CHAPTER IV : MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

Department of Posts

4.1 Non deduction of commission on purchase of revenue stamps

Failure of the Chief Postmasters General, Gujarat, Maharashtra, North East and West Bengal Postal Circles to deduct commission in advance on purchase of revenue stamps from State Governments led to short realisation of revenue to the extent of ₹ 2.45 crore.

The Department of Posts (DoP) issued instructions in February 2004 to all Heads of Postal Circles to deduct commission in advance at the rate of 3 *per cent* with effect from 1 October 2003, 6 *per cent* with effect from 1 October 2004 and 10 *per cent* with effect from 1 October 2005, while purchasing revenue stamps from State treasuries. The Heads of Circles were also instructed to take up the matter with the State Governments to ensure immediate implementation of the scheme including calculation of commission due to DoP for the sale of revenue stamps. The instructions further emphasized that it was up to the State Governments to choose to either use or not to use the facility extended on these terms by the DoP for sale of revenue stamps.

Scrutiny of records in Gujarat, Maharashtra, North East and West Bengal Postal circles revealed that commission amounting to ₹ 2.45 crore was not deducted in advance while purchasing revenue stamps for sale from State treasuries for the period 2003-04 to October 2010, as shown in the table below.

S.No.	Name of Circle	Amount of commission of outstanding (₹ in crore)
1.	Gujarat	1.41
2.	Maharashtra	0.48
3.	North East	0.07
4.	West Bengal	0.49
	Total	**2.45**

On this being pointed out by Audit in (March 2007), CPMG North East Circle, recovered the entire amount of ₹ 0.07 crore in February 2010. Replies from other circles were awaited as of November 2010.

The CPMGs of Gujarat, Maharashtra, North East and West Bengal Postal circles failed to scrupulously follow the instructions issued by Department of Posts and this led to short realisation of commission to extent of ₹ 2.45 crore.

DoP may review the position in other circles to ensure that the instructions are being followed.

4.2 Non-realisation of pension/family pension dues from other departments

The Director of Accounts, Postal (DAP), Patna failed to obtain payment vouchers/schedules from 5 Post Offices under Bihar and Jharkhand Circle which resulted in non-raising debits of ` 2.44 crore against Coal Mines Provident Fund and Industrial Employees Provident Fund. In addition, commission of ` 0.47 crore was not realised from Department of Telecommunications.

The Department of Posts (DoP) discharges agency function of disbursement of pension/family pension on behalf of other departments *viz*. Railways, Department of Telecom, Coal Mines Provident Fund (CMPF) and Commissioner, Industrial Employees Provident Fund (IEPF) and in return receives commission at rates fixed by DoP from time to time. The payment of pension/family pension is made through Head Post Offices (HPOs) which are required to send monthly cash account along with relevant payment vouchers/schedules by 2nd of the following month to the Circle Account Office to effect recovery from the concerned Department/Undertakings.

A mention was made in paragraph no. 52 of Report No. 6 of 2001 (Post and Telecommunications) regarding non recovery of pension and family pension amounting to ` 15.04 crore on behalf of other departments. Ministry in their ATN stated that suitable instructions had been issued for recovery of outstanding amount. It was also stated in ATN that after receipt of Audit Observations, the position was regularly reviewed in the monthly meeting of Monitoring Committee under the Chairmanship of Secretary (P) and strict instructions from the level of DDG (Postal Accounts and Finance) and Secretary (P) were issued from time to time. It was further stated that lapses for not realising Government dues from other organisations may be investigated and action initiated to fix responsibility.

Scrutiny of records of Director of Accounts, Postal, (DAP) Patna (March 2010) revealed that payment vouchers/schedules were not received by the DAP office from five HPOs[1] by the scheduled date. This resulted in failure to raise debits of ` 2.44 crore as indicated in **Annexe-I** during the period April 2004 to March 2009 against CMPF and IEPF on account of pension payments made by the Department. It was also noticed that a total commission to the extent of ` 80 lakh was due from DoT for the period from April 2007 to December 2009 out of which only an amount of ` 33 lakh was realised by DoP (May 2010) leaving a balance of ` 47 lakh unrecovered.

On this being pointed out by Audit, Accounts Officer, Office of Director of Accounts, Postal (DAP) stated (April 2011) that efforts were made to obtain the wanting vouchers from the HOs but there was no positive response from them. However, on ascertaining the reasons for non submission of wanting vouchers, while Postmasters of HPO Begusarai, Jamshedpur and Bokaro Steel City attributed reasons to inadvertence/oversight, the Postmaster of HPO Munger and Dhanbad attributed to shortage of manpower in HPOs.

Hence, due to the systemic failure in defaulting HPOs and non adherence to the instructions issued by the Ministry from time to time despite regular monitoring at Postal Directorate, debits to the extent of ` 2.44 crore against CMPF and IEPF could not be raised due to non receipt of vouchers.

DoP may take concrete steps to ensure that the issues raised by the HPOs are addressed and the dues relating to payment of pension/family pension on behalf of other departments are realised in time.

4.3 Idling of Generator sets

Delay on the part of Chief Postmaster General, Bihar and West Bengal Postal circles in installation of Generator sets procured during March 2006-March 2009 resulted in idling of Gensets worth ₹ 1.86 crore.

With a view to prevent interruption of work due to power failures, Department of Posts (DoP) decided (March 2004) to provide generators of appropriate capacity to the Post Offices. DoP further issued instructions in March 2008 for procurement and installation of generator sets in remaining Computerised Sub Post Offices where hardware was supplied under the 10th Plan Scheme of Computerisation of Post Offices.

---

[1] HPOs Bokaro Steel City, Jamshedpur and Dhanbad under Jharkhand Postal Circle and HPOs Munger and Begusarai under Bihar Postal Circle.

The Chief Postmaster General (CPMG), West Bengal Postal Circle placed purchase orders for procurement of 227 generator sets of various capacities amounting to ₹ 4.20 crore on DGS&D rate contract during March 2006 to March 2009 with a warranty period of one year from the date of supply. These gensets were supplied/installed during November 2006-June 2010

Audit scrutiny of records (June 2010) revealed that CPMG, West Bengal Postal Circle did not assess the pre-requisites required for installation of 40 generator sets such as site readiness, electrical wiring and other infrastructural facilities at the time of installation. It was also noticed that 11 gensets though installed were not functioning due to technical problems. This omission on the part of CPMG resulted in idling of 51 gensets worth ₹ 1.24 crore.

On this being pointed out by Audit, it was stated that for generator sets not installed, repeated instructions had been issued to the SSPOs/SPOs for immediate installation and also for diversion of sets to required locations.

In Bihar Postal Circle, it was noticed that DoP had allotted (20 March 2008) funds of ₹ 2.70 crore for procurement and installation of 101 generator sets of various capacities in Bihar Postal Circle and instructed CPMG to complete the procurement and installation by 31 March 2008. CPMG Bihar Postal Circle received the fund allotment letter on 24 March 2008 and placed a supply order for 101 generator sets costing ₹ 2.42 crore on DGS&D Rate contract on 28 March 2008. Supplies of generator sets were completed between January – March 2009.

Audit scrutiny of records (May 2010) revealed that out of total 101 generator sets supplied at the place of installation during February-March 2009, 26 generator sets valuing ₹ 62.27 lakh remained uninstalled for over one year (as on June 2010) at different locations since their receipt due to paucity of space, non-readiness of infrastructure required for installation of gensets, objections from landlord for carrying out the installation work in rented building etc.

On this being pointed out by Audit, CPMG Bihar Postal Circle (June 2010) stated that owing to instructions of Directorate (March 2008) supply order was issued immediately on 28 March 2008 without evaluating the hindrances in installation. It was further stated that Head of Circles have been directed to install these generator sets.

Thus, failure on the part of DoP to allocate the funds for installation of gensets without providing adequate time to the Circles for infrastructure readiness resulted in non-evaluation of hindrances in installation of generator sets and should have foreseen the pre-requisites required for installation of gensets to avoid idling of gensets worth ₹ 1.86 crore. The position should be reviewed in all Circles to ensure that Gensets are not idling there too due to infrastructure not being ready.

4.4 Irregular payment of EPF pension/Family pension

Failure of CPMG, Tamil Nadu Postal Circle to stop payment of EPF pension/family pension through post offices in Chennai Region despite clear orders from Head Office, EPFO, New Delhi resulted in irregular payment of pension/family pension of ₹ 1.59 crore.

The Department of Posts (DoP) discharges agency function for disbursement of pension/family pension on behalf of Employees Provident Fund Organisation (EPFO) through various Head Post Offices (HPOs) on payment of commission fixed by DoP from time to time. A scheme for disbursement of Family Pension under Employees Family Pension Scheme 1971 through Post offices was introduced by EPFO with effect from 1 July 1973. EPF authorities pay 75 *per cent* of the amount of pension in advance every month for disbursement of pension to the concerned Director of Accounts, Postal (DAP). Subsequently, vouchers received from the Postal Department are verified, reconciled and the balance amount for that month is released by EPFO. Every month the schedules of payment of family pensions are prepared by the Head Post Offices and submitted to the concerned DAP.

Regional Provident Fund Commissioner, Chennai during April 2007 had intimated Director of Accounts (Postal) Tamil Nadu Circle that as per the directions received from their Head Office, EPFO, New Delhi payment of Pension through Post Offices had been dispensed with effect from 1 April 2007 and the procedure of paying advance/reimbursement of pension stopped in toto. Further, it was stated that only pension paid/payable up to March 2007 would be honoured and no pension should be paid by the Post offices from April 2007 onwards.

Audit scrutiny of the records of GM, PAF, Tamil Nadu Postal Circle during November 2009 revealed that pension continued to be disbursed on behalf of EPF organization even after 1 April 2007 in respect of four Head Post Offices under Chennai region viz. Chennai, Ambattur, Tambaram and Vellore from April 2007 to September 2008 without getting 75 *per cent* of the advance from EPFO. This resulted in irregular payment of pension/family pension of ₹ 1.59 crore. Further, since the payment of pension/family pension was made without the approval of EPFO, the postal authorities would find it difficult to claim commission of ₹ 0.30 crore on the above amount.

On this being pointed out by Audit (June 2010), General Manager Postal Accounts & Finance, Tamil Nadu Postal Circle replied (July 2010) that due to non receipt of clarification from Postal Directorate, pension/family pension on behalf of EPF continued to be paid up to September 2008 (accounted in October 2008) and subsequently stopped.

The reply of GM (PAF) is not tenable as the payments for pension/family pension were continued only in Chennai region whereas the same was completely stopped in Coimbatore and Madurai regions with effect from 1 April 2007. This is also substantiated by the fact that Sr. Accounts Officer, Railway Pension Section, O/o GM (PAF) Chennai had addressed to all the HPOs in May 2007 to stop payment of EPF pension with effect from April 2007.

Thus omission on the part of General Manager, Postal Accounts and Finance (GM, PAF), Tamil Nadu Circle to stop the payment of pension/family pension to EPFO employees in all regions not only resulted in irregular payment of pension/family pension of ₹ 1.59 crore but also created outstanding dues to the extent of ₹ 1.89 crore (₹ 1.59 crore as pension and ₹ 0.30 crore as commission) that are fraught with the risk of non-recovery.

4.5 Recovery at the instance of Audit

An amount of ` 83.10 lakh was recovered at the instance of Audit out of ` 2.08 crore excess paid by the West Bengal and Bihar Postal Circles towards Central Government Health Scheme (CGHS) contribution during 2005-06 to 2008-09.

Directorate of Health Services (DHS) recovers contribution every year from the departments whose employees avail medical facilities under Central Government Health Scheme (CGHS). The rules provide that the beneficiary department should send the number of employees covered by the scheme as on 30th September every year. A provisional payment is generally claimed by the DHS on the basis of per capita (per family) cost and the number of employees of the paying Department.

Scrutiny of records of Chief Postmasters General (CPMG), Bihar and West Bengal Postal Circles (July 2009-January 2011) revealed that these Circles continued to make payment to CGHS without ascertaining the actual number of beneficiaries who were availing the facility of CGHS. It was noticed that the Circle Offices had furnished 3929 excess number of CGHS beneficiaries than the actual number of beneficiaries which resulted in excess payment of ` 2.08 crore to the CGHS as shown in the table below.

(Rupees in lakh)

Year	Bihar Postal Circle			West Bengal Postal Circle			Grand Total
	Actual no. of beneficiaries	No. of beneficiaries billed	Excess payment	Actual no. of beneficiaries	No. of beneficiaries billed	Excess payment	
2005-06	2371	3116	32.40	1772	2167	17.23	**49.63**
2006-07	2358	3083	35.76	1726	2361	30.32	**66.08**
2007-08	2331	3074	56.26	1691	2124	22.44	**78.70**
2008-09	-	-	-	1676	1929	13.11	**13.11**
	7060	9273	124.42	6865	8581	83.10	**207.52**

On this being pointed out by Audit, the postal authorities in West Bengal Circle recovered the entire amount of ` 83.10 lakh by adjustment against the subsequent payments made to CGHS. The Assistant Director (Welfare), O/o CPMG, Bihar Circle, Patna stated (January 2011) that the excess paid amount would be adjusted from the subsequent bills of CGHS.

Thus, inadequate verification of records/data relating to number of CGHS beneficiaries by CPMsG West Bengal and Bihar Postal Circles resulted in excess payment of ` 2.08 crore to CGHS over the years from 2005-06 to 2008-09 of which an amount of ` 83.10 lakh was recovered at the instance of audit. There is a need for immediate recovery of entire amount of excess payment in all other circles, wherever detected. Also, the necessary internal controls for timely detection of such overpayments should be strengthened.

4.6 Non-levy of Service Tax

Omission on the part of 39 Post Offices in Gujarat and Tamil Nadu Postal circles resulted in short collection of service tax and education cess amounting to ` 39.25 lakh.

Finance Act, 2004 defines Business Auxiliary Service as any service in relation to provision of service on behalf of a client or incidental or auxiliary service such as billing, issue or collection or recovery of cheques, payments etc. Finance Act, 2006 stipulates that “taxable service” means any service provided or to be provided to a client, by any person in relation to business auxiliary service. Accordingly, the Department of Posts (DoP) issued instructions (December 2006) to all heads of circles which reiterated service tax rules regarding imposition of service tax on commission earned for agency services rendered on behalf of another organisation or body.

A mention was made in paragraph 3.5 of the report of the Comptroller and Auditor General of India for the year ended 31 March 2007, Union Government, Compliance Audit Observations, on the non-levy of service tax by DoP. The Ministry, in their Action Taken Notes submitted in December 2010, admitted that the failure of HPOs to take necessary action in compliance with the Finance Act, 2006 resulted in non-realisation of service tax and educational cess.

However, scrutiny of records of 3 HPOs[2] in Gujarat Postal Circle (December 2008/June 2009) revealed that service tax and educational cess amounting to ` 22.17 lakh was not collected (May 2006 to June 2009) on the commission received by these Post Offices from Gujarat Urja Vikas Nigam Limited (GUVNL) for collection of electricity bills. On this being pointed out by audit, the Head Postmasters Valsad and Gondal recovered an amount of ` 6.79 lakh during June 2009 and June 2010 respectively.

Further, in 36 post offices under Tamil Nadu Circle it was noticed (April 2008 to January 2010) that service tax amounting to ` 17.08 lakh was not collected from Bharat Sanchar Nigam Limited (BSNL) on the commission earned during the period June 2006 to February 2007 towards collection of telephone bills. On this being pointed out by Audit, an amount of ` 4.14 lakh was recovered during January 2009 to July 2010.

Thus, omission on the part of the concerned Postmasters to scrupulously follow the statutory rules relating to levy of service tax resulted in short collection of service tax and education cess amounting to ` 39.25 lakh.

The DoP may take effective steps to ensure that service tax is levied and recovered in all the circles as per the prevalent rules on the agency services rendered by the Department.

4.7 Avoidable payment of electricity charges

Failure of Automatic Mail Processing Centre, Mumbai to change the power distribution licensee from Reliance Energy to Tata Power Company resulted in avoidable extra payment of ₹ 22.64 lakh.

The Maharashtra Electricity Regulatory Commission (MERC) passed an order in October 2009 which allowed the consumers of Reliance Energy to switch over to TATA Power Company (TPC) for power supply. The power tariff (June 2009) of Reliance Energy for HT II connection (HT Commercial) was

[2] Valsad, Bharuch and Gondal HPOs

₹ 8.41 per kilo watt hour (p/kWh) whereas the power tariff of TPC was ₹ 4.35 p/kWh. TPC revised power tariff to ₹ 5.20 p/kWh from September 2010.

Audit scrutiny (April 2010) of records of Automatic Mail Processing Centre (AMPC), Mumbai of Department of Posts revealed that AMPC continued to avail power supply from Reliance Energy at higher rates despite lower rates being offered by TPC. This lapse on the part of the Manager AMPC Mumbai resulted in avoidable payment of electricity charges to the extent of ₹ 22.64 lakh for the period from December 2009 to September 2010.

On this being pointed out by Audit, Manager, AMPC, Mumbai, Department of Posts stated (November 2010) that the electricity supply to AMPC had been switched over from Reliance Energy to TPC w.e.f. 23 September 2010. The change over from Reliance Energy to TPC was done at the instance of Audit.

Thus, failure on the part of the Manager, AMPC, Mumbai to keep himself abreast of orders issued by MERC resulted in excess avoidable expenditure of ₹ 22.64 lakh for payment of power tariffs at higher rates. The CPMG, Maharashtra Circle also failed to issue directions to AMPC Mumbai for switching over to TPC for power supply at lower rates.

Department of Telecommunications

Centre for Development of Telematics

4.8 Wasteful expenditure of ₹ 16.10 crore due to non-commercialisation of technology

Despite shift in worldwide market trends towards Dense Wavelength Division Multiplexing technology in 2004, C-DOT continued the execution of a project to develop the Coarse Division Multiplexing technology. As a result, an obsolete technology was developed in 2006, which had no takers rendering the entire expenditure of ₹ 16.10 crore wasteful.

A project entitled "Development of Coarse Wavelength Division Multiplexing (CWDM)[3] " was undertaken by the Centre for Development of Telematics (C-DOT) in 2003-04 as a low cost alternative to the currently used telecommunications technology called "Dense Wavelength Division Multiplexing (DWDM)[4] ". C-DOT was to develop an eight channel CWDM

[3] It is a method of combining multiple signals on laser beams at various wave lengths for transmission along fiber optic cable.
[4] Use to increase band width over existing fiber optic back bone.

system in accordance with the Generic Requirement (GR) specifications of Telecommunication Engineering Centre (TEC).

C-DOT estimated that the market potential of CWDM technology would be US$ 1 billion in the next three years with growth of market @ 28 *per cent* annually. A demand for the system was anticipated from BSNL[5] and MTNL[6].

The project was initiated with an allocated budget of ₹ 5.50 crore with final deliverable of CWDM linear chain including one Optical Add Drop Multiplexer (OADM) and two Terminals Exchanges (TE). To meet the requirements of TEC, C-DOT further revised the cost of project to ₹ 10 crore in 2005-06 with revised target to develop four OADMs and two TEs. The cost was revised as there were number of features that required considerable changes in design leading to requirement of more manpower, longer time frame and higher cost. Though the system was finally developed in May 2006 at a cost of ₹ 16.10 crore, it has not been commercialised as of April 2011.

In this regard, the following deficiencies in planning and implementation of the project were observed in audit:

(i) Failure to estimate market potential and cost of the technology

C-DoT had neither conducted any analysis for estimating market potential nor analysed the cost of final product/service and relied on magazines and journals for assessing market potential. The comparative cost analysis of product/service by CWDM technology against presently used DWDM technology and cost comparison report were not available with C-DOT. It was observed that neither BSNL/MTNL nor any other operator approached C-DOT for introduction/implementation of the CWDM system despite successful testing of the system. The Decision Analysis and Resolution (DAR) Committee, in its report of November 2007, recommended closure of the CWDM project due to lack of significant market projections for this technology. The efforts of C-DOT to market the technology to the defence sector for the designing of a secured network also have not yielded any results so far.

(ii) Failure to complete projects within estimated cost and time

Though the field trials and technology approval including type approval of the project were to be completed by July 2005, C-DOT developed the CWDM

[5] Bharat Sanchar Nigam Limited.
[6] Mahanagar Telephone Nigam Limited

system only in May 2006. The technology approval certificate for the system was obtained from TEC in November 2007 i.e. after a delay of 28 months from the scheduled date.

Thus, the system developed at a total cost of ₹ 16.10 crore could not be commercialized/implemented due to failure of C-DOT to plan and implement the project effectively and realistically estimate market potential in this field.

In reply[7] C-DOT stated that:

i. MTNL had come out with CWDM tender in 2004 which was subsequently cancelled due to shift in worldwide market trend towards DWDM.

ii. Since the prices of components used in DWDM systems were reduced considerably owing to economies of scale, DAR committee had recommended closure of the CWDM project as DWDM had emerged as a cheaper alternative to CWDM.

iii. CWDM would now find a role in the designing of the secured network for defence project, if undertaken by the C-DOT. The knowledge gained in the development of the system would be put to use in the development of ongoing GPON[8] project and WDM-PON[9], if undertaken.

The reply of C-DOT may be viewed in the light of the fact that:

i. Despite cancellation of MTNL tender in 2004 due to shift in technology worldwide, C-DOT continued with the project knowing fully well that there would be no market for the technology.

ii. According to C-DOT's admission, CWDM system was not as cost effective as the DWDM system which had a wider range, more number of wavelengths and was now available at a much lower cost. In the environment of rapidly changing technologies, the progress/evaluation/ usefulness of an electronic system should have been monitored continuously and the viability of the project should have been reassessed periodically to assess whether the CWDM system continued to be a low cost alternative to the DWDM system.

---

[7] In their replies of April 2008, July 2008 and November 2009.

[8] Gigabit passive optical network (GPON) is a point-to-multiple fiber to premises network architecture. It is used to enable a single optical fiber to serve multiple premises

[9] Wavelength Division Multiplying (WDM) Passive Optical Network (PON) enable highly efficient point to point optical connectivity to multiple remote locations throw a single feeder fiber

iii. Further, the presumption of C-DOT that CWDM may find a role in the designing of the secured network for defence projects and development of WDM-PON is hypothetical as C-DOT itself stated that there were no plans to utilize the system in near future.

Thus, the technology developed in May 2006 could not be transferred till April 2011 as C-DOT failed to plan/implement the project effectively and realistically estimate the cost of the project and its market potential. It also did not cancel the project in 2004 after worldwide shift in market trends towards DWDM technology. This resulted in infructuous expenditure of ₹ 16.10 crore.