Report of the Comptroller and Auditor General of India

for the year ended March 1997

Union Government
Post and Telecommunications
No.6 of 1998

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PREFATORY REMARKS

This Report for the year ended March 1997 has been prepared for submission to the President under Article 151(1) of the Constitution. It relates to matters arising from test-audit of the financial transactions of Ministry of Communications.

The Report includes 37 Paragraphs and three Reviews (i) Modernisation of Telegraph Services, (ii) Procurement and utilisation of cable pair gain systems and (iii) Procurement of drop wire, pertaining to Department of Telecommunications and six Paragraphs and two Reviews (i) Working of Circle Stamp Depots and (ii) Working of Post and Telecommunications dispensaries, pertaining to Department of Post. The Draft Paragraphs and Draft Reviews were forwarded to the Secretary Department of Telecommunications (DoT) and the Secretary Department of Post (DoP) for furnishing their reply within six weeks. Replies to all Draft reviews and 22 Paragraphs were not received from DoT. Reply to one Draft review was not received from DoP.

The cases mentioned in the Report are among those which came to notice in the course of audit conducted during the year 1996-97 and early part of 1997-98. It also includes cases noticed during earlier years wherever relevant.

OVERVIEW

This Audit Report for the year April 1996 to March 1997 is presented in two sections:

Section I	Chapters 1 to 5	Department of Telecommunications
Section II	Chapters 6 to 9	Department of Post

It contains 48 Paragraphs including five reviews. Some of the major findings in the Report are summarised below:

The overview highlights some of the important Audit findings included in this Report.

Section I- Department of Telecommunications

Section I is divided into five chapters.

- Chapter 1 is in the nature of introduction to the physical and financial operations of DoT
- Chapter 2 addresses the issues disclosed in Appropriation Audit.
- Chapter 3 deals with the results of sample checks of system, demand and collection of revenue.
- Chapters 4 and 5 contain overall performance reviews and results of individual transaction audit.

- This section contains many cases° both in the revenue chapter (3) and expenditure audit chapters (4&5), of recovery of sizeable amount of under-realised revenue / liquidated damages or overpayments made to the suppliers / contractors upon being pointed out by Audit.
- The revenue chapter contains cases of non-recovery / outstanding dues etc., of Rs 836.96 crore besides undue benefit of Rs 837 crore to Cellular Mobile telephone operators. Out of this, the **Department had already accepted the recovery of Rs 24.52 crore. Out of the accepted recovery, DoT had realised Rs 8.98 crore until the finalisation of this Report**. For the remaining, replies of the Department were awaited.
- The expenditure audit chapters i.e. chapters 4 and 5 contain cases, which bring out excess payments / overpayments and non-recovery of liquidated damages aggregating Rs 72.77 crore. **Out of this, the Department has already recovered Rs 3.08 crore and accepted the recovery of another Rs 64.52 lakh upon being pointed out by Audit**. Replies in many cases were awaited.

° *Details of some of the cases are indicated below in the overview of the individual Paragraphs*

Financial Results and performance

- At the end of March 1997 DoT had a network of 21752 telephone exchanges, which included 327 trunk automatic exchanges, with 1.45 crore telephone connections, 421 telex exchanges and 170 fixed satellite earth stations.
- The metered telephone calls have almost doubled over the four years 1993-97, which stood at 9333 crore units during 1996-97. The overall revenue receipts have also more than doubled from Rs 6095 crore to Rs 12266 crore during the same period.
- The operating ratio being the ratio of net working expenses to revenue, has deteriorated to 49.6 *per cent* in 1996-97 from 43.9 *per cent* in 1995-96.
- At the end of March 1997 while 17.80 lakh telephone lines remained unutilised, 28.94 lakh applicants were waitlisted for new telephone connections. Out of the unutilised capacity, 6.72 lakh unutilised connections were in eight circles where the entire waiting list of 2.57 lakh could have been cleared with better utilisation of the capacity.
- The slippage in providing telephone services to rural areas was notable. Against the target of covering all villages by telephone services by the end of March 1997, only 36 *per cent* of 6.04 lakh villages were provided with telephone facilities.

(Paragraph 1)

Expenditure control

- DoT incurred Rs 448.07 crore and Rs 2 lakh in excess of the amount authorised by the Parliament in the Revenue (voted) and Capital (charged) sections. DoT would need to get the excess expenditure regularised under Article 115(1) (b) of the Constitution.
- In the Capital (voted) section, DoT ended up saving Rs 849.27 crore mostly on account of less receipt of stores, slow progress of building works etc. Large savings in the Capital section have been persistent.
- Under 17 cases, the re-appropriation was injudicious in as much as in some of the heads to which the amounts were re-appropriated, the actual expenditure was less than even the original provisions while in some others, from which the amounts were reappropirated, the actual expenditure was more than the balance amount after such reappropriation.
- In four cases, DoT re-appropriated funds in disregard of instructions of Finance Ministry issued on the recommendations of PAC.

(Paragraph 2)

Revenue

Cellular mobile telephone service in metros: Undue benefit of Rs 837 crore to operators

- Non transparent assessment of the likely demand of cellular mobile telephones in metros, gross underassessment of demand, misplaced fixation of lump-sum licence fee for the first three years in the face of total uncertainty about the demand without providing safeguards for Government interest by way of relating the licence fee beyond certain minimum with reference to the actual number of subscribers, inappropriate basis for invitation of bids and failure to revise the licence fee on increase of call charges from Rs 1.10 per ten seconds to Rs 1.40 resulted in a huge benefit of about Rs 837 crore to the operators at the cost of public exchequer during the first three years of operation.
- The actual number of subscribers in four metros overshot the DoT's estimated demand by 1.2 times to 5.36 times during the first year and between 2.57 times to 9.31 times during the second year of operation. This altogether upset the unfounded estimation of number of subscribers as well as the calculations of cost, revenue etc. by DoT.
- The loss is likely to be more since the above amount of loss is based on actual number of subscribers during the first two years, while the loss for the third year has been worked out on the basis of the number of subscribers at the beginning of the third year, which is likely to increase during the year.

(Paragraph 3)

Outstanding licence fee from cellular operators

- Despite elaborate provisions in the contract with cellular operators in telecom circles for timely realisation of the licence fee, DoT did not make use of them, resulting in unrealised licence fee of Rs 685 crore up to October 1997. Not only officers of DoT were negligent in not obtaining post dated cheques of the amounts of quarterly instalments of licence fee in terms of contract, they neither made use of the lien on the bank accounts of the licensees nor encashed the bank guarantee to realise the Government dues. In addition interest of Rs 50.76 crore on defaulted payments and liquidated damages of Rs 33 crore have not been claimed by DoT.

(Paragraph 4)

Outstanding Revenue

- Arrears of telephone revenue have been mounting over the years. At the end of March 1997 the arrears stood at Rs 1482 crore as against the revenue arrears of only Rs 812 crore at the end of March 1994. Of the total arrears of revenue, Rs 584.30 crore was outstanding for more than one year, of which Rs 20.74 crore remained outstanding for nine years or more.
- Arrears on account of telegraph and telex circuits were also on increase. The arrears stood at Rs 125.85 crore at the end of March 1997 against Rs 95.49 crore at end of March 1994

(Paragraph 7)

- Large number of cases came to notice during audit wherein DoT did not recover dues aggregating Rs 162.93 crore due to failure to issue advice notes to TRA Branch, bills issued at lower rates, non realisation of licence fee for public documents transmission service and other telecom facilities, failure to claim liquidated damages and interest on defaulted payments besides a case in which leakage of revenue took place in Chikmagalore exchange. On being pointed by Audit, the Department / field units accepted recovery of Rs 24.52 crore and recovered Rs 8.97 crore out of this.

(Paragraphs 8 and 9)

Performance Reviews

Modernisation of telegraph services

- DoT's plan of 1985 to modernise the telegraph services within three years with introduction of state-of-the-art Electronic Key Boards and Electronic Key Board Concentrators failed due to delays and absence of accountability. As a result, most of Rs 14.71 crore spent on purchase of Electronic Key Boards and Electronic Key Board Concentrators was a waste and more than 11 years after the original plan, these equipment could not be used for the intended modernisation.
- DoT purchased 4671 Electronic Key Boards and Electronic Key Board Concentrators at Rs 14.71 crore spread over six years. During this period they also changed the conventional telegraph medium of morse line with UHF, optical fibres and satellite communication with the result that Electronic Key Boards and Electronic Key Board Concentrators became obsolete and unfit for utilisation. It is noteworthy that during the long time DoT took to implement the modernisation plan, the preference of the public shifted to modern and more reliable communication systems and the overall telegraph traffic declined significantly.

(Paragraph 10)

Procurement and utilisation of Cable Pair Gain Systems

This review highlights inefficient purchases and utilisation of the pair gain subscriber carrier systems, which are used to provide additional connections from one or more pairs of cables.

- Failure of DoT to foresee the problems associated with the maintenance of battery of 1+1 pair gain systems, required to be located in the subscribers' premises, rendered 5760 units purchased at Rs 4.50 crore useless.
- The purchase procedure for 1+7 pair gain systems was flawed in three out of five years during which DoT purchased them; because the price was fixed on the basis of price negotiations rather than competitive bidding. This deprived DoT of volume discount besides the benefit of falling prices.

- The propriety of purchase of 13179 units of 1+7 systems valued at Rs 89.42 crore during 1994-96 on the basis of price negotiations with reference to the price determined during 1993-94 for 1071 systems valued only at Rs 7.63 crore through tender, was questionable.
- Most of the purchases during 1994 96 were under decentralised system in which the CGMsT were given full powers to determine the number of systems to be procured as well as the suppliers at the price determined by DoT. This was inconsistent with the general practice in DoT wherein they determine the number of units as well as the suppliers for each circles. The net result was that not only the CGMsT purchased more systems than what was required, most of the orders went to a single firm viz. Himachal Futuristic Communications Limited against the DoT's established policy of providing maximum orders to the lowest bidder, which was different from this firm.
- Similar irregularity of making large purchases of Subscribers Line Concentrators, another type of pair gain system, on the basis of price negotiations with reference to previous year's price fixed on call of tenders deprived DoT of unspecified volume discount. While the tender in 1993-94 was only for the equipment valued at Rs 5.34 crore, the purchase in 1994-95 on price negotiations was of the order of Rs 31.44 crore.
- The review disclosed cases of inadmissible payments of Rs 32.16 lakh, non levy of liquidated damages of Rs 23.60 lakh and unauthorised excess payments of Rs 13.97 lakh.
- Large number of systems remained unutilised and many were underutilised due to technical limitations or other reasons.

(Paragraph 11)

Procurement of 0.5 mm dia Drop Wire

This review brings out wasteful expenditure of Rs 38.02 crore on purchase of new type of drop wire, which is used for providing telephone connection from the distribution point to the subscribers premises, due to hasty introduction, deficient specification and indifferent attention to complaints by field units about unsuitability of the newly introduced drop wire.

- The total failure of the drop wire, introduced in 1994, after laboratory tests, field trials, educational orders and developmental orders casts a doubt on the quality of the entire procedure.
- DoT did not pay heed to the complaints about poor quality of the newly introduced drop wire and went ahead with bulk purchase. Worse still, DoT placed orders for 2.08 lakh km drop wire of the defective specification in July 1996 at Rs 29.95 crore even while the specification was under revision by the TEC due to complaints against the quality of the drop wire. By the time DoT could contain the damage by amendment of the supply order with substitution of the improved specification drop wire, the suppliers had already supplied drop wire of defective specification valued at Rs 16. 44 crore.

- The price fixation of drop wire in the first commercial orders in May 1994 for 1.19 lakh km valued at Rs 21.58 crore was flawed in as much as DoT conceded the unjustifiable demand by manufacturers for increase in the price determined on the basis of tender. Since the reasonableness of the price in the subsequent tender of 1996 and the revised price for improved specification drop wire were fixed reckoning the higher price given in 1994 as the base, it had a multiplier effect on subsequent prices also. The net effect was an excess expenditure of Rs 6.61 crore.

(Paragraph 12)

Transaction Audit findings

Excess payment of Rs 63.38 crore

- DoT ignored the MODVAT credit that would accrue to the suppliers while fixing the price, exclusive of Excise duty of the Poly Insulated Jelly Filled cables as well as drop wire and sockets etc. during1994-96.
- This resulted in excess payment equal to the MODVAT credit availed of by the suppliers on copper wire rod, which is the basic input for these products.
- Negligence in deduction of the MODVAT credit from the price of Copper wire rod while working out the escalation in the price resulted in payment of inadmissible escalation on the Excise duty element also included in the price of Copper wire rod.
- Since Sales tax was payable on the finished product, DoT ended up paying avoidable Sales tax on the inadmissible MODVAT credit and inadmissible escalation also.
- The total impact of the negligence was an excess payment of around Rs 63 crore.

(Paragraph 13)

Inordinate delay in use of transponders in satellite system

- Satellites are placed in the orbit at a very heavy cost. These have limited life too. It is, therefore, incumbent upon the organisation controlling and licencing their use to optimise their utilisation through advance preparation of ground segment equipment necessary to facilitate their utilisation.
- DoT consistently failed to optimise the underutilisation of transponders on the four satellites viz. INSAT-1D, INSAT-2A, INSAT-2B and INSAT-2C in C-Band, extended C-Band, KU Band and S-Band, despite being aware of their launch in advance and despite a demand for them.
- The delay in utilisation of each type of transponders was between 10 to 30 months.
- At the rate of the prevailing annual transponder charges, DoT lost at least Rs 84 crore as revenue due to delay.

(Paragraph 14)

Distortion of tendering process in purchase of optical fibre cables

- At the instance of MOS (C), DoT favoured two non-established firms by giving supply orders for very high quantity of optical fibre cables during 1994-95 against the recommendation of the Telecom Commission for lower quantity. During 1995-96 on requests of two firms to MOS(C) to place supply orders with them, DoT placed supply orders of huge quantities valued at Rs 63.52 crore on them outside the tender system, even while the tenders for purchase during 1995-96 had already been received and were under finalisation. One of the firms which got benefit of supply order for huge quantity outside the tendering system in 1995-96 was also the beneficiary of excessive supply order during 1994-95.

(Paragraph 16)

Recoveries made at the instance of Audit : Rs 3.72 crore

- Chapter 5 brings out cases of recovery of excess payments / liquidated damages made by DoT at the instance of Audit. DoT recovered Rs 3.08 crore from the suppliers and accepted further recovery of Rs 64.52 lakh.

(Paragraphs 13, 15, 16, 21, 22, 23, 24,25 and 32)

Negligence in grant of quality certificate

- Senior Sub-divisional Engineer Telecom, Quality Assurance Circle Jabalpur inspected and passed 1315 km of drop wire supplied by Swastik Engineering Company Jabalpur to Central Telecom Stores Depot Mohali between August and September 1995. Subsequent joint inspection by the Department and the suppliers and tests by Component Approval and Component Testing, Bangalore consequent to complaints by GMT Amritsar about the poor quality of the drop wire, disclosed that the drop wire supplied by the firm was of sub-standard quality. The Sub-divisional Engineer Jabalpur, Quality Assurance circle, issued quality certificate in a negligent manner resulting in procurement of 1315 km of sub-standard drop wire valuing Rs 39.05 lakh.

(Paragraph 35)

Extra expenditure on procurement of telephone instruments

- In violation of the instructions of the Department of Telecommunications, the CGMsT Gujarat, Kerala, Maharashtra, Orissa and Tamil Nadu circles did not incorporate price adjustment clause for revision of the price to that fixed on the basis of the next year's tender in purchase of Electronic Push Button Telephones at provisional rates between June 1994 and January 1996. This resulted in an extra expenditure of Rs 83.43 lakh.

(Paragraph 15)

Wasteful expenditure of Rs 80.83 lakh on photo facsimile machines

- DoT purchased four photo facsimile machines for Calcutta, Chennai, Mumbai and New Delhi at Rs 80.83 lakh in July 1991, mainly to cater to the needs of the Press on receipt of complaints in May 1989 about poor quality of photo transmission through the then existing analogue fax machines. DoT took more than two years to purchase and another 19 months to commission the machines in February 1993. During this period of about four years, most of the users had installed their own captive systems. The equipment purchased by DoT remained as good as unutilised for the last six years.

(Paragraph 18)

Non-recovery of advance

- Director Microwave Project Chennai changed the condition of contract on the direction of DoT and paid advance of Rs. 40 lakh to the supplier in April 1991 for supply of microwave equipment, which was to be recovered from the bills of the supplier. But he did not make sure that the consignees, who had no knowledge of recovery to be effected, do not pay the bills and submit them to him for payment centrally after adjustment of the advance and interest thereon. This resulted in non-recovery of advance and interest aggregating Rs 78.73 lakh.

(Paragraph 21)

Excess payment of Customs duty

- Failure of DEsT Calcutta and Chennai to limit the payment of Customs duty on import of equipment for operation and maintenance of Telecommunication line at the concessional rates led to excess payment of Customs duty of Rs 1.03 crore.

(Paragraph 25)

Excess expenditure on PVC and HDPE pipes

- The violation of DoT's specifications by the field units about use of PVC pipes as ducts in cement concrete encasement for underground cables and High Density Polyethylene pipes for encasing optical fibre cable resulted in excess expenditure of Rs 1.87 crore.

(Paragraphs 20 and 26)

Excess payment to suppliers

- CGMT Maharashtra circle made excess payment on purchase of HDPE pipes at higher DGSD rate of the previous year. Besides, he made payment for the pipes not actually supplied and for the pipes of higher specification, though lower specification pipes were actually supplied. The total excess payment was Rs 28.94 lakh.

(Paragraph 24)

Excess expenditure in laying HDPE pipes

- DET Bhubaneswar awarded the contract for laying HDPE pipes in 211 km long OFC route without assessment of quantities of different items, on the basis of the rates finalised through competitive bidding for a 19 km stretch only. The proportion of actual quantities of various items upset the determination of the lowest rates. Had the quantities been correctly assessed for the 211 km route, the rates of another bidder would have been the lowest. The excess expenditure with reference to rates of this bidder was Rs 24.12 lakh.

(Paragraph 17)

Avoidable expenditure of Rs 4.53 crore on transportation

- A case of failure of DoT to avail of concessional railway freight for telephone and telegraph material leading to extra expenditure of Rs 1.04 crore was included in the last Audit Report. More cases of avoidable expenditure of Rs 4.53 crore have come to notice in course of Audit. Out of this, the CGMT Stores Calcutta and Assistant Engineer Bangalore were responsible for avoidable extra expenditure of Rs 85.45 lakh after issue of instructions by DoT as remedial action to the paragraph included in the last year's Audit Report.

(Paragraph 31)

Wasteful expenditure of Rs 1.84 crore on coastal wireless stations

- DoT spent Rs 1.84 crore on equipment for upgradation of coastal wireless stations at Calcutta, Chennai and Portblair. While the equipment was never installed at Calcutta and Port Blair, those at Chennai were in defective condition. More importantly, the upgradation of coastal wireless system for providing two way communications between the shore and ships was not achieved.

(Paragraph 19)

Cash payment in lieu of uniforms

- Uniforms to Group C and D employees are provided annually for summer and winter seasons for use on official duty and are not in the nature of any allowances. Chief General Manager Telecommunications Bihar Circle did not provide uniforms to the employees for twelve years during 1980-91. Cash was paid in lump sum in lieu of uniforms not provided during 1993-95 i.e. up to 15 years for the uniforms due to them. He also paid washing allowance to them for washing the uniforms which were never provided for all these years

(Paragraph 33)

Section II – Department of Post

Section II is divided into four chapters.

— Chapter 6 is an introductory chapter covering physical performance and financial results of DoP.
— Chapter 7 gives results of Appropriation Audit.
— Chapters 8 and 9 contain overall performance reviews and results of individual transaction audit.

Financial results

- Most of the postal services are running in losses. The net loss incurred by DoP during 1996-97 was Rs 598.97 crore.
- DoP has made calculations of per unit cost of services on projected traffic of each type of service, which are just about 28 *per cent* of actual traffic. The working results for each type of service worked out by the Department do not, therefore, reflect a correct picture.
- The gap between Revenue receipts and Revenue expenditure has been widening from Rs 92 crore in 1992-93 to Rs 703 crore in 1996-97. There was more than seven fold increase in revenue deficit during last four years.
- Outstanding under postal advances head which mainly includes overpayments or short credits on account of NSCs, money orders, bonds, cash certificates etc., has increased over last five years from Rs 524 crore in March 1993 to Rs 766 crore in 1997.
- The net budgetary support for postal services after adjusting recoveries and revenues was Rs 703.26 crore during 1996-97, which was an improvement over the provision of Rs 741.29 crore

(Paragraph 41)

Expenditure control

- DoP ended up saving 22 *per cent* of the original grant under Capital (voted) section during 1996-97. The savings have been persistent under capital section.
- After four years of excess over approved provision under the Revenue (voted) section, the Department registered a savings of Rs 43.95 crore.
- Re-appropriations made by DoP in March 1997 to provide more funds to mail sorting, Postal Life Insurance and P&T dispensaries were superfluous since the actual expenditure under these heads was much less than the original provisions.

(Paragraph 42)

Working of Circle Stamp Depots

Review of working of Circle Stamp Depots disclosed serious deficiencies in internal controls and monitoring by DoP and its field units.

- Sample checks disclosed transit loss of postal stamps including postal stationery viz. inland letter cards etc. valued at Rs 3.17 crore and of cash certificates of face value of Rs 185.25 crore exposing the Department to risk of frauds. While stamps are liable for exchange in lieu of cash, the cash certificates viz. National Savings Certificates and Kisan Vikas Patras can be used for fraudulent encashment. In fact, instances of fraudulent encashment have already come to notice.
- Loss of cash certificates in Assam circle is particularly disturbing since this circle alone accounted for loss of cash certificates of face value of Rs 180.80 crore out of the loss of total cash certificates of face value of Rs 185.25 crore detected in sample check.
- The system of reconciling the accounts of the stamps and cash certificates despatched from the Circle Stamp Depots to the head post offices was deficient. Many head post offices did not acknowledge the receipt of stamps and cash certificates. The sample checks disclosed discrepancy of over Rs 36 crore in the accounts of the value of stamps and cash certificates despatched by the Circle Stamp Depots and those acknowledged by the head post offices.

(Paragraph 43)

Working of Post and Telecommunications dispensaries

- DoP and DoT are following inconsistent policy in the matter of recovery of contribution from the employees covered under CGHS and those obtaining medical attendance through P&T dispensaries. While these departments are recovering contribution from the employees covered under CGHS, no contribution is being recovered from 1.34 lakh card holders covered through P&T dispensaries.
- While these two Departments have already foregone a recovery of Rs 7.86 crore during 1994-97, at the existing rate, they are foregoing the recovery of about Rs 2.62 crore *per annum* after March 1997.
- Local purchase of medicines by Chief Medical Officers of P&T dispensaries rather than obtaining directly from the manufactures entailed an extra expenditure of Rs 1.29 crore in the test checked dispensaries alone.
- The sample checks disclosed negligent attitude of CMOs in placing indent on Government Medical Store Depots and their preference for local purchase. The case of dispensaries in Madhya Pradesh was particularly bad, where the CMOs purchased 84 *per cent* of their requirements locally.
- Sample checks also brought out a case where abnormally high expenditure on heavy purchases of medicines took place in two dispensaries during the tenure of the same Chief Medical Officer

(Paragraph 44)

Extra expenditure of Rs 1.66 crore due to inefficient purchase system

- Inept processing of tender for purchase of canvas bags and inability to resolve a minor procedural doubt raised by the Financial Adviser culminated in the Department overshooting the validity period of the offers. The consequent re-tendering cost the Department an extra Rs 1.55 crore besides avoidable payment of another Rs 11 lakh due to their negligence in not foreclosing the supply order despite default and lower rates obtained in the tenders for the next year.

(Paragraph 45)

Injudicious procurement of Risograph machines

- DoP procured eight Risograph printing machines at a cost of Rs 33.80 lakh in two batches of four each, with the stated objective of minimising the dependence on private printers. Instead of reviewing the utilisation of four Risograph machines purchased in the first batch, the DoP rushed for purchase of another batch of four. Eventually most of the Risograph machines were found to be performing sub optimally, achieving a performance of about seven *per cent* of the target. Most of them have been crippled with one or the other problem and the prime objective of less dependence on private printers was never achieved. The cost of printing of forms etc., with the help of Risograph machines has turned out to be much higher than the cost of printing from the trade. The hasty procurement has virtually left the Department with no choice but to use these machines for most of the time as photocopiers, which are otherwise available at much less cost.

(Paragraph 46)

Excess payment of bonus and pension

- DoP not only transgressed its authority in grant of bonus to the employees at the rates higher than the approved rates, it has consistently been delaying recovery of the excess unauthorised payment of Rs 4.23 lakh from the employees for the last about four years.

(Paragraph 47)

Response of the Ministry to Draft Audit Paragraph

- On the recommendations of PAC, Ministry of Finance issued directions to all Ministries/ Departments to send their comments within six weeks on the Draft Audit Paragraphs which were forwarded to the Secretaries of Ministries/ Departments. While Secretary DoP has sent his comments on all Draft Paragraphs, Secretary DoT did not send response on 28 out of 36 paragraphs included in this report

(Paragraph 40)

Follow up on previous Audit Reports

- Despite recommendation of the PAC to submit remedial Action Taken Notes within three/four months from the date of laying of reports in Parliament, DoT did not send ATNs on 59 Audit Paragraphs. Out of these, 16 paragraphs were those which were included in Audit Reports of 1994 to 1995 while the remaining were included in the Audit Report of 1996.

(Paragraphs 39 & 48)

SECTION – I

DEPARTMENT OF TELECOMMUNICATIONS

CHAPTER 1 — ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

1.1 Functions of the Department

The main functions of the Department of Telecommunications (DoT) include planning, engineering, installation, operation, management and maintenance of voice and non-voice telecommunication services all over India and with other countries. The Department is also responsible for frequency allocation and management in the field of radio communications in close co-ordination with the international bodies. It enforces wireless regulatory measures and monitors wireless transmissions of all users in the country. Internet services have also been provided by DoT. At present 15 cities have been covered under these services.

1.2 Organisation

The management of the Department vests in the Telecommunication Commission, which has four full-time Members and a Chairman, all of whom have the rank of secretary to the Government of India. There are four part time ex-officio Members who are all secretaries to Government of India. The following public sector undertakings also function under the overall administrative control of the Department:

(i) Hindustan Teleprinters Limited (HTL), for manufacture of teleprinters and ancillary equipment and data modems.

(ii) Indian Telephone Industries Limited (ITI), which manufactures telecommunication equipment such as telephone instruments, transmission equipment, exchange equipment etc.

(iii) Mahanagar Telephone Nigam Limited (MTNL), which manages and operates the telephone and telex services in Delhi and Mumbai.

(iv) Telecommunications Consultants India Limited (TCIL), which provides technical and management consultancy services in the field of Telecommunications in India and abroad.

(v) Videsh Sanchar Nigam Limited (VSNL), which is entrusted with the responsibility of operating, maintaining and developing international telecommunication services.

Besides, DoT has six factories at Bhilai, Calcutta, Jabalpur, Kharagpur, Mumbai and Richhai to manufacture various types of equipment. The Centre for Development of Telematics (C-DoT) functions under the control of the Ministry of Communications as a registered society.

The Department had a network of 21425 telephone exchanges with 145.43 lakh telephone connections, 421 telex exchanges and 327 trunk automatic exchanges at the end of March 1997. Under transmission system, DoT had an aggregate of 1.96 lakh route km of coaxial cables, microwave, UHF/VHF, optical fibre system and 170 fixed satellite earth stations.

1.2.1 Telecom Regulatory Authority of India

Telecom Regulatory Authority of India (TRAI) was established as per TRAI Act 1997 to regulate telecommunication services and for matters connected therewith. Its main objectives are as under:

- Standard setting
- Price regulation
- Ensuring technical compatibility and effective inter-relationship between different service providers
- Revenue sharing arrangements between different service providers and compliance of terms and conditions of licence
- Fixation of access charges
- Protection of consumer interests and settlement of disputes between service providers.

1.2.2 Entry of private sector

The National Telecom Policy 1994 paved the way for private sector participation to achieve the objective of universal coverage at affordable prices to the customers. Eight companies have been awarded licences in twelve telecom circles for providing basic telephone services until 31 March 1997.

1.2.3 National Telecom Policy 1994

Major objectives of the Telecom Policy 1994 are:

- Availability of telephone on demand by 1997
- Coverage of telecom services to all villages by 1997
- Provision of PCO for every 500 persons in urban areas by 1997
- Provision of all value added services to raise telecom services in India to international standards, preferably by 1996.

1.3 Manpower

The total number of staff employed, including the staff in MTNL and industrial workers in telecom factories during 1994-97 was as under:

Table 1.3 Manpower

As on 31 March	Group A and B	Group C and D	Industrial workers	Total manpower
1994	24841	364246	5977	395064
1995	25933	387125	5637	418695
1996	28295	387768	4995	421058
1997	29280	393564	5322	428166

Compared to 1994, there was an increase of 18 *per cent* in Group A and B and 8 *per cent* in Group C and D staff while there was 11 *per cent* reduction in industrial staff. The overall manpower increased by 8.38 *per cent* between 1994 and 1997.

1.4 Operating ratio

The operating ratio i.e. the ratio of net working expenses to the revenue earned increased by 5.7 *per cent* from 43.9 *per cent* in 1995-96 to 49.6 *per cent* in 1996-97.

1.5 Growth in telephone traffic and capacity

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

Table 1.5 Growth in telephone traffic

	1993-94	1994-95	1995-96	1996-97
No. of telephone metered call units(in crore)*	4672.40	5860.00	7840.60	9332.56
No. of Direct Exchange Lines telephones (in thousands)	8025.60	9795.00	11978.40	14542.65
No. of metered calls per Direct Exchange Line	5822.30	5982.60	6546.00	7336.50
No. of effective trunk calls (in crores)**	16.20	9.60	7.64	5.43
Telephone paid minutes in international trunk calls (in crores)***	74.30	74.30	114.80	138.50@

* Includes subscriber dialled trunk calls inland and international

** Excludes subscriber dialled trunk calls

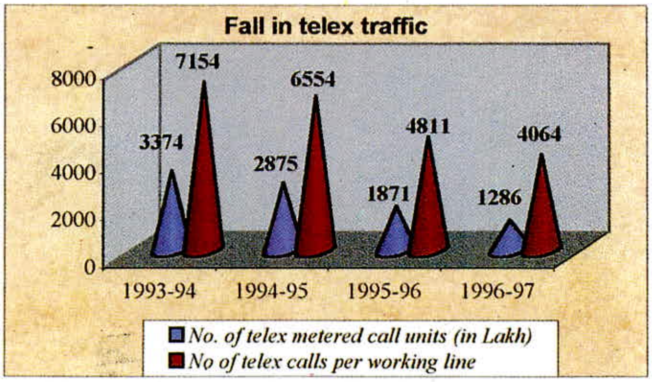
*** Covers all trunk calls to telephone administrations in all other nations

@ Provisional

Number of metered call per direct exchange line as well as international calls have gone up significantly over the period 1993-97

1.6 Fall in telex traffic

There was a substantial fall in telex traffic during 1993-97 as indicated below:



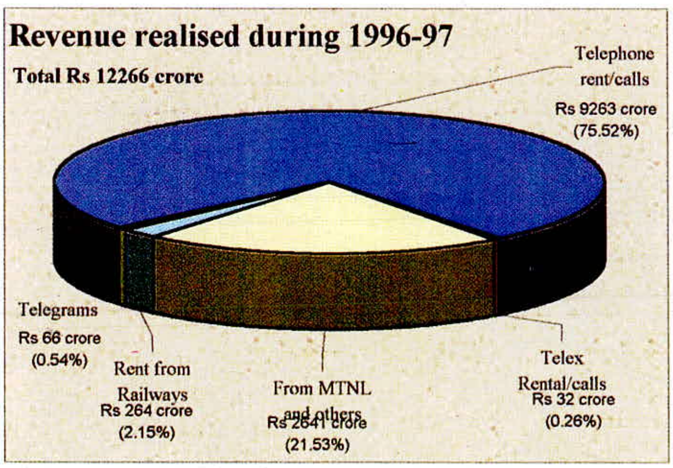
1.7 Revenue receipts

Telecommunication tariff was revised upwards in January/March 1997. The receipts of the Department during the last four years are given below:

Table 1.7 Trend in revenue receipts

(Rs in crore)

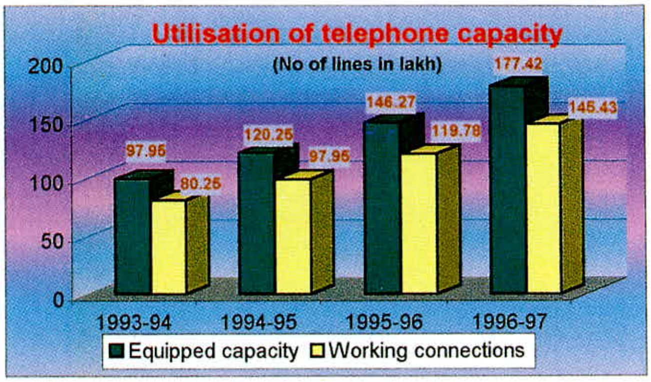
Particulars of revenue	1993-94	1994-95	1995-96	1996-97
Telephone rentals and call charges	4964	6215	7675	9263
Telex rental and call charges	85	71	59	32
Telegram receipts	72	71	75	66
Rent from wires and instruments leased to Railways, canals and others etc.	270	222	217	264
Receipts from other telephone/ telegraph administrations	635	Nil	2697	1743
Receipts from Mahanagar Telephone Nigam Limited (MTNL)	585	720	1024	1212
Other receipts including application/ registration fee for new services	365	669	671	1091
Less payments to other telephone/ telegraph administrations	(-)881	(-)169	(-)2657	(-)1405
Total	6095	7799	9761	12266



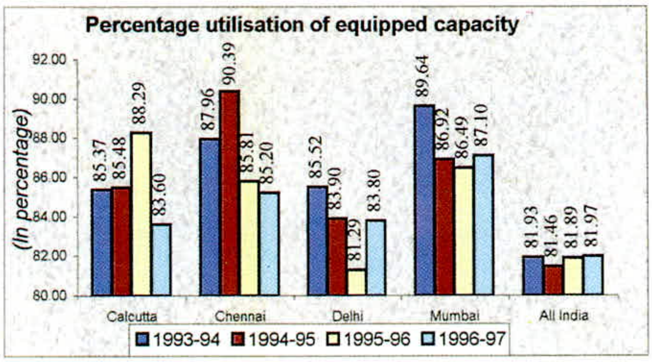
While the overall revenue has more than doubled in four years 1993-94 to 1996-97, the revenues from telex and telegrams are on the decline.

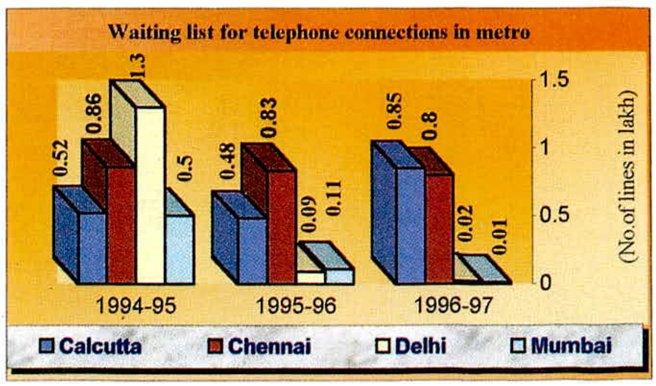
1.8 Capacity utilisation and waiting list

The capacity of telephone exchanges in the country including the four metropolitan cities, of which two are covered directly by the Department and two by MTNL, its utilisation and waiting list at the end of last four years was as given in the charts below.

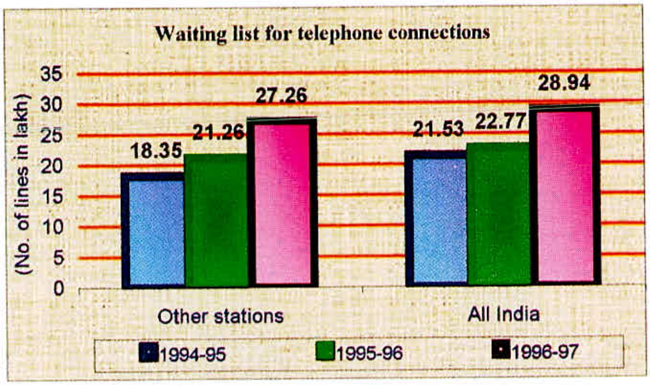


The utilisation of the capacity of telephone exchanges have been between 81 and 82 *per cent* during 1993-97 against the optimum utilisation level of 92 *per cent* prescribed by DoT. Thus, capacity of 17.80 lakh lines, worked out on the basis of optimum utilisation level, remained unutilised at the end of 1996-97. Out of this, the utilisable capacity of 6.72 lakh connections existed in eight circles, in each of which the waiting list of 2.57 lakh was less than the spare capacity not utilised by the Department. In the metropolitan cities, the position of waiting list has shown improvement. However, despite waiting list in Chennai and Mumbai, the optimum utilisation of the capacity has not been achieved.





As much as 28.94 lakh applicants were waiting for new telephone connections as of March 1997. Optimum capacity utilisation would have reduced the overall waiting list in the country. Less than the optimal capacity utilisation also meant that department was deprived of revenue of Rs 264.35 crore approximately *per annum*, worked out on the basis of total revenue realised and total number of connections during 1996-97.



1.9 Physical and financial performance

1.9.1 Physical performance

The targets for expansion of telecommunication facilities during the VIII Five Year Plan (1992-97) *vis-a-vis* the achievements in respect of switching capacity, DEL, TAX, VSAT, Village telephones and various media such as Microwave, UHF, OFC etc. are given below:

Table 1.9.1 Development plans

Item	*Target for VIII Five Year Plan 1992-97*	*Revised Targets*	*Achievements*	*Increase Decrease*
Switching capacity (lakh lines)	70.3	108.24	109.58	+1.34 lakh
Direct exchange lines (lakh lines)	55.80	87.28	87.33	+0.05 lakh
Coaxial cables (route km)	3000.00	2800.00	3641.00	+841 kms
Microwave system (route km)	20000.00	20700	16689	(-)4011 kms
UHF system (route km)	150000.00	47000	39664	(-)7336 kms
Optical fibre system (route km)	20000.00	35700	46074	+10374 kms
Village Telephone	309000.00	335300	201288	(-)134012
Telex exchanges	-	-	9	
Telex lines (Lines)				
Local	31200.00	10167	7431	(-)2736
Transit		6752	5390	(-)1362
Trunk auto-exchange (TAX) Capacity (Lines)	272000.00	927600	767650	(-)159950
Satellite earth stations MCPC-VSAT	-	69	43	(-)26

The Department did well in executing the Switching Capacity Systems, Direct Exchange Lines, Coaxial Cable Projects and laying of Optical Fibre Cable system but the progress in achievements of UHF system, Microwave Projects, Village Telephones and Trunk Automatic Exchanges were behind the targets.

All villages in India were to be covered by telephone services by 1997. The physical performance of DoT during the VIII FiveYear Plan showed significant slippage in achieving the target. Only 36 *per cent* of 6.04 lakh villages were provided with telephone services by the end of March 1997.

1.9.2 Allotment and expenditure

The allotment and expenditure on capital account for the VIII Five Year Plan period was as under:

Table 1.9.2 Plan outlays and actual expenditure

(Rs in crore)

Item	Original outlay for VIII Five Year Plan 1992-97	Revised outlay	Actual expenditure 1992-97	Savings(-) / excess (+) with reference to revised outlay
Local telephone system (Switching capacity and Direct exchange lines)	14837	20076	21746	+1670
Long distance switching (Tax capacity lines)	435	906	407	(-)499
Long distance transmission (Coaxial cable, microwave system, optical fibre and UHF system in route-km)	4357	8038	5834	(-)2204
Telex and telegraphs	760	617	288	(-)329
INSAT and INTELSAT (Satellite Earth Stations)	95	518	236	(-)282
Other land and buildings	480	714	463	(-)251
Ancillary systems	451	555	244	(-)311
Total	**21415**	**31424**	**29218**	**(-)2206**

During the VIII Plan period, DoT could not utilise Rs 2206 crore against the overall revised allotment, except local telephone systems, all other segment registered savings.

Source of fund and expenditure 1996-97:

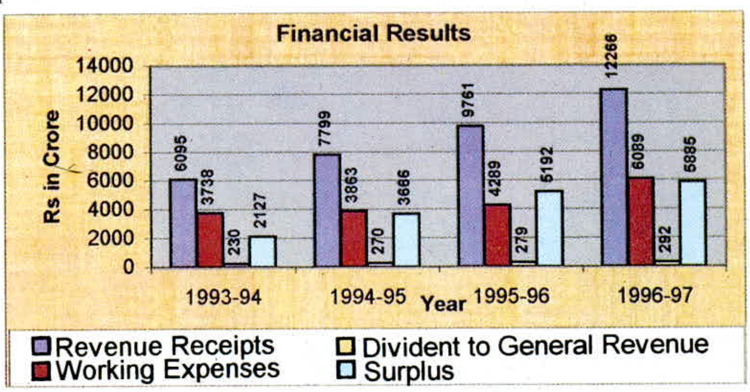
(Rs in crore)

	Budget estimate (1996-97)	Revised estimate (1996-97)	Actual expenditure
(i) Internal resources	6537	6316	5768.12
(ii) Extra budgetary resources (Bonds)	1463	2158	1852.87
(iii) Budgetary support	—	—	—
Total	8000	8474	7620.99

In addition, the Department also resorted to lease financing for equipment and procurement of cables on deferred payment basis during the year. The lease charges and interest on deferred payment were Rs 29.11 crore and Rs 92.31 crore respectively. These were accounted for in the working expenses.

1.10 Financial results

Working results of the Department during 1993-94 to 1996-97 are given below:



Financial performance

(Rs in crore)

	1996-97		
	Budget estimates	**Revised budget estimates**	**Actuals**
Revenue receipts	11819	11767	12266
Net working expenses	6606	6422	6089
Dividend to General Revenues (Interest)	272	272	292
Gross working expenses	7272	7114	6767
Surplus	4941	5073	5885

The surplus of revenue over working expenses during 1996-97 increased to Rs 5885 crore from Rs 5192 crore in 1995-96 registering an improvement of 13.35 *per cent*.

1.11 Financing

The capital and revenue expenditure of Rs 7719.95 crore and Rs 13046.65 crore in 1996-97 respectively in Grant no.14 on Telecommunication Services referred to in Chapter 2 of this Report were financed as follows:

Capital Major Head 5225 -
Capital Outlay on Telecommunication Services

		(Rs in crore)
(i)	Amount transferred from revenue account towards depreciation	1524.45
(ii)	Appropriation from surplus to Capital Reserve Fund and drawal of the same amount from the fund	4159.28
(iii)	(a) Return of loan by MTNL directly taken as minus capital expenditure	21.70
	(b) Capital receipts of OYT deposits and other schemes appropriated	(-)8.55
	(c) Capital receipt from deposits on leased telecom services	(-)0.09
	(d) Capital receipts of telex deposits	(-)0.94
	(e) By using interest bearing deposits received from MTNL for Telecom projects by transferring it as minus capital expenditure	1852.87
(iv)	Capital receipts of Tatkal Telephone scheme deposits appropriated	0.04
(v)	Capitalised stores issued from past years' purchases under:	
	(a) General stores	107.51
	(b) Factory stores	11.87
	(c) Civil engineering stores	4.22
	(d) Stores sold/written off	0.14
	(e) Manufacturing suspense	47.45
(vi)	Net budgetary support from the Capital head	--
Total Capital expenditure		**7719.95**

Revenue Major Head 3225 - Telecommunication Services

		(Rs in crore)
(i)	Recoveries on account of sale of stores and overhead charges etc.	745.70
(ii)	Expenditure on Telecommunication Services met from budget	6021.66
(iii)	Revenue Major Head 3230-101 Dividend to General Revenues, met from budget	292.34
(iv)	Revenue Major Head 3231-101- from budget by appropriation of P&T Surplus to Capital Reserve Fund	5826.45
(v)	Revenue Major Head 3231-102- from budget by appropriation of P&T Surplus to Revenue Reserve Fund	58.50
(vi)	Revenue Major Head 3275-Other Communication Services - grants-in-aid to C-DoT and ITI met from budget	93.12
(vii)	Revenue Major Head 2852 - B1(1) expenditure met from National Renewal Fund	6.60
(viii)	Revenue Major Head 3451 - A1 Secretariat, met from Budget	2.28
	Total Revenue expenditure	**13046.65**

An amount of Rs 1852.87 crore was received from MTNL as interest bearing deposit for financing telecommunication projects during 1996-97. While this was credited under deposit head, simultaneously an equivalent amount was shown as disbursement under that head by transferring the same as reduction of capital expenditure under Major Head 5225. As a result, the capital expenditure has been understated and the liability to repay deposits has not been exhibited in the Finance Accounts.

The Ministry had stated that the amount of bonds received from MTNL is initially taken to Major Head 8342 - Deposits under Public Account and later transferred as recoveries in reductions of capital outlay on Telecom Services. On being pointed out by Audit in last year's Audit Report, the Ministry stated that action was being taken to examine whether the existing procedure needs any revision and the matter has been referred to the Controller General of Accounts. Despite the assurance given by the ministry, the matter is yet to be resolved.

1.12 Suspense balance

In the Finance Accounts for the year 1996-97, the amount of expenditure booked under the Suspense Heads of Accounts falling outside the Consolidated Fund of India was under:-

(Rs in lakh)

Head of Account	Amount
8658 Suspense Accounts 103-Posts and Telegraphs	4864.40 (Debit)
106-Telecom Accounts Office Suspense	1700.10 (Debit)
128-Posts and Telecommunications Investments - Cost of Government promissory notes and investment certificates held in imprest	01.00 (Debit)
Total	**6565.50 (Debit)**

The outstanding balance under Suspense head has been reduced from Rs 2066.24 crore (debit) in 1995-96 to Rs 65.65 crore (debit) in 1996-97.

CHAPTER 2 — APPROPRIATION ACCOUNTS

2.1 Budget grants and expenditure

A summary of Appropriation Accounts (Telecommunications Services) of sums expended during 1996-97, compared with the sums authorised in the schedule appended to the Appropriation Acts, 1996 passed under Articles 114 and 115 of the Constitution of India is given in the table below:

Table 2.1 Appropriations and expenditure

(Rs in crore)

	Original grant	Supplementary grant	Total appropriation	Actual expenditure	Excess(+) Savings(-)
Revenue					
Voted	12579.58	19.00	12598.58	13046.65	(+)448.07
Charged	0.30	-	0.30	Nil	(-)0.30
Capital					
Voted	8094.99	474.00	8568.99	7719.72	(-)849.27
Charged	0.21	-	0.21	0.23	(+)0.02
Total	20675.08	493.00	21168.08	20766.60	(-)401.48

DoT registered a net saving of Rs 401.48 crore consisting of an excess in revenue and savings in capital section

The overall net saving of Rs 401.48 crore was 81.44 *per cent* of the supplementary grant of Rs 493.00 crore obtained in March 1997. The overall net saving consisted of an excess of Rs 447.77 crore under the revenue section and a saving of Rs 849.25 crore under the capital section. The entire amount of supplementary grant of Rs 474.00 crore under the capital section was unnecessary as there was a saving of Rs 375.27 crore even as compared to the original grant itself. It is indicative of deficient budgeting and financial control of the Department.

2.2 Appropriation Audit

2.2.1 Excess over Grant/Appropriation

Table 2.2.1 Excess in grant

(Rs in crore)

Grant No.14	Excess	Contributing reasons as stated by the Department
Revenue (voted)	448.07	Payment of salary, overtime allowance, repayment of short term loan and appropriation of the telecom surplus to Capital Reserve Fund.
Capital (charged)	0.02	Excess expenditure due to court judgement

Excess of Rs 448.07 crore would require regularisation under Article 115(1)(b) of Constitution

No expenditure should be incurred which might have the effect of exceeding the total grant or appropriation authorised by Parliament by law for a financial year even after obtaining a supplementary grant or an advance from Contingency Fund. However, in the Revenue (voted) section of Grant no.14 - Telecommunication Services, there was an excess of Rs 448.07 crore over the authorised sum. In addition, under capital section also there was an excess of Rupees two lakh over the appropriation. These require regularisation under Article 115(1)(b) of the Constitution.

2.2.2 Savings in grants/appropriations

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

The Public Accounts Committee, in para 1.24 of their 60th Report (Tenth Lok Sabha) presented to the Parliament in February 1994 commented on the large amount of savings as compared to the sanctioned provision. The Committee desired that the Ministry should take the issue seriously with appropriate measures to overcome the unfortunate situation of large savings and also desired that detailed note in respect of savings from a grant or appropriation during each year involving Rs 100 crore and above be furnished to the Committee along with explanatory notes for excess expenditure incurred.

Savings of Rs 849.27 crore in the Capital (voted) section would call for an Explanatory Note to PAC

In the Capital (voted) section, the Department registered a saving of Rs 849.27 crore on account of the following reasons stated in the Appropriation Accounts:

Table 2.2.2 Savings in capital - voted section

(Rs in crore)

Grant no.14	Savings	Contributing reasons as stated by the Department
Capital (voted)	849.27	Less receipt of apparatus and plants, lines and wires and cables, less demand of telex connections and wires, non completion of building works, less procurement of stores from private firms etc.

Major part of the savings related to Long Distance Transmission System

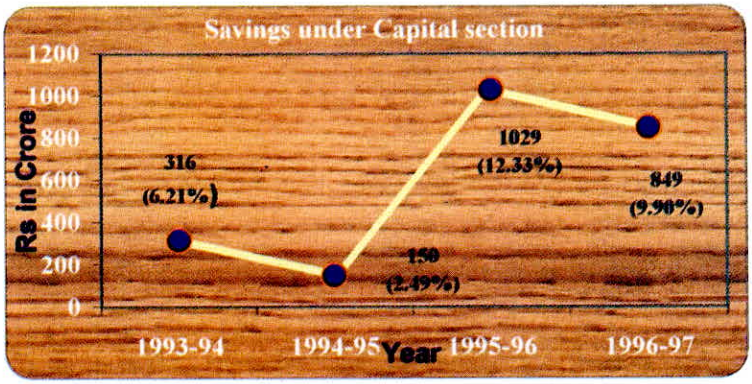
The reasons given above would indicate that the assessment of requirement of funds was not made realistically. The savings of Rs 849.27 crore constitute 9.91 *per cent* of the sanctioned provision in the capital section of the grant. Out of the total savings, Rs 438.14 crore were under Major Head 5225-BB-4-Long Distance Transmission System due to less receipt of apparatus and plants, cables, lines and wires etc.

There were savings of Rs 53.87 crore, Rs 21.00 crore and Rs 20.06 crore under BB-3-Long Distance Switching System, BB-5 Ancillary System and BB-6-Other Land and Building respectively.

The savings being more than Rs 100 crore, it would require an explanatory note to the Public Accounts Committee.

The position of savings under Capital section during the last four years is depicted in the chart below:-

The savings in the Capital section have been persistent



Department needs to streamline its budgeting process for capital heads of account.

2.2.3 *Surrender of savings*

In the revenue (voted) section, there was excess expenditure of Rs 448.07 crore. DoT surrendered Rs 11.91 crore on the last day of the financial year. It indicates that DoT was not aware of final requirement of funds even at the close of the financial year.

In Capital (voted) section, DoT surrendered Rs 600 crore only on 27 March 1997 against the savings of Rs 849.27 crore.

2.2.4 *Injudicious re-appropriation*

There were 27 cases of injudicious re-appropriation of funds

(i) In 17 cases, re-appropriation aggregating Rs 11.54 crore as shown in Appendix I was injudicious, as original provisions under the sub-heads to which funds were transferred by re-appropriation were more than adequate. The savings under these sub-heads were more than the amount re-appropriated to these sub-heads.

(ii) In 10 sub-heads, from which amounts aggregating Rs 116.25 crore, as shown in Appendix II, were transferred, re-appropriation was injudicious as the actual expenditure either exceeded even the original provision before such re-appropriation or the final expenditure exceeded the reduced provision after re-appropriation from them.

2.2.5 *Unauthorised re-appropriation*

On the recommendations of the Public Accounts Committee, Government has prescribed that any order for re-appropriation which has the effect of increasing the budget provision under a sub-head by more than 25 *per cent* of the budget provision or Rupees one crore, whichever is more shall be reported to the Parliament along with the last batch of supplementary demands for the financial year and if such re-appropriation is made after the last batch of the supplementary demands, prior approval of the Secretary (Expenditure) in the Ministry of Finance should be obtained by the Financial Advisor of the Department concerned.

DoT re-appropriated funds in four cases in disregard of rules made on the recommendations of the PAC

Test check of accounts of Telecommunication Services for 1996-97 revealed that in four cases under Major Head "3225-Telecommunication Services" and "5225-Capital outlay on Telecommunication Services" the re-appropriation made after the last batch of the supplementary demands, exceeded the twin limits of Rupees one crore and 25 *per cent* of the sanctioned provision as detailed below, yet the Department did not obtain prior approval of the Secretary (Expenditure).

Table 2.2.5 Unauthorised re-appropriation

Sl. No.	Sub-head **3225 - Telecommunication services**		Amount (Rs in crore)	Percentage of re-appropriation to budget provision
1.	C2(1)(2)	Amount transferred from Major Head 3201 Postal Services	O- 1.00 R- 2.50	250.00
5225 – Capital Outlay on Telecommunication services				
2.	BB-3(1)	Trunk Automatic Exchanges	O- 92.47 R- 32.00	34.60
3.	BB-4(10)	Village Panchayat telephone systems	O- Nil R- 245.00	-
4.	BB-5(8)	Telecommunication Computer System	O- 52.05 R- 24.00	46.11

2.2.6 Recoveries in reduction of expenditure

The short fall in the estimated recoveries had the effect of increasing the net expenditure by Rs 375 crore

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

In the capital and revenue sections, against the estimated recoveries of Rs 8095.00 crore and Rs 743 crore, the actual recoveries were Rs 7719.95 crore and Rs 745.71 crore respectively. However, less recovery in the capital section had the effect of excess in the net expenditure by Rs 375.05 crore.

CHAPTER 3 — REVENUE

3 Cellular mobile telephone service in metros : Undue benefit of Rs 837 crore to operators

DoT failed to protect government interest and did not incorporate suitable provisions in the licence agreement for charging higher licence fee in case of the actual demand for mobile telephone services turning out to be more than the projections for first three years. This unduly benefitted private operators in four metros by more than Rs 354 crore with consequential loss to DoT. DoT also gave undue benefit of Rs 483 crore to operators by not revising the licence fee due to reversion of the air time charges to Rs 1.40 per 10 seconds from Rs 1.10.

3.1 DoT introduced cellular mobile telephone service in the four metros of Calcutta, Chennai, Delhi and Mumbai in November 1994 through two private sector licenced operators in each of them, who were given licence for a period of 10 years. Inaccurate assumption about the likely number of subscribers of the cellular mobile telephones, improper route of calling bids and failure to provide safeguards for Government's interest despite uncertainty of the likely number of subscribers and revenue likely to be earned by the private operators, have resulted in Government foregoing revenue of over Rs 354 crore during the first three years of the licence period.

3.2 Loss of Rs 354 crore in fixation of licence fee

Selection committee overlooked the objective of maximising licence fee

DoT invited financial bids from the technically acceptable short-listed firms in July 1992 after first fixing the lump-sum licence fee for the first three years and rate for call charges and asked the bidders to quote the minimum rental per month that they would be charging from the subscribers. The selection committee constituted to finalise the terms of the bidding ignored the objective of maximising the receipt from licence fee in favour of their stated preference for ensuring reasonable efficiency of service to the consumers at minimum cost.

Member(Finance) used projections of demand whose reliability was questionable

Member (Finance) arbitrarily assumed the estimated demand for mobile telephones for each operator in the four metros on the advice of one of the bidders after his discussions with the then MOS(C) on 16 July 1992. However, the papers made available by DoT did not contain either the basis or the name of the bidder or the means through which the Member (Finance) obtained the figures of the likely demand. The above decision of DoT to fix licence fee on the basis of projections of demand obtained from one of the bidders was flawed as it was based on inputs from interested party. As can be seen from the position brought out in the following paragraphs, this unreliable and non-transparent method of assuming the likely demand, which was the key factor in assessment of the licence fee, was eventually to cost the Department heavily. Based on the assumed demand, DoT fixed the lumpsum annual licence fee for each vendor for the first three years worked out broadly at the rate of Rs 5000 per subscriber. From the fourth year the licence fee was related to the number of subscribers. The likely number of subscribers in the four metros during the first three years assumed by DoT, the lump sum licence fee fixed for each of them and the actual number of subscribers during the first two years of operation are as under:

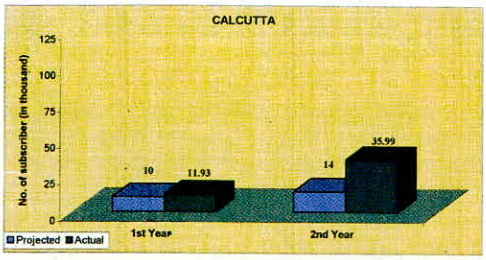
Table 3.2

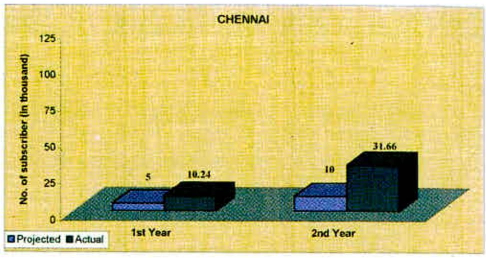
	Mumbai		Delhi		Calcutta		Chennai	
	Number in thousands	Licence fee (Rs in crore)	Number in thousands	Licence fee (Rs in crore)	Number in thousands	Licence fee (Rs in crore)	Number in thousands	Licence fee (Rs in crore)
Assumed No. of subscribers and lump-sum licence fee fixed for the metros								
I Year	12	6	8	4	10	3	5	2
II Year	28	12	16	8	14	6	10	4
III Year	44	24	28	16	20	12	16	8
Actual number of subscriber and the licence fee at Rs 5000 per subscriber								
I Year*	31.58	15.79	42.91	21.45	11.93	5.97	10.24	5.12
II Year*	116.64	58.32	149.09	74.55	35.99	17.99	31.66	15.83
III Year**	186.42	93.21	199.46	99.73	57.19	28.60	45.82	22.91

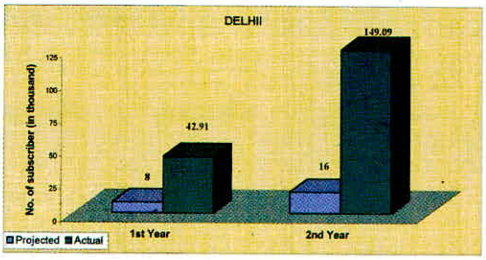
* *Aggregated monthly average* ** *At the beginning of the third year*

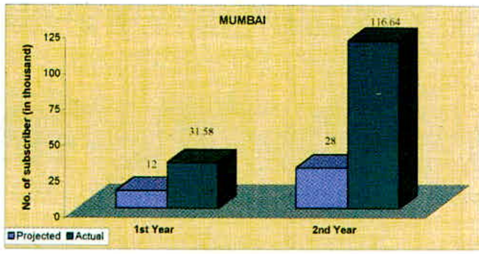
Number of subscribers in Metros– Projected and Actuals

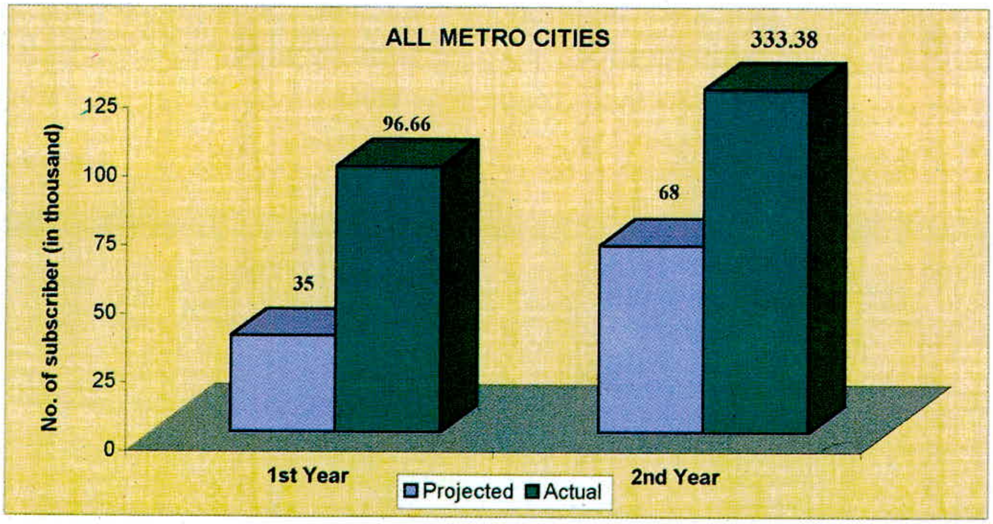
(in thousands)











3.2.1 Actual numbers of subscribers : many times more

Actual demand was several times higher than projections

It would be obvious from the table and charts above that the methodology to estimate the demand suffered from serious drawback in as much as in the very first year the actual number of subscribers was more than 2.5 times in Mumbai, 5.36 times in Delhi and more than two times in Chennai, while it was, about 1.2 times in Calcutta.

During the second year the actual number of subscribers overran the estimated number of subscribers by 4.16 times in Mumbai, 9.31 times in Delhi, 2.57 times in Calcutta and 3.16 times in Chennai.

3.2.2 Inconsistent policy

DoT and selection committee did not protect Government's interest in an atmosphere of uncertainty

Since the estimated numbers of subscribers was nobody's guess with any amount of certainty, it was incumbent upon DoT and the high level selection committee to provide safeguards for Government's interest against possible large variations between the estimated number of subscribers and actual number by providing for the licence fee on the basis of the actual number of subscribers beyond the minimum lump-sum amount rather than providing for lump-sum fixed amounts of licence fee for the first three years, irrespective of the actual number of subscribers. It is noteworthy that around the same time, DoT introduced other value added services viz. Closed User Group Domestic Satellite Data Communication Network and Public Mobile Radio Trunk Service and provided licence to private operators at licence fee which were related to the number of subscribers beyond the minimum amounts.

Loss of revenue

DoT's flawed action led to loss of Rs 170 crore during the first two years and at least Rs 184 crore during the third year

The net result of not applying the safeguard for the licence fee from cellular mobile telephone operators resulted in DoT foregoing the revenue of Rs 170 crore in the first two years of the agreement alone. Even if it is assumed that the actual number of subscribers during the third year remains the same as at the beginning of the third year, the revenue in the form of licence fee foregone during the third year alone due to DoT's failure to relate the licence fee to the number of subscribers will be at least Rs 184 crore. The loss is likely to be more, if more persons subscribe to the cellular mobile telephones during the course of the third year of operation. Thus, by fixing unjustifiably low lump sum licence fee for the first three years, DoT suffered revenue loss of at least Rs 354 crore during the first three years of the licence period which also thereby resulted in extra benefit for private cellular mobile telephone operators.

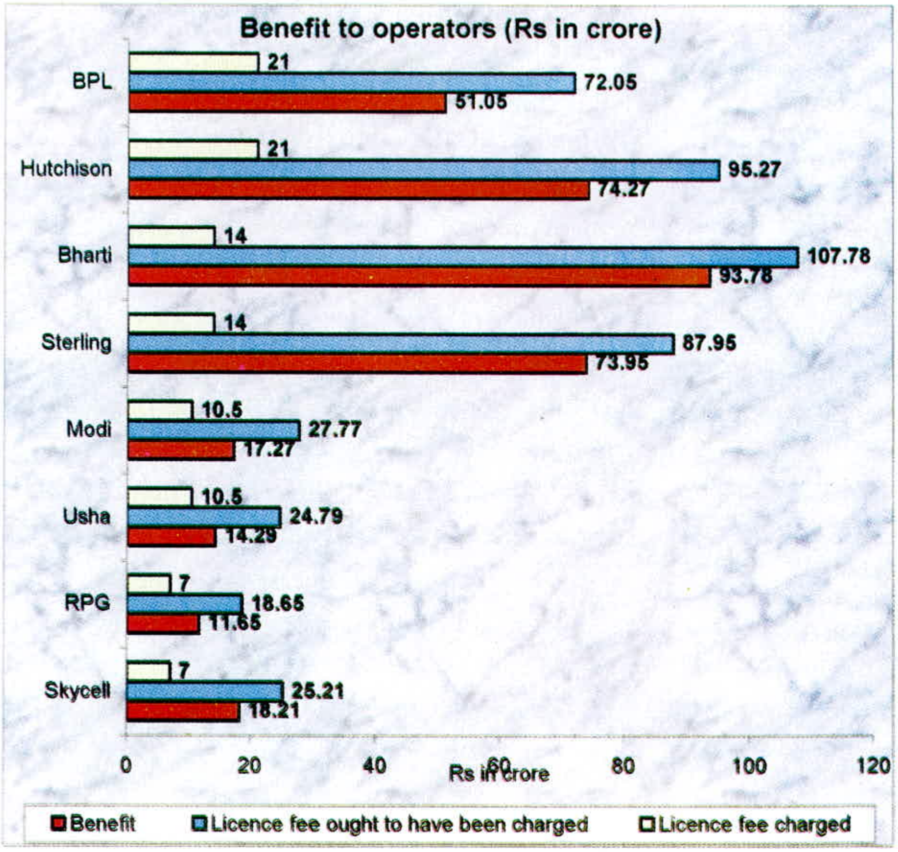
Private operators were benefited by at least Rs 354 crore at the cost of government revenue

The imprudent decision of the DoT resulted in huge benefit of Rs 354 crore to eight private licensees at the cost of revenue of DoT as under:

Table 3.2.3

Estimated number of subscribers and actual number of subscribers in thousands								
City		I year		II year		IIIyear		Total benefit during 3 years (Rs in crore)
			*		*		**	
Mumbai	BPL systems	6	15.32	14	50.60	22	78.17	51.05
	Hutchison Max	6	16.26	14	66.04	22	108.25	74.27
Delhi	Bharti Cellular	4	24.63	8	81.06	14	109.87	93.78
	Sterling Cellular	4	18.28	8	68.03	14	89.59	73.95
Calcutta	Modi Telstra	5	6.85	7	17.72	10	30.96	17.27
	Usha Martin	5	5.08	7	18.27	10	26.23	14.29
Chennai	RPG Cellular	2.50	4.64	5	13.78	8	18.88	11.65
	Skycell	2.50	5.60	5	17.88	8	26.94	18.21

*: Actual number of subscribers worked out on the basis of aggregated monthly average.
** Total actual number of subscribers at the beginning of the third year.



The bidding route sealed the scope for maximising the revenue

The bidding route chosen by the selection committee was unique in the sense that while the scope of bid was limited to monthly rental that licensees were to charge from the subscriber, it sealed the scope for maximising the revenue to Government. The bidders quoted in the background of fixed lump-sum licence fee for the first three years for the lowest rental that they were to charge from the subscribers at DoT fixed call charges of Rs 1.10 for every 10 seconds. Thus, the criterion for selection of the vendors was the lowest rental from the subscribers rather than the maximum licence fee that they could offer. Besides the logic of reasonably satisfactory service at minimum price to the subscriber in support of the lump-sum fixed licence fee was questionable, since 'satisfactory service' can not be said to be dependent on lower rentals alone. Secondly, sacrifice of potential revenue for the benefit of creamy section of the society, who were the likely users of the cellular telephones was not justifiable.

DoT sacrificed potential revenue which benefited the higher income group

3.3 Undue benefit of Rs 483 crore to operators in call charges

While inviting the financial bids in July 1992, DoT fixed the airtime charges to be recovered by the licensees from the subscribers at Rs 1.10 per 10 seconds, besides the lump-sum licence fee for first three years and Rs 5000 per subscriber for the fourth year onwards. By the time the licence agreement was signed with the operators in November 1994, the airtime charges had been increased to Rs 1.40 per 10 seconds. Yet, DoT did not enhance the licence fee commensurate with increase of the airtime charges, which had taken place after the bids were submitted and permitted the operators to charge airtime charges of Rs 1.40 per 10 seconds which was 27 *per cent* higher than the rate prescribed in the tender document without any corresponding revision in the licence fee for first three years. The financial bid provided for increase in the rate of licence fee per subscriber with reference to the prevailing unit call rate only from the fourth year.

DoT allowed the operators to charge 27 per cent higher air time charges without revising licence fee

DoT had made an assumption that every subscriber would be making calls of approximately eight minutes duration per day. Even at this assumed rate of average call time per day, the undue benefit given to the operators in metros for first three years of the licence agreement due to higher air time charges without revision of licence fee would be Rs 483 crore as per details given below:

Operators got a benefit of Rs 483 crore

Table 3.3

City	*Name of the operator*	*I year*		*II year*		*III year*		*Total*	
		Actual no. of subscribers (in thousands)	Addl. Call charges due to increase from Rs.1.10 to 1.40 @ (Rs in crore)	Actual no. of subscribers (in thousands)	Addl. Call charges due to increase from Rs.1.10 to 1.40 @ (Rs in crore)	Actual no. of subscribers (in thousands)	Addl. Call charges due to increase from Rs.1.10 to 1.40 @ (Rs in crore)	Actual no. of subscribers (in thousands)	Addl. Call charges due to increase from Rs.1.10 to 1.40 @ (Rs in crore)
Mumbai	**BPL systems**	15.32	8.05	50.60	26.60	78.17	41.09	144.09	75.74
	Hutchison Max	16.26	8.55	66.04	34.71	108.25	56.90	190.55	100.16
Delhi	**Bharti Cellular**	24.63	12.95	81.06	42.61	109.87	57.75	215.56	113.31
	Sterling Cellular	18.28	9.61	68.03	35.76	89.59	47.08	175.90	92.45
Calcutta	**Modi Telestra**	6.85	3.60	17.72	9.31	30.96	16.27	55.53	29.18
	Usha Martin	5.08	2.67	18.27	9.60	26.23	13.79	49.58	26.06
Chennai	**RPG Cellular**	4.64	2.44	13.78	7.24	18.88	9.92	37.30	19.60
	Sky Cell	5.60	2.94	17.88	9.40	26.94	14.16	50.42	26.50
								Total	**483.00**

@ assumed at 8 minutes per day per subscriber.

The Ministry stated, in November 1997, that

(i) being a new area it was not feasible to make an exact projection with regard to the volume of traffic and the growth of subscriber base,

(ii) the sole intention was not to maximise the licence fee and due consideration had to be given to the requirement that the operator should not be expected to carry the financial burden which will inhibit his ability to provide satisfactory service at minimum cost to the subscribers.

(iii) increasing the number of subscribers is not a loss but would result in increasing the revenue of DoT due to more number of calls coming to DoT network and

(iv) the calculation made by Audit are not verifiable as they are based on hypothetical figures.

The reply of the Ministry is not acceptable in view of the following:

(i) The Ministry ought to have safeguarded the interest of Government by linking the licence fee to the number of subscribers beyond the number projected by DoT as in case of licensees for other services. Precisely due to the uncertainty of the new area, DoT ought to have provided safeguards for government's interest.

(ii) As brought out in the preceding paragraph 3.2 the quality of service can not be stated to be related to the lower licence fee.

(iii) Not relating the licence fee to the increasing number of subscribers is definitely a loss to the Government as brought out above. The revenue to DoT due to more calls to DoT network by larger number of cellular subscribers would have accrued any way, even if the licence fee was fixed on the basis of number of subscriber rather than a fixed lump sum rate.

(iv) The calculation by Audit of loss of revenue is verifiable with reference to the data on the number of subscribers sent by the operators to DoT every month.

4 Outstanding licence fee from cellular operators

DoT did not recover outstanding licence fee of over Rs 685 crore from licensees of cellular mobile telephone services in the circles despite reinforced safeguards in the licence agreements. They did not claim interest of Rs 50.76 crore from the defaulters. Besides, DoT also failed to recover liquidated damages of Rs 33 crore on account of delay in commissioning the service.

DoT introduced cellular mobile telephone services in 18 telecom circles through 13 private operators during December 1995 to September 1996. 15 circles were covered by two licensees each, while the remaining three were covered by single licensees. The total number of areas of operation by different licensees, therefore, added up to 33. The agreement with the licensees provided following safeguards for timely realisation of licence fee.

The licence agreements provided multiple safeguards for realisation of the licence fee

- Licence fee for the first year was to be deposited by the licensees in one lumpsum prior to signing of the licence agreement.
- For the second and subsequent years, licensees were to deposit the quarterly instalments of licence fee in advance through post dated cheques at the beginning of the respective licence years.
- DoT had lien on 30 *per cent* of revenues credited to the bank account of the licensees, which could be recovered against the overdue licence fee.
- In case of default, the licence fee was recoverable out of the financial bank guarantee.
- Interest at prime lending rate of SBI plus five *per cent* was chargeable on overdue amounts.

Scrutiny of the documents relating to realisation of the licence fee in DoT in July to October 1997 disclosed that despite such elaborate reinforced provisions, the concerned officers of DoT, who were responsible for realisation of the licence fee, did not realise major part of it during all four licence-quarters of the second licence-year, the accounts of which were test checked by Audit.

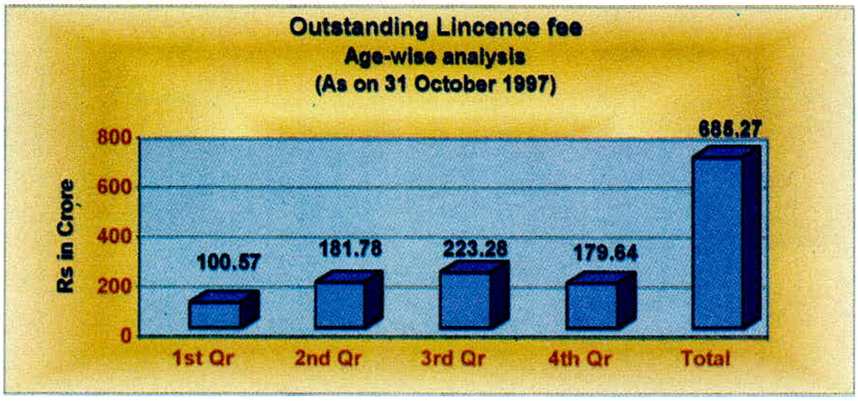
Total outstanding licence fee stood at Rs 685.27 crore. Besides interest of Rs 50.76 crore on defaulted payment was not claimed

Since the licence period of each licensee for each licence area begins on different dates, the analysis of amounts due and recovered has been reckoned on a common denominator of licence-quarters and not on calendar quarters. The position of amount of licence fee due and realised during the second year of operation were as under:

Table 4

(Rupees in crore)

Licence-quarter	*Number of licensees and areas*		*Amount due*	*Amount realised by due date*	*Amount realised after the due date*	*Amount outstanding*
	Licensees	Areas				
I	13	33	438.81	178.31	159.93	100.57
II	13	33	438.81	137.53	119.50	181.78
III	13	33	438.81	167.12	48.41	223.28
IV	11	30	346.77	167.13	-	179.64
Amount outstanding as on 31 October 1997						685.27



The officers in DoT neither obtained post dated cheques in terms of agreement, nor did they operate on the lien on licensee's bank accounts

Apart from the total amount of Rs 685.27 crore outstanding for recovery from the licensees as of October 1997 for periods ranging between one and 11 months, the total interest liability at 18.5 *per cent* for defaulted payments was Rs 54.79 crore. Out of this, DoT raised claim and realised only Rs 4.03 crore as of October 1997.

Thus, the DoT did not make sure that the licensees deposit post dated cheques covering the licence fee due for the four quarters at the beginning of the licence year in terms of the agreement. Added to this, they did not encash the performance bank guarantee to recover the outstanding licence fee and interest. There was no evidence to suggest if they made any efforts to utilise the lien on the bank accounts of the licensees to recover the dues.

The Ministry stated, in October 1997, that in the beginning of the second year some of the licensees did not submit the post dated cheques. The reply of the Ministry is, however, silent about why they failed to recover the dues against the performance bank guarantees and / or utilised their lien on the bank accounts of the licensees.

The licensees did not complete commissioning during the first year in any of the areas

As per the terms of the contract, the licensees were to commission their services in the areas specified for them within 12 months of signing of the agreements, failing which liquidated damages at Rs five lakh for each week of delay or part thereof was recoverable, subject to a maximum of Rs one crore. For delay beyond 20 weeks, the licence was liable to be terminated. The commissioning was defined in the agreement as having covered 10 *per cent* of revenue district headquarters within the specified area of operation of each licensee, and 50 *per cent* of the revenue districts within three years.

DoT did not realise liquidated damages of Rs 33 crore for delay in commissioning of services

The first licence-year for all licensees was over between December 1996 and September 1997. None of the 13 licensees had commissioned the services in 10 *per cent* of the revenue district headquarters in any of the 33 service areas within one year. Yet, DoT did not recover the liquidated damages of Rs 33 crore being the maximum amount recoverable as of October 1997.

DoT stated, in October 1997, that the quantum of liquidated damages applicable, if any, can be determined only on the satisfactory coverage of 10 *per cent* and 50 *per cent* of district headquarters when the exact amount of delay and the reasons thereof were known. The reply of DoT is not convincing since commissioning is clearly defined in the licence agreement and levy of liquidated damages was to be made with reference to the dates of commissioning. The question of waiting to see the position of coverage of 50 *per cent* district headquarters at the end of three years does not arise in cases where the commissioning in the first year was delayed by more than 20 weeks.

5 Non realisation of satellite charges

DoT delayed fixation of Rent and Guarantee terms for eight channels provided to Doordarshan for eight to sixteen years against the maximum prescribed time of one year. It has failed to realise Rs 36.13 crore from Doordarshan, being the difference of final and provisional rates.

DoT has provided satellite medium to Doordarshan for transmission of television signals. As per the procedure, such users are liable to pay the Rent and Guarantee fixed by DoT. In cases where DoT is unable to fix the Rent and Guarantee immediately, they bill the users at provisional rate, subject to the condition that the user will pay the difference as and when final Rent and Guarantee is fixed by DoT.

DoT delayed finalisation of the Rent and Guarantee for 8 to 16 years

For the eight dedicated satellite channels provided by DoT to Doordarshan, DoT had failed to workout the final Rent and Guarantee for eight to 16 years against only one year, within which they are supposed to determine the final Rent and Guarantee. DoT billed Doordarshan only at the provisional rates during the intervening period.

DoT could not realise arrears of Rs 28.38 crore from Doordarshan

Doordarshan did not pay Rent and Guarantee to DoT even after finalisation of the rates

When DoT raised claim for arrears bills aggregating Rs 28.38 crore during February 1994 to February 1996, being the difference between the final Rent and Guarantee and the provisional rates, Doordarshan did not pay the arrears. Further, they continued to pay at the lower provisional rates even after the final Rent and Guarantee were fixed by DoT. The amount outstanding against Doordarshan due to their refusal to make payment at the final Rent and Guarantee rates from the dates of revision of the rates until October 1997 was Rs 7.75 crore.

The users are liable to pay penal interest on the defaulted payments. The penal interest on the unpaid arrear bills aggregated to Rs 11.23 crore as of October 1997. Similarly the penal interest on the difference between the current revised bill and the provisional rates at which Doordarshan continues to pay despite revision of Rent and Guarantee, worked out to Rs 2.00 crore as of October 1997.

DoT's dues against Doordarshan are mounting at the rate of Rs 3.14 crore per annum

In view of Doordarshan's persistent refusal to make payment at the revised final rates for the last three and a half years, the difference of the final rates and provisional payments aggregating Rs 3.14 crore *per annum* continues to accumulate against Doordarshan. Failure to resolve the matter has also resulted in distortion in the accounts of these two departments for the years, during which these amounts are payable and receivable by them.

Similarly, DoT has not been able to recover revenue of Rs 3.20 crore from Coal India Limited for satellite services provided to them. In addition, penal interest aggregating Rs 2.09 crore was also outstanding against some users whose accounts with DoT were test checked in Audit.

The matter was referred to the Ministry in October 1997; their reply was awaited as of December 1997.

6 Leakage of revenue : Chikmagalur exchange

Difference in the meter readings recording STD/ISD calls only and those recording local as well as STD/ISD calls in Chikmagalur exchange pointed towards pilfering of calls valued at least Rs 1.65 crore. Negligence of TDE, Chikmagalur in not providing the revenue meter for registering the STD/ISD calls on replacement of the exchange by cross bar foreclosed monitoring of possible pilferage after June 1993.

Local telephone exchanges do not cater for trunk calls directly. The subscribers of these local exchanges are connected to outstation subscribers through Trunk Automatic Exchanges (TAX), which are fewer in number.

The local exchanges contain individual subscribers revenue meters which register their local as well as STD/ISD calls. Bulk revenue meters for each local exchange are also installed between the local exchanges and the TAX on their junction, which register the aggregate STD/ISD calls emanating from all subscribers within the particular local exchange. The aggregate of the individual subscribers' meter readings over any period of time should be more than the total reading of the revenue meter installed between the local exchange and TAX since the former records both local calls and STD/ISD while the latter records only the STD/ISD.

The local plus STD/ISD meter reading was less than STD/ISD meter reading

Examination of the documents of Chikmagalur local exchange in Karnataka disclosed that while the TAX revenue meter of the exchange registered 5.58 crore call units during the period February 1987 to March 1993, the total of individual subscribers meters registered only 4.81 crore call units during the same period. This was suggestive of misuse of the junction to make unauthorised STD/ISD calls.

Upto 2.37 crore call units were misused in six years

Taking the norm of 2/3rd of the calls registered in the local exchange meters being on account of STD/ISD calls, the revenue meter at the junction of the local exchange with the TAX should have registered not more than about 3.21 crore calls. The excess call which would have been misused for STD/ISD calls would, therefore, work out to 2.37 crore valued at about Rs 1.90 crore.

Alternatively, if it is presumed that the reading of the junction meter registering STD/ISD calls by the individual subscribers of the

Chikmagalur exchange is correct, the aggregate of the individual meter readings should have been 8.37 crore calls on the basis of similar norm of 2:1 for STD/ISD to local calls. Even if 81 lakh calls units as claimed by the TDE Chikmagalur is allowed for testing etc., the aggregate of subscribers meter should have been 7.56 crore units. This will indicate that the remaining 2.75 crore call units valued at Rs 2.20 crore were either not registered due to technical fault or other faults or the meters were manipulated.

TDE did not ensure installation of TAX junction revenue meter while commissioning X-bar exchange in 1993

The figure of loss beyond June 1993 was not ascertainable since the revenue meter at the junction of local exchange and TAX was not installed at the time of installation and commissioning of cross bar local exchange at Chikmagalur in June 1993. The failure of DoT to install the revenue meter calls for an investigation and fixing of responsibility since this has foreclosed any chance of monitoring the possible misuse of the communication lines.

TDE Chikmagalur accepted the loss of revenue of Rs 55.70 lakh out of above.

The matter was referred to the Ministry in October 1997; their reply was awaited as of December 1997.

7 Revenue arrears

7.1 The position of demand raised, amount collected and arrears for telephone services for the four years ending March 1997 is given below:

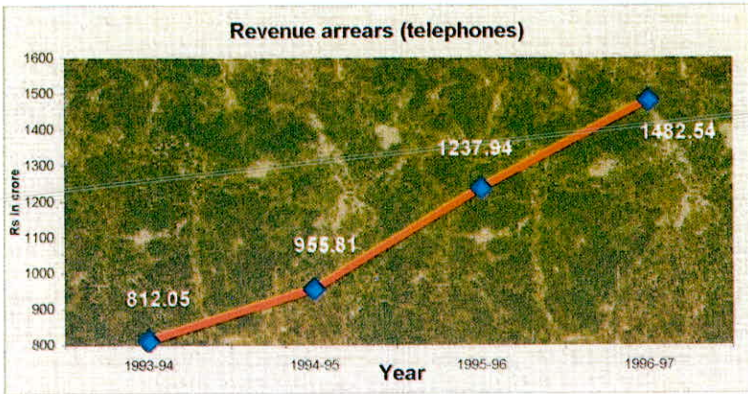
Table 7.1 Revenue arrears (telephones)

(Rs in crore)

Year	*Arrears as on 1 April*	*Demand raised during the year*	*Total Demand (2+3)*	*Amount collected during the year*	*Arrears at the close of the year (4-5)*
1	2	3	4	5	6
1993-94	620.60	5216.37	5836.97	5024.92	**812.05**
1994-95	812.05	6400.29	7212.34	6256.53	**955.81**
1995-96	955.81	8084.74	9040.55	7802.61	**1237.94**
1996-97	1237.94	9693.72	10931.66	9449.12	**1482.54**

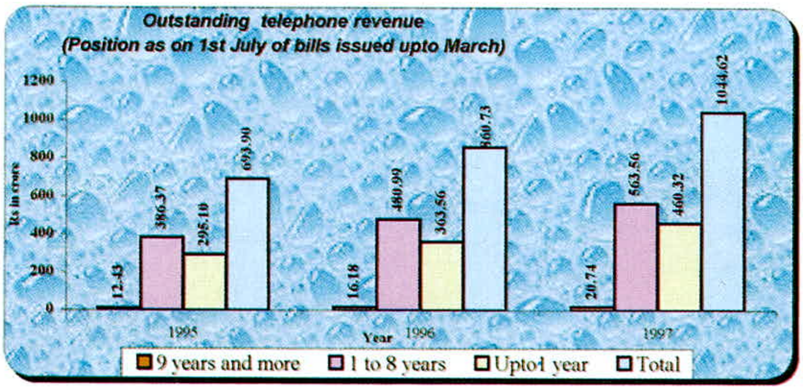
The arrears of telephone revenue have been mounting

The arrears of telephone revenue have been increasing over the years. At the end of March 1997, the arrears increased to Rs 1482.54 crore as compared to Rs 812.05 crore at the end of March 1994.



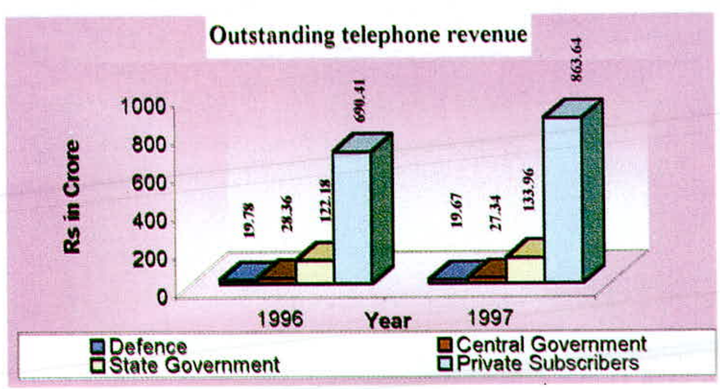
7.2 Age-wise analysis of the amount outstanding on 1 July 1997 and previous two years revealed the following:

Rs 563 crore are outstanding for more than one year, some of them are up to eight years



The chart indicates that over Rs 563.56 crore are outstanding for one to eight years and Rs 20.74 crore are outstanding for nine years or more.

7.3 Category-wise break up of total telephone dues as at the end of June 1996 and June 1997 were as under:



7.4 According to departmental instructions, the head of the circle is required to furnish to branch audit office by 31 August every year the particulars of the revenue outstanding for recovery as at the end of June every year. However, the requisite information was not received even by 31 October 1997 from any of the 20 circles.

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

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

Table 7.5 Revenue in arrears (telegraph, telex/intelex etc.)

(Rs in crore)

Year	Arrears as on 1 April 1997	Demand raised during the year	Total demand (2+3)	Amount collected during the year	Closing balance as on 31 March (4+5)
1	2	3	4	5	6
Circuits (telephones and telegraph)					
1993-94	52.24	127.97	180.21	101.40	78.81
1994-95	78.81	131.86	210.67	119.52	91.15
1995-96	91.15	132.04	223.19	126.46	96.73
1996-97	96.73	156.70	253.43	147.15	106.28
Telex/intelex charges					
1993-94	16.62	91.76	108.38	91.70	16.68
1994-95	16.68	76.80	93.48	76.41	17.07
1995-96	17.07	60.06	77.13	58.14	18.99
1996-97	18.99	49.42	68.41	48.84	19.57

The revenue arrears overdue for collection in respect of circuits have gone up from Rs 67.64 crore in 1993-94 to Rs 91.47 crore in 1996-97 and represent seven months' average billing, and those of telex/intelex charges from Rs 7.30 crore to Rs 10.44 crore during the same period, despite reduction in the demand raised.

7.6 Year-wise break up of the outstanding dues as on 1 July 1997 for bills issued up to March 1997 is given below:

Table 7.6 Outstanding dues (circuits/telex/intelex)

(Rs in crore)

		Rent for communication circuits	Telex/Intelex charges	Total
Upto	1986-87	3.60	0.72	4.32
	1987-88 to 1994-95	47.17	5.25	52.42
	1995-96	19.28	2.26	21.54
	1996-97	39.41	6.53	45.94
	Total	**109.46**	**14.76**	**124.22**

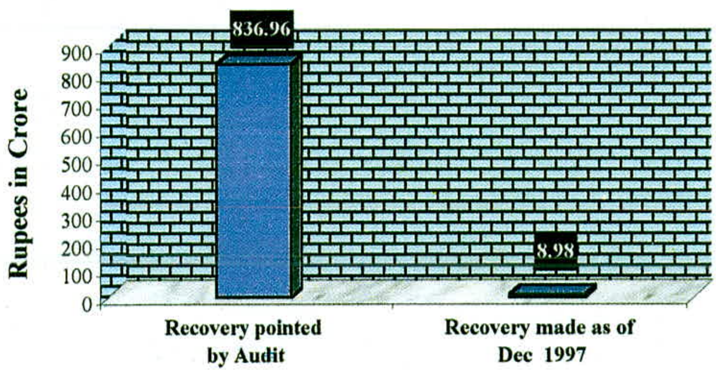
7.7 Total arrears of revenue of over Rs 1168.84 crore impinge seriously on the financial health of a commercial department like DoT. The Department needs to take special steps to recover the outstanding dues.

8 Recovery of revenue/liquidated damages at the instance of Audit

Out of Rs 836.96 crore outstanding against the vendors/ subscribers due to short billing, non recovery of revenue etc., pointed out by Audit, DoT confirmed recovery of Rs 8.98 crore.

Test check in audit disclosed short billing/non recovery of liquidated damages in many cases aggregating Rs 836.96 crore due to non recovery of licence fee, non-receipt of advice notes in Telephone Revenue Accounts branch, issue of bills at old rates, incorrect fixation of rent and non recovery of satellite charges and penal interest as brought out in paragraphs 4, 5 and 9.1 to 9.6.

On being pointed out by Audit, the Department confirmed recovery of Rs 8.98 crore as of December 1997.



9 Non billing or short billing

9.1 Non-receipt of advice notes

Operating branch of the telephone district is to send completed advice notes in respect of telecommunications facilities provided to the Telephone Revenue Accounts branch within a week of the provision of the facility to enable them to post the details in Subscribers Record Cards and issue bills to the subscribers. Telephone Revenue Accounts branch is to obtain a list of non-directory items from the operating branch in April each year and check it with Subscribers Record Cards to ensure that the rent in respect of all the telecommunication facilities have been recovered.

Sample check disclosed short/non billing of Rs 7.92 crore in 11 circles

Cases of the delayed billing/non-billing due to non-receipt of advice notes by Telephone Revenue Accounts branch have been included in the Report of the Comptroller and Auditor General of India during the past several years. Despite department's assurance that no telephone facility was released without issuing the advice notes, the deficiency persists due to deficient internal control system. Test check by Audit during 1996-97 revealed short billing/non-billing of Rs 7.92 crore in 11 Telecommunication circles involving 44 cases as shown in Appendix - III.

On being pointed out by Audit, the Department recovered Rs 4.18 crore. Recovery particulars of the balance amount were awaited as of December 1997.

9.2 Bills issued at old rates

The Department failed to realise the additional rent of Rs 39.97 lakh due to their negligence to bill at correct tariff in two cases.

DoT continued to bill at old rates even after revision of tariff

(a) Department of Telecommunications revised the tariff of certain telecommunication facilities including rental charges for underground cables provided exclusively for a sole subscriber effective from November 1992. During audit in November 1996, it was noticed that rentals were not revised and billed for in respect of six km underground cable provided from Military PABX to 22 Infantry Division and underground cable from Military Exchange to carrier system Meerut on Rent and Guarantee basis from April 1988 to March 1998 by GMT Meerut resulting in short billing of rent and other charges of Rs 21.25 lakh for the period November 1992 to July 1997.

On being pointed out by Audit GMT issued revised bills in November 1996 for Rs 21.25 lakh and realised Rs 20.54 lakh in March 1997.

(b) In case where interconnection is provided between defence leased circuits and telecommunication network, 33 *per cent* of rent in addition to normal charges applicable for speech circuits is to be recovered.

Telecom District Manager Vellore in Tamil Nadu Telecom circle provided leased speech circuits from Arakonam to Goa, Visakhapatnam and Chennai to Naval Air Station Arakonam in February 1992.

Test check revealed that the Department did not recover the rent at the revised rates. This resulted in short billing of Rs 18.72 lakh for the period from February 1992 to April 1997.

On being pointed out by Audit in March 1996, the TDM issued supplementary bill and recovered the entire amount of Rs 18.72 lakh during August 1996 to March 1997.

9.3 Continuance of telecommunication facilities despite non-payment of dues

Many cases of non-realisation of telephone bills were included in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1991 to 1996.

Test check during 1996-97 disclosed following further cases:

Sample check disclosed cases where telephone facilities were not discontinued due to default of payment of bills

(a) Examination of records of General Manager Telecommunications Shimla in October 1996 revealed that 17 telephone subscribers continued to enjoy telephone facility despite non-payment of bills ranging from 3 to 12 in number. This has resulted in accumulation of arrears of Rs 8.34 lakh.

On being pointed out by Audit, Rs 2.09 lakh was recovered in October 1997. The recovery of balance amount was awaited as of December 1997.

(b) In another case, Telecom District Manager Rohtak allowed continuation of 16 leased telecom services to various subscribers despite non-payment of bills ranging from 2 to 17 in number. This resulted in accumulation of arrears of Rs 4.58 lakh.

The cases were referred to the Ministry in May 1997; their reply was awaited as of December 1997.

9.4 Non-realisation of licence fee for public documents transmission service

DoT did not realise Rs 7.93 lakh from fax users towards licence fee

A telephone subscriber can use his own fax machine on telephone line and data modems rented by him on payment of annual licence fee of Rs 3000 in advance for private use and Rs 15000 for public purpose. DoT reduced the annual rates to Rs 300 and Rs 5000 for the above two purposes respectively in January 1995.

Test check by Audit in March-April 1997 revealed the following:

Telecom District Manager Jamshedpur did not realise licence fee of Rs 3.10 lakh during July 1991 to March 1998 from 254 fax users for private purpose and 41 fax users for public/commercial purpose. Similarly Telecom District Manager Dhanbad did not realise licence fee of Rs 4.83 lakh during May 1990 to March 1998 from 51 fax users for private purpose and 16 fax users for public/commercial purpose.

On being pointed out by Audit, they assured issue of bills for the amount. Particulars of the bills issued and amount realised were awaited as of December 1997.

The matter was referred to the Ministry in July 1997; their reply was awaited as of December 1997.

9.5 Non-billing or short billing of customers - Short billing of rent on private data network

In seven cases the field units of DoT did not raise bills for Rs 5.11 crore from private data network users

Sample check disclosed failure of DoT to raise bills of Rs 5.11 crore from users of private data network

As per departmental rules, rent for a data circuit provided for private data network is to be levied at double the normal rent of the data circuit. In seven cases shown in Appendix IV, the Accounts Officers (TRA) of various telecom districts did not collect the rent as per the prescribed rates. This resulted in short recovery of rent of Rs 5.11 crore for the period from October 1990 to June 1997.

DoT recovered Rs 1.75 crore after being pointed out by Audit

On being pointed out by Audit, the Department recovered Rs 1.75 crore during July 1996 to March 1997. Recovery of balance amount was awaited as of December 1997.

9.6 Failure to demand and collect rent : Rs 10.88 crore

Failure of department to demand, collect rent etc for various telecom facilities led to short/non recovery of revenue of Rs 10.88 crore.

Test check disclosed non recovery of Rs 10.88 crore towards rent for telecomm facilities

Test check in audit revealed short/non realisation of rent of Rs 10.88 crore for the period from December 1991 to January 1997 for various telecom facilities in 35 cases in 12 telecommunications circles, as shown in Appendix – V. The CGMsT failed to issue bills, renew licences, recover advance rent, revise the rent based on revised project cost and recover compensation for premature surrender of cable etc. On being pointed out by Audit, the CGMsT recovered Rs 2.64 crore till October 1997. The balance was yet to be recovered.

Though similar irregularities were pointed out in earlier Reports of the Comptroller and Auditor General of India, the irregularities are persisting. The Department has not fixed responsibility for negligence/ omission.

10 Modernisation of Telegraph Services

10.1 Introduction

DoT embarked upon a three year action plan effective from November 1985 for modernisation of the telegraph network in the country. It envisaged building up a modern state-of-the-art message switching network for telegraph services in the country. All the telegraph offices using morse facility were to be connected to the automatic message switching network for immediate transmission of telegrams. Considering projected growth of telegraph traffic, DoT worked out a requirement of 5292 automatic Electronic Keyboards (EKBs) and 538 Electronic Keyboard Concentrators (EKBCs) and other equipment such as phonocom concentrators, electronic teleprinters etc. under the action plan. The modernisation of telecom network was proposed to be completed by November 1988. On implementation, 98 *per cent* of the telegrams booked in the country were expected to be delivered within twelve hours with one hundred *per cent* delivery of all the telegrams within twenty four hours from the time of booking.

10.2 Scope of Audit

The planning, procurement and utilisation of EKBs and EKBCs were reviewed by Audit between May and August 1997.

10.3 Organisational set-up

The planning, tendering, fixation of rate, allocation of quantity to circles, monitoring of plan and placement of Purchase Orders (POs) for the equipment were undertaken centrally in DoT by its planning and procurement cell. The Chief General Managers Telecom (CGMsT) in the field were responsible for execution of the plan.

10.4 Highlights

- **DoT took more than nine years to execute the telegraph modernisation plan as against the original schedule of three years. The Department did not reassess the requirement of**

equipment to keep pace with technological changes in the intervening period.

- **The entire expenditure of Rs 14.71 crore on purchase of EKBs and EKBCs, which are incompatible with the new media was rendered infructuous due to negligent and lackadaisical planning and execution of the project by DoT.**
- **2094 EKBs and 153 EKBCs constituting about 50 *per cent* of the total purchases were never installed.**
- **The remaining EKBs and EKBCs which were installed also remained largely unutilised due to incompatibility of the media.**
- **DoT failed to recover Rs 88.41 lakh from the suppliers towards liquidated damages and cost of short supply and defective equipment.**

10.5 Tender and procurement

DoT placed purchase orders for 4242 EKBs and 429 EKBCs during the period 1989-95 at a total cost of Rs 12.88* crore as shown below:

Year	Type of order	EKBs including UPS			EKBCs		
		Qty	Unit Rate* (in Rs)	Total (Rs in lakh)	Quantity	Unit Rate* (in Rs)	Total (Rs in lakh)
1989	DO	200	13200	**26.40**	20	132000	**26.40**
1990-93	BO	2500	16680	**417.00**	250	166500	**416.25**
	EO	100	14500	**14.50**	10	95000	**9.50**
1995	RO	1442	13300	**191.79**	149	124635	**185.71**

DO — Developmental order BO — Bulk order EO — Educational order RO — Repeat order
* *— excluding Excise duty and Sales tax*

Examination of records relating to tendering, procurement and supply of these equipment disclosed the following:

10.5.1 Delay in proto-type development and field trials

The development of the EKBs and EKBCs with the help of private firms took considerable time of about seven years from 1986. Even as late as 1993-94, the EKBs and EKBCs supplied during 1990-91 by the private firms against developmental orders were found unsatisfactory in field trials/ circuits.

10.5.2 Delay in finalisation of bulk procurement

Delay by DoT to place supply orders led to their obsolescence

Even before satisfactory development, DoT placed letters of intent in May 1991 on three suppliers for bulk orders for 2500 EKBs and 250 EKBCs, and educational orders for 100 EKBs and 10 EKBCs on the basis of tender of August 1990 at Rs 6.95 crore as detailed below:

Name of the firm	EKBs		EKBCs		Value (Rs in crore)
	Qty	Unit Rate (in Rs)	Qty	Unit Rate (in Rs)	
Commercial orders					
Infosys Digital System (P) Limited Bangalore (Infosys)	1000	12000	100	120000	**2.40**
Analog Digital System Limited, Bangalore (ADS)	1000	12000	100	120000	**2.40**
ET&T Corporation Limited (ET&T)	500	12000	50	120000	**1.20**
Educational orders					
Versabyte	20	14500	2	95000	**0.05**
Ubitech	20	14500	2	95000	**0.05**
Sita Electronics	20	14500	2	95000	**0.05**
Keltron Systems	20	14500	2	95000	**0.05**
Hindustan Teleprinter Limited	20	14500	2	95000	**0.05**
UPS	2600	1500	260	12000	**0.70**
Total					**6.95**

On one hand DoT procured EKBs & EKBCs, on the other they discontinued use of morselines, on which these were to be used

As the sequence of events after invitation of tender in August 1990, indicated below would reveal, DoT was responsible for delay in procurement/supply of EKBs and EKBCs. The delay eventually cost DoT heavily, since by the time the bulk of supplies materialised, DoT discontinued morse telegraph lines, which were the medium over which EKBs and EKBCs were to be used.

- DoT took nine months to place letter of intent after issue of tenders.
- Despite protest by the two firms namely, ADS and ET&T to increase the price due to increase in the cost of raw materials, high interest rate, high margin for import licence and increased Customs duty in July-August 1991, DoT issued regular purchase orders in November/December 1991 at the prices fixed with reference to the tender. This led to a stalemate, which was resolved through price negotiation and eventual increase in price by 28 *per cent* in May 1992 - a cumulative delay of 21 months from the date of tender.

DoT took one and a half year to approve the collaborator of ET&T

- Since the collaborator of ET&T had stopped manufacturing the EKBs, they asked DoT in December 1991 to approve EKBs of another collaborator. Between DoT and TEC, they took one and half year to approve the change in June 1993.

10.6 Neglectful repeat purchase orders

Repeat orders for 1442 EKBs and 149 EKBCs for Rs 4.71 crore in February/March 1995 establishes uncoordinated and negligent attitude of DoT to value for money as is evident from the following:

During the long time DoT took to execute the action plan, the telegraph traffic had declined

- The original action plan for modernisation of telegraph services, against which the procurements were made in 1995, was 10 years old. During the intervening period, technological changes had made the EKBs obsolete besides preference of public in general had shifted from telegraph to more reliable, speedy and modern systems viz. teleprinter, fax and more importantly extensive network of telephone, including rural telephones. The telegraph traffic had declined from 7.42 crore telegrams in 1986-87 to 5.66 crore telegrams in 1995-96.

The telegraph medium had also changed

- The conventional telegraph medium of morse lines was replaced with UHF, optical fibre and satellite. The use of morse lines had fallen in disuse.

DoT purchased EKBs and EKBCs despite their redundancy being brought to their notice

- Evidence available in the documents in DoT disclosed that CGMsT Assam, Gujarat, Madhya Pradesh, Tamil Nadu and West Bengal Telecom circles questioned the wisdom of procurement of redundant EKBs and EKBCs during 1995-96, which confirms the negligent attitude of officers in DoT in placement of repeat orders. Despite obvious technological changes, which the officers in DoT responsible for processing and approving the purchase of EKBs ought to have been aware of, they acted in a negligent manner in placing repeat orders leading to waste of the entire expenditure of Rs 4.71 crore.

While EKBs and EKBCs valued at Rs 6.24 crore were never used, the remaining put in the circuits also remained unutilised

- 2094 EKBs out of the total of 3927 EKBs received and 153 EKBCs out of 394 valued at Rs 6.24 crore were never installed as of July 1997. Even the remaining 1833 EKBs and 241 EKBCs valued at Rs 8.47 crore which were installed and commissioned remained largely unutilised due to incompatibility with the existing medium.

10.7 Failure to levy liquidated damages

DoT did not levy liquidated damages of Rs 50.23 lakh

As per the terms of original POs, the supply of the equipment was required to be completed within five months i.e., by October 1992, failing which liquidated damage at one half of one *per cent* on the cost of equipment supplied belatedly for each week's delay or part thereof subject to a maximum of five *per cent* of cost of such equipment was to be charged.

All the firms delayed the supply against revised orders of 1992 and 1995, but the Department did not charge liquidated damages of Rs 50.23 lakh as brought out in the table below.

Table 10.7

(Rupees in lakh)

S. No	Name of the Supplier	LD charges due at total cost	LD charges actually recovered	Short / Non recovery of LD charges
Main POs				
1.	**Infosys Digital System (P) Limited, Bangalore**	19.56	Nil	19.56
2.	**Analog Digital System Limited, Bangalore**	20.80	6.48	14.32
3.	**ET&T Corporation Limited**	10.29	6.19	4.10
Repeat POs				
4	**Analog Digital System Limited, Bangalore**	12.25	Nil	12.25

10.8 Excess payments

ET&T made short supply of 212 UPS systems for EKBs / EKBCs for Uttar Pradesh circle against which the CGMT UP circle had paid 90 *per cent* payment of Rs 3.46 lakh in March and October 1994 on proof of despatch. The CGMT neither got the supply of these equipment nor recovered the excess amount paid.

One consignment consisting of 15 EKBs, one EKBC and 16 UPS despatched by ET&T through Indian Airlines in July 1994 was still lying at Lucknow Airport as of August 1997. Against the above consignment, the CGMT had already paid Rs 4.20 lakh in October 1994 on the basis of invoices, without verifying their actual receipt. Despite receiving a claim of Rs 1.42 lakh towards demurrage charges upto February 1995 from the Indian Airlines, the CGMT did not settle the matter.

10.9 Supply of equipment in damaged / broken condition

39 EKBs and 12 EKBCs worth Rs 30.52 lakh supplied by ET &T during 1993-94 were received in damaged condition in Andhra Pradesh, Gujarat, Orissa, Punjab and Uttar Pradesh circles.

As per the warranty clause of the contract, the firm was responsible for rectification of defects within three months, failing which DoT had a right to get the defects rectified from other suppliers at risk and expense of the defaulting firm. DoT did not get the damaged equipment worth Rs 30.52 lakh replaced as of August 1997 nor encashed performance bank guarantee of Rs 8.50 lakh of the firm, which was valid up to September 1994, to at least partly compensate for the loss due to supply of defective equipment.

The matter was referred to the Ministry in November 1997; their reply was awaited as of December 1997.

11. Procurement and utilisation of Cable Pair Gain Systems

11.1 Introduction

The Subscriber Carrier System (SCS) and Subscriber Line Concentrators (SLC) collectively referred as pair gain systems have been used in the telecom network since 1989-90. The commonly used analogue SCS are 1+1 and 1+7 and the SLC are 6/15 and 16/90. There is also digital 1+3 SCS being inducted in the network.

These electronic devices enhance the capacity of existing cable pairs making it possible to give one to ninety telephone connections on one to sixteen cable pairs respectively. They can be used either permanently at a particular place or can be removed and reused in another place as per the need. They help to overcome temporary shortages of cables. The installation of these systems is also much faster than laying the cables. Therefore, they are primarily intended for giving connections in those cases where it is not feasible to give connections for want of cables.

DoT had been procuring the systems centrally upto mid 1994. With a view to avoiding delay in procurement, it decentralised the purchase of SCS in August 1994 and the SLC in November 1995 authorising the Chief General Managers (CGMsT) of the Telecom circles to purchase the systems from the DoT approved vendors. The Department, however, discontinued the decentralised procurement with effect from April 1996 as it decided to switch over to the digital pair gain systems.

DoT did not possess information relating to the exact number and value of the systems purchased by the CGMsT under the decentralised procurement. The approximate value of the procurement including the purchases made by the CGMsT during 1989-97 was about Rs 156 crore as indicated below:

Name of the system	Quantity procured	Value (Rs in crore)
SCS 1+1	5760	4.50
1+7	15050	103.67
SLC 6/15	2642	13.60
16/90	843	34.35
Total	24295	156.12

11.2 Scope of Audit

A review of files/records relating to the procurement and utilisation of the Cable Pair Gain Systems was conducted by Audit during March-June 1997 in DoT headquarters and twelve telecom circles with the objective of examining (i) DoT's policy and procurement procedures (ii) compliance by the circles of the terms and conditions of decentralised procurement and (iii) utilisation of the systems.

11.3 Organisational set up

Policy decisions to induct the equipment, invitation of tenders and fixation of prices were taken centrally at DoT headquarters in Delhi. The deployment of the systems in the field was executed by the telecom districts under the overall supervision of the CGMsT of the circles.

11.4 *Highlights*

- **DoT procured 5760 units of 1+1 pair gain system at Rs 4.50 crore during 1988-92 without visualising logistical problems in maintenance and establishing the utility of the system. This rendered the entire expenditure wasteful.**
- **Decentralised procurement of 1+7 pair gain system by field units distorted DoT's basic policy of supporting the lowest bidder with supply order of substantial quantity. DoT procured 9676 units of 1+7 system from HFCL out of its total procurement of 15050, even though another firm viz. RCL had quoted the lowest price.**
- **DoT procured 13179 units of 1+7 system during 1994-96 on the basis of price fixed in 1993-94 for 1071 units without calling fresh tender. Its decision is flawed even in the background of general fall in prices of electronic goods. In doing so, DoT forfeited the likely volume discount on large volume purchases.**
- **Fixing of all inclusive price resulted in benefit of Rs 32.16 lakh to two firms viz. HFCL and RCL at the cost of public exchequer.**
- **3882 units of SCS and SLC worth Rs 19.01 crore remained unused as of March 1997 due to excess procurement, faults in system and failure to re-use the systems etc.**

11.5 *Procurement of SCS*

In 1987, DoT decided to utilise 1+1 SCS as well as 1+7 SCS. While 1+1 system enables one additional connection on the existing pair of wire, 1+7 system facilitates seven additional connections from a single pair of wire.

11.5.1 *SCS 1+1 systems*

DoT procured 5760 1+1 SCS systems valuing Rs 4.50 crore despite knowing the problems in maintenance

One unit of 1+1 SCS is required to be placed in the subscriber's premises while another is in the exchange. The subscriber's unit functions with the help of a battery. Therefore, continuous maintenance of battery to retain its desired voltage is a pre-condition for its successful working. DoT was aware of this requirement, but ignored the complexity and logistical problems in maintenance of such a system while procuring 5760 1+1 SCS valued at Rs 4.50 crore during 1988-92 from two private firms viz. Himachal Futuristic Communications Limited (HFCL) and National Telecom of India Limited (Natelco).

As would be expected, most of the systems could not be utilised optimally since the battery units were not replaced after the originals supplied with the units became non-functional.

In nine circles, 1996 out of 3152 SCS systems test checked valuing Rs 1.35 crore were not utilised

The decision of DoT to purchase a large number of these systems without first establishing its utility through actual field trials and their inability to foresee the problems associated with the battery in the subscriber's unit despite the systems not being cost effective by their own admission, led to almost all of them remaining unutilised. The entire expenditure of Rs 4.50 crore on purchase of 1+1 SCS systems was, therefore, rendered wasteful. Test check of utilisation of 3152 systems in nine circles by Audit disclosed that 1996 SCS systems valued at Rs 1.35 crore were not utilised at all.

11.5.2 1+7 SCS systems

During 1988-96, DoT purchased 15050 units of 1+7 SCS systems as per the details indicated in the table below:

Year	*Basis of pricing*	*Ordering price in Rupees*			*Quantity procured*	*Value (Rs in crore)*
		Basic	Excise duty	Total		
1988-89	Tender	70000	14000	84000	400	3.36
1989-90	PN*	67900	13580	81480	400	3.26
1993-94	Tender	59390	11878	71268	1071	7.63
1994-95	PN*	57390	11478	68868	13179	89.42
1995-96	PN*	55690	11138	66828		
Total					15050	103.67

PN Price Negotiation*

11.5.3 Price fixation

DoT opted for price negotiation instead of open tender

The above table would reveal that in three out of five years DoT opted for price negotiation rather than open tender for purchase of 1+7 SCS. Seen in the background of general fall in prices of electronic items, the decision of DoT to go in for price negotiations was not prudent since it did not promote competitive rates and on the other hand, other eligible vendors could not participate in the tendering process.

11.5.4 Price negotiation rather than open tender

DoT ignored the volume to be procured under decentralised procurement and lost volume discount

Worse still, DoT opted the route of price negotiation for procurement of equipment during 1994-95 and 1995-96 on the basis of rates finalised for 1993-94 on invitation of tender. The adverse effect of this decision of DoT can be visualised in the background of their decision of August 1994 to decentralise placement of supply orders for 1+7 SCS by the CGMsT at the price fixed by DoT. Unlike in other cases of decentralised purchases, DoT did not prescribe the quantities to be procured by each CGMT and left it to be decided by them within a stipulation of total 1+7 SCS should not exceed two *per cent* of the installed exchange capacity. Thus, while conducting price negotiations DoT ignored the volume that was to be procured and, therefore, lost unspecified volume discount. The approximate figures of total purchase of 1+7 SCS under the decentralised purchase during 1994-96 was known after the information was compiled only towards the close of 1995-96, which showed that CGMsT purchased about 13179 units of 1+7 SCS valued at Rs 89.42 crore during the two years. Fixing of price on the basis of the price negotiations for such a huge quantity at the rates finalised for a mere 1071 units was flawed.

11.5.5 Most of the supply orders to one firm

Scrutiny also disclosed that unlike in many other decentralised purchases, DoT left the option of selection of the vendor from among the approved firms to the discretion of the CGMsT. Subsequent tabulation of vendor-wise procurement disclosed that the lion's share of orders from most of the CGMsT went to one firm viz. HFCL as under:

Year	Quantity procured			
	HFCL	Natelco	RCL	Total
1988-89	400	-	-	400
1989-90	400	-	-	400
1993-94	401	268	402	1071
1994-96	8475	2902	1802	13179
Total	9676	3170	2204	15050

Circles procured 64 *per cent* of 1+7 SCS valuing Rs 57 crore from HFCL alone

In the process, DoT transgressed its own established procedure viz. the lowest bidder to be given the highest quantity of supply order ranging between 20 to 50 *per cent* depending upon the total number of bidders.

Ramson Communications Limited (RCL) Shoghi was the lowest bidder for 1993-94. DoT did not place supply orders for higher quantity on this firm during 1993-94 on the unacceptable plea that the difference in prices quoted by different firms was only marginal. Besides, their decision to decentralise placement of orders on the negotiated price during 1994-96 deprived this firm of higher proportion of order to the benefit of HFCL, which cornered over 64 *per cent* of the total orders valued at Rs 57 crore approximately.

11.6 Purchase of Subscriber Line Concentrators (SLCs)

Apart from Subscriber Carrier Systems, DoT also purchased another type of line multipliers called Subscriber Line Concentrators. During 1993-97 DoT purchased 2642 SLCs of 6/15 and 843 SLCs of 16/90 configuration as under:

Year	Basis of Pricing	Unit rate (in Rs)		Quantity Procured		Value (Rs in crore)		Total (Rs in crore)
		6/15	16/90	6/15	16/90	6/15	16/90	
1993-94	Tender	52790	425194	343	83	1.81	3.53	5.34
1994-95	PN*	50942	403934	1248	621	6.36	25.08	31.44
1995-96	PYP**	50942	403934	155	19	0.79	0.77	1.56
1996-97	Tender	51792	414315	896	120	4.64	4.97	9.61
Total				2642	843	13.60	34.35	47.95

PN Price Negotiation* *PYP** Previous Year's Price*

Note: 6/15 and 16/90 implies that the equipment can be used to provide additional nine lines from six pairs and additional 74 lines from 16 pairs respectively.

DoT was deprived of volume discount on huge purchases

The above table would indicate that DoT purchased equipment during 1994-95 valued at about six times the value during 1993-94 on the basis of price negotiations with reference to 1993-94 prices. This action of DoT was against the common prudence expected in procurement of stores and deprived DoT of unspecified volume discount, which is not quantifiable.

11.7 Inadmissible payments

DoT paid Rs 32.16 lakh towards Sales tax to HFCL and RCL which were exempted from such payment

While communicating the price for decentralised purchase of SCS and racks during 1995-96, DoT intimated all-inclusive price fixed by them, which included the basic price, Excise duty and Central Sales tax. Scrutiny of copies of vouchers revealed that two of the three suppliers viz. HFCL and RCL were exempt from Sales tax. Sales tax exemption is given to industries basically with a view to making their price competitive. Besides, duties and taxes are payable only if the suppliers are required to pay the same to the respective departments. Since HFCL and RCL were not required to pay Sales tax, payment towards the price of 1+7 SCS during 1995-96 at the rate inclusive of Sales tax resulted in excess payment of Rs 32.16 lakh at the rate of Rs 2673 per SCS and Rs 484 per rack.

11.7.1 Failure to levy liquidated damages

Liquidated damages not recovered

Test check disclosed cases of failure to levy liquidated damages of Rs 23.60 lakh by CGMsT Gujarat, Kerala and Madhya Pradesh circles for delays in supply of the equipment.

Four circles procured systems at higher prices resulting in excess payment of Rs 13.97 lakh

CGMT Chennai made payment for purchase of 1+7 system during 1995-96 at the higher price of Rs 72484 prevailing during 1994-95 rather than at Rs 70336 applicable for the year of purchase. This resulted in excess payment of Rs 2.66 lakh.

Even before decentralisation of procurement in August 1994, CGMsT Maharashtra, Madhya Pradesh and Rajasthan circles placed purchase order for 455 units of 1+7 systems and 116 racks during May-July 1994, which were beyond their delegated powers. They placed supply orders at higher prices fixed for 1993-94 and did not adjust them to the lower prices fixed for 1994-95. This resulted in excess payment of Rs 11.31 lakh.

11.8 Utilisation of the systems

11.8.1 Idle equipment

3882 systems worth Rs 19.01 crore were lying unused

Out of 11463 systems, the utilisation of which was test checked, 3882 systems worth Rs 19.01 crore remained unused as of March 1997. The duration of non-utilisation ranged from 3 to 82 months in the case of 1+1 system and 3 to 41 months for other systems. Test check of a few secondary switching areas in Gujarat, Karnataka, Madhya Pradesh and Tamil Nadu disclosed that the CGMsT did not restrict the procurement to two *per cent* of the exchange capacity. In most cases, pair gain systems procured were between 2.60 to 5.28 *per cent*.

The position of utilisation in respect of the various pair gain systems is given below:

Name of the systems	No. of systems test checked	No. of systems lying idle	Duration of idling (months)	Value of the idle systems (Rs in crore)
1+1	3152	1996	3 to 82	1.35
1+7	6669	1387	3 to 36	9.75
6/15	1149	347	7 to 41	1.77
16/90	493	152	3 to 30	6.14
Total	11463	3882	3 to 82	19.01

The reasons for the non-utilisation of the 1+1 systems have been stated in paragraph 11.5.1. Large number of the other systems i.e. 1+7, 6/15 and 16/90 systems were lying idle due to ad hoc procurement in excess of the requirement, faults in the systems, procurement in excess of the limit prescribed by DoT and failure to re-use the systems recovered after the telephone connections were restored on regular cable.

11.9 Underutilisation of capacity

Systems were not utilised to its optimum capacities

The systems can be used either on permanent basis at a particular place or, if required, can be removed and re-used elsewhere. Thus, there was greater scope for utilising them to their full capacity. Scrutiny of 5384 units of various systems working in eight telecom circles disclosed that against the total of 41392 telephone connections that could have been given with help of these systems, the circles provided only 17266 connections despite availability of waiting list for telephone connections. Sub Divisional Engineer (SDE) Orissa circle stated that the full capacity i.e. 90 connections per 16/90 systems could not be utilised as telephone connected to system became faulty when the system was loaded with more than 50 connections. SDEs Cuddalore and Karaikudi in Tamilnadu circle stated that full loading of systems was not possible in the case of long distance connections in rural areas and the localised demand was lower than the capacity of the individual systems.

Thus, due to procurement of the system in excess of the requirement and injudicious utilisation, large number of systems remained unutilised.

11.9.1 Unauthorised re-delegation of powers

Unauthorised delegation led to procurement of 2264 systems valuing Rs 12.61 crore

Under the decentralised procurement purchase orders were to be placed only by the CGMsT and these powers were not to be re-delegated to the lower functionaries in the circle headquarters or in the districts. In violation of this instruction, CGMT Chennai Telephones delegated the powers to DGMs of different zones who placed orders for 1325 systems and 133 racks costing Rs 6.57 crore. Similarly in Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Orissa and Rajasthan circles 939 systems and 37 racks worth Rs 6.04 crore were purchased by the heads of telecom districts who were not empowered to purchase the systems.

The matter was referred to the Ministry in September 1997; their reply was awaited as of December 1997.

12 Procurement of 0.5 mm diameter Drop wire

12.1 Introduction

The wire connecting telephone cable distribution point to subscribers' premises is termed as drop wire. With a view to reducing the cost, DoT prescribed use of 0.5 mm diameter self-supporting PVC drop wire with a fibre glass roving in place of 0.91 mm diameter cadmium copper wire. The specification was cleared by Telecom Engineering Centre (TEC). DoT procured 1.19 lakh km dropwire of the new specification during 1994-95 and 2.08 lakh km during 1996-97.

12.2 Scope of Audit

A review of procurement and utilisation of the new type drop wire was conducted by Audit in DoT, CGMT Stores Calcutta and seven Telecom Circles in June-August 1996 covering the period 1994-97.

12.3 Organisational Set-up

Deputy Director General (Material Management) in DoT and the CGMT Stores Calcutta have the authority to place purchase orders for procurement of drop wire on behalf of various Telecom Circle/Circle Telecom Store Depots.

12.4 *Highlights*

- **DoT placed commercial order of new specification drop wire without first removing the shortcomings pointed out by field units in the supplies received against developmental orders.**
- **DoT introduced 0.5 mm diameter drop wire apparently after laboratory tests, field trials, educational and developmental orders. However, the drop wire failed completely when put to use by field units. This resulted in a wasteful expenditure of Rs 21.58 crore.**
- **Despite being aware that the specifications of the drop wire were inferior and were being modified by TEC, DoT procured 87842 km of the same sub-standard drop wire during March to July 1996, resulting in avoidable waste of Rs 16.44 crore.**
- **DoT favoured the suppliers with Rs 2.46 crore by allowing higher rate in purchase of 1.19 lakh km drop wire during 1994-95.**
- **DoT determined reasonableness of rates for 1995-96 tender on the basis of unreasonable rate allowed by it to the suppliers during 1994-95. This resulted in excess expenditure of Rs 4.15 crore in the procurement of 2.08 lakh km drop wire during 1995-97.**

12.5 *Field trial and developmental orders*

DoT ignored complaint about defects in new drop wire and went ahead with bulk procurement

DoT apparently went through the entire process of specification setting, educational orders and field trials followed by developmental orders during the period 1987-93. DoT did not make available to audit complete papers relating to educational and developmental orders and results of field trials. A copy of the letter in the files of CGMT Rajasthan disclosed that the then CGMT had specifically brought to the notice of Director (MMS) in DoT and CGMT Stores Calcutta in September 1994 about shortcomings in the new drop wire due to low insulation and insufficient strength for erection on long span. As the findings of audit in the succeeding paragraph would indicate, failure of DoT to take action on a very specific complaint about the quality of the new drop wire resulted in the Department procuring large quantity of sub-standard drop wire.

12.6 *Selection of vendors and fixing of rates*

DoT conceded the request of manufacturers and agreed to revise the price from Rs 1096 per km to 1395 per km

In response to the tender by CGMT Stores Calcutta in May 1994 for purchase of one lakh km drop wire, he received 89 offers in all. This included three, who had earlier supplied the new drop wire against developmental orders and 19 new suppliers who had obtained type approval prior to the tender. 43 of the 89 bidders quoted identical rate of Rs 1096 per km exclusive of Excise duty and Sales tax while the 12 type approved firms and the three, who had supplied the drop wire earlier quoted identical rate of Rs 1395 per km.

DoT allowed a rate of Rs 1395, which was higher than Rs 1332, demanded by manufacturers association

DoT approved the rate of Rs 1096 per km and made counter offer to 15 firms who had quoted Rs 1395 per km. The firms did not accept this rate and instead, approached DoT in February 1995 through Indian Telecom Equipment and Cable Manufacturers Association requesting for fixing the price at Rs 1332 per km on the plea that the prices of raw material had gone up by 20 to 40 *per cent* since 1991 when the DoT had made purchases at Rs 1297 per km against developmental orders. The Telecom Commission revised the price to even more than what was demanded by the manufacturers and placed orders for 1.19 lakh km drop wire at Rs 1395 per km on 15 firms.

The decision of Telecom Commission to allow revised price of Rs 1395 per km was flawed on the following counts.

12.6.1 Cartel

It should have been obvious from the quote of identical rates by the bidders that the manufacturers had formed a cartel. Instead of trying to overcome this tendency of the manufacturers, DoT actually yielded to the pressure.

12.6.2 Unjustifiable rate

The rate of Rs 1395 was unjustifiable as one supplier was supplying drop wire at Rs 1188 during the same period

Imprudent decision of DoT cost Rs 2.46 crore

In deciding the rate of Rs 1395 per km, DoT ignored the fact that developmental orders were for very small quantity and, therefore, the rates for developmental orders were expected to have adequate margin to cover the risks in development, besides the absence of economies of scale. Around the same time when DoT had called for the open tenders, two firms were actually supplying the drop wire at Rs 1188 per km even against developmental orders. One of these two firms viz. Perfect Cablers and Engineers Private Limited New Delhi, on whom supply orders for the highest quantity of 23800 km was placed in March 1995 was one of the 15 firms which had quoted identical rate of Rs 1395 per km. The basic price of copper wire rod which is a major component of the material cost had gone up by less than 9 *per cent* while the Customs duty on fibre glass, another constituent of drop wire, had come down from 85 to 65 *per cent*. Thus, compared to the price at which this firm was supplying the drop wire even during 1994-95, the price of Rs 1395 per km resulted in an excess payment of Rs 2.46 crore, besides Excise duty and Sales tax of Rs 61.58 lakh and Rs 12.32 lakh respectively.

12.6.3 Selective build up of firms

12 new vendors who had obtained type approval were given developmental orders only two months before opening of the commercial tender in June 1994. They completed the developmental orders before the meeting of Store Purchase Committee to finalise the tenders. These firms were, therefore, brought to the category of established suppliers.

12.6.4 Violation of standard procedure

Integrated Finance not consulted in fixation of final rate

The ministries are to exercise delegated powers in consultation with their Integrated Finance. While the Material Management Section consulted the Integrated Finance first time in November/December 1994 when DoT decided to counter offer the rate of Rs 1096 per km, they did not consult the Integrated Finance while increasing the price to Rs 1395 per km, which was a violation of the basic financial rules.

The notings in the file of DoT were leaked to Telecom Equipment Manufacturers Association

The Telecom Equipment Manufacturers Association made use of the notings in official file by the Material Management Division and Finance in their representation for increase in price. DoT did not take note of it to investigate how they came to see the notings in the files.

The facts stated in paragraphs 12.6.2, 12.6.3 and 12.6.4 above point not only the negligence of DoT officials but give an unmistakable impression of their involvement in fixing higher price of Drop wire and favour to certain suppliers.

12.6.5 Sub-standard specification

Questionable expenditure of Rs 21.58 crore on purchase of defective drop wire

Immediately upon utilisation of the new drop wire, complaints started pouring in from various CGMsT about unsuitability of the drop wire due to its inability to stand a longer span, very thin and weak insulation and inability to tolerate extremes of temperature. This indicates serious lacunae in standard setting by the erstwhile Telecom Research Centre, laboratory testing, field trials followed by fixing of specification by TEC, performance evaluation of the drop wire procured against educational and developmental orders prior to the commercial orders for large quantity. As brought out in paragraph 12.5 CGMT Rajasthan circle had categorically brought the defects in the new drop wire to the notice of DoT in September 1994. Ultimately, the negligent attitude in the Department not only led to questionable expenditure of Rs 21.58 crore in the purchase of 1.19 lakh km drop wire of sub-standard specification, but has also resulted in frequent faults and premature replacements affecting the quality of service.

12.7 Procurement during 1995-96 and 1996-97

On complaints from CGMsT, TEC decided to improve the specification of drop wire

Even while complaints were being received by DoT and CGMT (Stores) Calcutta against the quality of the drop wire supplied during 1994-95 and DoT was contemplating modification in the specification to overcome the defects, CGMT (Stores) Calcutta invited tenders in June 1995 for procurement of 2.60 lakh km drop wire of the same deficient specification for use during 1995-96 and 1996-97. On one hand, the tenders were opened in September 1995, on the other, TEC prepared a draft amendment to the specification in October 1995 to strengthen and improve the PVC insulation and improve the resistance to ultra-violet degradation. DoT approved purchase of 2.08 lakh km drop wire of the old defective specification in March 1996 at Rs 1440 per km, while TEC issued amendment to the specification of drop wire in July 1996.

DoT approved purchase of defective drop wire even after TEC's decision to change the specification

12.7.1 Delay by TEC and DoT in revising the specification

Avoidable waste of Rs 16.44 crore on purchase of defective drop wire

DoT took another three months to ask the vendors in October 1996 to stop further supply of the drop wire of sub-standard specification against the supply order of March 1996 and asked them to supply the remaining quantity of drop wire of revised specification at the enhanced price of Rs 1627.14 per km. However, by that time the vendors had already supplied 87842 km of sub-standard drop wire valued at Rs 16.44 crore.

The insensitivity of DoT to value for money is reflected in the fact that while it was already proved beyond doubt that the drop wire with earlier approved specification was just not suitable for the purpose for which it was purchased and TEC had already undertaken an exercise for revision of the specification, DoT went ahead with calling the tenders and placing supply orders of the same defective drop wire. DoT issued purchase order in March 1996 for old specifications of proven defective drop wire though draft modified specification by TEC was already available in October 1995. The slow speed with which TEC went about the change of specification, despite the fact that their own earlier specification had resulted in a questionable expenditure of over Rs 21.58 crore, calls into question of their capability to respond to urgent requirements. It took them over nine months to issue revised specifications of drop wire.

12.7.2 Relay effect of initial incorrect price fixing

Excess expenditure of Rs 4.15 crore due to unrealistic fixation of rates

While processing the tender during 1995-96 for purchase of 2.60 lakh km of drop wire, DoT justified the reasonableness of the lowest offer of Rs 1440 per km on the basis of the last purchase price of Rs 1395 per km, which itself was higher, as brought out in the preceding paragraph 12.6. Subsequently, when DoT revised the price further upwards to Rs 1627.14 per km after improving the specification, they worked out the additional cost due to change in specification on the basis of price of Rs 1440 per km fixed in March 1996 for the drop wire of earlier defective specification, which itself was more than reasonable, as brought out above. This had a multiplier effect on determination of the price which resulted in excess expenditure of Rs 4.15 crore during 1995-97 on procurement of 2.08 lakh km of drop wire.

The matter was referred to the Ministry in October 1997; their reply was awaited as of December 1997.

CHAPTER 5 — MAJOR FINDINGS IN TRANSACTION AUDIT

13 Excess Payment of Rs 63.38 crore

Negligence of DoT to reckon MODVAT credit available to the suppliers of PIJF cable, drop wire and sockets etc. while fixing the basic price led to excess payment/liability of Rs 63.38 crore including the inadmissible escalation, Excise duty and Sales tax.

DoT approved procurement of 148.91 lakh conductor km (ckm) Polyethylene Insulated Jelly Filled (PIJF) cables during 1994-95 on cash and deferred payment basis as under:

Month of approval by DoT	Quantity of PIJF (in lakh ckm)	Payment terms	Delivery schedule (in month)
May 1994	29.45	Cash payment basis	1 to 3
May 1994	27.50	Deferred payment basis	3
September 1994	91.96	Cash payment basis	1
Total	148.91		

13.1 Terms of Payment

In case of deferred payment purchase, though the supplies were to be received within three months of the contract, the payments were to be made in 20 quarterly instalments; the first quarterly instalment starting three months after the completion of delivery of the cables. The payments for cash purchases were to be made immediately on receipt of delivery.

DoT fixed price for copper wire rod used in PIJF cable from time to time, which was inclusive of Excise duty

Copper wire rod is a major component in manufacture of PIJF cable. DoT fixes the price of copper wire rod every month on the basis of the information furnished by MMTC. The price, thus fixed by DoT is inclusive of the Excise duty on copper wire rod. While approving the rates of PIJF cable, DoT assumed the price of copper wire rod at Rs 102840 per tonne which included Excise duty element of Rs 13414 per tonne at 15 *per cent ad-valorem*.

13.2 PIJF cable purchased on outright cash payment basis

Test check of documents of purchases of PIJF cables on outright cash payment basis in DoT and six circles viz. Gujarat, Haryana, Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal disclosed that due to negligence of DoT in not clarifying the deduction of MODVAT credit from the claim of the suppliers towards Excise duty on the finished PIJF cable, the CGMsT of test checked circles made payment without deducting the MODVAT credit available to suppliers on copper wire rod.

DoT accepted inadmissible claim of Rs 15.20 crore towards MODVAT credit

Excess payment of Sales tax on inadmissible MODVAT portion was Rs 60.79 lakh

Examination of invoices of 51 lakh ckm cables in the test checked circles disclosed that the CGMsT accepted invoices containing inadmissible amount of Rs 15.20 crore towards Excise duty in respect of cables procured on outright cash payment basis due to their failure to deduct the MODVAT credit on the price of copper wire rod fixed by DoT from time to time. Since the Sales tax at four *per cent* was also payable on the value of supplies, the excess payment towards Excise duty also led to further excess payment of Sales tax of Rs 60.79 lakh on the excess Excise duty. Similar error in reckoning Excise duty is expected in the purchase of 27.50 lakh ckm PIJF cable procured on deferred payment basis as it was supplied during same period in 1994-95.

13.3 Inadmissible escalation on the MODVAT credit

DoT paid escalation even on the inadmissible Excise duty element

The suppliers were to supply the PIJF cable to the CGMsT of different circles, who were to make payment against their invoices. Price escalation on copper wire rod was available on the basis of price fixed by DoT applicable on the date of inspection of the consignment by DoT's designated officer, assuming the copper wire rod to constitute 35 *per cent* of the total basic price of the PIJF cable. Since the suppliers claimed escalation on the price of copper wire rod, inclusive of Excise duty rather than on the basic price exclusive of Excise duty, the CGMsT paid escalation even on the inadmissible Excise duty element of the price of copper wire rod.

Excess payment of escalation and Sales tax on inadmissible MODVAT portion was Rs 2.31 crore

Excess payment of escalation and Sales tax on inadmissible escalation in the test checked circles alone was Rs 2.31 crore for the quantity of 23.11 lakh ckm cable as per details below:

Table 13.3

Payment terms	*Circles test checked*	*Quantity of PIJF test checked (in lakh ckm)*	*Overpayment of escalation (Rs in crore)*	*Sales tax on inadmissible escalation (Rs in lakh)*	*Total overpayment (Rs in crore)*
Deferred payments	Karnataka, Madhya Pradesh, Andhra Pradesh, Rajasthan and Chennai telephones	15.85	1.54	6.17	1.60
Cash Payment	Tamil Nadu and Chennai Telephones	7.26	0.69	2.76	0.71
Total		23.11	2.23	8.93	2.31

13.4 Likely overpayment on the total purchase

Extrapolated to the total purchases, the inadmissible payments are likely to be of the order of Rs 60.89 crore.

In the background of the omission by DoT in not clarifying the deduction of MODVAT credit on the entire purchase, read with the findings by Audit in the test checks, the total overpayment on account of failure of CGMsT to deduct the MODVAT credit, inadmissible escalation on MODVAT portion of Excise duty and consequential excess payments towards Sales tax on the inadmissible payments on the total quantity of PIJF cable purchased on deferred payment and outright cash payment basis are expected to be Rs 11.29 crore and Rs 49.60 crore respectively. Actual overpayment in the deferred payment purchase is, however, so far limited to the proportion of the total cost which has already been paid in quarterly instalments. The balance is likely to be paid over the remaining instalments, if remedial measures are not taken.

Recovery after being pointed out by Audit

CGMsT recovered part of extra payment after being pointed out by Audit

On being pointed by Audit, CGMsT Madhya Pradesh and Chennai Telephones recovered excess payment of Rs 15.06 lakh from suppliers in October-November 1997. Further, CGMT Chennai Telephones assured in October 1997 to recover Rs 16.97 lakh from four suppliers from their pending bills. Besides, he has requested DoT to recover Rs 18.61 lakh from one against his bank guarantee or their pending bills in other circles.

13.5 Excess payment on purchase of drop wire

Similar inadmissible payment of Rs 2.49 crore were noticed in purchase of drop wire, socket etc.

DoT also procured drop wire and sockets during 1994-96 on outright payment basis with similar conditions under which escalation on the price of copper wire rod was available to the suppliers. Test check in DoT and nine circles viz. Calcutta, Gujarat, Haryana, Kerala, Karnataka, Uttar Pradesh, Orissa, Rajasthan and Chennai Telephones during July 1996 and July 1997 disclosed inadmissible payment of Rs 2.49 crore on purchase of 2.5 lakh km of drop wire and 86194 sockets.

13.6 Negligence by DoT

DoT ought to work out the exact amount of inadmissible payments and recover them from the suppliers

This excess payment is directly attributable to negligence of DoT to fix the terms and conditions of purchase without reckoning the MODVAT credit that were available to the suppliers. In view of the findings of the test check, it is recommended that DoT should work out the exact amount of inadmissible payments (including the liability of future instalments) both for deferred payment purchases and outright cash payment purchases and recover the amount of excess payment from the suppliers. DoT may also direct the CGMsT to restrict the payment of future instalments against deferred payment purchases by deducting the MODVAT credit.

The matter was referred to the Ministry in November 1997; their reply was awaited as of December 1997.

14 Inordinate delay in use of transponders in satellite system

DoT delayed preparation of the ground segment, necessary for utilisation of the transponders on the INSATs, despite being aware of their allotment by INSAT Co-ordination Committee, three to five years in advance. This led to waste of valuable space resource despite demands from users and loss of potential revenue of Rs 84.23 crore.

Four Indian satellites namely INSAT-1D, INSAT-2A, INSAT-2B and INSAT-2C were in orbit in January 1997. INSAT-2A became non-operational in July 1997 due to its entering inclined orbit. Another satellite INSAT-2D launched in May 1997 failed in October 1997. The transponders available in satellites are mainly in C-Band, extended C-Band, KU-Band and S-Band and are used by DoT, Ministry of Information and Broadcasting, Ministry of Defence and Ministry of Home Affairs. All decisions about allotment of transponders to various departments are taken by the high power INSAT Co-ordination Committee headed by Secretary Department of Space on the basis of projected user requirements of different departments and availability of transponders.

Development and launch of satellites are expensive and they have limited life

Development and launching of satellites involve huge cost and strenuous scientific efforts. The average life of the satellites is also short which is further shortened often due to high failure rate. This makes the space resources very valuable with a need to utilise them optimally. All planning, preparations of ground segment and procurement and installation of equipment should normally be ready by the time the transponders are available. A lead time of three to five years is generally available for planning and implementation of the associated ground segment work so that the transponders on the satellite are used without any delay. Since the ground segments are the responsibility of the user departments, it is for them to take the initiative and get the required equipment in time either developed by the industry indigenously or imported.

It is imperative that all preparatory actions are completed to enable their prompt and optimum use

Scrutiny of records by Audit in July 1997 revealed the following:

(i) C-Band transponders

Of the 36 normal C-Band transponders functioning in four INSAT systems, 24 were allocated to DoT as of March 1997 for its own network. Licensed networks were provided by DoT to ONGC, CIL, NTPC etc. Out of the 24 transponders, 23 were on INSAT-1D, INSAT-2A and INSAT-2B and one on INSAT-2C. DoT was to use these transponders for various communication facilities like single channel per carrier, multi channel per carrier (MCPC), data communication, inter digital radio etc.

C-Band transponders remained unutilised for 10 to 30 months due to non-availability of ground segment equipment with a resultant loss of revenue of Rs 32.50 crore

DoT did not utilise the 12 C-Band transponders available on the INSAT-2A and INSAT-2B for 10 to 30 months as the ground segment equipment were not ready. Seven transponders in normal 'C' Band were allotted to DoT in INSAT-2A soon after its operationalisation in August 1992. They were utilised progressively over a period of about two years. In INSAT-2B, five transponders in C-Band were allotted for use by DoT immediately after its operationalisation in August 1993. There were delays of up to two years in utilisation of these transponders also on INSAT-2B. Audit analysis of non-utilisation of these transponders disclosed that DoT took long periods in finalisation of the tenders for procurement of the associated ground segment equipment for various projects like digital satellite facility, HVNET, MCPC, VSATS, etc.

Failure of DoT to procure the equipment and complete the ground level segment timely resulted in non-utilisation of about 30 *per cent* of transponder capacity on INSAT systems leading to a loss of potential revenue of Rs 32.50 crore during July 1992 to February 1995.

(ii) Extended C-Band transponders

Non-utilisation of extended C-Band for 30 months led to loss of revenue of Rs 21.75 crore during 1992-97

Various private VSAT operators applied to DoT for allotment of transponders in extended C-Band which was taken as the basis for projecting the demand for transponders. DoT had at least seven years lead time to plan for the utilisation of the extended C-Band transponders available on INSAT-2A and 2B satellites. These were mainly planned for utilisation by private VSAT providers. The VSAT operators were to pay transponder charges of Rs two crore *per annum* per transponder. Despite sufficient time available, DoT did not complete the ground segment in time. As a result, three out of six extended C-Band transponders on INSAT-2A remained unutilised even after nearly two and a half years, i.e., virtually one third of the life span of the satellite.

DDG (Satellite) stated, in September 1997, that there were delays in loading of extended C-Band transponders due to delays in requisite frequency co-ordination and non-availability of ground segment equipment. He added that they were charging 25 *per cent* as space segment reservation charges from private VSAT operators till such time as they were actually ready with their ground segment. Even excluding the space segment reservation charges recovered by DoT, the Department lost potential revenue of Rs 21.75 crore on account of the delay in the use of the transponders.

(iii) S-Band transponders

Non-utilisation of S-Band and KU-Band transponders resulted in loss of revenue of Rs 29.92 crore

DoT was unable to utilise the S-Band transponders in INSAT-2C launched in December 1995 also for INSAT mobile satellite service (MSS) as of August 1997, although the decision for having a payload for MSS in these two satellites was taken in April 1993 i.e. more than four years ago. This led to loss of potential revenue of Rs 18.32 crore on account of space segment charges up to August 1997.

(iv) KU-Band

DoT's ground segment facility for KU-Band is not yet ready. As a result, two transponders on KU-Band allocated in February 1996 on INSAT- 2C were not loaded causing a loss of revenue of Rs 11.66 crore till July 1997. DoT stated, in December 1997, that KU-Band was planned for interference free long distance satellite telecommunication link between Bangalore and Delhi which was likely to be commissioned by March 1998.

DDG (Satellite), while agreeing that there were delays in loading various transponders, stated, in September 1997, that the required equipment, especially digital satellite equipment were not available indigenously and the suppliers had to go in for technology transfer with foreign manufacturers. This argument establishes the failure of the Department to develop suitable vendor base in time through advance action, although a lead time of three to five years was available to the Department.

The matter was referred to the Ministry in October 1997; their reply was awaited as of December 1997.

15 Extra expenditure on procurement of telephone instruments

Disregard of instructions of DoT to include price adjustment clause by CGMs and their subordinate officers resulted in excess payment of Rs 83.43 lakh on purchase of EPBTs during 1994-96.

CGMsT/GMsT were to place orders for EPBTs on provisional price with a price adjustment clause

Purchase of electronic push button telephone (EPBT) instruments is centralised in DoT in the sense that the price for each year is fixed centrally by them and they allot the quantities of EPBTs to be purchased by the Telecom circles. The CGMsT/GMsT can place supply order at the price fixed by DoT on the approved firms in consultation with their Internal Financial Advisors. Where DoT had been unable to finalise the rates of EPBTs for a particular financial year before the beginning of that year, they have been authorising the CGMsT/GMsT to place purchase orders on the firms approved for the previous year at a provisional price of 80 *per cent* of the previous year's price. DoT also asked the CGMsT to include a specific clause in the purchase orders that the price fixed on the basis of the tender for that particular year would be applicable to such purchase orders placed at provisional price. The powers delegated to CGMsT/GMsT cannot be further delegated to any subordinate authorities by them.

Instance of excess payment of Rs 44.60 lakh by CGMT Orissa circle on direct purchase of EPBTs in disregard to the purchase policy of DoT, was included in paragraph 9.10 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1993 (No. 7 of 1994) - Union Government - Post and Telecommunications. In their Action Taken Note, Ministry had stated that they have issued instructions for strict adherence to DoT's purchase policy.

CGMsT/GMsT flouted DoTs instructions leading to excess payment of Rs 83.43 lakh

Test check in Gujarat, Kerala, Maharashtra, Orissa and Tamil Nadu Telecom circles disclosed that the CGMsT/GMsT continued to flout the instructions of DoT as under:

GMT Ahmedabad

AGM Ahmedabad placed purchase order unauthorisedly

Assistant General Manager Material Management Ahmedabad placed three purchase orders for 18000 EPBTs in 1994-95 at 1993-94 rates for a total value of Rs 1.17 crore.

- He was not competent to place supply orders.
- He did not include the price adjustment clause in the purchase order. Since the price of EPBTs subsequently finalised by DoT was only Rs 513 against Rs 637.46 to Rs 662.97 during the previous year, his action resulted in extra expenditure of Rs 24.48 lakh.

An excess payment of Rs 24.48 lakh was made by GMT Ahmedabad

- He did not obtain the concurrence of internal finance also.

CGMT Maharashtra

CGMT Maharashtra placed unnecessary purchase order for very large quantity

EPBTs received over the next nine months were paid at higher rate leading to extra expenditure of Rs 41.03 lakh.

- CGMT Maharashtra circle placed supply orders in March 1994 for 30000 instruments on 1994-95 prices without incorporating the price adjustment clause.

  As per DoT's instructions, CGMT should have placed supply orders for 25 *per cent* of the total permitted quantity of 39000 EPBTs. However, he placed supply orders for 30000 EPBTs, which were not immediately required. He received the instruments against this supply order over a period of nine months up to December 1994. Yet, CGMT Maharashtra paid at Rs 662.97 per unit fixed for 1993-94.

  This led to extra payment of Rs 41.03 lakh to the suppliers with reference to the price fixed for 1994-95.

CGMT Orissa

CGMsT Orissa and Tamil Nadu circles made excess payment of Rs 12.19 lakh

- Negligence of CGMT Orissa circle to include price adjustment clause on purchase of 7000 EPBTs during 1994-95 led to an excess payment of Rs 8.48 lakh.

CGMT Tamil Nadu

- Similar negligence of CGMT Tamil Nadu circle in purchase of 3600 EPBTs during 1994-95 resulted in extra expenditure of Rs 3.71 lakh.

CGMT Kerala

AGM Ernakulam and TDM Kollam made unauthorised purchases and paid an excess of Rs 5.73 lakh

- Assistant General Manager Planning Ernakulam and TDM Kollam placed purchase orders for 8950 EPBTs for 1995-96.
- They acted in disregard of the limits on their financial powers, since the power to place purchase orders for EPBTs rested only with CGMT.
- DoT did not make any allotment to CGMT Kerala circle for procurement of EPBTs. In spite of this, they placed supply orders for 8950 EPBTs.
- They did not consult their Internal Financial Adviser.
- Both of them did not include price adjustment clause in the purchase order despite the instruction of DoT. This led to excess payment of Rs 5.73 lakh to the supplier with reference to the price subsequently fixed by DoT for 1995-96.

CGMT Gujarat circle stated, in March 1997, that price variation clause was not included since he did not anticipate fall in price. This reply does not address the question of unauthorised purchase by the AGM who was not competent nor gives any reason for flouting DoT's instructions.

CGMT Tamil Nadu recovered the excess payment of Rs 3.71 lakh in March 1997 after being pointed out by Audit.

CGMT Kerala, Maharashtra and Orissa circles did not furnish any reply.

Need for DoT to strengthen the system of control

DoT needs to strengthen their control over procurement by field offices to ensure compliance to their instructions besides, fixing responsibility for the acts of omissions and commissions by the officers in procurement of EPBTs.

The matter was referred to the Ministry in July 1997; their reply was awaited as of December 1997.

16 Distortion of tendering process in purchase of optical fibre cables

DoT placed supply orders for OFC at Rs 63.52 crore on two private firms outside the tender system. Extension of delivery schedule without levy of liquidated damages resulted in a favour of Rs 75.49 lakh to one private firm.

A case of favour to private firm in placing supply order by DoT was included in the last Audit Report

A case of favour to a private firm by placing unnecessary supply orders on them of 2GHz digital microwave system on the request of the firm to place supply orders on them in order to maintain their production line and extension of delivery schedule without levy of liquidated damages at the instance of the then MOS(C) was included in paragraphs 8.1.5.2 and 8.1.7 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996, No. 6 of 1997, Union Government (Post and Telecommunications).

Scrutiny of contracts/supply orders placed by DoT for optical fibre cable during 1994-96 by Audit in August 1997 disclosed another case of favour to two private firms in placing supply orders of large quantities in violation of DoT s own established policy. Under this policy, DoT is to place the supply orders at the approved rate on all technically acceptable bidders in the inverse ratio of the prices quoted by them, except the lowest bidder, who is to get the supply order for 20 to 50 *per cent* of the total tendered quantity.

DoT placed supply order for 30 *per cent* of tendered quantities on two firms

DoT had placed supply orders for 8067 km Optical Fibre Cables (OFC) consisting 6, 12 and 24 fibres during 1994-95 at the prices fixed on the basis of open tender. Vikas Hybrid and Electronics Limited New Delhi and Plasmac Machine Manufacturing Limited Mumbai had quoted the lowest price for 6, 12 and 24 OFC respectively. They had not, however, set up their production facility and, therefore, had not obtained type approval from DoT. In view of this, Telecom Commission approved that they should be given supply orders for 20 *per cent* of the tendered quantities and should be provided four months time to obtain type approval. Despite this, MOS(C) gave orders for placing supply orders for 30 *per cent* of the tendered quantities with them.

DoT placed big supply orders on two firms outside the tendering system

For the next year, i.e. 1995-96, DoT invited tenders in February 1995 for procurement of 16225 km OFC of the three specifications. The tenders were opened in April 1995. Even while the finalisation of tender was under process, two firms viz. Vikas Hybrid and Electronics Limited New Delhi and Sterlite Industries India Limited New Delhi approached MOS(C) requesting him to place supply orders on them to keep the production in their factories going. At the instance of MOS(C), DoT placed supply orders on Vikas Hybrid and Electronics Limited New Delhi for huge quantity of 2500 km 12-OFC valued at Rs 25.85 crore in May 1995. This was about 20 *per cent* of the total tendered quantity for 1995-96 which is close to the proportion of the supply order that the lowest tenderer gets.

Vikas Hybrid got supply orders for Rs 25.85 crore outside the tender

Similarly, on a request by Sterlite Industries India Limited New Delhi to MOS(C) DoT placed supply order for 1000 km 24-OFC and 2000 km 12-OFC on them in July 1995. The total value of this order was Rs 37.67 crore. The quantities of 24-OFC and 12-OFC for which supply orders were placed on this firm constituted 40 *per cent* and 16 *per cent* respectively of the tendered quantities.

Sterlite Industries got supply order for Rs 37.67 crore outside the tender

Thus, even while the tenders were already opened and were being processed, placement of supply orders on two firms constituting 40 *per cent* of the tendered quantity of 24-OFC and 36 *per cent* of the tendered quantity of 12-OFC outside the tender, calls into question the propriety of the tendering process in DoT and indicates favourable treatment given to some firms by DoT.

Over and above the supply orders for substantial quantities outside the tendering system, they also got supply orders against their tenders for 1995-96 as their proportionate share of the tendered quantities, giving them dual benefit of supply orders outside the tender as well as within the tender.

DoT ignored the PSUs

In doing so, DoT ignored the claim of two public sector undertakings viz. Hindustan Cables Limited and Optel Telecommunications Limited, who were given supply orders for much less quantities than their production capacity. While DoT entertained requests by the two private firms to save their production units from idling, it ignored specific request by Secretary Department of Heavy Industries to place orders on Hindustan Cables Limited for their full capacity, since they had established the production facility for OFC on the basis of the projected demand of the DoT. Against the annual capacity of 40000 fibre km of Hindustan Cables Limited, they got supply orders for only 11064 and 19470 fibre km during 1994-95 and 1995-96 respectively.

The extension of delivery period without liquidated damages at the instance of MOS(C) led to waiver of Rs 75.49 lakh

Vikas Hybrid and Electronics Limited New Delhi defaulted in supply against the order placed for 2500 km 12-OFC in May 1995 outside the tender. While Telecom Commission rejected their request for extension of the delivery schedule, subsequently at the intervention of MOS(C), whose orders were communicated through his Private Secretary, DoT granted extension of 45 days up to 22 October 1995 without levy of liquidated damages. The liquidated damages foregone were Rs 75.49 lakh.

The matter was referred to the Ministry in October 1997; their reply was awaited as of December 1997.

17 Excess expenditure in laying HDPE pipes

Negligence of DET Bhubaneswar to award the work of laying HDPE pipes on 211 km OFC route on the basis of rates finalised for only 19 km without assessing the quantities of different items resulted in excess expenditure of Rs 24.12 lakh.

Divisional Engineer Telecommunications Microwave Project Bhubaneswar completed the work of trenching and laying of High Density Polythylene (HDPE) pipe in 211 km stretch in Bhubaneswar-Pipili and Khurda-Aska Optical Fibre Cable (OFC) routes during July 1992-April 1993 at a total expenditure of Rs 1.67 crore. Scrutiny of documents relating to the award of this work disclosed the following:

Divisional Engineer awarded the work without correct assessment of quantities

The Divisional Engineer entrusted the work to eight contractors for different sections at the rates arrived at with reference to a tender for identical work in a 19 km section on Bhubaneswar-Pipili route rather than through a fresh assessment of the work and call of tender.

The work consisted of digging of trench in ordinary and rocky soil, laying of cement concrete pipes, sand filling etc. Since in the tender for 19 km the rates were called for 12 different items of work required for laying HDPE pipes, the respective quantity of each type of work had a direct bearing on the overall cost of the entire work. Analysis of the rates at which the Divisional Engineer entrusted the work on the 211 km stretch, the item-wise actual quantities and amounts paid against them revealed that 72 *per cent* of the cost of work related to digging of trench. Of this digging in rocky soil accounted for 50 *per cent* of total cost, while remaining 22 *per cent* was accounted for digging in ordinary soil. The other items included laying of RCC pipes, cement concrete channel etc.

The actual quantities of various items in the work were quite different from those on which the rates were finalised

The 19 km stretch which formed the basis of the rates for 211 km stretch on the assumed lowest quotation of the contractor namely B.B. Patra, was based on the estimated quantity of trench of 15 km in ordinary soil and 4 km in rocky soil. The actual proportion of ordinary and rocky soil in the 211 km stretch was 127 and 84 km respectively, i.e. 15:10 as compared to only 15:4, which formed the basis for adopting the rates. Since the ratio of rocky soil to ordinary soil in the subsequent work on 211 km jumped by two and half times, the rate quoted for trenching in the rocky soil as also for RCC pipes, and cement concrete work in rocky soil actually became the predominant factors of cost.

While the rate for trenching in ordinary soil of B.B. Patra at Rs 29 per metre was lower than that of another bidder, namely, S.C. Bagh at Rs 40 per metre, the rate of trenching of the former in rocky soil at Rs 100 per metre was double that of the later at Rs 50 per metre. Similarly the rate for laying RCC pipes and cement concrete channel in rocky soil of S.C. Bagh were considerably lower than those of B.B. Patra.

On the basis of the actual qauntities, the weighted rate of another bidder was the lowest

Thus, while on the basis of estimated quantities of ordinary and rocky soil in the 19 km stretch, the weighted rate of B.B. Patra became the lowest, the application of the same rate for much larger stretch with different combination of ordinary and rocky soil, turned the weighted rate of another bidder namely S.C. Bagh as the lowest. On the basis of the actual quantities, the cost of laying of 211 km HDPE pipe at the weighted lower rate of S.C. Bagh would have been Rs 1.43 crore only as against the actual cost of Rs 1.67 crore on the basis of higher weighted rates of B.B. Patra at which the works were awarded.

Negligence of DET in overlooking the actual quantities resulted in extra expenditure of Rs 24.12 lakh

Thus, DET Bhubaneswar ignored the basic requirement for any work order i.e. accurate assessment of the quantities of different items, which formed the basis of evaluation of rates. The actual ratio of rocky soil to ordinary soil was completely off the assessment by 40 *per cent.* This led to an excess expenditure of Rs 24.12 lakh besides impropriety of award of work without specific tender. His action to award the work on the basis of tendered rates for a small section also deprived the Department of likely saving due to volume discount.

CGM Telecom Project Calcutta stated, in March 1996 that the rate of Rs 50 per metre for rocky soil quoted by S.C. Bagh was unworkably low. His contention is not acceptable since this argument had not been recorded at the time of award of work. Besides, the same Divisional Engineer had entrusted the work of laying of HDPE pipe in rocky soil between Aska- Purushottampur-Berhampur section at Rs 50 per metre only around the same time.

The matter was referred to the Ministry in July 1997; their reply was awaited as of December 1997.

18 Wasteful expenditure of Rs 80.83 lakh on photo facsimile machines

DoT failed to utilise four facsimile photo transmission machines purchased primarily for use by press at Rs 80.83 lakh since their purchase in 1991.

DoT purchased four sets of photo facsimile machine at Rs 80.83 lakh

Audit of utilisation of photo facsimile machines in December 1996 at Calcutta, Chennai, Mumbai and New Delhi disclosed that the machines purchased at a cost of Rs 80.83 lakh in July 1991 have remained unused for six years.

Advisor (Development) approved purchase of four photo facsimile machines used for transmission of photos in May 1989 mainly on a complaint from the press about the poor quality photo transmission by the then existing analogue group-1 fax machines. Scrutiny of the documents in DoT disclosed that the machines were purchased as a measure of conscious decision to provide better service to the press without considering economic viability. One of the reasons recorded for justifying the purchase was that with these machines the image of the Department would be projected among the press people, who in turn, would project their image in the public.

The machines remained unutilised since their purchase

While on one hand DoT felt the urgent need to provide photo facsimile machines to enhance its image, on the other, it did not show similar urgency in commissioning the equipment and fixing the tariff for use of the machines. DoT took 16 months to fix the tariff in November 1992 and 19 months to commission the machines in February 1993. The tariff fixed by DoT was double the rate of VSNL for similar transmission abroad.

DoT neither gained commercially nor achieved the objective of improving their image with press

The machines have not been used since their commissioning in February 1993 in the absence of demand from the target users. One of the main reasons was delay of about four years to commission this service after it was decided to provide this facility. In the intervening period, the users installed their own captive systems and with rapid change in technology better alternatives became available to them.

Thus, lackadaisical attitude of DoT in commissioning and fixing of tariff not only resulted in wasteful investment of Rs 80.83 lakh on purchase of the equipment, it could not achieve even the stated objective of the image-building with the press.

DoT's reply confirmed negligible utilisation of the equipment

Ministry stated, in December 1997, that equipment had been utilised in other cities on a mobile basis for events like cricket matches, All India Congress Committee convention, motor rally etc. The reply confirms the audit conclusion of almost negligible utilisation of the equipment which was purchased with the objective of daily use by the press and others.

19 Wasteful expenditure of Rs 1.84 crore on coastal wireless station

DoT has not been able to utilise equipment valued at Rs 1.84 crore for upgradation of coastal wireless stations at Calcutta, Chennai and Portblair for five to eight years since their purchase. Apart from this wasteful expenditure, the basic objective of upgradation of coastal wireless communication was yet to be achieved at three out of four locations.

Scrutiny of utilisation of upgraded equipment for coastal wireless stations at Calcutta, Chennai, Mumbai and Portblair between June and December 1996 disclosed that the respective Directors/GM Microwave Projects have failed to install or commission them for successful exploitation at all stations except at Mumbai. The equipment at other locations were lying unused for the last five to eight years.

Equipment at Chennai were defective

DoT had purchased these equipment from Marine and Communications Electronics India Limited Vishakapatnam during February 1989-March 1992. The equipment at Chennai had a number of defects. The firm failed to rectify them for uninterrupted and satisfactory service. Meanwhile, this firm was closed in 1994. The Director Project Chennai neither took any legal action against the firm for their failure to supply defect free equipment nor sought alternative source to rectify the defects.

The equipment were never installed at Calcutta and Portblair

The equipment were never installed and commissioned at Calcutta and Portblair since their purchase, initially due to staff agitation and subsequently due to DoT's failure to locate an alternative source to rectify the defects after the closure of the firm.

Thus, inability of DoT to obtain defect free equipment and their subsequent failure to rectify the defects besides non installation at two places has led to questionable expenditure of Rs 1.84 crore on purchase of defective equipment besides frustrating the stated objective of fulfilling the international obligation for providing two way communication between the shore and ships.

The matter was referred to the Ministry in June 1997; their reply was awaited as of December 1997.

20 Extra expenditure on laying HDPE pipes of higher specifications

Use of higher specifications of HDPE pipes by field units in non-ducted routes in violation of the DoT's instructions resulted in avoidable extra expenditure of Rs 92.21 lakh.

Instructions of DoT enjoin use of high density polythylene (HDPE) pipes of fixed specifications for encasing optical fibre cables. Cases of avoidable expenditure due to use of HDPE pipes of specifications higher than the stipulated were brought out in Paragraph 9.3 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995. As a remedial measure, the DoT had issued instructions to all circles in September 1995 to follow the prescribed specifications.

Scrutiny in Audit between September 1996 and July 1997 revealed that in spite of instructions and assurance through the Action Taken Note by the DoT, field units continued to violate the instructions and purchased HDPE pipes of higher specifications involving an excess expenditure of Rs 92.21 lakh as detailed below:

Project Circle	Quantity of HDPE pipes of higher specification used (km) *	Cost (Rs in lakh)	Cost of pipes of specification (Rs in lakh)	Excess expenditure (Rs in lakh)
Northern	120.715	76.64	35.13	41.51
Western	91	42.57	29.63	13.24
Southern	196	94.49	57.03	37.46
Total				92.21

* *In the circles listed above, the DTP Jalandhar, DTP Bhopal & DTP (CCP) Chennai were responsible for use of HDPE pipes of higher specifications.*

The Ministry stated in December 1997 that the specifications had to be changed whenever it was felt by the field officers at the time of execution of the work that laying of particular permitted types of pipes would not be useful in view of the fact that such pipes were getting cracked. The reply of the Ministry, however, was not specific to the three circles/cases cited by Audit and was rather general.

21 Non-recovery of advance

Uncoordinated and negligent management by Director Microwave Project Chennai and the consignees resulted in non-recovery of advance and interest of Rs 78.73 lakh from the supplier.

Director Microwave Project (DMP) Chennai placed a purchase order on Triveni Structural Limited., Allahabad in August 1989 for procurement of microwave tower materials at Rs 2.24 crore to be supplied by February 1990. He placed supply order on behalf of microwave units at Ahmedabad, Calcutta, Guwahati, Jalandhar, Jorhat, New Delhi and Silchar. As per the terms of the purchase order, payments to the supplier were to be made by the respective consignees. DMP Chennai obtained bank guarantee from the supplier of Rs 11.15 lakh in October 1989 and September 1990 for execution of the purchase order.

DoT changed the condition of purchase order to pay an advance of Rs 40 lakh

The purchase order of August 1989 with the firm by DMP Chennai categorically provided that no advance to the firm would be paid. Yet, DoT directed the DMP Chennai in April 1991 to pay an advance of Rs 40 lakh to the supplier on payment of interest at the rate of 10 *per cent* up to June 1991 and 18 *per cent* thereafter. DMP Chennai paid advance of Rs 40 lakh to the firm in June 1991 and asked the consignees not to make any payment to the firm against further delivery to enable him to adjust the advance and interest. He asked the supplier to submit the bills directly to him.

Consignees cleared the bills despite DMP Chennai's advice not to do so

Despite instruction of DMP Chennai, the supplier submitted his bills to the consignees and the consignees made payments to the supplier despite being aware that DMP Chennai had to adjust the advance and interest thereon from his bills. On his part, DMP Chennai did not take timely action to encash the bank guarantee of Rs 11.15 lakh to recover a part of the amount due from the supplier before expiry of its validity in August 1994.

DMP Chennai was not aware of bills paid by consignees

Even as of December 1997, DMP Chennai was not in a position to ascertain the actual supplies made by the firm to the consignees and consignees have not responded to his repeated request for the details of payments made by them.

The advance remained unrecovered for six years

The amount of the advance and interest recoverable from the supplier added to Rs 78.73 lakh as of October 1996. The amount of advance has remained outstanding for recovery for more than six years.

The entire transaction is suggestive of distortion of the established procedures and negligence in recovery of advance and interest, resulting in undue financial assistance to the supplier at the cost of public exchequer and calls for an enquiry to fix responsibility.

The matter was referred to the Ministry in June 1997; their reply was awaited as of December 1997.

22 Recovery of liquidated damages at the instance of Audit

Sample checks disclosed non/short recovery of liquidated damages by field units of DoT of Rs 2.64 crore, out of which Rs 1.65 crore was recovered after being pointed out by Audit.

22.1 Non-recovery of liquidated damages

Sample checks of eight telecom districts/telecom project divisions during September 1995 to March 1997 disclosed cases in which the General Managers/Telecom District Managers (GMsT/TDMs) did not levy liquidated damages aggregating to Rs 1.40 crore for delay in supplies of equipment/stores despite specific provisions in the purchase orders as per the details in Appendix VI. The delay in supplies ranged from one month to over one year.

GMsT/TDMs recovered Rs 1.26 crore towards liquidated damages on being pointed out by Audit

On being pointed out by Audit, the GMsT Hyderabad and Trichy, TDM Patiala and Directors Projects Shimla and Tuticorin recovered the entire amount of Rs 1.26 crore. GMsT Chandigarh and Ferozpur, stated in January 1996 and September 1996 respectively that the matter of recovery would be taken up with the respective suppliers. Particulars of recovery were awaited as of October 1997. GMT Sangrur did not furnish reply as of December 1997.

22.2 Excise duty and Sales tax not reckoned in the cost for liquidated damages

DoT clarified in February 1989 that while calculating the liquidated damages on the delayed supplies of stores, the amounts of Excise duty and Sales tax were also to be taken into account as a part of the cost of the equipment.

Sample check of records disclosed six cases where liquidated damages were levied on the basic price, excluding Excise duty and Sales tax. The total amount of short recovery of liquidated damages in these cases was Rs 1.13 crore as per details given in Appendix VII.

CGMT/GMT recovered Rs 27.56 lakh towards additional liquidated damage out of Rs 1.13 crore pointed out by Audit

On being pointed out by Audit, GMT Project Ernakulam and CGMT Projects Calcutta recovered Rs 8.16 lakh and Rs 19.40 lakh in January 1997 and October-November 1996 respectively. The Director Projects Bangalore and the Assistant Engineers circle Telecom Stores Bangalore and Jaipur did not furnish their reply.

22.3 Part recovery of liquidated damages

GMT Madurai recovered Rs 11.41 lakh of liquidated damages short recovered by him upon being pointed out by Audit

In Madurai SSA under Tamil Nadu circle the suppliers completed the supply of 10 k line switching equipment in June 1995 against the scheduled delivery of February 1995, which delayed the installation of the exchange. GMT Madurai commissioned the exchange in October 1995 against the scheduled date of commissioning of June 1995. But he levied liquidated damages only on the value of equipment supplied late while the late supply of the equipment delayed commissioning of the entire exchange. This resulted in short levy of liquidated damages of Rs 11.41 lakh. At the instance of Audit, GMT Madurai recovered the amount in October 1997.

23 Recovery at the instance of Audit

CGMT Tamil Nadu recovered Rs 1.08 crore from the suppliers after being pointed out by Audit. In another case TDM Vellore recovered Rs 15.78 lakh on being pointed out by Audit.

CGMT Chennai made payment at 1993-94 rates despite reduction of rates in 1994-95 and 1995-96

23.1 DoT placed supply orders for 2GHz digital microwave system on different firms in 1993-94. The supplies were made to the CGMsT in the circles against this order during 1994-95 and 1995-96 also. DoT revised the price of the system downward for supplies made during 1994-95 in April 1995 with retrospective application from April 1994 and for 1995-96 in December 1995. The payments to the firms were to be released by the consignee CGMsT.

CGMT did not take action for recovery of Rs 1.08 crore overpaid despite being aware of his error

Scrutiny of payments by CGMT Chennai for 2GHz microwave system in August 1996 disclosed that he continued to make payments to the suppliers for supplies during 1994-95 and 1995-96 at the higher rate applicable to 1993-94. By this, he ended up paying an excess amount of Rs 1.08 crore. The CGMT contended that he did not receive the DoT's letter of April 1995.

CGMT recovered the excess paid amount after being pointed out by Audit

However, Audit scrutiny disclosed that even after he received DoT's letter of December 1995, which indicated the reduced price effective from April 1995, he failed to take action to recover the amount paid excess to the suppliers. The CGMT took action for recovery of the over payment only after being pointed out by Audit in August 1996 and recovered the entire amount of Rs 1.08 crore overpaid in December 1996 and September 1997.

Despite recovery of the amount, the suppliers got the benefit of interest

The entire sequence of events of the CGMT not receiving the DoT letter of April 1995 reducing the price, his failure to take prompt action to recover the overpaid amount on receipt of the DoT's letter of December 1995, when he should have been aware of the amount overpaid are indicative of negligence on the part of DoT to establish a system of acknowledgement and compliance to their orders. There was also delay by CGMT Chennai to recover such heavy amount of overpayment. Even after the recovery of the overpaid amount at the instance of Audit the suppliers did get substantial benefit by way of interest on the excess amount paid to them.

The matter was referred to the Ministry in June 1997; their reply was awaited as of December 1997.

23.2 With the approval of the CGMT Chennai, Telecom District Manager (TDM) Vellore placed supply orders for one C-DoT exchange on Punjab Communications Limited, Mohali in October- November 1992 at a provisional price of Rs 54.42 lakh, excluding Sales tax, subject to the condition that the price fixed by DoT valid on the date of supply would be applicable.

The approval of the purchase by CGMT Chennai was in violation of the limit on his delegated powers since DoT had not delegated the powers to the CGMsT.

DoT fixed the price of this equipment at Rs 57.65 lakh exclusive of Sales tax from July 1992 and Rs 45 lakh exclusive of Sales tax from July 1993. Yet, TDM made payment of Rs 57.65 lakh plus Sales tax to the firm instead of Rs 45.00 lakh plus Sales tax, though the equipment was supplied in August 1993.

On being pointed out by Audit in October 1995, TDM Vellore recovered the excess payment of Rs 15.78 lakh in June 1996 from the firm's subsequent bills.

TDM Vellore recovered excess payment of Rs 15.78 lakhs on being pointed out by Audit

DoT may investigate and fix responsibility for violation of limit on delegated powers and failure of internal control in the office of TDM Vellore/GMT Chennai which resulted in overpayment.

24 Excess payment to suppliers

CGMT Maharashtra circle made excess payment of Rs 28.94 lakh for stores not actually received by him

General Manager Telecom Nanded in Maharashtra circle placed purchase order in August 1995 for supply of 60 km of 110 mm HDPE pipes on Sujala Industries Mumbai and K.B. Steel Limited Ahmedabad at DGSD rate contract of December 1994. However, in January 1996, he asked the firms to supply 75 mm dia pipe in place of 110 mm dia pipe. He received 51.96 km of pipes of two specifications by June 1996.

Scrutiny of records of TDM Ahmednagar disclosed the following:

- The use of HDPE pipes in cable duct was discontinued in February 1987. However, CGMT Maharashtra circle Mumbai approved the same in violation of DOT's instructions.
- While placing orders in August 1995, the GMT Nanded ignored the fact that the DGSD contract of December 1994 was valid only up to March 1995 and the new DGSD rate contract was concluded in July 1995. This resulted in overpayment of Rs 5.30 lakh with reference to the lower rate of July 1995.
- Sujala Industries Mumbai supplied 21.960 km of 110 mm dia pipe up to December 1995, but claimed for 42 km of pipe. The CGMT paid them for the entire quantity claimed to have been supplied. Similarly, K.B. Steel Limited claimed payment for 16.325 km of pipe of 110 mm as against 75 mm pipes actually supplied by them. This resulted in excess payment of Rs 23.64 lakh.

Thus, in all CGMT Maharashtra circle made total excess payment of Rs 28.94 lakh.

While accepting the facts, the Ministry stated, in December 1997, that the GMT Ahmednagar has asked the DGSD to refund the amount of Rs 28.94 lakh for the materials not supplied. It added, the case was referred to the Circle Vigilance Officer for investigation.

25 Excess payment of Customs duty

DEsT Calcutta and Chennai paid excess Customs duty of Rs 1.03 crore on import of telecom maintenance equipment.

CBEC approved concessional rate of Customs duty for telecom equipment

As per the notification dated 28 February 1993 of the Central Board of Excise and Customs (CBEC), Customs duty on import of equipment for operation and maintenance of telecommunications is leviable at concessional rate of 80 *per cent ad-valorem*. Such equipment are completely exempt from additional Customs duty.

Test check of accounts of Divisional Engineers Telecom (DEsT) Calcutta and Chennai, in November 1996 and June 1997, disclosed that they paid Customs duty at 85 *per cent* and additional duty at 20 *per cent ad-valorem* on import of equipment for regional repair centres from Alcatel France valued at FF 54.10 lakh, equivalent to Rs 3.00 crore during September 1993 and February 1994. This resulted in excess payment of Customs duty of Rs 64.86 lakh by DET Calcutta and Rs 38.51 lakh by DET Chennai.

DEsT Calcutta and Chennai paid Customs duty at high rate.

Besides, the DEsT also paid excess insurance premium of Rs 1.13 lakh by reckoning the Customs duty and additional duty at higher rate to arrive at the value of the consignment and DET Calcutta did not levy liquidated damages of Rs 3.07 lakh for delay in supply in terms of contract.

DEsT became aware of the excess payment only after it was pointed by Audit

DET Chennai lodged a claim in December 1996 for refund of excess Customs duty and additional duty after being pointed out by Audit. However, the realisation of the claim is remote in view of limitation of six months for preferring the claim. DET Calcutta stated, in June 1997, that it was difficult to reopen the case after so many years.

DEsT's negligence in paying higher Customs duty led to excess payment of Rs 1.03 crore

The matter was referred to the Ministry in November 1997; their reply was awaited as of December 1997.

26 Excess expenditure on laying of PVC pipes

GMT Surat and TDEs Latur and Nanded laid PVC pipes of higher specifications, which resulted in excess expenditure of Rs 87.49 lakh. Besides, GMT Surat unnecessarily paid Rs 8.02 lakh as service charges to the contractor.

TEC revised specifications in October 1994

DoT fixed the specifications for Polyvinyl Chloride (PVC) pipes used as ducts in cement concrete encasement for underground cable in October 1994 with external diameter of 110 mm of thickness 2.5 mm.

DoT reiterated TEC's specifications in December 1994

A case of avoidable expenditure of Rs 80.65 lakh on laying PVC pipes of higher specifications by Calcutta Telephones was included in paragraph 9.10 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1994 - No. 7 of 1995 (Union Government - Post and Telecommunications). Ministry, in their Action Taken Note, had stated in December 1994 that field units had been instructed to strictly adhere to the specifications of TEC.

GMT Surat and TDEs Nanded and Latur incurred extra expenditure of Rs 95.51 lakh

Further scrutiny disclosed that GMT Surat and TDEs Nanded and Latur laid 344 km PVC pipes of higher specification i.e., 110 mm diameter with 3.2 mm thickness during April 1993 to November 1997 resulting in extra expenditure of Rs 87.49 lakh. Of this, TDE Nanded laid 20 km of PVC pipes worth Rs 3.82 lakh even after the issue of DoT's instructions in December 1994. They were not competent to change the specifications of TEC.

GMT Surat stated, in November 1997, that he used pipes of higher specification as the pipes of 2.5 mm thickness were not available. CGMT Maharashtra stated, in May 1996, that in the absence of rate contract for the pipes of appropriate specifications, TDEs Nanded and Latur laid 3.2 mm thickness pipes. The logic of using pipes of higher specification due to pipes of appropriate specification not being available, is not acceptable. The GMsT/TDEs are responsible for planning, placing indents and ensuring the supply in time.

Further, GMT Surat authorised the contractor, Hindustan Cables Limited, to procure and supply PVC pipes instead of departmentally procuring them. As per the agreement, the contractor was entitled to service charges at 12.5 *per cent* on the cost of PVC pipes supplied by him and 8.5 *per cent*, if the pipes were supplied by the Department. Thus, the imprudent authorisation by GMT Surat for procurement of the pipes by the contractor led to an avoidable payment of service charges of Rs 8.02 lakh on 257 km pipes.

The matter was referred to the Ministry in May 1997; their reply was awaited as of December 1997.

27 Infructuous expenditure

Laying of armoured cable in ducts in place of unarmoured cable by the Sub Divisional Engineers Cable Planning Coimbatore, Dharwad and Rourkela in violation of DoT's instructions resulted in an avoidable expenditure of Rs 23.11 lakh.

Guidelines issued by DoT from time to time prescribed use of unarmoured cable in ducts in place of armoured cable being cost effective. The ducts provide adequate protection to the cables and, therefore, they do not require further protection of steel armouring.

The Sub Divisional Engineers (SDE) Cable Planning Coimbatore, Dharwad and Rourkela, however, laid armoured cables in ducts in violation of DoT's instructions resulting in avoidable extra expenditure of Rs 23.11 lakh as under:

Name of the officer responsible for laying of cable	Length of the armoured cable (in km)	Period during which the cables were laid	Excess expenditure on account of laying of armoured cable instead of un-armoured cable (Rs in lakh)
SDE Cable Planning Coimbatore Tamil Nadu	12.96	1994-96	15.09
SDE Cable Planning Dharwad Karnataka	3.18	1994-97	5.93
SDE Cable Planning Rourkela Orissa	9.83	March 1996 to January 1997	2.09
Total	25.97		23.11

All the three SDEs stated that due to non-availability of unarmoured cable they laid the available armoured cable in ducts to achieve the targets. The logic of using material of higher specification because those of appropriate specification not being available, is not acceptable. The respective planning branches of the divisions were to project requirements of unarmoured cables and the concerned SDEs were responsible for placing indents in time.

The matter was referred to the Ministry in May and October 1997; their reply was awaited as of December 1997.

28 Loss due to failure to recover copper wire

TDE Dharamshala did not recover copper wire valued at Rs 12.32 lakh in time leading to a total loss due to theft.

The then existing copper wire trunk circuit between Dharamshala and Ghatta in Himachal Pradesh was rendered superfluous in August 1990 consequent upon shifting of the trunk channel on to the microwave system. TDE Dharamshala was aware of large number of thefts of unused copper wire in this section. Instead of recovering the redundant copper wire from the circuit, TDE Dharamshala sanctioned an estimate in May 1992 i.e., about two years after the shift of the trunk circuit to the microwave, for replacement of the copper wire circuit by copper coated galvanised iron (GI) wire at a gross expenditure of Rs 12.80 lakh. The expected value of copper wire to be recovered was Rs 12.32 lakh.

When he undertook the work on a part of the section in February 1994, the entire copper wire of that section was found to have been stolen. Eventually, the copper wire from the entire Dharamshala-Ghatta section could not be recovered since all of it had been stolen. Rather than recovering the copper wire promptly in the wake of large scale thefts, TDE sanctioned another redundant replacement with copper coated GI wire. This added to the delay. He incurred an avoidable expenditure of Rs 48 thousand on replacing copper wire with the copper coated galvanised iron wire on part of this section.

Thus, failure of TDE Dharamshala to recover the copper wire immediately after switch over from the trunk circuits to microwave system despite reports of theft resulted in a loss of Rs 12.32 lakh. Besides, execution of unnecessary work of replacement by copper coated GI wire resulted in wasteful expenditure of Rs 48 thousand.

The Ministry stated, in August 1997, that responsibility on the delinquent officials/officers was being fixed for non-recovery of the copper wire.

29 Illegal retrenchment of surplus casual mazdoors

TDM Surendranagar did not follow the procedure in dispensing with the services of surplus casual labourers leading to CAT decision in their favour. The Department is compelled to carry surplus staff.

In order to dispense with the services of surplus casual labourers, DoT issued instructions in October 1984, March 1985 and September 1989 to all heads of circles to dispense with their services after issue of one month's termination notice and also after observing legal procedures as prescribed under Industrial Disputes Act.

TDM Surendranagar did not follow the procedure in terminating services of 61 casual labourers

Audit scrutiny in October 1996 revealed that TDM Surendranagar terminated the services of 61 casual labourers between August 1987 and October 1988 on verbal orders without following DoT's instructions. The affected casual labourers filed suits in the Central Administrative Tribunal (CAT) between 1988 and 1996 against the said termination. CAT in their judgements delivered between December 1992 and July 1996 in favour of 25 terminated casual labourers held the above termination of the employment of casual labourers void *ab-initio* as being violative of the provisions of the Industrial Disputes Act. CAT held that the respondents did not follow the procedure prescribed for termination of employment of the casual labourers. They directed GMT to reinstate 15 casual labourers with payment of back wages and 10 without payment of back wages. Special Leave Petitions subsequently filed by the DoT in Supreme Court against the CAT judgement, were also rejected by the apex court in December 1995 and January 1996. In view of CAT's judgement, TDM reinstated 25 casual labourers between February 1993 and July 1996. 36 other cases were still under adjudication with CAT as of October 1997.

Thus, due to failure of the TDM to follow the prescribed procedure for termination of casual labourers, the Department not only was unable to terminate the services of surplus casual labourers but had also to pay back wages of Rs 8.85 lakh for seven to ten years to 15 casual labourers. The liability of surplus staff is likely to continue until the surplus is adjusted against the vacancies.

Department had to pay back wages of 7 to 10 years besides having to carry the liability of surplus staff

The Ministry stated, in November 1997, that the responsibilities in these cases had been fixed. It added that in one case, charge sheet against the delinquent officer had been framed and in the remaining cases too the investigation/framing of charge had been initiated.

30 Undue haste in purchase led to idling of equipment/stores

Sample checks disclosed telecom equipment/stores worth Rs 43.26 crore lying unused in 12 circles for one to ten years.

Sample checks in 12 telecom circles revealed that various types of telecommunication equipment/stores such as electronic teleprinter machines, cross bar exchange equipment and its spares, Pulse Code Modulation equipment, coaxial cables etc. valuing Rs 43.26 crore as brought out in Appendix VIII were lying unused for one to ten years. These equipment were procured by DoT/CGMsT between March 1985 and February 1995 and were not put to any use in the absence of demand/ requirement, mostly in view of technological changes in the telecom sector. The chances of utilisation of these equipment/stores are remote.

Since the above unutilised equipment/stores are reflected only on the basis of sample check, the magnitude of the actual unused stores is likely to be substantially more.

DoT needs to dovetail its procurement to the changing technological environment to minimise the wastage.

The matter was referred to the Ministry in September 1997; their reply is awaited as of December 1997.

31 Avoidable expenditure of Rs 4.53 crore on transportation

Failure of DoT to establish procedure for availing the benefit of concessional railway tariff for transportation of telecom stores by private suppliers led to an avoidable expenditure of Rs 4.53 crore.

As per standard terms and conditions of purchase orders placed by DoT and its field units, the Department gave the suppliers option to despatch the stores by goods train or by road to various consignees, but their claims for the freight were to be restricted to the corresponding road or concessional railway freight, whichever was lower. Ministry of Railways extended the benefit of concessional tariff for telegraph and telephone materials meant for the construction and maintenance of telephone lines, hitherto admissible only to telecom officers, to the private suppliers of telecom stores also from 1 October 1994.

Avoidable extra expenditure of Rs 1.04 crore by DoT on reimbursement of transport charges to the suppliers of telecom stores due to their failure to establish appropriate system for availing the concessional tariff was highlighted in Paragraph 9.22 of the Report of the Comptroller and Auditor General of India for the year ended March 1996 - No. 6 of 1997 - Union Government (Post and Telecommunications). On being pointed out by Audit, DoT issued instructions in July 1996 to its field units detailing the procedure for availing the concessional tariff.

Extra expenditure of Rs 85.45 lakh incurred even after DoT's instructions

Further scrutiny during January to May 1997 disclosed other cases in which CGMT Stores Calcutta, Assistant Engineers Bangalore, Bhubaneshwar, Jaipur, Lucknow and Thiruvananthapuram reimbursed Rs 4.53 crore to suppliers of telecom stores towards transportation charges due to their failure to avail of the concessional tariff. Out of this total avoidable expenditure, CGMT Stores Calcutta and Assistant Engineer Bangalore paid Rs 85.45 lakh towards transportation charges after issue of the instructions by DoT in July 1996 to avail of the concessional tariff.

The matter was referred to the Ministry in July 1997; their reply was awaited as of December 1997.

32 Undue favour to a Central Public Sector Undertaking

ITI, a PSU of the Department, was favoured by Rs 2.96 crore by way of revision of price after completion of supplies and refunding liquidated damages already recovered.

DoT invited a tender in May 1992 for procurement of 28 Multi Channel Per Carrier Very Small Aperture Terminal (MCPC-VSATs) to cater to the needs of hilly areas of Madhya Pradesh, Jammu and Kashmir, Uttar Pradesh and North-Eastern Regions for providing voice and data connectivity to national network through digital trunk automatic exchange located at far away stations. Tenders were opened in September 1992. Tender Evaluation Committee (TEC) shortlisted three firms out of 14 offers received. Rates quoted by the three short listed firms were as under:

Name of the firm	Rates quoted for 28 units (Rs in crore)
Punjab Communications Limited (PCL)	12.72
Bharat Electronics Limited (BEL)	13.86
Indian Telephone Industries (ITI)	15.42

The tender conditions provided that bidders would get their equipment validated and purchaser would consider placement of order for commercial supplies on those bidders whose systems were found successful in validation tests. PCL offered their equipment for validation at their collaborator's premises in UK which was not agreed to by DoT. BEL equipment did not meet tender specifications and therefore was not considered. DoT conducted validation of ITI equipment in April - October 1993. However, validation certificate of TEC was received in DoT only in April 1994, after the delay of more than six months. Reasons for delay in issue of validation certificate were not on record.

In the meantime, Customs duty was slashed from 85 *per cent ad valorem* applicable in September 1992 to 60 *per cent* during 1993-94. Taking note of the reduced Customs duty, DoT gave a counter offer for Rs 10.71 crore to ITI through a letter of intent in January 1994. DoT fixed the price for counter offer on the basis of the lowest rate offered by PCL, reduced by the fall in Customs duty. ITI accepted the counter offer and DoT placed final purchase order on them in February 1994 at the rate of Rs 10.71 crore plus Excise duty, Sales tax, insurance, freight and other Government levies. Supplies commenced in June 1994 and were completed by August 1994 as against the scheduled date of delivery of March 1994.

Decision to revise the rates already accepted by the PSU after completion of supplies resulted in undue favour to PSU

ITI came up with a request in March-April 1995 i.e. after seven months of completion of supplies, for upward revision of the price on the ground that their equipment was the only validated equipment and that the prices offered to them were based on the lowest offer of PCL which had not even offered the equipment for validation. Internal Finance Wing of DoT did not agree with their request on the ground that ITI had unconditionally accepted the prices offered in the purchase order and that there was further reduction in the prices in the subsequent tender of April 1994, which was less than 50 *per cent* of the price offered to ITI. However, on the recommendation of DDG (Production) DoT reopened the case and constituted a Price Negotiating Committee (PNC) to consider the revision as a special case. On the intervention of Telecom Commission, the Price Negotiating Committee recommended a revised price of Rs 13.16 crore exclusive of Excise duty, Sales tax, insurance, freight and other Government levies for payment to ITI. DoT released the balance amount of Rs 2.45 crore to ITI in January 1996.

The decision of DoT to enhance the price after the firm had accepted the counter offer and completed supplies was not prudent and was in violation of general conditions of tendering process. Revision of price by DoT at a later date, amounted to grant of undue benefit of Rs 2.45 crore to ITI

Additional benefit by refunding Rs 51.21 lakh recovered from them as liquidated damage charges

(ii) The scheduled date of delivery of the equipment was March 1994. The supplies were completed during June-July 1994. DoT, therefore, recovered liquidated damages of Rs 51.21 lakh from ITI for the delayed supplies. Subsequently, after two years of the completion of the supplies, ITI came up with a request for waiver of liquidated damages already recovered on the plea that there was delay in getting the Quality Assurance certificate and the original delivery schedule of two months was insufficient. DoT accepted ITI's request in June 1996.

Audit scrutiny, however, disclosed that a delivery schedule of two months given in the purchase order was accepted by ITI and they had never asked for more time. Besides, DoT had already accepted the bulk of the supply even before the validation certificate by TEC. Thus, grant of remission of liquidated damages has resulted in undue favour of Rs 51.21 lakh to ITI.

Thus, in all the ITI was favoured with Rs 2.96 crore on unjustifiable considerations.

The matter was referred to the Ministry in October 1997; their reply was awaited as of December 1997.

33 Cash payment in lieu of uniforms

CGMT Bihar circle improperly made lump-sum cash payment of Rs 73.12 lakh in lieu of uniforms for twelve years. The units of CGMT Bihar continued to pay washing allowance of Rs 50.83 lakh during the entire period when the employees were never given the uniforms

Group C and D employees of DoT are entitled to uniforms at the prescribed scale, the uniforms are to be supplied before the close of the season for which these are meant. The underlying assumption of this provision is that such of the employees who are to be provided with the uniforms should be in a position to use them during the season for which these are given. Department of Personnel had clarified that it is not permissible to relax the rules for supply of uniforms to be made after the expiry of the season for which they are meant.

CGMT Patna authorised cash in lieu of uniforms not supplied for 12 years

Test check of accounts in CGMT Patna and in the secondary switching areas in Bihar Telecom circle during 1997 disclosed that the TDMs/GMsT did not provide uniforms to the entitled employees for 12 years during 1980-91. CGMT Patna sanctioned lump-sum cash payment aggregating Rs 73.12 lakh to the employees during November 1993 - March 1995 in lieu of the uniforms not supplied during 1980-91. The action of CGMT in sanctioning cash in lieu of the uniforms up to 15 years after the expiry of the seasons for which cash payments were made was in violation of Government orders on supply of uniforms besides failing to meet the test of propriety in authorising the expenditure.

While uniforms were not provided, washing allowance of Rs 50.83 lakh was paid for the entire period

The heads of the units in Bihar Telecom circle continued to pay washing allowance during 1984-91 to the employees who were never given the uniforms. Since the washing allowance is admissible for washing the uniforms, the payment of washing allowance aggregating Rs 50.83 lakh is questionable.

CGMT authorised cash payment in lieu of jersey at Rs 150 per piece while even for 1991-92 the DGSD rate was only Rs 53.50 per piece. For each year during 1980-91, the DGSD rates and price ceiling ought to be much lower. Thus, not only the CGMT infringed the spirit of the Government orders which meant the uniform or cash could not be given after the end of the season but authorised the amount on arbitrary considerations leading to an excess payment of Rs 8.21 lakh on one item alone.

The matter was referred to the Ministry in August 1997; their reply was awaited as of December 1997.

34 Avoidable penal charges

Failure to maintain power factor in four units in Maharashtra and in three units in Uttar Pradesh resulted in penal charges of Rs 41.26 lakh

In response to cases of avoidable payment of penal charges due to non-maintenance of power factor included in the Reports of the Comptroller and Auditor General of India, DoT directed all field officers in July 1993 to install appropriate shunt capacitors to maintain the power factor.

Test check in Maharashtra and Uttar Pradesh Telecom circles during 1996 disclosed seven more cases where the field officers paid penal charges of Rs 41.26 lakh during 1991-96 as under:

Circle	Office	Period	Rs in lakh
Maharashtra	TDM Amaravati	July 1993 to September 1996	1.90
	TDE Bhandara	December 1993 to May 1996	3.00
	GMT Kalyan	November 1993 to July 1996	8.17
	GMT Pune	March 1993 to February 1996	6.71
Uttar Pradesh	TDM Aligarh	July 1991 to March 1996	4.39
	TDM Jhansi	June 1991 to March 1996	5.57
	GMT Varanasi	August 1994 to March 1996	11.52

Out of the above, while the capacitors were installed at Amaravati, Bhandara, Pune and Jhansi, these failed to maintain the power factor due to their inadequate capacity. The Director Electrical wing DoT stated during discussion that DoT had made it mandatory from 23 September 1997 to install capacitors in all telephone exchange buildings.

The matter was referred to the Ministry in June 1997; their reply was awaited as of December 1997.

35 Negligence in grant of quality certificate

Negligence in grant of quality certificate by Senior Sub-Divisional Engineer Quality Assurance Jabalpur resulted in purchase of sub-standard drop wire valued at Rs 39.05 lakh.

CTSD Mohali received 1315 km drop wire after clearance by Sr SDE QA

On the basis of a supply order placed by the Chief General Manager Telecom Stores (CGMTS) Calcutta, the Circle Telecom Stores Depot (CTSD) Mohali received 1315 km PVC coated twin drop wire during

August-September 1995 from Swastik Engineering Company Jabalpur. The Senior Sub-Divisional Engineer Telecom Quality Assurance circle Jabalpur had inspected the consignment and cleared it in August 1995.

Joint inspection and test by CACT disclosed substandard quality of drop wire

The GMT Amritsar complained about the poor quality of the drop wire. This necessitated a joint inspection of about 1000 km drop wire lying in the circle store depot by the officers of DoT and a representative of the supplier in November 1995. The joint inspection disclosed damaged insulation of the drop wire. In some cases, bare conductors were visible at different lengths. The remaining 315 km drop wire was also stated to be of poor quality. The joint inspection team picked up ten samples in November 1995 and despatched seven of them to the Component Approval and Component Testing (CACT) Bangalore. Tests by CACT Bangalore also disclosed that drop wire did not meet specifications regarding dimensions, minimum breaking load, insulation resistance etc.

The firm had not replaced the defective drop wire for two years

CGMTS Calcutta asked the supplier in November 1995 to replace the defective material within one month. Two years have since elapsed and the supplier was yet to replace the defective material as of November 1997.

Negligence of Sr. SDE QA Jabalpur led to purchase of sub-standard drop wire of Rs 39.05 lakh

Thus, negligence in grant of quality certificate by Senior SDE QA Jabalpur resulted in waste of Rs 39.05 lakh on purchase of defective drop wire.

During discussion, the representative of the DoT confirmed the facts and stated that the Department would examine the question of fixing responsibility for false quality certificate.

The matter was referred to the Ministry in May 1997; their reply was awaited as of December 1997.

36 Idle air-conditioning plant

Failure of GMT Punjab to utilise the air-conditioning plant procured in September 1991 resulted in idle investment of Rs 33.38 lakh

GMT Punjab circle Ambala sanctioned a project for installation of central air-conditioning plant at Malerkotla cross-bar telephone exchange at a cost of Rs 43.07 lakh in December 1988. The GMT awarded the work to V.K. Enterprises Delhi for supply of air-conditioning equipment and its installation at a negotiated cost of Rs 42.08 lakh in April 1990. The work was to be completed before April 1991.

GMT Punjab received central AC equipment at Rs 33.38 lakh in September 1991

Scrutiny of records revealed that the firm supplied the central air-conditioning plant worth Rs 33.38 lakh in September 1991. The firm could not, however, take up the installation of the central air-conditioning since the civil construction was not completed by the scheduled date of July 1991. The construction of telephone exchange building was completed only by March 1995. DoT attributed the delay to abandoning of the work by the contractor and the disturbed conditions in the State. Meanwhile, the warranty on the equipment also expired.

Instead of using the central AC plant GMT purchased and installed package AC

DoT commissioned a C-DoT exchange instead of the originally planned cross-bar exchange and installed a separate package type air-conditioning unit in the exchange building. DoT stated, in October 1997, that they opted for package air-conditioning since these units took only about 2-3 months to install as compared to one year in case of central air-conditioning plant. DoT added that by installing the package type air-conditioning they could commission the C-DoT exchange quickly, which enabled them to earn substantial revenue. DoT further added that they were taking action for installation of the central air-conditioning plant in the Malerkotla exchange and the existing package type air-conditioners would be used as standby.

The stand of DoT is not acceptable since the building was completed in March 1995 and C-DoT exchange was allotted for Malerkotla during 1994-95 itself. Since the C-DoT exchange was to be commissioned during 1995-96, the GMT had enough time to install the central air-conditioning plant, which was lying unused since September 1991.

37 Idle expenditure

Laying of cable for Air Force Station Agra by TDM Agra without consent of the users led to questionable expenditure of Rs 13.28 lakh.

Test check of records in the office of the Telephone District Manager (TDM) Agra disclosed that they had not used 5.75 km cable laid at an expenditure of Rs 13.28 lakh for the last seven years as of October 1997.

TDM Agra laid cable worth Rs 13.28 lakh without the consent of the users

Scrutiny disclosed that TDM Agra had sanctioned an estimate for upgradation of the underground cable at Rs 39.37 lakh in July 1989 to meet the requirement of increase in the capacity of EPABX at the Air Force Station Agra from 370 to 512 lines. He sanctioned the project without receiving any firm demand from the Air Force, without quoting the rent and guarantee terms and obtaining the acceptance from the users. Even before taking up the actual cable laying, he did not obtain acceptance of rent and guarantee terms from the Air Force Unit Agra.

Since the users refused to accept the payment terms, the expenditure of Rs 13.28 lakh was rendered infructuous

Since the Air Force did not accept the additional liability towards rent and guarantee, the TDM had to stop the work of cable laying in January 1990. By that time Rs 13.28 lakh had already been spent on laying of 5.75 km cable.

The TDM Agra stated, in October 1997, that he proposed to utilise the cable laid in 1989-90 for external network of 2000 lines exchange expected to be commissioned by the end of March 1998.

Thus, hasty action by TDM Agra to lay cable without the consent of users led to questionable expenditure of Rs 13.28 lakh.

The matter was referred to the Ministry in May 1997; their reply was awaited as of December 1997.

38 Provision of telephone instruments to private operators

In violation of DoT's instructions, heads of Secondary Switching Areas in Tamil Nadu circle provided telephone instruments to private local/STD operators which resulted in avoidable expenditure of Rs 59.13 lakh on their purchase.

DoT issued instructions in August 1992 reiterating that private STD/local pay phone operators should themselves provide DoT approved telephone instruments. The agreements with the private operators also include a clause indicating this.

Test check in Cuddalore, Dharmapuri, Karaikudi, Nagarcoil, Tuticorin, Vellore, Virudhu Nagar, Madurai, Tirunelveli and Trichy Secondary Switching Areas (SSAs) in Tamil Nadu Telecom circle revealed that in violation of the instructions of DoT, the heads of these SSAs provided telephone instruments to all private local/STD pay phone operators. This resulted in avoidable expenditure of Rs 59.13 lakh on purchase of telephone instruments in the ten SSAs test checked.

On being pointed out by Audit, CGMT Tamil Nadu circle Chennai issued instructions in December 1996 to all Heads of SSAs to follow the instructions of DoT and to recover the departmental instruments from the private operators.

The matter was referred to the Ministry in June 1997; their reply was awaited as of December 1997.

39 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Department did not submit remedial Action Taken Notes on 59 Audit Paragraphs

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC) decided in 1982 that ministries/departments should furnish remedial/corrective action taken notes (ATN) on all paragraphs contained therein.

PAC recommended submission of all pending ATNs up to 1995 within three months

From 1995-96 ATNs are to be submitted within four months of placing the Report on the table

The Committee took a serious view of the inordinate delays and persistent failures on the part of large number of ministries/departments in furnishing the ATNs in the prescribed time frame. In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, the PAC desired that submission of pending ATNs pertaining to Audit Reports for the years ended March 1994 and 1995 be completed within a period of three months and recommended that ATNs on all paragraphs pertaining to the Audit Reports for the year ended 31 March 1996 onwards be submitted to them duly vetted by Audit within four months from the laying of the Reports in Parliament.

Review of outstanding ATNs relating to Department of Telecommunications, Ministry of Communications as of December 1997 revealed as under:

Ministry failed to submit ATNs to PAC on 16 paragraphs up to the Reports for the year ended March 1995

DoT did not submit ATNs to PAC on 43 out of 55 paragraphs in the Report for the year ended March 1996

- Department of Telecommunications failed to submit ATNs in respect of 16 paragraphs included in the Audit Reports up to and for the year ended March 1995 as per Appendix - IX.
- Though the Audit Report for the year ended 31 March 1996 was laid on the table of the Parliament on 20 March 1997 and the time limit of four months for furnishing the ATNs has elapsed in July 1997, the Department did not submit ATNs on 43 out of 55 Paragraphs included in the Audit Report, details of which are in Appendix - X.

The position of pending ATNs was reported to the Ministry in October 1997; their reply was awaited as of December 1997.

40 Response of the Ministry/Departments to Draft Audit Paragraphs

Ministry/Departments are required to send their response to Draft Audit Paragraphs within six weeks

On the recommendation of the Public Accounts Committee, Ministry of Finance issued directions to all ministries in June 1960 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft Audit Paragraphs are always forwarded by the respective Audit Offices to the secretaries of concerned ministries/departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the ministries are invariably indicated at the end of each such Paragraph included in the Audit Report.

36 Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 1997 : Union Government (P&T) No.6 of 1998 were forwarded to the Secretary Department of Telecommunications during May to December 1997 through demi-official letters.

Secretary DoT did not send replies to 28 Draft Audit Paragraphs included in this report

The Secretary of Department of Telecommunications did not send replies to 28 Draft Paragraphs in compliance to above instructions of the Ministry of Finance issued at the instance of Public Accounts Committee as indicated in the Appendix. - XI and XII.

SECTION – II

DEPARTMENT OF POST

CHAPTER 6 — ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

41.1 Functions

The functions of the Department of Post (DoP) include collection, transmission and delivery of mail, sale of postal stationery and providing other services like money order, registration, insured parcel, philately etc.

DoP also discharges certain agency functions on behalf of other ministries and departments, namely Postal Savings Banks, other small savings schemes including Mahila Samridhi Yojana, Postal Life Insurance (PLI), Public Provident Fund Scheme, National Saving Certificate, collection of Customs duty on articles sent by post from abroad, booking, transmission and delivery of telegrams, disbursement of pension to military and railway pensioners and family pension to the families of employees of coal mines and industries covered by the Employees Provident Fund Scheme.

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

41.2 Organisation

The management of the department vests in the Postal Services Board. The Board, headed by a Chairman has three Members holding the three portfolios of operations, development and personnel. The Chairman is also the Secretary to the Government of India in the DoP. The Board directs and supervises the management of the postal services in the country with the assistance of fifteen Deputy Directors General in the Directorate General of Post.

The work of PLI is with a separate Directorate with functional autonomy. This Directorate is under the direct control of the Secretary Department of Post.

A separate Business Development Directorate for focused management of value added services was set up in the Department in February 1996.

There were 153021 Post Offices in the country on 31 March 1997. Of these, 136781 were in rural areas and 16240 were in urban areas. The total number of Post Offices consisted of 835 Head Post Offices, 25024 Departmental Sub-Post Offices and 127162 Extra Departmental-sub or branch Post Offices. In addition, there are 573 Sorting Offices, 438 Record Offices, 46 Postal Stores Depots, 19 Circle Stamps Depots, six Postal Training Centres, Postal Staff College and 63 Dispensaries.

The Department has 19 Postal Circles assisted by 40 Regional Directorates controlling 439 Postal Divisions and 69 Railway Mail Service Divisions. Speed post service is available to 75 cities within the country and to 80 countries abroad. The department has a civil wing responsible for planning, designing and execution of departmental buildings/ projects. The civil wing is a multi disciplinary organisation comprising of Architectural, Civil and Electrical engineering disciplines.

41.3 Manpower

The staff strength of the department during 1993 to 1997 was as under:

Table 41.3 Number of employees

(in lakh)

As on 31 March	Departmental employees	Extra Departmental employees	Total
1993	2.90	3.06	5.96
1994	2.90	3.07	5.97
1995	2.88	3.09	5.97
1996	2.88	3.10	5.98
1997	2.86	3.08	5.94

41.4 Postal traffic

According to information supplied by the department, the volume of traffic projected and actually handled during 1994-95 to 1996-97 was as under:

Table 41.4 Postal traffic

(in lakh)

Item	1994-95		1995-96		1996-97	
	Projected	Actual	Projected	Actual	Projected	Actual
Post cards	5976	29516	5923	30236	5432	34416
Printed cards	1137	--	1531	--	1937	-
Letter cards (Inland)	8494	28285	7853	29726	7279	33132
Money Orders	1090	1019	1015	1057	1010	1116
News papers						
Single	1629	8536	1709	7644	1608	8509
Bundle	308		306		337	
Parcels	677	1199	645	1206	643	1346
Letters	14125	46948	14463	51083	14416	52992
Book packets	1015		1388		1436	-
Printed books	845	9200	583	8860	490	9572
Other Periodicals	333		469		380	-
Acknowledgement	697	6590	625	5328	625	5221
Speed Post	78	125	103	141	125	112
Insured letters and parcels	73	94	83	94	93	103
Value payable letters and parcels	85	85	85	103	93	106
Registered letters and parcels	2962	2834	2895	2669	2912	2568
TOTAL	39524	134431	39676	138147	38816	149193

The above table indicates that the projected traffic for 1996-97 was much lower than the actual traffic of 1995-96. Similar is the position for earlier years. The traffic projection made for 1996-97 was only 28 *per cent* of actual traffic for 1995-96. This indicates flaw in the methodology adopted by DoP for making projections of postal traffic. Further DoP is using projected traffic data instead of actual traffic figure in determining per unit loss/gain for various postal services such as Post Card, Inland letter, Parcel etc. Since the projected traffic is grossly under estimated, the costing of various postal services made on the basis of these projections does not reflect the true picture.

41.5 Earnings from postal services and their costs

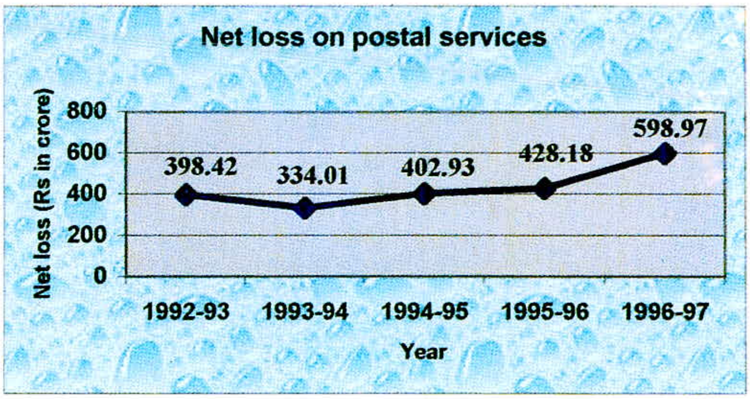
According to department's estimate, the average per unit cost and per unit revenue realised from the different postal services during the year 1996-97 on the basis of projected traffic were as under:

Table 41.5 Per unit gain/loss in operation of postal services

Services	per unit cost (in paise)	per unit revenue (in paise)	unit loss (-) gain(+) (in paise)	Traffic (in lakh)	Total loss/gain (Rs in crore)	
					loss	gain
Post card	220.43	15.00	205.43	5432	111.59	-
Letter	263.99	212.07	51.92	14416	74.85	--
Registered letter	1368.42	700.00	668.42	2912	194.64	-
Letter card(Inland)	227.59	75.00	152.59	7279	111.07	-
Money order	1813.79	1780.63	33.16	1010	3.35	-
Newspaper(single)	279.35	25.63	253.72	1608	40.80	-
Newspaper(bundle)	467.70	55.62	412.08	337	13.89	-
Indian Postal Order	875.11	122.84	752.27	210	15.80	-
Printed card	199.54	80.00	119.54	1937	23.15	-
Value payable letter and parcel	1135.69	338.47	797.22	93	7.41	-
Other periodicals	495.10	146.82	348.28	380	13.23	-
Acknowledgement	191.34	100.00	91.34	625	5.71	-
Book packets etc.	352.72	204.92	147.80	1436	21.22	-
Telegraphic MO	2128.38	2014.63	113.75	22	0.25	-
Printed books	494.21	180.10	314.11	490	15.39	-
Speed post	1941.53	5082.48	+3140.95	125	--	39.26
Insured letter	1905.20	2607.31	+702.11	93	--	6.53
Parcel	2347.84	2465.86	+118.02	643	--	7.59
Total					652.35	53.38

The Department's net overall loss of Rs 598.97 crore on postal services in 1996-97 was up by Rs 170.79 crore compared to the net loss incurred during 1995-96. Out of 18 services mentioned above, 15 services were rendered on loss basis. However, since these losses are worked out on grossly under estimated traffic as shown in table 41.4, the losses and per unit cost does not provide a correct picture.

Comparative position of the net loss incurred by the department on various postal services during 1992-93 to 1996-97 was as under:



41.6 Revenue realisation and revenue expenditure

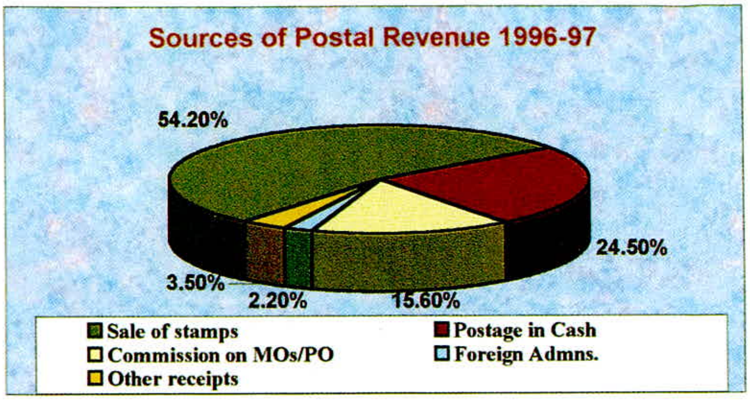
41.6.1 Revenue

Source wise revenue realisation during the five years ending 1996-97 was as under:

Table 41.6.1 Sources of revenue

(Rs in crore)

Item	Gross revenue				
	1992-93	1993-94	1994-95	1995-96	1996-97
Sale of ordinary and service stamps (affixed on cards, letters, parcels, book post ordinary, registered and insured categories including speed post)	610	630	645	651	658
Postage realised in cash (newspaper, franking machines at subscriber's premises, pre-postage etc.)	268	288	309	291	298
Commission on account of money orders and postal orders	136	145	162	172	189
Net receipts from other Postal Administrations	34	04	08	06	27
Other receipts (central recruitment fees, passport form fee etc.)	26	38	46	30	43
Total gross revenue	1074	1105	1170	1150	1215



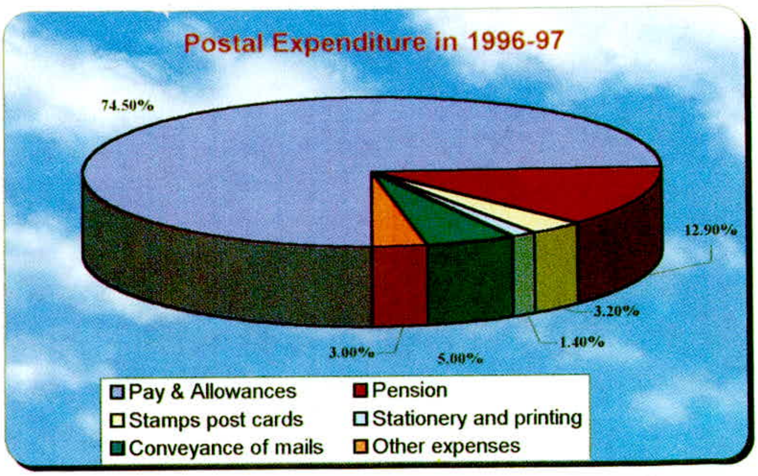
41.6.2 Revenue expenditure

The revenue expenditure on pay and allowances, conveyance of mails, printing of stamps, post cards and stationery etc. during the last five years was as under:

Table 41.6.2 Revenue expenditure

(Rs in crore)

Category	1992-93	1993-94	1994-95	1995-96	1996-97
(a) Pay and allowances, contingencies, interim relief, etc	1246.83	1439.41	1657.55	1904.85	2220.69
(b) Pensionary charges	203.64	227.43	253.40	311.73	384.39
(c) Stamps, post cards etc.	45.77	45.69	61.97	70.58	96.36
(d) Stationery and printing etc.	18.50	22.51	17.58	27.24	42.27
(e) Conveyance of mails (Payments to Railways and air mail carrier)	78.95	68.66	67.45	78.18	148.49
(f) Other expenditure	55.49	63.09	71.75	79.56	90.11
Total	**1649.18**	**1866.79**	**2129.70**	**2472.14**	**2982.31**



41.7 Plan outlay and physical performance

Against the outlay of Rs 325 crore in the Eighth Five Year Plan (1992-97), the actual expenditure was Rs 367.90 crore. Out of this, the actual expenditure on post office buildings and staff quarters was Rs 187.89 crore against the outlay of Rs 121.35 crore.

Some areas of slippage in attainment of the Eighth Plan targets related to (i) RMS vehicles; under which not a single van was purchased against the target of 20 while only 20 were re-modeled against the target of 398 (ii) Panchayati Dak Seva Kendras; only 670 were opened against the target of 2500 and (iii) modernisation of post offices in which only 230 were completed against the target of 350.

41.8 Net budgetary support

The position of net revenue budgetary support which is worked out by net of the receipts and recoveries, which were Rs 703.26 crore against the provision of Rs 741.29 crore during 1996-97 as under:

Table 41.8 Net budgetary support

(Rs in crore)

		Total provision	Actuals
Provision (C)			
Original	2616.29	3026.29	2982.32
Supplementary	410.00		
Less: Recoveries (A)			
Original	654.00		
Supplementary*	381.00	1035.00	1064.44
Less: Receipts (B)			
Original	1388.00		
Supplementary**	(-) 138.00	1250.00	1214.62
Total : (C) – (A+B)		741.29	703.26

* *As provided in the proposal for Supplementary Grant*

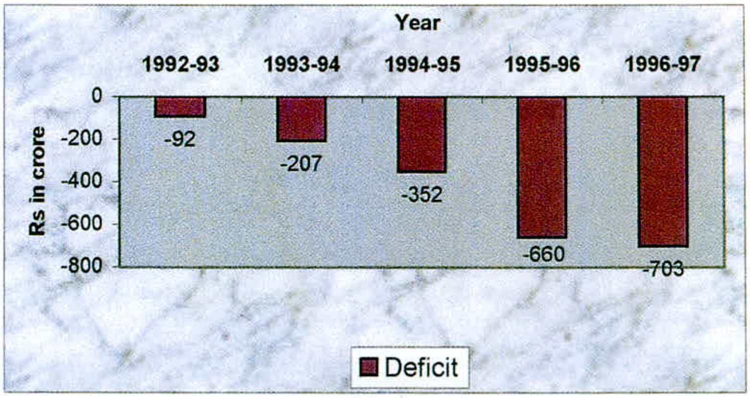
** *As in the Revised Estimates*

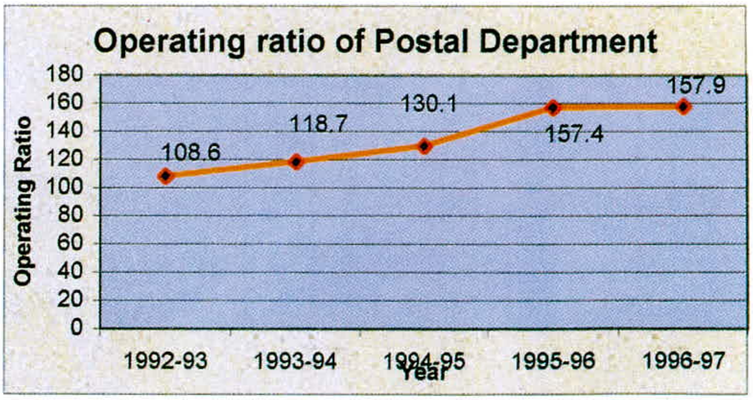
It is noteworthy that the reduction in net budgetary support with reference to the provision has been achieved entirely by reducing the provision for receipts in the Revised Estimates. Not only the actual receipts were Rs 173.38 crore less than the budget estimates, the DoP could not even realise the receipt of Rs 1250 crore projected in the Revised estimates. The actual recoveries were less than the Revised estimates by Rs 35.38 crore.

41.9 Operating results

Ratio of Revenue expenditure to Revenue receipts expressed in percentage term is termed as operating ratio. The charts below would reveal that the gap between Revenue expenditure net of recoveries and revenue receipts has been widening over the last five years, increasing the operating ratio from 108.60 to 157.90.

Working Results





41.10 Agency functions

The department renders certain agency functions as detailed in Para 41.1 of this chapter.

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

Table 41.10 Deposits under savings bank/postal life insurance scheme

(Rs in crore)

Head of Account		Amounts outstanding as on 31 March				
		1997	1996	1995	1994	1993
8001 - Savings Deposits						
-101	Post Office savings bank deposits	20413 (628)	19844 (519)	18925 (522)	16606 (469)	15000 (416)
-103	Fixed and time deposits	3457 (16)	3482 (14)	3519 (14)	2980 (14)	2716 (13)
-104	Cumulative time deposits	103 (75)	133 (73)	87(Dr) (76)	2 (76)	108 (77)
-105	Post office recurring deposits	7841 (957)	6683 (939)	5320 (668)	4307 (509)	3631 (439)
8006 - Public Provident Funds*						
-101	Public Provident Funds Postal part	1847 (8)	1403 (6)	1027 (6)	698 (5)	466 (3)
8002 - Savings Certificates						
-101	Post Office Certificates	72349	61949	54076	43430	38708
8011 - Insurance and Pension Funds						
-101	Postal Insurance Life Annuity Fund	2182	1818	1524	1289	1079

The number of accounts in lakh are given in brackets

* Public Provident Funds are handled by other agencies also.

The Department gets remuneration for the services at rates fixed from time to time by the Ministry of Finance based on the number of transactions. The Department claimed Rs 70 crore on account of interest transactions and of Rs 102 crore on account of cumulative arrears of cost of accounting, audit and pensionary charges due from Ministry of Finance towards agency functions as on 31 March 1997, which was yet to be settled.

41.11 Adverse balances in Finance Accounts

The adverse balances are negative balances appearing under those heads of accounts where there cannot normally be a negative balance. For example, in any loan or advance, a negative balance will indicate more repayment than the original amount advanced. Such situations should arise largely due to accounting errors or accounting situations arising out of rationalisation of the classification of accounts or administrative re-organisation breaking up one accounting unit into many.

Following adverse balances appear in the Finance Accounts for 1996-97:

Table 41.11 Adverse balances in debt, deposit and advances heads

(Rs in lakh)

Sl. No.	Head of Account	Amount outstanding as on 31 March				
		1997	1996	1995	1994	1993
1.	7610-800 Other advances	54.82 (Cr)	80.82 (Cr)	79.54 (Cr)	76.41 (Cr)	74.31 (Cr)
2.	8001-104 Cumulative time deposits	10291.68 (Dr)	13380.30 (Dr)	8740.80 (Dr)	-	-
3.	8002-102 State saving certificates	3.91 (Dr)	3.95 (Dr)	15.19 (Dr)	13.90 (Dr)	8.70 (Dr)
4.	8002-104 Defence saving certificates	2981.31 (Dr)	2990.28 (Dr)	3163.26 (Dr)	3150.77 (Dr)	2688.44 (Dr)
5.	8002-106 National development bonds	133.48 (Dr)	134.11 (Dr)	103.54 (Dr)	92.55 (Dr)	48.30 (Dr)
6.	8443-111 Other departmental deposits	14.58 (Dr)	7.86 (Dr)	10.74 (Dr)	2.23 (Dr)	10.26 (Dr)

The Department had stated, in December 1996, that instructions were issued to the Circle Postal Accounts Offices to liquidate the adverse balances at the earliest. However, the adverse balances in respect of item number 6 in the above table is not only persisting but has increased during 1996-97 as compared to 1995-96. In other heads of accounts the improvement in the position is negligible.

41.12 Suspense balances in Finance Accounts

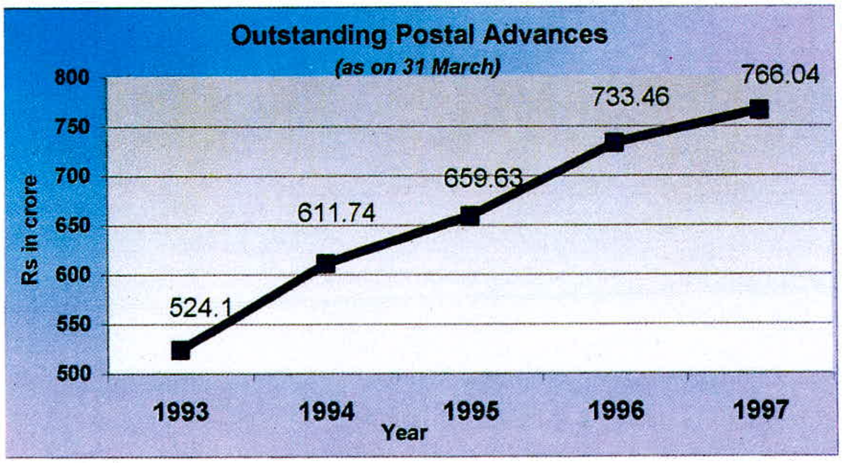
Netting of suspense balance does not provide correct appreciation of the magnitude of the amount under suspense

The amounts initially booked under suspense are ultimately to be cleared either by payment or recovery in cash or by book adjustment. Finance Accounts for the year ended 31 March 1997 showed a net credit balance of Rs 68.66 crore under Major Head 8661-Suspense Account. The net balance of Rs 68.66 crore does not give the correct picture, as the amount under debit suspense was Rs 3216.99 crore and that under credit suspense Rs 3099.39 crore besides opening balance of Rs 48.94 crore under debit suspense. The position of suspense balances is far from satisfactory and needs result oriented review to ensure that no item remains unadjusted longer than is reasonably necessary.

41.13 Advances from Public Account

Postal advances mainly represent overpayment or short credit on account of NSCs, Money Orders, Cash Certificates, Bonds and prepaid expenses, advances to contractors etc. The outstanding advances given from the Public Account 'Head 8553-101 - Postal Advances' by the department are increasing rapidly as would be seen from the chart.

The outstanding advances under this head remain outside the Consolidated Fund of India. Despite comments made in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1993 to 1996, Union Government (Post and Telecommunications), large outstanding balances under the head 8553-101 Postal Advances are awaiting adjustment. During 1996-97, the disbursement of postal advances aggregated Rs 663.71 crore and receipts aggregated Rs 631.12 crore.



CHAPTER 7 — APPROPRIATION ACCOUNTS

42.1 Introduction

Appropriation Accounts (Postal Services) are prepared every year indicating the details of amounts on various specified services actually spent by the Department of Post vis-a-vis those authorised by the Appropriation Acts. Appropriation Accounts of the Postal Services are prepared by Secretary Department of Post.

The objective of Appropriation audit is to ascertain whether the expenditure incurred under the grant is within the authorisation given under the Appropriation Acts and that the expenditure required to be charged under the provisions of Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

42.2 Budget grants and expenditure

A summary of Appropriation Accounts (Postal Services) of sums expended during 1996-97 compared with sums authorised in the schedule appended to the Appropriation Acts 1996 passed under Articles 114 and 115 of the Constitution of India, is given below:

Table 42.2 Appropriations and expenditure

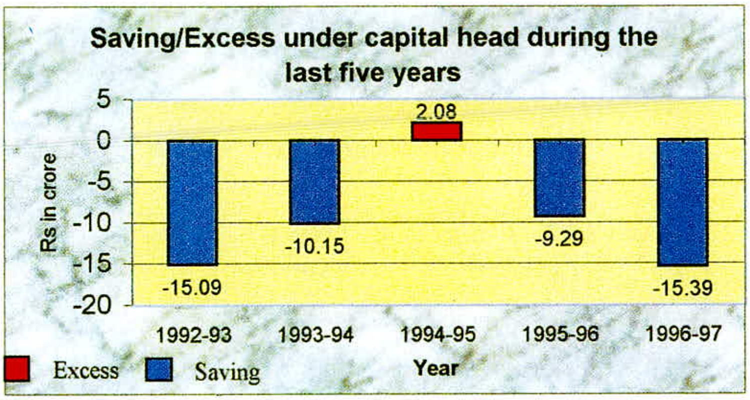
(Rs in crore)

Nature of expenditure	Original grant/ Appro-priation	Supplementary grant/appropri-ation	Total	Actual expenditure	Saving
Revenue					
Voted	2616.28	409.98	3026.26	2982.31	43.95
Charged	0.01	0.02	0.03	0.01	0.02
Capital					
Voted	69.71	-	69.71	54.32	15.39
Total	2686.00	410.00	3096.00	3036.64	59.36

Savings under capital head was 22 *per cent* of the provision

There was an overall saving of Rs 59.36 crore which is 1.92 *per cent* of the total provision of Rs 3096 crore during 1996-97. Under revenue (voted) section after persisting excess over provisions during the last four years, there was savings of Rs 43.95 crore during 1996-97. Under capital head, there was a saving of Rs 15.39 crore which constitute 22 *per cent* of the original grant. The position of excess/saving under capital head during the last five years is indicated in the chart.

The chart would suggest that savings under capital head has been a general feature in the Postal Services. The savings were mainly under "Postal Net Work" and "Mechanisation and Modernisation of Postal Services."



42.3 Under-utilisation of supplementary grant/appropriation

The Department could not utilise Rs 43.97 crore out of the supplementary grant of Rs 410 crore obtained in March 1997 in the revenue section.

42.4 Injudicious re-appropriations

The re-appropriation orders issued in the month of March 1997 for augmenting the funds under the following heads of account were unnecessary as the actual expenditure was either less or almost equal to the original provision.

Table 42.4 Injudicious re-appropriations

(Rs in lakh)

Head of Account	Original grant	Amount of Re-appropriation to the head	Actual Expenditure
Revenue portion			
Major Head "3201" 02-101-03 Postal Seals Office, Aligarh	11.80	0.30	6.68
02-102 Mail Sorting	27500.00	2000.00	26793.00
03-101-05 Ref. Course for SB/SC staff	38.00	7.00	30.14
01-101-08 PLI	1563.00	66.10	1448.05
03-200-01 Mahila Samridhi Yojana	914.00	146.00	916.00
06-101-03 Dispensaries	2042.00	22.00	1730.00

42.5 Saving in grant/appropriation

Saving in the grant or appropriation implying that the expenditure could not be incurred as planned is suggestive of deficient budgeting or shortfall in performance.

Table 42.5 Saving in Grant

(Rs in crore)

Grant No. 13	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Post
Revenue - voted	3026.26	2982.31	43.95	Restriction imposed on expenditure as a measure of economy, non receipt of anticipated bills/ claims, less receipt of claim in banking and life insurance than anticipated, slow progress in computerisation etc.
Capital - voted	69.71	54.32	15.39	Less expenditure on procurement of machinery and equipment, reduction in staff due to repatriation to Telecom wing, less expenditure than anticipated in building maintenance, deferring the purchase of replaced vehicles, etc.

42.6 Surrender of savings

As per Rule 69 of General Financial Rules, Departments are required to surrender to the Ministry of Finance all anticipated savings noticed in grants/appropriations before the close of financial year.

DoP did not surrender the savings of Rs 56.09 crore

Under revenue (voted) section, though there was a saving of Rs 43.95 crore, the Department did not surrender the savings, while under the capital section, the Department surrendered only Rs 3.25 crore against the saving of Rs 15.39 crore.

43 Working of Circle Stamp Depots

43.1 Introduction

Circle Stamp Depots (CSDs) are responsible for indenting, storing and distribution of postage stamps and other postal stationery such as post-cards, inland letter cards, envelopes, aerograms, Indian Postal Orders. CSDs also handle receipt and distribution of National Savings Certificates, Indira Vikas Patras, Kisan Vikas Patras etc. Presently, there are 19 Circle Stamp Depots in various circles. The Circle Stamp Depots receive their supply of postal stamps and stationery from India Security Press Nasik and Security Printing Press Hyderabad. Since 1995-96, DoP has also approved two private printers for supply of postal stationery to CSDs.

43.2 Scope of Audit

A review of the working of Circle Stamp Depots was conducted in April-May 1997 to examine whether these were functioning effectively and in accordance with the codal provisions laid down by DoP.

43.3 Organisational set up

Circle Stamp Depots (CSDs) and Regional Stamp Depots (RSDs) are headed by the Superintendents under the control of Regional Post Masters General with overall administrative control of the Chief Post Masters General (CPMG) of the circles concerned.

43.4 Highlights

- **Postage stamps and Inland letter cards valuing Rs 3.17 crore were found missing on opening of consignments sent by India Security Press Nasik. This is as good as loss of cash, since these can be sold by unscrupulous persons.**
- **National Savings Certificates and Kisan Vikas Patras of face value of Rs 185.25 crore were lost in transit in Assam and Bihar circles during 1994-97. Such huge loss of cash certificates are fraught with serious risk of abuse and fraudulent encashment. Twelve cases of fraudulent issue and encashment of missing Kisan Vikas Patras valuing Rs 1.20 lakh were**

detected during December 1996.

- **The system of internal control for monitoring receipt and accounting of postage stamps and stationery supplied by Circle Stamp Depots to Head Post Offices was not followed. Post offices in West Bengal and Uttar Pradesh circles did not acknowledge receipt of supplies from CSDs.**
- **There was a net difference of Rs 36.30 crore in the accounts between the figures of supply furnished by Circle Stamp Depots and those of Head Post Offices.**
- **Circle Stamp Depots placed excessive indents on the printers resulting in huge accumulation of postal stationery in most of the circles during 1995-97.**

43.5 Postage stamps, inland letters and envelopes valuing Rs 3.17 crore lost in transit

43.5.1 Test check in nine circles during April-May 1997 disclosed 70 cases of loss of postage stamps, inland letter cards and envelopes in transit valuing Rs 3.17 crore during 1991-97. The transit loss in respect of various circles is indicated in the table below:

Table 43.5.1

Name of the circle and Circle Stamp Depot	Period of loss	Type of postal stationery lost	Face value of the lost postal stationery (Rs in lakh)	Compensation received from Railways (in Rs)	No. of cases of loss of consignment
Assam Guwahati	1993-97	Postage Stamps, Inland Letter Cards (ILC)	61.66	8000	8
Karnataka Bangalore	June 1996	Postage Stamps	40.00	0	1
Madhya Pradesh Bhopal	June 1996	Post Cards Postage Stamps	34.08	6950	13
Bihar Patna	1994-95	Postage Stamps	1.60	-	1
Punjab Ludhiana	May 1991 to August 1996	Postage Stamps	5.87	-	13
Rajasthan Jaipur	September 1992 and October 1993	Postage Stamps	9.20	1200	2
Tamil Nadu Chennai	July 1994	Postage Stamps	8.0	600	1
Uttar Pradesh Lucknow & Kanpur	1994-97	Postage Stamps	72.37	90	16
West Bengal Calcutta	1991-96	Postage Stamps & ILCs	84.58	-	15
Total			317.36	16840	70

Stamps worth Rs 3.17 crore were lost in transit

All these cases related to loss in transit by Rail from India Security Press (ISP) Nasik to the concerned Circle Stamp Depots. Loss of postage stamps and ILC represents a revenue loss to the department equal to the face value of the stamps/ILCs, as stolen postal stationery can be easily used by miscreants for parallel circulation or sale.

43.5.2 Loss of NSCs and Kisan Vikas Patras of face value of Rs 185.25 crore

Cash certificates with face value of Rs 185.25 crore were lost in transit

Two circles out of nine test checked disclosed very heavy loss of cash certificates viz. National Saving Certificates and Kisan Vikas Patras of face value of Rs 180.80 crore which were lost in transit in Assam circle during the period 1994-97. In Bihar circle, Kisan Vikas Patras of Rs 4.45 crore were reported lost in transit during 1995-96. The year wise details of loss in transit of cash certificates in respect of Assam circle are given below.

Table 43.5.2

Year	*Type of cash certificate lost*	*Number lost*	*Face value (Rs in crore)*
1995-96	Kisan Vikas Patras	80000	40.00
1996-97	Kisan Vikas Patras	400000	128.80
	NSCs	120000	12.00
Total		**600000**	**180.80**

The loss of cash certificates of such huge value is fraught with a serious risk of abuse and fraudulent encashment of stolen certificates as was noticed during audit in Bihar circle. The details are given in the succeeding para.

43.5.3 Fraudulent encashment of Kisan Vikas Patras

India Security Press Nasik despatched a consignment of Kisan Vikas Patras (KVPs) to Circle Stamp Depot Patna in September 1995. Out of total consignment of 9000 KVPs, 8900 KVPs of Rs 5000 denomination each valuing Rs 4.45 crore were reported missing from the consignment at the time of taking the delivery from Railways. The Superintendent CSD Patna lodged compensation claim with the Railways in January 1996 and also informed the CPMG Patna about the loss of KVPs. The CPMG, however, did not notify the loss of cash certificates to all the heads of circles to guard against their fraudulent issue and encashment.

Cases of fraudulent use of the lost cash certificates came to notice

Subsequently, it was detected that out of the above lost consignment, 24 Kisan Vikas Patras valuing Rs 1.20 lakh were fraudulently issued by a post office located in the office premises of Controller of Defence Accounts Patna and were encashed in Delhi between October-December 1996 by three persons. One ex-Postal Assistant of Patna General Post Office was found involved in the above fraudulent issue of KVPs. It was only after the above racket of fraudulent issue of KVPs came to light that CPMG Patna notified the loss of KVPs to all the heads of circles in February 1997. However, notifying also serves only a limited purpose since all post offices may not maintain a list of lost KVPs and refer to it every time someone turns up for encashment.

The Ministry stated in November 1997 that delay in circulation of loss would be investigated.

43.6 Defective printing of Inland Letter Cards

1.65 crore defective inland letter cards printed at a cost of Rs 30.53 lakh were sold due to negligence of CSD Chennai

DoP placed an order for printing and supply of five crore Inland Letter Cards (ILCs) on a private printer namely, Madras Security Printers in January 1993. Superintendent Circle Stamp Depot Chennai received supply of 2.48 crore ILCs from the printer between April and July 1993. Without ensuring that the ILCs received were as per proof approved by DoP, he issued all of them to other Circle Stamp Depots for sale by post offices. DoP noticed in July 1993 that Hindi inscription "Bharat" printed on the ILCs appeared like "Marat". DoP asked all the heads of postal circles in July 1993 to stop sale of the defective ILCs and return the defective ILCs to Circle Stamp Depot Chennai. Post offices all over the country returned 83 lakh ILCs up to September 1995 which were subsequently destroyed. The remaining 1.65 crore defective Inland letter cards were not returned as these had already been sold. DoP released payment of Rs 30.53 lakh to the printer for the defective ILCs used after recovery of penalty of only Rs 3.05 lakh for defective printing. Thus, due to the failure of Superintendent Circle Stamp Depot Chennai, DoP had to accept defective ILCs valuing Rs 27.48 lakh.

43.7 Delay in finalisation of printing charges

DoP had finalised rates for printing charges in 1990-91 for supplies of postal stationery received from India Security Press, Nasik. For subsequent years, DoP asked Circle Stamp Depots to make payments provisionally at the 1990-91 rates pending finalisation of printing charges. Circle Stamp Depots did not follow DoP's instructions and were making payments to ISP Nasik at the rates claimed by the press. Thus, CSDs made payment of Rs 22.59 crore during 1992-97 over and above the approved rates of 1990-91. Similarly, payment of Rs 6.07 crore was made to Security Printing Press Hyderabad for 1994-97 over and above the last approved rates of 1993-94. DoP stated in December 1997 that the excess payment to the Government presses would be adjusted when final rates are decided. The Ministry, however, did not state why they did not fix the rates in time.

43.8 Excess printing through private printers

To meet the short supply of postal stationery by government presses viz. ISP Nasik and Security Printing Press Hyderabad, DoP approved in April 1995 two private printers namely, Calcutta Security Printers Kanpur and Madras Security Printers Chennai for printing and supply of postal stationery to CSDs. DoP allocated the quantities of postal stationery to the two Government presses and two private presses and attached CSDs to them for supply of postal stationery. CSDs were asked to place indents on the presses directly.

CSDs placed higher demand on the private printers and obtained supplies in excess of their requirements. This resulted in overstocking of various items of postal stationery in the CSDs during 1995-97. Test check conducted in DoP in respect of competition single post card revealed the overstocking of this item in various CSDs as on 1 April 1997 as under:

Table 43.8

Name of the CSD	*Expected period for which available stock will last as on 1 April 1997*
Ahmedabad	**44 months**
Bangalore	**16 months**
Bhopal	**120 months**
Bhubaneswar	**48 months**
Calcutta	**24 months**
Chennai	**73 months**
Delhi	**48 months**
Ernakulam	**21 months**
Guwahati	**24 months**
Jaipur	**60 months**
Kanpur	**24 months**
Lucknow	**60 months**
Ludhiana	**30 months**
Nasik Road	**48 months**

43.9 Shortage of stamps

Stamps valued at Rs 16.44 lakh were found short by Audit in CSD Patna

(a) Quantities of supplies received from presses are accounted for in the stock register by the CSD. A comparison of stock register with the relevant invoices of supplies, was made by Audit in April 1997 in CSD Patna. Audit scrutiny disclosed short receipt of postage stamps and inland letter cards valuing Rs 16.44 lakh for the period 1994-96. The short receipt reflected in the stock register could either be due to loss in transit or due to misappropriation, fraud etc. CSD Patna was yet to investigate the case and make good the short receipt.

Physical verification indicated shortage of stamps and postal stationery worth Rs 6.23 lakh

(b) In the annual physical verification of stamps and stationery at CSD Patna on 16 August 1995, Director Postal Services pointed out shortage of postage stamps and stationery worth Rs 6.23 lakh. CPMG Bihar circle failed to investigate the case and take disciplinary action against the delinquent officials as of December 1997.

43.10 Irregular payment of transportation charges

(a) CSD Bhubaneswar paid transportation charges and escort charges of Rs 3.94 lakh to Security Printing Press Hyderabad prior to November 1993 though printing charges were inclusive of such transportation charges during this period.

(b) CSD Jammu paid the rail freight in May 1995 and April 1996 for the full carrying capacity of railway wagon i.e. 224 quintals as against the actual weight of 120 quintals each time. This resulted in excess payment of Rs 1.07 lakh. CSD stated that necessary action would be taken to recover the excess paid amount.

43.11 Wanting acknowledgements for postal stationery supplied to Head Post Offices

CSDs failed to obtain acknowledgements for remittance of stamps worth Rs 483.93 crore

Head Post Offices (HPOs) obtain supply of stamps and stationery from CSD concerned. On receipt of stamps in HPO, one copy of the invoice duly acknowledged is returned to CSD. During review of acknowledgements in seven CSDs viz., Bangalore, Calcutta, Hyderabad, Jaipur, Kanpur, Lucknow, Patna and RSD Nasik, it was noticed that large number of acknowledgements of supply of postal stationery totalling Rs 483.93 crore were yet to be received from HPOs for the period 1994-97. In Calcutta and Lucknow CSDs, the number of wanting acknowledgements was very high viz. Rs 300 crore and Rs 163 crore respectively during the above period as compared to less than Rs 15 crore in other CSDs. DoP needs to streamline the procedure in HPOs in West

Bengal and U.P circles to ensure that HPOs send acknowledgements promptly to CSDs.

The discrepancy points to a serious weakness in internal control and entails risk of fraud/embezzlement. The cases of non receipt of acknowledgements need to be verified and reconciled by CSDs with the concerned HPOs within a fixed time frame to detect possible cases of loss of postage stamps in transit or loss due to theft or fraud. Besides, there is a need for strengthening the system of control and monitoring.

43.12 Non-reconciliation of figures between CSDs and HPOs

Differences in figures of stamp accounts of CSDs and HPOs were not reconciled

On receipt of supply of postage stationery, Head Post Offices take them in their stock and intimate the value of stamps received to the Circle Postal Accounts Office through monthly cash accounts. The circle postal accounts office in turn sends a statement showing the amount credited by different Head Post Offices in their cash accounts on account of various types of stamps received from stamp depots. On receipt of statement, Superintendent CSD should verify that all the supplies made by him to various Head Post Offices have been accounted for and there is no discrepancy in the figures of supply maintained by CSD and those reported by circle postal accounts office. Discrepancies, if any, should be reconciled and settled at the earliest.

It was, however, observed during audit that differences between the two sets of figures were not reconciled. The discrepancies were outstanding for one to seven years in Assam, Bihar, Gujarat, Kerala, Punjab and West Bengal circles test checked. The net discrepancy in the accounts in these circles was Rs 36.30 crore for the period 1991-97 indicating that supplies made by CSDs to respective Head Post Offices were not accounted for. Heads of circles need to reconcile the discrepancies, as these may include not only the cases of misclassification but also actual cases of loss due to theft, fraud etc.

43.13 Public complaints

Public complaints arising out of non availability of postal stationery indicated unsatisfactory performance of stamp depots who are responsible for indenting, stocking and issue of postal stationery to post offices. Some cases of public complaints noticed in audit were as under:

(i) Unit Trust of India (UTI) purchased Kisan Vikas Patras worth Rs 536.00 crore from General Post Office Bangalore between September and December 1994 and were issued only temporary receipts as Kisan Vikas Patras of high denomination were not available with the GPO. UTI complained to CPMG in March 1997 about non issue of KVPs by GPO Bangalore even after a lapse of about three years. It was noticed that GPO failed to obtain the supply of Rs 50000 denomination KVPs from CSD Bangalore despite availability of sufficient stock with the CSD.

(ii) There was acute shortage of postage stamps of Re 1 denomination at all the three HPOs under Shimoga Postal Division in Karnataka circle in January/February 1997. CSD Bangalore failed to supply these stamps to these HPOs for the last 2-3 months of 1997. Due to the shortage, there were complaints from public. This situation arose due to mismatch between the annual forecast, indents placed and actual supply, which was far below the requirement.

(iii) There were instances of shortage of stamps and stationery during 1994-95 inviting criticism from general public in Rajasthan Postal circle. These shortages could have been avoided had there been proper linking between indents and actual supply.

44 Working of Post and Telecommunications dispensaries

44.1 Introduction

The scheme of P&T dispensaries was started in 1951 in offices having concentration of 5000 or more beneficiaries to provide comprehensive medical care, domiciliary care, laboratory facilities for routine testing, family welfare services etc. Presently, there are 63 P&T dispensaries at 48 stations in 15 circles. The details of card holders, beneficiaries and annual expenditure on P&T dispensaries during last two years were as under:-

Table 44.1

Year	*Category of beneficiary*	*(Figures in lakh)*		*Expenditure (Rs in crore)*		
		No. of card holders	No. of beneficiaries	Adminis-trative	Other	Total
1995-96	DoP	0.59	3.05	6.26	9.68	15.94
	DoT	0.87	4.28			
	Pensioners	0.10	0.32			
1996-97	DoP	0.57	2.61	7.64	9.65	17.29
	DoT	0.68	3.69			
	Pensioners	0.09	0.27			

Places where P&T dispensaries are not available, employees get medical facilities under Central Government Health Scheme (CGHS). Where neither P&T nor CGHS dispensaries are located, they are entitled to medical treatment from the Authorised Medical Attendants.

44.2 Scope of Audit

The functioning of the P&T dispensaries especially in the areas of procurement, stocking and issue of medicines, maintenance of records of beneficiaries and other related issues for the period 1992-97 was reviewed during April-May 1997. Twenty five dispensaries located in six circles were selected for test check.

44.3 Organisational set-up

The P&T dispensaries are administered by DoP through the respective heads of circles. Three Regional Deputy Directors General (Medical) are responsible for control, monitoring and supervision of the functioning of dispensaries under their jurisdiction.

44.4 Highlights

- **DoP is not charging contribution from card holders of P&T dispensaries though such contributions are collected from the employees of DoP and DoT who are availing medical facilities under the CGHS. This resulted in non-recovery of Rs 7.86 crore for the period 1994-97, besides a recurring non-recovery of Rs 2.62 crore *per annum* for the subsequent period.**
- **Chief Medical Officers (CMOs) in Gujarat, Madhya Pradesh, Rajasthan and Uttar Pradesh circles resorted to heavy local purchases of medicines instead of getting supplies from Government Medical Stores Depot or purchasing directly from manufacturers at hospital supply rate. This entailed an extra expenditure of Rs 1.29 crore during the period 1994-97. In Madhya Pradesh, 84 *per cent* of their requirement of medicines was met through local purchases by dispensaries.**
- **The expenditure per card was abnormally high in Bhopal and Raipur dispensaries in Madhya Pradesh.**

CMO Aligarh dispensary incurred abnormally high expenditure of more than Rs 50 lakh *per annum* during 1988-92 on procurement of medicines. The same CMO made heavy purchases on his transfer to Lucknow dispensary in 1992-93. DoP is yet to investigate the matter and fix responsibility.

44.5 Contribution from beneficiaries not recovered

DoP and DoT did not recover contribution of Rs 7.86 crore from the beneficiaries

P&T dispensaries are providing similar medical facilities to P&T staff as being provided by CGHS to Central Government employees and P&T employees. The employees of Post and Telecommunication Departments can opt either for CGHS or P&T dispensary scheme where both exist. Both DoP and DoT are recovering contribution from their employees who are CGHS beneficiaries, but no such contribution is being recovered from the beneficiaries of P&T dispensaries scheme, except from the pensioners. DoP approved in September 1990 to charge contribution from the card holders of P&T dispensaries at par with CGHS beneficiaries and referred the matter to DoT for their approval. However, DoT did not take any decision as of December 1997 even after the expiry of over seven years. DoP also left the matter at that. Thus, both the departments did not recover the contribution from employees under P&T dispensary scheme. Amount foregone by the Departments by not realising any contribution works out approximately to Rs 7.86 crore during 1994-97 alone at the average rate of Rs 15 *per card* holder *per month*. The recurring loss *per annum* on this account is about Rs 2.62 crore.

44.6 Procurement and storage of medicines

As per procurement policy for P&T dispensaries laid down in April 1994 by the DoP, Government Medical Store Depots (GMSD) under the Ministry of Health are the major source for obtaining supplies of medicines. Chief Medical Officers(CMOs)/Medical Officers(MOs) incharge of each dispensary are required to prepare annual indents by October end each year for their requirement of medicines during the next financial year based on the stock in hand and past consumption etc. CMOs/MOs are to submit their indents to Circle Purchase Committee (CPC) through regional Deputy Directors General (Medical) for approval. After approval of requirements by CPC, indents are to be placed on GMSD by first week of January every year. If no supply is received from GMSD by the end of June, CPMG can procure medicines directly from the manufacturers. The items required to be purchased on the prescription of the specialists can be procured from local authorised chemists. However, such purchases should be kept to the minimum.

Scrutiny of procurement of medicines in six circles viz. Andhra Pradesh, Gujarat, Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh revealed the following:

44.6.1 Delay in placement of indents and heavy local purchases of medicines

There were abnormal delays in indenting the medicines

(i) Of the 25 dispensaries test checked in six circles, 12 dispensaries delayed placing of indents by one to 12 months during 1996-97 and two dispensaries in Madhya Pradesh circle did not submit annual indents at all. In 1995-96 also, 11 dispensaries had not submitted timely indents. Delayed placement of indents affected supply of medicines by GMSDs. Delay in placement of indents was one of the important reasons for non-supply of medicines by GMSDs leading to heavy local purchases.

CMOs made excessive local purchase of medicine

(ii) CMOs of dispensaries in Gujarat, Madhya Pradesh, Rajasthan and Uttar Pradesh circles purchased 42 *per cent* of their total purchases of medicines from local authorised chemists. Though local purchase of medicine was allowed only in cases of specialist consultation, six dispensaries in M.P circle viz. Bhopal, Jabalpur and Raipur procured 84 *per cent* of their requirement of medicines through local purchase during 1996-97 as compared to only 4.4 *per cent* from GMSD and 11.6 *per cent* through direct bulk purchase from the manufacturers. Two of them viz. Bhopal I and Bhopal II did not at all place their indent on GMSD. Abnormally high level of local purchase from authorised chemists in these circles in preference to purchase through GMSD or from manufacturers needs detailed investigation by DoP.

The extent of purchases made from GMSD, manufacturers and locally from the chemists in the test checked circles during 1996-97 were as under:

(Rs in lakh)

Name of the circle	*GMSD*	*Manufacturer*	*Local purchase*	*Total*
M.P	6.37	16.64	119.64	**142.65**
Rajasthan	19.08	53.12	67.02	**139.22**
Gujarat	55.21	77.64	26.91	**159.76**
U.P	26.47	64.57	38.84	**129.88**
A.P	22.66	17.15	8.69	**48.50**
Total	**129.79**	**229.12**	**261.10**	**620.01**

(iii) CMOs/MOs Incharge of P&T dispensaries are permitted to make local purchases of only Rs 6000 to Rs 8000 per month. CMOs/MOs of 28 dispensaries made local procurement of medicines of Rs 7.27 crore during 1994-97 as against the maximum permissible limit of Rs 80.60 lakh worked out on the basis of above norms.

Extra expenditure of Rs 1.29 crore resulted due to failure to avail the rebate

(iv) Rebate of 20 *per cent* is admissible to the Department on bulk purchase of medicines from manufacturers under hospital supply rates. By resorting to heavy local purchases, the Department suffered a loss of Rs 1.29 crore during 1994-97, as it did not get the benefit of rebate available under hospital supply rates.

44.6.2 Irregularities in purchase of medicines

CMO incharge Aliganj dispensary Lucknow placed indent without approval of CPC

(i) CMOs Incharge of three dispensaries in Lucknow placed orders in 1992-93 directly on GMSD Delhi for supply of medicines without approval of CPC headed by CPMG. This was not only in violation of DoP's instructions but also resulted in excess procurement of medicines. One of these dispensaries viz. dispensary No.3 Aliganj Lucknow had to divert medicines worth Rs 23.49 lakh to other dispensaries during 1992 as a result of overstocking. The records relating to placement of indents by the three dispensaries were pending with vigilance branch since 1993.

(ii) CMOs Incharge in all the 25 dispensaries in six circles test checked did not enter locally purchased medicines in the stock registers. In the absence of such records, check of accounting of receipt and issue of medicines could not be exercised. This also indicated lack of supervision by regional DDsG(Medical), over the functioning of these dispensaries as they are required to check stock position and scrutinise the purchases made locally during their half yearly inspection and surprise check of dispensaries under their control.

44.6.3 Abnormal expenditure

The same CMO was responsible for heavy expenditure and excess procurement while posted in two dispensaries

Test check disclosed a case wherein CMO in Aligarh dispensary spent over Rs 50 lakh *per annum* on procurement of medicines during his posting there during the period 1988-92. The expenditure came down to between Rs 2.70 lakh to Rs 13 lakh *per annum* during 1992-97, after his transfer out of the dispensary in 1991. The same CMO made excess procurement of medicines in Aliganj dispensary, Lucknow during 1992-93 as brought out in para 44.6.2 (i) above.

Increase in expenditure per card

Since there were wide variations in expenditure and budget allocation from circle to circle and dispensary to dispensary, DoP issued instructions in April 1994 fixing norms for expenditure in P&T dispensaries. The instructions laid down that expenditure per card should be within Rs 900 *per annum* and budget demands and allocations should also be made on the basis of these norms. The DoP also directed all the CPMsG to update dispensary cards of regular staff and pensioners immediately.

Scrutiny, however, disclosed the following:

(i) Out of twelve dispensaries in the four circles test checked, the expenditure per card in seven dispensaries was within this limit of Rs 900 *per annum* but five dispensaries incurred expenditure much in excess of the prescribed norms during 1996-97 as indicated in the table below:-

Table 44.6.4

(In Rupees)

Name of the Dispensary and Circle	Expenditure per card as per norm	Actual expenditure per card	Excess expenditure over norms
Usmanpur, Ahmedabad Gujarat	900	1032.64	132.64
Bhopal-I, MP	900	1620.62	720.62
Raipur, MP	900	1557.48	657.48
Moradabad, UP	900	1294.23	394.23
Gorakhpur, UP	900	1272.12	372.12

The average expenditure per card in Gujarat and Rajasthan was around Rs 900 and while in UP and Andhra Pradesh it was even less than Rs 450. The average per card expenditure was comparatively high in MP. Thus, abnormally high expenditure in the above five dispensaries ranging between Rs 1032.64 to Rs 1620 needs examination.

Dispensary cards were not reviewed periodically

(ii) Medical care against P&T dispensary card is not extended to married daughters and sons who are either employed or have attained the age of 25 years. Department's instructions require that the dispensary cards in respect of employees be renewed after every five years and in respect of pensioners every year to avoid use of medical facilities by the members of the family of a card holder who have become ineligible. No such exercise was however, carried out by 25 dispensaries test checked.

44.7 Issue of life expired drugs

Life expired drugs were issued to patients in a few cases

(i) CMOs Incharge of 25 dispensaries test checked did not maintain, in violation of instructions, register of drugs indicating the expiry date of each lot of medicines received by them. Cases of stocking of life expired medicines in eight dispensaries worth Rs 6.77 lakh came to notice during test-check as of May 1997. In several cases, the cost of expired medicines was not available with the dispensary. P&T dispensary at Gorakhkpur was found to have issued life expired drugs to the patients between August 1994 and January 1996 as indicated below:

Table 44.7

Name of the medicine	Expiry date	Qty. issued in unit	Date on which issued
1. **Osamisal - P child**	Nov. 1995	44	January 1996
2. **Osamisal - P Adult**	Nov. 1995	425	November 1995 to August 1996
3. **Syp. Sestel – F 60 ml**	Aug. 1994	273	September 1994 to November 1994
4. **Mecogyl plus Eye drop**	Nov. 1994	65	March 1995

The CMO stated, in April 1997, that the life expired drugs were issued as the expiry date was not recorded in the stock register. However, CMO of the dispensary was himself responsible for ensuring proper maintenance of register of drugs. As issue of life expired drugs has a serious bearing on the health of the patient, DoP needs to investigate the lapse on the part of CMO and other officials of the dispensary for improper maintenance of drugs register leading to issue of life expired drugs to patients.

Disposable syringes were not used by some of the dispensaries

(ii) On the recommendations of Parliamentary Committee, DoP decided in February 1996 to use disposable syringes and needles in all P&T dispensaries. Out of nine dispensaries test checked in Rajasthan and U.P. circles, two dispensaries at Dehradun and Jaipur did not implement DoP's instructions regarding use of disposable syringes, thus exposing the patients to serious hazards of infection of HIV, Hepatitis etc.

44.8 P&T dispensaries in the cities covered by CGHS not closed

DoP runs parallel P&T dispensaries at the places covered by CGHS

Government of India introduced the CGHS covering all the Central Government employees including those of DoP and DoT and gradually extended it to a large number of cities. At Ahmedabad, Jaipur, Jabalpur, Lucknow and Pune where CGHS dispensaries are in operation, P&T dispensaries are also functioning. The need for running a parallel dispensary when CGHS dispensaries were available at the same place requires justification. DoP has not taken any action either to close or merge these dispensaries with CGHS dispensaries.

44.9 Inadequate internal controls

Lack of adequate internal control over P&T dispensaries

Departmental instructions prescribe certain checks to be exercised at the level of Regional DDG(Medical), Circle Vigilance Squad and Internal Check Organisation on the working of P&T dispensaries. But these agencies failed in their responsibilities of effective control and monitoring of dispensaries. DDsG did not carry out surprise inspections despite being entrusted with such responsibility. After noticing serious irregularities in P&T dispensaries in Bihar circle, DoP had issued instructions to CPMsG of various circles in October 1995 to form Circle Vigilance Squads comprising of Vigilance Officer, Assistant Superintendent of Post Offices and Inspector of Post offices to scrutinise the stock of medicines, indenting procedure and method of receipt and issue of medicines. The vigilance squads were required to send their report to DoP. None of the dispensaries test checked was ever visited by the Circle Vigilance Squad.

The matter was referred to the Ministry in November 1997; their reply was awaited as of December 1997.

CHAPTER 9 —MAJOR FINDINGS IN TRANSACTION AUDIT

45 Extra expenditure of Rs 1.66 crore due to inefficient purchase system

DoP spent extra Rs 1.66 crore on purchase of canvas mail bags during 1994-96, which was entirely avoidable with better management of processing and finalisation of tenders.

Scrutiny of procurement of canvas mail bags by DoP during 1994-96 disclosed lackadaisical management of the procurement and concern for value for money in the department. In two years DoP spent an extra amount of Rs 1.66 crore due to delays in finalising decision to approve the rates quoted in tender and imprudent extension of the delivery schedule despite being aware of fall in prices.

Inept processing of tenders led to expiry of validity period

DoP took seven months in processing the tender for procurement of 14.20 lakh canvas mailbags in 1995. DoP opened the tender on 20 April 1995, but failed to take a decision until November 1995. By this time the validity of the offers expired and DoP was compelled to float another tender in November 1995. The rates in this tender were higher than those in the tender opened in April 1995, the validity of which had expired due to delay in finalisation. Purchase of 10.21 lakh bags in June 1996 at the higher rates of November 1995 tender resulted in extra expenditure of Rs 1.55 crore.

DoP extended delivery schedule despite being aware of fall in prices in the subsequent tender. The extra expenditure was Rs 10.81 lakh

DoP had placed supply orders on four firms for 10.75 lakh bags during August-November 1994, to be supplied from 31 December 1994 to 15 March 1995. The firms supplied only 5.99 lakh bags in the scheduled delivery period. Meanwhile, DoP opened fresh tenders for 1995-96 on 20 April 1995, in which the lowest rates for similar types of mailbags were lower by 2.19 to 9.70 *per cent*. Under the terms of the purchase order, DoP had an option to terminate the supply orders at the quantities supplied within the delivery period. However, Director (Material Management) opted to extend the delivery schedule with levy of liquidated damages. As a result of this decision, DoP purchased 4.76 lakh bags at the higher rate of 1994-95 compared to the rates received for 1995-96. The extra payment on them was Rs 11.07 lakh while the liquidated damages recovered were only Rs 9.59 lakh resulting in extra expenditure of Rs 1.48 lakh.

The supply order of June 1996 envisaged completion of the supplies by December 1996. Meanwhile, the tender for 1996-97 procurement was also opened in July 1996, in which the rates were four to six *per cent* lower than the tender of November 1995. Yet, Director (Material Management) granted extension for supply of 4.04 lakh bags against the supply order of June 1996 on recovery of liquidated damages. In the bargain, DoP paid an extra Rs 11.03 lakh on supply of 4.04 lakh bags during the extended period while DoP recovered liquidated damages of only Rs 1.70 lakh. The additional cost of this imprudent decision was Rs 9.33 lakh.

The Ministry stated, in December 1997, that they could not finalise the tenders for 1995-96 due to some technical hitch, since the Financial Adviser was of the opinion that as the value of purchase was more than Rs five crore, a representative of Ministry of Finance was required for the Tender Evaluation Committee (TEC). In defence of their decision to extend the delivery schedule, the Ministry added that pending finalisation of new tenders, they had to extend the delivery period of the old supply orders in order to meet the operational requirement.

DoP failed to resolve a minor procedural hitch, which contributed to extra expenditure

The reply of the DoP underscores the inept processing and finalisation of the tenders in the department leading to avoidable extra expenditure. It is also not clear why the DoP failed to quickly resolve the minor technical deadlock on whether a representative of Ministry of Finance was required on the TEC or not.

46 Injudicious procurement of Risograph machines

DoP procured eight Risograph printing machines for Rs 33.80 lakh without examining their usefulness and economy, rendering the investment questionable.

DoP procured eight Risographs to avoid dependence on private printers

With a view to avoiding dependence on private printers for printing of departmental forms, DoP procured four Risograph digital scanner-cum-duplicator machines in March-April 1994 from Hindustan Computers Limited at a cost of Rs 15.80 lakh to be installed at Postal Store Depots (PSDs) Guwahati, Mumbai, Nagpur and Shimla. Within eight months of the first purchase, DoP placed repeat orders in December 1994 for four more machines at Rs 18 lakh to be used by PSDs at Coimbatore, Ludhiana, Vijayawada and Varanasi.

Scrutiny by Audit in May-June 1997 on utilisation of seven machines in seven PSDs disclosed the following:

Dismal utilisation of Risograph machines

PSDs of seven circles achieved only 7.28 *per cent* of DoP's target

(i) DoP fixed a target of eight lakh forms per month on the assumption that the machine would be operational for six hours a day for 25 days in a month with 75 *per cent* of the maximum speed. The machines were made operational from April 1994-October 1995. As per the target fixed by DoP while purchasing these machines, the seven machines should have printed 17.86 crore forms until November 1997. Scrutiny, however, disclosed that the seven PSDs utilised them to print only 1.30 crore forms which was a mere 7.28 *per cent* of the target. The average output per machine per month was only 58 thousand against expected output of eight lakh forms per month.

Hasty procurement of second lot despite reservation on their utilisation

DoP procured four more machines in haste without evaluating the performance of the Risograph machines purchased in the first lot

(ii) Rather than waiting for a reasonable time and evaluating the usefulness and economy by using the Risograph machines, the DoP ignored some doubts about Risograph's capacity and cost-effectiveness expressed by three CPMsG/Superintendent and rushed for procurement of four more machines at Rs 18 lakh.

Local printing despite provision of Risograph machines

(iii) The very purpose of the procurement of these machines was rendered questionable as PSDs resorted to local printing through private printers. During 1994-97, PSDs in six circles printed eight crore forms at a cost of Rs 40.64 lakh through private printers.

Risograph printing more expensive

PSDs incurred extra expenditure of Rs 27.30 lakh on printing through Risograph machines

(iv) DoP did not examine per page cost of printing through these machines before their procurement. The average cost of printing forms through Risograph machine taking into account the interest on capital, depreciation, maintenance and consumable, excluding cost of paper was as high as 26 paise per page against only five paise of printing through private press which included the cost of paper also. The department incurred an extra expenditure of Rs 27.30 lakh by printing of 1.30 crore forms in-house with the help of Risograph machines.

Scrutiny disclosed that the Superintendent PSD Vijayawada printed 4.13 lakh forms during January 1995 to November 1997 through Risograph at an average cost of Rs 1.11 per page excluding paper cost. During 1994-97, he printed 4.14 crore forms locally through private printers at a total cost of Rs 6.77 lakh which worked out to mere two paise per page only.

PSD Mumbai used more expensive paper

(v) These machines are designed to accept any type of paper quality from 46 gsm onwards for printing. PSD Mumbai, however, used 70 gsm maplitho paper on the ground that using the inferior quality would give operational problems. The cost of 70 gsm maplitho paper was Rs 34 per kg and the cost of normal white printing paper was Rs 20 per kg. This resulted in avoidable expenditure of Rs 6.53 lakh during June 1996 to May 1997.

Poor performance and high cost of printing rendered the decision for purchase of Risograph questionable

Thus, the decision of DoP to purchase the Risograph machines was questionable both from the point of view of their usefulness and on consideration of economy. The department did not evaluate the claim of the manufacturers about the capacity of the Risograph to print forms per hour, nor did it work out the cost effectiveness of the decision. This has not only rendered the expenditure of Rs 33.80 lakh on purchase of the machine questionable, but has also resulted in recurring extra expenditure on their use.

The Ministry stated, in November 1997, that non availability of trained staff, supporting machines and standard quality of paper were the reasons for shortfall in achieving the target. Ministry added that these machines were also being used as photo copier. The reply of the Ministry supports the audit conclusion that DoP purchased the machine without adequate planning and providing for support services. Besides, the use of these expensive machines mainly as photocopier is not justifiable, when photocopiers are available at much less cost.

47 Excess payment of bonus and pension

In one case of inadmissible payment, DoP has been avoiding recovery of overpaid amount of bonus of Rs 4.23 lakh for the last three years. In another case, failure of the field units to comply with the rules led to inadmissible payment of Rs 3.18 lakh.

Test check of establishment payments in DoP, New Delhi and the accounts relating to payment of pension/family pension in Orissa circle disclosed inadmissible payments of Rs 7.41 lakh as under:

Case I

Scrutiny of documents relating to the recovery of overpayment of productivity linked bonus for 53 days emoluments in place of only 35 days emoluments admissible to 518 employees of Central Secretariat Services (CCS) cadre working in DoP in 1993-94 disclosed that DoP had not recovered the overpayment of Rs 4.23 lakh from the employees as of December 1997.

Secretary Telecom Commission sanctioned bonus to employees of DoP at a rate of 53 days

Secretary Telecommunications, being their cadre controlling authority approved advance payment of bonus to 518 CSS cadre employees of DoP at 53 days emoluments subject to the condition that if the Ministry of Finance did not agree to the proposal to grant them bonus at that rate, the excess paid amount would be recovered from them.

Non-acceptance of the proposal by Ministry of Finance established over payment of Rs 4.23 lakh

Ministry of Finance advised in November 1993 and August 1994 that the bonus to CSS cadre employees of DoP would not be admissible at the rates approved for the employees of DoT and that the excess paid amount should be recovered. Since the bonus for 1992-93 to the CSS cadre employees of the DoP was admissible for only 35 days, this resulted in overpayment of Rs 38 to 947 each in cases of 518 employees.

Secretary DoP did not recover the over payment for three years without valid reasons

Despite clear overpayment of bonus and advise by Ministry of Finance, Secretary DoP did not order recovery of overpaid amount when the file was put up to him in June, July and September 1994. Thereafter the matter was not taken up until it was pointed out by Audit in December 1996. As a result, the established overpayment of Rs 4.23 lakh to the employees remained unrecovered as of December 1997.

The Secretary Postal Services Board stated, in July 1997, that the matter had become quite old and recovery of amount without taking staff into confidence may invite strong reaction.

The above contention is not tenable as the employees had agreed at the time of sanction of bonus at higher rate in October 1993 that they would be willing to refund the excess amount in case the Ministry of Finance did not agree to their demand.

Case II

No dearness relief is admissible on pension to re-employed pensioners/family pensioners. Establishment audit and audit of pension vouchers in Orissa circle revealed that the Postmasters/Sub Postmasters made inadmissible payment of Rs 3.18 lakh in 19 cases up to January 1997 on account of dearness relief to pensioners/ family pensioners re-employed either by the DoT or DoP on compassionate ground. The inadmissible payment took place due to the failure of the employers to intimate the re-employment to the Postmasters/Sub Postmasters who were making payment of pension to these re-employed pensioners. The disbursing postmasters on their parts also failed to obtain the non-employment/employment/ re-employment certificate once in May and November each year, as prescribed under the rules.

The matter was referred to the Ministry in October 1997. The Ministry stated in December 1997 that an amount of Rs 59 thousand had been recovered from the pensioners/family pensioners upto October 1997. It added that efforts would be made to recover the remaining amount.

48 Follow up on Audit Report

Despite repeated instructions/recommendations of the PAC, the Department did not submit remedial Action Taken Notes on two Audit Paragraphs

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC) decided in 1982 that Ministries/Departments should furnish remedial/corrective Action Taken Notes (ATNs) on all paragraphs contained therein.

PAC recommended submission of all pending ATNs up to 1995 within three months

From 1995-96 ATNs are to be submitted within four months of placing of the Report on the table of Parliament

The Committee took a serious view of the inordinate delays and persistent failure on the part of large number of ministries/departments in furnishing the ATNs within the prescribed time frame. In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, the PAC desired that submission of pending ATNs pertaining to Audit Reports for the years ended March 1994 and 1995 be completed within a period of three months and recommended that ATNs on all paragraphs pertaining to the Audit Reports for the year ended 31 March 1996 onwards submitted to them duly vetted by Audit within four months from the laying of the Reports in Parliament.

Ministry did not submit ATNs to PAC on two out of 13 paragraphs in the Report for the year ended March 1996

Review of outstanding ATNs relating to Department of Post Ministry of Communications as of December 1997 revealed that though the Audit Report for the year ended 31 March 1996 was laid on the table of the Parliament on 20 March 1997 and the time limit of four months for furnishing the ATNs had elapsed in July 1997, the Department did not submit final ATNs on two out of 13 Paragraphs included in the Audit Report, as detailed below:

Table 48

Sl. No.	Para No.	Subject	Position of Action Taken Notes
1.	3.2	Introduction of Multipurpose counter machines in Post Offices	Final ATN awaited
2.	4.6	Avoidable payment of penal charges due to non- maintenance of power factor.	Final ATN awaited

The position of pending ATNs was reported to the Ministry in October 1997, but final ATNs were awaited as of December 1997.

Narasimhan

(T.S. NARASIMHAN)
Director General of Audit
Post and Telecommunications

Delhi
The 8 May 1998

Countersigned

V. K. Shunglu

(V.K. SHUNGLU)
Comptroller and Auditor General of India

New Delhi
The 8 May 1998

APPENDIX - I

(Referred to in paragraph 2.2.4 at page 16)

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

Grant No. 14 - Department of Telecommunications

(Rs in crore)

Sl. No.	Major Head	Head of Account	Amount of re-appropriation to the Sub-Head	Amount of final saving under the head after re-appropriation
1.	**REVENUE** 3225-Telecom-munication Services	C1(2)(4) Engineering Divisional and Sub-divisional Officers	0.10	13.99
2.		C1(2)(5) General Manager Projects	0.15	0.25
3.		C2(1) Total General Operational Training	0.96	1.45
4.		C3(1)(1) Control and Supervision	0.21	0.26
5.		C5(4)(2) Local exchanges (voted)	2.08	4.81
6.		C5(4)(3) Trunk Exchanges	0.23	2.25
7.		C5(4)(8) Store Depots	0.01	0.04
8.		C5(4)(10) Other Telecom Buildings	0.21	2.30
9.		C6(2)(2) Divisional Officer (Telegraphs)	0.55	0.89
10.		C7(1)(1)(1) Contributions	0.38	1.14
11.		C7(1)(3) Dispensaries	0.01	0.04
12.		C7(1)(4) Other Amenities	0.02	0.42
13.		C8(1)(1) Arrears paid due to Supreme Court Judgement	0.01	0.30
14.		C9(1) Stationary and forms printing storage and distribution	2.41	4.76
15.		C11(1)(3) Other charges Depreciated value of assets abandoned/dismantled/sold/ replaced/constructed	0.61	1.57
16.		F4(1)(4) Grants to TRAI	0.40	0.41
17.	**CAPITAL** 5225-Capital Outlay on Telecom Services	BB3(1) Trunk Automatic Exchanges	3.20	40.97
		Total	11.54	75.85

APPENDIX - II

(Referred to in paragraph 2.2.4 at page 16)

Cases of injudicious re-appropriation

when the actual expenditure exceeded the final provision after re-appropriation

Grant No. 14 - Department of Telecommunications

(Rs in crore)

Sl. No.	Major Head	Head of account	Amount of re-appropriation from the sub-head	Excess expendi-ture over the balance provision after re-appropriation
1.	**REVENUE** 3225-Telecom-munication Services	C3(3) Factories	(-)2.06	6.67
2.		C3(4) Misc. Expenditure	(-)19.75	66.38
3.		C5(2)(3) Apparatus and Plants	(-)24.64	11.63
4.		C5(5)(1) Constructions, Engineering Work, Estt. for telephone	(-)5.67	1.27
5.		C6(2) Accounts, Directorate & Circle Offices	(-)1.87	1.62
6.		C11(2) Social Security & Welfare Programme	(-)0.08	1.06
7.	**CAPITAL** 5225-Capital Outlay on Telecom Services	BB3(3) Manual Trunk Exchanges	(-)2.00	9.76
8.		BB4(6) High Frequency Radio System	(-)35.00	16.77
9.		BB5(4) Store Depots	(-)2.00	1.64
10.		BB7(2) Manufacture System Account	(-)23.18	10.62
	Total		(-)116.25	127.42

Appendix - III

(Referred to in paragraph 9.1 at page 34)

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

Sl. No.	Particulars of lines/ cables/circuits	Period of short/ non-recovery	Total amount of short/non-recovery	Particulars of bills issued/recovery made after issue of Audit Memo		Remarks
				Amount recovered/ month of recovery	Amount to be recovered	
1.	2.	3.	4.	5.	6.	7.
Bihar Telecommunications Circle			(Rs in lakh)			
1.	Provision of three speech circuits to Steel Authority of India Limited Ranchi	March 1993 to March 1997	65.63	65.63 June 1996 to October 1996	-	-
2.	Provision of under-ground cable for local lead from Ranchi Carrier to Ranchi Railway Station to South Eastern Railways	January 1995 to January 1997	3.75	3.75 July 1996	-	-
3.	Provision of external extensions from PBX boards to Bihar Police Patna	May 1988 to March 1997	89.21	-	89.21	Facts accepted bill issued
4.	Provision of 30 channel UHF system between Patna-Bihta to Indian Air Force	November 1991 to March 1997	46.90	23.82 March 1997	23.08	Facts confirmed
Gujarat Telecommunications Circle						
5.	Provision of subscriber's owned PABX - non-billing of licence fee and junction termination charges from subscribers	April 1989 to October 1997	2.89	2.30 August 1997	0.59	-
6.	Provision of 20/6.5 lbs underground cable to National Airport Authorities	May 1988 to May 1997	10.93	7.80 May 1996	3.13	-
7.	Provision of speech circuits to four private parties between Vapi-Bombay and vice-versa	May 1995 to March 1997	6.53	6.53 August 1996 and January 1997	-	-

Contd...

1.	2.	3.	4.	5.	6.	7.
8.	Provision of 30 channel PCM system and 14/20 lbs under- ground cable to Army Authorities	April 1991 to March 1996	12.60	-	12.60	Bill for Rs 12.60 lakh issued in September 1996
Haryana Telecommunications Circle						
9.	Provision of two lengths of 50/10 and 50/6.5 lbs under-ground cable to Air Force Authorities at Sirsa	April 1995 to March 1997	5.74	5.48 February 1997 to October 1997	0.26	-
10.	Provision of UHF link between Gurgaon and Manesar to National Security Guard	April 1988 to March 1997	76.83	76.83 March 1997 and October 1997	-	-
Himachal Pradesh Telecommunications Circle						
11.	Provision of telephone facility to 14 subscribers by GMT Shimla - non-issue of bills for want of completed advice notes	April 1995 to November 1996	14.08	-	14.08	-
Jammu and Kashmir Telecommunications Circle						
12.	Provision of under-ground cable at various locations to Army Authorities at Jammu	November 1993 to June 1997	25.89	18.33 December 1996	7.56	Bill issued in May 1997
Karnataka Telecommunications Circle						
13.	Data Network circuits provided to Southern Railway in April 1993 between Bangalore and Mysore	April 1994 To March 1996	3.04	3.04	-	Bill for Rs 1.17 lakh was issued in November 1995 and paid in September 1996 Rs 1.87 excess paid was adjusted
14.	Data Network circuits provided to Societe Internationale De Telecom Aeronatiques (SITA) in November 1993 between Bangalore-Coimbatore	November 1994 to March 1997	10.97	10.97 July 1996	-	
15.	30 channel DUHF link between Bangalore Airport and Telecom Building provided on rent and guarantee basis to National Air Port Authority (NAA) Bangalore in March 1992 (Executed by Project circle Chennai)	March 1992 to March 1993 and March 1992 to March 1995	27.80	27.80 March 1996	-	

Contd...

1.	2.	3.	4.	5.	6.	7.
16.	23 Channel TDM VFT System for terminating their TP circuits on the UHF system was provided to NAA Bangalore in September 1993 on Rent and Guarantee basis (balance 13 channel utilised for DoT circuits)	September 1994 to March 1995	0.91	0.91 October 1995	-	
17.	Underground cables provided to IAF Bangalore in November 1993 from UHF link to ASTE 26 ED and IAN as local leads from UHF link to Air Force units	November 1994 to March 1997	15.48	15.48 March/ June 1997	-	-
18.	Two wire local data circuits for 9.6 kbps was provided to Amananth Cooperative Bank, Bangalore in June 1994	June 1995 to March 1997	0.75	0.75 June 1996	-	-
19.	Two wire local data circuits between Indian Airlines Bangalore and Ashok Travels, Bangalore provided to Indian Airlines Bangalore in March 1995	March 1996 to March 1997	0.22	0.22 November 1996	-	-
20. (a) (b) (c)	Four wire channel between Bangalore and Bombay for 64 kbps data circuit provided to Standard Chartered Bank Bombay in November 1994 Provision of local lead at Bangalore Provision of local lead Bombay and short claim of Installation fee	November 1995 to March 1997	10.83	10.83 November 1996	-	-

Contd...

1	2	3	4	5	6	7
21. (a) (b) (c)	Provision of 9.6 kbps data circuit between Bangalore and Calcutta to TNT Express World wide India (Pvt.) Ltd. Bangalore in August 1994 Provision of local lead at Bangalore end in August 1994 Provision of local lead at Calcutta end	August 1995 to March 1997	10.95	-	10.95	Bills issued in September 1997
22. (a) (b) (c)	Provision of 64 kbps data circuit between Bangalore and Nasik to Mico Ltd. Bangalore (in January 1995) Provision of local lead at Bangalore end (In January 1995) Provision of local lead at Nasik end	January 1996 to March 1997	14.17	14.17 August 1996	-	-
23.	Provision of channel between Bangalore and Chennai	March 1996 to March 1997	8.68	8.68 December 1996	-	-
24. (a) (b)	Provision of channel between Bangalore and Secundrabad to Data Pro Information Systems Ltd. Bangalore in February 1995 Provision of local lead at Bangalore end in February 1995	February 1996 to March 1997	39.71	-	39.71	Bills issued on 11.11.96
Madhya Pradesh Telecommunications Circle						
25.	Nai Dunia Indore speech circuits Indore to Ujjain	November 1992 to June 1996	1.78	1.61	0.17	
26.	Nai Dunia Indore speech circuits Indore to Ratlam	January 1995 to January 1997	1.31	1.31 January 1997	-	
27.	Chief Signal Officer Mukhyalaya Madhya Kaman H.Q. Lucknow speech circuits between Jabalpur to Panchmari (Main circuits)	November 1992 to June 1996	1.55	1.55 April 1997	-	

Contd.....

1.	2.	3.	4.	5.	6.	7.
28.	Chief Signal Officer Mukhyalaya Madhya Kaman H.Q. Lucknow Jabalpur to Panchmari local leads both ends	November 1992 to June 1996	0.10	0.10 April 1997	-	
29.	Chief of the General DHQ, New Delhi speech circuit between Jabalpur-Mhow	November 1992 to June 1996	4.99	4.99 April 1997	-	
30.	Chief of the General Staff DHQ, New Delhi speech circuit between Jabalpur- Dhanpur	November 1992 to June 1996	6.48	6.48 September 1997	-	
31	Chief Signal Officer HQ-21 core, S.I. Lines, Bhopal speech circuit betwen Bhopal to Nasirabad	September 1993 to March 1996	4.40	4.40 September 1997	-	
32	Chief Signal Officer HQ-21 core, S.I. Line, Bhopal local leads both ends Bhopal-Nasirabad	September 1993 to March 1996	0.11	0.11 September 1997	-	
33.	Chief Signal Officer HQ-21 core, S.I. Lines Bhopal speech circuits between Bhopal to Jhansi	January 1993 to March 1996	1.91	1.91 September 1997	-	
34	Chief Signal Officer HQ-21 core, S.I. Lines, Bhopal local leads both ends Bhopal and Jhansi	January 1993 to March 1996	0.19	0.19 September 1997	-	
35	Femoconcrete (India) Ltd. speech circuit between Indore to Dhani	September 1990 to September 1996	5.03	4.20 September 1997	0.83	
36	Ruchi Soya Industries Ltd. Indore speech circuit between Indore-Bombay	October 1995 to October 1996	8.37	8.37 May 1996	-	
37	Airport Authority Aeronautical Communi-cation Station, Nagpur top circuit between Indore-Nagpur (GM Telecom District Indore)	February 1994 to February 1997	6.43	6.43 September 1997	-	
38	(Telecom District Manager Gwalior) 30 channel PCM system between E-10-B Exchange and Military Exchange Morar	August 1995 to August 1997	7.19	-	7.19	Bills issued for Rs 7.19

Contd...

1	2	3	4	5	6	7
Maharashtra Telecommunications Circle						
39.	10+10+100 lines Private Auto Exchange (PAE) was provided to Central Mine Planning and Design Institute (CMPDI) Nagpur with 36 internal and 57 external extensions	November 1989 to June 1997	8.37	2.03 July 1996	6.34	-
40.	150 pairs of under-ground cable was provided to Nuclear Power Corporation Limited, Tarapur (NPCL) in April 1994 on rent and guaranteed basis	April 1994 to March 1997	88.47	-	88.47	Bill for Rs 88.47 lakh issued in October 1996.
41.	114 EPABX owned by private parties were provided without levy of licence fees	March 1989 to June 1996 and April 1990 to March 1996	10.04	2.25 May 1996	7.79	-
Punjab Telecommunications Circle						
42.	Provision of 2 Mb bulk digital media between Hissar-Bhatinda provided to Air Force Authorities	August 1995 to August 1997	60.00	60.00 September 1997	-	-
Rajasthan Telecommunications Circle						
43.	Provision of jelly filled 20/6.5 lbs underground cable to IAF	December 1996 to February 1997	10.90	8.63 October 1997	2.27	
Uttar Pradesh Telecommunications Circle						
44.	202 telephone connections provided to various subscribers	January 1993 to January 1997	59.66	-	59.66	-
	Total		**791.77**	**417.88**	**373.89**	

Appendix - IV

(Referred to in paragraph 9.5 at page 36)

Non-billing or short-billing of customers -- Short billing of rent on private data network

Sl. No.	Particulars of lines/ cables/circuits	Period of short/non-recovery	Total amount of short/non-recovery	Particulars of bills issued/recovery made after issue of Audit Memo		Remarks
				Amount recovered/ month of recovery	Amount to be recovered	
1.	2.	3.	4.	5.	6.	7.
Gujarat Telecommunications Circle			(Rs in lakh)			
1.	Provision of data circuits to Air India Ahmedabad to operate as a private network.	December 1991 to April 1996	19.61	19.61 February 1997	-	-
2.	Provision of a data circuit to Western Railway Rajkot to operate as a private data network.	May 1995 to May 1997	8.60	8.60 July 1996	-	-
Karnataka Telecommunications Circle						
3.	Provision of data circuits for Electronic Mail Service to six private firms	August 1994 to July 1995	19.08	7.62 October 1996 and March 1997	11.46	-
Kerala Telecommunications Circle						
4.	Provision of a data circuit to Indian Airlines to operate between its office at Calicut and booking office Airport Calicut.	October 1990 to June 1997	8.48	4.02 March 1997	4.46	-
5.	Provision of a data circuit to Air India to operate between Calicut booking office and Airport booking office.	January 1994 to June 1997	6.38	-	6.38	Bill issued in December 1996
Rajasthan Telecommunications Circle						
6.	Provision of three leased data circuits for RAILNET from New Delhi to Jodhpur to Northern Railway in March 1991	November 1992 to May 1997	106.18	-	106.18	-
West Bengal Telecommunications Circle						
7.	Provision of nine data circuits to Indian Airforce between 1988-89 to 1990-91	June 1988 to June 1997	343.00	135.00 October 1996 to December 1997	208.00	-
	Total		**511.33**	**174.85**	**336.48**	

Appendix - V

(Referred to in paragraph 9.6 at page 36)
Non-billing or short-billing of customers --Other cases

Sl. No.	Particulars of lines/ cables/circuits	Audit observation	Period of short/ non-recovery	Total amount of short/non-recovery	Particulars of bills issued/recovery made after issue of Audit Memo		Remarks
					Amount recovered/ month of recovery	Amount to be recovered	
1.	2.	3.	4.	5.	6.	7.	8.
Assam Telecommunications Circle					(Rs in lakh)		
1.	Provision of 120 channel UHF link to Indian Oil Corporation Digboi	Non realisation of rental due to failure to issue bills	August 1990 to August 1997	50.38	50.38 January, March and August 1997	-	-
Bihar Telecommunications Circle							
2.	Provision of FAX connections to various subscribers by GMT Patna	Failure to renew licences and not collecting the charges in advance	January 1990 to March 1996	3.47	-	3.47	Bills issued in August 1995
3.	Provision of six channel UHF system to Bharat Cooking Coal Ltd. in December 1991	Incorrect fixation of rent	December 1991 to March 1998	371.00	-	371.00	-
4.	Provision of 60 channel UHF to TISCO in November 1990	Non revision of rent based on actual cost	December 1990 to November 1997	109.00	-	109.00	-
Jammu and Kashmir Telecommunications Circle							
5.	Provision of 120 channel UHF system to IAF in April 1988	Wrong fixation of rental	April 1988 to March 1998	128.00	-	128.00	-
Karnataka Telecommunications Circle							
6.	Provision of telephone to 9940 subscribers by Bangalore Telecom District	Failure to recover advance rental	One time payment	65.59	-	65.59	-
Kerala Telecommunications Circle							
7.	Provision of 16 private manual branch exchanges/private automatic branch exchanges to various subscribers	Non recovery of advance rentals	June 1993 to May 1997	6.65	6.21 May 1996 to August 1997	0.44	-
8.	Provision of Subscriber owned Electronic Private Automatic Branch Exchange to V.S.S.C. at Thumba and Valiamala	Non recovery of additional rental	March 1992 to April 1996	5.82	5.82 June 1997		

Contd.....

1.	2.	3.	4.	5.	6.	7.	8.
9.	Provision of a speech circuit to V.S.S.C., Trivandrum	Failure to collect higher rate of rent	November 1992 to July 1997	8.84	-	8.84	-
10.	Provision of a long distance telephone connection to Indian Airlines at Karippur Airport	Omission to collect rent at revised rates	April 1988 to June 1997	6.11	6.11 July to September 1997		
Madhya Pradesh Telecommunications Circle							
11.	Provision of 32 speech circuits, 10 teleprinter circuit, 19 telex lines and 62 non-exchange lines by GMT Indore to various subscribers	Failure to issue bills for annual rental	November 1992 to December 1994	60.47	-	60.47	-
12.	Provision of subscriber owned EPABX to 85 subscribers by GMT Indore	Failure to issue bills	-	7.17	-	7.17	-
Maharashtra Telecommunications Circle							
13.	Speech circuits to Khandesh Extentions betwen Chalisgaon and Dhule	Failure to observe departmental rules in fixation of rent	January 1994 to March 1997	1.14	1.14 (November 1994 to July 1996)	-	
14.	Speech circuits to Chabhi Electricals Private Ltd. between Jalgaon-Bombay	Failure to revise the rent	November 1992 to March 1997	5.96	5.96 April 1996 to September 1996	-	
15.	Central Railway Control Office, Bhusawal speech circuits between Central Railway Bhusawal to All India Radio Jalgaon	Non revision of rent	November 1992 to March 1997	0.20	0.20	-	
16.	Integrated Steel (A division of LLoyed Steel Industries Wardha) speech circuits between Wardha Mumbai Telecom District Chandrapur	Non revision of rent	June 1994 to June 1997	4.76	4.76 October 1997	-	
17.	Chief Signal officer Southern Command Pune Non Exchange Line number 1 between Panjim-Vasco	Failure to issue periodical annual bills	November 1992 to June 1997	2.46	-	2.46	Supplemen-tary bills issued in February 1997
18.	Chief Signal officer Southern Non Exchange Line number 2 between Panjim-Ponda	Non billing due to failure to make over records etc.	November 1992 to June 1997	2.53	-	2.53	Supplemen-tary bills issued in February 1997

Contd.....

1	2	3	4	5	6	7	8
19.	Chief Signal officer Southern Non Exchange Line number 3 between Panjim-Margao	Non issue of bills for annual rent	November 1992 to June 1997	2.53	-	2.53	Supplemen -tary bills issued in February 1997
20.	Chief Signal officer Southern Non Exchange Line number 4 between Panjim-Bambolin	Non issue of bills for annual rent	November 1992 to June 1997	0.64	-	0.64	Supplemen tary bills issued in February 1997
21.	Provision of leased telephone circuits to Defence by GMT Pune	Failure to recover additional rent	-	23.69	-	23.69	-
22.	Provision of non OYT telephones to 10286 subscribers by GMsT Pune Nagpur and Kolhapur	Non recovery of advance rental	-	86.44	86.41 October 1997	0.03	
Orissa Telecommunications Circle							
23.	Provision of two data circuits to South Eastern Railway between Calcutta and Rourkela in November 1994	Wrong fixation of annual rent	November 1995 to October 1996	10.37	10.37 January 1997	-	-
Punjab Telecommunications Circle							
24.	Provision of two lengths of 20/6.5 lbs underground cable to Civil Aviation Department Amritsar	Non recovery of rent and compensation for premature surrender of cable	May 1989 to May 1999	22.52	22.52 October 1996 and March 1997	-	-
25.	Provision of a speech circuit to Army authorities between Pathankot and Chandigarh	Circuit was being billed for on point to point basis instead of treating it as a single link operation dialing circuit having connectivity through public switching telephone network	August 1990 to October 1997	5.78	-	5.78	Bill issued in February 1997
26.	Provision of speech circuit to Army authorities between various stations by TDM Pathankot	-do-	November 1992 to October 1997	10.55	-	10.55	
Rajasthan Telecommunications Circle							
27.	Provision of telephones by 3 TDMs namely Jaipur, Udaipur and Nagaur under OYT scheme	Non recovery of advance rent on deposit	-	22.02	5.68 July 1996	16.34	-

Contd.....

1.	2.	3.	4.	5.	6.	7.	8.
Tamil Nadu Telecommunications Circle							
28.	Hindustan Lever Ltd Cuddalore	Incorrect fixation of rent	September 1993 to January 1996	1.70	1.70 February and June 1996	-	-
29.	Hindustan Lever Ltd (SC-VHF Provision inclusion of tower material components while calculating R&G on capital cost) Cuddalore	Non revision of rent	September 1993 to December 1996	0.60	0.60 January/ August 1997	-	
30.	NEYCER India Cuddalore	Failure to observe departments rules resulting short recovery	May 1994 to January 1996	1.51	1.51 January 1996	-	-
31.	Provision of 200 line EPABX to Customs Home in May 1989 and upgradation of 200 line EPABX to 300 line at International Airport Authority of India in January 1996	Incorrect application of rent and omission to issue bills	May 1989 to April 1997	14.98	14.98 September/ October 1996 and January 1997	-	-
Uttar Pradesh Telecommunications Circle							
32.	20/20 lbs under-ground cable of 10 km was provided to Air Force Authority Allahabad	Incorrect fixation of rent	November 1992 to March 1996	4.71	4.71 March 1996	-	
33.	20/6 lbs under-ground cable for sole use of the subscriber was provided to IAF Sarsawa	Failure to issue bills	December 1990 to March 1996	5.54	-	5.54	-
34.	Speech circuits to Northern Railway, Moradabad between Moradabad to Sitapur provided in July 1993	Incorrect fixation of rent	July 1993 to July 1996	3.47	3.47 March 1995 and July 1996	-	
35.	Underground cable was provided to Civil Aviation Department Varanasi	Non revision of rent	March 1990 to March 1996	31.21	31.21 January 1996	-	
	Total			**1087.81**	**263.74**	**824.07**	

Appendix - VI

(Referred to in paragraph 22.1 at page 72)

Cases of non-recovery of liquidated damage charges

Sl. No	Name of the Procuring Officer and circle	Date of placement of purchase order/ Particulars of equipment	Name of Supplier	Scheduled date of delivery	Date of supply	Liquidated damages due (Rs in lakh)
1.	GMT Projects Hyderabad Andhra Pradesh	DoT P.O of 24 April 1991 6Ghz 140 Mbs M/W system	Bharat Electronics Ltd.	September 1992	August 1993	44.02
2.	GMT Chandigarh Punjab	DoT PO of March 1994 15k line digital exchange equipment	Fujitsu India Telecom	February 1995	March-April 1995	1.98
3.	GMT Ferozepur Punjab	DoT PO of January 1995 7k line C-DoT exchange	Punjab Communicat-ions Ltd.	April 1995	May 1995	4.21
4.	Director Telecom Projects Shimla	DoT PO of January 1992 7 GHz 34 Mbs M/W system	Punjab Communications Ltd.	July 1995	March 1994	7.14
5.	GMT Sangrur Punjab	DoT PO of January 1995 10k line C-DoT MAX-I	Indchem Electronics Chennai	April 1995	June 1995	8.12
6.	Telecom District Manager Patiala Punjab	CGMT PO PIJF underground cable	Hindustan Cables Limited Calcutta	Between 20 June and 20 August 1995	Between 21 August and 30 November 1995	29.16
7.	GMT Trichy Tamil Nadu	DoT PO of January 1995 10k line switching equipment	Siemens Ltd.	February 1995	June 1995	22.10
8.	TDM Tuticorin Tamil Nadu	DoT PO of November 1995	Hindustan Teleprinters	February 1996	June 1996	23.32
	Total					**140.05**

Appendix - VII

(Referred to in Paragraph 22.2 at page 72)

Cases of short recovery of liquidated damages

Sl. No.	Name of circle and Procuring Officer	Particulars of purchase order	Name of supplier	Liquidated damages due	Liquidated damages recovered (Rs in lakh)	Liquidated damages recovered short due to not taking into account the ED and ST while computing the same
1.	Karnataka Director Transmission Projects Bangalore	DoT PO of May 1990 OFC and accessories	Optel	11.47	1.35	10.12
2.	Karnataka AE Circle Telecom Stores Depot Bangalore	Various POs; Various types of stores	Various Suppliers	100.82	79.67	21.15
3.	Rajasthan AE Circle Telecom Stores Depot Jaipur	-do-	-do-	106.17	82.63	23.54
4.	Kerala GMT Projects Ernakulam	-do-	-do-	41.09	32.24	8.85
5.	West Bengal GMT Project Eastern Region	DoT, PO of December 1992 6Ghz M/W System	Bharat Electronics Ltd.	51.98	32.58	19.40
6.	Madhya Pradesh Chief General Manager Telecom Bhopal	POs placed during 1992-97	Various suppliers	84.90	55.17	29.73
	Total			396.43	283.64	112.79

Appendix - VIII

(Referred to in paragraph 30 at page 80)

Idle equipment

Name of equipment	Circle/ Location	Number	Quantity	Value (Rs in lakh)	Number of years for which the equipment is lying idle
1.	2.	3.	4.	5.	6.
Electronic Teleprinter machines	AE I/C Circle Store Depot Jaipur	840	--	543.68	Three to five years.
Pulse Code Modulation (PCM)	E-10B exchange Kota	25 Number of 30 channel	--	22.85	Four years.
	DE(PCM) Naranpura Ahmedabad	22 Number of 30 channel	--	47.44	Three years.
	SDO (T) Raipur and Circle Store Depot Bhopal	20 Number of 30 channel	--	179.39	Three years.
Speech' 4 Data Channel (S+4DX) BAY system of Teleprinter Telegraph circuits	AE Circle Store Depot Jaipur	70 terminals	--	134.10	Two to three years.
Coaxial cables	Coaxial Cable Division Chennai	--	272 km	356.00	Four to nine years.
	JTO (Stores) Telecom Project Lucknow	-	5.611 km	10.10	Five years.
Cross bar exchange equipment	Kanchipuram, Pallipalayam, Meyyanur and Virudhunagar	4 Number of cross bar exchange equipment	--	289.80	Six to Seven years.
	TDE Sagar	One exchange equipment of 3000 lines	--	114.00	Eight to nine years.
	DE Bhiwandi, Dhule, Chandrapur, Latur and GMTD Goa	5 Number of exchanges of 11000 lines	--	865.55	Three to six years.
	SDO (Telegraph) Farukhabad	One exchange equipment	--	69.30	Eight to 10 years.
Cross bar exchange equipment	DE (Admn. & Plg.) Haldwani	-do-	--	87.25	Eight years.
	SDO (Telegraph) Shahjahanpur	-do-	--	18.67	Nine years.
	SDE (Plg) Agra	-do-	--	311.44	Nine years.
	TDE Saharanpur	-do-	--	43.16	Eight to ten years.

Contd....

1.	2.	3.	4.	5.	6.
	SDO (Phones) Hoshiarpur	One exchange equipment of 4500 lines	--	56.74	Six to eight years.
	SDO (Telegraph) Barnala, Moga and Batala	Three number of exchanges	--	85.74	Five years.
	SDO (Phones) Ferozpur	One number of exchange	--	210.00	Nine years.
	SDE E-10B Bhagalpur	-do-	--	412.12	Four to five years.
	SDO (Telegraph) Jalpaiguri	One exchange equipment of 1500 lines	--	77.83	Five to nine years.
	SDE Indoor Belgaum	--	--	109.33	Four to eight years.
	GMTD Bhubaneswar	--	--	50.14	Four to eight years.
ITEX Electronic Telex	1.DE Transmission Coimbatore 2. DE Telecom Maintenance, Karur	2 Number of 40 lines	--	19.21	Two years.
	Sub Divisional Engineer (Planning), Goa	-do-	--	26.58	One Year
Optical Fibre cable	SDO (Telegraph) Chittoor (Tirupati)	--	16.815 km	20.44	Two years.
Time Division Multiplex system (TDM)	A.E. EDX Vijayawada	2 Number of 23 channel TDM system	--	12.10	Two years.
Primary multiplexing equipment	Director Transmission Projects Bangalore	74 Number of Ist Order MUX	--	112.98	Four to five years.
GI/HDPE pipe	Executive Engineer Telecom Civil Division Aurangabad	--	--	12.78	Three to four years.
Polyvinyl Chloride (PVC) Pipes	Executive Engineer Telecom Civil Division Patna	--	23988 metre of 107 mm and 8214 metre of 50 mm	12.69	Four to five years.
32 mm Tor Steel	Executive Engineer Telecom Civil Division Baroda	--	183.669 tonne	15.07	Seven years.
	Total			**4326.48**	

Appendix - IX

(Referred to in paragraph 39 at page 89)

PART A

Position of outstanding ATNs in respect of expenditure paragraphs of DoT for the Audit Reports upto No. 7 of 1996

Audit Report (Number and Year)	Paragraph No.	Subject
For the year ended March 1994 (7 of 1995)	8.1	Modern foundry plant at Kharagpur
	9.1	Avoidable payment of commitment charges on foreign loan
	9.4	Non-accounting of stores
	9.25	Non-recovery of compensation for damage to departmental property
For the year ended March 1995 (7 of 1996)	8.1	Planning and procurement of cables by Madhya Pradesh Telecom Circle
	8.2	Computerisation in Department of Telecommunications
	8.3	Working of retail telecommunication stores depot, Bhubaneswar
	9.1	Non recovery of advance
	9.5	Wasteful expenditure and idle investment on purchase of cast iron pipes
	9.12	Irregular payment of Octroi
	9.14	Wasteful expenditure in installation of a higher capacity electronic telex concentrator
	9.15	Excess payment of Central Excise duty and State Sales tax
	9.20	Infructuous expenditure in laying of cable
	9.27	Excess payment to suppliers
	9.29	Wasteful expenditure

Appendix - IX

PART B

Position of outstanding ATNs in respect of Revenue paragraph of DoT for the Audit Report No. 7 of 1996

Audit Report (Number and Year)	Paragraph No.	Subject
For the year ended March 1995 (7 of 1996)	7.2(ii)	Non-billing or short billing of customers
	Appendix VII Sl.No.5	Bills issued at old rates

Appendix - X
(Referred to in paragraph 39 at page 89)

PART A

Position of outstanding ATNs in respect of expenditure paragraphs of DoT for the Audit Report No. 6 of 1997

Audit Report (Number and Year)	Paragraph No.	Subject
For the year ended March 1996 (6 of 1997)	8.1	Procurement of 2GHz Digital Microwave system
	8.2	High Speed Very Small Aperture Terminals Data Network
	8.3	Lease finance of switching equipment
	8.4	Rural telecommunication network and tribal sub-plan
	9.1	Procurement of solar photo voltaic panels
	9.2	Short realisation of cost of deposit works
	9.3	Unproductive investment on Electronic Telex Exchanges
	9.4	Delay in completion of Defence communication project
	9.5	Non-recovery of advance and consequential undue benefit to the suppliers
	9.7	Undue benefit to contractors-loss of Rs 4.31 crore
	9.8	Excessive procurement of CNA systems
	9.9	Wasteful expenditure on import of high power amplifiers
	9.10	Avoidable expenditure in execution of work at abnormally high rates
	9.11	Import of defective cables
	9.12	Undue benefit to a firm in procurement of MARR equipment
	9.13	Loss of revenue in printing of telephone directory
	9.14	Irregularities in external plant work of E-10-B exchange - Jaipur
	9.15	Injudicious procurement of auto pulling machines - Rs 2.45 crore

Contd.......

Audit Report Number and Year	Paragraph No.	Subject
	9.16	Avoidable expenditure on import of equipment
	9.17	Irregularities in purchase of splicing machines
	9.18	Negligence leading to avoidable payment of Customs duty
	9.19	Favourable treatment to supplier with unnecessary purchase
	9.20	Excess payment of Rs 1.44 crore
	9.21	Irregular expenditure of Rs 1.33 crore
	9.22	Overpayment of transportation charges
	9.23	Infructuous expenditure on installation of ultra high frequency link
	9.26	Avoidable expenditure
	9.27	Non-disposal of obsolete cables
	9.28	Non realisation of insurance claim
	9.31	Excess expenditure on import of Travelling Wave Tubes
	9.32	High cost of printing in Government Press
	9.33	Irregular procurement of expansion type bolts
	9.34	Non-enforcement of the terms and conditions of contract
	9.36	Misuse of delegated powers
	9.37	Excess expenditure in procurement of cement
	9.39	Overpayment on account of inadmissible price variation
	9.40	Wasteful expenditure
	9.41	Excess payment of electricity charges

Appendix - X

PART B

Position of outstanding ATNs in respect of revenue paragraphs of DoT for the Audit Report No. 6 of 1997

Audit Report Number and Year	Paragraph No.	Subject
For the year ended March 1996 (6 of 1997)	7.2.2 Appendix IX, Sl.No.8	**Non-billing or short billing of customers** Bills issued at old rates
	7.2.6 Appendix XI, Sl.No.2,4, 12 and 19	**Non-billing or short billing of customers** Other reasons

APPENDIX - XI

(Referred to in paragraph 40 at page 90)

Details of expenditure paragraphs for which replies from DoT were awaited as of December 1997

Department of Telecommunications

Sl. No.	Case mark	Subject	Date of issue
1	RR.I/5340 Kapurthala	Damaged and sub standard dropwire given quality certificate (Rs 38.60 lakh)	16.5.97
2	RR.II/5339 Madras	Infructuous expenditure due to use of armoured cables in ducts. (Rs 15.09 lakh)	16.5.97
3	RR.II/5017 Nagpur	Avoidable expenditure on laying of PVC pipes of higher specification in cement concrete duct. (Rs 26.76 lakh)	16.5.97
4	RR.II/5317 Kapurthala	Lackadaisical approach of project organisation delayed completion of OFC system. (Rs 172 lakh)	20.5.97
5	RR.I/5182 Lucknow	Execution of work without demand (Rs 32.68 lakh)	16.5.97
6	RR.II/5397 Madras	Wasteful expenditure in expanding the capacity of electronic telex concentrator without adequate demand. (Rs 29.91 lakh)	24.6.97
7	RR.II/5233 Calcutta	Idle investment on construction of building and procurement of exchange equipment. (Rs 28.56 lakh)	24.6.97
8	RR.I/5448 Nagpur	Avoidable expenditure on payment of penal charges. (Rs 41.26 lakh)	18.6.97
9	RR.I/5342 Madras	Unnecessary provision of telephone instruments to Private STD operators. (Rs 51.26 lakh)	23.6.97
10	RR.II/5485 Madras	Irregular payment of advance and failure of the department to recover the same from the supplier (Rs 78.73 lakh)	25.6.97
11	RR.I/5272 Bhopal	Defective agreement - Avoidable expenditure on transportation charges (Rs 16.13 lakh)	10.7.97
12	RR.I/4964 Cuttack	Excess expenditure on laying of pipes (Rs 26.09 lakh)	10.7.97
13	RR.II/5335-Ahd/ 5499-Ngp/ 5299-Tvm/5483-Madras	Irregular procurement of electronic push button telephone instrument (Rs 1.43 + 73.62 lakh)	16.7.97
14	RR.II/ 5341-Blr/ 5391-Jpr/5406-Tvm/5510-SWTC	Over payment of transportation charges (Rs 1.67 crore)	16.7.97

Contd…..

Sl. No.	Case mark	Subject	Date of issue
15	RR.I/5300 Jaipur	Avoidable payment of interest on purchase of land (Rs 29.30 lakh)	16.7.97
16	RRI-4988 Patna	Delay in providing telecom facility (Rs 23.36 lakh)	24.7.97
17	RRII-5467 Cuttack	Non observance of codal provisions leading to excess payment and blocking of funds in the purchase of land (Rs 13.82 lakh)	12.8.97
18	RRI-5482 Patna	Irregular cash payment in lieu of uniform	27.8.97
19	RR Project 5550	Undue haste in purchase led to idling of equipment/store and blocking of capital	3.9.97
20	RRII-5445 Ahmedabad	Abnormal delay in construction of Telephone building resulted in loss of potential revenue etc.(Rs 21.64 lakh)	3.9.97
21	RR.I/5265 Bangalore	Blocking of funds, wasteful expenditure, loss of potential revenue and avoidable payment of dividend due to delayed commissioning of PCM	23.9.97
22	RR.II/5563 Delhi	Avoidable expenditure in the procurement of EPBT instrument (Rs 62.81 lakh)	14.10.97
23	RR.I/5548 Delhi	Inordinate delay in use of transponders in satellite systems (Rs 95.98 crore)	8.10.97
24	RR.I/5484 Chennai	Overpayment of Rs 108.42 lakh to supplier.	14.10.97
25	RR.I/5566 Delhi	Serious irregularities in procurement of OFC (Rs 1.51 crore)	20.10.97
26	RR.II/5319 Bangalore	Excess payment of Rs 36.14 crore to suppliers	6.11.97
27	RR.II/5295 Calcutta/Chennai	Excess payment of Custom duty, Insurance premium and bank charges	7.11.97

APPENDIX - XII

(Referred to in paragraph 40 at page 90)

Details of revenue paragraphs for which replies from DoT were awaited as of December 1997

Department of Telecommunications

S.No.	Case mark	Subject	Date of issue
1	RRC/5389 Kapurthala	Continuance of telecommunications facilities despite non payment of dues(Rs 4.58 lakh)	30.5.1997
2	RR.III/5181 Lucknow	Non/short recovery of rental - incorrect fixation of rent.	19.6.1997
3	RR.III/5180 Lucknow	Non/short recovery of rental - incorrect fixation of rent.	19.6.1997
4	RR.III/5177 Lucknow	Non/short recovery of rental - incorrect fixation of rent.	19.6.1997
5	RR.III/5325 Bangalore	Short billing of Rs 19.08 lakh on private data network	19.6.1997
6	RRC/5378 Trivandrum	Wrong fixation of rent (Rs 8.84 lakh)	11.6.1997
7	RRC/5437 Kapurthala	Wrong fixation of rent (Rs 10.55 lakh)	11.6.1997
8	RR.III/5449 Lucknow	Non/short billing of rental due to non implementation of revised tariff (Rs 13.78 lakh)	3.7.1997
9	RR.III/5450 Nagpur	Non billing of rental Rs 8.16 lakh due to non issue of rental bills to Defence	14.7.1997
10	RRIII/5239 Nagpur	Non receipt of advice notes - Rs 106.88 lakh	24.6.1997
11	RR III/5364 Nagpur	Non receipt of advice notes - Rs 106.88 lakh	24.6.1997
12	RR III/5363 Nagpur	Non receipt of advice notes - Rs 106.88 lakh	24.6.1997
13	RRC/5228 Kapurthala	Incorrect fixation of rent - non realisation of revenue Rs 1.28 crore	1.7.1997
14	RR.III/5425 Nagpur	Failure to issue of bills/recovery of additional rent Rs 23.68 lakh	16.7.1997
15	RRC/5361 Patna	Non billing/short billing - other reasons	7.7.1997
16	RRC/5508 Patna	Non realisation of licence fee for public document transmission service (Rs 7.93 lakh)	15.7.1997
17	RR.III/5345 Bangalore	Non recovery of advance rental deposit from Non OYT subscribers(Rs 65.59 lakh)	30.7.1997
18	RR.III/5453 Bhopal	Short/Non billing of rental Rs 74.64 lakh due to non issue of advance rental bills.	30.7.1997
19	RR.III/5454 Bhopal	Non realisation of revenue Rs 7.17 lakh in respect of subscribers owned electronic PABXs.	30.7.1997
20	RR.III/5489 Jaipur	Short realisation of rental Rs 105.65 lakh for data circuits.	30.7.1997
21	RR.III/5401 Bangalore	Leakage of revenue Rs 2.20 crore	14.10.97
22	RRC/5553 Delhi	Non realisation of Satellite charges and penal interest of Rs 84 crore.	20.10.97
23	RRC/Chapter-7	Revenue arrears	7.11.97
24	RRC/Chapter-7	Telex/Intelex charges etc	7.11.97
25	RR.III/Chapter-6	Appropriation Accounts	12.12.97

GLOSSARY OF TERMS AND ABBREVIATIONS

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

HVNET	High speed very small aperture terminals data network
ICP	Indian crossbar project
ILT	Integrated line and trunk
INSAT	Indian National Satellite
KU Band	This band is used for interference free long distance satellite communication
MAX	Multiple automatic exchange operating on electrical mains supply
Mb/s	Mega bits per second denoting digital frequency
MCPC	Multi channel per carrier
MSS	Mobile Satellite Service
Optical Fibre	Glass fibres using lightwaves for transmission of signals
OYT	Own your telephone
PABX	Private automatic branch exchange
PBX	Private branch exchange
PCM	Pulse code modulation
PVC	Polyvinyl chloride
SCPC	Single channel per carrier
SCS	Subscriber carrier system
STD	Subscriber trunk dialling
TAX	Trunk automatic exchange
Telex	Teleprinter exchange
UHF	Ultra high frequency (300 to 3000 MHz)
VSAT	Very small aperture terminal
VHF	Very high frequency

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x	11 from top	Poly	Polyethylene
x	6th from bottom	failed to optimise under-utilisation	failed to optimise utilisation
xv	8th from bottom	manufactures	manufacturers
9	Graph-Financial results	Divident	Dividend
18	Top box last but one line	reversion	revision