REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR

THE YEAR 1978-79

UNION GOVERNMENT (POSTS AND TELEGRAPHS)

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PREFATORY REMARKS

This Report has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts of the Posts and Telegraphs Department for 1978-79 together with other points arising from audit of the financial transactions of the Posts and Telegraphs Department.

The cases mentioned in the Report are among those which came to notice in the course of test audit during the year 1978-79 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1978-79 have also been included wherever considered necessary.

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

CHAPTER I

GENERAL

1. **Revenue position.**—The total revenue receipts of the Posts and Telegraphs Department as budgeted for and realised during the five years ending 1978-79 are given below :

Year	Budget estimates	Actuals	Variation	Percentage of variation
			(Crores of rupees)	
1974-75	429.81	401.58	−28.23	−6.6
1975-76	467.80	483.61	+15.81	+3.4
1976-77	648.31	619.27	−29.04	−4.5
1977-78	717.39	668.19	−49.20	−6.9
1978-79	778.67	762.83	−15.84	−2.0

The revenue receipts during 1978-79 were Rs. 15.84 crores less than the estimates. The shortfall was mainly due to less receipts under the head "Telephone revenue on account of rentals and local and trunk call fees, etc." The budget estimates

and the actual receipts under the main heads of revenue during 1978-79 are given below :

Main heads of revenue	1978-79		
	Budget estimates	Actuals	Variation
		(Crores of rupees)	
(*i*) Sale of ordinary stamps (including post cards)	134.75	137.67	+2.92
(*ii*) Sale of service stamps	23.10	24.95	+1.85
(*iii*) Postage realised in cash	31.14	30.99	−0.15
(*iv*) Commission on money orders, postal orders, etc.	27.95	26.41	−1.54
(*v*) Telegrams	48.00	48.15	+0.15
(*vi*) Telex	40.00	43.07	+3.07
(*vii*) Rent of wires, circuits and instruments leased to railways, canals, etc.	15.00	15.68	+0.68
(*viii*) Telephone revenue on account of rentals and local and trunk call fees, etc.	450.00	432.06	−17.94
(*ix*) Other receipts (Net)	8.73	3.85	−4.88
TOTAL	778.67	762.83	−15.84

2. The growth of revenue during five years ended with 1978-79 is indicated below :

Main heads of revenue	1974-75	1975-76	1976-77	1977-78	1978-79	Increase/Decrease in 1978-79 as compared to 1974-75	
						Amount	Percentage
1	2	3	4	5	6	7	8
			(Crores of rupees)				
(*i*) Sale of ordinary stamps	79.29	95.72	113.18	118.20	137.67	58.38	73.6
(*ii*) Sale of service stamps	12.81	18.05	22.48	21.87	24.95	12.14	94.8
(*iii*) Postage realised in cash	15.49	19.54	25.91	26.29	30.99	15.50	100.1
(*iv*) Receipts on account of money orders and postal orders including forfeited money orders	27.93	20.89	25.39	31.24	(A) 26.56	—1.37	—4.9
(*v*) Telegrams	26.11	32.71	43.26	48.68	48.15	22.04	84.4
(*vi*) Telex	9.04	16.47	29.97	29.98	43.07	34.03	376.4
(*vii*) Rent of wires, circuits and instruments leased to railways, canals, etc.	9.58	10.44	12.41	10.76	15.68	6.10	63.7
(*viii*) Telephone revenue on account of rentals and local and trunk call fees, etc.	207.51	254.24	350.35	391.66	432.06	224.55	108.2
(*ix*) Other receipts (Net) excluding forfeited money orders	13.82	15.55	—3.68	—10.49	(B) 3.70	—10.12	—73.2
TOTAL	401.58	483.61	619.27	668.19	762.83	361.25	90.0

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

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

3. The growth of revenue in the two branches of the department compared with the increase in expenditure (inclusive of dividend and depreciation on historical cost and supplementary depreciation towards inflationary element) during the five years ended with 1978-79 is indicated below :

Year	Revenue	Expenditure	Percentage of expenditure to revenue
1	2	3	4
		(Crores of rupees)	
Postal Services			
1974-75	142.07	177.86	125.2
1975-76	167.85	215.59	128.4
1976-77	193.96	226.00	116.5
1977-78	206.90	208.88	101.0
1978-79	239.17	236.90	99.1
Telecommunication Services			
1974-75	259.51	221.39	85.3
1975-76	315.76	272.43	86.3
1976-77	425.31	293.64	69. 0
1977-78	461.29	332.28	72.0
1978-79	523.66	380.05	72.6
Total (Department as a whole)			
1974-75	401.58	399.25	99.4
1975-76	483.61	488.02	100.9
1976-77	619.27	519.64	83.9
1977-78	668.19	541.16	81.0
1978-79	762.83	616.95	80.9

CHAPTER II

GENERAL RESULTS OF APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

4. **General.**—The following table compares the expenditure during 1978-79 with the total of voted grants and charged appropriation :—

			Total grant/ appropriation	Actual expenditure	Saving	Percentage of column 3 to column 1
			1	2	3	4
				(Lakhs of rupees)		
Charged :	Original	0.30				
	Supplementary	0.63	0.93	0.63	0.30	32.3
Voted :	Original	11,86,97.13	11,86,97.23	11,21,00.12	65,97.11	5.6
	Supplementary	0.10				

The saving of Rs. 65,97.11 lakhs in the voted portion was as follows :—

Particulars of grant	Total grant	Actual expenditure	Saving	Percentage of column 4 to column 2	Amount surrendered to the Ministry of Finance during the year
1	2	3	4	5	6
			(Lakhs of rupees)		
16—Posts and Telegraphs-Working Expenses	6,53,04.90	6,44,52.86	8,52.04	1.3	10,00.74
17—Posts and Telegraphs—Dividend to General Revenues, Appropriation to Reserve Funds and Repayment of Loans from General Revenues	1,86,53.83	1,77,19.77	9,34.06	5.0	21,88.63
18—Capital Outlay on Posts and Telegraphs	3,47,38.50	2,99,27.49	48,11.01	13.8	53,51.46

The saving of Rs. 48,11.01 lakhs under Grant No. 18-Capital Outlay on Posts and Telegraphs was mainly due to less expenditure under :

(i) Local Telephone Systems (provision Rs. 1,65,25 lakhs; expenditure Rs. 1,47,55 lakhs; saving 10.7 *per cent*);

(ii) Transmission Systems (provision Rs. 1,04,31 lakhs; expenditure Rs. 62,82 lakhs; saving 39.8 *per cent*);

(iii) Ancillary Systems (provision Rs. 8,33 lakhs; expenditure Rs. 6,17 lakhs; saving 25.9 *per cent*); and

(iv) Other Land and Buildings (provision Rs. 8,00 lakhs; expenditure Rs. 4,49 lakhs; saving 43.9 *per cent*).

The above savings were partly offset by excesses as under :

(i) Post Offices (provision Rs. 4,28 lakhs; expenditure Rs. 7,99 lakhs; excess 86.7 *per cent*);

(ii) Railway Mail Service Vans (provision Rs. 45 lakhs; expenditure Rs. 1,55 lakhs; excess 244.4 *per cent*); and

(iii) General (provision Rs. 32.22 lakhs; expenditure Rs. 43,83 lakhs; excess 36.0 *per cent*).

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

CHAPTER III

REVENUE

5. **Arrears of telephone revenue.**—(i) For bills issued up to 31st March 1979, collection of Rs. 16.90 crores as telephone revenue was in arrears on 1st July 1979 as indicated below :

	(Crores of rupees)
Government subscribers	2.66
Other subscribers	14.24

Out of the total outstanding of Rs. 16.90 crores, details showing yearwise break-up were not available in respect of Rs. 1.91 crores relating to Calcutta Telephone District. Of the remaining outstanding amount of Rs. 14.99 crores, Rs. 5.79 crores related to bills issued during 1978-79 and balance of Rs. 9.20 crores to bills issued up to and including 1977-78. The yearwise analysis of the arrears is given in Appendix I(a).

Out of the total arrears of Rs. 16.90 crores as on 1st July 1979, Rs. 95.38* lakhs pertained to claims of more than Rs. 5,000 as indicated below :

	(Lakhs of rupees)
1. Central Government subscribers	8.02
2. State Government subscribers	8.34
3. Central Public Sector Undertakings	1.31
4. State Public Sector undertakings	0.05
5. Local Bodies	0.82
6. Other subscribers	76.84
TOTAL	95.38*

*This does not include figures in respect of Delhi and Calcutta Telephone Districts.

The yearwise analysis of Rs. 95.38 lakhs is given in Appendix I(b).

(ii) The percentage of the outstanding on 1st July 1979 to the total amount collected during the year ending with preceding March and the corresponding percentages in the three preceding years are given below :

Year	Amount collected	Amount outstanding on Ist July following (including outstandings for the bills issued in the preceding years)	Percentage of the amount outstanding to the amount collected during the year
1	2	3	4
		(Lakhs of rupees)	
1975-76	2,48,00	7,71	3.1
1976-77	3,70,97	8,71	2.3
1977-78	3,98,58	12,05	3.0
1978-79	4,45,45	16,90	3.8

(iii) The percentage of the outstanding to the amount billed (as on 1st July 1979) in respect of the bills issued during

1978-79 and the corresponding percentages in the three preceding years are given below :

Year	Amount billed	Amount outstanding on Ist July following out of the amount shown in column 2	Percentage of column 3 to 2
1	2	3	4
	(Lakhs of rupees)		
1975-76	2,58,66	3,34	1.3
1976-77	3,70,02	3,89	1.1
1977-78	4,01,82	4,29	1.1
1978-79	4,47,69	5,79	1.3

(iv) A test-check in audit of telephone revenue accounts conducted during 1978-79 has shown several instances of short billing as well as failure to issue bills. Of 2543 cases (Rs. 32.89 lakhs) of short billing brought to the department's notice, the department had not realised (June 1979) the amounts short billed in 970 cases (Rs. 18.37 lakhs) and out of 970 cases, in 254 cases (Rs. 8.06 lakhs) even bills had not been issued. The department had also not issued (June 1979) bills in 559 cases (Rs. 15.20 lakhs) out of 1632 cases (Rs. 26.72 lakhs) of failure to issue bills brought to the notice of the department.

(v) Recovery of Rs. 31.53 lakhs was under litigation on 1st July 1979 :

	No.	Amount (Lakhs of rupees)
(*a*) Cases under litigation as on 1-7-1978	924	22.47
(*b*) Cases in which litigation proceedings were commenced during July 1978 to June 1979	110	13.61
(*c*) Cases decided during July 1978 to June 1979	251	4.55
(*d*) Cases decided out of (c) in favour of P & T Department	210	4.16
(*e*) Cases under litigation as on 1-7-1979	783	31.53

(vi) During 1978-79 the telephone revenue written off was Rs. 17.05 lakhs as indicated below :

Reasons	(Lakhs of rupees)
1. Whereabouts of the subscribers not known	6.68
2. Solvency of the subscribers not established	3.43
3. Closure of the subscribers' firms, concerns, etc.	2.38
4. Death of subscribers	1.00
5. Relevant departmental files not available	1.03
6. Other reasons	2.53
	17.05

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

The department stated (March 1980) that the figures were under verification.

6. **Arrears of rent of telegraph, telephone and teleprinter circuits and telex /intelex charges.**—For bills issued up to 31st March 1979, collection of Rs. 370.49 lakhs as rent of telegraph, telephone and teleprinter circuits and telex/intelex charges was in arrears on 1st July 1979 as indicated below :

	(Lakhs of rupees)
Rent of telegraph, telephone and teleprinter circuits	217.18
Telex and intelex charges	153.31
TOTAL	370.49

Out of the total arrears of Rs. 370.49 lakhs, Rs. 193.43 lakhs related to bills issued during 1978-79 and the balance Rs. 177.06 lakhs to bills up to 1977-78. Yearwise analysis is given in Appendix II.

7. Arrears of revenue of radio telegraph charges.—In paragraph 7 of the Report of the Comptroller and Auditor General of india (Posts and Telegraphs) for 1977-78, mention was made of arrears of revenue of radio telegraph charges to the extent of Rs. 43.69 lakhs as on 1st August 1978 for the bills pertaining to the period up to 31st March 1978. Out of this, Rs. 15.80 lakhs related to bills pertaining to the period up to 31st March 1977. The department stated (September 1978) that apart from issuing periodical reminders in respect of current cases, efforts were also made to pursue old cases with the administrations concerned with the help of the Indian Embassies abroad. Despite this, it has been observed in audit that in respect of bills pertaining to the period up to 31st March 1979 claims to the extent of Rs. 56.83 lakhs were in arrears as on 1st August 1979. The department stated (January 1980) that "according to International Radio Regulations (ITU Geneva), any accounting authority shall have the right to question the contents of accounts within the period of 6 months after receipt of the accounts. A further period of six months is also required in receipt of cheques through bankers either in Pound Sterling or in U.S. dollars and for encashment of the cheques....."

For bills pertaining to the period up to 31st March 1978, claims to the extent of Rs. 18.60 lakhs were in arrears on 1st August 1979. Year-wise analysis of this amount is given in Appendix III. The department stated (January 1980) that "outstanding cheques for an amount exceeding Rs. 6 lakhs have already been received and are awaiting encashment".

Out of the arrears of Rs. 18.60 lakhs as on Ist August 1979, Rs. 7.36 lakhs pertain to claims of more than Rs. 1.00 lakh each against four foreign companies/administrations. The department stated (January 1980) that "cheque payment from two parties has already been received.....Regarding the 3rd party the amount payable to that administration is expected to be far more than our claims.....In respect of the 4th party, there is difficulty in settlement of the account".

A comparative picture of the arrears on 1st August of second succeeding year for 1974-75 to 1978-79 is given below :

Year	Amount outstanding at the beginning of the year in respect of bills pertaining to previous years	Amount of bills pertaining to the year	Total amount collectable	Amount collected during the year out of that shown in Column 4	Amount outstanding at the end of the year	Amount outstanding on Ist August of second succeeding year
1	2	3	4	5	6	7
			(Lakhs of rupees)			
1974-75	32.07	23.80	55.87	8.62	47.25	15.65 (1-8-76)
1975-76	47.25	23.91	71.16	26.46	44.70	15.26 (1-8-77)
1976-77	44.70	30.43	75.13	23.49	51.64	15.80 (1-8-78)
1977-78	51.64	29.40	81.04	25.39	55.65	18.60 (1-8-79)
1978-79	55.65	38.56	94.21	27.17	67.04	(due on 1-8-80 only)

Out of Rs. 18.60 lakhs outstanding as on Ist August 1979, Rs. 8.65 lakhs pertained to 1977-78 and the balance Rs. 9.95 lakhs to earlier years.

8. **Arrears of telegraph revenue.—**

(A) *Inland press telegrams.*—Inland press telegrams are accepted in Telegraph Offices, without prepayment, from registered newspapers or news agencies under the Deposit Account system according to which the newspaper or news agency is required to make a deposit equivalent to eight weeks or six weeks transactions according as the accounts are to be rendered monthly or fortnightly. If at any time the amount of transactions exceeds the deposit, a proportionate increase in the deposit is to be demanded from the newspapers or news agencies concerned.

A test-check in audit of the bills issued by the Telegraph Check Office (TCO) during 1978-79 and from April 1979 to August 1979 disclosed that there was delay of 3 to 8 months in issuing the bills the amounts of which varied from Rs. 1.90 lakhs to Rs. 12.95 lakhs. In respect of bills pertaining to the period December 1978 onwards, the bills were yet (August 1979) to be completed. The department stated (January 1980) that delay in the issue of bills was due to unsatisfactory working of Remington Accounting machines in Madras, power crisis in Calcutta, inability to deploy additional staff on account of ban on recruitment since 1975 and abnormal increase in the press messages on account of large registration of press parties.

Although under rules the bills are to be paid by the newspapers or news agencies within one week of their presentation to them, it was noticed in audit that for the bills pertaining to the period up to 30th September 1978, collection of Rs. 9.14 lakhs was in arrears on Ist October 1979. Out of this, Rs. 1.37 lakhs

pertained to the period 1966-67 to 1977-78 as on 30th November 1979.

(B) *Mobilisation telegrams.*—Mobilisation telegrams (telegrams issued in connection with Military business) are accepted in Telegraph offices, without prepayment. The bills for such charges are to be preferred by the TCO monthly against the Defence authorities, who are required to effect payment within three weeks of their receipt.

A test-check in audit (August 1979) revealed that for bills pertaining to the period up to March 1979, payment of Rs. 50.77 lakhs was in arrears as on Ist August 1979. Out of this, Rs. 49.37 lakhs related to bills pertaining to 1978-79 and the balance of Rs. 1.40 lakhs to 1976-77 (Rs. 0.42 lakh) and 1977-78 (Rs. 0.98 lakh). The department stated (January 1980) that the amount of Rs. 50.77 lakhs shown as outstanding on Ist August 1979 stood further reduced to Rs. 18.35 lakhs as on 30th November 1979 and that even out of Rs. 18.35 lakhs, Rs. 4.15 lakhs had been recovered, but not adjusted in the accounts so far.

9. **Non-revision of chargeable distance.**—The rental charges for external connections from direct exchange lines (DELs), Private Automatic Branch Exchanges (PABXs), Private Branch Exchanges (PBXs), etc. are calculated on the basis of radial distance. In April 1978, the Director General, Posts and Telegraphs (DGPT), issued instructions that the chargeable distance be computed as 1.25 times the point to point distance.

A test-check in audit of the records of the Telephone District, Madras disclosed that these orders for computation of the chargeable distance had not been implemented and that the rental had not been revised and claimed from the subscribers resulting in short recovery of Rs. 1.76 lakhs up to June 1979. The depart-

ment stated (January 1980) that the Madras Telephone District was being requested to issue supplementary bills.

10. **Non-realisation of rent and installation charges and compensation for premature surrender of cables.**—On receipt of a firm demand (September 1965) from the Army authorities, the Posts and Telegraphs (P&T) Department installed (October 1966) a 200 line Central Battery Multiple (CBM) exchange (underground) with three T-43 trunk boards. Underground cables of different types and lengths (total 425 pairs) were also provided. While quoting (November 1967) provisional rent (Rs. 0.39 lakh per annum) and guarantee terms in respect of the exchange and T-43 boards to the Army authorities, rent and guarantee terms for underground cables as also the switch boards were omitted to be quoted. The omission was noticed (July 1973) by the department after the exchange had been surrendered (December 1971) by the Army authorities. Rent of underground cables (Rs. 1.06 lakhs per annum) and the installation charges (Rs. 0.43 lakh) were quoted in July 1973, but the Army authorities did not (August 1973) accept the same on the ground that no separate rent and guarantee terms for underground cables associated with an exchange project were required to be accepted. The failure of the department to (i) quote the rent and guarantee terms in respect of underground cables at the time of quoting provisional rent and guarantee terms for the exchange, (ii) claim compensation for the premature surrender of cables and (iii) quote revised rental for T-43 boards as also the installation charges for switch boards (omitted to be quoted earlier) entailed a loss of Rs. 7.17 lakhs. The department stated (January 1980) that the matter had been taken up with the Army authorities.

11. **Realisation of departmental dues**

Short-billing, non-billing, etc. noticed by Audit.—A few cases of short-billing, non-billing, etc. (Rs. 12.24 lakhs) where the department had taken action for recovery/issued bills as a result

of audit observations are given below :

Sl. No.	Name of work	Audit observation in brief	Date of audit observation	Action taken by the department
1	2	3	4	5
1.	Installation of a 200 line PABX for the Air force at a station 'H'	The rental was not revised on the basis of actual expenditure before handing over (September 1971) the exchange to the Air Force authorities. Thus, there was short billing of Rs. 0.97 lakh from 13th September 1971 to 12th September 1976. Further, after the expiry of the initial period of guarantee, the rental which was required to be fixed on flat rate basis, was not fixed resulting in a further short billing of Rs. 0.98 lakh from 13th September 1976 to 12th September 1980.	March 1979	The department stated (December 1979) that the revised rent and guarantee terms had been quoted to the Air Force authorities and bill for the short recovery of Rs. 1.95 lakhs for the period from September 1971 to September 1980 would be issued and responsibility fixed.
2.	Providing underground cables to Defence authorities between stations 'A' and 'B' and stations 'A' and 'C'	Though the actual expenditure exceeded the estimated cost of the work by 80 *per cent*, the rental was not revised and recovered on the basis of actual expenditure before handing over (July 1976) the cables to the Defence authorities. The revised rental worked out to Rs. 1.05 lakhs per annum against Rs. 0.57	July 1979	The department stated that the whole issue of rent and guarantee in such cases was being re-examined.

		lakh per annum quoted. This involved short recovery of Rs. 1.91 lakhs from July 1976 to July 1980.		
3.	Laying of 20/10 underground cable for Air Force authorities at station 'G'	The Air Force authorities placed a firm damand for provision of underground cables for dispersal communication. The work was handed over to Air Force authorities in February 1977. The rental of Rs. 0.35 lakh per annum initially fixed (June 1972) was revised (March 1973) to Rs. 0.38 lakh per annum. Subsequently, the rental was not revised even though the actual expenditure had exceeded the estimated cost plus 15 *per cent* thereof and the rental should have been increased to Rs. 0.82 lakh. Recovery continued to be effected at the rate of Rs. 0.35 lakh per annum. Thus, there was short recovery of Rs. 1.76 lakhs from February 1977 to February 1980.	October/ November 1978 and May 1979	The department stated (January 1980) that the District Manager, Telephones, Chandigarh was directed to prefer claim of Rs. 1.76 lakhs to the Air Force authorities.
4.	Provision of lines to Northern Railway on Ghaziabad-Khatauli section	On physical verification in April 1975, it was found by the department that whereas 750 kilometres of wire had been provided to the Northern	April 1979	The department sent the advice note to the Northern Railway and stated that on its being accepted, a bill for Rs. 0.46 lakh from 31st August 1966

1	2	3	4	5
		Railway in August 1966, rental was being charged for 625 kilometres only. The department billed the Railway for the rental of additional 125 kilometres from April 1975 only and not retrospectively from August 1966; the rental from August 1966 to March 1975 amounted to Rs. 0.46 lakh.		to 31st March 1975 would be issued (December 1979).
	5. Providing a speech circuit for the Central Proof Establishment at station 'I'	A speech circuit was provided to the Commandant, Central Proof Establishment in July 1971 and closed in December 1975. Due to the failure of the Divisional Engineer, Telegraphs, Bhopal to issue the opening advice note, the Central Proof Establishment was not billed for rental. This involved short recovery of Rs. 2.92 lakhs for entire guarantee period from July 1971 to July 1977.	June 1978	A bill for Rs. 2.92 lakhs preferred by the department had been accepted by the Central Proof Establishment but the payment was yet (December 1979) awaited. The department stated (December 1979) that action to fix responsibility had been initiated.
	6. Providing two administrative trunk circuits to the Southern Railway	Two administrative trunk circuits provided to the Southern Railway in 1954-55 were prematurely surrendered by it in July 1969. The compensation (Rs. 2.52 lakhs) for premature	August 1974	A bill for Rs. 2.52 lakhs was preferred against the Southern Railway in March 1976; recovery was awaited (December 1979).

		surrender of the circuits had not been recovered from the Railway.		
7.	Providing Private Branch Exchange to Bhilai Steel Plant.	The Bhilai Steel Plant was provided with a Private Branch Exchange having two switch boards for a guaranteed period of 5 years. After the expiry of the guarantee period in 1963, the rental for the two switch boards was not quoted and hence, not recovered.	June 1969	Bills for the recovery of Rs. 0.72 lakh had been preferred against the Bhilai Steel Plant, but recovery was awaited (December 1979).

CHAPTER IV

WORKS EXPENDITURE

12. **Delay in laying cables and loss of potential revenue.**—A review of the undermentioned projects by Audit in 1979 disclosed that, because of delay in laying cables and consequential delay in utilisation of the newly-created capacity of the telephone exchanges, the department suffered a loss of potential revenue of Rs. 60.73 lakhs.

Particulars of project	Cost (In lakhs of rupees)	Month by which building for housing the exchange was ready	Month by which equipment was installed in the exchange	Length of cable that was to be laid for giving telephone connections (In kilometres)	Length of cable actually laid (In kilometres)
1	2	3	4	5	6
1. Installation of 2400-line automatic crossbar telephone exchange at Behala (Calcutta) and its expansion to 4000 lines	158.02	May 1973	March 1977	93	63 by March 1979
2. Installation of 3000-line automatic crossbar telephone exchange at Jadavpur (Calcutta) and its expansion to 4000 lines	146.00	March 1971	February 1977	74	56 by September 1978
3. Installation of 2400-line automatic crossbar telephone exchange at Serampore (Calcutta)	66.67	May 1973	March 1979	61	30 by March 1979

Details relating to the above projects are briefly given below:

1. *Behala Exchange*

One detailed estimate for laying cable was sanctioned in 1971-72, 3 in 1975-76, 8 in 1976-77 and one in 1977-78. Indents were placed with the stores organisation during 1975-76 and 1976-77. The work of laying cables commenced in January 1976. By the time the exchange equipment was installed in March 1977, only 40 kilometres of cable had been laid. Because of this, the capacity of the exchange could not be fully utilised on time as shown below :

Month	Equipped capacity	Connectable capacity	Working connections	Spare capacity	Applicants on waiting list
March 1977	4000	3600	836	2764	654
March 1978	4000	3600	2024	1576	765
March 1979	4000	3600	2896	704	719

Due to delay in release of new telephone connections, the department lost potential revenue of about Rs. 35.85 lakhs from April 1977 to March 1979.

The department stated (January 1980) : "The connections were actually provided as the distribution cable work got completed. This work was handicapped because of extremely short working season (from November to March). Due to heavy monsoon and Puja season, the cables are permitted to be laid by local authorities only during this period. There have also been difficulties in securing the services of contractors/suitable labour for cable work in Calcutta".

2. *Jadavpur exchange*

Indents for supply of cable were placed with the stores organisation from 1969-70 to 1976-77. The supply of cable commenced from 1969-70, but the cable laying work was started in

January 1972. By the time the exchange equipment was installed in February 1977, only about 42 kilometres of cable had been laid. Consequently the capacity of the exchange could not be fully utilised on time as per details given below :

Month	Equipped capacity	Connectable capacity	Working connections	Spare capacity	Applicants on wating list
March 1977	4000	3600	1475	2125	795
March 1978	4000	3600	2454	1146	519
April 1979	4000	3600	3068	532	156

Owing to delay in the release of new telephone connections, the department lost potential revenue of Rs. 21.48 lakhs from March 1977 to March 1979. The department stated (January 1980) that cable laying work was "as far as possible synchronised for commissioning of exchange with the actual supply and installation schedule..... The connections were actually provided as the distribution cable work could be completed". This work was, according to the department, handicapped for reasons similar to those in the case of Behala exchange referred to above as also due to acute shortage of cabinet pillars and terminal boxes.

3. *Serampore exchange*

Although the cable work was taken in hand in April 1973, indents for supply of major quantity of cable were placed during 1977-78. By the time the exchange equipment was installed in March 1979, only about 30 kilometres of cable had been laid. Because of this, the newly-created capacity of the exchange could not be fully utilised on time as per details given below :

Month	Equipped capacity	Connectable capacity	Working connections	Spare capacity	Applicants on waiting list
April 1979	2400	2160	777	1383	341
October 1979	2400	2160	989	1171	223

Owing to delay in the release of new telephone connections, the department lost potential revenue of about Rs. 3.40 lakhs from April 1979 to October 1979. The department stated (January 1980) "The essential cable network for the commissioning of the exchange had been completed before the cut-over of the exchange in March 1979. About 50 *per cent* of the cables had been laid by March 1979. Most of the remaining cable network for provision of additional connections has also been completed by August 1979 except for one case where way-leave permission from the Railways is awaited ..... It has not been possible to provide connections to all on the waiting list, because of a problem on the junctions. Large number of cable-pairs on the main route from Serampore exchange to rest of the Calcutta Telephone system could not meet transmission limits due to pilferage and frequent damage".

In the case of Serampore exchange, it may be added that, because of delay in calling for tenders (4 years) and the time taken in arriving at a decision on the tenders received (15 months) and extension of the period of installation and commissioning of the plant granted to the contractor, the air-conditioning plant had not yet been commissioned (January 1980). Improvised air-conditioning arrangements were made in March 1978 by installing 8 window type air-conditioners at a cost of Rs. 0.76 lakh.

13. **Delhi telex exchange.**—In December 1967, the Ministry of Communications sanctioned a project for the expansion of the telex exchange at New Delhi from 1000 to 2500 lines at an estimated cost of Rs. 197 lakhs. As there was no space for further expansion in the Eastern Court building in which the existing 1000 line exchange was located, the project estimate provided for the installation of a new 1500 line telex exchange at Kidwai Bhawan located close to Eastern Court. Thereafter, the existing 1000 line exchange was to be shifted from Eastern Court to Kidwai Bhawan.

The installation work at Kidwai Bhawan was started in 1970 and 1450 lines (against 1500) were installed by 30th September 1972. Of these 1450 lines, 947 lines were used for accommodating the existing telex connections working in the old exchange at Eastern Court which stopped functioning from September 1972. Equipment of 970 out of 1000 lines was shifted from Eastern Court to Kidwai Bhawan in stages during November 1973 to October 1975.

The telex exchange remained actually under-utilised from the date of commissioning to March 1977 and there was loss of potential revenue of Rs. 40.20 lakhs by way of rentals alone for the teleprinter machines (which were in stock) apart from the revenue that would have been earned from traffic on these machines. The department stated (January and December 1979) that after taking into account the committed cases for which capacity had to be reserved, there was no under-utilisation of the exchange. It may be mentioned that if the department had initiated advance action to provide connections to the committed cases immediately after commissioning of the exchange, the loss of potential revenue would have been minimised. Besides, the committed cases would not earn revenue unless connections were actually given to the subscribers.

14. **Expansion of Calicut exchange.**—To meet the growing demand for new telephone connections in Calicut, the Director General, Posts and Telegraphs (DGPT), sanctioned (May 1972) a project estimate for expansion of the Calicut exchange by 1200 lines at a cost of Rs. 35.68 lakhs. For reasons of short supply, the equipment allotment was reduced by the DGPT to 900 lines although the project estimate continued to be for 1200 lines. The 900 line expansion was commissioned on 27th March 1974.

The DGPT sanctioned another project for expansion of 300 lines in November 1972 at an estimated cost of Rs. 7.31 lakhs. The equipment for 600 lines (including 300 lines from the previous project estimate of May 1972) was also commissioned on 24th January 1975.

The cable scheme for the expansion by 300 lines was forwarded by the Divisional Engineer, Phones, Calicut (DEP) to the Postmaster General (PMG), Trivandrum in February 1973. The DGPT to whom the cable scheme was forwarded (May 1973) by the PMG returned it in the same month for obtaining the approval of the General Manager, Projects (GMP), Madras. The GMP accorded his final approval in January 1975 although the scheme was sent to him in June 1973.

The detailed estimates for laying primary, secondary and distribution cables were approved by the General Manager, Telecommunications, Kerala circle in May 1975—June 1975. The indents for the cables were placed in May 1975 and the supply commenced in June 1975.

Due to delay in the approval of the cable scheme and the consequential delay in preparation of detailed estimates and placement of indents, the work of laying of cables was not completed simultaneously with the commissioning of the exchange equipment. Consequently, the department could raise the number of working connections to the maximum connectable capacity only in the last quarter of 1975-76 instead of on 24th January 1975 (the date of commissioning of the equipment) resulting in loss of potential revenue of Rs. 2.86 lakhs till December 1975. The department stated (December 1979) that the approval of the scheme got somewhat delayed due to decentralisation of the examination and approval of cable schemes for exchanges of more than 500 lines by the GMP (instead of DGPT).

15. **Installation of 30/300 line PABX at Rambagh Palace Hotel, Jaipur.**—In May 1971, a hotel company registered its demand with the Posts and Telegraphs (P&T) Department for a 30/300 line PABX for its hotel in Jaipur. A demand note for Rs. 0.57 lakh representing rental for the switch board and internal connections was issued by the Divisional Engineer, Phones (DEP), Jaipur in August 1971.

The hotel company requested (September 1971) that the payment against the demand note be deferred as it did not want to block substantial funds with the P&T department. The DEP did not accept this request (November 1971), but informed (February 1972) the company that only Rs. 9,600 which consisted of earnest money (Rs. 1,000) and estimating fee (Rs. 8,600) would be charged; this amount was deposited by the company in March 1972. A provisional rent of Rs. 1.39 lakhs per annum with a gurantee period of 3 years was also quoted (February 1972) and the company was asked (February 1972) to furnish an undertaking regarding the recovery of compensation in the event of cancellation of demand. The company, however, did not furnish the formal firm demand or the undertaking, nor was their submission insisted upon.

In April 1973, the Director General, Posts and Telegraphs (DGPT) communicated to the company revised rental of Rs. 0.72 lakh with a guarantee period of 5 years asking it to convey the acceptance of the rent and guarantee terms to the DEP, Jaipur; but no such acceptance was given by the company.

The DGPT, however, advised the Indian Telephone Industries (ITI) in January 1972 about the allotment of a 300 line PABX for the hotel during 1972-73; the District Manager Telephones (DMT), Jaipur placed (August 1972) an order for the supply of the equipment (cost : Rs. 4 lakhs) on the ITI which was completed in 1974-75. Some of the equipment for the the PABX was also delivered at the hotel premises directly.

In June 1975, the DMT intimated the DGPT that the company did not appear to be interested in having the PABX. The DGPT, thereupon, wrote (August 1975) to the company that as the rent and guarantee terms were not accepted by it, the equipment/stores would be diverted to some other works and the company would be charged compensation. The company, in turn, informed (September 1975) the DGPT that due to cancellation of the expansion project of the hotel and the excessive annual rental, the idea of having a 30/300 line PABX had

been dropped by it. The company, therefore, requested (September 1975) for non-recovery of compensation as a special case. The DGPT did not accept the request and asked the DMT (October 1975) to recover the compensation under penalty of disconnection of even the existing lines.

But for 3 manual switch boards which were transferred in 1969-70 and 1973-74, major part of the stores worth Rs. 3.53 lakhs were diverted to some other work only after September 1975. The DMT issued bill for the compensation of Rs. 0.64 lakhs (after adjusting the estimating fee) to the party only in July 1979 although the DGPT had advised the DMT to do so in October 1975 and Audit had also pointed this out in November 1978. A revised bill for compensation for Rs. 1.11 lakhs inclusive of interest charges was preferred against the party (October 1979). Recovery was still awaited (December 1979).

16. **Laying of 100 pairs/20 lbs. junction cable between Shimoga and Bhadravathi.**—To provide inter-dialling facility between Shimoga and Bhadravathi towns, a project estimate for laying 100 pairs/20 lbs. cable along a distance of 19.8 kms. was sanctioned by the Director General, Posts and Telegraphs (DGPT) in March 1968 at a total cost of Rs. 9.36 lakhs. The detailed estimate (amount: Rs. 7.92 lakhs) was sanctioned in July 1968.

The allotment of cables was made by the DGPT in September 1969. As supply against this allotment did not become available due to shortage of underground cables, fresh allotment was obtained from the DGPT in August 1974. The supply of the cables commenced in March 1975 and the work of laying the same started in September 1975 by which time 10,481 metres of cables had been received; the balance was received in January 1976 (3091 metres) and March 1976 (5544 metres). In October 1975, the department noticed the existence of many high tension electrical lines in the proximity of the cable route. The

work of laying cables was, therefore, stopped in December 1975 by which time 3,960 metres of cables had already been laid.

According to departmental rules, detailed estimate in such cases was to be prepared only after conducting the survey of the route and its approval by the Power Telecommunication Coordination Committee (PTCC). The presence of high tension electrical lines was not brought out during the survey which was reportedly conducted in detail, despite the fact that a 220 KV Main Receiving Station was in existence since December 1964 between Shimoga and Bhadravathi at a distance of 1 km. from Shimoga. When the existence of many high tension electrical lines in the proximity of the cable route was noticed, a modified route was got approved by the PTCC in June 1976 with certain protective measures sanctioned (August, September and October 1976) at a cost of Rs. 1.46 lakhs. The work on the laying of the cables was resumed in September 1976 and completed in November 1976, but the modified route approved by the PTCC was not strictly followed. The department stated (December 1979) that "the modified route called for long cables through KEB colony at Shimoga for which the KEB authorities refused permission. To expedite the completion of the work, a decision was taken at the local level to allot the cables on the original route for this short length presuming that this minor deviation will not cause any serious hazards".

The cables were offered to the Acceptance Testing Organisation in February 1977, but these were not accepted due to a number of faults. These were again offered for testing in April 1977 when only 71 out of 100 pairs were passed. Of the remaining 29 pairs, 8 pairs being faulty beyond repairs were rejected by the General Manager, Telecommunication (GMT), Bangalore. The departmental investigation disclosed that the departmental instructions regarding laying, jointing and testing of cables had not been strictly observed. To remove the faults in the system, bits of cable totalling 300 metres had to be replaced (July 1977) by sanctioning (October 1977) a separate estimate at a cost of Rs. 0.34 lakh.

The system was not cleared by the PTCC (September 1977) since a portion of the cable had been laid on a route not approved by it. The laying of cables on an unapproved route was already within the knowledge of the department when the Director of Telecommunication carried out inspection of the work in February 1977. To meet the requirements of the PTCC, fresh cable had to be laid for a length of 820 metres in March 1978 at a cost of Rs. 0.95 lakh rendering surplus the 500 metres of cable (cost : Rs. 0.58 lakh) laid on the unapproved route.

The system was commissioned in January 1978 at a total cost of Rs. 20.53 lakhs against the original estimated cost of Rs. 9.36 lakhs.

The case disclosed that :

— the survey of the route was not conducted properly in that it failed to take note of the presence of high tension power line along the proposed cable route resulting in the department not obtaining the prior approval of the route by the PTCC before undertaking the work ;

— even when the approval of the PTCC was taken (June 1976), the route approved was not strictly followed resulting in fresh cable (cost : Rs. 0.95 lakh) being laid along a part (820 metres) of the route as approved by the PTCC and rendering 500 metres of cable (cost : Rs. 0.58 lakh) surplus as laid on the original route ;

— departmental instructions regarding laying, jointing and testing of cable were not strictly observed resulting in repairs at a cost of Rs. 0.34 lakh ; and

— delay of 11 months in completing the work resulted in loss of potential revenue of Rs. 3.93 lakhs apart from cable costing Rs. 0.58 lakh remaining underground as unutilised.

17. **Avoidable expenditure on "screening" of co-axial cable.**—According to departmental instructions (1952) cases of power parallelism on overhead telephone lines running parallel to power lines were required to be referred to the concerned Power Telecommunication Co-ordinating Committee (PTCC) to obtain its clearance for determining the route of the telephone lines. The department also issued further instructions (1970) that all cases of power parallelism between existing power lines and proposed telecommunication line be referred to the PTCC for its recommendations. Contrary to these instructions, a co-axial cable was laid for a distance of 40 kilometres between two points on Tanjore-Trichy route during August 1975 to April 1976 and commissioned in June 1977 without obtaining the approval of the PTCC. The co-axial cable ran parallel to an existing power line which had been cleared by the PTCC in June 1974 and had been proposed for energisation in July 1978.

The department considered the problem of induction only in June 1978 when the electricity authorities pressed for obtaining the approval of the PTCC before energising the power line. In July 1978, the route was approved by the PTCC, *inter alia,* on the condition that the entire co-axial cable from Trichy to Tanjore be screened to avoid power induction. Accordingly, 40 kilometres route was redug and "screening" completed in October 1978 at an extra expenditure of Rs. 0.76 lakh by way of wages for redigging and reinstatement of the cable route.

The department stated (January 1980) that general instructions had since been issued for obtaining clearance of the PTCC for co-axial cable routes and all co-axial cable schemes were since being referred to the PTCC prior to execution.

18. **Infructuous expenditure on laying cables.**—In March 1974, the Postmaster General, Madras sanctioned a project estimate for Rs. 1.70 lakhs (revised to Rs. 3.06 lakhs in September 1975) to connect Salem to Coimbatore trunk automatic exchange for providing direct trunk dialling facility to the telephone subscribers. It was proposed therein that 1500 metres of cable of

500 pairs might be laid from Salem main exchange to coaxial station at Shevapet in Salem. A length of 1300 metres was actually laid. Against the provision of 500 pair cable, the department actually obtained and laid 600 pair cable, as the cable of 500 pairs was stated (July 1975) to be not readily available. The department, however, stated (December 1979) that the provision of 500 pairs was somewhat on the low side on the basis of the projection then made for the next 10 years. Out of 600 pairs, only 400 pairs were terminated in the main distribution frame and the balance 200 pairs were kept as dummies to be terminated as and when necessary. Out of 400 pairs terminated, 320 were actually working (February 1979).

In June 1975, a second project was sanctioned by the General Manager, Telecommunication (GMT), Madras for introducing subscriber trunk dialling (STD) facility between Salem and Erode at a cost of Rs. 4.30 lakhs. The work included, *inter alia,* laying of 500 pair cable for a distance of 1300 metres. The department obtained 600 pair cable for this work also as against 500 pairs provided in the sanctioned estimate. The cable laying work between Salem main exchange and co-axial carrier exchange at Shevapet for the two projects mentioned above was taken up simultaneously and completed in October 1975. In January 1978, the whole project was abandoned as Erode could be brought on STD while connecting Salem with Coimbatore.

Thus, the expenditure of Rs. 2.44 lakhs (December 1978) incurred on the laying of cables for the Salem-Erode STD link proved to be unfruitful.

19. **Loss of potential revenue due to delay in commissioning cable for Air Force.**—In October 1971, the Air Force authorities placed a firm demand with the District Manager, Telephones (DMT), Nagpur for immediate laying of underground cables for their radio telephone circuits. The Director General, Posts and Telegraphs (DGPT) sanctioned the project at an estimated cost of Rs. 18.23 lakhs in May 1973.

Indents for the stores required for the work were placed on the store depot at Nagpur four months later in September 1973. The cable and most of the other stores required for the work were issued by the store depot in September-October 1973. The DMT, Nagpur was also informed by the store depot in November 1973 about non-availability of 16 loading coils as indented. The work of laying cables was, thus completed in June 1974, without loading coils, but the cables could not be handed over to the Air Force authorities as their loading was not possible in the absence of the loading coils. Though the non-availability of the loading coils was intimated by the store depot in November 1973, the DMT, Nagpur took up this matter with the DGPT only in October 1974. On receipt of this request, the DGPT asked the Indian Telephone Industries (ITI), Bangalore in November 1974 to supply 16 out of 27 loading coils allotted to DMT, Nagpur in the purchase order issued in March 1973, on priority basis. The loading coils were received in the store depot from the ITI in October 1975 and issued to the DMT, Nagpur in November 1975. The cables were loaded in March 1976 and handed over to the Air Force authorities in July 1976.

It was noticed in audit that the loading coils were in stock with other store depots at the close of 1973-74 and if attempt had been made to divert them to this work, the cables could have been handed over to the Air Force authorities possibly in June 1974 itself. Thus, due to delay in procuring loading coils valued at Rs. 0.25 lakh, the department lost a potential revenue of Rs. 3.12 lakhs from June 1974 (date of completion of laying of cables) to July 1976 (the date of handing over of the cables to the Air Force authorities). The department stated (January 1980) that the supply position at other store depots was not ascertained by the DMT as he had no jurisdiction in diversion of stores to his unit from other store depots.

20. **Air-conditioning of a trunk auto exchange (TAX).**—The Director General, Posts and Telegraphs (DGPT) sanctioned (June 1972) installation of a 1200 line TAX at Vijayawada at an estimated cost of Rs. 70.23 lakhs which included Rs. 2.75 lakhs

for installation of an air-conditioning plant. While the exchange was commissioned in October 1977, satisfactory air-conditioning facilities were yet to be provided (April 1979).

The DGPT placed an indent for the air-conditioning plant on the Director General, Supplies and Disposals (DGSD) in December 1973. The contract for the supply of the plant (cost : Rs. 7.22 lakhs) was concluded by the DGSD with firm 'A' in February 1975, stipulating the completion of delivery of the equipment by May 1975 and that of erection of the plant by August 1975 or earlier. The supply of the equipment, however, started in August 1975 and the installation was taken up in July 1976 and completed in September 1977 at a cost of Rs. 5.88 lakhs. The plant was put on trial runs for a few hours between October 1977 and April 1978, but had remained shut down since then. It had not so far (January 1980) been commissioned.

Since firm 'A' failed to rectify the defects and commission the air-conditioning plant, the DGSD terminated (April 1979) the contract at the risk and cost of firm 'A'. The TAX at Vijayawada, which was commissioned in October 1977, had to function without air-conditioning till August 1978 when 15 window type room air-conditioners were installed at a cost of Rs. 1.43 lakhs. Thus, Rs. 5.88 lakhs spent till September 1977 on installation of the air-conditioning plant had not proved fruitful so far (November 1979). The department stated (January 1980) that the balance work left by firm 'A' had been taken in hand and was in progress.

It may be mentioned that the same firm had earlier been given contracts for the installation of air-conditioning plants in Mangalore and Hubli telephone exchanges in November 1964 and April 1965 at a cost of Rs. 1.83 lakhs and Rs. 0.77 lakh respectively. In Mangalore telephone exchange, the installation of the plant was completed in January 1968 against the stipulated date of August 1965, but it failed in successive tests conducted thereafter and was ultimately rejected in June 1976. Similarly,

in Hubli telephone exchange, the plant was installed in October 1966, one year behind schedule, but it also failed in the tests and was finally rejected in September 1976. Thus, the expenditure of Rs. 2.60 lakhs on these two plants proved to be fruitless. The department stated (January 1980) that the case of Hubli air-conditioning plant was being examined by the DGSD in consultation with the Ministry of Law for termination of contract and that of Mangalore air-conditioning plant had been referred to an Arbitrator whose award was awaited (January 1980). In view of the aforesaid performance of firm 'A', the reasons for award of contract (February 1975) to it for the air-conditioning plant for TAX Vijayawada were not on record.

21. **Air-conditioning of a telephone exchange.**—In February 1975, the Posts and Telegraphs Department sanctioned a project estimate for Rs. 24.73 lakhs for the installation of 1500 line automatic telephone exchange at Davanagere ; this included Rs. 2.47 lakhs for installation of an air-conditioning plant. The installation of exchange equipment was commenced in April 1976 and the exchange was commissioned in January 1977 without air-conditioning arrangement.

Administrative approval for installation of air-conditioning plant was accorded (May 1976) for Rs. 4.89 lakhs against the provision of Rs. 2.47 lakhs in the project estimate. The department stated (November 1979) that the cost indicated in the project estimate was on *ad hoc* basis while that in the administrative approval was based on the market rates prevailing at that time. The delay in according administrative approval was stated (October 1979) to be due to the fact that planning of air-conditioning for 24 exchange buildings had to be done simultaneously. Tenders were invited in May 1976 and an order was placed (November 1976) on firm 'A' for supply and installation of the plant at a cost of Rs. 4.32 lakhs by September 1977.

After all the major equipment and other connected material of the plant had been delivered at site and the installation was about to commence, the department asked firm 'A' in August

1977 to do the insulated air enclosure for the corridor also in replacement of the false ceiling. The department stated (January 1980) that this work was to be carried out depending upon the route of air ducting as per the site conditions. Firm 'A' demanded (August 1977) extra charges and the department agreed to pay Rs. 0.23 lakh. Firm 'A' also asked (August 1977) for extension of time up to middle of October 1977 which was allowed by the department. The installation was, however, completed only in March 1978 and the plant commissioned in April 1978. According to the department (September 1979) the completion was delayed as the exchange was in continuous operation and precaution had to be taken in the erection of ducts.

The plant was put to summer test in April 1978 and defects noticed therein were rectified. In August 1978, monsoon test was conducted, but the plant failed to maintain the desired inside conditions. In October 1978, it was observed that the division was not operating the plant continuously as per the terms of agreement. In January 1979, the plant was put to winter test and further defects noticed therein were rectified.

Due to belated sanction and delayed installation of the air-conditioning plant, improvised air-conditioning arrangements were made in January 1977 by installing 6 window type air-conditioners (cost : Rs. 0.57 lakh) to protect the equipment. The air-conditioning plant was yet (September 1979) to be taken over by the division as it was not fully accepted by the Acceptance Testing authorities. The department stated (January 1980) that the air-conditioning work could not be synchronised with the sanction of the project because of the policy decision taken in May 1975 regarding procurement of air-conditioning equipment through the Civil Wing of P&T Directorate for which it had to gear itself.

CHAPTER V

STORES PURCHASE AND CONTROL

22. Loading coils

I. *Over-stocking of unpressurised loading coils and their conversion.*—To remove distortion and attenuation of speech, loading coils are inserted in the underground cables at regular intervals. These loading coils (unpressurised type) were procured by the Director General, Posts and Telegraphs (DGPT) from the Indian Telephone Industries (ITI), Bangalore. To prevent entry of moisture into the cables and help locate the cable breakdowns speedily, the department decided (1970 and 1972) on pressurisation of underground cables and the Telecommunication Research Centre (TRC) finalised a tentative design of the pressurised type loading coil in consultation with the ITI in 1971-72. Notwithstanding the aforesaid developments, based on the manufacturing capacity of the ITI and the demands forecast by the circles and districts, the DGPT continued to place orders on the ITI for supply of the unpressurised type loading coils.

In April 1976 and January 1977, taking note of less requirements of unpressurised loading coils and the above developments, the department cut down the orders placed on the ITI for this type of loading coils. However, on protests by the ITI that it had arranged substantial quantities of raw material and components for completing manufacture against pending orders, the DGPT agreed (February 1977) to accept 429 loading coils awaiting tests in the departmental test room at Bangalore. After making all these supplies, the ITI was still (November 1979) left with loading coils of various sizes and the connected sub-assemblies costing Rs. 10.84 lakhs.

Though the TRC had apprehended in January 1977 that the pressurised cables would be damaged if used with unpressurised loading coils, the DGPT instructed (July 1978) the field units to utilise these unpressurised loading coils so that the large stocks (value : Rs. 1.16 crores) that had accumulated in the store depots, could be exhausted. There was, however, not much response from the field units for lifting the coils. The General Manager, Telecommunications, Bangalore had also pointed out (February 1979) to the DGPT that the use of unpressurised loading coils with pressurised cable led to serious difficulties and would, "amount to ruining of lakhs worth of cables for the sake of a few thousands worth of loading coils". There was nothing on record to show that the department examined the question of assessing damages on this account.

Faced with the problem of accumulation of unpressurised loading coils, the TRC held (May 1979) discussions with firm 'A' of Bangalore, a supplier to the ITI, for conversion of unpressurised loading coils into the pressurised type. Firm 'A' accordingly, quoted (May 1979) Rs. 23.64 lakhs for de-assembling and conversion of half the accumulated stock of the unpressurised loading coils ; the cost of this conversion together with the cost of half the accumulated stock would amount to Rs. 81.64 lakhs (Rs. 58 lakhs plus Rs. 23.64 lakhs) as against Rs. 49.76 lakhs for the same number of new loading coils of the pressurised type available from the same firm 'A'. In September 1979, the department placed an experimental order on firm 'A' for converting a part of the unpressurised loading coils into 23 loading coils of 400 pairs of pressurised type at a cost of Rs. 1.90 lakhs. The results of conversion of unpressurised into pressurised coils, the stock actually got converted and its cost were enquired from the department ; reply was awaited (January 1980).

II. *Procurement of pressurised loading coils.*—(a) Based on technical specifications jointly arrived at by the TRC and the ITI (March 1972), the ITI developed a prototype of 400 pair loading coil (pressurised type) and submitted (March 1976) it to the TRC which cleared it in October 1977. The department

placed (January 1976) an order for 250 coils on the ITI ; this was reduced to 175 coils in November 1976 and the ITI supplied 39 coils by March 1979. While the ITI could develop a prototype only in March 1976, a private firm 'A' (as mentioned below) fabricated and offered a prototype in April-May 1973.

Simultaneously, based on the guidance and the know-how given by the TRC to the ITI, firm 'A' fabricated a prototype of 400 pair loading coils and offered (April and May 1973) to supply them at a price of Rs. 14,650 per coil and enquired from the department its requirements to enable it to arrange for raw material. On recipt of this offer, the department issued (September 1973) a tender enquiry for supply of 200 loading coils of 400 pairs each to TRC's specifications ; it was, *inter alia,* stipulated that, simultaneous with the submission of tender, the tenderer should submit a prototype of the loading coil to the TRC for evaluation. Out of 13 firms which submitted their tenders, only firm 'A', whose rate of Rs. 15,940 per loading coil was the sixth lowest, had submitted the prototype. Having found the prototype of firm 'A' to be satisfactory although there were some minor defects, the department placed (April 1974) on it an order for supply of 200 loading coils of 400 pairs each (value : Rs. 31.88 lakhs) at the tendered rate.

The final prototype received from firm 'A' in July 1975 was approved by the department on 7th January 1976 though formal approval was issued in March 1976. In the meantime, at the request of the supplier, the date of delivery of the coils was first extended to 31st May 1976 and then to December 1976. The number of loading coils to be supplied was also reduced from 200 to 150 coils. The supply of 150 coils was completed by firm 'A' by December 1976. The department also decided (September 1977) not to recover any liquidated damages (Rs. 0.29 lakh) from the supplier for late delivery of coils on the ground that this was a development order. The order for the 50 loading coils curtailed earlier was restored in November 1977

with the date of delivery as December 1977, later extended to April 1978 when the supply was completed. The rate was increased (April 1975) from Rs. 15,940 to Rs. 16,215 per coil on account of change in specifications by the department and again (June 1977) to Rs. 16,727 per coil because of the reported variation in the price between the imported and the indigenous stub cable purchased by the firm from the Hindustan Cables Ltd. (HCL) for manufacture of loading coils. The total cost of the 200 coils was, thus, Rs. 33.45 lakhs against the original order for Rs. 31.88 lakhs.

(b) In February 1978, firm 'A' approached the department for placing further orders of 50 coils on it in consideration of which it offered a discount of 2 *per cent* on the earlier price of Rs. 16,727 per loading coil. The department placed further three orders for total of 200 coils on it in July 1978, August 1978 and January 1979 for total cost of Rs. 32.79 lakhs for supply of 100 coils by 31st December 1978 and 100 coils by June 1979. On receipt of the order of January 1979 for 100 coils, firm 'A' requested the department to enhance the rate of Rs. 16,727 to Rs. 17,750 per loading coil on the ground that the prices of raw material had gone up. This was agreed to by the department in June 1979. On a further request by the firm that its offer of 2 *per cent* discount was only for 50 coils ordered in July 1978 and not for any subsequent order placed on it, the department amended the order of January 1979 further in September 1979 cancelling the provision of discount of 2 *per cent*. The total value of the three orders, thus, increased from Rs. 32.79 lakhs to Rs. 34.15 lakhs. The delivery periods were also extended from time to time. Supplies against first two orders (50 coils each) were completed within the extended delivery periods (May and August 1979) and those against the third order (100 coils) extended up to December 1979 were continuing (November 1979).

(c) During the course of the above supplies, firm 'A' informed the department (April 1978) that it had also completed prototype samples each of the 50, 100 and 200 pair loading coils suitable

for pressurised cable. The rates quoted by firm 'A' were considered by the department to be comparable with that of 400 pair coils which had already been supplied by firm 'A'. While recording in departmental file that a tender enquiry would be floated before placement of bulk orders in future, the department placed on firm 'A' (August 1978) an order for supply of 6 coils each of 50, 100, 200 and 800 pairs at a cost of Rs. 2.76 lakhs. In September 1979, however, the department decided to negotiate the rates for bulk order with firm 'A' instead of inviting tenders on the ground that :

— there would be a procedural time lag between floating a tender and taking a decision to place actual orders ; and

— the proposed order would be restricted to the requirements of the current year and that for the next year onwards, tenders would be called for.

Following negotiations, the department placed an order (October 1979) on firm 'A' for 480 loading coils of 50 to 800 pairs for Rs. 59.39 lakhs.

Thus, orders worth Rs. 1.30 crores as detailed in (a), (b) and (c) above were placed on firm 'A' partly (Rs. 33.45 lakhs) on the basis of its tender and partly (Rs. 96.30 lakhs) on negotiations without inviting tenders.

The department stated (February 1980) that :

— based on the forecast of demand and keeping in view the slow progress in development of pressurised loading coils, the department placed a number of orders for non-pressurised loading coils in smaller sizes on ITI ;

— it had not been possible to utilise the entire stock mainly because in the larger telephone districts, the

requirements were for larger sizes and there were no large size loading coils in the accumulated stock ;

— it was conceded that the total cost of converted coils would exceed the cost of the new pressurised assemblies, but this was inevitable ;

— while firm 'A' had been able to develop a prototype and had submitted a quotation, in the interest of developing a wider base it was decided to call for tenders (September 1973). Orders were placed on this firm on the basis of proven capability.

The following are the main points that emerge :

— Despite decision (1971-72) to introduce pressurised loading coils, the department continued to place orders on the ITI for unpressurised loading coils resulting in accumulation of stock of unpressurised coils worth Rs. 1.16 crores by 1978 with very slow off-take because they were of smaller sizes while requirements were for larger sizes.

— Although the TRC had apprehended (January 1977) damage to the pressurised cables if used with unpressurised loading coils, instructions were issued (July 1978) by the department for such use by making some improvisation ; but no assessment of the quantum of damage to cables on this account was made.

— The estimated cost of conversion of half the accumulated stock of unpressurised loading coils (Rs. 58 lakhs) into the pressurised type would amount to Rs. 23.64 lakhs making their total cost as Rs. 81.64 lakhs against the cost of Rs. 49.76 lakhs for the same number of pressurised coils.

— Based on the technical guidance and the know-how given by the TRC to the ITI, firm 'A' fabricated the prototype of 400 pairs in April-May 1973 itself while the ITI developed the same only in March 1976.

— Order worth Rs. 59.39 lakhs was placed (October 1979) on firm 'A' without inviting tenders even though the department had stated in August 1978 at the time of earlier purchase that tender enquiry would be issued before making further purchases.

23. **Procurement of spare parts.**—For setting up three telephone exchanges at Delhi, two each at Calcutta and Bombay and one at Ahmedabad, the Posts and Telegraphs Department procured during 1976 and 1977 equipment from two foreign firms. The exchanges were commissioned in 1978 and 1979. As to the spare parts needed for the maintenance of the exchanges, the terms of the notice inviting tenders (NIT) provided as follows :

> "The tender shall indicate the expected failure rate for the components used in the equipment (with a margin of safety). Based on this failure rate, the maintenance spares sufficient for 3 years requirements shall be included for each exchange. If the failure rate of the components is found to be higher than that indicated by the tenderer, he shall replace free of cost at site such components and also supply additional quantities required on this basis to cover 3 years requirements."

Although the tenderer was to indicate in the tender the expected failure rate for the components used in the equipment, it was not given by both the tenderers and only the quantity of spare parts considered sufficient for three years was indicated by them in their tenders and supplied to the department. The records of the department did not indicate as to why the offers were accepted when the terms of the NIT were not fulfilled.

In April and May 1978, the General Managers, Telephones (GMT), New Delhi and Calcutta forwarded to the Director General, Posts and Telegraphs (DGPT) lists containing their requirements of spare parts for the new exchanges. The lists showed a wide variation between the requirements given by the two GMTs for the same item. Further, the lists also included spare parts which were indicated by the suppliers in their tenders for supply as three years requirements and also those not indicated in the tenders. Although in terms of the above condition of the NIT, the suppliers were to supply free of cost spare parts for three years requirements over and above the supplies made by them, the department decided (July 1978) to make an outright purchase of further spare parts costing 30.3 million yen (Rs. 12.24 lakhs) from these very suppliers on the grounds that :

— many of the crucial items had not been included in the spare parts supplied by the suppliers ;

— supplies made by the suppliers were inadequate for maintaining an imprest stock of spares and that in case any of the components of the imported exchange became faulty, the department could not wait for free replacement from the suppliers ;

— these maintenance spares were not included in the list of spares quoted by the suppliers and that at the time of accepting the tenders, it was not possible to visualize quantities of all the different types of spares required for maintenance, this being a new type of exchange equipment ;

— out of the purchases made, the spare parts used would be got replaced free of cost from the suppliers and the imprest recouped ; and

— since the exchanges had to run many more years beyond the initial guarantee period of three years, availability of spare parts from the imprest stock after the initial guarantee period would ultimately be to the advantage of the department.

Orders were accordingly placed with the suppliers in September 1978 and December 1978 for spare parts costing Rs. 12.24 lakhs. One of the suppliers shipped these spare parts in June 1979 on payment of Rs. 5.05 lakhs ; the second supplier had not yet (November 1979) completed the supplies.

Thus, the following points emerge :

— Since the failure rate of components had not been indicated by the suppliers in their tenders, the exact requirement of the spare parts needed for three years was not susceptible of check by the DGPT.

— Although in terms of the contract supply of spare parts to meet three years requirements was to be made by the suppliers, the department, without insisting on this supply, went in for an outright purchase of spare parts costing Rs. 12.24 lakhs from these very suppliers. Regarding replacement of spare parts used in 3 years free of cost by the suppliers, on being pointed in audit (September 1979), the department issued instructions to the GMT, Delhi for getting free replacement from the suppliers.

The department stated (January 1980) :

"..... during the post-installation period, it was seen that some components which were not included in the spare parts supplied became faulty in some of the exchanges and these were got replaced free of cost. It was also noted that some other components which were not included in the list of spares supplied with the exchanges became faulty. The department had the alternative of taking up this aspect with the suppliers and asking them to supply all items of spares in sufficient quantities as considered necessary for 3 years satisfactory maintenance. However, in the

absence of adequate data on the requirement of spares for these new type of exchanges being brought into service in India for the first time and the observation of different pattern of failure of components in different exchanges, such a procedure would have entailed prolonged correspondence with the suppliers with exposure to risks in failure of exchanges due to non-availability of spares during this period..... The reports from the field units indicate that the supplier is making good these components by supplying free of cost". The fact, however, remains that the terms of the contract were not enforced and additional purchase of spares worth Rs. 12.24 lakhs was resorted to. The extent to which free replacement had been obtained has to be verified in audit (January 1980).

24. **Supply of defective waterproof coats.**—On the basis of the indents received from the Director General, Posts and Telegraphs (DGPT), the Director General, Supplies and Disposals (DGSD) placed three orders on firm 'A' in February 1975, February 1976 and June 1976 for the supply of 10,343, 12,086 and 9,972 waterproof coats respectively against the rate contracts/price agreements. Against these orders, firm 'A' supplied a total of 32,401 coats valued at Rs. 14.97 lakhs plus other charges from March 1975 to September 1977 to the various P&T units.

The General Manager, Telephones, New Delhi reported to the DGPT in September 1975 that the waterproof coats supplied by firm 'A' were defective. The DGPT took up the matter with the DGSD in September 1975. On receipt of a further complaint in August 1976, a report was called for by the DGPT from the Postmaster General (PMG), Ambala, who forwarded one defective waterproof coat received against the first supply order for examination and reported that the condition of the entire lot was the same. Subsequently, also further complaints were received (between September 1976 and January 1978) from the users and the employees unions.

The DGPT again referred the matter to the DGSD in September 1976 for investigation, withholding payment to and stopping further supply from firm 'A'. Simultaneously, the DGPT advised (September 1976) all the P&T circles not to distribute the supplies to the staff and also to ensure that copies of the inspection notes were not released.

A joint inspection was carried out in November 1976 at the premises of the Postal Stock Depot, Ambala by the representatives of firm 'A' and the Director of Inspection of the DGSD in the presence of the consignee ; it was noticed that out of the 268 coats left from the first supply order of February 1975 in stock, 60 had completely deteriorated due to melting of rubber coating. One sample out of these 60 coats was sent to the National Test House, Calcutta for laboratory test. The test report (January 1977) indicated that the sample conformed to the relevant specifications except that the weight of the finished fabric was more than the specified requirement which was not considered to be a defect to cause melting of rubber.

Another joint inspection was conducted in March 1977. Two samples out of the supply order of June 1976 were drawn and sent to the National Test House, Calcutta for laboratory test. The test report (May 1977) was identical to the one already given.

Considering the aforesaid test reports as satisfactory, the DGPT decided (May 1977) that the supplies against the order of June 1976 be distributed by the Postal Stock Depots after satisfying that the rain coats were not found to be defective by visual inspection. The PMG, Ambala, during his personal inspection of the waterproof coats in stock, observed (November 1977) that these were not fit for use and moved the case for seeking second opinion from some other Test House.

One coat out of the supply of June 1976 was sent to Shri Ram Test House, Delhi in June 1978 for test. The test report (September 1978) revealed that the rubber coating was cracked

and at some parts it had become sticky, that the sample did not conform to any standard size as per standard specifications, that breaking strength and weight test on base cloth could not be undertaken as the base cloth could not be separated from the rubber coating and that tests for stability to meet heat could not be done as the conditions mentioned in the specifications were not clear.

On the basis of the information collected by the DGPT from the various circles (except General Manager, Telephones, New Delhi), it was seen that 3,788 defective coats costing Rs. 1.90 lakhs were still lying in stock (July 1979). The DGPT decided (July 1979) to ask the consignees to dispose of these coats.

The department stated (January 1980) that on rechecking the quality of the stock, 925 coats (cost : Rs. 0.43 lakh) were found defective out of the quantity of 9,830 coats supplied to 4 consignees and the consignees had been directed to make a note of the quantity of rain coats which were defective and available in stock in the "remarks column" of the inspection notes so that cost of defective coats might be recovered from the bills of the firm by the Pay and Accounts Officer. Further developments were awaited (January 1980). The remaining 22,571 coats had been issued and consumed.

25. **Non-installation of a generating set.**—In February 1975, the General Manager, Telephones, Ahmedabad sanctioned an estimate of Rs. 1.15 lakhs for the installation of a diesel generating set in Bhavnagar Exchange to serve as a stand-by arrangement in the event of power failure from the regular supply source. The work was to be completed within one month of the receipt of stores. The set was procured through the Director General, Supplies and Disposals in December 1975 at a cost of Rs. 1.10 lakhs. It was noticed in audit (February 1979) that the set had not been installed and was lying idle. According to the department (July 1979), the set could not be installed as the construction of the separate room intended for its installation was kept

pending till the plan for expansion of telephone exchange building was finalised.

The set (cost : Rs. 1.10 lakhs) obtained in December 1975 had not yet (January 1980) been installed; the department, however, stated (January 1980) that urgent action was being taken to instal it. Besides, due to non-installation of the generating set, during the failure of power supply only important numbers could be kept running.

26. **Unutilised stores.**—Against an order placed by the Chief Controller of Telegraph Stores (CCTS) on the Indian Telephone Industries (ITI) in July 1961, 24 numbers of rack final selector and trunk equipment for incoming trunk selector train to cross-bar exchanges, were procured at total cost of Rs. 3.31 lakhs for the work of "Multi Link Operator Dialling Phase I" and stocked in a store depot at Madras. These stores could not be used for the above work and remained with the store depot, Madras; the department did not indicate any reasons for non-utilisation.

To utilise these stores, their availability was circulated (August 1968) amongst all the concerned branches of the department as also to the ITI, but no demand for these stores was received from any quarter. The DGPT then issued instructions (March 1969) that the K-relays (a component of the rack final selector) be dismantled and issued to the auto exchanges. Out of 9,600 numbers of K-relays so dismantled by October 1969, 9,506 were serviceable (cost : Rs. 0.42 lakh) and these were distributed to various indentors in March 1971. The remaining 94 numbers (cost : Rs. 413) were found faulty and unserviceable.

Under instructions from the DGPT (November 1972), rest of the equipment (*i.e.* without the K-relays) was transferred from the store depot, Madras to the store depot, Bombay in January 1973 for utilisation in the Telecommunication Factory, Bombay. These could not be utilised even in the Telecommunication Factory, Bombay and on the recommendation (June 1974) of

the Technical Survey Committee, the availability of racks was circulated to all Divisional Engineers, Telegraphs Installations who, however, did not place any demand for them.

The Surplus Stores Committee decided (March 1976) that final selector racks be offered to Telecommunication Factory, Bombay for cannibalisation. Till November 1978, cannibalisation was not done and the anticipated sale proceeds value could not be assessed by the department. The General Manager, Telecommunication Stores stated (November 1978) that the final selector racks still contained some useful parts which could be conveniently used, if cannibalised, besides the residual value of steel of which the racks were made. However, on examination of the racks, the Telecommunication Factory, Bombay, found (July 1979) that neither the racks nor the relays and tag blocks were of any use to it and, therefore, recommended further disposal of the racks. The department stated (September 1979) that disposal of the racks would be considered in the next meeting of the 'Surplus Stores Committee'. The utilisation or disposal of the final selector racks costing Rs. 2.89 lakhs had not been made (September 1979) even 18 years after their procurement.

27. **Performance of stamp cancelling machines.**—With a view to replacing the old and worn out imported stamp cancelling machines and also introducing such machines in bigger post offices in the country, the Director General, Posts and Telegraphs (DGPT), placed orders on the Hindustan Teleprinters Ltd. (HTL) for indigenous manufacture and supply of 208 stamp cancelling machines in April 1973 (28 machines), October 1973 (80 machines) and February 1975 (100 machines). Before the placement of the order, a prototype stamp cancelling machine made by the HTL was tested in Mount Road Post Office, Madras in 1972.

The price of Rs. 5,125 (exclusive of excise duty, sales tax and insurance charges) for each machine quoted by the HTL in respect of the first two orders of April 1973 and October 1973 was accepted by the DGPT stating that it "compared favourably

with the price for imported machines", which was then about Rs. 4,700 per machine. No cost analysis was conducted for the purpose. For the supply order of February 1975 (100 machines), the HTL revised the price of each machine to Rs. 6,060 (excluding excise duty and sales tax) due to general escalation of prices ; but after discussions, the HTL agreed to accept the price of Rs. 5,700 (exclusive of excise duty, sales tax and insurance charges). The price did not include charges for installation or after sale service.

There was a performance guarantee against faulty materials or workmanship for a period of one year after supply. The guarantee was limited to making good, at the option of the HTL, by replacement or repairs, defects which under reasonable use appeared therein.

These machines were supplied to different circles from 1973-74 to 1975-76 for installation in the post offices. In August 1974, when the Postmaster General (PMG), Maharashtra Circle pointed out unsatisfactory performance of the machines, the DGPT took up the matter with the HTL. While the matter was still under correspondence with the HTL, the DGPT placed further order for 100 machines (cost : Rs. 5.70 lakhs) in February 1975.

A test-check in audit of the performance of the machines supplied against all the three orders disclosed the following position.

Uttar Pradesh (U.P.) Circle : Twenty-five machines (cost : Rs. 1.54 lakhs) were supplied to the various units during 1974, 1975 and 1976. All the machines had been installed, but only 3 of them were working. The PMG, U.P. Circle stated (July 1979) that as the machines had manufacturing defects, no useful purpose would be served by trying to set them right. This implied that expenditure of Rs. 1.36 lakhs on purchase of 22 machines proved to be unfruitful.

Tamil Nadu Circle : Nineteen machines (cost : Rs. 1.36 lakhs) were supplied to the various units from December 1974

to November 1976. Out of these, 11 machines (cost : Rs. 0.80 lakh) were not working (December 1979), 4 (cost : Rs. 0.28 lakh) were not giving satisfactory service as they were out of order frequently and the remaining 4 were being used to a limited extent only due to manufacturing/operational faults.

Andhra Circle : Out of 8 stamp cancelling machines (cost : Rs. 0.54 lakh) supplied to the circle, only 2 machines were in working (December 1979) condition. While 3 machines had been frequently going out of order for long periods, 3 machines (cost : Rs. 0.20 lakh) were not at all functioning since the date of their installation even though machines were "acceptance tested" by the Senior Manager, Mail Motor Service, Madras.

Madhya Pradesh Circle : Thirteen machines (cost : Rs. 0.81 lakh) were supplied to the various postal units in the circle during 1974-75 and 1976. Out of these, 5 machines (cost : Rs. 0.31 lakh) were out of order and 8 machines were working (December 1979). No action was taken to bring the out-of-order machines to working condition

After discussion with HTL, it was decided by the department in April 1978 to place orders on the HTL for replacement of certain components for all the 208 machines at an estimated cost of Rs. 170 per machine, and to impart training to the technicians of the department in the supplier's workshop at Madras. The department placed orders for 5 modification kits in August 1979. These were yet (January 1980) to be supplied by the HTL and the technicians for the proposed training were also yet to be detailed (January 1980).

Thus, the purpose for which the stamp cancelling machines were installed by the department, *viz.* improving efficiency in various post offices could not be achieved and the expenditure incurred on the purchase of 208 machines (Rs. 13.57 lakhs) and installation of these machines had not so far served the intended purpose.

CHAPTER VI

LAND AND BUILDINGS

28. **Avoidable expenditure on rented accommodation.**—The Posts and Telegraphs (P&T) Department hired 4,110 square feet of office accommodation for the Senior Architect-I from the New Delhi Municipal Committee (NDMC) with effect from 15th February 1971 at the monthly rental of Rs. 1.25 per square foot. The licence deed entered into by the Senior Architect was for an initial period of 5 years, renewable thereafter on the terms and conditions to be settled mutually between the NDMC and the P&T Department.

In October 1975, *i.e.* 4 months before the expiry of the licence period, the NDMC offered to renew the licence at the rate of Rs. 2 per square foot. This was followed by two reminders on 6th December 1975 and 30th December 1975, but the department did not reply to this offer. On 24th January 1976, the NDMC again asked the P&T Department to communicate its consent within 10 days failing which it would be presumed that the said space would be vacated after expiry of the term of licence and that action for hiring the same to some other party would be initiated without further notice or warning. On 31st January 1976, the department communicated its acceptance to the NDMC for a further period of 3 years on the existing terms and conditions on payment of licence fee at Rs. 1.25 per square foot. The NDMC, however, did not accept this and on 9th February 1976 (*i.e.* before the expiry of the licence) and on 25th February 1976 revised the offer of Rs. 2 to Rs. 3 per square foot; in May 1976, the NDMC further revised it to Rs. 4.50 per square foot. The department, however, succeeded in obtaining reduction of rent from Rs. 4.50 to Rs. 3 per square foot and decided (September 1976) to retain the accommodation for a

further period of 5 years at the revised rate of Rs. 3 per square foot. The department stated (December 1979) that it was all along making efforts to get reduction in rent and that it succeeded in getting it reduced to Rs. 3 per square foot. The fact, however, remains that due to avoidable delay in taking action on the offer of the NDMC made in October 1975 for renewal of the licence at Rs. 2 per square foot, the department had to pay increased licence fee and incur an extra expenditure of Rs. 1.79 lakhs up to the end of September 1979, which would amount to Rs. 2.47 lakhs for the entire period of new lease of 5 years.

29. **Un-attended repeater huts on co-axial cable routes.**—In February 1970, the Director General, Posts and Telegraphs (DGPT) prescribed specifications for the construction of un-attended repeater huts for two types ('174' and '375') of co-axial cables. The size of 6′ x 8′ x 8′ was specified in respect of repeater huts for '174' type co-axial cables and 10′ x 12′ x 10′ for the '375' type. In subsequent instructions of the DGPT in November 1970, the specification of the '375' type was reduced from 10′ x 12′ x 10′ to 10′ x 8′ x 8′. The '375' type was capable of carrying higher telephone channel capacity of 12 MHZ (Mega Hertz) system.

In April 1976, the department took a decision for providing 12 MHZ co-axial system on the Nagpur-Secunderabad-Bangalore route over '174' type co-axial cable and suggested to the General Manager, Projects, (GMP), Madras the possibility of a small repeater hut of 5′×5′×6′ dimensions. While the Director, Co-axial Cable Project, Bombay suggested to the DGPT the dimensions of 8′×7′×8′ (May 1976), the Director, Co-axial Cable Project, Hyderabad suggested (June 1976) the dimensions of 8′×8′×8′.

Without awaiting the decision of the DGPT, the Director, Co-axial Cable Project, Hyderabad issued instructions in September 1976 for the construction of 586 huts on Nagpur-Secunderabad-Bangalore route of the dimensions of 8′×8′×8′ and

these were constructed (by 30th September 1978) at a cost of approximately Rs. 47 lakhs. In March 1977, the DGPT prescribed the specification for these huts as 8′ x 7′ x 8′. The delay in prescribing the specifications resulted in an extra expenditure of Rs. 4.50 lakhs.

Out of the 586 huts, construction in respect of 294 actually commenced after March 1977, *i.e.* after the DGPT had prescribed the revised specifications. Had the Director, Co-axial Cable Project, Hyderabad at least reduced the size of these huts conforming to the specifications prescribed by the DGPT, the department would have avoided an extra expenditure of Rs. 2.26 lakhs.

CHAPTER VII

OTHER TOPICS

30. **Overpayments and short-payments on post office savings certificates.**—The sale of various types of savings certificates as notified by the Government of India from time to time is undertaken by the Director General, Posts and Telegraphs (DGPT), through Post offices as an agency function on behalf of the Ministry of Finance. The issue, discontinuance and maturity value payable in respect of these certificates are governed by the Post Office Savings Certificate Rules, 1960, as amended from time to time. In accordance with the rules, the sale of 12-year National Defence Certificates (NDCs) was opened to the public from 15th November 1962 and closed from 14th March 1970. The holders of these certificates were allowed the option of retaining the certificates even after the date of maturity for a further period of five years at the prescribed rate of interest. A new series of certificates, *viz.* 7-year National Savings Certificates (II issue) (NSCs), was introduced from 16th March 1970. Tables showing the value payable on 12-year NDCs and 7-year NSCs, are prescribed in the said rules.

A test-check of the payments of discharge value of the certificates of the above two series conducted by Audit in 1977-78 revealed an overpayment of Rs. 4.46 lakhs (in 2,793 12-year NDCs and 10,209 7-year NSCs) and short payment of Rs. 6.17 lakhs (in 10,067 12-year NDCs and 28,255 7-year NSCs). Out of these, overpayments of Rs. 1.55 lakhs and short payments of Rs. 1.62 lakhs in respect of some circles were under verification by the department. The department stated (December 1979) that a sum of Rs. 1.99 lakhs on account of overpayments had been recovered and refunds to the extent of Rs. 0.30

lakh towards short payments allowed. It was observed in audit that the overpayments and short payments occurred due to :

— wrong application of the relevant table showing the value payable on maturity or surrender without taking into consideration the revised surrender/discharge value enhanced from time to time; and

— the revised table prescribing interest on certificates retained after the date of maturity for a further period of five years introduced in November 1976, being not followed while making the payment.

31. **Pairing of savings bank and other accounts opened on transfer.**—According to Post Office Savings Bank Rules, an account holder can transfer his savings bank account free of charge from one head post office to another within the same or another postal circle. On receipt of application for transfer, 'an advice of transfer' (AT) is prepared in duplicate by the transferring head post office. One copy of the AT is forwarded by registered post to the head post office to which the account is to be transferred. All such cases of transfer are also noted by the transferring head post office in a 'journal of accounts transferred to other head post offices'. On receipt of the AT in the transferee head post office, a new account is opened for the account holder and an entry of transfer of the account is made in a 'journal of accounts received on transfer from other head post offices'. Such 'journals of transfer of accounts' are prepared separately for accounts transferred within the circles and for those transferred outside the circle.

In order to ensure that no unauthorised or fraudulent savings bank accounts are opened on transfer from one head post office to another, the Posts and Telegraphs Department has set up a 'Circle Pairing Unit' in each Postal Circle and one 'Central Pairing Office' at Delhi. The Circle Pairing Unit is responsible for the pairing of savings bank accounts opened on transfer with the corresponding accounts closed on transfer within the circle.

The Central Pairing Office is similarly responsible for the pairing of savings bank accounts opened on transfer from different postal circles with those closed on such transfer. All unpaired accounts are to be pursued with the head post offices concerned and reported to the Director General, Posts and Telegraphs (DGPT).

A test-check in audit of the Central Pairing Office, New Delhi disclosed the following points :

— Three hundred and thirty savings bank and other accounts with balances aggregating Rs. 3.93 lakhs opened on transfer up to March 1979 stood unpaired at the end of November 1979. These pertained to 1975-76 to 1977-78 (73 accounts : Rs. 0.65 lakh) and 1978-79 (257 accounts : Rs. 3.28 lakhs).

— One thousand four hundred ninety eight accounts with balances aggregating Rs. 20.54 lakhs intimated as closed up to March 1979 and included by the transferring post offices in the 'journal of accounts transferred to other head post offices' stood unpaired with corresponding advice of transfer and the journal of accounts received on transfer from other head post offices, at the end of November 1979. These pertained to 1973-74 to 1976-77 (282 accounts : Rs. 2.29 lakhs), 1977-78 (384 accounts : Rs. 4.08 lakhs) and 1978-79 (832 accounts : Rs. 14.17 lakhs).

Each Circle Pairing Unit is required to submit to the DGPT by 5th July each year a statement showing the amount of outstanding accounts lying unpaired in respect of the head post offices in its circle. These statements disclosed the following :—

— Three thousand three hundred and ninety five accounts with balances aggregating Rs. 35.85 lakhs opened on transfer in all postal circles up to March 1979 stood unpaired at the end of November 1979. These pertained to 1973-74 to 1976-77 (587

accounts : Rs. 4.85 lakhs), 1977-78 (1,512 accounts : Rs. 13.80 lakhs) and 1978-79 (1,296 accounts : Rs. 17.20 lakhs).

— Eight thousand six hundred and fifty four accounts with balances aggregating Rs. 84.16 lakhs closed on transfer in all postal circles up to March 1979 stood unpaired at the end of November 1979. These pertained to 1972-73 to 1976-77 (3,057 accounts : Rs. 25.81 lakhs), 1977-78 (2,494 accounts : Rs. 20.68 lakhs) and 1978-79 (3,103 accounts : Rs. 37.67 lakhs).

The following reasons were attributed by the department for these outstandings :

(i) omissions and delays in submission of the returns to the Circle Pairing Unit and Central Pairing office by the post offices;

(ii) the post offices showing the accounts transferred within the circle in the journal meant for showing transfers outside the circle and *vice versa*;

(iii) indicating wrong particulars of the transferring and transferee post offices in the journals;

(iv) existence of two or more post offices with the same name in different circles;

(v) loss of advices of transfer in transit;

(vi) difference between the amount as per the 'journal of accounts transferred to other head post offices' and that shown in the 'journal of accounts received from other head post offices';

(vii) delays in return of advices of transfer by the transferee post office to the transferring post offices for supply of omissions; and

(viii) non-submission of advices of transfer by the sub-offices authorised to allot new account numbers.

The DGPT had issued instructions (December 1978) to all Heads of Postal Circles for the avoidance of the above mistakes. The overall position of outstandings has, however, not improved. The department stated (January 1980) that of the whole arrears, 3,725 items involving Rs. 39.79 lakhs representing unpaired accounts opened on transfer had a "fraud potential".

32. **Less realisation of advertisement receipts for a Telephone Directory.**—After inviting tenders, the General Manager, Telephones (GMT), Delhi entered into (December 1975) an agreement with an advertising firm for securing advertisements for the Delhi Telephone Directory, May 1977 issue (English Edition). The agreement provided for a minimum guaranteed gross revenue to Government of Rs. 4.61 lakhs and payment to the advertising firm a commission at the rate of 25 *per cent* up to the minimum guaranteed revenue and 40 *per cent* of the amounts thereafter.

The advertising firm procured advertisements through sub-agents/parties on commission/rebate/discount basis. It was noticed in audit (September 1978) that while computing the share of revenue due to the advertising firm and Government, the firm had made calculations with reference to the net amount actually collected by it from the sub-agents/parties after deducting the commission/rebate/discount allowed to them on its own volition instead of on the basis of gross revenue. This had resulted in underpayment of Rs. 0.20 lakh to Government. The GMT requested the firm (June 1979) to pay the said amount; the payment was still awaited (January 1980).

Further, the agreement provided for supply by the advertising firm of laminated art carton box or box board duly printed for the front, back and spine covers, at its own cost, containing both departmental and other advertisements in such designs as were approved by the department. The advertising firm incurred an

expenditure of Rs. 0.70 lakh on this account. Instead of itself meeting this expenditure, the firm set it off against the collections (Rs. 0.71 lakh) of advertisement revenue for these "positions". The department had, thus, less realised Rs. 0.42 lakh, being 60 *per cent* of the revenue on this account. The department stated (January 1980) that instructions for the recovery of Rs. 0.42 lakh had been issued.

The total less realisation of revenue on advertisements, thus, amounted to Rs. 0.62 lakh.

33. **Delay in disposal of inspection reports.**—The total number of inspection reports on Posts and Telegraphs offices issued by the Audit Offices up to 31st March 1978 and the number of irregularities pointed out therein remaining unsettled up to the end of August 1979 were 6,773 and 43,714 respectively. Out of 1,295 reports issued during 1978-79, 217 reports had not been received back with the first reply (August 1979). In addition, 178 inspection reports issued prior to April 1978 had also not been received back with the first reply (August 1979). The department stated (February 1980) that there was difference between the figures shown in the Audit paragraph and those furnished by the circles/districts. These figures were under reconciliation.

The following are some of the common types of irregularities noticed as a result of test-check during inspections conducted in 1978-79 :—

(a) Security bonds not obtained/not renewed or not kept on record.

(b) Non-renewal and non-execution of lease of buildings.

(c) Irregularities in maintenance of service books and leave accounts.

(d) General Provident Fund accounts of Group 'D' employees not maintained properly.

(e) Short/excess interest allowed on savings bank accounts. For instance, check of interest calculations conducted by Audit during 1978-79 in 67 post offices in 5 circles, revealed that interest of Rs. 0.10 lakh in 895 accounts was allowed in excess; and interest of Rs. 0.09 lakh in 721 accounts was allowed less.

(f) Specimen signatures of savings bank depositors not on record.

(g) Overpayments/irregular payment of children's education allowance/tution fees.

(h) Health certificates on first appointment wanting.

(S. M. MAITRA)

DELHI *Director of Audit, Posts and Telegraphs*

The

26 MAR 1980

Countersigned

(GIAN PRAKASH)

NEW DELHI *Comptroller and Auditor General of India*

The

26 MAR 1980

APPENDIX 1

(Referred to in paragraph 5 at pages 7—10)

(a) **Yearwise** analysis of telephone revenue in arrears on 1st July 1979 for bills issued up to 31st March 1979 :

Year	Amount (Lakhs of rupees)
Upto 1971-72	106.89
1972-73	37.95
1973-74	44.61
1974-75	64.60
1975-76	75.76
1976-77	165.79
1977-78	423.95
1978-79	579.09
Amount for which break-up not available	191.15
TOTAL	1689.79

(b) **Yearwise** analysis of telephone revenue exceeding Rs. 5,000 in arrears on 1st July 1979 for bills issued up to 31st March 1979 :

Year	Amount (Lakhs of rupees)
Upto 1971-72	13.85
1972-73	4.14
1973-74	4.42
1974-75	4.98
1975-76	6.79
1976-77	11.25
1977-78	18.97
1978-79	30.98
TOTAL	95.38*

*This does not include figures in respect of Delhi and Calcutta Telephone Districts.

(c) Yearwise analysis of telephone revenue written off during 1978-79 :

Year	Amount (Lakhs of rupees)
Upto 1971-72	5.78
1972-73	1.34
1973-74	1.32
1974-75	1.99
1975-76	1.75
1976-77	2.70
1977-78	1.47
1978-79	0.70
TOTAL	17.05

APPENDIX II

(Referred to in paragraph 6 at page 10)

Yearwise analysis of arrears of rent of telegraph, telephone and teleprinter circuits and telex/intelex charges on 1st July 1979 for bills issued up to 31st March 1979 :

Year	Rent of telegraph, telephone and tele-printer circuits	Telex and intelex charges	Total
	(Lakhs of rupees)		
Up to 1973-74	34.46	10.49	44.95
1974-75	6.64	9.29	15.93
1975-76	10.50	9.41	19.91
1976-77	16.58	16.90	33.48
1977-78	33.17	29.62	62.79
1978-79	115.83	77.60	193.43
TOTAL	217.18	153.31	370.49

The above figures have been furnished by the department and are subject to verification (February 1980).

APPENDIX III

(Referred to in paragraph 7 at page 11)

Yearwise analysis of revenue of radio telegraph charges in arrears on 1st August 1979 for bills pertaining to the period up to 31st March 1978 :

Year	Amount (Lakhs of rupees)
1965-66	1.01
1966-67	0.43
1967-68	0.16
1968-69	0.83
1969-70	0.01
1970-71	0.23
1971-72	0.10
1972-73	0.01
1973-74	0.45
1974-75	0.32
1975-76	2.11
1976-77	4.29
1977-78	8.65
TOTAL	18.60