



सत्यमेव जयते

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

**FOR THE YEAR ENDED 31 MARCH 1991**

**NO. 7 OF 1992**

**UNION GOVERNMENT (POSTS AND TELECOMMUNICATIONS)**



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178	18	afater	after
178	28	prper	proper



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**UNION GOVERNMENT (POSTS AND TELECOMMUNICATIONS)**

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## GLOSSARY OF TERMS AND ABBREVIATIONS

Analogue	An Electrical signal which is analogous to the change measured
Coaxial Cable	A cable with a single wire in the centre of a cylindrical conductor forming a pair for carrying electrical signals
Crossbar Exchange	A telephone exchange where switching connections are made by operation of two bars, one horizontal and another vertical
CKm	Cable conductor kilometer - cable sheath kilometers multiplied by the number of conductor pairs in each cable
DEL	Direct Exchange Line, one each for every telephone connection
Digital Exchange	The exchange having signals coded into binary pulses and having little or no moving parts
GI Wire	Galvanised Iron Wire
ITT	Incoming Trunk Tandem
KVA	Kilo Volt Ampere
MAX	Multiple Automatic Exchange operating on Electrical Mains supply

Multiplexing	By which several circuits are combined for transmission over a common transmission path
Optical Fibre	Glass fibres using lightwaves for transmission of signals
OYT	Own Your Own Telephone
P.B.X.	Private Branch Exchange
P.A.B.X.	Private Automatic Branch Exchange
30+300 PABX	PABX with 30 junctions to exchange and 300 extensions
PRX	A type of containerised electronic exchange
STD	Subscriber Trunk Dialling
TAX	Trunk Automatic Exchange
Telex	Teleprinter exchange
Terminal	Common name for the end equipment like telephones
Transmultiplexer	Used for conversion of signals from digital to analogue
UHF	Ultra High Frequency
VHF	Very High Frequency

PREFATORY REMARKS

This Report for the year ended 31 March 1991 has been prepared for submission to the President under Article 151 of the Constitution. It covers matters arising from the Accounts of the Departments of Posts and Telecommunications under the Ministry of Communications for the year 1990-91 and results of test audit of the financial transactions of the two Departments and their constituent units.

The cases mentioned in this Report include those which came to notice in the course of audit in the year 1990-91 and early part of 1991-92 and matters relating to earlier years as could not be covered in previous Reports. Transactions subsequent to 1990-91 have been mentioned wherever relevant.

Administrative	300
Technical	300
Financial	300
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Stores	300
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## Overview

The Audit Report for the year ended 31 March 1991 contains 41 paragraphs including 9 reviews. The major findings in the Report are given below:

### Department of Posts

#### 1. Performance

During 1990-91, against the budget estimate of Rs. 93 crores of deficit in operations the actual deficit went upto Rs.192 crores mainly because of rising cost of rendering services and stagnant volume of traffic. The revenue expenditure on rendering of postal services remains higher than the revenue receipts even after the hike in postal tariffs in January 1987, April 1988 and June 1990.

For the revenue realised, the services of Money orders, Postal orders, Registration and Newspapers carrying services are leading to losses. The loss in carrying post cards is offset by gain in carrying letters, but the losses, in carrying letter cards (inland letters) and printed cards also need review and remedy. The operating revenue deficits in each of the last three years from 1988-89 to 1990-91 were more than the amounts anticipated in the budget though it was not so in the earlier two years.

The Department is reimbursed the cost incurred in rendering agency functions of savings bank by the Ministry of Finance. The norms had not been revised for such reimbursement by reviewing them every year (the last review was done in 1991). While the number of savings account and savings mobilised had grown by 58.5 per cent and 46.1 per cent over the level of 1987-88, the corresponding growth in reimbursement was only 35.9 per cent. The Department needs to derive benefit by using its organisational

strength to meet the growing needs of people in areas where its organisation is suited to rendering competitive low cost services.

In the Finance Accounts large amount of expenditure continue to remain unadjusted under heads of accounts falling outside the Consolidated Fund of India, viz. under 'Deposits', 'Advances', 'Suspense' and 'Remittance' heads in the Public Account, payment from which are not subject to vote of Parliament. The amounts need to be booked to final heads without delay and yearwise break up of outstanding balances need to be given in notes appended to Appropriation Accounts where balances are relatively large in relation to amounts in voted grants.

(Paragraph I)

## II. Speed Post Service

The Speed Post service was started on 1st August 1986, 75 to 80 per cent of the traffic was confined to 14 important centres. Out of 57 centres, demand at 25 centres was weak and sluggish and did not reach the target of 1000 articles per month even after one to two years of the commencement of the service.

A review conducted for September 1989 revealed that 6.7 per cent of bookings made that month were not delivered in time. The trend of articles delivered late remained at the same level during 1990-91 at around 1000 articles per day and amounted to 7.7 per cent of the total booking of 38.87 lakhs during that year. Large number of complaints were received and there was lack of adequate attention to image marketing and to bringing down the percentage of non-delivery or late delivery.

The department did not develop a normative cost per article for Speed Post Service nor modify it even though cost of the

inputs underwent changes from time to time. No apportionment of expenditure was done between Speed post and other Postal services. In the absence of reliable and verifiable cost data, the extent of profit, if any, made by speed post service could not be ascertained.

By August 1986, when Speed Post was introduced, private couriers had captured services from Banks, Public Sector Undertakings etc. The cost competitiveness and reliability of the Speed Post service vis-a-vis the private couriers needs to be improved and publicised.

(Paragraph 3.1)

### III. Foreign Post Operations

The Department of Posts runs four Foreign Post Offices at Bombay, Calcutta, Madras and New Delhi to handle international mail. The manpower in the FPO was consistently more than double of that admissible according to norms. No action had been taken for redeployment of the surplus staff. The expenditure on missent (a decouvert) mail during the years from 1986 to 1991 amounted to Rs.57.08 lakhs. The preventive and corrective action taken by the Department to reduce incidence of missending was not on record.

The Department is still to recover Rs.515.46 lakhs for the years 1981-90 from foreign governments by settlement of annual accounts in the International Bureau under the Universal Postal Union.

The Department did not recover storage charges from the addressees not taking delivery within the prescribed period, though prescription and recovery of such charge is provided for in the Universal Postal Union convention.

Sale proceeds of unclaimed parcels from the customs department are not being accounted for. Besides indicating lack of coordination between the Foreign Post Office and Customs Department, the failure adds to risk of misappropriation.

Number of complaints, received from the public, in respect of inward mail which were not attended to has registered an increase. Compensation paid by the Department on lost, damaged or abstracted letter mail or parcel has also increased during the years from 1986 to 1991. Action directed at reducing thefts within the post offices has not been taken.

(Paragraph 3.2)

#### **IV. Licensed Postal Agents Scheme**

With a view to providing minimum postal services in urban/semi-urban areas where Post Offices did not exist or were not viable, the Department introduced a scheme known as "Licensed Postal Agents" (LPA) in August 1985. The scheme was also designed to introduce an element of competition, and reduce the operational expenditure on postal services. The agents were only entitled to commission on the sale of postal stationery and booking of registered letters.

In 16 Postal Circles, against the target of 4800 only 617 Agents were appointed upto June 1986. Even when targets were revised downwards in December 1986, the number of LPAs at the end of July 1987 was only 810 against the reduced target of 960. The scheme invited opposition from the postal employees as a result of which the Department issued instructions, in September 1987, that no new LPA would be appointed and that a case by case review should be undertaken in respect of existing LPAs. This led to heavy cancellation of licences in 1987-88 and 1988-89. Targets were not set on the volume



of work to be handled by LPAs and the scheme did not pick up in some circles due to the low rate of commission, resistance from the departmental staff and the restrictions imposed by the department on fresh appointments of LPAs. There was no analysis of the relative cost of the service rendered by the LPAs and regular postal employees and their relative effectiveness of service, in the absence of which the extent of realisation of the objective of the scheme could not be examined.

(Paragraph 3.3)

#### **V. Payment for Land without decision on price or delivery**

In May 1985, a State Government approved the sale of a plot of land, owned by a temple, measuring 2.6 acres to the Department of Posts for Rs. 10.40 lakhs. The land was neither vacated by the existing tenant nor has its possession been handed over to department. Payment of Rs.40. lakhs for the land has been made already.

(Paragraph 4.2.2)

#### **Department of Telecommunications**

#### **VI. Performance**

The waiting list in the country, for telephone connections, has increased from 13 lakhs in March 1988, to 19.59 lakhs in March 1991. If the utilisation of the equipped capacity of the telephone exchanges goes up from 87 per cent to 92 per cent, which is feasible and proved, it would provide for additional 2.5 lakh connections without any further investment.

On the assets transferred by the Department to the Public Sector Undertakings

(PSU) Mahanagar Telephone Nigam Limited (MTNL) and Videsh Sanchar Nigam Limited (VSNL) which were created on 1st April 1986, equity shares in the PSU in favour of the Department and loans from the Department to the PSU for the balance amounts were agreed upon. Necessary accounts entries do not appear in the Finance Accounts which is the Government account common to Civil, Posts, Telecommunications, Railways and Defence. The omissions need to be rectified.

(Paragraph 5)

### VII Revenue in arrears

Arrears of telephone revenue rose from Rs.49.95 crores (3.62 per cent) in 1987-88 to 192.18 crores (6.98 per cent) in 1991.

Arrears of rent from telegraph/telephone and teleprinter circuits rose from Rs.17.54 crores in 1988-89 to Rs.30.60 crores in 1990-91. 32 per cent of the arrears on account of rental and telex and intelex call charges were due from private subscribers and news agencies.

(Paragraph 7.1)

### VIII. Projects

The Bangalore-Hassan-Chickmagalur-Shimoga microwave line was to be completed by March 1985 but was commissioned, section wise, between January 1986 and January 1988, at a cost of Rs. 456 lakhs. The cost overrun was Rs.115 lakhs because of delays in the construction of the microwave buildings and placement of orders for antenna and wave guide. Mid project decision to go in for digital microwave system in Chickmagalur - Shimoga section instead of analogue system as originally envisaged, rendered five transmultiplexures worth Rs.13.73 lakhs, surplus to requirement. The utilisation of

the system between Bangalore and Chickmagalur ranged from 19 per cent in 1986 and 53 per cent in 1991 and between Chickmagalur and Shimoga from 17 per cent in 1988 and 22 per cent in 1991. The traffic actually handled by the system, after its commissioning and till 1990-91, was far less than that projected.

(Paragraph 8.1)

**The Bombay-Thane-Dhulia coaxial expansion scheme** was to be completed by 1986. Due to failure in construction of buildings for housing power feeding stations and delay in taking up the construction of unattended repeaters the scheme has not been completed fully so far and much of the expenditure on the project is still to be incurred. Already a cost over run of 15.12 per cent over the sanctioned cost of Rs.381 lakhs has occurred. The traffic handled, during the years 1988-90, on the Bombay-Nagpur coaxial route was less than the projected traffic even for the year 1987, resulting in shortfall in revenue by Rs.13.47 crores compared to what was projected.

(Paragraph 8.2)

**One section of the Bijapur- Sholapur Ultra High Frequency project** viz., Belgaum-Bijapur microwave section was commissioned in October 1986 and the other viz., Bijapur-Sholapur Ultra high frequency section in March 1987. The project registered a cost overrun of over 176 per cent over the estimate of Rs. 110 lakhs. The delay in commissioning was attributable, mostly, to the delay of 50 months in supply of tower material from a departmental factory and laying of lead cable departmentally. The narrow band equipment installed having 300 channels (instead of envisaged UHF equipment

having 60 channels), was being utilised at 6.33 per cent of the installed capacity.

(Paragraph 8.3)

**The 5000 lines cross-bar exchange at Bharuch** was to be commissioned in March 1991 and was expected to run at a loss of Rs.14.04 lakhs *per annum*. It was commissioned ahead of schedule in February 1990 at a cost of Rs.1480 lakhs compared to estimated cost of Rs.771 lakhs (cost overrun of 92 *per cent*). The Department has started incurring annual loss of Rs.105.84 lakhs (1990-91) despite improved revenue earnings. Instead of the work being carried out by the civil and electrical wing of the department, it was awarded to a nominated outside agency on a turn key cost plus basis. The building was completed by the firm after a delay of nine months but no penalty was levied for want of a clause in the contract to levy penalty. For the network of 5000 lines, 20134 conductor kilometre of cable worth Rs.123.21 lakhs was laid in excess of norms. The value of cable consumed in excess and jointing wastage amounted to Rs.60.55 lakhs.

(Paragraph 8.4)

**The installation of a cross bar exchange at Anand** was to be completed by 1984-85. It was commissioned in July 1988 at a cost of Rs. 347.41 lakhs against the estimate of Rs. 292 lakhs. Delays occurred in obtaining approval of preliminary drawings, granting administrative approval and expenditure sanction, inviting tenders and award of work for the construction of the telephone exchange building. Even when bulk of the exchange equipment worth Rs.133.00 lakhs was received, the construction of the building had not commenced. The exchange equipment was installed in the second floor of an office building, demolishing partition walls (cost of Rs.1.66 lakhs) without checking of the

floor heights and the poundage (load bearing) of the building needed to be modified and without any modification in floor heights or the poundage. Subsequent expenditure incurred on providing additional floor heights and stronger structural members for the exchange amounted Rs.7.65 lakhs.

(Paragraph 8.5)

The digital trunk automatic exchange at Trichy was commissioned in March 1987 after a delay of nine months resulting in loss of revenue of Rs.163.21 lakhs with reference to the estimated revenue. The cost of the project at Rs. 485 lakhs registered an increase of 19 per cent over the estimated cost of Rs.406 lakhs. The cost and time overrun were attributable to inability to arrange for the needed tools and installation staff. After commissioning, the capacity utilisation ranged between 48 and 67 per cent initially against target of 95 per cent utilisation. The traffic flowing to and from this trunk exchange was below that projected for even 1983.

(Paragraph 8.6)

#### **IX Departmental Factory**

Telecommunications Factory, Calcutta, established in 1855 presently manufactures manual exchanges, cable termination and telegraph equipment and other hardware items for open wire transmission.

The factory did not achieve the production targets and shortfall in production ranged from 100 per cent to 5 per cent. Underutilisation of the capacity of machines varied between 14 and 73 per cent during the last five years. Out of 45 items manufactured in the factory, 36 items were rejected by the Quality Assurance wing. The cost of the stores manufactured exceeded the market price by margins ranging from 31 to

461 per cent. Depreciation on plant and machinery was short charged by Rs.31.68 lakhs and on building by Rs.12.07 lakhs, which depressed the cost of production. Profits of the factory were inflated by Rs.5.35 crores from 1986-87 to 1989-90, by taking the difference between the estimated cost (not actual cost) of product and the issue price into account for purposes of computing profit.

On sales amounting to Rs. 7.16 crores made by the factory to other Government departments, undertakings and private organisations payment had not been realised as at the end of March 1991.

(Paragraph 8.9)

#### **X Losing investment in export processing zone.**

Till March 1991 the Department had invested Rs.61.45 lakhs on the 400 lines electronic exchange and Rs.21.26 lakhs on the UHF system set up in an export processing zone. But, only 18 new connections were taken. 23 connections were transferred to the exchange from another exchange. The Department was losing Rs.10.45 lakhs *per annum* on the investment of Rs.82.71 lakhs dedicated to the export processing zone from whom no guarantee for minimum number of connections or minimum annual subscription was taken.

(Paragraph 8.10)

#### **XI. Defective planning**

200 lines Multiple Automatic Exchange was planned to be installed in Leh later raised to 500 lines in replacement of a 200 lines central battery non-multiple exchange. Provision for standby power supply was not made despite the possibility of shortage of power supply in Leh. It has not been

installed even after 9 years of its sanction and after spending over Rs.15 lakhs for want of assured power supply. Sanctioned cost has since been increased from Rs.21 lakhs to Rs.49 lakhs.

(Paragraph 8.17)

## XII Inventory Management

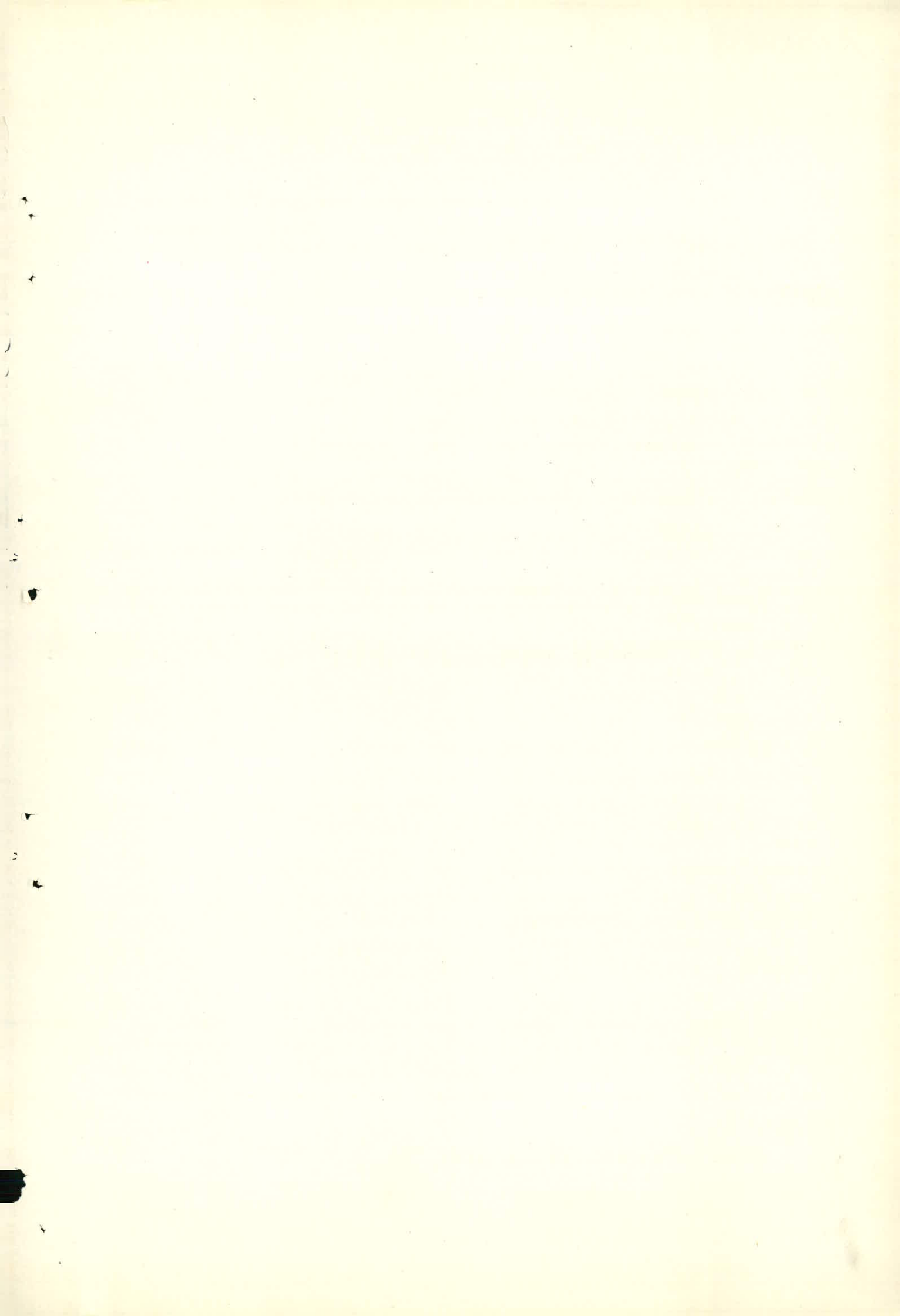
The Telecommunication Stores Organisation held stores valued at Rs.498.61 crores in its various depots at the close of March 1991. Stores-in-transit valuing Rs.21.46 crores have not been adjusted from 1976-77 onwards which adds to risk of misappropriation or loss or pilferage of such stores. Advances paid to suppliers till 31st January 1991 which remained outstanding/unadjusted stood at Rs.114.12 crores, the earliest advance having been given in 1964-65.

(Paragraph 9)





DEPARTMENT OF POSTS



## CHAPTER I

### ACCOUNTS OF THE DEPARTMENT OF POSTS

#### 1.1 Functions

The Department of Posts is primarily responsible for collection, transmission and delivery of mail, sale of postage stamps, transmission of money orders, postal orders and philately.

The Department also discharges certain agency functions for the Government of India in running postal savings bank and other small savings schemes, postal life insurance, collection of customs duty on inward postal articles, disbursement of pension to railway pensioners and family pension to the families of employees of coal mines and industries covered by the Provident Fund Scheme.

India is member of the Universal Postal Union (UPU) and the Department of Posts runs four Foreign Post Offices (FPOs) at Bombay, Calcutta, Madras and New Delhi to handle international mail and also five sub FPOs at Ahmedabad, Bangalore, Cochin, Jaipur and Srinagar for the convenience of senders and addressees who may be required to present documents, etc., for taking delivery or despatch of foreign mail or parcels.

#### 1.2 Organisation

Department of Posts is directed and controlled by the Postal Services Board, which is responsible for policy formulation also. The Board has four Members and a Chairman who is also the Secretary to the Government of India in the Department of Posts.

The categories of post offices\* (numbers within brackets) are Head Post Offices (833), Departmental Sub-Post Offices (24507) and

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\*As on 31st March 1990

Extra Departmental Sub or Branch Post Offices (121896). There are in addition 549 Sorting Offices, 429 Record Offices, 46 Postal Stores Depots, 19 Circle Stamp Depots, 5 Postal Training Centres, a Postal Staff College and 63 Dispensaries. The Post Offices and other Offices have been grouped under 19 Postal Circles assisted by 37 Regional Directorates controlling 433 Postal Divisions and 68 Railway Mail Service Divisions.

### 1.3 Manpower

(i) The personnel of the Department continued to be the largest resource in the Indian Postal System. The Department is highly labour-intensive and salaries constitute a sizeable percentage of total working expenses. The staff strength of the Department of Posts from 1987 to 1991 was as under:

Year (as on 31st March)	Departmental employees	Extra Departmental employees	Total
-------------------------------	---------------------------	---------------------------------	-------

-----  
(Figures in lakhs)

1987	2.92	2.97	5.89
1988	2.91	2.98	5.89
1989	2.88	2.99	5.87
1990	2.87	2.98	5.85
1991	2.93	2.99	5.92

The deployment of manpower and recovery of their costs are touched upon in paragraphs 1.6 and 1.10.

(ii) The expenditure on pay and allowances, sale of stamps and postcards, their printing and conveyance of Mails during the last five years was as under:

Category	1986-87	1987-88	1988-89	1989-90	1990-91
(Rs. in crores)					
(a) Pay and Allowances, Contingencies, Interim relief and other items	649.39	830.58	862.60	952.05	1004.60
(b) Pensionary charges	61.74	96.34	99.89	110.18	150.31
(c) Stamps, Post-cards etc.	33.18	20.78	35.54	42.23	34.77
(d) Stationery Printing etc.	11.21	8.82	10.25	18.93	23.41
(e) Conveyance of Mails (Payments to Railways and Air Mail Carrier)	116.79	41.19	44.63	58.07	55.92

(iii) The number of vehicles used by the Department rose from 1051 to 1103 during the period from 1986-87 to 1990-91 but the gross annual kilometrage done came down from 211 to 190 lakh kilometres during the same period.

#### 1.4 Postal traffic

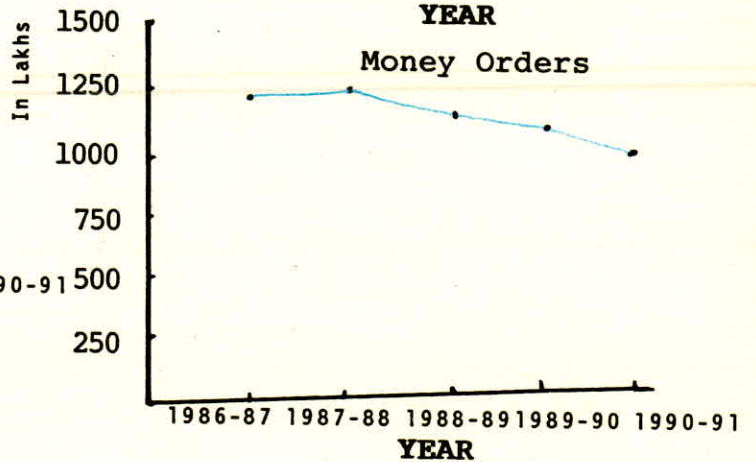
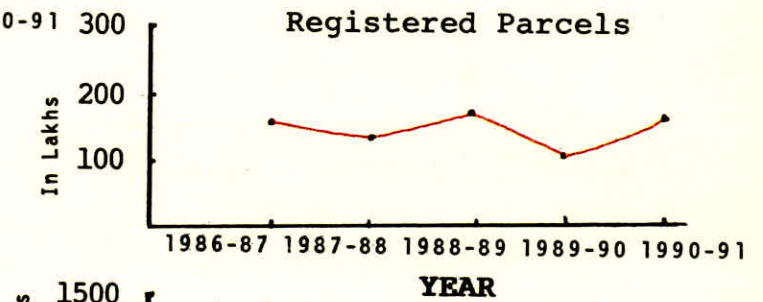
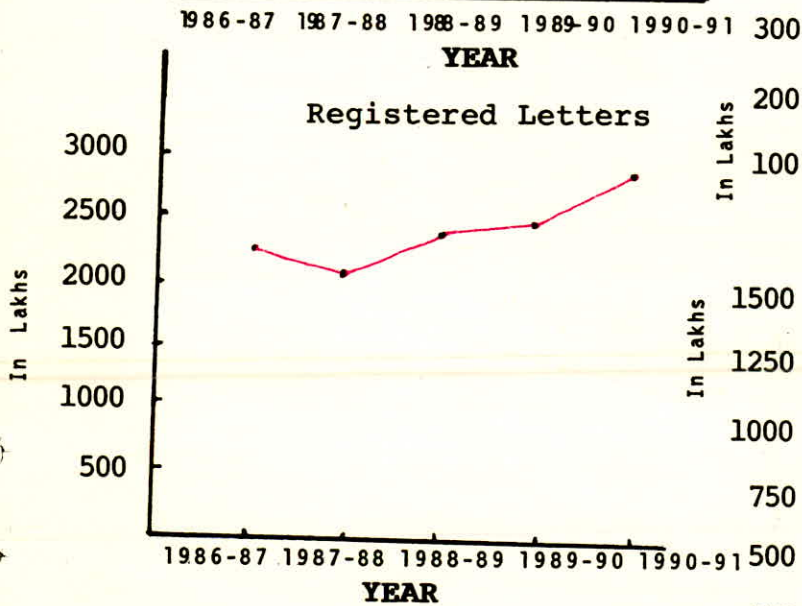
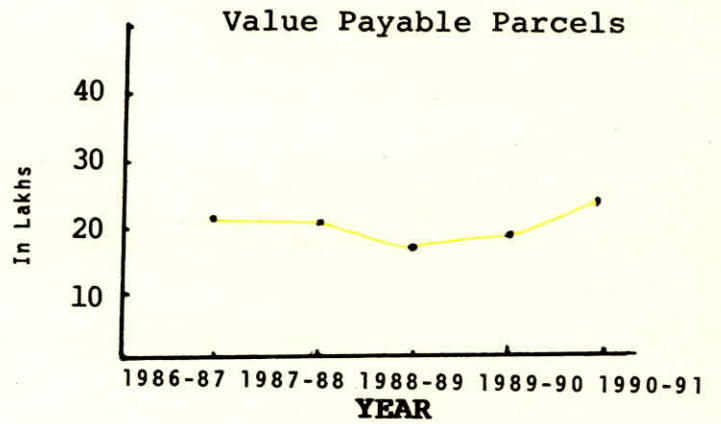
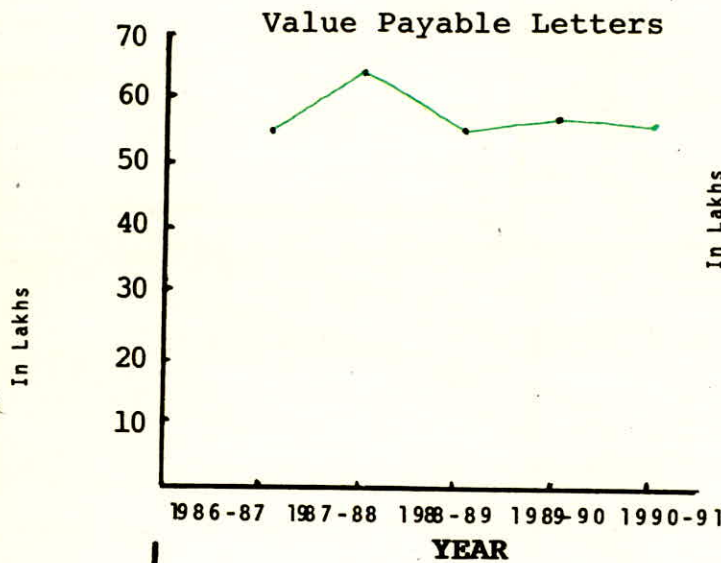
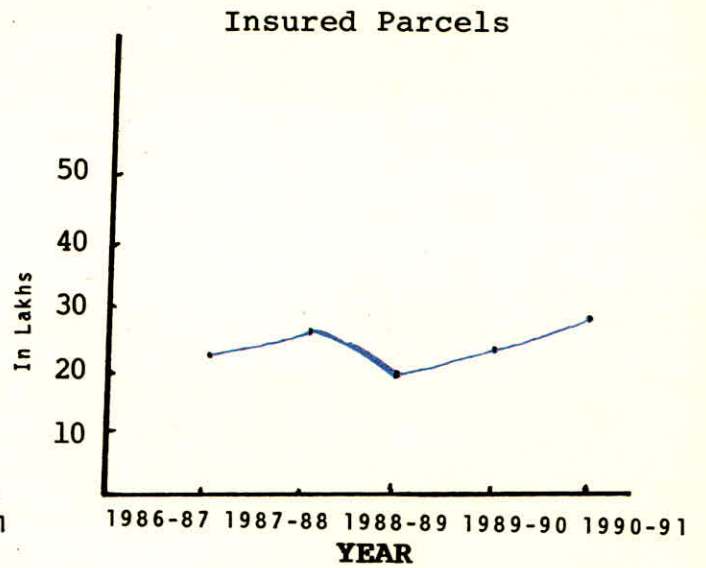
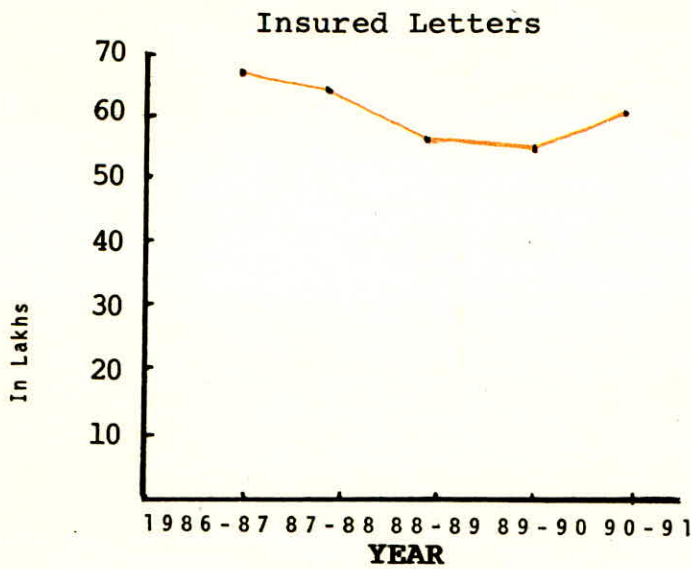
The volume of traffic handled by the Department has been more or less steady in the last five years, as indicated below:

Item	1986-87	1987-88	1988-89	1989-90	1990-91
-----					
(in lakhs)					
Traffic yielding higher per unit revenue					
Insured letters	67.5	64.4	58.1	58.8	60.3
Insured parcels	20.8	23.4	20.0	22.3	23.0
Value payable letters	54.6	68.2	54.4	54.8	54.5
Value payable parcels	21.7	20.5	17.4	19.3	22.3
Registered letters	2364.2	2068.6	2309.3	2446.9	2762.8
Registered parcels	173.8	171.9	185.5	163.7	185.0
Money orders	1205.0	1207.0	1130.0	1109.0	1057.6
Ordinary Traffic					
Paid letters	39135.3	42973.6	43334.9	44664.3	44890.1
Unpaid letters (understamped)	1452.1	1464.9	1853.6	1372.5	2005.6
Post cards/ Acknowledgment	29121.5	30733.9	30830.8	33796.0	35571.7
Letter cards (Inland)	28689.5	30150.6	30908.8	32100.9	32600.9
Registered Newspapers	8491.4	8647.2	8766.6	11407.1	9243.1
Unregistered Packets	10012.9	10811.2	11340.4	11336.5	11953.6
Unregistered Parcels	1264.5	1214.9	1345.3	1388.1	1514.3

#### 1.5 Earnings from different Postal Services and Costs

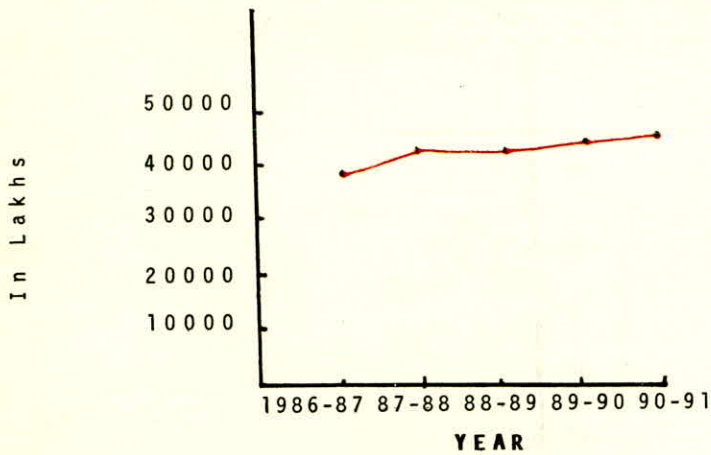
The average per unit cost and per unit revenue realisation from the different postal

POSTAL TRAFFIC YIELDING HIGHER PER UNIT REVENUE

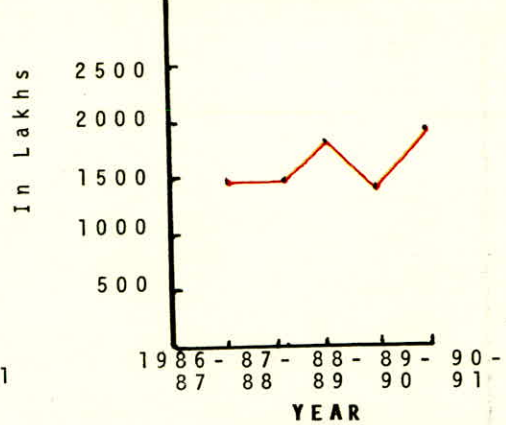


# ORDINARY POSTAL TRAFFIC

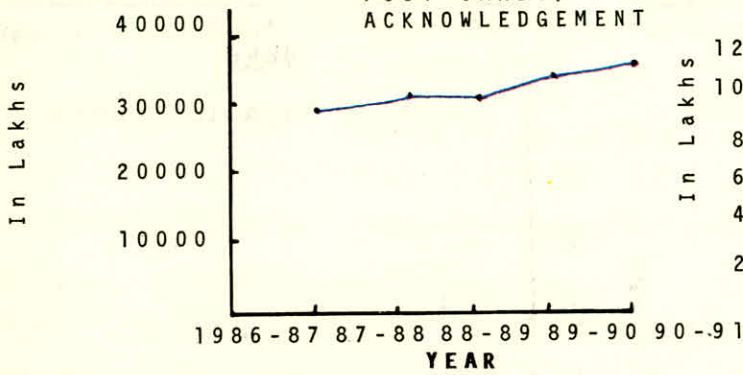
**PAID LETTER**



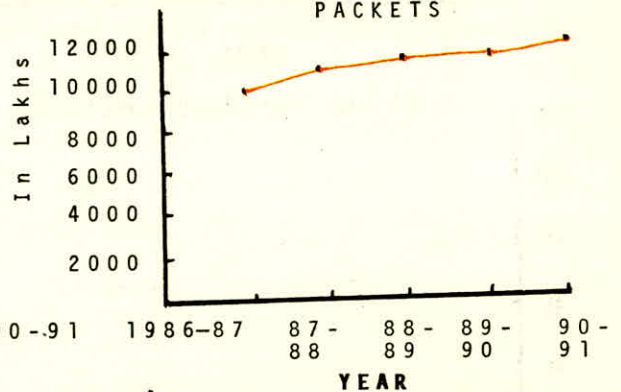
**UNPAID LETTERS**



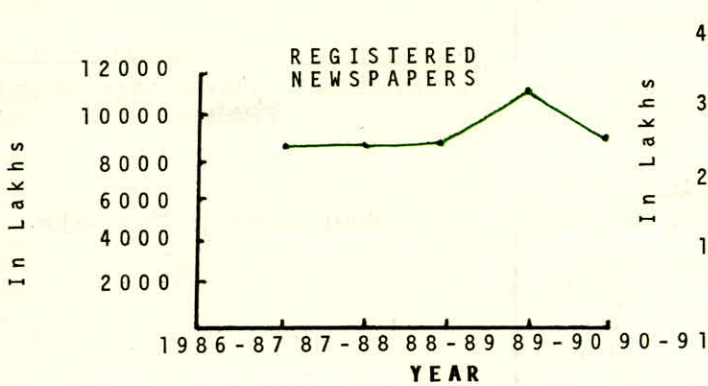
**POST CARDS/  
ACKNOWLEDGEMENT**



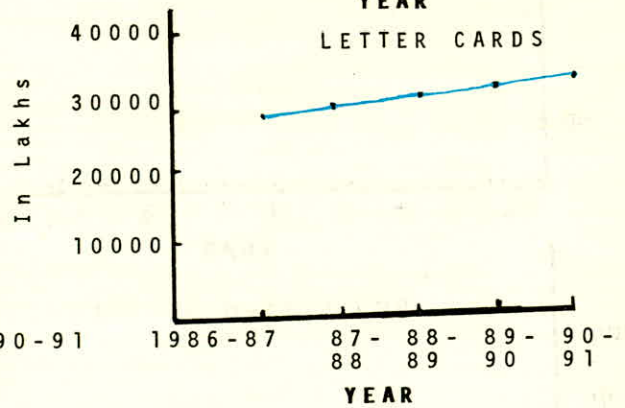
**UNREGISTERED  
PACKETS**



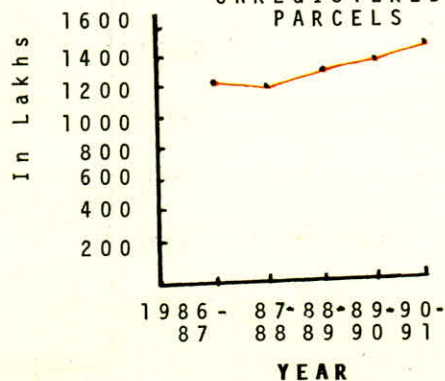
**REGISTERED  
NEWSPAPERS**



**LETTER CARDS**



**UNREGISTERED  
PARCELS**

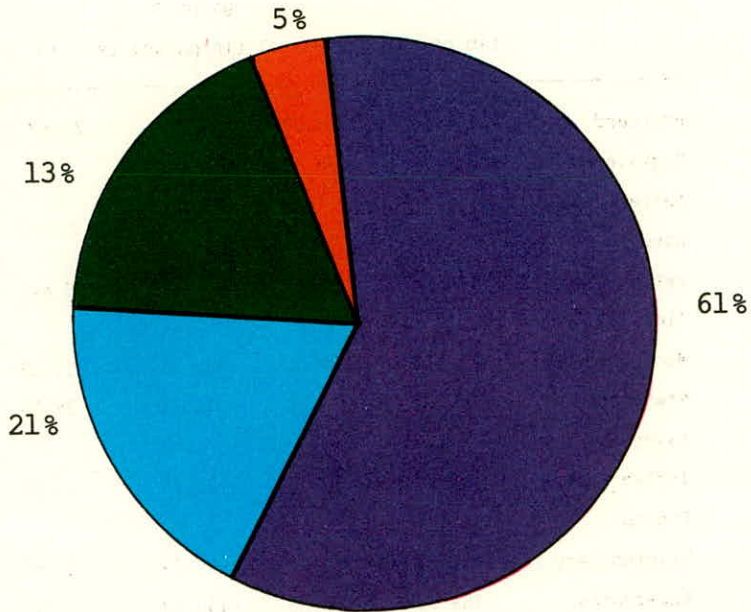








services rendered during the year 1990-91 is given below:

Services	Per unit	Per unit	Unit	<u>Total loss/gain</u>	
	Cost	revenue	loss(-) gain(+)	Loss	Gain
	(in paise)	(in paise)	(in paise)	(Rs. in crores)	
Postcard	117.31	15.00	-102.31	75.67	-
Registered letters and parcels	819.79	600.00	-219.79	58.64	-
Letter Card (Inland)	128.20	75.00	- 53.20	48.64	-
Money Orders	1151.13	899.00	-252.13	30.38	-
Newspapers (Single)	149.92	34.20	-115.72	25.75	-
Indian Postal Orders	618.43	89.15	-529.28	11.91	-
Printed Card Newspapers (Bundle)	109.29	60.00	- 49.29	10.28	-
Value Payable Letters and Parcels	189.32	58.80	-130.52	5.59	-
Parcels	570.71	300.00	-270.71	2.30	-
Recorded Delivery items	1460.78	1431.30	- 29.48	1.84	-
Acknowledgment	416.25	200.00	-216.25	1.73	-
Other periodicals	106.96	100.00	- 6.96	0.40	-
Letters	214.56	210.84	- 3.72	0.27	-
Book Pattern and Sample Packets	129.49	180.66	+ 51.17	-	81.56
Insured letters and parcels	157.54	241.50	+ 83.96	-	18.97
Speed Post	1077.47	1811.60	+734.13	-	6.31
Printed books	848.71	2334.00	+1485.29	-	2.97
Telegraphic Money Orders	196.15	226.25	+ 30.10	-	2.54
Total	1195.23	1232.00	+ 36.77	-	0.10
	-----	-----	-----	-----	-----
				<u>273.40</u>	<u>112.45</u>

**REVENUE REALISATION DURING 1990-91**  
**DEPARTMENT OF POSTS**



(Rs. in crores)

512		Sale of ordinary and service stamps
173		Postage realised in cash
111		Commission on account of Money Orders and Postal Orders
45		Other receipts
Total	<hr style="width: 100%;"/>	841

During the year the tariff rates were revised by the Department from June 1990 (details in Appendix I).

The agency functions e.g., savings banks are performed on cost basis and details are given in paragraph 1.10.

### 1.6 Turnover and loss

The postal services contributing, significantly, to the turnover in terms of gross revenue realisations and the net loss incurred by rendering the service, during the last 5 years, are given below:

Sl.No	Items	Gross revenue				
		1986-87	1987-88	1988-89	1989-1990	1990-91
		(Rs. in crores)				
1.	Sale of ordinary and service stamps (affixed on cards, letters, parcels, book post ordinary, registered and insured categories including speed post)	329 (NA)*	381 (NA)*	415 (113.67)*	432 (190.19)*	512 (118.37)*
2.	Postage realised in cash (newspaper franking machines at subscriber's premises, prepostage etc.)	88 (NA)	113 (NA)	126 (28.55)	134 (39.51)	173 (31.34)
3.	Commission on account of Money Orders and Postal Orders	66 (NA)	80 (NA)	101 (27.78)	106 (33.30)	111 (42.29)
4.	Net receipts from other Postal services	19	11	27	30	22
5.	Other receipts (central recruitment fees, passport form fee etc.)	56	58	73	1	23
Total gross revenue		558	643	742	703	841
(Net loss)		(216)	(191)	(170)	(263)	(192)

\* Covers 4 & 5 also.

Note : Figures within brackets give net loss by rendering the service.

The traffic being more or less steady, the increases in receipts over the years are the result of hike in tariffs in January 1987, April 1988 and June 1990. Apparently the hikes in tariff were necessitated by the increases in cost of service rendered, despite very little addition to manpower. (see para 1.3)

### 1.7 Growth in expenditure and asset creation

The capital and revenue expenditure of Rs.31.54 and Rs.1308.26 crores respectively in 1990-91 from Grant No. 10 on Postal Services referred to in Chapter 2 on the Appropriation Accounts Posts, were financed as follows:

(Rs. in crores)

Capital Major Head 5201-  
Capital Outlay on Postal  
Services.

(a) Amount transferred from revenue account towards depreciation (Head 3201- 60-009)	5.40
(b) Capital recoveries and stores issued	0.01
(c) Net budgetory support from the Capital head	26.13
	-----
Total	31.54
	-----

Revenue Major Head-3201-Postal  
Services.

(a) Cost of agency functions, audit, transferred to other heads of establishment chargeable to Capital <sup>establishment</sup> transferred to Capital	275.76
(b) Net budgetory support from the Revenue head	1032.50
	-----
Total	1308.26
	-----

The main reasons for shortfall in expenditure (both revenue and capital) in relation to the grants approved are given in chapter 2 of this report.

The revenue and capital expenditures have been going up significantly in the following areas in the last 5 years.

Programmes	1986-87		1987-88		1988-89		1989-90		1990-91	
	BE	Actuals	BE	Actuals	BE	Actuals	BE	Actuals	BE	Actuals
(Rs. in crores)										
Revenue										
Pay and allowances,	718	649	806	831	858	863	985	952	1046	1005
Contingencies, Interim Relief and other items										
Accounts and Audit	21	20	23	23	28	26	32	29	37	31
Pensionary charges	57	62	78	96	100	100	115	110	115	150
Stamps Postcards etc.	27	33	26	21	30	35	31	43	39	35
Stationery, Printing etc.	1	11	2	9	2	10	2	19	2	23
Maintenance of assets (excluding pay and allowances of staff)	8	6	7	5	7	6	7	7	9	2
Petty works	1	1	2	1	2	1	1	1	1	1
Conveyance of Mails (Payments to Railways and Air Mail Carriers)	38	117	42	41	59	45	51	58	54	56
<b>Total</b>	<b>871</b>	<b>899</b>	<b>986</b>	<b>1027</b>	<b>1086</b>	<b>1086</b>	<b>1224</b>	<b>1219</b>	<b>1303</b>	<b>1303</b>
Less recoveries	102	129	113	198	228	179	239	258	244	275
	769	770	873	829	858	907	985	961	1059	1028
Depreciation	4	4	4	5	5	5	5	5	6	5
<b>Total Net revenue expenditure</b>	<b>773</b>	<b>774</b>	<b>877</b>	<b>834</b>	<b>863</b>	<b>912</b>	<b>990</b>	<b>966</b>	<b>1065</b>	<b>1033</b>
Capital										
Postal Network	20	14	22	19	18	22	18	23	24	24
Administrative Offices	5	4	3	3	6	3	5	3	6	2

Staff Quarters	7	10	8	7	5	8	5	5	5	4
Mechanisation and Modernisation	2	2	2	-	11	-	15	1	15	1
Railway Mail Service Vans	2	1	1	-	4	-	-	-	-	-
Training etc.	1	1	1	1	-	1	2	1	1	1
Civil Engineering Stores Suspense	-	-	-	-	3	(-)4	3	1	3	-
-----										
Gross total	37	32	37	30	47	30	48	34	54	32
Less recoveries	4	4	4	4	5	5	5	5	6	5
Net Capital Outlay on fixed assets financed from General Revenues	33	28	33	26	42	25	43	29	48	27
-----										

AS on 31st March 1991, the cumulative capital outlay on postal services stood at Rs.421.53 crores (Rs.345.30 crores net of depreciation and expenditure met from Revenue and from Reserve Fund). Of this about Rs.406.31 crores was on administrative offices, land and residential buildings and postal network i.e., post offices and RMS buildings, mostly. It is necessary for the Department to maintain register of assets for all the capital assets acquired over the years and agree the total value of such assets in such registers with the total amount reflected into the Finance Accounts and furnish a certificate to that effect in the accounts. Similarly, registers of assets acquired for Training, Mechanisation and Modernisation and the RMS, amounting in all to Rs.18.46 crores, under capital outlay, also need to be maintained and their totals agreed with the figures reflected into the Finance Accounts and a certificate given in accounts.

In the Finance Accounts, as on 31st March 1991 cumulative capital outlay of (-)Rs.2.68 crores and (-)Rs.0.57 crore have been reflected on "Stores (Civil Engineering Suspense)" and "other expenditure". They are apparently due to misclassification on issue price of stores being fixed higher than

purchase price. Otherwise stores cannot be issued beyond what was procured, so as to result in a minus balance. If unreconciliable, the minus balances need to be dropped from the capital outlay already transferred to "Government Account".

### 1.8 Plan performance

Against the budget provision (Plan) of Rs.60 crores for the year 1990-91, the actual expenditure was Rs.32 crores. The major targets fixed and achievements thereagainst are given below:

Particulars	Financial		Physical	
	Target	Achievement	Target	Achievement
	(Rs. in crores)		(Number)	
1. Opening and upgradation of Post Offices	1.50	0.51	1200	1352
2. Mechanical aids and Modernisation	15.00	0.52	3131	262
3. Construction of (a) Post Offices, Railway Mail Service and Administrative office buildings	35.00	24.47		
(b) Staff quarters			600	105
4. Mail Motor Vehicles	2.15	4.04	70	158
5. Speed Post Service	2.10	0.89	700	344
6. Training	1.50	0.37	11000	10840

On mechanical aids and modernisation the detailed physical targets and achievements are given below:

Units	Physical	
	(Number)	
	Targets	Achievements
1)Multi purpose counter Machines	20	102
2)Computerisation	25	-
3)Integrated Mail Processing	1	-
4)Electronic weighing scale	50	-
5)Polymer stamp	3000	100
6)High speed stamp cancelling machine	35	60
	-----	-----
Total	<u>3131</u>	<u>262</u>

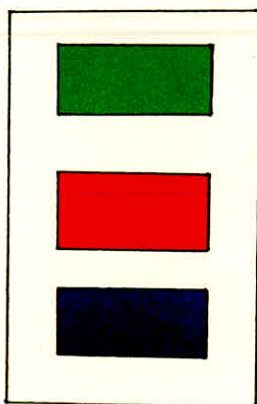
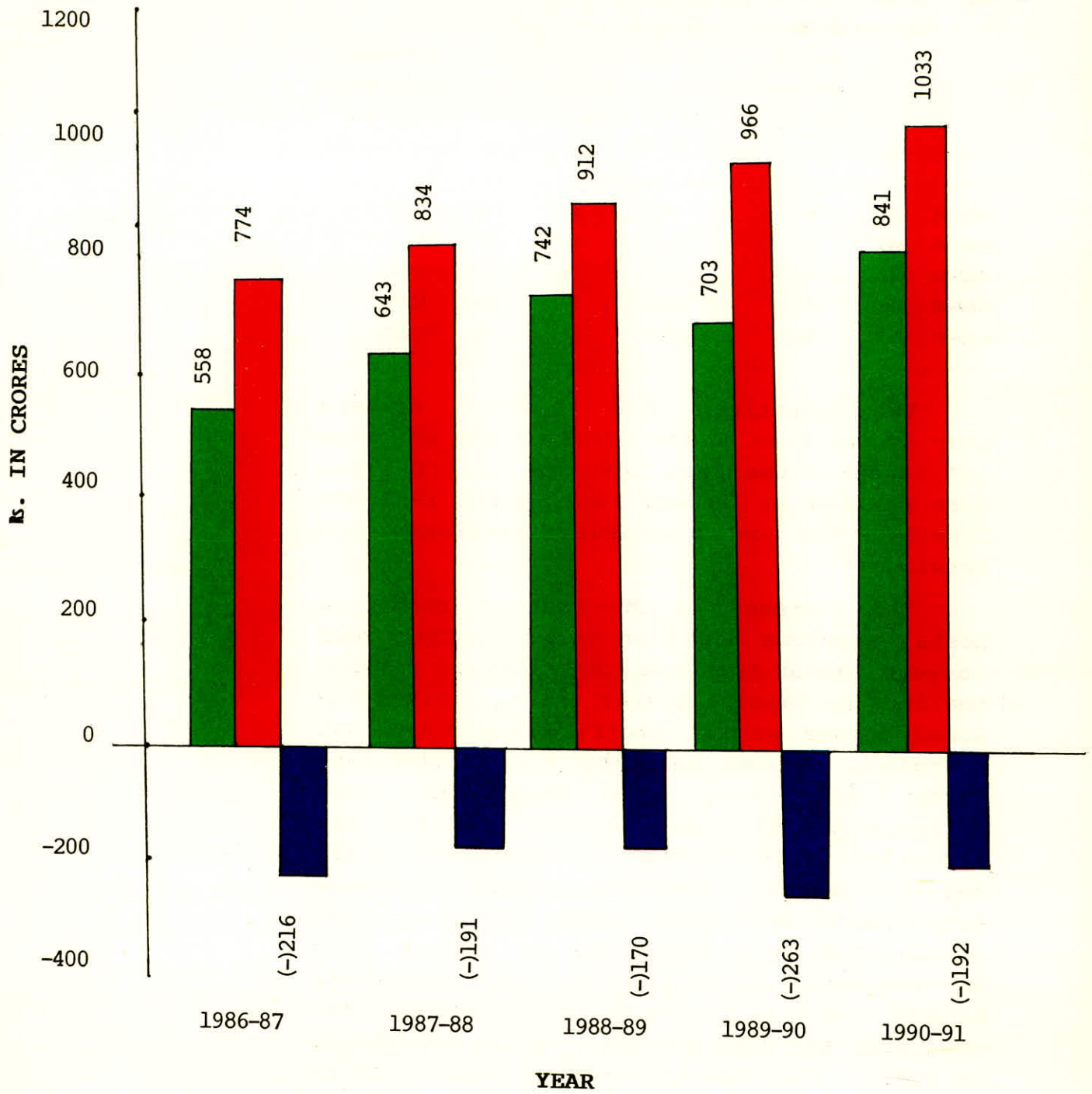
### 1.9 Operating results

During 1990-91, against the budgeted deficit in operations of Rs.93 crores estimated to be incurred by the rendering of postal services, the actual operating deficit went upto Rs.192 crores. The shortfall in budgeted receipts was Rs.131 crores, which was attributed by the Department to less sale of postage stamps (i.e. lesser demand for postal services than anticipated) and to change in procedure (effected from the year 1990-91) for accountal of recoveries of past year's dues from other Government departments (as reduction of expenditure in current year). But the latter reason is not very significant, as the rising trend of expenditure in para 1.7 would indicate. The decline or steady state in demand for postal service is more significant.

The revenue expenditure on rendering of postal services has been growing at a faster rate than the revenue receipts in some of the years and at slower rate in other years. But the revenue deficit though it is decreasing is still far from disappearing as indicated below:



**FINANCIAL RESULTS  
DEPARTMENT OF POSTS**



Revenue Receipts

Revenue Expenditure

Deficits

Year	Revenue receipts	Increase(+)/ decrease(-) over the previous year	Revenue expenditure	Increase over the previous year	Revenue deficit	Operating ratio (Percentage of expenditure to receipts)
------	------------------	---	------------------------	---	--------------------	---

(Rs. in crores)

1986-87	558	81	774	134	216	138.7
1987-88	643	85	834	60	191	129.7
1988-89	742	99	912	78	170	122.9
1989-90	703	(-)39	966	54	263	137.4
1990-91	841	138	1033	67	192	122.8

The operating ratio is still nowhere near coming down to the ideal of 100 or below 100, despite the fact that the tariff rates were revised in January 1987, April 1988 and June 1990 for postal articles, stationery and services.

The increase in the cost of rendering postal services has been going up from year to year faster than the increases in revenue realised by raising postal ~~tariff~~, given the steady state of the traffic. The fact that operating revenue deficits during the last three years were more than what were anticipated in the budget (unlike the situation prior to that as seen from table below) would indicate that revenue expenditure has been going up more than anticipated and needs to be controlled. This is necessary in regard to cost of Money order, Postal Order, Registration and newspaper carrying services, which are adding to losses. The loss in carrying post cards is offset by gain in carrying letters, but the loss in carrying letter cards (inland

letters) and printed cards also needs review and remedy.

Year	Deficit		
	Budget estimate (BE)	Revised estimate (RE)	Actual deficit
	(Rs. in crores)		
1986-87	224	335	216
1987-88	133	346	191
1988-89	89	89	170
1989-90	190	188	263
1990-91	93	159	192

Clearly there is a need for cost reduction measures in the rendering of the postal services. At the same time, there is also need to increase the receipts by providing more of surplus generating services as will meet needs of large number of people and for which there is increasing demand e.g., speed post, money orders and savings/banking services (See para 1.10). Such efforts need to be combined with a thrust at diversification to radically different (low cost and rural people's need oriented) non-loss making services where the sunk investment in infrastructure and manpower within the department can render it competitive. In some cases services can be offered even on marginal costing, initially. The potential loss of postal revenue due to use of electronic mail and money transfers by banks through leased satellite channels linked to computers, have to be studied and provisions in international agreements examined. But, going in for new and diversified services merits consideration urgently, in the light of the trends in revenue and expenditure.

## 1.10 Agency functions

The agency functions performed by the Department cover Post Office Savings Bank Deposits; (including National Saving Scheme Deposits) Fixed, Time and Cumulative Time Deposits; Recurring Deposits; Public Provident Fund Deposits; Saving Certificates; Postal Life Insurance and sale of Vikas Patras. They result in the maintenance of nominal and detailed accounts. The moneys received and paid out are accounted for under the Public Account (except for debts contracted by sale of Vikas Patras which get accounted as Public Debt under Consolidated Fund of India). The balances reflected into the Finance Account (under the Public Account heads) are given below. The number of Savings Accounts are given in brackets. Public Provident Funds are handled by other agencies like banks also.

Sl.No	Head of Account	Amounts outstanding as on			
		31.3.91	31.3.90	31.3.89	31.3.88
(Rs. in thousands)					
1.	8001-101				
	Post Office				
	Savings Bank	109082139	78166215	51662917	37260248
	Deposits	(64719395)	(47570215)	(45033439)	(43869397)
2.	8001-103				
	Fixed and				
	Time	29716479	38300060	49863393	57548788
	Deposits	(5540550)	(5705074)	(1877705)	(1212711)
3.	8001-104				
	Cumulative Time	2704691	3827928	4994298	5603986
	Deposits	(8253879)	(6733867)	(5677125)	(5195223)
4.	8001-105				
	Post Office				
	Recurring	26383535	22553303	18496294	15448785
	Deposits	(38450555)	(33449186)	(28285179)	(23604282)

5.	8006-101				
	Public Provident				
	Fund Deposits	1902900	1022892	553783	340861
	(Postal Part)	(231789)	(122780)	(64039)	(41993)
		_____	_____	_____	_____
6.	8002-101				
	Post Office				
	Certificates	333406071	275202057	213437036	167853569
7.	8011-101				
	Postal Insurance				
	Life Annuity				
	Fund	7786918	6454352	5082029	4230982

The department needs to give an annual certificate in the Finance Accounts that the total of amounts in each of the nominal and subsidiary accounts records maintained under each of the above heads has been agreed with the figures reflected by the Department into the Finance Accounts. The cost of rendering the Saving bank services is given below:

	1990-91	1989-90	1988-89	1987-88
(i) Total no. of savings accounts	117196168	94686122	80937487	73923606
(ii) No. of accounts in thousands	117196	94686	80937	73924
(iii) Cost of Post Office Savings banks services transferred from head 3201-Postal Services to Debt Servicing head	1954925	1961067	1221646	1438725
(Rs. in thousands)				
(iv) Recovery per 1000 accounts (in Rs.)	16.68	20.71	15.10	19.46

The Department is reimbursed the cost incurred in rendering agency functions of savings bank by the Ministry of

Finance. The norms had not been revised for such reimbursement by reviewing them every year (the last review was done in 1991). While the number of savings account and savings mobilised had grown by 58.5 per cent and 46.1 per cent over the level of 1987-88, the corresponding growth in reimbursement was only 35.9 per cent.

The Department renders the agency functions on actual cost basis. It may be advisable to compare cost in post office with cost of resource mobilisation and servicing of savings done by other agencies and norms elsewhere. If the actual costs of postal side are cheaper, the possibility of extending agency functions by the Postal Department at nominal surplus to other areas of resource servicing for Government, as an alternative or supplement to the rural banking sector needs to be considered. In view of its extensive postal infrastructure existing and in the light of the stagnant other services rendered by the Department, this may even become necessary.

### **1.11 Adjustments to be done in Finance**

#### **Accounts**

In the Finance Accounts, balances outstanding under the following Debt, Loan, Advance, Deposit, Suspense and Remittance heads require action as indicated below. Where they include balances for which other agencies are also responsible, the balances in the books of the Department of Posts are given below within brackets:

Amount outstanding as on

Head of Account	31.3.91	31.3.90	31.3.89	31.3.88
(Rs. in thousands)				
1. 8002-102 State Savings	9235	9223	9365	9349
Certificates	(Dr)	(Dr)	(Dr)	(Dr)
	(127)	(139)	(3)	(13)
	(Cr)	(Cr)	(Dr)	(Cr)
2. 8002-104 Defence Savings	215549	61133	43711	44444
Certificates	(Dr)	(Dr)	(Dr)	(Dr)
	(208896)	(54577)	(37630)	(50124)
	(Dr)	(Dr)	(Dr)	(Cr)
3. 8002-106 National Development	20459	20268	23773	24489
	(Dr)	(Dr)	(Dr)	(Dr)
	(3637)	(3809)	(280)	(442)
	(Cr)	(Cr)	(Cr)	(Dr)
4. 8443-125 Unclaimed Savings	999	999	999	999
Bank Deposits	(Cr)	(Cr)	(Cr)	(Cr)

Unclaimed Post office certificates are to be transferred to Revenue head (0075-Unclaimed deposits) at the end of third year after the years' accounts in which the deposits mature. Similarly, savings bank deposits of less than Rs. 2 not operated for a year are taken to Head unclaimed deposits (8443-125) from the Savings bank head of account (8001-101). After a period of 2 years the unclaimed amounts are lapsed to Government and transferred to revenue head (0075). The codal provisions in this regard need to be complied with in regard to the credit balances in the postal books at Serial Nos. 1,3 and 4 in the table above.

The debit balance in the postal books in Serial No. 2 above and debit balances in books of other agencies in Serial Nos 1,2 and 3 are indicative of misclassifications (e.g. interest payment booked as deposit repayment in accounts) which are not getting traced or reconciled. The Department attributed debit balance of Serial No. 2 to errors in accounts

and stated that they related to other certificates of earlier periods and also to delay in reconciliation of certified balances as per subsidiary registers with the amounts reflected into the Finance Accounts. The Department should rectify misclassifications and write back or write off to Government Account, the debit balances which should not arise in the above heads. The responsibility of other Civil Accounts Officers also operating on the heads in the Finance Accounts (which are common for Civil, Posts etc.) need to be brought to their notice by the Department.

### 1.12 Recovery of Loans

Loans given from the Consolidated Fund of India amounting to Rs.18.61 lakhs are recoverable from Dak Tar Board canteen New Delhi (Rs. 18.54 lakhs from 1978-79) and Posts and Telegraph Cooperative Societies (Rs.0.07 lakh from 1985-86). In Statement No.3 of Finance Accounts they are highlighted as overdue for recovery. Action needs to be taken by the Department to recover the loans or amend the guidelines attaching to them.

### 1.13 Advances from Public Account

Postal advances from the Public Account given out by the Department are seen to be very heavy as the table below indicates:

<u>Head of Account</u>	<u>Amount outstanding in Rs.thousands as on</u>				
	<u>31.3.91</u>	<u>31.3.90</u>	<u>31.3.89</u>	<u>31.3.88</u>	<u>31.3.87</u>
8553-101 Postal Advances	4580999	4244533	3929024	2971479	2057932

Advances given out under the head do not come under the control of Parliament as the head does not fall under the Consolidated Fund of India. The head is normally to be used for unforeseeable payments which need to



be made and get recovered. The advances from the head are like banking operations. The moneys for it come from out of deposits held by the Department (referred to in the next paragraph) and the two heads fall under section 'K-Deposits and Advances' in the Public Account.

During the year 1990-91, the disbursement of Postal advances amounted to Rs.378.51 crores and receipts amounted to Rs.344.86 crores. The net advances outstanding for recovery as on 31st March 1991 stood at Rs.458.10 crores. The advances amount almost to half the amount of annual operating receipts/expenditure of the Department covered by the Appropriation Account (See Chapter 2). As the advances under this head made by the department, are increasing and they are outside the control by Appropriation Accounts presented to Parliament, necessary suitable note needs to be appended to the Appropriation Accounts of the Department. The note should give the yearwise break up of the outstanding advances and the nature of and the reasons for, heavy amounts of postal advances made from Public Account.

#### **1.14 Suspense and Remittance**

In the Finance Accounts large amounts of expenditure continue to get booked under heads of account falling outside the Consolidated Fund of India viz., under the 'Suspense' and 'Remittance' heads. The amounts remain unadjusted for long periods without transfer to the final expenditure/receipt heads of account under the Consolidated Fund of India, or under the Public Account (where they go outside the control of the Appropriation Accounts). Large sums are also received and booked under deposit heads in the Public Account. They are detailed below:

Serial Head of Account      (Dr=Debit)                      (Cr=Credit)  
 No.                      Amounts outstanding in Rs. thousands as on  
                                  31.3.91    31.3.90    31.3.89    31.3.88

1.	8446-101				
	Postal Deposits-				
	Postal Deposits	5818969	5167115	5751805	4527021
		(Cr)	(Cr)	(Cr)	(Cr)
2	8446-800				
	Postal Deposits-				
	other Deposits	623	587	543	505
		(Cr)	(Cr)	(Cr)	(Cr)
3.	8658-103	5891904	4472460	2792513	2208886
	Suspense Account	(Dr)	(Dr)	(Dr)	(Dr)
	(P&T)				
4.	8782-121				
	P&T Remittances	11202819	10351359	6292084	4902032
		(Dr)	(Dr)	(Dr)	(Dr)
5.	8788-Adjusting*				
	account with				
	Posts	931186	875101	529293	327117
		(Cr)	(Cr)	(Cr)	(Cr)
6.	8791-Accounts	35997	35997	42294	45801
	with States etc.	(Dr)	(Dr)	(Dr)	(Cr)
	(Posts)				
7.	8781-101	251639	55116	174101	251152
	Inland Money	(Cr)	(Cr)	(Cr)	(Cr)
	Orders				
8.	8781-102	76661	25840	73989	77199
	Foreign Money	(Dr)	(Dr)	(Dr)	(Dr)
	orders				
9.	8658-128				
	P&T Investments				
	Cost of Government	105	52	62	61
	Promissory Notes	(Dr)	(Dr)	(Dr)	(Dr)
	and Investment				
	Certificates				
	held in imprest				
10.	8672-102				
	Permanent Cash	612	594	564	555
	Imprest	(Dr)	(Dr)	(Dr)	(Dr)
11.	8671-102				
	Departmental				
	Balances	3253360	2613017	2505728	2205254
	(Cash balance)	(Dr)	(Dr)	(Dr)	(Dr)

Amounts lying under Serial No. 4 (Debits) almost equals annual turnover and amounts lying under Serial.Nos.1 (Credits) and 3 (Debits) are half the annual turnover of Postal Department (around Rs.1000 crores). Delay in final classification and booking of expenditure (Dr. Suspense) and receipts (Cr. Remittances) need to be looked into. If large number of old amounts are lying under these heads, it is necessary to investigate them to rule out frauds and give a yearwise breakup in a note below Appropriation Accounts.

Balances in Serial Nos. 5 and 6 reflect remittances of accounts to and by the Department with other Departments. The net credit balance of around Rs. 90 crores is still to be adjusted by the Postal Department into its books.

The debit balance under Foreign Money Order remittance head at Serial No. 8 indicates that the Department has still to realise the amounts from foreign postal administrations though addressees of money orders have been paid. This is commented upon in a review in this report.

Amounts lying under Serial Nos.9,10 and 11 represent cash balances with Department.

## CHAPTER 2

### APPROPRIATION ACCOUNTS POSTS

2.1 The grants and appropriations given to the Department of Posts for the year 1990-91 and expenditure there against are given below:

	grant/ appropriation*	Expenditure	Saving
-----			
(Rs. in crores)			
<b>Revenue</b>			
Voted	1309.39	1308.26	1.13
Charged	0.01	-	0.01
<b>Capital</b>			
Voted	53.60	31.54	22.06
-----			
Total	1363.00	1339.80	23.20

\*There was no supplementary grant/appropriation.

The recoveries adjusted in reduction of gross expenditure given above and amount transferred are given in paragraph 1.7 of Chapter 1. Some of the notable activities where significant proportion of provision was not spent or where money was spent significantly in excess of provision are given below:

Provision	Savings (-) / Excess (+)	
-----		
	(Rs. in crores)	
<b>Revenue</b>		
Postal operations	917.36	(-) 11.87
Direction, Supervision and Control	93.20	(-) 9.91
Amenities to staff	12.20	(-) 1.53
Maintenance of buildings etc.	18.82	(-) 8.82
Pension	114.53	(+) 35.78
<b>Capital</b>		
Capital outlay on Mechanisation and Modernisation of Postal services	14.45	(-) 13.93
Capital outlay on Administrative office and Civil Engineering Stores suspense	9.50	(-) 7.33

Under Revenue portion of the grant, savings were on "operations" including "Mail Sorting", "Direction and supervision", "Amenities to staff" and "Maintenance of buildings" where saving was attributed to enforcement of economy measures. The excess in expenditure on "pensions" was attributed to receipt of more cases than anticipated.

Under Capital portion of the grant savings on "mechanisation and modernisation" was attributed to non-utilisation of "integrated mail processing system" and less purchases than anticipated. The savings on "administrative buildings" and "civil engineering stores" was attributed to delay in acquisition of land and in constructions and lesser purchase as well as more issue of stores.

The comments in paragraphs 1.13 and 1.14 of Chapter 1 touching upon expenditure and receipts booked outside the Consolidated Fund heads of accounts and thus going outside the control of Appropriation accounts may also be seen.

## CHAPTER 3

### AUDIT REVIEWS

#### 3.1 Speed Post Service

##### 3.1.1 Introduction

Under the statute, the Department of Posts (DOP) does not have monopoly in the transmission and delivery of items other than postal letters. Consequent to International and National courier services increasingly satisfying the need of business community for transmission of parcels, the Department, introduced the National and International Speed Post Services from 1st August 1986.

The Speed Post Service guaranteed time bound delivery of Inland and International letters, documents, packets, parcels and merchandise (other than jewellery or bullion) within 24 to 72 hours from the last hour fixed for entrustment (booking) and depending upon the destination. The guarantee covered promise of refund of money (Speed Post fee) for late delivery or non-delivery.

##### 3.1.2 Organisational set up

Speed post Concentration Centres (SPCC) were set up under Assistant Superintendents and Inspectors of Railway Mail, depending on volume of traffic. The centres were a part of the Head Post Office of the place. The SPCC was provided with the special vans and Mail Motor service, to carry the articles to Airport, etc. Operations like booking, handling and transmission were done in the same manner as for other postal articles, except that special attention was paid to ensure that speed post articles catch the earliest possible mode of conveyance to their

3.1.5(ii) Additions were made to National Centres every year as under:

Year	Number of National Centres	Number of Extension counters
1986	14	-
1987	20	5
1988	43	6
1989	57	6
1990	60	6

'Free Pick up Service' and 'Book Now Pay Later facility' were introduced on experimental basis from March 1987. In May 1988, Speed Post Money Order facility was introduced with delivery even on Sundays and Postal holidays, on payment of an additional fee. Because of inability to generate demand for service from parties and high cost of providing service, the delivery on holidays was stopped from 1st October 1990.

3.1.5(iii) The traffic (demand for service) generated and the revenue earned by DSP were as under:

Year	No. of articles booked (in lakh numbers)	Revenue realised (Rs. in lakhs)
1987-88	11.19	316.84
1988-89	19.35	556.40
1989-90	31.22	976.29
1990-91	38.87	1360.17

The growth of traffic in 1988-89 and 1989-90 was the result of adding to National Centres. An analysis made by the Department in January 1990 indicated that 75 to 80 per cent of the traffic was confined to 14 important centres. Further additions to centres had not contributed substantially to increase in traffic. In 25 out of 57 centres demand was weak and sluggish, and DSP management could not even generate 1000



articles per month (of 25 working days) - even after a year or two of their opening.

**3.1.5(iv)** In September 1990 the Department took a decision that no further Centre should be opened unless it had potential for point to point service, which service was introduced from 10th October 1990. A target was fixed for the first time in 1990-91 for increase in traffic, by 200 per cent in Metro cities and by 150 to 200 per cent in other cities.

### **3.1.6 International Speed Post (ISP)**

International Speed Post (ISP) was introduced as a restricted service to 5 countries in 1986 to carry documents and data carriers viz. punched cards and tapes. By September 1990 it catered to 42 countries including 30 to which merchandise was carried. The traffic generated and revenue earned by ISP was as under:

Year	No. of articles	Revenue (in lakhs)
1987	17669	36.22
1988	36878	72.69
1989	55058	155.62
1990	Not available	Not available

### **3.1.7 Deployment of staff and incentives**

As there was a ban on creation of new posts, the staff required for the DSP and ISP were found by diversion from other services of the Department. By 1989, the diversion affected the quality of other services. In May 1989, 344 posts in different categories were created in the National centres existing on 1st April 1989. This pushed up the cost of the DSP and ISP services by Rs.90.58 lakhs per annum. To enlist the co-operation of the staff at speed post counters, with effect from 1st February 1988, the Department

decided to pay 50 paise per article as incentive to the staff at both booking and delivery ends. Further, a threshold figure was fixed for each centre, every year, as a daily average target. If the daily booking exceeded the threshold figure, higher incentive at 75 paise per article was allowed. The threshold figure fixed for each centre was based on actuals of past period loaded for future expected increases in traffic. The threshold figure was not correlated to the output that could be expected from the staff. The staff employed on Speed Post was not all exclusively engaged on that work. Some attended to other work. The rationale for giving them the same incentive and rate of incentive was not on record, nor conveyed to Audit. The incentive was given in relation to the volume of traffic and not efficiency of service provided.

The incentive payment scheme was reviewed by the Department in 1990-91. Two sets of orders were issued in November 1990 and December 1990, to cover stations where staff was sanctioned exclusively for DSP and other stations where such staff attended to DSP work in addition. Incentive on booking and delivery upto the threshold limit was abolished and it was allowed only for booking or delivery in excess of that limit. The incentive of 50 or 75 paise per article, was paid whether the article was delivered in time or not. The justification for giving incentives to the staff doing the booking and the staff making deliveries without incentives to the staff engaged on transportation was not on record nor conveyed to Audit. The amended incentive scheme was also linked to volume of traffic and not efficiency of service.

### 3.1.8 Delayed or not delivered

The Department prescribed gathering of information from each Speed Post Centre on delivery performance and giving reasons for non-delivery e.g Service Fault, Transport, or other reasons. A review conducted for September 1989 revealed that 6.7 per cent of bookings made that month were not delivered within time. The non-delivery due to service fault was 0.38 per cent; due to transport it was 2.43 per cent; and due to other reasons it was 3.89 per cent. On an average 750 to 1500 articles per day were not delivered within time and further about 10000 articles were stated to be undelivered for other reasons. In December 1990 non-delivery due to service fault went up to 0.43 per cent and the number of articles undelivered for other reasons continued to be of the order of 10000; against monthly average of around 3 lakh letters and articles booked. Of all the undelivered articles, 40 per cent of the articles were stated to be undelivered due to transport reasons.

The number of complaints received and disposed of and their pendency was as under:

Year	Complaints			
	Opening Balance	Complaints Received	Complaints Cleared	Closing Balance
1988-89	67	3220	3098	189
1989-90	189	5784	5349	624
1990-91	624	11393	11359	658

Break up of closing balance

	less than 3 months	3 - 6 months	6 - 12 months	above 12 months	Total
1988-89	170	18	1	-	189
1989-90	590	30	4	-	624
1990-91	581	51	19	7	658

Complaints are required to be disposed of within 15 days.

Refund cases numbering 675 and involving Rs. 0.18 lakh were settled during 1990. A large number of complaints with potential refund were pending. In actual practice many customers did not claim refund once the article was delivered, even if it was delivered late. On an average 1000 articles per day were delivered late in 1990-91 which was 7.7 per cent of the total bookings of 38.87 lakh articles made during the year.

### 3.1.9 Cost of service

The department initially did not develop a normative cost per article for rendering the speed post service. In March 1989 the department computed gain of about Rs.2 per article based on cost calculations taking into account the statistical and financial data for the month of August 1988 at seven centres where the scheme was then in operation. Though the relative cost of the various inputs underwent changes from time to time, continuous costing has not been done.

In the context of creation of posts, for the speed post service, the Ministry of Finance (Department of Expenditure) had taken note of the fact that "no norms" had been laid down for sanction of staff for speed post service as such. It was stated that in many respects this work was similar to the work of registration of ordinary articles. It was noticed that a preliminary costing of the service showed that for the prevalent level

of traffic of nearly 3 lakhs articles per month, the average realisation per article was about Rs.35 while the cost of providing the service worked out to about Rs.20 leaving a margin of Rs.15 per article. It was also stated that the service was earning Rs.5.50 crores *per annum* (February 1990) and had potential for earning more revenue in future. However, the following points were noticed in Audit.

- The expenditure figures taken into account for costing were not complete and a separate head of account for speed post service was opened only w.e.f. 1.4.1989.
- Even after 1.4.1989, the figures taken for costing were not reliable as they represented only a fraction of the amount spent by the Post Offices on speed post service.
- As per the department's own admission, staff standards for speed post were not fixed and in many places work was managed by diversion of other staff.
- At many booking points, the staff were doing speed post work in addition to their normal duties.
- No apportionment of expenditure at various points was done between speed post and other services.
- In the absence of reliable and verifiable cost data, the claim that speed post services were making profit lacked reliability.

In reply to audit queries the department stated that the views of the costing and financing cell of the Department would be obtained and a suitable costing system would be devised. (August 1991)

### **3.1.10 Marketing and publicity**

Separate funds were not allotted for publicising of Speed Post in the years 1986-87, 1987-88 and 1988-89. The publicity for the Speed Post was given using the funds allotted for general publicity. During the year 1989-90, expenditure of Rs.11.38 lakhs was incurred on publicity and during 1990-91 Rs.14.86 lakhs were spent on advertising, sales and publicity. The result of sample survey conducted by the Expert Committee on 'Excellence in Postal Services' indicated that only 44 per cent of the sample population covered was aware of the Speed Post service. The awareness was the lowest in Southern and Eastern Regions. Only 50 per cent of the bulk consumers in the country were aware of the Service. The Committee stated that 75 per cent of population had never used the Service and the level of satisfaction in respect of those who had used it was 57.6 per cent. A communication from the Cabinet Secretary, Government of India, to all Secretaries to Government, Heads of Public Sector Undertakings and to the State Governments urging them use of Speed Post service was issued only in February 1989, i.e., 3 years after the introduction of the service.

### **3.1.11 Meeting Competition from private couriers**

The Estimates Committee had observed that the private sector should have no role to play in Postal Services. But, a number of private couriers were stated to be running parallel Postal Service allegedly in infringements of Indian Post Office (IPO) Act, 1898. For infringement a fine of Rs.50 on the first occasion and Rs.500 on subsequent occasions (on every letter conveyed) is leviable. A bill seeking to amend the Act brought in 1986 was not passed

by Parliament. The Department is not empowered to licence operators.

The Reserve Bank of India, while permitting repatriation of profits earned by International couriers, specified that the IPO Act should not be violated but did not monitor their activities. The Department of Posts too had no powers to monitor them.

By August 1986 when speed post was introduced private couriers had captured services from Banks, Public Sector Undertakings, etc. The Ministry of Finance had permitted expansion of the Indian Bankers Courier Service though it advised the Banks to consider using the Speed Post Service.

It was estimated in January 1989 by the Committee of Secretaries that the loss to the Postal Department and avoidable remittance of foreign exchange by International Couriers was of the order of Rs.8 crores *per annum*. Quite apart from the statute and its alleged violation by private couriers the competitive edge of the speed post service and its cost viability clearly needs to be improved to overcome the competition on the ground

The above findings were reported to the Ministry in August 1991; their reply is awaited (January 1992).

## **3.2 Foreign Post Operations**

### **3.2.1 Introduction**

India is a member of the Universal Postal Union (UPU) and the Department of Posts runs four Foreign Post Offices (FPOs) at Bombay, Calcutta, Madras and New Delhi to handle international mail and also five sub FPOs (SFPOs) at Ahmedabad, Bangalore, Cochin, Jaipur and Srinagar for the convenience of senders and addressees who may be required to present documents, etc., for taking delivery or despatch of foreign mail or parcels.

The FPOs and SFPOs secure customs clearance on the articles received, repack them and send them to the addressees through the post offices for delivery as well as collection of customs duty from the addressees.

### **3.2.2 Organisational set-up**

The FPO at Bombay is headed by a Controller of Foreign Mails reporting directly to the Postal Services Board. The FPOs at Calcutta, Delhi and Madras are headed by Directors, Foreign Posts under the control of the Chief Post Master General of the Circle in which the FPOs are located. The SFPOs are headed by Postmasters or Deputy Postmasters are also under similar control in their Circles.

### **3.2.3 Scope of Audit**

A review of the transactions in the FPOs during the years from 1986-87 to 1990-91 was done in audit in May and June 1991 and the following points were noticed.



#### 3.2.4 Highlights

The review brings out, inter alia, the following:

- Purposeful efforts including diplomatic approaches where necessary, need to be made to recover long outstanding dues of Rs.515.46 lakhs from postal administrations of other countries and pertaining to the years from 1981-82 to 1989-90.
- Staffing in Foreign Post Offices has been on the high side and no action has been taken to redeploy the surplus staff in other areas of the department, where they can be employed more productively.
- Expenditure on missent (a decouvert) mail during the years 1986-91 amounted to Rs.57.08 lakhs and preventive as well as corrective action need to be taken by the Department to minimise the incidence of missending.
- Department did not recover storage charges from the addressees not taking delivery within the prescribed period, though such charge can be prescribed and recovered.
- Non accountal of proceeds from sale of unclaimed parcels from the customs department was the result of lack of coordination between the Foreign Post Office and Customs Department and holds risk of misappropriation of unclaimed parcels.
- There was a steady increase in the number of unattended complaints received from the public in respect of inward mail.
- Compensation paid by the Department on lost, damaged or abstracted letter

mail or parcel increased during the years from 1986 to 1991 but no penal action on thefts taking place within post offices nor action to remedy defect in the system to prevent thefts was taken.

### 3.2.5 Recovery of dues from foreign governments

Amounts recoverable from foreign countries as a result of settlement of annual accounts in the International Bureau under the Universal Postal Union were not received within one year after the expiry of the prescribed period. The Department was to notify the International Bureau to invite the foreign government to pay within a period of not more than four months. But dues amounting to Rs.515.46 lakhs (14.89 lakhs SDR equivalent to US \$ 19.95 lakhs @ 1 US \$ = Rs. 25.8365 on 5.9.1991) pertaining to the years from 1981-82 to 1989-90 had not been recovered by the Department from foreign governments. The break-up of the outstanding dues is given below:

Foreign Government of	Amount due in SDR	Period
A	1367531	1981-90
B	30396	1981-90
C	29899	1981-90
D	17413	1986-90
E	12357	1981-90
F	10036	1983-90
Other Countries	21524	1982-90
Total	1489156	

Purposeful efforts need to be made including diplomatic approaches where necessary with Bureau of UPU and the foreign governments to recover the long outstanding dues.

### 3.2.6 Staffing

The Staffing in FPO has been on the high side as the following figures indicate.

Year	Volume of registered foreign mail handled (in millions)	Manpower (Assistants and Group D) employed	Manpower required as per norms
1986-87	2.25	1508	750
1987-88	2.06	1476	687
1988-89	1.70	1415	567
1989-90	1.78	1425	593
1990-91	1.50	1470	500

Postal Assistants and Group 'D' staff account for 90 per cent of manpower employed in FPOs.

No action has been taken to redeploy the surplus staff in other areas of the department, where they can be employed more productively.

At Madras FPO surplus assistants were engaged (cost Rs.2.00 to 4.00 lakhs per annum) on work of examining and checking customs duty collection against duty levied, though such work is to be done by customs staff (cost Rs.1.31 lakhs per annum).

### 3.2.7 Expenditure on missent and a decouvert mails

On missent or transit a decouvert (mails received but meant for other countries and requiring sorting and reforwarding by air to the correct destinations) letters the foreign governments responsible for the missending have to bear the supplementary charges incurred on rerouting the mails to correct destinations.

Such charges paid by India to other Governments during the last five years was

Rs.57.08 lakhs (1.65 lakhs SDR) as detailed below:

Year	Amount
1986-87	Rs. 68016 ( 1965 SDR)
1987-88	Rs.1408521 (40692 SDR)
1988-89	Rs. 868781 (25099 SDR)
1989-90	Rs.2905031 (83926 SDR)
1990-91	Rs. 457634 (13221 SDR)
Total	Rs.5707983 (164903 SDR)

(1 SDR = 1.33974 US \$ = Rs.34.6142 as on 5.9.1991)

Preventive as well as corrective actions is needed to be taken by the Department to minimise the incidence of missending.

### 3.2.8 Non-levy of storage charges

There is a provision in the Universal Postal Union Convention to recover storage charges from an addressee if a parcel is not collected by him within prescribed period.

But the Department did not recover storage charges though they can be prescribed and levied in India. 11,538 articles were lying undelivered for more than six months at various FPOs as on 31st March 1990.

### 3.2.9 Non accountal of sale proceeds from unclaimed parcels

When a parcel on which customs duty has been levied is neither delivered to the addressee nor returned to the sender, it is to be handed over to the Customs authority for sale by auction. The excess of sale proceeds over and above the customs duty (and commission for selling) are paid by Customs to FPO.

At Madras FPO, 612 articles were handed over to the Customs during 1986-87 but balance of sale proceeds in respect of 470 articles were to be received. At Bombay and

Delhi, no information was available in respect of 2406 articles similarly handed over to the Customs during the years 1986 to 1991.

Apart from reflecting lack of coordination between the FPO and Customs, non-accountal of sale proceeds holds risk of misappropriation of unclaimed parcels.

### **3.2.10 Delay in opening of bags for delivery**

As per the departmental rules the bags should be opened as early as possible on arrival of inward mail to ensure quick delivery. It also ensures early realisation of customs duty, saving in space needed for storing bags and reduces chances of theft in storage.

At Bombay and Calcutta FPOs, delays varying from 10 days to more than one month occurred in 6856 cases during the years from 1986 to 1990.

### **3.2.11 Complaints of thefts within postal system**

Complaints are being received both from the public and the foreign governments about

(i) Non-receipt of parcels and letter mail articles by addressee;

(ii) Theft or loss of jewellery from parcels; and

(iii) Complaints about abstraction, substitution, or loss of contents from parcels.

There has been a steady increase in the number of unattended complaints received from the public in respect of inward mails as shown below:

Year	Pending complaints	Percent of inward mail handled
1986	260	0.017
1987	365	0.028
1988	389	0.031
1989	604	0.049
1990	644	0.062

The compensation paid by the Department on lost or damaged or abstracted letter mail or parcel mail has been on increase during the years from 1986-87 to 1990-91 as shown below:

Compensation paid in Rupees					
FPOs	1986-87	1987-88	1988-89	1989-90	1990-91
Delhi	34,427	63,883	54,405	29,394	49,497
Bombay	9,934	44,581	86,156	58,850	103,494
Madras	5,411	1,911	883	3,051	4,819
Total	49,772	1,10,375	1,41,444	89,095	1,57,810

No penal action has been taken as will reduce thefts taking place within post offices nor action to remedy the defects in the system to prevent thefts taken.

The foregoing observations were reported to the Ministry in October 1991; their reply is awaited (December 1991).

### **3.3 Licensed Postal Agents**

#### **3.3.1 Introduction**

The "Licensed Postal Agents" (LPA) scheme was introduced in August 1985 to reduce operational expenditure in providing postal services in urban areas and to extend postal services at places where post offices did not exist or had been considered non-viable. It was also designed to introduce an element of competition, with a view to reduce the cost of rendering postal services.

Earlier a scheme for sale of stamps and postal stationery through private parties had been introduced in August 1969. But due to shortage of postal stamps and stationery, it was restricted to remote, rural and hilly areas from 1979. With improvement in the supply position, it was extended to all areas from September 1983. The sale of stamps and postal stationery was also proposed to be entrusted to the LPAs, as also booking of registered letters.

The LPA scheme was not to add to the cost of providing postal facilities in rural areas but to curb the growth on the number of cost in-effective departmental post offices and departmental post offices not making deliveries.

#### **3.3.2 Commission paid**

In selecting LPAs, preference was to be given to charitable bodies, women's co-operatives, war widows, physically handicapped, and such categories. The LPAs were to be given licences for a period of three years at a time. LPAs were to be entitled to a commission of 5 per cent on sale of postage stamps and stationery, and 50 paise per registered article booked. From March 1986 these rates were revised to 3 per

cent on postage stamps and stationery sold upto Rs.1000, and 1.5 per cent on sales in excess of Rs.1000. Commission of 50 paise per registered letter was allowed upto 2500 letters per month and revised to 25 paise per letter thereafter.

The LPAs were required to provide a postal counter and render postal service for three hours between 8 A.M. and 7 P.M. A security deposit of Rs.3000 was taken from them, which was reduced to Rs.1000 from April 1986.

### 3.3.3 Growth and decline

In 1986 it was decided by Department of Posts (DOP) that 50 LPAs in urban areas and 250 LPAs in rural areas be appointed in each circle. In the 16 Postal Circles, against the target of 4800 LPAs, only 617 LPAs were appointed up to the end of June 1986 and of them only 36 were in rural areas. Over 40 per cent (249) of the LPAs were appointed in the Andhra Pradesh Circle.

In September 1986, the target was revised down to 20 LPAs per circle and to 60 by December 1986. But by July 1987 only 193 LPAs had been appointed against the target of 960. The number of LPAs who were operating during the years from 1986 to 1991 in 12 out of 16 Circles, for which information was available to Audit, is given below:

Year	LPAs at the beginning of the year	Appointed during the year	Licences terminated (cancellation/ expiry)	LPAs at the close of the year
1986-87	499	204	88	615
1987-88	615	43	221	437
1988-89	437	4	300	141
1989-90	141	-	29	112
1990-91	112	-	13	99

There was opposition from the postal employees to the LPA scheme. The DOP issued



instructions in September 1987 that no new LPA should be appointed and that a case by case review should be undertaken of the existing LPAs on their continuance or termination. This led to heavy cancellation of licences in 1987-88 (221) and 1988-89 (300), which lowered the number of LPAs in position in the subsequent years. The cancellation of licences had an adverse effect on LPAs appointed under categories like physically handicapped persons, war widows etc.

### 3.3.4 Volume of work

On the volume of work to be handled by LPAs no targets were set. In 13 Circles during the years from 1985 to 1991 for which information was available details of the volume of work are given below:

Year	No. of LPAs at the end of the year	Volume handled during the year		Commission paid during the year		
		Sale of stamps and stationery	No. of registered letters booked (in lakhs)	Sale of stamps and stationery	Registered letters	Total
( Amount in lakhs of rupees)						
1985-86	191	100.86	5.88	5.07	1.93	7.00
1986-87	546	582.95	32.72	17.47	10.13	27.60
1987-88	442	829.62	33.40	23.25	10.61	33.86
1988-89	157	505.69	22.26	14.81	7.28	22.09
1989-90	113	269.92	15.24	7.65	4.19	11.84
1990-91	84	226.58	8.12	6.39	2.30	8.69

The volume of work handled by the LPAs constituted only a fraction (1.24 per cent) of the work handled by DOP. Following reasons were advanced by DOP as to why the scheme did not pick up in Orissa, Uttar Pradesh and West Bengal Circles.

- (i) Rates of commission paid to LPAs for services rendered were low,
- (ii) There was resistance from the departmental staff to the scheme, and

(iii) The norms and restrictions on the appointment of LPAs retarded growth.

Action taken by Department to present the benefits of the scheme to the LPAs, public and to their own staff was not available on record. Analysis done if any on the relative cost of rendering postal services through LPAs and by regular postal employees vis-a-vis their relative effectiveness of service were not on record or made available to Audit. In the absence of such data, the achievement of the objective in launching the LPA scheme could not be examined in audit.

### **3.3.5 Locations**

The Divisional Superintendents of Post Offices were to identify location of LPAs before calling for applications for their appointment. In 118 cases, in five Circles, prior identification of the places where LPAs were to operate was not done and reasons for the same were not available on record.

In 37 out of 118 cases the LPAs did not fulfil the norm which required that in areas other than newly developing residential and industrial townships, no LPA should be located within 2 Kilometres from a head post office or a selection grade sub post office or within half Kilometre of a departmental sub post office and that there should be a minimum distance of half Kilometre between any two LPAs.

### **3.3.6 Inspections**

In the earlier scheme of sale through private persons the premises of persons selling postal stationery/stamps were to be visited by departmental officers at least once a month, to ensure that the sales were in accordance with prescribed terms and conditions. In the LPA scheme introduced in

1985, no periodicity of inspection visits was laid down. It was only stipulated that licensed postal counters would be subject to inspection, verification, visit and review by executive officers of the Department to ascertain the scheme's operative strengths and weaknesses and apply correctives. In 118 cases test checked, it was noticed that inspection had not been carried out, at all, in 48 cases. In the remaining 70 cases, the periodicity of inspections undertaken was as follows:

With a gap of over one year after licensing	38 cases
With a gap of over six months after licensing	26 cases
With a gap of less than six months after licensing	6 cases

#### 3.3.7 Irregularity by LPA

In Rajasthan Circle, one LPA, besides receiving commission payable, had been claiming and was being paid commission (Rs.1.22 lakhs for the period from January 1987 to April 1991) in respect of an agency in the name of another person. The case was reported to be under investigation.

The above findings were reported to the Ministry in September 1991; their reply is awaited (December 1991).

## CHAPTER 4

### AUDIT OBSERVATIONS

#### 4.1 Buildings

##### 4.1.1 Cost and time overrun in construction of building at Hyderabad

A Postmaster General (PMG), approved in November 1978, construction of two blocks of buildings after demolishing an existing building constructed in 1890. Administrative approval and expenditure sanction (AAES) was accorded in 1981 for Rs.308.10 lakhs and was revised to Rs.309.92 lakhs in July 1987.

The old structure was demolished in May 1982 and Rs.3.56 lakhs realised. The work for the new blocks was awarded to the lowest tenderer in December 1982 for Rs.181.21 lakhs for completion in three years.

The Department exchanged the site measuring 2797 sq. mtrs. meant for construction of the second Block with the Municipal Corporation (who wanted it for developing a car park) for a plot of equivalent area nearby which was taken over in June 1983.

The first Block was completed at a cost of Rs.244.46 lakhs against the revised AAES of Rs.152.96 lakhs and was occupied in phases, from March 1988 to November 1988. The cost overrun was mainly due to construction of basement floor (2280 sq. mt.) due to restriction in height of the building imposed by Municipal Corporation, provision of extra stair cases, extra length of retaining wall, extra lift due to bifurcation of the site and upward revision of issue price of cement and steel. The revised estimates have not even been prepared so far (June 1991).

The time overrun was 33 months. The delay was attributed to exchange of land with

Municipal corporation, revision of structural and architectural drawings; frequent changes in the executing agencies and in the Architects of the Department and non-receipt of levy cement. Further, hard rock was met with after a certain depth. The reports on the soil tests conducted initially by National Research Development Council (NRDC) Hyderabad in March 1984 and subsequently in April 1984 by the Jawaharlal Nehru Technology University, Hyderabad differed and were referred to the Senior Surveyor of Works (SSW), Madras. The drawings for footing and foundations were revised in September 1984. Also some temples situated in the compound of the first block was to be demolished, but the local people obtained stay from a court. The structural drawing of the basement roof was modified in December 1985 though the drawings had been revised in July 1983, because of the resistance to the demolition of temples.

During the 33 months of delay expenditure of Rs.28.86 lakhs was incurred on rented buildings till the departmental building was completed.

The matter was reported to the Ministry in September 1991; their reply is awaited (January 1992).

#### **4.1.2 Delay in construction of postal buildings**

The International Airport Authority of India (IAAI) allotted (January 1983) a plot of land measuring 13855 sq.metres in the new international terminal complex at New Delhi for constructing a post office, a sorting office, administrative offices and residential accommodation for essential postal staff. The possession of the land was taken by the Department in March 1984 under licence for a period of 30 years. Approval to the drawings for the buildings is awaited

from IAAI for over 7 years (since September 1986) because of the Department's stand that allotment is to be on lease basis and not under licence. However, licence fee amounting to Rs.49.90 lakhs (upto March 1992) had been paid by the Department.

The matter was referred to the Ministry in July 1991; their reply is awaited (December 1991)

#### **4.1.3 Unutilised accommodation**

In an Industrial Estate a Post Office, was functioning in a hired building and a monthly rent of Rs.2.32 per sq. metre for 108 sq. metre was being paid since January 1966. As the building was to be demolished 472 sq. metres in a new building was offered by the owner in January 1989, for housing the post office and for a residence for the postmaster but at a monthly rent of Rs.15 per sq. metre. Department needed only 250 sq. metres. Rent for surplus space was quoted at Rs.40 per sq. metre. Surplus space of 201 sq. metres remained vacant from February 1985 to October 1989.

Poor planning led to non-utilisation of part of hired accommodation for over four years resulting in infructuous expenditure of Rs.4.52 lakhs.

The matter was reported to the Ministry in May 1991; their reply is awaited (December 1991).

#### **4.2 Staff Quarters**

##### **4.2.1 Cost and time overrun in construction of staff quarters**

The Department sanctioned in October 1977, the construction of 90 staff quarters in Orissa Circle at an estimated cost of Rs.42.24 lakhs. The work was entrusted to a contractor in August 1978, at Rs.28.29 lakhs which was 41.32 per cent above the tendered

cost, for completion by November 1979, work was completed after six years in July 1986, and at a cost of Rs.48.34 lakhs.

Of over 6 years, delay of about three years was attributed to Department and was due to (a) late finalisation and supply of foundation and structural drawings by the Department and non-finalisation of standards for plinth area (b) delay in white washing and colour washing due to delay in completion of electrical work, (c) delay in obtaining power and water connection and (d) change in scope i.e. supply of door shutters instead of factory made panel shutters.

Delay of about four years was attributable to the contractor on which penalty was to be imposed. But, no penalty was imposed and the final payment was made to the contractor in May 1988 and his security deposit also released; his bank guarantee had also expired. Department stated (December 1990) that normally final payment and security deposit should not be released until extension of time is approved. The circumstances under which they were released were being enquired into.

The quarters completed in July 1986, could not be allotted till July 1987 due to non-availability of electricity and water which were provided in June and July 1987 only. Delays ranging between one and 33 months occurred in the allotment of quarters even after it commenced from July 1987.

The Department attributed the delay in allotment to the time taken in calling for applications and observing the formalities before issue of allotment orders, delay in obtaining of details of staff strength of Telecom traffic and coaxial wings.

Rent of Rs.0.20 lakh was lost due to delay in allotment of the quarters and

avoidable payment of house rent allowance of Rs.0.35 lakh was also made.

The matter was reported to the Ministry in August 1991; their reply is awaited (January 1992)

#### **4.2.2 Payment for land without decision on price or delivery**

At the instance of the Department the State Government of Andhra Pradesh approved, in May 1985, the sale of a plot of land measuring 2.6 acres, owned by a temple, to the Department for Rs.10.40 lakhs. The land under cultivation by a tenant, was selected for construction of a Head Post Office building and staff quarters. But tenant was not willing to vacate. The Department though aware of it, paid Rs.10.40 lakhs to the temple authorities in March 1989, as cost of land based on an evaluation by the Collector of the district.

In February 1988 the Department understood from the sub-registrar of land records that the value of the land had gone upto about Rs.25 lakhs. A further sum of Rs.29.60 lakhs was paid in March 1990 based on an evaluation by the Commissioner of Endowments (for temple lands) which was wrongly understood by the Department to be Rs.40 lakhs. The Department paid Rs.40 lakhs in two instalments knowing that early possession of the land may not materialise.

The Commissioner of Endowments, of the State Government, valued the land at Rs.65 lakhs in July 1990. But the Department asked him to scale it down to Rs.50 lakhs in October 1990 on the plea that a higher price would require approval of Parliament.

The manner of procurement of land in this case, without verification of the reasonableness of its price, and making of



payments in advance of the verification of the reasonableness of price and without assurance on delivery or possession would indicate a departure from the prescribed procedure for acquisition of land by Government departments.

The matter was reported to the Ministry in September 1991; their reply is awaited (December 1991)

#### **4.3 Bag washing plant**

Delay in commissioning of a bag washing plant at Bhubaneswar set up with investment of Rs.7.21 lakhs was commented upon in Paragraph 5 of the Report of Comptroller and Auditor General of India for the year ended 31 March 1988, No.4 of 1989, Union Government (Posts and Telecommunications). The Department stated in November 1988 that the plant would be installed shortly.

A firm was appointed by the Director General, Supplies and Disposals (DGS&D) in November 1984 for setting up the plant on turn key basis, but the firm left the work incomplete in December 1987. The DGS&D decided to get the balance work, done at the risk and cost of the defaulting firm. The balance work was entrusted in August 1989, to another firm which completed it in April 1990 at a cost of Rs.1.21 lakhs, inclusive of Rs.0.52 lakh for additional items. The extra expenditure of Rs. 0.65 lakh at risk and cost of former firm has not been recovered by DGS&D.

The plant commissioned in April 1990 could not be operated for want of operational staff. Further, the Department incurred recurring expenditure of Rs.2.50 lakhs on water, electricity and watch and ward from February 1986 to February 1991.

The matter was referred to the Ministry in June 1991; their reply is awaited (December 1991).

#### 4.4 Procurement of medicines

63 Posts and Telecommunications dispensaries are run by the Department at 48 stations in the country and expenditure on them is accounted for in the books of Department of Posts. Only outdoor medical facilities are provided to the employees and pensioners of the Department in the dispensaries. Expenditure on them in recent years was as under:-

Year	Expenditure (Rs. in crores)
1986-87	6.62
1987-88	6.64
1988-89	10.10
1989-90	11.04
1990-91	10.26

In the 6 dispensaries at Chapra, Darbhanga, Dhanbad, Gaya, Muzaffarpur and Ranchi in Bihar following irregularities were noticed.

(i) Departmental instructions issued in September 1987 require that non-intravenous (NIV) items should not be purchased locally but should be sent to the Postal Directorate for arranging procurement. But such indents were not sent to Directorate and NIV items costing Rs.55.19 lakhs were purchased locally in 1989-90. They constituted over 71 per cent of all the medicines including NIV items procured during the year.

(ii) Though a Purchase Committee was formed in Bihar Circle in January 1989, NIV items

costing Rs.8.99 lakhs out of Rs.55.19 lakhs mentioned above, were purchased without the approval of the Committee. The circumstances under which such purchases were made were not intimated to Audit (December 1991).

(iii) Proprietary items of medicines not included in the Posts and Telecommunications (P&T) formulary and costing Rs.5.11 lakhs were purchased in 1989-90 instead of the substitutes mentioned in the formulary. It resulted in avoidable extra expenditure of Rs.1.64 lakhs.

(iv) Instructions had been issued in December 1982 prohibiting the supply of preparations classified as food, tonics, toilet preparations, disinfectants and other elegant and proprietary preparations through the dispensaries. In May 1988, the Department emphasised the need for utmost economy in expenditure in prescribing tonics, vitamins, enzymes and expectorants, for local purchase and limiting them to cases of absolute necessity. But medicines worth Rs.16 lakhs were purchased locally in 1989-90. The reasons for the local purchases were not on record, nor were they made available, though requested for by Audit.

(v) According to departmental instructions issued in July 1988 and October 1989, the rates for the medicines were required to be approved by indentor before actual supply, if prices were enhanced. But in 1989-90 purchases at enhanced rates were made without such rates being so approved either prior to or after the purchase. This resulted in irregular purchases for Rs.6.27 lakhs.

(vi) Administrative instructions issued in August 1975 provide that Government Medical Store Depot would bear the loss on short or damaged supply received, if the claim is preferred within three months from the date

of despatch or 15 days of receipt of medicines, whichever is earlier. Medicines worth Rs.0.33 lakh were received short or in damaged condition in Chapra dispensary in 1989-90. But no compensation claim for the short or damaged medicines was preferred. Medicines costing Rs.0.24 lakh were lost from stock due to poor roofing of the dispensary building. But the fact was not reported to the higher authorities for investigation or write off.

The cost of medicine found short and damaged was Rs.0.65 lakh and Rs.0.59 lakh respectively in the six dispensaries.

The matter was reported to the Ministry in August 1991; reply is awaited (December 1991).

#### **4.5 Excess payment of service charges**

According to Article 285 of the Constitution of India, the property of the Government of India are exempt from all taxes imposed by any authority within a State. The Government of Tamil Nadu issued orders in June 1975, indicating the manner in which service charges in lieu of property tax were to be levied. Pursuant to a decision taken by the Union Ministry of Finance to compensate local bodies for providing specific services like water, drainage and scavenging, but excluding educational, medical and public health services.

On a non-residential postal building at Virudhunagar (Tamil Nadu) constructed in 1980-81, service charges were levied and assessed by the Municipality and were paid by the Department. But Rs.1.54 lakhs was paid in excess by the department for the years from 1980-81 to 1988-89.

The Department stated (June 1991) that steps were being taken to recover the amount

either by way of refund or adjustment against future dues. Details of adjustment or refund are awaited ( August 1991).

The matter was referred to the Ministry in September 1991; their reply is awaited (December 1991).

DEPARTMENT OF INFORMATION TECHNOLOGY

DEPARTMENT OF TELECOMMUNICATIONS

(1997-1998)  
The Department of Telecommunications is pleased to announce that it has received a grant from the National Science Foundation to support research in the area of...  
The grant will be used to support the following activities:  
1. Purchase of equipment for the research project.  
2. Travel expenses for the principal investigator and other researchers.  
3. Salary support for the principal investigator and other researchers.  
4. Support for the purchase of a research assistant.  
5. Support for the purchase of a research assistant.  
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## CHAPTER 5

### ACCOUNTS OF THE DEPARTMENT OF

#### TELECOMMUNICATIONS

##### 5.1 Objectives of the Department

The main objectives of the Department of Telecommunications is the planning, engineering, installation, operation and maintenance of voice and non-voice telecommunication services all over India and with other countries. The Department manages frequency allocation in the field of radio communications and coordinates with the international bodies in such matters. It enforces wireless regulatory measures and monitors wireless transmissions.

The Department functions under a Telecommunication Commission with four full time and four part time members and a Chairman who is also Secretary to the Government of India in the Department of Telecommunications. It also controls the following public sector undertakings:

- (i) Mahanagar Telephone Nigam Limited, New Delhi.
- (ii) Videsh Sanchar Nigam Limited, Bombay.
- (iii) Indian Telephone Industries Limited, who manufacture telecommunication equipment such as telephone instruments, transmission equipment, exchange equipment etc.
- (iv) Hindustan Teleprinters Limited.
- (v) Telecommunication Consultants India Limited.

##### 5.2 Operating ratio

The operating ratio i.e. the ratio of working expenses to the revenue earned improved from 73.3 per cent in 1987-88 to 54.5 per cent in 1990-91.

### 5.3 Growth in telephone traffic and capacity

In recent years the Telecommunication tariffs were revised upward in December 1986, April 1988 and April 1990. Despite increase in tariff, both national and international traffic and the revenue receipts of the Department have grown during the year 1990-91 over the last three years as indicated below:

	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>
1. No. of telephone metered call units (in crores)*	1933.4	2027.6	2153.9	2389.7
2. No. of Direct Exchange lines (DEL) Telephones (in thousands)	3800.8	4166.5	4589.5	5074.7
3. No. of metered calls per DEL	5306.0	5090.0	4920.0	4709.0
4. No. of effective trunk calls (in crores)**	20.9	20.4	22.0	17.9
5. Telephone paid minutes in international trunk calls (in crores)***	17.7	23.5	30.7	36.9

\* Includes subscriber dialled trunk calls inland and international.

\*\* Excludes Subscriber dialled trunk calls.

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

The falling trend in operators assisted trunk calls (Serial No.4 above) would, to some extent, be due to the growth in number of Direct Exchange Lines (telephone) connected to subscriber trunk dialling (STD) facilities, which was on only 1.4 lakhs out of 45.89 lakhs direct exchange line



connections as on 31st March 1990 and had gone up by 31st March 1991 (the figure is awaited from the Department). The falling trend would therefore be more the result of increase in tariff for trunk calls i.e. demand elasticity to tariff. The important changes in the telephone tariffs in the last four years are given in Appendix II. The falling trend in number of metered calls, including subscriber trunk dialled (STD) calls, per direct exchange line (which went down from 5090 in 1988-89 to 4920 in 1989-90 and to 4709 in 1990-91) would also indicate that the inelasticity of demand to the tariff rate no longer exists. Therefore, for the future, studies on demand elasticity to tariff (region specific) may need to be carried out alongside efforts to bring down cost of providing telecommunication services. This is also borne out by the figures for the 4 Metropolitan cities for 1990-91 and 1989-90 given below where Bombay and Delhi have far more DEL than Calcutta and Madras.

Calls per DEL in Metropolitan Cities

	<u>Bombay</u>	<u>Calcutta</u>	<u>Delhi</u>	<u>Madras</u>	<u>Total</u>
Total Metered Call					
units(thousands)					
1990-91	2383502	1519304	3942528	1653361	9498695
1989-90	2377919	1452783	3697837	1456656	8985195
Direct Exchange					
Lines (DEL)					
as on 31-3-91	699097	258882	520562	174296	1652837
as on 31-3-90	651951	248698	458553	160543	1519745
No. of metered call					
units per DEL					
1990-91	3409	5869	7574	9486	5747
1989-90	3647	5842	8064	9073	5912
Rise or fall in					
1990-91 over 1989-90	(-)238	27	(-)490	413	(-)165

The negative or small increase in average revenue per direct exchange line in some areas of the country in 1989-90 over 1988-89 (in which years the tariffs remained the same), given below, also bear this out.

Increase in revenue per direct exchange line telephone

<u>Name of Circle</u>	<u>Average revenue per DEL per annum</u> (on billed basis)		
	1988-89 (in Rs per DEL)	1989-90	Increase percentage
Uttar Pradesh	4735	5369	13.39
Calcutta	6569	7202	9.64
North East	5542	6056	9.27
Tamil Nadu	5697	6195	8.74
Rajasthan	5826	6319	8.46
Madhya Pradesh	6032	6514	7.99
Madras	10042	10835	7.90
Karnataka	6825	7356	7.78
Punjab	6491	6941	6.93
Haryana	4734	5060	6.89
Maharashtra	6303	6678	5.95
Bihar	4790	5019	4.78
Kerala	4790	4989	4.15
Gujarat	6120	6371	4.10
Orissa	5544	5765	3.99
Andhra Pradesh	6977	7141	2.35
Himachal Pradesh	3931	4019	2.08
West Bengal	3877	3804	(-) 1.88
Jammu & Kashmir	7139	6712	(-) 5.14
Assam	8149	6812	(-) 16.41

Note: Telephones in Bombay and Delhi have gone under Mahanagar Telephone Nigam, a public sector undertaking from 1st April 1986.

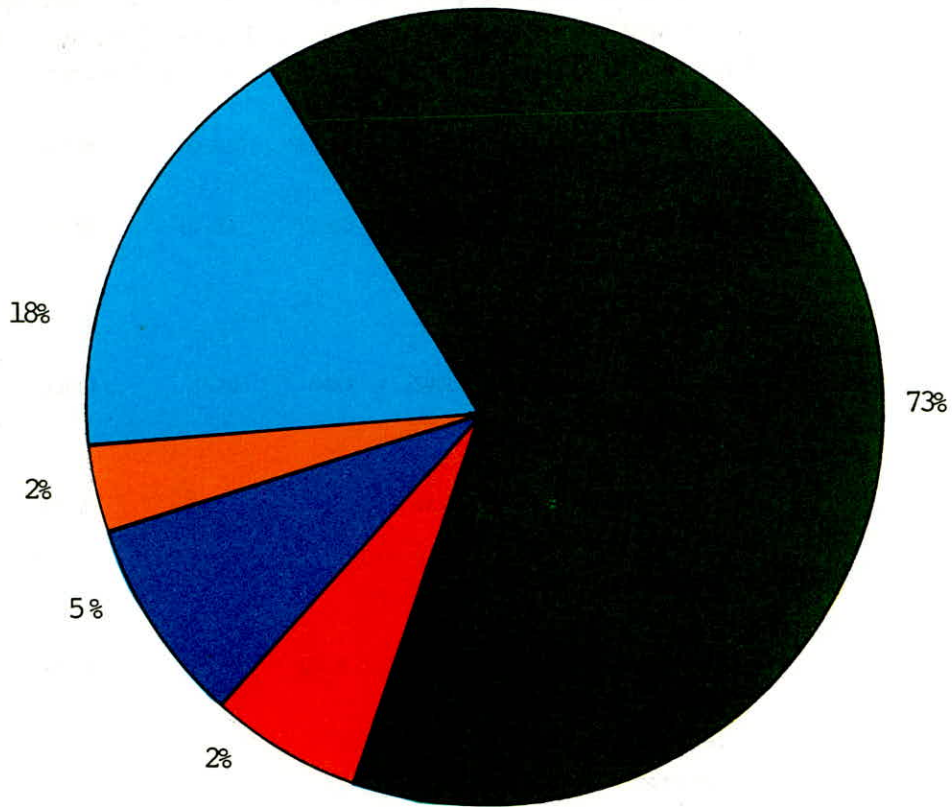
#### 5.4 Fall in Telegram and Telex traffic

As in the case of telephones, the number of telex calls per telex line started showing a downward trend (see tables below) though there was some improvement in 1990-91






	1987-88	1988-89	1989-90	1990-91
1. No. of telex metered call units (in crores)	35.98	38.87	43.45	47.05
2. No. of telex calls per working line	10092	9890	9571	10046
3. No. of inland telegrams booked (in crores)	7.35	6.91	7.05	5.89
4. Telex paid minutes on international telexes (in crores)	5.50	5.20	5.10	4.70
5. Telegram paid words in international telegrams (in crores)	9.00	7.20	6.70	5.31
6. Photo telegraph in square cms in international telegrams (in million)	0.93	1.04	0.69	0.40

In case of telex also, region specific studies on elasticity of demand to tariff rates would seem desirable. The fall in number of telegrams booked also indicates need for a similar study if the department is to realise optimum revenue from the investments already made and those in the pipeline.

REVENUE REALISATION DURING 1990-91  
DEPARTMENT OF TELECOMMUNICATIONS



(Rs. in crores)

2474		Telephone rentals, and call charges
614		Net Receipts from MTNL, and other telephone/telegraph administrations and other receipts
81		Telegram charges
160		Rent of wires and instruments leased to Railways, Canals and others etc.
76		Telex rental and call charges

3405

## 5.5 Revenue receipts

The receipts of the Department during the year 1990-91 vis a vis receipts during the preceding three years are given below:

Major Head	1987-88	1988-89	1989-90	1990-91
	(Rs. in crores)			
Telephone rentals, and call charges	1282	1726	2050	2474
Telex rental and call charges	67	60	57	76
Telegram receipts	86	101	93	81
Rent of wires and instruments leased to Railways, Canals and others etc.	48	61	82	160
Receipts from other telephone/telegraph administrations	61	64	307	768
Receipts from MTNL	287	415	571	585
Other Receipts	32	14	41	71
Less payments to other telephone/telegraph administrations	(-)162	(-) 83	(-)360	(-)810
Total	1701	2358	2841	3405

MTNL - Mahanagar Telephone Nigam Limited

It is clear from the above figures that the financial health of Telecommunications Department depends almost entirely on the Telephone services provided by it and the continuing demand for it at the rates charged.

### 5.6 Increase in capacity and utilisation of Telephone connections

The availability of telephone connections in the country and their utilisation by Department of Telecommunications (DOT), as at the end of last four years is given below. The figures for the four Metros ( of which two are under the Department and two under MTNL) are also given.

Year	Equipped capacity of DOT (in lakh lines)	Working connections of DOT	Percentage utilisation of equipped capacity by DOT	Percentage utilisation of equipped capacity in Metros				
				Bombay	Calcutta	Delhi	Madras	Total
1987-88	43.29	38.01	87.8	84.90	87.50	87.80	87.60	86.50
1988-89	47.97	41.74	87.0	85.00	82.80	89.30	92.80	86.60
1989-90	52.64	45.89	87.2	88.14	86.61	84.70	89.07	86.92
1990-91	58.24	50.75	87.1	88.71	83.77	85.66	92.93	87.34

Capacity utilisation continued to remain around 87 per cent in DOT, against the feasible utilisation 92 per cent as per the departmental instructions. The achievement of capacity utilisation of 92.93 percent in Madras Metro indicates that 5 to 6 per cent increase in capacity utilisation is possible and it could provide for additional 2.5 lakh connections without any further investment.

### 5.7 Demand satisfaction for telephones

The waiting list for telephone connections increased from 13.00 lakhs in March 1988, to 19.59 lakhs in March 1991, as detailed below:

	Bombay	Calcutta	Delhi	Madras	Other stations	Total
	-----					
	(in lakhs)					
31st March 1988	2.10	0.40	1.88	0.45	8.17	13.00
31st March 1989	1.92	0.32	2.32	0.51	9.13	14.20
31st March 1990	2.24	0.35	2.65	0.63	11.30	17.17
31st March 1991	2.31	0.41	2.97	0.73	13.17	19.59

The annual rate of increase in the capacity for telephone connections is at the rate of around 5 lakh connections per year as evidenced by the trend of increase in equipped capacity given in para 5.6 above. The average increase per year in the waiting list is 2.2 lakhs. If production units have to be kept supplied with orders, DOT needs to stimulate demand further by going into the overall economics of providing more telephones by reducing tariffs, so that overall revenue increases. Also more and better availability of telecommunication could curtail use of energy for passenger transportation by air, rail and road.

### 5.8 Plans for expansion

The targets for expansion of telecommunication facilities and achievement during 1990-91 vis-a-vis the two preceding years are given below:

Sl. No	Item	Targets Achievement		Targets Achievement		Targets Achievement	
		1990-91	1990-91	1989-90	1989-90	1988-89	1988-89
1	Switching Capacity (lakh lines)	6.50	5.70	5.10	4.72	5.10	4.65
2	Direct Exchange Lines (lakh lines)	5.50	4.84	4.04	4.18	4.04	3.76
3	Coaxial Cables (Route Kms)	3172	1589	1307	1186	1307	664
4	Microwave system (Route Kms)	3482	1173	800	2940	800	838
5	UHF system (Route Kms)	2420	2525	2000	3810	2000	1305
6	Optical Fibre System (Route Kms)	5493	1900	-	2323	-	-
7	Telex Exchanges	30	34	22	46	22	38
8	Telex Capacity Lines						
	Local	1766	1806	10462	1020	10462	2358
	Transit	1626	1551	3090	782	3090	782

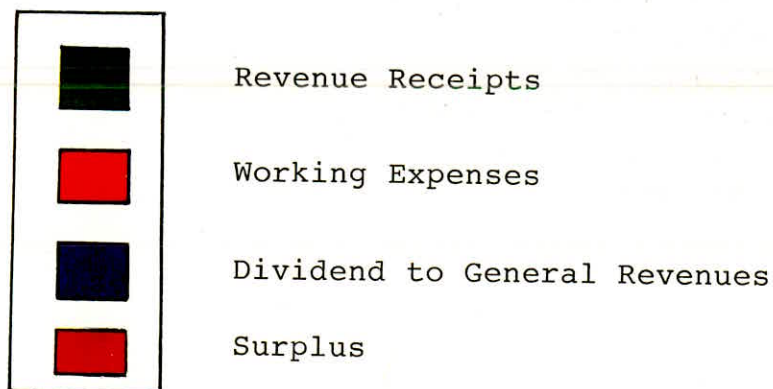
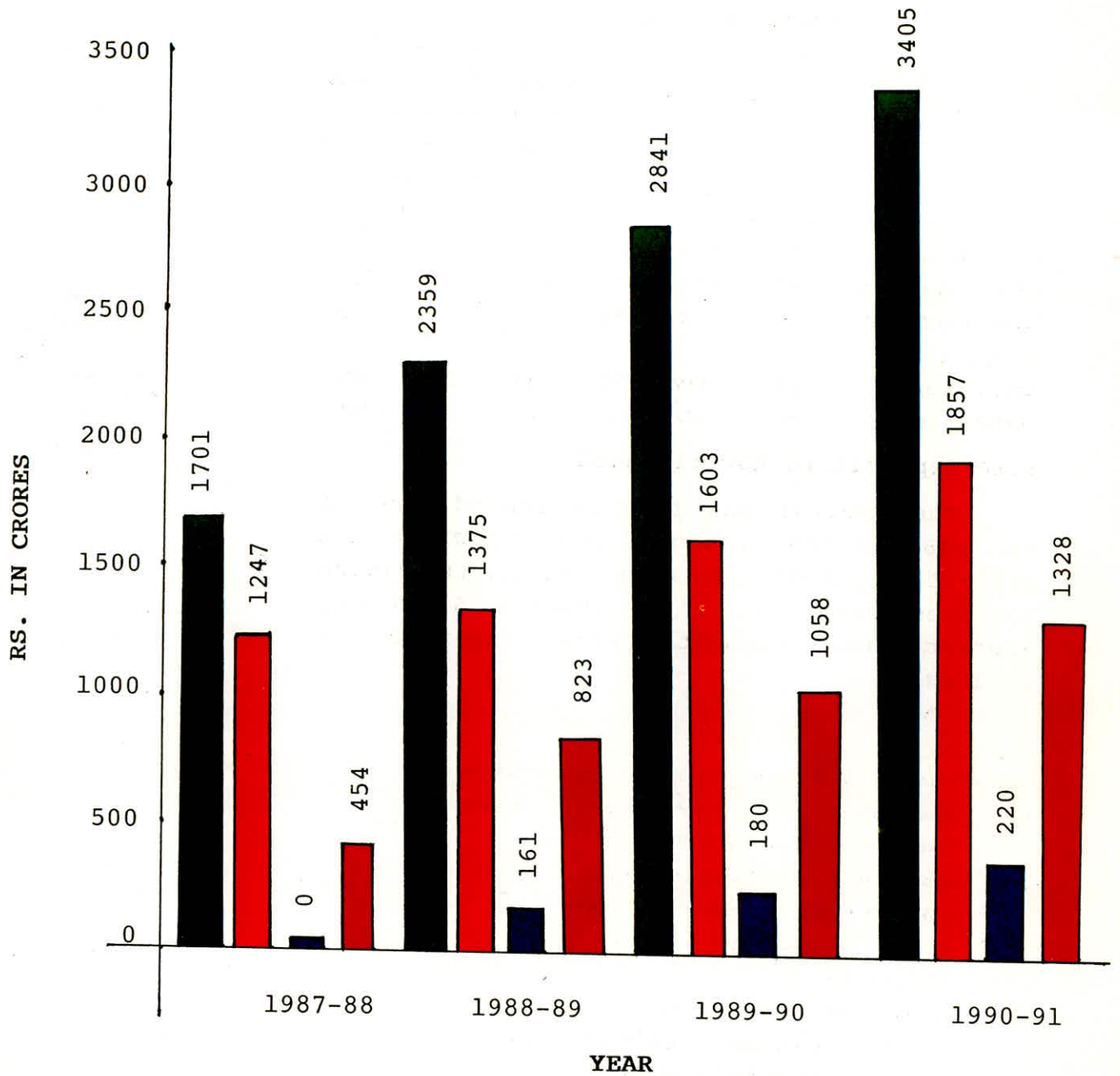
The shortfall in achievement in laying coaxial cables worsened to 50 per cent in 1990-91 as compared to 10 per cent in 1989-90. In microwave system the achievement during 1990-91 was 34 per cent while it was 367 per cent in 1989-90 and 105 per cent in 1988-89. This indicates fall in performance. The targets fixed for some of the earlier years were low. There is need to fix targets realistically to be able to judge achievement.

### 5.9 Financial results

Working results of the Department in the Year 1990-91 and previous three years are



**FINANCIAL RESULTS**  
**DEPARTMENT OF TELECOMMUNICATIONS**



given below:

	1987-88	1988-89	1989-90	1990-91		
				Budget Estimates (BE)	Revised Estimates (RE)	Actuals
Revenue Receipts	1701	2359	2841	3943	3570	3405
Net working expenses	1247	1375	1603	2070	1935	1857
Dividend to General	-	161	180	198	204	220
Revenues						
Total expenditure	1247	1536	1783	2268	2139	2077
Surplus	454	823	1058	1675	1431	1328

### 5.10 Expenditure how financed

The capital and revenue expenditure of Rs. 2480.79 crores and Rs.3629.33 crores in 1990-91 in Grant No.11 on Telecommunication Services referred to in Chapter 6 on the Appropriation Accounts were financed as follows:

#### Rs. Crores

Capital Major Head-5225-Capital Outlay on Telecommunications

(i)	Amount transferred from revenue account towards depreciation (3225-60-009)	387.90
(ii)	Appropriation from surplus (from Head 3231-101) to Capital Reserve Fund (Head 8118-105) and drawing the same amount from the Fund	1310.45
(iii)	(a) Return of loan by MTNL directly taken as minus Capital expenditure under head 5225-80-901-deduct)	20.00
	(b) Capital receipts of OYT deposits (Head 4000-02-101) appropriated (through Head 40001-02-901)	14.17
	(c) Capital receipt of general and special category telephone deposits (Head 4001-02-103) appropriated (through Head 4000-02-901)	13.22

(d) Capital receipts of telex deposits (Head 4000-02-105) appropriated (through Head 4002-02-901)	1.65	
(e) By using interest bearing deposits received from MTNL for Telecom projects (Head 8342-115 by transferring it as minus capital expenditure to head 5225-80-901)	172.00	
(iv) Capital receipts of Tatkal Telephone scheme deposits (Head 4000-02-105) appropriated (through Head 4000-02-901)	4.72	
(v) Capitalised stores issued from past years' purchases under		
(a) General Stores	133.24	
(b) Factory Stores	1.88	
(c) Civil Engineering Stores	0.55	
(d) Stores sold/written off	0.40	
(e) Manufacturing suspense	22.94	
(vi) Net budgetory support from the Capital head	383.10	2466.22
	-----	
Capital Major Head 4859-Capital outlay on HTL (equity)		4.00
Capital Major Head 6853-Loan to HTL		0.63
Capital Major Head 7225-Loan to MTNL		<u>9.94</u>
Total Capital expenditure		<u>2480.79</u>
Revenue Major Head 3225-by value of cost of stores sold and overhead charges met from other heads by transfer to head 3225		207.54
Revenue Major Head 3225-expenditure on Telecommunication services met from budget		1856.95
Revenue Major Head 3230-101 Dividend to General Revenues, met from budget		220.27
Revenue Major Head 3231-101- from budget by appropriation of P&T Surplus to Capital		1310.45

Reserve Fund (8118-105)	
Revenue Major Head 3231-102- from budget by appropriation of P&T Surplus to Revenue	
Reserve Fund (8116-105)	17.12
Revenue Major Head 3275-other Communication	
Services-grants-in-aid to C-Dot, met from budget	17.00
	-----
Total Revenue Expenditure	3629.33
	-----

The following mistakes and discrepancies in the Finance Accounts in relation to the above Appropriation Accounts need to be rectified.

(a) The loans of Rs.20 crores received back from MTNL should have been credited to the loan head of account 7275-190, the same head from which a loan of Rs.9.94 crores was released to MTNL in 1990-91. The utilisation of loan received back without passing it through the loan head of account in the Finance Accounts renders the Finance Accounts presented to Parliament to that extent untrue under the loan heads. The mistake of the loan head 7275-190 not reflecting the amount due from MTNL is commented upon in the next paragraph.

(b) The transfer of interest bearing deposits received from MTNL to the extent of Rs.172 crores as a minus capital expenditure presumes that the money is not required to be returned to MTNL. Also on the amount, so transferred, no further interest can be paid to MTNL, because the amount is no longer standing under the deposit head of account. If the capital expenditure and assets created are to be transferred to the MTNL, the transfer as minus capital expenditure would be in order, but when the assets are, in fact, transferred to MTNL the minus capital

expenditure and the capital expenditure on assets created will need to be cancelled out under the capital head 5225. But, from the description in accounts, it appears that money has been borrowed by DOT from MTNL for creating assets for DOT. If so, amounts cannot be lapsed from the deposit head of account in the Public Account to the capital head as minus expenditure and budgetary support of Rs.172 crores should have been sought.

(c) In the Finance Accounts progressive value of stores are reflected as minus under Head 5225 at various places and sought to be explained as more issue of stores. Since more stores cannot be issued than received cummulatively, the minus balance is the result of fixing issue prices of stores higher than their purchase prices. Apparently registers of assets, listing all assets created out of the progressive capital expenditure of around Rs.13565 crores as on 31st March 1991 has not been reviewed and checked with physical assets periodically. The excess issue prices have not been set off against some of the assets alongwith depreciation in order to reduce their book value. Also assets not in existence have not been written off. A certificate needs to be given in the Finance Accounts every year on the review and physical verification of assets and agreeing their value with the progressive figure in the Finance Accounts, under Capital outlay on telecommunication services (Head 5225) as well as Capital Head 4859-01-Capital outlay on telecommunication industries and 5275-Capital Outlay on other communication services.

(d) The grant-in-aid of Rs.17 crores stated in Appropriation Accounts as having been paid to C-DOT from out of the Major Head 3275-other Communication Services, is not so reflected in the Finance Accounts. Apparently, out of Rs.17.12 crores appropriated from Posts and Telecommunications surplus from Major Head 3231-102, to Major Head 8116-105-Revenue Reserve Fund a sum of Rs.17 crores was transferred as grant-in-aid to C-DOT without passing it through the Head 3275 as intended while seeking grant from Parliament. The Finance Accounts reflects the total expenditure in 1990-91 from the Head 3275 at only Rs.8.15 crores. The Finance Accounts needs to reflect the approvals in the Appropriation Accounts, truly.

#### **5.11 Investments in public sector undertakings**

The total investment as on 31st March 1991 in the 5 public sector undertakings controlled by the Department and dividends proposed for the year 1990-91 are given below as per figures furnished by the Department. No bonus shares have been issued by any of the undertakings, so far, from out of their free reserves; though the Government is Majority shareholder in all the undertakings. The rate of return to the Department by way of dividend has been calculated on the subscribed capital only.

Sl. No.	Name of the public sector undertaking	Share capital	Free Reserves	Dividend for 90-91 *	Rate of return (percentage)	Loans from Government out-standing as on 31-3-1991	Interest received on loans in 1990-91
				(Rs. in crores)		(Rs. in crores)	
1.	Mahanagar Telephone Nigam, Limited	600.00	430.93	36.00	6	237.00	43.21
2.	Videsh Sanchar Nigam, Limited	60.00	285.19	18.00	30	-	-
3.	Indian Telephone Industries, Limited	90.31	211.93	5.28	6	33.94	5.05
4.	Hindustan Teleprinters, Limited	12.00	11.99	0.24	2	3.59	nil
5.	Telecommunications consultants India, Limited	0.60	51.86	0.18	30	-	-
	Total	762.91				274.53	

Note:\* Figures indicated are the dividend proposed for 1991 likely to be received in accounts for 1991-92.

Progressive total capital outlay (investment) in Public Sector and other Undertakings of Telecommunication industries as on 31st March 1991 is given in Finance Accounts as Rs.4.58 crores (Head 4859-01-190) and Rs.97.43 crores on other expenditure (Head 4859-01-800). This does not agree with figures of Rs.12 crores given by the department as equity investment in Hindustan Teleprinters Ltd. (HTL) and Rs.90.31 crores in Indian Telephone Industries (ITI). The

equity investment in Videsh Sanchar Nigam Ltd (VSNL) and Telecommunication Consultants of India Ltd. (TCIL) also similarly need to be truly reflected in the Finance Accounts, by making suitable interhead transfer entries in the Capital heads of accounts and names of public sector undertakings listed under the heads (as will make the Finance Accounts functionally useful like the balance sheet of a corporate entity).

The progressive total of loans given to Public Sector and other undertakings of Telecommunication Industries as on 31st March 1991 is given in Finance Accounts as Rs.29.65 crores (Head 6859-01-190). This does not agree with figure of Rs. 3.59 crores outstanding with HTL and Rs. 33.94 crores outstanding with ITI as given out by the department.

the loan of Rs. 9.94 crores given to MTNL in 1990-91 has been reflected in the Finance Accounts for 1990-91 under loans for other Communication Services (Head 7275-190 loans to Public Sector and other Undertakings). But the total loan of Rs.237 crores outstanding with MTNL as on 31st March 1991, as given out by the Department is not reflected under this head in the Finance Accounts for 1990-91 which reflects only a figure of Rs. 54.92 crores, in all, under head 7275. The Finance accounts need to be rectified immediately by passing necessary transfer and adjusting entries.

Mahanagar Telephone Nigam Limited (NTNL) took over the telephone and telex operations in the cities of Bombay and Delhi, as a running concern, from the Department of



Telecommunications (DOT) with effect from 1st April 1986. The assets of Bombay and Delhi Telephones were provisionally, assessed at Rs. 900 crores (excluding the cost of staff quarters and certain administrative buildings). Shares of MTNL for Rs. 600 crores were allotted to DOT in consideration of the transfer of the assets and also Rs.300 crores of interest bearing loans at interest of 14 per-cent per annum was agreed as having been taken by MTNL from DOT towards the balance amount of Rs.300 crores payable to DOT. The loan was repayable in 15 annual instalments. The authorised capital of MTNL as on 31st March 1991 was Rs.800 crores and the subscribed capital Rs.600 crores-DOT was the sole owner of MTNL.

The cost of fixed assets and capital work-in-progress transferred to MTNL was assessed on 16th November 1990 at Rs.917 crores. Recovery of Rs. 17 crores representing the balance due, including cost of staff quarters and certain administrative buildings, is still to be effected from MTNL.

The fact of assets transferred are still to be reflected by DOT in the Finance Accounts. This has to be done by cancelling out the asset value and minus capital expenditure on account of capital receipt of equity shares and loan bonds, reflected or to be reflected into the Capital Head (5225-Capital Outlay on Telecommunication Services in Government account). The progressive total in the Capital Head stood at Rs.13565 crores gross (Rs.3628 crores net of depreciation and capital expenditure met from other sources as on 31st March 1991). The certificate that the

register of assets have been verified by reference to physical assets and the total value therein agrees with figure in the Capital Head also needs to be brought on record by the Department. Consequential adjustment is needed in Government account of reduction in Capital Head under head 5225 by Rs. 900 crores and crediting Rs.600 crores to the Capital Head (4859-01-190-Capital Outlay investments in Public Sector Undertaking) and crediting Rs.300 crores to the loan head (6859-190-loans for Telecommunication Industries). The recovery of loans from MTNL (Rs.63 crores as given above instead of Rs. 80 crores for four years at Rs.20 crores per year) have also to be credited into loan head and minus debited to capital expenditure head. These are rectifications in account which need to be done. It needs to be verified that interest recovered on loan has been credited under head 0049-190 and not minus debited to Capital head. The Overseas Communication Services (a part of DOT), a running concern, was set up as a Public Sector Undertaking, the Videsh Sanchar Nigam Limited (VSNL) with effect from 1st April 1986. The assets of DOT were transferred to VSNL in the same way as MTNL and DOT acquired shares for Rs.60 crores in VSNL as the sole owner. The assessment of value of assets transferred and consequential accounts adjustments need to be made in Finance Accounts in respect of VSNL in the same way as it is to be done in respect of MTNL.

**5.12 Adjustments to be done or additional information to be given in Finance Accounts.**

In the Finance Accounts in the balances outstanding under the following Debt, loan, advance, deposit, suspense and Remittance heads, action needs to be taken as indicated in the remarks column.

Head of Account	Amount outstanding at end of year				Remarks
	(Rs. in crores)				
	1990-91	1989-90	1988-89	1987-88	
8447-Telecommu- nication deposits	120.45	108.69	94.21	84.12	Yearwise breakup of deposits needs to be given in Finance Accounts along with reasons for not returning or lapsing old unrecovered deposits to government revenues.
8554-101- Telecom. Advances	512.33	308.16	135.71	56.66	The reasons for the advances given, going up so steeply needs to be given in the finance accounts. Such expenditure from the Public Account are not subject to control of Parliament through Appropriation Accounts. The head is meant for small unforeseen payments to be made as recoverable advances. Yearwise break up of advances and reasons for not recovering or writing off old unrecovered advances need to be given.

8658-106-	1282.10	824.94	775.88	462.31	The amounts under this head represent expenditure which has not been booked to heads of account for which grants are obtained from Parliament. Keeping such expenditure outside the final heads results in savings in grants or avoidance of excess expenditure over the grant though expenditure has been incurred. Yearwise breakup of such amounts (increasing very fast) amounting almost to half of the annual capital expenditure of the Department needs to be given in Finance Accounts with reasons for non adjustment to final heads.
Telcom.	(Dr)	(Dr)	(Dr)		
Accounts Office					
suspense					

8670-106-	207.97	227.33	108.73	67.02	When expenditure is incurred and cheque is issued in payment this head is given a minus credit and credit is given to the Head 8658-106 Telecommunication Accounts Office Suspense. Credit is given to this head when the cancelled cheque or bank scroll is received from the bank and debit is given to head 8658-106 Telecommunication Account Office Suspense. The clearance of amounts under this suspense heads need to be effected along with balances under head 8658-106 referred to above.
Accounts Office	(Cr)	(Cr)	(Cr)	(Cr)	
Cheques					

8671-103- Departmental balances	60.44 (Dr)	26.98 (Dr)	19.53 (Dr)	16.11 (Dr)	The amounts represent cash balances held by various offices in the department as, on 31st March 1991. The sudden rise in the balance in 1990-91 needs to be looked into and surplus cash balances remitted to the bank.
8782-121- Cash remittances and adjustments between offices rendering accounts to the same Accounts Officer -P&T Remittances	1520.28 (Dr)	1035.14 (Dr)	629.21 (Cr)	490.70 (Dr)	The amounts represent expenditure not booked to final heads for the same reasons as applicable to "8658-Telcom Accounts Office Suspense". Similar action in respect of similar large amounts is required here also.
7275-190- Loans for other Communication Services paid to Public Sector and other Undertakings.	54.92	49.98	NIL	NIL	The figures given here from the Finance Accounts do not agree with the figure of Rs.104.65 crores as on 31st March 1991 given by the Department. Matter requires rectification as indicated in para 5.11 ante.
6859-01-190 Loans to Public Sector and other Undertakings (Telecommunications)	29.65	36.69	46.85	47.08	- do -

## CHAPTER 6

### APPROPRIATION ACCOUNTS TELECOMMUNICATIONS

The expenditure incurred during 1990-91 from the grants and appropriations obtained by the Department of Telecommunications is given below:

	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Expenditure	Saving(-) Excess(+)
-----					
(Rs. in crores)					
<u>Revenue</u>					
Voted	4166.27	-	4166.27	3629.24	(-)537.03
Charged	0.30	-	0.30	0.09	(-) 0.21
<u>Capital</u>					
Voted	2329.99	47.63	2377.62	2480.80	(+)103.18
Charged	0.01	-	0.01	-	(-) 0.01
-----					
Total	6496.57	47.63	6544.20	6110.13	(-)434.07
-----					

The excess of Rs.103 crores in the capital portion of the grant was due to excess of Rs.132 crores (provision Rs.1483 crores) on local Telephone Systems (even after voting of supplementary grant of Rs.33 crores) and Rs.62 crores (provision Rs.190 crores) on stores purchases. The total excess of about Rs.194 crores was offset by savings of Rs.91 crores mostly under Telegraph and telex systems, Telecommunication factories and Computer systems and Administrative office buildings and staff quarters. The net excess of Rs.103.18 crores require regularisation by presenting excess grant for vote of Parliament.

8671-103- Departmental balances	60.44 (Dr)	26.98 (Dr)	19.53 (Dr)	16.11 (Dr)	The amounts represent cash balances held by various offices in the department as, on 31st March 1991. The sudden rise in the balance in 1990-91 needs to be looked into and surplus cash balances remitted to the bank.
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7275-190- Loans for other Communication Services paid to Public Sector and other Undertakings.	54.92	49.98	NIL	NIL	The figures given here from the Finance Accounts do not agree with the figure of Rs.104.65 crores as on 31st March 1991 given by the Department. Matter requires rectification as indicated in para 5.11 ante.
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Charged	0.30	-	0.30	0.09	(-) 0.21
<u>Capital</u>					
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Charged	0.01	-	0.01	-	(-) 0.01
-----					
Total	6496.57	47.63	6544.20	6110.13	(-)434.07
-----					

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The savings of Rs.537 crores under the revenue portion of the grant was mostly under the following sub heads.

(i) Only Rs.1310 crores out of surplus taken to Capital Reserve Fund instead of Rs.1674 crores approved by Parliament.

(ii) Only Rs.17 crores spent on centre for Development of Telematics instead of Rs.50 crores.

(iii) Only Rs.85 crores spent on pensions instead of Rs.150 crores provided for.

(iv) Only Rs.46 crores spent on Petty Engineering works instead of Rs.85 crores provided for.

(v) Only Rs.191 crores paid as interest on bonds instead of Rs.220 crores provided for.

## CHAPTER 7

### REVENUE AUDIT OBSERVATIONS

#### 7.1 Revenue in Arrears

7.1.1 The Revenue in arrears on telephone bills issued during the year and corresponding position in the previous three years are given below:

Year	Arrears as on 1st April	Demand raised during the year	Total demand collected during the year	Amount collected during the year	Arrears at the close of the year	Arrears as on 1st July of the following year	Percentage of column 7 to Column 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(Rs. in crores)							
1987-88	45.44	1333.71	1379.15	1293.43	85.72	49.95	3.62
1988-89	85.72	1761.27	1846.99	1705.02	141.97	82.36	4.46
1989-90	141.97	2068.91	2210.88	2004.66	206.22	124.05	5.61
1990-91	206.22	2546.22	2752.44	2417.11	335.33	192.18	6.98

The arrears as percentage of demands to be collected is showing an increasing trend.

7.1.2 Yearwise break-up of the amount outstanding on 1st July 1991 was as under:

Year	Amount (Rs. in crores)
Upto 1981-82	2.62
1982-83 to 1989-90	75.53
1990-91	114.03
<b>Total</b>	<b>192.18</b>

7.1.3 The following management deficiencies leading to increase in arrears were noticed in Audit:

- (i) delays in advice notes going to the Telecom Revenue Accounts Branch on the provision, shifting and closure of communication facilities;

(ii) non-disconnection of telephones of subscribers who fail to pay their bills within the prescribed period;

(iii) failure to feed the data where the computer is unable to prepare the bills for a telephone connection for want of complete data; and

(iv) non-application of the revised tariffs promptly in preparation of bills.

7.1.4 The Department had to furnish to Audit by 31st August the particulars of revenue outstanding for recovery as at the end of June, though departmental instructions of August 1979 require it. The requisite information was not received even by 30th November 1991 from 23 out of 53 Circles/Telephone Districts.

By category of subscribers claims exceeding Rs. 5000 each in 30 out of 53 Circles/Districts showed that collection from individual subscribers, and Central and State Governments was poor as per details given below:

Category of subscribers	Percentage
Central Government	5.3
State Governments	34.5
Central Public Sector Undertakings	0.4
State Public Sector Undertakings	0.4
Local Bodies	0.2
Other subscribers	59.2

About 59 per cent of the outstanding dues pertained to individual subscribers. These recoveries need regular follow up and vigorous pursuit.

7.1.5 Dues amounting to Rs.18.97 lakhs were written off, during 1990-91, in 32 circles/districts as detailed below:

Dues of Year	Amount (Rs. in lakhs)
Upto 1983-84	1.90
1984-85	0.90
1985-86	1.21
1986-87	1.73
1987-88	2.93
1988-89	2.97
1989-90	3.06
1990-91	4.27
<b>Total</b>	<b>18.97</b>

Reasons for write off were as given below:

Reasons	Per cent
whereabouts of subscribers not known	57
solvency of the subscribers not established	6
closure of subscriber's firms, or concerns	7
death of subscriber	8
departmental files not available	22
and other reasons	----
	100
	----

7.1.6 In 28 Circles/Districts, recovery of Rs.7.07 crores was under litigation as on 1st July 1991. The progressive position was as follows:

	No.	Amount involved (Rs. in crores)
Cases under litigation as on 1st July 1990	5477	5.19
Cases in which litigations were commenced during the period from July 1990 to June 1991	3723	2.83
Cases decided during the period from July 1990 to June 1991	1005	0.95
Cases decided out of above in favour of the Department	680	0.66
Cases under litigation as on 1st July 1991	8195	7.07

The cases decided during the year accounted for eleven per cent of the amount under litigation.

7.1.7 Revenue in arrears for collection on renting, telegraph, teleprinter and telephone circuits and telex and intelex connections to Government departments, newspaper establishments, news agencies and other subscribers upto the end of the year and corresponding position in the previous two years are given below. The figures do not include the arrears of Mahanagar Telephone Nigam Limited.

	Arrears as on 1st April	Demand raised during the year	Total demand	Amount collected during the year	Closing balance	Arrears at close of the year for bills issued upto end of December preceding close of financial year	
(Rs. in crores)							
Circuits	1988-89	17.93	61.95	79.88	53.95	25.93	17.54
	1989-90	25.93	71.36	97.29	68.95	28.34	21.90
	1990-91	28.34	80.32	108.66	69.22	39.44	30.60
Telex/ Intelex Charges	1988-89	9.50	76.62	86.12	74.99	11.13	2.46
	1989-90	11.13	79.37	90.50	77.70	12.80	2.78
	1990-91	12.80	97.77	110.57	95.78	14.79	3.41

The last column gives the amounts overdue for collection by allowing 3 months for collection of bills. The revenue arrears overdue for collection have gone up from Rs.17.54 crores to Rs.30.60 crores and those of telex/intelelex charges from Rs.2.46 crores to Rs.3.41 crores.

7.1.8 Yearwise break up of the outstanding dues as on 1st April 1991 for bills issued upto December 1990 is given below:

	Rent for communication circuits	Telex/intelelex charges	Total
(Rs. in crores)			
Upto 1980-81	0.30	0.10	0.40
1981-82 to 1988-89	10.56	1.20	11.76
1989-90	7.99	0.89	8.88
1990-91	11.75	1.22	12.97
<b>Total</b>	<b>30.60</b>	<b>3.41</b>	<b>34.01</b>

7.1.9 By category of subscribers claims exceeding Rs.5000 each in 40 out of 53 Telecommunication Circles/Telephone Districts showed that collections from Government departments was poor, as per details given below:

	Rent of telegraph/telephone and teleprinter circuits	Telex/intelelex charges	Total dues (and percentage to total)
(Rs. in crores)			
Central Government	4.76	0.01	<u>4.77</u> (56)
State Governments	0.44	0.03	<u>0.47</u> (6)
Autonomous bodies	0.47	0.04	<u>0.51</u> (6)
Press/Newspapers	0.93	-	<u>0.93</u> (11)
Others	1.63	0.19	<u>1.82</u> (21)
<b>Total</b>	<b>8.23</b>	<b>0.27</b>	<b><u>8.50</u></b> <b>(100)</b>

7.1.10 The test check in Audit of the Telecommunication Revenues in 36 Circles/Telephone Districts conducted during 1990-91 revealed non-billing in 3478 cases involving revenue of Rs.55.58 lakhs and short-billing in 3244 cases involving revenue of Rs.134.08 lakhs.

The matter was reported to the Ministry in December 1991; their reply is awaited (January 1992).

## 7.2 Non-billing or Short billing of customers

### 7.2(i) Communication gap

(a) In ten circles Rs.177.22 lakhs in respect of the cases shown in appendix III were not recovered due to advice notes on telecommunication facilities provided by the Department not being received in the Telephone Revenue Accounts (TRA) branch to enable billing. Such omissions have persisted even after comment in the Reports of the Comptroller and Auditor General of India for the years ended 31st March 1988, 1989 and 1990.

(b) On advice notes on the provision of telecommunication services received in TRA branch in 4 circles, no action had been taken to post them in the Subscribers Record Cards and issue bills. The omission resulted in non-recovery of rent amounting to Rs.7.87 lakhs as shown in Appendix IV.

The above omissions remained undetected during check by the Internal Check Organisation of the Department.

The Department stated (November 1991) that in order to bring down the number of cases of short/non-billing the Directorate had been issuing necessary instructions to the units to avoid recurrences of lapses. The

existing departmental rules provided for sufficient safeguards and adequate system of billing and the overall system of billing did not warrant any review.

The cases were reported to Ministry in June, July and August 1991; their reply has not been received (November 1991).

(c) In one circle, even after the replacement of a 90 line exchange by a 600 line exchange, in June 1990, the installation charges continued to be realised at the rates applicable to the smaller exchange leading to short recovery of Rs.2.09 lakhs (till January 1991).

When the omission was pointed out by Audit, the Department recovered a sum of Rs.2.07 lakhs and stated (August 1991) that the balance Rs.0.02 lakh were against four closed connections and was expected to be recovered shortly. The delay in application of revised rates was attributed by the Department to a communication gap.

#### **7.2(ii) Guaranteed rent**

According to Departmental instructions on guaranteed leased Private Automatic Branch Exchanges compensation is recoverable on closure before expiry of guarantee period. Further, rent is charged on extensions provided by the Department from Electronic Private Automatic Branch Exchanges (EPABXs) owned by the subscriber.

(a) A departmental PABX Board (extendable type) provided to a government organisation in April 1987 at a rent of Rs.1.20 lakhs per annum with a guarantee period of seven years was closed in April 1989 before expiry of guarantee period, on replacement of the PABX by a subscriber owned electronic PABX Board. Compensation amounting to Rs.5.62 lakhs for



premature surrender of the guaranteed PABX board was not recovered.

Further 60 extensions on the PABX were continued on the subscriber owned EPABX using departmental overhead lines and underground cables. Rent amounting to Rs.1.25 lakhs for the period from June 1989 to May 1990 was chargeable on the 60 extensions, but was not billed.

On being pointed out by Audit (May 1990), the recovery of compensation and rent was made (in July 1990 and March 1991).

The Ministry stated in August and October 1991 that responsibility for the lapse had been fixed in respect of the first case and that the officials responsible for lapse in the second case had been warned by the Telecommunication District Engineer. Suitable instructions to guard against similar irregularities and lapses had also been issued.

(b) A Private Automatic Branch Exchange (PABX) was to be provided to a Hotel establishment on rental of Rs.1.10 lakhs and guarantee for 7 years was accepted by the subscriber. As two hundred lines PABX was not available a board of 50 lines and another of 100 lines capacity was installed in July 1986, till the 200 lines board was finally installed in June 1987. The subscriber, surrendered the 200 lines board in August 1989, before the expiry of the guarantee period, consequent to installation by the department of a Electronic PABX owned by the subscriber.

Rent amounting to Rs.3.63 lakhs for the period from June 1987 to August 1989, was short recovered by charging for the 50 and 100 lines boards, and not for the 200 lines board. The difference in installation fee amounting to Rs.0.49 lakh and compensation

for premature surrender amounting to Rs.11.10 lakhs had also not been realised.

The omission was not detected by Internal Check Organisation.

On being pointed out by Audit, the Chief General Manager stated in October 1991 that bill for Rs.15.22 lakhs had been issued and that a notice had also been issued for disconnection. Report on recovery is awaited (October 1991).

The matter was reported to the Ministry in August 1991; their reply is awaited (December 1991).

(c) In a Telecom District an Ultra High Frequency link was provided to a customer in February 1986 on a rent of Rs. 5.59 lakhs per annum with a guarantee period of four years.

Due to non-maintenance of the register for billing for guaranteed connections no rent bills were issued (except for recovery of initial advance rental of Rs. 5.59 lakhs for a year in February 1985) and Rs. 16.76 lakhs for the period from February 1987 to January 1989 was not realised. The amount was recovered in April 1990 after being pointed out by Audit.

The omission was not detected by the Internal Check Organisation of the Department.

The Ministry stated, in August 1991, that the delay in issue of bill was due to non-maintenance of the prescribed register and its monthly review. The Circle has issued instructions to all the units under its control to avoid such omissions in future and action had already been initiated to fix responsibility for the lapse.

### 7.2(iii) Revision of rates

(a) The rental charges payable by the subscribers were revised from December 1986, April 1988, August 1988, October 1988 and April 1990. In 8 Telecommunication Circles failure to revise the rates of rental in 15 cases shown in Appendix V resulted in short recovery of Rs.75.35 lakhs.

Departmental rules provide that the subscribers Record Cards (SRCs) of all the exchanges should be subjected to an internal review by a reviewer under the control of the Accounts Officer, Telephone Revenue, in such a manner that the entries in the SRCs relating to each connection are checked at least once a year. Apparently, the review failed to detect the short recoveries.

The Internal Check Organisation of the Department also failed to detect the cases of short recovery except in 3 cases.

The short recoveries were reported to the Ministry in May, June and August 1991. In some cases it was stated (August 1991) that the revised tariff rates were not applied due to clerical oversight or late receipt of advice note; suitable instructions had been issued to all field units, to avoid recurrence. As the existing departmental rules provide for sufficient safeguards the overall system of billing did not warrant any review.

(b) The tariff for local call charges was revised from 1st April 1990 and slab rates for chargeable calls was changed. Meter readings were to be taken at the midnight of 31st March 1990. Where a billing cycle did not end on 31st March 1990 the number of free calls and the new slab rates were to be applied pro-rata for the period before and after 31st March 1990. Model calculations were given to billing clerks.

Rs. 1.76 lakhs was short recovered due to mistakes in applying slab rates in a Telecommunications District. On being pointed out in audit in December 1990, supplementary bills for Rs. 1.76 lakhs were issued and Rs. 1.57 lakhs realised upto July 1991. Balance amount was still to be realised (September 1991).

The omission remained undetected by Internal Check Organisation of the Department.

The matter was reported to Ministry in August 1991; their reply is awaited (November 1991).

(c) The rent tariff for some metered telecommunication services were revised downwards with effect from April 1990, but not flat rate services. But flat rate rent was recovered at the lower rates from April 1990, from customers in four circles shown in Appendix VI resulting in short recovery of Rs. 10.71 lakhs.

Accepting the facts and figures pointed out by Audit in 3 circles the Ministry stated, (August and September 1991) that short billing of rent was due to wrong application of the revised tariff and suitable instructions to guard against such lapses in future, had been issued.

#### **7.2.(iv) Final rent**

Departmental rules require that on receipt of a demand for provision of a telecommunication facility, rent be quoted on the basis of estimate of capital costs. But on completion of the work and accounts being closed, the rent is revised. Failure to so revise the rent resulted in short recovery of Rs.168.18 lakhs in seven cases in six telecommunication circles shown in Appendix VII.

The omissions in 2 cases were not detected by the Internal Check Organisation.

The short recoveries were reported to the Ministry who in one case stated (February 1991) that responsibility could not be fixed for the lapse as the staff had been transferred to other divisions; the concerned engineering authorities had been instructed to take steps to avoid recurrence of such lapses in future.

#### **7.2(v) Long distance telephones**

Two long distance telephones were provided to a customer on rent and guarantee basis with effect from September 1988 and January 1990 on annual rental of Rs.0.60 lakh and Rs.0.38 lakh respectively. But for the second connection, rent and security deposit were short recovered.

On the matter being pointed out in Audit in May 1990 the Department recovered a sum of Rs.1.25 lakhs and Rs.1.59 lakhs on account of rent and security respectively in June 1990.

The irregularity also remained undetected by Internal Check Organisation of the Department.

The Department stated in October 1991 that the facility was provided to the customer on priority basis as a special case after obtaining consent letter for the security deposit. The reply does not indicate reason for failure.

## **7.2.(vi) Lines leased to Railways**

Rentals for the lines and wires/circuits leased to Railways are initially recovered on a provisional basis. The rates are then finalised for a block of five years by the Department of Telecommunications in consultation with the Railway Board.

The Department fixed rental charges for the years 1981-82 to 1985-86 in February 1988 for five circuits in two Telecommunication Circles and one circuit in a third Telecommunications Circle (for years 1976 to 1981) in May 1984, but did not issue the arrear bills resulting in short recovery of Rs.13.37 lakhs as shown in Appendix VIII.

The short billing remained undetected by Internal Check Organisation of the Department.

The cases were reported to the Ministry in May, July and September 1991, who accepted (August and December 1991) the facts in five cases relating to two circles; reply in other case relating to Gujarat circle is awaited (December 1991).

## **7.2.(vii) Interconnected line**

For leased trunk circuits which are allotted inter-connection with circuits of Posts and Telecommunication network an additional 33.33 per cent rental is charged.

Rs.9.98 lakhs was not recovered in respect of 3 such circuits based in 2 circles as shown in Appendix IX.

The Internal Check Organisation of the Department failed to detect the cases during their review of the records.

The cases were reported to the Ministry who accepted (September 1991) the facts in 2 cases; their reply in the third case is awaited (December 1991).

### **7.2.(viii) Mistakes**

Rents amounting to Rs.5.10 lakhs was short realised in 4 circles mainly due to omissions, like incorrect computation of the chargeable distance, non-maintenance of records resulting non-issue of the rent bills for the guarantee period and short-billing of rental for junction cable and direct exchange line (Appendix X).

The lapses in 3 circles remained undetected by Internal Check Organisation (ICO) of the Department.

The Department, while accepting the facts pointed out by Audit stated (October and November 1991) that suitable instructions have been issued to all concerned for strict observance of the rules/instructions issued from time to time. While the responsibility at various levels had been fixed in one circle, direction to fix the responsibility had been given in another. The concerned staff had been warned in one circle.

### **7.2.(ix) Rectification of mistakes**

The Posts and Telegraphs Manual requires that where rent is to be increased or decreased as a result of detection of errors, the revised rate should be given effect to from the date the mistake is pointed out to the subscriber. Further a bill for the amount undercharged should be sent to the party and efforts made to recover the same.

The Department issued instructions in September 1986 that physical verification of the distance of connections be done by the Sub-Divisional Officers (SDOs) by November 1986 and accounts Officer, Telephone Revenue Accounts (AO TRA) in charge of the billing informed by December 1986 to enable approval of the Divisional Engineer being taken for

the revised rental and recovery of arrears of rental.

In one Circle on the basis of lists sent to the concerned AO TRA bills at revised rates were issued only prospectively; arrears for the past periods from February 1962 to May 1988 was not demanded from 69 subscribers. On the matter being pointed out by Audit (October 1989 to July 1990), a sum of Rs.0.88 lakh out of Rs.2.71 lakhs due was recovered from the subscribers by October 1991. A sum of Rs.0.28 lakh was under litigation and Rs.0.17 lakh under dispute. Information about recovery of the balance of Rs.1.83 lakhs was awaited (October 1991).

Internal Check Organisation had not pointed out the non-issue of supplementary bills for the past period.

The matter was reported to the Ministry in August 1991; their reply is awaited (November 1991).

#### **7.2.(x) OYT deposits**

Under "Own Your Telephone" (OYT) scheme subscribers are required to deposit a specified amount and corresponding reduction is given in the rental, for a period of 20 years.

In one Telephone Exchange demand notes issued to 130 subscribers asked for deposit of Rs.6000 each instead of at Rs.8000 specified leading to short recovery of deposit by Rs.2.60 lakhs.

The irregularity remained undetected in Internal Check.

On the matter being pointed out by Audit, the Ministry stated in September 1991 that demand notes for realising the short recovery had been issued to all the 130 subscribers, and 43 subscribers had cleared the dues. For the remaining 87 subscribers



the Department had proposed to recover the amount through bimonthly bills. The officials concerned had been cautioned to be careful in future.

### **7.3 Other losses of revenue**

#### **7.3.(i) Short collections from public telephones**

The Department of Telecommunications provides Subscriber Trunk Dialling (STD) facility on Public Telephones (PTs). The collection of charges from parties making STD calls from PTs is made by the attendants and is based on the reading on meters installed near the PTs.

In two Telecommunication Circles, in the PTs run by department the amounts due as per readings on the meters was low than the bills for such calls received from the exchange for the PTs by Rs.19.65 lakhs (Rs.8.39 lakhs for the period from 1981 to 1990 in one Circle and Rs.11.26 lakhs, for the period from April 1982 to June 1989, in the other Circle). In respect of PTs run by private individuals, no such short recovery was noticed.

The Ministry stated in November 1989 that short collection might be due to mechanical failures of meters at the exchanges.

The reply does not make any mention whether the prescribed checks were exercised i.e. checking PT meter reading with the exchange meter reading. The exchange authorities are to furnish the exchange meter reading, periodically to the officer incharge of the PT to enable him to effect the check. The Assistant Engineer in charge of the exchange is required to, periodically, examine the extent of abnormal metering.

The Ministry was, requested in January 1990 to analyse the reasons for the short collection and results of periodic checks.

**7.3.(ii) Subscribers enjoying telephone connections even after issue of disconnection orders**

Rs.16.80 lakhs was outstanding from 367 subscribers in 3 exchanges in Bihar Circle and disconnection orders were issued in 1988-89 and 1989-90 but they continued to enjoy the telephone connections.

In paragraph No. 22 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1987, No.4 of 1988, Union Government (Posts and Telecommunications) also similar in action was pointed out, whereupon the Ministry had stated (July 1988) that suitable instructions had been issued by General Manager, Telecommunications Bihar Circle to avoid recurrence of such lapses in future.

The matter was reported to the Ministry in September 1991; their reply is awaited (November 1991).

## CHAPTER 8

### PROJECTS

#### 8.1 Bangalore-Hassan-Chikmagalur-Shimoga microwave line

##### 8.1.1 Introduction

In February 1983, the Government approved the installation of a digital microwave system between Bangalore and Chickmagalur via Hassan and a narrowband analogue microwave system between Chickmagalur and Shimoga in order to provide reliable and stable telecommunication facilities from Bangalore to Hassan, Chickmagalur and Shimoga. In January 1984 the cost of the project was approved at Rs.410.14 lakhs and the scheme was to be completed by 1984-85.

The scheme was commissioned, section wise, and in phases, between January 1986 and January 1988 and expenditure booked upto the end of March 1991 was Rs.456.00 lakhs.

##### 8.1.2 Scope of Audit

The project records were test checked between September 1988 and May 1991 and the following points were noticed.

##### 8.1.3 Organisational set up

The project was executed by the Director of Telecommunications, Microwave Projects, Bangalore under the overall supervision of the Chief General Manager, Telecommunications Projects, Madras (CGM).

##### 8.1.4 Highlights

-There was delay in completion of microwave buildings resulting in delay in commissioning and imported equipment worth Rs.65.88 lakhs lying idle for more than two years.

-Delay in placement of order and procurement of antennae and wave guides resulted in delay in commissioning and imported equipment worth Rs.120.64 lakhs lying idle for nearly 16 months.

Mid-project decision to go in for digital microwave equipment in the Chickmagalur-Shimoga section, instead of the analogue equipment resulted in five transmultiplexures imported at a cost of Rs.13.73 lakhs becoming surplus and being earmarked for maintenance.

-Even after three to five years after the commissioning of the line, the system between Bangalore and Chickmagalur and between Chickmagalur and Shimoga were not fully utilised as traffic was less than that projected and shortfall in revenue against projection was Rs. 634.18 lakhs from 1986-87 to 1990-91.

#### 8.1.5 Land and Buildings

Land at Bellute was acquired in March 1983 and at Chickmagalur in April 1983. At Bababudangiri land was taken over only in May 1985 because wrong survey number was quoted by the Department.

Buildings at all the three places were constructed by the Civil Wing of the Department after delays of 8 and 13 months due to non-availability of cement, steel and structural details. At Bababudangiri though possession of land was taken in May 1985, there was delay in deciding whether the building should be constructed by the project authorities or by the Civil Wing of the Department. Only in May 1986 it was decided to get the building constructed by the Civil Wing.

The delay in completion of the buildings was one of the primary reasons for the delay in commissioning the system.

#### **8.1.6 Erection of towers and hoisting of antennae and wave guides**

##### **8.1.6.(i) Towers**

Two microwave towers at Bellute and Chickmagalur and one at Bababudangiri were to be erected. In the section between Bangalore and Hassan, towers were available and only hoisting of antennae and wave guides was to be done. Orders for the tower materials was included in a composite order placed on the Telecommunication Factory, Jabalpur, in June 1984 for supply by the end of the same month. The foundation materials were, however, supplied in October 1984 and the other materials by October 1985 i.e., after a delay of more than a year.

At Bellute and Chickmagalur the stem concreting work was held up for want of anchor bolts which were supplied to the Civil Wing in February 1985 only, though they were available with the project authorities from October 1984.

It was admitted (March 1990) that the anchor bolts had been received earlier, but they were kept in safe custody of project authorities against any possible loss to be made over to the Civil Wing when they were required. But it was noticed in audit that the Executive Engineer(Civil), Mysore, had made a requisition for the anchor bolts as far back as in September 1984.

In the result, the erection of towers at Chickmagalur and Bellute was completed in March 1986 and April 1986 respectively and that at Bababudangiri in July 1987, after a

delay of one, nine and three months respectively.

#### **8.1.6.(ii) Antennae**

Though Expenditure Finance Committee authorised (February 1983) the Department to take advance action, the order for antennae was placed on a Public Sector Undertaking (PSU) in November 1984, i.e. after a delay of more than 18 months. The supply, commenced in March 1985 and was completed in August 1985.

The order for supply of wave guide and accessories was placed on a foreign firm in September 1983. Supply was received, at site, in March 1985.

The antennae and wave guides were hoisted in Bangalore-Hassan section in June 1985, after the imported radio and multiplexing equipment worth Rs.120.64 lakhs, (received in June 1984 and installed in Bangalore-Hassan section in September 1984) had remained idle for 9 months. The antennae and wave guides were hoisted in Hassan-Chickmagalur and Chickmagalur-Shimoga sections in June 1986 and July 1987 respectively, and the delay in their hoisting was due to the non-completion of tower foundation works at Bellute, Chickmagalur and Bababudangiri by the Civil wing of the Department and the consequent delay in erection of towers at those stations.

#### **8.1.7 Microwave Equipment**

The project envisaged installation of digital microwave system in Bangalore-Hassan-Chickmagalur section and analogue microwave system in Chickmagalur-Shimoga section. Accordingly, the order for supply of 7 Giga Hertz (GHz) digital microwave system was placed on a foreign firm 'A' in September 1983 and that for 7 GHz analogue microwave

system on Indian Telephone Industries in June and November 1984.

In Bangalore-Hassan section, the digital microwave equipment (cost Rs.120.64 lakhs) was received in June 1984 and was installed in September 1984, but, due to delay in hoisting of antennae and wave guides they were commissioned only in January 1986.

In Hassan-Chickmagalur section, the microwave equipment was received in June 1984, but, it could not be installed for more than two years due to non-availability of buildings at Bellute and Chickmagalur. The equipment was installed and subscriber trunk dialling (STD) facility to Chickmagalur was provided only in December 1986.

In Chickmagalur-Shimoga section, the supply of analogue microwave equipment from ITI commenced in 1985, but in April 1986 it was decided that in Chickmagalur-Shimoga section, the digital microwave equipment ordered for Mangalore-Udupi section of the Mangalore-Coondapur route be used. That equipment had been rendered spare as analogue equipment was being installed in Mangalore-Udupi section. At that point, only 40 per cent of analogue multiplexing equipment had been received from ITI and the supply of radio equipment was still to commence. But, the order placed on ITI was neither cancelled nor was ITI asked to divert the equipment to some other project. Consequently, the analogue multiplexing and radio equipment was also received fully. It was diverted to other projects only in September 1987.

The imported digital multiplexing equipment and corresponding radio equipment were received at Bangalore in December 1986 and April 1987 respectively. Due to non-completion of civil works at Bababudangiri and non-availability of power supply they

were installed and commissioned only by January 1988.

Consequent on installation of digital microwave equipment in Chickmagalur-Shimoga section in place of the analogue equipment, as originally planned, five transmultiplexers (required for conversion of signals from digital to analogue system) imported at a cost of Rs.13.73 lakhs in June 1984 were rendered surplus.

Audit was informed (January 1989) that all the five transmultiplexers received for Chickmagalur- Shimoga section have been handed over to microwave Maintenance Organisation, Bangalore for their use.

#### 8.1.8 Capacity utilisation

The Bangalore-Hassan-Chickmagalur digital microwave system was commissioned fully by October 1986 with an installed capacity of 480 channels. The capacity utilisation of the system during the last six years was as under:

Year	Number of Channels utilised	Percentage of utilisation
1986	92	19.1
1987	130	27.1
1988	166	34.6
1989	206	42.9
1990	225	46.9
1991	256	53.3

The percentage utilisation of the Chickmagalur-Shimoga digital microwave system, commissioned in January 1988 with an installed capacity of 480 channels, ranged between only 17.08 to 22.08 per cent during the last four years.



### **8.1.9 Returns from the scheme**

The Department, on the basis of traffic projections for the year 1985, had expected to earn a revenue of Rs.369.67 lakhs per annum as per the tariff rates prevailing in January 1984. But, the traffic actually handled by the system, since its commissioning (October 1986) till 1990-91, was far less and shortfall in revenue against project estimate was Rs.634.18 lakhs till 1990-91. This was despite the upward revision in tariff rates and taking into account the revenue earned from three other routes, which were not included in the project estimate originally.

### **8.1.10 Monitoring**

Monthly and quarterly progress reports were prepared and submitted by the project authorities to the Circle Office and to the Directorate. Periodical coordination committee meetings were also held from time to time. But, Programme Evaluation and Review Technique (PERT) Chart, which is essential for effective monitoring and to facilitate completion of the project within the set time frame, was not used to control the project. The progress reports and coordination committee meetings proved ineffective, as an alternative control mechanism.

Delays took place almost at all stages due to inadequate planning and control over the various aspects of the project.

The matter was reported to the Ministry in August 1991; their reply is awaited (January 1992).

## 8.2 Cost and time overrun on Bombay - Thane - Dhulia coaxial expansion scheme

### 8.2.1 Introduction

In July 1978, the Government approved the Coaxial cable expansion scheme to connect Thane-Pune-Ahmednagar-Aurangabad-Dhulia at an estimated cost of Rs. 170.64 lakhs, to be commissioned in 1980. The existing Bombay-Thane-Dhulia-Nagpur 12 MHz coaxial system with a capacity of 2700 channels was expanded to

- (i) meet additional traffic requirement by the year 1980,
- (ii) replace existing 4 MHz coaxial system in Thane-Pune section by 12 MHz system,
- (iii) install 12 MHz coaxial system on the spare pair of tube of coaxial cable laid in Pune-Dhulia 4 MHz coaxial system, and
- (iv) make dropping arrangement in the existing 6 MHz Thane-Pune coaxial system, at Chinchwad, for meeting trunk traffic requirement of that station.

The scheme would connect new subscriber trunk dialling (STD) and trunk automatic exchange (TAX) routes and could also be looked upon as a standby for a part of the Bombay-Thane-Dhulia-Nagpur 12 Mega Hertz (MHz) coaxial system. Its cost was revised to Rs.381.01 lakhs in March 1985, with some increase in scope of the scheme.

This scheme was started in January 1979. In March 1985, it was expected that the scheme would be completed and commissioned by 1986. But, till November 1991 the system had not been commissioned. The expenditure incurred till the end of January 1991 was Rs.438.61 lakhs, and expenditure already exceeded the revised estimated cost.

#### 8.2.2 Scope of Audit

The planning and execution of the scheme was examined in audit, during June-August 1990. The findings on the cost and time overrun are given below.

#### 8.2.3 Project authority

The scheme was executed by the Director of Telecommunications, Coaxial Cable projects, Bombay under the supervision of the Chief General Manager, Telecommunications Projects, Bombay (CGM).

#### 8.2.4 Highlights of Audit findings

-Permission for constructing un-attended repeater stations at 19 places along the National highway was obtained by 1982 but possession of land at remaining 11 places taken only during the years 1983-86 though project was to be completed by 1986. The, construction of the repeaters was taken up only in 1985-86.

-For construction of buildings for housing two power feeding stations along the Pune-Ahmednagar section land was acquired only in July 1986 and May 1987 and preliminary drawings for departmental construction were still awaited from the Senior Architect, Bombay.

-Construction of building was delayed because of deficiencies and omissions in technical specifications.

-There was delay in procurement of equipment; there was also diversion of equipment.

-Monitoring, planning and coordination were inadequate.

-Though the scheme has not been completed fully, so far, expenditure on the project has already registered a

cost overrun of 15.12 per cent over the sanctioned cost.

-The STD traffic during the years 1988-89 and 1989-90, in four routes of Bombay-Nagpur Coaxial route was less than what was projected and the shortfall in the projected revenue was Rs.1347.50 lakhs.

#### 8.2.5 Acquisition of Land

Land was to be acquired for repeater stations at 30 places on the Thane-Pune section and for the construction of the two power feeding stations on the Pune-Ahmednagar section. Of the 30 repeater stations, 19 were to be along the National highway, nine on land belonging to private individuals and one each on land belonging to Municipal and Defence authorities.

Permission for construction of repeater stations at 11 places along the National highway was obtained from the Public Works Department in 1981 and for the other eight places in 1982. Possession of land at five places, belonging to private individuals, was taken only in 1983. Possession at the remaining six places, including of land belonging to Municipal and Defence authorities was taken during the year 1984-86 only.

Possession of the land for the two power feeding stations at Talegaon-Dhamdhere and Narayangavan was taken only in July 1986 and May 1987 respectively.

#### 8.2.6 Construction of buildings

The approval of the scheme, in July 1978, carried with it, *inter alia*, the approval for making arrangements for construction of repeaters, in advance. Although, the supply of cable was received by December 1984, the repeater stations, constructed departmentally, were completed only in 1986-87.

In May 1991 the Project Authorities stated that the construction work was taken up from April 1985 because the project estimate was sanctioned by the Directorate of Telecom, only in March 1985. This would indicate that either the delegation of powers to the Project Authority was not adequate or coordination at the higher levels on giving sanctions in time was poor.

In the project estimate sanctioned in March 1985, cost of construction of repeater stations was estimated Rs.0.07 lakh each. The actual cost of construction was Rs.0.32 lakh each, indicating unrealistic cost estimation. The increase in cost over the estimate approved by Government was attributed to enhancement of labour rates, cost of approach roads, plinth protection, antitermite treatment, tarfelting, etc. These are not unforeseen items of work or cost elements and the explanation only indicates that costing done and examined prior to approval was unrealistic.

The administrative approval and expenditure sanction had not been accorded for the power feed buildings till May 1991. Preliminary drawings for the departmental construction were still awaited. The Department made alternate arrangements for installing the power feed equipment in portable aluminium cabins. A portable cabin for the Talegaon-Dhamdhere power feeding

station was procured at a cost of Rs.2.21 lakhs. For the Narayangavan station a departmental cabin was obtained from another station.

The delay in the construction of the buildings, departmentally, led to an avoidable extra expenditure of Rs.2.21 lakhs, for devising temporary measures.

#### **8.2.7 Procurement and laying of cable**

Order for supply of 10.431 kms of coaxial cable was placed on a public sector undertaking (PSU) in June 1980 and February 1981 and 10.50 Kms of cable were received by December 1984. But, the cable laying work was not taken up even after receipt of cable as the construction of the repeaters stations into which the cable was to be led in, had not commenced.

The cable laying work and jointing was commenced in May 1985 and completed in September 1988, a year after the construction of repeater stations.

#### **8.2.8 Equipment**

The orders for supply of multiplexing and line equipments were placed on a public sector undertaking in January 1979 and May 1983 respectively, and supply was to be received by June 1979 and December 1983 respectively. The multiplexing equipment was received partly in May 1980 and partly in April 1987 and the line equipment partly in August 1984 and partly in September 1986. The delay was the result of amendments and additional orders placed in October 1979 and in June and November 1980. The rectification of the deficiencies and omissions in technical details pointed out by the project authorities also led to the delay.

The order for import of super group (SG) branching equipment was placed on a foreign

firm in October 1979 and orders for hyper group translating equipment (HGTE) on another foreign firm in May 1982. The SG branching equipment was received in July 1980 and connecting wiring information and drawings in January 1981. But the complementary indigenous equipment were received only between February 1982 and March 1983. The HGTE was received only by July 1983.

On receipt of SG branching equipment, wiring information and drawings the existing (SG 2-5) dropping arrangements at Nasik, Akola, Bhusawal and Jalgaon were replaced by (SG 2-16) dropping arrangements in February 1981, February 1982, May and October 1983 respectively as in the increased scope of the scheme. The dropping arrangement at Chinchwad was also provided on the 6 MHz system in May 1985.

#### **8.2.9 Work on various sections**

The work on provision of 12 MHz system in the Aurangabad-Dhulia section on Pune-Aurangabad-Dhulia route commenced only in September 1987 and was commissioned in March 1988. It was handed over to the maintenance organisation in July 1988.

The work in Thane-Pune section was taken up only in October 1988 due to delay in construction of repeaters and laying of cable. The section was commissioned in March 1989 and it replaced the 6 MHz system, working in the section. With this replacement, the dropping arrangement at Chinchwad also started working on the 12 MHz system. The section was handed over to the maintenance organisation in April 1989.

The system has not been commissioned in the remaining two sections viz., Pune-Ahmednagar and Ahmednagar-Aurangabad (May 1991). In Pune-Ahmednagar section, the system was lined up in January 1991 but the two

power feeding stations at Talegaon-Dhamdhere and Narayangavan were not ready. In the Ahmednagar-Aurangabad section the route amplifiers intended for the section were diverted to other divisions and were still to be received back.

Thus, the main reasons for the delay of over 13 years in commissioning the scheme were:

- (i) non-completion of repeaters in Thane-Pune section,
- (ii) non-completion of power feeding stations in Pune-Ahmednagar section,
- (iii) delay in supply of indigenous equipment, and
- (iv) diversion of some equipment, received for the scheme, to other Divisions/works.

#### **8.2.10 Cost Overrun**

Though the execution of the project has not been completed (May 1991), the expenditure incurred on the scheme till January 1991 was Rs. 438.61 lakhs against the sanctioned cost of Rs.381.01 lakhs i.e. a cost overrun of 15.12 per cent so far. Expenditure on two buildings for power feeding, on electric installation, motor vehicle and conversion of SG dropping at the four stations Nasik, Bhusawal, Akola and Jalgaon have not still been booked to accounts of the scheme.

The excess over the sanctioned cost was attributed by the Department, to increase in the cost of equipment, labour rates and cost of local purchase items for testing and jointing and terminating of cable. Some items of work were executed though not provided for in the estimate because they were considered necessary during execution. Delays in execution of the scheme also added to costs, by way of escalation in prices.



### **8.2.11 Monitoring**

Monthly and quarterly progress reports were being prepared and submitted to the circle office and to the Directorate, respectively. Periodical coordination committee meetings were also held from time to time. But the monitoring mechanism both at the Directorate and the circle level was not effective, in that, all the major component activities of the scheme were delayed. The procurement of equipment was delayed though the supplying public sector undertakings were under the administrative control of the same Ministry. With better planning and coordination with the executing agencies the delays could have been avoided or reduced.

### **8.2.12 Returns from the scheme**

The STD traffic during the years 1988-89 and 1989-90, in the four sections of the Bombay-Nagpur 12 MHz system, where augmentation of circuits had been completed, was only 198 to 203 erlangs though it was projected for 323.4 erlangs in the year 1987. The Department had anticipated revenue of Rs. 1067.50 lakhs *per annum* (calculated at the tariff in force in 1985), but, actual revenue was only Rs.381.84 lakhs in 1988-89 and Rs.405.66 lakhs in 1989-90, though the tariff rates in these two years were higher than that in 1985.

The above findings in audit were referred to the Ministry in August 1991; their reply is awaited (December 1991).

### **8.3 Cost and time overrun in Bijapur - Sholapur Ultra High Frequency project**

#### **8.3.1 Introduction**

In April 1977, Government approved the installation of the 300 channel narrow band Belgaum - Bijapur - Sholapur microwave system at an estimated cost of Rs.109.79 lakhs. Subsequently the project was split into two parts. The Belgaum-Bijapur section was sanctioned in February 1981 at an estimated cost of Rs.133.14 lakhs and commissioned by October 1986. The Bijapur-Sholapur section estimated to cost Rs.32.95 lakhs was sanctioned in August 1983 and commissioned in March 1987. But expenditure incurred was Rs.90.98 lakhs and a revised estimate for Rs.98.62 lakhs was sanctioned in March 1988.

#### **8.3.2 Scope of Audit**

Review of the Bijapur-Sholapur UHF scheme was conducted in audit between July 1990 and July 1991 and the findings are given below.

#### **8.3.3 Organisational set up**

The scheme was executed by the Director of Telecommunications, Microwave Projects, Bombay under the overall supervision of the Chief General Manager, Telecommunication Projects, Bombay (CGM). The construction work was carried out by the Civil wing of the Department.

#### **8.3.4 Building and tower foundation**

The construction of buildings and tower foundations for repeater stations at Dhulkhed and Horti were commenced in December 1980. The tower foundation work was held up in November 1981 due to non-availability of anchor bolts till November 1982 affecting the stem casting work. By that time the Civil Construction Wing had closed the work in the

area. The tower foundation work was taken up afresh, in March 1984 and completed at Horti and Dhulkhed in August and September 1984 respectively.

Delay in receipt of tower foundation material was due to lack of proper coordination between the project and civil wings of the Department. As a result the tower foundation work was delayed by more than two years.

#### **8.3.5 Supply from departmental factory**

Orders for supply of tower materials were placed on the Telecommunication Factory at Jabalpur in October 1980 for supply by March 1982. The supply was commenced after more than two years in February 1983 and was completed in January 1986. Delay of 46 months in supply affected work on tower at Sholapur which was being erected under a separate project.

#### **8.3.6 Hoisting of antenna and wave guide**

Due to delay in receipt of tower materials the erection of towers, the hoisting of antenna and wave guides were delayed. As tower erection at Horti and Dhulkhed was completed in December 1984, and that at Sholapur in January 1986 only, the antenna (though received earlier in December 1983) was hoisted at Horti and Dhulkhed in June 1985 and at Sholapur in January 1986. The wave guide, though received in July 1985, was connected at Horti and Dhulkhed in October 1985 and at Sholapur in January 1986.

#### **8.3.7 Procurement coordination**

Order for Radio and multiplexing (MUX) equipment placed on a public sector undertaking in February 1979 was for the 'Belgaum-Bijapur-Sholapur narrowband microwave scheme'. Revised order for Belgaum-Bijapur narrowband scheme was placed in

August 1982 and March 1983, but separate order for the Bijapur-Sholapur UHF Scheme was omitted to be placed. Execution of the scheme was with the Western Project Circle, but equipment was to be received and cleared by the Southern Project Circle. In July 1983, the Western Project Circle realised that imported radio equipment required by it may be with the Southern Project Circle. The equipment was received in India in May 1983 but diverted from Hyderabad only in August 1983. The project work was, also, held up for want of multiplexing (MUX) equipment which was received only in July 1984 from the public sector undertaking.

#### **8.3.8 Installation**

Though radio equipment was diverted in August 1983 and multiplexing equipment received by July 1984, the installation of radio equipment work at Dhulkhed and Horti was completed only in April 1985 and at Sholapur in January 1986. The installation of MUX equipment at Sholapur was completed in February 1986. The delay was due to belated completion of building work.

#### **8.3.9 Cable laying**

Cable was required to be laid for connecting Sholapur microwave station (Hanumannagar) and the local telephone exchange, but no provision was made for it in the project estimate framed in August 1983. Although, the installation of equipment was over in February 1986, the cable was laid in June 1986 and the acceptance testing was done in July 1986 only.

#### **8.3.10 Commissioning of the system and utilisation of capacity**

The system was acceptance tested by August 1986 and was placed under proving-in in September 1986 which was over in November

1986. But the system was finally commissioned and handed over to the Maintenance Organisation in March 1987 only.

The UHF system was meant for providing five groups (60 channels). But only two groups (24 channels) had been commissioned and of the 24 channels only 19 channels were being utilised. The remaining five were lying spare. Further, the narrowband microwave equipment has a capability of 300 channels against which the 19 channels being utilised constituted just 6.33 per cent utilisation.

#### **8.3.11 Cost and time overrun**

Against the original sanctioned cost of Rs.32.95 lakhs, the expenditure booked till March 1990 was Rs.90.98 lakhs indicating a cost overrun of over 176 per cent. It was mostly accounted for by increase in cost of apparatus and plant (Rs.52.93 lakhs) due to use of imported equipment; increase in cost of tower materials under Masts and Aerials (Rs.3.75 lakhs) and increase in cost of laying of cables (Rs.3.22 lakhs) due to shifting of microwave station from original site for which no provision was made in the project estimate. The time overrun was mostly due to delay in receipt of tower foundation materials, belated completion of building at Sholapur and delay in procurement of equipment.

The above findings were referred to the Ministry in September 1991; their reply is awaited (January 1992)

## **8.4 Cost overrun on a loss making project for Installation of a 5000 lines cross-bar exchange at Bharuch**

### **8.4.1 Introduction**

In October 1986, the Department sanctioned a project for installation of a 5000 lines cross bar exchange at Bharuch in Gujarat (in replacement of the manual exchange with 2177 working connections) at an estimated cost of Rs.771.24 lakhs including the cost of land. The new exchange was expected to run at a loss of Rs.14.04 lakhs *per annum*. The exchange was scheduled to be commissioned in March 1991. It was commissioned ahead of schedule, in February 1990 but the total expenditure booked on the project upto November 1991 was Rs.1480.74 lakhs.

### **8.4.2 Scope of Audit**

The project was reviewed in audit during April 1991 and the following irregularities were noticed.

### **8.4.3 Organisational set up**

The project was executed by the Area Manager, Telecommunications, Baroda (AMT) in association with Telecom District Engineer, Bharuch (TDE) under the supervision of the General Manager, of the Circle at Ahmedabad.

### **8.4.4 Land**

The Special Land Acquisition Officer at Bharuch notified land measuring 7497.27 sq. metres of which land measuring 5994 sq.metres was acquired in March 1982. Possession was taken over by the Department in June 1982 after a joint measurement. A legal notice was received in March 1988 alleging unauthorised occupation by the Department of 1500 sq.metres of notified land not acquired. By then construction of the building and the compound wall encompassing the alleged non-

acquired land of 1500 sq.metres had been completed and the building had been taken over by the Department (April 1988). The civil suit for alleged unauthorised occupation was still pending (November 1991).

The Senior Architect had observed, in his tour note of November 1986, that the surveyed plan supplied, apparently, did not tally with the plot. But action was not taken to look into the matter before the civil suit was filed.

#### 8.4.5 Building

In March 1986, the then Posts and Telecommunications Board conveyed administrative approval and expenditure sanction (AAES) for Rs.181.23 lakhs for construction of the building and directed that the construction and the electrical works be carried out by the Civil and Electrical wings of the Department.

But, in June 1986, the Department of Telecommunications (DOT) (successor to P&T Board) approved the award of the work to firm 'A' on a turn key basis and cost plus for completion within eight months. In addition to cost of work, 2.5 per cent of the cost of the work was to be paid to firm 'A' towards structural drawings and 10 per cent as agency commission. Firm 'A' awarded the work to a contractor of its choice who commenced work in October 1986. The rates payable to the contractor were not approved by the Department. The building was completed and handed over to the Department in April 1988 after a delay of nine months vis a vis the stipulated time for completion (June 1987.)

Firm 'A' was paid Rs.132.98 lakhs between October 1986 and October 1988 against its claim for Rs.155 lakhs. Agency commission of Rs.15.50 lakhs and Rs.3.87 lakhs towards structural drawings were however paid. The

payments so released were not based on any measurements by the department nor was the basis for payments available with the Department. Action could not be taken to levy penalty for delayed completion of work for want of a clause to levy such penalty in the contract between the Department and the firm 'A'. As the payments made for the building are not final cost may go up further.

#### **8.4.6 Exchange equipment**

The order for supply of exchange equipment was placed by DOT on a public sector undertaking (PSU) in January 1987 for delivery in 1987-88. Seventy per cent of the supply was received by November 1987.

In April 1988, contract for installation of the exchange and allied works costing Rs. 20 lakhs were also given to the PSU for completion in ten months, and extendable by two months.

The installation work commenced in May 1988 but due to delay in execution of electrical works, and installation of engine alternator, centralised AC plant etc., by other agencies, work was completed only in February 1990 i.e. after a delay of ten months.

The PSU was paid Rs.15 lakhs till December 1989 for their work and the final settlement of bill is still to be done (August 1991).

Departmentally, the cost would have been only Rs.10.14 lakhs (based on norms for undertaking such work). By getting the installation work executed by the PSU, extra expenditure of Rs.9.86 lakhs was incurred.



#### **8.4.7 Automanual Services**

DOT placed an omnibus purchase order on its Departmental Factory at Bombay for supply of all automanual service positions and indents were raised in June 1988 and again in January 1989 on receipt of specifications for the auto manual positions. Supplies were received, in excess, between November 1988 and December 1989 and again in April 1989. Excess inventory valuing Rs.4.50 lakhs has remained idle for two years and is still to be diverted (April 1991).

#### **8.4.8 Cable Work**

In the execution of the cable laying work against the justified strength of 75 rendering for a work, 163 labourers were employed. Though, the labour force was more than adequate for executing the cable work in a years time the contractor commenced the work in April 1989 and completed it only in March 1990. Had the work been executed departmentally, and manpower limited to departmental standards extra payment of Rs.6.05 lakhs could have been avoided. Further 60134 CKM of cables were laid which was 20134 CKM in excess involving additional expenditure of Rs.123.21 lakhs. The Assistant Engineer had reported, in November 1989, that length of cable laid in certain routes was more than the estimated quantity. A significant percentage of cables ranging from 5 to 10 per cent was consumed in jointing work. The value of cables thus consumed in excess due to variation in length and jointing wastages worked out to Rs.60.55 lakhs.

#### **8.4.9 Cost overrun**

Against the original estimates sanctioned in October 1986 for Rs.771.24 lakhs, the actual expenditure incurred was Rs.1480.74 lakhs (cost overrun of 92 per

cent). Componentwise the cost overrun was as given below.

Component	Estimated cost	Actual expenditure	Percentage of excess over sanctioned cost
	(Rs. in lakhs)		
Land	2.57	16.87	556.42
Building	173.60	145.27	
Electric Installation	25.75	27.61	7.22
Cables	125.53	303.06	141.42
Lines and Wires	22.26	30.10	35.22
Apparatus and Plant:			
(Switching)	352.70	856.21	142.75
(Subscriber)	32.66	46.42	42.13
(Aircondition)	33.48	45.78	36.74
(Engine alternator)	2.68	4.56	70.15

The cost overruns were attributed to additional compensation (including interest) paid for acquisition of land; escalation in cost of apparatus and plant, lines and wires, etc. Sanction to revised project estimate is still to be accorded (April 1991).

#### 8.4.10 Attainment of objective

The project was expected to incur an annual loss of Rs.14.04 lakhs. However, excessive cable laying, escalation in cost of ITI equipment, excess indenting of auto manual boards, payment of agency commission for execution of building and cable laying work, etc., pushed up the cost and added to the annual loss. The annual expenditure estimated at Rs.135.53 lakhs rose to Rs.285.79 lakhs and inspite of improved revenue earnings at Rs.179.95 lakhs during 1990-91 the Department incurred a net annual loss of Rs.105.84 lakhs.

One of the objectives of the project was to introduce group dialling among the departmental exchanges falling within or

bordering Bharuch. But, out of ten only four of the exchanges have been connected to Bharuch so far. This had an adverse impact on the revenue earnings.

In reply to an audit enquiry, the Department stated (August 1991) that the other exchanges would be connected after buildings and equipment become available.

The above findings were reported to the Ministry in September 1991; their reply is awaited (January 1992).

## **8.5 Cost and time overrun in installation of Cross-bar exchange at Anand**

### **8.5.1 Introduction**

In May 1977 the Department approved construction of a building at Anand in Gujarat to house an automatic exchange, a trunk exchange, a carrier station, and a telex and coaxial system in it. In May 1979, it was decided to construct a separate building for the telephone exchange and install in it a 4000 line Cross-bar exchange. Order for supply of 4000 lines cross-bar exchange equipment had been placed on Indian Telephone Industries (ITI) in December 1982 and included in the supply programme for the year 1983-84. The project for the building and installation of exchange was sanctioned in August 1983 at an estimated cost of Rs.292 lakhs and it was to be commissioned in 1984-85. The project was completed in July 1988 at a cost of Rs.347.41 lakhs.

### **8.5.2 Cost and time overrun**

The following points were noticed in Audit as leading to the cost and time overrun:

**(i) Management delays:**

In relation to the target dates there were delays of 15 months in getting approval of preliminary drawings, 21 months in getting the administrative approval and expenditure sanction and 18 months in preparation of detailed estimate and notice inviting tenders. Against the target for commissioning in 1984-85, tenders were invited in March 1985 and the work awarded in August 1985 for completion by June 1987. The building was completed in November 1987; the delay of 5 months was due to delay in handing over the clear site to the contractor and in making available structural drawings. On this, the Department had to pay to the contractor Rs.0.27 lakh towards escalation cost.

**(ii) Change of plans**

Against the order, placed in December 1982, supply of switching equipment by ITI commenced from September 1983 when only the preliminary drawings had been approved. By September 1985 bulk of the equipment for the 4000 lines, worth Rs.133 lakhs had been received when the construction had not even commenced. It was, therefore, decided to install the exchange equipment in the building designed and constructed to house telex exchange, trunk exchange and the carrier and coaxial stations. The second floor meant for administrative office, was provided with partition walls at a cost of Rs.1.66 lakhs. All the partition walls were demolished and after making further modifications for cable entry and ducting at a cost of Rs.3.83 lakhs the exchange was commissioned in July 1988.

**(iii) Consequences of change of plan**

In October 1985, when the installation of exchange equipment in the telecom building was approved the continued justification for

the telephone exchange building under construction was not examined, though the Department of Telecommunications (DOT) had desired it. It had also enquired that if an office was to be housed instead of the exchange whether the floor heights and the poundage (load bearing) of telephone exchange building needed to be modified. But the work of exchange building was awarded to a contractor and no communication was sent to DOT. The telephone exchange building was completed in November 1987 without any modifications either in floor heights or in the poundage. The total expenditure incurred on the building was Rs.44.98 lakhs including Rs.7.65 lakhs for providing additional floor height of 1.65 metres over the normal floor height of 3.35 metres, and stronger structural members to take the heavy load of an exchange.

**(iv) Accounts transaction**

In the estimated cost of Rs.292.10 lakhs a provision of Rs.48.91 lakhs was included for line stores, cables, subscribers apparatus, etc. Though the exchange was commissioned, the cost of stores was still to be brought into the accounts of the project, and thus, the total cost of project was likely to go up further i.e. beyond Rs.347.41 lakhs.

(v) The first project coordination committee meeting was held in February 1983 and second meeting after three years in April 1986. Still, the delays at various stages caused by hold ups in the interdependent and inter-related stages of the building construction could not be reduced for want of systematic flow of information. There were newspaper articles in December 1987 and public resentment in June 1988 over the delay in the commissioning of the automatic exchange. However, from August 1987 the project

coordination committee meetings were held, periodically, once every two months, and the commissioning of the exchange was done in July 1988.

The above findings were reported to the Ministry in August 1991; their reply is awaited (January 1992).

## **8.6 Cost and time overrun in the installation of digital trunk automatic exchange at Trichy**

### **8.6.1 Introduction**

With a view to integrate the Trichy exchange into the National subscriber trunk dialling (STD) network, Government sanctioned in August 1983, a 2000 lines digital trunk automatic exchange at Trichy at an estimated cost of Rs.405.70 lakhs. The project was scheduled to be commissioned in June 1986. The project was commissioned in March 1987 and expenditure incurred on it upto September 1990 was Rs.484.95 lakhs.

### **8.6.2 Cost and time overrun**

The cost and time overrun of Rs. 79.25 lakhs and nine months were attributable to the Department's inability to arrange for the needed tools and installation staff. The delay in commissioning resulted in loss of revenue of Rs. 163.21 lakhs with reference to the estimated revenue. Even after commissioning, the capacity utilisation during the period from March 1987 to March 1988 ranged between .48 and 67 per cent only against the envisaged target of 95 per cent to be utilised, immediately on commissioning. Further, even after four years of commissioning, (i.e. by March 1991) the traffic flowing to and from this trunk exchange was around 250 erlangs which was

below the target of 587 erlongs, projected in 1983.

### 8.6.3 Installation delay

The exchange equipment and related services was ordered on a foreign firm in May 1984 under an agreement signed in November 1983 and were received at site in January 1986. Installation was to commence in November 1985 and testing and commissioning was to be done by June 1986. But commissioning was done only in March 1987, because of non-availability of tools and installation staff and non-completion of connected works.

The Ministry stated, in December 1991, that it was a conscious decision to defer the installation at Trichy to March 1986 (from November 1985) so as to wait for results from a similar exchange installed at Agra and that the installation and commissioning was well within the time schedule agreed to between Department of Telecommunications and the foreign firm. The Ministry also stated that the dependent stations connected to Trichy at the time of its commissioning, in March 1987, were already working and earning revenue through other exchanges and hence there was no loss of revenue. The reply is not tenable as increase in revenue earnings of the department, was envisaged in the project report by addition to capacity whether directly or indirectly by releasing in other exchanges. Further, the Department has also stated that STD revenue earned (after commissioning) was more than that estimated in project estimates. In regard to the low utilisation of the capacity the Ministry stated that the exchange at Trichy, being one of the first two of the kind to be

commissioned in India, was loaded gradually after observing its performance.

#### 8.6.4 Other works

Instructions had been issued by the Directorate in August 1983, to arrange completion of buildings in all respects and to ensure that services like power supply, air conditioning were available well in time for installation of the exchange equipment. The building was completed in December 1985 against scheduled completion in December 1984. The delay of one year was due to non-supply of structural drawings, cement and steel by the Department and delay in finalising of colour scheme which delayed installation of the centralised air-conditioning plant.

The Tamil Nadu State Electricity Board had agreed in November 1984, to provide high tension (HT) power supply for the proposed exchange. But the transformers received in August 1984 were installed only in November 1985 and power supply from the State Electricity Board commenced only from January 1986.

The centralised air conditioning plant was installed in December 1986 after a delay of nearly two years, and acceptance tested in April 1987. The delay was in finalising the plant room layout, approval of drawings for duct layout, and electrical work, finalising location for erection of cooling tower and finalising the second floor layout.

The standby A/C plant was commissioned in April 1986 against target of May 1985 due to non-availability of HT power supply.



#### 8.6.5 Excess payment

The Department paid an insurance premium of Rs.2.79 lakhs for the period from January 1986 to April 1987, provisionally, on the basis of estimated value of fully erected equipment. The provisional premium was to be adjusted on the basis of actual value of the fully erected equipment but it was not done. On the omission being pointed out by audit, a claim for refund of Rs.1.02 lakhs, was preferred by the Department in July 1989. The amount was still to be realised (July 1991).

The Ministry stated in December 1991 that the case was now being pursued vigorously.

#### 8.7 Cost and time overrun in installation of digital exchange at Mahadaji Shinde, Pune

##### 8.7.1 Introduction

The Department sanctioned in May 1986, the installation of a 6000 lines local digital exchange at Mahadaji Shinde, Pune at an estimated cost of Rs. 977.92 lakhs. The exchange was to be commissioned in March 1988. The exchange was commissioned in April 1989 at a cost of Rs.1596.61 lakhs. The reasons for cost and time overrun are given below.

##### 8.7.2 Delay in supplies

Order for supply of the exchange <sup>equipment</sup> was placed on a public sector undertaking (PSU) in April 1986 and was included in the supply programme for the year 1986-87. But the exchange equipment was received from April to September 1987 and installation could commence only in October 1987.

### 8.7.3 Cost overrun

The cost overrun was attributed to non-availability of trained officers in the exchange in Pune Telecommunication District; large scale increase in cost of building (135 per cent); increase in per line cost adopted at the time of preparation of original project estimate and that in the revised project estimate in respect of lines and wires (66 per cent); apparatus and plant (64 per cent); cables (109 per cent); increase of 134 per cent in the cost of air-conditioning plant due to installation of additional packages not contemplated earlier etc. Dropwire and jelly filled cables valuing Rs.17.77 lakhs were procured in excess of requirement and were diverted (after audit query) to other works but leaving stores worth Rs.0.57 lakhs still in stock (November 1991).

### 8.7.4 Utilisation

Digital exchange can be loaded to 94 per cent of the equipped capacity, *ab initio*, and if needed the exchanges can be loaded even upto 98 per cent of their capacity. The Department estimated that the digital exchange would yield revenue of Rs.191.13 lakhs per annum after meeting the annual recurring expenditure. After commissioning in April 1989 the digital exchange was utilised at 19 to 87 per cent instead of 94 per cent, for nearly a year. In March 1990 the utilisation level reached 97.33 per cent. Due to under-utilisation of capacity, revenue of Rs.81.88 lakhs was lost till February 1990.

### 8.7.5 Expansion not utilised fully

The digital exchange was expanded to 9000 lines in March 1990 and further expanded

to 10000 lines and 11000 lines in March and April 1991 respectively. But under-utilisation by three to 20 per cent was observed even after the expansions. The loss of revenue on account of under-utilisation of capacity was Rs.136.12 lakhs during the period from March 1990 to May 1991.

The above findings were reported to the Ministry in September 1991; their reply is awaited (January 1992).

## **8.8 Installation of Electronic Exchange at Bhubaneswar**

### **8.8.1 Introduction**

The Department of Telecommunications sanctioned in June 1987 a project for installation of 4000 lines electronic exchange at Bhubaneswar at an estimated cost of Rs. 609.14 lakhs for completion by March 1990. The Department sanctioned in September 1988 the expansion of the exchange by 1000 lines at an estimated cost of Rs. 179.70 lakhs.

### **8.8.2 Procurement and commissioning**

The Department had placed an order in April 1987 on a Public Sector Undertaking (PSU) for supply of exchange equipment by October 1988, but the complete equipment was supplied by July 1989. The installation work was carried out between April and December 1989. The 4000 lines exchange was commissioned in January 1990 and the expansion by 1000 lines ostensibly in May 1990.

### **8.8.3 Under-utilisation of the capacity**

Departmental instructions provide that the exchange capacity should be utilised to the extent of 90 per cent soon after

commissioning or expansion and in any case not later than six months thereafter, and to the extent of 94 per cent about six months before the date of commissioning of the next expansion subject to overall utilisation of 92 per cent of the total capacity after expansion. But the equipped capacity of the exchange was not utilised to the above levels even by March 1991. Against the equipped capacity of 4000 lines, only 2300 connections were provided by March 1990 including 1720 connections provided on transfer from cross-bar exchange. The utilisation of capacity was 57.5 per cent.

With the expansion of capacity to 5000 lines in May 1990, the number of connections gradually rose from 2954 in July 1990, (including 2195 transferred from cross-bar exchange) to 4411 (including 2997 transferred from cross-bar exchange) by March 1991 indicating overall utilisation of 88 per cent. Consequent on transfer of connections to electronic exchange, the utilisation of cross-bar exchange which was 94 per cent in January 1990 declined to 75 per cent in March 1990 but gradually increased to 90 per cent by March 1991. Thus, the capacities were not utilised fully or to the extent prescribed in departmental instructions and waiting lists were not cleared thereby resulting in loss of revenue of Rs. 53.84 lakhs during the period January 1990 to March 1991.

The under-utilisation was attributed by the Telecom District Manager (TDM), Bhubaneswar, (May 1991) mainly to non-completion of external plant and want of underground cable pairs for providing new telephone connections.

The advice notes for providing new telephone connections against the 1000 lines expansion completed in May 1990 were issued only from November 1990 and connections were provided from December 1990 onwards. Due to the administrative delay the additional capacity was not utilised immediately on its creation. The investment of Rs. 16.57 lakhs made upto February 1991 on exchange equipment remained idle for about 6 months.

The TDM stated that due to heavy pressure from the public to provide telephone connections, the expansion work was advanced by the Ministry to coincide with the Director General's visit. Though expansion was commissioned in May 1990 the needed switching equipment meant was not received and the expansion was completed only much later than May 1990.

#### **8.8.4 Cable laying**

Departmental instructions provide that cable work should be coordinated with installation of exchange equipment and the cable plans should be prepared and got approved by the competent authority soon after the firm allotment of exchange equipment is received. All the associated cable component works are to be completed about three months in advance of the commissioning of the exchange. But though the order for supply of 4000 lines exchange equipment was placed in April 1987, the cable scheme was prepared only in June 1988 and sanctioned in August 1988 i.e., after more than a year. For the expansion by 1000 lines, the allotment of exchange equipment was made in February 1988, but the cable scheme had not been prepared or approved until the time of audit (April 1991).

The TDE received 70 per cent of cables by January 1989 against the allotment made in June 1988. The balance representing distribution cables of smaller sizes was received in phases from March 1989 to February 1991. The cable laying work commenced in June 1988 and was completed in February 1991, 17 months after the target date of completion i.e. September 1989, as per PERT chart. The primary cables were laid five months after receipt. For the expansion, the cables were indented during the period July to September 1990, in phases, and supply commenced from July 1990 onwards. The cable laying started in October 1990 and was still in progress at the time of audit (May 1991).

Faulty planning and coordination delayed the cable laying work which in turn delayed providing of new telephone connections.

Further, in the project for the 4000 lines exchange provision was made for laying 206 line kilometre (LKM) or 31,980 conductor kilometre (CKM) of cables. But in actual execution, 227 LKM or 53,612 CKM cables were laid. In addition, for the expansion to 1000 lines, 50 LKM or 17,409 CKM of cables were laid till February 1991 without getting detailed estimate sanctioned. In all 71,021 CKM cables were laid which was in excess of the maximum of 50,000 CKM for the 5000 line exchange at the rate of 10 CKM per line connection prescribed by the Department. The extra expenditure incurred was Rs. 154.93 lakhs.

The TDM stated (May 1991) that the delay in cable laying work was due to the large volume of work and non-cooperation by cable contractors. As regards excess laying of cables the TDM stated that cable laying was

to be carried out on a large scale. Therefore, instead of going by norms, it was decided to develop various pockets in the city and lay down sufficient distribution cable to meet future requirements i.e., upto expansion to 7000 lines.

The departmental instructions provide for cable scheme covering a planning period of 5, 10 and 15 years for primary, secondary and distribution cables respectively. The CKM per exchange line is also laid down. The reply of the department neither indicated the advance planning period adopted nor the CKM standard adopted as the basis for justifying the excess expenditure of Rs.154.93 lakhs.

#### **8.8.5 Cost overrun**

The expenditure incurred on the project for 4000 lines electronic exchange was Rs.1176.26 lakhs upto the end of February 1991 against sanctioned cost of Rs.609.14 lakhs, the cost overrun was 93 per cent. The cost overrun varied from 64 to 989 per cent for various components of the project.

According to the TDM, Bhubaneswar the excess over the sanctioned cost was mainly due to escalation in cost of exchange equipment and excessive laying of cable. The excess expenditure under building component was attributed to execution of certain works like partition wall, glazed partition, asbestos roofing, etc. which were not provided in the original estimate. The excess under electrical installation was due to non-inclusion of cost of fire-detection, electrical sub-station, power panel, etc. In the original estimate, the estimate for air-conditioning plant was on lower side.

The expenditure incurred on the expansion from 4000 to 5000 lines was Rs.203.41 lakhs at the end of February 1991 against the estimated cost of Rs.179.70 lakhs, an increase of 13.19 per cent. Increase was attributed to extra expenditure on cable laying work.

#### 8.8.6 Summing up

- Under-utilisation of the capacity resulted in loss of revenue of Rs.53.84 lakhs during the period from January 1990 to March 1991.

- The investment of Rs.16.57 lakhs made on exchange equipment for expansion of the exchange remained blocked for over 6 months without yielding any return.

- Failure in planning and coordination delayed the cable laying work. As a result, new telephone connections were delayed.

- There was extra expenditure of Rs.154.93 lakhs on cables laid in excess of norms.

- There was cost overrun from Rs.609.14 lakhs to Rs.1176.26 lakhs (93 per cent). Revised project estimates are still to be prepared and got sanctioned (May 1991).

- The time overrun was covered up ostensibly showing exchange and expansion work as completed in time without ancillary work necessary for giving connections having been completed.

The matter was reported to the Ministry in August 1991; reply is awaited (January 1992).



## **8.9 Telecommunication Factory, Calcutta**

In house factories are run by the Department of Telecommunications at Bhilai, Bombay, Calcutta, Jabalpur (2), and Kharagpur and the factory at Calcutta is the oldest having been established in 1855 for repairing Telegraph and telephone equipment procured from abroad. The factory at Calcutta presently manufactures manual exchanges, cable termination and telegraph equipment and other hardware items for open wire transmission system.

As on 31st March 1991, the capital employed in the factory at Calcutta was Rs.42.57 crores. The value of production during 1990-91 was Rs.29.68 crores. Personnel employed in the factory, on 31st March 1991, numbered 1980 including 1494 industrial workers of various categories.

Examination, in audit, of the working of the factory from May to August 1991 revealed the following points:

### **8.9.1 Inability to meet production target**

The factory manufactures 20 major and several minor equipment and components. During the years from 1986 to 1991, the shortfall in meeting the production targets ranged from 100 per cent to 5 per cent for various items. The yearwise details are given in the Appendix XI.

The shortfall was attributed, by the factory management, to breakdown of machines, non-purchase of raw materials in time, and inadequate galvanising capacity. They point towards management failure.

### 8.9.2 Underutilisation of machines

Out of 29 shops in the factory, 17 are production shops and the remaining 12 are service shops. In five of the 17 production shops the capacity utilisation of 37 machines (each costing over Rs.0.50 lakh) during the last five years varied between 14 and 73 per cent.

A multiforge machine was installed at the factory in October 1982 at a cost of Rs.35.55 lakhs. In paragraph 36 of the Report of the Comptroller and Auditor General of India for the year 1985-86, Union Government (Posts and Telecommunications) mention was made of the underutilisation of the machine. There has been no improvement in utilisation of the machine as shown below:

Year	Hours available	Hours worked	Percentage of under-utilisation	Reasons
1986-87				Machine card not maintained
1987-88	2376	Nil	100	Machine out of order
1988-89	2197.5	Nil	100	Machine out of order
1989-90	2227.5	195	91	(i) Machine out of order for 1965 hours (ii) Operator absent 67.5 hours
1990-91	2212.5	Nil	100	Shortage of materials and tools

Over the years the production of stalks requiring the use of the machine has fluctuated as given below:

Year	Number (in lakhs)	
	Target	Production
1980-81	4.00	4.87
1981-82	5.60	5.60
1982-83	6.00	3.13
1983-84	6.50	3.08
1984-85	6.50	0.56
1985-86	6.50	-
1986-87	7.00	-
1987-88	1.00	1.27
1988-89	3.00	3.11
1989-90	1.00	0.88
1990-91	2.00	1.07

Even lower targets from 1987-88 onwards, except for 1988-89, have not been achieved. Further during the years 1985-86 and 1986-87, while the targets were raised considerably, there was no production at all.

The underutilisation of machines was attributed, by the factory management, inter alia, to shortage of stores and tools, machine breakdowns and technical problems in galvanising operation. These reasons indicate lack of planning and monitoring, constituting management failure.

#### **8.9.3 Poor quality of production**

In the Quality Assurance (QA) centre in the factory, records revealed that out of 45 items manufactured at the factory and tested by the QA unit, 36 items were rejected. The quantum of rejection was 50 per cent and above (value: Rs.41.65 lakhs) in case of 10 items.

#### **8.9.4 Un-economic manufacture of stores**

In its Fortieth Report (Fourth Lok Sabha), 1968-69, the Public Accounts Committee had recommended that the Department should keep a close watch over the difference between the cost of production in the "Telecom Factory" and the cost in the open market; If the departmental cost persistently exceeded the market price by more than a certain margin, to be prescribed by the Department, the question of stopping departmental production should be considered. The Department, accordingly, decided that where the departmental manufacture was costlier by more than 25 per cent, the justification for continuance of in house manufacture should be examined and each case put up to the Board of Management of the Telecommunication factories for orders.

In respect of four items (CI bracket 4W telegraphs, CI bracket 4W telephones, socket 4 1/4" and back UA 1) manufactured by the factory, the in house production valuing Rs.14.53 crores during 1990-91, exceeded the value at market price of Rs.7.36 crores by 31 to 461 per cent on the 4 items detailed in Appendix XI. But production in the factory was continued on the ground that the quality of in house manufacture (based on weight, tensile strength, etc.,) was better. The test data on which this evaluation for this was made of the products from the two sources were not made available to audit for verification.

#### 8.9.5 Outstanding dues:

The Engineering Divisions of the Telecommunications Department are authorised to obtain supplies of certain products direct from the 'Telecom factories' against specific indents. The 'Telecom factories' are authorised also, to supply their products to other Government departments, undertakings and private organisations, etc.

A sum of Rs.716.21 lakhs for the sales made by the 'Telecom factory, Calcutta' to the various divisions of the Department (Rs.484.15 lakhs) as well as outside agencies (Rs.232.06 lakhs) during the years from 1966 to 1991 was outstanding at the end of May 1991. The break up of the outstanding dues was as under:-

Year	Departmental offices (Rs. in lakhs)	Outside agencies	Total
1966-67			
to			
1986-87	196.39	10.15	206.54
1987-88	30.79	0.93	31.72
1988-89	57.00	37.44	94.44
1989-90	37.80	143.24	181.04
1990-91	162.17	40.30	202.47
Total	484.15	232.06	716.21

Attempt was not made by the factory for on-the-spot settlement of outstanding dues on sales made to the departmental offices, despite instructions to that effect issued by the Department of Telecommunications in May 1985 to the General Managers, Telecommunication factories and to send Accounts personnel for on-the-spot settlement. The outstandings were to be settled/cleared within 5-6 months. Non-realisation of sale proceeds by the factory, in time, particularly from the parties outside the Department is fraught with the risk of loss to the factory since, with the passage of time, chances of recovery become remote.

#### 8.9.6 Material management and inventory control

There are four godowns at the factory for stocking the products of the factory. Stores are issued to the various shops against work orders on requisition by the respective shops. A test check of 3500 out of 3610 items of stores in the aforesaid godown, conducted in audit in June 1991, indicated that 3471 items costing Rs.53.5 lakhs were lying idle without being issued, for long periods as detailed below:

Period	Number of items	Value (Rs. in lakhs)
1 to 4 years	141	40.03
More than 4 years	22	0.56
More than 5 years	184	12.92
	---	----
	347	53.51

#### 8.9.7 Stores in transit

Check in audit of the stores-in transit revealed heavy outstandings, representing value of stores not acknowledged by the receiving depots, to the extent of Rs.22.17 lakhs (as on 31st March 1991) dating back to

1983-84 onwards. The yearwise breakup of outstandings was as under:

1983- 1984	1984- 1985	1985- 1986	1986- 1987	1987 1988	1988- 1989	1989- 1990	1990- 1991	Total
-----								
(Rs. in lakhs)								
0.03	0.36	0.32	4.78	2.21	3.20	8.80	2.47	22.17

The main reasons for such heavy outstandings were non-receipt of stores or depot transfer notes by the receiving depots, non-despatch of acknowledgements of the depot transfer notes by the receiving depot, non-accounting or wrong accounting of depot transfer notes, and non-crediting of stores in transit by the receiving depot, etc. Non-adjustment of stores in transit is fraught with possibility of temporary misuse, loss or pilferage of such stores.

#### 8.9.8 Advance payments to suppliers

In accordance with the terms of agreements, advance payments ranging between 90 and 100 per cent, are normally made to public sector undertakings and private firms for supplies, on receipt of proof of despatch supported by original test certificates issued by the prescribed testing authorities. Clearance of the amounts so paid is to be watched against receipt of the supplies to the required specification and without any damage. The relevant register, maintained by the factory, indicated that out of advances paid upto 31st March 1991, sums totalling to Rs.10.79 crores remained unadjusted even at the end of August 1991. Rs.5.52 crores were outstanding for a period of 6 months to 1 year, Rs.2.46 crores for a period ranging between 1 to 2 years, Rs.0.76 crore for 2 years to 3 years and Rs.2.05 crores for more than 3 years.

### **8.9.9 Financial performance and working results**

From the Annual Accounts for the years from 1984-85 to 1988-89 (Extract given in Appendix XII) it was seen that the factory made a loss of Rs.7.32 lakhs in 1988-89 after making profits of Rs.204.52 lakhs in the earlier 4 years i.e. net profit in five years was 197.20 lakhs. However the net profit of 197.20 lakhs changes to net loss of 466.56 lakhs because of the following shortcomings in accounts affecting profit and loss, which were noticed:-

#### **(a) Short charge of depreciation**

The factory charged depreciation on plant and machinery at only Rs.73.61 lakhs during the years from 1985-86 to 1989-1990 as against Rs.105.29 lakhs required to be charged as per Departmental instructions. On buildings, the factory, charged depreciation at only Rs.2.11 lakhs during the years from 1985-86 to 1988-89 against Rs.14.18 lakhs required to be charged. The short charge of depreciation by Rs. 43.75 lakhs led to excess reflection of profit by the factory in the 4 years to the extent of Rs. 43.75 lakhs.

#### **(b) Short/non- charge of interest**

During the years from 1985-86 to 1990-91 interest on capital was required to be charged for Rs. 14.55 crores but it was charged only for Rs.12.36 crores i.e. inflation of profits by Rs.2.19 crores

#### **(c) Expenditure of testing**

Expenditure on the testing is required to be charged to the Profit and Loss Account. But during the years 1985-89, the amount not charged comes to Rs.82.82 lakhs i.e. profit was inflated by Rs.82.82 lakhs.

**(d) Inflation of profit**

A total sum of Rs.5.35 crores was added to profits in the years from 1986-87 to 1989-90 as being the difference between the estimated cost of product in work order and the issue price. This was not an element of real gain. Only the difference between issue price and actual cost of production is a gain. The action of factory in reducing the loss in this manner by Rs.5.35 crores was improper.

**8.9.10 Costing**

Incentive wage payments made on savings in actual labour hours compared to estimated labour hours for a work order were not added to the cost of production.

These observations were reported to the Ministry in October 1991; their reply is awaited (January 1992).

**8.10 Loss making investment in the Falta export processing zone**

The Department approved, in March 1985, a project for installation of a 400 lines imported electronic exchange at Falta export processing zone (FEPZ) at an estimated cost of Rs.62.16 lakhs. In August 1985 it also approved another project for installation of an ultra high frequency (UHF) system between Falta and Calcutta at an estimated cost of Rs.18.41 lakhs for providing national subscriber trunk dialling facilities in FEPZ. The FEPZ authorities deposited Rs.18 lakhs in two instalments, in November 1984 and November 1985, for provision of 360 telephone connections under "own your telephone (OYT) scheme". There was no other commitment from the FEPZ authorities towards the two projects which was to be for their captive use.

The UHF system and the 400 lines electronic exchange were commissioned in July



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The UHF system and the 400 lines electronic exchange were commissioned in July

1988 and in February 1989 respectively. But, only 11 connections were taken by FEPZ authorities. In view of the gross under-utilisation of the capacity of the 400 lines electronic exchange, the Department decided in August 1989, to replace it by a 128 Port C-DOT electronic exchange to take care of the requirement of FEPZ authorities for one or two years. But the FEPZ authorities considered the 400 lines electronic exchange to be the basic infrastructure needed for attracting prospective entrepreneurs to FEPZ. Till January 1991, the FEPZ authorities had taken only 18 connections, including two service connections.

The Department stated (May 1991) that 23 connections from another exchange had been transferred to the FEPZ electronic exchange bringing its total working connections to 41 by March 1991.

Till March 1991, the Department had invested Rs.61.45 lakhs on the 400 lines electronic exchange and Rs.21.26 lakhs on the UHF system (including the cost of UHF radio equipment and antenna costing Rs.10.25 lakhs which were installed by diversion from elsewhere and not reflected in the project account till August 1991).

At the time of framing the project estimates, the Department had expected that the 400 lines electronic exchange would yield a revenue of Rs.11.61 lakhs including Rs.2.70 lakhs as rental from 360 connections and give a marginal profit of Rs.1.42 lakhs. Department stated (August 1991) that the 400 lines electronic exchange was running at a loss of Rs.7.31 lakhs *per annum* and the UHF system was running at a loss of Rs.3.14 lakhs *per annum*. The investment of Rs.82.71 lakhs is, thus, leading to a loss of Rs.10.45 lakhs *per annum*.

Efforts of the Department to retrieve the situation have not borne any fruits and it appears to be helpless in the matter.

These observations were reported to the Ministry in September 1991; their reply is awaited (January 1992).

#### **8.11 Injudicious acquisition of equipment**

The Department of Telecommunications (DOT) placed bulk purchase orders on a Public Sector Undertaking (PSU) between February 1985 and May 1986 for supply of 8 channel open wire carrier systems (main equipment) and other equipment required in Kerala Telecommunications Circle. The other equipment were needed for connecting the systems to the exchanges. The supplies were to be completed during the years 1984-85 to 1986-87. The other equipment was supplied by PSU between March 1987 and December 1988 but the main equipment was not supplied eventhough the purchase orders (placed from 1980-81 onwards) were pending with the PSU.

Meanwhile, the PSU decided to manufacture a composite 8 channel systems and to discontinue the production of a separate main equipment from the year 1987-88. This fact came to the notice of the DOT in November 1986, and after ascertaining the requirement for 8 channel open wire carrier systems the DOT cancelled in November 1987 all pending purchase orders with the PSU for the main equipment. However the need for modifications or cancellation of purchase order for supply of other equipment, placed in May 1986, was lost sight of, with the result that the PSU proceeded with the manufacture of other equipment and effected their supplies. Rs.65.24 lakhs of other equipment was lying unutilised in the Kerala Circle.

The possibility of utilisation of the other equipment thus rendered surplus with the main equipment being installed was remote as other equipment for them were also procured.

The Department, while accepting the facts, stated (September 1990) that cancellation of the order for other equipment was not possible and action was being taken to divert the surplus equipment to other circles. This is unlikely as the purchase orders for other equipment matched to main equipment and cancellation was not done matchingly.

The matter was referred to the Ministry in August 1991; their reply is awaited (January 1992).

#### **8.12 Cost and time overrun in installation of air-conditioning plant**

The work of air-conditioning the Kalmandapam Telephone Exchange was awarded to a contractor for Rs.6.01 lakhs in December 1982. It was to be completed by August 1983 but was completed only in June 1990 at a cost of Rs. 11.32 lakhs.

The cost overrun of Rs. 5.31 lakhs and time overrun of ~~over~~ 6 years were attributable to the following reasons.

(i) Compressors, condensers, air-handling units, pumps cooling towers, insulating material, etc. were brought to the site as late as in March 1984 and kept in the open outside the building because the site and the approved lay out for the plant room and ground floor ducting were not made available by the Department.

(ii) The site was made available in December 1985, but contractor refused to proceed with the work on the ground of delay by the Department in making the site available and requested for closure of the contract in December 1985 itself. This was agreed to in July 1986 by the Department.

(iii) Invitation of fresh tenders for the balance work and award of work for Rs. 8.28 lakhs took two years from December 1985, i.e. delay of over 6 years (from September 1983 to June 1990).

The matter was reported to the Ministry in August 1991; their reply is awaited (January 1992)

### **8.13 Staff quarters**

(i) Twenty one staff quarters were constructed in May 1982 at a cost of Rs.9.83 lakhs adjacent to the municipal limits of Ongole town in Andhra Pradesh and were allotted to the employees in March 1983. Though non potable water from a well in the compound and water from municipal tap provided under a special permission from the State Government of Andhra Pradesh had to be supplemented by water obtained from the Municipality in tankers on payment, work of construction of 15 more quarters was commenced in December 1983 and completed in June 1985 at a cost of Rs.13.79 lakhs. Attempts to obtain water from the municipality did not succeed. The quarters are lying vacant (May 1991) since their completion in June 1985.

The General Manager (Development) Telecommunications, Andhra Pradesh stated in January 1991 that the preliminary tests conducted were mostly confined to judge suitability of the soil for the load of the

structure, and did not go into availability of the potable underground water/its testing for potability. He added that before construction of second set of houses augmentation of water supply was taken up with the Director, Municipal Administration, State Government of Andhra Pradesh, Hyderabad in November 1982. This is not correct as reference on water for second set of houses was made only in September 1986 and reference in this was on first set of houses.

In the result, defective project formulation led investment of Rs.13.79 lakhs lying idle and avoidable expenditure of Rs.1.13 lakhs on house rent allowance to the staff so far (till April 1991). The Department also lost estimated revenue of Rs.0.52 lakh during this period towards rent recoverable from the quarters.

The matter was reported to the Ministry in August 1991; their reply is awaited (January 1992)

(ii) For supply of water to the staff quarters at Dimapur a tubewell was constructed by the Central Ground Water Board, Guwahati and made over to the Telecommunications Civil Division in September 1984. A pump house was constructed by the Telecommunications Civil Division, Jorhat at a cost of Rs.0.17 lakh and the submersible pump was installed in August 1985, by the Telecommunications Electrical Division, Shillong, at a cost of Rs.0.63 lakh. Electricity for the pump was taken up with the Nagaland State Electricity Board (NSEB) only in January 1986 by the Electrical Division of the Department. Construction of a 18 metre high staging for the water tank was completed in July 1988 by the Civil Division, Jorhat, at a cost of Rs.1.34 lakhs and service connection was energised in September 1988 at a cost of Rs.0.08 lakh. But out of

the required 3 phases of electricity one was not available. When the power supply from NSEB did become available from December 1988 onwards, the pump did not work. The water supply system is lying inoperative (July 1991).

It was stated by the Electricity Division, in August 1990, that the tubewell and submersible pump had to be kept idle, from August 1985 to December 1988, due to non-availability of electric connection. During that time the entire column pipe got choked with stone chips and mud pelted from the top of the tubewell. Extracting the layer of stone chips, bricks and mud covering the 24.3 metres long column pipe was not possible. As a result of burning bitumen over the place under which the service cable of the pump set was laid, the service cable was, also, damaged. Further, attempts to lift the submersible pump failed. In the opinion of the Civil Division (July 1989), there was no alternative to drilling a new tubewell at a proximate position.

Thus, due to delayed and uncoordinated action, the investment of Rs.3.04 lakhs was rendered infructuous and the staff quarters have still no water supply.

The matter was referred to the Ministry in July 1991; their reply is awaited (January 1992).

#### **8.14 Unpossessed/unused land**

(i) The Department of Telecommunications purchased (March 1985) a piece of land measuring 4067.2 sq.mtrs. from Yanam Municipality, a local administration of the Government of Pondicherry, at a cost of Rs.1.55 lakhs for construction of a building to house a telephone exchange and staff



quarters. Payment was made on 26th February 1985 before ascertaining of availability of clear title to land and obtaining a suitability certificate issued by the Civil Works Wing of the Department, as required under the Departmental rules. The suitability certificate was received only on 28th March 1985, in which it was mentioned that the cost of filling up of the land estimated at Rs.2.16 lakhs should be taken into consideration before acquiring the land. Further, availability of title to the land was not ascertained and possession of land has not so far (September 1991) been received by the Department, as it reportedly belongs to some temple authorities and not to the Yanam Municipality.

In their reply to Audit the Ministry stated (September 1991) that as the land was offered by a State Government, no verification was considered necessary. The land was transferred to the temple authorities in 1986 and, there was no dispute at the time of its allotment to the Department in August 1984. The Ministry added that efforts to obtain alternative land was on. Yanam was a very small place having a manual exchange. Since a ban on construction of MAX II exchanges in small places was imposed during the Seventh Plan, Department could not be able to construct an exchange even if land became available then. The reply is silent on the loss of interest suffered by the Commercial Department of Telecommunications on block payments made in violation of rules which make no exception on land belonging to local bodies, nor on action being taken by the State Government:

## **(ii) Unused land**

The Department of Telecommunications (DOT) leased land measuring 39375 sq.metres in Dhule Industrial Area for establishment of a factory to manufacture switch board, cordage and plugs used in the strowger equipment. The land was leased for 95 years at a rent of Rs.1.00 *per annum* and payment of premium of Rs.4.06 lakhs, in March 1984. In May 1987, the DOT decided not to go ahead with the project due to the decision to phase out the strowger equipment and as the telecommunication factory at Bombay had more than the adequate capacity to meet the future demand. In February 1991, DOT approved transfer or disposal of the land at Dhule as the land was not required.

It was seen in Audit that the DOT had taken a decision in July 1981 i.e. long before acquisition of the land in Dhule, to scrap and replace the strowger equipment. The reason for investing in land was therefore enquired from DOT. Their reply is awaited.

The matter was reported to the Ministry in September 1991; their reply is awaited (January 1992).

### **8.15 Delay in providing telecommunication facilities against operational priority demand from defence**

In August 1983, the Indian Air Force (IAF), placed an "Operational Immediate Priority" demand on the Department for provision of 30 channel Ultra High Frequency (UHF) system for local leads between Air Force stations 'X' and 'Y'. The rent and guarantee terms at Rs.4.16 lakhs *per annum* with six years guarantee were accepted by the IAF and advance payment of Rs.4.28 lakhs

(inclusive of installation charges of Rs.0.12 lakh) was made in August 1984.

An estimate for Rs.26.34 lakhs was sanctioned by the Department in November 1984 but the proving-in of the system was undertaken only in March 1986 and the system handed over to the IAF in March 1987, despite the IAF wanting it on operational priority basis.

The Department stated in August 1990 that it did not possess particulars to explain reasons for delay in provision of the facility.

The matter was reported to the Ministry in July 1991; their reply is awaited (January 1992).

#### **8.16 Cost and time overrun in Vijaywada-Tenali digital microwave system**

Consequent to the decision to phase out, gradually, the 7 Giga Hertz (GHz) 300 channel, analogue, narrowband microwave systems and instal digital systems, Government approved in May 1987, installation of a 34 mega bits per second (Mb/s) 480 channel digital microwave system between Vijayawada and Tenali at an estimated cost of Rs.102.52 lakhs. It was to replace the existing 7 GHz narrowband microwave analogue system on the route. The digital system was scheduled to be commissioned by March 1990.

An order for import of 7 GHz, 34 mb/s digital microwave systems was placed in February 1989. The imported equipment, received at Madras in January 1990, was installed by March 1990. The proving-in of the system was commenced in July 1990. But due to non-completion of the work of laying screen paired cable between the local terminal and Vijayawada Digital Trunk

Automatic Exchange, the digital system could work between Tenali and Vijayawada only on a point to point basis. Provision had not been made in the project estimate nor action taken for laying of screen paired cable till it was pointed out by the acceptance testing authority of the Department. The laying of screen paired cable was completed in October 1990, and the system was finally commissioned in December 1990, nine months after the target.

According to the General Manager, Telecommunication Project, Hyderabad, during the proving-in period, 300 channels working on the existing analogue system were transferred to the digital system with 480 channels. Thus, the system was being underutilised to the extent of 37.5 per-cent.

Against the sanctioned cost of Rs.102.52 lakhs, the expenditure booked on the project till July 1991 was Rs.167.07 lakhs i.e.. an increase of 62.95 per cent over the sanctioned cost. Further, work, estimated to cost Rs.7.37 lakhs was not executed or was not accounted for till July 1991. The cost overrun was accounted for mostly by increase (overrun 90 per-cent) in cost of apparatus and plants over the provision in the sanctioned estimate.

The revenue from operation of the system was estimated at Rs.68.85 lakhs per annum and the annual revenue expenditure (ARE) at Rs.26.32 lakhs. Net profit was estimated at Rs.42.53 lakhs, i.e. a return of 41.48 per-cent on the capital invested. The delay of nine months in commissioning of the project led to a loss of revenue of Rs.51.64 lakhs. The revised cost estimate was stated to be under preparation (August 1991).

The matter was reported to the Ministry in September 1991; their reply is awaited (January 1992).

#### **8.17 Defective planning and delay in installation of an exchange**

In September 1982, the Department sanctioned a project for installation of a 200 lines Multiple Automatic exchange (MAX) in replacement of a 200 lines central battery non-multiple (CBNM) exchange in a new departmental building at Leh, at an estimated cost of Rs.21.89 lakhs. The project was expected to yield additional revenue of Rs.1 lakh per annum on completion.

The building component of the project was completed in October 1984 at a cost of Rs.11.55 lakhs. The building was not taken over till June 1985 as the electrification works were not complete. The electrification work was completed only by the end of 1987. The exchange equipment valuing Rs.3.76 lakhs had been received by December 1984, but its installation was not done due to non-completion of cable laying work. Also, there was reported shortage of power supply. Provision had not been made in the building for engine alternators and central heating system necessary for functioning of the exchange. These deficiencies were noticed only in May 1986 when the building had already been completed, according to the original plan and stores for the 200 lines MAX had been received. Pending installation of 200 lines MAX, the existing 200 lines CBNM exchange was expanded to 350 lines.

Two schemes, one for expansion of the proposed 200 lines MAX to 300 lines and the other from 300 to 400 lines were also

sanctioned in December 1986 and April 1988 respectively. Simultaneously, the procurement of two engine alternators was sanctioned in March 1988 at an estimated cost of Rs.5.39 lakhs. The estimate for a central heating system for the exchange building was sanctioned in December 1988 at a cost of Rs.12.39 lakhs. Keeping in view the increase on the demand for telephones during the intervening period, a consolidated estimate for Rs.49.55 lakhs, which also included the estimates separately sanctioned for engine alternators and central heating system, was sanctioned in May 1989 for expansion of the MAX exchange from 200 lines to 500 lines, superseding, the schemes for expansion from 200 lines to 300 lines and 300 lines to 400 lines.

The Ministry, stated in February 1991, that when the case for the MAX exchange at Leh was mooted, there was no regular electricity supply there. But relying on an assurance given by the State Government for stable power supply after commissioning of the Hydel Power Project at Leh, provision for standby power supply was not made in the original estimate. Limitation in working period to only six months in a year added to the delay.

Possibility of shortage of power supply in Leh was known when the proposal was mooted in 1982. Still the Department did not provide for standby power supply with engine alternators and central heating system in the original estimate. This led to delay in expansion of 200 lines MAX exchange. Piecemeal estimates for expansion of 200 lines MAX to 300 lines and from 300 lines to 400 lines and finally from 400 lines to 500 lines indicated need for a more commercial approach in assessment of demand for telephones and matching it for resources for

projects. The fact of only 6 months working period in a year was also known. Delay in expansion of the MAX exchange for 9 years after the sanctioning of it indicated inadequate planning and monitoring in a commercial department. Had the exchange been commissioned in time, the Department would have derived revenue from the new connections earlier and also saved expenditure on the old exchange building (Rs.0.30 lakh per annum).

#### **8.18 Delay in execution of project involving avoidable extra expenditure and loss of revenue**

In May 1980, the Department imported exchange equipment costing Rs.1.95 crores for installation at Idgah-III Telephone exchange in New Delhi which was scheduled to be commissioned by August 1983. The work of vertical extension of Idgah-III building scheduled for completion by December 1981 was awarded in July 1980 to contractor "A", but due to delay in making available the site and delayed supply of structural drawings, cement and steel, by the Department, the building was completed only in July 1983. The Department appointed a sole arbitrator in September 1985 to decide the claims and counter claims arising out of the delayed completion of the building. The arbitrator held the Department responsible for the delay and the Department paid Rs.1.49 lakhs to the contractor in September 1990 under the award.

The imported consignments containing the equipment reached Delhi in March and April 1982, but as the exchange building had not been completed, they were stored (at a cost of Rs.0.78 lakh) in the open on raised platforms at the Cantonment and Shadipur Telephone Exchange Compounds exposing them to damage by contact with water.

When the, consignment was unpacked in May 1982, it was found to be damaged and the surveyor reported (December 1982) that 52 frames had rusted due to contact with water. In addition, 22 frames and one battery had also suffered physical damage during transit from Calcutta to Delhi. The Department lodged a claim in June 1983 with the insurance company for Rs.71.77 lakhs towards the cost of 37 frames, repair charges on 15 frames and cost of top battery covers. The claim was revised in March 1985 to Rs.58.83 lakhs after the final assessment of the actual damage. The insurance company, in April 1987 admitted claim for only Rs.43.38 lakhs in full and final settlement on the ground that the rest of the damage was caused by the Department's failure to protect the equipment from rain water while it lay in the open. Even on the admitted claim payment had not been received so far (September 1991). The Department also incurred expenditure of Rs.1.70 lakhs towards insurance premium demanded by the insurance company in April 1987 for the extended insurance cover upto October 1982.

The Department had also to bear an additional expenditure of Rs.8.23 lakhs between May 1984 and July 1985 in obtaining replacement for the damaged equipment.

In the result, the exchange scheduled for commissioning in August 1983 was commissioned in two phases in March and December 1986 and the Department incurred loss of revenue of Rs.523.89 lakhs on the project due to the delay in addition to incurring avoidable expenditure of Rs.27.65 lakhs.

The matter was referred to the Ministry in July 1991, their reply is awaited (January 1992).



### 8.19 Unused cables

Departmental rules prescribe that stores may be indented only when the project and the estimate for which such stores are required have been sanctioned by the competent authority and a certificate to that effect is recorded on the indents. However, 4300 metres of 200 pairs 20 lbs underground cable were indented in May 1988 for connecting the trunk exchange, local exchange and microwave station at Nagda, but under an estimate for a work in Barnagar, for which there was no sanction. Against the indent, 4427 metres of cable valued at Rs.29.68 lakhs was supplied by the Departmental Stores Depots at Bhopal in May and September 1988 incurring transportation charges of Rs.0.21 lakh. The cable lay unutilised at Nagda and 195 meters of cable (Rs.1.30 lakhs) lying outside the boundry of the trunk exchange at Nagda, was damaged in a fire in February 1989.

Non-observance of the prescribed rules and delay in diversion of the cable to a sanctioned work resulted in idling of stores worth Rs.29.68 lakhs for over a year and loss of Rs.1.30 lakhs worth of cables due to fire.

The Ministry stated in September 1991 that diversion of the cable had since been ordered in September 1990, but it was still to be transported. Further, disciplinary proceedings were being initiated against the defaulting officer.

## CHAPTER-9

### INVENTORY MANAGEMENT-AUDIT OBSERVATIONS

#### 9.1 Organisation

The Telecommunications Stores Organisation (TSO) deals with all aspects of stores, from assessing requirements, procurement and issue to the users. The stores handled include cables, telephone instruments and exchange equipment. Five departmental telecom factories at Bhilai, Bombay, Calcutta, Jabalpur and Kharagpur manufacture certain items of stores, as per requirements of the TSO.

Six wholesale store depots at Bangalore, Bombay, Calcutta, Jabalpur, Madras and New Delhi, five retail depots at Bombay, Calcutta, Jabalpur, Madras and New Delhi and small retail depots at the circle and divisional level, spread throughout the country, are also involved in the inventory management.

Member (Production) in the Telecommunication Commission in the Department of Telecommunications (DOT) is responsible for the TSO in the Commission. The Telecommunications Stores Circle (TSC) under the charge of the Chief General Manager, Telecommunications Stores (CGMTS) has its headquarters at Calcutta and the CGMTS acts as the Chief Executive of the TSO. He is assisted by two Deputy General Managers, four Assistant General Managers and three Chief Accounts Officers. Controller or Divisional officers, in charge of wholesale depots and retail depots, report to the heads of telecommunications circles and districts.

## 9.2 Scope of Audit

Records for the years from 1985-86 to 1989-90 were test checked in audit and the findings are given below.

## 9.3 Highlights

The review brings out, inter alia, the following:

- The Department did not follow the practice of ABC classification of stores, as a regular measure for scientifically determining the minimum and maximum stock levels. Even when such classification was done in June 1981 and August 1989, the Department did not revise the maximum/minimum stock/ordering levels which had been fixed in 1975.
- Progressive stock taking and independent stock verification required to be done for all items every year were not done for many of them. The failure had not also been reported to the Department of Telecommunications.
- While at Calcutta Depot as many as 5049 discrepant items pertaining to the years from 1976-77 to 1989-90, were lying unvalued and unadjusted till June 1991, in the Store Depot at Bombay, 78 discrepancy statements pertaining to the years from 1977-78 to 1989-90, partially valued were awaiting regularisation till March 1990, surplus value being Rs.52.33 lakhs and deficit value Rs.14.89 lakhs.
- Stores - in - transit valuing Rs.2146.08 lakhs have not been adjusted for periods varying from 1976-77 to 1990-91 giving rise to the risk of temporary misappropriation or permanent loss, pilferage of stores transferred to other depots etc.

- The advances paid to suppliers, etc., upto March 1990 but remaining unadjusted till 31st January 1991 in Bombay and Calcutta depots stood at Rs.7964.53 lakhs. The total advances, by all the regional disbursing officers, stood at RS. 11412.05 lakhs.

- Arrears at the end of January 1991 in recovery for stores sold to other Government departments, till March 1990 by all five regions stood at Rs.395.38 lakhs many of them from 1966-67 onwards.

- Effective steps were not taken for disposal of unserviceable, obsolete and surplus stores.

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

- The settlement of cases of theft of stores, the earliest case dating back to 1973-74, was negligible.

#### 9.4 In house vis-a-vis outside procurement

Purchases made by TSO during the five years ending March 1991 from different sources were as under :

Source

	Public Sector ( Amount	Telecom Factories in	Private Sector of	Total rupees )
1985-86 Value	216.32	32.24	79.11	327.67
(Percentage to total)	(66.02)	(9.84)	(24.14)	
1986-87 Value	211.37	44.05	171.02	426.44
(Percentage to total)	(49.57)	(10.33)	(40.10)	
1987-88 Value	317.23	34.39	206.38	558.00
(Percentage to total)	(56.85)	(6.16)	(36.99)	
1988-89 Value	470.75	35.58	298.28	804.61
(Percentage to total)	(58.51)	(4.42)	(37.07)	

1989-90 Value	437.10	46.40	370.23	853.73
(Percentage to total)	(51.20)	(5.43)	(43.37)	
1990-91 Value	469.21	53.54	502.57	1025.32
(Percentage to total)	(45.76)	(5.22)	(49.02)	

Stores held under TSO as at the close of March 1991 valued Rs.498.61 crores.

Over the years, the percentage of purchases from the private sector registered an increase. The percentage of procurement from the Department's own Telecom Factories and PSUs decreased.

#### 9.5 Non fixing of norms for stock levels

The ABC classification of stores was done by the TSO in June 1981 and in August 1989, but maximum/minimum levels and stocking/ordering levels were not fixed. The stocking levels for 'A' class stores fixed in 1975, as a fraction of annual consumption, have remained unchanged.

Itemwise stock levels for 'B' and 'C' class stores fixed in 1975 were subject to limits viz. percentage of past annual consumption and lump sum financial limits, which have also not changed.

The DOT had directed the CGMTS in April 1985 to revise the classification of stores on the basis of transactions of 1983-84 or 1984-85 and to prescribe maximum and minimum stock levels on that basis so as to minimise storage cost, risk of obsolescence and pilferage, and high reordering cost due to frequent purchasing. However, this has not been done so far (June 1991).

The number of cases of excess holding of stores with reference to norms of 1975 are given below:

Name of depot	Number of items of stores the balance of which exceeded the prescribed maximum stock limit	Total value of such stores	Total value of the permissible maximum stock limits for such stores	Stock held in excess	Total excess
---------------	--	----------------------------	---	----------------------	--------------

(1)	(2)			(3)			(4)			(5)			(6)
							(Rs. in lakhs)						
	'A'	'B'	'C'	'A'	'B'	'C'	'A'	'B'	'C'	'A'	'B'	'C'	(A+B+C)
<b>Bombay</b>													
Wholesale	4	-	-	570.57	-	-	145.47	-	-	425.10	-	-	425.10
Retail	8	-	-	315.93	-	-	61.96	-	-	253.97	-	-	253.97
<b>Calcutta</b>													
Wholesale	10	7	11	302.86	43.54	540.85	54.13	2.20	0.30	248.73	41.34	540.55	830.62
Retail	11	20	5	18.75	136.93	13.99	4.38	2.72	0.76	14.37	134.21	13.30	161.81
													1671.50

In the retail depot at Bombay, there were also cases of short holding of stores by 10 to 100 per cent in respect of 16 items. In the retail depot at Calcutta, short holding ranged between 25 and 100 per cent in respect of 8 items.

#### 9.6 Stock verification and discrepancies

In the store godown under the Controller of Telecom Stores, Calcutta, the progressive stock taking (PST) and independent stock verification (ISV) were done only on a very small percentage of the inventories held. The PST and ISV of "Posts and Masts (PM) godown" has not been done since 1980-81. The Department stated, in September 1988, that non-availability of complete records and several anomalies and discrepancies in the available records had rendered verification difficult. The TSO ordered verification by taking the opening ledger balance of 1985-86 as a starting point and by going backwards. This was, however, not done. In PM godown

verification of only one item was done during the years from 1985-86 to 1989-90.

At the other godowns the number of items verified, during the years from 1985-86 to 1989-90 was a small percentage of the total number of items in stock as shown below:

	<u>No. of items verified out of 1266 items</u>				
	1985-86	1986-87	1987-88	1988-89	1989-90
PST	-	120	143	163	149
ISV	177	200	184	113	247

The failure to conduct stock verification, at the depots, of all items of stores was not reported to the DOT in any of the above years, though required to be reported.

On discrepancies detected during stock verification the Accounts officer has to scrutinise the explanation of store keeper and the depot officer or the circle officer or DOT has to accord sanction for adjustment or write off of the excess or deficiency, depending on value. Discrepancy statements dating back from 1976-77 were not regularised.

A review of the discrepancy statements in respect of the wholesale and retail Store Depot at Calcutta revealed 5049 discrepant items (surplus 2503 and deficit 2546) pertaining to the years from 1976-77 to 1989-90. They had not been valued or adjusted (June 1991). In the wholesale and retail store Depots at Bombay, 78 discrepancy statements (54 valued and 24 unvalued) pertaining to the years from 1977-78 to 1989-90 were outstanding pending regularisation (March 1990). The surplus valued Rs.52.33 lakhs and deficits valued Rs.14.89 lakhs. In 54 cases of valued discrepancy statements, sanction for regularisation or adjustments

had not been accorded (June 1991) although, valuation was done long back.

The Department stated, in November 1989, that a time bound programme would be chalked out to minimise the outstandings. But positive steps have not so far (June 1991) been taken to regularise the discrepancies in stock.

#### **9.7 Stores-in-transit**

In the Controllerates of Telecommunications Stores (CTS), Bombay and Calcutta, stores-in-transit as on 31st March 1990 aggregated to Rs.2146.08 lakhs. 363 items were on record in transit from 1976-77 onwards in Bombay unit (value Rs.869.69 lakhs) and 2686 items in Calcutta unit from 1978-89 (value Rs.1276.39 lakhs).

The non-adjustment was attributed to:-

- non-receipt of stores and/or depot transfer notes by the receiving depot;
- non-despatch of acknowledgments of the depot transfer notes by the receiving depots;
- non-accounting of depot transfer notes; and
- non crediting of stores in time by the receiving depot.

At the CTS, Calcutta, the acknowledgments received were kept unsorted and unlinked for years together. As a result, the Department was not aware of the stores that had reached the destination and those that had not. One transport contractor is alleged to have misappropriated stores worth Rs.27.85 lakhs during the period from February to May 1988. The case was reported to be under investigation by the Central Bureau of Investigation.



### 9.8 Unadjusted advance payments to contractors

Advance payments ranging between 90 and 100 per cent of the value of stores are made to suppliers on receipt of proof of despatch supported by test certificate issued by the departmental authorities. Such payments are initially charged to a suspense head pending adjustment of bills submitted by the suppliers and receipt/acknowledgment by the consignees. The adjustment of suspense is required to be watched through the Register of Advance Payments to Contractors.

The outstanding balances of advances paid upto March 1990, but remaining unadjusted till 31st January 1991, was Rs.2261.46 lakhs in Bombay and Rs.5703.07 lakhs in Calcutta. Of these amounts Rs.215.14 lakhs (9.51 per cent) and Rs.2109.39 lakhs (36.99 per cent) respectively, represented the outstandings from private firms as distinct from public sector firms. The yearwise analysis of the outstandings from private firms was as under:

Name of depot (wholesale)	1969-70 to 1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	Total
	(Rs. in lakhs)						
Bombay	31.38	3.75	2.04	9.70	43.16	125.11	215.14
Calcutta	199.94	2.05	393.33	909.60	604.47	-	2109.39

Rs.114.12 crores of advances were outstanding as on 31st January 1991 being advances for supplies made by all the regional disbursing offices upto end of 1989-90, the earliest year being 1964-65.

Non-adjustment of advances was attributed to non-receipt of final bills from the suppliers, delay in accounting the stores received by depot authorities, short receipt or receipt of damaged stores, and

difficulties in linking the items of stores despatched directly to the indenters.

Pending adjustments of suspense, it was not clear how the Department had charged the stores received to the concerned works and ruled out non-receipt of stores.

#### **9.9 Non-recovery of sales dues**

Against sales made by the wholesale store depots at Bombay (from 1979-80) and Calcutta (from 1966-67) upto 1989-90, Rs.139.60 lakhs remained unrealised as on 31st January 1991. Such dues outstanding as on 31st January 1991 in the books of the five regional Accounts Offices were Rs.395.38 lakhs, some dating back to 1966-67.

The Department had not taken effective steps for realising dues within reasonable time.

#### **9.10 Adjustment of lost stores**

In fifty four cases of theft from store godowns under CTS, Bombay and Calcutta, stores lost was not adjusted till June 1991. The earliest case dated back to 1973-74. The amounts involved in five theft cases could not be made available to Audit and in the remaining 49 cases the value of stores lost was Rs.41.83 lakhs.

The Department stated that owing to non-receipt of the police reports, the cases were pending (June 1991).

The DOT issued instructions to the CGMTS in April 1985 to look into the reasons for delay in adjustment of stolen, lost or damaged stores and take steps to plug the loopholes in the system, if any. The DOT had emphasised the need for expeditious investigation of cases of stores lost and fixing of responsibility for or writing off of losses as the case may be, to reduce the outstandings in this regard. But the

outstanding under "Stores Recoverable" arising from thefts or damages occurring till March 1990 stood at Rs.220.77 lakhs as at the end of January 1991 in five wholesale store depots. Of these, Rs.84.43 lakhs and Rs.38.66 lakhs were outstanding in the books of Bombay and Calcutta depots respectively as store lost. Yearwise break up of stores lost in these two units was as under:

Store lost in							
Name of depot (wholesale)	1969-70 to 1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	Total
(Rs. in lakhs)							
Bombay	25.46	10.49	0.81	15.06	22.99	9.62	84.43
Calcutta	1.29	1.00	-	-	36.20	0.17	38.66

#### 9.11 Unserviceable, obsolete and surplus stores

At CTS, Calcutta, unserviceable and obsolete stores have not been disposed off after 1980-81. In January 1990, the CGMTS declared 33 items of stores valuing Rs.48.78 lakhs and 10 items of stores valuing Rs.18.26 lakhs (at current standard rates) lying in the Wholesale and Retail Store Depots at Calcutta and Bombay respectively, as obsolete.

But effective steps had not been taken (August 1991) for their disposal. Some rusted and broken materials including wires valuing Rs.13.98 lakhs (at current standard rate) at the wholesale/retail depot at Calcutta had also not been disposed off (June 1991).

#### 9.12 Non-moving/slow moving stores

Of stores worth Rs. 447.38 crores held in different depots (excluding those under MTNL, Bombay and Delhi) as at the close of March 1990, stores worth Rs.16.70 crores were lying idle without any movement for six years i.e. since April 1984. In the

wholesale/retail depots at Bombay and Calcutta, 275 items valuing Rs.32.01 lakhs and 833 items valuing Rs.71.87 lakhs respectively were lying idle without movement since April 1984.

Similarly, 109 items valuing Rs.59.83 lakhs in Bombay unit and 80 items valuing Rs.158.26 lakhs in Calcutta unit were slow moving as at the end of January and March 1991 respectively.

Accumulation of non-moving/slow moving stores resulted in blocking of capital as well as the risk of their becoming eventually unserviceable/obsolete due to technological advancement in the intervening period.

The foregoing observations were reported to the Ministry in September 1991; their reply is awaited (December 1991).

## CHAPTER 10

### AVOIDABLE EXPENDITURE-AUDIT OBSERVATIONS

#### 10.1 Extra-contractual payments

(i) The Department invited tenders in January 1986, for procurement of polythene insulated jelly filled (PIJF) underground cables of different sizes. Tenders received from 14 firms were opened in April 1986 but the Department decided, in February 1987, to increase the quantities already on order on a firm which was asked to supply 2000 Kms and 1000 Kms of PIJF underground cables of specifications 20/0.5 mm (unarmoured) and 100/0.5 mm (armoured) respectively at a cost of Rs.14.50 crores. Delivery was to be completed by 30th December 1987. Price variation clause was applicable on copper wire rod used in the cables.

The request of the firm for amendment of the scheduled delivery date was turned down by the Department in June 1987, as also the repeated requests made in July and October 1987. But, in November 1987, the Department, refixed the delivery period as 30th June 1988 and thus allowed price increase during this period. This extra-contractual concession was granted on the firm's plea that it was busy in making supplies against other orders placed by the Department.

Further extension in delivery period upto 30th November 1988 was also later granted by the Department though no price variation was allowed in respect of supplies made during the period of July to November 1988.

In the result, avoidable extra contractual payment of Rs.45.12 lakhs was made to the firm.

The matter was reported to the Ministry in August 1991; their reply is awaited (December 1991)

(ii) The Department procured polythene insulated jelly filled armoured underground cables from a firm 'B' though it quoted higher than firm 'A' on the ground that only firm 'B' was equipped with adequate infrastructure for manufacture of the required cables.

Orders were placed in May 1986 on firm 'B' for supply of 1400 kms. length of cables, followed by additional orders for 100 Kms. and 250 Kms. at the same rate and terms and conditions, in February 1987 and March 1988 respectively. The total value of the orders was Rs.27.33 crores. The supplies commenced from October 1986 and were completed in October 1988.

"MODVAT" scheme had been introduced from 1st March 1986, by which firm 'B' was benefited by Rs. 50.04 lakhs on the price of copper inclusive of duties. This was not passed on by the firm 'B' to the Department. Before placement of orders on firm 'B', the prices quoted by it were reduced after negotiations (prior to the introduction of the MODVAT scheme) but the rates were still higher than rates offered by firm 'A' by Rs.4000 per Km. Further, the negotiated rates of firm 'B' were to be varied with reference to changes from time to time in prices of Copper by reference to its price on a base dat

The matter was reported to the Ministry in August 1991; their reply is awaited (December 1991).

## **10.2 Excess payment of customs duty**

(a) Customs duty was paid in excess by Rs. 126.65 lakhs on containerised electronic exchanges imported directly by the Department on the basis of global tenders issued by it between January 1984 and August 1987. The import covered exchanges for Gandhi Nagar, Mehsana, Porbandar, Karur (3000 lines each), Veraval, Kurnool, Gulbarga and Udipi (2000 lines each) and Gandhidham (2000 and 1000 lines) in Gujarat, Andhra Pradesh, Karnatka and Tamil Nadu Circles

The failure to avail of concessional customs tariff on the project imports was due to failure of the Department to inform the clearing agent (DGSD) about the payment of customs duty at concessional rates. Efforts at claiming refund of customs duty paid so long ago have not succeeded to date (December 1991).

The matter was reported to the Ministry in August 1991; their reply is awaited (December 1991).

(b) The Department of Telecommunications (DOT) imported directly (i.e without indenting on DGSD) from a foreign firm, in July 1988 an automatic surveillance systems, comprising computer and software for its Western Region.

Though customs duty of Rs. 88.75 lakhs only was payable under an exemption order, customs duty of Rs. 120.98 lakhs was paid by DOT. Refund was also not claimed in time.

The matter was reported to the Ministry in August 1991; their reply is awaited (December 1991)

(c) The Department of Telecommunications (DOT) imported through the Directorate of Supplies and Disposals (DSD) under the Department of Supplies, Government of India in March 1989, telecommunication transmission equipment costing Rs.123.09 lakhs for use in different circles. DSD cleared the equipment from the Bombay Port in March 1989 after payment of Rs.135.77 lakhs as customs duty though only Rs.123.09 lakhs was payable. No refund was claimed in time. Neither the DSD (which does not accept liability on such excess payments) nor the DOT (which is not responsible for the excess payment) had noticed the excess payment.

On the matter being pointed out by Audit in November 1990, the Telecommunication District Manager, Bhopal Telephone District still stated that the matter would be taken up with concerned authorities for recovery of the customs duty paid in excess (though period for claiming refund is long over)

The matter was reported to the Ministry in August 1991; their reply is awaited (December 1991).

### **10.3 Avoidable expenditure due to negligence in clearing equipment imported through DGS&D**

Equipment to the project for installation of 2000 lines SPC electronic telex primary centre at Ahmedabad in replacement of the 500 lines strowger telex was procured from a foreign supplier between May and October 1986 through the agency of Director General of Supplies and Disposals (DGSD), Bombay who was the designated port consignee. As document and despatch instructions necessary for clearing the consignments were wanting, five cases



containing electronic telex switching equipment received at Bombay airport on 2nd June 1986 were kept in the open at the air cargo complex in monsoon time. They were cleared only on 11th July 1986. There was delay in handing over of the cargo arrival notice by General Manager (GM), Ahmedabad Phones and delay in despatch instructions to the consignee. Neither the Department nor the DGSD tried to clear the goods on indemnity bond, to avoid delay. Damages to the packings were noticed in July 1986 at the time of taking delivery.

The cases were opened in Ahmedabad in December 1986 and equipment worth Rs.53.28 lakhs (FOB cost) was found to be completely damaged by seepage of water, rendering the equipment unfit for commissioning.

Insurance claim (inclusive of customs, insurance and freight) was lodged in March 1987 for Rs.88.82 lakhs, and revised in April 1989 to Rs.108.66 lakhs based on customs duty paid. Claim has not been met so far (July 1991). The insurance company stated (April 1987) that there was negligence on the part of the Department as the consignment had come in contact with water and was stored in that condition for over five months even after the Department was aware of the fact. No action had been taken, by the Department, after November 1989, to realise the claim.

The Ministry stated in September 1989 that the insurance company had processed the Department's case on its merits and had assured that the claim would be finalised at the earliest. The fact, however, remains that the claim has not been settled (August 1991) even after 4 years of its being lodged with the insurance company.

Thus, expensive imported equipment was rendered unusable due to negligence on the part of the Department and its agent (DGS&D) resulting in infructuous expenditure of Rs. 108.66 lakhs. The fact, however, remains that the claim has not been settled (August 1991) even after four years of its being lodged with the insurance company.

#### **10.4 Avoidable payment of surcharge on transportation of stores**

(i) Levy of surcharge at three per cent from January 1982 and five per cent from April 1984 was introduced by the Railways on consignments booked by goods train on 'freight to pay' basis, whereas no surcharge was leviable on consignments booked on 'freight paid' basis. The Department did not amend the terms and conditions governing despatch of stores by its suppliers to provide for despatch on "freight paid" basis in its purchase orders nor advise the suppliers to despatch stores on 'freight paid' basis. This led to avoidable payment of Rs.45.24 lakhs as surcharge during the years from 1985 to 1988.

In a few purchase orders placed by the Telecommunications Stores Depot, Calcutta, after July 1989, it was stipulated that despatch would be on 'freight paid' basis and freight cost would be reimbursed to the suppliers.

The Ministry stated in December 1990 that many of the suppliers, were small scale units, who found it difficult to block funds by payment of freight and they had objected to the stipulation about payment of freight before despatch. The stipulation was, therefore, not enforced by the Chief General Manager, Telecommunication Stores, Calcutta

if the condition had been imposed, the quoted rates would have gone up to cover the extra cost of funds of the suppliers getting blocked. However, units were being instructed to enforce the condition of despatch on 'freight paid' basis in the future contracts. The terms of despatch had also been revised from November 1990.

The reply is not convincing since Department has amended the terms of contract belatedly at the instance of Audit. The reply that the rates might go up if the condition of 'freight paid basis' is enforced is not tenable as this applies equally to value of goods paid for on same basis i.e., payment on despatch and receipt of RR. This is because generally carrying cost of an article is not to be related to its value and additional time for which funds are blocked between despatch and receipt of RR is not linked to payment for goods on proof of despatch.

(ii) Suppliers of telecommunications stores have option to despatch stores, by road instead of rail on 'freight paid basis' If they do so actual freight charges by road or the freight chargeable by goods train, whichever is lower is paid to them. This option was withdrawn from August 1989 and, unless specifically ordered by consignee, the suppliers were to despatch stores by rail only, and that too, on 'freight paid' basis.

During the period from March 1987 to October 1988, instead of restricting the road freight to railway freight payable (on 'freight paid' basis) additional payment of five per cent freight surcharge leviable on goods transported on 'freight to pay' basis amounting to Rs. 1.72 lakhs was also paid to

suppliers. This resulted in avoidable expenditure of Rs.1.72 lakhs.

The Ministry contended, in December 1990, that because of transportation by road, the stores were received direct at the store depots and in this way, expenditure involved in carriage of stores from railway goods shed to the store depots was avoided and the savings were comparable to the surcharge paid to the suppliers.

The reply is not tenable in terms of the conditions of contract relating to despatch of goods, which is binding on the suppliers and the Department. The suppliers were to be reimbursed only the actual freight charges incurred by road or freight charges by goods train (on 'freight paid' basis) which ever was lower.

#### **10.5 Non availing of rebate from Municipality:**

On private buildings taken on lease Ahmedabad Telecom District paid full municipal taxes and fifty per cent thereof as educational cess. From 1984, the Ahmedabad Municipal Corporation allowed a rebate of 10 per cent on payment of dues by the end of April of the year to which the dues related and widely publicised the grant of rebate in local newspapers.

But the Telecom authorities did not take advantage of the scheme and waited for the tax bills to be served thus losing the available rebate of Rs. 10.94 lakhs on municipal dues from the years 1984-85 to 1990-91.

The matter was reported to the Ministry in August 1991; their reply is awaited (December 1991).

#### **10.6 Unutilised land**

The Ministry of Works and Housing allotted, (October 1983) a plot of land

measuring 2.277 acres at a cost of Rs.13.66 lakhs to the then Posts and Telegraphs Department for construction of a building for New Delhi Telegraph Office on terms and conditions which *inter alia* provided that the building would be constructed within two years of taking over the land. Possession was taken in June 1984.

The construction of the building was entrusted to Telecommunications Consultants India Limited (TCIL) in May 1985. But the architectural drawings and plans were not intimated to TCIL. No penalty clause for levy of liquidated damages provided for delay was also incorporated in the agreement with TCIL.

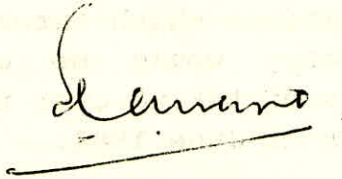
Preliminary drawings for the building were received from TCIL in April 1988 i.e. ~~after~~ three years. They were revised in the light of the fresh instructions (July 1988) from the Ministry of Urban Development and Planning. Working drawings were approved by the department in February 1990 i.e. after 18 months. Approval from the local body was still to be obtained (February 1991).

- Encroachment on the land started in July 1986 with 'jhuggies' and 'dhabas' coming up on it. By March 1991 there were 238 jhuggi dwellers on it. ~~Proper~~ fencing and watch and ward arrangements, to protect the land from encroachment, was not made by the Department.

In the result investment of Rs.13.66 lakhs on land had not, so far, yielded any return. An amount of Rs.23.80 lakhs towards relocation of the juggi dwellers at the rate of Rs.0.10 lakh per jhuggi is required to be paid to the slum wing of the Delhi Development Authority, as decided by the Urban Improvement Department of the Delhi Administration. The delay is also likely to

result in escalation of the cost of the project.

The matter was reported to the Ministry in April 1991; their reply is awaited (December 1991).



(S.C. ANAND)

Director General of Audit  
Posts and Telecommunications

Delhi  
The

08 APR 1992

Countersigned



New Delhi

(C.G. SOMIAH)

The

08 APR 1992

Comptroller and Auditor General of India

**APPENDIX I**

(Referred to in Paragraph 1 at page 6)

**Details of important changes made in postal tariffs  
during the year 1990-91**

	Existing	Revised with effect from June 11th 1990
<hr/>		
1. Postcard containing printed communication/ Printed Post card	40 paise	60 paise
2. Letter Cards		
For a letter card	35 paise	75 paise
stationery charge for embossed letter card	15 paise	(No stationery charge)
3. Letters		
For a weight not exceeding 10 grams	60 paise	(Please see the revised rates mentioned below
Stationery charge for embossed envelope	15 paise	
For every additional 10 grams or fraction thereof	40 paise	
For every 20 grams or fraction thereof		Rs.1/--(No stationery charge for embossed envelope)
4. Book Post		
i) Book Pattern and Sample packets		
For the first 50 grams or fraction thereof	50 paise	Rs.1/--
For every additional 50 grams or fraction thereof in excess of 50 grams	50 paise	(Please see the revised rates mentioned below)

For every additional 100 grams or fraction thereof in excess of 50 grams		Rs.1/-
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ii) Book Packets

containing Printed Books

For the first 100 grams or fraction thereof	30 paise	50 paise
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For every additional 100 grams or fraction thereof in excess of 100 grams	30 paise	50 paise
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iii) Book Packets

containing periodicals

For the first 100 grams or fraction thereof	30 paise	50 paise
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For every additional 100 grams or fraction thereof in excess of 100 grams	30 paise	50 paise
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5. Parcels

For the first 500 grams or fraction thereof	Rs.4/-	Rs.6/-
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For every additional 500 grams or fraction thereof in excess of 500 grams	Rs.4/-	Rs.6/-
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6. Registration

Fee for registration	Rs.5/-	Rs.6/-
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7. Acknowledgment Due

	50 paise	Rs.1/-
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8. Insurance

Where the value of insurance does not exceed Rs.100/-	Rs.2/-	
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(Please see  
the revised  
rate mentioned  
below)

For every additional Rs.100 or fraction thereof upto Rs.5000/-	Re.1/-	
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For every additional Rs.1000/- or fraction thereof above Rs.5000/- upto Rs.10,000	Rs.5/-	
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	For every additional Rs.100/- or fraction thereof in excess of Rs.200/-	-	Rs.2
9. Money Orders			
	Where the amount of remittance does not exceed Rs.50	40 paise for every Rs.10/- or fraction thereof	(Please see the revised rate mentioned below)
		subject to a minimum commission of 50 paise	
	Where the amount of remittance exceeds Rs.50/-	50 paise for every Rs.10/- or fraction thereof	
	For every sum of Rs.20/- or fraction thereof	-	Re.1/-
10. Supplementary Fee for Telegraphic Money Orders			
	For each telegraphic money order issued upto Rs.50/-	Re.1/-	Rs.2/-
	For each telegraphic money order issued exceeding Rs.50/- but not exceeding Rs.200/-	Rs.2/-	Rs.3/-
	For each telegraphic money order issued exceeding Rs.200/-	Rs.3/-	Rs.5/-
11. Ware housing charge on value payable articles			
	For Parcels	25 paise per day	Rs.2 per day
	For other articles	15 paise per day	Re.1 per day
12. Certificate of posting			
	For 3 articles or less	20 paise	Rs.2/-
13. Airmail Fee			

a)For packets:(Other than letters, post-cards and parcels)	10 paise	(Please see the revised rate mentioned below)
For first 50 grams or fraction thereof	-	Re.1/-
For every additional 50 grams or fraction thereof	-	50 paise
b)Parcels:For every 100 grams or fraction thereof	50 paise	(Please see the revised rate mentioned below)
For first 50 grams or fraction thereof	-	Re.1/-
For every additional 50 grams or fraction thereof	-	50 paise
14.Late Fees		
Late Fees charge for unregistered articles per article	20 paise	Re.1/-
Late fees charge for registered articles per article	30 paise	Rs.2/-
Special additional late fees charge per article	50 paise	Rs.2/-
15.Fee for obtaining copy of original receipts signed by addressee for registered articles per article		
	50 paise	Re.1/-
16.Supplementary charge for issue of a foreign money order telegraphed under Rule 172 of Indian Post Office Rules		
Per Foreign Money Order	15 paise	Re.1/-
17.Fee for recall of postal articles per article		
	Rs.2/-	Rs.4/-

**18. Rent for Post Boxes/Bags**

**a) Post Boxes or Bags if**

**taken separately**

**if rented for a full  
official year**

**Rs.60/-**

**Rs.150/-**

**For three calendar  
months or part thereof  
if rented for a period  
of less than a full  
official year**

**Rs.20/-**

**Rs.50/-**

**b) Post Box and Bag**

**combined together**

**with the same or  
different number**

**If rented for a full  
official year**

**Rs.100/-**

**Rs.250/-**

**For three calendar  
months or part  
thereof if rented  
for a period of  
less than a full  
official year**

**Rs.30/-**

**Rs.80/-**

## APPENDIX II

(Referred to in Paragraph 5.3 at page 60)

### Important changes in the telephone tariffs in the last four years

#### (i) Tariff rates effective from 1st December 1986

Sl. No.	Name of Service	Existing tariff (in Rs. unless stated otherwise)	Revised tariff (in Rs. unless stated otherwise)	Remarks
1	2	3	4	5
1.	Installation fee for a new Telephone connection in an exchange system of:-			
	(a) Less than 500 lines	300	No change	
	(b) 500 lines and above	300	800	If a subscriber provides his own internal fitting in an exchange system of 500 lines and above, a rebate of Rs. 500 will be allowed for a new connection and Rs. 300 for shifting.
2.	Shifting charges in an exchange system of:-			
	(a) Less than 500 lines	150	150	
	(b) 500 lines and above	150	600	
3.	(a) Installation fee for a new Telex connection	300	800	
	(b) Shifting charges for a Telex connection	300	600	If subscriber provides his own internal fitting, a rebate of Rs.500 will be allowed for a new connection and Rs.300 for shifting.
4.	(a) Temporary connection for the first 6 months	1-1/2 times the normal rentals	Double the normal rental	
	(b) Connection from a temporary exchange or temporary PAX for the 1st KM	Rs.150/-p.m. inclusive of call charges	Rs.300/-p.m. inclusive of call charges	
	(c) Casual Connection			
	(i) 1 to 10 days	90		Equivalent to half of by-monthly rental
	(ii) 11 to 20 days	180		Equivalent to one by-monthly rental
	(iii) 21 to 30 days	180		Equivalent to 1-1/2 times the bi-monthly rental of respective exchanges

5. (a) Annual rental for Extensions to DELs			
(i)	Internal extension with ICF	350	500
(ii)	Internal extension without ICF	300	400
(iii)	External extension Ist KM	700	1400
	Each addl KM	400	800
(b) Telephone connections to PBX and PABX			
(i)	internal connections	300	400
(ii)	external connections Ist KM	700	1400
	Each addl KM	400	800
(c) Charges for private wire:			
(i)	internal private wire	300	400
(ii)	external private wire Ist KM	700	1400
	Each addl KM	400	800
(d) Charges for non-exchange lines			
	Ist KM	700	1400
	Each addl KM	400	800
6. Local Call Charges:			
(a)	Free Calls (bi-monthly)	200 calls	275 calls
(b)	Above 275 upto 2000 (bi-monthly)	40 Paise	60 Paise
(c)	Above 2000 (bi-monthly)	40 Paise upto 3000 Calls and 50 Paise above 3000 Calls(bi-monthly)	80 Paise

(ii) Tariff rates effective from Ist April 1988

1. TELEPHONES:

Within Local Area:

(a) Measured Rate System.

Existing Tariff

Exchange System	Rates of bi-monthly rentals and call fee			
	Rentals	No. of call unit allowed free of charge during two months.	Fees per call unit excess of those allowed free of charge	
			From 276 to 2000 calls	In excess of 2000 calls
	(Rs.)		Paise	Paise
1. Exchange Systems of less than 10000 lines	125	275	60	80
2. Exchange Systems of 10000 lines and above but below 30000 lines	150	275	60	80
3. Exchange Systems of 30000 lines and above and but below 100000 lines	175	275	60	80
4. Exchange Systems of 100000 lines and above	200	275	60	80

# Revised tariff

Exchange System	Rates of bi-monthly rentals and local call fee				
	Rentals	No. of call unit allowed free of charge during two months.	Fees per call unit for calls in excess of those allowed free of charge		
			From 276 to 2000 calls	From 2001 to 5000 calls	In excess of 5000 calls
1	2	3	4	5	6
	Rs.		Paise	Re.	Rs.
1. Exchange Systems of less than 100 lines	125	275	80	1	1.25
2. Exchange Systems of 100 lines and above but below 1000 lines	140	275	80	1	1.25
3. Exchange Systems of 1000 lines and above but below 10000 lines	160	275	80	1	1.25
4. Exchange Systems of 10000 lines and above but below 30000 lines	200	275	80	1	1.25
5. Exchange Systems of 30000 lines and above but below 100000 lines	250	275	80	1	1.25
6. Exchange Systems of 100000 lines and above but below 300000 lines	300	275	80	1	1.25
7. Exchange Systems of 300000 lines and above	330	275	80	1	1.25

(iii) Tariff rates effective from 1st April 1990

**TELEPHONES-within local area**  
**Measured Rates System**  
**Existing Tariff:-**

Exchange System	Rates of bi-monthly rentals and local call fee				
	Rentals	No. of call unit allowed free of charge during two months.	Fees per call unit for calls in excess of those allowed free of charge		
			From 276 to 2000 calls	From 2001 to 5000 calls	In excess of 5000 calls
1	2	3	4	5	6
	Rs.		Paise	Re.	Rs.
1. Exchange Systems of less than 100 lines	125	275	80	1	1.25
2. Exchange Systems of 100 lines and above but below 1000 lines	140	275	80	1	1.25
3. Exchange Systems of 1000 lines and above but below 10000 lines	160	275	80	1	1.25
4. Exchange Systems of 10000 lines and above but below 30000 lines	200	275	80	1	1.25
5. Exchange Systems of 30000 lines and above but below 100000 lines	250	275	80	1	1.25
6. Exchange Systems of 100000 lines and above but below 300000 lines	300	275	80	1	1.25
7. Exchange Systems of 300000 lines and above	330	275	80	1	1.25

# Revised Tariff

Exchange System	Rates of bi-monthly rentals and local call fee			
1	2	3	Fees per call unit for calls in excess of those allowed free of charge	
	Rentals	No. of call unit allowed free of charge during two months.	From 151 to 1000 calls	In excess of 1000 calls
	Rs.		Paise	Rs.
1. Less than 100 lines	100	150	80	1.10
2. 100 lines and above but below 1000 lines	150	150	80	1.10
3. 1000 lines and above but below 30000 lines	200	150	80	1.10
4. 30000 lines and above but below 1 lakh lines	250	150	80	1.10
5. 1 lakh lines and above	330	150	80	1.10



### APPENDIX III

(Referred to in Paragraph 7.2(i)(a) at page 86)

#### Non-billing or short billing of customers (communication gap)

Sl. No.	Particulars of lines/ Cables/PABX etc.	Pointed out by Audit in,	Period of non recovery	Amount of non recovery	Position of bills issued/recovery made after issue of Audit Memo
1.	2.	3.	4.	5.	6.

(Rs. in Lakhs)

#### Andhra Pradesh Telecommunications Circle

1.	Provision of 20 + 200 EPABX and 50 extensions to National Remote Sensing Agency in July 1989	September 1990	June/ July 90 to May 1991	2.47	Recovery made in September 1990
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#### Assam Telecommunications Circle

2.	Provision of 12 channel Ultra High Frequency Link between Station 'X' and Station 'Y' in March 1988 for Indian Air Force	September 1989	March 1988 to March 1992	25.41	Bills for Rs.21.84 lakhs were issued from January 1990 to March 1990 and recovery made. The recovery of the balance Rs.3.57 lakhs yet to be made (May 1991)
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#### Bihar Telecommunications Circle

3.	Provision of extensions to the PBX Board rented to Damodar Valley Corporation, Dhanbad	September 1990	October 1990 to September 1991	1.43	Bills issued
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#### Gujarat Telecommunications Circle

4.	Provision of (i) a 700 connections Private Automatic Branch Exchange initially and 2000 connections ultimately (ii) lines and junctions to Government of Gujarat in July 1981	March 1986	i) November 1984 to November 1989 ii) November 1984 to March 1991	43.63	Rs.25.46 lakhs recovered in August, November 1987 and October 1988; bills for the balance amount issued in August 1990, recovery awaited
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Haryana Telecommunications Circle

5. Provision of underground cable to Haryana State Electricity Board between Panipat exchange and Thermal Power Project in August 1989 February 1990 August 1989 to August 1990 1.37 Bills issued for the period upto 1990-91 in November 1990 and recovery was awaited

Jammu and Kashmir Telecommunications Circle

6. Telegraph Circuit provided to Army authorities between station 'A' and station 'B' in August 1987 June 1989 August 1987 to March 1990 1.94 Recovery made in November 1990
7. Two T-43 boards provided to Army in November 1986 August 1990 November 1986 to November 1991 1.75 Bills issued in September 1990. Information about recovery awaited (May 1991)

Madhya Pradesh Telecommunications Circle

8. Provision of speech circuits and wireless circuits in May/July 1988 and March 1988 to (i) Police (Radio), Bhopal and (ii) Irrigation Department, Bhopal October 1989 i) May 1989 to July 1990 ii) March 1989 to March 1990 2.66 Recovery made in January 1990
- 10.99 Recovery made in March 1990

North Eastern Telecommunications Circle

9. Provision of 50 pairs/20 Lbs underground cable between Air Force exchange Station 'A' and Carrier Station, Shillong in November 1988 May 1990 November 1988 to November 1991 27.45 Bills for Rs.13.80 lakhs recovered/adjusted against the advance deposits; balance Rs.13.65 lakhs yet to be recovered

Punjab Telecommunications Circle

10. Provision of 12 Kms. of 14 pairs/40 Lbs underground cable to Border Security Force authorities at Station 'A' in February 1988 September 1989 February 1988 to February 1990 2.63 Rs.2.53 lakhs recovered in December 1989 and recovery of balance amount of Rs.0.10 lakh billed in January 1990 was awaited

Uttar Pradesh Telecommunications Circle

11. Provision of teleprinter circuits to a party between (i) Lucknow and Patna and (ii) Lucknow and Bhopal in December 1987 and June 1988	February 1991	i) December 1987 to December 1991 ii) June 1988 to June 1991	0.97 0.75	Information about issue of bills awaited -do-
12. Provision of a speech circuit to a party in November 1988	September 1990	November 1988 to November 1990	1.52	Bills issued for Rs.0.65 lakh in September 1990. Information about recovery awaited
13. Provision of a speech circuit to Army authorities between Station 'X' and 'Y' in May 1988	August 1990	May 1988 to June 1991	1.83	Recovery made in October 1990
14. Provision of speech circuit between Station 'O' and Station 'P' to Army authorities in September 1987	April 1990	September 1987 to September 1990	1.97	Information about issue of bills awaited
15. Provision of a speech circuit between Dehradun and Jammu to Oil and Natural Gas Commission in May 1989	September 1990	May 1989 to May 1991	3.79	Position of issue of bills awaited
16. Provision of speech cum data circuits from Dehradun to Baroda and Dehradun to Calcutta in February and March 1988 respectively to Oil and Natural Gas Commission, Dehradun	September 1990	March 1988 to September 1991	40.73	Recovery made in March 1991
17. Provision of speech circuit to Defence authorities between Station 'X' and Station 'Y' in April 1986	October 1988	April 1986 to June 1988	1.48	Recovery made in March 1990
18. Provision of a teleprinter circuit to Special Bureau, Lucknow in July 1985 between Lucknow and Patna	October 1988	July 1985 to June 1989	2.45	Recovery made in October 1989
----- Total			177.22	

## APPENDIX IV

(Referred to in Paragraph 7.2(i)(b) at page 86)  
**Non-billing/short billing of customers**  
**(communication gap)**

Sl. No.	Particulars of lines/ Cables/PABX etc.	Pointed out by Audit in	Period of non recovery	Amount of non- recovery (Rs. in Lakhs)	Position of bills issued/recovery made after issue of Audit Memo
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1.	2.	3.	4.	5.	6.
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### Andhra Pradesh Telecommunications Circle

1.	Provision of speech circuit from Rajahmundry and to Madras in April 1990 to Oil and Natural Gas Commission	October December 1990	April to November 1990	1.06	Recovery made in December 1990
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### Gujarat Telcommunications Circle

2.	Provision of two speech circuits to Indian Air Force between Station 'A' and Station 'B' in January 1990	March 1991	January 1990 to January 1992	1.72	Bills issued in March 1991
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### Punjab Telecommunications Circle

3.	Provision of a speech circuit between (i) Nangal-Bhatinda and (ii) Nangal-Panipat to M/s.National Fertiliser Limited, New Delhi in December 1986 and February 1987 respectively	January 1989	i)December 1986 to March 1989  ii)February 1987 to March 1989	1.08	Recovery made in March 1989
				1.17	Recovery made in February 1989

### Uttar Pradesh Telecommunications Circle

4.	Provision of speech circuit to Army authorities between Station 'C' and Station 'D' in January 1987	October 1988	January 1988 to June 1989	1.69	Recovery made in June 1989
5.	Provision of a speech circuit between Lucknow and Kanpur to a party in September 1987	February 1991	September 1988 to September 1991	1.15	Position about issue of bills awaited

Total	7.87
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**APPENDIX V**

(Referred to in paragraph 7.2(iii)(a) at page 90)  
**Non-billing/Short billing of customers**  
**(Revision of rates)**

Sl. No.	Particulars of lines/ PABX/Cable/Tele-communication facility etc.	Pointed out by Audit in	Period of short recovery	Amount of short recovery (Rs. in lakhs)	Position of bills issued/ recovery made
1	2	3	4	5	6
<u>Andhra Pradesh Telecommunications Circle, Hyderabad</u>					
1.	Replacement of 200 lines PBX by 200 lines PABX in March 1985 for Tirumala-Tirupati Devasthanam	Februray 1989	December 1986 to May 1989	2.00	Recovery made in March 1989
2(i)	40 extensions of 30+500 PABX provided to the Army	September 1990	August 1988 to May 1991	1.97	Recovery made in March 1991
(ii)	10 extensions of 40+400 PABX provided to the Commissioner of Police	-do-	August 1988 to May 1991	4.40	Recovery made in February 1991
3.	38 pairs/40 lbs uderground cable provided to Air Force Academy, station 'X' in December 1970	August 1990	August 1989 to May 1991	2.21	Supplementary bills issued and recovery particulars awaited
4.	Provision of local leads to 14 parties from time to time by the General Manager Telephones District, Hyderabad	June 1990 and July 1990	August 1988 to March 1991	3.84	Recovery of Rs.1.94 lakhs made. Balance Rs.1.90 lakhs yet to be recovered
<u>Assam Telecommunications Circle</u>					
5.	Six non-exchange lines provided to different parties	September 1989	December 1986 to April 1990	1.39	Bills issued; information about recovery awaited.
6.	External extension from Indian Air Force (IAF) PABX, station 'A'	September 1989	December 1986 to June 1990	1.08	Bills issued; information about recovery awaited
<u>Bihar Telecommunications Circle</u>					
7(i)	Provision of 13 Wireless circuits with wireless telegraphy cum radio telegraphy facilities on rent and guarantee basis to	January 1991	October 1988 to June 1990	10.40	Bills issued in May 1991; recovery awaited (August 1991)

Central Coalfield Limited,  
Ranchi

(ii)Provision of 2 wireless circuits with wireless telegraphy cum radio telegraphy to the above Company mentioned in 7(1) in 1983	-do-	March 1988 to March 1991	16.99	Recovery made in July 1991
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Gujarat Telecommunications Circle

8. Provision of long distance telephone connections to Gujarat Ambuja Cement Limited, Ved Nagar	February 1991	April 1988 to March 1991	1.28	Bill issued in February 1991
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9. Provision of long distance telephone connections to eight subscribers	November 1990	December 1986 to December 1990	4.40	Recovery of Rs.3.60 lakhs made in December 1990 to February 1991. The balance after adjustment of Rs.0.08 lakh yet to be recovered
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10.Provision of long distance telephone connection to Gufarat Narmada Valley Fertilizers Company Limited Bharuch from Baroda and conversion of the existing hot line into a long distnace connection in July 1985 and February 1986 respectively	January 1991	August 1988 to March 1991	4.47	Recovery for Rs.4.19 lakhs made in March 1991; bills for the balance yet to be issued
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Jammu and Kashmir Telecommunications Circle

11.Provision of 11.5 Kms of 38/20 lbs underground cable to Indian Air Force in January 1988	July 1990	Januay 1988 to March 1991	11.32	Supplementary bill for Rs.11.32 lakhs issued in January 1990; recovery of Rs.3.09 lakhs made. The recovery of the balance was being pursued (August 1991)
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Karnatka Telecommunications Circle

12. Point to point teleprinter circuit provided between Mangalore Dock Yard and Administrative office at Bombay of M/S Mazagon Dock Limited in January 1987	March 1989	January 1987 to January 1989	1.63 Recovery made in October 1990
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Punjab Telecommunications Circle, Ambala

13. 20 pairs/20 lbs underground cable provided to Hindustan Machine Tools Limited, Pinjor in February 1989	January 1990	February 1989 to February 1990	2.14 Rs.2.02 lakhs recovered in July 1990 and balance of Rs.0.12 lakh still to be recovered
14. Provision of 20 pairs/20 lbs underground cable provided between Military PABX station 'A' and station 'B' of Army exchange in December 1989	February 1990	December 1989 to December 1990	2.19 Amount recovered in October 1990

Uttar Pradesh Telecommunications Circle

15. Provision of eight channel carrier system with eight number of telephones to Narora Atomic Power Project in April 1978	September 1989	August 1989 to April 1990	3.64 Demand note issued in October 1989; information about recovery awaited (June 1991)
		Total	75.35

## APPENDIX VI

(Referred to in Paragraph 7.2(iii)(c) at page 91)  
**Non-billing/Short billing of cutomers**  
**(Revision of rates)**

Sl. No.	Particulars of exchanges etc	Pointed out by audit in	Period of short billing	Amount of short billing	Position of bills issued/ recovery made after issue of audit memo
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(Rs. in lakhs)

1	2	3	4	5	6
<b>1. <u>Andhra Pradesh Telecommunications Circle</u></b>					
	*58 exchanges under Vizianagaram, Mahabubnagar and Nellore tele-communications district	May, June, August and September 1991	April 1990 to August 1991	1.88	Supplementary bills were being issued (May 1991)
<b>2. <u>Kerala Telecommunications Circle</u></b>					
	27 exchanges in Kannur Secondary Switching Area Area	February 1991	April 1990 to April 1991	2.42	Bills issued and the amount stands recovered
<b>3. <u>Madhya Pradesh Telecommunications Circle</u></b>					
	96 exchanges in Malwa Telecommunications District	January 1991	April 1990 to January 1991	3.39	Rs.3.26 had been realised and the balance of Rs.0.13 lakh relates to closed connections and matter was being pursued for early settlement
<b>4. <u>Rajasthan Telecommunications Circle</u></b>					
	*63 exchanges under telecommunications district engineer Sikar and Pali	May- July 1991	April 1990 to May 1992	1.79	Bills for Rs.1.08 lakhs issued in June 1991 and for the balance bills were being issued



5. 57 exchanges provided under Telecommunications District Engineers (TDEs), Swaimadhapur, Jodhpur and Sriganganagar	November 1990, January and February 1991	April 1990 to October 1991	1.23	Bills issued and Rs.0.47 lakh recovered. Vigorous persuasion was being made for recovery of the balance amount
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Total 10.71

\*Cases at Sl. Nos. 1 and 4 involving Rs.3.67 lakhs were noticed on subsequent scrutiny by Audit.

**APPENDIX IX**

(Referred to in paragraph 7.2(vii) at page 93)

**Non-billing/Short billing of cutomers  
(Interconnected lines)**

Sl. No.	Particulars of lines/ Cables/circuits	Pointed out by Audit in	Period of non recovery	Amount of non recovery	Position of recovery made after issue of Audit Memo
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(Rs. in lakhs)

**Haryana Telecommunications Circle**

1.	Provision of inter-connection facility to 4 Indian Air Force (owned) trunk circuits at Indian Air Force Exchange at Station 'A' in November 1987	April 1990	November 1987 to March 1991	5.89	Information about issue of bills and recovery awaited (November 1991)
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**Madhya Pradesh Telecommunications Circle**

2.	Gwalior-Allahabad-I provided in February 1983	February 1989	February 1983 to February 1990	3.05	December 1989
3	Gwalior-Allahabad-II provided in June 1984	-do-	June 1984 to January 1987	1.04	October 1989
-----				<b>Total</b>	<b>9.98</b>
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**APPENDIX X**  
(Referred to in Paragraph 7.2(viii) at page 94)  
**Non-billing/Short of customers**  
**(Mistakes)**

Sl. No. of lines/ cables/PABX etc.	Particulars	Audit observations	Pointed out by Audit in	Period of short/ Non recovery	Amount of short/ non recovery	Particulars of bills issued/ recovery made after issue of Audit Memo
(Rs. in lakhs)						
1	2	3	4	5	6	7
<u>Andhra Pradesh Telecommunications Circle</u>						
1.	Telegraphic circuit provided to a private party between Hyderabad and Tanaku in December 1973	Rent charged for 219 Kms instead of 422 Kms	July 1990	December 1986 to April 1991	1.26	Recovery made in August 1990
<u>Madhya Pradesh Telecommunications Circle</u>						
2.	Twenty three extensions working for a private firm from May 1983 at Amarkantak	Chargeable distance was computed incorrectly	February 1991	May 1983 to April 1991	1.15	Recovery made in April 1991
<u>Punjab Telecommunications Circle</u>						
3.	Provision of 20 pairs of 20 lbs underground cable to Indian Air Force authorities in June 1986	Rent charged at the rate of Rs.3.40 lakhs per annum instead of Rs.3.92 lakhs per annum fixed on the basis of observation made in March 1985 by Internal Check Organisation	January 1990	June 1987 to June 1990	1.60	Recovery made in March and July 1990
<u>Tamil Nadu Telecommunications Circle</u>						
4.	Provision of five long distance connections for providing junction cables for 5+20 Private Manual Branch Exchange board and seven Direct Exchange lines to a University between March 1966 and January 1981 from Madurai Exchange, prior to commissioning of the Nagamlai Pudukottai exchange in March 1981	Since the telephone connections were provided from an exchange other than the nearest exchange, rent for the junction cable was to be charged as applicable to non-exchange line from April 1989	August/September 1989	April 1989 to November 1990	1.09	Recovery made between August 1990 and January 1991
					Total	5.10

**APPENDIX XI**  
 (Referred to in Paragraph 8.9.1 at page 136)  
**Statement showing shortfall in meeting targets**

Sl.No.	Name of the equipment	1986-87		1987-88		1988-89		1989-90		1990-91	
		Targets fixed	Targets achieved	Targets fixed	Targets achieved	Targets fixed	Targets achieved	Targets fixed	Targets achieved	Targets fixed	Targets achieved
1.	T 43 Trunk Board	-	-	-	-	-	-	80	66	-	-
2.	CBM Board	90	74	-	-	-	-	60	57	-	-
3.	CBNM Board	350	299	-	-	225	220	-	-	-	-
4.	PBX+20 L	-	-	75	31	-	-	-	-	-	-
5.	Relay Plates	4400	4378	-	-	-	-	2600	2345	-	-
6.	Souder Dubran	1200	916	600	522	600	538	600	270	1000	165
7.	Key S.C.	2000	1404	-	-	-	-	-	-	-	-
8.	D.P. Box	44000	41865	60000	59012	90000	79507	-	-	150000	137312
9.	Tag Block	4000	3464	-	-	-	-	-	-	-	-
10.	Bkt. Ch. Tr. Equ. 4 W.	-	-	412640	355020	350000	295930	400000	383330	600000	544000
11.	Stalk of sorts	700000	-	-	-	-	-	100000	88500	200000	107200
12.	Back U of sorts	500000	379800	304400	295250	-	-	300000	241200	400000	168500
13.	Saddle of sorts	400000	380000	-	-	-	-	-	-	-	-
14.	Stay Rods	500000	370000	-	-	500000	414000	-	-	600000	534000
15.	Plumber Metal	400MT	395.033MT	-	-	-	-	-	-	500 MT	430.535 MT
16.	Buttinski Telephone with Dial	10000	9238	10000	8832	10000	9650	10000	6856	10000	8049
17.	C.T. Box 100 Pairs	10000	4146	17500	15100	25000	18100	15000	8350	25000	20120

**APPENDIX XII**

(Referred to in Paragraph 8.9.4 at page 139)

**Statement showing Items of factory production exceeding the market price during the period 1986-87 to 1990-91**

Year	Nomenclature	Target fixed	Quantity produced	Total Cost (Rs.)	Average unit cost of mfg. (Rs.)	Lowest market rate (Rs.)	Difference (Rs.)	Percentage increase in cost of mfg. over market rate	Extra Expenditure incurred (Rs.)
1986-87	1.C.I. Bkt.4W. Tgph.(R.L. No. 110404)	NIL	50900	3942871.78	77.46	37.90	39.56	104	2013604.00
	2.C.I. Bkt.4W. Telephone (R.L.No.110411)	NIL	50950	2884036.00	56.60	27.85	28.75	103	1464812.50
	3.Socket B44 (R.L.No.110302)	8000	0600	5625094.00	585.95	111.00	474.95	427	4559520.00
	4.Back UA-I (R.L.No.110501)	200000	182400	1540961.00	8.45	2.97	5.48	184	999552.00
1987-88	1.(R.L.No. 110404)	117740	117740	9387878.00	79.73	37.80	41.93	110	4936838.20
	2.(R.L.No. 110411)	131500	131500	8141065.00	61.91	26.75	35.16	131	4623540.00
	3.(R.L.No. 110302)	8000	9600	5108911.00	532.98	123.00	409.18	332	3928128.00
	4.(R.L.No. 110501)	200000	95900	895891.70	9.34	2.97*	6.37	214	610883.00
1988-89	1.(R.L.No. 110404)	150000	141800	11165211.50	78.74	45.25	33.49	74	4748832.00
	2.(R.L.No. 110411)	150000	111270	6758539.80	60.74	32.97	27.77	84	3089967.90
	3.(R.L.No. 110302)	NIL	3800	2580095.00	678.98	121.44	557.54	461	2118652.00
	4.(R.L.No. 110501)	300000	259000	2461765.00	9.50	3.78	5.72	151	1481480.00
1989-90	1.(R.L.No. 110404)	200000	201500	17932829.00	88.99	56.00	32.99	58	6647485.00
	2.(R.L.No. 110411)	150000	163730	11383424.90	69.52	37.75	31.77	84	5201702.10
	3.(R.L.No. 110302)	NIL	2600	2296721.00	883.35	181.00	702.35	388	1826110.00
	4.(R.L.No. 110501)	300000	231500	2650920.00	11.45	4.49	6.96	155	1611240.00

\* 1987-88 lowest purchase price has been taken into account to identify the differential cost.

1990-91	1. (R.L.No. 110404)	300000	269200	28976664.00	107.64	58.49	49.15	84	13231180.00
	2. (R.L.No. 110411)	300000	274800	20291668.00	73.84	39.00	34.84	89	9574032.00
	3. (R.L.No. 110302)	NIL	930	849034.00	912.94	181.00	731.94	404	680704.00
	4. (R.L.No. 110501)	400000	168000	1079935.00	6.43	4.90	1.53	31	257040.00

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145253514.98  
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73605352.90  
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**APPENDIX XIII**

(Referred to in Paragraph 8.9.9 at page 142)

**Extract of Annual Accounts of the factory showing  
profit/loss**

Year of account	Profit or loss as shown in the annual accounts	Depreciation less charged in respect of Plant and Machinery	Depreciation less charged in respect of Building	Interest short charged	Expenditure on testing not taken into account	Inflation of profit	Net Loss
							2-(3+...+7)
			(Rs. in lakhs)				
1	2	3	4	5	6	7	8
1984-85							
to							
1988-89	197.20	31.68	12.07	2.19	82.82	535.00	466.56

