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Report of the Comptroller and Auditor General of India

for the year ended March 1998

Union Government

Post and Telecommunications

No.6 of 1999

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PREFATORY REMARKS

This Report for the year ended March 1998 has been prepared for submission to the President under Article 151(1) of the Constitution. It relates to matters arising from test-audit of financial transactions of Ministry of Communications.

The Report includes 48 Paragraphs and four Reviews viz, (i) Procurement of PIJF Cables, (ii) Laying of cables in local network, (iii) Functioning of Calcutta Telephones and (iv) Publication of Telephone Directories pertaining to Department of Telecommunications and 13 Paragraphs and two Reviews viz, (i) Post Office Savings Certificates and (ii) Mail Management in Metropolitan Cities, in respect of Department of Post. The Draft Paragraphs and Draft Reviews were forwarded to the Secretary Department of Telecommunications (DoT) and the Secretary Department of Post (DoP) for furnishing their replies within six weeks. Replies to three Reviews and 18 Paragraphs were not received from DoT. DoP did not furnish replies to two reviews and two Paragraphs till the finalisation of this Report.

The cases mentioned in the Report are among those which came to notice in the course of audit conducted during the year 1997-98 and early part of 1998-99. It also includes cases noticed during earlier years wherever relevant.

OVERVIEW

This Audit Report for the year April 1997 to March 1998 is presented in two sections:

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

- It contains 67 Paragraphs including six reviews.
- The Overview highlights some of the important Audit findings included in this Report.

Financial Implications

- The total financial implication of various paragraphs and reviews included in this Report is Rs 2084.54 crore in respect of Department of Telecommunications (DoT) as per details given below:

DoT

Type of irregularity	Financial implication (Rs in crore)
Revenue paragraphs	
Non-recovery/Short recovery	14.86
Loss/leakage of revenue	3.41
Expenditure paragraphs and reviews	
Over payment/Excess payment/ short recovery	170.44
Excess expenditure in violation of rules	371.53
Avoidable payment	867.97
Infructuous expenditure	92.14
Potential loss of revenue	346.95
Idle/ unproductive expenditure	210.39
Leakage of revenue	6.85
Grand total	**2084.54**

- The paragraphs and reviews included in the chapters on **Department of Post (DoP)** involve **financial implication of Rs 163.44 crore**.

SECTION I — DEPARTMENT OF TELECOMMUNICATIONS

Section I is divided into five chapters.

— Chapter 1 is in the nature of introduction to the physical and financial operations of Department of Telecommunications (DoT).

— Chapter 2 brings out the results of Appropriation Audit.

— Chapter 3 deals with the results of sample checks of the system of demand and collection of revenue.

— Chapter 4 contains overall performance reviews and Chapter 5 results of transaction audit.

➢ The revenue audit chapter contains cases of non-recovery/outstanding dues etc., of Rs 14.86 crore besides leakage/loss of revenue of Rs 3.41 crore. Out of this, the **Department had realised Rs 6.63 crore until the finalisation of this Report at the instance of Audit**. For the remaining, replies of the Department were awaited.

➢ The expenditure audit chapters i.e. chapters 4 and 5 contain cases, which bring out excess payments, overpayments and non-recovery of liquidated damages etc., aggregating Rs 170.44 crore. **Out of this, the Department has already recovered Rs 3.36 crore upon being pointed out by Audit**. Replies in many cases were awaited.

Financial Results and performance

- At the end of March 1998, DoT had a network of 23406 telephone exchanges with 1.78 crore telephone connections, 2.42 lakh route km of coaxial, microwave, UHF and optical fibre cable systems and 241 fixed satellite earth stations.

- The metered telephone calls which stood at 5860 crore units in 1994-95 have increased to 11512 crore units during 1997-98. The overall revenue receipts of Rs 7799 crore in 1994-95 have increased to Rs 14587 crore during 1997-98.

- The operating ratio being the ratio of net working expenses to revenue has increased to 51.79 *per cent* in 1997-98 from 49.60 *per cent* in 1996-97.

- At the end of March 1998, 21 lakh telephone lines remained unutilised and 27.05 lakh applicants were waitlisted for new telephone connections

(Paragraph 1)

Expenditure Control

- DoT incurred Rs 356.41 crore in excess of the amount authorised by the Parliament in the Revenue (voted) section. DoT would need to get the excess expenditure regularised under Article 115(1)(b) of the Constitution.

- In the Capital (voted) section, DoT ended up with savings of Rs 2053.05 crore (18.68 *per cent* of capital budget) as unspent during 1997-98. Such a phenomenon in the Capital section has been persistent adversely affecting expansion as per Plan.

- DoT surrendered as unspent Rs 2098.01 crore on 21 March 1998 under Capital section though only Rs 2053.06 crore was the final amount available.

- In 16 cases, the re-appropriation was injudicious in as much as in some of the heads to which the amounts were re-appropriated, the actual expenditure was less than even the original provisions, while in some others from which the amounts were re-appropriated, the actual expenditure was more than the balance amount after such re-appropriation.

(Paragraph 2)

Revenue

Misuse of trunk junctions—leakage of revenue of Rs 1.82 crore

Audit test checked three billing cycles covering a period of six months and found that there was a leakage of revenue of Rs 1.82 crore in 19 local exchanges connected to Balasore trunk auto exchange (TAX) under Orissa circle due to possible misuse of trunk junctions.

(Paragraph 3)

Non-realisation of Service tax of Rs 2.39 crore

DoT did not circulate the clarification regarding levy of Service tax on telephone circuits, non-exchange lines, private wire, hot line and PBX to 20 out of 21 telecom circles. This resulted in non-recovery of Service tax of Rs 2.39 crore in five telecom districts of Chennai, Bangalore, Bhopal, Udaipur and Bhatinda test checked in five circles.

(Paragraph 4)

Leakage of revenue from Coin Collection Boxes

Audit conducted test checks in 1006 coin collection box public call offices (CCB PCOs) in six telecom districts of Gwalior, Indore, Amritsar, Kanpur, Nasik and Pune which disclosed that revenue of only Rs 16.24 lakh was collected from these CCB PCOs as against Rs 69.77 lakh worked out on the basis of metered calls made from these PCOs resulting in leakage of revenue of Rs 53.53 lakh. The short collection varied between 64 to 97 *per cent* in different telecom districts.

(Paragraph 5)

Non-billing or short billing

Large number of cases came to the notice during audit wherein DoT did not recover dues aggregating Rs 14.86 crore due to failure to send completed advice notes to Telephone Revenue Accounting branch, non-application of revised tariffs, non-realisation of licence fee for public document transmission service and other telecom facilities, incorrect fixation of rent and non-recovery of service tax etc. On being pointed out by Audit, the Department/field units recovered Rs 6.63 crore as of December 1998.

(Paragraph 8 and 9)

Outstanding revenue

- Arrears of Telephone revenue have been mounting over the years. At the end of March 1998, the arrears stood at Rs 1714 crore as against only Rs 956 crore at the end of March 1995. Of the total arrears of revenue, Rs 764.70 crore was outstanding for more than one year of which Rs 74.09 crore remained outstanding for nine years and more. Of the total revenue arrears, more than 84 *per cent* were outstanding against private subscribers and the balance against Central and State Governments.

- Arrears on account of telegraph, telex and other circuits were also on increase. The arrears stood at Rs 147.90 crore at the end of March 1998 against Rs 108.22 crore at the end March 1995.

(Paragraph 10)

Performance Reviews

Procurement of PIJF Cables

- Due to defective planning and inept system of financial control, DoT on the one hand procured 774.36 lakh ckm Polyethylene Insulated Jelly Filled (PIJF) cables including 219.83 lakh ckm on deferred payment terms at the interest rate of 14 to 17 *per cent* during 1994-97 and on the other, it did not ensure timely finalisation of tenders and laying of cables by the telecom circles resulting in excessive stock of 250.88 lakh ckm cables valuing Rs 2423 crore during the above three years period. DoT procured cables on deferred payment terms despite having sufficient funds which had to be surrendered at the end of the financial year. This led to avoidable payment of interest of Rs 864.66 crore on cables procured on deferred payment basis.

- DoT failed to take cognisance of substantial reduction in Customs duty on import contents of PIJF cables in the Union budget 1995-96. This led to fixation of higher rates and consequential excess payment of Rs 112.94 crore to suppliers in procurement of 534.65 lakh ckm cables during 1995-97.

- The payments for cables procured on deferred payment terms were to be made in equated quarterly amounts (EQA) which were to be adjusted for reduction in prime lending rates (PLR) notified by the State Bank of India from time to time. But the Chief Accounts Officers (CAOs) of telecom circles failed to revise EQAs according to the movements in

PLR resulting in excess payment of Rs 3.39 crore to suppliers in eight telecom circles test checked. Rajasthan and Tamil Nadu circles recovered an amount of Rs 80.12 lakh after being pointed out by Audit.

- Paying authorities viz. CAOs in telecom circles did not implement DoT's instructions for reduction in rates of PIJF cables for the year 1996-97 thereby making excess payment of Rs 3.11 crore in four telecom circles test checked.

- Other serious irregularities on the part of paying authorities in the telecom circles include excess payment of transportation charges of Rs 81.97 lakh to suppliers, non-recovery of liquidated damages of Rs 69.64 lakh and non-recovery of Rs 6.07 crore of Income tax at source.

- *The various irregularities and over/excess payments pointed out by Audit in* ***this review have a financial implication of Rs 988.30 crore****.*

(Paragraph 11)

Laying of cables in local network

- Heads of telecom districts in Kerala, Rajasthan, Tamil Nadu and Uttar Pradesh circles in defiance of DoT's instructions laid cables of higher specification of 0.5 mm diameter as against 0.4 mm diameter cables prescribed, thus making infructuous expenditure of Rs 79 crore during 1995-98.

- Rates of cable laying and trenching varied widely from circle to circle and within circle from telecom district to telecom district. Rates allowed in Maharashtra, Orissa and Tamil Nadu circles were exorbitantly higher as compared to other circles.

- TDM Coonoor under Tamil Nadu circle gave undue benefit of Rs 1.18 crore during 1996-98 by allowing higher rates to contractors. Similarly GMT Coimbatore extended undue favour of Rs 3.86 crore to contractors by fixing very high rates of Rs 6.62 and Rs 7.85 per metre during 1995-96 and 1996-97 respectively as compared to the rate of only Rs 2.26 per metre paid by other SSAs in the Tamil Nadu circle for cable laying. Four SSAs in Kerala circle also made excess payment of Rs 63.17 lakh to contractors by allowing higher rates of Rs 5.00 to Rs 8.50 per metre for cable laying work as against about Rs 1.00 per metre admissible as per DoT norms.

- Kerala and Gujarat circles incurred excess expenditure of Rs 262.45 crore during 1995-98 by laying cables at the rate of 10 ckm per line as against the maximum norm of 8.80 ckm per line prescribed by DoT.

- Heads of five SSAs in Rajasthan and Orissa circles did not recover unused cables worth Rs 4.06 crore from the contractors.

- *Various irregularities such as undue benefit/excess payment to contractors due to payment of higher rates, infructuous expenditure in violation of rules and non-recovery of stores from contractors etc., pointed out in* ***this review have a financial implication of Rs 354 crore****.*

(Paragraph 12)

Functioning of Calcutta Telephones

- Calcutta Telephone District (CTD) has the highest operating expenses per connection in the country amongst all metros and telecom circles. The trunk and local call efficiencies are very low and the income per connection is also the lowest amongst the metros, indicating poor operational and financial management. Had CTD functioned at par with Mahanagar Telephone Nigam Limited, it would have added additional revenue of Rs 136 crore *per annum* to the government exchequer.

- The quality of customer service is also poor as more than 50 *per cent* of work orders for providing new connections, shifting of telephones etc., were not executed within the time norms prescribed by DoT and 40 *per cent* complaints relating to faults were not rectified even in the maximum permissible period of seven days. Due to excessive delays in rectification of faults, CTD had to give a rebate of Rs 4.70 crore in rentals to subscribers.

- CTD has excess staff which is 32 to 68 *per cent* higher than DoT norms. CTD had to incur an extra expenditure of Rs 82.39 crore during 1994-97 due to holding of surplus staff. Despite excess staff, computerisation of billing operations and digitalisation of network, CTD paid large sums of honorarium and over time allowance of Rs 42.24 crore to staff during 1994-98 on the basis of old norms.

- CGM incurred infructuous expenditure of Rs 1.44 crore by expanding capacities of two old trunk auto exchanges which were being shortly replaced by state-of-the-art exchange. Despite low trunk efficiency of CTD, CGM also delayed by two years commissioning of computerised digital trunk manual exchange procured at the cost of Rs 8.80 crore under Asian Development loan thus, incurring idle payment of interest of Rs 3.17 crore and potential loss of revenue of Rs 3.16 crore in two years.

- Subscribers of five exchanges under Chinsurah area were charged lower rental of Rs 200 per bi-monthly as against Rs 380 bi-monthly applicable to other parts of CTD resulting in revenue loss of Rs 4.47 crore during May 1993 to December 1997. On being pointed out by Audit, CGM revised the rental upward to Rs 275 per bi-monthly for Chinsurah area exchanges resulting in additional revenue generation of Rs 1.24 crore *per annum*.

- The review brings out that the performance of Calcutta Telephone District is the poorest in all respects amongst metros and also in comparison to the all India average for various telecom circles especially in the matter of operational costs, customer service, trunk and local call efficiencies etc.

- The points commented upon in this review work out to **a financial implication of Rs 193.74 crore**.

(Paragraph 13)

Publication of Telephone Directories

- While the total number of subscribers in DoT during the period 1991-97 increased from 58.09 lakh to 185 lakh, it was noticed in audit that the corresponding service to subscribers by way of provision of telephone directories was greatly inadequate in as much as only 417 issues of telephone directories were brought out by 207 telecom districts test checked as against required 1449 issues. Many telecom district did not at all bring out any telephone directory during the last four to seven years.

- Even in the metro cities of Delhi and Mumbai, the telephone directories were not published for last four years causing great inconvenience to business and commercial establishments, Government departments and all subscribers.

- Apart from inconvenience to subscribers, non-publication of directories also led to a potential revenue loss of Rs 142 crore on account of royalty in various telecom districts that would have accrued to DoT from advertisements.

- Heads of 16 telecom districts failed to take action against private printers who did not deposit royalty amount of Rs 2.23 crore resulting in revenue loss to the department.

- Two contractors in Orissa and Haryana circles collected Rs 1.18 crore towards advertisement charges from public but did not actually bring out the directories.

(Paragraph 14)

Transaction Audit Findings

Procurement of C-DoT MAX-L exchanges – Undue benefit of Rs 71.02 crore to suppliers

- Due to economic liberalisation policies of the Government, there were sharp reductions in Customs duty of various components of telecom equipment including C-DoT MAX-L exchanges in 1993-94 and 1994-95 budgets. DoT failed to take advantage of these reductions in duties while finalising rates for procurement of these exchanges. This resulted in excess payment of Rs 4.19 crore during 1994-95 alone and the amount of excess payment made during 1993-94 could not be quantified by Audit due to lack of transparency in the Price Negotiation Committee report.

- In violation of rules, DoT placed add on orders for 1.79 lakh lines C-DoT MAX-L exchanges during November 1994 to March 1995 without inviting fresh tenders. In deviation of its normal practice, it also did not link the rates with the new tender of February 1995. This ultimately cost DoT Rs 36.87 crore as the rates in the subsequent tender were much lower than those allowed by the department. The PNC which finalised the rates after two years in January 1997 also ignored the lower rates of February 1995 giving undue benefit to the suppliers.

- After approval of rates by the Telecom Commission as inclusive of Excise duty and Sales tax, Senior Deputy Director General (Finance) allowed Excise duty and Sales tax over and above the rates approved by the Telecom Commission thus, making unauthorised payment of Rs 46.97 crore to suppliers without the approval of the Telecom Commission.

- Despite fall in 48 to 55 *per cent* in prices and the failure of the suppliers to adhere to their delivery schedule, DoT did not short close the purchase orders resulting in undue benefit of Rs 15.90 crore.

(Paragraph 15)

Undue benefit of Rs 8.35 crore in procurement of C-DoT SBM Exchanges

While determining rates for C-DoT Single Base Module (SBM) exchanges during February and November 1996, DoT incorrectly adjusted prices for reduction in Customs duty in 1995-96 and 1996-97 budgets and applied Customs duty rates for "electronic components" in 1995-96 instead of rates applicable for 'sub-assemblies/modules required for manufacture of telecom equipment. It also did not work out reductions on account of Customs duty separately for different configurations of exchanges. Due to these omissions and commissions on the part of the officers finalising the contract, DoT ended up making excess payment of Rs 8.35 crore to suppliers in procurement of 1513 exchanges during 1995-98.

(Paragraph 18)

Infructuous expenditure of Rs 10.33 crore in purchase of trunk exchanges

Ignoring the steep fall in trunk traffic since 1991-92 due to increase in STD network and opening of more STD PCOs, DoT procured 20 computerised trunk manual exchanges of 32 operator positions each during 1995 and 1996 as against 12 to 24 positions actually required resulting in wasteful expenditure of Rs 10.33 crore on account of procurement of surplus capacity exchanges. The trunk call traffic has further declined significantly ruling out all possibilities of utilisation of surplus positions at these stations.

(Paragraph 17)

Unproductive investment on Smart Card Pay Phones

Audit examination of utilisation and performance of 289 smart card pay phones out of 325 purchased by DoT during 1995, revealed that only 26 pay phones were functioning satisfactorily. The remaining 263 were either not installed or not put to any use for the last three years due to defective equipment, lack of public demand etc. Thus, the entire expenditure of Rs 1.56 crore on procurement of smart card pay phones was largely rendered unproductive. Despite 98 defective pay phones not being replaced/attended to by the supplier, DoT failed to encash the performance bank guarantee of Rs 1.56 crore of the supplier.

(Paragraph 16)

Overpayment of Rs 2.40 crore to suppliers

DoT revised the rates downward for 2 GHz digital microwave systems in December 1995 but the Chief Accounts Officers in Bihar, Gujarat, Karnataka, Kerala and Punjab circles did not implement DoT's instructions resulting in an overpayment of Rs 2.40 crore to suppliers. An amount of Rs 39 lakh was recovered by Bihar, Karnataka and Kerala circles on being pointed out by Audit. DoT failed to examine similar cases of overpayment in other 14 circles.

(Paragraph 21)

Excess payment of Rs 7.67 crore to the suppliers

DoT placed purchase orders on two suppliers on 4 October 1996 at provisional rates for procurement of 4000 km of optical fibre cables (OFC). Despite reduction of 24 to 37 *per cent* in prices in subsequent tenders for various types of OFC cables opened in the same month during 17-24 October 1996, DoT did not finalise rates for purchase orders issued on 4 October 1996 even after a lapse of more than two years. This resulted in overpayment of Rs 7.67 crore to suppliers being the difference in the amounts paid and the rates obtained in the new tender. DoT also incurred an interest loss of about Rs 1.98 crore upto July 1998 due to delay in finalisation of rates and non-recovery of excess paid amount from the suppliers.

(Paragraph 20)

Procurement of Multi Access Rural Radio systems

Tender Evaluation Committee while determining the lowest item-wise rates of various components of VHF MARR systems during 1994-95 did not consider the rates quoted by all the fifteen type approved bidders including its own public sector undertaking viz. Hindustan Teleprinter Limited Chennai. This resulted in fixation of higher rates and consequential excess payment of Rs 1.37 crore in procurement of 1759 VHF systems and 3463 UHF systems during 1994-97. DoT also failed to take into account the reduction in Customs duty rates on feeder cable during 1995-97 while finalising the rates of MARR system resulting in further excess payment of Rs 14.13 lakh to suppliers.

(Paragraph 19)

Infructuous expenditure due to laying of higher specification HDPE pipes

In violation of DoT norms, the Chief General Manager Eastern Telecom Projects Calcutta and General Manager Telecom Mysore incurred infructuous expenditure of Rs 1.22 crore by using higher specification 75 mm diameter HDPE pipes for encasing optical fibre cable as against 50 mm diameter pipes prescribed.

(Paragraph 28)

Inadmissible benefit to private operators

Private local/STD operators are required to make provision of telephone instruments themselves. Test check of 27 SSAs in eight telecom circles showed that telephone instruments to private local/STD operators were provided by SSAs in disregard of conditions of agreement resulting in avoidable expenditure of Rs 1.09 crore.

(Paragraph 29)

Overpayment in cable laying work

TDM Dimapur under Nagaland SSA approved the rate of Rs 9.60 per metre on the basis of tender for putting bricks over trenches in hilly areas but actually made payment at the rate of Rs 19.20 per metre. He also made overpayments in paving and laying of cables and in digging of trenches. Thus, TDM Dimapur made a total overpayment of Rs 18.25 lakh to contractors during 1996-97 which was highly irregular.

(Paragraph 31)

Excess payment in procurement of digital UHF system

Incorrect computation of Customs duty reduction on import content of 10 channel digital UHF equipment led to excess payment of Rs 83 lakh to suppliers in procurement of 1128 terminals. Besides, 222 terminals valuing Rs 3.92 crore supplied between June 1995 and February 1998 were still lying idle due to faulty equipment, non-availability of infrastructure etc.

(Paragraph 22)

Procurement of surplus capacity telex exchange

General Manager Telecom Indore and Telecom District Manager Raipur under Madhya Pradesh circle unnecessarily upgraded the capacities of EDX telex exchanges at these stations at a total cost of Rs 9.60 crore during 1995 completely ignoring the falling trends in telex demand/traffic because of the introduction of better technology data transmission systems. The actual loading of exchanges was only 50 *per cent* at Indore and 20 *per cent* at Raipur in 1995 which has further declined. Thus, negligent action of GMT Indore and TDM Raipur resulted in infructuous expenditure of Rs 6.22 crore on creation of surplus capacity of telex service which was fast being rendered obsolete.

(Paragraph 24)

Procurement of defective telex exchange

Electronic Corporation of India Limited supplied a defective telex equipment to DoT in 1994 and did not rectify the defects even as of 1998. Due to negligence of DoT officers, the performance bank guarantee of Rs 2.80 crore submitted by the supplier could also not be encashed as it was not got renewed after June 1996. Thus, the whole expenditure of Rs 3.73 crore on procurement of telex exchange was rendered unproductive.

(Paragraph 23)

Procurement of exchange equipment

General Manager Telecom Pune made payment at the rate of Rs 4673 per line as against Rs 4273 per line allowed by DoT in procurement of 20 K digital local telephone exchange equipment resulting in excess payment of Rs 72 lakh to Fujitsu India Telecom Limited Mohali.

(Paragraph 26)

Non-recovery of unspent road restoration charges

Executive Engineer Telecom Civil Division Calcutta failed to recover the unspent amounts of road restoration charges of Rs 87.01 lakh from Municipal Corporations of Calcutta and Howrah in respect of 18 cable duct works which were not executed.

(Paragraph 41)

Unauthorised use of HDPE pipes in local network

Departmental instructions prohibit use of HDPE pipes in cable ducts. GMT Kalyan under Maharashtra circle, however incurred infructuous expenditure of Rs 52.49 lakh by laying 60 km HDPE pipes in cable ducts in violation of departmental instructions. He was not authorised to make such change in the specifications.

(Paragraph 30)

Excess procurement of PCM MUX equipment

CGMT Kerala requested DoT for allotment of 65 pulse code modulation multiplex (PCM MUX) systems for his circle though there was a requirement of only 16 systems. This resulted in excess procurement of 49 systems during 1994. Forty two PCM MUX systems valuing Rs 41.28 lakh were still lying idle without any use even after more than three years of their procurement.

(Paragraph 27)

Recoveries at the instance of Audit

In five cases, Audit pointed out excess payment on account of Sales tax, transportation charges, interest etc., and non-recovery of liquidated damages etc., totalling Rs 1.97 crore. DoT effected recoveries of Rs 1.87 crore as of December 1998 after being pointed out by Audit.

(Paragraphs 43 to 47)

Huge loss due to DoT's failure to take benefit of Custom duty reductions

Government announced drastic cuts in Custom duties on import contents of various telecom equipment and raw material in Union budgets during 1992-93 to1996-97. These reductions in duties were expected to bring down the prices substantially to make the overall environment conducive for growth and expansion of telecom sector. But DoT failed to take advantage of these reductions in Custom duty as brought out in paragraphs 11.6, 15, 18 and 19.3 in this Report, resulting in huge loss of Rs 125.62 crore to Government and excess payment to suppliers to that extent. Similar cases were also reported earlier in paragraphs 8.3.5 and 9.1 of the Report of the Comptroller and Auditor General of India for the year ended March 1996.

SECTION II – DEPARTMENT OF POST

Section II is divided into four chapters.

— Chapter 6 is an introductory chapter covering physical performance and financial results of Department of Post (DoP).

— Chapter 7 gives the results of Appropriation Audit.

— Chapters 8 and 9 contain overall performance reviews and results of individual transaction audit.

Financial results

➢ Most of the postal services are running in losses. The net loss incurred by DoP on various services including speed post service during 1997-98 was Rs 687.86 crore which was Rs 89 crore more as compared to the last year.

➢ The gap between Revenue receipts and Revenue expenditure has been widening from Rs 207 crore in 1993-94 to Rs 993.43 crore in 1997-98. There was about five fold increase in revenue deficit during the last five years.

➢ The net budgetary support for postal services after adjusting recoveries and revenues was Rs 993.43 crore during 1997-98 as against the provision of Rs 908.89 crore.

(Paragraph 53)

Expenditure control

➪ DoP did not spend 30.61 *per cent* of the original grant under Capital (voted) section during 1997-98 which indicates non-achievement of targets for modernisation of postal services and expansion of postal network. The savings have been persistent under Capital section and it rose from 12.49 *per cent* in 1995-96 to 22.07 *per cent* in 1996-97 and to more than 30 *per cent* in 1997-98.

➪ Re-appropriations made by DoP in March 1998 to provide more funds to rural Postal Life Insurance and Postal Welfare Fund were superfluous since the actual expenditure under these heads was much less than the original provisions

(Paragraph 54)

Performance Reviews

Post Office Savings Certificates

- Kisan Vikas Patras (KVPs) and National Savings Certificates (NSCs) of face value of Rs 151.80 crore were lost in transit in West Bengal circle during 1996-98 exposing the department to the risk of fraud by way of fraudulent encashment of these certificates.

- Loss of KVPs and NSCs was also commented in the last Audit Report. Since then, fraudulent encashment of Kisan Vikas Patras (KVPs) of Rs 1.30 crore took place in Delhi and Uttar Pradesh circles during 1996-98 with the involvement of postal staff. These fraudulently encashed KVPs were from the series lost in transit in Assam and Bihar circles.

- There were abnormal delays in notifying the loss of KVPs and NSCs by the Chief Postmaster General (CPMG) West Bengal circle. The Postal accounts offices who are required to monitor the issue and encashment of these certificates also failed in their responsibilities as accounting of issue and discharge of these certificates was in arrears for 32 to 58 months in seven circles test checked. Inordinate delays in accounting of these certificates by postal accounts offices resulted in non-detection of frauds and encourages perpetration of such frauds with ease.

- There were huge overpayments/short credits of Rs 15.98 crore under current schemes of KVPs and Indira Vikas Patras during 1997-98 alone.

- *The review points out loss of certificates before issue and* ***fraudulent encashments*** *that have surfaced (Rs 1.30 crore) with* ***propensity for further frauds*** *due to* ***gross negligence****.*

(Paragraph 55)

Mail Management in Metropolitan Cities

- DoP could not deliver about 48 to 78 *per cent* of mail in time in various metro cities as per national test letter run conducted by the department. Delayed mail was comparatively higher in Chennai (78 *per cent*) and Mumbai (74 *per cent*).

- Lack of preliminary sorting of mail by post offices, improper sorting in sorting offices, excessive shift to shift transfer of unsorted mail and non-standardisation of mail for sorting by automatic mail processing systems were some of the reasons for delay in transmission of mails.

- Automatic mail processing systems installed at Mumbai and Chennai sorted only 36 to 38 *per cent* of targeted mail and were grossly underutilised. About 101 sorters rendered surplus due to installation of automatic mail processing systems were not deployed even after 3 to 5 years of commissioning of these systems. The department therefore incurred avoidable expenditure of Rs 54.78 lakh due to non-redeployment of surplus staff.

➢ *Despite availability of faster modes of communication between the metros, the department is not able to deliver sizeable portion of the metro mail in time due to inefficient and improper management of mail sorting and transmission system.*

(Paragraph 56)

Transaction Audit Findings

Irregular opening of time deposit account

Institutions are not permitted to open post office time deposit accounts after April 1995. In contravention of these departmental instructions, General Post Office New Delhi, irregularly allowed opening of a time deposit account to an institution for Rs 64.31 crore and consequently paid interest of Rs 4.48 crore which needs to be recovered as per rules.

(Paragraph 57)

Loss of revenue of Rs 1.19 crore

Heads of various post offices/divisions and railway mail service divisions in Orissa circle allowed inadmissible tariff concessions to the proprietors of 38 periodicals during March 1980 to December 1996 which led to loss of revenue of Rs 1.19 crore and corresponding benefit to the proprietors.

(Paragraph 59)

Undue benefit to private publishers

Registered newspapers are permitted to post their copies of publications to the subscribers at concessional rates. The Chief Postmaster General Tamil Nadu circle irregularly allowed concessional tariff to 21 magazines and novels by registering them as newspapers resulting in loss of revenue of Rs 3.28 lakh during 1996-97 alone.

(Paragraph 60)

Injudicious procurement and surrender of land

Chief Postmaster General Jaipur Rajasthan circle purchased a plot of land at the cost of Rs 1.42 crore in 1982 from Jaipur Development Authority and finally surrendered it at the same price after 13 years resulting in unnecessary blockade of capital and loss of interest of Rs 1.25 crore due to improper planning and indecisiveness of DoP.

(Paragraph 61)

Response of the Ministry to Draft Audit Paragraphs

♦ On the recommendations of Public Accounts Committee (PAC), the Ministry of Finance issued directions to all Ministries/Departments to send their comments within six weeks on the Draft Audit Paragraphs which were forwarded to the Secretaries of

Ministries/Departments. While Secretary DoP did not send response to 5 draft audit paragraphs including two reviews out of 18 draft audit paragraphs issued to him, Secretary DoT did not furnish replies to 51 draft audit paragraphs including three reviews, out of 135 draft paragraphs issued to him.

(Paragraph 67 and 52)

Follow up on previous Audit Reports

- Despite recommendation of the PAC to submit remedial Action Taken Notes within four months from the date of laying of Audit Reports in Parliament, DoT did not send ATNs on 24 Audit Paragraphs. Out of these, six paragraphs were those which were included in Audit Report No.6 of 1997 while the remaining were included in the Audit Report No.6 of 1998.
- DoP did not furnish ATNs for two paragraphs of Audit Report No.6 of 1997 and six paragraphs of Audit Report No.6 of 1998.

(Paragraphs 51 and 66)

SECTION – I

DEPARTMENT OF TELECOMMUNICATIONS

CHAPTER 1
ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

1.1 Functions of the Department

The main functions of the Department of Telecommunications (DoT) are policy, planning, engineering, installation, operation, management and maintenance of voice and non-voice telecommunication services all over India and with other countries. The department also allocates frequency and manages radio communication in close co-ordination with the international bodies, enforces wireless regulatory measures and monitors wireless transmission of all users in the country.

1.2 Organisation

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

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

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

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

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

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

Besides, DoT has seven factories at Mumbai, Calcutta (Alipore and Gopalpur), Jabalpur (Wright Town and Richhai), Bhilai and Kharagpur which manufacture various types of ancillary equipment such as microwave towers, modems, sockets, pay phones etc.

The Centre for Development of Telematics (C-DoT) also functions under the control of the Ministry of Communications as a registered society.

The department has a network of 23406 telephone exchanges with 178 lakh telephone connections, 418 telex exchanges and 379 trunk automatic exchanges at the end of March 1998. Under transmission system, DoT had an aggregate of 2.42 lakh route km of coaxial cables, microwave, UHF/VHF, optical fibre system and 241 fixed satellite earth stations. There were a total of 427940 public telephones in the country. The international subscriber dialling facilities were available to 28 countries.

1.2.1 Telecom Regulatory Authority of India

Separating the regulatory functions from DoT, Central government established a statutory Telecom Regulatory Authority of India (TRAI) in February 1997 to regulate telecommunication services and for matters connected therewith. The main functions of TRAI are:

- Tariff regulation
- Ensuring technical compatibility and effective inter-relationship between different service providers
- Ensuring compliance of terms and conditions of licence
- Fixation of access charges
- Protection of consumers interests
- Settlement of disputes between service providers
- Monitoring quality of service

The TRAI Act 1997 provides for creation of TRAI General Fund to which all grants, fees, etc received by TRAI will be credited. All expenses of the TRAI are to be met out of this fund. As per provisions of TRAI Act, the Central government will make rules relating to the conditions of service of the Chairperson and Members of TRAI. The form of accounts of TRAI will be prescribed by the Central government in consultation with the Comptroller and Auditor General of India. The Central government has not yet notified the conditions of service of the Chairperson and Members as of December 1998. The form of accounts have also not been finalised.

1.2.2 Entry of private sector

The National Telecom Policy 1994 paved the way for private sector participation to achieve the objective of universal coverage at affordable prices to the customers. In the area of value added services like radio paging, mobile radio trunking and cellular mobile telephone services, licences to private operators are granted through a system of tendering. The value added services introduced so far in the country are cellular mobile telephone service, radio paging service, facsimile, electronic mail, video conferencing, remote area business message network, packet switching data network, mobile radio trunk service etc. Internet services are being provided in the country by VSNL. Recently, the government has taken a decision to provide Internet services through private service providers also.

In the area of privatisation of basic telephony, six companies have so far signed the licence and inter connect agreements with the department for providing basic telecom services in Madhya Pradesh, Andhra Pradesh, Rajasthan, Gujarat, Maharashtra and Punjab telecom circles. Out of these, Bharti Telenet has since commissioned its service in Madhya Pradesh circle.

1.3 Manpower

The total number of staff employed, including the staff in Mahanagar Telephone Nigam Limited and industrial workers in telecom factories during 1994-98 was as under:

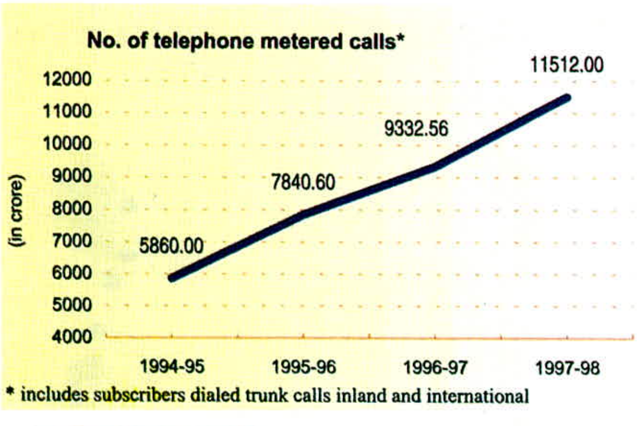
Table 1.3 Manpower

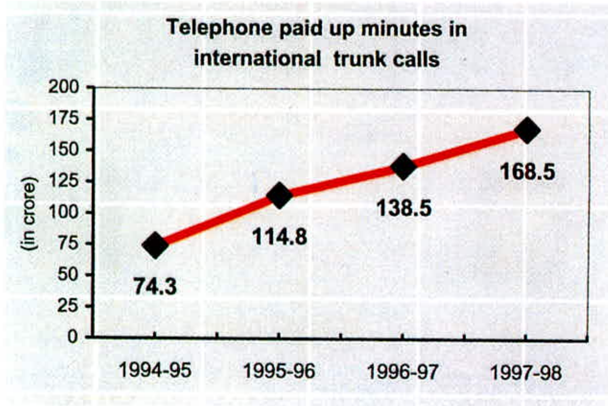
As on 31 March	Group A and B	Group C and D	Industrial workers	Total manpower
1994	24841	364246	5977	395064
1995	25933	387125	5637	418695
1996	28295	387768	4995	421058
1997	29280	393564	5322	428166
1998	29395	390737	5171	425303

Compared to 1994, there was an increase of 18 *per cent* in Group A and B, and 7.27 *per cent* in Group C and D staff while there was 13.48 *per cent* reduction in industrial staff. The overall manpower increased by 7.65 *per cent* between 1994 and 1998.

1.4 Growth in telephone traffic

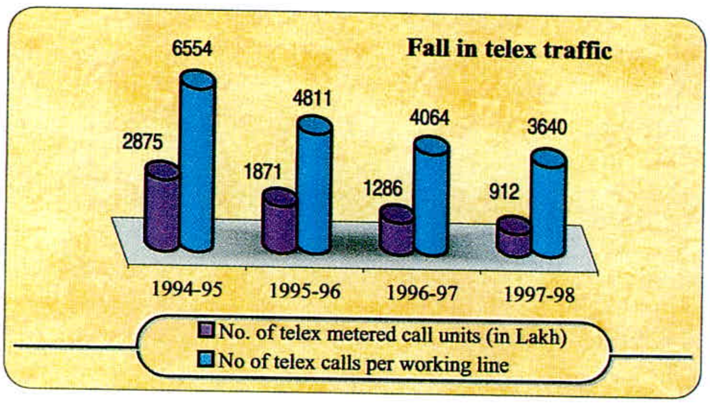
i) There was a significant growth in the number of working connections in the country during the last four years. The total number of working connections rose from 97.95 lakh during 1994-95 to 178.02 lakh during 1997-98 registering a growth of about 22 *per cent per annum*. Due to expansion in telecom network, both international and domestic traffic have increased considerably, during the period 1994-98 as shown in the charts below:

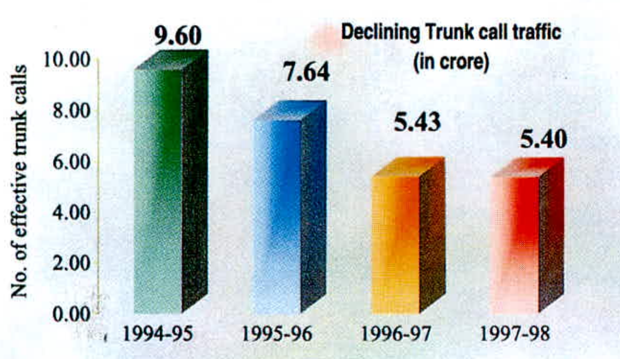




ii) The number of metered call per direct exchange lines (DEL) also increased from 5982.60 per connection in 1994-95 to 7336.50 per connection in 1996-97. More number of metered calls per DEL is an important development indicating increased utilisation of telephone facilities by common public.

iii) Due to rapid expansion of telephone network, commissioning of more trunk auto exchanges for long distance calls, installation of large number of STD/ISD public call offices and introduction of facsimile services, the trunk call and telex traffic have registered sharp decline during recent years as shown in the charts. The department should keep in view these traffic trends while planning for procurement of equipment and materials required for these two services.





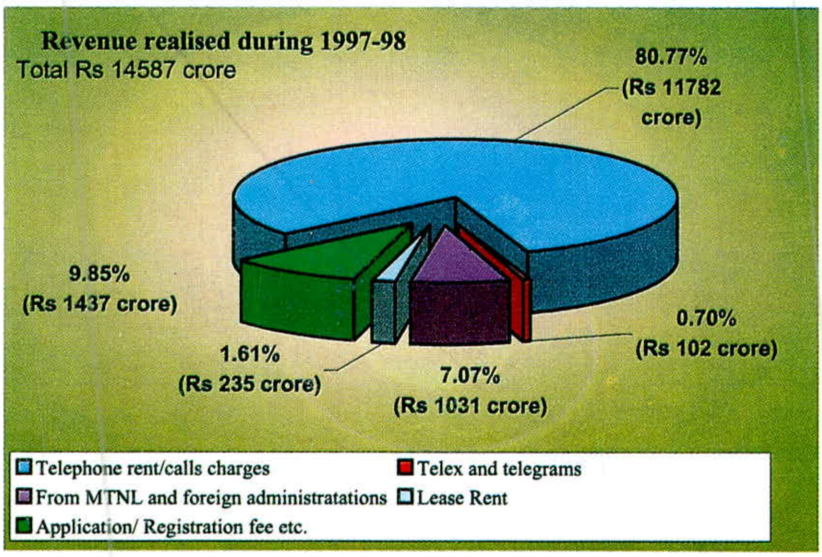
1.5 Revenue receipts

While overall revenue has recorded substantial growth in four years and has gone up by 80 *per cent* during the period 1994-95 to 1997-98, the revenues from telex and telegrams are on the decline due to fall in traffic of these services. The trends in revenue receipts under various services during the last four years are given in the table below:

Table 1.5 Trend in revenue receipts

(Rs in crore)

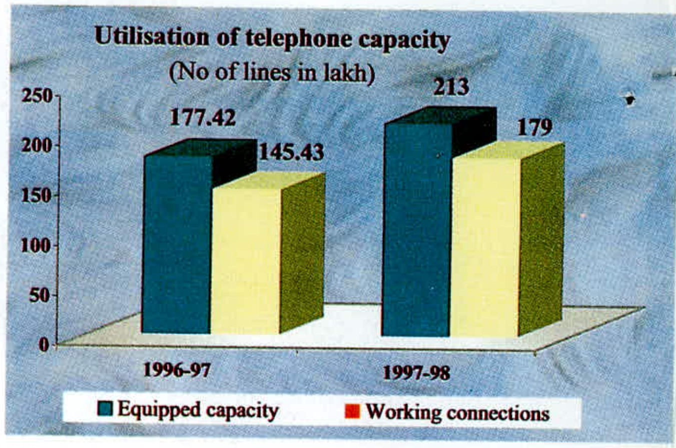
Particulars	1994-95	1995-96	1996-97	1997-98
Telephone rentals and call charges	6215	7675	9263	11782
Telex rental and call charges	71	59	32	42
Telegram receipts	71	75	66	60
Rent from wires and instruments leased to railways, canals and others etc.	222	217	264	235
Receipts from other telephone/ telegraph administrations	Nil	2697	1743	1912
Receipts from Mahanagar Telephone Nigam Limited (MTNL)	720	1024	1212	1391
Other receipts including application/ registration fee for new services	669	671	1091	1437
Less payments to other telephone/ telegraph administrations	(-)169	(-)2657	(-)1405	(-)2272
Total	**7799**	**9761**	**12266**	**14587**

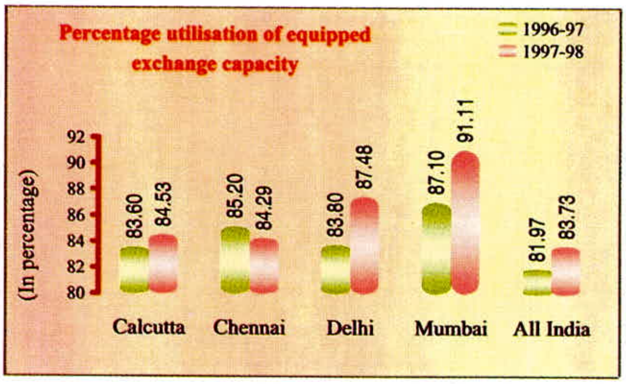


Rental and call charges from telephones are the major source of revenue for the department and accounted for 80.77 *per cent* of the total revenue receipts during 1997-98. DoT made a net payment of Rs 360 crore to other countries on account of international telephone/ telegraph services during the year.

1.6 Capacity utilisation and waiting list

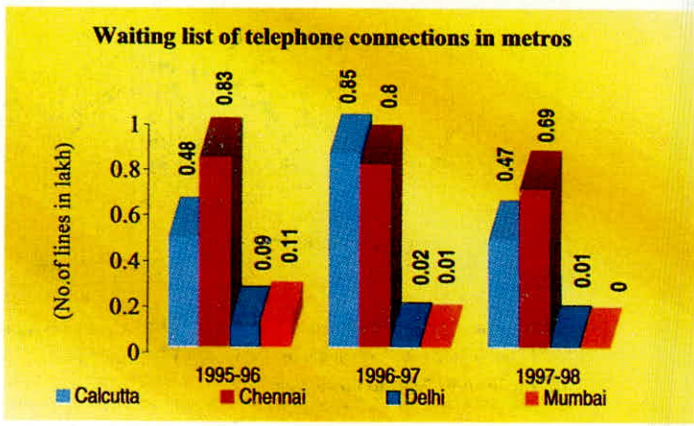
The capacity of telephone exchanges in the country including the four metropolitan cities, of which two are covered directly by the department and two by MTNL, its utilisation and waiting list at the end of last two years were as given in the charts.





The utilisation of the capacity of telephone exchanges have been between 82 and 84 *per cent* during 1996-98 as against the permissible loading of 94 *per cent* prescribed by DoT. Thus, capacity of 21 lakh lines, worked out on the basis of permissible loading level, remained unutilised at the end of 1997-98. In ten telecom circles including Uttar Pradesh, the total unutilised capacity was higher than the waiting list of subscribers. In the metropolitan cities, the position of waiting list has shown improvement. However, despite waiting list in Chennai and Calcutta, the optimum utilisation of the capacity has not been achieved.

As much as 27.05 lakh applicants were waiting for new telephone connections in the country as of March 1998. Optimum capacity utilisation would have reduced the overall waiting list in the country. Less than the optimal capacity utilisation also meant that the department was deprived of revenue of Rs 1313 crore approximately *per annum*, worked out on the basis of total revenue realised and total number of connections during 1997-98.



1.7 Physical and financial performance

1.7.1 Physical performance

The targets for expansion of telecommunication facilities during the IX Five Year Plan (1997-2002) *vis-à-vis* the achievements in respect of switching capacity, direct exchange lines, trunk auto exchanges, village telephones and various transmission media such as microwave, ultra high frequency (UHF), optical fibre cable (OFC) etc., during 1997-98 are given below:

Table 1.7.1 Development plans

Item	*Target for IX Five Year Plan 1997-2002*	*Revised Targets 1997-98*	*Achievements 1997-98*	*Excess(+) Shortfall(-)*
Switching capacity (lakh lines)	230	36	35.17	(-)0.83
Direct exchange lines (lakh lines)	185	29	32.59	(+)3.59
Trunk auto-exchange (TAX) Capacity (Lines)	1800000	325000	314300	(-)10700
Village Telephone (in numbers)	239155	83000	42855	(-)40145
Microwave/UHF systems (route km)	90000	18000	17995	(-)5
Optical fibre system (route km)	140000	22000	23822	(+)1822
Satellite earth stations MCPC-VSAT (in numbers)	Nil	200	49	(-)151

The department did well and achieved the annual targets for providing telephone connections, laying of optical fibre cables and installing microwave/UHF systems but the performance in providing village telephones and installing satellite earth stations was poor.

As per the National Telecom Policy 1994, all 6.07 lakh number of villages in India were to be covered by telephone services by the year 1997 but only 3.04 lakh number of villages were actually provided telephone services by the end of 1998. The physical performance of DoT during the first year of IX Five Year Plan also showed significant slippages in the area of village telephones as its achievement was 48 *per cent* below the targets. Despite significant growth in the network both in terms of expansion of network and introduction of new services, village and panchayat telephones continued to be a neglected area where the targets fixed were never achieved.

1.7.2 Allotment and expenditure

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

Table 1.7.2 Plan outlays and actual expenditure

(Rs in crore)

Item	Original outlay for IX Five Year Plan 1997-2002	Annual plan outlay 1997-98	Actual expenditure 1997-98	Unspent amount (-)
Local telephone system (Switching capacity and direct exchange lines)	52205.60	7216	6985.09	(-)230.91
Long distance switching system (TAX capacity lines)	940.40	188	58.92	(-)129.08
Long distance transmission system (Coaxial cable, microwave system, optical fibre and UHF system in route-km)	12688	2590	1295.83	(-)1294.17
Telegraphs	150	26	14.98	(-)11.02
INSAT and INTELSAT (Satellite earth stations)	1040	270	42.68	(-)227.32
Other land and buildings	2387	366	182.09	(-)183.91
Ancillary systems	767	110	66.51	(-)43.49
Total	**70178**	**10766**	**8646.10**	**(-)2119.90**

During the first year of IX Plan, DoT under spent approximately 20 *per cent* vis-à-vis Plan allotment in respect of the above schemes and there were unspent amounts in all the segments depicting serious flaws in implementation of these schemes and programmes.

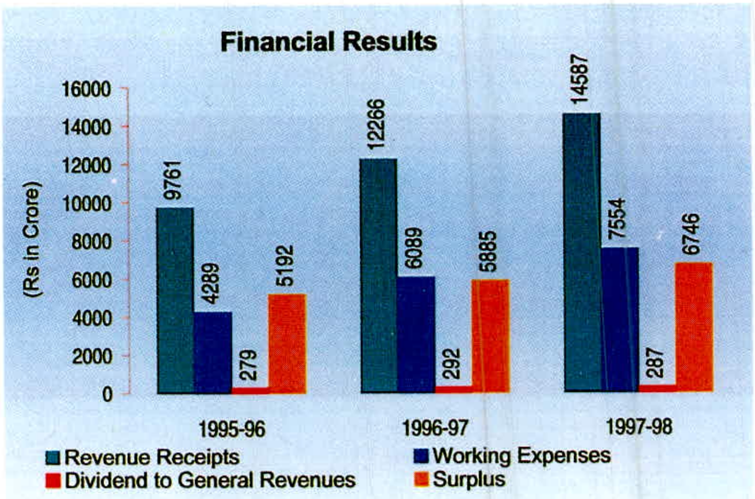
1.8 Financial results

Working results of the department during 1995-96 to 1997-98 are given in table 1.8.

Table 1.8 **Financial performance**

(Rs in crore)

	1997-98		
	Budget estimates	**Revised budget estimates**	**Actuals**
1. Revenue receipts	14035	14346.66	14586.91
2. Gross Working Expenses			
(i) Administrative, Operative and maintenance etc.	6498.75	6643.96	6559.55
(ii) Depreciation	1900.96	1834.93	1834.04
Total Working Expenses	8399.71	8478.89	8393.59
Deduct-Recoveries	868.00	732.70	839.53
3. Net Working Expenses	7531.71	7746.19	7554.06
4. Transferred as dividend to General Revenues	272.00	286.50	286.50
5. Total Expenditure	7803.71	8032.69	7840.56
6. Surplus (1-5)	6231.29	6313.97	6746.35



The surplus of revenue over working expenses during 1997-98 increased to Rs 6746 crore from Rs 5885 crore in 1996-97 registering an improvement of 14.63 *per cent.*

1.9 Operating ratio

The operating ratio i.e. the ratio of net working expenses to the revenue earned increased by 2.19 *per cent* from 49.60 *per cent* in 1996-97 to 51.79 *per cent* in 1997-98.

1.10 Suspense balances in Finance Accounts

The amounts initially booked under Suspense Heads are ultimately to be cleared either by payment or recovery in cash or by book adjustment. The Finance Accounts of DoT for the year ended 31 March 1998 showed a net debit balance of Rs 1398.71 crore under Major Head - 8662 Suspense Account. Though there was a reduction of Rs 296.42 crore in the overall Suspense balance as compared to the previous year, the balances under the following minor heads have gone up significantly during the year:

Heads	Balances under suspense head (Rs in thousand)	
	1996-97	1997-98
101-PAO Office Suspense	42930 (Cr)	268806 (Cr)
102-AG Suspense	Nil	102051 (Dr)
108-Public Sector Bank Suspense	Nil	909539 (Dr)
109-Reserve Bank Suspense	Nil	82709 (Dr)

Existence of large amount under Suspense head indicates poor quality of maintenance of accounts in DoT. DoT should have ensured that no item remained unadjusted for a long time under the suspense head.

1.11 Adverse Balances under Debt and Deposit heads

The adverse balances under various debt, deposit and remittance heads appearing in Union Government Finance Accounts not only give distorted picture of Government Accounts but also reflect poorly on the accounting organisation.

Scrutiny of the Finance Accounts of DoT for the year 1997-98 revealed that large amounts of adverse balances under the following heads of accounts are still persisting:

Sl. No.	Heads	Adverse Balances (Rs in thousand)	
		1996-97	1997-98
1.	8005 - State Provident Fund 60 - Other Provident Fund 101 - Workmen's CPF	2254 (Dr)	2254 (Dr)
2.	8235 - Reserve Fund 113 - National Renewal Fund	66000 (Dr)	381000 (Dr)
3.	8443 - Civil Deposits 117 - Deposit for work done for Public bodies and private individuals	19136 (Cr)	2542 (Dr)

DoT was asked to intimate concrete action plan to ensure speedy clearance of adverse balances that were noticed in the scrutiny of Finance Accounts of the department for the year ended March 1997. Despite assurance given by DoT for immediate action, the adverse balances continued to persist.

CHAPTER 2
APPROPRIATION ACCOUNTS

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

2.1 Budget grants and expenditure

A summary of Appropriation Accounts (Telecommunication Services) of sums expended during 1997-98, compared with the sums authorised in the schedule appended to the Appropriation Act, 1997 passed under Articles 114 and 115 of the Constitution of India is given in the table below:

Table 2.1 Appropriation and expenditure

(Rs in crore)

Section	Original grant	Supplementary grant	Total appropriation	Actual expenditure	Excess(+) Savings(-)
Revenue					
Voted	15028.94	185.49	15214.43	15570.84	(+)356.41
Charged	0.05	Nil	0.05	0.02	(-)0.03
Capital					
Voted	10988.99	0.01	10989.00	8935.95	(-)2053.05
Charged	0.01	Nil	0.01	Nil	(-) 0.01
Total	**26017.99**	**185.50**	**26203.49**	**24506.81**	**(-)1696.68**

DoT registered a net saving of Rs 1696.68 crore

There was a net saving of Rs 1696.68 crore during the year 1997-98 which consisted of an excess of Rs 356.38 crore under the Revenue section and a saving of Rs 2053.06 crore as unspent amount under the Capital section. The overall savings during 1997-98 registered an abnormal increase of 322 *per cent* as compared to the net savings of only Rs 401.48 crore during the previous year.

2.2 Appropriation Audit

2.2.1 Excess over Grant/Appropriation

The Article 114(3) of the Constitution provides that no money is to be withdrawn from the Consolidated Fund of India except under the appropriations made by law in accordance with the provisions of this Article.

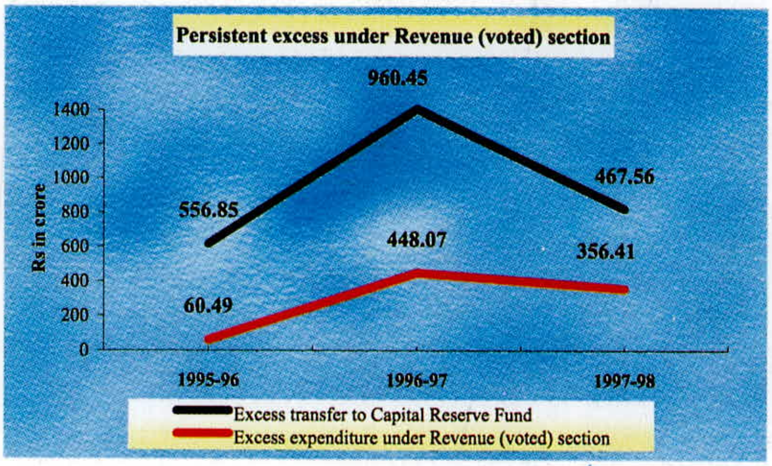
General Financial Rule 71 also stipulates that no expenditure should be incurred which might have the effect of exceeding the total grant or appropriation authorised by Parliament by law for a financial year, except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund of India.

Excess of Rs 356.41 crore would require regularisation under Article 115(1)(b) of the Constitution

The Department of Telecommunications, however, exceeded the authorisation under the Revenue (voted) section by Rs 356.41 crore which would require regularisation under Article 115(1)(b) of the Constitution. Main reasons for excess under Revenue (voted) section as stated by the department are i) more appropriation of the telecom surplus to Capital Reserve Fund, ii) more expenditure on payment of pay and allowances on account of implementation of the recommendations of Fifth Pay Commission, etc. Department had advanced exactly similar reasons for excess of Rs 448.07 crore under Revenue (voted) section in the previous year.

2.2.2 Persistent excess under Revenue (voted) section

Department of Telecommunications is exceeding the authorisation under Revenue (voted) section persistently during last three years. The main reason for excess over authorisation during all these years have been more appropriation from Telecommunication surplus to Capital Reserve Fund than the budgeted amounts. The comparative position of excess expenditure under Revenue (voted) section and the excess appropriations made from telecom surplus to Capital Reserve Fund is depicted in the chart. Department explained that the excess appropriation to Capital Reserve Fund was due to more surplus available on account of more Revenue receipts and less working expenses.



Persistent excess under the head "Appropriation from Telecommunication Surplus" indicates inept system of budgeting and gross under estimation of revenues and over estimation of working expenses by the department.

2.2.3 Savings in grant/appropriation

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

Savings of Rs 2053.05 crore in the Capital (voted) section would call for an explanatory note to PAC

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

In the Capital (voted) section, the department registered a saving of Rs 2053.05 crore on account of the following reasons as stated in the Appropriation Accounts:

Table 2.2.3 Savings in capital - voted section

Grant no.14	Savings *(Rs in crore)*	Contributing reasons as stated by the department
Capital (voted)	2053.05	Less receipt of apparatus and plants, lines and wires and cables, non completion of building works, reduction in cost of Polyethylene insulated jelly filled cables, new telephone local exchange equipment, microwave relay system, non payment of space segment charges etc.

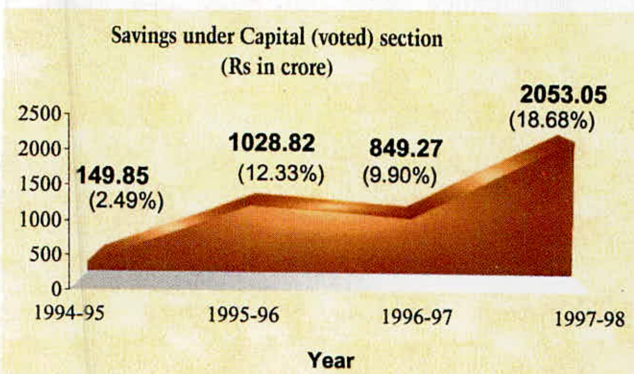
Major part of the savings related to Long Distance Transmission System

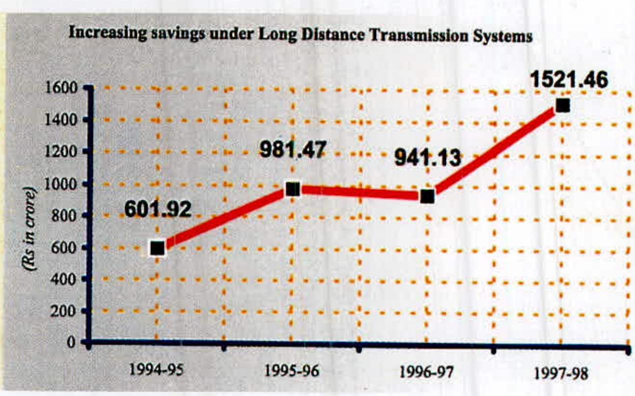
The reasons given would indicate that the assessment of requirement of funds was not made realistically.

The savings of Rs 2053.05 crore constitute 18.68 *per cent* of the sanctioned provision in the Capital section of the grant. Out of the total savings, Rs 1521.46 crore were under Major Head 5225-BB-4-Long Distance Transmission System alone where all the ten sub-heads registered huge savings. Department needs to streamline its budgeting process for Capital heads of account.

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

Savings under Capital section in general and under the head "Long distance transmission system" in particular have become a recurring feature in the department as indicated in the charts:





Savings under long distance transmission systems were due to non-achievement of targets for commissioning of trunk automatic exchanges, laying of optical fibre cables, installation of satellite earth stations, microwave relay systems and village panchayat telephones etc.

2.2.4 Surrender of savings

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

Department surrendered as unspent amount of Rs 2098.01 crore on 21 March 1998 under Capital section though only Rs 2053.06 crore were available for surrender being the final saving under this section. Further, despite large scale savings constituting 18.68 *per cent* of the total grant/appropriation under Capital section, department surrendered the above amount only at the end of March 1998 violating the provision of General Financial Rules.

2.2.5 Unjustified supplementary grant

Instead of assessing and surrendering the large unspendable amount of Rs 2053.05 crore the department obtained supplementary grant of Rs 1.00 lakh under Capital (voted) section. The supplementary grant was unnecessary as Rs 2053.05 crore under this section remained unspent.

The department actually surrendered Rs 2098.01 crore before the close of the financial year which was Rs 44.96 crore more than the amount of saving. This indicates complete lack of planning, deficient budgeting and improper system of financial control in the department.

2.2.6 Injudicious re-appropriation

There were 16 cases of injudicious re-appropriation of funds

(i) In 11 cases, re-appropriation aggregating Rs 37.39 crore as shown in Appendix I was injudicious, as original provisions under the sub-heads to which funds were transferred by re-appropriation were more than adequate. The savings under these sub-heads were more than the amount re-appropriated to these sub-heads.

(ii) In 5 sub-heads, from which amounts aggregating Rs 3.73 crore, as shown in Appendix II, were transferred, re-appropriation was injudicious as the actual expenditure either exceeded the original provision before such re-appropriation or the final expenditure exceeded the reduced provision after re-appropriation from them.

2.2.7 Recoveries in reduction of expenditure

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

In the Capital and Revenue sections, against the estimated recoveries of Rs 8889 crore and Rs 840.17 crore, the actual recoveries were Rs 8933.95 crore and Rs 940.14 crore respectively. More recoveries in the Capital and Revenue sections had the effect of reducing the net expenditure by Rs 144.92 crore and increasing the overall savings to that extent.

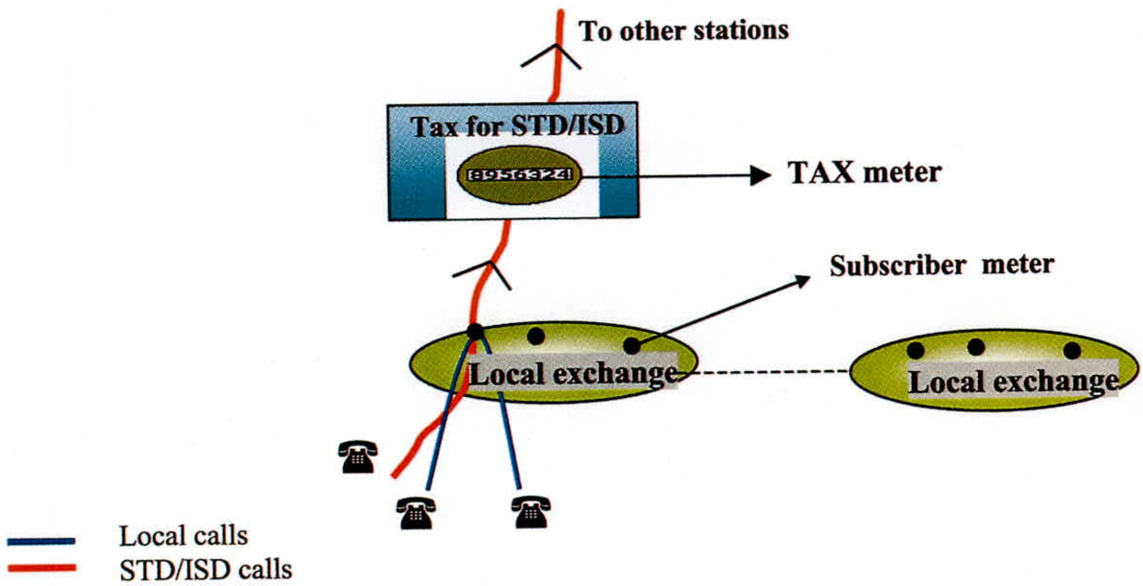
CHAPTER 3
REVENUE

3. Misuse of trunk junctions - leakage of revenue of Rs 1.82 crore

Revenue leakage of Rs 1.82 crore took place in Balasore telecom district under Orissa circle in just six months during September 1997 to March 1998 due to possible misuse of trunk junctions.

The local exchanges do not cater for STD/ISD calls directly and therefore, are connected to Trunk Auto Exchanges (TAX) for routing of these long distance calls. The subscriber meters in local exchanges register local, STD as well as ISD calls, whereas, TAX meter registers only STD/ISD calls made by the subscribers of the connected local exchanges.

Routing of calls



The routing of calls is shown in the diagram. For a given period, the total of meter readings of local exchanges should be more than the meter reading registered by TAX meter.

Test check by Audit during three bi-monthly periods from 16 September 1997 to 15 March 1998 revealed that the number of total calls registered in the subscriber meters in as many as 19 local exchanges including group exchanges connected to Balasore TAX was only 49.89 lakh call units as against 189.15 lakh call units recorded by the Balasore TAX meter. This resulted in revenue leakage of Rs 1.82 crore in respect of 139.26 lakh call units which could not be billed as shown in the table below:

Billing Period	No. of local exchanges test checked	Total call units registered in local exchanges (in lakh)	Total call units registered in TAX (in lakh)	Difference in call units (in lakh)	Leakage of revenue (Rs in lakh)
16 September 1997 to 15 November 1997	19	21.34	107.77	86.43	113.22
16 November 1997 to 15 January 1998	18	16.31	50.41	34.10	44.67
16 January 1998 to 15 March 1998	14	12.24	30.97	18.73	24.53
Total		**49.89**	**189.15**	**139.26**	**182.42**

All the exchanges under Balasore TAX where leakage of revenue had taken place, were electronic exchanges and the fact that the excess calls were not registered in subscribers meters in local exchanges point towards possible misuse of trunk junctions with the connivance of telecom staff. On being pointed out by Audit in February-April 1998, the Telecom District Manager Balasore stated in April 1998 that investigation and remedial measures had been initiated on top priority.

The matter was referred to the Ministry in September 1998; their reply was awaited as of December 1998.

4. Non-realisation of Service tax of Rs 2.39 crore

Failure of DoT to circulate the clarification regarding charging of Service tax on speech circuits, PBX, non-exchange lines etc., resulted in non-recovery of Service tax of Rs 2.39 crore in telecom units in Chennai, Bangalore, Bhopal, Rajasthan and Punjab circles.

Though Department of Telecommunications (DoT) issued clarification to Madhya Pradesh telecom circle in April 1996 that Service tax was chargeable on telephone circuits, non-exchange lines, private wires, PBX etc., used for transmission of speech, it did not circulate these clarificatory instructions to the heads of all the telecom circles. This lapse on the part of DoT resulted in non-recovery of Service tax of Rs 2.39 crore from the subscribers in five telecom circles alone.

Clarification not issued to all the circles by DoT

The Ministry of Finance imposed Service tax with effect from 1 July 1994 on services provided to subscribers by the Telegraph Authority in relation to telephone connections. The Service tax was to be recovered by DoT at the rate of 5 *per cent* on the total charges claimed in telephone bills. On a query from the Chief General Manager (CGM) Madhya Pradesh circle, DoT clarified in April 1996 that telephone circuit, non-exchange lines, private wires, PBX, PABX, etc., which were used for transmission of speech would come within the purview of services in relation to a telephone connection and therefore, Service tax was chargeable in respect of those services also. However, this clarification was issued only to Madhya Pradesh circle and was not communicated to other telecom circles.

Service tax on hotlines, speech circuits, PW, NE lines not charged by circles

Test check of records by Audit in Chennai, Bangalore, Bhopal, Jaipur, Udaipur and Bhatinda during April 1997 to July 1998 disclosed that Service tax was not being charged on speech circuits, private wires (PW), non-exchange (NE) lines, PBX, hotlines etc., by the telecom units resulting in non-recovery of Service tax of Rs 2.39 crore as per details given in the table below for units/circles of Deputy General Manager (DGM) Telephones and General Manager Telecom (GMT).

Non- recovery of tax revenue of Rs 2.39 crore

Name of the Unit/cirlce	Period of non- recovery	Amount of Service tax not recovered (Rs in lakh)
DGM Long Distance, Chennai Telephones	July 1994 to January 1998	102.00
GMT Bangalore, Karnataka circle	July 1994 to March 1998	81.85
GMT Bhopal, Madhya Pradesh circle	July 1994 to March 1997	6.41
GMsT Jaipur and Udaipur, Rajasthan circle	July 1994 to June 1998	35.76
GMT Bhatinda, Punjab circle	March 1995 to March 1997	12.48
Total		**238.50**

The possibility of similar cases of non-recovery of Service tax in other circles cannot be ruled out.

On being pointed out by Audit, an amount of Rs 2.34 lakh was recovered by GMT Bhopal in March 1997 and Rs. 0.61 lakh by GMT Udaipur in August 1997.

The Ministry stated in December 1998 that bills for full amount of Rs 12.48 lakh in respect of GMT Bhatinda were issued in July 1998. The reply of the Ministry for other circles was awaited as of December 1998.

5. Leakage of revenue from Coin Collection Boxes

An amount of only Rs 16.24 lakh was collected and accounted for from 1006 Coin Collection Box type Public Call Offices as against Rs 69.77 lakh due on the basis of metered calls resulting in revenue leakage of Rs 53.53 lakh

Test check of records by Audit in six cities in four telecom circles of Madhya Pradesh, Punjab, Uttar Pradesh and Maharastra during September 1997 to July 1998 revealed leakage of revenue of Rs 53.53 lakh from 1006 Coin Collection Box (CCB) type Public Call Offices (PCOs) working in these cities.

For the convenience of general public, CCB PCOs are installed at various public places like markets, airports, railway stations, hospitals etc., which are operated manually by inserting coins. The collection of cash from CCBs is to be done in the presence of a gazetted officer to ensure that there is no pilferage of revenue.

Short collection ranging from 64 to 97 per cent

On examination of receipts collected from 1006 CCB PCOs in six cities, it was observed that only Rs 16.24 lakh was collected from these CCBs against the revenue of Rs 69.77 lakh worked out on the basis of metered calls registered against these PCOs. The short collection varied between 64 and 97 *per cent*. The city-wise position of leakage of revenue detected in test check is given below:

Name of the Unit	Number of PCOs checked	Period involved	Amount due as per meter reading (Rs in lakh)	Amount actually collected (Rs in lakh)	Leakage of revenue (Rs in lakh)	Percentage of short collection
GMTD Gwalior	86	Jan.96-Jan.97	11.27	1.77	**9.50**	**84**
GMTD Indore	549	Feb.97-Jan. 98	3.19	0.11	**3.08**	**97**
GMTD Amritsar	135	Apr.96-July97	6.16	0.34	**5.82**	**94**
GMTD Kanpur	114	Jan.95-Dec.97	10.30	2.71	**7.59**	**74**
GMTD Nasik	86	May94-Nov.97	21.05	4.84	**16.21**	**77**
GMTD Pune	36	Feb.94-Jul.98	17.80	6.47	**11.33**	**64**
Total	**1006**		**69.77**	**16.24**	**53.53**	

On being pointed out by Audit, CGMsT stated that leakage of revenue took place because of the defective design of equipment, misuse of CCBs by callers with the help of fake coins etc.

The reply of the department itself confirmed that the design of the existing CCB PCOs was faulty and was prone to misuse. Moreover, to suggest that short collection up to 97 *per cent* have occurred due to defective design raises the question of improper quality assurance of CCB boxes installed and the role of departmental officials required to account for the collections. Though the department was aware of the problem, it failed to take corrective measures and install instruments of improved designs to guard against such pilferage of revenue. Thus, due to the lackadaisical attitude of concerned officers, department continued to incur huge revenue loss every year.

6. Non-realisation of dues from licensees of Voice Mail Services

DoT failed to recover licence fee of Rs 1.69 crore from the licensees of Voice Mail Services. Besides liquidated damages of Rs 13 lakh were not charged for delay in commissioning of services.

DoT awarded licences to 15 Indian registered companies during 1994-98 to establish, maintain and operate Voice Mail Services on non-exclusive basis in different cities for an initial period of five years. Under the agreement, each licensee was required to pay annual licence fee of Rs 15 lakh for Delhi and Mumbai, Rs 10 lakh for Chennai and Calcutta and Rs five lakh for each of the other cities in four quarterly instalments in advance each year. The services were to be commissioned within one year of the signing of the agreement.

Out of 15 licensees, six could commission the services in 18 service areas as of May 1998 while DoT cancelled the licences of five other franchisees for their failure to commission the services within the prescribed period of one year of the signing of the agreement. Four franchisees signed the agreement in 1997-98.

Non- recovery of licence fee of Rs 1.69 crore & liquidated damages of Rs 13 lakh

Scrutiny of records by Audit in June 1998 revealed that licence fee dues of Rs 1.69 crore were outstanding against seven licensees as of May 1998 besides an amount of Rs 13 lakh as liquidated damages as discussed below:

- Modi Korea Telecom Limited failed to commission the services in eight service areas and Nijholt Telecom Private Limited did not commission services in two areas even after the expiry of 20 weeks of the prescribed dates. DoT, however, did not recover licence fee of Rs 53 lakh and liquidated damages of Rs 10 lakh due from them.

- DoT had awarded licence to the Microwave Communications Limited in May 1996 for five service areas viz. Ahmedabad, Calcutta, Delhi, Mumbai and Surat. Though the licensee commissioned the services at Ahmedabad, Calcutta, Delhi and Surat within the stipulated period of one year, he did not pay the licence fee of Rs 53.75 lakh since inception up to May 1998. DoT also failed to recover the amount of liquidated damages of Rs one lakh due for delay in the commissioning of services at Mumbai.

- DoT also failed to recover licence fee of Rs 62.50 lakh from four other licensees. Two of them were also liable to pay liquidated damages of Rs two lakh for delay in the commissioning of services, which were not charged.

Despite outstanding dues, DoT neither cancelled the licences of these franchisees nor encashed their financial bank guarantees to recover the outstanding amounts.

Interest of Rs 22.32 lakh not recovered

As per terms of agreement interest at 20 *per cent per annum* compounded monthly was chargeable in cases of delay in the payment of licence fee. It was noticed in audit that DoT also did not recover interest of Rs 22.32 lakh as of May 1998 on the outstanding amount.

The Ministry stated in August and September 1998 that out of the total outstanding amount of licence fee of Rs 1.69 crore and liquidated damages of Rs 13 lakh an amount of Rs 1.36 crore as licence fee and Rs 2 lakh as liquidated damages were recovered after being pointed out by Audit.

7. Loss of revenue due to delay in revision of rentals

Department failed to implement the extended boundary of Bangalore Telephone District and lost revenue of Rs 96.80 lakh.

Despite inclusion of Peenya exchange in Bangalore City Corporation area, the Accounts Officer Telephone Revenue Accounts (TRA) continued to charge rural tariff instead of revised tariff applicable to corporation area.

Peenya exchange area included in Corporation area

Consequent on issue of Gazette Notification by Karnataka Government in November 1995 on expansion of boundary of Bangalore City Corporation (BCC), the area of telephone exchanges at Peenya, which was an independent telephone system under Bangalore South Short Distance Charging Area (SDCA) with rural tariff, was included in the extended boundary of BCC.

Sr. GMT Bangalore did not notify the change

Scrutiny of records by Audit of Bangalore telecom district in September 1996 disclosed that even after merging of this exchange area with the city corporation, Accounts Officer TRA continued to charge bi-monthly rentals at old rate Rs 200 instead of Rs 380 as applicable to the subscribers of Bangalore telecom district. The Senior General Manager Telecom (Sr.GMT) Bangalore failed to notify the revised boundary of the Bangalore telecom district for 17 months. This resulted in short billing of revenue of Rs 96.80 lakh in respect of Peenya exchange for the period from April 1996 to April 1997.

Loss of revenue of Rs 96.80 lakh

On being pointed out by Audit the Ministry accepted the failure of Sr.GMT in issuing necessary notification and stated in December 1998 that the arrears of rental were not recoverable due to delay in notification of the revised area of telecom district. The fact however remained that department lost Rs 96.80 lakh due to the failure of Sr. GMT Bangalore but no action was taken for this serious lapse.

8. Non-billing or short billing

8.1 Non-receipt of advice notes

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

Sample check disclosed short/non-billing of Rs 3.26 crore in 10 circles

Cases of the delayed billing/non-billing due to non-receipt of advice notes by TRA branch have been included in the Report of the Comptroller and Auditor General of India during the past several years. Despite the department's assurance that no telephone facility would be released without issuing the advice notes, the deficiency persists due to deficient internal control system. Test check by Audit during 1997-98 revealed short billing/non-billing of Rs 3.26 crore in 10 telecom circles involving 21 cases as shown in Appendix - III.

On being pointed out by Audit, the department recovered Rs 2.73 crore. Recovery particulars of the balance amount were awaited as of December 1998.

8.2 Bills issued at old rates

The department failed to realise the rent of Rs 1.98 crore due to billing at five years old lower tariff

Circles continue to bill at old rates even after five years of revision of tariff

Tariff for certain telecommunication services including rental charges for telephone connections beyond local area was revised with effect from November 1992. Cases of short recovery of rental due to non-application of revised tariff by the TRA branch of the department have been included in the Report of the Comptroller and Auditor General of India, Union Government (Post and Telecommunications) during the past several years. Even five years after revision of rates, cases of issue of bills at old rates were still noticed in audit. Test check by Audit during 1997-98 revealed short billing of Rs 1.98 crore in seven telecom circles in ten cases as shown in Appendix IV.

On being pointed out by Audit, the department recovered Rs 0.28 crore. Recovery particulars of the balance amount were awaited as of December 1998.

8.3 Continuation of telecom facilities despite non-payment of dues

STD PCO not disconnected despite non- payment of dues

Rules provide that bills for recovery of departmental dues from franchisee of Public Telephone should be issued fortnightly and should be paid by them within next seven working days failing which the telephone should be disconnected immediately.

Audit scrutiny of records of GMT Jalandhar in November 1995 revealed that a franchisee who was provided STD PCO in June 1993 from Shahkot Telephone exchange, was allowed to continue his STD PCO facility despite non-payment of 12 bills from November 1994 to May 1995 amounting to Rs 4.73 lakh. This was in gross violation of DoT instructions.

On being pointed out by Audit, entire amount was recovered from the subscriber in January 1997. The Ministry stated in December 1998 that concerned circle has been asked to fix responsibility in this case.

8.4 Non-billing of licence fee

Failure of CGM Chennai to implement the orders in respect of billing of public document transmission services led to non-realisation of licence fee amounting to Rs 9.47 lakh.

Departmental rules provided that a telephone subscriber could be licensed by DoT to use his own FAX machine for sending his private and business documents on the telephone line on payment of licence fee of Rs 3000 *per annum* for private use and Rs 15000 *per annum* for public purpose. The rates of licence fee were revised downwards to Rs 300 and Rs 5000 *per annum* respectively from December 1994.

Test check of records of Chennai telephone district by Audit revealed that the department failed to realise licence fee of Rs 9.47 lakh from 94 FAX users for the period from September 1988 to May 1997.

On being pointed out by Audit during July 1992 to July 1996 TDM Chennai issued supplementary bills for Rs 9.47 lakh and realised Rs 6.89 lakh. The Ministry stated in December 1998 that recovery of the balance amount was being pursued vigorously.

8.5 Short realisation of rent from data network users

In three cases, the field units of DoT did not raise bills for Rs 85.35 lakh to private data network users.

As per DoT's instructions of November 1988, annual rental for data circuit in network configuration is twice that of a point to point data circuit. Test check in audit revealed that in the following three cases, the Accounts officers of telecom districts did not collect the rent as per the prescribed rates which resulted in short recovery of Rs 85.35 lakh.

(i) Calcutta Telephones

Accounts Officer Telephone Revenue (Long Distance) Calcutta Telephones realised rentals for three data circuits in network configuration provided to Air India between May 1989 and August 1992 at the rates applicable to point to point data circuit instead of double the rate as stipulated in DoT instructions. This resulted in short realisation of rental amounting to Rs 67.81 lakh for the period from May 1989 to April 1998.

On this being pointed out by Audit, supplementary bills were issued by the department for Rs 67.81 lakh in July 1997 and recovery particulars were awaited as of December 1998.

(ii) GMT Thiruvananthapuram

GMT Thiruvananthapuram provided 200 pair 10 lb jelly filled dedicated cable to Society Internationale De Telecommunications Aeronautics (SITA), Thiruvananthapuram in June 1997 on rent and guarantee basis. The communication system of SITA at Thiruvananthapuram was a multi-user private data network and therefore, ought to have been charged at double the rent applicable for a point to point data circuit. The GMT, Thiruvananthapuram, however, charged a rent of Rs 12 lakh *per annum* only instead of Rs 24 lakh *per annum* applicable for multi-user data network. This resulted in short billing of Rs 12 lakh for the period from June 1997 to June 1998.

On being pointed out by Audit in January 1997, the entire amount was recovered from the party in May 1998.

(iii) Telecom District Manager (TDM) Jamnagar

On demand from the Divisional Railway Manager, Western Railway Rajkot, TDM Jamnagar under Gujarat circle provided a data circuit between Jamnagar and Ahmedabad in March 1995. It was noticed by Audit in February 1996 that TDM charged the rent for the data circuit at 1.25 times the rental applicable for speech circuits instead of 2.5 times. This resulted in short recovery of rent of Rs 5.54 lakh for the period from March 1995 to June 1997.

On being pointed out by Audit, TDM realised the entire amount in February 1997. The Ministry stated in November 1998 that instructions have been issued to avoid such lapses in future.

8.6 Misuse of spare numbers

Spare numbers of Integrated Line and Trunk (ILT) exchange at Joda in Orissa circle were unauthorisedly used which resulted in loss of revenue to the tune of Rs 8.32 lakh.

A new 512 port ILT exchange was installed at Joda in Dhenkanal telecom district in Orissa in May 1992. Scrutiny of records of TDM Dhenkanal by Audit in October 1996 and May 1997 revealed that 634969 call units were recorded unauthorisedly against 28 spare numbers of Joda exchange, detailed record of which were not maintained by the Junior Telecom Officer (JTO) incharge telephone exchange.

As per DoT instructions, Assistant Engineer (AE) and Divisional Engineer (DE) concerned were required to monitor usage of spare numbers by conducting 100 *per cent* and 10 *per cent* checking of meter readings of spare numbers. They were also required to certify usage of spare numbers for testing purposes. But AE/DE Joda exchange did not monitor use of spare numbers.

The meter readings of spare numbers were also required to be sent to TRA branch with justification but J.T.O Joda did not furnish readings to TRA branch in violation of DoT instructions.

Thus, the department due to misuse of spare numbers suffered a revenue loss of Rs 8.32 lakh calculated at the rate of Rs 1.31 per call as applicable to local calls.

The Ministry stated in October 1998 that the matter regarding alleged misuse or otherwise of spare numbers whether due to technical reasons or with the connivance of staff, was still under investigation and action against the departmental staff would be taken if found necessary after the investigation.

8.7 Failure to demand and collect rent of Rs 4.20 crore

Failure of department to demand and collect rent etc for various telecom facilities led to short/non-recovery of revenue of Rs 4.20 crore.

Test check disclosed non- recovery of Rs 4.20 crore towards rent for telecom facilities

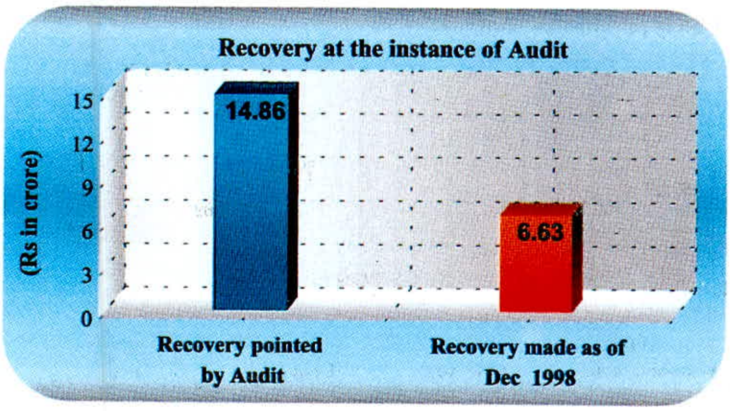
Test check in audit revealed short/non-realisation of rent of Rs 4.20 crore for the period from March 1983 to January 1999 for various telecom facilities in 34 cases in 14 telecom circles, as shown in Appendix V. The CGMsT failed to issue bills, renew licences, recover advance rental, fix rent and guarantee charges as per rules, etc. On being pointed out by Audit, the CGMsT recovered Rs 1.92 crore till December 1998 with the balance remaining to be recovered.

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

9. Recovery of revenue at the instance of Audit

Out of Rs 14.86 crore outstanding against the vendors/ subscribers due to short billing, non-recovery of revenue etc., pointed out by Audit, DoT confirmed recovery of Rs 6.63 crore.

Test check in audit disclosed short billing/non-billing in many cases aggregating to Rs 14.86 crore due to non-recovery of licence fee, non receipt of advice notes in TRA branch, issue of bills at old rates, incorrect fixation of rent and non-recovery of Service tax as brought out in paragraphs 4, 6 and 8 of this chapter.



On being pointed out by Audit, the department confirmed recovery of Rs 6.63 crore as of December 1998.

10. Revenue Arrears

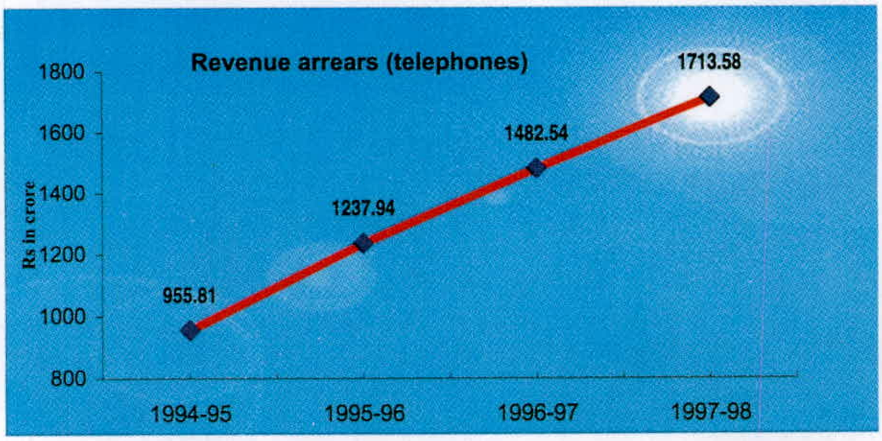
10.1 The position of demand raised, amount collected and arrears for telephone services for the four years ending March 1998 is given below:

Table 10.1 Revenue arrears (telephones)

(Rs in crore)

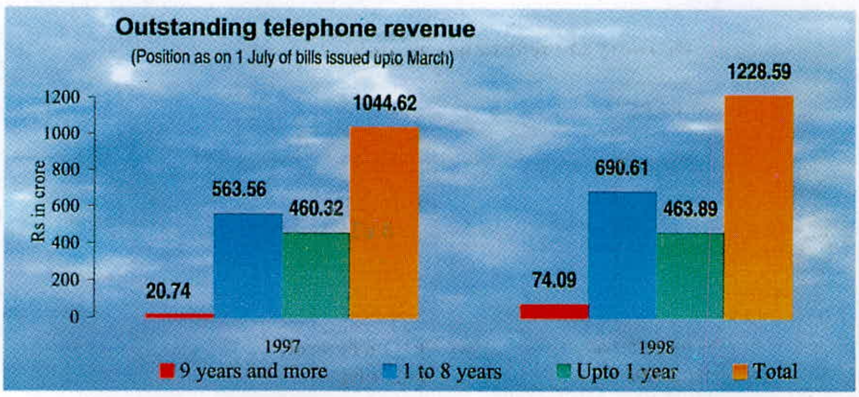
Year	*Arrears as on 1 April*	*Demand raised during the year*	*Total Demand (2+3)*	*Amount collected during the year*	*Arrears at the close of the 31 March (4-5)*
1	2	3	4	5	6
1994-95	812.05	6400.29	7212.34	6256.53	**955.81**
1995-96	955.81	8084.74	9040.55	7802.61	**1237.94**
1996-97	1237.94	9693.72	10931.66	9449.12	**1482.54**
1997-98	1482.54	11709.54	13192.08	11478.50	**1713.58**

The arrears of telephone revenue have been mounting



The arrears of telephone revenue have been increasing over the years. At the end of March 1998, the arrears increased to Rs 1713.58 crore as compared to Rs 955.81 crore at the end of March 1995.

10.2 Age-wise break up of the amount outstanding on 1 July 1998 as compared to the previous year is given in the chart below:



Rs 764.70 crore are outstanding over one year

An amount of Rs 764.70 crore (as of 1 July 1998) is outstanding for one or more years which constitutes 62.24 *per cent* of the total outstanding revenue.

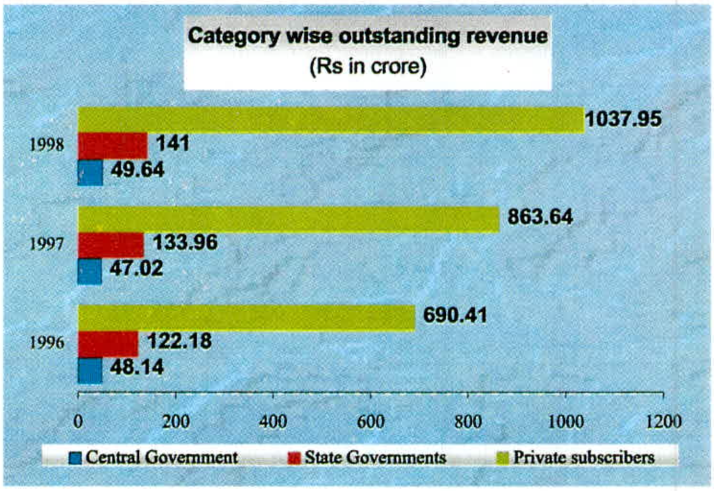
10.3 Category-wise break up of total telephone dues as at the end of June 1996 and June 1998 were as under:

Outstanding telephone revenue

(Rs in crore)

Year	Central Government		State Governments		Private subscribers	
	Amount	Percentage of total outstanding	Amount	Percentage of total outstanding	Amount	Percentage of total outstanding
1996	48.14	5.59	122.18	14.19	690.41	80.22
1997	47.02	4.50	133.96	12.82	863.64	82.68
1998	49.64	4.04	141.00	11.48	1037.95	84.48

An amount of Rs 1228.59 crore was outstanding against various categories of the subscribers at the end of June 1998. Of the total outstanding amount, 84.48 *per cent* was outstanding against the private subscribers, 4.04 *per cent* against the Central Government departments and 11.48 *per cent* against various state Governments. The amount of outstanding bills against private subscribers is increasing every year and in the last one year alone the outstanding amount against this category has increased by Rs 174.31 crore. The department has failed to make concerted efforts to recover the huge outstanding amount from the private subscribers.



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

Arrears of revenue on renting of telegraph, teleprinter and telephone circuits and telex/intelex connections to the various categories of subscribers are indicated in table 10.4.

Table 10.4 Revenue in arrears
(telegraph, telex/intelex etc.)

(Rs in crore)

Year	Arrears as on 1 April	Demand raised during the year	Total demand (2+3)	Amount collected during the year	Closing balance as on 31 March (4-5)
1	2	3	4	5	6
Circuits (telephones and telegraph)					
1994-95	78.81	131.86	210.67	119.52	91.15
1995-96	91.15	132.04	223.19	126.46	96.73
1996-97	96.73	156.70	253.43	147.15	106.28
1997-98	106.28	199.28	305.56	177.27	128.29
Telex/intelex charges					
1994-95	16.68	76.80	93.48	76.41	17.07
1995-96	17.07	60.06	77.13	58.14	18.99
1996-97	18.99	49.42	68.41	48.84	19.57
1997-98	19.57	37.80	57.37	37.76	19.61

The revenue arrears overdue for collection in respect of circuits have gone up from Rs 91.15 crore in 1994-95 to Rs 128.29 crore in 1997-98 and those of telex/intelex charges from Rs 17.07 crore to Rs 19.61 crore during the same period.

10.5 Year-wise break up of the outstanding dues as on 1 July 1998 for bills issued up to March 1998 is given below:

Table 10.5 Outstanding dues (circuits/telex/intelex)

(Rs in crore)

Period	Rent for communication circuits	Telex/Intelex charges	Total
Upto 1988-89	16.26	1.25	17.51
1989-90 to 1996-97	62.20	8.40	70.60
1997-98	41.04	3.60	44.64
Total	**119.50**	**13.25**	**132.75**

10.6 Total arrears of revenue of over Rs 1361.34 crore at the end of June 1998 in respect of telephone, telegraph, teleprinter services etc., impinge seriously on the financial health of a commercial department like DoT. The department needs to take special steps to recover the outstanding dues.

10.7 Outstanding licence fee against Cellular Mobile Telephone Operators

Comment was made in paragraph 4 of the Report of the Comptroller and Auditor General of India, Union Government, Post and Telecommunications, No.6 of 1998 for the year ended March 1997 regarding non recovery of outstanding licence fee of over Rs 685 crore from cellular mobile telephone operators in telecom circles. Further examination revealed that outstanding dues against cellular operators mounted to Rs 2404 crore as of January 1999 in various telecom circles.

In metros, where cellular operators were greatly benefited due to fixation of very low licence fee in first three years as pointed out in paragraph no. 3 of the above Audit Report, an amount of Rs 121 crore was outstanding against operators towards licence fee as of January 1999.

The licence fee paid by the private operators is credited under the Major Head 1275 - Other Communication Services and does not form part of DoT revenue.

CHAPTER 4
PERFORMANCE REVIEWS

11 Procurement of PIJF Cables

11.1. Introduction

Department of Telecommunications (DoT) procured 774.36 lakh conductor kilometre Polyethylene Insulated Jelly Filled Cables (PIJF) during 1994-97 at a total cost of Rs 7480 crore for use in local network. To meet the requirement of cables determined on the basis of annual targets for net addition to the telephone capacity, DoT resorted to procurement of cables on deferred payment basis in addition to procuring them on cash payment.

11.2 Scope of Audit

This review on PIJF cables was conducted covering the period 1994-97 in DoT and in selected telecom circles during 1997-98 to examine the system of planning and procurement of these cables.

11.3 Organisational set up

Material Management wing in DoT under Member (Production) is responsible for planning, tendering and finalisation of rates for procurement of cables. CGMs of telecom circles procure cables based on rates so finalised and on the allocation of quantity made by DoT.

11.4 Highlights

- **Due to deficient planning, DoT made excess procurement of 219.83 lakh ckm cables during 1994-97 on deferred payment terms resulting in avoidable payment of interest of Rs 864.66 crore.**

- **DoT allowed higher rates to the suppliers and did not take benefit of reduction of five per cent in Customs duty in 1995-96 budget on import of raw materials of PIJF cables, resulting in undue benefit of Rs 112.94 crore to suppliers on supplies of 534.65 lakh ckm cables made during 1995-97.**

- **Chief Accounts officers of Telecom Circles did not reduce the amounts of quarterly instalments on reduction in prime lending rates announced by State Bank of India, in violation of conditions of contract and made excess payment of Rs 3.39 crore to suppliers during 1994-98 in eight telecom circles test checked.**

> ➢ **Kerala, Madhya Pradesh, Karnataka telecom circles and Calcutta Telephones failed to implement DoT's instructions of 30 September 1997 regarding price reduction. This resulted in over payment of Rs 3.11 crore during 1996-97.**

11.5 Loss of Rs 864.66 crore on account of avoidable payment of interest

DoT procured 774.36 lakh conductor kilometre (lakh ckm) of Polyethylene Insulated Jelly Filled (PIJF) cables during 1994-97 including 219.83 lakh ckm cables procured on deferred payment basis. Under deferred payment purchase, though the supplies were required to be received within three months of contract, the payments were to be made in five to seven years in quarterly instalments. The rates of interest payable on deferred payment purchases were 16.35, 14.23 and 16.91 *per cent per annum* during 1994-95, 1995-96 and 1996-97 respectively. The year-wise details of cables procured, laid and in stock at the close of each year were as given in the table below:

(in lakh ckm)

Year	*Opening balance of cables*	*Quantity. Procured on deferred payment basis*	*Total quantity. Procured including cash purchase*	*Quantity. of cables actually laid*	*Balance of cables in stock*
1994-95	53.65	27.50	239.71	127.56	165.80
1995-96	165.80	85.33	254.27	183.34	236.73
1996-97	236.73	107.00	280.38	212.58	304.53
Total		**219.83**	**774.36**	**523.48**	

11.5.1 Excess procurement of cables

Unnecessary procurement of cables worth Rs 2115 crore on deferred payment

It was observed in audit that though department procured and received 774.36 lakh ckm of cables including 219.83 lakh ckm procured on deferred payment basis during 1994-97, only 523.48 lakh ckm of cables were laid during this period. The quantity of 608.18 lakh ckm procured on outright cash basis including balance in hand as in April 1994 was sufficient to meet the requirement of 523.48 lakh ckm of cables during the three years period. Department made excess procurement of cables to the extent of 250.88 lakh ckm during the three years period and procurement of 219.83 lakh ckm on deferred payment basis at the cost of Rs 2115 crore was totally unwarranted.

11.5.2 Procurement of cables on deferred payment despite surplus funds

DoT on the one hand procured excess cables and on the other it resorted to deferred payment mode for procurement of cables despite having sufficient funds in each year of procurement. DoT made savings/surrender of Rs 2028 crore under Capital (voted) section during 1994-97 which was sufficient to cover the cost of cables procured on deferred payment basis. In addition, DoT also transferred Rs 1805.29 crore excess funds to telecommunication capital reserve fund over and above the budgeted amounts during 1994-97.

DoT made avoidable payment of interest of Rs 864.66 crore due to deferred payments

Thus, deficient planning and inefficient financial management led to incorrect assessment of requirement of cables and avoidable procurement of large quantity of cables on deferred payment basis. This resulted in an avoidable payment of interest of Rs 864.66 crore during 1994-97 on 219.83 lakh ckm of cables procured on deferred payment terms.

11.6 Excess payment of Rs 112.94 crore to suppliers

Excess payment of Rs 112.94 crore due to reduction in Customs duty not taken into account

As a result of the government policy there were significant reduction in Customs duty on import of raw materials required for manufacture of underground cables in the Union budgets during 1994-97. DoT did not take full advantage of this reduction in duties while finalising the rates of underground cables leading to excess payment of Rs 112.94 crore as brought out below:

i) Tenders for 1995-96 were opened in January 1995. In the budget for the year 1995-96, the rate of Customs duty on import of specified raw materials of cables was reduced from 20 *per cent* to 15 *per cent.* The Tender Evaluation Committee (TEC) which finalised its report much later in July 1995 for procurement of cables for 1995-96, ignored the reduction in Customs duty while fixing the counter offer rates resulting in excess payment of Rs 41.32 crore on 254.27 lakh ckm of cables supplied during 1995-96 against both cash and deferred payment purchases.

ii) DoT did not invite fresh tender for meeting the requirement of 1996-97 and placed repeat orders on the firms at January 1995 tender rates for requirements of 1996-97. The Customs duty on raw material of PIJF cables was further reduced from 15 *per cent* to 10 *per cent* in 1996-97 budget and therefore, DoT reduced the rates by 0.93 to 3.50 *per cent* of various types and sizes of cables with effect from 23 July 1996. The department, however, totally ignored the fact of 5 *per cent* reduction in Customs duty in 1995-96 while working out the above reduction in prices for 1996-97 also. Thus, DoT made further excess payment of Rs 45.56 crore on 280.38 lakh ckm cables supplied during 1996-97.

Excess payment of Excise duty and Sales tax

iii) DoT also paid 25 *per cent* Excise duty and 4 *per cent* Sales tax on the above excess paid amounts resulting in further excess payment of Rs 21.72 crore on account of Excise duty and Rs 4.34 crore on account of Sales tax.

Thus, failure to take cognisance of Customs duty reduction in 1995-96 budget while working out counter offer rates, DoT made total excess payment of Rs 112.94 crore on 534.65 lakh ckm of underground cables procured during the period 1995-97.

11.7. Incorrect fixation of quarterly instalments

The amounts of quarterly instalment were to be varied with increase or decrease in the prime lending rates

Payments for PIJF cable procured on deferred payment basis in three phases during the period 1994-97, were to be made in equated quarterly amounts (EQA) by way of post dated cheques over a period of 5-7 years. DoT fixed amounts of EQAs for each phase on the basis of prime lending rates (PLR) of State Bank of India as shown in Appendix VI (Part-A). EQAs of first and second phases were to be adjusted for increase or decrease of one *per cent* in PLR while EQAs of third phase were to be revised whenever variation of 0.25 *per cent* or more occured in the PLR rate.

Failure of CAOs in refixing EQAs led to excess payment of Rs 3.39 crore

It was observed in audit that PLR rate was revised on seven occasions between March 1994 (15 *per cent*) and January 1998 (13 *per cent*) but the Chief Accounts Officers of telecom circles failed to revise EQAs accordingly resulting in excess payment of Rs 3.39 crore to suppliers during 1994-98 as seen in test check in Gujarat, Andhra Pradesh, Karnataka, Tamil Nadu, Rajasthan, Uttar Pradesh, Maharashtra and West Bengal telecom circles.

This overpayment was detected in sample tests in eight circles and the actual amount of overpayment in all the 20 circles would be much higher. A detailed review of payments made by various telecom circles would be required to be undertaken by DoT to work out the exact amount of overpayment made to suppliers and take necessary action to recover the amounts.

On being pointed out by Audit, Rs 80.12 lakh was recovered by Rajasthan and Tamil Nadu circles alone as of October 1998.

The Ministry stated in December 1998 that all telecom circles were again provided with details of movement of PLR and were requested to verify the payments and recover the excess paid amounts from suppliers.

11.8 Delays in finalisation of tenders

Cables should be laid in the first three quarters of the year so that connections could be provided in the last quarter for utilisation of exchange capacities and achievement of targets fixed for the year. To ensure cable laying during first quarter, orders must precede at least three months, giving necessary lead time to the manufacturers. Hence, targets for a particular year should be fixed well in advance and tenders for cables required should be invited and finalised before commencement of financial year.

It was, however, noticed in audit that DoT delayed fixation of targets and finalisation of tenders as indicated in the table below:

Year	Target for net capacity addition (in lakh)		Month of opening of tender	Finalisation of rates and vendors	Time allowed for supply (in months)	Actual addition to net capacity (connections in lakh)
	No. of lines	Month of fixation				
1994-95	28.00	March 1994	April 1994	October 1994	3	22.30
1995-96	32.80	July 1995	January 1995	November 1995	3	26.02
1996-97	40.00	November 1995	Tender not invited due to indecision of DoT	Repeat order in June 1996 to February 1997	3	31.15

Repeat orders placed in violation of tender conditions

During 1994-95 and 1995-96, DoT could finalise rates and allocate quantities to the circles only in the third quarter of the year. During 1996-97 tenders could not be invited due to the failure of DoT to decide whether to purchase cables on outright cash payment or to resort to deferred payment. DoT finally had to place repeat orders for substantial quantity on the same firms in violation of tender conditions that total ordered quantity should not exceed the original quantity by more than 25 *per cent*. DoT due to their indecisiveness extended undue benefit of higher orders to the contractors. In fact, the repeat orders of 280.38 lakh ckm placed during 1996-97 were not at all necessary as the quantity of cables laid during this period was only 212.58 lakh ckm which could have been met from the surplus stock of 236.73 lakh ckm available at the beginning of the year. DoT placed these unnecessary orders despite knowing that the prices of important raw materials such as copper etc., were falling.

DoT needs to streamline its system of fixation of targets, determining requirements and processing of tenders to ensure that the procurement of cables is made as early as possible in the beginning of the year so that sufficient time is available for receiving supplies and actual laying of cables by the circles.

11.9 Excess payment of Rs 3.11 crore

CAOs failed to implement reduction in rates resulting in excess payment of Rs 3.11 crore

The final rates for procurement of cables during the year 1995-96 were fixed in December 1995 against tender opened in January 1995. No tenders were invited for 1996-97 requirements and DoT placed repeat orders at 1995-96 rates adjusted for reduction in Customs duty of five *per cent* on raw material in the Union budget for the year 1996-97. The reduced rates for the year 1996-97 were made applicable for supplies received on or after 23 July 1996. It was noticed in audit that Calcutta Telephones district, Kerala, Karnataka and Madhya Pradesh telecom circles issued purchase orders, based on basic price of Tender Enquiry of 24 January 1995, between June-August 1996 with scheduled delivery within two to three months from the date of issue of purchase orders. The delivery was completed after 23 July 1996 but paying authorities failed to initiate action on the DoT's orders regarding reduction of rates and made excess payment of Rs 3.11 crore during 1996-97.

On being pointed out by Audit, DoT stated that excess paid amount would be recovered from the firms.

11.10 Excess payment of transportation charges

Paying authorities in five circles failed to restrict freight charges

Test checks conducted by Audit in Chennai telecom district and Andhra Pradesh, Madhya Pradesh, Tamil Nadu, Gujarat, West Bengal and Rajasthan telecom circles revealed that paying authorities in these Circles failed to restrict the freight claim of the private suppliers to the concessional Railway tariff for supply of stores to telephone department by goods train. This resulted in an avoidable expenditure of Rs 81.97 lakh on 185630 lakh ckm cables. Besides, Rs 2 crore were also paid in excess due to failure of the department to procure from the nearest source of supply.

The Ministry stated that instructions have been issued to all the circles for re-verification of claims of suppliers and for effecting recoveries of the excess paid amount.

11.11 Non-recovery of Income tax at source

As per the agreement, the amount of EQA includes both principal and interest. DoT clarified in June 1996 that Income tax was required to be deducted at source at the applicable rate of tax deducted at source (TDS) for the financial year 1996-97 at 20 *per cent* plus 15 *per cent* surcharge based on the computation of interest and principal portion of the EQA.

CAOs failed to deduct tax at source

During test check by Audit in eight circles it was noticed that an amount of Rs 6.07 crore was not recovered from the suppliers against the EQA amounts paid to them. This is a serious violation of provisions of Income Tax Act by the paying authorities.

The Ministry stated in December 1998 that all circles had been instructed to deduct Income tax at source from interest component of EQA from 1996-97 onwards and the methodology of bifurcation of amount of EQA into principal and interest was also reiterated to them.

11.12 Non-recovery of liquidated damage charges

Liquidated damages not recovered

The agreement for procurement of PIJF underground cable on deferred payment basis provided charging of the liquidated damages in cases of delayed supplies. During test check in Maharashtra, Rajasthan and Karnataka circles, it was noticed that department failed to recover the liquidated damages of Rs 69.64 lakh from the invoices of the suppliers in respect of delayed supply of cables.

DoT stated that instructions had been issued to all the circles to ensure correct deduction of liquidated damages and recovery of the excess payment.

12 Laying of cables in local network

12.1 *Introduction*

Department of Telecommunications (DoT) uses Polyethylene Insulated Jelly Filled (PIJF), foam skin and quad cables in local network. These underground cables are laid from telephone exchanges to the subscriber's distribution points and constitute an important component of local telephone network as about 60 *per cent* of the expenditure in a telephone system is on these cables alone. The department laid 523 lakh ckm of underground cables during 1994-97 at the cost of more than Rs 6000 crore.

12.2 *Scope of Audit*

This review was conducted in seven telecom circles during 1997-98 covering the period 1995-98 to examine the system of laying of cables in local network.

12.3 *Organisational set up*

The work of laying of cables is carried out by heads of telecom districts/ secondary switching areas (SSAs) on contract basis through private contractors. The contracts for cable laying are finalised by the concerned General Managers Telecom/ Telecom District Managers.

12.4 *Highlights*

- **Telecom districts in Kerala, Rajasthan, Tamil Nadu and Uttar Pradesh incurred infructuous expenditure of Rs 79 crore by laying higher specification cables of 0.5 mm diameter as against 0.4 mm prescribed by DoT.**

- **Rates paid to contractors for cable laying by various telecom districts varied widely from circle to circle and within circle from SSA to SSA. Rates in Maharashtra, Tamil Nadu, Kerala and Orissa were higher as compared to other circles.**

- **TDM Coonoor under Tamil Nadu circle gave undue benefit of Rs 1.18 crore to cable laying contractors by awarding contract at higher rates during 1996-97 and extending the same rates for 1997-98 also by delaying finalisation of fresh contract.**

- **GMT Coimbatore allowed abnormally high rates of Rs 6.62 and Rs 7.85 per metre during 1995-96 and 1996-97 respectively for laying of cables excluding trenching, as compared to Rs 2.26 per metre in other SSAs in Tamil Nadu circle resulting in extra expenditure of Rs 3.86 crore during 1995-97 and corresponding benefit to the contractors.**

- **Heads of SSAs in Kerala circle invited composite rate in tender for trenching and cable laying instead of item-wise rates. Subsequently they split up the rates arbitrarily to allow Rs 5.00 - Rs 8.50 per metre for cable laying as against about Rs 1.00 per metre worked out on the basis of DoT norms resulting in excess payment of Rs 63.17 lakh to contractors during 1996-97 in 1018 km additional cables laid in trenches.**

- **Heads of five SSAs in Rajasthan and Orissa circles failed to recover unused cables valuing Rs 4.06 crore from the contractor during 1995-98.**

- **Kerala and Gujarat circles laid cables at the rate of 10 ckm per line as against the DoT's maximum norm of 8.80 ckm per line. These two circles incurred excess expenditure of Rs 262.45 crore during 1995-98 due to laying of 21.39 lakh ckm cables in excess.**

12.5 Use of cables of higher specification - excess expenditure of Rs 79 crore

Four telecom circles used against norms 0.5 mm dia cables instead of 0.4 mm dia

To reduce the cost of external plant, DoT in September 1992 revised the specifications of 800 and more pair underground cables used in local network and directed all heads of telecom circles to use these cables of only 0.4 mm diameter instead of earlier prescribed size of 0.5 mm dia.

Audit examination in selected SSAs in Kerala, Rajasthan, Tamil Nadu and Uttar Pradesh circles during 1995-98 revealed that out of 2078 km of 800 and above pair cable procured, 1899 km of cables were of 0.5 mm size. The heads of telecom districts/SSAs were not empowered to make such changes in the specifications used in local network.

Infructuous expenditure of Rs 79 crore

Thus, the Heads of SSAs in these telecom circles by laying cables of higher specifications incurred infructuous expenditure of Rs 79 crore in violation of DoT's instructions.

12.6 Laying of armoured cables in ducts

Excess expenditure of Rs 56.52 lakh due to laying of armoured cables in ducts

Departmental instructions stipulate use of unarmoured cables in ducts in place of armoured cables. Ernakulam and Kottayam SSA's in Kerala circle and Coonoor and Vellore SSAs in Tamil Nadu circle, however, laid 38.99 km of armoured cables in ducts instead of unarmoured cables during 1995-98 resulting in an avoidable excess expenditure of Rs 56.52 lakh.

The heads of SSAs concerned stated that armoured cables were laid due to non-availability of unarmoured cables. The reply is not tenable as the circles concerned should have properly assessed their requirement and procured unarmoured cables based on provision in detailed estimates of various cable projects.

12.7 Cable laying contracts

Powers of heads of telecom circles regarding contracts

Cable laying works involve trenching of soil, laying of cables and filling of trenches. The powers for finalisation of contracts for cable laying in the local network have been delegated to heads of telecom districts upto Rs 1.00 crore in cases of districts/SSAs headed by GMsT and Rs 30 lakh for districts/SSAs headed by Telecom District Managers (TDMs). The cable laying works are executed through private contractors who employ unskilled labour for digging and filling of trenches.

Audit conducted test checks in 33 telecom districts in seven circles to compare cable laying rates paid by various GMsT/TDMs in those circles. The telecom district-wise rates for trenching and laying of cables upto 100 pairs for selected circles during 1995-98 are given in the Appendix VII. Important irregularities noticed are given in the succeeding paragraphs.

12.8 Wide variation in rates among circles

Rates in Maharashtra and Tamil Nadu circles abnormally higher than other circles

Audit analysis revealed that there were wide variation in the rates of cable laying in different circles as indicated in the table below:

(in rupees)

Circle	Rates of cable laying per metre during 1997-98 (for cables upto 100 pair)			
	Ordinary soil		Hard soil	
	Minimum rate	Maximum rate	Minimum rate	Maximum rate
Gujarat	8.90	22.00	12.90	28.00
Kerala	16.48	20.66	20.66	32.64
Maharashtra	9.80	28.99	26.00	78.74
Orissa	21.10	22.94	21.10	30.50
Tamil Nadu	14.40	51.30	17.20	60.30
Uttar Pradesh	7.25	15.03	17.00	28.33

Rates were exorbitantly higher in Maharashtra, Tamil Nadu, Kerala and Orissa circles.

12.9 Comparison of rates with DoT norms

Maharashtra and Orissa paid two to three times higher rates as compared to norms

DoT norms provide for 0.265 manday per metre for trenching and laying cables in ordinary soil and 0.302 manday per metre for hard soil for cables upto 100 pairs. Audit worked out approximate cable laying rates for various circles on the basis of above DoT norms by applying the maximum rates of wages prescribed by Ministry of Labour for various States, under the Minimum Wages Act. It was found that on an average majority of the circles test checked were paying higher rates to the contractors as compared to rates worked out on the basis of norms as indicated in the table below:

(in rupees)

Telecom Circle	Rates of Maximum wages as per Minimum Wages Act (per day)	Rate worked out on the basis of DoT norms		Average of rates in 1997-98 allowed by telecom districts test checked		Excess Payment to the contractors Excess (+) Saving (-)	
		(rate per metre for trenching and laying cable upto 100 pairs)					
		Ordinary soil	Hard soil	Ordinary soil	Hard soil	Ordinary soil	Hard soil
Gujarat	57.90	15.34	17.48	16.96	22.63	(+) 1.62	(+) 5.15
Kerala	76.40	20.24	23.07	18.96	28.45	(-) 1.28	(+) 5.38
Maharashtra	80.35	21.29	24.26	21.16	49.32	(-) 0.13	(+) 25.06
Orissa	30.00	07.95	09.06	22.30	24.85	(+) 14.35	(+) 15.79
Rajasthan	32.00	8.48	9.66	14.93	14.93	(+) 6.45	(+) 5.27
Tamil Nadu	56.25	14.90	16.98	25.79	29.88	(+) 10.89	(+) 12.90
Uttar Pradesh	48.00	12.72	14.49	11.33	22.01	(-) 1.39	(+) 7.52

The heads of telecom districts in Maharashtra circle paid 103 *per cent* higher rates for hard soil as compared to the norms. Rates in Orissa were more than 174 *per cent* higher for both ordinary and hard soil.

12.10 Wide disparity in rates among SSAs within the circle

Heads of 12 SSAs allowed exorbitant rate to contractors

Normally the rates within the circle should be more or less comparable for a given type of soil. However, telecom districts of Coonoor and Madurai in Tamil Nadu; Amarawati, Ahmednagar, Pune, Kalyan and Akola in Maharashtra; Berhampur in Orissa; Azamgarh in Uttar Pradesh; Ahmedabad in Gujarat; Pali in Rajasthan and Ernakulam in Kerala paid much higher rates to private contractors as compared to other telecom districts of their circle.

The abnormal variations in rates were as under:

12.10.1 Tamil Nadu circle

- The rates finalised by Coonoor telecom district in Tamil Nadu in 1996-97 for trenching in ordinary and hard soil were 103-106 *per cent* higher than the rates in the previous year.

- In Madurai there was an increase of more than cent *per cent* in rates for both ordinary and hard soil in the year 1996-97 as compared to the previous year.

12.10.2 ***Maharashtra circle***

- TDM Amaravati urban area in Maharashtra finalised a rate of Rs 78.74 per metre for laying of cable in hard soil for 1997-98 which was 192 *per cent* higher than the rate of Rs 27 per metre of 1996-97.

- There were similar increases of 112 to 252 *per cent* in rates for hard soil in Amaravati Rural, Akola and Kalyan telecom districts in 1997-98.

- The rate of Rs 67 per metre for hard soil in Ahmednagar telecom district was higher as compared to the average rate of Rs 49.32 per metre for the whole Maharashtra circle.

12.10.3 ***Orissa circle***

- Rates of cable laying in hard soil in Berhampur were between Rs 28.12 to Rs 30.50 per metre during 1995-97 as compared to Rs 21.10 in Balasore and Rs 22.94 in the state capital Bhubaneswar.

12.10.4 ***Gujarat circle***

- The rate of cable laying in ordinary soil in Ahmedabad was Rs 24.40 per metre which was 112 *per cent* higher than Surat and 126 *per cent* higher than Baroda during 1996-97.

12.10.5 ***Rajasthan circle***

- In Pali, the composite rate of Rs 19.73 per metre for both ordinary and hard soil was much higher as compared to the rate of Rs 13.32 per metre in state capital Jaipur. However, the rate of Rs 19.17 per metre in Jaipur in 1996-97 was higher than the rate of Rs 13.32 per metre in 1997-98 by 44 *per cent*.

12.10.6 ***Uttar Pradesh circle***

- In Azamgarh, the rates allowed in 1997-98 were higher even as compared to Lucknow. Though other telecom districts test checked paid at an average rate of Rs 10.40 per metre for ordinary soil and Rs.20.43 per metre for hard soil, TDM Azamgarh finalised the rates of Rs 15.03 per metre for ordinary soil and Rs 28.33 per metre for hard soil.

The variation of more than 100 *per cent* in rates amongst the SSAs of the same circle cannot be due to variation in labour condition alone. The circumstances under which such abnormally high rates were allowed by these telecom districts requires investigation by DoT.

It was observed in Audit that there was no system of monitoring of rates at the heads of telecom circles level to ensure that the rates finalised by various telecom districts were reasonable and not exorbitant. In the absence of an adequate reporting method, the cases of abnormally high rates go undetected/unchecked and uninvestigated.

12.11 Other irregularities

In view of wide variations in the rates of cable laying in various SSAs/telecom districts in different circles, four SSAs in Kerala and five SSAs in Tamil Nadu circle were selected for detailed examination of contracts relating to laying of cables. The audit examination of records in these SSAs disclosed the following irregularities:

12.11.1 Tamil Nadu Circle

12.11.1(i) Coonoor SSA

TDE Coonoor gave undue benefit of Rs 95.09 lakh to contractor

- TDE Coonoor awarded cable laying (including trenching) work in April 1995 to a contractor for two years valid upto March 1997. Even before expiry of this two year contract, he invited fresh tender and awarded the work in April 1996 to three contractors at 69 to 93 *per cent* higher rates as compared to previous rates of April 1995. The action of TDE Coonoor was highly questionable and led to avoidable extra expenditure of Rs 95.09 lakh during 1996-97.

Excess expenditure of Rs 23.31 lakh by TDM

- TDM (previously TDE) Coonoor delayed finalisation of tender for 1997-98 and continued execution of cable laying work at higher rates of 1996-97 resulting in excess expenditure of Rs 23.31 lakh. The tenders for 1997-98 were opened in March 1997 but work could be awarded only in November 1997. TDM Coonoor took three months for constitution of TEC which submitted its report in July 1997. But TDM took another four months in finalising the tenders.

Hence, TDM Coonoor gave undue benefit of Rs 1.18 crore to the cable laying contractors by first awarding contract at higher rate during 1996-97 and later on by delaying the finalisation of contract for 1997-98 by eight months.

12.11.1(ii) Karaikudi SSA

TDM Karaikudi paid Rs 18.25 per metre against Rs 17 per metre demanded by the contractors

- In the tender opened in July 1994, rates quoted by three tenderers, suggest formation of cartel. TDM Karaikudi without examining the reasonableness of rates approved abnormally high rates of Rs 14.25 per metre and Rs 18.25 per metre in September 1994 for trenching in ordinary and hard soil respectively as against the rates of Rs 9.50 and Rs 12 per metre in the adjoining Madurai SSA during the same period. It was also observed in Audit that though tenderers had accepted the rates of Rs 17 per metre for cable laying in hard soil, TDM allowed them higher rate of Rs 18.25 per metre. The acceptance of abnormally high rates by TDM Karaikudi in comparison to Madurai SSA resulted in excess expenditure of atleast Rs 9.64 lakh in laying of 203 km of cable during October 1994 to June 1995 in comparison to Madurai rates.

- The 1994-95 contract for cable laying work in Karaikudi was valid upto June 1995. However, TDM Karaikudi continued awarding cable laying work to the same contractors even after expiry of the validity of the contract by delaying invitation of tenders for the year 1995-96. The fresh tenders were finally invited in January 1996 and opened on 1 March 1996. Despite knowing that the rates in March 1996 tenders were lower than the 1994-95 contract by 10 *per cent* he did not finalise the contract promptly and got the work executed at higher rates of 1994-95 during the intervening period from April 1996 to July 1996 incurring excess expenditure of Rs 3.10 lakh. The work was finally awarded to five contractors at new lower rates in August 1996.

TDM gave undue benefit of Rs 12.74 lakh to contractors by delaying the finalisation of fresh tender

- Thus, TDM gave undue benefit of Rs 12.74 lakh to the contractors firstly, by delaying invitation of tenders for 1995-96 and then by not finalising the tenders for four months despite getting much lower rates in the new tenders.

- TDM, Karaikudi gave another undue favour to a contractor when he awarded works in January 1997 to the wife of a departmental employee violating tender conditions and overruling the recommendation of TEC.

Overpayment of Rs 4.28 lakh in brick laying

- A total of 4348 bricks of 0.23 metre length would be required to cover one kilometre cable distance but TDM Karaikudi made payment at the rate of 4500 bricks per kilometre resulting in over payment of Rs 4.28 lakh in 1876 kilometre of cable laid.

12.11.1(iii) Coimbatore SSA

Secondary Switching Areas in Tamil Nadu circle normally invite separate rates in the tender for trenching, cable laying and supply of bricks. GMT Coimbatore, however, invited and approved composite rates for supply of bricks and laying of cables excluding trenching at an average rate of Rs 14.05 per metre during 1995-96 and Rs 15.55 per metre in 1996-97.

GMT Coimbatore paid Rs 6.62 to Rs 7.85 per metre as against the highest rate of Rs 2.26 in other SSAs

To examine reasonableness of above composite rates, Audit worked out cable laying rates paid by GMT Coimbatore by subtracting highest brick rates per metre allowed by other SSAs from the composite rates of Coimbatore as under:

Table 12.11.1(iii)

(Rate per metre in Rs)

Year 1	Composite rate of GMT Coimbatore for cable laying including bricks 2	Highest rate for supply of bricks paid by other SSAs 3	Cable laying rate worked out for GMT Coimbatore 4 = (Col 2-3)
1995-96	14.05	7.43	6.62
1996-97	15.55	7.70	7.85

The rates of Rs 6.62 and Rs 7.85 per metre allowed by GMT Coimbatore for cable laying excluding trenching during 1995-96 and 1996-97 were abnormally high as compared to the rate of Rs 2.26 per metre for same cable laying work in 1995-97 in the other three SSAs test checked in the circle. Thus, the exorbitant rates approved by GMT Coimbatore were highly questionable and resulted in extra expenditure of Rs 3.86 crore during 1995-97.

12.11.2 Kerala Circle

12.11.2(i) Ernakulam SSA

GMT Ernakulam gave benefit of Rs 1 crore to contractors

As the rates quoted by the tenderers for cable laying work for 1995-96 were higher TEC in May 1995 suggested award of work at those higher rates only for urgent works and recommended invitation of fresh tenders. But GMT Ernakulam ignored the recommendations of TEC and extended these higher rates to 1996-97 also without inviting fresh tenders. Thus GMT gave undue benefit of higher rates to the contractors. When fresh tender was invited for 1997-98, the rates quoted by tenderers were 23 *per cent* lower as compared to the rates of 1995-96. Hence, extension of 1995-96 rates to 1996-97 by GMT resulted in undue benefit of over Rs 1.00 crore to the contractors on cable laying work.

Excess expenditure of Rs 57.71 lakh on transportation of GI pipes

Cables are laid in galvanised iron (GI) pipes to provide extra protection at places like road crossings, bridges, etc. These pipes are provided by the department and are required to be collected by the contractor from sub-divisional headquarters. Though all other SSAs test checked in the circle did not pay any transportation charges for lifting of pipes from the sub-divisions, GMT Ernakulam despite paying exorbitant higher rates for cable laying as mentioned above also paid transportation charges separately at the rate of Rs 28 per metre for lifting of GI pipes from sub-division. This led to further avoidable expenditure of Rs 57.71 lakh during 1995-96 and corresponding benefit to the contractor. Incidentally, the rate for transportation came down to Rs 4.43 per metre in the subsequent contract for GMT Ernakulam whereas the immediate previous rate fixed by him was as high as of Rs 28 per metre.

12.11.2(ii) Pathanamthitta and Kottayam SSAs

Revision of rates upward in violation of tender conditions

Cable laying work was awarded to five contractors in November 1994 in Pathanamthitta SSA for a period of one year. As the pace of the cable laying work was slow, instead of taking action against the contractors, the CGMT Thiruvananthapuram during the validity of the contract allowed higher rates to the contractors with effect from April 1995 on the recommendations of Departmental Committee without any prior demand from contractors. The new rates were higher by 10 to 478 *per cent* over the approved rates of November 1994. These higher rates were also given to the contractors in Kollam and Kottayam SSAs from April 1995 onwards.

Undue benefit of Rs 44.16 lakh to contractors

On examination of records in audit it was observed that the pace of work did not improve to the extent desired even after grant of increase in rates.

Thus, CGMT Thiruvananthapuram granted substantial increase in rates in violation of tender conditions and gave undue benefit of Rs 44.16 lakh to contractors in Pathanamthitta and Kottayam SSAs during April-June 1995. The amount of extra expenditure incurred on account of higher rates in Kollam SSA could not be worked out as the information regarding total cable laid in this SSA was not made available to Audit.

Award of contract to black listed contractor

TDM Pathanamthitta, awarded work of cable laying in August 1995 to a contractor who was black listed by Alleppey SSA. The TDM stated that he did not receive intimation regarding black listing of the contractor. The reply of TDM was not tenable as a copy of intimation regarding blacklisting of the contractor was received by Pathanamthitta SSA in May 1994 i.e. much before the award of contract in August 1995. Hence, TDM showed undue favour to a blacklisted contractor.

12.12 Non recovery of stores and damage charges from contractors

Heads of SSAs in Orissa and Rajasthan circles did not monitor recovery of unused stores from the contractors and wide variations in the quantity of cable supplied to the contractors and cable actually laid were noticed as indicated in the table below:

Unused cables worth Rs 4.06 crore not recovered from contractors

SSA	Year	Quantity	Amount (Rs in crore)
Rajasthan circle			
Jaipur	1996-97	19.37 km	0.12
Pali	1996-98	25.562 ckm	2.56
Orissa circle			
Bhubaneswar	1995-98	9.46 km	0.18
Berhampur	1996-97	46.89 km	1.08
Balasore	1995-98	21.61 km	0.12
Total			4.06

The heads of five SSAs test checked in two circles therefore did not recover cables valuing Rs 4.06 crore from the contractors.

Damage charges of Rs 16.06 lakh not recovered from contractors

In Balasore, Berhampur and Bhubaneswar SSAs in Orissa circle, cable laying contractors caused damages to underground cables, but compensation of Rs 16.06 lakh was not recovered from them as per rules.

12.13 Excess payment due to incorrect computation of rates

SSAs in Kerala invited composite rate instead of item wise rates

DoT's norms for trenching in ordinary soil is 0.253 manday per metre and 0.012 manday per metre for cable laying (upto 100 pairs). In view of these item wise norms prescribed by DoT, circles invite item wise rates in the tender for cable laying works. The heads of SSAs in Kerala circle however, asked the tenderers to quote a composite rate per metre for trenching and laying cable upto 100 pairs.

Favour shown to contractors while splitting the rates

Test check conducted in all the four SSAs in Kerala circle disclosed that for making payment to contractors for works involving laying of more than one cable in trenches, heads of SSAs split up the composite rate into separate rates for trenching and cable laying in such a manner that the rates for cable laying work were kept abnormally high giving undue benefit to the contractors. Such splitting of rates with excessive rates being allowed for cable laying is highly questionable since it gives undue benefit to contractors for additional cables laid. The splitting up of rates should be in the ratio of 19:1 as per DoT norms but the heads of Ernakulam and Kottayam SSAs bifurcated trenching and cable laying rates in the ratio of 2:1 in 1995-97 contracts, and Pathanamthitta and Kollam SSAs adopted the ratio of 7:3 in 1997-98. A comparative position of actual splitting up of rates by the SSAs against DoT norms is given in the table below:

Table 12.13

(Rates per metre in Rs)

Name of the SSA	Composite rate	Splitting of composite rate by SSA		Splitting of composite rate as per DoT norm	
		Trenching	Cable laying	Trenching	Cable laying
Kottayam	19.50	13.00	6.50	18.52	0.98
Ernakulam	25.50	17.00	8.50	24.22	1.28
Kollam	17.00	12.00	5.00	16.15	0.85
Pathanamthitta	19.20	13.44	5.76	18.24	0.96

Excess payment of Rs 63.17 lakh to contractors

Thus, arbitrary splitting up of composite rates resulted in fixing of higher rates for cable laying item by 488 to 564 *per cent* as compared to DoT norms. This led to excess payment of Rs 63.17 lakh to the contractors during 1996-97 in 1018 km of additional cable laid in trenches in Kottayam, Ernakulam and Kollam telecom districts in Kerala circle in 1996-97 in works involving laying of more than one cable.

12.14 Excess laying of cables

DoT has prescribed a norm of 8.8 conductor kilometre (ckm) per line for laying of cables for the circle as a whole. The requirement of cables in a network can be minimised by efficient network planning and with the use of remote line units (RLUs), optical fibre cable and pulse code modulation (PCM) cable for junction network etc.

Excess expenditure of Rs 262.45 crore due to excess laying of cables

Examination of records in audit revealed that a total of 774.74 lakh ckm cable was laid in all the telecom circles and metro districts during 1995-98 at the rate of 8.39 ckm per line and the telecom circles like Andhra Pradesh, Assam, Punjab, Uttar Pradesh, West Bengal and MTNL Delhi laid cables at the rate of only 5-7 ckm per line. However, two circles viz., Kerala and Gujarat used cables at the rate of more than 10 ckm per line in violation of DoT norms. Excess laying of cables due to inefficient planning of cable network by these two circles resulted in excess expenditure of approximately Rs 262.45 crore during 1995-98 on 21.39 lakh ckm cables laid in excess of norms

The matter was referred to the Ministry in November 1998; their reply was awaited as of December 1998.

13 Functioning of Calcutta Telephones

13.1 Introduction

Calcutta Telephones is the largest telephone system in the country after Mahanagar Telephone Nigam Limited and consists of 138 telephone exchanges with an equipped capacity of 7.95 lakh lines and working connections of 6.72 lakh as of March 1998. It serves the metropolitan city of Calcutta and its suburbs in the State of West Bengal covering an area of 2200 square km.

13.2 Scope of Audit

The present review was conducted during 1997-98 to examine the operational and financial performance, deployment of staff and efficiency of customer service of Calcutta telephone district.

13.3 Organisational set up

Calcutta Telephone District (CTD) comprises of 11 Area Offices headed by Area Managers of the rank of Deputy General Manager under the administrative control of five General Managers with overall supervision by the Chief General Manager (CGM). The General Manager (Finance) acts as Internal Financial Advisor.

13.4 Highlights

- **Operating expenses per connection of Calcutta Telephones are the highest in the whole country, and trunk and local call efficiencies are very low indicating poor operational management. High operational cost and low efficiency of Calcutta telephones are causing a loss of about Rs 136.27 crore per annum to the department in comparison to Mahanagar Telephone Nigam Limited (MTNL).**

- **More than 50 *per cent* work orders for providing new connections, shifting of telephones etc., were delayed and 40 *per cent* faults were not rectified even after maximum permissible period of seven days. Excessive delays in rectification of faults not only caused great inconvenience to public but also a loss of Rs 4.70 crore to the department by way of rebate which had to be allowed in rental to subscribers.**

- **Calcutta telephones had 32 to 68 *per cent* staff higher than norms during 1994-97 and incurred avoidable expenditure of Rs 82.39 crore due to retention of excess staff. Despite surplus staff and computerisation of billing functions, CGM paid huge honorarium and overtime allowance of Rs 42.24 crore to staff during 1994-98 on the basis of old norms applicable for manual billing.**

- **CGM incurred total infructuous expenditure of Rs 1.44 crore by expanding the capacity of two old TAX exchanges which were being replaced by new state-of-art exchange.**

- **A computerised digital trunk manual exchange procured at a cost of Rs 8.80 crore under ADB loan at the rate of interest of 18 *per cent* could not be commissioned for over two years due to procurement of unapproved PCs by the CGM. This resulted in idle payment of interest of Rs 3.17 crore and potential loss of revenue of Rs 3.16 crore.**

- **In 178 coin collection box public call offices test checked, the actual revenue collection was 52 *per cent* less than the revenue worked out on the basis of metered calls. The total leakage of revenue from such PCOs in 86 exchanges of Calcutta Telephones is estimated to be Rs 4.32 crore per annum.**

- **Calcutta telephones charged lower rental of Rs 200 per bi-month from subscribers of exchanges in Chinsurah area as compared to Rs 380 per bi-month charged from subscribers in other areas resulting in loss of revenue of Rs 4.47 crore during the period of four years.**

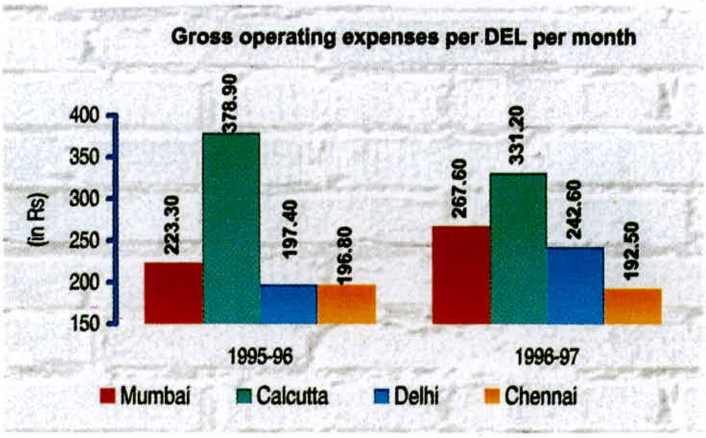
13.5 Operational performance

Operational and financial performance of Calcutta telephone district was examined with reference to six parameters viz., trunk efficiency, time taken to execute advice notes/work orders, fault clearance rate, operating expenses, revenue per DEL and staff deployed. The findings of audit analysis are contained in the succeeding paragraphs.

13.6 High Operating expenses and low revenue

CTD has the lowest operational efficiency in the country amongst all telecom circles and metros

Calcutta Telephones had the highest operating expenses per Direct Exchange Line (DEL) amongst all metros and telecom circles in the country. Even telecom circles like Gujarat, Haryana, Punjab and Himachal Pradesh were functioning at low operating expenses between Rs 135 to Rs 153 per DEL per month as against Rs 331.20 per DEL of Calcutta Telephones during 1996-97. The comparative position of metros for two years is shown in the chart.



While operating expenses of Calcutta Telephones were highest among the metros, the average revenue per DEL per month generated by it was the lowest, resulting in very high operating ratio of 30.6 *per cent* as compared to 21.5 *per cent* of MTNL Delhi, 20.7 *per cent* of MTNL Mumbai and 12.1 *per cent* of Chennai during 1996-97.

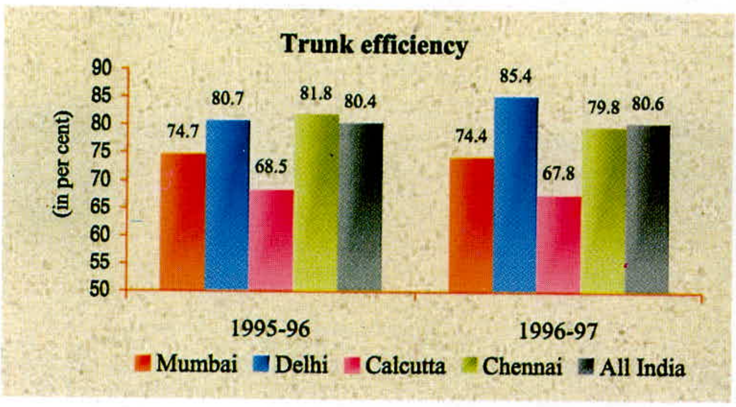
Loss of potential revenue of Rs 136.27 crore per annum

The high operating ratio indicated poor operational and financial performance of CTD as compared to other metros and circles. Had CTD functioned at par with MTNL Delhi and Mumbai, it would have generated additional net surplus of approximately Rs 136.27 crore during 1996-97 alone. Hence, CTD due to its high operational cost and low functional efficiency was causing a loss of more than Rs 136.27 crore *per annum* to the department.

13.7 Low trunk efficiency

CTDs trunk efficiency is lowest in the country

The trunk efficiency relates to the outstation calls booked and is measured by the percentage of effective calls to the total calls booked during a given period. DoT fixed a norm of achieving atleast 80 *per cent* trunk efficiency for various telephone districts during 1995-97. As against this norm, the percentage of effective calls in Calcutta Telephones was only between 68 to 69 *per cent* during the above period. The trunk efficiency of Calcutta telephones was lowest amongst the metros and also lower than all India average for circles and metros as indicated in the chart.



Potential revenue loss of Rs 4.79 crore during 1995-98 due to low trunk efficiency

Of 15.82 lakh calls booked in Calcutta Telephones during 1995-98, 5.07 lakh calls did not materialise resulting in potential loss of revenue of approximately Rs 4.79 crore worked out on the basis of norm of 80 *per cent* trunk efficiency fixed by DoT.

CGM stated in August 1998 that 80 *per cent* efficiency could not be achieved due to interruption in point to point circuits terminated with different stations of West Bengal Telecom circle and congestion of operator trunk dialling and TAX circuits. The reply was not tenable as the trunk traffic had significantly declined during last three years from 7.45 lakh in 1995-96 to 3.74 lakh in 1997-98. Due to this fall of 50 *per cent* in the trunk traffic, the question of congestion of operator trunk dialling and TAX circuits would not arise. Despite low trunk call traffic during 1997-98, the trunk efficiency did not improve. A computerised digital trunk manual exchange of 66 operator position received in August 1996 at the cost of Rs 8.80 crore was also not commissioned by CGM even after two years of its receipt as discussed in para 13.18 below.

13.8 Local call efficiency

CTD has two tandem exchanges and all local calls and STD/ISD calls originating from any exchange area pass through these tandem exchanges.

60 per cent local and STD/ISD calls do not materialise in CTD

Potential revenue loss of Rs 25.79 crore during 1995-97

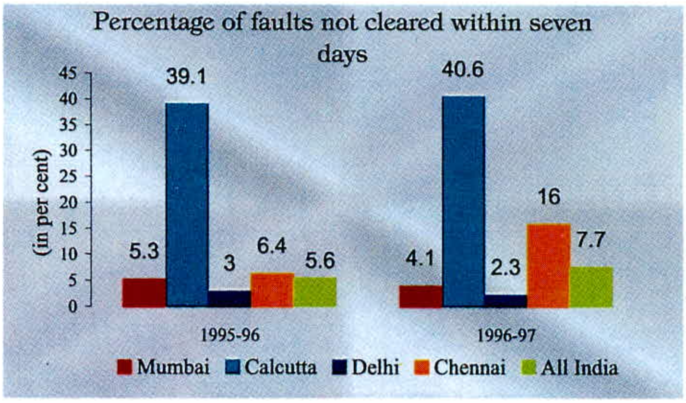
The two tandem exchanges in CTD handled 51.21 crore calls during 1995-97 but only 20.13 crore calls actually materialised. Hence, performance of Calcutta Telephones in handling local and STD/ISD calls was very low as more than 60 *per cent* calls routed through tandem exchange did not materialise. Low efficiency resulted in potential loss of revenue of approximately Rs 25.79 crore based on norm of 80 *per cent* efficiency.

Divisional Engineer (Tandem Exchange) stated that the low efficiency of local calls was due to overloading of the tandem exchange and non-availability of required number of outgoing junctions. The reply is not acceptable because CTD should have planned timely upgradation of tandem exchanges to avoid the loss of potential revenue and minimise the rate of failure calls. This also shows defective planning by GM (Planning) CTD, who on the one hand opened exchanges in areas where there was no demand leading to low capacity utilisation as indicated in para 13.14 below and on the other, he did not increase the capacity of tandem exchanges which were overloaded.

13.9 Excessive delays in rectification of faults

40 per cent faults are not cleared even after maximum permissible period of seven days

To provide efficient customer service, it is important that complaints relating to non-functioning of telephones, excess billing, delays in installation and shifting etc., are settled promptly. DoT's norms provide that all faults should be cleared on the same day or by the next day but in no case these should be kept pending beyond seven days.



But as per information compiled by DoT themselves, about 40 *per cent* of the faults were not cleared by Calcutta Telephones even after seven days of registration of complaints. This indicated extremely poor quality of customer service in CTD. CTD also lacked behind other metros and circles in the matter of timely clearance of faults as shown in the chart.

13.10 Abnormal increase in the number of complaints

The number of complaints received by Calcutta Telephones registered a sharp increase of 575 *per cent* in 1996-97 as compared to the previous year. During 1996-97, the number of complaints received was 4.32 lakh as against only 0.64 lakh during 1995-96 and 0.67 lakh in 1994-95. This increase was mainly due to more number of complaints received due to unsatisfactory maintenance of local network.

Avoidable expenditure of Rs 4.70 crore on account of rebate

Due to the failure of the concerned DEs to clear faults even after the maximum time limit of one week, CTD had to allow rebate in rental of Rs 4.70 crore during 1995-98 to the customers due to telephones remaining faulty beyond seven days after registration of complaints. All such cases of abnormal delay in clearance of faults resulting in grant of rebate, require investigation for fixing responsibility of concerned line staff.

13.11 Abnormal delay in execution of work orders for new connections

Time taken in providing new telephone connections after issue of work orders/advice notes is an important criteria to measure working efficiency of any telephone system. A maximum time of 15 days is permissible under the norms fixed by DoT for providing new telephone connections after issue of advice notes. The work orders are executed by the Divisional Engineers (External) of the area concerned, through his line staff.

Extreme delays in executing work orders after issue of advice notes

Examination of records by Audit revealed that Calcutta telephones executed only 5.2 to 48.5 *per cent* of work orders/advice notes within norms which was much lower as compared to the all India average of 57 to 60 *per cent* during 1994-97 as indicated in the table below:

Metro district	Percentage of advice notes completed within norms		
	1994-95	1995-96	1996-97
Calcutta	5.20	11.40	48.50
Mumbai	45.00	35.80	64.60
Delhi	49.10	36.30	59.00
Chennai	59.80	61.40	54.50
All India	60.80	60.80	57.20

Delay in execution of work orders led to delay in the provision of new connections and consequential loss of potential revenue and hardship to customers.

CGM stated in August 1998 that the prescribed norm could not be achieved mainly due to non-availability of cable pairs, stores and exchange capacity. The reply was not tenable as there was no shortage of cables as discussed in the performance review on procurement of PIJF cables included in this Report at paragraph 11. Calcutta Telephones procured sufficient quantity of cable worth Rs 204.27 crore under cash and deferred payment basis during 1995-98. Further, the equipped capacity of Calcutta telephones as on 31 March 1998 was 6.72 lakh with capacity utilisation of 84.50 *per cent* only as against the capacity of 94 to 96 *per cent* load fixed by DoT.

13.12 Deployment of excess staff

CTD has huge surplus staff in excess of norms fixed by DoT. The position of surplus staff beyond norms during 1994-97 is given in table below:

CTD has more staff per thousand lines than any other metro

(Number of persons)

Year	Norm fixed per 1000 lines	Men in position per 1000 lines in CTD	Excess staff per 1000 lines
1994-95	25	40	15
1995-96	25	42	17
1996-97	25	33	08

As compared to other metros, CTD had the highest staff per 100 stations. While MTNL Mumbai and Delhi each had only 1.9 person per 100 stations in March 1997, CTD employed 2.6 persons per 100 stations during this period. Retention of surplus staff contributed towards high operating cost of CTD.

Avoidable expenditure of Rs 82.39 crore due to retention of surplus staff

Due to retention of surplus staff, CTD incurred avoidable extra expenditure of approximately Rs 82.39 crore towards payment of salaries during 1994-97.

13.13 Payment of over time allowance and honorarium of Rs 41.87 crore despite excess staff

Despite having surplus staff of about 32-68 *per cent* higher than the norms, CTD paid large amounts of honorarium and overtime allowance to the billing and maintenance staff.

CTD paid Rs 42.24 crore OTA/ honorarium to staff in violation of rules

Test check of records by Audit revealed that CGM paid Overtime Allowance (OTA) of Rs 38.60 crore and honorarium of Rs 3.64 crore during 1994-98 to the TRA and exchange staff. The TRA staff was paid OTA/honorarium on the basis of norms fixed for manual billing which were no longer applicable after introduction of computerised billing. The maintenance staff of exchanges were also being paid overtime allowance despite digitalisation of more than 90 *per cent* of the exchanges.

CGM stated in September 1997 that the payment of OTA was made due to shortage of staff. The reply is not tenable as CTD has surplus staff of 4220 as on 31 March 1997.

As per rules, honorarium was payable for duties of purely occasional in nature and should not be paid for performing any function that were legitimately part of one's defined duties and responsibilities. CGM CTD however, paid honorarium to his staff in violation of all the rules.

13.14 Loss due to under-utilisation of exchange capacities

DoT guidelines of September 1997 fixed a norm of 85 *per cent* for capacity utilisation for the exchange system of 10000 lines and above. DoT further advised that the loading of exchanges above the general permissible limit of 94 or 96 *per cent* should be considered by the heads of circles taking into account busy hour traffic, handling capacity etc.

Audit examination of records of new exchanges commissioned during the last three years however, revealed that:

Large number of new exchanges grossly underutilised

- Four exchanges viz. Lake Garden, Buxarah, Uttarpara and Dommjure were loaded to less than 10 *per cent* of their capacity and other 12 exchanges were grossly underutilised to the extent of 50 to 90 *per cent*.

- There was no waiting list in Buxarah, Uluberia and Picnic garden exchanges which were loaded only to 5, 52 and 51 *per cent* of their capacity respectively. Low capacity utilisation with no waiting list in these exchanges indicated that the GM Planning concerned procured exchanges of much higher capacities than actually required for these places leading to unproductive expenditure of Rs 27.24 crore.

Potential revenue loss of Rs 29.89 crore due to under-utilisation of exchanges

- Fifteen exchanges which were utilised below 68 *per cent* of their capacity had waiting list much higher than their spare capacity. Huge unutilised capacities of exchanges despite waiting list highlights failure of CTD to lay cables and complete external plant network in time.

- Gross under-utilisation of these new exchanges resulted in a loss of potential revenue of Rs 29.89 crore during 1997-98.

13.15 Modernisation

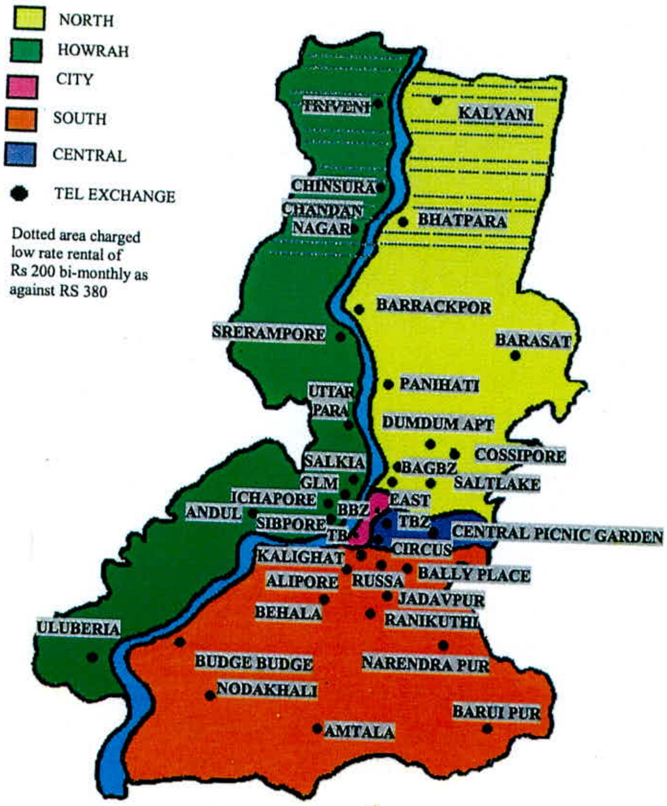
Despite modernisation of exchanges, customer service did not improve much

Like other metro districts, Calcutta Telephones has replaced most of its old electromechanical exchanges with new electronic exchanges. As on 31 March 1997, CTD had 86 exchanges which included 76 electronic and 10 cross bar type electromechanical exchanges. Digital exchanges are modern automatic exchanges with large capacities and require minimum maintenance and less staff as compared to electromechanical exchanges. The introduction of large number of digital exchanges should have resulted in improved customer services, less complaints and faults, reduction in staff cost and significant improvement in the overall performance of the system in terms of operating cost per DEL. Despite digitalisation of more than 90 *per cent* exchanges, having 32 to 68 *per cent* excess manpower, paying Rs 10.56 crore *per annum* towards honorarium and OTA to staff, CTD was not able to provide efficient customer service as more than 50 *per cent* of the work orders for providing new connections were delayed and 40 *per cent* of the faults were not rectified even after maximum period of one week during 1996-97.

13.16 Fixation of low rental for some exchanges

Loss of revenue of Rs 4.47 crore due to low rental charged in Chinsurah area

CGM CTD fixed the rental of Rs 200 per bi-monthly period for subscribers of five exchanges of Chinsurah area and Rs 380 per bi-monthly period for the subscribers of other exchanges under CTD. The area which was given favourable treatment in fixation of rental is depicted in the Map of Calcutta telephone district below:



Due to application of different rates of rental for five exchanges in Chinsurah under Calcutta Telephones, department suffered a loss of Rs 4.47 crore during May 1993 to December 1997.

On being pointed out by Audit, CGM CTD enhanced the rental from Rs 200 to Rs 275 bi-monthly with effect from 1 January 1998 for the subscribers of five exchanges under Chinsurah area which resulted in generating an additional revenue of Rs 1.24 crore *per annum*.

Still the action of CGM CTD to give different treatment to the subscribers of Chinsurah area is not justified as they are part of the same CTD and are getting facilities at par with other subscribers of CTD. Due to application of lower rental to Chinsurah area even after 1 January 1998, CTD suffered a further loss of Rs 1.44 crore from January 1998 to October 1998.

CGM stated in May 1998 that he fixed two different rates, one for exchanges under Calcutta Telephone system having more than 30000 lines and the other for Chinsurah system of exchanges having the equipped capacity less than 30000 lines.

The reply is not tenable as Chinsurah is a part of the same telephone system and falls under urban area of CTD. In MTNL Delhi and Mumbai, the subscribers of all the exchanges are being charged at the uniform rental of Rs 380 bi-monthly.

13.17 Short realisation of revenue from coin collection box PCOs

Coin Collecting Box type Public Call Offices (CCB PCOs) are installed at market and other places for use by general public.

Test checks were conducted by Audit in respect of all 178 CCB PCOs under three exchanges for the period 1996-97. The three exchanges were selected from three different Area Offices to have a representative sample. The test check revealed that:

- In all the CCB PCOs test checked, the revenue realised was much less than the revenue worked out on the basis of metered calls registered against each CCB PCO.

Leakage of revenue of Rs 15.06 lakh from 178 CCBs

- A total of 28.70 lakh calls were made from 178 CCB PCOs test checked and thus the total revenue collection from these CCBs during 1996-97 should have been Rs 28.70 lakh as against the actual amount of Rs 13.64 lakh collected from them. There was a short realisation of Rs 15.06 lakh in just one year from these test checked CCB PCOs.

Estimated potential loss of Rs 4.32 crore per annum

- If an extrapolation was made on the basis of above test results, the loss of revenue in respect of all CCB PCOs under 86 exchanges functioning during 1996-97 in CTD as a whole would be of the order of Rs 4.32 crore *per annum*.

The Divisional Engineers concerned in June 1998 attributed the loss to (i) faulty CCB instruments, (ii) use of metallic washers by the callers and (iii) non-provision of add on units in the CCB PCOs to restricts the calls upto five minutes duration.

The reply of DEs indicate that department despite being aware of loss did not take any effective measures to improve the system and minimise the revenue losses from CCBs.

13.18 Delay in commissioning of Computerised digital trunk manual exchange

Rs 8.80 crore CDTMX system not commissioned even after two years of its receipt

To improve trunk efficiency, CGM sanctioned a project estimate in March 1995 for Rs 9.21 crore for replacement of the existing trunk manual exchange by computerised digital trunk manual exchange (CDTMX). CDTMX system procured at the cost of Rs 8.80 crore was received in August 1996.

Audit examination of the above case revealed the following irregularities:

Unapproved PCs procured by CGM

- CDTMX system procured at the cost of Rs 8.80 crore could not be commissioned even after two years as 10 PCs purchased by CGM at a cost of Rs 24.39 lakh for CDTMX system, were not TEC approved. The Technical and Development circle Jabalpur, who conducted acceptance testing did not clear the system for commissioning due to unapproved make of PCs to be used as operator terminals with the CDTMX.

- The trunk efficiency of CTD continued to be very low (67.8 *per cent*) and the department did not show any urgency to commission the system.

- It needed to be investigated as to why PCs of unapproved version were procured by the CGM CTD, which ultimately resulted in undue delay in commissioning of CDTMX.

Loss of potential revenue of Rs 3.16 crore and idle payment of interest of Rs 3.17 crore

CDTMX system was procured from loan taken from Asian Development Bank. Due to idling of the system, department not only suffered a potential loss of revenue of Rs 3.16 crore but had also to pay an interest of Rs 3.17 crore for two years on the loan amount.

13.19 Infructuous expenditure on expansion of E-10-B Digital TAX

Infructuous expenditure of Rs 1.44 crore

Trunk Auto Exchange (TAX) provides facility of making long distance calls and therefore, all the local exchanges at a station are connected to TAX.

CGM CTD on the one hand sanctioned a project estimate in March 1995 at the cost of Rs 8.02 crore for the replacement of two existing E-10-B Digital TAX exchanges by latest technology 20K lines OCB digital TAX and on the other he also negligently sanctioned project estimates in April-May 1996 for Rs 1.44 crore for the expansion of the capacities of both the E-10-B Digital TAXs. The expansion of these E-10-B exchanges was completed in June and November 1996 and the OCB TAX exchange was also commissioned in March 1997.

Thus, CGM CTD incurred total infructuous expenditure of Rs 1.44 crore by unnecessarily expanding the capacity of existing E-10-B exchanges, which were replaced by new OCB exchanges within three to eight months.

14 Publication of Telephone Directories

14.1 Introduction

Telephone directories provide updated telephone numbers of subscribers and public utility services apart from other commercial information. The directories are required to be published annually by each telecom district in first quarter every year and supplied to all the subscribers free of charge.

Large telecom districts headed by General Managers (GMs) and Telecom District Managers (TDMs) publish telephone directories through private contractors while small telecom districts under Telecom District Engineers (TDEs) bring out directories departmentally. However, GMs/TDMs are permitted to get the directories published departmentally when there is inadequate response to the tender or when the successful tenderer backs out, to ensure timely issue of telephone directories.

14.2 Scope of Audit

A review on printing of telephone directories was conducted by Audit in selected telecom districts in various telecom circles during 1997-98 to examine whether updated telephone directories were being published and supplied to the subscribers every year.

14.3 Organisational set up

In Metros and major telephone districts, Directory Officers, Assistant General Managers and Deputy General Mangers are responsible for printing of the telephone directories and in minor telephone districts, a Sub-Divisional Engineer Telecom is assigned this work. These officers function under the overall supervision of the heads of telecom districts.

14.4 Highlights

➢ **Telephone districts in metros and circles did not bring out telephone directories every year in violation of departmental instructions. In 207 telecom districts test checked, only 417 issues were published in seven years period from 1991-97 as against 1449 issues required. Many districts in Orissa, Himachal Pradesh and Uttar Pradesh did not bring out any telephone directory during last four to seven years.**

➢ **Apart from great inconvenience to public, non-publication of directories resulted in loss of potential revenue of Rs 142 crore in test checked districts.**

> **In 16 telephone districts, the printers did not pay the royalty of Rs 2.23 crore to the department and the heads of circles failed to take action to recover the amount from the printers.**

> **In Orissa and Haryana telecom circles, contractors collected Rs 1.18 crore towards advertisement revenue from public but did not publish the telephone directories in respect of four issues, resulting in mis-appropriation of public money.**

> **TDMs did not recover interest amounting to Rs 71.27 lakh from the contractors for delayed remittance of royalty amounts in respect of 38 issues of telephone directories.**

14.5 Non-publication of Telephone Directories

The number of telephone connections increased from 58 lakh to 185 lakh during the period from 1991-92 to 1997-98. Due to phenomenal growth and modernisation of telecom network there have been frequent changes in the telephone numbers of subscribers. In view of these developments publication of telephone directories every year become all the more necessary.

Test check conducted by Audit in 207 out of total 314 telecom districts in 19 circles covering the period 1991-97 disclosed a very poor picture of the status of publication and supply of telephone directories to the subscribers by various telecom districts in the country. The results of audit examination were as under:

Directories not brought out regularly in most of the cities/telecom districts

- No telecom district except Chennai, Coimbatore Ernakulam, Indore, Nasik and Vadodara provided telephone directories to the subscribers regularly every year as required under the rules. Of 1449 issues of the directories required to be published in the test checked districts during last seven years, only 417 issues were brought out with a satisfaction level of only 28.77 *per cent*. The detailed circle wise position is given in the Appendix VIII.

Many districts in Orissa, Himachal Pradesh and Uttar Pradesh did not publish directories for last four to seven years

- The situation was worst in Orissa, Himachal Pradesh and Uttar Pradesh telecom circles. Most of the districts in Orissa circle did not bring out even a single directory during last seven years. About 1.23 lakh new subscribers of 201 new exchanges in six telecom districts of Himachal Pradesh test checked were not supplied telephone directories during last four years as no directory was brought out after 1994. In Uttar Pradesh, only 45 issues were brought out during last seven years in 47 districts test checked as against the required number of 329 issues.

Abnormal delays in bringing out directories in Delhi and Mumbai

- The telephone directories of Delhi and Mumbai have not been published for the last four years. Since publication of last telephone directory in

1994, more than seven lakh new connections have been added in Delhi but the department did not bring out new directories. In Mumbai, after the publication of main directory in December 1994, five supplementary directories were published between September 1995 and January 1998. Publication of such a large number of supplementary directory can hardly be of much help to the subscribers as to locate a telephone number one would have to consult the main directory and five supplementary directories.

Thus, the heads of telecom districts failed in their responsibility of providing updated telephone directories annually to the subscribers.

14.6 Inconvenience to public

Apart from the telephone numbers of the subscribers, directories also contain telephone numbers of public utility services such as hospitals, police, fire services, municipalities and business establishments, Government organisations, Members of Parliament/legislative assemblies etc., and other commercial information like tariff structure and STD/ISD codes.

Non-publication of new and updated directories caused great inconvenience to public as well as to business and commercial establishments. Subscribers had to increasingly depend on directory enquiry service '197' causing undue pressure on that service.

14.7 Loss of revenue due to non-publication of directories

Instructions regarding printing of directories through contractors

Under policy of DoT of June 1986, major telephone districts get their directories printed through private contractors who undertake complete job including supply of paper, printing and binding as well as obtaining advertisements for inclusion in the directories. The contractors supply adequate number of copies free of cost for distribution to telephone subscribers and for departmental use, besides remitting a part of the advertisement revenue as royalty to the department.

Test check of 50 contracts executed by 35 heads of telecom districts for publication of 146 issues of telephone directories revealed that 40 issues relating to 18 telecom districts were not published by the private contractors. This resulted in potential loss of royalty of Rs 5.49 crore.

Potential loss of royalty of Rs 141.59 crore due to non-publication of 1032 issues

On the basis of above test check, the total potential loss of revenue to the department on account of royalty would be of the order of Rs 141.59 crore on non-publication of 1032 issues of telephone directories in 207 telecom districts during last seven years.

Thus, failure of the heads of telecom districts to ensure timely supply of inputs to the contractors and to strictly enforce contract conditions against the private printers resulted not only in non-publication of large number of issues of the directories but also in huge revenue loss to the department on account of royalty.

14.8 Lack of monitoring

The information regarding printing of telephone directories by various telecom districts was not available centrally either in the circles or in DoT indicating complete lack of monitoring at the level of heads of circles and the Directorate.

14.9 Royalty not recovered from the contractors

Share of advertisement revenue of Rs 2.23 crore not realised

Detailed checks of contracts conducted in 16 telephone districts revealed that the contractors either did not deposit or deposited partially the share of advertisement revenue in respect of 26 issues of directories published by them. As against the total share of advertisement revenue of Rs 3.72 crore due to department, the contractors deposited only Rs 1.49 crore leaving Rs 2.23 crore yet to be recovered from them as of July 1998. The department failed to take action against the contractors and to realise the outstanding amount.

14.10. Deficiencies in contract conditions

Defective provisions for performance bank guarantee

Obtaining adequate amount of bank guarantee to cover the risk of non-performance by the contractors is of paramount importance in any contract. It was noticed in audit that the heads of telecom districts were obtaining bank guarantee separately for each issue at the beginning of the year and were not taking any performance guarantee to cover the full period of contract of 3 to 5 years. Further the amount of bank guarantee taken for individual issues were also not sufficient to cover the full amount of royalty for the particular issue.

As the contract conditions did not fully cover the risk of non-performance, the department could not take any effective action in cases where contractors did not bring out all the issues as per time schedule provided in the agreements.

Some illustrative cases noticed by Audit are discussed below:

Insufficient amount of bank guarantee

(i) Patna telecom district entered into a contract in August 1994 for publication of three issues of telephone directories commencing from 1994. For the 1994 issue, a bank guarantee of only Rs 1.25 lakh was taken from the contractor against the royalty amount of Rs 5.86 lakh. The contractor delivered only 9200 copies in November 1995 as against 70000 copies contracted for and he also did not remit the royalty amount. Meanwhile the validity of bank guarantee also expired and it was not got renewed by the GMT Patna. Due to inadequate amount of bank guarantee and also because of the negligence on the part of GMT Patna to renew the same, the department could neither recover the royalty amount nor ensure supply of balance 60800 number of directories by the contractor.

(ii) TDM Agra entered into an agreement with a private printer for printing of directories for the years 1995-97. The agreement stipulated for furnishing of a bank guarantee of only Rs 0.40 lakh for 1995 issue which was less than 10 *per cent* of royalty amount of Rs 4.25 lakh. The contractor paid only Rs 3.27 lakh towards royalty. The bank guarantee amount was not sufficient to recover the balance amount.

GMT Lucknow short recovered royalty amount of Rs 10.53 lakh

(iii) GMT Lucknow entered into a contract in September 1991 for publication of five issues of telephone directory. As against five issues only two issues were brought out by the private contractor in 1992 and 1994. For 1992 issue, contractor paid only Rs 9.07 lakh out of total royalty of Rs 11.30 lakh payable to the department. The balance amount was yet to be recovered. Further, GMT allowed the contractor to collect advertisement revenue for 1994 issue without first obtaining the performance bank guarantee amount. The contractor brought out the 1994 issue but paid royalty amount of Rs 11.30 lakh as against the minimum guaranteed amount of Rs 19.60 lakh. The balance amount was yet to be recovered.

14.11 Non recovery of interest

Short recovery of interest of Rs 71.27 lakh

Terms and conditions of contracts stipulated recovery of interest at the rate of 18 *per cent per annum* in case of non-remittance of royalty amount. In respect of 38 issues test checked in 17 telecom districts, royalty amount was paid late by periods ranging from 23 days to nearly five years but heads of telecom districts recovered interest of only Rs 7.21 lakh out of the total recoverable amount of Rs 78.48 lakh leaving a balance of Rs 71.27 lakh unrealised.

14.12 Loss of advertisers' money

Private contractors collected Rs 1.18 crore as advertisement revenue but did not bring out the directories

Heads of telecom districts through notifications in the press authorise contractors to collect advertisements from general public for printing in the directories. The advertisement revenue is also collected by the contractors without the involvement of the department.

In Orissa telecom circle, a contractor collected advertisement revenue of Rs 75 lakh for the 1991 and 1993 issues but did not bring out the two issues. Similarly in Faridabad telephone district in Haryana, the contractor collected Rs 43.57 lakh for publication of telephone directory for 1995 and 1996 issues without bringing out the issues.

Thus, contractors did not publish directories despite collection of Rs 1.18 crore of advertisement revenue from public. This was a serious violation of contract conditions and the department ought to have taken action against the contractors.

14.13 Short supply of directories

In 25 issues in nine telecom districts, 2.56 lakh copies of directories were not supplied by the private contractors. The sale value of these copies was Rs 1.71 crore approximately. The heads of telecom districts failed to take suitable action.

14.14 Supplementary issues not printed

In addition to the main directories, the contractors were to supply supplementary issues each year free of cost. Audit scrutiny revealed that in 11 telecom districts, 22.47 lakh copies of supplementary issues relating to 45 issues were not printed and supplied by the contractors. As a result telephone numbers of the new subscribers and changed numbers of many existing subscribers were not published as an addendum. Thus, departmental authorities by not ensuring publication of all the supplementary issues gave undue benefit to the contractors besides, inconvenience to subscribers.

14.15 Undue benefit to a contractor

GM Dakshina Kannada gave undue benefit of Rs 22.40 lakh to the contractor by waiving the penalty amount

GM Dakshina Kannada entered into a contract with a private party for supply of 1.20 lakh copies of main and supplementary directory for 1996. However, the contractor supplied only 98397 copies of main directory and 84975 copies of supplementary directory. For non/delayed supply of directories, a penalty of Rs 22.40 lakh was recoverable from the contractor at the rate of one *per cent* of yellow page revenue for each week's delay as per terms of contract. But GM Dakshina Kannada, however waived the entire amount of penalty on the grounds that additional 5821 copies corrected upto August 1997 would be supplied. The contractor did not supply the 5821 copies at all. Thus, GM Dakshina Kannada gave an undue benefit of Rs 22.40 lakh to the contractor by waiving of the penalty amount.

The matter was referred to the Ministry in October 1998; their reply was awaited as of December 1998.

CHAPTER-5
MAJOR FINDINGS IN TRANSACTION AUDIT

15 Procurement of C-DoT MAX - L exchanges — Undue benefit of Rs 71.02 crore to suppliers

Due to various omissions and commissions by DoT such as non-availing of the benefit of Customs duty reduction on imported components, inconsistent policy, failure to short close the purchase orders and lack of transparency in the Price Negotiation Committee report, DoT ended up giving undue benefit of Rs 71.02 crore to suppliers in the procurement of MAX-L exchanges during 1993-95.

Multiple Base Module exchanges (MAX-L) which had the facility of expansion as and when required, were developed by Centre for Development of Telematics (C-DoT) and manufactured and supplied by Indian Telephone Industries (ITI) till 1992-93 when development of these exchanges by eight other manufacturers was completed on transfer of technology basis.

15.1 Procurement for 1993-94

In October 1992, DoT invited limited tender for 84 MAX-L exchanges of 1.5 K to 5 K capacities totalling two lakh lines which was opened in November 1992. The prices obtained through this tender were considered high and therefore, DoT appointed a Price Negotiation Committee (PNC) in April 1993 which recommended the following counter offer rates in August 1993:

Capacity of exchange	Cost per exchange* (Rs in lakh)	Cost per line* (in Rs)
1.5 K	87.71	5847
2 K	99.40	4970
2.5 K	107.48	4299
3 K	138.91	4630
3.5 K	150.29	4294
4 K	171.09	4277
5 K	202.70	4054

* *Excluding power plant, battery and spares*

DoT after obtaining approval of Telecom Commission, placed purchase orders on nine suppliers between March to September 1994 for supply of 84 MAX-L exchanges totalling 2.05 lakh lines, at the above PNC recommended rates.

On examination of records in DoT by Audit during July-August 1998, a number of irregularities were noticed which are discussed in the succeeding paragraphs.

15.2 Customs duty reduction of 1993-94 not considered

Customs duty reduction in 1993-94 budget, not considered in price fixation

PNC determined the counter offer rates (excluding spares, power plant, battery and installation material) without taking into account the reduction in Customs duty on components of C-DoT MAX-L exchanges in 1993-94 budget. The Customs duty on sub assemblies and modules required for manufacture of telecom equipment was reduced from 110 *per cent* to 60 *per cent* in 1993-94 budget. Since, the PNC submitted its report in August 1993, i.e. after 1993-94 budget, it ought to have taken note of this duty reduction while fixing the counter offer rate of MAX-L exchanges which had 40 *per cent* import content.

The PNC was completely ignorant of this fact as no mention had been made in their report about this reduction in duties. PNC worked out counter offer rates only on the basis of Single Base Module (SBM) exchange tender opened during August 1992 which did not have all the components common with the MAX-L exchanges.

The PNC Report did not contain details of computation of counter offer rates. The working papers of PNC for determination of counter offer rate and the details of components, which were considered common in MAX-L and SBM exchanges for determination of component wise price, were not provided to Audit.

In the absence of these details, the amount of excess payment made by DoT due to non- availing of benefit of Customs duty reduction in 1993-94 budget could not be worked out.

15.3 Customs duty reduction in 1994-95 budget not considered

Customs duty reduction in 1994-95 budget also not considered leading to excess payment of Rs 4.19 crore

There was a reduction in Customs duty from 60 *per cent* to 50 *per cent* on import contents of C-DoT MAX-L exchanges in 1994-95. DoT placed regular purchase orders for C-DoT MAX-L exchanges of 2.05 lakh lines between March to September 1994 i.e., after 1994-95 budget but it did not reduce the rates further for the above reduction in duty. This gave undue benefit of Rs 4.19 crore to suppliers.

15.4 Lack of clarity in PNC report

Rs 46.97 crore paid to suppliers without approval of Telecom Commission

Apart from non-availability of details of working of rates by PNC as discussed in paragraph 15.2 above, the PNC report of August 1993 was also silent about whether the rates recommended by it were inclusive or exclusive of Excise duty and Sales tax. DoT took approval of the Telecom Commission in November 1993 for placing purchase orders stating that rates recommended by PNC were inclusive of Excise duty and Sales tax. DoT subsequently allowed Excise duty and Sales tax extra over and above the Telecom commission approved rates in December 1993 at the instance of Deputy Director General (VLF) and with the approval of Senior Deputy Director General (Finance). No approval of Telecom Commission was taken for this upward revision in rates giving benefit of Rs 46.97 crore to suppliers. Thus, the cost per line inclusive of Excise duty and Sales tax actually paid to suppliers was Rs 7297 per line as against Rs 5847 per line approved by Telecom Commission for the lowest configuration of 1.5 K capacity and similar higher payment for other configurations also.

Senior Deputy Director General (Finance) had no powers to modify the decision of the Telecom Commission and to allow about 24 *per cent* increase in rates. As working papers of computation of rates by PNC were not made available to Audit, the correctness of the above decision to allow Excise duty and Sales tax extra could not be verified.

15.5 Add-on orders for 1994-95

Instead of inviting fresh tenders, DoT issued add-on order for 1.79 lakh lines between November 1994 to March 1995 on the same firms for requirements for 1994-95. Initially the payment was to be made provisionally at 85 *per cent* of the earlier tender rate of November 1993. For fixation of final price keeping in view the reduction of 10 *per cent* in Customs duty in 1994-95 budget, a PNC was constituted in December 1994. PNC after abnormal delay of over two years submitted its report only in January 1997 fixing the prices of MAX-L exchange at 5.12 *per cent* lower than the earlier tender rates of November 1993 for various configurations. The reduction in price was finally approved by Telecom Commission at 5.65 *per cent* in March 1997 and payments made to the suppliers.

In Audit examination in July 1998, the following irregularities were noticed:

15.6 Inconsistent policy

DoT instructions allow placement of only 25 *per cent* additional orders over and above the tendered quantity. DoT by placing an add-on-order for 1.79 lakh lines which constituted 89 *per cent* of the originally tendered quantity violated its own instructions. For such a large quantity a fresh tender should have been invited.

DoT violated standard procedure in placing add-on-orders

DoT neither issued fresh tender nor linked the rate of add-on-orders with the subsequent tender issued in February 1995 and opened in May 1995. This was in deviation of the practice followed by DoT in other cases where rates for add-on orders were linked to subsequent tender rates, as in the case of optical fibre cables (October 1996), procurement of EPBT (1994-96), procurement of MCPC VSATS (July 1994) etc. By deviating from the normal procedure in this case, DoT gave undue favour to the suppliers as brought out below:

PNC did not submit report for two years

- PNC which was required to recommend final rates for add-on orders of 1.79 lakh lines submitted its report after two years in January 1997. By that time, a new tender had been opened in May1995 in which prices had come down drastically ranging from 48 to 55 *per cent* for various configurations. PNC completely ignored the fall in prices in new tender while recommending final rates for add-on orders.

Undue benefit of Rs 32.91 crore

- The average per line rate as obtained in new tender was only Rs 2335 per line exclusive of Excise duty and Sales tax as compared to the average per line cost of Rs 4936 per line paid for add-on orders on the recommendations of PNC. PNC by ignoring above lower rates of the new tender gave undue benefit of Rs 32.91 crore to suppliers.

Thus, DoT/PNC by not linking the add-on order price with the subsequent tender and allowing 1993-94 higher rates adjusted for Customs duty reduction only, gave undue benefit of Rs 32.91 crore to suppliers.

15.7 Excess payment in procurement of power plants

Excess payment of Rs 3.96 crore

DoT also procured 61 power plants during November 1994 to March 1995 through add-on orders at the rate of Rs 19.38 lakh for 1.5K to 2.5K capacity and Rs 31.86 lakh for 3K to 5K capacity per power plant. The prices of power plants also came down in the new tender opened in May 1995. Thus, DoT made further excess payment of Rs 3.96 crore in procurement of power plants in add-on orders by not restricting the price to the rates arrived at in the new tender.

15.8 Excess payment due to non/short closure of the orders

Despite fall in prices, DoT continued receiving supplies at higher rates giving undue benefit of Rs 15.90 crore

(i) Five suppliers did not complete supplies for add-on orders within the original delivery schedule and were given extension in delivery period even beyond the date of opening of new tender i.e. May 1995. Since the rates in the new tender were much lower, DoT by not short closing the orders gave undue benefit of Rs 11.82 crore to suppliers on 14 exchanges supplied after May 1995.

(ii) While extending the delivery period for Hindustan Teleprinters Limited (HTL), DoT imposed the condition that new tender price of May 1995 would be applicable to supplies made during the extended period. This condition was overlooked at the time of making payment resulting in an excess payment of Rs 4.08 crore to HTL which was yet to be recovered.

Thus, various acts of ommission and commission by DoT gave undue benefit of Rs 71.02 crore to suppliers.

The matter was referred to the Ministry in November 1998; their reply was awaited as of December 1998.

16 Unproductive investment on Smart Card Pay Phones

Lack of proper foresight and business strategy on the part of DoT in implementing the Smart Card Pay Phones scheme led to the whole expenditure of Rs 1.56 crore on procurement of 325 pay phones being rendered unproductive.

DoT procured 325 SCP phones for installation at telegraph offices and Telecom Centres etc.

Smart Card Pay phone is a specially designed public pay phone instrument which enables the general public to make telephone calls using a prepaid card without the help of any operator. DoT placed a purchase order on Hindustan Teleprinters Limited (HTL) in November 1994 for supply of 325 Smart Card Pay phones (SCP) at a total cost of Rs 1.56 crore for installation at various stations in 16 telecom circles. Subsequently in February 1995, DoT permitted Aplab Limited Pune to supply these SCP phones on behalf of HTL. All 325 Smart Card Pay phones were received by the respective consignees in telecom circles during April-May 1995.

Only 26 pay phones were commissioned and functioning out of 289 test checked

Utilisation and performance of 289 SCP phones out of 325 purchased was test checked by Audit in 16 telecom circles between April and July 1998. It was noticed that large number of pay phones were either defective or not commissioned due to various reasons and only 26 out of 289 test checked were found to be functioning satisfactorily as indicated in the table below:

Position	Number of SCP Phones		
	Not yet installed	`Installed	Total
Defective	14	84	98
Idle due to lack of public demand	74	23	97
Firm not coming for installation	14	Nil	14
Modification/Upgradation suggested	42	Nil	42
Lack of space/telephone numbers	6	Nil	6
Closed after commissioning	Nil	6	6
Commissioned and Functioning	Nil	26	26
Total	**150**	**139**	**289**

16.1 Lack of response from the supplier

60 *per cent* of installed pay phones lying idle for rectification of fault by Aplab

- Of 139 pay phones installed, 84 developed faults immediately after installation within warranty period and were lying idle for rectification of faults by the supplier. Sixty *per cent* of installed pay phones going out of order within warranty period points towards sub standard quality of pay phones supplied by the firm. DoT failed to get the defects rectified by the supplier even after three years.

14 pay phones not installed by Aplab

- Apart from not replacing the 14 defective pay phones and not rectifying the faults of 84 pay phones which became defective after installation during warranty period, the supplier Aplab Limited, Pune, did not install 14 pay phones even after more than three years of supply. DoT also did not take any action to get these phones installed through other sources.

16.2 *Equipment received defective and not replaced by the supplier*

14 defective pay phones not replaced by Aplab

- Out of 289 SCP pay phones test checked, 14 received by Andhra Pradesh, Orissa, Punjab, Himachal Pradesh and Gujarat circles were defective and the defects were not rectified by the supplier even after three years. Thus, SCP pay phones valuing Rs 6.74 lakh are still lying unused due to non-rectification of defects.

Full payment released by four circles despite receipt of defective equipment

- Full payments to the supplier was made by the Paying Authority viz. Accounts officer (Telecom stores), Chennai in April 1995 in respect of Andhra Pradesh, Gujarat, Jammu and Kashmir circles and MTNL Delhi even before receipt of taking over certificate from these circles which were received only in December 1995 and September 1997. This was in complete violation of conditions of purchase order which provided for release of 5 *per cent* payment only after successful installation and commissioning and receipt of taking over certificate from the consignee.

16.3 *Performance bond not encashed*

Performance security of Rs 1.56 crore submitted by the supplier not encashed despite defective equipment

- Despite a large number of defective and faulty pay phones as indicated in para 16.1 and 16.2 above, DoT did not take any action against the supplier by way of recovering the cost of defective supplies as per the terms of purchase order. HTL had executed an Indemnity Bond for Rs 1.56 crore to cover the risk of damages, losses and expenses which the purchaser might incur due to supply of defective equipment etc. The bond valid for six months expired in November 1995 and the same was not got renewed further by DoT.

Wasteful expenditure of Rs 47.17 lakh

- Thus, neglectful attitude of DoT officers in not renewing the indemnity bond and their failure to get replacement of 14 SCP phones received defective and 84 pay phones which developed defects in warranty period, led to wasteful expenditure of Rs 47.17 lakh.

16.4 *Failure of Quality Assurance circle*

QA, Bangalore failed to point out defects at the time of inspection.

As per terms of purchase order, 95 *per cent* payment was to be released to the supplier on submission of documentary proof of despatch and inspection certificate issued by Quality Assurance (QA) circle. The inspection was to be carried out by the Chief General Manager, QA circle, Bangalore as per approved specifications before pay phones were packed for despatch. It was noticed that on the basis of inspection certificate furnished by the QA, the paying authority viz. Accounts Officer Telecom Stores, Chennai released 95 *per cent* payment to the supplier. The fact that many pay phones were found defective on receipt and could not be installed indicates serious lacunae in the inspection carried out by CGM, QA and the matter needs further investigation for fixing responsibility.

The Ministry stated in November 1998 that CGM QA had been asked to conduct further investigations for fixing responsibility of errant officers.

16.5 Pay phones not installed by Tamil Nadu circle

42 out of 54 pay phones not installed by Tamil Nadu circle for over three years

It was observed in audit that out of 54 SCP phones supplied to Tamil Nadu circle in April 1995, 42 pay phones were not installed as of November 1998. Ministry stated that Tamil Nadu circle wanted some extra facilities to be included in the equipment over and above the specifications approved by Telecom Engineering Centre which were not agreed to be modified by the supplier without charging extra cost. Inspite of being instructed by Ministry in November 1996 to utilise the pay phones, CGMT Tamil Nadu failed to utilise the pay phones till date. On being pointed out by Audit in September 1998, the Ministry has further instructed CGM Tamil Nadu to utilise pay phones without asking for additional facilities over and above the approved specifications.

The fact remains that without having any authority to modify the TEC approved specifications, CGMT Tamil Nadu delayed installation of large number of SCP pay phones by more than three years in his circle for want of modification in the specifications without referring them to DoT. This is blatant violation of DoT's orders in this regard.

16.6 Negligible revenue from installed pay phones

Large number of pay phones not installed due to lack of demand

Public response to the SCP pay phone services has been poor in all the circles; 74 pay phones were not installed and 23 installed were lying idle due to lack of public demand. Most of the installed and functioning pay phones earned negligible revenue. A total of only Rs 20.49 lakh was earned during 1995-98 by all 139 pay phones which were installed in 16 circles during this period. The average monthly revenue earned by each pay phone worked out to Rs 398 as against anticipated revenue of Rs 3500 per pay phone, thus making the scheme financially unviable.

16.7 Inappropriate selection of locations

The scheme for Smart Card Pay Phones has failed mainly due to the following reasons:

Few working pay phones at various locations

(i) Due to defective equipment supplied by the firm, the number of actually working SCP phones at each station was negligible. This made the SCP phones scheme unattractive to public as the places where the prepaid card could be used were very much limited.

Most of the pay phones were installed at inappropriate locations such as CTOs/DTOs

(ii) Out of 139 phones installed during 1995-98, 115 were installed in Central Telegraph Offices and Departmental Telegraph Offices (CTOs/DTOs) which were most inappropriate locations for installation of pay phones. With STD PCOs being available in almost all the localities at a short distance, to expect the public to go to CTOs/DTOs which are far and few in most of the cities, for making calls through SCP pay phones reflects lack of judgement. Further, with the decline of telegraph traffic during last decade, CTOs/DTOs are not very much frequented by general public, tourists and visitors. STD PCO counters are also available in CTOs/DTOs which are more user friendly than SCP phones. The meagre revenue generated by pay phones at most of the stations itself is indicative of improper selection of locations.

Thus, due to various omissions, commissions and defective planning of DoT, the expenditure of Rs 1.56 crore on procurement of SCP phones has largely been rendered unproductive.

The Ministry stated in November 1998 that the experiment of smart card pay phones was a stepping stone towards general acceptance of card culture but unfortunately it was not implemented properly.

17 Infructuous expenditure of Rs 10.33 crore in purchase of trunk exchanges

Despite sharp decline in the trunk call traffic, DoT purchased 20 Computerised Trunk Manual Exchanges of higher operator positions resulting in an infructuous expenditure of Rs 10.33 crore on account of surplus positions of exchange equipment at 16 stations test checked.

DoT procured Computerised Trunk Manual Exchange (CTMX) systems of surplus capacity for 20 stations during 1995-96 completely ignoring the fact of declining trunk call traffic all over the country because of modernisation and expansion of STD network and opening of more STD Public Call Offices (PCOs). The Planning division of DoT while proposing for procurement of these systems in 1993 arbitrarily allotted CTMX of higher operator positions to various stations than actually required by them. This led to infructuous expenditure of Rs 10.33 crore in procurement of surplus operator position CTMX at various stations.

To replace the existing T-43 trunk manual exchanges at 20 stations in 17 circles by CTMX, DoT in 1993 allotted 32 operator positions CTMX systems developed by Indian Telephone Industries (ITI) Bangalore to various circles and issued advance purchase order in March 1994. The final purchase orders were issued between March 1995 and March 1996 as detailed below:

CTMX of 32 operator positions purchased for all 20 stations

Month of purchase order	No. of CTMX systems	Rate per system* (Rs. in crore)	Total cost* (Rs. in crore)	No. of Stations for which order placed
March 1995 (Regular purchase order)	6	1.45	8.70	6 stations in 4 circles
May 1995 to March 1996 (Add-on orders)	14	1.45	20.30	14 stations in 12 circles
Total	**20**		**29.00**	**20 stations in 16 circles**

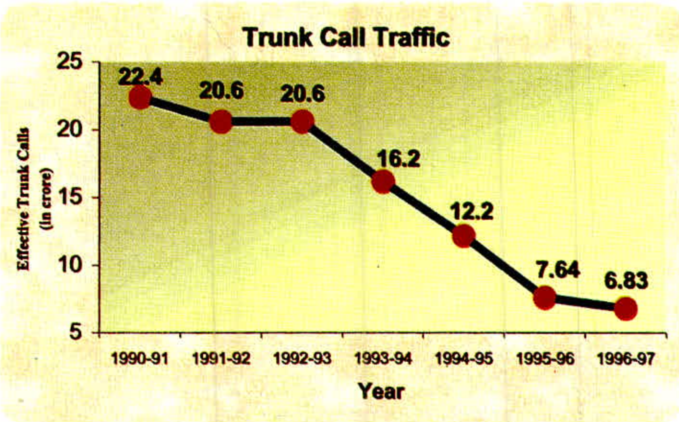
* *excluding Excise duty and Sales tax.*

Audit scrutiny of records relating to procurement and utilisation of CTMX system in DoT and 16 telecom circles revealed the following:

17.1 Decline in trunk call traffic

Fall of 45 *per cent* in trunk traffic between 1991-92 and 1994-95

The trunk traffic had started declining since 1991-92 because of various steps taken by the department for modernisation and expansion of STD network and opening of more STD PCOs in early nineties. The trunk traffic had registered a fall of over 45 *per cent* by the year 1994-95 as compared to the traffic of 1990-91. The chart depicts the consistently declining trend of trunk traffic since 1990-91.



DoT ignored fall in trunk traffic while deciding purchase of CTMX

DoT did not take into account this sharp declining trend in the trunk call traffic while placing orders for procurement of CTMX systems during 1995 and 1996. It ought to have procured systems of lower operator positions of 4, 8, 12, 16 and 24 depending on the actual traffic data of the stations and possible decline in traffic, instead of procuring highest 32 operator position systems from ITI for all the stations.

Even after the procurement of CTMX systems, trunk call traffic has further steeply declined from 16.20 crore effective trunk calls in 1993-94 to only 6.83 crore in 1996-97 ruling out all possibilities of optimal utilisation of these surplus capacity systems at these stations.

17.2 Systems procured without studying traffic patterns

Station wise traffic data not studied before allotment of system to circles

DoT allotted twenty CTMX systems with 32 operator positions each to various circles in September 1993 without any detailed study of the traffic pattern of trunk calls at all the stations where these systems were proposed to be installed. The 32 operator positions CTMX System was suitable for stations having calls of 1500-2000 or above per day. For stations having less number of trunk calls per day, CTMX equipment with lesser number of operator positions was required.

Instead of first studying the traffic data of various stations to decide the number of systems to be procured, the Planning Division of DoT arbitrarily allotted in November 1993 twenty CTMX systems of 32 operator positions each to 16 circles though it had received information on traffic data only from four circles viz. Orissa, Andhra Pradesh, Assam and Haryana by that time which justified procurement of CTMX of less than 32 operator positions.

For the remaining 12 circles, CTMX of 32 operator positions were allotted by DoT without prior information of actual traffic data.

17.3 Heads of circle's requests for lower capacity systems ignored

Assam and Orissa circles were allotted 32 operator positions system against their request of 20 and 24 operator positions systems

- CGMT Orissa circle asked for only 24 operator positions system for Cuttack in August 1993 and CGMT Assam requested for allotment of system of only 20 operator positions in September 1993 but 32 operator positions CTMX were allotted by DoT ignoring their requests. Similarly, a 32 operator positions CTMX was allotted to Ambala where per day trunk call traffic was only 667 which justified CTMX system of only 17 operator positions.

Karnataka circle allotted CTMX without requirement

- Two CTMX systems of 32 operator positions each were allotted to Karnataka circle in September 1993. CGMT Karnataka informed DoT in March 1995 that due to gradual fall in the trunk traffic in most of the exchanges, ITI make CTMX system would not be required in any trunk exchange in his circle but he changed his stand in June 1995 on being asked by DoT to accept the 32 operator position system for Belgaum.

17.4 One system not installed

System at Guntur not commissioned even after three years

Out of 20 CTMX systems supplied, one system (without computers) at Guntur in Andhra Pradesh circle valuing Rs 80.26 lakh was lying idle since August 1995 and could not be commissioned as of November 1998 due to non-supply of computers by ITI.

17.5 Under-utilisation due to lack of demand

Infructuous expenditure of Rs 10.33 crore at 16 stations test checked due to allotment of oversized systems

Test check by Audit at 16 out of 20 stations where the CTMX systems were installed disclosed that only 12 to 24 operator positions CTMX systems were justified at these stations as the number of trunk calls booked at these CTMX systems after commissioning were much lower than 1500-2000 calls per day.

Thus, improper planning by the Planning Division of DoT leading to procurement of higher operator positions systems cost DoT Rs 10.33 crore by way of infructuous expenditure on surplus capacity CTMX installed at 16 stations test checked.

The Ministry stated in November 1998 that the effect of steps taken by the department for modernisation and expansion of STD services could not be fully foreseen at the stage of planning for procurement of CTMX systems. The reply is not tenable as long before the placement of purchase orders, the Deputy Director General (MS) in DoT had cautioned the DDG(MM-I) through letters written in December 1993 and February 1994 that they may not require all the 20 CTMX systems of 32 operator positions at that stage and also in future, in view of number of booked trunk calls reducing day by day because of availability of STD facilities at more stations and opening of STD PCOs.

He had clearly stated that the CTMX systems of 32 operator positions would be oversized.

18 Undue benefit of Rs 8.35 crore in procurement of C-DoT SBM exchanges

Incorrect application of Customs duty reductions in 1995-96 to 1997-98 budgets led to fixation of higher price for C-DoT SBM exchanges and consequent undue benefit of Rs 8.35 crore to suppliers in procurement of 1513 exchanges during 1995-98.

DoT invited tenders in November 1994 for the procurement of 1285 units of C-DoT Single Base Module (SBM) exchanges of various configurations to meet the requirements for the years 1995-96 and 1996-97. When advance purchase order was placed on the lowest (L1) bidder in September 1995, it was not accepted by the L1 bidder. The department finally decided to adopt the second lowest (L2) rates after adjusting for reduction in Customs duty in 1995-96 and 1996-97 budgets.

Audit examination disclosed the following irregularities:

(i) There were substantial reductions in Customs duty on sub-assemblies and modules required for manufacture of telecom equipment and electronic components in 1995-96 budget as indicated in the table below:

Item	Rates before 1995-96 Budget (in *per cent*)		Rates after 1995-96 Budget (in *per cent*)	
	Customs duty	Counter-vailing duty	Customs Duty	Counter-vailing duty
Electronic components	40	28	25	25
Sub-assemblies/ modules required for manufacture of Telecom equipment	50	20	35	20

While determining the counter offer rates for SBM exchanges DoT erroneously applied Customs duty rates of "electronic components" in 1995-96 instead of those applicable for "sub-assemblies/modules required for manufacture of telecom equipment".

Customs duty for "electronic components" instead of "sub assembly modules" applied for 1995-96

(ii) DoT reduced the rates for all configurations of SBM exchanges by 4.2 and 1.16 *per cent* to account for reduction in Customs duty during 1995-96 and 1996-97 respectively. Since the rates of Excise duty and Sales tax were different for different configurations, application of uniform reduction for all configurations was not correct. DoT ought to have worked out percentage reduction for each configuration separately.

Thus, incorrect application of Customs duty reductions to the rates of various SBM exchange configurations resulted in excess payment of Rs 8.35 crore to suppliers as tabulated below:

Excess payment of Rs 8.35 crore

Budget	Customs duty and countervailing duty reductions				
	Uniform percentage reduction in L2 price allowed by DoT for all the configurations	Percentage reduction in L2 price worked out by Audit for different configurations	Number of exchanges supplied	Period of supply	Excess payment (Rs in crore)
1995-96	4.2	5.48 to 5.80	501	Upto 22.7.96	0.98
1996-97	1.16	1.83 to 1.93	491	From 23.7.96 to 28.2.97	1.75
1997-98	Nil	5.41 to 5.61	521	After 28.2.97	5.62
Total					**8.35**

The matter was referred to the Ministry in October 1998; their reply was awaited as of December 1998.

19 Procurement of Multi Access Rural Radio Systems

Incorrect determination of package price of VHF Multi Access Rural Radio (MARR) systems procured during 1994-95 and UHF MARR systems during 1996-98 resulted in excess payment of Rs 1.51 crore to the suppliers.

DoT ordered 2202 systems of VHF MARR and 4030 systems of UHF MARR systems of 2/15 and 4/36 configurations during 1994-97 at the rates given below:

DoT ordered 6232 MARR systems during 1994-97

Year	*Type*	*No. of systems ordered*		*Unit Rate (Rs in lakh)*		*Total Cost (Rs in crore)*
		2/15	4/36	2/15	4/36	
1994-95	VHF	2202		2.53		55.71
1995-96	UHF	*1004	1480	3.21	10.11	181.48
1996-97	UHF	**941	0605	2.89		81.81
Total		**4147**	**2085**			**319.00**

* *includes 32 systems at different rates*
** *includes 4 systems at different rates*

Scrutiny of documents by Audit during April-August 1998 disclosed the following irregularities:

19.1 Procurement of VHF MARR systems

DoT invited tenders in April 1994 for procurement of 4300 units of 2/15 VHF MARR systems consisting of MARR equipment, feeder cables, Yagi and Omni directional antennae for their requirement of 1994-95. The Tender Evaluation Committee (TEC) shortlisted 15 out of 31 bidders and recommended placement of purchase orders on six lowest bidders at a total package price of Rs 2.53 lakh per system inclusive of MARR equipment, cables and antenna.

Item-wise bids of 6 instead of 15 bidders considered

It was observed in audit that TEC derived the above package price per system on the basis of item-wise lowest rates quoted by six bidders instead of considering all 15 type approved shortlisted bidders. The rates of Hindustan Teleprinters Limited, in respect of 75 and 30 metre feeder cable were the lowest amongst all 15 bidders, but were ignored by TEC while determining package price of Rs 2.53 lakh per system. This resulted in excess payment of Rs 1998 per system to the suppliers as worked out below:

Name of the component	Lowest bidder and rate as per TEC recommendation		Lowest bidder and rate out of 15 TEC approved bidders		Excess payment per system (in Rs)
	Lowest bidder	Rate per system (in Rs)	Lowest bidder	Rate per system (in Rs)	
1	2	3	4	5	6
2/15 MARR equipment	UTL	224187	UTL	224187	NIL
75 mt. Feeder cable	PUNWIRE	1957	HTL	1596	361
30 mt. feeder cable	UTL	9665	HTL	8028	1637
Omni Antenna	UTL	6950	UTL	6950	NIL
Yagi Antennae	BINFO	10692	BINFO	10692	NIL
Total package price per system		**253451**		**251453**	**1998**

UTL United Telecom Limited Bangalore, BINFO-BINFO E (P) Limited,
PUNWIRE Punjab Wireless Systems Limited

Incorrect price determination by TEC led to excess payment of Rs 35.15 lakh

Thus, due to incorrect determination of package price by TEC, DoT made excess payment of Rs 35.15 lakh on 1759 VHF systems supplied till July 1997.

19.2 Incorrect fixation of prices of UHF MARR systems

In response to tenders invited in May 1995 for UHF systems, the rates quoted by eight eligible bidders were found exorbitantly high and therefore, TEC after deliberations finalised the package price for 2/15 and 4/36 UHF

MARR equipment on the basis of 1994-95 rates for VHF systems after accounting for decrease in Customs duty during 1995-96.

Incorrect determination of UHF system price resulted in excess payment of Rs 1.02 crore

Since the package price of VHF systems for 1994-95 itself was fixed incorrectly by TEC as explained above, application of the same for determining price of UHF system resulted in further excess payment of Rs 1.02 crore in procurement of 1663 systems of 2/15 UHF MARR and 1800 systems of 4/36 UHF MARR.

19.3 Incorrect reckoning of Customs duty rates

Incorrect application of CD rates led to excess payment of Rs 14.13 lakh

Customs duty on 75 metre feeder cable was reduced from 50 *per cent* to 35 *per cent* during 1995-96 and from 35 *per cent* to 32 *per cent* during 1996-97. DoT did not take into account this reduction in Customs duty on feeder cable while working out the revised package price of Rs 3.19 lakh for 2/15 system and Rs 10.04 lakh for 4/36 system, made applicable with effect from July 1996. This resulted in another excess payment of Rs 14.13 lakh.

The matter was referred to the Ministry in October 1998; their reply was awaited as of December 1998.

20 Excess payment of Rs 7.67 crore to the suppliers

Despite having obtained prevailing rates through new tender, DoT did not finalise the rates of provisional orders issued in October 1996 resulting in non-recovery of Rs 7.67 crore excess payment made to suppliers in procurement of optical fibre cables and interest loss of Rs 1.98 crore upto July 1998.

DoT did not finalise rates for purchase orders issued in October 1996 for procurement of 4000 km of optical fibre cables (OFC) despite reduction of 24 to 37 *per cent* in prices in the subsequent tender opened in October 1996 itself, resulting in non-recovery of excess payment of Rs 7.67 crore from suppliers for more than two years and also consequential loss of interest of Rs 1.98 crore on the unrecovered amount.

DoT placed purchase orders on 4 October 1996 on Hindustan Cables Limited (HCL) and Optel Telecommunication Limited (Optel) for procurement of 4000 km of OFC at provisional rates as indicated in the table below:

Orders for 4000 km OFC issued on 4 October 1996 at provisional rates

Suppliers	*Quantity of OFC (in km)*	*Provisional price (Rs in crore)*
HCL	1200	10.14
Optel	2800	27.78
Total	**4000**	**37.92**

The cables were to be supplied by December 1996. Terms of purchase orders provided for payment of 95 *per cent* amount against proof of despatch and balance five *per cent* on receipt of stores in good condition.

Audit examination in April 1997 to June 1998 revealed the following irregularities:

DoT did not finalise the rates of provisional orders

- DoT has not yet finalised the rates in respect of the purchase orders issued on 4 October 1996 even after the lapse of more than two years. Reasons for such a long delay in finalisation of rates merit investigation.

Fall of 24 to 37 per cent in rates in new tenders opened just after 13 to 20 days of provisional orders

- In the subsequent tenders for 1447 km of different types of OFC which were opened between 17 to 24 October 1996, the prices had considerably come down by 24 to 37 *per cent*. DoT issued purchase orders at reduced rates in December 1996 on the basis of 17-24 October 1996 tender but did not issue instructions to the telecom circles to restrict payments in respect of earlier orders of 4 October 1996 to these reduced rates. This resulted in excess payment of Rs 7.67 crore to the suppliers in 12 telecom circles in 2960 km cable test checked as given in the Appendix IX.

Excess payment of Rs 7.67 crore not recovered

- Paying authorities in seven telecom circles released full payments including the balance five *per cent* on receipt of stores, while others were yet to release the five *per cent* amount. Thus, department had a small sum of Rs 96.93 lakh to be released to the suppliers which was insufficient to recover the huge excess payment of Rs 688.50 lakh from Optel and Rs 78.77 lakh from HCL.

DoT stated in June 1998 that the provisional rates of October 1996 purchase orders could not be compared with the final rates at which the subsequent purchase orders were placed in December 1996, as both sets of purchase orders were issued on the basis of different tenders. It, however, confirmed that the rates of purchase orders of October 1996 were yet to be finalised.

The above argument of DoT is misleading and not tenable as subsequent tenders for various types of OFC were opened just 13 to 20 days after the issue of purchase orders on 4 October 1996. Since the orders for 4000 km OFC were issued at provisional rates to be finalised subsequently, DoT should have immediately restricted the payments by treating the 17-24 October 1996 open tender rates as final being the prevailing rates in October 1996.

DoT has a practice of placing purchase orders on provisional basis and limiting the prices to the rates obtained in the subsequent tender. This procedure was followed in the procurement of 2 GHz microwave systems during 1994-96, PIJF cables in 1994-97 etc.

Non-finalisation of rates by DoT for two years despite substantial reduction in prices in the tender opened in the same month is indicative of DoT's favourable attitude towards the suppliers and is resulting in unintended benefit to the suppliers by the way of non-recovery of interest of Rs 1.38 crore *per annum*.

Thus due to lackadaisical approach of concerned officers in DoT, excess payment of Rs 7.67 crore was made to the suppliers apart from a loss of interest of Rs 1.98 crore upto July 1998. The abnormal delay of more than two years in finalisation of rates which has caused substantial loss to the department requires to be investigated for fixing responsibility.

On being pointed out by Audit, CGMT West Bengal circle recovered Rs 12.79 lakh as amount excess paid alongwith interest of Rs 1.78 lakh and CGMT Kerala circle recovered Rs 2.22 lakh from the suppliers.

The matter was referred to the Ministry in August 1998; their reply was awaited as of December 1998.

21 Overpayment of Rs 2.40 crore to suppliers

Negligence of paying authorities in Bihar, Kerala, Gujarat, Punjab and Karnataka circles in not following DoT instructions regarding reduction in rates resulted in overpayment of Rs 2.40 crore to suppliers in procurement of 2 GHz digital microwave systems.

A case of overpayment of Rs 1.08 crore to suppliers by CGMT Tamil Nadu circle in procurement of 2 GHz digital microwave system was reported in the paragraph 23 of the Report of the Comptroller and Auditor General of India, Union Government, Post and Telecommunication No.6 of 1998. Further examination of records in Bihar, Karnataka, Kerala, Gujarat and Punjab telecom circles disclosed similar overpayment of Rs 2.40 crore by paying authorities in these circles due to their failure to act on the instructions of DoT for reduction in rates.

Rates of microwave systems reduced by DoT

DoT placed purchase orders during 1993-96 for procurement of 2 GHz digital Microwave systems of 30 and 120 channels against which Bihar, Karnataka, Kerala, Gujarat and Punjab telecom circles received 874 terminals between March 1994 to January 1997. DoT revised the prices of the systems downwards for supplies made during 1994-95 in April 1995 with retrospective application from April 1994 and for 1995-96 in December 1995. Payments to the firms were to be released by the consignee CGMsT. While communicating the revised rates, DoT specifically instructed all the circles to recover the excess amount paid to suppliers.

Reduced rate not charged from suppliers

The scrutiny of records in the five circles mentioned above revealed that Chief Accounts Officers (CAOs) in these circles continued making payment at old rates and did not implement instructions of DoT for reduction in prices and recovery of overpayment from the suppliers. By this omission they made overpayment of Rs 2.40 crore as indicated below:

Overpayment of Rs 2.40 crore in five circles

S.No	Name of the circle	Amount of Overpayment (Rs in lakh)
1.	Bihar	12.42
2.	Kerala	32.36
3.	Gujarat	36.93
4.	Punjab	36.05
5.	Karnataka	122.28
	Total	**240.04**

Rs 39.25 lakh recovered by Bihar, Karnataka and Kerala circles

On being pointed out by Audit in July 1996, CGMT Bihar circle recovered the entire amount of overpayment of Rs 12.42 lakh between January to October 1997 and CGMT Karnataka circle recovered only Rs 15.16 lakh in May 1997 out of the overpayment of Rs 1.22 crore made in his circle. The Ministry stated in October 1998 that an amount of Rs 11.67 lakh had also been recovered from the suppliers in Kerala circle and amount of Rs 47.33 lakh was also being recovered from the pending bills of suppliers from Gujarat and Kerala circles.

No action taken as yet against the CAOs who did not recover overpayment

The recovery particulars of the balance amount of Rs 2.01 crore were awaited from Kerala, Gujarat, Punjab and Karnataka circles as of December 1998. Further, despite serious lapses by CAOs of these circles, no action was taken against them so far. Ministry also failed to get the matter examined in other 14 circles where 2 GHz microwave systems were supplied, to assess the total amount of overpayment made by all the circles in procurement of these systems.

22 Excess payment in procurement of digital UHF system

Incorrect fixation of price led to excess payment of Rs 83 lakh in procurement of 1128 terminals of 10 channel digital UHF equipment during 1995-98.

The Tender Evaluation Committee (TEC) incorrectly worked out the price for 10 channel digital UHF equipment while revising the counter offer rate on account of reduction in Customs duty in 1995-96 budget. This led to excess payment of Rs 83 lakh to the suppliers in procurement of 1128 terminals of UHF equipment during 1995-98.

DoT assessed requirement of 1200 terminals of 10 Channel Digital UHF consisting of radio equipment, feeder cable and antenna and placed purchase orders on Indian Telephone Industries and Hindustan Teleprinters Limited in November 1994 for 360 terminals at a provisional price pending issue of open tender and finalisation of rates. DoT invited open tender in January 1995 for the remaining 840 terminals which was opened in February 1995. There was an import content of 25 *per cent* in radio equipment and 80 *per cent* in feeder cable. TEC recommended a lower counter offer rate of

Rs 179872 per terminal (inclusive of all taxes), duties, freight and insurance etc., by adjusting L1 price for reduction of 15 *per cent* in Customs duty on the import content of radio equipment and 30 *per cent* for feeder cable in 1995-96 budget. The TEC counter offer rate was finally approved by DoT.

Examination of records relating to the above procurement in audit revealed the following excess payment and irregularities:

22.1 Excess payment due to incorrect fixation of price in 1995-96

Incorrect fixation of price led to excess payment of Rs 75.45 lakh

TEC incorrectly worked out the component wise price for radio equipment and feeder cables while determining the counter offer rate of Rs 179872 per terminal. If L1 price of each component as obtained in the tender opened on 23 February 1995 was taken and adjusted further for reduction in Customs duty in 1995-96 budget, the counter offer rate would work out to be Rs 172475 per terminal as against the rate of Rs 179872 per terminal as determined by the TEC. Detailed calculations as to how the component wise prices were arrived at by TEC were not available on record.

Thus, due to incorrect determination of price by TEC, department made an excess payment of Rs 75.45 lakh in procurement of 1020 terminals during 1995-96 as indicated in the table below:

(in Rupees)

Name of the equipment	Rates fixed by TEC per unit (all inclusive)	Correct rate (all inclusive)	Excess payment per unit	Total excess payment on 1020 terminals
i) Radio Equipment	113417	112222	1195	1218900
ii) Feeder Cable	41790	35588	6202	6326040
iii) Antenna	24665	24665	Nil	Nil
Total	**179872**	**172475**	**7397**	**7544940**

22.2 Excess payment in purchases made during 1996-98

Incorrect price fixed for 1995-96 had multiplier effect on subsequent year's price fixation

The incorrect rates as fixed by TEC for 1995-96 were taken as base for fixing the price for procurement of 108 terminals during 1996-97 and 80 terminals in 1997-98. The incorrect price of 1995-96 had a multiplier effect which resulted in further excess payment of Rs 7.81 lakh on 108 terminals received upto February 1998 against orders issued during 1996-97. DoT has also contracted a liability of excess payment of Rs 5.31 lakh in respect of 80 terminals which were yet to be supplied as of May 1998.

22.3 Delay in utilisation of terminals

Non-utilisation of terminals due to non-availability of infrastructure

Of 1128 terminals of digital UHF equipment received between June 1995 to February 1998, 222 terminals valuing approximately Rs 3.92 crore were lying unutilised due to delay in installation (100), faulty equipment (44) non-availability of departmental land (42) and non-supply and erection of towers (36). Circle wise details of idle terminals and reasons for their non-utilisation as also position of 44 faulty terminals were not furnished by Deputy Director General (RN) DoT to Audit.

The matter was referred to the Ministry in September 1998; their reply was awaited as of December 1998.

23 Procurement of defective telex exchange

Electronic Corporation of India Limited supplied defective telex exchange equipment and did not rectify the defects even after four years. Despite failure of the supplier to successfully install and commission the exchange, the department released all payments to supplier and also did not encash performance bank guarantee. This resulted in unproductive expenditure of Rs 3.73 crore on procurement of defective equipment.

On the basis of the tenders finalised by DoT in November 1993, one Electronic Data Base Telex Exchange (EDX) equipment alongwith accessories was supplied to Visakhapatnam telephone district by Electronic Corporation of India Limited (ECIL) in November 1994 at a cost of Rs 3.73 crore. Audit examination of records in the office of GMT Visakhapatnam revealed the following:

Accessories not procured with the main exchange equipment

- Installation work of the telex exchange was delayed by 16 months because of delay in procurement of battery and inverter by DoT and delay of more than a year in completion of civil and electrical work by GMT Vishakhapatnam.

Defects in the exchange equipment not rectified by the supplier

- When the exchange was installed in March 1996, a number of modules were found defective which were not rectified by the firm. Due to inherent defects in the various modules of the exchange equipment, the equipment costing Rs 3.73 crore could not be utilised and is lying idle since its procurement in November 1994.

Performance bank guarantee of Rs 2.80 crore not encashed

- Though a performance bank guarantee of Rs 2.80 crore was taken from the supplier by DoT which was valid upto 17 June 1996, department did not recover the cost of defective equipment by encashing the performance bank guarantee of the supplier.

Defective payment conditions

- The payment terms provided in the purchase order were defective. Entire payment was released even before successful installation of the equipment. This was in violation of standard terms and conditions of procurement, which provide for release of balance five *per cent* payment to the supplier only after successful installation and commissioning of the equipment.

Equipment costing Rs 3.73 crore is lying idle for last four years

Hence, due to various lapses on the part of GMT Vishakhapatnam and DoT, such as defective payment conditions, non-encashment of performance bank guarantee etc., the department spent Rs 3.73 crore on procurement of defective EDX telex exchange which could not be put to any use even after four years of its procurement.

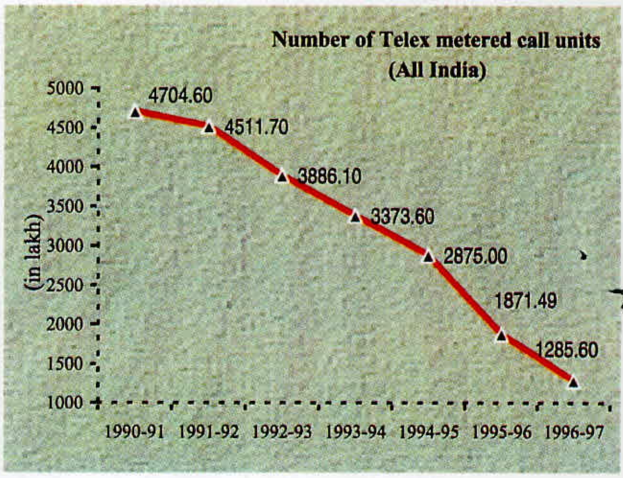
The Ministry stated in November 1998 that ECIL attended to the problems in the equipment in October 1998 and the equipment was likely to be commissioned in one month's time after acceptance and testing. The fact, however, remains that the equipment could not be commissioned even after four years of its procurement and no action was taken against the supplier. The matter of non-encashment of performance guarantee despite receipt of defective equipment also needs investigation.

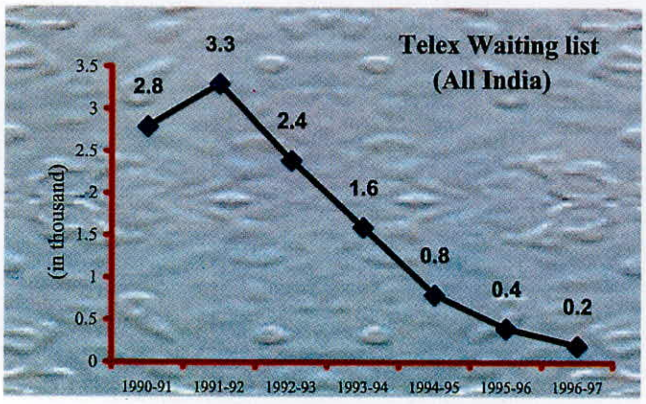
24 Procurement of surplus capacity telex exchanges

Despite continuous decline in telex traffic and without any fresh demand for telex connections, DoT procured higher capacity two EDX for installation at Indore and Raipur in Madhya Pradesh telecom circle. The capacity of these exchanges could be utilised to the extent of only 50 and 20 *per cent* respectively resulting in infructuous expenditure of Rs 6.22 crore.

Fall in telex traffic since 1991-92

Due to introduction of better modes of communication such as FAX, data modems and increased network of STD PCOs etc., the telex traffic and waiting list for new telex connections have been consistently declining since 1990-91 as depicted in the charts.





Telex exchanges at Indore and Raipur expanded despite fall in traffic and lack of demand

The telecom authorities in Madhya Pradesh circle, however, failed to take notice of the above downward trend in telex traffic/demand and upgraded the existing capacities of telex exchanges at Indore and Raipur which was not necessary. The existing 300 line exchange at Indore was replaced by 500 line electronic digital exchange in November 1995 and 160 line strowger exchange at Raipur was upgraded by commissioning of 400 line EDX exchange in April 1995 at a total cost of Rs 9.60 crore.

Scrutiny of records in GMTD Indore and TDM Raipur by Audit in June-December 1997 revealed that both the exchanges were not utilised to their optimal capacity to the extent given below:

- The percentage utilisation of telex exchange at Indore was only 50 *per cent* in November 1995, which further reduced to 37 *per cent* in May 1997. Before commissioning of the EDX in November 1995, the actual working connections were 202 with nil waiting list.

- At Raipur, the telex exchange was loaded upto only 20 *per cent* capacity. In April 1995, when this 400 line exchange was commissioned, there were only 80 working connections with nil waiting list. Thus, there was no necessity of increasing the line capacity of the exchange at Raipur. The actual utilisation of the exchange capacity further declined from 20 *per cent* in April 1995 to 10 *per cent* in November 1997.

On being pointed out by Audit, DGM (SW) in the office of CGM Madhya Pradesh and Divisional Engineer (Planning) of GMT Raipur stated that the replacement of electromechanical exchange with electronic exchange was carried out as per policy of DoT. They further confirmed that due to installation of FAX and data transferring equipment, the existing telex connections were being surrendered and closed by subscribers.

Infructuous expenditure of Rs 6.22 crore

Thus, DoT while modernising and expanding the capacity of these telex exchanges did not keep in mind the changed scenario due to introduction of new services and decline in the telex traffic all over the country including Indore and Raipur. This resulted in procurement of telex exchanges of surplus capacity to the extent of atleast 250 lines at Indore and 320 lines at Raipur leading to infructuous expenditure of Rs 6.22 crore being the proportionate cost of surplus lines.

The matter was referred to the Ministry in October 1998; their reply was awaited as of December 1998.

25 Unproductive expenditure on telex exchange

Injudicious procurement of telex exchanges for Guwahati and Durgapur in Assam and West Bengal circles resulted in wasteful expenditure of Rs 36.21 lakh.

Telex traffic and demand have been falling since 1991-92

Due to fast technological changes and introduction of better modes of communication, there had been a continuous fall in telex traffic all over the country since 1991-92 and a consequential declining trend in the demand for new telex connections as shown in the charts in the preceding paragraph.

Two exchanges remained unutilised since 1994-95

While making procurement of Electronic Database Telex exchanges (EDX) in November 1993 and August 1994, DoT failed to take notice of this changed scenario and made unnecessary procurement of 150 lines EDX telex exchange equipment costing Rs 24.97 lakh and another 80 lines Integrated

Unjustified procurement of telex exchanges resulted in unproductive expenditure of Rs 36.21 lakh

Telex Exchange (ITEX) worth Rs 11.24 lakh for installation at Guwahati and Durgapur in Assam and West Bengal circles respectively. Both these exchanges remained unutilised ever since the receipt of equipment in August 1994 and May 1995 respectively, due to lack of demand.

The Ministry stated in November 1998 that these exchanges would be used as life time spares as ITI and ECIL had since discontinued the manufacture of these exchanges. This decision of DoT is a *fait accompli* which had to be taken because of the department's earlier imprudent decision of procuring telex exchange equipment without justified demand.

26 Procurement of exchange equipment

GMT Pune made payment to Fujitsu India Telecom Limited Mohali at higher rate in violation of DoT instructions leading to an excess payment of Rs 72 lakh and loss of interest of Rs 25.92 lakh in procurement of 20K digital local telephone exchange equipment. DoT did not finalise the rate for more than 3½ years and failed to adjust excess payment of Rs 3.36 crore in various circles.

GMT Pune made provisional 90 *per cent* payment to Fujitsu India Telecom Limited Mohali on the basis of the rate of Rs 4673 per line as against the provisional rate of Rs 4273 per line communicated by DoT, resulting in excess payment of Rs 72 lakh in procurement of 20,000 lines digital local telephone exchange by Maharashtra circle in May 1995.

Fujitsu India Telecom limited supplied digital local telephone exchange equipment to three circles and MTNL

DoT provisionally fixed the rate of Rs 4273 per line

DoT in March 1994 placed a Letter of Intent (LoI) on Fujitsu India Telecom Limited Mohali for the procurement of one lakh lines digital local telephone exchange equipment at a ceiling rate of Rs 4673 per line inclusive of all charges at site. The above ceiling rate was subsequently revised downwards to Rs 4273 per line by DoT in October 1994 on the basis of rates arrived at in the new tender opened in April 1994. The revised rate of Rs 4273 per line was provisional and was to be reduced further on the basis of material list to be furnished by the supplier. As the material list was not immediately furnished by the supplier, DoT in October-November 1994 instructed the Heads of Punjab, Maharashtra and Gujarat circles and MTNL to make payment to the supplier at 90 *per cent* of the revised rate of Rs 4273 per line on provisional basis.

GMT Pune made payment to the firm at higher rate

Loss of interest of Rs 25.92 lakh on excess payment

Out of three circles to whom the equipment was to be supplied, payment particulars were test checked in Maharashtra circle by Audit in May 1997. Audit examination disclosed that in utter disregard of the above instructions, GMT Pune made payment to the supplier in May 1995 at 90 *per cent* of the LoI rate of Rs 4673 instead of 90 *per cent* of the reduced rate of Rs 4273. This led to an excess payment of Rs 72 lakh to the supplier on 20K lines exchange equipment supplied to GMT Pune for Pune cantonment and Shukarwarpeth exchanges. There was also a loss of interest of Rs 25.92 lakh as of April 1998 due to non-recovery of excess payment from the supplier.

Delay of 3 ½ years in finalisation of rate by DoT

Unrecovered excess payment of Rs 3.36 crore

DoT has also failed to finalise the rate on the basis of itemised priced material list, even after the lapse of 3 ½ years of receipt of supplies. DoT did not take any action against the firm for not furnishing the material list which caused undue delay in finalisation of rates. DoT also failed to obtain the itemised priced material list from the Heads of circles. Thus due to lackadaisical attitude of DoT, the rates of procurement made during 1995 were not yet finalised and an amount of approximately Rs 3.36 crore excess payment made to the supplier against this procurement was yet to be adjusted as of December 1998, as per department's own assessment.

The Ministry while accepting the excess payment stated in November 1998 that action was being taken to recover the excess payment and to fix responsibility for the lapse. Ministry further stated that the prices against this procurement were being finalised.

27 Excess procurement of PCM MUX equipment

DoT placed orders for MUX equipment in excess of requirement of Kerala circle resulting in 42 MUX equipment costing Rs 41.28 lakh remaining unutilised for over three years.

DoT procured 65 pulse code modulation (PCM) multiplex (MUX) equipment in September 1994 for Kerala circle from Advanced Radio Masts (ARM), Hyderabad, against the requirement of only 16 equipment. The order on ARM was placed at the instance of MOS(C).

Mention was made in Paragraph 9.19 of the Report of the Comptroller and Auditor General of India, Union Government (Post and Telecommunications) for the year ended 31 March 1996 - No.6 of 1997 regarding favoured treatment given to ARM, Hyderabad, with unnecessary orders for 211 TTL version of 30 Channel PCM equipment during 1993-95 at the instance of the then MOS(C).

DoT procured MUX equipment from ARM

Further examination of the case disclosed that DoT placed additional order on ARM for 65 PCM MUX equipment at the direction of MOS(C) though there was no immediate requirement. In view of directions of MOS(C) dated June 1994 for placement of additional orders on ARM, DoT obtained requisitions for 65 MUX equipment from Kerala Telecom circle immediately and placed orders on ARM in September 1994 costing Rs 55.63 lakh including accessories. The 65 PCM MUX equipment requisitioned for digital Trunk Automatic Exchange (TAX), Kollam were received between November 1994 and January 1995.

Audit scrutiny of records of GMT, Kollam in March 1997 disclosed that:

65 MUX equipment requisitioned against requirement of 16

- Though only 16 PCM MUX equipment were required for Trunk Auto Exchange (TAX) at Kollam as per project estimate, the Assistant General Manager (UP) Kerala circle sent requisition to DoT for 65 PCM MUX equipment. Even the route engineering diagram specified only 13 MUX equipment which was enclosed with the purchase order.

DoT did not cancel orders for excess equipment

- When the mistake was noticed, CGMT Kerala requested DoT in October 1994 to cancel the purchase order or to divert the MUX equipment to other circles as the digital TAX exchange at Kollam had already been commissioned and there was no requirement of the MUX equipment in that circle. DoT, however, refused to cancel the order or to divert the equipment to other place on the plea that the order was placed as per requirement of the circle.

Purchase order not short closed

- Despite having placed excess order, DoT did not short close the purchase order when ARM failed to complete supplies by the stipulated date of delivery i.e., 30 November 1994. ARM supplied 52 PCM MUX equipment only in January 1995 but no liquidated damages were charged. Thus, by not foreclosing the purchase order, DoT favoured ARM at the cost of the department.

Out of 49 equipment, 42 valuing Rs 41.28 lakh still remained unutilised

- Out of 65 PCM MUX equipment received in Kerala circle in January 1995 only 23 equipment could be utilised in the circle till March 1998. The remaining 42 equipment valuing Rs 41.28 lakh were lying idle without any use for more than three years as of November 1998.

Thus, various acts of omissions and commissions by the officers of the CGMT Kerala circle and DoT resulted in excess procurement of 49 PCM MUX equipment, 42 of which costing Rs 41.28 lakh were still lying idle even after three years of their procurement.

The Ministry stated in November 1998 that Kerala circle erroneously indicated 65 Nos. of MUX equipment instead of 65 Nos. of E and M cards required for 13 PCM systems.

28 Infructuous expenditure on laying of higher specification HDPE pipes

Use of higher specification HDPE pipes by the Chief General Manager Telecommunications Eastern Telecom Projects Calcutta and the General Manager Telecom Mysore in new optical fibre cable routes in violation of DoT's instructions resulted in an infructuous extra expenditure of Rs 1.22 crore.

In view of high cost of 75 mm diameter HDPE pipes, DoT issued instructions in October 1995 to all the Heads of Project circles and Telecom circles directing them to use only 50 mm diameter HDPE pipes in place of 75 mm diameter pipes in all new optical fibre cable routes.

Examination of records of the CGMT Eastern Telecom Projects Calcutta in February 1998 disclosed that despite these instructions the CGMT

Projects laid 75 mm diameter HDPE pipes of 437 km length in five new OFC routes as indicated in the table below:

Sl No.	Name of the route	Date of commencement of work	Length of 75 mm dia pipe laid (in km)
1.	Coochbehar-Hasimara	January 1996	64
2.	Jhargram-Panibhanga	December 1995	82
3.	Berhampur-Raghunath Ganj	January 1996	54
4.	Raghunath Ganj-Malda	January 1996	90
5.	Maner-Aurangabad	Project sanctioned in October 1995	147
	Total		**437**

The CGMT Projects was not competent to make any modification or relaxation in the specifications of HDPE pipes to be used in OFC network. He made procurements of these higher specification pipes during January 1996 i.e. well after the issue of DoT instructions.

Irregular action of CGMT Projects cost DoT an avoidable expenditure of Rs 1.13 crore being the difference in the prices of 50 mm dia and 75 mm dia HDPE pipes.

The CGMT Projects stated in April 1998 that 75 mm dia HDPE pipes were used in ongoing routes The reply is not tenable as all the five projects were taken up for execution after the issue of DoT's instructions and the pipes were procured much later.

In another similar case, General Manager Telecom Mysore under Karnataka circle also used 75 mm dia HDPE pipes measuring 36.197 km in 1996-97 in place of 50 mm dia pipes, incurring avoidable expenditure of Rs 9.27 lakh.

The matter was referred to the Ministry in September 1998; their reply was awaited as of December 1998.

29 Inadmissible benefit to private operators

In violation of departmental instructions, 27 heads of Secondary Switching Areas in eight telecom circles provided telephone instruments to private local/STD operators resulting in avoidable expenditure of Rs 1.09 crore.

Private STD PCO operators have to make their own arrangement for telephone instrument

DoT is not required to provide telephone instruments to private STD/local pay phone operators as the agreements entered into with them provide for provision of telephone instruments by the operators themselves. DoT had also issued instructions in August 1992 to heads of various telecom circles directing them not to issue telephone instruments to the private pay phone operators.

A comment was made regarding provision of telephone instruments to private STD/local pay phone operators by heads of Secondary Switching Areas (SSAs) in Tamil Nadu circle in violation of DoT's instructions of August 1992 in paragraph 38 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997, Union Government (Post and Telecommunications) No. 6 of 1998.

STD PCO operators provided telephone instruments free of charge

Further test check in 27 SSAs in eight circles viz. Assam, Gujarat, Karnataka, Kerala, Madhya Pradesh, Orissa, Uttar Pradesh and West Bengal circles revealed that 17306 telephone instruments were provided to private operators by the heads of SSAs in these circles in contravention of DoT's instructions. This resulted in an avoidable expenditure of Rs 1.09 crore and unintended benefit to the pay phone operators to that extent.

All the telecom circles except Madhya Pradesh did not take prompt action to recover the instruments or their costs from the pay phone operators despite being pointed out by Audit. Of 4400 instruments provided to private PCO operators in Madhya Pradesh circle, 67 were recovered as of January 1998 after being pointed out by Audit.

The matter was referred to the Ministry in July 1998; their reply was awaited as of December 1998.

30 Unauthorised use of HDPE Pipes in local network

GMT Kalyan irregularly purchased 60 km HDPE pipes in 1995 costing Rs 52.49 lakh in violation of DoT instructions discontinuing use of HDPE pipes in cable duct since 1987.

HDPE pipes procured for cable ducting instead of PVC pipes

GMT Kalyan under Maharashtra circle planned cable ducting in three sections in the local network at Kalyan during 1994-95. About 230 km of PVC pipes were required for the cable ducting work but he procured 60 km of 110 mm dia HDPE pipes from a private firm at the cost of Rs 52.49 lakh in March, 1995. GMT Kalyan's action to procure HDPE pipes for ducting work in place of PVC pipes was grossly irregular as DoT had discontinued use of HDPE

Use of HDPE pipes for cable ducting banned by DoT in 1987

pipes in underground cable ducts in local network in 1987 in view of high cost of jointing of these pipes. He placed orders for purchase of HDPE pipes even before sanction of project estimates in November 1995. Out of 60 km of HDPE pipes, 18.125 km had already been used by GMT Kalyan for duct work and remaining 41.875 km valuing Rs 37 lakh was still lying in the stock as of September 1998. Serious violation of DoT's instructions by GMT Kalyan require investigation for fixing responsibility.

Use of higher specification pipes

When use of HDPE pipes in cable ducting work was objected to by Audit in May 1998, CGMT Maharashtra circle stated in September 1998 that the balance HDPE pipes of 41.875 km would be used for OFC laying work instead of cable ducting in local network. This action of GMT Kalyan was also irregular as only 75 mm dia HDPE pipes were permitted for use in OFC work as per DoT's instructions of 1992. The CGMT Maharashtra circle and GMT Kalyan are not competent to modify specifications allowing use of higher specification pipes in OFC work.

The Ministry in their reply stated in October1998 that CGMT Maharashtra circle has been asked to explain reasons for procuring HDPE pipes instead of PVC pipes by GMT Kalyan against DoT's guidelines without any authorisation and also to clarify as to how balance 110 mm dia HDPE pipes were proposed to be used for OFC work when DoT's instructions prescribed use of only 75 mm HDPE pipes. The Ministry further asked CGMT to intimate the action taken against the concerned officials for violating DoT's guidelines.

The final action taken by the Ministry was awaited as of December 1998.

31 Overpayment in cable laying work

TDM Dimapur made overpayment of Rs 18.25 lakh by awarding cable laying work at a rate higher than the rate decided by him on the basis of the tender.

Overpayment of Rs 11.54 lakh in brick laying work by TDM Dimapur

The cable laying work involves excavation of trenches, paving and laying of cables in trenches and putting bricks over cables laid. After negotiations with the contractors TDM Dimapur approved rates in August 1995 for the above items of work for laying of underground cable in Nagaland secondary switching area. He approved the rate of Rs 9.60 per metre for putting bricks length-wise for both plain and hilly areas but while conveying the rate to the contractors, he allowed the rate of Rs 19.20 per metre for hilly area. This led to an overpayment of Rs 11.54 lakh to the contractors for 119406 metre of bricks laid during 1996-97. TDM Dimapur did not recover the amount from the contractors even after the overpayment being pointed out by Audit in April 1997.

Overpayment of Rs 6.71 lakh in trenching and cable laying work

Besides, TDM Dimapur also made overpayment of Rs 2.59 lakh by allowing higher rate of Rs 19.20 as against the approved rate of Rs 3.50 per metre for paving and laying of 16500 metre cables. He made another overpayment of Rs 4.12 lakh by making the payment twice for digging of trenches of 16500 metre during 1996-97.

Thus, TDM Dimapur made a total overpayment of Rs 18.25 lakh to contractors in award and execution of cable laying due to various serious and repetitive omissions and commissions on his part.

No recovery from contractors as yet

While accepting the facts and figures, the Ministry stated in October 1998 that reasons for occurrence of such mistake were being ascertained from the then TDM, Dimapur and the Accounts Officer. Necessary action would be taken to recover the excess paid amount and fix responsibility.

Recovery particulars and details of action taken against TDM were awaited as of December 1998.

32 Non-disposal of coaxial cables and equipment

Inaction of departmental authorities to dispose of obsolete stores/ equipment resulted in stores valuing Rs 8.90 crore lying in depots for several years.

Test check in store depots and cable divisions in seven telecom circles revealed that various types of coaxial cables, equipment and other cables valuing Rs 8.90 crore were lying in stores for 6 to 12 years without being used, diverted or disposed off. The circle-wise details of these stores are given in the Appendix X.

These cables and equipment were procured by DoT/CGMsT during 1986-92 and were not put to any use, finally resulting in total wasteful expenditure due to their technological obsolescence after 6 to 12 years of their procurement.

Analogue coaxial equipment worth Rs 4.00 crore procured between May 1986 and December 1991 for coaxial cable projects in Tamil Nadu circle were not used or diverted and with the passage of time became obsolete due to advent of digital technology. It was noticed in audit during 1996-98 that obsolete coaxial equipment were stored in a hired accommodation and the Divisional Engineer Optical Fibre Cable division, incurred an expenditure of Rs 14.81 lakh towards rent and insurance charges during January 1994 to March 1998 on these stores.

Large quantities of obsolete cables in various cable divisions show faulty planning of DoT which did not take into account department's own plan to digitalise the network while procuring these stores valuing several crore of rupees. The obsolete stores were also unnecessarily occupying valuable space in the store and cable depots with the risk of pilferage as most of cables are having copper content.

The Ministry stated in November 1998 that instructions were issued to all CGMs requesting them to identify the obsolete stores/cables lying in the stores as unused and take action to dispose them of.

33 Idle PCM-MUX equipment

DoT purchased multiplex equipment, terminals etc., for routes which did not require these equipment resulting in wasteful expenditure of Rs 1.02 crore.

Audit scrutiny of records of CGM Telecom Projects Southern region Chennai in December 1996 revealed that 53 multiplex (MUX) equipment, 80 MUX blocks and 43 terminals procured at the cost of Rs 1.02 crore during 1988-93 from Teletra and Bharat Electronics Limited (BEL) were lying unutilised since their procurement.

Analogue exchanges can be connected to a pulse code modulation (PCM) system with the help of MUX units whereas, a digital exchange does not require MUX unit.

Imported MUX equipment and blocks worth Rs 28 lakh lying idle since 1988

Thirty MUX equipment and 80 MUX blocks of Teletra make were imported in 1988 from Teletra Switzerland as a part of supply of 13 GHz digital microwave system for providing junction connectivity between local exchanges in Chennai. The connectivity was however, provided through 2 MBs digital stream rendering surplus the imported first order MUX equipment valuing Rs 28 lakh. The Teletra make MUX equipment was not compatible with PCM systems of other make, thus making it further impossible to use the surplus equipment in the network.

The case highlights improper planning of DoT wherein on the one hand it introduced digital connectivity in the junction network and on the other it imported equipment which was compatible only with old analogue systems of Teletra make alone.

MUX equipment and terminals valuing Rs 73.96 lakh not used since procurement in 1993

Similarly, 23 MUX equipment and 46 terminal equipment of BEL make procured for 120 channel digital UHF scheme at the cost of Rs 73.96 lakh also remained unused since their procurement in February-March 1993. These equipment were purchased for Madras-Tiruvellore-Tiruthani and Madras-Ponneri UHF schemes for connecting local exchanges of analogue type. Due to introduction of digital exchanges on 2 MB streams on these networks, the MUX equipment and terminals procured in 1993 became surplus.

Thus, due to deficient planning DoT procured PCM MUX equipment for the network which were to be shortly digitalised resulting in wasteful expenditure of Rs 1.02 crore on procurement of MUX equipment and other accessories.

On being pointed by Audit, the Ministry stated in November 1998 that spare MUX equipment and accessories valuing Rs 76 lakh were diverted to TDM Virudhunagar and DE Telecom store depot Karnataka circle. But no actual utilisation had taken place as of December 1998.

34 Non-diversion of surplus raw material

Jabalpur telecom factory stopped manufacturing coin box telephones from 1993-94 but did not divert surplus raw material worth Rs 37.56 lakh to other telecom factories who were still manufacturing these telephones.

To achieve the targets of VIII Five Year Plan for production of coin box telephones, telecom factory Jabalpur was also entrusted with the production of coin box telephones in 1990 in technical collaboration with telecom factory Mumbai. The telecom factory Jabalpur purchased raw material on the basis of production targets fixed for it. Subsequently in January 1993, the production of coin box telephones was discontinued in Jabalpur factory by DoT due to slow progress of production in this factory. DoT directed General Manager (GM) telecom factory Jabalpur to divert all unconsumed stores to telecom factory Mumbai.

In disregard of DoT's instructions GM telecom factory Jabalpur did not divert all surplus stores to the telecom factory Mumbai and the unconsumed stores worth Rs 37.56 lakh were still lying in the factory godown as of June 1998.

When the matter was pointed out by Audit in October 1996, the General Manager stated in January 1998 that efforts would be made to transfer the stores to telecom factory Calcutta or Mumbai.

The matter was referred to the Ministry in August 1998; their reply was awaited as of December 1998.

35 Excess payment in procurement of metering and line cards

Various General Managers Telecom in Kerala circle procured 634 coin collection metering (CCM) cards and 117 line cards at rates higher than DoT approved rates resulting in excess payment of Rs 27.84 lakh.

In defiance of DoT's instructions, CGMT Kerala circle invited tenders in May 1996 for CCM cards when DoT had already finalised the rates for these cards for all the circles. The rates finalised by CGMT Kerala circle were 66 *per cent* higher than DoT's approved rates, resulting in excess payment of Rs 24.11 lakh to the suppliers in procurement of 634 CCM cards. GMT

Kannur also did not follow DoT's rates and procured 117 line cards at 62 *per cent* higher rates.

35.1 Procurement of CCM cards

CCM cards and line cards were required for upgradation of 128 P-RAX exchanges

Centre for Development of Telematics (C-DoT) developed a conversion kit in February 1995 for upgradation of 128 Port Rural Automatic Exchange (P-RAX) exchanges into 256 P-RAX exchanges. The upgraded exchanges had the advantage of dynamic STD lock facility, individual metering for all subscribers, separate revenue meters for trunk groups, on demand print outs of system status, record of STD calls, etc.

DoT finalised rates for CCM and line cards well in advance

DoT issued instructions in October 1995 to all heads of telecom circles to upgrade existing 128 P-RAX exchanges into 256 P-RAX exchanges by procuring conversion kits, line and CCM cards from TEC approved firms at provisional rates prescribed by DoT. The itemwise rates for conversion kits, line and CCM cards were subsequently finalised by DoT in May 1996 and communicated to all the Telecom circles.

CGMT Kerala circle purchased CCM cards at 66 *per cent* higher rates.

Despite having DoT approved rates, CGMT Kerala circle invited tenders in May 1996 for procurement of 50 CCM cards in complete violation of DoT instructions. The rate of Rs 9565 per CCM card finalised by the CGMT was 66 *per cent* higher than DoT approved rate of only Rs 5761 per card. Even the rate subsequently finalised by DoT in August 1997 on the basis of new tender was only Rs 6239 per card i.e. 34.77 *per cent* lower as compared to the rate approved by CGMT.

Excess payment of Rs 24.11 lakh to suppliers

Various General Managers Telecom in Kerala circle procured 634 CCM cards between July 1996 and March 1997 on the basis of above higher rate finalised by CGMT Kerala. This led to an excess payment of Rs 24.11 lakh to suppliers.

CGMT was not competent to float tender

The action of CGMT Kerala approving a rate higher than DoT rate, was highly irregular. Further, CGMT also transgressed his powers by inviting tenders for CCM cards, which were centralised procurement items to be purchased at rates finalised by the Material Management branch of DoT. CGMT also violated the provisions of Telecom Manual of Procurement of equipment and stores by allowing the GMs to procure 634 CCM cards against the tendered quantity of only 50 cards. Additional order for only 25 *per cent* of the ordering quantity was permissible under the provisions of the manual.

35.2 Procurement of line cards

GM Kannur purchased line card at higher rate

The General Manager Kannur in Kerala circle also procured 117 line cards at the rate of Rs 8299 per card between November 1996 and February 1997 and did not adhere to the rate of Rs 5114 per line card approved by DoT in May 1996. The GM Kannur, therefore, made excess payment of Rs 3.73 lakh by procuring 117 line cards at the rate which was 62 *per cent* higher than DoT's approved rate. The rate of Rs 5392 per line card subsequently finalised by DoT in August 1997 was also much lower in comparison to the rate at which procurements were made by GM Kannur.

Total excess payment of Rs 27.84 lakh to suppliers

Thus by not following DoT's instructions, CGMT and GMs in Kerala circle made an excess payment of Rs 27.84 lakh in procurement of 634 CCM cards and 117 line cards. Keeping in view serious irregularities by CGMT Kerala circle and GM Kannur, the entire matter needs investigation and fixing of responsibility.

The matter was referred to the Ministry in July 1998; their reply was awaited as of December 1998.

36 Unfruitful expenditure on a UHF scheme

Due to non-availability of equipment, CGMT Orissa circle abandoned Balimela-Chitrakonda UHF scheme after incurring an expenditure of Rs 32.07 lakh upto 1994 on building etc. DoT on the other hand could not spend Rs 691 crore during 1994-98 under UHF scheme.

Scheme stopped in 1994 after spending Rs 32.07 lakh

Divisional Engineer Telecom (DET) Microwave Projects Berhampur under Orissa circle constructed two Z type buildings at Chitrakonda and Mahadebpur and a 80 meter tower at Chitrakonda at the cost of Rs 32.07 lakh for 30 channel digital ultra high frequency (UHF) scheme between Balimela and Chitrakonda for providing reliable trunk and STD connectivity between these two places. The work on the scheme was stopped in January 1994 after incurring the above expenditure, as the UHF equipment procured for this scheme was diverted to some other priority route.

No equipment procured for the same for five years

Deputy General Manager (Planning) Orissa circle stated in August 1998 that whatever equipment were received by them from DoT during 1994-98 were utilised in other priority routes and Orissa circle did not have any spare equipment to cater for this work.

The total expenditure on this scheme was expected to be Rs 99.93 lakh including building and equipment as per project estimates. DoT had not been able to make provision for the equipment for this scheme even after the lapse of five years though the department had been persistently saving huge funds under UHF schemes since 1994-95 as indicated in the table below:

DoT did not provide equipment despite having enough funds

Year	Saving under the head BB4(4)-UHF schemes (Rs in crore)
1994-95	208.50
1995-96	143.80
1996-97	81.04
1997-98	258.01

Thus, due to defective financial and project management of DoT and CGMT Orissa circle, reliable trunk and STD connectivity between Balimela and Chitrakonda could not be provided for more than five years despite availability of sufficient funds with the department. The entire expenditure of Rs 32.07 lakh on creation of infrastructure has been rendered unfruitful.

The Ministry stated in November 1998 that the Balimela-Chitrakonda could not be commissioned due to non-availability of equipment. The reply of the ministry confirmed failure on their part to procure necessary equipment even in five-year period despite the availability of funds.

37 Non-utilisation of tower material

DoT failed to cancel the orders placed on telecom factory Jabalpur after giving concurrence for procurement of the tower material from private suppliers leading to excess procurement and non-utilisation of tower material worth Rs 32.31 lakh.

Audit of records of General Manager Telecom Projects Hyderabad during December 1994 disclosed that 128.230 metric tonnes of tower material valued at Rs 32.31 lakh purchased in excess of requirement during 1992-94 was lying in stock without any use.

Slow pace of supply of tower material by telecom factory Jabalpur

DoT placed two orders in May 1990 and April 1991 on telecom factory Jabalpur for supply of microwave tower material. As supply of tower material by the telecom factory Jabalpur was not made within the delivery schedule, CGMT Projects, Madras, after obtaining approval from DoT placed a purchase order in March 1992 on SAE(India) Limited New Delhi for the supply of tower material to meet the requirement. DoT however, did not cancel the order with telecom factory Jabalpur.

The SAE(India) Limited supplied the entire quantity of tower material during May-June 1993 and the telecom factory Jabalpur also delivered the same material by July 1994 against the orders of 1990-91.

DoT failed to cancel orders placed on telecom factory Jabalpur

Thus, due to the failure of DoT in cancelling the order with the telecom factory Jabalpur excess procurement of 128.230 metric tonnes tower material valuing Rs 32.31 lakh was made.

On being pointed out by Audit, CGM Project Chennai diverted 39.23 metric tonnes of tower material to Chevella for Hyderabad-Vikarabad 7 GHz scheme and remaining 89 metric tonnes to Gudivada for Vijayawada-Machilipatnam 7 GHz scheme in January 1996. But the tower material diverted to Gudivada still remained unutilised even after four years of receipt and two years of diversion as of December 1998.

The Ministry stated in December 1998 that 89 metric tonnes of diverted tower material at Gudivada could not be utilised due to modifications suggested in the design of microwave tower required for coastal areas due to falling of microwave tower at Ravulapalem in 1996. The unutilised material was proposed for utilisation in Salem-Coimbatore wide band route.

38 Irregular payment of electricity duty and penal charges etc.

Heads of various telecom districts in Maharashtra, Madhya Pradesh and Bihar made avoidable payments of electricity duty, penal charges and minimum demand charges of Rs 14.91 lakh to State Electricity Boards.

The telecom districts draw electricity from State Electricity Boards on the terms and conditions of agreements entered into with them. Various heads of telecom districts in three telecom circles test checked made unnecessary payments of electricity duty which was not payable, and avoidable payments of penal charges and minimum demand charges due to violation of conditions of agreement.

38.1 Unnecessary payment of electricity duty

Article 287 of the Constitution of India and departmental rules provide for exemption from the payment of electricity duty on the power consumed in the Post and Telecommunications Offices.

Irregular payment of Electricity duty of Rs 6.30 lakh

Heads of telecom districts of Ratnagiri and Wardha in Mahatashtra circle and Gwalior, Indore, Bhopal, Betul and Vidisha in Madhya Pradesh circle, however, made irregular payments of electricity duty of Rs 6.30 lakh during 1993-98 and did not claim exemption from the State Electricity Boards.

38.2 Avoidable payment of penal charges etc.

(i) According to the terms and conditions of agreements entered into with the States Electricity Boards, the shortfall in maintaining a specified power factor attracts a graded scale of surcharge.

Avoidable payment of penal charges of Rs 4.48 lakh due to non-maintenance of power factor

TDM Darbhanga in Bihar circle and the TDMs Ratnagiri and Wardha in Maharashtra circle did not maintain required power factor and therefore, made avoidable payment of penal charges of Rs 4.48 lakh during May 1993 to November 1997. Such shortfall in power factor could have been avoided by installing shunt capacitors depending on load for correcting the power factor for which instructions have been issued by DoT time and again.

Avoidable payment of minimum demand charges of Rs 4.13 lakh

(ii) The agreements further provided for the payment of minimum demand charges, if actual consumption of electricity was less than the contracted demand. The TDM Darbhanga in Bihar circle incurred avoidable expenditure of Rs 4.13 lakh during 1996-97 towards payment of minimum demand charges due to contracting power load much in excess of his actual requirements.

Thus various omissions and commissions by the department led to an avoidable expenditure of Rs 14.91 lakh.

The Ministry stated in December 1998 that the State Electricity Boards concerned were being approached to refund the amount of electricity duty paid to them and instructions were also issued to the concerned circles to provide capacitors to maintain the power factor. The Ministry further stated that the maximum demand in respect of Darbhanga district was reduced from 329 KVA to 150 KVA to avoid the payment of minimum demand charges in future.

39 Infructuous expenditure due to contracting excess power load

Incorrect assessment of power for Gandhinagar exchange in Gujarat circle by the Area Manager Telecom resulted in an infructuous expenditure of Rs 14.90 lakh.

Power requirement was worked out for cross bar exchange. Area Manager did not revise the agreement on installation of electronic exchange

The Area Manager Telecom Gandhinagar in July 1990 entered into an agreement with Ahmedabad Electricity Company Limited (AECL) for the supply of 400 KVA of power per month to a cross bar type exchange planned for installation at Gandhinagar. Subsequently, an electronic type E-10-B exchange was installed instead of cross bar exchange resulting in substantial reduction in power requirement but the Area Manager Telecom did not revise the agreement and continued making payment as per the old agreement for supply of 400 KVA power per month.

The agreement provided for billing at 85 *per cent* of the contracted demand or maximum consumption recorded in a month, whichever was higher. It further provided for increase in the rate for decrease in the monthly power factor below 85 *per cent*.

Actual consumption of power was between 19 to 64 *per cent* of the contracted demand

Audit scrutiny of bills in August 1997 and subsequent examination of records however, revealed that during September 1992 to February 1998, the actual monthly consumption of power remained between 77 and 256 KVA only but the department had to make payment for 340 KVA per month being 85 *per cent* of the contracted demand.

Avoidable expenditure of Rs 14.90 lakh

Thus, failure on the part of Area Manager to revise the agreement with AECL for reduction in contracted demand for power led to an infructuous expenditure of Rs 10.44 lakh during this period. In addition, he had to incur an additional expenditure of Rs 4.46 lakh towards low power factor also.

Reduction in power load at the instance of Audit

On being pointed out by Audit, Area Manager got the power load reduced from 400 KVA to 250 KVA with effect from March 1998, resulting in a recurring saving of Rs 3.44 lakh per annum. The reduction in power load was confirmed by the Ministry in December 1998.

40 Unrecovered advance

Executive Engineer Telecom Civil Division Rajkot did not recover the advance of Rs 13.99 lakh from DGSD despite non-supply of cement for which this amount was paid.

The Superintending Engineer Telecom Civil circle-1 Ahmedabad deposited an advance of Rs 13.99 lakh with the Director General of Supplies and Disposal (DGSD) New Delhi in June 1994 for supply of 950 metric tonne of cement to Rajkot Sub - division.

Audit examination of records of sub division at Rajkot in February 1997 revealed that no supply of cement was received by them from DGSD even after lapse of four years. The SE concerned did not however, take up the matter with DGSD for getting the refund of the deposited amount. Thus, due to laxity of SE, the amount of Rs 13.99 lakh remained unrecovered despite non-supply of cement. Blockade of this money since June 1994 also led to loss of interest of Rs 6.41 lakh upto December 1998.

On being pointed out by Audit, matter was taken up by DoT with DGSD in November 1998; the recovery particulars were, however, awaited as of December 1998.

41 Non-recovery of unspent road restoration charges

The Executive Engineer Telecom Civil Division-III Calcutta did not recover the unspent amount of road restoration charges of Rs 87.01 lakh from the Municipal Corporations of Calcutta and Howrah in respect of 19 cancelled routes. This also resulted in loss of interest of Rs 39.60 lakh on unrecovered amount. Unspent amount of road restoration charges of Rs 13 lakh were recovered by Kerala circle at the instance of Audit.

DoT is required to pay road restoration charges to municipal authorities for restoration of road cut/damaged in cable laying work. Test checks in Calcutta Telephones and Kerala Telecom circle revealed two cases of non-recovery of unspent amount of road restoration charges from municipal corporations as brought out below:

41.1 Calcutta Telephones

Road restoration charges paid for 27 cable routes

Executive Engineer Telecom Civil Division-III, Calcutta paid Rs 1.17 crore to municipal corporations of Calcutta and Howrah during 1994-95 for carrying out restoration works in 26 cable routes in Calcutta and one route in Howrah. He also paid enhancement charges of Rs 3.16 lakh for 26 routes in January 1997. The cable ducting work on eight routes in Calcutta Municipal Corporation (CMC) area was completed by the department till February 1997 and therefore CMC carried out road restoration work on these eight ducting routes at a total cost of Rs 33.06 lakh.

Audit scrutiny of records in June 1997 revealed the following:

Road restoration work carried out on eight routes

- The department changed the priority of work and did not commence any cable ducting work on the remaining 18 cable routes in Calcutta and one route in Howrah. Hence, no road restoration work had to be carried out by the municipal corporations on these routes.

Unspent amount of Rs 87.01 lakh not recovered from Municipal Corporations

- The unspent amount of road restoration charges of Rs 79.84 lakh in respect of 18 routes in CMC area and Rs 7.17 lakh for one route in Howrah Municipal Corporation (HMC) area remained with the municipal corporations since 1994-95 and the Telecom Civil Division-III, Calcutta did not take up the matter with these bodies for refund of the unspent amounts.

Thus, negligence on the part of the Executive Engineer Telecom Civil Division-III, Calcutta resulted in non-recovery of road restoration charges of Rs 87.01 lakh for four years and loss of interest of Rs 39.60 lakh on the unrecovered amount upto April 1998.

The matter was referred to the Ministry in July 1998; their reply was awaited as of December 1998.

41.2 Kerala Telecom circle

Public Works Department (PWD) Kerala granted permission in April 1992 to the Executive Engineer Telecom Civil Division Ernakulam for the excavation of highway roads for cable ducting. The permission was subsequently cancelled in June 1992 on the plea that cutting of highway roads would lead to hardship to the public.

EE unnecessarily deposited road restoration charges despite cancellation of permission by PWD

It was noticed in audit that despite cancellation of permission by PWD, the Executive Engineer Telecom Civil Division Ernakulam deposited road restoration charges of Rs 13.00 lakh in October 1992 with the PWD. The Executive Engineer did not take up the matter with the State PWD for five years for recovery of the amount. This led to unnecessary blocking of funds of Rs 13 lakh and loss of interest of Rs 8.69 lakh thereon upto February 1998.

Rs 13 lakh unspent charges recovered at the instance of Audit

On being pointed out by Audit in July 1994, the Executive Engineer Telecom Civil Division recovered the whole amount of Rs 13.00 lakh in March 1998.

42 Short recovery of liquidated damages

CGM Calcutta Telephones wrongly computed the amount of liquidated damages resulting in short recovery of Rs 36.33 lakh from Siemens Communications Public Network, Gurgaon.

CGM Calcutta Telephones did not charge liquidated damages from Siemens Communications Public Network, Gurgaon on the total cost of the exchange though the commissioning of the exchange was delayed due to non-adherence of the supplier to the delivery schedule, thus giving undue benefit of Rs 36.33 lakh to the supplier.

DoT placed a purchase order on Siemens Communications Public Network in January 1995 for supply of 20K lines exchange equipment to Calcutta Telephones at the cost of Rs 7.72 crore for Rusa and Kasba exchanges. The firm supplied main distribution frame between June and November 1995 as against the scheduled date of February 1995, which delayed commissioning of the exchanges by four months.

Liquidated damages at the rate of half *per cent* of the value of delayed supply for each weeks delay, subject to a maximum of five *per cent* of the value of the equipment supplied late, is chargeable from the supplier provided the delay did not in any way hamper the commissioning of the system. Where the delay hampers installation and commissioning of the system, liquidated damages are to be levied on the total cost of the system. CGM Calcutta telephones, however, recovered liquidated damages of Rs 2.28 lakh only from the supplier in October 1997 on the value of portion of supply effected after scheduled delivery date instead of charging LD of Rs 38.61 lakh on the basis of total value of the exchange equipment. This resulted in short recovery of LD of Rs 36.33 lakh from the supplier.

The Ministry stated in November 1998 that LD charges were not levied on the complete equipment inadvertently and matter was taken up with the supplier for refund of the amount. The banker was also advised to stop encashment of post dated cheques for November and December 1998 payable to the supplier towards lease rentals.

Recoveries at the instance of Audit

43 Excess payment of Sales tax on leasing of exchange equipment

General Managers Telecom Amritsar and Jalandhar did not adhere to the terms and conditions of lease agreement and made payment of Sales tax at higher rates to Siemens India Limited leading to an excess payment of Rs 74.91 lakh. The entire amount of excess payment was recovered on being pointed out by Audit.

Sales tax at the rate of only four *per cent* was payable as per agreement

The Chief General Manager Telecom Punjab circle took two EWSD Digital Local Telephone Switching Systems on lease from Siemens Limited in April 1994 for Amritsar and Jalandhar secondary switching areas on payment of lease rental. In addition to the monthly lease rental amounts, the terms and conditions of lease agreement also provided for payment of Sales tax by the department at the rate of four *per cent* against form 'D' and a surcharge at 10 *per cent* thereon.

GMsT Amritsar and Jalandhar paid Sales tax at higher rates of seven to 12 *per cent*

Excess payment of Sales tax of Rs 74.91 lakh was recovered from firm at the instance of Audit

Audit scrutiny between November 1995 and January 1998, however, revealed that the GMsT of Amritsar and Jalandhar SSAs made the payment of Sales tax to Siemens Limited during August 1994 to December 1997 at higher rates of 7 to 12 *per* cent resulting in excess payment of Rs 74.91 lakh.

On being pointed out by Audit, the Ministry stated in August 1998 that the entire excess paid amount of Rs 74.91 lakh was recovered from Siemens Limited between February 1997 and August 1998.

44 Recovery of excess payment from supplier

Despite receipt of instructions from DoT for downward revision in prices of 30 channel Pulse Code Modulation equipment, Divisional Engineer Transmission Chennai did not implement the instructions resulting in excess payment of Rs 34.31 lakh to the supplier. The excess payment was recovered only on being pointed out by Audit.

DoT's instructions for reduction in rates for 30 channel Pulse Code Modulation (PCM) equipment were not implemented by Divisional Engineer (DE) Transmission Chennai, leading to excess payment of Rs 34.31 lakh.

DoT placed a purchase order in December 1994 on Shyam Telecom Limited for procurement of 113 sets of 30 channel PCM equipment at the total cost of Rs 4.65 crore plus Excise duty, Sales Tax and other statutory levies to be paid extra. Of these, 25 sets were earmarked for Chennai Telephones and 88 for Gujarat circle. Deliveries were to be completed within two months. On supplier's failure to adhere to the delivery schedule, DoT extended the delivery period upto 26 February 1996 in December 1995 and again upto 12 April 1996 in March 1996 with levy of liquidated damages.

Revised price was inclusive of taxes and duties

While extending the delivery schedule in December 1995, DoT revised the rate downward to Rs 3.51 crore on the basis of the rate arrived at in the new tender opened on 24 March 1995. The revised rate was inclusive of taxes and duties.

Audit scrutiny in July 1997 revealed the following irregularities:

DoT delayed issue of clarification

- While communicating the reduced rate of Rs 3.51 crore in December 1995 to the supplier and the consignees, DoT did not indicate that the revised rate was inclusive of taxes and duties. DoT took seven months to clarify that the revised rate was all inclusive and no extra tax or duty was payable.

DE Transmission did not recover the excess payment from supplier

- DoT's clarification about taxes and duties was received by Chief General Manager Telecommunications, Tamil Nadu circle Chennai on 30 July 1996 but he did not take prompt action to inform DE Transmission Chennai. He sent the clarification to DE only after two months.

- By the time DE Transmission Chennai received DoT's clarification on 30 September 1996 through CGMT, he had already made full payment to the supplier resulting in excess payment of Rs 34.31 lakh on account of taxes and duties. Despite receipt of DoT's instructions, DE Transmission did not take any action for 18 months to recover the excess payment from the private supplier.

- The other consignee viz., CGMT Gujarat circle however made the payment correctly in respect of supply of equipment received by him.

Rs 34.31 lakh excess payment was recovered at the instance of Audit

It was only when the excess payment was pointed out by Audit in July 1997 that DE Transmission initiated the action and finally recovered the entire amount of Rs 34.31 lakh from the supplier in March 1998. While confirming the recovery particulars, the Ministry stated in September 1998 that the instructions had been issued to the consignee and paying officer to avoid such recurrences in future.

45 Recovery of liquidated damages

Sample checks disclosed non/short recovery of liquidated damages of Rs 55.82 lakh by the field units of DoT, out of which Rs 45.70 lakh was recovered on being pointed out by Audit.

Sample checks in three telecom circles during January 1996 to March 1998 disclosed cases in which CGMsT did not levy liquidated damages aggregating to Rs 55.82 lakh for delay in supplies of equipment/cables despite specific provisions in the purchase orders as per details in Appendix XI.

On being pointed out by Audit, Director Optical Fibre Cable Hyderabad and Dy. General Manager Installation Hyderabad and Divisional Engineers Telecom Ambala and Jalandhar recovered the entire amount of Rs 45.70 lakh in respect of their units. The Controller Telecom Stores, Chennai did not furnish any reply as of December 1998 for the balance amount of Rs 10.12 lakh.

46 Overpayment of transportation charges

Accounts Officer Telecom Stores Jabalpur failed to restrict the freight charges to goods tariff in respect of stores transported by road resulting in overpayment of Rs 12.84 lakh.

When stores are transported by road, suppliers get reimbursement of the actual freight charges incurred by road or freight charges by goods train, whichever is less.

Scrutiny by Audit of payment vouchers in January 1998 of transportation of cast iron sockets from Bhilai and Nagpur to different places during November-December 1996 disclosed that though the stores were transported by road, the Accounts Officer Telecom Stores Jabalpur did not restrict the freight charges to the railway's goods tariff by shortest route. This resulted in overpayment of Rs 12.84 lakh to the supplier.

On being pointed out by Audit, the entire amount was recovered from the suppliers.

47 Short recovery of interest

CAO Hyderabad incorrectly computed interest on unadjusted advance resulting in short recovery of Rs.19.09 lakh from the supplier.

In audit of records of General Manager Telecom Hyderabad during August 1996, it was noticed that Chief Accounts Officer (CAO) Hyderabad telecom district did not correctly charge interest on unadjusted advance paid to Electronic Corporation of India Limited (ECIL) in October 1991 for supply of electronic database telex concentrator exchange equipment.

The purchase order on ECIL, was placed by DoT in June 1991 at a total cost of Rs 51.03 crore and an advance of Rs 25.39 crore was also paid on the condition that in case the delivery was not completed within one year, the unadjusted advance would be refunded by ECIL alongwith interest at the rate of 17 *per cent per annum* or at commercial rate of Reserve Bank of India, whichever was higher.

As the supplier failed to adhere to the delivery schedule, CAO Hyderabad charged interest on unadjusted advance but incorrectly computed the rate of interest at 17.5 and 18.5 *per cent* instead of 19.25 *per cent* upto February 1993 and 18.25 *per cent* from March 1993 onwards, as intimated by the Reserve Bank. This resulted in short recovery of interest of Rs 19.09 lakh.

On being pointed out by Audit, the entire amount of Rs 19.09 lakh was recovered from pending bills of ECIL in June 1998 as per reply furnished by the Ministry.

48 Delay in construction of staff quarters

Failure of GM Faridabad to get the staff quarters constructed even after seven years of taking possession of land led to possibility of resumption of plot by HUDA and forfeiture of cost of land of Rs 1.54 crore already paid.

Inaction of GMT Faridabad for over six years in getting the drawings prepared for construction of quarters not only deprived the staff of much needed housing accommodation but the plot of land has itself fallen under the threat of resumption by Haryana Urban Development Authority (HUDA) and likely forfeiture of Rs 1.54 crore paid towards cost of land.

Construction of staff quarters not started even after seven years

GMT Faridabad purchased 4.9 acres of land at Rs 1.54 crore from HUDA Chandigarh in 1990 for construction of 94 staff quarters of type-II to V category. He took possession of the land in December 1991 but did not start construction of staff quarters even after seven years though the letter of allotment of HUDA stipulated a maximum period of five years for completion of construction.

Senior Architect delayed preparation of drawings

The department was not able to prepare even the drawings of various categories of quarters in the maximum period of five years permitted by HUDA for completion of construction. The DE (Planning) Faridabad put the blame on the Senior Architect and stated in December 1997 that construction could not be undertaken due to non-supply of drawings by the Senior Architect of DoT at New Delhi. CGMT stated that drawings were finally submitted to Estate officer HUDA in April 1998 and construction was yet to start as of July 1998.

HUDA served notice for resumption of plot of land

As the department failed to complete the construction within five years of the offer of possession of land, HUDA served a show cause notice in May 1997 for resumption of site and forfeiture of cost of land of Rs 1.54 crore paid by department. Thus, due to inaction on the part of GMT Faridabad and Senior Architect New Delhi, the department has to face the risk of losing the plot of land valuing Rs 1.54 crore.

Department had sufficient funds for construction of quarters.
Large number of staff waiting for accommodation

DoT has been persistently saving/surrendering funds under "staff quarters" during last six years in 1992-98. Delay in construction of quarters deprived large number of employees and officers of the government accommodation and the department also had to unnecessarily incur expenditure of Rs 21.29 lakh *per annum* towards payment of house rent allowance to the eligible categories of staff.

The terms of the allotment stipulated a rebate of 20 *per cent* on the cost of land in case of completion of construction within three years of offer of possession and 10 *per cent* rebate in case of completion within four years. Had the department acted promptly, it could have made saving of Rs 15.40 lakh instead of falling under the threat of resumption of land.

The matter was referred to the Ministry in July 1998; their reply was awaited as of December 1998.

49 Purchase of disputed land

Telecom District Manager Lucknow purchased disputed land in 1983 and therefore the department could not obtain possession of the land even after a lapse of 15 years resulting in the blocking of funds of Rs 30.32 lakh, loss of interest of Rs 42.44 lakh and delay in construction of staff quarters.

Telecom District Manager (TDM) Lucknow purchased land which was not free from encroachments. As a result, no staff quarters could be constructed even after 15 years as the department was not able to get possession of land from Uttar Pradesh Housing Development Board (UPHDB) due to encroachments.

Plot of land purchased in 1983 for construction of staff quarters at the cost of Rs 30.32 lakh

TDM Lucknow purchased a plot of land measuring 12000 sq.metre in October 1983 in Indira Nagar from UPHDB at the cost of Rs 15.16 lakh for construction of 18 Type-V staff quarters, 12 transit quarters, one inspection quarter and suitable numbers of Type-IV quarter on the rest of the space available. He also made further payment for Rs 15.16 lakh subsequently on account of *ab initio* revision of cost of land and lease rent.

Site suitability certificate not obtained before purchasing the land

Departmental rules provide that before purchase of land, the suitability of the site should be examined and a land suitability certificate given by the Architect and the Civil Engineer jointly. While giving the certificate, it was to be seen that the land was free from encroachments. The TDM however, did not obtain land suitability certificate from the Architect and Civil Engineer before proceeding for procurement of plot from UPHDB.

No possession of land even after 15 years

Thus, due to non-observance of codal provisions and neglect by the then TDM Lucknow, the department procured disputed land, the possession of which could not be obtained even after 15 years of making full payment to UPHDB. This resulted in blockade of funds of Rs 30.32 lakh, loss of interest of Rs 42.44 lakh thereon upto December 1998, denial of residential quarters to officers and avoidable payment of house rent to entitled officers who could not be provided with government accommodation.

As a fallout of delay in taking the possession of land and construction of quarters, the department had to resort to purchase of six ready built duplex quarters from Lucknow Development Authority in 1994 which could also not be utilised as commented upon in paragraph 50 of this Report.

The matter was referred to the Ministry in July 1998; their reply was awaited as of December 1998.

50 Injudicious purchase of ready built quarters

Six ready built duplex quarters purchased by CGMT East UP circle at the cost of Rs 46.62 lakh for senior officers of the department are lying vacant for the last three years while many officers are desperately waiting for government accommodation.

Chief General Manager Telecom (CGMT) East UP circle purchased six ready built quarters which were found inappropriate for allotment to the officers for whom these were purchased resulting in unnecessary blockade of funds and hardship to the officers concerned.

Ready built flats purchased for allotment to senior officers

In view of shortage of type V quarters, the CGMT East UP circle purchased six ready built higher income group (HIG) quarters in March 1994 under Gomati Nagar Scheme, Lucknow for allotment to the officers of eligible category. The quarters were procured from Lucknow Development Authority (LDA) at the total cost of Rs 46.62 lakh.

Quarters were smaller in size than the government approved schedule of accommodation

Officers refused to accept the allotment of quarters

Examination of relevant records by Audit in April 1997 disclosed that while deciding purchase of these duplex quarters from LDA, CGMT did not ensure that the covered area of the quarters was comparable with government's approved entitlement of accommodation for type V quarters. It was noticed only after taking over possession that the area of the quarters was less than the area of standard type V government quarters. The officers to whom these quarters were offered did not accept on the grounds that these quarters were of lesser area.

Quarters are lying unused for last three years

Despite nine officers being on waiting list for allotment of type V quarters as of November 1997, CGMT could not utilise even a single ready built duplex quarter even after the lapse of three years.

Thus, due to the negligence of CGMT, the quarters purchased at a cost of Rs 46.62 lakh are lying unutilised and causing hardship to the waiting officers of entitled category. The department also incurs avoidable payment of house rent to these officers who could not be provided accommodation of appropriate type and no recovery of rent was also possible for these quarters as they were not occupied.

Unjustified conversion of residential quarters into guest houses

To show utilisation of the purchased ready built quarters, CGMT accorded approval for conversion of three quarters out of six into guest house as per reply given by Assistant General Manager (Building) in May 1998. The action of CGMT was highly irregular and unjustified as these were residential quarters and not meant for guest house. Further, as Telecom department is already having a guest house with six suites in Aliganj at Lucknow, conversion of three more quarters into guest house is not justified.

The matter was referred to the Ministry in August 1998; their reply was awaited as of December 1998.

51 Follow up on Audit Reports

Despite repeated instructions/recommendations of the Public Accounts Committee, the department did not submit remedial Action Taken Notes on 24 Audit Paragraphs

With a view to ensuring accountability of the executive in respect of all issues dealt with in various Audit Reports, the PAC decided in 1982 that ministries/departments should furnish remedial/corrective action taken notes (ATN) on all paragraphs contained therein. The committee took a serious view of the inordinate delays and persistent failures on the part of large number of ministries/departments in furnishing the ATNs in the prescribed time frame. In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, the PAC desired that submission of pending ATNs pertaining to Audit Reports for the years ended March 1994 and 1995 be completed within a period of four months and recommended that ATNs on all paragraphs pertaining to the Audit Reports for the year ended 31 March 1996 onwards be submitted to them duly vetted by Audit within four months from the laying of the Reports in Parliament.

Department of Telecommunications failed to submit ATNs in respect of 6 paragraphs included in the Audit Reports upto and for the year ended 31 March 1996 as given in the Appendix XII.

Though the Audit Report for the year ended 31 March 1997 was laid on the table of the Parliament on 8 June 1998 and the time limit of four months for furnishing the ATNs has elapsed since, the department did not submit ATNs on 18 out of 40 paragraphs included in the Audit Report, details of which are in Appendix-XIII.

52 Response of the Ministry/Department to Draft Audit Paragraphs

Ministry/ Departments are required to send their response to draft audit paragraphs within six weeks

On the recommendation of the Public Account Committee, the Ministry of Finance issued directions to all ministries in June 1960 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks.

135 draft audit paragraphs (79 Revenue paras, 53 Expenditure paras and 3 reviews) proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 1998, Union Government (Post and Telecommunications) No.6 of 1999 were forwarded to the Secretary, Department of Telecommunications during April to November 1998 through demi official letters.

Secretary, DoT did not send replies to 51 draft audit paragraphs

The Secretary, Department of Telecommunications did not send replies to 51 draft audit paragraphs (29 Revenue paras, 19 Expenditure paras and 3 reviews) despite the above instructions of the Ministry of Finance issued at the instance of Public Accounts Committee as indicated in the Appendix XIV and XV. The fact of non-receipt of replies from the Ministry is also invariably indicated at the end of each such Paragraph included in the Audit Report.

SECTION – II

DEPARTMENT OF POST

CHAPTER 6
ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

53.1 Functions

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

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

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

53.2 Organisation

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

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

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

There were 153454 Post Offices in the country on 31 March 1998. Of these, 137043 were in rural areas and 16411 were in urban areas. The total number of Post Offices consisted of 835 Head Post Offices, 25073 Departmental Sub-Post Offices and 127546 Extra Departmental-sub or branch Post Offices. In addition, there are 573 Sorting Offices, 438 Record Offices, 46 Postal Stores Depots, 19 Circle Stamps Depots, six Postal Training Centres/Postal Staff College and 63 Dispensaries.

The department has 19 Postal Circles assisted by 40 Regional Directorates controlling 437 Postal Divisions and 69 Railway Mail Service Divisions. Speed post service is available to 81 cities within the country and to 89 countries abroad. The department has a civil wing responsible for planning, designing and execution of departmental buildings/projects. The civil wing is a multi disciplinary organisation comprising Architectural, Civil and Electrical engineering disciplines.

53.3 Manpower

The staff strength of the department during 1996 to 1998 was as under:

Table 53.3 Number of employees
(As on 31 March)

(in lakh)

Year	Departmental employees	Extra Departmental employees	Total
1996	2.88	3.10	5.98
1997	2.86	3.08	5.94
1998	2.94	3.10	6.04

There was a marginal increase in the number of employees in 1998.

53.4 Postal traffic

According to information furnished by the department, the volume of traffic projected and actually handled during 1995-96 to 1997-98 in respect of classical services was as under:

Table 53.4 Postal traffic

(A) Unregistered mails **(in lakh)**

Sl. No	Item	1995-96		1996-97		1997-98	
		Proj.*	Enmtd.**	Proj.	Enmtd.	Proj.	Enmtd.
1.	Post cards	5923	30236	5432	34416	4481	32548
2.	Printed Post cards	1531	--	1937	--	2118	--
3.	Letter cards (Inland)	7853	29726	7279	33132	6925	34249
4.	News papers						
	Single	1709	7644	1608	8509	1505	8495
	Bundle	306		337		400	
5.	Parcels	645	1206	643	1346	649	2414
6.	Letters	14463	51083	14416	52992	14041	58388
7.	Book packets	1388		1436	-	1270	-
8.	Printed books	583	8860	490	9572	558	9233
9.	Other Periodicals	469		380	-	414	-
10.	Acknowledgement	625	5328	25	5221	792	5877

* Proj - Projected, ** Enmtd. - Enumerated

Contd..

(B) Registered mail and others **(in lakh)**

Sl. No	Item	1995-96		1996-97		1997-98	
		Proj. *	**Actual**	**Proj.**	**Actual**	**Proj.**	**Actual**
11.	Money Orders	1015	1057	1010	1116	1028	
12.	Insured letters and parcels	83	94	93	103	94	95
13.	Value payable letters and parcels	85	103	93	106	94	97
14.	Registered letters and parcels	2895	2669	2912	2568	2867	2518
	Total (A)+(B)	**39573**	**138006**	**38691**	**149081**	**37236**	**153914**

* Proj - Projected

There is a wide gap between the enumerated and projected traffic of unregistered items. The enumerated traffic for the year is estimated by the department on the basis of results of half yearly enumeration conducted for 14 days each in the month of August and February in all delivery post offices of the country. These enumerated figures are further scaled down in accordance with the revenue of that particular year and this scaled down traffic is called assessed traffic. Based on assessed traffic, the traffic of next year is projected.

The traffic projection of unregistered items for 1997-98 was only 22.83 *per cent* of the enumerated traffic of these items for the year 1996-97. Scaling down of enumerated traffic to about one fourth for making traffic projections for next year indicates serious flaw in the methodology adopted by DoP for making assessment of postal traffic every year. In the absence of authentic traffic data, the costing of various postal services done by the department and the requirement of staff assessed by them, cannot be considered reliable.

53.5 Earnings from postal services and their costs

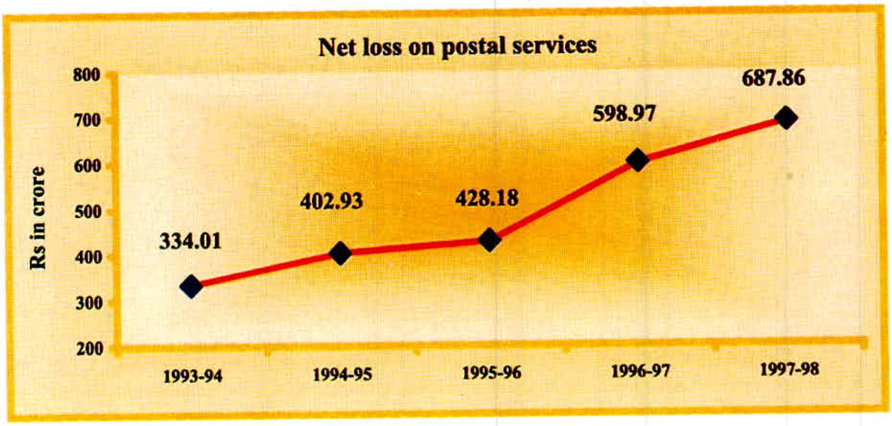
According to department's estimate, the average per unit cost and per unit revenue realised from the different postal services during the year 1997-98 on the basis of projected traffic were as given in table 53.5.

Table 53.5 Per unit gain/loss in operation of postal services

Sl. No	Services	per unit cost (in paise)	per unit revenue (in paise)	unit loss (-) gain(+) (in paise)	Traffic Projected (in lakh)	Total loss/gain (Rs in crore)	
						Loss	Gain
(a)	**Classical services**						
1.	Post card	272.49	23.00	(-)249.49	4481	111.79	-
2.	Letter	314.72	322.17	(+)7.45	14041		10.46
3.	Registered letter	1687.06	966.67	(-)720.39	2867	206.53	-
4.	Letter card(Inland)	284.35	96.00	(-)188.35	6925	130.43	-
5.	Money order	2425.50	1581.55	(-)843.95	1028	86.76	-
6.	Newspaper (single)	354.73	26.23	(-)328.50	1505	49.44	-
7.	Newspaper (bundle)	702.81	62.06	(-)640.75	400	25.63	-
8.	Indian Postal Order	1145.15	90.47	(-)1054.68	212	22.36	-
9.	Printed card	252.28	142.00	(-)110.28	2118	23.35	-
10.	Value payable letter and parcel	1318.94	288.41	(-)1030.53	94	9.68	-
11.	Other periodicals	643.38	208.37	(-)435.01	414	18.00	-
12.	Acknowledgement	241.69	100.00	(-)141.69	792	11.22	-
13.	Book packets etc.	488.13	269.61	(-)218.52	1270	27.75	-
14.	Telegraphic MO	2924.85	1781.55	(-)1143.30	23	2.63	-
15.	Printed books	746.15	224.81	(-)521.34	558	29.09	-
16.	Insured letter	2367.67	4190.05	(+)1822.38	94	-	17.13
17.	Parcel	2749.62	2990.75	(+)241.13	649	-	15.65
(b)	**Value added services**						
18.	Speed post	2261.57	4074.00	(+)1812.43	130	-	23.56
	Total					754.66	66.80

The department's net overall loss of Rs 687.86 crore on postal services including Speed Post during 1997-98 was up by Rs 88.89 crore compared to the net loss incurred during 1996-97. Out of 18 services mentioned above, 14 services were rendered on loss basis. However, since these losses are worked out on the basis of highly scaled down projected traffic, the losses and per unit cost do not provide a correct picture.

Comparative position of the net loss incurred by the department on various postal services including speed post during 1993-94 to 1997-98 was as under:



53.6 Value added services

With a view to reduce transit time and provide improved postal services, the department introduced value added services such as speed post, express parcel service, hybrid mail service, business post, corporate money order etc., between 1986 to 1995. The traffic and revenue trends under these services for the last two years are given in the table below:

Item	Introduction of service	Traffic (In lakh)		Revenue (Rs in lakh)	
		1996-97	1997-98	1996-97	1997-98
Speed post	Aug 1986	112.48	141.40	6995.00	7795.00
Express parcel Service	Dec 1994	1.13	1.91	34.51	66.75
Hybrid Mail Service	Jan 1995	0.18	0.26	3.40	5.04
Business Post (Mass Mailing)	Jan 1997	393.00	591.00	357.00	2021.00
Corporate Money order	May 1995	*117	*567	1.11	3.87
Commercial publicity				350	427

* (in numbers)

While speed post and business post are performing well, other value added services such as hybrid mail service and corporate money order scheme have not picked up. DoP is not maintaining any cost data in respect of value added services other than speed post and therefore it is not possible to verify whether these services are making profit or loss.

53.7 Revenue realisation and revenue expenditure

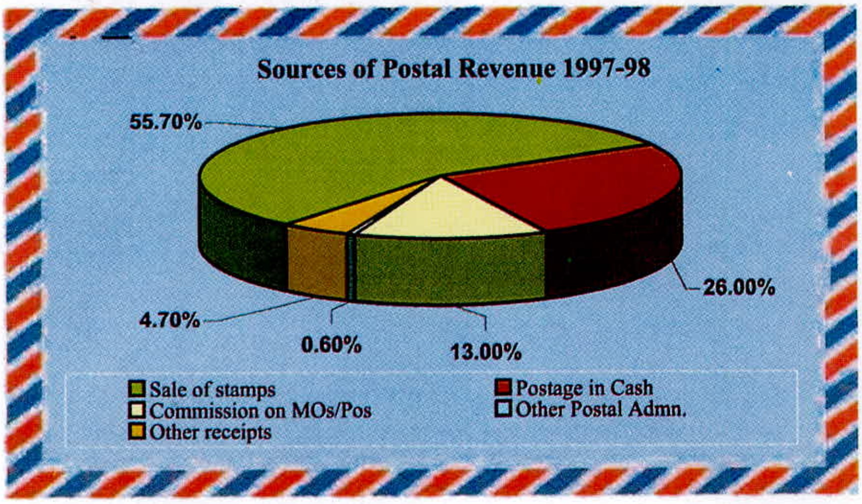
53.7.1 Revenue

Source wise revenue realisation during the three years ending 1997-98 was as under:

Table 53.7.1 Sources of postal revenue

(Rs in crore)

Item	Gross revenue		
	1995-96	1996-97	1997-98
Sale of ordinary and service stamps (affixed on cards, letters, parcels, book post ordinary, registered and insured categories including speed post)	651	658	873
Postage realised in cash (newspaper, franking machines at subscriber's premises, pre-postage etc.)	291	298	407
Commission on account of money orders and postal orders	172	189	204
Net receipts from other Postal Administrations	06	27	10
Other receipts (central recruitment fees, passport form fee etc.)	30	43	73
Total gross revenue	**1150**	**1215**	**1567**



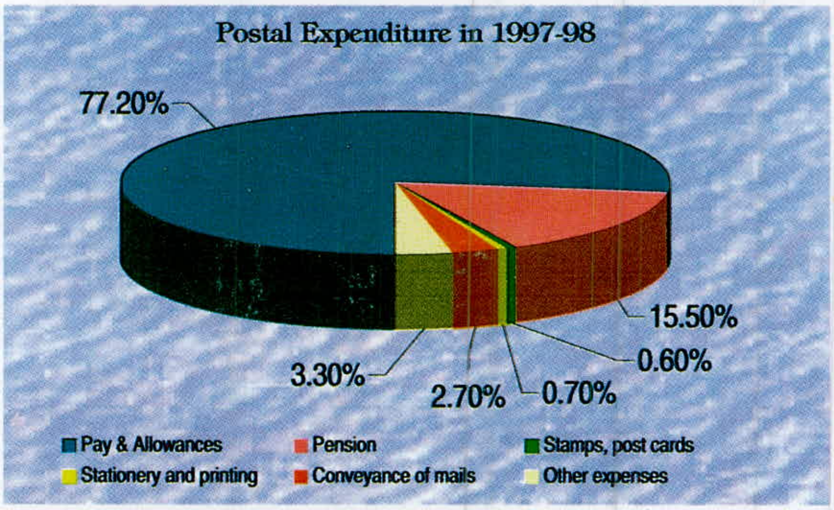
53.7.2 Revenue expenditure

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

Table 53.7.2 Revenue expenditure

(Rs in crore)

Category	1995-96	1996-97	1997-98
(a) Pay and allowances, contingencies, interim relief, etc.	1904.85	2220.69	2777.83
(b) Pensionary charges	311.73	384.39	558.25
(c) Stamps, post cards etc.	70.58	96.36	21.38
(d) Stationery and printing etc.	27.24	42.27	25.33
(e) Conveyance of mails (Payments to railways and air mail carrier)	78.18	148.49	98.15
(f) Other expenditure	79.56	90.11	116.98
Total	**2472.14**	**2982.31**	**3597.92**



53.8 Plan Outlay and physical performance

Despite specific request by Audit, Department of Post did not provide any information about the plan outlay under the IX Five Year Plan (1997-2002) and achievement of targets and financial performance during the first year of the IX Plan. Huge savings under Capital section as discussed in Chapter 7 are indicative of serious slippages in the attainment of targets regarding modernisation of postal services and expansion of postal network during 1997-98.

53.9 Net budgetary support

The net revenue budgetary support which is worked out by deducting receipts and recoveries from gross revenue expenditure was Rs 993.43 crore in 1997-98 against the provision of Rs 908.89 crore as under:

Table 53.9 Net budgetary support

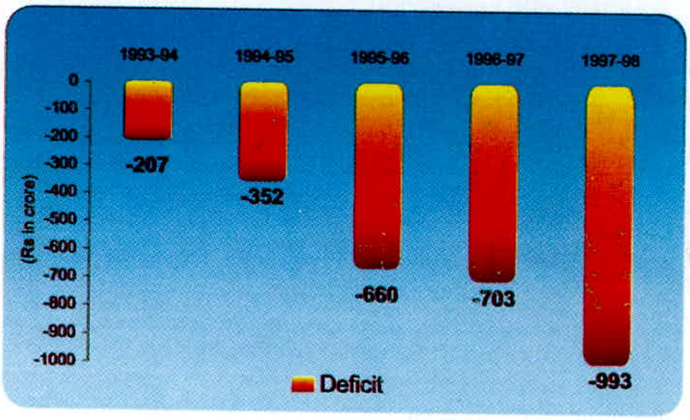
(Rs in crore)

		Total provision	Actuals
Provision (C)			
Original	3138.99	3677.99	3597.92
Supplementary	539.00		
Recoveries (A)			
Original	725.00	1144.10	1037.97
*Supplementary**	419.10		
Receipts (B)			
Original	1605.00	1625.00	1566.52
*Supplementary***	20.00		
Net budgetary support (C) -(A+B)		908.89	993.43

* *As provided in the proposal for Supplementary Grant*

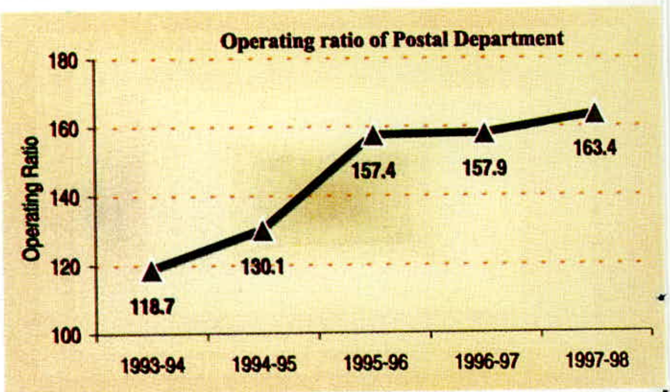
** *As in the Revised Estimates*

As most of the postal services are making losses, the overall deficit in the department of Post is increasing rapidly every year resulting in increased budgetary support as shown in the chart. The total deficit in DoP stood at Rs 993 crore during the year 1997-98. Further, against the provision of recoveries and revenue receipts of Rs 2769.10 crore the department could realise only Rs 2604.49 crore. This short realisation has increased the deficit by Rs 164.61 crore.



53.10 Operating results

Ratio of revenue expenditure to revenue receipts expressed in percentage basis is termed as operating ratio. The chart would reveal that the gap between revenue expenditure net of recoveries and revenue receipts has been widening over the last five years, increasing the operating ratio from 118.70 *per cent* to 163.40 *per cent*.



53.11 Agency functions and PLI

The department renders certain agency functions as detailed in Para 53.1 of this chapter.

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

Table 53.11 Deposits under savings bank/postal life insurance scheme

(Rs in crore)

Head of Account		Amounts outstanding as on 31 March		
		1998	**1997**	**1996**
8001 – Savings Deposits				
-101	Post Office savings bank deposits	25214 (641)	20413 (628)	19844 (519)
-103	Fixed and time deposits	3856 (17)	3457 (16)	3482 (14)
-104	Cumulative time deposits	58 (Dr) (18)	103 (75)	133 (73)
-105	Post office recurring deposits	9262 (384)	7841 (957)	6683 (939)
8006 - Public Provident Funds*				
-101	Public Provident Funds Postal part	2416 (9)	1847 (8)	1403 (6)
8002 - Savings Certificates				
-101	Post Office Certificates	86096	72349	61949
8011 - Insurance and Pension Funds				
-101	Postal Insurance Life Annuity Fund	2594	2182	1818

The number of accounts in lakh are given in brackets

* Public Provident Funds are handled by other agencies also

The department gets remuneration for the services at rates fixed from time to time by the Ministry of Finance based on the number of transactions. The department claimed Rs 70 crore on account of interest transactions and of Rs 130 crore on account of cumulative arrears of cost of accounting, audit and pensionary charges due from Ministry of Finance towards agency functions as on 31 March 1998, and the amount was yet to be settled.

53.12 Adverse balances in Finance Accounts

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

Following adverse balances appear in the Finance Accounts of the department for the last two years:

Table 53.12 Adverse balances in debt, deposit and advances heads

Sl. No	Head of Account	Amount outstanding as on 31 March (Rs in lakh)	
		1998	1997
1.	7610-800 Other advances	34.87 (Cr)	54.82 (Cr)
2.	8001-104 Cumulative time deposits	5781.66 (Dr)	10291.68 (Dr)
3.	8002-102 State saving certificates	3.99 (Dr)	3.91 (Dr)
4.	8002-104 Defence saving certificates	2979.92 (Dr)	2981.31 (Dr)
5.	8002-106 National development bonds	132.95 (Dr)	133.48 (Dr)
6.	8443-111 Other departmental deposits	16.38 (Dr)	14.58 (Dr)

The department had stated, in December 1996, that instructions were issued to the Circle Postal Accounts Offices to liquidate the adverse balances at the earliest. However, the adverse balances under all the heads are persisting and there is no improvement in the position except in respect of Cumulative time deposits and Other advances.

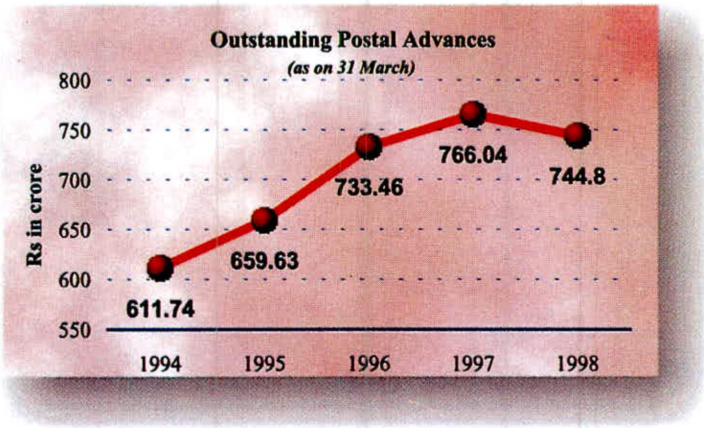
53.13 Suspense balances

The amounts initially booked under suspense heads of accounts falling outside the Consolidated Fund of India are ultimately to be cleared either by payment or recovery in cash or by book adjustment. Finance Accounts for the year ended 31 March 1997 showed a net balance of Rs 68.66 crore (Cr) under Major Head 8661-Suspense balances which at the end of 31 March 1998, rose to Rs 760.17 crore (Dr). This astronomical increase in the outstanding suspense balance shows lack of prompt action by the department towards clearance of outstanding balances despite being pointed out year after year in the Audit Reports. Further the net debit balance of Rs 760.17 crore does not give the correct picture, as the amount under debit side was Rs 4405.96 crore and credit side was Rs 3577.13 crore besides the opening balance of Rs 68.66 crore (Cr). These persistent huge amounts under suspense dilute the accuracy of the accounts and erodes their reliability.

53.14 Advances from Public Account

Postal advances mainly represent overpayment or short credit on account of National Savings Certificates, Money Orders, Cash Certificates, Bonds and prepaid expenses, advances to contractors etc. Audit scrutiny of Finance Accounts of DoP for the year 1997-98 revealed that:

- The outstanding advances under the Public Account 'Head 8553-101 - Postal Advances' which are mainly overpayments or short credits are increasing rapidly as would be seen from the chart.



- An amount of Rs 744.80 crore net debit was lying under this head at the end of 1997-98 pending adjustment.

The problem relating to increasing balances under the head Postal Advances was highlighted repeatedly in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1993 to 1997, Union Government (Post and Telecommunications). In the action taken note, department stated that these items *inter alia* included the amount of overpayment/short credit on post office cash certificates, amounts charged in accounts on account of fraud/theft cases etc. The settlement of such amount was a continuous and time consuming process and the instructions were issued to circle postal accounts offices to review the outstanding balances and to take effective measures to liquidate the damages.

Existence of large balances confirm that despite being pointed out in the Audit Reports, the attitude of the department has been lackadaisical and no serious attempts have been made to investigate the matter to arrest this increasing trend of overpayments/short credits under this head.

CHAPTER 7
APPROPRIATION ACCOUNTS

54.1 Introduction

Appropriation Accounts (Postal Services) indicate the details of amounts on various specified services actually spent by the Department of Post vis-à-vis those authorised by the Appropriation Act passed by Parliament. Appropriation Accounts of the Postal Services are prepared every year by the Secretary, Department of Post and audited and certified by Comptroller and Auditor General of India.

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

54.2 Budget grants and expenditure

A summary of Appropriation Accounts (Postal Services) exhibiting expenditure during 1997-98 compared with the sums authorised in the schedule appended to the Appropriation Act 1997 passed under Articles 114 and 115 of the Constitution of India, is given below:

Table 54.2 Appropriation and expenditure

(Rs in crore)

Section	Original grant	Supplementary grant	Total	Actual expenditure	Excess(+) Savings(-)
Revenue					
Voted	3138.68	539.00	3677.68	3597.92	(-)79.76
Charged	0.31	Nil	0.31	Nil	(-)0.31
Capital					
Voted	74.34	Nil	74.34	51.58	(-)22.76
Charged	0.17	Nil	0.17	0.03	(-) 0.14
Total	**3213.50**	**539.00**	**3752.50**	**3649.53**	**(-)102.97**

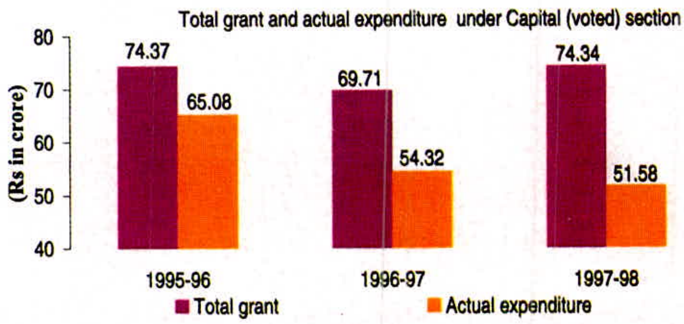
Savings under capital head was 30.61 *per cent* of the provision

There was an overall saving of Rs 102.97 crore during 1997-98. Under Revenue (voted) section, saving of Rs 79.76 crore was 14.8 *per cent* of the supplementary grant of Rs 539 crore. In Capital (voted) section, there was a saving of Rs 22.76 crore which constitute 30.61 *per cent* of the original provision. Overall saving in 1997-98 was 73.46 *per cent* higher as compared to the saving of Rs 59.36 crore during the previous year.

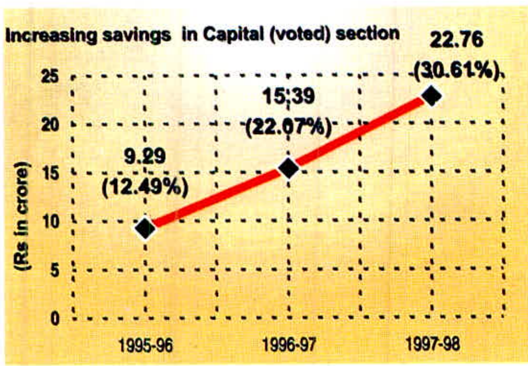
54.3 Persistent savings under Capital section

Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. Savings as shown in Appropriation Accounts, in real terms denote unspent amounts which are indicative of poor budgeting or shortfall in performance of the department under various schemes.

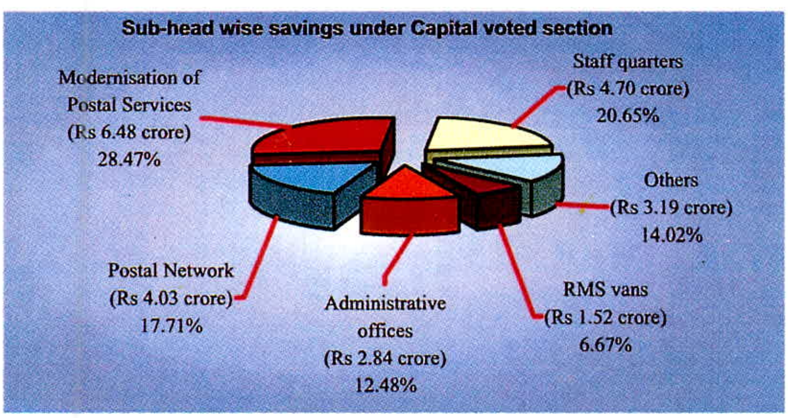
The persistent savings in the Capital (voted) section for the past three years are depicted in the charts below:



Savings, i.e. amounts not being spent under Capital section are becoming a general feature of the Postal Services. Even with the capital expenditure consistently declining during last three years, these savings are increasing every year. In 1995-96, there was a saving of 12.49 *per cent* under the Capital (voted) section, which rose to 22.07 *per cent* in 1996-97 and 30.61 *per cent* in 1997-98



Savings under Capital section were mainly under Mechanisation and modernisation of Postal Services, Postal Network, Construction of Staff quarters etc. as indicated in the chart.



Saving of about one third amount of the total grant/ appropriation under Capital (voted) section during 1997-98 calls for detailed investigation as such abnormal savings could be due to serious slippages in the department's programmes for modernisation of post offices, opening of new post offices, unjustified delays in construction of staff quarters and office buildings etc.

54.4 Department's explanation for savings in grant/appropriation

The reasons advanced by the department for savings under Revenue (voted) and Capital (voted) sections were as under:

Table 54.4 Saving in Grant

(Rs in crore)

Grant No. 13	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Post
Revenue (voted)	3677.68	3597.92	79.76	Non-receipt of bills from ISP Nasik/SSP Hyderabad, less procurement of material by postal stock depot, less number of training programmes than anticipated, less expenditure in conveyance of mails (Rail and Air) and economy measures etc,
Capital (voted)	74.34	51.58	22.76	Less receipt of final bills from contractors than anticipated

Out of the total savings of Rs 79.76 crore under Revenue (voted) section, Rs 69.12 crore was under the sub head-08-101 Post cards, envelopes, stamps etc. Since postage stationary is printed by government press at India Security Press Nasik and Security Printing Press Hyderabad, huge savings under this sub-head for want of bills shows lack of co-ordination between government press and the Department of Post.

54.5 Surrender of savings

As per Rule 69 of General Financial Rules, the Ministries/ Departments are to surrender the savings as soon as these are anticipated rather than waiting for the end of the year. This provision in Rules is made to ensure that the amount so available may be used for other needy sectors of the economy.

Under Revenue (voted) section, against the saving of Rs 79.76 crore, only Rs 73.70 crore were surrendered and under Capital (voted) section against the saving of Rs 22.76 crore only Rs 20.13 crore were surrendered. Further the department surrendered these amounts only in the last week of March 1998.

54.6 Injudicious re-appropriations

(i) The re-appropriation orders issued in March 1998 for augmenting of funds under the following heads of accounts were unnecessary, as the actual expenditure was either less or almost equal to the original provision.

Table 54.6 Injudicious re-appropriations

(Rs in lakh)

Head of Account	Original grant	Amount of re-appropriation to the Head	Actual Expenditure
Revenue section — Major Head "3201"			
03-101-07 Other Schemes	21.00	2.50	18.92
03-101-09 Rural Postal Life Insurance	353.00	15.00	265.18
06-101-01 Postal Welfare Fund	200.00	25.00	194.93
07-200 Other pension	10.00	34.00	6.20

ii) Re-appropriation orders issued in March 1998 for reducing the original grant/appropriation under the following heads were also unwarranted as the actual expenditure under these heads was either more or equal to the original provision :

Head of Account	Original grant	Amount of re-appropriation to the Head	Actual Expenditure
Revenue section — Major Head "3201"			
02-101-02 Opening and upgrading of post offices	102.45	(-) 25.45	118.83
02-101-05 Opening of new post offices / appointment of EDAs in rural areas (plan)	92.00	(-)63.00	95.08
02-101-06 Opening of new post offices / appointment of EDAs in tribal areas (plan)	34.00	(-)26.00	27.89

54.7 Under-utilisation of supplementary grant/appropriation

The department could not utilise Rs 79.76 crore out of the supplementary grant of Rs 539 crore obtained under revenue section.

CHAPTER 8
PERFORMANCE REVIEWS

55 Post Office Savings Certificates

55.1 Introduction

Operation and management of various issues of post office savings certificates is an important agency function performed by Department of Post on behalf of Ministry of Finance for mobilisation of small savings. The scheme of post office savings certificates is in operation since pre-independence period. A number of series of National Savings Certificates (NSCs) have been issued by the government from time to time. The currently transacted post office savings certificates are 6 year National Savings Certificates (VIII issue), 5½ year Indira Vikas Patra and 5½ year Kisan Vikas Patra.

55.2 Organisational set up

Post office savings certificates are issued and discharged through post offices under the supervision of Head of Post office. The accounting of issue and discharge of certificates is done by the Postal Accounts Organisation.

55.3 Scope of Audit

Functioning of selected post offices, postal accounts offices and circle stamp depots was reviewed in audit during July and August 1998 in six postal circles of Assam, Delhi, Madhya Pradesh, Uttar Pradesh, West Bengal and North East covering the period from 1995-96 to 1997-98 to examine the system of receipt, issue and accounting of post office savings certificates.

55.4 Highlights

- **Fraudulent encashment of Kisan Vikas Patras and NSCs worth Rs 1.34 crore during 1995-98 in Delhi, Uttar Pradesh and West Bengal circles.**

- **Loss of Kisan Vikas Patras and NSCs worth Rs 151.80 crore in transit in West Bengal circle during 1996-98 which is fraught with the risk of fraudulent encashment of these certificates.**

- **Huge arrears of reconciliation and accounting of cash certificates in all the circles test checked which was the main contributory factor of non-detection of cases of fraudulent encashment.**

- **Overpayment/short credit of Rs 15.98 crore made by various post offices in the country under Indira Vikas Patras and Kisan Vikas Patras during 1997-98 alone.**

55.5 *Issue and discharge of savings certificates*

Any person or body can get post office savings certificates of various denominations issued from post offices on payment of face value of the certificates. The maturity amount inclusive of interest is paid through post offices on encashment of certificates.

The position of receipt and payment under post office saving certificates for last three years is given in the table below:

(Rs in crore)

Year	Opening balance	Receipt	Payment	Closing balance
1995-96	54075	16832	8959	61948
1996-97	61948	16868	6468	72348
1997-98	72348	23573	9825	86096

Audit examination of accounting of Savings certificates from printing to encashment in post offices and postal accounts offices in selected postal circles revealed serious irregularities as detailed below.

55.6 *Loss in transit of NSCs and KVPs of face value of Rs 151.80 crore*

The blank forms of cash certificates are printed at Indian Security Press Nasik, transported by train to Circle stamp depots and supplied to post offices.

In para 43.5.2 of the Report of the Comptroller and Auditor General of Indiap, Union Government (Post and Telecommunications) No.6 of 1998, the department's attention was drawn to the loss of National Savings Certificates and Kisan Vikas Patras worth Rs 185.25 crore in transit in Assam and Bihar circles during 1994-97.

Loss of cash certificates worth Rs 151.80 crore in transit in West Bengal circle

Audit, however noticed that such a loss in transit, which was fraught with the serious risk of abuse and fraudulent encashment, still continued. Similar occurrence of loss in transit was repeated in West Bengal circle. A total of 153299 KVPs of face value Rs 111.80 crore and 40000 NSCs of face value Rs 40 crore were lost in transit in West Bengal circle between August 1996 to March 1997 alone. The consignments of these certificates despatched from ISP Nasik were received after one to 13 months of despatches but large number of cash certificates were found missing from the consignments. The break up of despatch and missing Kisan Vikas Patras and NSCs for West Bengal circle during 1996-97 and 1997-98 is given in table below:

Sl. No	Date of despatch from Indian Security Press Nasik	Type and denomination of certificate	Delivery of consignment at Stamp Depot	No. of certificates lost/short received	Total value of lost certificates (Rs in crore)
1.	2 August 1996	KVP Rs 5000 each	September 1996	11005	5.50
2.	10 March 1997	KVPs Rs 10000 each	April 1998	102294	102.30
3.	11 March 1997	KVPs Rs 1000 each	April 1998	40000	4.00
4.	10 March 1997	6 Yr. NSC VIII Issue Rs 10000 each	April 1998	40000	40.00
	Total			**193299**	**151.80**

Non-receipt of notification of lost certificates by Post Offices

The loss was notified by Chief Postmaster General (CPMG) West Bengal in May 1998 only after taking delivery of incomplete consignments. It was noticed in audit that no such notification was received by Head Post Offices and Sub Post Offices test checked as of July 1998. Further, the CPMG failed to publicise the loss and thereby inform the general public as well as banks. Due to this negligence, there was every possibility of unscrupulous people securing loans from the banks against the security of these missing certificates.

The continuance of such losses in transit and subsequent fraudulent encashment needs immediate remedial action at the highest level in DoP so that certificates worth crore of rupees do not get fraudulently encashed at a subsequent date. The methodology of despatch of these near money instruments needs to be reviewed by the department alongwith action against officials involved.

55.7 Fraudulent encashment of lost cash certificates of Rs 1.34 crore

During the course of review, it was noticed that large fraudulent payments were made in Delhi, Uttar Pradesh and West Bengal circles against lost certificates as indicated below :

Fraudulent encashment of lost cash certificates worth Rs 1.34 crore

Name of the circle	Year of payment	Name of Post Office	Category of Certificate	Amount (Rs in Lakh)
Delhi	1997-98 to 1998-99 (June 98)	Ashok Vihar	KVP	30.87
Uttar Pradesh	1996-97 & 1997-98	Lucknow	KVP	99.47
West Bengal	1995-96	Burdwan	NSC	2.72
	1995-96	GPO Calcutta	NSC	0.50
Total				**133.56**

There was fraudulent encashment of Rs 1.34 crore as indicated above by discharge of certificates without verification of particulars by the dealing officials. The delays in accountal of the issue and discharge of these certificates had made this matter very serious and enhanced greatly the possibility of occurrence of further frauds.

In Uttar Pradesh, fraudulent encashment of KVPs of Rs 99.47 lakh took place in various sub offices under Allahabad, Kanpur, Banda and Fatehpur Head Post Offices with the involvement of postal staff. The KVPs fraudulently encashed in Uttar Pradesh were from the lost consignments of Assam and Bihar circles commented in the Report of Comptroller and Auditor General of India Union Government (Post and Telecommunications) No. 6 of 1998.

It was noticed in audit that when fraudulent encashment of KVPs was detected in Uttar Pradesh, the Postmaster General (PMG) Kanpur region approached CPMG Assam circle to get confirmation and details of KVPs lost in that circle. In response, the Director Postal Services Assam circle replied in November 1997 that a full consignment of 80000 KVPs of denomination of Rs 5000 (1996 issue) bearing serial no. 35 BB/920001 to 1000000 despatched from Nasik government press in March 1996 was not received as yet by North East Stamp Depot (NESD) Guwahati. He further clarified that the loss of consignment was not notified by them as neither the consignment was received by the Superintendent NESD Guwahati by that time, nor the loss in transit was confirmed by Railways.

There is no justification for the Director Postal Services Guwahati to consider the consignment to be ‘in transit’ even after one and half year of despatch of the consignment from Nasik, which should not take more than a fortnight to month to reach Guwahati from Nasik by train. Audit examination disclosed that 240 KVPs valuing Rs 12 lakh of 35/BB of lost series of the above consignment had already been fraudulently encashed in sub-post offices at Manauri AFSO, Bindki and Karvi under Uttar Pradesh circle by November 1997. Delay in notifying the lost KVPs by Director Postal Services of Assam circle needs investigation for fixing responsibility.

55.8 Deficiencies in accounts of cash certificates

The preceding paragraph on loss in transit and fraudulent encashment of cash certificates brings into focus the system of accountal of receipt, issue and discharge of cash certificates.

Procedure is laid down by the department for the timely maintenance of accounts of issue and discharge of these certificates in the offices of Director of Postal Accounts located in each postal circle. It is the responsibility of the concerned postal accounts office to maintain stock registers for issues and discharges of cash certificates by various post offices. When a cash certificate is issued by a post office, the issue journal giving all details of the certificate issued is sent by the post office to postal accounts office for accounting purposes. Similarly when a cash certificate is encashed, the discharged certificate alongwith other necessary details are sent to postal accounts office. Proper accounting and effective pairing of issue and discharge of cash certificates in postal accounts office can bring to light fraudulent issues and encashment of these certificates.

Delay in posting of issue and discharge of cash certificates upto 4½ years

During the course of review of the six circles, it was noticed that in most of the circles this very important task of accounting of issue and discharge of cash certificates is not being performed; there are arrears for period upto 4½ years as indicated in the table below:

Name of the circle	Issue posting in arrears since	Discharge posting in arrears since
Kisan Vikas Patra		
West Bengal	February 1995	February 1995
North East (N.E)	December 1994	December 1994
Assam	December 1994	December 1994
Uttar Pradesh (U.P)	September 1995	September 1995
Delhi	December 1995	December 1995
Madhya Pradesh (M.P)	May 1996	April 1996
Indira Vikas Patra		
West Bengal	November 1994	January 1996
North East (N.E)	November 1994	January 1996
Assam	November 1994	January 1996
Uttar Pradesh (U.P)	September 1995	March 1994
Delhi	December 1995	December 1995
Madhya Pradesh (M.P)	May 1996	April 1996
National Savings Certificates		
West Bengal	February 1996	February 1996
North East (N.E)	February 1996	February 1996
Assam	February 1996	February 1996
Uttar Pradesh (U.P)	September 1995	September 1995
Delhi	December 1995	December 1995
Madhya Pradesh (M.P)	May 1996	May 1996

Timely posting of issue and discharge particular in the postal accounts offices would have ensured that frauds/fraudulent encashment of certificates get detected at the earliest. Inordinate delay in this important work by the Accounts wing resulting in non-detection of frauds encourages perpetration of such frauds with ease. In view of the recurrence of frauds as pointed out above it is imperative that these arrears in posting/pairing are pulled up on an immediate basis to act as a deterrent.

55.9 Overpayment/short credit relating to cash certificates

Examination of Finance Accounts of DoP for the year 1997-98 also disclosed the following:

55.9.1 Closed Schemes of cash certificates

The following schemes were discontinued between 1943 to 1981, but large amounts of overpayments/short credits were still lying unsettled even after 17 to 50 years of the closure of these schemes.

(Rs in crore)

S.No.	Schemes	Date of discontinuation	Cumulative balance of unsettled overpayment as on	
			March 1997	March 1998
1.	5 year cash certificate	June 1947	0.19	0.22
2.	10 year National Defence Certificate	September 1943	1.16	1.16
3.	12 year NSC	May 1957	5.50	5.08
4.	10 year National Plan Saving Certificate	May 1957	1.17	1.12
5.	7 year NSC (1st Issue)	May 1957	3.21	2.93
6.	10 year NSC (1st Issue)	March 1970	3.67	3.31
7.	7 year NSC (IV Issue)	April 1981	34.03	30.65
8.	7 year NSC (V Issue)	April 1981	62.92	46.06
9.	7 year NSC (III Issue)	December 1980	9.32	6.90
	Total		**121.17**	**97.43**

Huge outstanding overpayments/short credits indicate departmental failure to investigate all such cases for recovery of overpayments from the concerned individuals or to rectify the mistake of such overpayments/short credits.

55.9.2 Overpayments under current cash certificate schemes

The three cash certificates of 5½ years Indira Vikas Patra, 5½ years Kisan Vikas Patras and 6 years National Savings Certificate (VIII issue) are currently in operation. Under these schemes, the department has booked heavy overpayments/short credits during 1997-98 as indicated in the table below:

(Rs in crore)

Sl. No.	Schemes	Date of introduction	Unadjusted over payment/short credit as on *		Net addition during 1997-98 Increase (+) Decrease (-)
			March 97	March 98	
1.	5½ year Indira Vikas Patra	19.11.86	46.16	49.50	(+) 3.34
2.	5½ year Kisan Vikas Patra	1.4.88	41.81	54.45	(+) 12.64
3.	6 year National Saving Certificates (VIII Issue)	8.5.89	17.87	17.08	(-) 0.79

* *These are cumulative figures of unsettled overpayments/short credits since the introduction of the scheme*

Thus, there has been an overpayment/short credit of Rs 15.98 crore in just one year under the current schemes of Kisan Vikas Patras and Indira Vikas Patras as shown by the department. Such large amounts of overpayments/short credits in one year also indicate possibility of large number of fraudulent payments taking place under these schemes.

The matter was referred to the Ministry in December 1998; their reply was awaited as of January 1999.

55.10 Need for policy review

Agency functions such as post office savings certificates, postal savings bank, public provident fund etc. are primarily banking functions which are discharged by DoP on behalf of the Ministry of Finance. These functions were assigned to DoP long ago when banking network in the country was not very extensive. But over a period of 30-50 years, the volume of transactions under these schemes has increased manifold and DoP is not in a position to handle these functions efficiently. There are huge overpayments, adverse balances, inordinate delays in accounting of transactions, large scale loss of certificates in transit and fraudulent encashments as brought out in paragraphs 53.12, 53.14, and 55 in this Report.

In view of large amounts of public money involved under each of these schemes, it is necessary that accounting of transactions and management of these functions should be done at par with banking standards. Since at present, Banking sector has large network covering the entire country and is better equipped to handle such functions, the need to continue these agency functions in DoP would require examination especially in the context of their poor performance.

56 Mail Management in Metropolitan Cities

56.1 Introduction

Mail management involves mail collection, sorting, transmission and delivery of letters and other articles and is aimed at ensuring early delivery of mail, efficient utilisation of the resources and improved customer service. Bulk of the mail in the country are handled and routed through the metropolitan cities. In view of large volume of incoming and outgoing mail in metros, efficient management of mail in metros becomes an important task of the Department of Post.

56.2 Scope of Audit

A review was conducted by Audit in six cities of Delhi, Mumbai, Calcutta, Chennai, Bangalore and Hyderabad during March 1997 to August 1998 with the objective of assessing operational performance of the department keeping in view the ultimate objective of providing efficient customer service by delivering mail in time.

56.3 Organisational set up

The post offices are headed by Postmasters who are under the supervision of Superintendent of Post Offices. The mail sorting offices function under Superintendent Railway Mail Service. The overall supervision and control of the mail service in a State/Circle is exercised by Chief Postmaster General.

56.4 Highlights

- **The performance of the department in delivering the mail in time has been very poor. About 48 to 78 *per cent* of mail was delivered late as per National Test Letter Run conducted by the department themselves. The situation was especially alarming in metro cities of Calcutta and Chennai.**

- **Important reasons for delay included absence of preliminary sorting by Post offices before despatch of mail and improper sorting and accumulation of mail in sorting offices.**

- **Automatic mail processing centres (AMPCs) at Mumbai and Chennai were grossly under utilised due to failure of the department to standardise the mail for mechanical sorting. The under utilisation cost the department Rs 93.56 lakh annually as the non-standardised mail were being sorted manually despite spare capacity of AMPCs.**

> **At Chennai the department has been incurring an avoidable expenditure of Rs 54.78 lakh per year due to failure to redeploy surplus staff even after three years of commissioning of AMPC.**

56.5 Postal network and traffic in metros

The department has set up a vast network of post offices, sorting offices including automatic mail processing centres and introduced special schemes like Metro channel to ensure delivery of metro mail within the prescribed time norms.

The average volume of mail handled per day by the metro cities during 1995-98 is given in the table below:

(in lakh)

Name of the metro	**Volume of mail per day (both incoming and outgoing)**		
	1995-96	**1996-97**	**1997-98**
Calcutta	15.07	15.75	17.29
Chennai	14.98	15.30	14.04
Delhi	26.82	27.74	27.99
Mumbai	34.76	32.42	28.22
Bangalore	11.45	13.04	12.70
Hyderabad	10.91	10.29	10.20
Total	**113.99**	**114.54**	**110.44**

56.6 Delivery of mail

The operational efficiency of mail management can be judged by the time taken in collection of mail at the originating stations to the delivery at the destinations. As per DoP's norms mail should be delivered within one to three days following the day of posting. The department conducts National Test Letter Run (NTLR), Live Mail Surveys (LMS) and Circle Test Letter Runs (CTLR) at periodical intervals to determine the average time taken for delivery of mail. National test letter run is conducted by posting letters from one Post office in one circle to another Post office in another circle to determine the actual time taken in transmission of mail at National Level. Circle test run is conducted covering all District Headquarters within a circle. Live mail survey is conducted by Superintendent Railway Mail service covering one post office every month under his jurisdiction.

The percentage of mail delivered in time and late as revealed by NTLR and LMS conducted by the Postal circles during 1995-96 to 1997-98 are given below:

City	NTLR		LMS	
	Percentage of mail delivered in time	**Percentage of delayed mail**	**Percentage of mail delivered in time**	**Percentage of delayed mail**
Mumbai	26.13	73.87	65.49	34.51
Calcutta	32.37	67.63	76.51	23.49
Delhi	39.06	60.94	68.63	31.37
Chennai	21.58	78.42	78.71	21.29
Bangalore	49.44	50.56	72.60	27.40
Hyderabad	51.77	48.23	55.24	44.76

Audit analysis of data collected in test runs disclosed the following:

Poor performance in three out of six metros

(i) The metro mail delivered in time ranged from 21.58 *per cent* to 51.77 *per cent* as per NTLR. Amongst the six metros, Chennai, Mumbai and Calcutta performed poorly as 68 to 78 *per cent* mail was delivered late in these cities.

(ii) Even according to LMS which was claimed by DoP to be more reliable, 21.29 to 44.76 *per cent* of mail was not delivered within the prescribed norms of one to three days.

Hence, the operational performance of various metro cities in the country in the matter of timely delivery of mail was far from satisfactory as almost half of the mail was delivered late.

Department's greater reliance on LMS than NTLR is not tenable as LMS depicts only the time taken for transmitting mail from the originating post offices to the delivery post offices, whereas the NTLR gives the full picture of the time taken between collection of letters from post boxes in the originating stations and the delivery of letters to the addressees in the destinations

The department attributed the delay to non-availability of rail, air and bus links, sudden surges in mail traffic, logistics of mail movement in the cities, climatic conditions etc. The department's reply was not correct as these factors equally affect all the metros whereas test results show that the performance of certain metros has been poor as compared to others. Further, these factors ought to have been taken into consideration by the department when norms were fixed.

56.7 Non sorting of mail by post offices

Preliminary sorting not being conducted properly

In Chennai, Delhi, Hyderabad and Mumbai post offices consigned the mail to sorting offices without proper preliminary sorting of mail meant for specific territories, delivery post offices etc. in violation of departmental instructions. This was one of the causes for the delay in delivery. The department stated that clear instructions were issued regarding preliminary sorting in post offices and instructions were also issued to post offices for sending metro and Rajdhani mail directly to destination cities bypassing the mail offices.

56.8 Improper sorting in sorting offices

Sorting offices perform detailed sorting of mail received from post offices and segregate them into distinct station bundles, district bundles and circle concentration bundles. Whereas the mail included in the station bundles does not require further handling or sorting, the mail included in the district and circle concentration bundles require one or two more handlings at the destination. The greater the number of handlings each letter undergoes during its transmission, the greater is the expenditure and time taken. The department has therefore stipulated that the sorting pattern in the sorting offices should be so designed as to achieve an average handling rate not exceeding 1.80 sortings per letter.

Test check by Audit in 33 sorting offices in Bangalore, Calcutta, Chennai, Hyderabad and Mumbai cities indicated the following:

Higher handling rate per letter in 15 out of 33 sorting offices test checked

(i) Out of 33 sorting offices, 15 had average handling rate higher than the prescribed norm of 1.80 per letter. Parcel sorting office in Calcutta, Hyderabad Air sorting office, Anna Road sorting office in Chennai and Air sorting offices in Bangalore had the highest handling rates between 2.27 to 3 handling per letter.

Handling rate higher in Calcutta compared to other metros

(ii) While the sorting offices in Mumbai, Chennai, Bangalore and Hyderabad were more or less adhering to the handling norms, those in Calcutta had very high average handling rate of 2.08 thereby contributing to the delay in delivery of mail.

Improper sorting resulting in greater number of handling caused avoidable delays in delivery of mail. The department stated that instructions were issued to all circles to ensure that handling rate is kept within norms.

56.9 Delays due to holding up of mail

Sorting offices function round the clock in two or three shifts. Every sorter is required to sort certain prescribed number of letters during his shift. Departmental instructions stipulate that there should not be any transfer of unsorted mail from one shift to another for more than five occasions in a month and even in such cases the quantum of each transfer should not exceed five to ten *per cent* of the total mail handled in the shift. Excessive transfers of unsorted mail from one shift to another shows less than optimal performance by the sorter and results in delay in transmission of mail.

Shift to shift transfer of mail was very high in Calcutta and Mumbai

Test checks conducted by Audit in six cities disclosed that on an average 13.14 *per cent* of mail remained unsorted at the end of a day due to shift to shift transfers. Such transfers were abnormally high in Calcutta (32.71 *per cent*) and Mumbai (22.25 *per cent*).

The department stated that shift to shift transfer of mail was due to late running of trains, receipt of mail in late hours, and sudden surges in volumes during festive seasons. However, instructions were issued to all heads of circles to minimise such transfers.

56.10 Performance of Automatic Mail Processing systems

To modernise and cut down delays in sorting of mail, the department commissioned two imported automatic mail processing systems at Mumbai and Chennai at a total cost of Rs 42 crore in April 1993 and August 1995 respectively.

The underutilisation of automatic mail processing centre (AMPC) Mumbai was commented in the paragraph 3.1 of the Report of Comptroller and Auditor General of India for the year ended 31 March 1994. The department in their advance questionnaire to the Public Accounts Committee (PAC) stated that with the introduction of machineable three flap inland letter card from 1995, the output of AMPC would increase substantially.

Under utilisation of AMPC

Further examination by Audit during 1997-98 however, disclosed that the performance of AMPC did not improve significantly even after four years. AMPCs at Mumbai and Chennai were grossly under-utilised as indicated in the table below:

Sorting of letters per day

	Chennai	Mumbai
Installed capacity	12.60 lakh	12.60 lakh
Volume of mail targeted for sorting	8.40 lakh	9.88 lakh
Volume of mail sorted by AMPC	3.19 lakh	3.51 lakh
Percentage of mail sorted to the targeted mail	37.98	35.53

Avoidable expenditure of Rs 93.56 lakh *per annum* on manual sorting

The under-utilisation of AMPCs was due to non-availability of adequate quantum of machineable mail. As a result, the department had been incurring an avoidable expenditure of Rs 93.56 lakh *per annum* on manual sorting.

The department stated that though the installed capacity of each AMPC was projected as 12 lakh articles per day of 20 hours duration, in actual practice, each AMPC could work for only 16 hours a day and one out of the two letter sorting machines installed in each city was kept as standby. The total output of each AMPC cannot go beyond 5.50 to 6.00 lakh articles per day and the output of 5.20 lakh articles in October 1997 at Mumbai and 4.92 lakh articles in October 1996 at Chennai were almost close to the feasible maximum output of 5.50 to 6.00 lakh per day. The department's contention is not acceptable as the proposal approved by Expenditure Finance Committee (EFC) for setting up the AMPC at Chennai envisaged the targeted output of 8.40 lakh articles per day, taking 14 hours working per day. The justification for the project, financial viability, additional staff required for the AMPC, Chennai etc. were also computed at the targeted output of 8.40 lakh articles.

56.11 Retention of excess staff

The approved project for the AMPC, Chennai envisaged an operational savings of Rs 29.84 lakh during the first year of operation on account of redeployment of 101 sorters becoming surplus on introduction of the AMPC. This was after taking into account 77 staff members required for operating the AMPC.

Audit scrutiny at Chennai, however, disclosed that no reduction in the strength of sorters or redeployment was effected at Chennai sorting office after commissioning of the AMPC. Against 77 staff members sanctioned for the AMPC Chennai, as on March 1997 there were 84 staff members besides 32 Group 'D' staff not envisaged in the approved project.

Recurring expenditure of Rs 54.78 lakh due to non deployment of surplus staff

Thus, the department continued to incur recurring expenditure of Rs 54.78 lakh *per annum* due to its failure to re-deploy surplus 101 sorters even after 3-5 years of AMPC commissioning.

The matter was referred to the Ministry in October 1998; their reply was awaited as of December 1998.

CHAPTER 9
MAJOR FINDINGS IN TRANSACTION AUDIT

57 Irregular opening of time deposit account

General Post Office New Delhi opened time deposit account in favour of an institution in contravention of the rules and allowed irregular payment of interest of Rs 4.48 crore.

Irregular payment of interest of Rs 4.48 crore on the accounts opened in contravention of post office time deposit rules

In terms of departmental instructions of October 1995 institutions are not permitted to open post office time deposit accounts effective from 1 April 1995. Orders state that in case of any irregularity in this regard action should be taken against erring officials. Audit, however, noticed that in disregard to the instructions issued by Department of Post (DoP), Council of Scientific and Industrial Research (CSIR) New Delhi was permitted to open time deposit account, amounting to Rs 64.31 crore by GPO New Delhi during May 1995 to March 1998. The Council was also allowed interest of Rs 4.48 crore which is totally irregular. In this regard suitable action to recover the irregularly paid interest as well as action against erring officials for the lapse is required to be taken.

The matter was referred to the Ministry in November 1998; their reply was awaited as of December 1998.

58 Irregular payment of interest on Monthly Income Scheme

Seven Head Postmasters under West Bengal circle allowed opening of Monthly Income Scheme accounts in contravention of rules and also made inadmissible payment of interest of Rs 6.60 lakh.

Under Monthly Income Scheme, more than one account may be opened by a single or joint depositor subject to the condition that the total amount of deposit in all the accounts taken together shall not exceed Rs 2 lakh under single account and Rs 4 lakh under joint accounts. These limits were raised to Rs 2.04 lakh and Rs 4.08 lakh with effect from June 1993. When an account is found to have opened in contravention of these rules such account is required to be closed and the amount of deposit refunded to depositor without interest.

Irregular payment of interest of Rs 6.60 lakh on the accounts opened in contravention of monthly income scheme rules

Failure of seven Head Postmasters (HPMs) in West Bengal circle to follow these rules resulted in irregular payment of interest Rs 6.60 lakh during November 1990 to April 1998.

The Ministry stated in November 1998 that an amount of Rs 2.38 lakh was recovered and the action for the recovery of balance amount would be taken.

59 Loss of revenue of Rs 1.19 crore

Various post offices and railway mail service offices in Orissa circle permitted concessional tariff to proprietors of 38 periodicals during March 1980 to December 1996, despite breach of conditions by them. This resulted in under charging of postage of Rs 1.19 crore from the proprietors.

Examination of records of various post offices and Railway Mail Service (RMS) offices in Orissa circle by Audit between July 1995 and December 1996 revealed that the heads of postal divisions/post offices and RMS divisions allowed inadmissible tariff concessions to the proprietors of 38 periodicals during March 1980 to December 1996 resulting in revenue loss of Rs 1.19 crore and corresponding benefit to the proprietors of these periodicals.

Departmental rules provide the following conditions for posting of periodicals and magazines at concessional rates:

Rules for grant of concession in tariff

- Periodicals/magazines which are published at intervals of not more than 31 days on furnishing a bonafide list of subscribers can be registered with the Senior Superintendent of Post Offices (SSPOs) concerned for posting of such periodicals at concessional tariff after prepayment of postage.
- For posting of periodicals and magazines at concessional rates without prepayment of postage, the proprietor of the periodical should obtain a licence from the Chief Postmaster General. He is also required to get himself registered with the SSPO concerned.
- The registration and licence are required to be renewed each year, failing which these periodicals have to be charged at the rates applicable to book packets treating this as breach of condition.

Irregular concession of Rs 59.50 lakh in tariff

It was noticed in audit that though the proprietors of 38 periodicals did not get the licences/registrations renewed, the heads of 13 postal divisions/post offices and two RMS divisions under Orissa circle continued to permit the proprietors to post the periodicals at concessional tariffs during March 1980 to December 1996 instead of charging them at book packet rates. This resulted in loss of revenue of Rs 59.50 lakh to the department being the difference in the book packet rates and the concessional rates allowed in respect of 38 periodicals. The amount of loss of revenue was worked out by Audit on the basis of number of copies shown to be posted in their initial applications for registration of periodicals as post offices and RMS divisions did not maintain register for registered newspapers/periodicals posted by them every day, though maintenance of such registers was mandatory under rules.

Penalty of Rs 59.50 lakh not charged

Further, as per rules, insufficiently prepaid book packets were chargeable on delivery with double the amount of the deficiency. The heads of postal divisions/offices and RMS divisions did not charge this penalty from the proprietors of these 38 periodicals resulting in further revenue loss of Rs 59.50 lakh and corresponding undue benefit to the proprietors.

Thus, negligence on the part of heads of postal divisions/offices and RMS divisions in Orissa circle resulted in less recovery of postage of Rs 1.19 crore during March 1980 to December 1996.

The Ministry in April 1997 stated that the correct rates applicable would be the difference between the rates for registered newspapers and those of book packets containing periodicals. The reply is not tenable as in addition to this amount, penalty as per rules is also chargeable.

60 Undue benefit to private publishers

Chief Postmaster General (CPMG) Tamil Nadu Postal Circle gave undue benefit to private publishers by allowing concessional tariff for postage of 21 magazines and novels by registering these as newspapers. This resulted in a loss of revenue of Rs 3.28 lakh during 1996-97 alone.

Test check by Audit in July 1997 of some of the postal articles posted at concessional tariff at post offices in Chennai revealed that 21 magazines, story books and novels were also irregularly allowed concessional tariffs by registering them as newspapers.

Concessional tariffs admissible only for registered newspapers

As per rules, only registered newspapers were permitted to post the copies to their subscribers at concessional tariff if the publication contained wholly or in great part political or other news or articles relating thereto, or to other current topics, with or without advertisements.

CPMG Tamil Nadu registered novels and story books as newspapers

It was observed in audit that CPMG allowed concessional tariff to magazines like Chandamama (in nine languages), Balamitra etc. and novels such as 'Crime', 'Kudumba', 'A novel time' etc, which contained only short stories/fictions and were not news based magazines.

Irregular concession of Rs 3.28 lakh in tariff

Irregular concessions extended by CPMG to private publishers led to a revenue loss of Rs 3.28 lakh during 1996-97 alone. Thorough investigation by DoP of all inadmissible concessions in tariff permitted by CPMG Tamil Nadu in earlier years may be required to work out the total revenue loss to the department in order to recover the same.

The matter was referred to the Ministry in July 1998; their reply was awaited as of December 1998.

61 Injudicious procurement and surrender of land

DoP after acquiring 120032 sq. yard of land from Jaipur Development Authority in 1982 and spending over Rs 1.42 crore during the period 1982 to 1995, finally surrendered 110810.94 sq. yard of land back to the Authority after 13 years on account of indecisiveness of DoP about land use leading to blocking of capital and loss of interest of Rs 1.25 crore.

Plot of land purchased for training centre at Jaipur in 1982 at the cost of Rs 1.42 crore

Scrutiny of records of Chief Postmaster General (CPMG) Rajasthan circle and the Senior Superintendent of Post Offices Jaipur during July-November 1996 revealed that for establishing a Regional Postal Training Centre (RPTC) at Jaipur, the department purchased a plot of land measuring 120032 sq. yard in 1982 from Jaipur Development Authority (JDA) and made payment of Rs 1.42 crore towards cost of land and lease rental during the period 1982 to 1995. The department also incurred an expenditure of Rs 8.23 lakh in September 1987 towards the construction of a boundary wall around the plot.

DoP could not decide about the land use for 13 years

But the department in these 13 years failed to take a decision regarding utilisation of the land. While the work for preparation of detailed drawings was entrusted to Telecommunications Consultants of India Limited in April 1985, the then Secretary (Post) in January 1989 stated that a training centre in the conventional sense might not be feasible at Jaipur. In November 1991 the then MOS(C) approved establishment of RPTC at Jaipur and laid the foundation stone. However, in June 1994 DoP reviewed its earlier decision and decided not to open RPTC at Jaipur on the ground that the existing five training centres were adequate to serve the training needs of the department.

DoP surrendered land after 13 years

Finally the department retained a small portion measuring 9221.06 sq yard and surrendered the remaining land measuring 110810.94 sq yard to JDA in May 1995 and obtained a refund of Rs 1.30 crore towards proportionate cost of surrendered land, lease rental and cost of boundary wall.

Loss of interest of Rs 1.25 crore due to blockade of capital

The indecision on the part of the department and failure to assess its training needs led to the blocking of capital of Rs 1.30 crore for 13 years and consequential loss of interest of Rs 1.25 crore.

The Ministry stated in September 1998 that consequent upon the bifurcation of the department and reduced intake of officials, the possibility of utilisation of land was explored but was not found feasible.

The Ministry's reply is not tenable as the bifurcation of erstwhile P&T department at circle level had taken place in September 1974 i.e. well before the land was acquired and DoP was also fully aware of reduced intake of fresh trainees while approving the establishment of RPTC in 1991.

62 Failure to acquire land for post office

Failure of Postmaster General (PMG), Coimbatore to furnish specifications for construction of post office building resulted in non-construction of the building by the land owners even after nine years of out of court settlement.

PMG Coimbatore neither enforced land acquisition proceedings nor got the post office building constructed by the land owners as agreed to by them in an out of court settlement in 1989. Thus, despite payment of Rs 31.75 lakh to the land acquisition authorities, PMG was not able to acquire the land and construct post office building even after nine years.

For acquisition of land measuring 1.08 acre for construction of Gandhipuram post office in Coimbatore, PMG initiated land acquisition proceedings through state government land acquisition authorities in January 1985 which was challenged in Chennai High Court by land owners. The department paid Rs 31.75 lakh in two instalments in March 1985 and October 1989 to the land acquisition authorities towards cost of land.

DoP entered into agreement with land owners for withdrawing court case and land acquisition proceedings

The department in October 1989 made an out of court settlement with the land owners for dropping the acquisition proceedings and in return, land owners were to withdraw the writ petition and construct 4800 sq ft with not less than half of such accommodation in the ground floor for housing the post office on a 99 years lease basis at nominal rent of rupee one per month. Accordingly, land owners withdrew the writ petitions between April-December 1990.

Audit scrutiny of records of PMG Coimbatore in February 1998 disclosed the following irregularities :

PMG failed to furnish specifications of building to the land owners

(i) Agreement stipulated that the land owners would construct post office building as per the specifications to be given or approved by DoP, but PMG Coimbatore did not furnish any specification to the land owners to enable them to construct the building.

PMG neither withdrew the land acquisition proceedings nor enforced the terms and conditions of agreement

(ii) In July 1994 when the land owners submitted their own plan providing 2400 square feet of plinth area in the ground floor and 2400 square feet on the first floor, the PMG Coimbatore rejected the same and directed the land owners to revise the plan providing 4400 square feet in the ground floor and balance on the first floor. This was not agreed to by the land owners and the case remained unresolved as of December 1998. The agreement stipulated that the land owners were to complete the construction of building within five years of withdrawal of land acquisition proceedings. Due to inept handling of the case by the PMG Coimbatore, no progress was made either to enforce the terms of out of court settlement or to acquire land through land acquisition proceedings.

Thus, due to failure of the PMG Coimbatore to enforce the terms and conditions of agreement, the department could not get a building for Gandhipuram post office even after nine years. Besides, the amount of Rs 31.75 lakh was also blocked with the land acquisition authorities due to delay in settlement of the case.

The Ministry in their reply stated in September 1998 that owners were yet to submit a revised plan as per the specifications of the department. Reply of the Ministry is not acceptable as DoP did not take appropriate action as per their out of court settlement.

63 Inordinate delay in preparation of building plan

Due to inordinate delay of over 13 years in preparing the drawings for construction of building for Maninagar post office, it had to continue in rented buildings defeating the very purpose of purchasing the land for the post office.

Land for post office building purchased in 1982 at the cost of Rs 22.14 lakh

Senior Superintendent of Post Offices (SSPO) Ahmedabad purchased 2392 square yards of land at Rs 22.14 lakh from Ahmedabad Municipal Corporation (AMC) in October 1982 for construction of post office building and the title to land was transferred to the department in March 1985. Though a period of more than 13 years had elapsed, the department was not able to make much progress to construct the building due to delay at various levels in processing the case.

Inordinate delay in preparation of drawings

DoP approved the schedule of accommodation in January 1985 which was revised in October 1988 to accommodate P&T dispensary. Though preliminary drawings were prepared in February 1989, SSPO Ahmedabad and Senior Architect Mumbai could not finalise the drawings for over four years. When the drawings were sent to AMC in August 1993, it returned the drawings in January 1994 with certain observations. Senior Architect and SSPO took another two years to revise the drawings. The revised drawings were submitted to DoP only in March 1996 which were finally approved in August 1998 after more than two years.

Maninagar post office was continuing in a rented building. SSPO Ahmedabad, Senior Architect Mumbai and DoP took 13 years in preparing the schedule of accommodation and drawings and showed no urgency to construct the building after purchasing the land. Since construction of a post office building was not a major project, such a long period taken just for preparation of drawings etc., was not justified.

The Ministry stated in October 1998 that the drawings were required to be revised time and again on account of various objections by AMC. Further, during VIII Five Year Plan funds for construction of new buildings were very meagre and a ban was also imposed on taking up new building projects in July 1994.

The Ministry's reply is not tenable as the drawings were submitted to the Municipal Corporation only in August 1993. The observations of the Corporation were not promptly attended to by the SSPO and Senior Architect. Further, till July 1994 there was no ban on construction of buildings.

64 Delayed utilisation of leased land

Abnormal delay in the preparation of site plan, drawings and estimates by DoP resulted in delayed construction of staff quarters on the leased land and consequential avoidable payment of Rs 26.27 lakh to Chandigarh Administration as extension fee for the first six years of extension, besides incurring further liability of Rs 10.95 lakh towards extension fee for 7th year.

Construction was to be completed within three years

Postmaster General (PMG) Northwest circle Ambala purchased a plot of land measuring 5.41 acres in sector 37A Chandigarh in March 1986 from Chandigarh Administration at a cost of Rs 34.58 lakh on 99 years lease basis for construction of a postal staff colony. As per the condition of allotment letter issued by the Chandigarh Administration, the construction of quarters was to be completed within three years of allotment. The Senior Architect and Postal civil wing however, delayed preparation of drawings and estimates resulting in delay in construction of quarters and consequently PMG had to make avoidable payment towards extension fee of Rs 26.27 lakh to the

Chandigarh Administration for seeking more time for completing the construction work.

Senior Architect DoP delayed preparation of drawings

Drawings got prepared from Chandigarh Administration on payment of fee

The PMG entrusted the work of preparation of the master plan to the Senior Architect of DoP in April 1987 but he failed to prepare the drawings as per the department's requirement and in conformity with the rules and regulations of Chandigarh Administration. PMG had to finally get the drawings prepared from Senior Architect of the Union Territory Administration at a cost of Rs 2.40 lakh which were finally approved in June 1990. Hence, in the period of three years allowed by the Chandigarh Administration for completing the construction, PMG was not able to prepare even the drawing for the staff quarters.

Postal civil wing delayed preparation of estimates

After approval of drawings, the Postal civil wing took another one and half years for preparation of detailed estimates, which were finally approved in June 1992. The work for construction was awarded in August 1993 to be completed by February 1995. But the work was completed only in September 1996.

Avoidable payment of extension fee of Rs 26.27 lakh

Thus, due to the department's delayed action in preparing the drawings/estimates and subsequent delay in construction, it had to seek extension of seven years from Chandigarh Administration resulting in avoidable payment of extension fee of Rs 26.27 lakh for the first six years of extension and a liability of Rs 10.95 lakh for the 7th year.

Avoidable payment of house rent of Rs 9.32 lakh

Chandigarh Administration demanded payment of extension fee in September 1996 but the PMG released the payment in February 1998. Due to delay of 17 months in payment of extension fee, Chandigarh Administration did not release water and electricity connections to staff quarters. PMG could finally take the possession of the quarters only in May 1998. This led to delay in allotment of quarters to the staff and consequential avoidable payment of house rent allowance of Rs 9.32 lakh to the employees besides loss of licence fee of Rs 2 lakh.

The Ministry stated in September 1998 that the project could not be executed within the stipulated period of three years because of encroachments on the land, modification of layout plan to meet the requirement of Haryana circle and shortage of funds. The reply is not tenable because all encroachments were cleared by May 1987 when the possession of the site was taken by the department and the work was budgeted in 1988-89.

65 Non deduction of Income Tax at source

Non-observance of provision of Income Tax Act by post offices in Maharashtra and Delhi led to non-deduction of Income tax at source of Rs 12.85 lakh.

Scrutiny of records by Audit in May-June 1998 at New Delhi and in Maharashtra circle revealed two cases of non-deduction of Income tax at source by Senior Superintendent of Post Offices (SSPO)/Head Postmaster.

Income Tax Act 1961 as amended by the Finance Act 1991, 1994 and 1995 enjoin upon all postal authorities responsible for making payment on account of (i) payment of lease rentals on leased buildings exceeding Rs 1.20 lakh *per annum*, to deduct Income tax at source at 20 *per cent* of the amount paid and (ii) withdrawal under National Saving Scheme (NSS).

Income tax of Rs 9.37 lakh not deducted at source from payment of lease rent

The SSPOs of Borivli and Northern Region Mumbai in Maharashtra circle did not deduct Income tax at source while making payments amounting to Rs 57.62 lakh to the landlords as lease rentals in respect of leased buildings. This led to non-recovery of Income tax of Rs 9.37 lakh from January 1994 to May 1998.

NSS payments made without deducting Income tax at source

Exemption from deduction of Income tax at source was admissible only if aggregated amount of payment under NSS in a financial year was less than Rs 2500 or when a depositor submitted a declaration in writing to the effect that the tax on the total income for the relevant financial year would be nil. But the Head Postmaster Ashok Vihar post office New Delhi did not follow these provisions of Income tax Act and allowed withdrawals exceeding Rs 2500 under NSS without deducting Income tax at source in 34 cases and in six cases he exempted deduction of Income tax on the basis of certificates which were incomplete and filled in a manner so as to be of no use to the Income tax department as revealed in audit check. This led to non-recovery of tax of Rs 3.48 lakh during April 1994 to April 1998 in these 40 cases.

In respect of Maharashtra circle the Ministry while accepting the lapse stated in December 1998 that the action was being taken to recover the amount of Income tax from the concerned parties. Final reply with regard to Delhi circle was awaited as of December 1998.

66 Follow up on Audit Reports

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

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

Review of outstanding ATNs relating to Department of Post, Ministry of Communications revealed that final Action Taken Notes in respect of eight audit paragraphs were awaited as of December 1998. The details of pending ATNs are given in the Appendix XVI.

67 Response of the Ministry/Department to Draft Audit Paragraphs

Ministry/Departments are required to send their response to draft audit paragraphs within six weeks

On the recommendation of the Public Account Committee, the Ministry of Finance issued directions to all ministries in June 1960 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks.

15 draft audit paragraphs and 2 draft reviews proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 1998:Union Government (P&T) No.6 of 1999 were forwarded to the Secretary, Department of Post during April to November 1998 through Demi Official letters.

Secretary, DoP did not send replies to five draft audit paragraphs including reviews

The Secretary, Department of Post did not send replies to three draft audit paragraphs and two draft reviews as of December 1998 in compliance to above instructions of the Ministry of Finance issued at the instance of Public Accounts Committee. The fact of non-receipt of replies from the Ministry is also invariably indicated at the end of each such paragraph included in the Audit Report.

T.S. Narasimhan

(T.S. NARASIMHAN)
Additional Deputy Comptroller and Auditor General
(Post and Telecommunications)

Delhi
The 1 April 1999

Countersigned

V.K. Shunglu

(V.K. SHUNGLU)
Comptroller and Auditor General of India

New Delhi
The 1 April 1999

APPENDIX - I

(Referred to in paragraph 2.2.6 at page 14)

Significant cases of re-appropriation which were injudicious on account of their non-utilisation

(Rs in crore)

Sl. No	Head of Account	Amount of re-appropriation to sub-head	Amount of final saving under the head after re-appropriation
1.	C1(2)(1) Circle Offices	0.70	2.04
2.	C1(2)(4) Engineering Divisional and Sub-Divisional offices	20.31	24.22
3.	C5(2)(1) Buildings	6.77	20.39
4.	C5(4)(4) Transmission Systems	0.19	0.51
5.	C5(4)(6) Telecommunication Training Centre	6.36	12.65
6.	C6(2)(2) Divisional Offices	0.46	1.02
7.	C7(1)(5) Payments under Central Government Health Scheme	1.46	1.94
8.	C10(1)(3) Depreciated value of Assets	0.11	0.32
9.	F1 Wireless Planning & Co-ordination	0.02	0.33
10.	F2 Wireless Monitoring Service	0.98	1.21
11.	F3(2) Asia Pacific Telecommunity	0.03	0.06
	Total	**37.39**	**64.69**

APPENDIX-II

(Referred to in paragraph 2.2.6 at page 14)

Cases of injudicious re-appropriation when actual expenditure exceeded the final provision after re-appropriation

(Rs in crore)

Sl. No.	Head of Account	Amount of re-appropriation from the sub-head	Excess expenditure over the balance provision after re-appropriation
1.	C6(2) Accounts	(-) 0.36	(+) 1.14
2.	C7(1)(2)(1) Departmental Canteen Subsidies	(-) 0.06	(+) 0.15
3.	C8(3) Compassionate Allowance	(-) 0.30	(+)0.35
4.	C10(2) Social Security & Welfare Programme	(-) 0.01	(+) 0.27
5.	BB2(2) Telephone Exchange Manual	(-) 3.00	(+) 4.65
	Total	**(-) 3.73**	**(+) 6.56**

APPENDIX - III

(Referred to in paragraph 8.1 at page 22)

Non-billing or short billing of customers-- Non-receipt of advice notes

Sl. No.	Particulars of lines/ cables/circuits	Period of short/ non-recovery	Total amount of short/non-recovery	Particulars of bills issued/recovery made after issue of Audit Memo		Remarks
				Amount recovered/ month of recovery	Amount to be recovered	
1.	2.	3.	4.	5.	6.	7.
Andhra Pradesh Telecommunications Circle			**(Rs in lakh)**			
1	Provision of Telephones to JVG Finance Limited, Hyderabad	Upto December 1996	9.05	-	9.05	Facts confirmed, bill issued in December 1996
Andaman and Nicobar Telecommunications Circle						
2	Provision of TP circuits between Port Blair and Nicobar	October 1991 to October 1997	6.53	6.53 November 1997 to March 1998	-	Facts confirmed
Gujarat Telecommunications Circle						
3	Provision of a teleprinter circuit between Ahmedabad-Jaipur for National Airport Authority	March 1995 to March 1998	4.92	4.00 March 1998	0.92	Bills issued in January 1998
4	Provision of 60 long distance connections to Reliance Petroleum Ltd. between Jamnagar and village Mot-Khavdi	November 1997 to November 1998	23.12	23.12 February 1998	-	-
Karnataka Telecommunications Circle						
5	Provision of 64 KBps digital leased circuits between Mumbai-New Delhi to Asea Brown Boveri Limited, Bangalore	December 1995 to October 1997	18.10	18.10 October 1997	-	Facts confirmed

1.	2.	3.	4.	5.	6.	7.
Madhya Pradesh Telecommunications Circle						
6	Provision of hot line to Agarwal Round Rolling Mills Raipur and speech circuit to Dainik Bhaskar Raipur	September 1990 to June 1997	4.01	4.01 November 1997	-	Facts confirmed
7	Four speech circuits provided to Central Railways	September 1996 to September 1998	7.97	6.37 September 1998	1.60	-
8	Provision of two data circuits between Jabalpur-Satna to Central Railways	February 1995 to June 1998	9.68	9.68 January 1998 and May 1998	-	Facts confirmed
9	100 pair, 20 pair, 10 pair, 20 Lbs underground cable at Air Force Station Gwalior and Hotline between Gwalior and Datia to Agro Solvent products	January 1993 to March 1998	10.08	2.07 January 1998	8.01	Facts confirmed bills issued in September 1997
10	Three speech circuits provided to Central Railways	July 1992 to June 1996	7.84	7.84 August 1995 and October 1998	-	Facts confirmed
Maharashtra Telecommunications Circle						
11	Telephone facility provided to 1411 subscribers in Jalna	March 1994 to April 1995	9.48	9.48 February 1997 to July 1997	-	Facts confirmed
12	Provision of EPABX, private wire and non-exchange line to various subscribers by TDM Aurangabad	October 1992 to December 1998	7.31	6.06 March 1997 to February 1998	1.25	Facts confirmed bill issued
13	Two Data circuits with point to point facility provided to Southern Railways between Kohlapur-Sangli and Kohlapur-Miraj by GMT Kohlapur and GMT Panji	March 1996 to April 1998	29.54	16.72 January 1998 to August 1998	12.82	Facts confirmed
14	200 FAX connections on PSTN by GMT Aurangabad to various subscribers	February 1990 to September 1998	8.91	4.79 November 1998	4.12	-
15	Two Speech circuits provided to Jain Irrigation system Jalgaon	January 1996 to February 1999	11.81	10.41 December 1998	1.40	Facts confirmed

1.	2.	3.	4.	5.	6.	7.
Orissa Telecommunications Circle						
16	Provision of 3 visual display units to DG Police between i) Bhubnaswar-Balasore ii) Bhubnaswar-Dhenkanal iii) Bhubnaswar-Sambalpur	November 1992 to March 1995	8.00	8.00 December 1996	-	Facts confirmed
Punjab Telecommunications Circle						
17	Provision of underground cable to Army Authorities at New Amritsar Cantt.	January 1993 to June 1998	73.71	59.61 March-April 1997	14.10	Facts confirmed bill issued in February 1998
18	Provision of underground cable between Signal Centre and New Cantt. Amritsar	February 1992 to January 1999	32.83	32.83 November 1998	-	Facts confirmed
Rajasthan Telecommunications Circle						
19	499 No. of Telephone connections provided to various subscribers	October 1997 to January 1998	6.75	6.75 October 1998	-	Facts confirmed
Tamil Nadu Telecommunications Circle						
20	24 International Data circuits provided to various subscribers	January 1992 to June 1998	4.44	4.44 April 1998 to September 1998	-	Facts confirmed
21	50/20 Lbs Dedicated cables provided to DIG Police CID and Chief Engineer, North Madras Thermal Power Project, Ennore	December 1996 to June 1998	31.72	31.72 April 1998 and June 1998		Facts confirmed
	Total		**325.80**	**272.53**	**53.27**	

APPENDIX - IV

(Referred to in paragraph 8.2 at page 22)

Non-billing or short billing of customers – Bills issued at old rates

Sl. No.	Particulars of lines/ cables/circuits	Period of short/non-recovery	Total amount of short/non -recovery	Particulars of bills issued/recovery made after issue of Audit Memo		Remarks
				Amount recovered/ month of recovery	Amount to be recovered	
1.	2.	3.	4.	5.	6.	7.
Bihar Telecommunications Circle			**(Rs in lakh)**			
1	Provision of speech circuit to Border Security Force and Defence authorities	November 1992 to March 1999	3.32	-	3.32	Bills issued in July 1998
Gujarat Telecommunications Circle						
2	Provision of speech circuit to Gujarat Machinery Mfg. Limited between Anand and Mumbai	October 1995 to September 1996	2.80	2.80 December 1995	-	-
3	Provision of teleprinter circuit to Chief Secretary, Government of Gujarat between Gandhi Nagar and New Delhi	November 1992 to October 1996	2.33	2.33 January 1997	-	Facts confirmed
Haryana Telecommunications Circle						
4	Provision of 13 speech circuits to the Defence authorities by GMT Ambala	November 1992 to June 1998	14.17	0.94 December 1998	13.23	Facts confirmed
Kerala Telecommunications Circle						
5	Provision of nine long distance speech circuits to Indian Air Force by GMT Thiruvananthapuram	November 1992 to March 1998	85.35	-	85.35	Bills issued in August 1997

1.	2.	3.	4.	5.	6.	7.
Madhya Pradesh Telecommunications Circle						
6	Provision of five speech circuits to S.B.I Bhopal	November 1992 to March 1998	17.27	17.27 November 1997	-	Facts confirmed
7	Provision of speech circuits to defence authorities between stations 'A' and 'B'	November 1992 to March 1997	5.12	5.12 November 1997 and March 1998	-	Facts confirmed
8	Provision of three speech circuits to Bhilai Steel Plant between Bhilai and New Delhi	November 1992 to October 1997	22.69	-	22.69	Facts confirmed bill issued in February 1998
Punjab Telecommunications Circle						
9	Provision of lease circuits to Defence authorities by GMT Amritsar	November 1992 to April 1998	14.75	-	14.75	-
West Bengal Telecommunications Circle						
10	Provision of three speech circuits to Steel Authority of India, Durgapur by DET, Durgapur	November 1992 to September 1998	30.63	-	30.63	Bills issued in December 1997
	Total		**198.43**	**28.46**	**169.97**	

APPENDIX - V

(Referred to in paragraph 8.7 at page 25)

Non-billing or short billing of customers –Failure to demand and collect rent

Sl. No.	Particulars of lines/ cables/circuits	Audit observation	Period of short/ non-recovery	Total amount of short/ non-recovery	Particulars of bills issued/recovery made after issue of Audit Memo		Remarks
					Amount recovered/ month of recovery	Amount to be recovered	
1.	2.	3.	4.	5.	6.	7.	8.
Andhra Pradesh Telecommunications Circle					(Rs in lakh)		
1.	Provision of Data Circuits to Railways and Naval authorities	Short billing/Non-billing of rental	July 1991 to June 1997	18.50	18.50 May 1997 to August 1997	-	Facts confirmed
Andaman & Nicobar Islands Telecommunications Circle							
2.	Provision of Hotlines, one EPABX, underground cables and external extensions from EPABX to army authorities	Failure to issue bills, short/ non-claim in rental bills	April 1991 to June 1997	12.52	4.50 April 1998	8.02	Facts confirmed bills issued in December 1996 and February 1997
Assam Telecommunications Circle							
3.	Provision of two underground cable of 50 pairs /20 lbs for 10 km to Hindustan Paper Corporation by TDM Silchar	Incorrect fixation of rent and non-recovery of installation charges	March 1986 to March 1996	5.24	5.24 September 1998	-	Facts confirmed
4.	Provision of 24 channel speech circuit and 12 channel VFT UHF link between station 'A' and 'B' to CSO, Eastern Command by TDM Silchar	Wrong fixation of R&G	October 1990 to June 1998	21.14	-	21.14	Bill issued in November 1997
5.	Provision of 30 channel UHF link between station A&B to IAF by DET, Silchar	Wrong fixation of R&G	July 1989 to June 1998	33.42	-	33.42	Facts confirmed bills issued in November 1997
6.	Provision of 14 pairs 40 lbs underground cables to All India Radio and Army authorities	Failure to recover rental at the rate of 10 *per cent* after expiry of guarantee period	September 1989 to June 1998	4.69	4.69 April 1998 and June 1998	-	Facts confirmed

1.	2.	3.	4.	5.	6.	7.	8.
Gujarat Telecommunications Circle							
7.	Provision of external extension from subscriber's owned EPABX to Army authorities	Non-recovery of rent on the basis of chargeable distance	June 1992 to May 1996	4.49	4.49 June 1997 and March 1998	-	Facts confirmed
8.	Provision of three long distance telephone connections to Kakrapar Atomic Power Project	Non-recovery of rentals on the basis of actual distance beyond local area	September 1990 to March 1998	11.23	11.23 May 1998 and September 1998	-	Facts confirmed
9.	Provision of long distance telephone connections to various subscribers by TDM Surat	Failure to recover rent including the additional charges for actual distance beyond local area	June 1986 to March 1998	2.84	1.44 upto August 1998	1.40	-
10.	Provision of 19 Data circuits to various private subscribers by GMT, Surat	Non/Short recovery of one time conditioning charges, rent and installation charges	March 1995 to November 1998	3.61	3.16 March 1998 to June 1998	0.45	Facts confirmed bills issued in February 1998
Haryana Telecommunications Circle							
11.	Provision of H.I. system of 8 channel to Army authorities	Failure to revise the rent after expiry of guarantee period	July 1989 to March 1998	6.83	-	6.83	Facts confirmed bills issued in September 1997
12.	Provision of speech circuit to Haryana State Electricity Board	Failure to issue bills	June 1990 to May 1998	6.81	-	6.81	Facts confirmed, bills issued in April 1998
13.	Provision of Speech circuits with four pair underground cable to Northern Railway between Hissar and Sirsa	Failure to recover rent on the basis of chargeable distance and 1/3rd inter-connection charges	August 1993 to March 1998	5.21	-	5.21	Facts confirmed, bills issued in December 1997
Jammu and Kashmir Telecommunications Circle							
14.	Provision of subscriber's owned EPABX by TDM, Jammu to various subscribers	Non-recovery of licence fee	February 1989 to February 1997	6.30	4.31 Upto May 1998	1.99	-

1.	2.	3.	4.	5.	6.	7.	8.
Karnataka Telecommunications Circle							
15.	Single Channel VHF system provided to Kirloskar Ferrous Industries Ltd.	Short realisation of rent	May 1996 to May 1998	4.24	4.24 February 1998	-	Facts confirmed
16.	Provision of intercity circuits with nodal equipment between Societe International De Telecommunicate and 14 locations	Non-recovery of licence fee	May 1989 to March 1997	13.10	11.92 June 1996 and July 1996	1.18	-
Madhya Pradesh Telecommunications Circle							
17.	N.E.L. provided to various subscribers	Non-billing of rental	April 1996 to March 1998	4.80	3.82 July 1997	0.98	Facts confirmed
Maharashtra Telecommunications Circle							
18.	Provision of Digital Transmission Media to VSNL	Wrong computation of chargeable distance	December 1993 to March 1996	25.67	25.67 March 1997	-	Facts confirmed
19.	Provision of inter-connection facility on speech circuit with departmental telephone network to Police wireless Pune	Non-billing of rent	October 1988 to May 1998	47.52	6.89 March 1998 and July 1998	40.63	-
20.	Provision of two data circuits and two T.P. circuits between Jalgaon-Bhusawal	Non-billing of rent	January 1996 to January 1999	5.68	5.68 January to July 1998	-	Facts confirmed
21.	Speech circuit provided to Marico Industries Ltd. and Data circuit to Lokmat News papers Jalgaon	Non-billing of rent & guarantee	April 1995 to November 1998	10.09	10.09 January 1998	-	Facts confirmed
22.	Provision of 50/20 lbs two underground cables to Naval authorities	Short billing of rent	March 1983 to June 1998	9.00	-	9.00	Facts confirmed, bill issued.
North East Telecommunications Circle							
23.	Provision of 13 speech circuits and 6 TP circuits by TDM Dimapur to various subscribers	Non -issue of bills	July 1996 to November 1997	44.09	39.02 August 1997 to January 1998	5.07	Facts confirmed bills issued in May 1997
24.	Provision of two speech circuits and 13 non-exchange lines to Superintendent of Police Kohima by TDM Dimapur	Non-issue of bills	January 1994 to February 1998	4.39	-	4.39	Bills issued in May 1997
25.	Provision of two 20 pair NE lines to National Airport Authority of India Agartala by TDM Agartala	Incorrect fixation of rent and non-revision of tariff	April 1986 to March 1997	4.28	-	4.28	Bills issued in November 1996

1.	2.	3.	4.	5.	6.	7.	8.
Orissa Telecommunications Circle							
26.	Provision of two 50 pairs/10 lbs dedicated cables to NIC between Telephone Bhawan and NIC Bhubaneswar	Incorrect application of rental	February 1988 to March 1995	5.99	5.99 December 1997	-	Facts confirmed
27.	Shifting of NCJ alignment from Bargaon to Rourkela by TDE, Rourkela for Orissa State Electricity Board	Incorrect calculation of shifting charges	One time payment	19.39	-	19.39	-
Rajasthan Telecommunications Circle							
28.	Provision of Air Raid precaution equipment at Barmer, Jaisalmer and Jodhpur	Non-billing of rent and guarantee	November 1994 to April 1998	8.86	0.80 May 1998	8.06	Facts confirmed
29.	Provision of ACSR wire between Hanumangarh to Sadulpur	Non-billing of rent	October 1986 to March 1997	11.65	-	11.65	-
Tamil Nadu Telecommunications Circle							
30.	Provision of EPABX to various subscribers by GMT, Chennai	Failure to conduct physical verification of the connection and updating the billing	June 1991 to April 1998	7.53	7.53 December 1997 to March 1998	-	Facts confirmed
31.	Provision of 16 local data circuits to private parties by GMT Chennai	Failure to recover one time conditioning charges	One time payment	6.40	6.40 November/ December 1996	-	Facts confirmed
32.	Provision of 400 VPTs, LPTs etc. by Cauvery river delta telephone district	Non-issue of bills	July 1996 to July 1997	7.63	6.29 August 1998	1.34	Facts confirmed
West Bengal Telecommunications Circle							
33.	Provision of leased telephone circuit between IITs at Kharagpur and Kanpur by TDM, Kharagpur	Non-issue of bills	February 1996 to February 1999	16.45	-	16.45	Bill issued in June 1998
34.	Provision of underground cable to IAF on two routes by TDE, Kharagpur	Non-recovery of compensation for premature surrender and incorrect fixation of rent	August 1985 to August 1995	20.13	-	20.13	
	Total			**419.72**	**191.90**	**227.82**	

APPENDIX - VI
Part - A

(Referred to in paragraph 11.7 at page 33)

Statement showing the equated quarterly amounts fixed

Phase	No. of Quarterly installment	EQA for Rs.1000 of invoice value	PLR of SBI at which the EQA was fixed initially	Variation in EQA shall occur when
I	20	Rs 74.16	15	There is increase or decrease of 1 *per cent* in PLR at the rate of Rs 1.50 per thousand for 1 *per cent* increase or decrease.
II	28	Rs 57	15	There is increase or decrease of 1 *per cent* in PLR at the rate of Rs 1.50 per thousand for 1 percent increase or decrease
III	20	Rs 250 per thousand in Ist installment and balance in 19 installments at the rate of Rs 61.50 per thousand	14.5	There is an increase or decrease of 0.25 *per cent* in PLR at the rate of Rs 0.375 per thousand per 0.25 *per cent* increase or decrease

Part - B

PLR of SBI changed seven times between March 1994 and January 1998 as under:

Date	Rate of PLR (in *per cent*)
March 1994	15.0
18 October 1994	14.0
16 February 1995	15.0
6 September 1995	15.5
10 November 1995	16.5
16 April 1997	14.0
1 July 1997	13.5
January 1998	13.0

APPENDIX -VII

(Referred to in paragraph 12.7 at page 38)

(in Rs)

Statement showing the rates for trenching and laying of cable in various SSAs selected for audit review

Circle and SSA	1995-96		1996-97		1997-98	
	Ordinary soil	Hard soil	Ordinary soil	Hard soil	Ordinary soil	Hard soil
Gujarat Circle						
Baroda			10.77	19.00	20.00	27.00
Surat	11.50	16.50	11.50	16.50		
Ahmedabad	20.80	22.80	24.40	26.40	22.00	28.00
Palampur	8.90	12.90	8.90	12.90	8.90	12.90
Average	**13.73**	**17.40**	**13.89**	**18.70**	**16.96**	**22.63**
Kerala Circle						
Ernakulam	25.50	25.50	25.50	25.50	20.66	20.66
Kottayam	18.00	30.00	19.50	32.50	19.50	32.50
Pathanamthitta	22.00	37.00	22.00	37.00	19.20	32.64
Kollam	19.00	32.30	17.00	29.00	16.48	28.00
Average	**21.13**	**31.20**	**21.00**	**31.00**	**18.96**	**28.45**
Maharashtra Circle						
Kolhapur Urban	15.50	36.50	15.50	36.50	26.00	26.00
Kolhapur Rural					26.00	26.00
Sangli	17.10	20.90	25.20	31.50	26.33	33.64
Pune Urban	13.50	56.50	13.50	55.50	13.50	55.50
Pune Rural	9.20	33.00	9.80	30.80	9.80	30.80
Ahmednagar Urban	19.50	58.00	23.50	59.00	18.00	67.00
Ahmednagar Rural	16.50	31.00	17.50	30.00	18.00	39.50
Amaravati Urban	17.00	19.00	19.00	27.00	19.05	78.74
Amaravati Rural	17.00		13.50	21.50	18.95	75.64
Akola Urban	16.00	20.60	16.25	24.00	26.25	53.75
Akola Rural	22.00	24.20	17.47	24.00	26.25	53.75
Wardha	17.25		18.38		18.00	42.00
Kalyan	24.75	27.75	24.75	27.75	28.99	58.91
Average	**17.11**	**32.75**	**17.86**	**33.41**	**21.16**	**49.32**
Orissa Circle						
Balasore	22.08	22.08	21.10	21.10	21.10	21.10
Bhubaneswar	25.34	25.34	22.94	22.94	22.94	22.94
Berhampur	18.24	26.45	19.36	28.12	22.85	30.50
Average	**21.89**	**24.62**	**21.13**	**24.05**	**22.30**	**24.85**

Circle and SSA	1995-96		1996-97		1997-98	
	Ordinary soil	Hard soil	Ordinary soil	Hard soil	Ordinary soil	Hard soil
Rajasthan Circle						
Swaimadhopur	8.58	8.58	12.30	12.30	16.10	16.10
Jaipur	14.78	14.78	19.17	19.17	13.32	13.32
Churu			7.00	10.00	10.55	10.55
Pali			16.60	16.60	19.73	19.73
Average	**11.68**	**11.68**	**13.77**	**14.52**	**14.93**	**14.93**
Tamil Nadu Circle						
Coimbatore Rural	22.50	33.65	24.70	24.70	24.70	24.70
Coimbatore Urban	25.27	37.57	27.25	27.25	27.25	27.25
Average*	23.42	34.95	25.55	25.55	25.55	25.55
Madurai Rural	0.65	12.78	21.62	25.57	21.62	25.57
Madurai Urban	11.00	13.50	23.73	29.07	23.73	29.07
Average	10.71	12.90	22.68	27.33	22.68	27.33
Erode	10.69	12.69	14.40	17.20	14.40	17.20
Karikudi	18.25	22.25	15.00	19.00	15.00	19.00
Coonoor	25.27	29.17	51.30	60.30	51.30	60.30
Average	**17.67**	**22.39**	**25.79**	**29.88**	**25.79**	**29.88**
Uttar Pradesh						
Lucknow (Average)	16.16	16.16	11.80	28.60	14.88	26.33
Azamgarh	9.40	16.25	9.40	16.25	15.03	28.33
Banda (Average)	6.43	11.29	10.00	17.00	10.00	17.00
Dehradun (Average)	6.60	12.38	7.25	19.47	7.25	19.47
Aligarh	5.30	12.00	5.30	12.00	9.50	18.90
Average	**8.78**	**13.62**	**8.75**	**18.66**	**11.33**	**22.01**

* *after reducing cost of bricks at the rate of Rs 7.43 and Rs 7.70 per metre in 1995-96 and 1996-97 respectively*

APPENDIX -VIII

(Referred to in paragraph 14.5 at Page 58)

Circle-wise position of publication of telephone directories

Sl. No.	Name of circle	Total Number of Telecom District	Number of Telecom Districts selected	Total No. of issues to be brought out (1991-97)	No. of issues brought out
1.	Andaman & Nicobar	1	1	7	1
2.	Andhra Pradesh	22	4	28	6
3.	Bihar	18	10	70	17
4.	Calcutta Telephones	1	1	7	2
5.	Chennai Telephones	1	1	7	7
6.	Delhi Telephones	1	1	7	2
7.	Gujarat	17	17	119	52
8.	Haryana	8	8	56	9
9.	Himachal Pradesh	6	6	42	12
10.	Jammu & Kashmir	5	5	35	15
11.	Kerala	10	10	70	35
12.	Madhya Pradesh	32	32	224	70
13.	Maharashtra	29	12	84	40
14.	Mumbai Telephones	1	1	7	2
15.	Karnataka	20	5	35	22
16.	Orissa	10	10	70	4
17.	Punjab	11	9	63	12
18.	Rajasthan	24	4	28	9
19.	Tamil Nadu	18	18	126	43
20.	UP (East)	48	30	210	24
21.	UP (West)	17	17	119	21
22.	West Bengal	14	5	35	12
	Total	**314**	**207**	**1449**	**417**

APPENDIX - IX

(Referred to in paragraph 20 at Page 77)

Details of excess payment of Rs 7.67 crore to the suppliers

(Rs in lakh)

Name of the circle	Amount paid on the basis of provisional rates	Amount payable on the basis of reduced rates of October 1996 tender	Excess payment	Balance amount of five *per cent* remaining unpaid
Optel				
Assam	68.59	45.59	23.00	Nil
Kerala	292.64	196.88	95.76	Nil
Maharashtra-Project circle	178.69	134.32	44.37	Nil
Maharashtra-Project circle	376.89	283.10	93.79	19.84
North Zone Project circle	255.04	188.74	66.30	Nil
UP (East)	633.90	443.75	190.15	33.36
Calcutta Telephones	49.55	37.24	12.31	Nil
Eastern Telecom Project Calcutta	209.91	161.92	47.99	11.05
Tamil Nadu Project circle	427.64	330.43	97.21	22.51
Bihar	18.43	11.61	6.82	Nil
Karnataka	35.33	24.52	10.81	Nil
HCL				
West Bengal	37.90	25.12	12.78	1.99
North East CGMT Task Force Guwahati	38.49	30.15	8.34	Nil
Karnataka	79.57	52.74	26.83	4.19
UP (East)	75.73	44.91	30.82	3.99
Total			**767.28**	**96.93**

APPENDIX - X

(Referred to in paragraph 32 at Page 90)

Circle-wise details of cables/stores lying idle

Sl. No.	Circle/Office	Nature of Store	Quantity (in metres)	Purchase/ value (Rs in lakh)	Period of purchase
1	Optical Fibre Division Chennai	Analogue coaxial cable equipment	-	400.00	1986-91
2	DSD, Ambala	Non-moving Lead sheaths PCUT, DCUT etc.	41293	188.21	Prior to 1992
3	DSD, Jammu	- Do – - and PIJF	8508	26.88	-*
4	GMT, Jalandhar	Cable	6978	46.98	-*
5	Coaxial Cable Division, Bangalore	Coaxial Cable	18360	29.00	1988
6	Karnataka Circle	Lead sheath cables	5024	30.31	Ten years
7	Ernakulam	Lead sheath cables	2976	19.75	1992
8	CTSD Lucknow	Lead sheath cables	1826	11.01	-*
9	Baroda Telephone District	PCUT	22107	138.85	1988
Total				**890.99**	

**Details of period of procurement not available with the units*

APPENDIX - XI
(Referred to in paragraph 45 at page 102)

Details of non/short recovery of liquidated damages

(Rs in lakh)

Sl. No	Name of circle/unit	Particulars of purchase orders and name of suppliers	Particulars of stores	Scheduled date of delivery	Actual date of delivery	Liquidated damages due	Amount charged	Amount short charged
1.	2.	3.	4.	5.	6.	7.	8.	9.
1.	Andhra Pradesh Director OFC Hyderabad	I. MMCT/ 1317/93-94 dated 26.7.93 BEL	OFC equipment	31.3.94	December 1994	1.45	1.16	0.29
		II. MMCT/ 8241/92-93 dated 31.3.93 HCL	-do-	26.5.94	August 1994	24.63	20.52	4.11
		III. MMCT/ 8249/93-94 dated 26.5.93 Optel	-do-	31.3.94	September 1994 and January 1995	0.36	0.29	0.07
2.	DGM (Installation) Hyderabad	MMCT/1350 /93-94 dated 3.2.94 ARM	2 GHz 30 channel and 120 channel MW equipment	December 1994	May and October 1995	24.50	-	24.50
		CT/PO 058/ 95-96 dated 29.9.95 Himachal Telematics	-do-	April 1996	July 1996	1.01	-	1.01
3.	CGMT Hyderabad	TA/BP/ 17-42/95-96/HCL dated 31.8.95 HCL	Cable	October-November 1995	June and October 1996	23.99	18.45	5.54
4.	Punjab Circle Divisional Engineers Telecom Ambala and Jalandhar	MMCT/8062 / 90-91 dated 10.5.90 HCL	OFC	10.5.91	March 1991 and August 1996	13.19	3.01	10.18
5.	Tamil Nadu circle Controller of Telecom stores Chennai	MMCT/8327 /94-95/ARM dated 28.5.94 ARM	Solar Power Panel	22.11.94	24.3.95	10.12	-	10.12
	Total					**99.25**	**43.43**	**55.82**

APPENDIX - XII

(Referred to in paragraph 51 at page 107)

Position of outstanding ATNs in respect of paragraphs pertaining to DoT included in the Audit Reports upto No.6 of 1997

Audit Report (Number and year)	Paragraph No.	Subject
Report No. 6 of 1997 for the year ended March 1996	8.2	High Speed Very Small Aperture Terminals (VSAT) Data Network
	9.5	Non-recovery of advance and consequential undue benefit to suppliers
	9.15	Injudicious procurement of auto pulling machines Rs 2.45 crore
	9.20	Excess payment of Rs 1.44 crore
	9.26	Avoidable expenditure
	9.34	Non-enforcement of the terms and conditions of contract

APPENDIX - XIII

(Referred to in paragraph 51 at page 107)

Position of outstanding ATNs in respect of paragraphs pertaining to DoT included in the Audit Report No.6 of 1998

Audit Report (Number and year)	Paragraph No.	Subject
Report No. 6 of 1998 for the year ended March 1997	5	Non-realisation of Satellite charges
	6	Leakage of revenue Chickmagalur exchange
	9.1	Non-receipt of advice notes
	9.2	Bills issued at old rates
	9.3	Continuation of telecom facilities despite non-payment of dues
	9.4	Non-realisation of licence fee
	9.5	Non-billing or short billing of customers – Short billing of rent on private data network
	9.6	Failure to demand and collect rent
	11	Procurement and utilisation of cable pair gain systems
	12	Procurement of 0.5 mm diameter drop wire
	15	Extra expenditure on procurement of telephone instruments
	19	Wasteful expenditure of Rs 1.84 crore on Central Wireless Station
	21	Non-recovery of advance
	25	Excess payment of custom duty
	28	Loss due to failure to recover copper wire
	31	Avoidable expenditure of Rs 4.53 crore on transportation
	35	Negligence in grant of quality certificate
	38	Provision of telephone instrument to private operators

APPENDIX - XIV

(Referred to in paragraph 52 at page 108)

Details of Revenue paragraphs for which replies from DoT were awaited as of December 1998

Sl.No	Case Mark	Subject	Amount (Rs in lakh)	Date of issue
1	RR.III/2(d)5524 Jaipur	Non-recovery of Service tax on telephone circuits/NE lines/PABXs/PBXs/I Net and private wire	35.76	19.6.1998
2	RRC/2(d)5652 Ahmedabad	Non-receipt of Advice Note	4.92	23.6.1998
3	RRC/2(d)5655 Ahmedabad	Non-receipt of Advice Note	23.12	23.6.1998
4	RRC/2(d)5697 Trivandrum	Short recovery of rent and guarantee charges	12.00	23.6.1998
5	RRC/2(d)5664 Ahmedabad	Short realisation of rental in respect of long distance telephone connection	3.24	26.6.1998
6	RRC/2(d)5604 Calcutta	Incorrect fixation of rent and guarantee charges	20.13	14.7.1998
7	RR.III/2(d)5330 Bhopal	Non-billing of rental in respect of non-exchange line provided to various subscribers of Indore Telecom District.	4.80	17.7.1998
8	RRC/2(d)5654 Calcutta	Short realisation of rental due to non-revision of tariff	30.63	17.7.1998
9	RRC/2(d)5667 Calcutta	Short realisation of rent due to wrong application of tariff	67.91	17.7.1998
10	RRC/2(d)5639 Calcutta	Non-realisation of rental for speech circuits and N.E. lines	4.39	17.7.1998
11	RR.III/2(d)5513 Jaipur	Non-billing of ACSR wire provided to Railways	11.65	20.7.1998
12	RRC/2(d)5748 Calcutta	Short billing of rental due to wrong fixation of R&G	33.42	21.7.1998
13	RR.III/2(d)5693 Cuttack	Short billing of shifting charges due to incorrect computation	19.39	21.7.1998
14	RR.III/2(d)5716/ 5718 Bangalore	Non-billing of licence fee	13.10	22.7.1998
15	RRC/2(d)5696 Trivandrum	Short collection of rental against speech circuits	85.35	30.7.1998
16	RRC/2(d)5747 Kapurthala	Short billing on account of incorrect fixation of tariffs	14.75	31.7.1998
17	RRC/2(d)5584 Calcutta	Short realisation of rental	4.28	6.8.1998
18	RR.III/5765 Nagpur	Non-billing of licence fee	8.91	7.8.1998
19	RRC/5782 Calcutta	Short-realisation of rent due to wrong fixation of rent and guarantee	21.14	11.8.1998

Sl.No	Case Mark	Subject	Amount (Rs in lakh)	Date of issue
20	RR.III/5786 Bhopal	Non-billing of rental of speech circuits	7.97	24.9.1998
21	RR.III/5698 Cuttack	Misuse of Trunk Junction-leakage of revenue	182.00	24.9.1998
22	RR.III/5851/5802 Bangalore/Chennai	Non-realisation of Service tax.	183.00	24.9.1998
23	RRC/5349 Ahmedabad	Inordinate delay in providing telecommunication leased facilities to the subscriber	8.92	25.9.1998
24	RRC/5069 Kapurthala	Non-recovery of licence fee of subscriber owned EPABX	6.30	25.9.1998
25	RRC/5792 Calcutta	Non-billing of rental for leased telephone circuits	16.45	25.9.1998
26	RR.III/5844 Bhopal	Non-billing of rental due to non-receipt of Advice Note	10.08	25.9.1998
27	RR.III/5621 Bhopal Kapurthala, Nagpur, Calcutta, Lucknow	Leakage of revenue of Rs 75.70 lakh from CCB PCO	75.70	28.9.1998
28	RR.III/5468 Cuttack	Misuse of operator trunk dialing circuits	9.12	28.9.1998
29.	RRC/5827 Patna	Short realisation of rent	3.13	30.9.1998

APPENDIX – XV

(Referred to in paragraph 52 at page 108)

Details of expenditure paragraphs and reviews for which replies from DoT were awaited as of December 1998

Sl. No	Case Mark	Subject	Amount (Rs in lakh)	Date of issue
Expenditure paras				
1.	RR.I/5632 Bangalore	Inadmissible benefit of Rs 1.09 crore to private operators	109.00	3.7.1998
2	RR.I/5722 Lucknow	Unfruitful investment in purchase of land	81.54	6.7.1998
3	RR.II/5592/5610 SWTC Calcutta, Trivandrum	Non-recovery of Rs 1.01 crore of unspent road restoration charges from Municipal corporation	101.00	14.7.1998
4	RR.II/5721 Lucknow	Blocking of funds due to non-getting the possession of land	72.27	16.7.1998
5	RR.I/5742 Bangalore	Irregular procurement of Transponder equipment	89.00	21.7.1998
6	RR.II/5381 Trivandrum, Ahmedabad	Excess payment in procurement of conversion kits.	21.92	22.7.1998
7	RR.II/5755 Patna	Excess expenditure in procurement of cement	73.44	23.7.1998
8	RR.I/5624 Kapurthala	Delay in construction of staff quarter	163.00	28.7.1998
9	RR.II/5735 Lucknow	Purchase of six ready built HIG Quarters	47.70	7.8.1998
10	RRProject/5841 Chennai, Trivandrum, Delhi, Nagpur, Lucknow, Calcutta	Excess payment of Rs 7.52 crore	752.00	10.8.1998
11	RR.II/5743 SWTC Calcutta	Blocking of funds	37.56	11.8.1998
12	RR.II/5651 Kapurthala	Short recovery of L.D. for belated supply of store.	55.99	15.9.1998
13	RR.I/5872 C.Audit	Excess payment in procurement of digital UHF system	83.00	22.9.1998
14	RR.II/5821 RR.II/5819 Calcutta, Bangalore	Extra expenditure of Rs 1.23 crore on laying HDPE pipes of higher specifications	123.00	25.9.1998
15	RR.III/5857 Kapurthala	Overpayment of Rs 36.05 lakh to suppliers	36.05	24.9.1998

Sl. No	Case Mark	Subject	Amount (Rs in lakh)	Date of issue
16	RR.II/5873 C.Audit	Procurement of C-DoT MAX-L Exchanges undue benefit of Rs 83.35 crore to suppliers	8335.00	28.9.1998
17	RR.I/5874 C. Audit	Excess payment due to irregular determination of package price	152.00	6.10.1998
18	RR.III/5527 Bhopal	Infructuous expenditure of Rs 6.22 crore due to procurement of surplus capacities of telex exchange	622.00	6.10.1998
19	RR.II/5879 C. Audit	S.B.M. Exchanges	835.00	16.10.1998
Reviews				
20	RR.I/5884 Cuttack	Printing of Telephone directory	14612.00	28.10.1998
21	RR.I/5824 Chennai	Planning, procurement and laying of cable in local network	142132.00	19.11.1998
22	RR.II/5577 Calcutta	Functioning of Calcutta Telephone	28048.00	20.11.1998

APPENDIX - XVI

(Referred to in paragraph 66 at page 144)

Position of outstanding ATNs in respect of paragraphs pertaining to DoP included in the Audit Reports upto No. 6 of 1998

Audit Report (Number and year)	Paragraph No.	Subject
Report No. 6 of 1997 for the period ended March 1996	3.1	Satellite money orders
	3.2	Introduction of Multi Purpose counter machine in Post offices
Report No. 6 of 1998 for the period ended March 1997	41	Organisational set up and financial management.
	42	Appropriation Accounts.
	43	Working of Circle Stamp Depots.
	44	Working of P&T dispensaries.
	45	Extra expenditure of Rs 1.66 crore due to inefficient purchase system.
	46	Injudicious procurement of Risograph Machines.

GLOSSARY OF TERMS AND ABBREVIATIONS

Analogue	An electrical signal which is analogous to changing physical quantity measured
CCB	Coin Collection Boxes
CCM cards	Coin Collection Metering cards
C-DoT	Centre for development of telematics
CDTMX	Computerised Digital Trunk Manual Exchange
CKM	Cable conductor kilometre - cable sheath kilometres multiplied by the number of conductor pairs in each cable
Coaxial cable	A cable with a single wire in the centre of cylindrical conductor forming a pair of carrying electrical signals
Cross-bar exchange	A telephone exchange where switching connections are made by operation of two bars, one horizontal and another vertical
CT Boxes	Cable termination boxes
CTMX	Computerised Trunk Manual Exchange
DEL	Direct exchange line, one each for every telephone connection
Digital exchange	The exchange having signals coded into binary pulses and having little or no moving parts
EDX	Electronic Data Exchange
EMTP	Electro mechanical teleprinters
EPABX	Electronic private automatic branch exchange
ETP	Electronic Teleprinter
G.I. Pipes	Galvanised Iron Pipes
HDPE	High density polyethylene
Hertz or Hz	Frequency (cycles per second), named after Heinrich Hertz - usually in ranges of kilo 1000 - KHz, mega 1,000,000 - MHz or giga 1,000,000,000 - GHz
HF	High frequency
HVNET	High speed very small aperture terminals data network
ICP	Indian crossbar project
ILT	Integrated line and trunk
INSAT	Indian National Satellite
ISD	International Subscriber Dialling
ITEX	Integrated Telex Exchange

MAX-L	Multi Base Moduled Exchange
Mb/s	Mega bits per second denoting digital frequency
MCPC	Multi channel per carrier
MSS	Mobile Satellite Service
MUX	Multiplex
NE Lines	Non Exchange Lines
Optical Fibre (OF)	Glass fibres using lightwaves for transmission of signals
OYT	Own your telephone
PABX	Private automatic branch exchange
PBX	Private branch exchange
PCM	Pulse code modulation
PCO	Public Call Offices
PIJF Cable	Polyethylene Insulated Jelly Filled Cable
PVC	Polyvinyl chloride
PW	Private Wires
SBM	Single Base Moduled
SCP	Smart Card Payphone
SCPC	Single channel per carrier
SCS	Subscriber carrier system
STD	Subscriber trunk dialling
TAX	Trunk automatic exchange
Telex	Teleprinter exchange
UHF	Ultra high frequency (300 to 3000 MHz)
VHF	Very high frequency
VMS	Voice Mail Service
VSAT	Very small aperture terminal