

CHAPTER VI : MINISTRY OF INFORMATION AND BROADCASTING

Prasar Bharati

Directorate General, Doordarshan

6.1 Idle investment and sub-optimal utilization of TV transmitters

Doordarshan procured transmitters costing ` 63.46 lakh which could not be utilized for more than eight years. In another case the delay in the installation of tower resulted in sub-optimal utilization of the two transmitters procured at a cost of ` 6.49 crore.

Prasar Bharati approved (1999) phase I Special Plan for Jammu and Kashmir to increase terrestrial coverage of Doordarshan (DD) and All India Radio. The scheme envisaged setting up of transmitter projects for providing coverage to the border and trans-border areas. Examination of the records revealed the following:

A. Idle equipment

Directorate General Doordarshan placed supply orders (October 2001) for procurement of two sets of transmitters costing ` 36.00 lakh. Similarly, another supply order was placed (July 2002), for the supply of three sets of transmitters costing ` 53.00 lakh. The five transmitters were received in February 2003.

Audit noted (September 2011) that three out of the five transmitters costing ` 63.46 lakh were lying idle. Further scrutiny revealed that the transmission at these three sites was being made by diverting transmitters that were available with the DD network. Thus, the three transmitters procured specifically for these stations were lying idle for more than eight years. Further, the useful life of TV Transmitter is 10 years as per norms of DD¹.

The Management stated (December 2011) that the three transmitters could not be installed due to exigency conditions in the border areas of Jammu and Kashmir. It further stated that during the said period, at all the three sites, transmission was made through by diverting transmitters available in DD network. It was further informed that two transmitters had been diverted and the third would be diverted to some other location in due course.

¹ Recommended by the Inter Ministerial Group in 1994

Thus, the fact remains that on account of improper planning and purchase these equipment have remained idle and have lost their useful life considerably.

B. Sub-optimal utilization of transmitters

Two 20 KW transmitters with 300 meter tower height, for DD1 and DD2 services were to be installed at Amritsar. The Ministry of Information and Broadcasting while issuing the sanction order to DD, stipulated that the procurement of equipment should be planned in such a way that it matched the completion of civil works.

DD procured two transmitters², in June 2001 and March 2002 at a cost of ` 2.96 crore and ` 3.53 crore respectively.

Audit noted that at the time of the purchase, DD had not even acquired the land for their installation. The land for the installation of tower was acquired from the Ministry of Defence in November 2002. Further, the work order for supply, installation, testing and commissioning of the tower at Amritsar was issued only in June 2005. Pending the process of purchase of land and construction of tower thereon, these transmitters were installed on the existing towers of 100 meter height and commissioned in November 2001 and May 2002 respectively. Thus, the transmitters were installed at one third of the required height. The tower was yet to be completed (December 2011).

Thus, due to inordinate delay in installation of 300 meter tower, the transmitters had been operated sub-optimally for the entire period of their entire useful life.

The Management stated (December 2011) that the delays in completion of tower work was due to reasons of structural design, accident at site, fitment problem etc. and added further that the erection of tower had since been completed to a height of 282 meter. It further stated that the work was expected to be completed by March 2012 and the transmitters would be made operational on full power from the new site with their antenna and cable system mounted on the 300 meter tower, immediately thereafter.

The reply of PB establishes the fact that the TV transmitters had not been used on full power for the entire useful life of 10 years.

² One VHF and another UHF

The matter was referred to the Ministry in December 2011; their reply was awaited as of January 2012.

6.2 Avoidable payment of penalty and interest on Service Tax

Failure of Prasar Bharati to comply with Service Tax rules resulted in avoidable payment of ` 83.18 crore on account of Interest and Penalty paid to Service Tax Department.

Government of India amended³ (March 2003) the Prasar Bharati Act, thereby making Prasar Bharti (PB) liable to collect and pay Service Tax on broadcasting services⁴ with effect from 1 April 2003.

PB had appointed (December 2007) a Consultant firm⁵ for collecting data from its DDOs (AIR and DD) and filing half yearly returns for Service Tax related matters. The contract was extended periodically up to July 2011.

Service Tax Department (STD) conducted (October 2008) a risk assessment profiling of Prasar Bharati for the period 2003-08, to assess the proper payability of Service Tax. The audit exercise revealed Service Tax liability of ` 87.10 crore. Accordingly, PB in May 2009 made interim Service Tax payment of ` 10 crore. STD, after a series of written references issued to PB, finally in May 2009 issued Demand cum Show Cause Notice to PB indicating short paid Service Tax of ` 77.10 crore.

PB made an appeal in June 2009 to the STD for grant of extension of time for 6 months so as to enable them to ascertain the final liability towards Service Tax. PB, after consultation with the Consultant firm, communicated (July 2010) to STD that based on its calculations the final liability amounted to ` 44.50 crore instead of ` 87.10 crore. Further, PB worked out the unclaimed CENVAT credit⁶ of ` 36.36 crore on *pro rata* basis on the grounds that collection of details of Service Tax paid on input services from its 600 centers was practically impossible. PB claimed refund of ` 1.86 crore⁷ from STD. Thus, the action of PB to calculate CENVAT credit on *pro rata* basis due to its inability to collate the original invoices reflected poor maintenance of records and ineffective monitoring and internal controls.

³ Omitted section 22 of the PB Act 1992

⁴ Commercial receipts, Professional/ consultancy services, Income from towers and Government business

⁵ M/s T R Chadda Chartered Accountants

⁶ Credit eligible to PB on account of service tax already paid on input services.

⁷ ` 36.36 crore + ` 10 crore - ` 44.50 crore = ` 1.86 crore

STD summoned PB for a personal hearing in November 2010. Subsequently after considering all the facts, Commissioner STD in May 2011 passed an order. STD did not accept PB's claim that the invoices were raised on gross amounts inclusive of Service Tax as it lacked supporting documents. Further, PB's claim of omitting receipts pertaining to Jammu and Kashmir, where the Service Tax law is not applicable, was not admitted as PB had never claimed exemption under this provision during the period 2003-08. It confirmed the demand and recovery of interest from PB on total Service Tax evaded and short paid amounting to ` 87.10 crore, along with penalty @ 25 per cent for deliberately suppressing relevant facts with the intention of evading payment of Service Tax. In addition, ` 5000 penalty was imposed for non-filing of returns. Further the claim of CENVAT credit of PB was rejected on grounds that the methodology adopted for calculation was not tenable. Besides the CENVAT credit was to be availed of within a specified period i.e., six months⁸.

PB decided (June 2011) to pay the balance amount of ` 77.10 crore of Service Tax along with interest and penalty to STD and accordingly made the payment in June 2011 of ` 160.28 crore to STD. (Service Tax ` 77.10 crore, Interest ` 61.40 crore and Penalty ` 21.78 crore).

Thus, failure of PB to promptly comply with the Service Tax rules resulted in extra avoidable payment of ` 83.18 crore (` 160.28 crore – ` 77.10 crore) pertaining to the period 2003-08. PB also failed to avail of CENVAT credit for the earlier years due to poor record maintenance and absence of monitoring and control.

Audit also noted that the PB had made a payment of ` 5.85 lakh to the consultant firm for Service Tax consultation. However, the firm had not been able to provide correct advice on Service Tax, which resulted in avoidable payment of Penalty and Interest on Service Tax.

The matter was referred to the Management/ Ministry in December 2011; their reply was awaited as of January 2012.

⁸ Hon'ble Supreme Court ruling in case of M/s Osram Surya (P) Ltd. V Commissioner of CE Indore 2002.

Doordarshan Commercial Service

6.3 Retention of large cash balances and non-compliance of Assurance rendered to PAC

Prasar Bharati failed to comply with the assurance rendered to PAC on investing surplus funds in short term deposits. This resulted in idling of huge balances in current bank accounts and subsequent loss of interest amounting to ` 46.54 lakh during 2009-11.

Audit paragraph No. 7.4 printed in Report No. 3 of 2007 highlighted avoidable loss of interest of ` 51.98 lakh due to retention of large cash balances in current account by Central Production Centre⁹ during 2003-05. Ministry, in September 2010 in its Action Taken Note, assured Public Accounts Committee that Prasar Bharati (November 2007) had issued directions to all its DDOs to open CLTD¹⁰ account as a remedial action. Under the CLTD account the banks provided facility of flexi account which fetched interest to its customers at various rates after keeping a minimum amount for a period of fixed days.

Doordarshan Commercial Service (DCS) a unit of the Prasar Bharati maintains a Current Account with State Bank of India for incurring expenditure. Audit noted (July 2011) that DCS failed to comply with the assurance rendered to PAC regarding the investment of surplus funds in short term deposits under CLTD. Further examination of the bank statements of DCS for the period 2009-10 and 2010-11 revealed that DCS held minimum fund balances ranging between ` 0.51 lakh and ` 19.32 crore in its current account.

Consequently, DCS lost an opportunity to earn interest at a minimum rate of 4 *per cent* offered by SBI under CLTD during the period 2009-11. The retention of large cash balances in current account thus resulted in interest loss of at least ` 46.54 lakh during 2009-11.

DCS stated (September 2011) that on being pointed out by Audit, it has now started investing extra funds in fixed deposits.

Non-compliance of assurance given to PAC is a serious issue.

⁹ A unit of Prasar Bharati

¹⁰ Corporate Liquid Term Deposit account, which is an automatic fund transfer to fixed deposit.

The matter was referred to the Management/Ministry in November 2011; their reply was awaited as of January 2012.

6.4 Short billing of extra commercial time

Improper maintenance of booking statements by Doordarshan Commercial Service resulted in short billing of ` 26.25 lakh.

The Rate card effective from April 2004, of Doordarshan Commercial Service (DCS), prescribes the rates of extra additional commercial time¹¹ used by agencies¹² in Sponsored programmes, telecast on channel of Doordarshan. For each episode of the programme telecast on DD-I, the Marketing Department Mumbai of Prasar Bharati, issues a commercial cue sheet showing the total Free Commercial Time (FCT)¹³ used by the agency under three categories viz sponsored, spot buy and banking. Doordarshan Kendra Delhi verifies this statement with the telecast certificate and raises the bill for the extra additional commercial time used by the agencies on the basis of telecast certificate after factoring the banked¹⁴ and admissible FCT.

Audit observed (July 2011) that DCS while preparing the booking statement from the commercial cue sheets of 16 programmes, wrongly recorded the extra commercial time used by agencies as 6170 seconds instead of 7920 seconds. The non-reconciliation of the commercial time shown in the commercial cue sheet and booking statement resulted in short billing of ` 26.25 lakh.

On being pointed by Audit, DCS in December 2011 sought clarification regarding the short billing from its Marketing Division Mumbai.

Thus, it is evident that since the billing process of the DCS pertaining to the programmes telecast involves multiple stages, DCS should effectively co-ordinate the billing process so as to avoid occurrence of such lapses. DCS may also ensure reconciling agency wise booking statements with the commercial cue sheets.

The matter was referred to the Ministry in December 2011; their reply was awaited as of January 2012.

¹¹ The extra commercial time allowed to Producer beyond FCT, purchased at spot buy rates.

¹² Advertising companies representing brands

¹³ FCT is the time allowed by DD for commercial advertisements to the Producers without charging any fee.

¹⁴ The unutilized commercial time in a programme to be subsequently utilized within the same programme.

Doordarshan Kendra, Kolkata

6.5 Loss due to non-levy of prescribed charges

Doordarshan Kendra, Kolkata suffered loss of ` 59.49 lakh due to non-charging of prescribed telecast fee for programmes that exceeded the permissible duration.

In terms of provisions of Guidelines issued by the Directorate General, Doordarshan in May 2004 regarding telecast of TV programmes under Doordarshan's "Sponsorship Scheme", actual duration of any programme should not exceed 22 minutes 30 seconds for a 30 minutes slot, including opening and closing credit lines and recapitulating summary of previous episodes. The Guidelines further stipulate that any excessive use beyond the limits would be charged at commercial rates i.e. Spot Buy Rate (SBR) as per Doordarshan Commercial Rate Card. The SBRs as per the rate card were ` 1500 to ` 8000 depending on the time of telecast and type of programme.

Test check of 12 sponsored programmes telecast during September 2008 to August 2009 through Doordarshan Kendra (DDK), Kolkata revealed that in 402 episodes the actual duration of telecast exceeded the prescribed telecast time per episode by 11298 seconds. Audit noticed that although the DDK, Kolkata had recorded the excess duration in the "Preview Register", no charges were levied on the concerned producers/agencies for excess use beyond the limits. The charges payable in this regard amounted to ` 59.49 lakh as per SBR applicable.

DDK, Kolkata stated (July 2011) that insertion of break-bumpers, recapitulation, free promos, opening and closing credit lines had caused the duration of programmes to exceed beyond 22 minutes 30 seconds in 30 minutes slot. The reply is however not acceptable as the Doordarshan's Guidelines stipulate that actual duration of 22 minutes 30 seconds in 30 minutes slot is inclusive of free promos, recapitulation, opening and closing credit lines. Further the Guidelines do not provide any extra telecast time for providing of break bumpers by the sponsors.

Thus, non-charging of additional amount as per rate card for the period of telecast beyond the permissible limit resulted in loss of ` 59.49 lakh.

The matter was reported to the Ministry in June 2011; their reply was awaited as of January 2012.