Report of the Comptroller and Auditor General of India

for the year ended March 2000

Union Government
Post and Telecommunications
No.6 of 2001

CONTENTS

PREFATORY REMARKS

This Report for the year ended March 2000 has been prepared for submission to the President of India under Article 151(1) of the Constitution. It relates to matters arising from test-audit of financial transactions of the Ministry of Communications.

The Report contains 55 paragraphs including four comprehensive performance reviews. The section pertaining to the Department of Telecommunications contains:

- 41 paragraphs;
- three comprehensive performance reviews on (i) Manpower Management in Department of Telecommunications Services, (ii) Performance of Telecom Factories Jabalpur and Mumbai and (iii) Computerised Telephone Revenue Billing and Accounting System.

10 Paragraphs and one comprehensive performance review on Modernisation of Postal Services are included in the section pertaining to the Department of Post.

The Draft Audit Paragraphs (DAPs) and Draft comprehensive performance reviews were forwarded to the Secretary Department of Telecommunications (DoT)/Department of Telecommunications Services (DTS) and the Secretary Department of Post (DoP) for furnishing their replies within six weeks.

While Secretary DoP furnished replies to all the DAPs and the comprehensive performance review issued to him, Secretaries DoT/DTS did not furnish replies to 79 DAPs including three comprehensive performance reviews, out of 95 DAPs including three comprehensive performance reviews issued to them.

The cases mentioned in the Report are among those, which came to notice in the course of audit conducted during the year 1999-2000 and early part of the 2000-2001. It also includes cases noticed during earlier years wherever relevant.

OVERVIEW

This Audit Report for the year 1999-2000 containing 55 paragraphs including four comprehensive performance reviews is presented in two sections:

Section I	Chapters 1 to 5	Department of Telecommunications (DoT)
Section II	Chapters 6 to 9	Department of Post (DoP)

Some of the important Audit findings included in this Report are summarised below:

Financial Implications

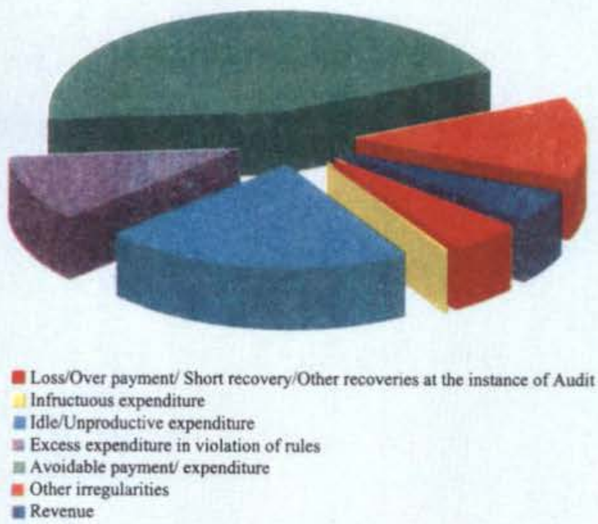
The total quantifiable financial implication of paragraphs and reviews included in this Report is Rs 1219.95 crore. The department-wise details with reference to the nature of irregularity are given as under:

(i) DoT

- The financial implication in respect of comprehensive performance reviews and paragraphs relating to the Department of Telecommunications which could be quantified is Rs 987.38 crore as per details given below:

(Rs in crore)

Revenue paragraphs	
Non/Short recovery	48.79
Loss of revenue	0.11
Comprehensive performance reviews and expenditure paragraphs	
Loss/Over payment/Short recovery/ Other recoveries at the instance of Audit	50.37
Infructuous expenditure	2.51
Idle/Unproductive expenditure	213.52
Excess expenditure in violation of rules	104.64
Avoidable payment/expenditure	437.59
Other irregularities	129.85
Grand Total	**987.38**



(ii) DoP

- The paragraphs and comprehensive performance reviews included in the chapters relating to the Department of Post involved financial implication of Rs 232.57 crore as shown below:

(Rs in crore)

Comprehensive performance reviews and paragraphs	
Loss/Over payment/ Short recovery/Other recoveries at the instance of Audit	198.85
Idle/Unproductive expenditure	2.44
Excess expenditure in violation of rules	15.04
Avoidable payment/ expenditure	2.50
Other irregularities	13.74
Grand Total	**232.57**

SECTION I - DEPARTMENT OF TELECOMMUNICATIONS

This section is divided into five chapters each dealing with a specific subject as shown below:

Chapter	Deals with
1	Introductory chapter giving in brief the organisational set-up, growth in telecom network and physical and financial performance of Department of Telecommunications
2	Results of Appropriation Audit
3	Results of sample checks of the system of demand and collection of revenue
4	Comprehensive performance reviews on ➢ Manpower Management in Department of Telecommunications Services ➢ Performance of Telecom Factories Jabalpur and Mumbai ➢ Computerised Telephone Revenue Billing and Accounting
5	Results of Transaction Audit

- The Revenue Audit Chapter 3 contains cases of non-recovery/outstanding dues etc., of Rs 48.79 crore, besides leakage/loss of revenue of Rs 0.11 crore. Out of this, the **Department had realised Rs 6.64 crore, till finalisation of this Report, at the instance of Audit**. For the remaining amount, replies of the Ministry were awaited. The Chapter 4 containing three comprehensive performance reviews has quantifiable financial implication of Rs 721.98 crore.

- The Transaction Audit findings in Chapter 5 contain cases, which bring out Loss/Over payment/ Short recovery/Other recoveries at the instance of Audit, Infructuous expenditure, Idle/ Unproductive expenditure, Excess expenditure in violation of rules, Avoidable payment/expenditure, Other irregularities etc., aggregating to Rs 216.50 crore. **Out of this, the Department has since recovered Rs 2.98 crore, when pointed out by Audit**. Replies of the Ministry in many cases were awaited.

I) Physical and Financial performance

- At the end of March 2000 DoT had a network of 27909 telephone exchanges with about 265.11 lakh telephone connections, 3.71 lakh route km of Coaxial Cable, Microwave, Ultra High Frequency (UHF), Optical Fibre Cable systems and 444 fixed Satellite Earth Stations.

- The metered telephone calls which stood at 14764 crore units in 1998-99 increased to 16276 crore units at the end of 1999-2000. The revenue receipt of the department also went up from Rs 17744 crore during 1998-99 to Rs 18257 crore in 1999-2000.

- Due to network expansion, there has been a very fast expansion in the cadres of Group 'A' and Group 'B' services in DoT. The strength of Group 'A' and 'B' services increased from 29878 officers in 1999 to 57861 officers in 2000. The sudden increase was reportedly due to categorisation of Junior Telecom Officers as Group 'B' and relaxation of period for promotion of Junior Accounts Officers (Group 'C') to Assistant Accounts Officers (Group 'B').

- DoT provided 45 lakh telephone connections during 1999-2000 exceeding the annual target of 41 lakh by 9.8 *per cent*. But they failed in achieving annual plan targets for providing Village Public Telephones and Satellite Earth Stations.

- As much as 36.81 lakh applicants were waiting for new telephone connections in the country at the end of March 2000. The States with the highest waiting lists were Kerala (6.47 lakh), Tamil Nadu (5.99 lakh), Andhra Pradesh (3.77 lakh), Karnataka (3.32 lakh), Maharashtra (2.63 lakh), Gujarat (2.32 lakh), Uttar Pradesh (East)(2.01 lakh), Punjab (1.77 lakh) and West Bengal (1.58 lakh).

(Paragraph 1)

II) Expenditure Control

- DoT saved Rs 1533.55 crore in a budget of Rs 33792.09 crore during 1999-2000 under Revenue and Capital sections. Persistence of such trends inspite of the fact that they were reported in the past has become a general feature.

- In 12 cases involving an amount of Rs 70.41 crore, re-appropriation was injudicious in as much as in some of the heads to which the amounts were re-appropriated, the actual expenditure was less than even the original provision, while in some other heads from which the amount was re-appropriated, the actual expenditure was more than the balance amount after such re-appropriation.

(Paragraph 2)

III) Revenue

Non-levy of royalty and licence fee of Rs 24.81 crore on wireless users

Wireless Planning Co-ordination (WPC) wing of Ministry of Communications failed to recover revenue amounting to Rs 24.81 crore from 6435 unauthorised wireless users including Videsh Sanchar Nigam Limited (VSNL) for periods ranging from one to 18 years.

(Paragraph 3)

Non-recovery of dues amounting to Rs 2.52 crore from Department of Electronics for Educational and Research Network (ERNET)

Department of Electronics operated terrestrial leased lines and Very Small Aperture Terminal (VSAT) for their network for eight years without a valid licence from DoT in contravention of the Indian Telegraph Act 1885 resulting in accumulation of dues of Rs 2.52 crore during 1987-2000.

(Paragraph 4)

Non-realisation of Service Tax

Failure of DoT to levy service tax on telecommunication services resulted in non-recovery of service tax of Rs 1.18 crore during July 1994 to September 2000 in six telecom units test checked in five circles.

(Paragraph 5)

Non-realisation of additional security deposits from STD/PCO operators

Audit scrutiny of records in 28 telecom units in eight telecom circles during July 1998 to May 2000 disclosed short realisation of security deposits of Rs 4.95 crore from private STD/PCO operators. The heads of telecom districts failed to review and revise the amounts of security deposit upwards from PCO operators inspite of increase in their revenue.

(Paragraph 6)

Recovery at the instance of Audit

Large number of cases came to notice during audit wherein DoT did not recover dues aggregating to Rs 48.79 crore due to failure to send completed advice notes to Telephone Revenue Accounting branch, non-application of revised tariff, non-realisation of service tax, WPC charges etc. When pointed out, department recovered Rs 6.64 crore as of December 2000.

(Paragraph 10)

Revenue Arrears

- Arrears of telephone revenue have been mounting over the years. At the end of March 2000, the arrears stood at Rs 2456 crore as against Rs 1483 crore at the end of March 1997. Of the total arrears of revenue, Rs 998.23 crore was outstanding for periods ranging from one to eight years and another Rs 67.86 crore for more than nine years. Of the total revenue arrears, more than 88 per cent were outstanding against private subscribers.

- Arrears on account of telegraph, telex and other circuits were also on the increase. The arrears stood at Rs 178.86 crore at the end of March 2000, against Rs 125.85 crore at the end of March 1997.

(Paragraph 11)

IV) Comprehensive Performance Reviews

Manpower Management in Department of Telecommunications Services

- The Department of Telecommunications Services (DTS) by adopting pre-digitalised norms created 872 posts of Divisional Engineers (DEs) upto March 2000 with corresponding increase of all other posts above and below. Accounts wing also increased the officers correspondingly despite computerisation of accounts functions including billing.

- DTS was not having an updated recruitment, promotion and training policy commensurate with the size of their operations and rapid technological changes. It depended heavily on adhocism. Despite advice of the Minister of State (Communications) given in August 1998, DTS failed to revise the manpower norms keeping in view changing technology.

- DTS incurred irregular expenditure of Rs 237.98 crore during 1994-2000 due to irregular creation of posts in Group 'A' and promotions thereto without the approval of Ministry of Finance, creation of excess Group 'A' posts, retention of unjustified posts of Divisional Engineers (Strategic business plan) etc.

- Chief General Managers (CGMs) of Karnataka and Tamil Nadu circles incurred avoidable expenditure of Rs 9.69 crore on pay and allowances during 1995-2000 by creating 475 excess posts in Group 'B', 'C' and 'D' cadres due to non-application of mandatory cut of 30 *per cent*. The heads of circles incurred irregular expenditure of Rs 92.70 crore in wrong implementation of the Biennial Cadre Review Scheme.

- CGM Uttar Pradesh (East) incurred an avoidable expenditure of Rs 1.56 crore on pay and allowances during 1993-99 by retaining 167 officers of Group 'A' and 'B' cadres over the sanctioned strength.

- CGM Tamil Nadu circle incurred an avoidable expenditure of Rs 0.13 crore on House Rent Allowance and Transportation Allowance at higher rates by retention of 11 posts of DEs/Assistant General Managers in the circle office which were meant for Secondary Switching Areas.

- Heads of test checked circles incurred an avoidable expenditure of Rs 33.33 crore during 1985-99 due to engagement of 1330 casual labour despite ban by DoT on their engagement.

- CGM Gujarat circle incurred an avoidable expenditure of Rs 0.23 crore during 1994-99 on pay and allowances by deployment of 56 technicians in excess of sanctioned strength. GMT Udaipur in Rajasthan circle incurred an irregular expenditure of Rs 0.39 crore during July 1996 to July 2000 on pay and allowances by retention of 22 to 30 unsanctioned posts of mazdoors.

(Paragraph 12)

Performance of Telecom Factories Jabalpur and Mumbai

- The Telecom factories Jabalpur and Mumbai indicated dismal performance, as there was shortfall in the production of a number of items ranging up to 100 per cent during 1995-2000. There was complete lack of cost control and co-ordination amongst the two factories with regard to production of common items. The in-house production costs were much higher than the open market rates. In respect of three out of the 11 items produced by Telecom factory Jabalpur, the in-house production cost exceeded the open market cost by nine to 101 *per cent* with financial implication of Rs 16.75 crore during this period. Similarly, Telecom

Factory Mumbai incurred an extra expenditure of Rs 4.48 crore during the same period due to manufacture of one item at higher cost than open market.

- Jabalpur factory further incurred an avoidable expenditure of Rs 3.36 crore during the same period on procurement of excessive raw material for manufacture of triangular tubular hybrid towers which could not be manufactured for want of demand.

- Telecom factory Mumbai under-utilised the machines to the extent of 56 to 37 per cent during 1995-2000. Further, 69 to 93 per cent of work orders in both the factories remained pending beyond their stipulated period during this period.

- Negative balances of Rs 43.33 crore and Rs 13.67 crore as on 31 March 2000 in respect of work-in-progress at Jabalpur and Mumbai factories respectively, indicated poor accounting and lack of control thereon. Short provision of interest/dividend of Rs 31.20 crore by Jabalpur factory during 1996-2000 and Rs 19.42 crore by Mumbai factory during 1995-2000 pointed towards their poor performance. The ratio of expenditure on indirect labour to expenditure on direct labour ranged between 179 and 349 in respect of Jabalpur factory and 215 to 697 in respect of Mumbai factory during the review period.

- Lack of pursuance led to non-recovery of outstanding dues of Rs 144.17 crore and Rs 40.34 crore by Telecom factories Jabalpur and Mumbai, respectively, during 1995-2000. Out of this, an amount of Rs 20.41 crore and Rs 1.61 crore were due against outside agencies in case of Jabalpur and Mumbai factories, respectively.

- Even after incurring an amount of Rs 0.64 crore on procurement of computers, Jabalpur factory could not use them for inventory control. Uneven inventory turnover ratios of 0.78 to 1.34 at Jabalpur factory and 1.86 to 4.05 at Mumbai factory during the review period indicated improper control over inventory.

- Inventory management tools like the independent stock verification and the progressive stock taking were carried out only once in 1995-96, thereby defeating the very purpose of such controls.

- Non/slow moving items of stores of Rs 4.03 crore and Rs 1.07 crore existed for the period ranging from one to more than 10 years at Mumbai and Jabalpur factories, respectively.

- Scrapped material and screened out machines worth Rs 3.79 core at Jabalpur factory were lying for disposal for periods ranging from five to 20 years. Despite discontinuation of manufacture of Subscribers Trunk Dialing Pay Phones since 1995, the Mumbai factory failed to dispose of surplus raw material and plant/machinery worth Rs 0.61 crore and Rs 0.69 crore, respectively.

- Lack of adequate internal check and pursuance of outstanding objections added to the poor performance of the factories.

(Paragraph 13)

Computerised Telephone Revenue Billing and Accounting System

- Six years after introduction of the telephone revenue billing and accounting package, no Information Technology plan existed either at the apex or circle levels.
- DoT targeted to implement 'Trichur' package on Telephone revenue billing and accounting by March 1995 in all the Secondary Switching Areas (SSAs). Against this, the package was introduced in 297 SSAs out of 313 SSAs by March 2000. Department in October 1998 decided to standardise 'DOTSOFT' package for implementation in one SSA in each telecom circle but only 16 SSAs introduced this package up to March 2000. Despite issue of instructions for using the Trichur package as standard software throughout the country, 20 SSAs in Rajasthan and West Bengal circles used unapproved packages on their own during 1994-99.
- System level deficiencies with financial implications continued to exist in the packages even after two/six years of introduction of DOTSOFT/Trichur packages.
- There were 29395 unaddressed bills valuing Rs 4.25 crore generated in 13 SSAs in three circles during March 1996 to July 2000 due to non-creation of master data/incomplete information in master data.
- A total of 102 advice notes relating to change of telephone numbers, external shifts etc., were not processed for three to 12 months due to deficiencies in the Trichur package. The package did not provide for reconciliation of advice notes entered and processed, leading to non-billing and consequent loss of revenue. Even the 'advice note processing error' report generated did not detect this deficiency.
- Gaps between the number of working connections and the number of connections actually billed noticed at six SSAs in Andhra Pradesh and Tamil Nadu circles resulted in non-realisation of revenue of Rs 1.88 crore between March 2000 and June 2000.
- Deficiencies like non-revision of rental due to change in exchange capacity, excess payment due to non-revision of interest rates in the approved packages, non-preparation of bills for initial broken periods, non-provision for billing of accessories etc., in approved packages resulted in loss of revenue of Rs 34.09 lakh.
- Although Trichur package was introduced in 1994, no training was imparted to any of the cadres during 1994-99 in Kerala circle, except in case of SSAs Trichur and Kollam.

(Paragraph 14)

V) Transaction Audit Findings

(A) Loss/Overpayment/Short recovery/Other recoveries at the instance of Audit

Non-recovery of dues from MTNL Mumbai/Delhi

Consequent on formation of MTNL in April 1986, the civil and electrical wings of DoT continued to execute works of erstwhile Delhi/Mumbai telephones as "deposit works". Civil divisions Mulund, Sion in Mumbai and Electrical Division III in New Delhi executed the works either without receipt of advance deposit or with receipt of insufficient advance. This resulted in non-recovery of expenditure of Rs 11.24 crore from MTNL Delhi/Mumbai till January 2001. The Executive Engineer Civil division Mulund recovered Rs 0.54 crore at the instance of Audit.

(Paragraph 15)

Avoidable expenditure on unwarranted use of armoured cable in place of unarmoured cable

The heads of six Secondary Switching Areas in Tamil Nadu circle incurred an avoidable expenditure of Rs 5.61 crore during 1997-2000 due to use of costly 10/20 pair armoured cable in place of unarmoured cable, despite instructions by the Department of Telecommunications to the contrary.

(Paragraph 16)

Excess expenditure of Rs 4.25 crore in procurement of 2 GHz digital microwave terminals

- Digital Microwave system is used in Telecommunications network to provide Subscriber Trunk Dialing (STD) facility. DoT invited tenders in January and June 1998 for procurement of 2 GHz digital microwave system of 700 terminals of the 30 channel and 292 terminals of the120 channel, respectively. While evaluating the tenders the cost of the 30 channel terminal was found to be more than the 120 channel terminal. For arriving at a reasonable rate, DoT compared all inclusive price of the 120 channel instead of basic price. This resulted in incorrect fixation of price of the 30 channel terminal leading to excess payment of Rs 65.27 lakh in procurement of 598 terminals. Further, the reduction in Customs duty in the budget for 1999-2000 was not given effect to in procurement of 90 terminals received between February and June 1999, resulting in excess payment of Rs 9.40 lakh.

- During 1998-99, DoT offered higher price for antenna feeder cable and accessories for the 120 channel terminals as compared to the 30 channel terminals which were having similar specifications. Similarly during 1999-2000, the department offered different prices in two packages for items having similar specifications. This resulted in excess expenditure of Rs 1.33 crore in procurement of 1656 and 1066 terminals of the 30 and 120 channel terminals, respectively, during 1998-2000

- 528 terminals of the 30 and 120 channels for which orders were placed during 1998-99 were received after the scheduled date of delivery. While granting the extension, the department stated that the prices against new tender under finalisation or the old tender price whichever was lower would be applicable. The department however did not communicate the new tender rate which was lower resulting in undue benefit of Rs 2.18 crore to the supplier.

(Paragraph 17)

Avoidable expenditure in procurement of 8 Megabits optical line equipment

- Evaluation of tender on package basis and not by considering the item-wise lowest quoted rates amongst all the bidders in procurement of 7532 sets of 8 Megabits optical line equipment led to an avoidable expenditure of Rs 2.47 crore during 1998-2000.

- Further, while extending delivery period, the department indicated that the prices for the quantity supplied after the scheduled delivery period would be adjusted on finalisaiton of rates by the department or on opening of tenders by any circle during the extended delivery period, if they happened to be lower. Despite this, the heads of circles concerned failed to regularise the payments to the suppliers for the supplies received even after receipt of cheaper rates under a tender opened in June 1999 by the Chief General Manager Telecommunications Uttar Pradesh (West). This led to an excess payment of Rs 1.42 crore in procurement of 1799 sets of this equipment during 1999-2000.

(Paragraph 18)

Illegal purchase of stores

TDE, Mandsaur purchased stores worth Rs 2.96 crore from different firms at Director General Supplies and Disposal (DGSD) rate contract during March 1992 and January 1996 in violation of the financial powers delegated to him. He also made payment of Rs 67.60 lakh without actually receiving the stores like Galvanised Iron (GI) tubes, ballasts, stabilizers, window air conditioners etc., against these purchase orders. He further incurred an avoidable expenditure of Rs 32.30 lakh by procuring High Density Polyethylene (HDPE) pipes of higher specifications during the above period.

(Paragraph 19)

Overpayment of Rs 2.35 crore to suppliers

- DoT revised downward the rates of 2 GHz digital microwave systems in April 1995 retrospectively for the supplies made between April 1994 and March 1995 and instructed the circles to make payments at new rates and recover/adjust the excess payments made, if any.
- Chief General Manager Telecommunications Maharashtra circle Mumbai failed to review the payments made and recover the excess payment. This resulted in over payment of Rs 2.35 crore to eight suppliers in procurement of 364 terminals of 2GHz microwave equipment during 1993-94.

(Paragraph 20)

Non-recovery of cable worth Rs 2.02 crore issued to contractors

Eight Sub Divisional Engineers under GM Patna Telecom district got executed the cable works through private contractors by issuing cable. But they failed to recover 108.31 km of cable worth Rs 2.02 crore from contractors during 1997-2000. Further, the cable laid as per measurement book was far in excess of cable actually issued to the contractors. This resulted in excess payment of Rs 11.49 lakh in laying of 67.45 km of cable actually not issued to the contractors during the same period.

(Paragraph 21)

Extra expenditure due to violation of tender conditions

Chennai telephones allowed higher rates to sub contractors of Telecommunications Consultants India Limited (TCIL)/ Hindustan Cables Limited (HCL) in the cable laying works got executed through them in violation of tender conditions. This resulted in excess expenditure of Rs 67.26 lakh during 1995-99. Out of this, a sum of Rs 6.57 lakh was recovered when pointed out by Audit.

(Paragraph 22)

Loss due to procurement of sub-standard drop wire

Procurement of sub-standard drop wire by the Chief General Manager Telecom Stores Calcutta and his failure either to get replacement thereof or to recover the cost thereof from the supplier and take action against the supplier for supply of sub-standard drop wire led to a loss of Rs 16.01 lakh in June 1996, inclusive of excess paid amount of Rs 3.06 lakh against short supply of the drop wire. This also put a question mark on the working of Quality Assurance Wing of the department as the drop wire was found sub-standard after having it been passed by them during pre-despatch testing.

(Paragraph 24)

Overpayment in procurement of Radio Communication Test Sets

- Failure of the Department of Telecommunications (DoT) and various heads of circles to avail of the benefit of reduction in Customs duty from 40 to 25 *per cent* in March 1995 for supply of 88 Radio Communications Test Sets received from the suppliers after the expiry of scheduled delivery period led to an excess payment of Rs 37.09 lakh between July 1996 and February 1997.

- DoT also failed to revise the rates even after reduction in the Customs duty occurred before placement of further purchase orders in May 1995 and April 1996 for procurement of 96 more sets. This resulted in further excess payment of Rs 40.46 lakh during 1995-97. DoT also incurred an avoidable expenditure of Rs 25.37 lakh on procurement of 273 service manuals by ignoring the advice of their Finance wing.

(Paragraph 26)

Other recoveries at the instance of Audit

In five cases Audit pointed out cases of excess payment, short recovery of liquidated damages etc., amounting to Rs 2.98 crore. The entire amount was recovered at the instance of Audit.

(Paragraph 27)

(B) Infructuous expenditure

Damage caused to underground cable

Failure of the Telecom District Manager Bilaspur and the General Managers Telecom Ghaziabad, in Madhya Pradesh and Uttar Pradesh (West) circles, respectively, to demand compensation due under the departmental rules for the damage caused to the underground cable by the outside agencies led to non-recovery of compensation of Rs 71.40 lakh during 1998-2000. In another case in Bihar circle, the department suffered a loss of Rs 1.57 crore during 1996-98 due to damage to underground cable because of poor planning in shifting them despite sufficient time given by the State Government for their shifting.

(Paragraph 28)

Wasteful expenditure in procurement of defective telex billing equipment

One telex billing equipment each received by Sub-Divisional Engineers at Chandigarh and Patna during October 1996 and June 1997 against the purchase order placed by the Department of Telecommunications in August 1996 were found defective despite being passed in the pre-despatch inspection by the department's Quality Assurance Wing. Neither DoT nor the Sub-Divisional Engineers concerned could get them replaced or rectified. This led to idling of equipment worth Rs 22.87 lakh since their procurement.

(Paragraph 29)

(C) Idle/Unproductive expenditure

Non-recovery of amount due with interest thereon from Mahanagar Telephone Nigam Limited

The Chief Accounts Officer under the Chief General Manager Telecommunications Maharashtra circle failed to recover an amount of Rs 9.72 crore from the Mahanagar Telephone Nigam Limited (MTNL) on whose behalf he made payment to the supplier for supply of one computerised digital trunk manual exchange to MTNL's Mumbai unit between May and July 1996. This resulted in the blocking of funds of Rs 9.72 crore since August 1996 and a loss of interest of Rs 5.83 crore thereon up to April 2000.

(Paragraph 30)

Idling of 30 channel digital Ultra High Frequency equipment

Lack of proper planning by the Director Telecom Installation Hubli in Karnataka circle led to idling of two packages of 2 GHz 30 channel Ultra High Frequency equipment and antenna worth Rs 16.48 lakh since their receipt in December 1996.

(Paragraph 32)

(D) Excess expenditure in violation of rules

Non-recovery of leave salary and pension contribution

DoT failed to calculate and recover leave salary and pension contribution in respect of staff on deputation to Mahanagar Telephone Nigam Limited in violation of codal provisions and directions of the Ministry of Finance. On the other hand, they reimbursed Rs 60.19 crore towards gratuity and leave encashment during 1996-99.

(Paragraph 34)

(E) Avoidable payment/expenditure

Avoidable expenditure in procurement of Multi Access Rural Radio Systems

- Multi Access Rural Radio (MARR) systems are used for providing Village Public Telephones (VPTs). Inspite of being repeatedly pointed out by Audit in the past, DoT could achieve only 30 to 82 per cent of the target in providing VPTs during the last five years.

- Despite malfunctioning of these systems and doubts raised by the Prime Minister and the Minister of State (Communications) and criticism by the Standing Committee on Telecommunications, the department continued to procure MARR systems. Resultantly, the faulty VPTs increased from 20289 in March 1999 to 41135 in March 2000.

- Excessive procurement of MARR system despite their proven fault proneness resulted in blockage of Rs 21.50 crore due to idling of these equipment, sufficient to provide 13577 VPTs as on April 2000.

(Paragraph 35)

Avoidable expenditure on laying of Optical Fibre Cable

Failure of the General Manager Telecom Erode in Tamil Nadu circle to issue 100 mm dia reinforced cement concrete pipes departmentally for use in the laying of optical fibre cable by Hindustan Cables Limited and Telecommunications Consultants India Limited and allowing them to procure and use the pipes of higher specification i.e. 150 mm dia with 6 mm dia reinforcement, at rates ranging between Rs 70 and Rs 82 per metre against Rs 25.20 per metre for 100 mm dia pipes led to an avoidable expenditure of Rs 28.96 lakh, inclusive of service charges of Rs 2.63 lakh during 1997-99.

(Paragraph 36)

Avoidable payment of minimum demand charges and low power factor surcharge

Despite repeated instructions by the Ministry and irregularities of this nature being pointed out by Audit in the past, five telecom units in Bihar circle and 12 units in Andhra Pradesh circle incurred an avoidable expenditure of Rs 2.03 crore during 1992-2000 either due to contracting power far in excess of actual requirement or on account of non-installation of shunt capacitors for maintaining power factor or to contract power lesser than the actual requirement.

(Paragraph 37)

Non-maintenance of minimum power factor and resultant avoidable payment of penal charges

Despite repeated instructions by the Ministry and irregularities of this nature being pointed out by Audit in the past, three telecom units in Bihar circle and one unit in Orissa Circle made avoidable payment of penal charges of Rs 1.39 crore during August 1993 to March 2000, either due to their failure to install the shunt capacitors or to maintain them properly for maintaining the power factor.

(Paragraph 38)

Avoidable payment of penal charges for overdrawal of electricity and irregular payment of electricity duty

Failure of the General Manager Telecom Bhubaneswar in Orissa circle to increase the contracted demand for electricity as per actual requirements led to avoidable payment of penal charges of Rs 30.43 lakh for overdrawal of electricity between November 1995 and April 2000. In another case, the Director Telecom Durgapur in West Bengal circle in violation of constitutional provisions made irregular payment of electricity duty of Rs 12.06 lakh during March 1994 to September 1999.

(Paragraph 39)

(F) Other irregularities

Irregular procurement of stores

Heads of circles were authorised to procure stores under the system of decentralised procurement of stores and these powers could not be redelegated to the lower formations. In violation of these instructions, General Managers Telecom Districts Guntur, Rajahmundry, Warangal, Hyderabad and Telecom District Manager Khammam in Andhra Pradesh Telecom circle procured stores worth Rs 5.35 crore during 1997-2000, which needed regularisation by Telecom Commission.

(Paragraph 41)

Irregular procurement of 10 channel digital equipment

General Managers of Telecom district Anantapur and Mahaboobnagar purchased 10 channel digital UHF equipment costing Rs 33.49 lakh in January 1997 which was a centralised item of procurement.

(Paragraph 42)

SECTION II – DEPARTMENT OF POST

This section is divided into four chapters each dealing with a specific subject as shown below:

Chapter	Deals with
6	Introductory chapter giving in brief the organisational set-up, physical performance and financial results of Department of Post (DoP)
7	Results of Appropriation Audit
8	Comprehensive performance review on Modernisation of Postal Services
9	Results of Transaction Audit

I) Physical and Financial Performance

- 14 of the 20 postal services provided by DoP were running in losses. The net loss incurred by DoP on these services during 1999-2000 was Rs 991.06 crore which was up by Rs 95.78 crore compared to the previous year

- The gap between revenue receipts and revenue expenditure widened from Rs 660 crore in 1995-96 to Rs 1596 crore in 1999-2000

- The net budgetary support for postal services after adjusting recoveries and revenue was Rs 1596 crore during 1999-2000

- Outstanding balances under the head advances from Public Account, which mainly represented overpayments and short credits stood at Rs 724.32 crore at the end of March 2000. The States like Assam, Bihar, Madhya Pradesh and West Bengal Postal circles accounted for 86 per cent of the outstanding balance.

(Paragraph 45)

II) Expenditure control

- DoP had savings to the extent of 19.23 per cent of the original grant under Capital (voted) section during 1999-2000, which indicated slippage in department's programme on Modernisation and Mechanisation. Persistent savings under Capital section were reported in the past.

- Reappropriations made by DoP in March 2000 to reduce funds under Postal Directorate, Postal stores depot, Opening and upgrading of post offices and other expenses were injudicious as the actual expenditure under these heads was more than the original provision.

(Paragraph 46)

III) Comprehensive Performance Review

Modernisation of Postal Services

- The Department of Post in early eighties initiated efforts to modernise its services. Comments regarding non-achievement of physical and financial targets were made in the past. The trend continued to exist despite availability of funds, which remained unspent at the end of each financial year during the five years ending March 2000.

- Department failed to utilise the funds allotted during the year 1995-2000 and as a result an amount of Rs 30.72 crore remained unutilised during 1999-2000. This was more than the total budget allotment for the preceding year 1998-99 and resulted in short fall in achievement of physical targets for installation of computer based multipurpose counter machines, installation of very small aperture terminal (VSATs) and introduction of electronic franking machines.

- The objective of installation of multipurpose counter machines at post offices to provide single window services to customers could not be achieved as only 2789 out of 6257 machines were working, as of March 2000. The department was deprived of anticipated savings of Rs 93.81 lakh per month due to non-utilisation of 975 machines installed but not working. Besides, department failed to effect the savings of Rs 109.98 crore during 1997-2000 due to non-redeployment of Postal Assistants after introduction of multi purpose counter machines (MPCMs).

- Department transmitted 2.48 crore money orders through VSATs against the expected target of nine crore money orders during the years 1997-2000. The remaining 6.52 crore money orders had to be transmitted through conventional manner which resulted in non-effecting of anticipated savings of Rs 84.50 crore

- The envisaged objective of reducing the staff engaged in pairing of money orders by using VSATs could not be achieved. This resulted in non-reduction of staff in postal accounts offices engaged on pairing work.

- Department made avoidable excess payment of Rs 1.52 crore to suppliers during 1997-99 due to non-procurement of Electronic Franking Machines directly from the manufacturer

- Although the computerisation of Transit Mail Offices (TMOs) commenced during the year 1996-97 and the department incurred an expenditure of Rs 2.15 crore upto March 2000 on computerisation of 20 TMOs, the scheme did not yield results. The application software was supplied only to 10 out of the 20 offices. Further, the application software supplied to these offices was not working satisfactorily and the hardware supplied at 10 other offices was lying idle due to non-supply of the application software.

(Paragraph 47)

IV) Transaction Audit Findings

(A) Loss/Overpayment/Short recovery/Other recoveries at the instance of Audit

Short realisation of revenue of Rs 2.96 crore

Post offices in West Bengal Postal circle transmitted the bills of West Bengal State Electricity Board at book packet rate instead of letter postage rate in violation of codal provisions. This resulted in loss of revenue of Rs 2.96 crore during June 1997 to August 1999.

(Paragraph 48)

Non-recovery of value of the British Postal Orders

Comments were made in the past about cases of non-receipt of paid vouchers of the British Postal Orders from post offices and non-recovery of the amount due from the Government of United Kingdom. Despite issue of instructions by the department, Post offices in Bihar circle did not send paid vouchers of the British Postal Orders alongwith monthly accounts to Postal Accounts Office Patna resulting in non-realisation of Rs 23.26 lakh from the Government of the United Kingdom during 1992-99. When pointed out by Audit, an amount of Rs 4.19 lakh was adjusted and the balance amount was to be realised.

(Paragraph 49)

Other recoveries at the instance of Audit

In two cases Audit pointed out non-realisation of dues from customers who availed 'Book Now Pay Later' scheme and irregular payment of interest of monthly income scheme to the tune of Rs 17.54 lakh during 1992-2000. Out of this, the department had recovered Rs 12.30 lakh at the instance of Audit.

(Paragraph 50)

(B) Idle/Unproductive expenditure

Non-taking of possession of ready built quarters and resultant blocking of funds

Failure of the Superintendent of post offices Rewa in Madhya Pradesh circle to take possession of ready built quarters even after their completion in September 1997, despite making full payment to the State Government between September 1995 and March 1997 led to blocking of funds of Rs 26.31 lakh since September 1997 to April 2000, besides avoidable payment of house rent allowance of Rs 1.74 lakh to the staff because of non-allotment of quarters to them during this period.

(Paragraph 51)

(C) Excess expenditure in violation of rules

Non-recovery of Rs 15.04 crore paid as pension/family pension on behalf of other departments

The Director of Accounts Postal Patna in Bihar circle failed either to obtain complete vouchers from the Head Post Offices (HPOs) concerned against pension/family pension payments made on behalf of other agencies or to verify whether the vouchers received from these HPOs were in order or not before raising the debits against these agencies. This led to non-recovery of Rs 15.04 crore. The department recovered an amount of Rs 11.52 crore at the instance of Audit.

(Paragraph 52)

(D) Avoidable payment/expenditure

Avoidable payment of minimum low power factor surcharge, minimum demand charges and load violation charges

- Five postal units in Delhi, Orissa, Maharashtra and Tamil Nadu circles failed either to install shunt capacitors or to repair the same to maintain power factor despite Ministry's repeated instructions. Consequently, they made avoidable payment of low power factor surcharge of Rs 81.10 lakh during April 1997 to July 2000.

- Contracted power far in excess of actual requirements led to avoidable payment of minimum demand charges of Rs 6.67 lakh during April 1997 to June 1999 by Chief Postmaster General Tamil Nadu circle.

(Paragraph 53)

Follow up on Audit Reports

- Despite recommendations of the Public Accounts Committee (PAC) to submit remedial Action Taken Notes (ATNs) within four months from the date of laying of Audit Reports in the Parliament, DoT did not send final ATNs on 62 Audit Paragraphs as of January 2001.

- DoP did not furnish final ATNs in respect of five paragraphs as of January 2001.

(Paragraphs 43 and 54)

Response of the Ministry to Draft Audit Paragraphs

- On the recommendations of PAC, the Ministry of Finance issued directions to all Ministries/Departments to send their comments within six weeks of the Draft Audit Paragraphs (DAPs) which were forwarded to the Secretaries of Ministries/ Departments.

- While Secretary DoP furnished replies to all the DAPs and the comprehensive performance review issued to him, Secretaries DoT/DTS did not furnish replies to 79 DAPs including three comprehensive performance reviews, out of 95 DAPs including three comprehensive performance reviews issued to them.

(Paragraphs 44 and 55)

Section - I
DEPARTMENT OF TELECOMMUNICATIONS

CHAPTER 1
ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

1.1 Functions of the Department

Apart from policy making, the main functions of the Department of Telecommunications (DoT) are planning, engineering, installation and operation of telecommunication services all over India and with other countries. The department is also responsible for grant of licences to private sector operators for providing basic and value added services in various cities and telecom circles as per approved policy of the government. The department also allocates frequency and manages radio communications in close co-ordination with the international bodies. It is also responsible for enforcing wireless regulatory measures and monitoring the wireless transmissions of all users in the country.

1.2 Organisational set-up

The management of the department vests with the Telecom Commission, which was set up by the Government of India in July 1989 with necessary executive, administrative and financial powers to deal with various aspects of telecommunications. The Commission consists of a Chairperson and four full time Members, and four part time Members, all of whom are of the rank of Secretary to the Government of India.

The Department of Telecommunications (DoT) was bifurcated and a new Department of Telecom Services (DTS) was created in October 1999 to look after all matters other than policy and licencing relating to telecom services; DTS was responsible for execution of works relating to telecommunications, deposit works for Mahanagar Telephone Nigam Limited (MTNL), Videsh Sanchar Nigam Limited (VSNL) and Telecommunications Consultants India Limited (TCIL), for all matters relating to Centre for Development of Telematics (C-DoT) as also for its own financial sanctions, procurement and personnel matters.

In July 2000, a new Department of Telecom Operations (DTO) was carved out of the DTS. The DTO was assigned matters other than policy and licensing relating to operations of telephones, wireless, data facsimile and telematics and other like forms of telecommunications. DTO was also made responsible for execution of works including purchase and acquisition of land debitable to the capital budget pertaining to telecommunications, procurement of stores and equipment required by the Department of Telecom Operations and all matters relating to Centre for Development of Telematics (C-DoT). The Telecom Commission co-ordinate the functions of the departments in accordance with the administrative and financial powers vested with them.

The whole country is divided into 20 telecom circles and four metro districts for operation and management of telecom services. Five public sector undertakings namely, Hindustan Teleprinters Limited (HTL), Indian Telephone Industries Limited (ITI), MTNL, TCIL and VSNL function under the overall administrative control of the department. Besides, DoT has seven factories at Mumbai, Calcutta (Alipore and Gopalpur), Jabalpur (Wright Town and Richhai), Bhilai and Kharagpur, who manufacture various types of ancillary equipment such as microwave towers, modems, sockets, pay phones, etc.

The C-DoT also functions under the control of the Ministry of Communications as a registered society established to develop indigenous technology for telematics.

1.2.1 Entry of private sector

The National Telecom Policy 1994 paved the way for private sector participation to achieve the objective of universal coverage at affordable prices to the customers. In the area of value added services like radio paging, public mobile radio trunk and cellular mobile telephone services, licences to private operators were granted through a system of tendering. The value added services introduced so far in the country were cellular mobile telephone service, radio paging service, facsimile, electronic mail, video conferencing, remote area service etc. Internet services were being provided in the country by VSNL and private internet service providers.

In the area of privatisation of basic telephony, six companies had so far signed the licence and interconnect agreements with the Department of Telecommunications for providing basic telecom services in Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Punjab and Rajasthan telecom circles. Out of these, Bharti Telenet Limited, Tata Teleservices Limited and Hughes ISPAT Limited have since commissioned their services in Madhya Pradesh, Andhra Pradesh and Maharashtra circles, respectively, covering 14 cities namely Bhopal, Bilaspur, Dewas, Gwalior, Guna, Indore, Jabalpur, Raipur, Shivpuri, Hyderabad, Vijayawada, Pune, Turbhe in Navi Mumbai, and Worli in Mumbai.

1.2.2 Telecom Regulatory Authority of India

With the entry of private operators, Government decided to create an independent regulatory authority. A Telecom Regulatory Authority of India (TRAI) was established in February 1997 separating regulatory functions from DoT. The main functions of TRAI are tariff setting, fixation of access charges, ensuring compliance of terms and conditions of licence, protection of consumer interests, settlement of disputes between service providers, monitoring quality of service etc.

The form of accounts of TRAI have been prescribed by the Central Government in consultation with the Comptroller and Auditor General of

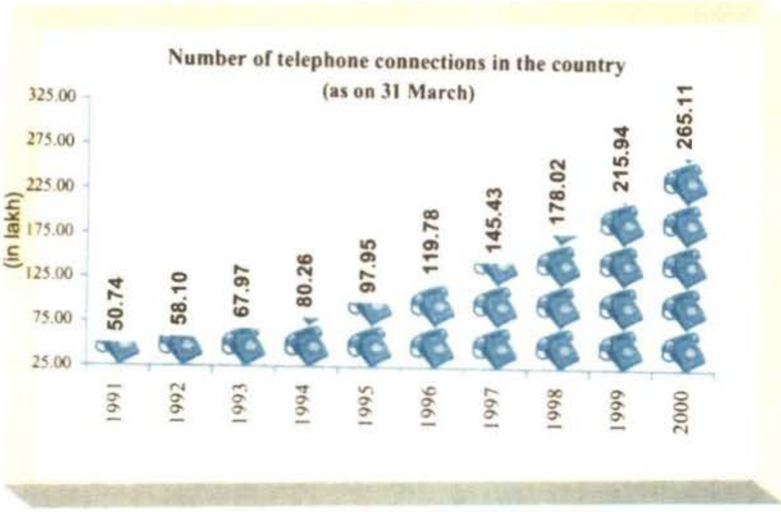
India and a notification in this regard was issued on 31 March 1999. The Central Government has since notified the conditions of service of the Chairperson and Members of TRAI in March 1999 after serious objections raised by the Comptroller and Auditor General of India in his Report No. 4 of 1999 on Union Government (Civil) Other Autonomous Bodies for the year ended March 1998 regarding irregular sanction of various allowances and benefits at higher rates by the Chairperson and the Members of the Authority for themselves.

Chapter 4 of the Principal Act of TRAI has been replaced to provide for the establishment of a separate disputes tribunal known as "Telecom Disputes Settlement and Appellate Tribunal" to adjudicate any dispute between a licensor and a licensee, between two or more service providers or between a service provider and group of consumers and hear and dispose of appeals against any direction, decision or order of TRAI.

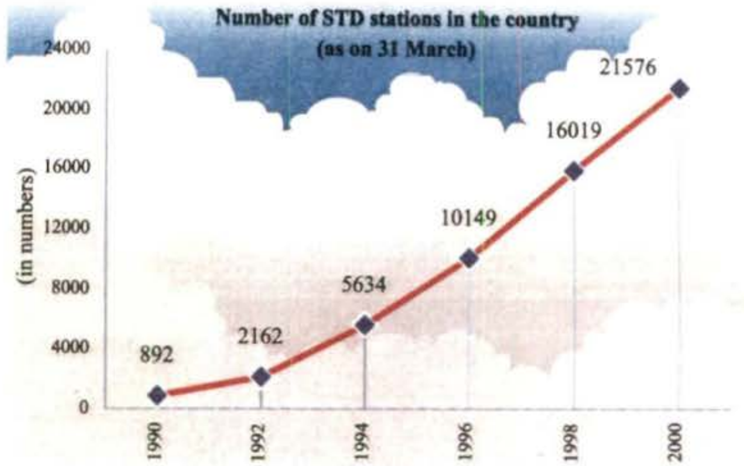
1.3 Telecom network and growth

The department had a network of 27909 telephone exchanges with 265.11 lakh telephone connections and 369 trunk automatic exchanges at the end of March 2000. Under Transmission system, DoT had an aggregate of 3.71 lakh route km of coaxial cables, microwave, UHF/VHF, optical fibre cable system and 444 fixed satellite earth stations. There were a total of 6.49 lakh public telephones in the country. The international subscriber dialing facilities were available to 237 countries. There were 63 stations having Integrated Services Digital Network (ISDN).

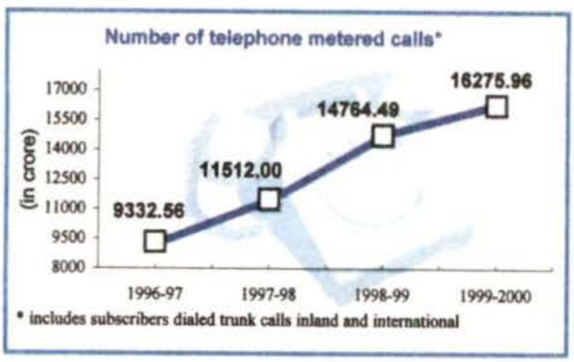
The local network in the country registered a phenomenal growth during last decade as depicted in the chart. There was a significant growth in the number of working connections in the country during the last five years. The total number of working connections more than doubled from 119.78 lakh in March 1996 to 265.11 lakh in March 2000, registering a growth of 24 *per cent per annum*.

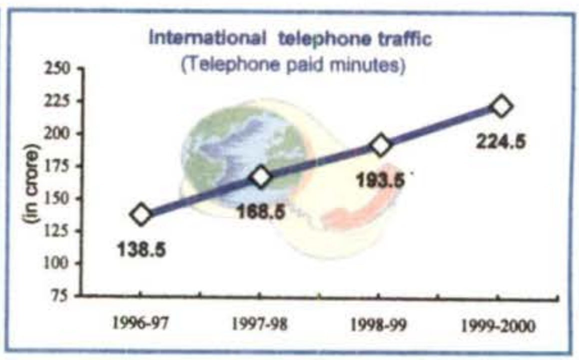


Fast expansion in the STD network during the nineties is another striking feature of the telecom growth in the country. The number of cities and towns connected to STD network as of March 2000 was 21576 as compared to just 10149 stations in March 1996. The number of stations with Internet routers also increased from 33 in 1998-99 to 56 in 1999-2000 with 71989 customers.



Due to expansion in telecom network, domestic and international traffic increased considerably as shown in the chart below:





The number of metered calls per direct exchange line (DEL) also increased from 6546 per connection in 1995-96 to 7078 per connection in 1999-2000. More number of metered calls per DEL is an important development indicating increased utilisation of telephone facilities by public.

Due to rapid expansion of STD/ISD network, installation of a large number of STD/ISD public call offices and introduction of facsimile services the telex and trunk call traffic have registered sharp decline during recent years. The number of effective trunk calls dropped from 7.64 crore during the year 1995-96 to 3.78 crore during 1999-2000. Telex became a completely outdated service. The department should keep in view these traffic trends while planning for procurement of equipment and material required for these services.

1.4 Manpower

DoT had a total manpower of 421360 as on 31 March 2000 (including MTNL) consisting of 13.73 *per cent* Group 'A' and Group 'B', 85.14 *per cent* Group 'C' and Group 'D' and 1.13 *per cent* of industrial workers.

Due to vast expansion of telecom network in the country during the last decade, there was a tremendous expansion in the cadres of Group 'A' and Group 'B' services in DoT.

The strength of Group 'A' and Group 'B' services just doubled between 1999 and 2000 reportedly due to categorisation of Junior Telecom Officers as Group 'B' and relaxation of period for promotion of Junior Accounts Officers (Group 'C') to Assistant Accounts Officers (Group 'B'). There was no corresponding increase in Group 'C' and Group 'D' cadres as the phenomenal growth in the network was achieved through technological upgradation and digitalisation of network. The total number of staff employed in various categories during 1996-2000 is given in the table below:

Table 1.4 Manpower

As on 31 March	Group 'A' and 'B'	Group 'C' and 'D'	Industrial Workers	Total Manpower
1996	28295	387768	4995	421058
1997	29280	394233	5322	428835
1998	29395	390737	5171	425303
1999	29878	389191	4938	424007
2000	57861	358741	4758	421360

1.5 Revenue receipts

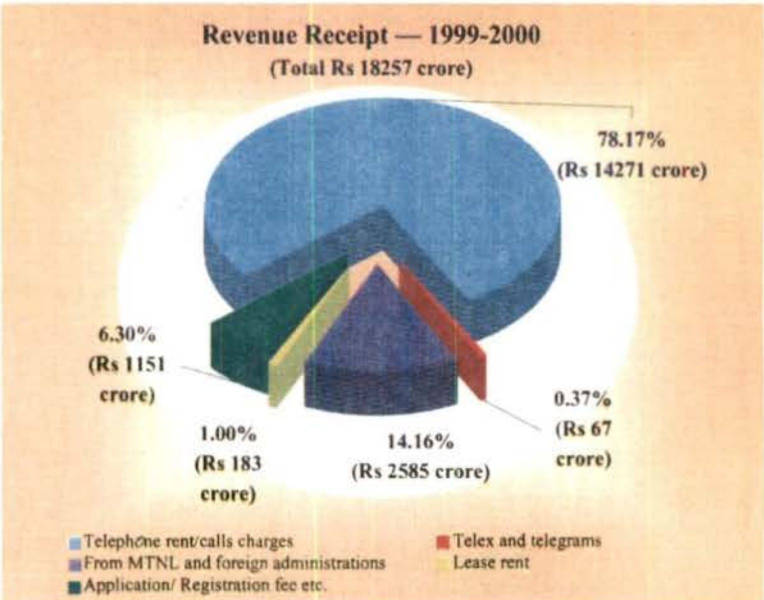
While overall revenue had recorded a substantial growth in four years and has gone up by 49 *per cent* during the period 1996-2000 due to expansion in the telephone network, the revenue from services like telex, telegram and rent from wires and instruments leased to railways, canals and others etc., is on the decline due to fall in traffic of these services. The trends in revenue receipts under various services during the last four years are given in the table 1.5(i) and the chart.

Table 1.5(i) Trend in revenue receipts

(Rs in crore)

Particulars	1996-97	1997-98	1998-99	1999-2000
Telephone rentals and call charges	9263	11782	13384	14271
Telex rental and call charges	32	42	30	8
Telegram receipts	66	60	71	59
Rent from wires and instruments leased to railways, canals and others etc.	264	235	199	183
Receipts from MTNL	1212	1391	1575	1234
Receipts from other telephone/ telegraph administrations	1743	1912	1560	1372
Less payments to other telephone/ telegraph administrations	(-)1405	(-)2272	(-)7	(-)21
Other receipts including application/ registration fee for new services	1091	1437	932	1151*
Total	**12266**	**14587**	**17744**	**18257**

* *This figure according to Appropriation Accounts 1999-2000 was Rs 1151.09 crore, whereas in reply to test audit memo No. 3 dated 7 July 2000, the department had intimated it as Rs 1130.40 crore.*



Rental and call charges from telephones are the major sources of revenue for the department and accounted for 78.17 *per cent* of the total revenue receipts during 1999-2000.

An analysis of the rate of increase in telephone connections for the four years 1996-2000 vis-à-vis the rate of increase in telephone rental and call charges during the same period revealed that the revenue did not increase in the same proportion as growth in infrastructure, as shown in table 1.5(ii).

Table 1.5 (ii) -Comparative growth in infrastructure and telephone revenue

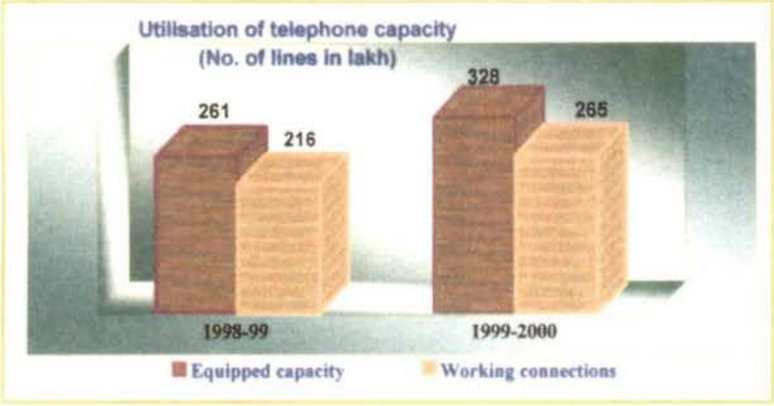
Year	DELs as on 31 March (in lakh)	% increase over the previous year	Rental and Call charges (Rs in crore)	% increase over the previous year	Revenue realised per connection (Rs)
1996-1997	145.43	21.41	9263	20.69	6369
1997-1998	178.02	22.41	11782	27.19	6618
1998-1999	215.94	21.30	13384	13.60	6198
1999-2000	265.11	22.77	14271	6.63	5383

Thus, revenue realised per telephone connection showed a declining trend from Rs 6618 in 1997-98 to Rs 5383 in 1999-2000, despite upward revision of tariff[*].

Ministry may investigate the reasons for such a trend from the view point of leakage of revenue and take appropriate remedial action.

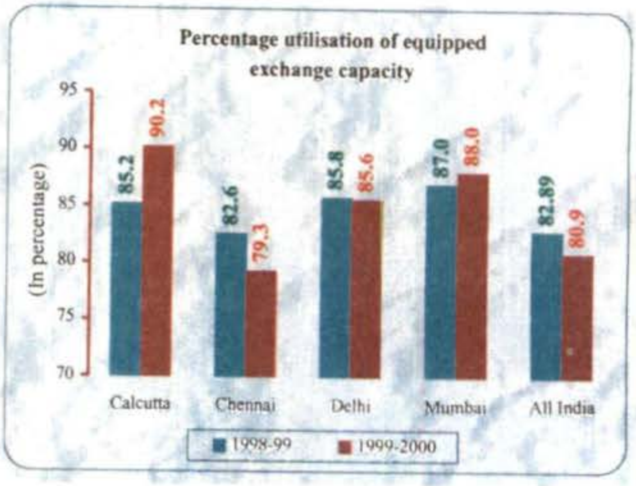
1.6 Capacity utilisation

The average capacity utilisation in the telephone exchanges in the country was about 80.9 *per cent* during 1999-2000 falling within the norm of 80 to 90 *per cent* prescribed by DoT in November 1992. The capacity of telephone exchanges (all India) including the four metropolitan cities, of which two are covered directly by the department and the rest by MTNL and its utilisation at the end of the last two years were as given in the charts.



[*] tariff was revised upwards in February 1997, April 1997, March 1999 and April 1999.

Amongst the metros, Calcutta had the highest capacity utilisation with 90.2 *per cent*. In telecom circles, Andhra Pradesh and Gujarat topped in capacity utilisation of equipped capacity of the telephone exchanges with 86.2 and 83.6 *per cent*, respectively. The percentage utilisation of capacity of telecom circles below DoT's minimum norm of 80 *per cent* were noticed in 15 circles as shown in Appendix-I. Thus, the capacity of 5.29 lakh lines worked out on the basis of minimum norm of 80 *per cent* loading level as shown in Appendix-I, remained unutilised in these 15 circles during 1999-2000. This resulted in loss of potential revenue of Rs 284.76 crore.

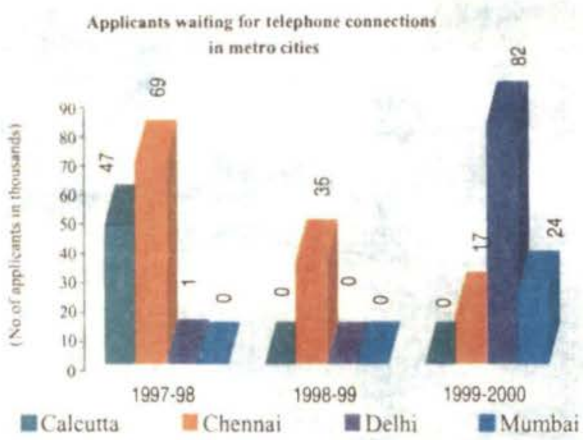


1.7 Waiting list

As many as 36.81 lakh applicants were waiting for new telephone connections in the country as of March 2000, as compared to 19.83 lakh applicants in March 1999. The circle-wise detailed position of spare capacity and waiting list is shown in the Appendix-II.

Amongst the telecom circles, Kerala had the highest waiting list of 6.47 lakh applicants as on 31 March 2000, followed by Tamil Nadu (5.99 lakh), Andhra Pradesh (3.77 lakh), Karnataka (3.32 lakh), Maharashtra (2.63 lakh), Gujarat (2.32 lakh), Uttar Pradesh (East)(2.01 lakh), Punjab (1.77 lakh) and West Bengal (1.58 lakh). The country as a whole had a spare capacity of 62.56 lakh lines against the waiting list of 36.81 lakh applicants. The department should take prompt action to reduce the large waiting list by providing the facilities. Delay in provision of telephone connections to such a large number of applicants despite availability of spare capacity, apart from inconvenience to waiting applicants was causing loss of estimated potential revenue of Rs 1769.93 crore *per annum* to the department as shown in Appendix-II. The planning for expansion of network and upgradation of exchange capacity should be done in a more optimal and proficient manner to minimise waiting list and avoid unnecessary creation of spare capacity at certain places.

The position of wait listed applicants in four metro cities as per information supplied by the department is depicted in the chart below:



In the Report No. 6 of 2000 of the Comptroller and Auditor General of India, a comment was made that on the basis of work orders for provision of telephones, the department deleted names of waiting applicants from the waiting list without first ensuring that the telephone connections had actually been provided to the concerned applicants. This gave a misleading picture of the number of applicants and was adopted to show higher achievement of target as the work orders were not implemented for months. In their ATN to the comments made in the report, the Ministry in June 2000 did not give any reasons for the same. But in the subsequent year i.e. 1999-2000 they had again showed only 1.23 lakh subscribers in the waiting list.

1.8 Physical and Financial Performance

The physical and the financial performance of the department during the IX Five Year Plan period (1997-2002), as assessed on the basis of information supplied by the department is given below:

1.8.1 Physical performance

The targets for expansion of telecommunication facilities during IX Five Year Plan (1997-2002) vis-à-vis the achievements in respect of switching capacity, direct exchange lines, trunk auto exchanges, village public telephones and various transmission media such as microwave, UHF, OFC etc., during 1999-2000 are given in table 1.8.1.

Table 1.8.1 Target and Achievements in development plans

Item	Target for IX Five Year Plan 1997-2002	Revised Targets 1999-2000	Achievements 1999-2000	Excess(+) Shortfall(-)
Switching capacity (lakh lines)	230	53	63	(+)10
Direct Exchange Lines (lakh lines)	185	41	45	(+) 4
Trunk auto-exchanges (TAX) ('000 lines)	1800	400	403	(+) 3
Village Public Telephones (in numbers)	239155	45000	33965	(-) 11035
Microwave/UHF systems (route km)	90000	15000	19881	(+)4881
Optical fibre systems (route km)	140000	60000	63265	(+) 3265
Satellite earth stations (in numbers)	Nil	200	125	(-)75

The department did well and achieved annual targets for providing telephone connections during 1999-2000. However, the performance with regard to the number of village public telephones and to a lesser degree in case of satellite earth stations fell short of the targets.

1.8.2 Allotment and expenditure

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

Table 1.8.2 Capital outlays (Plan) and actual expenditure

(Rs in crore)

Item	Original outlay for IX Five Year Plan 1997-2002	Capital outlays (Plan) 1999-2000	Actual expenditure 1999-2000	Excess(+)/ Unspent amount (-)	
				Amount	Percentage
Local telephone systems (Switching capacity and direct exchange lines)	52205.60	10032.02	9967.48	(-) 64.54	0.64
Long distance switching systems (TAX capacity lines)	940.40	346.00	155.04	(-) 190.96	55.19
Long distance transmission systems (a) Coaxial cable, microwave system, optical fibre and UHF system	12688.00	1471.00	1990.01	(+) 519.01	35.28
(b) INSAT and INTELSAT (Satellite earth stations)	1040.00	100.00	38.27	(-) 61.73	61.73
Telegraphs	150.00	22.50	16.64	(-) 5.86	26.04
Other land and buildings	2387.00	245.50	246.52	(+) 1.02	0.41
Ancillary systems	767.00	283.00	118.31	(-) 164.69	58.19
Total	**70178.00**	**12500.02**	**12532.27**	**(+) 32.25**	**(+) 0.26**

During the third year of IX Five Year Plan, DoT could not utilise Rs 487.78 crore against the plan allotment in respect of local telephone systems, long distance switching systems, telegraphs, INSAT and ancillary systems but exceeded the plan outlay by Rs 520.03 crore in respect of items like Long distance transmission systems (a) Coaxial cable, microwave system, etc., and Other land and buildings.

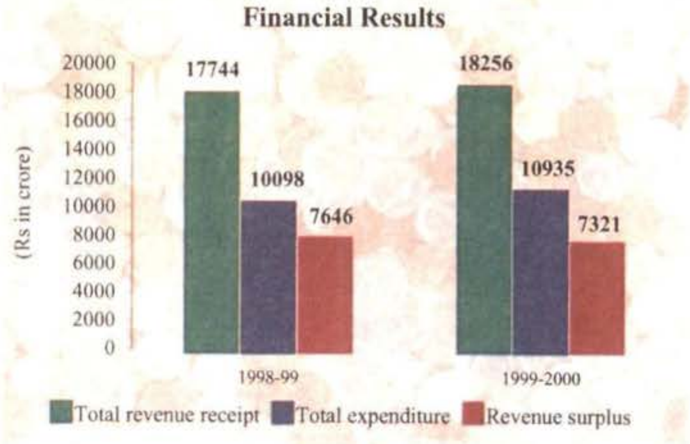
1.9 Financial results

Financial results of the department during 1999-2000 are given in table 1.9.

Table 1.9 Financial results

(Rs in crore)

	1999-2000		
	Budget estimates	**Revised budget estimates**	**Actuals**
1. Revenue receipts	19788.20	17706.35	18256.70
2. Gross Working Expenses			
(i) Administrative, Operative and maintenance etc.	6748.02	6560.03	6173.97
(ii) Depreciation	2632.15	2571.47	2571.47
(iii) Redemption of Bonds	2401.70	3343.94	3343.97
Total Working Expenses	11781.87	12475.44	12089.41
Deduct-Recoveries	1125.00	1313.00	1326.46
3. Net Working Expenses	10656.87	11162.44	10762.95
4. Transferred as dividend to General Revenues	291.11	179.51	172.47
5. Total Expenditure	10947.98	11341.95	10935.42
6. Surplus (1-5)	8840.22	6364.40	7321.28



The surplus of revenue over working expenses decreased from Rs 7646 crore in 1998-99 to Rs 7321 crore during 1999-2000 resulting in decline of 4.25 *per cent*. The operating ratio i.e. the ratio of net working expenses excluding expenditure on redemption of bonds to the revenue earned excluding receipts from application/registration fee increased marginally from 43.34 *per cent* in 1997-98 to 43.37 *per cent* in 1999-2000. Increase in operating ratio was due to increase in working expenses during 1999-2000 as compared to the previous year.

1.10 Suspense Balances

The Finance Accounts for the year ended 31 March 2000 showed a net debit balance of Rs 1563.57 crore under Major Head 8662-Suspense Account. The debit balances shown under the following minor heads had gone up significantly over a period of time as shown below :

Table 1.10 Pending Suspense Balances

(Rs in thousand)

Minor Head of Account	Balances under Suspense Head			Net increase during the last three years	Percentage increase over the last three years
	1997-1998	1998-1999	1999-2000		
102 – AG Suspense	102051 (Dr)	18761 (Dr)	147753 (Dr)	45702	44.78
137 – Accounts with Postal Accounts	265114 (Dr)	637464 (Dr)	1164390 (Dr)	899276	339.20
140 – Misc. Suspense	16994227 (Dr)	16679351 (Dr)	17295099 (Dr)	300872	1.77

Persistence of such large amounts lying uncleared under Suspense Heads indicates poor monitoring in the operation and clearance of the balances under these sub-heads of account. In their ATN in response to a similar point in Audit Report No. 6 of 2000, the Ministry stated in September 2000 that payments of the claims raised against Railways and canals for rent of wires and circuits leased to them were not received immediately, and sometimes not for long periods due to disputes between the departments; the amount thus remained in Suspense. The department further stated that their efforts were on to liquidate these balances. However, the position shown above revealed that these balances under the above suspense heads continued to increase. The department should devise a time frame to clear these balances at an early date.

1.11 Adverse Balances under Debt and Deposit heads

A comment was made in Audit Report No. 6 of 2000 regarding the existence of adverse balances under Debt and Deposit heads of the Finance Accounts of the Department for the year ended 31 March 1999. It was recommended to initiate action to clear them and intimate the Audit the progress made thereof.

A scrutiny of the Finance Accounts for the year 1999-2000 and their age-wise analysis revealed that these adverse balances under the following heads of accounts continued to persist as shown below:

Table 1.11 Persistence of Adverse Balances

(Rs in thousand)

Sl. No.	Head of Account	Adverse / Debit Balances		
		1997-98	1998-99	1999-2000
1.	8005-State Provident Fund 60-Other Provident Fund 101-Workmen's Contributory Provident Fund	2254 (Dr)	2254 (Dr)	2254 (Dr)
2.	8005-State Provident Fund 60-Other Provident Fund 102-Contributory Provident Pension Fund	670 (Dr)	670 (Dr)	670 (Dr)
3.	8235-(a) Reserve Fund bearing interest 113-National Renewal Fund	381000 (Dr)	532400 (Dr)	532400 (Dr)
4.	8342-Other Deposits 101-National Defence Fund	16 (Dr)	16 (Dr)	16 (Dr)

The Ministry in their ATN while agreeing to the audit observation stated in September 2000 that the balances under 101-Workmen's Contributory Provident Fund were transferred by the Postal department while transferring the balances up to 1984-85 to telecom department on separation of accounts of the two departments. Similarly, balances under 102-Contributory Provident Pension Fund pertained to the year 1984-85. The reply further stated that year-wise balances were identified from 1972-73 onwards and the concerned units/circles were being identified to wipe-out the debit balances at the earliest. However, the position shown above revealed that the balances were still pending for settlement. The adverse balances under various Debt, Deposit and Remittance heads appearing in Union Government Finance Accounts have been drawing the attention of the Public Accounts Committee. The continued existence of such uncleared balances not only gives a distorted picture of the accounts, but also indicates insufficient monitoring by the department in clearing them. In order to check this, it is imperative that each case be scrutinised in depth and urgent action taken to liquidate the same.

CHAPTER 2
APPROPRIATION ACCOUNTS

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

2.2 Budget grant and expenditure

A summary of Appropriation Accounts (Telecommunications Services) presenting the accounts of sums expended during the year 1999-2000, compared with the sums authorised in the schedules appended to the Appropriation Act, 1999 passed under Articles 114 and 115 of the Constitution of India, is given in the table below:

Table 2.2 Appropriation and expenditure

(Rs in crore)

Section	Original Grant	Supplementary Grant	Total Appropriation	Actual Expenditure	Excess (+) Saving (-)
REVENUE					
Voted	21062.01	0.01	21062.02	19742.53	(-)1319.49
Charged	0.05	0	0.05	0	(-)0.05
CAPITAL					
Voted	12729.99	0.02	12730.01	12516.01	(-)214.00
Charged	0.01	0	0.01	0	(-)0.01
Total	**33792.06**	**0.03**	**33792.09**	**32258.54**	**(-)1533.55**

Net saving of Rs 1533.55 crore

There was a net saving of Rs 1533.55 crore during the year 1999-2000, which constituted a saving of Rs 1319.54 crore under the Revenue section and saving of Rs 214.01 crore as unspent amount under the Capital section.

2.3 Appropriation Audit

2.3.1 Savings in Grants/Appropriation

Savings in the grants or appropriation indicate that the expenditure could not be incurred as estimated and planned. It is suggestive of inaccurate budgeting or inadequate performance.

Savings of Rs 214 crore in Capital (voted) section require an explanatory note to the PAC

In the Capital (voted) section, the department registered a saving of Rs 214.00 crore on account of following reasons as stated in the Appropriation Accounts.

Table 2.3.1 Savings in Grant

Grant No. 15	Savings (Rs in crore)	Reasons for savings as stated by the department
Capital (voted)	214.00	Short fall due to delay in computerisation of SPMS equipment, less procurement of apparatus and plants, cables, line and wires, less receipt of apparatus and plant for village public telephones, delay in finalisation of land acquisition and completion of building works.
Revenue (voted)	1319.49	Due to overestimation under salaries, wages, office expenses, rent, rate and taxes and over time allowance.

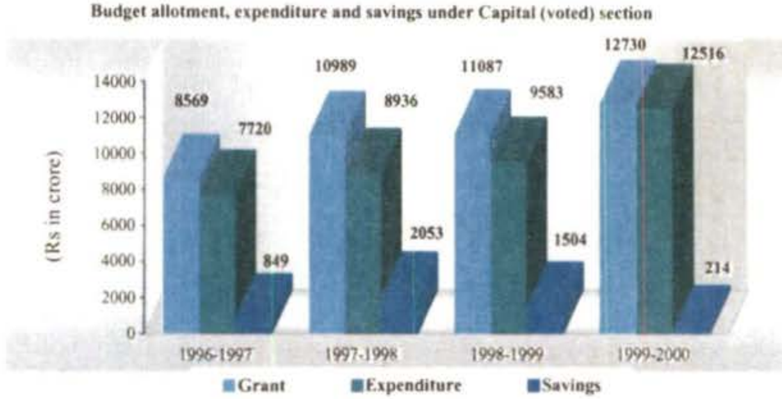
The saving of Rs 214.00 crore constituted 1.7 *per cent* of the sanctioned provision in the Capital (voted) section of the grant. Out of this, saving of Rs 190.96 crore was under Major Head 5225-BB-3—Long Distance Switching Systems alone. The reasons given indicate that the requirement of funds was not assessed with sufficient care. Similarly, heavy savings of Rs 1319.49 crore under Revenue (voted) section owing to over estimation under salaries, wages, etc., as stated above indicated the need for greater care in the budget exercise.

The above savings being more than Rs 100 crore would require an explanatory note to the Public Accounts Committee (PAC) in terms of the recommendations contained in the 60th Report of the Committee presented to tenth Lok Sabha in February 1994.

It is pertinent to mention here that a comment was made in Audit Report No. 6 of 2000 of the Comptroller and Auditor General of India regarding consistent surrender of funds over a period of time under the head "Long Distance Transmission System". The Ministry in their ATN, in September 2000 stated that the department, as a result of a review of progress in expenditure and procurement of equipment taken up during 1998-99, had scaled down the requirement under this head from Rs 2602 crore in 1998-99 to Rs 1600 crore in 1999-2000. Audit, however, observed that although the requirement was scaled down to Rs 1571.00 crore in the budget estimate for 1999-2000, the actual expenditure during the year was Rs 2028.28 crore and there was an excess of Rs 457.28 crore under this head in the appropriation accounts.

2.3.2 Persistent Savings under Capital (voted) section

The position of budget allotment, expenditure and savings under Capital (voted) section during the last four years was as under;



The Ministry in their ATN in response to an Audit comment made in Report No. 6 of 1999 of the Comptroller and Auditor General of India, regarding savings under this section stated in February 2000 that the savings were due to fall in prices of certain telecom equipment. However, in the subsequent year i.e. 1998-99 also, there were savings of Rs 1503.99 crore under this section. The Ministry in August 2000 in their ATN in response to Audit comments made in Report No. 6 of 2000 of the Comptroller and Auditor General of India, while not specifying any valid reasons, assured to enforce rules, procedures and policy guidelines strictly to ensure that the sanctioned grant was effectively and fully utilised. Audit noted, however, that savings under sub-heads BB-3 Long distance switching systems and BB-5 Ancillary systems of Capital section, in particular were becoming a general feature as shown below:

Table 2.3.2 Savings under sub-heads BB-3 and BB-5 of Capital (voted) section

(Rs in crore)

Section	System	1997-1998	1998-1999	1999-2000
BB-3	Long distance switching systems	129.08	171.34	190.96
BB-5	Ancillary systems	43.49	70.41	164.69

The amount shown as savings under these heads as compared to the total amount shown as savings under the Capital (voted) section was offset by excess under other sub-heads.

The Public Accounts Committee in its second Report submitted to the twelfth Lok Sabha in December 1998 on Appropriation Accounts of Department of Telecommunications for the year 1996-97 expressed concern over large-scale savings under Capital section of the grant relating to this vital infrastructure area of telecommunications. The Committee recommended that the shortcomings persisting in the contract management be looked into thoroughly and appropriate action taken not only to ensure timely procurement of items but also to deal effectively with the cases of defaults by the suppliers. The Committee also suggested that a comprehensive review of the expenditure estimates prepared under various heads in the Capital section of the grant during preceding three years be undertaken by the department with a view to rectifying and improving the existing system of assessing the requirement of funds for capital acquisitions.

The department did not seem to have given serious consideration to the recommendations of the Public Accounts Committee for improving the procurement procedure of goods and the system of preparing expenditure estimates; the department continued to advance the same routine reasons for the savings viz., less procurement of apparatus and plants, cables, lines and wires, less receipt of apparatus and plants for village public telephones etc.

2.3.3 Surrender of Savings

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

Against the total unspent amount of Rs 1533.55 crore, the department surrendered only Rs 1285.49 crore on 28 March 2000 leaving a balance of Rs 248.06 crore, thus violating General Financial Rule 69. It would appear that, the department was not aware of the final requirement of funds even at the close of the financial year.

In view of the above there is an immediate need for the department to improve their accounting information system as desired by the PAC in their report number Ten (Thirteenth Lok Sabha).

2.3.4 Injudicious re-appropriation

There were 12 cases of injudicious re-appropriation of funds

In six cases, re-appropriation aggregating Rs 10.51 crore as shown in Appendix - III was injudicious, because the original provision under the sub-heads to which these funds were transferred by re-appropriation was more than adequate. The savings under these sub-heads were more than the amounts re-appropriated to these sub-heads.

In six sub-heads, from which amounts aggregating Rs 59.90 crore as shown in Appendix – IV were transferred to other heads, the re-appropriation was injudicious because the actual expenditure either exceeded the original provision before such re-appropriation or the final expenditure exceeded the reduced provision after re-appropriation from these sub-heads.

2.3.5 Recoveries in reduction of expenditure

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

In the Revenue and Capital sections, against the estimated recoveries of Rs 1230.00 crore and Rs 12730.00 crore, the actual recoveries were Rs 1452.44 crore and Rs 12516.01 crore, respectively. More recoveries in the Revenue section and less recoveries in the Capital section had the effect of reducing the expenditure by Rs 222.44 crore under Revenue and increasing the expenditure by Rs 213.99 crore under Capital section and decreasing the overall savings to that extent.

CHAPTER 3
REVENUE

3 Non-levy of royalty and licence fee of Rs 24.81 crore on wireless users

Wireless Planning Co-ordination wing of Ministry of Communications unduly favoured wireless users including VSNL who were unauthorisedly operating wireless frequencies, by not realising revenue totaling Rs 24.81 crore for periods ranging from one to 18 years. No action as provided in the Indian Telegraph Act was taken.

Government has exclusive privilege in respect of telegraphs and grant of licence

Establishing, maintaining or working unauthorised telegraph is punishable

The Indian Telegraph Act 1885 provides that the Central Government may grant a licence to any person on payment of royalty and licence fee at prescribed rates to Wireless Planning Co-ordination (WPC) wing of the Ministry of Communications (MoC) for establishing, maintaining and working wireless stations within any part of India. The Act also provides that any person who establishes, maintains or works a telegraph within India in contravention of the provisions of the Act or otherwise than as permitted by rules is punishable under the Act.

Test check of records in WPC wing of the MoC in January 2000 revealed the following irregularities:

28 *per cent* of the operators were unauthorised

Revenue of Rs 13.29 crore not billed for one to 18 years

a) Out of 6435 wireless users in the country as of January 2000, 1801 users (28 *per cent*) were unauthorisedly operating wireless frequencies, without renewal of their licences. WPC wing not only failed to take appropriate action against them, but also failed to raise bills for realisation of royalty and licence fee amounting to Rs 13.29 crore for periods ranging from one to 18 years. The non-billed amount against the wireless users varied between Rs 280 and Rs 1.03 crore. After this was pointed out by Audit, Rs 49.00 lakh were realised by September 2000.

Unauthorised operation of wireless station by VSNL and non-billing of revenue of Rs 11.52 crore

b) On a demand received from Videsh Sanchar Nigam Limited (VSNL) Mumbai, WPC wing of MoC conveyed its "agreement in principle" to grant licence for establishing wireless telegraph stations to VSNL in March 1996, but no valid licence was seen on record. Thus, VSNL was unauthorisdely operating wireless telegraph stations since March 1996. Failure of WPC wing to check unauthorised operation of the service and raise bills resulted in non-realisation of royalty and licence fee from VSNL amounting to Rs 11.52 crore for the period from March 1996 to March 2000.

Thus, WPC wing of MoC not only failed to realise revenue of Rs 24.81 crore on account of royalty and licence fee due from the unauthorised users but also took no action as provided in the Indian Telegraph Act.

Penal action not taken ostensibly due to lack of appropriate provisions under the Act

The Ministry stated in September 2000 that the request of VSNL for waiver of Royalty and Licence fee was not accepted and the dues were still recoverable. With regard to the dues of Rs 13.29 crore recoverable from other unauthorised users, the Ministry stated that there were no provisions under the Act for action against a person who had discontinued the wireless facility and hence not renewed his licence. The Ministry also stated that a departmental committee had recommended creation of an "Enforcement Group" and efforts were being taken to identify licensees presently using wireless facility and realise the WPC fees.

Fact remained that the department had suffered a revenue loss of Rs 24.81 crore owing to inaction to identify the unauthorised users, collect dues and cancel their licenses and to secure suitable amendments in the Act since the law was found wanting.

4 Non-recovery of dues amounting to Rs 2.52 crore from Department of Electronics for Educational and Research Network (ERNET)

Department of Electronics operated terrestrial leased lines and Very Small Aperture Terminal (VSAT) network for their networks for eight years without a licence from DoT in contravention of Indian Telegraph Act resulting in non-recovery of dues amounting to Rs 2.52 crore.

The Indian Telegraph Act 1885 provides that the Central Government shall have the exclusive privilege of establishing, maintaining and working telegraphs within India. The Central Government may also grant licence to any person on such conditions and in consideration of such payments as it thinks fit to establish, maintain or work a telegraph within any part of India.

DoE established a nation wide network without leasing lines from VSNL

The Department of Electronics (DoE) established ERNET, as a nation wide academic and research network in 1986 for use by various institutions for computer networking. It also had connectivity to certain other commercial and non-commercial organisations in India and abroad, without leasing the international links from VSNL, which was the sole organisation to provide and monitor international connectivities.

Tariff for leased lines and VSAT network

DoE also hired leased circuits on point to point basis and connected them in network mode. Even Public Switched Telephone Network (PSTN) lines were terminated on this network. In 1994, ERNET started establishing VSAT network with hub at Bangalore without licence from DoT. In terms of extant orders for operation of a terrestrial network, the tariff was to be charged at double the rates for leased lines plus licence fee as applicable to e-mail provider i.e. Rs 25 lakh *per annum* for the first two years, Rs 35 lakh *per annum* for the next two years and Rs 50 lakh *per annum* from the fifth year onwards. For the VSAT network, the licence fee was the same as value added service network at the rate of Rs 0.5 lakh per VSAT with a minimum of Rs 1 crore for the first two years and Rs 1.5 crore per year from the third year onwards.

Audit pointed out unauthorised operation of the networks

During audit of the records of Chief General Manager (CGM), Northern Telecom Region, New Delhi in June 1999, it was noticed that the ERNET terrestrial leased lines as well as the ERNET VSAT networks were in operation by DoE since 1986 and 1994, respectively, without any licence from DoT, in contravention of the Indian Telegraph Act. It was also noticed that though the department in 1994 knew the fact of unauthorised operation of network, it took no action for five years and entered into a licence agreement in March 1999, with concessional rates of tariff for these networks.

Department issued bills after being pointed out by Audit

When this was pointed out by Audit in June 1999, DoT issued bills for Rs 1.75 crore for the period from April 1987 to March 2000 in respect of terrestrial leased lines and for Rs 0.77 crore for VSAT network for the period from September 1994 to July 1999 to ERNET India, DoE in June and August 1999, respectively.

The Ministry stated in March 2000 that CGM, Maintenance Northern Telecom Region, who was the billing and controlling authority for ERNET terrestrial and VSAT network was in the process of realising the dues, but the recovery particulars were awaited as of January 2001.

5 Non-realisation of Service Tax

Failure of DoT in levying Service tax on telecommunication services resulted in non-recovery of Service tax of Rs 1.18 crore in six Secondary Switching Areas (SSAs) test checked in five circles.

Ministry of Finance levied five *per cent* Service tax on telecommunication services

Ministry of Finance imposed a Service tax of five *per cent* on the total charges claimed in telephone bills with effect from 1 July 1994 on services provided to subscribers by the Telegraph Authority in relation to telephone connections. The Department of Telecommunications (DoT) replied positive to a query made by CGM Madhya Pradesh in April 1996 whether telephone circuits, non-exchange lines, private wires, Private branch exchange (PBX) and Private Automatic Branch exchange (PABX) used for transmission of speech would come within the purview of the subject.

Six SSAs failed to charge Service tax of Rs 1.18 crore

Test check of records by Audit in six Secondary Switching Areas (SSAs) of five circles during June and September 1999 disclosed that Service tax was not charged on Speech circuits, UHF links, Long Distance Satellite Telephone (LDST) and Underground cables etc., by the SSAs resulting in non-recovery of Service tax to the tune of Rs 1.18 crore during July 1994 to September 2000 as shown in table 5.

Table 5 Non-realisation of Service tax

Circle	SSA test checked	Period of non-recovery	Service tax not recovered (Rs in lakh)
Bihar	Jamshedpur	July 1994 to September 2000	7.58
Delhi	Northern Telecom Region	July 1994 to May 2000	37.16
Kerala	Palakkad	July 1994 to April 1999	3.67
	Trivandrum	July 1994 to April 1999	28.42
Punjab	Ludhiana	July 1994 to July 1998	12.07
Uttar Pradesh	Allahabad	July 1994 to December 1998	28.84
Total			**117.74**

Rs 37.72 lakh recovered at the instance of Audit

When this was pointed out by Audit, an aggregate amount of Rs 37.72 lakh was recovered by GMsT, Jamshedpur, Palakkad, Trivandrum, Ludhiana and Allahabad upto December 2000. The details of recovery in respect of Northern Telecom Region Delhi were awaited.

The matter was referred to the Ministry between August-October 2000; their reply was awaited as of January 2001.

6 Non-realisation of additional security deposits from STD/PCO operators

Failure to review Subscriber Trunk Dialing (STD)/Public Call Office (PCO) franchisees' security deposits resulted in non-realisation of Rs 4.95 crore.

Departmental rules provide that an amount of Rs 5000 in case of urban STD/PCO operators and Rs 600 in case of rural STD/PCO operators or their respective monthly revenue averaged over a period of six months, whichever is higher, is to be given by franchisees as 'security deposit' in cash or in the form of bank guarantee. The security deposit amount was also to be reviewed every year.

Non-review of security deposits payable led to short realisation of Rs 4.95 crore

Scrutiny of records of 28 telecom units in eight telecom circles during July 1998 to May 2000 revealed that the department neither conducted the review of security deposit of STD/PCO holders nor revised the deposit payable with increase in the revenue of the STD/PCO operators. This led to short realisation of security deposits amounting to Rs 4.95 crore detailed in Appendix - V.

When this was pointed out by Audit in July 1998 to May 2000, the department realised Rs 1.14 crore. Recovery particulars of the balance amount were awaited as of January 2001.

The matter was referred to the Ministry between June and October 2000. Ministry in their reply received in September 2000 in respect of Maharashtra Telecom circle, while accepting the facts and figures, stated that a major portion of the revenue due had been recovered and their efforts were on to recover the balance amount. Replies in respect of other circles were awaited as of January 2001.

7 Short billing of Advance rental

Department failed to realise Rs 25.40 lakh as advance rentals in Guntur Telecom District due to non-application of correct rate of rental.

Departmental rules stipulate that, on provision of new telephone connection to Non-Own Your Telephone (Non-OYT) subscribers in measured rate exchanges, the installation charges, local call charges, bimonthly rent and one year advance rental should be collected/recovered in the first bill issued to these subscribers. These rules also provide that 'registration fee/charges' collected from prospective Non-OYT subscribers at the time of registration for new telephone connection should be treated as 'one year advance rental' required to be collected, with the balance amount to be either refunded or collected, as the case may be, in the first bill issued by the department.

In connection with a 'special festival offer', DoT issued instructions during October 1999 to collect registration charges at concessional rates of Rs 1000 in urban areas and Rs 500 in rural areas as against Rs 3000/2000 and Rs 1000, respectively.

Department failed to recover advance rental of Rs 25.40 lakh

A test check of records of Guntur Telecom District by Audit in June-July 2000 revealed that the department collected Rs 1000 towards registration charges during the currency of special drive from all the applicants of new telephone connections in Guntur Telecom District. As one year advance rental works out to Rs 1650 (Rs 275 is the bi-monthly rent applicable to Guntur Telecom District) balance amount of Rs 650 should have been collected from all the new Non-OYT subscribers in the first bill, after adjusting the registration fee of Rs 1000; this was not collected. This resulted in short recovery of advance rentals of Rs 25.40 lakh from 3907 subscribers for the period between October 1999 to September 2000.

The TDM in July 2000 attributed the lapse to lack of any provision for collecting the short fall of advance rental deposit in the package (DOTSOFT) introduced in the telecom district for telephone revenue billing. He assured, however, that he would issue the bills in the next billing cycle. The details of recovery were awaited as of October 2000.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

8 Leakage of revenue from Coin Collection Box Public Call Offices

Department collected and accounted for only Rs 9.81 lakh from 177 Coin Collection Box (CCB) type Public Call Offices (PCOs) as against Rs 20.81 lakh due on the basis of metered calls resulting in leakage of revenue of Rs 11.00 lakh.

According to the departmental rules, Public Call Offices (PCOs) are installed at convenient places for use by public for making local calls. Cash from the Coin Collection Boxes (CCBs) is collected by the departmental officers. Rules provide that the CCBs should be opened in the presence of a gazetted officer and all such CCBs should be checked periodically by sectional line staff/telephone inspectors etc., to ensure that there is no pilferage of revenue.

Cases of short collection of revenue from CCB PCOs were commented in Report No. 6 of the Comptroller and Auditor General of India (Post and Telecommunications) for the year ending March 1999. The Ministry in their ATN stated, *inter-alia*, that their efforts were on to replace these machines progressively with pre-payment type of CCBs developed by Telecom Factory.

Short collection of Rs 11.00 lakh from CCB PCOs

Test check by Audit, of records of 45 CCBs out of 57 and 59 out of 68 CCBs of General Manager Telecommunications (GMT) Belgaum and all the 73 CCB PCOs of Mysore in Karnataka Telecom Circle between August 1996 and July 1998, revealed that only Rs.9.81 lakh was collected from these CCBs as against the revenue of Rs 20.81 lakh, worked out on the basis of calls registered against these CCB PCOs during the period from February 1994 to March 1998. This led to pilferage of revenue to the tune of Rs.11.00 lakh which requires departmental investigation and fixing of responsibility for the loss.

Dropping of metal pieces reportedly the cause for short collection

When this was pointed out by Audit, GMT Mysore stated that short collections were due to dropping of metal pieces into CCBs and that the meter operated when the called party answered, even without dropping the coin. Subsequently, the Chief General Manager Telecommunications (CGMT) Karnataka Circle, Bangalore in March 2000 also stated that Telecom Factory Mumbai had designed a new CCB PCO instrument called CBT-95, which would take care of all the defects, and all the field units were directed to replace the existing CCB PCO by CBT-95 in a phased manner.

Fact, however, remains that pending introduction of the new machines as stated in ATN, the department continued to lose revenue. The instant case is one of them.

The matter was referred to the Ministry in May 2000; their reply was awaited as of January 2001.

9 Non/short recovery of revenue

9.1 Failure to demand and collect rent of Rs 8.09 crore

Failure of department to demand and collect rent for various telecom facilities led to non/short recovery of revenue of Rs 8.09 crore.

Non/short recovery of Rs 8.09 crore towards rent for telecom facilities

Test check in audit revealed non/ short realisation of rent of Rs 8.09 crore for the period from January 1989 to January 2001 for various telecom facilities in 31 cases in 16 telecom circles, as shown in Appendix-VI. These were mainly due to failure to issue bills, recover advance rental, fix rent and guarantee charges as per rules, bill inter-connection charges, non-revision of bi-monthly rent on redefining of short distance charging area (SDCA) and upgradation of exchanges, charging of low rent on capital cost basis instead of higher flat rate basis, non-recovery of minimum usage charges, etc.

After this was pointed out by Audit, the department recovered Rs 2.60 crore up to December 2000 leaving the balance amount to be recovered.

The matter was referred to the Ministry between May and October 2000. The Ministry in their reply received during July-September 2000 in respect of Gujarat, Kerala, Maharashtra and Uttar Pradesh circles, while confirming the facts and figures, stated that the entire amount due from the circles in question, except in case of Uttar Pradesh, was recovered. Replies in respect of other circles were awaited as of January 2001.

9.2 Bills issued at old lower tariff

Department short recovered rent of Rs 3.53 crore due to billing at old lower tariff.

Circles continued to issue bills at old lower tariff even after seven years of revision of tariff

Tariff for telecommunication services such as leased telecom services including rental charges for telephone connections beyond local area was revised with effect from November 1992. Cases of short recovery of rental due to non-application of revised tariff by Telephone Revenue Accounting (TRA) branch of the department were included in the Report of the Comptroller and Auditor General of India, Union Government (Post and Telecommunications) in the past. Even seven years after revision of rates, cases of issue of bills at the old lower tariff were still noticed in audit. Test check by Audit revealed short billing of Rs 3.53 crore during November 1992 to April 2000 in ten telecom circles in 17 cases as shown in Appendix - VII.

When this was pointed out by Audit, the department recovered Rs 98.71 lakh. Recovery particulars of the balance amount were awaited as of December 2000.

The matter was referred to the Ministry between May and October 2000. The Ministry in their reply received during August-September 2000 in respect of Madhya Pradesh and Maharashtra Telecom circles while accepting the facts and figures stated that partial recovery had been effected and their efforts were on to realise the balance amount due. Replies in respect of other circles were awaited as of January 2001.

9.3 Non-receipt of advice notes

Department failed to realise Rs 2.20 crore due to non-receipt of completed advice notes in Telephone Revenue Accounting (TRA) branch.

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

Test check disclosed non/short billing of Rs 2.20 crore in six circles

Cases of delayed billing/non-billing due to non-receipt of advice notes by TRA branch were commented in the Reports of the Comptroller and Auditor General of India Union Government (Post and Telecommunications) in the past. Despite the department's assurance that no telephone facility would be released without issuing the advice notes, the deficiency persisted. Test check by Audit revealed non/short billing of Rs 2.20 crore during March 1991 to June 2000 in six telecommunications circles involving 14 cases as shown in Appendix - VIII

After this was pointed out by Audit, the department recovered Rs 1.00 crore. Recovery particulars of the balance amount were awaited as of December 2000.

The matter was referred to the Ministry between May and September 2000. The Ministry in their reply received in respect of Chennai Telephones and Maharashtra Telecom circle stated that the entire amount pointed out by Audit was recovered. The recovery details in respect of other circles were awaited as of January 2001.

9.4 Continuance of Telecommunication facilities despite non-payment of dues

Continuance of telephone facilities inspite of default of payment of bills resulted in accumulation of dues of Rs 1.26 crore

Departmental rules provide that a telephone bill is payable by the due date failing which the telephone connection is liable to be disconnected.

Scrutiny of records of four SSAs in Haryana, Punjab and Rajasthan Telecom circles revealed that the department continued to allow telephone facilities to various telephone subscribers during the period between August 1989 and February 1999 despite non-payment of bills by the due date. This resulted in accumulation of arrears of Rs 1.26 crore during January 1995 to February 1999 as detailed in Appendix-IX.

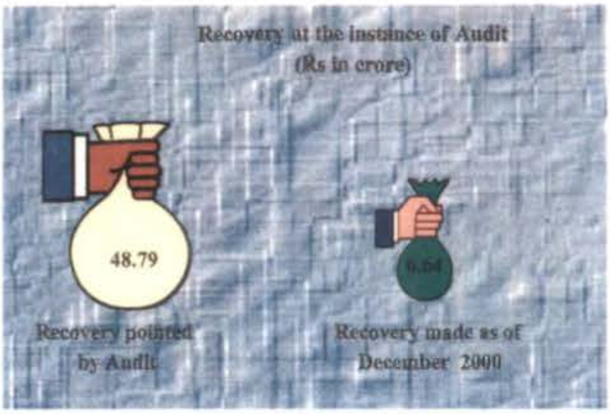
When this was pointed out by Audit, GMT Faridabad recovered Rs 3.54 lakh in February/March 1999. Recovery of balance amount and action taken for disconnection in other cases was awaited as of December 2000.

The matter was referred to the Ministry in September 2000; their reply was awaited as of January 2001.

10 Recovery at the instance of Audit

Out of Rs 48.79 crore outstanding against the subscribers due to short billing, non-recovery of revenue etc., pointed out by Audit, DoT recovered Rs 6.64 crore.

Test check in audit disclosed non/short billing in many cases aggregating to Rs 48.79 crore due to non-recovery of Wireless Planning Co-ordination fee, non-receipt of advice notes in TRA branch, issue of bills at old lower tariff, incorrect fixation of rent, non-recovery of service tax and non-realisation of security deposit etc., as brought out in paragraphs 3,4,5,6,7 and 9 of this chapter.



When this was pointed out by Audit, the department confirmed recovery of Rs 6.64 crore as of December 2000.

11 Revenue Arrears

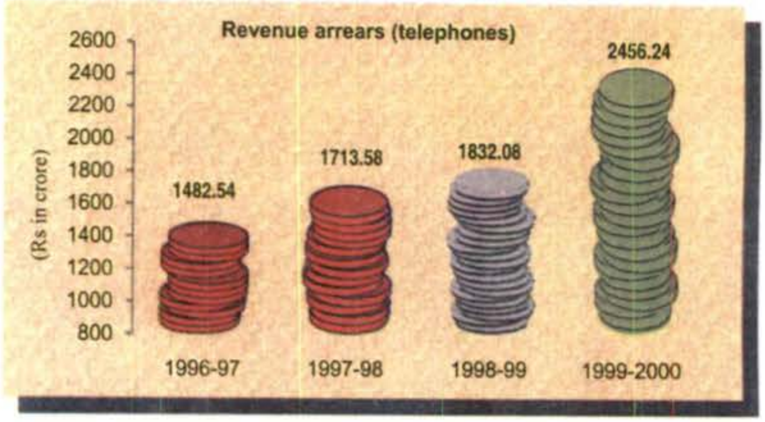
11.1 The position of demand raised, amount collected and arrears for telephone services for the four years ending March 2000 is given in table 11.1.

Table 11.1 Revenue arrears (telephones)

(Rs in crore)

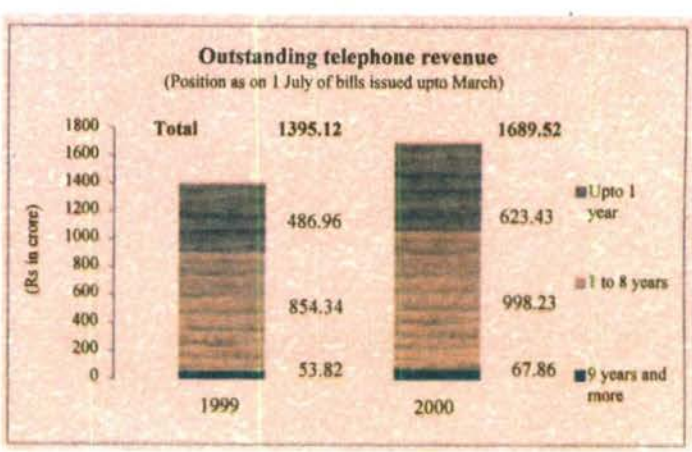
Year	Arrears as on 1 April	Demand raised during the year	Total Demand (2+3)	Amount collected during the year	Arrears at the close of the 31 March (4-5)
1	2	3	4	5	6
1996-1997	1237.94	9693.72	10931.66	9449.12	1482.54
1997-1998	1482.54	11709.54	13192.08	11478.50	1713.58
1998-1999	1713.58	14025.41	15738.99	13906.91	1832.08
1999-2000	1832.08	15508.21	17340.29	14884.05	2456.24

Mounting telephone revenue arrears



At the end of March 2000, the arrears increased to Rs 2456.24 crore as compared to Rs 1482.54 crore at the end of March 1997. The increase in arrears was 66 *per cent* over these four years. The percentage of collection of revenue to the total demand raised also decreased from 88.36 in 1998-99 to 85.84 *per cent* in 1999-2000, which indicated department's slackness in taking prompt and effective steps on their realisation.

11.2. Age-wise break up of the amount outstanding on 1 July 2000 as compared to the previous year is given in the chart below:



Outstanding revenue of Rs 1066.09 crore for over one year

An amount of Rs 1066.09 crore (as of 1 July 2000) was outstanding for one or more years which constituted 63.10 *per cent* of the total outstanding revenue.

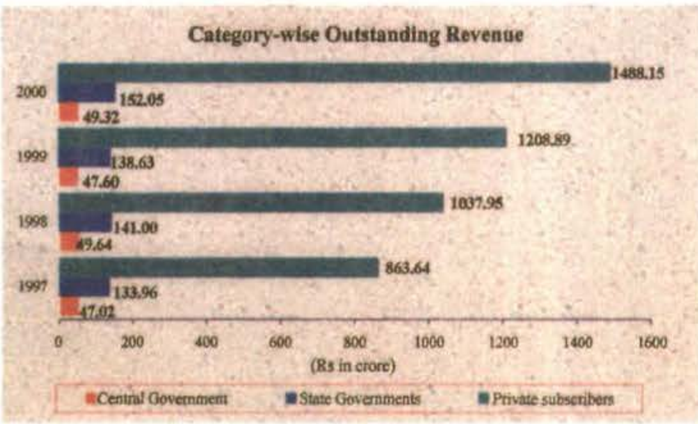
11.3 Category-wise break up of total telephone dues between June 1997 and June 2000 were as under:

Table 11.3 Outstanding telephone revenue

(Rs in crore)

Year	Central Government		State Governments		Private subscribers	
	Amount	Percentage of total outstanding	Amount	Percentage of total outstanding	Amount	Percentage of total outstanding
1997	47.02	4.50	133.96	12.82	863.64	82.68
1998	49.64	4.04	141.00	11.48	1037.95	84.48
1999	47.60	3.41	138.63	9.94	1208.89	86.65
2000	49.32	2.92	152.05	9.00	1488.15	88.08

An amount of Rs 1689.52 crore was outstanding against various categories of the telephone subscribers at the end of June 2000. Of the total outstanding amount, 88.08 *per cent* was outstanding against the private subscribers, 2.92 *per cent* against the Central Government departments and 9.00 *per cent* against various State Governments. The amount of outstanding bills against private subscribers was increasing every year and in the last one year alone the outstanding amount against this category had increased by Rs 279.26 crore. The department had failed to make concerted efforts to recover the huge outstanding amount from the private subscribers.



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

The position of arrears of revenue on renting of telegraph, teleprinter and telephone circuits and telex/intelex connections to the various categories of subscribers is indicated in table 11.4.

Table 11.4 Revenue in arrears (telegraph, telex/intelex etc.)

(Rs in crore)

Year	Arrears as on 1 April	Demand raised during the year	Total demand (2+3)	Amount collected during the year	Closing balance as on 31 March (4-5)
1	2	3	4	5	6
Circuits (telephones and telegraph)					
1996-1997	96.73	156.70	253.43	147.15	106.28
1997-1998	106.28	199.28	305.56	177.27	128.29
1998-1999	128.29	189.72	318.01	180.18	137.83
1999-2000	137.83	186.99	324.82	165.26	159.56
Telex/intelex charges					
1996-1997	18.99	49.42	68.41	48.84	19.57
1997-1998	19.57	37.80	57.37	37.76	19.61
1998-1999	19.61	30.47	50.08	30.67	19.41
1999-2000	19.41	22.44	41.85	22.55	19.30

The revenue arrears overdue for collection in respect of circuits had gone up from Rs 106.28 crore in 1996-97 to Rs 159.56 crore in 1999-2000, while those of telex/intelex charges reduced marginally from Rs 19.57 crore to Rs 19.30 crore during the same period. Thus, the total outstanding revenue on account of circuits/telex/intelex worked out to Rs 178.86 crore, which was subsequently reduced to Rs 155.97 crore as on 1 July 2000 as shown under paragraph 11.5 below.

11.5 Year-wise break up of the outstanding dues as on 1 July 2000 for bills issued up to March 2000 is given below:

Table 11.5 Outstanding dues (circuits/telex/intelex)

(Rs in crore)

Period	Rent for communication circuits	Telex/Intelex charges	Total
Upto 1990-1991	10.84	1.89	12.73
1991-1992 to 1998-1999	93.44	9.20	102.64
1999-2000	38.42	2.18	40.60
Total	**142.70**	**13.27**	**155.97**

11.6 Total arrears of revenue of over Rs 1845.49 crore at the end of June 2000 in respect of telephone, telegraph, teleprinter services etc., impinge seriously on the financial health of a commercial department like DoT.

CHAPTER 4
COMPREHENSIVE PERFORMANCE REVIEWS

12 Manpower Management in Department of Telecommunications Services

12.1 Introduction

Telecommunications, a subset of Communications, is undoubtedly the largest sector directly influenced by the technological advancement. All over the world, some of the most highly qualified personnel handle these services.

As a result of the technological advancement in this sector and the vast expansion of the country's telecom network in recent years, there has been a need to modify the manpower requirements from a large number of workers at the lower level to a select force at the senior level which is up to date with the state of art.

The Department of Telecommunications Services (DTS), created out of the Department of Telecommunications (DoT) in October 1999, is responsible for providing all telecommunication services within the country. In view of the present scenario it has become imperative for DTS to manage its manpower requirement appropriately.

12.2 Scope of Audit

The review covered the procedure adopted by DTS for estimating the staff requirements for its multifarious activities and utilisation of manpower resources during the period 1995-2000. Audit observations made in the review, however, pertained to the DoT also since the DTS till its formation was a part of DoT. Audit conducted the review during April-July 2000 in eight telecommunications circles namely Gujarat, Karnataka, Madhya Pradesh, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh (UP)(East), West Bengal and two metro districts at Calcutta and Chennai as also in DTS directorate.

12.3 Organisational set-up

DTS is functioning under the Ministry of Communications assisted by the Members Technology, Production, Services and Finance. Each Member is assisted by Advisor/Senior Deputy Directors General/Deputy Directors General alongwith other supporting staff at DTS Headquarters. The country is divided into 20 telecommunications circles and four metro districts having a network of 27909 telephone exchanges. All the circle offices are headed by the Chief General Managers (CGMs), who are assisted by the Principal General Managers/General Managers Telecom Operations and Developments, respectively.

12.4 Highlights

- **Adoption of totally unjustified pre-digitalised norms resulted in the creation of 872 Divisional Engineers (DE) posts up to March 2000 with corresponding increase of all other posts above and below DEs. Accounts wing increased the officers correspondingly despite computerisation of Accounts function including billing.**

- **No action was taken on the advice of the Minister of State (Communications) given in August 1998, according to which the *adhoc* norms should be revised in the light of changing technology and there was no need to go for further creation/upgradation of posts, unless absolutely essential. Instead, posts of officers continued to be created.**

- **DTS was not having an updated recruitment, promotion and training policy commensurate with the size of their operations and the rapid changes in technology.**

- **Irregular expenditure of Rs 237.98 crore during 1994-2000 on account of irregular creation of posts in Group 'A' and promotions thereto without the approval of Ministry of Finance, creation of excess Group 'A' posts, retention of unjustified posts of the Divisional Engineers (strategic business plan) and other irregularities.**

- **Creation of 475 excess posts in Group 'B', 'C' and 'D' by CGMs Karnataka and Tamil Nadu circles without applying the mandatory cut of 30 *per cent* led to further avoidable expenditure of Rs 9.69 crore on pay and allowances during 1991-99.**

- **Avoidable expenditure of Rs 92.70 crore in the implementation of Biennial Cadre Review scheme.**

- **Retention of 167 posts of Group 'A' and 'B' in excess of sanctioned strength by CGM UP (East) led to an avoidable expenditure of Rs 1.56 crore on their pay and allowances during 1993-99.**

- **Retention of 11 posts of Divisional Engineers/Assistant General Managers meant for Secondary Switching Areas (SSAs) in the circle office by CGM Tamil Nadu circle led to an avoidable payment of house rent and transportation allowances at higher rates amounting to Rs 0.13 crore, during 1995-2000.**

- **Engagement of 1330 casual labour by all the heads of test-checked circles despite total ban by DoT on their engagement led to an avoidable expenditure of Rs 33.33 crore during 1985-99.**

- **Deployment of 56 excess technicians over the justified strength in Gujarat circle led to an avoidable payment of pay and allowances of Rs 0.23 crore during 1993-99.**

> **CGM Udaipur in Rajasthan circle incurred an irregular payment of pay and allowances of Rs 0.39 crore during July 1996 to July 2000 against 22 to 30 unsanctioned posts of mazdoors.**

12.5 Financial Results

The revenue, expenditure and staff expenses of DTS (excluding Mumbai and Delhi Telephones) during 1994-2000 were as under:-

Table 12.5 Revenue, expenditure and staff expenses

(Rs in crore)

Year	Gross revenue	Total expenditure	Staff expenses	Percentage of staff expenses to total expenditure
1994-1995	7799.12	4133.23	1537.00	37.19
1995-1996	9760.55	4568.58	1800.00	39.40
1996-1997	12266.10	6381.15	2261.40	35.44
1997-1998	14586.91	7840.56	3140.00	40.05
1998-1999	17744.23	10098.18	3519.10	34.85
1999-2000	1825670	1208941	NA	NA

12.6 Manpower vis-à-vis expansion of network

The position of gazetted, non-gazetted and industrial workers and the number of direct exchange lines (DELs) including junctions under DoT/DTS during the years 1993-2000 was as under:

Table 12.6 Manpower vis-à-vis network

Year (as on 31 March)	Gazetted	Non-gazetted	Industrial workers	Total	DELs including junctions (In thousands)
1993 (in nos.)	**19579**	**359610**	**5744**	**384933**	**6796.7**
1994(in nos.)	**24841**	**364246**	**5977**	**395064**	**8025.6**
Actual variation over previous year(in nos.)	(+) 5262	(+) 4636	(+) 233	(+)10131	(+)1228.9
Percentage variation	**(+)26.88**	**(+)1.29**	**(+)4.06**	**(+)2.63**	**(+)18.08**
1995(in nos.)	**25933**	**387125**	**5637**	**418695**	**9795.3**
Actual variation over previous year(in nos.)	(+) 1092	(+) 22879	(-) 340	(+) 23631	(+) 1769.7
Percentage variation	**(+)4.40**	**(+)6.28**	**(-)5.69**	**(+) 5.98**	**(+) 22.05**
1996(in nos.)	**28295**	**387768**	**4995**	**421058**	**11978.4**
Actual variation over previous year(in nos.)	(+) 2362	(+) 643	(-) 642	2363	2183.1
Percentage variation	**(+) 9.10**	**(+) 0.16**	**(-) 11.38**	**(+) 0.56**	**(+) 22.29**
1997(in nos.)	**29280**	**394233**	**5322**	**428835**	**14542.6**
Actual variation over previous year(in nos.)	(+) 985	(+) 6465	(+) 327	(+) 7777	(+) 2564.2
Percentage variation	**(+) 3.48**	**(+) 1.67**	**(+) 6.54**	**(+) 1.85**	**(+) 21.40**
1998(in nos.)	**29395**	**390737**	**5171**	**425303**	**17801.7**
Actual variation over previous year(in nos.)	(+)115	(-) 3496	(-) 151	(-) 3532	(+)3259.1
Percentage variation	**(+) 0.39**	**(-) 0.88**	**(-) 2.84**	**(-) 0.82**	**(+)22.4**

Year (as on 31 March)	Gazetted	Non-gazetted	Industrial workers	Total	DELs including junctions (In thousands)
1999(in nos.)	**29878**	**389191**	**4938**	**424007**	**21593.7**
Actual variation over previous year(in nos.)	(+) 483	(-) 1546	(-) 233	(-) 1296	(+) 3792
Percentage Variation	**(+) 1.64**	**(-) 0.39**	**(-) 4.50**	**(-) 0.30**	**(+) 21.30**
2000(in nos.)	**57861***	**358741**	**4758**	**421360**	**26511**
Actual variation over previous year(in nos.)	(+)27983	(-)30450	(-)180	(-)2647	(+)4917.30
Percentage Variation	**(+)93.66**	**(-)7.82**	**(-)3.65**	**(-)0.62**	**(+)22.77**

* *The sudden increase was reportedly due to categorisation of Junior Telecom Officers as Group 'B' and relaxation of period of promotion of Group 'C' officials to Group 'B'.*

12.7 Manpower Norms

In July 1975, Department of Telecommunications fixed standard norms for creation of posts of Divisional Engineer. These norms were based on the standards of the Staff Inspection Units (SIUs). According to these standards, DEL capacity was converted into SIU points by first reducing the capacity by four *per cent* (to take into account capacity utilisation), taking 25 *per cent* of the product and adding a prescribed number of SIU points. One post of Divisional Engineer (DE) was then justified for every 6250 SIU points.

In 1994 on the recommendations of M/s Lamba Vij and Company, a consultant firm, the department did away with SIU points and fixed norms in which they justified one post of DE for 7000 DELs. These norms became applicable from October 1994.

A comparison of the methodology followed in the old and new norms in working out the requirement for one post of DE revealed that there was an increase in the posts as shown below; for every post of DE justified under the old norms, two DEs became justified under the 1994 norms.

Table 12.7 Increase in the posts of DEs under new norms

Slab of exchange	Equipped capacity	Prescribed SIU points	Posts of DEs justified as per	
			Old norms	New norms
One exchange 99 lines	99	15	0.0062	0.0135
One exchange 100-499 lines	300	35	0.0168	0.0411
One exchange 500-999 lines	800	110	0.0483	0.1097
One exchange 1000-1999 lines	1500	360	0.1152	0.2057
One exchange 2000-2999 lines	2500	360	0.1536	0.3486
One exchange 3000-4999 lines	4500	640	0.2752	0.6172
One exchange 5000 lines and above	6000	1175	0.4184	0.8228
Total	**15699**	**2695**	**1.0337**	**2.1586**

In the above context it is pertinent to point out that in the seventies there was no digitalisation of exchanges and the supervision by a DE entailed a lot of manual work at the time when the norms for creation of DEs posts were adopted in July 1975 based on 6250 SIU points for one post of DE. Subsequently, by the time the norms on the recommendations of M/s Lamba Vij and Company were implemented in 1994, around 85 *per cent* of the exchanges were digitalised as against zero *per cent* in 1975-76*, thus reducing the manual work considerably.

Thus, the 'prescribed SIU norm' pertain to pre-digitalised scenario of zero *per cent* digitalisation and it is irrelevant and inapplicable for the digitalised scenario of 85 *per cent*. To adopt the 'new norms' which provide for doubling the manpower calculated on the over-provided 'prescribed SIU norm', when digitalisation has taken place is thus totally unjustified. Such an adoption cannot be supported by increase in profit which is quite independent of additional staff.

Even on untenable 'prescribed SIU norms' meant for non-digitalised exchanges, the unjustified expanded manpower as of March 2000 worked out to 872 in the case of DEs with corresponding accretion in all levels above and below DEs. The department neither justified the increase nor produced the relevant records to Audit in spite of written as well as personal requests.

The complement of officers in the Accounts and Finance wing has also been correspondingly increased every year despite most of the accounting functions including billing having been computerised.

Introduction of a tier of Principal General Manager Telecommunications (PGMT) with the same scale as Chief General Manager Telecommunications (CGMT) is not prevalent in most of the other Central Government Departments and it is not supported by accepted operational hierarchical structure. Similarly, introduction of a tier of Advisors between Additional Secretary (Senior Deputy Director General) level and Secretary (Member) level officers in the Ministry is also neither prevalent in other Ministries/Departments of Government of India nor supported by operational hierarchical work requirement.

In August 1998, the Minister of State (Communications) observed that the norms being followed were not only old, but also *adhoc* and these did not take into account the changing technology. She further advised that in view of changes envisaged in the structure of DoT, there was no need to create/upgrade posts, unless absolutely essential. However, DTS continued to adopt the *adhoc* norms of 1994 and did not make any sincere effort to review its manpower requirements keeping in view the changing technology. This, in turn, affected the manpower forecasting by DTS.

* The first digitalisation commenced only in early 1980s.

12.8 Manpower Forecasting

Under the departmental rules, each head of a circle is required to submit to DTS Headquarters, yearly estimates showing details of estimated staff strength during the next year in two parts viz.,

(i) Posts to be created based on approved norms and within the powers of the Heads of circles, and

(ii) Posts to be created for the circles by the Telecom Directorate, based on functional needs.

After compilation and consolidation, the data is included in the demand for grants. There was nothing on record regarding any long term manpower planning of the department vis-à-vis the overall objective to be achieved. The procedure which was followed placed more emphasis on planning for immediate action and incremental growth of manpower rather than systematic and comprehensive assessment as a whole keeping in view the changing environment, operational costs and improved technology. As a result, more than 5000 posts at the Group 'A' level were created, either based on the *adhoc* norms or without the mandatory approvals required, as brought out in the para below.

12.9 Creation of Posts, Promotions and Recruitment

12.9(i) Group 'A'

The power to create Group 'A' posts rests with the Government of India, Ministry of Finance. The promotion from Group 'B' to Group 'A' and from Junior Administrative Grade to Senior Administrative Grade also requires the approval of the Ministry of Finance. The powers for recruitment and promotion up to Group 'B' levels rest with the heads of circles.

Expenditure of Rs 237.98 crore due to irregular creation of Group 'A' posts, promotion thereto and retention of excess posts etc.

A review of Group 'A' posts created in all the cadres and promotions made from one cadre to another revealed an unauthorised expenditure of Rs 237.98 crore during 1994-2000, due to creation of Group 'A' posts and giving promotions from one scale to another in Group 'A' without the approval of Ministry of Finance, creation of excess posts under decade old norms, continuation of some posts in Group 'A' despite their discontinuation etc., as brought out in table 12.9(i). Although there was an increase in the number of posts of Group 'A' and 'B' over the previous years, this issue was not examined at the stage of preparation and approval of Detailed Demands for grants with reference to delegation under the rules.

Table 12.9(i) Irregular creation of Group 'A' posts

Sl. No.	Units/circles involved	Group in which additional posts created	Number of Posts	Period of operation	Nature of irregularity	Financial implication (Rs in crore)
1.	DTS/All the circles under review	Group 'A' viz., Senior Administrative Grade(SAG), Junior Administrative Grade (JAG), Senior Time Scale (STS) in Indian Telecom Service (ITS) and Indian Accounts and Finance Service	2635	1994-2000	Posts created without the approval of Ministry of Finance	137.79
2.	DTS/All the circles under review	Group 'A' Posts in the above cadres under the delegated powers	1773	1995-2000	Posts created by Members under redelegated powers without the approval of the Union Cabinet	87.89
3	DTS/All the circles under review	Group 'A' posts in SAG, JAG, STS in ITS and Indian Accounts and Finance Services	235	1998-2000	Posts created by adopting decade old norms despite large scale modernisation of Telecom network and advice of the Minister of State (C) to the contrary	5.03
4.	DTS	Divisional Engineers (Strategic Business Plan)	77	November 1995 to March 2000	Posts retained even after their discontinuation in October 1995	4.74
5.	Karnataka and Tamil Nadu circles	DEs for installation of exchanges	490 Man months	1994-2000	Posts created in excess of norms	0.51
6.	All the circles under review	JAG posts	440	1995-2000	Manipulation of *adhoc* promotions by alternating short breaks and promotions, thus extending undue benefit of travelling allowance and daily allowance	1.69
7.	DTS/All the circles under review	ITS and Indian Accounts and Finance cadres	250	1996-2000	*Adhoc* promotions from Junior to Senior scale without holding DPCs and the approval of Ministry of Finance.	NA
8.	DTS/ Karnataka circle	DEs for cable construction work	29 Man months	1995-2000	Retained in the circle office the posts sanctioned for cable construction work in SSAs	0.33
		Total				**237.98**

12.9(ii) Other than Group 'A' — Non-imposition of mandatory cut of 30 per cent on justified addition/ creation of posts

DoT in October 1985 and November 1986 decided that proposals for additional posts justified on standards for execution of plan projects and also for non-plan posts during the ban period starting from 1984 should be prepared by each circle after applying the mandatory cut of 30 *per cent* in all cadres before being sent to DoT for processing of sanctions. In June 1990, the power to create posts up to Grade 'B' level was delegated to the heads of circles.

Avoidable expenditure of Rs 9.69 crore on creation of excess posts in Group 'B', 'C' and 'D' cadres by not applying the mandatory cut of 30 *per cent*

A test check of the sanctions issued by CGMs Karnataka and Tamil Nadu circles for creation of additional posts in Group 'B', 'C' and 'D' cadres under their delegated powers revealed that while proposing additional justified posts these CGMs failed to apply the above prescribed cut, which led to creation of 475 excess posts in these cadres and resultant avoidable expenditure of Rs 9.69 crore on their pay and allowances, during 1995-2000.

CGM Tamil Nadu circle stated that when DoT delegated the powers to CGMs to create posts in the above cadres there was no mention of 30 *per cent* cut. He further stated that the 30 *per cent* cut lost its relevance as the sanctioned strength as on April 1991 was declared as ceiling limit with a view to bring down the staff per 1000 DELs ratio. The reply is not tenable because CGMs were empowered by DoT to create posts in the above grades only, but there was no other change on record in the policy being adopted by it prior to re-delegation of these powers to them. Hence, mandatory cut of 30 *per cent* was to be applied by them while creating new posts in the above cadres. Reply from the other circles was awaited.

12.10 Cadre Review

Avoidable expenditure of Rs 92.70 crore due to wrong implementation of BCR scheme

DoT in October 1990 introduced the Biennial Cadre Review (BCR) scheme for providing relief to officials of Group 'C' and Group 'D' from stagnation. Under this scheme, DoT was required to conduct cadre review once in two years. The first cadre review was to be completed by November 1990. The second review covering the period from July 1992 to June 1994 was to be completed by July 1992. The eligibility criteria for promotion under the cadre review was the completion of 26 years service by the officials concerned on four crucial dates viz., on first of July 1992, January 1993, July 1993 and January 1994.

A review of cases under BCR revealed an unauthorised/excess expenditure of Rs 92.70 crore as given in table 12.10.

Table 12.10 Avoidable expenditure due to wrong implementation of BCR scheme

Sl. No.	Units/ circles involved	Group in which posts created/ promoted	Number of posts	Period of operation	Nature of irregularity	Financial implication (Rs in crore)
1.	Gujarat, Madhya Pradesh, UP (East)	Group 'C'	18370	1995-2000	Non-application of necessary cut of 1 *per cent* on basic cadre and 5 *per cent* on supervisory cadre over and above the existing cut of 5 *per cent* in basic cadre and 15 *per cent* in the supervisory cadres while creating posts under One Time Bound Promotion.	83.35
2.	Madhya Pradesh, UP (East)	Group 'C'	1049	1994-2000	As per CAT's judgement which was upheld by the Supreme court in September 1993, the seniority in the basic cadre was to be taken as criteria for promotion from Grade (IV) to Grade (III) in Group 'C' and the pay of official to be promoted was to be fixed notionally from the date of promotion of their junior in Group 'C' promoted earlier as per their seniority in the basic cadre, but this was not done and the pay of 1049 officials was fixed wrongly, thus allowing them arrears of pay and allowances.	3.14
3.	Karnataka	Group 'C'	102	1990-96	The criteria of 26 years of service or more was to be considered on the crucial date viz., 1st of January and July 1991 and January 1992 onwards, but the promotion was given immediately on completion of 26 years of service which was irregular.	0.03
4.	Madhya Pradesh and Punjab	Group 'C' and 'D'	163	1995-2000	While creating posts of telephone mechanics and telephone technical assistants, the mandatory reduction factor of 6 *per cent* in the basic cadre and 20 *per cent* in the supervisory cadres was not applied.	3.61
5.	Tamil Nadu	Group 'D' (Telephone Mechanics)	-	1999-2000	Maintenance of external plant network and laying of cable works got executed through outside agencies in violation of DTS instructions to use telephone mechanics for this purpose.	2.57
						92.70

12.11 Manpower Levels

12.11(i) Surplus working strength in Group 'A' and 'B' and resultant avoidable expenditure

Retention of surplus posts in Group 'A' and 'B' led to an avoidable expenditure of Rs 1.56 crore

Audit scrutiny of records of UP (East) circle revealed that against the sanctioned strength of 2092 officers in SAG, JAG and STS cadres including Finance and Accounts in Group 'A' and 'B', CGM UP (East) employed 2259 officers during 1993-99. The employment of excess 167 officers resulted in an avoidable expenditure of Rs 1.56 crore on their pay and allowances.

12.11 (ii) Unjustified retention of Posts of Divisional Engineers/Assistant General Managers (AGMs) in the circle office

Retention of 11 posts of AGMs/DEs in the circle office despite their creation against SSAs staff strength led to an avoidable payment of Rs 0.13 crore

After acceptance of M/s Lamba and Vij Committee report, DoT issued necessary instructions to the heads of circles in October 1994 to work out and submit justified posts of DEs additional posts, if any, for the Secondary Switching Areas (SSAs) including circle offices as per the norms fixed by this Committee. Audit noticed that prior to issue of these instructions, in the Tamil Nadu Circle office there were 12 posts of DEs as on March 1994 against five posts justified on the basis of above norms. These seven excess posts were to be adjusted against the additional posts, if justified for other SSAs based on above norms. Even after issue of the instructions, however, against the five posts of DEs/AGMs justified, CGM Tamil Nadu Circle retained 11 posts on the plea that he had to cope with the increase in work load in the circle office. This involved an extra expenditure of Rs 0.13 crore by way of payment of house rent and transport allowances at higher rates during 1995-2000. The stand taken by CGM was not tenable because the workload of the circle office had reduced greatly due to upgradation of all SSAs to SAG level who were exercising powers at their level and as such retention of excess posts in the circle office was unjustified

12.11(iii) Engagement of Casual Labour

DoT imposed a ban in March 1985 on recruitment and deployment of casual labour by all the circles except for specific work by the Projects and Electrification circles. Even for specific work in these circles the deployment of casual labour was discontinued by DoT in June 1988.

Avoidable expenditure of Rs 33.33 crore due to engagement of casual labour despite ban

Audit scrutiny of records of various SSAs revealed that in violation of above instructions, CGMs of all the test checked circles engaged 1330 casual labour during April 1985 to March 1999. This led to an avoidable expenditure of Rs 33.33 crore during the above period. It was also noticed that the circles concerned were hesitating to identify and fix responsibility on the errant officers/ officials for irregular engagement of casual labour despite specific instructions by DoT to this effect.

12.12 Training

12.12(i) DTS has two apex level training centres at Ghaziabad and Jabalpur namely Advanced Level Telecom Training Centre and Bharat Ratna Bhim Rao Ambedkar Institute of Telecom Training, respectively, for training of telecom engineers and other professional Group 'A' and 'B' officers. In addition to this, 15 Regional Telecom Training Centres and 27 District/Circle Telecom Training Centres are located in different regions in the country to provide training to the supervisory staff and also cater to the training needs of field personnel. The table below depicts the year-wise details of departmental personnel trained at various training centres during the last five years.

Table 12.12(i) Training

Year	Number of officials trained			Total
	Within the country		Outside the country	
	At Telecom training centres	Other institutions		
1994-95	50246	-	295	50541
1995-96	64450	103	151	64704
1996-97	121060	101	169	121330
1997-98	68837	52	67	68956
1998-99	47920	-	62	47982

In addition, these training centres imparted training to personnel from outside agencies and abroad.

12.12(ii) Officers trained abroad not utilised in the jobs they were trained

Audit noticed that in Karnataka circle the services of six officers trained abroad in AXE-10 and OCB in various systems viz., installation, planning and billing were posted after their training in other areas viz., E-10-B, Planning and Finance, which defeated the very purpose of this training; it also rendered the expenditure on their training abroad unfruitful.

12.13 Other points of interest

12.13(i) Deployment of excess technicians in telephone exchanges

Avoidable expenditure of Rs 0.23 crore due to excess deployment of technicians

DoT in December 1993 fixed the *adhoc* norms for sanction of posts for operation and maintenance of exchanges. Audit noticed in Gujarat circle that against 18 technicians posts justified as per norms, CGM Gujarat employed 74 technicians i.e. more than four times the number justified. The excess deployment of 56 technicians during 1993-99 in C-DoT exchanges under various SSAs involved an extra expenditure of Rs 0.23 crore on their pay and allowances during the above period.

12.13(ii) Irregular payment of pay and allowances to Regular Mazdoors without sanction of posts

Irregular payment of pay and allowances of Rs 0.39 crore against unsanctioned posts of mazdoors

The General Manager Telecom (GMT) Udaipur in Rajasthan circle employed 22 to 30 Regular Mazdoors since July 1996 without receiving sanctions for these posts from CGM concerned, thus leading to an irregular payment of pay and allowances of Rs 0.39 crore during July 1996 to July 2000.

The GMT stated in August 2000 that the sanctions from the CGM were still awaited.

Conclusion

Adoption of unjustified norms and automatic creation of posts of officers, with powers delegated at field levels as well, resulted in extra unjustified 872 DEs posts up to March 2000 with corresponding proliferation in all levels. Accounts and Finance wing also expanded unjustifiably on such norms despite computerisation of accounts functions.

The department had also not taken action to revise the norms for creation of posts although directed to do so by the Minister of State (Communications) in August 1998. This needs to be done urgently in order to prevent any adhocism at the cost of the exchequer. Review of manpower requirements scientifically, introduction of revised norms and standards in the creation of posts, recruitment and training, commensurate with the long term objectives of DTS is the need of the hour.

The matter was referred to the Ministry in December 2000; their reply was awaited as of January 2001.

13 Performance of Telecom Factories Jabalpur and Mumbai

13.1 Introduction

In today's rapidly changing technological scenario, the need for a good in-house production infrastructure to augment the efforts for sustainable development and quality maintenance of telecom services is self-evident. The Department of Telecom Services (DTS) maintains seven telecom factories producing line store items for utilisation in the telecom network. These factories, including those at Jabalpur and Mumbai, are the captive production units of DTS. The Telecom factory Jabalpur was established in 1942 as a measure of dispersal of activities from Calcutta during World War II. Its counter part at Mumbai had its origin from the Bombay Telephone Company before 1943, thereafter the Government of India took over it as Telephone Workshop, which was subsequently re-christened as Telecom factory Mumbai.

The Telecom factory Jabalpur manufactures items such as channel iron brackets, cable distribution cabinets and various types of microwave towers. Items such as cable terminal boxes, distribution point boxes, line jack units and cable distribution cabinets are in the production range of the Mumbai factory.

The details of capital employed and personnel employed in these factories as on 31 March 2000 and the value of production during 1999-2000 were as under:

Table 13.1 Capital and personnel employed

Sl. No	Particulars (as on 31 March 2000)	Telecom factory	
		Jabalpur	Mumbai
1	Capital employed (Rs in crore)	57.97	57.86
2	Value of production (Rs in crore)	71.02	72.27
3	Personnel employed (in numbers)	1205	1394

13.2 Scope of Audit

Audit conducted a review of Telecom factories Mumbai and Jabalpur for the period 1995-96 to 1999-2000 between June 1999 and July 2000 to assess their performance in augmenting the efforts of DTS in providing infrastructural support for provision and maintenance of quality services. Audit observations made in the review, however, pertain to the DoT also since the DTS till its formation was a part of DoT.

13.3 Organisational set-up

The factories were headed by Chief General Managers (CGMs) who report to the Advisor (Production) of Telecom Commission. The CGMs were assisted by the Deputy General Managers Factory and Directors (Finance and Accounts).

13.4 Highlights

- **Shortfall in the production of a number of items during 1995-2000 ranged up to 100 *per cent* of the target in respect of the Jabalpur and Mumbai factories, indicating their poor performance.**

- **The cost of production of tubes of sorts, cable distribution cabinet and U-back by Telecom factory Jabalpur during 1995-2000 was in excess of their open market value by Rs 16.75 crore. Similarly, Telecom factory Mumbai incurred an extra expenditure of Rs 4.48 crore during this period in manufacture of cable distribution cabinets at rates higher than open market rates.**

- **Excess procurement of raw material by Telecom factory Jabalpur for manufacture of triangular tubular hybrid towers during 1995-98 without ascertaining their actual requirements led to blocking of Rs 3.36 crore on account of surplus stores.**

- **Telecom factory Mumbai under-utilised the machines to the extent of 56 to 37 *per cent* during 1995-2000.**

- **About 69 to 93 *per cent* of the work orders were pending beyond their stipulated period for execution during 1995-2000 at both the factories under review.**

- **Telecom factory Jabalpur incurred an avoidable expenditure of Rs 3.57 crore on production of line jack units at higher cost of production during 1995-2000 than those produced by Telecom factory Mumbai during the same period. No efforts were made to compare these figures as prescribed under the codal provisions.**

- **Telecom factory Jabalpur suffered a loss of Rs 10.99 crore during 1994 to December 1999 due to continued use of old galvanised plant inspite of availability of a modern plant.**

- **As of March 2000, the work in progress indicated minus balances of Rs 43.33 crore in respect of Telecom factory Jabalpur and Rs 13.67 crore in respect of Telecom factory Mumbai, which reflected adversely on the working of Finance and Accounts wings as the work in progress should always have some value.**

- **Telecom Factory Jabalpur declared a meagre amount of interest/dividend of Rs 0.85 crore and Rs 0.96 crore during 1997-98 and 1998-99 which was 1.28 and 1.13 *per cent* of capital employed, respectively. The shortfall on this count during 1996-2000 worked out to Rs 31.20 crore at government borrowing rate of 12 *per cent per annum*. Similarly, Telecom Factory Mumbai, as against the provision of interest/dividend of Rs 31.86 crore during 1995-2000, made a provision of Rs 12.44 crore which led to short provision of Rs 19.42 crore during the above period.**

- **Percentage of indirect labour costs to direct labour costs during 1995-2000 ranged between 179 and 349 *per cent* in respect of Telecom factory Jabalpur and between 215 and 697 *per cent* in respect of Telecom factory Mumbai. This indicated excess deployment of staff other than those involved in production, which resulted in increase in cost of production; consequently the manufacture of large items proved uneconomical.**

- **Outstanding dues from departmental and outside agencies recoverable by the factories under review were showing an increasing trend every year which was indicative of poor collection/follow up.**

- **There was slow progress in computerisation of inventory control at Telecom factory Jabalpur despite incurring an expenditure of Rs 0.64 crore.**

- **Holding of inventory was far in excess of actual requirement. As against the maximum requirement of 180 days consumption of raw material, the inventory holding in Jabalpur factory increased from 273 days consumption requirements in 1995-96 to 469 days consumption requirements in 1999-2000 showing an increase of 72 *per cent*. Inventory holdings at the Mumbai factory doubled from 90 days in 1995-96 to 184 days in 1999-2000.**

- **Non/Slow moving stores for one to 10 years and above worth Rs 4.03 crore were lying in stock at Telecom factory Mumbai as of March 2000. Similarly, stores worth Rs 1.07 crore were lying at Telecom factory Jabalpur for a period of one to five years.**

- **Telecom factory Jabalpur failed to dispose of scrapped material worth Rs 3.54 crore lying since 1995, besides 111 screened out machines worth Rs 0.25 crore lying for five to over 20 years. The department also suffered a loss of Rs 0.15 crore during 1995-99 due to auction of scrapped material below the rates recommended by the Stores Scrapping Committee.**

13.5 Production Management

13.5(i) Short fall in production

A scrutiny of production progress statements for the period 1995-2000 in respect of the factories under review revealed that there was shortfall in the production of a number of items ranging up to 100 *per cent* of the target as shown in Appendix - X.

CGM Telecom factory Jabalpur attributed this to reduction of staff due to retirement/death, besides outlived machines or equipment and uncertainty of demand. His counterpart at Mumbai attributed it to non-availability of raw material and poor quality of production.

The reply is not tenable since the targets were fixed keeping in view of these constraints and as such the magnitude of shortfall does not get justified by the reasons given. This led to uneconomical cost of production at both these factories as brought out in the sub para below.

13.5(ii) Uneconomical manufacture of stores

As per codal provisions, the factory should compare the cost of production with that prevailing in the open market. Where the departmental cost is found consistently higher than the market rates, the factory should investigate the matter under intimation to DTS.

Cost of factory manufactured items exceeded market rates by nine to 101 *per cent*

(a) In respect of three items namely tubes of sorts, cable distribution cabinets and U-back examined in Audit out of 11 items produced by the Telecom factory Jabalpur, the in-house production cost exceeded open market cost by nine to 101 *per cent*, with a financial implication of Rs 16.75 crore during 1995-2000. Despite this, the factory continued to produce these items on the grounds that the raw material was procured from government agencies and the labour cost and overheads mostly depended upon the salary of workers and staff and other allowances given to them, which were beyond the factory's control.

This contention was not acceptable since the factory authorities were fully aware of the implications of this perennial problem and no remedial action was initiated to address the same.

(b) The Telecom factory Mumbai also incurred an extra expenditure of Rs 4.48 crore during the same period due to manufacture of cable distribution cabinets at higher costs than the open market rates.

13.5(iii) Production without demand

While on one hand the Telecom factory Jabalpur was having a shortfall in production of items, on the other it took up the manufacture of microwave towers including triangular tubular hybrid towers during 1995-2000, without

Unused raw material worth Rs 3.36 crore lying in stock

any demand or consignee details. The factory procured raw materials for the manufacture of 21400 metre of microwave towers over these five years, against which it produced 12656 metre of these towers. Unused raw material worth Rs 3.36 crore was lying in stock as on 31 March 2000. In the absence of demand for these towers the prospects of utilisation of this raw material were bleak and there was every chance that the same would finally have to be disposed of as scrap resulting in loss to the exchequer.

13.5(iv) Under-utilisation of machines

Gross under-utilisation of machines ranging between 56 to 37 *per cent* by Telecom factory Mumbai

Capacity utilisation of a factory is assessed in terms of Standard Man Hours (SMH) and Machine Hours. At Telecom factory Mumbai, there were 18 production shops with 21 machines in operation. The capacity utilisation of machines during 1995-2000 remained between 44 and 63 *per cent* as given below:

Table 13.5(iv) Percentage utilisation of machinery at Telecom Factory Mumbai

Year	Machine Hours available	Machine Hours utilised	Percentage of utilisation
1995-1996	39039.75	17307.00	44.33
1996-1997	47872.50	25269.50	52.79
1997-1998	50664.50	26816.25	52.93
1998-1999	66238.00	41331.75	62.40
1999-2000	63001.50	39673.25	62.97

The management attributed the under-utilisation of machinery to change in tools, shortage of raw material and work orders. This indicated insufficient planning, monitoring and control over procurement of raw material and the production process. Also as brought out in sub paragraph below, contrary to the claim of shortage of work orders, the factories were unable to handle even the available work orders.

13.5(v) Pending work orders

The status of Work Orders opened and closed during 1995-2000 in respect of the two factories under review is given below:

Table 13.5(v) Pending work orders at Telecom Factories Jabalpur and Mumbai

Particulars	1995-96		1996-97		1997-98		1998-99		1999-2000		Average	
	Jabalpur	Mumbai	Jabalpur	Mumbai	Jabalpur	Mumbai	Jabalpur	Mumbai	Jabalpur	Mumbai	Jabalpur	Mumbai
Opening Balance	**596**	**3012**	**547**	**2910**	**694**	**2824**	**783**	**3117**	**886**	**2789**	**701.20**	**2930.40**
Opened during the year	175	521	196	438	372	588	291	555	328	673	272.40	555.00
Total	**771**	**3533**	**743**	**3348**	**1066**	**3412**	**1074**	**3672**	**1214**	**3462**	**973.60**	**3485.40**
Completed during the year	190	561	48	495	276	286	178	647	360	560	210.40	509.80
Cancelled during the year	34	62	1	29	7	9	10	236	16	32	13.60	73.60
Incomplete work orders	547	2910	694	2824	783	3117	886	2789	838	2870	749.60	2902.00
Percentage of incomplete work orders	**70.95**	**82.37**	**93.41**	**84.35**	**73.45**	**91.35**	**82.50**	**75.95**	**69.03**	**82.90**	**76.99**	**83.26**

Work orders to the extent of 80 *per cent* were pending for execution

It would be seen from the above that on an average the work orders to the extent of 80 *per cent* remained incomplete. Incomplete work orders in such large numbers would obviously increase the element-wise actual cost of production rendering the manufacture of various items uneconomical in comparison to rates in the open market. Such a high level of incomplete works year after year indicated inadequate monitoring and control.

13.5(vi) Lack of cost comparison amongst the factories

As per the codal provisions, the cost of production of similar items being manufactured commonly by more than one factory should be reviewed and the reasons for significant variation noticed, if any, should be investigated by the cost control section under intimation to DTS.

Variation ranging between 15 to 72 *per cent* in challaning rate of one item with a financial implication of Rs 3.57 crore

Scrutiny of production registers maintained by the factories under review during 1995-2000 revealed that the rate at which the line jack unit item challaned to the various circles by Telecom factory Jabalpur was higher by 15 to 72 *per cent* than the challaning rate of Telecom factory Mumbai during the same period with a financial implication of Rs 3.57 crore.

The Jabalpur factory management stated in October 2000 that they were intimating the challaning rates to DTS from time to time, but there was no response. This was indicative of lack of monitoring by DTS.

13.5(vii) Avoidable expenditure on account of continued galvanisation at old plant

Avoidable expenditure of Rs 10.99 crore on continued galvanisation of black material at old plant at higher cost

After commissioning of the modern galvanising plant in January 1994 at Telecom factory Richhai Jabalpur with a capacity of 26000 metric tonnes *per annum*, the Telecom factory Jabalpur was expected to stop galvanising of black material at the old factory. However, Telecom factory Jabalpur continued to galvanise black material till February 2000 in the old factory. Test check of records of both the factories revealed that the average cost of galvanisation at the old factory was Rs 257 per square metre as against Rs 69 per square metre in the new factory. This resulted in an avoidable expenditure of Rs 10.99 crore for galvanisation done during 1994 to 1999, besides defeating the very purpose of establishment of the new modern plant.

The CGM stated that the operation in the old factory was continued to accommodate some industrial workers. The reply is not tenable on the ground that surplus manpower should have been diverted to some other jobs as was done earlier when a major portion of the galvanisation activity was closed down at old Telecom factory Jabalpur in February 1995.

13.6 Financial Management

The factories maintain accounts like Manufacturing Account Current, Stores Account Current and Cash Account Current which are prepared monthly on the basis of expenditure booked in these three accounts; thereafter the Profit and

Loss Accounts and Balance Sheets are prepared. Results of examination of Profit and Loss Accounts and Balance Sheets for the years 1995-98 revealed various irregularities as detailed below:

13.6(i) Negative balance in work-in-progress

Work in progress can never be negative due to the fact that in every manufacturing activity there remain some unfinished items and semi-finished items being treated as assets like stock of material. Work-in-progress is the end product of summation of cost of raw material, labour and overhead incurred at the semi manufacturing stage and it is carried over to subsequent year's annual accounts since it has got a net realisable value. Minus balances in the work-in-progress tend to reduce the actual cost of production as well as the value of assets to that extent; this is against universal accounting and costing principles.

Negative balance of Rs 57 crore under work-in-progress

Audit, however, noticed negative balances of Rs 43.33 crore and Rs 13.67 crore in Work-in-progress at Telecom factories Jabalpur and Mumbai, respectively, as on 31 March 2000. There was nothing on record to indicate that the management of the factories had analysed the reasons for such negative balances. Audit also noted the failure of the management to ascertain the stage of completion of unfinished/semi-finished items under work-in-progress for their evaluation; also management did not reconcile the closing balances of material manufacturing account in respect of a particular month with that of register of incomplete work orders of the same month. As a result, exact figures of work-in-progress in the account records were not worked out.

A large number of pending work orders awaiting closure of accounts compounded the problem.

13.6(ii) Low rate of return on capital employed

Non-provision or meagre provision of interest/dividend by Telecom factories Jabalpur and Mumbai

Telecom factory Jabalpur declared Rs 0.85 crore and Rs 0.96 crore as interest/ dividend on capital of Rs 66.37 crore and Rs 84.95 crore employed during 1997-98 and 1998-99, respectively. This worked out to only 1.28 and 1.13 *per cent* of the capital employed during 1997-98 and 1998-99, respectively.

Considering the Government of India's lending rate of interest of 12 *per cent per annum* on capital, the shortfall in provision of interest during 1996-2000 worked out to Rs 31.20 crore, which indicated the low rate of return on the capital employed by the factory. Similarly, the Telecom factory Mumbai provided interest/dividend of Rs 12.44 crore during 1995-2000, as against Rs 31.86 crore at 12 *per cent per annum* on capital employed during the above period thus leading to a short fall of Rs 19.42 crore.

When this was pointed out by Audit, the Telecom factory Jabalpur made a provision of interest/dividend at 15 *per cent* during 1999-2000.

13.6(iii) Expenditure on indirect labour far in excess of expenditure on direct labour

In order to assess the extent of utilisation of labour on productive work and for effective control over the performance of each factory, the cost control section in each telecom factory is required to work out every month for each shop the ratio of indirect labour hours (effort of labour not identifiable with production activities) to direct labour hours (effort of labour directly engaged in production activities).

Indirect labour far in excess of direct labour

Expenditure on direct and indirect labour employed in both these factories during the last five years is given below:

Table 13.6(iii) Expenditure on direct and indirect labour

	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
Telecom factory Jabalpur					
Total Indirect Labour (Rs in crore)	3.86	4.22	6.08	4.84	5.90
Total Direct Labour (Rs in crore)	1.93	2.30	1.74	2.71	2.19
Percentage of Indirect Labour to Direct Labour	200.00	183.00	349.00	179.00	269.00
Telecom factory Mumbai					
Total Indirect Labour (Rs in crore)	4.63	4.39	6.50	6.72	5.94
Total Direct Labour (Rs in crore)	0.69	0.63	1.21	1.72	2.76
Percentage of Indirect Labour to Direct Labour	671.00	697.00	537.00	391.00	215.00

From the above it would be seen that the ratio of expenditure on indirect labour to the expenditure on direct labour was high and varied erratically from year to year. This was possibly one of the reasons for high cost of production.

13.6(iv) Advances paid to the suppliers pending for adjustments

Advance payments ranging between 90 to 100 *per cent* of the total cost were made to certain Public Sector Undertakings (PSUs) and private firms for supply of raw material against proof of despatch alongwith original test certificates. Clearance of these payments was to be watched against receipt of the supplies as per required specifications.

Non-adjustment of advances of Rs 1.04 crore paid to the suppliers by Telecom factory Jabalpur

Audit scrutiny, however, revealed that in Telecom factory Jabalpur, an amount of Rs 1.04 crore was pending for clearance, mostly against PSUs. Of this, an amount of Rs 0.91 crore was outstanding for the years 1996-97 and earlier. According to the correspondence of CGM, Telecom factory Jabalpur during the period December 1998 to March 2000, no action appeared to have been taken by the stores and purchase wing for adjustment of the outstanding amounts.

13.6(v) Non-recovery of huge outstanding dues

The Engineering Divisions of the Telecom department were authorised to obtain supplies of certain products direct from the Telecom factories against specific indents. The factories were also to supply their products to other Government departments, Undertakings and private organisations etc.

The factory/organisation-wise position of outstanding dues for the last five years as on 31 March 2000 is as under:

Table 13.6(v) Outstanding dues from Government departments and outside agencies

(Rs in crore)

Year	Government departments	Outside agencies	Total
Telecom factory Jabalpur			
1995-1996	11.63	2.26	13.89
1996-1997	14.32	3.57	17.89
1997-1998	18.10	4.86	22.96
1998-1999	35.54	4.85	40.39
1999-2000	44.17	4.87	49.04
Sub-total	*123.76*	*20.41*	***144.17***
Telecom factory Mumbai			
1995-1996	11.59	1.01	12.60
1996-1997	2.13	0.03	2.16
1997-1998	1.07	0.03	1.10
1998-1999	1.97	0.02	1.99
1999-2000	21.97	0.52	22.49
Sub-total	*38.73*	*1.61*	***40.34***
Total	**162.49**	**22.02**	**184.51**

The above table revealed that huge amounts were lying outstanding against Government and private agencies for over five years. The increasing trend at the Jabalpur factory in the outstanding dues every year also reflected the inaction on the part of management in addressing this malaise. This, in turn, affected adversely the ways and means position of the factory.

13.7 Inventory management

13.7(i) Lack of selective information technology based inventory control

The role of information technology in inventory management with regard to selective inventory control, monitoring of fast, slow and non-moving items and their disposal is well established.

The telecom factories at Jabalpur and Mumbai annually procured material on an average worth Rs 48.45 crore and Rs 30.64 crore, respectively, keeping the requirement specified in the annual production programme in view.

Computerisation even after spending Rs 0.64 crore by Telecom factory Jabalpur did not yield any tangible results towards inventory management

Scrutiny of the records of computerisation of Telecom factory Jabalpur revealed that an amount of Rs 0.59 crore was spent on procurement of hardware/software inclusive of cost of civil works. Further, an order for supply of 18 computers at Rs 0.09 crore was placed by the factory on Telecom factory Calcutta in February 2000. In addition, there was a proposal to procure one more computer through Director General Supplies and Disposal (DGSD) at Rs 2.48 lakh. A sum of Rs 0.05 crore was also spent towards payment for Annual Maintenance Contracts with various firms

The Telecom factory Mumbai also spent an amount of Rs 36.63 lakh on procurement of computer hardware and software during 1995-2000, besides an expenditure of Rs 15.42 lakh against Annual Maintenance Contracts during the same period.

No selective inventory control techniques were followed in handling of inventory

Scrutiny of the records with regard to the applications for which the computers were put to use by Telecom factory Jabalpur revealed that certain crucial functions like selective inventory control techniques viz., ABC/VED analysis were not being followed by the factory.

On the contrary, the Mumbai factory was reportedly using computers available with them for inventory control and other activities related with production and planning.

This highlights that there was no uniformity amongst the factories with regard to this vital area of their activities.

13.7(ii) Uneven Inventory turn over

One of the most widely followed measures for evaluating inventory performance in any organisation is to determine the 'Inventory turn over Ratio', i.e. the annual consumption with reference to average inventory held in the system.

The data given below with regard to the inventory held by the factories under review is given below:

Table 13.7(ii) Inventory turn over ratio/period

Period	Total stock held	Yearly consumption	Average monthly consumption (b÷12)	Average holding of stock per month (a÷2)	Holding in terms of number of months consumption (d÷c)	Inventory turn over ratio (b÷d)	Inventory turnover period (in days) d x 365 / b
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	(Value in crore of rupees)						
Telecom Factory Jabalpur							
1995-1996	59.49	39.75	3.31	29.75	8.99	1.34	273
1996-1997	73.77	35.99	3.00	36.89	12.30	0.98	374
1997-1998	77.44	47.77	3.98	38.72	9.73	1.23	296
1998-1999	100.32	56.04	4.67	50.16	10.74	1.12	327
1999-2000	109.38	42.57	3.55	54.69	15.41	0.78	469
Telecom Factory Mumbai							
1995-1996	13.79	27.97	2.33	6.90	2.96	4.05	90
1996-1997	15.44	27.36	2.28	7.72	3.39	3.54	103
1997-1998	18.96	17.68	1.47	9.48	6.45	1.86	196
1998-1999	22.57	26.19	2.18	11.28	5.17	2.32	157
1999-2000	36.21	35.95	3.00	18.11	6.04	1.98	184

Uneven inventory turnover ratios ranging between 0.78 to 1.34 and 1.86 to 4.05 at Telecom factory Jabalpur and Telecom factory Mumbai, respectively

From the above, it would be seen that in respect of Telecom factory Jabalpur, the inventory turnover period increased from 273 days in 1995-96 to 469 days in 1999-2000, as against normal requirement of raw material for a maximum period of six months consumption. In respect of Telecom Factory Mumbai, the inventory turnover period increased from 90 days in 1995-96 to 184 days in 1999-2000. Telecom factory Jabalpur had a stock adequate for nine to 15 months during 1995-2000. Holding of such huge stock for years was not justified considering the blockage of funds involved. Their was also uneven inventory turnover ratios ranging between 0.78 to 1.34 and 1.86 to 4.05 at Telecom factories Jabalpur and Mumbai, respectively.

13.7(iii) Huge quantity of stores in transit

Timely supply of stores to the users and appropriate acknowledgement thereof ensures users' satisfaction and enables the sender to make appropriate accounting adjustments.

The year-wise breakup of value of stores in transit is given below:

Table 13.7(iii) Value of stores in transit

Non-clearance of huge quantity of stores lying in transit at both the factories

(Rs in lakh)

Telecom factory	Prior to review period	During review period					Total
	1972-73 to 1994-95	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	
Mumbai	57.16	0.48	1.93	6.03	-	5.37	70.97
Jabalpur	NA	0.03	0.21	0.05	-	0.42	0.71
Total	**57.16**	**0.51**	**2.14**	**6.08**	**-**	**5.79**	**71.68**

Persistence of non-reconciliation of stores in transit spread over 26 years highlights the callous attitude of the factories' Management in dealing with this issue.

The main reasons for the persistent outstandings were non-despatch of acknowledgements of the depot transfer notes by the receiving depots, non-receipt of depot transfer notes by the receiving depots, non-accounting and non-crediting of stores in transit by the receiving depots. These reasons need to be addressed immediately since delayed adjustment of stores in transit is fraught with the risk of loss/pilferage of transferred material/stores.

13.7(iv) Stock verification and stock-taking

Independent Stock Verification (ISV) *inter alia* means annual stock verification by independent stock verifiers controlled by different heads of circles to obtain complete verification atleast once a year of each item of stores.

Progressive Stock Taking (PST) on the other hand means stock verification carried out by the officer incharge of stores in such a manner that all stores are completely verified once in a financial year. PST would not be conducted during the period in which ISV was conducted.

No stock verification and stock taking procedures followed, except in 1995-96

Scrutiny of records of both the factories revealed that CGMs failed to get independent stock verification of stores done by the independent stock verifiers after 1995-96, though it was to be carried out annually. Even in 1995-96, as against 1265 items, only 538 items were checked during the said verification. CGMs failed to give any reasons for not carrying out this mandatory function. In the absence of such stock verifications, the shortfall or the quantity of the stores available with factory could not be verified.

Further, PST of store of various godowns, although required to be carried out annually by the officer incharge of stores concerned, was not being done since 1996-97 onwards. Even during 1995-96, out of 1265 items, the PST was conducted in respect of 538 items only.

In the absence of appropriate stock verification and stock taking mechanisms, the system is fraught with the risk of loss of stock through pilferage/fraud.

13.7(v) Non/slow moving items of stores

The value of non/slow moving stores, stratified over a period of 10 years and above as of March 2000 is given below:

Table 13.7(v) Non/slow moving stores

(Rs in crore)

Sl. No.	Period	Telecom factory Mumbai		Telecom factory Jabalpur	
		Number	Value	Number	Value
1	1-4 years	450	1.00	4	0.51
2	4-5 years	630	1.38	354	0.56
3	5-10 years	1085	1.30	-	-
4	More than 10 years	835	0.35	-	-
	Total	**3000**	**4.03**	**358**	**1.07**

The above position would imply that the factories procured raw material without co-relating it to actual requirements, based on actual production schedule. No action was on record to analyse the reasons for their non/slow movement and for disposal of the unwanted stores. Lack of selective inventory control as commented elsewhere in this review is one of the causes for this deficiency.

13.7(vi) Non-disposal of scrapped material

Non-disposal of scrapped material worth Rs 3.54 crore since 1995-2000

Scrapped material of various types, valued at Rs 3.54 crore was lying unsold at Telecom factory Jabalpur between 1995-2000 as shown below:

Table 13.7(vi) Scrapped material pending for disposal

(Rs in crore)

Year	Value of material pending for disposal
1995-1996	0.01
1996-1997	0.02
1997-1998	0.04
1998-1999	0.41
1999-2000	3.06
Total	**3.54**

Failure of the management in taking prompt action for timely disposal of this scrapped material would result in deterioration in their quality and value with the passage of time.

Loss of Rs 0.15 crore due to selling of scrapped material at rates below those recommended by SSC

Audit scrutiny of relevant register (ACE 9) meant for disposal of scrapped material further revealed that during 1995-99 huge quantity of scrapped material was sold at a rate below that recommended by the Stores Scrapping Committee (SSC) leading to a loss of Rs 0.15 crore. It was further seen that 111 screened out machines worth Rs 0.25 crore were also lying for disposal for five to over 20 years. Failure to dispose of these machines resulted in blockage of capital and consequential loss on account of delay in their disposal due to normal wear and tear over such a long period.

13.7(vii) Non-disposal of raw material and plant after its closure

A project for setting up of 3000 numbers per year capacity of Subscribers Trunk Dialing (STD) pay phones at Telecom factory Mumbai was sanctioned by DoT in November 1986 at an estimated cost of Rs 1.83 crore which was revised to Rs 3.91 crore in April 1995 due to increase in the conversion rate of Yen, Customs duty and Tariff etc. No physical completion report for this project was available with the executive.

Non-disposal of raw material and plant and machinery worth Rs 0.61 crore and Rs 0.69 crore, respectively

During the period from 1991-92 to 1994-95, the Telecom factory Mumbai manufactured 2100 numbers of STD pay phones valued at Rs 9.84 crore, besides importing 300 numbers valued Rs 4.16 crore during 1991-95.From 1995-96, manufacture of this item was suspended due to change of shape of coins by the Reserve Bank of India, thereby rendering them unusable; as a result the raw material valued at Rs 0.61 crore, besides plant and machinery worth Rs 0.69 crore remained unutilised. While admitting the facts, the management stated that the efforts were on to dispose them of, but there was no progress in this regard up to October 2000.

13.8 Poor Internal Check

Inadequate internal checks and poor compliance thereof

With a view to provide DoT/DTS as well as the Parliament a clear and meaningful presentation of P and T finances, the Internal Check system was introduced during the year 1974 in Telecom factories Jabalpur (two factories), Mumbai and Calcutta; thereafter it was made applicable to all other factories. The headquarters of the Internal check unit is located at Jabalpur under the Director (Finance and Accounts). In respect of the four factories including the factories under review, the Internal Check raised 528 objections which were pending for settlement as on 31 March 2000 as shown below:

Table 13.8 Pending internal check objections

Sl. No	Name of the factory	Number of objections pending for settlement during the year				
		1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
1	Telecom factory Jabalpur	95	95	95	95	95
2	Telecom factory Richai Jabalpur	99	99	99	99	99
3	Telecom factory Kharagpur Calcutta	207	207	207	207	207
4	Telecom factory Mumbai	50	127	127	127	127
	Total	**451**	**528**	**528**	**528**	**528**

Failure to comply promptly with the observations of the internal check organisation indicates a casual attitude on the part of the executive towards this institution, negating the very purpose of its creation.

13.9 Other points of interest

13.9(i) Idle investment on procurement of arrestor magazines

The CGM Telecom factory Mumbai placed purchase orders in March 1996 on two private firms for procurement of 40000 arrestor magazines for manufacture of old version of main distribution frame structures despite DoT's instructions to procure arrestor magazines of new specification. This quantity was subsequently reduced to 25200 numbers, which was received by the factory during April-May 1996.

Irregular and excess procurement of arrestor magazines led to blocking of funds of Rs 0.52 crore

Examination of the stock cards by Audit revealed that 29175 numbers of these arrestor magazines including 25200 procured in violation of DoT's instructions were lying idle in stock since December 1996. This led to blocking of funds of Rs 0.52 crore.

13.9(ii) Avoidable expenditure on procurement of stores at varying rates

The printed circuit board (PCB) assembly is a component required for line jack units manufactured by the Telecom factory Jabalpur. During 1998-99, the CGM floated two tenders for procurement of PCB assembly and to explore new vendors also. The Stores Purchase Committee decided to place orders for only small quantities on the lowest tenderers; the major quantity was to be distributed amongst the remaining tenderers at higher rates. This was a clear violation of normal tendering procedure as the orders were required to be placed on all the suppliers at L-1 rates uniformly as per the procurement policy of DoT/DTS.

Avoidable expenditure of Rs 0.16 crore on procurement of raw material at higher rates

Procurement of raw material at higher than L-1 rates during July 1998 to January 1999 from seven firms led to an avoidable expenditure of Rs 0.16 crore.

Conclusion

The Telecom factories Jabalpur and Mumbai were fraught with problems of high cost of production, under utilisation of capacity, poor inventory management and inadequate internal controls. Moreover, with the installation of a large number of state of art telephone exchanges and use of innovative forms of external plant network such as Optical Fibre Cable, Point to Multi-Point Access, Time Division Multi access, UHF/VHF and International Marine Satellite, the demands for the items being produced by these factories are diminishing day by day, thus, rendering the operations of these factories uneconomical. The Ministry may have to consider gainful productive utilisation of existing facilities and manpower in these factories and also examine alternatives of phasing them out to reduce loss to the department due to persistent under utilisation.

The matter was referred to the Ministry in November 2000; their reply was awaited as of January 2001.

14 Computerised Telephone Revenue Billing and Accounting System

14.1 Introduction

The telecom network in the country rose from 119.78 lakh telephone connections during 1995-96 to 265.11 lakh during 1999-2000. Correspondingly, the revenue receipts of the department also rose from Rs 7799 crore in 1994-95 to Rs 18257 crore during 1999-2000. As a result, appropriate billing and realisation of revenue thereof gained immense importance. Since the manual system of billing in vogue was found inadequate, a need for its computerisation was strongly felt. With a view to take the advantage of Relational Database Management System (RDBMS) to handle this voluminous database, the department adopted the package popularly known as 'TRICHUR' developed by M/s Transmatics in May 1994. This package contained Customer Account Maintenance modules, viz., customer account management, call data collection, credit/debit vouchers, telephone/telex bill processing, accounts receivable and collection management, accounting, reports and table maintenance etc.

In October 1998, the department developed a package in-house known as 'DOTSOFT', consisting of modules on directory enquiry, commercial and Telephone Revenue Billing and Accounting (TRBA).

14.2 Scope of Audit

The review was conducted during June to August 2000 covering 38 Secondary Switching Areas (SSAs) in six telecom circles, viz., Andhra Pradesh, Karnataka, Kerala, Rajasthan, Tamil Nadu and West Bengal to assess the status of implementation and performance of computerised telephone revenue billing and accounting.

14.3 Organisational set-up

The telephone revenue billing and accounting (TRBA) wing functions under the heads of SSAs, who are under the overall charge of the head of the circle, assisted by the General Manager (Finance/TR) at the circle level. At the apex level Senior Deputy Director General (TRF) is the incharge under the overall supervision of Member (Finance).

14.4 Highlights

- **No Information Technology plan existed either at the apex or the circle levels. Though DoT targeted to implement TRICHUR package by March 1995 in all SSAs, it failed to implement it even three years later. This package was implemented in 297 out of 313 SSAs by March 2000.**

- **DoT decided in 1998 to implement DOTSOFT package in one SSA in each circle against which it was implemented only in 16 SSAs up to March 2000.**

- **20 SSAs in Rajasthan and West Bengal circles implemented unapproved packages contrary to departmental directions, indicating lack of standardisation and poor monitoring.**

- **System level deficiencies with financial implications continued to exist in the packages even after two/six years of introduction of DOTSOFT/ TRICHUR packages.**

- **11 SSAs in Karnataka and Tamil Nadu circles failed to process completed advice notes for periods ranging between three months (85 *per cent*) to more than a year.**

- **Non-creation of master data/incomplete information in master data led to generation of unaddressed bills. Some 29395 unaddressed bills valuing Rs 4.25 crore were generated in 13 SSAs in three circles during the period March 1996 to July 2000. No corrective steps were taken even after six years of introduction of the TRICHUR package.**

- **A total of 102 advice notes relating to change of telephone numbers, external shifts etc., were not processed for three to 12 months due to deficiencies in the TRICHUR package. The package did not provide for reconciliation of advice notes entered and processed leading to non-billing and consequent loss of revenue. Even the 'advice note processing error' report generated did not detect this deficiency.**

- **Huge gaps ranging between 1274 and 11289 in the number of working connections and the number of connections actually billed were noticed at six SSAs in Andhra Pradesh and Tamil Nadu circles resulting in non-realisation of revenue of Rs 1.88 crore between March and June 2000.**

- **Deficiencies like preparation of bills for initial broken periods, generation of unaddressed bills, non-provision for billing of accessories etc., were noticed in the unapproved packages implemented in West Bengal circle; resultantly, the department failed to realise revenue of over Rs 18.05 lakh in test checked cases.**

- **Deficiencies in approved packages like non-revision of rental due to change in exchange capacity, excess payment of waiting charges due to non-downward revision of interest rates etc., resulted in short/non-billing of Rs 16.04 lakh.**

- **Although, TRICHUR package was introduced in 1994, no training was imparted to any of the cadres during 1994-99 in Kerala circle, except in case of the SSAs Trichur and Kollam.**

14.5 Planning and Development

14.5.1 Lack of Information Technology planning

No IT plan existed either at DoT or the Circles level

Six years after introduction of revenue billing packages, there was no Information Technology (IT) plan both at the apex and regional levels. Further, no IT Steering Committees involving the top management were on record at the units to supervise the progress of the IT related activities commensurate with the growing departmental activities.

14.5.2 Lack of standardisation

TRICHUR package not implemented in all SSAs as targeted

The department targeted to implement TRICHUR package in all SSAs by March 1995. As against this, it was introduced in 297 out of 313 SSAs by March 2000.

DoT decided in October 1998 to standardise DOTSOFT package for implementation in one SSA in each telecom circle replacing TRICHUR package. However, the package was introduced only in 16 SSAs by the end of March 2000.

Thus, neither of these two packages was fully implemented in any of the circles under review.

20 SSAs in two circles implemented unapproved packages

Departmental instructions of May 1994 and February 1998 stipulated that the TRICHUR Package was to be used as the standard software throughout the country in order to enable uniformity in the maintenance and upgradation of the software. Contrary to these instructions, 20 SSAs of Rajasthan and West Bengal circles procured and implemented certain unapproved/non-standardised packages viz., 'Coimbatore' and 'IMA' etc., on their own during 1994-99. The Chief Accounts Officer (CAO)(TR), West Bengal circle stated in August 2000 that TRICHUR package was not adopted due to lack of knowledge of computerisation. The CAO further stated that the circle was making efforts to develop a package called 'TRASYS' for receiving payment at collection centres and accounting; this was in utter disregard of instructions on the subject.

The objective of creation of CTRAMS could not be achieved

For the purpose of software maintenance, development, upgradation and modification of TRICHUR package, DoT formed a separate cell known as "Centre for TRA Maintenance" (CTRAMS) under DDG (TRF) in September 1997. However, the incidence of introduction of unauthorised packages by the circles was in disregard of departmental directions. Thus, the department could not standardise the developed packages in order to enable uniformity in the maintenance and updation of the software.

14.6 Weak controls fraught with the risks of loss of revenue

14.6.1 Input and output controls

Advice notes and meter reading statements are basic inputs for TRBA and these should be reconciled periodically. Test check of records of circles under review revealed the following irregularities:

14.6.1.1 Non-creation of master data and resultant delay in billing

The basic objective of computerised billing is to ensure timely claim of all dues from subscribers. Non-receipt/delayed receipt of advice notes results in non-creation of master data, which is vital for correct billing.

97134 advice notes were not completed and entered into the system as scheduled

According to departmental provisions, completed advice notes should be forwarded to TRA branch within seven days of the events affecting the connection. This information acts as input for master data creation. A test check in 11 SSAs in Karnataka and Tamil Nadu circles revealed that of the 402412 advice notes issued for the period April 1999 to March 2000, 97134 advice notes (24.14 *per cent*) were not completed and entered into the system within the stipulated period of seven days as detailed under:

Table 14.6.1.1(i) Delay in issue of advice notes

Name of the circle	Name of SSA	Number of Advice notes			
		Issued by commercial branch	Completed and received in TRA branch	Entered into system	
				Within 7 days	After 7 days
Karnataka	Bangalore	113374	113374	113177	197
	Belgaum	49180	49180	34819	14361
	Bellary	21184	21184	15332	5852
	Hubli	8245	8245	0	8245
	Kolar	15133	15133	6585	8548
	Mangalore	53864	53864	30426	23438
	Mysore	53186	53186	44611	8575
	Shimoga	27653	27653	19492	8161
	Tumkur	17081	17081	10434	6647
Tamil Nadu	Salem	10408	10408	0	10408
	Thanjavur	33104	33104	30402	2702
Total		**402412**	**402412**	**305278**	**97134**

A further analysis of delay revealed that in 15 *per cent* of the cases the delay was more than three months as indicated below:

Table 14.6.1.1(ii) Delay in issue of advice notes for more than seven days

Sl. No	Delay	No. of advice notes	Percentage
1	More than 7 days and up to 3 months	82515	84.94
2	More than 3 months and up to 6 months	12820	13.20
3	More than 6 months and up to 9 months	1749	1.80
4	More than 9 months and up to 12 months	12	0.02
5	More than 12 months	38	0.04
	Total	**97134**	

Thanjavur and Salem SSAs stated in July/August 2000 that delay in receipt of advice notes was brought to the notice of the concerned authority for expediting the same.

Considering that the master data is the key input for billing, any delay in its preparation would have a consequential impact on the timeliness of billing.

Unaddressed bills valuing Rs 4.25 crore were generated in 13 SSAs in three circles

A fallout of such delay at 13 SSAs in three circles resulted in mounting of 29395 unaddressed bills valued at Rs 4.25 crore during the period March 1996 to July 2000 as given below:

Table 14.6.1.1 (iii) Unaddressed bills owing to non-creation of master data

Name of the circle	Name of the SSA	Number of unaddressed bills for over three billing cycles	Amount outstanding (Rs in lakh)
Tamil Nadu	Chengalpattu*	300	6.17
	CRDA*	110	1.32
	Cuddalore*	110	20.59
	Erode*	350	133.54
	Salem	452	14.89
West Bengal	Siliguri	12	4.54
Karnataka	Bangalore	18107	210.19
	Belgaum	1427	7.05
	Bellary	315	2.36
	Chickmagalur	642	2.12
	Mangalore	5487	13.71
	Shimoga	819	2.16
	Tumkur	1264	6.16
	Total	**29395**	**424.80**

* Six cycles and above

The department, thus, had failed to take corrective measures to overcome this vital deficiency even after six years of introduction of the package.

14.6.1.2 Non-reconciliation of advice notes

System failed to process 102 advice notes for a period of three to 12 months

Advice note is the only authentic document on the basis of which the TRA branch maintains its records and issues bills. In order to ensure that all activities of telephone connections initiated through advice notes are recorded and billed, reconciliation of advice notes issued and billed is of utmost importance. Audit observed at three SSAs in Tamil Nadu circle that 102 advice notes relating to change of telephone numbers and external shift for the period February 1998 to March 2000 were not processed, resultantly termed as 'to be processed', even after a lapse of three months to one year from the date of entry into the system. These cases were not reported by the system while generating "Advice note processing error" report and remained undetected, as the system did not provide for reconciliation of advice notes entered and processed. Existence of such a loophole is fraught with the risk of non-billing and consequent loss of revenue.

14.6.1.3 Non-reconciliation of working connections and number of bills issued

Revenue of Rs 1.88 crore not realised due to mismatch between the number of working connections and the connections actually billed

Telephone subscribers are billed in a staggered manner in odd and even months. The number of working connections at the end of a month is normally billed in the next bi-monthly period. Test check at six SSAs in Andhra Pradesh and Tamil Nadu circles revealed a huge gap between the number of working connections and the number of connections actually billed for the period March to June 2000 resulting in non-realisation of revenue of Rs 1.88 crore as given below:

Table 14.6.1.3 Difference between working and billed telephone connections

Name of the circle	Name of the SSA	Number of working connections as per Management Information System		Number of connections for which bills issued	Short fall	Revenue per Direct Exchange Line per month (Rs)	Loss of Revenue per month (Rs in lakh)
		Month and year	No. of conne-ctions				
Andhra Pradesh	Hyderabad	March 2000	8673	7399	1274	945.00	12.04
	Khammam	June 2000	61862	50573	11289	393.00	44.37
	Mahaboobnagar	May 2000	44646	40802	3844	788.00	30.29
	Nizamabad	April 2000	42211	37256	4955	767.00	38.01
	Ongole	April 2000	53208	43653	9555	385.50	36.83
Tamil Nadu	Chengalpattu	March 2000	70738	65359	5379	500.00	26.90
Total			**281338**	**245042**	**36296**		**188.44**

The Senior Accounts Officer (TRA) of Chengalpattu SSA in Tamil Nadu circle stated that the difference in his SSA was due to non-energising all the connections which were shown to have been provided. The other SSAs did not furnish any reasons.

14.6.1.4 Non-reconciliation of metered and billed calls

System failed to download the meter readings for 100 connections due to non-updating of local station table

(a) TRICHUR package did not provide for reconciliation of metered calls as per meter reading statement and gross calls billed. In respect of Parkside exchange at Nilgiris SSA in Tamil Nadu circle, the meter reading data at the end of June 2000 received from the exchange contained telephone numbers from '81200' to '81599'. But the system did not download the meter readings of telephone numbers from '81500' to '81599', as the local station table provided only for numbers from '81200' to '81499'. The discrepancy was neither reported by the system at the time of downloading the data nor detected by the Chief Accounts Officer of the concerned SSA with reference to the hard copy of meter readings of the exchange. This resulted in non-billing of rent and local charges to the tune of Rs 0.59 lakh. When this being pointed out by Audit, the Accounts Officer (Computer), Nilgiris SSA stated in July 2000 that range was updated and master data had been created.

Incorrect down loading of data led to short billing of local call charges of Rs 8.42 lakh

(b) At Chengalpattu SSA in Tamil Nadu circle, bills for June 2000 in respect of Kancheepuram exchange were incorrectly processed due to downloading of meter reading data at the end of April 2000 twice, instead of downloading the data for April and May 2000. The system claimed local call charges for one month i.e. for April 2000 only. This resulted in short billing of Rs 8.42 lakh.

14.6.1.5 Acceptance of effective dates beyond system's date

Incorrect system date

The system date normally corresponds to the current date. However, during the course of audit, it was noticed that at Nilgiris SSA in Tamil Nadu circle, the payment date was shown by the system as '01-Jan-2001' in respect of 6341 telephone connections which were paid in the months of June and July 2000. When this was pointed out by Audit, the TDM Nilgiris had reportedly updated the records.

System failed to reject the incorrect input of year of installation

Further, the package failed to reject the incorrect input of year of installation as '2099' in nine cases of advice notes entered for new connections in the same circle. The Assistant Chief Accounts Officer, CRDA SSA in his reply stated in August 2000 that the maintenance contractor would be approached for its rectification.

14.6.1.6 Incorrect usage of codes and resultant short billing

Telephone subscribers were categorised as 'urban' and 'rural' for billing purposes. Rural subscribers were eligible for lower rental, higher number of free calls and lower tariff than their urban counterparts.

Urban and rural codes were wrongly entered into the system resulting in short billing

A test check of usage codes at two SSAs in Tamil Nadu circle revealed that the codes were wrongly entered into the system while inputting the advice notes in 21 cases resulting in short claims of Rs 0.26 lakh. The short billing remained undetected from January 1998 to July 2000, till it was pointed out by Audit. The General Manager, CRDA SSA issued supplementary bills in July 2000. The General Manager Erode SSA stated in July 2000 that the vendor would be asked to rectify / incorporate the checks suggested.

14.6.1.7 Non-billing despite entering the data

Trunk call and phonogram tickets were not billed during September 1999 to June 2000 at three SSAs of Andhra Pradesh circle where DOTSOFT package was introduced resulting in non-billing of Rs 6.03 lakh as given in table 14.6.1.7.

Table 14.6.1.7 Details of unbilled trunk call/phonogram tickets

Non-billing of Rs 6.03 lakh despite entering the data

Name of SSA	Number of unbilled tickets			Period	Value (Rs in lakh)
	Trunk calls	Phonograms	International Trunk calls		
Karimnagar	3829	321	-	Nov 1999 to June 2000	1.55
Khammam	14782	-	21	Sep 1999 to June 2000	3.73
Kurnool	1658	-	-	Nov 1999 to June 2000	0.75
Total	**20269**	**321**	**21**		**6.03**

The heads of the SSAs stated that these bills would be included in future claims in consultation with the core group of the circle office.

14.6.1.8 Non-recovery of surcharge for late payment

TRICHUR package accepted part payment without surcharge of Rs 5.97 lakh

Surcharge was recoverable from subscribers who made payments after the due date. TRICHUR package accepted part payment with or without surcharge and proper checks were not provided to guard against leakage of revenue. This resulted in non-realisation of surcharge of Rs 5.97 lakh in 8164 cases test checked in Tamil Nadu and Karnataka telecom circles.

14.7 Irregularities noticed in unapproved packages

Deficiencies in unapproved package in use

Audit, during the course of scrutiny of records of the circles under review, noticed certain irregularities as shown below at West Bengal circle where the IMA package was in use.

14.7.1 Delayed disconnection led to accumulation of outstanding dues

Non-adoption of unique consumer number resulted in outstanding dues of Rs 11.62 lakh

At Siliguri SSA, a telephone connection bearing number '424430' was converted as '464430' in March 1996, but bills from May 1996 to February 2000 were wrongly sent to the address of another subscriber whose telephone number was '424431'. These bills remained unpaid resulting in accumulation of outstanding dues of Rs 11.62 lakh and ultimately the telephone was disconnected only in March 2000. This error could have been avoided, had the system adopted billing on 'unique consumer number' basis as provided for in the approved packages.

14.7.2 Non-issue of bills for broken period

Non-issue of bills for broken period resulted in non-billing of Rs 10 lakh

The package did not provide for generation of a regular bill or an unaddressed bill in case a new telephone connection was provided after the first day of billing period. The bills for the initial broken period were prepared manually by the TRA unit. It was observed in audit at Asansol SSA that in respect of more than 5000 completed advice notes, bills for initial broken period were not issued from 1998 onwards and the amount of non-billing worked out to Rs 10 lakh towards rental alone. There was no system in place to record the completed advice notes received in TRA unit to ensure the issue of first bill.

The GM stated that immediate action would be taken for safe custody of advice notes and bills would be issued shortly.

14.7.3 Non-billing due to non-receipt of completed advice notes and meter reading data

Non-receipt of completed advice notes and meter reading data resulted in non-billing of Rs 6.32 lakh

Telephone bills of Jhalang and Chongtong exchanges commissioned in March 1999 and Salbari and Vivekanand exchanges commissioned in March 2000 were not issued due to non-receipt of completed advice notes and meter reading data. This resulted in non-billing of Rs 6.32 lakh towards rental alone.

14.7.4 Failure to bill local calls

System wrongly computed the chargeable local calls for Rs 1.59 lakh

Siliguri SSA failed to charge 159122 local calls in respect of bills issued in June 1998 in respect of Bagdogra exchange in 292 cases test checked. The chargeable calls were erroneously computed as zero. Even assuming the value of each call at Re 1, the non-billing amounts to Rs 1.59 lakh. The Accounts Officer (TRA and Computer) of Siliguri SSA stated that action was being taken for regularisation of the case.

The department may investigate the case and recover the local call charges wherever due.

14.7.5 Non-billing of accessories

The package did not provide for billing of telephone accessories. Hence, bills for accessories (plan 103 facility) in nine cases valued at Rs 0.14 lakh were not issued ever since the telephone billing was computerised in 1995 at Siliguri SSA. While accepting audit observations, the GM Siliguri stated that there was no programme for issue of plan 103 and 104 bills from the starting of computer system.

The department would like to get the issue investigated and issue bills wherever necessary.

14.7.6 Lack of on-line payment noting

Owing to lack of a provision for on-line payment noting in the packages used in different SSAs in West Bengal circle, the data regarding payment were entered into the system manually and there was no system of reconciliation of the payments. Consequently, the system was fraught with the risk of manipulation.

14.7.7 Non-generation of report on STD pay phones

Deficiency in package for generation of defaulting STD pay phone operators

The package did not provide for generation of any report in respect of 'Defaulting STD pay phone operators' and the amount outstanding against them. Subscriber Record Cards (SRC) for pay phone operators were also not maintained and the outstanding list was not prepared manually. As a result, Siliguri SSA was not able to pursue the matter of realisation of outstanding dues from defaulting pay phone operators. The loss could not be quantified due to non-maintenance of SRCs.

While admitting the audit observation, the GM Siliguri stated that the observation was noted for future guidance.

14.8 Security policy

Appropriate security policy and adequate in-built security controls i.e. both physical and logical, are required to prevent any unauthorised access to the system and consequential loss of data thereof.

14.8.1 Physical security

14.8.1.1 Unattended terminals

No procedure was on record to prevent unauthorised access to terminals.

14.8.1.2 Backup

Sound backup procedures and their application would ensure timely recovery of the precious data with little cost in the event of any disaster.

Audit observed that at five out of 10 SSAs test checked in Rajasthan and Tamil Nadu circles, the backup data was stored in the computer room itself, thereby exposing the data to risk of loss in case of any disaster.

14.8.2 Logical security

Password not changed periodically

In Tamil Nadu circle, no uniform procedure was followed in password composition to ensure minimum length and alphanumeric combination. The system allowed creation of passwords with alphabetical characters only.

Periodical change of passwords by users reduces the risk of unauthorised access to the system. However, it was observed that in none of the 21 out of 38 SSAs test checked in six telecom circles there were procedures on record to change the password periodically. The password was changed only when there was a change of the user.

14.9 Short/non-billing due to inadequacies in the packages in vogue

Test check of records of six telecom circles revealed the following cases where revenue was either short claimed or not claimed at all due to certain shortcomings in the packages adopted by different circles.

14.9.1 Non-billing of accessory charges

Provisioning charges and rental of Rs 4.15 lakh not recovered from CLIP facility subscribers

Calling Line Identification Presentation (CLIP) facility was provided on payment of one time provisioning charges and bi-monthly rental. Due to non-updating of records in respect of CLIP facility, one time provisioning charges and monthly rental amounting to Rs 4.15 lakh were not claimed in respect of 3027 telephone connections at seven SSAs in Andhra Pradesh, Tamil Nadu and West Bengal circles. While admitting the observations, units stated that supplementary bills would be issued and recovery would be effected. The TDM Ongole SSA of Andhra Pradesh circle, however, stated that vendor would be requested to modify the software.

14.9.2 Non-revision of rental charges consequent on change in exchange capacity

Rentals were not revised despite increase in exchange capacity resulting in short claim of Rs 4.82 lakh

Bi-monthly rentals for telephone connections vary according to the capacity of the exchange system and the rental charges are to be revised whenever the exchange capacity is augmented. Revision of rental in such cases was leviable from 1 April or 1 October following the date of change in exchange capacity. But bi-monthly rental in respect of five exchanges at Bellary SSA in Karnataka circle was not revised despite increase in the exchange capacity between November 1997 and March 1998, resulting in short claim of Rs 4.82 lakh. Besides, the details of the increase in exchange capacity were also not intimated to TRA section by the concerned exchange authorities.

14.9.3 Excess payment of waiting charges (interest) on application deposits

Waiting charges on application deposit are allowed if the telephone connection is installed more than one month after payment of application deposit. The waiting charges are allowed for full completed months at the rate of fixed deposit for one year in force on the date of registration.

Waiting charges rates not revised downward resulting in overpayment of Rs 7.07 lakh

Scrutiny of records at six SSAs in Karnataka and Tamil Nadu circles disclosed that the system allowed payment of interest even in cases where connections were provided within one month. Further, revision of waiting charge rates downward from March 1999 was also not carried out which resulted in over payment of Rs 7.07 lakh. The units stated that action would be taken to regularise the excess paid waiting charges by taking up the matter with the vendors.

14.10 Other points of interest

14.10.1 Misclassification of paid connections as service connections

Misclassification of paid connections as service connections resulted in non-billing of Rs 14.16 lakh

(a) Departmental instructions stipulate that telephone connections provided to post offices for operating express satellite money orders and speed post booking centres were to be treated as ordinary connections and billed accordingly. Scrutiny of records of Belgaum, Bangalore and Mysore SSAs in Karnataka circle revealed that these connections were treated as service connections resulting in non-billing of Rs 14.16 lakh.

(b) Public Telephones provided at post offices were classified as ordinary paid connections. A test check at Nilgiris SSA of Tamil Nadu circle revealed that 1571 bills issued from the year 1998 onwards, generated for these connections by the system were, however, treated as 'departmental connections', since no separate code was assigned. Due to this misclassification, payment for this category was not watched.

14.10.2 Non-billing of international trunk call tickets

International trunk call bills issued belatedly

Scrutiny of records at Salem SSA in Tamil Nadu circle disclosed that the bills for international trunk calls valuing Rs 7.24 lakh from May 1998 to April 1999 were issued, after a delay of two to six months from the date of receipt of statements from Coimbatore SSA, the nodal point for this purpose. Further, international trunk call charges from May 1999 to March 2000 valuing Rs 6.60 lakh, on the basis of bills for previous year, were not billed as of July 2000.

The SSA attributed the delay to receipt of data in electronic format. The reply is not tenable as this procedure is in vogue at other SSAs also. Thus, lack of co-ordination between the two SSAs resulted in non-billing of Rs 6.60 lakh.

14.10.3 Irregular retention of telephone facility

Telephone Advisory Committee (TAC) members were entitled for rent free telephone connections and 1150 free calls bi-monthly during their tenure. On the expiry of their tenure, these subscribers were to be charged as for ordinary subscribers. Test check conducted in Tamil Nadu and Karnataka telecom circles disclosed that the telephone connections of nine ex-TAC members were continued to be billed at concessional rates, resulting in short billing of Rs 0.61 lakh for the period August 1996 to July 2000. The system did not provide for any check and the same could have been avoided by providing 'guarantee-expiry' column in the master data. The units stated that the cases would be reviewed and short billed amount would be recovered.

14.10.4 Lack of manuals and instructions

Even six years after introduction of IT in revenue billing and accounting, DoT could neither bring out a comprehensive manual of procedure and instructions on the subject nor revised the existing codes and manuals. As a result, no uniformity exists amongst various units with reference to flow of work and maintenance of records.

14.10.5 Training

Audit with a view to assess the adequacy of training imparted to various cadres of staff handling the TRICHUR package, carried out a test check of the number of personnel of various cadres that had undergone training in TRICHUR package during 1994-99 in respect of Kerala circle, except Trivandrum SSA. The details of scrutiny are given in table 14.10.5.

Table 14.10.5 Training

Year	Chief Accounts Officer and above		Senior Accounts Officer/ Accounts Officer		Junior Accounts Officer/ Assistant Accounts Officer		Senior Telecom Office Assistant/ Telecom Office Assistant		Senior Section Supervisor/ Section Supervisor/ Chief Section Supervisor	
	Men-in-position	Trained	Men-in-position	Trained	Men-in-position	Trained	Men-in-position	Trained	Men-in-position	Trained
1994-95	12	Nil	37	Nil	68	1*	1781	Nil	93	Nil
1995-96	16*	2*	43	1*+1**	83	1*	7427	Nil	91	Nil
1996-97	19	2*	47	2*+1**	95	Nil	1642	147*	107	17*
1997-98	24	1*	52	1*+1**	89	Nil	1638	12*	167	Nil
1998-99	31	1*	57	5	93	3	1660	12*	121	Nil
Total		**6**		**12**		**5**		**171**		**17**

* SSA Trichur; ** SSA Kollam

The above position reveals that although the package was introduced in 1994, no training was imparted to any of the cadres shown above during 1994-99 at all the SSAs of the circle, except in case of the SSAs Trichur and Kollam.

Conclusion

There was no IT plan either at the level of Ministry or the Circles for various activities. TRICHUR package developed and standardised in May 1994 for telephone revenue billing and accounting (TRBA) was not implemented in all the SSAs even by March 1998. Unapproved packages were in use at many SSAs indicating lack of standardisation. Even the integrated DOTSOFT package consisting of various modules like directory enquiry, TRBA, fault repair service etc., was implemented only in 16 SSAs out of 22 SSAs targeted and deficiencies were noticed in this package also. Deficiencies existing in the standardised package fraught with serious risks such as non-billing despite feeding data, non-reconciliation of advice notes, incorrect usage of codes, accepting payments after due date without surcharge etc., were not rectified resulting in short/non-billing.

The matter was referred to the Ministry in November 2000; their reply was awaited as of January 2001.

CHAPTER 5
MAJOR FINDINGS IN TRANSACTION AUDIT

(A) Loss/Over payment/Short recovery/Other recoveries at the instance of Audit

15 Non-recovery of dues from MTNL Mumbai/Delhi

Civil wing authorities of DoT at Mulund, Sion in Mumbai and Electrical wing of New Delhi executed various works of MTNL without receiving or with insufficient receipt of advance deposit. This resulted in non-recovery of expenditure of Rs 11.24 crore from MTNL till January 2001. The Executive Engineer Civil division-II Mulund recovered Rs 0.54 crore at the instance of Audit.

Instructions stipulate for receipt of advance deposit for "deposit works"

After the formation of Mahanagar Telephone Nigam Limited (MTNL) in April 1986, DoT issued instructions in October 1986 stipulating that civil and electrical wings of DoT would continue to execute works of erstwhile Mumbai and Delhi telephones as "deposit works". The instructions stipulate that MTNL would deposit the approximate cost of work by cheque or demand draft in advance with the Accounts Officer of the concerned civil division. The civil divisions would incur the expenditure undertaken on behalf of MTNL and account for the transactions in the cash book as deposit works.

Civil/Electrical wings executed works worth Rs 11.24 crore without receiving/ insufficient receipt of advance deposits

Scrutiny of records of Civil divisions at Mulund and Sion in Mumbai in August 1998/February 1999 and Electrical division III in Delhi in January 1998 by Audit disclosed that these units executed the works in disregard of codal provisions and instructions of DoT. Civil division Sion executed the works during 1995-98 with insufficient receipt of advances, while during 1998-99 they executed works without receipt of any advance. Electrical division-III carried out 145 works without receipt of advance deposits and in 476 works it received insufficient advance deposits till March 1999. Consequently, MTNL Mumbai/Delhi were to reimburse Rs 11.24 crore to civil and electrical divisions as shown below:

Table 15 Outstanding dues from MTNL

(Rs in crore)

Division	Amount due
Civil division II Mulund	2.88
Civil division Sion	2.89
Electrical division III New Delhi	5.47
Total	**11.24**

Explaining the reasons for the delay in realising the amount from the MTNL Mumbai, the Chief Engineer (CE) Mumbai stated in May 1999 that the concerned Executive Engineers and Accounts officers were being directed to devote personal attention to get the accounts reconciled at the earliest and realise the outstanding amount. The Executive Engineer Civil division-II Mulund in his reply given in January 2001 stated that a sum of Rs 0.54 crore was realised as of January 2001, leaving a balance of Rs 2.34 crore. The Director (EW) New Delhi stated in October 1999 *inter alia* that strict instructions were issued in March 1999 by CE (Electrical) to undertake all works after receipt of advance cheques.

Thus, due to failure of Civil wing Mulund and Sion at Mumbai and Electrical wing at New Delhi to follow the instructions of DoT, an amount of Rs 10.70 crore was outstanding from MTNL Mumbai/Delhi till January 2001 on account of various works carried out without receipt/insufficient receipt of advance deposits.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

16 Avoidable expenditure on unwarranted use of armoured cable in place of unarmoured cable

In violation of the instructions of the Department of Telecommunications for use of unarmoured cable in local network, the Chief General Manager Telecommunications Tamil Nadu Circle issued 1726.3 km of 20 pair armoured cable during 1997-2000 to Coonoor, Erode, Karaikudi, Pondichery, Tirunelveli and Virudhunagar Secondary Switching Areas, resulting in an avoidable expenditure of Rs 5.61 crore.

DoT's instructions provided for use of unarmoured cable in local network

In order to avoid heavy expenditure on cable laying, the Department of Telecommunications (DoT) in April 1994 issued instructions to all the heads of circles for optimum use of 10 and 20 pair unarmoured cable in the local network in place of costly armoured cable, except in cases where the laying of armoured cable was absolutely necessary in view of the ground conditions. From these instructions it followed that the heads of the circles were required to give proper justification for the use of armoured cable.

Use of 1726.3 Km of armoured cable costing an additional Rs 5.61 crore by six SSAs

Scrutiny of records of General Managers Telecom/ Telecom District Managers Coonoor, Erode, Karaikudi, Pondicherry, Tirunelveli and Virudhunagar Secondary Switching Areas (SSAs) in Tamil Nadu Circle, between September 1999 and June 2000, revealed that the heads of these SSAs, in violation of above instructions, used 1726.3 kms of costly 20 pair armoured cable in local network as against unarmoured cable during 1997-2000, without giving proper justification for its use. This led to an avoidable expenditure of Rs 5.61 crore being the difference in the cost of these two types of cables.

In reply, the heads of all the above SSAs between September 1999 and June 2000 uniformly stated that they had not projected a requirement specifically for armoured cable, but the Chief General Manager Telecommunications (CGMT) Tamil Nadu circle had allotted only the armoured cable against these works.

Despite having sufficient stock of unarmoured cable, CGMT issued armoured cable for use in local network

Examination of records of CGMT by Audit in August 2000 further revealed that CGMT was having sufficient stock of unarmoured cable with him during the above period. Thus, blatant violation of DoT's instructions by CGMT by using costly armoured cable in the local network as against the available cheaper unarmoured cable led to the avoidable expenditure. The case needed investigation by DoT for fixing of responsibility.

The matter was referred to the Ministry in September 2000; their reply was awaited as of January 2001.

17 Excess expenditure of Rs 4.25 crore in procurement of 2 GHz digital microwave terminals

Incorrect fixation of price of the 30 channel and the 120 channel microwave terminals resulted in an excess expenditure of Rs 2.07 crore in procurement of 2344 and 1066 number of terminals, respectively. DoT also gave undue benefit of Rs 2.18 crore to suppliers.

Digital microwave system is used in telecommunications network to provide subscriber trunk dialling (STD) facility. DoT placed orders for 2450 and 1066 of 30 and 120 channel Digital Microwave Terminals, respectively, of 2 GHz capacity at a total cost of Rs 99.49 crore during 1998-2000.

Scrutiny of records of DoT by Audit during August-September 2000 disclosed the following.

17.1 Procurement during 1998-99

(a) Incorrect fixation of price for 30 channel terminals

DoT compared all inclusive price of the 120 channel terminal instead of basic price

DoT invited tender in January 1998 for procurement of 700 terminals of 30 channel 2 GHz digital microwave system consisting of radio equipment, multiplexing (MUX) equipment, feeder cable, antennae and accessories. While this tender was under finalisation, another tender for 292 terminals of the 120 channel 2 GHz digital microwave system was opened in June 1998. While evaluating the tenders, DoT found that per unit cost of the 30 channel terminals (Rs 2.91 lakh) was more than that of the 120 channel terminals (Rs 2.61 lakh). The Price Negotiation Committee (PNC) constituted for this purpose compared the all inclusive unit rates of radio terminals (with spares) of the 30 channel and the 120 channel as obtained in the 1992 tender which were Rs 6.79 lakh and Rs 7.53 lakh, respectively. They recommended that the all inclusive price of the 30 channel radio terminals with spares be brought below that of the 120 channel terminals in the same proportion (9.9 *per cent)*. According to the department, this resulted in a saving of Rs 3.87 crore.

Incorrect fixation of price of the 30 channel terminal led to excess expenditure of Rs 65.27 lakh

Audit observed that in the 1998 tender, while the lowest price quoted for the 30 channel terminal was inclusive of Excise duty, the same for the 120 channel terminal was inclusive of not only Excise duty but also Sales tax, freight and insurance. As such the price of the 30 channel terminal should have been fixed with reference to the basic price of the 120 channel terminal, and statutory duties applicable in the 1998 tender for the 30 channel terminal applied thereon. This would have resulted in a further decrease in the price of the 30 channel terminal by Rs 10915.51 and the department would have saved a sum of Rs 65.27 lakh in procurement of 598 terminals.

In the budget for 1999-2000, the Government reduced the Customs duty on radio terminal, MUX and feeder cable from 35 to 27.50 *per cent*. This further resulted in excess payment of Rs 9.40 lakh in procurement of 90 terminals received between 27 February 1999 and 23 June 1999.

While disagreeing with the contention of Audit to fix the price of the 30 channel terminal with reference to the basic price of the 120 channel terminal, the department stated that the PNC considered Freight on Road (FOR) prices instead of basic prices due to the difference in the import content in the L1 prices of the 30 and the 120 channel terminals. The reply of department is not tenable in view of the fact that the prices of the 30 channel and the 120 channel terminals in the 1992 tender had same rates of Excise duty, Sales tax etc., whereas in the 1998 tender, the price of the 30 channel terminal included only Excise duty while the price of the 120 channel terminal included Excise duty, Sales tax, freight and insurance.

(b) Incorrect fixation of price for 120 channel terminals

Acceptance of higher price offered for items having similar specifications led to excess expenditure of Rs 74.35 lakh

Each of the 30 and the 120 channel terminals consists of an antenna (3m), a feeder cable and accessories for cable having the same technical specifications. It was observed during audit that the rates quoted for the 30 channel terminals and the 120 channel terminals were different for these items. Although the department compared the price of radio terminals of the 120 channel with that of the 30 channel, it failed to take into account this difference in rates while finalising the prices of these items. Consequently, the department incurred an excess expenditure of Rs 74.35 lakh in the procurement of 542 terminals of the 120 channel (292+92 terminals during 1998-99 through tender and 158 terminals from M/s ITI).

In reply, the department stated that the evaluation was done package wise as specified in clause 18 of special conditions of the bid document and thus the lowest package price was approved for the above procurement without breaking the package discipline. The reply is not tenable because the price for the 30 channel terminal was derived by breaking the package discipline and excluding these items while comparing the prices of the 30 channel and the 120 channel terminals, which according to the department saved Rs 3.87 crore.

17.2 Procurement during 1999-2000

(a) Incorrect fixation of prices of the 30 / 120 channel terminals

Tender for 1050 and 420 of the 30 and the 120 channel terminals, respectively (subsequently revised to 1312 and 524 terminals) was opened in June 1999.

It was observed in audit that the Committee for Evaluation of Tender (CET) after evaluating the bids finalised the prices and recommended the lowest price of the two packages for 3m antenna, feeder cable and accessories which should be counter offered to the vendors for both the packages, being similar in nature. The Internal Finance, however, did not agree with the recommendation of CET on the ground that the ordering price was against clause 12 of Section IV of special conditions of the contract in the bid document which stipulated for evaluation of packages separately for the 30 channel and the 120 channel terminals. Accordingly, the department finalised the prices for these items as given below:

Table 17.2 (a) Unit prices of the 30 channel and the 120 channel packages

Different prices offered in two packages for items having similar specifications

Sl. No.	Item Description	Unit Price in Rupees (All Inclusive)	
		30 channel	120 channel
1	3 m Antenna	20340.00	22562.20
2	R P Feeder Cable (75 meter) size 7/8 inches	30680.00	31369.59
3	Accessories for feeder cable	7238.40	4630.74
	Total	**58258.40**	**58562.53**

Excess expenditure of Rs 58.44 lakh

Fixation of different prices for antenna, feeder cable and accessories having same specifications was against financial prudence and resulted in avoidable expenditure of Rs 58.44 lakh in the procurement of 1656 and 524 of the 30 channel and the 120 channel terminals, respectively during 1999-2000.

In reply to the audit note, the department stated that this contention of audit violated the package discipline of tender. Moreover, the price differences for these items were not exorbitantly high. The reply is not tenable in view of the fact that these items had similar technical specifications as required under clause 11 of the special conditions of the bid document, and therefore the prices should be the same.

(b) Undue benefit of Rs 2.18 crore to suppliers

350 terminals of the 30 channel and 178 terminals of the 120 channel for which orders were placed during 1998-99 were received after the scheduled date of delivery and by that time a new tender for the 30 and the 120 channel terminals was opened in June 1999. Department while granting extension of delivery schedule informed the suppliers that the price would be provisional;

in some cases this provisional price would be 90 *per cent* of the purchase order price. The prices finalised by DoT against the new tender with budgetary impact or the old tender price with budgetary effect, whichever was lower, would be applicable for the supply.

DoT did not communicate new tender prices to suppliers which resulted in undue benefit of Rs 2.18 crore

Although the department had finalised the rates for the new tender in October 1999, which were lower than 90 *per cent* of the price of old tenders, the same were not communicated to the suppliers (November 2000). Thus, the department gave undue benefit of Rs 2.18 crore to suppliers in the procurement of 528 terminals.

The department replied in November 2000 that the policy of offering 90 *per cent* provisional price for any equipment in case of opening of any new tender during the extension of delivery period had been adopted. The provisional prices would be finalised by taking into consideration budgetary reductions and new tender prices as and when they were finalised. The fact, however, remains that pending finalisation of the prices the undue benefit of Rs 2.18 crore given to the suppliers will remain unadjusted.

18 Avoidable expenditure in procurement of 8 Megabits optical line equipment

Wrong tender evaluation by Department of Telecommunications and its subsequent failure to avail of lower rates during the extended delivery period led to an avoidable extra expenditure of Rs 3.89 crore during 1998-2000 in procurement of 8 Megabits optical line equipment.

In order to meet the requirement of optical line and other associated equipment for providing the subscribers trunk dialling facilities in rural exchanges by various circles during 1998-99, the Department of Telecommunications (DoT) placed main purchase orders in April-July 1998 and the supplementary purchase orders for additional 25 *per cent* quantity in November - December 1998 at L-1 rates quoted by Punjab Communications Limited against the tender issued by DoT in January 1998 and opened in March 1998 as per details given in Appendix- XI.

The scheduled delivery period against the main and supplementary purchase orders was six and four months, respectively, from the dates of their placement.

Audit scrutiny of records in DoT in August-September 2000 revealed the following irregularities:

(i) Loss due to incorrect determination of ordering package price

Avoidable expenditure of Rs 2.47 crore due to wrong evaluation of tender by ignoring component wise lowest rates

According to the tender conditions, the tender will be evaluated as a package of all the items given in the bid documents. The Tender Evaluation Committee (TEC) while evaluating the tender took into consideration the total package price quoted by each bidder ignoring the lowest quoted rates of different components of the package amongst the rates quoted by various bidders. The unit rates quoted by Measurement and Control for 2/8 Mb/s multiplexing equipment and wired rack which were cheaper by Rs 1383.20 and Rs 1899.20, respectively, than the rates quoted by L-1 were ignored. This led to an avoidable expenditure of Rs 2.47 crore in procurement of 7532 sets of 8 Mb/s optical equipment during 1998-2000.

The Ministry stated in October 2000 that there was no irregularity in the evaluation of tender as it was evaluated on package basis as per terms and conditions of the tender. It is seen, however, that DoT was not having a consistent policy in such cases. It was seen from the results of evaluation of a tender opened in May 1994 for procurement of MARR equipment that the TEC computed the L-1 rate by taking the lowest quoted rates amongst all the tenderers for each component and not on the basis of the lowest package prices. The department, therefore, may consider adopting a uniform procedure which will safe guard government's interest in evaluating all such tenders.

(ii) Non-consideration of subsequent lower rates and resultant excess payment

Failure to avail of subsequent lowest tendered rates during the extended delivery period resulted in excess payment of Rs 1.42 crore

Audit noticed that against the main purchase order, the first three suppliers mentioned in Appendix - XI could complete their supply within the scheduled delivery period. In the remaining cases, DoT, while extending the delivery period between May and November 1999, stipulated that the payments to the suppliers would be made provisionally at 90 *per cent* of unit prices indicated in the purchase orders. These rates were subject to adjustment as per the prices approved in the tender opened during the extended delivery period in any circle or the prices finalised by DoT taking into consideration the effect of reduction in duties/taxes for the year 1999-2000, whichever was lower. Audit, however, noticed that DoT/heads of circles concerned failed to regularise the payments to the suppliers during the extended delivery period even after getting lower rates for the above equipment under a tender issued by the Chief General Manager Telecommunications (CGMT) Uttar Pradesh (UP) (West) circle in June 1999 which were cheaper by Rs 8229.44 per set. This led to an excess payment of Rs 1.42 crore in the procurement of 1799 numbers of the above equipment during 1999-2000 as per details given in table 18(ii).

Table 18(ii) Excess payment due to non-availing of the subsequent lowest tendered rates

Particulars of equipment	Quantity received	90 *per cent* of unit price fixed by DoT (in Rs)	Unit price (in Rs) as per tender floated by Uttar Pradesh (West) circle	Difference (in Rs)	Total excess payment (Rs in crore)
(a)	(b)	(c)	(d)	c-d=(e)	(f)
8 Mb/s optical line equipment	1799	31599.72			
		= 43337.16	38280.00	5057.16	0.91
2/8 Mux	1799	11737.44			
Wired rack	1636	3918.24	3828.00	90.24	0.01
8 Mb/s/DDF	1636	4010.04	928.00	3082.04	0.50
Total					**1.42**

The department stated in October 2000 that the prices under the above tender were yet to be finalised and the reduction of duties would be taken into account while finalising the prices for 1999-2000. The fact, however, remains that despite specific provision in the letters for extension of delivery period by DoT to regulate the provisional prices, if subsequent tendered rates happened to be lower, the department failed to regulate the payments to the suppliers even after receipt of lower rates in the tender floated subsequently by CGMT UP (West) circle during the extended delivery period.

The matter was referred to the Ministry in December 2000; their reply was awaited as of January 2001.

19 Illegal purchase of stores

TDE Mandsaur procured stores worth Rs 2.96 crore in violation of delegated financial powers. Further, irregularities like payment made for the stores not received and procurement of HDPE pipes in violation of the specifications resulted in avoidable infructuous expenditure of Rs 99.90 lakh.

Telecom District Engineer (TDE) is empowered to make purchases up to Rs two lakh *per annum* through Director General Supplies and Disposal (DGSD).

TDE placed purchase orders worth Rs 2.96 crore exceeding his financial powers

Stores worth Rs 67.60 lakh not received even after four to eight years of placement of purchase orders

Review of records of Telecom District Manager (TDM) Mandsaur in February 2000 disclosed that the TDE placed purchase orders worth Rs 2.96 crore on different firms at DGSD rate contract for purchase of electrical goods, High Density Polyethylene (HDPE) pipes and Galvanised Iron (GI) tubes between March 1992 and January 1996, far in excess of his delegated financial powers. It was further noticed that the TDE accepted the advice of transfer debits (ATDs) for Rs 2.96 crore, without receipt of stores worth Rs 67.60 lakh such as GI tubes, ballasts, stabilizers, window air conditioners, main power supply etc. The entire expenditure was debited against Mandsaur telecom district. The possibility of getting supplies after four to eight years of placing the purchase

Extra expenditure of Rs 32.30 lakh

orders was remote and as such the entire expenditure of Rs 67.60 lakh became infructuous. Further, the then TDE in violation of the specifications, procured HDPE pipes of 160 mm dia and 200 mm dia instead of 75 mm dia, resulting in avoidable expenditure of Rs 32.30 lakh.

Thus, the then TDE Mandsaur apart from procuring various items of stores worth Rs 2.96 crore during 1992-1996 in excess of delegated financial powers, paid Rs 67.60 lakh towards stores not received. Further, he incurred avoidable expenditure of Rs 32.30 lakh by procuring HDPE pipes of higher specification.

The TDM in his reply stated in January 2000 that the matter was under investigation and final reply would follow. The reply was awaited as of January 2001.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

20 Overpayment of Rs 2.35 crore to suppliers

Failure of CGMT Mumbai to review and recover the excess payment resulted in non-recovery of Rs 2.35 crore from eight suppliers in procurement of 2 GHz digital microwave systems.

A comment was made in the past

A comment was made in Paragraph 21 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998, Union Government Post and Telecommunications (No. 6 of 1999) regarding overpayment made to suppliers of 2 GHz microwave equipment.

DoT reduced the rates of microwave system

While revising the rates downward retrospectively in April 1995 for supplies made between April 1994 and March 1995, DoT instructed the circles for making payments at new rates and recovering/adjusting of the excess payment made, if any, on account of payments made at old rates.

Failure to review the payments made at old rates and resultant overpayment of Rs 2.35 crore

Scrutiny of records of Chief General Manager Telecommunications (CGMT) Maharashtra circle Mumbai in April 2000 revealed that DoT ordered for supply of 364 terminals of 2 GHz microwave equipment during 1993-94, the supply of which was received between January 1994 and January 1998, but CGMT Mumbai failed to review the payments made and recover the excess payment made consequent on downward revision of rates. This resulted in excess payment of Rs 2.35 crore to eight suppliers.

When this was pointed out by Audit in April 2000, CGMT stated that a detailed reply would follow, which was awaited as of January 2001.

Thus, failure of CGMT, Maharashtra circle Mumbai in implementing the instructions of DoT for reduction in prices led to non-recovery of excess paid amount of Rs 2.35 crore from eight suppliers.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

21 Non-recovery of cable worth Rs 2.02 crore issued to contractors

Eight Sub-Divisional Engineers (SDEs) under GM Patna telecom district failed to recover unused cable from contractors resulting in loss of Rs 2.02 crore to the department. Further, seven SDEs made payment for cable laid far in excess of cable issued to the contractors leading to excess payment of Rs 11.49 lakh.

DoT use polyethylene insulated jelly filled (PIJF), foam skin and quad cables in local network which constitute an important component as about 60 *per cent* of the expenditure in a telephone system is on this alone. This work is carried out by heads of telecom districts/secondary switching areas (SSAs) on contract basis.

Wide variations in cable issued and laid by contractors

Cable worth Rs 2.02 crore not recovered from contractors

Scrutiny of records of eight sub divisions under General Manager Patna telecom district during April–June 2000 disclosed wide variations in the quantity of cable supplied to the contractors (681259 m) and actually laid (572950 m) during 1997-2000. The balance (108309 m) cable valuing Rs 2.02 crore remained with the contractors. The concerned SDEs failed to recover the cable from the contractors. Thus, the department sustained a loss of Rs 2.02 crore due to non-recovery of cable issued to the contractors.

Cable laid far in excess of cable issued

Overpayment of Rs 11.49 lakh to contractors

Further, in seven out of eight sub-divisions test checked, the quantity of cable for which laying charges were paid as per measurement book was far in excess of cable actually issued to the contractors during 1997-2000. Laying charges for a total quantity of 67445 m cable of various sizes were paid without the cable having been issued, resulting in excess payment of Rs 11.49 lakh.

In reply to Audit observations, Principal General Manager Telecommunications (PGMT) Patna stated that a report was being called for from concerned SDEs to clarify the position. The final reply was awaited as of November 2000.

Thus, failure of the SDEs to recover the unused cable from contractors resulted in loss of Rs 2.02 crore to the department, besides excess payment of Rs 11.49 lakh to them on account of cable not issued, but stated to have been laid.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

22 Extra expenditure due to violation of tender conditions

In violation of tender conditions, Chennai telephones allowed higher rates to sub-contractors of Telecommunications Consultants India Limited (TCIL)/ Hindustan Cables Limited (HCL) leading to excess expenditure of Rs 67.26 lakh

Schedule of rates approved for MTD were applicable to sub-contractors of TCIL/HCL

During 1994-99, Chennai telephones got cable laying work executed either through private contractors or by entrusting it to Telecommunications Consultants India Limited (TCIL)/ Hindustan Cables Limited (HCL) on turnkey basis on payment of service charges. TCIL/HCL executed the work by engaging sub-contractors with the concurrence of Chennai telephones. Clause 2 of the agreement entered with TCIL/HCL stipulated that the schedule of unit rates already approved by Madras Telephone District (MTD) would be adopted by TCIL/HCL for floating tender and finalising the sub contracts.

Chennai Telephones allowed higher rates to sub-contractors of TCIL/HCL

Excess expenditure of Rs 67.26 lakh

Scrutiny of records of Chennai Telephones in November 1998 revealed that during 1995-99 Chennai Telephones allowed private contractors Rs 207 per cubic metre for sea sand filling work and Rs 110 per cubic metre for removal of excess earth, whereas it allowed the rates of Rs 253 to Rs 283 for sea sand filling and Rs 134 to Rs 151 for removal of excess earth to the sub-contractors of TCIL/HCL. This was in violation of the agreement according to which for any labour item the rate that was payable to the sub-contractors of TCIL/HCL could not be higher than the rate payable to the contractors of Chennai telephones. This violation resulted in excess expenditure of Rs 67.26 lakh during 1995-99.

While accepting the fact, Chennai telephones stated in November 2000 that Rs 6.57 lakh was recovered from HCL and another sum of Rs 7.09 lakh was being recovered from pending bills of HCL. They further stated that the action would be taken to recover the balance amount.

The matter was referred to the Ministry in July 2000; their reply was awaited as of January 2001.

23 Irregular refund of liquidated damages of Rs 23.71 lakh

CGMT Madhya Pradesh circle irregularly refunded liquidated damages of Rs 23.71 lakh to a private supplier

DoT placed purchase order for 2 GHz microwave system

Supply of equipment was to be completed by January 1996

DoT placed a purchase order in September 1995 on a private firm for supply of 410 terminals of 2 GHz digital microwave systems of 30 Channel (1+0) configuration at a total cost of Rs 37.53 crore. The frequency details for the first lot of 198 terminals including 66 terminals for Madhya Pradesh Circle were made available while placing the order. The equipment according to delivery schedule was to be supplied within four months from the date of issue of purchase order i.e., January 1996.

Scrutiny of records of CGMT Madhya Pradesh circle Bhopal in May 2000 revealed that though the frequency details for 66 terminals were supplied to the firm alongwith the purchase order in September 1995, the supplies were received between March and May 1996 i.e., after delay of two to four months. Accordingly, CGMT recovered liquidated damages of Rs 23.71 lakh from the supplier.

DoT's instructions for non-levy of liquidated damages for the second lot

Meanwhile, DoT, due to delay on their part in giving frequency details in the case of the second lot of terminals, issued instructions in May 1999 for non-levy of liquidated damages, if the equipment was supplied within four months from the date of supply of frequency details.

CGMT Madhya Pradesh circle Bhopal irregularly refunded liquidated damages charges

On receipt of these instructions, CGMT Madhya Pradesh circle Bhopal refunded to the supplier the liquidated damages of Rs 23.71 lakh, which were recovered for belated supply of equipment in the first lot.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

24 Loss due to procurement of sub-standard drop wire

The Chief General Manager, Telecom Stores Calcutta failed to get replacement of sub-standard drop wire worth Rs 12.95 lakh supplied by a private firm. He also failed to recover Rs 3.06 lakh paid to the above supplier against proof of despatch for the drop wire which was not received by him. This led to a total loss of Rs 16.01 lakh.

The Chief General Manager Telecom Stores (CGMTS) Calcutta in October 1995 placed an educational order on a private firm for supply of 1000 Km telecom overhead cable polyvinyl chloride (PVC) twin drop wire of 0.91 mm dia candium copper conductor (Type II) at Rs 1782 per Km for use by Calcutta Telephones. The CGMTS in November 1995 revised this rate to Rs 1971 per Km.

Payment of Rs 16.01 lakh against proof of despatch

Scrutiny of records of the Chief General Manager (CGM) Calcutta Telephones in August 1998 and July 2000 revealed that the supplier, in May 1996, preferred an invoice for Rs 17.37 lakh as 95 *per cent* payment against proof of despatch of 562 Km PVC twin drop wire. However, the CTS released 95 *per cent* payment of Rs 16.01 lakh in June 1996 for 552 Km of drop wire actually cleared in testing by the department's Quality Assurance wing in February and April 1996. Audit further noticed that as against 552 Km of drop wire for which the CTS released the above payment, he actually received 446.48 Km only which was detected during a joint inspection of the drop wire. Despite short receipt of 105.52 Km drop wire, he failed to recover 95 *per cent* payment

Short receipt of drop wire led to excess payment of Rs 3.06 lakh

earlier allowed to the above supplier against proof of despatch. This led to an excess payment of Rs 3.06 lakh.

During inspection the drop wire was found not meeting the department's specifications

Audit further noticed that on receipt of the drop wire, the Chief General Manager (CGM) Calcutta Telephones during inspection of samples of the drop wire in February 1997 in the presence of the supplier's representative found that this drop wire was not meeting the department's specification requirements in various parameters and suffered from low radial thickness, low dimension, low insulation, low weight, low breaking load etc. But neither the CGM Calcutta Telephones nor the CGMTS initiated any action to get the replacement of the sub-standard drop wire. It is pertinent to point out that this drop wire was passed earlier by the Quality Assurance wing but at that time no such defects were pointed out by them, which is indicative of the reliability of the existing quality control.

Loss of Rs 16.01 lakh

On account of the above mentioned irregularities, the department suffered a loss of Rs 16.01 lakh, as neither the sub-standard drop wire was put to use nor any action was taken to recover the said amount from the supplier or to black list him as of July 2000.

While accepting the facts and figures, the Deputy General Manager (MM) office of CGM Calcutta Telephones replied in July 2000 that the drop wire received had neither been put to use due to inferior quality nor replaced by the supplier.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

25 Non-levy of penal interest on delayed payments

Chief General Manager Northern Telecom Region failed to levy penal interest of Rs 4.77 crore due to delay in payment of transponder charges by Defence authorities

Departmental instructions prescribed levy of penal interest on delayed payment of transponder charges

DoT issued instructions in March 1989 prescribing levy of penal interest at 18 *per cent* on the amount recoverable if the satellite charges due from the customers were not paid by due date. Service provided was to be withdrawn for non-payment of dues alongwith the penal interest within two months of the due date. These instructions were reiterated in September 1999.

CGM Northern Telecom Region (Maintenance) did not levy penal interest of Rs 4.77 crore

Scrutiny of records of Chief General Manager (CGM) Northern Telecom Region (Maintenance) of Delhi circle in May 2000 revealed that one transponder was leased to Defence Electronics Application Lab Dehradun and the charges were to be shared by Army, Airforce and Navy. But the defence authorities did not pay the transponder charges on time during July 1995 to June 2000 and the delay ranged from a period of one to 48 months. The CGM failed to levy penal interest of Rs 4.77 crore for delayed payment of transponder charges despite issue of instructions. It was further observed that an amount of Rs 1.77 crore towards space segment charges for the period from May 1996 to January 2000 was outstanding from Airforce and Navy authorities as on May 2000.

When this was pointed out by Audit, CGM stated in May 2000 that the case was being reviewed and bill for penal interest would be issued.

Thus, failure of CGM Northern Telecom Region to observe the departmental instructions led to non-levy of penal interest of Rs 4.77 crore for delayed payment of transponder charges by Defence authorities.

The matter was referred to the Ministry in September 2000; their reply was awaited as of January 2001.

26 Overpayment in procurement of Radio Communication Test Sets

Failure of the Department of Telecommunications (DoT) to avail of reduction in Customs duty for the supply of 88 Radio Communication test sets received after the scheduled delivery period led to an excess payment of Rs 37.09 lakh towards Customs duty and Sales tax during 1995-97. In two other similar cases, the department failed to revise the prices with reference to the reduced Customs duty, resulting in overpayment of Rs 40.46 lakh in procurement of 96 sets during 1995-97.

Radio Communication Test Set (RCTS) is required to test various types of Analog radio systems providing telecommunication services in rural, hilly and backward areas. This is useful for testing components of Multi access radio relay systems being installed at base stations for providing telephone facilities to village panchayats in the country.

In order to meet the requirements of RCTS in all the circles in the country, Department of Telecommunication (DoT) placed three supply orders between December 1994 and February 1995 on three Indian firms namely BPL systems, Guddu Electronics and SM Creative Electronics for supply of 184 RCTS worth Rs 7.23 crore at its approved rate of Rs 3.93 lakh each under tender of August 1993.

Subsequently, the department placed two more supply orders in May 1995 and April 1996 on two other Indian firms viz., Porta Systems and Hewlett Packard for the supply of 96 RCTS, worth Rs 3.78 crore at the same rates.

The supply against all the above mentioned supply orders was to be completed within six months of placement of respective orders. These supply orders further provided that the benefit of any downward revision in the statutory levies would go to the purchaser for the supplies received after the expiry of the scheduled delivery period.

Examination of records of DoT and circles concerned by Audit between June 1998 and December 1999 revealed the following irregularities;

Excess payment of Rs 37.09 lakh due to non-availing of benefit of reduction in Customs duty

(i) The department while fixing the counter offer rates took into account the Customs duty element at 40 *per cent*, which the Government of India in March 1995 revised to 25 *per cent*, effective from 1995-96. Despite a specific provision in the supply orders placed prior to March 1995 for passing on the benefit of reduction in the statutory levies to the department in respect of supplies received after the expiry of the scheduled delivery period, the heads of various circles released full payments to BPL systems and SM creative electronics for supply of 88 RCTS received between July 1996 and February 1997 i.e. after the scheduled delivery period. This led to an excess payment of Rs 37.09 lakh towards Customs duty and Sales tax.

Non-revision of rates despite reduction in Customs duty led to an overpayment of Rs 40.46 lakh

(ii) Though the department placed the remaining two supply orders after reduction in Customs duty, they failed to revise the rates for these test sets and accordingly, the heads of circles concerned made full payments to Porta Systems and Hewlett Packard on receipt of supply of these test sets during 1995-97. This resulted in further overpayment of Rs 40.46 lakh of Customs duty and Sales tax in the procurement of 96 RCTS.

Unwarranted procurement of service manuals

(iii) Ignorance of the advice of the Director Finance (Advice-V) to get photo copies of the service manual out of the freely supplied seven manuals to avoid purchase of 273 service manuals at Rs 9293 each, resulted in an avoidable expenditure of Rs 25.37 lakh towards procurement of the manuals

The matter was referred to the Ministry in September 2000; their reply was awaited as of January 2001.

27 Other recoveries at the instance of Audit

In five cases, due to various omissions and commissions, the heads of telecom units made excess payment/short recovered liquidated damages etc., amounting to Rs 2.98 crore. The entire amount was recovered at the instance of Audit.

(i) Excess payment by Chandigarh Telephones in procurement of exchange equipment

A comment was made in the past

A mention was made in paragraph 26 of the Report of the Comptroller and Auditor General of India for the year ended March 1998 (No. 6 of 1999) regarding non-recovery of excess payment of Rs 72 lakh made by GMT Pune in procurement of 20000 lines digital local telephone exchange equipment from Fujitsu India Telecom Limited. The excess payment resulted due to revision of rate per line.

DoT regularised the LoI in March 2000

DoT in March 2000 finalised the rate at Rs 4145 per line based on the itemised material list and issued a purchase order. While regularising the Letter of Intent (LoI), DoT directed the circles to arrange for recovery of the excess payment already made to the supplier from any of the pending bills within one month from the date of issue of the purchase order.

GMT Chandigarh failed to recover Rs 1.36 crore from supplier as per revised rate

Scrutiny of records of GMT, Chandigarh disclosed that he paid Rs 6.31 crore in May/June 1995 to the supplier, being 90 *per cent* of the cost of equipment at Rs 4673 per line. But the actual cost of equipment received as per the vetted material list and the regularised LoI was Rs 4.95 crore. This resulted in excess payment of Rs 1.36 crore to the supplier. Out of this, a sum of Rs 0.63 crore was recovered between April and October 1999, after it was pointed out by Audit in January 1996, leaving a balance of Rs 0.73 crore to be recovered (July 2000). Even though DoT categorically directed the circle in March 2000 to recover the excess paid amount within one month from the date of issue of purchase order, GMT Chandigarh failed to recover the balance of Rs 0.73 crore excess paid amount even after a lapse of four months.

Recovery of Rs 0.73 crore effected in September 2000

Accepting the facts, the Ministry stated in October 2000 that the balance amount had been recovered from the supplier in September 2000.

(ii) Undue benefit to supplier in procurement of PIJF cable

The Chief General Manager, Telecom Stores (CGMTS) Calcutta placed purchase orders in January 1999 on Hindustan Cables Limited (HCL) for supply of 10000 lakh conductor kilometer (lckm) of various types of underground PIJF cables.

Failure to supply within three months would attract liquidated damages

Terms and conditions of the purchase orders stipulated that the supplier was to complete the supplies within three months from the date of purchase order, as per delivery schedule. Any delay in the supply of cables would attract levy of liquidated damage at 0.5 *per cent* of the value of the delayed supply for each week of delay or part thereof, subject to the maximum of five *per cent* of the total value of stores delivered late.

CTS Calcutta did not recover liquidated damages of Rs 90.55 lakh

Scrutiny of records of the Controller of Telecom Stores (CTS) Calcutta by Audit in March 2000 revealed that only 500 lckm of cables were supplied within the scheduled date of delivery and the rest were supplied with a delay ranging between one to 54 days. CTS Calcutta, however, failed to recover liquidated damage charges amounting to Rs 90.55 lakh from HCL in respect of 9500 lckm of cables supplied after the delivery schedule.

Recovery of Rs 90.55 lakh effected in July 2000

The Ministry stated in January 2001 that after this was being pointed out by Audit, the whole amount of short recovered liquidated damage charges was recovered in July 2000.

(iii) Excess payment by Bangalore Telephone district in procurement of exchange equipment

DoT placed purchase orders in February 1996 on Ericsson Telecommunications India Limited and Alcatel Modi Network Systems Limited for supply of local digital telephone exchange equipment worth Rs 158.42 crore for various circles. Out of these, 40 K line equipment worth Rs 15.79 crore supplied by Ericsson was meant for Bangalore Telephone district while 20 K line equipment worth Rs 9.13 crore supplied by Alcatel Modi was for Karnataka circle. The equipment was to be supplied as per the delivery schedule by June/November 1996. If the equipment was not supplied within the scheduled delivery period, the suppliers were liable to pay liquidated damages at 0.5 *per cent* for every week's delay or part thereof, subject to a maximum of five *per cent* of the cost of equipment supplied after the expiry of scheduled delivery period.

Liquidated damages of 0.5 *per cent* leviable for every week's delay or part thereof

However, DoT revised the rates downward from Rs 15.79 crore to Rs 15.46 crore in February 1997 and again to Rs 15.00 crore in August 1998 for the supply of 40 K lines equipment to Bangalore Telephone district against the purchase order placed on Ericsson Telecommunications India Limited. Similarly, the rates of Alcatel Modi Network Systems Limited were also revised downward from Rs 9.13 crore to Rs 9.10 crore for the supply meant for Karnataka circle which was further revised to RS 8.96 crore in August 1998.

Audit scrutiny of records of the Circle Stores Depot Bangalore during January 1999 and June 1999 revealed the following irregularities:

- Bangalore Telephone district received 30 K line exchange equipment within the scheduled delivery period from Ericsson Telecommunications India Limited and the Chief Accounts Officer (CAO) released the payment of Rs 10.50 crore to the supplier between August 1996 and March 1997 at the revised rates of February 1997. However, he failed to regulate the payment on further reduction of rates in August 1998. The proportionate amount payable for 30 K line equipment at the rates revised in August 1998 worked out to Rs 10.22 crore. This led to an excess payment of Rs 28.32 lakh.

Payment at higher rates led to an overpayment of Rs 31.27 lakh

- Similarly, the CAO made further excess payment of Rs 2.95 lakh by allowing payment to Alcatel Modi Network Systems Limited between March and July 1997 at the pre-revised price of Rs 8.99 crore as against the revised price of Rs 8.96 crore after recovery of liquidated damage charges for supply received by Karnataka circle. Thus, the department gave undue benefit of Rs 31.27 lakh to the suppliers.

Short recovery of liquidated damages of Rs 14.99 lakh

- Though Bangalore Telephone district received 30 K line exchange equipment within the scheduled delivery period, they received the balance 10 K line exchange equipment only in September 1996 i.e. after a delay of 12 weeks. For this belated supply, the supplier was liable to pay liquidated damages of Rs 23.91 lakh, but the CAO recovered an amount of only Rs 8.92 lakh from the supplier. This resulted in short recovery of liquidated damages of Rs 14.99 lakh.

Recovery of Rs 46.26 lakh

CGMT Karnataka Circle Bangalore stated in November 1999 that the excess paid amount of Rs 31.27 lakh was recovered in July and October 1999; the balance amount of liquidated damages of Rs 14.99 lakh was also recovered.

The matter was referred to the Ministry in June 2000; their reply was awaited as of January 2001.

(iv) Calcutta Telephones made excess payment due to adoption of old rates in purchase of telephone instruments

Benefit of reduced taxes/duties/prices in new tender would be to the purchaser's account

DoT placed purchase orders on three suppliers between January 1996 and March 1998 for purchase of electronic push button telephone instruments. The scheduled dates of delivery were between November 1996 and March 1998. Terms and conditions of purchase order stipulated that in case of supplies beyond the scheduled date of delivery, the benefit of reduction on account of decrease in taxes/duties/price in new tender would be passed on to the purchaser.

Payment made at old rates instead of at reduced new rates

Scrutiny of records of Calcutta Telephones in July 1999 disclosed that the firms supplied the instruments between March 1997 and April 1998 i.e., after the expiry of the scheduled date of delivery. While releasing payment, Calcutta Telephones paid at the old rate instead of at new rates, resulting in overpayment of Rs 15.06 lakh as indicated in table 27(iv).

Table 27 (iv) Overpayment due to non-adoption of the rate due

(Rs in lakh)

Name of the supplier	Rate adopted	Rate due	Difference (2-3)	Quantity procured	Excess payment (4x5)
1	2	3	4	5	6
Tata Telecom	425.00	369.98	55.02	8,000	4.40
ITI limited	471.15	425.00	46.15	11,000	5.08
Priyaraj Electronic limited	471.15	425.00	46.15	12,100	5.58
Total					15.06

Excess payment of Rs 15.06 lakh recovered

When this was pointed out by Audit in July 1999, the entire amount of excess payment of Rs 15.06 lakh was recovered from the suppliers in July 2000.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

(v) Short collection of depreciated value while handing over of assets

Transfer of External plant of EPABX/PBX to subscribers permitted under 'Sinking fund' method

Department of Telecommunications (DoT) permits making over of external plant of Electronic Private Automatic Branch Exchange/Private Branch Exchange (EPABX/PBX) consisting of under-ground cables, overhead wires etc., to subscribers who desire to take over the same from DoT after recovery of depreciated value of assets. The depreciated value in such cases is to be calculated under 'Sinking fund' method.

Short collection of depreciated value of assets

Vikram Sarabhai Space Centre (VSSC) Thiruvananthapuram placed a firm demand on GMT, Thiruvananthapuram to make over the cable network of VSSC Exchange, Veli in October 1991. GMT Thiruvananthapuram collected a provisionally depreciated value of Assets of Rs 40.60 lakh (March 1992) and handed over the assets.

Short collection of Rs 9.27 lakh

Audit scrutiny of records of GMT Thiruvananthapuram during March 1996 revealed that the depreciated value was calculated under 'Straight line' method, resulting in short collection of Rs 9.27 lakh.

Recovery of Rs 9.27 lakh effected in November 1999

GMT made a recovery of Rs 9.27 lakh in November 1999 at the instance of Audit.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

(B) Infructuous expenditure

28 Damage caused to underground cable

Telecom District Manager Bilaspur in Madhya Pradesh circle failed to recover compensation of Rs 45.33 lakh for damage caused to underground cables by outside agencies during 1999-2000. In a similar case, the General Manager Telecom (GMT) Ghaziabad in Uttar Pradesh circle did not recover compensation of Rs 26.07 lakh during 1998-2000. In another case, poor planning led to a loss of Rs 1.57 crore during 1996-98 in Bihar circle on account of damage to underground cable because of department's failure to shift the cable despite sufficient time given by the State Government.

Audit scrutiny revealed cases of damage to the departmental property by outside agencies and the department's failure to claim compensation due to their inadequate planning as stated below:

I. Non-recovery of compensation

Paragraph 499 of P&T Manual X provides for recovery of compensation towards damage caused to departmental property by outside agencies.

Loss of Rs 45.33 lakh due to damage caused to underground cable by outside agencies

(a) In the office of Telecom District Manager (TDM) Bilaspur under Madhya Pradesh circle, Audit noticed in March 1999 and January 2000 cases of damage to underground cable by Bharti Telenet, State Public Health and Engineering Department and Municipal Corporation Bilaspur at the time of execution of some work by them during 1999-2000. Subsequently, the TDM replaced the damaged cable during the same period out of the department's budget. Under the codal provisions, the parties which caused damage were required to pay compensation of Rs 45.33 lakh, inclusive of departmental overheads. But the claims for compensation were not preferred during the period of Audit.

Department replaced the cable at their expense

Demand notes for Rs 20.04 lakh issued at the instance of Audit

When this was pointed out by Audit in March 1999, the TDM issued demand notes for Rs 20.04 lakh in September-October 1999, out of which he recovered Rs 2.09 lakh in September 1999. As regards the issue of demand notes for the balance amount, the TDM stated in February 2000 that the demand notes would be issued to the parties concerned. Further progress of the case was awaited as of November 2000.

Damage caused by PWD while widening a road

Rs 26.07 lakh was recoverable towards compensation

Recovery awaited as of November 2000

(b) Audit scrutiny of records of GMT Ghaziabad under Uttar Pradesh (West) circle in February 1999 and February 2000 revealed a case of damage to underground cable by the State Public Works Department (PWD) at the time of widening of a road between Loni and Baghpat during September to November 1998. Subsequently, the GMT replaced the damaged cable during November-December 1998 at the department's expense of Rs 24.07 lakh. Thus, the State Government was required to pay a compensation of Rs 26.07 lakh inclusive of departmental overhead charges for which no claims for compensation were preferred. When this was pointed out by Audit in February 1999 and again in February 2000, the GMT sanctioned the estimates on actual cost basis and issued demand notes against PWD in December 1999 and April 2000 for Rs 6.68 lakh and Rs 17.39 lakh, respectively, but he failed to claim departmental over heads of Rs 2.00 lakh due on the above amount.

The GMT stated in February 1999 that damage to the cable could not be avoided due to late receipt of intimation of widening of road from the State PWD and most of the cable was already damaged by that time. He further added in June 2000 that necessary action was being taken to realise the amount of compensation. Particulars of recovery were awaited as of November 2000.

The above cases were referred to the Ministry in August and October 2000; their reply was awaited as of January 2001.

II. Damage to underground cable due to inadequate planning.

Cable worth Rs 1.44 crore got buried as TDM Gaya failed to shift them

For widening of Patna-Gaya road under Buddhist Circuit Scheme (BCS), the Bihar State Government requested the Telecom District Engineer (TDE), Gaya (now TDM) in February 1994 and June 1996 for shifting of telephone poles, lines and underground cable situated along 40 feet of both sides of the road. Despite repeated requests by the State Government, the TDM failed to take prompt action. Ultimately, during execution of the work by the State Government, telephone poles got uprooted and transmission lines and cables were damaged at a number of places. Even then the TDM failed to shift the cable and as a result, 27 kilometre primary cable costing Rs 1.44 crore got buried under Patna-Gaya concrete road in Jehanabad short distance charging area which was replaced by new cable in December 1997 at the department's expense.

Compensation claim turned down by the State Government

In a similar case of widening of Gaya-Nawada Road under BCS, by the State Government, TDM again failed to shift poles/cables even after repeated requests by the State Government during the above period. This resulted in further damage to cables worth Rs 0.13 crore in August 1996. A compensation claim to this effect preferred in October 1996 by him was turned down by the State Government in November 1996 on the ground that information regarding road widening work was sent to TDM well in advance, but he failed to act on the same.

Thus, lack of proper planning, and inaction by the TDM in not taking prompt action for shifting of cables led to a loss of Rs 1.57 crore in the above cases during 1996-98.

The Ministry stated in September 2000 that shifting of cable/poles was not possible before making alternate arrangements for this purpose as it would have caused prolonged disruption of telephone services. It further stated that the removal/shifting of cables was not possible as there were encroachments on the land where the new cable was to be laid.

The Ministry's reply is not acceptable because the State Government had given ample time and opportunity to the department for the shifting of cable/poles but the department failed to take timely action for over two years.

29 Wasteful expenditure in procurement of defective telex billing equipment

Department of Telecommunications incurred wasteful expenditure of Rs 22.87 lakh due to inaction of Sub Divisional Engineer (SDE) (SPX Telex) Chandigarh and SDE (Computer) Patna either to get replacement of defective telex billing equipment supplied by the Electronic Corporation of India Limited or to report the matter to the Department of Telecommunications for initiating action against the supplier.

Department of Telecommunications (DoT) placed a purchase order in August 1996 on Electronic Corporation of India Limited (ECIL) for procurement of five telex billing equipment worth Rs 53.10 lakh, inclusive of taxes and duties for installation at Bhopal, Chandigarh, Lucknow, Nagpur and Patna, with a warranty period of 12 months from the date of their installation and commissioning.

Equipment supplied at Chandigarh and Patna found defective soon after their installation

Audit scrutiny of records of Sub Divisional Engineers (Computer) and SDE (SPX Telex) of above five units between February 1999 and May 2000 revealed that ECIL supplied equipment to all the stations, except Bhopal, between October 1996 and June 1997. The equipment received at Chandigarh and Patna were found to be defective soon after their installation in January and June 1997, respectively, despite the fact that these were cleared by the department's Quality Assurance wing in pre-despatch testing, putting a question mark on the quality of testing. However, the SDEs made efforts for rectification only after expiry of the warranty period.

Inadequate demonstration of system's working

Inspite of the fact that the supplier did not give adequate demonstration of the system's working, the units issued taking-over certificates, which facilitated the supplier to get full payment.

After protracted correspondence by SDE (SPX Telex) Chandigarh, ECIL rectified the equipment in October 1999, but the system again gave problem and there was no progress in the matter as of May 2000. As regards Patna, there was no response from ECIL as of May 2000, despite repeated correspondence by the SDE concerned.

Failure to forfeit the performance bank guarantee of Rs 2.66 lakh

Thus, failure of the above SDEs either to get these defective systems replaced or to report the matter to DoT for initiating action against ECIL led to the wasteful expenditure of Rs 22.87 lakh. Further, the department failed to take any action to forfeit the performance bank guarantee of Rs 2.66 lakh valid up to June 1999.

Equipment supplied at Chandigarh did not have linkage with telecom revenue billing package

The Principal General Manager, Chandigarh, while confirming the facts, stated in April 2000 that though the equipment was operational it could not be put to use as this system was not capable of issuing bills to the subscribers as there was no linkage between the machine and the Trichur billing package in use by the department for telephone revenue billing. The SDE (Computer) Patna while acknowledging the fact, stated in February 1999 that the work of issue of telex bills was held up since the system was not operational and the bills were being issued manually.

The matter was referred to the Ministry in July 2000; their reply was awaited as of January 2001.

(C) Idle/Unproductive expenditure

30 Non-recovery of amount due with interest thereon from Mahanagar Telephone Nigam Limited

Failure of the Chief Accounts Officer under the Chief General Manager Telecommunications Maharashtra Circle to recover the cost of imported Computerised Digital Trunk Manual Exchange from the Mahanagar Telephone Nigam Limited led to blocking of funds of Rs 9.72 crore and resultant loss of interest of Rs 5.83 crore thereon from August 1996 to April 2000.

Department of Telecommunications (DoT) placed a purchase order in January 1995 on AT&T World Services Inc., United States of America for procurement of 14 numbers of Computerised Digital Trunk Manual Exchanges (CDTMX) worth US $ 17,335,843, out of which one exchange was earmarked for Mahanagar Telephone Nigam Limited (MTNL) Mumbai. As per amendment number 2 issued by DoT in May 1995, the Chief Accounts Officer (CAO) under the Chief General Manager Telecommunications, Maharashtra circle was the paying authority.

Scrutiny of records of the CAO by Audit in March 2000 revealed the following irregularities:

Delay in preferring claim on MTNL for recovery of Rs 9.72 crore

(i) Though all exchanges were supplied between May and July 1996 it was only in January 1997 that the CAO took up the case for recovery of Rs 9.72 crore, being the cost of one exchange received by them, with MTNL Mumbai. MTNL in January 1999 informed the CAO that the amount due was adjusted during 1996-97 against the claims receivable from DoT. This was a clear violation of the orders issued by DoT in March 1995 wherein it was mentioned that the amount payable by MTNL should be recovered and there should not be any netting of transactions on either side.

(ii) Despite clear instructions from DoT in November/December 1998 to recover the outstanding amount of Rs 9.72 crore with interest, the CAO failed to recover the amount from MTNL up to April 2000. This led to blocking of funds of Rs 9.72 crore between August 1996 (last payment against the above purchase order was made in July 1996) and April 2000.

Blocking of funds of Rs 9.72 crore for about four years and resultant loss of interest of Rs 5.83 crore

According to instructions of the Ministry of Finance, Department of Economic Affairs, issued in June 1995, Public Sector Undertakings were required to pay interest at 16 *per cent* on investment loans. As a result, an amount of Rs 5.83 crore became due as interest for the period from August 1996 to April 2000 from MTNL on the outstanding amount. The CAO, however, had failed to raise the demand on MTNL for its recovery up to April 2000.

The General Manager Finance stated in April 2000 that MTNL was being pressurised to settle the outstanding amount at the earliest.

The matter was referred to the Ministry in June 2000; their reply was awaited as of January 2001.

31 Non-utilisation of cable procured on deferred payment basis and payment of avoidable interest of Rs 60.23 lakh

Failure of the department to utilise the PIJF cable procured on deferred payment basis within the prescribed period of three months led to avoidable payment of Rs 60.23 lakh towards interest and blockade of capital worth Rs 1.74 crore.

Cost of cable procured under the scheme was payable in Equated Quarterly Amount

During March 1994 DoT authorised Telecom circles to enter into deferred payment agreements with the approved vendors for procurement of PIJF underground cable. The cost of the cable procured under the scheme was payable to the vendors in Equated Quarterly Amount (EQA) for a stipulated period. The term EQA included both principal and interest amount.

Cable procured has to be used within three months on receipt

As per the instructions, cable purchased under this scheme had to be utilised within three months on its receipt.

Since procurement of cable under the scheme contained a considerable component of interest, utmost care was required to be taken while preparing/projecting cable requirement, taking into consideration the requirement of the ensuing three months. This implies that delivery schedule for cable procurement should have been decided in such a manner that cable procured under this scheme would have started generating revenue by the end of the following quarter by ultimate utilisation.

A comment was made in the past

A comment was made in the Report of the Comptroller & Auditor General of India, Union Government (Post and Telecommunications) for the year ended 31 March 1998 regarding excess procurement of polyethylene insulated jelly filled (PIJF) cable on deferred payment basis and payment of avoidable interest thereon.

Cable worth Rs 1.74 crore remained unutilised

Test check by Audit of records of TDM Godhra under Gujarat Telecom Circle in September 1999 revealed that cable amounting to Rs 1.74 crore was procured during 1998-2000 on deferred payment basis from three private agencies (lessors), but the same remained unutilised.

Interest liability of Rs 60.23 lakh

The department suffered a potential loss of revenue due to non-laying of cable in time. In addition, the lessors raised an interest liability of Rs 60.23 lakh against the department during 1998-2000 which could have been avoided with better planning and utilisation.

When this was pointed out by Audit in September 1999, the TDM in April 2000 stated *inter alia* that the requirements were projected keeping in view the developmental plans; however, the cable received could not be utilised due to non-receipt of plan documents in time and failure on the part of the contractors in cable laying work.

Fact remains that the department had to pay an avoidable interest of Rs 60.23 lakh, besides losing potential revenue.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

32 Idling of 30 channel digital Ultra High Frequency equipment

Failure of Telecom District Manager Bidar in Karnataka circle either to use or divert 30 channel digital Ultra High Frequency equipment since December 1996 led to blocking of funds of Rs 16.48 lakh.

The Director Telecom Installation, Hubli area under Karnataka circle sanctioned an estimate in August 1996 for procurement and installation of Radio and MUX equipment in Bhalki-Kanaji 30 channel digital microwave scheme under Bidar Secondary Switching Area (SSA). Against this estimate two packages of 2 GHz 30 channel digital Ultra High Frequency (UHF) equipment including 3 metre grid parabolic antenna were issued by the circle store depot Bangalore in December 1996.

Idling of equipment and resultant blocking of funds of Rs 16.48 lakh

Examination of records of Telecom District Manager (TDM) Bidar in May 2000 revealed that though the supply of above equipment was received by the TDM in December 1996 for which he issued the advice of transfer credit to the circle depot in March 1997, he failed to install the same as of May 2000. This resulted in the blocking of funds of Rs 16.48 lakh.

The TDM stated in May 2000 that the above equipment could not be installed because of commissioning of 8 megabit optical fibre cable in December 1999 as against the earlier proposal of installation of 30 channel digital UHF system in Bhalki-Kanaji route. The fact remains that the TDM neither used the UHF equipment on any other route in his SSA nor initiated efforts to divert it to other needy units for the last three and half years.

The matter was referred to the Ministry in July 2000; their reply was awaited as of January 2001.

33 Avoidable payment of lease charges of Rs 15.68 lakh due to non-utilisation of land

Failure of the Department of Telecommunications to utilise the land acquired 13 years ago resulted in avoidable payment of Rs 15.68 lakh towards lease charges.

Department requested CPT for allotment of land

In pursuance of a decision taken by the Government of India to launch a major project to augment the coastal wireless stations and Cochin being one of the strategic locations, the District Manager Telecom, Ernakulam took up the matter with Cochin Port Trust (CPT) Authority in December 1986 for making available suitable land in Wellingdon island area.

Land measuring 115 cents was taken over in March 1987 for construction of building within two years

The CPT in December 1986 allotted land measuring about 100 cents at a lease rent of Rs 35175 per acre *per annum* for a period not exceeding 30 years for upgradation of coastal wireless receiving station and Telephone Exchange Building to be jointly used by Kerala Telecom circle and Project Circle Madras, subject to revision of rent as stipulated in the licence/lease deed. The terms and conditions stated *inter alia* that the building proposed on the land would have to be completed within the first two years of the period of lease, failing which the port authorities reserved the right to repossess the land. Further, the District Manager was also to get necessary clearance from other agencies such as Indian Navy, Civil Aviation department etc. Land measuring 115 cents was taken over in March 1987.

In view of a decision taken by DoT to drop the proposal of upgradation of Cochin Coastal Wireless Station, the GM Project, Madras apprised the decision to TDM, Cochin in September 1988. However, the CGMT Trivandrum took a decision to utilise the land for future use on periodical renewal of the lease with CPT on continued payment of specified licence fee.

As the department failed to submit any plan of the proposed structures to be constructed, the CPT during 1989-99 insisted that the department should surrender the land.

Telecom civil circle took abnormal time of 13 years to decide that the land was unsuitable due to shallow foundation

The Superintending Engineer Telecom civil circle, Ernakulam in November 1999 intimated the Principal GM Telecom, Ernakulam regarding non-granting of permission for 100 metre tower proposal as it would be an obstruction to the Indian Navy and difficulty on account of non-feasibility of normal shallow foundation due to very loose and poor safe bearing capacity of the soil. He further stated that the CPT had agreed for construction of a four storey building on pile foundation only and had suggested to go in for pile foundation to a depth of approximately 40 metres wherein stable strata of soil would be available.

This, however, would require a massive capital investment not commensurate with the requirement as 13 years out of the 30 years lease period had already expired.

Infructuous expenditure of Rs 15.68 lakh towards payment of avoidable licence fee/additional fee

Thus, injudiciousness on the part of the department had resulted in a loss of Rs 15.68 lakh on account of infructuous expenditure towards payment of avoidable licence fee/additional fee, made between January 1989 to June 2000 for unutilised land.

When this was noticed by Audit in May 1999, the department stated in August 2000 that the payment of licence fee was justified and productive in view of the non-availability of suitable land. They further stated that the work was included in the construction programme for 2000-2001 on priority basis.

However, this belated act of the department had already caused a loss of Rs 15.68 lakh to the State exchequer.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

(D) Excess expenditure in violation of rules

34 Non-recovery of leave salary and pension contribution

DoT failed to calculate and recover leave salary and pension contribution in respect of staff on deputation to MTNL even after receipt of clarification from the Ministry of Finance. Further, it reimbursed Rs 60.19 crore to MTNL towards gratuity and leave encashment during 1996-99.

Provisions stipulate payment of leave salary and pension contribution in respect of Government servant on foreign service

Supplementary Rules stipulate for payment of leave salary and pension contribution (LSPC) due in respect of a Government servant on foreign service within 15 days after the closure of each financial year or at the end of foreign service. Wherever these contributions were not paid, interest was payable on the unpaid contribution at two paise per day per hundred rupees from the date of expiry of the aforesaid period up to the date on which the contribution was finally paid.

DoT paid Rs 60.19 crore to MTNL towards gratuity and leave encashment

Audit scrutiny of records of DoT in August 1999 revealed that they failed to recover LSPC from MTNL in respect of their staff who were on deputation with MTNL up to 1996-99. On the other hand, they made payment of pension and reimbursed Rs 60.19 crore on account of gratuity and leave encashment during this period, resulting in unnecessary burden on the consolidated fund of India.

DoT did not recover LSPC even after 13 years

Failure to claim Rs 44.45 crore provisioned by MTNL

The Ministry of Finance clarified in October 1997 for recovery of LSPC. Thereafter, DoT recovered in March 1998 a sum of Rs 119.54 crore from MTNL on *ad hoc* basis merely to cover the resource gap. Even after lapse of 13 years, DoT did not initiate any action to recover the actual amount of LSPC due from MTNL. Although MTNL made a provision of Rs 44.45 crore for payment of LSPC in its accounts as on 31 March 1999, the department did not claim the same.

Thus, DoT on one hand failed to act on the directions of the Ministry of Finance to calculate and recover the long outstanding dues of LSPC, on the other they paid Rs 60.19 crore to MTNL on account of gratuity and leave encashment during 1996-99.

The matter was referred to the Ministry in July 2000; their reply was awaited as of January 2001.

(E) Avoidable payment/expenditure

35 Avoidable expenditure in procurement of Multi Access Rural Radio Systems

Despite being pointed out repeatedly by Audit in their previous Reports about poor performance and idling of Multi Access Rural Radio Systems and also apprehension of the Prime Minister and Minister of State (Communications) regarding their unsatisfactory performance, the Department of Telecommunications continued to acquire these systems which led to idling of equipment worth Rs 21.50 crore, adequate for 13577 Village Public Telephones.

Multi Access Rural Radio (MARR) systems and overhead/cable systems are used for providing Village Public Telephones (VPTs).

Comments were made in the past regarding malfunctioning and non-achievement of targets

Comments were made in paragraphs 1.9.1 and 17.7 of the Reports of the Comptroller and Auditor General of India for the year ended March 1997 and March 1999, respectively, regarding malfunctioning of MARR Systems, non-achievement of targets for providing VPTs and idling of these equipment. Despite malfunctioning of these equipment, repeated adverse comments by Audit and serious apprehensions of the Prime Minister and the Minister of State (Communications) (MoS(C)), the Department of Telecommunications (DoT) continued to procure these equipment as brought out in succeeding paragraphs.

Purchase orders were placed in November 1997 and March 1998

DoT placed nine purchase orders in November 1997 and one in March 1998 for procurement of 1203 numbers of 2/15 MARR (equivalent to 14436 VPTs) and 720 numbers of 4/36 MARR (equivalent to 21600 VPTs) worth Rs 27.61 crore and Rs 42.43 crore, respectively. The equipment were to be supplied between February and September 1998. The Telecom Commission decided in March 1998 to meet the 1998-99 targets of providing 80500 VPTs (60900 on MARR) against the above ordered quantity. DoT, however, in June 1998 revised these targets to 45000, out of which 36500 were to be provided through MARR and balance through overhead lines/cable.

Scrutiny of records of DoT by Audit in September – October 2000 revealed the following irregularities:-

35.1 Persistent short fall in achievement of targets

DoT could achieve only 30 to 82 *per cent* of the physical target in providing VPTs

Criticism by Standing Committee on Telecommunications

Although the percentage of achievement of providing VPTs during 1995-2000 ranged from 30 to 82 *per cent*, DoT continued to procure MARR equipment on the basis of targets, without co-relating it with actual achievement, which ended up with idling of a large number of equipment as mentioned in sub para 35.3 below due to problems on account of insufficient charge being available in the battery due to erratic power arrangement, misuse of battery by villagers, large turnaround time for repair due to mobility problems in some areas etc. The consistent shortfall in achievement also reflects that the targets were unrealistic and un-justified. It is pertinent to mention that the Standing Committee on Telecommunications in November 1997, in its 15th report criticised the department for non-achievement of target and stated that they did not base their target on a realistic basis. The department in their ATN on paragraph 1.9.1 of Report No.6 of the Comptroller and Auditor General of India for the year 1998 stated *inter-alia* that their efforts were on to induct new technologies.

35.2 Fault-prone technology

The Telecom Commission in October 1997 decided to adopt Time Division Multiple Access (TDMA), Wireless in Local Loop (WILL) for VPTs and Point to Multiple Point (PMP) technology for normal connections in rural areas to the extent of 60 *per cent*, thus restricting the use of MARR to 40 *per cent* only to meet the targets for 1998-99.

DoT continued to procure MARR equipment despite being commented by Prime Minister and MoS(C)

Number of faulty VPTs provided on MARR systems increased from 20289 in March 1999 to 41135 in March 2000

Although the Prime Minister in November 1997 expressed his doubt about dependence on MARR technology in providing VPTs in view of their unsatisfactory performance, the Telecom Commission, in March 1998 reversed its decision, taken in October 1997, to restrict the use of MARR to 40 *per cent* of VPTs, ostensibly on account of non-availability of a proven alternative technology. In June 1998 MoS (C) criticised that although the department had discovered malfunctioning of a large number of MARR systems long time back, it was yet to do something concrete to avoid further wastage of resources on equipment for their fault proneness. The Minister also directed the department to ensure that new technology was available by the beginning of 1999. Despite this and their assurance given in the ATN on above paragraph for inducting a new technology, the department continued to acquire MARR systems during 1998-2000. Meanwhile, the department also introduced WILL, PMP, TDMA and International Marine Satellite (INMARSAT) technologies in a small way, in 1999-2000. The number of faulty VPTs, however, increased from 20289 in March 1999 to 41135 in March 2000.

35.3 Avoidable excess procurement

Before placement of purchase orders in 1997-98 for procurement of MARR equipment, the department was having a stock equivalent to 7836 VPTs as on 1 April 1997. There was also supply in pipeline of these equipment against the purchase orders placed earlier during 1995-97. The position of opening stock, equipment received, the number of VPTs provided and the closing stock during 1997-2000 was as under:

Table 35.3 Position of MARR systems lying idle

(in numbers)

Year	Opening stock	Receipt		VPTs installed	Closing stock
		Against 1995-97 purchase orders	Against 1997-98 purchase orders		
1997-1998	7836	43152	16266	35326	31928
1998-1999	31928	5490	16980	30712	23686
1999-2000	23686	-	600	10709	13577

Surplus equipment worth Rs 21.50 crore lying idle

From the above it would be seen that the department, even after providing these VPTs, was left with a surplus equipment worth Rs 21.50 crore as on 1 April 2000, sufficient to provide 13577 VPTs.

Considering the proven malfunctioning of these equipment, the prospects of their utilisation were bleak as the department was considering to adopt some alternate and dependable technology in future for providing VPTs.

Thus, the department failed to take timely action to identify a dependable alternative technology, once MARR systems showed unsatisfactory results. They also did not comply with the criticism by Audit, the Prime Minister, the MoS(C) and the Standing Committee on Telecommunications. This led to an avoidable expenditure on fault prone equipment resulting in idling of equipment worth Rs 21.50 crore.

36 Avoidable expenditure on laying of Optical Fibre Cable

The General Manager Telecom Erode in Tamil Nadu Circle permitted the use of semi circular reinforced cement concrete (RCC) pipes of higher specification of 150 mm dia with 6 mm dia reinforcement in Optical Fibre Cable network by Hindustan Cable Limited and Telecommunications Consultants India Limited, as against the department's requirement of 100 mm dia RCC pipes. This led to an avoidable expenditure of Rs 28.96 lakh during 1997-99.

HCL and TCIL executed external plant works for DoT on turnkey basis

Department of Telecommunications (DoT) gets external plant works such as cable laying and ducting executed through Hindustan Cables Limited (HCL) and Telecommunications Consultants India Limited (TCIL) on turnkey basis wherever such works cannot be carried out departmentally. These agencies in turn get these works executed through private contractors and charge service charges from DoT at the following rates:

(a) 10 *per cent* of the cost of execution of the work inclusive of the cost of stores supplied by the contractor; and

(b) five *per cent* of the cost of stores supplied by the department.

In addition, reimbursement of payments made by them to the contractors for execution of the works concerned is also made.

In specified areas HDPE pipes used in OFC network needed protection by 100 mm dia semi circular RCC pipes

In Optical Fibre Cable (OFC) laying work, semi circular RCC pipes of 100 mm dia are used in specified areas for the protection of high density polyethylene pipes laid for encasing the OFC.

Avoidable expenditure of Rs 26.33 lakh on account of use of pipes of higher specifications

Extra payment of service charges of Rs 2.63 lakh

Audit scrutiny of records in October 1999 pertaining to OFC works executed through HCL and TCIL during 1997-99 by the General Manager Telecom (GMT) Erode under Tamil Nadu circle revealed that the GMT failed to supply departmentally the semi circular RCC pipes of 100 mm dia to these agencies and permitted them to procure and use these pipes against the OFC works being executed. Accordingly, both these agencies, instead of 100 mm dia RCC semi circular pipes, procured and used 150 mm dia RCC pipes with 6 mm dia reinforcement at rates ranging between Rs 70 and Rs 82 per metre during 1997-99 as against the department's issue rate of Rs 25.20 per metre of 100 mm dia semi circular RCC pipes during the same period. This led to an avoidable expenditure of Rs 26.33 lakh, besides an extra payment of service charges of Rs 2.63 lakh during the above period.

Department decided to supply these stores from the latter part of 1998-99

The GMT stated in October 1999 that the stores required in bulk like HDPE pipes, OFC etc., only were supplied by the department to HCL and TCIL and other items of stores were to be procured and used by these agencies. He further added that considering all the factors, it was decided that the stores would be supplied by the department from the latter part of 1998-99.

The fact, however, remains that the above extra expenditure could have been avoided had the GMT either procured and supplied the material or insisted upon these agencies to procure and use the pipes of existing specifications.

The matter was referred to the Ministry in September 2000; their reply was awaited as of January 2001.

37 Avoidable payment of minimum demand charges and low power factor surcharge

Contracting power demands far in excess of actual consumption by five telecom units in Bihar circle and 12 units in Andhra Pradesh circle led to avoidable payments of minimum demand charges of Rs 2.03 crore during 1992-2000, inclusive of low power factor surcharge of Rs 22.91 lakh in respect of six units in Andhra Pradesh circle and excess consumption charge of Rs 4.11 lakh in another unit in the same circle.

Repeated cases of payment of minimum demand charges were reported in the past

Cases of failure of various telecom units to monitor their power consumption vis-à-vis contracted demand and resultant avoidable payment of minimum demand charges by them were reported in the past. The Ministry in October 1996 emphasised to the heads of circles, the need for proper assessment of contracted demand on realistic basis and its review from time to time. These instructions were reiterated in January 1998 and October 1999.

Agreement provided for payment of minimum demand charges

The agreements entered into by Bihar and Andhra Pradesh circles with respective State Electricity Boards provided for payment of minimum demand charges, if actual consumption of electricity was less than the contracted demand. Failure to maintain power factor up to a prescribed limit attracted surcharge. The power factor can be maintained by installation of shunt capacitors of appropriate capacity depending upon power load.

Avoidable payment of minimum demand charges of Rs 2.03 crore by 17 telecom units

Audit scrutiny of records of five telecom units in Bihar circle between May 1999 and May 2000 and 12 units in Andhra Pradesh circle between January 1999 and May 2000 revealed that although the actual consumption of power in these units during 1992-2000 remained much below the contracted demand, the heads of these units failed to review their power demand. As a result, they made avoidable payment of minimum demand charges of Rs 2.03 crore during the above period as shown in Appendix-XII.

Avoidable payment of low power factor surcharge of Rs 22.91 lakh and excess consumption surcharge of Rs 4.11 lakh

The avoidable expenditure of Rs 1.10 crore in respect of Andhra Pradesh circle also included low power factor surcharge of Rs 22.91 lakh in respect of six units (Sl. No. 3,4,6,7,9 and 11 of Appendix-XII) and Rs 4.11 lakh as excess consumption charges in respect of one unit, namely Adilabad.

The heads of the concerned units attributed the decrease in power consumption to replacement of old exchanges with the state of art equipment. The reply, however, is silent on why the heads of these units did not review their power demand and reduce the power load even after installation of state of the art exchange equipment which consumed lesser power load than those of the earlier electromechanical exchanges.

The matter was referred to the Ministry in September 2000; their reply was awaited as of January 2001.

38 Non-maintenance of minimum power factor and resultant avoidable payment of penal charges

Improper maintenance of shunt capacitors by the Executive Engineer Telecom Electrical Division Patna and non-installation of shunt capacitors by the Principal General Manager Telecom Patna and Telecom District Manager Gaya in Bihar circle and the Telecom District Manager Sambalpur in Orissa circle led to an avoidable payment of low power factor surcharge of Rs 1.39 crore during August 1993 to March 2000.

Low power factor surcharge leviable if minimum power factor is not maintained

Under the agreements entered into with the State Electricity Boards by the Telecom Department for supply of high tension electricity for telecommunication purposes, a certain minimum power factor (ratio of power actually consumed to the power drawn from the supply system) is to be maintained by the consumer, failing which he is required to pay a graded scale of surcharge. Such shortfall can be avoided by installing shunt capacitors depending upon power load to correct the power factor.

Ministry issued instructions to install shunt capacitors

In response to cases of avoidable payments of penal charges on account of non-maintenance of power factor included in various previous reports of the Comptroller and Auditor General of India, the Ministry of Communications in July 1993 and October 1996 issued necessary instructions to all the heads of circles to install appropriate shunt capacitors to maintain power factor so as to avoid payment of penal charges on power consumed.

Decision to introduce the system of monitoring the energy bills

On a similar topic, in reply to para 28 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 Union Government (Post and Telecommunications) No.6 of 2000, the Ministry stated in January 2000 in their action taken note that in order to avoid the payment of minimum demand charges and penal charges, the Telecom Commission had decided to introduce the system of monitoring the energy bills in telecom exchanges for which necessary instructions were issued to all the heads of telecom circles for submission of regular returns to the Department of Telecommunications (DoT).

Non-installation of shunt capacitors led to avoidable payment of penal charges of Rs 1.39 crore

Audit scrutiny of records of the Executive Engineer (EE) Electrical Division Patna, Telecom District Manager (TDM) Gaya and the Principal General Manager Telecom Patna in Bihar circle and the TDM Sambalpur under Orissa Circle between October 1999 and May 2000 revealed that despite repeated instructions by the Ministry, these officers, except the EE Electrical Division Patna, failed to install the shunt capacitors to maintain power factor. The EE Electrical Division Patna failed to maintain the shunt capacitors installed at the compound of General Post Office Patna for the use of telecommunications wing. Resultantly, they made avoidable payment of penal charges of Rs 1.39 crore between August 1993 to March 2000 as shown in table 38.

Table 38 Avoidable payment of penal charges

(Rs in crore)

Name of the circle/unit	Period	Amount of penal charges
Bihar		
Executive Engineer Telecom Electrical sub station General Post Office Patna	August 1993 to September 1999	1.14
Telecom District Manager Gaya	November 1994 to July 1999	0.05
Principal General Manager Telecom Patna	March 1994 to March 2000	0.04
Orissa		
Telecom District Manager Sambalpur	October 1994 to December 1999	0.16
Total		**1.39**

The EE Electrical Division Patna, while confirming the above facts stated in October–November 1999, that the concerned exchange authorities were responsible for maintaining the shunt capacitors. He further added that the maintenance work would be taken up shortly since a post of Junior Engineer had been created for this purpose. The TDM Sambalpur stated in January 2000 that action would be taken to install shunt capacitors to maintain the power factor in future. Reply from PGMT Patna was awaited as of September 2000.

Both the above cases were referred to the Ministry in May and June 2000; their reply was awaited as of January 2001.

39 Avoidable payment of penal charges for overdrawal of electricity and irregular payment of electricity duty

Failure of General Manager Telecom Bhubaneswar to revise the contracted electricity demand despite consumption in excess of contracted demand led to avoidable payment of penal charges of Rs 30.43 lakh during November 1995 to April 2000. In another case, the Director Telecom Durgapur in West Bengal circle in violation of constitutional provision made irregular payment of electricity duty of Rs 12.06 lakh during March 1994 to September 1999.

Scrutiny of records of one Telecom unit each in Orissa and West Bengal circles between December 1996 and September 1999 revealed an avoidable payment of penal charges of Rs 30.43 lakh for overdrawal of electricity and irregular payment of electricity duty of Rs 12.06 lakh, respectively, as brought out below:

(a) The General Manager Telecom (GMT) Bhubaneswar in Orissa circle entered into two agreements in 1991 with the Orissa State Electricity Board for supply of 200 KVA and 117 KVA electricity to the Telephone Bhawan and Telecom administrative buildings, respectively.

Consumption of excess electricity over contracted demands led to avoidable payment of penalty of Rs 30.43 lakh

Audit noticed that the GMT failed to enhance the contracted electricity demands against the above agreements although consumption of electricity increased to levels far in excess of contracted demands due to expansion of the telephone exchange from 5.5 k lines to 20.5 k lines from time to time till 1996 and horizontal expansion of administrative building to house some more offices. This led to an avoidable payment of penal charges of Rs 30.43 lakh for drawal of electricity in excess of contracted demand during the period November 1995 to April 2000 under both the above mentioned agreements.

The GMT stated in August 1999 that action was being taken to increase the power load from 200 KVA to 600 KVA in respect of Telephone Bhawan, whereas power load in respect of the administrative building was increased from 117 to 389 KVA in September 1998, after the point was brought out by Audit.

(b) Comments regarding avoidable payment of penal charges due to non-maintenance of power factor and irregular payment of electricity duty were made under paragraphs 9.30, 34 and 38.1 of the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1995, 1997 and 1998, Union Government (Post and Telecommunications), No. 7 of 1996, No. 6 of 1998 and No. 6 of 1999, respectively. The Ministry issued necessary instructions to all the heads of circles between October 1996 and December 1999 to scrutinise the electricity bills thoroughly before making payment of these bills to avoid payment of electricity duty.

Irregular payment of electricity duty of Rs 12.06 lakh

However, Audit scrutiny of records of four units under the Director Telecom Durgapur in West Bengal circle revealed further irregular payment of electricity duty amounting to Rs 12.06 lakh between March 1994 and September 1999.

The Chief General Manager Telecommunications West Bengal circle stated in January 2000 that the case for the recovery of irregularly paid electricity duty was taken up with the State Electricity Board. Particulars of recovery were awaited as of January 2001.

Despite repeated instructions by the Ministry there was no improvement in such cases and the payment of electricity duty was still being made by the field units. The Department of Telecommunications Services may investigate these cases and fix responsibility for the lapse.

The above cases were referred to the Ministry in May and September 2000; their reply was awaited as of January 2001.

(F) Other irregularities

40 Execution of works without sanction of estimates

Four Telecom District Managers and two General Managers Telecom Districts in Andhra Pradesh circle and one Telecom District Manager in Karnataka circle incurred an expenditure of Rs 16.55 crore in execution of various works without sanction of estimates

Provisions stipulate that no work should be executed without appropriate sanction of estimates

Departmental rules provide that no work should be taken up for execution without sanction of an estimate, except in cases where it is imperative that immediate action is to 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 allotted within three months from the date of actual commencement of work.

Comments were made in the past

Comments were made in Paragraph 45 of the Report of the Comptroller and Auditor General of India (Post and Telecommunications) for the year 1987-88 and in Paragraph 9.12 of the Report of the Comptroller and Auditor General of India (Post and Telecommunications) for the year 1993-94 regarding execution of works without sanction of estimates by competent authority in Andhra Pradesh circle. In their action taken notes on these paragraphs, the Ministry stated that suitable instructions were issued to all the Chief General Managers to follow the rules and regulations scrupulously.

Expenditure of Rs 16.55 crore incurred in two circles without sanction of estimates

Scrutiny of records by Audit during April 1998 and August 2000 in seven telecom districts in Andhra Pradesh and Karnataka circles disclosed that departmental authorities continued to execute works during 1996-2000, without sanction of estimates, despite issue of repeated instructions. They incurred an expenditure of Rs 16.55 crore in 299 unsanctioned estimates as detailed below even though these works were not necessitated to restore communication or prevent break down of communication for political or defence needs.

Table 40 Expenditure incurred on unsanctioned works

(Rs in crore)

Name of the District	Number of estimates	Total expenditure
Gulbarga	127	1.75
Guntur	5	2.16
Hyderabad	93	9.25
Khammam	33	1.39
Mahboobnagar	20	0.60
Nalgonda	17	1.03
Ongole	4	0.37
Total	**299**	**16.55**

TDMs attributed the lapses to work pressure for meeting the targets

When this was pointed out by Audit, TDM Khammam stated that advance estimate numbers were given to complete the targeted works before the end of the financial year as per the "advice of the competent authority" and action would be taken to get the estimates sanctioned. The TDM Gulbarga attributed it to the reasons like work pressure and prior targets schedule. No reply was received from the other TDMs. The replies of the TDMs are not tenable because advance estimate numbers could be given only in cases of emergent nature. Further, departmental rules do not provide for giving advance estimate numbers for meeting the targets fixed.

Thus, the expenditure of Rs 16.55 crore incurred by the departmental authorities in execution of the works of routine nature without sanction of estimates was irregular.

The matter was referred to the Ministry in September 2000; their reply was awaited as of January 2001.

41 Irregular procurement of stores

Five heads of SSAs in Andhra Pradesh circle procured stores worth Rs 5.35 crore irregularly under decentralised procurement procedure during 1997-2000. This required regularisation by Telecom Commission.

Procurement powers cannot be redelegated to lower formations

DoT issued decentralised procurement orders and guidelines, from time to time. Under the decentralised procurement system of DoT, heads of circles could procure the stores only after consolidating the requirements for the entire circle. The procurement powers cannot be redelegated to the lower formations.

Irregular procurement of stores worth Rs 5.35 crore by lower formations

Test check conducted in five SSAs shown below in Andhra Pradesh telecom circle revealed that heads of these SSAs procured stores worth Rs 5.35 crore during 1997-2000, in contravention of instructions of DoT, resulting in irregular procurement of stores as detailed below:

Table 41 Irregular procurement of stores

(Rs in lakh)

Name of the unit	Period of purchase	Value
GMT Hyderabad	1997-1999	102.69
GMT Guntur	1997-2000	339.68
GMT Rajahmundry	1998-1999	53.07
GMT Warangal	1999-2000	28.35
TDM Khammam	1997-2000	10.73
Total		**534.52**

To an Audit enquiry, the heads of SSAs except Guntur stated that the purchases were made to meet the urgent demand and to achieve the targets. The reply is not tenable because these authorities were not empowered to procure stores under decentralised procurement system.

Irregular expenditure needed regularisation by Telecom Commission

Thus, procurement of stores worth Rs 5.35 crore under the decentralised procurement system by the five heads of SSAs was irregular and needed regularisation by Telecom Commission.

The matter was referred to the Ministry in October 2000; their reply was awaited as of January 2001.

42 Irregular procurement of 10 channel digital equipment

General Managers Telecom district Anantapur and Mahaboobnagar irregularly purchased 10 channel digital UHF system costing Rs 33.49 lakh in violation of departmental instructions.

UHF equipment was not a decentralised item

DoT decentralised procurement of certain items of telecom equipment/stores from time to time empowering the Chief General Managers Telecommunications (CGMsT) to procure the same. The 10 channel digital UHF equipment was not a decentralised item.

TDMs Anantapur and Mahaboobnagar irregularly procured UHF equipment

Scrutiny by Audit of the records of Telecom District Managers Anantapur and Mahaboobnagar in Andhra Pradesh circle disclosed that they purchased 10 channel digital UHF equipment costing Rs 33.49 lakh in January 1997 from Hindustan Teleprinters Limited Chennai. This procurement was irregular as the 10 channel digital UHF equipment is a centralised procurement item and the same has not been decentralised so far.

When this was pointed out by Audit in May/December 1999, the GMs Anantapur and Mahaboobnagar stated that the purchase orders were placed with the approval of GM Hyderabad Telecom Area. The reply is not tenable because neither the GM nor CGMT was empowered to procure the centralised item of equipment.

Thus, GMs Telecom districts Anantapur and Mahaboobnagar, in violation of departmental instructions, irregularly purchased 10 channel digital UHF equipment costing Rs 33.49 lakh which is a centralised item of procurement.

The matter was referred to the Ministry in August 2000; their reply was awaited as of January 2001.

43 Follow up on Audit Reports

Despite repeated instructions/recommendations of the Public Accounts Committee, the department did not submit remedial action taken notes on 62 Audit Paragraphs

The Public Accounts Committee (PAC) decided in 1982 that in order to ensure accountability of the executive in respect of all issues dealt with in various Audit Reports, the Ministries/Departments should furnish final remedial/ corrective action taken notes (ATNs) on all paragraphs contained therein.

The committee took a serious view of inordinate delay and failure to furnish these ATNs within the prescribed time frame. It was further reiterated in the Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997 that ATNs on all paragraphs pertaining to the Audit Reports for the year ended 31 March 1996 onwards be submitted to them, duly vetted by Audit, within four months of laying of the Report in the Parliament.

Review of ATNs relating to Department of Telecommunications, revealed that final ATNs in respect of 62 Audit paragraphs were awaited as of January 2001. Details of pending ATNs are given in Appendix – XIII.

44 Response of the Ministry/Department to Draft Audit Paragraphs

Ministry/ Departments were required to send their response to draft audit paragraphs within six weeks

On the recommendation of the Public Accounts Committee, the Ministry of Finance issued directions to all Ministries in June 1960 to send their response to the Draft Audit Paragraphs (DAPs) proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks.

95 Draft audit paragraphs (52 Revenue paras, 40 Expenditure paras and three comprehensive performance reviews) proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2000, Union Government (Post and Telecommunications) No.6 of 2001 were forwarded to the Secretaries Department of Telecommunications and Department of Telecom Services during May 2000 to January 2001 through demi-official letters.

Secretaries DoT/DTS did not send replies to 76 draft audit paragraphs and three comprehensive performance reviews

The Ministry did not send replies to 76 DAPs (40 Revenue paras and 36 Expenditure paras) and three comprehensive performance reviews, as indicated in Appendices XIV and XV. The fact of non-receipt of replies from the Ministry is also indicated at the end of each such paragraph included in the Audit Report.

Section - II
DEPARTMENT OF POST

CHAPTER 6
ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

45.1 Functions of the Department

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

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

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

45.2 Organisational set-up

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

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

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

There were 154551 Post Offices in the country on 31 March 2000. Of these, 138149 were in rural areas and 16402 were in urban areas. The total number of Post Offices consisted of 840 Head Post Offices, 25166 Departmental Sub-Post Offices and 128545 Extra Departmental-sub or branch Post Offices. In addition, there were 573 Sorting Offices, 438 Record Offices, 46 Postal Stores

Depots, 19 Circle Stamps Depots, six Postal Training Centres/Postal Staff College and 63 Dispensaries.

The department has 19 Postal circles assisted by 40 Regional Directorates controlling 437 Postal Divisions and 69 Railway Mail Service Divisions and Base circle to cater the postal communication needs of Armed Forces. Speed post service was available to 100 cities within the country and to 97 countries abroad. The department has a civil wing responsible for planning, designing and execution of departmental buildings/projects. The civil wing is a multi-disciplinary organisation comprising Architectural, Civil and Electrical engineering disciplines.

45.3 Manpower

The staff strength of the department during 1998 to 2000 was as under:

Table 45.3 Number of employees
(As on 31 March)

(in lakh)

Year	Departmental employees	Extra Departmental employees	Total
1998	2.94	3.10	6.04
1999	2.93	3.10	6.03
2000	2.94	3.10	6.04

45.4 Postal Traffic

According to information furnished by the department, the volume of traffic projected and actually handled during 1997-2000 in respect of classical services such as sale of post cards, letter cards (inland), money orders, insurance etc., was as under:

Table 45.4 Postal Traffic

(A) Unregistered mail **(in lakh)**

Sl. No	Item	1997-1998		1998-1999		1999-2000	
		Proj.*	Assessed**	Proj.*	Assessed**	Proj.*	Assessed**
1.	Post cards	4481	3069	4815	3302	4252	3117
2.	Printed Post cards	2118	1154	2194	1424	1535	1441
3.	Letter cards (Inland)	6925	4443	6760	4756	5699	4756
4.	News papers						
	Single	1505	796	1352	1295	1107	1044
	Bundle	400	304	383	45	339	204
5.	Parcels	649	673	619	695	629	606
6.	Letters	14041	9980	13492	9260	11663	9585
7.	Book packets	1270	895	1100	789	981	1027
8.	Printed books	558	281	586	363	455	216
9.	Other periodicals	414	163	455	219	334	154
10.	Acknowledgement	792	1636	812	1629	629	356

* Proj. - Projected, ** Based on revenue collection

Contd..

(B) Registered mail and others **(in lakh)**

Sl. No	Item	1997-1998		1998-1999		1999-2000	
		Proj. *	Actual	Proj. *	Actual	Proj. *	Actual
11.	Money Orders (MOs)	1028	1108	1085	1134	1099	1232
12.	Insurance	94	95	99	95	99	95
13.	Value payable letters and parcels	94	97	111	86	107	91
14.	Registered letters and parcels	2867	2518	2729	2450	2797	2525

* Proj. – Projected

It may be seen from the above that there was a wide gap between the projected and assessed traffic of various unregistered mails during 1997-2000. The issue was raised in the Audit Reports during these years. The department needs to analyse the reasons for such huge discrepancies to enable it to formulate pragmatic projections.

45.5 Earnings from Postal Services and their costs

According to department's estimate, the average per unit cost and per unit revenue realised from the different postal services during the year 1999-2000 on the basis of projected traffic were as given in table below:

Table 45.5 Per unit gain/loss in operation of postal services

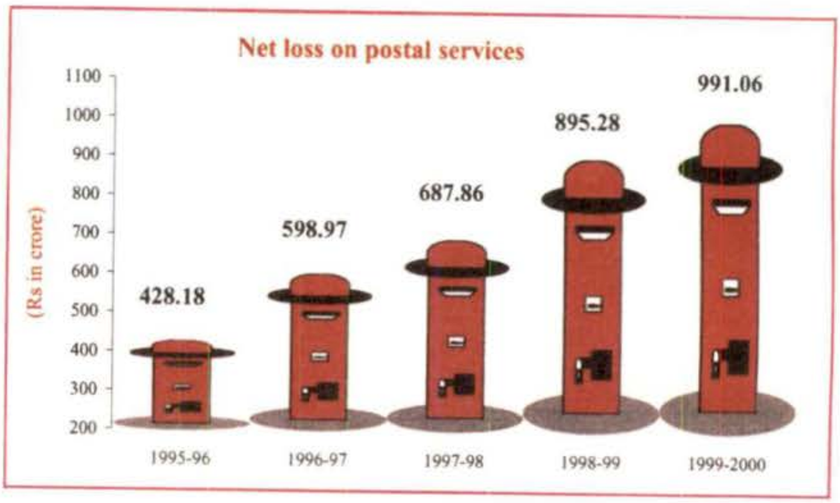
Sl. No	Services	Per unit cost (in paise)	Per unit revenue (in paise)	Unit loss (-) gain(+) (in paise)	Traffic Projected (in lakh)	Total loss/gain (Rs in crore)	
						Loss	Gain
(a)	**Classical services**						
1.	Post cards	452.81	25.00	(-) 427.81	4252	181.90	
2.	Letters	520.22	534.65	(+) 14.43	11663		16.83
3.	Registration	2691.12	1366.67	(-) 1324.45	2797	370.45	
4.	Letter cards(Inland)	448.84	191.67	(-) 257.17	5699	146.56	
5.	Money orders	3623.06	1827.14	(-) 1795.92	1099	197.37	
6.	Newspapers (single)	588.48	26.45	(-) 562.03	1107	62.22	
7.	Newspapers (bundle)	1139.47	66.47	(-) 1073.00	339	36.37	
8.	Indian Postal Orders(IPOs)	1545.77	205.60	(-) 1340.17	258	34.58	
9.	Printed Postcards	453.01	191.67	(-) 261.34	1481	38.70	
10.	Value payable Post	2230.58	452.94	(-)1777.64	107	19.02	
11.	Other periodicals	1259.19	700.88	(-)558.31	334	18.65	
12.	Acknowledgements	410.86	200.00	(-)210.86	629	13.26	
13.	Book, Pattern and Sample Packets.	705.00	891.90	(+)186.90	981		18.33
14.	Telegraphic MOs	4269.32	2027.14	(-)2242.18	25	5.61	
15.	Printed books	1262.87	242.91	(-)1019.96	455	46.41	
16.	Insurance	3843.67	7882.46	(+)4038.79	99		39.98
17.	Parcels	4492.26	4504.98	(+)12.72	629		0.80
18.	Competition Post cards	463.35	383.33	(-)80.02	54	0.43	

Sl. No	Services	Per unit cost (in paise)	Per unit revenue (in paise)	Unit loss (-) gain(+) (in paise)	Traffic Projected (in lakh)	Total loss/gain (Rs in crore)	
						Loss	Gain
(b)	**Value added services**						
19.	Speed post	2855.74	5513.00	(+)2657.26	127		33.75
20.	Foreign mail	1023.48	1640.55	(+)617.07	1147		70.78
	Total					**1171.53**	**180.47**

On the similar position for 1998-99, being pointed out in the Audit Report No. 6 of 2000 of the Comptroller and Auditor General of India, the Ministry, while accepting the audit observation, attributed the losses to reasons like increase in pay and allowances of staff, affordability by public, element of subsidy etc. However, the department among other measures hoped to revamp the deficit through the tariff revised with effect from 26 May 1999.

Despite this, the department's net overall loss of Rs 991.06 crore on postal services including speed post during 1999-2000 was up by Rs 95.78 crore compared to the net loss suffered during 1998-1999. Out of 20 services mentioned above, 14 services were rendered on loss basis.

Comparative position of the net loss incurred by the department on various postal services including speed post during 1995-2000 was as under:



The net loss on the postal services is increasing year after year putting excessive burden on general revenues to meet the deficit. There is urgent need to analyse reasons for losses especially in the high volume items and to establish reasons for losses.

45.6 Value Added Services

With a view to reduce transit time and provide improved postal services, the department introduced value added services such as speed post, express parcel service, hybrid mail service, business post, corporate money order etc., between 1986 to 1995. The traffic and revenue trends under these services for the last two years are given in the table below:

Table 45.6 Traffic and revenue trends of value added services

Service	Month and year of Introduction of service	Traffic (In lakh)		Revenue (Rs in lakh)	
		1998-99	1999-2000	1998-99	1999-2000
Speed post	August 1986	195.95	312.64	9136.00	12617.19
Express parcel service	December 1994	1.13	7.56	55.00	355.77
Hybrid mail service	January 1995	0.32	0.30	6.00	6.70
Business post (mass mailing)	January 1997	1154.00	2166.93	4371.00	8492.07
Commercial publicity	NA	NA	NA	552.00	577.42

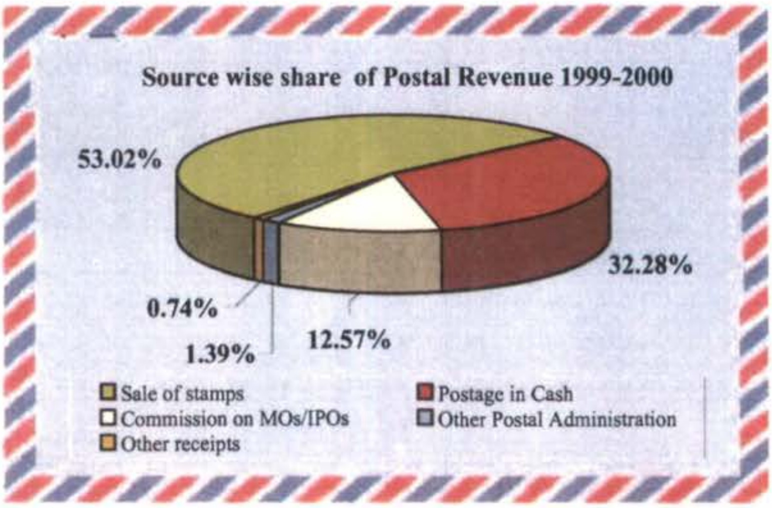
While speed post, business post and express parcel services performed well, the traffic in hybrid mail service, although introduced five years ago, more or less remained stagnant.

The Ministry in their reply given in January 2001 stated that Hybrid Mail Service was not being marketed vigorously due to a change being effected by the technology wing in the software of Very Small Aperture Terminals (VSATs).

45.7 Revenue realisation and Revenue Expenditure

45.7.1 Revenue

Source wise revenue realised during 1999-2000 was as under:



The position for the last three years is given below:

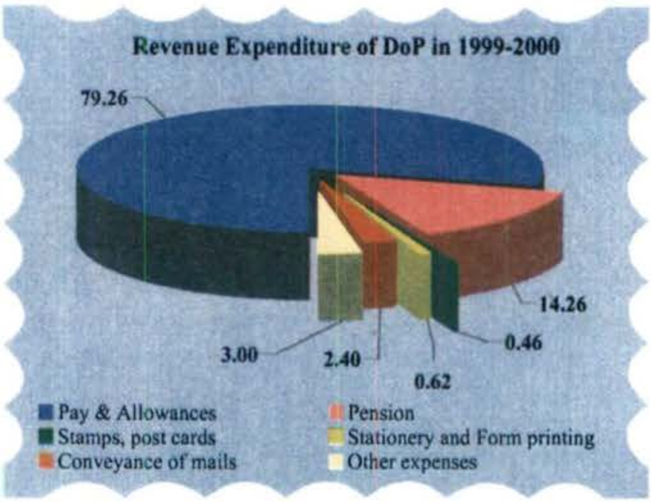
Table 45.7.1 Source wise share of postal revenue

(Rs in crore)

Item	Gross revenue		
	1997-1998	1998-1999	1999-2000
Sale of ordinary and service stamps (affixed on cards, letters, parcels, book post ordinary, registered and insured categories including speed post)	873	947	1071
Postage realised in cash (newspapers, franking machines at subscriber's premises, pre-postage etc.)	407	484	652
Commission on account of money orders and postal orders	204	219	254
Net receipts from other Postal Administrations	10	6	28
Other receipts (central recruitment fees, passport form fee etc.)	73	67	15
Total gross revenue	**1567**	**1723**	**2020**

45.7.2 Revenue Expenditure

The revenue expenditure on pay and allowances, conveyance of mails, printing of stamps, post cards and stationery etc., during 1999-2000 was as shown in chart:



The position for the last three years is given below:

Table 45.7.2 Revenue expenditure

(Rs in crore)

Category	1997-1998	1998-1999	1999-2000
(a) Pay and allowances, contingencies, interim relief, etc.	2777.83	3396.53	3787.18
(b) Pensionary charges	558.25	676.76	681.56
(c) Stamps, post cards etc.	21.38	19.84	22.03
(d) Stationery and Forms printing etc.	25.33	22.41	29.77
(e) Conveyance of mails (Payments to railways and air mail carriers)	98.15	100.80	114.60
(f) Other expenditure	116.98	134.95	143.26
Total	**3597.92**	**4351.29**	**4778.40**

45.8 Net Budgetary Support

The net revenue budgetary support which is worked out by deducting receipts and recoveries from gross revenue expenditure was Rs 1595.82 crore in 1999-2000 against the provision of Rs 1740.53 crore as under:

Table 45.8 Net budgetary support (1999-2000)

(Rs in crore)

	Total provision		Actual
Expenditure (C)			
Original	4357.59	4835.53	4778.40
Supplementary	477.94		
Recoveries (A)			
Original	1200.00	1145.00	1162.46
Supplementary*	-55.00		
Receipts (B)			
Original	2268.18	1950.00	2020.12
Supplementary**	-318.18		
Net budgetary support (C) -(A+B)		**1740.53**	**1595.82**

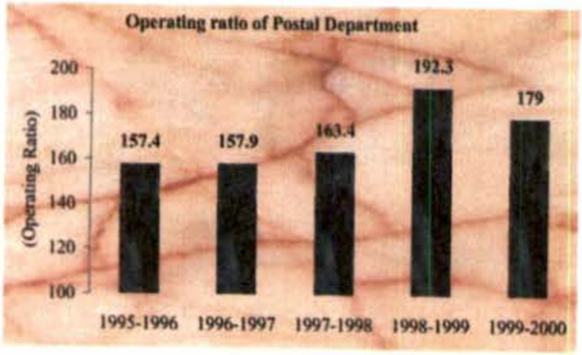
* *As provided in the proposal for Supplementary Grant*

** *As given in the Revised Estimates*

The Ministry in their ATN, in response to a comment made in Audit Report No. 6 of 2000 of the Comptroller and Auditor General of India regarding the increasing deficit, stated that it was due to higher target for receipts by the Ministry of Finance, labour intensive cost of operation and the element of subsidy. The department, however, stated that all the Heads of circles were addressed to achieve revenue targets fixed and exercise revenue control.

In spite of this, most of the postal services continued to make losses; as a result, the overall deficit in the Department of Post was increasing every year resulting in increased budgetary support as shown in the chart. The total deficit in DoP stood at Rs 1596 crore during the year 1999-2000.

45.9 Operating Results



Ratio of revenue expenditure to revenue receipts expressed as a percentage is termed the operating ratio. The chart would reveal that the gap between revenue expenditure, net of recoveries and revenue receipts, which had been widening since 1995-96, reversed its trend and the operating ratio after touching a high of 192.30 *per cent* in 1998-99 reduced to 179 *per cent* in 1999-2000.

45.10 Agency Functions and Postal Life Insurance

The department renders certain agency functions as detailed in paragraph 45.1 of this chapter.

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

Table 45.10 Deposits under savings bank/postal life insurance scheme

(Rs in crore)

Head of Account		Amounts outstanding as on 31 March		
		1998	1999	2000
8001 – Savings Deposits				
-101	Post office savings bank deposits	25214 (641)	31588 (661)	41062 (674)
-103	Fixed and time deposits	3856 (17)	4342 (19)	5360 (22)
-104	Cumulative time deposits	58 (Dr) (18)	49 (Dr) (17)	49(Dr) (17)
-105	Post office recurring deposits	9262 (384)	11244 (402)	14266 (438)
8006 – Public Provident Funds				
-101	Public provident funds Postal part	2416 (9)	3338 (10)	4623 (12)
8002 – Savings Certificates				
-101	Post office Certificates	86096	104864	856(Dr)
8011 – Insurance and Pension Funds				
-101	Postal Insurance and Life Annuity Fund	2594	3074	3667

Note : The number of accounts in lakh are given in brackets.
Public Provident Funds are handled by other agencies also.

Department gets agency commission in respect of these functions discharged on behalf of other ministries and departments. The rate of commission is revised from time to time. The department received a commission of Rs 1055.00 crore for managing post office savings bank work during 1999-2000. An amount of Rs 237.67 crore in respect of pensionery and interest transactions for the year was yet to be refunded by the Ministry of Finance to the Department of Post.

45.11 Scrutiny of the Finance Accounts of the department for the year 1999-2000 revealed certain irregularities as shown below:

45.11.1 Adverse Balances in Finance Accounts

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

Table 45.11.1 Adverse balances in debt, deposit and advances heads

(Rs in lakh)

Sl. No	Head of Account	Amount outstanding as on 31 March		
		1998	1999	2000
1.	7610-800 Other advances	34.87 (Cr)	15.79 (Cr)	16.09 (Cr)
2.	8001-104 Cumulative time deposits	5781.66 (Dr)	4896.90 (Dr)	4883.40 (Dr)
3.	8002-101 Post office saving certificates	-	-	85583.56 (Dr)
4.	8002-102 State saving certificates	3.99 (Dr)	4.00 (Dr)	3.96 (Dr)
5.	8002-104 Defence saving certificates	2979.92(Dr)	2996.39 (Dr)	2965.46 (Dr)
6.	8002-106 National development bonds	132.95(Dr)	128.14 (Dr)	123.21 (Dr)
7.	8013 Mahila samridhi yojana	-	592.42 (Dr)	195.44 (Dr)

The problem of persistence of huge adverse balances under the above mentioned heads was commented in Audit Report No. 6 of 2000 of the Comptroller and Auditor General of India, Union Government (Post and Telecommunications). The Ministry, while accepting the audit observation, stated that settlement of these balances was a time consuming process and as such instructions were issued to all the Heads of circles for taking effective steps to liquidate these balances.

It is seen from the above table, however, that the adverse balances were still persisting. Although, there was some improvement in the existing balance, a new addition at Sl.No.3 where the huge adverse balance of Rs 85583.56 lakh under the head "8002-101-Post office saving certificate" has appeared, could be a matter of concern. Presence of such a huge balance under this head is to be viewed seriously as cases of huge amount of fraudulent encashment of saving certificates including Kisan Vikas Patras were already commented in the Report of the Comptroller and Auditor General of India, Union Government (Post and Telecommunications) for the years 1996-97 and 1997-98. Department may examine the reasons for creation of this huge adverse balance and take urgent remedial action to clear the same.

45.11.2 Suspense Balances

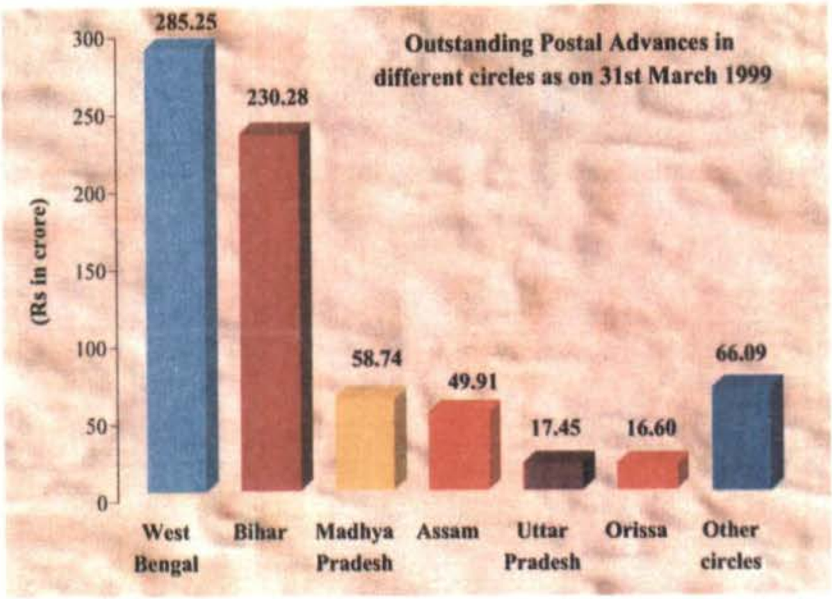
The amounts initially booked under suspense heads of accounts falling outside the Consolidated Fund of India are ultimately to be cleared either by payment or recovery in cash or by book adjustment. Finance Accounts for the year ended 31 March 1999 showed a net balance of Rs 471.38 crore (Dr) under Major Head 8661-Suspense balances which was adversely commented upon in the Report No. 6 of the Comptroller and Auditor General of India for the year ended 31 March 1999. In the Action Taken Note, the Ministry stated in December 1999 that all out efforts were being made to reduce the balances under these heads. In the Finance Accounts of 1999-2000, a balance of Rs 93.97 crore (Dr) was outstanding under suspense head indicating significant improvement in the position as compared to the previous year.

45.11.3 Advances from Public Account

Postal advances mainly represent overpayment or short credit on account of national savings certificates, money orders, cash certificates, bonds and prepaid expenses, advances to contractors etc. The problem relating to huge balances under the head Postal Advances was highlighted repeatedly in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1993 to 1999, Union Government (Post and Telecommunications). In the Action Taken Note, while accepting the audit observation, the Ministry stated in July 2000 *inter alia* that these items included the amount of overpayment/short credit on post office cash certificates, amounts charged in accounts on account of fraud/theft cases etc. The Ministry further added that the settlement of such amount was a continuous and time consuming process and the instructions were issued to circle postal accounts offices to review the outstanding balances and take effective measures to liquidate the balances.

Audit scrutiny of Finance Accounts of DoP for the year 1999-2000 revealed that an amount of Rs 724.32 crore net debit was lying under the head Public Account 'Head 8553-101-Postal Advances' at the end of 1999-2000 pending adjustment.

Audit investigation further revealed that out of the total amount of Rs 724.32 crore lying unadjusted under this head in 20 postal circles including base circle in the country, an amount of Rs 624.18 crore was outstanding in the postal circles of Assam, Bihar, Madhya Pradesh and West Bengal alone accounting for 86 *per cent* of the outstanding balance. The circle wise position of outstanding balance is given in the chart below:



Huge unadjusted amounts in West Bengal, Bihar, Madhya Pradesh and Assam circles require detailed investigation especially in view of the large scale loss of cash certificates and their fraudulent encashment in various circles reported in the audit reports from time to time. Unreasonably heavy balances in these circles as compared to others point towards grossly inefficient operation, management and accounting of cash transactions in these circles.

Existence of large balances particularly in four circles showed failure on the part of the department and heads of circles to take corrective action inspite of the instructions in this regard in cases of excessive overpayments and short credits.

CHAPTER 7
APPROPRIATION ACCOUNTS

46.1 Introduction

Appropriation Accounts (Postal Services) indicate the details of amounts on various specified services actually spent by the Department of Post vis-à-vis those authorised by the Appropriation Act passed by the Parliament. Appropriation Accounts of the Postal Services are prepared every year by the Secretary Department of Post and audited and certified by the Comptroller and Auditor General of India.

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

46.2 Budget grants and expenditure

A summary of Appropriation Accounts (Postal Services) exhibiting expenditure during 1999-2000 compared with the sums authorised in the schedule appended to the Appropriation Act 1999 passed under Articles 114 and 115 of the Constitution of India, is given below:

Table 46.2 Appropriation and expenditure

(Rs in crore)

Section	Original Grant	Supplementary Grant	Total Appropriation	Actual Expenditure	Excess (+) Saving (-)
			REVENUE		
Voted	4357.48	477.94	4835.42	4778.39	(-)57.03
Charged	0.11	Nil	0.11	0.01	(-)0.10
			CAPITAL		
Voted	83.42	Nil	83.42	67.38	(-)16.04
Charged	Nil	0.80	0.80	0.55	(-)0.25
Total	**4441.01**	**478.74**	**4919.75**	**4846.33**	**(-)73.42**

A comment was made in Report No. 6 of 2000 of the Comptroller and Auditor General of India, regarding savings under the revenue segment during 1998-99. The Ministry in their action taken note stated in June 2000 that it was due to uncertainties in the payment of arrears of pension on account of revision of pension, less receipt of claims from Railways and adjustment of bills from the security press. It also assured that it would issue instructions to all the circles to avoid large savings in future.

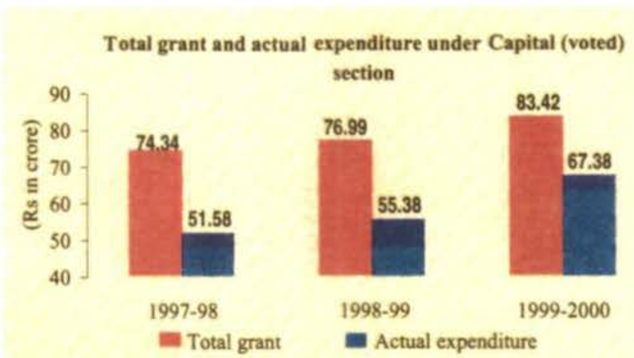
Savings under capital head was 19.23 *per cent* of the provision

However, as shown in table 46.2 there was an overall saving of Rs 73.42 crore during 1999-2000 as compared to the saving of Rs 98.34 crore during the previous year. Under Revenue (voted) section, saving of Rs 57.03 crore was 11.93 *per cent* of the supplementary grant of Rs 477.94 crore. In Capital (voted) section, there was a saving of Rs 16.04 crore which constituted 19.23 *per cent* of the original provision.

46.3 Persistent savings under Capital section

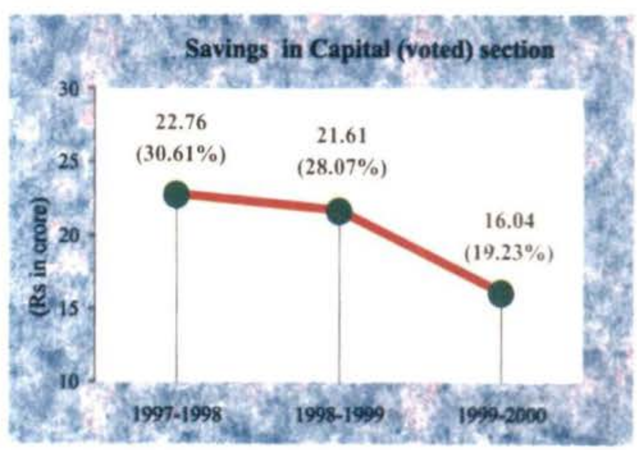
Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. Savings as shown in Appropriation Accounts, in real terms denote unspent amounts, which are indicative of poor budgeting or shortfall in performance of the department under various schemes.

The persistent savings in the Capital (voted) section for the past three years are depicted in the chart below:

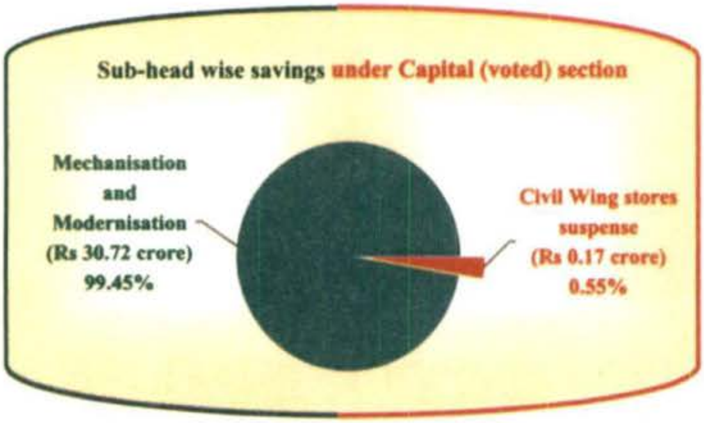


The Ministry in their ATN in response to an audit comment made in Report No. 6 of 2000 of the Comptroller and Auditor of India regarding savings under Capital (voted) section stated that the savings were due to inability of vendors to supply the equipment and assured that it would issue instructions to all concerned to avoid such savings.

Savings, i.e., amounts not being spent under Capital section, are becoming a general feature of the Postal Services. Such savings, however, declined from 30.61 *per cent* of the total grant in 1997-98 to 19.23 *per cent* in 1999-2000.



Savings under Capital section in 1999-2000 were almost totally under the head "5201 - 104 - Mechanisation and Modernisation of Postal Services" as indicated in the chart.



Out of the budget allocation of Rs 64.99 crore during the year 1999-2000, in respect of Mechanisation and Modernisation scheme, only Rs 34.27 crore could be spent leaving Rs 30.72 crore of the allotment unspent. Such savings call for detailed investigation.

The savings of Rs 30.89 crore under the Capital heads were offset by Rs 14.85 crore excess under the heads "5201 – 003 – Training", "101 - Postal networks", "202 - Administrative offices", "203 - staff quarters" and "204 – Railway Mail Service Vans". Therefore, the net savings under Capital (voted) section worked out to Rs 16.04 crore.

46.4 Department's explanation for savings in grant/appropriation

The reasons advanced by the department for savings under Revenue (voted) and Capital (voted) sections were as under:

Table 46.4 Savings in Grant

(Rs in crore)

Grant No. 15	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Post
Revenue (voted)	4835.42	4778.39	57.03	Expenditure less than anticipated due to non-settlement of Leave Travel Concession, Medical claims etc., due to non-adjustment of excess amount paid in pending bills, non-receipt of bills from security press and non-payment to the anticipated level of commuted value of pension consequent on revision.
Capital (voted)	83.42	67.38	16.04	Non-achievement of physical targets under 'Mechanisation and Modernisation of postal services' scheme due to unforeseen circumstances like non-procurement of items, non-installation of devices due to militancy in state like Jammu and Kashmir etc.
Total	**4918.84**	**4845.77**	**73.07**	

Out of the total net savings of Rs 57.03 crore under Revenue (voted) section, major portion of the savings was under the sub head - 07-102-commuted value of pension. Similar reasons were advanced by the Ministry in the ATN received in response to a comment made in Audit Report No. 6 of 2000 of the Comptroller and Auditor General of India, regarding savings under this section. Considering that the department was aware of the full details of these cases, such large savings are not justified.

46.5 Injudicious re-appropriations

Re-appropriation orders issued in March 2000 for reducing the original grant/appropriation under the following heads were unwarranted as the actual expenditure under these heads was more than the original provision.

Table 46.5 Injudicious re-appropriations

(Rs in lakh)

Head of Account	Original grant	Amount of re-appropriation from the Head	Actual expenditure
01-001 – Directorate and administration			
01 – Postal Directorate	1290.80	78.50	1308.87
06 – Postal stores depot	2781.30	11.30	2804.71
101 – Postal Network			
02 – Opening and upgrading of post offices	288.40	92.40	371.89
Other expenses	1600.00	56.00	1701.42

46.6 Under-utilisation of supplementary grant/appropriation

Under Revenue (voted) section, the department could not utilise Rs 57.03 crore out of the supplementary grant of Rs 477.94 crore obtained in March 2000.

CHAPTER 8
COMPREHENSIVE PERFORMANCE REVIEW

47 Modernisation of Postal Services

47.1 Introduction

The Department of Post (DoP) provides the basic postal services such as sale of stamps and stationery, booking of registered articles, insured articles, value payable articles, remittance of money through money orders and postal orders, philately and speed post service. In addition, certain agency functions such as postal savings bank, mahila samridhi yojna, postal life insurance, public provident fund and disbursement of family pension and pension to railway and military pensioners on behalf of other ministries and departments are discharged. The department provides these services with a network of 154551 post offices throughout the country manned by 6.04 lakh personnel, as on 31 March 2000.

The liberalisation of the Indian economy, introduction of new means of communications and technology development have underlined the need for modernising postal services. In the Postal department, efforts to modernise its services began in early eighties and have focussed on modernisation of front office areas and postal infrastructure. During the first three years of the IX Five Year Plan, an outlay of Rs 344.93 crore was allocated for this purpose. Modernisation schemes relating to installation of Computer based multipurpose counter machines, Satellite money order system through Very Small Aperture Terminals (VSATs), introduction of Electronic Franking machines etc., were executed during this period.

47.2 Scope of Audit

Audit during May to September 2000 conducted a review of modernisation programmes in respect of some important postal services executed during April 1995 to March 2000, in the Postal Directorate and in 6 out of 19 Postal circles namely Andhra Pradesh, Delhi, Haryana, Madhya Pradesh, Maharashtra and Uttar Pradesh.

47.3 Organisational set up

Management of DoP is vested with the Postal Services Board headed by a Chairperson who is also the Secretary to the department and three Members holding the portfolios of Operations, Development and Personnel. They are assisted by Senior Deputy Directors General, Deputy Directors General, Principal Chief General Managers and Chief General Managers at the Directorate level. The organisational set up for modernisation programme is as under:

Sl.No	Branch	Headed by	Overall control
1	Technology	Sr.DDG (Tech.)	Member (O)
2	Mail	DDG (MM and TS)	Member (O)
3	Business Development	Pr.CGM (BD)	Member (O)
4	Postal life Insurance	CGM (PLI)	Member (D)
5	Material Management	DDG (MM)	Member (D)
6	Philately	DDG (Philately)	Member (O)

While the Postal Directorate plans and procures the equipment for modernisation centrally, the respective Postmasters, Senior Superintendents of the postal divisions under the administrative control of the respective Chief Postmasters General execute these programmes.

47.4 Highlights

⇨ **DoP failed to achieve physical and financial targets in modernisation of postal services despite availability of funds, which remained unspent at the end of each financial year during the five years, ending March 2000.**

⇨ **Basic objectives of installation of Multi Purpose Counter Machines (MPCMs) at post offices to provide single window service to customers, reduce waiting time and make counter service error free and more productive, could not be achieved fully, as only 2789 out of 6257 machines procured were working, as of March 2000.**

⇨ **Department was deprived of anticipated saving of Rs 93.81 lakh per month due to non-utilisation of 975 MPCMs even out of the installed 3764 machines.**

⇨ **Department failed to achieve the expected traffic of satellite money orders as only 2.48 crore money orders were transmitted against the target of nine crore during 1997-2000.**

⇨ **Due to under utilisation of VSATs for transmission of money orders, the department had to transmit 6.52 crore money orders manually thereby anticipated savings of Rs 84.50 crore could not be realised.**

⇨ **Non-procurement of Electronic Franking Machines directly from the manufacturer resulted in avoidable excess payment of Rs 1.52 crore to the suppliers.**

⇨ **Investment of Rs 2.15 crore in Computerisation of Transit Mail Offices did not yield results due to poor planning.**

⇨ **Department incurred an expenditure of Rs 13.74 crore on modernisation programmes without approval of the competent authority.**

47.5 *Financial and Physical Status*

47.5.1 *Financial performance*

Table 47.5.1 Percentage of non-utilisation of budget with reference to allotment

(Rs in crore)

Year	Budget allotment (Capital section)	Actual expenditure	Percentage of non-utilisation
1995-1996	45.52	35.40	22
1996-1997	36.61	30.29	17
1997-1998	39.35	32.87	16
1998-1999	26.01	27.61	Nil
1999-2000	64.99	34.27	47

A comment was made in the report of the Comptroller and Auditor General of India for the year ended 31 March 1994 regarding poor utilisation of the funds allotted during the VII Five Year Plan.

Persistent trend of non-utilisation of funds

From the table above it is seen that a similar trend continued even during the VIII and IX Five Year Plans. Non-utilisation of funds allotted during the years 1995-2000 ranged from 16 to 47 *per cent*. In fact, the amount of Rs 30.72 crore remaining unutilised during 1999-2000 was more than the total budget allotment for the preceding year.

The Ministry in their reply received in January 2001 stated that the actual percentage of under-utilisation on the basis of revised estimates was in the range of 3 to 17 *per cent*. They further stated that the performance during the first three years of the IX Five Year Plan would be more realistic since prior to IX Plan period, the funds had to be utilised on the basis of annual budget provisions under the various planned schemes. The reply is not tenable since annual plans in any case form a part of the five year plans and this holds good for the IX Five Year Plan too. Further, the fact of surrender of about 17 *per cent* of the final grant in 1999-2000, which is the third year of the IX Five Year Plan, does not support the Ministry's view. Persistence of the trend of regular surrender of funds implies that the budget formulation exercise requires greater attention.

Considering that the performance in the previous plan is also one of the factors for allotment of funds for the ensuing year, non-utilisation of 47 *per cent* of the funds within the area of modernisation allotted for 1999-2000 indicates a need for increased effort. It is pertinent to mention here that the department in the Appropriation Accounts for 1999-2000 attributed the surrender to non-achievement of physical targets in some of the schemes due to unforeseen circumstances like non-procurement of items and non-installation of mechanical devices due to militancy in the state like Jammu and Kashmir. The reply is not tenable because procurement is an activity which can be planned; further out of the total allocation of Rs 64.99 crore, only a meagre amount of Rs 0.29 crore was allocated to Jammu and Kashmir circle, whereas the unspent amount was Rs 30.72 crore during 1999-2000. The unspent amount even based on the revised estimates and amount spent worked out to Rs 7.00 crore.

47.5.2 Physical targets and achievement

Persistent short fall in achievement of physical targets

A review of achievements of modernisation programmes during the review period revealed the following deficiencies:

Table 47.5.2 Physical target and achievement in respect of certain services under modernisation scheme

(in numbers)

Sl. No.	Service	1995-96		1996-97		1997-98		1998-99		1999-2000		Total for 5 years		Percent-age of short fall
		Targ.	Ach.	Targ.	Ach.	Targ.	Ach.	Targ.	Ach.	Targ.	Ach.	Targ.	Ach.	
1.	Installation of computer based Multipurpose Counter Machines	1000	550	1500	360	1000	918	800	1429	1250	1250	5550	4507	19
2.	Modernisation of post offices	350	361	350	432	200	308	60	98	75	139	1035	1338	-
3.	Satellite money order scheme - installation of VSATs	-	-	75	74	-	-	20	-	62	62	157	136	13
4.	Introduction of electronic franking machines	40	40	250	Nil	100	250	150	150	111	111	651	551	15
5.	Automatic stamp cancelling machines	85	85	-	-	20	20	20	20	20	20	145	145	-
6.	Head record office computerisation	-	-	-	-	4	1	-	-	5	6	9	7	22

Targ. – Target; Ach. - Achievement

From the above it is seen that there was a shortfall in achievement in installation of computer based multi purpose counter machines (MPCMs) (19 *per cent*), installation of VSATs (13 *per cent*) and introduction of electronic franking machines (15 *per cent*), despite availability of unspent balances.

Details of deficiencies noticed in the execution of these services are given in the succeeding paragraphs.

47.6 Analysis of schemes

47.6.1.1 Installation of computer based Multipurpose Counter Machines (MPCMs) in post offices

A scheme for installation of Multipurpose Counter Machines (MPCMs) at Post offices was introduced in December 1988, to provide single window service to the customers for registered post, money orders booking, speed post, postal life insurance, collection of telephone bills etc. The machines were personal computers with facilities of digital weighing scale and printer. The

Shortfall in installation of MPCMs

modernised service was expected to reduce waiting time for customers and make counter service error free and more productive. The department installed 4507 machines against the target of 5550 machines across the country during the five years ending March 2000, to provide both banking and non-banking facilities at a single window.

The department in May 2000 attributed the shortfall to delay in development of software, inadequate response from suppliers, reservation on the part of the employees to adopt the new technology and procedural delays in acquiring machines.

The Ministry in their reply received in January 2001 stated that the teething problems faced by the department in the initial years, namely, the last two years of the VIII Five Year Plan, were overcome. The Ministry's reply is not tenable since the scheme has been in vogue for over a decade and persistence of such teething problems should not have continued till 1997.

47.6.1.2 Loss due to non-installation of MPCMs

Department was deprived of Rs 93.81 lakh per month due to non-utilisation of 975 MPCMs

According to the proposal of the department to the Expenditure Finance Committee (EFC) for computerisation of machines in post offices one computer will replace a minimum of one Postal Assistant and thereby the department will save Rs 9622 per month per machine. The department intimated Audit that they had installed 6257 machines upto March 2000, but according to the information given by Circles to the Directorate, only 3764 machines were installed upto March 2000, indicating an unreconciled difference of 40 *per cent*. Out of these, only 2789 machines were working as on March 2000. Based on the anticipated saving per machine, the department was deprived of Rs 93.81 lakh per month due to non-utilisation of the remaining 975 machines, actually installed, but not put to use. Further, the department could not effect the anticipated saving of Rs 109.98 crore as shown in table 47.6.1.2 due to non-redeployment of 3764 Postal Assistants on account of MPCMs installed (but not put to use) and MPCMs installed and working.

Table 47.6.1.2 Savings not effected on account of non-redeployment of Postal Assistants

Non-achievement of likely savings due to non-redeployment of Postal Assistants

Period	No. of machines	Savings which should have been effected per month (Rs)	No. of years	Total savings which should have been effected (Rs in crore)
Machines installed				
Upto 1997	167	9622	4	7.71
1997-1998	918	9622	3	31.80
1998-1999	1429	9622	2	33.00
1999-2000	1250	9622	1	14.43
	3764	-	-	
Machines received but not installed	1995	9622	1	23.04
Total		-		**109.98**

The Ministry in their reply received in January 2001 stated that 6257 machines installed up to the end of March 2000 included 437 servers and other earlier generation computers. They further stated that they had reduced 700 counters up to 31 March 2000 and the manpower to the extent of 2000 staff rendered surplus as a result were diverted to the Business Development Directorate for utilisation in the new and value added products and services. This has reportedly resulted in an approximate savings in expenditure to the tune of Rs 5.98 crore per annum.

The fact, however, remains that the reported savings are extremely low as compared to those anticipated, even after exclusion of the computers being used as servers.

47.6.1.3 Supply of defective MPCMs

DoP in November 1997 placed a purchase order on a private firm for supply of 75 machines in Maharashtra circle at a cost of Rs 43.12 lakh. It was noticed by Audit that the machines supplied were defective and remained non-functional since their installation. Department estimated an expenditure of Rs 7.79 lakh for repairs/replacement of faulty machines.

Avoidable expenditure of Rs 10.29 lakh in two circles due to defective MPCMs

Similarly owing to poor performance of the machines and service rendered during the warranty period, Andhra Pradesh circle had to incur an expenditure of Rs 2.50 lakh towards replacement of certain hardware and their maintenance during May-June 1999.

The department stated in November 2000 that the final payments to the vendors were still to be made. They further stated in November 2000 that the total liquidated damages amounting to Rs 18.41 lakh had been recovered and another Rs 6.27 lakh were also to be recovered from the pending bill of Rs 12.94 lakh.

47.6.2 Satellite Money Order Scheme - Installation of Very Small Aperture Terminals (VSATs)

Department introduced Electronic Money Transfer system to reduce the delivery time of money orders

47.6.2.1 With a view to reduce the delivery time of a money order from 8-10 days to two days and to bring down the cost of transmission, a project on electronic money transfer system and electronic mail via satellite communication was approved by the Public Investment Board (PIB) in May 1992 for implementation in two phases. Phase I of the project consisted of installing personal computers in well chosen post offices alongwith micro earth stations to transmit and receive money order advices. The money orders booked in one location were transmitted to other location through satellite. To begin with, DoP proposed to implement the project in 75 locations under phase I. This phase envisaged installation of 75 Very Small Aperture Terminals (VSATs) satellite money order (SMO) stations as part of VIII Five Year Plan. The system operated as a closed user group on a wide area network using the Department of Telecommunications' remote area business message network (RABMN). The VSAT in DoP network is a satellite money order (SMO) node with two SMO stations linked to each. Each SMO station can be connected to a maximum of 15 dial-up nodes via public switched telephone network. The first phase of the project was completed with installation of 77 VSATs alongwith 610 computers as Extended Satellite Money Order (ESMOs) stations at selected locations at a cost of Rs 9.94 crore. In phase II, installation of 170 VSATs and 2040 ESMOs centres at a cost of Rs 46.54 crore was approved by EFC in January 1999.

Audit scrutiny of the records of the scheme for the five years ending March 2000 revealed that apart from shortfall in the physical targets in the range of two to 100 *per cent*, the following short comings were also noticed.

47.6.2.1.1 Selection of technology

A comment was made in the past regarding inadequacies in the technology selected

A comment was made in the Report of the Comptroller and Auditor General of India, Union Government (Post and Telecommunications) for the year ended March 1996 about selection of technology which indicated that in January 1995 DoP procured equipment of the capacity of 1.2 to 9.6 Kbps and it failed to take into consideration that by that time, improved technology VSATs with capacity of much faster data transmission of 64 Kbps VSATs had already come on the scene. DoP during the same period procured VSAT data network system at around the same price which placed severe limitation on the operation in as much as not more than 1500 money orders can be transmitted per VSAT terminal during official hours as against about 10,000 money orders, if the department had gone in for procurement of the faster VSAT.

When this was pointed out by Audit, the department stated in November 1999 that the choice of specific technology was made in 1992 on the basis of the recommendations of the "empowered steering group", for introduction of technology, appointed by the department under the Chairpersonship of the then Secretary (TC). Accordingly, C-200 series of VSATs operating at a speed of 1.2 Kbps were procured. The department added that speed was not a critical factor in the optimum utilisation of the capacity of the VSAT. To an Audit query with regard to the reasons for the general delay in transmission of SMOs at GPO New Delhi, the department attributed it *inter alia* to technical problems such as slow transmission on account of older generation hardware and software related problems.

47.6.2.1.2 Under utilisation of the system and failure to achieve anticipated savings

As per the specification, the department expected to transmit three crore money orders per annum after completion of phase I of the project. Phase I was completed in 1996-97. Test check of records revealed that during 1997-2000, the department transmitted 2.48 crore money orders as against the expected target of nine crore during this period. The remaining 6.52 crore money orders had to be transmitted through conventional manner and thereby the department could not effect the anticipated savings of Rs 84.50 crore. The average efficiency of the VSATs installed in postal circles with regard to the number of money orders transmitted and received in phase I was the lowest (6 *per cent*) in North Eastern circle and the highest (159 *per cent*) in Tamil Nadu circle.

Non-effecting of anticipated savings of Rs 84.50 crore

When this was pointed out by Audit, the department in May 2000 admitted that the system had been handling only 12 *per cent* of traffic as against the target of 25 *per cent*. The department stated that nearly 20 to 40 *per cent* money order traffic generated was meant for the same district, which obviously would not get into the VSAT system. In support of reasons for poor efficiency of VSATs in a few postal circles, the department stated that it was due to fluctuations in the flow of traffic in the States. They further stated that the initial estimates of transmitting three crore money orders over the network cannot rightly be stated to be achievable from day one.

The Ministry in their reply received in January 2001, while reiterating the department's reply, stated that the traffic had grown to over one crore money orders annually during 1999-2000 covering over 10 *per cent* of the total money order traffic. They further stated that the system had to work within the constraints such as failure of power supply, inadequately trained staff and other technological factors which were being attended to.

The fact, however, remained that although phase I was reportedly completed in 1996-97, persistence of problems such as non-achievement of anticipated physical target of 25 *per cent* of the traffic, under-utilisation of capacity and other technical problems is a cause for concern. This indicates that the initial proposal to transmit 25 *per cent* of the money orders through ESMOs and effect savings thereof was unrealistic.

47.6.2.1.3 Delay in installation of ESMO System

Delay ranging between a period of one to nine months in installation of ESMO centres

DoP in March 1998 placed a purchase order on a private firm for supply and installation of equipment for 300 ESMO centres. The supply and installation was to be completed by 31 March 1998, but the vendor supplied and installed the equipment during April 1998 to December 1998, and as such delay at various stations ranged between a period of one month to nine months. Due to delay in installation of the system, the money orders were sent in the conventional manner.

As per terms and conditions of the purchase order, a penalty of Rs 16.70 lakh was recoverable from the vendor for the delay. But the department granted extension of 45 days without penalty and thereby Rs 10.20 lakh payable by the vendor towards penalty charges was waived on the ground that the completion of work was not possible in a short span of time. This was not a valid justification since there was nothing on record regarding the circumstances that led to waiver of the liquidated damage charges by the competent authority.

The Ministry in their reply received in January 2001 stated that request for extension of time for completion of the project was received within reasonable time and was considered by the competent authority.

The reply is not tenable; according to integrated finance of the department, although the supplies were to be made by 31 March 1998, the vendor had sought extension vide a letter dated 28 March 1998 which was actually faxed by him on 29 April 1998.

Thus, the department extended undue benefit of Rs 10.20 lakh to the vendor. Further, the delay had affected the timely installation of the system.

47.6.2.1.4 Non-handling of pairing work.

Failure to reduce the staff engaged on pairing work

According to one of the objectives of the scheme, the work of pairing of money orders would be handled by the system and the staff engaged in pairing work in various Postal Accounts Offices would be reduced. Audit noticed that the system could not handle the pairing work; as a result, staff of pairing work in the Postal Accounts Offices could not be reduced.

When this was pointed out by Audit, the department stated in May 2000 that the pairing of money orders would have been possible had the entire traffic been put on to the system.

The Ministry in their reply received in January 2001, while reiterating the department's reply, stated that it was impossible to manage online money order pairing when the total size of money order traffic was not on the network which they proposed to take up in phase II of the project.

47.6.3. Procurement of Electronic Franking Machines (EFMs)

EFMs generate revenue by way of stamp impression

47.6.3.1 Electronic Franking Machines (EFMs) generate revenue by way of stamp impression and impression of such machine is deemed to be a stamp issued by the Government of India, Department of Post. The department decided to procure EFMs as an integral part of the modernisation of the counter and front office services to provide a more responsive and efficient service and also to ensure accurate calculation of revenue with no possibility of leakage. DoP procured 551 EFMs against the target of 651 machines during five years ending March 2000, at a cost of Rs 4.81 crore by adopting open tender procedure. Various irregularities noticed in execution of this scheme are given in the succeeding paragraphs.

47.6.3.2 Avoidable excess payment to the supplier

DoP in November 1997 placed a purchase order on an indigenous firm, authorised dealer of a foreign manufacturer of EFMs, for supply of 250 machines at a cost of Rs 0.71 lakh per machine. The price was inclusive of basic price, Customs duty and other taxes. However, from the bill of lading which was in the name of the manufacturer, it was noticed that the total cost of an EFM was only Rs 0.37 lakh inclusive of all taxes. The failure of the department to import the machines directly from the manufacturer resulted in an extra expenditure of Rs 85 lakh being the difference between the cost of a machine as per the bill of lading and the cost paid by department.

Department also procured additional 261 EFMs during 1998-99 at the cost ranging from Rs 0.59 lakh to Rs 0.66 lakh per machine through two firms, one of which had supplied the earlier consignment of 250 machines. Taking the cost of Rs 0.37 lakh per machine procured in 1997-98 as basis, owing to non-availability of the details in respect of these machines, the total extra expenditure worked out to Rs 67.37 lakh.

The Ministry in their reply received in January 2001 stated *inter alia* that the procurement procedures required open tenders to be floated among potential vendors. These vendors, in the case of EFMs, must necessarily be those authorised to sell licenced machines in the country, as per provisions of the Indian Post Office Act, 1898. They further stated that the annual maintenance of these machines was taken care of by the Indian agencies, which cannot be provided by the department if they were imported directly from the manufacturers.

The contention of the Ministry is not tenable since the department could have gone for global tenders; the authorised representatives of foreign manufactures in India were in any case available for future service maintenance.

Excess payment of Rs 1.52 crore in procurement of EFMs

Thus, failure of the department in procurement of 511 imported EFMs directly from the manufacturer resulted in avoidable excess payment of Rs 1.52 crore to the suppliers.

47.7 Other points of interest

47.7.1 Performance of computerised Transit Mail Offices (TMOs)

With a view to ensure cent *per cent* track and trace of the closed mail bags, accurate documentation, quicker response to customer complaints, easy maintenance of statistical report on Management Information System and better working environment for the staff during the VIII Five Year Plan period, DoP made a beginning by computerising two Transit Mail Offices during 1996-97 namely, Delhi airport and Mumbai airport, at an expenditure of Rs 78.06 lakh. Subsequently, this development was extended to 20 locations.

Unproductive expenditure of Rs 2.15 crore on computerisation of Transit Mail Offices

Although the work of computerisation of TMOs commenced during the year 1996-97 and the department incurred an expenditure of Rs 2.15 crore upto March 2000 on the computerisation of 20 TMOs, application software had been supplied to only 10 out of the 20 offices. Further, the application software supplied to these offices was not working satisfactorily. The hardware supplied at the other 10 offices was lying idle due to non-supply of the application software. Thus, the entire expenditure of Rs 2.15 crore incurred on computerisation upo March 2000 proved unproductive.

When this was pointed out by Audit, the department stated in May 2000 that the application software for TMO developed in the year 1997 by a private vendor had to be modified due to hiring of Integrated Services Digital Network (ISDN) facility by the department and the software was still under modification at Postal Training Centre Mysore. The department added that modified software would be supplied to all the TMOs shortly.

The Ministry in their reply received in January 2001 stated *inter alia* that while TMO software had actually been planned ahead of all procurements, the possibility of correcting errors, bugs and modifications by way of telecommunication advancements, particularly bandwidth, internet and ISDN, have affected the deployment, as the initial Public Switched Telephone Network dial-in-modems were not very responsive due to unstable long-distance telephone lines.

The reply is not tenable since the software was developed way back in 1997 and the so called bugs were being attended to by the department even till date. There appeared to be lack of proper co-ordination since the department should have planned for development of software for supply to all the TMOs prior to purchase of the hardware. The Ministry should devise a time bound schedule to complete this task.

47.7.2 Irregular expenditure of Rs 13.74 crore

The Department is competent to sanction expenditure upto Rs 1.50 crore (Rs 50 lakh prior to August 1997) on a plan scheme in the normal course. Expenditure beyond this limit upto Rs 15 crore is required to be approved by the Standing Finance Committee (SFC) and beyond Rs 15 crore by the Expenditure Finance Committee (EFC). Audit noted that an expenditure of Rs 13.74 crore incurred during 1995-2000 had not been approved by the SFC as shown below.

Expenditure of Rs 13.74 crore incurred without SFCs approval

Table 47.7.2 Plan scheme for which sanction of SFC was not taken

Sl. No.	Particulars of Plan	Period of expenditure	Expenditure incurred (Rs in crore)
1.	High Speed Electronic Franking Machines	1995-96	1.39
2.	Modernisation of Mail Offices	1995-96 to 1996-97 (VIII Five Year Plan)	1.50
3.	Computerisation of Registration Sorting Centres (CRC)	1995-96 to 1996-97	2.07
4.	Computerisation of speed post concentration centres (Trace and Track System)	1994-95 to 1995-96 (VIII Five Year Plan)	1.82
5.	Computerisation of Philatelic Bureau	1997-98 to 1999-2000	0.60
6.	Computerisation of PLI	1997-98 to 1999-2000	1.90
7.	Computerisation of Speed Post Booking Offices	1997-98 to 1999-2000	4.46
	Total		**13.74**

For another six projects estimated to cost Rs 14.07 crore, expenditure was incurred in anticipation of approval by EFC/SFC and approval was taken *ex-post facto*.

The Ministry in their reply received in January 2001 while admitting the facts stated that the audit observations would be kept in mind for future applications and necessary approvals had reportedly been obtained.

Conclusion

Even though the scheme of modernisation was taken up in the eighties, not much headway had been made in most of the sub-schemes reviewed. Continued trend of unspent balances even out of the reduced allocation indicated failure to fix realistic targets. Most of the schemes reviewed in audit suffered from lack of planning and follow up action during the course of their execution.

The Ministry in their reply received in January 2001 accepted the audit recommendation to set milestones for each stage/activity of the schemes under execution and introduce a periodic accountability-oriented appraisal of the schemes by competent authorities. They added that milestones were being set now for timely managerial intervention. They further stated that effective steps were being taken to maximise the benefit of modernisation and induction of technology.

CHAPTER 9
MAJOR FINDINGS IN TRANSACTION AUDIT

(A) Loss/Over payment/Short recovery/Other recoveries at the instance of Audit

48 Short realisation of revenue of Rs 2.96 crore

Post offices in West Bengal circle transmitted the bills of West Bengal State Electricity Board at book packet rate instead of letter postage rate, resulting in loss of revenue of Rs 2.96 crore during 1997-99.

Rules for posting book packets

Departmental rules prescribe that bills, invoices, bills of lading, receipt for goods for money, printed market reports, quotation for goods, price lists, premium notices from insurance company and similar other documents having manuscript, rubber stamped, type written or machine printed entry are not allowed as book-packet. Articles posted in violation of these conditions were to be treated as letter or parcel whichever require less postage, subject to eligibility.

Post offices in West Bengal circle transmitted WBSEB bills at less postage

Loss of revenue of Rs 2.96 crore

Scrutiny of records of three post offices in West Bengal circle by Audit in September 1999 disclosed that these post offices accepted and delivered the electricity bills of West Bengal State Electricity Board (WBSEB) Calcutta at book packet rate instead of letter postage rate in violation of codal provisions. The tariff for letter post which was different from the tariff of book packet was revised from Re 1 to Rs 2 in June 1997 and from Rs 2 to Rs 3 in August 1998. The WBSEB was serving about 25.72 lakh medium and low voltage consumers, out of which about 2.92 lakh consumers were served by courier. Considering that electricity bills belong to un-registered category of mails and no record of mails under this category was maintained by the department, Audit worked out a loss of revenue of Rs 2.96 crore during June 1997 to August 1999 on the basis of the number of consumers as per the records of the WBSEB.

The Department in their reply stated in January 2001 that loss of revenue worked out by Audit was based on certain cases detected during the course of test check and on assumption made that all the 22.80 lakh consumers were served through postal services and in all such cases there was short realisation of postage. They further stated that as a follow up action, appropriate instructions were issued in November 1998, to treat the electricity bills of the WBSEB as letter mail and not as book packet.

The fact, however, remained that inspite of issue of these instructions by the department, the lapse continued beyond November 1998. The department should devise an effective mechanism to plug the loopholes in the system to prevent such loss of revenue.

49 Non-recovery of value of the British Postal Orders

Various post offices in Bihar circle failed to send the paid vouchers of British Postal Orders alongwith monthly accounts to PAO Patna resulting in non-realisation of Rs 23.26 lakh due from the Government of United Kingdom (UK).

Value of British Postal Orders paid at Indian post offices is payable along with commission by the Government of the UK

Value of the British Postal Orders (BPOs) paid in India at post office counters is to be reimbursed alongwith commission for payment by the Government of the United Kingdom. Accordingly, the circle Postal Accounts Office (PAO) was required to send a monthly statement of BPOs paid in the Postal circle together with supporting vouchers to PAO Calcutta to enable that office to effect recovery through the PAO nominated for the purpose. Cases of non-receipt of paid vouchers of BPOs were also required to be watched by the concerned circle PAO through objection book.

Comments made in the past

Cases of non-receipt of paid vouchers of BPOs from the post offices and non-recovery of the amount from the Government of United Kingdom was commented in paragraph 45 of the Report of the Comptroller and Auditor General of India for the year 1983-84, Union Government (Post and Telecommunications) and in paragraph 3.3 of the Report of the Comptroller and Auditor General of India for the year 1991-92, Union Government (Post and Telecommunications). As action taken on these paras, the Ministry issued instructions emphasising speedy realisation of the value of the BPOs.

Bihar postal circle did not recover Rs 23.26 lakh from the Government of the United Kingdom

Despite issue of instructions, the position of recovery of dues from the Government of United Kingdom continued to be tardy especially in Bihar Postal circle. Scrutiny of records of PAO Patna in October 1999 disclosed that Rs 23.26 lakh due on account of the BPOs paid in India could not be recovered from the Government of the United Kingdom for 1992-99 due to non-receipt of paid vouchers from the Post offices.

While accepting the facts and figures, the Ministry stated in September/November 2000 that out of Rs 23.46 lakh of outstanding dues, Rs 4.19 lakh was adjusted. The Ministry further added that efforts were being made to realise the remaining amount by deputing special teams to defaulting postal field units for obtaining wanting paid BPO vouchers.

50 Other recoveries at the instance of Audit

In Delhi Postal circle, speed post customers who availed 'Book Now Pay Later' on one side were allowed the facility despite non-payment of dues of Rs 5.46 lakh and on the other they were allowed a rebate of Rs 2.99 lakh irregularly. In another case, 18 post offices in Rajasthan circle allowed deposits in monthly income scheme in contravention of rules resulting in irregular payment of interest of Rs 9.09 lakh. Out of Rs 17.54 lakh, the department recovered Rs 12.30 lakh at the instance of audit.

(i) Non-realisation of dues from customers who availed 'Book Now Pay Later' scheme

Regular users of speed post need not pay at the time of booking the mail

Book Now Pay Later (BNPL) scheme envisaged credit facility to regular users of speed post and they need not make spot payment at the time of booking the mail. The department is required to maintain accounts of such customers and issue bills on monthly basis. The scheme envisaged that customers using this facility should pay advance deposit equivalent to 15 days of posting in the form of savings bank deposit or bank guarantee. However, nationalised banks and Public Sector Undertakings (PSUs) were exempted from such advance deposit; only an undertaking in writing for payment as and when bills were presented was to be furnished.

Rs 5.46 lakh was outstanding from Government/Semi-Government departments/PSUs/ private parties

Test check by Audit in March 2000 in four post offices in Delhi Postal circle disclosed that certain Government/Semi-Government departments/PSUs and Private parties who availed of BNPL scheme failed to make payment in time and an amount of Rs 5.46 lakh was outstanding from them during August 1997 to January 2000.

Rebate at prescribed rate is allowed to speed post bulk customers providing monthly business of Rs 10,000 or more. The bills are raised latest by 7th of each month with the direction to deposit the same by the end of that month, failing which no rebate would be admissible and full amount is liable to be paid by the customers and credit facilities were to be withheld.

Department irregularly allowed rebate of Rs 2.99 lakh to defaulted customers

Audit scrutiny revealed that the department allowed unauthorised rebate of Rs 2.99 lakh to bulk customers despite non-payment of bills within stipulated period.

While accepting the facts, the Ministry stated in November 2000 that an amount of Rs 4.05 lakh was already recovered and efforts were on to recover the balance amount. Regarding rebate, the Ministry stated that out of Rs 2.99 lakh, Rs 1.22 lakh was already recovered and the CPMG Delhi circle was taking steps to recover the remaining amount.

(ii) Irregular payment of interest on Monthly Income Scheme

Rules stipulate closure of irregularly opened accounts and refund of deposits without interest

Post Office (Monthly Income Account) Rules 1987 provide for opening of more than one account by a single or joint depositor under Monthly Income Scheme (MIS), subject to the condition that the total amount of deposit in all the accounts would not exceed Rs 2.04 lakh under single account and Rs 4.08 lakh under joint account with effect from June 1993. When an account is opened in contravention of rules, such account is to be closed and the amount of deposit refunded to depositor without interest.

18 HPOs in Rajasthan circle allowed deposits irregularly resulting in payment of interest of Rs 9.09 lakh

Audit scrutiny of records of eighteen Head Post Offices (HPOs) in Rajasthan circle between April 1998 and December 1999 revealed that head postmasters allowed deposits in 88 MIS accounts in excess of the stipulated limits in contravention of rules. This resulted in irregular payment of interest of Rs 9.09 lakh during June 1993 to December 1999.

Rs 7.03 lakh recovered at the instance of Audit

Accepting the facts, the Ministry stated in October/December 2000 that an amount of Rs 7.03 lakh was recovered from the depositors and efforts were on to recover the balance amount.

(B) Idle/Unproductive expenditure

51 Non-taking of possession of ready built quarters and resultant blocking of funds

Failure of the Superintendent of Post Offices Rewa to take possession of completed ready built quarters led to blocking of funds of Rs 26.31 lakh and avoidable payment of house rent allowance of Rs 1.74 lakh due to non-allotment of these quarters to eligible employees, besides loss of licence fee of Rs 0.46 lakh thereon.

The Superintendent of Post Offices (SPOs) Rewa in Madhya Pradesh circle in November 1993 registered his requirement for the purchase of seven lower income group and six middle income group ready built houses with the Madhya Pradesh Housing Board Satna by paying a registration fee of Rs 1.25 lakh. He also made the payment of the balance amount of Rs 25.06 lakh to the housing board between September 1995 and March 1997.

Blocking of funds of Rs 26.31 lakh due to non-taking of possession of ready built completed quarters

Audit scrutiny of records of SPOs Rewa in December 1999 and April 2000 revealed that though the houses in question were ready in September 1997, the SPOs failed to take their possession as of April 2000. This resulted in the blocking of funds of Rs 26.31 lakh between September 1997 and April 2000, besides an avoidable expenditure of Rs 1.74 lakh on payment of house rent allowance during September 1997 to April 2000 to the staff due to non-utilisation of these quarters. The department was also denied the benefit of license fee of Rs 0.46 lakh on these quarters during this period.

The SPOs stated in December 1999 that the possession of the ready built quarters could not be taken for want of inspection by the departmental committee.

The Ministry, in September 2000, while confirming the above facts stated that the officers responsible for delay in taking possession of these quarters were asked to explain the reasons thereof and efforts would be made to use these quarters early.

(C) Excess expenditure in violation of rules

52 Non-recovery of Rs 15.04 crore paid as pension/family pension on behalf of other departments

The Director of Accounts Postal Patna failed to obtain complete vouchers from the Head Post Offices (HPOs) and to raise debits on Coal Mines and Industries Departments for payment of pension/family pension made on their behalf under the Coal Mines Employees Provident Funds and Industries Employees Provident Funds. This led to non-recovery of Rs 1.91 crore for 1990-2000. He also failed to recover Rs 13.13 crore against the debits raised on these departments during 1990-99. When pointed out by audit, the department recovered an amount of Rs 11.52 crore.

Post offices disburse pension and family pension to the employees of coal mines and industries on commission basis

The Department of Post (DoP) in Bihar circle through various Head Post Offices (HPOs) discharges agency functions for disbursement of Pension and Family Pension to the families of employees of Coal Mines and Industries covered by the Employees Provident Fund schemes on charging of department's commission. The amount paid by DoP on this account was required to be realised by the concerned Circle Accounts Offices by raising debits against concerned Departments/Undertakings.

Debits not raised against the departments/ undertakings for Rs 1.91 crore paid two to nine years ago

Scrutiny of records of Director of Accounts Postal (DAP) Patna in Bihar Circle by Audit in December 1999 revealed that the DAP failed to obtain paid vouchers for Rs 1.91 crore from HPOs and raise debits on the Coal Mines Provident Fund (CMPF) and Industries Employees Provident Fund (IEPF) on account of pension payments made by the department during 1990-2000 on their behalf as detailed in table 52(i).

Table 52(i) Debits not raised in respect of pension payments

(Rs in lakh)

Period for which paid vouchers were outstanding	Amount for which debits were not raised for want of vouchers		Total
	IEPF	CMPF	
Below one year	0.70	0.05	0.75
Up to one year and below 4 years	13.99	25.66	39.65
4 to 9 years	8.55	142.28	150.83
Total	**23.24**	**167.99**	**191.23**

Non-realisation of Rs 13.13 crore from other department/ undertaking for over two to nine years

Further, the DAP also failed to realise an amount of Rs 13.13 crore inclusive of department's commission of Rs 1.34 crore out of the debits raised during 1990-99 against the CMPF and the IEPF on account of pension payments made by the department on their behalf as shown below:

Table 52(ii) Debits not accepted in respect of pension payments

(Rs in lakh)

Period for which the payment was outstanding	Amount for which debits raised but not accepted		Total
	IEPF	CMPF	
Below one year	NIL	NIL	-
Up to one year and below 4 years	273.55	1008.27	1281.82
4 to 9 years	NIL	31.35	31.35
Total	**273.55**	**1039.62**	**1313.17**

While confirming the above facts, the DAP stated in March 2000 that debits for Rs 1.91 crore could not be raised due to non-receipt of paid vouchers from the concerned HPOs, for which steps were being taken to obtain the same from the defaulting HPOs. He further added that the debits raised against the amount of Rs 13.13 crore were rejected by the concerned CMPF and IEPF authorities due to non-specification of details like zone/region, pension payment order number etc., for which effective steps were being taken.

The above reply is suggestive of a lackadaisical approach by the HPOs concerned in the submission of paid vouchers to DAP for the pension payments made on behalf of Coal Mines and State's Industries Departments during 1990-2000. It also indicates negligence of DAP in obtaining the wanting vouchers from the HPOs concerned for such a long period. Before raising of debits on Coal Mines and State Industries Departments for the payment of pension made on their behalf, he even failed to check whether the vouchers received from the concerned HPOs were in order or not and as a result the debits for Rs 13.13 crore for the period 1990-2000 were not accepted by these departments.

Recovery of Rs 11.52 crore at the instance of Audit

The Ministry stated in August and November 2000 that out of Rs 13.13 crore, an amount of Rs 11.52 crore had since been recovered and efforts would be made to recover the balance amount of Rs 1.61 crore. The Ministry further added that so far as non-raising of debits in respect of Rs 1.91 crore for want of vouchers was concerned, the debit for Rs 0.04 crore was already raised and for the balance amount of Rs 1.87 crore the HPOs concerned were directed to furnish the wanting vouchers for raising of debits against the above department/organisations.

The entire system merits an independent investigation.

(D) Avoidable payment/expenditure

53 Avoidable payment of minimum low power factor surcharge, minimum demand charges and load violation charges

Various postal field units in Delhi, Maharashtra, Orissa and Tamil Nadu circles made avoidable payment of low power factor surcharge, minimum demand charges and load violation charges of Rs 87.77 lakh between March 1995 and July 2000 either due to non-installation of shunt capacitors to maintain the power factor or their failure to install appropriate shunt capacitors for maintaining the power factor, besides other irregularities.

Minimum low power factor charges and RKVAH charges are payable if power factor is not maintained

Postal units under the Department of Post draw electricity under the electricity agreements entered into with the State Electricity Boards. The department was required to maintain power factor and Round Kilo Watt Average Per Hour (RKVAH) up to the levels specified in the agreements failing which the executive was liable to pay minimum low power factor charges and RKVAH charges over and above the electricity charges.

Power factor can be maintained by installation of shunt capacitors

The power factor and RKVAH levels can be maintained by installation of shunt capacitors of proven quality depending upon power load.

Audit scrutiny of records of the Director of Accounts Postal Delhi and Senior Manager Mail Motor Service (MMS) Naraina under Delhi circle, Director Mumbai General Post Office (GPO) in Maharashtra circle, Manager Postal Printing Press Bhubaneswar in Orissa circle and Chief Postmaster General Tamil Nadu circle between March 1999 and August 2000 revealed that they made avoidable payment of minimum low power factor surcharge, minimum demand and load violation charges of Rs 87.77 lakh as brought out below:

(i) In response to paragraph 4.6 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996 – Union Government (Post and Telecommunications) No.6 of 1997, the Ministry issued necessary instructions to all the heads of circles to avoid the payment of low power factor surcharge by maintaining the power factor through installation of shunt capacitors of proven quality. Despite these instructions the Director of Accounts Postal Delhi and the Senior Manager Mail Motor Service Naraina-Delhi under Delhi circle, the Manager Postal Printing Press Bhubaneswar in Orissa circle and the Principal Postmaster Mumbai in Maharashtra circle failed to install shunt capacitors and resultantly due to non-maintenance of power factor they made avoidable payment of minimum low power factor surcharge of Rs 34.11 lakh between March 1995 and July 2000 as per break-up given below:

Low power factor surcharge of Rs 34.11 lakh paid due to non-maintenance of power factor by installation of shunt capacitors

Table 53 (i) Avoidable payment of minimum low power factor surcharge

(Rs in lakh)

Name of circle/unit	Period	Amount of minimum low power factor surcharge
Delhi		
Director of Accounts Postal Delhi	March 1995 to July 2000	11.05
Senior Manager Mail Motor Service Naraina-Delhi	October 1995 to May 2000	6.85
Orissa		
Senior Manager Postal Printing Press Bhubaneswar	November 1995 to March 2000	3.67
Maharashtra		
Principal Postmaster Mumbai	April 1995 to March 1998	12.54
Total		**34.11**

Low power factor surcharge of Rs 46.99 lakh paid due to non-maintenance of power factor despite installation of shunt capacitors

(ii) Even after installation of shunt capacitors by the Chief Post Master General (CPMG) Tamil Nadu circle at a cost of Rs 3.96 lakh, he failed to maintain the power factor and continued to pay minimum low power factor surcharge of Rs 19.57 lakh during April 1997 to June 1999 due to poor performance of shunt capacitors. This also resulted in unfruitful expenditure of Rs 3.96 lakh on installation of these shunt capacitors. Similarly, the Director GPO Mumbai, though installed a shunt capacitor of 140 KVAR in April – May 1998 and another with a capacity of 110 KVAR in December 1999, due to their inadequate capacities and poor performance, the power factor could not be maintained and they continued to make avoidable payment of minimum low power factor surcharge and RKVAH charges of Rs 27.42 lakh during April 1998 to March 2000.

Penal charges of Rs 6.67 lakh paid due to load violation

(iii) The CPMG Tamil Nadu circle due to continued consumption of power far in excess of the contracted demand of 313 KVA per month in violation of the power agreement paid load violation charges of Rs 6.67 lakh during April 1997 and June 1999 at double of the demand charges, instead of getting the contracted demand increased.

The Ministry in their reply received during November 2000 and January 2001 while admitting the facts attributed the lapses to various reasons and reported to have initiated certain remedial action as summarised in table 53.

Table 53 Avoidable payment of power factor charges — Reasons attributed and remedial action proposed by the Ministry

Sl. No.	Name of circle/unit	Reasons attributed for payment of low power factor charges	Remedial action taken/proposed
1.	**Delhi** i) Director of Accounts Postal Delhi	Increase in the requirement of power load which was sanctioned in early sixties.	i) The shunt capacitor was shortly being installed. ii) Instructions issued to review the requirement of power load.
	ii) Senior Manager Mail Motor Service Naraina	Nil	-do-
2.	**Orissa** Senior Manager Postal Printing press Bhubaneswar	Nil	Action is being initiated to install the shunt capacitor.
3	**Maharashtra** Principal Post Master Mumbai	Shunt capacitors installed was not of a proven quality.	Faulty capacitor was replaced in October 1999. Additional capacitor installed subsequently.
4	**Tamil Nadu** CPMG Tamil Nadu circle	Deterioration in performance of the sub-station installed in 1970s.	Feasibility of having a separate sub-station was under consideration.

Considering that the cases of this nature have become a general feature, the Ministry should address this issue at an early date.

54 Follow up on Audit Reports

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC) decided in 1982 that Ministries/Departments should furnish final remedial/ corrective Action Taken Notes (ATNs) on all paragraphs contained therein.

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

ATNs in respect of five Audit paragraphs were awaited as of January 2001

Review of ATNs relating to Department of Post revealed that final ATNs in respect of five Audit paragraphs were awaited as of January 2001. Details of pending ATNs are given in Appendix – XVI.

55 Response of the Ministry/Department to Draft Audit Paragraphs

Ministry/ Departments are required to send their response to draft audit paragraphs within six weeks

On the recommendation of the Public Account Committee, the Ministry of Finance issued directions to all Ministries in June 1960 to send their response to the Draft Audit Paragraphs (DAPs) proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks.

11 DAPs and one comprehensive performance review proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2000, Union Government (Post and Telecommunications) No.6 of 2001 were forwarded to the Secretary Department of Post during May to December 2000 through demi-official letters.

Replies received

The Secretary, Department of Post furnished replies to all the DAPs and one comprehensive performance review, in compliance to above instructions of the Ministry of Finance issued at the instance of Public Accounts Committee.

(KANWAL NATH)
Director General of Audit
(Post and Telecommunications)

Delhi
The 20 APR 2001

Countersigned

V.K. Shunglu

(V.K. SHUNGLU)
Comptroller and Auditor General of India

New Delhi
The 20 APR 2001

APPENDIX-I

(Referred to in paragraph 1.6 at page 8)

Statement showing details of DELs and spare capacity during 1999-2000

Sl. No	Name of circle/district	Equipped Capacity	Permissible Loading 80 per cent	Direct Exchange Lines (DELs)	Percentage utilisation	Spare Capacity
1.	Andaman and Nicobar	33558	26846	24463	72.9	2383
2.	Assam	352189	281751	273068	77.5	8683
3.	Bihar	820726	656581	627400	76.4	29181
4.	Chennai	968243	774594	767863	79.3	6731
5.	Haryana	825150	660120	642001	77.8	18119
6.	Himachal Pradesh	369906	295925	285130	77.1	10795
7.	Jammu and Kashmir	197003	157602	130021	66.0	27581
8.	Kerala	2203954	1763163	1705139	77.4	58024
9.	Madhya Pradesh	1472515	1178012	1095952	74.4	82060
10.	North Eastern	296364	237091	195396	65.9	41695
11.	Punjab	1662656	1330125	1292252	77.7	37873
12.	Rajasthan	1413740	1130992	1109400	78.5	21592
13.	UP (East)	1521115	1216892	1106574	72.7	110318
14.	UP (West)	1306574	1045259	994004	76.1	51255
15.	West Bengal	705027	564022	541131	76.8	22891
	Total					**529181**

Calculation of potential loss

Telephone Revenue (1999-2000) Rs 14271 crore

Total DELs 265.11 lakh

Revenue per DELs $\dfrac{\text{Rs } 14271 \text{ crore}}{265.11 \text{ lakh}}$ = Rs 5383

Spare capacity was 529181 lines or say 529000

Loss of potential revenue per annum due to spare capacity

529000 x 5383 = 2847607000

Say Rs 284.76 crore

APPENDIX – II

(Referred to in paragraph 1.7 at page 8)

Statement showing details of equipped capacity, DELs and waiting list during 1999-2000

Sl. No.	Name of the circle/district	Equipped capacity	Direct Exchange Lines	Spare capacity	Waiting list
1	Andaman and Nicobar	33558	24463	9095	2002
2	Andhra Pradesh	2585516	2227487	358029	377058
3	Assam	352189	273068	79121	5475
4	Bihar	820726	627400	193326	106196
5	Calcutta	1141242	1029121	112121	313
6	Chennai	968243	767863	200380	16591
7	Delhi	2124679	1818236	306443	81871
8	Gujarat	2299754	1921850	377904	232624
9	Haryana	825150	642001	183149	73262
10	Himachal Pradesh	369906	285130	84776	24708
11	Jammu and Kashmir	197003	130021	66982	31882
12	Karnataka	2236732	1829400	407332	332189
13	Kerala	2203954	1705139	498815	647165
14	Madhya Pradesh	1472515	1095952	376563	40534
15	Maharashtra	2889295	2331793	557502	263434
16	Mumbai	2515188	2213388	301800	23843
17	North Eastern	296364	195396	100968	25887
18	Orissa	526061	423309	102752	42527
19	Punjab	1662656	1292252	370404	176732
20	Rajasthan	1413740	1109400	304340	95172
21	Tamil Nadu	2300536	1926967	373569	598505
22	UP (East)	1521115	1106574	414541	201242
23	UP (West)	1306574	994004	312570	123806
24	West Bengal	705027	541131	163896	157561
	Total	**32767723**	**26511345**	**6256378**	**3680579**

Calculation of potential loss

Telephone Revenue (1999-2000) Rs 14271 crore

Total DELs 265.11 lakh

Revenue per DEL $\dfrac{\text{Rs } 14271 \text{ crore}}{265.11 \text{ lakh}}$ = Rs 5383

Waiting list was 3288264 lines* or say 32.88 lakh lines

Loss of potential revenue per annum due to waiting list

32.88 lakh x 5383 = 1769.9304

Say Rs 1769.93 crore

* *in case of Andhra Pradesh, Kerala and Tamil Nadu circles, where the number of applicants in waiting list was more than the number of spare DELs available, the spare capacity was taken for calculation.*

APPENDIX - III

(Referred to in paragraph 2.3.4 at page 17)

Significant cases of re-appropriation which were injudicious on account of their non-utilisation

(Rs in crore)

Sl. No.	Major Head	Head of Account	Amount of re-appropriations to the sub-head	Amount of final saving
1.	**Revenue**			
	3225 Telecommunication services	C4(1) Telecommunication Engineering	2.97	4.03
		C5(5)(1) Establishment for Telephones	0.38	9.14
		C10(3)(5) Lease charges	3.00	9.99
		F2 Wireless Monitoring Services (NP)	0.18	0.95
2.	**Capital**			
	5225 Capital outlay on Telecom services	BB5(3) Technical and Development circle	1.50	1.92
		BB7 (1) Stores Suspense Account	2.48	223.64
	Total		**10.51**	

APPENDIX - IV

(Referred to in paragraph 2.3.4 at page 17)

Cases of injudicious re-appropriation where the actual expenditure exceeded the final provisions after re-appropriations

(Rs in crore)

Major Head	Head of Account	Amount of re-appropriations to the sub-head	Amount of final saving
3225 Telecommunication services	C3(4) Miscellaneous expenditure	(-) 29.99	31.30
	C5(2)(3) Apparatus and Plants	(-) 21.65	66.60
	C6(2)(1) Directorate and Circle Offices	(-) 1.82	3.62
	C8(4) Gratuities	(-) 4.69	11.54
	C10(1)(4) Deduct sale proceeds of assets abandoned/dismantled/sold/replaced/ re-constructed	(-) 0.06	2.19
	C10(3)(1) Waiting charges on Registration fee	(-) 1.69	16.92
	Total	**(-)59.90**	

APPENDIX - V

(Referred to in paragraph 6 at page 22)

Details of non-realisation of additional security deposits from STD/PCO operators

(Rs in lakh)

Sl.No.	Name of Unit	Pointed out by Audit	Amount of non/short realisation of security deposit	Amount realised after being pointed out by Audit
Andhra Pradesh Telecommunications Circle				
1.	GMT Kakinada	April 1999	12.17	-
2.	GMT Karimnagar	December 1999	18.59	-
3.	GMT Nizamabad	March 2000	19.41	-
4.	GMT Rajamundry	March 1999	12.97	-
5.	GMT Vijayawada	March 1999	78.06	-
6.	TDM Adilabad	September 1999	20.00	-
7.	TDM Ongole	November 1999	26.81	-
8.	TDM Vijayanagaram	February 2000	15.02	-
		Sub total	***203.03***	-
Karnataka Telecommunications Circle				
9.	GMT Hassan	June 2000	9.13	-
10.	TDM Bidar	May 2000	9.52	-
11.	TDM Gulburga	January 2000	17.11	-
12.	TDM Mandya	May 2000	6.05	-
		Sub total	***41.81***	-
Maharashtra Telecommunications Circle				
13.	GMT Kalyan	September 1999	59.88	57.91
14.	GMT Nasik	December 1999	7.72	1.00
15.	GMT Satara	February 2000	11.51	9.44
16.	TDM Jalgaon	December 1998	8.36	7.47
17.	TDM Parbhani	February 2000	15.14	10.49
18.	TDM Raigarh	February 1999	7.44	0.01
19.	TDM Sawantawadi	January 1999	8.03	0.78
		Sub total	***118.08***	***87.10***
North Eastern Telecommunications Circle				
20.	GMT Agartala	September 1999	27.95	-
		Sub total	***27.95***	-
Orissa Telecommunications Circle				
21.	GMT Behrampur	July 1998	6.80	-
22.	TDM Dhenkanal	September 1998	13.97	-
23.	TDM Sambalpur	December 1998	11.44	-
		Sub total	***32.21***	-
Punjab Telecommunications Circle				
24.	GMT Pathankot	November 1999	16.70	16.70
		Sub total	***16.70***	***16.70***
Rajasthan Telecommunications Circle				
25.	GMT Ajmer	January 2000	10.30	-
26.	TDM Sriganganagar	January 2000	9.38	-
		Sub total	***19.68***	-
West Bengal Telecommunications Circle				
27.	TDM Malda	July 1999	16.68	-
28.	TDE Berhampur	July 1999	18.42	10.22
		Sub total	***35.10***	***10.22***
GRAND TOTAL			**494.56**	**114.02**

APPENDIX - VI

(Referred to in paragraph 9.1 at page 25)

Non/short recovery of revenue – Failure to demand and collect rent

(Rs in lakh)

Sl. No	Particulars of lines/ cables/circuits	Audit observation	Period of short/non-billing	Total amount of short/non-billing	Particulars of bills issued/recovery made after issue of Audit Note		Remarks
					Amount recovered/ month of recovery	Amount to be recovered	
1	2	3	4	5	6	7	8
Andaman and Nicobar Telecommunications Circle							
1	Provision of underground cable for external extensions for 100 Lines EPABX exchange to Port Management, Port Blair	Non-recovery of advance rental	January 1998 to January 2001	9.50	6.62 July 2000	2.88	
			Sub total	***9.50***	***6.62***	***2.88***	
Andhra Pradesh Telecommunications Circle							
2	Provision of ISDN connection to BHEL by GMT Hyderabad	Short billing due to non-recovery of minimum usage charges	December 1998 to April 1999	7.43	7.43 December 1999	-	
			Sub total	***7.43***	***7.43***	-	
Assam Telecommunications Circle							
3	Provision of four data circuits to North-frontier Railway as part of 'RAILNET' by GMT, Guwahati.	Non-recovery of double rental applicable to network configuration and wrong application of chargeable distance	May 1991 to July 1998	125.31	-	125.31	
4	Provision of a 12 CHL UHF system to IAF between Guwahati and Digaru by GMT Guwahati	Non-issue of bills	March 1992 to March 2000	70.64	-	70.64	
			Sub total	***195.95***	-	***195.95***	
Bihar Telecommunications Circle							
5	Various facilities provided to 60 subscribers of GMT, Dhanbad	Non-realisation of advance rentals	June 1998 to March 2000	91.96	29.48 April 2000	62.48	
6	Provision of 46 telex connection to various subscribers by TDM, Dhanbad	Non-realisation of advance rentals	June 1990 to December 2000	18.10	-	18.10	
7	Provision of 1000 telephones from 4 exchanges under TDM Motihari	Non-revision of bi-monthly rental on upgradation of exchanges	April 1998 to January 2000	12.28	-	12.28	
			Sub total	***122.34***	***29.48***	***92.86***	

1	2	3	4	5	6	7	8
Calcutta Telephone District							
8	Provision of external extension of a 1000 Lines EPABX provided to Army Authority at Fort William	Incorrect application of tariff	April 1996 to March 1998	14.80	14.80 March 2000	-	
9	Provision of 9 speech circuits to Airport Authority of India by GMT Calcutta telephones	Incorrect application of tariff	October 1992 to July 1998	59.12	-	59.12	
			Sub total	***73.92***	***14.80***	***59.12***	
Chennai Telephones							
10	Extensions in respect of 9 EPABX provided to various subscribers by Chennai Telephones	Non-recovery of rentals for extension boards	August 1992 to May 2000	9.75	9.75 January-April 2000	-	
11	Provision of EPABX connections to various subscribers by Chennai Telephones	Non-recovery of rentals and licence fee in advance	April 1992 to May 2000	9.75	3.32 November 1999 and January 2000	6.43	
			Sub total	***19.50***	***13.07***	***6.43***	
Gujarat Telecommunications Circle							
12	48 External extensions provided to Commissioner of Police, Ahmedabad by GM(West) Ahmedabad	Non-billing of external extension after transfer of areas.	June 1995 to May 1998	4.97	4.97 February 1998 and February 1999	-	Facts confirmed
			Sub total	***4.97***	***4.97***	-	
Karnataka Telecommunications Circle							
13	Provision of Local leads to 14 different circuits by Bangalore Telecom District	Short claim due to undue concession	April 1999 to March 2000	7.02	7.02 July 2000	-	
14	Provision of Data circuits to various subscribers by GMT Mysore	Non-recovery due to incorrect fixation of rentals	April 1997 to June 2000	16.37	-	16.37	
			Sub total	***23.39***	***7.02***	***16.37***	
Kerala Telecommunications Circle							
15	Three long distance digital communication stream provided to BPL US West Cellular Limited by Principal GMT Ernakulam	Non-issue of bills beyond first year of provision	December 1997 to June 1999	36.24	36.24 February / March 1999	-	
16	34 Mbps optical fibre system between DoT exchange and VSSC exchange provided to VSSC, Trivandrum by GMT Trivandrum	Short collection of rent on account of varying rates of percentage charges on overhead establishment etc.	March 1999 to March 2000	14.43	14.43 January 2000	-	Facts confirmed
			Sub total	***50.67***	***50.67***	-	

1	2	3	4	5	6	7	8
Maharashtra Telecommunications Circle							
17	Provision of Inter connection facility on 3 leased circuits by GMT Kolhapur	Short billing due to non-recovery of additional rent	March 1991 to June 1999	7.88	7.88 January 2000	-	Facts confirmed
			Sub total	***7.88***	***7.88***	-	
Madhya Pradesh Telecommunications Circle							
18	UHF system on R&G provided to MPAKVAN Ltd Pithampur of Dhar Telecom Division	Non-recovery of rentals of unexpired period of guarantee	March 1994 to March 1999	7.35	-	7.35	Bills issued in June 2000
			Sub total	***7.35***	-	***7.35***	
North Eastern Telecommunications Circle							
19	Provision of a data circuit to a travel agent of Indian Airlines by TDM, Mizoram	Non-issue of bills for the facility at correct rate	February 1998 to March 2000	7.58	-	7.58	
20	Provision of 20 pr/10 Lbs under ground cable to Army authorities in January 1989 by TDE Tezpur	Charging of low rent on capital cost basis instead of flat rate basis	January 1989 to January 1999	10.59	-	10.59	Bills issued in May 1998
21	Provision of two underground 2km 50 pr/ 6½ lbs and 2 km 20 pr/ 6½ lbs cable provided for sole use of Army	Non-issue of bills	January 1989 to January 1999	21.47	-	21.47	Bills issued in May 1998
			Sub total	***39.64***	-	***39.64***	
Punjab Telecommunications Circle							
22	Provision of leased circuit with 2 wire E&M signalling facility provided to Hutchinson Max Telecom by Principal GM, Chandigarh	Wrong application of tariff	August 1998 to May 1999	10.42	5.70 July 2000	4.72	
23	Provision of private wire, non-exchange lines etc. to 60 subscribers by GMT Ludhiana	Non-application of revised tariff for P wire/ NE lines etc applicable from April 1999	April 1999 to April 2000	13.95	-	13.95	Bills issued in December 1999
			Sub total	***24.37***	***5.70***	***18.67***	
Tamil Nadu Telecommunications Circle							
24	Provision of Dedicated cables on R&G to Sundaram Clayton Ltd and Tata Consultancy services by TDM Dharam Puri and DGM Chennai respectively	Non-billing due to application of incorrect rentals	May 1999 to June 2000	10.40	10.40 February 2000	-	
			Sub total	***10.40***	***10.40***	-	

1	2	3	4	5	6	7	8
Uttar Pradesh Telecommunications Circle							
25	3 Underground cables provided to Army by TDM/GMT Bareilly	Non-realisation due to incorrect fixation of rent	January 1996 to January 2000	10.34	-	10.34	Facts confirmed
26	Speech circuits provided to Army by GMT Bareilly	Non-billing of speech circuits due to incorrect fixation of rent	September 1989 to July 2000	34.93	-	34.93	
			Sub total	***45.27***	-	***45.27***	
West Bengal Telecommunications Circle							
27	Provision of two leased data circuits for RAILNET network to North Frontier Railway between two places by CGM, West Bengal in October 1994	Non-issue of bills	January 1995 to March 1999	64.36	64.36 June 1997, December 1998 and April 1999	-	
28	Telephone provided to subscribers of Bongaigaon Telecom District	Non-revision of bi-monthly rental on re-defining of Short Distance Charging Area (SDCA)	August 1998 to April 1999	10.00	9.28 upto October 1999	0.72	
29	Provision of 42 speech circuits to various subscribers by TDM Siliguri	Non-issue of advance rental bills	May 1996 to April 1998	48.87	27.83 April 1998 to August 1999	21.04	
30	Provision of telephone facilities to subscribers of 17 exchanges of Asansol SDCA	Non-revision of bi-monthly rent on re-defining of SDCA	August 1998 to October 1998	29.24	-	29.24	
31	Provision of (10 + 50) L Army PBX at New Mal Jalpaiguri in May 1992 by TDE, Jalpaiguri	Non-realisation of rent due to non-billing	May 1992 to March 1996	13.86	-	13.86	
			Sub total	***166.33***	***101.47***	***64.86***	
GRAND TOTAL				**808.91**	**259.51**	**549.40**	

APPENDIX - VII

(Referred to in paragraph 9.2 at page 25)

Non/short recovery of revenue – Bills issued at old lower tariff

(Rs in lakh)

Sl.No.	Particulars of lines/ cables/circuits	Bills issued at old lower tariff		Particulars of bills issued/ recovery made after issue of Audit Note		Remarks
		Period	Amount	Amount recovered/ month of recovery	Amount to be recovered	
1	2	3	4	5	6	7
Bihar Telecommunications Circle						
1	Provision of two wireless network with Radio Telephony system to TISCO, Jamshedpur	November 1992 to October 1995	25.28	25.28 September 1995 to February 1998	-	
		Sub total	***25.28***	***25.28***	-	
Haryana Telecommunications Circle						
2	Provision of two speech circuits to Haryana Police by GMT, Hissar	November 1992 to March 1997	6.11	6.11 August 1999	-	
		Sub total	***6.11***	***6.11***	-	
Punjab Telecommunications Circle						
3	Provision of speech circuit to defence authorities by GMT Bhatinda	November 1992 to February 1999	15.25	-	15.25	
4	Provision of three speech circuits to IAF authorities at Halwara by GMT Ludhiana	November 1992 to June 1999	5.00	5.00 February 2000	-	
5	Provision of 4 TROPO circuits provided to Indian Air Force Authorities by GMT, Amritsar	November 1992 to April 1998	11.41	-	11.41	
		Sub total	***31.66***	***5.00***	***26.66***	
Himachal Pradesh Telecommunications Circle						
6	Provision of two speech circuits to defence authorities by GMT Shimla	November 1992 to April 1999	5.93	5.93 January – March 2000	-	
		Sub total	***5.93***	***5.93***	-	
Karnataka Telecommunications Circle						
7	Provision of Local data circuits to 201 subscribers by Bangalore Telecom District	April 1999 to March 2000	48.20	-	48.20	
		Sub total	***48.20***	-	***48.20***	

1	2	3	4	5	6	7
Madhya Pradesh Telecommunications Circle						
8	Provision of 6 speech circuits to Central Railway by GMTD Jabalpur	November 1992 to March 2000	7.17	7.17 February 2000	-	Facts confirmed
9	Provision of private wires and Non-exchange lines to various subscribers by MP Telecom Circle	April 1999 to April 2000	36.39	1.94 March 2000	34.45	Facts confirmed
10	Provision of 8 speech circuits to Central Railway by GMT Bhopal	January 1998 to March 2000	23.96	5.86 July 2000	18.10	
		Sub total	***67.52***	***14.97***	***52.55***	
Maharashtra Telecommunications Circle						
11	Private wires and Non-exchange lines to various subscribers by GMT Kalyan	April 1999 to April 2000	29.13	5.32 February 2000	23.81	Facts confirmed
12	Private wires and Non-exchange lines to various subscribers by TDM Akola	April 1999 to April 2000	17.21	-	17.21	
13	Private wires and Non-exchange lines to various subscribers by GMT Kolhapur	April 1999 to April 2000	9.50	-	9.50	
		Sub total	***55.84***	***5.32***	***50.52***	
North Eastern Telecommunications Circle						
14	Provision of speech and teleprinter circuits provided to Army, BSF and CRPF by TDM Imphal.	November 1992 to November 1999	60.41	-	60.41	Bills issued in November 1998
		Sub total	***60.41***	-	***60.41***	
Rajasthan Telecommunications Circle						
15	Private wires and Non-exchange lines to various subscribers by GMT Rajasthan	April 1999 to June 2000	14.07	-	14.07	
		Sub total	***14.07***	-	***14.07***	
Tamil Nadu Telecommunications Circle						
16	Provision of private wires to various subscribers by Erode Telecom District	April 1999 to April 2000	27.52	27.52 February 2000	-	
17	Provision of speech circuits to Railway by Tamil Nadu Telecom Circle	April 1996 to December 1999	10.47	8.58 January 2000	1.89	
		Sub total	***37.99***	***36.10***	***1.89***	
GRAND TOTAL			**353.01**	**98.71**	**254.30**	

APPENDIX - VIII

(Referred to in paragraph 9.3 at page 26)

Non/short recovery of revenue – Non-receipt of advice notes

(Rs in lakh)

Sl.No.	Particulars of lines/ cables/circuits	Advice notes not received		Particulars of bills issued/ recovery made after issue of Audit Note		Remarks
		Period	Amount	Amount recovered/ month of recovery	Amount to be recovered	
1	2	3	4	5	6	7
Bihar Telecommunications Circle						
1	Provision of 10 pairs cable for data leased line between two offices of Steel Authority of India limited in June 1996	June 1997 to June 2000	4.17	-	4.17	Bills issued in December 1999
2	Provision of a hotline to Steel Authority of India Limited in June 1995	June 1996 to June 2000	10.18	-	10.18	
3	Provision of 13 leased services to North-Eastern Railway Authorities Samastipur by GMT, Darbhanga	February 1998 to March 2000	29.25	28.74 November - December 99	0.51	
4	Provision of a data circuit between Calcutta-Dhanbad to Coal India Limited by GMT Dhanbad	March 1994 to March 2000	19.16	-	19.16	Bills issued in March 2000
5	Telecom Facilities provided to various subscribers by TDE Dumka	March 1991 to June 1998	5.45	1.12 April 2000	4.33	
6	Telephone facilities provided to various subscribers by TDM Katihar	March 1998 to June 1999	6.72	6.54 July 2000	0.18	
		Sub total	***74.93***	***36.40***	***38.53***	
Jammu and Kashmir Telecommunications Circle						
7	Provision of three, four wire data circuits to Indian Air lines between Jammu and various stations by GMT Jammu	September 1997 to August 1999	21.98	-	21.98	
8	Provision of 2 Mbps bulk digital media to Army Authorities by TDE, Udhampur in November 1997	November 1997 to November 1999	48.55	30.00 March 99	18.55	
9	Provision of an underground cable of 200/6 ½ lbs to Civil Defence Authorities by TDM Jammu	May 1994 to June 2000	15.55	-	15.55	Bills issued in July 2000
10	Provision of a speech circuit between Udhampur and Yol for Army authorities by TDE Udhampur	April 1996 to March 2000	8.36	-	8.36	Bills issued in January 2000
		Sub total	***94.44***	***30.00***	***64.44***	

1	2	3	4	5	6	7
Maharashtra Telecommunications Circle						
11	Provision of telephone connections to various subscribers of GMT Aurangabad	1996-97	10.06	10.06 June 1999	-	Facts confirmed
		Sub total	***10.06***	***10.06***	-	
Punjab Telecommunications Circle						
12	Provision of 200/10 lbs underground cable to SITA, Jalandhar in January 1997 by TDM Jalandhar	January 1997 to June 2000	15.85	-	15.85	Bills issued in May 2000
		Sub total	***15.85***	-	***15.85***	
Tamil Nadu Telecommunications Circle						
13	Provision of one OFC and dedicated system to Satyam Infoway Private Limited by DGM (LD & NVS) Chennai	November 1999 to June 2000	12.46	12.46 April 2000	-	Facts confirmed
		Sub total	***12.46***	***12.46***	-	
Uttar Pradesh Telecommunications Circle						
14	Provision of a Speech circuit to Railway by TDM Moradabad	December 1997 to February 2000	12.40	10.86 February 2000	1.54	
		Sub total	***12.40***	***10.86***	***1.54***	
GRAND TOTAL			**220.14**	**99.78**	**120.36**	

APPENDIX - IX

(Referred to in paragraph 9.4 at page 27)

Continuance of telecom facilities despite non-payment of dues

(Rs in lakh)

Sl. No.	Particulars of lines/ cables/circuits	Period of short/non-recovery	Total amount of short/non-recovery	Particulars of recovery made after issue of Audit Note	
				Amount recovered/ month of recovery	Amount to be recovered
1	2	3	4	5	6
Haryana Telecommunications Circle					
1	17 telephone subscribers under GMT Faridabad	April 1997 to November 1998	9.80	3.54 February – March 1999	6.26
		Sub total	***9.80***	***3.54***	***6.26***
Punjab Telecommunications Circle					
2	71 telephone subscribers under GMT Amritsar	August 1989 to January 1996	23.43	-	23.43
3	Telephone facility provided to a private firm by GMT Amritsar	April 1997 to December 1997	14.36	-	14.36
		Sub total	***37.79***	***-***	***37.79***
Rajasthan Telecommunications Circle					
4	178 telephone subscribers under GMT Jaipur	January 1995 to February 1999	77.94	-	77.94
		Sub total	***77.94***	***-***	***77.94***
GRAND TOTAL			**125.53**	**3.54**	**121.99**

APPENDIX-X

(Referred to in paragraph 13.5(i) at page 46)

Statement showing shortfall in meeting targets by Telecom factories Jabalpur and Mumbai during the period 1995-2000

Sl. No	Name of equipment	1995-96			1996-97			1997-98			1998-99			1999-2000		
		Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall
Telecom Factory Jabalpur																
1	Tube A-4	50000	31300	37	150000	125600	16	50000	45300	9	50000	35950	28	50000	34940	30
2	Tube A-8	150000	115800	23				150000	146600	2						
3	Tube B-8	-			135000	131600	3									
4	Stalk 6-1/4 Telephone	300000	280000	7							300000	264000	12			
5	Stalk 6-6/8 Telegraph	200000	124000	38	100000	20000	80	100000	68000	32	100000	93000	7	100000	15000	85
6	CD Cabinet 1600 pairs	650	360	45	1000	510	49	1350	800	41						
7	CD Cabinet 2000 pairs				500	113	77	1000	243	76				1000	650	35
8	CD Cabinet 800 pairs							3000	2000	33						
9	U Back of sorts	750000	650356	13				500000	464000	7	500000	462000	8	100000	54768	45
10	Line jack unit	500000	5000	99	250000	247986	1							700000 With GD Tube & without GD Tube	570812	18
11	MWT (In MTS) (including TTH Towers)	6000	4246	29	5200	3198	39	5200	2097	60	4000	2878	28	1000	237	76
12	16 Mts Mast	4000	3000	25	4000	1166	71	3700	558	85	5000	4290	14			
13	40 Mts Mast				300	40	87	300	101	66	300	160	47	150	81	46
14	Bkt Ch.1 4W Telephone				400000	360000	10	400000	369000	8	400000	355000	11			
15	Bkt Ch.1 4W Telegraph										100000	95000	5	100000	31700	68
16	Repair of C-DoT Excards	1000	71	93	2500	1408	44	2500	2207	12	2500	2057	18			
17	Support Bracket							500000	186750	63	50000	331000	34	700000	484000	31

Sl. No	Name of equipment	1995-96			1996-97			1997-98			1998-99			1999-2000		
		Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall	Targets fixed	Targets achieved	% of shortfall
18	DP Box 10/20 pairs													50000		100
19	40 Mtr Narrow Box (MT)													2250	2160	4
Telecom Factory Mumbai																
1	CD Cabinet	4400	3729	15	8450	6390	24	10000	8525	15	10000	10454		10000	10950	
(a)	800 pairs	3000	2460	18	4000	3010	25	5000	5250		7000	6700	4	4000	5000	
(b)	1000 pairs	500	374	25	1200	1200		1000	1500		1000	1269		2000	2500	
(c)	1600 pairs	250	225	10	1000	580	42	2000	815	59	1000	1285		2000	1650	18
(d)	2000 pairs	650	670		750	600	20	2000	960	52	1000	1200		2000	1800	10
(e)	400 pairs				1500	1000	33									
2	CT Box 100 pairs	60000	65027		100000	79108	21	50000	61670		75000	62000	17	80000	90700	
3	DP Box 6 pairs													25000	44360	
4.	DP Box 10x20 Pairs Ext/Int	195000	245000		300000	123290	59	115000	136400		300000	239296	20	175000	260064	
5.	Metalic DP Box	70000	2598	96												
6.	Electronic Trunk Relay Plates	8000	8811					900		100						
7.	LJU	200000	131150	34	500000	251000	50	500000	770000		1200000	649893	46	800000	120500	85
8	MDF	1000	1373		1550	1384	11	900	1635		2000	2076				
(a)	256 Port C-DoT	500	1000		1000	1020		700	1255			6		69	69	
(b)	128 Port C-DoT										1400	1640		1600	1767	
(c)	612 Port C-DoT	500	373	25	500	364	27	200	380		600	430	28	2200	1506	32
9	STD pay phone coin operated	1500	150	90												
10	ERS I & II		1351						2267							
11	Modems V. 32 Cards				3000	2400	20	50	97					1500	3096	
12	SAE				1500	962	36		97							
13	Sub Rack				100	6	94		146							
14	CBT-98				5000	1000	80	12000	3240	73	12000	6383	47	10000	12089	
15	Ringer							0	45							
16	(a) PWRS 80 Cards							0	4							
	(b) PWRS 40 Cards							0	1					1000	3795	
17	Support Bracket										500000	90000	82	505000	130000	74
18	BHT													2000	4107	

APPENDIX - XI

(Referred to in paragraph 18 at pages 76-77)

Particulars of purchase orders placed by DoT for procurement of 8 Mb/s optical line equipment

Name of supplier	Date of purchase order	Particulars of equipment	Quantity (in numbers)		Unit rate (in Rs)	Total cost (Rs in crore)
			Main PO	Supplementary PO		
M/s Punjab Communications Limited	Main PO- 15 July 1998	I- 8 Mb/s optical line equipment including order wire	1617	404	35110.80	7.10
	Supplementary PO- 12 November 1998	II- 2/8 Multiplexing	1617	404	13041.60	2.64
		III- Wired rack	1470	367	4353.60	0.80
		IV- Tools and accessories	183	46	526.80	0.01
		V- 2/8 Mb/s Digital Distribution Frame	1470	367	4455.60	0.82
M/s Measurement and controls	Main PO- 15 July 1998	I- 8 Mb/s optical line equipment including order wire	949	237	35110.80	4.16
	Supplementary PO- 12 November 1998	II- 2/8 Multiplexing	949	237	13041.60	1.54
		III- Wired rack	862	215	4353.60	0.47
		IV- Tools and accessories	108	27	526.80	0.007
		V- 2/8 Mb/s Digital Distribution Frame	862	215	4455.60	0.48
M/s Crompton and Greaves Limited	15 July 1998	I- 8 Mb/s optical line equipment including order wire	940		35110.80	3.30
		II- 2/8 Multiplexing	940		13041.60	1.23
		III- Wired rack	855		4353.60	0.37
		IV- Tools and accessories	106		526.80	0.006
		V- 2/8 Mb/s Digital Distribution Frame	855		4455.60	0.38
M/s National Telecom India Limited	Main PO- 15 July 1998	I- 8 Mb/s optical line equipment including order wire	944	236	35110.80	4.14
	Supplementary PO- 23 December 1998	II- 2/8 Multiplexing	944	236	13041.60	1.54
		III- Wired rack	858	215	4353.60	0.47
		IV- Tools and accessories	107	27	526.80	0.007
		V- 2/8 Mb/s Digital Distribution Frame	858	215	4455.60	0.48
M/s Technicom System Limited	Main PO- 23 April 1998	I- 8 Mb/s optical line equipment including order wire	940	235	35110.80	4.13
	Supplementary PO- 17 December 1998	II- 2/8 Multiplexing	940	235	13041.60	1.53
		III- Wired rack	855	214	4353.60	0.47
		IV- Tools and accessories	106	27	526.80	0.007
		V- 2/8 Mb/s Digital Distribution Frame	855	214	4455.60	0.48

Name of supplier	Date of purchase order	Particulars of equipment	Quantity (in numbers)		Unit rate (in Rs)	Total cost (Rs in crore)
			Main PO	Supplementary PO		
M/s Indian Telecom Industries	Main PO- 23 April 1998 Supplementary PO- 17 November 1998	I- 8 Mb/s optical line equipment including order wire	2310	578	35110.80	10.14
		II- 2/8 Multiplexing	2310	578	13041.60	3.77
		III- Wired rack	2100	525	4353.60*	1.05
		IV- Tools and accessories	265	65	526.80*	0.016
		V- 2/8 Mb/s Digital Distribution Frame	2100	525	4455.60*	1.08

* *Rates as per main purchase orders were Rs 3918.60 for Wired rack, Rs 474.30 for Tools and accessories and Rs 4009.50 for 2/8 Mb/s Digital Distribution Frame*

APPENDIX - XII

(Referred to in paragraph 37 at page 102)

Details of avoidable payment of minimum demand charges and low power factor surcharge

(Rs in lakh)

Sl. No.	Name of the circle/ unit	Period	Amount of minimum demand charges
I	**Bihar**		
1	General Manager Telecom Ranchi	1995-1999	32.43
2	Telecom District Manager Arrah	1995-1999	7.32
3	Telecom District Manager Chhapra	1996-1998	11.99
4	Telecom District Manager Katihar	1992-2000	14.78
5	Telecom Electrical Division Patna	1993-1998	26.28
	Sub total		**92.80**
II	**Andhra Pradesh**		
1	General Manager Telecom Anantapur	1996-1999	5.12
2	General Manager Telecom Eluru	1997-1999	12.33
3	General Manager Telecom Guntur	1995-1998	12.81
4	General Manager Telecom Karim Nagar	1998-1999	8.45
5	General Manager Telecom Kurnool	1995-1999	8.63
6	General Manager Telecom Mahabubnagar	1997-1999	4.76
7	General Manager Telecom Nellore	1997-1999	6.51
8	General Manager Telecom Ongole	1997-1999	3.59
9	General Manager Telecom Sangareddy	1997-1999	12.24
10	Telecom District Manager Adilabad	1996-1999	13.63
11	Telecom District Manager Khammam	1993-1999	7.26
12	Telecom District Manager Rajahmundry	1996-1999	14.76
	Sub total		**110.09**
	GRAND TOTAL		**202.89**

APPENDIX - XIII

(Referred to in paragraph 43 at page 110)

Position of outstanding ATNs as of January 2001 in respect of paragraphs pertaining to DoT included in the Audit Reports up to No. 6 of 2000

Audit Report (Number and year)	Paragraph No.	Subject
Report No. 6 of 1997 for the year ended March 1996	7.3	Non-realisation of license fee, space segment charges, etc., for a data network
	8.2	High Speed Very Small Aperture Terminals Data Network
	8.4	Rural telecommunications network and tribal sub-plan
	9.15	Injudicious procurement of auto pulling machines Rs.2.45 crore
Report No. 6 of 1998 for the year ended March 1997	5	Non-realisation of satellite charges
	9	Non-billing or short billing
	10	Modernisation of Telegraph Service
	11	Procurement and utilisation of Cable Pair Gain System
	12	Procurement of 0.5 mm diameter Drop wire
	13	Excess payment of Rs.63.38 crore
	19	Wasteful expenditure of Rs. 1.84 crore on Coastal wireless station
	21	Non-recovery of advance
	25	Excess payment of Customs duty
	28	Loss due to failure to recover copper wire
	30	Undue haste in purchase led to idling of equipment/stores
	31	Avoidable expenditure of Rs. 4.53 crore on transportation
	33	Cash payment in lieu of uniforms
Report No. 6 of 1999 for the year ended March 1998	5	Leakage of revenue from Coin Collection Boxes
	6	Non-realisation of dues from licensees of Voice Mail Services
	8	Non-billing or short billing
	11	Procurement of PIJF Cables
	12	Laying of cables in local network
	13	Functioning of Calcutta Telephones
	16	Unproductive investment on Smart Card Pay Phones
	17	Infructuous expenditure of Rs 10.33 crore in purchase of trunk exchanges

Audit Report (Number and year)	Paragraph No.	Subject
Report No. 6 of 1999 for the year ended March 1998	19	Procurement of Multi Access Rural Radio Systems
	22	Excess payment in procurement of digital UHF system
	31	Overpayment in cable laying work
	34	Non-diversion of surplus raw material
	48	Delay in construction of staff quarters
	50	Injudicious purchase of ready built quarters
Report No. 6 of 2000 for the year ended March 1999	3	Non-payment of compensation by Bharti Telenet
	4	Non-payment of inter-connection and other charges by private service providers
	5	Trunk calls not billed for six years in several exchanges
	6	Frauds in revenue collection in Hazaribagh Telecom District
	7	Non-realisation of annual maintenance charges for OFC route
	8	Non-realisation of Service tax of Rs 2.31 crore
	9	Leakage of revenue from Coin Collection Boxes
	10	Non-realisation of additional security deposit from STD/PCO holders
	11	Non/Short billing of revenue
	13	Revenue Arrears
	14	Package of concessions to existing Cellular and Basic telephone service operators.
	15	Licensing of Radio Paging Services
	16	Material Management in Telecom Stores and Circles
	17	Rural Telecommunication Network
	19	Irregularities in procurement of PIJF cables
	20	Avoidable expenditure in procurement of digital tax equipment
	21	Procurement of surplus capacity Computerised Digital Trunk Manual Exchanges
	23	Wastage of costly cable and resultant loss of Rs. 4.12 crore
	26	Non-payment of bills of Telecom Factories
	27	Misappropriation of Government money

Audit Report (Number and year)	Paragraph No.	Subject
Report No. 6 of 2000 for the year ended March 1999	28	Irregular payment of electricity duty, charges etc.
	30	Improper decisions resulting in infructuous expenditure
	31	Injudicious construction/purchase of staff quarters
	33	Excess engagement of contract labour
	34	Unauthorised engagement of casual labourers
	37	Procurement of woollen uniforms at higher rates
	38	Provision of telephone instruments to private operators
	41	Excess payment due to higher rates for transportation charges
	42	Short recovery of electricity charges
	44	Excess payment of Sales tax
	46	Short recovery of liquidated damages

APPENDIX - XIV

(Referred to in paragraph 44 at page 110)

Details of revenue paragraphs for which replies from DoT/DTS were awaited as of January 2001

Sl. No	Case mark	Initiating Branch Audit Office	Subject	Amount (Rs in lakh)	Date of despatch to Ministry
1	RRIII/2(d) 6335	Nagpur	Short billing of Rs 9.50 lakh due to non implementation of revised tariff	9.50	26.5.2000
2	RRIII/2(d) 6164	Bangalore	Leakage of revenue of Rs 11.00 lakh from CCB PCOs	11.00	26.5.2000
3	RRIII/2(d) 6322 RRIII/2(d) 6235	Chennai	Non billing of rental of Rs 9.86 lakh in respect of cable laid on R & G basis	9.86	29.5.2000
4	RRIII/2(d) 6352	Jaipur	Short billing of Rs 14.07 lakh due to non implementation of revised tariff	14.07	16.6.2000
5	RRIII/2(d) 6327	Lucknow	Non billing of rent of speech circuit provided to Railway authorities	12.40	29.6.2000
6	RRC/2(d) 6204 RRC/2(d)6264	Patna	Bills issued at old rates	33.88	3.7.2000
7	RRC/2(d) 6271 RRC/2(d)6262 RRC/2(d) 5918 RRC/2(d)6154 RRC/2(d) 6208 RRC/2(d)6346 RRC/2(d) 6274 RRC/2(d)6250 RRC/2(d) 6261 RRC/2(d)6330	Patna Patna Calcutta Calcutta Calcutta Kapurthala Calcutta Calcutta Calcutta Calcutta	Failure to demand and collect rent of Rs 2.65 crore	265.00	6.7.2000
8	RRC/2(d) 6345 RRC/2(d)6265 RRC/2(d) 6003 RRC/2(d)5999 RRC/2(d) 6267 RRC/2(d)6269	Kapurthala Patna Kapurthala Kapurthala Patna Patna	Non billing due to non receipt of advice notes	149.00	6.7.2000
9	RRC/2(d) 6256 RRC/2(d)6200	Calcutta Calcutta	Non realisation of additional security deposit from STD/PCO holders	63.05	6.7.2000
10	RRIII/2(d) 6176 RRIII/2(d)6177	Chennai	Non billing of licence fee of Rs 9.76 lakh in respect of EPABX customers	9.76	20.7.2000
11	RRIII/2(d) 6380	Jaipur	Non realisation of additional security deposit from STD/PCO holders	19.68	21.7.2000
12	RRIII/2(d) 6379	Chennai	Short billing of Rs 10.47 lakh due to non revision of rent	10.47	21.7.2000
13	RRIII/2(d) 6387	Nagpur	Short billing of rental of Rs 17.18 lakh due to non implementation of revised tariff	17.18	2.8.2000
14	RRC/2(d) 6368 RRC/2(d)6001 RRC/2(d) 5860 RRC/2(d)6376 RRC/2(d) 6367	Kapurthala Kapurthala Kapurthala Calcutta Kapurthala	Non/short recovery due to bills issued at old rates	98.53	22.8.2000
15	RRC/2(d) 6307 RRC/2(d)6389	Patna Delhi	Non realisation of service tax of Rs 44.74 lakh	44.74	24.8.2000

Sl. No	Case mark	Initiating Branch Audit Office	Subject	Amount (Rs in lakh)	Date of despatch to Ministry
16	RRIII/2(d) 6153	Bangalore	Non/ short billing of rentals in respect of data circuits	16.37	27.8.2000
17	RRC/2(d) 6377 RRC/2(d)6375 RRC/2(d) 6305 RRC/2(d)6203 RRC/2(d) 6374 RRC/2(d)5971 RRC/2(d) 6075	Calcutta Calcutta Calcutta Calcutta Calcutta Kapurthala Calcutta	Failure to demand and collect rent	303.65	31.8.2000
18	RRIII/2(d) 6048	Jaipur	Continuation of telephone connection despite default of payment	77.94	12.9.2000
19	RRIII/2(d) 6420	Bhopal	Non recovery of rental of Rs 7.35	7.35	12.9.2000
20	RRIII/2(d) 6435	Chennai	Failure to claim revised rental for private wire	27.52	13.9.2000
21	RRIII/2(d) 6434	Chennai	Short/non realisation of licence fee and rent of Rs 9.75 lakh	9.75	13.9.2000
22	RRIII/2(d) 6444	Bangalore	Short claim of Rs 7.02 lakh in respect of local leads	7.02	18.9.2000
23	RRIII/2(d) 6321	Hyderabad	Short billing in respect of ISDN connections provided to M/s BHEL	7.43	18.9.2000
24	RRC/2(d) 6439	Kapurthala	Non realisation of service tax to the tune of Rs 12.07 lakh	12.07	22.9.2000
25	RRIII/2(d) 6325 RRIII/2(d) 6316	Lucknow	Non billing of Rs 34.93 lakh in respect of speech circuits provided to Army authority	34.93	22.9.2000
26	RRIII/2(d) 6014	Lucknow	Non recovery of service tax	28.84	22.9.2000
27	RRC/2(d) 6445 RRC/2(d) 6417 RRC/2(d) 5981 RRC/2(d) 6472	Kapurthala Kapurthala Patna Patna	Non receipt of Advice Notes	36.08	27.9.2000
28	RRC/2(d) 6240 RRC/2(d) 6297 RRC/2(d) 6465	Kapurthala	Continuation of telecom facilities despite non payment of dues	47.59	27.9.2000
29	RRC/2(d) 6093 RRC/2(d) 6239	Kapurthala	Failure to demand and collect rent	26.25	27.9.2000
30	RRC/2(d) 6416	Kapurthala	Bills issued at old rates	21.18	27.9.2000
31	RRC/2(d) 6461	Kapurthala	Non realisation of additional security deposit	16.70	28.9.2000
32	RRC/2(d) 6184	Delhi	Non recovery of dues amounting to Rs 2.52 crore from Department of electronic for ERNET	252.00	28.9.2000
33	RRC/2(d) 6471	Patna	Short recovery of rental charges Rs 12.28 lakh due to non application of revised tariff	12.28	29.9.2000
34	RRIII/2(d) 6451	Bangalore	Short realisation of rentals in respect of local data circuits	48.20	3.10.2000
35	RRIII/2(d) 6469	Hyderabad	Short billing of advance rent to the tune of Rs 25.40 lakh	25.40	3.10.2000
36	RR.Prj/2(d) 6243	Trivandrum	Non billing and non realisation of service tax	32.09	11.10.2000
37	RRIII/2(d) 6422 RRIII/2(d) 6421	Bhopal	Short billing of rental of Rs 23.96 in respect of speech circuit provided to Railways	23.96	12.10.2000
38	RR.Prj/2(d) 6388 RR.Prj/2(d) 5984	Trivandrum	Non issue of advance rental bills	36.24	13.10.2000
39	RR.Prj/2(d) 5934	Trivandrum	Short collection of depreciated value of assets	9.27	18.10.2000
40	RRIII/2(d) 6443 RRIII/2(d) 6395	Bangalore Hyderabad	Non realisation of additional security deposits	166.78	18.10.2000

APPENDIX - XV

(Referred to in paragraph 44 at page 110)

Details of expenditure paragraphs and comprehensive performance reviews for which replies from DoT/DTS were awaited as of January 2001

Sl. No	Case mark	Initiating Branch Audit Office	Subject	Amount (Rs in lakh)	Date of despatch to Ministry
1	RRII/2(d) 6257	Patna	Non maintenance of power factor and resultant avoidable payment of penal charges of Rs 1.19 crore	119.00	26.5.2000
2	RRII/2(d) 6329	SWTC Calcutta	Undue benefit to supplier on procurement of galvanised tappered tubes	52.64	30.5.2000
3	RRII/2(d) 6207	Calcutta	Irregular payment of electricity duty	12.06	30.5.2000
4	RRII/2(d) 6351	Nagpur	Non recovery of huge amount together with interest thereon from MTNL	1555.00	20.6.2000
5	RRII/2(d) 6349	Cuttack	Non maintenance of power factor resulting in avoidable payment of penal charges	16.14	20.6.2000
6	RRII/2(d) 6151	Bangalore	Excess payment besides short recovery of Liquidated Damages in procurement of exchange equipment	46.31	20.6.2000
7	RRI/2(d) 6158	Delhi	Non recovery of leave salary and pension contribution	6000.00	10.7.2000
8	RRI/2(d) 5970	Chennai	Extra expenditure due to injudicious acceptance of tender rates	67.26	10.7.2000
9	RRII/2(d) 6363	Lucknow	Avoidable expenditure on unnecessary flooding of cable trenches etc.	63.61	24.7.2000
10	RRII/2(d) 5947	Patna/ Kapurthala	Wasteful expenditure on procurement of defective telex billing equipment	22.87	24.7.2000
11	RRII/2(d) 6393	Bangalore	Idling of 30 channel digital UHF equipment	16.48	26.7.2000
12	RRI/2(d) 6082	Hyderabad	Irregular procurement of 10 channel digital equipment	33.49	3.8.2000
13	RRII/2(d) 6411	Lucknow	Non-recovery of compensation for damages to the departmental property	25.97	21.8.2000
14	RRII/2(d) 6425	Bhopal	Non-recovery of compensation for damages to the departmental property	24.39	29.8.2000
15	RRII/2(d) 6409	Cuttack	Avoidable payment of penal charges for overdrawal of electricity	30.43	5.9.2000
16	RRII/2(d) 6319	Delhi	Overpayment in procurement of Radio communication test sets	37.09	5.9.2000
17	RRII/2(d) 6433	Patna	Avoidable payment of minimum demand charges	92.80	5.9.2000
18	RRII/2(d) 6309	Chennai	Avoidable expenditure on unwarranted use of armoured cable in place of unarmoured cable	561.00	18.9.2000
19	RRII/2(d) 6241	Chennai	Avoidable expenditure on laying of optical fibre cable	28.96	18.9.2000
20	RRI/2(d) 6382 RRI/2(d) 6450 RRI/2(d) 6448	Hyderabad Bangalore	Execution of works without sanction of estimates	1634.00	28.9.2000
21	RRI/2(d) 6442	Delhi	Non levy of penal interest on delayed payments	477.00	28.9.2000
22	RRII/2(d) 6205	Calcutta	Loss due to procurement of sub-standard dropwire	16.01	29.9.2000
23	RRI/2(d) 6454	Bhopal	Irregular refund of Liquidated Damages	23.71	10.10.2000
24	RRI/2(d) 6114	Bhopal	Non recovery of compensation	17.95	13.10.2000

Sl. No	Case mark	Initiating Branch Audit Office	Subject	Amount (Rs in lakh)	Date of despatch to Ministry
25	RRI/2(d) 6116	Calcutta	Recovery of excess payment at the instance of audit	15.06	13.10.2000
26	RR.Prj/2(d) 6418	Ahmedabad	Non utilisation of cable procured on deferred payment basis and payment of avoidable interest of Rs 60.23 lakh	60.23	17.10.2000
27	RR.Prj/2(d) 6347	Trivandrum	Irregular payment of Rs 18.40 lakh by DoT as lease tax on quarterly lease rent for 10K exchange Ernakulam	18.40	16.10.2000
28	RRI/2(d) 6010 RRI/2(d) 6162	Nagpur Delhi	Non recovery of dues from MTNL	1124	17.10.2000
29	RRI/2(d) 6440	Nagpur	Overpayment of Rs 2.35 crore to suppliers	235.00	17.10.2000
30	RRI/2(d) 6466	Patna	Non recovery of cable worth Rs 2.02 crore issued to contractor	213.00	19.10.2000
31	RRI/2(d) 6489 RRI/2(d) 6410 RRI/2(d) 6490 RRI/2(d) 6492	Hyderabad	Irregular procurement of stores	595.00	19.10.2000
32	RR.Prj/2(d) 6290	Trivandrum	Non utilisation of land and payment of avoidable lease charges	15.57	23.10.2000
33	RRI/2(d) 6498	Bhopal	Unauthorised purchase of stores	386.00	20.10.2000
34	RRII/2(d)6539	Contract Audit	Avoidable expenditure in procurement of 8 Megabits optical line equipment	389.00	22-12-2000
35	RRI/6554	Contract Audit	Excess expenditure of Rs 4.25 crore in procurement of 2 GHz digital M/w terminals.	425.80	29-12-2000
36	RRII/6547	Contract Audit	Avoidable expenditure in procurement of Multi Access Rural Radio system	2150.00	4-1-2001
Comprehensive Performance Reviews					
1	RRI/2(d) 6320	Chennai	Computerised Billing and Accounting system	723.00	28-11-2000
2	RRIII/2(d) 6313	SWTC Calcutta	Performance of Telecom Factories at Jabalpur and Mumbai	8059.00	29-11-2000
3.	RRIII/2(d) 6067	Delhi	Manpower Management in DTS	37601.00	26.12.2000

APPENDIX - XVI

(Referred to in paragraph at 54 page 146)

Position of outstanding ATNs as of January 2001 in respect of paragraphs pertaining to DoP included in the Audit Reports up to No. 6 of 2000

Audit Report (Number and year)	Paragraph No.	Subject
Report No.6 of 1999 for the period ended March 1998	55	Post office Saving certificates
	59	Loss of Revenue Rs.1.19 Crore
	62	Failure to acquire land for Post office
	63	Inordinate delay in preparation of building plan
Report No 6 of 2000 for the period ended March 1999	52	Working of Postal Civil Wing

APPENDIX - XVII

(Refer overview under the paragraph financial implications at page (vii))

Statement showing financial implication of paragraphs and reviews included in the Report

	Paragraph No.	Rs in crore
Organisational set-up and Financial Management	1	0
Appropriation Accounts	2	0
Non-levy of royalty and licence fee of Rs 24.81 crore on wireless users	3	24.81
Non-recovery of dues amounting to Rs 2.52 crore from Department of Electronics for Educational and Research Network (ERNET)	4	2.52
Non-realisation of Service Tax	5	1.18
Non-realisation of additional security deposits from STD/PCO operators	6	4.95
Short billing of Advance rental	7	0.25
Leakage of revenue from Coin Collection Box Public Call Offices	8	0.11
Non/short recovery of revenue	9	15.08
Recovery at the instance of Audit	10	*
Revenue Arrears	11	0
Manpower Management in Department of Telecommunications Services	12	376.01
Performance of Telecom Factories Jabalpur and Mumbai	13	338.88
Computerised Telephone Revenue Billing and Accounting System	14	7.09
Non-recovery of dues from MTNL Mumbai/Delhi	15	11.24
Avoidable expenditure on unwarranted use of armoured cable in place of unarmoured cable	16	5.61
Excess expenditure of Rs 4.25 crore in procurement of 2 GHz digital microwave terminals	17	4.25
Avoidable expenditure in procurement of 8 Megabits optical line equipment	18	3.89
Illegal purchase of stores	19	3.96
Overpayment of Rs 2.35 crore to suppliers	20	2.35
Non-recovery of cable worth Rs 2.02 crore issued to contractors	21	2.13
Extra expenditure due to violation of tender conditions	22	0.67
Irregular refund of liquidated damages of Rs 23.71 lakh	23	0.24
Loss due to procurement of sub-standard drop wire	24	0.16
Non-levy of penal interest on delayed payments	25	4.77
Overpayment in procurement of Radio Communication Test Sets	26	1.03
Other recoveries at the instance of Audit	27	2.98
Damage caused to underground cable	28	2.28

* The consolidated amount against this para already exhibited against paragraph 3,4,5,6,7 and 9 above.

	Paragraph No.	Rs in crore
Wasteful expenditure in procurement of defective telex billing equipment	29	0.23
Non-recovery of amount due with interest thereon from Mahanagar Telephone Nigam Limited	30	15.55
Non-utilisation of cable procured on deferred payment basis and payment of avoidable interest of Rs 60.23 lakh	31	2.34
Idling of 30 channel digital Ultra High Frequency equipment	32	0.16
Avoidable payment of lease charges of Rs 15.68 lakh due to non-utilisation of land	33	0.16
Non-recovery of leave salary and pension contribution	34	104.64
Avoidable expenditure in procurement of Multi Access Rural Radio Systems	35	21.50
Avoidable expenditure on laying of Optical Fibre Cable	36	0.29
Avoidable payment of minimum demand charges and low power factor surcharge	37	2.03
Non-maintenance of minimum power factor and resultant avoidable payment of penal charges	38	1.39
Avoidable payment of penal charges for overdrawal of electricity and irregular payment of electricity duty	39	0.42
Execution of works without sanction of estimates	40	16.55
Irregular procurement of stores	41	5.35
Irregular procurement of 10 channel digital equipment	42	0.33
Follow up on Audit Reports	43	0
Response of the Ministry/Department to Draft Audit Paragraphs	44	0
Organisational set-up and Financial Management	45	0
Appropriations Accounts	46	0
Modernisation of Postal Services	47	212.99
Short realisation of revenue of Rs 2.96 crore	48	2.96
Non-recovery of value of the British Postal Orders	49	0.23
Recovery at the instance of Audit	50	0.18
Non-taking of possession of ready built quarters and resultant blocking of funds	51	0.29
Non-recovery of Rs 15.04 crore paid as pension/family pension on behalf of other departments	52	15.04
Avoidable payment of minimum low power factor surcharge, minimum demand charges and load violation charges	53	0.88
Follow up on Audit Reports	54	0
Response of the Ministry/Department to Draft Audit Paragraphs	55	0
GRAND TOTAL		**1219.95**

GLOSSARY OF TERMS AND ABBREVIATIONS

Analogue	An electrical signal which is analogous to changing physical quantity measured
ATD	Advice of Transfer Debit
BCR	Biennial Cadre Review
BCS	Buddhist Circuit Scheme
BNPL	Book Now Pay Later
CCB	Coin Collection Boxes
CDTMX	Computerised Digital Trunk Manual Exchange
CKM	Cable conductor kilometre - cable sheath kilometres multiplied by the number of conductor pairs in each cable
CLIP	Calling Line Identification Presentation
Coaxial cable	A cable with a single wire in the centre of cylindrical conductor forming a pair of carrying electrical signals
CT Boxes	Cable Termination Boxes
CTS	Controller of Telecom Stores
DEL	Direct exchange lines, one each for every telephone connection
Digital exchange	The exchange having signals coded into binary pulses and having little or no moving parts
EFM	Electronic Franking Machine
EPABX	Electronic Private Automatic Branch Exchange
ESMO	Electronic Satellite Money Order
GoT	Group on Telecommunications
HDPE	High density polyethylene
Hertz or Hz	Frequency (cycles per second), named after Heinrich Hertz - usually in ranges of kilo 1000 - KHz, mega 1,000,000 - MHz or giga 1,000,000,000 - GHz
INMARSAT	International Marine Satellite
INSAT	Indian National Satellite
ISDN	Integrated Services Digital Network
LDST	Long Distance Satellite Telephone
LOI	Letter of Intent
MARR	Multi Access Rural Radio
Mb/s	Mega bits per second denoting digital frequency
MPCM	Multipurpose Counter Machine

MSU	Main Switching Unit
MUX	Multiplex
NE Lines	Non Exchange Lines
OFC	Optical Fibre Cable
Optical Fibre (OF)	Glass fibres using lightwaves for transmission of signals
OYT	Own your telephone
PABX	Private Automatic Branch exchange
PBX	Private branch exchange
PCB	Printed Circuit Board
PCO	Public Call Offices
PIJF Cable	Polyethylene Insulated Jelly Filled Cable
PMP	Point to Multiple Point
PST	Progressive Stock Taking
PVC	Polyvinyl chloride
PW	Private Wires
RCTS	Radio Communication Test Set
SIUs	Staff Inspection Units
SRCs	Subscriber Record Cards
SSAs	Secondary Switching Areas
STD	Subscriber trunk dialing
TAX	Trunk automatic exchange
TDMA	Time Division Multiple Access - A transmission technique used in digital radio transmission in which the use of a frequency is divided into time slots that are shared amongst several users.
Telex	Teleprinter exchange
TMOs	Transit Mail Offices
TRBA	Telephone Revenue Billing and Accounting
UHF	Ultra high frequency (300 to 3000 MHz)
VHF	Very high frequency
VSAT	Very small aperture terminal
WILL	Wireless in local loop

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