Chapter Summary

- The Space Commission constituted in 1972 formulates the space program and policies which are implemented by Department of Space through Indian Space Research Organisation. Major sources of revenues of DoS are from Indian National Satellite System, Indian Remote Sensing Satellites and projects undertaken on behalf of individual customers.

(Para 5.1 & 5.2)

- There was lack of uniformity in application of rates charged for television transponder and department rates ranged from Rs. 1.80 crore to Rs. 5.76 crore.

(Para 5.6.2)

- Non enforcement of contractual obligations on VSAT operators resulted in non recovery of Rs. 2.69 crore.

(Para 5.6.3)

- Out of revenues from Indian remote sensing satellites (IRS) of Rs. 23.96 crore received during the period under review, only Rs. 9.03 crore was credited to departmental revenue head while Rs.3.52 crore was spent for departmental expenditure and Rs.11.41 crore retained in the deposit head at the centres.

(Para 5.8.1)

- NRSA retained Rs.19.46 crore due to be passed on to the DoS.

(Para 5.8.3)

- Revenue of Rs.13.77 crore was retained by the individual centres in their deposit heads in respect of completed projects.

(Para 5.8.2)

- There was a loss of Rs.76 lakh due to non-provisioning of administrative overheads in projects.

(Para 5.8.4)

Recommendations

- Department should re-examine the price structure mechanism in the case of lease of television transponders and rationalise rates so as to avoid the use of differential pricing and to maximise revenue generation.
- Department should review the existing arrangements with ACL in order to safeguard the interest of Government revenues.
- Ensure proper accountal and receipt of revenues due to Government.

CHAPTER-V : ISSUES RELATING TO RECEIPTS OF DEPARTMENT OF SPACE

5.1 Introduction

Department of Space (DoS) has the primary objective of promoting the development and application of space science and technology to meet the developmental needs of the country. The programmes of the DoS are committed to meeting the objectives of providing national space infrastructure through its remote sensing and satellite projects in the area of telecommunication, broadcasting, meteorology, education and satellite imagery.

5.1.1 Organisation

The Indian Space Research Organization (ISRO) was set up under Department of Atomic Energy in August 1969. With the constitution of the Space Commission and the Department of Space (DoS) in 1972 to formulate and implement space policies, the Indian space program was formalized. The Space Commission formulates policies, which are implemented by DoS through ISRO. DoS have nine establishments, four autonomous bodies and two companies through which it carries out its activities. Antrix Corporation Limited (ACL), a wholly owned government company established in 1992, markets the space products and services and the income derived is shared between DoS and Antrix Corporation. The organizational structure of the Department is given in **Appendix-1**.

As per the Satellite Communication policy of 2000 (SATCOM), DoS was designated as the nodal administrative ministry for all matters relating to satellite systems in India. They were to allocate the available capacity to users on a commercial basis. However, in so far as the operating licenses were concerned, licensees were to seek approvals from the concerned administrative ministries; for example, Department of Telecommunications (DoT) for telecom services and Ministry of Information and Broadcasting for television / radio broadcasting. INSAT capacity was to be made available on a 'for profit' basis consistent with government policies in the concerned user sectors.

As per the performance budget (2005-06) of DoS, the department is committed to making efforts towards "operating their systems on corporate lines in a progressive manner with emphasis on aggressive marketing, competitive pricing and financially self-sustaining systems".

5.2 Revenue generation

Major sources of revenue to DoS are from the (i) Indian National Satellite (INSAT) system which provides services in the areas of telecommunications, broadcasting and meteorology etc.(ii) Indian Remote Sensing Satellite (IRS) system providing services in areas of resource survey and management on which DoS earns data access fee and royalty and (iii) other projects undertaken on behalf of individual customers.

These receipts of DoS are accounted as 'non tax receipts' in the Finance Accounts under the Major Head of Account 1425 Other Scientific Research (sub head Miscellaneous Receipts). Other receipts of DoS include amounts received as recoveries of loans; interest and dividends; employee contributions towards Pension, Medical, Housing, Social Security and Welfare, etc which are credited to the respective major head of account.

5.3 Audit Objectives

Audit sought to examine

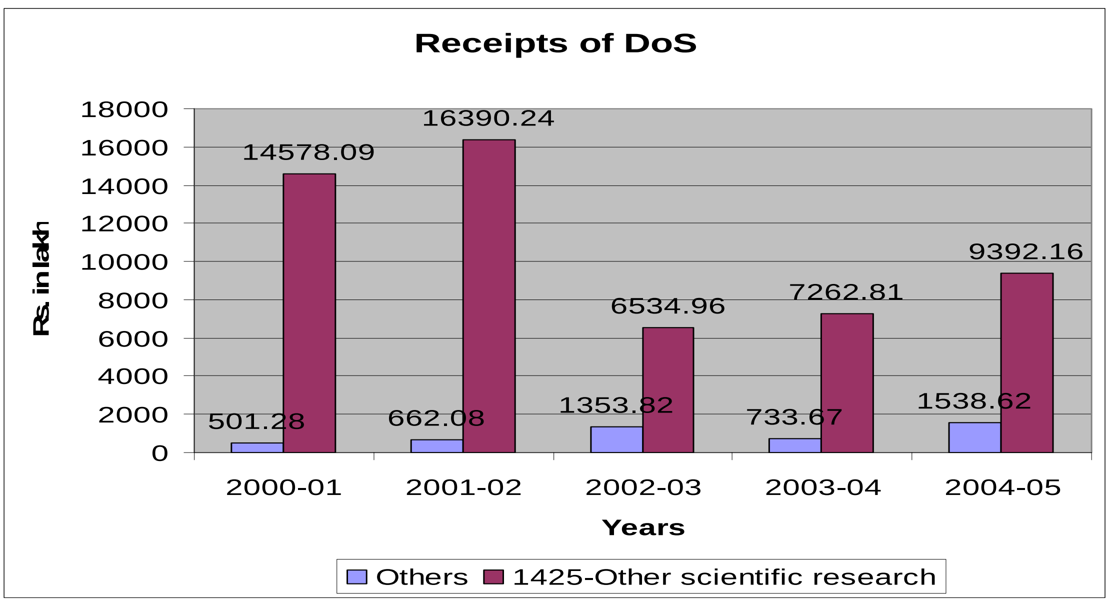
- whether there existed a proper procedure for estimation of receipts accruing to the DoS and achievements thereon
- adequacy of rules and procedures for realizing revenues including pricing of products
- recovery and accounting mechanisms; and
- adequacy of internal control mechanisms for ensuring proper collection and accounting of receipts

5.4 Scope of Review

The review presents the results of test check by audit for the period from 2001-02 to 2004-05 with reference to receipts under Major Head of Account: 1425 Other Scientific Research through a test check of records at all the nine establishments of DoS & Antrix Corporation Limited (ACL)♦.

5.5 Non-Tax Revenue of DoS

5.5.1 Trend of Revenues



♦ The records of ACL were also test checked as substantial receipts of DoS are collected through this organisation.

Revenues of DoS over the years 2000-01 to 2004-05 are given below (Table 1).

(Rs. in lakh)

Table 1 : Revenues of DoS

No	**Description**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**
1	0049-Interest receipts	281.27	345.42	409.78	414.61	535.77
2	0050-Dividends from public sector undertakings	135.00	121.00	705.00	47.00	474.00
3	0071-Contribution and recovery towards pension & other retirement benefits	83.53	193.91	237.11	268.73	526.74
4	0210-Medical & Public health	0.53	0.75	0.64	0.59	0.77
5	0215-Housing	0.89	0.94	1.23	1.18	1.29
6	0235-Social Security & welfare	0.06	0.06	0.06	1.56	0.05
7	Total (1 to 6)	501.28	662.08	1353.82	733.67	1538.62
8	1425-Other scientific research	14578.09	16390.24	6534.96	7262.81	9392.16
9	**Grand Total (7 &8)**	**15079.37**	**17052.32**	**7888.78**	**7996.48**	**10930.78**

Receipts under the major head 1425-Other scientific research during 2000-01 and 2001-02 include sums of Rs. 102.72 crore received on account of insurance claims from INTELSAT for INSAT 2E. Further, receipts for the year 2001-02 were higher on account of charges of Rs.80.16 crore received for tracking support provided to foreign satellites in that year. Dividends showed fluctuation over the five years examined in audit due to variation in profits of ACL, a public sector undertaking under DoS. The sharp increase under the major head 0071 during 2004-05 was on account of transfer of Government contribution to Contributory Provident Fund (CPF) due to exercise of option by technical and scientific employees to migrate from CPF to General Provident Fund.

5.5.2 Issues in budgeting

As per Government Financial Rules, estimates in the annual budget shall be realistic based on trends, policy decisions, business plan of the institution as well as accruals for the past three years. Wherever necessary, item wise break-up has to be provided to highlight individual items of significance.

It was noticed in audit that while DoS was receiving significant revenues from communication satellites and remote sensing satellites, all the income was being combined and depicted in one lump sum under the Sub head – 800 - Other Miscellaneous Receipts. DoS was therefore not in a position to analyse variations in the individual contribution of these significant activities and to project realistic budget estimates accordingly. While analyzing the receipts arising out of different activities, audit observed that approximately 46 percent of the receipts over the period 2000-01 to 2004-05 came from lease of transponders and IRS system, the remaining arising out of miscellaneous items such as technology transfers, sale of scrap, etc and also incomes which were to be credited to other heads of account such as income tax and housing. Non inclusion of item wise break up in respect of significant revenue sources in the estimates was indicative of inadequacies in preparation of budget estimates.

5.5.3 Undue Variation

Budget estimates, actual receipts and percentage of variation♦ under the head 1425 Other Scientific receipts during the period 2000-01 to 2004-05 are given below.

(Rs. in lakh)

Table 2 : Budget estimate and actual receipts

Year	2000-01	2001-02♠	2002-03	2003-04	2004-05
Budget Estimate	4211	3711	5240.06	6031.8	6338.8
Actual	4305.52	8373.66	6534.96	7262.81	9392.16
Variation	94.52	4662.66	1294.90	1231.01	3053.36
% of Variation	2	125	25	20	48

It may be seen from the above table that budget estimates were understated during the years 2001-02 to 2004-05 by amounts ranging from 20% to 125 % indicating deficiencies in budgeting.

5.5.4 Revenue from INSAT

Revenue from INSAT is generated from two segments (i) from leasing of transponders for television operations and (ii) leasing of transponders for communication operations, referred to as VSAT. As of October 2005, the department owned 144℘ transponders spread over seven communication satellites of which 70 are being used by government entities such as DoT, DD and AIR. As per the arrangement between DoS and ACL, while individual contracts in respect of lease of transponder capacity were entered into by DoS, ACL was designated as the Contract Manager. No Memorandum of Understanding or agreement between DoS and ACL laying down specific responsibilities of both entities was made available to audit. However in an internal note of August 2003, it was stated that ACL as the contract manager would carry out activities such as:

- Monitoring, billing and collection of dues as per the terms of individual contracts
- Accounting for the revenues and expenses incurred in respect of these contracts and working out cost to be transferred with respect to the revenue and
- Providing appropriate marketing services.

♦ Circular No. F.2 (25)-B(D)/2001 dated 3rd October 2001 by Ministry of Finance

♠ Receipts for 2000-01 and 2001-02 are exclusive of insurance receipts and receipts from tracking which are one time receipts.

℘ 28 for television operations,104 for VSAT and other operations and 12 are held as spare.

It was decided in this internal note that revenue thus realized would be shared between DoS and ACL in the ratio of 80:20 for VSAT and 85:15 for television transponders. In the documents produced to audit there were no instructions as to the mechanism by which DoS was to ensure proper billing and collection on its behalf by ACL, the correctness of the accounting for amounts received by ACL, etc. While there are no specific delegation of power in DoS with regard to receipts, as per para 12.4 of the Delegation of Financial Powers, for trading operations, approval of the Member (Finance) was necessary in cases where the value of the transaction exceeded Rs.One crore. However, it was noticed that the internal note of August 2003 laying down the revenue sharing arrangements between DoS and ACL had not been approved by the Member (Finance). DoS stated that it is in the process of obtaining the approval from Member Finance (July 2006).

5.6 Audit Findings

5.6.1 Price fixation of transponders

In July 2003, DoS took over VSAT accounts from DOT. As the pricing structure for VSAT transponders had already been fixed by DOT, DoS decided to follow those rates and made some partial modifications in 2004. In respect of television transponders, price fixation was done independently by DoS through a standing committee set up for this purpose. The committee fixed a minimum floor price of Rs. 2.5 crore per unit♦ in July 2002 based on the life expectancy of the satellites, taking into account return on investment and marketing charges. The committee also authorized the marketing of transponders through commercial negotiations on a case-to-case basis at a suitable price above the floor price depending upon the needs and circumstances in each case. The floor rate fixed in 2002 has not been revised and Department stated that the present selling rate of INSAT transponders was in the range of Rs.2.5 - Rs.3.5 crore per unit for Government users and in the range of Rs.3.5 - Rs.5 crore per unit for private users.

5.6.2 Application of floor rates

Audit scrutiny of the contracts for the lease of television transponders revealed that different rates had been applied for different users, (private users and public sector), ranging from Rs.1.80 crore to Rs.5.76 crore per unit **(Appendix-2)**. Reasons for variations in rates were not available in the records produced to audit.

It was noticed that two domestic companies had been charged at Rs.1.80 crore and Rs.1.93 crore respectively which was below the floor price of Rs.2.5 crore and resulted in revenue loss of Rs.12.96 lakh♠. Further, although the department had stated that lease rate was in the range of Rs.3.5 - Rs.5 crore per unit for private users, it was observed that in respect of four companies, the rates fixed were below the price of Rs.3.5 crore impacting revenue to the tune of Rs.2.20 crore.

♦ Per 36 MHz transponder usage per year

♠ Revenue loss has been computed on proportional basis for a period of 5 months as the contract in ongoing for the other company.

In its reply DoS stated that lease charges were fixed based on various factors such as the capacity leased, duration, footprint of satellite, power of satellite beam, etc. and that therefore charges varied from case to case. Further, there were also social needs and the requirement of competitive pricing vis-à-vis foreign satellites which needed to be taken into account while deciding the rates. DoS stated that one of the companies, which had been charged a rate below the floor rate, was an autonomous organization under the government and the reduced price was approved in view of the social obligations of the organization. In respect of the other company, it was stated that they had a unique requirement for a specific period and were seriously considering the use of foreign satellites who offered capacity on hourly basis. Hence, a differential rate had been worked out. DoS further stated that rates had been rationalized in a majority of cases and that lower rates were being charged as a deliberate marketing strategy in order to bring in high profile channels.

The reply of the department stating that rates had been rationalized in a majority of the cases is not tenable as audit observed that as many as 26 different rates had been applied to the 46 cases test checked, and reasons for variations in individual cases were not found recorded. Further, audit noticed that while the pricing structure for VSAT operations took into account different technical parameters such as capacity leased, duration, and power of the satellite beam etc, this procedure was not extended to lease of television transponders. The reply of the department regarding the need to fight competition from foreign satellites is to be viewed against the fact that INSAT transponders are in high demand as indicated by the full utilization of existing capacity, and almost complete advance booking for INSAT 4A.

5.6.3 Non-adherence to contractual obligations involving revenue of Rs.2.69 crore

Prior to July 2003 when VSAT operations were being managed by DOT, licensees were required to furnish bank guarantees to cover their financial obligation while entering into a contract for allotment of transponder. Consequent to a request from VSAT Providers Association of India for reducing their financial burden, the requirement of bank guarantee was dispensed with by DoS, and instead a system of quarterly advance payment was agreed to. The contract further provided for penal interest, withdrawal of lease capacity and termination of the license in case of default by the licensee to fulfil contractual obligations. Audit examined ten VSAT contracts and inadequacies found in two are detailed below.

5.6.4 DoS leased transponders for VSAT operations to a company for the period from 1 July 2003 to 31 March 2006. Licencee was to make quarterly advance payment of Rs.47.32 lakh, 30 days before the commencement of every quarter.

Audit scrutiny revealed that the company had defaulted in making advance payment from the quarter beginning October 2003 (which was due in September 2003) and defaulted continuously thereafter. However, the leased capacity was neither withdrawn nor was any action taken to terminate the contract in spite of repeated defaults by the licencee. Lease capacity was withdrawn only from 01.01.2005, by which time the licencee had accumulated arrears of Rs.1.99 crore. Department stated that the licensee was facing financial constraints and reminders had been issued for recovery of dues. Failure to enforce corrective action in time as envisaged in the contract jeopardized the interest of government revenue to the tune of Rs.1.99 crore. Department stated that the licensee was facing financial constraints and reminders had been issued for recovery of dues. Department needs to review the terms and conditions for leasing out VSAT transponders so as to safeguard interests of government revenue especially as the system of financial guarantees has been done away with.

5.6.5 Another company was allotted space segment capacity for VSAT operations from 1 July 2003 to 31 March 2006. Audit scrutiny revealed that this company had been allowed to uplink although it had not obtained clearances from DoT and Standing Advisory Committee on Radio Frequency Allocation (SACFA) under DoT. Lack of proper scrutiny on the part of DoS resulted in a licensee being allowed to uplink and operate without relevant clearances. Further as per terms of the contract, the company was to make quarterly advance payment, 30 days before the commencement of every quarter. Audit scrutiny however revealed that the company was making partial payments from June 2004 onwards and that too after a delay ranging from four to ten months, thereby attracting penal interest for defaults at 18 per cent per annum of the unpaid sum. No action was taken to levy the penal interest or to withdraw the license and to terminate the contract. In the meantime DoT cancelled the VSAT license in January 2005 due to gross violation of licensing conditions by the company. The revenue of DoS pending recovery at January 2005 amounted to Rs 70.35 lakh. Failure to take timely action jeopardized the interests of government revenue to the extent of Rs 70.35 lakh.

Department replied that it was the sole responsibility of the customer to obtain all permits and licenses. It was DoT which issued the license and DoS was to provide space segment capacity only. Reply is not tenable since the contract stipulates that the licensee shall obtain all clearances necessary for the performance of its obligations subject to the satisfaction of DoS. Department needs to review its practices and strengthen its internal controls so that all license requirements are met by the customer before providing him uplinking capacity.

5.7 Issues relating to ACL

5.7.1 Agreements between ACL & DoS Centres/NRSA

While the revenues received by ACL from lease of INSAT transponders are passed on to DoS directly, in respect of revenue from the IRS system as also individual projects taken up by different centres, as per an internal circular of June

2001 further modified in February 2002, the amounts are sent to individual centres and National Remote Sensing Agency (NRSA). These organizations in turn credit the amounts received into their deposit head and subsequently transfer the same into revenue head. The IRS revenue consists of amounts payable on account of data access fee, royalty and software. The commission paid to ACL for services rendered in connection with the IRS system was fixed at 60 per cent of all the components from April 2002.

5.7.2 Loss of interest due to delayed receipt of INSAT revenue from ACL

While ACL was expected to remit INSAT receipts to DoS at the end of every financial year, it was observed by audit that during the period from 2001-02 to 2004-05, ACL transferred revenue of Rs. 166.83 crore to DoS with a delay ranging from 5 months to 14 months after closure of accounts of the financial year. The delay in transfer of receipt resulted in loss of interest of Rs. 8.90 crore **(Appendix-3)**. Further, as per Receipt and Payment Rules (Rule 6) all Government receipts shall be paid in full for inclusion in Government accounts. Audit noticed that in contravention of these provisions, ACL was allowed to deduct its commission charges from the revenues collected prior to remitting the amounts to DoS. This also resulted in lack of transparency in the payment of commission charges to ACL as these amounts were not included in the budget of DoS. ACL also retained an amount of Rs.1.23 crore on account of penal interest for the years 2003-04 & 2004-05 levied on behalf of DoS in various contracts, which should have been remitted to DoS. The department while accepting views of audit, stated in July 2006 that ACL would henceforth remit revenues to DoS on quarterly basis.

5.7.3 Short-realization of Rs 2.40 crore

Master Control Facility, Hassan (MCF) an ISRO Centre, took up a specific project of establishing and monitoring the performance of American Asian Pacific satellite Ku-band transponder in April 2001. Apart from the capital cost, a monthly operational charge of Rs. 12.00 lakh was payable to MCF once the project become operational. For this project, ACL was to be paid a commission of 25 per cent on the operational charges.

In February 2002, ACL submitted a proposal to DoS seeking an increase in its revenue share from 25 to 60 per cent on the grounds that MCF was carrying out activities such as maintenance etc. which would not require substantial cost reimbursement. Audit scrutiny revealed that this proposal was acceded to by DoS without making any reference to MCF which had entered into the contract with ACL, and thereby foregoing Government revenue of Rs. 2.40 crore.

DoS replied that the increased share of ACL was due to the fact that the amount realised was more than that projected by MCF. But the fact remains that ACL neither had any manufacturing activity nor any other related activity which called for increased revenue share. This further reinforces the audit contention pointed out earlier that the department does not have a proper budgeting mechanism.

5.7.4 Apportionment of IRS revenue between DoS and ACL

DoS as on March 2001 permitted ACL to retain 20 per cent of revenue received towards data access fee and royalty in respect of IRS system; and 50 per cent towards software. However, based on a request made by ACL, the portion of revenue retained was revised (December 2001) to 60 percent for all components (data access fee, royalty and software) to be applicable from April 2002 onwards. The justification for the sharp increase in the portion of revenue retained by ACL was attributed to the requirement of ACL to increase its earning to build up adequate resources. Audit scrutiny revealed that there was no costing of overheads or any other special services provided by ACL to DoS which called for a revision of revenue share. Incidentally, it may be pointed out that ACL had neither any manufacturing nor any other related activity, which called for increased revenue share especially when their post tax profit of Rs 6.00 crore in 2000-2001 increased to Rs.39.43 crore in 2004-05. While this decision reduced the revenues of DoS to the extent of Rs. 23.35 crore (**Appendix-4**), no approval was taken from the Member (Finance) as seen in the files made available to audit.

DoS replied that the increased share was in recognition of the efforts required to be placed by ACL for marketing globally and was in line with international standards. But the fact remains that the department had not obtained approval from the Member (Finance) for foregoing substantial and recurring revenue. Department agreed (July 2006) to review the sharing of revenues with ACL in consultation with Member (Finance).

5.8 Accounting Issues

5.8.1 Revenue of Rs. 3.52 crore used for departmental expenditure

In keeping with the internal policy of the department, during the period under review, ACL transferred IRS revenue of Rs.23.96 crore to ISRO centres. Of this amount, only Rs.9.03 crore was credited to the departmental revenue head. An amount of Rs.3.52 crore was utilized for departmental expenditure and the balance of Rs.11.41 crore (**Appendix- 5**) was retained by the individual centres in their deposit heads without crediting it to Government account.

Audit observed that as per Rule 6 of the Receipt and Payment Rules, moneys received by ACL on behalf of DoS should have been transferred to the department directly and not to individual centres. Retention of Rs. 11.41 crore in deposit head was also in contravention of laid down accounting rules as revenues realised from IRS were for data access fee, royalty, software and services provided, which cannot be treated as deposit works. Further, revenue of Rs.3.52 crore had been utilized for departmental expenditure without the authority of budgetary sanction by Parliament.

DoS stated that henceforth ACL would credit all revenue payable to ISRO on quarterly basis and avoid diversion of revenue in future (July 2006).

5.8.2 Non-credit of revenue of Rs. 13.77 crore into Government Account

As per the circular issued by DoS in July 2001, the un-spent balance of deposit projects which are completed shall be credited to Government account immediately after completion of the project. Audit scrutiny revealed that revenue had been retained by individual centres in their deposit heads though projects had been completed as shown in Table below:

(Rs. in crore)

Table 3 : Retention of unspent balance		
Sl No	**Name of unit / centre**	**Amount**
1	Space Application Centre	3.52
2	Master Control Facility	1.80
3	SHAR	7.87
	Total	**13.19**

Similarly audit scrutiny revealed that VSSC, Trivandrum had retained an amount of Rs. 58 lakh of which Rs.29.13 lakh related to recovery of liquidated damages and Rs. 28.76 lakh related to transfer of technology receipts. Retention of government revenue was in contravention of Government Financial Rules.

DoS replied that an amount of Rs.10.85 crore had since been credited to Government account.

5.8.3 Retention of IRS Revenue by NRSA of Rs.19.46 crore

NRSA is an autonomous body entrusted with receipt, archival, processing of the raw remote sensing satellite data into saleable products, and the sale of satellite data products within India. Data access fee and royalty which are payable to access DoS owned satellites form part of the sale price of satellite data products.

During the period under review, NRSA had received a sum of Rs.17.97 crore (Rs.14.46 crore from ACL and Rs.3.51 crore[♣] on own sales) and Rs.1.49 crore towards data access fee and royalty. However these sums were retained by NRSA and were not passed on to DoS, resulting in non-receipt of revenue to the extent of Rs 19.46 crore by the department.

Department replied that these revenues had been retained by NRSA to improve internal accruals. As these receipts are generated using outputs from DoS, a

[♣] NRSA have stated that data access fee charged by them ranges from 2 to 12 per cent of the sale value. In the absence of absolute figures loss of revenue has been computed @ 3 per cent of total sales transparent and equitable arrangement should be put in place between NRSA and DoS to ensure appropriate receipt of monies due to Government.

5.8.4 Loss of revenue of Rs.76 lakh due to non provisioning for overheads.

As per DoS rules, overhead charges shall be charged to the deposit projects. Overhead charges for projects costing more than Rs. 5 crore were to be charged @ 7 per cent of the project cost while those costing less than Rs. 1 crore were to be charged @ 12 per cent.

Audit scrutiny of costing relating to three projects carried out for outside agencies revealed that overhead charges were not factored into the project cost, involving a revenue implication of Rs. 76 lakh (**Appendix-6**). DoS replied that audit observations would be taken into account for implementation in future projects.

5.8.5 Non-maintenance of Demand Collection Balance Register

As per para 12.7 of Civil Accounts Manual, the department shall raise the demands for their receipts and maintain a Demand Collection Balance Register (DCB) to watch the receipt of the demands raised. However such DCBs were not maintained either at DoS or at its centres. There was therefore no system in place by which the correctness and timeliness of remittance of receipts could be monitored. Lack of adequate control mechanisms resulted in the following lapses:

(i) Royalty receivable by DoS *vis a vis* that actually received from ACL was reviewed in audit. Audit scrutiny revealed that as against Rs.3.57 crore transferable into Government account, only Rs.3.12 crore had been transferred. An amount of Rs.0.45 crore is pending reconciliation. DoS agreed to reconcile the pending amount.

(ii) ISTRAC, a DoS centre had made advance payment to National Aeronautics and Space Research, USA, towards science aeronautics and technology support for IRS-1C mission. After completion of the project, NASA in September 1998 intimated ISRO through their technical liaison unit that an amount of US $ 49176.33 was refundable to ISTRAC/ISRO. Audit scrutiny however revealed that, ISTRAC received the amount in April 2004 i.e. after a lapse of five and a half years. Failure on the part of the centre to pursue the refund resulted in loss of interest to the tune of Rs.8.80 lakh (@ 8 per cent and exchange rate @ Rs.40 per US$). DoS replied that continuous efforts had been made since January 2004 to realise the amount. Though the amount was receivable in September 1998 itself, Department initiated follow up action only in January 2004. Department may review its mechanism for collecting outstanding revenues.

Department stated that instructions are being issued to centres / units to maintain Demand Collection Balance Register (July 2006).

5.8.6 Outstanding dues of Rs. 610.05 crore

ICC and Space Commission had decided in May 2002 to charge all users including government entities such as DoT/ BSNL, Doordarshan and All India Radio for the use of transponder capacity with retrospective effect from April 2001. Consequently, DoS was required to quantify the amount payable by the user departments based on the allocation of transponders and its usage. Audit noticed from examination of records that while DOT/BSNL owed a sum of Rs.317.02 crore to DoS for the period from August 2001 to March 2004, actual demands were yet to be raised by DoS (November 2005). Doordarshan also owed a sum of Rs. 293.03 crore for the period from April 2001 to March 2004. When audit sought to verify the correctness of the rates applied, the amount realizable and that realized no connected records were made available, and department replied (December 2005) that arrangements were yet to be finalized**.**

DoS replied that they were vigorously pursuing the recovery of past dues with the concerned departments.

5.9 Conclusion

The Review revealed several lapses in the system of accounting, which had resulted in either loss, or non-credit of revenues into government accounts. This was largely attributable to non-adherence of DoS to General Financial Rules of the Government leading to utilization of government revenues for departmental expenditure, retention of government revenues, inadequacies in budget estimation, etc.

Audit study also revealed that the mechanism for price fixation for lease of transponders was inadequate, with variations noticed in several cases. Further, the method of revenue sharing between the department and ACL did not ensure maximisation of Government receipts.

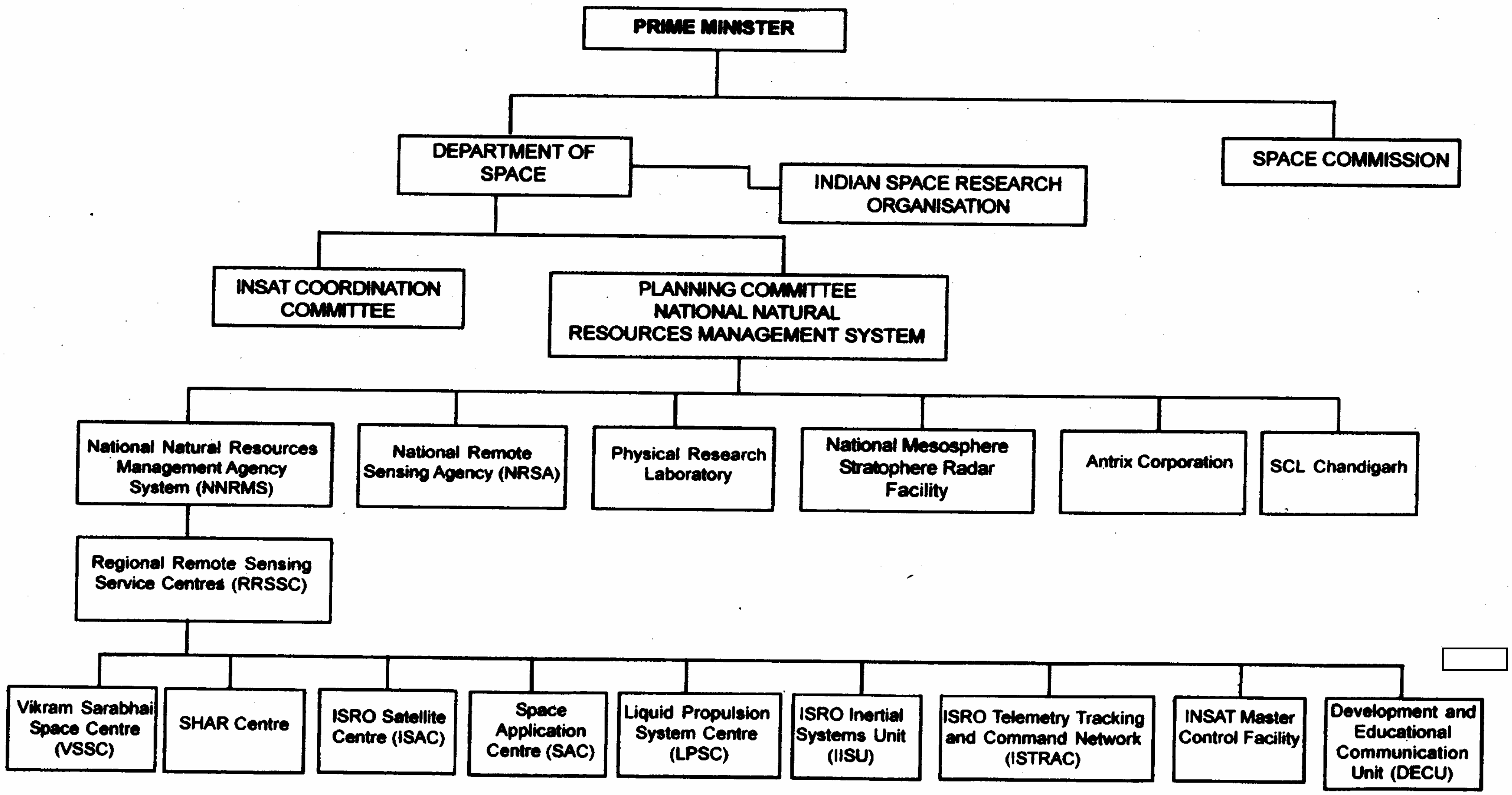
DoS agreed to look into the observations/recommendations made by audit by a high level committee for streamlining the system (July 2006).

Recommendations

- Ensure proper accountal and receipt of revenues due to Government
- Re-examine the price structure mechanism in the case of lease of television transponders and rationalise rates so as to avoid the use of differential pricing and to maximise revenue generation.
- Review the existing arrangements with ACL and NRSA in order to safeguard the interest of Government revenues.

Appendix-I
Organisational Chart

Para 5.1.1



Appendix-2
(Para 5.6.2)

Pricing of television transponders

No	Description	Frequency	Number of companies	Rate charged per 1 Unit in Rs. Crore
1	**Domestic Commercial companies**	4.5 MHZ	12	4.8
			2	5.76
			2	4.32
			1	3.87
			1	3.60
		9 MHZ	2	4
			2	4.8
			1	4.6
			1	4.32
			1	3.60
			1	1.93
		3 MHZ	1	4.82
			2	4.33
		36 MHZ	1	4.8
			1	4
		6 MHZ	1	4.33
			1	4.52
		8 MHZ	1	5.18
		13.5MHZ	1	4.59
		10 MHZ	1	4.32
			1	3.02
		8.5 MHZ	1	4.8
		16 MHZ	1	1.80
		15.5 MHZ	1	2.67
		39 MHZ	1	3.00
		432MHZ	1	5
		144MHZ	1	3.50
			1	4.8
		216MHZ	1	4.75
		4MHZ	1	4.5
2	**International Customer**	36 MHZ	1	4
3	**Doordarshan**	36 MHZ	1	4.13

Appendix-3

(Para 5.7.2)

Delayed receipt of dues from ACL

(Rs. in lakh)

Year.in which service was Provided	Year of actual receipt	Month of payment	Amount	Delay in transfer (in months)	Interest chargeable @ 8 %♠
2001-02	2002-03	December 2002	0.68	8	0.03
2002-03	2003-04	October 2002	10.27	6	0.41
2003-04	2004-05	November 2004	328.00	7	15.31
		November 2004	1200.00	7	56.00
		December 2004	302.62	8	16.14
	2005-06	May 2005	2884.68	14	269.24
		May 2005	5082.06	8	271.04
2004-05	2005-06	September 2005	1500.00	5	50.00
		September 2005	225.00	5	7.50
		September 2005	200.00	5	6.67
		October 2005	2800.00	6	112.00
		October 2005	2150.00	6	86.00
Total			**16683.31**		**890.34**

♠ RBI lending rate is 6 % and a penal interest of 2% above the rate works out to 8%

Appendix-4
(Para 5.7.4)

Apportionment of IRS revenue between DoS and ACL

(Rs. in lakh)

Year	Access Fee from ACL			
	Received	Transferable	Transferred	Difference
2000-01	1354.55	1083.64	1083.64	0
2001-02	1328.19	1062.55	796.91	265.63
2002-03	1206.02	964.82	482.41	482.41
2003-04	1292.99	1034.39	517.19	517.19
2004-05	954.07	763.25	381.62	381.62
Total	**6135.82**	**4908.65**	**3261.77**	**1646.85**

Royalty from ACL				
Year	Received	Transferable	Transferred	Difference
2000-01	119.55	95.64	95.64	0
2001-02	130.00	104..00	78.00	26.00
2002-03	257.71	206.17	103.08	103.08
2003-04	134.17	107.34	53.67	53.67
2004-05	42.61	34.09	17.04	17.04
Total	**684.04**	**547.24**	**347.43**	**199.79**

Software charges from ACL				
Year	Received	Transferable	Transferred	Difference
2000-01	402.25	201.12	201.12	0
2001-02	1109.02	554.51	443.60	110.90
2002-03	2730.84	1365.42	1092.33	273.08
2003-04	21.91	10.95	8.76	2.19
2004-05	577.76	288.88	231.10	57.77
Total	**4841.78**	**2420.88**	**1976.91**	**443.94**

Imagery charges from ACL				
Year	Received	Transferable	Transferred	Difference
2000-01	38.20	19.10	19.10	0
2001-02	219.11	109.55	87.64	21.91
2002-03	6.23	3.11	2.49	0.62
2003-04	34.19	17.09	13.67	3.41
2004-05	182.09	91.04	72.83	18.20
Total	**479.82**	**239.89**	**195.73**	**44.14**

Year	Total Loss
2000-01	0
2001-02	424.45
2002-03	859.20
2003-04	576.48
2004-05	474.66
Total	**2334.79**

Appendix-5
(Para No. 5.8.1)

Revenue utilised for departmental expenditure

(Rs. in crore)

ISRO UNITS	2000-01	2001-02	2002-03	2003-04	2004-05	Total	Amount transferred to 8443	Amount transferred to 1425	Utilised for Department expenditure	Held in deposit
ISTRAC	4.42	2.60	1.81	1.90	1.42	12.15	12.15	9	2.52	0.63
ISAC	3.69	2.14	0.94	0.79	0.76	8.32	8.32	0	1	7.32
SAC	1.13	1.17	0.40	0.16	0.64	3.49	3.49	0.03	0	3.46*
Total	**9.24**	**5.91**	**3.15**	**2.85**	**2.82**	**23.96**	**23.96**	**9.03**	**3.52**	**11.41**

Appendix- 6
(Para No.5.8.4)

Non provisioning for overheads.

(Rs. in crore)

No	Name of the Project	Project undertaken by	Client	Cost of Project	Overheads	
				Rs.	%	Amt of loss
1	Doppler Weather Radar Project	RDC/ISRO	Indian Metrological Department	9.00	7	0.63
2	Supply of Triaxial Magnetometers	LEOS/ISRO	ADA through ACL	0.55	12	0.066
3	Supply of Triaxial Magnetometers	LEOS/ISRO	HAL through ACL	0.55	12	0.066
Total loss						**0.762**