



REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR

THE YEAR 1977-78

UNION GOVERNMENT (POSTS AND TELEGRAPHS)

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PREFATORY REMARKS

This Report has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts of the Posts and Telegraphs Department for 1977-78 together with other points arising from audit of the financial transactions of the Posts and Telegraphs Department.

The cases mentioned in the Report are among those which came to notice in the course of test audit during the year 1977-78 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1977-78 have also been included wherever considered necessary.

The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration by the Department/authorities concerned.

CHAPTER I

GENERAL

1. Revenue position.—The total revenue receipts of the Posts and Telegraphs Department as budgeted for and realised during the five years ending 1977-78 are given below :

Year	Budget estimates	Actuals	Variation	Percentage of variation
	(Crores of rupees)			
1973-74	362.00	360.79	-1.21	-0.3
1974-75	429.81	401.58	-28.23	-6.6
1975-76	467.80	483.61	+15.81	+3.4
1976-77	648.31	619.27	-29.04	-4.5
1977-78	717.39	668.19	-49.20	-6.9

The revenue receipts during 1977-78 were Rs. 49.20 crores less than the estimates. The shortfall was mainly due to less receipts under the heads "Telephone revenue on account of rentals and local and trunk call fees, etc." and "Other receipts". The budget estimates and the actual receipts under the main heads of revenue during 1977-78 are given below :

Main heads of revenue	1977-78		
	Budget estimates	Actuals	Variation
	(Crores of rupees)		
(i) Sale of ordinary stamps (including post cards)	116.50	118.20	+1.70
(ii) Sale of service stamps	21.50	21.87	+0.37
(iii) Postage realised in cash	26.75	26.29	-0.46
(iv) Commission on money orders and postal orders	28.50	29.47	+0.97
(v) Telegrams	46.00	48.68	+2.68
(vi) Telex	31.00	29.98	-1.02
(vii) Rent of wires, circuits and instruments leased to railways, canals, etc.	13.50	10.76	-2.74
(viii) Telephone revenue on account of rentals and local and trunk call fees, etc.	420.00	391.66	-28.34
(ix) Other receipts (Net)	13.64	-8.72*	-22.36
TOTAL	717.39	668.19	-49.20

*Credit on account of 'forfeited money orders' included in this amount in respect of Orissa Circle is under reconciliation.

2. The growth of revenue during five years ended with 1977-78 is indicated below :

Main heads of revenue	1973-74	1974-75	1975-76	1976-77	1977-78	Increase in 1977-78 as compared to 1973-74	
						Amount	Percentage
1	2	3	4	5	6	7	8
					(Crores of rupees)		
(i) Sale of ordinary stamps	71.72	79.29	95.72	113.18	118.20	46.48	64.8
(ii) Sale of service stamps	15.06	12.81	18.05	22.48	21.87	6.81	45.2
(iii) Postage realised in cash	15.01	15.49	19.54	25.91	26.29	11.28	75.1
(iv) Receipts on account of money orders and postal orders including forfeited money orders	26.28	27.93	20.89	25.39	(A) 31.24	4.96	18.9
(v) Telegrams	24.55	26.11	32.71	43.26	48.68	24.13	98.3
(vi) Telex	11.95	9.04	16.47	29.97	29.98	18.03	150.9
(vii) Rent of wires, circuits and instru- ments leased to railways, canals, etc.	4.24	9.58	10.44	12.41	10.76	6.52	153.8
(viii) Telephone revenue on account of ren- tals and local and trunk call fees, etc.	184.73	207.51	254.24	350.35	391.66	206.93	112.0
(ix) Other receipts (Net) excluding forfeit- ed money orders	7.25	13.82	15.55	-3.68	(B) -10.49	-17.74	-244.7
TOTAL	360.79	401.58	483.61	619.27	668.19	307.40	85.2

(A) Differs from figures shown in Paragraph 1 due to exhibition of receipt on account of forfeited money orders under this head instead of under 'other receipts'.

(B) Differs from figures shown in Paragraph 1 due to (A).

3. The growth of revenue in the two branches of the department compared with the increase in expenditure (inclusive of dividend and depreciation on historical cost and supplementary depreciation towards inflationary element) during the five years ended with 1977-78 is indicated below :

Year	Revenue	Expenditure	Percentage of expenditure to revenue
1	2	3	4
(Crores of rupees)			
Postal Services			
1973-74	134.25	149.75	111.5
1974-75	142.07	177.86	125.2
1975-76	167.85	215.59	128.4
1976-77	193.96	226.00	116.5
1977-78	206.90	208.88	101.0
Telecommunication Services*			
1973-74	226.54	182.95	80.8
1974-75	259.51	221.39	85.3
1975-76	315.76	272.43	86.3
1976-77	425.31	293.64	69.0
1977-78	461.29	332.28	72.0
Total (Department as a whole)			
1973-74	360.79	332.70	92.2
1974-75	401.58	399.25	99.4
1975-76	483.61	488.02	100.9
1976-77	619.27	519.64	83.9
1977-78	668.19	541.16	81.0

*Up to March 1974, accounts of revenue and expenditure were maintained separately for Telegraph, Telephone and Radio Branches of the Telecommunication Services. From April 1974, these accounts are maintained for the Telecommunication Services as a whole. The figures of revenue and expenditure for these three branches as appearing in the Report for the year 1973-74 have been shown under Telecommunication Services in this Report.

CHAPTER II

GENERAL RESULTS OF APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

4. **General.**—The following table compares the expenditure during 1977-78 with the total of voted grants and charged appropriation :—

			Total grant/ appropriation	Actual expendi- ture	Saving	Percentage of column 3 to column 1
			1	2	3	4
<i>Charged :</i>	<i>Original</i>	<i>0.50</i>	<i>0.50</i>	<i>0.20</i>	<i>0.30</i>	<i>60.0</i>
<i>Voted :</i>	Original	11,21,33.99	11,21,34	9,85,67	1,35,67	12.1
	Supplementary	0.01				

The saving of Rs. 1,35,67 lakhs in the voted section was as follows :—

Particulars of grant	Total grant/ appropriation	Actual expendi- ture	Saving	Percentage of column 4 to column 2	Amount surrendered to the Ministry of Finance during the year	Amount of grant that lapsed altogether
1	2	3	4	5	6	7
19—Posts and Telegraphs—Working Expenses	6,11,07.33	5,67,66.07	43,41.26	7.1	25,07.56	18,33.70
20—Posts and Telegraphs—Dividend to General Revenues, Appropriation to Reserve Funds and Repayment of Loans from General Revenues	1,63,68.66	1,56,97.66	6,71.00	4.1	5,31.30	1,39.70
21—Capital Outlay on Posts and Telegraphs	3,46,58.01	2,61,03.63	85,54.38	24.7	49,27.09	36,27.29

The saving of Rs. 85,54.38 lakhs under Grant No. 21—Capital Outlay on Posts and Telegraphs was mainly due to less expenditure under :

- (i) Post Offices (provision Rs. 5,86 lakhs; expenditure Rs. 5,50 lakhs; saving 6.1 per cent);
- (ii) Telegraph Systems (provision Rs. 8,46 lakhs; expenditure Rs. 6,41 lakhs; saving 24.2 per cent);
- (iii) Local Telephone Systems (provision Rs. 1,67,40 lakhs; expenditure Rs. 1,37,54 lakhs; saving 17.8 per cent);
- (iv) Long Distance Switching Systems (provision Rs. 11,85 lakhs; expenditure Rs. 10,60 lakhs; saving 10.5 per cent);
- (v) Transmission Systems (provision Rs. 1,05,47 lakhs; expenditure Rs. 62,34 lakhs; saving 40.9 per cent);
- (vi) Ancillary Systems (provision Rs. 9,96 lakhs; expenditure Rs. 6,44 lakhs; saving 35.3 per cent); and
- (vii) General (provision Rs. 29,65 lakhs; expenditure Rs. 23,04 lakhs; saving 22.3 per cent).

The above savings were partly offset by excesses as under :

- (i) Administrative Offices (provision Rs. 31 lakhs; expenditure Rs. 82 lakhs; excess 164.5 per cent);
- (ii) R.M.S. Vans (provision Rs. 30 lakhs; expenditure Rs. 1,30 lakhs; excess 333.3 per cent).

Reasons for savings have been explained in the Appropriation Accounts mainly as due to less receipt of equipment, cables, etc.

CHAPTER III

REVENUE

5. **Arrears of telephone revenue.**—(i) For bills issued up to 31st March 1978 collection of Rs. 12.05 crores as telephone revenue was in arrears on 1st July 1978 as indicated below :

(Crores of rupees)

Government subscribers	2.94
Other subscribers	9.11

(In respect of Delhi Telephone District arrears for bills issued up to 31st January 1978 as on 1st May 1978 only have been included as information for subsequent period was not made available).

Out of the total outstanding of Rs. 12.05 crores, details showing yearwise break-up were not available in respect of Rs. 3.17 crores relating to Delhi and Calcutta Telephone Districts. Of the remaining outstanding amount of Rs. 8.88 crores, Rs. 4.29 crores related to bills issued during 1977-78 and balance of Rs. 4.59 crores to bills issued up to and including 1976-77. The yearwise analysis of the arrears is given in Appendix I.

(ii) The percentage of the outstanding on 1st July 1978 (1st May 1978 for Delhi Telephone District) to the total amount collected during the year ending with preceding March and the corresponding percentages in the three preceding years are given below :

Year	Amount collected	Amount out-standing on 1st July following (including out-standings for the bills issued in the preceding years)	Percentage of the amount out-standing to the amount collected during the year
1	2	3 (Lakhs of rupees)	4
1974-75	2,25.83	10.35	4.6
1975-76	2,48.00	7.71	3.1
1976-77	3,70.97	8.71	2.3
1977-78	3,98.58	12.05	3.0

(iii) The percentage of the outstanding to the amount billed (as on 1st July 1978—1st May 1978 for Delhi Telephone District) in respect of the bills issued during 1977-78 and the corresponding percentages in the three preceding years are given below :

Year	Amount billed	Amount outstanding on 1st July following out of the amount shown in column 2	Percentage of column 3 to 2
1	2	3	4
(Lakhs of rupees)			
1974-75	2,32,85	5,87	2.5
1975-76	2,58,66	3,34	1.3
1976-77	3,70,02	3,89	1.1
1977-78	4,01,82	4,29	1.1

(iv) A test-check of telephone revenue accounts conducted during 1977-78 has shown several instances of short billing as well as failure to issue bills. Of 2542 cases (Rs. 12.46 lakhs) of short billing brought to the department's notice, the department had not realised (June 1978) the amounts short billed in 959 cases (Rs. 7.84 lakhs) and in 94 cases (Rs. 1.76 lakhs) even bills had not been issued. The department had also not issued (June 1978) bills in 352 cases (Rs. 8.89 lakhs) out of 1648 cases (Rs. 19.66 lakhs) of failure to issue bills brought to the notice of the department.

(v) Recovery of Rs. 22.47 lakhs was under litigation on 1st July 1978 :

	No.	Amount (Lakhs of rupees)
(a) Cases under litigation as on 1-7-1977	915	19.33
(b) Cases in which litigation proceedings were commenced during July 1977 to June 1978	246	8.90
(c) Cases decided during July 1977 to June 1978	237	5.76
(d) Cases decided out of (c) in favour of P & T Department	204	5.17
(e) Cases under litigation as on 1-7-1978	924	22.47

(vi) During 1977-78 the telephone revenue written off was Rs. 15.34 lakhs as indicated below :

Reasons	(Lakhs of rupees)
1. Whereabouts of the subscribers not known	6.30
2. Solvency of the subscribers not established	1.81
3. Closure of the subscribers' firms, concerns, etc.	1.64
4. Death of subscribers	1.01
5. Relevant departmental files not available	0.97
6. Other reasons	3.61
	<hr/> 15.34

The yearwise analysis of this amount is given in Appendix I.

6. **Arrears of rent of telegraph, telephone and teleprinter circuits and telex/intelex charges.**—For bills issued up to 31st March 1978, collection of Rs. 259.71 lakhs as rent of telegraph, telephone and teleprinter circuits and telex/intelex charges was in arrears on 1st July 1978 as indicated below :

	(Lakhs of rupees)
Rent of telegraph, telephone and teleprinter circuits	171.07
Telex and intelex charges	88.64
TOTAL	<hr/> 259.71

Date of issue of the para
to P2 Board - 22.12.78

Date of receipt of reply - 30.1.79

Date of issue of para
to P.H. Board - 6.11.78

Date of receipt of reply - 23.12.78

Out of the total arrears of Rs. 259.71 lakhs, Rs. 111.91 lakhs related to bills issued during 1977-78 and the balance Rs. 147.80 lakhs to bills up to 1976-77. Yearwise analysis is given in Appendix II.

7. Arrears of revenue of radio telegraph charges.—Radio telegrams (a telegram originating in or intended for a mobile station which is transmitted over the radio communication channels of a mobile service) are exchanged between the Indian coastal radio stations owned by the Indian Posts and Telegraphs Department and ships at sea, the apparatus on the ships being controlled by the companies or administrations of other countries. According to departmental rules, the Indian coastal stations exchanging message traffic with ship stations render to the Chief Accounts Officer, Telegraph Check Office (CAO TCO), Calcutta, an account of such messages showing the particulars of the ship station, coastal station and the telegraph charges. Settlement with each foreign company or administration is effected by the CAO TCO, Calcutta, by means of monthly bills which are forwarded for acceptance to the companies or administrations concerned. According to the International Radio Regulations, acceptance of an account is required to be notified by the company or administration concerned within a period of six months from the date of its despatch.

A test-check of the records of radio telegraph charges maintained by the CAO TCO conducted by Audit in August 1978 revealed that for bills pertaining to the period up to 31st March 1978, claims to the extent of Rs. 43.69 lakhs were in arrears on 1st August 1978. The department stated (December 1978) that "as per ruling for settlement of these bills, any accounting authority has a right to question the contents of the accounts within the period of 6 months after receipt of the accounts. Further a period of six months is also required in receipt of cheques through bankers (either in pound sterling or in U.S. dollars) and for encashment of the cheques It may be more realistic if the outstandings as on 1-8-78 are taken in respect of bills issued up to 1976-77 only".

On the basis suggested by the department, it is observed that in respect of bills pertaining to the period up to 31st March 1977 claims to the extent of Rs. 15.80 lakhs were in arrears on 1st August 1978. Yearwise analysis of this amount is given in Appendix III. Out of the arrears of Rs. 15.80 lakhs as on 1st August 1978, Rs. 9.35 lakhs pertain to claims of more than Rs. one lakh each against six foreign companies/administrations. The department stated (September 1978) that apart from issuing periodical reminders in respect of current cases efforts were also made to pursue old cases with the administrations concerned with the help of the Indian Embassies abroad.

In the following tables, a comparative picture of the arrears on 1st August of second succeeding year and the progress made in the collection and clearance of current and old dues, has been shown :

Table 1

Year	Amount outstanding at the beginning of the year in respect of bills pertaining to previous years	Amount of bills pertaining to the year	Total amount collectable	Amount collected during the year out of that shown in column 4	Amount outstanding at the end of the year	Amount outstanding on first August of second succeeding year
1	2	3	4	5	6	7
			(Lakhs of rupees)			
1973-74	31.88	19.30	51.18	19.11	32.07	15.71 (1-8-75)
1974-75	32.07	23.80	55.87	8.62	47.25	15.65 (1-8-76)
1975-76	47.25	23.91	71.16	26.46	44.70	15.26 (1-8-77)
1976-77	44.70	30.43	75.13	23.49	51.64	15.80 (1-8-78)
1977-78	51.64	29.40	81.04	25.39	55.65	(due on 1-8-79 only)

Table 2
Amount outstanding as on 1st August of the second year succeeding the year shown in column 1

Year	In respect of bills pertaining to the year shown in column 1		Total
	In respect of bills pertaining to the year shown in column 1	In respect of bills pertaining to the years preceding the year shown in column 1	
1	2	3	4
	(Lakhs of rupees)		
1973-74	8.05	7.66	15.71
1974-75	7.31	8.34	15.65
1975-76	6.57	8.69	15.26
1976-77	8.18	7.62	15.80

Table 3

Year	Amount of bills pertaining to the year	Amount outstanding on 1st August of second succeeding year out of amount in column 2		Percentage of column 3 to column 2
		2	3	
1	2	3	4	
	(Lakhs of rupees)			
1973-74	19.30	8.05	41.7	
1974-75	23.80	7.31	30.7	
1975-76	23.91	6.57	27.5	
1976-77	30.43	8.18	26.9	

Table 4

Year	Amount of bills outstanding on 1st April of the year	Amount outstanding on 1st August of second succeeding year out of amount in column 2		Percentage of column 3 to column 2
		2	3	
1	2	3	4	
	(Lakhs of rupees)			
1973-74	31.88	7.66	24.0	
1974-75	32.07	8.34	26.0	
1975-76	47.25	8.69	18.4	
1976-77	44.70	7.62	17.0	

Date of issue of the para
to P^r Board - 30.8.78

Date of receipt of reply - 28.10.78

8. **Short collection of revenue from departmental Public Call Offices.**—Departmental rules provide that for the convenience of the public, departmental public call offices (PCOs) may be installed in places like post/telegraph offices, railway stations, aerodromes, hospitals, super-markets, religious places of importance, etc. PCOs are also provided at private premises such as restaurants, hotels, cinemas, departmental stores, etc. subject to certain conditions.

There are in all 10,575 departmental PCOs in the country spread over 35 circles/districts of the department. A test-check of the cash collections from the PCOs conducted by Audit during 1977-78 revealed that in 2004 PCOs out of a total of 6242 PCOs in 20 circles/districts, the actual collection from coin collecting boxes fitted to the PCOs was only Rs. 19.96 lakhs as against Rs. 59.63 lakhs that should have been collected on the basis of the relative meter readings of each of the PCOs.

Similar short collections were also noticed by Audit in test-check conducted during the period from 1972-73 to 1976-77. The results of these test-checks are given in the following table :—

Year	Number of circles/districts test checked	Total number of PCOs in the circles/districts test checked	Number of PCOs out of column 3 test checked	Amount due as per meter readings	Amount actually collected	Amount of short collection
1	2	3	4	5	6	7
				(In lakhs of rupees)		
1972-73	12	3621	1200	15.06	4.78	10.28
1973-74	12	4117	1456	19.84	6.08	13.76
1974-75	12	4123	1343	18.48	4.92	13.56
1975-76	12	4428	1256	21.59	6.36	15.23
1976-77	13	4678	1293	33.77	12.14	21.63
1977-78	20	6242	2004	59.63	19.96	39.67
TOTAL		27209	8552	168.37	54.24	114.13

(The above figures are under reconciliation with the department.)

Mention was also made of cash collection from the coin collection boxes (CCB) fitted to the PCOs, being far short of the amount based on the relative meter readings, in paragraph 9 of the Audit Report, Posts and Telegraphs, 1969. In this connection, in paragraphs 1.94 to 1.96 of its 112th Report (Fourth Lok Sabha : 1969-70), the Public Accounts Committee observed as follows :—

- (i) that the results of the experiments, which the department was stated to be carrying out with a new type of pre-payment coin collecting box which was designed to minimise the possibility of misuse by certain sections of the public, might be intimated to it; and
- (ii) it would be possible to minimise pilferages by departmental staff if, in accordance with the departmental instructions issued in 1966, each PCO was provided with two coin boxes, one alternating with the other, ensuring also that coin boxes, which were removed for purposes of collection, were opened in one central place in the presence of a responsible official.

In its action taken notes submitted in October 1970 and February 1972, the Posts and Telegraphs Board informed the Public Accounts Committee that :

- (i) a new pre-payment type coin collecting box had been developed and as the working thereof was found to be satisfactory in the factory tests, it was being put on field trials (October 1970), and
- (ii) a set of two boxes had been allotted to each public call office (February 1972).

In regard to (i) above, in reply to a query from Audit in October 1974, the department stated (November 1974) that the actual field trials indicated that the pre-payment type coin

collecting box designed by them could not prevent short collection, that its mechanism was complicated requiring a separate refund button in case the call was to be abandoned after putting the coins and that it would have larger fault liability and would lead to temptation to misuse of the refund button in an attempt to get the stuck-up coins released. The department added that the project had, therefore, been abandoned.

As regards (ii) above, a test-check in various circles revealed (1976-77) that though a set of two boxes was still to be allotted to many public call offices, a few extra boxes had been provided in each exchange to enable the boxes containing coins being brought unopened to a central location and being opened in the presence of a gazetted officer.

In reply to a further reference from Audit in July 1977, the department stated (November 1977) :

“.....in both post-payment and pre-payment type of PCOs, there are chances that users do not put the required coins even when the call materialises and is registered on the meter. The chances of such a thing happening are, of course, more in post-payment type of PCOs. In any case, there is nothing much that the department can do to stop this misuse which accounts for most of the short collection from the PCOs. Shortage in collection due to other possible reasons is being controlled by regular inspections, tight supervision and systematised collection.

The TRC (Telecommunication Research Centre) has, once again, taken up the design of the CCB PCOs with a view to effect possible improvements.”

An analysis of the short collections over the years as indicated in the table given above in terms of its extent and the number of PCOs corresponding to different ranges of short collection is given on next page :

Table I

Percentage-wise analysis of the extent of short collection as compared to amounts due

Year	Above 90 per cent		75 per cent to 90 per cent		50 per cent to 74 per cent		Less than 50 per cent	
	Number of PCOs	Amount (in lakhs of rupees)	Number of PCOs	Amount (in lakhs of rupees)	Number of PCOs	Amount (in lakhs of rupees)	Number of PCOs	Amount (in lakhs of rupees)
1	2	3	4	5	6	7	8	9
1972-73	151	1.62	293	2.86	585	5.30	171	0.50
1973-74	308	2.82	365	3.21	585	7.03	198	0.70
1974-75	260	2.49	397	4.20	595	6.57	91	0.30
1975-76	186	2.15	432	5.14	505	7.25	133	0.69
1976-77	170	2.19	322	6.68	572	9.85	229	2.91
1977-78	209	3.48	500	12.35	935	19.77	360	4.07
TOTAL	1284	14.75	2309	34.44	3777	55.77	1182	9.17

Table II

Percentage-wise analysis of PCOs test-checked corresponding to the short collection mentioned in the Table I on previous page

Percentage of PCOs corresponding to short collection

Year	Above 90 per cent	75 per cent to 90 per cent	50 per cent to 74 per cent	Below 50 per cent
1972-73	12.58	24.42	48.75	14.25
1973-74	21.15	25.07	40.18	13.60
1974-75	19.36	29.56	44.30	6.78
1975-76	14.81	34.39	40.21	10.59
1976-77	13.15	24.90	44.24	17.71
1977-78	10.43	24.95	46.66	17.96
Average	15.01	27.00	44.17	13.82

The statistics relating to short collection up to 1976-77 was brought to the notice of the department by Audit in April 1978 and it was enquired whether the Posts and Telegraphs Board were aware of the fact that the short collections in some of the PCOs continued to be as high as 90 per cent and above and, if so, what remedial steps were being taken by the department to rectify the situation. The department stated (October 1978) that the short collection was high in the PCOs situated at Railway Stations, Goods sheds, Government hospitals, cinema theatres, staff colonies, etc. where the PCOs were easily accessible to all and no supervision existed and that in PCOs where there was some supervision and check on the entry of persons, e.g., Central telegraph offices, private hospitals, air-ports, the short collections were relatively less. The department attributed the short collections to the misuse of PCOs by the public. As to the results of the steps taken by the TRC in the improvement of the design of the coin collecting boxes in the PCOs, the department stated that the TRC had fabricated a prototype of coin collecting box which was expected to take care of the known misuses to which the PCOs were at present liable. The field trials of this new type of coin collecting box were yet to be taken up (November 1978).

Thus, even though the department had stated (November 1977) that shortage in collection due to reasons other than tampering was being "controlled by regular inspections, tight supervision and systematised collection" and the question of improvement in the design of the coin collecting boxes in the PCOs had been under consideration of the department since 1970, heavy short collections (Rs. 114.13 lakhs in 8,552 PCOs test checked during 1972-73 to 1977-78) from the coin collection boxes fitted to the PCOs, as compared to the amount due on the basis of the relative meter reading were noticed; the short collections were also continuing (November 1978).

Sl I - Station = ALLAHABAD.

Sl 2 - do - SURATGARH.

9. Realisation of departmental dues

(i) *Short-billing, non-billing, etc. noticed by Audit.*—A few cases of short-billing, non-billing, etc. (Rs. 21.45 lakhs) where the department had issued bills as a result of audit observations are given below :

Sl. No.	Name of Work	Audit observation in brief	Date of Audit observation	Action taken by the Department
1	2	3	4	5
1.	Providing a trunk board for the Air Force at a Station	Rent had been calculated at 15 <i>per cent</i> of the capital cost and continued to be claimed for 4 years even beyond the guarantee period of 7 years which expired in February 1973. This was revised only in March 1977, the calculations being at 15 <i>per cent</i> of capital cost plus 15 <i>per cent</i> thereon. The rental should have been calculated in this particular case at 29 <i>per cent</i> of the capital cost plus 15 <i>per cent</i> thereon.	September 1978	The department stated (December 1978) that a bill for total short charges covering the period from 5th February 1966 to 31st March 1979 for a sum of Rs. 1.33 lakhs had since been issued to Air-Force authorities and that steps were being taken to realise the amount early by making personal contacts.
2.	Laying an underground cable at an Air-field	Though the progress of work showed that the actual expenditure would exceed the estimated cost of the work by more than	June 1977	A bill for Rs. 0.48 lakh for the period May 1976 to March 1978 and a bill for Rs. 0.64 lakh for the period from April 1978

10 per cent, the estimate was not revised before handing over the services and rental also was not revised on the basis of the revised estimated cost plus 15 per cent thereon as required under the rules.

to May 1979 was issued in January 1978 and May 1978 respectively, but the amounts were yet to be recovered (February 1979).

3. Installation of a 200—line private automatic branch exchange (PABX) at a station in replacement of an existing 150—line PBX.

Though the progress of work showed that the actual expenditure would exceed the estimated cost of the work by more than 10 per cent, the estimate was not revised before handing over the services and rental also was not revised on the basis of the revised estimated cost plus 15 per cent thereon as required under the rules.

December
1977

A bill for Rs. 0.94 lakh had been issued in January 1979.

4. Laying an underground cable between two stations for the Army authorities.

While calculating the capital cost the department had taken the share of establishment charges as 6.5 per cent, instead of at the prescribed rate of 8 per cent. Also the addition of 15 per cent to the capital cost was not made before working out the rental. Guarantee period had been fixed as 5 years instead of 10 years.

December
1976

A bill for Rs. 1.45 lakhs covering the period 19th June 1969 to 31st March 1978 was issued in February 1978. Guarantee period also was corrected to 10 years. The amount had not yet been received. The department stated (November 1978) that every effort was being made to realise the dues and all divisions in the concerned Circle were being advised to review all the rent and guarantee cases.

St. 4. Stations 'A' = IMPHAL

'B' = LEIMAKHONG

Sl. 5: 'A' = BHATINDA
'B' = SIRSA
'C' = CHANDIGARH

Sl. 6: 'A' = UDAMPUR
'B' = BHATINDA
'C' = SRINAGAR

- | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5. Providing two speech circuits between two stations 'A' and 'B' and one speech circuit between stations 'A' and 'C' for the Army authorities. | There was omission to bill the Army authorities for the rental for this work. | March 1978 | Bills for Rs. 0.65 lakh, Rs. 0.54 lakh and Rs. 1.93 lakhs for the three circuits respectively were issued in March 1978. The amount of Rs. 1.19 lakhs for the first two circuits was recovered in May 1978. The bill for the third circuit was revised from Rs. 1.93 lakhs to Rs. 1.14 lakhs correcting mistakes in the period for which rental was to be claimed and was issued in June 1978; payment was received in September 1978. |
| 6. (i) Four works of laying underground cables for the Army authorities in a station 'A'. | The officers executing the works did not issue the Advice Note intimating the completion of works to the Telephone Revenue Accounts authorities who did not, therefore, issue the bills for rental in these cases. | January 1978, | An amount of Rs. 1.48 lakhs in respect of the first 4 works was billed for in September 1978 against which an amount of Rs. 1.28 lakhs was paid by the Army authorities in November 1978. |
| (ii) A work of overhead line and the carrier system for the Air-Force at a station 'B'. | | June 1978
<i>and</i> | A bill for Rs. 1.54 lakhs for the 5th work was issued to the Air-Force authorities in September 1978. |
| (iii) Provision of two Teleprinter circuits for the Air-Force between stations 'A' and 'C'. | | July 1978 | A bill for Rs. 0.50 lakh for the remaining two works of the Air-Force authorities was not issued till October 1978. The amount in respect of these three works had not been realised as yet (February 1979). |

1	2	3	4	5
7. Installation of a PABX in a station for the Army authorities.	The officer executing the work had not issued the Advice Note intimating the completion of the work as a result of which the Telephone Revenue Accounts Officer did not issue the bill for rental.	February 1976	After working out the final rental, a bill for Rs. 5.69 lakhs was issued in October 1976 and the amount was received in September 1978.	
8. Providing a private automatic branch exchange (PABX) of 100 to 600 lines for the Army authorities at a station.	According to rules rental is to be the higher of the prescribed flat rate or percentage of capital cost. A Bill was issued by the department at the prescribed flat rate instead of on a percentage of capital cost which was higher. Also rent for the cable laid for this work was not billed for.	July 1975	A bill for Rs. 0.43 lakh being the difference in rental for the period March 1975 to March 1978 was issued in June 1978. Though the Army authorities had accepted the bill, it had not yet been paid (December 1978).	
9. Providing a 800—line private automatic branch exchange (PABX) at a station for the Army authorities including laying of junction cable between the Army Telephone Exchange and the Department Telephone Exchange.	Originally a rent of Rs. 2.05 lakhs per annum was calculated in October 1973. As a result of revision in tariff rental was revised to Rs. 4.43 lakhs in March 1976. Installation charges of Rs. 0.11 lakh also were claimed. Installation charges should have been claimed at Rs. 0.22 lakh instead of Rs. 0.11 lakh.	April 1978	Against the total amount of Rs. 4.64 lakhs recoverable from the Army authorities only Rs. 2.65 lakhs had been received (Rs. 2.11 lakhs in April 1976 and Rs. 0.54 lakh in March 1977). Balance of Rs. 1.99 lakhs was yet to be recovered (September 1978). The department stated (September 1978) that an officer was being deputed to collect the outstanding amount from the Army authorities.	

Sl. 7 : FEROZEPUR

Sl. 8 : DHARAMSALA

Sl. 9 : CHANDIGARH

Stations 'A' = IMPHAL

'B' = CHURACHANDPUR

'C' = UKHRUL

(ii) *Non-revision of rental due to non-revision of estimates.*—In June 1967, a firm demand was placed by the Army authorities on the Posts and Telegraphs (P&T) Department for erecting two pairs of lines each between stations 'A' and 'B' and stations 'A' and 'C' on rent and guarantee basis with an undertaking that in case of cancellation of demand they would reimburse all the charges due to the department under the rules. Provisional rental of Rs. 0.32 lakh and Rs. 0.66 lakh *per annum* for a single pair (with a guarantee period of 5 and 7 years respectively) was quoted by the department in December 1967 and August 1968 and accepted by the Army authorities in January 1968 and September 1968 respectively. Both the first pair of lines were handed over to the Army authorities in July and August 1968 respectively.

In the case of first pair of lines between stations 'A' and 'B', the actual expenditure was Rs. 3.90 lakhs as compared to the original estimate of Rs. 1.59 lakhs while that in the case of the pair of lines between stations 'A' and 'C' was Rs. 5.27 lakhs as compared to the original estimated cost of Rs. 3.76 lakhs. It was noticed (June 1978) in audit that, in both the cases, even though the actual expenditure in providing the lines had exceeded the estimated cost by more than 10 *per cent*, the department had not revised (a) the estimates in time as required under the departmental rules and (b) the provisional rentals to Rs. 0.79 lakh *per annum* in the first case and Rs. 1.07 lakhs *per annum* in the second case, on the basis of the revised estimated cost (as per actual expenditure) plus 15 *per cent* thereof, as per rules. This resulted in less billing of about Rs. 2.39 lakhs in the first case and about Rs. 2.88 lakhs in the second case for the guarantee periods.

The first pair of lines between stations 'A' and 'B', which was handed over to the Army authorities in July 1968, was surrendered by them in May 1972 (before the expiry of guarantee period of 5 years). It was noticed in audit (July 1978) that no rental had been recovered from the Army authorities ever

since the installation of the line in July 1968. On this being pointed out, the department billed (August 1978) the Army authorities for Rs. 3.97 lakhs (including less billed amount of Rs. 2.39 lakhs mentioned above). The payment of the amount was awaited (December 1978).

In the second case, besides less billing of Rs. 2.88 lakhs for the guarantee period as mentioned above, the flat rate of rental after the expiry of the guarantee period in August 1975 was fixed incorrectly at Rs. 7500 *per annum* instead of Rs. 8500 *per annum* and total amount of rental of Rs. 0.23 lakh for the period August 1975 to March 1978 was not recovered. On this being pointed out (July 1978) in audit, the department issued (July 1978) a bill for Rs. 3.11 lakhs to the Army authorities, payment of which was awaited (December 1978).

On receipt of intimation (October 1972) from the Army authorities regarding cancellation of demand for second pair of lines in both the cases, the department intimated (April 1973) the Army authorities that amounts of Rs. 0.49 lakh and Rs. 0.44 lakh respectively were payable by them as compensation as per actual expenditure incurred. In May 1973, the Army authorities, however, informed the department that the demand for second pair of lines in both the cases was not being cancelled and that the department might take early action to construct the lines. Again, in September 1974 the Army authorities informed the department of their intention to cancel the demand for the second pair of lines between stations 'A' and 'C' but no mention was made in respect of the second pair of lines between stations 'A' and 'B'. In December 1975, the department billed the Army authorities for payment of compensation of Rs. 0.93 lakh in both the cases. The amount was, however, yet to be paid (December 1978). The department stated (December 1978) that since no intimation of the final cancellation of the second pair of lines between stations 'A' and 'B' was received from the Army authorities, the question of recovery of compensation did not arise and that as regards the second pair of lines between stations 'A' and 'C', the Army authorities had

Station 'A' = JODHPUR

not finally cancelled the firm demand, but that there was no question of the Army authorities not accepting the bills.

Thus, in both the cases neither had the second pair of lines been erected nor had compensation (Rs. 0.93 lakh) been paid by the Army authorities so far (January 1979). Besides, due to non-billing regularly and non-revision of rentals in time, Rs. 3.97 lakhs and Rs. 3.11 lakhs were yet (December 1978) to be recovered in respect of the first pair of lines between stations 'A' and 'B' and stations 'A' and 'C' respectively.

(iii) *Incorrect calculation of rental in a case where cable was taken on loan.*—In October 1971, the Posts and Telegraphs (P&T) Department provided an underground cable to the Army authorities on rent and guarantee basis, at station 'A' by obtaining the entire cable costing Rs. 9.50 lakhs on loan from the Army authorities. However, the department calculated (March 1973) rental of Rs. 2.37 lakhs *per annum* on the entire capital cost of the work (including cost of cable taken on loan) as against Rs. 1.23 lakhs *per annum* on the basis of the departmental orders for giving rebate in rent for the cable supplied by the Army authorities. The rental of Rs. 2.37 lakhs *per annum* was revised in March 1974 and provisional rental of Rs. 0.66 lakh *per annum* was quoted after excluding altogether the cost of cable supplied by the Army authorities instead of allowing rebate in rental in accordance with the departmental instructions. The Army authorities paid Rs. 2.95 lakhs against this demand up to March 1976.

On the basis of correct rental that should have been charged, *viz.* Rs. 1.23 lakhs *per annum*, Rs. 5.69 lakhs on account of rental up to September 1978 (Rs. 8.64 lakhs *less* Rs. 2.95 lakhs paid by the Army authorities) still remained unrecovered. The department stated (December 1978) that in view of the instructions on the grant of rebate for stores taken on loan from the subscribers, it had taken up the question of claiming arrears of rent from the Army authorities after calculating the rebate admissible for the cable supplied by them. Further developments were awaited (February 1979).

CHAPTER IV
WORKS EXPENDITURE

2(a) 1496

10. Expansion of Amritsar telephone exchange.—(a) To meet the growing demand for new telephone connections at Amritsar, the Posts and Telegraphs (P&T) Department sanctioned (July 1970) a project estimate for Rs. 41.25 lakhs for expansion of the existing telephone exchange from 9000 to 10800 lines. The project was expected to yield revenue of Rs. 10.67 lakhs per annum. The work was expected to be completed within about six months of the receipt of complete stores. The project comprised the following components :—

P-60/c
P-26/c
P-61/c

	Estimated cost (in lakhs of rupees)
Building including electric installations	1.73
Apparatus and plant	11.38
Cables	22.80
Air-conditioning	1.30
Lines and wires	4.04
TOTAL	41.25

P-60/c

A test-check of the accounts of the project disclosed the following points :—

(i) *Building including electric installations.*—Construction of the building was commenced in May 1970 by the Civil Wing of the department in anticipation of sanction of the project estimate. The building was completed (cost : Rs. 1.15 lakhs), and handed over to the Divisional Engineer, Telephones (DET) Amritsar in September 1971. However, installation of equipment could not be commenced because the flooring of the building was found to be defective and the glass panes in the windows of

P-100/c
P-99/c

Date of issue of the para
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Date of receipt of reply 12.1.79

the building also needed replacement by reinforced glass panes. The Civil Wing, which was asked (September 1971) to rectify these defects, could do so only by April 1973. P-59/c

(ii) *Apparatus and Plant.*—The indent for the supply of exchange equipment was placed on the Indian Telephone Industries (ITI) in November 1969 in anticipation of the sanction of the project estimate. The supply of equipment started from August 1971 and by the end of March 1972, equipment for installation valued at Rs. 10.05 lakhs had been received. However, the work of installation could be commenced in April 1973 only when the defects in the building were rectified and was completed in May 1974 although it was scheduled to be completed within six months of receipt of stores. The department stated (January 1979) that the installation could not also be commenced earlier due to non-receipt of certain essential items of stores from the ITI. The fact, however, remains that although the ITI was also under the administrative control of the Ministry of Communications, the department did not ensure timely procurement of the essential items of stores from the ITI on which indents were placed as early as in November 1969. P-34/c P-99/c P-226/c

The delay in the installation of equipment resulted in delay in providing telephone connections to the applicants on the waiting list and loss of potential revenue of Rs. 16.01 lakhs during the period from November 1972 (*i.e.* 6 months from the receipt of major items of stores) to May 1974, the month of commissioning of the expanded capacity. The department stated (January 1979) that keeping in mind the supply position of equipment, the exchange had been generally commissioned as early as practicable. P-242/c P-226/c

Although the work had been completed in May 1974, the detailed estimate for apparatus and plant submitted (December 1977) to the Postmaster General (PMG), Ambala for sanction was yet to be sanctioned (January 1979). The department stated (January 1979) that after completion of work the detailed estimate was to be sanctioned on the basis of actual expenditure and that this was being done. P-225/c

In order to meet heavy demand for new connections and to clear the 'Own your telephone' waiting list of 110 applicants, the PMG Ambala ordered (September 1971) that, pending installation of equipment for all the 1800 lines, one of the uniselector racks received from the ITI be commissioned into service immediately. This arrangement was intended to make available 200 lines as an interim measure. The DET stated

(July 1972) that the uniselector racks could be installed in the spare space available in the existing automatic switch room by 1st October 1972 if the PMG Ambala could arrange to divert from some other place switch board cable (400 metres), tag blocks (8 nos.) and strips (TDS : 2 nos.) required for commissioning the 200 lines. Since this was not done, even the interim arrangement of providing 200 lines could not be completed with the result that the expected revenue yield of Rs. 5 lakhs (at Rs. 3 lakhs *per annum*) from October 1972 to May 1974 (month of commissioning of the entire 1800 lines) could not be realised. The department stated (January 1979) that the installation of the uniselector rack in the available space in the existing switch room would have created problems in installing inter-working equipment between the two units.

(iii) *Air-conditioning*.—As the existing air-conditioning plant was not considered sufficient to bear the additional load of the new 1800 lines, an indent for another plant was placed by the department on the Director General, Supplies and Disposals (DGSD) in October 1973, *i.e.* 6 months after the commencement of installation of the equipment in April 1973. The department stated (January 1979) "..... action for procurement of A/C plant was initiated in May 1972. The installation of the A/C Plant required additional accommodation which had to be arranged by suitable arrangements. Finalisation of this scheme took more time". According to the agreement entered into by the DGSD with firm 'A', the air-conditioning plant was to be supplied and installed by August 1974. However, the delivery period was extended by the DGSD up to February 1976 on requests of firm 'A' as complete equipment was not ready with the firm. In

From 'A' = M/s Voltas Limited,
NEW DELHI.

December 1975, firm 'A' supplied to the department drawings showing the layout of the plant room and the air-distribution ducts and requested the department to dismantle the existing ducts and arrange power supply to the plant. The work of dismantling the existing ducts was carried out by the department in February 1976. The work of installation of condensing units and laying new ducts was completed by firm 'A' in March 1976, but the remaining work of installation could not be completed by firm 'A' as the department had not completed certain items of work, viz. provision of power connection, insulation of exposed roofs, drainage arrangement of plant room and weather maker room, water arrangement and light points. The Department could complete these items by May 1976 and thus, firm 'A' was given (June 1976) further extension of time for installing the plant up to July 1976. The plant passed the monsoon test in September 1976, winter test in December 1976 and the summer test in June 1977. After various defects noticed in the test reports had been rectified, the plant was taken over by the department and commissioned from March 1978. Due to delay in installation of the air-conditioning plant, the exchange equipment of 1800 lines was without any air-conditioning from April 1973 to February 1975 and improvised air-conditioning arrangements were made in February 1975 by installing four window type air-conditioners (cost: Rs. 0.21 lakh) to protect the equipment. The department stated (January 1979) that "there has no doubt been considerable delay in completion of the air-conditioning plant. The department has experienced similar difficulties in large number of other cases..... The reasons for such difficulties appear to be lack of experience of P&T offices as well as suppliers and installers. A number of steps have been taken to improve the position including creation of separate air-conditioning wing within the department. It has also been decided to sanction and initiate action on installation of air-conditioning with the sanction of building work. It is hoped the situation will improve over the next few years".

(iv) *Utilisation of exchange capacity.*—According to instructions (September 1970) of the department, 90 per cent

P-46/c

P-45/c

P-45/c

P-62/c
14/c

P-44/c

P-43/c

P-125/c

P-99/c

P-224/c

P-225/c

of the exchange capacity should be utilised soon after expansion or in any case, not later than 6 months of such expansion and 94 per cent about 6 months before the due date of commissioning of next expansion. However, although the expanded capacity of the exchange of 1800 lines was commissioned in May 1974 and there were 6579 applicants on the waiting list for new connections at that time, it took more than 18 months to load the exchange to the prescribed extent as shown below :

Month	Equipped capacity	Connectable capacity	Working connections	Spare capacity	Number of applicants on waiting list
1	2	3	4	5	6
April 1974	9000	8460	8495	..	6566
May 1974	10800	10080	8482	1598	6579
June 1974	10800	10080	9161	919	5900
September 1974	10800	10080	9340	740	4368
December 1974	10800	10080	9592	488	4005
March 1975	10800	10080	9781	299	4023
June 1975	10800	10080	9834	246	4392
September 1975	10800	10080	9866	214	4663
December 1975	10800	10080	9896	184	4100
March 1976	10800	10080	10086	..	4132

Due to delay in release of new telephone connections, the department lost potential revenue of Rs. 12.63 lakhs from May 1974 to December 1975. It was observed that the following factors contributed to delay in giving telephone connections :—

- (i) The scheme for laying the primary and secondary cables for the expanded capacity of 1800 lines was revised thrice. A scheme approved in September 1971 was revised in January 1973 as a result of changed assessment of demand. The cable laying work was commenced in March 1973 and completed

P-13/c

in March 1974 but in April 1974—a month before commissioning the exchange—it was found that the cables laid in the Civil Lines area were sufficient to provide 1000 connections instead of 1800 connections as planned and that some of the areas would not be covered by this scheme. The Department stated (January 1979) that “cable schemes are prepared on the basis of forecast of likely demand at the time of commissioning of expansions. Sometimes revision in cable plans becomes necessary because of unforeseen changes in the pattern of demand. The additional cable required in the Civil Lines area became necessary due to unforeseen demands in the area. The required cable in the Civil Lines area was laid within six months from the date of commissioning of the exchange and telephone connections given”.

P-225/c

P-5/c

P-9/c

- (ii) Indents for a few instruments and wires required for giving telephone connections were placed as late as September 1974. The lines and wires indented for were found short of requirements and a supplementary indent had to be sent in September 1974, *i.e.* 4 months after the commissioning of the expanded capacity.

P-8/c

P-4/c

- (iii) In September 1975, *i.e.* 16 months after commissioning of the expanded capacity, shortage of telephone instruments was noticed and an indent therefor was issued in September 1975.

P-11/c &
2/c

P-2/c

- (iv) Out of 1800 lines, 300 were reserved for opening public call offices (PCOs) raising the capacity of the lines reserved for the PCOs from the then existing 100 lines to 400 lines. At that time, only 86 PCOs were working and demand for PCOs was not to the extent of the lines reserved for this group. According to departmental instructions of May 1971, the lines reserved for the PCOs should be converted

into lines of the ordinary group if there was no adequate demand for the PCOs. However, in June 1975 only it was realised that it was not necessary to have so many PCOs and it was decided to convert 300 lines reserved for PCOs into ordinary lines. Further, in January 1976—20 months after the commissioning of the expanded capacity—out of 400 lines, 200 lines were converted into ordinary group.

Thus, it took the department about 4 years (July 1970 to May 1974) to complete the project which was scheduled to be completed within about 6 months of the receipt (March 1972) of complete stores, resulting in loss of potential revenue of Rs. 16.01 lakhs. Even on the expanded capacity being commissioned, it took the department more than 18 months to release all the new connections and load the exchange to the prescribed extent resulting in further loss of potential revenue of Rs. 12.63 lakhs.

P-200 A
2(a)1496-A
(b) Working of Amritsar telephone exchange.—Amritsar telephone exchange was expanded from 10800 lines to 13200 lines in February 1977 and to 13800 lines in September 1978. The P&T Department had laid down certain performance indicators for various types of telecommunication activities in which its field organisations were engaged, as a part of Management Information System (MIS) introduced in April 1976. This system, *inter alia*, involved the collection and analysis of data on various aspects of the working of telephone exchanges and the furnishing of information on such aspects in a prescribed proforma to higher formations. A review by Audit (October–November 1978) of the records maintained in this regard by the District Manager, Telephones (DMT), Amritsar Telephone District disclosed the following :—

(i) *Number of complaints from the public and faults per 100 telephones.*—The table given below would indicate the

position in this regard during 1976-77, 1977-78 and 1978-79 up to September 1978 :

Year	Average number of complaints per 100 telephones per month	Average number of faults per 100 telephones per month
1976-77	88.26	61.37
1977-78	91.43	71.64
1978-79 (up to September 1978)	96.27	81.85

According to the norms prescribed by the department, the number of complaints *per* 100 telephones should not normally be more than 50 *per* month. Likewise, the number of faults *per* hundred telephones should not exceed 35 *per* month. It was evident from the figures indicated above that not only were the average number of complaints and faults *per* 100 telephones *per* month far higher than the prescribed norms but also that the figures showed an increasing trend from year to year.

(ii) *Clearance of faults.*—The target fixed for clearance of faults was 85 *per cent* of faults up to 2 hours and 95 *per cent* of faults up to 4 hours. As against this, the average percentage of clearance of faults during 1976-77, 1977-78 and 1978-79 (up to September 1978) was as follows :—

Year	Average percentage of clearance of faults up to 2 hours	Average percentage of clearance of faults up to 4 hours
1976-77	60	77
1977-78	49	79
1978-79 (up to September 1978)	53	77

The above table would show that the average percentage of clearance of faults was considerably lower than the targets fixed in this regard. The department stated (January 1979) that the figures specified in the MIS statement for complaints and faults

and duration were the targets to be achieved and that these were always fixed higher than what normally were obtaining at that time.

(iii) *Local calls revenue.*—The average working connections, the anticipated revenue as *per* project estimate and the actual revenue earned by the exchange on local calls during 1976-77 and 1977-78 were as follows :—

Year	Average connections	Anticipated revenue on local calls as <i>per</i> project estimate	Actual revenue on local calls
		(Rupees in lakhs)	
1976-77	11700	40.72	46.35
1977-78	14000	48.72	33.70

It would be seen from the above table that even though the actual revenue from local calls exceeded the anticipated revenue as *per* project estimate in 1976-77 by Rs. 5.63 lakhs there was a sharp decrease of Rs. 14.98 lakhs in the actual revenue earned during 1977-78 as compared to the anticipated revenue, as also a decline of Rs. 12.65 lakhs as compared to the actual revenue earned in 1976-77, even though there was increase of 2300 working connections on an average during 1977-78. The total average duration of faults *per* month during 1977-78 was about 30,000 hours. The department stated (January 1979) that this worked out to a duration of fault *per* telephone *per* month of 2.2 hours and that this would neither have any significant effect on the revenue nor on the subscribers' satisfaction.

(iv) *Action taken to improve performance.*—It was observed that the DMT, Amritsar, had written to the Divisional Engineer, Telephones (DET) in May 1977, November 1977, March 1978 and June 1978, that the performance of the Amritsar exchange in terms of its number of complaints and faults *per* 100 telephones and the duration of faults as reported in the MIS reports for

Date of issue of the para
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Date of receipt of reply : 10.1.79

April 1977, October 1977, February 1978 and May 1978 was not up to the mark and concerted effort should be made by the DET, Amritsar to improve the performance. Similarly it was, *inter alia*, observed by the General Manager, Telephones, North West Circle, Ambala, in June 1978 that the Divisional Engineer Telephones/Telegraphs were not keeping a close watch and did not review the MIS statements to make efforts to improve performance.

Thus, the continued low performance of the exchange as evidenced by the various performance indicators, would have resulted in loss of potential revenue to the department (loss could not be quantified) and inconvenience to the subscribers.

11. Expansion of Lucknow Telephone Exchange.—To meet the growing demand for telephone connections at Lucknow, the Ministry of Communications approved (August 1969) a proposal for expansion of the Lucknow telephone exchange from 8000 to 10000 lines. The project estimate for the expansion was sanctioned (October 1970) for Rs. 59.55 lakhs. The additional capacity was proposed to be commissioned during 1973.

Building.—Accommodation for housing the equipment for the expansion was to be provided by extending the existing co-axial building situated in the telephone exchange complex ; its estimate was sanctioned in July 1970 for Rs. 2.69 lakhs even before the sanction of the project estimate (October 1970) of which it formed a part. Tenders for extension of the building were invited in April 1971 and the work awarded to the lowest tenderer in June 1971 for completion in six months (December 1971) ; the building was actually completed in May 1973 at a cost of Rs. 2.08 lakhs.

Installation of equipment and laying of cable.—Advance indents for equipment for the 2000 line expansion were placed on the Indian Telephone Industries (ITI) in January 1970. Supply of equipment commenced in July 1971, but in October 1971 when equipment worth only Rs. 0.03 lakh had been received, the indents were cancelled as the department decided to expand the exchange in phases. The capacity of the exchange was raised

from 8000 to 8100 lines in November 1969 by providing additional 100 lines for public call offices. Details of phased expansion from 8100 lines are indicated below :

Phase	No. of lines to be added	Month and amount of estimate	Month of incident for stores on ITI	Month of receipt and value of stores	Month of taking up the installation	Month of completion/commissioning
8100-9000	900	November 1972 Rs. 7.25 lakhs	January 1972	Rs. 7.90 lakhs up to March 1973	October 1974	November 1976
9000-9300	300	July 1974 Rs. 1.56 lakhs	March 1973			
9300-10200	900	Not available	July 1974	Rs. 11.76 lakhs up to January 1977	January 1977	March 1977— 300 lines February 1978— 300 lines March 1978— 300 lines.

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Though the installation work was to be completed within six months of the receipt of stores, the expansion work of 1200 lines was completed only in November 1976 and further expansion of 900 lines in March 1978. The work of installation in the first two phases of 900 lines and 300 lines was not taken up as soon as the stores were received in March 1973 and September 1973 by the District Engineer, Telephones Auto-Installation, Kanpur (under the General Manager, Projects, Calcutta). With the formation of Lucknow Telephone District in June 1973, the District Manager, Telephones, (DMT) Lucknow, became responsible for carrying out this work, but as he did not have the trained manpower, the work was finally taken up by the General Manager, Projects, Calcutta, in October 1974 and completed in November 1976. The department stated (January 1979) that the main reasons for the delay in installation were lack of technical staff, undertaking certain additional work of re-engineering and delayed receipt of certain equipment.

Due to delay in the installation of equipment for the expansion of the exchanges in the first two phases by 1200 lines from October 1974 to November 1976 the department lost a potential revenue of Rs. 25.13 lakhs from December 1975 (reckoning eight months for completion of the installation and six months for utilisation of the expanded capacity from October 1974) to November 1976. The department stated (January 1979) that "calculation of loss of potential revenue appears to be based on gross revenue" and that "the net loss would have been much less after taking into account the cost of operation and maintenance".

Air-conditioning.—Though provision for an air-conditioning plant existed in the project estimate for expansion of the exchange, indent for this was placed by the department on the Director General, Supplies and Disposals (DGSD) only in March 1974, i.e. six months before the commencement of the work of installation in October 1974. According to the agreement entered into by the DGSD with firm 'A', the air-conditioning plant was to be supplied and installed by March 1975. However, firm 'A' did not complete the installation within this time as the air-conditioning

room could be made available by the department only in March 1976 and there was delay in approval by the department of the ducting diagrams supplied by firm 'A'. Further, although power supply was made available in October 1976 by laying a temporary cable, the plant could not be run continuously for 24 hours due to heating up of the cable and hence the winter test could not be carried out so far (October 1978) ; water supply was also made available only in January 1977. The plant was commissioned in May 1977, but defects were noticed in it in the summer tests in June 1977 and June 1978 and the monsoon test in July 1977. The plant had not been taken over by the department so far (February 1979).

Firm 'A' had been paid Rs. 5.76 lakhs (March 1978) towards the cost of the plant. The exchange equipment had been without any air-conditioning from October 1974 to April 1977 and had only intermittent air-conditioning thereafter. The department stated (January 1979) that there had been delay in initiating action and supply and installation of air-conditioning in this case and that a number of steps had been taken including creation of an air-conditioning wing within the department with a view to improving the situation for the future.

The following are the main points that emerge :

- the building for the expansion of the exchange was completed in May 1973, but the installation of the equipment could be started only in October 1974 because of delay in deciding the authority for doing the installation work, additional work of re-engineering, and delay in placing orders and receipt of stores ;
- the project, which was scheduled for completion during 1973, was completed only in March 1978 and that too without air-conditioning arrangement;
- the air-conditioning plant expected to be installed by March 1975 was actually commissioned in May 1977 but had not been taken over (January 1979) because

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of defects noticed in the tests with the result that air-conditioning was not still (January 1979) available for protecting the equipment ;

- it would appear that there was no co-ordinated action for completion of various components of the project and the planning was done piece-meal ; and
- due to delay in the installation of equipment for the expansion of the exchanges in the first two phases by 1200 lines from October 1974 to November 1976, the department lost a potential revenue of Rs. 25.13 lakhs from December 1975 to November 1976.

12. Expansion of Bhatinda exchange.—To meet the growing demand for new telephone connections at Bhatinda, (Punjab), the Posts and Telegraphs (P&T) Department proposed (September 1967) the installation of 1000 line cross-bar automatic telephone exchange in place of the existing 700 line manual exchange at Bhatinda. Indent for the supply of equipment was placed on the Indian Telephone Industries (ITI) in January 1969 and a project estimate for Rs. 17.35 lakhs was sanctioned in April 1969. The work was expected to be completed within six months of the receipt of complete stores.

In September 1970, the department decided to instal a strowger type exchange instead of the cross-bar exchange as originally planned. According to the department (January 1979), this change was necessitated because subsequent reviews indicated that production of cross-bar equipment by the ITI was not picking up sufficiently and serious delays were expected. Specifications for the equipment for strowger type exchange were accordingly released to the ITI in October 1970. Indents for supply of other items of stores were placed on the store depots in September 1971. In June 1973, the department sanctioned a project estimate for further expansion of the proposed telephone exchange from 1000 lines to 1200 lines at a cost of Rs. 4.54 lakhs. The project estimate for 1000 line strowger exchange was formally sanctioned (September 1973) for Rs. 15.90 lakhs.

Installation of equipment.—On the accommodation being made available in November 1974 in the existing building, the work of installation of the equipment (supply completed in late 1974) commenced in December 1974 and completed in September 1975. The 1200 line automatic exchange was commissioned in October 1975. The work of installation was delayed due to the following reasons :—

(i) There was lot of ingress of dust in the equipment and serious difficulty was felt in keeping the equipment dust-free as the installation was being done without air-conditioning the equipment rooms. The department stated (September 1978) that the ingress of dust in the equipment was due to the ducting in the switch room by the contractor installing the air-conditioning plant. The department added (January 1979) that “while it is desirable to avoid ingress of dust during the progress of installation such difficulties cannot be ruled out when parallel action has to be taken on installation, rearrangement of accommodation and installation of air-conditioning”.

(ii) The indents for supply of some of the items of stores placed on the Controller of Telegraph Stores, Bombay, the Manager, Telecommunication Factory, Bombay, and the Manager, Telecommunication Factory, Calcutta, in September 1971, September 1974 and December 1974 respectively were not accepted by them as the relevant items were not being manufactured in those factories and also because the Punjab Circle was not served by them. The indents for such items had then to be “re-routed to correct office”.

In view of the delay, that was taking place in commissioning the automatic exchange, the department increased the capacity of the manual exchange from 700 to 1100 lines in stages (700 to 900 lines in July 1969, 900 to 1000 lines in March 1973 and 1000 to 1100 lines in March 1974) at a cost of Rs. 0.60 lakh.

Air-conditioning.—According to departmental instructions in the case of strowger type exchange equipment, air-conditioning is to be provided before commissioning the equipment. Accord-

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ingly, provision was made in the project estimate for an air-conditioning plant. An indent for this was placed (June 1973) by the department on the Director General, Supplies and Disposals (DGSD). According to the agreement entered into by the DGSD with firm 'A', the air-conditioning plant was to be supplied and installed by October 1974. The plant was received in May 1974. However, firm 'A' could not proceed with the work of installation of the air-conditioning plant because of the following factors :—

- the duct lay-out drawings could be approved and supplied by the department to the firm only in December 1974 (i.e. 7 months after the receipt of the air-conditioning plant) ;
- power connection to the air-conditioning plant could not be provided in time by the department, as the load required for this purpose was reportedly not known to the DET Ferozpur, even though this was indicated in the agreement entered into by the DGSD with firm 'A'. Power was arranged in July 1975, but the actual connection of power through iron-clad switch as per the terms of the agreement, could be arranged by the department only in March 1976; and
- the firm requested (December 1974) the department for making a hole of 2 feet × 3 feet in the corridor of the first floor of the building for taking the duct from the first floor to the ground floor. This could be done only by August 1975.

The air-conditioning plant was installed by firm 'A' in November 1975. However, the plant could not be commissioned as the department could not arrange power supply till March 1976. The plant was put to winter test in December 1976, summer test in June 1977 and monsoon test in August 1977 ; but every time one defect or the other was noticed in the plant. After the defects were removed, the plant was commissioned in May 1978.

The department stated (January 1979) that "there have been certain delays in planning supply and commissioning of air-conditioning plant in this case as in a number of other cases some of which have also been the subject of audit paras. The analysis indicates that such delays have been due to inexperience on the part of P&T officers, and the suppliers. The problems were often under-estimated. Steps have been taken to improve upon this situation by creating a separate air-conditioning wing in the Department. Meanwhile, it may be mentioned that though the plant was formally commissioned in May 1978, the plant had been in intermittent use from December 1976".

In the meantime, the department had purchased in August 1975 two window type air-conditioners (cost : Rs. 0.11 lakh) to provide improvised air-conditioning to the equipment. These were not installed by the department on account of non-availability of voltage regulators with the result that the two air-conditioners did not serve the purpose for which they were purchased.

Utilisation of exchange capacity.—According to departmental instructions (September 1970), 90 per cent of the exchange capacity should be utilised soon after expansion or in any case not later than six months of such expansion and 94 per cent about six months before the due date of commissioning of next expansion. The automatic exchange of 1200 lines was commissioned in October 1975. At that time, there were 496 applicants on the waiting list for new connections apart from the existing subscribers of the manual exchange. Another 200 lines were added in March 1976. It took the department more than 12 months to load the exchange to the prescribed extent as per details given below :

Month	Equipped capacity	Connectable capacity	Working connections	Spare capacity	Number of applicants on waiting list
1	2	3	4	5	6
October 1975	1200	1128	1036	92	496
January 1976	1200	1128	1066	62	257
April 1976	1400	1308	1250	58	94
July 1976	1400	1308	1280	28	123
October 1976	1400	1308	1304	4	135

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It was observed that delay in giving telephone connections, was mainly due to non-availability of jointing material for which indents were placed by the department only in August 1976, non-diversion of ordinary lines from 50 lines reserved for opening Public Call Offices (PCOs) despite departmental instructions and delayed preparation of the new waiting list after introduction of the advance deposit scheme in August 1975. The delay in release of new telephone connections up to October 1976 resulted in loss of potential revenue of Rs. 1.26 lakhs to the department.

To sum up, it took the department eight years to complete the project conceived in September 1967 as against the standard time of 3 to 3½ years taken in such projects as per the department's statement incorporated in paragraph 4.9 of the 13th Report of the Public Accounts Committee (1967-68 : 4th Lok Sabha). Contrary to departmental instructions, requisite air-conditioning arrangements could not be made in time for protecting the equipment of the exchange. Due to delay in releasing connections and loading the exchange to the prescribed extent the department lost potential revenue of Rs. 1.26 lakhs.

13. Expansion of Batala exchange.—In February 1971, the Director General, Posts and Telegraphs (DGPT) sanctioned a project estimate of Rs. 3.46 lakhs for the expansion of Batala exchange from 1000 to 1200 lines to meet the growing demand of telephone connections. The project was expected to yield additional revenue of Rs. 1.05 lakhs per annum. The work was to be completed in about three months from the date of receipt of stores.

The indents for stores were placed in October 1971. A detailed estimate for the work was sanctioned by the Postmaster General, Punjab circle, Ambala in July 1972 for Rs. 2.47 lakhs. The supply of stores commenced in July 1972 and the main items of stores were received in September 1972. The installation work could, however, be completed only in March 1974. The delay was attributed by the department to the non-receipt of some essential items of stores like meter rack, jack strips and arrestor

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strips. The department stated (January 1979) that "essential items of stores like meter racks were indented by S.D.O.T. (Sub-Divisional Officer, Telephones), Amritsar in October 1971 itself..... As the stores were not forthcoming, apprehending that original indents were mislaid, a duplicate indent was placed in November 1973." Had the S.D.O.T., Amritsar pursued the indent placed by him in October 1971, the stores could have been obtained much earlier, as was possible after placing the duplicate indent in November 1973.

In September 1972 when the main items of stores had been received, it was expected that the exchange would be commissioned in December 1972. However, due to the reasons mentioned above, the commissioning of the exchange was delayed by 15 months and the department lost potential revenue of Rs. 1.40 lakhs for the period from January 1973 to March 1974, the date on which the exchange was actually commissioned.

According to instructions issued in September 1970, ninety *per cent* of the exchange capacity should be utilised soon after its expansion or, in any case, not later than six months of such expansion, and ninety-four *per cent* about six months before the due date of commissioning of the next expansion. The actual utilisation of the expanded capacity of exchange was as under :

Month Quarter ending	Installed capacity in lines	Connect- able capacity in lines	Working connec- tions	Spare capacity	No. of applicants on waiting list
June 1974	1200	1120	979	141	370
September 1974	1200	1120	1007	113	422
December 1974	1200	1120	1040	80	450
March 1975	1200	1120	1110	10	340
June 1975	1200	1120	1117	3	390

It was observed that cable for this work was allotted by the Postmaster General, Ambala in July 1973. Indents were placed in the same month and the cable was received in October 1974. The cable laying work was completed in December 1974.

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The department stated (January 1979) that "while it is true that the expansion of the exchange switch board from 1000 to 1200 lines was completed in March 1974, the scheme for expansion cannot be said to have been completed till the cables also had been laid."

Due to delay in release of new telephone connections on account of non-provision of cable in time, the department lost potential revenue of Rs. 0.91 lakh. The department stated (January 1979) that "it will be seen that the capacity of the exchange to almost full connectable capacity was utilized within 6 months of the completion of the cable work".

14. Delay in air-conditioning of Madurai telephone exchange.— In August 1965, the Posts and Telegraphs Department sanctioned a project estimate of Rs. 33.91 lakhs for expansion of Madurai Automatic Exchange by 2400 lines (from 4800 to 7200 lines). The expanded capacity was to be accommodated on the first floor of the existing building. Provision for construction of the first floor and air-conditioning arrangements (for protecting the installed equipment from dust, heat and moisture to enable maximum efficiency with minimum wear and tear) had already been made in February 1964 as part of an earlier project for expansion of the exchange from 3800 to 4800 lines.

Construction of first floor of the exchange building was completed in June 1969. In the meantime, due to pressing demands for telephone connections, two expansions of 300 lines each out of the proposed expansion of 2400 lines, were commissioned in May and November 1968 respectively on the ground floor itself. The equipment for the remaining 1800 lines was installed on the first floor and these lines were commissioned in March 1970 (1200 lines) and December 1970 (600 lines).

However, no action for air-conditioning the first floor was taken concurrently and it was only in June 1973 that a detailed estimate was sanctioned for providing the air-conditioning plant at a cost of Rs. 3 lakhs as against a provision of Rs. 0.65 lakh

in the earlier project estimate for expansion from 3800 to 4800 lines. The Director General, Posts and Telegraphs (DGPT), placed an indent on the Director General, Supplies and Disposals (DGSD), in December 1973. Advance acceptance of tender was intimated to firm 'A' in August 1974 and formal acceptance to tender was issued in November 1974.

According to the terms and conditions of the acceptance of tender, firm 'A' agreed to complete supply and installation of the air-conditioning plant by April 1975. As the problem of accommodating the air handling units and the plant without dismantling the walls could be solved by the department only in June 1975, the date for installation of the air-conditioning plant was extended to December 1975. This date was further extended to March 1976 due to non-supply of compressors by firm 'A' and delay in execution of civil works by the department. The work of installation of the plant was completed by firm 'A' in April 1976 (cost : Rs. 3.63 lakhs up to March 1976). As some civil works like tube well, pump set for the tube well and modifications to the plant room had not been executed by the department even by then, the testing and commissioning of the plant had to be postponed. The first test was conducted in December 1976 when several defects were noticed therein. The plant was put to summer test in September 1977 and taken over from firm 'A' on 18th October 1977 before the winter and monsoon tests had been conducted as, according to acceptance of tender, the obligation of the firm for the guarantee was limited for a period of 12 months from the date of completion of the first major successful performance test, *i.e.* summer test in this case.

The winter and monsoon tests were actually conducted in November 1977 and January 1978 when the defects noticed therein were rectified.

During the period from 18th October 1977 (when the plant was taken over) to 28th September 1978, the plant did not work for 50 days. The plant went out of order on 29th September 1978 and was put in order on 27th October 1978. The cost of installation of the plant up to March 1978 was Rs. 4.34 lakhs.

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Due to belated sanction and delayed installation of the air-conditioning plant on the first floor, the exchange equipment installed on the first floor in March 1970 and December 1970 remained without any air-conditioning arrangements from March 1970 to August 1975. Improvised air-conditioning arrangements were made in September 1975 by installing 8 window type air-conditioners (cost : Rs. 0.66 lakh) to protect the equipment. The air-conditioning plant, which had been taken over from 18th October 1977, had been giving service only intermittently.

The Department stated (January 1979) "the case for procurement of second air-conditioning plant in the first floor was initiated during April 1969. Unfortunately, the completion of formalities for placing the indent on DGS&D did get delayed. Suitable steps are being taken to ensure that the necessary formalities are completed quickly. It is true that there have been serious delays and difficulties in operation of air-conditioning plants in last few years. Many of the installations have already been the subject of audit paras. The analysis indicates that problems had been created due to inexperience in the P&T Department, DGS&D and the contractors To improve the situation in this regard, a specialised air-conditioning Cell has been created in the Department and made responsible for the planning, designing, installing and timely commissioning of the air-conditioning plants. It is hoped that with the gradual accumulation of expertise and greater experience in this field, the performance of the Department as far as the commissioning of air-conditioning plant is concerned, is expected to improve in the next few years."

15. Air-conditioning of Bhopal telephone exchange.—In October 1967, the Posts and Telegraphs Department sanctioned installation of a 1500 line automatic exchange at Bhopal at an estimated cost of Rs. 48.60 lakhs, which included Rs. 2.14 lakhs for installation of an air-conditioning plant in the exchange building. While the exchange was commissioned in February

1974, satisfactory air-conditioning facilities were yet to be provided (December 1978) and the exchange equipment installed in February 1974 remained exposed to heat and dust contrary to departmental instructions.

Examination of the case in audit revealed the following points :—

- (i) Detailed estimate for air-conditioning plant for Rs. 2 lakhs was sanctioned by the Postmaster General (PMG), Bhopal in January 1971. The Director General, Posts and Telegraphs (DGPT), placed an indent for the plant on Director General, Supplies and Disposals (DGSD), in September 1972 and contract for the supply of the plant was concluded by the latter with firm 'A' in September 1973.
- (ii) Under the contract, firm 'A' was to submit drawings of foundation and of general arrangements for the air-conditioning plant within two months of the date of signing the contract. The firm sent the drawings in February 1974 and these were approved by the General Manager Projects, Bombay, in April 1974.
- (iii) The first consignment of stores offered for inspection by the firm was approved by the DGSD in February 1974. Though under the contract the Divisional Engineer Telegraph (DET), Bhopal, was to furnish the necessary certificate of exemption from Octroi duty, it was only in May 1974 that the DET Bhopal, after getting clarification from the municipal authorities, intimated that the certificate for exemption asked for was not permissible. Major items of stores required for installation for the plant were brought to site by the firm in June 1974.
- (iv) The contract envisaged the supply by the department of soft and uncontaminated water for the make-up water storage tank. In June 1974 itself, the DGPT

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wrote to the DET Bhopal, to ensure that water and electric supply were made available by 30th June 1974. Though the firm had started the installation work in June/July 1974, the required electric and water supply was made available only in May 1975 and June/July 1975 respectively.

- (v) Though the contract with the firm had stipulated completion of supply and installation of plant latest by 31st March 1974, the plant was installed and commissioned in September 1975 only. The department had granted extensions of time periodically for the reasons stated in (ii) to (iv) above subject to levy of liquidated damages.
- (vi) 80 per cent (Rs. 1.98 lakhs) of the contracted price was released to the firm between July 1974 to May 1975 after receipt of the major items of store in June 1974 and the firm was paid another 10 per cent (Rs. 0.26 lakh) in December 1975.
- (vii) The contract provided for conduct of winter and summer tests ; in March 1977 provision was also made in the agreement for monsoon test. The winter test scheduled to be held in December 1975 could not be held as the representative of the DGSD could not attend. The test, which was postponed to January 1976, had to be further postponed in the absence of any communication from the DGSD. The plant failed in the next winter test held in January 1977 and another test was conducted in January/February 1978 when some defects were noticed. The summer test scheduled to be held in May 1976 could not be carried out as the refrigerant gas was leaking. The test was conducted successfully in April 1977. The monsoon test was conducted in September 1977 when certain defects were also noticed.

- (viii) A departmental estimate (March 1975) assessed the deterioration in the exchange equipment due to non-provision of air-conditioning facility to be about one fifth of its actual working period.

The department stated (December 1978) that according to the joint test reports of the winter and summer tests, the plant had passed these tests successfully subject to rectification of some minor defects. Also admitting the facts about delay in taking over the air-conditioning plant, the department, *inter alia*, added (December 1978) that : "it is true that the air-conditioning plant has not been taken over formally as yet, though it has passed all the three tests. The plant has, however, been in use since May 1977 after it passed the summer test. Between 8th May 1977 and 20th November 1978 the plant has worked for 349 days while it did not work due to various reasons for 213 days. It is because of the unstable performance of the plant that it has not been formally taken over as yet. The case has been taken up with the firm for rectification of the pending defects..... Though there will be some reduction in the life of the exchange equipment because of the non-availability of the air-conditioning in the long run, it has, however, not been found possible to quantify the same". The department also stated that a number of decisions had been taken to improve the position.

16. Delay in providing telecommunication facilities to State Government departments, etc.—In order to provide telecommunication facilities required by the Central and State Government departments at short notice, the Director General Posts and Telegraphs had issued (June 1957) instructions to all Heads of Circles for speeding up the procedure; these, *inter alia*, provided for an undertaking to be given by the department concerned along with the application, preparation of final estimate and release of indents for stores on receipt of the undertaking and the rent and guarantee terms being quoted in due course. In the following cases, it was noticed in audit

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that considerable delays had occurred at different stages resulting in loss of potential revenue to the Posts and Telegraphs department.

(i) *Telephone system for Aruppukottai water supply scheme.*—In November 1971, the Executive Engineer, Public Health Division, Aruppukottai (Tamil Nadu) placed a firm demand on the Posts and Telegraphs (P&T) Department for a telephone system between Tiruppuvanam head works, where the water was to be pumped from a river, and Aruppukottai municipal office (45 kilometres) with telephone connections at three intermediate places. The Executive Engineer also gave an undertaking to pay immediately any amount due to be paid on this account. He repeated his request in January 1972 and again in March 1972. The Executive Engineer Tamil Nadu Water and Drainage (TWAD) Board (successor to the Executive Engineer Public Health Division) informed (July 1972) the Divisional Engineer Telegraphs (DET), Madurai, that the work on the water supply scheme had been completed and sought immediate provision of the Telephone system.

In August 1972, *i.e.* 9 months after receipt of firm demand, the DET, Madurai, quoted rent (Rs. 0.24 lakh *per annum*) and guarantee terms to the TWAD Board. The terms and conditions were accepted (September 1972) by the TWAD Board and as per the demand note of September 1972, the requisite charges were paid by it to the P&T Department in October 1972. In June 1973, the P&T Department sanctioned the estimate (Rs. 0.87 lakh) for the work. In the meantime, the water supply scheme was commissioned (June 1973) by the TWAD Board without the facility of telephone system.

Indents for stores were placed by the DET, Madurai, in July 1973, but these were misplaced in the office of the Postmaster General, Madras; this came to notice in April 1974 and fresh indents were issued in June 1974, but these were also not pursued.

The TWAD Board and the Aruppukottai municipality repeatedly reminded the P&T Department to provide the telephone system. In March 1976, the Chairman, Aruppukottai Municipal Council brought this case to the notice of the Minister for Communications. Thereupon, fresh indents for stores were issued by the DET, Madurai, in May and June 1976. Out of 7900 kilograms of iron wire received from the Controller of Telegraph stores, Madras for this work by February 1977, 4250 kilograms of wire were diverted by the P&T Department to some other works including a non-exchange line for a water supply scheme; this was, however, replenished in July 1977. The work was commenced in July 1977 and completed in October 1977.

Due to delay in provision of telephone system, the Posts and Telegraphs Department lost a potential revenue of Rs. 1.02 lakhs from July 1973 (the Water Supply Scheme having been commissioned in June 1973) to September 1977, apart from difficulties to the TWAD Board and Aruppukottai Municipality in regulating the water supply. The department stated (January 1979) that as the work could be taken up only after all the stores had been received, the question of notional loss to the department in the shape of rent did not arise and that on receipt of all items of stores, the work was commenced and completed within a period of 3 months. The fact, however, remains that the indents for stores initially placed in June 1973 were not effectively pursued with a view to obtaining the stores in time, with the result that the telephone connection asked for by the TWAD Board in November 1971 was provided only in October 1977 resulting in loss of potential revenue (Rs. 1.02 lakhs).

(ii) *Telephone system for the Upper Godavari Irrigation Project.*—In May 1970, the Canals Department of the State Government of Maharashtra placed a firm demand on the Posts and Telegraphs (P&T) Department for providing telecommunication facilities required for the Upper Godavari irrigation project for efficient administration of canal waters for irrigation purposes and for proper control over flood situations in monsoon season. The

telecommunication facilities covering lines, 168 kilometres long, were to be provided in four phases (*viz.* 65 kilometres of lines in 1970-71, 27 kilometres of lines in 1971-72, 5 kilometres of lines in 1972-73 and 71 kilometres of lines in 1974-75), the immediate requirement being 65 kilometres long lines.

In October 1971, the Divisional Engineer Telegraphs (DET), Nasik, intimated the Postmaster General (PMG), Bombay, the requirements of funds under cash and stores and submitted (August 1972) detailed estimate for Rs. 0.82 lakh for sanction. Regarding the delay in submission of detailed estimate and its sanction, the department stated (December 1978) that "the firm demand placed by Canal authorities was not specific or exact because the sections to be covered and the different places to be connected by Telephone connections were not indicated. Thus, the Divisional Engineer Telegraphs, initially made a general assessment of the requirements and intimated the requirement of funds under cash and stores. Subsequently, the junior engineers of the P&T Department were deputed to contact various sub-divisional heads of the Canal department to have the full and correct information to prepare the detailed estimates for the various works involved. This is not the normal practice in the Department".

The detailed estimate was sanctioned by the General Manager Telecommunication (GMT), Bombay, in September 1974. Indents for stores were placed on the Controller of Telegraph Stores (CTS), Bombay, in November 1974. As the stores were not received, revised indents for almost all the stores were placed on the GMT, Bombay in October 1976 under new "Material Management Scheme". These indents were not pursued and in March 1977, the case for allotment of stores on a priority basis was taken up by the DET, Nasik, with the GMT Bombay. Indents for 250 A-8 tubes, 8 sockets and 11,815 kgs. of iron wire 200 lbs. were issued in May 1977 and duplicate copies thereof forwarded in September 1977 to the GMT, Bombay, for according priority. The department

stated (December 1978) that "the indents were initially placed in November 1974, *i.e.* within 2 months of the sanctioning of the estimates. The issue of stores started in December 1974 although the main item of stores, *viz.* Iron Wire was issued in July 1977".

In the meantime, the State Government had been reminding the P&T Department time and again for early provision of the telecommunication facilities. The telecommunication facilities, which as per the firm demand of May 1970, were required by the State Government in phases from 1970-71 to 1974-75 had been made available in October 1978 only. Due to delay in provision of these facilities, the department lost a potential revenue of Rs. 0.46 lakh from April 1971 to September 1978, apart from the difficulty to the Canal Department of the State Government in regulating water supply and apprising district authorities about flood situations.

The department stated (December 1978) that the work could not be taken up till the receipt of all essential items of stores and that it was taken up on receipt of stores and completed on 30th September 1978.

(iii) *Delay in providing telephone connections for a water supply scheme.*—In October 1973, the Tamil Nadu Water Supply and Drainage (TWAD) Board placed a firm demand on the Posts and Telegraphs (P&T) department for a telephone system between Sivalaperi head works where the water was to be pumped from a river, to Kovilpatti municipal office (51 kilometres), with telephone connections at four intermediate booster stations for proper and effective maintenance of the water supply scheme.

The P&T department quoted the rent (Rs. 0.28 lakh *per annum*) and guarantee terms to TWAD in March 1974, which were accepted by the latter in the same month. The department issued in April 1974 a demand note for payment of Rs. 0.28 lakh, but since the demand note was stated to have

not been received by TWAD which reminded the department in November 1974, a duplicate demand note was issued by the department in January 1975; the amount was paid by TWAD in February 1975.

The telecommunication system required by TWAD ran almost parallel to certain existing extra high tension power lines of the Electricity Boards. According to departmental instructions (July 1952, as reiterated in February 1970), it was mandatory on the part of the Divisional Engineer Telegraphs to refer all cases, where a proposed telecommunication line was to run parallel to an existing power line to the concerned Power Telecommunication Co-ordination Committee (PTCC), obtain its clearance and determine the route of the proposed telecommunication line before the preparation of the detailed estimate. Nevertheless, the detailed estimate was prepared and sanctioned by the General Manager, Telecommunication (GMT), Madras, for Rs. 1.31 lakhs in September 1975 without fulfilling the aforesaid pre-requisites and the matter was referred to the PTCC for its recommendations of the route only in March 1976. The PTCC asked (October 1976) the P&T department to re-route the proposed telecommunication lines, so as to keep safe distance from the existing power lines and resubmit revised proposals in the light of the parameters indicated by it. The proposals submitted (February 1977) by the P&T department to the PTCC were incomplete and also contained some discrepancies with the result that the clearance of the route was given by the PTCC only in April 1978. Thereafter a revised estimate for Rs. 1.85 lakhs was sanctioned by the GMT, Madras, in August 1978. Further action for providing the telephone system to TWAD was in progress (November 1978).

The P&T department stated (June 1978 and November 1978) that since the examination of cases of power parallelism by the PTCC took a lot of time, the detailed estimate was prepared (September 1975) to avoid further delay in obtaining the stores. It added that "the delay in the execution of the

work is mainly due to the time taken for choosing a safe route and non-availability of critical items of stores". It was, however, observed in audit that the indents for stores had been released by the department in October 1975 and the stores had started coming in from December 1975. As against the requirement of the major items of stores indented for, viz. 493 A8 and 493 B8 tubular posts and 8638 kilograms of steel wire, 400 A8 tubular posts, 703 B8 tubular posts, 12 C—tubes, 260 B—sockets and 3000 kilograms of steel wire were received by March 1976. There was no indication on record to show that any special efforts were made to obtain the remaining quantity of steel wire or that the indents were pursued vigorously and systematically.

With the different route cleared (April 1978) by the PTCC, the requirement of tubular posts had come down from 493 A8 and 493 B8 posts as originally estimated to 276 AB posts and that of steel wire had gone up to 13117 kilograms as against 8638 kilograms originally estimated. A few other items of stores (value : Rs. 0.05 lakh) had become surplus and it became necessary to place fresh indents for a few more items of stores (Value : Rs. 0.30 lakh). Even if all the stores relating to the original estimate had been received, the work could not have been commenced in view of the delay in referring the case to the PTCC and submitting revised complete proposal in accordance with the parameters indicated by the PTCC.

In the meantime, TWAD commissioned the water supply scheme in August 1975 without the facility of telephones.

Due to delay in providing the telephone connections, the P&T department lost potential revenue of Rs. 1.18 lakhs from August 1975 to September 1978 at the revised estimated rental of Rs. 0.37 lakh *per annum*. The loss of potential revenue continued (September 1978). Stores costing Rs. 1.78 lakhs received between December 1975 and March 1977 were also lying unutilised (September 1978).

The P&T department stated (November 1978) that the work was likely to be completed by February 1979.

(iv) *Telephone connections for an irrigation and flood control project.*—In March 1973, the Canals Department of the State Government of Gujarat placed a firm demand on the Posts and Telegraphs (P&T) Department for two long distance telephone connections from Kodinar telephone exchange to the dam site at Shingoda (28 kilometres) and Jamwada (32 kilometres). Since Shingoda dam project was being executed in a jungle area, the telephone connections were considered essential for reporting about gate operations, progress of work, flood situation, power supply, etc. to the revenue and departmental authorities. Though according to departmental instructions, the Government connections are to be provided on priority basis, the Divisional Engineer Telegraphs (DET), Junagadh, decided (September 1974) to skip over these applications and it was only in September 1975 that the department quoted rent (Rs. 0.20 lakh *per annum*) and guarantee terms to the Canals Department. After discussion with the P&T authorities (December 1975), the Canals Department asked (January 1976) for two parallel connections instead of two separate connections. Revised rent (Rs. 0.11 lakh *per annum*) and guarantee terms were quoted to the Canals Department (September 1976) and the charges were paid by it to the P&T Department in October 1976. In July 1977, the Canals Department informed the P&T Department that the Shingoda dam works were almost complete. The telephone connections had not yet been provided (January 1979). The General Manager, Telecommunication, Gujarat circle, stated (December 1978) that the detailed estimate was sanctioned in April 1978 and approval of the Director General, Posts and Telegraphs, to the revised rental (Rs. 0.27 lakh) and guarantee based on revised estimate was being obtained.

Due to delay in provision of telephone connections, the P&T Department had lost a potential revenue of Rs. 0.40 lakh from July 1977 to December 1978, apart from the difficulty to the Canals Department in regulating the water supply and in apprising district authorities about the flood position.

17. Installation of a 12-Channel carrier system between Vaniyambadi and Ambur.—To meet the growing needs of traffic between Vaniyambadi and Ambur (Tamil Nadu Circle) the Director of Telegraphs, Coaxial Cable Project, Madras, sanctioned (September 1972) a project estimate for Rs. 2.71 lakhs for providing a 12-channel carrier system by utilising the conductors that had become available consequent on the laying of co-axial cable between Bangalore and Madras. It was then anticipated that by the provision of 12-channel carrier system, trunk traffic between these two stations would increase by 300 per cent; the annual anticipated revenue was Rs. 0.73 lakh.

Indent for the equipment required for the project was placed on the Indian Telephone Industries (ITI) in December 1972 and the ITI was asked to give the delivery schedule within 12 weeks. No such delivery schedule was given, but the ITI commenced supply of equipment in August 1973 and the equipment costing Rs. 1.35 lakhs was received by the Divisional Engineer Telegraphs, Coaxial Cable Project, Bangalore by July 1975 and the entire supply was completed by April 1977. The cable required for the work had also been received in July 1974. In accordance with the estimate, the work was to be completed within 1½ months after the receipt of equipment, viz. by June 1977. However, the equipment and cable remained un-utilised and the work was actually taken up only in May 1978 and completed in June 1978. The delay in completion of the work was attributed by the department (October 1978) to non-availability of technical staff who were reportedly engaged on another important project which was expected to yield much larger revenue.

Because of non-utilisation of the stores from July 1977 to June 1978, the month of commissioning of the project, the department lost potential revenue of Rs. 0.67 lakh apart from not making available the telephone subscribers of the area of the much-needed new channel of communication.

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2 (a) 1690

CHAPTER V

STORES PURCHASE AND CONTROL

18. **Over-stocking of barrettor lamps.**—In accordance with the prescribed procedure, telecommunication circles and divisions are to place their indents for requirements of essential spares on the Director General, Posts and Telegraphs (DGPT) who places indents on the suppliers and coordinates and controls the supply of such essential items. For non-essential spares, all field units place direct orders on the suppliers, keeping in view the actual requirements and after observing the prescribed formalities for indenting of stores.

A
P-6/c

In April 1976, the DGPT informed all heads of telecommunication circles and telephone districts that "barrettor lamps" required for maintenance of exchanges had been deleted from the list of essential spares with effect from 1st April 1976 and that all field units could place direct orders on Indian Telephone Industries (ITI) for this item. In April 1977, however, the DGPT asked the ITI to supply 2.68 lakh barrettor lamps costing Rs. 20.01 lakhs to 18 field units, indicating the number of lamps to be sent to each unit. The heads of telephone districts were simultaneously informed that no request for cancellation of allotment of the item would be entertained.

A
P-6/c

B
P-5/c

P-4/c
nil

Regarding the consolidated order placed on ITI, the department stated (December 1978) that "ITI informed the P&T Directorate that in accordance with the forecasts given by the Directorate in 1973, procurement action for meeting the requirements of 1976-77 had also been taken by them and they were having about 2.68 lakhs of the barrettors in stock, for which a centralised order was solicited. This request of ITI was considered in the meeting held on 10-2-1977". There was,

C
P-108/c

C
P-108/c

P-20/c

however, nothing on record to show that the position of stock and supplies awaited against direct orders for this item in field units was ascertained before placing order therefor with the ITI in April 1977. The department stated (December 1978) that "as the total availability with the ITI was limited to 2.68 lakhs and the order placed by the Directorate was for about 2.45 lakhs only, there was no necessity to check up about the procurement of this item directly by the field units from the ITI at the time of placing of the centralised order in 1976-77".

The consolidated order placed in April 1977, *inter alia*, included supply of 80,000 lamps to Bombay Telephone District. It was observed by Audit that Bombay Telephone District had 1,64,461 barrettor lamps in stock on 1st April 1977. Average consumption of lamps *per year* was 13,400, based on the consumption of this item during three years immediately preceding 1978-79. Thus, the existing stock on 1st April 1977 would have lasted for 12 years. With the supply of 65,654 barrettor lamps against the allotment of 80,000 during April 1977 to August 1978, the stock as on 1st September 1978 increased to 2,18,865 (value : Rs. 17.16 lakhs) which would be sufficient to meet the requirement of Bombay Telephone District for about 16 years (based on the present rate of consumption *per year*). The department stated (December 1978) that "80,000 lamps were taken as the requirement for four years for consumption in the telex exchange at Bombay. The existing stock of Bombay was assumed to be required for the existing telephone exchanges". The department added that "based on the consumption from April 1974 to March 1977, the annual consumption comes to about 15,100..... Thus, the stock available is not of such quantity as to last for such a very long period as assumed....." It may be mentioned that on the average annual consumption indicated by the department, the stock would last for about 14 years.

The stock position of the item in the remaining 20 circles/districts (except Patna and Cuttack Circles) showed that 6.36 lakh barrettor lamps valued at about Rs. 55.29 lakhs were

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lying in stock as on 30th September 1978 and that these would last for periods ranging from 3 months to 1603 months based on the respective average consumption *per* month during the period from April to September 1978 in the circles/districts concerned. The department stated (December 1978) that "as it has been observed that with the improvements made in the circuits, the annual consumption of barretor lamps has come down, a re-assessment of the quantity of lamps to be stocked is being made consistent with the availability of this item in different telephone/telex exchanges. A re-distribution of the available stock in the different exchanges is now contemplated to even out the stock in different exchanges". Even if re-distribution of the lamps in stock in various districts/circles is made, the stock of 6.36 lakhs lamps would be sufficient for 88 months on the basis of average consumption of 7212 lamps *per* month in all the concerned circles/districts.

Thus, the stock of lamps in ^{all} 21 circles/districts (including Bombay District) was 8.54 lakhs (September 1978) valued Rs. 72 lakhs.

19. **Manufacture of charge indicators.**—With the introduction of subscriber trunk dialling (STD) in the telecommunication network of the country and the metering of STD calls in terms of local calls, the question of providing a meter at the subscribers' premises to record the STD calls made by them had been under consideration of the Posts and Telegraphs (P&T) Department since 1969 when it initiated a project for developing an instrument known as 'Charge Indicator' to record only the STD calls made from the subscribers' telephones.

In paragraph 1.59 of its 4th Report (5th Lok Sabha) presented on 23rd May 1972, the Committee on Petitions (1971-72) observed in connection with petitions submitted to it that "this instrument should be developed on a high priority basis and installed quickly at the premises of the telephone subscribers using the STD facility". In reply to an unstarred question No. 2206, answered in the Lok Sabha on the 7th March 1973, it was, *inter alia*, stated by the department that "a STD

C 20
P-107/c
P-108/c

'P'
P-155/c
no
circle
+ share

P-155/c 9.20 present figure for all

charge indicator capable of recording 'STD calls only' has been designed by the Telecommunication Research Centre of the P&T Department and is now under field trial. The question of installation of such meters will be taken up only when the results of such trials are known to be satisfactory". Similar assurances were also given by the department to the Consultative Committee of Parliament and the Posts and Telegraphs Advisory Committee. In paragraph 4.20 of its 41st Report, the Estimates Committee (Fifth Lok Sabha : 1972-73) expressed the hope that, "this meter would be developed and checked on high priority basis and installed quickly at the premises of the telephone subscribers using STD facility". A similar recommendation was also made in paragraph 15.9 of its Report (1974) by the Delhi Telephones Billing Enquiry Committee constituted by the department in pursuance of the recommendations made by the Committee on Petitions in its Fourth Report (Fifth Lok Sabha), 1971-72.

The charge indicator was developed by the Telecommunication Research Centre (TRC) in 1969 and put on field trial. On the basis of the trials, an improved version was developed by the TRC and tested in the field in May and June 1973. According to the department, "the new version was found to work reasonably well. Although a number of facilities were available in this new design, more installation and maintenance efforts were called for". The TRC, therefore, developed in July 1973 a further "simplified new version" of the charge indicator and according to the department (December 1978), this "simplified new version" showed better results.

After the prototype was cleared by the TRC in August 1973, 100 charge indicators were manufactured by Bombay Telecommunication Factory (BTF) during September 1973 and March 1975 at a cost of Rs. 0.75 lakh and supplied in batches for field trials in Delhi Telephone District during February 1974 and April 1975. In April 1974, the department decided to provide the charge indicator on private automatic branch exchanges (PABXs) and private branch exchanges (PBXs) on

rental basis and the rental for the instrument was fixed at Rs. 150 *per annum*. Explaining the background in which the use of the charge indicator was restricted to PABXs and PBXs only, the department stated (December 1978), "While the indicator worked in accordance with the designed objectives, there was a doubt that some subscribers could tamper with the equipment and this would cause problems. It was, therefore, initially decided to restrict the use of these charge indicators on PABXs to start with".

The department decided (November 1974) to get 7500 charge indicators manufactured to TRC design in BTF. Accordingly, in January 1975, an order was placed by the Telecommunication Stores, Calcutta, on BTF for the manufacture of the said number of the instrument. The design of the charge indicator was again changed by the TRC in February 1975 to suit the requirements of the various sizes of the PABXs and PBXs by converting it into two types, one for use in larger PABXs and PBXs for which three five digit meters were required and the other for smaller PABXs and PBXs for which only one five digit meter was required. There was nothing on record to show that the re-designed charge indicator was subjected to field trials and that the problems in its utilisation were studied by the department before going in for bulk production. The department stated (December 1978) that the design of the charge indicator to suit the requirement of PABXs did not involve any circuit modification but was only a question of assembling three units in one casing and therefore no further field trials were necessary.

The Telecommunication Stores, Calcutta placed a revised order for 3000 charge indicators (1000 of one type and 2000 of the other) on the BTF in February 1976 in cancellation of its earlier order of January 1975 and issued an amendment thereto in May 1976 for the reassessed requirement of 2000 charge indicators of each of the two types.

The BTF manufactured tools for the bulk production of the two types of charge indicators at a cost of about Rs. 0.22 lakh between July 1975 and February 1976 and also procured

8000 five digit meters from a State Government Undertaking at a cost of Rs. 9.20 lakhs for use in the charge indicators ; 4000 charge indicators were manufactured by BTF at a cost of Rs: 26.27 lakhs and supplied to the Stores depot, Bombay, during May 1976 and October 1977 for issue to the field units. 3142 charge indicators (1407 containing three five digit meters and 1735 containing one five digit meters) were issued to the various field units by the stores depot from July 1976 and the remaining quantity was held in stock. Owing to certain technical problems, the department decided (January 1977) to use the charge indicators on service telephones and service PABX junctions only and instructions were accordingly issued in March 1977 to all the heads of circles. Explaining the circumstances in which it was decided to use the charge indicator on service telephones and service PABXs junctions only, the department stated (December 1978), "..... as a result of the experience during the field trial, several Senior Officers had reservations regarding the basic scheme and the design. A senior officers' meeting was held in 1976 and the consensus was that the problems that would arise from the use of these indicators, technical and administrative, had not been satisfactorily solved. There are various factors such as unbalanced earth, proper earth not being made available, possible tampering with the meters etc. which made it difficult to achieve a technical solution".

The department also decided (March 1977) to discontinue further manufacture of these charge indicators and BTF was instructed (March 1977) accordingly.

In April 1977, the General Manager, Madras Telephones, reported to the Director General, Posts and Telegraphs (DGPT), that even though he had received the charge indicators, these could not be utilised in the absence of the 'no-break power supply' unit which was an essential item of accessory for the charge indicator and requested that arrangements be made for its supply. Thereupon, the DGPT wrote to all the heads of circles/districts in May 1977 to intimate their requirements of the accessories required for the purpose, viz. 'mains transformer'

*
SGU = M/s KERALA STATE ELECTRONICS
DEVELOPMENT CORPORATION LTD.,
TRIVANDRUM.

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Firm 'A' : RAINBOW FURNISHERS,
BOMBAY.

'B' = ATULLA TRADERS, BOMBAY.

and 'no-break power supply units'. The requirements for the purpose were still to be fully received from the heads of circles/districts (July 1978). A test-check revealed that the charge indicator had not so far been provided even to the service telephones in any of the circles/districts (July 1978).

According to the department (December 1978), the charge indicators were being used in the Madras Telephone District in a few service connections along with 'no-break power plant' and the 'no-break power plant' was not essential for the limited purposes of the currently approved scheme. The department added that since it might not be possible to use all the charge indicators on service telephones, some charge indicators would have to be diverted to other purposes in consultation with the BTF and TRC.

Thus, apart from the fact that 4000 charge indicators manufactured by the department at a cost of Rs. 26.27 lakhs and which were expected to yield a recurring revenue of Rs. 6 lakhs *per annum* by way of rent were lying unutilised (November 1978), the objective, *viz.* to provide to the telephone subscribers a ready and convenient means of knowing the extent of local calls due to STD calls put through the telephones, was yet to be achieved. Incidentally due to discontinuance of manufacture of charge indicators, the special tools manufactured by the department at a cost of Rs. 0.22 lakh were also lying unutilised (November 1978).

20. Avoidable expenditure on purchase of teak wood battons due to injudicious termination of contract.—The General Manager (GM), Bombay Telephones, entered into contracts for supply of varnished teak wood battons of different sizes to the various telephone divisions in Bombay Telephone District on the basis of tenders floated in March 1976, September 1976 and May 1977. The points noticed in audit of these contracts are indicated below :

- (a) Contracts on the basis of the tender floated in March 1976 were entered into with two firms 'A' and 'B'

for a period of one year from 7th June 1976 (with a provision for its extension by 6 months if so required by the department) on the basis of lowest rates quoted by them. The contracts, *inter alia*, provided that teak wood battons were to be supplied within 15 days of the receipt of orders from the divisions. Based on complaints received from 3 sub-divisions in July and August 1976 about short receipt or non-receipt of supplies from both firms 'A' and 'B' in respect of 5 orders for supply of 6400 metres (4400 metres by firm 'A' and 2000 metres by firm 'B') of battons, the GM terminated both the contracts with effect from 4th October 1976 and also forfeited security deposits (Rs. 0.01 lakh) of firms 'A' and 'B'. There was, however, nothing on record to show that the overall performance of the two firms was assessed by calling for reports from all the divisions to which battons were supplied by them.

- (b) The purchase committee, which examined (15th October 1976) the tenders floated in September 1976, recommended acceptance of the rates quoted by the same firm 'A' (contract of which had been earlier terminated) for all the three zones into which the Bombay Telephone District had been divided rejecting offers of three other lower tenderers on the ground that their samples were not found acceptable and that the supplies made by them in the past were not satisfactory. The committee also advised that two other firms (other than those whose samples/quotations had been rejected) which had quoted higher rates might be contacted with a view to finding out whether they would be agreeable to supply material of the same quality and at the same rates as approved for firm 'A'. Neither of the firms responded favourably to such an offer, but the Assistant General Manager, (AGM) wrote on

Firm 'C' = M/s INDUSTRIAL
TRADE LINK.

20th November 1976 to firm 'C' (which was one of the three tenderers the lower rates of which had been rejected by the purchase committee) enquiring whether it was willing to supply the items at the rates quoted by firm 'A' for the different zones. Firm 'C', which had originally quoted rates lower than those of firm 'A' for 14 out of 22 items, agreed on the same date to supply the items to zone III. Accordingly, contracts were entered into (November 1976) with firms 'A' and 'C' for a period of one year at rates which were higher than those entered into in the earlier contract up to 6th June 1977. It was observed in audit that the AGM had recorded (20th November 1976) in support of making the offer to firm 'C' that the supply made by firm 'A' "was found to be absolutely irregular and their past performance was very bad", even though fresh contract, based on re-invitation of tenders in September 1976, was itself finalised only on 19th November 1976. The department stated (January 1979) that as it was not possible to bring down the rates of the firms, which had quoted higher rates, in line with the rates of firm 'A', recourse to negotiations with firm 'C' for supply of material of acceptable quality at the rates of accepted tender was considered desirable. The department added that though the sample offered by firm 'C' was not of acceptable quality, it agreed to supply material of approved quality at the same rates as those of firm 'A' and that the contract was entered into with firm 'C' also as an alternative source of supply.

The GM, Bombay Telephones, again terminated the contract with firm 'A' with effect from 14th April 1977 and also forfeited its security deposit (Rs. 3,000) on the ground that complaints were again received that supplies of battons were not made by it to various divisions though, as on the

previous occasion, the complaints (January, February and March 1977) of delay were from 3 sub-divisions only. It was also noticed in audit that in two out of three sub-divisions subsequent supplies were received and accepted from this firm within 10 days of the complaints. Further, on this occasion also there was nothing on record to show that a proper study of the firm's performance was made before the termination of contract. On the other hand, firm 'A', while representing (July 1977) against the forfeiture of its security deposit, claimed that it had supplied over 2.75 lakh metres of battons to the various divisions. The case was then reviewed and the firm's security deposit of Rs. 3,000 (Rs. 1,000 each for three contracts for three zones), which was originally forfeited, was refunded to it on 5th October 1977.

- (c) Though there was nothing on record to show whether the contract with firm 'C' had also been terminated, another tender was floated in May 1977 and contract with firm 'C' was not operated. In response to this tender, while firm 'A' (contract of which had been terminated twice earlier) had quoted the lowest rates for some of the items in respect of zones I and II, another firm 'D' (which was one of the three firms the lower rate of which was rejected by the purchase committee in September 1976) had quoted lowest rates for the remaining items for these two zones. The response for zone III was poor. During negotiations (July 1977) with firms 'A' and 'D', they agreed to supply the items at the lower of the two rates quoted by both of them for zones I and II; subsequently, firm 'D' offered to supply the items to zone III also at the rates accepted for zone II. Accordingly on the recommendations of the purchase committee, rate contracts were executed with both firms 'A' and 'D' on 27th December 1977 for a

Firm D' = M/s VORA BROTHERS.

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period of one year. It was observed (April 1978) in audit that the rates finalised on this occasion were higher than those of the earlier contracts dated 7th June 1976 and 19th November 1976.

The termination of contracts and entering into fresh contracts three times, as mentioned above, resulted in extra cost of Rs. 0.52 lakh; the extra amount paid to firm 'A' mentioned above amounted to Rs. 0.19 lakh.

The department stated (January 1979) that wooden battons were essential for giving new connections and for renovating the existing connections and that "when delays on the part of the contractor in the supply of battons under the terms of the agreement were brought to the notice of the Central Purchase Organisation, there was no option left but to terminate the contract and to explore the possibility of new contracts at competitive rates. The expectation of better competition with better rates could not materialise in the two instances of re-tendering referred to in the audit para. Further, the trend of rising prices contributed to slight increase in rates at each stage of re-tendering". As regards, not studying the overall performance of the contractors before terminating the contracts, the department stated (January 1979) that "such hasty measures had to be adopted because of the circumstances indicated earlier and because the work was taken up and executed as timebound programme to tone up the deteriorating telephone service and to effect reduction in public complaints". The department also added that "the action taken by the telephone district was in the best interest of the department considering the large quantum of work involved to be completed in a very limited time frame".

21. Theft of copper wire and delay in its replacement.—In order to reduce loss due to theft of copper wires and to overcome the continuing dislocation of long distance communication service due to such thefts, the Director General Posts and Telegraphs (DGPT) issued instructions in October 1973 to all heads of telecommunication circles to launch a programme of replacement

of copper wires by ACSR (Aluminium Conductor Steel Reinforced) wire which was stated to be freely available. This was followed by further instructions (April 1974) stressing the need for such replacement within the financial year 1974-75 and reiterating that it was important to replace all wires in any one section of the alignment simultaneously rather than a few limited pairs, as it was found that thefts occurred on the remaining copper wires leading to frequent disturbances on the replaced wires. Heads of circles were further required to review the position and indicate the total quantity of replacement proposed, as also to so determine the priorities that alignments and routes, on which heavy and frequent copper wire thefts had been experienced in the past, were covered and that the entire replacement work was completed by 1975-76.

Tamil Nadu telecommunication circle had a total length of 0.51 lakh kilometres of copper wire on its telecommunication lines on 1st January 1974. Since no progress report was received from the General Manager, Telecommunications (GMT), Tamil Nadu circle, the DGPT wrote to the GMT, Tamil Nadu circle, in July 1974 to conduct a review of all the copper wire alignments in his jurisdiction and draw up a comprehensive programme for its progressive replacement during 1974-75 and 1975-76.

It was observed in audit that during January 1974 to March 1978, only 0.13 lakh kilometres of copper wire out of 0.51 lakh kilometres had been replaced by ACSR wire. Out of the balance of 0.38 lakh kilometres of copper wire to be replaced, estimate for replacement of only 0.15 lakh kilometres had been sanctioned during the period from 1972-73 to 1977-78, leaving a balance of 0.23 lakh kilometres of copper wires for which estimate for replacement was yet to be sanctioned (March 1978). At the same time, 1745 kilometres of ACSR wires costing Rs. 14.82 lakhs received against various replacement works remained unutilised in the circle (March 1978). The main reason for the non-utilisation was non-supply of jointing and

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terminating material by the stores organisation for which indents had been placed. Meanwhile, from 1974-75 to 1977-78, 0.84 lakh kilograms of copper wire worth about Rs. 18.84 lakhs were lost in the Tamil Nadu circle due to thefts from various alignments. The department stated (January 1979) that "jointing and terminating materials are stores items and are supplied by the stores organisation. The circle had been continuously pursuing with the stores organisation for supply of these materials. As the case for procurement of these items was being pursued by the stores organisation, it was not possible for the circle to go in for local purchase initially. However, the circle did try in January 1976 to purchase these items from the local market but the rates quoted by the private firm were more than three times the rate list value and hence local purchase was not resorted to then. However, it appears some local purchase was done in 1976-77 to speed up the work".

Thus, had adequate steps for the replacement of bulk of the copper wires been taken in 1974-75 and the entire work of replacement completed by end of 1975-76 as directed by the DGPT, the losses (Rs. 18.84 lakhs) due to theft of copper wire could have been minimised.

22. Shortage of steel rods in Posts and Telegraphs (Civil) Stores Depot, Kanpur.—Physical verification of stock conducted in April-May 1977 in the Posts and Telegraphs Civil store depot, Kanpur disclosed a shortage of 54.491 tonnes of steel costing Rs. 1 lakh. The matter was reported by the Executive Engineer, Civil Division, Kanpur to the Superintending Engineer, Lucknow in April-May 1977 suggesting appointment of an Enquiry Officer to enquire into the lapses. The department stated (November 1978) that formal enquiry had been instituted in November 1978. In regard to the delay in instituting the enquiry, the department stated that "shortages detected during physical verification in April-May 1977 were actually the differences in quantities of various diameters of steel between the book balance and the actual balance. It was considered necessary to have the receipts and issues in the stores accounts checked in order to

ensure that there were no discrepancies in the accounts. This work of collection of the initial records and reconciliation of accounts took some time. Thereafter, Executive Engineer was directed to conduct preliminary enquiry in April 1978".

The following points were noticed in test-check in audit conducted in January 1978 :—

- (i) Although under departmental rules, certain records, viz. goods receipt sheets, bin cards and priced stores ledger are required to be kept for effective control over the receipt and issue of stores, these records were not maintained. The department stated (June 1978) that the system of maintaining the goods receipt sheets and bin cards had been introduced from December 1977. They also stated (November 1978) that the priced stores ledger had been started in August 1978 but transactions were posted from 1st April 1977.
- (ii) The rules regarding issue of gate pass were not observed. Further, instead of using printed numbered forms for issuing gate passes, these were being prepared in manuscript. The department stated (November 1978) that the gate passes were since being issued in proper form.
- (iii) According to rules, junior engineers and other employees handling stores were required to furnish security in each individual case of an amount representing $\frac{1}{2}$ per cent of the value of stores in their charge subject to a maximum of Rs. 2,000. No such security had been obtained from the employees concerned. The department stated (August and November 1978) that security from the junior engineers and store-keepers had since been obtained.
- (iv) Out of 154.469 tonnes of mild steel purchased for the store depot between June 1972 and April 1973, 154.132 tonnes costing Rs. 3.03 lakhs were lying

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unutilised and exposed to sun and rain (April 1978) even after a lapse of more than 5 years. The department stated (November 1978) that steps to utilise the stock were being taken.

- (v) No report of the loss of stores, as required under rules, was sent to Audit and the next higher departmental authority. The Superintending Engineer stated (March 1978) that since some discrepancies were under settlement a formal report on the case could be sent to the Chief Engineer and to Audit only in April 1978.
- (vi) Although discrepancies in figures in the stock register of steel in the Civil Sub-Division, Kanpur had been pointed out by Audit as early as July 1975, no action appeared to have been taken by the department.
- (vii) Earlier in September 1974, a theft of 7.910 tonnes of *tor* steel costing Rs. 0.15 lakh had taken place in the same division and the case was pending in a Court of Law (November 1978).

23. Loss of copper wire.—According to departmental instructions (May 1972), copper wire scrap recovered, as a result of replacement of copper wire by copper-weld wire and ACSR (Aluminium Conductor Steel Reinforced) wire, was required to be sent to the Controller of Telegraph Stores (CTS), Calcutta, for further disposal. The Assistant Engineer, Telegraphs (Electrification) (AETE), Ahmedabad, despatched (16th June 1974) 41.102 tonnes of copper wire scrap valued at Rs. 9.04 lakhs to the CTS, Calcutta, by rail in two wagons of which one had been booked at 'Railway risk' and the other at 'owner's risk'. The destination of the wagons was indicated as 'K.P. dock' Calcutta without mentioning the particular siding of the dock at which the consignment

was to be delivered. However, as indicated by the Pardi Railway station officials in the labels attached to the wagons, the two wagons were placed by the Calcutta Port Trust Authority (CPTA), under whose administrative jurisdiction the Railways in the dock area functioned, at the 'J. J. Pool' siding of the dock which was outside the protected area of the store depot. On 20th June 1974, the CTS, Calcutta, requested the CPTA to divert the wagons to 'Alifnagar' siding of the 'K. P. dock' which was situated within the protected area of the store depot. The 'on arrival' diversion of these two wagons from the 'J. J. Pool' siding to the 'Alifnagar' siding was accepted (June 1974) by the CPTA. However, the wagons were not so diverted, but were placed by the CPTA on 7th July 1974 at the 'J. J. Pool' siding. Since 7th July 1974 happened to be a Sunday, CPTA could not obtain acknowledgement of the CTS, Calcutta, of the receipt of intimation that the wagons had been placed at the 'J. J. Pool' siding. On 8th July 1974, the CPTA found that the labels of both the wagons had been removed and subsequently refixed, thus indicating tampering of the seals. In these circumstances, the CTS, Calcutta, declined to take delivery of the stores and requested the CPTA to divert the wagons to the 'Alifnagar' siding and arrange open delivery by weighing and counting of the stores in the presence of the representatives of both the offices and the Port Police. However, under the Railway rules neither diversion of wagons with tampered seals from one siding to another nor open delivery, as asked for, was permissible for the wagon booked at 'owner's risk'. The CTS, Calcutta continued to insist on open delivery of the stores. To avoid further detention of the wagons, the CPTA got them unloaded on 21st September 1974. It was then found that while the quantity in the wagon booked under 'Railway risk' was intact, there was shortage of 288 coils of copper wire (7.455 tonnes) valued at Rs. 1.64 lakhs in the other wagon booked at 'owner's risk'.

The fact that the stores had been unloaded was intimated by the CPTA to the CTS, Calcutta, on 3rd October 1974, requesting him, *inter alia*, to take delivery of the stores on payment

of rent and demurrage charges. The CTS and the Chief Controller of Telegraph Stores, Calcutta, however, continued to insist on open delivery. According to the CPTA, the CTS could have easily unloaded the wagons in July 1974 and recorded shortages, if any, in the siding position book of the Railways, as was generally done by other parties in such cases. The Ministry of Law, Calcutta, to which the case was referred by the CTS, Calcutta, observed (July 1975):

“.....The department has already inordinately delayed the matter (which may prove fatal to its claim)....and should immediately take delivery after giving notice of date and time to all concerned, in presence of witnesses.....No legal action at this stage is suggested. The file be re-submitted with the required information and particulars of loss, if any, whereafter the matter will be re-examined afresh”.

Thereafter, the CTS, Calcutta, took delivery of the stores on the 13th August 1975 on payment of Rs. 0.55 lakh as demurrage and port charges.

The claims of the Posts and Telegraphs department for making good the loss of Rs. 1.64 lakhs on account of shortage of copper wire and Rs. 0.31 lakh for refund of port charges lodged in August 1975 were rejected by the Railways and CPTA (May 1976 and June 1977 respectively). The claim for refund of demurrage charges of Rs. 0.24 lakh was being pursued (November 1978) with the Railway authorities.

The following points were noticed by Audit :—

- although according to the departmental instructions (May 1972), valuable material like copper wire scrap should be despatched by rail at ‘Railway risk’ or under such classification that the Railways were obliged to deliver the goods by weightment, the

AETE, Ahmedabad, had despatched the copper wire scrap in one of the two wagons at 'owner's risk', in which shortage of 7.455 tonnes of copper wire scrap (value : Rs. 1.64 lakhs) was found. The department stated (January 1979) that "from the copies of Railway forwarding and credit notes, it appears that both the wagons were offered to the Railways for booking at "Railway Risk" by the A. E. Telegraphs (Electrification), Ahmedabad. But the G. M. Telecom stores, Calcutta has reported that one of the wagons was received remarked on 'owner's risk'. The G. M. Telecom stores, Calcutta has taken up the case with the Railways to verify the actual mode of booking with reference to the Railway receipt";

- there was delay from July 1974 to August 1975 in taking delivery of the stores;
- the Railways rejected (May 1976) the claim of Rs. 1.64 lakhs for shortage of copper wire because it was not received within six months of the date of booking, as required by the Railway rules. The CPTA rejected (June 1977) the claim of the department for refund of port charges (Rs. 0.31 lakh) without assigning any reason. The department stated (January 1979) that "though the Railways have rejected the claim on the plea of its not having been received within six months from the date of booking, the case is still being pursued and the matter is still under consideration of the Railways".

The department stated (January 1979) that the question of fixing responsibility for the loss could be considered only after the case was finally decided, that the action taken by the CTS, Calcutta, in insisting on open delivery was in the interest of the department and that further reference to the Ministry of Law was kept pending final disposal of the claim case by the Railways.

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24. Payment of freight and supplementary charges to the Railways.—According to departmental rules, when the amount of freight on stores carried by rail exceeds Rs. 200, the payment is to be made by means of Railway credit notes and the claims subsequently made by the Railways on account of these credit notes are required to be test-checked by the Circle Accountant of the telecommunication circle concerned.

With effect from 15th September 1974 and 1st April 1976, the Railways notified the levy of a supplementary charge and an additional supplementary charge respectively on freight charges. The Posts and Telegraphs department was, however, exempted from these supplementary and additional supplementary charges by a provision to this effect in the aforesaid notifications.

Nevertheless, the Central Railway, Bombay, claimed and the Posts and Telegraphs department paid Rs. 0.52 lakh on account of supplementary charges and additional supplementary charges on freight on 50 Railway credit notes issued by the departmental store depot at Bombay, during April 1976 to January 1977. In addition, the Controller of Telegraph Stores, Calcutta also paid these supplementary charges and additional supplementary charges (Rs. 0.61 lakh) to the Railways while taking delivery of the consignments in respect of the aforesaid 50 credit notes. It was also noticed that the Central Railway, Bombay, while claiming payment of the Railway credit notes, had wrongly adopted the rate applicable to 'small traffic loads' instead of the rate for 'wagon loads' in respect of five out of the above 50 consignments. This resulted in an excess payment of Rs. 0.05 lakh towards freight by the Posts and Telegraphs department.

Thus, because of not exercising requisite scrutiny on the claims made by the Railways, the department overpaid an amount of Rs. 1.18 lakhs on account of freight and supplementary charges. On this being pointed out by Audit in September 1977, the matter was taken up by the department with the Railways in October 1977.

The department stated (November 1978) that the Controller of Telegraph Stores, Bombay, had paid the supplementary and Additional supplementary charges amounting to Rs. 0.52 lakh because the exemption indicated in the notifications issued by the Railways was in respect of "Postal traffic" and there was ambiguity therein as to whether the entire traffic offered by the Posts and Telegraphs department including postal and telecommunications was covered by the exemption or whether the exemption was applicable only to the traffic on account of postal services. The department added that the other payments had been made so as to clear the consignments to avoid payment of demurrage and other charges on delays in clearance of consignments as *per* the usual practice of making such payments initially subject to check and adjustment later on. The department also stated that the Railways had refunded Rs. 0.16 lakh on this account and that the claim for refund of the remaining amount had been taken up with the Railways.

Similar excess payments of Rs. 0.24 lakh during 1976-77 and 1977-78 were also found to have been made by the General Manager, Telecommunication Projects, New Delhi to the Northern Railway.

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'A' = M/s. GUPTA & Co., MEERUT

'B' = M/s. VIRA CONSTRUCTION CO,

'C' = M/s. PARMANAND TULSIDAS
DHINGRA.

CHAPTER VI

LAND AND BUILDINGS

25. **Construction of Staff quarters at Meerut.**—In November 1971, the Posts and Telegraphs Department sanctioned the construction of 105 staff quarters (96 type II and 9 type III) at Meerut at an estimated cost of Rs. 28.09 lakhs. In October 1964, a private party 'A' offered a site (said to be situated 4 to 7.5 kilometres from important places of work of employees of the Department) quoting a rate of Rs. 4 *per* square yard in support of which the party also furnished a copy of a letter dated 20th October 1964 from the Tehsildar, Meerut. After consulting staff associations, but without making a reference to the Chief Revenue Officer at Meerut to verify that the proposed price was not higher than that payable under land requisition proceedings as required under departmental instructions, the Postmaster General (PMG) U.P. Circle recommended (November 1965) the offer to the Director General Posts and Telegraphs (DGPT) for acceptance. The DGPT accorded (March 1967) approval to the purchase of the said land at a cost not exceeding Rs. one lakh. Land measuring 24049 square yards was purchased from party 'A' (November 1967) for Rs. 0.96 lakh and formal sanction was accorded by the DGPT in June 1968. The Department stated (January 1979) that "the Chief Revenue Officer of a district also relies on the report of the Tehsildar who is incharge of the revenue records of the area".

Award of contract for construction.—Tenders for construction of staff quarters including provision of internal services were invited in March 1972 and opened in April 1972. Two firms 'B' and 'C' submitted their tenders for amounts of Rs. 17.51 lakhs and Rs. 18.95 lakhs respectively. Firm 'B' did not deposit earnest money of Rs. 0.20 lakh but requested that it might be deducted from its other claims amounting to Rs. 2.50 lakhs. As desired

by the Chief Engineer, Posts and Telegraphs, Civil, (CEPTC), negotiations were conducted (June 1972) with the lower tenderer, firm 'B', which reduced its offer from Rs. 17.51 lakhs to Rs. 17.26 lakhs. However, the CEPTC rejected this offer (27th June 1972) on the ground that firm 'B' had not deposited the earnest money properly and that its rates were also high and ordered that fresh tenders should be called, though, as requested by the firm 'B', the earnest money had been adjusted from its claims and confirmation of such adjustment intimated to the CEPTC (17th June 1972) by the Superintending Engineer, Posts and Telegraphs, Civil circle (SEPTCC).

Fresh tenders were invited and were opened on 19th July 1972. The same two firms 'B' and 'C' again submitted their tenders for amounts of Rs. 17.96 lakhs and Rs. 17.74 lakhs respectively. Firm 'C' requested that the earnest money of Rs. 0.20 lakh deposited by it in the previous tender be considered for this tender. Firm 'C' had also made a separate request for adjustment from the same earnest money against its tender for another work, viz. construction of staff quarters at Agra, but no such adjustment was made and on 24th July 1972 firm 'C' had separately deposited the required earnest money for the work at Agra. Thus, the amount deposited by firm 'C' with the first tender was available for being treated as earnest money for the second tender. Firm 'B' had also not deposited the earnest money with the tender, but had furnished a fixed Deposit Receipt dated 19th July 1972 from a Delhi Bank on the next day (20th July 1972) after opening of the tenders. The SEPTCC, however, held that both the firms had deposited earnest money after opening of tenders and accordingly held negotiations with them in anticipation of the condonation of the deposit of earnest money after opening of tenders by the CEPTC. The details of the negotiations were as follows :—

	Firm 'C'	Firm 'B'	Remarks
Ist round (revised offers invited on 3rd August 1972)	Rs. 17.27 lakhs (received on 16th August 1972)	Rs. 17.26 lakhs (received on August 1972)	—

	Firm 'C'	Firm 'B'	Remarks
2nd round (revised offer called from 'C' only because it was the lowest tenderer originally)	Rs. 17.25 lakhs (received on 22nd August 1972)	—	Firm 'B', however, objected to holding negotiations with firm 'C' only.
3rd round (revised offer invited from both C & B on 2nd September 1972 at the instance of CEPTC)	—	Rs. 17.33 lakhs (received on 11th September 1972)	Firm 'C' did not bid again as it objected to the holding of the third round of negotiations.

This negotiated offer of firm 'B' at Rs. 17.33 lakhs was accepted by the CEPTC in September 1972. It may be mentioned that the earlier tender of firm 'B' (Rs. 17.26 lakhs) for the same work had been rejected (27th June 1972) by the CEPTC on the ground that it had not deposited earnest money properly and that its rates were also high.

The work was awarded to firm 'B' in October 1972 with the stipulated period of completion as 15 months. The work, which was due to be completed in January 1974, was actually completed in July 1975; the delay in completion of the work was attributed by the Executive Engineer, Posts and Telegraphs, Civil Division, Kanpur to (a) delay in approval of drawings by Additional District Magistrate, Meerut, (b) delay in decision for increasing the depth of cup-boards in type III quarters, (c) non-finalisation of the colour and paint scheme, (d) non-finalisation of the design of the verandah in type III quarters, and (e) non-completion of electric fittings. Provisional extension of time up to 31st March 1975 was granted by the department in February 1975. The question as to how far firm 'B' was responsible for the above delays and how much compensation should be charged from it for these delays had been under consideration of the department since July 1976. The department stated (January 1979) that "the case regarding reasons for the delay in the execution and extension of time is under scrutiny. Efforts are being made to expedite the decision".

Steel (4.189 tonnes) and cement (115.200 tonnes) were issued by the department to firm 'B' in excess of actual requirement. Recovery of Rs. 0.32 lakh, on this account was yet (January 1979) to be made from the final bill of firm 'B'. The department stated (January 1979) that the case regarding issue of excess materials was also under scrutiny and efforts were being made to expedite finalisation of the bill and accounts.

According to departmental rules, in the case of works costing more than Rs. 5 lakhs, a completion certificate was required to be issued by the Senior Architect/Superintending Engineer of the department. Although the work was completed in July 1975, the completion certificate had not yet been issued (January 1979).

External services including electric and water supply.—After calling for tenders for provision of external services, the work was awarded to the lowest tenderer, viz. the same firm 'B' for Rs. 3.67 lakhs in September 1973 for completion in six months, i.e. by April 1974; it was, however, actually completed in November 1975. The delay in completion of the work was attributed by the department to (a) non-availability of the design of overhead tank, septic tank and the sumpwell pump; (b) delay in permission of the State PWD for laying sewerage line on the PWD land; (c) non-availability of electric supply and non-installation of water pump and (d) late receipt of design of gravity tank. Provisional extension of time up to 31st March 1975 was granted by the department in February 1975, without prejudice to Government's right to recover liquidated damages in terms of the agreement. The department stated (January 1979) that the case regarding delay in completion of work had been settled and a token penalty of Rs. 200 had been imposed on the contractor.

The electric connections were provided to the quarters between June 1976 and October 1976 and the water supply in August 1976.

Allotment of quarters.—One hundred and five quarters (except for the provision of water and electricity connections) were ready for occupation in July 1975 (contract amount : Rs. 17.33 lakhs) and the Civil Wing of the department asked the PMG and the General Manager, Telecommunications (GMT), Uttar Pradesh on 26th July 1975 to take possession of the quarters in the first week of August 1975 for allotment. The quarters were not taken over for allotment as the question of allocation of quarters between the Postal and Telecommunication Wings of the department had not been decided. The matter remained under correspondence between the various authorities of the department till February 1976 when allocation of the quarters was finally decided and possession of quarters taken by the Postal and Telecommunication wings of the department in February 1976 and March 1976 respectively. However, all the quarters could not be allotted to the staff and the number of quarters remaining vacant from time to time was 93 (July 1976), 61 (October 1976), 49 (January 1977), 37 (April 1977), and 28 (July 1978). The quarters remained unoccupied from time to time as the employees were reluctant to occupy them due to their location in an isolated place and various facilities being not available. The department stated (January 1979) that it was intimated to the officials that in the event of their refusal to accept the quarters {house rent allowance} would not be admissible to them for a period of one year from the date of refusal according to the rules and that only 5 quarters meant for the postal officials were lying vacant.

Because of the non-occupation of the quarters, the department lost a potential revenue of Rs. 0.40 lakh from July 1976 to December 1978 on account of licence fee apart from incurring an expenditure of Rs. 0.31 lakh towards payment of house rent allowance to the staff, Rs. 7 per month for each vacant quarter on account of meter rent of electricity and minimum electricity charges and Rs. 0.06 lakh till December 1978 towards wages of a chowkidar employed for the watch and ward of the vacant quarters.

Summing up, the following points emerge :—

- there was a delay of $1\frac{1}{2}$ years in the construction of quarters and of $1\frac{1}{2}$ years in the provision of external services to them. While the extent of the responsibility of the contractor in the former case was yet to be decided even though the matter had been under consideration of the department since July 1976, in the latter case only a token penalty of Rs. 200 had been imposed ;
- even after construction of quarters had been completed in July 1975, these remained vacant till June 1976 ; 28 of them were vacant in July 1978 and 5 were still (December 1978) lying vacant ; and
- the non-occupation of quarters resulted (up to December 1978) in loss of potential revenue of Rs. 0.40 lakh to the department on account of licence fee, apart from an expenditure of Rs. 0.31 lakh incurred by the department towards the payment of house rent allowance to the concerned staff.

The department stated (January 1979) that “there was some initial reluctance especially in the staff of the postal wing to occupy the quarters.there has been some loss on this account. This is perhaps inevitable”.

26. Laying of foundation for Microwave tower.—In June 1972, the Posts and Telegraphs Board sanctioned installation of a microwave system between New Delhi—Kanpur—Allahabad—Jabalpur—Nagpur (1200 kilometres) and some other associated spur routes at a cost of Rs. 1132.72 lakhs. The work included, *inter alia*, laying of foundations for the microwave towers at the respective stations.

The Superintending Engineer, Posts and Telegraphs Civil Circle (SEPTCC), Lucknow, forwarded detailed estimate of the work for Rs. 2.54 lakhs (based on Delhi schedule of rates (1972) and assuming the load bearing capacity of the soil as 13.450 tonnes

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CONTRACTOR 'A': SHRI RAJINDER KUMAR
GUPTA, GOVT. CONTRACTOR, KANPUR.

per square metre on visual observation), to the General Manager Telecommunication Projects (GMTP), New Delhi, in May 1975. On the observations of the GMTP, the estimate was revised in June 1975 to Rs. 1.87 lakhs on the basis of Delhi schedule of rates (1974) and sanctioned by the GMTP, New Delhi, in September 1975; the estimate had, however, to be revised again in December 1975 because on receipt of soil investigation report, the load bearing capacity was found to be 5 tonnes per square metre. The department stated (December 1978) that in view of the urgent nature of work, the preliminary estimate for the work was prepared on an assumption of the load bearing capacity. Before the estimate based on revised load bearing capacity was sanctioned by the GMTP, the SEPTCC submitted (February 1976) another revised detailed estimate for Rs. 3.32 lakhs, after providing for filling to the extent of 2 metres at the site of foundation which had been left out previously. This revised estimate was sanctioned by the GMTP in March 1976. There was, thus, delay of about 10 months from May 1975 to March 1976 in sanction of the detailed estimate. The department stated (December 1978) that there was no delay at this stage since tenders were invited in anticipation of the revised sanction and the work was awarded in March 1976.

Tenders were invited in January 1976 and the work awarded to contractor 'A' in March 1976 at his tendered amount of Rs. 2.56 lakhs for completion in four months reckoned from 15 days after issue of letter of acceptance of tender on 5th March 1976. On 28th July 1976, when the work was almost nearing completion, the Divisional Engineer, Telegraphs (DET), Microwave Project, Kanpur, informed the SEPTCC, Lucknow, and the GMTP, New Delhi telegraphically that the foundations had been cast wrongly as the centre to centre distance of tower foundation, which was to be kept, as per the drawings, at 20 metres, had actually been kept at 14 metres. The SEPTCC, Lucknow inspected the site on 29th July 1976 and found, besides the aforesaid variation, that :

- (i) the modifications pointed out by the Surveyor of Works in January 1976 regarding thickness of

- 'footings' and reinforcement of the foundation, had not been taken into account while casting the foundation ;
- (ii) no drawing register had been kept at site and that the Assistant Engineer had not read the drawings properly before giving the lay-out (of the foundation) ; and
 - (iii) the orientation of the microwave building also needed alterations.

In July 1976, the Executive Engineer, Posts and Telegraphs Civil Division (EEPTCD), Kanpur informed contractor 'A' that the work had not been executed by him according to the structural drawings. Contractor 'A', however, refuted this and stated (August 1976), *inter alia*, that the work had been executed as *per* the drawings supplied to him and under the supervision of the EEPTCD and other officers of the department. While the department maintained that it had supplied four drawings, contractor 'A' maintained that he had received only three drawings. In his report to the SEPTCC, Lucknow, the EEPTCD, Kanpur stated (September 1976) that the drawings used to be handed over to contractor 'A' by the Assistant Engineer-in-charge of the work without obtaining the latter's acknowledgement. The department stated (August 1978) that it was not possible to say whether the fourth drawing had or had not been passed on to the contractor and that the case was under investigation (November 1978).

The matter was examined (September/October 1976) and after obtaining technical advice from the Indian Institute of Technology, Kanpur, for which consultancy charges of Rs. 7,500 were paid to the Institute and after consulting the Engineering Branch of the Railways, it was decided to shift the foundation blocks with the help of heavy duty jacks. The work of shifting the foundations was entrusted to the Railways (November 1976) which agreed to take it up on the condition that while all possible and reasonable care would be taken in shifting, the Railways would not be responsible for any damage which might be caused

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to the 'footings' of the foundation in the process of shifting etc. The department paid Rs. 0.64 lakh to the Railways in November 1976 (Rs. 0.29 lakh for shifting and Rs. 0.35 lakh for cost of fabricated steel material to be used in the shifting of the foundation). The Railways started the work in December 1976 and completed it in January 1977. During shifting of the foundations, longitudinal cracks appeared in one of the 'footings' of the foundations. The EEPTCD, Kanpur informed contractor 'A' (January 1977) that the cracks were due to poor quality of workmanship and material used by him. The work was got completed by another contractor at a cost of Rs. 0.90 lakh at the risk and cost of contractor 'A'. The final bill of contractor 'A' was passed (June 1978) for *minus* Rs. 0.63 lakh after adjusting Rs. 1.97 lakhs due from him (including Rs. 0.57 lakh pointed out by Audit in April 1978 as having been omitted to be adjusted in the final bill prepared earlier) as also his security deposit of Rs. 0.38 lakh against this and other works and giving him credit of Rs. 0.59 lakh for material taken on stock etc. The department stated (December 1978) that the department had gone in for arbitration and that side by side, disciplinary proceedings against the concerned officials for their lapse in supervision were also under process.

27. **Irregularities in execution of Minor Civil Works.**—In July 1972, the Director General Posts and Telegraphs sanctioned the creation of posts of Assistant Engineers (Civil), in various circles/districts for execution of petty building works costing up to Rs. 20,000. In September 1972, detailed instructions were issued, *inter alia*, redesignating the post of Assistant Engineer (Civil) as Assistant Engineer (Minor Civil Works)—AE (MCW). It was also stipulated that while the Heads of Circles/Districts would exercise administrative control over the AEs (MCW), the technical control over their work would be exercised by the respective Executive Engineers of the Civil Wing (EECW). The EECW was also required to (a) give technical guidance to the AE (MCW), (b) inspect and examine quality of the works executed by the latter, and (c) test check measurements at his discretion, but in respect of works costing Rs. 5,000 and above

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test check 10 per cent of the measurements in every case before the final bills are authorised to be paid.

A test-check conducted by Audit in November and December 1976 of the accounts relating to the execution of various works carried out by the AE(MCW), Jullundur, in 1974-75, 1975-76 and 1976-77 disclosed the following irregularities :—

(i) *Execution of petty works at high rates.*—In 1975-76, the AE (MCW), Jullundur accepted tenders for execution of petty works at 50 to 61 per cent above the Delhi schedule of rates of 1974 as compared to the rates varying from 5.15 to 31.07 per cent above the aforesaid schedule of rates accepted by the Executive Engineer, Posts and Telegraphs Civil Division, (EEPTC) Ambala, for works in the same zone and in similar localities. When the fact of acceptance of high rates by the AE (MCW) came to the notice of the EEPTC Ambala, he instructed the former in February 1976 not to operate tenders the rates of which were more than 30 per cent above the Delhi schedule of rates of 1974. Nevertheless, works costing Rs. 5.25 lakhs were got executed by the AE in March 1976 resulting in extra expenditure of Rs. 1.72 lakhs.

Similarly, works involving use of steel were got executed by the AE (MCW) at a cost of Rs. 1.71 lakhs in 1975-76 and 1976-77 at 57 per cent above the Delhi schedule of rates of 1974. As against this, the rates allowed for similar works by the EEPTC, Ambala, in 1976-77 were 8.54 per cent below the Delhi schedule of rates. The execution of these works also resulted in extra expenditure of Rs. 0.56 lakh. The department stated (February 1979) that “in view of the facts brought out in the para it is proposed to further examine the case.....”.

(ii) *Installation/repairs to hand-pumps at Amritsar.*—During November 1975 and March 1976, the same AE (MCW) got installed 19 hand-pumps at Amritsar at a cost of Rs. 0.44 lakh without inviting tenders; the work was split up into smaller components to keep the cost of each work below Rs. 5,000. The works were got executed at the rates for zonal contracts for petty building works which were 57 per cent above the Delhi schedule

of rates of 1974 ignoring the aforesaid instructions of the EEPTC, Ambala. As against the cost of about Rs. 500 of installation of one hand-pump at Amritsar by the Municipal Corporation, the department incurred, on an average, expenditure of Rs. 2,306 on installation of each hand-pump. Repairs to 4 hand-pumps were got done at a cost of Rs. 0.07 lakh in November and December 1975. The average expenditure on the repairs of pumps was Rs. 1,659 per pump. The extra expenditure on these account was about Rs. 0.39 lakh. The department stated (February 1979) that "*prima facie*, the expenditure on the installation and repairs to hand-pumps has been excessive. The case has been investigated by the C.B.I. authorities. The Department has sanctioned the prosecution of the officer by C.B.I. in this case".

(iii) *Supply of cement to contractors and other irregularities.*—The following other irregularities were noticed in the works executed by the same Assistant Engineer :—

(a) During 1974-75 and 1975-76 there was failure on the part of the same AE (MCW) to recover the cost of cement supplied to contractors (Rs. 0.30 lakh) and to account for shortage of cement (Rs. 0.13 lakh). The department stated (February 1979) that "the preliminary investigations into the case indicate that the then AE (MCW) did not maintain the stock register in the Sub-Division and did not strictly follow the procedure for issue of materials and recovery of the cost. An effort has been made to reconstruct the accounts of issue of cement and recovery of its cost in the bills of contractors. The explanations of the then AE (MCW) have been called for failure to maintain proper accounts of the cement bags and the recoveries of costs".

(b) The surface area for painting barbed wire fencing was arrived at by multiplying the entire length of the fencing by a height of 2.5 metres (1015.40 square metres). As a result, there was excess payment of Rs. 0.18 lakh. The department stated (February 1979) that "the mode of calculations of painting area of the barbed wire fencing does appear to be unreasonable. The matter is being further investigated".

(c) (1) During 1975-76 and 1976-77, the accepted rates for petty works in Jullundur zone were 56 per cent above the Delhi schedule of rates of 1974, while those for maintenance works 20.5 per cent and 25 per cent below the Delhi schedule of rates. Maintenance work of 'Face lifting of Head Post Office (HPO), Jullundur, comprising waterproofing cement paint was got executed by the same AE (MCW) at the rates meant for petty works, namely, 56 per cent above the Delhi schedule of rates of 1974, instead of the rates for maintenance works, viz. 20.5 per cent and 25 per cent below the aforesaid schedule of rates. Further, the rates prescribed in the Delhi schedule of rates of 1974 for cement paint on new buildings were allowed instead of those prescribed for cement paint on old buildings resulting in extra expenditure of Rs. 0.20 lakh.

(2) According to departmental instructions, waterproofing cement paint should not be applied on surfaces already treated with white wash/colour wash. However, during 1975-76 the outer surfaces of telecommunication buildings at Gurdaspur and Amritsar, which were hitherto being treated with white/colour wash, were treated with waterproofing cement at a cost of Rs. 0.82 lakh. These works of maintenance were got executed at the rates prescribed for petty works which were 104 per cent higher than the accepted rates for maintenance works in that zone. This resulted in extra expenditure of Rs. 0.69 lakh.

The department stated (February 1979) that these cases were being further looked into.

(d) In disregard of departmental instructions, synthetic enamel paint, which was costlier than the oil paint or oil based distemper, was used for painting. Further, while working out the payment for such painting work, the work of primary coating was taken into account twice. Though the work of oil paint falls under 'maintenance works', painting works were carried out (1974-75 and 1975-76) at a total cost of Rs. 0.54 lakh at the rates prescribed for petty works, which were higher than the rates accepted for maintenance works, resulting in extra expenditure of Rs. 0.33 lakh.

Zone 'A' = D.E.P JULLUNDUR

Zone 'D' = D.M.T AMRITSAR

The department stated (February 1979) that as *per* instructions issued by it, the walls should have been provided either with oil paint or oil based distemper..... and that instructions were being issued clarifying the position that in all such cases oil paint would do and synthetic enamel should not be used. As regards getting work done under petty works rates and primary coats the department added that "in the nature of this work claim for application of petty work ratesmay not be unreasonable. The question of payment for work of two priming coats will be further examined".

A
P-209
cP-209
B

(e) *Construction of building at Tregbal.*—An equipment-store room, lineman living room and a kitchen for line-staff were constructed in the telephone exchange building, Tregbal (Srinagar) at a cost of Rs. 0.61 lakh during October and November 1974. The above work was split up by the same AE (MCW) so as to bring each of the components within his financial powers and thus avoiding the need for obtaining sanction of the competent financial authority. Further, these works were got executed through the zonal contractor at 227 *per cent* above the Delhi schedule of rates of 1972, as against smaller individual works having got executed in the same area at only 88 *per cent* above the aforesaid schedule of rates. This resulted in extra expenditure of Rs. 0.26 lakh.

P-13
c

"

P-10
c

The department stated (February 1979) that "the circumstances of the case are being further looked into".

P-208
y
c

(f) *Execution of petty works.*—The accepted rates of petty and other works in two zones were as follows :—

Zone	1975-76	1976-77
A	56 <i>per cent</i> above the Delhi schedule of rates of 1974.	19 <i>per cent</i> above the Delhi schedule of rates of 1974.
D	57 <i>per cent</i> above the Delhi schedule of rates of 1974.	13 <i>per cent</i> above the Delhi schedule of rates of 1974.

P-3
c

The rates accepted for 1975-76 were considered to be very high by the EE PTC, Ambala, who asked (February 1976) the AE (MCW) not to operate the tenders even if it involved lapse of funds. Nevertheless, building works costing Rs. 0.38 lakh, which were to be executed in 1976-77, were awarded to the zonal contractors of zones 'A' and 'D' at 56 per cent and 57 per cent above the Delhi schedule of rates of 1974 just two to six days before the end of the year 1975-76 resulting in extra expenditure of Rs. 0.11 lakh. The department stated (February 1979) that "the rates accepted for 1975-76 were considered to be high by the Executive Engineer, P&T Civil Division, Ambala. The circumstances in which the works were awarded to the zonal contractors of zones 'A' and 'D' during March 1976 are being further looked into". It may be mentioned that a report regarding the various irregularities committed by the AE (MCW) concerned was made (11th June 1976) by the Superintending Engineer P&T Civil to the DGPT and disciplinary action against the AE (MCW) suggested. But no action appears to have been taken on it.

The above cases were also brought to the notice of the General Manager, Telecommunications, Ambala and the Chief Engineer, Posts and Telegraphs, by Audit in May 1977. The matter was reported by Audit to the Posts and Telegraphs Board in March 1978 and May 1978. The department stated (February 1979) that "some of the aspects of these cases will require further investigation which are being initiated. A further report will be forwarded to Audit in due course".

28. Construction of a building for the wireless receiving station.—In November 1960, the Posts and Telegraphs Department acquired a plot of land measuring 3.35 acres at a cost of Rs. 0.29 lakh for shifting a wireless receiving station at Shillong from a technically unsuitable departmental building to a new site. The Director General, Posts and Telegraphs (DGPT), accorded sanction (October 1962) for construction of a new building and for shifting of lines and wires from the old to the new building at an estimated cost of Rs. 1.60 lakhs. The estimate for construction of the building was sanctioned in December 1966 at a

P-105
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P-4
c

P-3/c

P-208
x

P-4
c

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cost of Rs. 0.97 lakh. "Due to an error of judgement", the work was started by the Civil Wing of the department some time in middle of 1967 on a plot adjacent to the plot of land acquired for the purpose, belonging to the Wireless Planning and Co-ordination Wing (WPCW)—a sister organisation under the Ministry of Communications, and completed in October 1967. The error came to notice (October 1967) only after the construction of the building had already been completed in all respects. In November 1968, the department decided, in consultation with the WPCW, to transfer the newly constructed building to the latter on payment by it of the actual cost of construction. The cost could, however, be ascertained by the Postmaster General, Shillong, from the Civil Wing of the department only in September 1972 and sanction for the transfer of the building to the WPCW was issued by the department in October 1974. The building was handed over to the WPCW in December 1976 after carrying out needed repairs (cost : Rs. 0.16 lakh). Against Rs. 2.31 lakhs due for recovery, Rs. 1.99 lakhs had been recovered so far (November 1978). The matter regarding recovery of the balance amount was under correspondence between the WPCW and the department (November 1978).

In the meantime, the wireless receiving station was transferred to another departmental building in February 1973.

Thus, because of its construction on a wrong site, the building costing about Rs. 2.31 lakhs remained unutilised for more than nine years and the land acquired by the department in November 1960 at a cost of Rs. 0.29 lakh for construction of the building was still vacant (November 1978). The department stated (November 1978) that there was a proposal to construct a Circle Training Centre on the vacant plot.

29. Blocking of capital due to delay in shifting of a wireless transmitting station.—The wireless transmitting station, Madras, located in a plot of land measuring 6.45 acres on lease from the Defence Department, was proposed in 1960 to be shifted to a new site as the area was not considered sufficient to expand the

aerial systems for marine and internal wireless links and as tall buildings had come up in the area adjacent to the wireless station. Accordingly, a site measuring 24.25 acres situated opposite the Overseas Communication Service transmitting station at Meenambedu at a distance of 21 kilometres from the existing station, which was found suitable in November 1960 and sanction to the purchase of which was accorded in January 1964, was taken possession of in August 1964 and formal sanction for taking over of land was issued in September 1964. Sanction for the construction of the building for the wireless transmitting station at an estimated cost of Rs. 4.24 lakhs was, however, issued only in April 1970 and the construction work taken up in September 1972, was completed in March 1973.

It was, however, not possible to shift the transmitting station as action had not been initiated till then to sanction the estimate for laying cables and for procurement of other equipment required for the wireless station. The project estimate for laying cables and installation of equipment was sanctioned only in March 1974 at an estimated cost of Rs. 12.18 lakhs. There was further delay in the preparation and sanction of the detailed estimate for laying cables mainly because the authority which should carry out the work was not determined till June 1974 when the Director General, Posts and Telegraphs (DGPT) decided that the work would be carried out by the Divisional Engineer, Telephones, Madras, functioning under the General Manager, Telephones, Tamil Nadu Circle. The building was taken over in June 1975 and thereafter the detailed estimate was sanctioned in December 1975.

The cables started arriving in March 1976 and by August 1977, cables worth Rs. 15.15 lakhs had been received. However, the work of laying them could not be commenced because tenders were called for only in December 1977 and finalised in June 1978 and even thereafter matters relating to road cutting, reinstatement charges, etc. were under correspondence with the DGPT and the State Highways authorities who had demanded

Rs. 6.31 lakhs as reinstatement charges in addition to the charges to be paid to the Municipal Corporation. Formal permission of the State Highways authorities was still awaited (November 1978).

Meanwhile, the building at the new site was being partially occupied from October 1976 by Satellite Telecommunication Experiment Project (STEP), another sister organisation under the Ministry of Communications.

Thus, due to lack of proper planning and co-ordination, the building constructed in March 1973 at an estimated cost of Rs. 4.24 lakhs was lying unused except for a portion occupied by STEP in October 1976 and cables worth Rs. 15.15 lakhs were lying idle from August 1977. Besides, locking up of capital as indicated above, the wireless transmitting station continued to be located at the same place which was found unsuitable for further expansion more than 18 years ago.

The department stated (January 1979) that :

- while the Civil Wing intimated that the construction of the building was completed in March 1973, the electrification of the building was completed only in March 1975; the electric supply, for which the application was made in 1972, was connected by TNEB only in May 1977; and the building was ready for installation of the equipment only in May 1977;
- the work of laying the cables would be taken up as the various matters like finalisation of tenders for cable laying, permission of local authorities to cut the roads etc. had been settled recently ;
- the complete building would be available in June 1979 only and that cables would be laid with full speed so that shifting of wireless station was not delayed ; and

- a decision to hand over this building to the STEP project was taken by the DGPT in order not to delay the important STEP project.

30. Recovery of standard licence fee for Government accommodation.—According to rules, standard licence fee for a residence constructed by Government for allotment to its employees is to be re-calculated on the expiry of five years from the date of the last calculation and the licence fee so recalculated is to take effect from 1st April next following or from such other date as may be fixed.

In Delhi and New Delhi, the Posts and Telegraphs Department was having 2924 residences in April 1975. The standard licence fee in respect of these residences was due for revision in 1962, 1967, 1972 and 1977. While no revision of the standard licence fee was made in 1962, the department fixed it provisionally in January 1965 and made the rates so fixed applicable from 1st April 1962; it was also not revised on 1st April 1967 and 1st April 1972, but the provisional standard licence fee fixed in January 1965 was continued to be adopted. The standard licence fee as on 1st April 1962 and 1st April 1967 was finally fixed in July 1974 and that due from 1st April 1972 was provisionally fixed in March 1975. When the question of making these rates applicable retrospectively from the due dates was referred to the Ministry of Law, they opined (July 1975) that since the revision was not done according to the time schedule prescribed in the rules, it could not be given effect to retrospectively.

It was accordingly decided (January 1976) that the revised licence fee effective from 1st April 1967 as notified in July 1974 may be given effect to from 1st August 1974 and that the revised rate effective from 1st April 1972 as notified in March 1975 may be given effect to from 1st April 1975. The department stated (January 1979) that “.....delayshave to be attributed to the delays in getting necessary particulars and data from various units in respect of

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expenditure on additions and alterations made to the residential buildings during the period in question as well as in determining the capital cost of new residences constructed and added to the Pool.....the question of fixing the rent for the residential portion located in office-cum-residential buildings which is peculiar to this Department also created problems. The Law Ministry further advised that retrospective effect cannot be given. They had also indicated that similar advice had also been tendered to the Directorate of Estates when they were posed with similar problems”.

According to rules on the subject, the licence fee recoverable from a Government servant is the standard licence fee fixed for the residence or ten *per cent* of the emoluments of the Government servant, whichever is less. On a review (September 1978) of the licence fee recovery registers maintained in the office of the General Manager, Telephones, New Delhi, it was observed in audit that in respect of almost all the residences, the allottees were paying only standard licence fee which was less than the prescribed percentage of their emoluments. Thus, due to non-revision of the licence fee every five years, as prescribed in the rules, in time, the department lost potential revenue of Rs. 31.88 lakhs up to March 1975. The department stated (January 1979) : “while theoretically the potential loss figuresmay be correct.....about 30% of the allottees of Government quarters are already paying maximum house rent equivalent to 10% and 7½% of their pay and there are also a good number of allottees who have been provided rent free accommodation because for operational purposes certain quarters have to be attached to the post. Thus, the potential loss will not be to the same extent.....but has to be scaled down considerably”.

The next quinquennial review of the standard licence fee which became due on 1st April 1977 had also not been taken up so far (January 1979). The further loss of potential revenue on this account could not, therefore, be assessed

(January 1979). The department stated (January 1979) that the cost of land and expenditure on its preparation was required to be included in the capital cost of the quarters for the purpose of working out standard licence fee, that in respect of cost of land, the matter was to be taken up with the Land and Development Office and the Superintending Surveyor of Works, that the cost of construction during 1976-77 and 1977-78 was also under collection from the Chief Engineer of the Posts and Telegraphs Civil Wing and that the GM had been instructed to pursue the case with these agencies on a top priority basis so that the revision effective from 1st April 1977 would not be further delayed.

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CHAPTER VII

OTHER TOPICS

31. **Review of the Post Office Insurance Fund.**—1.1 The Post Office Insurance Fund was established by the Central Government in 1883 initially for the benefit of the employees of the Postal Department excluding industrial and work charged employees. The scheme was, thereafter, gradually extended to all employees of the Central and State Governments, Local Bodies, Universities, Government-aided institutions, etc. In 1949, the scheme was extended to the Defence Services personnel also. In 1965, the scheme was further extended to the industrial and work charged employees of the Posts and Telegraphs department whose pay was regulated under Fundamental Rules.

1.2 The Fund provides two types of insurance, viz. Whole Life Insurance and Endowment Assurance. The former provides for payment on the death of the individual to his or her legal representatives and the latter for payment at a certain specified period of the insurant's life or at his or her death, if death occurs earlier. There is also a convertible 'Whole Life Insurance Scheme' which gives an option to the insurant to convert the Whole Life Insurance policy at the end of five years after commencement, into Endowment Assurance maturing at a specified age. The Postal Life Insurance (PLI) scheme provides for payment of the first premium in cash at the post office and the subsequent premia, either in cash or by deduction from the monthly pay bill at source. The maximum limit of insurance that an individual can take under the PLI scheme was raised from Rs. 40,000 to Rs. 50,000 with effect from 1st February 1978.

1.3 A financial review of the PLI fund for 1977-78 prepared by the Director, Postal Life Insurance, is included in the Union

**Government, Appropriation Accounts (Posts and Telegraphs)
for 1977-78.**

2.1 Details of the various aspects of the working of the Post Office Insurance Fund for the five years ended 1977-78 are given below :

	1973-74	1974-75	1975-76	1976-77	1977-78
<i>New Business</i>					
Number of policies issued	31296	36440	61337	72780	99829
Sum assured (Rupees in crores)	13.98	17.99	35.68	42.05	59.95
Average sum assured per policy (Rupees)	4467	4937	5817	5777	6005
<i>Business in force at the end of the Year</i>					
Number of policies	312067	340446	392185	454447	543486
Value of business (Rupees in crores)	103.93	119.92	153.17	192.44	249.22
Percentage of increase in value over the preceding year	13.36	15.38	27.73	25.63	29.51
<i>Premium income</i> (Rupees in crores)					
First year (i.e. in respect of policies issued during the year)	0.55	0.84	1.35	2.86	2.72
Renewal	3.19	3.56	5.18	5.11	8.09
TOTAL	3.74	4.40	6.53	7.97	10.81
Average premium per policy (Rupees)					
(i) for policies issued during the year	175.74	230.52	220.10	392.97	272.47
(ii) for policies renewed during the year	113.62	117.10	156.58	133.89	182.35
<i>Expenses</i>					
First Year	0.08	0.11	0.12	0.19	0.23
Renewal	0.31	0.40	0.53	0.62	0.72
Over all expenses	0.39	0.51	0.65	0.81	0.95

1973-74 1974-75 1975-76 1976-77 1977-78

Percentage of expenses to premium income

First Year	14.39	12.72	8.82	6.78	8.63
Renewal	9.81	11.36	10.26	12.15	8.90
Over-all	10.49	11.62	9.96	10.22	8.83

Payments to policy Holders

Number of claims by maturity	4959	5758	6742	6707	6665
Amount of claims paid by maturity (Rupees in crores)	1.65	1.88	2.06	2.34	2.44
Number of claims by death	788	1030	1115	1122	1057
Amount of claims paid by death (Rupees in crores)	0.26	0.31	0.39	0.41	0.42
Outstanding claims (i.e. claims due but not paid) at the end of the year (Rupees in crores)	2.95	3.30	3.47	3.61	3.50
Number of claims by surrender	1124	1160	1577	2388	2614
Surrender value paid (Rupees in crores)	0.17	0.19	0.26	0.40	0.47
Surrender value outstanding (i.e. claims due but not paid) at the end of the year (Rupees in crores)	0.21	0.22	0.24	0.25	0.26
Net addition to the fund during the year	2.70	3.96	6.34	7.76	11.41
Closing balance of the fund (Rupees in crores)	39.55	43.51	49.85	57.61	69.02

2.2 The following points emerge from the above table :—

- There was an increasing trend both in the number of policies issued and the sum assured; the average sum assured *per* policy also showed an increase in 1977-78, though there was slight decrease in this average in 1976-77.
- Whereas there was a drop in the percentage of increase in value of business in force during 1976-77 as compared to the corresponding percentage for 1975-76, there was increase in the percentage during 1977-78.
- During 1976-77 though there was increase in the number of policies issued and in force as also the

value of business, there was slight decrease in the average sum assured *per* policy as compared to the corresponding figures of 1975-76. However, there was sharp increase in the first year premium income with corresponding increase in the average premium *per* policy in respect of the policies issued during 1976-77 as compared to 1975-76. At the same time, while there was increase in the number of policies renewed during 1976-77 (*i.e.* policies in force minus those issued during the year) and the value of business as compared to the corresponding figures of 1975-76, there was decrease in the average premium *per* policy in respect of policies renewed during the year. Further even though during 1977-78 there was considerable increase in the number of policies issued and in force as also the value of business, there was decrease in the first year premium income as compared to 1976-77 with a corresponding decrease in the average premium as compared to 1976-77. At the same time, there was an increase in the average premium *per* policy in respect of policies renewed during the year. The department stated (March 1979) that this was not, however, indicative of any irregularity.

- The percentage of expenses to premium income for the first year showed a rise during the year 1977-78 as compared to 1976-77, even though in the preceding four years there had been a decreasing trend in this percentage. Further, while there was increase in the percentage of expenses to premium income in respect of renewals for the year 1976-77 as compared to 1975-76, this percentage came down during 1977-78. Similarly, the over-all percentage on expenses to premium also came down during 1977-78.
- The amount of outstanding claims, which had been sanctioned, but not paid or taken as paid in the

Fund Accounts for want of documents showing the proof of payment as also claims which were not at all preferred in respect of matured policies, showed a steady increase from year to year and was as much as Rs. 3.50 crores for maturity and death claims and Rs. 0.26 crore in respect of surrender claims during 1977-78. In May 1962, Government removed from their accounts the liability in respect of 470 outstanding claims discharged either by death or maturity or surrender or forfeiture on or before 31st March 1945, payments in regard to which did not appear to have been made till then, in consultation with the Controller of Insurance. This involved a total sum of Rs. 3.50 lakhs.

The department has currently (December 1978) under consideration the question of removing from the accounts the liability in respect of 3965 outstanding claims discharged either by death or maturity or surrender or forfeiture on or before 31st March 1968 involving Rs. 50.98 lakhs, payment in regard to which did not appear to have been made.

3.1 The following table gives a comparative picture of the claim settlement operations of the PLI Fund during 1976-77 and 1977-78 :—

	Maturity claims		Death Claims	
	1976-77	1977-78	1976-77	1977-78
Claims carried forward from previous year	1343	1371	387	352
Claims received during the year	7321	7537	1212	1324
Total	8664	8908	1599	1676
Claims settled during the year	7293	7344	1247	1254
Balance remaining unsettled at the end of the year	1371	1564	352	422
Percentage of pending claims to claims received during the year	18.73	20.75	29.04	31.87

3.2 It would be seen from the above table that the number of pending maturity and death claims as also their percentages to the claims received during the year were higher during 1977-78 as compared to 1976-77.

3.3 The periods for which claims remaining unsettled during 1977-78 were pending, excluding distant maturity claims (i.e. claims though received during the year were payable at a later date in accordance with the conditions relating to the policies) are indicated below :

<i>Period for which claims remained unsettled</i>	<i>Maturity claims</i>	<i>Death claims</i>
Between 1 to 3 months	393	208
Between 3 to 6 months	107	90
Between 6 to 12 months	129	68
Over 1 year	56	56

3.4 An analysis of the broad reasons for which claims remained unsettled at the end of 1977-78 is given below :

Maturity claims :

Late receipt of claims	182
Want of legal documents	47
Tracing of missing credits	354
Distant maturity cases	879
Other reasons	24
Reasons not available	78*
Total	1564

Death claims :

Want of legal documents	178
Tracing of missing credits	114
Other reasons	117
Reasons not available	13*
Total	422

*Pertains to Deputy Director, PLI, Calcutta.

4.1 The accounts of the PLI Fund are maintained by the respective Postal Circles. The procedure laid down in the Departmental Manual in regard to the maintenance of these accounts stipulates that :

- the premium paid by the insurants should be posted in the premium ledger accounts from the schedules as and when received;
- a register of 'unadjusted items' should be maintained for entering details of premia contained in the schedules which are not posted in the premium ledger accounts due to incorrect particulars or any other reasons;
- an analysis of the reasons for the premia remaining unadjusted should be made to facilitate their adjustment and settlement;
- the details of the policies, for which credits of premium could not be finally traced, should be entered in a register called 'non-credit register'; and
- annual intimation of credit position should be issued to the subscribers so as to facilitate completion of postings and clearance of unadjusted items.

The irregularities noticed in a test-check in audit of the PLI Accounts in various circles are given in Appendix IV. These pertain mainly to :

- arrears in the postings in premium ledger accounts in almost all circles;
- large number of unadjusted items; and
- non-issue of intimations in respect of items included in the non-credit register.

The department stated (March 1979) that "the arrears in postings in premium ledger accounts and also existence of unadjusted items etc. are due to steep increase in new business

which has strained the PLI sections. Circles have been directed to bring up the work up to date".

4.2 In January 1974, the Ministry of Communications sanctioned payment in full of loans, claims or refunds due in respect of PLI policies in which there might be missing credits up to March 1965 to avoid hardship to the policy holders. Such missing credits (up to 31st March 1965) amounted to Rs. 7.27 lakhs and there were unposted credits amounting to Rs. 9.79 lakhs for want of details. It was noticed that there was no system of monthly proving of the correctness of the postings of the premia in the ledger cards with the booked figures. A system of sending annual intimation of missing credits to the policy holders is in force, but most of the circles have not yet (November 1978) issued annual intimations for the year ending 1976-77. The department stated (March 1979) that "there is nothing basically wrong in the existing system of work provided the instructions are followed by the Disbursing Officer/Accounts Officer and the PLI Offices each to their part".

5. In the absence of any centralised record in the concerned section of the DGPT, it was not possible to ascertain the number of complaints relating to PLI received during the year, to assess the manner in which policies were being serviced. The department stated (March 1979) that ".....the tremendous recent upsurge in the new PLI business bears evidence to the increasing popularity of PLI among its clientele.

This increase in business has led to some backlog in posting. The sanction of staff is accorded on the basis of review of statistics for the previous calendar year. Therefore, the sanctioned staff is always less than that warranted by the volume of work in hand. We are examining methods to solve this handicap.

Another handicap, which the PLI organisation faces, is due to the intricate nature of accounting for the credits..... Settlement of claims is also delayed due to non-receipt of

intimation of credits. This is an important factor contributing to complaints also. The departmentalisation of accounts in the Central Government has contributed to the complexity by increasing the number of Pay and Accounts Officers with whom PLI has to deal..... We expect the efficiency of PLI to improve still further if the premia credits are received properly and in time by the PLI Office from the various PAOs and As G.”.

6. The salient points that emerge are :

- the amount of outstanding claims (*i.e.* claims due but not paid) increased from Rs. 2.95 crores at the end of 1973-74 to Rs. 3.50 crores at the end of 1977-78;
- the number of unsettled maturity and death claims increased from 1371 and 352 respectively at the end of 1976-77 to 1564 and 422 at the end of 1977-78;
- out of 1564 maturity claims and 422 death claims remaining unsettled at the end of 1977-78, 354 and 114 respectively remained unsettled because of missing credits;
- at the end of 1977-78, 56 maturity claims and 56 death claims remained unsettled for over one year;
- test-check in audit disclosed arrears in postings in premium ledger accounts in almost all circles, large number of unadjusted items and non-issue of annual intimations in respect of items in the non-credit register; and
- in the absence of any centralised record in the office of the DGPT, it was not possible to ascertain the number of complaints received from the subscribers and whether proper action was taken on them.

No information was available as to how many credits were missing, the number of claims paid only partially and the number of claims more than five years old.

32. *Delay in disposal of inspection reports.*—The total number of inspection reports on Posts and Telegraphs Offices issued by the Audit Offices up to 31st March 1977 and the number of irregularities pointed out therein remaining unsettled up to the end of August 1978 were 6,337 and 42,819 respectively. Out of the 737 reports issued during 1977-78, 154 reports had not been received back with the first reply (August 1978). In addition 166 inspection reports issued prior to April 1977 had also not been received back with the first reply (August 1978).

The department has stated (April 1979) that a large number of inspection reports have already been returned with first reply. These figures are under reconciliation with the department.

The following are some of the common types of irregularities noticed as a result of test-check during inspections conducted in 1977-78 :—

- (a) Security bonds not obtained/not renewed or not kept on record.
- (b) Non-renewal and non-execution of lease of buildings.
- (c) Irregularities in maintenance of service books and leave accounts.
- (d) General Provident Fund accounts of Group 'D' employees not maintained properly.
- (e) Short/excess interest allowed on savings bank accounts. For instance, check of interest calculations conducted by Audit during 1977-78 in 83 post offices in 7 circles, revealed that interest of Rs. 0.13 lakh in 1,620 accounts was allowed in excess; and interest of Rs. 0.14 lakh in 1,365 accounts was allowed less.

Date of issue of the para
to the PIR Board 25-1-79

Date of receipt of reply 20-2-79]
7-4-79]

- (f) Overpayment/irregular payment of children's education allowance/tuition fees.
- (g) Health certificates on first appointment wanting.
- (h) Specimen signatures of savings bank depositors not on record.

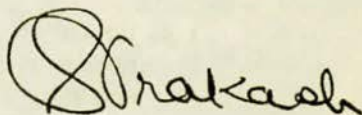


Delhi
The

(K. N. SINGH)
Director of Audit Posts and Telegraphs

10 MAY 1979

Countersigned



New Delhi
The

(GIAN PRAKASH)
Comptroller and Auditor General of India

10 MAY 1979

APPENDIX I

(Referred to in paragraph 5 at pages 6—8)

(a) Yearwise analysis of telephone revenue in arrears on 1st July 1978 for bills issued up to 31st March 1978 :

Year	Amount (Lakhs of rupees)
Upto 1970-71	88.74
1971-72	29.85
1972-73	41.52
1973-74	34.90
1974-75	40.02
1975-76	48.84
1976-77	175.39
1977-78	428.61
Amount for which break-up not available	317.46
TOTAL	1205.33

(b) Yearwise analysis of telephone revenue written off during 1977-78 :

Year	Amount (Lakhs of rupees)
Upto 1970-71	5.33
1971-72	1.48
1972-73	1.64
1973-74	1.66
1974-75	1.49
1975-76	1.53
1976-77	1.52
1977-78	0.69
TOTAL	15.34

APPENDIX II

(Referred to in paragraph 6 at pages 8—9)

Yearwise analysis of arrears of rent of telegraph, telephone and teleprinter circuits and telex/intelex charges on 1st July 1978 for bills issued up to 31st March 1978:

Year	Rent of telegraph, telephone and tele- printer circuits	Telex and intelex charges	Total
	(Lakhs of rupees)		
Upto 1972-73	27.93	4.08	32.01
1973-74	15.05	4.28	19.33
1974-75	7.82	9.59	17.41
1975-76	17.16	10.18	27.34
1976-77	25.50	26.21	51.71
1977-78	77.61	34.30	111.91
TOTAL	171.07	88.64	259.71

The above figures are those furnished by the department and are subject to verification (January 1979).

APPENDIX III

Yearwise analysis of revenue of radio telegraph charges in arrears on 1st August 1978 for bills issued up to 31st March 1977 :

Year	Amount (Lakhs of rupees)
1965-66	1.01
1966-67	0.89
1967-68	0.27
1968-69	1.45
1969-70	0.01
1970-71	0.33
1971-72	0.22
1972-73	0.01
1973-74	0.56
1974-75	0.48
1975-76	2.39
1976-77	8.18
TOTAL	<u>15.80</u>

APPENDIX IV

Statement showing some of the irregularities noticed during audit

Name of circle	Register of unadjusted items		Non-credit register		Other persistent irregularities
	Year	Number of items	Year	Number of items	
1	2	3	4	5	6
1. Andhra Pradesh	1976-77 1977-78 Many of the unadjusted items were pending from 1965-66 onwards.	3,312 1,636	1976-77 1977-78	2,672 2,436	(i) Lump sum credits to the extent of Rs. 1.39 lakhs for the period from 1970 were outstanding as at the close of November 1978. (ii) There was no reduction in the outstanding cases of non-recovery of medical fees from 1974-75, the total amount involved being Rs. 9,196 in respect of 2,208 cases.
2. Bihar	The number of unadjusted items during 1975-76 were 2,054. Some of these were outstanding for more than 10 years; the register did not indicate full details and yearwise break up.		This register was not maintained properly.		(i) Postings in ledger cards had not been done in most cases for more than 18 months though schedules had been received at the time of inspection up to June 1976.

3. Delhi

Large number of items were outstanding and the totals of unadjusted items were not worked out in any of the registers. Analysis of the items had also not been done. Test-check by Audit (February 1977) in respect of 27 items included in the registers revealed that

Review of the register for 1976-77 had not been conducted with the result up-to-date position could not be ascertained.

- (ii) No postings had been made in respect of premia paid in cash in the registers for more than 22 months even though schedules had been received till May 1976 at the time of audit in October 1976.
- (iii) Unposted lump sum credit to the extent of Rs. 4.53 lakhs were outstanding at the time of inspection in October 1976, the position being the same as in the three preceding years.
- (iv) The number of cases of non-recovery of medical fees stood in October 1976 at 2,094, some of the items being more than 5 years old.
- (i) Lump sum credits to the extent of Rs. 0.78 lakh were outstanding in June 1974 some of the credits being as old as 1965-66.
- (ii) Non-recovery of medical fees in respect of 260 cases involving Rs. 1,480 was observed in February 1977.

these could have been settled, had attempt been made to trace the concerned ledger card from the active policy register.

4. Kerala	<p>1975-76 2,236 1976-77 7,104 1977-78 13,284</p> <p>In the absence of details, the number of policies and amount involved in respect of the unadjusted items could not be ascertained.</p>	<p>1976-77 1,548 1977-78 1,637</p> <p>This register was being written up once a year instead of monthly as required under the rules. In the absence of details, the number of policies and amount involved in respect of the unadjusted items could not be ascertained.</p>	<p>(i) There were 105 cases of recovery of medical examination fees pending as on 31st December 1972.</p> <p>(ii) There were heavy arrears in posting of premium ledger cards as on 22nd February 1978.</p>						
5. Karnataka	<p>3,122 unadjusted items for the period from 1971 to 1977 and 68 items relating to earlier periods were outstanding. No entries had been made (December 1977) in the register after April 1977. In the absence of details, it was not possible to ascertain the number of policies and the amount involved.</p>	<p>3,894 items were outstanding from January 1977. In the absence of details, it was not possible to ascertain the number of policies and the amount involved.</p>	<p>(i) There were arrears of postings in the premium ledger accounts.</p> <p>(ii) 677 cases of non-recovery of medical fees were outstanding as detailed below :</p> <table border="0" style="margin-left: 20px;"> <tr> <td>1975</td> <td>26 cases</td> </tr> <tr> <td>1976</td> <td>10 cases</td> </tr> <tr> <td>1977</td> <td>641 cases</td> </tr> </table>	1975	26 cases	1976	10 cases	1977	641 cases
1975	26 cases								
1976	10 cases								
1977	641 cases								
6. Madhya Pradesh	<p>Maintenance of the register was in arrears.</p>	<p>Large number of items pertaining to the period from April 1974 onwards were remaining unsettled (December 1978).</p>	<p>(i) Non-recovery of medical fees in respect of number of cases involving Rs. 14,906 from September 1970 to October 1977.</p>						

1	2	3	4	5	6
7. Orissa	1976-77 4919 Rs. 1.33 lakhs 1977-78 7772 Rs. 2.33 lakhs		944 items were pending. Notices had also not been issued in most cases (June 1976)		(i) Lump sum credits to the extent of Rs. 17.72 lakhs were outstanding in August 1978. (ii) Register of medical fees was not maintained properly.
8. Tamil Nadu	1974-75 26035 1975-76 34022 1976-77 23690 1977-78 22964 In the absence of details it was not possible to ascertain the number of policies and the amount involved.		1974-75 15581 1975-76 16962 1976-77 15311 1977-78 15609 In the absence of details, it was not possible to ascertain the number of policies and the amount involved.		(i) Postings in premium ledger accounts were in arrears. (ii) Lump sum credits to the extent of Rs. 0.11 lakh were outstanding in July 1977. (iii) 690 cases of non-recovery of medical fees were outstanding in June 1977.
9. Uttar Pradesh	4430 unadjusted items at the end of 1977-78. In the absence of details it was not possible to ascertain the number of policies and the amount involved.		1973-74 4709 1974-75 5995 1975-76 7100 1976-77 6981 1977-78 6567		(i) Postings in premium ledger accounts were in arrears in March 1977. (ii) Lump sum credits to the extent of Rs. 3.18 lakhs were outstanding at the end of 1977-78. (iii) 279 cases of non-recovery of medical fees amounting to Rs. 1,133 were outstanding in August 1977.

