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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1988

No. 4 OF 1989

UNION GOVERNMENT (POSTS AND TELECOMMUNICATIONS)

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PREFATORY REMARKS

This Report has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts of the Department of Posts and Department of Telecommunications for the year 1987-88 together with other points arising from audit of the financial transactions of the Department of Posts and Department of Telecommunications.

The cases mentioned in the Report are among those which came to notice in the course of test audit during the year 1987-88 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1987-88 have also been included wherever considered necessary.

OVERVIEW

Audit Report for the year ended 31 March 1988 contains 67 paragraphs including 10 reviews. The points highlighted in the Report are summarised below:

1. Budgetary control

The revenue of the Department of Posts increased from Rs. 434.54 crores in 1983-84 to Rs. 642.98 crores in 1987-88. The working expenses, also increased from Rs.507.77 crores in 1983-84 to Rs. 833.85 crores in 1987-88. Thus the deficit increased from Rs. 73.23 crores to Rs. 190.87 crores during this period. The revenue realised during 1987-88 fell short of the budgetary expectation by 13.58 per cent as compared to excess realisation of 1.36 per cent during 1986-87.

Against the total grant of Rs. 3039 crores for 1987-88, the Department of Telecommunications incurred an expenditure of Rs. 3018 crores. The department estimated a revenue of Rs. 1709 crores during 1987-88, the actual realisation of Rs. 1701 crores fell short of the estimate by Rs. 8 crores.

(Chapters I, II, V and VI)

II Mail operations

Time taken for delivering the mail is the main parameter for assessing the efficiency of mail operations. The department has a system to post test letters to monitor effective transmission and delivery of postal mails. Test reports received in respect of 21 State capitals revealed that in 17 State capitals, more than 50 per cent of the test letters were not delivered as per norms. Such high percentage of delay in delivery of the mail was suggestive of functional deficiencies.

As per study conducted by the department, maximum rate of handling of a letter in a sorting office should be 1.8. However, the handling rate varied from 2.01 to 3.38, meaning delay in delivery of the mails causing dissatisfaction to the general public and increase in operating costs.

There has been a mushroom growth of private courier agencies for transmitting the mails. This not only infringed upon the monopoly of the department, but also caused substantial loss of revenue.

By abolishing sorting in running sections, accommodation available in trains in various sections became surplus. As the surplus accommodation was not surrendered, the department had to pay haulage charges amounting Rs. 115.21 lakhs upto March 1988 in Karnataka and Uttar Pradesh Circles. In other Circles, the excess payment made was yet to be assessed.

(Paragraph 4)

III. Avoidable expenditure of rental charges

The department decided to

demolish the General Post Office building at Trivandrum to construct a new building at the same site. The building was vacated in September 1982 and demolition was commenced in September 1983, much before the issue of Administrative Approval and Expenditure Sanction by the competent authority in July 1986 and award of work for pile foundation and basement floor in March 1987. Premature vacation and demolition of the building led to an avoidable expenditure of Rs. 4.61 lakhs towards rent of a hired building from September 1982 to July 1986.

(Paragraph 6)

IV. Frauds in handling of National Savings Certificates

Failure to conduct the prescribed checks by the departmental officials at various levels and non-settlement of discrepancies in the statement of unsold certificates by Andhra Pradesh Circle Postal Accounts Office facilitated frauds involving Rs. 3.59 lakhs in eight cases.

(Paragraph 8)

V. Avoidable expenditure on acquisition of land and building

Inordinate delay by postal authorities in processing the offer of the owner for the sale of land and building in Kottayam District resulted in avoidable expenditure of Rs. 4.02 lakhs.

(Paragraph 9)

VI Arrears of revenue

Out of the telephone bills issued upto 31st March 1988, Rs.50.03 crores were yet to be realised as on 1st July 1988. Arrears on account of rent of telegraph, telephone and teleprinter circuits increased from Rs. 9.50 crores in March 1986 to Rs. 15.54 crores in March 1988.

(Paragraphs 14 and 16)

VII. Short/non-billing

Test check in Audit revealed short/non-recovery in a large number of cases. The irregularities had been persisting and related mainly to (i) non-receipt of advice notes after execution of the work, (ii) non-revision of estimates, (iii) non-application of the prescribed/ revised tariff rates, (iv) non-transfer of records at the time of creation of new units and (v) incorrect feeding of data to the computer. Inspite of check of the receipts by the Internal Check Organisation of the department, test check in Audit revealed short/not-billing in as many as 11822 cases amounting Rs. 4.25 crores during 1987-88.

(Paragraphs 15 and 18 to 22)

The delay of 4 to 18 years in fixation of rates of rentals in respect of lines and wires leased to Railways resulted in delayed realisation of rent amounting Rs.27.78 crores and consequential loss of interest of Rs. 14.66 crores.

(Paragraph 21)

Long distance telex connection was provided to M/s Birla Cement Works from Bhilwara to Chittor (direct route 61 Kms) by a circuitous route of 595 Kms, as channels were not available on the direct route. Rent was, however, charged by the department as per the short distance resulting in under-recovery of Rs. 2.12 lakhs.

(Paragraph 19)

VIII. Internal Check Organisation Telecommunications

Though the Internal Check Organisation was formed in 1974, norms for providing staff have not been fixed so far. Performance review was not systematically done to spot out slippages for taking corrective action. Check of schemes and projects was not being done from economy, cost effectiveness and performance angle.

There was delay in settlement of internal check objections and the irregularities were persisting. The number of outstanding objections was also increasing year after year, reflecting adversely on the effectiveness of monitoring system.

No training programme has been introduced to provide officials with the necessary knowledge and skills for improving the effectiveness of internal check system.

In spite of check of the receipts by the Internal Check Organisastion test check in Audit revealed large number of cases of short/non-billing.

(Paragraph 26)

IX. Telephone systems at Hyderabad and Surat

The operating efficiency of telephone systems at Hyderabad and Surat was generally below the targets, resulting in not only poor service to the subscribers but also in loss of substantial potential revenue. The percentage of ineffective trunk calls was high which in turn deprived the department of potential revenue of Rs. 71 lakhs. In Hyderabad Telephones, cables were laid in excess of the prescribed norms resulting in avoidable additional investment of Rs. 17.24 crores.

(Paragraphs 27 and 28)

X. Cuttack - Sambalpur microwave project

The work in respect of the microwave link between Cuttack and Sambalpur, which was considered a vital link in Orissa telecommunications net work, was sanctioned in July 1971. The system scheduled to be commissioned by July 1977 was actually commissioned in February 1988 after a delay of more than 10 years. The delayed commissioning of the system resulted in loss of potential revenue of Rs.45.36 lakhs to the department till January 1988. The decision of the department to change the specification of the equipment from 6 Giga Hertz (GHz) to 4 GHz was ill conceived and resulted in unreliable performance of the system. The 4 GHz system is now proposed to be scrapped and replaced by a 6 GHz digital system.

(Paragraph 29)

XI. Ambikapur-Bilaspur and Raipur Jagdalpur narrow band microwave project

With a view to extending

microwave telecommunication facilities to Sirguja and Bastar districts of Madhya Pradesh, which were predominantly tribal and backward areas, Government approved in January 1979, a proposal for installation of 300 channel microwave system for completion on priority basis by March 1983. The Project could not be commissioned fully even by March 1988, though the expenditure incurred on the project had exceeded the sanctioned estimate by 167 per cent. The delay in commissioning of the scheme also resulted in a loss of potential revenue of Rs. 47.56 lakhs to the department during April 1983 to January 1988.

(Paragraph 30)

XII. Coaxial cable schemes

Ahmedabad-Palanpur coaxial cable scheme sanctioned at a cost of Rs. 448.99 lakhs was expected to be completed by the end of 1981-82. Due to delay in the acquisition of land and construction of buildings, the commissioning of the scheme was delayed by more than five years. This resulted in loss of potential revenue of Rs.565.59 lakhs during April 1982 to March 1985 apart from causing inconvenience to the subscribers. The delayed commissioning of the scheme also resulted in cost overrun of Rs.432.72 lakhs.

(Paragraph 31)

In May 1978, the Posts and Telegraphs Department approved a proposal for installation of a 2.6 MHz coaxial cable system connecting Bhopal, Hoshangabad and Itarsi to be commissioned in 1981-82. Due to inordinate delay of more than four years in the completion of the work, the system could be commissioned in phases during May 1986 and January 1987 only. As a result of this delay, the anticipated revenue of Rs. 561.62 lakhs could not be earned by the department. The system having a capacity of 600 channels was also grossly under-utilised as only five per cent of the channel capacity could be utilised by April 1988. The department lost STD revenue of Rs. 138.89 lakhs during January 1987 to March 1988.

(Paragraph 32)

In September 1980, Government approved a proposal for installation of a 2.6 MHz coaxial cable system on Amalapuram-Ravulapalem-Mandapetta route and a 12 MHz coaxial cable system on Rajahmundry-Tadepalligudem route. The two systems, targeted for completion by March 1985, were commissioned in June 1986 and January 1988. As against the re-engineered estimated project cost of Rs. 280.49 lakhs, the actual expenditure incurred on the project upto April 1988 was Rs. 696.63 lakhs resulting in cost overrun of 148 per cent. Apart from escalation in the costs of material and labour, expenditure on additional items not contemplated in the project initially and engagement of labour at higher rates for longer periods also contributed to increase in the cost of the project. Even after two years of commissioning, the 2.6 MHz system was grossly underutilised. The manual traffic actually handled by the system during 1987-88 was far below the anticipated traffic resulting in a shortfall of revenue to the extent of Rs. 18.71 lakhs.

(Paragraph 33)

XIII. Construction of administrative office building in Bombay

Failure on the part of the Telecommunication Department to finalise tenders for construction of super-structure of the building within the validity period necessitated retendering, resulting in extra expenditure of Rs. 27.79 lakhs. Nine floors of the 17 storeyed building constructed at a cost of Rs. 417.78 lakhs had been lying vacant since August 1985 due to non compliance of statutory requirements of Bombay Municipal Corporation and Chief Fire Officer, Bombay. The department continued to pay rent for housing its administrative offices in rented buildings including a private building hired in February 1988 at a rent of Rs. 2.38 lakhs per annum.

(Paragraph 34)

XIV. Loss due to wastage of paper

The department allowed wastage in excess of the permissible limits to the printers for printing telephone directories of Delhi and Bangalore Telephones and sustained a net loss of Rs. 8.51 lakhs.

(Paragraphs 35 and 36)

XV. Procurement of air cleaners

The Department of Telecommunications purchased 84 electronic air cleaners for freshening intake air of air-conditioning plants in different exchanges. Out of this, non-utilisation/non-working of 70 air cleaners procured at a cost of Rs. 13.24 lakhs and installed after incurring an additional expenditure of Rs. 1.40 lakhs, has resulted in blockage of capital and unproductive investment. The possibility of deterioration of efficiency of the exchange equipment caused by the poor quality of intake of air by the air-conditioning plants, cannot be ruled out.

(Paragraph 39)

XVI. Non-materialisation of scheme for construction of Staff quarters

In March 1970, Department of Telecommunications purchased 6.5 acres of land in Jhilmil colony, Shahdara (Delhi) at a cost of Rs.9.73 lakhs for construction of staff quarters. The land is still lying unutilised. A part of the land has already been encroached upon by milk dairy and nursery owners. The delay of over 18 years in construction of the quarters has deprived the employees of residental accommodation. Besides, house rent allowance at the rate of Rs. 11.76 lakhs per annum was being paid.

(Paragraph 42)

XVII. Execution of works without sanction of estimates

In Nellore Telecommunications Division, 77 works involving expenditure of Rs. 77.59 lakhs were executed during 1974-75 to 1983-84 without sanction of estimates.

(Paragraph 45)

XVIII Irregular payment of octroi

Department was irregularly paying octroi to the Nagar Mahapalika, Lucknow for its stores received at Lucknow from various store depots in the country and from the Indian Telephone Industries Limited. The avoidable payment of octroi from August 1978 to October 1986 amounted to Rs. 42.81 lakhs.

(Paragraph 46)

XIX. Excess payment of customs duty

The Department of Telecommunications imported pulse code modulation systems. Failure on the part of department to get the contract registered with the custom authorities at the ports concerned for seeking concessional rate, as admissible under the Customs Tariff Act 1975, before clearance of goods resulted in excess payment of customs duty amounting Rs. 4.55 crores.

In other two cases of import of telephone exchange equipment, the department paid customs duty at varying rates instead of taking the exchange equipment, including spares, as a single article under one contract, resulting in excess payment of customs duty of Rs.52.23 lakhs.

(Paragraph 47)

XX. Srinagar Trunk Automatic Exchange (TAX) - injudicious planning

Injudicious planning and lack of coordination in different wings of the department resulted in TAX equipment worth Rs.135.61 lakhs lying dumped at Srinagar since June 1982 with the attendant risk of damage/deterioration in long storage.

(Paragraph 58)

XXI Collapsing of microwave tower at Bikaner

Due to lack of proper supervision and check by department, microwave tower at Bikaner collapsed resulting in a loss of Rs. 4.01 lakhs besides potential loss of revenue amounting Rs. 28.16 lakhs per annum.

(Paragraph 60)

XXII Insurance claims

Imported Telephone Exchange equipment was found damaged on receipt. The department failed to take timely action for preferring insurance claims within the prescribed time or to seek extension of insurance policy cover beyond the prescribed time, resulting in avoidable loss of Rs. 3.91 lakhs.

(Paragraph 61)

In another case, the insurance claim was not preferred correctly in the first instance. Even when the deficiency was pointed out by the insurance company, it took the department nearly four years to prefer a revised claim. Thus, lack of proper follow up action has resulted in non-recovery of insurance claim of Rs. 3.76 lakhs since August 1981.

(Paragraph 62)

XXIII. Avoidable extra expenditure due to delay in finalisation of tender

The delay in finalising the tender for construction of superstructure of a telephone exchange building at Worli, Bombay resulted in an avoidable expenditure of Rs. 9.49 lakhs. Besides delay at the circle level, the Chief Engineer, Posts and Telegraphs, New Delhi, took 54 days in processing the tender as against the maximum permissible period of 10 days.

(Paragraph 64)

XXIV. Installation of Autrax equipment in Calcutta telephone network

The Autrax system which consisted of a central computer was procured by the department in July 1983 from an American firm with the objective of having a comprehensive on line-data collection and quick-look calculation printout which could give useful data for maintenance, planning and management. Despite huge expenditure of Rs.134.42 lakhs on the project, the objective of the system still remained largely unachieved as the system could not be commissioned in its entirety and made commercially usable even by March 1988. The reports generated by Autrax though merely occasional, showed unacceptable values and were, as such, not reliable

(Paragraph 65)

XXV. Extra expenditure on procurement of connecting equipment

Belated placement of three purchase orders for procurement of connecting equipment for C-400 Cross Bar Exchanges at different escalated prices resulted in extra expenditure of Rs. 5.76 lakhs plus additional customs duty.

(Paragraph 66)

XXVI. Some other interesting cases

(a) A firm demand for provision of a PABX was placed on the department by M/s Central Coal Fields Limited, Ranchi in August 1980. The department took about seven years to sanction the project estimate and place an indent for supply of equipment. Owing to the inordinate delay in installation of the equipment, the subscriber withdrew the demand in July 1988 and demanded refund of advance deposited in September 1983 with interest. Besides, the department lost potential revenue amounting Rs.15.13 lakhs for the period from January 1984 to March 1988.

(Paragraph 53)

(b) Teleprinter facility between Gwalior and Guna demanded by Director of Information and Publicity, Bhopal in September 1979 could not be provided till March 1985 due to delay in (i) issue of demand note by the department, (ii) sanctioning of estimates and (iii) placing of indent for teleprinter machines and power pack required at Guna end. It took the department six years to provide the facility. Out of this, the delay of two years in commissioning the facility was attributable solely to procurement of power pack costing Rs. 480 only.

(Paragraph 54)

(c) Wireless equipment required for modernisation of Mangalore Coastal Wireless station received in February 1979 could not be installed till January 1987. The installation of the system was unduly delayed due to failure of the department to collect the technical literature in time and also to check up whether all the equipments for installation were received. This resulted in loss of revenue amounting Rs. 5.34 lakhs to the department for the period from September 1984 to February 1987.

(Paragraph 55)

(d) Firm demand placed by Indian Air Force (IAF) in January 1982 for providing underground cable could not be met till October 1988 because of non/part supply of cable by Hindustan Cables Limited. Thus, not only was the vital service not provided to the IAF, in time, but also the department suffered loss of revenue at the rate of Rs. 2.42 lakhs *per annum*.

(Paragraph 56)

DEPARTMENT OF POSTS

CHAPTER I

GENERAL

1. Organisational set-up

The Department of Posts functions through 'Postal Services Board' headed by a Chairman, who is also the Secretary to the Government of India, Department of Posts.

The department's main functions are planning, development, expansion, operation and maintenance of postal services in the country. In this process, it is responsible for collection, transmission and delivery of mails in the country, sale of stamps for postage and philatelic purposes, and providing facilities to the public for internal and external remittances of cash by means of Money Orders/Indian Postal Orders.

The department also discharges certain other functions of Government of India on agency basis, such as Savings Bank and other small savings schemes, Postal Life Insurance, collection of Customs Duty on inward postal articles disbursement of pension of Railway pensioners, disbursement of Family pension to the families of employees of coal mines and industries covered by Provident Fund scheme.

1.1 Major activities

The data in respect of major activities of the department during the year 1987-88, in so far as their financial and physical targets and achievements are concerned, are as under:

Major activities	Financial targets for the 1987-88	Actuals for 1987-1988	Percentage of expenditure	Physical targets for 1987-1988	Achievements during 1987-1988	Percentage of achievements to targets.
1	2	3	4	5	6	7
	(Rupees in lakhs)			(in numbers)		
1. Opening of new post offices	50.00	9.46	18.92	2000	870	43.5
2. Appointment of extra delivery agents	-	-	-	1000	-	NIL
3. Installation of letter boxes	-	-	-	-	-	-

1	2	3	4	5	6	7
4. Provision of counter facilities at village post offices.	-	-	-	-	-	-
5. Construction of postal buildings	3000.00	2964.00	98.80	70	68	97.14
6. Construction of staff quarters	-	-	-	300	952	317.33
7. Railway Mail Ser- Service vans	100.00	NIL	NIL	25	NIL	NIL
8. Mail Motor Service vehicles	135.00	95.45	70.70	100	77	77

Against the target for opening of 2000 new post offices, only 870 post offices were opened and no appointment was made of extra departmental delivery agents against the target of 1000. No targets were fixed for installation of letter boxes and provision of counter facilities at village post offices.

1.2 Revenue and working expenses

The data on estimates of revenue and working expenses and corresponding actuals during the last five years is as below:

	Revenue			Working expenses			Deficit (-)	
Year	Estimates (Rs.in crores)	Actuals (Rs.in crores)	Percentage variation increase/ decrease(-)	Estimates (Rs.in crores)	Actuals (Rs. in crores)	Percentage variation increase/decrease (-)	Estimates (Rs.in crores)	Actuals (Rs.in crores)
1	2	3	4	5	6	7	8	9
1983-84	440.22	434.54	(-) 1.30	549.17	507.77	(-) 7.54	(-)108.95	(-) 73.23
1984-85	495.00	444.41 (2.27)	(-)10.22	626.53	568.66 (11.99)	(-) 9.24	(-)131.53	(-)124.25 (69.67)
1985-86	520.00	476.84 (7.29)	(-) 8.30	706.78	640.39 ′12.61)	(-) 9.39	(-)186.78	(-)163.55 (31.63)

1986-87	550.00	557.50 (16.91)	1.36	875.50	773.93 (20.85)	(-)11.60	(-)325.50	(-)216.43 (32.33)
1987-88	744.00	642.98 (15.33)	(-)13.58	877.00	833.85 (7.74)	4.92	(-)133.00	(-) 190.87 (-) 11.81

Note : Figures within brackets indicate percentage increase over the preceding year.

The above table indicates a continuous increase in the revenue from Rs. 434.54 crores in 1983-84 to Rs. 642.98 crores in 1987-88. Similarly the working expenses have gone up from Rs. 507.77 crores in 1983-84 to Rs. 1031.60 833.85 crores in 1987-88. The table also indicates an increasing trend of loss in running the Department of Posts which increased from Rs. 73.23 crores in 1983-84 to Rs. 388.62/190.87 crores in 1987-88. Revenue realised during 1987-88 fell short of the budgetory expectation by 13.58 per cent as compared to excess realisation of 1.36 per cent during 1986-87. Above shortfall is the highest during the last five years.

The growth of receipts under main heads during the years 1983-84 to 1987-88 is given in Appendix.

1.3 Agency functions

Information in respect of transactions relating to jobs undertaken by the Department of Posts as agency functions is given below. The percentage increase/decrease (-) over previous year is shown in brackets.

	1983-84	1984-85	1985-86	1986-87	1987-88
1.(a) Number of Savings Bank Accounts current at the end of the year (in lakhs)	390	413 (5.90)	417 (1.00)	421.96 (1.19)	272.21* (-35.49)
(b) Total balance in Savings Bank Accounts at the end of the year (Rs. in crores)	2477.93	2662.02 (7.43)	2871.42 (7.87)	3011.52 (4.88)	3726.00 (23.72)

	1983-84	1984-85	1985-86	1986-87	1987-88
2.(a) Number of Postal Life Insurance Policies at the close of the year (in lakhs)	10.8	11.5 (6.48)	12.2 (5.74)	12.8 (5.26)	13.62 (6.40)
(b) Total sum assured at the close of the year (Rs. in crores)	809.4	942.8 (16.48)	1103.2 (17.01)	1227.6 (11.28)	1439.20 (17.24)
3. Cash certificates and National Savings Annuity Certificates (Number of transactions in lakhs)	205.22	283.08 (37.94)	316.31 (11.74)	437.50 (38.31)	484.12 (10.66)

* This does not include number of Savings Bank Accounts in respect of Orissa, Uttar Pradesh and Himachal Circles for which the information was not made available.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 General

The summarised position of actual expenditure during 1987-88 against Grants and Appropriations relating to Department of Posts is as given below:

	Original grant/ appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Variation Savings (-) Excess (+)
		(Rupees in crores)			
Revenue					
Voted	989.89	-	989.89	1031.55	+ 41.66
Charged	0.11	-	0.11	0.04	(-) 0.07
Capital					
Voted	37.00	-	37.00	30.52	(-) 6.48
	1027.00	-	1027.00	1062.11	(+)35.11

2.2 The broad results of Appropriation Audit are as follows:

The overall excess expenditure of Rs. 35.11 crores (net) during 1987-88 represented 3.42 per cent of the total provision of voted grant and charged appropriation.

The excess amounting Rs.41,66,32,153 (Rs.41.66 crores) over voted grant in revenue section requires regularisation under Article 115 of the constitution.

2.3 The significant excesses exceeding 10 per cent of the provision were under the following heads of account;

Revenue Section

Head of Account	Total grant	Actual expenditure	Excess	Percentage of excess
1	2	3	4	5
		(Rs. in crores)		
B-4 Conveyance of Mails	92.48	108.31	15.83	17.12
G-I(1) Superannuation and Retirement Allowances	33.50	39.25	5.75	17.16

G-4	Gratuities	16.00	18.84	2.84	17.75
G-6	Family Pension	12.25	19.73	7.48	61.06
G-7	Other Pensions	0.16	0.77	0.61	381.25
I-1	Depreciation	3.66	4.36	0.70	19.13

The main reasons for excesses were:

(i) settlement of pending claims for transport authorities and revision of haulage charges payable to Railways,

(ii) higher pensionary benefits as a sequel to post budget revision of entitlement, and

(iii) non-transfer of debits to Telecommunication Services in respect of combined office buildings.

Capital Section

The overall savings of Rs. 6.48 crores under the capital head represented 17.51 per cent of the total provision of voted grant. The significant savings exceeding 10 per cent of the provision were under the following heads of account:

Head of Account		Total Grant	Actual expenditure	Savings	Percentage
		(Rs. in crores)			
AA-2	Postal Net work	21.80	18.78	3.02	13.85
AA-3	Mechanisation and Modernisation of Postal Services	1.70	0.36	1.34	78.82
AA-5	Staff quarters	7.90	7.09	0.81	10.25
AA-6	Transport equipment/RMS vans	1.50	-	1.50	100.00

The broad reasons for savings were:

(i) slow progress in construction of Post Office buildings and staff quarters than anticipated, (ii) slow progress in the installation of in-house computers and procurement of other mechanical devices than anticipated and (iii) non-supply of R.M.S. vans by Railways.

3. Persistent Savings

Persistent savings exceeding

10 per cent of the provision were noticed in the following heads of account:

Head of Account	Percentage savings		
Capital	1985-86	1986-87	1987-88
AA - 2 Postal Net work	26.46	30.15	13.85
AA - 3 Mechanisation and Modernisation	82.90	34.58	78.82

4. The Department of Posts and Department of Telecommunications were separated with effect from 31st December 1984, but the departments have not yet evolved the procedure for adjustment of inter-departmental transactions, even after lapse of 4 years.

Department stated in July 1988 that the report of the Joint Committee in respect of inter-branch adjustments was still under their consideration. The final decision was yet to be taken (November 1988).

CHAPTER III

SCHEMATIC REVIEWS

4. Mail operations

4.1 Introduction

Under Section 4 of the Indian Post Offices Act, 1898 the exclusive privilege of conveying letters is reserved to Government. Mail transmission and delivery are the main functions of the post office. Mails are conveyed by rail, road and air.

4.2 Scope of Audit

A review was conducted in Audit of mail operations in Andhra Pradesh, Bihar, Delhi, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal circles.

4.3 Highlights

The review brings out, inter alia,

- **Time taken for delivering the mail is the main parameter for assessing the efficiency of mail operations. In order to monitor its efficiency, test letters were posted and the reports were received in the Directorate. From these reports it was observed that the delivery of mail within the prescribed norms was generally not achieved.**

- **As per study conducted by the department, maximum rate of handling of a letter in a sorting office should be 1.8 on the basis that 40 per cent of mail go to direct selections involving one handling, another 40 per cent to district sorting centres involving two handlings and the balance 20 per cent to concentration centres in other circles involving three handlings. Any excess over this norm would mean not only delay in delivery of mails but render the operation expensive. It was noticed that the handling rate varied from 2.01 to 3.38 depicting excess over prescribed limits by 12 to 87 per cent.**

- **There has been a mushroom growth of private courier agencies and a large chunk of business community/nationalised banks were using the services of these private courier agencies for transmitting the mails, thus not only infringing the monopoly of the department, but also causing substantial loss of revenue.**

- **On average 200 acknowledgements of money orders/registered letters were received daily in Returned Letter Office at Hyderabad which could have been avoided if proper care had been taken by the post offices before their acceptance. Post Offices were also loading the Returned Letter Office by consigning unclaimed newspapers, periodicals etc. instead of sending them back to sender directly.**

- As a result of policy decision taken in March 1983 to abolish sorting in running sections and to convert sorting sections into transit sections, accommodation available in trains in various sections became surplus but the surplus accommodation was not surrendered . This resulted in payment of haulage charges amounting Rs. 115.21 lakhs in Karnataka and Uttar Pradesh circles. In other circles the excess payment made was yet to be assessed.

4.4 Monitoring of Mails

The time taken for delivering the mail is the main parameter for assessing the efficiency of mail operation. The norms for delivery of mails for various metropolitan cities, State capitals/Union Territories and other important cities are prescribed by the department. Such norms for State capitals were last revised by the Department of Posts (DOP) in February 1988 in respect of first class mail based on the then airlines schedules/train timings/ mail motor service. Heads of the Circles were asked to post test letters to monitor effective transmission and delivery of postal mails and furnish report. The reports received in respect of 21 State capitals revealed that in 17 units the percentage of delivery of mail as per the norms was below 50.

Though there was a system of monitoring delivery of mails as per the norms, the department could not achieve the prescribed standards and even first class mail could not be delivered to the public in time.

Department stated in November 1988 that the reports received were under review. It was further stated that the department was entirely dependent upon external agencies for the conveyance of mails over whose operations it had no control.

The fact, however, remained that such high percentage of delay in delivery of mails was suggestive of functional deficiencies which need to be rectified.

4.5 Handling rate of mails

The collecting post office sends the mail to the mail office on the same day and normally there is no delay at this stage. Further time taken for delivery would depend on the number of handlings involved for sorting and the means of transportation adopted viz. rail, road or air. Each handling in a mail office could normally account for one day towards transit time. Studies made by the department revealed that a letter in a sorting office requires a maximum of 1.8 handlings. This is based on the assumption that 40 per cent of mail go to direct selections involving one handling, another 40 per cent to district sorting centres involving two handlings and the balance 20 per cent to concentration centres in other circles involving three handlings. Any excess handling would mean delay in delivery of the mails causing dissatisfaction to the general public and increase in operating costs.

There is a system of

monitoring in the Postal Directorate of the rate of handling the mail through inspection reports received from the Directors (Mail Planning and Operations) located at Bomaby, Calcutta, Delhi and Madras. These officers inspect higher selections grade mail offices in each circle. Directions regarding revision of mail arrangements to reduce the handlings as suggested in the inspection reports are issued to the Heads of the Circles. Though there was a system of continuous monitoring of the rate of handling, it was observed that the handling rate in 10 units of 4 Circles during the year 1987 viz. Delhi, Gujarat, Maharashtra and West Bengal, ranged between 2.01 and 3.38. The excess handling over the prescribed norm varied from 12 to 87 per cent.

Department stated that the rate of handling did not apply to second class mail handled by packed sorting offices where sorting pattern is different from sorting mail offices. It was further stated that in the case of Safdarjung Sorting/2 (Delhi Circle), the sorting arrangements were reviewed and selections had been scientifically revised so as to achieve the ideal handling rate of 1.8

The reply of the department is not tenable as para 4 of the instructions of August 1984 in which the rate of handling was fixed did not restrict its applicability to first class mail only and covered both letters and articles. Moreover, Directors (Mail Planning and Operations) during their inspection had also been pointing out higher rate of handling in packet sorting offices with suggestions to bring it down.

The excess rate of handling over the prescribed norms resulted in increase in operating cost and delay in delivery of mail.

4.6. Private couriers

There has been a mushroom growth of private courier agencies and a large chunk of business community/nationalised banks were using the services of these private courier agencies for transmitting the mails. They were not only infringing the monopoly of the department, but also causing substantial loss of revenue to the department.

Department stated that private courier agencies did largely business in conveying sophisticated category of documents and Speed Post service run by the department, which was comparable to any courier service was successful and more reliable than private couriers.

The department after obtaining legal opinion from the Ministry of Law, Justice and Company Affairs, requested the Ministry of Finance in October 1986 to advise not only the banks in the nationalised sector but also those in the private sector not to utilise this apparently illegal mode of conveyance. It was in the process of lauching prosecutions against the private couriers, who were apparently indulging in illegal activities by contravening the relevant provisions of the Indian Post Office Act. The extent of this illegal practice and the legal action taken by the department against the defaulting private couriers is not known.

4.7 Dumping of mails by Post Offices

Preliminary sorting is done in the post offices (PO) to relieve the Railway Mail Service (RMS) wing of its peak hour problem and to eliminate rehandling of mail to a large extent. It was decided by the Directorate in December 1981 that besides the Head Post Offices (HO) every Sub Office (SO) in the country should do sorting of mails. It was, however, noticed during Audit that preliminary sorting was not introduced in all POs in Uttar Pradesh and West Bengal Circles, 4 POs in Maharashtra, in some POs in Delhi Circle and 16 POs in Orissa and Kerala Circles. These offices were found dumping the mail, causing peak hour problem in mail offices resulting in delay in transmission and delivery. Similarly, the preliminary sorting was not properly done in 3 HOs and 16 POs in Andhra Pradesh (AP) Postal Circle where the post offices were closing mixed up mails without preparing justified labelled bundles and separation of town delivery mails.

Department stated that the preliminary sorting in post offices was to reduce the pressure of work in sorting mail offices. It was further stated that a note of the observations of Audit had been taken and Postmasters General advised suitably.

In September 1982, it was decided that preliminary sorting would be done by smaller POs for 25 selections and by larger POs and HOs for 52 to 72 selections. It was noticed that in Sambalpur Division in Orissa Circle, only one SO had a sorting case with 52 selections while in other SOs, the sorting cases had selections varying 12 to 25. In West Bengal Circle it was being done in 24 to 42 selections except in some Gazetted Post Offices where it was being done for higher selections causing double handlings and delay in transmission of mails. The Postmaster General (PMG), West Bengal Circle stated in reply to an Audit enquiry that preliminary sorting in all offices had not been implemented as it would create operational difficulties besides incurring huge expenditure for conversion of the existing sorting tables.

Department stated that the PMG would be advised to see that simple preliminary sorting was introduced in post offices where it had not been introduced so far with the available equipment.

Dumping of mails was not only restricted to POs, but on many occasions mails were found dumped by one mail office to another mail office without sorting/preparing justified labelled bundles. It was observed in AP Circle that mails intended for other circles like Tamil Nadu, Kerala and Karnataka were received at Hyderabad from mail offices in northern, western and eastern centres frequently. Similarly some mail offices in Maharashtra, Karnataka and Kerala Circles were dumping the mails to other mail offices involving extra handling and delay in transmission.

Department stated that instructions were issued on the pre-action control of such irregularities, in addition, post-action control measures like taking suitable action against the officials, who frequently figure for irregularities like dumping and mis-sorting, were also effectively taken by the field officers.

4.8. Over-carrying and back-routing of mails

Sorting list drawn up in respect of each sorting mail office indicates the routing pattern to be adopted for transmission of mail for different destinations after taking into account the train/air timings etc. so that transmission period is kept minimum. In AP Circle, there is no direct transit section between Hyderabad and Bomaby. Though some of the first class mail to Bombay is sent by air, remaining first class and second class mail is sent by Hyderabad-Banglore/Secunderabad-Guntakal train to Guntakal from where they were transmitted to Bombay via Wadi. The back-routing of mails from Guntakal over a distance of 230 Kms resulted in delay in transmission of mail and avoidable expenditure.

Department stated that it had been approved in principle to open a transit section between Hyderabad and Bombay by express train.

4.9. Transcription Centres

As per departmental instructions contained in Para 109 of Posts and Telegraphs Manual Volume V, each post office is required to transcribe addresses written in regional languages on postal articles into English. Transcription centres are also established in important sorting mail offices in each circle. It was observed by the inspecting officers of the department in AP Circle that a number of letters were sent to the places of destination without transcribing the addresses written in regional languages. This resulted in delay in delivery of mails to the addressees.

Department accepted the observation of Audit and stated that the Director (MPO), Madras, who had also noticed similar irregularity in Andhra Circle, had issued necessary instructions.

4.10 Returned letter offices (RLO)

Departmental rules stipulate that before accepting a money order or a registered letter, postal assistant should ensure that the acknowledgement portion contains the full address of the sender to facilitate the return of acknowledgement promptly. It was noticed in AP Circle that on an average 200 acknowledgements of money orders/registered letters were received daily in RLO at Hyderabad which could have been avoided if proper care had been taken by the post offices before their acceptance. Post offices were also consigning unclaimed newspapers, periodicals and letters to RLO instead of sending them back to sender directly.

Department accepted the observations of Audit and stated that the Postmaster General, Andhra Circle, where the irregularity was noticed, had issued suitable instructions.

4.11. Avoidable payment of haulage charges

To facilitate the carriage in trains and sorting in the running sections, the Railways provide the type and extent of accommodation needed to the Postal Department. Besides paying interest on the capital cost of the mail vans, the department also pays haulage charges to Railways as fixed from time to time.

A policy decision was taken in March 1983 to abolish sorting in running sections and to convert sorting sections into transit sections with a view to providing efficient and economic viable service. Since the type of accommodation actually required is dependent on the space required for sorting in running trains, it was incumbent on the part of the department to review the surplus accommodation available in the various sections taking into account the flow of mail traffic. However, no such review was conducted till November 1985 when the department addressed all Heads of Circles to conduct a comprehensive review of the accommodation required and available in the various trains. As a result of review conducted in 5 circles, the position was as under:

(i) Karnataka Circle.

It was found in June 1987 that in **five** sections the accommodation was surplus to requirement but the surplus accommodation had not yet been surrendered. As a result the department had to incur avoidable haulage charges of Rs. 95.76 lakhs from April 1984 to March 1988. The department would continue to incur avoidable expenditure of Rs. 32.42 lakhs for each half year till the surplus accommodation is surrendered.

(ii) Uttar Pradesh Circle

In **three** sections the accommodation was found surplus in 1986, but the same has not been surrendered. Meanwhile the department had incurred avoidable haulage charges of Rs. 19.45 lakhs from April 1986 to March 1988. The department would continue to incur avoidable expenditure of Rs. 4.87 lakhs for each half year till the surplus accommodation is surrendered.

(iii) Kerala Circle

In **five** sections the accommodation was found surplus in February 1987 and the DOP was addressed in the same month stating that the surplus accommodation could not be surrendered as the same could be required by other connecting sections. The decision of the DOP was awaited (October 1988).

(iv) Gujarat Circle

It was found that on a number of occasions the Railway authorities supplied non-standard mail vans or second class bogies with less accommodation but claimed haulage charges as per the sanctioned accommodation. Though the statements showing non-supply of standard mail vans were furnished periodically to the PMG, no action was taken to obtain the refund from the Railways.

(V) Haryana Circle

No review was conducted. The PMG, Haryana Circle stated in June 1988 that unless the standarads were revised by the Director General, Postal Services, the revised authorisation for mail van accommodation cannot be worked out.

Thus, haulage charges amounting to Rs. 115.21 lakhs in two circles had been paid due to non-surrender of surplus accommodation. In other circles the excess payment made was yet to be assessed.

Department stated in November 1988 that it has called for reports from the circles.

4.12 Payment of subsidy for conveyance of mails by State Transport undertakings

(i) Maharashtra Circle

The overpayment for carriage of mail through the State Road Transport Corporation (SRTC) worked out to Rs. 26.25 lakhs during the period 1980-85. The reasons for overpayment as intimated by the Director Postal Services (DPS), Pune were (a) minimum subsidy of Rs. 300 was claimed for each trip instead of each route; (b) subsidy was calculated on passenger fare basis for the line having loading and unloading at intermediary stages and (c) subsidy was calculated from stage to stage as against average weight on the routes.

Department stated in November 1988 that the matter was taken up with the Transport Ministry in inter-ministerial meetings last of which took place in April 1984. Further it hoped that all issues related to conveyance of mails by State Transport buses would be sorted out in the next inter-ministerial meeting.

(ii) The Director General, Posts and Telegraphs circulated in March 1981, a sample calculation of monthly subsidy payable to the SRTC for conveyance of mails taking the number of days as 26 in a month. The DOP, however, clarified in March 1988 that the sample calculation was only illustrative and the payment was to be made only for the actual number of days in a month during which the mail was carried. A test check of subsidy bills paid in Gujarat and Karnataka Circles revealed that the bills were being paid taking the number of days as 26 instead of taking the actual number of days on which the mails were carried. The excess payment made on account of wrong computation was neither worked out nor adjusted.

Department stated that the extent of overpayment had to be ascertained before taking any further action and this was being attended to.

CHAPTER IV

OTHER TOPICS

5. Installation of bag washing plants in three circles

Postal bags once brought into use were under continuous operation till condemned and during life time were never washed. This was considered an unsatisfactory practice. In consultation with the circle authorities as to their needs and available facility, it was decided by the Director General Posts and Telegraphs (DGPT) in December 1980 to install bag washing plants during Sixth Five Year Plan in 11 circles viz. Andhra Pradesh, Bihar, Gujarat, Karnataka, Madhya Pradesh, North-East, North-West, Orissa, Rajasthan, Uttar Pradesh and West Bengal. However, bag washing plants in Andhra Pradesh (commented in para 52 of Report of the Comptroller and Auditor General of India for the year 1985-86 Union Government (Posts and Telecommunications), Gujarat and Karnataka Circles only were commissioned during the Sixth Five Year Plan period. The scheme regarding installation of bag washing plants was reviewed in August 1984 and it was decided to install de-dusting plants, as they were easier to operate, over-head expenses were much less and it was possible to install such machines within the space available in important mail offices/post offices. Accordingly it was decided in August 1984 not to install bag washing plants in Madhya Pradesh, North-East, North-West and West Bengal Circles, as no contracutal liability was involved in these circles.

Of the remaining four plants, infructuous expenditure on installation of bag washing plant in Uttar Pradesh Circle was commented upon in Para 7 of Report of the Comptroller and Auditor General of India for the year ended 31st March 1987, Union Government (Posts and Telecommunications). The position in respect of the remaining three plants in Bihar, Orissa and Rajasthan Circles was reviewed by Audit in July/November 1987 and the same is detailed below:

(i) Bihar Circle: The Postmaster General (PMG) Bihar Circle, Patna placed an indent for procurement of plant with Director General Supply and Disposal (DGSD), New Delhi in January 1984 for installation at Sograha (Barauni). All Civil and electrical works were completed by November 1984 at a cost of Rs. 8.56 lakhs except the Installation of pumpset. The installation of pumpset was taken up in January 1985 and was postponed after incurring an expenditure of Rs. Rs. 0.31 lakh on it as the proposal for bag washing plant in Bihar Circle was dropped by the DGPT in March 1985 and the PMG, Bihar Circle was asked to utilise the accommodation for post office. On 17th October 1985, the DGPT requested the supplier firm to divert the plant to PMG, Orissa Circle for its installation at Bhubaneswar. Meanwhile, two Railway Receipts for bag washing plant had already been received on 18th September and 7th October 1985 by Postal Store Depot (PSD), Patna. The delivery was taken in November 1985 and the plant was sent to PMG, Orissa Circle in January 1986.

The Director of Postal Services, Muzaffarpur, proposed, in May 1986 to utilise the building constructed for bag washing plant by shifting the Barauni Sub Post Office to Sograha and to open a new non-delivery sub office at Barauni railway station. To make the building suitable for this purpose, some additions and alterations were carried out in February 1987 at a cost of Rs. 0.91 lakh.

Department stated in November 1988 that after carrying out some modifications, the post office is now functioning in the building.

(ii) Orissa Circle: For installation of bag washing plant at Bhubaneswar, a building was purchased by the PMG, Orissa Circle in February 1983 at a cost of Rs. 2.22 lakhs. The plant diverted from Bihar Circle was received in January 1986. The washing machine, hydro extractor and hot water tank were installed only in December 1987 by the supplying firm and their service engineer left Bhubaneswar without commissioning the plant. The period of delivery and installation was extended by the DGSD from time to time. The total expenditure incurred on the purchase of plant, building and for providing necessary infrastructure for installation of the plant amounted to Rs. 7.21 lakhs. The plant has not been commissioned so far (November 1988) even though the building was acquired in February 1983 and the plant was received in January 1986.

Department accepted in November 1988 that the matter has taken some time which was beyond the competence of the department to remedy. According to the department the delay was attributable to failure of the contractor and the matter has been taken up at the highest level with DGSD in right earnest. It was, however, expected that the plant would be installed in Bhubaneswar shortly.

(iii) Rajasthan Circle: For installing bag washing plant at Jaipur, a building was constructed in October 1984 at a cost of Rs. 3.06 lakhs but the bag washing plant was not installed as indent for supply of bag washing plant was cancelled by the DGPT in April 1985. It was stated by the PMG, Jaipur in May 1988 that the building would be utilised for housing a de-dusting plant and that the Directorate had decided in August 1987 to supply a plant when the first batch of indigenous de-dusting plants were received. The indigenous de-dusting plants have not been manufactured so far (August 1988).

Department stated in November 1988 that the building was being utilised for Vishwa Karma Industrial Area delivery post office, Jaipur.

Thus, due to injudicious planning, investment of Rs. 20.05 lakhs made at three locations has not yielded the optimum results.

6. Avoidable expenditure of rental charges

The General Post Office (GPO), Trivandrum was functioning in a departmental building constructed in 1929. As this building had a usable floor area of 9155 sq. feet as against the justified accommodation of 15000 sq. feet for the GPO, it was decided to construct a new building during Sixth Five Year Plan on the same site after demolishing the old building. The Post Master General, Trivandrum conveyed approval for demolition of the building in January 1983 which was not within his powers and obtained ex-post-facto sanction of the Posts and Telegraphs Board in November 1983. The GPO was shifted to a rented building having floor area of 6000 sq. feet in September 1982 at a monthly rent of Rs. 4,100 upto April 1984 and again to another building having floor area of 6000 sq. feet at a monthly rent of Rs. 14,000. The demolition of the building was commenced in September 1983 a year after its vacation and completed in February 1984. The building plans submitted to the Trivandrum Development Authority and Municipal Corporation of Trivandurm in September 1983 were approved in January 1985 and September 1985 respectively after the department rectified the defects in the building plans pointed out by these authorities. The Administrative Approval and Expenditure Sanction for reconstruction of GPO building was issued by the Department of Posts in July 1986. The work for pile foundation and basement floor of new building was in progress and tenders for superstructure were under scrutiny (June 1988).

Apparently, vacation of the building in September 1982 and commencement of its domolition in September 1983 without receipt of AAES was premature. There was sufficient time for demolition of old building between receipt of AAES in July 1986 and award of work in March 1987. Had the building been vacated after July 1986, the department could have avoided expenditure of Rs. 4.61 lakhs towards rent from September 1982 to July 1986.

Department stated in August 1988 as a measure of abundant caution and to avoid recurrance of such objection it had issued insturctions to all the concerned authorities to the effect that demolition of the old structures and commencement of reconstruction should be planned in such a way that the gap between these two activities is kept to the barest minimum to obviate the need for payment of avoidable rental charges.

7. Non-recovery of value of British Postal Orders paid in India

Under the rules, Postal Accounts Office (PAO) is required to send each month a statement of British Postal Orders (BPOs) paid in the Postal circle together with supporting vouchers to PAO, Calcutta to enable that office to effect recovery through the Pay and Accounts Office nominated for this purpose. Cases of non-receipt of paid vouchers of BPOs from the unit offices (Post Offices) are also required to be watched by the concerned PAO through their objection books.

Mention was made in Paragraph 45 of the Report of the Comptroller and Auditor General of India for the year 1983-84 : Union Government (Posts and

Telegraphs) about non-recovery of the amount of BPOs paid in India from the Government of the United Kingdom (UK) and the department issued in May 1987 detailed guidelines emphasising speedy realisation of BPOs.

It was noticed in Audit during May 1987/June 1988 that:

(i) in four circles viz., Madhya Pradesh, North Eastern, Rajasthan and West Bengal, Rs. 15.67 lakhs were pending for recovery due to non-submission of paid BPOs by the unit offices from 1965-66 onwards to the concerned PAO; and

(ii) Rs. 45.50 lakhs were pending recovery due to non-submission of proper statements together with supporting vouchers by PAOs of Delhi (Rs. 44.82 lakhs for 1987-88) and Madhya Pradesh (Rs. 0.68 lakh for the period 1984-85 to 1987-88) circles to the PAO, Calcutta.

Failure to comply with the rules has resulted in non-recovery of the value of BPOs amounting Rs. 61.17 lakhs, besides commission (March 1988).

Department stated in October 1988 that paid BPOs for Rs.14.71 lakhs relating to item (i) above were still wanting from the units, and that the PAOs were making concerted efforts to obtain the same. It was further stated that Rs. 44.81 lakhs concerning Delhi Circle have been claimed from the United Kingdom Postal Administration through debit notes in August/September 1988 and against Rs.0.68 lakh concerning Madhya Pradesh circle, Rs.0.29 lakh was outstanding.

8. Frauds in handling of National Savings Certificates

Eight cases of frauds in Postal National Savings Certificates (NSCs) involving Rs.3.59 lakhs were reported in Andhra Pradesh Postal Circle during 1985-86. One of them alone was for Rs. 3.37 lakhs and occurred at Ramnagar single handed 'C' class sub office under Ongole Head Office during the years 1981-85. It came to light in May 1985, as a result of investigation made by the department based on an anonymous complaint. The investigation revealed that sale proceeds of 225 NSCs during the period 1981-85, of face value of Rs. 3.37 lakhs were not credited to government account, the stock register was not maintained by the sub office and the stock register for the sub office in the Head Office was also not maintained properly. The monthly statements of unsold NSCs were neither sent by the sub office nor was their receipt watched by the Head Post Office. Though the sub office was inspected by a Senior Superintendent of Post Offices (SSPO)/five Assistant Superintendent of Post Offices (ASPO) and two Inspectors of Post Offices during the period of defalcation, the irregularities were not brought out in their reports. Two ASPOs, who inspected the sub-office in December 1983 and in December 1984, reported about 'non-maintenance of stock register in the sub office after 18 and 14 months of their visits respectively. Prompt submission of inspection reports was not ensured by the SPO and reasons for such abnormal delay in submission, in this case, were not investigated.

Departmental rules provide that each Head Post Office is required to send to the Circle Postal Accounts Office (CPAO) a list of cash certificates remaining unsold, as on 31st March, each year and CPAO, in turn compares the entries in the lists with those in stock and issue registers and discrepancy if any, is to be settled with the Post Master concerned. It was, however, observed in Audit in April 1987 that there were 56575 unsold discrepant items involving huge amount (in crores of rupees) in the registers of CPAO as on 31st December 1986 with reference to the statements of unsold NSCs furnished by the post offices in Andhra Pradesh Circle as on 31st March, 1984. These represent certificates unsold as per the stock and issue registers of CPAO but not shown in the unsold lists of post offices. The fraud might have been detected earlier had the CPAO taken prompt action to settle the unsold discrepant items.

Thus, failure to conduct the prescribed checks by the departmental officials at various levels and non-settlement of unsold discrepant items by CPAO facilitated frauds in the accountal of sale of NSCs.

Department stated in August 1988 that the principal offender was dismissed from service. Action to collect the details of the property in his and his wife's name is in progress and a civil suit is likely to be filed after ascertaining full particulars of the properties.

Department further stated that the work relating to settlement of discrepancies was actually in arrears due to shortage of staff. PMG, Hyderabad was taking suitable action to see that the arrear work was completed and this important item did not fall in arrears.

9. Avoidable expenditure on acquisition of land and building

The Postmaster General (PMG), Kerala Circle had hired a private building in which post office, Mundakayam (Kottayam District) was housed. In response to department's request to sell the said building, the owner of the premises offered (December 1978) to sell the land alongwith constructed building thereon to the department at a cost of Rs. 1.30 lakhs (building Rs.0.70 lakh: land Rs.0.60 lakh) The civil wing of the department valued the building at Rs. 0.65 lakh in May 1979 against Rs.0.70 lakh demanded by the owner. The owner of the building reminded the department in February 1980 for accepting or rejecting her offer by 31 March 1980 but no decision was taken.

A departmental committee, which was set up to fix the price of the asset, met in September 1980. During the proceedings it was held that the condition of the building was far from satisfactory and will have to be demolished very soon after its purchase.

Accordingly, it was felt necessary to assess its salvage value. The committee also wanted to know the update revenue valuation of the price of land before taking a decision.

Before the committee could decide the value of the land and building, the owner of the land reminded again in April 1981 to finalise the matter. The committee held a metting in October 1981 and decided to take the asset at a cost of Rs.1.30 lakhs demanded by the owner in December 1978. The decision to purchase the property was conveyed to the owner in December 1981, three years after the original offer to sell the property was made. The owner rejected the offer and quoted revised price of Rs. 2.60 lakhs in December 1981.

In March 1982, the PMG decided to approach the State Government for acquisition of this land and building through land acquistion proceedings. The land acquisition department awarded the asset to the department in October 1987 at a price of Rs.5.32 lakhs. The asset was taken over by department in November 1987.

Thus, as a result of inordinate delay in processing the offer of the owner and lack of timely decision, the department had to incur an avoidable expenditure of Rs. 4.02 lakhs for acquiring the asset. Department, while accepting the contents of the para, stated in September 1988 that there is nothing to substantiate that the department would have been able to acquire the land at the original quoted amount even if it had acted more promptly.

This is not tenable, as the owner, even in April 1981 i.e. 27 months after the original offer, pointed out that inspite of repeated requests the department had not cared to finalise the transaction.

10. Infructuous expenditure on construction of staff quarters at Binjharpur

The Postmaster General (PMG) Orissa Circle accorded administrative approval and expenditure sanction in September 1979 for construction of two quarters of type I and two quarters type II for staff employed at Binjharpur at an estimated cost of Rs.1.53 lakhs. The construction of quarters started in December 1979 and while the work was in progress the Superintendent of Posts Offices, Cuttack, North Division reported in April 1980 to the PMG that the quarters might not be utilised properly after construction because mostly local employees were posted at Binjharpur. He suggested construction of one type I and one type II quarter at Binjharpur instead of two quarters of each type which was not accepted by the PMG as it was received too late when no revision was possible.

The new quarters constructed at a total cost of Rs.1.88 lakhs were taken over by the PMG in April 1982. Though electric and water supply facility in the quarters was provided in August 1983 at a cost of Rs. 0.02 lakh, they were not occupied by the officials stationed at Binjharpur so far (August 1988). In addition, the department had to make watch and ward arrangements for these quarters and incur an expenditure of Rs. 0.21 lakh from January 1982 to June 1988. The post of night watchman has been abolished from July 1988 but no arrangement has been made for future safeguard of the building.

Department stated in August 1988 that instructions have been issued to all the heads of circles for close scrutiny of all proposals relating to construction of staff quarters with a view to ensuring that only such number of staff quarters are constructed as are likely to be fully utilised. It was further stated that the PMG, Orissa Circle has instructed the Divisional Superintendent concerned to negotiate with the State/ Central Government authorities for allotment of these quarters to their employees on temporary basis.

Thus, construction of four quarters at Binjharpur without ascertaining their necessity resulted in infructuous expenditure of Rs. 2.11 lakhs upto June 1988.

DEPARTMENT OF TELECOMMUNICATIONS

CHAPTER V

11. GENERAL

11.1 Organisational set up

The Department of Telecommunications functions through the "Telecommunications Board" headed by a Chairman, who is also the Secretary to the Government of India, Department of Telecommunications.

The department attends to services like telephone, telegraph, telex, wireless etc. The demand for these facilities has been increasing year after year. In order to provide these facilities to the intending subscribers, Government provides funds for the expansion activities of the department through allocations to the department in the successive Five Year Plans. Accordingly, against the Plan expenditure of Rs.3069 crores under Sixth Five Year Plan, the Planning Commission had approved an investment of Rs.4010 crores for telecommunications services in the Seventh Five Year Plan (1985-90) excluding 1,990 crores to be raised from other sources.

Mahanagar Telephone Nigam Limited (MTNL) was established from Ist March 1986 and is responsible for providing telephone and telex facilities in the metropolitan cities of Bombay and Delhi.

The value of fixed assets transferred to MTNL at the beginning of the year 1986-87 was assessed at Rs.9 02 crores.

11.2 Seventh Plan Performance

The important facilities available at the beginning of the Seventh Five Year Plan were as follows:

Local Telephone System

Switching capacity (Lakh lines)	33.08
Direct Exchange lines (Lakh lines)	28.98
Underground cables (Lakh Kms.)	338.00
Subscriber Telephone Stations (Lakh lines)	37.74

Long Distance System

Trunk Auto Exchanges (Nos)	29
Trunk Automatic Exchange capacity (lines)	85770
Microwave system (Route Kms)	22514
Coaxial Cable (Route Kms)	22235
UHF system (Route Kms)	6322
Subscriber Trunk Dialling Routes (Nos.)	213
Manual Trunk Boards (Nos.)	8098
Open Wire Channels (Nos.)	24116

Telegraph Offices (Nos.)	35251
Telex Exchanges (Nos.)	187

Telex capacity

(a)	Local (Nos.)	39094
(b)	Transit (Nos.)	10700
Telex connections (Nos.)		26287
Long Distance Public Telephone (Nos.)		21717
Voice Frequency Transmission Channels (Nos.)		23685

11.3 The data on physical and financial targets for the Seventh Five Year Plan and the actuals for the years 1985-86, 1986-87 and 1987-88 are given below:

Sl. No.	Activities	Annual Plan 1985-86				Annual Plan 1986-87			Annual Plan 87-88			Total		
		Targets for VII Plan	Targets	Achievement	Percentage of targets achieved	Targets	Achievement	Percentage of targets achieved	Targets	Achievement	Percentage of targets achieved	Targets	Achievement	Percentage of targets achieved
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	Plan outlay in (crores of Rupees)	6000	855	891.7	104.3	835	837	100	1100 excluding Rs.300 crores relating to (MTNL)	1062.2	96.6	2790	2790.9	100
2.	Local Telephone systems													
	(i) Switching capacity (Lakhs Lines)	21.00	3	3.6	120	2.80	3.23	115.4	3.00	3.40	113	8.8	10.23	116.25
	(ii) Underground Cable (Lakh pair Kms.)	324.3	15.50	15.07	97.23	22.0	18.42	83.72	62.6	25.70	41.5	100.1	59.19	59.69
	(iii) Direct Exchange Lines (Lakh Lines)	16.0	2.20	2.68	121.8	2.20	3.21	145.91	2.40	3.12	130	6.8	9.01	132.5
	(iv) Telephone Exchanges (Nos.)	644	664	774	120	557	810	145.4	-		-	-	-	-

1.	2	3	4	5	6	7	8	9	10	11	12	13	14	15
3.	Long Distance Systems													
	(i) Trunk Automatic Exchanges (Nos.)	25	1	1	100	4	3	75.0	11	12	109.09	16	16	100
	(ii) Trunk Automatic Exchanges capacity (Lines)	121400	5600	5600	100	9600	5650	58.85	23200	15900	68.53	38400	27150	70.70
	(iii) Subscriber Trunk Dialling routes point to point (Nos.)	34	8	16	200	8	31	387.5	-	18	1800	16	65	406.25
	(iv) Manual Trunk Boards (Nos.)	1100	400	215	58.7	120	145	120.83	65	110	169.23	585	470	80.34
4.	Long Distance Transmission Systems													
	(i) Coaxial cables (Route Kms)	13427	1532	1507	89.3	1100	1032	93.82	1400	1546	110.42	4032	4085	101.31
	(ii) Microwave (Route Kms)	16895	2257	86	3.9	2225	1704	76.58	1925	2692	139.84	6407	4482	69.9
5.	UHF Scheme													
	1) 30 Channels & above (Route Kms)	12947	1735	1098	63.3	1520	1605	105.59	1365	1565	114.65	4620	4268	92.38
	2) Small capacity (Route Kms)	150	-	-	-	-	-	-	-	-	-	-	-	-
	3) Open Wire Channels (Nos.)	5000	1000	1191	119.1	1000	1215	121.5	-	1350	-	-	-	-
	4) Fibre (Route Kms)	20501	-	-	-	-	-	-	-	-	-	-	-	-
6.	Telex													
	1) Telegraph Offices (Nos.)	-	2000	1270	63.5	1120	887	79.8	-	847	-	-	-	-
	2) Long Distance Public Telephone Offices (Nos.)	15000	2000	899	44.5	1120	934	83.4	1200	1548	129.0	4320	3282	76
	3) Telex Exchange (Nos.)	100	28	22	81.2	17	11	64.7	20	27	135.0	65	60	92.30

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
4)	Telex Capacity (Lines)													
	a) Local	32200	1580	1500	94.9	3740	2450	65.50	5000	3342	66.84	10320	7292	70.66
	b) Transit	4800	-	-	-	1850	1250	67.56	3400	1168	34.35	5250	2418	46.05
5)	Telex Connections (Nos)	29170	1431	4262	297.8	2717	3594	132.3	-	3212	-	4118	11068	268.7

The department was not able to fulfil the targets in respect of trunk automatic exchanges, telex exchanges and telex capacity so far.

Mention was made of certain factors contributing to delay in providing telecommunication facilities in Chapter IV & V of Reports of Comptroller and Auditor General of India, Union Government (Posts and Telecommunications) for the years 1982-83 and 1983-84, Chapter IV B of 1984-85 and Section D of 1985-86. Some of the important factors which contributed to delay as identified in the test check are:

- Delay on account of non-receipt of the full complement of stores and equipment;
- Delay in completion of Civil works;
- Faulty planning.

Some instances are discussed in detail in Chapters VIII, X & XI of this report.

11.4 The overall utilisation of equipped capacity of Telephone exchanges is given below:

Year	Equipped capacity of the telephone exchanges at the end of the year	No. of working connections at the end of the year	Percentage of equipped capacity	Data of equipped capacity and working connections in metropolitan cities											
				Bombay			Calcutta			Delhi			Madras		
				Capacity	Working connections	Percentage of utilisation	Capacity	Working connections	Percentage of utilisation	Capacity	Working connections	Percentage of utilisation	Capacity	Working connections	Percentage of utilisation
	(Nos. in lakhs)														
1983-84	30.55	26.68	87.33	4.24	3.66	-	2.25	1.88	-	2.79	2.48	-	1.04	0.93	-
1984-85	33.07	28.98	87.63	4.71	4.11	-	2.33	1.96	-	3.11	2.73	-	1.12	1.02	-
1985-86	36.65	31.65	86.69	5.42	4.54	-	2.40	2.05	-	3.53	3.07	-	1.33	1.12	-
1986-87	39.89	34.88	87.4	5.77	5.01	86.78	2.43	2.11	80.81	3.97	3.44	86.7	1.37	1.25	91.42
1987-88	43.29	38.01	87.8	6.43	5.46	84.9	2:50	2.19	87.5	4.51	3.96	87.8	1.53	1.34	87.6

It would be seen that there is no improvement in the utilisation of the equipped capacity as this has remained constant.

11.5 The total equipped capacity (14.97) lakh lines) in 4 metropolitan cities was 28.3 per cent of the total equipped capacity available in the country. The number of working connections (12.94 lakhs) of the metropolitan cities worked out to 29.3 per cent of the total working connections in the country.

The total number of applicants in the waiting list increased year after year as detailed below:

Number of persons in the waiting list (in lakhs)

Year	Bombay	Calcutta	Madras	Delhi	Other Stations	Total
1983-84	1.64	0.30	0.33	1.12	3.99	7.38
1984-85	1.66	0.26	0.33	1.32	4.72	8.29
1985-86	1.85	0.28	0.31	1.55	5.87	9.86
1986-87	2.02	0.33	0.40	1.71	6.79	11.25
1987-88	2.11	0.40	0.45	1.88	7.80	12.64

Even though there was a long waiting list of intending subscribers at Bombay, the equipped capacity was under-utilised. It was 84.9 per cent as compared to the average utilisation (87.9 per cent for the entire country and optimum expected utilisation of 92 per cent.

11.6 The data on estimated and actual revenue working expenses and surplus from 1983-84 to 1987-88 are given below:

Year	Revenue			Net Working Expenses			Surplus		
	Eastimates	Actual (Percentage increase/decrease(-) over previous year)	Percentage of variation	Estimates	Actuals (Percentage increase over previous year)	Percentage of variation	Estimates	Actual (Percentage increase/decrease(-) over previous year	Percentage of variation
				(Rupees in crores)					
1983-84	1140.79	1028.12	(-) 9.8	708.49	681.38	(-) 3.8	432.30	346.74	19.8
1984-85	1255.00	1191.32 (15.87)	(-) 5.1	815.00	810.89 (19.0)	(-) 0.5	440.00	380.43 (9.72)	13.5
1985-86	1360.00	1309.31 (9.90)	(-) 3.7	897.00	942.22 (16.20)	(+) 5.04	463.00	367.09 (-)3.5	20.7
1986-87	1370.00	1229.69 *	(-) 10.2	904.50	1005.32 (6.69)	(+) 11.14	465.50	224.37 (-38.9)	51.8
1987-88	1709.00	1700.92	(-) 0.5	1165.00	1170.22	(+) 10.0	544.00	530.70	2.4

(* includes figures of MTNL Bombay and Delhi)

The shortfall of actual revenue of Rs.8.08 crores as compared to estimated revenue of Rs.1709.00 crores was mainly due to shortfall in revenue under the following heads:

		Estimated	Actual
(i)	Telephones	Rs. 1307 crores	Rs.1281.65 crores
(ii)	Telex	Rs. 72.00 crores	Rs. 66.83 crores
(iii)	Telegrams	Rs. 105 crores	Rs. 86.41 crores

11.7 The growth of receipts under main heads of receipts during five years ending March 1988 is shown below:

Sl.No.	Main heads of revenue receipts	1983-84	1984-85	1985-86	1986-87	1987-88
		(Rupees in crores)				
1.	Telegrams	85.12	93.84 (10.24)	94.21 (0.4)	93.27 X (-0.99)	86.41 (-7.4)
2.	Telex	84.06	100.62 (19.7)	114.70 (13.99)	59.66 X (6.27)	66.83 (12.0)
3.	Rent of wires, circuits and instruments leased to Railways, canal etc.	35.49	94.03 (164.85)	43.57 (-53.65)	47.70 X (9.48)	48.40 (1.5)
4.	Telephone revenue	860.00	943.04 (9.65)	1105.20 (17.19)	920.80 X (21.21)	1281.65 (39.2)
5.	Receipts from MTNL	-	-	-	120.00	203.57
6.	Dividend on Equity of Assets of MTNL	-	-	-	42.00	84.00
7.	Others	(-)36.55	(-)40.21	(-)48.36	(-)53.74	(-)69.24
	Total	1028.12	1191.32 (15.87)	1309.32 (9.90)	1229.69 (-6.08)	1700.92 (38.3)

X in respect of Department of Telecom only.

It would, thus, be seen that the revenue under the head Telegrams. declined from Rs.93.27 crores to Rs. 86.41 crores during 1987-88 as compared to 1986-87.

11.8 Shortfall in utilisation of equipped capacity as mentioned in para 4 above is reflected in short realisation of telephone revenue compared to the budgetory expectations.

Year	Budget estimates	Actuals	Shortfall	Percentage of shortfall
		(Rupees in crores)		
1983-84	980.00	860.00	120.00	12.24
1984-85	1070.00	943.04	125.96	11.87
1985-86	1135.00	1105.20	29.80	2.63
1986-87	1040.00	920.80	119.20	11.46
1987-88	1307.00	1281.65	25.35	1.93

11.9 The average annual revenue per direct exchange line (DEL) had been increasing over the years as shown below. This is due to upward revision of rentals and local call charges from Ist March 1982 and 1983, rentals and trunk call charges from Ist June 1984 and rentals and installation fees from Ist December 1986.

Year	Number of DELs at the start of the year (Lakh lines)	Total revenue (Rs. in crores)	Average annual revenue per DEL (Rs.)
1983-84	24.65	860.00	3488
1984-85	26.68	943.04	3535
1985-86	28.98	1105.20	3814
1986-87	24.15	1056.16	4397
1987-88	34.88	1281.65	3674

CHAPTER VI

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

12. The summarised position of actual expenditure during 1987-88 against Grants and Appropriation relating to Department of Telecommunications is as below:

	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Variation Saving- Excess+
	(Rupees in crores)				
Revenue voted	1815.70	-	1815.70	1800.85	-14.85
Charged	0.50	50.00	50.50	17.50	-33.00
Capital Voted	959.11	213.68	1172.79	1200.11	+27.32
Charged	0.01	-	0.01	-	-0.01
Total	2775.32	263.68	3039.00	3018.46	-20.54

The broad results of Appropriation Audit are as follows:

(i) The overall supplementary grant obtained during 1987-88 constituted 9.5 per cent of the original grant and appropriation.

(ii) The overall savings of Rs.20.54 crores (net) represented 0.68 per cent of the total provision of voted grant and charged appropriation.

(iii) The supplementary grants obtained during the year under the following heads of accounts were unnecessary as the actual expenditure under these heads were even less than the original grants as shown below:

Head of Account	Original grant	Supplementary grant	Actual Expenditure
		(Rupees in lakhs)	
(1) AA 4(1) Coaxial cable system	8712.90	543.00	6218.94
(2) AA 4(4) UHF and VHF Schemes	1945.60	60.20	1660.87
(3) AA 5(2) Training Centres	444.50	401.00	334.84

(iv) The reappropriation orders issued in the month of March 1988 for augmentation of funds under the following Heads were found unnecessary as the actual expenditure was far less than the original provision.

Head of Account	Original grant	Reappropriation	Actual Expenditure
		(Rupees in lakhs)	
(1) A2(1) Circle offices	1699.20	3.75	1607.61
(2) A2(3) Telephone Districts and Divisions	4127.00	68.98	4013.46
(3) E4(1) Telegraphs and Telex	318.00	25.12	250.52
(4) E4 (3) Trunk Exchange	315.00	57.90	303.66
(5) E4 (4) Transmission system	309.00	12.81	226.99
(6) E4 (7) Technical and Development circle	7.00	7.56	2.81
(7) E4 (10) Other Telecommunications Buildings	172.00	50.64	130.38
(8) G(1) (5) Payments under CGHS	182.70	2.28	156.16

Head of Account	Original grant	Reappropriation	Actual Expenditure
(9) K1 Payments from Posts and Telegraphs surplus	237.00	600.00	-
(10) AA 1 (2) Telex systems	2060.70 (including supplementary grant	275.30	2015.36
(11) AA 4 (2) Other Trunk cable systems	809.90	16.70	271.43

There were significant savings of more than 10 *per cent* under the following heads of account in Revenue and Capital sections:

(Rs. in lakhs)

Head of Account	Provision	Expenditure	Savings with percentage in brackets	Main reasons for savings
1	2	3	4	5
Revenue Section				
B. Operation				
(1) B.I. Operational Training				
B.I.(1) Operational Training	96.00	38.52	57.48 (59.87)	Less expenditure under salaries and non-materialisation of procurement of training equipments.
C. Stores and Factories				
C.3. Factories				
(2) C.3(5) Telecom Factory, Bhilai	43.35	36.10	7.25 (16.72)	Less expenditure under other charges

	1	2	3	4	5
(3)	C.4 Miscellaneous expenditure				
	D-Research and Development	115.00	(-)694.75	809.75 (704.13)	Unanticipated adjustments of rate revision and stock adjustments.
(4)	D I Telecommunications Research	340.15	285.66	54.49 (16.02)	Less expenditure under rent, rate and taxes.
	E- Engineering				
(5)	E I Training Engineering	1515.95	1143.34	372.61 (24.58)	Non-materialisation of import of training equipments.
(6)	E-2 Maintenance E-2 (1) Buildings	1100.00	885.75	214.25 (19.48)	Less building work on account of economy measure.
(7)	E-2(4) Establishment on maintenance	5005.00	858.80	4146.20 (83.15)	A supplementary grant of Rs. 50 crores was obtained under this head to meet the expenditure due to revision of wages of casual employees arising out of Supreme Court Judgement, but the actual expenditure was less than anticipated.
E-4	Petty Works				
(8)	E-4(1) Telegraphs and Telex	318.00	250.52	67.48 (21.22)	Less expenditure on apparatus and plants.

	1	2	3	4	5
(9)	E-4(4) Transmission system	309.00	226.99	82.01 (26.54)	Less expenditure under building, lines and wires, apparatus and plant.
(10)	E-4(6) Telecommunication Training Centres	500.00	336.23	163.77 (32.75)	Less expenditure on training equipment.
(11)	E-4(7) Technical and Development Circle	7.00	2.81	4.19 (59.86)	Less expenditure on testing instruments.
(12)	E-4(10) Other Telecommunication Buildings	172.00	130.38	41.62 (24.20)	Less expenditure on office buildings and staff quarters.
G -	Amenities to staff				
(13)	G-1(4) Other Amenities	19.00	11.77	7.23 (38.05)	Less expenditure on other amenities.
(14)	G-1(5) Payments under CGHS	182.70	156.16	26.54 (14.53)	Less settlement of CGHS Bills.
H -	Pension				
(15)	H-1(2) Arrear paid due to Supreme Court Judgement.	40.00	1.68	38.32 (95.8)	Provision made for charged expenditure proved excess.
I -	Stationery and Printing				
(16)	I-1 Stationery and Forms Printing, storage and distribution	1050.00	493.91	556.09 (52.96)	Less supply of paper from mills and less printing of forms at private presses.
J -	Other Expenses				
(17)	J-1(4) Depreciated value of assets abandoned/dismantled/sold/replaced/reconstructed	101.15	5.93	95.22 (94.14)	Less cases of adjustments.

1		2	3	4	5
(18)	J-2(1) Social security and Welfare programme	18.00	13.17	4.83 (26.83)	Less expenditure than anticipated.
K -	Dividend to General Revenues				
(19)	K-1 Payment from posts and Telegraphs surplus	23700.00	-	23700.00 (100)	Setting off the credit balances of Rs. 938.48 crores in Revenue Reserve Fund against dividend bearing Capital outlay w.e.f 1st April 1985 and adjustments of overpaid dividend in 1985-86 and 1986-87.
Capital Section					
AA 1 Telegraph system					
(1)	AA 1(1) Telegraph offices	1208.30	662.31	545.99 (45.19)	Less receipts of appratus and plant and subscriber installation material.
AA 3(1) Long Distance Switching system					
(2)	AA-3(1) Trunk Automatic Exchange	4258.60	2783.04	1475.56 (34.65)	Less receipts of apparatus and plant material.
(3)	AA 3(2) STD and other Trunk Dialling systems	589.20	251.10	338.10 (57.38)	--do--
(4)	AA-3(3) Manual Trunk Exchanges	1752.20	1054.12	698.08 (39.84)	Less receipt of apparatus and plant material.
AA-4 Transmission Systems					
(5)	AA 4(1) Coaxial Cable systems	9255.90	6218.94	3036.96 (32.81)	Less receipt of cable material and slow progress in construction of buildings.

1		2	3	4	5
(6)	AA 4(2) Other Trunk Cable systems	809.90	271.43	538.47 (66.48)	Less receipt of cable material.
(7)	AA 4(4) U.H.F. VHF relay systems	2005.80	1660.87	344.93 (17.2)	Less receipt of apparatus and plant material.
(8)	AA 4(6) HF Radio systems	208.00	179.10	28.90 (13.89)	--do--
(9)	AA 4(8) Satellite systems	4112.30	3522.87	589.43 (14.33)	--do--
AA	5 Ancilliary system				
(10)	AA 5(2) Training centres	845.50	334.84	510.66 (60.4)	--do--
(11)	AA 5(3) Technical and Development Circles	520.50	166.23	354.27 (68.06)	--do--
(12)	AA 5(4) Store Depots	225.50	101.92	123.58 (54.80)	--do--
(13)	AA 5(5) Tele-communication factories.	1098.70	882.05	216.65 (19.72)	--do--
(14)	AA 5(8) Tele-communication computer system	830.00	305.40	524.60 (63.2)	Less receipt of apparatus and plant material.
AA	6 Other Land and Buildings				
(15)	AA 6(1) Administrative offices	1040.70	405.86	634.84 (61)	Slow progress in finalisation of land aquisition cases and slow progress in construction of buildings.
(16)	AA 6(2) Staff quarters	1829.30	1295.42	533.88 (29.18)	--do--

1	2	3	4	5
AA 7 General				
(17) AA 7(2) Manufacture suspense Account	2200.00	1533.20	666.80 (30.31)	More than anticip-ated issues to general stores and factory stores.

The savings under the above heads were partly offset by excesses under other heads.

Excess over voted grant.

In the capital section of the grant (voted) there was an excess of Rs.27,31,79,784. The excess requires regularisation under Article 115 of the constitution.

The excesses occured mainly under the following heads:

Head of Account	Provision	Expenditure	Excess with percentage in brackets	Main reasons for excesses
	(Rupees in lakhs)			
1	2	3	4	5
1) AA 2(1) Telephone Exchange Automatic	60618.60	70768.68	10150.08 (16.74)	More cases of aquisition of land, speedy progress in construction of buildings and receipt of more cable and line and wire material than anticipated.
2) AA2(2) Telephone Exchange (Manual)	2386.80	3875.49	1488.69 (62.37)	More receipt of Apparatus and Plant cable line and wire material than anticipated.
3) AA 4(5) Open wire and carrier systems	3693.70	4615.42	921.72 (24.95)	More receipt of line and wire material.

1	2	3	4	5
4) AA-4(7) Voice frequency telegraphy	250.40	332.69	82.29 (32.86)	More receipt of Apparatus and Plant material than anticipated.
5) AA-7 General AA7(1) Store suspense account	10899.00	12405.10	1506.10 (13.82)	Less issues offset by less procurements.

13. Persistent savings exceeding 10 per cent of provisions were noticed in the following cases:

Head of Account	1985-86	1986-87	1987-88
Revenue Section			
C Stores and Factories			
C 4 Miscellaneous Expenditure	88.70	139.51	704.13
Capital section			
AA 1 Telegraph systems			
AA 1(1) Telegraph offices	64.50	70.87	45.19

Department of Posts and Department of Telecommunications were separated with effect from 31st December 1984, but the departments have not evolved the procedure for adjustment of interdepartmental transactions, even after a lapse of four years. The department stated in July 1988 that the report of the Joint Committee in respect of inter-branch adjustments was still under their consideration.

CHAPTER VII

REVENUE

14. Arrears of Telephone Revenue

(i) (a) Out of the telephone bills issued upto 31st March 1988, Rs. 50.03* crores were yet to be collected by the Department of Telecommunications as on 1st July 1988. Of this, Rs. 32.67 crores had been billed for between April 1987 and March 1988 and the remaining Rs.17.36 crores before 31st March 1987. The year-wise analysis of the overdues is given below:

Year	Amount (Rs. in crores)
upto 1978-79	0.89
1979-80	0.36
1980-81	0.41
1981-82	0.53
1982-83	1.04
1983-84	1.40
1984-85	2.42
1985-86	3.26
1986-87	7.05
1987-88	32.67
Total:	50.03

* This does not include arrears in respect of Banglore Telephone District and Mahanagar Telephone Nigam Limited (MTNL), Bombay and Delhi.

b) Out of total arrears pertaining to 47 circles/districts as on 1st April 1988, claims of Rs.5,000 and more amounted to Rs. 7.55 crores in 42 circles/districts, the break-up of which according to categories of consumers is as under:

Category of subscribers	Amount (Rs. in crores)
1. Central Government	0.54
2. State Governments	2.40
3. Central Public Sector undertakings	0.01
4. State Public Sector undertakings	0.01
5. Local bodies	0.05
6. Other subscribers	4.54
Total	7.55

(ii) (a) The position of arrears, demand raised and amount collected during the last four years ending March 1988 is given below:

Year	Arrears at the start of the year (Ist July)	Demand raised during the year	Total demand	Amount collected during the year	Arrears at the close of the year	Percentage of arrears to total demand (Col.6to Col.4)
1	2	3	4	5	6	7
			(Rs. in crores)			
1984-85	32.61	1005.44	1038.05	993.15	32.73	3.15
1985-96	32.73	1126.53	1159.26	1107.88	39.93	3.44
1986-87	39.93	1363.84	1403.77	1320.79	55.87	4.23
1987-88	55.87	1060.01	115.88	947.38	50.03	4.48

There was substantial amount of outstanding telephone revenue at the close of 1987-88 eventhough outstanding in respect of Bangalore Telephone District and MTNLs Delhi and Bombay do not find place in the total outstandings.

(b) The comparative position of amounts outstanding as on Ist July, out of demands raised upto 31st March during the five years ending 1987-88, in respect of 4 Metropolitan cities Delhi, Calcutta, Bombay and Madras is indicated below:

Name of the Metropolitan Telephone District	Year	Arrears at the start of the year	Demand raised during the year	Total Demand	Amount collected during the year	Arrears at the close of the year (on Ist July)	Percentage of arrears to the total amount (Col.7 to Col.4)
1	2	3	4	5	6	7	8
				(Rs. in crores)			
Delhi	1983-84	9.32	104.46	113.78	104.62	9.62	9.2
	1984-85	9.62	122.98	132.58	122.81	7.90	6.4
	1985-86	7.90	141.90	149.80	142.32	7.26	5.1
	1986-87	7.26	173.30	180.56	169.07	8.19	4.7
	1987-88	8.19	259.46	267.65	256.04	11.04	4.25

1	2	3	4	5	6	7	8
Calcutta	1983-84	4.49	58.71	63.20	58.03	4.82	8.2
	1984-85	4.82	84.17	68.99	61.52	6.78	10.5
	1985-86	6.78	68.60	75.38	65.77	8.46	12.3
	1986-87	8.46	78.11	86.57	68.27	12.89	16.5
	1987-88	12.89	120.43	133.32	112.80	21.55	17.9
Bombay	1983-84	2.30	158.67	160.97	154.44	4.17	2.6
	1984-85	4.17	176.36	180.53	175.56	4.15	2.3
	1985-86	4.15	196.47	200.62	192.68	5.88	3.0
	1986-87	5.88	249.79	255.67	234.91	12.26	4.9
	1987-88	12.26	353.77	366.03	343.25	22.45	6.35
Madras	1983-84	0.57	50.03	50.60	49.84	0.76	1.5
	1984-85	0.76	54.96	55.72	54.45	0.84	1.5
	1985-86	0.84	62.97	63.81	62.36	1.06	1.7
	1986-87	1.06	77.22	78.28	76.56	1.35	1.7
	1987-88	1.35	112.57	113.92	98.98	1.97	1.8

(iii) In 42 circles, recovery of Rs. 231.47 lakhs was under litigation on 1st July 1988. The progressive position was as below:-

		No.	Amount involved (Rs. in lakhs)
a)	Cases under litigation as on Ist July 1987	1963	135.92
b)	Cases in which litigation proceedings were commenced during July 1987 to June 1988	1298	126.39
c)	Cases decided during July 1987 to June 1988	429	30.84

		No.	Amount involved (Rs. in lakhs)
d)	Cases decided out of (c) in favour of Posts & Telegraphs Department	306	26.67
e)	Cases under litigation as on 1st July 1988	2832	231.47

(iv) Rs. 34.80 lakhs were written off during the year 1987-88 in 43 circles/districts. The year-wise analysis of the amount was as under:

Year to which pertains		Amount written off (Rs. in lakhs)
Upto	1980-81	9.23
	1981-82	2.08
	1982-83	3.69
	1983-84	3.73
	1984-85	5.49
	1985-86	3.14
	1986-87	5.70
	1987-88	1.74
	Total:	34.80

The break-up of the amount of Rs. 34.80 lakhs was as below:-

		(Rs. in lakhs)
1.	whereabouts of the subscribers not known	9.66
2.	Solvency of the subscribers not established	1.69
3.	Closure of subscribers firms, concerns, etc.	1.95
4.	Death of subscribers	1.72
5.	Relevant departmental files not available	0.37
6.	Other reasons	3.21
7.	Break-up not available	16.20
	Total:	34.80

(v) The number of complaints received regarding over billing during the year 1987-88 in 44 Circles/Districts came to 1,01,297.

Information required to be furnished by the Heads of Circles and Telephone Districts to the Branch Audit Offices by 31st August 1988 as per departmental rules/ instructions has not been furnished by (a) Pune, Ahmedabad Telephone Districts and Uttar Pradesh, West Bengal and North East Telecommunication circles in respect of (i) (b) and (iv) above and (b) West Bengal, North East, Uttar Pradesh Telecommunications Circles and Madras, Pune and Ahmedabad Telephone Districts in respect of (iii) above.

15. Non-billing/short billing of Telecommunication bills detected in test check during 1987-88

Besides the cases mentioned in paragraphs 18 to 22 of the Audit Report, a test check in Audit of Telecommunication Revenue Accounts of 43 Circles/Districts (out of a total of 48 Telecommunication Circles/Telephone Districts) conducted during 1987-88 revealed non-billing in 2531 cases involving Rs. 0.71 crore. Further, even after the lapse being pointed out in Audit, bills relating to 1134 cases involving Rs. 0.34 crore were not issued as at the end of June 1988.

In addition 9241 cases involving Rs. 0.78 crore on account of short-billing were also noticed by Audit in test check. Bills were issued for Rs. 0.55 crore out of which Rs. 0.33 crore (covering 3499 cases) are yet to be realised. Bills for the balance amount of Rs. 0.23 crore have not been issued till June 1988, though pointed out in Audit earlier.

16. Arrears of rent of Telegraph, Telephone and Teleprinter circuits and Telex/Intelex charges

The arrears on account of rent of Telegraph, Telephone and Teleprinters circuits and Telex/ Intelex charges as on 31st March 1988 (excluding Mahanagar Telephone Nigam Limited - MTNL Delhi and Bombay) was Rs. 1699 lakhs. The comparative position of arrears of collections on the above accounts as at the end of March 1986, March 1987 and March 1988 in respect of bills issued upto preceeding 31st December is shown as under;

	Year	Arrears outstanding on 31st March in respect of bills issued upto 31st December preceeding
		(Rs. in lakhs)
Rent of Telegraph/ Telephone and Teleprinter circuits	1985-86	950
	1986-87	1192
	1987-88	1554*
Telex/Intelex charges	1985-86	167
	1986-87	233
	1987-88	145*

* It does not Include figures in respect of MTNLs Delhi and Bombay.

It has been observed that the arrears of rent of telegraph/ telephone and teleprinter circuits are substantially increasing eventhough it did not include arrears in respect of MTNLs Delhi and Bombay.

Yearwise analysis of the dues as on Ist April 1988 for bills issued upto December 1987 is given below:

Year	Rent of Telegraph/ Telephone and Teleprinter circuits	Telex/Intelex charges	Total
		(Rs. in lakhs)	
Upto1982-83	63.56	17.80	81.36
1983-84	71.93	14.68	86.61
1984-85	94.99	13.29	108.28
1985-86	257.69	21.58	279.27
1986-87	466.70	40.14	506.84
1987-88	599.11	37.36	636.47
Total	1553.98	144.85	1698.83

The classification of dues on Ist April 1988 according to the subscribers in respect of claims exceeding Rs. 5000 in respect of 39 Telecommunication circles/ Telephone districts (out of 49) was as given below. The total amount of such dues was Rs. 616.31 lakhs.

	Rent of Telegraph/ Telephone and Teleprinter circuits	Telex/ Intelex charges	Total	Percentage of Total dues
		(Rs. in lakhs)		
Central Government	433.55	2.99	436.54	71
State Governments	22.43	1.91	24.34	4
Autonomous bodies	5.64	0.26	5.90	1
Press/News papers	57.43	0.08	57.51	9
Others	77.84	14.18	92.02	15
Total:	596.89	19.42	616.31	100

Information in respect of 10 circles/districts could not be included due to its non-receipt from the Heads of circles/districts.

As per departmental rules, rental bills in respect of all the telecommunication facilities provided to the subscribers are to be issued in advance and in the event of failure of the subscriber to pay the same within the prescribed period of one month the connection is to be disconnected. As 24 per cent of the dues (exceeding Rs.5000) recoverable pertain to private subscribers/news agencies and a total sum of Rs. 10.62 crores (62 per cent) pertains to the period earlier than 1987-88, special steps to affect speedy realisation of outstanding dues are called for.

17. Arrears of Telegraph Revenue and Radio Telegraph Charges

17.1 Inland Press Telegrams

Registered news papers and news agencies are allowed the facility of sending inland press telegrams without prepayment. Bills for the first fortnight of the month are required to be issued by 25th of the same month and for the second fortnight by 10th of the following month. The bills are to be paid within a week of their receipt.

A test check in Audit in August/October 1988 of the bills issued by Chief Accounts Officer, Telegraph Check Office, Calcutta (CAO, TCO) for the period April 1987 to March 1988 revealed that there was a time lag ranging from one to four months in issuing the bills as shown below:

Period of delay	Number of bills issued late	Amount involved (Rs. in lakhs)
Upto 1 month	407	1.83
1 to 2 months	2618	16.24
2 to 3 months	64	0.35
3 to 4 months	1495	8.50

The CAO, TCO stated in October 1988 that the existing schedule for issue of bills was fixed long back when very few bills were to be issued. In the changed situation the schedule was not workable. Non replacement of existing machines, load-sheding, shortage of manpower and non-availability of leave reserves, etc. were other factors contributing to the delay.

In respect of bills pertaining to the period upto 31st March 1988, arrears in collection amounted to Rs. 23.70 lakhs as on Ist October 1988. It was observed that out of the total arrears, Rs. 10.04 lakhs (42 per cent) and Rs. 13.66 lakhs (58 per cent) related to the period 1968-87 and 1987-88 respectively.

Details of the amounts due to be recovered and balances outstanding in July/August each year during previous three years ending 1987-88 were as under:

Year	Amount of bills pertaining to previous years outstanding in July or August next	Bills issued during the year	Total	Position of arrears in July or August next		Total
				Pertaining to previous years	Pertaining to current year	
			(Rs. in lakhs)			
1985-86	13.77	21.73	35.50	4.21	6.75	10.96
1986-87	10.96	23.78	34.74	5.96	13.33	19.29
1987-88	19.29	26.92	46.21	10.04	13.66	23.70

It would be seen from the above table that the arrears in respect of previous years which were not realised till July/August next year had increased from Rs. 4.21 lakhs in 1985-86 to Rs. 10.04 lakhs in 1987-88. There was a similar increase in respect of arrears pertaining to current year not realised during the year. The amount had increased from Rs. 6.75 lakhs in 1985-86 to Rs.13.66 lakhs in 1987-88.

17.2 Mobilisation Telegrams

Mobilisation telegrams in connection with military business are similary accepted without prepayment. Bills are preferred by the Chief Accounts Officer, Telegraph Check Office (TCO), Calcutta, monthly against the Defence authorities, who are required to make payment within three weeks of their receipt.

Chief Accounts Officer, Telegraph Check Office, Calcutta issued 1790 bills pertaining to the period from April 1987 to March 1988 for Rs. 301.12 lakhs. A test check of these bills in Audit in August/October 1988 revealed a delay upto one month in issuing the bills.

In resepct of bills for the period up to 1987-88, arrears in collection amounted to Rs. 47.68 lakhs as on Ist October 1988 (bills for March 1988 issued only on 20th July have been taken into account for the purpose of computing arrears). Out of this, Rs. 0.54 lakh related to the year 1985-86, Rs. 3.22 lakhs to 1986-87 and Rs. 43.92 lakhs to 1987-88.

17.3 Radio Telegraph Charges

The Chief Accounts Officer, TCO Calcutta prepares monthly bills in respect of radio telegrams exchanged between the radio stations owned by the Telecommunication department and ships at sea. The bills are required to be sent to the shipping companies/administration concerned on the 15th day of the third month following the month of traffic.

It was noticed in Audit in August/October 1988 that in respect of bills pertaining to the period upto 31st March 1988, arrears in collection amounted to Rs. 48.09 lakhs as on Ist October 1988, though the bills were issued in time. Out of this, Rs. 27.97 lakhs related to years 1965-66 to 1986-87 and Rs. 20.12 lakhs to 1987-88. Department has not taken any steps to realise/write off arrears some of which are 10 to 20 years old.

Matter was reported to department in September 1988 but a reply has not been received (November 1988).

18. Major cases of under-assessment of revenue

Though the receipts of the department are required to be checked by Internal Check Organisation of the department, test check in Audit revealed a number of cases of short/non-recovery as discussed below:

(A) Non levy of revised departmental charges on acutal capital cost

Whenever a facility is provided by new construction, rent will be charged at special rates by taking into consideration the capital cost of construction as per departmental rules. The rental so fixed is revised in cases where the actual expenditure exceeds the sanctioned estimate by more than 10 per cent.

In the following 4 cases rental charges amounting Rs. 35.27 lakhs were not recovered due to non-adherence to the prescribed procedure :

Sl.No.	Particulars of lines PABX etc.	Pointed out by Audit in	Period of short/non-recovery	Amount of short/non-recovery
1	2	3	4	5 (Rs. in lakhs)
	Bihar Telecom Circle			
1.	Provision of teleprinter circuit to Associated Cement Company Limited from Tata Nagar to Jhinkpani	November 1987	March 1983 to February 1988	1.80
	Jammy & Kashmir Telecom Circle			
2.	Laying of 100/20 lbs underground cable between Srinagar MAX-I and Hotel Centaur, Srinagar	May/June 1985	February 1984 to February 1987	10.67

1	2	3	4	5
	West Bengal Telecom Circle			
3.	Provision of U.H.F. link between Sukna-Siliguri for erection of 36 speech circuits and 12 V.F.T. Channels	April 1987	January 1984 to June 1988	4.16
	Mahanagar Telephone Nigam Limited, Bombay			
4.	Provision of a radio bearer channels on Bombay-Pune route for TV relay link	November 1987	June 1984 to June 1988	18.64

Department stated in December 1988 that recovery in respect of Serial No. 1 had been made. In respect of Serial No.2 department stated in October 1988 that a sum of Rs. 9.50 lakhs had been recovered in March 1987 and recovery particulars of the balance amount were being ascertained. As regards Serial No.3, it was stated in August 1988 that a sum of Rs. 4.16 lakhs had been realised in March 1988 and that suitable instructions had been issued by the General Manager Telecommunications, West Bengal Circle to avoid such lapses in furture. The case at Serial No. 4 was reported to department in May 1988 but a reply has not been received (December 1988).

(B) Short realisation of rental charges due to non/improper maintenance of Rent Control Register

Departmental rules provide for maintenance of rent control register which contains pre-determined amount of rent to be billed in order to ensure that rent at correct rates has been billed. It was noticed in Audit that the requisite rent control register was not being maintained/properly maintained at Allahabad/Hyderabad resulting in short recovery of Rs. 28.07 lakhs in the following cases:

Sl. No.	Particulars of lines/PBAX	Pointed out by Audit in	Period of non/ Short recovery	Amount of non/short recovery (Rs. in lakhs)	Recovery
1	2	3	4	5	5
1.	<u>Allahabad Telecom District</u>				
1.	PABX/PBX boards provided to Subscribers	September 1987	December 1986 to June 1988	14.89	14.11 (October 1987 to December 1987)
2.	Circuits provided to Indian Air Force	October 1987	December 1986 to January 1988	5.93	5.93 (September 1988)
	<u>Hyderabad Telecom District</u>				
3.	20+200 PABX board provided to Indian Airlines	February 1988	December 1986 to April 1988	1.13	1.13 (May 1988)
4.	Extension provided to 40+400 MAX II provided to Commissioner of Police	January 1988	June 1987 to May 1988	6.12	6.12 (April 1988)

Department of Telecommuications while accepting the facts and figures stated in July/October 1988 that suitable arrangements had been made to guard against such lapses in future.

(C) Non/short billing due to non receipt of advice notes

As per the departmental rules, completed Advice Notes, in respect of Telecom facilities provided/shifted etc. are to be sent to the Telephone Revenue Accounts (TRA) branch, within a week of the event affecting the connections in order to enable the TRA branch to issue bills to the subscriber. There was short/non recovery of Rs. 20.40 lakhs in respect of the following cases due to non receipt of completed Advice Notes.

Sl. No.	Particulars of lines/ cables/PABXs etc.	Pointed out by Audit in	Period of non/ short recovery	Amount of short recovery
1	2	3	4	5
	Jammu and Kashmir Telecommunication Circle			(Rs.in lakhs)
1	Laying of underground cable for provision of 930 chanel PCM system for Signal Centre Military Exchange	June 1988	11th October 1986 to 30th June 1988	5.81
2.	Three Speech circuits provided to Defence authorities	August 1986	January 1985 to June 1987	1.10
	Agra Telecommunication District			
3.	Shifting work in respect of extensions to 300 lines PABX provided to Indian Air Force, Agra.	September 1987	March 1983 to July 1987	1.37
4.	(i) 20/20 lbs underground cable in between Air Traffic cotrol Room to Glidepath laid on 1st April 1985 @ Rs. 0.92 lakh Per annum.	September 1985 and September 1987	April 1985 to April 1988	2.75
	(ii) Air Traffic Control to very high frequency Homer at No.4 Wing of Indian Air Force laid on 30th April 1985 Rs.0.04 lakh per annum	September 1985 and September 1987	April 1985 to March 1988	0.12

1		2	3	4	5
		<u>Delhi Telephone District</u>			
5.	(a)	Advance rental charges for 987 telephone connections provided to Defence authorities in March 1985	July 1986	-	2.64
	(b)	Rental and local call charges in respect of 25+22 Telephone connections provided to Defence authorities	February 1987	March 1985 to January 1987	3.55
		<u>Bombay Telephone District</u>			
6.		Provision of 20+100 PABX Board in replacement of 10+50 PABX board to a hospital	July 1987	9th June 1983 to 31st May 1988	1.43
		<u>Bihar Telecommunication Circle</u>			
7.		Provision of wireless station at Ghatsila to Hindustan Copper Limited, Calcutta in February 1984	October/ November 1987	28th February 1985 to 27th February 1988	1.63

The short/non recoveries remained undetected in internal check of the department.

Department accepted facts and figures and stated that the case regarding fixation of responsibility in respect of Serial No.2 for the lapse was being examined by the Chief General Manager, Jammu and Kashmir Circle. It was further stated that recovery in respect of Serial Nos. 2, 4 to 7 had since been made. Bills amounting Rs. 1.37 lakhs in respect of Serial No. 3 were issued in December 1987 and recovery was awaited.

In respect of Serial No.5 it was stated that because of replacement of old PABX it took time to complete the formalities. Department stated that the delay in issuance of bills at Bombay had since been overcome by decentralisation of billing authority.

(D) Short/non-recovery of rentals

In accordance with the departmental instructions issued in February 1983, Defence department will pay 33.33 per cent of the additional rental for all trunk circuits on which interconnection facility between Defence circuits and Posts and Telegraphs network had been provided. Arrears of additional rental from 4th June 1977 to 31st March 1983 were required to be collected centrally by Delhi Telephones and from 1st April 1983 by the respective billing units. The following cases of non-recovery amounting Rs.29.90 lakhs in respect of Defence circuits were noticed:

Sl. No.	Particulars of lines/ cables/circuits	Pointed out by Audit in	Period of Non-recovery	Amount	Remarks
1	2	3	4	5	6
				(Rs. in lakhs)	
	M.P. Circle Bhopal				
1(i)	12 circuits leased to Army Authorities	June 1987	June 1977 to March 1983	7.44	No bills issued by General Manager Telecom., Bhopal. Details sent to Director General Telecom, New Delhi in November/December 1983.
(ii)	Divisional Engineer, Phones, Jabalpur				
	3 circuits leased to Defence	May 1987	April 1983 to June 1988	6.60	Bills issued in December 1987 by Telecom. District Engineer, Jabalpur.
(iii)	Telecom District Engineer, Sagar				
	2 circuits leased to Defence	June 1987	April 1983 to June 1986	1.05	-

1	2	3	4	5	6
(iv)	District Manager Telephones, Bhopal				
	6 circuits leased to Defence	June 1987	April 1983 to June 1987	6.07	Bills for Rs.6.07 sent by Telecom. District Manager, Bhopal to Director General Telecom., New Delhi.
2.	<u>Madras Telecom District</u>				
	Two speech circuits provided to Chief Signal Officer	December 1986	April 1983 to June 1987	2.00	Bills issued in January 1987. Recovery awaited.
3.	<u>Jammu & Kashmir Circle</u>				
	Tie lines without junctions barring with the four circuits	August 1986	17th May 1983 to 16th May 1987	6.74	Bills issued in September 1987. Balance recovery awaited.
			Total	29.90	

The above short recoveries remained undetected both during internal review as well as internal check which function under the Accounts Officer Telephone Revenue and Internal Financial Adviser respectively.

The department, while accepting the facts and figures, stated in September 1988 that a sum of Rs. 1.05 lakhs in respect of Sagar and Rs. 3.57 lakhs in respect of Jammu and Kashmir Circle has since been realised and the payment particulars of the balance dues (Rs. 25.28 lakhs) were being ascertained and would be communicated early.

(E) Short/non-billing of circuits due to omission to issue bills at revised rates

The rental charges payable by the subscribers were revised with effect from 1st March 1983 and 1st December 1986. It was noticed in Audit that the revised rates of rentals had not been applied by the department in the following cases resulting in short/non-billing to the extent of Rs. 17.68 lakhs in the following cases:

Sl. No.	Particulars of Lines/cables PABX etc.	Pointed out by Audit in	Period of short/ non-recovery	Amount of short/non-recovery (Rs. in lakhs)
1	2	3	4	5
	Madras Telephone District			
1.	Non-claim of annual rent in respect of speech circuits 254 Enfield India, Madras	April 1984	1st March 1983 to 6th December 1984	1.68
2.	Short claim NELS 109 to 136 Naval Officer, Incharge, Navy Office, Madras	July 1984	1st March 1983 to 30th June 1985	1.08
3.	Broadcast quality circuit provided to AIR Madras Madras-Bangalore	April 1985	1st March 1983 to 29th July 1985	3.29
4.	Broadcast quality circuit provided to A.I.R. Madras Maras-Trivandrum	April 1985	1st March 1983 to 17th July 1985	7.25
	Orissa Telecom District			
5.	Speech circuit between Cuttack and Sambalpur for use by All India Radio provided in March 1985	August 1986 July 1987 September 1987	March 1985 to March 1988	1.08

1	2	3	4	5
	Jammu and Kashmir Telecom. Circle			
6.	One extendable type 100 lines PABX Board provided to State Police Department at Jammu provided in April 1986	September 1987	April 1986 to March 1988	1.78
	Bombay Telephone District			
7.	20+200 lines special PABX Hotel type (A-51) provided to M/s Palm Grove Beach Hotel, Bombay	November 1987	December 1986 to July 1988	1.52

The incorrect fixation of rental and resultant short recoveries remained undetected in internal check.

Department, while accepting facts in respect of all the above cases, stated that full recovery amounting Rs.17.68 lakhs had been made. It was further stated that the officials responsible for the lapses in respect of Serial Nos. 1 to 4 had been suitably warned and the case for fixation of responsibility in respect of Serial No.5 was under examination by General Manager Telecommunications, Orissa.

(F) Short assessment of rental due to non-application of prescribed rates

The Director General, Posts and Telegraphs (DGPT) issued instructions in April 1978 that rent in respect of external extensions provided to PABX/PBX Boards should be charged on chargeable distance basis i.e. 1.25 times the point to point radial distance. It was noticed in Audit that due to non-application of these orders there was short recovery of Rs.14.20 lakhs in 2 cases mentioned below:

Sl. No.	Particulars of the PABX/PBX Board	Date on which pointed out in Audit	Period of short/ non recovery	Amount of short/non recovery.
1	2	3	4	5
	Bombay Telephone District/Mahanagar Telephone Nigam, Limited, Bombay			Rs. in lakhs
1.	External extension provided from a PABX board of firm 'A'	October 1986	April 1978 to April 1987	2.15

1	2	3	4	5
	Assam Telecom Circle			
2.	External extensions from PABX provided to Army authorities, Tejpur	July 1987 and May 1988	April 1978 to March 1989	12.05

The short recovery remained undetected in Internal check. Department accepted the facts and stated in October 1988 that recovery had been made in respect of Serial No. 1 and bills had been issued in respect of Serial No. 2 but the recovery was awaited.

(G) Non/incorrect feeding of data to computer

The data in the prescribed form was either not fed or incorrectly fed to the computer. As a result, rental charges/licence fee amounting Rs. 9.82 lakhs was not billed for in the following two cases:

Sl. No.	Particulars of lines/ PABX etc.	Pointed by Audit in	Period of non/short billing	Amount of non/short recovery
	Bombay Mahanagar Telephone Nigam			(Rs. in lakhs)
1.	80+800 lines and 30+300 lines Electronic type PABX Boards owned by M/s Air India, Bombay	November 1987	November 1985 to November 1988	3.64
			March 1984 to March 1987	1.82
2.	200 lines PABX Board provided to a Bombay firm	May 1987	June 1985 to April 1988	4.36

Department while accepting the facts stated in September 1988 that the General Manager had been advised to take suitable remedial measures to prevent recurrence of such errors. It was also proposed to fix responsibility in respect of Serial No.2.

(H) Short/Non-recovery of rental charges due to various omissions

S.No.	Particulars of line/ cable/PABX etc.	Audit observations	Pointed out by Audit in	Period of non/ short recovery	Amount of non/short recovery
	Uttar Pradesh Telecommunications Circle				(Rs. in lakhs)
1.	Provision of cable to Indian Air Force at Bamrauli Allahabad	Due to recovery of maintenance charges instead of rental charges and non-issuance of bills for rental charges	September 1987	21st August 1975 to 20th August 1977 and 13th December 1981 to 20th August 1985	3.56
	Jammu and Kashmir Telecommunications Circle				
2.	Provision of cable to Indian Air Force and Civil Defence authorities at Udhampur	Wrong charging of installation fees for one end only instead of both ends	June 1988	-	3.25

The department accepted October 1988) the facts and figures in respect of Serial No. 1 and stated that amount of Rs. 3.56 lakhs had been recovered in June 1988. In case of Serial No.2, the matter was reported to department in August 1988, but a reply has not been received (December 1988)

(I) Short/Non-billing of rental charges due to non-revision of estimates etc.

On receipt of a firm demand from Northern Regional Electricity Board (NREB), the Director General, Posts and Telegraphs (DGPT) planned in February 1979 to provide 4 Ultra High Frequency (UHF) links on rent and guarantee terms. The annual provisional rentals were quoted with a guarantee period of 5 years in respect of each link as indicated below:

Sl. No.	Name of UHF Scheme	Annual Provisional rental
		(Rs. in lakhs)
1.	Ashoka Road-Badarpur	3.20
2.	Ashoka Road-Shakti Sadan (DESU)	2.39
3.	Hauz Khas-Ashoka Road	4.96
4.	Jaipur-Hirapur (Coaxial)	2.97

The rates of rental mentioned above were provisional and were required to be revised on the actual cost of installation.

The provisional rent and guarantee terms were accepted by NREB in May 1980 and July 1980. The General Manager Projects (GMP), New Delhi who was entrusted with the work of exeuction of the links sanctioned two project estimates, one for UHF links at Serial Nos. 1 to 3 and the other for Serial No. 4 at an estimated cost of Rs. 38.84 lakhs and Rs. 10.62 lakhs in May 1982 and July 1982 respectively. Demand notes on account of one year's rental for Rs. 13.51 lakhs were issued by General Manager Telephones, New Delhi in December 1982/January 1983 and were paid by the subscriber in January/February 1983. The facility was provided in between April 1983 and March 1985.

Departmental rules provide that the estimate of the project should be revised in case the actual cost is exceeded by 10 per cent. The expenditure booked for the New Rajinder Nagar-Hauz Khas-Badarpur-Shakti Sadan links amounted to Rs. 62.97 lakhs and that for Jaipur-Hirapur link was Rs. 19.04 lakhs upto March 1986. The estimates were, however, not revised. On being pointed out by Audit in June 1986, the department revised the estimates in January/February 1987.

It was noticed by Audit in June 1987 that bills on account of rental charges were issued at provisional rates in respect of two links i.e. Hauz Khas-Ashoka Road and Jaipur-Hirapur from July 1985 to May 1988 even though the services were provided in April 1983 and January 1984 respectively and no bill had been issued in respect of the remaining two links resulting in short/non-billing to the tune of Rs. 20.50 lakhs. On being pointed out in Audit a sum of Rs. 11.18 lakhs was recovered in December 1987. The non-billing was attributed to non-receipt of Advice Notes, which as per departmental rules, should have been sent to the Telecom Revenue Accounts Branch within 7 days of the completion of the work.

The para was issued to department in August 1988 but a reply has not been received (November 1988).

(J) Non-recovery of rental charges due to non-nomination of billing authority

Whenever a speech/telegraph circuit is provided between two sections falling under the jurisdiction of two different engineering divisions, it is necessary to nominate one of the engineering divisions as the billing authority. It was noticed in Audit in December 1980 that the billing authority had not been nominated in respect of the following two circuits with the result that the rent in respect of these circuits was not being billed for the last nine years.

(i) Jaipur-Ajmer speech circuit leased to Western Railway with effect from 5th May 1974 on open wire and shifted to coaxial system in October 1978.

(ii) Jaipur-Jodhpur speech circuit provided to All India Radio in October 1969.

On being pointed out in Audit in December 1980 the General Manager Telecom. (GMT) District Jaipur was nominated as the billing authority only in September 1987 after protracted correspondence.

In February 1988, entire rental charges amounting to Rs. 5.51 lakhs for the period from June 1978 to March 1988 in respect of circuit provided to Western Railway were recovered by GMT, Telecom District Jaipur and rental charges amounting Rs.1.94 lakhs in respect of above circuit for the period from May 1974 to June 1978 was being pursued by the Telecom District Engineer, Ajmer.

It was further stated that a sum of Rs. 10.90 lakhs for the period upto June 1988 on account of rental charges of Jaipur-Jodhpur speech circuit was recoverable from the All India Radio authorities who had desired to make the payment in 3 instalments.

The matter was referred to department in July 1988, but a reply has not been received (November 1988).

(K) Non-recovery of compensation for pre-mature surrender of circuits leased to Railways

According to departmental rules, where lines and wires constructed by the Telecommunications Department and rented to other administrations are relinquished by any such administration before expiry of their assumed life, compensation for such pre-mature surrendered lines and wires shall be payable by that administration to the Department of Telecommunications.

(a) During 1969-70 to 1976-77 North Eastern Railway surrendered 29 leased circuits before the expiry of their assumed life. Of the 29 circuits, the Telecom District Engineer (TDE), Muzzafarpur preferred compensation bills amounting to Rs. 5.34 lakhs in respect of 10 circuits in March 1979. On being pointed out by Audit in July 1987, the TDE issued bills for Rs. 9.31 lakhs in respect of the remaining 19 circuits in December 1987. The payment of Rs. 14.65 lakhs has not been received by the department so far (December 1988). It was also noticed in Audit that the prescribed register for claiming compensation charges was not being maintained.

(b) The South-Eastern Railway pre-maturely surrendered Telecommunication lines and wires leased to them between Durg and Jharsuguda section in Madhya Pradesh in the year 1969-70 on account of railway electrification scheme.

A provisional amount of Rs.7 lakhs towards diversion and compensation for pre-mature surrender of lines was recovered in 1970-71 from the Railways pending finalisation of the claim. Further action to intimate the reduction of the leased wire mileage was taken by the department for acceptance by Railways in May 1980 only.

Departmental rules prescribe that if the accepted Advice Note is not received within a period of six months from its issue it would be taken as accepted. But the department did not claim the final amount for recovery till May 1988, which resulted in non-realisation of revenue of Rs. 26.08 lakhs for more than 17 years. The department also suffered loss of interest on this amount due to non-realisation in time.

The reasons for inordinate delay of over 17 years in the finalisation of the claim against the Railways were mainly attributable to non-maintenance of relevant records of lines and wires surrendered by the Railways, non-observance of provision of rules about the action to be taken in case of non-acceptance of Advice Note by the surrendering department and not taking action for acceptance of reduction in wire mileage as a result of pre-mature surrender of the lines by the Railways till May 1980 even after collection of requisite details in February 1977.

Department stated in October/December 1988 that the short recovery of Rs. 40.73 lakhs had been billed for in February/May 1988 the payment was awaited.

(L) Non-realisation of rental charges due to non-issue of bills

In January 1976, the Ministry of Defence placed a firm demand on the Director General, Posts & Telegraphs (DGPT) for providing one speech circuit and one telegraph circuit between Katihar and Siliguri. In February 1976, the General Manager, Telecommunications, Bihar Circle nominated the Divisional Engineer Telecom (DET), Darbhanga Division as the executing and billing authority of the circuits. The speech and telegraph circuits were provided with local lead (16 kms.) at Siliguri end upto Sukna on the existing line and by constructing a new local lead (6.4 kms.) at Katihar end. Both the circuits were commissioned in February 1976. The control of these circuits was transferred from the DET Darbhanga Division to the DET, Katihar Division in 1981 consequent upon the bifurcation of Darbhanga Division.

It was noticed by Audit in November 1987 that no demand note claiming initial deposit was issued to the Defence authorities by the Darbhanga Division before taking up the installation work of the circuits. Copies of opening advice notes and completed advice notes were not available in Darbhanga and Katihar Telecom Divisions. Billing record in respect of the circuit was not being maintained by Katihar division reportedly due to non-receipt of relevant records from Darbhanga Division even though the latter claimed that the records were transferred in April 1983. No acknowledgement for the transfer of records was, however, taken by Darbhanga Division.

As a result, rental bills were not issued from the date of commissioning of the circuits by either of the DETs. Departmental rules provide that the Telephone Revenue Accounts Branch should obtain a list of such circuits in each year from the Commercial Branch of the Telecom District and check it with reference to the Subscriber Record Card to ensure proper recovery of rent. It is apparent that above check was not exercised properly due to which rental charges amounting to Rs. 5.73 lakhs could not be recovered for 12 years from February 1976 to February 1988.

While accepting the facts, department stated in December 1988 that out of Rs. 5.73 lakhs, Rs. 5.40 lakhs stood recovered in March 1988 and the balance had been billed for in August 1988. The payment was awaited.

(M) Short-collection in international trunk call charges

As per departmental rules, when chargeable duration of an international trunk call exceeds 3 minutes, an additional charge equivalent to one-third of the charges for 3 minutes shall be made for each minute or fraction of a minute in excess of 3 minutes.

It was noticed by Audit during 1986-88 that no charges were recovered for fraction of a minute in the duration of international trunk calls exceeding 3 minutes in five units in Kerala Circle during the period from August 1985 to November 1986, resulting in short recovery of Rs. 1.55 lakhs.

The department stated in August 1988 that the short-billing occurred at the time of introduction of international trunk exchanges at Calicut and Trivandrum as the procedure for rounding off the duration of international trunk calls as specified was lost sight of. The department further stated that the bills for Rs. 1.55 lakhs as pointed out by Audit had been issued and recovery made from the subscribers.

(N) Non-billing of Air Raid Warning circuits provided to the Civil Defence authorities

In May 1968, the Director General, Civil Defence (DGCD) New Delhi placed a firm demand with the Director General, Posts and Telegraphs (DGPT) for provision of Air Raid Warning (ARW) circuits between Air Force stations and Regional/Town Civil Defence Control Centres in Bihar Circle. In August 1968, the DGPT issued broad outlines for provision of such ARW circuits to the Postmaster General, Bihar Circle. Pursuant to such instructions Divisionl Engineer (DE) Phones, Ranchi provided 14 external ARW circuits to the Civil Defence authorities at Ranchi in February 1973 including one existing circuit provided in December 1962 on rent and guarantee terms for a guarantee period of 5 years.

During test Audit in October 1987 the following points were noticed:

(a) Demand notes for Rs. 0.21 lakh for installation of 9 circuits out of 14 circuits including cost of equipment were issued to the Civil Defence authorities in November 1971. Payment in respect of these demand notes was not received. Demand notes for the remaining 5 circuits were not issued (October 1987).

(b) Covering advice notes in respect of installation of the circuits were issued by the DE phones, Ranchi only in December 1986 which have not been received back in the Division duly completed by executing officers (October 1987).

(c) No bill for realisation of rental charges from the date of provision of all these circuits was issued to the Civil Defence authorities (October 1987).

On the irregularities being pointed out by Audit, the DE Phones, Ranchi stated in October 1987 that as the work of installation of ARW circuits involved safety and security of the country, the work was carried out on emergency basis without receiving pre-payment of demand notes. He further stated that the case was being taken up with the Deputy Commissioner, Ranchi to ensure payment of Demand notes and that action was being taken for issue of rental bills.

Thus, due to non-issue of bills, rental charges for 14 ARW circuits amounting to Rs. 4.38 lakhs remained unrealised upto February 1988 from the Civil Defence authorities.

As per departmental rules a list of such installations is sent to the Telephone Revenue Accounts Branch from the Commercial Branch and checked with reference to the Subscriber Record Card. Inspite of the above prescribed check, the non-billing remained undetected.

Further, the internal check party is required to examine each and every file relating to departmental works in order to see that the advice notes had been received. The omission to issue the advice note remained undetected in internal check.

The matter was reported to department in May 1988 but a reply has not been received (November 1988).

(O) Non-recovery of dues from Nellore Canal authorities

A firm demand for doubling the existing telephones lines in the Nellore Canal system was placed by the Public Works Department (PWD) in February 1975. The estimate for the work was sanctioned by the General Manager Telecom (GMT) Andhra Pradesh Circle in August 1975 for Rs. 2.97 lakhs and the work was completed in July 1980. No action was, however, taken by the department for recovery of the rental charges for the increased wire mileage.

As a result of an enquiry made by Audit in July 1985 about the status of the work, the department noticed that the work had been completed in July 1980 but the advice note had not been issued due to which rentals were not being claimed. The advice note was issued only in August 1986 for acceptance by Canal authorities for the increase in wire mileage to the extent of 96.516 Kms.

Bill amounting to Rs. 1.49 lakhs for increase in iron wire mileage of only 72.016 Kms covering the period from August 1980 to June 1986 was issued in February 1987. For the remaining 24.500 Kms in wire mileage, cable pair was used for which no separate rates of rental are prescribed, bill amounting to Rs. 0.50 lakh was issued in June 1988. Both the recoveries were awaited (September 1988).

The normal life of the system is 30 years in respect of iron wire and 40 years in respect of cable. All the lines in the system except one were surrendered from Ist July 1986. The department did not claim any compensation for the premature surrender of lines. The omission remained undetected in Internal Check.

Department, while accepting the facts relating to delay in issuance of the advice note and rental bills, stated in September 1988 that necessary instructions were being issued to all concerned to avoid delays of similar nature. As regards recovery of compensation for the premature surrender of lines and wires, it was stated that the surrendered lines and wires were proposed to be put to departmental use in a phased manner taking into account their technical feasibility and hence no compensation was proposed to be recovered. The above reply is not tenable as the payment of compensation can be absolved for premature surrender of wires only if the department utilised the relinquished assets for their own purpose, but the department has no definite programme about the utilisation of surrendered lines and wires.

(P) Short recovery of rent and maintenance charges due to non-transfer of records

(a) A private line pair between station A and Station B was provided to Army authorities in 1965 in accordance with the demand placed by them. However, the rent of only a section of this private line pair from A to C had been billed for and recovered while the rent of the remaining section i.e. C to B remained unrecovered from the date the army had been using this pair. This was pointed out by Audit in July 1985.

Departmental rules provide that Telephone Revenue Accounts Branch should obtain a list of private lines and wires from the Commercial Branch of the Telecom District in April each year and check with reference to the Subscriber Record Card to ensure that rent in respect of all such Telecom facilities has been recovered. It is apparent that above check has not been exercised properly due to which the rental charges remained unbilled for such a long period.

The General Manager Telecom, Punjab Circle stated in September 1987 that the actual date from which the pair had been extended between C and B was not known to the department and a bill for Rs. 1.42 lakhs for the period from May 1965 to June 1988 had been issued to Army authorities in August 1987 for payment.

The department while accepting the facts and figures stated in October 1988 that payment has not been received (October 1988).

(b) Air raid precaution equipment was installed in October 1971 at Rourkela. The work relating to issuance of bills on account of maintenance charges in respect of above equipment was entrusted to Divisional Engineer Telegraphs (DET), Sambalpur and was subsequently transferred to DET, Rourkela in August 1977. It was noticed in Audit in May 1988 that the requisite maintenance charges were not being claimed. DET, Rourkela issued the bills amounting to Rs.0.67 lakh on account of maintenance charges for the period from October 1971 to December 1988 in May 1988.

The General Manager Telecommunications, Orissa Circle while admitting the above facts, stated in August 1988 that the DET, Rourkela could not recover the above dues as the relevant records relating to the case appeared to have not been made over to Rourkela Division by Sambalpur Division. It was further stated that the case for recovery for outstanding dues was being pursued actively.

(Q) Non-recovery of establishment charges

Indian Air Force (IAF) placed a firm demand in August 1981 for laying underground cable including the jointing materials on contribution basis on District Manager Telephones (DMT), Agra. The cable and jointing material valued at Rs. 37.59 lakhs were supplied by the IAF authorities. The cable laying work was executed during 1981-85 and handed over to IAF in April 1985.

According to departmental rules in respect of contribution works, the indenting Government department is required to pay the direct expenditure incurred on cash, stores, work charged establishment etc. plus fixed departmental percentages for store keeping, freight etc. Further according to departmental instructions, in respect of such works even if stores are supplied by the indenting authority the overheads on account of the establishment charges at the usual percentages are required to be levied and recovered.

It was observed in Audit in September 1985 that the establishment charges amounting Rs. 2.92 lakhs leviable on the value of materials supplied by IAF for laying the cable had not been claimed from the IAF authorities.

Department, while accepting facts and figures, stated in November 1988 that the matter regarding recovery of establishment charges had been taken up by Telecommunication District Manager (TDM), Agra in March 1988. It was further stated that the bills had been preferred in September 1988 and TDM, Agra was following up the matter to realise the dues early.

19. Short realisation of rental

According to departmental rules, the rent of a long distance telex connection is to be calculated on the basis of actual length of the connection.

Based on a requisition made in March 1978 by M/s Birla Cement Works for provision of a long distance telex connection from Bhilwara to Chittorgarh, the rental was fixed at the rate of Rs. 0.30 lakh per annum on the basis of direct distance of 61 Kms between the two stations and a demand note for the amount was issued in September 1984 which was paid by the subscriber. The connection could not be provided till August 1984 as direct channels between Chittorgarh and Bhilwara were not available. There upon General Manager, Telecommunications (GMT) Rajasthan Circle, Jaipur ordered in September 1984 to provide the connection via a circuitous route i.e. Bhilwara-Jaipur Chittorgarh, the actual length of which was 595 Kms.

The connection was provided by the above route in October 1984 and was shifted to normal route with effect from November 1985 on availability of media by the direct route. As the connection was provided by a longer route it was necessary to revise the rent on the basis of actual distance adopted and to quote revised rates of rentals for acceptance and payment by the subscriber. This was, however, not done.

On being pointed out in Audit in November 1984 that the rent should have been fixed at the rate of Rs. 2.70 lakhs per annum instead of Rs. 0.30 lakh and that there was short recovery of Rs. 2.40 lakhs for the period from 30th October 1984 to 31st October 1985, the Divisional Engineer Telegraphs (DET), Bhilwara referred the case to the GMT, Rajasthan Circle, Jaipur in November 1984 for clarification. The GMT in turn referred the case to Director General Posts and Telegraphs in May 1985 who clarified in September 1986 that the rental should be charged on actual distance of the route by which the circuit was provided. Thus, it took nearly two years to get the position clarified. The DET Bhilwara issued an arrear bill amounting Rs. 2.12 lakhs to the subscriber in November 1986. This was rejected by the subscriber in December 1986 on the ground that the department did not inform the subscriber in advance of the actual mode of connection and extra liability involved.

Department, while accepting the facts, stated in December 1988 that there had been an error in calculating the rental for the above telex connection by applying the principle of radial distance of 61 Kms. It was further stated that GMT had been asked to verify the correctness of the actual distance and work out the actual amount of short recovery. Instructions had also been issued to the GMT to take suitable action against officers concerned for the lapse.

20. Non-realisation of guaranteed amount in respect of Long Distance Public Telephones

On the request of the subscribers the department provides Long Distance Public Telephones (LDPTs) in remote localities. With a view to ensuring that the department gets a fair minimum return for the capital invested, guarantee is taken from the subscriber that he will retain the LDPT for a specified period at a specified amount of revenue to be realised. In the event of revenue falling short of the guaranteed amount, the difference is to be made good by the subscriber.

According to departmental rules, deficit guarantee bills in respect of guaranteed LDPTs are required to be issued by Engineering Divisions from year to year and deficit guarantee amount realised. A certificate is also required to be furnished by Engineering Divisions to the Head of Circle in first week of june every year to show the position of issue and realisation of deficit guarantee bills in respect of all guaranteed LDPTs. In the Circle Office, the cases of non-issue of bills and reasons thereof are required to be investigated and suitable action taken. Although such certificates were not furnished by the Engineering Divisions to the General Manager, Orissa Telecommunications Circle, the reasons for non-submission of these certificates were not investigated by the circle authorities.

In respect of 23 guaranteed LDPTs in Orissa Circle installed between 1974 and 1983, revenue totalling Rs. 7.08 lakhs for the period 1974 to March 1988 remained unrealised and the delay in the issue of bills ranged from 2 to 80 months. Department, while accepting the facts and figures, stated in October 1988 that bills had since been issued, and a sum of Rs. 1.61 lakhs realised. The GMT Orissa was also reported to be taking action to fix responsibility for non-issue of bills.

21. Delay in fixation of tariff rates

(a) The Department of Telecommunications provides telephone facilities viz lines and wires, cables and instruments to the Railways and charges rentals at rates fixed from time to time. The rentals are initially fixed/recovered on provisional basis pending final fixation for a block of five years by the Department of Telecommunications in consultation with the Railway Board. The department had been taking unduly long time, 4 to 18 years, in fixing these rates as shown in the following table and consequential delay in issue of rental bills.

Block years	Final rates fixed in
1961-62 to 1965-66	August 1972 (for lines and wires) April 1981 (for circuits)
1966-67 to 1970-71	June 1978 (for lines and wires) March 1982 (for circuits)
1971-72 to 1975-76 and 1976-77 to 1980-81	May 1984
1981-82 to 1985-86	Not yet fixed

The departmental rules do not provide for any penal recovery on belated billing.

A study in Audit of certain cases of lines and wires/circuits leased to Railways by a few telecommunication circles/districts revealed that additional rent billed as a result of delayed revision was of the order of Rs. 27.78 crores and loss of interest to the department due to delayed revision reckoned at the rate of 5 to 11 per cent worked out to Rs. 14.66 crores.

(b) The rental for the blocks of five years for 1971-72 to 1975-76 and 1976-77 to 1980-81 was revised in respect of speech and trunk circuits from Rs. 116 to Rs. 328 per kilometre per annum and from Rs. 328 to Rs. 462 per kilometer per annum in May 1984.

It was noticed by Audit in July 1987 that bills for the period from April 1981 to March 1985 in respect of two administrative circuits from Rosa to Lucknow (182 Kms) and from Rosa to Moradabad (182 Kms) provided to District Signal Officer Telecom Engineer, Northern Railway Moradabad in April 1972 were issued to the party at the rates applicable to the block year 1971-76 resulting in short-recovery of Rs. 5.04 lakhs. Besides, the rental at old rates for the period from April 1971 to March 1978 was not recovered from the Railways as credit was erroneously given at the time of issue of revised bills.

The matter was reported to the department in July 1988. Reply in respect of sub para (a) has not been received. In respect of para (b), the department accepted the facts and figures. It was further stated that the Railway authorities had assured the clearance of these bills during the current financial year.

22. Loss of revenue due to delay in providing underground cable

Bharat Coking Coal Limited (BCCL) placed a firm demand in September 1981 with the Divisional Engineer Telecommunications (DET), Dhanbad for laying 15.9 kilometers (Kms) of 50 pairs/10 lbs of underground cable for their internal telecommunication network from Ghanoodih Zonal Exchange to Joynagar Area Office (6 Kms), Bilbera Zonal Exchange to Barora (7.9 Kms) and Bilbera to South Gobindpur colliery (2 Kms).

The DET, Dhanbad issued demand notes in April-May 1982 for payment of initial rental of Rs. 2.70 lakhs which was paid by the party in May-June 1982. Advice notes for execution of the work were issued by the Division in May - June 1982. The Posts and Telegraphs Directorate alloted the required cable (16 Kms) and placed orders on Hindustan Cables Limited (HCL) in February 1983 to supply the same on priority basis.

It was noticed in Audit in May 1985 that annual rentals in respect of the facility worked out to Rs. 3.65 lakhs instead of Rs. 2.70 lakhs quoted/realised by the DET, Dhanbad resulting in short realisation of Rs. 0.95 lakh. On being pointed out the DET issued a fresh demand note for Rs. 0.95 lakh in June 1986 which was yet to be realised.

The DET failed to execute the work till June 1986 due to non-supply of cable by HCL despite persistent reminders by the party. It was observed in Audit that no liasion was kept by the Division either with the General Manager Telecom or with the HCL for procurement of cable after 1983. In view of the abnormal delay in the execution of work, the BCCL authorities intimated (June 1986) deferment of cable laying work from Ghanoodih to Joynagar (6 Kms) and requested the department to adjust the short realised rental of Rs. 0.60 lakh from the amount already deposited against the deferred work.

Against 7.9 Kms of cable required for Bilbera to Barora work, 7.402 Kms of cable was received in February 1985. The cable could not be laid due to some doubt as to its technical feasibility in view of Railway electrification work in the neighbourhood. The Division utilised 2 Kms, cable out of 7.402 Kms, on the work from Bilbera to South Gobindpur which was completed and handed over to BCCL in November 1986. The remaining work has not been taken up so far (October 1988) by the Division due to short/piece meal receipt of cable from HCL.

Such delays in supply could have been minimised by effective coordination. While there was no clause for liquidated damages in the agreement entered into with HCL, there was a provision for payment of price escalation.

Thus, due to delay in execution of the cable laying work the department suffered a potential loss of revenue to the tune of Rs. 14.04 lakhs for the period from April 1983 to October 1988. In addition the department is being deprived of the recurring revenue at the rate of Rs. 2.70 lakhs <u>per annum</u> as the subscriber ultimately deferred his demand because of the delay in laying 6 Kms cable between Ghanoodih and Joynagar.

The matter was reported to department in August 1988, but a reply has not been received (November 1988).

23. Delay in providing telecommunication facilities and consequential loss of potential revenue

Departmental rules provide that telephone facilities should ordinarily be provided within 7 days after issue of Advice Note/ Order Book (OB).

A test check of Advice Notes/ OBs for providing internal extensions (Plan E-103) to telephone connections of telephone subscribers of Shakti Nagar Telephone Exchange of Delhi Telephones conducted in January 1985 revealed that 128 OBs issued during 1980 to 1982 for providing the facilities to the intending subscribers were complied with after long periods of delay as detailed below:

Period of delay	Number of case
Upto 1 Month	1
1 month to 3 months	3
3 months to 6 months	3
6 months to 9 months	5
9 months to one year	4
1 year to 2 years	34
2 years to 3 years	29
3 years to 4 years	44
Above 4 years	5
Total:	128

This resulted in loss of potential revenue amounting to Rs. 1.11 lakhs besides denial of facility to the subscribers for sufficiently long periods.

Department of Telecommunications intimated in December 1987 that the demand could not be met due to shortage of extension instruments.

The reply is not tenable as during the three years 1980-83 no indent for these instruments was placed on District Stores Depot by Area Manager North, Delhi in respect of Shakti Nagar Exchange. 1016, 1291 and 897 extension instruments were received by the District Stores Depot and supplied to the telephone exchanges which placed indents for the supply of these instruments and sufficient number of instruments were still in the stock of these telephone exchanges at the close of each year. The Area Manager, North placed indents in October 1983 and February 1984 only and, therefore, there was no question of supplies materialising earlier.

Thus, delayed placement of indents for extension instruments deprived the subscribers of the facility of extensions avoidably for unduly long periods and also led to loss of revenue.

24. Loss of potential revenue due to delay in providing long distance telex connections

During test check in Audit of the records of Ranchi Telecommunications Division conducted in August-September 1986 it was noticed that demand notes for providing two long distance telex connections were issued to the intending subscribers viz. (i) Electrical Maintenance Circle, Patratu Thermal Station, Patratu and (ii) National Hydro Electric Power Corporation, Torpa in July 1980 and February 1982 respectively. On receipt of payments against the demand notes, Divisional Engineer Telecommunications (DET), Ranchi issued Advice Notes in August 1980 and February 1982 respectively for providing these connections. The telex connections have not been provided so far despite availability of spare capacity due to non provision of local leads and channels.

DET **Hazaribagh** intimated in January and July 1987 that Voice Frequency Transmission (VFT) from Ranchi to Patratu for providing media in respect of telex connection relating to Electrical Maintenance Circle had already been commissioned in August 1984 and local leads at both the ends were also available but the DET, Ranchi stated in May 1988 that the position intimated by the DET, Hazaribagh regarading commissioning of VFT channels was not correct. He further stated that the DET, Hazaribagh was being addressed to make the carrier system in working condition for early commissioning of the system as pointed out by Audit.

In respect of telex connection relating to National Hydro Electric Power Corporation Sub-Divisional Officer Telegraphs (SDOT) Ranchi intimated in May 1987 that VFT system for providing above telex connection had been commissioned in October 1986 but local lead could not be provided as the estimate relating thereto had not been sanctioned.

The DET, Ranchi stated in May 1988 that the information regarding commissioning of the VFT system as intimated by SDOT, Ranchi too was not correct and that the matter regarding installation of VFT system was being taken up with the Assistant Engineer Carrier.

Thus because of lack of coordination between various departmental officers connected with the execution of the above jobs and non-prescription of any time schedule in this regard, these public utility organisations have been denied the much needed telecommunication facility for the last 6 to 8 years and the department had thus suffered a loss of potential revenue amounting to Rs. 3.19 lakhs from September 1981/March 1983 to October 1988. Department will be suffering further loss of potential revenue at the rate of Rs. 0.49 lakh per annum till these connections are provided.

General Manager Telecommunications Bihar Circle, Patna admitted in March 1987 the facts and figures of the case. The matter was reported to department in August 1988 but a reply has not been received (November 1988).

25. Loss of revenue due to delay in providing telex connection

Tata Iron and Steel company Limited placed a firm demand in June 1984 with the Telecommunication District Engineer (TDE), Rourkela for providing a telex connection at Gomardih. The Sub Divisional Officer Phones, Rourkela was asked by the TDE in July 1984 to submit the cost particulars and feasibility report. It was submitted after a lapse of one year i.e. in July 1985 even though both the offices were located in the same building.

The TDE, Rourkela requested the **General Manager** Telecommunications (GMT), Orissa circle in July 1985 for fixation of rent and guarantee terms. Rent at the rate of Rs.0.39 lakh per annum and guarantee period of 10 years was fixed but communicated by the GMT only in February 1987. The fixation of rent and guarantee period was thus delayed by one and half years due to the reasons that the feasibility report sent earlier in July 1985 was stated to be not received in GMT office and the one, sent later in October 1986, was not in the prescribed proforma.

The demand note for Rs.0.35 lakh was paid by the company in May 1987 but the connection was actually provided in November 1987 only i.e. after a lapse of six months period.

Thus even though sufficient spare capacity was available in Rourkela telex exchange right from June 1984, the department delayed the provision of the telex connection for over three years for completion of various formalities at different stages of work resulting in a loss of potential revenue amounting to Rs. 1.17 lakhs. It may also be stated that the department had not fixed any time schedule for completion of various stages of such works.

Department, while accepting the facts of the para, stated in November 1988 that the General Manager Telecommunications, Orissa Circle, had been asked to investigate the matter, fix responsibility and to avoid such delays in future.

CHAPTER VIII

SCHEMATIC REVIEWS

26. Internal Check Organisation-Telecommunications

26.1 Introduction

The Internal Check Organisation (ICO) - Telecommunications started functioning in 1974 with a view to conduct check of all accounting functions carried out in the units, check of sanctions, accounts records and compilations with particular reference to the following:

(i) Vouchers relating to various transactions, both receipts and expenditure and accounts compilations ;

(ii) Check of transactions with relevant sanctions, provision of funds and promptness in settlement and adjustment of the claim ;

(iii) Check of sanctions and orders operated upon in the division for their definitness, completness, completeness of the authority issuing them and their propriety;

(iv) Progress of operations of those sanctions during their period of currency ;

(v) Check against provision of funds to see that the money has been spent for the purpose intended in the allotment;

(vi) Compliance with the provisions of rules for personal advances and their recoveries ;

(vii) Observance of the rules and orders in various codes/manuals and the instructions relating to pre-check.

Thus the ICO set up by the department is carrying out the functions of internal audit.

26.2 Scope of Audit

Review on the working of ICO in 19 out of 38 circles/districts was conducted by Audit in April/May 1988.

26.3 Organisational set up

The internal check work is supervised and co-ordinated by the Internal Financial Adviser who is its chief executive at Circle level and by the Deputy Director General (TRF) who is the chief executive of ICO in Telecommunication Department.

26.4 Highlights

The review brings out, inter-alia :

- **Inspite of provisions of on the spot discussions and settlement of internal check objections, 88,342 items involving Rs. 43.77 crores were outstanding as on 31st December 1987. Not only was there delay in settlement of objections but also their number was increasing and irregularities were persisting. This reflects ineffective monitoring of the work of settlement of objections.**

- **Though the ICO was formed in**

1974, norms for providing staff have not been fixed so far. The staff is being sanctioned on adhoc basis. It takes about five years to complete one round of inspection at Directorate level against 2 years.

- There was no provision in the Internal Check Manual about maintenance of selection registers where percentage checks should have been prescribed.

- Quantum of checks to be exercised for checking of financial stock taking reports of major projects, correctness of fixation of trunk call rates and subscribers trunk dialling pulse rates have not been prescribed. Quantum of checks to be exercised in regard to telephone revenue were prescribed in May 1988. Though ICO detected cases of short/non-billing yet a large number of cases of short/non-recovery were also pointed out by Audit. This indicates that there was a need to ensure correct and prompt billing by Telephone Revenue Accounting Wing and strengthening of scrutiny by the Internal Check Organisation.

- Performance review was not systematically done to spot out slippages for taking corrective action. Check of schemes and projects was not being done from economy, cost effectiveness and performance angle.

- Audit objections trasferred to Internal Check Organisation were not being attended to properly.

- Though Internal Check Organisation was formed in 1974, no training programme has been introduced to provide officials with the necessary knowledge and skills to enable them to carry out activities aiming at improving Internal Check system.

26.5 Allocation of duties

The organisational plan should cover organisational units and division of duties and functions at all levels. It should provide a clear cut delegation of authority and specify responsibility. Though distribution of items of work to be done by each member of the inspection party has been prescribed in Internal Check Manual this was not drawn up and got noted by members concerned in the party. Out of 19 circles/districts test checked, the daily progress reports of the items of work done were not submitted to the inspecting officers in case of 11 circles/districts. In the absence of proper allocations of items of work to be done by each member of the party, there was nothing on record to indicate that scrutiny in respect of the following important items of work was done:

(i) Analysis of detailed estimates of work

(ii) Efficiency cum performance internal check of works selected by head of offices.

(iii) Calculations of guaranteed amounts and fixation of rent

(iv) Checking of project estimates

Thus a system of accountability did not exist.

26.6 Critical analysis of schemes

Review of performance was not being systematically carried out to spot out the slippages. Check of schemes and projects was not being assessed from economy, cost effectiveness and performance angle.

Department stated in September 1988 that on account of paucity of staff and time prescribed for inspection on adhoc basis for each unit, requisite attention could not be given to financial scrutiny, critical appraisal and other functions.

26.7 Outstanding objections

As per Internal Check manual, lapses in the exercise of the requisite checks and non-observance of rules noticed in internal check should be reported to the head of the office for on the spot rectification. the Internal Check party should satisfy itself and report to the Chief Accounts Officer of the circle the fact that the omissions and lapses pointed out by it have been rectified on the spot. Despite such provisions, it was noticed that the total number of outstanding internal check objections have been increasing year after year as detailed below:

Position as on 31st December	No. of outstanding objections	Amount Involved (Rs. in lakhs)
1985	73478	3685.09
1986	83641	2622.26
1987	88342	4376.50

The pendency of the large number of objections of considerable monetary value indicates that internal check was not being taken seriously by the offices inspected by them. Yearwise break up of these items was, however, not available. Out of the available breakup of a few circles it was noticed that the items were pending settlement since 1975.

Not only was there delay in settlement of the objections, but also their number was increasing and irregularities were persisting. Some of them were as under

(i) Exceeding annual limits in respect of local purchases of stocking and non-stocking items.

(ii) Splitting the bills to avoid sanction of higher authorities.

(iii) Employing of Mazdoors in excess of provisions in the estimates.

(iv) Non-watching of receipt and disposal of advice notes.

(v) Non-maintenance of register of objections of ACE 2 accounts and non-settlement of objections.

(vi) Non-maintenance of register of PABX and non-receipt of annual physical verfication reports from sub-division.

(vii) Delay in settlement of leave cases of staff.

(viii) Non-maintenance of Trunk call tickets account/non-reconciliation thereof.

(ix) Execution of Works without sanctions.

(x) Non-maintenance of rent and guarantee registers.

(xi) Non-reconciliation of Public call office accounts.

(xii) Incomplete office copies of advice notes.

(xii) Non-regularisation of excess expenditure.

Increasing trend of outstanding objections and non-availability of yearwise break-up suggests that the work of settlement of objections was not being monitored effectively.

Department stated that delay in settlement of objections occurs due to various factors such as non-receipt of compliance reports from the various units inspected, non-receipt of advice notes, disputed cases etc.

26.8 Periodicity of inspection

Each telecom unit is required to be inspected by ICO twice a year. It was noticed that several units such as units in Maharashtra circle during 1984 to 1987, Bangalore telephone district and General Manager (Maintenance), Bombay during 1985 and 1986, General Manager (Maintenance), Madras, Andhra Pradesh telecom district, Uttar Pradesh circle etc. were inspected only once a year. Thus, follow up action for the settlement of outstanding objections, which is taken in the second spell of the inspection, could not be done by ICO.

Department stated that the internal check inspection programme is sometimes not carried out fully due to diversion of staff of ICO for attending to other items of work.

26.9 Submission of activity report

The activities of internal check cell in Telecom Directorate and the position of outstanding internal check objections in each circle are required to be put up to the Telecom Board periodically. It was observed that the report of internal check of telecom accounts of 1986 was put up to the Telecom Board in March 1988. Belated submission of reports not only delayed remedial action but also allows deficiencies in procedure or implementation to continue.

Department stated that all out efforts will be made to submit the report to Telecom Board as promptly as possible in future.

26.10 Issuance of Inspection reports

There was no uniformity in issuing the inspection reports by ICO to the units concerned. There was a delay of more than one month in issuing 901 inspection reports in 11 circles/districts test checked including 197 reports issued after three months. Even though the organisation was formed in 1974, instructions regarding issue of inspection reports within a month of completion of internal check inspection were issued in January 1988 only. Delay in issue of inspection reports resulted in delay in settlement of internal check objections.

Department stated that release of internal check inspection reports was delayed due to non-availability of staff for typing comparing and coordinating the internal check work.

26.11 Norms for sanction of staff

Though ICO was formed in 1974, norms for providing staff have not been fixed so far. The staff is being sanctioned on adhoc basis. The Posts and Telegraphs Board desired in 1982-83 that the internal check cell of the Directorate should complete one round of inspections in every two years against the present frequency of four or five years. This has not been achieved so far which indicates that the organisation has not been adequately strengthened with the growth of Telecommunications network.

Department stated in September 1988 that the Internal Work Study Unit (IWSU) of the Directorate had already concluded the work study of ICO but its reports were kept in abeyance till the fixation of quantum of checks was finalised. Only quantum of checks for items of work relating to telephone revenue billing and accounting have so far been fixed and same for other items of work was in hand. till these are finalised the staff has to be on adhoc basis only.

26.12 Maintenance of selection register

Lines of responsibility should be clearly defined and understood by employees to ensure effective checks and proper accounting. In case of percentage checks, selection registers have to be maintained for proper accountability. It was observed that neither were such registers maintained nor was there any provision in the Internal Check Manual for maintenance of registers.

Department stated that suitable action in this regard will be taken on finalisation of percentage checks for various items of work.

26.13 Quantum of checks

Quantum of checks to be exercised for checking of financial stock taking reports of major projects, correctness of fixation of trunk call rates and subscribers trunk dialling pulse rates were not prescribed. Only general checks were prescribed for telephone revenue in the Internal Check Manual. Detailed quantum of checks were, however, prescribed only in May 1988. Though ICO detected cases of short/non-billing, yet a large number of cases of short recovery/non-recovery were also pointed out by Audit as reported in the various Audit Reports. In fact, during test check, Audit detected 11822 cases of Short/non-billing involving Rs. 4.25 crores in 1987-88. This indicates that there was a need to ensure correct and prompt billing by Telephone Revenue Accounting (TRA) Wing and strengthening of scrutiny by the ICO.

Department stated that while fixing quantum of checks for various items of work the suggestion made by Audit will be kept in view.

26.14 Outstanding Audit Objections

Objections raised by Audit and transferred to ICO in terms of Director General Posts and Telegraph's letter of March 1984 were not being attended to.

Department stated that due to paucity of staff this item of work was suffering at some places and necessary instructions were being issued.

26.15 Coordination between ICO and Audit.

The statutory audit is naturally concerned with the quality of the internal control system prevailing in the department to assess its adequacy and effectiveness and to determine the extent of its own audit. To facilitate effective coordination between statutory audit and Internal Check it is essential that the plans, programmes, working sheets, reports, follow up etc. of internal check and the action taken by the department are made available to the statutory audit to enable it to make a fair evaluation of its work and performance. By proper coordination and mutual cooperation, duplication of audit or over-lapping of functions can be avoided.

26.16 Training

One of the most important elements in internal check systems is the availability at all levels of personnel with the ability, training and experience necessary to perform their assigned duties. It is needless to stress the importance of continuing and expanding training activities so as to provide officials with the necessary knowledge and skills to enable them to carry out activities aiming at improving internal check systems. It was observed that no such training programme has been introduced in the internal check organisation since its formation in 1974.

27. Surat Telecom District

27.1 Introduction

Surat Telephone District was formed as a minor telephone district in December 1976. In November 1986 the entire revenue district was merged with with Surat Telephones and the district was renamed as Surat Telecom District. It is headed by District Manager Telecom (DMT)

27.2 Scope of Audit

A review of the working of the Surat Telecom District was conducted by Audit in April 1988.

27.3 Highlights

The review brings out, inter alia,

- **Non-achievement of targets for new lines, not only deprived the public on waiting list of the facility but the department also lost substantial amount of revenue.**
- **Potential revenue of Rs. 701.14 lakhs did not accrue during the period 1983-88 to the department due to high rate of failure of trunk and Subscriber Trunk Dialling (STD) calls.**
- **Gross operating expenses per weighted telephone exceeded both the group targets and group control during 1984-87. The percentage excess of expenditure per weighted telephone per month increased from 28 in 1984-85 to 34 in 1986-87.**
- **Rs. 132.67 lakhs representing telephone revenue was outstanding at the end of February 1988. This included Rs. 104.41 lakhs to be recovered from private parties.**

27.4 Growth in demand, achievements and subscriber satisfaction

Surat Telecom District had an equipped capacity of 21000 lines which has been increased to 39140 by March 1988. Physical targets for addition of new lines, lines actually added and waiting list during the years from 1983-84 to 1987-88 were as under:

Years	Applicants on waiting list	Target fixed for addition of new lines	Lines actually added i.e. achievements
1983-84	12510	1700	-
1984-85	19329	10000	-
1985-86	23365	-	9500
1986-87	21507	4000	600
1987-88	26300	6330	2930

The above table shows that the department could not achieve the planned targets. The number of applicants in the waiting list had increased from 12510 in 1983-84 to 26300 in 1987-88. Thus, the department not only failed to provide the facility to the intending subscribers but also lost a substantial amount of revenue. Department stated in November 1988 that inspite of best possible efforts, physcial targets of expansion could not be realised for reasons beyond the control of local authority. However, about 34000 additional local lines are planned to be installed by 1990.

27.5 Operating performance

The following are the main indicators of performance for which the department has prescribed certain norms :

a) Percentage failure of local/junction calls,

b) Percentage ineffective trunk/STD calls,

c) Complaints/faults per 100 stations.

27.5.1 The percentage failure of local exchange calls was as under:

Year	Group target	Group Control	Actual
1983-84	0.8	0.9	2.32
1984-85	0.8	0.9	1.66
1985-86	0.9	1.0	1.52
1986-87	0.7	0.8	3.13
1987-88	2.0	5.0	3.35

Note:-

Group target indicates targets fixed for a group of exchanges whereas group control limit means that the achievement should not fall below or failure should not exceed the prescribed control limit.

The above table shows that the percentage failure of local exchange calls far exceeded even the group control limit during the years 1983-84 to 1986-87. For 1987-88 the group control limit was raised from 0.8 per cent in 1986-87 to 5.0 per cent abruptly for reasons not known to Audit.

The actual percentage failure of local exchange calls was more than double during the years 1986-87 and 1987-88 as compared to the lowest failure achieved in 1985-86.

27.5.2 The percentage failure of junction calls was as under:

Year	Group target	Group control	Actual
1	2	3	5
1983-84	1.3	1.4	3.09
1984-85	1.3	1.4	2.04

1	2	3	4
1985-86	3.2	3.5	1.89
1986-87	2.9	3.2	3.65
1987-88	2.0	5.0	3.33

The above table shows that the percentage failure of inter exchange (junction) calls exceeded even the group control limit during the years 1983-84, 1984-85 and 1986-87. The actual percentage failure of juction calls was almost double during the years 1986-87 and 1987-88 as compared to the lowest percentage achieved in 1985-86 affecting adverseiy the local call revenue. Department stated that the external plant of Surat city gets damaged due to digging activities by other authorities leading to external faults and necessary measures are being taken to improve the performance.

27.5.3 Effective trunk calls

Targets for effective trunk calls are fixed every year after making due allowance for the working conditions and existing constraints on maintenance and operations of the system. The data for the last 5 years was as under:

Sl. NO.	Particulars	1983-84	1984-85	1985-86	1986-87	1987-88 (upto February 1988)
1	2	3	4	5	6	7
1.	Number of calls booked (in lakhs)	12.27	12.80	12.27	13.19	20.10
2.	(a) Number of effecitve calls (in lakhs)	8.23	8.82	8.84	8.69	14.63
	(b) Percentage of effective calls	67.09	68.93	72.04	65.84	72.80
	(c) Percentage standard fixed for effective calls	65.00	65.10	65.10	70.00	75.00

1	2	3	4	5	6	7
	(d) Shortfall in percentage of effective cails	-	-	-	4.16	2.20
	(e) Total trunk call revenue (Rs.in lakhs)	120.77	157.27	176.98	205.50	274.92
	(f) Loss of revenue due to less percentage of effective calls (Rs. in lakhs)	-	-	-	12.98	8.31
	(g) Percentage of calls cancelled due to departmental reasons	22.87	19.91	17.61	23.95	16.50

The above table shows that non-achievement of targets of effective trunk calls during 1986-87 and 1987-88 resulted in loss of potential revenue amounting to Rs. 21.29 lakhs.

Department stated that trunks services are dependent on the proper functioning of local network, transmission media and distant trunk exchange.

The reply of the department is not tenable as the locational standards are fixed by the Responsibility Centres, depending upon their own past performance, local conditions and new opportunities.

27.5.4 Percentage failure of subscribers trunk dialling (STD) Calls

The STD facility is provided through trunk automatic exchange which can be reached by subscriber by dialling '0' and on point to point basis by dialling '9'. The percentage failure of STD calls on levels '0' and '9' was as under;

Year	Control limit	Actual	Excess failure	Percentage of excess to Col.2	Control limit	Actual	Excess failure	Percentage of excess to Col.6	Mean excess over control limit Col.4 and 8
1	2	3	4	5	6	7	8	9	10
1983-84	37.50	58.43	20.93	55.81	16.50	59.00	42.50	257.58	31.71

1	2	3	4	5	6	7	8	9	10
1984-85	37.40	64.61	27.21	72.76	16.50	56.54	40.04	242.67	33.62
1985-86	42.50	48.33	5.83	13.72	17.20	44.09	26.89	156.34	16.36
1986-87	36.30	51.85	15.55	42.84	17.20	46.76	29.56	171.86	22.55
1987-88	25.00	45.45	20.45	81.80	25.00	47.06	22.06	88.25	21.26

The above table shows that the percentage failure of STD calls both on levels '0' and '9' was more than the control limit in all the five years. The position was particularly bad during the years 1983-84, 1984-85, 1986-87 and 1987-88 with percentage of excess failure to control limit varying from 43 to 82 per cent in case of level '0'.

In case of level '9', the percentage of excess failure to the control limit ranged from 88 to 258.

Apart from casuing dissatisfaction amongst the subscribers, the high percentage of failure of STD calls indicates poor maintenance of the system.

Department stated that STD calls depend on the functioning of local network, transmission media, distant end TAX and distant end local network. It was further stated that Surat Telephones do not have any control over the functioning of transmission media and distant end network.

The reply of the department is not acceptable as maintenance of transmission media and network is the responsibility of the department.

27.5.5. Loss of potential revenue due to STD failure beyond permissible limit

Year	Local call revenue	Share of STD revenue (1/3 of local revenue)	Percentage of successful STD calls	Excess percentage of failure over control limit	Proportionate loss of STD revenue (Rs. in lakhs)
1	2	3	4	5	6
		(Rs. in lakhs)			
1983-84	571.18	190.39	41.28	31.71	146.25

1	2	3	4	5	6
1984-85	608.74	202.91	39.42	33.62	173.06
1985-86	679.71	226.57	53.79	16.36	68.91
1986-87	849.27	283.09	50.70	22.55	125.91
1987-88	1256.74	418.91	53.74	21.26	165.72
				Total	679.85

The above table shows that as a result of failure of STD calls beyond permissible limits, the department lost potential revenue amounting Rs. 679.85 lakhs during the period 1983-88.

27.6 Financial Analysis

Revenue earned, operating expenses and percentage ratio of expenditure to revenue during the last 5 years was as under:

Year	No.of working connections	Revenue	Operating expenses	Percentage ratio of expenditure (Exp. x 100÷Rev.	Group target	Group control	Excess over permissible control limit
		(Rs. in lakhs)					
1983-84	20526	731.84	240.84	32.85	-	-	-
1984-85	20804	800.91	282.11	35.22	24.00	26.00	9.22
1985-86	21619	855.69	358.21	41.86	27.70	30.50	11.36
1986-87	32407	1050.05	436.87	41.60	25.00	28.00	13.60
1987-88	36496	1684.53	638.04	37.86	55.00	-	-

Excess of operating expenses over prescribed group control limit during 1984-88 indicates that the department failed either to generate optimum revenue or keep down the expenses. Department stated that the increase in operating expenditure depends upon factors like qualitative state of assets and expenditure on staff.

The gross operating expenses per weighted telephone during 1984-85 to 1986-87 increased from year to year and the increase over and above the control limits varied from 27 to 34 per cent. The total excess expenditure over the limits fixed was Rs. 345.73 lakhs during the above 3 years. This shows that either the department failed to keep control over the expenses or the control limit itself was unrealistic. The department accepted that the gross operating expenses per weighted telephone per month increased from year to year.

27.7 Revenue arrears

For liquidation of outstanding telephone revenue departmental rules provide for the following:

(i) devising ways and means to recover the outstanding amounts by utilising the service of departmental staff;

(ii) to recommend the cases which should be pursued through the court of law; and

(iii) to recommend the write off of amounts which are clearly established to be irrecoverable.

Despite these instructions the total arrears of telephone revenue outstanding at the end of February 1988 was Rs. 132.67 lakhs out of which a sum of Rs.28.10 lakhs was under dispute and Rs. 104.41 lakhs was recoverable from private parties.

Non-recovery of departmental dues and non-settlement of disputed bills which are pending for long depicts poor follow up action. Department stated that the total outstanding as on 31st March 1988 was Rs. 113.64 lakhs out of which Rs. 29.33 lakhs were disputed mainly because of wrong billing complaints. However, efforts were being made to recover these dues.

28. Hyderabad Telephones

28.1 Introduction

Hyderabad Telephones attained the status of a major telephone district in July 1976. It caters to the needs of Hyderabad, Secunderabad, Golconda and a part of Rangareddy district. The equipped capacity of Hyderabad Telephones was 83925 lines other than 2000 lines of telex exchange as on 31st March 1988.

28.2 Scope of Audit

A review of the working of Hyderabad Telephones was conducted by Audit in June 1986 and August 1987 and updated in October 1988.

28.3 Highlights

The review brings out, inter alia :

- Demand for new telephones had been steadiiy rising at an average annual rate of 11.8 per cent from March 1980. Against total demand of 1,14,996 the satisfied demand was 72,540 as on 31st March 1988. Thus increase in direct exchange line (DEL) did not keep pace with the demand.

- Against the target of 34,100 lines of additional capacity during Sixth Five Year Plan, the actual achievement was only, 14,800 lines due to non-completion of most of the projects sanctioned for expansion/installation of exchanges during 1980-85. The slippages varied from 4 to 35 months and cost overrun ranged between 43 to 163 per cent of the sanctioned cost.

- As a result of under-utilisation of the equipped capacity of Gowliguda exchange the department failed to realise potential revenue amounting Rs. 18.64 lakhs during Setptember 1984 to August 1986.

- High percentage of ineffective trunk calls resulted in a loss of revenue amounting Rs. 49.70 lakhs.

- Cable laid in excess of the prescribed norms resulting in avoidable additional investment of Rs. 17.24 crores.

  Four telephone exchanges were taken out from the local area of Hyderabad Telephone system from June 1978. As a result, while the subscribers paid less rental depending on the size of the exchange, they continued to avail of trunk facilities as hitherto-fore resulting in a loss of revenue of Rs. 83.01 lakhs to the department.

28.4 Rate of growth and demand

The total demand for telephone services consisting the satisfied demand (i.e. existing subscribers) and the unsatisfied demand (i.e. registered waiting list) in Hyderabad Telephones has been steadily rising at an average annual rate of 11.8 per cent from March 1980. Against total demand of 114996 the satisfied demand was 72540 and remaining 42456 persons were on the waiting list, as on 31st March 1988. Thus increase in direct exchange lines did not keep pace with the demand and the waiting list was increasing progressively from year to year.

28.5 Sixth Five Year Plan targets and achievements.

To meet the growing demand, an addition of 34100 lines to the equipped capacity was envisaged during Sixth Five Year Plan. A review of seventeen projects for installation/expansion of exchanges revealed that eleven projects with 14800 lines were completed within plan period and remaining six projects were completed by the end of 1987-88. The slippages in the completion of the projects ranged between 4 and 35 months. The delays were mainly due to non-supply of equipment by Indian Telephone Industries, delay in completion of civil works and change in the specifications after receipt of exchange equipment.

28.6 Cost overrun

In five of the projects test checked the actual cost of execution far exceeded the sanctioned estimated cost as detailed below :

Sl. No.	Name of the Project	Sanctioned cost	Actual cost	Excess	Percentage increase over sanctioned cost
		(Rs. in lakhs)			
1.	Installation of 400 lines at Saifabad (excluding building and electric installations)	148.43	341.14	192.71	129.8
2.	Saifabad cross-bar exchange from 4000 to 5000 lines	72.31	117.90	45.59	63.0
3.	Expansion of Erragadda from 2100 - 2700 lines	32.90	78.50	45.60	138.6
4.	Installation of 2100 lines exchange (revised to 1800 lines) at Tarnaka - Nacharam	109.59	288.40	178.81	163.0
5.	Expansion of Musheerabad from 4500 - 6000 lines	86.99	125.03	38.04	43.7

An analysis of excess expenditure in the case of apparatus and plant for subscribers in two projects viz. expansion of Musheerabad exchange from 4500 to 6000 lines and expansion of Erragadda from 2100 to 2700 lines revealed that telephone instruments valuing Rs. 16.70 lakhs were received in excess of the requirements which contributed to the increase of expenditure over sanctioned estimated cost. The GM Telephones, Hyderabad stated in February 1988 that cost per line adopted in the project was unrealistic in view of the increasing trend in costs of labour, material and exchange equipment. In two cases the excess was mainly due to excess receipt of telephone instruments which were being regularised.

28.7 Under-utilisation of equipped capacity.

The utilisation of Gowliguda exchange, with an equipped capacity of 12100 lines (excluding 200 lines for coin collection box) and connectable capacity of 11562 lines dropped from 95 per cent at the end of September 1984 to 71 per cent by the middle of October 1984 due to area transfers consequent on commissioning of Charminar exchange in October 1984. Eventhough the waiting list existed, the spare capacity could not be utilised in full. As a result of under-utilisation of the capacity, the department failed to realise revenue of Rs.18.64 lakhs during the period September 1984 to August 1986, which would have accrued had the lines been released.

The GM, Hyderabad Telephones stated in February 1988 that the utilisation of the full capacity in Gowliguda was to be obtained by providing new connections in the existing network and for this purpose the detailed analysis of requirement of cable pairs based on the location of waiting list registration and a suitable scheme for laying of primary, secondary and distribution cables was worked out. While most of the primary and secondary network was completed during 1985, the distribution network was continued upto 1986.

Thus, the department did not take adequate action to release new connections synchronising with the area transfer which is indicative of defective planning.

28.8 Indicators of performance

The department has fixed certain parameters for judging the performance of Telecom network. Some of the parameters are discussed below :

28.8.1 High percentage of failure of STD calls

It was noticed in Audit that the actual failure of STD calls progressively increased from 50.8 per cent in 1983-84 to 57.4 per cent in 1986-87. During the year 1983-85 and 1986-87, the failure exceeded even the group control limit. Eventhough the failure was within the control limit during 1985-86, but that was because the group control limit was substantially increased from 38.3 per cent in 1984-85 to 57.4 per cent in 1985-86. The GM, Hyderabad Telephones attributed the high percentage failure of STD calls to the congestion in the common control equipment, distant TAX, distant local exchanges and media failures. The reply given by the GM is not tenable as performance parameters are fixed by the Responsibility Centres, depending upon their own past performance, the local conditions and new opportunities.

28.8.2 Percentage failures of calls related to Auto Manual Services in a month

The performance of Auto Manual Services viz. special services available at 173, 180, 181, 197, 198, 199 etc is measured with respect to call failure and time of response. The following was the performance for the previous five years :

Year	1983-84	1984-85	1985-86	1986-87
Group target	11.3	7.2	12.8	12.8
Group control	12.4	7.9	14.1	14.1
Actual	20.2	28.5	24.8	21.0
Percentage of excess to group control limit	63	261	76	49

It would be seen from the above table that the failure of calls substantially exceeded the permissible limit during the years 1983-87.

28.8.3 Faults repair service and complaints

An analysis of faults for the year 1984-85 revealed that the faults were mostly in overhead lines and subscribers fittings. Except Charminar exchange, which was commissioned in October 1984, all other exchanges exceeded the permissible limits of faults. In 50 per cent of the exchanges the faults per 100 stations per month ranged between 40 to 73 per cent and were much higher than the permissible limits.

28.8.4 Average duration of faults (in hours per month)

Average duration of faults ranged between 7.1 hours to 12.5 hours during 1983-88. the Telephone district failed to bring down the average duration of faults within the permissible limit.

The GM, Hyderabad stated that in the case of subscriber premises faults, one of the limitations was non-availability of adequate spares for the Auto plan instruments. 120 out of 200 new instruments supplied by ITI were found faulty and with the type of quality instruments inducted into network, it would be highly impossible to contain the complaints/faults within the range of targets aimed.

28.8.5 High percentage of ineffective trunk calls

Targets are fixed each year for the percentage of effective trunk calls after making due allowance for the existing constraints on maintenance and operations of the system. The total number of trunk calls booked, calls matured, percentage of effective calls were as under:

Particulars	1983-84	1984-85	1985-86	1986-87	1987-88
a) No. of calls booked (in lakhs)	28.76	29.06	30.77	30.12	33.27
b) No. of effective calls (in lakhs)	21.10	21.41	22.92	22.06	25.70
c) No. of ineffective calls (in lakhs)	7.66	7.65	7.85	8.06	7.56
d) Percentage of effective calls	73.00	73.50	75.00	73.24	77.26
e) Percentage of ineffective calls	27.00	26.50	25.00	26.76	22.74
f) Target fixed for effective calls	75.00	77.90	74.70	74.70	75.00
g) Shortfall in percentage of effective calls	2.00	4.40	-	1.46	-
h) Total revenue (in lakhs of rupees)	391.34	430.69	555.81	662.56	878.05
i) Loss of revenue (Rupees in lakhs)	10.72	25.78	-	13.20	-
j) Percentage of calls cancelled due to departmental reasons	8.91	11.27	N/A	11.78	N/A

As would be seen from the above table, targets of effective calls were not achieved except during 1985-86. This resulted in loss of potential revenue amounting Rs. 49.70 lakhs. Further, the percentage of calls cancelled due to departmental reasons progressively increased from 8.91 in 1983-84 to 11.78 per cent in 1986-87.

28.9 Excess laying of cables

The equipped capacity of Hyderabad Telephones as on 31st March 1988 was 85925 lines including 2000 lines of telex exchange. As per approved norms of 12 CKM (Cable Conductor Kilometre) for multi exchange system of above 20000 lines and upto 100000 lines, the telephone district should have a total of 1031100 CKM for telephone and telex lines. Against this, the quantity of cable laid upto March 1988 was 1381754 CKM resulting in excess laying of 350654 CKM of cable representing 34 per cent excess over norms. It had resulted in avoidable additional investment of Rs. 17.24 crores.

It was stated by the GM,

Hyderabad in December 1986 that at the prescribed norm of 12 CKM per line, it would be highly impracticable to achieve the targeted figure in respect of complaints/ faults per 100 stations.

Even if it is conceeded that the norms have not been very realistic, the fact remains that the norms were fixed by the department itself and CKM of cable laid exceeded the norm by more than 34 per cent.

28.10 Demarcation of local area

In February 1974, the Posts and Telecommunications Board took a decision that the local area of multiple/single exchange would be coterminus with the limits of corporations/town. Any subscriber within 5 Kms of exchange in the above area would continue to be treated as local subscriber. Based on survey for demarcation of local areas as above, four exchanges viz. Tarnaka, Rajendra Nagar, Saroornagar and Moulali were taken out from the local area of Hyderabad Telephone system from 16th June 1978. However, the subscribers served by these exchanges continued to enjoy the facilities of the subscribers in the local area of Hyderabad Telephone system e.g. trunk charges, access to STD etc. The rentals for the subscribers connected to these exchanges were, however, less than that paid by subscribers in Hyderabad Telephones system as the rentals are dependent on the capacity of the exchanges. In similar circumstances for Madras Telephones, the Posts and Telecommunications Board decided to treat entire area as a single telephone system. However, no such decision has been taken for Hyderabad Telephones and as a result the deparatment lost revenue of Rs. 83.01 lakhs during June 1978 to March 1988.

The GM, Hyderabad Telephones stated in February 1988 that the proposal to bring these exchanges in the local area of Hyderabad Telephones was taken up with the DGPT in August 1986, but approval was still awaited (February 1988).

28.11 Employment of casual mazdoors

The department decided in January 1981 to employ regular mazdoors in place of casual mazdoors for doing unskilled jobs in telephone network and prescribed standards for such employment. The Heads of Telecom Circles were instructed from time to time to avoid employment of casual mazdoors for jobs for which posts of regular mazdoors had been sanctioned.

Hyderabad Telecom District had been engaging large number of casual mazdoors every month for maintenance purposes in addition to regular mazdoors. A test check of muster rolls for the month of March 1985 in Audit revealed that 2062 casual mazdoors were employed for maintenance purposes and an expenditure of Rs. 6.39 lakhs was incurred towards their wages. The GM, Hyderabad in reply to Audit observations stated in February 1988 that the existing standards for employment of regulr mazdoors for maintenance do not comprehensively cover some of the essential areas which are absolutely necessary to improve and sustain the performance of the network. A test check of muster rolls of February 1987, also revealed the employment of casual mazdoors on maintenance works and an expenditure of Rs.7.17 lakhs was incurred towards wages. This implied the continuance of employment of casual labour.

The fact, however, remains that while the irregular employment of casual mazdoors is continuing, the GM, has neither sought the regularisation of this expenditure nor made out a case for fixation of revised norms.

The matter was reported to department in July 1988, but a reply has not been received (November 1988).

29. Cuttack - Sambalpur microwave project

29.1 Introduction

With a view to providing a microwave link between Calcutta Bhubaneswar - Madras coaxial system and Calcutta - Nagpur - Dhulian wideband microwave system and also to serve as an alternative route between Calcutta - Cuttack and Madras - Cuttack routes, the department sanctioned, in July 1971, a project estimate for the installation of a wideband microwave link between Cuttack and Sambalpur at a total cost of Rs. 76.98 lakhs. Besides the two terminal stations at Cuttack and Sambalpur (distance 244 Kms), the scheme was to have five unattended repeater stations at Haldibari, Talchar, Kosala, Danda and Hatibari. The project was to be completed and the system commissioned within 36 months from the date of commencement of work and to earn a profit of Rs.4.32 lakhs per annum, a return of 5.6 per cent on the capital outlay.

29.2 Scope of Audit

A review of the project was conducted by Audit during March-April 1987.

29.3 Organisational set up

The project was executed by the Director, Microwave Project Calcutta under the overall supervision of the General Manager, Telecom, Projects (GMTP) Calcutta.

29.4 Highlights

The review brings out, inter alia,

- **The work in respect of the microwave link between Cuttack and Sambalpur which was considered to be a vital link in Orissa telecommunication network was sanctioned in July 1971, commenced in August 1974 and the system which was to be commissioned by July 1977, was commissioned in February 1988, after a delay of more than 10 years.**

- **The microwave towers erected for the project in October 1977 at a cost of Rs. 31.92 lakhs upto March 1988 remained totally unused till March 1984.**

- **The microwave tower at Haldibari repeater station collapsed during a storm in May 1984 resulting in a loss of Rs. 3.87 lakhs. This was mainly attributed to inadequate quality control and inspection.**

- **The decision of the department to change the specification from 6 GHz to 4 GHz system, which was still in an experimental stage, was ill conceived and resulted in unreliable performance of the system. It is now proposed to be scrapped and replaced by a 6 GHz digital system at an estimated cost of Rs. 279.03 lakhs.**

- **There had been a loss of potential revenue of Rs. 45.36 lakhs to the department till January 1988 due to delay in commissioning of the system.**

29.5 Delay in commencement/completion of work

The project was sanctioned in July 1971 at a total cost of Rs. 76.98 lakhs but the work was commenced in August 1974 only, after a delay of 3 years right at the initial stage. The project was targeted to be completed in 36 months from the date of commencement of work i.e. by July 1977. The system was, however, commissioned in February 1988 i.e. after a delay of more than 10 years. The total expenditure incurred on the project at the end of March 1988 was Rs. 225.16 lakhs which was 192.5 <u>per cent</u> above the sanctioned cost. The revised project estimate was yet to be sanctioned.

29.6 Land and buildings

Land was required for five repeater stations at Haldibari, Talchar, Kosala, Danda and Hatibari. It was taken possession of from the State Forest Department during May 1974 to September 1975. The construction of the buildings was completed between May 1975 and November 1976. The total expenditure on buildings was Rs. 13.52 lakhs (upto March 1988) as against the provision of Rs. 4.59 lakhs. The excess expenditure was attributed to the change in design of the building resulting in increase in floor area and also rise in the cost of construction as stated by the Director, Microwave Project, Calcutta.

29.7 Towers

29.7.1 The order for the tower materials was placed by the Directorate on Telecom. Factory, Jabalpur in April 1973 for supply by March 1974. the materials were, however, received between April and July 1975 only. The erection of all the towers was completed by October 1977 at a cost of Rs. 31.92 lakhs (upto March 1988) as against the provision of Rs. 6.57 lakhs. the excess expenditure was attributed to the rise in the cost of materials and cost of replacement of fallen tower at Haldibari.

The towers remained unused and uncared for all these years and no maintenance was done. The GMTP, Calcutta stated in November 1987 that there was no provision for maintenance of towers before commissioning of the project.

29.7.2 In May 1984, when the testing of the system was in progress, the tower at Haldibari repeater station collapsed during a storm. The committee constituted by the Posts & Telegraphs Directorate in May/June 1984 for conducting an enquiry into the collapse of the microwave tower came to the following conclusions:

(i) The fabrication drawings did not provide all the details to facilitate correct fabrication

(ii) The quality control at the fabrication stage and erection stage were inadequate.

(iii) In the absence of strict control and inspection, the erection works were of lower standard and quality.

(iv) There was no prescribed code for routine maintenance practices for the microwave towers.

29.7.3 The following points were observed in Audit in connection with the collapse of the tower:

(i) A 90 metre high tower was erected against 80 metre tower initially recommended at the time of survey.

(ii) The weight of the 90 metre tower was 73 tonnes whereas the weight of towers of similar height erected in other microwave routes was 68 tonnes.

(iii) the existing tower design was safe for two antennae only and needed to be modified for safe carrying of 4 antennae. Although, the department intimated that only two antennae of 4 metre dia were hoisted on the tower before its collapse, the diagram showing tower height, antennae position and directions as approved in March 1984 indicated hoisting of more than two antennae.

The GMTP, Calcutta stated in November 1987, that a 90 metre tower was felt necessary from the technical survey of this route so as to obtain the specified reception level. It was further stated that the weight of this tower might be more due to the additional platform and antennae fixtures required for hoisting 4 antennae on the tower.

29.7.4 Order for the new tower at Haldibari was placed on Telecom. Factory, Jabalpur in April 1985. The Material was received in July 1986 and the erection of the new tower was completed in August 1986.

The tower originally erected at a cost of Rs. 6.09 lakhs was disposed of as scrap for Rs. 2.22 lakhs, thus causing a net loss of Rs. 3.87 lakhs to the department.

29.8 Equipments

29.8.1 The orders for the supply of 6 Giga Hertz (GHz) radio and other equipments and accessories were placed on Indian Telephone

Industries Limited (ITI) in May 1973 without mentioning any specific date for delivery. In October 1975 ITI informed the department that the supply of the equipments would be completed by September 1976. The Directorate, however, decided and intimated ITI in February 1976, to convert Cuttack-Sambalpur 6 GHz route to 4 GHz type and divert the 6 GHz equipments to other routes.

The 4 GHz system was a field-trial and prototype analog system developed by ITI. The equipment was received between November 1982 and February 1984 and its installation was completed in March 1984. The system could not, however, be offered for acceptance testing (April 1987) due to its unreliable working during testing operations carried out on several occasions. As a result, the commissioning of the system was held in abeyance and the department sought the services of ITI engineers again in April 1987 to put the system into operation. Meanwhile, batteries for power plants of radio and multiplexing equipments, received in February 1977, costing Rs. 9.30 lakhs were lying unused in the repeater stations for the last 10 years and were losing much of their useful life. The GMTP, Calcutta, however, stated in November 1987 that the batteries were lying in uncharged condition and hence the loss of life was not appreciable. The batteries were charged during 1983.

29.8.2 Cuttack-Sambalpur microwave link was considered vital for the telecommunication net work of Orrisa. As the commissioning of the route, with the only 4 GHz prototype field-trial system manufactured by ITI, was delayed and the performance of the system was not reliable, the General Manager, Telecommunication, Orissa suggested to the Directorate, in March 1985, replacement of the system by digital system. In March 1985, the General Manager, Maintenance, Eastern Telecom. Region, who looks after such systems, after their commissioning, pointed out to the Directorate that ITI had already stopped production of this analog system, and the maintenance of the system would be a problem for want of spares. He suggested scrapping of this 4 GHz. system and its replacement by a more reliable equipment.

The Directorate decided in September 1985 that the route may be commissioned utilising the 4 GHz analog equipment till its replacement by new digital medium. Accordingly, a project estimate for replacement of the 4 GHz analog system by a 6 GHz digital system at a cost of Rs.279.03 lakhs was submitted to the Directorate in September 1986 and is under process of sanction (October 1988). The work was expected to be completed by the end of Seventh Five Year Plan.

The decision taken by the Directorate in February 1976 to change the specification from 6 GHz. to 4 GHz. system which was still in an experimental stage, was ill conceived. As a result, the system which was expected to be commissioned by July 1977, was commissioned in February

1988 only. In fact the system, commissioned after a delay of more than 10 years after incurring an expenditure of Rs. 225.16 lakhs (upto March 1988), is now proposed to be scrapped and replaced by 6 GHz digital system.

29.9 Loss of potential revenue

As per the project estimate, the department had expected to earn a revenue on commissioning of the project at the rate of Rs.4.32 lakhs per annum based on the capital cost of Rs. 76.98 lakhs. The capital cost upto March 1988 was Rs. 225.16 lakhs. The delay in commissioning of the project till January 1988 has resulted in a loss of potential revenue of Rs. 45.36 lakhs which is based on the initial capital cost.

The matter was reported to the department in May, 1988 but no reply has been received (October 1988).

30. Ambikapur-Bilaspur and Raipur-Jagdalpur narrowband microwave project

30.1 Introduction

In January 1979, the Government approved a proposal for installation of 2 Giga Hertz. (GHz) 300 channel narrowband microwave systems linking (i) Ambikapur to Bilaspur via Korba and (ii) Raipur to Jagdalpur via Dhamtari at a total cost of Rs. 220.75 lakhs. The scheme was to be completed by March 1982 on priority basis as the main objective was to extend microwave telecommunication facilities to Sirguja and Bastar districts of Madhya Pradesh which were predominantly tribal and backward areas and efforts were on to develop them by setting up industries.

The project has not been commissioned in full even by March 1988. The total expenditure incurred on the project upto February 1988, was Rs. 800.56 lakhs.

30.2 Scope of Audit

A review of the project was conducted by Audit in March 1988.

30.3 Organisational set up

The schemes were executed by the Director of Telegraphs, Microwave Project Nagpur under the overall supervision of the General Manager, Telecommunication Projects, Bombay.

30.4 Highlights

The review brings out, inter alia,

- **The project targeted to be completed on priority basis by March 1983 for providing telecom facilities to backward and tribal areas has not been fully commissioned even by March 1988. The change in specification of the**

equipment to be installed in one of the routes and delayed supplies of equipment by the Indian Telephone Industries (ITI) had resulted in time overrun of about 5 years in completion of the scheme.

- **The expenditure incurred upto February 1988 has already exceeded the sanctioned estimate of Rs. 299.39 lakhs by 501.17 lakhs (167 per cent).**

- **The delay in commissioning not only deprived the department of net profit of Rs. 9.84 lakhs per annum but also resulted in a net loss of Rs. 47.56 lakhs for the period from April 1983 to January 1988.**

30.5 Delay in implementation of the project

While the project was initially to be completed by March 1982 on priority basis, the project estimate was sanctioned at a cost of Rs. 299.39 lakhs, in January 1981, i.e. two years after the approval of the scheme and was expected to be completed by March 1983.

Orders for the supply of Multiplexing (MUX) equipment and testing and measuring instruments and for the radio equipments, wave guides and accessories for both the routes were placed on ITI in January and June 1980 respectively. The stipulated date of delivery in respect of both the orders was December 1980.

The purchase order for supply of MUX equipment and testing and measuring instruments for Jagdalpur-Raipur route was, however, cancelled by the department in July 1986 as a digital microwave system was planned for this route. A purchase order for supply of the digital system had already been placed on a Japanese firm in October 1985.

The equipment and material received from the ITI against the purchase order of January 1980 were diverted in August 1986 to another scheme.

The imported radio and MUX equipments for Raipur-Jagdalpur route were received during December 1986 and February 1987 and were installed from November 1987 to January 1988. Both the sections of the route viz. Raipur-Dhamtari and Dhamtari-Jagdalpur were placed under ' proving-in ' in March 1988.

The radio and MUX equipments for Ambikapur Bilaspur route were received from ITI in 1985 and 1986 only. While radio equipments were received in full by December 1985, 90 per cent of the MUX equipments were received by June 1986. The hand books and drawings for radio systems were not supplied in time by ITI. The equipments were installed during July 1986 and February 1987. Bilaspur-Korba section of the route was placed under 'proving-in' in December 1987 and the section made over to Maintenance wing in February 1988. Korba-Ambikapur section was placed under 'proving-in' in March 1988.

Thus, a project, conceived in January 1979, and intended to be executed on priority basis and completed in about 3 years, to provide communication facilities to tribal and backward areas under development, could not be completed in full by March 1988.

30.6 Cost overrun

As against the sanctioned cost of Rs. 299.39 lakhs (January 1981), the total expenditure incurred on the project upto February 1988 was Rs. 800.56 lakhs resulting in cost overrun amounting to Rs.501.17 lakhs which indicates an increase of 167 per cent over the sanctioned cost. The increases were mainly under electric installation (495 per cent) equipments (212 per cent) and buildings (110 per cent). The broad reasons for the increases were inadequate/unrealistic provision in the project estimate, change in specification of equipment for one of the routes (Raipur-Jagdalpur route) and cost escalation of materials, labour and equipments due to prolongation of the execution period of the project.

30.7 Other topics

An advance of Rs. 9.98 lakhs was paid in January 1984 to Madhya Pradesh State Electricity Board (MPSEB) for power supply to Marhai, one of the repeater station on Ambikapur-Bilaspur route. However, as MPSEB could not extend power supply till October 1986, the department arranged for Photo Voltaic (PV) power supply system, a non-conventional source. For this purpose an order for supply of PV power supply system was placed on Bharat Heavy Electricals Limited in October 1986 at a cost of Rs. 8.15 lakhs. The system was commissioned in May 1987.

The PV power supply arrangement to Marhai was permanent and conventional power supply from Electricity Board was no longer required. Refund of the advance paid to MPSEB in January 1984 was yet to be obtained (March 1988).

30.8 Financial status of the project

As per project estimate the project was expected to be completed by March 1983 and earn a net profit of Rs. 9.84 lakhs per annum a return of 3.28 per cent on the capital outlay of Rs. 299.39 lakhs. Far from it, the non-commissioning of the project by the targeted date resulted in a loss of potential net revenue of Rs. 47.56 lakhs to the department during April 1983 to January 1988.

The General Manager, Telecommunication Projects, Bombay stated in July 1988 that the change in specification of equipment for Raipur-Jagdalpur route was as per the decision of the Directorate and the delay in commissioning was due to non-receipt of equipment in time and that the case regarding refund of advance paid to MPSEB had been taken up and was being pursued.

The matter was reported to department in July 1988, but a reply has not been received(November 1988).

31. Ahmedabad - Palanpur coaxial scheme

31.1 Introduction

In July 1978, the Government approved a proposal for installation of a 2.6 MHz coaxial cable system on Ahmedabad-Palanpur route (164 Kms) and on its three spur routes (i) Mahsana-Visnagar (23 Kms); (ii) Sidhpur-Patan (34 Kms); and (iii) Palanpur-Deesa (31 Kms) at an estimated cost of Rs. 356.90 lakhs. The main objective of the scheme was to inter-link Kalol, Mehsana, Unjha, Sidhpur, Palanpur, Visnagar, Patan and Deesa which are big auto/manual exchanges having considerable community of interest, with Ahmedabad and Bomaby and amongst themselves. The proposal envisasged commissioning of the entire link by March 1981.

The project estimate of the scheme, sanctioned in March 1980 for Rs. 448.99 lakhs, envisaged installation of a 12 MHz system on the main route and 2.6 MHz system on the three spur routes. The phasing of expenditure in the project estimate indicated completion of the scheme by the end of 1981-82.

The main route was commissioned in phases, Ahmedabad-Mehsana section in March 1985 and Mehsana-Palanpur section in March 1987. The three spur routes were commissioned in between August 1986 and November 1987.

31.2 Scope of Audit

A review of the project was conducted by Audit in March-April 1988.

31.3 Organisational set up

The scheme was executed by the Director of Telecommunication, Coaxial Cable Projects, Bombay under the overall supervision of the General Manager, Telecommunication Projects, Bombay.

31.4 Highlights

The review brings out, inter alia,

- **Failure on the part of the department to take timely decision and proper action regarding acquisition of land and construction of buildings resulted in a delay of more than 5 years in commissioning of the scheme.**

- **Buildings proposed to be constructed by 1980-81 were partly completed by November 1985.**

- **The Hyper Group Translating**

Equipment meant for Palanpur was diverted to New Delhi in September 1984 because of non-availability of building there. The replacement was received in December 1986 and the section Mehsana-Palanpur commissioned in March 1987.

- **The delayed commissioning resulted in cost overrun of Rs. 432.72 lakhs which was 96 per cent above sanctioned cost as also in loss of potential revenue of Rs. 565.59 lakhs.**

- **Delay on the part the department in placing orders for additional cable resulted in an avoidable extra expenditure of Rs. 3.10 lakhs.**

31.5 Acquisition of land and construction of buildings

31.5.1 Land for coaxial buildings was to be acquired at 5 places viz. Unjha, visnagar, Patan, Sidhpur and Palanpur. At the other 3 places viz. Kalol, Mehsana and Deesa, departmental land was available. Although the land acquisition proceedings at all the 5 places were initiated before the sanction of the project estimate in March 1980, the department could procure land at Unjha, Visnagar and Patan, only by November 1981. The position at the other two places was as under:

(i) Palanpur

Till May 1984, no suitable land could be procured near the city. It was in June 1984 only that the department decided to construct a new building in the existing compound and preliminary drawings were prepared and got approved. In August 1986 the idea of construction of the new building was given up and it was decided to install the coaxial equipment in a portable hut, purely as a temporary measure, pending acquisition of land and construction of coaxial building. For this purpose an estimate for Rs.2.38 lakhs was sanctioned in September 1987. The equipment was installed in the portable hut incurring an expenditure of Rs.1.58 lakhs approximately.

(ii) Sidhpur

At Sidhpur also the department could not procure any suitable land early. In February 1984, a proposal was made to acquire land from a private owner. The department was, however, aware that high tension/low tension power lines were passing through one side of the site. The purchase was approved in March 1984 with the condition that the power lines be got removed by the owner at his cost. The owner refused to do so.

In August 1986 the department decided that since Sidhpur was a power feeding station and there was no proposal to drop any channel and also since Sidhpur exchange was a manual exchange, there would not be any immediate necessity for augmentation of circuits, and so the equipments could be installed in a rented building.

While the department envisaged

completion of land acquisition work by 1979-80, the above details indicate lack of concerted efforts on the part of the department to acquire land or to make alternative arrangement for coaxial buildings. The major bottleneck in commissioning of the Mehsana-Palanpur section of the main route was non-availability of land and building at Sidhpur and Palanpur. Had the department taken proper action and timely decision in this regard, the entire main route from Ahmedabad to Palanpur could have been commissioned earlier as the imported hyper group translating equipment for the route was received in April 1983 and almost all the cable laying work had been completed in June 1985.

31.5.2 Coaxial buildings were to be constructed at 8 places and completed by March 1981 as envisaged in the project estimate. Despite the fact that land was available with the department at 3 places, buildings were partly completed in between March 1982 and November 1985.

There had been abnormal delay in the construction of the buildings at all the places due mainly to the following:

(i) Delay in preparation of preliminary estimates and issue of administrative approval and expenditure sanction.

(ii) Delay in obtaining approval of the municipality at Deesa and Patan.

(iii) Delay in obtaining permission of the Collector for utilisation of land to non-agricultural purpose at Unjha.

(iv) Delay in getting overhead electric lines shifted at Patan.

Department stated in October 1988 that the delay in the acquisition of land at Palanpur and Sidhpur was inevitable due to Government rules and regulations and associated cumbersome procedures. It was, however, admitted by department that the construction of buildings at all places was delayed due to various factors involved in the preparation of preliminary drawings and estimates, preparation of working drawings etc.

31.6 Procurement and laying of cables

31.6.1 Purchase order for supply of 216.947 Kms of coaxial cable was placed on Hindustan Cables Limited (HCL) in October 1980 with the stipulated date of delivery as December 1981. In February 1982, the date of delivery was extended upto December 1982. The supply of cables was commenced in March 1982 and completed in November 1982. 32 Kms of cable, received against another project, was also to be utilised in one of the spur routes of the project.

In August and October 1983, when the cable laying work was in progress, it came to the notice of the project authorities that of the 32 Kms cable expected to be diverted from another project, only 23.669 Kms cable was received and the remaining cable had been utilised at the diverting station itself.

Another order was, therefore, placed on HCL in April 1984 for the supply of additional 8.270 Kms of cables with accessories etc. with the stipulated date of delivery as June 1984. The date of delivery was extended upto June 1987. Bulk of the cables against this purchase order was, however, supplied by HCL in March 1987.

The cable laying work was commenced in March 1983. Bulk of the cables, 232.035 Kms had been laid by June 1985. The work was, however, completed on the main route in December 1986 and on the spur routes in September 1987. The delay in laying the cables was due to the fact that order for supply of jointing material for connecting the cables to termination boxes was placed on HCL, as late as in July 1984, nearly 4 years after the placement of order for cables in October 1980. As per project estimate the entire work relating to cables was to be completed by 1981-82. Considering the fact that advance order for the manufacutre and supply of cables had been placed on HCL in May 1979, there had been delay in supply of cables by HCL as also delay in cable laying work by the department.

31.6.2 The cost of cables supplied by HCL in 1982 against the purchase order of October 1980 was Rs. 0.42 lakh per Kms where as the cost of 8.273 Kms of cable supplied in 1987 against the purchase order of April 1984 was Rs. 0.79 lakh per Km i.e. Rs. 0.37 lakh per Km excess. Thus, the department had to incur an avoidable extra expenditure of Rs. 3.10 lakhs due to delay in the placement of orders.

Incidentally, the department had received a total of 249.271 Kms of cables against the two purchase orders of October 1980 (217.329 Kms) and April 1984 (8.273 Kms) and by diversion from another project (23.669 Kms). Out of 249.271 Kms of cable, the total length of cable laid on the main route and three spur routes was 236.125 Kms and the entire system, including the spur routes commissioned by November 1987. Thus, even after providing a margin of 2 per cent for maintenance, the total requirement of the cable for this project should not have exceeded 240.848 Kms.

Thus, 8.423 Kms of cable was provided in excess of the actual requirement. The placement of order for 8.270 Kms of cable in April 1984 valuing Rs. 6.54 lakhs was not necessary.

Department stated in October 1988 that cable was not provided in excess, as 5.000 Kms of cable was required for shifting at Palanpur and Sidhpur when regular buildings were constructed and 5.131 Kms of cable was used for rectification of faults.

The reply of Department is not sustainable in view of the following:

(i) at the time of placement of order for additional cable there was no thinking of any shifting of building either at Palanpur or at Sidhpur,

(ii) the consumption of cable on rectification of fault is rather too high, more so, when a specific provision for maintenance exists.,

(iii) even after commissioning of the entire project and making provision for maintenance 8.423 Kms of cable was lying unutilised which confirms the conclusion that cable was provisioned in excess of requirement.

31.7 Equipment

31.7.1 Order for supply of 2.6 MHz line equipment and multiplexing equipment for the route was placed on Indian Telephone Industries (ITI) in August 1979. However, with the re-engineering of the scheme from 2.6 MHz to 12 MHz system, the entire order was cancelled by the Directorate in November 1979 and the revised requirement of 12 MHz equipment only was ordered on ITI in December 1979. No instructions were issued in regard to 2.6 MHz equipment for the spur routes. After this was pointed out by the project authorities in May 1980, revised order for 2.6 MHz equipment was placed by the Directorate in March 1981 i.e. after a lapse of 15 months from the date on which revised order was placed.

Supply of multiplexing and line equipment was commenced by ITI in May 1983 and May 1984 and bulk of the supplies were completed by November and August 1986 respectively. It may be pointed out that the purchase order contained certain items which were in the research and development stage and were not manufactured earlier by the ITI. The system was, however, commissioned by making internal re-adjustment of the equipment.

31.7.2 Orders for the import of Hyper Group Translating Equipments (HGTE) with accessories and spares were placed on a Japanese firm in May 1982. The supplies were received in March-April 1983. One of the HGTEs was installed at Ahmedabad and Ahmedabad-Mehsana route was commissioned in March 1985. Second HGTE meant for Palanpur was diverted to New Delhi in September 1984 because of non-availability of building. The replacement of the HGTE was received in December 1986 and the section between Mehsana and Palanpur commissioned in March 1987.

However, department stated in October 1988 that (i) the HGTE were received in December 1986, when the cable laying work was nearing completion and the system commissioned by March 1987 (ii) the non availability of buildings was not at all the main hurdle in the commissioning of the system and (iii) the diversion of the HGTE to Delhi also has not affected the commissioning of the system.

The reply of the department is to be viewed in the context of the following:

(i) the HGTE was received in March-April 1983,

(ii) as the building was not available at Palanpur, the HGTE meant for that station was diverted to New Delhi in

September 1984, and

(iii) had the building at Palanpur been ready and the HGTE not diverted, the main route could have been commissioned much earlier as bulk of cables were already laid by June 1985.

31.8 Cost and time overrun

31.8.1 As against the sanctioned cost of Rs. 448.99 lakhs, the actual expenditure incurred upto January 1988 was Rs. 881.71 lakhs resulting in cost overrun amounting to Rs. 432.72 lakhs which indicates an increase of 96 per cent over the sanctioned cost. The increases were mainly under equipments (160 per cent), buildings (95 per cent) and cables (38 per cent).

31.8.2 While the entire project was expected to be commissioned by 1981-82, the department could commission only Ahmedabad - Mehsana section of the main route by March 1985. The three spur routes and the section between Mehsana and Palanpur on the main route could be commissioned only in between August 1986 and November 1987. Thus, the commissioning of the system was delayed for more than 5 years.

The delays took place almost at all the stages due to lack of proper planning and co-ordination among the various executing agencies of the department. Had the department taken proper action and timely decisions in regard to acquisition of land, construction of building, procurement and laying of cables, placement of orders for equipments etc., the overall delay in commissioning the project could have been greatly minimised if not altogether eliminated.

31.8.3 The department had anticipated that the system, on its commissioning would earn a revenue of Rs. 188.53 lakhs per annum. The delay in commissioning of the system had resulted in a loss of potential revenue of at least Rs. 565.59 lakhs during April 1982 to March 1985 apart from causing inconvenience to the intending subscribers of the trunk call facility.

Department stated in October 1988 that it was un-realistic to expect that the system would be commissioned in less than 2 years from the date of sanction of the project estimate and that assumption of loss of revenue from April 1982 was hypotehtical. However, the fact remains that the department took nearly two years to sanction the project estimate after the approval of the proposal. The loss of potential revenue was not hypothetical as the department itself had envisaged the revenue earning capacity of the project.

32. Bhopal-Itarsi coaxial cable scheme

32.1 Introduction

In May 1978, the Posts and Telegraphs Department approved a proposal for installation of a 2.6 MHz. coaxial cable system connecting Bhopal, Hoshangabad and Itarsi, by laying a 4 core small tube coaxial cable along the route (102 Kms). The main objectives of the scheme were:

(i) to provide a stable medium connecting Bhopal, Hoshangabad and Itarsi;

(ii) to parent Hoshangabad and Itarsi to Bhopal Trunk Automatic Exchage (TAX) for providing direct dialling facility between the three stations and to other stations accessible from Bhopal TAX; and

(iii) to provide Hoshangabad and Itarsi, through Bhopal, an access, on manual basis, to other important towns already planned/working on coaxial and microwave schemes.

The project estimate was sanctioned in March 1979 for a total sum of Rs. 151.21 lakhs. The scheme was included in the commissioning programme for 1981-82.

The system was commissioned in phases in May 1986 and January 1987. The entire system was made over to maintenance wing by September 1987.

The total expenditure incurred on the project upto January 1988 was Rs. 332.62 lakhs. The project estimate revised in March 1986 for Rs. 354.24 lakhs, which was based on actual cost, has not been sanctioned so far (November 1988).

32.2 Scope of Audit

A review of the project was conducted in Audit in February 1988.

32.3 Organisational set up

The project was executed by the Directors of Telecommunication, coaxial cable projects, Bombay/Bhopal under the overall supervision of General Manager, Telecommunication Projects, Bombay.

32.4 Highlights

The review brings out, inter alia,

- **The system which was included in the commissioning programme for 1981-82, could be commissioned in phases in May 1986 and January 1987 only.**

- **One of the main objectives of the scheme viz. parenting Itarsi and Hoshangabad to Bhopal TAX for providing STD facilities among the three stations and to other stations accessible from Bhopal TAX, could not be achieved by the department.**

- **Shift in planning for providing dropping arrangement at Mandideep on Bhopal-Itarsi cable route in place of providing interstice equipment between Bhopal and Mandideep rendered cable with interstice pair procured at an extra cost**

of Rs. 7.13 lakhs redundant.

- **The delay of more than 4 years i.e. from August 1982 to August 1986 in exeuction of cable laying has cost the department an extra expenditure of Rs. 50.94 lakhs by way of labour and establishment charges.**

- **The 2.6 MHz coaxial system having a capacity of 600 channels is being grossly under-utilised. Only 5 per cent of the channel capacity (30 channels) could be utilised.**

- **Due to inordinate delay of more than 4 years in the completion of work, the anticipated revenue of Rs.561.62 lakhs could not be earned by the department.**

- **As the system was not connected to any TAX, the department could not also earn anticipated Subscriber Trunk Dialling (STD) revenue of Rs. 138.89 lakhs during January 1987 to March 1988.**

32.5 Procurement of cable

Order for supply of requisite composite coaxial cable without interstice pairs for the entire route (102 Kms) with accessories was placed by the Posts and Telegraphs Directorate on Hindustan Cables Limited (HCL) in November 1978. The entire cable was received before August 1980.

In October 1979, General Manager, Telecommunication (GMT) Bhopal expressed the need for stable telecommunication link for Mandideep and Budni, two prospective industrial townships on the cable route between Bhopal and Hoshangabad and suggested laying cable with a quad of interstice pairs between Bhopal-Mandideep and Budni-Hoshangabad involving a distance of about 34 Kms on the cable route. The proposal for change in specification of cable was approved in May 1980. The surplus cable was diverted to other works only in July 1983.

The Power Telecommunication Co-ordination Committee (PTCC) of the department suggested in June 1980 to lay aluminium sheathed cable between the section Habibganj and Mandideep to keep induced voltage within permissible limits. For keeping the induced voltage between Mandideep-Budni section within permissible limits a suggestion of the project authorities for re-arrangement of power feeders at Bhopal and Hoshangabad with the cable of interstice pairs as proposed by the GMT was approved by the PTCC in September 1980.

The order for supply of 17.987 Kms of small tube, lead sheathed cable with a quad of interstice pair was placed on HCL in December 1980 and that for 16.232 Kms of aluminium sheathed cable with interstice pair on a French firm in September 1981. The cable was received in September 1984 and December 1984 respectively. Thus, due to change in specification of cable, the procurement of cable took more than six years (November 1978 to December 1984).

32.6 Delay in cable laying

Change in specification of cable subsequently resulted in laying three different types of cable as detailed below:

(a) Lead sheathed cable without interstice pairs in the section Mandideep-Obedullahganj - Budni and Hoshangabad-Itarsi about 66 Kms.

(b) Lead sheathed cable with interstice pairs in the section Budni and Hoshangabad - and Bhopal-Habibganj about 18 Kms.

(c) Aluminium sheathed cable with interstice pairs in Habibganj - Mandideep section about 16 Kms.

Lead sheathed cable without interstice was received by the department in 1979-80 but the work of trenching and laying this cable in the portion of normal terrain (about 56 Kms) commenced only in June/July 1981 and completed in August 1983. Tenders for preparation of trenches by blasting hard terrain were called for as late as in September 1982. The contractor, to whom the work was alloted in December 1982, abandoned the work in August 1984. The work of trenching by blasting was got completed by another contractor from October 1985 to August 1986. Cable laying work for sections as at (b) and (c) above was started in October 1984 but was completed as late as in January 1986. The delay of more than 4 years from August 1982 to August 1986 in execution of cable laying has cost the department an extra expenditure of Rs. 22.00 lakhs on payment of labour and establishment charges and Rs. 28.94 lakhs due to maintenance of regular and work charged establishment for longer periods than estimated earlier.

32.7 Late supply of equipment by Indian Telephone Industries (ITI)

Order for supply of equipment was placed by the department on ITI in January 1979 with the stipulated date of delivery as December 1979. There had been much delay in supply of equipment by ITI. While the equipment chart indicating the equipment offered for supply was furnished by ITI in September 1980, after more than one and a half years of placing the order, the pilot oscillator unit was supplied by ITI in March 1987. Thus ITI delayed supply of all the equipment needed for commissioning of the scheme by more than seven years.

32.8 Delay in commissioning of the system

Although the scheme was included in the commissioning programme of 1981-82, actual commissioning of the system was considerbly delayed. While Itarsi-Hoshangabad section was commissioned in May 1986, the section Hoshangabad-Bhopal was commissioned in January 1987. The sections were made over to maintenance wing in March 1987 and September 1987 respectively.

Department admitted that although the scheme was included in the commissioning programme of 1981-82, the actual commissioning of the system was delayed due to delay in the procurement of cable and its laying and delay in supply of equipment by ITI.

32.9 Shift in planning made interstice pairs cable redundant

With a view to have stable Telecommunication facilities for the two upcoming industrial townships viz; Mandideep and Budni on the route, cable with a quad of interstice pairs was procured in December 1984. A project estimate for installation and commissioning of interstice equipment between Bhopal and Mandideep was sanctioned in May 1985 by GMT, Bhopal at a cost of Rs. 11.29 lakhs. The scheme was, however, cancelled in February 1986 and a fresh project estimate for dropping arrangement at Mandideep on Bhopal-Itarsi cable route was sanctioned in July 1986 at a cost of Rs. 35.49 lakhs. The change in planning rendered the interstice pairs in the coaxial cable redundant.

The work for project for dropping arrangement at Mandideep has not yet been started (February 1988). Estimate for providing stable telecommunication facility to Budni by utilisation of interstice pairs included in the coaxial cable between Budni and Hoshangabad section had also not been prepared. In reply to an Audit query the department stated (October 1987) that the estimates would be prepared after collecting the traffic figures. Thus, the cable with interstice pairs involving capital investment of Rs. 7.13 lakhs would not be utilised for the purpose for which it was procured.

Department stated in November 1988 that the interstice pairs would be used for providing stable communication media for minor stations on the route.

32.10 Non-attainment of objectives

One of the main objectives of the scheme was to parent Itarsi and Hoshangabad to Bhopal TAX for providing STD facilities among the three stations and to other stations accessible from Bhopal TAX. But, as Bhopal TAX has not come up so far (February 1988), the above objective could not be achieved. In April 1987, the department had proposed to parent these stations to Indore TAX, where spare capacity was stated to exist, but no target date for such parenting has been fixed so far (February 1988).

Department stated in November 1988 that Bhopal TAX had been commissioned in July 1988 and both the stations were being parented shortly.

32.11 Anticipated revenue not earned

32.11.1 Due to inordinate delay of

more than 4 years (from April 1982 to April 1986) in the execution of the work the department could not earn the anticipated revenue of Rs. 561.62 lakhs on account of manual and STD traffic on connected routes at a rate of Rs. 137.54 lakhs *per annum*.

32.11.2 Similarly, as the system was not connected to any TAX as planned, the department could not earn STD revenue of Rs. 111.11 lakhs *per annum*, as anticipated in the project estimate. The loss of revenue on this account was Rs. 138.89 lakhs during the period from January 1987 to March 1988.

Department stated that the projected loss of anticipated revenue to the department was only hypothetical. This, however, cannot be accepted as the revenue was expected to be earned by the department as per their own proposal.

32.12 Under utilisation of the system

The capacity of 2.6 MHz coaxial cable system installed between Itarsi and Bhopal is 600 channels. But the utilisation of the channels till April 1988 was 30 only i.e. 5 *per cent* of the total capacity (23 channels between Itarsi and Hoshangabad and 7 channels between Hoshangabad-Bhopal). No channel has been utilised for Itarsi-Bhopal route so far. The system is thus being grossly under-utilised.

Department stated in November 1988 that any system is initially planned taking into account the traffic which is likely to build up over a few years and it is supposed to have reserve capacity to cater to any increase in traffic.

33. Amalapuram - Mandapetta coaxial cable and Rajahmundry Tadepalligudem coaxial expansion schemes

33.1 Introduction

In September 1980 the Government approved a proposal for installation of (i) a 2.6 MHz coaxial cable system on 4/174 type coaxial cable on Amalapuram - Ravulapalem - Mandapetta route, and (ii) a 12 MHz coaxial cable system on 2/174 type coaxial cable on the existing 2.6 MHz Rajamundry - Tanuku - Tadepalligudem coaxial route at a total cost of Rs. 247.63 lakhs. The main objectives were to provide stable transmission medium to stations Amalapuram and Mandapetta, and meeting the additional trunk traffic demands from stations Tadepalligudem, Palakole and Bhimavaram.

While the 2.6 MHz system was commissioned fully in June 1986, the 12 MHz system was commissioned in January 1988.

33.2 Scope of Audit

A review of the project was conducted by Audit in April-May 1988.

33.3 Organisational set up

The project was executed by the Director . Coaxial Cable Projects, Hyderabad under the overall supervision of the General Manager, Telecommunication Project (GMTP), Madras.

33.4 Highlights

The review brings out, inter alia;

- **The two schemes of the project targeted to be completed by March 1985 were commissioned in June 1986 and January 1988 only.**

- **As against the sanctioned project cost of Rs.280.49 lakhs the actual expenditure incurred upto April 1988 was Rs. 696.63 lakhs.**

- **Due to lack of proper planning to lay the right type of coaxial cable on rail-cum-road bridge, the department had to replace 3.4 kms of cable costing Rs. 4.85 lakhs.**

- **Both the 2.6 MHz and 12 MHz coaxial systems were being grossly under-utilised. While in the 2.6 MHz system only 10 groups have been commissioned as against the optimum capacity of 50, the number of groups commissioned in the 12 MHz system was only 30 as against the optimum capacity of 225.**

- **As against the anticipated annual revenue of Rs. 23.25 lakhs from the 2.6 MHz coaxial system, commissioned in June 1986, the revenue actually earned by the system during 1987-88 was Rs.4.54 lakhs only resulting in a shortfall of Rs. 18.71 lakhs per annum.**

33.5 Re-engineering of the scheme

The project estimte was sanctioned in May 1982, more than one and a half years after the approval of the proposal by government at a total cost of Rs. 297.46 lakhs.

In November 1982, i.e. 6 months after the sanction of the project estimate, the 12 MHz system between Rajahmundry and Tadepalligudem was re-engineered by taking the cable route via Nidadavole instead of Tanuku, so as to eliminate certain maintenance problems being experienced in the existing 2.6 MHz system. As a result of this change the project cost was reduced to Rs.280.49 lakhs.

33.6 Cable laying

Order for the purchase of 4.5 kms of 4/375 type coaxial cable was placed by the Posts and Telegraphs Directorate on Hindustan Cable Limited (HCL) in March 1983, for laying on the portion of the 12 MHz cable route between Rajahmundry and Tadepalligudem which passes over the rail-cum-road bridge. There was no mention of the specification of the coaxial cable to be supplied in the purchase order. Entire length of lead sheathed steel tape armoured 4/375 type coaxial cable was received from HCL and laid over the rail-cum-road bridge in September 1985.

The Divisional Engineer, Telecommunications (Acceptance Testing) in his test report observed in September 1987 that the cable laid over the bridge, across river Godaveri, was not able to withstand the vibrations caused by the vehicular and rail traffic, resulting in cracking of cable's armour and affecting coaxial cores. The General Manager, Technical and Development circle, also, while ordering proving-in of the system in October 1987, recommended replacement of the cable laid over the bridge.

Accordingly the department placed a purchase order on HCL, in January 1988, for the supply of an additional length of 3.4 kms of 4/375 type lead sheathed poly-jaketed coaxial cable. The cable was, however, yet to be received (June 1988).

The department had, earlier, also, laid another 4/375 type lead sheathed poly-jacketed coaxial cable over the same rail-cum-road bridge in the case of Madras-Calcutta 12 MHz coaxial system and the cable in respect of the scheme under review was laid beside that cable. As such, the unsuitability of the 4/375 type lead sheathed steel tape armoured coaxial cable over that bridge should have been known to the department well in advance. Thus due to the defective cable planning, the department, made itself liable for extra and avoidable expenditure in the cable scheme.

The GMTP Madras stated in October 1988 that the new bridge was constructed with the latest design of bridge construction and it was anticipated that the new bridge will have very little vibration and adverse effect on the cable, and that the development of cracks was mainly due to abnormal traffic over the rail-cum-road bridge.

Had the department placed order for right type of cable with proper specifications, at the very initial stage, the replacement of the 3.4 kms of cable costing Rs.4.85 lakhs, besides expenditure involved in laying, removing and re-laying could have been avoided.

33.7 Cost and time overrun

33.7.1 As against the re-engineered estimated project cost of Rs.280.49 lakhs, the actual expenditure incurred on the project upto April 1988 was Rs. 696.63 lakhs resulting in cost overrun of Rs. 416.14 lakhs which was 148.36 per cent above of the sanctioned cost.

The GMT(P), Madras attributed escalation in costs of cable, apparatus and plant, building material etc. and payment of arrears to staff consequent on implementation of the recommendations of the Fourth Central Pay Commission and enhanced wages to mazdoors as per the Supreme Court's judgement as the reasons for substantial increase in the cost of the project. It was, however, observed that expenditure on additional items not contemplated in the project i.e. laying of imported cable on Gowthami Bridge, purchase of G.I. troughs for use in rail-cum-road bridge, installation of additional power plant at Rajahmundry, installation of additional line and MUX equipment, engagement of labour at higher rates for longer period also contributed for escalation in the cost of the project. The project estimate is yet to be revised and sanctioned (September 1988).

33.7.2 The project was targeted to be completed and the schemes commissioned by March 1985. However, while the 2.6 MHz system was commissioned fully in June 1986, after a delay of 15 months, the 12 MHz system was commissioned in January 1988, after a delay of 33 months. An analysis made by Audit revealed that the delays were mainly due to:

(i) Re-engineering of 12 MHz coaxial route necessitating issue of a number of amendments to the original purchase order placed on Indian Telephone Industries (ITI) in April 1982 and the consequential delays in the supplies made by ITI.

(ii) Delay of about one and a half years in the placement of import orders by the Directorate for aluminium sheathed cable.

(iii) Delay of more than two years in the supply of cables by HCL.

(iv) More than one year taken for rectification of multiple leaks developed in the cables after laying.

33.8 Financial status of the project

33.8.1 Amalapuram-Ravalapalem Mandapetta coaxial system

According to the project estimate sanctioned in May 1982, the number of groups planned to be provided on commissioning the 2.6 MHz coaxial system was 21 as against the optimum of 50 (600 channels) which could be provided in this system. The system was commissioned in June 1986. Even after 2 years, only 10 groups (120 channels) were commissioned. The 2.6 MHz system was thus being grossly under-utilised. Further, it was observed in Audit that the manual traffic actually handled by the system during the year 1987-88 was far below the traffic anticipated to be handled in 1983. On the basis of actual traffic handled during 1987-88, the revenue accruing through this 2.6 MHz coaxial system to the department as per the tariff rates in force was only Rs.4.54 lakhs per annum as against Rs.23.25 lakhs anticipated in the original project estimate, resulting in a shortfall of Rs.18.71 lakhs per annum.

33.8.2 Rajamundry-Nidadavole-Tadepalligudem coaxial system

The 12 MHz system was

commissioned in January 1988 only. As against the optimum capacity of 225 groups (2700 channels), the total number of groups provided on the system, till April 1988, was 30 (360 channels) only, thus resulting in gross under-utilisation of the system.

The GMTP, Madras stated in October 1988 that the anticipated traffic was worked out as per norms and guidelines indicated by Department of Telecommunications. He had further stated that the under-utilisation of the systems was mainly due to delay in the commissioning of the trunk automatic exchanges and automatisation of manual exchanges etc.

The matter was reported to department in August 1988 but a reply has not been received (November 1988).

34. Construction of administrative office building for Bombay Telephones

34.1 Introduction

With a view to accommodating the administrative offices of the General Manager Telephones, Bombay and to release all the rented buildings, the Posts and Telegraphs Board decided in September 1970 to construct a multi-storeyed building at Cadell Road, Bombay. The work was sanctioned in February 1973 at a total cost of Rs. 180.89 lakhs which was revised to Rs.324.15 lakhs in May 1980 and again to Rs. 439.00 lakhs in August 1982. The total expenditure incurred on the work, as at the end of May 1988, was Rs. 417.78 lakhs.

The execution of the work was held in abeyance due to imposition of a ban on constructional activities in August 1973. The ban was lifted in January 1976.

34.2 Scope of Audit

A review of the project was conducted by Audit in March-April 1987.

34.3 Highlights

The review brings out, inter alia,

- **The main objective for which the project was conceived i.e. to release all the rented buildings remained mostly unachieved even after a lapse of about 15 years.**

- **Failure on the part of the department to finalise the tenders for construction of superstructure within the validity period at first call led to recall of tenders and award of the work at a rate which was higher by Rs. 27.79 lakhs, as compared to the lowest tendered amount of the first call.**

- **Due to failure of the department to take suitable and timely action to comply with the statutory requirements of the Bombay Municipal Corporation and the Chief Fire Officer, Bombay, 9 floors of the 17 storeyed building constructed at a**

cost of Rs. 417.78 lakhs were lying vacant since August 1985 whereas the department continues to pay rent for housing its administrative offices in rented building. The department had recently hired private building in February 1988 at a rent of Rs. 2.38 lakhs per annum for this purpose.

34.4 Construction of the building

The, construction work consisted of the pile foundation and construction of superstructure and was carried out by civil and electrical wing of the department. The construction of the building was completed in August 1985.

34.4.1 Pile foundation work

The work of pile foundation was awarded to a Bombay based firm in January 1978 at a negotiated cost of Rs. 29.06 lakhs for completion by March 1979. The work commenced in February 1978 was completed in March 1980. Out of the total delay of one year after the stipulated date; more than 7 months delay was due to failure of the department to issue necessary drawings to the contractor in time. The contractor was granted extension without imposing any penalty as the department could not finalise the tenders for the superstructure, which was to be awarded after the completion of pile foundation work.

34.4.2 Construction of superstructure

The detailed estimate for the superstructure was sanctioned for Rs. 146.47 lakhs in Februaray 1979. In response to the notice inviting tenders for both the building and service portion (estimated cost Rs. 116.72 lakhs) seven tenders were received in June 1979. The first and second lowest rates quoted by two Bombay based firms 'A' and 'B' were Rs. 172.12 lakhs and Rs. 175.21 lakhs respectively.

These rates quoted by the firm were stated to be quite competitive, reasonable and favourably comparable with the then prevailing market rates. But due to delay in processing the tenders at the Executive Engineer's level, the tenders could be sent to the Chief Engineer only in September 1979, barely a week before the expiry of 90 days validity period of the tenders. The Executive Engineer was advised to ask the firms to extend the validity period of the tenders upto December 1979. The firms were agreeable provided a clause for increase in rates was introduced. The tenders were rejected by the Chief Engineer in November 1979.

Tenders were recalled in April 1980 and due to some changes in the building portion, the total estimated cost put to tender worked out to Rs. 109.62 lakhs as against Rs. 116.72 lakhs in the first tender call. The work was awarded to the firm 'B' in August 1980 at a negotiated cost of Rs. 206.97 lakhs. Had the contract been finalised within the validity period of the tenders in the first call, the department would have saved Rs. 27.79 lakhs approximately.

The Superintending Engineer,

Telecom. Civil Circle (SETCC), Bombay while admitting in March 1988 that there was some delay in processing of the tenders at the Executive Engineer's level during the first call, had stated that this was a very large work and various formalities had to be completed as per departmental instructions. He had further stated that considering all these factors the validity of the tenders was stipulated as 120 days in the second call.

It was, however, seen that the Executive Engineer's office took 44 days for scrutiny and disposal of the tenders as against the maximum time of 10 days and the circle office took another 41 days to dispose of the case as against the prescribed period of 7 days.

34.5 Delay in compliance with the requirements of Chief Fire Officer, Bombay

The building proposal was approved by the Bombay Municipal Corporation (BMC) in May 1973 stipulating certain conditions which included obtaining of 'no objection certificate' from the Chief Fire Officer (CFO), Bombay. The CFO had indicated in March 1973 for some fire fighting requirements which were to be carried out viz. provision of (i) an underground static tank of 45000 gallons; (ii) a wet riser of 4" size complete with outlets, a sprinkler system and (iii) fire alarm system to be operative from any floor. During a meeting held in July 1984, CFO also insisted on provision of 'drencher system'. But, the department did not take effective action to implement them in time as would be clear from the following:

34.5 .1 Underground water tank

The CFO had indicated a provision of an underground water tank of 45000 gallons capacity but the department assumed that an existing water tank situated near type-IV quarters would be sufficient for fire fighting requirements. This, however, was not got confirmed from the CFO. It was only on the insistence of the CFO that the department decided to construct a separate underground water tank for this building. The work was finally awarded in January and completed in October 1986.

Thus, even though the department was aware of the essential requirement of water tank, it took 10 years for the department to resolve the matter.

34.5.2 Wet riser and sprinkler system

The work relating to wet riser and sprinkler system was awarded in May 1985. But, due to not determining the exact location and dimension of outlet pipes the work could be completed only by March 1988. Having known this requirement much in advance, timely planning to determine the location should have been done by the department.

34.5.3 Fire alarm system

The building was completed in August 1985. The work relating to fire alarm system was awarded in June 1986, to be completed in 3 months. Although the system was installed, it was to be finally tested and commissioned (October 1988). Thus, a small work, but a necessasry requirement to obtain the occupancy certificate has not only been delayed but reveals defective planning and tardy execution.

34.5.4 Drencher system

The requirement of the drencher system came to notice of the department as early as July 1984. The system, however, could not be provided as there was no expertise available for this job in India. it was, therefore, considered in April 1986 to take up the matter with the CFO for getting the requirement exempted. Though a period of more than 4 years has elapsed since the requirement came to notice, the department has not sorted out the matter so far (April 1988) either by getting exemption from the CFO or by considering its procurement by import.

34.6 utilisation of the building

The construction of the entire building with 17 floors was completed in August 1985. In September 1983, while the construction of the building was in progress, a target was fixed to get the building completed upto 6th floor, including basement and ground floor (constructed area 61600 square feet) and to occupy the same by March 1984. However, the building upto 6th floor (including basement and ground) was handed over to the department and occupied by them in phases during January and October 1985. Thus, on an average, there was a delay of over one year in the occupation of the building upto sixth floor. The proportionate rent paid for an equivalent area of 61600 square feet of building space for the rented building where one of the administrative offices of the department continued to be housed during this period was Rs.15.58 lakhs per annum. The 7th and 8th floors have also been occupied in February 1988.

The portion of the building beyond 8th floor (floor area 81900 square feet) was lying vacant since August 1985 whereas the department continues to pay rent for housing its administrative offices in rented building. The department has recently hired in February 1988 an accommodation measuring 660 square feet at a rate of Rs.2.38 lakhs per annum to house one of their offices.

Thus, after a huge investment of Rs. 417.78 lakhs, the main objective of the department viz. releasing all the rented buildings after construction of its own building remained largely unfulfilled even after a lapse of about 15 years.

The SETCC, Bombay stated in March 1988 that the building could not be occupied beyond 6th floor due to statutory laws of BMC and the CFO and infact they could get permission for part occupation with much difficulty. However, the fact remains that the statutory requirements of BMC and the CFO were known to the department in 1973 itself and that the department could have taken effective action to comply with those essential and statutory requirements by the time the building was completed (August 1985).

The matter was reported to department in July 1988 but a reply has not been received (November 1988).

CHAPTER IX

STORES

35. Excess procurement and wastage of paper in Bangalore Telephone District

The Director General Posts and Telegraphs (DGPT), permitted Bangalore Telephone District (BGTD) in April 1985 to make local purchase of paper to meet the minimum urgent requirement for printing the Telephone Directory - 1985 issue as by then no rate contract for paper had been concluded by the Director General Supplies and Disposals (DGSD) New Delhi. After the rate contract was finalised by the DGSD in May 1985, the DGPT asked BGTD telegraphically on 16th May 1985 of his further requirement of paper and placed an order on firm 'A' on 3rd July 1985 as per demand of BGTD for supply of 270 tonnes of paper to BGTD for delivery by the end of August 1985. The BGTD, without waiting for the supply, placed an order on a local firm 'B' on 12th July 1985 for supply of 100 tonnes of paper even though the local purchase rate of Rs. 12980 per tonne was higher than the DGSD rate contract of Rs. 11190 per tonne on F.O.R. basis. Firm 'B' supplied the entire quantity of paper within the last three days of July 1985. Local purchase of 100 tonnes against the actual requirement of 21.37 tonnes of paper (August 1985) required for the printing of 1985 edition of the Directory resulted in excess local purchase of 78.63 tonnes of paper entailing an extra expenditure of Rs. 10.20 lakhs.

After making local purchase of 100 tonnes of paper, no action was taken to review and reduce the order of 270 tonnes placed on Firm 'A'. Firm 'A' established part supply of 67 tonnes of paper during August 1985. It was seen in Audit in October 1987 that after printing of 1985 and 1986 editions of Directory, 161 tonnes of paper costing Rs. 19 lakhs was lying with the printers. After being pointed out by Audit, the stock of paper with printers was brought down to 12.6 tonnes costing Rs. 1.64 lakhs by transfer for general consumption in BGTD/other units, and for printing of numerical index and supplementary directory etc.

A review of paper account for 1986 issue of Directory revealed that the printers had charged 11.056 tonnes of paper as additional wastage i.e. 15.56 per cent due to defective quality of paper. The matter regarding poor quality of paper was reported to firm 'A' in January 1987 i.e. about one year after the receipt of last consignment of paper. The firm, however, refused to accept any complaint on the ground that on receipt of material despatched in the first lot, the Directory Officer had personally verified the quality of the paper alongwith representatives of printers and after assessing the quality had deducted 0.5 tonne as extra wastage. In the second lot, no formal complaint was lodged while issuing receipt certificates. As per terms and conditions laid down in the rate contract, this complaint being time barred could not be entertained. As the quality of paper was not properly inspected at the time of its receipt, the

Department suffered a loss of Rs.1.31 lakhs.

Thus, as a result of over provisioning of paper, the department not only incurred extra expenditure of Rs.10.20 lakhs as a result of local purchase, but 12.6 tonnes paper valuing Rs. 1.64 lakhs was also lying with the printers un-utilised. Further, because of poor quality of paper, ad-hoc wastage of 11.056 tonnes was allowed to printers resulting in a loss of Rs. 1.31 lakhs to the department.

The General Manager, Telephones stated in November 1987 that the local purchase was effected only as a last resort since there was no indication of the supply of paper for printing of 1985 issue of directory as it was decided that directory should be brought on schedule.

The reply of the General Manager, Telephones is not tenable as DGSD had finalised the rate contract in May 1985 and Department of Telecommunications had placed orders on Firm 'A' on 3rd July 1985, much before the placement of orders for local purchase of paper from the local firm.

The matter was reported to department in May 1988, but a reply has not been received (October 1988).

36. Loss due to wastage of paper

The Director General Posts and Telegraphs (DGPT) issued instructions in September 1983 to Bombay and Calcutta Telephones for despatch of 450 tonnes and 200 tonnes of paper respectively out of surplus stock to Delhi Telephones against which 391.93 tonnes and 37.41 tonnes of paper was received in Febraury/ March 1984 from Bombay and Calcutta Telephones respectively. A sum of Rs. 1.53 lakhs was incurred as freight for transportation of the paper by rail from these two places to Delhi.

Out of 429.35 tonnes of paper received by Delhi Telephones, 369.26 tonnes of paper was supplied to the printers for printing of Delhi Telephones Directory-1984 issue. The contract with the printers provided for spoilage allowance at the rate of six per cent on reel paper. In February 1984, the printers pointed out that the paper supplied to them was of poor quality and all rolls were damaged and could not be used for printing. They made it clear that either the paper should be replaced completely or the actual wastage, instead of the stipulated wastage of six per cent, be allowed. Delhi Telephones (now Mahanagar Telephone Nigam Ltd - MTNL) allowed actual wastage which worked out to 38.99 per cent, against six per cent as per the contract. However, Bombay Telephones while using the same paper allowed one per cent wastage while Calcutta Telephones allowed five per cent which was as per agreement. Out of 369.26 tonnes of paper supplied to the printers, 181.29 tonnes of paper (net) was utilised in printing of the Directory, and 115.87 tonnes of paper was rendered print/reel wastage instead of 10.88 tonnes at the rate of six per cent resulting in loss of 105 tonnes of paper costing Rs. 11.77 lakhs. Since the paper waste/reel waste of 111.85

tonnes was disposed of by the department for Rs.4.57 lakhs, the department sustained a net loss of Rs. 7.20 lakhs on account of poor quality of paper. No action was taken to recover the loss sustained by the department against the supplier of the paper on this account. The remaining stock of 125.16 tonnes of paper costing Rs. 14.03 lakhs was lying un-utilised. Further, the paper despatched by Bombay Telephones and Calcutta Telephones and supplied to the printers was having actual weight of paper but the printers has claimed 5 kg per reel for gunny bags and core weight which resulted in a loss of 7.02 tonnes of paper valuing Rs. 0.79 lakh.

MTNL stated in October 1987 that out of 125.16 tonnes of unutilised paper, 65.08 tonnes of paper worth Rs. 7.30 lakhs was lying with the printers as there was acute shortage of storage accommodation with MTNL Delhi.

MTNL further stated in April 1988 that on receipt of paper it was found that it had serious defects which resulted in its poor quality. Moreover since the quality of paper was bad, it had further deteriorated during transportation and handling. Action was being taken to dispose off the balance damaged paper/thaba lying at printers premises and with them.

Thus, the department sustained a loss of Rs. 7.99 lakhs due to excessive wastage allowed in printing because of poor quality of paper and undue compensation allowed in weightage for gunny bags and core. Besides, an expenditure of Rs. 1.53 lakhs was incurred towards transportation charges from Bombay and Calcutta to Delhi and 125.16 tonnes of paper costing Rs. 14.03 lakhs remained un-utilised. Keeping surplus stock of 65.08 tonnes of paper costing Rs. 7.30 lakhs with the printers without safeguarding the interest of the department was rather unusual.

The matter was reported to department in May 1988, but a reply has not been received (November 1988).

37. Loss of stores due to fire

The General Manager, Telecommunications Stores (GMTS), Calcutta, accorded administrative approval and expenditure sanction for Rs. 1.25 lakhs in March 1987 for renovation of transit godown in the yard of the Controller of Telecom Stores (CTS) Sewree, Bombay. Since the roof of the godown was in a dilapidated condition and was likely to collapse any time, the renovation work was awarded to a contractor on 4th March 1987 with the stipulated date of completion by 18th May 1987 in anticipation of the approval by GMTS.

The Assistant Engineer, Posts and Telegraphs, civil division requested the CTS on 7th March 1987 to make arrangements for vacation of the godown to enable the contractor to start the work and complete the same before monsoon. The CTS, however, did not accept the request of the civil division and informed the Assistant Engineer on 13th March 1987 to start the work immediately without vacating the entire godown and accordingly the work was started on 19th March 1987.

The godown contained several types of stores including battery cells, float rectifier, static inventors, diesel engine alternators etc. According to the instructions for storage, the battery cells should be stored in such a way that these should not be exposed to direct sunray, rainwater or moisture, flame lighted pipe or cigarette or anything which may create a spark. During the course of exeuction of the work, on 22 May 1987, when the roof of the godown was removed and the material stored therein was exposed to the hazards, a fire broke out at night 21.45 hours destroying/damaging material worth Rs.12.39 lakhs. Had instructions in regard to storage of batteries etc. been followed and the request of the civil division for vacation of the godown before commencement of the work accepted the loss of Rs. 12.39 lakhs due to fire could have been avoided or minimised.

Department stated in July 1988, "it is undoubtedly agreed that ideal place to store any materials is inside a proper godown but for want of adequate space this could not be strictly adhered to. Enquiries made by CTS, Bombay and the fire fighting department who has experts to determine the nature and cause of fire have given their opinion that the cause of the fire is unknown and cannot be established conclusively. Regularisation of net loss will be taken up after the amount is determined".

The reply of the department may be viewed in the following context:

(i) The Deputy General Manager of the office of General Manager Telecom. Stores, Calcutta had indicated in his report that there was a factory close by from where occasionally burnt cinders flew from the chimney during night time.

(ii) Fire is reported to have started as per the witness in the portion that was uncovered strengthening the suspicion that a spark of fire might have fallen from outside.

38. Theft due to failure to safeguard costly equipments

Director General, Posts and Telegraphs placed a purchase order in October 1982 on Indian Telephone Industries, Bangalore, for the supply of additional multiplexing equipment required for different Satellite Communication Project units related to INSAT IB Project in the country on priority basis. The supplies were received piecemeal and Calcutta unit started receiving the equipment from January 1985.

The Divisional Engineer Telegraphs (DET) Satellite Communication Project, Calcutta hired storage accommodation in January 1983. As the project was nearing completion, the storage accommodation was surrendered from March 1985 and thereafter, the DET Satellite Communication Project, Calcutta used to keep the packed consignments at the open yard of the office premises for ultimate storing of the equipment inside the office building after unpacking.

On 11th September 1985, 23 packed consignments containing equipment worth Rs. 32.89 lakhs for INSAT IB Project were received, out of which 16 consignments valuing Rs. 31.26 lakhs could be unpacked and were taken to stock till 18th September 1985. A regular night guard and one daily rated mazdoor were posted to guard the stores. The regular night guard was absent on the night of 18th September, 1985 and in the early hours of 19th September 1985, it was detected by the mazdoor that 3 packages containing equipment (costing Rs.1.52 lakhs) were missing. The matter was reported to Police on 19th September 1985 and a departmental investigation was also instituted on the same day. Both the departmental and police investigations could not find any clue for fixing up responsibility. The police finally dropped the case in November 1985. The loss sustained by the department remained unregularised (January 1988).

The case revealed that neither was there proper storage facility to store costly equipment nor were the watch and ward arrangements adequate.

Department stated in August 1988 that the ground floor of the office building was set apart for storage. one regular chowkidar and one daily rated mazdoor were drafted for guarding the office and stores during night time. Due to unprecedented receipt of stores in huge quantities on a single day (23 packages) on 11th September 1985, the stores had to be kept outdoors in the office for verification before storage indoors. The absence of regular chowkidar on the night of the incident was quite unforeseen and unfortunate.

The reply of the department may be viewed in the following context:

(i) The stores were received on 11th September 1985 where as the theft occured on the night of 18th September 1985 after a week of receipt of stores.

(ii) Costly equipment was left under the custody of daily rated mazdoor.

39. Unproductive expenditure on procurement of electronic air cleaners

The Director General, Posts and Telegraphs placed two purchase orders in May and November 1980 on two firms for supply of 54 and 81 electronic air cleaners at a cost of Rs. 9.61 lakhs anu Rs. 17.13 lakhs respectively. These air cleaners were to be installed in telephone exchange buildings for freshening intake air of air conditioning plants. A tesk check by Audit between February 1986 and December 1987 of the performance of the electronic air cleaners revealed that out of 84 air cleaners received between January 1981 and February 1985, only 42 air cleaners were installed out of which 28 were not working satisfactorily. Balance 42 air cleaners were not installed at all.

(a) In Ahmedabad, Nagpur, Calcutta, Delhi and Rajasthan Telecom Circles, 14 air cleaners could not be installed for want of sufficient space in the telephone exchange buildings.

(b) In Tamil Nadu Telecom Circle, 4 air cleaners were not installed for want of technical information on installation from the firm.

(c) In Ahmedabad telephones, 2 air cleaners could not be installed due to contractual problems.

(d) Six air cleaners were received in Karnataka telecom circle but were not installed as the agency to execute the installation was not known.

(e) Two air cleaners were lying idle in Rajasthan telecom circle as the circle authorities were not aware of the place where these were to be installed.

(f) The reasons of non-installation of 14 air cleaners in North-West, Bombay and Kerala telecom circles were not known.

(g) In Ahmedabad 5 air cleaners were installed but could not be commissioned due to transit damage noticed subsequently.

(h) Three air cleaners were installed in Ahmedabad and Delhi but were not commissioned due to defective parts and power packs etc.

(i) In Ahmedabad, Calcutta and Tamil Nadu, 4 air clearners were not commissioned due to some defects developed either during installation or after installation.

(j) In Kerala telecom circle, one air cleaner was installed but its performance was not found satisfactory.

(k) Reasons of non-commissioning of 15 air cleaners installed in Bombay telephones were not known.

Thus, owing to the non-utilisation/non-working of 70 air cleaners procured at a cost of Rs. 13.24 lakhs and installed after incurring an additional expenditure of Rs.1.40 lakhs, an expenditure of Rs. 14.64 lakhs had resulted in blockage of capital and remained unproductive. In addition, the possibility of deterioration of efficiency of the exchange equipment caused by the poor quality of intake of air by the air conditioning plants cannot be ruled out.

The matter was reported to department in June 1988 but a reply has not been received (November 1988).

40. Excess stocking of stores

Jack strips of sorts is an important item of spares used on manually operated board in telephone exchanges. It is manufactured by Telecom. Factory (TF), Bombay as per production programmes fixed by the Directorate on the basis of annual forecast received from the Circles/Districts and keeping in view the current stock position. After manufacutre these are despatched by the factory to the Controller of Telecom Stores (CTS), Bombay without any separate indent for eventual issue to various units.

A test check conducted by Audit in May 1988 of the records of the CTS, Bombay revealed that receipt of two types of jack strips by the CTS from TF, Bombay was much in excess of the issues, resulting in accumulation of stock to the extent of 18243 numbers at the end of March 1988 of both types of strips valuing Rs. 22.18 lakhs.

Maximum stock limit of this item was fixed by the General Manager, Telecom Stores, Calcutta in August 1975 as 2/3rd of annual consumption i.e. equivalent to 8 months requirment. The stock of jack strips exceeded the prescribed maximum stock limit by 17182 numbers valuing Rs. 20.89 lakhs, as on 31st March 1988.

Based on annual average issue rate of these two types of jack strips during the last eight years, the stock available at CTS, Bombay will be sufficient for the next 9 to 14 years.

Thus, lack of proper co-ordination and planning in the matter of production and stocking of jack strips with reference to requirement resulted in excess accumulation beyond stock limit by 17182 jack strips valuing Rs. 20.89 lakhs with CTS, Bombay at the close of March 1988.

Department stated in October 1988 that all the field units have been requested to take steps to utilise the pending stock of jack strips and factories have already stopped the production.

CHAPTER X

LAND AND BUILDINGS

41. Avoidable expenditure in construction of staff quarters at Tinsukhia

Tenders for construction of 7 numbers type 'B' and 1 number type 'C' telecom staff quarters at Tinsukhia at an estimated cost of Rs. 2.78 lakhs were invited by the Exeuctive Engineer (EE), Jorhat and opened on 3rd March 1984. The offer of contractor 'A', who quoted lowest rate of Rs. 7.41 lakhs, was valid up to 30th September 1984. The tender papers were forwarded by the EE, Jorhat to the Superintending Engineer (SE), Shillong on 10th July 1984 i.e. after 129 days from the date of opening of tenders against permissible time limit of 10 days. The SE, Shillong conveyed the acceptance of the lowest tender to the EE, Jorhat on 25th September 1984 i.e. after 76 days, against permissible time limit of 7 days, with the instructions to issue work order to the contractor before expiry of the validity period i.e. 30th September 1984. The department issued an unregistered letter on 29th September 1984 to contractor 'A' instructing him to contact the Assistant Engineer (Civil) Posts and Telegraphs Civil Division, Tinsukhia for starting the work but registered letter in the prescribed form about acceptance of tender and completion of formal agreement was issued on 12th October 1984 i.e. after the validity period of offer. The reasons why the Divisional Office took 129 days in forwarding the tender papers to the Circle office and the Circle office 76 days in accepting the tender, knowing fully well that the tender was valid upto 30th September 1984, were not on record. The contractor intimated (8th October 1984) his inability to execute the work stating that the work order was not issued within the validity period of his offer and demanded refund of earnest money. The EE, Jorhat, however, forfeited the earnest money (Rs.0.07 lakh) in July 1985.

Another tender was floated in September 1985 and the work was awarded in February 1986 to another contractor "B" at a negotiated cost of Rs. 9.24 lakhs against Rs. 7.41 lakhs offered by contractor 'A' in response to first call. Revised administrative approval and expenditure sanction has not been issued so far (May 1988).

Thus, delay in finalisation of all formalities related to the tender of contractor 'A' before the expiry of validity period resulted in an extra liability of Rs. 1.76 lakhs (after adjusting forfeited earnest money) and also consequential delay in completion of the staff quarters.

Department stated in July 1988 that, "It is difficult at this stage to find out the exact reasons for the delay". It was also stated that instructions ave been issued in November 1987 to Chief Engineers to instruct subordinates to avoid delay in finalisation of tenders and award of work and follow the codal provisions in future.

42. Non-materialisation of scheme for construction of staff quarters

The Posts and Telegraphs department purchased 6.5 acres of land in Jhilmil colony, Shahdara at a cost of Rs. 9.73 lakhs for construction of staff quarters in March 1970. The possession of the land was taken in July 1970. The department protected the land by providing fencing at a cost of Rs. 0.10 lakh in May 1971, but no watch and ward staff was employed.

Layout plan for construction of quarters was approved in October 1972 but no action to construct quarters was taken till July 1973. Ban on construction of non-functional buildings including staff quarters was imposed in August 1973. The Ministry of Works, Housing and Miscellaneous (now Ministry of Urban Development) revised the plinth area of different types of quarters in August 1975 necessitating the revision of the layout plans. It was, however, only in July 1977 that the Regional Architect was asked by the Superintending Surveyor of Works to revise the layout plans. The Architect prepared the revised layout plan only in May 1981 and these were approved in June 1981. These drawings were, however, rejected by the Delhi Urban Arts Commission in August 1983 as they were not conceived functionally and aesthetically. The revised drawings were yet to be submitted (August 1987).

A part of the land measuring 440 sq. metres is under unauthorised occupation of a milk dairy and some nursery owners who have constructed huts. The date of encroachment is not known, but it was noticed by the department only in November 1986. The department was taking action to evict the unauthorised occupants in consultation with the civil authorities and action for the construction of boundary wall has been initiated (May 1988).

Thus, the plans of the department to construct staff quarters initiated in October 1972 have not yet materialised and as a result the land purchased is lying unutilised and open to encroachments. The delay of over 18 years has not only deprived the employees of residential quarters but will also result in large scale escalation in the cost of construction. Pending construction of quarters staff is being paid House Rent Allowance amounting Rs. 11.76 lakhs per annum from October 1986 onwards.

Department stated in August 1987 that the delay was due to ban on construction on non-functional buildings including staff quarters, successive revision of plinth areas for different types of quarters and inadequate allotment of funds. It further stated that the steps were being taken to ensure that schemes were prepared according to latest scales of plinth area and broad guidelines of Urban Arts Commission.

The reply of the department may be viewed in the following context:

(i) that the ban on construction on non-functional buildings which was imposed only in August 1973, was lifted in January 1976; and

(ii) the scales of plinth areas were revised once in August 1975 and again in 1981.

43. Construction of coaxial building at Taliparamba

The construction work of coaxial building at Taliparamba in Kerala was awarded in December 1982 to a contractor for Rs. 5.40 lakhs which was 94.82 per cent above the estimated cost of Rs. 2.77 lakhs. The work was to be completed in December 1983. When the concreting of second floor was in progress, the building collapsed on 13th August 1983 causing death of a worker and injuries to a few. The entire building had to be re-constructed as no portion of the building was left after the collapse. The accident occured due to defective construction by the contractor and slack supervision during execution The contractor, agreed to execute and complete the building at his risk and cost as directed by the department. The contractor requested the department in September 1983 to change the structural design from brick work to reinforced cement concrete (RCC) framed structure due to non-availability of good bricks which would be available only after January 1984. He further assured that with the changed design, the work would be completed within the agreed time i.e. by December 1983. The revised drawings were issued in October 1983 by the department without working out the financial implications thereon and the work was completed in January 1985 at a cost of Rs. 6.96 lakhs excluding extra items of Rs. 0.22 lakh.

Though brick load bearing buildings were being constructed under the same civil wing, and good quality bricks would have been available after 4 months, the department changed the structural design from brick work to RCC frame work as proposed by the contractor and incurred an avoidable expenditure of Rs. 1.56 lakhs due to change in structural design.

Superintending Engineer, Telecom Circle, Trivandrum stated in December 1987 that the decision to change the structure from load bearing to framed structure was taken to expedite the construction as otherwise reconstruction would have had to wait for the next season for availability of quality bricks.

It may be stated that change of structure from load bearing to framed structure at an additional cost of Rs. 1.56 lakhs was done to maintain the existing time schedule for completion of work. This did not materialise and the building was actually completed in January 1985 instead of December 1983.

The matter was reported to Department in June 1988 but a reply has not been received (November 1988).

44. Non-utilisation of departmental accommodation

A two storeyed departmental building at Chinnakada was constructed in March 1982 for housing Quilon telephone exchange (MAX-I Unit II). During the course of its construction the General Manager Telephones (GMT), Trivandrum conveyed administrative approval and expenditure sanction for construction of second floor at a cost Rs. 7.56 lakhs to accommodate the proposed electronic Trunk Automatic Exchange (TAX) at Quilon in January 1981.

The construction of the second floor with usable area of 6083 sq. ft. was completed with only general lighting (excluding additional light points and fans etc.) at a cost of Rs. 11.31 lakhs and handed over to department in June 1984 but the project for installation of electronic TAX at Quilon was deferred in March 1985 on account of revision in Seventh Five Year Plan.

Even before the proposed TAX at Quilon was deferred, the department decided in October 1984 to partly utilise the second floor as unpack-room for installation parties, recreation club and inspection quarters by putting in partitions etc. The left-over area of 3200 sq.ft was proposed to be utilised for accommodating other offices to be created in future. The GMT sanctioned in September 1986 the partition work at an estimated cost of Rs. 1.61 lakhs. The work was completed in April 1987 at a cost of Rs. 1.51 lakhs but the accommodation was still to be utilised as the fans and additional light points have not so far been provided as the sanction for the work has not been issued by GMT, Trivandrum.

Thus, inadequate planning and non-completion of partition, electrical fittings etc. in time, the accommodation constructed in June 1984 at a cost of Rs. 11.31 lakhs, excluding the expenditure of Rs.1.51 lakhs incurred on partitions by April 1987, remained unutilised.

Department stated in August 1988 that since the second floor had already been constructed, a scheme was prepared for housing various offices in this floor by erecting partitions and carrying out some electrical installation work. The partition work has been completed and electrical installation work shall be completed shortly. They have, further, stated that three-fourths of the floor was being utilised for the amenities of staff of telephone exchange and storage of equipment.

Thus, department is not able to gainfully utilise the premises in full and proposes to cater 3200 sq.ft. for offices to be created in future.

CHAPTER XI

OTHER TOPICS

45. Execution of works without sanction of estimates

Departmental rules provide that no work can be taken up for execution without sanction of an estimate except in cases where it is imperative that immediate action be taken to restore communication or prevent a break-down of communication for political or defence needs. In such cases, the works must be got sanctioned and funds alloted within three months from the date of actual commencement of the work.

During the course of Audit in September 1984, it was noticed that in Nellore Telecom Division, 77 works were executed during 1974-75 to 1983-84 without sanction of estimates incurring an expenditure of Rs. 77.59 lakhs. Out of 77 works, only eleven works involving an expenditure of Rs. 35.22 lakhs related to restoration of communication lines damaged during cyclone but the remaining 66 works costing Rs. 42.37 lakhs were also executed without sanction of the estimates. Even in the eleven works executed on grounds of urgency, the estimates were not got sanctioned within three months as required under rules. Despite being pointed out by Audit in September 1984, no action was taken by the department for regularising the same. However, in December 1987 after the issue of an Audit paragraph, the General Manager Telecommunications (GMT), Andhra Telecom Circle, Hyderabad issued instructions to all units for regularising the same. Review of the position in May 1988 revealed that out 77 works, the department regularised 71 works costing Rs. 75.66 lakhs by getting 58 estimates sanctioned cancelling 13 estimates thus leaving 6 works costing Rs.1.93 lakhs yet to be regularised.

A test check of the estimates sanctioned belatedly revealed that in three estimates the expenditure on stores was far in excess of the actual requirement as detailed below:

Estimate No.	Amount of stores in the sanctioned estimate	Actual expenditure (stores)	Excess stores used
	(Rs. in lakhs)		
1. 930 D (b)/82-83 Restoration of faults in Gudur due to cyclone	4.16	28.45	24.29
2. 327 D (b)/79-80 Restoration of lines and wires due to cyclone	0.95	2.26	1.31
3.571 D(b)/81-82 Lines and wires for 16 NPC at Nayudupet	0.09	2.56	2.56
		Total	28.16

In respect of estimate noted at serial 3 above, the entire expenditure of Rs. 2.56 lakhs was incurred on cables which were not required for the work.

Thus the case revealed that:

i) the department executed 66 number of works incurring an expenditure of Rs. 42.37 lakhs during 1974-75 to 1983-84 without prior sanction where the urgency for executing such works, did not exist;

ii) there was inordinate delay, ranging from 3 to 8 years instead of 3 months, in regularisation of expenditure amounting Rs. 35.22 lakhs incurred on emergent works;

(iii) stores expenditure of Rs.28.16 lakhs, much in excess of requirement, was incurred and these cases are pending regularisation even though the works were completed 5 to 7 years back; and

(iv) six estimates costing Rs. 1.93 lakhs were yet to be regularised.

Department stated in August 1988 that in respect of all the three estimates, stores were obtained in excess of the actual requirement in the absence of duly prepared and sanctioned estimates. The surplus stores on these estimates had now been transferred to other works and necessary local transfer had been effected.

46. Irregular payment of octroi to Nagar Mahapalika, Lucknow

Article 285(i) of the Constitution of India stipulates that the property of the Union Government shall be exempt from all taxes imposed by a State or any authority within a State.

It was noticed in Audit in April/November 1980 and July 1986 that the department was irregularly paying octroi to the Nagar Mahapalika, Lucknow for its stores received at Lucknow from various store depots in the country and from the Indian Telephone Industries Ltd. The department had taken up the matter regarding exemption of octroi with the Nagar Mahapalika, Lucknow between February 1979 and February 1981 but did not pursue thereafter. When the irregularity was again pointed out by Audit in July 1986, the department referred the matter to the State Government in August 1986 which held in October 1986 that "the charging of octroi by the Nagar Mahapalika was irregular". The avoidable payment of octroi from August 1978 to October 1986 amounted to Rs. 42.81 lakhs.

Department stated in October 1987 that after persuasion the Secretary Nagar Vikas, Government of Uttar Pradesh agreed that levying of octroi charges on Central Government properties was irregular. Administrator, Nagar Mahapalika, Lucknow when contacted by the Telecom department, replied that the State Government had declared it irregular but it had not exempted the Telecom department being charged octroi.

At the instance of Audit, the department obtained legal opinion from the Ministry of Law, who opined that levy of octroi on the Central Government property by Nagar Mahapalika, Lucknow was not correct. General Manager, Uttar Pradesh circle has been asked (May 1988) to take up the matter at the appropriate level. However, final decision of the Nagar Mahapalika, Lucknow has not been received (May 1988).

47. Excess payment of customs duty

(A) The Director General, Posts and Telegraphs placed a purchase order on a Japanese firm for supply of 300 Nos. of 30 channel Pulse Code Modulation (PCM) systems in April 1984 for use in different Circles in the country. Director General Supplies and Disposals (DGSD) Bombay, Calcutta and Madras were the port consignees.

248 cases containing PCM equipment were cleared between April and June 1985 from the respective ports by the DGsSD at Bombay, Calcutta and Madras after payment of customs duty amounting Rs. 6.69 crores.

According to a notification issued by Government in March 1985, 'Public Telephone Exchange Net Work Project' was included under the Heading 84.66 (i) of the First Schedule to the Customs Tariff Act 1975 and customs duty at the concessional rate of 45 per cent was leviable on such imports. In order to avail of the concessional tariff, the importer was required under the Project Imports (Registration of contract) Regulations, 1965 to register the contract with the custom authorities concerned before clearance of the consignment. As the registration of the contract was not done with the custom authorities of ports concerned, customs duty was levied at various rates instead of the concessional rate of 45 per cent (25 per cent basic duty plus 20 per cent auxiliary duty) resulting in excess payment of customs duty of Rs. 4.55 crores.

Claims for refund of customs duty paid in excess were submitted by the Divisional Engineer (DE) Calcutta Telephones in January 1986, Madras Telephones in October 1985 and by Bombay Telephones in March 1986, but were rejected on the ground that the equipment imported under 'Public Telephone Net Work Project' was not registered with the custom authorities for availing of the benefit of concessional tariff before clearance of the goods. While the appeal made by DE Calcutta in August 1986 to the custom authorities for post facto registration of contract was turned down in September 1986 on the grounds that for goods once cleared on payment of standard rate of duty, entitlement of project import benefit could not be extended, Madras Telephones appealed to Appellate Tribunal in August 1988 only. No appeal was made by Bombay Telephones.

Thus, failure on the part of the department to get the contract registered with the custom authorities before the clearance of goods for availing of the concessional rate resulted in excess payment of customs duty amounting Rs.4.55 crores.

The matter was reported to department in May 1988, but a reply has not been received (November 1988).

(B) Equipment required for installation of a 2000 lines containerised electronic exchange at Changanacherry was imported from Holland during August-October 1984 against purchase order issued in April 1983. The equipment including spares, attract basic customs duty at 60 per cent ad valorem plus 40 per cent auxiliary duty and 10 per cent additional duty under Article 85.13 of Indian Customs Tariff for 1984-85 read with notification No.172 dated 8th August 1977 taking the exchange equipment including spares as a single article under one contract. It was, however, noticed that customs duty amounting Rs. 98.88 lakhs was paid in August and October 1984 at different rates instead of paying at the prescribed rates. As a result, the department made excess payment of customs duty amounting Rs.26.23 lakhs. Claim for refund was not preferred to the custom authorities within the prescribed period of six months. As such the claim became time-barred resulting in loss to the department.

The department stated in November 1987 that the concessional tariff of 60 per cent customs duty plus 40 per cent auxiliary duty plus 10 per cent additional duty for parts made of ferrite .... appears to be for cases where parts imported were used for assemblies.

The reply of the department is factually incorrect, because, as per notification No.172 dated 8th August 1977, the concession was admissible to exchange equipment other than parts made of ferrite etc.

(C) The equipment required for Kaithamukku, Trivandrum telephone exchange was imported from a Japanese firm between April 1983 and May 1984. The department paid Rs. 3.54 crores towards customs duty on this equipment.

Under article 85.13 of the Indian Customs Tariff Act, read with notification (August 1977) thereunder and also the Customs Appellate Tribunal order (September 1980), the imported exchange equipment including spares attracted basic duty of 60 per cent ad valorem plus auxilliary duty of 30 per cent prior to April 1984 and 40 per cent for 1984-85 of the assessable value and additional duty of 10 per cent on assessable value plus basic auxilliary duty. The total customs duty calculated at the above rates worked out to Rs. 3.27 crores.

Thus, because of application of different rates of customs duty for different items of exchange equipments, spares and tools and failure of the department to verify the correctness of customs duty levied resulted in an excess payment of customs duty amounting Rs. 27 lakhs.

The District Manager, Telecom (DMT), Trivandrum stated in November 1986 that Director General, Supplies and Disposal (DGSD), who made the payment, would have verified the facts before making the payments.

The reply of the DMT is not tenable due to the following reasons :

(i) According to the department's instructions issued in May 1972 " a strict vigilance be exercised to ensure that no excess payment of customs duty is made and in case the excess payment of customs duty in some cases becomes necessary to avoid demurrage, appropriate steps should be immediately taken to put in a claim for refund within the stipulated period of 6 months to avoid loss to the department".

(ii) DGSD Madras informed the Assistant Engineer, Trivandrum in September 1983 that claims for refund of duty, if any, should be preferred with relevant documents within six months from the date of payment of duty, failing which no claim will be entertained by customs.

The matter was reported to department in August 1988 but a reply has not been received (October 1988).

48. Excess payment of sales tax

The Department of Telecommunications (DOT) placed an order in July 1984 on a Delhi based firm for the supply of one lakh coil cords and 2.1 lakhs straight cords at a total cost of Rs. 24.58 lakhs. According to the terms and conditions stipulated in the purchase order, sales tax on Central Government purchases should be paid at the rate of four per cent against D Form for despatch out of Delhi state. For delivery within Delhi state, the sales tax would be paid on actuals on production of documentary proof at 10 per cent. The distribution list was also furnished to the contractor, but the contractor was asked to make all the supplies to the Controller of Telecom Stores, New Delhi, for further distribution to the ultimate consignees.

Out of the total quantities ordered, 20,000 coil cords and 25,000 straight cords were required in Delhi state and the remaining quantities were to be utilised at places outside Delhi. Thus, the department had to make payment of sales tax at the rate of 10 per cent instead of four per cent in respect of supplies required for units outside Delhi, resulting in an avoidable expenditure of Rs. 1.24 lakhs.

49. Centralised air-conditioning plant at Akola MAX I exchange

A detailed estimate for supply, installation, testing and commissioning of air conditioning (AC) plant in the auto telephone exchange at Akola, forming part of 3000 lines MAX I, was sanctioned in January 1980 by the General Manager Telecommunications, Bombay at an estimated cost of Rs. 12.43 lakhs. Open tenders for the work were invited in January 1980 by the Executive Engineer (EE), Electrical Air Conditioning Division, Bombay and offer of a Bombay based firm 'A' at a negotiated cost of Rs. 13.27 lakhs was accepted. The order was placed on the firm in June 1980 with stipulation to complete the work by April 1981. The plant was actually commissioned in March 1983 but it developed defects from the very date of commissioning and did not function properly and went out of order on a number of occasions. The monsoon test was conducted in September 1985 and winter test in February 1986. Summer test had not been conducted till April 1988. Joint inspection conducted on three occasions i.e. February 1984, January 1985 and February/March 1985 revealed various defects like vibrations in the first and second floors antihumidity units (AHU) and compressors, leakage of cooling tower and make up water tank, cooling tower not giving desired efficiency etc. Further the capacity test of the plant for compressors and AHU were not conducted. Despite these defects, warranty amount of Rs. 0.36 lakh and Rs. 1.27 lakhs relating to eleventh running bill were paid to the contractor in June and November 1985 respectively. The plant was provisionally handed over to the user wing in February 1986. Despite bringing the defects to the notice of the firm several times and issue of show cause notice in November 1986, no action to rectify the defects was taken by the firm, as a result the exchange equipment remained without proper air-conditioning facility causing damage to selectors and consequential increase in complaints. The department failed to get the defects rectified or defective parts replaced within the guarantee period of twelve months from the date of provisional take over in February 1986. Since the firm had not rectified the faults, it was decided to get the same rectified through another firm at the risk and cost of firm 'A'.

The AC plant was completely shut down in April 1987. A sum of Rs. 12.06 lakhs against the tendered amount of Rs. 13.27 lakhs had been paid to firm 'A'. Besides, sums of Rs.0.63 lakh and Rs.0.23 lakh were also incurred by the EE Electrical Division II, Bombay and Divisional Engineer Telegraphs, Akola respectively for rectifying certain defects.

Tenders for procurement, installation, testing and commissioning of two numbers of 50 TR capacity compressors in replacement of the defective ones were invited in October 1987. The work was awarded to firm 'B' in December 1987 at a tendered cost of Rs.3.35 lakhs and the work was to be completed in three months. A sum of Rs. 3.32 lakhs was incurred upto March 1988. As a result of replacement of compressors, the plant had been brought to working condition from 27th May 1988 and started giving satisfactory inside condition

Thus, not only the exchange commissioned in March 1982 remained without air-conditioning facilities till May 1988 all along affecting the life of equipment and its operational efficiency but also an expenditure of Rs. 16.24 lakhs incurred on the AC plant remained blocked.

The GMT, Maharashtra Circle stated in July 1988 that the bank guarantee of Rs. 0.74 lakh submitted by the firm had already been encashed in June 1988 and would be adjusted while closing the contract. It was further stated that the firm had already been blacklisted by the department for failure to comply with the terms and conditions.

The matter was reported to department in May 1988 but a reply has not been received (October 1988).

50. Guna telephone exchange - defective planning

Director of Telecommunications, Jabalpur sanctioned in February 1985 a project for expansion of Central Battery Multiple (CBM) exchange at Guna from 600 to 720 lines at an estimated cost of Rs.6.46 lakhs. It was commissioned in March 1985 at a cost of Rs. 2.59 lakhs. It was noticed in Audit that the expanded capacity was not utilised though sufficient number of prospective subscribers were in the waiting list. The number of working connections at the end of July 1987 was 577, with 179 prospective subscribers in the waiting list.

The General Manager Telecommunications (GMT), Madhya Pradesh Circle, Bhopal sanctioned in August 1985 a project for installation of 600 lines containarised electronic exchange in replacement of existing 720 lines CBM exchange at an estimated cost of Rs. 49.93 lakhs. The electronic exchange equipment was received in December 1986 and the exchange was commissioned in November 1987 at a cost of Rs. 31.51 lakhs (upto June 1988). At the time of preparation of project estimate for 600 lines electronic exchange, the department was aware that the manual exchange at Guna was having equipped capacity of 720 lines with 547 working connections and 71 in the waiting list. Taking into account this position the electronic exchange should have been sanctioned for not less than 700 lines. Instead of taking action for procurement of at least 700 lines electronic equipment to match the capacity of the manual exchange of 720 lines for its replacement, the department restricted the working connections to 600 lines keeping the expanded capacity of 120 lines manual exchange unutilised. Meanwhile, another project for expansion of 600 lines electronic exchange to 1100 lines was sanctioned by the GMT, Madhya Pradesh Cirlcle, in February 1987 at an estimated cost of Rs.46.16 lakhs which was expected to be commissioned in 1988-89 and only then the new connections for prospective subscribers in the waiting list would be released.

Thus, due to defective planning, the department not only blocked the capital of Rs. 2.59 lakhs spent on expansion of manual exchange by 120 lines and lost potential revenue of Rs. 2.32 lakhs from April 1985 to August 1988 but also deprived the prospective subscribers on the waiting list of service till the expansion of electronic exchange from 600 to 1100 lines is commissioned. The department also incurred extra expenditure by not planning the replacement of CBM exchange by 1100 lines electronic exchange.

The GMT, Madhya Pradesh Circle, Bhopal stated in December 1987 that the expanded capacity of 120 lines was utilised by providing about 15 connections but restricting the working connections to less than 600 lines so as to convert them into automatic telephones on commissioning of 600 lines electronic exchange.

The matter was reported to department in June 1988, but a reply has not been received (November 1988).

51. Under utilisation of telex exchange at Agra and blocking of capital

(A) The District Manager Telephones (DMT) Agra, sanctioned in September 1981 a project for expansion of tèlex exchange from 100 to 200 lines at an estimated cost of Rs.16.65 lakhs. The indent for the supply of equipment was placed on Indian Telephone Industries (ITI), Bangalore in April 1982. The expansion was commissioned in two phases i.e. from 100 to 140 lines in March 1983 and from 140 to 200 lines in December 1984.

It was noticed in Audit in July 1987 that the expanded capacity was not utilised to its full despite availability of persons on the waiting list resulting in loss of potential revenue of Rs. 4.00 lakhs from October 1983 to June 1986. There was no waiting list since July 1986.

Department stated in August 1988 that "the capacity remained un-utilised due to fall in demand". This is not tenable as the scrutiny of the records revealed that five long distance telex connections could not be provided due to technical non-feasibility and no action was taken to make the connections feasible.

(B) While the installation of telex exchange of 200 lines expansion work was in progress, another project for further expansion by 100 lines i.e. 200-300 lines was sanctioned by DMT, Agra in December 1982 at an estimated cost of Rs.16.79 lakhs based on the anticipated average growth rate of 19 connections per annum. Despite fall in demand from May 1983 (as a result of introduction of security deposit of Rs. 10,000 instead of Rs. 1,000) and spare capacity available in the existing telex exchange, indent for supply of equipment was placed on ITI in December 1983. Supply of equipment commenced from December 1984. In April 1985, the DMT, Agra intimated the Director General, Posts and Telegraphs (DGPT) that the expansion would not be required as sufficient capacity was available in the existing 200 lines telex exchange. The DGPT in turn asked ITI in May 1985 to withhold the supplies. It was noticed in Audit in December 1987 that equipment worth Rs. 3.91 lakhs was received during the period from December 1984 to December 1987 for this expansion, out of which equipment costing Rs.0.65 lakh only was diverted to another exchange in January 1987 after more than one year of its receipt, and equipment worth Rs. 3.26 lakhs was still lying unutilised (August 1988).

Thus, non-utilisation of spare capacity resulted in loss of potential revenue of Rs. 4.00 lakhs and due to inadequate planning, equipment worth Rs. 3.26 lakhs was lying un-utilised.

Department stated in August 1988 that as per Seventh Plan objective, telex connections are to be provided on demand by 1990. Keeping in view the likely growth and to meet the demand it was proposed by the District to expand the telex exchange further. The material available with the district would be utilised in this expansion.

The reply of the department may be viewed in the following context:

(i) The estimate was sanctioned during Sixth Five Year Plan.

(ii) The indent for procurement of equipment was placed after fall in demand and availability of spare capacity in the existing telex exchange.

52. Delay in commissioning of direct dialling between Whitefield and Bangalore

A detailed estimate for laying 50 pairs/20 lbs cables for a length of 7.4 Kms between Ulsoor and Krishnarajapuram and 9.95 Kms of 20 pairs of 20 lbs between Krishnarajapuram and Whitefield was sanctioned by the General Manager, Telephones, Bangalore (BGTD) in September 1979 at a cost of Rs.8.69 lakhs. In March 1983, the BGTD decided not to lay 50 pairs/20 lbs cable between Ulsoor and Krishnarajapuram as sufficient number of cable pairs were available in the existing cable net work. As receipt of 20 pairs of 20 lbs cable to be laid between Krishnarajapuram and Whitefield was likely to be delayed, it was decided by the BGTD in October 1983 to lay 50 pairs/10 lbs cable on this route. Accordingly the cable work was commenced in November 1983 and completed in February 1984. After laying of cables, the direct dialling could not be commissioned because of high failure rate of components in the repeaters due to power induction.

The Telecom Research Centre, New Delhi with whom the matter was taken up in February 1985 suggested that the cable be drawn up through GI pipes but subsequently recommended to lay aluminium sheathed cable instead of conventional cable to avoid power induction. This could not be done due to non-receipt of the aluminium sheathed cable. Ultimately the Pulse Code Modulation (PCM) systems between Bangalore and Whitefield were commissioned in February 1986 and the direct dial service was also introduced in the same month i.e. two years after completion of cable work without solving the problem of power induction.

Department stated in September 1988 that after laying the cable between Krishnarajapuram and Whitefield the PCM system could not be commissioned because of high rate of failure of components of PCM repeater equipment due to power induction which could not be foreseen. The problem of power induction was only a conjecture and cannot be taken as full technical report. Normally, cases where power lines are in close proximity are examined with reference to Power Telecommunication Coordination Committee practices.

If the problem of power induction was only a conjecture, it is not clear why the department delayed the commissioning of direct dialling by two years causing loss of potential revenue of Rs. 8.64 lakhs.

53. Inordinate delay in execution of firm demand work

In August 1980, the Central Coal Field Limited (CCL), Ranchi placed a firm demand with the Divisional Engineer Telephones (DE Phones) Ranchi for provision of a 200 lines PABX (extendable type) in replacement of their existing 10+100 line PBX Board at the earliest. An estimate for Rs.5.63 lakhs was prepared and submitted by the sub-Divisional Officer (Phones) to the DE Phones, Ranchi in October 1982 which envisaged completion of the work within 3 months on receipt of equipment from Indian Telephone Industries (ITI). Provisional rental of Rs. 1.60 lakhs per annum with a guarantee period of seven years on the basis of the estimated cost intimated to the CCL authorities was accepted by them and initial rental including installation charges and security deposit totalling Rs. 1.86 lakhs were paid by them in September 1983. Advice note for installation of the PABX was issued by the DE Phones, Ranchi to the SDOP, Ranchi in December 1983. The estimate was, however, returned by the Director Telecommunications (South), Ranchi in September 1984 asking for re-submission after necessary revision with reference to latest rates. In February 1985, the DE Phones submitted the revised project estimate for Rs. 13.87 lakhs and it was sanctioned by the General Manager Telecommunications (GMT), Bihar Circle, Patna for Rs. 14.34 lakhs in February 1987. Thereafter indent for procurement of equipment was placed on ITI in April 1987. Demand note based on revised estimate was, however, not issued to the CCL authority (June 1988).

Thus, it took about seven years for the Department to sanction the project estimate and placement of indent for supply of equipment after the placement of firm demand by the subscriber (CCL) in August 1980. The subscriber withdrew his demand in July 1988 owing to the inordinate delay in installation of the equipment. CCL stated that they will install their own EPABX and demanded refund of advance with interest.

Departmental rules do not prescribe any time limit within which the estimates of works, approved for execution, are to be prepared and sanctioned by the competent authority.

The inordinate delay in processing the case has not only resulted in not meeting the requirements of the subscriber for over seven years but has also caused the Department loss of potential revenue of Rs.15.13 lakhs during the period from January 1984 to March 1988 at the rate of Rs. 3.56 lakhs per annum.

Department, while admitting the delay, stated in October 1988 that suitable instructions had been issued to the GMT, Bihar Circle, Patna to avoid such delays in future. It has been contended that there was no loss of revenue involved as the party was no longer interested in the installation of the the equipment and the Department did not invest any capital. This is not acceptable as the delay in processing the case and providing the facility was rather too long.

54. Undue delay in providing teleprinter facility

A firm demand was placed in September 1979 by Director of Information and Publicity (DIP), Bhopal for provision of teleprinter facility between Gwalior and Guna for their exclusive use on usal rental basis. General Manager Telecommunications (GMT), Madhya Pradesh Circle, Bhopal intimated to DIP in February 1980 that the facility could be provided as requisite channels were available.

The demand note for advance rental and installation charges amounting Rs. 0.15 lakh was issued by Divisional Engineer Telegraphs (DET), Gwalior in May 1981.

The demand note was paid by DIP in July 1981 and the advice note for execution of the work at both ends was issued in the same month. The estimate amounting to Rs. 0.22 lakh for exeuction of the work was sanctioned in January 1982.

Local leads from respective stations at Guna and Gwalior ends to the premises of the subscriber were to be provided on the existing lines and as such no additional lines were required to be erected.

The indent for the teleprinter machines and power pack for installation at Guna end were issued in July 1982 by Sub Divisional Officer Telegraphs (SDOT), Guna to GMT Bhopal. The machines were received in October 1982, but the power pack was not received. As a result, the connection could not be commissioned. The indent for power pack was again placed on Circle Store Depot (CSD), Bhopal only in November 1983 by SDOT Guna. The power pack was ultimately purchased locally in December 1984 only at a cost of Rs.480 and facility commissioned in April 1985 resulting in potential loss of revenue of Rs.1.17 lakhs at a rate of Rs.0.23 lakh per annum for the period May 1980 to April 1985.

The loss was mainly due to delay in :

(i) issue of demand note;

(ii) sanctioning of the estimates;
(iii) placing indent for teleprinter machines and power pack required at Guna end; and
(iv) procurement of power pack

The GMT, Madhya Pradesh Circle stated in May 1988 that the connection could not be provided earlier for want of power pack and standby teleprinter machines. It was further stated that though one machine was received in October 1982 without power pack, the stand-by machine was received at Guna in December 1984 only and that the power pack, without which machine could not be operated was a store item whiich could not be purchased from market without clearnace from stores organisations. The reply of the GMT has to be viewed in the following context:

i) As confirmed by the SDOT, Guna, two teleprinter machines, including one stand-by, were received in October 1982.

(ii) After the teleprinter machines had been received in October 1982, there could hardly be any justification for delaying the procurement of a minor item, like power pack costing Rs. 480 till December 1984. This resulted in avoidable delay of over 2 years in commissioning the facility and resultant loss of revenue.

The matter was reported to department in June 1988 but a reply has not been received (November 1988).

55. Delay in provision of transmitters to Mangalore coastal wireless station

Posts and Telegraphs department decided in January 1977 to replace the existing transmitters at Mangalore which were provided at a rental of Rs. 0.84 lakh per annum, by equipment of latest technology, as recommended by World Maritime Administration Conference. The Ministry of Shipping and Transport agreed in 1977 to the replacement and accepted the revised guarantee of Rs. 3.42 lakhs per annum quoted by the department.

The new equipment for Mangalore wireless station was allotted by the Director General Posts and Telecommunications based on the project sanctioned in July 1978 at an estimated cost of Rs.5.15 lakhs. Indents were released for stores in August 1978 without specifying any time limit for installation work after the receipt of stores.

A portion of the equipment was supplied by the Controller of Telegraph Stores (CTS), Calcutta in February 1979. No proper follow up action was taken by the department for obtaining the remaining equipment, which was collected by a Junior Engineer of the Division in person in January 1984. When the installation work was taken up in August 1984 the non-supply of two numbers of low voltage units and also the absence of the technical literature was noticed. The technical literature was procured in the same month. However, the installation work could not be executed for want of some more equipments like earthing cable and channel crystals not supplied by CTS, Calcutta. Arrangements for the direct procurement of the crystals costing Rs. 500 only were made from an Indian firm in November 1985. The crystals were received in November 1986 and the system could be installed only in February 1987.

Thus, the installation of the system was unduly delayed due to failure of the department to collect the technical literature in time and also to check up whether all the equipments for installation were received. This resulted in loss of revenue amounting Rs.5.34 lakhs to the department for the period from September 1984 to February 1987.

The General Manager Telecommunications, Karnataka circle stated in October 1986 that the delay is not due to any inaction of the departmental personnel but due to non-supply of certain critical sophisticated stores, which could not be obtained even in the open market.

The facts of the case, however, reveal that the time of 10 years taken in procurement of equipment and its installation and after the proposal for replacement of old equipment was accepted by the Ministry of Shipping and Transport in January 1977 apparently lacked justification.

The matter was reported to department in July 1988 but a reply has not been received (November 1988).

56. Delay in providing underground cable to Indian Air Force

On receipt of a firm demand from Indian Air Force (IAF) Eastern Air Command in January 1982 for providing underground cable at IAF premises, on "operational immediate priority" basis, the Divisional Engineer Telecommunications (DET) Katihar Division prepared an estimate for Rs. 9.18 lakhs which was sanctioned by the Director of Telecommunications (North), Patna in June 1983. The work was to be completed within a period of 5 months from the date of commencement.

The Posts and Telegraphs Directorate allotted the required cable in June 1983. Indent for 17.2 KMs of 20 pairs/20 lbs of cable and 4.2 Kms of 20/10 lbs of underground cable was placed in August 1983 on Hindustan Cables Limited (HCL), asking them to supply the same on priority basis without indicating the date by which the stores should be delivered.

IAF authorities reminded the department in February 1983 for immediate provision of the required cable. They further stated that non-provision of the cable had been affecting seriously their operational efficiency. They also took up the matter with Director General, Posts and Telegrpahs for arranging early import of the cable. The latter, however, assured them that their requirement of cable would be met from the supply of HCL. The DET, Katihar Division reminded in February and September 1985 the Circle Office for early supply of such cable.

HCL started supply of cable in December 1985 after a lapse of 2 years and upto March 1986 only 12.9 Kms of 20 pairs/20 lbs of cable was supplied leaving a balance of 4.3 Kms of the above type of cable and 4.2 Kms of 20 pairs/10 lbs of cable. The cable laying work was commenced in January 1986 and 12.2 Kms of cable was laid. The work was thereafter held up for non-receipt of the remaining cable. Thus, the work which was to have been completed in June 1986 remained incomplete (November 1988) due to late/non-supply of the requisite quantity of cable by HCL though the IAF authorities have been persistently pressing hard for their required service.

Thus, due to delay in supply/partial supply of cable by HCL a vital service to the IAF could not be provided in time. This also resulted in loss of revenue amounting Rs. 2.42 lakhs per annum to the department.

Department while accepting the facts of the para stated in August 1988 that three sections of 4.2 Kms of 20 pairs/20 lbs cable had been made over to the IAF during April-June 1988 and the balance cable had been received recently at site and works were likely to be completed by September-October 1988.

Divisional Engineer Telegraphs, Katihar intimated in November 1988 that another 14.8 Kms of cable had been laid and handed over to IAF in November 1988 and 2.4 Kms of 20 pairs/10 lbs cable was yet to be handed over.

57. Non-realisation of cost of construction of guarding lines

Indian Electricity Rules 1956 provide that where an overhead line crosses or is in proximity to any telecommunication line, the owner of the overhead line would protect it and the expenses of making the guarding arrangements would be borne by the organisation whose line was erected later. The Director General, Posts and Telegraphs (DGPT) decided in October 1968 that whenever the electricity authorities failed to provide the guardings within one month of the receipt of the notice from the department, such guardings should be provided departmentally and cost recovered from the electricity authorities with usual departmental charges and the notice served on the electricity authorities should carry this information. Similiar instructions were issued by the Chief Engineer, Operations, Andhra Pradesh State Electricity Board (APSEB) to his field staff to erect power guardings in all cases where it was the later entrant which was also communicated to General Manager Telecommunications (GMT), Hyderabad in January 1983 with a request to provide power guarding in case the APSEB failed to do so and to raise the debits.

It was noticed in Audit between May 1974 and May 1988 that in 145 cases, in three divisions of Andhra Pradesh Telecommunication Circle, the power guardings were erected by the department during the years 1981-82 to 1986-87 without serving the notice indicating the departmental charges recoverable and bills for Rs. 8.86 lakhs issued to the APSEB. But the bills were not paid till May 1988 on the plea that the percentages charged were heavy or the requisitions were not obtained from them before executing the works.

Thus the arrears have accumulated over the years and a sum of Rs. 8.86 lakhs spent on erection of power guardings is yet to be realised.

Department stated in October 1988 that the matter was being vigorously pursued and the GMT, Hyderabad Circle had already been directed to take all necessary steps to ensure that the said dues are recovered from the APSEB at the earliest.

58. Srinagar trunk automatic exchange - injudicious planning

The Director General, Posts and Telegraphs (DGPT) sanctioned a project estimate for installation of 500 lines trunk automatic exchange (TAX) at Srinagar at a cost of Rs.99.13 lakhs in November 1981. The TAX was to be installed in a building to be constructed on available land. Order for the equipment was placed on Indian Telephone Industries (ITI) in January 1982 by the DGPT. Considering the delay in construction of the building, the DGPT at the request of General Manager, Telephones (GMT), Srinagar shifted the supply schedule from 1981-82 to 1982-83 in May 1982 and ultimately cancelled the purchase order in August 1982. The equipment, however, started reaching Srinagar in June 1982. In September 1982 the GMT, Srinagar requested the DGPT to arrange for diversion of the TAX equipment already received and also to advise ITI to stop further supply stating that they did not have enough space for storing it in safe custody and also the construction of building in which TAX was to be installed was not taken up. The supply of the equipment continued and an expenditure of Rs. 135.61 lakhs was booked against this project by March 1988. While the equipment was lying un-utilised at Srinagar, surplus TAX equipment lying at Vijayawada was also diverted to Srinagar in August 1985, after incurring an expenditure of Rs. 0.30 lakh on transportation, under the orders of the DGPT issued in July 1984.

The GMT, Srinagar stated in communication to Telecommunication Board in May 1987 that installation of TAX at Srinagar would neither add to new service nor help improvement. Rather the introduction of one additional (X-Bar) switching stage would add to inefficiency by increasing fault liability. He suggested that installation of TAX at Srinagar be abandoned and equipment diverted to Jammu. The Directorate accepted the proposal for diversion of equipment to Jammu in March 1988 against a project estimate yet to be sanctioned by the department (March 1988).

Thus, due to injudicious planning and lack of coordination in different wings of the department, the TAX equipment worth Rs. 135.61 lakhs was lying dumped with the attendant risk of damage or deterioration on long storage.

Department stated in November 1988 that the approval of the building plan by the local municipal authority at Srinagar could not be obtained and the department had decided to divert the TAX equipment to Jammu.

The reply of the department may be viewed in the following context:

In April 1983 building permission was granted by the local body with certain restrictions.

The case was taken up by department with the Jammu and Kashmir Government for waiving these restrictions and permission was granted by the State Cabinet in June 1984.

59. Excess expenditure of Rs. 4.70 lakhs on provision of boarding facilities to inservice course trainees

In accordance with the instructions issued in May 1985 and November 1986 by the Telecommunications Directorate, Department of Telecommunications, free boarding and lodging facilities were to be provided to trainees attending inservice courses in Advance Level Telecom. Training Centre (ALTTC), Ghaziabad for the period upto February 1987. In lieu of this facility, the trainees were required to surrender 75 per cent of their daily allowance.

It was stipulated in the orders that free boarding facilities should be restricted to Rs. 20 per trainee per day upto 16th November 1986 and Rs. 25 thereafter.

During the course of Audit in May/June 1988, it was noticed that

(i) Free boarding was being allowed even after February 1987.

(ii) The average expenditure incurred on each trainee per day varied from Rs. 20.61 to 45.36 from April 1985 to October 1986 and Rs. 23.09 to 39.54 from November 1986 to March 1988. This resulted in excess expenditure of Rs. 4.70 lakhs for the period from April 1985 to March 1988 (excluding from January 1986 to March 1986 for which information was not made available)

Department stated in October 1988 that sanction has since been issued in August 1988 (at the same rate of Rs. 25 per trainee per day) to continue free boarding from March 1987 to February 1989. The steep rise in prices of grocery items, fuel, vegetables and non-vegetarian items has resulted in increased expenditure on provision of boarding facilities to trainees. The case for regularisation of excess expenditure of Rs. 4.70 lakhs was under examination.

60. Loss on erection of microwave tower at Bikaner

The General Manager, Telecom Projects, New Delhi sanctioned in May 1977 a detailed estimate for Rs. 5.92 lakhs for installation of a 100 metre self supporting microwave tower at Bikaner to provide a link with Jaipur and Sriganganagar as a part of Jaipur - Bombay microwave scheme. The work for erection, painting, antenna hoisting etc. was awarded to a Delhi based contractor in February 1985. After erection upto a height of 90 metres, the tower collapsed on 12th June 1985 due to a dust storm. The speed of the dust storm was stated to be a mere 22 Km. per hour.

A committee of the departmental officers constituted in September 1985 to enquire into the reasons for the collapse of the tower observed that the tower had collapsed due to lack of proper supervision and check by the departmental officers/officials. The committee also observed that the contractor's running bill was paid on the basis of necessary certificates given in the usual fashion without ascertaining the quality of the work done.

The collapse of the microwave tower was attributed to the following:

(i) The tower erection schedule was not followed properly;

(ii) All the inner fittings of the tower were not provided;

(iii) A large number of the nuts and bolts were not provided or were not tightened fully; and

(iv) Some of the cross members were not provided.

The work for reconstruction/re-erection of microwave tower was got completed through a Bikaner firm upto a height of 31 metres and beyond that through another contractor of Tamilnadu. The work was completed in July 1987.

The material of the collapsed tower was not re-used in accordance with the recommendations of the committee. The total loss of the collapsed tower was Rs. 4.01 lakhs. But even after a lapse of more than 3 years it had not been auctioned (November 1988). Thus, lack of effective supervision and negligence on the part of the departmental officers resulted in a loss of Rs. 4.01 lakhs to the department. Further, delay in completion of the work in Jaipur-Bikaner and Bikaner-Sriganganagar sections due to collapse of tower resulted in a potential loss of revenue amounting to Rs. 28.16 lakhs per annum.

Department stated in November 1988 that departmental proceedings have been initiated against the officials identified for their lapses and negligence in the proper supervision of work. It was further stated that an arbitrator was being appointed as desired by the contractor, to analyse as to what extent the contractor was responsible for the collapse of the tower due to defective construction and the amount of loss to be recovered from him.

61. Loss due to delay in lodging insurance claims

The Department of Telecommunications imported main equipment for installation of 5000 lines telephone exchange at Kaithamukku, Trivandrum and also for its expansion to 10000 lines from Japan in April 1983 and May 1984 respectively in two separate consignments at a total cost of Rs. 644.84 lakhs including freight, insurance, customs duty etc. The equipment was discharged at Madras port in the same months. The insurance coverage allowed by the underwriters was available upto the date of arrival of the equipment at the final warehouse at Trivandrum or for 90 days from the date of its discharge at Madras Port, whichever was earlier. After arrival of the equipment at the warehouse in April 1983 and September 1984 respectively, it was noticed that certain packages of the consignment were damaged. The total cost of the damaged equipment was Rs.9.29 lakhs.

Four compensation claims were lodged between October 1984 and April 1985 with the underwriters for reimbursement of the loss suffered due to damage. Two claims relating to first consignment for Rs. 5.38 lakhs were settled in February 1985 and March 1986. However, the remaining two claims of second consignment for Rs. 3.91 lakhs were not settled on the ground that the insurance cover had already expired in August 1984 even before the consignment reached its final destination. The department failed to seek extension of policy cover beyond the prescribed time and pay the additional premium therefor. Thus, due to lack of timely action, the department suffered avoidable loss of Rs. 3.91 lakhs. The fact of pendency of claims came to the notice of the department only when it was pointed out by Audit in March 1988.

The matter was reported to department in July 1988 but a reply has not been received (November 1988).

62. Non-recovery of Rs. 3.76 lakhs from an insurance company

The Posts and Telegraphs Department (now Department of Telecommunications), invited tenders in 1977 for the purchase of Compressor Dryer units. An order for supply of 200 units valuing Rs.29.25 lakhs including commission of Rs.1.58 lakhs payable to an Indian agent, was placed in June 1978 on a foreign firm. The stores were received in two lots, one during January-February 1979 and the other during April-May 1979. Inspection of the stores was conducted immediately after receipt and 42 units were found damaged.

According to the terms and conditions of the contract, the firm was responsible for replacement of defective equipment. However, when the matter was taken up with firm in May 1979, they did not agree for the replacement of the damaged units on the plea that these defects were due to bad handling and not on account of manufacturing defects. Subsequently, 41 units were got repaired in May and July 1983 fom the Indian agent of the firm at a cost of Rs. 3.59 lakhs and one unit was declared beyond repairs.

The department attributed bad handling to transportation and filed a claim for Rs. 23.50 lakhs in August 1981 with the insurance company. The insurance company did not accept the claim (September 1982) on the plea that as per terms of insurance policy, they were responsible for the cost of damaged parts, plus expenses of import and fitting charges to the extent initially insured. A revised claim for Rs.3.76 lakhs was filed by the department in August 1986 which has not been admitted so far (October 1988). Thus the claim was not preferred correctly in the first instance. Even when the deficiency was pointed out by the insurance company, it took the department nearly four years to prefer a revised claim.

While confirming the facts department stated in October 1987 that the claim was being pursued with the insurance company.

Thus, lack of proper follow up action has resulted in non-recovery of insurance claim amounting to Rs. 3.76 lakhs since August 1981.

63. Avoidable extra expenditure on air lifting of equipment and payment of demurrage charges

To meet the anticipated demand of new telephone connections, the Posts and Telecommunications Board sanctioned in March 1983 installation of 10,000 lines digital switching equipment (E-10-B) at Worli-III in Bombay Telephones at an estimated cost of Rs.1319.09 lakhs. The exchange was scheduled to be commissioned in 1983-84 but was actually commissioned in April 1985.

The initial engineering of the E-10-B exchanges ordered on a French firm was done on the basis of junctions on physical cables but subsequently on technical consideration as well as on account of economy, it was decided to provide junctions on Pulse Code Modulation (PCM) equipment. Accordingly, a fresh order for supply, on FOB basis, of transmission line equipment required for digitalising the network was placed on the same firm in April 1984. However, in November 1984 an amendment was issued stipulating that the equipment would be air lifted from the port of despatch in France to Bombay on freight to pay basis.

53 tonnes of equipment in 211 packing cases was kept ready

for despatch at Paris airport by the firm in February 1985. In February/March 1985 Air India intimated that due to heavy backlog, the lifting of the entire consignment through regular flights was likely to go upto middle of May 1985 and that if transported by charter flights, two flights would be required for lifting the entire load at Rs. 8.25 lakhs per flight payable in advance. The department decided to charter one flight for lifting part of the consignment and accordingly advance payment of Rs. 8.25 lakhs was made in April 1985. 132 packing cases reached Bombay airport by charter flight in May 1985, 79 cases were received earlier in March and April 1985 through regular flights for which Rs. 2.84 lakhs were paid to Air India. Delayed clearance of consignment resulted in payment of Rs. 1.71 lakhs as warehousing charges to Air India in May 1985. All the 211 cases were cleared from custom in June 1985.

A ship takes about 18 days time to travel from France to Bombay port. The equipment being ready for despatch on 3rd February 1985, could have reached Bombay port in February 1985 itself had they been transported by ship. The approximate sea freight for the consignment being Rs. 4.00 lakhs only, the extra expenditure of Rs. 7.09 lakhs on air lifting the materials and the payment of demurrage charges of Rs. 1.71 lakhs could have been avoided.

Department stated in October 1988 that the decision to airlift the PCM equipment was taken with good intentions to speed up their receipt in India and help in timely commissioning of the E-10-B exchanges, but unfortunately, delay occured due to circumstances beyond the control of the department.

64. Avoidable extra expenditure due to delay in finalisation of tender

With a view to installing a 10000 lines imported cross bar exchange at Worli, Bomaby the department sanctioned in July 1976 a project estimate for construction of a telephone exchange at a total cost of Rs. 107.62 lakhs. The construction work, consisted of pile foundation and super structure.

The pile foundation work was awarded to a contractor in January 1978. While the pile work was in progress 5 tenders were received in response to notice inviting tender issued in March 1979 for superstructure and were opened on 25th April 1979. The estimated cost put to tender was Rs. 28.78 lakhs for building portion (Part 'A') and Rs. 0.72 lakh for the services portion (Part 'B').

The lowest tender of firm 'X' which was 31.46 per cent above the estimated cost for Part 'A' and 44.55 per cent (later reduced to 43.13 per cent) above for Part 'B' was recommended by the Superintending Engineer, Posts and Telegraphs Civil (SEPT), Bombay on 13th June 1979 to Chief Engineer, Posts and Telegraphs Civil (CEPT), New Delhi for acceptance. The CEPT, New Delhi advised SEPT Bombay on 4th July 1979 to negotiate with firm 'X' for reduction of rates and also to get the validity period of tender extended upto 23rd August 1979. The contractor made marginal reduction in the cost amounting Rs. 0.01 lakh only to part 'B' and agreed to extend the validity of his offer upto 23rd August 1979. This was conveyed to CEPT, New Delhi on 21st July 1979.

The acceptance of tender of firm 'X' was conveyed by CEPT, New Delhi to SEPT, Bombay by a telegram on 23rd August 1979 i.e. on the last date of the extended validity period. Accordingly, a telegram was issued to the firm on the same day at 17.00 hours by the Executive Engineer, Posts and Telegraphs CiviL (EEPT), Bombay conveying him the acceptance of his tender, followed by a letter on next day i.e. 24th August 1979. The firm contended that the telegram was received by them on 24th August 1979 and that by then their offer, valid up to 23rd August 1979, had already lapsed. As the firm had backed out, the earnest money of Rs. 0.20 lakh deposited by them was forfeited.

Tenders were re-invited in February 1980 but as there was no response, another tender call was given in June 1980. The lowest offer of firm 'Y' which was 68 per cent above the estimated cost for Part 'A' and 105.94 per cent above for Part 'B' was accepted in September 1980. These rates were 36.54 per cent and 62.81 per cent above the negotiated rates of firm 'X'.

The quantities and items of work, as executed by firm 'Y', if computed at the rates originally offered by firm 'X', would have cost the Department Rs.39.13 lakhs only instead of Rs. 51.91 lakhs paid to firm Y. Thus, the delay on the part of the Chief Engineer in finalising the tender within the stipulated time schedule has resulted in an avoidable extra expenditure of Rs. 9.49 lakhs after reducing the amount of earnest money of Rs. 0.20 lakh forfeited and Rs. 3.09 lakhs due to rise in the cost of steel and cement issued to the contractor by the department.

The departmental rules provide a strict time schedule for processing the tenders at different stages. An analysis, made by Audit, of the time taken in processing the tenders revealed that, besides the delay at the circle level in processing the tenders in the first call, the Chief Engineer, Posts and Telegraphs Civil, New Delhi took 54 days in two spells (13 June to 4 July 1979 and 21 July to 23 August 1979) as against the maximum permissible time of 10 days. This delay, apparently lacked justification.

Department stated in November 1988 that the process of scrutiny of tenders was complicated and voluminous. However, the contention is not acceptable as the time schedule had been prescribed by the department itself and they should adhere to the time schedule.

65. Installation of Autrax equipment in Calcutta telephone network

The Autrax system consists of a central computer known as Central Data Control (CDC) and Terminal Data Modems (TDM).

An order for the supply of equipment was placed by the department on an American firm in July 1982 at a cost of US $4.28 lakhs equivalent to Rs. 41.00 lakhs. The equipment was received at site in July 1983.

The installation of the CDC was commenced by the supplier in June 1984 and the system was handed over to Calcutta Telephone District in July 1984. The installation of Autrax terminals at 10 exchanges was done by the department instead of the supplier as provided in the Acceptance of Tender. During installation and functional testing of the Autrax system in June/July 1984 in the presence of the supplier firm, it was noticed that the low speed modems (13 numbers) supplied were not compatible with the system and one disc was faulty. The defective modems and disc were replaced/repaired by the supplier in April/May 1985. All the 13 modems were subsequently destroyed by a fire which broke out in the Autrax room in November 1985. Twelve modems were procured from a firm in Bombay at a cost of Rs. 0.54 lakh in August 1987 and installed in the same month.

The CDC became faulty in January 1985 i.e. within the extended warranty period but the department got the defects rectified by the Computer Maintenance Corporation (CMC) at a cost of Rs. 0.69 lakh. The CDC was made ready in December 1986 but remained faulty again in between April and August 1987. In the year 1987 alone, the CDC was out of order for 140 days.

The system was made operational in July 1984 with only two terminals, out of ten. But, due to frequent faults in the CDC, absence of modems and improper terminations, it worked partially and occasionally only and that too not satisfactorily. As a result, the system could not be commissioned in its entirety and made commercially usable even by March 1988.

Some of the reports generated by Autrax though merely occasional showed unacceptable values and were, as such, not reliable. the selection of wrong monitoring point, fault in termination/programming etc. were attributed as reasons for the unusual reports generated by the Autrax. Corrections of these faults were stated to be difficult for want of proper feed back/co-ordination from the exchanges where the terminals had been installed.

Installation and maintenance of the Autrax terminals were done by departmental staff who had no training on the job as imparting of training by the supplier was delinked from the contract by the department. In the absence of Maintenance Manual, rectification of faults was done on trial basis. Moreover, due to lack of knowledge, improper termination/defective programming were made.

The main objectives of the system was to have a comprehensive on-line-data collection and quick-look calculation print out which would give useful data for maintenance, planning and management. Although a huge expenditure of Rs. 134.32 lakhs had already been incurred on the project besides other maintenance/repair expenses of Rs. 4.89 lakhs upto March 1988, the objectives of the system still remained largely unachieved.

In his reply to Audit in July 1988 the General Manager, Calcutta Telephone District, while admitting that the system could not be used fully, has stated that even though no training was given, departmental staff were trying to install the system and maintain it and that it is possible that they made some mistakes initially and because of that there may be some discrepancy in the reports.

The matter was reported to department in July 1988 but a reply has not been received (November 1988)

66. Extra expenditure on the procurement of connecting equipment.

The Department of Telecommunications (DOT) placed three different purchase orders on a foreign firm during 1985-86 for procurement of connecting equipment for C-400 Cross Bar Exchanges for inter-connecting with E-10-B exchanges. These equipments were procured on repeat order basis from the foreign firm who had supplied C-400 Cross Bar exchanges in 1981. The prices of all the three purchase orders were based on price escallation formula given in 1981 order. The purchase order for 11 units placed in May 1985 was based on escalated price at a rate of 31 per cent of the original price, whereas the two subsequent orders for 2 units each issued in December 1985 and February 1986 were based on escalated price of 35 per cent of the original price.

The table given shows the time taken in the placement of these orders with reference to the date of receipt of requisitions from the field units:

No. of units requisitioned	Requisition received in	Prevailing rate (per cent above original price)	Purchase order placed in	Rate at the time of placing order (per cent above original price)	Difference in rate	Time taken in placing the order (in months)
8	April 1983	15	May 1985	31	16	25
2	April 1983	15	December 1985	35	20	33
3	May 1983	15	May 1985	31	16	24
2	December 1983	19	February 1986	35	16	26

It was observed in Audit that requisitions for 15 different units for procurement of connecting equipment were received between April 1983 and December 1983 i.e. much earlier than the placement of the first order in May 1985. A requisition for two exchanges of Madras unit, initially sent in April 1983, was not traceable in the Directorate and was again sent by Madras unit in August 1984. The action for procurement of all the 15 units was not initiated early and the first purchase order for 11 units could only be placed in May 1985 i.e. after a lapse of more than two years from the date of the requisition received from field unit.

The department stated in October 1988 that due to certain activities involved in processing and finalising the proposals there was a time lag of about 15 to 18 months between receipt of the requisition and placement of purchase order. The time lag pointed out by the department to process these repeat order cases is rather too long. In practice the department had not even adhered to it and had taken a longer time ranging from 24 to 32 months in processing these purchase orders. Even accepting the higher limit of 18 months stated to be necessary for processing the cases, as pointed out by the department, the extra expenditure caused as a result of belated placement of orders amounted Rs. 5.76 lakhs, due to escalation in prices plus additional customs duty paid.

67. Procurement of Jelly filled polythene sheathed cables

Various types of cables required by the Department of Telecommunications (DOT) were being supplied by Hindustan Cables Limited (HCL). As HCL was not in a position to supply these cables, the DOT approached the Director General, Technical Development (DGTD) for permission to import 20 pair jelly filled polythene sheathed cables. The DGTD advised DOT in August 1982 to approach indigenous firm 'A' and 'B' for procurement of the cable and immediately place developmental orders for reasonable quantity on both these firms. Though the requirement of cables was projected as urgent, the DOT invited limited tenders only in February 1983. The tenders were opened in March 1983 and the two firms quoted their rates as under:

	20 pairs/0.63 mm cable	20 pairs/0.90 mm cable
Firm 'A'	Rs. 0.38 lakh per km.	Rs. 0.59 lakh per km
Firm 'B'	Rs. 0.29 lakh per km	Rs. 0.41 lakh per km

The prices were negotiated with firm 'A' who brought down his rates to Rs. 0.34 lakh per km for 20 pair/0.63 mm cable and Rs. 0.50 lakh per km for 20 pairs/0.90 mm cable. Out of a total requirement of 800 kms, a bulk purchase order for 700 kms of 20 pairs/0.63 mm cable valuing Rs. 2.88 crores was placed in June 1983 on firm 'A' and the balance order for 100 kms cable valuing Rs. 29.40 lakhs was placed simultaneously on firm 'B'. The requirement of 400 kms of the other type of 20 pairs/0.90 mm cable was equally distributed between the two firms and formal orders placed. The rates of firm 'A' for both types of the cables were higher by 15.65 per cent and 22.1 per cent as compared to the rates quoted by firm 'B'. The supplies of the cables were to be completed by 31st March 1985.

After manufacture of only 9 kms of 20 pairs/0.90 mm cable, firm 'B' represented in September 1984 that the quantity of 200 kms. of 20 pairs/0.90 mm cable for which order was placed on them be either reduced to 26 kms or alternatively their rate increased from Rs. 0.41 lakh to Rs. 0.50 lakh per km as the firm had incurred heavy financial loss in its manufacture due to exorbitant price hike in raw materials in March 1983. The

DOT decided in March 1985 to increase the rate from Rs. 0.41 lakh to Rs. 0.46 lakh per km.

Even though the terms of the agreement did not provide for advance payment, at the request of firm 'A', an advance of Rs. 50 lakhs was sanctioned at the prevailing bank rate of interest or 18 per cent which ever was higher and paid in October 1984 against bank guarantee. The complete adjustment of the advance was to be made before 31st March 1985, the terminal date of delivery.

Firm 'A' supplied only 178 kms of 20 pairs/0.63 mm cable out of 700 kms and 95 kms of 20 pairs/0.90 mm cable out of 200 kms and got the purchase order short closed in May 1987 The liquidated damages amounting Rs. 16.90 lakhs were imposed on the firm for default in supply.

From the facts stated above the following Audit comments arise:

(i) Placement of the purchase order on firm 'A' for 700 kms of 20 pairs/0.63 mm and 200 kms of 20 pairs/0.90 mm cables at higher prices as compared to the prices of firm 'B' proved injudicious. The department incurred an extra expenditure of Rs. 12.04 lakhs in the procurement of the cables from firm 'A'.

(ii) Placement of heavy order valuing Rs. 3.38 crores without knowing the capacity and performance of firm 'A' was prima facie not justified and it was also in contravention of the advice of the DGTD, who proposed placement of developmental order. This apart, the position of supplies was not monitored closely and part order diverted to firm 'B' (under add on clause) who showed better performance and successfully completed the supplies. Had this been done, the department could not only affect savings as the rates of firm 'B' were substantially cheaper but also procure supplies needed urgently.

(iii) The DOT had extended to firm 'A' an unintended financial aid by paying an advance of Rs. 50 lakhs which was outside the scope of the contract. Surprisingly, the recovery of the advance with interest amounting Rs.18.05 lakhs was adjusted by the due date (31st March 1985) and the balance amounting Rs. 42.64 lakhs was adjusted belatedly in between December 1985 and December 1986.

(iv) In accordance with commercial conditions of the purchase order, the department reserved the right to recover liquidated damages from firm 'A' at the rate of 1 per cent of the entire value of the purchase order placed for each month of delay or part thereof, subject to a maximum of 5 per cent of the value of the order placed. Instead, the department recovered liquidated damages amounting Rs. 11.50 lakhs representing 5 per cent only of the value of unsupplied portion of the order resulting in short recovery of liquidated damages amounting Rs. 5.40 lakhs.

The matter was reported to department in August 1988 but a reply has not been received (November 1988).

Singhal

Delhi 2 February 1989

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Director of Audit
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APPENDIX

Growth of revenue of Postal Services under the various heads during the last five years indicating the percentage increase/decrease (-) over previous years in brackets.

(Referred to in Paragraph 1.2 at page 3----)

(Rupees in crores)

Main Heads of Revenue		1983-84	1984-85	1985-86	1986-87	1987-88
(i)	Sale of ordinary stamps	227.50	229.31 (0.08)	259.22 (13.04)	295.54 (14.01)	339.12 (14.75)
(ii)	Sale of service stamps	32.68	33.11 (1.3)	30.90 (-6.67)	33.46 (8.28)	42.09 (25.79)
(iii)	Postage realised in cash	72.68	77.55 (6.7)	78.42 (1.12)	88.07 (12.31)	112.93 (28.23)
(iv)	Receipt on account of money orders and postal orders including forfeited money orders	48.26	50.30 (4.2)	56.37 (12.1)	65.80 (16.7)	79.96 (21.52)
(v)	Other Receipts	53.42	54.14 (1.3)	51.93 (-4.1)	74.63 (43.7)	68.88 (-7.71)
	Total :	434.54	444.41 (2.27)	476.84 (7.29)	557.50 (16.91)	642.98 (15.33)