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REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 1994
NO. 7 OF 1995

UNION GOVERNMENT (POSTS AND TELECOMMUNICATIONS)

सत्यमेव जयते

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COMPTROLLER AND AUDITOR GENERAL
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PREFATORY REMARKS

This Report for the year 1 April 1993 to 31 March 1994 has been prepared for submission to the President under Article 151 of the Constitution. It covers matters arising from the Accounts of the Departments of Posts and Telecommunications under the Ministry of Communications for the year 1993-94 and the results of test-audit of the financial transactions of the two Departments and their constituent units.

The cases mentioned in this Report include those which came to notice in the course of audit and audit review during 1993-94. Matters relating to earlier years which could not be covered in the previous Reports have also been included wherever necessary. Transactions subsequent to 1993-94 have been mentioned wherever relevant.

OVERVIEW

This Audit Report for the year April 1993 to March 1994 is divided into two sections:

Section I	-	Chapters 1 to 4	-	Department of Posts
Section II	-	Chapters 5 to 9	-	Department of Telecommunications

It contains 42 paragraphs including 6 reviews. The major findings in the Report are summarised below:

Section I - Department of Posts

I. Financial results

In 1993-94, the Department incurred a net loss of Rs 334.01 crores on various postal services of which Rs 251.72 crores were from three services namely Post Card, Registered letter and Inland letter.

The deficit of the Department increased from Rs 92 crores in 1992-93 to Rs 207 crores in 1993-94 due to substantial increase in expenditure compared to marginal increase in revenues.

However, during the five years 1989-94, the revenue receipts increased from Rs 703 crores to Rs 1105 crores (57 **per cent**) whereas the revenue expenditure increased from Rs 966 crores to Rs 1312 crores (36 **per cent**).

(Paragraph 1)

II. Expenditure control

Excess expenditure of Rs 16.80 crores under Revenue - Voted - Grant no.14 requires regularisation by Parliament.

(Paragraph 2)

III. Mechanisation and Modernisation of Postal Services

The scheme of mechanisation and modernisation of Postal Services conceived in the Sixth Plan (1980-85) did not make much headway even after fourteen years. As against the plan outlay of Rs 111.86 crores provided for the schemes during 1985-93 the Department could utilise only Rs 22.30 crores showing under-utilisation of Plan outlays to the extent of 80 **per cent** and proportionate shortfalls in achievement of targets. As against the physical targets of providing 10260 mechanical aids, the Department could provide only 624 (6.08 **per cent**) during this period. Even this limited outlay on mechanised sorting and computerised accounting have been far from effective or productive.

Due to change in location of the Automatic Integrated Mail Processing System (AIMPS) in Bombay, Rs 60 lakhs spent on renovation of the accommodation originally selected for installing the system proved infructuous. The system installed at a cost of Rs 20 crores was utilised only to the extent of 20 **per cent** of the rated capacity due to non-standardisation of Post Card, Inland letter card and letter (i.e. Envelopes). As a result, avoidable expenditure of Rs 29.54 lakhs **per annum** was being incurred on manual sorting of the remaining quantum of machineable mail in Bombay.

A computer system costing Rs 12.51 lakhs installed at the Directorate in August 1986 for handling International Mail Accounting was not used after December 1989 and passed into obsolescence.

Forty multi purpose computer based counter machines received in September 1993 at a cost of Rs 17.60 lakhs in Bihar Circle could not be installed because of resistance from staff union and were awaiting diversion.

To evaluate the impact of the schemes already introduced, the Department did not conduct any study to determine the level of customer satisfaction or achievement of overall efficiency.

(Paragraph 3.1)

Section II - Department of Telecommunications

IV. Performance

There was an overall growth in telephone traffic but operator assisted trunk network showed an erratic trend during the last four years. The number of effective trunk calls which were 22.0 crores during the year 1989-90 came down to 16.2 crores during 1993-94.

The overall utilisation of equipped capacity in the telephone exchanges showed a declining trend. The capacity utilisation which was 87.1 **per cent** during 1990-91 came down to 81.9 **per cent** at the end of 1993-94. The feasible utilisation level prescribed by the Department as 92 **per cent** was achieved by Madras Telephones during 1990-91 and Mahanagar Telephone Nigam Limited, Bombay during 1992-93.

The number of persons in the waiting list for telephone connections increased from 19.61 lakhs in March 1991 to 24.97 lakhs in March 1994. Had the Department achieved the feasible utilisation level of 92 **per cent**, the waiting list as of March 1994 in the country could have been cleared by about 40 **per cent**. Provision of facilities in this key earning activity of the Department has thus, not kept pace with the demand.

`Action Taken Notes' on several cases reported in earlier Audit Reports were still awaited from the Department.

(Paragraph 5)

Revenue

V Revenue arrears

Arrears of unrealised telephone revenue increased from Rs 335 33 crores in March 1991 to Rs 812.05 crores in March 1994 (142 **per cent**), indicating absence of effective monitoring and remedial action by the Department. There were 9498 cases under litigation in 7 Circles involving Rs 9.67 crores as on 1 July 1994.

Arrears of unrealised rent from telegraph, teleprinter and telephone circuits increased from Rs 30.60 crores in March 1991 to Rs 67.64 crores in March 1994 (average 40 **per cent** per year). Similar arrears on account of unrealised telex/intelex charges increased from Rs 3.41 crores to Rs 7.30 crores (average 38 **per cent** per year) during 1990-94.

(Paragraph 7.1)

VI. Inadequacies in billing of customers and other losses of revenue

Of the major cases of non-billing or short billing of customers and other losses of revenue involving Rs 9.75 crores pointed out by Audit, the Department intimated recovery of Rs 3.60 crores.

(Paragraphs 7.2 and 7.3)

Project reviews

VII. Modern Foundry plant at Kharagpur

In November 1981 the Government sanctioned setting up of a mechanised, modern foundry at Kharagpur, with a production capacity of 12500 tonnes (extendable to 16000 tonnes) of castings **per annum**. It was intended to replace the obsolete foundry at Calcutta Telecom Factory producing 2000-3000 tonnes of castings yearly. The new imported plant costing Rs 13.87 crores scheduled to be commissioned by March 1984 started commercial production only in August 1989. The time overrun was mainly due to non-synchronisation of the civil works and procurement of matching indigenous equipment which also led to idling of imported equipment worth Rs 3.51 crores upto 21 months. This also resulted in the Department paying escalation charges of Rs 45 lakhs.

The modern foundry plant was conceived with the objective of higher assured production of casting at a lower cost. Though the plant started commercial production in August 1989, it is yet to achieve the desired output. The production at the new plant was only between 4.93 and 11.38 **per cent** of the rated output during 1989-94. As against the expected cost of production of Rs 3431 per tonne, the cost of production at the new plant varied from Rs 10013 to Rs 14390 per tonne which was much higher than the unit cost of castings produced in the old replaced foundry. To meet the requirement of cast iron products for the telecom network in the country, the Department had perforce to resort to purchase some castings from the open market. The value of one such item test checked by Audit was Rs 79.48 crores during 1991-94. The average cost of production of castings at the modern plant was almost twice as high as the market price. The consumption of raw material for production of castings at the modern plant was also substantially higher than what was indicated in the Public Investment Board (PIB) memorandum.

Though the staff deployed at the new plant was nearly full strength as required for the optimum production level, the maximum production achieved was only 11.38 **per cent** of the rated capacity.

The costing done by the Kharagpur foundry was faulty leading to under-charge of the stores supplied, with the result the Department incurred a loss of Rs 4.68 crores during 1989-94. Though the commercial production at the modern foundry plant started in August 1989, proforma account of the factory had not been prepared so far (December 1994).

(Paragraph 8.1)

VIII. Replacement of multi auto exchange at Gangtok

A project for installation of multi auto exchange (MAX-I Strowger) at Gangtok (in replacement of the existing. MAX-II), was sanctioned in August 1982. Even after a lapse of 10 years, the replacement could not be done by MAX - I as envisaged in March 1992 - only the replacement was done by an ILT exchange (2048 lines) and that too for an interim period only. This was further replaced by a 2500 lines C-DOT exchange after 18 months in September 1993. Meanwhile the MAX-II had to be expanded in interim stages from 900 to 1400 lines at a cost of Rs 33.84 lakhs for meeting the continuously growing demand. These frequent changes were the result of Department's inability to correctly assess the demand for new connections, lack of proper planning and delayed action in procurement, installation and commissioning of appropriate exchange and equipment.

The telephone exchange main building constructed in phases between May 1985 and January 1987 at a cost of Rs 19.52 lakhs remained vacant and unutilised. Over 53 **per cent** of the total constructed area (**pro rata** cost Rs 12.29 lakhs) was still lying vacant and unutilised.

MAX-I equipments worth Rs 72.06 lakhs received during January-February 1988 remained idle for one year. Even after diversion of a part of the equipment to Mangalore in February 1989, the remaining equipment valuing 37.30 lakhs was still lying idle and unproductive in a temporary godown.

The MAX-I did not come up at all, the ILT exchange was dismantled after commissioning and diverted to Cooch Behar and the C-DOT exchange is working since September 1993. However, none of the three project accounts haa been finalised till July 1994. Expenditure of Rs 1.38 crores booked against MAX-I project had also not been adjusted against C-DOT and other projects. Thus, cost overrun of C-DOT exchange project was not susceptible to any analysis.

Failure of the Department to optimally utilise the capacity of ILT and C-DOT exchanges and to provide new telephone connections to the waiting clients resulted in loss of revenue of Rs 19.23 lakhs till March 1994.

(Paragraph 8.2)

IX. Cuttack-Sambalpur digital microwave scheme

The Cuttack-Sambalpur digital microwave scheme sanctioned in November 1988 for Rs 3.83 crores, was commissioned in December 1992 at a cost of Rs 5.24 crores. There was an overall cost overrun of 36.81 **per cent** whereas component-wise cost overrun ranged from 7.97 to 675.84 **per cent**, highest being on mast and aerials.

Even two years after commissioning, the system was being grossly underutilised. Of the optimum capacity of 1920 channels only 467 channels (24 **per cent**) were in use as of June 1994.

Defective survey resulted in wrong choice of the repeater site at Haldibari which could not "see" Cuttack due to a hillock intervening. Consequently, yet another repeater site at Nandankanan was selected and the digital system was commissioned in December 1992 incurring an avoidable expenditure of Rs 1.12 crores.

Tower material valuing Rs 15.11 lakhs procured for the scheme were surplus to requirement and lying unutilised for the last over two years.

(Paragraph 8.3)

X. Mysore - Kollegal optical fibre cable project

The Mysore - Kollegal optical fibre cable (OFC) system was sanctioned in March 1990 with two separate project estimates - Rs 3.91 crores for the Mysore - Nanjangud - Chamarajnagar section and Rs 3.51 crores for the Chamarajnagar - Kollegal branch. The composite project was targeted for commissioning by March 1991. However, only the main route viz. Mysore-Chamarajnagar was commissioned in February 1993 at a total cost of Rs 4.58 crores while the Chamarajnagar-Kollegal branch was deferred. The delay in commissioning was mainly due to non-completion of building and cable works.

Deferment of Chamarajnagar-Kollegal branch, after placement of orders for equipment, cable etc. led to idling of equipment, cable and pipes worth Rs 1.37 crores upto two years. Subsequently changes in planning during execution of work resulted in avoidable expenditure of Rs 43.35 lakhs on laying higher specification cables and pipes and providing a temporary containerised housing module pending construction of the permanent building.

Diversion of equipment received for providing a facility at an intermediate station, Nanjangud, led to installation of another smaller capacity OFC system between Nanjangud and the terminal station Mysore besides the one envisaged between Mysore and Chamarajnagar rendering surplus equipment worth Rs 16.62 lakhs. Besides, defects in execution of the project and absence of the coordination between the Project and Telecom wings of the Department at the planning stage resulted in gross underutilisation of the transmission media.

(Paragraph 8.4)

Other topics

XI. Avoidable payment of commitment charges on foreign loan

For modernisation of telecommunication facilities, a loan agreement for US $ 135 million was concluded in May 1988 (reduced to US $ 125 million in April 1992) between the Government of India and Asian Development Bank (ADB) of which US $ 40 million was allotted to DOT.

The Department failed to utilise the loan timely as a result not only did the modernisation process suffer a setback but a liability of Rs 5.88 crores as commitment charges was incurred upto March 1994 as per terms of loan agreement.

(Paragraph 9.1)

XII. Unfruitful investment in imported electronic line concentrators

Review of the performance of 27 electronic line concentrators in West Bengal, Assam and Andhra Pradesh revealed that 10 sets could not be installed till date. Three sets though installed could not be put to use gainfully. Five sets became faulty soon after installation of which four have since been withdrawn. The total unfruitful expenditure for these 18 sets was Rs 1.99 crores.

(Paragraph 9.2)

XIII. Extra expenditure on laying HDPE pipes of higher specifications

In October 1987, DOT recommended use of high density polyethylene (HDPE) pipes of 75 mm outer diameter of 6 kg/cm^2 for encasing optical fibre cable on non-ducted routes. In violation of these orders and contrary to specific provisions made in the estimates, the Chief General Manager Telecom Projects, Eastern Zone, Calcutta purchased, during September 1991 - November 1992, HDPE pipes having higher specifications without any quality check thereby incurring an extra expenditure of Rs 1.64 crores.

(Paragraph 9.3)

XIV. Non-accounting of stores

In Cuttack Telecom District, a test-check of four items by comparing stock book balances with the list of physical balances disclosed shortage of stores worth Rs 1.42 crores. The matter was reported to be under the investigation of the Central Bureau of Investigation and internal audit was checking the rest of the stores items.

(Paragraph 9.4)

XV. Printing of telephone directory

According to the agreement entered into by Ahmedabad Telephone District with a private contractor, five issues of English telephone directory were to be published from 1987 alongwith payment of 10 **per cent** of the revenue earned from advertisements to the Government. Contractor did not publish one issue at all and four issues were brought out late. A sum of Rs 1.24 crores remained un-recovered from the contractor since 1987 on account of the share of revenue and penalty charges for delay in publishing the directories in time.

(Paragraph 9.5)

XVI. Overpayment of transportation charges

Telegraph and telephone materials being utilised by DOT and transported through the Indian Railways are entitled to concessional freight on the basis of a certificate by the Department.

Department's failure to issue this certificate at the time of despatch of the materials resulted in an overpayment of freight of Rs 1.08 crores during 1988 to 1993, by Controllers of Telecom Stores (CTS) Bombay, Jabalpur, Madras and New Delhi.

(Paragraph 9.6)

XVII. Defective long distance telecommunication facilities for VIP visits

A purchase order for procurement of high frequency (HF) communication equipment, for providing reliable long distance telecommunication facilities to VIPs, to places not connected by transmission media, was placed in February 1988.

Due to inadequate contractual provisions, the equipment worth Rs 1.05 crores procured in 1990 remained unuseable defeating the very objective for which these were procured.

(Paragraph 9.7)

XVIII. Fraudulent/Irregular payment to carriage contractors

(a) The Assistant General Manager Network and Planning (AGM - NP), Bihar in violation of the provisions and without the approval of CGMT made fraudulent payments of Rs 98.37 lakhs to the two contractors by allowing more than two handling charges on `charged weight' basis, entertaining inadmissible claims for past and by allowing arbitrary increase in rates. An amount of Rs 24.39 lakhs has since been recovered. The case was under the investigation of CBI.

(b) The Chief General Manager Telecommunications (CGMT) Orissa Circle, Bhubaneshwar awarded in July 1990 a contract for 6 months to a contractor, who was not having even a single lorry in his name, for transportation of telecom stores. The contract was awarded without inviting tenders and was kept operative even after expiry of 6 months period. Tenders were invited in March 1991 and the lowest rates quoted were not accepted. Revised tenders were called in June 1991 and before finalisation of the tenders, the existing contract was revised in July 1991 as per the approved rates of Bihar Circle. The contractor demanded 40 **per cent** increase in rates from March 1992 which was not accepted and the contract was cancelled in June 1992. The Bihar Circle rates were higher by about 69 **per cent** than the lowest rates offered by another contractor in March 1991.

Thus in the above two cases, out of fraudulent/irregular payments of Rs 1.18 crores made by DOT, a sum of Rs 24.39 lakhs could only be recovered from the contractors.

(Paragraph 9.8)

XIX. Loss due to ill-conceived purchase of PBX/PABX boards

188 PBX/PABX boards of various types worth Rs 86.67 lakhs allotted by DOT to Madras Telephones and received in July 1987 against specific wait-listed demands were lying unutilised since their receipt. No action to divert these boards to other needy Circles was taken. Due to technological changes these boards also became obsolete and are proposed to be disposed of as scrap.

(Paragraph 9.9)

XX. Avoidable expenditure on laying of PVC pipes of higher specifications

In December 1989, the General Manager (Planning) Calcutta Telephones took a decision to use 3.2 mm (Class B) pipes as cable ducts in cement concrete encasement instead of 2 mm (Class A) pipes ignoring the TRC specifications on the plea that Class A pipes were liable to breakage during transit, handling and encasement with concrete. The cost of Class B pipes was 55 **per cent** more as compared to Class A pipes.

The injudicious decision of the Department resulted in an avoidable expenditure of Rs 80.65 lakhs.

(Paragraph 9.10)

XXI. Idle inventory of electronic teleprinter machines (ETP)

Out of imported 5300 ETP machines, DOT supplied 920 ETP machines during 1986-92 as demanded by Bangalore Telephone District

(BGTD). After meeting the requirements of new connections, replacements and allowing maintenance spares there was an idle inventory with BGTD of 132 machines as of July 1994 resulting in blocking of capital of Rs 80.38 lakhs.

(Paragraph 9.11)

XXII. Execution of works without sanction of estimates

The General Manager Development, Hyderabad Circle without getting the estimates sanctioned executed 33 works during 1987-93 of routine nature not warranting immediate action by incurring an expenditure of Rs 10.24 crores despite an earlier comment in the Audit Report and issue of instructions by DOT to this effect in July 1989. In a test check by Audit, excess expenditure of Rs 59.57 lakhs was noticed in three estimates.

(Paragraph 9.12)

XXIII. Irregular payment due to relaxation in price variation clause

Chief General Manager Telecom Stores (CGMTS) placed purchase orders on different firms for supply of polyvinyl chloride (PVC) drop-wire on the terms approved by DOT which included price variation (PV) clause. The PV was to be calculated on the base price of the raw material prevailing 30 days before the date of offer of stores to the inspection authority. CGMTS amended this clause, without the approval of DOT and allowed price variation on the basis of base price of the raw material prevailing 7 days before the date of offer of stores for inspection. This resulted in an irregular payment of Rs 42.39 lakhs.

(Paragraph 9.14)

XXIV. Excess expenditure and blocking of capital on purchase of land

District Manager Telephones (DMT), Trivandrum purchased 2.17 acres of land in December 1986 at a cost of Rs 15.19 lakhs for locating a telephone exchange and staff quarters in Iranimuttom village. The land was marshy and lower than nearby road by about one metre and no approach road was available. The Department paid Rs 22.60 lakhs for land filling increasing the total cost of land to Rs 37.79 lakhs. The cost of fully developed land in the vicinity was Rs 10 lakhs per acre.

The land was lying unutilised for the last eight years as the proposed exchange has been installed and commissioned by constructing an additional floor in the existing exchange building.

The flawed deal resulted in excess expenditure of Rs 16.09 lakhs for the land as also blocking of capital of Rs 37.79 lakhs for last eight years.

(Paragraph 9.15)

XXV. Procurement of obsolete equipment

DOT placed a purchase order on Gujarat Communications and Electronics Limited, Baroda for supply of 220 numbers 30 channel Pulse Code Modulations (PCM) terminals alongwith associated equipment for Rs 2.56 crores. The supply was to be completed by June 1983, but the same was received in April 1988.

The systems received in Bangalore through diversion from Calcutta and Ernakulam were installed by January 1990, but could not be commissioned owing to mechanical and electrical problems.

The equipment worth Rs 37.10 lakhs was lying idle with no future prospects of its being set to work. The fate of balance 182 PCM equipment received at other stations is yet to be ascertained by Audit.

(Paragraph 9.16)

XXVI. Unproductive capital outlay on computerisation of Jaipur Trunk Manual Exchange

Incorrect projection of traffic and non-visualisation of likely growth in STD led to idling of 97 visual display units costing Rs 35.49 lakhs. These units could not be diverted elsewhere because there was no other exchange of this type in the country.

(Paragraph 9.17)

XXVII. Excess payment of central excise duty

Rural Automatic Exchange (RAX) and Integrated Line and Trunk (ILT) Exchange of 512 ports capacity procured by DOT were exempted from excise duty in excess of 15 **per cent** *ad valorem* subject to furnishing a certificate signed by an officer not below the rank of Deputy Director General (DDG) in DOT to the effect that the goods in question were required for rural telecommunication network and would not be used for any other purpose. Failure to furnish the above certificate by Andhra Pradesh, Kerala and Tamil Nadu Telecom Circles resulted in Department paying excise duty at higher rates resulting in excess payment of Rs 37.24 lakhs.

(Paragraph 9.18)

XXVIII. Extra expenditure on procurement of telephone instruments

DOT proposed to procure 5 lakh electronic push button telephone instruments for meeting requirement for six months commencing January 1992. The Tender Evaluation Committee (TEC) recommended, in January 1992, the unit rate of Rs 521 for an ordered quantity of one lakh and above and Rs 526 for an ordered quantity below one lakh. But DOT on the plea of maintaining smooth supply, procured 2.42 lakh instruments only at Rs 521 each and 2.85 lakhs at Rs 539 from 8 firms, the ordered quantity in each case being below one lakh. The supplies by these 8 firms were made after the scheduled delivery dates (delay ranged from 3 months to more than 6 months) thus defeating the basic purpose of timely procurement. Allowing higher rates, Department's objective was not served but resulted in an extra expenditure of Rs 51.30 lakhs.

(Paragraph 9.19)

XXIX. Avoidable expenditure in purchase of land

For constructing a divisional telecommunication office and staff quarters at Dhenkanal the Chief General Manager, Telecommunications, Bhubaneshwar (CGMT) approached a local landowner (who was a Central Minister) in December 1986, for help in securing about 2 acres. The landowner offered to sell 3.641 acres of his own land at a total cost of Rs 18.20 lakhs. Departmental instructions provide for such land purchase through direct negotiations subject to the valuation being certified by land revenue authorities.

The Department however preferred to acquire the land through the Land Acquisition Officer which ultimately cost Rs 33.35 lakhs. The award amount of Rs 19.18 lakhs was accepted by the landowner under protest. In the lawsuit which followed, the court decreed further compensation including solatium resulting in further payment of Rs 10.32 lakhs and State Government had to be paid Rs 3.85 lakhs as contingency charges. In addition to this the Department had to incur over Rs 4 lakhs extra on land filling due to the depth of the land being 5.5 feet instead of 3 feet shown initially by the Department.

(Paragraph 9.21)

SECTION I - DEPARTMENT OF POSTS

CHAPTER 1

ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

1.1 Functions

The Department of Posts is primarily responsible for transmission of mail and money.

The Department also discharges certain agency functions for the Government of India in running postal savings banks and other small savings schemes, postal life insurance, collection of customs duty on postal articles from abroad, disbursement of pension to 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 (UPU) and of the Asian Pacific Postal Union (APPU). The Department of Posts runs four Foreign Post Offices (FPOs) at Bombay, Calcutta, Madras and New Delhi to handle international mail and also five sub-FPOs at Ahmedabad, Bangalore, Cochin, Jaipur and Srinagar for the convenience of users.

1.2 Organisation

The Department of Posts forms a part of the Ministry of Communications. The management of the Department vests in the Postal Services Board. The Board has three Members holding the portfolios of Operations, Development and Personnel, one Financial Adviser and a Chairman who is also the Secretary to the Government of India in the Department of Posts. The Board directs and supervises the management of the Postal Services Board in the country with the assistance of eighteen Deputy Directors General in the Directorate General of Posts.

As on 31 March 1993 there were 152037 Post Offices in the country. Of this, 135754 were in rural areas and 16283 in urban areas. The categories of Post Offices (numbers within brackets) are Head Post Offices (834), Departmental Sub-Post Offices (24818) and Extra Departmental, Sub or Branch Post Offices (126385). There are in addition 549 Sorting Offices, 448 Record Offices, 46 Postal Stores Depots, 19 Circle Stamps Depots, 5 Postal Training Centres, a Postal Staff College and 63 dispensaries. The Post Offices and other Offices have been grouped under 19 Postal Circles assisted by 40 Regional Directorates controlling 440 Postal Divisions and 68 Railway Mail Service Divisions.

1.3 Manpower

(i) The personnel of the Department continued to be the largest resource in the Indian Postal System: the Department is highly labour-intensive. Salaries constitute a sizeable percentage of the total working expenses. The staff strength of the Department of Posts from 1990 to 1994 was as under:

Table 1.3(i) Number of employees

(Figures in lakhs)

As on 31 March	Departmental employees	Extra Departmental employees	Total
1990	2.87	2.98	5.85
1991	2.93	2.99	5.92
1992	2.91	3.05	5.96
1993	2.90	3.06	5.96
1994	2.90	3.07	5.97

(ii) The expenditure on pay and allowances, conveyance of mails and printing of stamps, Post Cards and stationery during the last five years was as under:

Table 1.3 (ii) Revenue expenditure

Category	1989-90	1990-91	1991-92	1992-93	1993-94
				(Rs in crores)	
(a) Pay and allowances, contingencies, interim relief, etc.	952.05	1004.60	1106.22	1246.83	1439.41
(b) Pensionary charges	110.18	150.31	182.28	203.64	227.43
(c) Stamps, Post Cards etc.	42.23	34.77	38.81	45.77	45.69
(d) Stationery and printing etc.	18.93	23.41	25.74	18.50	22.51
(e) Conveyance of mails (Payments to Railways and air mail carrier)	58.07	55.92	105.37	78.95	68.66

1.4 Postal traffic

The actual volume of traffic handled by the Department during 1993-94 vis-a-vis the projected traffic was as under:

Table 1.4 Postal traffic

Item	1993-94 Projected	1993-94 Actual
	(in lakhs)	
- Post Cards	33766	5315
Acknowledgements		654
- Registered		
- letter	2696	2727
- parcels	262	
- Letter cards (Inland)	29194	8131
- Printed card	45064	1499
letter		12871
- Money order	987	1092
Telegraphic money order		24
- Newspaper (single)	7238	1735
Newspaper (bundle)		474
- Book pattern and sample packets	8195	1356

Item	1993-94	
	Projected	Actual
	(in lakhs)	
- Printed books	-	556
- Other periodicals	-	370
- Parcels	1069	622
- Value payable letters	56	
and parcels	33	76
- Insured letter	58	68
and parcels		25
- Speed Post	-	54
- Indian Postal Order	-	226

Table 1.4 indicates the general downward swing over projected estimates in traffic of most of the items except in the case of money order. In case of Post Card and Acknowledgement, Letter card (Inland), Printed card and letter, Newspaper, Book pattern and sample packets and Parcels the actual traffic was down substantially compared to the projected traffic. This wide gap between the projected traffic and actual traffic highlights the flaws in the assessment methods of the Department of the projected traffic.

1.5 Earnings from postal services and costs

The average per unit cost and per unit revenue realisation from the different postal services rendered during the year 1993-94 is given below:

Table 1.5 Per unit gain/loss in operation of postal services

Services	Per unit cost (in paise)	Per unit revenue (in paise)	Unit loss(-) gain(+) (in paise)	Total loss/gain	
				Loss (Rs in crores)	Gain
- Post Card	156.87	15.00	- 141.87	75.40	-
- Registered letter and parcel	990.34	600.00	- 390.34	106.45	-
- Letter card (Inland)	160.93	75.00	- 85.93	69.87	-
- Money order	1328.04	1167.63	- 160.61	17.54	-

- Newspaper (single)	204.99	25.34	- 179.65	31.17	-
- Parcel	1939.75	1646.25	- 293.50	18.26	-
- Indian Postal Order	628.85	118.90	- 509.95	11.52	-
- Printed card	145.76	60.00	- 85.76	12.86	-
- Newspaper (bundle)	263.21	46.36	- 216.85	10.28	-
- Value payable letter and parcel	631.46	281.23	- 350.23	2.66	-
- Other periodicals	307.46	152.00	- 155.46	5.75	-
- Acknowledgement	139.28	100.00	- 39.28	2.57	-
- Letter	194.91	212.93	+ 18.02	-	23.19
- Book pattern and sample packets	220.06	207.19	- 12.87	1.75	-
- Speed post	1457.67	4264.31	+2806.64	-	15.16
- Insured letter and parcel	1336.02	1477.53	+ 141.51	-	0.96
- Telegraphic money order	1554.60	1367.63	- 186.97	0.45	-
- Printed books	277.79	155.64	- 122.15	6.79	-
Total				373.32	39.31

The Department incurred a net loss of Rs 334.01 crores on different postal services in 1993-94.

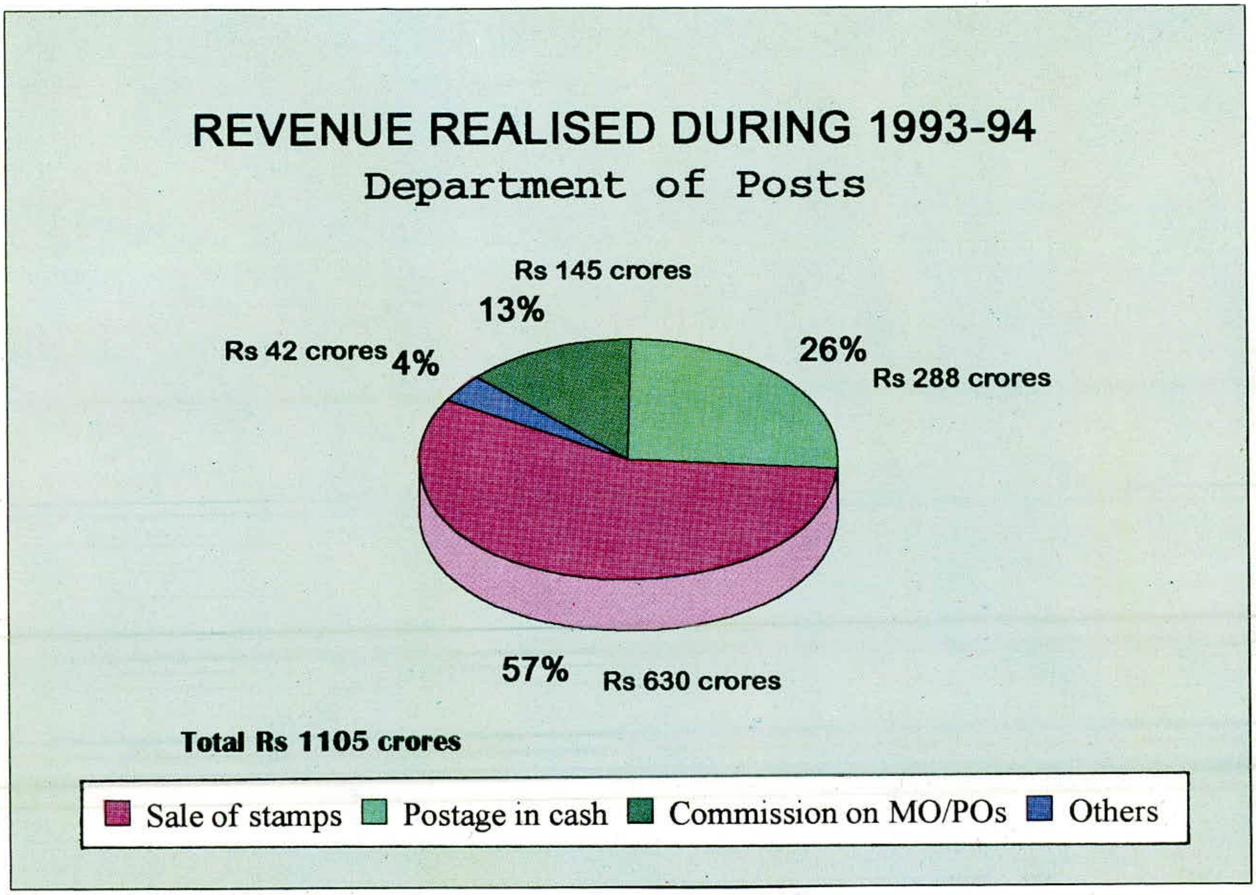
1.6 Revenue realisation

Revenue realisation during the five years ending 1993-94 is given below:

Table 1.6 Sources of revenue

Items	Gross revenue				
	1989-90	1990-91	1991-92	1992-93	1993-94
				(Rs in crores)	
- Sale of ordinary and service stamps (affixed on cards, letters, parcels, book post ordinary, registered and insured categories including speed post)	432	512	570	610	630
- Postage realised in cash (newspaper, franking machines at subscriber`s premises, pre-postage etc.)	134	173	201	268	288
- Commission on account of money orders and postal orders	106	111	126	136	145
- Net receipts from other postal services	30	22	25	34	04
- Other receipts (central recruitment fees, passport form fee etc.)	1	23	26	26	38
Total gross revenue	703	841	948	1074	1105

The increase in revenue receipts by Rs 31 crores during 1993-94 as compared to the previous year was mainly due to increase in volume of profit earning traffic and also partly due to decrease in certain loss making traffic as referred to in paragraph 1.4.


REVENUE REALISED DURING 1993-94
Department of Posts
Rs 145 crores
13%
Rs 42 crores 4%
26%
Rs 288 crores
57%
Rs 630 crores
Total Rs 1105 crores
Sale of stamps
Postage in cash
Commission on MO/POs
Others

1.7 Financing of expenditure/source of funds

The capital and revenue expenditure of Rs 57.08 crores and Rs 1866.79 crores respectively in 1993-94 from Grant no.14 on postal services referred to in Chapter 2 of this Report on the Appropriation Accounts, were financed as follows:

Capital Major Head 5201-Capital Outlay on Postal Services

	(Rs in crores)
- Amount of depreciation on historical costs transferred from revenue	8.00
- Capital recoveries on account of sale or abandonment of assets etc.	0.01
- Net budgetary support from the Capital head	49.07
Total Capital expenditure	57.08

Revenue Major Head 3201-Postal Services

- Recovery on account of cost of agency functions, commission for services rendered, audit and accounts etc. recovered and taken as reduction in expenditure	554.53
- Net budgetary support from the Revenue head	1312.26
Total Revenue expenditure	1866.79

The main reasons for shortfall in expenditure under capital head in relation to the grant approved are given in Chapter 2 of this Report.

As on 31 March 1994, the cumulative capital outlay on postal services stood at Rs 564.63 crores. Of this, Rs 529.51 crores was on administrative offices, land and residential buildings and postal network i.e., Post Offices and RMS buildings.

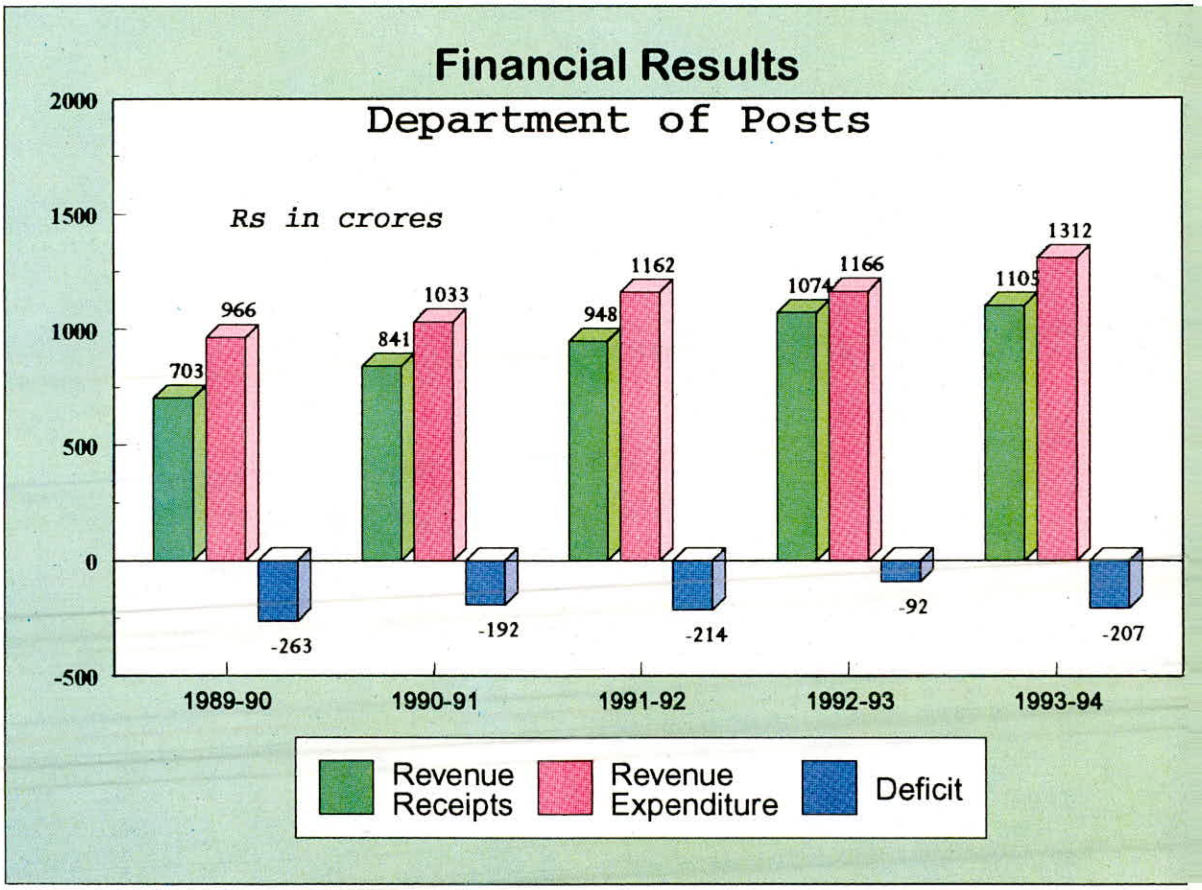
1.8 Operating results

The Indian postal system was, by and large, covering its cost till 1963-64. Thereafter, except for 1979-80 the Department has been having a deficit every year. The growth of revenue expenditure vis-a-vis receipts and the operating ratio (percentage of revenue expenditure to revenue receipts) for the last five years are given below:

Table 1.8 Working results of the postal department

Year	Revenue receipts	Increase(+)/ decrease(-) over the previous year	Revenue expenditure	Increase over the previous year	Revenue deficit	Operating ratio(Percentage of expenditure to receipts)
				(Rs in crores)		
1989-90	703	(-)39	966	54	263	137.4
1990-91	841	138	1033	67	192	122.8
1991-92	948	107	1162	129	214	122.6
1992-93	1074	126	1166	04	92	108.6
1993-94	1105	31	1312	146	207	118.7

The increase in deficit during the year 1993-94 as compared to the previous year was mainly due to marginal increase in revenue receipts and substantial increase in revenue expenditure. The revenue expenditure during 1993-94 increased substantially due to sanction of additional Dearness Allowance, Interim relief with effect from September 1993, pensionary charges as a result of treating some portion of Dearness Allowance as pay for the purpose of pensionary benefits and increase in the ceiling of emoluments for the purpose of eligibility for productivity linked bonus and also due to increase in allowance to extra departmental employees with effect from January 1994.


Financial Results
Department of Posts
Rs in crores
2000
1500
1000
500
0
-500
703
966
-263
841
1033
-192
948
1162
-214
1074
1166
-92
1105
1312
-207
1989-90
1990-91
1991-92
1992-93
1993-94
Revenue Receipts
Revenue Expenditure
Deficit

1.9 Agency functions

The agency functions performed by the Department on behalf of the Ministry of Finance cover running of Postal Life Insurance Scheme and Post Office Savings Banks under various schemes, namely Savings Accounts, Recurring Deposit Accounts, Time Deposit Accounts, National Savings Accounts Scheme, Monthly Income Accounts Scheme, Public Provident Fund*, Indira Vikas Patras, Kisan Vikas Patras and National Savings Certificates-Eighth Issue.

The moneys received and paid out are accounted for under the Public Account. The balances reflected in the Finance Account (under the Public Account heads) are given below:

Table 1.9(i) Deposits under savings bank/postal life insurance scheme

Head of Account	Amounts outstanding as on 31 March				
	1994	1993	1992	1991	1990
			(Rs in crores)		
8001 - Savings Deposits					
-101 Post Office savings bank deposits	16606 (469)*	15000 (416)	13851 (466)	10908 (647)	7817 (476)
-103 Fixed and time deposits	2980 (14)	2716 (13)	2860 (15)	2972 (55)	3830 (57)
-104 Cumulative time deposits	2 (76)	108 (77)	202 (77)	270 (83)	383 (67)
-105 Post office recurring deposits	4307 (509)	3631 (439)	3094 (414)	2638 (385)	2255 (334)
8006 - Public Provident Funds**					
-101 Public Provident Funds (Postal part)	698 (5)	466 (3)	301 (4)	190 (2)	102 (1)
8002 - Savings Certificates					
-101 Post Office certificates	43430	38708	35783	33341	27520
8011 - Insurance and Pension Funds					
-101 Postal Insurance Life Annuity Fund	1289	1079	902	779	645

* (The number of savings accounts in lakhs are given in brackets)

** Public Provident Funds are handled by other agencies like banks also.

The Department renders agency functions and gets remuneration for the services at rates fixed from time to time by the Ministry of Finance based on number of transactions. Rs 368.97 crores were recovered as remuneration on this account during 1993-94.

1.10 Adverse balances in Finance Accounts

In the Finance Accounts, the adverse balances under the following debt, advance and deposit heads require investigation and rectification by the Department.

Table 1.10 Adverse balances in debt, advance and deposit heads

Head of Account	Amount outstanding as on 31 March				
	1994	1993	1992	1991	1990
			(Rs in thousands)		
- 7610-800 Other advances	7641 (Cr)	7431 (Cr)	7262 (Cr)	2916 (Cr)	4977 (Cr)
- 8002-102 State saving certificates	1390 (Dr)	870 (Dr)	-	-	-
- 8002-104 Defence saving certificates	315077 (Dr)	268844 (Dr)	273732 (Dr)	208896 (Dr)	54577 (Dr)
- 8002-106 National Development Bonds	9255 (Dr)	4830 (Dr)	-	-	-
- 8443-111 Other departmental deposits	223 (Dr)	1026 (Dr)	320 (Dr)	232 (Cr)	477 (Cr)

The Department stated in December 1994 that instructions had been issued to the Circle Postal Accounts Offices to liquidate the balances at the earliest. The adverse balances are persisting despite being brought out in successive Audit Reports.

1.11 Advances from Public Account

Postal advances from the Public Account given out by the Department are seen to be very heavy as the table below indicates:

Head of Account	Amount outstanding as on 31 March				
	1994	1993	1992	1991	1990
	(Rupees in thousands)				
8553-101 Postal Advances	6117353	5241056	4716113	4580999	4244533

During the year 1993-94, the disbursement of postal advances amounted to Rs 582.22 crores and receipts amounted to Rs 494.59 crores. The net advances outstanding for recovery as on 31 March 1994 stood at Rs 611.74 crores. The outstanding advances under this head are increasing year after year and remain outside the Consolidated Fund of India. Despite a comment made in this regard in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1991 to 1993, Union Government (Posts and Telecommunications), heavy outstanding balances under the head 8553-101 Postal Advances await adjustment.

1.12 Follow up on Audit Reports

The Lok Sabha Secretariat issued instructions in April 1982 to all the Ministries requesting them to furnish notes indicating remedial/corrective action taken by them to the Ministry of Finance (Department of Expenditure) on the various paragraphs contained in the Reports of the Comptroller and Auditor General of India. Such notes are required to be submitted specially for paragraphs which are not selected by the Public Accounts Committee for detailed examination.

A mention regarding non-submission of Action Taken Notes' (ATN) on the paragraphs which appeared in the Audit Reports of the Comptroller and Auditor General of India, Union Government (Posts and Telecommunications) for the years ended March 1987 to March 1992 was made in the Report of the Comptroller and Auditor General of India for the year ended March 1993 and subsequently followed up. However, a review of the ATNs on the observations contained in the Audit Reports for the year ending March 1989 to March 1993 revealed that the Ministry has not submitted (November 1994) such notes in respect of 11 paragraphs for final vetting as shown below.

Audit Report Number and Year	Paragraph No.	Subject
9 of 1990	2	Philatelic Services
7 of 1991	5	Fraudulent payment of higher rent for office accommodation
7 of 1992	4.4	Procurement of medicines
7 of 1993	3.2	Unused staff quarters
7 of 1994	1	Organisational set-up and financial management
	2	Appropriation Audit and Control over expenditure
	3.1	Postal staff college and postal training centres
	3.2	Internal check organisation

"	4.1	Non-implementation of plan for de-dusting plants
"	4.2	Vacant staff quarters at Nagpur
"	4.3	Delay in procurement of a machine for converting left-over paper

The matter was referred to the Ministry in December 1994; their reply was awaited.

CHAPTER 2

APPROPRIATION AUDIT AND CONTROL

OVER EXPENDITURE - GRANT NO.14

2.1 The summarised Appropriation Accounts of Department of Posts i.e. expenditure against approved demands (grants and appropriations) for the year 1993-94 are given below:

Table 2.1.1 Grant no.14

	Grant/ Appropriation	Expenditure	Excess(+) Saving(-)
Revenue		(Rs in crores)	
Voted	1849.99	1866.79	16.80
Charged	0.01		(-) 0.01
Capital			
Voted	67.23	57.08	(-)10.15
Total	1917.23	1923.87	6.64

Excess expenditure of Rs 16.80 crores under Revenue - voted grant requires regularisation by Parliament.

The recoveries adjusted in reduction of gross expenditure given above and amounts transferred are given in paragraph 1.7 of Chapter I of this Report.

Some of the notable activities where significant portion of the provision was not spent or where money was spent significantly in excess of the provision are given below :

Table 2.1.2

		Provision	Actual expenditure	Saving(-) Excess(+)
Revenue			(Rs in crores)	
Major Head 3201 Postal services				
	A.1 General Administration			
(i)	A.1(1) Direction and administration	7.36	6.18	(-) 1.18
	A.2 Operation			
(ii)	A.2(3) Mail sorting	190.78	181.56	(-) 9.22
(iii)	A.2(4) Conveyance of mails	189.92	172.38	(-)17.54
(iv)	A.2(5) Mechanisation and modernisation	2.00	0.36	(-) 1.64
	A.4 Accounts and Audit			
(v)	A.4(2) Accounts	42.12	39.74	(-) 2.38
	A.5 Engineering			
(vi)	A.5(1) Maintenance	25.10	23.28	(-) 1.82
	A.6 Amenities to staff			
(vii)	A.6.1(3) Dispensaries	14.68	13.90	(-) 0.78
(viii)	A.6.1(5) Payment under CGHS Scheme	4.00	3.27	(-) 0.73
	A.7 Pension			
(ix)	A.7(1) Superannuation and retirement allowances	131.40	131.04	(-) 0.36
(x)	A.7(2) Commuted value of pension	24.00	21.35	(-) 2.65
(xi)	A.7(4) Gratuities	27.00	23.01	(-) 3.99
	A.8 Stationery and Printing			
(xii)	A.8(1) Post Cards, Envelops and Stamps etc.	48.48	45.69	(-) 2.79
(xiii)	A.8(2) Stationery and forms printing storage and distribution	32.80	26.58	(-) 6.22
	A.1 General Administration			
(xiv)	A.1(2) Control and Supervision	107.98	108.71	(+) 0.73
	A.2 Operation			
(xv)	A.2(2) Postal network	862.90	931.66	(+) 68.76
	A.3 Agency services			
(xvi)	A.3(1) Banking and Life Insurance	71.21	72.51	(+) 1.30
(xvii)	A.3(2) Other services	-	0.45	(+) 0.45
(xviii)	A.7(6) Family pension	51.44	51.91	(+) 0.47

The savings were mainly due to:

Item	
(i), (ii),	less expenditure as a measure of economy and
(iii) and	non-receipt of anticipated claims for
(v)	conveyance of mails;
(iv)	less expenditure due to non-materialisation of schemes;
(vi)	less expenditure due to non-receipt of maintenance bills and economy instructions;
(vii) and	economy measures, less payment of medical
(viii)	supply bills, receipt of fewer claims than anticipated;
(ix), (x)	less number of pension cases received than
and (xi)	anticipated and delay in receipt of orders regarding computation of 20 **per cent** Dearness Allowance (DA) as part of emoluments for the purpose of calculating gratuities; and
(xii) and	receipt of less claims than anticipated from
(xiii)	Government Presses at Nasik and Hyderabad.

The excess was mainly due to:

(xiv)	payment of interim relief and increase in the ceiling for payment of bonus;
(xv)	expansion of speed post services in more areas, opening of more Post Offices in rural areas and non

acceptance of claims by the Department of Telecommunications;

(xvi) excess was mainly due to more payment to clearing offices, sanction of interim relief and enhancement of bonus ceiling;

(xvii) non-provision of funds for the "Mahila Samridhi Yojana"; and

(xviii) transfer of less charges to the Department of Telecommunications as a result of changes in accounting procedure and increase in number of pensioners and DA to pensioners.

Table 2.1.3

	Provision	Actual expenditure	Saving(-) Excess(+)
Capital	(Rs in crores)		
Major Head 5201			
AA - Capital Outlay on Postal services			
(i) AA.3 Mechanisation and modernisation	33.96	7.24	(-)26.72
(ii) AA.7 Civil engineering stores suspense	2.00	(-)2.17	(-) 4.17
(iii) AA.2 Postal net work	24.27	34.94	(+)10.67
(iv) AA.4 Administrative offices	1.25	3.14	(+) 1.89

(v) AA.5 Staff quarters	5.25	13.60	(+) 8.35

The savings were mainly due to :

Item

(i) slow pace of implementation of the modernisation of postal services scheme and delay in receipt of claims from suppliers; and

(ii) less payment against credit purchases and more issues to works than anticipated.

The excess was mainly due to:

(iii) to (v) escalation in the cost of construction work and non-stopping of works due to contractual obligations.

2.2 Injudicious re-appropriations

2.2(i) The supplementary funds sought and the re-appropriation orders issued in the month of March 1994 for augmenting the funds under the following heads of account were found unnecessary as the actual expenditure did not come up to even the original provision:

Table 2.2(i)

Head of Account		Original grant	Supplementary/ Re-appropriation	Actual expenditure
Revenue		(Rs in crores)		
Major Head 3201				
A.6	**Amenities to staff**			
(i)	A.6(1)(3) Dispensaries	14.45	0.55	13.90
A.7	**Pension**			
(ii)	A.7(4) Gratuities	25.00	2.00	23.01
A.8	**Stationery and Printing**			
(iii)	A.8(1) Post Cards, envelopes, stamps, etc.	48.48	0.45	45.69

In reply to a similar comment which appeared in the Report of the Comptroller and Auditor General of India, Union Government, (Posts and Telecommunications), No. 7 of 1993, the Ministry stated in January 1993 that all concerned in the Department have been suitably instructed to avoid such situations in future. The deficiency was again pointed out in the Report No.7 of 1994 but the deficiency is persisting. This is indicative of defective budgeting and lack of adequate control over expenditure.

2.2(ii) The supplementary funds sought and the re-appropriation orders issued on 28 March 1994 for augmenting the funds under the following heads of account were found insufficient as the actual expenditure exceeded even the final grant:

Table 2.2(ii)

Head of Account		Original grant	Supplementary/ Re-appropriation	Final grant	Actual expenditure
Revenue			(Rs in crores)		
Major Head 3201					
A. Postal services					
A.1 General Administration					
(i) A.1(2)	Control and Supervision	101.27	6.92	108.19	108.71
A.2	**Operation**				
(ii)A.2(2)	Postal network	777.03	105.95	882.98	931.66
A.7 Pension					
(iii) A.7(6)	Family pension	42.00	9.44	51.44	51.91
Capital					
Major Head 5201					
AA - Capital outlay on Postal services					
(iv) AA.1	Training	-	0.10	0.10	0.34
(v) AA.2	Postal network	24.27	7.92	32.19	34.94

Variations between actual expenditure and budget estimates in a number of cases mentioned in this chapter show that the budget estimates were not prepared realistically. A more careful and realistic approach is required while framing budget estimates and seeking supplementary grants/re-appropriation of funds.

2.3 Expenditure incurred without funds

An expenditure of Rs 45 lakhs was incurred and booked under the Head 3201-A.3(2) other services. Under this head neither the funds were provided originally nor were made available by re-appropriation. The Department stated that the excess expenditure was mainly due to late introduction of "Mahila Samridhi Yojana", (a Yojana meant exclusively for adult rural women) and consequent delay in its accounting decision. Department's explanation is not convincing as the Mahila Samridhi Yojana was introduced in October 1993 (a date before March 1994) but the Department did not make any re-appropriation while issuing orders on 28 March 1994.

The matter was referred to the Ministry in December 1994; their reply was awaited.

CHAPTER 3

PERFORMANCE REVIEWS

3.1 Mechanisation and Modernisation of Postal Services

3.1.1 Introduction

During the Sixth Five Year Plan(1980-85) the Department of Posts (DOP) initiated a modest plan for mechanisation and modernisation in postal services with a budgetary allocation of Rs 3.65 crores. As a first step towards this direction, the DOP set up its Research and Development (R&D) Wing in 1983 with a view to provide the basic infrastructure for modernising the working of Post Offices. Modernisation schemes relating to installation of Cash Registers (273), Stamp Cancellation Machines (20), Bag Washing Plants (3) and Conveyor (1) were also executed during this plan period.

The Department proposed an ambitious scheme estimated to cost Rs 91.47 crores in the draft Seventh Five Year Plan (1985-90) under "Mechanisation and Modernisation of Postal Services" in order to equip some of the Post Offices in the country handling very large number of transactions. The final allocation, however, as approved by the Planning Commission on the scheme was Rs 39 crores but DOP could utilise Rs 4.17 crores against a revised outlay of Rs 10.40 crores. The principal objective in the Eighth Plan was to transform the postal system into a modern one with necessary technological inputs and to introduce new services based on modern technology. The allocation in the Eighth Plan period on the scheme is Rs 138.30 crores.

The schemes/projects taken up/to be taken up during Seventh and Eighth plan periods are given in the succeeding paragraphs.

3.1.2 Scope of Audit

A review of the Modernisation scheme in DOP was conducted by Audit with a view to evaluate the progress of implementation of the various modernisation programmes during the Seventh and Eighth Five Year Plans including the Annual Plans 1990-91 and 1991-92.

3.1.3 Organisational set up

The organisational set up for the modernisation programme was as under:

Branch	Headed by	Overall control
R&D	Director (R&D)	Member (Operations)
Savings Bank	Deputy Director General (SB)	Member (Development)
Postal Life Insurance	Director PLI	Member (Development)

3.1.4 Highlights

- **The modernisation schemes during 1985-93 could not take off and consequently there was 80 per cent underutilisation of annual allocations and resultant shortfalls in achievement of targets.**

- **An expenditure of Rs 60 lakhs on renovation of accommodation for installation of Automatic Integrated Mail Processing System (AIMPS) in Bombay proved infructuous due to change of location for installing the system. The system installed at a cost of Rs 20 crores was underutilised to the extent of 80 per cent due to Post Card, Inland Letter Card and Envelope (Letters) not being redesigned with international barcodes. As a result, avoidable expenditure of Rs 29.54 lakhs per annum was**

being incurred on manual sorting of remaining quantum of mail in Bombay.

- **A computer system costing Rs 12.51 lakhs installed in August 1986 at the Postal Directorate, New Delhi handling International Mail Accounting had become obsolete due to misuse and lack of supervision.**

- **Computer based 40 multi purpose counter machines (MPCMs) received in September 1993 at a cost of Rs 17.60 lakhs in Bihar Circle could not be installed because of resistance from staff union and was awaiting diversion.**

3.1.5 Objectives

The objectives as set forth in the modernisation scheme were to reduce the waiting time of the customers at the counter by providing prompt and efficient service and to save the operator (employee) from monotony and drudgery of manual work.

3.1.6 Targets and achievements

The postal service has a network of nearly 1.53 lakh Post Offices (POs) of which 1.36 lakhs are in rural areas (March 1993).

During the Seventh Five Year Plan, the following schemes were proposed to be taken up under mechanisation and modernisation programme:

(i) Development of multi purpose counter machines (MPCM).

(ii) Digital weighing machines.

(iii) High speed electrical as well as manual franking machines

(iv) Automatic sorting projects at Bombay, Calcutta, Delhi and Madras

(v) High speed stamp cancelling machines

(vi) Portable containers and fork lifts for power mail

(vii) Vending machines

(viii) Electronic data processing

(ix) Bag dedusting equipments

(x) Conveyors

(xi) Departmental printing press

(xii) Seals and stamps factory

(xiii) Creation of infrastructure in R&D

(xiv) Regional workshop for postal machines

(xv) Electronic mail

As all the tasks involved in the modernisation scheme meant heavy capital outlay, the Department decided to cover only urban POs under the modernisation scheme initially.

3.1.7 Financial outlays and actuals

3.1.7.1 Seventh Five Year Plan : The estimated cost of mechanisation and modernisation schemes was pegged at Rs 91.47 crores against which a provision of Rs 39 crores was agreed to by the Planning Commission in the Seventh Five Year Plan. However, the revised Plan outlays as reflected in the Annual Plans for the five year period, was, further slashed to Rs 10.40 crores on the basis of the performance of the Department. The Department could utilise Rs 4.17 crores only during the Seventh Plan (1985-90) which was 40.1 **per cent** of the revised Plan outlay.

The financial outlays and actuals for the Seventh Plan (1985-90) and for the Annual Plan period of 1990-91 and 1991-92 on mechanisation and modernisation were as under:

(Rupees in crores)

Year	Annual Plan Outlay	Revised Plan Outlay	Actuals	Percentage of utilisation with reference to annual plan outlay	Percentage of utilisation with reference to revisedplan outlay
1985-86	7.60	3.51	0.76	10.00	21.65
1986-87	2.50	2.50	1.74	69.60	69.60
1987-88	2.00	0.90	0.59	29.50	65.55
1988-89	11.90	1.78	0.20	1.68	11.24
1989-90	15.00	1.71	0.88	5.87	51.46
1990-91	15.00	2.18	1.02	6.80	46.79
1991-92	23.58	14.09	1.85	7.85	13.13
Total	77.58	26.67	7.04	9.1	26.4

The Department failed to utilise fully even the substantially reduced annual outlays in the Annual Plans. The percentage of utilisation of the annual allocation during 1985-92 ranged between 1.68 and 69.60 of the original capital outlay and between 11.24 and 69.60 of the revised outlay. The percentage of utilisation of funds was 9.1 and 26.4 with reference to the original and revised Seventh Plan outlays respectively. This indicated very slow pace of modernisation. Apparently, the initial investment proposed by the Department in their draft plan was overambitious and did not take into account the Department's capability to implement the schemes.

A review of achievements during the Seventh Plan revealed that only a beginning was made in this direction with introduction of elementary aids like multi-purpose counter machines, bag dedusting equipment, digital weighing machines etc. Out of 15 schemes/ projects listed for implementation during Seventh Plan period, it was noticed by Audit, very few could take off. A project for installation of integrated mail sorting system undertaken at Bombay did not make much headway during the Seventh Plan. Computerisation of Postal System was, however, introduced on a modest scale during this period.

The physical targets and actuals with regard to introduction of elementary mechanical aids were as under:

(In numbers)

Year	Targets	Actuals	Shortfall	Percentage of achievement
1985-86	3	--	3	Nil
1986-87	163	48	115	29.45
1987-88	225	154	71	68.44
1988-89	115	--	115	Nil
1989-90	2621	58	2563	2.21
1990-91	3133	262	2871	8.36
1991-92	4000	102	3898	2.55
Total	10260	624	9636	6.08

The Seventh Plan performance in introduction of elementary mechanical aids was not a success story. Only 260 mechanical aids (8.3 **per cent**) could be installed against the targets of 3127 during the Seventh Plan (1985-90). The position was no better as regards the achievement during the annual plan period of 1990-91 and 1991-92, the achievement being 8.36 and 2.55 **per cent** respectively. The shortfall in the targets thus led to substantial underutilisation of funds provided.

3.1.7.2 Eighth Five Year Plan : During the Eighth Five Year Plan, the following schemes were proposed to be taken up under the modernisation programme:

(i) installation of 10000 MPCM

(ii) Introduction of mechanised sorting machines in three more metropolitan cities in addition to commissioning of the machines at Bombay

(iii) Transmission of money order in 75 centres through satellite link

(iv) Computerisation of administrative offices and Savings Bank operations in major Post Offices

(v) Modernisation of Postal Stores Depots/Regional Forms Depots

The financial and physical targets and actuals during the first two years of the Eighth Five Year Plan were as under:

Financial targets

Year	Annual Plan Outlay	Revised Plan Outlay	Actuals	Percentage of utilisation w.r.t. Revised Outlay	Percentage of utilisation w.r.t.original
		(Rupees in crores)			
1992-93	34.28	23.26	15.26	67.85	44.52
1993-94	35.50	15.44	N.A.	--	--
Total	69.78	38.70			

Physical targets

Name of Scheme	Five Year Plan	1992-93			1993-94		
	Targets	Targets	Actuals	Shortfall	Targets	Actuals	Shortfall
I. MPCM	5000	750	Nil	750	1000	250	750
II. Mechanised sorting	3 metros	1 metro	Nil	1	1	1	--
III. Money transfer through satellite	75 stations	Formulation of Scheme	Scheme formulated	--	Working 75 locations	6	69
IV. Track & Trace system	20	No target	Nil	--	No target	Nil	--
V. Machine engraved hand stamp canceller	25000	No target	Nil	--	10000	6000	4000

Even during the first two years of the Eighth Five Year Plan, there was no appreciable improvement in achieving the targets. Only 25 **per cent** of Computer based MPCMs and 8 **per cent** of projects for Money transfer through satellite could be commissioned during this period.

3.1.8 Analysis of schemes

3.1.8.1 Letter Sorting Mechanisation - Automatic Integrated Mail Processing System

3.1.8.1.1 Sanction of scheme : The mechanised sorting system consists of bar coding of the postal index number coded (pin coded) mails on the basis of the pin code and sorting of the mails by electronic sorting system which can read the bar codes. The Expenditure Finance Committee (EFC) approved in October 1988 the proposal for installation of an Automatic Integrated Mail Processing System (AIMPS) at General Post Office (GPO) Bombay South at a cost of Rs 16.91 crores. The project was scheduled to be commissioned by July 1990. As per projections, the system would handle 4.37 lakhs of machineable mail on its commissioning. The project was sanctioned on the basis of matching savings in operational cost to the tune of Rs 46.66 lakhs **per annum**. The Department did not make any provision towards depreciation and interest on the capital cost and the cost of post-warranty maintenance of Rs 12 lakhs **per annum** while working out the economic viability of the scheme.

3.1.8.1.2 Project Execution: DOP entered into an agreement with Computer Maintenance Corporation (CMC) a Public Sector Company in November 1989 at a cost of Rs 25 lakhs for providing consultancy to implement AIMPS in Bombay GPO from the stage of preparation of global tender upto trial run and commissioning of the equipment within a period of two years. The project was to be completed by September 1991.

On the basis of global tenders invited in March 1990 three vendors were shortlisted, and after negotiations, the Department accepted (January 1991) the offer of a Belgium firm at 100.962 million BFr equivalent to Rs 5.99 crores, besides Indian component of Rs 41.06 lakhs including agent's commission of Rs 11.20 lakhs. The proposed location of the system was, however, shifted from Bombay South GPO which was situated in a congested location to Airport Sorting Office (APSO), Santa Cruz, Bombay North for smooth movement of mail. In the meanwhile, a portion of the GPO building was renovated at a cost of Rs 60 lakhs to house the system but it could not be utilised for the purpose for which it was intended due to change of location for installation of AIMPS which indicated lack of proper planning.

DOP obtained approval of Ministry of Finance in November 1991 for financing the import of the equipment. Agreement was signed with the firm in January 1992 for supply of the system consisting of two high speed Letter Sorting Machines (LSM), each capable of handling 30000 letters per hour. The supply of the equipment at site was completed by December 1992 and the system was commissioned in March 1993 after a delay of 18 months. This resulted in the payment of additional fee of Rs 5 lakhs to CMC.

3.1.8.1.3 **Performance of the system:** Acceptance Test (AT) of the system commenced in February 1993 and was conducted for 30 days. The Department had assessed in August 1991 that at APSO, the system would handle 9.88 lakhs of mail daily i.e. about 50 **per cent** out of a total traffic of 19.57 lakhs articles per day. However, during the period of AT, the total volume of mail processed was 0.34 lakh articles on an average per day. Thus the Department failed to test the performance of the system under the optimum live mail conditions.

DOP issued AT for the system in March 1993 eventhough the error rate of one of the parameters, viz. mechanical rejects was 136 **per cent** above specification. The supplier attributed the poor performance of the system to the conditions of Indian mail.

As per the specifications, the system should handle a volume of 12.60 lakh letters per day with three shifts of seven hours each. However, it was noticed that during the period from April 1993 to June 1994 it could sort on an average only 2.58 lakh items of machineable mail per day while the flow into the system averaged 3.81 lakh articles per day, average percentage of rejection being about 32.3 as against the supplier's specification of 0.5 **per cent**. The high percentage of rejection was attributed to mail not conforming to the required specifications like size, dimension, weight, absence/incorrect address, pin code in the specified space and not keeping the space blank for enabling bar coding. Thus AIMPS was procured without first catering for the standardisation of Post Card, Inland Letter Card and Envelope (Letter) so as to enable it to be fed for machine sorting. A deficiency in this implies persistent low utilisation of the machine capacity. Due to non-standardisation of postal stationery to the requirement of the system, the capacity utilisation of the system was only 20 **per cent** of the rated capacity. Besides, considering the projected quantum of machineable mail even at 9.88 lakhs per day, DOP had been incurring an avoidable expenditure of Rs 29.54 lakhs **per annum** on manual sorting of the remaining quantum of machineable mail.

3.1.8.1.4 **Standardisation of mail:** Eventhough DOP was aware of the fact that for mechanised sorting, Inland Letter Cards (ILCs) should be redesigned to be closed on all sides, it failed to take advance action to introduce ILCs with the required specifications. A trial with a small quantity for redesigned ILCs was carried out only in November 1993 and the Project Director reported that the quantity of 192 ILCs was inadequate to test the performance. DOP was yet to introduce redesigned ILCs to suit mechanised sorting as of May 1994. The number of ILCs handled by the Department constituted 28.6 **per cent** of the total traffic of 2901 million of unregistered articles (1992-93). Had the Department taken timely action in this regard it could have substantially increased the volume of mail available for mechanised sorting to enhance the productivity of the system.

3.1.8.2 Computerisation of International Mail Accounting (IMA):

The Postal Services Board (PSB) approved in April 1985 computerisation of IMA. An indigenous mini-computer system costing Rs 12.51 lakhs was procured from a private firm and installed in August 1986 at the Postal Directorate, New Delhi and work of development of software was also entrusted to them.

IMA consisted of modules for accounting of Airmail, Surface Mail, Parcel Post, Money Order Exchange and Financial accounting. Out of the five modules, software for Airmail accounting only was developed in August 1986. This module consisted of 9 sub-modules. Out of these one sub-module was utilised by DOP upto December 1989 only. The underutilisation of the system was attributed to shortage of trained staff and non-supply of software by the supplier. The computer system went out of order in 1989 due to misuse and lack of supervision.

DOP failed to repair the system immediately and initiated action in April 1991 only to bring it back into operation. The firm which had supplied the system quoted Rs 0.50 lakh for rectifying the system, on which no decision was taken by the Department. Consequently the system became irreparable and obsolete. In October 1993 it was proposed to replace it by a new computer and to utilise old line printer on new computer and the rest of the machine was to be sold as scrap.

Thus lack of proper planning and monitoring resulted in a loss of Rs 12.51 lakhs eventually defeating the results sought from the system.

3.1.8.3 Other topics of interest

(i) In Bihar Circle, computer based 40 MPCMs costing Rs 17.60 lakhs were received by September 1993. However, these could not be installed because of resistance from the staff unions and these were awaiting diversion.

(ii) As per DOP's instructions issued in March 1991 POs having less than three mechanised counters should not be provided with MPCM standby units. In deviation from these instructions, standby units were provided in 8 HPOs in Vishakapatnam region which were having less than three mechanised counters. This resulted in idling of eight standby units and consequent blocking up of capital of Rs 3.52 lakhs.

(iii) As per above instructions one mechanised counter would replace two manual counters. But in the Tamil Nadu Circle these instructions were not followed. Prior to installation of computer based MPCMs at Madras GPO and Anna Road HPO, 15 and 8 manual counters were in operation respectively. Even after the installation of 9 MPCMs in March 1991 in Madras at a cost of Rs 3.60 lakhs, manual counters above the norms were allowed to function.

To sum up:

Though the scheme of Modernisation was taken up in 1980, not much headway has been made even after 14 years in implementation of the various schemes. Thus, the total Plan outlay provided for the scheme in the Seventh Five Year Plan, two Annual Plans of 1990-91 and 1991-92 and the first year of Eighth Plan amounts to Rs 111.86 crores, against which the actual expenditure has been only Rs 22.30 crores. In financial terms, 80 **per cent** shortfall in achievement, suggests that the necessary modalities and other requirements to carry out various modernisation schemes in a coordinated way were not fully analysed and appreciated by the Department. Even this limited outlay on mechanised sorting and computerised accounting have been far from effective or productive. In particular AIMPS suffered from such snags. As regards the impact of the schemes already introduced, the Department has not conducted any evaluation to determine the level of customer satisfaction or achievement of overall efficiency.

3.2 Construction of Meghdoot Bhawan at New Delhi

3.2.1 Introduction

The Post Master General now Chief Post Master General (CPMG), Delhi Circle proposed, in April 1976, construction of a multistoreyed office building (Meghdoot Bhawan) at Jhandewalan on a plot of land purchased in 1960. Accordingly a project estimate was sanctioned by the Director General, Posts and Telegraphs (now Department of Posts) in 1980-81. The administrative approval and expenditure sanction (AAES) was accorded in February 1981 at an estimated cost of Rs 2 crores with the stipulated date of completion as June 1981. For award of contract the work was divided into two packages viz. pile foundation and superstructure at a total cost of Rs 2.02 crores. The building was, however, completed in February 1989 at a cost of Rs 4.29 crores (expenditure booked till February 1994, the accounts are still open).

3.2.2 Execution of work

3.2.2.1 **Pile foundation**: The estimated cost was Rs 33.77 lakhs. The notice inviting tender (NIT) for the work was floated in February 1982. Two firms submitted tenders. The work was awarded to the lowest tenderer in June 1982 at a negotiated cost of Rs 62.81 lakhs, which was 85.95 **per cent** above the estimated cost put to tenders. The time allowed for completion was nine months i.e. by April 1983. The work was, however, completed in January 1986 at a cost of Rs 1.42 crores. The contractor was granted extension of time for delay of about 3 years which was mostly attributable to the lapses on the part of the Department.

It was observed by Audit that the preliminary estimates framed by the Civil Wing in December 1980, on the basis of which the AAES was accorded in February 1981, were based on certain assumptions regarding soil conditions at the site. The detailed soil investigation report was received in August 1980 and was followed by another report in March 1981. The original design of the foundation and the building were finalised on the basis of these assumptions, even though the Chief Engineer (Civil) had already indicated to PMG in September 1981 that these did not hold good.

Originally, it was assumed that a raft foundation over hard rock would be possible at the site. But, it was found that the sub strata consisted of fissured rocks of highly varying depths and very high sub-soil water level and thus raft foundation was not possible. Further detailed explorations were carried out and it was decided to provide encased short bored piles to support the multistoreyed structure. Consequently, the design of the foundation and the entire structural analysis of the building had to be completely redone (September 1981) and the entire computer analysis for the structure was carried out again by IIT, New Delhi on account of the change in parameters.

Despite all this, the contract for pile foundation was awarded in February 1982. It was only during the execution of the work that the Civil Wing realised, in August 1982, that the assumptions made earlier in the design were in-correct and also observed that underground sewer and unfiltered water pipes running across the site needed to be realigned. Before the revision of the layout plan for the pile foundation the Civil Wing had already constructed 23 piles out of 92 provided in estimate incurring an expenditure of Rs 1.91 lakhs. These piles could not be utilised subsequently in the new structure and the expenditure was infructuous.

3.2.2.2 **Super structure**: The estimated cost was Rs 1.10 crores. Tenders for the work relating to the superstructure were called for in August 1984 and the work was awarded at a cost of Rs 1.39 crores to a firm in April 1985 for completion in 24 months i.e. by April 1987. The work however could not proceed further smoothly due to delay in completion of pile foundation work and non-revalidation of the plans by the New Delhi Municipal Committee (NDMC). As per NDMC, the drawings accepted by them about two years back, needed modification, in accordance with the changed bye laws regarding floor area ratio. The building was, however, completed in February 1989 (as against the target date of June 1981) after a delay of 92 months at a cost of Rs 2.38 crores (February 1994).

The main reasons for the delay were delay in supplying drawings and designs, non-availability of cement and steel and delay in award of the work as recorded by the Civil Wing while granting extension of time to the contractor.

3.2.3 Time and cost overrun

As against the initial target of June 1981, the building was completed in February 1989 i.e. after about 8 years.

Also, against the original sanctioned cost of Rs 2 crores, the total expenditure brought to accounts as at the end of March 1994 was Rs 4.29 crores indicating an overall cost overrun of 114.74 **per cent**. The main reasons for the time and cost overrun were (i) diversion of unfiltered water and sewer line (Rs 10.42 lakhs), (ii) changes in design (Rs 20.44 lakhs), (iii) deviation in pile foundation work (Rs 41.02 lakhs), and (iv) prolongation of the period of construction by nearly 8 years and inclusion of certain extra items subsequently necessitated during execution of the work.

3.2.4 Delay in occupying building after completion

The building though completed in February 1989 with carpet area of 54856 sq ft and basement area of 22263 sq ft was taken over by CPMG after 11 months in January 1990 only. The delay in taking over of the building was attributed to delay in obtaining water and electricity connections which were provided in December 1989 and January 1990 respectively. The electricity connection though applied for in August 1986 was not sanctioned due to non-revalidation of plan by NDMC, as a certificate from the Chief Fire Officer was not furnished and was obtained only in September 1989.

The matter regarding filtered water connection was also taken up very late, only in July 1988.

It was observed by Audit that the Department had to incur an avoidable expenditure of Rs 27.21 lakhs on rent for continuing its offices in rented buildings during these eleven months and further delay of 5 to 6 months in shifting of offices from the rented buildings even after taking over the new building.

Incidentally two halls, one on the 8th floor and the other on the 10th floor of the building (total covered area 4660 sq ft) are still lying vacant and unutilised for over four years (March 1994). In reply to an Audit query the Assistant Director (Estate-I), NDMC, New Delhi stated in December 1994 that the market rent prevailing during 1990-94 in Palika place complex which is in the vicinity of Meghdoot Bhawan, ranged between Rs 22.50 to Rs 28 per sq ft per month. Thus, the notional rent for the two vacant halls on an average works out to Rs 14.47 lakhs **per annum** or Rs 61.49 lakhs for more than 4 years (March 1994).

The matter was referred to the Ministry in September 1994; their reply was awaited as of December 1994.

CHAPTER 4

OTHER TOPICS

4.1 Loss in sale of waste paper

Department of Posts (DOP), New Delhi directed the Chief Postmaster General (CPMG) Tamil Nadu Circle, Madras in March 1991 to enter into contract with Shri A for a period of six months for sale of old records and sweepings at the concessional rate of Rs 1.25 per kg without inviting tenders on the plea that he was handicapped. These orders were issued with the concurrence of Internal Finance. Accordingly all the postal divisions in Tamil Nadu Circle entered into a contract with Shri A in May 1991. When the Director of Accounts (DOA) Postal, Madras intimated DOP in April 1991 that on the basis of tenders invited, the quoted rates per kg ranged between Rs 6.82 and Rs 16.38, DOP instructed DOA, Madras in June 1991, in consultation with Internal Finance that the Circles might dispose of the old records and sweepings at the higher rates. This decision was, however, not communicated to the postal divisions by DOA, Madras.

DOP issued orders in May 1992 for extending the period of contract for one year with Shri A and subsequently cancelled these orders in September 1992. They further directed the CPMG, Madras in January 1993 to honour the contracts entered into on the basis of May 1992 orders with him. Meanwhile, 199 tonnes of waste papers and sweepings were disposed of at Rs 1.25 per kg to him between June 1991 and September 1992. This resulted in an undue favour to the Delhi-based individual. Had the entire stores been sold even at the lowest offer of Rs 6.82 per kg, a minimum loss of Rs 11.10 lakhs to the Department could have been avoided.

The Ministry stated in August 1994 that the contract was awarded to Shri A being handicapped based on the orders issued by Ministry of Finance (MOF) in November 1989 which emphasized consideration of offers from handicapped persons for disposal of old records. The Ministry further added that the tenders could not be called for as no handicapped person would have submitted his tender.

The reply is not tenable on the grounds that if the handicapped persons were to be given sympathetic consideration, tenders could have been called for from such persons by giving wide publicity in the local newspapers. The contention of the Ministry that no handicapped person would have submitted his tender is not a fact but a presumption. And in any case a part of the contract could have been given to handicapped persons at the highest rates. Further the cited orders of MOF did not state that normal tendering procedure was not to be followed in such cases.

4.2 Construction of Head Post Office building at Cuttack

Administrative approval and expenditure sanction (AAES) for construction of a new Head Post Office (HPO) building at Chandni Chowk, Cuttack at an estimated cost of Rs 16.72 lakhs was accorded by the Post Master General (PMG) Orissa Circle, Bhubaneshwar in September 1983. The old two storeyed building constructed in phases during 1915-16 and 1967-72 was to be demolished.

The contract for the construction of the new HPO building was awarded to a firm in April 1989, for completion in 18 months i.e. by November 1990. The four storeyed new HPO building, with a basement, was, however, completed in July 1993, 10 years after AAES, at a total cost of Rs 76.91 lakhs (January 1994).

Audit analysis of the work carried out during June and July 1994, brought out that the inordinate delay in awarding the work was due to the following specific lapses:

(i) The Senior Architect, Postal Civil Circle Calcutta, (SAC) took more than 17 months (September 1980 to February

1982) for preparation of preliminary drawings and another 16 months (September 1983 to January 1985) for finalising detailed working drawings as against the permissible time of five and three months respectively.

(ii) The Superintending Engineer, Postal Civil Circle, Bhubaneshwar (SEC) took 7 months for preparation of preliminary estimates as against one month.

(iii) The SEC took another 16 months for preparation of the detailed estimate and finalisation of the notice inviting tenders (NIT).

(iv) The delay in getting the required approval from the Cuttack Development Authority accounted for nearly 24 months. Also the PMG took 10 months in approving the preliminary drawings received from SAC and forwarding them to SEC for preparation of preliminary estimate.

Even after award of the construction work, there had been further delay in completion of the building by nearly 33 months mostly due to departmental reasons, like delay in handing over of site, non-availability of cement etc. The Department, therefore, had to grant extension of time to the contractor upto July 1993 without levy of any compensation, and in addition to pay escalation charges of Rs 2.02 lakhs out of Rs 7.57 lakhs claimed by the agency. The final bill for Rs 6.44 lakhs inclusive of remaining escalation charges of Rs 5.55 lakhs was however, still under scrutiny in the division for payment.

Thus as against the original sanctioned cost of Rs 16.72 lakhs in September 1983 for this building project the total expenditure incurred and brought to account till January 1994 was Rs 76.91 lakhs indicating a cost overrun of 360 **per cent** and a time overrun of more than eight years.

However, the revised AAES issued in December 1993 was for Rs 49.94 lakhs only.

The matter was referred to the Ministry in November 1994; their reply was awaited as of December 1994.

4.3 Non utilisation of staff quarters-defective planning

Postmaster General (PMG) Rajasthan Circle, Jaipur, purchased, in March 1980 a plot of land measuring about 2 acres for Rs 3.06 lakhs in Ajay Nagar extension area, Ajmer, for construction of 60 staff quarters. In February 1980, the site was certified by Divisional Superintendent, Director Postal Service as suitable for the purpose.

Construction of 36 quarters was completed in August 1984 and 24 quarters in August 1985 at a combined cost of Rs 36.61 lakhs. The quarters, however, could not be allotted to the employees at that time due to lack of potable water and electricity supply.

The Public Health Engineering Department, Ajmer provided water connection in July 1988 by laying an additional pipe-line for which the Department paid Rs 3.63 lakhs in March 1987. A sub station and power line were erected by Rajasthan State Electricity Board (RSEB) on payment of Rs 0.97 lakh in February 1988, but electrification of staff quarters was further delayed for want of non-completion of internal fittings. The electricity supply could be provided by RSEB in February 1993. The quarters were allotted in March-June 1993 to the employees.

Thus as a result of defective planning, the quarters remained unoccupied for about 8 years thereby depriving the employees of their use and further an expenditure of Rs 3.06 lakhs was incurred for carrying out special repairs etc. to the houses necessitated by the damages sustained by the houses during their long period of unoccupation. Further there was blocking of capital of Rs 39.67 lakhs for about nine years. Besides the

Department suffered loss of Rs 13.93 lakhs by way of licence fee foregone and payment of house rent allowance to employees from September 1984 to February 1993.

The matter was referred to the Ministry in May 1994; their reply was awaited as of December 1994.

SECTION II - DEPARTMENT OF TELECOMMUNICATIONS

CHAPTER 5

ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

5.1 Functions of the Department

The main functions of the Department of Telecommunications (DOT) are planning, engineering, installation, operation, management and maintenance of voice and non-voice Telecommunication services all over India and with other countries. The Department is also responsible for frequency allocation and management in the field of radio communications in close co-ordination with the International bodies. It enforces wireless regulatory measures and monitors wireless transmissions of all users in the country.

The Department, forms a part of the Ministry of Communications. The management of the Department vests in the Telecommunication Commission with four full-time and four part-time members and a Chairman who are all of the rank of Secretary to the Government of India. The following public sector undertakings also function under the overall administrative control of the Department:

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

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

(iii) Mahanagar Telephone Nigam Limited (MTNL), New Delhi, which manages and operates the telephone and telex services at Delhi and Bombay.

(iv) Telecommunication Consultants India Limited for providing technical and management consultancy services in the field of Telecommunication in India and abroad.

(v) Videsh Sanchar Nigam Limited (VSNL), Bombay, for operating, maintaining and developing India's International Telecommunication Services.

5.2 Operating ratio

The operating ratio i.e. the ratio of working expenses to the revenue earned increased from 53.9 **per cent** in 1992-93 to 64.2 **per cent** in 1993-94. This shows a rise in operating cost by 10.3 **per cent** during the year indicating a marked decline in financial performance.

5.3 Growth in telephone traffic and capacity

The growth in both domestic and International traffic during the year 1993-94 over the last three years is indicated below:

Table 5.3 Growth in telephone traffic

	1990-91	1991-92	1992-93	1993-94
- No. of telephone metered call units (in crores)*	2389.7	2978.4	4415.1	4672.4
- No. of Direct Exchange Lines (DEL) telephones (in thousands)	5074.2	5809.9	6797.0	8025.6
- No. of metered calls per DEL	4709.0	5126.4	6495.7	5822.3
- No. of effective trunk calls (in crores)**	17.9	25.1	20.6	16.2
- Telephone paid minutes in international trunk calls (in crores)***	36.9	47.4	61.4	74.3

* Includes subscriber dialled trunk calls inland and international

** Excludes subscriber dialled trunk calls

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

5.4 Fall in telegram and telex traffic

There was substantial fall in telex traffic during the year 1993-94 as indicated below:

Table 5.4 Decline in telex traffic

	1990-91	1991-92	1992-93	1993-94
- No. of telex metered call units (in crores)	47.05	45.12	38.86	33.74
- No. of telex calls per working line	10046	9282	7921	7154
- No. of inland telegrams booked (in crores)	5.89	5.77	5.98	6.05

There has been a steady downward trend in the telex traffic in the last four years. The telex traffic which stood at 47.05 crores metered call units during the year 1990-91 has come down to 33.74 crores metered call units during the year 1993-94. Suitable studies are called for to bring down the cost of providing telex services and to realise optimum revenue from the investment. A similar suggestion was also made in paragraph 5.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1991, Union Government (Posts and Telecommunications). Action taken by the Department in this regard is yet to be intimated (November 1994).

5.5 Revenue receipts

In recent years telecommunication tariff was revised upwards in December 1986, April 1988, April 1990, June 1992 and April 1993. The receipts of the Department during the year 1993-94 vis-a-vis receipts during the preceding three years are given below;

Table 5.5 Trends in revenue receipts

Major Head	1990-91	1991-92	1992-93	1993-94
		(Rs in crores)		
- Telephone rentals and call charges	2474	3025	3762	4964
- Telex rental and call charges	76	81	94	85
- Telegram receipts	81	78	67	72
- Rent of wires and instruments leased to Railways, Canals and others etc.	160	159	85	270
- Receipts from other telephone/telegraph administrations	768	351	1	635
- Receipts from Mahanagar - Telephone Nigam Limited - (MTNL)	585	555	478	585
- Other receipts including application/registration fee for new services	71	66	317	365
- Less payments to other telephone/telegraph administrations	(-)810	(-)440	(-) 46	(-)881
Total	3405	3875	4758	6095

5.6 Increase in capacity and utilisation of telephone connections

The availability of telephone connections in the country and their utilisation by DOT as at the end of last four years is given below (The figures for the four metropolitan cities, of which two are covered directly by the Department and two by MTNL are also included):

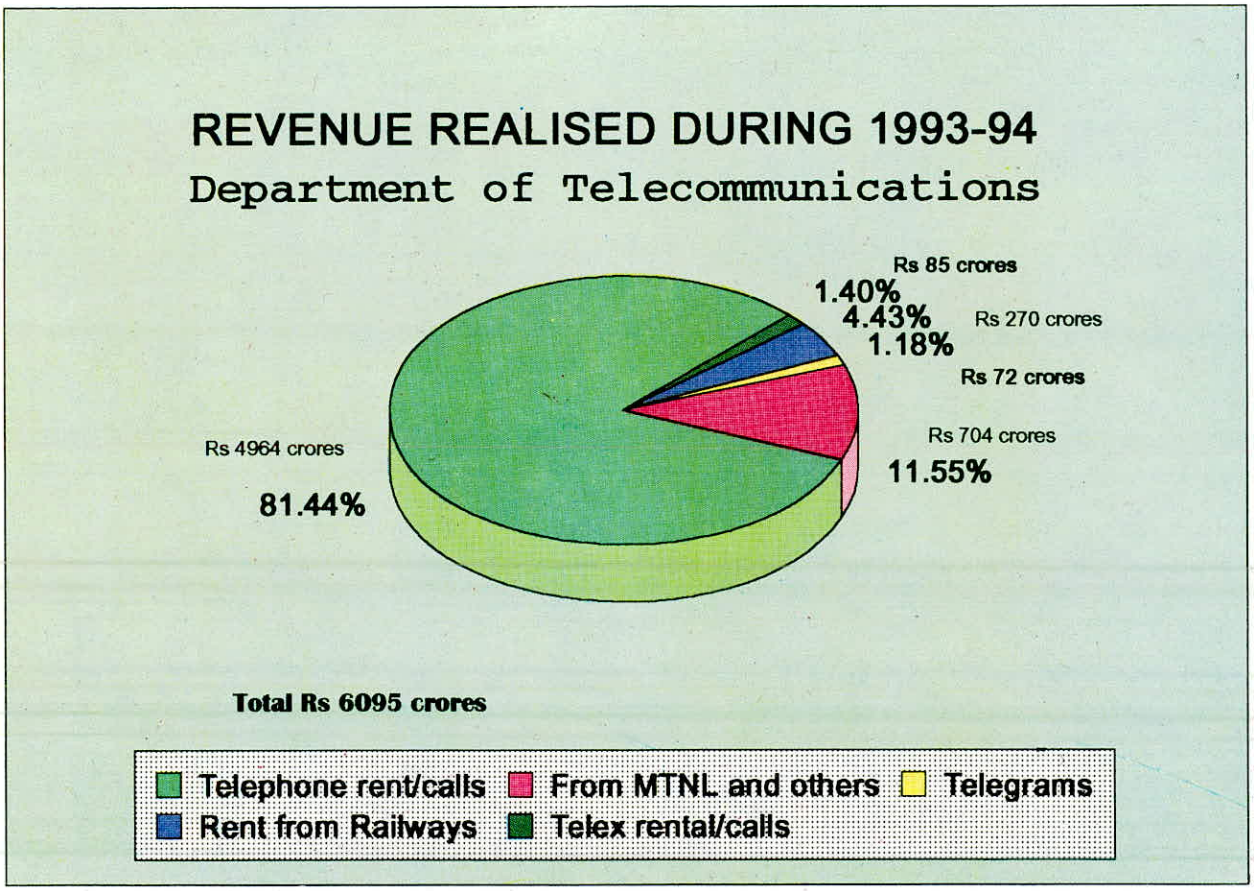

REVENUE REALISED DURING 1993-94
Department of Telecommunications
Rs 85 crores
1.40%
4.43%
Rs 270 crores
1.18%
Rs 72 crores
Rs 704 crores
11.55%
Rs 4964 crores
81.44%
Total Rs 6095 crores
Telephone rent/calls
From MTNL and others
Telegrams
Rent from Railways
Telex rental/calls

Table 5.6 Utilisation of telephone capacity

Year	Equipped capacity of DOT (in lakh lines)	Working connections of DOT (in lakh lines)	Percentage utilisation of equipped capacity by DOT	Percentage utilisation of equipped capacity in Metros: Bombay	Calcutta	Delhi	Madras
1990-91	58.24	50.75	87.1	88.71	83.77	85.66	92.93
1991-92	67.83	58.09	85.6	88.36	84.17	85.43	91.88
1992-93	79.68	67.97	85.3	93.06	89.24	86.37	90.01
1993-94	97.95	80.25	81.9	89.64	85.37	85.52	87.96

The overall utilisation of telephone capacity in DOT shows a declining trend. The capacity utilisation which was 87.1 **per cent** in the year 1990-91 has come down to 81.9 **per cent** at the end of 1993-94. Though, with the introduction of C-DOT and E-10-B system exchanges in many parts of the country (including four metropolitan cities) the utilisation of telephone capacity should be on the higher side, yet there is downfall in utilisation of capacity. Even the capacity utilisation in metropolitan cities, two of which are being managed by MTNL shows the decline in performance. The feasible utilisation level has been prescribed by DOT as 92 **per cent**. This was maintained by MTNL Bombay during 1992-93 and by Madras during the year 1990-91. By utilisation of equipped capacity to optimum of 92 **per cent**, the Department could have provided 9.86 lakh additional connections without further investments and thereby enhance the rate of return on investment thus decreasing the waiting list by about 40 **per cent** as of March 1994.

5.7 Demand satisfaction for telephones

Between March 1991 and March 1994 the number of applicants on the waiting list increased from 19.61 lakhs to 24.97 lakhs as detailed below:

Table 5.7 Demand satisfaction

As at the end of March	Bombay	Calcutta	Delhi	Madras	Other stations	Total
				(in lakhs)		
1991	2.31	0.41	2.97	0.73	13.19	19.61
1992	2.13	0.44	3.17	0.92	16.24	22.90
1993	2.11	0.62	3.40	1.09	21.23	28.45
1994	0.93	0.49	2.51	0.90	20.14	24.97

The average annual addition to the waiting list is 1.8 lakhs. Though there is some improvement in the clearance of waiting lists in four metropolitan cities yet there is no significant improvement in meeting of demand for new connections in other stations. Provision of facilities in this revenue earning activity has not kept pace with the demand.

5.8 Plans for expansion

The targets for expansion of telecommunication facilities and achievement during 1993-94 vis-a-vis the two preceding years are given below:

Table 5.8 Development plans

Item	1991-92		1992-93		1993-94	
	Targets	Achievement	Targets	Achievement	Targets	Achievement
- Switching capacity (lakh lines)	9.5	9.58	11.44	11.86	15.44	18.27
- Direct exchange lines (lakh lines)	7.0	7.35	8.5	9.87	11.00	12.29
- Coaxial cables (route km)	1595	1483	1000	1112	800	848
- Microwave system (route km)	3000	3198	3200	2578	3500	3383
- UHF system (route km)	2420	4224	3000	5710	6000	4822
- Optical fibre system (route km)	4934	2151	3500	3586	4200	6442
- Telex exchanges	50	22		18		7
- Telex lines						
Local	3084	1775	3534	3274	3118	2132
Transit	2074	1114	2288	1708	1714	648

The targets for the various telecommunication facilities are fixed by DOT. The achievement of targets for the year 1993-94 fixed for Microwave system, UHF system and telex lines has not been achieved. There is need to set targets realistically.

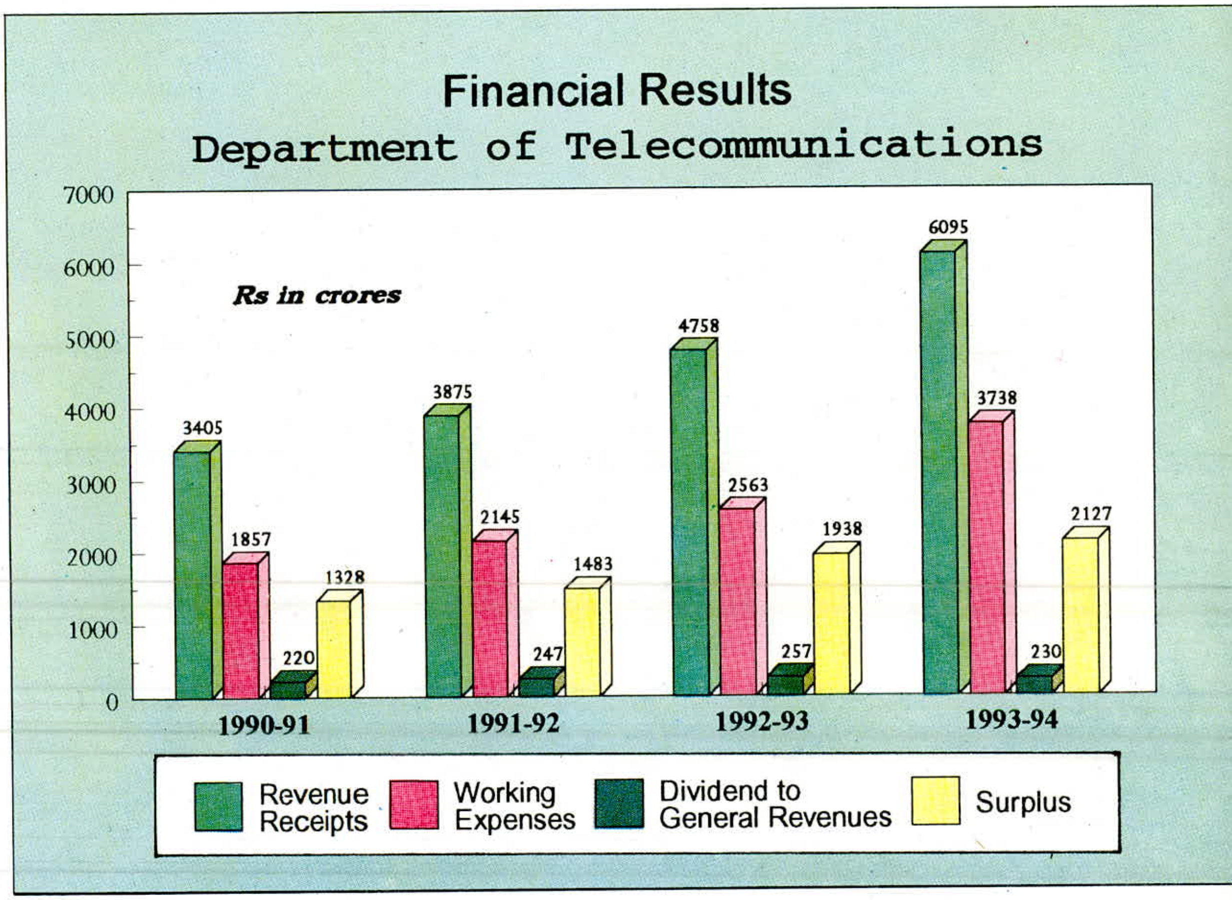
5.9 Financial results

Working results of the Department in the year 1993-94 and the previous three years are given below:

Table 5.9 Financial performance

	1990-91	1991-92	1992-93	1993-94		
				Budget estimates	Revised budget estimates	Actuals
			(Rs in crores)			
- Revenue receipts	3405	3875	4758	6527	6531	6095
- Net working expenses	1857	2145	2563	3714	3848	3738
- Dividend to General Revenues (Interest)	220	247	257	261	263	230
- Gross working expenses	2077	2392	2820	3975	4111	3968
- Surplus	1328	1483	1938	2552	2420	2127

During the year 1992-93, there was an increase in the surplus to the tune of Rs 455 crores representing an increase of 30.68 **per cent** over the previous year. But, during the year 1993-94, the increase in surplus is only Rs 189 crores representing 9.75 **per cent** increase over the previous year. This shows a decline in the increase of surplus to the extent of Rs 266 crores during the year 1993-94 as compared to the previous year. The actual surplus also fell down by Rs 425 crores than anticipated in the budget estimate.


Financial Results
Department of Telecommunications
Rs in crores
7000
6000
5000
4000
3000
2000
1000
0
3405
1857
220
1328
3875
2145
247
1483
4758
2563
257
1938
6095
3738
230
2127
1990-91
1991-92
1992-93
1993-94
Revenue Receipts
Working Expenses
Dividend to General Revenues
Surplus

5.10 Financing

The capital and revenue expenditure of Rs 4771.04 crores and Rs 6598.32 crores in 1993-94 in Grant no.15 on Telecommunication Services referred to in Chapter 6 of this Report were financed as follows:

Capital Major Head 5225-Capital Outlay on Telecommunication Services

(Rs in crores)

(i)	Amount transferred from revenue account towards depreciation	776.12
(ii)	Appropriation from surplus to Capital Reserve Fund and drawing the same amount from the fund	2116.52
(iii)	(a) Return of loan by MTNL directly taken as minus capital expenditure	21.70
	(b) Capital receipts of OYT deposits and other schemes appropriated	21.50
	(c) Capital receipt from deposits on leased telecom services	0.05
	(d) Capital receipts of telex deposits	0.31
	(e) By using interest bearing deposits received from MTNL for Telecom projects by transferring it as minus capital expenditure	1700.00
(iv)	Capital receipts of Tatkal Telephone scheme deposits appropriated	(-) 0.15
(v)	Capitalised stores issued from past years' purchases under:	
	(a) General stores	10.10
	(b) Factory stores	3.45
	(c) Civil engineering stores	4.74
	(d) Stores sold/written off	1.49
	(e) Manufacturing suspense	3.08
(vi)	Net budgetary support from the Capital head	112.13
	Total Capital expenditure	4771.04

Revenue Major Head 3225-Telecommunication Services

(i)	Recoveries on account of sale of stores sold, overhead charges and amount met from Revenue Reserve Fund etc. adjusted in deduction of Working Expenses	463.45
(ii)	Expenditure on Telecommunication Services met from budget	3678.02
(iii)	Revenue Major Head 3230-101 Dividend to General Revenues, met from budget	230.33

(iv)	Revenue Major Head 3231-101- from budget by appropriation of P&T Surplus to Capital Reserve Fund	2071.52
(v)	Revenue Major Head 3231-102- from budget by appropriation of P&T Surplus to Revenue Reserve Fund	55.00
(vi)	Revenue Major Head 3275-Other Communication Services - grants-in-aid to C-Dot, and ITI met from budget	100.00
	Total Revenue Expenditure	6598.32

The repayment of loans of Rs 21.70 crores by MTNL made during the year accounted as deduction under capital expenditure (Major Head 5225) instead of crediting the amount to the loan head of account (7225-190). As a result the outstanding balance of loans has been overstated and the capital expenditure has been correspondingly understated.

An amount of Rs 1700 crores was received from MTNL as interest bearing deposits for financing telecommunication projects during 1993-94. While this was credited under deposit head, simultaneously an equivalent amount was shown as disbursement under the head by transferring the same as deduction under capital expenditure (Major Head 5225). As a result the capital expenditure has been understated and the liability to repay deposits has not been exhibited in the Finance Accounts.

Irregularities of similar nature were mentioned in the Reports of the Comptroller and Auditor General of India, Union Government (Posts and Telecommunications) for the years ended 31 March 1991, 1992, and 1993, but the irregularities were persisting.

5.11 Finance Accounts

The adverse balances under following heads of account due to misclassification are persisting in the Finance Accounts for the year 1993-94:

Head of Account	Amount (Rs in lakhs)
(a) 8005 State Provident Fund	
a(i) 01-Civil-102 Contributory Provident Fund (1985-86)	104.09 (Debit)
a(ii) 60-Other Provident Fund	
a(ii)(1) 101-Workmen's CP Fund (1985-86)	135.89 (Debit)
a(ii)(2) 102-Contributory Provident Pension Fund (1977-78)	6.75 (Debit)
(b) 8336-Civil Deposits	
b(i) 101-Security Deposits (1977-78 and earlier)	0.78 (Debit)
(c) 7475-Loans for other communication services	
c(i) 103-Loans to consumer co-op societies (1988-89 and earlier)	3.09 (Credit)

Out of five items of adverse balances two relate to the year 1977-78 and earlier and two relate to the year 1985-86 and one relates to the year 1988-89. While each item of adverse balance needs in-depth scrutiny and liquidation at the earliest, the Department has not taken any perceptible action to liquidate these adverse balances. The deficiency was pointed out in para 4.11 of the Report of the Comptroller and Auditor General of India, Union Government (Posts and Telecommunications) for the year ended 31 March 1992 and in November 1993 and again in December 1994. Details/Report of action taken by the Department to liquidate the adverse balances were awaited as of December 1994.

5.12 Follow up on Audit Reports

The Lok Sabha Secretariat issued instructions (April 1982) to all the Ministries requesting them to furnish notes indicating remedial/corrective action taken by them to the Ministry of Finance, (Department of Expenditure) on the various paragraphs contained in the reports of the Comptroller and Auditor General of India.

A review of the "Action Taken Notes" (ATN) on the observations contained in the Audit Reports for the year ending March 1988 to March 1993 revealed that Ministry have not submitted (September 1994) ATNs in respect of 82 no. of paras for final vetting by Audit as shown in Appendix I.

A mention in this regard was also made in the Reports of the Comptroller and Auditor General of India, for the years ended March 1992 and March 1993, Union Government (Posts and Telecommunications) and subsequently followed up. The progress in submission of ATNs on pending audit paras of Audit is, however, not encouraging.

The matter was referred to the Ministry in November 1994; their reply was awaited as of December 1994.

CHAPTER 6

APPROPRIATION AUDIT AND CONTROL

OVER EXPENDITURE - GRANT NO.15

6.1 The expenditure of the Department of Telecommunications for the revenue portion under Grant no. 15 has been booked under major heads of accounts 3225, 3230, 3231, 3275 and the capital expenditure has been booked under major heads 5225 and 7225. The grants and appropriations given to the Department for the year 1993-94 and expenditure there against are given below:

Table 6.1.1 Grant no.15

	Grant/ Appropriation	Expenditure	Excess (+) Saving (-)
Revenue		(Rs in crores)	
Voted	7059.70	6598.28	(-)461.42
Charged	0.30	0.04	(-) 0.26
Capital			
Voted	5087.01	4771.04	(-)315.97
Charged	0.01	--	(-) 0.01
Total	12,147.02	11,369.36	(-)777.66

The recoveries adjusted in reduction of gross expenditure given above and amount transferred are given in paragraph 5.10 of chapter 5 of this Report.

Some of the main activities where significant portion of the provision was not spent or where money was spent significantly in excess of provision are given below:

Table 6.1.2

	Provision	Actual expenditure	Saving (-) Excess (+)
		(Rs in crores)	
Revenue			
Major Head 3225 - Telecommunication services			
A. General Administration			
A.1 Direction and Administration			
(i) A.1(1) P&T Directorate	15.94	10.46	(-)5.48
A.1(2) Control and supervision			
(ii) A.1(2)(1) Circle Offices	47.95	38.16	(-)9.79
(iii) A.1(2)(5) General Managers projects	23.71	3.83	(-)19.88
A.2 Operation			
(iv) A(2)(2)Telephone exchanges	293.38	277.25	(-)16.13
A.(2)(4) Telegraphs			
(v) A.2(4)(3) Amount transferred from Major head 3201-Postal services on account of telegraph share of combined office charges	70.60	0.66	(-)69.94
A.3 Stores and factories			
(vi) A.3(1)(2) Store depots	30.59	22.59	(-)8.00
(vii) A.3(4) Miscellaneous expenditure	(-)21.00	(-)95.65	(-)74.65
A.5 Engineering			
(viii) A.5(1) Training (Engineering)	27.95	20.32	(-)7.63
(ix) A 5(2)(2) Telecommunication Lines	131.09	123.00	(-)8.09
A.5(4) Petty works			
(x) A.5(4)(5) Telecommunication Engineering Centre	24.18	2.62	(-)21.56
A.9 Stationery and Printing			
(xi) A 9.(1) Stationery and forms printing storage and distribution	18.00	11.62	(-)6.38

A 10. Other Expenses

(xii)	A 10(3)(1) Interest on Bonds	673.00	629.16	(-)43.84
(xiii)	A 10(3)(5) Lease Charges	158.00	0.00	(-)158.00

Major Head-3230-Dividend to General Revenue

B. Dividend to general revenues

(xiv)	Dividend to general revenues	261.00	230.33	(-)30.67

Major Head 3231 - Appropriation from Telecommunications Surplus

C. Appropriation from surplus

(xv)	C.1 Appropriation to Telecommunication Capital Reserve Fund	2482.00	2071.52	(-)410.48
(xvi)	C.2 Appropriation to Telecommunication Revenue Reserve Fund	70.00	55.00	(-) 15.00

Major Head 3275 - Other Communication Services

D. Other Communication Services

D.1 Other Services

D.1(1) Other Expenditure

D.1(1)(1) Centre for Development of Telematics

(xvii)	D 1(1)(1)(1) Grants-in-Aid-C-DOT	70.00	60.00	(-)10.00

Major Head 3225 - Telecommunication Services

A. General Administration

A.1(2) Control and Supervision

(xviii)	A.1(2)(3) Telephone districts and divisions	98.44	111.60	(+) 13.16

A.5 Engineering

A.5(2) Maintenance

(xix)	A.5(2)(3) Apparatus and Plants	208.46	230.60	(+) 22.14
(xx)	A.5(2)(4) Establishment on maintenance	584.39	635.23	(+) 50.84

A.8(1) Pension

(xxi)	A.8(1) Superannuations and Retirement Allowance	84.74	93.63	(+)8.89

A.10(3) Other expenditure

(xxii)	A.10(3)(4) Redemption of Bonds	250.00	649.00	(+)399.00

Major Head 3275-Other Communications Services

D. Other Communications Services

D.1 Other Services

D.1(1) Other Expenditure

D.(1)(1)(1) Centre for Development of Telematics

(xxiii)	D-1(1)(2) Grants-in-Aid to Indian Telephone Industries	(Original) 0.00	40.00	(+)6.00
		(Supplementary) 34.00		

Capital

Major Head - 5225 Capital outlay

on Telecommunication services

(including wireless)

BB.1 Telegraph and Telex systems

(i) BB 1(2) Telex systems	96.08	44.94	(-)51.14

BB.2 Local telephone systems

(ii) BB.2(2) Telephone Exchanges Manual	57.03	29.67	(-)27.36

BB.3 Long distance switching systems

(iii) BB.3(1) Trunk automatic exchanges	86.20	46.91	(-)39.29
(iv) BB.3(3) Manual trunk exchanges	14.77	8.08	(-)6.69

BB.4 Long distance transmission systems

(v) BB.4(1) Co-axial cable systems	51.52	38.92	(-)12.60
(vi) BB.4(3) Microwave radio relay systems	492.97	306.77	(-)186.20
(vii) BB.4(4) UHF and VHF relay systems	470.77	144.46	(-)326.31

(viii) BB.4(5) Open wire and carrier systems	191.35	124.05	(-)67.30
(ix) BB.4(8) Satellite systems	43.00	13.24	(-)29.76
(x) BB.4(9) Optical fibre cable systems	487.23	417.83	(-)69.40

BB.5 Ancillary systems

(xi) BB.5(2) Training Centres	31.30	11.72	(-)19.58
(xii) BB.5(4) Stores Depots	21.68	1.38	(-)20.30
(xiii) BB.5(5) Telecommunication factories	15.35	2.43	(-)12.92
(xiv) BB.5(8) Telecommunication computer systems	24.60	16.33	(-)8.27
(xv) BB.5(9) Quality Assurance Circles	7.72	0.94	(-)6.78

BB.6 Other land and buildings

(xvi) BB.6(1) Administrative offices	34.66	16.27	(-)18.39
(xvii) BB.6(2) Staff quarters	90.34	65.85	(-)24.49

BB.7 General

(xviii) BB.7(1) Stores suspense account	334.77	(-)3.00	(-)337.77
(xix) BB.7(3) Civil Engineering Stores Suspense Account	10.21	(-)17.86	(-)28.07

Major Head 7225 - Loans to Telecommunication services

DD. Loans to Telecommunication services

DD.1 Loans to public sector and other undertakings

(xx) DD.1(1) Loans to MTNL	4.00	(-)5.00	(-)9.00

Major Head 5225 Capital outlay on Telecommunications services (including wireless)

BB.2 Local telephone systems

(xxi) BB.2(1) Telephone exchanges automatic	2454.97	3347.27	(+)892.30

BB.4 Long Distance Transmission Systems

(xxii) BB 4(6) High Frequency Radio Systems	8.74	26.63	(+)17.89

BB.7 General

(xxiii) BB.7(2) Manufactures suspense account	(-)25.00	53.29	(+)78.29

Revenue

The savings were mainly due to :

(i) less expenditure under salaries, office expenses, advertisement, sales and publicity and other charges;

(ii) less expenditure under salaries, dearness allowance, office expenses, rent rates and taxes and machinery and equipment;

(iii) less expenditure under payments to professional and special services due to less transponders leased;

(iv) less expenditure under salaries, overtime allowance and dearness allowance;

(v) less adjustments made by Department of Posts;

(vi) less expenditure under payment to professional and special services, materials and supplies and other charges;

(vii) more stock adjustments and more rate revision than anticipated;

(viii) less expenditure under salaries, dearness allowance, office expenses, rent rates and taxes payment to professional and special services, machinery and equipment materials and supplies and other charges;

(ix) less maintenance works under cables;

(x) non-receipt of advice of transfer debits;

(xi) less expenditure on account of less supplies from DGS&D rate contracts, less local purchase of papers for printing of forms and less cost of printing of forms at Government and private presses;

(xii) raising bonds at lower interest rates;

(xiii) non-receipt of equipment on lease;

(xiv) cost of MTNL assets disinvested during 1991-92 from the dividend bearing capital outlay;

(xv) & (xvi) less surplus than anticipated; and

(xvii) less grants-in-aid paid to C-DOT.

The excess was mainly due to:

(xviii) more expenditure under salaries, dearness allowance and office expenses;

(xix) more maintenance works than anticipated;

(xx) more expenditure under salaries, wages, overtime allowance, dearness allowance, travelling expenses and office expenses;

(xxi) more adjustments made by Department of Posts than anticipated;

(xxii) redemption of more Bonds than anticipated; and

(xxiii) post budget decisions.

Capital

The savings were mainly due to:

(i) less demand of telex connections;

(ii) less receipt of cables, apparatus and plant and lines and wires;

(iii), (ix),(x) (xiii) to (xv) less receipt of apparatus and plant;

(iv) & (vi) less receipt of apparatus and plant and cables;

(vii) less receipt of apparatus and plant, cables and masts and aerials;

(viii) less receipt of lines and wires;

(xi) less receipt of apparatus and plant and non-completion of anticipated land deals;

(xii) & (xvii) non-completion of anticipated building works and land deals;

(xvi) non-completion of anticipated building works;

(xviii) less debits under other Government under-takings, private firms, advance payment to contractors and manufactured articles received from Telecom Factories;

(xix) less procurement and more issues of stores; and

(xx) repayments made by MTNL were not anticipated.

The excess was mainly due to:

(xxi) clearance of more numbers of waiting list of telephone lines;

(xxii) more receipt of apparatus and plant; and

(xxiii) more issues to general stores and factory stores.

6.2 Injudicious re-appropriation

6.2(i) The supplementary funds sought and the re-appropriation orders issued in the month of March 1994 for augmenting the funds under the following heads of account were found unnecessary as the actual expenditure did not come up to even the original provisions:

Table 6.2(1)

Head of Account	Original grant	Supplementary/ re-appropriation	Actual expenditure
Revenue		(Rs in crores)	
Major Head - 3225 Telecommunication services			
A.5(2)Maintenance			
A.5(2)(1) Buildings	37.45	4.53	35.61
A.5(4) Petty Works			
A.5(4)(2) Local Exchanges	26.47	0.62	22.15
A.5(4)(3) Trunk Exchange	4.43	0.93	3.16
A.5(4)(6) Telecommunication Training Centre	5.90	1.72	3.49
A.5(4)(10) Other Telecommunication Buildings	4.77	0.78	3.03
A.7(1)(2)(2) Pay and Allowances	3.20	0.38	3.08
Major Head - 3230 Dividend to General Revenues			
B. Dividend to General Revenues	261.00	2.42	230.33
Major Head 3231 Appropriation from Telecommunications Surplus			
C. Appropriation from surplus			
C.2 Appropriation to Telecommunications Revenue Reserve Fund	70.00	6.01	55.00
Major Head 3275 Other communication Services			
D.1(1)(1)(1) Grants in Aid to C-DOT	70.00	6.01	60.00
<u>Capital</u>			
Major Head 5225-Capital outlay on Telecommunication Services (including wireless)			
BB.1 Telegraphs and Telex Systems			
BB.(4)(9) Optical Fibre Cable Systems	487.23	18.00	417.83
BB.5(8) Telecommunication Computer Systems	24.60	22.40	16.33

A mention was made in paragraph 6.2(1) of the Report of Comptroller and Auditor General of India, for the year ended 31 March 1993, No. 7 of 1994, Union Government (Posts and Telecommunications) but the irregularities are still persisting. This is indicative of defective budgeting and improper control over expenditure.

6.2(ii) The Supplementary/re-appropriation orders issued in March 1994 for augmenting the funds under the following heads of accounts were found insufficient as the actual expenditure exceeded even the final grant :

Table 6.2(ii)

Head of Account	Original grant	Supple-mentary(S)/ re-appro-priation(R)	Final grant	Actual expendi-ture
Revenue		(Rs in crores)		
Major Head - 3225 Telecommunication services				
A.6 Accounts and Audit				
A.6(2) Accounts				
A.6(2)(1) Directorate and Circle Offices	7.30	0.197.49	8.29	
A.10 Other Expenses				
A.10(3) Other Expenditure				
A.10(3)(4) Redemption of Bonds	250.00	300.00	550.00	649.00
Major Head - 5225 Capital outlay on Telecommunication services (Including wireless)				
BB.2 Local Telephone Systems				
BB.2(1) Telephone Exchanges Automatic	2454.97	(S) 0.02 (R)287.99	2742.98	3347.27

Variation between actual expenditure and budget estimates in a number of cases mentioned in this chapter shows that the budget estimates were not framed realistically. A more careful and realistic approach is required while framing budget estimates and seeking supplementary grant/re-appropriation of funds.

The matter was referred to the Ministry in December 1994; their reply was awaited.

CHAPTER 7

REVENUE

7.1 Revenue arrears

7.1.1 The position of arrears, demand raised, and amount collected for telephones for the four years ending March 1994 is given below:

Table 7.1.1 Revenue arrears (telephones)

Year	Arrears as on 1st April	Demand raised during the year	Total demand (2+3)	Amount collected during the yearof the (4-5)	Arrears at the close raised year	percent of total demand during the year (Col 6-Col 3x100)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
					(Rs in crores)	
1990-91	206.22	2546.22	2752.44	2417.11	335.33	13.17
1991-92	335.33	3094.42	3429.75	2989.93	439.82	14.21
1992-93	439.82	3896.98	4336.80	3716.20	620.60	15.93
1993-94	620.60	5216.37	5836.97	5024.92	812.05	15.57

The arrears of telephone revenue show a continuously increasing trend. At the end of March 1994 the arrears increased to Rs 812.05 crores as compared to Rs 335.33 crores at the end of March 1991 (increas 142 **per cent** indicated absence of effective monitoring and remedial action by the Department).

7.1.2 Age-wise break up of the amount outstanding on 1 July 1994, was as under:

Table 7.1.2 Outstanding telephone revenue

Year	Amount (Rs in crores)
Upto 1984-85	4.46
1985-86 to 1992-93	275.93
1993-94	255.45
1994-95	311.73
(upto June 1994)	
Total	847.57

7.1.3 The following were the main reasons for increase in arrears:

(i)delay in furnishing advice notes to the Telecom Revenue Accounts Branch regarding provision, shifting and closure of facilities;

(ii)non-disconnection of telephones of subscribers who fail to pay their bills within the prescribed period;

(iii)failure to feed complete data for computerised billing; and

(iv)delays in application of revised tariffs in preparation of bills.

The Department in the remedial/corrective action taken notes in respect of paras 7.1.1, 7.1.2 and 6.1.1, 6.1.2 of the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1991 and 1992, Union Government (Posts and Telecommunications) stated that collection efficiency of telephone revenue is monitored at the Directorate level by fixing performance targets for the units twice a year. Despite this, the arrears have been increasing substantially year after year indicating the absence of effective monitoring and remedial action.

7.1.4 The Department is required to furnish to Audit by 31 August every year the particulars of the revenue outstanding for recovery as at the end of June. Despite reiteration of the August 1979 instructions by the Department of Telecommunications, the requisite information was not received even by 20 October 1994 from 10 out of 20 Circles/Telephone Districts. Incomplete information only was received from three Circles.

Category-wise break up of the outstanding dues exceeding Rs 5000 in respect of 7 out of 20 Circles/Districts for which information was received was as under:

Table 7.1.4 Subscribers having dues exceeding Rs 5000

Category of subscribers	Percentage of outstandings
Central Government	4.7
State Governments	25.7
State Public Sector Undertakings	0.1
Local Bodies	0.3
Other subscribers	69.2

From the above table it would be observed that about 69 **per cent** of the outstanding dues pertained to the individual subscribers. The recovery of these dues needs regular follow up and pursuance.

7.1.5 Dues amounting to Rs 15.46 lakhs were written off, during 1993-94, in 8 Circles/Districts. Reasons for write off were as given below:

Reasons	**Per cent**
Whereabouts of subscribers not known	28
Solvency of the subscribers not established	6
Closure of subscribers firms or	7

concerns	
Death of subscribers	9
Departmental files not available and other reasons	50
	100

7.1.6 In 7 Circles, recovery of Rs 9.67 crores was under litigation as on 1 July 1994. The progressive position was as follows:

Table 7.1.6 Cases under litigation

	No.	Amount involved (Rs in crores)
- Cases under litigation as on 1 July 1993	10544	8.13
- Cases in which litigations commenced during the period from July 1993 to June 1994	5443	5.53
- Cases decided during the period from July 1993 to June 1994	6489	3.99
- Cases decided out of the above, in favour of the Department	2433	1.21
- Cases under litigation as on 1 July 1994	9498	9.67

The cases decided during the year accounted for forty one **per cent** of the amount under litigation.

7.1.7 Test-check in Audit, of the Telecommunication Revenues in 11 Circles/Telephone Districts conducted during 1993-94 revealed non-billing in 3257 cases involving revenue of Rs 2.41 crores and short billing in 3132 cases involving revenue of Rs 1.10 crores.

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

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

Table 7.1.8 Revenue in arrears (telegraph, telex/intelex etc)

	Arrears 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)	Arrears at the close of the year for bills issued upto end of December-preceding close of financial year
1	2	3	4	5	6	7
Circuits (Telephones and Telegraph)					(Rs in crores)	
1990-91	28.34	80.32	108.66	69.22	39.44	30.60
1991-92	39.44	75.99	115.43	72.94	42.49	35.17
1992-93	42.49	88.11	130.60	78.36	52.24	41.66
1993-94	52.24	127.97	180.21	101.40	78.81	67.64
Telex/Intelex charges						
1990-91	12.80	97.77	110.57	95.78	14.79	3.41
1991-92	14.79	96.54	111.33	96.98	14.35	4.22
1992-93	14.35	95.01	109.36	92.74	16.62	5.63
1993-94	16.62	91.76	108.38	91.70	16.68	7.30

The revenue arrears overdue (after 3 months of issue of the bill) for collection in respect of circuits have gone up from Rs 30.60 crores in 1990-91 to Rs 67.64 crores in 1993-94 and represent 6.3 month's average billing and those of telex/intelex charges from Rs 3.41 crores to Rs 7.30 crores during the same period. Demand raised during 1991-94 for telex/intelex charges showed a downward trend.

The Department in their remedial/corrective Action Taken Notes in respect of paras 6.1.8 to 6.1.11 and 7.1.8 to 7.1.10 of the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1992 and 1993, Union Government (Posts and Telecommunications) respectively stated that vigorous efforts were being made by the Department to realise the outstanding dues promptly. The Department further stated that the arrears of rent of telegraph, telephone and teleprinter circuits were reviewed periodically at various levels. Despite this, the arrears have been increasing which requires regular follow up and pursuance. During 1993-94, out of arrears of Rs 2.43 crores in Bihar and Karnataka units, DOT could recover only Rs 1.20 lakhs in Karnataka unit, whereas no recovery was made in Bihar unit.

7.1.9 Year-wise break up of the outstanding dues as on 1 April 1994 for bills issued upto December 1993 is given below:

Table 7.1.9 Outstanding dues(circuits/telex/ intelex)

		Rent for communication circuits	Telex/intelex charges	Total
			(Rs in crores)	
Upto	1983-84	0.87	0.32	1.19
	1984-85 to 1991-92	22.91	2.59	25.50
	1992-93	13.51	2.08	15.59
	1993-94 (upto Dec 1993)	30.35	2.31	32.66
	Total	67.64	7.30	74.94

7.1.10 According to Departmental instructions the statistics of arrears of telephone revenue claims exceeding Rs 5000 each (category-wise) at the end of June each year are to be furnished to Audit latest by 31 August each year. Inspite of reiteration of these instructions by the Department in February 1993, the position has not improved as the information in respect of only 7 out of 20 Telecommunication Circles/Telephone Districts have been received as on 20 October 1994. In these 7 Circles/Districts it was noticed that collection in respect of claims exceeding Rs 5000 each was poor. The percentage of outstanding dues pertaining to other private subscribers was as high as 40 **per cent** as shown in the table below.

Table 7.1.10 Subscribers having dues exceeding Rs 5000

	Rent of telegraph/ telephone and teleprinter	Telex/ intelex circuits	Total dues	Percentage to total dues
		(Rs in crores)		
Central Government	5.27	0.01	5.28	54
State Governments	0.34	0.07	0.41	4
Press/Newspaper	0.16	-	0.16	2
Other subscribers	3.21	0.64	3.85	40
Total	8.98	0.72	9.70	100

The matter was referred to the Ministry in December 1994; their reply was awaited.

7.2 Non-billing or short billing of customers

7.2(i) Non-receipt of advice notes

As per departmental rules, completed advice notes in respect of telecommunication facilities provided are to be sent by the operating branch of the Telephone District to the Telephone Revenue Accounts (TRA) branch within a week of the provision of connections in order to enable the TRA branch to post them in the Subscribers Record Cards (SRCs) and issue bills to the subscribers. The rules also provide that TRA branch should obtain a statement 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 by the operating branch.

Cases of delayed/non-billing due to non-receipt of advice notes for telecommunication facilities by TRA branch of the Department as noticed during test-audit were commented upon in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1988 to 31 March 1993. The Ministry in their remedial/corrective Action Taken Note in respect of Para 12(i) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1989, No.9 of 1990, Union Government (Posts and Telecommunications) stated that no telephone facility was being released without issuing the advice note and completing the formalities.

The deficiency in its receipt by TRA branch and consequent non-issue of bills not only persists but also the amount of non/short billing on this account noticed by Audit increased from Rs 38.56 lakhs in 1988-89 to Rs 1.96 crores in 1992-93. In 1993-94 short/non-billing of Rs 1.91 crores was noticed in 7 Telecommunications Circles in 14 cases as shown in Appendix II.

On the matter being pointed out by Audit Rs 1.81 crores were recovered by the Department. Recovery particulars of the balance amount were awaited.

The matter was referred to the Ministry in June - September 1994. While the facts in respect of serial nos 1, 2 and 3 were accepted by the Ministry, reply in respect of other cases was awaited as of December 1994.

7.2(ii) Bills issued at old rates--short realisation of revenue

The Department of Telecommunications revised the tariff of certain Telecommunication facilities including rental charges for telephone connections beyond Local Area effective from December 1986, April 1988, October 1988, April 1990, June 1992 and November 1992. Cases of short recovery of rental due to non-application of revised tariff by the Telephone Revenue Accounts Branch of the Department were commented in the Reports of the Comptroller and Auditor General of India, Union Government (Posts and Telecommunications) for the years 1987-88 to 1992-93. The Department in their remedial/corrective `Action Taken Note' issued instructions to safeguard against the occurrence of such cases in September 1991. The deficiency, however, persists and in fact has become worse as the amount of short realisation of revenue has gone up from Rs 17.68 lakhs in 1987-88 to Rs 1.07 crores in 1993-94 in 9 Telecommunication Circles as shown in Appendix III which shows six fold increase in the short recovery of revenue during the last six years.

On the matter being pointed by Audit, Rs 93.72 lakhs were recovered; the balance amount was yet to be recovered, although the bills were issued in all cases.

The matter was referred to the Ministry during June-August 1994; their reply was awaited as of December 1994.

7.2(iii) Non-revision of rent

The rent for providing telecommunication facilities, should be calculated both at flat rates as well as on the basis of estimated capital cost and higher of the two should be charged. Specified categories are, however, allowed flat rates. The rent so fixed is treated as final except where the actual cost exceeds the estimated cost by more than 10 **per cent** in which case the rent already fixed should be revised keeping in view the revised cost and quoted to the subscriber.

Such cases of non-revision of rent and consequent short realisation of revenue were commented upon in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1988 to 31 March 1993. The Department in their remedial/ corrective `Action Taken Note' in respect of Para 7.2(iv) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1991, No. 7 of 1992, Union Government (Posts and Telecommunications) stated that a check register of rent and guarantee cases is maintained at Divisional level to monitor the progress as well as finalisation of rent and guarantee and that earlier instructions have been reiterated to the units in July 1991 for strict adherence. Inspite of these the deficiency persists as noted by Audit.

In 4 Telecommunication Circles, failure of the Department to claim rent based on revised cost of work resulted in short realisation of rent amounting to Rs 69.62 lakhs in 6 cases shown in Appendix IV.

The matter having been pointed out by Audit, Rs 30.19 lakhs were recovered by the Department. Recovery particulars of the balance amount were awaited.

The matter was referred to the Ministry in June - August 1994; their reply was awaited as of December 1994.

7.2(iv) Non-revision of rent and guarantee terms

The rates of rental charges for cable connections and speech circuits provided on rent and guarantee basis were revised in August 1988 and November 1992 necessitating the revision of rent. But the provisional rental charges were not revised taking into account the revised rates made applicable from August 1988 and November 1992. This resulted in short recovery of rental of Rs 86.29 lakhs in two cases under two Telecommunication Circles as shown in Appendix V.

On being pointed out by Audit the Department issued supplementary bills; payment thereof was awaited.

The matter was referred to the Ministry in September 1994; their reply was awaited as of December 1994.

7.2(v) Other reasons

Rent amounting to Rs 43.26 lakhs was either short realised or was not realised at all in four Telecommunication Circles as shown in Appendix VI. These were mainly due to omissions like non-conversion of radial distance into chargeable distance, incorrect fixation of rent, delay in quoting final rent and guarantee, non-posting of completed copy of advice note in the Subscribers Record Card (SRC) and under-assessment of cost of underground cable in the store vouchers. On the matter being pointed out by Audit, the Department recovered Rs 34.87 lakhs but the balance amount was yet to be recovered although the bills were issued in all the cases.

Though similar irregularities were pointed out in earlier Reports of the Comptroller and Auditor General of India, the irregularity is persisting and the amount of short/non-realisation has also increased from Rs 27.58 lakhs in 1992-93 to Rs 43.26 lakhs in 1993-94.

The matter was referred to the Ministry in June to September 1994; their reply was awaited in all the cases as of December 1994.

7.3 Other losses of revenue

7.3(i) Short realisation of rental due to non-fixation of final rent

Final rental and guarantee for all telecommunication services should normally be quoted to the customers before commissioning of the services. In cases where this cannot be done due to certain unavoidable circumstances, the final rental should be quoted within a year of commissioning of the service.

The Director General Doordarshan (DGD) placed a firm demand for provision of (i) TV bearer channel protection facility and (ii) TV end link (coaxial) at Berhampur, West Bengal on rent and guarantee basis for their exclusive use between Calcutta and Berhampur (Murshidabad) in June 1982. The project estimate for the work was sanctioned at an estimated cost of Rs 1.52 crores in June 1984. Based on sanctioned estimate the tentative rental for the facility was fixed at Rs 58.13 lakhs **per annum** in April 1985. The facility was, however, commissioned in January 1988 at a cost of Rs 2.84 crores.

Audit scrutiny in January 1994 revealed that although the final rent based on total expenditure incurred worked out to Rs 1.02 crores **per annum**, the Department failed to finalise rental charges and continued to recover the provisional rent quoted in April 1985. The inordinate delay in finalisation of the rental resulted in short realisation of rent amounting to Rs 4.34 crores for the period from January 1988 to March 1995. Revised bills have been issued by the Department; recovery is awaited (November 1994).

The matter was referred to the Ministry in September 1994; their reply was awaited as of December 1994.

7.3(ii) Short recovery of maintenance charges

According to Departmental instructions issued in August 1989, the maintenance charges of underground cable after the expiry of the initial period of guarantee of ten years were increased from 1 **per cent** to 10 **per cent** of the estimated capital cost **per annum**.

It was noticed by Audit in February 1991 that General Manager Telecommunications Chandigarh under Punjab Telecommunications Circle failed to recover maintenance charges in four cases from Army and in one case from Indian Air Force at the revised rate, which resulted in short recovery of Rs 14.73 lakhs for the period from August 1989 to August 1991. The recovery had been made in December 1991 and March 1992.

The matter was referred to the Ministry in June 1994; their reply was awaited as of December 1994.

7.3(iii) Continuation of telephone connection despite non-payment of dues

Telephone bills are payable in cash or by cheque within 15 days of the date of issue, failing which the connections are liable to be disconnected after 30th day of the date of issue of bills. It should not be allowed to stretch beyond 35th day under any circumstances.

Reports of the Comptroller and Auditor General of India for the years ended 31 March 1987, 1991 and 1992 Union Government (Posts and Telecommunications) commented that the telephone disconnection notices on defaulters were often not acted upon.

In Punjab Telecommunication Circle, a subscriber at Jalandhar was provided temporary telephone connection in August 1989 which was converted into permanent connection in April 1991. It was noticed by Audit in November 1993 that telephone bills issued from November 1991 to December 1992 on nine occasions remained unpaid as the cheques issued by the subscriber were dishonoured by the bank.

Due to failure of the Department to disconnect the facility in time the defaulting subscriber continued to enjoy the telephone facility. The telephone connection could be closed only in October 1992 when the arrears had accumulated to Rs 12.26 lakhs.

While accepting the facts and figures, the Ministry stated in August 1994 that the subscriber was absconding and was reported to have left the country. Efforts were being initiated through diplomatic channels for early recovery and to fix responsibility for Departmental lapses.

However, the fact remains that chances of recovery were remote.

7.3(iv) Non-recovery of shifting charges

Departmental rules provide that the shifting charges for the work carried out on behalf of the State Government Departments are to be recovered on contribution works basis from the concerned Department.

In order to construct a Railway overbridge at Dabra in Madhya Pradesh Telecommunication Circle, State Public Works Department authorities at Gwalior placed a firm demand for shifting of underground cable in October 1985. A detailed estimate costing Rs 1.40 lakhs was prepared in January 1986.

It was observed by Audit in September 1992 that the work was executed at a total cost of Rs 4.03 lakhs during 1987-90 and bill for recovery of balance shifting charges of Rs 3.43 lakhs after adjusting Rs 0.60 lakh as the advance payment was not issued.

The matter was referred to the Ministry in August 1994; their reply was awaited as of December 1994.

7.3(v) Short recovery of rent due to non-application of revised tariff

Under the Departmental Rules, bi-monthly rental for telephone connections provided from Measured Rate Exchange vary according to the capacity of the exchange system. When the exchange is upgraded by addition of new lines, rental charges as applicable to the upgraded exchange become recoverable.

Departmental Rules also provide that Subscribers Record Cards (SRCs) of an exchange should be reviewed regularly by Telephone Revenue

Accounting (TRA) branch to ensure revision of rent and correct billing. Tariff applicable to Measured Rate Exchange systems was also revised in March 1990.

It was noticed by Audit in February 1994 that SRC's of four Measured Rate Exchanges in Ludhiana Telecom District under Punjab Telecommunications Circle were not reviewed by the TRA branch despite expansion of equipped capacity during March to December 1993 and revision of tariff. The rental continued to be recovered at pre-revised rates resulting in short recovery of Rs 3.16 lakhs during April 1993 to February 1994.

While accepting the facts and figures, the Ministry stated in September 1994 that the recovery of Rs 3.05 lakhs had been made and telephone of the defaulting subscribers had been disconnected and recovery of the balance amount was being pursued.

7.3(vi) Short realisation of rent

Departmental rules provide that for cables used exclusively by a private party or Government Department are charged annual rental at a fixed percentage. The Department issued a notification in August 1989 raising the annual rental from 18 to 20 **per cent** of the capital cost.

It was noticed by Audit in September 1992 and January 1994 that in Jammu and Kashmir and Madhya Pradesh Telecommunications Circles the annual rental of underground cable provided to Army in March 1991 and September 1992 respectively was wrongly calculated on the basis of the old rates resulting in short realisation of rent by Rs 7.28 lakhs in Jammu and Kashmir and Rs 3.33 lakhs in Madhya Pradesh Telecommunications Circle (total Rs 10.61 lakhs). On the matter being pointed out by Audit, Rs 2.48 lakhs were recovered in Madhya Pradesh Circle and the balance amount was yet to be recovered.

The matter was referred to the Ministry in August-September 1994; their reply was awaited as of December 1994.

CHAPTER 8

PROJECT REVIEWS

8.1 Modern foundry plant at Kharagpur

8.1.1 Introduction

To replace the obsolete foundry shop manufacturing various cast iron products at the Telecom Factory, Calcutta, established about 50 years ago, the Government sanctioned in November 1981 the setting up of a mechanised modern foundry at Kharagpur, at an estimated cost of Rs 11.93 crores. As against the Department's requirement of 30000 tonnes of castings during 1980s, the old plant was producing 2000 to 3000 tonnes of castings **per annum**. The production capacity of the new plant was projected at 12500 tonnes (extendable to 16000 tonnes) of castings **per annum**. The plant was expected to be commissioned in 30 months i.e. by March 1984. However, the commissioning was delayed until September 1988 and commercial production started in August 1989. The total expenditure booked against the project as of March 1994 was Rs 13.87 crores.

8.1.2 Scope of audit

A review of the project was conducted by Audit during May 1994 to assess its productivity and cost effectiveness and also to see how far the objectives of setting up of the modern foundry plant, as envisaged in the memorandum to the `Public Investment Board (PIB)' and `Cabinet' note were achieved.

8.1.3 Organisational set up

At the Ministry a Deputy Director General is incharge of the telecom factories. The project was executed under the overall charge of Chief General Manager (CGM) Telecom Factory, Calcutta; the civil works were executed by the Civil Wing of the Department. The plant was however executed on turn-key basis, including commissioning and trial run, by a foreign firm.

8.1.4 Highlights

The review brings out the following significant points,

- **While the projected schedule of completion for the new foundry plant was March 1984, commercial production started only in August 1989 i.e. over five years behind schedule.**

- **Imported equipment worth Rs 3.51 crores received during October 1982 to January 1984 remained idle and unproductive for 6 to 21 months as the Department failed to synchronise completion of civil works and procurement of matching indigenous equipment.**

- **Due to local problems, bulk of indigenous equipments could not be accepted by the Department till March 1985. Consequently, the Department had to pay escalation charges of Rs 45 lakhs which included foreign exchange equivalent to Rs 14.25 lakhs.**

- **During the last five years of commercial production (till March 1994), the production at the new plant ranged between 4.93 and 11.38 per cent of the rated output. The actual production was even less than that of the old outmoded plant.**

- **Against the projected cost of Rs 3431 per tonne in the Cabinet note, the cost of production actually ranged between Rs 10013 and Rs 14390 per tonne during the last five years. Due to large gap between demand and** production the Department had to resort to purchase from outside agencies, but at a cost lower than the cost of production in the plant. The value of one such item test-checked by Audit was Rs 79.48 crores during 1991-94. The average cost of production of castings at the modern plant was almost twice as high as the market price.

- As a result of the dismal production performance and the very high cost of production, the rate of return projected in the PIB Memorandum has proved to be wide off the mark putting a question mark on the viability of the project.

- The average quantity of raw materials actually consumed for production of castings per tonne at the modern plant was substantially higher than what was indicated in the memorandum for the Public Investment Board. Additional expenditure of Rs 1.89 crores was incurred during 1989-94 on five broad items of raw materials alone.

- While the maximum production achieved was 11.38 per cent of the rated capacity, the staff deployed was nearly as required for the optimum production level. This was against the commitment of the Department given to the Government.

- In the absence of qualified costing unit, the plant suffered a loss of Rs 4.68 crores during 1989-94 by fixing lower challaning rate of stores produced at the new foundry plant. The Department has not prepared the proforma accounts so far (December 1994).

8.1.5 Project Execution

8.1.5.1 Civil Works

Fifteen acres of land, was purchased at Kharagpur and possession taken over from West Bengal Industrial Infrastructural Development Corporation, in April 1980, at a cost of Rs 6.48 lakhs. The administrative approval and expenditure sanction for construction of a building and foundry shed was accorded for Rs 1.40 crores in March 1982 as against Rs 1.13 crores indicated in the Cabinet note. The construction work was entrusted to the Civil Wing of the Department and the work was scheduled for completion by January 1983. Civil works commenced in June 1982 and a concrete structure and factory shed were handed over for installation during July 1984. The expenditure on "buildings" brought to accounts till March 1994 was Rs 1.79 crores.

8.1.5.2. Equipment and machinery

8.1.5.2.1 The proposed new foundry was financed from the 7th and 8th World Bank Loans. The Department had drawn technical specifications and after obtaining pre-bid concurrence of the World Bank for these specifications, global tenders were floated in October 1980 for design, supply of machinery and equipment, supervision of installation, carrying out the trial run, commissioning of the plant and training of staff. The contract was awarded to a British firm in January 1982. As per terms and conditions, the delivery of imported equipments was to commence within 45 days of the confirmation of the import licence particulars by the purchaser to the contractor and was to be completed within 12 months. The plant was to go into commercial production by March 1984.

The imported equipment was received at Calcutta port during the period October 1982 - January 1984. Equipment worth £ 2.189 million equivalent to Rs 3.51 crores was stored in Director General Supplies and Disposal (DGSD) godowns and also in the Calcutta Factory as the factory shed at Kharagpur was not ready by that time. After completion of the foundry shed in July 1984, the imported equipment was shifted to the factory site during August-October 1984 and joint inspection carried out in November 1984.

Thus, non-synchronisation of the completion of civil works with procurement of plant and machinery led to idling of imported equipment, worth Rs 3.51 crores, for 6 to 21 months besides delaying the installation and commissioning of the plant. This, happened inspite of the fact that the Department in their supplementary note to the PIB, had clearly stipulated that the foreign supplier will complete the supply in a manner keeping in line with the progress of the civil works. It was also envisaged that detailed programme of execution including a Pert Chart will be finalised after discussion with the supplier at the time of placing the detailed orders.

8.1.5.2.2 Supply of indigenous equipment by the same firm was to commence in July 1982 and completed by August 1984. Bulk of the indigenous equipment was offered for supply between October-December 1983 during which period, the building had still not been completed. In addition, due to local problems, the Department was unable to accept the supplies offered by the supplier firm till March 1985. Only a few items which were despatched to Kharagpur were cleared and stored at the office site and the supplier was advised to despatch equipment to Calcutta instead of Kharagpur. Equipment valuing Rs 56.10 lakhs were received at Calcutta.

Meanwhile, during this period of delay in acceptance of the materials, the supplier firm, on several occasions, advised the Department that manufacture of items and purchase of bought out equipment would be suspended until the Department could confirm an acceptance date. Also, with a view to minimise the delay or cost escalation, the firm suggested that the Department should arrange for alternate delivery sites or alternatively, the firm was prepared to continue manufacture and store completed items at the cost of the Department. Neither of the two suggestions was accepted by the Department. A direct fall out of this decision of the Department was that it had to pay an amount of Rs 45 lakhs by way of escalation charges including Rs 14.25 lakhs in foreign exchange partly on account of supervision of installation charges paid to two foreign engineers, specifically retained from March 1983 to June 1985 for supervision of installation and commissioning of the plant and partly due to delay in final payment for imported equipment.

The manufacture of items were suspended and at the instance of the Department the items were re-ordered for supply by the foreign supplier, in January 1985. Of the remaining items, material valuing Rs 1.23 crores were supplied during April 1985 to September 1986 and items valuing Rs 23.10 lakhs by April 1987.

The imported equipment, though received at Kharagpur and inspected in November 1984, the installation could commence only in June 1985. The progress of installation, however, was slow due to non-receipt of matching indigenous equipment.

The commissioning and trial run of the plant which was expected to take place by March 1984, actually took place in September 1988 and the plant went into commercial production only in August 1989. Thus there was a delay of over five years in the commencement of commercial production.

8.1.6. Non attainment of objectives

8.1.6.1 The demand for foundry items was estimated to be about 60000 tonnes **per annum** by 1984-85 and 90000 **per annum** by 1990. Since the plant in the Telecom Factory Calcutta had a production capacity of only 2000 to 3000 tonnes **per annum**, there was a big gap between the requirement for these items and their supply even after allowing for continued purchases from outside vendors. Further, the Department's contention was that despite all possible encouragements given to the outside vendors, supplies from them were woefully inadequate. An inhouse captive production would ensure that essential supplies would not suffer. Therefore the setting up of the modern foundry plant at Kharagpur was conceived with twin objectives of continued inhouse higher output of improved product for assured supply and at cheaper cost. It was expected that the modern plant with better technology would produce 12500 tonnes of cast iron product **per annum** at a cost of Rs 3431 per tonne as against the actual production cost of Rs 4217 per tonne at the existing plant. The saving on account of the anticipated cost of production at the modern plant was estimated at Rs 786.10 per tonne or Rs 98.26 lakhs **per annum** for a production level of 12500 tonnes.

The modern plant at Kharagpur started commercial production in August 1989 and the existing plant at the Telecom Factory Calcutta ceased operation in November 1990.

It was observed by Audit that although more than five years have elapsed since the modern plant started commercial production and a sum of Rs 13.87 crores invested on it, (till March 1994) the plant is yet to achieve the projected production output. The production achieved at the modern plant since commercial production started was as under:

Year	Production at the new plant Rated : 12500	Percentage of production to rated capacity
	(in tonnes)	
1989-90	616.00	4.93
1990-91	695.57	5.56
1991-92	1006.70	8.05
1992-93	1422.14	11.38
1993-94	1244.85	9.96

Thus, contrary to the projections of the Department, the highest production that could be achieved at the modern plant with better technology during the last five years 1989-94 was a meagre 11.38 **per cent** of the rated capacity of the plant.

In regard to a specific Audit query as to whether the foreign supplier demonstrated the rated output of the modern plant before handing it over to the Department, the replies furnished by the Department were contradictory. While the Manager, Telecom Factory, Kharagpur categorically stated in August 1994 that the firm had not demonstrated the rated output as per the contract purchase order, the Calcutta Telecom Factory authorities stated in November 1994 that the rated capacity of the plant was achieved in short run but it was not possible to sustain the production for long hours in a day due to varied reasons. However, no specific document could be made available to Audit by the Department to show that full trial running of the plant was done or its rated output demonstrated by the contractor.

Regarding handing over of the plant, the CGM, Telecom Factory, Calcutta stated that handing over and taking over report could not be signed as his office did not agree to bear the air fare and daily charges of the representative of the firm.

In reply to another Audit query regarding the reasons for the low productivity of the plant, the Calcutta Telecom Factory, authorities stated that the reasons for low productivity of the plant were, unstable power situation, non availability of trained manpower for operation and maintenance, frequent stoppage of production due to machine break down and very poor work culture.

It was, however, observed by Audit that of the total demand for power, 84000 KVA, the actual consumption of power during 1989-94 was 69250 KVA which was 82.44 **per cent** of the total demand. Thus, shortage of power was marginal and should not account for such drastic low output.

With regard to the other reason adduced for the low productivity viz frequent plant failure due to machine break down, it is to be noted that it was a new plant with modern technology and having mostly imported equipment and machinery, yet the Department had spent a sum of Rs 80 lakhs on its maintenance during 1989-94 apart from the labour cost for maintenance and thus rated output should have been achieved.

8.1.6.2 As per the production statistics maintained by the Department and published in the annual reports of Telecom Factory Calcutta, the quantity of cast iron products produced at the modern plant and the average cost per tonne of such products is as under:

Year	Actual production (in tonnes) Rated : 12500	Value (Rs in lakhs)	Average value (Rs per tonne)
1	2	3	4
1989-90	616.00	61.68	10013
1990-91	695.57	88.32	12698
1991-92	1006.70	140.02	13918
1992-93	1422.14	200.07	14068
1993-94	1244.85	179.14	14390

While the Department in their note to the PIB/Cabinet had contended that the modern plant will produce cast iron products at a cost of Rs 3431 per tonne as against Rs 4217 per tonne in the old plant, the cost of production during 1989-90 to 1993-94 as worked out by them ranged between Rs 10013 and Rs 14390 per tonne.

In order to meet the requirement of cast iron products for the telecom network in the country, the Department had to purchase substantial quantities of some of the items which are being produced at the modern plant, from outside agencies but at a cheaper rate. The value of one item, test-checked by Audit was Rs 79.98 crores during 1991-94. The average cost per tonne of the procured castings during 1991-94 was Rs 6907 as against the production cost of about Rs 13250 per tonne i.e. 92 **per cent** higher at the modern plant.

From this, it will be apparent that the new foundry failed to achieve the objective set viz higher output at cheaper cost and less dependence on the market. In fact, looking to the dismal scenario of the exorbitant unit cost of casting not only were the cost assumptions made in the PIB/Cabinet note wide off the actuals, the unit cost is now much more than the cost of production at even the obsolete foundry. This, coupled with the fact that the actual production level was also much below the actual production level at the old plant viz. 2000-2500 tonnes **per annum** takes away the raison d'etre for the new plant at Kharagpur and puts a question mark on the viability of the project.

In fact, the gap between the captive production and the demand of cast iron product is so wide, that in no way could this have been bridged even if the plant had functioned at full capacity. However, due to very poor production levels DOT lost even the limited objective of keeping the essential supply line open without near total dependence on outside foundries. Given the figures of production and costs even the limited objective of depressing market prices or countering cartels cannot be assumed to have been achieved. Rather, the high cost of departmental castings is an encouragement to private foundries to put up their price levels.

Now that the Telecom Sector is being increasingly opened to the private sector, the old scenario of vendor supplier not fulfilling the supply requirement of the industry, as was made out earlier by the Department, will perhaps also no longer hold good.

Given the competition that the market forces will generate and considering the fact that the cost of production at the Kharagpur foundry is much higher than the vendor supplier product, not only has the original objective set forth by the Department of containing the vendor prices at reasonable levels been totally defeated but, more importantly, it throws up a basic question whether the Department should at all have any in-house production facility - it may be worthwhile for the Department to buy their requirements from private foundries for which purpose, private technology development should now be an objective of the Department.

8.1.7. Excess consumption of raw material

During a test-check by Audit of five broad items of raw materials required for production of 4985.26 tonnes of castings during 1989-94 at the modern plant, it was observed that the average quantity of various raw materials actually consumed per tonne at the modern plant was substantially higher than that indicated in the PIB memorandum as indicated below:

Sl. No.	Item of raw material	Quantity required per tonne as per PIB memo (in tonnes)	Average quantity actually consumed per tonne (in tonnes)	Excess quantity consumed per tonne during 1989-94 (in tonnes)	Average cost per tonne during 1989-94 (Rs)	Total cost of excess consumption of raw material for production of 4985.26 tonnes of casting (Rs in lakhs)
1	2	3	4	5	6	7
1.	Pig Iron	1.10	1.39	0.29	3640	52.62
2.	Hard Coke	0.18	0.68	0.50	2225	55.46
3.	Silica Sand	0.10	0.51	0.41	657	13.43
4.	Ferro Silicon	0.006	0.05	0.044	25906	56.83
5.	Bentonite	0.025	0.24	0.215	951	10.19
				Total		188.53

It would be observed from the table that there was additional expenditure to the tune of Rs 1.89 crores during the five years 1989-94 due to excess consumption on the above five raw materials alone. It is noteworthy that this additional expenditure was for the production level of around 10 **per cent** only of the rated output.

Incidentally, even if cost of actual consumption of raw material of only the above five items is computed at the rates prevailing during 1981-82 and adopted by the Department, the total production cost of iron castings at the new plant works out to Rs 4221 per tonne as against Rs 4217 per tonne at the old plant. Thus, not only was the assessment of the requirement of raw materials at the new plant made by the Department for PIB memorandum incorrect, but also the saving of Rs 98.26 lakhs **per annum** on account of lesser cost of production at the new plant, as indicated in the PIB memorandum, was misconceived.

8.1.8. Staff deployment

In the memorandum submitted to the PIB the Department had indicated that as compared to the existing foundry at Calcutta the modern foundry plant at Kharagpur would require lesser man power. It was stated that while for the existing plant, for production of 2500 tonnes **per annum**, the staff requirement was more than 300 the modern plant was expected to achieve full production of 12500 tonnes **per annum** with staff deployment of only 351 persons (220 operative and 131 maintenance and supervisory). However, despite a specific assurance given by the Ministry to the PIB that while sanctioning the staff for the unit a critical evaluation of genuine requirement will be made, the staff actually deployed and the production output at the new plant during the last five years was as under:

Year	Actual production (in tonnes) Rated : 12500	Staff actually deployed (in Nos.) Optimum : 351	percentage with reference to optimum output/manpower	
			Production	Staff Deployment
1989-90	616.00	175	4.93	49.86
1990-91	695.57	225	5.56	64.10
1991-92	1006.70	250	8.05	71.23
1992-93	1422.14	335	11.38	95.44
1993-94	1244.85	335	9.96	95.44

Although the staff deployment gradually increased from year to year and during the last two years ending March 1994 the foundry plant is being run on two shift basis and the staff deployment was near optimum, i.e. as required for a production level of 12500 tonnes, the maximum production output actually achieved during the last five years 1989-94 was 11.38 **per cent** only of the rated output of the plant.

8.1.9. Value of stores produced

The Department had adopted the challaning rates as Rs 10 to Rs 13.25 per kg during 1989-94 for arriving at the value of stores produced at the foundry plant and also understated the value of stores produced in the Annual Reports of the Department. However, it was observed by Audit that the cost of production per kg ranged between Rs 17.66 to Rs 27.63 as indicated hereunder:

Year	Quantity of stores produced (in tonnes)	Total value of stores produced (Rs in lakhs)	Cost of production per kg (Rs)	Value of sales/ challaning adopted per kg (Rs)	Difference in rates per kg (Rs)	Loss in sales/ challan (Rs in lakhs)
1989-90	616.00	108.81	17.66	10.00	7.66	47.19
1990-91	695.57	126.48	18.18	12.70	5.48	38.12
1991-92	1006.70	233.57	23.20	13.25	9.95	100.17
1992-93	1422.14	291.69	20.51	13.25	7.26	103.25
1993-94	1244.85	343.95	27.63	13.25	14.38	179.01
					Total	467.74

Thus, due to faulty costing and consequent undercharge the Department incurred a loss of Rs 4.68 crores during the last five years 1989-94. This is mainly attributed to the absence of a qualified costing unit.

8.1.10. Non-maintenance of accounts

The commercial production at the modern foundry plant, Kharagpur was started in August 1989, but the Department did not prepare proforma accounts of the foundry plant so far (December 1994). Only the monthly stores account current and the manufacturing account current in respect of Telecom Factory, Kharagpur is being prepared till date (December 1994).

In response to a specific requisition made by Audit for the accounts records/particulars in regard to the financial performance and working results of the Telecom Factory, Kharagpur, the Asstt. Engineer, Telecom Factory, Kharagpur stated in May 1994 that the Telecom Factory, Kharagpur did not have any costing section. Further, the posts of Chief Accounts Officer and Accounts Officer were lying vacant since April 1993 and June 1991 respectively. CGM Telecom Factory, Calcutta stated in November 1994 that the proforma accounts of Telecom Foundry, Kharagpur for 1989-90 to 1993-94 were under preparation.

8.1.11. Other topics of interest--Loss of stores

During February 1990, about 54.530 tonnes PIG Iron (considered to be main raw material for casting), valued at Rs 2.19 lakhs, arrived at a railway station near Kharagpur. But, the stores were lost in transit. Though the department lodged a claim in July 1990 with Railway authorities for compensation, the claim is still (May 1994) not settled even after four years.

The matter was referred to the Ministry in September 1994; their reply was awaited as of December 1994.

8.2 Replacement of multi auto exchange at Gangtok

8.2.1. Introduction

In August 1982, the General Manager Telecommunications (GMT), Calcutta sanctioned a project for installation of a 1200 lines multi auto exchange (MAX-I: Strowger) at an estimated cost of Rs 83.28 lakhs at Gangtok. This was to meet the growing demand for new connections and in replacement of the existing 900 lines MAX-II. The project underwent a complete change in scope and technological input, and ultimately a 2500 lines exchange (developed by Centre for Development of Telematics-C-DOT) was commissioned in September 1993. During this period the Department sanctioned three project estimates at an aggregate estimated cost of Rs 33.84 lakhs to cope piece meal with the continuously growing requirements of telephone subscribers in Gangtok, by increasing the capacity of MAX-II in stages from 900 to 1400 lines.

8.2.2. Scope of Audit

A review of the project covering its various phases of sanctions, procurement of equipment, installation, commissioning and utilisation was conducted by Audit during May-July 1994.

8.2.3. Organisational set up

The project was executed by the Telecom District Manager (TDM), Gangtok with the assistance of the officers of the Telecom Project Circle, Calcutta, Executive Engineers, Telecom (Civil and Electrical) Divisions, Siliguri under the overall supervision of CGMT, Calcutta.

8.2.4. Highlights

The review brings out the following significant points:

- **The replacement of 900 lines MAX-II, conceived in August 1982 could only be replaced by the Department after 10 years in March 1992 by a 2048 integrated local and trunk (ILT) exchange. In the intervening period the exchange had to be expanded in interim stages from 900 to 1400 lines at an estimated cost of Rs 33.84 lakhs for meeting the continuously growing demand.**

- **The telephone exchange main building constructed in phases between May 1985 and January 1987, at a cost of Rs 19.52 lakhs, remained vacant and unutilised for 49 to**

69 months. An area of 274 sq m out of the total constructed area of 515 sq m costing Rs 12.29 lakhs on a pro rata basis is still lying vacant and unutilised.

- Equipment worth Rs 72.06 lakhs, received during January-February 1988, for commissioning of 1500 lines MAX-I was not installed at all and remained idle for one year as the Department instead allotted equipment for 2000 lines C-DOT exchange in January 1989. Even after diversion of a part of the MAX-I equipment to Mangalore in February 1989 the remaining equipment valuing Rs 37.30 lakhs was still lying unused in a temporary godown in the foothills.

- Due to delay in receipt of C-DOT exchange equipment, an ILT exchange installed and commissioned in March 1992. It was decommissioned and diverted to Cooch Behar after commissioning of the 2500 lines C-DOT exchange in September 1993.

- The Department decided in January 1989 not to commission MAX-I and the infrastructure created for MAX-I was utilised for C-DOT and other projects, but even after a lapse of about 6 years, its accounts were kept open and an expenditure of Rs 1.38 crores booked against MAX-I project had not been adjusted against C-DOT and other project accounts as of July 1994. Thus, cost overrun or otherwise of C-DOT exchange project was not susceptible to any analysis.

- Under utilisation of ILT and C-DOT exchanges resulted in a loss of revenue of Rs 19.23 lakhs till March 1994.

8.2.5. Sanction of project estimates

A project estimate for installation of 1200 lines MAX-I (Strowger) in replacement of the existing MAX-II of 900 lines was sanctioned by GMT, Calcutta in August 1982 at a cost of Rs 83.28 lakhs. Even before placement of orders for the equipment, further expansion of the proposed MAX-I from 1200 to 1500 lines was sanctioned by CGMT in April 1985 at an estimated cost of Rs 22.27 lakhs. Following another decision to allot electronic exchange equipment for Gangtok in January 1989; another project estimate was sanctioned by CGMT in February 1989 for installation of a 2000 lines C-DOT exchange at Gangtok at an estimated cost of Rs 4.14 crores. Further expansion by 500 lines was sanctioned by CGMT in March 1992 at an estimated cost of Rs 91.47 lakhs.

Meanwhile, in January 1990 due to delay in receipt of 2000 lines C-DOT exchange equipment and due to the heavy demand for new connections another interim project was sanctioned by CGMT for installation of a 2048 ILT exchange at Gangtok at an estimated cost of Rs 3.61 crores.

Thus, during the last 10 years 1982-92, for augmentation of the 900 line multi auto exchange (MAX-II) at Gangtok, the Department sanctioned five separate but overlapping project estimates. This was due to delays, lack of proper planning and poor estimation. These were in addition to the three interim project estimates sanctioned at an aggregated cost of Rs 33.84 lakhs for the expansion of the MAX-II itself.

8.2.6. Exchange building

8.2.6.1 A new three storeyed telephone exchange building was constructed at Gangtok, in two phases on the existing departmental land available at the exchange compound. The administrative approval and expenditure sanction (AAES) and other relevant particulars regarding the project are given below:

Particulars of building	AAES accorded in/for	Work order issued	Stipulated time for completion	Actual date of comple-tion	Building handed over	Actual expenditure
1	2	3	4	5	6	7
Phase I (Ground Floor)	**December** 1982 for **Rs 6.65 lakhs**	**March** 1983	**6 months** i.e. October 1983	**April 1985**	**May 1985**	**Rs 9.28 lakhs**
Phase II **lakhs** Ist & IInd Floor	November 1984 for Rs 10.26 lakhs	**July** 1985	14 months i.e.September 1986	November 1986	**January** 1987	**Rs 10.24**

It was observed by Audit that during the execution of work of phase-I an expenditure of Rs 2.65 lakhs was incurred on preparation of site, overhead charges, water supply, sanitary installations, etc. which were not included in the original estimate. A revised sanction was sought for this purpose in March 1986, which is still awaited (July 1994).

8.2.6.2 After the new building was completed and handed over to the telecom authorities another AAES was accorded by the CGMT in February 1988, for construction of an annexe, for accommodating engine alternators, at an estimated cost of Rs 1.23 lakhs. While the construction of the annexe was in progress the CGMT, during his visit at the site, in May 1988, decided to have two more floors over the annexe for accommodating canteen and rest room facilities. Accordingly, a revised estimate was prepared in December 1988 for Rs 4.87 lakhs, inclusive of Rs 1.23 lakhs for which AAES was accorded earlier in February 1988, and the work was completed without inviting fresh tenders, by the same agency constructing the annexe. Although the entire annexe building was completed at a cost of Rs 3.97 lakhs and handed over in August 1989, the revised estimate prepared and sent for approval in December 1988 was yet to be sanctioned (July 1994).

8.2.6.3 The new, three storeyed, main telephone exchange building at Gangtok completed in two phases in April 1985 and November 1986 was handed over to the Telecom authorities in May 1985 and January 1987 respectively and the annexe was completed and handed over in August 1989. But none of these buildings were used for any departmental purposes till February 1991. Thus, while accommodation constructed in first phase remained unutilised for 69 months, another constructed in the second phase remained unutilised for 49 months and the annexe remained unutilised for 18 months. Further, as of December 1993, 274 sq m of covered area i.e. 53.26 **per cent** of the newly constructed 515 sq m in the main and the annexe building, constructed at a cost of Rs 12.29 lakhs (on **pro rata** basis) continue to remain unutilised.

8.2.7. Equipment

8.2.7.1 Order for supply of 1200 lines MAX-I equipment was placed by the Directorate on Indian Telephone Industries (ITI) in July 1985, three years after the sanction of the project estimate. In September 1987 the Directorate made further allotment of equipment for expansion of MAX-I by 300 lines. By January-February 1988 the entire equipment for MAX-I, worth Rs 72.06 lakhs was received at Gangtok.

However, after waiting for a year the Directorate ordered, in January 1989, diversion of MAX-I equipment received at Gangtok to Mangalore and allotted 2000 lines C-DOT exchange equipment for Gangtok as by that time MAX-I (Strowger) had become outmoded. A part of the MAX I equipment, valuing Rs 34.76 lakhs was transferred to Mangalore in February 1989 incurring an expenditure of Rs 0.14 lakh on its insurance. Subsequently, in order to vacate the equipment room for the electronic exchange equipment, the left over MAX-I equipment, valuing Rs 37.30 lakhs was shifted from Gangtok to Siliguri in June 1991 incurring an expenditure of Rs 0.74 lakh on transportation and rent for warehousing. In November 1991 the equipment was further shifted to temporary godown constructed at the space available in the telephone exchange compound at Bagdogra at a cost of Rs 3.97 lakhs where it was still lying idle (July 1994).

Thus, the entire MAX-I equipment worth Rs 72.06 lakhs remained idle and unproductive for one complete year. Even after diversion of a part of the equipment valuing Rs 34.76 lakhs, remaining material valued at Rs 37.30 lakhs was still lying idle at Bagdogra exchange godown even after six years of its receipt (July 1994).

8.2.7.2 Although allotment of C-DOT exchange equipment was made by the Directorate in January 1989, there was delay in its supply. In the meanwhile, due to heavy pressure from the State Government of Sikkim as also public in general for commissioning of the new exchange at Gangtok, the Department decided in November 1989 to commission one 2048 ILT exchange for the interim period. For this purpose the order placed by the Directorate on ITI in September 1989 for supply of 2048 ILT exchange equipment for Jalpaiguri was amended in February 1990 changing the consignee particulars from Jalpaiguri to Gangtok. The equipment was received and installation commenced at Gangtok in February 1991 by incurring expenditure of Rs 2.36 lakhs. The ILT exchange was commissioned in March 1992 replacing the MAX-II (Strowger) which had by that time been expanded to 1400 lines in stages.

8.2.7.3 The C-DOT exchange equipment valuing Rs 276.62 lakhs received in April 1992 was brought to telephone exchange building in May 1993 i.e. after remaining idle and unproductive for 13 months, its installation commenced in the same month and the exchange was commissioned in September 1993 replacing the ILT exchange.

The ILT exchange was dismantled in January 1994, after only 18 months of its commissioning incurring an expenditure of Rs 1.94 lakhs. The dismantled ILT exchange equipment was diverted to Cooch Behar.

Thus, due to Department's inability to assess the demand, and lack of proper planning in addition to delayed action in regard to procurement of indigenous exchange equipment, its installation and commissioning, it not only procured and left idle, MAX-I equipment worth Rs 72.06 lakhs, incurring avoidable expenditure of Rs 4.85 lakhs on its storage, transportation insurance etc, but also had to install an ILT exchange for a brief period of 18 months and incurred avoidable/infructuous expenditure of Rs 4.30 lakhs on its installation/dismantling etc.

8.2.8. Upgradation of external plant

Departmental instructions provide that cable work should be executed in a coordinated manner matching installation and commissioning of exchange. For this purpose cable plans are required to be prepared and got approved by the competent authority soon after the allotment of the equipment. The detailed estimate for laying of underground cables for 1500 lines MAX-I (Strowger) at Gangtok, keeping in view its future expansion, was sanctioned for Rs 19.37 lakhs in September 1988 for 2000 lines. The total expenditure incurred against this estimate, as at the end of March 1994 was Rs 40.36 lakhs.

Although the cable laying work for 2000 lines was completed, the project estimate sanctioned for 2000 lines C-DOT/ILT exchanges also provided Rs 81.52 lakhs and Rs 36.75 lakhs respectively for laying underground cable. This provision was in addition to the cable already existing in the network. No cable plan was prepared for the transitional ILT exchange. However, 15.81 km of the underground cable valued at Rs 25.34 lakhs was replaced by the Department for working of ILT exchange. But, the cables replaced were not salvaged as the work involved was stated to be not cost effective.

The 2500 lines C-DOT exchange was commissioned in September 1993. But the cable plan for this project submitted in June 1993 is yet to be approved. The cable laying work, which commenced in February 1993 has not been completed so far (July 1994).

8.2.9. Project cost

During 1982-92 the Department sanctioned five project estimates for installation/ expansion of three types of exchanges at Gangtok viz (i) MAX-I (Strowger), (ii) ILT, and (iii) C-DOT. The MAX-I did not come up at all. The ILT exchange after commissioning in March 1992 was de-commissioned and dismantled in January 1994 and equipment diverted to Cooch Behar. C-DOT exchange was commissioned and is working since September 1993. But, none of the project accounts were squared up as of July 1994. As per the accounts records maintained by the Department, the component wise expenditure incurred and brought to account, under the respective projects, as at the end of March 1994 was as under:

(Rs in lakhs)

Component	MAX-I		ILT		C-DOT	
	Sanctioned cost	Actual Expenditure	Sanctioned cost	Actual Expenditure	Sanctioned cost	Actual Expenditure
Building	22.40	23.90	78.53	NIL	62.36	5.14
Electrical installations	2.80	1.42	27.90	5.41	22.15	3.99
Air conditioning	9.74	NIL	11.98	1.41	3.97	5.35
Engine Alternators	NIL	NIL	16.05	9.13	17.12	4.89
Apparatus and plant (exchange equipments)	36.70 *7.46	72.06	176.92	133.14	207.50 *35.72	307.63
Apparatus and plant (subscriber)	1.12 *1.72	NIL NIL	4.90 NIL	5.15 NIL	7.34 *5.07	7.41 NIL
Cables	8.82 *10.77	40.36	36.75	18.67	81.52 *42.68	NIL
Lines and wires	1.69 *2.31	NIL	8.12	4.21	12.19 *8.00	NIL
Total	105.53	137.74	361.15	177.12	505.62	334.41

* For expansions

It was observed by Audit that there was no perceptible corelation between the provisions being made in the estimates and the requirements of the project.

While sanctioning the project estimates for the ILT and C-DOT exchanges, the Department was well aware that a three storeyed telephone exchange building with a three storeyed annexe which was already constructed for MAX-I exchange at cost of Rs 23.90 lakhs, was lying entirely vacant, yet large provisions of Rs 78.53 lakhs and Rs 62.36 lakhs were again routinely made for exchange buildings in the project estimates for ILT and C-DOT exchanges respectively. Similarly, for upgradation of the external plant, cable laying work, under the cable plan for the 1500 lines MAX-I, was already completed, at a cost of Rs 40.36 lakhs, keeping in view future expansion upto 2000 lines, yet provision of Rs 36.75 lakhs and Rs 81.52 lakhs were made for cable component in the project estimates for ILT and C-DOT exchanges respectively.

The Department had decided, way back in January 1989 that the MAX-I at Gangtok will not be commissioned but even after six years the project accounts of MAX-I were kept open and the expenditure of Rs 1.38 crores had not so far been transferred to C-DOT and other project accounts (July 1994).

Thus the cost overrun on the C-DOT exchange project was not susceptible to any analysis.

8.2.10. Capacity utilisation

Digital exchanges could be loaded upto 94 **per cent** of the equipped capacity **ab initio** and later even upto 98 **per cent**. ILT exchange with an equipped capacity of 1808 direct exchange lines (DEL) was commissioned in March 1992. The capacity utilisation of the exchange since its commissioning ranged between 78 and 99 **per cent**, the highest being in August 1993 when it was de-commissioned. It was observed that the loading of the exchange and its optimum utilisation took place after one year i.e. March 1993.

The C-DOT exchange with an equipped capacity of 2500 lines was commissioned in September 1993. The percentage utilisation of the exchange during September 1993 to March 1994 ranged between 71 and 84 **per cent** only. As a matter of fact, while the spare capacity of the exchange during September 1993 and March 1994 ranged between 567 and 251 lines, the number of intending subscribers in the waiting list during the same period ranged between 386 to 225 only. Thus, despite having adequate spare capacity and a substantial number of intending subscribers in the waiting list the Department failed to load the exchange by amending the waiting list.

Failure of the Department to optimally utilise the capacity of ILT and C-DOT exchanges and provide new telephone connections to the waiting clients had resulted in a loss of revenue of Rs 19.23 lakhs till March 1994.

In reply to an audit query the Sub Divisional Engineer, Outdoor Plant, Gangtok stated in July 1994 that release of new telephone connections was delayed due to non availability of cable pairs.

The matter was referred to the Ministry in October 1994; their reply was awaited as of December 1994.

8.3 Cuttack - Sambalpur digital microwave scheme

8.3.1 Introduction

A 4 Giga Hertz (GHz) wideband, analogue microwave system, manufactured by Indian Telephone Industries (ITI) was commissioned between Cuttack and Sambalpur in February 1988 incurring an expenditure of Rs 2.25 crores. In paragraph 29.8.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1988, No. 4 of 1989, Union Government (Posts and Telecommunications), it was commented upon that even before commissioning of the project the Telecom Directorate had decided, in September 1985, to replace the ITI make analogue system as its reliability was doubtful.

In October 1986, a project estimate for installation of a 6 GHz 140 Mega bits per second (Mb/s) digital microwave system, at an estimated cost of Rs 2.79 crores, in replacement of the ITI make 4 GHz analogue microwave system, was prepared by the General Manager, now Chief General Manager, Telecom Projects (CGMP), Calcutta and submitted to the Directorate for sanction. The case was kept pending for sanction for two years by the Directorate. However, on enhancement of financial powers of Heads of Circles, in August 1988, the project estimate was sanctioned by the CGMP, within his own powers in November 1988, at an estimated cost of Rs 3.83 crores. The tentative target for commissioning of the work was March 1992. The scheme was expected to yield a net profit of Rs 11.49 crores **per annum** - a return of 300 **per cent** on the capital invested. The available 4 GHz analogue equipment on the route was to be shifted and used elsewhere after commissioning of the digital system.

The digital system was commissioned in December 1992. The total expenditure booked against the project till September 1994 was Rs 5.24 crores, an increase of 36.81 **per cent** over the sanctioned cost. The accounts of the project have not been closed and the revised estimate has not been prepared so far (November 1994).

8.3.2. Highlights

The review brings out the following significant points:

- **The selection of site for repeater station at Haldibari was based on a defective survey. To avoid an obstruction caused by a hillock intevening between Haldibari and Cuttack another route survey was conducted and to commission the system with the equipments received, the Department had to change the terminal station from Cuttack to an alternative site at Nandankanan at an**

additional capital expenditure of Rs 1.12 crores on infrastructure and terminating equipments.

- **Out of 1920 channels, commissioned in December 1992, 467 channels i.e. only 24 per cent were being utilised as of June 1994.**

- **There had been an overall cost overrun of 36.81 per cent. Component wise, the cost overrun ranged between 7.97 and 675.84 per cent, highest being on mast and aerials.**

- **Tower materials valuing Rs 15.11 lakhs were lying unutilised at Athgarh for more than two years. Besides a 90 metre tower was constructed at Athgarh as against the requirement of 60 metre, resulting in an avoidable expenditure of Rs 5.13 lakhs.**

8.3.3. Defective route survey

The site survey for the analogue microwave link was conducted during 1971-72 and provided for five repeaters at Haldibari, Talcher, Kosala, Danda and Hatibari. The route was commissioned in February 1988 with the above five repeaters.

The digital microwave scheme was surveyed and engineered, in April 1986, following the existing analogue route as specified by the Directorate i.e. with the same five repeaters. But subsequently, in July 1988, an obstruction between Haldibari and Cuttack came to notice during map engineering of another scheme. While submitting modified survey report of Cuttack-Sambalpur digital microwave scheme in July 1988, the Microwave Survey Division, Calcutta attributed this omission to some discrepancies in the Survey of India maps which were observed in Cuttack-Haldibari hop causing some obstruction in working of the digital microwave system.

However, in response to audit reference, Survey of India, South Eastern Circle, Bhubaneshwar stated in June 1994 that their maps were sufficiently accurate for topographical works and these depict that Haldibari hill top and Cuttack were not intervisible due to intervening hills. Further, 4 GHz analogue system commissioned in February 1988 also had low reception level due to the obstruction.

Therefore, selecting site for repeater station at Haldibari on the basis of the defective survey, had the following effects:

(i) To overcome the situation, a revised survey report was prepared in July 1988, re-engineering the Cuttack-Haldibari hop on two hop basis viz Cuttack-Athgarh and Athgarh-Haldibari i.e. an additional repeater was chosen at Athgarh besides the existing five repeaters, converting thereby the proposed six hop digital microwave system into a seven hop one. The revised survey of the route was completed in September 1988. Since Athgarh did not have the infrastructure facilities, the project estimate was accordingly revised. The infrastructure for Athgarh repeater station was completed in October 1991 incurring an expenditure of Rs 28.81 lakhs.

Although the revised survey report was approved by the Directorate in September 1988, orders for supply of 6 GHz, 140 Mb/s digital microwave equipment were placed on ITI in February 1989 on the basis of previous survey report for five repeater stations only. As a result, equipment for Athgarh repeater station was not included in the purchase order. CGMP, Calcutta also failed to point out the omission to the Directorate. The equipment for Athgarh repeater station was not ordered at all by the Directorate and the infrastructure at Athgarh was being used for Cuttack-Athgarh 120 channel UHF system, which was commissioned in March 1992.

A 90 metre tower was erected at Athgarh for the digital microwave scheme at a total cost of Rs 15.39 lakhs. The Department was utilising 28 channels out of 120 channels of the UHF scheme, which was meagre 23 **per**

cent. For the UHF scheme a 60 metre tower was sufficient. The 60 metre tower would have cost Rs 10.26 lakhs only (on a **prorata** basis). Thus there had been an avoidable expenditure of Rs 5.13 lakhs being the differential cost of the tower erected.

(ii) Non receipt of equipment for Athgarh repeater station coupled with the fact that the two stations Cuttack and Haldibari were not intervisible, for commissioning the digital system, with the equipment received, the Department had to change the terminal station from Cuttack to Nandankanan (Daruthenga) for which a revised survey report was prepared in August 1991 to match the equipment for six hops already received. The infrastructure viz. building, tower, etc. was created at a total cost of Rs 76.91 lakhs.

The equipment received in August 1991 were installed at different stations during November 1991 and March 1992, yet, the system could not be commissioned as the new terminal station at Nandankanan was not connected to Cuttack telephone exchange, a distance of 25 km. Therefore, the department had to go in for another project estimate for connecting Cuttack and Bhubaneshwar via Nandankanan by an optical fibre cable (OFC) at an estimated cost of Rs 241.89 lakhs. The Cuttack-Nandankanan section of the above system was commissioned in December 1992, enabling the digital microwave system also to be commissioned in the same month. However an expenditure of Rs 34.63 lakhs was incurred on Nandankanan-Cuttack OFC link towards optical line terminating equipment and multiplexing equipment solely for the working of the digital microwave system.

Thus, the flawed survey conducted by the survey wing of the Department and subsequent lapse on the part of the Directorate in not ordering equipment for Athgarh repeater station, necessitated change of the terminal station from Cuttack to Nandankanan resulting in an avoidable expenditure of Rs 1.17 crores. Further for maintaining the terminal station at

Nandankanan the Department had to incur a recurring expenditure of Rs 1.48 lakhs **per annum**.

8.3.4. Under utilisation of the system

8.3.4.1 The digital microwave system having a capacity of 1920 channels was commissioned in December 1992, but, the system was not serviceable due to equipment, wave guide and charger troubles at some of the repeater stations and delay in clearing certain important pending points viz. charger trouble at Haldibari, antenna deorientation at Haldibari, Talcher and Kosala, switching trouble at Sambalpur etc. by the CGMP, Calcutta. The system could be loaded in August 1993 only after 18 months of commissioning of the system. However the utilisation of capacity is still very low being 467 channels only, at the end of June 1994 a meager 24 **per cent** of the installed capacity. Besides, 4 GHz analogue system which was to be shifted and used elsewhere, was also being utilised as a standby.

8.3.4.2 Out of the remaining 1473 channels, 480 channels had been dropped at Talcher in anticipation of future demand to be raised by Orissa State Electricity Board (OSEB), but OSEB did not come forward to take independent circuits due to improvement of STD facility at Talcher. However, the multiplexing equipment worth Rs 1.94 lakhs received in August 1991 for providing the dropping facility was lying idle and unproductive for the last three years.

8.3.5. Cost overrun

Against the sanctioned cost of Rs 3.83 crores the actual expenditure booked against the project as at the end of September 1994 was Rs 5.24 crores indicating an overall cost overrun of 36.81 **per cent**. The component wise cost overrun, however, ranged between 7.97 and 675.84 **per cent**. The bulk of the excess was under building and electric installation 159.27 **per cent** and mast and aerials 657.84 **per cent**.

The revised project estimate has not been sanctioned so far (June 1994).

8.3.6. Other topics

Out of 176 tonnes of tower material and 82 tonnes of tower strengthening material received from Telecom Factory, Jabalpur during March-July 1992 and diversion from other divisions for erection of tower at Athgarh, 64 tonnes of material costing Rs 15.11 lakhs was lying idle in stock after erection of the tower for more than two years (November 1994).

The matter was referred to the Ministry in September 1994; their reply was awaited as of December 1994.

8.4 Mysore - Kollegal optical fibre cable project

8.4.1 Introduction

In the Annual Action Plan for 1990-91 the Department of Telecommunications (DOT/Directorate) had included a 140 mega bits per second (Mb/s) 95 km optical fibre cable (OFC) system between Mysore and Kollegal, by March 1991. While the composite project estimate for Mysore-Kollegal system as one project would have required the sanction of the Directorate, two separate project estimates for OFC systems were sanctioned by the Chief General Manager, Telecommunications Project (CGMP), Madras in March 1990 under his own powers, one between Mysore and Chamarajnagar via Nanjangud (63 km) and another connecting Chamarajnagar and Kollegal (39 km) at estimated cost of Rs 3.91 crores and Rs 3.51 crores respectively.

Subsequently, in view of urgency for connecting Kollegal to the subscriber trunk dialing (STD) network, a 120 channel digital ultra high frequency (UHF) system between Mysore and Kollegal was implemented in

March 1991 deferring the Chamarajnagar - Kollegal branch/section of the OFC project.

The OFC system between Mysore and Chamarajnagar was commissioned in February 1993. The expenditure booked against the project, as at the end of March 1994 was Rs 4.58 crores.

8.4.2. Scope of Audit

A review of the OFC project covering all the stages was conducted by Audit during March-June 1994.

8.4.3. Organisational set up

The scheme was executed by the Director of Telecommunications, Transmission Project, Bangalore under the overall supervision of CGMP, Madras.

8.4.4. Building

8.4.4.1 Land for the project Mysore-Chamarajnagar digital UHF system was acquired at Chamarajnagar in September 1989 for construction of a building. This project was later dropped, in March 1990. In June 1990, the project circle decided to construct a building for installation of optical fibre equipment utilising the land acquired for the UHF system. While according the administrative approval and expenditure sanction (AAES) in October 1991 for Rs 6.62 lakhs the technical portion of the building was deleted by the project circle.

Later the project circle reinstated its earlier plan of construction of the technical portion of the building. Accordingly, a revised AAES for Rs 12.40 lakhs was accorded in April 1992 to include the technical portion of the building also. The civil works commenced in December 1992 were completed in March 1994 at a cost of Rs 14.19 lakhs expenditure booked as of August 1994.

8.4.4.2 Meanwhile, as the building was not ready, the project circle, in August 1991, ordered one containerised housing module from a private firm for installing the optical fibre equipment, though departmental instructions do not permit installation of optical fibre equipment in such containers. The module costing Rs 3.44 lakhs was received at site in March 1992.

A temporary shed for housing the container was constructed at a cost of Rs 0.75 lakh. The equipment which was installed in the container was shifted to the building in June 1994. The containerised housing module was lying idle. It resulted in an avoidable expenditure of Rs 4.19 lakhs.

8.4.5. Laying of optical fibre cable and pipes

8.4.5.1 The Directorate, in May 1989 allotted 95 km of 6 fibre cable for laying between Mysore and Kollegal. The survey report, finalised in June 1989 also envisaged laying of 6 fibre OFC between Mysore and Kollegal. However, an order for supply of 68 km of 12 fibre and 42 km of 6 fibre OFC together with accessories was placed by Department of Telecommunications (DOT) on Hindustan Cables Limited (HCL), Allahabad in August 1990 followed by another order in February 1991 for fibre distribution frame and patch chords, with the schedule of deliveries within 12 months from the date of issue of orders. The entire 42 km of 6 fibre OFC received in March 1992 for Chamarajnagar - Kollegal Section was subsequently used by the Directorate in Tumkur-Madhugiri OFC project in January 1994. Thus, the 6 fibre OFC costing Rs 1.05 crores remained idle for over one year. Besides, laying of 68 km of 12 fibre cable instead of 6 fibre had resulted in an avoidable extra expenditure of Rs 34.68 lakhs being the difference in cost of 12 fibre and 6 fibre cables.

8.4.5.2 The departmental instructions stipulate use of only 75 mm/6 kg high density polyethylene (HDPE) pipes for encasing the OFC. The project circle procured from four private firms a total of 109 km of HDPE pipes inclusive of 19 km of higher specification pipes i.e. 75 mm/10 kg and 90 mm/6 kg in December 1990 at a cost of Rs 62.01 lakhs. It was observed from the progress reports that 65.5 km of HDPE pipes had been utilised for the project leaving a balance of 43.5 km of HDPE pipes as surplus.

In reply to an Audit query, it was stated that these excess pipes were utilised in Mysore - Gokulam and Ramanagar - Channapatna OFC projects in January and April 1993 respectively. There was no explanation as to why the initial estimates of the requirement of HDPE pipes were so high. As a result, 43.5 km of HDPE pipes costing Rs 23.25 lakhs were lying idle for over 2 years, with possibility of deterioration and damage. In addition, procurement of 19 km of higher specification pipes resulted in an avoidable expenditure of Rs 4.48 lakhs.

8.4.5.3 Tenders for the work of trenching and HDPE pipe laying were finalised in July 1990. The work, commenced in October 1990, was completed in August 1992. The work of pulling OFC through HDPE pipes was awarded in May 1992 when bulk of the pipe laying work had already been completed. The OFC pulling work was completed in November 1992. The Department took 26 months for laying of 65.5 km of optical fibre cable as against 4.5 months stipulated under the norms. As a result, the commissioning of the project was delayed by two years.

8.4.6 Equipments

8.4.6.1 Orders for supply of optical fibre equipment and accessories for the entire Mysore-Kollegal OFC route was placed on Indian Telephone Industries (ITI) in November 1990. The equipments were received between March 1991 and March 1992. Due to deferring Chamarajnagar - Kollegal section of the OFC project, equipment meant for this section had to be diverted to Guntakal-Bellary OFC project in June 1994. Thus the equipment costing Rs 8.52 lakhs remained idle for over two years.

8.4.6.2 As against requirement of three digital distribution frames (DDF), an order for seven DDFs was placed by the Directorate on ITI in December 1990. Ignoring this fact, the Director Telecom Project, Bangalore also placed orders for four DDFs, in July and August 1992. Thus in all, 11 DDFs were procured rendering eight of them surplus to requirements. Seven DDFs were subsequently used in other projects while one, costing Rs 2.94 lakhs, was still lying unused in stock for over two years.

8.4.5.3 The project envisaged dropping of 140 Mb/s circuits at Nanjangud. But, in December 1991, the equipment received for dropping of circuits at Nanjangud was diverted to another project for providing end links. The OFC system was commissioned in February 1993 with Mysore and Chamarajnagar as terminal stations and Nanjangud as a stand alone repeater only, without any dropping facility. One pair of fibre (Nos 1 and 2) out of 6 pairs laid, was utilised for Mysore-Chamarajnagar route. A subsequent decision in August 1993, in the Department for augmenting the circuits between Mysore and Nanjangud, necessitated commissioning of another smaller capacity OFC system of 34 Mb/s between Mysore and Nanjangud on a separate pair of fibre (Nos 3 and 4) of the OFC already laid which would have been avoided as another pair (Nos 1 and 2) was being used on the route (Mysore-Nanjangud-Chamarajnagar).

CGMP, Madras stated in November 1994 that though originally the 140 Mb/s OFC project was conceived as a part of Mysore-Madurai OFC route, it had now been decided to terminate the traffic at Chamarajnagar and correspondingly the capacity has been reduced to 34 Mb/s system between Mysore and Chamarajnagar with Nanjangud sharing the number of channels.

Thus, the CGMP, Madras, by reducing the capacity of the system to 34 Mb/s, accepted that the initially installed 140 Mb/s OFC system between Mysore and Chamarajnagar was not justified. Looking to the very low utilisation even the reduced capacity would continue to remain under utilised, to a large extent, for years to come.

Incidentally, by reducing the capacity of the system to 34 Mb/s, the entire 140 Mb/s equipment received and installed initially at the two terminal stations at Mysore and Chamarajnagar and the repeater station at Nanjangud, costing Rs 16.62 lakhs, was rendered surplus to requirement and is lying idle.

It was further noticed by Audit that in the matter of placing orders for 34 Mb/s equipment for the above mentioned project, the Department did not link with the equipment already received from Telecom Circle which was used for commissioning the above work. Consequently out of the two Optical Line Terminals (OLT) equipment for 34 Mb/s system received from ITI, one was installed at Chamarajnagar and the other OLT equipment costing Rs 5.30 lakhs, was still lying in store.

8.4.7. Capacity utilisation

The total number of channels available in the OFC systems working on the 12 fibre OFC laid between Mysore and Chamarajnagar are as under:

	Fibre No.	Route	Available capacity (Channels)
(i)	1 and 2	Mysore-Chamarajnagar	1920
(ii)	3 and 4	Mysore-Nanjangud	480

The maximum number of junctions available at the local exchanges at Chamarajnagar and Nanjangud was 144 and 128 respectively. Thus, even if all the junctions were to be terminated, the maximum utilisation of the transmission media would be a meagre 7.5 **per cent** at Chamarajnagar and 26.7 **per cent** at Nanjangud. No projection were available on record to show that in the near future the rate of growth of traffic would utilise the excess capacity.

The actual utilisation of channels in the two routes was as under:

Route	Optimum capacity	Actual utilisation	Percentage under-utilisation
Mysore-Chamarajnagar	1920	39	98
Mysore-Nanjangud	480	60	87

Thus, the Department had created an excess capacity in the transmission media without reference to demand in the near future, against the existing switching systems at Chamarajnagar and Nanjangud.

As per the reply of the CGMP, Madras the system now working is Mysore - Chamarajnagar 34 Mb/s with Nanjangud as an intermediate station i.e. effectively, only one pair of fibres out of 12 installed is being utilised. The utilisation of fibres was 16.7 **per cent** only. Since the capacity of the system is practically independent of the optical fibre cable, there is obvious underutilisation of the 12 fibre cable laid.

Therefore, defects in execution of the project and absence of co-ordination between Project and Telecom Wings of the Department at the planning stage, resulted in gross underutilisation of the transmission media.

8.4.8. Cost and time overrun

As against the sanctioned cost of Rs 3.91 crores the total expenditure booked under the project, as at the end of March 1994 was Rs 4.58 crores indicating a cost overrun of 17 **per cent**. The expenditure booked so far did not include expenditure of Rs 14.94 lakhs on civil works viz. construction of transmission building, staff quarters and temporary shed for container.

The entire project i.e. Mysore-Nanjangud-Chamarajnagar-Kollegal was expected to be commissioned by March 1991. But the Department could commission only a part (Mysore-Chamarajnagar) and that also in February 1993 only i.e. after a delay of about two years. The main reasons were (i) slow progress of building construction, (ii) delay in receipt of equipment, and (iii) delay in trenching and cable pulling work.

8.4.9. Monitoring mechanism

The sanctioned project estimate envisaged commissioning of the system by March 1991. For monitoring the progress of the work, a system of monthly progress reports and periodical co-ordination committee meetings existed. Further no sophisticated system like programme evaluation review technique (PERT) chart, was used for effective monitoring and ensuring completion of the project within the scheduled time frame. In the absence of a carefully planned programme for commencement and completion of each component and inter related activity all these progress reports and coordination meetings proved ineffective. Critical delays took place in finalisation of building, receipt of equipment, trenching and cable pulling work. This indicate that whatever monitoring apparatus existed was not made use of in taking necessary follow up rectificatory action to avoid delays and consequent additional expenditure.

To sum up:

Deferment of a part of the project led to idling of equipment, cables and pipes worth Rs 1.37 crores for one to two years. Subsequent changes in planning during execution led to avoidable expenditure of Rs 43.35 lakhs on laying of higher specification cables and pipes and providing temporary containerised housing module pending construction of the permanent building. Installing two OFC systems (140 Mb/s and 34 Mb/s) in place of only one system i.e. 34 Mb/s required between Mysore and Chamarajnagar rendered equipment worth Rs 16.62 lakhs surplus. Besides, defects in execution of the project and absence of co-ordination between Project and Telecom Wings of the Department at the planning stage had resulted in gross underutilisation of the transmission media.

The matter was referred to the Ministry in October 1994; their reply was awaited as of December 1994.

CHAPTER 9

OTHER TOPICS

9.1 Avoidable payment of commitment charges on foreign loan

On loans contracted with the World Bank/Asian Development Bank (ADB) the borrower is required to pay commitment charges in addition to interest and service charges on portion of the loan undrawn beyond specified dates.

In paragraph 2.35 of its Fifty Fifth Report (Fourth Lok Sabha), the Public Accounts Committee (1968-69) reiterated its recommendations made in paragraph 1.25 of its Fifty Fifth Report (Third Lok Sabha) that payments on account of commitment charges should be minimised. The Committee also drew attention to the observation of the Estimates Committee in paragraph 4.38 of its Eleventh Report (Fourth Lok Sabha) about the need for advance detailed planning and realistic assessment of foreign assistance requirements, so as to reduce the payment of commitment charges to the minimum.

A loan agreement for US $ 135 million was concluded with the ADB on 6 May 1988 for modernisation of telecommunication facilities in India by the Department of Telecommunications (DOT), Mahanagar Telephone Nigam Limited (MTNL) and Videsh Sanchar Nigam Limited (VSNL). DOT's portion of loan was US $ 52.38 million which was reduced to US $ 40 million in April 1992 on reallocation after part cancellation of the loan by the ADB. US $ 6.52 million was unallocated, US $19.17 million was treated as interest and other charges during construction (common to all borrowers) and balance loan US $ 59.31 million was lent to MTNL/VSNL. The terminal date of the loan was 28 February 1993 and it was repayable in 20 years commencing from 15 June 1992. This loan was to be utilised for import of various equipments.

According to section 2.03 of the agreement, commitment charges at 0.75 **per cent per annum** were payable on the unutilised portion of the loan.

However, DOT failed to utilise the ADB loan resulting in a liability of US $ 1.54 million equivalent to Rs.4.96 crores (1 US $ = Rs 32.1978 as on 31 March 1994) towards commitment charges for the period from July 1988 to March 1994 under the loan agreement for non-utilisation of the loan. The procurement of various equipments under this loan was still in progress (September 1994).

While accepting the facts mentioned above, the Ministry stated (September 1994) that consequent on the formation of Telecom Commission in May 1989 a review was done of all the items to be procured under the loan and "in pursuance of policy of self-reliance Telecom Commission decided not to procure some of the items provided in the loan". These included computerisation of manual trunk exchanges (CTMX) and Satellite Earth Stations. Accordingly Ministry of Finance was requested by DOT to cancel part of the loan provided for equipments. Since ADB was not willing to cancel part of the loan, Government of India requested on 14 March 1990 to cancel the entire loan. In the meanwhile Telecom Commission reviewed its earlier decision in the first half of 1991 and decided to go in for the procurement of equipment through the ADB loan "so as to avoid delay in the modernisation process". The ADB confirmed withdrawal of cancellation of loan in September 1991. The revised terminal date of the loan is 30 June 1995.

The reply brings out clearly that the Department while evaluating the capabilities of developing indigenous manufacture of equipments, did not correctly foresee the state of technological development and consequential availability of equipments in the indigenous sector. In the bargain, though the objective was to speed up the modernisation process, their decision not only had adverse impact on the pace of modernisation but also entailed avoidable liability of Rs 5.88 crores as on 31 March 1994 by way of commitment charges due to the failure to utilise the loan amount as per the terms of the agreement. The liability will further go up till its termination in June 1995 in view of the fact that the loan amount is still to be utilised (August 1994).

9.2 Unfruitful investment in imported Electronic Line Concentrators

Mention was made in para 9.3 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1993, No. 7 of 1994, Union Government (Posts and Telecommunications) about unfruitful investment of Rs 2.32 crores in 21 Electronic Line Concentrators (ELCs) out of 35 test-checked in Madras Telephones District and Gujarat, Karnataka and Maharashtra Circles. In all, 70 ELCs were imported from Switzerland in 1989-90. It was further noticed by Audit in November 1993 that out of 27 ELCs allotted to Calcutta Telephone District and Assam, Andhra Pradesh and North-East Telecom Circles, only nine sets were giving satisfactory performance, the details are as under:

Telecom District/ Circle	No. of total ELCs allotted in 1989-90	No. of ELCs working satis-factorily after installation	No. of ELCs could not be installed till date	No. of ELCs installed in good condition but could not be used there-after	No. of ELCs which became faulty after installation
1	2	3	4	5	6
Calcutta	9*	2	5	-	2
Assam	5	-	2	-	3
Andhra Pradesh	8	5	1	2	-
North-East	5	2	2	1	-
	27	9	10	3	5**

* Excluding one unit diverted to Karnataka Circle and commented upon in Report of the CAG, No. 7 of 1994 (para 9.3).

** Of these 1 unit in Calcutta and all units in Assam have since been withdrawn.

Ten ELCs were not installed which indicated that these were not required by these Circles. Two sets in Andhra Pradesh though installed could not be utilised due to laying of primary cable and one set in North-East was not being used fully as there were only 2 or 3 connections at Langol.

Five sets did not work satisfactorily after installation. Out of these, in Assam, two sets were withdrawn in August 1990, one set was withdrawn in August 1992 and in Calcutta one set was withdrawn in June 1993. The warranty period of 12 months for the ELCs expired in March 1990.

Thus the investment of Rs 1.99 crores (including customs duty) on purchase of 18 ELCs became unfruitful partly because of excess procurement of 13 ELCs and partly due to unsatisfactory performance of the remaining 5 ELCs of which 4 have since been withdrawn.

Status of eight ELCs allotted to Uttar Pradesh Circle was not made available to Audit despite repeated reminders.

The matter was referred to the Ministry in September 1994; their reply was awaited as of December 1994.

9.3 Extra expenditure on laying HDPE pipes of higher specifications

The Department of Telecommunications (DOT) after taking into account the various comments received from General Managers, Projects and other available options, issued orders in October 1987 specifying the use of high density polyethylene (HDPE) pipes of 75 mm outer diameter of 6 kg/cm^2 strength throughout the length for encasing optical fibre cable (OFC) on non-ducted routes. These orders were reiterated in April 1992.

The planning and procurement of HDPE pipes required for different divisions under Eastern Zone Telecom Projects was entrusted with the office of Chief General Manager Telecom (CGMT) Projects, Eastern Zone, Calcutta and purchase orders were placed by him route wise centrally on Director General of Supplies and Disposal (DGS&D) rate contract.

It was noticed in audit during July-September 1992 that the project estimates sanctioned by CGMT, Projects, Calcutta for different routes to be executed by Director Telecom Projects (DTP), Sambalpur and Director Microwave Projects (DMP), Bhubaneshwar had provision for laying 75 mm, 6 kg/cm^2 HDPE pipes only for use in various routes for encasing OFC as per the specifications laid down by DOT. CGMT, Projects, Calcutta and DTP, Sambalpur in violation of orders of DOT and ignoring the specific provisions made by them in the sanctioned estimates, placed twenty purchase orders for 544 kilometre (km) HDPE pipes of 75 mm, 10 kg/cm^2 strength at Rs 5.25 crores on various firms between September 1991 and November 1992 partly under DGS&D rate contract and partly when the above rate contract was not in operation. Out of 544 km of HDPE pipes, a quantity of 290 km valued at Rs 285.46 lakhs was received against seven purchase orders placed directly on firms between 11 September 1991 and 21 May 1992 when the rate contract was not in operation and as such no inspection was carried out by DGS&D at loading point. Further the pipes were delivered mostly at work site and laid without carrying out any quality check and inspection by the consignee.

Thus the procurement and laying of HDPE pipes of higher specifications than those specified by DOT resulted in an extra expenditure of Rs 1.64 crores being the price difference between the pipes of these two specifications.

The matter was referred to the Ministry in August 1994; their reply was awaited as of December 1994.

9.4 Non-accounting of stores

A system of continuous or progressive stock-taking by the sub-divisional officer-in-charge atleast twice a year has been prescribed.

In Cuttack Telecommunication District, Shri `A' was appointed as sub-inspector (SI) stores to maintain accounts of stores received and issued in the office of the sub-divisional officer phones (SDOP), Cuttack on its formation in September 1989. The additional charge of cable stores was also given to him in January 1990. In October 1990, Shri `B' as SI stores took over the charge of stores excepting cable stores from Shri A. The charge taking over/handing over reports were not countersigned by SDOP. However the fact of not taking of charge of cables was brought to the notice of SDOP after two months in December 1990. Shri A voluntarily retired on 30 April 1991 from service on health grounds without handing over the charge of cable stores.

During test-check by Audit in December 1991 and September 1992, it was noticed that stores costing Rs 0.84 lakh received by Shri A on six different dates between February and September 1990 from retail telecom store depot (RTSD), Cuttack were not accounted for in the stock which remained undetected as no physical verification of stock was carried out by SDOP till his transfer from the sub-division in July 1992.

The physical verification of some of the sensitive items of stores including underground cable was conducted in September 1992 by a committee constituted by Telecom District Manager (TDM) in August 1992 following the detection of the discrepancy of Rs 0.84 lakh in stores by Audit in December 1991. The committee submitted a list of physical balances as of September 1992. Test check by Audit of four items was carried out by comparing the physical balance arrived at by the committee in their above report with the store ledger balance worked out by Audit on the basis of actual receipt of stores, from RTSD, its accounting in the stock book and issue to works during January to September 1990 which revealed the following shortages of stores:

Sl. No.	Name of items of stores	Quantity found short	Value of stores found short (Rs in lakhs)
1.	Underground cable of various sizes	47.449 km	113.04
2.	PVC Twin conductor drop-wire (0.91 mm dia)	921.955 km	27.66
3.	Plumber metal	854.650 kg	1.24
4.	Resin core	46.600 kg	0.13
	Total		142.07

The shortages of Rs 1.42 crores are attributable to the failure of the executive to follow the prescribed procedure for periodical stock-taking. These shortages were mainly on account of non/short accounting of stores received from RTSD on different occasions and 108 drums of cable of various specifications received by Shri B, SI store on 2 February 1991 on shifting of RTSD from Cuttack to Bhubaneshwar. The quantities of stores issued from stock by Shri B on different occasions were also found manipulated.

The matter was reported to TDM, Cuttack in October 1992. In reply, the TDM stated in March 1993, that the matter was under investigation against Shri B and SDOP by the Central Bureau of Investigation (CBI) and internal audit was checking the rest of the stores items.

The matter was referred to the Ministry in September 1994; their reply was awaited as of December 1994.

9.5 Printing of Telephone Directory under new policy

In June 1986, the Department of Telecommunications (DOT) decided on a new policy for printing and publication of telephone directory once every year through private contractors. The policy envisaged the issue of telephone directories financed by advertising revenues. Interested parties were to provide paper, printing and binding as well as to obtain advertisements for inclusion in the directories. The franchise was to be in exchange for supply, free of cost, of adequate number of copies for distribution to telephone subscribers and for departmental use besides a share in the advertising income. It was visualised that the policy would eliminate delays in periodical publication of the telephone directory as well as generate some revenue for the Department.

The General Managers were authorised to invite comprehensive offers covering five annual issues (three for minor telephone districts).

General Manager, Ahmedabad Telecom District entered into an agreement with a Bombay based firm `A' in January 1987 for publishing of English telephone directory of Ahmedabad yearly for five issues commencing from 1987 issue i.e. 1987 to 1991. The agreement envisaged:

(i) The Department would supply to the contractor the manuscript of the directory in the form of magnetic computer tapes.

(ii) The contractor would publish the directory as a complete job and would arrange to supply specified number of copies free of charge within 60 days of receipt of the magnetic computer tape failing which penalty was leviable @ 1 **per cent** of advertisement revenue collected by him for each week's delay.

(iii) The contractor would pay to the Department 10 **per cent** of the revenue earned from advertisements subject to minimum of Rs 3 lakhs in the first year and Rs 5 lakhs in the subsequent years.

Pursuant to the agreement referred to above, firm A had so far published four issues of the Ahmedabad directory. It was noticed by Audit in June 1992 that the contractor had not complied with the conditions of the agreement to the extent:

(a) He did not credit to government accounts the Department's share of advertisement revenue earned by him; and

(b) He did not publish 1988 issue of the directory; and the remaining four issues were published late than the stipulated date ranging from 18 to 35 weeks.

Consequently, revenue to the tune of Rs 36.51 lakhs on account of the Department's share being 10 **per cent** of Rs 3.65 crores advertisement revenue earned by the contractor and Rs 5.00 lakhs being minimum revenue share for 1988 issue of the directory, which remained unpublished, were not realised from the contractor. The Department also failed to levy penalty charges amounting to Rs 82.67 lakhs for delays in publishing directories as per agreement/time schedule. Thus a total sum of Rs 1.24 crores since 1987 was due from the contractor.

On this being pointed out by Audit in June 1992, CGMT, Gujarat Circle, while accepting the facts of non-recovery of share of revenue and non-levy of penalty charges, stated that action was being taken to recover/adjust the Department's share of revenue. The fact however remains that even after 7 years, the Department is yet to get its share credited to the Government accounts and recover penalty charges. The bank guarantee of the contractor has also expired in December 1993.

The matter was referred to the Ministry in June 1994; their reply was awaited as of December 1994.

9.6 Overpayment of transportation charges

Telegraph and telephone materials transported by rail for the Department of Telecommunications are allowed concessional freight subject to furnishing a certificate by the Department that the movement of material is taking place on their account for the construction and maintenance of Government telephone lines.

A test-check of purchase vouchers by Audit in October 1992 and June 1993 in the Office of Controller of Telecom Stores (CTS) Bombay, Jabalpur, Madras and New Delhi revealed that at the time of despatch of some such stores by the suppliers the Department did not furnish the required certificate for availing of concessional freight under the above provisions and, consequently, there was excess payment of Rs 97.96 lakhs on the supplies received during 1988 to 1993.

Further, as per the terms and conditions of purchase orders placed by the Chief General Manager Telecom (CGMT), Stores, Calcutta the suppliers were required to despatch the stores by Railways on freight paid basis, which was to be reimbursed alongwith the payment for the stores. If a supplier despatches the stores by road his claim for the freight is restricted to the lower of corresponding rail freight or actual road transport cost. It was, however, noticed during June 1993 that CTS, Calcutta failed to restrict the claims for freight for despatches by road to rail freight being lower than the road freight which resulted in an overpayment of Rs 1.05 lakhs. In the case of CTS, Madras the claims for freight for despatches by road received during 1992-93 were restricted to the rail freight but not at concessional goods tariff rates applicable for such stores. This further resulted in an excess payment of Rs 8.82 lakhs thus raising the extra expenditure to Rs 1.08 crores.

The matter was referred to the Ministry in June 1994; their reply was awaited as of December 1994.

9.7 Defective long distance telecommunication facilities for VIP visits

Department of Telecommunications (DOT) decided in March 1985 to procure high frequency (HF) communication equipment in order to provide reliable long distance telecommunication facilities to high dignitaries (VIPs) during their official visits to places not connected by transmission media. Fixed base station equipments for Gurgaon (near Delhi), Pune, Calcutta, Shillong (value Rs 104.80 lakhs) and four transportable sets (value Rs 0.60 lakh) were needed for use during visits of VIPs to such places.

A global tender enquiry was made by DOT in August 1985. An advance order was issued on a foreign firm in November 1986, on the recommendations of tender evaluation committee, subject to clearance by Department of Electronics (DOE). Meanwhile, the Department approached DOE in December 1986 for import clearance which was not granted by DOE on the grounds that the equipment was indigenously available. The Department was, therefore, asked by DOE in December 1987 to approach an Indian manufacturer, firm A. The advance order placed on the foreign firm was cancelled in January 1988 and a consolidated purchase order was placed on the Indian firm in February 1988 for Rs 1.05 crores stipulating committed supplies within six months. The delivery schedule was not adhered to by firm A and it was extended to March 1990 without levy of liquidated damages. The supplies were completed by August 1990.

It was noticed by Audit during September-October 1990 and June 1993 that a part of the equipments costing Rs 26.05 lakhs meant for Calcutta base station was supplied in March 1989 and the balance equipment costing Rs 0.15 lakh was supplied in August 1990. Though the main equipment was installed in October 1989, the base station could not be commissioned due to faults in some of the component equipments; the reports regarding the faults were intimated to DOT in the same month. As the faults observed could not be rectified by the firm, commissioning of the stations was held up. The equipments were brought to the attached store depot for safe custody.

It was also noticed by Audit that equipment costing Rs 26.20 lakhs meant for Shillong base station was received in March 1989. It could not be initially installed as the selected place fell under a military receiving zone. The case was then pursued with DOT for an alternate place. Later, due to non-availability of a suitable place at Shillong free from obstruction, the equipments were not installed and remained idle (August 1994).

The installation works at Gurgaon and Pune were completed but the systems could not be commissioned due to continuing defects in the equipments (August 1993).

Thus due to lack of preparatory work, proper planning and monitoring and inadequate contractual provisions, the equipments procured in February 1988 at a cost of Rs 1.05 crores could not be utilised for over four years and were still lying unused. No penalty was imposed and no legal action taken against the supplier.

The matter was referred to the Ministry in June 1994; their reply was awaited as of December 1994.

9.8 Fraudulent/Irregular payment to carriage contractors

(a) The General Manager, now Chief General Manager Telecom (CGMT) Bihar Circle entered into an agreement with contractor `A' for transportation of stores (i) locally over short distance in February 1985 which was extended from time to time upto March 1990 and (ii) for long distance within Bihar Circle in March 1989 for the period 1989-92. A similar contract was entered into with contractor `B' in April 1990 valid upto March 1992. Loading/unloading and carrying of stores within departmental godown campus was normally to be carried out by departmental mazdoors and if necessary by the contractors. However, under the terms of the agreements with firms A and B, two handling charges, one for loading of stores at the railway platform and other for unloading at the departmental godown were admissible. Further no claim on any account from the contractors was admissible if received after one month from the date of final payment for the work.

A number of irregularities and fraudulent payments were found by Audit in July 1991 and February 1993, in the execution of the two contracts as indicated below:

(i) The Assistant General Manager (AGM) Network and Planning (NP), Bihar without CGMT's approval, paid Rs 12.87 lakhs between January 1990 and February 1991 to contractor A against the claims for 1984-85 to 1989-90 preferred by him between October 1989 and August 1990 for three operations, namely: (i) unloading of stores from railway wagons (ii) stacking of stores on railway platform and (iii) stacking of stores at Telecom godown, for which no separate rates were provided for in the agreement as these operations were an integral part of each item of the contract. Moreover, payment against belated claims i.e., received after one month from the date of final payment for the work and in three cases even after the termination of the agreement was irregular under the terms of the agreement. Similarly, for the subsequent period upto March 1992 for these operations, the AGM (NP) without the approval of CGMT paid Rs 5.31 lakhs and Rs 27.21 lakhs extra to contractors A and B respectively.

Thus, AGM (NP) made fraudulent payments of Rs 18.18 lakhs and Rs 27.21 lakhs to contractors A and B respectively on this account.

(ii) The contracts stipulated that payment for conveyance of stores was to be made on `dead weight' basis i.e. `actual weight' noted on railway goods receipt (RR) or other way bill. However, AGM (NP) allowed payment on the basis of `charged weight' as per the RR. The sanctions for these payments were issued by AGM (NP) in the name of CGMT, who had not approved this. The AGM (NP) was not competent to issue the sanction. Hence it was fraudulent sanction by which such payments were made. As a result, contractor A was paid Rs 3.41 lakhs as arrears for 1985-86 to

1989-90 and contractor B was paid Rs 9.36 lakhs including arrears for the period April 1990 to March 1992.

(iii) AGM (NP) committed another grave error by allowing increases of 15 and 20 **per cent** over schedule rate effective from May and October 1990 on his own without any sanction from CGMT, Bihar Circle resulting in excess payment of Rs 12.72 and Rs 27.49 lakhs to contractors A and B respectively.

Thus total fraudulent payments on all the above mentioned accounts were Rs 34.31 lakhs and Rs 64.06 lakhs to contractors A and B respectively.

CGMT while accepting the facts stated in October 1993 that he did not issue any amendment to the agreement and an amount of Rs 21.24 lakhs and Rs 3.15 lakhs had since been recovered from contractors A and B respectively in November 1992 and January 1993 and added that contractor A had initiated legal proceedings. The case is pending under arbitration. However, the fact remains that CGMT failed to maintain financial regularity which led to issue of fraudulent sanctions in his name by AGM (NP) resulting in excess payments of Rs 98.37 lakhs of which Rs 73.98 lakhs (Contractor A-Rs 13.07 lakhs and Contractor B-Rs 60.91 lakhs) yet remains to be recovered (August 1994). The case was stated to be under investigation by Central Bureau of Investigation.

(b) In June 1989, the Department of Telecommunications (DOT) issued revised guidelines and tender notice format for finalisation of carriage contracts for stores. In the revised tender notice one of the conditions was that each tenderer must have atleast 4 lorries of required capacity in good condition in his own name.

A contract for short duration of 6 months for transportation of telecom stores from outstations to the Retail Telecom Stores Depot (RTSD), Bhubaneshwar was awarded by the Chief General Manager

Telecommunications (CGMT), Orissa Circle, Bhubaneshwar in July 1990 to contractor A who was not having even a single lorry in his name and was taking these on hire from other transporters which was not in accordance with the guidelines. The contract was awarded without inviting tenders on the basis of rates approved in April 1985 by the Maintenance Circle, Calcutta. Even after the expiry of 6 months period in December 1990 this contract was kept operative.

It was noticed by Audit in August 1992 that tenders were invited by CGMT, Orissa Circle, Bhubaneshwar in March 1991 only, in response to which three tenders including that of contractor A were received. The Chief Accounts Officer (CAO), Planning in May 1991 recommended that the contract be awarded to the lowest tenderer `B' who did have 4 lorries in his name. This was not accepted by CGMT, Orissa Circle, Bhubaneshwar and fresh tenders were called for.

Revised tenders were called for in June 1991 but before the finalisation of these tenders the rates under the existing contract were revised in July 1991 by CGMT, Orissa as per the approved rates of Bihar Circle thus giving further unintended benefit to contractor A. This time two tenders were received and rates of both the tenderers were more or less the same. As tenderer B satisfied all the conditions laid by DOT, tender evaluation committee (TEC) again recommended the award of the contract in his favour in September 1991. However, CGMT, Orissa ordered that the work be split up between both the contractors. But splitting up of the work was not accepted by tenderer B. Therefore the entire contract was awarded to contractor A. But, contractor A demanded 40 **per cent** increase in the contracted rates to compensate the so called increase in the cost of fuel and spare parts, but this was not accepted by the Department and the contractor was asked to carry out the work for another six months from March 1992 at Bihar circle rates approved in July 1991 under the previous contract. The contract was cancelled in June 1992.

Bihar Circle rates paid to contractor A during July 1991 to June 1992 were higher by about 69 and 56 **per cent** than the lowest rates offered by tenderer B in March and June 1991 respectively. Had the Department accepted lowest tendered rates of March 1991, an excess expenditure of Rs 19.52 lakhs incurred between June 1991 and June 1992 could have been avoided. Besides, Bihar Circle rates were fixed fraudulently by subordinate staff without obtaining approval of the competent authority.

While accepting factual position the CGMT stated in November 1993 that the first tender was cancelled to get competitive rates and on second tendering the work was split up for speedy transportation of stores to achieve the targeted development plan. The reply is not tenable as on retendering better offers were not received. Further on refusal of the lowest tenderer to accept the split up portion of the work the whole contract was awarded to one contractor only, thereby defeating the very purpose of having two supply lines for speedy transportation of stores.

The case is stated to be under Central Bureau of Investigation's enquiry.

Thus fraudulent additional payments on various counts to the carriage contractors in Bihar Circle by the AGM(NP), irregular award of carriage contract and arbitrary increase in rates by CGMT Orissa Circle led to an excess payment of Rs 1.18 crores.

The matter was referred to the Ministry in September and July 1994 respectively ; their replies were awaited as of December 1994.

9.9 Loss due to ill-conceived purchase of PBX/PABX boards

The Department of Telecommunications (DOT) had allotted 188 boards of various types of Private Branch Exchange (PBX)/Private Automatic Branch Exchange (PABX) worth Rs 86.67 lakhs to Madras Telephones on the basis of prevailing waiting list.

It was noticed by Audit in July 1993 that the PBX/PABX boards received by Madras Telephones in July 1987 were lying idle for the last six years though these were obtained specifically to clear the waiting list. Timely action was also not taken by DOT to divert these boards to other needy Circles.

In July 1989, DOT had permitted the subscribers to install their own electronic PABX boards on licence basis, thus further diminishing the possibility of use of existing PBX/PABX boards. In November 1989, the position of surplus boards was intimated to the Chief General Manager, Telecom Stores, Calcutta. By this time, however, due to change in technology there was no demand for these boards. The Department is now proposing to dispose of these boards worth Rs 86.67 lakhs as scrap.

The matter was referred to the Ministry in September 1994; their reply was awaited as of December 1994.

9.10 Avoidable expenditure on laying of PVC pipes of higher specifications

The standard specifications fixed by the Telecommunication Research Centre (TRC), provides for use of Polyvinyl Chloride (PVC) pipes of 107 mm diameter as underground cable ducts. The wall thickness of the PVC pipes was prescribed as 2 mm (Class A) for cement concrete encasement and 3.2 mm (Class B) for laying in sand or soil.

In December 1989, the General Manager (Planning), Calcutta Telephones took a decision to use Class B pipes as cable duct in cement concrete encasement instead of the thinner Class A ignoring the TRC specifications on the plea that Class A pipes were liable to breakage during transit, handling and encasement with concrete compared to Class B pipes.

Accordingly, during December 1989 to December 1991, Calcutta Telephones procured 396.82 kilometres of Class B pipes and used as cable duct in cement concrete encasement. The cost of Class B pipe was 55 **per cent** more as compared to Class A pipe.

The General Manager (Planning) defended his decision by arguing that liability of breakage during transport and handling and also fear of getting the pipes damaged during encasement with concrete was much more in case of 2 mm thick wall PVC pipe as compared to 3.2 mm thick wall PVC pipe. This was not tenable in view of the following facts:

(i) In January 1992, Calcutta Telephones under the same CGM reverted to class A pipes for further use as cable duct in cement concrete encasement.

(ii) In October and November 1992, samples of both of the classes of pipes were got tested from Regional Testing Centre, for crush resistance and flattering in accordance with TRC specifications and found satisfactory.

(iii) The question of breakage during transit was not relevant as transportation of the pipes from factories to destination was effected at supplier firm's risk and responsibility.

The injudicious decision of the Department resulted in an avoidable expenditure of Rs 80.65 lakhs.

The matter was referred to the Ministry in August 1994; their reply was awaited as of December 1994.

9.11 Idle inventory of electronic teleprinter machines

According to Department of Telecommunication's (DOT) policy electronic teleprinter (ETP) machines (both bilingual and Roman versions) were required to be issued to new telex subscribers from the Stored Programme Control Telex exchanges and also as replacement for old life expired electro-mechanical teleprinters (EMTP).

Due to limited supplies of ETP machines coupled with the Department's estimate that there would be less demand for these machines from the existing subscribers for replacement of EMTP because of higher rental charges, DOT directed the Bangalore Telephone District (BGTD) in May 1986 to prepare their requirements for these machines after considering all such factors. Out of imported 5300 ETP machines, DOT supplied 920 ETP machines during 1986-87, 1988-89 and 1991-92 as demanded by BGTD.

It was noticed by Audit in April and November 1993 that after meeting the requirements of new connections and replacements there was an idle stock of 194 machines as on July 1994. Out of this 108 machines were of Roman version for which there was no demand at all and the remaining 86 machines were of bilingual version. Out of these machines, 100 Roman and 80 bilingual machines were not in working order and were sent for repair to Hindustan Teleprinters Limited. After allowing 5 **per cent** of the working machines (60 Roman and 2 bilingual) as maintenance spares there was still an idle inventory of 48 Roman and 84 bilingual machines valued at Rs 80.36 lakhs without reckoning the freight and interest charges.

Audit scrutiny revealed that the requirement of these machines was not worked out on a realistic basis according to DOT guidelines issued in May 1986. Besides blocking of funds, it also resulted in exposing these machines to deterioration in idle storage. Due to lack of adequate demand of new connections and since DOT's new policy of May 1990 permits subscribers to install their own ETP machines and introduction of `I-net' (data transmission network) services, the probability of utilisation of these machines in BGTD in the near future are also low. No action was taken by the Department to divert these machines to other needy Circles.

The matter was referred to the Ministry in August 1994; their reply was awaited as of December 1994.

9.12 Execution of works without sanction of estimates

It was noticed by Audit in January 1993 that the General Manager (GM), Development, Hyderabad Circle executed 33 works during 1987-88 to 1992-93 without prior sanction of the estimates incurring an irregular expenditure of Rs 10.24 crores. These works were not such emergency works as required to restore communications or prevent breakdown of communications for political or defence needs and could have been executed in the normal manner after getting the estimates sanctioned. Even after execution of the projects no immediate action was taken to get these estimates sanctioned.

The irregularity pointed out above, persists in Hyderabad Circle despite an earlier comment in para 45 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1988 No.4 of 1989, Union Government (Posts and Telecommunications) and despite issue of necessary instructions to all heads of Circles by the Department of Telecommunications in July 1989 to avoid such occurrences.

A test check of the estimates sanctioned belatedly also revealed that in three estimates the expenditure booked on stores was Rs 70.28 lakhs as against estimated cost of Rs 10.71 lakhs. This resulted in excess expenditure of Rs 59.57 lakhs on stores.

GM, Development, Hyderabad stated in June 1994 that only 8 estimates involving an expenditure of Rs 76.11 lakhs remained to be sanctioned (May 1994). He gave no reasons as to why the works were undertaken without prior sanction.

The matter was referred to the Ministry in July 1994; their reply was awaited as of December 1994.

9.13 Inordinate delay in providing Telecommunication facilities

(a) On receipt of a requisition from Steel Authority of India Limited (SAIL) for providing voice network at various stations, the Department of Telecommunications (DOT) directed the concerned General Managers in February 1988 to examine the feasibility of installation of pulse code modulation (PCM) systems at those places and to intimate SAIL the rent and guarantee terms for the systems and probable time in which the systems would be commissioned. The matter was discussed by SAIL with Divisional Engineer Phones, Ranchi and a firm demand for provision of three leased speech circuits between Ranchi and New Delhi, with facility of the PCM system at the Ranchi end was placed in July 1988.

The Divisional Engineer, Phones (now Telecommunication District Engineer) Ranchi under Bihar Telecommunications Circle issued two demand notes in August 1988 for Rs 1.45 lakhs and Rs 7.97 lakhs for the advance rental and maintenance charges of the PCM system to be installed at the Ranchi end and rental for speech circuits between Ranchi and New Delhi respectively which were paid by SAIL in November 1988. The estimate for laying underground cable of 20 pairs of 10 lbs, 6.5 km in length was sanctioned in February 1989. According to specification and justification to the estimate, the existing local cable was unsuitable for PCM working and therefore, a new cable had to be laid. The work was to be completed within 4 months after receipt of stores and no technical difficulty was anticipated in carrying out the work.

The Department of Telecommunications issued instructions in April 1988 and October 1990 regarding the time frame for provision of leased telecommunication facilities. It was, however, noticed by Audit in September 1991 and again in March 1992 that the estimate was sanctioned in February 1989 but the Department failed to place the indent for the stores and only after being pointed out by Audit the Chief General Manager Telecommunications (CGMT), Bihar Circle realised that delay in providing the facility had resulted in loss of revenue to the Department. He instructed TDM Ranchi, in May 1992 to expedite the commissioning of the circuits.

Though SAIL paid the demand notes in November 1988 and according to the instructions on the subject the speech circuits should have been provided within three weeks after receipt of payment but the circuits were provided after a delay of over four years in March 1993 and that too without the PCM system by using 14/40 lbs underground cable.

Thus, owing to failure to place indent for the stores in time and lack of coordination and proper monitoring, the telecommunication facility demanded in July 1988 could be provided to the subscriber only in March 1993. Besides denying the facility to the intending subscriber for a long period, the Department also sustained notional loss of revenue amounting to Rs 33.88 lakhs for the period from December 1988 to February 1993.

(b) Indian Air Force authorities (IAF) placed a firm demand for providing 10.5 km 20 pairs/20 lbs underground cable around the air field at station `A' on operational immediate priority basis in April 1977. Annual rental of Rs 0.83 lakh with a period of 10 years guarantee was quoted in September 1977 and accepted by IAF in the same month. Indent for the said cable was placed in January 1978 and allotment thereof was made by DOT in May 1979. However, 9.3 km underground cable was received in piecemeal during 1982-87, which was laid in June 1988.

But during execution it was felt that for some technical reasons 14.5 km of underground cable instead of 10.5 km would be necessary. Accordingly, a revised rent and guarantee quotation for Rs 4.38 lakhs **per annum** was given to IAF authorities in June 1988 requesting them to amend the length of the underground cable in their firm demand.

The rental was ultimately revised to Rs 5.12 lakhs **per annum** in January 1989 due to increase in tariff which was accepted by the subscriber in May 1989. The underground cable of 14.5 km was handed over to the IAF complete in all respects in December 1992.

Thus, owing to lack of co-ordination and proper monitoring, the telecom facility demanded in April 1977 on operational priority basis could be provided only after 15 years. Besides denying the facility to IAF for a long period, the Department also sustained notional loss of revenue amounting to Rs 27.16 lakhs for the period from April 1979 to November 1992, after allowing a reasonable two years period for providing the facility.

Thus, the Department lost notional revenue of Rs 61.04 lakhs in above two cases.

The matter was referred to the Ministry in August-September 1994; their reply was awaited as of December 1994.

9.14 Irregular payment due to relaxation in price variation clause

The Department of Telecommunications (DOT) approved in September 1990 and February 1991 the names of the firms, quantity and rates of Polyvinyl Chloride (PVC) dropwire of 0.91 mm diameter with a price variation (PV) clause. The basic raw material for PVC drop wire is `continuous cast copper wire rod'. The price variation was to be calculated on the basis of base price of continuous cast copper wire rod prevailing in September 1989, vis-a-vis the rates notified by the Minerals and Metals Trading Corporation (MMTC) for this raw material as applicable 30 days before the date of offer of stores to the inspecting authority. After obtaining approval of DOT, the Chief General Manager Telecom Stores (CGMTS), Calcutta, placed purchase orders on different firms between October 1990 and October 1991 for supply of 2.39 lakh km of PVC drop wire.

In order to ensure smooth supplies, CGMTS, Calcutta on 24 January 1991 amended the PV clause to the effect that the price of the raw materials prevailing seven days before the date of offer of stores to the inspecting authority was to be taken into account. No approval of DOT was obtained by CGMTS while amending PV clause.

It was noticed by Audit in September 1992 that the amended PV clause was made applicable with retrospective effect from October 1990. This amendment was withdrawn by CGMTS on October 1, 1991 and the earlier position of 30 days period for price variation was restored; but the payment of price variation was allowed even upto December 1991. Thus issue of amendment by CGMTS without obtaining DOT's approval resulted in an irregular payment of Rs 42.39 lakhs during October 1990 to December 1991.

CGMTS, Calcutta stated in September 1993 that the PV clause was amended to ensure speedier supplies. The reply is not tenable as he was not competent to issue the amendment to the purchase orders and prior approval of DOT was necessary in this regard.

The matter was referred to the Ministry in May 1994; their reply was awaited as of December 1994.

9.15 Excess expenditure and blocking of capital on purchase of land

District Manager Telephones (DMT) (Now General Manager Telecom), Trivandrum purchased two adjacent plots measuring 1.11 acres and 1.06 acres in December 1986 on payment of Rs 15.19 lakhs for locating a telephone exchange and staff quarters in Manacaud area at Iranimuttom village. The land was marshy, lower than nearby road by about one metre, required filling and sufficient width for approach road to the plot was not available. DMT, Trivandrum paid Rs 22.60 lakhs for land filling increasing the total cost of land to Rs 37.79 lakhs. The market rates prevailing in the vicinity for fully developed plots of land at that time were about Rs 10 lakhs per acre. This resulted in excess expenditure of Rs 16.09 lakhs and the land was lying unutilised for the last eight years.

The offers for sale of two adjacent plots measuring 1.11 acres and 1.06 acres were received in June 1984 and June 1985 respectively at a negotiable price of Rs 8 lakhs per acre. Preliminary inspection of the site was made by a Standing Negotiating Committee. The rate at which undeveloped land was being sold in this area in 1986 was Rs 2.70 lakhs per acre and a private construction company was also selling developed plots in the vicinity at the rate of Rs 10.50 lakhs per acre. The cost of earth filling was originally estimated at a rate of Rs 10 lakhs per acre by the Executive Engineer (Civil). Taking these facts into account, the Chief Accounts Officer recommended a rate of Rs 3 lakhs to Rs 3.25 lakhs per acre as reasonable subject to approval of the Directorate as the recommended rate was 5 **per cent** above the valuation arrived at on the basis of sales taken place in that area. Records, however, revealed that approval of GMT, Kerala Circle was obtained only for purchasing 1.06 acres land and no approval for purchasing 1.11 acres land was obtained. Moreover, approval of the DOT was also not obtained. The S.E. (Civil), Trivandrum, underassessed the cost of earth filling to Rs 3.5 lakhs per acre and finalised the purchase price of land at Rs 7 lakhs per acre which was 115 **per cent** above the rates recommended by the `Internal Finance'.

An estimate for Rs 14.97 lakhs was sanctioned in December 1990 by the TDM, Trivandrum for earth filling and providing barbed-wire fencing for the plot. Realistic estimates for earth filling were not made at this stage by DMT, stating that the area was water-logged. The work was awarded in April 1991 on tender basis to a contractor for 13200 cubic metre of earth filling at Rs 55 per cubic metre i.e. Rs 7.26 lakhs. The total cost actually incurred by the Department on earth filling was Rs 22.60 lakhs. The land fencing work could not be taken up due to boundary dispute with neighbours.

Director (Internal Check) had observed that land was originally purchased for construction of telephone exchange but subsequently proposal for construction of staff quarters was incorporated. A decision was taken to house the exchange by constructing an additional floor in the existing Kaithamukku exchange, there was no need to acquire both the plots of land. Construction of additional floor was completed in August 1994 and it was certified by Executive Engineer that sufficient space was available for installation of new exchange.

Thus, the Department not only incurred an extra expenditure of Rs 16.09 lakhs for the land but also could not utilise the land so far, resulting in blocking of capital worth Rs 37.79 lakhs.

The matter was referred to the Ministry in May 1994; their reply was awaited as of December 1994.

9.16 Procurement of obsolete equipment

The Department of Telecom (DOT), New Delhi placed a purchase order on Gujarat Communications and Electronics Limited (GCEL) Baroda, in December 1982, for supply of 220 numbers of 30 channel Pulse Code Modulation (PCM) terminals alongwith associated equipment for Rs 2.56 crores. The supply of equipment was to be completed by June 1983.

19 PCM systems comprising of 38 PCM terminals with associated accessories were diverted to Bangalore Telephone District (BGTD) from Calcutta and Ernakulam. Consignments were received during March/April 1988. Even though there was a delay of 57 months in supplying the equipment, it was accepted by the Department. The work of performance testing of the equipment by Telecom inspection team was to be completed within 3 months of the receipt of the stores by the consignee and taking over certificate was to be issued. However, no such taking over certificate was issued by the authorities as of September 1994.

All the 19 systems received were installed in BGTD area by January 1990 but could not be commissioned owing to mechanical and electrical problems. The suppliers, when approached in June 1990, agreed to rectify the equipment on payment basis as warranty had expired in July 1989. The Department did not get the equipment repaired and decided not to carry out Transmission Acceptance tests due to change in technology. The Department declared the 2G version equipment as obsolete and it was decided to use this PCM system for maintenance of other PCM systems where technically feasible.

On this being pointed out by Audit in February 1993, the Telephone District Authorities, Bangalore accepted in April 1993 that the equipment was lying idle due to:

(i) Change both in transmission and switching technology; and

(ii) Obsolescence of the 2G version of equipment procured.

The reply is not tenable because the equipment was belatedly supplied after a delay of 57 months and installed after a further delay of 21 months and expiry of warranty period. It took 7 years to instal the equipment which became obsolete due to fast changing technology both in transmission and switching. DOT took no steps either to terminate the purchase order or to extend the warranty period to avoid the loss.

Thus equipment worth Rs 37.10 lakhs has been lying idle for 6 years with no future prospects of their being set to work or providing the increased junctions, amongst three major exchanges of the BGTD. The fate of balance 182 PCM equipments received at other stations is yet to be ascertained.

The matter was referred to the Ministry in August 1994; their reply was awaited as of December 1994.

9.17 Unproductive capital outlay on computerisation of Jaipur Trunk Manual Exchange

The Department of Telecommunications (DOT) decided in March 1986 to provide Jaipur with a large size computerised trunk manual exchange (CTMX). Pursuant to this decision for providing 18 CTMXs throughout the country, the General Manager now Chief General Manager Telecom (CGMT), Rajasthan Circle sanctioned a project estimate amounting to Rs 89.47 lakhs in June 1987 for Jaipur District.

An order for supply and installation of computer equipment at a contracted cost of Rs 84.77 lakhs was placed on a Bangalore-based firm in April 1987. By the time, the system was received during June-July 1988 and commissioned in October 1989, the call rate in Jaipur Trunk Exchange had continuously dropped from 6000 calls per day in 1986-87 to 4300 in 1989-90 and 3300 in 1991-92 due to fast growth of direct dialling facility.

It was noticed by Audit in October 1992 that out of 140 video display units (VDU) received alongwith the control processing unit, only 104 VDUs were installed of which 33 units installed to handle the calls in transit (CIT) did not work right from the installation stage. The supplier, after installation of the system had left it in September 1990 without making it over properly to the Department.

Meanwhile, the Department did not take any action to either get the bank guarantee furnished by the supplier for satisfactory performance warranty renewed or encash it for the failure of the performance. On the contrary, the bank guarantee was allowed to lapse. The Department is now left with a meagre amount of Rs 3.30 lakhs in the shape of withheld amount from supplier's bills.

An analysis of the projections of traffic and the rationale for the decision to go in for large size CTMX done by Audit revealed that the decision to install the said system was flawed as indicated below:

There was a sudden decline in traffic load as compared to the projected figures. As a result 28 out of 71 working positions were closed in

October 1992 leaving 43 VDUs in working condition since October 1992. In all therefore, out of 140 VDUs received in 1988, 69 units (33 CIT and 36 spares) costing Rs 25.25 lakhs were lying idle from the date of receipt and, in addition 28 units costing Rs 10.24 lakhs since October 1992. The main cause for this was incorrect estimation of STD traffic vis-a-vis operator trunk dialling traffic by the Department. It was well within the knowledge of the Department at the time purchase orders were placed that there was going to be a big addition in the list of STD stations. Failure to anticipate future reduction in trunk call traffic arising out of the increase in the number of directly linked STD stations with Jaipur, thus resulted in loss since these units cannot be used anywhere else as this CTMX is the only exchange of this type in the country.

CGMT, Rajasthan Circle, stated in January 1994 that the policy decision to introduce CTMX in big cities was taken by the Department in early 1986 taking into account the factors prevailing at that time but the policy to open STD PCOs was introduced on large scale in January 1990. CGMT while accepting the fact that only 43 VDUs were working in October 1992 emphasized that this reduction in the VDUs in operation did not affect the efficiency of the services as the reduction in trunk traffic was due to the direct linking of STD stations with Jaipur.

The reply is not tenable in view of what is stated above and further the fact that the number of STD stations with which Jaipur was connected increased from 122 in 1985-86 to 145 in 1986-87 and 502 in 1987-88 immediately after placement of the purchase order in April 1987 and so the likelihood of fall in trunk traffic could have been anticipated and the Department could have avoided the loss.

The matter was referred to the Ministry in July 1994; their reply was awaited as of December 1994.

9.18 Excess payment of central excise duty

Rural Automatic Exchanges (RAX) and integrated line and trunk (ILT) exchanges of upto 512 ports capacity procured by the Department of Telecommunications (DOT) for Rural Telecommunication Network (RTN) were exempted from excise duty in excess of 15 **per cent** ad valorem in terms of Government of India notification of March 1990. The concessional duty was available upon furnishing a certificate issued by an officer not below the rank of Deputy Director General (DDG) in DOT through the manufacturer concerned at the time of despatch of equipment to the effect that these were required for promoting RTN and would not be used for any other purpose.

Mention was made in para 9.14 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1993, No. 7 of 1994, Union Government (Posts and Telecommunications) about non-availing of this concession in excise duty by the Department.

It was noticed by Audit between January 1993 and January 1994 that the Department placed purchase orders between June 1990 and February 1993 for supply of RAX and ILT upto 512 ports capacity for installation in various rural exchanges in Andhra Pradesh, Kerala and Tamil Nadu Circles. The supplies were received between November 1990 and April 1993 but due to non-furnishing of the prescribed certificate, the department had to incur an amount of Rs 37.24 lakhs representing difference between central excise duty at higher rates and concessional rates.

The matter was referred to the Ministry in July 1994; their reply was awaited as of December 1994.

9.19 Extra expenditure on procurement of telephone instruments

Department of Telecommunications (DOT) floated, in November 1991, a tender for procurement of 5 lakh electronic push button telephone (EPBT) instruments of tone pulse switchable (TPS) type to meet their immediate requirements for six months (January - June 1992). In response, 23 offers were received including offers from two Public Sector Undertakings (PSUs).

The tenders were opened in December 1991. The offer of a public sector undertaking (PSU) was found technically acceptable and the lowest at Rs 521 per instrument. The second PSU also agreed to the same rate. The total manufacturing capacity of both PSUs was sufficient to meet DOT's demand as shown in the tender document. Despite this, a tender evaluation committee (TEC) recommended, in January 1992, a two tier slab of rates : Rs 521 for ordered quantities of one lakh and above and Rs 526 for quantities below one lakh. The reason recorded was that this was to maintain smooth supply and sufficient competition in the long run.

However, DOT decided in January 1992 to adopt a three tier slab of rates : Rs 539 for quantities upto 50000 : Rs 526 for quantities exceeding 50000 but not exceeding one lakh and Rs 521 for quantities exceeding one lakh to ensure supply from both public and private sector manufacturers.

This was a departure from DOT's usual practice for purchase of telecommunications equipment by paying the lowest acceptable rate to all suppliers regardless of the quantity ordered.

Accordingly, letters of intent (LOI) were issued in January/February 1992 under which 2.17 lakh instruments at a rate of Rs 521 per instrument were to be supplied by two PSUs and 2.45 lakh instruments at a rate of Rs 539 per instrument by seven firms out of which two firms refused to accept the terms. Out of the 0.70 lakh instruments for which the LOI was not accepted by the two firms, orders for 0.25 lakh instruments and 0.45

lakh instruments were placed on the existing PSU and three firms respectively. DOT further procured 0.65 lakh instruments during April-June 1992 from 3 other firms at a rate of Rs 539 per instrument. No LOI was issued at the rate of Rs 526 per instrument.

Thus by resorting to procurement of 2.85 lakh instruments at Rs 539 each against the TEC's recommended price of Rs 526 each resulted in an avoidable extra expenditure of Rs 37.05 lakhs. The purpose viz. "maintaining smooth supply" for which TEC recommended an excess rate of Rs 5 per EPBT instrument and DOT incurred an extra expenditure of Rs 14.25 lakhs besides Rs 37.05 lakhs stated above, was also defeated as all the eight firms failed to adhere to the delivery schedules (delays ranged from 3 months to more than 6 months). Hence, despite incurring an extra expenditure of Rs 51.30 lakhs, the slab rate system adopted by DOT could not maintain smooth supply of EPBT instruments.

The matter was referred to the Ministry in August 1994; their reply was awaited as of December 1994.

9.20 Loss due to delay in inspection of consignment and filing of insurance claim

In September 1985, the Department of Telecom (DOT) placed an order on a foreign firm for supply of 10000 lines equipments for Electronic Telex. This included 1750 lines Electronic Digital Exchange and concentrator meant for General Manager Telecommunications (GMT), Ernakulam (Kerala).

The consignment arrived at Madras airport in June 1986. On 26 July 1986, at the time of taking delivery by the Department no external damage was noticed. The insurance cover allowed by the underwriters was available upto 90 days of the receipt of the goods by the consignee for inspection of equipment and for lodging insurance claims.

The consignments were transported by road from Madras Airport and reached the final destination at Ernakulam on 28 July 1986. In September 1986, GMT, Ernakulam asked for extension of insurance cover for further 90 days. The extension was not granted by the Insurance Company as the Department had taken delivery of the consignment within the time limit and brought the goods at the destination station.

The packed goods were, however, opened on 5 January 1987 and inspection completed on 7 January, 1987 by the consignee, when it was noticed that equipment worth US $ 132486, equivalent to Rs 34.68 lakhs (inclusive of Indian agents' commission) were damaged. The surveyors reported damages to the consignment attributable to entry of water inside the packing cases presumably due to seepage of water through opening made in Aluminium foils/polythene paper at Madras Airport when these packing cases were kept in open awaiting customs clearance and formalities. An insurance claim for Rs 25.57 lakhs preferred on 21 January 1987 and revised to Rs 34.68 lakhs in May 1987 was turned down by the underwriters in June 1989 for being `time barred'.

Thus due to lack of timely action for inspection of consignment and filing of insurance claim within the period of insurance coverage, the Department suffered a loss of Rs 34.68 lakhs.

On being pointed out by Audit in July 1991, CGMT Kerala stated in April 1994 that although the Insurance Company had not admitted the Department's claim for the last four years, it was being pursued with the Insurance Company. The Department has however no valid explanation for the delay in inspection on their part.

The matter was referred to the Ministry in June 1994; their reply was awaited as of December 1994.

9.21 Avoidable expenditure in purchase of land

The Chief General Manager Telecom (CGMT), Orissa Circle, Bhubaneshwar, requested a Central Minister to use his good offices in the matter of acquiring a plot of land measuring at least 2 acres for construction of staff quarters and office building at Dhenkanal.

In December 1986, the Minister (landlord) offered to sell 3.641 acres of land owned in his name at a total cost of Rs 18.20 lakhs. Instead of negotiating with the landlord directly, the Department approached the Land Acquisition Officer (LAO) in November 1987 for acquisition of the same land.

In October 1989, the LAO valued the basic cost of the land at Rs 13.01 lakhs besides a sum of Rs 12.84 lakhs payable on account of additional market value, solatium, interest and contingent charges etc. The Department deposited a total sum of Rs 25.85 lakhs with the LAO in the same month. Out of this a sum of Rs 19.18 lakhs was passed on to the landlord and the remaining amount was retained by the State Government as contingent charges.

After receiving the payment under protest the landlord filed a petition in December 1989 with the LAO, Dhenkanal seeking higher compensation. The case was referred to the Sub-Judge Dhenkanal for redetermination of the compensation. The possession of the land was taken in October 1990. The court decreed in July 1992 in favour of the landlord allowing additional compensation of Rs 9.84 lakhs. Consequently, the Department deposited a further sum of Rs 7.50 lakhs (after adjusting the amount lying with the LAO on account of excess contingent charges recovered in October 1989) between April and October 1993, thereby raising the total cost of this plot to Rs 33.35 lakhs.

Thus, total amounts of Rs 29.50 lakhs were paid to the landlord as land cost and Rs 3.85 lakhs to the State government as contingent charges.

The decision to go in for land acquisition through LAO ultimately caused the Department to incur Rs 15.15 lakhs in excess of the amount at which the land was first offered.

Audit scrutiny of the case during December 1992 and April 1994 revealed that the Department had committed the following irregularities:

(i) The Department issued detailed instructions in June 1979 prescribing the procedure for purchase of land from private parties through direct negotiations. In this case, instead of calling for offers for sale of land from various parties as prescribed in the procedure, CGMT, Orissa, Bhubaneshwar considered only a single offer. It also did not constitute a Standing Negotiating Committee and obtain valuation of the land from the local Revenue authorities. Instead the Department resorted to acquisition of land offered by the single private party (a Minister) through LAO. The Department would have been aware, that acquiring the land through LAO would entail additional payments of the following:

(a) contingency charges of Rs 3.85 lakhs to the State Government at a rate of 20 **per cent** of the value of the land.

(b) additional market value of Rs 3.21 lakhs to the landlord at a rate of 12 **per cent per annum** for the period commencing from the date of publication of notification to the date of taking possession of the land, and

(c) interest charges of Rs 2.63 lakhs to the landlord from the date of publication of notification to the date of actual payment.

This flawed decision of the Department was compounded by yet another error when it did not contest the decree passed by the Sub-Judge, Dhenkanal in July 1992, in a higher court within the period of limitation of 90 days.

(ii) As per Land Acquisition Act 1894, solatium at the rate of 30 **per cent** is chargeable only in consideration of compulsory nature of acquisition. As the landlord himself was willing to sell his land from the very beginning and no element of compulsion was involved in this land deal, the payment of solatium amounting to Rs 5.46 lakhs was avoidable.

(iii) Instead of actual depth of 5.5 feet, the depth of land at the time of issue of site suitability certificate in March 1987 was estimated as 3 feet. Consequently, the Department had to spend Rs 6.55 lakhs in the filling/levelling of the land as against initial estimate of Rs 2.50 lakhs. This fact was not brought to the notice of the court while awarding additional compensation to the landlord.

Thus due to above omissions and commissions and basically a flawed decision, the Department had to suffer an extra expenditure of Rs 15.15 lakhs (extra to the landlord -Rs 11.30 lakhs + contingency charges to the State Government - Rs 3.85 lakhs) besides excess cost on filling of the land and a delay of above 3 years in acquisition of the land.

The matter was referred to the Ministry in September 1994; their reply was awaited as of December 1994.

9.22 Loss due to delay in disposal of copper scrap

In December 1975, Director General, Posts and Telecommunications (now DOT) issued instructions for transfer and disposal of recovered copper wire from the nearest retail depot. In Tamil Nadu Telecom Circle, 27.39

tonnes of copper wire was recovered during September - November 1988 on dismantling of Trichy-Namakkal overhead alignment. The controller of Telecom Stores (CTS), Madras was requested in November 1988 by Sub-Divisional Officer Telecom (SDOT), Trichy to provide warehousing facility to store the recovered copper wire, but he expressed his inability to do so till his godown was emptied by sale of existing stocks.

The recovered copper wire was placed alongwith other gauges of stored new copper wire in the Sub-Divisional Store at Trichy. The General Manager (Operations) requested DOT in August 1990 to dispose of copper wire by public auction, but there was no response. CTS, Madras sent a circular to all in August 1991 stating that the recovered copper wire could be sent to him for disposal with an advance intimation to arrange godown space for the quantity likely to be received but the field authorities did not react.

After an incident of theft, physical verification of the Sub-Divisional Store at Trichy conducted in November 1991 revealed shortage of 15 tonnes of copper wire worth Rs 9.01 lakhs. Subsequently physical verification of other stores at Trichy conducted in December 1991 revealed shortage of line materials worth Rs 4.74 lakhs. A detailed enquiry conducted by TDM, Trichy in January 1992 fixed the period of theft as sometime after September 1991. The Committee stated in its report that non-accountability of stores, ineffective watch and ward and delay in transfer of copper wire particularly when CTS, Madras was ready to handle the material resulted in the theft of copper wire. Besides, change of charge of store took place 9 times during a short spell of two years (October 1989 - October 1991), but copper wire was never transferred by actual weighment.

The matter was referred to the Ministry in July 1994; their reply was awaited as of December 1994.

9.23 Extra expenditure on laying cables of different specifications

In the estimate sanctioned by the Telecom District Engineer, Koraput in February 1993 for laying 1600 pairs of tie cables over a distance of 500 metres between old and new telephone exchanges at Sunabeda, a provision was made for laying four 400 pairs/6.5 lbs underground (U/G) cable over a distance of 500 metres.

However, while executing the project, against the provision of four X 400 pairs/6.5 lbs U/G cable in the estimate the Department laid sixteen X 100 pairs/10 lbs cable which were received in January-February 1993. The telephone exchange was commissioned in March 1993. Laying cables of different specifications had resulted in an extra expenditure of Rs 12.93 lakhs. No reasons were shown to Audit for change in specifications, nor the estimate catering for the higher specifications has been revised.

The matter was referred to the Ministry, in August 1994; their reply was awaited as of December 1994.

9.24 Payment to a contractor at varying rates for identical items of work

The Chief General Manager Telecommunications (CGMT), Orissa circle sanctioned a project estimate in September 1991 for installation of 8 Mega bits/second (Mb/s) optical fibre cable (OFC) between Joda and Barbil (Section `A') at a total cost of Rs 39.45 lakhs with a provision of Rs 7.45 lakhs for cable laying in non-ducted route with high density polyethylene (HDPE) pipe casing. Strengthening of HDPE pipe with RCC pipe was not provided for in the estimates.

The Director Telecom Projects (DTP), Sambalpur without following the tendering procedure awarded the work in Section A to Contractor `A' in December 1991 at the rates quoted by him previously for another Section `B' despite the fact that no work was allotted to him at these rates earlier in Section B and soils in both the sections were not similar. The work was sub-divided under 14 items. HDPE pipe laying work was completed in February 1991 at a cost of Rs 25.04 lakhs after cancellation of strengthening work with RCC pipe proposed under item 11 of the detailed estimate. DTP, Sambalpur sanctioned in February 1992 an estimate amounting to Rs 50.62 lakhs after one year of completion of work, inclusive of Rs 30.40 lakhs for HDPE pipes laying (labour charges) and strengthening with RCC pipe (labour charges plus material cost).

It was noticed by Audit in July 1992 that item 11 of the work provided trenching in non-ducted cable route for a depth of 120 cm in iron ore and hard rock requiring chiselling, laying and jointing RCC pipe including cost thereof for which contractor quoted Rs 310 per metre whereas for item 3 dealing with trenching for the same depth involving blasting or chiselling, he quoted Rs 110 per metre. Thus, without RCC pipe the nature of work under both these items (items 3 and 11) was identical, necessitating payment at Rs 110 per metre only. But, contractor A was paid at Rs 220 per metre for 11.39 km of trenching work executed under item 11 after deducting Rs 90 per metre as material cost of RCC pipes thus giving unintended benefit to him. This resulted in avoidable extra expenditure of Rs 12.52 lakhs.

CGMT, Projects, Calcutta stated in July 1994 that the work against item 11 was carried out in iron ore soil which was more ductile than rocky soil warranting payment at higher rates. The reply is not tenable as under items 3 and 11 excavation and trenching works were carried out through blasting and chiselling and no other special method was adopted by the contractor. Further, similar work was carried out in Joshipur-Badampahar section in Orissa Circle having abundant iron ore deposits, but there the soil was categorised as mostly rocky hard moorum and no separate work identical to item 11 of Joda-Barbil section was carried out. Thus payment for item 11 at enhanced rates was wholly unjustified. Further, RCC pipe is always supplied by the Department but in the instant case, the scope of work under item 11 included supply of RCC pipes by the contractor, which was unusual.

The matter was referred to the Ministry in August 1994; their reply was awaited as of December 1994.

9.25 Non-recovery of compensation for damage to departmental property

It was noticed by Audit in May 1993 that about 4 km of underground cable at Paonta Sahib under Telecom District, Solan was damaged by the State Irrigation Department while laying water pipelines. A detailed estimate was sanctioned by the Department in June 1991 at an estimated cost of Rs 9.63 lakhs for replacement of this damaged cable and the work was completed in December 1991 at a cost of Rs 9.98 lakhs.

The Telecom District Engineer, Solan took up the matter in September 1993 with the State Irrigation Department for recovery of the compensation dues of Rs 11.49 lakhs (inclusive of departmental overheads), but the Irrigation Department refused to reimburse the amount. No legal action has been taken by the Department to recover the compensation so far (October 1994).

The matter was referred to the Ministry in August 1994; their reply was awaited as of December 1994.

9.26 Unfruitful expenditure on construction of a building

In October 1985, Director Microwave Project (DMP), Calcutta accorded Administrative Approval and Expenditure Sanction for Rs 10.97 lakhs for construction of a `Y' type Microwave terminal station and a 50 metre microwave tower foundation at Jeypore (Orissa) for installation of equipment of Koraput - Jeypore 2 GHz Microwave link connecting Cuttack Digital Trunk Exchange which was expected to be commissioned by September 1987.

It was noticed by Audit in July 1990 and April 1994 that a detailed estimate amounting to Rs 8.64 lakhs for construction of the building and tower foundation on land available with the Department was sanctioned in April 1986. The civil works commenced in October 1986, were completed in February 1988 at a cost of Rs 9.73 lakhs. Meanwhile as per decision of the Department all the equipments were installed in the existing telephone exchange building at Jeypore, the antenna was erected on the roof of the exchange and the system was commissioned in October 1988.

A joint inspection of the new building conducted by civil wing and project authorities in January 1990 revealed several defects in the civil works.

In May 1990, the Assistant Engineer Telecom (Civil), Koraput informed the police about theft of a number of wooden and sanitary fittings from the building. An estimate of Rs 1.04 lakhs for repairs and replacement of missing items is pending since August 1991. The building has also not been handed over to the project authorities by civil wing as of August 1994.

Thus due to defective civil works, the building and tower foundation constructed at a cost of Rs 9.73 lakhs could not be taken over by the project authorities for the last seven years.

The matter was referred to the Ministry in July 1994; their reply was awaited as of December 1994.

(VIJAY KUMAR)
Director General of Audit
Posts and Telecommunications

Delhi
The 2 MAR 1995

Countersigned

(C.G.SOMIAH)
Comptroller and Auditor General of India

New Delhi 29 MAR 1995
The

Appendix I

(Referred to in Paragraph 5.12.at page 56)
Position of outstanding `ATN'
in respect of Department of Telecommunications

Audit Report Number and Year	Paragraph No.	Subject
4 of 1989	18*	Major cases of under assessment of revenue
	21(b)	Delay in fixation of tariff rates
	23	Delay in providing telecommunication facilities and consequential loss of potential revenue
9 of 1990	11*	Short/Non-billing of circuits due to omission to issue bills at revised rates
	12(ii)	Non-posting of subscribers record cards
	18	Short recovery of revenue due to excess provision of cable
	20	Incorrect computation of radial distance in respect of rented circuits
	32	Non-recovery of rentals and installation charges from Indian Air Force
	33	Rural communication
	34	Indore-Ahmedabad microwave system
	43	Loss of stores
	45	Infructuous expenditure on procurement of panels
	56	Delay in providing telecommunication facilities to defence authorities
	59	Delay in communication of rent and guarantee terms

7 of 1991	14*	Short billing due to omission to issue bills at revised rates
	15*	Non-billing due to non-receipt of advice notes
	16(3)*	Non-revision of rent
	24*	Short/Non-recovery of rental charges due to various omissions
	26	In-house computers in four metropolitan telephone districts
	51	Idle exchange equipment
7 of 1992	7.2*	Non-billing or short-billing of customers
	7.3*	other losses of revenue
	8.3	Cost and time overrun in Bijapur Sholapur Ultra High Frequency Project
	8.13(ii)	Staff quarters
	8.16	Cost and time overrun in Vijaywada - Tenali digital microwave system
	9	Inventory management -- audit observations
	10.1	Extra contractual payments
	10.2	Excess payment of customs duty
	10.3	Avoidable expenditure due to negligence in clearing equipment imported through DGS&D
7 of 1993	6.2*	Non-billing or short billing of customers
	6.3*	Other losses of revenue
	7.1	Durgapur-Bankura narrowband microwave scheme
	7.2	Optical fibre cable projects
	7.3	Taloga-Kalamboli-Panvel coaxial cable system
	7.4	Installation of auto exchange at Bankura
	7.5	Installation of a 2000 lines containerised exchange at Port Blair
	8.1	Deficiencies in accounting of recovered stores

	8.5	Infructuous expenditure due to negligence in clearing imported equipment
	8.7	Irregular payment
	8.8	Hiring of hostel accommodation
	8.9	Disposal of unserviceable stores
	8.10	Procurement of teakwood poles
	8.11	Revenue foregone
	8.12	Unfruitful investment on land
	8.14	Excess payment of customs duty
	8.15	Overpayment of railway freight due to misclassification of stores
	8.19	Delay in preferring claims for damages to departmental property
7 of 1994	5	Organisational set-up and financial management
	6	Appropriation Audit and Control over Expenditure-Grant No. 15
	7.2	Non-billing or short billing of customers
	7.3	Other losses of revenue
	8.2	Installation of a MAX at Satara
	8.3	Guntur-Chirala microwave system
	8.4	Bellary-Gangavathy UHF System
	9.1	Purchase of defective jelly filled cables
	9.2	Avoidable expenditure on procurement of GI drop wire
	9.3	Unfruitful investment on imported ELCs
	9.4	Excess expenditure on laying of cables
	9.5	Excess payment of customs duty
	9.6	Cross bar exchange equipment lying idle
	9.7	Avoidable expenditure on local insulation of GI wire
	9.8	Irregular purchase of cable protection devices

9.9	Excess expenditure on purchase of switch board cables
9.10	Excess expenditure on procurement of telephone instruments
9.11	Redundant expenditure on Tiptur-Tumkur UHF link
9.12	Pune-Loni UHF system
9.13	Idle investment on purchase of pipes
9.14	Excess payment of central excise duty
9.15	Delays in laying underground cable
9.16	Blocking of capital on purchase of land
9.18	Unfruitful investment on purchase of land for a telephone exchange
9.19	Collapse of a telecom tower
9.20	Non-recovery of compensation for damages to departmental property
9.21	Improper assessment of cables and accessories
9.22	Loss of cable due to poor planning
9.23	Incorrect calculation of rent for hired accommodation at Lucknow
9.24	Extra expenditure on local purchase
9.25	Extra expenditure due to incorrect evaluation of tenders
9.26	Loss of stores
9.27	Unpossessed land at Sahibabad
9.28	Irregular sanction of honorarium to staff
9.29	Loss due to non-recovery of cost of rejected exhaust fans

* These are clubbed revenue paragraphs containing a number of cases. `Action Taken Notes' on some of the cases received and vetted, but ATNs on several cases are awaited.

Appendix II

(Referred to in Paragraph 7.2(i) at page 77)
Non-billing or short billing of customers-non-receipt of advice notes

Sl. No.	Particulars of/ lines/cables/PBX etc.	Pointed out by Audit in	Period of Short/non-recovery	Amount of short/non-recovery	Position of bills issued/ recovery made after issue of Audit memo: Amount recovered/ Month of recovery	Amount to be recovered	Remarks
1	2	3	4	5	6	7	8
				(Rs in lakhs)			
	Bihar Telecommunications Circle						
1.	Provision of a hot line to M/s Central Coalfields Limited between Giridh and Ranchi in December 1989	December 1993 and February 1994	December 1990 to April 1994	3.38	-	3.38	Bill issued in March 1994
2.	Provision of three speech circuits to M/S Steel Authority of India between New Delhi and Bokaro Steel City in November 1989 and one speech circuit between Maithon and Steel City in December 1991	May 1993	November 1990/ December 1992 to February 1994	59.28	59.28 July 1993 and January 1994	-	
3.	Provision of Data and speech circuits to M/s Coal India Limited (CIL) between Calcutta and Dhanbad in May 1989	May 1993	May 1990 to February 1994	11.60	11.60 April 1994	-	
	Gujarat Telecommunications Circle						
4.	Provision of 52 telex connections by General Manager Telecom District Baroda to various parties between June 1991 and December 1992	January 1993	June 1991 to April 1993	3.08	3.08 January 1994	-	
5.	Provision of an under-ground cable to Kandla Port Trust in June 1988	February 1993	June 1988 to June 1994	12.71	12.71 August 1993 and March 1994	-	
6.	Provision of 2.5 kms of 20 pairs under-ground cable to Civil Defence Authorities in January 1990	October 1991	January 1990 to January 1994	3.04	3.04 March 1993	-	

	Madhya Pradesh Telecommunications Circle						
7.	Provision of a speech circuit to Army authorities in December 1991	October 1993	December 1992 to March 1994	12.47	12.47 August 1994	-	
8.	Provision of a speech circuit to Madhya Pradesh Electricity Board between Jabalpur and Seoni in June 1988	December 1993	June 1989 to June 1994	5.16	5.16 August 1994	-	
	Punjab Telecommunications Circle						
9.	Provision of a speech circuit to a private firm between Ludhiana and New Delhi in March 1991 and closed in April 1993	February 1994	March 1992 to April 1993	2.08	-	2.08	Bill issued in May 1994
10.	Provision of underground Cable to Army authorities in January 1990	October 1991	January 1990 to January 1992	12.05	12.05 February 1992	-	
	Rajasthan Telecommunications Circle						
11.	Provision of 3 permanent line routes to Border Security Force in June 1990, November 1990 and May 1993	January 1994	June 1990 to November 1994	34.76	34.76 May 1994	-	
	Uttar Pradesh Telecommunications Circle						
12.	Provision of a speech circuit to State Bank of India between Lucknow and Gorakhpur in October 1989	February 1993	October 1989 to October 1993	4.62	-	4.62	Bill was yet to be issued
13.	Provision of speech circuit with interconnection facility to Army authorities in November 1991	February 1993	November 1991 to June 1994	12.27	12.27 March 1993 and March 1994	-	
	West Bengal Telecommunications Circle						
14.	Provision of 3 speech circuits to SAIL between Calcutta and Dhanbad in January 1990, January 1992 and February 1992	January 1994	January 1991 to March 1994	14.20	14.20 March 1994	-	
			Total	190.70	180.62	10.08	

Appendix III

(Referred to in Paragraph 7.2 (ii) at page 78)
Non-billing or short billing of customers-
Bills issued at old rates - short realisation of revenue

S.No	Particulars of/ lines/cables/PBX etc	Pointed out by Audit in	Period of Short/non-recovery	Amount of Short/non-recovery	Position of bills issued/ recovery made after issue of Audit memo		Remarks
					Amount recovered Month of Recovery	Amount to be recovered	
1	2	3	4	5	6	7	8
					(Rs in lakhs)		
Andhra Pradesh Telecommunications Circle							
1.	Provision of one leased voice circuit, two voice data circuits and two teleprinter circuits to Sriharikota High Altitude Range Centre at Srihari-Kota	December 1993	November 1992 to June 1994	10.64	10.64 Feb. & March 1994	-	
Bihar Telecommunications Circle							
2.	Provision of speech circuits to IAF between various stations	July 1991 and August 1993	October 1988 to June 1994	39.61	39.61 Between Oct. 1992 & Feb. 1994	-	Rs 34.75 lakh recovered between October 1992 and February 1994. Balance Rs 4.86 lakh adjusted against excess payment made by the IAF against other closed circuits
Gujarat Telecommunications Circle							
3.	Provision of eight speech circuits to various subscribers	June 1993	November 1992 to March 1994	3.22	1.71	1.51	Bill issued in June 1993
Kerala Telecommunications Circle							
4.	Provision of local leads of speech circuits to Railways at Palghat	July 1993	November 1992 to April 1994	3.32	-	3.32	Bill issued in July 1993
Madhya Pradesh Telecommunications Circle							
5.	Provision of four speech circuits leased to Defence authorities	November 1993	November 1992 to June 1993	3.51	3.51 March 1994	-	

	Maharashtra Telecommunications Circle						
6.	A single party speech circuit network provided to M/s ANZ Grindlays Bank, Bombay between Bombay-Delhi, Bombay-Calcutta, Bombay-Madras, Bombay-Bangalore	July 1993	November 1992 to March 1994	34.71	34.71 Nov. 1993	-	
	Rajasthan Telecommunications Circle						
7.	Five long distance telephone connections provided to various subscribers at Udaipur	August 1992	November 1982 to May 1993	3.54	3.54 Between Sep. 1992 & March 1993	-	Recovered between Septemeber 1992 and March 1993
	Uttar Pradesh Telecommunications Circle						
8.	Telecommunication facilities like non-exchange lines/siren/speech circuit T.P circuit provided to 15 subscribers in Mathura	July 1993	October 1991 to June 1994	4.19	-	4.19	Bill issued in July 1993
	West Bengal Telecommunications Circle						
9.	Provision of a 100 lines (extendable) Private Automatic Branch Exchange to Indian Air Force in March 1987	April 1992	April 1987 to April 1993	4.02	-	4.02	Bill issued in November 1993
			Total	106.76	93.72	13.04	

Appendix IV

(Referred to in Paragraph 7.2 (iii) at page 79)
Non-billing or short billing of customers-
Non-revision of rent

S.No	Particulars of/ lines/cables/PBX etc	Pointed out by Audit in	Period of Short/non-recovery	Amount of Short/non-recovery	Position of bills issued/ recovery made after issue of Audit memo: Amount recovered/ Month of recovery	Position of bills issued/ recovery made after issue of Audit memo: Amount to be recovered	Remarks
1	2	3	4	5	6	7	8
					(Rs in lakhs)		
Assam Telecommunications Circle							
1.	Provision of 5.5 km of 20/20 lbs underground cable to Indian Air Force in February 1987	March 1993	February 1987 to August 1994	8.61	-	8.61	Bill issued in January 1994
Gujarat Telecommunications Circle							
2.	Provision of 5 km of 14/20 lbs jelly filled underground cable to Indian Air Force in June 1991	February 1993	June 1991 to June 1994	8.75	8.75 March 1993 March 1994	-	
3.	Provision of 2.6 kms of 14/40 lbs underground cable to Indian Air Force in August 1988	March 1992	August 1988 to June 1993	3.78	3.78 January/ March 1993	-	
Kerala Telecommunications Circle							
4.	Provision of underground cables in r/o 5 cases to various parties between January 1982 to September 1987	October 1992	January 1982 to June 1994	14.80	-	14.80	Details of bills issued/amount recovered awaited from DOT
5.	Provision of dedicated high frequency telecom network to the Administrator, Union territory of Lakshadweep during April to October 1991	February 1993	April 1991 to March 1994	17.66	17.66 April 1994	-	
Madhya Pradesh Telecommunications Circle							
6	Provision of 20 pairs of underground cable to South Eastern Coalfields in April 1988	May 1993	April 1988 to April 1994	16.02	-	16.02	Bill yet to be issued
			Total	69.62	30.19	39.43	

Appendix V

(Referred to in Paragraph 7.2 (iv) at page 79)

Non-billing or short billing of customers-

Non-revision of rent and guarantee terms

S.No	Particulars of/ lines/cables/PBX etc	Pointed out by Audit in	Period of Short/non-recovery	Amount of short/non-recovery	Position of bills issued/ recovery made after issue of Audit memo		Remarks
					Amount recovered Month of Recovery	Amount to be recovered	
1	2	3	4	5	6	7	8
					(Rs in lakhs)		
Kerala Telecommunications Circle							
1.	Provision of 11 long distance telephone connections and 3 local leads of speech circuits to National Airport Authority Madras in March 1988.	November 1991	March 1988 to March 1994	33.82	-	33.82	Bill issued in July 1993
West Bengal Telecommunications Circle							
2.	Provision of 100 pairs/ 20 lbs underground cable to Indian Air Force in August 1988	March 1994	August 1988 to June 1994	52.47	-	52.47	Bill issued in April 1994
			Total	86.29	-	86.29	

Appendix VI

(Referred to in Paragraph 7.2(v) at page 80)

Non-billing or short billing of customers-

Other reasons

Sl. No.	Particulars of/ lines/cables/PBX etc.	Audit observations	Pointed out by Audit in	Period of Short/non-recovery	Amount of Short/non-recovery	Position of bills issued/ recovery made after issue of Audit memo: Amount recovered Month of Recovery	Position of bills issued/ recovery made after issue of Audit memo: Amount to be recovered	Remarks
1	2	3	4	5	6	7	8	9
					(Rs in lakhs)			
Bihar Telecommunications Circle								
1.	Non-realisation of rental in respect of 10+50 lines PBX board provided to Central Coalfields Limited, Giridih in May 1990	Due to mis-placement of completed advice note TRA branch failed to post it in SRC and issue bills	November 1993	May 1990 to May 1994	3.08	-	3.08	Bill issued in Feb 1994
Madhya Prdesh Telecommunications Circle								
2.	Short realisation of rental in respect of 23 private wire facilities provided to various subscribers during February 1989 to October 1990 in Raipur Telecom Distt	Radial distance- not converted into chargeable distance	December 1991	February 1989 to March 1992	4.60	3.89 Upto April 1994	0.71	Balance amount yet to be recovered (April 1994)
Rajasthan Telecommunications Circle								
3.	Non realisation of rental for delayed provision of underground cable provided to Indian Air Force station in April 1992	Non issue of bills due to delay in quoting final rent and guarantee terms to the subscribers	February 1993	April 1992 to May 1993	6.17	5.28 March 1993	0.89	Bill for balance amount issued in March 1993

4. Short realisation of rental in respect of speech circuit provided to Air Force authorities in January 1977	Incorrect computation of radial distance	September 1992	January 1977 to June 1993	3.71	-	3 71	**Supplementary bills issued in September 1992,**
5. Provision of 12 kms of 38 pairs/40 lbs underground cable to Defence authorities in June 1989	cost of cable wrongly taken in store voucher as Rs 518400 instead of Rs 5184000 resulting in under assessment	October 1991	June 1989 to May 1992	15.69	<u>15.69</u> March 1992	-	
<u>Tamil Nadu Telecommunications Circle</u>							
6. Short realisation of rental in respect of 60 channel Ultra High Frequency (UHF) system provided to a private firm in November 1989 between Pondicherry and Kandamangalam	Incorrect fixation of rent	December 1991	November 1989 to May 1994	10.01	<u>10.01</u> Sept. and Oct. 1993	-	
			Total	43.26	34.87	8.39	

GLOSSARY OF TERMS AND ABBREVIATIONS

Analogue	An electrical signal which is analogous to changing physical quantity measured
Coaxial cable	A cable with a single wire in the centre of a cylindrical conductor forming a pair for carrying electrical signals
Cross bar exchange	A telephone exchange where switching connections are made by operation of two bars, one horizontal and another vertical
CKM	Cable conductor kilometer - cable sheath kilometers multiplied by the number of conductor pairs in each cable
CTMX	Computerised Trunk Manual Exchange
CT Boxes	Cable termination Boxes
DEL	Direct exchange line, one each for every telephone connection
Digital exchange	The exchange having signals coded into binary pulses and having little or no moving parts

EPBT	Electronic push button telephone
ELC	Electronic line concentrator - meant to provide instant telephone connections to new subscribers on already existing but saturated cables
EMTP	Electro mechanical teleprinters
ETP	Electronic Teleprinter
Hertz or Hz	Frequency (cycles per second), named after Heinrich Hertz - usually in ranges of kilo 1000 - KHz, mega 1,000,000-MHz or giga 1,000,000,000-GHz
HF	High frequency
HDPE	High density polyethylene
ILT	Integrated local and trunk
LCA	Licence collaboration agreement
MAX	Multiple automatic exchange operating on electrical mains supply
Multiplexing	By which several circuits are combined for transmission over a common transmission path
Mb/s	Mega bits per second denoting digital frequency
ICP	Indian crossbar project

Optical Fibre	Glass fibres using lightwaves for transmission of signals
OYT	Own your telephone
PBX	Private branch exchange
PABX	Private automatic branch exchange
PCM	Pulse code modulation
PVC	Polyvinyl chloride
Repeater	The signals carried by the coaxial cable need boosting at regular intervals, so repeaters are installed to boost the signals
RTN	Rural telecom network
STD	Subscriber trunk dialling
TAX	Trunk automatic exchange
Telex	Teleprinter exchange
UHF	Ultra high frequency (300 to 3000 MHz)

ERRATA

Page No.	Ref.	Line	For	Read
11	Para 1.9	7	Fund*	Fund
17	Table 2.1.2	item xii	Envelops	Envelopes
68	Table 6.2(ii)	A6(2) Accounts	Supplentary/ re-appropriation Final grant Actual expen-diture 0197.49 8.29 -	Supplementary/ re-approp-riation Final grant Actual expenditu 0.19 7.49 8.29
70	Table 7.1.7	Col 5	Amount collected during the year of the	Amount collected during the year
		Col 6	Arrears at the close raised year	Arrears at the close of the year
		Col 7 ibid	Percent of total demand during the year	Percent of total demand raised during the year
70	Para 7.1.1	line 19	(increas)	(increase of)
102	Table Col 1	2nd item	Phase II lakhs Ist & IInd floor	Phase Ist & IInd floor
	Col 7	2nd item	Rs 10.24	Rs 10.24 lakhs
109	Para 8.3.2	5 from bottom	intevening	intervening
135		7	Rs 12.72	Rs 12.72 lakhs