphs and reviews included in this Report is Rs 1477.35 crore. The department-wise details with reference to the nature of irregularity are given as under:

(i) DoT

- The financial implication in respect of comprehensive performance reviews and paragraphs relating to the Department of Telecommunications which could be quantified is Rs 1373.84 crore as per details given below:

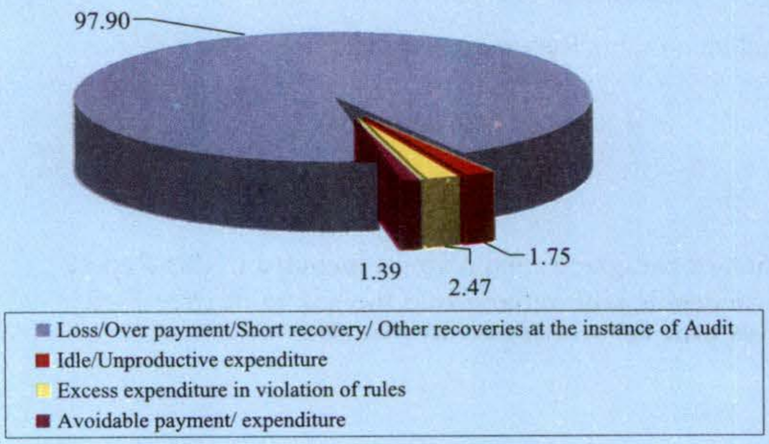
(Rs in crore)

Revenue paragraphs	
Non/Short recovery	480.80
Comprehensive performance reviews and expenditure paragraphs	
Loss/Over payment/Short recovery/Other recoveries at the instance of Audit	600.98
Infructuous expenditure	4.74
Idle/Unproductive expenditure	57.83
Excess expenditure in violation of rules	33.07
Avoidable payment/expenditure	107.58
Other irregularities	88.84
Grand Total	**1373.84**



(ii) DoP

- The paragraphs and comprehensive performance reviews included in the chapters relating to the Department of Posts involved financial implication of Rs 103.51 crore as shown below:



(Rs in crore)

Comprehensive performance reviews and paragraphs	
Loss/Over payment/Short recovery/ Other recoveries at the instance of Audit	97.90
Idle/Unproductive expenditure	1.75
Excess expenditure in violation of rules	2.47
Avoidable payment/ expenditure	1.39
Grand Total	**103.51**

SECTION I - DEPARTMENT OF TELECOMMUNICATIONS

This section is divided into five chapters, each dealing with a specific subject as shown below:

Chapter	Deals with
1	Introductory chapter giving in brief the Organisational set-up, growth in telecom network and physical and financial performance of Department of Telecommunications
2	Results of Appropriation Audit
3	Results of sample checks of the system of demand and collection of revenue
4	Comprehensive performance reviews on ➢ Production Management of Telecom Factories at Kolkata, Bhilai and Richhai ➢ Management of Telecom Stores ➢ Working of the Telecom Civil Divisions
5	Results of Transaction Audit

- The Revenue Audit Chapter 3 contains cases of non-recovery/outstanding dues etc., of Rs 480.80 crore. Out of this, the **Department had realised Rs 11.68 crore, till finalisation of this Report, at the instance of Audit**. For the remaining amount, replies of the Ministry were awaited. The Chapter 4 containing three comprehensive performance reviews has quantifiable financial implication of Rs 745.82 crore.

- The Transaction Audit findings in Chapter 5 contain cases, which bring out loss/over payment/short recovery/other recoveries at the instance of Audit, infructuous expenditure, idle/ unproductive expenditure, excess expenditure in violation of rules, avoidable payment/expenditure, other irregularities etc., aggregating to Rs 147.22 crore. **Out of this, the Department has since recovered Rs 53.65 crore, when pointed out by Audit**. Replies of the Ministry in many cases were awaited.

I) Physical and Financial performance

- At the end of September 2000 DoT had a network of 28,625 Telephone exchanges with about 279.59 lakh telephone connections, 374 Trunk Automatic Exchanges, 4.17 lakh Public Telephones, 3.77 lakh kms of coaxial cable, Microwave, Ultra High Frequency, Optical Fibre Cable systems and 467 fixed satellite earth stations.

- The metered telephone calls which stood at 16,276 crore units in 1999-2000, totalled 14,435 crore during the six month period ending 30 September 2000. The revenue receipts of the department were Rs 10,176 crore at the end of September 2000.

- Due to network expansion there was fast expansion in the cadres of Group 'A' and Group 'B' services in DoT/DTS. The strength of Group 'A' and Group 'B' services increased from 29,878 officers in 1999 to 58,652 officers in 2001. The sudden increase as pointed out earlier was reportedly due to categorization of Junior Telephone Officers as Group 'B' and relaxation of period for promotion of Junior Accounts Officer (Group 'C') to Assistant Accounts Officer (Group 'B'). DoT provided 14 lakh telephone connections during April 2000 to September 2000 as compared to the annual plan target of 54 lakh, besides shortfall in respect of switching capacity, village public telephones, optical fibre cable systems and satellite earth stations.

- As many as 28.91 lakh applicants were waiting for new telephone connections in the country at the end of March 2001. The states with the highest waiting list were Kerala (7.74 lakh), Maharashtra (2.89 lakh), Gujarat (2.29 lakh), Punjab (2.16 lakh), West Bengal (1.78 lakh), Karnataka (1.72 lakh), Tamil Nadu (1.50 lakh) and Andhra Pradesh (1.31 lakh).

(Paragraph 1)

II) Expenditure Control

- Department saved Rs 18749.04 crore in a budget of Rs 20431.31 crore under Grant No.12 and Rs 17167.87 crore in a budget of Rs 37478.08 crore under Grant No.13 during the year 2000-2001 under Revenue and Capital Sections. These large savings were mainly due to non-finalisation of Capital structure of Bharat Sanchar Nigam Limited and corporatisation of DTS and DTOs with effect from 1 October 2000.

- In five cases involving an amount of Rs 56.36 crore, re-appropriation was injudicious, in as much as in some of the heads from which the amounts were re-appropriated, the actual expenditure was more than the balance amount after such re-appropriation.

(Paragraph 2)

III) Revenue

Undue favour to licensees and loss of revenue

Licences of M/s Koshika Telecom Ltd. and M/s Bharti Mobile were not terminated by DoT despite non-payment of dues. While Rs 438.20 crore were outstanding from M/s Koshika Telecom Ltd, Rs 218 crore recovered from M/s Bharati Mobile was subject to the outcome of an arbitrator's award.

(Paragraph 3)

Non realisation of licence fee and royalty charges Rs 83.41 lakh from 10 users

Wireless Planning and Coordination wing of Ministry of Communications failed to recover Rs 83.41 lakh from 10 users who were using the facility without valid licence.

(Paragraph 4)

Short recovery of liquidated damages

DoT failed to review and recover liquidated damage charges from a basic service operator which resulted in short recovery of revenue of Rs 0.70 crore.

(Paragraph 5)

Non realisation of Rs 27.53 lakh on account of penal interest on belated payment of bills

Failure of department to realise penal interest from parties on belated payment of dues for the Satellite charges resulted in non-recovery of Rs 27.53 lakh.

(Paragraph 6)

Non realisation of service tax of Rs 6.23 crore

Failure of DoT to levy Service tax on telecommunications services resulted in non recovery of Service tax of Rs 6.23 crore during July 1994 to September 2000 in five telecom units test checked in three circles and Mahanagar Telephone Nigam Limited, Delhi.

(Paragraph 7.3)

Non realisation of additional security deposits from STD/PCO operators

Audit scrutiny of records of 28 telecom units in 12 telecom circles during June 1996 and May 2001 disclosed short realisation of security deposits of Rs 5.94 crore from private STD/PCO operators. The heads of telecom districts failed to review and revise the amounts of security deposits upwards for PCO operators inspite of increase in their revenue.

(Paragraph 7.4)

Recovery at the instance of Audit

A large number of cases came to the notice of Audit wherein various field units of DoT did not recover dues aggregating Rs 480.80 crore due to their failure to send completed advice notes to TRA branch, non application of revised tariff, failure to disconnect telephone facilities despite non payment of dues, non-billing of licence fee royalty and failure to issue bills etc. On being pointed out by Audit, the department recovered Rs 11.68 crore as of December 2001.

(Paragraph 8)

IV) Comprehensive Performance Reviews

Production Management of Telecom Factories at Kolkata, Bhilai and Richhai

- The Telecom Factories at Kolkata, Bhilai and Richhai surrendered funds under capital grant during 1996-2001. The savings by these factories ranged up to 92 *per cent*.
- The performance of all the three factories was poor and there was shortfall in the production targets of a number of items, the shortfall ranging upto 100 *per cent* during 1996-2001.
- Galvanizing plant at Telecom Factory, Richhai was underutilised, resulting in short fall in production valuing Rs 41.08 crore during 1996-2001.
- The inhouse production cost by Telecom factory Kolkata exceeded the open market rate; the financial implication was Rs 12.42 crore during 1996-2000.

- 1765 work orders valuing Rs 14.15 crore were pending in telecom factories at Kolkata, Bhilai and Richhai for up to 10 years. Moreover, the capacities of these telecom factories were grossly under utilised; the under utilisation ranged from 31 to 56 *per cent* of machine hours available.

- The cost of galvanisation in Telecom factory Bhilai was very high, resulting in extra expenditure of Rs 9.89 crore during 1996-2000.

(Paragraph 10)

Management of Telecom Stores

- Department did not follow the practice of ABC classification of stores, as a regular measure for scientifically determining the minimum and maximum stock levels of various kinds of stores according to their cost significance.

- Progressive Stock Taking (PST) and Independent Stock Verification (ISV) required to be done for all items every year were not conducted by many units. Discrepancy statements were not prepared in some cases. Cases of non-regularization of discrepancy statements were lying outstanding from 1978-79.

- Effective steps were not taken for disposal of obsolete and unserviceable stores. Stores valuing Rs 25.41 crore were lying in various store depots for several years awaiting disposal. Delay in disposal of these stores was fraught with the risk of theft, pilferage and loss through deterioration etc., apart from the avoidable cost incurred on store keeping charges.

- There was accumulation of non-moving/slow-moving stores, resulting in blocking up of capital and the risk of their becoming eventually unserviceable/obsolete.

- Stores-in-transit valuing Rs 27.41 crore had not been adjusted for periods as far back as 1975-76, giving rise to reasonable apprehension of misappropriation, permanent loss, or pilferage of stores, not to mention fraud.

- Advances amounting to Rs 357.65 crore were paid to suppliers upto March 2000 but remained unadjusted up to March 2001.

- In some Controllers of Telecom Stores (CsTS) arrears of recovery for stores sold to other government departments amounting to Rs 29.44 crore remained unrealised as on 31 March 2001. The outstandings were dating back from 1992-93 onwards.

- The theft of stores involving Rs 73.22 lakh in CsTS remained unsettled. The earliest case dated back to 1975-76.

- The department did not take any satisfactory steps for settlement of outstanding amount of Rs 12.01 crore under the head 'Stores Recoverable' arising from thefts/damages/loss in transit and occurring up to March 2001 in respect of five wholesale depots.

(Paragraph 11)

Working of the Telecom Civil Divisions

- Department had not fixed annual physical/financial targets which resulted in non-monitoring of physical and financial performance of the Civil divisions.
- Four additional civil divisions were created prematurely in violation of prescribed norms resulting in an avoidable expenditure of Rs 2.41 crore.
- Despite existence of a planning and architectural wing, the department assigned the architectural work of a building to consultants incurring a liability of Rs 10.68 lakh towards service charges; the construction has not been taken up even after 14 years of initiating the formalities.
- The work of construction of 242 quarters at Kalibari, New Delhi could not be taken up due to department's failure to protect the property against encroachment which resulted in avoidable expenditure of Rs 5.83 crore for relocation of Jhopri dwellers and removal of malba from the site.
- There was a blocking of capital of Rs 79.81 lakh as road restoration charges amounting to Rs 47.41 lakh paid to Kolkata Municipal authorities were neither adjusted nor got refunded on cancellation of work.
- In violation of the financial norms 57 works in six circles were awarded without calling for tenders.
- An amount of Rs 1.06 crore against earnest money deposit and security deposit in respect of 2328 cases was lying with the department without being transferred to lapsed deposit and Rs 35 lakh in 49 works were refunded after delays ranging from six months to one year.
- Non-recovery of excess cost on account of rescinded work from the defaulting contractors amounting to Rs 32.77 lakh and further loss of Rs 12.51 lakh towards cost of materials lying with the defaulting contractors was noticed in three circles.
- Cement and steel worth Rs 61.01 lakh issued to the contractors in excess of requirement resulting in non-recovery of Rs 9.26 lakh from the contractors.
- Delay in execution of 285 works resulted in payment of Rs 3.78 crore towards escalation in rates. In addition there was a potential loss of revenue of Rs 103 crore due to delay in completion and handing over telephone exchange buildings in respect of 21 works in two circles.
- Rs 8.26 crore on account of deposit works had not been recovered.
- Arbitration awards in favour of contractors due to departmental failure resulted in avoidable payment of Rs 5.44 crore towards compensation.

(Paragraph 12)

V) Transaction Audit Findings

(A) Loss/Overpayment/short recovery/Other recoveries at the instance of Audit

Non-recovery of unused cable worth Rs 2.96 crore from contractors

Eleven Sub-divisional Engineers (SDEs) under General Managers Telecom Dhanbad and Jamshedpur issued cable of various gauges measuring 1117.493 km to the contractors between January 1998 and February 2001. These SDEs, however, failed to recover the unused cable measuring 250.625 km from the contractors resulting in loss of Rs 2.96 crore. Further, Audit scrutiny of measurement books disclosed that 54.313 kms of cable were shown as laid in excess over the cable actually issued to the contractors. This resulted in fictitious payment of cable laying charges of Rs 8.46 lakh for the cable not actually issued to the contractors during the same period.

(Paragraph 13)

Abnormal delay in finalisation of rates and resultant loss of interest

DoT in December 1998 revised downward the rates of 100k digital local exchange equipment after a lapse of four years of placement of purchase order and instructed the heads of circles to regularise the payments accordingly. Chief General Manager Chennai Telephones and Chief General Manager Telecommunications Kerala circle took nine and 14 months respectively in regularising the payments. This, together with the impact on MTNL resulted in loss of interest of Rs 2.64 crore to the state exchequer.

(Paragraph 14)

Non-realisation of insurance claim

A 3k PRX type exchange equipment was transported by road in January 1994 for installation at Tirur with an insurance cover of Rs 1 crore against theft, damage etc. The exchange equipment was received at Tirur in an extensively damaged condition. General Manager Telecom Kozhikode failed to furnish the details of invoice value of parts/components of damaged exchange equipment to the Insurance Company for over seven years. This led to non-realisation of insurance claim of Rs 1 crore and the exchange equipment had to be declared as obsolete for further disposal.

(Paragraph 15)

Excess payment of service charges

Service charges were levied as a percentage of the net rentable/annual value of the property reckoned at nine *per cent* of the capital value of the property. Principal General Manager Telecommunications Lucknow made excess payment of service charges of Rs 71.23 lakh to Lucknow Nagar Nigam and Lucknow Jal Sansthan due to incorrect computation of capital cost of the properties.

(Paragraph 16)

Loss of Rs 62.42 lakh in unauthorised procurement of unapproved version of 4 channel Very High Frequency Systems

Chief General Manager Telecommunications Andaman and Nicobar circle procured 18 numbers of 4 channel Very High Frequency systems worth Rs 62.42 lakh between November 1995 and June 1998 from M/s Apel Radio Communication Systems without inviting tenders and without ascertaining whether the company had obtained the type approval certificate for the system from Telecom Engineering Centre. All the systems became faulty after working for a short period after their installation during 1996-99. Thus procurement of unapproved version from unauthorised firm resulted in unauthorised expenditure of Rs 62.42 lakh.

(Paragraph 17)

Other recoveries at the instance of Audit

In three cases audit pointed out excess payment, non-realisation of establishment charges and non-recovery of advance from supplier amounting to Rs 53.46 crore. The entire amount was recovered at the instance of audit.

(Paragraph 19)

(B) Infructuous expenditure

Infructuous expenditure of Rs 2.19 crore due to contracting excessive power load

Despite repeated instructions by the Ministry and irregularities of this nature being pointed out by Audit in the past, seven units in Tamil Nadu circle and one unit in Bihar circle incurred infructuous expenditure of Rs 2.19 crore during April 1993 to March 2001 due to contracting power far in excess of actual requirement.

(Paragraph 20)

Wasteful expenditure in procurement of defective power plants

Chief General Manager Telecom Rajasthan circle Jaipur received 84 power plants from Uptron Powertronic Ltd and Shreetron India Ltd based on purchase orders placed by CGM Telecom Stores Kolkata in June 2000. All the 84 power plants supplied were found to be defective having major design problem and as such the same could not be commissioned. As a result the entire expenditure of Rs 2.15 crore incurred on 84-power plants became wasteful.

(Paragraph 21)

(C) Idle/Unproductive expenditure

Defective planning and resultant blocking of funds

Chief General Manager Telecom Project West Zone sanctioned a project in November 1991 for installation of 6 GHz 140 Mbs digital microwave system between Kolhapur and Belgaum. The system was to work in non-cross polarisation interference cancellor (non-XPIC) environment. But the equipment supplied by the Indian Telephone Industries based on purchase order placed by DoT was of XPIC type, which could use both polarisations to carry telephone traffic. The main equipment, ordered in January 1996, was received in May 1996 and installed in October 1998 after receipt of Radio equipment. To utilise this equipment additional space diversity equipment was needed. The matter was taken up with the higher authorities only in April 2001.The delay of four years in placing orders for procurement, coupled with subsequent change in the specification, led to non-commissioning of the system for almost a decade after the project was sanctioned. It also led to blocking of funds of Rs 3.66 crore for over three years, besides loss of potential revenue of Rs 3.46 crore.

(Paragraph 22)

Unproductive investment on Electronic Telex Exchanges

Despite continuous decline in telex traffic and in the demand for new telex connections, DoT procured higher capacity electronic data exchange equipment for installation at Bhopal in Madhya Pradesh circle. The utilisation of the telex exchange since its installation in June 1995 came down from 25 *per cent* to 11 *per cent* in September 2000. This resulted in unproductive expenditure of Rs 5.60 crore in procurement of the 650 line electronic data exchange.

(Paragraph 24)

Procurement of high bit rate digital subscriber line system and their utilisation

- High bit rate digital subscriber line (HDSL) system is a technique, which allows high-speed data transmission in the local net work through existing copper pairs. DoT invited tender in January 1997 for procurement of 2566 HDSL systems for supply to 22 circles and placed orders in May/September 1999 on three firms for supply of 1345 systems at a total cost of Rs 12.59 crore. DoT took 876 days in placing the purchase order as against the stipulated period of 180 days.

- While finalising the tender DoT failed to take in to consideration the reduction in Customs duty from 43.96 *per cent* in 1997-98 to 22 *per cent* in 1998-99. This resulted in excess payment of Rs 20.70 lakh.

- Test check carried out in 12 out of 22 circles disclosed that out of 995 systems received, 321 systems were utilised up to June 2001, information regarding utilisation of 223 systems was awaited from four circles and balance 451 systems valuing 3.44 crore remained unutilised due to non-allocation of systems to the units.

- On one hand DoT was unable to fully utilise the systems already procured, on the other it placed order in December 2000 for another 1301 systems valuing Rs 13 crore, putting a question mark on their utilisation.

(Paragraph 25)

Idling of raw material and semi finished goods worth Rs 2.32 crore due to unplanned bulk procurement of raw material

Manager, Telecom Factory Bhilai, failed to ascertain the demand for 60/80-meter Triangular Hybrid towers from the user field units before embarking upon bulk procurement of raw material between 1995 and 1998 for manufacture of these towers. This led to idling of raw material and semi finished goods worth Rs 2.32 crore between 1995 and 2001.

(Paragraph 26)

Wasteful expenditure of Rs 2.22 crore in procurement of testing instruments

- DoT placed two purchase orders in November/December 1998 on two firms for supply of bit error rate testing instruments and packet assembly and disassembly for I-NET Phase II. But the I- Net Phase II was commissioned in phases between March 1996 and April 1998. Thus, procurement of the testing instruments worth Rs 2.22 crore after more than one year of commissioning of Packet Switch Public Data Network defeated the very purpose of its procurement, rendering the entire expenditure wasteful.
- Although M/s Wandel and Goltermann, on whom the DoT placed supply order for supply of analogue tester, failed to supply the same even after more than one year of the scheduled date of delivery of May 1999, DoT did not short close the supply order. Later DoT encashed the bank guarantee of Rs 18.90 lakh at the instance of Audit.

(Paragraph 27)

Idling of pulse code modulation multiplexing equipment

Divisional Engineer Telecom Transmission Projects Trivandrum received 128 units of primary MUX and 64 racks during March-April 1994 against a purchase order placed by DoT in 1993 for use in 13 GHz Microwave system. Consequent on digitalisation of network, the Microwave system for which the equipment was procured was commissioned in 1995-96 without using the equipment. As a result the equipment worth Rs 2.35 crore remained lying idle up to November 2000 since their procurement in March 1994.

(Paragraph 28)

Non-utilisation of land

Delay of three years in accord of sanction by DoT for construction of an administrative building after approval of building plan by the Lucknow Development Authority (LDA) in November 1994, coupled with ineffective pursuance of the case by Principal General Manager Telecom Lucknow for clearance of blockade created by LDA, resulted in delay in construction of the administrative building. As a result various offices continued to function from rented buildings and the department incurred rental of Rs 1.24 crore during the period April 1996 to September 2000.

(Paragraph 29)

Unplanned procurement of pulse code modulation cables

Chief General Manager Telecommunications Orissa circle Bhubaneswar procured 301.297 km of Pulse Code Modulation (PCM) cable worth Rs 3.08 crore from two private firms between July 1995 and July 1996. Out of this, 109.446 km of PCM cable costing Rs 1.13 crore was lying unutilised in Regional Telecom Store Depot Bhubaneswar and in 13 sub-divisions.

(Paragraph 30)

Idling of equipment due to in accurate assessment and poor follow up action

Chief General Manager Task Force Guwahati received 14 solar power panels worth Rs 1.56 crore from M/s Telemats India Private Limited between March 1997 and February 1998. Out of these 14 solar panels the supplier could install only six panels and the remaining eight panels worth Rs 85.34 lakh were lying idle since their receipt.

(Paragraph 31)

Idling of high density polyethylene pipes

General Manager Telecom Kota in Rajasthan circle failed to correlate and procure optical fibre cable before taking up the work of trenching and laying high density polyethylene pipes. This led to idling of HDPE pipes worth Rs 85.79 lakh during the period December 1999 to May 2001.

(Paragraph 32)

Unproductive expenditure on expansion of telephone exchange

General Manager Telecom Itanagar under North-East circle expanded Bomdila exchange from 1.4k to 3.4k C-DoT MAX L in March 2000 at a cost of Rs 78 lakh. The exchange was having 801 connections with no waiting list in March 2000. The expansion resulted in raising equipped capacity to 2599 lines. This injudicious expansion led to an unproductive expenditure of Rs 78 lakh.

(Paragraph 33)

Idling of microwave equipment

Microwave equipment meant for Satrod – Hissar route in Haryana Telecom circle was not received within the delivery schedule i.e. by December 1996. Hence the General Manager Telecommunications Hissar commissioned another system of 140 Mbs optical fibre cable in January 1997. The microwave equipment was received in May 1998, but the same could not be re-engineered and utilised in the circle and as such the same was diverted to Katihar in Bihar circle in September 2000. The diverted equipment had not been utilised till June 2001 resulting in idling of equipment worth Rs 44.29 lakh.

(Paragraph 35)

Unproductive expenditure on procurement of ineffective meter reading monitoring systems

General Manager Telecom Madurai procured in large numbers detailed call recording systems, which enable downloading of meter readings for bill processing and monitoring etc. The procurement was made from Tricom Technologies between February and September 1999 at a cost of Rs 31.21 lakh. The equipment were neither approved by DoT/ Telecom Engineering Centre nor was any field trial conducted before procurement. This equipment were not put to use for the purpose for which these were purchased, resulting in idling of equipment worth Rs 31.21 lakh from September 1999.

(Paragraph 36)

(D) Excess expenditure in violation of rules

Irregularities in decentralised procurement of C-DoT 256 P exchange equipment

- DoT decentralised in January 1999 the procurement of 256 P switching equipment from April 1999 onwards and authorised the heads of circles to procure the same by floating tenders at circle level.

- Test check conducted in eight circles disclosed that the rate of 256 P equipment procured under decentralised procurement system varied between Rs 7.77 lakh and Rs 9.07 lakh for B type equipment and Rs 8.47 lakh and Rs 8.60 lakh for C type equipment. This resulted in excess expenditure of Rs 5.50 crore.

- Tamil Nadu circle incurred idle investment of Rs 5.96 crore in procurement of C-DoT equipment without properly assessing the recovered equipment available for re-use.

- Various other omissions and commissions in procurement of C-DoT equipment and upgradation kits, their utilisation and inventory management in Andhra Pradesh, Madhya Pradesh and Orissa circles resulted in excess/irregular expenditure of Rs 10.65 crore.

(Paragraph 37)

Unauthorised procurement of stores/equipment

- Stores of Telecom department are categorised as stocked and non-stocked items. Non-stocked items are being procured either centrally by DoT or by heads of circles under decentralised procurement system or by the heads of secondary switching areas within their delegated financial powers.

- Chief General Manager Telecom and five Secondary Switching areas (SSAs) in Madhya Pradesh circle procured centralised items of stores worth Rs 4.16 crore unauthorisedly.

- Nine SSAs in Andhra Pradesh, Madhya Pradesh and Maharashtra circles unauthorisedly procured decentralised items of stores worth Rs 2.15 crore in violation of departmental instructions during 1999 to March 2001.

(Paragraph 38)

(E) Avoidable expenditure

Excess payment due to inconsistent application of procurement policy

DoT invited tenders during December 1998 and February 1999 for procurement of 2/140 Mbs optimux and regenerator equipment and optical fibre cable. However, while finalising the rates DoT did not counter offer the rates obtained in an earlier tender which was lower than the present tender. This resulted in excess payment of Rs 6.88 crore in procurement of 2059 optimux and regenerator equipment.

(Paragraph 40)

Transportation of stores by Circle Telecommunications Store Depots and Telecommunication units

Circle Telecom Store Depots in Assam, Bihar, Haryana, Maharashtra, North East, Orissa and West Bengal circles failed to adhere to the directions of DoT leading to ambiguity in contracts/agreements for transportation of stores, non-utilisation of forklifts, non-availing of concessional freight etc. This resulted in avoidable expenditure of Rs 3.49 crore during 1995-2000.

(Paragraph 41)

Avoidable expenditure on inessential protection of under ground cables below 100 pairs

Bricks are required to be used as a protective device for protection of underground cable of 100 pairs and above from external damage to the underground cable. General Managers Raigad and Panaji, Goa under Maharashtra circle continued to award cable laying contracts including mechanical protection by warning bricks for underground cable of less than 100 pairs. This resulted in avoidable expenditure of Rs 1.13 crore between April 1997 and September 2000.

(Paragraph 42)

Avoidable expenditure on repair of faulty C-DoT cards from unauthorised agencies

DoT opened 24 repair centres for repair of printed circuit boards of C-DoT exchanges at various places and directed all the heads of circles to get the repairs done either at the Regional Repair Centres or through the manufacturers of C-DoT exchanges. General Managers Telecom Belgaum in Karnataka circle and Shimla in Himachal Pradesh circle got the faulty cards repaired from unapproved outside agencies during January 1997 to November 2000. This led to an unauthorised expenditure of Rs 93.41 lakh during that period.

(Paragraph 43)

(F) Other Irregularities

Execution of works without sanction of estimates

Despite repeatedly being pointed out in the previous Audit Reports, General Managers Telecom Hyderabad, Khammam, Nellore, Srikakulam and Tirupathi in Andhra Pradesh circle incurred an irregular expenditure of Rs 7.77 crore on execution of routine nature of works without sanction of estimates and provision of funds.

(Paragraph 46)

SECTION II – DEPARTMENT OF POSTS

This section is divided into four chapters each dealing with a specific subject as shown below:

Chapter	Deals with
6	Introductory chapter giving in brief the Organisational set-up, physical performance and financial results of Department of Posts (DoP)
7	Results of Appropriation Audit
8	Comprehensive performance reviews on ➢ Speed Post Services ➢ Working of Postal Accounts Offices
9	Results of Transaction Audit

I) Physical and Financial Performance

- Persistent reduction in projections of unregistered mail traffic indicated lack of adequate planning to increase the department's share in the market or to regain the lost share.

- 17 of the 20 services provided by DoP were running at a loss. The net loss incurred by DoP on these services during 2000-01 was Rs 1424.96 crore which was up by Rs 433.90 crore (44 *per cent*) compared to the previous year.

- The total deficit in DoP stood at Rs 1550 crore during the year 2000-01, which was lower by Rs 46 crore as compared to 1999-2000. This indicated a slight improvement.

- Outstanding balances under the head "Advances from Public Account", which mainly represented overpayments and short credit, stood at Rs 665.87 crore at the end of March 2001. Assam, Bihar, Madhya Pradesh and West Bengal Postal circles accounted for 86 *per cent* of the outstanding balances.

- An amount of Rs 3.60 crore was lying unadjusted under the head "Accounts with States" since long.

(Paragraph 50)

II) Expenditure control

- DoP had a saving of Rs 46.02 crore (51.68 *per cent*) of the original grant under Capital (Voted) section during 2000-01. This was almost three times the savings during 1999-2000. These savings related primarily to money budgeted for Mechanisation and Modernisation of Postal Services.

- DoP obtained a technical supplementary grant of Rs 9.78 crore in August 2000 for the Reserve for development of North East Region which was not utilised at all and was surrendered in September 2000.

- Re-appropriations made under the heads Banking and Life Insurance, Stationery and forms printing, Operational training, Dispensaries and other items were injudicious because the actual expenditure under these heads was less than the original grant.

(Paragraph 51)

III) Comprehensive Performance Reviews

Speed Post Services

- Expenditure on speed post services had been understated substantially, on account of exclusion of manpower cost of personnel deployed from other wings of DoP.

- Speed post services short achieved financial targets by 40 *per cent*.

- Test check by Audit revealed that the delivery efficiency during the months of April 2000, September 2000 and March 2001 was only 65 *per cent*, 52 *per cent* and 52 *per cent* respectively. The department, however, reported this as 98 per cent, 98 per cent and 95 per cent, respectively, indicating inaccuracy in maintenance of records of delivery.

- Although there was improvement over the years in the proportion of settlement of complaints during the year, the number of complaints from customers increased from 32,802 in 1996-97 to 2,91,005 in 2000-01.

- The outstanding revenue under the Book Now Pay Later (BNPL) scheme increased from Rs 0.32 lakh in 1996-97 to Rs 338.88 lakh at the end of March 2001.

- Under the incentive scheme for bulk customers, rebate of Rs 103.85 lakh was granted irregularly between 1996-97 and 2000-01.

- There was loss of revenue of Rs 102.34 lakh due to uncoordinated fixation of tariff for registered articles and speed post articles.

(Paragraph 52)

Working of Postal Accounts offices

- Test check conducted in nine Postal Accounts offices disclosed that a sum of Rs 1045 crore drawn from bank remained unlinked in the bank schedules at the end of March 2001. The pairing work in Madhya Pradesh Postal Accounts office was very unsatisfactory as only 10 per cent of the amount drawn during 1996-2001 was paired. Also, Rs 797 crore drawn from bank remained unlinked in the post office schedules. Similarly a sum of Rs 30.82 crore drawn from Treasury remained unlinked in the post office schedules in five Postal Accounts offices test checked. In Orissa Postal circle although an amount of Rs 10.51 crore was drawn from treasury by post offices during 1996-2001, no pairing work was done by Orissa Postal Accounts office.

- Test check conducted in 10 Postal Accounts offices disclosed that a sum of Rs 2934.34 crore remitted to bank remained unlinked in the bank schedules. Similarly, a sum of Rs 1778.04 crore remained unlinked in the post office schedule at the end of March 2001. As a result any fraud, wrong debiting or crediting of money in Government accounts would remain undetected.

- Ministry of Finance issued instructions for levy of interest from Public Sector banks on all delayed remittances, excess/double reimbursement etc. It was observed that interest amounting to Rs 4.59 crore was not recovered from the concerned banks for such delayed remittances and excess/double reimbursement during 1996-2001.

- A sum of Rs 366.79 crore under credit suspense and Rs 587.86 crore under debit suspense were outstanding at the end of March 2001 in ten Postal Accounts offices under review due to non-receipt of vouchers or want of details for classifying the expenditure to correct head of account.

- Test check conducted in nine Postal Accounts offices revealed that an amount of Rs 95.86 crore was outstanding at the end of March 2001 under Departmental Advances–Other Advances which is a temporary head of account for booking the expenditure for want of details etc.

- General Provident fund accounts should not contain negative balances. The GPF accounts maintained by eight Postal Accounts offices, however, contained minus balances totalling Rs 0.32 crore from 1996 onwards.

- The accounting work relating to Cash certificates such as posting of cash certificate issues and discharges and other connected accounting work was in arrears ranging from three to five years in seven Postal Accounts offices. As a result any fraud that may have taken place would remain undetected. The department needs to take urgent steps for early clearance of arrears.

- Foreign Money Orders originating from other countries and paid in India should be recovered from the foreign Governments. A sum of Rs 26.44 crore on account of foreign money orders paid in India were to be recovered from the foreign Governments as of July 2001.

- Audit scrutiny disclosed that a sum of Rs 30.26 crore was to be realised on account of pension payments made by Post offices at the end of March 2001 on behalf of other Ministries/departments.

- British Postal orders paid in India should be reimbursed by the Government of United Kingdom on sending the paid vouchers through the Postal Accounts office nominated for this purpose. Due to non-receipt paid vouchers from Post offices an amount of Rs 94.83 lakh could not be realised in eight Postal Accounts offices test checked at the end of March 2001.

- Department of Posts did not realise Rs 28.49 crore from Department of Telecommunications from 1993-94 onwards being the commission for transmitting telegraph messages through combined Post Offices.

(Paragraph 53)

IV) Transaction Audit Findings

(A) Loss/Overpayment/short recovery/Other recoveries at the instance of Audit

Short realisation of postage due to violation of conditions of postage

Postmasters in Delhi Postal circle allowed the publishers of newspapers/periodicals/ magazines registered as "Registered newspapers" to avail of tariff concession despite violation of the conditions of the licence resulting in short realisation of Rs 1.70 crore during 2000-01.

(Paragraph 54)

Other recoveries at the instance of Audit

Audit pointed out non-realization of dues from Border Security Force on account of increase in the postage charges for carriage of special bags and conveyance of mails and irregular payment of interest on accounts opened in contravention of rules, totalling Rs 31.75 lakh in the two cases. The entire amount was recovered at the instance of Audit.

(Paragraph 55 and 56)

(B) Idle/unproductive expenditure

Wasteful expenditure on account of delay in construction of Post Office Building

Postal units in Delhi and Rajasthan circle incurred an avoidable expenditure of Rs 1.57 crore between 1967-2001 towards rental on buildings, idle payment of lease rental and penalty due to non construction of building as per lease agreement.

(Paragraph 57)

Idling of staff quarters due to defective planning

Construction of staff quarters by PMG Indore under Madhya Pradesh circle at Shajapur in December 1993 despite adverse site suitability certificate by civil wing led to blocking of funds to the extent of Rs 17.59 lakh. It also led to avoidable payment of HRA of Rs 0.51 lakh and foregoing of licence fee of Rs 0.39 lakh between December 1993 and February 2001 due to non-allotment of these quarters because electricity/water connections were not provided on account of non-development of the area.

(Paragraph 58)

(C) Excess expenditure in violation of rules

Payment of overtime allowance

Failure of the Senior Superintendent of Airmail Sorting division Chankyapuri Delhi to restrict payment of overtime allowance to the limit prescribed by the Government led to an excess payment of Rs 68.41 lakh to Group 'C' staff during 1996-2001. He further paid overtime allowance amounting to Rs 57.35 lakh to Group 'D' staff also despite having excess men-in-position during that period.

(Paragraph 59)

(D) Avoidable payment/expenditure

Excess payment to Railways for conveyance of mails

Chief Postmaster General Orissa paid twice to South Eastern Railway for carriage of mail between the same sections in the same trains during the same period resulting in excess payment of Rs 40.20 lakh.

(Paragraph 60)

Excess payment of haulage charges

Chief Postmaster General, Orissa made excess payment of Rs 20.24 lakh towards haulage charges for conveyance of mail through Railways for empty run of vehicle beyond the destination points for the mail.

(Paragraph 61)

Irregular payment of advances to contractors

Executive Engineer Postal Civil division Cuttack in Orissa circle made irregular payment of advances amounting to Rs 1.39 crore to various contractors during July 1997-March 1998 besides consequential loss of interest of Rs 12.77 lakh till the advance was recovered/ adjusted.

(Paragraph 62)

(E) Other Irregularities

Retention of cash in excess of prescribed limits

Head Post Masters Kota and New Grain Mandi Kota in Rajasthan circle retained cash balances of Rs 33.94 lakh and Rs 76.18 lakh against the authorised limit of Rs 1 lakh and Rs 5 lakh respectively, which was fraught with serious financial risks. Even after revision of the minimum and maximum balances in August 2001, these post offices held cash balances to the extent of 1½ to 3½ times the maximum balance permitted.

(Paragraph 63)

Section - I
DEPARTMENT OF TELECOMMUNICATIONS

CHAPTER 1
ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

1.1 Functions of the Department

Apart from policy making, the main functions of the Department of Telecommunications (DoT) are planning, engineering, installation and operation of telecommunication services all over India and with other countries. The Department of Telecom Services (DTS) and Department of Telecom Operations (DTO) performing the functions of installation and operation were corporatised and a public sector company Bharat Sanchar Nigam Limited (BSNL) incorporated on 15 September 2000, started its operations with effect from 1 October 2000. DoT remains responsible for grant of licences to private sector operators for providing basic and value added services in various cities and telecom circles as per approved policy of the government. The department also allocates frequency and manages radio communications in close co-ordination with the international bodies. It is also responsible for enforcing wireless regulatory measures and monitoring the wireless transmissions of all users in the country.

1.2 Organisational set-up

The management of the DoT vests with the Telecom Commission, which was set up by the Government of India in July 1989 with necessary executive, administrative and financial powers to deal with various aspects of telecommunications. The Commission consists of a Chairperson and four full time Members and four part time Members, all of whom are of the rank of Secretary to the Government of India.

The DoT was bifurcated and a new Department of Telecom Services (DTS) was created in October 1999 to look after all matters other than policy and licensing relating to telecom services; DTS was responsible for execution of works relating to telecommunications, deposit works for Mahanagar Telephone Nigam Limited (MTNL), Videsh Sanchar Nigam Limited (VSNL) and Telecommunications Consultants India Limited (TCIL), for all matters relating to Centre for Development of Telematics (C-DoT) as also for its own financial sanctions, procurement and personnel matters.

In July 2000, a new Department of Telecom Operations (DTO) was carved out of the DTS. The DTO was assigned matters other than policy and licensing relating to operations of telephones, wireless, data facsimile and telematics and other like forms of telecommunications. DTO was also made responsible for execution of works including purchase and acquisition of land, debitable to the capital budget pertaining to telecommunications, procurement of stores and equipment required by the DTO and all matters relating to C-DoT. The

Telecom Commission co-ordinate the functions of the departments in accordance with the administrative and financial powers vested with them.

The whole country is divided into 20 telecom circles and four metro districts for operation and management of telecom services. Five public sector undertakings namely, Hindustan Teleprinters Limited (HTL), Indian Telephone Industries Limited (ITI), MTNL, TCIL and VSNL function under the overall administrative control of the department. Besides, DoT has seven factories at Mumbai, Kolkata (Alipore and Gopalpur), Jabalpur (Wright Town and Richhai), Bhilai and Kharagpur, which manufacture various types of ancillary equipment such as microwave towers, modems, sockets, pay phones, etc.

The C-DoT also functions under the control of the Ministry of Communications as a registered society established to develop indigenous technology for telematics.

The service providing departments namely, DTS and DTO were corporatised and a public sector company Bharat Sanchar Nigam Limited (BSNL) was given all the service providing functions by these two departments. The Company started operating with effect from 1 October 2000 with an authorised capital of Rs 10,000 crore and paid up capital of Rs 5000 crore.

1.2.1 Entry of private sector

The National Telecom Policy 1994 paved the way for private sector participation to achieve the objective of universal coverage at affordable prices to the customers. In the area of value added services cellular mobile telephone service, radio paging service, facsimile, electronic mail, video conferencing, remote area service etc., were introduced in the country. Internet services in the country were being provided by VSNL, MTNL (February 1999) and other private internet service providers.

In the area of privatisation of basic telephony, six companies had so far signed the licence and interconnect agreements with the Department of Telecommunications for providing basic telecom services in Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Punjab and Rajasthan telecom circles. Out of these, Bharti Telenet Limited, Tata Teleservices Limited and Hughes ISPAT Limited have since commissioned their services in Madhya Pradesh, Andhra Pradesh and Maharashtra circles, respectively, covering 14 cities namely Bhopal, Bilaspur, Dewas, Gwalior, Guna, Indore, Jabalpur, Raipur, Shivpuri, Hyderabad, Vijayawada, Pune, Turbhe in Navi Mumbai and Worli in Mumbai.

1.2.2 Telecom Regulatory Authority of India

With the entry of private operators, Government decided to create an independent regulatory authority. The Telecom Regulatory Authority of India (TRAI) was established in February 1997 by taking away the regulatory functions from DoT. The main functions of TRAI are tariff setting, fixation of access charges, ensuring compliance of terms and conditions of licence, protection of consumer interests, settlement of disputes between service providers, monitoring quality of service etc.

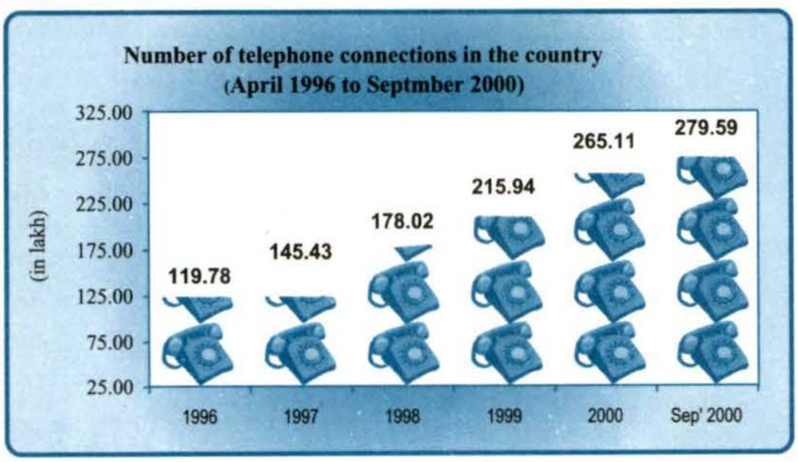
The form of accounts of TRAI have been prescribed by the Central Government in consultation with the Comptroller and Auditor General of India and a notification in this regard was issued on 31 March 1999.

Chapter 4 of the Principal Act of TRAI has been replaced to provide for the establishment of a separate disputes tribunal known as "Telecom Disputes Settlement and Appellate Tribunal" to adjudicate any dispute between a licensor and a licensee, between two or more service providers or between a service provider and group of consumers and hear and dispose of appeals against any direction, decision or order of TRAI.

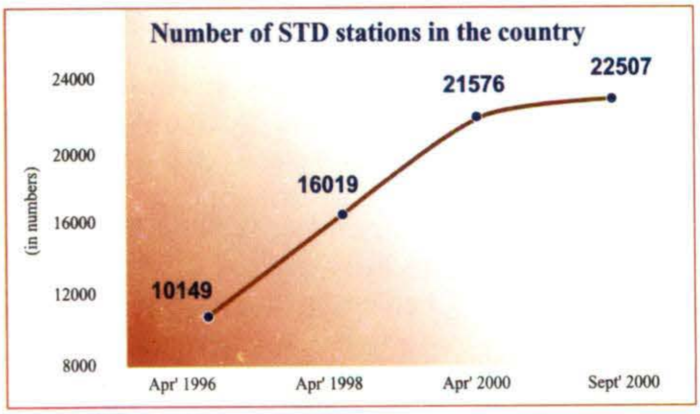
1.3 Telecom network and growth

The telecom network had grown to 28,625 telephone exchanges with 279.59 lakh telephone connections, 374 trunk automatic exchanges and 4.17 lakh public telephones at the end of September 2000. Under transmission system, DoT had an aggregate of 3.77 lakh route km of coaxial cables, microwave, UHF/VHF, optical fibre cable system and 467 fixed satellite earth stations. The international subscriber dialling facilities were available to 237 countries. There were 117 stations having Integrated Services Digital Network (ISDN) with 4275 customers.

The local network in the country registered significant growth in the number of working connections during the last five years. The total number of working connections more than doubled from 119.78 lakh on 1 April 1996 to 279.59 lakh on 30 September 2000, registering a growth of 24.25 *per cent per annum.*



Fast expansion in the STD network during the nineties is another striking feature of the telecom growth in the country. The number of cities and towns connected to STD network as of September 2000 was 22507 as compared to just 10149 stations on 1 April 1996. The number of stations with Internet routers also increased from 33 in 1998-99 to 203 up to September 2000 with 1,58,490 customers.



Due to expansion in telecom network, international traffic increased considerably but number of telephone metered calls decreased from 16,275.96 crore in 1999-2000 to 14,434.90 crore in 2000-01 as shown in the chart below:

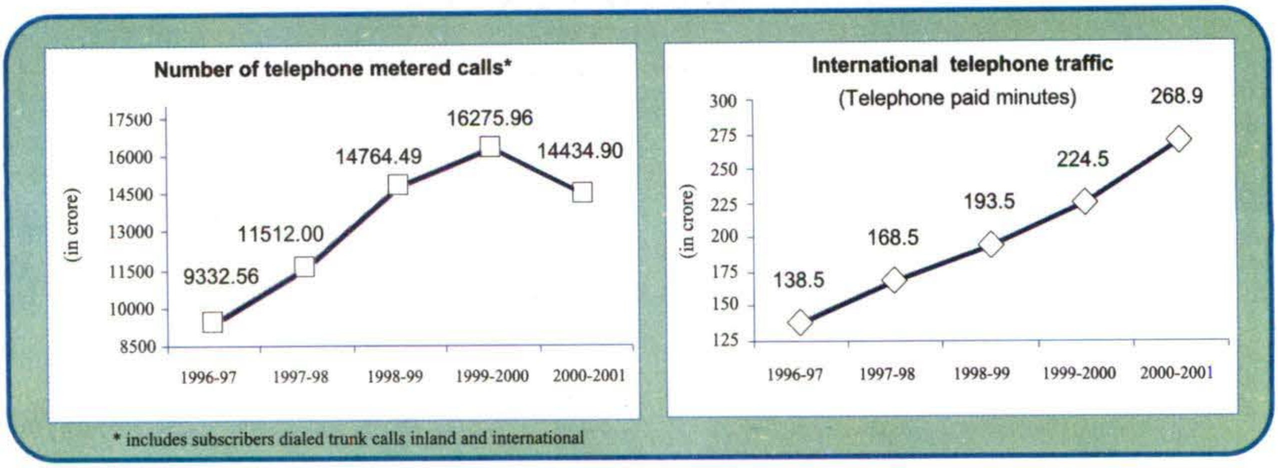


Table 1.3 Telecom network and growth

	1996-97	1997-98	1998-99	1999-2000	2000-01
No. of telephone metered call units (in crore)	9332.56	11512.0	14764.5	16275.96	14434.90*
No. of Direct Exchange Lines telephones (in lakh)	145.43	178.02	215.94	265.11	279.59**
No. of metered calls per DEL	7336	***	6837	7078	5950*
No. of effective trunk calls (in crore)	5.43	5.6	4.9	3.9	2.8*
Telephone paid minutes in international trunk calls (in crore)	138.50	168.45	193.50	224.58	268.85*
No. of STD stations in the country	10149	16019	18212	21576	22507*

* *As on 31 March 2001*

** *As on 30 September 2000*

*** *Figures were not made available*

The number of metered calls per direct exchange line (DEL) decreased from 7336 per connection in 1996-97 to 5950 per connection in 2000-01.

Due to rapid expansion of STD/ISD network, installation of a large number of STD/ISD public call offices and introduction of facsimile services, the telex and trunk call traffic have registered sharp decline during recent years. The number of effective trunk calls dropped from 5.43 crore during the year 1996-97 to 2.8 crore during 2000-01. Telex became a completely outdated service. The department should keep in view these traffic trends while planning for procurement of equipment and material required for these services.

1.4 Manpower

DoT had a total manpower of 4.23 lakh as on 31 March 2001 (including MTNL) of which some 14 *per cent* were Group 'A' and Group 'B' officers, 85 *per cent* were Group 'C' and Group 'D' staff and one *per cent* was industrial workers.

Although the overall strength of the staff remained by and large unchanged yet the strength of Group 'A' and Group 'B' officers just doubled in 2001 as compared to the year ended March 1999. The sudden increase was reportedly due to categorisation of Junior Telecom Officers as Group 'B' and relaxation in period of promotion of Group 'C' officials to Group 'B'.

The total number of staff employed in various categories during 1996-2001 is given in the table below:

Table 1.4 Manpower

As on 31 March	Group 'A' and 'B'	Group 'C' and 'D'	Industrial Workers	Total Manpower
1996	28,295	3,87,768	4,995	4,21,058
1997	29,280	3,94,233	5,322	4,28,835
1998	29,395	3,90,737	5,171	4,25,303
1999	29,878	3,89,191	4,938	4,24,007
2000	57,861	3,58,741	4,758	4,21,360
2001*	58,652	3,59,984	4,391	4,23,027

* Provisional

1.5 Revenue receipts

Overall revenue had recorded substantial growth in the past four years and went up by 49 *per cent* during the period 1996-2000. Because of expansion in the telephone network, the revenue from services like telex, telegram and rent from wires and instruments leased to railways, canals and others, was on the decline due to fall in traffic of these services, more so because Railways installed their own Telecom system. The trends in revenue receipts under various services during the last five years are given in table 1.5(i).

Table 1.5(i) Trend in revenue receipts

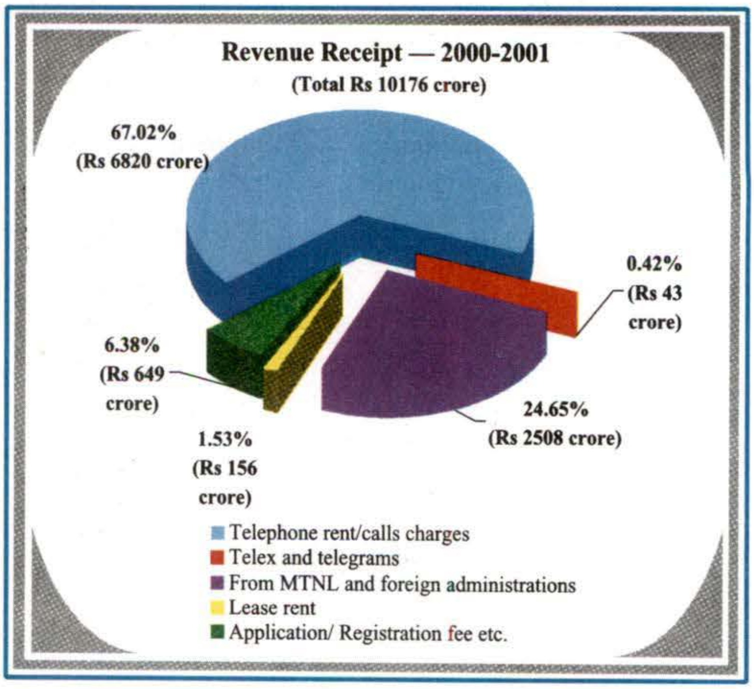
(Rs in crore)

Particulars	1996-97	1997-98	1998-99	1999-2000	2000-01*
Telephone rentals and call charges	9263	11782	13384	14271	6820
Telex rental and call charges	32	42	30	8	13
Telegram receipts	66	60	71	59	30
Rent from wires and instruments leased to railways, canals and others etc.	264	235	199	183	156
Receipts from MTNL	1212	1391	1575	1234	1978
Receipts from other telephone/ telegraph administrations	1743	1912	1560	1372	530
Less payments to other telephone/ telegraph administrations	(-)1405	(-)2272	(-)7	(-)21	Nil
Other receipts including application/ registration fee for new services	1091	1437	932	1151**	649***
Total	**12266**	**14587**	**17744**	**18257**	**10176**

* *Inclusive of Rs 209.94 core received from prospective subscribers towards registration fee. Does not include bills issued and collected/received by BSNL w.e.f 1 October 2000 to 31 March 2001.*

** *This figure according to Appropriation Accounts 1999-2000 was Rs 1151.09 crore, whereas in reply to test audit memo No. 3 dated 7 July 2000, the department had intimated it as Rs 1130.40 crore.*

*** *The figure includes Rs 209.94 crore received towards application fees from prospective subscribers*



Rental and call charges from telephone subscribers are the major sources of revenue for the department and accounted for 67.02 *per cent* of the total revenue receipts during 2000-01.

An analysis of the rate of increase in telephone connections for the five years 1996-2001 vis-à-vis the rate of increase in telephone rental and call charges during the same period revealed that the revenue did not increase in the same proportion as growth in infrastructure, as shown in table 1.5(ii).

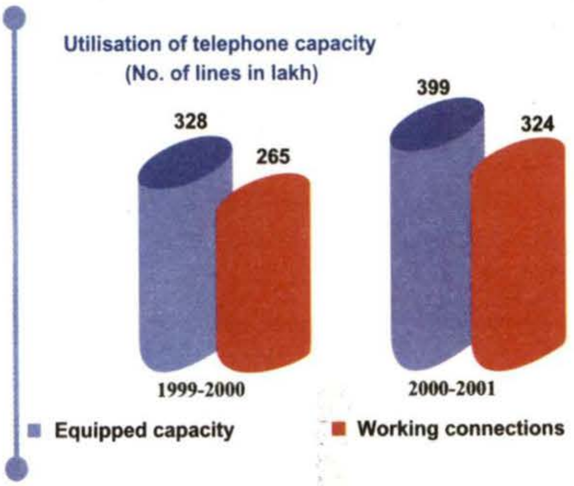
Table 1.5 (ii) -Comparative growth in infrastructure and telephone revenue

Year	DELs (in lakh)	Percentage increase over the previous year	Rental and call charges (Rs in crore)	Percentage increase(+)/ decrease(-) over the previous year	Revenue realised per connection (Rs)
1997-98	178.02	22.41	11782	27.19	6618
1998-99	215.94	21.30	13384	13.60	6198
1999-2000	265.11	22.77	14271	6.63	5383

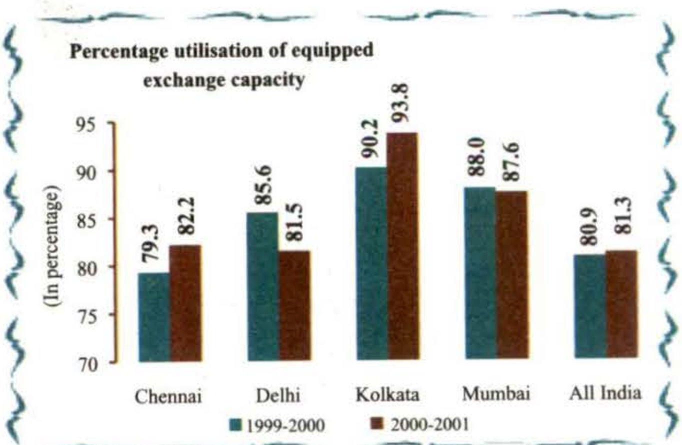
There were 279.59 lakh DEL as on 30 September 2000 and on that basis revenue of Rs 6820 crore was realised by the department during that period i.e. April 2000 to September 2000.

1.6 Capacity utilisation

The average capacity utilisation in the telephone exchanges in the country was about 81 *per cent* during 2000-01 falling within the norm of 75 to 85 *per cent* prescribed by DoT in September 1997. The capacity of telephone exchanges (all India) including the four metropolitan cities, of which two are covered directly by the department and the rest by MTNL and their utilisation at the end of the last two years were as given in the adjoining graphs.



Amongst the metros, Kolkata had the highest capacity utilisation with 93.75 *per cent*. In telecom circles, Tamil Nadu and Andhra Pradesh topped in capacity utilisation of equipped capacity of the telephone exchanges with 85.03 and 84.37 *per cent*, respectively. The percentage utilisation of capacity of telecom circles below DoT's minimum norm of 75 *per cent* was noticed in four circles as shown in Appendix-I. Thus, the capacity of 6.76 lakh lines worked out on the basis of minimum norm of 75 *per cent* loading



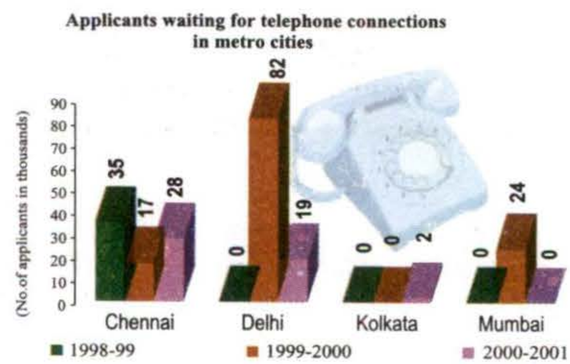
remained unutilised in these four circles during 2000-01 as shown in Appendix-I. This resulted in loss of potential revenue of Rs164.88 crore.

1.7 Waiting list

As many as 28.91 lakh applicants were waiting for new telephone connections in the country as of March 2001, as compared to 36.81 lakh applicants in March 2000. The circle-wise detailed position of spare capacity and waiting list is shown in Appendix-II.

Amongst the telecom circles, Kerala had the highest waiting list of 7.74 lakh applicants as on 31 March 2001, followed by Maharashtra (2.89 lakh), Gujarat (2.29 lakh), Punjab (2.16 lakh), West Bengal (1.78 lakh), Karnataka (1.72 lakh), Tamil Nadu (1.50 lakh) and Andhra Pradesh (1.31 lakh). The country as a whole had a spare capacity of 74.70 lakh lines against the waiting list of 28.91 lakh applicants as shown in Appendix-II. The department should take prompt action to reduce the large waiting list by providing the facilities. Delay in provision of telephone connections to such a large number of applicants despite availability of spare capacity, apart from inconvenience to waiting applicants was causing loss of potential revenue of Rs 619.27 crore *per annum* to the department as shown in Appendix-II.

The position of wait listed applicants in four metro cities as per information supplied by the department is depicted in the chart below:



In Report No. 6 of 2000 of the Comptroller and Auditor General of India, a comment was made that on the basis of work orders for provision of telephones, the department deleted names of waiting applicants from the waiting list without first ensuring that the telephone connections had actually been provided to the concerned applicants. This gave a misleading picture and indicated a greater clearance of the waiting list than actually achieved, because work orders were not implemented for months. In their ATN to the comments made in the report, the Ministry in April 2001 acknowledged the position. They stated in the context of MTNL that work orders were issued without verifying the cable pair upto the subscriber's premises. During 2000-01 they had again showed only 0.49 lakh subscribers in the waiting list in four metro cities.

It was further noticed that as per report of the Management Information System (MIS) cell of January 2001, 38.91 lakh applicants all over India were waiting for telephone connections as on January 2001 whereas as per information supplied to Audit for the period ended 31 March 2001 by MIS cell only 28.91 lakh applicants all over India were shown in waiting list as shown in Appendix-III. Considering that the department deleted names of waiting applicants from the waiting list without first ensuring that telephone connections had actually been provided to them, it would appear that the reduction in the waiting list during the year 2000-01 has also been effected on the same analogy.

1.8 Physical and Financial Performance

The physical and the financial performance of the department during the IX Five Year Plan period (1997-2002), as assessed on the basis of information supplied by the department is given below:

1.8.1 Physical performance

The targets for expansion of telecommunication facilities during IX Five Year Plan (1997-2002) vis-à-vis the achievements in respect of switching capacity, direct exchange lines, trunk auto exchanges, village public telephones and various transmission media such as microwave, UHF, OFC etc., during 2000-01 are given in table 1.8.1.

Table 1.8.1 Target and Achievements in development plans

Item	Target for IX Five Year Plan 1997-2002	Revised Targets 2000-01	Achievements 2000-01			Excess(+) Shortfall(-)
			DoT	BSNL	Total	
Switching capacity (lakh lines)	230	72	16	50	66	(-)6
Direct Exchange Lines (lakh lines)	185	54	14	42	56	(+)2
Trunk auto-exchanges (TAX) (thousand lines)	1800	400	200	300	500	(+)100
Village Public Telephones (in numbers)	239155	100000	5543	28774	34317	(-)65683
Microwave/UHF systems (route km)	90000	10000	8218	12808	21026	(+)11026
Optical fibre systems (route km)	140000	100000	17062	38292	55354	(-)44646
Satellite earth stations (in numbers)	Nil	167	28	36	64	(-)103

The annual targets for providing telephone connections, trunk auto exchanges and microwave systems during 2000-01 were achieved. However, the performance with regard to the switching capacity, number of village public telephones, OFC System and to a lesser degree in case of satellite earth stations fell short of the targets.

1.8.2 Allotment and expenditure

The allotment and expenditure on capital account of IX Five Year Plan period under the important schemes were as under:

Table 1.8.2 Capital outlays (Plan) and actual expenditure

(Rs in crore)

Item	Original outlay for IX Five Year Plan 1997-2002	Capital outlays (Plan) 2000-01	Actual expenditure 2000-01	Excess(+)/ Unspent amount (-)	
				Amount	Percentage
Local telephone systems (Switching capacity and direct exchange lines)	52205.60	12105.74	7147.59	(-)4958.15	41
Long distance switching systems (TAX capacity lines)	940.40	175.00	38.71	(-)136.29	78
Long distance transmission systems					
(a) Coaxial cable, microwave system, optical fibre and UHF system	12688.00	2525.00	1874.39	(-)650.61	26
(b) INSAT and INTELSAT (Satellite earth stations)	1040.00	136.00	34.73	(-)101.27	74
Telegraph and Telex	150.00	21.00	22.15	(+)1.15	5
Other land and buildings	2387.00	463.00	145.19	(-)317.81	69
Ancillary systems	767.00	408.26	95.08	(-)313.18	77
Total	**70178.00**	**15834.00**	**9357.84**	**(-)6476.16**	**41**

During the fourth year of IX Five Year Plan, DoT could not utilise Rs 6476.16 crore against the plan allotment in respect of local telephone systems, long distance switching systems, Long Distance Transmission system, other land and buildings and ancillary systems but exceeded the plan outlay by Rs 1.15 crore in respect of Telegraph and Telex

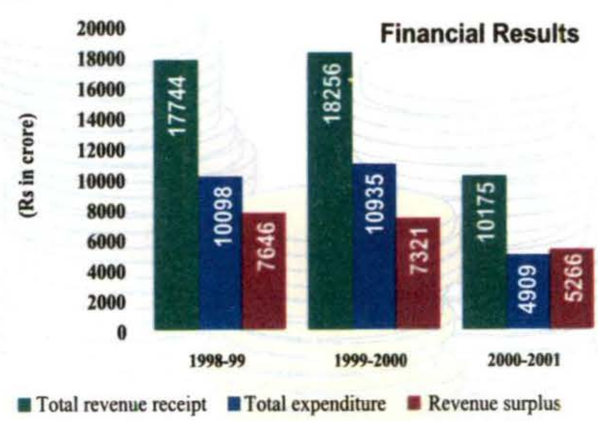
1.9 Financial results

Financial results of the department during 2000-01 are given in table 1.9.

Table 1.9 Financial results

(Rs in crore)

	2000-01 (April 2000 to September 2000)		
	Budget estimates	**Revised budget estimates**	**Actuals**
1. Revenue receipts	19814.06	10001.08	10175.49
2. Gross Working Expenses			
(i) Administrative, Operative and maintenance etc.	7598.84	4052.43	4110.10
(ii) Depreciation	3134.00	1541.95	1541.95
(iii) Redemption of Bonds	190.00	15.00	15.0
Total Working Expenses	10922.84	5609.38	5667.05
Deduct-Recoveries	1657.00	585.76	869.19
3. Net Working Expenses	9265.84	5023.62	4797.86
3A. Less amount transferred to DoT	7.00		
4. Transferred as dividend to General Revenues	223.00	111.50	111.54
5. Total Expenditure	9495.84	5135.12	4909.40
6. Surplus (1-5)	10318.22	4865.96	5266.09



The surplus of revenue over working expenses during six months i.e. from April 2000 to September 2000 was Rs 5266 crore. The operating ratio i.e. the ratio of net working expenses (excluding expenditure on redemption of bonds) to the revenue earned (excluding receipts from application registration fee) was 48 *per cent* in 2000-01.

Arrears of telephone revenue amounting to Rs 2946.78 crore were outstanding at the end of March 2001 with reference to the demand raised, out of which an amount of Rs 1222.26 crore was outstanding as on 1 July 2001 for one or more years, as detailed in paragraphs 9.1 and 9.2

1.10 Suspense Balances

The Finance Accounts for the year ended 31 March 2001 showed a net debit balance of Rs 923.75 crore under Major Head 8662-Suspense Account. There was a net decrease of Rs 639.82 crore in the balance under the head as compared to the previous year. Efforts need to be continued to clear the balance. The balances under the following Minor Heads however, went up significantly during the year 2000-01 as indicated below:-

Table 1.10 Pending Suspense Balances

(Rs in thousand)

Minor Head of Account	Balances under Suspense Head			Net increase over the last three years	Percentage increase over the last three years
	1998-99	1999-2000	2000-01		
103-Railway Account Suspense	47663 (Dr.)	34653 (Dr)	92093 (Dr.)	44430 (Dr.)	**93.22**
109- Reserve Bank Suspense	450680 (Dr.)	98380 (Cr)	161664 (Cr.)	289016 (Dr.)	**64.13**

Such large balances lying uncleared under Suspense Heads indicate unsatisfactory maintenance of accounts and lack of monitoring amongst the units. The department should devise a time frame to clear these balances at an early date. The matter was referred to the Ministry in October 2001. In their reply they accepted the facts and figures and also stated that the balances under Major Head-8662-103 Railway Accounts Suspense and 109-Reserve Bank Suspense have been brought down to Rs 857.83 lakh (Dr) and Rs 1487.53 lakh (Cr) respectively as on 30.9.2001. Department further stated that full efforts were being made to clear the outstanding remaining balances.

1.11 Adverse Balances under Debt and Deposit heads

A comment was made in Audit Report No. 6 of 2001 regarding the existence of adverse balances under Debt and Deposit heads of the Finance Accounts of the Department for the year ended 31 March 2000. It was recommended to initiate appropriate action to clear them.

A scrutiny of the Finance Accounts for the year 2000-01 and age-wise analysis revealed that adverse balances under the following heads of accounts continued to persist:

Table 1.11 Persistence of Adverse Balances

(Rs in thousand)

Sl. No.	Head of Account	Adverse / Debit Balances		
		1998-99	1999-2000	2000-01
1.	8005-State Provident Fund 60-Other Provident Fund 101-Workmen's CPF	2254 (Dr)	2254 (Dr)	2253 (Dr)
	102-Contributory Provident Pension Fund	670 (Dr)	670 (Dr)	670 (Dr)
2.	8235-(a) Reserve Fund bearing interest 113-National Renewal Fund	532400 (Dr)	532400 (Dr)	621400 (Dr)
4.	8342-Other Deposits 101-National Defence Fund	16 (Dr)	16 (Dr)	16 (Dr)

These adverse balances disclosed that DoT failed to initiate adequate action to minimise the adverse balances. The adverse balances under various debt, deposit and remittance heads appearing in Union Government Finance Accounts have been engaging the attention of the Public Accounts Committee. The continued existence of such uncleared balances not only gives a distorted picture of the accounts but also indicates lack of monitoring in clearing them. In order to check this, it is imperative that each case be scrutinised in depth and urgent action taken to liquidate the balances. The matter was referred to the Ministry in October 2001 and in their reply they stated that year wise balances have been identified from 1972-73 onwards and their clearance was being pursued with the circles regularly.

However, the position shown above revealed that the balances were still pending for settlement.

1.12 Huge debit balances under remittance head due to non-adjustment.

There was a debit balance of Rs 2303.07 crore under the Head "8782-Cash Remittance and adjustment between offices rendering accounts to the same Accounts Officer-121 P&T Remittances" at the end of the Financial Year 2000-01. The balances at the end of 1998-99 and 1999-2000 were Rs 3596.48 crore and Rs 4460.73 crore, respectively. Though balances under the head have decreased from Rs 4460.73 crore in 1999-2000 to Rs 2303.07 crore in 2000-01, efforts need to continue to be made to clear them. Such balances indicate that the Telecom circles making payment for supply of stores were not issuing advice of transfer debit/credit to the concerned circles for booking the amount under the final head of accounts in those circles. In their reply the Ministry has stated that balance of Rs 2303.07 crore had come down to Rs 2083.87 crore as of 30 September 2001.

CHAPTER 2
APPROPRIATION ACCOUNTS

2.1 Appropriation Accounts (Telecommunications Services) are prepared by the Secretary Department of Telecommunications and are audited and certified by the Comptroller and Auditor General of India. The objective of the Appropriation audit is to ascertain whether expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provision of the Constitution is so charged. It also ascertains whether the expenditure incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Budget grant and expenditure

A summary of Appropriation Accounts (Telecommunications Services) presenting the accounts of sums expended during the year 2000-01, compared with the sums authorised in the schedules appended to the Appropriation Act, 2000 passed under Articles 114 and 115 of the Constitution of India, is given in the tables below:

Table 2.2(a) Appropriation and expenditure

Grant No. 12 — Department of Telecommunications

(Rs in crore)

Section	Original Grant	Supplementary Grant	Total Appropriation	Actual Expenditure	Excess (+) Saving (-)
REVENUE					
Voted	70.49	358.82	429.31	382.27	(-)47.04
Charged	Nil	Nil	Nil	Nil	Nil
CAPITAL					
Voted	Nil	20002.00	20002.00	1300.00	(-)18702.00
Charged	Nil	Nil	Nil	Nil	Nil
Total	**70.49**	**20360.82**	**20431.31**	**1682.27**	**(-)18749.04**

Under Grant No. 12, which relates to Department of Telecommunications, there was a net saving of Rs 18749.04 crore (more than 266 times the original grant) during the year 2000-01. This saving was comprised of a saving of Rs 47.04 crore (67 *per cent* of the revenue grant) under the Revenue (voted) section and an saving of Rs 18702.00 crore against nil provision of Capital grant under the Capital (voted) section.

Audit noticed that although under Capital (voted) section there was nil provision in the original grant, in the third batch of March Supplementary Grant 2001 under Grant No. 12, the department was allotted Rs 20,002 crore under Capital (voted) section. According to the notes thereto, the justification for this supplementary grant was *inter alia* to meet the requirement of C-DoT and Telecom Engineering Centre and for investment (Equity Rs 5000 crore, Preference Equity Rs 7500 crore and Loan Rs 7500 crore) in the newly created corporate entity "Bharat Sanchar Nigam Limited". The notes also indicated that this amount would be balanced by reduction in cumulative capital outlay on Telecom Services as on 30.9.2000 and hence would not entail any cash outgo. The supplementary grant also showed provision of Rs (-) 20,000 crore as recoveries, in reduction of expenditure under Major Head-5225 - Capital Outlay on Telecom Services.

In the explanation to the reasons for savings the department stated that the anticipated transfer of assets to BSNL in the accounts of the department could not be effected since the capital structure of BSNL was yet (31 March 2001) to be approved by the competent authority.

It was noticed by Audit that the department sought sanction in December 2000 (Second Supplementary) for a ways and means advance of Rs 1500 crore in favour of BSNL through reappropriation of provisions made under Grant No.13. In violation of Financial Rules, however, the department booked the advance of Rs 1300 crore to BSNL under Grant No.12 (under Capital Voted Section). Moreover, in the absence of approval of the competent authority for the capital structure of BSNL, the appropriation of Rs 20,002 crore in the supplementary grant at the end of financial year was not justified as it was not used for the purpose for which it was allotted.

Table 2.2(b) Appropriation and expenditure

Grant No. 13 — Department of Telecom Services

(Rs in crore)

Section	Original Grant	Supplementary Grant	Total Appropriation	Actual Expenditure	Excess (+) Saving (-)
			REVENUE		
Voted	21464.01	Nil	21464.01	11044.68	(-)10419.33
Charged	0.05	Nil	0.05	nil	(-)0.05
			CAPITAL		
Voted	16013.99	0.02	16014.01	9265.53	(-)6748.48
Charged	0.01	Nil	0.01	nil	(-) 0.01
Total	**37478.06**	**0.02**	**37478.08**	**20310.21**	**(-)17167.87**

Net saving of Rs 17167.87 crore

Under Grant No. 13 relating to Department of Telecom Services, there was a net saving of Rs 17167.87 crore (46 *per cent* of the original grant) during the year 2000-01, which constituted a saving of Rs 10419.33 crore (48 *per cent*) under the Revenue (voted) section and saving of Rs 6748.48 crore (42 *per cent*) as unspent amount under the Capital (voted) section. The huge savings were mainly attributed to corporatisation of DTS and DTO with effect from 1 October 2000, i.e. midway during the year.

2.3 Appropriation Audit

2.3.1 *Savings/Excess in Grants/Appropriation*

Savings or excess in the grants or appropriation indicate that the expenditure could not be incurred as estimated and planned.

Net savings of Rs 18749.04 crore

Under Grant No. 12, the department registered a saving of Rs 47.04 crore under the Revenue (voted) section and a savings of Rs 18702.00 crore under the Capital (voted) section on account of the following reasons as stated in the Appropriation Accounts:

Table 2.3.1 Savings in Grant No. 12

	Savings (-) Excess (+) (Rs in crore)	Reasons for savings as stated by the department
Revenue (voted)	(-) 47.04	Due to less expenditure under salary, wages, Travel Expenses, non-receipt of bills, non-finalisation of maintenance tenders etc.
Capital (voted)	(-) 18702.00	Due to non-finalisation of Capital structure of BSNL.

The saving of Rs 47.04 crore constituted 67 *per cent* of the sanctioned provision of the Revenue (voted). The savings of Rs 18702.00 crore was against 'nil' original grant under Capital (voted) section. The savings was mainly due to non finalisation of capital structure of the BSNL

Under Grant No. 13, the department registered a saving of Rs 10419.33 crore and Rs 6748.48 crore under Revenue (voted) and Capital (voted) section of the grant respectively, for the reasons indicated below:

Table 2.3.2 Savings in Grant No. 13

	Savings (Rs in crore)	Reasons for savings as stated by the department
Revenue (voted)	10419.33	Due to over estimation under salaries, dearness allowance, travelling expenses, overtime allowance etc; less maintenance work undertaken and receipt of less claims from DoP etc.
Capital (voted)	6748.48	Due to corporatisation of DTS with effect from 1 October 2000

Savings of Rs 10419.33 crore under Revenue (voted) section require an explanatory note to PAC

The savings of Rs 10419.33 crore under Revenue (voted) section under Grant No. 13, were on account of lower expenditure than estimated under salaries, wages, dearness allowance, overtime allowance, travelling expenses etc. Government decided in September 2000 that the business of providing telecom services, being dealt with and entrusted to the Department of Telecom Services and Department of Telecom Operations, would be transferred to the newly formed company viz., BSNL with effect from 1 October 2000. The department, however, surrendered the excess funds only on 30 March 2001 although the second batch of supplementary grant was obtained in December 2000.

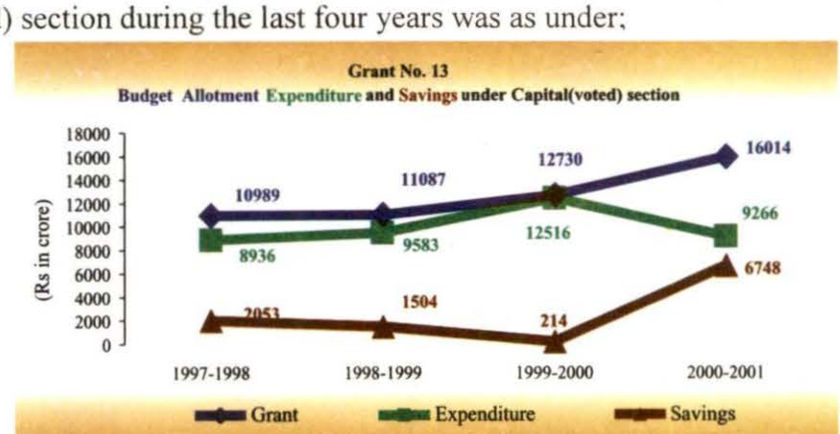
The savings of Rs 6748.48 crore constituted 42 *per cent* of the sanctioned provision in the Capital (voted) section of Grant No. 13. Out of this, saving of Rs 6445.85 crore was under Major Head 5225 - Local telephone system (Rs 4944.99 crore), long distance switching system (Rs 135.43 crore), long distance transmission system (Rs 750.58 crore), ancillary system (Rs 301.76 crore) and other land and buildings (Rs 313.09 crore). Here, again the department surrendered the excess funds only on 30 March 2001.

The above savings being more than Rs 100 crore would require an explanatory note to the Public Accounts Committee (PAC) in terms of the recommendations contained in the 60th Report of the Committee presented to tenth Lok Sabha in February 1994.

It is pertinent to mention here that a comment was made in Audit Report No. 6 of 2000 of the Comptroller and Auditor General of India regarding consistent surrender of funds over a period of time under the head "Long Distance Transmission System". The Ministry in their ATN, in September 2000 stated that the department, as a result of a review of progress in expenditure and procurement of equipment taken up during 1998-99, had scaled down the requirement under this head from Rs 2602 crore in 1998-99 to Rs 1600 crore in 1999-2000. The department further assured that efforts would continue to frame the estimates more realistically and to utilise the sanctioned grant effectively. During the period 1 April to 30 September 2000, the department had savings of Rs 750.58 crore under this head.

2.3.2 Persistent Savings under Capital (voted) section

The position of budget allotment, expenditure and savings under Capital (voted) section during the last four years was as under;



The Ministry in their ATN in response to an Audit comment made in Report No. 6 of 2000 of the Comptroller and Auditor General of India, regarding savings under this section stated in August 2001 that the savings were due to shortfall in installation of manual telephone exchanges, less procurement of apparatus and plant, cables, lines and wires and shortfall in installation of village public telephones and further stated that efforts will be made to frame estimates more realistically. Audit noticed, however, that net savings under the Capital (voted) section, which had come down from Rs 2053 crore in 1997-98 to Rs 214 crore in 1999-2000 again shot up to Rs 6748.48 crore in 2000-01 under Grant No.13. Savings under sub-heads 'Long distance switching systems' and 'Ancillary systems' in particular were becoming a general feature as shown below:

Table 2.3.2 Savings under Major Head 5225-03 and 05 Capital (voted) Section

(Rs in crore)

Section	System	1998-99	1999-2000	2000-01
03	Long distance switching systems	171.34	190.96	135.43
05	Ancillary systems	70.41	164.69	301.76

As a proportion of the original grant in the respective years, the savings under "Long distance switching systems" varied from 84 *per cent* in 1998-99 to 78 *per cent* in 2000-01. Such percentage savings in the case of "Ancillary systems", however, shot up from 20 *per cent* in 1998-99 to 77 *per cent* in 2000-01.

2.3.3 Surrender of Savings

Rule 69 of General Financial Rules stipulates that Ministry/Department should surrender the savings as soon as these are anticipated rather than waiting for the end of the year. This provision for "surrender" of savings is made to ensure that the portion of grant or appropriation not utilised by the spending department is communicated to the Ministry of Finance which can reallocate the surrendered amount to any other needy sectors of the economy.

Against the total unspent amount of Rs 35916.91 crore the Department surrendered only Rs 18381.38 crore (Rs 18340.06 crore under Grant NO.13 and Rs 41.32 crore under Grant NO.12) on 30 March 2001 at the fag end of financial year leaving a balance of Rs 17535.53 crore, thus violating Rule 69 of General Financial Rules. It would also appear that the Department was not aware of the financial requirement of funds even at the close of the financial year and failed to control the expenditure adequately as desired by the PAC in their reports time and again.

In view of the above there is an immediate need for the department to improve their accounting information system as desired by the PAC in their report number Ten (Thirteenth Lok Sabha).

2.3.4 Re-appropriations

2.3.4(i) Heavy reappropriations of funds

Test check of appropriation accounts with reference to re-appropriation revealed that out of total sanctioned provision of Rs 431.31 crore and Rs 37,478.08 crore under Grant No. 12 and 13 respectively, an amount of Rs 38.32 crore and Rs 18,340.05 crore, respectively, were re-appropriated between different primary units of appropriation defeating the original purpose/activity as authorised by Parliament. The details of such re-appropriations are given below:

Table 2.3.4 (i) Details of re-appropriations of Funds

Grant No. 12

(Rs in crore)

	Revenue		Capital		Total
	Voted	Charged	Voted	Charged	
Sanctioned provision	429.31	-	2.00	-	431.31
Amount re-appropriated	36.77	-	1.55	-	38.32

Grant No. 13

(Rs in crore)

	Revenue		Capital		Total
	Voted	Charged	Voted	Charged	
Sanctioned provision	21464.01	0.05	16014.01	0.01	37478.08
Amount re-appropriated	10726.00	0.04	7614.01	-	18340.05

2.3.4(ii) Injudicious re-appropriations

There were five cases of injudicious re-appropriation of funds

In five sub-heads, from which amounts aggregating Rs 56.36 crore as shown in Appendix – IV were transferred to other heads, the re-appropriation was injudicious because the actual expenditure either exceeded the original provision before such re-appropriation or the final expenditure exceeded the reduced provision after re-appropriation from these sub-heads.

2.3.5 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 departments or Ministries. Appropriation Audit was conducted by comparing gross expenditure with gross amount of grant; the excess and shortfall in recoveries indicate inaccurate estimation of recoveries and deficient budgeting.

In the Revenue Section under Grant No. 12, there was no recovery against the estimated recoveries of Rs 7.00 crore. There was no provision for recoveries under Capital (voted) section in the original grant. However, in the third batch of Supplementary Grant an amount of Rs 20,000 crore was provided as recovery under Capital (voted) section. Against this provision of Rs 20,000 crore, Nil recovery was effected.

In the explanation to the reasons for Nil recovery the department stated that the anticipated transfer of assets to BSNL in the accounts of the department could not be effected since the capital structure of BSNL was yet (31 March 2001) to be approved by the competent authority.

Under Grant No. 13 in Revenue Section against the estimated recoveries of Rs 1657 crore, the actual recovery was Rs 869.19 crore and in the Capital Section, against the estimated recoveries of Rs 16,014.01 crore, the actual recovery was Rs 8537.43 crore. Less recovery had the effect of increasing the expenditure by Rs 7.00 crore in Revenue section under Grant No. 12 and Rs 787.81 crore in Revenue section and Rs 7476.58 crore under capital section under Grant No. 13.

CHAPTER 3
REVENUE

3. Undue favour to licensees and loss of revenue

Department of Telecommunications failed to terminate the licence of M/s Koshika Telecom Limited, a licensee operating in Uttar Pradesh (East) circle, although the operator did not honour the conditions of migration to New Telecom Policy-99. Licence fee with interest thereon due from this operator amounted to Rs 438.20 crore upto August 2001. In addition, an amount of approximately Rs 218 crore, recovered from M/s Bharti Mobile, was subject to the outcome of an arbitrator's award.

A mention was made in paragraph 14 of Report No. 6 of 2000 of the Comptroller and Auditor General of India, Union Government, (Post and Telecommunications) for the year ended March 1999 about licensing of Cellular Mobile Telephone Service under fixed licence fee regime, non-payment of licence fee and migration to New Telecom Policy – 99 (NTP–99) in respect of 22 Cellular Mobile Telephone Operators covering 18 circles and 4 metros. Under NTP-99 only those Cellular Mobile Telephone Operators were permitted to migrate to the revenue sharing regime who cleared their total outstanding dues within 90 days of the offer for migration. Those operators who did not clear their dues within 90 days would not only be not allowed to migrate but would have their operating licence terminated without any further notice, so that they would not be able to operate any longer. Twenty operators accepted the offer and paid their outstanding dues. Two operators who did not do so were M/s Koshika Telecom Limited operating in Bihar, Orissa, Uttar Pradesh (UP) (East) and UP (West) circles and M/s JT Mobile operating in Andhra Pradesh, Karnataka and Punjab circles. Together, these two licensees had licence fee dues amounting to Rs 920.65 crore outstanding as of 31 May 1999.

In these two cases the following deviations from the scheme were observed by Audit:

(i) M/s Koshika Telecom Limited

Non-termination of licence inspite of non-payment of dues

The licence of M/s Koshika Telecom Limited was terminated for Bihar, Orissa and UP (West) circles in April 1999 for non-payment of outstanding licence fee. The licence for UP (East) was not terminated as the other licensee viz., M/s Aircell Digilink Limited was also a defaulter at that point of time. Subsequently, on representation by M/s Koshika Telecom Limited, their licences for all the circles were restored and they were allowed to migrate to NTP-99 from 1 November 1999 (1 December 1999 in the case of UP (East)). Although M/s Koshika Telecom Limited did not pay their outstanding dues, the department, in disregard of the requirements of migration package, failed to terminate their licence in the case of UP (East); this inspite of the fact that the licence of M/s Aircell was restored in April 2000 consequent upon payment of their outstanding dues and migration to NTP-99.

The department stated in September 2001 that the case for termination of licence for UP (East) circle and the modalities for recovery of the outstanding dues of Rs 438.20 crore were under active consideration of the Government and a decision was likely to be taken shortly.

The Ministry while accepting the facts stated in November 2001 that M/s Koshika Telecom Limited had resorted to legal proceedings in Delhi High Court against the demand issued by DoT for payment of outstanding dues and apprehending action by the licensor, obtained stay order on 24 September 2001 against termination of Uttar Pradesh (East) circle licence. It further added that DoT had taken necessary action to file reply in the Court to defend the case and that the matter was sub judice and further action would be taken depending on the outcome of the case.

The fact, however, remained that Rs 182.25 crore towards outstanding dues in respect of the licence fee for Bihar, Orissa and UP (West) circles still remained to be recovered although not sub-judice. In addition, outstanding dues to the tune of Rs 255.95 crore were pending in respect of UP (East) circle as the matter was sub judice.

Also the department showed undue favour to M/s Koshika Telecom Limited by failing to terminate their licence from April 2000 onwards, although the licensee did not honour the condition of the migration package.

(ii) M/s JT Mobile Limited

The licence of M/s JT Mobile was terminated in July 1999 for non-payment of licence fee for Punjab circle. Meanwhile M/s JT Mobile was renamed as M/s Bharti Mobile. M/s Bharti Mobile was issued a migration package for Punjab circle on 31 August 2000 with 7 September 2000 as the cut off date; this was accepted by them, but conditionally. The agreement, therefore, did not materialise. The licence fee outstanding in the case of Punjab circle, however, mounted to Rs 525 crore.

Non-realisation of outstanding dues in respect of the terminated licence

On the advice of the Attorney General, M/s Bharti Mobile were given an offer of a revised migration package on 19 September 2001 for Punjab circle, intimating the dues of approximately Rs 490 crore. Although this figure included the outstanding licence fee, interest calculated upto the date of payment, Wireless Planning and Coordination (WPC) charges and liquidated damages, the amount of dues came down from the earlier figure of Rs 525 crore. This was on account of the notional extension in the effective date by six months. The offer further stipulated that the issue relating to payment of licence fee between 18 April 1996 and 10 March 1998 would be decided by an arbitrator. The licensee gave unconditional acceptance to the offer.

The Ministry stated in November 2001 that all the dues as per the migration package amounting to Rs 491 crore (including the spectrum charges of Rs 5.41 crore) pertaining to the period prior to migration stood recovered from M/s Bharti Mobile Limited in respect of Punjab circle in terms of migration package offered on 19 September 2001.

Although the licensee paid the outstanding dues, the department showed undue favour to the extent of Rs 57.50 crore to the licensee by way of notional extension in the effective date by six months, as already commented in para 14.10.1 of the Report of the Comptroller and Auditor General of India for the period ended 31 March 1999.

Further, the matter regarding payment of licence fee for the period 18 April 1996 to 10 March 1998 had been entrusted to an Arbitrator whose decision was awaited. As a result, receipt of the corresponding licence fee amounting to approximately Rs 218 crore (at the rate of Rs 115 per year as given in the payment schedule of the agreement), which was included in the recovery of Rs 491 crore, was not final.

4. Non realisation of licence fee and royalty charges

Failure of department to recover licence fee and royalty charges amounting to Rs 83.41 lakh from 10 users who were allowed to operate wireless stations at different localities without valid licence since January 1983 under jurisdiction of Wireless Monitoring Station, Shillong.

WPC wing is empowered to grant/renew licence to wireless telegraph stations being used by private parties

Wireless Planning and Co-ordination (WPC) wing of Ministry of Communications is empowered to grant/renew licence to users to establish, maintain and operate wireless telegraph stations. Licences are generally issued for a period of two years at a time, if otherwise not required for a shorter period. The users are required to pay licence fee and royalty charges as per the tariff applicable from time to time.

10 users operated wireless stations without licences

Rs 83.41 lakh not realised towards licence fee and royalty charges

Scrutiny of records of Wireless Monitoring Station, Shillong in December 2000 by Audit revealed that 10 users were allowed to operate wireless stations at different localities without valid licences for 99 to 219 months as indicated in the Appendix-V. This resulted in non-realisation of licence fee and royalty charges amounting to Rs 83.41 lakh from January 1983 to March 2001.

In a similar comment made in the Audit Report No. 6 of 2001, Ministry in their Action Taken Note stated in November 2001 that penal action could not be taken due to non-existence of an enforcement mechanism in the existing set up. The Ministry added that the proposal for creation of an enforcement group was under consideration.

Issuance of licences and recovery of dues still awaited

When this was pointed out by Audit, the officer in charge, Monitoring Station Shillong stated in March 2001 that they issued licences to one out of 10 users; in respect of the others, the matter was being taken up with the users as well as the WPC wing for expediting the process for obtaining the licence.

The Ministry in their reply stated in November 2001 that the inspection unit Shillong had already taken up the cases with the users. They added that the onus of applying for a licence or its subsequent renewal lay with the respective users.

5 Short recovery of liquidated damages

Failure of DoT to review and recover liquidated damages due from M/s Shyam Telelinks Network (India) Limited, a basic service operator for Rajasthan circle, led to short recovery of Rs 0.70 crore.

As per condition of the licence agreement with the basic service operators, if an operator fails to bring the service or any part thereof into commission within the prescribed commissioning period of 12 months from the effective date, DoT shall be entitled to recover liquidated damages. The amount of liquidated damages is linked to the category of the service area.

Scrutiny of the records of DoT in February 2001 revealed that M/s Shyam Telelinks Network (India) Limited, a basic service operator, who entered into an agreement with DoT in March 1998 for commissioning basic service in Rajasthan circle, commenced the service after a delay of 459 days (June 2000). As Rajasthan circle falls in category 'B' service area, the maximum liquidated damages recoverable were Rs 4 crore. The department, however, had recovered only Rs 3.30 crore for a delay of 149 days i.e. up to 31 July 1999. This resulted in short recovery of liquidated damages of Rs 0.70 crore. When this was pointed out by Audit, the department recovered the balance amount of Rs 0.70 crore in May 2001.

The Ministry stated in September 2001 that the liquidated damages were first charged for 149 days i.e. up to 31 July 1999 because that was the cut off date for migration of the existing licence. The Ministry added that the case was reviewed after commencement of services and demand was raised for the balance amount and realised in May 2001. The recovery of Rs 0.70 crore, however, was made by the department after Audit raised the point in February 2001.

6 Non-realisation of Rs 27.53 lakh on account of penal interest on belated payment of bills

Failure of department to realise penal interest from parties on belated payment of dues for the Satellite charges resulted in non-recovery of Rs 27.53 lakh.

As per the decision of the DoT relating to unified procedures and charges for Satellite Services, penal interest at 18 *per cent* is to be charged on the amount due, if the same is not received within the due date.

Director (Traffic) failed to realise penal interest on belated payment of dues for satellite charges

Scrutiny of the records of Director (Traffic), Office of Chief General Manager (Maintenance), Northern Telecom Region New Delhi in June 2000 by Audit revealed that the executive failed to realise penal interest from the parties on account of belated payment of dues for the Satellite charges. This resulted in non-recovery of penal interest of Rs 27.53 lakh for the period upto 30 September 2000.

The matter was referred to the Ministry in November 2001; their reply was awaited as of December 2001.

7 Non/short recovery of revenue

7.1 Failure to demand and collect rent/licence fee Rs 14.37 crore

Failure of department to demand and collect rent/licence fee for various telecom facilities led to non/short recovery of revenue of Rs 14.37 crore.

Non/short recovery of Rs 14.37 crore towards rent/licence fee for telecom facilities

Test check in audit revealed non/short realisation of rent of Rs 14.37 crore for the period April 1986 to September 2000 for various telecom facilities in 35 cases in 13 Telecom circles as shown in Appendix-VI. These were mainly due to failure to issue bills, recover advance rental, fix rent and guarantee charges as per rules, bill inter-connection charges and upgradation of exchanges, charging of low rent on capital cost basis etc.

After this was pointed out by Audit, the department recovered Rs 2.44 crore up to December 2001 leaving the balance amount of Rs 11.93 crore.

The matter was referred to the Ministry in August/September 2001. The Ministry in their reply received in December 2001 in respect of Andhra Pradesh, Bihar, Gujarat, Karnataka, Kerala, Maharashtra, Punjab, Tamil Nadu and West Bengal Telecom circles while confirming the facts and figures, stated that the entire amount due from Maharashtra Telecom circle was recovered and partial recoveries had been effected in respect of Andhra Pradesh, Bihar, Gujarat, Karnataka, Kerala, Punjab, Tamil Nadu and West Bengal circles. Replies in respect of other circles were awaited as of December 2001.

7.2 Continuance of telephone facilities despite non-payment of dues

Continuance of telephone facilities despite default in payment of bills resulted in accumulation of dues of Rs 11 crore.

Departmental rules provide that a telephone bill is payable by the due date failing which the telephone connection is liable to be disconnected.

Scrutiny of records of 11 Secondary Switching Areas (SSAs) in Bihar, Gujarat, Karnataka, Rajasthan and Uttar Pradesh (East) and Uttar Pradesh (West) Telecom circles revealed that the department continued to allow telephone facilities to various telephone subscribers during the period May 1978 to September 2000, despite non-payment of bills by the due date. This resulted in accumulation of arrears of Rs 11 crore during the period May 1978 to September 2000 as detailed in Appendix-VII.

When this was pointed out by Audit, Bihar, Gujarat, UP (East) and UP(West) Telecom circles recovered Rs 0.46 crore during April, June and December 2001. Recovery of balance amount of Rs 10.54 crore and action taken for disconnection was awaited as of December 2001.

Ministry in their reply received in December 2001 while confirming the facts and figures in respect of Uttar Pradesh (East) and Uttar Pradesh (West) Telecom circles stated that the cases relating to GMTD Ghaziabad was examined and telephone connections were disconnected. Partial recovery was made and action for recovery of balance amount had been initiated by the SSA.

7.3 Non realisation of Service tax

Failure of Department of Telecommunications in levying service tax on telecommunication services resulted in non-recovery of service tax of Rs 6.23 crore in five units test checked in four Telecom circles.

Ministry of Finance levied 5 per cent service tax on Telecommunication services

Ministry of Finance imposed a service tax of 5 *per cent* on the total charges claimed in the bills with effect from 1 July 1994 on service provided to subscribers by telegraph authorities in relation to telephone connections.

Five units failed to charge service tax of Rs 6.23 crore

Test check of records by Audit in five units of four circles disclosed that service tax was not charged on speech circuits by five units resulting in non-recovery of service tax to the tune of Rs 6.23 crore during July 1994 to September 2000 as shown in Appendix VIII.

Rs 5.69 crore was recovered at the instance of Audit

On this being pointed out by Audit, an aggregate amount of Rs 5.69 crore was recovered by Andhra Pradesh, Gujarat Telecom circles and Mahanagar Telephone Nigam Limited Delhi during January 2001.The details of recovery for balance amount was awaited as of December 2001.

The matter was referred to the Ministry in August/September 2001. The Ministry in their reply received in December 2001 in respect of Andhra Pradesh telecom circle and MTNL Delhi while accepting the facts stated that major portion of the amount had been recovered. Replies in respect of other circles were awaited as of December 2001.

7.4 Non realisation of additional security deposits from STD/PCO operators

Failure to review Subscriber Trunk Dialling/Public Call Office franchisees security deposits resulted in non-realisation of Rs 5.94 crore.

Departmental rules provide that an amount of Rs 5000/- in case of urban Subscriber Trunk Dialing (STD)/Public Call Office (PCO) operators and Rs 600/- in case of rural STD/PCO operators or their respective monthly revenue averaged over a period of six months, whichever is higher, is to be given by franchisees as "security deposit" in cash or in the form of bank guarantee. The security deposit amount was also to be reviewed every year.

Non-review of security deposit payable led to short realisation of Rs 5.94 crore

Scrutiny of records of 28 Telecom units in 12 Telecom circles during June 1996 to May 2001 revealed that the department neither conducted the review of security deposits of STD/PCO holders nor revised the deposits payable with increase in the revenue of STD/PCO operators. This led to short realisation of security deposits amounting to Rs 5.94 crore as detailed in Appendix-IX.

When this was pointed out by Audit during May 2000 to May 2001, the department realised Rs 1.49 crore. Recovery particulars of the balance amount were awaited as of December 2001.

The matter was referred to the Ministry between August and September 2001. Ministry in their reply received in December 2001 accepted the facts and figures in respect of Andhra Pradesh, Bihar, Himachal Pradesh, Karnataka, North East, Uttar Pradesh (East) and West Bengal Telecom circles. Amount pointed out by Audit in respect of Himachal Pradesh circle was fully recovered and partial recoveries made in respect of Andhra Pradesh, Bihar, North East, Uttar Pradesh (East) and West Bengal Telecom circles. Replies in respect of other circles were awaited as of December 2001.

7.5 Bills issued at old lower tariff

Department short recovered rent of Rs 2.18 crore due to billing at the old lower tariff.

The department failed to charge the revised tariff for telecommunications services such as leased telecom services including rental charges for telephone connections. Cases of short recovery of rental due to non-application of revised tariff by Telephone Revenue Accounting (TRA) branch of the department were included in the reports of the Comptroller and Auditor General of India, Union Government (Post and Telecommunications) for the years 1986-87 to 1999-2000. In response to audit observations, DoT issued instructions in September 1991 making it imperative that any revision in tariff should be brought to the notice of all concerned dealing with fixing of rent and guarantee terms and issue of bills. Since the deficiency persisted, DoT again directed the Heads of circles in November 1998 to refer to the instructions issued in September 1991 and take urgent steps to circulate revised tariffs to the SSAs/Areas whenever such orders reached them.

Circles continue to issue bills at old lower tariff despite repeated instructions of DoT

Despite these instructions, Audit has continued to notice cases of issue of bills at old lower tariffs. Test check by Audit revealed short billing of Rs 2.18 crore during April 1986 to September 2000 in seven Telecom circles in 14 cases as shown in the Appendix-X.

When this was pointed out by Audit, the department recovered Rs 0.66 crore. Recovery particulars of the balance amount of Rs 1.52 crore were awaited as of December 2001.

The matter was referred to the Ministry in August-September 2001. Ministry in their reply received in December 2001, while accepting the facts and figures in respect of Andhra Pradesh, Bihar, Gujarat, Orissa and Tamil Nadu Telecom circles stated that the amount pointed out by Audit for Andhra Pradesh circle had been fully realised whereas in respect of Gujarat, Orissa and Tamil Nadu Telecom circles partial recoveries were made. Replies in respect of other circles were awaited as of December 2001.

7.6 Non receipt of advice notes

Department failed to realise Rs 1.07 crore due to non-receipt of completed advice notes in Telephone Revenue Accounting branch.

Operating branch of the telephone district is required to send completed advice notes to the Telephone Revenue Accounting (TRA) branch within a week of providing telecommunication facilities to enable them to post the details in the Subscriber Record Card (SRC) and issue bills to the subscribers. TRA branch is required 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 has been recovered.

Test check disclosed non/short billing of Rs 1.07 crore in four Telecom circles

Cases of delayed billing/non-billing due to non-receipt of advice notes by TRA branch were commented in the Report of the Comptroller and Auditor General of India, Union Government (Post and Telecommunications) in the past. Despite the department's assurance that no telephone facility would be released without issuing the advice notes, the deficiency persisted. Test check by Audit revealed non/short billing of Rs 1.07 crore during May 1995 to September 2000 in four Telecom circles involving five cases as shown in Appendix XI.

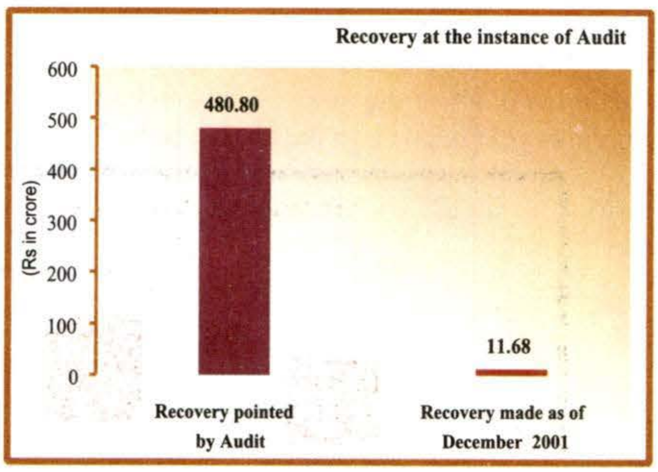
Out of Rs 1.07 crore, the department recovered Rs 0.24 crore. Recovery particulars of the balance amount of Rs 0.83 crore were awaited as of December 2001.

The matter was referred to the Ministry in August – September 2001. Ministry in their reply received in December 2001 in respect of Andhra Pradesh, Tamil Nadu, Uttar Pradesh (East) and West Bengal Telecom circles while confirming the facts and figures stated that the entire amount pointed out by audit was recovered in respect of Andhra Pradesh and Tamil Nadu Telecom circles. The replies in respect of other circles were awaited as of December 2001.

8 Recovery at the instance of Audit

Out of Rs 480.80 crore outstanding against the subscribers due to short billing, non-recovery of revenue etc., pointed out by Audit, DoT recovered Rs 11.68 crore.

Test check in audit disclosed non/short billing in many cases aggregating to Rs 480.80 crore due to non-receipt of advice notes in TRA branch, issue of bills at old lower tariff, incorrect fixation of rent, non-recovery of service tax and non-realisation of security deposit etc., as brought out in paragraphs 3, 4, 5, 6 and 7 of this chapter.



When this was pointed out by Audit, the department confirmed recovery of Rs 11.68 crore as of December 2001.

9 Revenue Arrears

9.1 The position of demand raised, amount collected and arrears for telephone services for the four years ending March 2001 is given in table 9.1.

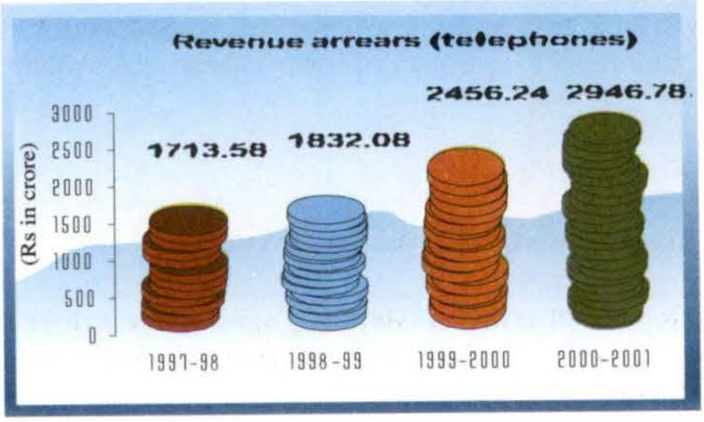
Table 9.1 Revenue arrears (telephones)

(Rs in crore)

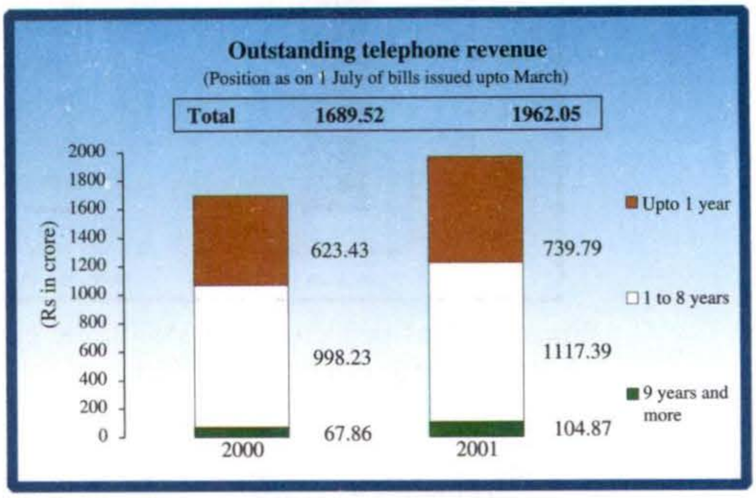
Year	Arrears as on 1 April	Demand raised during the year	Total Demand (2+3)	Amount collected during the year	Arrears at the close of the 31 March (4-5)
1	2	3	4	5	6
1997-98	1482.54	11709.54	13192.08	11478.50	1713.58
1998-99	1713.58	14025.41	15738.99	13906.91	1832.08
1999-2000	1832.08	15508.21	17340.29	14884.05	2456.24
2000-01	2456.24	18954.71	21410.95	18464.17	2946.78

Mounting telephone revenue arrears

At the end of March 2001, the revenue arrears on account of telephone services increased to Rs 2946.78 crore as compared to Rs 1713.58 crore at the end of March 1998. In fact, the increase in arrears (72 *per cent*) outstripped the increase in demand (62 *per cent*) over the four years 1997-2001. During this period, however, the percentage of collection of revenue to the total demand remained stagnant.



9.2. The arrears of telephone revenue of Rs 2946.78 crore came down to Rs 1962.05 crore at the end of June 2001 for the bills issued upto March 2001. Age-wise break up of the amount outstanding on 1 July 2001 as compared to the previous year is given in the chart below:



Outstanding revenue of Rs 1222.26 crore for over one year

An amount of Rs 1222.26 crore (as of 1 July 2001) was outstanding for one or more years which constituted 62.30 *per cent* of the total outstanding revenue.

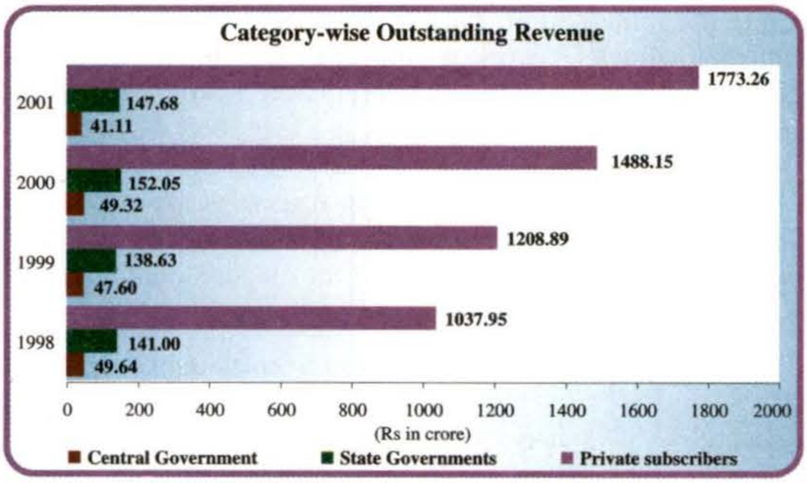
9.3 Category-wise break up of total telephone dues between June 1998 and June 2001 were as under:

Table 9.3 Outstanding telephone revenue

(Rs in crore)

Year	Central Government		State Governments		Private subscribers	
	Amount	Percentage of total outstanding	Amount	Percentage of total outstanding	Amount	Percentage of total outstanding
1998	49.64	4.04	141.00	11.48	1037.95	84.48
1999	47.60	3.41	138.63	9.94	1208.89	86.65
2000	49.32	2.92	152.05	9.00	1488.15	88.08
2001	41.11	2.09	147.68	7.53	1773.26	90.38

An amount of Rs 1962.05 crore was outstanding against various categories of the telephone subscribers at the end of June 2001. Of the total outstanding amount, 90.38 *per cent* was outstanding against the private subscribers, 2.09 *per cent* against the Central Government departments and 7.53 *per cent* against various State Governments. The amount as well as the proportion of outstanding bills against private subscribers was increasing every year and in the last one year alone the outstanding amount against this category had increased by Rs 285.11 crore. The department had failed to make concerted efforts to recover the huge outstanding amount from the private subscribers.



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

The position of arrears of revenue on renting of telegraph, teleprinter and telephone circuits and telex/intelex connections to the various categories of subscribers is indicated in table 9.4.

Table 9.4 Revenue in arrears (telegraph, telex/intelex etc.)

(Rs in crore)

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)
1	2	3	4	5	6
Circuits (telephones and telegraph)					
1997-98	106.28	199.28	305.56	177.27	128.29
1998-99	128.29	189.72	318.01	180.18	137.83
1999-2000	137.83	186.99	324.82	165.26	159.56
2000-01	159.56	280.43	439.99	259.77	180.22
Telex/intelex charges					
1997-98	19.57	37.80	57.37	37.76	19.61
1998-99	19.61	30.47	50.08	30.67	19.41
1999-2000	19.41	22.44	41.85	22.55	19.30
2000-01	19.30	16.92	36.22	17.92	18.30

The revenue arrears overdue for collection in respect of circuits had gone up from Rs 128.29 crore in 1997-98 to Rs 180.22 crore in 2000-01, while those of telex/intelex charges reduced marginally from Rs 19.61 crore to Rs 18.30 crore during the same period. Thus, the total outstanding revenue on account of circuits/telex/intelex worked out to Rs 198.52 crore, which was subsequently reduced to Rs 160.49 crore as on 1 July 2001 as shown under paragraph 9.5 below.

9.5 The arrears of outstanding dues in respect of circuits and telex/intelex charges has further reduced to the extent of Rs 160.49 crore for the bills issued up to March 2001. Year-wise break up of the outstanding dues as on July 2001 is given below:

Table 9.5 Outstanding dues (circuits/telex/intelex)

(Rs in crore)

Period	Rent for communication circuits	Telex/intelex charges	Total
Upto 1991-92	13.62	2.03	15.65
1992-93 to 1999-2000	89.09	9.17	98.26
2000-01	44.90	1.68	46.58
Total	**147.61**	**12.88**	**160.49**

9.6 Total arrears of revenue of over Rs 2122.54 crore (telephone - Rs 1962.05 crore and circuits/telex/intelex Rs 160.49 crore) at the end of June 2001 in respect of telephone, telegraph, teleprinter services etc., impinge seriously on the financial health of a commercial department like BSNL.

CHAPTER 4
COMPREHENSIVE PERFORMANCE REVIEWS

10. Production Management of Telecom Factories at Kolkata, Bhilai and Richhai

10.1 Highlights

- **All the three telecom factories, Kolkata, Bhilai and Richhai surrendered funds under Capital grant during 1996-2001. The savings by Telecom Factory Kolkata ranged between 7 and 16 *per cent* while in respect of Bhilai Factory it ranged between 14 and 45 *per cent*. The maximum saving under the grant by Telecom Factory Richhai was 92 *per cent* during 1999-2000.**

(Paragraph 10.5)

- **Telecom Factory Kolkata failed to avail of cash discount of Rs 10.58 lakh in procurement of raw materials.**

(Paragraph 10.5.2)

- **Test check of production statement disclosed that shortfall in production targets ranged from 7 to 100 *per cent*. No production was made in respect of certain items like Coin Box Telephones, repair of C-DoT cards, E-10-B exchange cards, tube C-8 etc.**

(Paragraph 10.6.1)

- **Galvanizing Plant at Telecom Factory Richhai was underutilised ranging from 34 to 41 *per cent*. The shortfall in production was Rs 41.08 crore during 1996-2001.**

(Paragraph 10.6.2)

- **The per unit cost of in house production by Telecom Factory Kolkata of items like CD cabinets, self supporting dropwire, stock of sorts etc., exceeded the open market rate, resulting in extra expenditure of Rs 12.42 crore during 1996-2000. Despite this, the factory authorities continued to produce these items without taking any remedial measures to control the cost.**

(Paragraph 10.6.3)

- **Quality Assurance Wing rejected the finished products of channel brackets, support brackets etc. due to use of defective/sub-standard raw materials. The cost of finished products rejected was Rs 2.39 crore.**

(Paragraph 10.6.4)

> **Telecom Factories Kolkata, Bhilai and Richhai grossly under utilised the machine hours available; the underutilisation ranged between 31 and 56 *per cent* of machines hours available due to break down of machine, want of operators, want of raw materials etc.**

(Paragraph 10.6.5)

> **1765 work orders were not completed at the end of March 2001 by Telecom Factory Kolkata, Richhai and Bhilai, The work orders, were pending for one to ten years. Of the 1765 incomplete work orders, 1671 work orders pertained to Telecom Factory Kolkata alone. The total value of incomplete work orders was Rs 14.15 crore.**

(Paragraph 10.6.6)

> **The cost of galvanisation in Telecom Factory Bhilai was very high as compared to Telecom Factory Richhai. This resulted in extra expenditure of Rs 9.89 crore.**

(Paragraph 10.8)

> **Telecom Factory Kolkata incurred an avoidable expenditure of Rs 34.21 lakh in transportation of semi finished materials, which required galvanisation, from Telecom Factory Kolkata to Telecom Factory Gopalpur and back.**

(Paragraph 10.9.1)

> **Railway siding constructed at a cost of Rs 1.81 crore was grossly under utilised due to less handling of raw materials, transportation of raw materials through road etc.**

(Paragraph 10.9.2)

10.2 Introduction

Department of Telecom Services (DTS), now Bharat Sanchar Nigam Limited (BSNL), maintains seven telecom factories producing line stores items for utilisation in the telecommunications network. Out of these, telecom factory at Kolkata is 145 years old, setup in 1855, while the other two factories at Bhilai and Richhai, were setup in 1976 and 1984 respectively. Telecom Factory, Kolkata manufactures 11 major items such as cable termination boxes, distribution point boxes, self supporting drop wires, channel iron of sorts, stock of sorts etc. while the factory at Bhilai produces mainly tower materials such as microwave towers and mast towers. Various types of Hamilton tubes are produced in Telecom Factory Richhai. These factories function on the principle that the complete outlay both in terms of cash and stores is recovered by out turn represented by the value of articles manufactured.

The details of capital and personnel employed in these factories at the end of March 2001 and value of production during 2000-01 were as under.

Table 10.2 – Capital and Personnel employed

Sl.No	Particulars (as on 31 March 2001)	Telecom Factory		
		Kolkata	Bhilai	Richhai
1	Capital employed (Rs in crore)	NA	44.97	33.17
2	Value of production (Rs in crore)	69.63	5.21	28.02
3	Personnel employed (in numbers)	1224	218	600

10.3 Scope of Audit

Out of seven telecom factories, Audit reviewed the activities of two telecom factories Jabalpur and Mumbai and included its findings in the Report of the Comptroller and Auditor General of India for the year ended March 2000 (No 6 of 2001). Audit now conducted a review of telecom factories at Kolkata, Bhilai and Richhai during May/July 2001 covering the period from 1996-2001 to assess the performance of the factories with specific emphasis on their production management and other allied areas.

10.4 Organisational set up

The overall control of the factories is vested in the Board of Management for Telecom Factories which functions as sub-board under the Telecom Commission (Now Bharat Sanchar Nigam Limited – BSNL). Each Telecom Factory is headed by a Chief General Manager (CGM). He is assisted by a Deputy General Manager (DGM) and Director (Finance and Accounts).

10.5 Budget Grant vis-à-vis expenditure

All the Telecom Factories surrendered capital grant during 1996-2001

The annual budget and expenditure for the last five years in the three factories are indicated in Appendix XII. It was observed that all the three factories surrendered capital grant year after year during 1996-2001. The savings in Kolkata factory ranged between 7 and 16 *per cent* except in 1997-98 when it exceeded the grant by 18 *per cent.* The savings in Telecom factory Bhilai varied from 14 *per cent* to 45 *per cent* while in Richhai factory it ranged between 22 *per cent* and 92 *per cent.* The reasons for such huge variation at Bhilai and Richhai were not available/not furnished. Surrendering 92 *per cent* of funds indicated defective preparation of budget and the factory made only nominal production.

10.5.1 Forecast of demand and procurement

Orders for manufacture of articles in the factories are received from the General Manager Telecom Stores Kolkata centrally who collects the requirements of the department for the manufacture of different articles and places orders on the factories through forecast of demands. In respect of Microwave towers, the Telecom Commission places orders centrally. On the basis of production planning of the factories, the Stores Purchase Committee (SPC) assesses the requirement of different raw materials and components and float tenders for procurement from both private suppliers as well as Public

Sector Undertakings. Materials procured by the factories during 1998-2000 were as under:

(Rs in crore)

Year	TF Kolkata	TF Richhai	TF Bhilai
1998-99	31.83	14.21	8.62
1999-2000	43.33	23.49	7.05

Test check of the relevant records relating to the procurement process revealed that the Telecom Factory, Kolkata failed to procure material/component economically in the following case.

10.5.2 Failure to avail cash discount of Rs 10.58 lakh against procurement of steel/iron from Steel Authority of India Limited

Telecom Factory, Kolkata procured steel and iron materials from M/s Steel Authority of India Limited (SAIL) on a regular basis for production of various types of stores and equipment in the factory. SPC recommendation stipulated that 98 *per cent* of advance payment made to SAIL against the ordered value would earn a cash discount at 1.25 *per cent* on the amount advanced. Scrutiny by Audit of records of Telecom Factory Kolkata disclosed that during December 1999-January 2001 materials costing Rs 8.46 crore were procured from M/s SAIL for which post facto approvals were given by SPC from time to time without cash discount.

As a result Telecom Factory, Kolkata failed to avail of cash discount of Rs 10.58 lakh (1.25 *per cent* of Rs 8.46 crore).

CGM Telecom Factory, Kolkata stated that cash discount was available only in select cases of Cold Rolled Stainless Sheet (M/s SAIL). No cash discount was given by SAIL for other steel items from SAIL. The reply is not tenable as the SPC minute 240.10 mentioned about cash discount on stainless steel sheets from SAIL also.

10.6 Production management

10.6.1 Shortfall in production

Erstwhile DoT – now Bharat Sanchar Nigam Limited (BSNL), approved the production programme for each telecom factory taking into consideration the infrastructure available in each factory and actual requirements of various circles.

Scrutiny of production statements during 1996-2001 of the telecom factories at Kolkata, Bhilai and Richhai revealed heavy shortfall in production as compared to targets in respect of a number of items. The short fall ranged upto 100 *per cent* as shown in Appendix XIII indicating that no production was made in respect of certain items like Coin Box Telephone, repair of E-10-B exchange cards, Tube C8, C-DoT cards etc.

CGM Telecom Factory, Kolkata attributed the shortfall in achieving the targets to non-manufacture of Discrete Wire Connector (DWC) and Coin Box Telephone (CBT) as the in-house cost of DWC was higher than outside purchases and there were changes in the technical specifications of CBT. CGM Telecom Factory, Bhilai stated that there was no shortfall as the target of production was the weight of the despatched tower material. The despatch weight of tower included fabricated weight, zinc weight which were required for galvanisation, nuts, bolts and accessories which were supplied alongwith towers. CGM Telecom Factory, Richhai attributed the shortfall to stoppage of incentive working by the workmen. The reply of CGM Telecom Factory Bhilai is not acceptable because the production targets are fixed with reference to manufacturing process of the factory and not the nuts, bolts and accessories which are procured from outside sources and supplied. The replies of Telecom Factory Kolkata and Richhai are not tenable since the targets were fixed keeping in view of these constraints and as such the magnitude of shortfall does not get justified by the reasons given. This led to uneconomical cost of production at these factories as brought out in the sub-para below:

10.6.2 Short fall in production of galvanising plant

Scrutiny of galvanising statement of Telecom factory Richhai during 1996-2001 revealed shortfall in capacity utilisation ranging from 34 to 41 *per cent* valued at Rs 41.08 crore as shown below:

Table 10.6.2 - Short fall in production of galvanising plant

Year	Installed capacity of the plant (in mt)	Weight of material galvanised (mt)	Area of material galvanised (in Sq. m)	Area per MT (in Sq.m)	Galvanising rate (per Sq.m)	Galvanising rate (Rs per mt)	Short fall in production (2-3)	Value of shortfall (Rs in crore)	Percentage of short fall (8÷2x100)
1	2	3	4	5	6	7	8	9	10
1996-97	26,000	16,545	16,73,916	101.17	70.96	7,179.35	9,455	6.79	36
1997-98	26,000	15,644	15,70,186	100.37	76.56	7,684.53	10,356	7.96	40
1998-99	26,000	15,276	14,61,091	95.65	97.35	9,311.53	10,724	9.98	41
1999-00	26,000	17,148	16,19,509	94.44	93.93	8,871.46	8,852	7.85	34
2000-01	26,000	16,146	14,99,583	92.88	92.87	8,625.43	9,854	8.50	38
Total								**41.08**	

As the full capacity of the plant was not utilised, the galvanising cost per square metre increased from Rs 70.96 to Rs 97.35 per sq. m., thus increasing the cost of production of the articles.

CGM Telecom Factory Richhai while accepting the shortfall in targets stated that the supplier of the plant backed out after supplying the equipment and the plant was installed departmentally. The supplier did not demonstrate the full capacity of 26000 MT. CGM added that due to power failure, absenteeism and repair/replacement of kettle further reduced the optimum utilisation of the capacity.

10.6.3 Uneconomic manufacture

Departmental rules prescribed that the factory authorities should compare the cost of production with the rate of such or similar articles available in the open market. If the cost of the departmental manufacture was higher than the market rates, then the factory authorities ought to investigate the matter and take necessary remedial action to correct the distortion.

Cost of factory manufactured items exceeded market rates resulting in excess expenditure of Rs 12.42 crore

Scrutiny by Audit of four items viz., CD cabinets of sorts, self supporting drop wires, stock of sorts, Cast Iron brackets 4 W of sorts, produced by the Telecom Factory Kolkata disclosed that the in-house production cost exceeded open market rates by 20 *per cent* to 330 *per cent* with a financial impact of additional expenditure of Rs 12.42 crore during 1996-2000. Despite this, the factory continued to produce these items without taking any remedial measures to control the cost of production.

CGM Telecom Factory Kolkata while admitting the facts stated that the rates of the items were higher than market rates since it was a Government factory and was committed to pay the labour; as such their rates comprising of material and direct labour only should be compared with the available market rates. The reply is not tenable because as per codal provisions, the factory should compare the cost of production with the prevailing open market rate.

In telecom factories the articles produced on the basis of requisitions were challaned to the consignee at the predetermined rate which was called "estimated cost". On completion of the work if the cost of production was less than the challaning rate, it was a gain on estimate. The accounting procedure prescribed that the gain so calculated would be transferred to the working expenses (other charges, stores) of the Telecom Department by contra credit to the manufacturing account. As a result, the working expenses of the department get reduced to the extent of gain. During 1996-2001 the CGMs TF, Kolkata and Richhai (Jabalpur) transferred Rs 42.34 crore to their working expenses as a gain thereby reducing their expenses. Such action had an undesirable implication for the capital assets of the department as the assets got over capitalized to that extent. Similarly, in respect of CGM Telecom Factory, Richhai (Jabalpur) during the year 1996-97 a sum of Rs 1.27 crore was shown as loss on estimate thereby indicating that the cost of production was more than the challaned value. Here the asset was under capitalised.

10.6.4 Defective manufacturing - Loss of Rs 2.39 crore

Improper inspection of raw materials resulted in loss of Rs 2.39 crore

All the raw materials required for production are inspected/tested by the in-house inspection wing before acceptance of the same by factory stores. However, it was noticed that Quality Assurance wing rejected the finished products of channel bracket, Iron 4 W, support bracket with Y Stalk and back UA-I due to defective and sub-standard raw materials. All these items manufactured from Tele channel, MS Rod etc., were not inspected properly by the inspection wing and this resulted in loss of Rs 2.39 crore to the organisation.

CGM Telecom Factory Kolkata stated that the items which were not passed by Quality Assurance were reworked and deficiencies rectified and were again offered for inspection and were subsequently passed. The reply is not tenable as in the instant case, the finished products were rejected due to defective and sub standard raw materials which failed to meet technical parameters leaving no scope for reworking and resubmission to Quality Assurance.

10.6.5 Under utilisation of capacity

Gross under utilisation of capacity ranging between 56 and 31 per cent by telecom factories

Scrutiny of records revealed that during 1996-2001 machine hours available at Telecom Factories Kolkata, Bhilai and Richhai were grossly underutilised, the under utilisation ranging up to 56 *per cent*, 31 *per cent* and 40 *per cent* respectively of installed capacity.

CGM Telecom Factory Richhai stated that utilisation of machine was affected by power failure, absenteeism and break down of machines. His counterpart at Bhilai stated that the underutilsation percentage was equal to general provision of 25-30 *per cent* for preventive maintenance, break down maintenance, power failure etc. and as such the machines were well utilised. The reply of the CGM Telecom Factory Bhilai is not convincing because keeping 25-30 *per cent* of machine hours for preventive maintenance tantamounts to keeping almost one third of machine hours i.e. one shift every day for such purposes only.

10.6.6 Incomplete work orders

The position of number of work orders issued, executed and remaining incomplete during the last five years is given in Appendix XIV.

Work orders valuing Rs 14.15 crore were remaining incomplete

It was observed that in Telecom Factory Kolkata 1671 work orders remained incomplete at the end of March 2001 while Telecom Factory Bhilai had 84. Out of 1671 incomplete work orders at Kolkata Telecom Factory 703 work orders were outstanding for 5 to 10 years. The remaining work orders including those at Bhilai and Richhai were outstanding for one to five years. The total value of work orders remaining incomplete was Rs 14.15 crore.

Pendency in work orders in such large numbers inevitably increased the actual cost of production. It also indicated inadequate monitoring and control by factory management. There was every chance that the articles produced would add to the inventory of slow moving/non moving stores of the factories due to technological changes and that the original consignee may not accept the same. CGM Telecom Factory Kolkata, Bhilai and Richhai while admitting the fact stated that the attempts were being made to close the work orders.

10.7 Manpower analysis and labour utilisation

10.7.1 Men-in-position

The year wise position of sanctioned strength and men in position during 1996-2001 in the three Telecom factories under review is given in Appendix XV.

The men in position of Telecom Factory Kolkata during the last five years declined from 1666 to 1224 ie a decline by 27 *per cent* while in Telecom factory Bhilai and Richhai there was a marginal decline by four *per cent* and three *per cent* respectively.

10.7.2 Utilisation of labour

The position of direct and indirect labour wages during 1996-2001 in the three factories is given in Appendix XVI.

The expenditure on direct and indirect labour is charged to production. The direct labour is identifiable with a particular job or product or process while expenditure on indirect labour cannot be directly allocated to any particular production work order.

The ratio of indirect to direct labour ranged between 119 and 251 *per cent,* 134 and 222 *per cent* and 159 and 296 *per cent* in respect of Telecom Factories Kolkata (up to 2000) Bhilai (up to September 2000) and Richhai during 1996-2001 respectively.

The spurt in indirect labour increased the quantum of overhead charges which formed part of the cost of the article produced while the increase in direct labour was directly proportional to increase in number of items produced. The factory authorities should bring down the level of indirect labour cost to make the article produced cost effective.

Admitting the high ratio of indirect labour to direct labour, CGM Telecom Factory Kolkata and Richhai stated that effort would be made to bring down the same. CGM Telecom Factory Bhilai stated that it was unavoidable as more indirect labour was required for heavy material handling.

10.8 High cost of galvanising operation

High cost of galvanising by Telecom Factory Bhilai resulted in extra expenditure of Rs 9.89 crore

A comparative study of galvanising records of the Telecom Factories at Richhai and Bhilai revealed that during 1996-2000 the cost of galvanising per sqm. at Telecom Factory Bhilai ranged between Rs 346 and Rs 410 while in Telecom Factory Richhai it ranged between Rs 71 and Rs 97. The low cost of galvanising at Richhai was attributable to modern technology used for galvanising, lesser overhead cost and low consumption of zinc, smoother galvanised surface at Richhai etc., as compared to Bhilai Telecom Factory. Thus, Telecom Factory, Bhilai incurred extra expenditure of Rs 9.89 crore as detailed in Appendix-XVII.

Audit had been objecting regularly to the high cost/rate of galvanisation at Telecom Factory, Bhilai. The CGM, TF Wright Town, Jabalpur closed down the galvanising shop (work) at Telecom Factory, Bhilai in July 2000 and at present this work was being got done in the Telecom Factory, Richhai.

CGM Telecom Factory Bhilai stated that the comparison with Telecom Factory Richhai was not correct as the product mix and technology adopted at two factories were different. Further the productivity at Telecom Factory Richhai was much more than Telecom Factory Bhilai due to mechanisation, temperature control etc. The fact, however, remained that the galvanising unit at Bhilai was closed in July 2000 due to uneconomic manufacturing.

10.9 Transportation of stores/equipment

10.9.1 Avoidable expenditure of Rs 34.21 lakh in execution of transport contract

A project for shifting of line construction branch of Telecom Factory, Kolkata to a new site at Gopalpur, Kolkata was sanctioned by DoT in 1989. Till date no physical shifting had taken place. Instead, a new galvanising plant was installed at Gopalpur factory in 1995. As a result all the black material (a semi-finished material which required galvanisation) was being brought from Telecom Factory, Kolkata to Telecom Factory, Gopalpur (8 km distance) for galvanizing and some items were being brought back regularly to Kolkata Factory for further finishing. Such to and fro movement of stores resulted in avoidable expenditure of Rs 34.21 lakh on transportation during the last five years.

CGM Telecom Factory Kolkata while admitting that transportation was being paid for goods taken from Telecom Factory Alipore to Telecom Factory Gopalpur stated that the manufacturing operation could not be shifted due to severe resistance from Unions and manpower working in the line store branch.

10.9.2 Underutilisation of railway siding constructed at a cost of Rs 1.81 crore

Railway siding at Telecom Factory, Richhai was under utilised

A project for railway siding at Telecom factory, Richhai was sanctioned at an estimated cost of Rs 1.02 crore in February 1982. The siding was commissioned in February 1988 at a revised cost of Rs 1.81 crore including the cost of railway platform at the site with the installed capacity to handle 20,800 tons of material *per annum*. Besides the capital cost, the factory authorities pay maintenance charges to the Central Railway authorities for carrying out maintenance of the siding.

The average quantity of material handled through the railway siding was only 5790 MT i.e (27.84 *per cent*) per year from 1988-89 to 1995-96 and 5043 MT (24.25 *per cent*) per year from 1996-97 to 1998-99 of its installed capacity. During 1999-2001 the siding could not be utilised at all by Telecom Factory, Richhai.

CGM Telecom Factory Richhai stated that when the Railway siding was set up, raw material Hot Rolled Mild Steel (HRMS) was available in coil form only and its bulk transportation was on regular basis through railway wagons. However, since 1998-99 cut-to-size HRMS sheet had become available and these sheets were being supplied by M/s SAIL, Jabalpur on regular basis. Hence, siding was not being used for the last two years. The matter regarding closure of Railway siding was under correspondence with Railway authorities.

10.10 Uneven inventory turnover

One of the most widely followed measures for evaluating inventory performance in any organisation is to determine the "Inventory turnover Ratio" i.e. the annual consumption with reference to average inventory held in the system. High ratio indicates the efficiency of the management in respect of inventory control. Low turn over ratio indicates the slow movement of the inventory, which may lead to blocking of capital.

The data with regard to the inventory held by the factories under review is given in Appendix-XVIII.

Inventory turnover ranged between 24 and 306 days in three telecom factories

The inventory turnover period of Telecom factory, Kolkata varied from 24 to 72 days. In respect of Telecom factory, Bhilai the inventory turnover period increased from 170 days in 1996-97 to 306 days in 1999-2000, whereas in Telecom factory, Richhai the inventory turnover period ranged between 141 and 242 days. As against normal requirement of raw material for a maximum period of six month's consumption, any excess stock holding was not justified considering the avoidable blockage of fund involved.

CGM Telecom Factory Bhilai stated that efforts were normally made to get material from main producers like SAIL, IISCO and HZL which normally did not accept small quantities. Dialogue was being made with those producers to accept orders of small quantities to reduce inventory in future. His counterpart at Richhai stated that with the monopoly of SAIL being over since 1999-2000, the inventory during 1999-2001 was lower as compared to 1997-99.

10.11 Conclusion

Telecom factories at Kolkata, Richhai and Bhilai were fraught with problems of high cost of production, under utilisation of capacity and inadequate quality control. Moreover, with the installation of state of art telephone exchanges and use of external plant with latest technology and procurement of stores from private suppliers etc. the demand for the items being produced by these factories were diminishing day by day, rendering the operation of these factories uneconomical. Ministry may have to consider gainful productive utilisation of existing facilities and manpower in these factories and also examine the alternatives of phasing them out to reduce loss to the department due to persistent under utilisation.

The matter was referred to the Ministry in October 2001; their reply was awaited as of December 2001.

11. Management of Telecom Stores

11.1 Highlights

- **The Department did not follow the practice of ABC classification of stores, as a regular measure for scientifically determining the minimum and maximum stock levels of various kinds of stores according to their cost significance.**

(Paragraph 11.8.1)

- **Progressive Stock Taking (PST) and Independent Stock Verification (ISV) required to be done for all items every year were not conducted by many units. Discrepancy statements were not prepared in some cases. Cases of non-regularization of discrepancy statements have been lying outstanding from 1978-79.**

(Paragraph 11.8.2)

- **Effective steps were not taken for disposal of obsolete and unserviceable stores. Stores valuing Rs 25.41 crore were lying in various store depots for several years awaiting disposal. Delay in disposal of these stores is fraught with the risk of theft, pilferage and loss through deterioration etc., apart from the avoidable cost incurred on store keeping charges.**

(Paragraph 11.8.3)

- **There was accumulation of non-moving/slow-moving stores, resulting in blocking up of capital and the risk of their becoming eventually unserviceable/obsolete.**

(Paragraph 11.8.4)

- **Issue of stores from Controller of Telecom Stores (CTS) was very slow with reference to average monthly stock holding.**

(Paragraph 11.8.5)

- **Stores-in-transit valuing Rs 27.41 crore had not been adjusted for periods as far back as 1975-76, giving rise to reasonable apprehension of misappropriation, permanent loss, or pilferage of stores, not to mention fraud.**

(Paragraph 11.9)

- **The advances paid to suppliers, etc., upto March 2000 but remaining unadjusted up to March 2001 stood at Rs 357.65 crore.**

(Paragraph 11.10.1)

> **In some CsTS arrears at the end of March 2001 in effecting recovery of stores sold to other government departments stood at Rs 29.44 crore, many of them dating back from 1992-93 onwards.**

(Paragraph 11.10.2)

> **The theft of stores involving Rs 73.22 lakh in CTS remained unsettled. The earliest case dated back to 1975-76.**

(Paragraph 11.10.3)

> **The department did not take any satisfactory steps for settlement of outstanding amount of Rs 12.01 crore under the head 'Stores Recoverable' arising from thefts/damages/loss in transit and occurring up to March 2001 in respect of five wholesale depots.**

(Paragraph 11.11)

11.2 Introduction

Department of Telecommunications (DoT) now Bharat Sanchar Nigam Limited (BSNL), procures and issues large amount of stores for maintenance, replacement and reconstruction of existing assets and creation of new assets in its growing network. DoT/BSNL maintains five wholesale store depots, one each at Chennai, Jabalpur, Kolkata, Mumbai and New Delhi, each under the charge of a Controller of Telecom Stores (CTS) who functions under the administrative control of the Chief General Manager, Telecom Stores (CGMTS), Kolkata. In addition, DoT/BSNL maintains several store depots at the headquarters of circle offices spread over the country.

The Chief General Manager, Telecom Stores (CGMTS), Kolkata is responsible for procuring, stocking and issue of stores to the field units. Following the decentralisation of various items of power plants, drop wire, iron wire, telephone poles etc. to the territorial circles in August 1996 and January 1999, the CGMTS Kolkata has been left with a reduced load of procurement, stocking and issue of stores.

11.3 Scope of Audit

The review was conducted between May and July 2001 at the offices of all the five Controllers of Telecom Stores for the period 1996-2001 covering all the major areas of their functioning viz., procurement, storage and issue of stores. The objectives were:

(a) to study the impact of decentralisation of procurement of stores on the workload of CGMTS.

(b) to examine the efficiency and adequacy of the system governing purchase, receipt, issue, custody and disposal of stores.

11.4 Organisational set up

The Chief General Manager, Telecom Stores, Kolkata is the Chief Executive of the stores organization and is under the direct administrative control of the Director, Planning and New Services at the Corporate office of the Bharat Sanchar Nigam Limited, New Delhi. He is responsible for receipt, issue and stocking of stores at the five wholesale depots in addition to maintaining other store depots at various circle headquarters.

11.5 Budget

A review of budget-allotment, expenditure and excess/saving to final grant in respect of all the five Controllers of Telecom Stores (CsTS) revealed that CsTS Kolkata, Mumbai and Jabalpur consistently incurred excess expenditure over and above the final grant, the excess ranging up to 81 *per cent*. On the other hand, CTS Delhi did not utilise the final grant fully in two out of the five years as indicated below:

Table 11.5 – Percentage of excess/savings

S.No.	Name of Controller of Telecom Stores	Percentage of Excess(+)/Savings(-) to final grant				
		1996-97	1997-98	1998-99	1999-00	2000-01
1	Chennai	(+) 38.55	(+) 29.36	(+) 4.02	(+) 13.50	(+) 2.54
2	Delhi	(-) 41.81	(+) 44.78	(+) 30.28	(-) 4.94	(+) 15.38
3	Jabalpur	(+) 55.86	(+) 45.97	(+) 80.88	(+) 02.65	(+) 18.69
4	Kolkata	(+) 20.89	(+) 40.23	(+) 15.20	(+) 01.47	(+) 25.03
5	Mumbai	(+) 45.76	(+) 33.33	(+) 08.57	(-) 06.02	(+) 35.90

11.6 Manpower

With the decentralisation of procurement of stores, the manpower held by these offices expectedly showed a declining trend during the period of review. However, the same was not in tune with the reduction in value of stores held during 1996-2001 as indicated below:

Table 11.6 - Manpower

(Rs in crore)

CTS	Manpower			Value of stores receipt and issue		
	1996-97	2000-01	Percentage reduction	1996-97	2000-01	Percentage Increase(+)/ Decrease(-)
Chennai	242	205	15	30.38	11.62	(-)61
Jabalpur	295	242	18	121.19	63.68	(-)47
Mumbai	367	313	15	1.23	4.87	(+)296
Kolkata	610	557	9	13.52	14.79	(+)9
New Delhi	164	97	41	70.10	1.98	(-)97

11.7 Procurement of stores

11.7.1 System of Procurement

The process of planning, determination of requirement, tendering and procurement of stores and equipment for Department of Telecommunications was done mainly at the level of DoT and CGMTS, Kolkata. All major procurements of switching and transmission systems such as telephone exchanges, cables, telephone equipment etc. were made by DoT/BSNL through open tendering system. The CGMTS, Kolkata was responsible for procuring line stores, power plants, drop wire, galvanised iron wire, telephone poles, jointing kits, sockets etc., for all the telecom circles in the country. On decentralisation of the procurement activities, the heads of the territorial circles have been delegated powers to procure specified items of stores at their level, thereby reducing the procurement activities of the CGMTS.

11.7.2 Sources of procurement

Procurement was generally made through Public Sector Undertakings (PSUs), telecom factories (TFs), other Government departments and private parties as per prescribed procedures. The following table details the share of sources of procurement made from three major sources for the review period

Table 11.7.2 - Sources of procurement

(Rs in crore)

Year	Total Procurement	Telecom Factories		Public Sector Undertakings		Private Suppliers	
		Amount	%age	Amount	%age	Amount	%age
1996-97	710.75	119.96	16.88	52.08	7.33	538.71	75.79
1997-98	638.19	162.48	25.46	43.98	6.89	431.73	67.65
1998-99	510.48	131.56	25.77	43.39	8.50	335.53	65.73
1999-00	655.12	121.47	18.54	420.28	64.15	113.42	17.31
2000-01	501.50	89.49	17.84	333.24	66.45	78.77	15.71

The above table indicates that the percentage of procurement from private suppliers had come down from 76 *per cent* in 1996-97 to 16 *per cent* in 2000-01 while for Public Sector Undertakings (PSUs) it increased from 7 *per cent* in 1996-97 to 66 *per cent* in 2000-01. The percentage procurement from telecom factories for the last five years remained more or less the same. This was because of DoT's policy decision from time to time to reserve more items for Telecom factories and PSUs and discourage procurement from private suppliers.

11.8 Inventory Management

11.8.1 Inventory control

For efficient control over inventory, materials are divided into three categories based on the issue rates as detailed below:

(i)	Rs 10,000 and above	—	A class
(ii)	less than Rs 10,000	—	B class
(iii)	Less than Rs 3000	—	C class

DoT fixed the optimum inventory level of stock and issue items of A and B class of stores in April 1993 as one third of the total yearly requirement for the purpose of inventory control. The minimum level of inventory required to be maintained at the depot was left to the discretion of the field units.

The number of cases of excess holding of stores (excluding obsolete/ unserviceable stores) by the CsTS Jabalpur, Kolkata and Mumbai with reference to norms of 1993 are given in table 11.8.1.

Table 11.8.1 - Inventory control

Name of CTS	Number of items of stores where the balances exceeded the prescribed maximum stock limit			Total value of such stores (Rs in crore)			Total value of the permissible maximum stock limits for such stores (Rs in crore)			Stock held in excess (Rs in crore)			Total value of excess stores (Rs in crore)
(i)	(ii)			(iii)			(iv)			(iii)-(iv)= (v)			(vi)
	A	B	C	A	B	C	A	B	C	A	B	C	
Kolkata	61	59	-	5.33	2.62	-	0.18	0.01	-	5.15	2.61	-	7.76
Mumbai													
a) Retail depot	28	14	-	3.58	1.32	-	0.02	-	-	3.57	1.32	-	4.89
b) Wholesale	10	4	-	1.21	0.12	-	-	-	-	1.21	0.12	-	1.33
Jabalpur	20	39	-	0.91	0.37	-	0.02	0.01	-	0.89	0.36	-	1.25
Total													15.23

CTS Kolkata, Mumbai Jabalpur held excess stock of stores worth Rs 15.23 crore

At CTS, Kolkata 120 items of "A" and "B" class exceeded the prescribed limit as on 31 March 2001 and the total value of excess holding was Rs 7.76 crore while 56 items of "A" and "B" class exceeded the prescribed limit in CTS, Mumbai as on 31 March 2001 and the total value of such excess holding was Rs 6.22 crore.

AT CTS Jabalpur 59 items of 'A' and 'B' class exceeded the prescribed limit as on 31 March 2001 and the total value of excess holding was Rs 1.25 crore.

CTS New Delhi stated that no such classification and fixing of maximum and minimum levels of inventory were maintained at their end. CTS, Chennai stated that the same was not applicable for their wholesale depot. While non-prescription of minimum and maximum levels of inventory was likely to result in poor inventory control at CsTS Chennai and Delhi, excess stock levels maintained by their counterparts at Jabalpur, Kolkata and Mumbai led to blocking of material not actively required, with a consequent burden on the exchequer.

11.8.2 Stock verification and discrepancies

Progressive Stock Taking (PST) and Independent Stock Verification (ISV) of the stores, including unserviceable stores, at regular intervals is intended to secure efficiency in store keeping and to detect shortages or pilferage of the stocked material.

A system of continuous stock taking by an independent stock verifier working under the orders of Chief Accounts Officer in the office of the CGMTS, Kolkata is carried out so as to obtain complete verification at least once in a year of each item of stores in all the depots. This independent verification is in addition to the periodical counts made by the store keeper.

Audit observed at CTS, Mumbai that despite verification being almost cent *per cent*, 170 items were lying unvalued and unadjusted ever since 1978-79.

Inadequate stock verification and progressive stock taking not conducted for many items

At CTS, Kolkata the extent of ISV ranged from 50 to 93 *per cent* while that of PST ranged from 59 to 97 *per cent* during the period under review. Discrepancy statements were not prepared although the stock adjustment was done in the ledger. Some 166 items lying in stock could not be verified for PST as they were very old and no bin cards were available for them. It was observed that the following reasons hindered the process of ISV:

- improper keeping of stores.
- cash items and stocked items not kept in a segregated manner.
- non-conduction of PST.
- poor maintenance of ledger/Bin cards.
- valuable items kept in open air.

The ISV report of 2000-01 for CTS, Chennai revealed an excess of 33 store items and a deficit of 20 other store items.

In view of the large volume of stores handled by various wholesale depots in the country, it was pointed out in paragraph no. 16.7.3 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (No. 6 of 2000) that there was an immediate need to computerise the maintenance of store accounts in the store depots for proper monitoring and accounting of receipt and issue of stores and to avoid pilferage of items. This had not been complied with by any of the store depots so far (July 2001).

11.8.3 Unserviceable/obsolete stores

One of the aims of inventory control and management is to spot out and segregate items of unserviceable and obsolete stores and take prompt action to minimise their level of accumulation by their timely disposal. Such timely action reduces their maintenance cost and holding cost and prevents further fall in their scrap value owing to depreciation deterioration or damage.

Obsolete/ unserviceable stores valuing Rs 25.41 crore were lying in five wholesale depots

Examination of records in five CTSs disclosed that obsolete/ unserviceable stores valuing Rs 25.41 crore were lying in the five wholesale depots at end of April 2001 and the heads of store depots did not take necessary action for their disposal. The CTS wise position of non-disposal of unserviceable/obsolete stores is given below :

Table 11.8.3 - Unserviceable/obsolete stores

Name of CTS	No. of items declared unserviceable obsolete/surplus	Value (Rs in crore)
Kolkata	273	5.58
Mumbai	240	7.18
Jabalpur	65	0.40
Chennai	96	7.44
New Delhi	376	4.81
Total		**25.41**

The CGM Telecom Stores Kolkata took up the matter with BSNL Board in May 2001 for obtaining sanction to dispose of unserviceable/obsolete stores.

Storage of unserviceable/obsolete stores in the stock-yard leads to avoidable cost in respect of storage, watch and ward and loss in value due to damage and deterioration.

11.8.4 Non-moving/slow-moving stores

The slow-moving and non-moving items of serviceable stores are required to be identified during the stock taking by each store depot and a list of such items is required to be circulated to other store depots to ensure their utilisation elsewhere.

Stores worth Rs 4.33 crore were non-moving/slow moving

In CTS Mumbai, Switch Board Cards (SBCs) of different sorts valuing Rs 3.67 crore received from Telecom Factory, Mumbai were lying idle from 1997-98 onwards. These stores have since been declared unserviceable and sanction for their disposal was being obtained. Further scrutiny of the records revealed that 3.01 lakh SBCs valuing Rs 2.39 crore received from CGM, Telecom Stores, Kolkata between 1992-93 and 1994-95 without proper requisition were awaiting disposal.

Similarly, Electronic Trunk Relay Plates (ETRP) valuing Rs 1.56 crore received from Telecom Factory, Mumbai in June 1995 were lying idle in the retail depot of CTS, Mumbai for the last six years. But no action was taken for their disposal resulting in blockage of capital of Rs 1.56 crore. Further examination revealed that 8168 numbers of other items of stores were lying in stock at various circles since 1995-96. The accumulated value of these stores was Rs 4.33 crore (inclusive of value of stores at CTS, Mumbai).

11.8.5 Inventory turnover

One of the most widely followed methods for evaluating inventory performance is to determine the "Inventory Turnover Ratio" i.e. ratio of the yearly issue to the average holding of stock per month. Another measure is the 'Inventory Turnover Period' which indicates the number of days it will take to consume the average monthly holding of stock.

Analysis of inventory held by the depots revealed that the inventory turnover period was high as given in the Appendix XIX. As indicated therein, CTS

Kolkata had stock for 599 to 1816 days against the average months stock holding and its cost ranged from Rs 14.23 crore to Rs 23.70 crore.

CTS Mumbai held stock sufficient for 8690 days against average a month consumption

At CTS, Mumbai 472 to 8690 days were required to consume the average monthly holding of stock and the cost ranged between Rs 9.42 crore and 13.87 crore between 1996-2001 which indicated a very slow rate of issue. The Inventory Turnover Period of 8690 days implied that consumption of the average monthly stock would take nearly 24 years! It was also noticed in CTS Mumbai that there was minus issue of stores in the year 1997-98. On being pointed out by Audit the Controller of Telecom Stores Mumbai failed to explain the position.

The trend of inventory turnover period indicates that days required for consumption of the average monthly stock holding in CTS, Chennai increased from 53 days in 1996-97 to 426 days in 2000-01. Thus management of issue of stores deteriorated as compared to earlier years.

At CTS New Delhi the monthly average stock of stores was Rs 10.06 crore in 1996-97 and average issue was Rs 2.56 crore. The period of consumption therefore, was 120 days. This increased to 4679 days during 2000-01. This happened because while the average monthly holding of stock decreased slowly to 6.82 crore in 2000-01 the average monthly issue reduced drastically to a meagre 0.04 crore. As a result the performance of issue of stores became very poor.

11.9 Issue of Stores - Stores-in-Transit

Rs 27.41 crore was outstanding under stores-in-transit

The outstanding amount under the head Stores-in-Transit represents the value of unacknowledged stores transferred by wholesale store depots to other units/ store depots etc. Non-adjustment of Stores-in-Transit for a long period may raise a reasonable ground for suspicion of their possible misappropriation leading to ultimate loss to the department. The following table reveals the amount of outstanding under stores-in-transit at the end of June 2001. The amount under stores-in-transit was outstanding from 1975-76 onwards. The following table reveals the amount of outstanding under stores-in-transit as on 30 June 2001.

Table 11.9 - Issue of stores/stores-in-transit

Name of Depot	Oldest year outstanding from	Outstanding amount (Rs in crore)
Kolkata	1979-80	37.13
Mumbai	1976-77	7.44
Jabalpur	1975-76	4.43
Chennai	1986-87	(-)0.05
New Delhi	1980-81	(-)21.54
Total		**27.41**

The outstanding minus balances indicate that either responding debits have not been accounted for or excess credits have been taken into account. An amount of Rs 27.41 crore under stores-in-transit shows lack of proper pursuance of the cases by the concerned Controllers of Telecom Stores. Rules require that such cases should be investigated and the outstanding amount adjusted without delay.

11.10 Accounting

11.10.1 Outstanding advances

In accordance with the standard terms of procurement, 95 *per cent* value of the stores is paid as advance to the suppliers on proof of despatch of materials and the balance five *per cent* is released on receipt of stores as per terms of the contracts. The advance payment so made is kept under suspense head till the contractors fulfill the contractual obligation in completing the required supply. It was noticed that a total amount of Rs 357.65 crore disbursed to the contractors as advance payment had not been adjusted as on 31 March 2000.

Advance payments of Rs 357.65 crore were outstanding from contractors pending adjustments

Table 11.10.1(i) - Outstanding advances

Name of CTS	Amount lying unadjusted (Rs in crore)	Oldest year from which outstanding
Kolkata	238.46	1974-75
Mumbai	21.48	1966-67
Jabalpur	43.65	1982-83
Chennai	5.99	1981-82
New Delhi	48.07	1981-82
Total	357.65	

Firm wise outstanding amount of Advance Payment to Contractors (APC) was as under:

Table 11.10.1(ii) – Firm wise outstanding advances

Name of Firm	Amount lying Unadjusted (Rs in crore)	Oldest year from which outstanding
HCL	23.52	1974-75
HTL	8.32	1974-75
ITI	264.07	1966-67
Pvt. Firms	61.74	1974-75
Total	357.65	

The amount of Rs 264.07 crore outstanding from ITI included the amounts outstanding for the last 34 years pending adjustment. Similarly, outstanding advances of Rs 93.58 crore in respect of HCL, HTL and private firms included amounts lying unadjusted for the last 27 years. Advances remaining outstanding for such long periods indicated that the Executive had not addressed the problem with adequate seriousness.

11.10.2 Non-recovery of sales dues

Against sales made by the wholesale depots Rs 29.44 crore remained unrealised as on 31 March 2001 as shown in table 11.10.2 below.

Stores worth Rs 29.44 crore sold to other departments was not realised

Table 11.10.2 - Non-recovery of sales dues

Name of CTS	Outstanding amount (Rs in crore)	Oldest year from which outstanding
Kolkata	0.52	1992-93
Mumbai	(-)5.16	1992-93
Jabalpur	0.10	2000-01
Chennai	5.53	1995-96
New Delhi	28.45	1994-95
Total	**29.44**	

11.10.3 Loss/Theft/Embezzlement/Defalcation/misappropriation of stores-adjustment thereof

Details of cases under this category are given below:

In 42 cases stores valuing Rs 73.22 lakh were lost/stolen by theft

Name of CTS	No. of theft cases	No. of cases during 1995-2001	Amount (Rs in lakh)
Kolkata	32	2	66.23
Mumbai	3	1	3.27
Jabalpur	4	NA	2.88
Chennai	3	3	0.84
New Delhi	Nil	Nil	Nil
Total	**42**	**6**	**73.22**

The amount involved in loss/theft of stores pertaining to the CTS, Kolkata alone was Rs 66.23 lakh involving 32 cases. In 30 of these cases, the theft took place in 1975-76 i.e. 25 years back and involved Rs 62.18 lakh. In all such cases, the department failed to take appropriate action for adjusting the amount involved either by obtaining sanction for write-off from the competent authority or in any other manner. One significant omission in all such cases was that the department did not report the cases of loss/theft to the Audit although so required according to codal provisions.

Out of the three unsettled theft cases of Rs 3.27 lakh pertaining to CTS Mumbai, one case involving Rs 2.98 lakh occurred in the year 1992-93. Two cases out of three have been reported to audit.

There were four unsettled theft cases involving Rs 2.88 lakh pertaining to CTS, Jabalpur, one of which involving Rs 2.15 lakh, occurred in 1979-80 some 21 years back. In three cases involving Rs 84,402 in respect of CTS Chennai, although the police authorities closed the cases as undetectable, the write off sanction was awaited from the competent authority (July 2001).

11.10.4 Acceptance of debits without receipt of stores

Debits raised by Chief General Manager Telecom Stores, Calcutta are classified under final head of account by the concerned telecom district in a format known as 'store account current'. Debits, which are not supported by vouchers or do not pertain to the district or where certain information/documents are awaited, are not classified under the final head and are kept under suspense. This suspense is cleared on receipt of wanting information/documents. Valued store vouchers as accounted for in the 'store account current' are received back in accounts branch after verification and certification of receipt of stores by field units to ensure correctness of debits accepted by the district.

Audit observed that in Durg telecom district in Madhya Pradesh circle, debits for stores supplied during the period 1991 to 1997 amounting to Rs 96.44 lakh were accepted and accounted for in 'store account current', without verifying receipt of stores.

On this being pointed out by Audit General Manager Telecom District Durg in February 1999 confirmed non receipt of stores worth Rs 40.52 lakh by the district; confirmation of remaining stores was awaited. It was stated that reports were being called for from concerned field units.

11.11 Stores Recoverable

The term "Stores recoverable" includes:

- stores lost in transit while being transferred from one Store Depot to another.
- stores lost in transit while being transferred from Store Depots to Lines and offices.
- stores lost after issue to the works dump but before actual use on works.
- Loss in Store Depots and Workshops due to theft.

A sum of Rs 12.01 crore lying under 'stores recoverable' remained unadjusted.

As per the table below a sum of Rs 12.01 crore in respect of five wholesale depots was lying unadjusted as on 31 March 2001. It was the duty of the departmental authorities to make expeditious investigation into cases of stores lost in transit and try to recover the amount from the parties responsible for this. Action should have been taken to eliminate outstanding balances under "Stores Recoverable" by obtaining sanction for write-off, from the competent authority if all possible attempts to recover the amounts from the concerned parties failed.

Table 11.11 - Loss in Store Depots and Workshops due to theft

Name of CTS	Amount lying unadjusted under the head "Stores Recoverable" (Rs in crore)	Oldest year outstanding from
Kolkata	0.30	-
Mumbai	8.13	1969-70
Jabalpur	1.50	-
Chennai	2.00	-
New Delhi	0.08	-
Total	**12.01**	

No substantive and visible action had so far been taken by the Executive to reduce the outstanding (July 2001)

Conclusion

The offices of the Controllers of Telecom Stores were fraught with problems of poor inventory management, inadequate internal controls in maintaining store records and under-utilisation of stores. Moreover there was a huge amount of advances paid to the contractors which was not adjusted; also no action was taken to investigate the theft cases in time. The size of the manpower also required examination with reference to stores handled. The Ministry may have to examine the areas of stores recoverable, stores verification and stores in transit wherein huge amounts were outstanding and immediate prompt action was called for.

The matter was referred to the Ministry in October 2001; their reply was awaited as of December 2001.

12. Working of the Telecom Civil Divisions

12.1 Highlights

- **Physical/financial targets were not fixed which resulted in non-monitoring of physical and financial performance of the Civil divisions.**

(Paragraph 12.6)

- **Premature creation of four additional Telecom Civil circles in violation of the prescribed norms resulted in avoidable expenditure of Rs 2.41 crore.**

(Paragraph 12.8.2)

- **Despite existence of a planning and Architectural wing, the department assigned the architectural work of a building to consultants; the construction has not been taken up even after 14 years of initiating the formalities.**

(Paragraph 12.8.3.3)

- **In violation of the financial norms 57 works in six circles were awarded without calling for tenders.**

(Paragraph 12.8.5)

- **The work of construction of 242 quarters at Kalibari, New Delhi could not be taken up due to department's failure to protect the property against encroachment which resulted in avoidable expenditure of Rs 5.83 crore for relocation of Jhopri dwellers and removal of malba from site.**

(Paragraph 12.8.6.1)

- **There was a blocking of Rs 79.81 lakh as road restoration charges amounting to Rs 47.41 lakh paid to Kolkata Municipal authorities were neither adjusted nor got refunded on cancellation of work.**

(Paragraph 12.8.6.2)

- **An amount of Rs 1.06 crore against Earnest Money Deposit (EMD) and Security Deposit (SD) relating to 2328 cases was lying with the department without being transferred to lapsed deposit and Rs 35 lakh in 49 works were refunded after delays ranging from six months to one year.**

(Paragraph 12.9.2)

- **Non recovery of excess cost on account of rescinded work from the defaulting contractors amounting to Rs 32.77 lakh and further loss of Rs 12.51 lakh towards cost of materials lying with the defaulting contractors was noticed in three circles.**

(Paragraph 12.10.1.1)

- **Cement and steel worth Rs 61.01 lakh issued to the contractors in excess of requirement resulting in non-recovery of Rs 9.26 lakh from the contractors.**

(Paragraph 12.10.1.3)

- **Delay in execution of 285 works resulted in payment towards escalation in rates amounting to Rs 3.78 crore. In addition there was a potential revenue loss of Rs 103 crore due to delay in completion and handing over telephone exchange buildings in respect of 21 works in two circles.**

(Paragraph 12.10.2.1)

- **Rs 8.26 crore on account of deposit works had not been recovered.**

(Paragraph 12.12)

- **Arbitration awards in favour of contractors due to departmental failure resulted in avoidable payment of Rs 5.44 crore towards compensation.**

(Paragraph 12.13)

12.2 Introduction

The Civil wing in Posts and Telegraphs (P and T) department was established in July 1963 with a view to ensure better co-ordination and speedy execution of works. The P and T Department was bifurcated into two departments viz., Department of Posts and Department of Telecommunications (DoT) with effect from 1 January 1986. The P and T Civil wing was also bifurcated from the same date and the Telecom Civil Wing came into existence for carrying out the civil works of the DoT.

The Telecom Civil Wing is responsible for construction of new buildings, maintenance of existing buildings, construction of cable ducts and civil works for transmission towers. Apart from the above, it also carries out works for outside agencies such as MTNL, VSNL etc., as deposit work.

12.3 Scope of audit

An All India review on the Working of Telecom Civil Wings in 19 Telecom Circles *viz.*, Andhra Pradesh, Assam, NE Circle, Bihar, Chennai Telephones, Delhi, Gujarat, Karnataka, Kerala, Kolkata, Madhya Pradesh, Maharashtra, Mumbai, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh (East), Uttar Pradesh (West), and West Bengal, was conducted by Audit in May – July 2001 covering the period 1996-2001. The study covered 62 civil divisions which was approximately 50 *per cent* of the total Civil Divisions functioning under the Circles.

12.4 Organisational set up

The Civil Wing consists of distinct units namely Architectural unit, Planning unit and Civil construction unit. All the three units work under the direction and control of the Senior Deputy Director General (Building Works) (Sr.DDG-BW), Delhi who is the head of Civil Wing and also Technical Advisor to the Telecom Commission.

Civil Wing in each Circle is headed by a Chief Engineer (CE) who is assisted by Superintending Engineer (SE) and a Superintending Surveyor of Works (SSW) who in turn supervise the execution of Civil Works by Executive Engineers (EE) and Surveyor of Works (SWs) respectively. While the administrative control of the Civil Wing of the circle is entrusted to the Chief General Managers, Telecom of the respective circles, the technical control rests with the Senior DDG (BW), Delhi.

12.5 Activities of Civil Division

The work of a Civil Division spans a wide spectrum of activity and covers the following aspects:

- Planning
    - Land acquisition
    - Approval from Local Government/bodies on building plans
    - Administrative Approval and Expenditure Sanction
    - Preparation of preliminary estimates and issue of Notice inviting tenders (NIT)
- Finalisation of tenders
- Execution of works
    - Monitoring of progress
    - Cost/time overrun
    - Extension of time
- Completion and utilisation of works
- Deposit Works
- Arbitration

12.6 Achievement against physical and financial targets

No annual physical and financial targets fixed

Scrutiny of records of Civil divisions showed that no annual physical and financial targets were fixed division wise or circle wise. The works were carried out as per the priority and requirements of the concerned Telecom units. Hence, optimum utilisation of manpower and other infrastructure facilities could also not be ensured. This indicated lack of adequate monitoring over financial and physical performances in the organisation.

12.7 Provision of funds and utilisation

Funds for capital works and maintenance works were allotted to Secondary Switching Areas (SSAs) and works were undertaken by Civil divisions based on Administrative Approval and Expenditure sanction (AA and ES) given by the respective SSAs. Control and monitoring over allotted funds are exercised by heads of circles.

In order to examine the proper utilisation of allotment of funds, the position of allotment of funds and actual expenditure received from DoT relating to Civil wing is indicated in table 12.7 below.

Under utilisation of funds resulted in savings of Rs 1589 crore under capital and maintenance

It was noticed that utilisation varied between 45 and 78 *per cent* of the allotment in each year in respect of capital expenditure and between 24 and 41 *per cent* in respect of maintenance work. As a result Rs 1589 Crore (Capital Rs 1262 crore Maintenance Rs 327 crore) were surrendered from allotted funds during 1995-2000 as shown in table below:

Table 12.7 Provision of funds and actual expenditure

(Rs in crore)

Year	Allotment		Actual expenditure		Excess (+)/ Savings(-)		Percentage of utilisation	
	Capital	Mainten-ance	Capital	Mainten-ance	Capital	Mainten-ance	Capital	Mainten-ance
1995-96	460.52	65.13	318.34	25.68	(-)142.18	(-) 39.45	69.13	39.43
1996-97	560.62	80.05	250.98	19.31	(-)309.64	(-)60.74	44.77	24.12
1997-98	670.14	109.56	521.60	38.16	(-)148.54	(-)71.40	77.83	34.83
1998-99	788.22	113.93	502.23	44.97	(-)285.99	(-)68.96	63.72	39.47
1999-2000	943.17	144.82	567.23	58.78	(-)375.94	(-)86.04	60.14	40.59
Total					**(-)1262.29**	**(-)326.59**		

12.8 Planning

12.8.1 Cost effectiveness of civil wing with reference to manpower available and works executed

Excess expenditure on working expenses amounting to Rs 29.91 crore during 1995-2000 on capital works

Departmental rules provide that cost of establishment over cost of works (overhead percentage) on Capital and Maintenance works should be 12 *per cent* and 23.75 *per cent* respectively. Examination of figures made available to audit by the Directorate (Civil Wing) revealed that the percentage of establishment over the cost of works under Capital works exceeded the prescribed percentage by 4 to 12 *per cent*. This resulted in excess expenditure on working expenses amounting to Rs 29.91 crore during 1995-2000. This indicated that the establishment for capital works was oversized and non-completion of works even after availability of funds as depicted in the table below:

Table 12-8.1 – Cost of capital works undertaken vis-à-vis working expenses

(Rs in Crore)

Year	Actual working expenses (Establishment charges)	Percentage of total cost of works under capital/Mtce		Proportionate working expenses (Establishment charges)		Ratio of Estt charges over cost of work		Excess overhead charges percentage		Excess working expenses on capital	
		Capital	Mtce	Capital	Mtce	Capital	Mtce	Capital	Mtce	Capital	Mtce
1995-96	55.63	92.54	7.46	51.48	4.15	16.17	16.16	4.17	-	2.15	-
1996-97	64.93	92.86	7.14	60.29	4.64	24.02	24.03	12.02	0.28	7.25	0.02
1997-98	93.58	93.18	6.82	87.20	6.38	16.72	16.72	4.72	-	4.12	-
1998-99	110.82	91.78	8.22	101.71	9.11	20.25	20.25	8.25	-	8.39	-
1999-2000	120.88	90.61	9.39	109.53	11.35	19.31	19.31	7.31	-	8.00	-
										29.91	0.02

Note : Figures of allotment and actual expenditure under capital and maintenance works shown above.

12.8.2 Premature and unjustified creation of telecom civil circles

Ad-hoc physical norms were adopted in August 1987 for purposes of establishment of the Civil Engineering arm of Civil Wing. According to these norms an independent civil circle together with a Planning section was justified, if the number of divisions was three or more, subject to the condition that the total number of civil circles should not exceed ¼ of the number of divisions.

Creation of civil circles in contravention of norms resulted in avoidable payment of Rs 2.41 crore

However, during examination of the records of three telecom circles and one metro district it was noticed that contrary to the norms fixed, the department had created four telecom civil circles prematurely, which led to an avoidable payment of Rs 2.41 crore as detailed in Table 12.8.2 given below towards pay of the staff of these offices alone. In reply, it was stated that the creation of Circles and Divisions was decided by DoT Hqrs based on functional requirements.

Table 12.8.2 Consolidated statement on avoidable payment due to premature opening of civil circles

Sl. No.	Name of the Circle	Name of unit newly created	Year of creation	Amount (Rs in lakh)	Period
1	Chennai Telephones	Civil circle III at Chennai	1994	87.04	September 1994 to July 2001
2	Tamil Nadu	Civil circle IV at Coimbatore	1994 till 1997	24.25	September 1994 to March 1997
3	Karnataka	Civil Circle III at Bangalore	1994	77.00	September 1994 to June 2001
4	Orissa	Civil circle II Sambalpur	1995	52.31	January 1995 to March 2001
	Total			240.60	

12.8.3 Cases of delay in getting the approval on building/road cutting permission etc., from local/municipal authorities

In July 1997 DoT circulated instructions regarding preparation of building plans. According to these instructions inter alia, the departmental architect, while preparing a building plan should keep in mind the local bye-laws and should keep in touch with the local authorities. He should provide all relevant documents such as ownership certificates, revenue plans of the plots etc., required to be submitted to the local authorities alongwith building plans for getting approval well in advance so that delay due to non production of such documents can be avoided. During examination of the records of civil divisions Audit noticed cases of idle investment on incomplete structure, delay in getting the approval of local bodies etc. as detailed below:

12.8.3.1 Idle investment on incomplete structure

General Manager Telecom (GMT) Madurai accorded AA and ES for construction of 12 type II staff quarters at the telephone exchange site in Theni in May 1997, at an estimated cost of Rs 39.95 lakh. In December 1997 the Executive Engineer (EE) Civil Division, Madurai awarded the contract for the work at a tendered cost of Rs 35.82 lakh. As per the agreement, the work was to commence by January 1998 and to be completed by January 1999.

Infructuous expenditure of Rs 13 lakh on incomplete structure

In March 1999, however, the work was stopped abruptly and the contract cancelled due to the objection of the Municipal Commissioner, Theni Municipality. It turned out that construction at that site was not permitted since laying of a 60 feet road construction was in the offing and the executive was also aware of this. By this time the work had reached lintel/first floor level at an expenditure of Rs 13 lakh. In fact five years earlier, during January 1994 also, the work of construction of compound wall at the site was objected to by the Municipal Commissioner, Theni on the same grounds.

Had EE, Civil Division Madurai ensured that the work commenced only after proper Municipal approval, the infructuous expenditure of Rs 13 lakh on the incomplete structure could have been avoided.

12.8.3.2 Delay/non-utilisation of cable duct

Idle investment on 12 way cable duct from Vyttila Junction to Power House Junction amounting to Rs 24.19 lakh

An estimate for construction of 12 way cable duct from Vyttila Junction to Power House Junction in Ernakulam SSA was sanctioned in September 1997, the work was awarded on 14.1.1998 and completed on 5.12.1998. Total expenditure incurred was Rs 24.19 lakh. The cable duct, however, could not be utilised so far (July 2001) in the absence of cable supporting frame. The AGM (Cable Planning) of Ernakulam SSA reiterated this fact and requested for a revised estimate in August 1999 and January 2000. As no action was taken by the Telecom Civil Division, the work had not started even now (July 2001). The division stated that revised estimate was under preparation and balance work would be executed on receipt of Administrative Approval and Expenditure Sanction (AA and ES). Thus cable duct constructed in December 1998 at a cost of Rs 24.19 lakh could not be put to use so far due to lack of co-ordination between the various arms of DoT; the likelihood of immediate utilisation was also remote.

12.8.3.3. ***Delay in getting the approval of local bodies***

Telecom Civil Division, New Delhi decided to take up the construction of the Central Telegraph Office (CTO) building at Janpath, New Delhi in 1985. Audit noticed that in spite of the availability of a planning and architectural wing in the department, DoT decided in May 1985 to take on a consultancy with Telecommunications Consultants India Ltd (TCIL) and entrusted to them the responsibility of planning, preparation of architectural drawings and obtaining approval of the concerned local bodies to the drawings. The department agreed to pay TCIL Rs 10.68 lakh of which Rs 4.27 lakh (40 *per cent*) were paid up to October 1999. The construction of the buildings was still not completed (December 2001).

The preliminary drawings were ready in November 1987 and the AA and ES for Rs 7.74 crore was accorded in March 1989. The departmental rules required that Telecom Wing officers should ensure that the plot was free from legal encumbrances and encroachment and that no sewage line was passing through the plot, shifting of which may cause additional expenditure to the department. Despite this codal provision, the department incurred an expenditure of Rs 40.20 lakh during 1991-93 on re-location charges for eviction of encroachment at the site for the construction. The project could still not be taken up for want of municipal approval.

In the meanwhile, the scope of work was changed and the estimate was revised to Rs 17.76 crore in February 1995. Subsequently TCIL revised the drawings again, after interaction with the local bodies, and the estimate was further revised to Rs 19.47 crore in January 1996. After municipal approval was received through TCIL in August 1997, the scope of work was changed once again and revised AA and ES for Rs 24.41 crore was accorded in June 1999. Subsequently the department took a decision in December 2000 to also house BSNL Headquarters at the CTO cum Administrative building.

Construction of CTO building was not taken up after delay of 14 years which resulted in cost overrun by Rs 16.67 crore.

Department in their reply stated in June 2000 that the main reason for delay in sanctioning the project was delay in receipt of municipal approval of drawings through TCIL. The reply is not acceptable as the scope of building and drawings was changed from time to time and decision to house BSNL Headquarters at CTO cum administrative buildings was also one of the reasons for the delay in execution of work. Thus, due to lack of co-ordination between different wings of the department, including the civil wing, with TCIL, the project was badly delayed for execution by 14 years and the total cost increased by Rs 16.67 crore (from Rs 7.74 crore in 1987 to Rs 24.41 crore in 1999).

12.8.3.4 Lack of planning

In July 1995, GMT Nagercoil sent to Sr. Architect Chennai a proposal for preparation of preliminary drawings for construction of a ground plus six strorey administrative building cum Departmental Telegraph Office (DTO) building on the site where DTO was functioning. The intention was to accommodate DTO and all administrative offices under one roof. Though administrative approval for the demolition of rear portion of the DTO building had been conveyed in 1994, municipal drawings for the above work were issued by Chief Architect only in 1998 and building permit could not be obtained till date (July 2001) due to some deviations from the stipulations of building act. However, the old building was demolished in December 2000 and the DTO shifted to a temporary structure constructed at an estimated cost of Rs 7.68 lakh.

Defective planning at various stages resulted in avoidable expenditure of Rs 7.68 lakh

Due to defective planning at various stages viz., issuing the drawings not in conformity with the Municipal Act, demolition of old building before getting approval for the new building, although the old building had not outlived the expected life and delay in getting municipal approval by GMT, Nagercoil, there was an avoidable capital expenditure of Rs 7.68 lakh towards construction of temporary structure for housing DTO and revenue expenditure of Rs 6500/- pm for housing SDOT office from December 2000, besides loss in savings to the tune of Rs 50000/- pm (approx.) towards rent for telecom offices housed in various rented buildings in Nagercoil.

12.8.4 Excess over expenditure sanction and non-revision of estimates

12.8.4.1 Execution of work without sanction

Execution of 12 works costing Rs 15.64 lakh without AA and ES sanction by competent authority

The authority granted by a sanction to an estimate is limited to the precise objects which the estimate was intended to provide. Any anticipated or actual savings on a sanctioned estimate for a specific project therefore should not, without special authority, be applied to carry out additional work not contemplated in the original project. EE, Telecom Civil Division (TCD), Sambalpur executed 12 independent works costing Rs 15.64 lakh without having AA and ES from the competent authority on the plea that the expenditure would be met from the savings of the main project; this was not in order.

12.8.5 Splitting up of work of similar nature to avoid sanction of higher authority

Powers have been delegated to accord administrative approval to projects costing upto Rs 5 crore to CGM/GM for technical buildings and upto Rs 2 crore to CGM and Rs 1 crore to GM for non-technical buildings. CE, Civil wing is authorized to accept tender and award work for projects costing Rs 1.25 crore (Rs 2.5 crore from April 1999).

Splitting up work of similar nature in different estimates to avoid sanction of higher authorities

It was noticed during review, however, that the authorities split up nine works in six circles into 57 estimates, as shown in Appendix-XX, to avoid the sanction of higher authorities who alone were competent to sanction the composite item. Also, preparation of estimates and accord of AA and ES were not planned with reference to requirements. A few instances of such cases are cited below:

(i) A project for construction of telecom staff quarters at I.S. Sadan, Hyderabad, in Andhra Pradesh circle, with an estimated cost of Rs 5.15 crore, was split up into 15 estimates which were then sanctioned during 1997-98 by General Manager Telecom District (GMTD) Hyderabad, instead of being put up to Telecom Commission.

(ii) A project estimate for Rs 2.74 crore for the construction of staff quarters at Banjara hills of Hyderabad under Andhra Pradesh circle was split up into seven estimates which were sanctioned by GMTD Hyderabad during 1998-99, instead of being put up to Telecom Commission.

(iii) In Tamil Nadu circle a project for the construction of administrative building including internal and external services at Tirunelveli with estimated cost of Rs 83.71 lakh was split up into 23 estimates which were sanctioned during 1996-97 by GMTD Tirunelveli/Executive Engineer Civil (TCD) for Rs 1.02 crore, instead of being put up to CE/CGM.

The above instances are illustrative and indicated that the works were split up with an intention to avoid sanction of higher competent authorities; this was against the financial discipline of the department. Moreover, by violation of the financial powers delegated by DoT from time to time, the department lost the benefit of competitive rates.

12.8.6 Avoidable expenditure/blocking of capital due to non-availability of clear site

Whenever sites are to be selected for any departmental purpose, there should be careful consideration of all the aspects by not only the telecom officers but also by the Architects and Civil Engineers. To ensure proper consideration of all relevant aspects, a detailed proforma for certifying the suitability of a site was drawn up by Director General, Posts and Telecommunications, Delhi and circulated in April 1978 alongwith detailed instructions. The detailed scrutiny of the records of civil divisions revealed the following irregularities.

12.8.6.1 Avoidable expenditure due to non-availability of clear site

Due to non availability of clear site department had incurred Rs 5.83 crore for relocation of Jhopri Dwellers

The work of construction of 242 quarters out of the 270 quarters planned in Phase II of the project at Kalibari, New Delhi could not be taken up by DoT as the land in question was under unauthorized encroachment by Jhuggi dwellers and Telecom Department spent Rs 5.83 crore in October 1997 and January

1999 for relocation of Jhopri dwellers and removal of malba from site. Had necessary protection of property against encroachment been arranged by the department, payment towards compensation could have been avoided and construction completed as per schedule.

In Madhya Pradesh Circle award of work without ensuring the availability of clear site not only led to incurring of expenditure of Rs 16.53 lakh on preparation of site free from legal encumbrances and encroachment but also another Rs 34.19 lakh towards payment of escalation for extension of time.

12.8.6.2 Avoidable expenditure of Rs 8.43 lakh and blocking of capital of Rs 79.81 lakh on cancellation of works

While there was delay in award of work on the one hand, it was noticed on the other hand that awarded works were cancelled. Test check revealed that at Bhopal (M.P Circle) two project works were cancelled due to non-availability of site and non-availability of requisitioning authority's decision for cancellation. In Kolkata Telephone District, non-receipt of permission of local authorities for road cutting led to cancellation of seven works.

Wasteful expenditure of Rs 10.65 lakh on cancelled works

Such cancellations lead to expenditure without execution, as in Kolkata, where contractors of five out of seven cancelled works went in for arbitration and the department had to compensate by paying Rs 8.43 lakh in two cases. In one case Rs 2.22 lakh was deposited in the High Court and in yet another case award of Rs 2.28 lakh with 18 *per cent* interest was challenged in the High Court. This expenditure of Rs 10.65 lakh could have been avoided if the requisite formalities had been observed before award of work.

Blocking of Rs 79.81 lakh on road restoration charges and interest on cancellation works

Added to these, there was a blocking of Rs 79.81 lakh as road restoration charges amounting to Rs 47.41 lakh paid to Kolkata Municipality during December 1994 to November 1996 were neither adjusted nor got refunded on cancellation of the work. As such the deposited amount together with interest totaling to Rs 79.81 lakh remained to be recovered. It was stated by Executive Engineer, Civil Division, Kolkata that attempts were made to collect the amount. No money, however was, recovered/adjusted till date (July 2001).

12.8.6.3 Improper selection of site for staff quarters

Idle investment of Rs 18.98 lakh on construction of quarters in a predominantly industrial area remained unoccupied

Selection of site for the construction plays a vital role to ensure, intended utilisation of the building. Six Type III staff quarters at Telephone Exchange plot at Paneksara, Surat in Gujarat circle completed at a cost of Rs 18.98 lakh and handed over to Telecom authorities in April 2000 remained unoccupied as of July 2001. The allottees were not moving to the quarters because the quarters had been constructed in a predominantly industrial area with heavy pollution. Improper selection of the site, therefore, resulted in idle investment of Rs 18.98 lakh on the quarters.

12.9 Finalisation of tenders

The Construction unit was responsible for award of contracts for works and getting them executed through the contractors. This wing was also responsible for supervision and efficient execution and management of works. On test check of records of Civil Divisions, short comings were noticed relating to non-adherence of prescribed time limit, acceptance of tender at different rates for the same nature of work, award of work without call of tenders etc. as mentioned below.

12.9.1 Extra expenditure of Rs 36.52 lakh due to acceptance of tenders for similar works at different rates

Award of tender at different rates on similar works resulted in extra expenditure of Rs 36.52 lakh in construction of cable duct and staff quarters

Departmental rules stipulate that award of work should not be based merely on the lowest tender but reasonability and prevailing market rates at which works could be got done should also be considered.

However, in Andhra Pradesh circle, works on construction of cable ducts were awarded at different rates on the same date i.e. 28.10.99 at Hyderabad which resulted in extra expenditure of Rs 22.97 lakh. Similarly, work relating to construction of staff quarters with the same design and specifications were awarded at different rates during the same period at same station (Hyderabad). This had resulted in extra expenditure of Rs 13.55 lakh.

When this was pointed out, the department replied that the rates awarded were within permissible variation under rules.

The reply is not satisfactory because in these cases works were awarded at the same time and at the same place, leading to an avoidable expenditure of Rs 36.52 lakh.

12.9.2 Non adherence to codal provision in accounting of earnest money deposit security deposit

Earnest money deposit (EMD) received from the tenderers except the lowest tenderer are to be refunded within 15 days of acceptance of the tender and security deposit (SD) of successful tenderer should also be refunded immediately after the expiry of maintenance period as stipulated in the agreement. The balance in the above deposit accounts which were unclaimed for more than three complete years are to be credited to Government account as lapsed deposit.

2328 cases of unclaimed EMD and SD amounting to Rs 1.06 crore lying without transferring to lapsed deposit

Audit examination of deposit registers revealed that amounts were neither refunded within the prescribed period nor treated as lapsed deposits. While an amount of Rs 1.06 crore relating to 2328 cases towards EMD and SD was lying with the department, without transfer to lapsed deposit, a sum of Rs 35 lakh in respect of 49 works was refunded after delays ranging from six months to one year as shown in Appendix-XXI.

12.10 Execution

12.10.1 Issue of material to contractors in excess of requirement

Cement and steel are major items which are stipulated for issue in most of the contracts in the department. Stores issued to contractors under terms of the contract are intended for the exclusive use and consumption on the work for which they are issued. There is inherent risk of their pilferage and misuse if such stores are issued in bulk to the contractors much in advance of their actual requirement. It is essential that issues to contractors should be regulated and restricted to actual requirements. Detailed instructions were issued in this regard by the department in December 1984. The following shortcomings were noticed during the examination of records of civil divisions.

12.10.1.1 Non recovery of excess cost on account of rescinded work

Non-recovery of Rs 32.77 lakh from defaulting contractors on account of rescinded works in three circles

Departmental rules envisage that if an agreement is rescinded, the balance work should be got executed at the risk and cost of the rescinded agency. Audit noticed instances of non-recovery of the cost from the defaulting contractors amounting to Rs 32.77 lakh as indicated in table 12.10.1.1.

Table 12.10.1.1 – Non recovery of cost of rescinded work

Sl. No.	Name of the circle	No. of works	Amount involved (Rs in lakh)	Remarks
1	West Bengal	3	18.54	The matter is in arbitration
2	Gujarat	1	6.53	Award in favour of contractor
3	Rajasthan	1	7.70	-
	Total	**5**	**32.77**	

12.10.1.2 Non recovery of cost of material lying with defaulting contractor

An Amount of Rs 12.51 lakh towards cost of materials lying with the contractors was not recovered on rescinding the work in respect of works executed in three circles.

Table 12.10.1.2 – Non-recovery of cost of material

Sl.No.	Name of the Circle	Total cost to be recovered (in lakh)
1.	West Bengal	3.50
2.	Karnataka	8.39
3.	Orissa	0.62
Total		**12.51**

12.10.1.3 Excess issue of materials to contractors

Materials issued to contractors in excess of requirement valuing Rs 61.01 lakh. Out of which Rs 9.26 lakh yet to be recovered in one case

Contract agreement provides for issue of steel and cement for the work by the department at the prescribed rate. Issue of materials to contractors should be regulated and monitored with reference to the time schedule as well as the physical progress. Any excess issue of materials amounts to allowing unintended benefit to the contractor. As per codal provisions any unutilized materials should be returned by the contractor within 30 days of completion of work failing which recovery at double the rate of issue should be made. During the examination of the records of civil divisions in five circles, it was noticed that on 61 works, 486.100 MT of cement and 306.204 MT of steel were issued in excess of the requirement to the tune of Rs 61.01 lakh as shown in the table below:

Table 12.10.1.3 - Statement on excess issue of material

Sl. No.	Name of the Circle	No. of works	Quantity Issued in excess		Total value of materials issued in excess (Rs in lakh)	Remarks
			Cement (MT)	Steel (MT)		
1	Rajasthan	7	34.75	30.531	5.69	
2	Bihar	10	31.80	21.388	4.11	Stores valuing Rs 3.59 lakh were returned after delays of 4 to 18 months
3	Andhra Pradesh	25	297.35	164.13	33.68	Out of Rs 61.01 lakh, in one case Rs 9.26 lakh was yet to be recovered (July 2001). Balance already recovered
		1	60.00	52.339	9.26	
4	Karnataka	9	48.95	19.858	4.81	
5	Punjab	9	13.25	17.958	3.46	
	Total	**61**	**486.10**	**306.204**	**61.01**	

12.10.2 Cases of delay in commencement and completion of work

12.10.2.1 Delay in completion of works and its financial implications

Escalation charges amounting to Rs 3.78 crore in respect of 285 works

At the time of issuing notice inviting tender (NIT) for a particular work, time for completion of the work is fixed after taking into account the magnitude and urgency of the work. Time is deemed to be the essence of the contract, and the work should be implemented with all diligence throughout the stipulated period of the contract. However, it was noticed in audit that in a majority of works, there was abnormal delay in completion of work due to reasons attributable to the department. Consequently, the contractor had been allowed extension of time as also the benefit of escalation in the rates for the authorized extension periods of the contract. In respect of 285 works shown in Appendix XXII escalation charges amounting to Rs 3.78 crore were paid by civil divisions in 13 Circles. Due to non-completion of works as per original schedule, the constructed buildings could not be handed over to the user unit of the department in time. For instance, the work of construction of staff quarters at Anna Nagar, Chennai was delayed by 650 days and escalation charges of Rs 29.98 lakh were paid. An amount of Rs 11.67 lakh was paid in respect of two works i.e., construction of staff quarters at Deulgaonraja and Telephone Exchange building at Sindhakhadaja under Maharashtra circle due to departmental delay of more than 500 days. In Bihar circle, TE Building at Pataliputra was constructed after a delay of 1106 days (over three years) involving escalation payment of Rs 17.30 lakh.

Department made avoidable payment of HRA and losing licence fee Rs 1.92 crore due to delay in handing over of quarters and also potential revenue to the tune of Rs 103 crore lost due to delay in handing over telephone exchange buildings

Examination of records showed that even after completion of the civil portion, either the buildings could not be handed over by the concerned civil division or were not taken over by the requisitioning authorities for want of electrical installations and other facilities. In 295 works of construction of staff quarters detailed in Appendix XXIII, the department ended up paying avoidable HRA and losing licence fee amounting to Rs 1.92 crore due to delay ranging up to 50 months in handing over of quarters.

In respect of 21 works executed by two circles, potential revenue to the tune of Rs 103 crore was lost due to delay of up to 56 months in completion and handing over telephone exchange buildings vide Appendix XXIV.

To cite a few instances in Gujarat circle, the delay in handing over MAX-I Telephone Exchange building at Pandesara, Surat by 17 months was due to delay on the part of agency and slow progress of work. This resulted in potential loss of revenue to the tune of Rs 26.06 crore. Similarly, the delay in handing over 10k C-DoT exchange building at Bardoli under Surat GMTD by 12 months was due to slow progress of work and delay in taking over possession by GMTD Surat resulted in loss of potential revenue amounting to Rs 9.53 crore and the delay in handing over 20k E-10-B exchange building at Panigat, Baroda by 10 months due to slow progress of work and delay in taking over by GMTD Baroda resulted in potential revenue loss of Rs 9.22 crore.

Delayed completion of buildings/staff quarters was primarily due to departmental delays on account of non supply of structural drawings, non availability of clear site, non laying of electrical conduits in time and non furnishing of completion certificate by the Senior Architect. These could have been avoided by proper planning and co-ordination among various agencies of the department.

12.10.3 Grant of extension of time

At the time of issuing NIT for a particular work, the engineer-in-charge is required to specify the "time allowed for completion of the work" consistent with the magnitude and urgency of work as required under departmental instructions of June 1999. Whenever any hindrance comes to the notice of the Assistant Engineer, he should at once make a note of such hindrance in the register kept at site and take further action as per departmental instructions. The following deficiencies were noticed during the scrutiny of records.

12.10.3.1 Grant of extension of time in violation of codal provisions

Extension of time granted to contractors in violation of codal provisions

Time is the essence of a contract and the contractors are bound to execute the work within the prescribed time schedule mentioned in the NIT. Extension of time (EOT) for the completion of work over and above the time allowed can be granted by the Superintending Engineer of Civil Circles within 30 days, of a hinderance occurring during the execution of work. This would be done on the basis of an application which should be received from the contractor within 30 days of such hinderance. A test check conducted by Audit revealed that extensions were applied for by the contractor only after the completion of work and was granted by the Superintending Engineer as a matter of routine as shown in Appendix XXV. On this being pointed out by Audit, EEs, Telecom Civil divisions Punjab circle and A.P. circle stated that the SE was fully competent to grant EOT as per the powers vested in him by the Supreme Court. The reply of the EEs was not tenable because in codal provisions, Ministry of Law had opined that although the contractor was required to seek extension within 30 days from the date of hinderance on which the extension was sought, it did not debar the grant of extension sought later as it was always open to the competent authority to waive a delay and accept performance after the stipulated time. The Ministry of Law, however, advised that extraordinary concession should not be granted save in the most exceptional circumstances where very good reasons were given for not seeking it within the period of 30 days. Unless adequate explanation was furnished for asking the extension, it must be refused. According to them i.e. Ministry of Law, the contractor has no right to have his request for extension considered where he has not applied for it in accordance with clause 5 of the agreement. In view of this opinion of the Ministry of Law, the department needs to investigate in detail the extension granted routinely by EE Jalandhar in eight works during 1997-2001 where in all cases applications were submitted by the contractors after completion of the works and there was no justification for extension with reference to the hindrance register. Such extensions as in the case of Civil Division, Ahmedabad detailed below not only result in delayed award of allied works but also in extra expenditure due to time overrun; moreover, the projects conceived decades ago remain incomplete.

Delay in completion of foundation work cost the exchequer Rs 58.14 lakh

The award of superstructure work on a project for construction of administrative building at Navrangapura at Ahmedabad (conceived in 1982) was delayed due to inordinate delay in completion of the foundation work. Though the stipulated completion date of foundation work was July 1994, the work was completed only in May 1996 after a delay of 666 days. No penalty was levied however citing departmental lapses. This delay cost the exchequer Rs 58.14 lakh because at the time the tenders were opened in September 1995 for the allied work, the tendered cost was Rs 2.80 crore; by the time it was awarded in November 1997 the cost went up to Rs 3.37 crore. The amount would have been much lower had the work of substructure been completed by July 1994 as scheduled. As such a scheme conceived in 1982 had not been completed for the last 19 years resulting in extra cost in award of works and other delays besides the alternative rental arrangement.

12.10.3.2 Non/short levy of penalty for delay

EOT in 79 cases sanctioned with levy of nominal compensation of Rs 10.47 lakh

In case of delay for reasons attributable to the contractors, penalty of one *per cent* per week subject to a maximum of 10 *per cent* of the tendered cost is to be levied. Out of the total 168 extension of time (EOT) cases noticed by Audit in nine Circles, no amount was levied in 89 cases whereas in another 79 cases EOT was sanctioned with levy of nominal compensation, amounting to Rs 10.47 lakh, ranging from almost zero to 0.89 *per cent* for delays ranging from four weeks to 148 weeks as shown in Appendices XXV and XXVI; this was far less than that prescribed under the rules. The decision for non-levy of compensation was taken by the SE because the delays were attributable to the Department. Even after such delayed completion the taking over/utilisation of the completed structure by the user unit was not done. Though SE was competent to decide the quantum of compensation in all cases of delayed completion of works, compensation levied was not commensurate with the total delay. Departmental lapses paved the way for breach of contract as the time factor was fully ignored.

12.11. Completion and utilisation of works

Non-utilisation of constructed building and resultant blocking up of capital

Due to lack of co-ordination between civil wings and users, 'Y' type microwave building constructed on a tendered cost of Rs 13.45 lakh remained unutilised for the last three years

The works of construction of 'Y' type microwave building and construction of 70 M heavy weight tower foundation for Optical Fibre Cable Division (OFC) Microwave Project, Tiruchirapalli were completed by Civil Division, Trichy (TCD) in September 1998 and January 1998 respectively with an overall delay of one year. Tower erection was completed at a cost of Rs 15 lakh in 1999-2000. Though project authorities were informed in October 1998 by TCD Trichy to take over the building, DE (OFC) Trichy did not take over the building till June 2001. Scrutiny of concerned works files by Audit revealed that some cracks had developed in the walls of the building and were to be attended. Also, stones dumped were not removed by the civil contractor from the site fully. However, project authorities made request for some minor works and sub-works only after the completion of the building work instead of doing so alongwith the main work, thereby delaying the taking over of the building. The, Civil Wing contended that the building was not taken over for simple reasons which could have been attended to later. Due to lack of co-ordination between Civil Wing and user unit, the essential building constructed on a tendered cost of Rs 13.45 lakh on the leased land remained unutilised for the last three years, depriving the department from augmenting the transmission media as proposed, though an expenditure of Rs 15 lakh towards tower erection and Rs 8 lakh on tower construction was also incurred.

12.12 Deposit Work

Telecom Civil Wing also carries out works for other organisations such as VSNL, MTNL and other outside agencies in accordance with codified procedures and other provisions/instructions issued from time to time. Further, as per DoT's instructions issued in August 1996, addition to cost of work and overhead profit of 10 *per cent* on the total cost for all works completed and handed over after 2 August 1996 shall be recovered in advance.

Violation of codal provisions led to outstanding dues of Rs 8.26 crore from MTNL, VSNL and other outside agencies

It was noticed in audit that Telecom Civil wings were carrying out deposit work on behalf of MTNL and VSNL without getting adequate advance payment from them. The 10 *per cent* profit required to be recovered from these agencies for the work completed and handed over after 2 August 1996 was also not recovered, which resulted in outstanding to the tune of Rs 8.26

crore towards balance due from VSNL alongwith accrued interest thereon in eight cases noticed in seven telecom circles as shown in the table 12.12:

Table 12.12 - Outstanding dues from MTNL and VSNL and other outside agencies

(Rs in lakh)

Name of the outside agency	Type of work	Cost of work	Deposit received	Amount to be recovered	10 per cent of profit on cost (10 per cent of (c)	12 per cent interest on (e+f)	Total financial implication (e+f+g)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
VSNL	Construction of building works	1245.50	1225.06	20.45	124.55	17.40	162.40
VSNL	Annual repair and mtce works	1343.36	976.77	198.56	134.34	39.95+ 0.73	373.57
MTNL Mumbai	Civil and Mtce works	834.51	NA	174.41	83.45	30.94	288.81
Chief Constn. Engineer Upper Indravati Hydro Electric Project, Bhubaneswar	60 Mtr triangular high breed tower foundation, Mukhiguda	Cost: 1.99 15%: 0.30 **Total:2.29**	1.47	0.82	Already taken 15 *per cent*	0.50	1.32
Total							**826.1**

12.13. Arbitration

The Agreement between the department and the contractor provides for appointment of an arbitrator in case of disputes relating to matters specified therein arising at any stage between the parties.

Arbitration awards amounting to Rs 5.44 crore passed in favour of contractors due to departmental lapses

Test check by Audit revealed that there were 92 arbitration cases in 14 circles, in 85 of which, the award was passed in favour of contractors, citing departmental failures. The awards amounted to Rs 5.44 crore out of which Rs 4.03 crore had been paid/deposited in court. Had the departmental lapses been avoided, extra payment by way of award amount would have been curtailed as detailed in Appendix - XXVII.

Further, to avoid payment towards accrual of interest, the award amount had to be deposited in court under DoT's instructions of June 1993. As against the award amount of Rs 5.44 crore only Rs 4.03 crore had been deposited without taking cognizance of DoT's orders. This might result in avoidable payment towards interest also.

12.14 Role of internal check

2110 paras of internal check were outstanding in nine circles.

Internal check inspections were being conducted by respective Circle Offices annually. The reports contained only routine and procedural irregularities.

Effective steps were required to reduce the 2110 paras outstanding in nine circles as exhibited in the table below:

Table 12.14 Position of outstanding paras

Year	Position of outstanding paras in respect of Andhra Pradesh, Mumbai, Orissa, Punjab and Tamil Nadu (A)			Position of outstanding paras in respect of Gujarat, Karnataka and Madhya Pradesh (B)	Total number of outstanding paras (A)+(B)
	Raised	Settled	Pending		
1996-97	313	263	50	226	276
1997-98	221	196	25	205	230
1998-99	400	323	77	434	511
1999-2000	479	293	186	382	568
2000-01	309	145	164	361	525
Total	1722	1220	502	1608	2110

No internal check had been conducted since formation in Malda Division (formed in 1996) under West Bengal Circle and Itanagar Division (formed in 1994) under NE circle. The reasons for non-coverage by internal check in the last five to seven years required to be analysed and such omission checked.

12.15 Other points of interest

DoT plans to construct only as much accommodation as is needed. However it was noticed that in the accommodation at Makapura, Baroda, in Gujarat Circle constructed in May 1998 as vertical extension of new telephone exchange building (technical and administrative block), an area of 7,843 Sq. ft. out of 14,124 Sq. ft. was in excess of requirement, as indicated by its non-occupation/non allotment for any office till date (July 2001). As a result the expenditure of Rs 22.70 lakh incurred on this extra constructed space was lying idle.

Conclusion

Telecom Civil Wing was established to cater exclusively to the needs of the telecommunications department with a view to ensure speedy execution of civil works in co-ordination with users. However the examination of records of civil divisions revealed lack of co-ordination amongst various wings and also slow execution of works. There was delay at every stage starting from planning to completion and handing over of work. The funds earmarked for capital and maintenance works could not be utilised fully and the ratio of working expenses over cost of work was not maintained within the prescribed percentage. There was no effective internal check control system within the Civil Wing of the department.

The matter was referred to Ministry in November 2001; their reply was awaited as of December 2001.

CHAPTER 5
MAJOR FINDINGS IN TRANSACTION AUDIT

(A) Loss/Over payment/Short recovery/Other recoveries at the instance of Audit

13 Non recovery of unused cable worth Rs 2.96 crore from contractors

11 Sub Divisional Engineers (SDEs) Phones under the General Managers Telecom (GMsT) Dhanbad and Jamshedpur Secondary Switching Areas (SSAs), formerly under Bihar circle and now in Jharkhand circle, failed to recover unused cable from contractors after completion of cable laying work resulting in a loss of Rs 2.96 crore. Further, 10 out of 11 SDEs mentioned above made payment of laying charges to the contractors for the cable laid far in excess of cable issued leading to excess payment of Rs 8.46 lakh.

Comment was made in the past

A comment was made in paragraph 21 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000, Union Government (Post and Telecommunications), No.6 of 2001 regarding non recovery of unused cable worth Rs 2.02 crore from the contractors by eight Sub Divisional Engineers (SDEs) under General Manager Telecommunications (GMT), Patna telecom district in Bihar circle. This paragraph also highlighted excess payment of Rs 11.49 lakh towards laying charges to the contractors for cable shown laid in excess of cable actually issued to these contractors. The Action taken note on this paragraph was awaited from the Ministry as of December 2001.

Scrutiny of records of GMsT Dhanbad and Jamshedpur Secondary Switching Areas (SSAs) in Bihar circle between October 2000 and March 2001 revealed similar irregularities as discussed below:

13.1 Loss of cable worth Rs 2.96 crore

Non recovery of unused cable worth Rs 2.96 crore from contractors

The GMsT Dhanbad and Jamshedpur SSAs, formerly in Bihar circle and now allocated to Jharkhand circle, awarded cable laying works to various contractors against estimates sanctioned during 1998-2001. Accordingly 11 SDEs under the above GMsT, issued cable of various gauges measuring 1117.493 km to the contractors against the above works from time to time. But after completion of cable laying work, these SDEs failed to recover unused cable measuring 250.625 km from the contractors resulting in a loss of Rs 2.96 crore as given in table 13.1 below:

Table 13.1 – Loss of cables

S.No.	Name of SSA and sub division	Period of issue of cable	Quantity issued (in kms)	Quantity laid (in kms)	Quantity of unused cable lying with contractors (in kms)	Value (Rs in crore)
(A) GMT Dhanbad						
1	SDEP (North) Dhanbad	January 1999 to July 2000	95.526	90.465	5.061	
2	SDEP (II) Dhanbad	January 1999 to August 2000	204.681	192.116	12.565	
3	SDEP (Central) Dhanbad	January 1999 to June 2000	21.527	20.177	1.350	
4	SDEP (G) Gobindpur	January 1999 to April 2000	39.054	34.967	4.087	
5	SDEP (South) Dhanbad	March 1999 to July 2000	50.985	44.788	6.197	
6	SDEP Jharia	January 1998 to July 2000	94.959	90.982	3.977	
7	Bokaro Revenue District	December 1998 to September 2000	273.025	151.245	121.780	
		Sub Total (a)	***779.757***	***624.740***	***155.017***	***2.05***
(B) GMT Jamshedpur						
1	SDEP Jamshedpur	September 1999 to October 2000	108.958	91.448	17.510	
2	SDEP Manifit	February 2000 to January 2001	43.565	28.130	15.435	
3	SDOT Chaibasa	December 1999 to March 2000	12.445	12.204	0.241	
4	SDOP Telco	May 1999 to February 2001	172.768	110.346	62.422	
		Sub Total (b)	***337.736***	***242.128***	***95.608***	***0.91***
		Grand Total (a) + (b)	**1117.493**	**866.868**	**250.625**	**2.96**

13.2 Fictitious payment of Rs 8.46 lakh

Fictitious payment of cable laying charges of Rs 8.46 lakh for cable not laid

Audit scrutiny of measurement books in the following SSAs also revealed that cable shown to have been laid in these books was far in excess of cable actually issued to contractors by the SDEs concerned. This led to fictitious payment of Rs 8.46 lakh of cable laying charges to contractors as shown in table 13.2, without the cable being actually laid.

Table 13.2 - Fictitious payment

S.No.	Name of SSAs and sub divisions	Quantity* of cable actually laid	Quantity of cable shown laid in the measurement books	Quantity of cable shown excess over the cable actually issued	Amount of fictitious payment of laying charges (Rs in lakh)
(A) GMT Dhanbad			**(In kms)**		
1	SDEsP (North) Dhanbad	90.465	103.826	13.361	
2	SDEP (II) Dhanbad	192.116	204.146	12.030	
3	SDEP (Central) Dhanbad	20.177	36.263	16.086	
4	SDEP (G) Gobindpur	34.967	35.951	0.984	
5	SDEP (South) Dhanbad	44.788	53.201	8.413	
6	SDEP Jharia	90.982	92.310	1.328	
	Sub Total (a)	***473.495***	***525.697***	***52.202***	***7.88***
(B) GMT Jamshedpur					
1	SDEP Jamshedpur	91.448	91.683	0.235	
2	SDOT Chaibasa	12.204	12.776	0.572	
3	SDOP Telco	110.346	111.650	1.304	
	Sub Total (b)	***213.998***	***216.109***	***2.111***	***0.58***
	Grand Total (a) + (b)	**687.493**	**741.806**	**54.313**	**8.46**

The GMT Dhanbad stated in November 2000 that the SDEs concerned were being asked to explain the discrepancies. In his reply, the GMT Jamshedpur, stated in March 2001 that detailed reports were being called for from the respective sub-divisions. Further outcome of the case was awaited as of December 2001.

Keeping in view the seriousness of the irregularities pointed out, the case merits investigation by the Ministry for fixation of responsibility and taking up remedial measures to avoid recurrence of such serious irregularities in future.

The matter was referred to the Ministry in May 2001; their reply was awaited as of December 2001.

14 Abnormal delay in finalisation of rates and resultant loss of interest

Abnormal delay in finalisation of rates by the Department of Telecommunications for procurement of digital local telephone exchange equipment for Mahanagar Telephone Nigam Ltd. Delhi, Chennai Telephones and Kerala Telecom circle resulted in excess payment of Rs 8.25 crore. Subsequent delay in recovery of excess paid amount by the heads of these circles led to loss of interest of Rs 2.64 crore during January 1995 to February 2000.

Placement of purchase order by DoT

Department of Telecommunications (DoT) placed a purchase order in December 1994 on M/s Ericsson Telecommunications Private Limited for procurement of 100k digital local telephone exchange equipment worth Rs 42.06 crore (provisional) for installation at Chennai, Calicut and Delhi.

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* Net of total cable issued to contractor and the balance quantity of unused cable lying with them

Full payment made by the CGMs concerned for supply of equipment between January 1995 and February 1996

Downward revision of rates by DoT in December 1998 leading to excess payment of Rs 8.25 crore

Loss of Rs 2.64 crore towards interest

Audit scrutiny of records of Mahanagar Telephone Nigam Limited (MTNL), Delhi and Chief General Managers (CGMs), Chennai Telephones and Kerala Telecom circle between May and November 2000 revealed that MTNL Delhi made payment of Rs 24.35 crore to above supplier between January 1995 and January 1996, CGM Chennai Telephones made payment of Rs 13.20 crore to the above supplier between February 1995 and February 1996 and the CGM Kerala circle made payment of Rs 4.66 crore to the supplier between April 1995 and January 1996 as against 90 *per cent* of the then existing cost of the equipment. DoT in December 1998 made a downward revision of the rate of the above mentioned equipment after a lapse of four years of placement of purchase order and asked MTNL and the heads of circles concerned to regularise the payments accordingly. This downward revision resulted in excess payment of Rs 8.25 crore by MTNL Delhi and CGMs Chennai Telephones and Kerala Telecom circle. The excess payment could have been avoided, had DoT finalised the rates before the payments were made. Further, the CGMs Chennai Telephones and Kerala circle, even after receipt of DoT's instructions, took nine and 14 months, respectively, in regularising the payments. Resultantly, the delayed action by DoT and the circles caused a loss of interest of Rs 2.64 crore to the state exchequer as detailed below:

Table 14 – Loss of interest due to delayed action

(Rs in crore)

S. No.	Circle/ unit	Payments made to the supplier		Excess payment due to delay in issue of instructions by DoT	Loss of interest due to		
		Period	Amount		Delay in issue of instructions by DoT	Delay in regularisation of payments by circle heads	Total loss of interest
1.	MTNL Delhi	January 1995 to January 1996	24.35	5.39	1.57 (35 months)	-	1.57
2	Chennai	February 1995 to February 1996	13.20	2.40	0.70 (35 months)	0.18 (9 months)	0.88
3	Kerala	April 1995 January 1996	4.66	0.46	0.14 (36 months)	0.05 (14 months)	0.19
Total				**8.25**	**2.41**	**0.23**	**2.64**

The Ministry stated in November 2001 that the prices of equipment could not be finalised due to the long time taken in submission of material list by the vendor and subsequent vetting by the Switching Planning Cell, circles/field units, which was a lengthy process.

The reply is not tenable because although the supplier delayed in furnishing the material list (furnished in January 1997), the department took nearly two years thereafter in finalising the rates. The units took a further 9 to 14 months in recovering/adjusting the excess payment. Thus, the supplier was given undue benefit of excess payment in the form of interest.

15 Non realisation of insurance claim

Failure of GMT Kozhikode to furnish details required by the Insurance agency for claiming insurance for over seven years led to non realisation of insurance claim of Rs 1 crore. The equipment had to be declared obsolete.

GMT Kozhikode sanctioned an estimate in December 1992 for installation of a 3K PRX type exchange equipment by replacing the existing 1000 lines MAX II exchange at Tirur under Calicut SSA of Chief General Manager Telecommunications (CGMT) Kerala circle. DoT in September 1993 allotted a 3k PRX equipment of MTNL Mumbai by decommissioning and diverting an exchange valuing Rs 1.08 crore after depreciation.

PRX exchange equipment was received in damaged condition at Tirur

The equipment was transported to Tirur by road in January 1994 for installation at Tirur, with an insurance cover for Rs 1 crore against theft, damage etc., with New India Assurance Company Limited. An insurance premium of Rs 0.36 lakh was paid before transportation of exchange equipment. The equipment was received at Tirur in January 1994 in an extensively damaged condition and as a result the PRX exchange could not be commissioned. The Insurance company, in response to the department's notification about the damages, did not accept the insurance claim for want of details of items damaged and cost of the PRX equipment.

Insurance company rejected departmental claim of Rs 1 crore

Audit scrutiny of the records of GMT Calicut in December 1995 revealed that the Divisional Engineer (DE) Installation Calicut took up the matter with GMT Mumbai in June 1995 for supply of the cost particulars and copies of project estimates for claiming insurance claim i.e. after a lapse of 17 months of the receipt of the damaged equipment. On their receipt, the GM Calicut furnished the details to the insurance authorities in June 1995. However, owing to department's inability to supply the complete details, such as invoice value of parts/components damaged and cost of repair of damaged equipment, the Insurance Company in April 1997 turned down the department's claim for Rs 1 crore, filed by them in January 1996.

In July 2000 the equipment was declared obsolete and unsuitable to be commissioned in the network. Thus, failure of the department to provide the details required by the Insurance company led to rejection of the insurance claim, in addition to idling of equipment for over seven years (January 1994 to July 2001) which finally had to be declared obsolete for the purpose of disposal.

The CGMT in his reply stated inter alia in April 2001 that they made all out efforts to set right the damage to the equipment but in vain. He added that pending settlement of the insurance claim, scrapping of the obsolete equipment was kept in abeyance.

The reply is not acceptable since the GMT Calicut had taken more than 17 months to initiate action for obtaining the necessary details required by Insurance company. Failure to supply these details even after a lapse of over seven years led to non-realisation of insurance claim of Rs 1 crore and idling of the equipment which led to its further deterioration.

The Ministry replied in November 2001 that the Calicut SSA had been instructed to file before the Hon'ble High Court of Kerala both writ petition and civil suits for claiming the insurance claim, with petition for condonantion of delay before the local civil court, and that the progress would be intimated after filing the suit.

16 Excess payment of service charges

Principal General Manager Telecom, Lucknow, without verifying the correctness of service charges levied by local bodies, made overpayment of Rs 71.23 lakh.

Article 285 of the Constitution of India exempted the properties of Government of India from payment of taxes imposed by local authorities in the States. However, the Government of India, Ministry of Finance decided in May 1954 to compensate Local Bodies in lieu of taxes and allowed them to levy service charges for specific services such as provision of water, drainage and scavenging.

Service charges were levied as a percentage of the net rentable/ annual value of the property

The service charges were levied as a percentage of the net rentable/annual value of the property. The annual value of the property was reckoned at nine *per cent* of the capital value of the property concerned. Hence the capital value had a direct bearing on the calculation of service charges.

PGMT Lucknow made excess payment of service charges of Rs 71.23 lakh due to wrong computation of capital cost

Scrutiny by Audit of the records of Principal General Manager Telecommunications (PGMT) Lucknow in May 2000 disclosed that he made excess payment of Rs 71.23 lakh towards service charges due to adoption of exaggerated capital cost by Lucknow Nagar Nigam and Lucknow Jal Sansthan in respect of the properties given in table 16 below.

Table 16 Excess payment of service charges

S.No	Name of colony/exchange	Amount paid (Rs in lakh)	Amount due (Rs in lakh)	Overpayment (Rs in lakh)
1	**Lucknow Nagar Nigam** Sector 'D' colony Aliganj	49.96	18.74	31.22
2	Sector 'K' colony Aliganj	34.26	14.87	19.39
3	Indira Nagar Exchange	10.75	3.97	6.78
4.	**Lucknow Jal Sansthan** Sector 'D' colony Aliganj	31.26	17.42	13.84
	Total	**126.23**	**55.00**	**71.23**

When the overpayment was pointed out by Audit in May 2000 the PGMT Lucknow replied in July 2001 that the Nagar Nigam and Jal Sansthan authorities had been addressed to refund the excess amount paid. The amount was yet to be recovered (July 2001).

The matter was referred to the Ministry in August 2001; their reply was awaited as of December 2001.

17 Loss of Rs 62.42 lakh in unauthorised procurement of unapproved version of 4 channel Very High Frequency systems

Unauthorised procurement of 4 channel Very High Frequency systems of unapproved version by the Chief General Manager Telecommunications Andaman and Nicobar circle during 1996-98 led to loss of Rs 62.42 lakh as these systems became faulty and uneconomical for repair soon after their installation.

Under the terms and conditions of the Manual of Procurement of Telecom Equipment and Stores by DoT, only Indian companies registered to manufacture the tendered item in India and who had obtained Type Approval Certificate (TAC) from Telecom Engineering Centre (TEC) and had successfully executed commercial orders issued by DoT were eligible to bid in the tender. The purchase orders were to be placed on bidders whose offers were found technically, commercially and financially acceptable. These conditions were applicable in respect of telecom equipment and stores which were the subject of central purchase by DoT or the CGM, Telecom Stores at Kolkata. Any departure from the conditions was to be made in very exceptional cases under the authority of Telecom Commission. With decentralisation of procurement of stores by DoT from November 1997 onwards, CGMs of Telecom circles have been authorised to procure certain items by adhering to the above procedure.

Loss of Rs 62.42 lakh due to pre-mature failure of equipment

The CGMT Andaman and Nicobar circle placed five purchase orders between November 1995 and June 1998 on M/s Apel Radio Communication Systems Private Limited Secunderabad for procurement of 18 numbers of 4 channel (2+2) Very High Frequency (VHF) systems worth Rs 62.42 lakh against which he received the supply of these equipment between January 1996 and August 1998.

Procurement of unapproved version of equipment

Audit examination of records of the CGMT Andaman and Nicobar circle in December 1999 revealed that CGMT placed these purchase orders in violation of procurement procedure and for the systems which were neither approved by DoT nor had type approval of TEC. Even the rates and suppliers' names were not approved by DoT. Thus, procurement of unapproved version of these equipment from an unapproved firm led to irregular and unauthorised expenditure of Rs 62.42 lakh during 1996-98. Further, this expenditure also proved infructuous as all these systems became faulty soon after working for a short period after their installation during 1996-99.

The CGMT Andaman and Nicobar circle, in his reply in March 2000, admitted that the company was having type approval only for single channel VHF system and that he himself had upgraded the said system for 4 channel. He added that the systems purchased were not faulty at the time of procurement as these were passed by the quality Assurance Wing during pre-despatch inspection.

The Ministry in their reply stated in December 2001 that earlier the office of the CGM, Andaman and Nicobar circle, Port Blair was under the control of West Bengal Telecom circle and the procedure/tender approved by that office was adhered to by the office of the CGM Andaman and Nicobar circle. They added that these systems were procured on the basis of approval granted by Telecom Directorate to North East circle for procurement of 2/4 channel VHF system.

The replies are not acceptable because the procurement was not only in contravention of the Ministry's own instructions for procurement of equipment from companies having type approval from TEC, but was also in violation of the delegation of powers. The Ministry will also need to enquire into the circumstances which led to the Quality Assurance Wing passing the systems which did not have either the type approval or the permission of the Telecom Directorate.

18 Non recovery of compensation of Rs 55.17 lakh for damage caused to departmental property

TDM Bilaspur issued incorrect demand note for Rs 16.78 lakh as against Rs 69.50 lakh and failed to issue demand note for Rs 2.45 lakh in another two cases, resulting in short/non-claim of Rs 55.17 lakh for damage caused to departmental property by outside agencies.

Departmental rules provide for claiming compensation for damages caused to the departmental property

Departmental rules provide that when a departmental property is damaged by an outside agency compensation should be claimed from the party concerned. Further, the compensation claim should be levied as per the provisions taking into account the actual cash outlay and value of stores utilised in repairing the damage, along with departmental overheads.

Demand notes issued for Rs 16.78 lakh as against Rs 69.50 lakh

Scrutiny of records of the Telecom District Manager Bilaspur in Madhya Pradesh circle by Audit in January / February 2001 revealed that in six cases damage was caused to departmental cables during 1995-2000 by Bharati Telenet, Public Health Engineering and an OFC contractor. The TDM, however, wrongly issued demand notes for Rs 16.78 lakh to these agencies in four cases based on estimated cost, as against Rs 69.50 lakh recoverable as per rules. In the remaining two cases the TDM did not issue demand notes for Rs 2.45 lakh (June 2001).

When this was pointed out by Audit in February 2001, the department agreed to issue supplementary demand notes for Rs 55.17 lakh for non/short recovery of compensation.

The details of supplementary demand notes and recovery particulars were awaited as of December 2001.

The matter was referred to the Ministry in July 2001; their reply was awaited as of December 2001.

19 Other recoveries at the instance of Audit

In three cases, due to various omissions and commissions, the heads of telecom units advances paid not recovered and not realised establishment charges amounting to Rs 53.46 crore The entire amount was recovered at the instance of Audit.

i) Non-recovery of advance from Hindustan Teleprinters Limited

DoT permitted payment of advance to ITI/HTL against purchase orders

Department of Telecommunications (now Bharat Sanchar Nigam Limited-BSNL) issued guidelines in February 1996 for payment of advances to M/s Indian Telephone Industries Limited (ITI) and M/s Hindustan Teleprinters Limited (HTL) against purchase orders placed by DoT, as a temporary measure to help to tide over their liquidity crisis for the time being (i.e., 1996-97). The department further stipulated that it would be the responsibility of the Chief Pay and Accounts Officer (CPAO)/Accounts Officer (AO) Stores to recover the outstanding advance by 31 March 1996 in order to ensure that the fiscal deficit of the Government was not adversely affected. These guidelines, revised in August 1996 and December 1996, further stipulated that the advance would be subject to set off on or after the due date of delivery but within the same financial year against any other dues of the company. The advance amount of 50 *per cent* was enhanced to 75 *per cent* in January 1997. It was further laid down in November 2000 that in cases of delay in delivery where advances had been paid and were outstanding, advances against any other purchase orders should be withheld till delivery of the delayed purchase order was completed. This facility of advance was extended year after year.

Advance to be adjusted/set off on or after delivery date, but within the same financial year

Scrutiny of the records of DoT in July 2001 revealed that advances amounting to Rs 52.72 crore, payable to DoT, were outstanding as on 31 March 2001 against M/s HTL, as shown in table 19(i)(a) below:

Table 19(i)(a) – Outstanding advances payable to DoT

(Rs in crore)

Company	Advance paid		Outstanding advances as on 31 March 2001
	Period	Amount	
HTL	April 1999 to March 2000	41.44	17.66
	April 2000 to September 2000	81.79	35.06
Grand Total		123.23	52.72

Result of a review of the performance of the company indicated that the company consistently performed better and earned profits during the years 1997-98 to 1999-2000.

BSNL attributed non-adjustment of advance to weak financial position of HTL

On this being pointed out, BSNL in their reply given in September 2001 accepted the non-adjustment of advances but stated that the profits of the company earned could be attributed only to their having received advances from the department by virtue of which they could manage to run their affairs smoothly. They further added that in the absence of this facility, these units would have been shut down or declared sick resulting in reference to the Board for Industrial and Financial Reconstruction.

The position of cash and bank balances, reserves and surplus and profits of the company is indicated below. It revealed that the liquidity crisis of this company had blown over and so continuation of payment of advances to the Public Sector Undertakings needed to be reviewed.

Table 19(i)(b) – Financial position of HTL

(Rs in crore)

Year	Cash and bank balances	Reserves and surplus	Profit
1997-98	39.68	23.91	5.66
1998-99	39.02	30.25	6.84
1999-2000	16.99	41.60	12.45

Outstanding advances recovered with interest from HTL

The Ministry while accepting the facts stated in December 2001 that entire outstanding advance alongwith interest had been recovered from M/s HTL

(ii) Non-realisation of establishment charges from Ministry of Defence

Special study group of P and T department constituted for the needs of Defence services

Ministry of Communication in September 1979 constituted a special study group of the P and T Department for a period of one year to draw up a transmission plan to meet the needs of Defence Services. The cell started functioning from February 1980 and its tenure was extended from time to time up to March 1983. Thereafter it started functioning as a regular cell. The expenditure on account of pay and allowances, travelling allowance and other miscellaneous expenditure of officers and staff deputed by the P and T department was to be borne by the Ministry of Defence up to March 1983. Thereafter cost of the regular cell was to be shared equally between Ministry of Defence and Ministry of Communications.

The expenditure of study group was to be shared by Ministry of Defence and Ministry of Communications

DoT failed to raise bills in time and pursue the matter resulting in non-realisation of Rs 49.24 lakh

Scrutiny of records of BSNL, New Delhi (erstwhile DoT) in June 2001 disclosed that up to 1994-95, DoT regularly raised the claim for 50 *per cent* establishment charges and the Ministry of Defence paid the same. Thereafter, DoT preferred the claims belatedly and the dues were not realised resulting in non-realisation of Rs 49.24 lakh for the period 1995-2001.

Admitting the facts the Ministry stated in October 2001 that the entire amount was realised in July/October 2001.

(iii) Non-recovery of amount of advance from Telecommunications Consultants India limited

Payment of mobilisation advance of Rs 8.92 lakh to TCIL

General Manager Telecom (GMT) Kolhapur in Maharashtra circle awarded cable duct work on eleven different routes to Telecommunications Consultants India Limited (TCIL) between March 1997 and January 1998. TCIL in turn awarded the work on these routes to five different contractors between April 1997 and January 1998. GMT accordingly paid in March 1998, mobilisation advance of Rs 8.92 lakh, being 12.5 *per cent* cost of work and Rs 21.57 lakh on account of 90 *per cent* cost of PVC pipes.

Non-recovery of outstanding advance of Rs 24.35 lakh even after cancellation of respective works

Examination of records of GMT Kolhapur by Audit in January 2000 revealed that GMT, in May 1998, cancelled the works as the same were not commenced till then. Out of Rs 30.49 lakh advance paid to TCIL, GMT adjusted Rs 6.14 lakh only between September 1998 and February 1999, leaving a balance of Rs 24.35 lakh.

On this being pointed out by Audit in January 2000, the GMT recovered the balance amount in June /July 2000.

The Ministry confirmed in September 2001 that the circle had recovered the entire amount.

(B) Infructuous expenditure

20 Infructuous expenditure of Rs 2.19 crore due to contracting excessive power load

Failure of the Chief General Manager, Deputy General Manager Chennai Telephones, General Managers Telecom of five Secondary Switching Areas in Tamil Nadu circle and General Manager Telecom Dhanbad in Bihar circle to review and modify periodically the contracted electricity demand on the basis of actual consumption, resulted in infructuous expenditure of Rs 2.19 crore towards minimum demand charges paid to the respective State Electricity Boards during April 1993 to March 2001.

Comments were made in the past

Comments regarding infructuous expenditure due to contracting excessive power loads were made in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1998 and 1999, Union Government (Post and Telecommunications) No.6 of 1999 and 2000 under paragraphs 39 and 28.3 (ii), respectively.

Serious objections by PAC on such payments

Earlier Public Accounts Committee (PAC) also took serious note of such cases and as a follow up, the Ministry in April 1987 issued necessary instructions to the heads of circles to review periodically the contracted power demands and modify the same based on actual requirements. The Ministry again reiterated these instructions in October 1996.

Issuance of repeated instructions by the Ministry

The Ministry, in response to the above mentioned paragraphs of the Reports of the Comptroller and Auditor General of India, again issued instructions to the heads of circles in October 1999 to review their power requirements to avoid such infructuous expenditure. Despite all this, there was little improvement in this area.

Recurring cases of payment of minimum demand charges and resultant infructuous expenditure of Rs 2.19 crore

Scrutiny of records of the Chief General Manager Chennai Telephones, Dy. General Manager, General Managers Telecom of five Secondary Switching Areas in Tamil Nadu circle and General Manager Telecom, Dhanbad in Bihar circle between September 1999 and November 2000 showed that these officers failed to review their power demands although the actual consumption was far below the contracted demand, and they continued to pay minimum demand charges. This led to an infructuous expenditure of Rs 2.19 crore during April 1993 to March 2001. Details of these cases alongwith the reply given by the respective circles/units are given in the Appendix XXVIII.

The case needed investigation by the Ministry for fixation of responsibility as it reflected utter disregard of the instructions of the PAC.

The matter was referred to the Ministry in May 2001; their reply was awaited as of December 2001.

21 Wasteful expenditure in procurement of defective power plants

On the basis of two purchase orders placed by CGM Telecom Stores Kolkata, CGMT Rajasthan circle received 84 defective power plants, rendering wasteful the entire expenditure of Rs 2.15 crore in their procurement.

CGM TS Kolkata placed purchase orders on two firms for supply of power plants

Chief General Manager Telecom Stores Kolkata placed two purchase orders in June 2000 on M/s Uptron Powertronics Ltd New Delhi and on M/s Shreetron India Ltd New Delhi for supply of 320 Single Mode Power Supply (SMPS) power plants (3+1) 100 Amps to various circles at the rate of Rs 2.69 lakh per power plant. Out of these, 60 power plants supplied by Uptron Powertronics Ltd and 24 by Shreetron India Ltd were allotted to Rajasthan circle, and were installed during the period 2000-01.

84 power plants supplied to Rajasthan circle were found defective

CGMT Jaipur brought to the notice of BSNL/CGMTS without success

Scrutiny of records of CGMT Rajasthan circle, Jaipur in June 2001 revealed that all the 84 power plants supplied by these firms were found to be defective, having major design problem, and as such the same could not be commissioned. Even where these were commissioned after attending to the fault, the fault recurred immediately. The CGMT Rajasthan circle intimated to the BSNL in March 2001 about non-functioning of the power plants. While bringing to the notice of CGM Telecom Stores, Kolkata in May 2001 about the supply of defective power plants, the CGMT asked him to place fresh supply order at the cost of the suppliers. Again in June 2001 the CGMT approached the Chairman and Managing Director BSNL to intervene in the matter. The 84 power plants supplied, however, were neither repaired /put to use nor lifted by the suppliers so far (June 2001).

Wasteful expenditure of Rs 2.15 crore in procurement of defective power plants

As a result, the entire expenditure of Rs 2.15 crore, being 95 *per cent* of the total amount paid for the procurement of the 84 defective power plants became wasteful.

While accepting the facts and figures, the Ministry stated in December 2001 that the power plants were supplied to Rajasthan circle after clearance from the Quality Assurance circle. However, the items were found defective later on. Despite best efforts, the firms failed to replace/repair the faulty power plants. Finally the requirement of Rajasthan circle was met by the supply from ITI. The Ministry added that bills worth Rs 3.85 crore alongwith valid bank guarantee were withheld and the recoverable amount would be adjusted against the withheld amount.

(C) Idle/Unproductive expenditure

22 Defective planning and resultant blocking of funds

Change of specification by the Department of Telecommunications without informing the circle concerned led to idling of equipment worth Rs 3.66 crore for over three years, besides loss of interest of Rs 0.64 crore on the blocked amount and loss of potential revenue of Rs 3.46 crore.

Sanction of project estimate in 1991 with a projected revenue of Rs 1.73 crore per annum

CGM Telecom Project, West Zone sanctioned a project in November 1991 for installation of 6 Giga Hertz (GHz) 140 Mega bits (Mbs) digital microwave system between Kolhapur and Belgaum at an estimated cost of Rs 4.53 crore. The project was to be completed within two years subject to completion of civil work and receipt of equipment and allied stores. On its completion it would earn a revenue of Rs 1.73 crore *per annum*.

Placement of purchase order and receipt of supply in 1996

Against the above mentioned project, DoT placed a purchase order in January 1996 on M/s Indian Telephone Industries for procurement of 6 GHz 140 Mbs microwave system (1+1) along with the other associated equipment and accessories for Rs 21.21 crore for various routes, including for Kolhapur-Belgaum route. The supply of main equipment and radio equipment was received in May 1996 and June 1998 respectively.

Change in specification not intimated by DoT to field unit which required additional space diversity equipment for its commissioning

Examination of records of Director (Telecom Projects) by Audit in February and April 2001 revealed that the system, as per original survey report, was to work in non-cross polarization interference cancellor (non-XPIC) environment i.e. one polarization only to be used to carry traffic and accordingly space diversity in some of the hops was provided for as per the existing guidelines. However, the XPIC facility of the equipment supplied could use both polarization to carry telephone traffic which needed provision of additional space diversity in hops by providing additional space diversity equipment. But this subsequent change in specification of the equipment was not brought to the notice of the field units by DoT. Thus the equipment received in May 1996 was installed in October 1998 on receipt of Radio equipment in June 1998, but this system could not be commissioned up to April 2001 for want of additional space diversity equipment. The Deputy General Manager (Project) Western region in April 2001 had taken up with higher authorities, the proposal for supply of space diversity equipment for commissioning of above system. This would further delay the commissioning of this project.

Delay in mooting the proposal for procurement of additional space diversity equipment

Blocking of funds of Rs 3.66 crore besides interest of Rs 0.64 crore and loss of potential revenue of Rs 3.46 crore

Thus, the delay of over four years by DoT in placing the order for procurement of equipment coupled with subsequent change in the specification led to non-commissioning of the system for almost a decade after the sanction of the project. All the above delays led to blocking of funds of Rs 3.66 crore for over three years besides loss of interest of Rs 0.64 crore on the blocked amount and loss of potential revenue of Rs 3.46 crore as per projection made in the project estimate since the date of installation of equipment in October 1998 till September 2000.

The CGM Western Telecom Projects Mumbai stated in July 2001 that the original survey report of Pune-Kolhapur-Belgaum 6 GHz digital microwave route was prepared with the guidelines existing then and meant for non-XPIC environment. However, the equipment received in the field was of XPIC type. The Pune-Kolhapur hop was commissioned in December 1999 by diverting additional equipment from Kolhapur-Belgaum section. The Kolhapur-Belgaum section needed additional space diversity equipment for commissioning of the scheme as per revised guidelines issued by the DoT in June 1999. The requirement of additional equipment was communicated to Telecom Commission. As OFC was already commissioned on this route, there was no loss of traffic.

The reply of the CGM Western Telecom Projects is not tenable because as soon as the equipment was supplied with XPIC facility between May 1996 and June 1998, the CGM should have taken up the matter with the DoT at that time itself. DoT also on the other side failed to intimate its field units regarding the change in specification. This indicated lack of proper coordination between the Telecom Commission and their field units. Further, the contention of the department that there was no loss of traffic is not acceptable because the project estimate envisaged revenue of Rs 1.73 crore *per annum*.

The matter was referred to the Ministry in July 2001; their reply was awaited as of December 2001.

23 Unfruitful expenditure in procurement of tower material and laying of foundation

Non-observance of codal provisions for procurement of land by the Telecom District Engineer Darbhanga ended up in procurement of disputed land, which inter alia resulted in non commissioning of 7 Giga Hertz 34 Mega bits per second digital microwave system between Sitamarhi and Madhubani. This resulted in idling of tower material worth Rs 18.63 lakh, besides unfruitful expenditure of Rs 11.48 lakh on foundation/erection work etc. during January 1997 to November 2000.

Non-observance of codal provision before taking possession of land

Departmental rules provide that before land is purchased, the suitability of the site should be examined and a land suitability certificate should be given jointly by a Telecom Engineer, an Architect and a Civil Engineer. While giving the certificate, the Telecom Engineer should ensure *inter alia* that the plot is free from legal encumbrances and encroachment. Scrutiny of records of the Telecom District Engineer (TDE), (now General Manager Telecom, Darbhanga), between June 1999 and March 2001 revealed how problems arose due to non-fulfillment of the above requirement.

Projected annual profit of Rs 17.55 lakh on completion of project.

The Chief General Manager Project East Zone Kolkata sanctioned a project estimate in August 1995 for the installation of 7 GHz 34 Mega bits per second (Mbps) digital Microwave system between Sitamarhi and Madhubani at an estimated cost of Rs 4.48 crore. This project, to be completed within three years, was expected to earn a net profit of Rs 17.55 lakh *per annum*.

Scrutiny of records of GMT Darbhanga revealed that at the request of the TDE (now GMT) Darbhanga, the District Magistrate Madhubani provided in February 1993, a portion of land with three rooms for installation of electronic exchange at Benipatti. The TDE Darbhanga, however, failed to follow the codal provisions for taking over the land/building. It turned out that the title to the land/building was disputed and as a result the TDE could not obtain the title and get the land registered in the name of the department. This led to the following problems:

23.1 Claim by the State Government

Even before the dispute could be settled, the Vyapar Mandal, an organisation of the State Government raised a claim of Rs 20 lakh in June 1998 towards the cost of this land/building; the department had not paid the same as of April 2001.

23.2 Unfruitful expenditure on construction of tower foundation on disputed land

Unfruitful expenditure of Rs 11.48 lakh on foundation and erection work

When the erection work of tower was in progress, in January – February 1998, the Vyapar Mandal under the Agriculture department of the State Government intervened and stopped the work stating that one leg of the proposed tower was allegedly falling in their land. This had rendered the expenditure of

Rs 11.48 lakh on foundation/erection work, shifting of tower material from site of work to stores and labour charges unfruitful.

23.3 Idling of tower material

Idling of material worth Rs 18.63 lakh

The TDE received the supply of tower material worth Rs 18.63 lakh from Telecom factory Kolkata between January and September 1997, but because of dispute in the title of the land/building, this material could not be put to use which led to blocking of funds to that extent.

23.4 Loss of potential revenue due to non-commissioning of project

Loss of potential revenue of Rs 36.56 lakh

As per projection made in the project estimate, this project was to be completed by August 1998, but due to dispute in the title of the land/building, this project was yet to be taken up for installation and commissioning as of April 2001. This led to a loss of potential revenue of Rs 36.56 lakh up to September 2000 based on the projections made in this project estimate.

Thus failure of TDE (now GMT) Darbhanga in getting the clear title to the land/building or getting the same registered in the name of the department even after more than eight years of its allotment by the District Magistrate Madhubani led to an unfruitful expenditure of Rs 30.11 lakh on tower material and civil work, besides loss of potential revenue of Rs 36.56 lakh.

The Ministry stated in their reply in November 2001 that getting the land allotted by State Government was a long drawn process. Since this was not private land, there was no risk involved in commencing the works before formal transfer of title, which takes 5-10 years in Bihar. There was no dispute between 1993-98. Now the dispute was almost resolved and Vyapar Mandal agreed to transfer the land to the department on payment of Rs 20 lakh. Since the dispute could not be resolved within reasonable time, the material were shifted to Maner microwave station to save expenditure towards guarding of materials. The proposed 7 GHz digital microwave system was planned as an alternative route in addition to OFC system commissioned in May 2001.

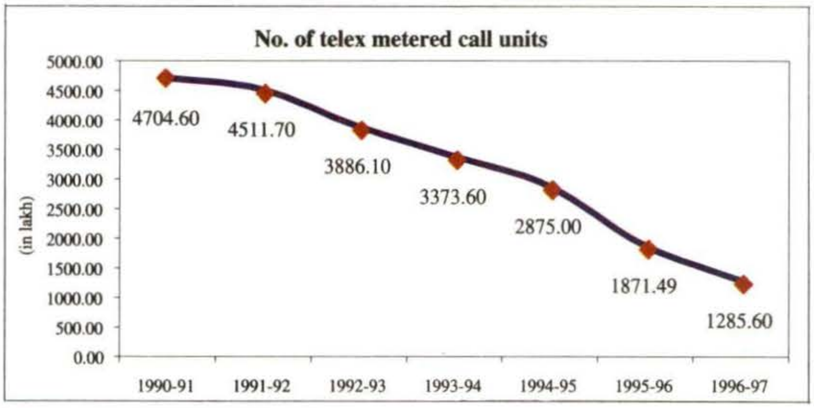
The reply of the Ministry is not tenable because when District Magistrate Madhubani allotted the land/building in February 1993 the department ought to have clearly enquired about the title and cost. Failure to do this led to unfruitful expenditure on construction of tower foundation/erection work and shifting of tower material. Further, failure of the department to ascertain the position about the encumbrance and cost of land before commencement of the project resulted in Vyapar Mandal demanding Rs 20 lakh in May 1998 based on the cost prevailing in 1998 and not the price prevailing in 1993. Also, the contention of the Ministry that the microwave system was planned as an alternative to OFC is not convincing because the OFC system was commissioned only in May 2001 and microwave system was to be operational by August 1998 thereby earning a net profit of Rs 17.55 lakh *per annum* as per project estimate. Because of the delay the department suffered loss of potential revenue of Rs 36.56 lakh.

24 Unproductive investment on electronic telex exchanges

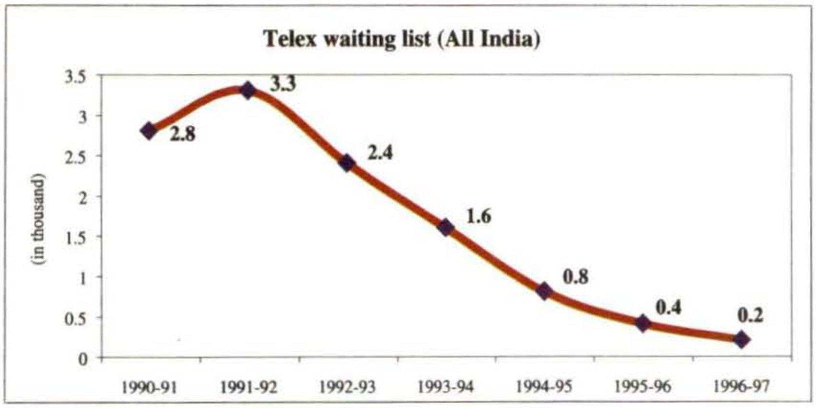
Despite continuous decline in telex traffic and in the demand for new telex connections, Department of Telecommunications procured higher capacity electronic data exchange equipment for installation at Bhopal in Madhya Pradesh circle. The capacity utilisation of this exchange, since its installation in May 1995, came down from 25 per cent in June 1995 to 11 per cent in September 2000. This led to unproductive expenditure of Rs 5.60 crore. Nothing was on record to show whether CGMT Madhya Pradesh circle made any efforts to get the order cancelled or to divert the equipment.

Due to introduction of better modes of communications such as fax, data modems and increased Subscriber's Trunk Dialing, Public Call Offices, telex traffic and waiting list for new telex connections in the country as a whole declined steadily since 1990-91 and 1991-92 respectively as shown below:

Sharp decline in Telex traffic



Sharp declining trend in the demand for new telex connections



The capacity utilisation of EDX equipment drastically came down from 91 per cent in April 1995 to 11 per cent in September 2000

As a result of all round decrease in the number of working connections, capacity utilization of Electronic Data Exchange (EDX) equipment commissioned at Bhopal too, slumped from 91 *per cent* in April 1995 to 11 *per cent* in September 2000 with zero waiting list as shown in table 24 below:

Table 24 – Utilisation of electronic data exchange

Period ending	Equipped capacity of Telex exchange (lines)	Working connections (lines)	Percentage of utilisation	Waiting list
April 1995	200	183	91	Nil
May 1995	200	178	89	Nil
June 1995	650	164	25	Nil
March 1996	650	153	24	Nil
March 1997	650	130	20	Nil
March 1998	650	104	16	Nil
March 1999	650	083	13	Nil
March 2000	650	073	11	Nil
September 2000	650	071	11	Nil

Unproductive expenditure of Rs 5.60 crore due to gross under utilisation of EDX

Scrutiny of records of CGMT Madhya Pradesh circle by Audit in November 1997 revealed that the CGMT received the supply of 650 lines EDX equipment worth Rs 5.60 crore in August 1994, against purchase order placed by DoT in June 1991 on M/s Electronic Corporation of India Limited.

The Telecom authorities in Madhya Pradesh circle, however, failed to notice the above mentioned downward trend in the telex traffic/demand and the GMT Bhopal upgraded the telex exchange at Bhopal by 650 lines EDX in May 1995 in replacement of 200 lines Electromechanical telex exchange. There was nothing on record to show whether the CGMT made any efforts to take up the matter with the DoT for cancellation or diversion of the exchange to other needy units.

The decision to commission EDX equipment of capacity substantially in excess of actual requirement, despite the declining trend in the requirement, led to unproductive expenditure of Rs 5.60 crore.

The Divisional Engineer (EDX) Telex Bhopal stated in October 1998 that the supply order for EDX (300 local plus 350 trunk) was placed by DoT. This would indicate that DoT, too, did not analyse the trends in the light of technological changes and take corrective action.

Failure to assess properly the actual requirement of capacity of the above equipment, thus, led to procurement of higher capacity exchange equipment which remained grossly underutilised.

The matter was referred to the Ministry in August 2001; their reply was awaited as of December 2001.

25 Procurement of high bit rate digital subscriber line system and their utilisation

DoT while finalising the tender for procurement of 1345 high bit rate digital subscriber line system failed to take into account the reduction in Customs duty resulting in excess payment of Rs 20.70 lakh. 451 out of 1345 systems valuing Rs 3.44 crore were lying unutilised in 12 circles.

High bit rate digital subscriber line system (HDSL) is a technique which allows high speed data transmission in the local net work through existing copper pairs, by providing 64 kbps channel, supporting voice, FAX, and data services. HDSL allows subscriber connectivity over a distance of about 4.5 km.

DoT placed order for 1345 HDSL systems worth Rs 12.59 crore

DoT invited tender in January 1997 for procurement of 2566 HDSL system for supply to 22 circles. It opened the tender in May 1997 and placed Purchase Orders (POs) in May/September 1999 on three firms for supply of 1345 system at a total cost of Rs 12.59 crore with a delivery schedule of nine months after the placement of POs.

Delay of 696 days in placing the purchase orders

Scrutiny of records of DoT in April/May 2001 disclosed that it took 876 days in placing the purchase orders as against the stipulated period of 180 days as detailed below:

Table 25 – Delays in various stages of finalisation of tenders

Sl. No	Activity	No of days fixed*	Actual No of days taken	Delay (in days)
1	Issue of Notice Inviting Tender from the date of receipt of requisition	14	41	27
2	Sale of tender document	14	16	2
3	Constitution of Tender Evaluation Committee, receipt of queries from bidders, opening of tenders and preparation of bid etc	42	94	52
4	Receipt of TEC Report	42	336	294
5	Preparation of purchase proposal	10	36	26
6	Vetting of purchase proposal by Finance and approval of the same by the competent authority	21	225	204
7	Issue of APO	7	20	13
8	Submission of performance guarantee and issue of purchase orders	28	105/222	77/194
9	Others	2	3	1
	Total	**180**	**876**	**696**

* *According to the department's manual of procurement of telecom equipment and stores.*

Non- consideration of reduction in Customs duty during 1998-99 resulted in excess payment of Rs 20.70 lakh

Meanwhile, Customs duty on parts of telecom equipment was reduced from 43.96 *per cent* in 1997-98 to 22 *per cent* in 1998-99. The department, while finalising the tender opened in May 1997, failed to take the reduction in Customs duty into consideration at the time of placement of POs. This resulted in excess payment of Rs 20.70 lakh.

The Bharat Sanchar Nigam Limited (BSNL - erstwhile DoT) while accepting the delay of 696 days i.e. over 23 months, stated in June 2001 that the HDSL tender was invited for the first time and lack of sufficient experience with them led to the delay. BSNL added that after the case was pointed out by Audit, they issued instructions to circles in June/August 2001 to recover the excess payment.

451 systems out of 995 systems received, valuing Rs 3.44 crore lying unutilised

Audit, with a view to examine the utilisation of the equipment carried test check in 12 out of 22 circles viz., Andhra Pradesh, Bihar, Gujarat, Karnataka, Kerala, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Chennai Telephones and Uttar Pradesh (West). This revealed that out of 995 systems received, 321 systems were utilized up to June 2001 (information regarding utilisation of 223 systems from Karnataka, Kerala and Tamil Nadu circles was awaited). Balance 451 systems valuing Rs 3.44 crore were lying unutilised due to non-allocation of systems to the units, failure of the systems to function beyond a range of three km, supply of faulty systems, delay in dial tone, auto switch off etc as given in the Appendix.-XXIX.

Additional order placed

While on the one hand the department was not able to fully evaluate the performance and utilise the systems already procured, on the other it placed an order in December 2000 for another 1301 HDSL systems valuing Rs 13 crore, which were received in June 2001, putting a question mark on the efficient utilisation of these 1301 systems.

The matter was referred to the Ministry in September 2001; their reply was awaited as of December 2001.

26 Idling of raw material and semi finished goods worth Rs 2.32 crore due to unplanned bulk procurement of raw material

Failure of Manager, Telecom Factory, Bhilai, to ascertain the demand for 60/80 meter Triangular Tubular Hybrid towers from the user field units before embarking upon bulk procurement of raw material between 1995 and 1998 for manufacture of these towers led to idling of raw material and semi finished goods worth Rs 2.32 crore between 1995 and 2001

Comment was made in the past

A comment was made in paragraph 13.5 (iii) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000, Union Government (Post and Telecommunications) No.6 of 2001 regarding unused raw material worth Rs 3.36 crore lying in stock for over five years. The Ministry's reply thereto was awaited as of December 2001.

Procurement of raw material is done as per the plan/demand

As per the procedure laid down, DoT, before finalisation of production programme of telecom factories for a particular financial year, invites proposals from Chief General Managers of Telecom Factories, normally during the month of October/November of the preceding year. Simultaneously, DoT calls for forecast demand for various products from its planning cells. Based on this information, DoT prepares a tentative production programme. After its approval by the competent authority, the production programme is circulated to all concerned, including the heads of circles. The CGM Telecom factory concerned procures the raw material based on the production programme/availability of orders.

Audit scrutiny of the records of Manager, Telecom Factory (TF) Bhilai in December 1999 revealed yet another case of excessive procurement of raw material between 1995 and 1998 for manufacture of 60/80 metre Triangular Tubular Hybrid (TTH) towers, which led to blocking of funds of Rs 2.32 crore as brought out below.

Procurement without ascertaining the demand

In order to meet the requirements of 60/80 metre TTH tower by various field units, DoT approved the production plan from time to time for the manufacture of these towers by TF Bhilai. The Manager, TF Bhilai, however, without ascertaining the actual requirement of the towers, either from the user field units or from DoT, went ahead with bulk procurement of raw material during 1995-98 for manufacture of 95 towers as per the DoT's approved production programme, but he managed to produce and sell only 73 towers to field units during 1995-2000, as indicated below, to the extent of demands received.

Table 26 - Details of production programme, material procured and towers despatched

Year	Number of towers			Surplus at the end of each year	Cumulative surplus
	As per production programme	Raw material procured for	Despatched to field units		
1995-96	20	20	1	19	19
1996-97	40	40	24	16	**35**
1997-98	55	**35**	23	12	47
1998-99	40	-	20	-	27
1999-2000	26	-	5	-	22
Total	**181**	**95**	**73**	**-**	**22**

As shown above, the procurement was not in tune with the requirement. To illustrate, in 1997-98, though there was a surplus of 35 towers at the end of 1996-97 without any specific orders the factory procured material for manufacture of another 35 towers.

Phasing out of 60/80 TTH tower due to space constraint

The factory, due to lack of demand and a decision taken by the DoT to introduce 40 metre narrow base tower in place of 60/80 TTH towers, on account of space constraints, stopped producing TTH towers.

Blocking of funds of Rs 2.32 crore on unnecessary procurement of raw material

Thus, procurement of raw material in large quantities, purely on the basis of production plan, without co-relating it to actual demand, led to idling of surplus raw material and semi finished goods worth Rs 2.32 crore between 1995 and 2001.

The Ministry in September 2001 while accepting that as per the procedure laid down, the CGM Telecom factory concerned had to procure raw material based on the production programme/availability of the purchase orders, stated that procurement of raw material could not be kept pending till availability of orders; this could lead to the work force remaining idle for a major portion of the year. The Ministry further stated that a decision was taken in Quarterly Performance Review meeting held on 25 June 2001, to issue fresh letter to all heads of circles to explore possibility of utilising the existing surplus material. The fact, however, remains that the chances of utilisation of above surplus raw material, lying in semi finished condition, are remote as TTH towers for which this material was procured, were no longer in use. Moreover, the department would have to spend further towards their inventory carrying cost till they are disposed of.

27 Wasteful expenditure of Rs 2.22 crore in procurement of testing instruments

DoT incurred wasteful expenditure of Rs 2.22 crore in procurement of testing instruments for I-NET phase II after one year of commissioning of the I-NET. Further, DoT encashed the performance bank guarantee of Rs 18.90 lakh only at the instance of Audit.

I-NET is based on packet switching systems, and enables error free transmission with dynamic re-routing of calls (in case of route failure and congestion) and inter connecting of computers/terminals of different speeds and protocols. I-NET phase I was commissioned in 1991.

DoT placed two purchase orders in November and December 1998 on two firms for supply of Bit Error Rate (BER) testing instruments and Packet Assembly and Disassembly (PAD) for I-NET Phase II at a cost of Rs 4.81 crore.

Scrutiny of records of DoT by Audit during May to September 2000 revealed the following irregularities:

27.1 Wasteful expenditure of Rs 2.22 crore

Member (T) accorded administrative approval in December 1994

DoT procured the testing instruments after more than one year of commissioning of I-NET phase II

The testing instruments were required for installation, testing and commissioning of Packet Switch Public Data Network (PSPDN) during 1995-97 for which Member (T) accorded administrative approval for procurement in December 1994. The I-NET Phase II was commissioned in phases between March 1996 and April 1998. However, DoT procured these testing instruments and PAD during 1999, after more than one year of commissioning of PSPDN for I-NET Phase II, defeating the very purpose of procurement. The prospect of their utilisation in the near future was also bleak, as these instruments were specifically procured for installation, testing and commissioning of PSPDN for

Wasteful expenditure of Rs 2.22 crore

I-NET Phase II. This resulted in wasteful expenditure of Rs 2.22 crore on the procurement of these instruments.

In reply to audit, the department stated in November 2000 that these testing instruments were not only required during installation, testing and commissioning of main PSPDN switches, but were also required for regular working. The contention of the department is not acceptable because at the time of purchase of these instruments was decided upon, the only objective stated was to use them during testing and commissioning; there was no mention of any requirement during the regular working. The department failed to ascertain from CGM Data Network, the user wing, about its requirement before actually placing the purchase orders. Interestingly, the department procured these instruments, when the subscriber base was showing a declining trend.

27.2 Non-encashment of performance bank guarantee of Rs 18.90 lakh

DoT placed a purchase order in November 1998 on M/s Wandel and Goltermann for supply of Analogue Tester by May 1999. The firm neither supplied the items even after more than one year of the scheduled date of delivery nor sought for any extension of time for supply. As such, the department should have short closed the purchase order and encashed the performance bank guarantee of the firm for non performance of the contractual obligations.

DoT got encashed the performance bank guarantee of Rs 18.90 lakh at the instance of Audit

When pointed out by Audit, the bank guarantee for Rs 18.90 lakh was encashed (November 2000).

The matter was referred to the Ministry in August 2001; their reply was awaited as of December 2001.

28 Idling of pulse code modulation multiplexing equipment

Procurement of pulse code modulation multiplexing equipment and racks even after digitalisation of exchanges led to idling of equipment worth Rs 2.10 crore.

Multiplexing equipment is used in communication networks to connect the digital stream with telephone exchanges.

DE Telecom Projects received 128 MUX and 64 racks based on DoT's order

DoT placed a purchase order in 1993 for procurement of 168 units of multiplexing equipment (MUX) and 20 racks for 13 GHz Microwave system for Kerala circle, against which Divisional Engineer (DE), Telecom Transmission Projects, Trivandrum received 128 units of Primary MUX and 64 racks during March – April 1994.

MUX and racks not used due to digitalisation of network

Idling of equipment worth Rs 2.35 crore

Audit scrutiny of records of DE Telecom Transmission Projects, Trivandrum in May 2000 revealed that DE had a stock of 75 units of primary MUX and 26 racks at the time of placing the purchase order. Thus the total stock of primary MUX and racks rose to 203 and 90 respectively. With digitalisation of the network, 2 MB stream could be connected directly to the telephone exchange and as a result, the Microwave system for which these primary MUX and racks were procured in 1994, were commissioned in 1995-96 without using these equipment. Consequently, equipment worth Rs 2.35 crore remained lying idle since their procurement in March 1994 upto November 2000.

When this was pointed out by Audit, the Chief General Manager, Southern Telecom Project replied in April 2001 that out of 203 MUX and 90 racks, they utilised 13 MUX and 7 racks amounting to Rs 0.25 crore elsewhere; efforts were on to divert the balance equipment worth Rs 2.10 crore to other units, but no fruitful results had been obtained.

The reply is not acceptable because the department was aware by 1992-93 itself of the fact that the digital exchanges could accept 2 MB stream directly, as digital exchanges were introduced some time during this period.

Thus, lack of watch on changing requirements in view of technological developments led to idling of equipment worth Rs 2.10 crore.

The matter was referred to the Ministry in September 2001; their reply was awaited as of December 2001.

29 Non utilisation of land

Delay of three years in the issue of approval for construction of an administrative building coupled with ineffective pursuance of the case by PGMT Lucknow with the Lucknow Development Authority for clearance of blockade of approach road, resulted in delay in construction of the building. This resulted in continuance of offices in rented buildings, at a rental of Rs 1.24 crore during 1996 to September 2000.

Land acquired in 1984-85 at a cost of Rs 17.87 lakh for construction of administrative building

District Manager Telecom, Lucknow, acquired a piece of land at Laplace, Lucknow from Lucknow Development Authority (LDA) in 1984-85 at a cost of Rs 17.87 lakh for the construction of an administrative building and microwave complex. The building was to house various offices of Lucknow Telephones, which were then housed in rented buildings. The department took possession of the land only after the open drain was filled with mud by LDA in September 1987.

Department failed to construct the building within validity period

Scrutiny of records of Principal General Manager Telecom (PGMT), Lucknow, in February 2000 disclosed that the department in October 1989 submitted the drawings for construction of the administrative block for approval by LDA, which was rejected in December 1989, as it was not as per

Three years delay in according AAES

the plan. The department submitted the revised drawings in November 1992, which were approved by the LDA in November 1994. However, the department failed to construct the building within the validity period of the approved drawings, which expired in November 1998. Meanwhile, the approach road to the plot was blocked by LDA. This fact came to the notice of the department only in July 1998 during a visit to site by the Executive Engineer, Telecom Civil Division, Lucknow. The department took up the matter with LDA in September 1999, but the blockade had not been cleared up to August 2001. The DoT issued the administrative approval and expenditure sanction (AAES) for the construction of administrative office building at Lucknow in September 1998, i.e after more than three years of approval of the plan by LDA in November 1994. In June 2001, the LDA extended the validity of the approved drawings till November 2001.

DoT's inordinate delay in issuing the AAES coupled with failure of PGMT, Lucknow, to pursue the matter with LDA for clearance of the blockade to the approach road, led to non-construction of the building. This in turn, resulted in continuance of the offices in rented buildings at a rental of Rs 1.24 crore for the period April 1996 to September 2000. The rent of Rs 15.35 lakh for the period October 2000 to March 2001 was also paid. Further, the possibility of completing the construction of the building before expiry of extended period was remote, as the LDA had not yet (August 2001) cleared the blockade to the approach road. Thus, the very purpose for which the land was purchased 16 years ago could not be accomplished.

The PGMT Lucknow in his reply stated in November 2000 that the matter was being taken up with LDA for provision of approach road.

The matter was referred to the Ministry in September 2001; their reply was awaited as of December 2001.

30 Unplanned procurement of pulse code modulation cable

CGMT Orissa circle could not utilise PCM cable worth Rs 1.13 crore procured during 1995-96, reportedly due to non-supply of PCM systems by DoT.

Pulse Code Modulation (PCM) cables were required for inter-connecting telephone exchanges within a radius of 10 km of the short distance charging centre, with the help of PCM systems. Chief General Manager Telecommunications (CGMT) Orissa circle, Bhubaneswar procured 301.297 km of PCM cable at a cost of Rs 3.08 crore from two private firms, between July 1995 and July 1996. Retail Telecom Store Depot (RTSD) Bhubaneswar, being the consignee, received the cable between September 1995 and July 1996.

Scrutiny of records of RTSD Bhubaneswar and 22 sub divisions in October 1999 and May 2000 disclosed that out of 301.297 km of PCM cable received, 109.446 km of cable, worth Rs 1.13 crore was lying unutilised at RTSD and 13 sub divisions as indicated below:

Table 30 – PCM cable received, utilised and balance lying unutilised

Type of PCM cable	Cable quantity (in km)					Value (Rs in lakh)
	Procured	Supplied to sub-divisions	Balance available in RTSD	Lying unutilised in sub-divisions	Total cable lying unutilised	
10+2/63mm	250.570	204.272	46.298	40.511	86.809	82.10
20+4/63mm	50.727	29.459	21.268	1.369	22.637	31.06
Total	**301.297**	**233.731**	**67.566**	**41.880**	**109.446 (36.32 per cent)**	**113.16**

36.32 per cent of cable worth Rs 1.13 crore lying unutilised at RTSD Bhubaneswar and 13 sub divisions

With the advent of OF cable, the possibility of utilisation of not only the PCM cable lying in stock but also the PCM cable already issued/laid was remote. This gets support from the fact that the DoT did not accede to the request of the CGMT for supply of 91 PCM systems for 1995-97, as ascertained during an audit enquiry.

Thus, lack of proper planning led to non-utilisation of 109.446 kms of PCM cable worth Rs 1.13 crore lying at RTSD Bhubaneswar and 13 sub-divisions, putting a question mark on their utilisation in future.

The matter was referred to the Ministry in August 2001; their reply was awaited as of December 2001.

31 Idling of equipment due to inaccurate assessment and poor follow up action

Inaccurate assessment of requirement of solar power panels and poor follow up action by the Chief General Manager, Task Force, Guwahati in North East circle led to idling of eight equipment worth Rs 85.34 lakh received between March 1997-February 1998 till January 2001, besides inadmissible payment of transportation charges of Rs 5.21 lakh and non recovery of liquidated damages of Rs 1.29 lakh.

Orders placed for procurement of 14 numbers of solar power panels

Chief General Manager (CGM) Task Force, Guwahati received a suggestion from Director Task Force, Jorhat in October 1996 for installing solar power systems to cope up with non-availability of commercial power supply for commissioning certain Microwave systems. In the same month he received an offer from M/s Telemats India Private Limited for supply of solar power systems at the rates approved by DoT for M/s Central Electronics Limited (CEL). Based on these he placed 13 Purchase Orders (POs) between November 1996 and June 1997, on this firm for the supply of 14 numbers of solar power panels worth Rs 1.56 crore at DoT's approved rates, which were all inclusive, but with payment of transportation charges as per actuals or rates approved by North East circle. The POs provided for 90 *per cent* payment against proof of despatch and the balance on satisfactory installation and commissioning of the equipment.

Examination of the records of CGM Task Force Guwahati by Audit between September 2000 and January 2001 revealed that:

Inadmissible payment of transportation charges of Rs 5.21 lakh

– The CGM allowed payment of transportation charges of Rs 5.21 lakh over and above the prices fixed by DoT. This led to an excess payment of Rs 5.21 lakh.

Non recovery of liquidated damages of Rs 1.29 lakh

– The CGM failed to recover liquidated damages of Rs 1.29 lakh for delay in supply of the systems against three POs placed in November 1996 and June 1997.

– Pre-despatch inspection was not carried out by the Quality Assurance wing.

Idling of solar power panels worth Rs 85.34 lakh

– Out of 14 numbers of solar power panels received, the suppliers could install and commission only six panels between March 1997 and October 1998. This led to idling of eight numbers of panels worth Rs 85.34 lakh from the time of their receipt between March 1997-February 1998 up to January 2001.

– The supplier short supplied 148 modules and did not replace one broken module. The CGM, however, did not take any action against the supplier.

Attempt to divert the equipment to cover up the lapse

The CGM stated in January 2001 that the spare panels were diverted to GMT Itanagar in February 2000, but had not been lifted by GMT Itanagar up to January 2001. The CGM also stated in July 2001 that the balance 10 *per cent* payment due to the supplier was withheld, which was sufficient to adjust the amount of liquidated damages of Rs 1.29 lakh. He further added that DoT was asked in January 2001, to withhold payments due to the supplier against the other POs placed by them.

The attempt to divert the solar power panels would indicate that appropriate requirement analysis was not done before procurement. Moreover, failure to obtain the total supply of the solar power panels and get them installed, led to unfruitful expenditure and idling of the same. Further utilisation of the panels in the absence of replacements for short supplied/damaged modules was also doubtful.

The matter was referred to the Ministry in August 2001; their reply was awaited as of December 2001.

32 Idling of high density polyethylene pipes

Failure of General Manager Telecom, Kota in Rajasthan circle to correlate the activity of laying of high density polyethylene pipes for pulling of optical fibre cable with its procurement led to idling of these pipes worth Rs 85.79 lakh.

Project estimates were sanctioned between June 1998 and February 2000 for laying of OFC

In order to connect various telephone exchanges with reliable media, the General Manager Telecom (GMT) Kota under Rajasthan circle sanctioned 13 project estimates between June 1998 and February 2000 for laying of Optical Fibre Cable (OFC) in various sections/routes falling in the areas under his jurisdiction.

Audit scrutiny of records of the above GMT in June 2001 revealed that before procurement of OFC, the GMT awarded the work of trenching and laying of high density polyethylene (HDPE) pipes to various contractors in December 1999. Against this work, the GMT incurred an expenditure of Rs 58.54 lakh during the period December 1999 to September 2000 on procurement of these pipes and trenching and laying thereof. The OFC, however, had not been procured upto June 2001. In the absence of OFC, these pipes remained idle and would get choked by the time OFC would be made available and pulled into these pipes. This in turn, would also involve huge expenditure on their clearance.

Unproductive expenditure of Rs 85.79 lakh on idling of already laid HDPE pipes

Audit further noticed that these works remained under execution, even after the incorporation of Bharat Sanchar Nigam Limited (BSNL) with effect from 1 October 2000 up to May 2001, against which further expenditure of Rs 88.80 lakh was incurred. Out of this expenditure, BSNL booked an expenditure of Rs 27.25 lakh against DoT, apparently being the cost of HDPE pipes procured earlier by the GMT. This increased the unproductive expenditure to Rs 85.79 lakh.

Failure of the department to ensure procurement of OFC, before taking up the work of trenching and laying of HDPE pipes, therefore, led to idling of HDPE pipes worth Rs 85.79 lakh.

The Ministry stated in December 2001 that procurement of cable before the pipes are laid, was not advisable as that would result in blocking of funds for the whole period till trenching was completed. They added that the procurement of optical fibre cable ran into problems because of heavy fluctuations in the prices; cable pulling was now in progress.

The reply indicated that the department failed to coordinate the trenching and laying of HDPE pipes with the procurement of optical fibre cable.

33 Unproductive expenditure on expansion of telephone exchange

Unjustified expansion of Bomdila telephone exchange in North East circle by the General Manager Telecommunications Itanagar led to unproductive expenditure of Rs 78 lakh.

DoT's instructions provide for 50 to 85 per cent capacity utilisation of exchanges

DoT in September 1997 refixed the average capacity utilisation of exchanges in circles as under:

Table 33 – Capacity utilisation of exchanges

Capacity of exchanges	Average capacity utilisation of exchanges (percentage)
Small exchanges upto 200 lines	50
Medium exchanges from 201 to 1000 lines	55
1001 lines to 5000 lines	75
5001 lines to 10000 lines	82
More than 10000 lines	85

Premature expansion of exchange as this exchange was working at 57 per cent capacity as against minimum requirement of 75 per cent

Unproductive expenditure of Rs 78 lakh on unjustified expansion of exchange

Audit scrutiny of records of General Manager Telecommunications (GMT), Itanagar under North East circle in May 2000 revealed that out of the existing capacity of 1.4k C-DoT Single Base Module (SBM) exchange at Bomdila, only 801 connections were working, with no waiting list as on March 2000 i.e. 57 *per cent* of its capacity was being utilised as against the DoT's norm of 75 *per cent*. Inspite of the spare capacity of 599 connections and no further demand for telephone connections, the GMT expanded this exchange by installing a 2k C-DoT Multiple Base Module exchange (MAX-L) in March 2000 at a cost of Rs 78 lakh, raising the equipped capacity to 2599 i.e. 325 *per cent* of utilisation. This injudicious expansion of telephone exchange by GMT not only led to an unproductive expenditure of Rs 78 lakh but also rendered 77 *per cent* of its capacity unutilised. Realising the under utilisation after nine months, GMT proposed to divert 1k line equipment from Bomdila.

The CGMT North East circle in his reply stated in December 2000 that the transfer of working connections from C-DoT SBM exchange to C-DoT MAX-L was completed recently and 1K line equipment out of the existing C-DoT SBM exchange would be diverted to Bhalokpung. He added that the balance equipment would be utilised for expansion of existing C-DoT SBM exchange in Itanagar district itself. He further stated that C-DoT MAX-L was installed to provide additional facilities to the customers such as provision of 180 seconds pulse rate, within the short distance charging area and adjacent short distance charging area, Integrated Services Digital Network and Internet etc.

The reply is not tenable because such facilities could have been provided through the existing C-DoT SBM exchange as well, with the help of stand alone synchronisation equipment, developed by C-DoT and approved by Telecom Engineering Centre in July 1998.

Thus, the expansion of the exchange as pointed above was unjustified as there was sufficient spare capacity on the dates of expansion thereof. This led to unproductive expenditure of Rs 78 lakh.

The matter was referred to the Ministry in August 2001; their reply was awaited as of December 2001.

34 Unfruitful expenditure on purchase of disputed land

The General Manager Telecom Kanpur under Uttar Pradesh (East) circle, despite failure to get clear land suitability certificate of the departmental civil wing, incurred an unfruitful expenditure of Rs 46.81 lakh on purchase of land between March 1995 and April 1998. The possession of the land could not be taken even after six years on account of dispute of title, besides encroachment thereon.

Appropriate land suitability certificate to be obtained before purchase of land for departmental use

Departmental rules provide that before purchase of a site for departmental purposes, the suitability of the land should be examined and a land suitability certificate should be given by a combination of the head of secondary switching area, the Architect and the Civil Engineer. While giving this certificate the telecom officers should see that the plot was free from legal encumbrances and encroachment. The rules further provide that no payment should be made until all issues relating to title, price, demarcation of boundary wall of the plot of land etc. are satisfied.

Payment of Rs 39.47 lakh towards cost of land without study of site suitability

General Manager Telecom (GMT) Kanpur under Uttar Pradesh (East) circle made payment of Rs 39.47 lakh between March and November 1995 to the Kanpur Development Authority (KDA) for purchase of three plots of land indicated below for construction of telephone exchange buildings. These plots could not be made use of either due to inherent shortcomings or disputes regarding their title as indicated therein.

Table 34(i) – Non-utilisation of land

S.No	Place	Cost of land (Rs in lakh)	Month & year of payment	Nature of problem
1	Hanspur Naubasta	32.11	5 September 1995	Low lying and undeveloped area, dispute of title.
2	Maharajpur	6.40	1 November 1995	Failure to obtain suitability certificate from competent authority
3	Mandhana	0.96	31 March 1995	Failure to obtain suitability certificate from competent authority
	Total	**39.47**		

Examination of records of GMT Kanpur during March-April 2001 revealed that while making the above payments to KDA for the purchase of land, the GMT failed to obtain detailed site suitability certificates in respect of plots of land at Maharajpur and Mandhana from the competent authority as required under the above codal provisions. The Executive Engineer, Civil Kanpur in the site suitability certificate in respect of plot of land at Hanspur, Naubasta issued by him in August 1995 pointed out certain shortcomings in this plot like non demarcation, non-provision of water supply and sewerage by the Municipality and area being low lying, but the GMT ignored these short comings and made the above payment to KDA.

The GMT pointed out to KDA between October 1995 and November 1997 that all the above three plots of land were not suitable to meet his requirements. He also added that out of these plots, one plot at Hanspur Naubasta was disputed and requested KDA to allot alternate plots of land. Thus despite making payment of Rs 39.47 lakh in 1995, he could not get possession of land up to November 1997.

Subsequent purchase too ended in dispute

Subsequently, KDA allotted two plots to GMT Kanpur at Transport Nagar (January 1998) and at Jajmau (March 1998) at a cost of Rs 46.81 lakh and adjusted the amount of Rs 39.47 lakh paid in November 1995. Here again, GMT Kanpur did not obtain the suitability certificate. The possession of these plots, too, could not be taken over by the department as they were also found to be chronically under dispute, as detailed below:

Table 34(ii) – Reasons for dispute

S.No.	Place	Cost of land (Rs in lakh)	Month & year of payment	Nature of land dispute
1	Transport Nagar Kanpur	36.99	Adjusted in March 1998, out of earlier payment of Rs 39.47 lakh made in 1995. Balance amount was adjusted against another plot of land at Sujaat Ganj in March 1998	Encroachment
2	Jajmau	9.82	28 April 1998	Encroachment
	Total	46.81		

Possession not taken even after six years led to unfruitful expenditure of Rs 46.81 lakh

Thus non observance of codal provisions with regard to title, demarcation of land and encroachment free land by the GMT led to an unfruitful expenditure of Rs 46.81 lakh between March 1995 and April 1998 towards the cost of land, the possession of which was yet to be taken as of April 2001.

The GMT while confirming the facts and figures stated in March-April 2001 that the case was being pursued actively with KDA for getting possession of the land.

The matter was referred to the Ministry in June 2001; their reply was awaited as of December 2001.

35 Idling of microwave equipment

Improper planning by DoT and CGMT Haryana circle coupled with inaction of GMT Hissar for diversion of equipment led to idling of microwave equipment worth Rs 44.29 lakh for over three years.

DoT placed purchase order for supply of 11 GHz equipment

DoT placed purchase order on M/s Indian Telephone Industries (ITI) for supply of 11 Ghz-140 Mbs microwave equipment in July 1996 for various routes including Satrod-Hissar in Haryana circle. The equipment was to be supplied within six months i.e. by December 1996. The GMT Hissar did not receive the system within the scheduled delivery period (December 1996). Hence another system of 140 Mbs optical fibre cable was commissioned in January 1997 on this route.

Due to non-receipt of 11 GHz equipment 140 Mbs OFC was commissioned on Satrod – Hissar route

GMT Hissar sanctioned a project for Rs 2.58 crore to cover the purchase order placed by DoT

CGMT Haryana circle in February 1998 i.e., more than one year after commissioning of the OFC system requested DoT to cancel the purchase order for microwave equipment for the Hissar-Satrod route, as this scheme was no longer required. GMT Hissar, however, sanctioned a project estimate for Rs 2.58 crore in the same month in anticipation of supply of equipment by M/s ITI in order to accommodate the purchase order already placed by DoT in July 1996. This indicated lack of coordination between GMT Hissar and the CGMT. GMT Hissar justified the project on the ground of providing reliable inter-connection between RLU Satrod and Hissar Main E-10-B exchange in case of failure of existing OFC laid in January 1997 between these two stations.

11GHz equipment was received in May 1998

DoT ordered for diversion of equipment to Bihar circle

Ultimately GMT Hissar received the equipment worth Rs 44.29 lakh in May 1998. He requested the CGMT Haryana circle in April 1999 to divert the equipment; this, however, was done after one year of receipt of the equipment. The CGMT, after eight months addressed the DoT in January 2000 for diversion of the equipment, as the same could not be reengineered in Haryana circle. In May 2000, DoT conveyed their approval for diversion of the equipment to Bihar circle and the equipment was diverted in September 2000 to Katihar SSA, Bihar. The same was yet to be commissioned as of June 2001.

Idling of equipment worth Rs 44.29 lakh

Thus, inordinate delay in supply of equipment by ITI, improper planning by DoT and CGMT Haryana circle coupled with failure of GMT Hissar in taking timely action for diversion of equipment led to idling of equipment worth Rs 44.29 lakh for over three years.

The matter was referred to the Ministry in August 2001; their reply was awaited as of December 2001.

36 Unproductive expenditure on procurement of ineffective meter reading monitoring systems

General Manager Telecom Madurai in Tamil Nadu Telecom circle procured unapproved and ineffective equipment costing Rs 31.21 lakh for monitoring meter readings.

Detailed call recording systems (DCRS) enable downloading of meter readings for bill processing and generation of management reports like bulk meter reading, error meter readings, spurt analysis and detailed call billing for all subscribers.

General Manager Telecom (GMT) Madurai in Tamil Nadu Telecom circle, on receipt of a proposal from M/s Tricom Technologies in January 1999, procured equipment valued at Rs 31.21 lakh between February and September 1999 from this firm for centrally monitoring the operations of remote telephone exchanges in Madurai Telecom District.

Audit scrutiny of records of GMT Madurai in March 2001 revealed the following irregularities;

Systems procured did not have the approval of DoT and TEC

- The monitoring equipment had neither the approval of the DoT nor the Telecom Engineering Centre (TEC).

Procurement without field trials

- Procurement was done based on the introductory offer and without conducting any field trials.

Procurement without proper justification

- In violation of financial powers, GMT Madurai procured the equipment without appropriate justification, despite repeated objection by the Director Finance.

Systems not put to use for the purpose they were procured

- Despite claim by the suppliers, downloading of meter reading data was not carried out using the system. Floppies/adapters were used for such operations in respect of majority of remote exchanges where the equipment was installed.

Lack of compatibility with TRA billing package

- The system did not have compatibility with the revenue billing package (Trichur) used by the unit.
- Potentiality of the equipment to generate exception reports was not utilised for monitoring purposes

Thus procurement of unapproved monitoring equipment in large numbers by the GMT Madurai without conducting field trials and ensuring compatibility with prevalent infrastructure and billing package, resulted in the idling of equipment worth Rs 31.21 lakh from September 1999 up to March 2001.

GMT Madurai, while confirming the fact of the equipment not having TEC approval, stated in March 2001 that they were ordered to cover more exchanges after observing their performance in one Sub-Division. However, no evidence in support of the claim was made available to Audit.

The matter was referred to the Ministry in August 2001; their reply was awaited as of December 2001.

(D) Excess expenditure in violation of rules

37 Irregularities in decentralised procurement of C-DoT 256 P exchange equipment

Various omissions and commissions in procurement of C-DoT 256 P equipment/ upgradation kits, its utilisation and inventory management of equipment by the circles under the decentralised procurement system resulted in excess/irregular/unjustified expenditure of Rs 22.11 crore during 1999-2001.

Procurement under decentralised system

The planning for the local switching capacity i.e. capacity to provide connections for the telephone network depends on the existing demand for lines and the demand on the date of commissioning/demand within six months of commissioning. The selection of type of switching equipment depended on the demand. The DoT recommended that if the demand was more than 88 lines but less than 92 lines a C-DoT 256 P equipment should be installed. Prior to January 1999, the department used to procure the equipment based on the requirement of the circles. However, the department decentralised in January 1999 the procurement of 256 P switching equipment from April 1999 onwards and authorised the heads of telecom circles to procure the equipment by floating tenders at circle level. While assessing the requirement the existing inventory and the inventory in the pipeline was required to be taken into consideration.

The irregularities noticed in procurement and utilisation of C-DoT 256 P exchange equipment in the circles test checked were as under:

37.1 Variation in rates due to decentralised procurement

Eight circles incurred excess expenditure of Rs 5.50 crore

Audit scrutiny of records in eight circles test checked revealed that the rate of 256 P equipment procured by the circles under the decentralised procurement system varied between Rs 7.77 lakh and Rs 9.07 lakh per package for 'B' type equipment and between Rs 8.47 lakh and Rs 8.60 lakh per package for 'C' type equipment as indicated below. This variation in rates resulted in an excess expenditure of Rs 5.50 crore in comparison with the lowest rates as given in table 37.1.

Table 37.1 – Excess payment in procurement

Circle	Year	Version (type of equipment)	Quantity procured through open tender (packages**)	Rate per package (Rs in lakh)	Lowest rate (Rs in lakh)	Excess payments made in comparison to the lowest rate (Rs in lakh)
Andhra Pradesh	1999-2000	'B'	79	8.82	7.77	83.38
	2000-01	'C'	262	8.60	8.47	33.85
Tamil Nadu	1999-2000	'B'	201	8.89	7. 77	226.93
Bihar	1999-2000	'B'	17	9.07	7.77	22.19
Orissa	1999-2000	'B'	24	9.07	7. 77	31.33
Rajasthan	1999-2000	'B'	100	7.77	7 .77	-
Rajasthan	2000-01	'C'	76	8.47	8. 47	-
Uttar Pradesh (East)	1999-2000	'B'	100	8.80	7 .77	103.40
Uttar Pradesh (West)	1999-2000	'B'	47	8.80	7. 77	48.60
					Total	**549.68 or Rs 5.50 crore**

** One package= three units

Detailed test check conducted by Audit of procurement and utilisation of C-DoT 256 P exchange equipment in three telecom circles viz., Andhra Pradesh, Orissa and Tamil Nadu revealed the following irregularities.

37.2 Avoidable expenditure in procurement of C-DoT 256 P exchange equipment-Rs 5.96 crore

Tamil Nadu circle incurred idle investment of Rs 5.96 crore in procurement of C-DoT equipment

During 1999-2000 Tamil Nadu circle had 454 C-DoT 256 P exchange equipment (including 298 recovered exchange equipment) and during the same period the circle installed 361 C-DoT 256 P exchange equipment. As a result 93 exchange equipment were left for use in the subsequent year. During 2000-01 the circle recovered 396 exchange equipment. Against 489 exchange equipment thus available, the circle installed 430 exchange equipment during 2000-01 leaving 59 exchange equipment.

However, the circle placed a purchase order for 201 additional equipment during 1999-2000 without assessing the requirement and availability of stock. This resulted in idle investment of Rs 5.96 crore for these two years. This reflected poor planning and coordination and improper use of funds.

37.3 Unauthorised procurement- Rs 1.06 crore

Andhra Pradesh telecom circle incurred unnecessary expenditure of Rs 1.06 crore

DoT authorized Andhra Pradesh (AP) circle to procure 201 C-DoT 256 P exchange equipment during the year 1999-2000. In order to overcome the anticipated delay in commissioning of Single Base Module exchanges in the circle due to non-receipt of 600 AH batteries, however, the circle procured 36 C-DoT 256 RAX equipment over and above the allotment already made. This resulted in an unauthorized procurement of C-DoT 256 P exchange equipment costing Rs 1.06 crore. It was observed that CGM Telecom Stores Kolkata supplied 600 AH batteries by December 1999 itself. Thus, the hasty decision of CGMT Andhra Pradesh circle led to unnecessary expenditure of Rs 1.06 crore.

37.4 Excess procurement of C-DoT 256 P equipment- Rs 2.15 crore

AP circle incurred excess expenditure of Rs 2.15 crore in procurement of equipment more than allotment

Similarly, DoT allotted 600 C-DoT 256 P 'B' type RAX equipment for AP circle during 2000-01. Subsequently DoT allotted additional 102 numbers C-DoT 256 RAX. As against the total allotment of 702 RAX, the circle procured 780 RAX equipment invoking clause 25 of the tender which provided for 25 *per cent* additional orders over and above the tendered quantity. Out of 78 RAXs excess procured at a cost of Rs 2.24 crore, 75 RAXs costing Rs 2.15 crore remained unutilised and were lying idle in the Retail Telecom Store Depot at the end of March 2001. No reason for excess procurement was furnished.

37.5 Discrepancy in inventory

C-DoT 256 P exchange equipment - Rs 1.63 crore

Stock of 18 C-DoT 256 P exchange equipment costing Rs 1.63 crore was not available in Orissa Telecom circle

431 C-DoT 256 P-exchange equipment were working in Orissa circle as of March 1999. During 1999-2001, 386 C-DoT exchange equipment were commissioned and in addition 87 upgradation kits were also commissioned. During the same period 151 C-DoT exchanges were replaced with higher capacity exchanges and the recovered exchange equipment were also reinstalled at other places in the district/circle. Thus 753 C-DoT 256 P exchange equipment were used in Orissa circle. As per records, however, only 718 C-DoT 256 P exchanges were functioning at the end of March 2001. Thus although 35 C-DoT 256 P exchange equipment should have been in stock, only 17 exchange equipment were available in the circle for commissioning. The utilisation of the remaining 18 C-DoT 256 P exchange equipment costing Rs 1.63 crore was not available.

37.6 Upgradation kits

DoT decentralised procurement of upgradation kits

DoT in May 1998 authorised the telecom circles for procurement of upgradation kits (128 P RAX to 256 RAX) on decentralised purchase basis for 1998-99 and 1999-2000. The CGMs were to procure these items by inviting tenders and strictly for the quantity allotted to each circle.

The irregularities noticed in procurement of upgradation kits in Madhya Pradesh and Orissa Telecom circles are as under:

CGMT Bhopal procured 755 upgradation kits as against 553 allotted by DoT

CGMT was not authorised to procure maintenance spares of upgradation kits

(i) Madhya Pradesh circle: Scrutiny of records of CGMT Madhya Pradesh (MP) circle, Bhopal in September 2000 disclosed that CGMT placed six purchase orders between September 1999 and February 2000 on various firms for supply of 755 upgradation kits although DoT allotted only 553 upgradation kits for the year 1999-2000. Thus, CGMT MP circle unauthorisedly purchased 202 upgradation kits valuing Rs 3.44 crore. Moreover, although the CGMsT were not authorised to purchase maintenance spares under the decentralised procurement orders of May 1998, CGMT MP circle procured 251 upgradation kits valuing Rs 1.70 crore as maintenance spares.

Unauthorised procurement of upgradation kits and spares valuing Rs 5.14 crore

Thus, in all CGMT MP circle unauthorisedly procured upgradation kits and spares valuing Rs 5.14 crore during 1999-2000 under the decentralised procurement system.

Orissa circle procured upgradation kits in excess of requirement and the unutilised 56 upgradation kits costing Rs 66.62 lakh were not in stock.

(ii) Orissa circle: At the end of March 1998, Orissa circle had 131 C-DoT 128P exchanges in the network; thereafter the circle procured no such exchange equipment. During 1998 -2001, 182 up-gradation kits were procured and issued to the field for upgradation of the 128P C-DoT exchanges to 256P exchanges. The number of 128P C-DoT exchanges in the circle were reduced to five in March 2001. Considering that all the 126 exchanges were upgraded during the period, equal numbers of upgradation kits would have been utilized leaving a balance of 56 upgradation kits in stock. The circle development report for March 2001, however showed nil stock of upgradation kits. No reason for procurement of more upgradation kits than actually required was furnished. Thus the circle incurred an infructuous expenditure of Rs 66.62 lakh in procuring 56 upgradation kits. The department needed to get the procurement in excess of requirement and their utilisation investigated and fix responsibility.

Thus due to various omissions and commissions, the department incurred extra/irregular/unjustified expenditure of Rs 22.11 crore in procurement of C-DoT 256 P exchange equipment/upgradation kits.

The matter was referred to the Ministry in October 2001; their reply was awaited as of December 2001.

38 Unauthorised procurement of equipment/stores

Chief General Manager Telecommunications Madhya Pradesh circle and 14 heads of Secondary Switching areas in three circles unauthorisedly procured various items of stores valuing Rs 6.31 crore in violation of departmental instructions for procurement of centralised/decentralised items of stores and also in excess of the financial powers delegated to them.

The items of stores of the Telecom department are categorised into stocked items and non-stocked items. Stocked items were being supplied by the Stores Organisation. Any urgent requirement of stocked items was met through local procurement within the delegated financial powers.

Non-stocked items are of three categories (i) items for centralised procurement by DoT, (ii) items for decentralised procurement by Heads of circles and (iii) other items not falling under the above two categories being procured by secondary switching areas (SSAs). DoT issued instructions in March 1990 not to carry out any civil/electrical works by TDEs/TDMs/GMs.

38.1 Centralised items

CGMT MP circle and its five SSAs unauthorisedly procured stores worth Rs 4.16 crore

Scrutiny by Audit of records of CGMT Madhya Pradesh (MP) circle Bhopal and five SSAs in the same circle between August 1999 and June 2001 disclosed that these units procured centralised items without the approval of DoT, various items of stores beyond their delegated financial powers and also electrical goods which they were not authorised to procure, as detailed below:

Table 38.1 – Procurement of centralised items in violation of rules

(Rs in crore)

Sl. No.	Name of circle/SSA	Period	Particulars of equipment and stores	Cost	Remarks
	Madhya Pradesh circle				
1	CGMT	1993-96	Batteries	0.14	Batteries were centralised procurement items but were irregularly procured
2	Chhindwara	1992-94	Batteries	0.05	- do -
3	Dhar	1991-96	Batteries	0.18	- do -
			GI pipes, HDPE pipes	2.04	Procurement made beyond financial powers
4	Jhabua	1995-99	GI pipes and electrical goods	0.46	(i) Procurement made beyond financial powers (ii) TDM is not authorised to procure electrical goods as per departmental instructions.
5	Morena	1994-95	Electrical goods	0.22	Not authorised to procure electrical goods as per departmental instructions.
6	Ujjain	1991-95	GI pipes, HDPE pipes and Electrical goods	1.07	(i) Procurement made beyond financial powers (ii) TDM not authorised to procure electrical goods as per departmental instructions
	Total			**4.16**	

38.2 Decentralised items

Heads of circles not to delegate the power to lower formations under decentralised procurement procedure

Under the system of decentralised procurement DoT authorised the heads of circles to make procurement of decentralised items of equipment and stores themselves in consultation with the Internal Financial Advisors. These powers were not to be re-delegated by the heads of circles to the lower formations.

Unauthorised procurement of equipment/stores worth Rs 2.15 crore

Comments were made in the Reports of the Comptroller and Auditor General of India No.7 of 1996 and No.6 of 1997, 2000 and 2001 regarding unauthorised procurement of equipment/stores by lower formations although they were not authorised to do so. The Ministry had also issued instructions to all the heads of circles in January 1993/September 1996 to avoid recurrence of such lapses in future. Despite issue of these instructions, in nine test checked

SSAs of Andhra Pradesh, Madhya Pradesh and Maharashtra circles, the lower formations such as GMs/TDMs unauthorisedly procured decentralised items of stores worth Rs 2.15 crore as detailed in table 38.2.

Table 38.2 – Unauthorised procurement of decentralised stores

(Rs in crore)

Sl. No.	Name of circle/SSA	Period	Particulars of equipment and stores	Cost	Remarks
	Madhya Pradesh circle				
1	GM Indore	1999-2000	Jumper wire and drop wire	0.16	Only CGMT MP circle was authorised to procure
	Maharashtra circle				
2	GM Sholapur	July 1999	Internet Nodes	0.22	Despite CGMT Maharashtra circle's instructions to cancel the tender, GM Sholapur procured the same.
	Andhra Pradesh circle				
3	TDM Mahaboob-nagar	May 2000 to March 2001	Fax machines, line cards	0.19	Only CGMT AP circle was authorised to purchase these decentralised items
4	GM Hyderabad	January 2000	Cable Termination Boxes, Distribution Point Boxes	0.38	
5.	GM Rajahmundry	May 1999 to May 2000	CT boxes, DP boxes	0.20	
6.	TDM Nalgonda	1999-2000	Battery, Jumper wire	0.31	
7.	TDM Karim Nagar	1999-2000	Cards, jumper wire	0.10	
8	TDM Ongole	May 1999 to January 2000	Connectors, CT boxes, jumper wires	0.58	
9	TDM Sangareddy	May 2000 to February 2001	Connectors, CT boxes	0.01	
Total				**2.15**	

The GMT Indore stated in May 2000 that the purchases were made to meet urgent requirement for releasing new telephone connections and the circle was being requested to regularise the same. His counterpart at Sholapur in his reply stated in May 2001 that the purchase of internet nodes for Sholapur was not irregular as he took the administrative approval from the CGMT in December 1998. The reply is not tenable as the CGMT was not empowered to redelegate the decentralised procurement to lower formations and had, in fact, issued specific instructions in February 1999 to cancel the tenders for these items of equipment pending finalisation of centralised tendering by him. Replies from the other units were awaited as of November 2001.

The matter was referred to the Ministry in October 2001; their reply was awaited as of December 2001.

39 Excess expenditure on laying of cable beyond prescribed norms

General Manager Telecom Jamshedpur under Bihar circle incurred avoidable expenditure of Rs 37.31 lakh during 1999- 2001 due to laying of cable in excess of prescribed norms

Earlier Audit Report pointed out similar irregularity

A comment was made in Paragraph 12.14 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 Union Government (Post and Telecommunications) No.6 of 1999 regarding avoidable expenditure on laying of cable in excess of norms fixed by the DoT. The Ministry in the Action taken note on this paragraph stated in January 2001 that as far as possible, the cable laying schemes were limited within the prescribed norms.

GMT Jamshedpur incurred an avoidable expenditure of Rs 37.31 lakh

Examination of records of the GMT Jamshedpur in Bihar circle during November 2000 disclosed recurrence of the above irregularity involving an avoidable expenditure of Rs 37.31 lakh during 1999-2001 as given below:

Name of circle/unit	Particular of project	Period	Cable laid in conductor kilo metre (CKM)	Cable due as per DoT's norms of 8 CKM per DEL	Excess cable laid in CKM	Amount of avoidable expenditure (Rs in lakh)
Bihar Jamshedpur	Expansion of Adityapur exchange from 2K to 3K at an estimated cost of Rs 1.86 crore	February and October 2000	19851	16000	3851	37.31

The GMT Jamshedpur, while accepting the facts and figures, stated in February 2001 that care would be taken to ensure observance of DoT's instructions while preparing the next cable plan.

The matter was referred to the Ministry in June 2001; their reply was awaited as of December 2001.

(E) Avoidable payment/expenditure

40 Excess payment due to inconsistent application of procurement policy

Department of Telecommunications made excess payment of Rs 6.88 crore in procurement of 2/140 Mbs Optimux and Regenerator equipment due to inconsistent application of their procurement policy.

Procurement policy of the department stipulates consideration of rates of earlier tenders for assessing reasonableness of rates

As a matter of financial prudence, the prices obtained in earlier tenders are taken into account while determining the counter offer rates of the tenders under evaluation. This practice helps in assessing the reasonableness of rates. To provide for this, DoT (now BSNL) issued appropriate instructions to all their circles to take into account the prices obtained in the previous tenders and made a guideline in their Manual of Procurement of Telecom Equipment and Stores too.

Scrutiny of the records of DoT during June-July 2001 revealed inconsistent application of this policy, leading to an excess payment of Rs 6.88 crore in procurement of 2/140 Mbs Optimux and Regenerator equipment as detailed below:

Tender prices higher over the prices of previous tender

The department invited tenders during the period December 1998 to February 1999 for procurement of 2/140 Mbs Optimux and Regenerator equipment, 12 F Optical Fibre Cable and 24 F Optical Fibre Cable (OFC). The prices obtained in the tender, estimated prices of the earlier tender and the percentage increase over the earlier tender were as given in table 40.

Table 40 – Comparative position of rates of tendered items

(Rs in crore)

Sl. No.	Name of equipment	Date of Notice Inviting Tender	Quantity	Date of opening of tender	Prices of current tender	Estimated price of earlier tender	Percentage increase over the earlier tender	Adjusted price of earlier tender after reduction of duties in 1999-2000
1	2/140 Mbs Optimux and Regenerators	21-12-1998	1925 Nos. (excluding ITI)	16.03.1999	77.67	74.00	4.96	70.88
2	12F Optical Fibre Cable	11.02.1999	53000 kms	12.04.1999	311.60	289.23	7.73	281.18
3	24F Optical Fibre cable	11.02.1999	9000 kms	13.04.1999	77.83	73.68	5.63	70.91

Audit observed that the Tender Evaluation Committee (TEC) for evaluation of 2/140 Mbs Optimux and Regenerator equipment which submitted its report in April 1999, compared the prices with the earlier tender price and found that the prices obtained in the current tender were reasonable. However, the Committee for Evaluation of tenders for 12/24 F OFC which submitted their reports in June 1999 did not find any justification to consider accepting the increase in ordering price, and recommended to counter offer the earlier year's all inclusive ordering price for the current year's tender also. In addition the department reduced the unit price of earlier tender further after taking into account the reduction in duties (Customs duty from 53.40 *per cent* to 47.90 *per cent* and Excise duty from 18 *per cent* to 16 *per cent*) in the 1999-2000 budget and approved the same for procurement. The fact that TEC did not recommend a counter offer for 2/140 Mbs Optimux and Regenerator equipment resulted in excess payment of Rs 6.88 crore in procurement of 2059 numbers against 2636 numbers for which purchase orders were placed between March 1999 (reserved quota in favour of M/s ITI) and January 2000.

Excess payment of Rs 6.88 crore

Purchase order placed in 1999-2000

The Ministry stated in December 2001 that the TEC did compare the earlier tender price with the lowest evaluated L1 price and since those were marginally higher, TEC had considered the prices to be reasonable taking into account the import content of L1 bidder being 60 *per cent* as compared to 50 *per cent* of L1 bidder of earlier tender even though the excise duty had come down to 16 *per cent*. The Ministry, while stating that the right to counter-offer the price could not be exercised as a matter of routine, added that the practice of counter offer was adopted only under abnormal circumstances, taking all other relevant aspects including prices into consideration. In the case of 12F/24F optical cable, the Ministry stated, the department were aware of the falling prices of fibre in the international market, hence the counter offer.

The reply is not convincing in view of the fact that though the import content of L1 bidder was 60 *per cent* as compared to 40 *per cent* (not 50 *per cent* as stated by the department) of the L1 bidder of the earlier tender, there was not only reduction in Excise duty by two *per cent* in the 1999-2000 budget, but the Customs duty element was also lower by 8.30 *per cent*. Further, the department's contention is at variance with the reasoning adopted by Committees for Evaluation of Tenders for procurement of 12F OFC and 24F OFC. It is pertinent to mention here that the members who evaluated the tender for procurement of 2/140 Mbs Optimux were also the members for evaluation of the tender for procurement of 24F OFC.

Thus, the department suffered a loss of Rs 6.88 crore due to their inconsistent application of the procurement policy.

41 Transportation of stores by Circle Telecommunications Store Depots and Telecommunication units

CTSDs in Assam, Bihar, Haryana, Maharashtra, North East, Orissa and West Bengal circles failed to adhere to the directions of Department of Telecommunications, which led to ambiguity in contracts/agreements for transportation of stores, non-utilisation of forklifts, non availing of concessional freight under class-200 and payment to un-approved contractors etc., resulting in avoidable expenditure of Rs 3.49 crore during 1995-2000.

Circle Telecom Store Depots (CTSDs) obtain stores from different sources such as Telecom factories, private manufacturers etc., and supply the same to various Telecom units under their jurisdiction by transportation through rail or road. DoT incurred the following expenditure on freight charges during the period 1995-2000:

CTSDs and telecom units incurred Rs 70.60 crore towards freight charges during 1995-2000

Table 41 – Freight charges incurred

Year	Freight charges (Rs in crore)
1995-96	15.07
1996-97	14.57
1997-98	13.61
1998-99	11.53
1999-2000	15.82

Keeping in view the large amount of freight charges being incurred every year the department in its various directions issued to CTSDs and Telecom units laid down that while transporting stores the following aspects should be ensured for optimum utilisation of resources:

- There should be a valid contract/agreement through tenders between the department and transporter.
- There should be no ambiguity in the agreement.
- Contract/agreement should be signed for a period of 12 months only.
- Transportation of stores should be carried out strictly in accordance with the clauses of the contract/agreement.
- No advance payment should be made to the transporters.

- Loading and unloading facilities such as cranes/forklifts etc. which were available with the CTSDs/Telecom units should be fully utilised and no charges should be paid to the contractor on that account.
- Concessional railway freight under class-200 should be availed of.
- No payment should be made to unapproved contractors.

A test check of records of Maharashtra, Haryana, Orissa, Bihar and Assam circles and Kolkata Telephones by Audit revealed the following deficiencies:-

41.1 Ambiguity in the contract agreement led to unauthorised payment of Rs 94.25 lakh

RTSD, Kolkata entered into agreement with SCTA for two years as against one year in violation of departmental instructions

It was noticed in Retail Telecom Store Depot (RTSD), Kolkata Telephone District that during 1995-2000 a contract/agreement was entered into by the unit with M/s SCTA for a period of two years, in spite of directions not to exceed a 12 month period. During 1994-96 M/s SCTA was the lowest bidder and the contract was awarded to him although he did not possess a valid trade licence. During 1996-98, when the contract was again signed for a two year period, the lowest bidder failed to submit the relevant document regarding possession of five trucks, and so the transport contract was awarded to the second lowest bidder viz., M/s SCTA without obtaining the requisite trade licence; this was irregular.

RTSD Kolkata made irregular payment of Rs 94.25 lakh due to engaging the transporter irregularly

The contract was valid up to 15 December 1998 but no tender was floated in time and the existing irregular contract was extended. During October 1999, although a tender was floated it could not be finalised on account of a court order to maintain the status quo. As a result the existing transporter (M/s SCTA) remained engaged up to now (May 2001). The sequence of events indicated that the contract for the entire period was irregular and the payment of Rs 94.25 lakh made to the transporter was unauthorised. When this was pointed out by Audit, Sub-Divisional Engineer RTSD-II, Kolkata stated in May 2001 that tenders were finalised by the Evaluation Committee but the basis for the finalisation was not known.

41.2 Avoidable excess payment of Rs 22.65 lakh as freight charges due to depiction of incorrect distance in the Agreement

CGMT, Assam Telecom circle incorrectly computed the road distance between Ranchi-Guwahati.

Test check of carriage contracts executed in August 1995 by CGMT, Assam circle, Guwahati with M/s GTC India Private Limited, Guwahati revealed that as per schedule-II of the agreement, the road distance from Ranchi to Guwahati was taken as 1620 kms and payment was made accordingly. A comparison of the records of CTSD, Assam circle, Guwahati and CTSD, North East circle, Guwahati, however, revealed that the distance used by the North East circle between the same two stations was much lower. During 1995-2000, the same transporter viz. M/s GTC India Private Limited claimed standard distance from Ranchi to Guwahati as 1174 kms and in addition to that local distance of 48 kms depending upon the location of their store depot at Dharapur; a total of 1222 kms had been allowed. The local distance from Guwahati to Dispur CTSD would be 18 kms and taking into account the local distance as correct, the actual distance from Ranchi to CTSD, Assam circle, Guwahati should be (1222+18) 1240 kms whereas Assam circle CTSD, Guwahati allowed 1620 kms. As a result an excess of 380 kms (1620-1240) was allowed in each bill due to improper calculation of chargeable distance.

CGMT Assam Telecom circle made excess payment of Rs 22.65 lakh to transporter due to incorrect computation of distance between Ranchi-Guwahati

Consequently, M/s GTC India Pvt. Limited being the carriage contractor for CTSDs for the circles took advantage of the flaw in the agreement of Assam circle (CTSD) Guwahati, resulting in avoidable excess payment of Rs 22.65 lakh during the period May 1996 to August 1998.

41.3 Loading and unloading charges

Clause 17 of the contract/agreement for transportation of telecom material stipulated that handling charges were inclusive of charges for loading and unloading at both ends, loading and unloading wagon at Railway platforms, weighment of stores at Railway sheds, stations, their distribution, counting, stocking etc., at both ends and were inclusive of crane charges, if any.

CTSDs Guwahati, Siliguri RTSD Kolkata, Bhubaneswar incurred loading/ unloading charges of Rs 1.06 crore

It was noticed in CTSD, North East circle (Guwahati), Assam circle, CTSD, Siliguri and Retail Telecom Stores Depot Kolkata Telephone District, under West Bengal circle and RTSD Bhubaneswar under Orissa circle that although forklifts were available, an expenditure of Rs 106.35 lakh was incurred on account of loading and unloading charges as per details given in Appendix-XXX.

RTSD II, Kolkata Telephones incurred expenditure of Rs 68.09 lakh towards transportation of stores/ loading/ unloading/arranging/ rearranging stores

In Retail Store Depot-II, Kolkata Telephones, payment of Rs 4.47 lakh on account of transportation of stores and Rs 21.69 lakh for loading and unloading of stores was made to the contractor. In addition to this, however, an amount of Rs 68.09 lakh (more than 300 *per cent* of loading and unloading charges and 1500 *per cent* of transportation charges) was paid for arrangement/re-arrangement work. On this being pointed out by Audit the department stated that action had been taken to reduce the expenditure by utilising forklifts and strict watch was being kept over arrangement/re-arrangement work. This reply is not acceptable because the handling charge was inclusive of crane charges, if any.

41.4 Concessional railway freight under class-200

Orissa circle made overpayment of Rs 18.87 lakh towards freight charges

According to the decision of the Railway Board of September 1994 private suppliers became entitled to despatch the telecom stores through train at concessional rate charged under class-200 of goods tariff of Indian Railways. Further, if goods were despatched by road, the freight charges to be reimbursed would be actual road freight paid or charges that would have been incurred had the goods been despatched by goods train wagon under class-200 whichever is lower. It was noticed in Orissa circle that this provision was properly included in the bid documents but while making payment to transporters/suppliers for transportation of Polyethylene Insulated Jelly Filled

(PIJF) under ground cable during 1995-98 the procedure was not followed. Further while computing the wagon load charges, the capacity of the railway wagon was not properly calculated. This resulted in over payment of Rs 18.87 lakh, being freight charges for supply of PIJF underground cable.

41.5 Irregular expenditure of Rs 22.51 lakh due to payment to un-approved contractors

GMs Dhanbad, Gaya and Chapra in Bihar Telecom circle incurred irregular expenditure of Rs 22.51 lakh towards transportation charges to private parties

CGMT Bihar Telecom circle did not execute any agreement for transportation of stores during the period 1995-99. In turn, GMs Telecom, Dhanbad, Gaya and Chapra, instead of executing agreements for transportation of stores, incurred irregular expenditure of Rs 22.51 lakh on transportation of store materials through private agencies from the open market. The amount was charged to ACE-II accounts against temporary advance paid to these units (GMT, Dhanbad Rs 9.25 lakh, GMT, Gaya Rs 10.40 lakh and GMT, Chapra Rs 2.86 lakh). On this being pointed out by Audit the units confirmed the facts and figures.

41.6 Non utilisation of full capacity of truck load led to avoidable expenditure of Rs 15.89 lakh

Four units in three telecom circles incurred avoidable expenditure of Rs 15.89 lakh in transportation of store

According to departmental instructions of December 1997 transportation of telecom stores by private contractors should be on the basis of volume and weight, separately. Test check revealed that units failed to fix the rate per metric tonne (MT). per KM for a specified tons capacity or part thereof. Final goods transported were justified for full capacity of the truck load or 10 MT and not on the tons capacity of the vehicle by which the stores were transported. This resulted in an avoidable expenditure of Rs 15.89 lakh during the period 1995-96 to September 2000 by TDM, Chapra (Bihar circle) 0.68 lakh, PGMT, Pune (Maharashtra circle) Rs 0.39 lakh, GMT, Raigad (Maharashtra circle) Rs 0.14 lakh and CTSD, Ambala (Haryana circle) Rs 14.68 lakh.

The points brought out above indicated that the CTSDs and Telecom units failed to make payment to transporters/suppliers according to the directions of DoT. Moreover, there was no mechanism to check the variation in contractual rates for similar service.

The matter was referred to the Ministry in October 2001; their reply was awaited as December 2001.

42 Avoidable expenditure on inessential protection of under ground cables below 100 pairs

The General Managers Telecom Raigad and Panaji under Maharashtra circle in violation of Department of Telecommunications instructions incurred an avoidable expenditure of Rs 63.22 lakh and Rs 50 lakh respectively, between April 1997 and September 2000 on unnecessary protection work for the under ground cable of less than 100 pairs.

DoT instructions for protection of underground cables of 100 pairs and above

For protection of underground telephone cable from external damage, the department reiterated in April 1990 their decision to use bricks as protective device to the underground cable of 100 pairs and above, implying that mechanical protection of warning bricks need not be provided for underground cable of *less than 100 pairs*.

DoT in March 1994 while issuing instructions to the heads of circles stated that the bricks being used in mechanical protection were in the nature of warning device and not a protective arrangement for underground cable. They further added that this could be met by use of a continuous Polyvinyl Chloride (PVC) tape of suitable width marked "Telephone cables" which was to be placed 15 centimeters vertically above the cable and all along the length of the cable. In July 1994 while taking serious note of procurement of a new device called "Joint protection shell" by some circles DoT instructed the heads of circles, not to resort to such procurement and stressed upon them to provide standard method of joint protection as laid down in their letter of April 1990.

Avoidable expenditure of Rs 63.22 lakh and Rs 50.00 lakh in provision of warning bricks

Scrutiny of records of the General Managers Telecom (GMsT) Raigad and Panaji Goa under Maharashtra circle by Audit in April 2000 and February 2001 revealed that these GMsT did not adhere to the DoT's instructions and continued to award cable laying contracts which included mechanical protection by warning bricks for underground cable of less than 100 pairs. This led to an avoidable expenditure of Rs 63.22 lakh and Rs 50.00 lakh in respect of GMsT Raigad and Panaji, respectively, between April 1997 and September 2000. Their counterparts at Aurangabad, Jalgaon, Kolhapur, Sangli and Sholapur under the same circle, however, were not providing such mechanical protection for under ground cable below 100 pairs.

The Ministry in their reply stated in December 2001 that while their letter of April 1990, suggested that use of protective methods over UG cables of 100 pairs and above was desirable and not to be dispensed with, the emphasis was on local conditions for the use of warning devices. Such conditions could be terrestrial or related to the District development programme, keeping the fault rate low, minimising loss or customer satisfaction.

The reply is not convincing because while the orders of April 1990 recommended protective methods for underground cables of 100 pairs and above sizes, its general stress was on the use of warning devices which according to their order of March 1994 could even be the continuous PVC cable suitably labeled. Moreover, five secondary switching areas in Maharashtra circle did not use the bricks as mechanical protection over underground cable of less than 100 pairs.

43 Avoidable expenditure on repair of faulty C-DoT cards from unauthorised agencies

General Managers Telecom Belgaum and Shimla under Karnataka and Himachal Pradesh circles, respectively, incurred an irregular and avoidable expenditure of Rs 93.41 lakh on the repair of faulty C-DoT exchange cards between January 1997 and November 2000, instead of getting them repaired departmentally, at Regional Repair Centres.

DoT opened a National Repair Centre for repair of faulty C-DoT exchange cards

A National Repair Centre (NRC) for repair of printed circuit boards of C-DoT exchanges was opened at Bangalore in October 1990. Gradually the number of repair centres increased to 24 by July 2000.

DoT took serious note of repair of faulty C-DoT cards from unauthorised agencies

DoT intimated to all heads of circles in October 1992 regarding the facility of such repair centres and advised them to obtain from C-DoT the details of testing and repair facilities available. While taking serious note of repair of faulty C-DoT cards from unauthorised agencies, the DoT in June 1999 directed all the heads of circles to get such repairs done either at the Regional Repair Centres or through the manufacturers of C-DoT exchanges. These instructions were reiterated in July 2000.

As a follow up, the CGMT Karnataka circle also issued such instructions in October 1999, January and March 2000 to all the heads of secondary switching areas under his jurisdiction. In January 2000 he also pointed out that M/s Larsen and Toubro, Limited, the manufacturers of C-DoT exchanges, had authorised M/s Annapurna Electronics for repair of faulty C-DoT cards.

Avoidable expenditure of Rs 93.41 lakh on repair of faulty cards from unapproved firms

Scrutiny of records of the General Managers Telecom (GMsT) Belgaum and Shimla in Karnataka and Himachal Pradesh circles, respectively, by Audit in September and November 2000 revealed that even after establishment of NRCs at Bangalore and Jallandhar and issuance of repeated instructions by DoT and the concerned CGMT (in case of Belgaum unit) the General Managers Telecom continued to get the faulty C-DoT cards repaired from unapproved outside agencies. This led to an avoidable and unauthorised expenditure of Rs 93.41 lakh during the period January 1997 to November 2000 as detailed in table 43.

Table 43 – Irregular expenditure in repair of C-DoT cards

(Rs in lakh)

Name of the circle/unit	Period of repairs	Name of the firm	Amount of repair charges paid	Remarks
(a) Karnataka circle GMT Belgaum	January 1997 to June 1998	(i) M/s Annapurna Electronics*	3.48	This amount was spent without inviting tenders
	May 1998 to November 2000	(ii) M/s Anupam Electronics	72.92	
	Sub total (a)		*76.40*	
(b)Himachal Pradesh GMT Shimla	July 1999 to August 2000	a) M/s Emorets Dynamics, Nirala Nagar, Lucknow	2.14	Expenditure incurred after issue of DoT's instructions.
		b) M/s Keith Telecom Systems (P) Ltd. Noida	14.87	-do-
	Sub total (b)		*17.01*	
	Grand total		93.41	

* *Designated as an authorised agency in January 2000 only.*

GMT Shimla while noting the observations for future compliance stated in November 2000 that the cards were repaired through an outside agency on emergent basis to avoid public complaints and loss of revenue. GMT Belgaum, however, stated in January 2001 that the faulty cards were got repaired through the outside agencies due to general delay experienced in getting such repairs done through NRC.

Considering the well spread network of NRCs and lack of evidence in support of the reported delay by the NRCs, the replies of the GMsT are not tenable. Such repairs through unauthorised agencies would not only damage the cards, as pointed out by C-DoT from time to time; it would also end up in avoidable expenditure as brought out above.

The matter was referred to the Ministry in June 2001; their reply was awaited as of December 2001.

44 Avoidable payment

Department of Telecommunications made an avoidable payment of Rs 47.02 lakh in procurement of Synchronous Transport Module 16 and Synchronous Transport Module 4 Synchronous Multiplexer due to finalisation of unit price based on basic price and Excise duty, instead of basic price alone.

DoT invited two tenders in December 1998 for procurement of 280 Nos. of Synchronous Transport Module-16 (STM-16) and 604 Nos. of Synchronous Transport Module-4 (STM-4) Synchronous Multiplexer after reserving 30 *per cent* quantity for its PSU, M/s Indian Telephone Industries. The department placed purchase orders on seven firms viz., M/s HTL, ITI, HFCL, Siemens, BEL, Fibcom and Alcatel between May 1999 and October 1999 for Rs 440.39 crore for the quantities shown below:

Table 44 – Details of equipment purchased

S.No	Equipment	Quantity (in Nos)	Value (Rupees in crore)
1	STM-16	417	256.95
2	STM-4	830	183.44
	Total	1247	440.39

Unit prices decided based on basic price and Excise duty

Scrutiny of records of the department by Audit in June 2001 revealed that the department arrived at unit price (L-I) after taking into account the percentage of freight and insurance on basic price plus Excise duty instead of basic price alone. This resulted in avoidable payment of Rs 35.27 lakh in procurement of 417 Nos. of STM-16 and 592 Nos. of STM-4. A similar treatment was also noticed with regard to the tenders floated in April 2000 and opened in June 2000 for procurement of 255 Nos. of STM-16 and 118 Nos. of STM-4 for which purchase orders were placed during March-April 2001. This would result in avoidable expenditure of Rs 11.75 lakh if not attended to at this stage.

Deviation from the practices followed in the past

This action of the department was at variance with the procedure followed in revision of the price due to reduction in duties of six armoured optical fibre cable (OFC) for the year 2000-01. The department in this case worked out the all inclusive unit price by charging freight and insurance on basic price alone inspite of the fact that the L-I bidder in the tender had quoted all inclusive price initially by charging freight and insurance on basic price plus Excise duty.

Lack of consistency and appropriate procurement policy

On this being pointed out by Audit, the department replied in September 2001 that the ordering prices were all inclusive unit prices determined based on the quote of the lowest evaluated bidder. It further added that the quotes were at the discretion of the bidders and the department had no control over their quote as no specific terms and conditions in the matter of quote had been laid down in the bid document. While stating that the reduction in unit price of 6F armoured OFC was done by the Finance Wing, the department added that such stray cases may not be taken into account. It further added that if the freight and insurance on basic price alone was taken into account by the CET during the evaluation, it would be taken as a counter offer.

The reply of the department is not convincing because the present case too, was vetted by the Finance Wing and the circumstances under which the Finance Wing did not point out this omission in this case were not known. Moreover, lack of consistency in determining the counter offer rates, and absence of backing by appropriate procurement policy indicated adhocism in the manner in which prices were determined. The department's argument that treating the CET's action of determining the prices would be deemed as the counter offer rate is not acceptable because the CET is only a recommendatory body and the ultimate authority rested with the department.

The matter was referred to the Ministry in September 2001; their reply was awaited as of December 2001.

45 Avoidable expenditure due to poor planning

Continued use of central air conditioning plant for over 20 months for optical fibre equipment located in one room of the exchange building by General Manager Telecommunications Himatnagar in Gujarat circle, instead of providing package type air conditioned unit, led to an avoidable expenditure of Rs 34.46 lakh towards electricity and maintenance charges of the central air conditioning plant between October 1997 and May 1999.

Replacement of old cross bar Exchange

Central AC plant kept in operation for cooling one room containing OFC equipment

GMT Himatnagar in Gujarat circle installed 3.5k lines E-10B exchange at Himatnagar in March 1997. He transferred all working connections from the old cross bar exchange to the new exchange in a phased manner, and closed the old cross bar exchange in September 1997, thus rendering the existing central air conditioning (AC) plant surplus, as the new exchange had a separate air conditioning arrangement. The old cross bar exchange, however, contained a unit of Optical Fibre Cable (OFC) equipment in one of the rooms, since 1990.

Non provision of package type air conditioned unit for OFC equipment for over 20 months

Avoidable expenditure of Rs 34.46 lakh towards electricity charges and cost of maintenance of the plant

Examination of records of the GMT in October 1998 and August 1999 revealed that despite closure of the old cross bar exchange in September 1997, the GMT Himatnagar kept the central AC plant in operation merely for cooling the OFC equipment located in a single room. When this was pointed out by Audit in October 1998, the GMT installed three package type ACs of 5 TR capacity each, worth Rs 3.74 lakh in April 1999 for cooling the OFC equipment; he finally shut down the central AC plant in May 1999. The package type ACs for cooling the OFC equipment were commissioned in June 1999. As a result, the central AC plant remained in operation for cooling just a single room for over 20 months i.e. between October 1997 and May 1999 and led to an avoidable expenditure of Rs 32.21 lakh on account of electricity charges for running the AC plant i.e. after excluding the probable expenditure on running the package type AC. Besides avoidable expenditure of Rs 2.25 lakh on maintenance of the plant during the same period was also incurred.

CGMT stated *inter alia* in April 2001 that the AC plant was run to maintain the optimum efficiency of the OFC systems which was necessary in the interest of service for earning STD revenue.

The reply is not acceptable because the CGMT could have provided package type ACs to the room containing OFC equipment, soon after shifting the old cross bar exchange. Failure to plan for it and initiate appropriate action for over 20 months led to an avoidable expenditure of Rs 34.46 lakh.

The matter was referred to the Ministry in July 2001; their reply was awaited as of December 2001.

(F) Other irregularities

46 Execution of works without sanction of estimates

General Managers Telecom Hyderabad, Khammam, Nellore, Srikakulam and Tirupati in Andhra Pradesh circle incurred an irregular expenditure of Rs 7.77 crore on execution of routine nature of works without getting the estimates sanctioned.

Comments made in the past

Comments were made in paragraphs 9.12 and 40 of the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1994 and 2000, Union Government, Post and Telecommunications No. 7 of 1995 and No.6 of 2001, respectively regarding incurring of irregular expenditure on the execution of works without sanction of estimates.

The Ministry, in the Action Taken Note on paragraph 9.12 stated that they issued necessary instructions to the heads of circles in May 1995 to avoid recurrence of such lapses in future.

Irregular expenditure of Rs 7.77 crore against unsanctioned works

Examination of records of the General Managers Telecom (GMsT) Hyderabad, Khammam, Nellore, Tirupathi and Telecom District Manager (TDM) Srikakulam in Andhra Pradesh circle by Audit between September and December 2000, however, revealed that these GMsT/TDM executed routine nature of works without sanction of estimates, which resulted in an irregular expenditure of Rs 7.77 crore on execution of 53 works during 1999-2001.

Expenditure of Rs 5.20 crore yet to be regularised

All the GMsT uniformly stated between September and December 2000 that these works were taken up for execution by them to meet the targets. The GMsT Nellore, Srikakulam, and Tirupathi further stated between November 2000 and January 2001 that all their respective estimates were got sanctioned and the expenditure was regularised. However, GMsT Hyderabad and Khammam were yet (May 2001) to get these estimates sanctioned against 25 works to regularise excess expenditure of Rs 5.20 crore against these estimates.

The Ministry in their reply stated in October 2001 that in view of development targeted programme, the works had been executed without prior sanction of estimates. It further stated that expenditure in respect of 37 cases had been regularised and for rest of the cases regularisation action was under process. Necessary instructions had also been issued by the circle to all Heads of Secondary Switching Areas to stop commencement of work on advance numbers and to ensure the cases of the emergent nature mentioned in the rules were regularised within the stipulated period.

The fact, however, remained that the works, which were taken up for execution did not relate to restoration of communication or prevention of breakdown of communication for political or defence needs, and therefore, did not fall within the category of works which could be taken up in advance of sanction of estimates. Execution of routine works in advance of sanction, therefore, indicate disregard of Ministry's instructions and warranted investigation for fixing of responsibility.

47 Irregular expenditure on procurement of cable route tracers and cable fault locators

General Managers Telecom, Nasik and Nanded, without observing normal tendering procedure, incurred an irregular expenditure of Rs 41.07 lakh during 1996-2000, on procurement of cable route tracers, cable fault locators and other testing instruments.

Departmental provisions stipulate invitation of tenders for all procurement costing more than Rs 0.50 lakh. Further the CGMT, Maharashtra circle while reiterating these instructions in December 1997 directed his SSAs that any violation in this regard would be treated as wilful misconduct.

GMT Nasik and Nanded incurred irregular expenditure of Rs 41.07 lakh by procuring testing instruments without inviting tenders

Test check of records of General Managers Telecom (GMT) Nasik and Nanded in April /October 1999 disclosed that the GMsT procured cable route tracers, cable fault locators and other testing instruments during 1996-2000 at a total cost of Rs 41.07 lakh from different private firms, without inviting tenders. This resulted in irregular expenditure.

In reply to an audit enquiry the GMT Nasik stated in April 1999 that the instruments were procured from the manufacturers only, on the recommendation of field units about the high quality as well as necessity, and as such tenders were not invited. The GMT Nanded stated in June 2000 that in order to give better Telecom services to the subscribers during monsoon and to locate the cable faults immediately, the cable fault locators were procured. He added that the requirement of the instruments was not received in one lot. However, he promised that in future tenders would be invited.

The fact, however, remained that the procurement of these instruments without inviting tenders was in contravention of departmental rules/instructions on the subject.

The matter was referred to the Ministry in August 2001; their reply was awaited as of December 2001.

48 Follow up on Audit Report

Despite repeated instructions / recommendations of the Public Accounts Committee, the department did not submit remedial action taken notes on 92 Audit Paragraphs.

The Public Accounts Committee (PAC) decided in 1982 that in order to ensure accountability of the executive in respect of all issues dealt within various Audit Reports, should furnish final remedial/corrective action taken notes (ATNs) on all paragraphs contained therein.

The Committee took a serious view of inordinate delay and failure to furnish these ATNs within the prescribed time frame. It was further reiterated in the Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997 that ATNs on all paragraphs pertaining to the Audit Reports for the year ended 31 March 1996 onwards be submitted to them duly vetted by Audit within four months of laying of the Report in Parliament.

Review of ATNs relating to Department of Telecommunications, revealed that final ATNs in respect of 92 paragraphs were awaited as of December 2001.

Details of pending ATNs are given in Appendix XXXI.

49 Response of the Ministry/Department to Draft Audit Paragraphs

Ministry/ Departments were required to send their response to draft audit paragraphs within six weeks

On the recommendation of the Public Accounts Committee, the Ministry of Finance issued directions to all Ministries in June 1960 to send their response to the Draft Audit Paragraphs (DAPs) proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks.

119 Draft audit paragraphs (61 Revenue paras, 55 Expenditure paras and three comprehensive performance reviews) proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2001, Union Government (Post and Telecommunications) No.6 of 2002 were forwarded to the Secretary Department of Telecommunications during May 2001 to November 2001 through demi-official letters.

The Ministry did not send replies to 60 DAPs (26 Revenue paras and 31 Expenditure paras and three comprehensive performance reviews) up to 31 December 2001 as indicated in Appendices XXXII and XXXII1. The fact of non-receipt of replies from the Ministry is also indicated at the end of each such paragraph included in the Audit Report.

Section - II
DEPARTMENT OF POSTS

CHAPTER 6
ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

50.1 Functions of the Department

The functions of Department of Posts (DoP) include collection, transmission and delivery of mail, sale of postal stationery and providing other services such as money order, registration, insured parcel, philately etc.

DoP also discharges certain agency functions on behalf of other ministries and departments, namely Postal Savings Bank, other small savings schemes including Mahila Samridhi Yojana, Postal Life Insurance (PLI), Public Provident Fund Scheme, National Savings Certificate, collection of customs duty on articles sent by post from abroad, booking, transmission and delivery of telegrams, disbursement of pension to military and 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. DoP runs four Foreign Post Offices (FPOs) at Chennai, Kolkata, Mumbai and New Delhi to handle international mail and also five sub-FPOs at Ahmedabad, Bangalore, Cochin, Jaipur and Srinagar.

50.2 Organisational set-up

The management of the department vests with the Postal Services Board. The Board, headed by a Chairperson, has three Members holding three portfolios of Operations, Development and Personnel. The Chairperson is also the Secretary to the Government of India in DoP. The Board directs and supervises the management of the postal services in the country with the assistance of Deputy Directors General in the Directorate General of Posts.

The work of PLI is entrusted to a separate Directorate with functional autonomy. This Directorate is under the direct control of the Secretary, Department of Posts.

A separate Business Development Directorate for focused management of value added services was set-up in the department in February 1996.

There were 1,54,919 Post Offices in the country on 31 March 2001. Of these, 1,38,443 were in rural areas and 16,476 were in urban areas. The total number of Post Offices consisted of 841 Head Post Offices, 25,196 Departmental Sub-

Post Offices and 1,28,882 Extra Departmental-sub or branch Post Offices. In addition, there were 548 Sorting Offices, 450 Record Offices, 46 Postal Stores Depots, 19 Circle Stamps Depots, six Postal Training Centres/Postal Staff College and 63 Dispensaries.

The department has 22 Postal circles assisted by 37 Regional Directorates controlling 438 Postal Divisions and 69 Railway Mail Service Divisions. There is also a Base circle to cater to the postal communication needs of the Armed Forces. Speed post service was available to 117 cities within the country and to 97 countries abroad. The department has a civil wing as a multi-disciplinary organisation comprising Architectural, Civil and Electrical engineering disciplines. This wing is responsible for planning, designing and execution of departmental buildings/projects.

50.3 Manpower

The staff strength of the department during 1999 to 2001 was as under:

Table .50.3 Number of employees
(As on 31 March)

(in lakh)

Year	Departmental employees	Extra Departmental employees	Total
1999	2.93	3.10	6.03
2000	2.94	3.10	6.04
2001	2.84	3.10	5.94

The reduction in number of departmental employees in 2001 was mainly due to non-filling of vacant posts.

50.4 Postal Traffic

The projected traffic for unregistered mail was calculated by the department on the basis of last two years assessed traffic. The assessed traffic was always based on revenue earned. According to information furnished by the department, the volume of traffic projected and assessed during 1998-2001 in respect of classical services such as sale of post cards, letter cards (inland), money orders, insurance etc., as shown in table 50.4:

Table 50.4 Postal Traffic

(A) Unregistered mail **(in lakh)**

Sl. No	Item	1998-99		1999-2000		2000-01	
		Projected	Assessed*	Projected	Assessed*	Projected	Assessed*
1.	Post cards	4815	3302	4252	3117	3185.5	2640
2.	Printed Post cards	2194	1424	1535	1441	1320.5	1400
3.	Letter cards (Inland)	6760	4756	5699	4756	4599.5	4382
4.	News papers Single Bundle	 1352 383	 1295 45	 1107 339	 1044 204	 1045.5 174.5	 1099 192
5.	Parcels	619	695	629	606	684	785
6.	Letters	13492	9260	11663	9585	9620	9120
7.	Book packets	1100	789	981	1027	842	949
8.	Printed books	586	363	455	216	322	171
9.	Other periodicals	455	219	334	154	191	150
10.	Acknowledgement	812	1629	629	356	420	443

* Based on revenue collection

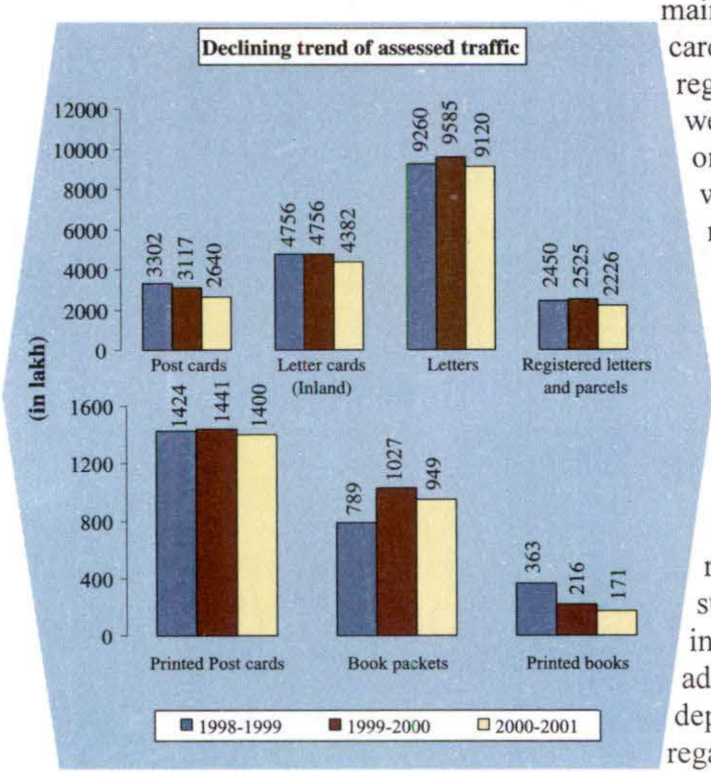
(B) Registered mail and others **(in lakh)**

Sl. No	Item	1998-99		1999-2000		2000-01	
		Projected	Actual	Projected	Actual	Projected	Actual
11.	Money Orders (MOs)	1085	1134	1099	1232	1105	1229
12.	Insurance	99	95	99	95	95	91
13.	Value payable letters and parcels	111	86	107	91	91	92
14.	Registered letters and parcels	2729	2450	2797	2525	2679.5	2226

It may be seen from the above table that there was an appreciable gap between the projected and assessed traffic of various unregistered mails during 1998-2001.

The issue was raised in the earlier Audit Reports also. The Ministry, while accepting the facts, stated in September 2001 that it has changed the procedure of calculation of projections for succeeding years, and based it now on the assessed traffic of the last two years instead of the last three years. Before it adopted the two year basis in 1998-99 the department used to go in for the figure of enumerated mail, which was based on a sample check of the volume of unregistered mail traffic in two 15 days spell in February and August. The department needs to analyse the reasons for the continuance of large variations to enable it to formulate pragmatic projections.

A comparative study of the last three years i.e. from 1998-99 to 2000-01 of postal traffic shows that there was a declining trend in postal traffic in most of the services. The department could not maintain the growth of printed post cards, letters, book packets and registered letters and parcels, which were achieved in 1999-2000 were also on declining trend in 2000-01. There was a marginal declining trend in respect of letters, registered letters and parcels, printed post cards and book packets during 2000-01 as compared to 1999-2000. The traffic in respect of printed book continued to decline year after year since 1998. Since the projections were now based on the assessed figures, a declining trend in postal revenues led to lower projection in subsequent years. Persistent reduction in projections indicated lack of adequate planning to increase the department's share in the market or to regain the lost share. This situation was not healthy for an organisation having a separate Business Development wing. The department needs to analyse the reasons for down trend in business and adopt urgent remedial measures.



50.5 Earnings from Postal Services and their costs

According to department's estimate, the average per unit cost and per unit revenue realised from the different postal services during the year 2000-01 on the basis of projected traffic were as given in the table 50.5 below:

Table 50.5 Per unit gain/loss in operation of postal services

Sl. No	Services	Per unit cost (in paise)	Per unit revenue (in paise)	Unit Loss (-) gain(+) (in paise)	Traffic Projected (in lakh)	Total loss/gain (Rs in crore)	
						Loss	Gain
(a)	**Classical services**						
1.	Post cards	580.39	25.00	(-) 555.39	3185.50	176.92	
2.	Letters	671.64	589.07	(-) 82.57	9620.00	79.44	
3.	Registration	3209.43	1400.00	(-) 1809.43	2679.50	484.84	
4.	Letter cards(Inland)	578.44	200.00	(-) 378.44	4599.50	174.06	
5.	Money orders	4862.42	1968.07	(-) 2894.35	1105.00	319.83	

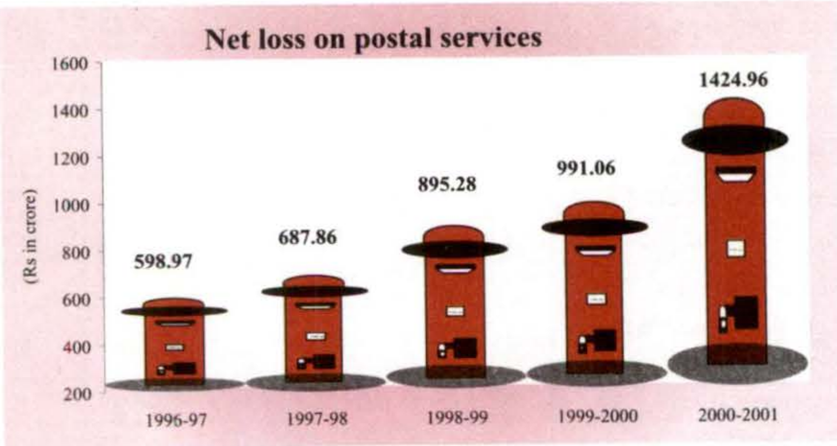
Sl. No	Services	Per unit cost (in paise)	Per unit revenue (in paise)	Unit Loss (-) gain(+) (in paise)	Traffic Projected (in lakh)	Total loss/gain (Rs in crore)	
						Loss	Gain
6.	Newspapers (single)	807.30	20.44	(-) 786.86	1045.50	82.27	
7.	Newspapers (bundle)	1333.02	49.77	(-) 1283.25	174.50	22.39	
8.	Indian Postal Orders(IPOs)	2181.03	126.73	(-) 2054.30	261.00	53.62	
9.	Printed Postcards	581.33	200.00	(-) 381.33	1214.50	46.31	
10.	Value payable Post	2543.99	395.92	(-) 2148.07	91.00	19.55	
11.	Other periodicals	1293.94	406.96	(-)886.98	191.00	16.94	
12.	Acknowledgements	539.51	200.00	(-)339.51	420.00	14.26	
13.	Book, Pattern and Sample Packets.	813.93	496.11	(-) 317.82	842.00	26.76	
14.	Telegraphic MOs	6232.76	2168.07	(-)4064.69	24.50	9.96	
15.	Printed books	1354.54	243.81	(-)1110.73	322.00	35.77	
16.	Insurance	4367.18	6590.44	(+)2223.26	95.00		21.12
17.	Parcels	5627.69	4904.79	(-) 722.90	684.00	49.45	
18.	Competition Post cards	588.49	400.00	(-) 188.49	106.00	2.00	
(b)	**Value added services**						
19.	Speed post	2587.63	4035.69	(+)1448.06	365.00		52.85
20.	Foreign mail	1281.68	2290.77	(+)1009.09	1144.00		115.44
	Total					**1614.37**	**189.41**

An examination of the earnings from Postal services and their cost, revealed that the cost per unit in different classes of service increased by varying amounts ranging up to 46 *per cent* in comparison to 1999-2000, except in the case of speed post where the cost per unit came down by nine *per cent*. It was also noticed that except "Insurance" all services under (a) classical services were running in loss.

When the similar position for 1999-2000 was pointed out in Audit Report No. 6 of 2001 of the Comptroller and Auditor General of India, the Ministry, while accepting the audit observation, attributed the losses to increase in pay and allowances of staff, affordability by public, element of subsidy etc. The department, besides other measures, had hoped to reduce the deficit through the tariff revision effective from 26 May 1999. In 2000-01, however, the position worsened.

The department's net overall loss of Rs 1424.96 crore on postal services including speed post during 2000-01 was up by Rs 433.90 crore (44 *per cent*) compared to the net loss suffered during 1999-2000. Out of 20 services mentioned above, 17 services were rendered on loss basis, as compared to 14 in 1999-2000. The department now hoped to reduce the deficit through the tariff revision of 12 postal services with effect from 1 June 2001.

Comparative position of the net loss incurred by the department on various postal services including speed post during 1996-2001 was as under:



The net loss on the postal services increased by 138 *per cent* since 1996-97. The position of increasing loss year after year was putting excessive burden on general revenues to meet the deficit. There was urgent need to analyse reasons for losses especially in the high volume items and to take urgent corrective steps.

50.6 Value Added Services

With a view to reduce transit time and provide improved postal services, the department introduced value added services such as speed post, express parcel service, hybrid mail service, business post, corporate money order etc., between 1986 and 1995. The traffic and revenue trends under these services for the last two years are given in the table 50.6 below:

Table 50.6 Traffic and revenue trends of value added services

Service	Month and year of Introduction of service	Traffic (In lakh)		Revenue (Rs in lakh)	
		1999-2000	2000-01	1999-2000	2000-01
Speed post	August 1986	312.64	355.78	12617.19	15144
Express parcel service	December 1994	7.56	23.82	355.77	1052
Hybrid mail service	January 1995	0.30	0.04	6.70	NA
Business post (mass mailing)	January 1997	2166.93	2938	8492.07	11166
Commercial publicity	NA	NA	NA	577.42	605

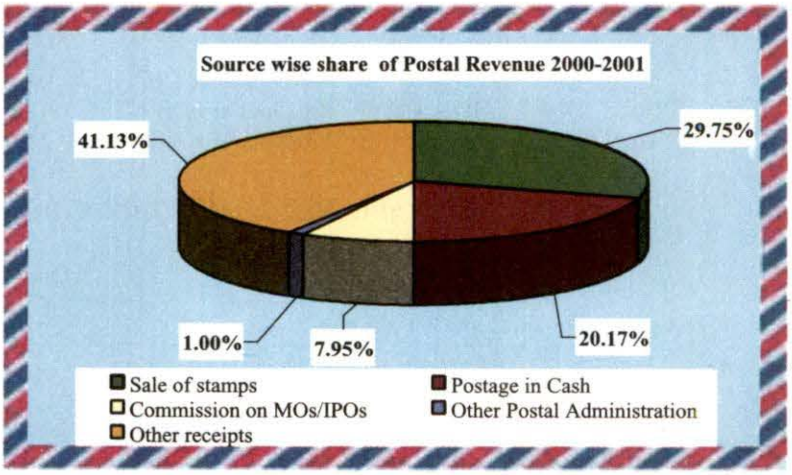
While speed post, business post and express parcel services performed well, the traffic in hybrid mail service, although introduced six years ago, fell appreciably by 87 *per cent*.

The Ministry in their reply given in January 2001 stated that Hybrid Mail Service was not being marketed vigorously due to a change being effected by the technology wing in the software of Very Small Aperture Terminals (VSATs).

50.7 Revenue realisation and Revenue Expenditure

50.7.1 Revenue

Source wise revenue realised during 2000-01 was as under:



The position for the last three years is given below:

Table 50.7.1 Source wise share of postal revenue

(Rs in crore)

Item	Gross revenue		
	1998-99	1999-2000	2000-01
Sale of ordinary and service stamps (affixed on cards, letters, parcels, book post ordinary, registered and insured categories including speed post)	947	1071	981
Postage realised in cash (newspapers, franking machines at subscriber's premises, pre-postage etc.)	484	652	665
Commission on account of money orders and postal orders	219	254	262
Net receipts from other Postal Administrations	6	28	33
Other receipts (central recruitment fees, passport form fee etc.)	67	15	1356
Total gross revenue	**1723**	**2020**	**3297**

The remuneration on small savings which were previously booked under recoveries are now taken as other receipts as per instructions of Ministry of Finance.

50.7.2 Revenue Expenditure

The revenue expenditure on pay and allowances, conveyance of mails, printing of stamps, post cards and stationery etc., during 2000-01 was as shown in chart:

The position for the last three years is given below:

Revenue Expenditure of DoP in 2000-01

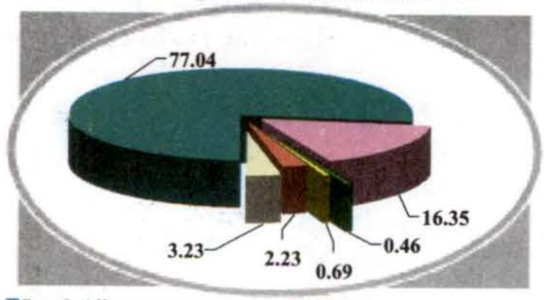


Table 50.7.2 Revenue expenditure

(Rs in crore)

Category	1998-99	1999-2000	2000-01
(a) Pay and allowances, contingencies, interim relief, etc.	3396.53	3787.18	3780.68
(b) Pensionary charges	676.76	681.56	802.50
(c) Stamps, post cards etc.	19.84	22.03	22.41
(d) Stationery and Forms printing etc.	22.41	29.77	33.89
(e) Conveyance of mails (Payments to railways and air mail carriers)	100.80	114.60	109.50
(f) Other expenditure	134.95	143.26	158.31
Total	**4351.29**	**4778.40**	**4907.29**

50.8 Net Budgetary Support

The net revenue budgetary support which is worked out by deducting receipts and recoveries from gross revenue expenditure was Rs 1549.76 crore in 2000-01 against the provision of Rs 1576.35 crore as under:

Table 50.8 Net budgetary support (2000-01)

(Rs in crore)

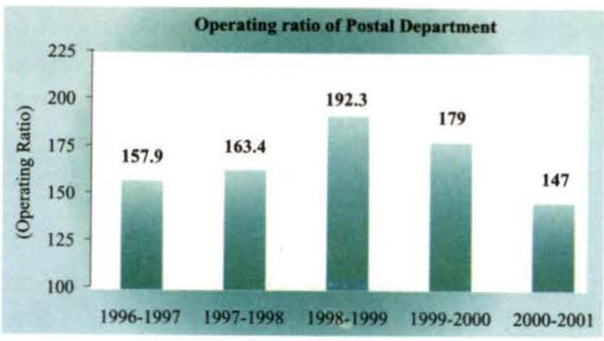
	Total provision		Actual
Expenditure (C)			
Original	5254.47	4998.70	4907.29
Supplementary	-255.77		
Recoveries (A)			
Original	1260.00	75.00	59.72
Supplementary*	-1185.00		
Receipts (B)			
Original	2000.00	3347.35	3297.81
Supplementary**	1347.35		
Net budgetary support (C) -(A+B)		**1576.35**	**1549.76**

* *As provided in the proposal for Supplementary Grant*

** *As given in the Revised Estimates*

The total deficit in DoP stood at Rs 1550 crore during the year 2000-01, which was lower by Rs 46 crore as compared to 1999-2000. This was a welcome change. The department in their ATN stated in September 2001 that regular and constant monitoring was being done to keep expenditure within budgetary provisions and to realise revenue receipts as per targets fixed by the Ministry of Finance.

50.9 Operating Results



Ratio of revenue expenditure to revenue receipts expressed as a percentage is termed the operating ratio. The chart would reveal that the gap between revenue expenditure, net of recoveries and revenue receipts, which had been widening since 1995-96, reversed its trend and the operating ratio after touching a high of 192.30 *per cent* in 1998-99 reduced to 147 *per cent* in 2000-01.

50.10 Agency Functions and Postal Life Insurance

The department renders certain agency functions as detailed in paragraph 50.1 of this chapter.

The money received and paid out were accounted for under the Public Account. The balances under each of them as reflected in the Finance Accounts are given below:

Table 50.10 Deposits under savings bank/postal life insurance scheme

(Rs in crore)

Head of Account		Amounts outstanding as on 31 March		
		1999	2000	2001
8001 – Savings Deposits				
-101	Post office savings bank deposits	31588 (661)	41062 (674)	55071 (712)
-103	Fixed and time deposits	4342 (19)	5360 (22)	6940 (24)

Head of Account		Amounts outstanding as on 31 March		
		1999	2000	2001
-104	Cumulative time deposits	49 (Dr) (17)	49(Dr) (17)	53 (Dr) (17)
-105	Post office recurring deposits	11244 (402)	14266 (438)	18696 (473)
8006 – Public Provident Funds				
-101	Public provident funds Postal part	3338 (10)	4623 (12)	6392 (14)
8002 – Savings Certificates				
-101	Post office Savings Certificates	104864	856(Dr)	1016(Dr)
8011 – Insurance and Pension Funds				
-101	Postal Insurance and Life Annuity Fund	3074	3667	4234

Note : The number of accounts in lakh are given in brackets.
Public provident Funds are handled by other agencies also

Department gets agency commission in respect of these functions discharged on behalf of other ministries and departments. The rate of commission is revised from time to time. The department received a commission of Rs 1261.28 crore for managing post office savings bank work during 2000-01. An amount of Rs 21.40 crore in respect of commission on agency functions for the year was yet to be refunded by the Ministry of Finance to the Department of Posts.

The Ministry while accepting the audit observations, stated that the matter was taken up with the Ministry of Finance for settlement of claims. However, the Ministry of Finance did not find the claim as admissible and the claim was rejected.

50.11 Scrutiny of the Finance Accounts of the department for the year 2000-01 revealed certain irregularities as shown below:

50.11.1 Adverse Balances in Finance Accounts

The adverse balances are negative balances appearing under those heads of accounts where there cannot normally be a negative balance. For example, in any loan or advance, a negative balance will indicate more repayment than the original amount advanced. Such situations should arise largely due to accounting errors or accounting situations arising out of rationalisation of the classification of accounts or administrative re-organisation, breaking up one accounting unit into many; but adverse balances may even involve financial improprieties and malpractices.

Table 50.11.1 Adverse balances in debt, deposit and advances heads

(Rs in lakh)

Sl. No	Head of Account	Amount outstanding as on 31 March		
		1999	2000	2001
1.	7610-800 Other Advances	15.79 (Cr)	16.09 (Cr)	21.19(Cr)
2.	8001-104 Cumulative Time Deposits	4896.90 (Dr)	4883.40 (Dr)	5305.94(Dr)
3.	8002-101 Post Office Saving Certificates	-	85583.56 (Dr)	101598.43(Dr)
4.	8002-102 State Saving Certificates	4.00 (Dr)	3.96 (Dr)	3.60 (Dr)
5.	8002-104 Defence Saving Certificates	2996.39 (Dr)	2965.46 (Dr)	2971.22 (Dr)
6.	8002-106 National Development Bonds	128.14 (Dr)	123.21 (Dr)	121.47 (Dr)
7.	8013 Mahila Samridhi Yojana	592.42 (Dr)	195.44 (Dr)	250.72 (Dr)

The problem of persistence of huge adverse balances under the above mentioned heads was commented in Audit Report No. 6 of 2001 of the Comptroller and Auditor General of India, Union Government (Post and Telecommunications). The Ministry, while accepting the audit observation, stated that a constant review of the adverse balances was made and the concerned Postal Accounts offices were asked to take effective steps for early liquidation of the same.

It is seen from the above table, however, that the adverse balances were still persisting. Although, there was some improvement under the heads 8001-104 Cumulative Time Deposit and 8002-106 National Development Bonds, the adverse balance in respect of 8002-101, PO certificates had increased by Rs 16014.87 lakh over the last year. Accumulation of such a huge balance under this Head is to be viewed seriously as cases of large amounts of fraudulent encashment of saving certificates including Kisan Vikas Patras were already commented in the Report of the Comptroller and Auditor General of India, Union Government (Post and Telecommunications) for the years 1996-97 and 1997-98. Department may examine the reasons for accumulation of such huge adverse balances and take urgent remedial action to clear the same.

Ministry, while agreeing with the audit figure, stated in their reply in October 2001 that a constant review of the adverse balance was made and the concerned Postal Accounts offices were instructed to take effective steps to liquidate the same.

50.11.2 Suspense Balances

The amounts initially booked under suspense heads of accounts falling outside the Consolidated Fund of India are ultimately to be cleared either by payment or recovery in cash or by book adjustment. Finance Accounts for the year ended 31 March 1998 showed a net balance of Rs 760.17 crore (Dr) under Major Head 8661-Suspense balances. In the Finance Accounts of 2000-01, a balance of Rs 84.33 crore (Dr) was outstanding under suspense head indicating improvement in the position as compared to the previous year.

Table 50.11.2 - Outstanding amount under major Head – 8661 – Suspense Balance

(Rs in crore)

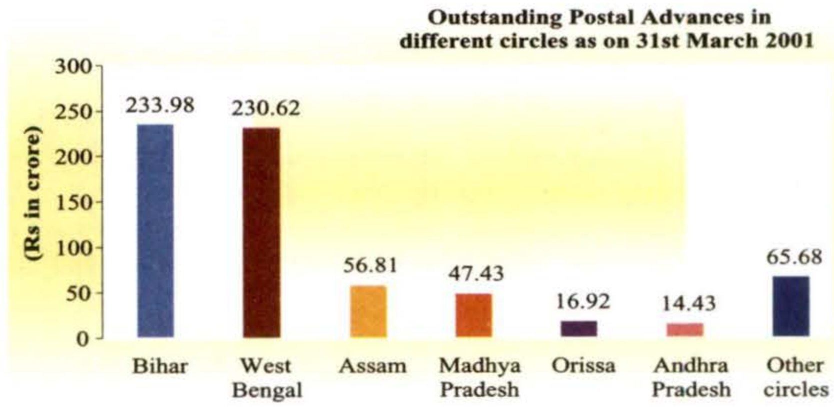
Year	Amount
1997-98	760.17(Dr)
1998-99	471.38(Dr)
1999-2000	93.97(Dr)
2000-01	84.33(Dr)

50.11.3 Advances from Public Account

Postal advances mainly represent overpayment or short credit on account of national savings certificates, money orders, cash certificates, bonds and prepaid expenses, advances to contractors etc. The problem relating to huge balances under the head Postal Advances was highlighted repeatedly in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1993 to 2000, Union Government (Post and Telecommunications). In the Action Taken Note, while accepting the audit observation partially, the Ministry stated in October 2001 *inter alia* that these items included the amount of overpayment/short credit on Post Office cash certificates, but it also includes the amount relating to Railway Mail Services and other accounts, overpayments or short credit on Money orders etc. The Ministry further added that the settlement of such amount was watched through objection books maintained separately for each series of certificates and that instructions were issued to circle Postal Accounts offices to review the outstanding balances and take effective measures to liquidate the balances.

Audit scrutiny of Finance Accounts of DoP for the year 2000-01 revealed that an amount of Rs 665.87 crore net debit was lying under the head Public Account 'Head 8553-101-Postal Advances' at the end of 2000-01 pending adjustment.

Audit investigation further revealed that out of the total amount of Rs 665.87 crore (including difference of Rs 2.73 crore) lying unadjusted under this head in 20 postal circles including base circle in the country, an amount of Rs 568.84 crore was outstanding in the postal circles of Assam, Bihar, Madhya Pradesh and West Bengal alone, accounting for 86 *per cent* of the outstanding balance. However, it was noticed that there was a difference of Rs 2.73 crore with finance account of last few years. Department in their reply in November 2001 stated that the difference is under reconciliation. The department may take effective steps to reconcile the difference. The circle wise position of outstanding advances is given in the chart below:



Huge unadjusted amounts in Bihar, West Bengal, Assam, and Madhya Pradesh circles require detailed investigation especially in view of the large scale loss of cash certificates and their fraudulent encashment in various circles reported in the Audit Reports from time to time. Unreasonably heavy balances in these circles as compared to others indicates inefficient operation, management and accounting of cash transactions in these circles. They also indicated failure on the part of the department and heads of circles to take corrective action inspite of the instructions in this regard in cases of excessive overpayments and short credits.

The Ministry while accepting the facts partially, stated in October 2001 that regular monitoring of outstanding balances under these heads of accounts was being made and the circle Postal Accounts offices had been advised for their prompt clearance.

50.11.4 Accounts with States

This head was not operated for the last four to five years. An amount of Rs 3.60 crore was lying unadjusted under this head. Ministry in their reply stated in October 2001 that the circle Postal Accounts offices were being instructed to liquidate the outstanding balances early.

CHAPTER 7
APPROPRIATION ACCOUNTS

51.1 Introduction

Appropriation Accounts (Postal Services) indicate the details of amounts on various specified services actually spent by the Department of Posts vis-à-vis those authorised by the Appropriation Act passed by the Parliament. Appropriation Accounts of the Postal Services are prepared every year by the Secretary, Department of Posts and audited and certified by the Comptroller and Auditor General of India.

The objective of Appropriation audit is to ascertain whether the expenditure incurred under the grant is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

51.2 Budget grants and expenditure

A summary of Appropriation Accounts (Postal Services) exhibiting expenditure during 2000-01 compared with the sums authorised in the schedule appended to the Appropriation Act 2000 passed under Articles 114 and 115 of the Constitution of India, is given below:

Table 51.2 - Appropriation and expenditure

(Rs in crore)

Section	Original Grant	Supplementary Grant	Total Appropriation	Actual Expenditure	Excess (+) Saving (-)
REVENUE					
Voted	5254.46	Nil	5254.46	4907.19	(-)347.27
Charged	0.01	0.02	0.03	0.10	(+)0.07
CAPITAL					
Voted	89.04	9.78	98.82	52.80	(-)46.02
Charged	Nil	0.39	0.39	0.49	(+)0.10
Total	**5343.51**	**10.19**	**5353.70**	**4960.58**	**(-)393.12**

There was a variation in the Revenue section (Charged) of Rs 0.50 lakh. In supplementary grants and demands in March 2001, Rs 2.00 lakh were allotted under Non-Plan, whereas only a sum Rs 1.50 lakh was shown in the Appropriation Accounts. Department may reconcile the difference.

A comment was made in Report No. 6 of 2001 of the Comptroller and Auditor General of India, regarding savings under the revenue segment during 1999-2000. The Ministry in their action taken note stated in September 2001 that surrender under revenue segment was due to less receipt of claims from Railways for conveyance of mails, less expenditure than anticipated and uncertainties in the payment of arrears of pension etc. The Ministry, however, assured that all efforts were being made to ensure accurate estimation to the extent possible to avoid savings and that circles had also been suitably instructed.

Savings under capital head was 51.68 *per cent* of the provision

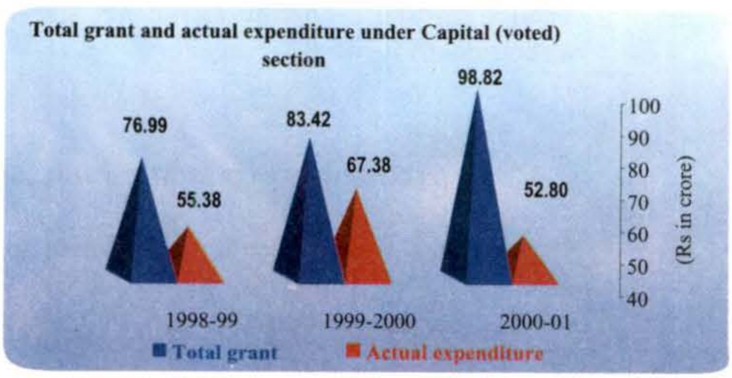
However, the overall saving rose five-fold to Rs 393.12 crore during 2000-01 as compared to the saving of Rs 73.42 crore during the previous year. Under Revenue (voted) section, saving of Rs 347.27 crore was 6.61 *per cent* of the original provision of Rs 5254.46 crore. In Capital (voted) section, there was a saving of Rs 46.02 crore which constituted 51.68 *per cent* of the original provision.

In addition technical supplementary grant of Rs 9.78 crore under Capital (voted) section, which was obtained by the department in August 2000, could not be utilised at all and was surrendered from Major head 2552 Reserve for the development of North East region in September 2000. Department may investigate the necessity of obtaining the supplementary grant, even though the original grant/appropriation could not be utilised fully.

51.3 Persistent savings under Capital section

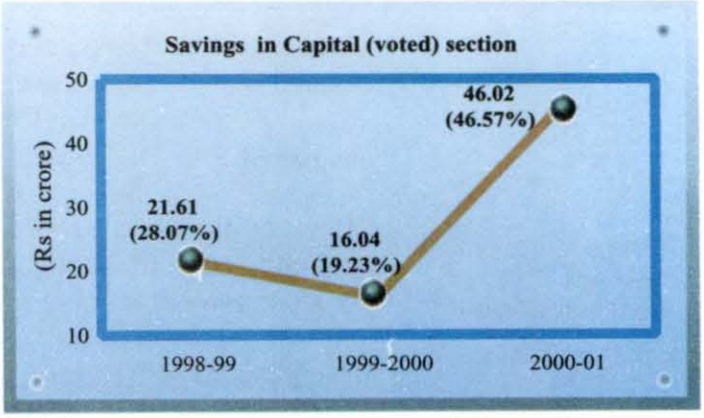
Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. Savings as shown in Appropriation Accounts in real terms denote unspent amounts, which are indicative of poor budgeting or shortfall in performance of the department under various schemes.

The persistent savings in the Capital (voted) section for the past three years are depicted in the chart below:



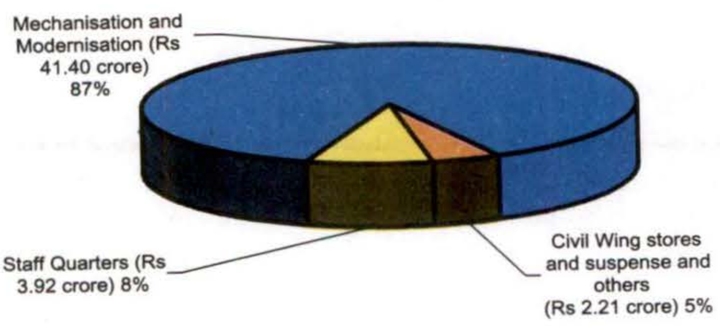
A similar comment was made in Report No. 6 of 2001 of the Comptroller and Auditor General of India regarding savings under Capital (voted) section. The Ministry in their Action Taken Note stated in October 2001 that the savings in 1999-2000 occurred primarily under mechanisation and modernisation because it was decided to drop the idea of providing the optical code reading (OCR) facility and culling, phasing and cancelling machines to the automatic mail processing centres. The department stated, however, that overall savings under the Capital section were progressively on the decline.

This trend was reversed, however, and savings under the Capital (voted) section went up almost three times from Rs 16.04 crore (19.23 per cent of the total grant) in 1999-2000 to Rs 46.02 crore (46.57 per cent of the total grant) in 2000-01.



Savings under Capital section in 2000-01, too, were primarily under the head "5201 - 104 - Mechanisation and Modernisation of Postal Services" as indicated in the chart. Out of the budget allocation of Rs 73.09 crore during the year 2000-01 in respect of Mechanisation and Modernisation scheme, only Rs 31.69 crore could be spent leaving Rs 41.40 crore of the allotment unspent. Such savings call for detailed investigation as some critical activities planned and budgeted for, could not take off for the last two years.

Sub head wise savings under Capital (voted) section



The savings of Rs 47.53 crore under the Capital heads were marginally offset by Rs 1.51 crore excess under the heads "5201 – 003 – Training", and "101 - Postal networks". Therefore, the net savings under Capital (voted) section worked out to Rs 46.02 crore.

51.4 Department's explanation for savings in grant/appropriation

The reasons advanced by the department for savings under Revenue (voted) and Capital (voted) sections were as under:

Table 51.4 - Savings in Grant

(Rs in crore)

Grant No. 15	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Posts
Revenue (voted)	5254.46	4907.19	347.27	Expenditure less than anticipated due to postal strike, ten percent cut due to measures of economy, non-receipt of claims from Railways, non-filling of vacant posts, ban on LTC and non-receipt of bills from Government Press, less payment of DA to pensioners than anticipated, less receipt of arrear claim cases of pensioners and less expenditure on existing post offices.

Grant No. 15	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Posts
Capital (voted)	98.82	52.80	46.02	Belated receipt of approval from the competent authorities and non-procurement of items under 'Mechanisation and Modernisation of postal services' scheme and slow progress of work under sub-head Staff Quarters due to natural calamities like floods and earthquake.
Total	5353.28	4959.99	393.29	

Out of the total net savings of Rs 347.27 crore under Revenue (voted) section, major portion of the savings was under the sub heads 02-101-01 existing post offices, 02-102-01 Mail Sorting, 02-103-01 Rail, 07-101-01 superannuation and retirement allowances and 07-102-commuted value of pension. In a similar case brought out in Audit Report No. 6 of 2001, the Ministry in its Action Taken Note stated in September 2001 that provision under a Head at Budget Estimates stage is made considering the actual expenditure during the previous year, actual expenditure upto September and provision made in Budget Estimates/Revised Estimates stage of the previous years and demand projected by circles and units.

51.5 Injudicious re-appropriations

Injudicious reappropriation of Rs 8.99 crore was made in five cases

In five cases, re-appropriation aggregating to Rs 8.99 crore as shown in the table below was injudicious, because the original provisions under the sub-heads to which these funds were transferred by re-appropriation were more than adequate. The savings under these sub-heads were more than the amounts re-appropriated to these sub-heads.

Table 51.5 Injudicious re-appropriations

(Rs in crore)

Head of Account	Original grant	Amount of re-appropriation to the Head	Actual expenditure
03-101 – Banking and Life Insurance 09 – Rural Postal Life Insurance	1.44	0.19	1.32
08-102 – Stationery and forms printing, storage and distribution	39.63	8.03	38.77
02 – Operation 003 – Training 01 – Operational Training	9.31	0.07	8.76
06-101-03 Dispensaries	29.14	0.41	28.61
104-05 Other items	0.80	0.29	0.40
Total	80.32	8.99	77.86

The Ministry in Action Taken Note on Paragraph 46.5 of Audit Report no.6 of 2001 stated in September 2001 that the final grant proposals are prepared in February/March every year mainly keeping in view the actual expenditure incurred up to January and the expected expenditure during the remaining two months as reflected in the demands of the circles under various heads. The Ministry further stated that Circles had been suitably instructed to project their final grant proposals in future based on realistic assessments.

The reply of the Ministry is not convincing as injudicious re-appropriation continues to occur as is evident from the above table.

CHAPTER 8
COMPREHENSIVE PERFORMANCE REVIEWS

52. Speed Post Services

52.1 Highlights

- Expenditure on speed post services had been understated substantially, on account of exclusion of manpower cost of personnel deployed from other wings of DoP.

(Paragraph 52.6)

- Speed post services short achieved financial targets by 40 per cent.

(Paragraph 52.7)

- Percentage of revenue realised to cost of operation declined from 217 in 1996-97 to 141 in 1999-2000.

(Paragraph 52.8)

- Test check by Audit revealed that delivery efficiency during the months of April 2000, September 2000 and March 2001 was only 65 per cent, 52 per cent and 52 per cent respectively. The department, however, reported this as 98 per cent, 98 per cent and 95 per cent, respectively, indicating inaccuracy in maintenance of records of delivery.

(Paragraph 52.9.1)

- Although there was improvement over the years in the proportion of settlement of complaints during the year, number of complaints from customers increased from 32,802 in 1996-97 to 2,91,005 in 2000-01.

(Paragraph 52.9.3)

- Speed post revenue of Rs 338.88 lakh was outstanding against various parties under credit management facility i.e. the 'Book Now Pay Later' scheme.

(Paragraph 52.10)

- Rebate of Rs 103.85 lakh was granted irregularly to bulk customers.

(Paragraph 52.11.1)

- There was loss of revenue of Rs 102.34 lakh due to uncoordinated fixation of tariff for registered articles and speed post articles.

(Paragraph 52.12)

52.2 Introduction

Consequent to national and international courier services increasingly satisfying the need of the business community for transmission of letters and parcels, the department introduced the national and international speed post services from August 1986. The main objective of speed post services is to ensure time bound, assured delivery of inland and international letters, documents, merchandise and parcels. Speed Post Services include State Speed Post, Domestic Speed Post, International Speed Post, Speed Post Money Orders and Speed Post Gift Services.

52.3 Organisational set up

For administration, expansion and promotion of the existing value added services, such as Speed Post, Business Post, Media Post, Satellite Post, Express Parcel Post and Retail Post, the Department of Posts (DoP) set up in February 1996, Business Development (BD) Directorate as an attached office functioning directly under the Secretary, Department of Posts. The Directorate is headed by Deputy Director General and Chief General Manager in Senior Administrative Grade, assisted by General Manager, Additional General Manager and Manager (BD).

Business Development cells at the Circle offices and at regional offices started functioning with effect from April 1999. At the circle level, the Head of the circle is responsible for the management of value added services, their promotion and marketing including speed post at field and circle level. The Business Development Cell at circle level is headed by Director (BD) and assisted by Assistant Director (STA) and Divisional Accountant (BD).

At the Divisional level the Business Development cell is headed by Senior Superintendent/Superintendent of Post Offices assisted by Senior Post master/ Postmaster and Assistant Superintendent of Post Offices or Manager Speed Post and Marketing Executive.

Speed Post Collection Centres (SPCC) were set up under Managers and Assistant Regional Managers (ASRM) depending on the volume of traffic. The centres were part of the Head Post Offices of the places. The SPCCs were provided with special vans and Mail Motor Services (MMS) vans to carry the articles to the airport etc. Booking, handling and transmission were done in the same manner as for other postal articles, except that special attention was paid to ensure that speed post articles were delivered in time.

52.4 Scope of Audit

The Audit review covering the period 1996-2001 conducted during May to August 2001 in all the postal circles, namely Andhra Pradesh, Bihar, Delhi, Karnataka, Madhya Pradesh, Maharashtra, Gujarat, Himachal Pradesh, Kerala, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh, Assam and North East involved scrutiny of records of national Speed Post centres in all these circles.

52.5 Budget allotment and actual expenditure of Department of Posts

There was wide variation between budget allotment and actual expenditure under speed post services/premium product services as available from three different sources viz. (i) the appropriation accounts, (ii) information provided by Department of Posts (BDD) and (iii) data made available by circles to the branch Audit Offices.

Table 52.5 Budget allotment and actual expenditure

(Rs. in crore)

Year	Budget allotment			Actual expenditure			(+) Excess (-) Saving		
	Circles	DoP (BDD)	Appron Accounts	Circles	DoP (BDD)	Appron Accounts	Circles	DoP (BDD)	Appron Accounts
1996-97	3.66	NA	8.52	3.99	8.61	8.73	(+) 0.33	NA	(+) 0.21
1997-98	5.81	NA	8.25	6.12	10.22	10.21	(+) 0.31	NA	(+) 1.96
1998-99	8.56	11.80	10.65	10.40	13.04	13.37	(+) 1.84	(+)1.24	(+) 2.72
1999-00	10.46	16.20	17.38	11.13	15.01	15.01	(+) 0.67	(-) 1.19	(-) 2.37
2000-01	11.03	18.57	16.70	11.24	18.42	18.49	(+) 0.21	(-) 0.15	(+)1.79

Huge variation in the figures of budget allotment and actual expenditure made available by DoP, circles and found place in Appropriation Accounts indicates lack of financial control

The wide variation in the figures from different sources indicated that DoP had no effective control on the accounting of expenditure on speed post services and was in the dark about the actual financial results of the operations.

Also, as brought out in para 6 below, the position of budget allotment and actual expenditure during the last five years did not depict the true picture because the expenditure incurred on establishment charges for speed post, relating to supervisory staff/staff working in Business Development Group at circle level, as well as at the Directorate had not been apportioned. The expenditure, therefore, was understated.

52.6 Man Power Utilisation

Table 52.6 Staff deployed on speed post services and staff costs

Year	No. of Gr. 'A' and 'B' officers	Others	Total Man-power cost (Rs in lakh)	Revenue generated (Rs in lakh)	Percentage of manpower cost to revenue
1996-97	8	460	347.97	3858.13	9.02
1997-98	8	515	491.63	4611.28	10.66
1998-99	26	973	893.36	7073.91	12.63
1999-00	32	1593	1095.24	9781.15	11.20
2000-01	32	1745	1209.65	11604.20	10.42
Total			**4037.85**	**36928.67**	**10.93**

Expenditure booked under speed post services is inaccurate as it did not include all expenditure on speed post services

Although speed post services were commenced in August 1986, staff was provided primarily by diversion from other wings of DoP. In May 1990, DoP sanctioned staff but on an adhoc basis; diversion, however, did not stop. No regular staff had been sanctioned so far (September 2001). The staff deployed for speed post services was diverted from postal divisions and RMS divisions; but their pay and allowances continued to be charged to their parent offices. In most of the booking centres, speed post work was being handled in addition to other postal work and expenditure on pay and allowances of the staff doing combined work was not apportioned to speed post work. Audit further noticed that expenditure incurred on pay and allowances of administrative/supervisory staff viz., PMGs, DPs, SSPOs and staff working in BD Group at circle level as well as at the Directorate was not apportioned either. Cost of establishment of Mail Motor Services to the extent used for speed post was also not separately booked under speed post head. Thus, expenditure stated to have been incurred on speed post work was lower than the actual expenditure and did not depict the real picture of the expenditure on speed post services.

In fact, all references to cost in this review are subject to this infirmity.

52.7 Target and achievement of speed post services

Most of the circles failed to achieve the targets of revenue realisation during 1996-97 to 2000-01

Business Development Directorate in their business plan for the year 1998-99, set an objective to improve its market share to become the third largest in the courier market by increasing the speed post services to Rs 150 crore. As such revenue target for the year 1998-99 was fixed as Rs 153 crore. It was noticed that during that year only Rs 91.36 crore were realised, registering a short fall of more than 40 *per cent*. No financial or physical targets were fixed by the Directorate for other years under review.

An analysis of achievement with reference to targets fixed at circle level revealed that most of the circles failed to achieve the targets as indicated below:

Table 52.7 - Target and achievement of speed post services

(Rs in crore)

Year	Circle	Targets	Achievement	Short fall	Percentage of shortfall to target
1996-97	Bhopal	1.45	0.97	0.48	33
1997-98	Bhopal	1.57	1.29	0.28	18
	Hyderabad	5.93	5.06	0.87	15
	Trivandrum	4.08	3.16	0.92	23
1998-99	Delhi	22.00	17.19	4.81	22
	Bhopal	2.34	1.88	0.46	20
	Hyderabad	13.25	6.24	7.01	53
	Cuttack	2.27	1.17	1.10	48
	Chennai	10.71	8.93	1.78	17
	Jaipur	2.00	1.39	0.61	31
	Kapurthala	0.50	0.38	0.12	24
	Patna	1.13	0.95	0.18	16
	Lucknow	4.16	4.11	0.05	1
1999-00	Chennai	15.08	11.88	3.20	21
	Jaipur	2.00	1.61	0.39	20
	Kolkata	13.00	11.20	1.80	14
	Lucknow	6.25	5.43	0.82	13
2000-01	Delhi	24.00	21.64	2.36	10
	Hyderabad	15.00	12.54	2.46	16
	Chennai	16.63	14.56	2.07	12
	Lucknow	7.75	7.66	0.09	1
	Kolkata	17.99	16.26	1.73	10
	Trivandrum	8.01	7.83	0.18	2

52.8 Operational Network

Decline in percentage of revenue to cost of operation

After introducing speed post services in 1986 for seven metro cities, DoP expanded the speed post network every year by adding new speed post centres. As on date, it has a national network, linking 594 major cities and towns in India. In the International network, 97 countries are linked. There are about 2000 collection centres, from where speed post articles can be booked. Although there was rapid expansion in speed post network, actual cost of operation of speed post services was neither available with the Business Development Directorate, nor with the circles. With effect from 1 April 1999, the detailed head of account for speed post services under Major Head 3201 was substituted by a detailed head for 'Premium Product Services'.

Moreover cost of operation of circles was not correct, as it did not include manpower cost on control and supervision, transportation cost of speed post articles by air/surface, conveyance of speed post articles through Mail Motor Services (MMS), pay and allowances of MMS drivers, expenditure on computerisation, modernisation and mechanisation of speed post booking centres and offices.

The position of expansion of network, formation of national and regional collection centres and related traffic and revenue realised during the period of five years is given below:

Table 52.8 – Decline in percentage of cost of revenue

(Rs in lakh)

Year	Traffic	Percentage growth of traffic	Cost of operation	Percentage increase of cost	Revenue	Percentage of revenue realised to cost of operation	Percentage of profit with reference to cost of operation
1996-97	112.4	NA	3210	NA	6995	217	117.91
1997-98	141.4	25.80	4038	25.79	7795	193	93.04
1998-99	195.95	38.58	5596	38.58	9136	163	63.25
1999-00	312.64	59.55	8929	59.56	12617	141	41.30
2000-01	377.77	20.83	NA	NA	15144	NA	NA

Percentage of revenue realised to cost of operation declined from 118 per cent to 41 per cent between 1996-97 and 1999-2000 as well as cost of operation increased from Rs 3210 lakh in 1996-97 to Rs 8929 lakh in 1999-2000

Despite sizeable expansion of speed post network, percentage of revenue realised to cost of operation steadily declined from 217 *per cent* in 1996-97 to 141 *per cent* in 1999-2000. The department stated that the postal strike of December 2000 was one of the reasons among others, which adversely affected speed post business, and many prestigious corporate parties/banks switched over to private couriers after the strike. It did not offer any reasons for the decline in profitability for the period up to 1999-2000.

Business development group is a strategic business unit of the DoP. It functions on business considerations. The department defined speed post as a commercial service. In order to operate speed post commercially, the Postal Services Board decided in October 1998 that the premium product should not get merged in the overall umbrella and a new costing structure should be evolved according to standard practices. This, however, has not been done so far (September 2001). Although Business Development Directorate professed to work on commercial and corporate principles and claimed that speed post service was managed with a commercial approach in its operation and management, the actual cost of operation of speed post was not known to them. In the absence of separate accounts, the department has taken into account the entire postal expenditure including routine postal services for arriving at the cost. Since expenditure on speed post is much higher as compared to postal services due to factors like computerisation, mechanisation, modernisation, track and trace system, advertisement sale, publicity, training seminars, incentive to booking and delivery staff, commission to collection agents etc, entire expenditure on postal services cannot be clubbed to arrive at the cost by dividing the total traffic. Thus in the absence of actual cost of operation, it was not verifiable whether speed post tariffs fixed by the department were commensurate with the cost of operation, and whether profitability shown by the department was real and correct.

52.9 Quality of Services

52.9.1 Time taken for delivery

Quality of service, specially delivery of speed post consignments and customer care are the focus areas in speed post. Speed post has guaranteed time bound and assured delivery of all inland and international speed post articles. As per delivery norms fixed by the department, delivery of speed post consignments should take place on the next working day in major cities linked by flight, while in other stations, Speed Post Article (SPA) should be delivered on the third or fourth day depending upon the availability of flights. If a speed post article was not delivered even after two attempts, the same would be kept in deposit for a period of six days and thereafter it would be returned to the sender with appropriate remarks indicating reasons for non-delivery.

The delivery efficiency ranged between 51.51 per cent to 64.76 per cent as against 95 per cent to 97.97 per cent as intimated by department

Test check by Audit of the consolidated delivery lists for the months of April 2000, September 2000 and March 2001 in Delhi circle revealed that the extent of timely delivery of SPA was only 64.76 *per cent* in April 2000, 51.51 *per cent* in September 2000 and 52.45 *per cent* in March 2001, which were far below the percentage of delivery efficiency of 97.97 *per cent* (April 2000), 97.57 *per cent* (September 2000) and 95 *per cent* (March 2001) as calculated by the department.

Audit findings in the Delhi circle were corroborated by an earlier survey on delivery efficiency of SPA conducted by M/s A.F. Ferguson, a firm of consultants. A test mail for the sample month of February 1999 was conducted by the firm, which revealed that out of 20 test mails, only 62 *per cent* were delivered in time, 26 *per cent* were delivered late and 12 *per cent* were not delivered. "Speed Post Quality of Service Test" was also conducted by Business Development Directorate in December 1999, in eight metro cities viz Delhi, Mumbai, Kolkata, Bangalore, Chennai, Hyderabad, Pune and

Ahmedabad. This revealed that delay in delivery of speed post articles ranged between 50 to 70 *per cent* during the course of test mail.

Quality Test of Speed Post Service was again conducted by M/s Ferguson in eight metro cities from 19 September to 21 September 2000. 917 letters were tested during that period of test check which revealed that out of 917 letters only 662 letters were delivered in time, 171 letters were delayed in transit {Mumbai (166) and Delhi (5)} due to failure in connecting the transit bags to onward flights. 15 letters were delayed due to wrong despatch from Ahmedabad SPC and 69 letters were delivered late in local delivery.

Reasons for delay in delivery were attributed by the department to the Speed post man returning the undelivered articles on some or other pretext, mis-sent mail, late arrival of speed post bags in the post offices and non closing of direct speed post bags for metro cities.

Cases of delay occurred in delivery of articles sent through speed post and compensation paid for such delay are shown below.

Table 52.9.1- Delay in delivery of articles

Year	Domestic						International					
	No. of cases of delay	Delay ranging between (in days)				Total refund charges (Rs in lakh)	No. of cases of delay	Delay ranging between (in days)				Total refund charges (Rs in lakh)
		2-4	4-6	6-8	8& above			2-4	4-6	6-8	8& above	
1996-97	941	496	41	18	386	1.46	422	54	6	225	137	2.24
1997-98	1144	490	45	23	586	1.32	375	152	5	153	65	1.67
1998-99	1317	707	45	14	551	1.25	376	162	3	173	38	1.55
1999-00	3444	2377	297	100	670	1.43	352	158	16	109	69	1.51
2000-01	4561	3348	483	97	633	1.30	379	154	20	105	100	1.71
Total	11407	7418	911	252	2826	6.76	1904	680	50	765	409	8.68

From the above it was evident that there was steady increase in the number of cases of delay, which were entitled for refund. In the absence of reliable records relating to delayed delivery as brought out in para 52.9.2, audit could test check only those instances of delay where refund was paid to customers. Although the percentage of such number of SPA delayed to the total SPA traffic was not significant, the number of cases of delay involving refund increased from 1363 in 1996-97 to 4940 in 2000-01.

52.9.2 Accuracy of records

It was also noticed in Delhi circle that delivery nodal offices had shown more SPA delivered than actually received during April 2000 and September 2000 as per details given in table 52.9.2:

Table 52.9.2 – Articles received and delivered

Test check revealed that records of receipt of speed post articles and their delivery was not maintained properly

S.No	Date	Name of the Head Post Office/Post Office	Speed Post articles received	Speed Post articles delivered
1	3.4.2000	Lodhi Road, HPO	678	1132
		Hauz Khas	738	787
		Patpar Ganj	548	564
2	10.4.2000	GPO New Delhi	3020	3784
		Patpar Ganj	489	548
		Lodhi Road	820	1167
3	24.4.2000	Lodhi Road	1492	2472
4	27.4.2000	Srinivas Puri	418	430
5.	28.4.2000	Lodhi Road	2664	3041
6	1.5.2000	Lodhi Road	1495	1919
7	4.9.2000	Lodhi Road	660	1036
		Karol Bagh	949	1035

In view of the inaccuracy in the records, the data showing total number of SPAs received and delivered in time/late were not reliable. Also, no prescribed mechanism was followed to identify between failed attempts and an absence of attempt to deliver.

52.9.3 Complaints

In order to watch and monitor the complaints for delay in delivery of speed post articles, the department introduced a business performance report at circle level in July 1999. Number of complaints received and disposed of during the years 1996-97 to 2000-01 are given below in Table-52.9.3.

Table-52.9.3 - Complaints received from the senders for delay in delivery

Year	Opening Balance	Number of complaints received	No. of complaints cleared	Closing Balance
1996-97	902	32802	20318	13386
1997-98	13386	36944	22681	27649
1998-99	27649	53029	52646	28032
1999-00	28032	88584	89547	27069
2000-01	27069	291005	265581	52493

Complaints in respect of speed post articles increased from 32,802 in 1996-97 to 2,91,005 in 2000-01

From the above it was evident that during the year 1996-97, out of 32,802 complaints received, only 20,318 were cleared. Moreover, although there was improvement over the years in the proportion of complaints settled during the year, the number of complaints increased from 32,802 in 1996-97 to 2,91,005 in 2000-01.

It was noticed in Delhi circle that department did not maintain any record of complaints of 'International In' prior to February 2001

52.10 Heavy outstanding under Credit Management Scheme

In order to increase the market share for speed post by motivating bulk customers, department introduced in November 1990, the 'Book Now Pay Later' (BNPL) scheme. A speed post customer belonging to corporate/Government sector who provides an average monthly business of Rs. 5000 or more can be provided with BNPL facility against a deposit, equivalent to the value of two months' transactions of all premium services, in a post office SB Account pledged to the Post Master. Under this scheme, customers need not make payment at the time of booking; instead they could make payment at the time of presentation of bill which is to be issued by 10th of the following month. Speed Post revenue outstanding under credit management facility as on 31 March 2001 was to the extent of Rs 338.88 lakh. Out of this Rs 279.18 lakh, Rs.31.74 lakh and Rs 27.96 lakh were outstanding against Govt, semi-Govt. and private parties respectively. Year wise break up is given in table 52.10.

Outstanding revenue under BNPL scheme increased from Rs 0.32 lakh in 1996-97 to Rs 338.88 lakh at the end of March 2001

Table 52.10 - Speed post revenue under BNPL scheme outstanding as on 31 March 2001

(Rs in lakh)

Year	Outstanding amount			
	Govt.	Semi-Govt.	Private	Total
1996-97	-	0.17	0.15	0.32
1997-98	3.44	0.24	0.02	3.70
1998-99	16.73	0.27	1.03	18.03
1999-2000	6.91	0.47	2.51	9.89
2000-01	252.10	30.59	24.25	306.94
Total	**279.18**	**31.74**	**27.96**	**338.88**

This indicated that the department failed to pursue the matter adequately, which resulted in the accumulation of arrears for five years.

52.11. Grant of incentive

52.11.1 Irregular grant of rebate to bulk customers — Rs 103.85 lakh

Under the scheme of volume discount facility, bulk customers are entitled to rebate at the rate of 5 *per cent* of monthly business of Rs 10,000 and above and up to Rs 49,999 and at the rate of 10 *per cent* of monthly business of Rs 50,000 or more. As per terms and conditions of the agreement, customers shall be served with monthly bills before 10th of the following month and they shall be entitled to rebate at the above rates subject to the condition that they made payment by the end of billing month, failing which they would not be entitled to any rebate. It was noticed by Audit that a number of customers did not make payment of bills by the due date but even then they were granted rebate and thus, rebate of Rs 102.42 lakh was irregularly granted to customers enjoying credit facility. This irregularly granted rebate was also not adjusted in the subsequent bills issued to these customers and remained outstanding as per details shown below:

Irregular rebate was granted to bulk customers to the extent of Rs 103.85 lakh between 1996-01

Table 52.11.1 – Outstanding revenue from customers
(Rs in lakh)

Year	Outstanding amount			
	Govt.	Semi-govt.	Private	Total
1996-97	0.05	1.31	-	1.36
1997-98	0.86	1.53	0.23	2.62
1998-99	11.17	2.02	8.17	21.36
1999-2000	13.22	5.68	21.42	40.32
2000-01	26.46	3.81	6.49	36.76
Total	**51.76**	**14.35**	**36.31**	**102.42**

In addition to the above, it was also noticed in Maharashtra circle that a bulk mail customer authorised for using franking machine was also granted rebate under this scheme, without valid permission to avail of the facility, as required under the instructions of Directorate. Thus, payment of rebate of Rs 1.43 lakh to the bulk mail customer was irregular.

52.11.2 Irregular grant of incentive to staff — Rs 5.11 lakh

Under BNPL scheme Corporate customers were supplied with journals of Speed Post Booking lists which were handed over to the officials deployed to pick up the articles at the door step of the customers. Entries in the booking list were checked with reference to the SPAs received. One copy duly signed was given to the customers. Articles thus picked up were then deposited at the BNPL Channel alongwith two other copies for further processing. No more booking of such articles was required at the speed post booking centres. During test check by Audit of incentive paid records of New- Delhi Head Post Office it was observed that incentive of Rs 1.87 lakh was paid to the staff working on BNPL channel during the period September 1999 to January 2001. As no further booking of articles received at the BNPL channel was needed, payment of incentive to the staff was irregular.

Incentive of Rs 5.11 lakh was granted to the staff irregularly

According to the departmental provisions, no outsider can be engaged for delivery of speed post articles. It was noticed in Madhya Pradesh circle that outsiders were engaged for delivery of SPAs and incentive of Rs 3.24 lakh at the rate of Rs 1.50 per SPA was paid for delivery of 2,16,299 SPAs, which was irregular. Thus payment of incentive of Rs.5.11 lakh in the two circles was irregular.

52.12. Loss of revenue of Rs 102.34 lakh

Registered letters traffic diverted towards speed post articles due to un-coordinated tariff fixation of registered letters articles and local speed post articles resulting in loss of revenue of Rs 102.34 lakh

Scrutiny of records of Gujarat Postal circle by Audit in May 2001 revealed that local speed post traffic in three regions was 1.25 lakh, 8.80 lakh and 9.45 lakh during the years 1998-99, 1999-2000 and 2000-01 respectively. Further, growth in registered letters traffic during these years was negative. The percentage reduction of traffic ranged from 9.08 to 68.96 *per cent*. The charges for local speed post articles was fixed at Rs 15.00 upto 200 grams weight, whereas the charges for registered letter was Rs 17.00 upto 20 grams. The decline in traffic of registered letters could be attributed to diversion of the same towards speed post which was due to uncoordinated tariff fixation for registered and local speed post articles. This resulted in loss of revenue of Rs 102.34 lakh to the department during the years 1998-99 to 2000-01. The loss also included discount/commission given to customers and staff members for operations of speed post services.

Conclusion

Speed post services failed to achieve the basic objective of assured and time bound delivery. Customer care was one of its focus areas but it failed to satisfy the customers and a number of corporate customers switched over to private couriers. The position of actual expenditure did not depict the true picture, as the expenditure on establishment charges for speed post was understated. The department had neither maintained an account of their actual expenditure on speed post services nor compared the same with revenue generated by the speed post services, thus failing to adhere to the basic cannon of being a commercial service. Percentage of revenue growth declined considerably during the last five years.

The matter was referred to the Ministry in October 2001; their reply was awaited as of December 2001.

53. Working of Postal Accounts offices

53.1 *Highlights*

- An amount of Rs 1045 crore drawn from bank remained unlinked in the bank schedules at the end of March 2001 in nine Postal Accounts offices test checked. The pairing in Madhya Pradesh Postal Accounts office was very unsatisfactory as only 10 per cent of the unlinked drawings during 1996-2001 was paired. Similarly, Rs 797 crore drawn from bank remained unlinked in the Post office schedules.

(Paragraph 53.8)

- An amount of Rs 30.82 crore drawn from treasury remained unlinked in the post office schedules in five Postal Accounts offices test checked. In Orissa Postal circle although an amount of Rs 10.51 crore was drawn from treasury by post offices during 1996-2001, no pairing work was done with the treasury schedule by Orissa Postal Accounts office.

(Paragraph 53.9)

- Test check conducted in 10 Postal Accounts offices disclosed that a sum of Rs 2934.34 crore remitted to bank remained unlinked in the bank schedules. Similarly, a sum of Rs 1778.04 crore remained unlinked in the post office schedules at the end of March 2001. As a result any fraud, wrong debiting or crediting of money in Government accounts would remain undetected.

(Paragraph 53.10)

- Ministry of Finance issued instructions for levy of interest from Public Sector banks on all delayed remittances, excess/double reimbursement etc. It was observed that interest amounting to Rs 4.59 crore was not recovered from the concerned banks for such delayed remittances and excess/double reimbursement during 1996-2001.

(Paragraph 53.12)

- Whenever any voucher is not received or the expenditure can not be classified to the correct of head of account, such expenditure is classified as Unclassified suspense. A credit suspense of Rs 366.79 crore and debit suspense of Rs 587.86 crore were outstanding at the end of March 2001 in ten Postal Accounts offices under review.

(Paragraph 53.14)

- Test check conducted in nine Postal Accounts offices revealed that an amount of Rs 95.86 crore was outstanding at the end of March 2001 under "Departmental Advances – Other Advances" which is a temporary head of account for booking the expenditure for want of details etc.

(Paragraph 53.15)

- **General Provident Fund accounts should not contain negative balances. The GPF accounts maintained by eight Postal Accounts offices, however, contained minus balances totalling Rs 0.32 crore from 1996 onwards.**

(Paragraph 53.16)

- **Cash certificate work like posting of cash certificate issues and discharges and other accounting work was in arrears ranging from three to five years in seven Postal Accounts offices; as a result, any fraud that may have taken place would remain undetected. The department needs to take urgent steps for early clearance of arrears.**

(Paragraph 53.19)

- **Foreign Money orders originating from other countries and paid in India should be recovered from the foreign Governments. A sum of Rs 26.44 crore on account of foreign money orders paid in India was to be recovered from the foreign Governments as of July 2001.**

(Paragraph 53.21)

- **Department of Posts undertakes agency work by making pension payment through post offices on behalf of other Ministries/ departments. Audit scrutiny disclosed that a sum of Rs 30.26 crore was to be realised on account of such pension payments made by Post offices at the end of March 2001.**

(Paragraph 53.22 and 53.23)

- **British Postal orders paid in India should be reimbursed by the Government of United Kingdom on sending the paid vouchers through the Postal Accounts office nominated for this purpose. Due to non-receipt of paid vouchers from Post offices, an amount of Rs 94.83 lakh could not be realised in eight Postal Accounts offices test checked at the end of March 2001.**

(Paragraph 53.24)

- **Department of Posts did not realise Rs 28.49 crore from Department of Telecommunications from 1993-94 onwards being the commission for transmitting telegraph messages through combined Post Offices.**

(Paragraph 53.26)

53.2 Introduction

Department of Posts (DoP) discharges functions like sale of postal stationery, and issue of money orders and also performs agency functions such as Savings Bank, Cash certificates, Postal Life Insurance, Public Provident Fund scheme, disbursement of pension to Military, Railways, Coal mine pensioners etc., at the level of Head Post offices (HPO)/sub offices (SO) and extra departmental branch offices. In order to check and compile postal accounts of the HPOs, Railway Mail Service (RMS), Mail Motor Service (MMS), Postal Stock

Depots (PSD), Postal Stamp Depots etc falling under their jurisdiction, Postal Accounts offices have been set up at the circle level. These offices are also responsible for conducting Internal check inspection of the postal units to ensure their efficient working and to bring any serious irregularities such as loss, misappropriation, defalcation etc., to the notice of the Postal Services Board.

The HPO is the primary accounting unit in the DoP as it provides cash for the requirements of other units such as Railway Mail Service, Mail Motor Service, Post Master General's office and Director General's office. The HPO maintains the initial accounts and renders the cash account along with supporting vouchers, schedules and bills to the Postal Accounts office.

The Postal Accounts section in the Postal Accounts office is responsible for checking and classifying the expenditure detailed head wise, compiling and preparing the classified abstract for each HPO. Immediately after completion of the compilation, the Post office schedules relating to General Provident Fund, Pension, drawings from bank/treasury etc., are sent to the concerned wings for further action.

53.3 Scope and objectives of Audit

The review was conducted during June-July 2001 on the working of Postal Accounts offices covering the period 1996-97 to 2000-01 in 12 out of 14 Postal Accounts offices viz. Andhra Pradesh, Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal. The objectives of the review were to examine the efficiency of operations of both technical and non-technical areas of working of Postal Accounts offices, study the effectiveness of Internal check and comment on the inadequacies.

53.4 Organisational set up

The Secretary, Department of Posts (DoP) is the Chief Accounting Authority who is also the ex-officio Chairman of the Postal Services Board. The Member (Finance) advises and assists the Chief Accounting Authority in all accounts and financial matters. There are 22 Postal circles each headed by a Chief Post Master General. For one or more Postal circles, there is a Postal Accounts office which is headed by an officer of the rank of Director/Dy. Director of Accounts who is under the administrative control of Chief Post Master General (CPMG) and the functional control of the Dy. Director General (Postal Accounts and Finance).

53.5 Stages of Accounting

- The Head Post Office (HPO) is the primary accounting unit. Each HPO renders accounts along with vouchers to the Postal Accounts office.
- Postal Accounts offices classify the expenditure detailed head wise, compile the accounts and prepare the classified abstract for each Head Post office. All the classified abstracts for all the Head Post offices in a Postal

circle are compiled and a Circle abstract is prepared which is sent to the Postal Directorate for preparing the General Abstract.

- After completion of the compilation of the accounts, various schedules/ vouchers such as drawal from/remittance to bank/treasury, GPF, Pension etc are sent to the respective sections for further accounting.

53.6 Budget

Variation ranged between 30 and 32 per cent between budgeted and actual expenditure noticed in Bihar circle

While the variation between the budgeted and actual expenditure during the period under review was within a limit of 10 *per cent* in respect of seven out of 11 Postal Accounts offices viz., Andhra Pradesh, Kerala, Madhya Pradesh, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal Postal Accounts offices, the variation in respect of Bihar circle Postal Accounts office ranged between 30 and 32 *per cent* during 1996-99 as given in Appendix XXXIV.

Unnecessary allotment of supplementary grant

Scrutiny by Audit disclosed that although there were savings with reference to original grants in Bihar, Gujarat, Karnataka, Madhya Pradesh and Uttar Pradesh Postal Accounts offices during 1996-2001, funds under supplementary grants were allotted resulting in more savings as indicated below:

Table 53.6 variation between budget and actual expenditure

(Rs in lakh)

Name of the Postal Accounts office	Year	Original grant	Actual expen-diture	Savings with reference to original grant	Supple-mentary grant	Total savings
Bihar	1996-97	418	311	107	35	142
	1997-98	450	419	31	162	193
Gujarat	1998-99	191	177	14	10	24
Karnataka	2000-01	666	620	46	61	107
Madhya Pradesh	2000-01	502	482	20	2	22
Uttar Pradesh	1996-97	561	560	1	2	3

The Ministry stated in December 2001 that since the heads of circles were the chief budgetary authority in respect of their circles, the expenditure/receipt of offices/units including Postal Accounts offices formed part of the circle budgets and the reasons for any variations were explained in the circle appropriation accounts.

The audit point, however, is focussed on the budgetary control in respect of Postal Accounts office *per se* and not that of the circle/department as a whole. Allotment of supplementary grants when there were savings in the original grant indicated inadequate budgetary control in the Postal Accounts offices.

Results of review of the working of Postal Accounts offices with regard to their critical functions viz., pairing of drawings from/remittances into bank/treasury, suspense items, GPF, British Postal Orders, money orders, and agency functions such as cash certificates, savings bank and pension payments to other department are given in succeeding paragraphs.

I. Issues related to Accounts Compilation group

53.7. Drawings from bank

Prior to 1993, the daily scrolls were prepared by banks in triplicate sending one copy to HPO, one copy to PAO along with cheques and one copy to Reserve Bank of India (RBI) for adjustment in Government balances. In the Postal Accounts offices the drawings from/remittances into bank shown in the bank scrolls were paired with the amounts shown in the post office schedule. Any item remaining unlinked was being taken up with the concerned post office/bank for reconciliation of the discrepancy.

Revised procedure for reporting and accounting of transactions of DoP

A revised procedure for reporting and accounting of transactions of DoP was introduced from October 1993. The salient features of this scheme were that the daily scrolls of drawings from/remittances into bank were prepared by the dealing bank separately in quadruplicate and one copy sent to the PO and another one retained as office copy. Two copies would be sent to the 'Focal Point Bank' with challan/cheques. The 'Focal Point Bank' would consolidate the scrolls received from various branches and prepare a main scroll and send it to the Postal Accounts office. The 'Focal Point Bank' would then prepare a daily memo and send it to its link cell at Nagpur (GAD Branch in the case of State Bank of India) for effecting the requisite change in the balance of Government. The Postal Accounts offices would verify the duplicate copy of the main scroll and point out mistakes on a daily basis.

53.8. Unlinked items in the bank schedules

Test check conducted in nine Postal Accounts offices disclosed that a sum of Rs 1045.23 crore remained unlinked in the bank schedules in the books of Postal Accounts offices at the end of March 2001 as given below:

Table 53.8(i) Amount unlinked in bank scrolls in respect of drawings from bank

(Rs in crore)

Sl. No	Name of circle	OB as on 1 April 1996	Unlinked amount raised during 1996-2001	Amount paired/ adjusted	Closing balance as on 31 March 2001
1	Andhra Pradesh	133.61	163.66	123.15	174.12
2	Bihar	NA	370.03	295.75	74.28
3	Gujarat	4.49	43.93	7.68	40.74
4	Karnataka	235.96	56.11	17.53	274.54
5	Kerala	54.77	173.66	150.50	77.93
6	Madhya Pradesh	6.29	14.04	1.47	18.86
7	Orissa	28.20	299.56	211.06	116.70
8	Uttar Pradesh	46.12	126.98	55.58	117.52
9	West Bengal	77.76	315.09	242.31	150.54
	Total	**587.20**	**1563.06**	**1105.03**	**1045.23**

Only 71 per cent of unlinked amount raised in respect of drawings from bank was linked with the bank schedules

The table 53.8(i) indicated that out of unlinked amount of Rs 1563 crore raised during 1996-2001 in respect of drawings from bank, only an amount of Rs 1105 crore (71 *per cent*) was adjusted, leaving only 29 *per cent* unlinked, adding further to the accumulations. The percentage of pairing work done to that raised in Postal Accounts offices in Gujarat (18), Karnataka (32), Madhya Pradesh (11), Uttar Pradesh (44) was low. The reason attributed was that the Focal Point Bank gave only a lump sum figure for the amount drawn from/ paid into banks daily, instead of giving figures item-wise, as required, causing difficulties in pairing the amounts shown in the Post Office schedules. This could lead to any fraud/wrong debiting or crediting of the money in the Government accounts not being detected, defeating the very purpose of linking the amount shown in the bank schedules with post office schedules.

Rs 796.62 crore drawn from bank remained unlinked in PO schedules

Similarly, a sum of Rs 796.62 crore relating to drawings from the bank remained unlinked in the Post office schedules in eight Postal Accounts offices test checked as given below:

Table 53.8(ii) Unlinked items in the Post office schedules on account of drawings from bank

(Rs. in crore)

Sl No.	Name of Postal Accounts office	Opening Balance as on 1 April 1996	Raising from 1996-2001	Adjustment from 1996-2001	Closing balance as on 31 March 2001
1	2	3	4	5	6
1	Andhra Pradesh	248.63	1435.41	1474.28	209.76
2	Gujarat	99.94	489.80	522.09	67.65
3	Karnataka	102.46	1246.52	1063.05	285.93
4	Kerala	126.89	1960.49	1985.17	102.21
5	Madhya Pradesh	39.41	488.48	471.10	56.79
6	Orissa	5.77	188.08	167.23	26.62
7	Uttar Pradesh	4.69	8.73	8.05	5.37
8	West Bengal	53.34	1042.25	1053.30	42.29
	Total	**681.13**	**6859.76**	**6744.27**	**796.62**

To an audit enquiry, the Postal Accounts offices replied that efforts were being made to clear the unlinked items early.

53.9. Drawings from Treasury

Rs 30.82 crore drawn from treasury remained unlinked in the PO schedules at the end of March 2001

Post offices draw cash from treasury, wherever bank facility is not available. The amount drawn from treasury by Post Offices is to be settled by the Accountant Generals of the State through settlement account. At the end of March 2001 Rs 30.82 crore remained unlinked in the post office schedules in five Postal Accounts offices test checked viz., Gujarat, Karnataka, Maharashtra, Orissa and Uttar Pradesh circles, as indicated in Appendix XXXV.

In Orissa Postal Accounts office, the opening balance as on 1 April 1996 showed a minus balance of Rs 4.01 crore which was yet to be rectified (July 2001). Although Rs 10.51 crore was drawn from the treasury during 1996-

2001, no pairing work was done with treasury schedules. Maintenance of accounting records with minus balances defeated the very purpose of accounting and checking. More over, any fraud or wrong booking of the transactions would remain undetected.

The Ministry stated that minus balances in Orissa circle might be due to erroneous accounting adjustments and PAO concerned had been asked to reconcile the same immediately.

53.10. Remittances to bank

Rs 2934.34 crore remitted to bank remained unlinked in the bank scrolls

Scrutiny of records of ten Postal Accounts offices disclosed that Rs 2934.34 crore remitted to the bank remained unlinked in the Bank scrolls at the end of March 2001 as given below:

Table 53.10 Remittances remaining unlinked in the bank scrolls at the end of March 2001

(Rs in crore)

Sl No.	Name of circle	Opening Balance at the beginning of April 1996	Unlinked amount raised during 1996-2001	Amount paired/ adjusted	Closing balance at the end of March 2001
1	2	3	4	5	6
1	Andhra Pradesh	146.06	436.15	301.03	281.18
2	Bihar	NA	366.16	143.35	222.81
3	Gujarat	3.13	55.11	21.14	37.10
4	Karnataka	297.76	197.20	171.96	323.00
5	Kerala	138.59	249.82	169.74	218.67
6	Madhya Pradesh	45.69	244.78	28.93	261.54
7	Orissa	55.28	302.85	39.64	318.49
8	Tamil Nadu	9.93	47.34	48.77	8.50
9	Uttar Pradesh	162.11	331.86	103.33	390.64
10	West Bengal	309.22	1471.79	908.60	872.41
	Total	**1167.77**	**3703.06**	**1936.49**	**2934.34**

Only 40 per cent of unlinked amount raised in respect of remittance to the bank during 1996-2001 was paired with bank scrolls

It was observed that out of an amount of Rs 4870.83 crore unlinked in respect of remittances to bank during 1996-2001 including balance at the beginning of April 1996, only an amount of Rs 1936.49 crore (40 *per cent*) was paired/adjusted. The pairing work in all Postal Accounts offices except Andhra Pradesh, Kerala, Tamil Nadu and West Bengal was slow, ranging between 10 and 39 *per cent*. Some of the outstanding items were more than 20 years old. The Postal Accounts office AP circle stated in June 2001 that due to non-observance of RBI's guidelines by the dealing branches of SBI and SBH Hyderabad in respect of clearing the transactions, heavy amounts remained unlinked both in Post Office schedules as well as in bank scrolls. It added that the dealing branches were clearing debit and credit items on net basis instead of doing it separately for receipts and payments, in violation of guidelines issued by Reserve Bank of India (RBI).

53.11. Mismatch between bank schedule and Post office schedules

Rs 1778.04 crore remitted to banks remained unlinked in eight Postal Accounts offices

Scrutiny of records in eight Postal Accounts offices disclosed that a sum of Rs 1778.04 crore remained unlinked in the Post Office schedules as detailed below:

Table 53.11 Remittances remaining unlinked in the Post Office schedules during 1996-2001

(Rs in crore)

Sl No.	Name of circle	Opening Balance as on 01.04.1996	Raising from 1996-2001	Adjustment from 1996-2001	Closing balance as on 31.3.2001
1	2	3	4	5	6
1	Andhra Pradesh	255.32	1737.41	1680.71	312.02
2	Gujarat	3.99	665.96	575.05	94.90
3	Karnataka	450.01	811.43	889.10	372.34
4	Kerala	157.09	1382.32	1291.04	248.37
5	Madhya Pradesh	37.05	660.49	435.20	262.34
6	Orissa	10.90	45.47	12.46	43.91
7	Uttar Pradesh	26.08	19.32	12.05	33.35
8	West Bengal	138.13	1049.90	777.22	410.81
	Total	1078.57	6372.30	5672.83	1778.04

The amounts remaining unlinked were as old as from 1964 onwards. The possibility of clearing such old unlinked items at this distant period was remote. The reason for unlinked items was due to non-receipt of Post office schedules properly.

The Ministry explained that consequent on introduction of focal point bank system from October 1993, the improvement expected could not be made fully as the reporting system of the banks, particularly for clearing house transactions, was on lump sum basis instead of cheque wise as required by the PAOs for prompt reconciliation/pairing.

The Ministry added that some guidelines were issued by Reserve Bank of India to the bank authorities; their implementation was under review.

53.12 Non recovery of interest from public sector banks

Ministry of Finance issued instructions for levy of interest on all delayed remittances

Ministry of Finance issued instructions in August 1991 for levy of interest from Public Sector Banks on all delayed remittances, if the period of delay exceeded 30 days, in respect of double/excess reimbursement starting from the 8 day of obtaining the excess/double reimbursement i.e. the date of put-through.

Interest amounting to Rs 4.59 crore not recovered from the banks for delayed remittances

Test check of records of eight Postal Accounts offices in Andhra Pradesh, Gujarat, Karnataka, Kerala, Madhya Pradesh, Orissa, Jammu and Kashmir and Uttar Pradesh circles revealed that interest amounting to Rs. 4.59 crore was not recovered from the concerned banks for delayed remittances of receipt and excess/double reimbursement.

The Ministry stated that recovery of penal interest for delayed remittance from the concerned Focal Point branch was subject to the acceptance of the same by that branch and its final settlement was a time consuming process. The Ministry added that in some cases, whenever the circle Postal Accounts offices referred the cases to the Postal Directorate, the matter was also taken up at the level of Controller General of Accounts for their settlement.

53.13. Accounting corrections

In Government accounting, classifying the expenditure incurred to the correct head of account is of prime importance. If the expenditure is not classified to the correct head of account it would not reflect a true and fair view. Any expenditure classified wrongly to another head of account and detected subsequently, is brought to the correct head of account by means of a transfer entry.

Accounting corrections were made in 20 heads of accounts in March 2001

Test check of records of seven Postal Accounts offices viz., Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu and Uttar Pradesh disclosed that during March 2001 alone in 20 heads the credit balance was corrected by a sum of Rs. 208.19 crore and debit balance by Rs 170.95 crore.

The Ministry stated that apart from correcting the classification wrongly made in the accounts, Postal Accounts offices were also to effect transfer entries for clearing the amounts placed under 'Suspense, DAOA etc'.

The fact, however, remained that the accounting corrections were made in 18 more heads of accounts.

53.14.(a) Pending suspense balances

Accounting procedure prescribe that if any transaction could not be classified to the correct head of account for want of details such as payment date, name of the official to whom it was paid, want of sanction, head of account etc., such expenditure was temporarily classified to suspense head and taken to objection book. On receipt of the details from the concerned Postmasters, the same was classified to the correct head and taken to final head of account.

Debit suspense of Rs 20.55 crore was outstanding for want of details etc.

Test check of the records of five Postal Accounts offices viz., Andhra Pradesh, Karnataka, Kerala, Madhya Pradesh and Tamil Nadu disclosed that debit suspense of Rs.20.55 crore at the end of March 2001 was outstanding for want of details as given in Appendix XXXVI. To an audit query the units replied that position was reviewed after the close of the Broad Sheet every year. Audit, however, noticed that the balance in Debit Suspense as on 31 March 1997 was Rs 2.70 crore which rose to Rs 20.55 crore as on 31 March 2001 i.e. nearly by eight times during these four years.

b) Debit and Credit suspense

Huge amount of Rs 366.79 crore under credit suspense and Rs 587.86 crore under debit suspense remained unsettled at the end of March 2001

Departmental rules prescribe that when the vouchers of the items kept in objection books of the Account Current sections for inter-Government and inter-departmental transactions were subsequently received from the Accounts offices concerned, they should be sent to the Accounts and other sections concerned for classification. The Account and other sections should make suitable adjustment relieving the head 'unclassified suspense'. No items should be left unadjusted in the inward adjustment register after the monthly closing. Test check of records of 10 Postal Accounts offices in June 2001 revealed that credit suspense of Rs 366.79 crore and debit suspense of Rs 587.86 crore were outstanding at the end of March 2001 as detailed in the table 53.14(b). To an audit query the Postal Accounts offices stated that the position would be reviewed and suitable action taken to liquidate the outstanding debit/credit suspense.

Table 53.14(b) Outstanding suspense (credit and debit) as on 31 March 2001

(Rs in crore)

S.No.	Name of the Postal Accounts office	Suspense at the end of March 2001	
		Credit	Debit
1	Andhra Pradesh	10.47	0.27
2	Bihar	125.00	272.00
3	Gujarat	35.21	22.32
4	Karnataka	1.18	0.90
5	Kerala	0.16	1.24
6	Madhya Pradesh	32.20	17.38
7	Maharashtra	54.35	85.02
8	Orissa	12.09	9.96
9	Punjab (J & K)	0	2.49
10	Uttar Pradesh	96.13	176.28
	Total	**366.79**	**587.86**

Accepting the facts the Ministry stated that all efforts were being made to monitor this work from Headquarters level and suitable instructions were issued to all Postal Accounts offices from time to time to keep the suspense balance at the minimum level.

53.15. Departmental Advances Other Advances:

Rs 95.86 crore was outstanding under DAOA for want of details to classify to the correct head of account

Departmental rules prescribe that if details were wanting for advances paid to officials of the department which could not be classified to the correct head of account, then such amounts were initially classified as "Departmental Advances-Other Advances" (DAOA). Subsequently after obtaining the details from the concerned Post Offices, the amounts were taken to the correct head of account. Test check conducted in nine Postal Accounts offices disclosed that an amount of Rs 95.86 crore was outstanding at the end of March 2001 as given in table 53.15.

Table 53.15 Outstanding departmental advances other advances

(Rs in crore)

Sl. No.	Name of Postal Accounts office	Upto 1996 – 97	1997–98	1998 – 99	1999 – 2000	2000-01
1	2	3	4	5	6	7
1	Andhra Pradesh	0.42	0.06	1.05	2.14	28.66
2	Gujarat	NA	NA	NA	NA	7.87
3	Karnataka	NA	NA	NA	NA	2.05
4	Kerala	0.13	0.48	0.13	0.51	0.48
5	Madhya Pradesh	0.47	0.31	5.48	20.44	14.92
6	Maharashtra	1.12	0.40	0.52	1.24	13.25
7	Orissa	NA	NA	NA	NA	18.98
8	Punjab (J&K)	NA	NA	NA	NA	0.08
9	Uttar Pradesh	6.88	7.16	7.87	9.57	9.57
	Total					95.86

The Ministry stated that clearance of amounts placed under DAOA was a continuous process. The heads of Postal Accounts offices were monitoring the clearance of the amount placed under DAOA through objection books maintained for this purpose; the Postal Directorate was also monitoring the same.

53.16(a) General Provident Fund accounts - maintenance of broadsheet

Minus balances amounting to Rs 1.20 crore in broadsheet of GPF accounts in six PAOs

Test check of broadsheet of GPF other than Group D in six Postal Accounts offices viz., Andhra Pradesh, Bihar, Karnataka, Maharashtra, Orissa and Uttar Pradesh disclosed that an amount of Rs. 92.37 lakh was shown as a minus figure. To an audit query it was replied that broad sheets were being closed regularly and the outstanding amount was being attended to. It was noticed that there were no unposted items either on the credit or debit side of the GPF accounts. The reasons for minus balance in the broad sheet could not be explained. Similarly, a minus balance of Rs. 28.25 lakh was noticed in the GPF Group D accounts.

The Ministry stated that the differences between detailed book figures and ledger figures might also be due to mistakes in schedule total, misclassification between Group D and other than Group D recoveries, credit given in unclassified receipt for which schedule not received etc.

Fact remains, however, that the differences were required to be reconciled by the Postal Accounts offices.

53.16 (b) Minus balance in GPF accounts ledger cards

Departmental rules prescribe that any over or short payment of subscription to the fund in any month should be adjusted in the subsequent month wherever possible. Test check of records in eight Postal Accounts offices viz., Andhra Pradesh, Bihar, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Orissa and Uttar Pradesh disclosed that a sum of Rs 0.32 crore was shown as minus balances in the accounts from 1996 onwards. The reasons for minus balance in the accounts were attributed to wrong posting of withdrawals, non-posting of deposits or excess payments etc. But the same remained unadjusted (June 2001). Concerned Postal Accounts offices stated that necessary correspondence would be made with the units concerned and action would be taken for rectification/adjustment of minus balances.

The Ministry stated that a major part of the minus balances had already been settled viz., PAO Lucknow settled 319 items totalling of Rs 11.67 lakh out of Rs 13.45 lakh and in Orissa circle of the pending amount of Rs 35 lakh, Rs 20 lakh had already been recovered.

II. Issues related to Technical group

53.17 Heavy outstanding amount in the objection book of cash certificates section

Cash Certificate section in each Postal Accounts office maintains stock and issue register for each Head Post office wherein all the certificates issued and discharged are noted. Figures appearing in the monthly schedules received from the Post offices are reconciled with the detailed book figures. Any excess/shortfall between these two sets of figures is required to be brought to the notice of the concerned Post Offices by means of objection memos and the same is noted in the objection book maintained for this purpose. The objection is settled on receipt of reply from Post offices.

Rs 17.78 crore held under objection during 1996-2001 remained unsettled

Test check in four Postal Accounts offices in Andhra Pradesh, Gujarat, Maharashtra and Uttar Pradesh circles disclosed that Rs 17.78 crore remained unsettled in the objection books held for various reasons such as not indicating the principal and interest separately, inter changing the figures between the other series, excess/short payment of interest etc., for the period 1996-2001.

In Andhra Pradesh Postal Accounts office alone, excess payment of cash certificates of Rs 6.43 lakh held under objection was yet to be recovered. Due to lack of effective pursuance by the Postal Accounts wing, the objections remained unsettled.

The Ministry stated that this was mainly an accounting reconciliation and not related to recovery of interest from the individuals or ex-holders of cash certificates; clearances/settlement of such differences was a continuous process. They added that such type of omissions could not be completely ruled out.

The fact remained that with the passage of time the chances of settlement/ recovery would diminish further.

53.18. Unposted items in cash certificates section

Cash certificates issued Rs 732.04 crore and discharged Rs 10.44 crore not posted in the registers

The Postal Accounts office maintains for each Head Post Office a stock register for noting cash certificates issued and discharged. Test check of records of cash certificates section in four Postal Accounts offices i.e. Andhra Pradesh, Karnataka, Orissa and Uttar Pradesh revealed that cash certificates issued valuing Rs 732.04 crore and discharged cash certificates valuing Rs 10.44 crore were not posted in the registers as on March 2001. This defeated the very purpose of maintaining such stock registers by Postal Accounts office.

The Ministry stated that clearance of these unposted items was being monitored by the Postal accounts offices and finally settled by obtaining the necessary particulars from the field units/CSDs etc. Quarterly progress for this item of work was reviewed in the Postal Directorate also. The fact, however, is that large amounts remained unposted indicated lack of effective pursuance by the concerned Postal Accounts offices. With the passage of time, getting information from field units/CSDs would become increasingly difficult.

53.19 Cash certificate work in arrears

Cash certificate work was in arrears from three to five years

Comment was made in Paragraph No 55.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 (No 6 of 1999) regarding arrears in cash certificate work in various Postal Accounts offices. Scrutiny of records of seven Postal Accounts offices disclosed that cash certificate work was in arrears ranging from three to five years as given below:

Table 53.19 Arrears in cash certificate work

Sl.No	Name of the Postal Accounts office	Arrears at the end of March 2001
1	Andhra Pradesh	From March 1996
2	Bihar	From March 1998
3	Gujarat	from June 1997
4	Karnataka	From November 1997
5	Orissa	From May 1998
6	Tamil Nadu	From September 1998
7	Uttar Pradesh	From October 1996

Cash certificates worth Rs 14.52 lakh fraudulently encashed

Test check of records of Phulbani Head Post Office in Orissa circle disclosed that cash certificates valuing Rs 14.52 lakh were fraudulently encashed. The NSCs were issued in fictitious names and the same was not included in the issue journal. Later the same was encashed in different post offices, other than the office of issue. As the issue work in Postal Accounts offices was in arrears, the discharge of certificates could not be posted in time and the fraud could not be detected. The department needs to ensure that such an important item of work does not fall in arrears further and steps are taken to clear all the arrears in a time bound programme.

The Ministry stated that during the last one decade, despite tremendous increase in workload, additional staff required could not be provided in PAOs due to ban on creation of posts. However, all efforts were being made to clear the arrears of work by redeploying the staff from other sections and also deploying the staff on honorarium basis. Accepting the fraud which occurred in Phulbani Head Post office, the Ministry stated that it was a failure on the part of the concerned post office.

53.20. Non adjustment of interest on savings bank etc

The annual interest passed by the Savings Bank Control Organisation (SBCO) in respect of various accounts is required to be adjusted in the Postal Accounts office and booked under the relevant head of account.

Interest of Rs 52.69 crore on SB etc., short passed was not adjusted

Test check of records of five Postal Accounts offices in Karnataka, Kerala, Orissa, Uttar Pradesh and West Bengal during 1996-2001 revealed that an amount of Rs 52.69 crore passed towards annual interest of Savings Bank, National Savings Scheme, Public Provident Fund etc., was not adjusted.

The Ministry stated that some of the PAOs have already adjusted the amount on receipt of Grand Summary from the SBCOs subsequently in the current financial year.

53.21. Foreign Money orders

Foreign money orders (FMOs) are those money orders, which originate in or are ultimately paid by the Postal administration of another country. Foreign money orders consist of inward and outward money orders. Inward FMOs are those money orders which are received from foreign senders and payments are made in India. Outward FMOs are those money orders which originate in India and are sent to different countries.

Inward foreign money orders are received in the exchange office at Mumbai and converted into Indian money orders and sent to different post offices for payment. The paid money orders are sent to Nagpur Postal Accounts office for consolidation and reimbursement from the concerned countries.

Foreign money orders of Rs 26.44 crore was not realised from foreign Governments

Test check of three Postal Accounts offices disclosed that a sum of Rs 26.44 crore was yet to be recovered from foreign governments as of July 2001 (Rs 1.07 crore from 1996-97 onwards).

The Ministry stated that realisation of the amount relating to Foreign money orders was controlled, watched and settled by DAA section of the Postal Directorate. Necessary action was being taken by that section in this regard.

53.22. Non recovery of pension paid to pensioners of other organisations

Department of Posts undertakes agency work by making pension payment through post offices on behalf of other Ministries/offices on commission basis and subsequently gets reimbursement from the concerned Ministry/offices.

Pension amount of Rs 19.37 crore paid on behalf of other departments not realised

Test check of records of ten Postal Accounts offices viz., Andhra Pradesh, Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Jammu and Kashmir and West Bengal revealed that the post offices had not received reimbursement of pension payment of Rs 19.37 crore on behalf of other departments, from 1996-97 onwards. Although these Postal Accounts offices raised the debit, they failed to pursue the same to get the amount realised.

53.23. Non recovery of pension paid for want of payment vouchers

Rs 10.89 crore of pension payment made on behalf of other departments not realised due to non-submission of vouchers

Test check conducted in four Postal Accounts offices disclosed that though they raised debit against the department on behalf of which pension payments were made, the concerned departments rejected the claims on account of non submission of paid vouchers and other disputes. The Postal Accounts offices failed to submit paid vouchers and resolve the disputes. This resulted in non-recovery of Rs 10.89 crore from the concerned departments.

The Ministry stated that there would be some gap in getting the reimbursement after the claim was preferred as these departments give reimbursement after due scrutiny of the claims with reference to the records maintained by them. The department had also introduced a new scheme of EPF payment under the nomenclature of EPF 95 from July 2001; the issue of merger of the existing EPF 71 scheme with EPF 95 was under consideration. Once it was merged then there would not be any difficulty as the amount to be reimbursed would be received in advance from the EPF authorities. As regards Railway Pension, since the amount was adjusted through RBI, the delay might be due to non-receipt of clearance memo from RBI. The Ministry also stated that apart from regular pursuation with the concerned departments, circle PAOs have also initiated special drive for collection of old vouchers from the defaulting Post offices.

53.24. British Postal orders

Value of British Postal Orders (BPOs) paid in India at Post office counters is required to be reimbursed by the Government of United Kingdom (UK) along with commission for payment. Accordingly, the circle Postal Accounts office was required to send a monthly statement of BPOs paid in the Postal circle together with supporting vouchers to PAO Calcutta to enable that office to effect recovery through the PAO nominated for this purpose. Cases of non-receipt of paid vouchers of BPOs were also required to be watched by the concerned circle PAO through objection book.

Cases of non-receipt of paid vouchers of BPOs from the post offices and non-recovery of the amount from the Government of UK was commented in the Report of the Comptroller and Auditor General of India for the years 1983-84 (para 45), 1991-92 (para 3.3) and 1999-2000 (para 49). In response, the Ministry issued instructions in February 1985/May 1987 emphasizing speedy realisation of the value of BPOs.

BPOs worth Rs 94.83 lakh paid in India was not realised from UK Government

Despite issue of instructions, the position of recovery of dues from the Government of UK continued to be slow. Test check conducted in eight Postal Accounts offices disclosed that a sum of Rs 94.83 lakh was due to be recovered from the Government of UK on account of BPOs paid in India due to non-receipt of paid vouchers from the post offices at the end of March 2001. The oldest period of wanting paid vouchers of BPOs was 1987-88 in Orissa circle. Circle wise position is given below:

Table 53.24 Unrealised BPOs from Government of UK

(Rs. in lakh)

Sl.No	Name of the Postal Accounts office	Amount to be realised (as on March 2001)
1	Bihar	52.13
2.	Gujarat	0.04
3	Karnataka	1.50
4.	Kerala	8.25
5.	Madhya Pradesh	2.50
6	Orissa	9.73
7	Punjab	0.40
8	Uttar Pradesh	20.28
	Total	94.83

The Ministry replied that recoveries of dues in respect of BPOs was a continuous process and suitable instructions were issued from time to time to keep this item of work up to date in all PAOs. They added that the progress was also being monitored by PA wing of the Postal Directorate on a monthly basis.

53.25 Minus balances in SB/CTD/FD

Test check of records of 8 Postal Accounts offices revealed that a sum of Rs 147.55 crore was shown as minus balances in Savings bank/CTD/FD as given in Appendix XXXVII. The reasons attributed for minus balances were deposits not taken into account, interest adjusted without credit balance, misclassification etc. Concerned Postal Accounts offices replied that the post offices would be addressed and minus balances would be rectified. In Kerala and Tamil Nadu circles, every year from 1996-97 there has been sizeable incidence of minus balance. In Karnataka and Bihar circles, minus balances of 1996-97 and 1997-98 still remained as of 2000-01.

The Ministry contended that the problem was one of reconciliation and not of minus balances; also that it was the duty of the SBCOs to reconcile cash book figures with the list of transaction on daily basis. The Ministry added, however, that suitable instructions would be issued to all the PAOs for taking up the matter of un-reconciled balances with the concerned units.

The contention of the Ministry that the problem was not one of minus balances is not acceptable, because the concerned PAOs were exhibiting the minus balances in their own record and had attributed reasons for their existence.

53.26. Non-recovery of dues from DoT

Commission of Rs 28.49 crore for transmission of telegraph messages by combined offices not realised from DoT

DoP transmits telegraph messages through combined post offices for which a commission at Rs 6.95 per message is being reimbursed by the Department of Telecommunications (DoT). Test check conducted in seven Postal Accounts offices disclosed that they failed to recover commission amounting to Rs 28.49 crore from DoT from 1993-94 onwards.

The Ministry stated that the reasons for delay in getting the reimbursement from DoT was due to dispute about the rate of commission levied/claimed for transaction of telegraph messages through combined Post Offices. The issue was being sorted out and the matter was being actively pursued with the DoT; the outstanding amount would be realised shortly.

III Internal check organisation

53.27 One of the functions of the Postal Accounts office is to conduct internal inspection of various Post Offices, Mail Motor Services, Railway Mail Service offices etc to ensure their efficient working and bring to notice any serious irregularities such as loss, misappropriation, overpayment etc.

Test check of the records of Internal Check Organisation (ICO) conducted in nine Postal Accounts offices disclosed that 10,559 objections with a monetary value of Rs 3.93 crore raised by the ICO were outstanding at the end of March 2001. The position of outstanding paras in Postal Accounts offices test checked is given in Appendix XXXVIII. It was observed in audit that in eight offices other than Uttar Pradesh, the total amount of Rs 2.88 crore outstanding was on account of over payments pointed out by ICO, which were yet to be recovered from the officials concerned (July 2001). Details relating to the Postal Accounts office of Uttar Pradesh circle were not available.

The Ministry stated that PAOs were regularly pursuing with various units/offices within circles for early settlement of pending items/paras and recovery of amounts due. PA wing of Postal Directorate also periodically reviewed the clearance of old items/paras and amounts due, and fixed targets for expediting early clearance of old paras and recovery of amounts outstanding.

Conclusion

The work in Postal Accounts offices was heavily in arrears. Huge amounts drawn from/remitted to bank/treasury remained unlinked; as a result any fraud or wrong debiting or crediting of Government money remained undetected. Crores of rupees remained unadjusted under unclassified suspense and Departmental Advances – Other Advances. Minus balances were noticed in the General Provident Fund accounts and concerted action was required to be taken for rectification/adjustment of these minus balances. The work in cash certificate sections was in arrears ranging from three to five years. Excess payment of money orders remained unrecovered from 1996 onwards. Crores of rupees paid towards pension through Post Offices on behalf of other Ministries/departments and towards value of British Postal Orders paid in India remained to be recovered. Excess payments pointed out by Internal Check organisation were not recovered.

CHAPTER 9
MAJOR FINDINGS IN TRANSACTION AUDIT

(A) Loss/Over payment/Short recovery/Other recoveries at the instance of Audit

54. Short realisation of postage due to violation of conditions of postage

Postmasters in Delhi Postal circle allowed the publishers of newspapers/ periodicals/magazines registered as 'registered newspapers' to avail of tariff concession despite violation of the conditions of the licence resulting in short realisation of Rs 1.70 crore during 2000-01.

Rule for treating the publications as registered newspapers for availing concessional tariff

Departmental rules stipulate that every publication, consisting wholly or in great part of political or other news or of articles relating thereto or to other current topics with or without advertisements was to be treated as a registered news paper, provided that it was published in numbers at intervals of not more than thirty-one days and had a bonafide list of subscribers. All such registered newspapers were entitled for concessional tariff.

Conditions under which the concessional tariff not applicable

The conditions also stipulate that any registered newspaper/periodical and magazine was to be treated as book packet and would attract postage at book packet rates instead of concessional tariff in case it contained (i) an advertisement sheet printed for an advertiser and sent to the publisher of these newspapers/periodicals/magazines, (ii) an advertisement sheet with an order form attached, (iii) a prospectus with an application form attached, (iv) a proposal enquiry form or (v) any document drawn up in the form of a direct personal communication to the recipient such as printed circular in the form of a letter purporting to be addressed to a person by whom the newspaper in which it was enclosed was received.

Concessional tariff was allowed despite violation of conditions in 50 per cent of the cases test checked

Scrutiny of records of Chief Postmaster General (CPMG), New Delhi and Senior Superintendent Railway Mail Service Delhi during April/May 2001 disclosed that 1045 newspapers/periodicals/magazines were registered with Delhi circle for availing concession in postage as registered newspapers. A test check of 280 cases (27 *per cent*) out of 1045 newspapers/periodicals/ magazines registered in Delhi for availing concession in postage as registered newspapers revealed that in 50 *per cent* of the cases test checked, the editors of these newspapers/magazines/periodicals were permitted to post at concessional tariff during 2000-01 although these newspapers/magazines/ periodicals violated the conditions applicable for concessional tariff. All these newspapers/magazines/periodicals either contained religious matters (26), coupons, query, compact discs, quiz, application proforma, rate list etc (83),

Short realisation of postage of Rs 1.70 crore during 2000-01

more than 50 *per cent* advertisements (15), were not printed in permitted language (4), were not printed periodically (10), or contained extra weight/ extra pages (2) etc. As such in all these cases, the rate applicable for book packet was to be charged instead of the concessional tariff allowed. This resulted in short realisation of postage of Rs 1.70 crore during 2000-01.

Approval of SPO/SSPO for change in the dates of posting as mentioned in the licences not obtained

Further, rules prescribed that a three days' clear notice was to be given to the Postmaster of the place in case any change was desired in the dates or days of posting so specified in the licences. The number of days or dates specified in the licence of posting of registered newspapers could not be altered except with the prior approval of Superintendent of Post offices (SPO)/Senior Superintendent of Post offices (SSPO). Test check disclosed that 37 and 30 newspapers/magazines/periodicals in Delhi and Jaipur circle respectively, were posted on dates different from those specified in the respective licences without prior approval of SPO/SSPO. Delay in posting was attributed by the publisher to power cuts, late printing of magazines, late receipt of text matter, technical problems etc. The concerned postmasters permitted the publishers to post the newspapers/magazines/ periodicals without satisfying themselves about the genuineness of the delay.

The matter was referred to the Ministry in September 2001; their reply was awaited as of December 2001.

55 Non recovery of arrears of Rs 19.47 lakh

The Department of Posts failed to realise Rs 19.47 lakh, due on account of increase in the postage charges, with retrospective effect for carriage of special bags and conveyance of mails relating to Border Security Force (BSF).

DoP increased the rates of conveyance of mails and carriage of special bags of mails retrospectively

Consequent on increase in the tariff, the Department of Posts (DoP) revised upwards with retrospective effect, the postage charges for conveyance of mails and carriage of special bags of mail relating to the Cabinet Secretariat, Ministry of Defence, Border Security Force (BSF), Army Postal Service (APS) etc as under:

Dates of revision	Rate revised for carriage of special bags of mail		Rate revised for conveyance of mails	
	From Rs/Per Kg.	To Rs/Per Kg.	From Rs/Per Ton km	To Rs/Per Ton km
1-4-1996 to 31-3-1997	-	-	11.02	15
1-4-1997 onwards	-	-	15.00	16
1-6-1997 to 30-8-1998	45.60	82	-	-
31-8-1998 onwards	82.00	133	-	-

Non-recovery of Rs 19.47 lakh from BSF

Scrutiny of records of DoP by Audit in April 1999 revealed that the department failed to raise bills, for recovery of arrears on account of upward revision of postage rates for carriage of special bags/carriage of mail from BSF authoritities resulting in non recovery of Rs 19.47 lakh.

Rs 19.47 lakh realised from BSF at the instance of Audit

When this was pointed out by Audit in April 1999, the department issued bills in May 1999 and recovered the outstanding amount of Rs 19.47 lakh from Border Security Force in July 2001.

While accepting the delay in issue of bills the Ministry stated that the work of calculation of the difference amount to be claimed from BSF involved checking of records of the last three years which was in progress in March 1999. The bills were issued in May 1999 and the department got the payment in July 2001 after much persuasion.

56 Irregular payment of interest on accounts opened in contravention of rules

The Postmaster Jhunjhunu in Rajasthan circle allowed interest of Rs 12.28 lakh during 1989-99 on one Savings Bank account and a Time Deposit account opened in contravention of rules. At the instance of Audit, the whole amount was recovered in January 2001.

Post Office Savings Bank and Time Deposit rules provide that a Gazetted State Government Officer in his official capacity, on behalf of persons/bodies whose money is held as deposit or otherwise with such officer, can open Savings Bank and Time Deposit accounts in the post offices. Postal Directorate in July 1987 directed the heads of circles to issue suitable instructions to the Head Postmasters to be careful in the matter of permitting 'official capacity accounts'. Before allowing the opening of such account the Postmaster concerned is required to obtain a certificate from the person authorised to open the account to the effect that the money is the property of the person(s) or bodies on whose behalf the account is opened.

Opening of accounts in contravention of rules

Scrutiny of records of the Postmaster Jhunjhunu in February-March 2000 by Audit revealed that the Postmaster concerned, in contravention of above rules, permitted the opening of one Savings Bank account in July 1989 and one Time Deposit account in August 1997, as official category, in the name of Collector Jhunjhunu, without obtaining a certificate from him to the effect that money belonged to persons/bodies on whose behalf these accounts were opened by the Collector concerned and it did not belong to Government. Subsequently the Collector was allowed interest of Rs 8.51 lakh on Savings Bank account during 1989-99 and Rs 3.77 lakh on Time Deposit Account during August 1997 to August 1999, which was not payable under the rules, in absence of a certificate on the lines mentioned above.

Irregular payment of interest of Rs 12.28 lakh

Recovery of whole amount at the instance of Audit.

The Ministry in their reply in August 2001 stated that entire amount was recovered and Time Deposit account closed in January 2001. The remark that no interest be allowed on Savings Bank Account was also recorded on the ledger cards.

(B) Idle/Unproductive expenditure

57 Wasteful expenditure on account of delay in construction of post office buildings

Postal unit in Delhi and Rajasthan circle incurred an avoidable expenditure of Rs 156.66 lakh between 1967 and 2001 towards rent on rented buildings, idle payment of lease rental and penalty due to non construction of buildings as per lease agreements.

Audit scrutiny of records of CPMG Delhi and Rajasthan circles during April 2001 and June 2001 respectively, revealed the following irregularities

Case 1

Blocking of funds of Rs 2.10 crore due to non construction of buildings

- Although the CPMG procured 41 plots of land during 1967-98, he failed to construct even a single post office building on these plots. This led to blocking of funds of Rs 2.10 crore during the above period.

Avoidable expenditure of Rs 30.01 lakh on rented buildings

- 26 post offices were functioning in rented buildings in the vicinity of these 41 plots on which the CPMG incurred an avoidable payment of rent of Rs 30.01 lakh during 1968-2001 because of his failure to construct the buildings on the available land.

Two plots worth Rs 1.63 lakh lying under encroachment

- Out of the above 41 plots, two plots worth Rs 1.63 lakh in Jamia Nagar and Geeta Colony purchased in 1984 and 1986, respectively, were under encroachment, but the CPMG failed to get the encroachment cleared as of June 2001.

Avoidable payment of penalty of Rs 8.72 lakh

- Failure of CPMG to construct the buildings on the plots of land within two years of purchase thereof resulted in avoidable payment of penalty of Rs 8.72 lakh during 1998-99

The CPMG in April 2001, attributed the problem to shortage of funds and imposition of a ban on new construction in July 1994. In this connection it may be mentioned that 37 out of the 41 plots were procured much before July 1994.

The Ministry in their reply in October 2001 stated that the department purchased plots of land taking into account the perspective plan for the next 25 years. Against a demand of Rs 425 crore during the Eighth Five Year Plan, however, the department was allotted Plan funds of only Rs 121.35 crore. The Ministry added that this gap between demand and allotment was the primary cause for the non-construction and attraction of penalty. As regards the encroachment on two plots, the Ministry intimated that DDA had decided to allot alternate plots of land.

The reply of the Ministry is not acceptable because during the period 1990-94 against a grant of Rs 300.70 crore under Capital outlay, an expenditure of only

Rs 208.60 crore was incurred and there were savings of Rs 92.10 crore. Moreover, even a perspective plan for 25 years would not explain why no construction was effected for as along as 34 years.

Case 2

Procurement of land at various places at a cost of Rs 98.94 lakh

Unfruitful expenditure of Rs 20.17 lakh on lease rent

Failure to construct departmental buildings resulted in avoidable expenditure of Rs 96.13 lakh on rented buildings

All the 28 plots procured by CPMG Rajasthan circle at various locations in Rajasthan at a cost of Rs 98.94 lakh between September 1974 and March 1994 for construction of post office buildings were lying unutilised as of June 2001. This resulted in blocking of funds of Rs 98.94 lakh besides unfruitful payment of lease rental of Rs 20.17 lakh on 11 of these plots between 1982 and March 1999.

In order to run the post offices as also administrative offices, the CPMG hired 28 buildings despite availability of departmental land at these places. This led to an avoidable expenditure of Rs 96.13 lakh on rental for these buildings. This indicated failure of the CPMG to construct the departmental buildings on the existing plots.

The Ministry in their reply in October 2001 stated that the construction of departmental buildings on 28 plots of land prior to July 1994 could not be taken up as there were other projects under construction which helped to save a huge amount on rent. The Ministry added that pre-construction formalities took considerable time and as a result the construction of buildings on these plots could not be commenced before imposition of the ban in July 1994.

The reply of the Ministry is not convincing. As brought out above, there were savings of Rs 92.10 crore during the years 1990-94. Moreover, these 28 plots included plots purchased as far back as in 1974.

58 Idling of staff quarters due to defective planning

Construction of staff quarters by the Postmaster General Indore under Madhya Pradesh circle at Shajapur in December 1993 despite adverse site suitability certificate by the department's Civil Wing led to blocking of funds of Rs 17.59 lakh, besides avoidable payment of house rent allowance of Rs 0.51 lakh and foregoing of licence fee of Rs 0.39 lakh between December 1993 and February 2001 as these quarters could not be allotted to staff members due to non provision of water and electricity connections, because the area was undeveloped.

A comment was made in paragraph 51 of the Report of the Comptroller and Auditor General of India for the year ended March 2000, Union Government (Posts and Telecommunications) No.6 of 2001, regarding non-utilisation of ready built quarters worth Rs 28.59 lakh purchased from Madhya Pradesh Government by the CPMG Madhya Pradesh circle. The Ministry in reply stated in February 2001 that due to retirement and death of the officials concerned the responsibility could not be fixed.

Purchase of land and construction of quarters despite adverse site suitability report by the Civil Wing

In yet another such case in Madhya Pradesh circle, Audit in July 1998 and February 2001 noticed non-utilisation of quarters by PMG Indore who constructed them despite adverse site suitability certificate by the department's Civil Wing as detailed below:

The PMG purchased a piece of land measuring 99,000 Sq ft in November 1982 from the Government of Madhya Pradesh at a premium of Rs 7,544 and an annual lease rental of Rs 565.80. In January 1991, he accorded administrative approval and expenditure sanction for construction of two quarters each of Type I and II and one quarter of Type III on the said land, at an estimated cost of Rs 11.08 lakh, though he was aware that the said land was absolutely undeveloped and not fit for construction till its development by the city development authorities for water and electricity facilities. Since the land was rocky, even a tubewell could not be bored.

Blocking of funds of Rs 16.64 lakh due to idling of quarters and Rs 0.95 lakh on provision of water connection

Avoidable payment of HRA of Rs 0.51 lakh besides foregoing of licence fee of Rs 0.39 lakh

The quarters, completed in December 1993 at a cost of Rs 16.64 lakh inclusive of cost of electric fittings, could not be allotted as of August 2001 for want of water connection for which an additional amount of Rs 0.95 lakh was paid to Municipal Corporation in May 1999. This resulted in blocking of funds of Rs 16.64 lakh for over seven years and house rent allowance of Rs 0.51 lakh had to be continued to the staff members as the quarters were not made fit for occupation. The quarters if made fit and occupied would have earned a licence fee of Rs 0.39 lakh between December 1993 and February 2001.

The Ministry stated in July 2001 that the staff quarters were constructed keeping in view the long-term requirements of the staff in the division but the basic amenities did not come up as expected. The Ministry added that the PMG Indore had been directed by CPMG, MP circle to allot these quarters immediately and consult the civil wing for providing water connection from the nearest available water source.

(C) Excess expenditure in violation of rules

59 Payment of overtime allowance

Failure of the Senior Superintendent of Airmail Sorting division Chanakyapuri Delhi to restrict the payment of overtime allowance (OTA) to the limit prescribed by the Government of India led to an excess payment of Rs 68.41 lakh to Group 'C' staff during 1996-2001. Further, despite excess men-in-position, he paid OTA of Rs 57.35 lakh to Group 'D' staff during the same period.

Rules prescribe the ceiling of overtime allowance at one third of monthly emoluments of the employees

As a measure of economy in administrative expenditure of the Government of India, the overtime allowance (OTA) rules stipulate that the deployment of staff on overtime beyond the prescribed office hours is not to be resorted to as a matter of routine. The work in all the offices, as far as possible, is to be organised in such a way so as to avoid retention of staff on overtime duty beyond office hours. However, in exceptional cases, where it is decided at the appropriate level that the nature of work is such that it cannot be postponed till the next day, the minimum staff required to do that work should be deployed on overtime. Even in such cases it is to be ensured that the maximum overtime allowance admissible to such employees in a month does not exceed the amount corresponding to OTA payable for one third of their monthly working hours i.e. 70 hours. However, this may not be claimed as a matter of course.

Non restricting of overtime allowance to prescribed limit led to excess payment of Rs 68.41 lakh

Payment of OTA of Rs 57.35 lakh to Group "D" despite excess men-in-position over sanctioned strength in Group 'D' cadre

Audit scrutiny of records of the Senior Superintendent Airmail Sorting division Chanakyapuri Delhi in December 1999 revealed that the above officer allowed the payment of OTA to his employees, in a routine manner, without restricting the same to the above prescribed ceiling. This led to an excess payment of Rs 68.41 lakh to Group 'C' staff during 1996-2001. Further, OTA of Rs 57.35 lakh was also paid to Group 'D' staff during 1996-2001 although there was surplus staff under this cadre as shown below:

Table 59 Surplus Staff

Period (as on)	Sanctioned strength	Men-in-position	Shortage/ Excess
1 January 1996	290	282+54 (TS)*	(+) 46
1 January 1997	290	282+54 (TS)	(+) 46
1 January 1998	290	282+54 (TS)	(+) 46
31 March 1999	290	284+62 (TS)	(+) 56
31 March 2000	290	281+53 (TS)	(+) 44

* *Temporary status*

It was further noticed that the Senior Superintendent Airmail Sorting failed even to maintain the overtime allowance register prescribed under the rules for effective monitoring of payments thereof. As a result, the supervisory officers failed to exercise necessary checks on the payment of overtime allowance.

The Senior Superintendent, while confirming the above facts, stated in December 1999 and July 2001 that the payment of OTA in excess of prescribed ceiling was made under the approval of the CPMG. He further added that instructions had been issued for proper maintenance of the register of OTA.

The fact, however, remains that the practice of payment of OTA in excess of the prescribed ceiling and despite surplus staff was clearly in violation of the provisions and cost the exchequer Rs 1.26 crore

Ministry may investigate the matter.

The matter was referred to the Ministry in August 2001; their reply was awaited as of December 2001.

(D) Avoidable payment/expenditure

60 Excess payment to Railways for conveyance of mail

Chief Postmaster General Orissa circle paid twice to South Eastern Railway for carriage of mail between the same sections in the same trains during the same period resulting in excess payment of Rs 40.20 lakh.

DoP hires coaches from Railways for carriage of mails.

DoP hires coaches on running trains from Indian Railways for carriage of mail. The railway coaches used for the purpose are commonly known as postal and non-postal vans. The payments are made to Railways by the Head of Postal Circle based on the bills raised periodically by the Zonal Railways.

Excess payment of Rs 40.20 lakh to the SE Railway authorities for carriage of mail

Scrutiny of records of CPMG Orissa circle by Audit in April 2000 revealed that in 15 cases the CPMG paid to South Eastern Railway (SER), the haulage charges of Rs 36.10 lakh billed for between October 1995 and September 1998 for carrying mail by different trains in different sections. Again the CPMG paid Rs 40.20 lakh towards the carriage charges billed for between July and November 1998 on weighment basis for the mail carried for the same period by the same trains and between the same sections. This resulted in double payment of Rs 40.20 lakh towards carrying mail on weighment basis to South Eastern Railway as given here under:

Table 60 Excess payment to SE Railway for carriage of mail

	Haulage basis	Weighment basis
Billing period	March 1994 to September 1998	March 1994 to September 1998
Period of payment	October 1995 to September 1998	July /November 1998
Amount Paid (Rs in lakh)	Rs 36.10	Rs 40.20

When this was pointed out by Audit in April 2000 the CPMG Orissa circle adjusted the entire amount in February-March 2001 in the subsequent bills preferred by Railways.

While accepting the facts the Ministry stated in October 2001 that the Railways prefer the bills for haulage charges and weighment system charges separately. In this case the Railway authorities erroneously mentioned the same train numbers in some cases in both the bills. Thus, the overpayment cropped up undetected and the same was inadvertently made. Audit considers that this indicated ineffective checking of bills.

61 Excess payment of haulage charges

The Chief Post Master General Orissa circle in violation of departmental instructions made excess payment of Rs 20.24 lakh as haulage charges for conveyance of mail through Railways for the empty run of vehicles beyond the destination points for the mail.

Haulage charges are payable on actual km run by RMS coaches

DoP conveys mail between Bhubaneswar and Jharsuguda (876 kms) by "Hirakhanda Express", which runs from Bhubaneswar beyond Jharsuguda, upto Rourkela (976 km). Similarly, mail was also conveyed between Nagpur and Chakradharpur (818 km) by "Tatanagar-Nagpur passenger train", which runs from Nagpur beyond Chakradharpur, upto Tatanagar (882 km). The haulage charges, as per department's instructions, are payable to the Railways for the actual distance of the Railway Mail Service (RMS) section and not for the empty run of the RMS coaches beyond the destination points for the mail.

Failure to restrict the payment to actual km covered by RMS coach resulted in excess payment of Rs 20.24 lakh

Audit scrutiny of the records of the CPMG Orissa circle in April 2000, revealed that the CPMG Orissa circle made an excess payment of haulage charges of Rs 20.24 lakh during 1993-99 for empty run of RMS coaches beyond the destination points for the mail, without restricting the payments to the actual distances of the RMS sections concerned.

Recovery at the instance of Audit

The Ministry in their reply in October 2001 while confirming the facts and figures stated that the excess payment of haulage charges paid by Orissa circle was adjusted from the bill preferred by SER for the period ending September 2000.

62 Irregular payment of advances to contractors

In violation of codal provisions, the Executive Engineer Postal Civil Division Cuttack in Orissa circle made irregular payment of advances amounting to Rs 1.39 crore to various contractors during July 1997 to March 1998. This led to loss of interest of Rs 12.77 lakh till their recovery/ adjustment.

Advance payment to contractors prohibited

Advance payment to contractors under the codal provisions is, as a rule, prohibited. As an exception, however, advances are payable for work actually executed, on the certificate of a responsible officer and with the prior sanction of the concerned Superintending Engineer (SE).

Executive Engineer paid advances of Rs 1.39 crore to contractors in violation of rules

Advance of Rs 21.90 lakh paid to contractors before commencement of work

Audit scrutiny of the records of the Executive Engineer (EE) Postal Civil Division Cuttack between September 1997 and October 2000 revealed that the EE in contravention of above rules paid advances of Rs 1.39 crore to 37 contractors between July 1997 and March 1998, without either recommendation by any responsible officer or the approval of the SE. Moreover, these advances were made without obtaining any security. Of these, the Executive Engineer made advance payments of Rs 21.90 lakh even before commencement of work by the contractors. Besides loss of interest of

Loss of interest of Rs 12.77 lakh and outstanding advance of Rs 2.90 lakh

Rs 12.77 lakh on irregularly paid advances, this also resulted in extension of undue benefit to the contractors till their adjustment over periods ranging from 91 to 611 days. An amount of Rs 2.90 lakh out of the advances paid was recoverable as of August 2001.

The Ministry in their reply in January 2002, while accepting the facts, stated that disciplinary action had been initiated against the officers responsible for the lapse and all the advances given to contractors had been adjusted except Rs 1.00 lakh in one case; action was underway for realisation of the same from the contractor.

(E) Other irregularities

63 Retention of cash in excess of the prescribed limits

Head Postmasters Kota and New Grain Mandi Kota in Rajasthan circle retained cash in excess of the prescribed limits which was fraught with serious financial risks.

Post offices required to maintain cash within prescribed limits

Departmental provisions stipulate that the post offices must not retain cash balance in excess of the prescribed limits. Excess cash balances if any, must be deposited daily in to their respective banks.

Non observance of prescribed cash limits

Scrutiny by Audit of the records of the Head Postmasters (HPMs) Kota and New Grain Mandi Kota under the CPMG Rajasthan circle between December 1999 and July 2001 revealed that these HPMs retained cash balances over the prescribed limits fixed by the Senior Superintendent of Post Offices (SSPOs) concerned during the test checked months of March 1999 and June 2001, respectively, as shown below:

Retention of cash in excess of prescribed limits

Table 63 Excess cash balances over the prescribed limits

(Rs in lakh)

Name of HPOs	Months test checked	Permitted cash limit		Range of cash balances maintained		Range of cash balances retained in excess	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
1. Kota	March 1999	0.40	1.00	3.14	33.94	2.74	32.94
	June 2001	0.60	1.50	4.64	22.62	4.04	21.12
2. New Grain Mandi Kota	March 1999	2.00	5.00	6.76	76.18	4.76	71.18
	June 2001	2.50	6.00	6.13	17.63	3.63	11.63

Retention of such huge cash balances contrary to the provisions was fraught with the risks of theft, fraud and misappropriation.

The Ministry while admitting the facts stated in October 2001 that February and March were the months during which heavy deposits were received from the investors and it might not be feasible to totally avoid the retention of excess cash due to a) disbursement of salary; b) receipt of cash from subordinate and EDBOs after banking hours and c) non acceptance of more than 10-12 bundles of currency notes by the bank in a day

It was further stated that authorised cash balances of both the HPOs were enhanced to a minimum of Rs 5 lakh and maximum to Rs 8 lakh and Rs 6.5 lakh, respectively with effect from August 2001. Instructions to Postmasters had been issued to keep the cash balance within authorised limits and to contact the bank authorities to accept cash collected at post offices without any limit at their bank counter. The provision of gunman and chowkidar had also been enforced. Ministry further stated that inspite of taking reasonable steps, post offices continued to receive and retain surplus cash for reasons beyond the control of the department.

The reply is not acceptable due to the fact that for disbursement of salary on a particular day in a month, a specific amount is required but both post offices during March 1999 retained cash balances ranging from Rs 32.94 lakh to Rs 71.18 lakh which were 14 to 33 times more as compared to maximum permitted cash limit. Moreover, after enhancement of maximum permitted cash limit to Rs 8 lakh and Rs 6.5 lakh in August 2001 for both the post offices is not sufficient as the post office retained cash balances even in June 2001 ranging from Rs 21.21 lakh to Rs 11.63 lakh which were still 1½ to 3½ times higher than this maximum permitted cash limit. The Ministry, therefore, has to make/amend the provisions as the ongoing ad-hoc arrangements in violation of the provisions are fraught with serious risks.

64 Follow up on Audit Reports

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC) decided in 1982 that Ministries/Departments should furnish final remedial/ corrective Action Taken Notes (ATNs) on all paragraphs contained therein.

The Committee took a serious view of the inordinate delays and persistent failure on the part of a large number of Ministries/Departments in furnishing the ATNs within the prescribed time frame. In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, the PAC desired that submission of pending ATNs pertaining to Audit Reports for the years ended March 1994 and 1995 should be completed within a period of three months and recommended that ATNs on all paragraphs pertaining to the Audit Reports for the year ended 31 March 1996 onwards be submitted to them duly vetted by Audit within four months from the laying of the Reports in Parliament.

ATNs in respect of 13 Audit paragraphs were awaited as of December 2001

Review of ATNs relating to Department of Posts revealed that final ATNs in respect of 13 Audit paragraphs were awaited as on 31 December 2001. Details of pending ATNs are given in Appendix XXXIX.

65 Response of the Ministry/Department to Draft Audit Paragraphs

Ministry/ Departments are required to send their response to draft audit paragraphs within six weeks

On the recommendation of the Public Account Committee, the Ministry of Finance issued directions to all Ministries in June 1960 to send their response to the Draft Audit Paragraphs (DAPs) proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks.

14 DAPs and two comprehensive performance review proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2001, Union Government (Post and Telecommunications) No.6 of 2002 were forwarded to the Secretary Department of Posts during May to December 2001 through demi-official letters.

Replies to two draft audit paras and one review not received

The Ministry did not send replies to two draft audit paras and one comprehensive review (Appendix XL) as on 31 December 2001 in compliance to above instructions of the Ministry of Finance issued at the instance of Public Accounts Committee.

(KANWAL NATH)
Director General of Audit
(Post and Telecommunications)

Delhi 13 MAR 2002
The

Countersigned

V. K. Shunglu

(V.K. SHUNGLU)
Comptroller and Auditor General of India

New Delhi 13 MAR 2002
The

APPENDIX-I

(Referred to in paragraph 1.6 at pages 7-8)

Statement showing details of DELs and spare capacity during 2000-01

Sl. No	Name of circle/district	Equipped Capacity	Direct Exchange Lines (DELs)	Percentage utilisation	Spare Capacity
1	Madhya Pradesh (including. Chhattisgarh)	1730352	1263118	73.00	467234
2	North Eastern	351710	244670	69.57	107040
3	Jammu and Kashmir	259656	173533	66.83	86123
4-	Andaman and Nicobar	45714	30076	65.79	15638
	Total	**2387432**	**1711397**		**676035**

Calculation of potential loss

Telephone Revenue (2000-01) Rs 6820 crore

Total DELs (as on 30-9-2000) 279.59 lakh

Revenue per DELs $\dfrac{\text{Rs 6820 crore}}{\text{279.59 lakh}}$ = Rs 2439

Spare capacity was 676035 lines or say 6.76 lakh

Loss of potential revenue per annum due to spare capacity

Rs 2439 x 6.76 lakh = 1648849365

Say Rs 164.88 crore

APPENDIX – II

(Referred to in paragraph 1.7 at page 8)

Statement showing details of equipped capacity, DELs and waiting list during 2000-01

Sl. No.	Name of the circle/district	Equipped capacity	Direct Exchange Lines	Spare capacity	Waiting list	Percentage utilisation
1	Andaman and Nicobar	45714	30076	15638	473	65.79
2	Andhra Pradesh	3364322	2838418	525904	131095	84.37
3	Assam	426871	338328	88543	23210	79.26
4	Bihar (including Jharkhand)	1158218	891796	266422	78535	77.00
5	Calcutta	1311621	1229637	81984	2019	93.75
6	Chennai	1118859	919651	199208	27620	82.20
7	Delhi	2429447	1979856	449591	19216	81.49
8	Gujarat	2908698	2398691	510007	229221	82.47
9	Haryana	984364	794194	190170	109748	80.68
10	Himachal Pradesh	454050	346891	107159	40815	76.40
11	Jammu and Kashmir	259656	173533	86123	39891	66.83
12	Karnataka	2759181	2256555	502626	171845	81.78
13	Kerala	2584236	2161583	422653	774171	83.64
14	Madhya Pradesh (including Chhattisgarh)	1730352	1263118	467234	22916	73.00
15	Maharashtra	3642159	2976906	665253	289132	81.73
16	Mumbai	2691640	2355334	336306	0	87.51
17	North Eastern	351710	244670	107040	15870	69.57
18	Orissa	658011	526416	131595	71872	80.00
19	Punjab	2025176	1543449	481727	215682	76.21
20	Rajasthan	1718426	1326286	392140	122315	77.18
21	Tamil Nadu	2913591	2477366	436225	149560	85.03
22	UP (East)	1821123	1408258	412865	60589	77.33
23	UP (West) (including Uttranchal)	1583986	1220249	363737	116985	77.04
24	West Bengal	972382	742905	229477	177774	76.40
	Total	**39913793**	**32444166**	**7469627**	**2890554**	**81.28**

Calculation of potential loss

Telephone Revenue (2000-01) Rs 6820 crore

Total DELs (as on 30-9-2000) 279.59 lakh

$$\text{Revenue per DEL} \quad \frac{\text{Rs } 6820 \text{ crore}}{279.59 \text{ lakh}} = \textbf{Rs 2439}$$

Waiting list was 2539036 lines* or say 25.39 lakh lines

Loss of potential revenue per annum due to waiting list

2539036 x 2439 = 6192708804

Say Rs 619.27 crore

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* *in case of Kerala circle, where the number of applicants in waiting list was more than the number of spare DELs available, the spare capacity was taken for calculation.*

APPENDIX – III

(Referred to in paragraph 1.7 at page 9)

Statement showing details of waiting list as per MIS cell as on January 2001 and as on 31 March 2001

Sl. No.	Name of the Circle	Waiting list as on 31 January 2001 as per MIS Cell	Waiting list as on 31.3.20001 as per information supplied by MIS Cell in reply of TAM No. 2 dated 15.5.2001	Telephone connections provided/ waiting list reduced during February-March 2001
1.	Andaman & Nicobar Island	2115	473	1642
2.	Andhra Pradesh	342053	131095	210958
3.	Assam	25680	23210	2470
4.	Bihar	132254	78535	53719
5.	Gujarat	212473	229221	-16748
6.	Haryana	107857	109748	-1891
7.	Himachal Pradesh	44174	40815	3359
8.	Jammu & Kashmir	37490	39891	-2401
9.	Karnataka	291889	171845	120044
10.	Kerala	833668	774171	59497
11.	Madhya Pradesh	32570	22916	9654
12.	Maharashtra	412961	289132	123829
13.	North East	26379	15870	10509
14.	Orissa	38484	71872	-33328
15.	Punjab	228146	215682	12464
16.	Rajasthan	130036	122315	7721
17.	Tamil Nadu	356933	149560	207373
18.	Uttar Pradesh (E)	163171	60589	102582
19.	Uttar Pradesh (W)	105886	116985	-11099
20.	West Bengal	201849	177774	24075
21.	MTNL Mumbai	35622	0	35622
22.	Calcutta	10256	2019	8237
23.	Chennai	56075	27620	28455
24.	MTNL Delhi	63171	19216	43955
		3891192	**2890554**	

APPENDIX - IV

(Referred to in paragraph 2.3.4(ii) at page 19)

Cases of injudicious re-appropriation where the actual expenditure exceeded the final provisions after re-appropriations

(Rs in crore)

Major Head	Head of Account	Amount of re-appropriations from the sub-head	Excess expenditure over the balance
3225 Telecommunication services	Factories	(-)32.58	(+)12.62
	Depreciated value of Assets	(-)5.44	(+)61.32
	Telegraph offices	(-)3.20	(+)2.22
	Microwave radio relay systems	(-)9.74	(+)30.62
	Civil engineering stores suspense account	(-)5.40	(+)37.70
	Total	**(-)56.36**	**(+)144.48**

APPENDIX V

(Referred to in paragraph 4 at page 23)

Details of non-recovery of royalty and licence fee from unauthorised wireless users

Sl No	Customers Name	No of stations used	Date of issue of licence/ Application for licence	Date of expiry/ renewal of licence	Date of commissioning of system	Period of unauthorised use			Amount due per annum for recovery		Amount recoverable		Remarks
						From	To	Months	Licence fee (Rs)	Royalty (Rs)	Licence fee (Rs)	Royalty (Rs)	
1	Principal Chief Conservator of Forests, Mizoram	93	Applied on 25.1.1990		Not available	1.1.1991	30.09.2000	117	9300	233200	90675	2273700	
						1.10.2000	31.03.2001	6	9300	233200	4650	116600	
2	Chief Engineer, Power & Electricity Department, Mizoram	70	Applied on 5.2.1991		January,1987	1.1.1989	30.09.2000	141	7000	96000	82250	1128000	Non recovery for 70 stations with effect from 1.1.1989
						1.10.2000	31.03.2001	6	7000	96000	3500	48000	
3	Commissioner of Excise, Mizoram	17			October,1990	1.1.1991	30.09.2000	117	1700	21600	16575	210600	
		78				1.1.1999	30.09.2000	21	7800	270500	13650	473375	
		17				1.10.2000	31.3.2001	6	1700	21600	850	10800	
		78				1.10.2000	31.3.2001	6	7800	270500	3900	135250	
4	Inspector General of Prison, Mizoram				November,1990	1.1.1992	30.09.2000	105	26200	270500	229250	0	
						1.10.2000	31.3.2001	6	26200		13100	0	
5	Chief Conservator of Forests, Government of Tripura, Agartala	58				1.1.1992	30.09.2000	105	5800	62400	50750	546000	
		125				1.1.1992	30.09.2000	105	12500	132000	109375	1155000	
		7				1.1.1995	30.9.2000	69	700	8400	4025	48300	
		58				1.10.2000	31.3.2001	6	5800	62400	2900	31200	
		125				1.10.2000	31.3.2001	6	12500	132000	6250	66000	
		7				1.10.2000	31.3.2001	6	700	8400	350	4200	

Sl No	Customers Name	No of stations used	Date of issue of licence/ Application for licence	Date of expiry/ renewal of licence	Date of commissioning of system	Period of unauthorised use			Amount due per annum for recovery		Amount recoverable		Remarks
						From	To	Months	Licence fee (Rs)	Royalty (Rs)	Licence fee (Rs)	Royalty (Rs)	
6	Chief Engineer(E), Department of Power Agartala	44				1.1.1993	30.09.2000	93	4400	62400	34100	483600	
						1.10.2000	31.3.2001	6	4400	62400	2200	31200	
7	Chief Engineer, Department of Power, Kohima	20				1.1.1993	30.09.2000	93	2000	44200	15500	342550	
						1.10.2000	31.3.2001	6	2000	44200	1000	22100	
8	Chief Engineer, PHE, Mizoram	29				1.09.1989	30.09.2000	133	2900	37200	32142	412300	
						1.10.2000	31.3.2001	6	2900	37200	1450	18600	
9	Superintendent of Police, Shillong	42				1.1.1986	31.12.1987	24	1260		2520	0	
						1.1.1988	30.9.2000	153	4200		53550	0	
						1.10.2000	31.3.2001	6	4200		2100	0	
10	Director General, Civil Defence, Guwahati	5				1.1.1983	31.12.87	60	150		750	0	
						1.1.1988	30.9.2000	153	500		6375	0	
						1.10.2000	31.3.2001	6	500		250	0	
										Total	7,83,987	75,57,375	
										G.Total	Rs 83,41,362		

APPENDIX - VI

(Referred to in paragraph 7.1 at page 25)

Non/short recovery of revenue – Failure to demand and collect rent

(Rs in lakh)

Sl. No	Particulars of lines/ cables/circuits	Audit observation	Period of short/non-billing	Total amount of short/non -billing	Particulars of bills issued/recovery made after issue of Audit Note		Remarks
					Amount recovered/month of recovery	Amount to be recovered	
1	2	3	4	5	6	7	8
Andhra Pradesh Telecommunications Circle							
1	Provision of new telephone connections (4103 Nos.) under GMTD Tirupathi and Ongole	Non-recovery of advance rental	October 1999 to September 2000	18.88	10.09 October 2000 8.79 December 2001	Nil	Bills issued in November/ December 2000
2	Provision of new telephone (4920 Nos. of non-OYT connections)	Non-recovery of advance rental	October 1999 to September 2000	8.22	8.22 November 2001	Nil	Bills issued in February 2001
3	Provision of new telephone (7284 Nos. of non-OYT connections)	Non/short recovery of rent due to wrong application of tariff	October 1999 to September 2000	11.06	9.03 December 2001	2.03	Bills issued in November 2000
4	Provision of calling line identification processing in 3849 cases under GMT Hyderabad North	Non billing of installation and rental charges	January 1999 to September 2000.	21.93	-	21.93	
			Sub total	*60.09*	*36.13*	*23.96*	
Bihar Telecommunications Circle							
5	Provision of two data circuits to South Eastern Railway in January 1994 by GMT Ranchi	Incorrect application of percentage on estimated capital cost	January 1994 to September 2000	85.56	-	85.56	Bills issued in September 2000
6	Provision of two speech circuits to DIG Police by PGMT Patna in April 1996 and May 1996	Non issue of bills for the facility	April 1996 to September 2000	14.18	-	14.18	Bills issued in December 2000
7	Provision of various telecom facilities viz. Lines and wires to Railways by CGMT Patna	Non billing of Renal	April 1994 to September 2000	8.06	8.06 December 2001	Nil	Bills issued in February 2001
8	Provision of telecom and telegraph circuits to Railway by CGMT Patna	Incorrect application of tariff	April 1986 to March 1998	43.77	32.03 December 2001	11.74	Bills issued in February 2001
9	Provision of data and telegraph circuits, NE lines etc., by TDM Katihar	Non revision of rental	April 1999 to September 2000	4.50	4.50 October 2000	Nil	
10	Provision of 128 L Electronic Exchange to High Court by GMT Ranchi	Incorrect application of rent	February 1996 to September 2000	10.30	-	10.30	Bills issued in February 2001

1	2	3	4	5	6	7	8
11	Provision of NE Lines, PBX, leased circuits to 79 subscribers by GMT Dhanbad	Non recovery of Advance rental	February 2000 to September 2000	51.47	-	51.47	Bills issued in October 2000
			Sub total	*217.84*	*44.59*	*173.25*	
Gujarat Telecommunications Circle							
12	Provision of data circuit and speech circuit to private subscribers by GMT Jamnagar	Non recovery of rental	April 2000 to September 2000	3.48	3.48 August 2000	-	
13	Provision of laying and maintenance of OFC for Kandla-Bhatinda pipe line project by CGMT Bhuj in 1990	Non billing of Royalty charges	November 1995 to September 2000	810.54	-	810.54	
			Sub total	*814.02*	*3.48*	*810.54*	
Karnataka Telecommunications Circle							
14	Call charges in respect of business private class subscribers	Non recovery of call charges from 6761 subscribers	16 April 1999 to 30 April 1999	22.54	22.04 December 2001	0.50	Bill issued in February 2000
			Sub total	*22.54*	*22.04*	*0.50*	
Kerala Telecommunications Circle							
15	Provision of UHF system to defence authorities provided by GMT Trivandrum in February 1997	Incorrect fixation of rental on Rent and Guarantee basis	February 1997 to September 2000	11.20	-	11.20	Bills issued in February 2001
16	Provision of teleprinter circuits to non press subscribers by GMT Trivandrum	Incorrect application of rates	April 1999 to June 2000	12.11	11.56 May 2001	0.55	
			Sub total	*23.31*	*11.56*	*11.75*	
Maharashtra Telecommunications Circle							
17 (i)	Provision of 2 speech circuits to M/s Punwire and Mobile Communications in January 1998 and April 1998	Non recovery of Annual rent and royalty charges	February 1995 to September 2000	7.58			Bills issued in December 2000 and January 2001
(ii)	One Data circuit provided to Punwire in November 1997	Non recovery of Annual rent and royalty charges	February 1995 to September 2000		7.58 December 2001		-do-
(iii)	Data circuit provided to South Central Railway in February 1995	Non recovery of Annual rent and royalty charges	February 1995 to September 2000				-do-
			Sub total	*7.58*	*7.58*		

1	2	3	4	5	6	7	8
Madhya Pradesh Telecommunications Circle							
18.	Provision of 2 Mbps leased lines between Gwalior-Sagar to Army authorities in February 2000 by GMT Gwalior	Non recovery of advance rental	July 2000 to September 2000	4.71	-	4.71	Bills issued in May 2001
19.	Provision of External Extension of 43 Nos. to Superintendent of Police Bilaspur by GMT Bilaspur	Non recovery of licence fee and rental towards external extension	March 1996 to September 2000	5.61	-	5.61	Bills issued in February 2001
20.	Provision of speech circuits to M/s Mandu Distillery Pvt. Ltd., Indore	Non recovery of rent for unexpired period of guarantee	December 1995 to September 2000	6.73	-	6.73	
21.	Provision of speech circuits to M/s Man Aluminium Limited	Non recovery of rent for unexpired period of guarantee	September 1998 to September 2000	1.57	-	1.57	
22.	Provision of NEL to M/s MPEB Navgaon, by TDM Dhar	Non recovery of rent	January 1999 to September 2000	0.49	-	0.49	
23.	Provision of PCM circuits to M/s Reliance Limited, Indore	Non recovery of rent	July 2000 to September 2000	1.89	-	1.89	Bills issued in April 2001
			Sub total	***21.00***	-	***21.00***	
North East Telecommunications Circle							
24.	Maintenance of PABX owned by Meghalaya Secretariat by GMT Shillong	Wrong calculation of maintenance charges	April 1993 to March 2000	70.86	-	70.86	Bills issued in September 2000
			Sub total	***70.86***	-	***70.86***	
Punjab Telecommunications Circle							
25.	Telephone connections provided to subscribers of 8 rural exchanges under TDM Ropar	Non revision of Rent on upgradation of exchange capacity	April 2000 to September 2000	5.70	5.70 March 2001	-	
26.	Provision of private wires/N.E. lines by GMT Bhatinda	Non revision of rent	April 1999 to March 2000	11.41	8.82 March 2001	2.59	
27.	Provision of Data circuit between Jalandhar-Chandigarh another between Jalandhar-Delhi to Hind Samachar by GMT Jalandhar	Charged concessional rate instead of full rate	May 1995 to November 1999	14.84	14.84 January 2000	-	
			Sub total	***31.95***	***29.36***	***2.59***	
Rajasthan Telecommunications Circle							
28	Provision of inter connection network facility to M/s Kappa Infotech and Satyam Infoway	Non billing of licence fee for the facility	September 1999 to September 2000	15.88	-	15.88	Bills issued in August 2000
			Sub total	***15.88***	-	***15.88***	

1	2	3	4	5	6	7	8
Tamil Nadu Telecommunications Circle							
29.	Provision of underground cable to Defence authorities on rent and guarantee basis by TDM Coonoor	Non recovery of Annual rent and royalty charges	January 1994 to March 2000	12.79	12.79 March 2000	-	
30.	Provision of speech circuit to defence authorities	Non recovery of additional rental charges	May 1997 to September 2000	9.48	9.48 February 2001	-	
31.	Provision of External extension to 4 subscribes in Vellore	Non recovery of licence fee and rental of EPABX	1993 to 1999	4.65 December 2001	4.65 August 1999	-	
32.	Provision of external extension to 57 subscribers in Coonoor SSA	Non recovery of licence fee and rental of EPABX	1999-2000	6.35 December 2001	5.41 May 2001	0.94	
			Sub total	*33.27*	*32.33*	*0.94*	
Uttar Pradesh (West) Telecommunications Circle							
33.	Provision of 30 Channel (Digital) UHF system to Defence authorities by TDM, Bareilly	Loss of potential revenue	March 1995 to April 1999	16.77	-	16.77	
34.	Provision of 120 Channel PCM system on Rent and Guarantee basis to Defence authorities by GMTD Dehradun	Incorrect fixation of rental charges	October 1997 to September 2000	26.84	-	26.84	Bills issued in December 2000
			Sub total	*43.61*	-	*43.61*	
West Bengal Telecommunications Circle							
35.	Provision for 16.2 Mbps PCM links to VSNL in January 1999 by Calcutta Telephones	Incorrect application of tariff	January 1999 to September 2000	75.47	56.99 March 2001	18.48	Bills issued in January 2001
			Sub total	*75.47*	*56.99*	*18.48*	
Grand Total				1437.42	244.06	1193.36	

APPENDIX - VII

(Referred to in paragraph 7.2 at page 26)

Continuance of telephone facilities despite non-payment of dues

(Rs in lakh)

Sl. No.	Particulars of lines/ cables/circuits	Period of short/non-recovery	Total amount of short/non-recovery	Particulars of recovery made after issue of Audit Note	
				Amount recovered/ month of recovery	Amount to be recovered
1	2	3	4	5	6
Bihar Telecommunications Circle					
1	Provision of telephone connections to 328 subscribers	May 1978 to September 2000	36.28	5.59 June 2001	30.69
		Sub total	*36.28*	*5.59*	*30.69*
Gujarat Telecommunications Circle					
2	Provision of telephone connections to subscribers including STD/PCO operators	November 1989 to September 2000	24.68	8.93 June 2001	15.75
		Sub total	*24.68*	*8.93*	*15.75*
Karnataka Telecommunications circle					
3	153 Telephone subscribers under GMTD Kolar (alongwith cost of instrument)	1993 to March 2000	40.33	-	40.33
4	74 Subscribers under TDM Gulbarga	1993 to March 2000	25.56	-	25.56
		Sub total	*65.89*		*65.89*
Rajasthan Telecommunications Circle					
5	90 Telephone subscribers under PGMTD – Jaipur and GMTD Kota	February 1999 to September 2000	27.33	-	27.33
6	26 subscribers under TDE Jhalawar	1993 and March 2000	30.55	-	30.55
		Sub total	*57.88*	-	*57.88*
Uttar Pradesh (East) Telecommunications Circle					
7	151 telephone subscribers under GMTD Varanasi	July 1999 to September 2000	83.72	10.51 December 2001	73.21
8	313 telephone subscribers under GMTD Lucknow	1993 and March 2000	617.17	17.67 April 2001	599.50
9	56 telephone subscribers under GMTD Kanpur	1993 and March 2000	84.40	-	84.40
		Sub total	*785.29*	*28.18*	*757.11*
Uttar Pradesh (West) Telecommunications Circle					
10	86 franchisees of STD PCOs under CGMT Dehradun	July 1992 to May 2000	22.82	3.82 December 2001	19.00
11	14 Telephone subscribers under GMTD Ghaziabad	1993 to March 2000	107.66		107.66
		Sub total	*130.48*	*3.82*	*126.66*
Grand Total			**1100.50**	**46.52**	**1053.98**

APPENDIX – VIII

(Referred to in paragraph 7.3 at page 26)

Details of service tax not recovered

(Rs in lakh)

Sl. No.	Name of circle/district	Period of non recovery	Amount of service tax	Amount recovered after being pointed out by Audit	Balance
Andhra Pradesh Telecommunications Circle					
1	GMTD Hyderabad	July 1994 to March 1999	76.77	70.56	6.21
		Sub total	*76.77*	*70.56*	*6.21*
Gujarat Telecommunications Circle					
2	Bhuj SSA	July 1994 to April 1996	1.35	1.35	-
3	Jamnagar SSA	April 2000 to September 2000	3.20	3.20	-
		Sub total	*4.55*	*4.55*	
Mahanagar Telephone Nigam Limited Delhi					
4	CMD MTNL Delhi	July 1994 to March 1999	530.00	494.00	36.00
		Sub total	*530.00*	*494.00*	*36.00*
Madhya Pradesh Telecommunications Circle					
5	GMTD Indore	September 1997 to September 2000	11.70		11.70
		Sub total	*11.70*	-	*11.70*
		Grand Total	**623.02**	**569.11**	**53.91**

APPENDIX - IX

(Referred to in paragraph 7.4 at page 27)

Details of non-realisation of additional security deposits from STD/PCO operators

(Rs in lakh)

Sl.No.	Name of Unit	Pointed out by audit	Amount of non/short realisation of security deposit	Amount realised after being pointed out by Audit
1	2	3	4	5
Andhra Pradesh Telecommunications circle				
1	GMTD Cuddaph	July to December 2000	17.55	-
2	GMTD Hyderabad	June to November 2000	45.01	-
3	GMTD Nellore	January to June 2000	45.93	45.93
		Sub total	***108.49***	***45.93***
Bihar Telecommunications circle				
4	GMTD Dhanbad	October 2000	10.99	
5	TDM Munger	July 2000	12.78	11.81
6	TDM Bhagalpur	October 2000	1.35	1.35
7	TDM Motihari	December 2000	8.95	
		Sub total	***34.07***	***13.16***
Gujarat Telecommunications circle				
8	GMTD Bharuch	June 1996 to November 1996 and April 2000 to September 2000	80.18	-
		Sub total	***80.18***	
Haryana Telecommunications circle				
9	GMTD Faridabad	November 2000	9.77	6.85
		Sub total	***9.77***	***6.85***
Himachal Pradesh Telecommunications circle				
10	GMTD Shimla	September-October 2000	12.76	12.76
		Sub total	***12.76***	***12.76***
Karnataka Telecommunications circle				
11	TDM Kolar	September 2000	16.53	
12	GMTD Mangalore	December 2000	18.07	
		Sub total	***34.60***	
Madhya Pradesh Telecommunications circle				
13	GMTD Indore	May 2001	77.61	
		Sub total	***77.61***	
Maharashtra Telecommunications circle				
14	GMTD Ratnagiri	September 2000	22.97	
		Sub total	***22.97***	
North Eastern Telecommunications circle				
15	GMTD Itanagar	June 2000	19.46	
16	GMTD Shillong	May 2000	21.72	17.36
17	GMTD Imphal	March 2000	11.56	11.56
		Sub total	***52.74***	***28.92***

1	2	3	4	5
Rajasthan Telecommunications circle				
18	GMTD Ajmer	July to December 2000	12.64	
19	TDM Barmer	July to December 2000	5.71	
20	TDE Jaisalmer	July to December 2000	16.68	
21	GMTD Sriganganagar	June to December 2000	3.86	
		Sub total	***38.89***	
Uttar Pradesh (East) Telecommunications circle				
22	GMTD Azamgarh	March 2001	80.08	4.28
		Sub total	***80.08***	***4.28***
West Bengal Telecommunications circle				
23	GMTD Asansol	January 2000	15.40	12.02
24	TDM Gangtok	August 2000	8.26	8.26
25	TDM Malda	June 2000	4.59	4.59
26	DET Burdwan	June 2000	3.49	3.49
27	TDM Suri	November 2000	2.06	2.06
28	DET Durgapur	November 2000	7.77	7.33
		Sub total	***41.57***	***37.75***
		Grand Total	**593.73**	**149.65**

APPENDIX - X

(Referred to in paragraph 7.5 at page 28)

Details of Non/short recovery of revenue – Bills issued at old lower tariff

(Rs in lakh)

Sl.No.	Particulars of lines/ cables/circuits	Bills issued at old lower tariff		Particulars of bills issued/ recovery made after issue of Audit Note		Remarks
		Period	Amount	Amount recovered/ month of recovery	Amount to be recovered	
1	2	3	4	5	6	7
Andhra Pradesh Telecom circle						
1	Provision of leased circuit to Railway and Press	April 1999 to September 2000	11.69	11.69 3.12.2001	Nil	Bills issued in July 2000
		Sub total	***11.69***	***11.69***	***Nil***	
Bihar Telecom circle						
2	Provision of under ground cable 6 km to AIR between Adampur-Bhagalpur in April 1988 by TDM Bhagalpur	September 1989 to March 1998	4.37	2.83 February 2001	1.54	
3	Provision of under ground cable to Army at Ramgarh cantt in January 1996 by TDM Hazaribagh	January 1996 to September 2000	6.26		6.26	
		Sub total	***10.63***	***2.83***	***7.80***	
Gujarat Telecom circle						
4	Provision of leased circuit NE lines to various subscribers by GMT Himat Nagar, Bhavnagar and Valsad	April 1999 to September 2000	17.19	8.30 December 2001	8.89	
5	GMT Surat Provision of leased circuits to various subscribers	April 1999 to May 2000	8.51	6.41 December 2001	2.10	
		Sub total	***25.70***	***14.71***	***10.99***	
Kerala Telecommunications Circle						
6	Provision of leased circuits to various subscribers by PGM, Ernakulam	April 1999 to September 2000	14.32	-	14.32	Bills issued in September 2000
		Sub total	***14.32***	***-***	***14.32***	
Orissa Telecommunications Circle						
7	Provision of 2 Nos. of 64 KBPS Data circuits provided to Railways by TDM Rourkela	November 1994 to March 2000	10.54	10.54 March and April 2001	-	
8	Provision of lines and wires (31 Nos.) to Railway authorities	April 1991 to March 1999	19.97	-	19.97	Bills issued in May 2001
9	Provision of speech circuit 10 Nos. to Railways by GMTD Bhubaneswar	April 1986 to September 2000	13.09	-	13.09	Bills issued in April 2000
10	Provision of speech circuit 3 nos. to Railways by GMT Balasore	April 1986 to September 2000	4.71	-	4.71	Bills issued in February 2001
		Sub total	***48.31***	***10.54***	***37.77***	

1	2	3	4	5	6	7
Chennai Telephone District						
11	Chennai Telephones Provision of speech circuits 3 Nos.	April 1986 to February 1991	8.50	8.50 December 2001	-	
12	Provision of Private wires to 119 subscribers and NEL to 18 subscribers	April 1999 to March 2000	25.03	17.67 December 2001	7.36	Bills issued in December 1999
13	Provision of speech circuits to Madras Race club by DGM (Long Distance) Chennai	November 1992 to March 1999	55.81	-	55.81	
		Sub total	*89.34*	*26.17*	*63.17*	
Punjab Telecommunications Circle						
14	Provision of Telephone connections by GMTD Amritsar	October 1999 to April 2000	18.50	-	18.50	Bills issued in February and March 2001
		Sub total	*18.50*	-	*18.50*	
Grand Total			218.49	65.99	152.05	

APPENDIX - XI

(Referred to in paragraph 7.6 at page 28)

Non/short recovery of revenue – non-receipt of advice notes

(Rs in lakh)

Sl.No.	Particulars of lines/ cables/circuits	Advice notes not received		Particulars of bills issued/ recovery made after issue of Audit Note		Remarks
		Period	Amount	Amount recovered/ month of recovery	Amount to be recovered	
1	2	3	4	5	6	7
Karnataka Telecommunications Circle						
1	Provision of new telephone connection (299 nos.) by GMTD Bangalore	January to March 2000	7.63	7.63 April/May 2001	-	
		Sub total	***7.63***	***7.63***	-	
Tamil Nadu Telecommunications Circle						
2	Upgradation of external plan network of Naval Air Station at Arakkonam with changed specification completed in February 1997 by GMT Vellore	February 1997 to September 2000	16.63	16.63 February 2001		
		Sub total	***16.63***	***16.63***		
Uttar Pradesh (East) Telecommunications Circle						
3	Two trunk channel wire provided to GMS&T Railway Electrification Allahabad during September 1994 and May 1995 by GTDM Allahabad on rent and guarantee basis.	May 1995 to March 1997	11.71	-	11.71	Bill issued in March 1998
4(i)	VSI-Gyanpur Road Speech circuit	June 1999 to September 2000	0.55	-	0.55	Bills issued in May 2001
(ii)	VSI-Gorakhpur Speech circuit	June 1999 to September 2000	2.10	-	2.10	Bills issued in May 2001
(iii)	VSI-Shahganj Speech circuit	August 1999 to September 2000	0.52	-	0.52	Bills issued in May 2001
(iv)	VSI-Ghazipur Data circuit	August 1999 to September 2000	0.60	-	0.60	Bills issued in May 2001
		Sub total	***15.48***		***15.48***	
West Bengal Telecommunications Circle						
5	Provision of 60 Channel UHF link between Siliguri and Sukna in August 1997 by GMT Siliguri	July 1996 to August 2000	67.50	-	67.50	Bills issued in September 1999
		Sub total	***67.50***	-	***67.50***	
Grand Total			**107.24**	**24.26**	**82.98**	

APPENDIX XII

(Referred to in paragraph 10.5 at page 35)

Statement showing the budget allotted, actual expenditure and savings/excess

(Rs in thousand)

Year	Nature of Expenditure	Final Grant	Actual expenditure	Excess(+) Savings (-)	Percentage	Reason
Telecom Factory Kolkata						
1996-97	Capital	1063680	981388	(-)82292	-7.73	Non receipt of ATD less requirement for production, less production than targeted, due to more production, less allotment received implementation of 5th CPC, etc.
1997-98	Capital	1250891	1474394	(+)223503	+17.86	
1998-99	Capital	1443700	1348458	(-)95242	-6.5	
1999-2000	Capital	1538680	1300127	(-)238553	-15.5	
2000-01	Capital	1418195	1273852	(-)144343	-10.1	
Telecom Factory Bhilai						
1996-97	Capital	12411	10694	(-)1717	-13.83	Not available
1997-98	Capital	24080	13373	(-)10707	-44.46	Not available
1998-99	Capital	17507	11796	(-)5711	-32.62	Not available
1999-2000	Capital	21847	12088	(-)9759	-44.67	Not available
2000-01	Not available					Not available
Telecom Factory Richhai						
1996-97	Capital	3990	2436	(-)1554	-38.9	Not available
1997-98	Capital	3977	1446	(-)2531	-63.64	Not available
1998-99	Capital	2826	3767	941	+33.29	Not available
1999-2000	Capital	9376	733	(-)8643	-92.18	Not available
2000-01	Capital	7190	5637	(-)1553	-21.59	Not available

APPENDIX - XIII

(Referred to in paragraph 10.6.1 at page 36)

Statement showing shortfall in meeting targets by Telecom Factories Kolkata, Bhilai and Richhai during 1996-2001.

(Figures in numbers)

Sl. No	Name of equipment	1996-97			1997-98			1998-99			1999-00			2000-01		
		Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall
Telecom Factory Kolkata																
1	Buttensky Telephone	15000	12400	17.33	20000	8225	58.87	10000	4500	55.00						
2	DP Box (sorts)	300000	127379	57.54	261000	96050	63.20	200000	150176	24.91						
3	LJU with or without GD tube	500000	102840	79.43	500000	536550	7.31	700000	555572	20.63						
4	SS Mast 15 Mtr.	-	-	-	6000	2918	51.36	3000	1673	44.23						
5	Repair of E-10-B exchange cards	5000	368	92.64	5000	167	96.66	-	-	-	1006	8	99.20			
6	Repair of C-DoT exchange cards	5000	43	99.14	5000	Nil	100									
7	Discrete Wire connector													500000	10000	98.00
8	Coin Box Telephone													5000	Nil	100
Telecom Factory Bhilai																
1	Tower Material	3000	2497	16.76	3000	2555	14.83	3000	2343	21.90	3000	2129	29.03	1500	1347	10.2
Telecom Factory Richhai																
1	Tube B-8	230000	188700	17.95	230000	172100	25.17	210000	129852	38.17						
2	Tube C-8	26000	2300	91.15	26000	Nil	100	25000	Nil	100	25000	8900	64.40			
3	Tube B-8 equipment	524800	492740	6.11	524800	336530	35.87	503500	373753	25.77	437000	419070	4.1			

APPENDIX XIV

(Referred to in paragraph 10.6.6 at page 39)

Statement showing the work orders issued, executed and remaining incomplete during 1996-2001 in Telecom Factories, Kolkata, Bhilai, and Richhai

(in numbers)

	1996-97	1997-98	1998-99	1999-2000	2000-01
Telecom Factory Kolkata					
Opening balance	3672	3935	4074	4133	3263
WOs opened	419	434	372	400	308
Total	4091	4369	4446	4473	3571
WOs completed	154	295	303	1209	1900
WOs cancelled	2	Nil	10	1	Nil
Closing balance of WOs	3935	4074	4133	3263	1671
Telecom Factory Bhilai					
Opening balance	102	135	143	143	106
WOs opened	42	109	66	37	41
Total	144	244	209	180	147
WOs completed	9	101	66	74	63
WOs cancelled	-	-	-	-	-
Closing balance of WOs	135	143	143	106	84
Telecom Factory Richhai					
Opening balance	46	53	57	53	56
WOs opened	15	9	11	19	5
Total	61	62	68	72	61
WOs completed	8	5	15	16	51
WOs cancelled	-	-	-	-	-
Closing balance of WOs	53	57	53	56	10

WOs = Work Orders

APPENDIX XV

(Referred to in paragraph 10.7.1 at page 39)

Statement showing the sanctioned strength, men-in-position in Telecom Factories during 1996-2001

(in numbers)

Name of factory	As on 31 March	Industrial		Regular		Total	
		SS	MIP	SS	MIP	SS	MIP
Telecom Factory Kolkata	1997	1198	1183	419	483	1617	1666
	1998	1132	1106	419	440	1551	1546
	1999	1054	1038	419	424	1473	1462
	2000	943	918	419	423	1362	1341
	2001	863	844	419	380	1282	1224
Telecom Factory Bhilai	1997	177	152	85	75	262	227
	1998	165	152	87	77	252	229
	1999	165	149	33	76	248	225
	2000	165	148	82	72	247	220
	2001	165	146	81	72	246	218
Telecom Factory Richhai	1997	562	482	187	155	749	637
	1998	565	478	186	155	751	633
	1999	568	466	181	157	749	623
	2000	564	478	182	157	746	635
	2001	565	473	182	147	747	620

SS = Sanctioned Strength

MIP = Men-in-position

APPENDIX XVI

(Referred to in paragraph 10.7.2 at page 40)

Statement showing the direct/indirect labour wages in Telecom Factories Kolkata, Bhilai, Richhai

Name of Factory	Year	Direct labour (Rs in lakh)	Indirect labour (Rs in lakh)	Per cent of indirect labour to direct labour
Telecom Factory Kolkata	1996-97	204.08	512.06	251
	1997-98	361.09	555.87	154
	1998-99	370.63	618.95	167
	1999-2000	478.58	568.20	119
	2000-01	-	-	-
Telecom Factory Bhilai	1996-97	39.05	52.32	134
	1997-98	43.00	74.31	173
	1998-99	48.01	75.53	157
	1999-2000	51.93	79.86	154
	2000-01 April to September 2000	19.75	43.78	222
Telecom Factory Richhai	1996-97	93.72	148.97	159
	1997-98	91.82	231.89	253
	1998-99	102.27	211.12	206
	1999-2000	115.67	251.03	217
	2000-01 April to September 2000	52.37	155.15	296

APPENDIX XVII

(Referred to in paragraph 10.8 at page 40)

Statement showing the comparison of cost of galvanising between Telecom Factory Richhai and Telecom Factory Bhilai.

Year	Area galvanised during the year (in sq. mtr.)	Galvanised charges (Rs per sq.mtr.)		Difference (Rs)	Extra expenditure due to galvanisation at TF Bhilai (Rs in lakh)
		TF Bhilai	TF Richhai		
1996-97	75734.251	346.00	70.9632	275.037	208.30
1997-98	84996.006	356.00	76.56205	279.438	237.51
1998-99	90969.941	410.00	97.35	312.65	284.42
1999-2000	86152.508	395.00	93.9375	301.0625	259.37
Total					989.60

APPENDIX XVIII

(Referred to in paragraph 10.10 at page 42)

Statement showing the uneven inventory turn over in Telecom Factories Kolkata, Bhilai and Richhai

Year	Total stock held Opening stock + Closing stock	Yearly consumption	Average monthly consumption (b/12)	Average holding of stock per month (a)/2)	Holding in terms of number of months' consumption (d)/(c)	Inventory turnover ratio (b/d)	Inventory turnover period (in days) [(dx365)/b]
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			(Rs in crore)				
Telecom Factory, Kolkata							
1996-97	13.19 +3.63 16.82	44.88	3.74	8.41	2.25	5.34	68
1997-98	3.63 +1.87 5.50	41.89	3.49	2.75	0.79	15.25	24
1998-99	1.87 +0.62 2.49	31.38	2.61	1.25	0.48	25.09	15
1999-2000	0.63 +11.95 12.58	32.01	2.67	6.29	2.36	5.09	72
Telecom Factory, Bhilai							
1996-97	3.95 +3.53 7.48	8.02	0.67	3.74	5.60	2.14	170
1997-98	3.53 +4.93 8.46	7.93	0.66	4.23	6.40	1.87	195
1998-99	4.93 +4.93 9.86	8.40	0.70	4.93	7.04	1.70	214
1999-2000	4.93 +5.50 10.43	6.21	0.52	5.21	10.07	1.19	306

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Telecom Factory, Richhai							
1996-97	12.75 +15.77 28.52	22.48	1.87	14.26	7.61	1.58	231
1997-98	15.77 +13.08 28.85	22.25	1.85	14.43	7.78	1.54	237
1998-99	13.08 +15.30 28.38	21.39	1.78	14.19	7.96	1.51	242
1999-2000	15.30 +6.92 22.22	28.76	2.40	11.11	4.64	2.59	141
2000-01	6.92 +6.85 13.77	16.07	1.34	6.89	5.14	2.33	156

APPENDIX XIX

(Referred to in paragraph 11.8.5 at page 49)

Inventory held by the Depots

CTS Kolkata (Depot Code 01)

Year	Total Stock held		Yearly issue	Average holding of stock per month	Inventory turnover ratio (c)/(d)	Inventory turnover period (in days) 365/(e)
	Opening stock	Closing Stock				
	(Rs in crore)					
	(a)	(b)	(c)	(d)	(e)	(f)
1996-97	17.83	15.76	7.79	16.80	0.464	787
1997-98	15.76	12.69	8.66	14.23	0.609	599
1998-99	12.69	26.00	5.42	19.35	0.280	1304
1999-2000	26.00	21.06	8.59	23.53	0.365	1000
2000-01	21.06	26.33	4.76	23.70	0.201	1816

CTS Mumbai (Depot Code 21)

Year	Total Stock held		Yearly issue	Average holding of stock per month	Inventory turnover ratio (c)/(d)	Inventory turnover period (in days) 365/(e)
	Opening stock	Closing Stock				
	(Rs in crore)					
	(a)	(b)	(c)	(d)	(e)	(f)
1996-97	12.33	12.52	0.52	12.43	0.042	8690
1997-98	12.52	13.55	(-)1.07	13.04		
1998-99	13.55	14.19	4.83	13.87	0.348	1049
1999-2000	14.19	9.93	9.32	12.06	0.773	472
2000-01	9.93	8.90	2.95	9.42	0.313	1166

CsTS Jabalpur (Depot Code 31)

Year	Total Stock held		Yearly issue
	Opening stock	Closing Stock	
	(Rs in crore)		
	(a)	(b)	(c)
1996-97	(-)31.38	(-)30.37	60.09
1997-98	(-)30.37	137.29	76.42
1998-99	137.29	(-)19.28	58.93
1999-2000	(-)19.28	(-)17.98	81.69
2000-01	(-)17.98	(-)23.79	34.75

CTS Chennai Depot Code 10)

Year	Total Stock held		Yearly issue	Average holding of stock per month	Inventory turnover ratio (c)/(d)	Inventory turnover period (in days) 365/(e)
	Opening stock	Closing Stock				
	(Rs in crore)					
	(a)	(b)	(c)	(d)	(e)	(f)
1996-97	0.40	3.58	13.60	1.99	6.834	53
1997-98	3.58	(-)2.23	26.65	NA	NA	NA
1998-99	(-)2.23	3.18	9.72	NA	NA	NA
1999-2000	3.18	8.42	24.27	5.80	4.184	87
2000-01	8.42	6.91	6.57	7.67	0.857	426

CTS New Delhi (Depot Code 05)

Year	Total Stock held		Yearly issue	Average holding of stock per month	Inventory turnover ratio (c)/(d)	Inventory turnover period (in days) 365/(e)
	Opening stock	Closing Stock				
	(Rs in crore)					
	(a)	(b)	(c)	(d)	(e)	(f)
1996-97	5.70	14.41	30.69	10.06	3.051	120
1997-98	14.41	8.81	36.45	11.61	3.140	116
1998-99	8.81	8.78	11.67	8.80	1.326	275
1999-2000	8.78	6.36	5.57	7.57	0.736	496
2000-01	6.36	7.28	0.53	6.82	0.078	4679

APPENDIX – XX

(Referred to in paragraph 12.8.5 at page 63)

Split up of expenditure to avoid sanction of higher authority
Details of Split up Sanction

Sl. No.	Name of the Circle	Name of works	Total estimated cost (Rs)	No. of estimates	Amount sanctioned (Rs)	Sanctioning Authority	Competent Authority	Period of Sanction
1	Andhra Pradesh	Construction of Telecom Staff Quarters at I.S. Sadan, Hyderabad	5,14,87,800	15	5,14,87,800.00	GMTD Hyderabad	Telecom Commission	1997-98
		Construction of Staff Quarters at Banjara Hills of Hyderabad Telephone District	2,74,02,500	7	2,74,02,500.00	GMTD Hyderabad	Telecom Commission	1998-99
2	Punjab	Construction of 4 no. + 3 communication garage Type II Staff Quarters Sec. 44 A Chandigarh	1,89,15,870	2	1,85,45,509.52	CE (Civil) TCD	Sr. DDG (BW) Delhi	1996-97
3	Delhi	Construction of 80 nos. and 88 nos. Type III Quarters at Jhilmil Delhi	6,96,35,338	2	4,61,12,000.00	Chief Engineer, New Delhi	Sr. DDG (BW) Delhi	1996-97
4	Tamil Nadu	Construction of administrative building including internal & external services at Tirunelveli	83,70,975	23	1,02,50,346.00	GM Tirunelveli / EE (Civil) TCD	CE, CGM	1996-97
5	Karnataka	Construction of Staff quarters at Bangalore	3,73,28,700	2	3,73,28,700.00	Sr. GM Bangalore	Telecom Commission	1997-98
6	Madhya Pradesh	Construction of admn. Building for Indore Telephones		2	99,44,400 99,57,000	GMT(D) Indore CE	CGM DDG (BW)	1997-98
		Construction of 20 K E10B building at City Centre Yojana Gwalior		2	2,91,98,000 91,47,000	GMTD Gwalior	CGM	1996-97 1997-98
								June-2000
		Construction of office cum telecom store at Chhola Road Bhopal		2	1,88,10,000 99,99,000	CE Civil CGMT, MP Circle	DDG (BW)	1995-96 1997-98 7/1999 & 12/1999
		9 works		**57**				

APPENDIX XXI

(Referred to in paragraph 12.9.2 at page 65)

Non-refund of earnest money deposit and security deposit

Sl.No.	Name of the circle	No. of cases	Amount of security deposit (Rs in lakh)	Range of delay in refund				Lapsed Deposit		
				No. of cases	Delay (in months)	Amount (Rs in lakh)	Reasons	No. of cases	Reason	Amount (Rs in lakh)
1	Maharashtra	48	25.16	15	6 -11 m	23.22	Late receipt of certificate	33	Contractor did not prefer	1.94
2	Kapurthala	32	3.20	-	-	-	-	32	Action will be taken to transfer to lapsed deposit	3.20
3	Mumbai	25	1.70	25	6-11m	1.70	Late receipt of measurement book			0
4	West Bengal	896	23.43	7	12m	0.55	NA	889	Action will be taken to transfer to lapsed deposit	22.89
5	Delhi	2	10.00	2	12m	10.00	Bank guarantee released after expiry	-	-	0
6	Madhya Pradesh	-	28.72	-	Nil	NA	Non claim	Non claim	Non claim	28.72
7	Orissa	1313	27.01	-	-	Nil	-	1313	Non receipt of EoT and revised sanction	27.01
8	Tamil Nadu	51	21.37	-	-	Nil	Late receipt of measurement book	51	Due to non claim & will be transferred	21.37
9	Chennai	10	.98	-	-	Nil	-	10	Due to non claim & will be transferred	0.97
			141.57	**49**		**35.47**		**2328**		**106.10**

APPENDIX - XXII

(Referred to in paragraph 12.10.2.1 at page 67)

Delay in completion of works due to departmental reasons

Sl. No.	Name of the Circle	No. of cases	Delay (in days)	Reasons for department delay	Extra amount if any paid under clause Sec. 10CC (Rs in lakh)
1	Andhra Pradesh	39	25-230	NA	21.63
2	Bihar	37	30-1106	NA	71.21
3	Chennai Telephones	5	79-651	-do-	53.55
4	Gujarat	12	30-404	Non completion of electrical work, non-receipt of floor plan, delay in supply of drawings, non-availability of cement and water logging	28.39
5	Karnataka	17	62-300	Delay in structural drawings electrical work labour problem clear site, heavy rain	7.65
6	Kerala	43	12-594	Change of foundation laying of electrical conduits	28.39
7	Maharashtra	2	505-516	Non-approval of building plan/non receipt of drawings acute shortage of water and labour	11.68
8	Punjab	14	194-299	Non-clearance of site/non completion of work by Electrical Wing, non availability of drawings	2.49
9	Rajasthan	9	100-316	Layout not given in time	35.74
10	Tamil Nadu	16	87-306	Non-availability of clear site and non laying of elec. Conducts	18.91
11	Uttar Pradesh (East)	26		NA	41.39
12	Uttar Pradesh (West)	48		NA	34.66
13	West Bengal	17	69-742 days	Non-coordination between Civil & Electrical, delay in issue of structural drawings, technical problem	22.50
	Total	**285**			**378.19**

APPENDIX XXIII

(Referred to in paragraph 12.10.2.1 at page 68)

Delay in handing over of staff quarters

(Rs in lakh)

Sl NO.	Name of the circle	No. of cases	Delay in months	Reason	Financial Implications
1	Andhra Pradesh	111	2-32	Non availability of electrical and municipal water supply drainage problem	68.08
2	Bihar	8	25	Electrical connections not provided	1.94
3	Chennai	3	18-25	Non-completion of electrical work	82.71
4	Gujarat	17	1-14	Slow progress delay in taking over by GMTD, slow progress of work original work rescinded	6.39
5	Karnataka	14	4-9	Telecom. authorities not taken over	4.21
6	Orissa	16	1-24	Delay in fixing of taking over, non-availability of electrical services	4.94
7	Rajasthan	54	2-12	Non-completion of electrical work	2.27
8	Tamil Nadu	40	9–50	Non-completion of electrical work	11.85
9	Uttar Pradesh (West)	27	1-28	Not Available	8.43
10	West Bengal	5	6	Admn. Reasons	1.51
	Total	295	1 – 50		192.33

APPENDIX XXIV

(Referred to in paragraph 12.10.2.1 at page 68)

Delay in handing over of telephone exchange building

Sl NO.	Name of the circle	No. of cases	Delay in months	Reason	Financial Implications (Rs in crore)
1.	Ahmedabad	20	4-21	Delay on the part of agency and slow progress of works	102.44
2.	Calcutta	1	39-56	Telecom. authorities not taken over and administrative reasons	0.45
	Total	**21**			**102.89 Say 103 crore**

APPENDIX - XXV

(Referred to in paragraph 12.10.3.1 and 12.10.3.2 at pages 68 and 70)

Grant of extensions of time

Sl. No.	Name of the Circle	No. of works	Range of delay in completion (in months)	Range of delay in application for EOT after completion of works (in months)	Range of delay in approval (in months)	Extension of time granted without levy of LD	Extension of time granted with levy of LD	
						No. of cases	No. of cases	Amount (Rs)
1	Andhra Pradesh	26	2-36	1-15	1-14	-	26	65273
2	Bihar	14	3-14	5-27	1-7	8	6	57230
3	Chennai	6	2-21	5-14	4-19	6	-	-
4	Gujarat	11	1-12	1-12	1-14	-	11	539408
5	Mumbai	7	2-12	3-9	3-9	5	2	1987
6	Orissa	6	2-14	NA	NA	2	4	27500
7	Punjab	23	1-13	1-19	1-5	18	4 1 arbitration	6355
8	Tamil Nadu	54	1-37	1-12	1-21	35	19	324366
9	West Bengal	21	3-19	2-7	2-19	15	6	25107
	Total	**168**				**89**	**79**	**10,47,226**

APPENDIX XXVI

(Referred to in paragraph 12.10.3.2 at page 70)

Levy of penalty on delayed works

Sl. No.	Name of work	Tendered Cost (Rs in lakh)	Scheduled Date of Completion	Actual Date of Completion	Delay in Months	Compen-sation levied (Rs)	Percentage
Gujarat							
1	C/o Additional 6TY IV SQ at Bharuch	25.62	02.07.1998	27.2.1999	08	10033	0.33
2	C/o Additional 6TY IV SQ at Akota, Baroda	23.21	04.05.1998	30.10.1999	18	13050	0.56
3	V/E to Addl 4 TY V SQ at Akota	29.38	20.11.1998	30.10.1999	11	15000	0.51
4	V/E at TE building at Makarpura	35.21	08.10.1997	11.05.1998	08	7895	0.22
5	6 TY III SQ at Pandesara, Surat	16.07	02.10.1997	30.10.1999	24	13726	0.88
Orissa							
1	C/o VE to TE Building at Khurda	12.99	8.02.2000	29.70.2000	18	7500	0.57
2	C/o 6 Nos. TY I, 12 No. TY II and 6 No. TY III SQ at Koraput	30.46	16.08.1997	30.05.1998	10	10000	0.32
3	C/o One No. Type IV 2 Nos. Ty II and 2 Nos. Type II SQ at Paralakhemundi	22.79	04.11.1998	29.01.2000	14	10000	0.21
West Bengal							
1	C/o 8 No. Type-II, 8 Nos. Type III and 2 No. Type-IV SQ at Koneradilu, Bankara	50.53	19.08. 1996	31.08. 1998	24	8925	0.17
2	C/o 3 Nos. Type-II and 3 No. Type-III SQ at Memasi	17.17	08.03. 1997	28.02. 1998	12	2610	0.15
3	C/o 1 No. Type-II and 2 No. Type-III SQ at Pumlia	7.68	10.01. 1996	30.09. 1996	08	219	0.02
4	Misc work for shifting C/M rest room and store room at Jalpaiguri TE Building	0.38	23.02. 1999	07.06. 1999	3.5	100	0.02
Tamil Nadu							
1	C/o Sqrs at Usilampatti	22.46	12.12. 1997	26.11. 1998	12	31806	0.01
2	C/o Sqrs at KK Nagar, Madurai	15.69	02.02. 1998	15.01. 1999	12	21005	0.01
3	C/o CDOT Building at Karaikudi	95.52	04.12. 1998	24.09. 1999	09	31000	0.32
4	C/o TE Building at Aruppukottai	98.07	14.08. 1998	15.06. 1999	09	88077	0.89
5	C/o Sqrs at Palani	19.35	07.01. 1999	28.12. 1999	11	9700	0.50
6	C/o Sqrs at Mannargudi	16.85	10.06. 1996	05.09. 1997	15	1290	0.07
7	C/o Sqrs at Gudalur	65.46	30.03. 1996	27.10. 1997	19	300	0.0040
8	C/o Sqrs at Thondamothur	9.70	26.01. 1998	29.05. 1998	04	530	0.0050
9	C/o Community Centre at Thayagam Road, Coimbatore	25.06	08.03. 1999	11.08. 1999	5	3780	0.001
10	C/o TE Building at Achinnatharapuram	25.06	08.03.1999	11.08. 1999	5	38555	0.01
11	C/o SQ at Dalmiapuram	16.67	27.06.1999	29.02.2000	8	11606	0.007
12	C/o SQ at Poompuhar	25.51	11.12.1998	31.08.2000	20	16240	0.006

APPENDIX - XXVII

(Referred to in paragraph 12.13 at page 71)

Arbitration cases

Sl. No.	Name of the Circle	No. of cases	Categorisation	Amount awarded (Rs in lakh)	Amt. paid + int. if any (Rs in lakh)	Reasons for the arbitration	Executive lapses if any	No. of cases in which the award in favour of department and in favour of contractor	Cases challenged
1	Punjab	8	Cable Duct work, construction of TE Bldg. Qrts.	127.73	127.73	Rescinded the work and agreement cancelled	Delayed supply of drawings/stores	Contractor award : 7 Awaited : 1	1
2	Delhi	2	Road work and building mtce.	8.27	-	Delay in completion dispute reg. Seal coat payment	Complete revision of drawings after the original set of design etc.	Contractor - 2 Challenged in court of law	2
3	Rajasthan	3	NA	19.28	19.28	Disallowed certain items of work	Provisional extn. Not granted, delay in supply of material, non payment of escalation	Contractor - 2 Party - 1	NA
4	West Bengal (Assam & NE Circle)	14	Cable & Building	56.25	40.19	Non permission of local authority	Work order issued and cancelled	In favour of contractor.	
5	Tamil Nadu	2	Cable	3.88	3.88	Refund of Security Deposit and Unilateral rescinding of Contract	Delay in obtaining permission from Municipality, Police and Highway authorities	In favour of contractor - 2 Challenged in Court and judgement awaited	2
6	Chennai Telephones	2	NA	8.62	3.19	Delay in payment of final bill, refund of Sec. Deposit payment for open wells and borewells	Non release of payment to contractors	In favour of contractor -2	2

Sl. No.	Name of the Circle	No. of cases	Categorisation	Amount awarded	Amt. paid + int. if any	Reasons for the arbitration	Executive lapses if any	No. of cases in which the award in favour of department and in favour of contractor	Cases challenged
				(Rs in lakh)					
7	Karnataka	6	NA	54.21	2.06	Claim format towards balance of work executed, increase of cost of Construction of work executed beyond originally stipulated data, compensation for withholding EMD, loss on cancellation of work	Non release of payment to Contractors	Contractor - 6	3
8	Mumbai	7	NA	16.70	16.70	Dispute for some items	NIL	Contractor - 7	NIL
9	Orissa	9	Bldg. Qrs.	36.18	0.53 paid in one case	NA	NA	Contractor - 9 Dept. appealed in 8 cases	8
10	Gujarat	18		17.11	17.11	Slow progress of work	None	Contractor - 18	NIL
11	Andhra Pradesh	4		138.11	1.29 paid 122.26 (deposited)	Undue delay in change of site	Illegal rescinding of work, delay in payment of bill delay in supply of approved plans	Contractor - 1 NA -3	NA
12	Maharashtra	7	Cable	41.82	41.82	-	Extra work, not handing over of site, 10 CC payments not admitted	Contractor - 6 Department - 1	NIL
13	Madhya Pradesh	7	NA	4.62	4.62	Dispute	NA	Contractor - 7	NIL
14	Uttar Pradesh (East)	3	Tower Foundation	11.03	2.60				
	Total	**92**		**543.81**	**403.26**				

APPENDIX - XXVIII

(Referred to in paragraph 20 at page 84)

Statement showing infructuous expenditure of Rs 2.19 crore due to contracting excessive power load

Name of the circle and unit	Period	Contracted demand (in KVA)	Average demand based on actual consumption (in KVA)	Infructuous expenditure (Rs in lakh)		Reply of the circles/ units
				upto 30 September 2000	From 1 October 2000 to March 2001	
I. Chennai Telephone District						
(i) Mambalam exchange	February 1999 to March 2001	550	325	8.26	2.70	Action is being taken to reduce power demand
(ii) Kodambakkam	April 1999 to March 2001	450	275	5.83	2.10	-do-
(iii) Kalaingar Karunanidhi Nagar telephone exchange	September 1999 to September 2000	950	355 to 500	13.90	-	Action in the matter would be taken
II. Tamil Nadu Telecommunications circle						
(i) Salem SSA						
(a) Attur exchange	April 1998-March 2001	210	136	4.08	0.89	The anticipated power requirement was planned keeping in view enhanced power supply at frequent interval
(b) Meyyanur exchange	April 1998- March 2001	250	150	5.29	1.20	-do-
(c) Namakkal exchange	April 1998- March 2001	210	136	3.91	0.89	-do-
(d) Pallipalayam exchange	April 1998- March 2001	210	130	4.23	0.96	-do-
(e) Shevapet exchange	April 1998- March 2001	500	344	8.25	1.87	-do-
(f) Salem Main exchange	April 1998- March 2001	250	157	4.92	1.12	-do-
(g) Trichengodu exchange	April 1998 – March 2001	210	130	4.23	0.96	-do-
(ii) Trichy SSA						
Trichy Auto I exchange	April 1998- March 2001	370	200	9.03	2.04	Reply from the competent authority is awaited to reduce the demand

Name of the circle and unit	Period	Contracted demand (in KVA)	Average demand based on actual consumption (in KVA)	Infructuous expenditure (Rs in lakh)		Reply of the circles/ units
				upto 30 September 2000	From 1 October 2000 to March 2001	
(iii) Thanjavur SSA						
(a) Koothnallur exchange	January 1998 – March 2001	200	75	6.42	1.50	The case will be reviewed and action will be taken appropriately
(b) Thanjavur exchange	January 1996 to February 1997	400	250	1.94	0.90	-do-
	June 1997 to March 2001	400	325	4.53	-	
(iv) Coimbatore SSA						
(a) Central RSU exchange	February 1997- March 2001	400	350	3.55	0.50	Officers have been asked to minimise the maximum contracted demand
(b) P.P. Pudur exchange	October 1996 – March 2000	210	100	8.98	1.10	-do-
(c) Saibaba colony exchange						
(i)	April 1995 – August 1996	400	250	2.55	-	
(ii)	September 1996 – December 1998	300	250	2.61	-	
(iii)	January 1999- February 2000	300	150	3.66	-	
(iv)	May 2000 – March 2001	210	150	0.96	0.60	
(v) Vellore SSA						
(a) Ambur exchange	Jan 1996 – March 2001	210	100	9.47	1.32	Instructions have been issued to reduce the contracted demand
(b) Gudiyatham exchange	June 1993 – March 2001	200	120	8.90	0.96	-do-
(c) Tirupathur exchange	Jan 1999- March 2001	150	100	1.92	0.60	-do-
(d) Vellore exchange	April 1993 – March 2001	520	375	16.32	1.74	-do-
(e) Vaniyambadi exchange	July 1998 – March 2001	250	75	8.51	2.10	-do-.
III. Bihar Telecom Circle Saraidhella Telephone exchange Dhanbad	April 1996 to February 2001	400	200	31.11	9.60	Action is being taken for reduction of the load of the exchange
				183.36	**35.65**	
				219.01		

APPENDIX - XXIX

(Referred to in paragraph 25 at page 92)

Statement showing the position of unutilised HDSL systems

Circle	Name of supplier	Package wise quantity unutilised					Value (Rs in lakh)	Reason
		P-I	P-II	P-III	P-IV	Total		
Andhra Pradesh	Aventel Softech	3	25			28	17.34	Reports awaited
	Real Time	0	0	39	0	39	35.94	
Bihar	Real Time	15	0	0	0	15	4.33	Lying in CTSD and in SSA
	Aventel Softech	0	0	0	6	6	8.70	Not working beyond 3 KM and on paper core cable
Gujarat	Aventel Softech	0	20	29	0	49	49.68	Faulty systems, No requirement. Only incoming facility is available
Karnataka	Aventel Softech	0	2	0		2	1.30	No requirement
	Kaveri	0	0	6	0	6	4.84	Unsatisfactory performance
Kerala	Aventel Softech	0	18	0	0	18	11.72	Information not made available
Maharashtra	Aventel Softech	0	0	39	0	39	49.30	Unsatisfactory performance
	Kaveri	0	25	0	0	25	0	Auto switch off, unsatisfactory performance
Orissa	Real Time	0	0	31	0	31	28.56	Fault developed in cable pair, cards burnt frequently
Punjab	Kaveri	15	0	29	0	44	26.60	Faulty systems, off/on delay, speech noisy
Rajasthan	Kaveri	0	20	13	0	33	10.81	Non-allocation, unsatisfactory
	Aventel Softech	0	0	0	14	14	20.30	Unsatisfactory
Tamil Nadu	Aventel Softech	4	20	0	0	24	14.44	Unsatisfactory, non-allocation, no need
Chennai Telephones	Kaveri	0	23	0	0	23	14.10	Non-allocation, unsatisfactory
UP (West)	Kaveri	0	0	55	0	55	45.84	Unsatisfactory
Total		**37**	**153**	**241**	**20**	**451**	**343.80**	

APPENDIX - XXX

(Referred to in paragraph 41.3 at page 117)

Loading and unloading charges

S. No.	Year	Facilities available (such as crane/ forklift etc.) at CTSDs/ Telecom units	Amount paid to the contractor for loading and unloading (Rs in lakh)	Remarks
1	1995-96	Forklift	14.02	1. In NE circle Guwahati CTSD NE Circle) one forklift-5 ton was in working position upto 19.4.1999 and thereafter went out of order. 2. In Assam, CTSD Guwahati, one forklift was out of order since 1994-95. 3. In Orissa circle loading/unloading was paid when for lift driver was absent and forklift was out of order. 4. In West Bengal Circle (CTSD, Siliguri) and CGM (CTD), Kolkata loading/ unloading was paid in working position of the forklift.
2	1996-97	-do-	17.07	
3	1997-98	-do-	20.08	
4	1998-99	-do-	28.26	
5	1999-00	-do-	26.92	
	Total		106.35	

APPENDIX – XXXI

(Referred to in paragraph 48 at page 126)

Position of outstanding ATNs in respect of paras pertaining to DoT

Audit Report (Number and year)	Paragraph No.	Subject
Report No. 6 of 1997 for the year ended March 1996	8.2	High Speed Very Small Aperture Terminals Data Network
	8.4	Rural telecommunications network and tribal sub-plan
	9.15	Injudicious procurement of auto pulling machines Rs 2.45 crore
Report No. 6 of 1998 for the year ended March 1997	5	Non-realisation of satellite charges
	9	Non-billing or short billing
	10	Modernisation of Telegraph Service
	11	Procurement and utilisation of Cable Pair Gain System
	12	Procurement of 0.5 mm diameter Drop wire
	13	Excess payment of Rs.63.38 crore
	19	Wasteful expenditure of Rs. 1.84 crore on Coastal wireless station
	21	Non-recovery of advance
	25	Excess payment of Customs duty
	28	Loss due to failure to recover copper wire
	33	Cash payment in lieu of uniforms
Report No. 6 of 1999 for the year ended March 1998	5	Leakage of revenue from Coin Collection Boxes
	6	Non-realisation of dues from licensees of Voice Mail Services
	8	Non-billing or short billing
	12	Laying of cables in local network
	13	Functioning of Calcutta Telephones
	16	Unproductive investment on Smart Card Pay Phones
	17	Infructuous expenditure of Rs 10.33 crore in purchase of trunk exchanges
	19	Procurement of Multi Access Rural Radio Systems
	22	Excess payment in procurement of digital UHF system
	31	Overpayment in cable laying work
	34	Non-diversion of surplus raw material
	50	Injudicious purchase of ready built quarters
Report No. 6 of 2000 for the year ended March 1999	3	Non-payment of compensation by Bharti Telenet
	5	Trunk calls not billed for six years in several exchanges
	7	Non-realisation of annual maintenance charges for OFC route
	8	Non-realisation of Service tax of Rs 2.31 crore
	9	Leakage of revenue from Coin Collection Boxes
	10	Non-realisation of additional security deposit from STD/PCO holders
	11	Non/Short billing of revenue
	13	Revenue Arrears
	15	Licensing of Radio Paging Services
	16	Material Management in Telecom Stores and Circles
	17	Rural Telecommunication Network
	19	Irregularities in procurement of PIJF cables

Audit Report (Number and year)	Paragraph No.	Subject
Report No. 6 of 2000 for the year ended March 1999	21	Procurement of surplus capacity Computerised Digital Trunk Manual Exchanges
	23	Wastage of costly cable and resultant loss of Rs. 4.12 crore
	26	Non-payment of bills of Telecom Factories
	27	Misappropriation of Government money
	28	Irregular payment of electricity duty, charges etc.
	30	Improper decisions resulting in infructuous expenditure
	31	Injudicious construction/purchase of staff quarters
	33	Excess engagement of contract labour
	34	Unauthorised engagement of casual labourers
	37	Procurement of woollen uniforms at higher rates
	38	Provision of telephone instruments to private operators
	41	Excess payment due to higher rates for transportation charges
	42	Short recovery of electricity charges
	46	Short recovery of liquidated damages
Report No. 6 of 2001 for the year ended March 2000	3	Non-levy of royalty and licence fee of Rs 24.81 crore on wireless users
	4	Non-recovery of dues amounting to Rs 2.52 crore from Department of Electronics for Educational and Research Network (ERNET)
	5	Non-realisation of Service Tax
	6	Non-realisation of additional security deposits from STD/PCO operators
	7	Short billing of Advance rental
	8	Leakage of revenue from Coin Collection Box Public Call Offices
	9	Non/short recovery of revenue
	10	Recovery at the instance of Audit
	11	Revenue Arrears
	12	Manpower Management in Department of Telecommunications Services
	13	Performance of Telecom Factories Jabalpur and Mumbai
	14	Computerised Telephone Revenue Billing and Accounting System
	15	Non-recovery of dues from MTNL Mumbai/Delhi
	16	Avoidable expenditure on unwarranted use of armoured cable in place of unarmoured cable
	17	Excess expenditure of Rs 4.25 crore in procurement of 2 GHz digital microwave terminals
	18	Avoidable expenditure in procurement of 8 Megabits optical line equipment
	19	Illegal purchase of stores
	20	Overpayment of Rs 2.35 crore to suppliers
	21	Non-recovery of cable worth Rs 2.02 crore issued to contractors
	22	Extra expenditure due to violation of tender conditions
	23	Irregular refund of liquidated damages of Rs 23.71 lakh
	24	Loss due to procurement of sub-standard drop wire
	25	Non-levy of penal interest on delayed payments
	26	Overpayment in procurement of Radio Communication Test Sets

Audit Report (Number and year)	Paragraph No.	Subject
Report No. 6 of 2001 for the year ended March 2000	27	Other recoveries at the instance of Audit
	28	Damage caused to underground cable
	29	Wasteful expenditure in procurement of defective telex billing equipment
	30	Non-recovery of amount due with interest thereon from Mahanagar Telephone Nigam Limited
	31	Non-utilisation of cable procured on deferred payment basis and payment of avoidable interest of Rs 60.23 lakh
	32	Idling of 30 channel digital Ultra High Frequency equipment
	33	Avoidable payment of lease charges of Rs 15.68 lakh due to non-utilisation of land
	34	Non-recovery of leave salary and pension contribution
	35	Avoidable expenditure in procurement of Multi Access Rural Radio Systems
	36	Avoidable expenditure on laying of Optical Fibre Cable
	37	Avoidable payment of minimum demand charges and low power factor surcharge
	38	Non-maintenance of minimum power factor and resultant avoidable payment of penal charges
	39	Avoidable payment of penal charges for overdrawl of electricity and irregular payment of electricity duty
	40	Execution of works without sanction of estimates
	41	Irregular procurement of stores
	42	Irregular procurement of 10 channel digital equipment

APPENDIX - XXXII

(Referred to in paragraph 49 at page 126)

Details of revenue paragraphs for which replies from Ministry were awaited as on 31 December 2001

Sl. No	Case mark	Initiating Branch Audit Office	Subject	Amount (Rs in lakh)	Date of despatch to Ministry
1	RRP/2(d) 6586	Ahmedabad	Non-realisation of additional security deposit from STD/PCO holders	80.18	28-06-2001
2	RRC/2(d) 6696	Kapurthala	Bills issued at old rates	18.48	11-07-2001
3	RRP/2(d) 6621	Ahmedabad	Non-issue of advance rental bills	31.61	26-07-2001
4	RRP/2(d) 6517	Trivandrum	Non-realisation of licence fee and rentals	12.11	31-07-2001
5	RR3/2(d)6707 RR3/2(d)6423	Bhopal	Non-recovery of rental of unexpired period of guarantee	57.81	06-08-2001
6	RRP/2(d) 6756	Trivandrum	Short billing of rentals on leased circuits	14.31	7-8-2001
7	RRP/2(d) 6504	Trivandrum	Short realisation of rentals due to incorrect fixation of rent and guarantee	14.53	10-8-2001
8	RRP/2(d) 6620	Ahmedabad	Continuance of telephone connection despite non-payment of dues	27.51	13-8-2001
9	RRP/2(d) 6598	Ahmedabad	Short realisation of rentals and non recovery of service tax on leased circuits	8.03	20-08-2001
10	RRP/2(d) 5917	Ahmedabad	Non realisation of royalty charges	810.00	17-08-2001
11	RR3/2(d) 6753	Lucknow	Non/short billing of rentals in r/o 120 channel PCM system	26.13	14-08-2001
12	RR3/2(d) 6759	Chennai	Non/short realisation of rentals	55.87	14-08-2001
13	RRC/2(d) 6576	Patna	Continuation of telephone facilities despite Non payment of dues	36.28	14-8-2001
14	RR3/2(d) 6761	Jaipur	Non recovery of licence fee for interconnectivity of network	15.87	22-8-2001
15	RRC/2(d) 6629	Patna	Short realisation of revenue due to incorrect fixation of rent	108.69	28-8-2001
16	RR3/2(d) 6419	Lucknow	Loss of potential revenue	16.77	3-9-2001
17	RR3/2(d) 6712	Bhopal	Non realisation of service tax	11.70	3-9-2001
18	RR3/2(d) 6767	Jaipur	Continuation of telephone connections despite default of payments	27.33	4-9-2001
19	RRC/2(d) 6633	Patna	Non/Short billing of revenue	15.53	6-9-2001
20	RRP/2(d) 6788	Ahmedabad	Non billing of advance rentals	31.72	10-9-2001
21	RRP/2(d) 6736	Ahmedabad	Continuation of telephone connections despite non-payment of dues	153.00	10-9-2001
22	RR3/2(d) 6792	Hyderabad	Non billing of fees and monthly rental for calling line identification process	21.93	12-92001
23	RRC/2(d) 6694	Kolkata	Non/short billing of rental for the facility provided to VSNL	75.30	10-10-2001
24	RR3/2(d)6738 RR3/2(d)6805 RR3/2(d)6794 RR3/2(d)6706	Jaipur Jaipur Hyderabad Bhopal	Additional security deposit of STD/PCOs	179.06	23-10-2001
25	RRC/2(d) 6730	Delhi	Non realisation on account of penal interest on belated payment (DoT -30.64 BSNL - 44.95)	75.59	12-11-2001
26	RRC		Revenue Arrears	-	-

APPENDIX - XXXIII

(Referred to in paragraph 49 at page 126)

Details of expenditure paragraphs and comprehensive performance reviews for which replies from Ministry were awaited as on 31 December 2001

Sl. No	Case mark	Initiating Branch Audit Office	Subject	Amount (Rs in lakh)	Date of despatch to Ministry
1	RR2 /2(d) 6581 RR2 /2(d) 6550	Chennai Patna	Infructuous expenditure due to contracting excessive power load	148.63	31-05-2001
2	RR2/2(d) 6623	Patna	Non-recovery of unused cable from contractors	295.00	31-05-2001
3	RR2/2(d) 6617	Bhopal	Unauthorised procurement of stores	16.13	31-05-2001
4	RR1/2(d) 6544	Calcutta	Deficient terms and conditions of purchase order led to excess payment	27.31	20-05-2001
5	RR2 /2(d) 6626 RR2 /2(d) 6648	Patna Lucknow	Excess expenditure on laying of cable beyond prescribed norms	64.95	14-06-2001
6	RR2/2(d)6557	Banagalore Kapurthala	Repair of faulty C-DOT cards	93.41	18-06-2001
7	RR2/2(d) 6653	Lucknow	Unfruitful expenditure on purchase of disputed land	46.90	25-06-2001
8	RR1/2(d) 6638	Mumbai	Lack of proper planning and resultant blocking of funds	64.00	5-07-2001
9	RRP/2(d) 6584	Ahmedabad	Avoidable expenditure due to poor planning	32.21	10-07-2001
10	RR1/2(d) 6702	Bhopal	Non-recovery of compensation	41.61	17-07-2001
11	RR2/2(d) 6527	Calcutta	Idling of equipment due to inaccurate assessment and poor follow up action	95.75	21-08-2001
12	RR1/2(d) 6614	Delhi	wasteful expenditure in procurement of testing equipment	222.00	6-08-2001
13	RR1/2(d) 6664	Bhopal	Unauthorised procurement of upgradation kits and spares under decentralised procurement system	514.00	6-08-2001
14	RR2/2(d) 6665	Chennai	Avoidable payment of minimum demand charges on account of incorrect assessment	13.90	13-08-2001
15	RR1/2(d) 6236	Kapurthala	Idling of microwave equipment	44.29	10-08-2001
16	RR2/2(d) 6526	Bhopal	Unproductive investment on electronic exchanges	560.00	21-08-2001
17	RR1/2(d) 6510	Cuttack	Unplanned procurement of PCM cables	113.00	23-08-2001
18	RR1/2(d) 6778	Nagpur	Irregular expenditure on procurement of cable route tracer and cable fault locators etc	40.7	23-08-2001
19	RR2/2(d) 6673	Chennai	Unproductive expenditure on procurement of ineffective meter reading monitoring system	31.21	27-08-2001
20	RR2 /2(d) 6523 RR2 /2(d) 6573	Calcutta	Unproductive expenditure on expansion of telephone exchange	78.00	27-08-2001
21	RR2/2(d) 6415	Lucknow	Wasteful expenditure on erection ultra high frequency towers	18.93	31-08-2001
22	RR1/2(d) 6568	Lucknow	Excess payment of service charges	71.23	30-08-2001
23	RR1/2(d) 6412	Lucknow	Avoidable expenditure on construction of an exchange building	29.06	30-08-2001
24	RR2/2(d) 6813	CA	Procurement of high bit rate digital subscriber line system and their utilisation	364.00	3-09-2001

Sl. No	Case mark	Initiating Branch Audit Office	Subject	Amount (Rs in lakh)	Date of despatch to Ministry
25	RRP/2(d) 6531	Trivandrum	Idling of pulse code modulation exchange equipment	210.00	7-09-2001
26	RR1/2(d) 6574	Bhopal	Non-recovery of LD charges	15.61	16-09-2001
27	RR2/2(d) 6831		Delay in finalisation of tenders		11-10-2001
28	RR1/2(d) 6606	Cuttack	Irregularities in decentralise procurement of C-DOT 256(P) exchange equipment		22-10-2001
29	RR2/2(d) 6663	Kapurthala	Wasteful expenditure on unwarranted construction of staff quarters/delay in construction of another building	19.30	25-10-2001
30	RRP/2(d) 6318	Patna	Transportation of stores by CTSDs and Telecom units	348.61	29-10-2001
31	RR3		Follow up on Audit Report		5-12-2001
Comprehensive Performance Reviews					
32	RR2/2(d) 6594	SWTC Kolkata	Draft Review on Production Management aspects of Telecom Factories at Kolkata, Bhilai and Richhai	82.19	29-10-2001
33	RRP /2(d) 6608	SWTC Kolkata	Review on the working of Controllers of Telecom Stores under the administrative control of the Chief General Manager, Telecom Stores, Kolkata	472.62	23-10-2001
34	RRC/2(d)6595	Chennai	Working of the Telecom Civil Divisions	191.01	31-10-2001

APPENDIX - XXXIV

(Referred to in paragraph 53.6 at page 158)

Budget and Actual Expenditure in respect of 11 Postal Accounts Offices during 1996-2001

(Rs in lakh)

Sl No.	Name of the Postal Account Office	1996-97	1997-98	1998-99	1999-2000	2000-01
1	Andhra Pradesh					
	O	324	442	583	562	643
	S	79	133	28	114	22
	Total	403	575	611	676	665
	Actual Expenditure	395	534	604	662	661
	Excess/Saving	(-) 8	(-) 41	(-) 7	(-) 14	(-) 4
	Percentage of Savings/Excess	1.98	7.13	1.14	2.07	0.60
2	Bihar					
	O	418	450	691	745	585
	S	35	162	(-) 42	(-) 299	(-)191
	Total	453	612	649	446	394
	Actual Expenditure	311	419	454	405	378
	Excess/Saving	(-) 142	(-) 193	(-) 195	(-) 41	(-) 16
	Percentage of Savings/Excess	31.3	31.53	30	9	4.06
3	Gujarat					
	O	93	110	191	219	235
	S	(-) 5	19	10	(-) 16	(-) 24
	Total	88	129	201	203	211
	Actual Expenditure	82	120	177	203	211
	Excess/Saving	(-) 6	(-) 9	(-) 24	Nil	Nil
	Percentage of Savings/Excess	6.81	6.9	11.9	-	-
4.	Karnataka					
	O	392	412	468	601	666
	S	11	161	148	74	61
	Total	409	573	616	675	727
	Actual Expenditure	384	514	576	619	620
	Excess/Saving	(-) 19	(-) 59	(-) 40	(-) 56	(-) 107
	Percentage of Savings/Excess	4.7	10.2	6.4	8.29	14.7
5	Kerala					
	O	262	283	345	417	524
	S	21	110	90	54	(-) 27
	Total	283	393	435	471	497
	Actual Expenditure	277	370	422	468	460
	Excess/Saving	(-) 6	(-) 23	(-) 13	(-) 3	(-) 37
	Percentage of Savings/Excess	2.12	5.85	2.98	0.63	7.44
6	Madhya Pradesh					
	O	242	261	366	418	502
	S	37	120	53	52	2
	Total	279	381	419	470	504
	Actual Expenditure	285	379	432	467	482
	Excess/Saving	(+) 6	(-) 2	(+) 13	(-) 3	(-) 22
	Percentage of Savings/Excess	2.1	0.52	3.10	0.63	4.36

Sl No.	Name of the Postal Account Office	1996-97	1997-98	1998-99	1999-2000	2000-01
7	Maharashtra					
	O	637	781	1024	1149	
	S	102	182	81	66	
	Total	739	963	1105	1215	NA
	Actual Expenditure	721	954	1098	1198	
	Excess/Saving	(-) 18	(-) 9	(-) 7	(-) 17	
	Percentage of Savings/Excess	2.43	0.93	0.63	1.39	
8	Orissa					
	O	236	330	345	396	515
	S	34	52	84	69	-
	Total	270	382	429	465	515
	Actual Expenditure	255	364	425	442	426
	Excess/Saving	(-) 15	(-) 18	(-) 4	(-) 23	(-) 89
	Percentage of Savings/Excess	5.55	4.71	0.93	4.94	17.28
9	Tamil Nadu					
	O			545	841	899
	S			313	98	74
	Total	Not furnished	Not furnished	858	939	973
	Actual Expenditure			867	926	967
	Excess/Saving			(+) 9	(-) 13	(-) 6
	Percentage of Savings/Excess			1.03	1.33	0.62
10	Uttar Pradesh					
	O	561	770	1072	1057	1165
	S	2	15	(-) 208	(-) 134	131
	Total	563	785	864	923	1034
	Actual Expenditure	560	810	846	910	948
	Excess/Saving	(-) 3	(+) 25	(-) 18	(-) 13	(-) 86
	Percentage of Savings/Excess	0.53	3.18	2.08	1.40	8.31
11	West Bengal					
	O				1251.93	1295.93
	S			1159.61	.50	(-) 8.45
	Total	Record not available	-	1159.61	1252.43	1287.48
	Actual Expenditure			1098.57	1278.54	1279.30
	Excess/Saving			(-) 61.04	26.11	(-) 8.18
	Percentage of Savings/Excess			5.26	2.08	0.63

APPENDIX - XXXV

(Referred to in paragraph 53.9 at page 160)

Amount drawn from treasury which remained unlinked in the Post office schedule

(Rs in crore)

Name of Postal Accounts Office	Opening balance as on 01.04.1996	Drawings from treasury during 1996-2001	Amount paired during 1996-20001	Amount unlinked as on 31.3.2001
Gujarat	-	-	-	0.13
Karnataka	2.00	1.78	0.24	3.54
Maharashtra	-	-	-	16.00
Orissa	(-) 4.01	10.51	-	6.50
Uttar Pradesh	5.37	9.53	10.25	4.65
Total	3.36	21.82	10.49	30.82

APPENDIX - XXXVI

(Referred to in paragraph 53.14.(a) at page 163)

Suspense (Debit) as on

(Rs in lakh)

Sl. No.	Name of Postal Account Office	Upto 1996 – 1997	31-3-1998	31.03.1999	31.03.2000	31.03.2001
1	Andhra Pradesh	61.78	131.98	35.26	142.16	39.43
2	Karnataka	-	-	-	-	477.77
3	Kerala	0.01	0.01	0.01	0.01	0.01
4	Madhya Pradesh	43.98	43.98	43.98	43.98	43.98
5	Tamil Nadu	164.70	164.70	203.49	229.10	1494.12
	Total	270.47	340.67	282.74	415.25	2055.31

Suspense (Credit) as on

(Rs in lakh)

Sl. No.	Name of Postal Accounts Office	Upto 1996 – 1997	31-3-1998	31-3-1999	31-3- 2000	31-3- 2001
1	Andhra Pradesh	0.13	0.13	0.13	0.13	0.41
2	Karnataka	-	-	-	-	(-) 108
3	Madhya Pradesh	9.67	9.67	9.67	9.67	9.67
	Total					(-) 97.92

APPENDIX - XXXVII

(Referred to in paragraph 53.25 at page 170)

Statement showing minus balances in Savings bank/Cumulative time deposit/ Fixed deposits accounts

(Rs. in lakh)

S.No.	Name of PAO	1996-97	1997-98	1998-99	1999-2000	2000-01	Total
1	Andhra Pradesh	-	-	-	-	65.53	65.53
2	Bihar	-	82.70	-	-	-	82.70
3	Karnataka	10.00	-	-	-	-	10.00
4	Kerala	45.03	120.69	85.51	77.20	178.15	506.58
5	Madhya Pradesh	-	-	-	-	1366.42	1366.42
6	Tamil Nadu	852.28	1574.57	509.47	515.48	2832.81	6284.61
7	Maharashtra	-	-	-	-	5717.02	5717.02
8	Uttar Pradesh	-	-	-	-	722.20	722.20
	Total	907.31	1777.96	594.98	592.68	10882.13	14755.06

APPENDIX - XXXVIII

(Referred to in paragraph 53.27 at page 171)

Statement showing outstanding paras of Internal Check organisation

(Rs. in lakh)

S.No.	Name of Postal Account Office	1996 – 97		1997 – 98		1998- 99		1999 – 2000		2000 – 01		Total	
		Paras	Amount	Paras	Amount	Paras	Amount	Paras	Amount	Paras	Amount	Paras	Amount
1	Andhra Pradesh	-	0.01	-	1.57	-	4.07	-	31.95	-	26.42	-	64.02
2	Bihar	-	-	-	-	-	-	5	14.57	-	-	5	14.57
3	Gujarat	1	0.05	-	-	-	-	1	0.62	1	0.49	3	1.16
4	Karnataka	-	-	558	1.00	263	12.00	530	18.00	1544	18.00	2895	49.00
5	Maharashtra	-	21.41	-	2.68	-	3.73	-	30.50	-	2.38	-	60.70
6	Orissa	-	-	36	-	553		608		306		1503	
7	Tamil Nadu	-	1.61	-	1.22	-	12.19	-	46.22	-	30.61	-	91.85
8	Uttar Pradesh	1424	19.42	494	15.80	2007	37.58	2219	32.67	-	-	6144	105.47
9	West Bengal	4	0.71	4	4.33	-	-	-	-	1	1.30	9	6.34
	Total	**1429**	**43.21**	**1092**	**26.60**	**2823**	**69.57**	**3363**	**174.53**	**1852**	**79.20**	**10559**	**393.11**

APPENDIX - XXXIX

(Referred to in paragraph at 64 page 183)

Position of outstanding ATNs as on 31 December 2001 in respect of paragraphs pertaining to DoP included in the Audit Reports up to No. 6 of 2001

Audit Report (Number and year)	Paragraph No.	Subject
Report No.6 of 1997 for the period ended March 1996	3.1	Satellite money order scheme
Report No.6 of 1999 for the period ended March 1998	55	Post office Saving certificates
	59	Loss of Revenue Rs 1.19 Crore
	62	Failure to acquire land for Post office
Report No 6 of 2000 for the period ended March 1999	52	Working of Postal Civil Wing
Report No 6 of 2001 for the period ended March 2000	45	Organisational set up and Financial Management
	46	Appropriation Accounts
	47	Modernisation of Postal Services (Review)
	48	Short realisation of revenue of Rs 2.96 crore
	49	Non-recovery of value of the BPOs
	51	Non-taking of possession of ready built quarters and resultant blocking of funds Rs 26.31 lakh
	52	Non-recovery of Rs 15.04 crore paid as pension/family pension on behalf of other departments
	53	Avoidable payment of minimum low power factor surcharge, minimum demand charges and load violation charges Rs 87.77 lakh

APPENDIX - XL

(Referred to in paragraph 65 at page 183)

Details of Reviews/Paragraphs for which replies from DoP were awaited as on 31 December 2001

Sl. No	Case mark	Initiating Branch Audit Office	Subject	Amount (Rs in lakh)	Date of despatch to Ministry
1	RR2/2(d)6477 RR2/2(d)6719	Delhi	Payment of overtime allowance	57.35	16-08-2001
2	RR2/2(d)6729	Delhi	Short realisation of postage due to violation of condition of postage	140.00	07-09-2001
3	RR3/2(d)6627	Delhi	Speed Post Services	908.70	30-10-2001

APPENDIX - XLI

(Refer overview under the paragraph financial implications at page(vii))

Statement showing financial implication of paragraphs and reviews included in the Report

	Paragraph No.	Rs in crore
Organisational set-up and Financial Management	1	0
Appropriation Accounts	2	0
Undue favour to licensees and loss of revenue	3	438.20
Non-realisation of licence fees and royalty charges	4	0.83
Short recovery of liquidated damages	5	0.70
Non-realisation of Rs 27.53 lakh on account of penal interest on belated payment of bills	6	0.28
Non/Short recovery of revenue	7	40.79
Recovery at the instance of Audit	8	*
Revenue Arrears	9	0
Production Management of Telecom Factories at Kolkata, Bhilai and Richhai	10	82.19
Management of Telecom Stores	11	472.62
Working of the Telecom Civil Divisions	12	191.01
Non recovery of unused cable worth Rs 2.96 crore from contractors	13	3.04
Abnormal delay in finalisation of rates and resultant loss of interest	14	2.64
Non realisation of insurance claim	15	1.00
Excess payment of service charges	16	0.71
Loss of Rs 62.42 lakh in unauthorised procurement of unapproved version of 4 channel Very High Frequency systems	17	0.62
Non recovery of compensation of Rs 55.17 lakh for damage caused to departmental property	18	0.55
Other recoveries at the Instance of Audit	19	53.46
Infructuous expenditure of Rs 2.19 crore due to contracting excessive power load	20	2.19
Wasteful expenditure in procurement of defective power plants	21	2.15
Defective planning and resultant blocking of funds	22	7.76
Unfruitful expenditure in procurement of tower material and laying of foundation	23	0.67
Unproductive investment on Electronic Telex Exchanges	24	5.60
Procurement of high bit rate digital subscriber line system and their utilisation	25	3.65
Idling of raw material and semi finished goods worth Rs 2.32 crore due to unplanned bulk procurement of raw material	26	2.32
Wasteful expenditure of Rs 2.22 crore in procurement of testing instruments	27	2.41
Idling of pulse code modulation multiplexing equipment	28	2.10
Non utilisation of land	29	1.24
Unplanned procurement of pulse code modulation cables	30	1.13
Idling of equipment due to inaccurate assessment and poor follow up action	31	0.91

* The consolidated amount against this para already exhibited against paragraph 3,4,5,6,7 and 9 above.

	Paragraph No.	Rs in crore
Idling of high density polyethylene pipes	32	0.86
Unproductive expenditure on expansion of telephone exchange	33	0.78
Unfruitful expenditure on purchase of disputed land	34	0.47
Idling of microwave equipment	35	0.44
Unproductive expenditure on procurement of ineffective meter reading monitoring systems	36	0.31
Irregularities in decentralised procurement of C-DoT 256 P exchange equipment	37	22.11
Unauthorised procurement of equipment/stores	38	6.31
Excess expenditure on laying of cable beyond prescribed norms	39	0.37
Excess payment due to inconsistent application of procurement policy	40	6.88
Transportation of stores by Circle Telecommunications Store Depots and Telecommunication units	41	3.49
Avoidable expenditure on inessential protection of under ground cables below 100 pairs	42	1.13
Avoidable expenditure on repair of faulty C-DoT cards from unauthorised agencies	43	0.93
Avoidable payment	44	0.47
Avoidable expenditure due to poor planning	45	0.34
Execution of works without sanction of estimates	46	7.77
Irregular expenditure on procurement of cable route tracers and cable fault locators	47	0.41
Follow up on Audit Report	48	0
Response of the Ministry/Department to Draft Audit Paragraphs	49	0
Organisational set-up and Financial Management	50	0
Appropriations Accounts	51	0
Speed Post Services	52	5.50
Working of Postal Accounts Offices	53	90.87
Short realisation of postage due to violation of conditions of postage	54	1.70
Non recovery of arrears of Rs 19.47 lakh	55	0.19
Irregular payment of interest on accounts opened in contravention of rules	56	0.12
Wasteful expenditure on account of delay in construction of post office buildings	57	1.57
Idling of staff quarters due to defective planning	58	0.18
Payment of overtime allowance	59	1.26
Excess payment to Railways for conveyance of mails	60	0.40
Excess payment of haulage charges	61	0.20
Irregular payment of advances to contractors	62	1.52
Retention of cash in excess of the prescribed limits	63	0
Follow up on Audit Reports	64	0
Response of the Ministry/Department to Draft Audit Paragraphs	65	0
Total		**1477.35**

GLOSSARY OF TERMS AND ABBREVIATIONS

Analogue	An electrical signal which is analogous to changing physical quantity measured
ATD	Advice of Transfer Debit
BCR	Biennial Cadre Review
BNPL	Book Now Pay Later
BSNL	Bharat Sanchar Nigam Limited
CBT	Coin Box Telephone
CCB	Coin Collection Boxes
CDTMX	Computerised Digital Trunk Manual Exchange
CKM	Cable conductor kilometre - cable sheath kilometres multiplied by the number of conductor pairs in each cable
CLIP	Calling Line Identification Presentation
Coaxial cable	A cable with a single wire in the centre of cylindrical conductor forming a pair of carrying electrical signals
CT Boxes	Cable Termination Boxes
CTS	Controller of Telecom Stores
DEL	Direct exchange lines, one each for every telephone connection
DWC	Discrete Wire Connection
Digital exchange	The exchange having signals coded into binary pulses and having little or no moving parts
EPABX	Electronic Private Automatic Branch Exchange
EOT	Extension of time
ETRP	Electronic Trunk Relay Plates
HDPE	High density polyethylene
HDSL	Highbit rate Digital Subscriber Line
HRMS	Hot Rolled Mild Steel
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
HZL	Hindustan Zinc Limited
IISCO	Indian Iron and Steel Company
ISDN	Integrated Services Digital Network
ISV	Independent Stock Verification
LDST	Long Distance Satellite Telephone

LOI	Letter of Intent
MARR	Multi Access Rural Radio
Mb/s	Mega bits per second denoting digital frequency
MUX	Multiplex
NE Lines	Non Exchange Lines
OFC	Optical Fibre Cable
Optical Fibre (OF)	Glass fibres using lightwaves for transmission of signals
OYT	Own your telephone
PABX	Private Automatic Branch exchange
PBX	Private branch exchange
PCB	Printed Circuit Board
PCM	Pulse Code Modulation
PCO	Public Call Offices
PIJF Cable	Polyethylene Insulated Jelly Filled Cable
PSPDN	Packet Switch Public Data Network
PST	Progressive Stock Taking
PVC	Polyvinyl chloride
PW	Private Wires
SPCC	Speed Post Collection Centre
SRCs	Subscriber Record Cards
SSAs	Secondary Switching Areas
STD	Subscriber trunk dialling
STM	Synchronous Transport Module
TAX	Trunk automatic exchange
TDMA	Time Division Multiple Access - A transmission technique used in digital radio transmission in which the use of a frequency is divided into time slots that are shared amongst several users.
Telex	Teleprinter exchange
TTH	Triangular Tubular Hybrid
UHF	Ultra high frequency (300 to 3000 MHz)
VHF	Very high frequency
VSAT	Very small aperture terminal