CHAPTER II: MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

Department of Posts

2.1 Organisational set-up and financial management

2.1.1 Functions of the Department

The basic functions of the Department of Posts (DoP) include collection, processing, transmission and delivery of mail, sale of stamps and postal stationery, booking of registered, insured and value payable articles, money orders, parcels etc.

DoP also discharges certain agency functions on behalf of other ministries and departments, namely Postal Savings Bank, other small savings schemes, Postal Life Insurance, Public Provident Fund Scheme, National Savings Certificate, collection of customs duty on articles sent by post from abroad, booking, transmission and delivery of telegrams, disbursement of pension to military and railway pensioners, disbursement of family pension to families of coal mine employees and industries covered by the Employees Provident Fund Scheme.

2.1.2 Organisational set-up

The management of the department vests with the Postal Services Board. The Board, headed by a Chairperson, has three Members holding the portfolios of Operations, Infrastructure and Financial Services and Personnel. The Chairperson is also the Secretary to the Government of India in DoP. The Board directs and supervises the management of postal services throughout the country with the assistance of Deputy Directors General in the Directorate General of Posts. A Business Development Directorate (BDD) was set up in DoP in 1996 to ensure focused management of value added services viz., Speed Post, Speed Post Passport Service, Business Post, Express Parcel Post, Media Post, Meghdoot Post card, Greeting Post, Data Post, E-Bill Post and E-Post.

The department has 22 Postal Circles which are divided into 37 Regional offices, controlling 441 Postal Divisions and 69 Railway Mail Service Divisions. There is also a Base circle to cater to the postal communication needs of the Armed Forces. The staff strength of the department as on 31

March 2006 was 5.20 lakh with 2.34 lakh departmental employees and 2.86 lakh extra departmental employees.

2.1.3 Postal traffic

The projected traffic for unregistered mail was calculated by the department on the basis of assessed traffic for the last two years. The assessed traffic was based on the revenue earned. According to information furnished by the Department, the volume of traffic projected and assessed during the years 2003-2006 in respect of traditional services such as sale of post cards, letter cards (inland), money orders, insurance etc. is in the table below:

(A) Unregistered mail

(Numbers in lakh)

Sl. No.	**Item**	**2003-04**		**2004-2005**		**2005-2006**	
		Projected	**Assessed***	**Projected**	**Assessed***	**Projected**	**Assessed***
1.	Post cards	2551.11	2706.81	2989.32	2451.07	2574.96	1991.54
2.	Printed Post cards	468.49	816.08	901.26	830.04	871.99	879.19
3.	Letter cards (Inland)	3274.69	2809.93	3103.20	2610.35	2742.31	2333.79
4.	Newspapers						
	Single	592.50	811.83	896.56	860.86	904.37	968.68
	Bundle	359.16	82.84	91.49	150.82	158.44	162.81
5.	Parcels	534.10	409.92	452.70	408.75	429.41	397.08
6.	Letters	4869.23	3720.97	4109.33	7678.81	8066.95	7100.01
7.	Book packets	669.17	747.50	825.52	753.82	791.92	875.17
8.	Printed books	253.85	175.76	194.10	353.02	370.86	469.27
9.	Other periodicals	260.41	199.95	220.82	269.27	282.88	372.37
10.	Acknowledgement	311.48	637.45	703.98	741.07	778.53	716.83

* Based on revenue collection

(B) Registered mail and others

(Numbers in lakh)

Sl. No.	**Item**	**2003-2004**		**2004-2005**		**2005-2006**	
11.	Money Orders (MOs)	1165.01	1136.55	1100.45	1222.91	1197.13	1229.31
12.	Insurance	97.12	95.59	105.57	90.86	95.45	86.65
13.	Value payable letters and parcels	189.87	100.43	110.91	93.72	98.46	80.44
14.	Registered letters and parcels	2233.00	1923.61	2124.38	1900.84	1996.92	1844.32

2.1.4 Revenue realisation and Revenue expenditure

(A) Revenue realisation

The four major revenue earning groups of services viz., sale of stamps, commission on MOs/IPOs, postage in cash and other receipts generated a revenue of Rs. 5023.49 crore during the year 2005-06 after adjusting the loss of Rs. 43.97 crore from other postal administration and registered an increase of 13.3 *per cent* over the previous year. Source-wise share of postal revenue for the year 2004-05 and 2005-06 is shown in the table below:

(Rupees in crore)

Name of the Service	2004-05	2005-06	Percentage increase/ decrease over previous year
Sale of stamps	798.66	758.56	-5.0
Postage in cash	1297.11	1469.99	13.3
Commission on MOs/IPOs	2216.84	2696.38	21.6
Other receipts	124.75	142.53	14.3
Net receipts from other postal administrations	-5.51	-43.97	698
Gross Revenue	**4431.85**	**5023.49**	**13.35**

(B) Revenue expenditure

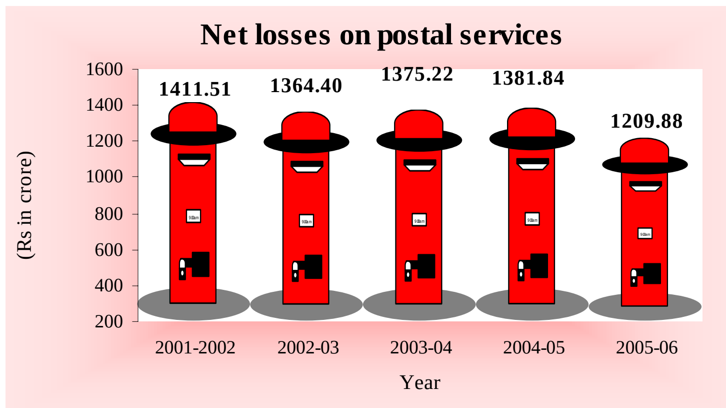
The revenue expenditure during 2005-06 was Rs. 6429.15 crore which showed an increase of 7.8 *per cent* over the preceding year**.** The revenue expenditure on pay and allowances, conveyance of mails, printing of stamps, post cards and stationary during 2004-05 and 2005-06 is shown in the table below:

Revenue expenditure

(Rupees in crore)

Category	2004-05	2005-06	Percentage increase/ decrease over previous year
(a) Pay and allowances, contingencies, interim relief, etc.	4390.40	4712.71	7.3
(b) Pensionary charges	1208.03	1351.02	11.8
(c) Stamps, post cards etc.	21.35	16.43	-23.0
(d) Stationery and forms printing etc.	33.88	33.96	0.2
(e) Conveyance of mails (payments to railways and air mail carriers)	123.64	126.31	2.2
(f) Other expenditure	187.24	188.72	0.8
Total	**5964.54**	**6429.15**	**7.8**

The net revenue budgetary support of Rs. 1209.88 crore was worked out by deducting receipts of Rs. 5023.49 crore and recoveries of Rs. 195.78 crore from the gross revenue expenditure of Rs. 6429.15 crore in 2005-06.The deficit was mainly due to decrease in revenue receipt under sale of stamps and increase in expenditure under the head pay and allowances and pensionary charges. The Department's net overall loss of Rs. 1209.88 crore on postal services during 2005-2006 was lower by Rs. 171.96 crore (12.44 *per cent*) as compared to the net loss suffered during 2004-2005. The comparative position of the net losses incurred by the Department on various postal services including Speed Post during the period 2001-2006 was as under:



The net loss on postal services decreased by 12.44 *per cent* as compared to 2004-05 and by 14.28 *per cent* as compared to 2001-02.

2.2 Non-deduction of Income Tax at source

Non-observance of the statutory provisions of Finance Act by the Postmasters under Andhra Pradesh, Chhattisgarh, Delhi, Kerala, Madhya Pradesh, Orissa and Rajasthan Postal Circles led to non-deduction of income tax at source to the tune of Rs. 9.21 crore on payments of interest under the Senior Citizens Savings Scheme.

Senior Citizens Saving Scheme Rules, 2004 came into effect from August 2004 with the introduction of Senior Citizens Saving Scheme (SCSS). These rules stipulated that an individual who had attained the age of 60 years or more on the date of opening the account or who had attained the age of 55 years or more but less than 60 years and who had retired under a voluntary retirement scheme could open account under SCSS within three months from the date of his/her retirement. The deposits made under these rules carried interest at the rate of 9 *per cent per annum* from the date of deposit payable quarterly. It further envisaged that the applicant, while applying for the scheme, had to furnish his/her Permanent Account Number or a self declaration to the effect that his/her income from all sources including interest income from the account to be opened vide this application did not exceed the exemption limit. Section 194 A of the Income Tax Act, 1962 specified that tax deduction at source (TDS) was recoverable from the income by way of interest, if the interest exceeds Rs. 5,000 in a financial year. Further (DoP) issued instruction to all field offices (January 2004) that TDS and surcharge should be deducted as per the provisions of the Finance Act without waiting for separate instructions from the Directorate.

Ministry of Finance reiterated these provisions in March 2006 and June 2006 and stated that the facility of furnishing Form 15-H under Income Tax Act, 1962 was available only to persons aged 65 years or above and resident in India, whereas declaration in Form 15-G could be furnished by a depositor of less than 65 years of age with the additional condition that the aggregate amount of interest credited/ paid or likely to be credited/ paid during the financial year was not more than the maximum amount[1] which was not chargeable to tax. Ministry of Finance again in June 2006 clarified that TDS would be applicable from the very first day the SCSS was made operational.

Audit scrutiny of the records of the Post Offices under Andhra Pradesh, Chhattisgarh, Delhi, Kerala, Madhya Pradesh, Orissa and Rajasthan Postal Circles during June to October 2006 disclosed that TDS at the prescribed rates had not been deducted from the interest payments made under the SCSS during the years 2004-05, 2005-06 and 2006-07 from those depositors who had not furnished Form 15-H or 15-G and in whose cases the interest exceeded Rs. 5000 in a financial year. This resulted in non-deduction of income tax and educational cess at source amounting to Rs. 9.21 crore in these post offices as detail shown in the table below:

(Rupees in crore)

Sl No	Name of the Circle	TDS recoverable
1	Andhra Pradesh	1.91
2	Chhattisgarh	0.25
3	Delhi	3.31
4	Kerala	1.83
5	Madhya Pradesh	0.54
6	Orissa	0.32
7	Rajasthan	1.05
	Total	**9.21**

[1] Rs one lakh in case of male and Rs. 1.35 lakh in case of female tax payers

On being pointed out in audit, the postmasters under Andhra Pradesh, Chhattisgarh, Delhi, Kerala, Madhya Pradesh, Orissa and Rajasthan Postal Circles replied that income tax and educational cess were not deducted due to delay in receipt of instructions regarding TDS and further action would be taken after verification of the cases. The Deputy Director General (Financial Services), (DoP) stated (October 2006) that there was no mention of income tax being deducted at source on payment of interest to the investors when the scheme was launched, and when the Ministry of Finance clarified in June 2006 that TDS would be applicable from the very first day of the introduction of SCSS, there was no mention about collecting TDS with the retrospective effect.

The reply is not tenable as instructions were already issued by DoP in January 2004 to all field offices that TDS and surcharge should be deducted as per the provisions of the Finance Act without waiting for any separate instructions from the Directorate.

To sum up, Post offices failed to comply with the statutory provisions of the Finance Act and allowed interest to the depositors without deducting income tax and educational cess of Rs. 9.21 crore at source.

The matter was referred to the Ministry in August 2006; their reply was awaited as of December 2006.

2.3 Short realisation of postage charges

Senior Superintendent of Post Offices, City Division, Ahmedabad under the Gujarat Postal Circle and Chief Postmaster General, Maharashtra Postal Circle authorised concessional tariffs to ineligible publications, resulting in short realisation of postage charges of Rs. 3.23 crore.

The Indian Post Office (IPO) Act, 1898 stipulated that a publication should be deemed a newspaper subject to the condition that it had a bona fide list of subscribers. It was further stipulated in IPO Rules, 1933 that the newspaper sought to be registered should have at least 50 bona fide subscribers, who had paid their subscriptions. All such registered newspapers would be entitled to transmission at concessional tariffs during the currency of their registration. If any newspaper failed to comply with any of the above specified conditions, it should be transmitted at the higher rates and under the conditions applicable to book packets containing periodicals. DoP issued a clarification in October 2002 that unpriced periodicals would be classified as book packets and transmitted at the rates prescribed for 'Book, pattern and sample packets' with effect from 1 June 2002. These provisions were reiterated by DoP in December 2002.

Audit scrutiny of the records of the Senior Superintendent of Post Offices (SSPO), City Division, Ahmedabad under the Gujarat Postal Circle and Chief Postmaster General, Maharashtra Circle in December 2005 and January 2006 respectively revealed that 65 newspapers in the Postal City Division, Ahmedabad and 27 newspapers in the Mumbai region did not satisfy the condition of having bona fide subscribers. These newspapers, circulated free of cost to subscribers, were registered and transmitted at concessional tariffs instead of at the rates applicable to book packets containing periodicals (prior to 1 June 2002) and at the rates prescribed for 'Book, pattern and sample packets' with effect from 1 June 2002. This resulted in short realization of postage charges of Rs. 3.23 crore in respect of these newspapers for the period January 2002 to September 2005.

On this being pointed out in audit, SSPO, City Division, Ahmedabad, while confirming the facts and figures, replied (June 2006) that out of 65 publications, the postal registration of 35 publications had been cancelled on 7 September 2005, while that of the remaining 30 publications was continued as they had fixed their prices and fulfilled the condition relating to bonafide subscribers. As regards recovery, SSPO stated that the instructions issued by DoP in December 2002 had been held in abeyance vide further instructions issued in June 2003. The Chief Postmaster General, Maharashtra Postal Circle replied (June 2006) that nothing specific regarding the cost of newspaper had been mentioned in Section 9 of the IPO Act or Rule 30 of IPO Rules 1933.

The reply was not tenable as the statutory provisions for registration of newspapers were already in existence in the IPO Act, 1898 and the IPO Rules, 1933. The instructions issued by DoP in December 2002 were kept temporarily in abeyance vide letter of June 2003 for seeking clarification from the Ministry of law. DoP after obtaining the clarification from the Ministry of Law had clarified (December 2003) that a bonafide subscriber was one who paid the face value printed on the newspaper and any publication indicating no price and sent free to the public could not avail of the privilege under the Indian Post Office Act and Rules. Despite the above clarification issued by DoP in December 2003, the post offices continued to grant concessional tariff to ineligible publications till September 2005.

The matter was referred to the Ministry in June 2006; their reply was awaited as of December 2006.

2.4 Irregular payment of interest on Kisan Vikas Patras

Issue of Kisan Vikas Patras worth Rs. 1.05 crore by the Postmaster, Gulbarga Head Post Office under Karnataka Circle in contravention of rules resulted in irregular payment of interest of Rs. 1.05 crore.

Rules[1] stipulate that on or after 1 April 1995, Kisan Vikas Patras (KVPs) could be purchased by an individual or by a trust registered under any law for the time being in force. Unregistered trusts are not authorized to invest in KVPs. These Rules envisage that the provisions of Post Office Savings Certificate Rules, 1960 shall apply in relation to any matter for which no provision has been made in the KVP Rules and post offices shall ensure that any KVP purchased in contravention of these rules is encashed by the holder as soon as the fact is discovered and no interest shall be paid on any such holding.

Audit scrutiny of the records of the Postmaster, Gulbarga Head Post Office under the Karnataka Postal Circle in November 2004 disclosed that the Postmaster issued KVPs worth Rs. 1.05 crore in the names of unregistered trusts, viz. the Vyasya Bank, the Bank of Maharashtra and the State Bank of Mysore during 1995-1996 and 1996-1997 in contravention of rules. Subsequently, these KVPs were discharged during 2001-02 and 2002-03 by making payments of Rs. 2.10 crore, inclusive of interest. This resulted in irregular payment of interest of Rs. 1.05 crore as detailed below:

(Rupees in crore)

Name of the investor	Amount invested	Irregular interest paid
Vysya Bank	0.50	0.50
Bank of Maharashtra	0.45	0.45
State Bank of Mysore	0.10	0.10
	Total	**1.05**

On this being pointed out in audit, the Deputy Director General (Financial Service), Department of Posts replied (August 2006) that as these trusts belonged to scheduled banks, they could not be equated with any other trust formed by private persons for whom registration under any law might be warranted to ensure the genuineness of the purpose of the trusts.

The reply is not tenable as KVPs could be purchased only by individuals and registered trusts under the provisions of KVP Rules.

[1] Post Office Kisan Vikas Patras Rules, 1988

The above pointed towards failure of the post office to scrupulously examine the application of rules to ensure that KVPs were issued to only eligible investors.

The matter was referred to the Ministry in July 2006; their reply was awaited as of December 2006.

2.5 Irregular payment of interest

Failure of one Head Post Office under the Karnataka Postal Circle, five Head Post Offices, one General Post Office under the Rajasthan Postal Circle, two Head Post Offices and two General Post Offices under the Orissa Postal Circle to ensure the prescribed monetary limit of subscription in respect of the Public Provident Fund (PPF) Scheme resulted in irregular payment of interest of Rs. 73.11 lakh.

Departmental rules provide that an individual may subscribe to the PPF Scheme on his/her own behalf or on behalf of a minor/minors of whom he/she is a guardian subject to the condition that the deposits in all accounts taken together should not exceed Rs. 60,000 (Rs. 70,000 with effect from 15 November 2002) during a year. Contributions in excess of the limit should be treated as irregular subscription and should be refunded to the subscriber without any interest. Declarations to the effect that he/she is not maintaining any other PPF Account and that he/she agrees to abide by the provisions of the PPF Scheme, 1968 and amendments issued thereto from time to time are required to be obtained from the subscriber along with his/her application form at the time of opening the account.

Audit scrutiny of the records of the Senior Postmaster, Mysore Head Post Office under the Karnataka Postal Circle in January 2006 revealed that HPO had allowed one subscriber to open three PPF accounts, one on his own behalf and two on behalf of his minor daughters, without obtaining the necessary declarations at the time of opening of the accounts. He had also accepted Rs. 21.20 lakh as deposits in excess of the prescribed limit at the end of April 2005, which resulted in excess payment of interest of Rs. 29.80 lakh. It was further observed that excess amounts were deposited in all the three accounts on the same day on 14 occasions but the Senior Postmaster failed to detect the excess deposits. Ultimately, these accounts were transferred to the State Bank of India, Mysore during September/October 2005.

Similarly, audit scrutiny of the records of one General Post Office (GPO) and five HPOs under the Rajasthan Postal Circle in April 2006 and two GPOs and two HPOs under the Orissa Postal Circles during July- August 2006 revealed that they had accepted deposits in excess of the permissible limits in 140 accounts and credited an amount of Rs. 43.31 lakh during the period 1997-98 to 2005-06 irregularly as interest.

DoP had issued orders in May 2004 for early detection of such cases and also instructed that stringent action should be taken against erring postal officials who failed to detect such irregularities. In spite of this, these post offices failed to detect excess deposits and allowed interest thereon to the tune of Rs. 73.11 lakh.

On this being pointed out in audit, the Chief Postmaster General, Karnataka Circle accepted the facts and figures and stated (June 2006) that the case was being pursued for recovery of the amount of excess interest. The Postmasters under the Rajasthan Postal Circle replied that the excess interest paid would be recovered while the Postmasters under the Orissa Circle replied that the action would be taken to recover/regularise such cases. The recovery particulars were, however, awaited as of October 2006.

The matter was referred to the Ministry in June 2006; their reply was awaited as of December 2006.

2.6 Irregular payment of interest and commission

Post Offices in Kerala, Maharashtra and Uttar Pradesh failed to ensure the prescribed monetary ceiling in the accounts opened under the Monthly Income Scheme. This resulted in irregular payment of interest and commission amounting to Rs. 29.59 lakh.

Departmental rules provided that an individual depositor might open more than one account under the Monthly Income Scheme (MIS) subject to the condition that deposits in all accounts taken together should not exceed Rs. 2.04 lakh (Rs. 3 lakh from 1 February 2000) in a single account and Rs. 4.08 lakh (Rs. 6 lakh from 1 February 2000) in a joint account.

Rules further provided that at the time of investment in an MIS Account, the depositor should give a declaration to the effect that his/her deposits in all the accounts taken together did not exceed the prescribed limit. In the case of excess deposits made beyond the prescribed limit, the Head Postmaster should refund the excess irregular deposits without interest to the depositor. The interest paid, if any, on the excess deposits should be deducted and commission paid to the agents on the excess investments should be recovered. However, in January 2002, the Ministry of Finance decided to refund to the depositors the excess deposits along with interest at the Post Office Savings

Bank rate, from the date of deposit till the end of the month preceding the month in which the subscriber was to withdraw the excess deposit from the MIS account. The Department of Posts communicated this decision to all circles in April 2002.

Mention was made in paragraphs 1.12 and 3.5 of the reports of the Comptroller and Auditor General of India, Union Government, Transaction Audit Observations for the year ended 31 March 2003 and 31 March 2005 respectively, of instances of irregular payment of interest on accounts opened in various post offices under MIS in contravention of the rules.

The Ministry, in their Action Taken Note submitted in December 2004, admitted that the postal staff failed to follow the rules of the scheme and stated that all Heads of Circles had been directed in September 2004 to ensure that the officers entrusted with inspection duties of post offices were also assigned the work of initiating checks on accounts opened in the post offices, besides ensuring that the rules regarding all post office accounts were available in the office to avoid recurrence of such irregularities in future.

Audit scrutiny of the records in the Kerala, Maharashtra and Uttar Pradesh Postal circles conducted during April 2004 to June 2006 revealed that 14 Head Post Offices (HPOs) under the Kerala Postal Circle, one HPO and two Sub Post Offices (SPOs) under the Maharashtra Postal Circle and four HPOs and three SPOs under the Uttar Pradesh Circle paid interest on MIS deposits made beyond the prescribed limit, at MIS rates instead of at Savings Bank rates, besides paying commission. This resulted in irregular payment of Rs. 29.59 lakh.

On this being pointed out by Audit, the Postmaster, Kalyan City HPO under the Maharashtra Circle, while accepting the audit contention, replied that an amount of Rs. 1.68 lakh had been recovered and the remaining amount would be verified and recovered, whereas the postmasters under the Kerala and Uttar Pradesh circles replied that the interest and commission paid in excess would be verified and recovered. These instances clearly indicated that DoP had not been able to stop the irregular practices and the mechanism for monitoring compliance of their orders remained weak.

The matter was referred to the Ministry in August 2006; their reply was awaited as of December 2006.

Department of Telecommunications

2.7 Background

In 1948, India had only 0.1 million telephone connections with a telephone density of about 0.02 per hundred population. Since then, the number of telephone connections has risen to 142.09 million with a telephone density of 12.74 telephones per hundred population by 31 March 2006.

2.7.1 Administration and Control

The Telecom Commission, set up in April 1989, has the administrative and financial powers of the Government of India to deal with the various aspects of telecommunications. The Telecom Commission and the Department of Telecommunications (DoT) are responsible for policy formulation, review of performance, licensing, wireless spectrum management, administration of Public Sector Undertakings (PSUs) engaged in telecommunication services and international relations.

2.7.2 Development in the telecom sector.

The process of entry of private operators in providing telecommunication services in India commenced in 1992. Apart from privatising basic telephone services, Government also decided to introduce a number of value added services through private operators, such as cellular mobile telephones, radio paging, e-mail, internet, closed user groups (CUG) and broad-band service which added to the value of the existing basic telephone services. The share of the private sector in the total number of telephones increased from 47 per cent as of March 2005 to 57 per cent as of March 2006.

Entry of private service providers brought with it the inevitable need for independent regulation. The Telecom Regulatory Authority of India (TRAI) was, therefore, established with effect from 20 February 1997 by an Act of Parliament called the TRAI Act, 1997, to regulate the telecom services. The TRAI Act was amended by an ordinance effective from 24 January 2000, separating the dispute adjudicatory functions from TRAI by establishing a Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT). TDSAT adjudicates any dispute between a licenser and a licensee, between two or more service providers and between a service provider and a group of consumers. It also hears and disposes of appeals against any direction, decision or order of TRAI.

2.8 Overpayment of pensionary benefits

Controllers of Communication Accounts, Chennai and Hyderabad circles irregularly allowed weightage in the qualifying service to Bharat Sanchar Nigam Limited officials who had retired voluntarily, which resulted in overpayment of pensionary benefits of Rs. 1.01 crore.

Rule 37 A (11A) of CCS (Pension) Rules, introduced in December 2002 stipulated that a permanent Government servant absorbed in a public sector undertaking (PSU)/autonomous body or a temporary/quasi permanent Government servant who had been confirmed in the PSU /autonomous body subsequent to absorption therein, would be eligible to seek voluntary retirement after completion of 10 years of qualifying service with the Government and the PSU/autonomous body taken together, and he/she would be eligible for pro rata pensionary benefits on the basis of the combined qualifying service.

Bharat Sanchar Nigam Limited (BSNL) in consultation with Department of Telecom ((DoT) also clarified in October 2004 that with the introduction of sub-rule 37A(11A), the provisions of the Rules 48 and 48 A of CCS(Pension) Rules were no more applicable to the Government employees absorbed in the BSNL and consequently all voluntary retirement requests of such employees were to be covered under provisions of sub-rule 37A(11A) of the same Rules. It was further clarified that the benefit of additional qualifying service as available under Rule 48-B were not available to the employees retiring under sub-rule 37A(11A) of CCS(Pension) Rules.

Audit scrutiny of the records of Controllers of Communication Accounts of Chennai and Hyderabad during January to March 2006 and July 2006 respectively revealed that weightage in qualifying service was allowed to 157 BSNL officials who had retired voluntarily between January 2003 to July 2004 under Rule 37 A (11A) of the CCS (Pension) Rules, which was irregular. This resulted in overpayment of pensionary benefits amounting to Rs. 1.01 crore till December 2005.

The Ministry in their reply stated (September 2006) that the provision in sub rule 11A of Rule 37 A of CCS (Pension) Rules did not bar the Ex DoT/DTS/DTO employees absorbed in the BSNL from seeking voluntary retirement on completion of twenty years of qualifying service under Rule 48 A and 48 B ibid. Further, the absorption process in the Group B cadre was stretched up to 19 July 2004 and during the intervening period many voluntary retirements had taken place. In these circumstances there was no way but to treat these voluntary retirementcases under Rule 37(A) of CCS (Pension) Rules. They further added that Ex DOT/DTS/DTO employees absorbed in BSNL had been given a special dispensation in regard to pensionery benefits which would be payable by the Government and in respect of such employees pension contribution was also being received from BSNL as per FR 116 and 117 unlike other Central Government employees absorbed in PSU/ Autonomous bodies.

The reply is not tenable as after introduction of sub-rule 37A(11A), the Rule 48 B which allowed weightage in qualifying service, was made inapplicable to the Government employees absorbed in BSNL. These instructions were issued by the BSNL in consultation with DoT.

2.9 Non recovery of interest on delayed payment of pension contribution

The Controllers of Communication Accounts, Assam, Jharkhand and Madhya Pradesh circles failed to claim interest of Rs. 99 lakh on delayed payments of pension contribution from Bharat Sanchar Nigam Limited.

The Department of Telecommunications (DoT) issued instructions in July 2002, according to which pension contribution was payable to the Controller of Communication Accounts (CCA) by Bharat Sanchar Nigam Limited (BSNL) in respect of the employees of DoT, who were either on deemed deputation or permanently absorbed in BSNL. According to Supplementary Rule 307(1), the pension contribution was required to be paid annually within 15 days from the end of each financial year. In case the payment was not made within the said period, interest was to be paid on the unpaid contribution at the rate of two paise per day per Rs 100 from the date of expiry of the aforesaid period up to the date on which the contribution was finally paid.

PAC in their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997 had desired that submission of ATN for the year ended March 1996 onwards be submitted to them duly vetted by Audit within four months from the laying of the Reports in the Parliament. Despite the fact that two paras viz para 4.11 and para 3.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 and 31 March 2005, Union Government, Transaction Audit Observations, on the subject were included in Audit Report, Ministry submitted ATN only in respect of para 3.8 of Report No. 2 of 2006 in November 2006 admitting that DoT had failed to claim the interest on delayed payment of pension contribution and stated that BSNL had been asked to settle the interest payments. However no

ATN was submitted by the Ministry in respect of para 4.11 of the Report No. 2 of 2005.

Audit scrutiny of the records of CCAs, Assam, Jharkhand and Madhya Pradesh circles during July 2003 to May 2006 revealed that the pension contributions of the employees absorbed in BSNL in 2001-02, 2002-03, 2003-04 and 2004-05 were received from BSNL after delays of 27 to 836 days. The delayed payment attracted interest of Rs. 99 lakh, which the CCAs failed to recover.

On this being pointed out in audit, the Deputy Director General (Accounts), DoT stated (August 2006) that the matter of recovery of interest had been taken up with the BSNL authorities. Recovery particulars were, however, awaited as of October 2006 while the CCAs of Jharkhand and Assam circles replied in November 2005 and May 2006 respectively that matter would be taken with BSNL authorities.

The matter was referred to the Ministry in June 2006; their reply was awaited as of December 2006.

2.10 Short realisation of pension contribution

The Controllers of Accounts of Bihar, Jharkhand, Rajasthan and Orissa circles failed to implement orders regarding payment of pension contribution, resulting in short recovery of pension contribution of Rs. 57.53 lakh from Bharat Sanchar Nigam Limited.

Ministry of Finance orders of February 1984 stipulated that the pension contribution payable in respect of a Government servant should be based on the maximum of the pay as defined in FR 9(21) (a) (i) plus dearness pay and interim relief appropriate to such maximum of the post held at the time of proceeding on foreign service or to which he may receive proforma promotion while on foreign service. Further, Ministry of Finance decided in March 2004 that dearness allowance equal to 50 per cent of the existing basic pay would be merged with the basic pay and shown distinctly as dearness pay, which would be counted for purposes like payment of allowances, transfer grant, retirement benefits, etc with effect from April 2004. Accordingly, Bharat Sanchar Nigam Limited (BSNL) was required to pay pension contribution to the DoT in respect of the deemed deputationists from DoT to BSNL on the basis of maximum of pay plus dearness pay to their respective CCAs.

Audit scrutiny of the records of Controllers of Accounts (CCAs) of Bihar, Jharkhand, Rajasthan and Orissa circles during October 2005 to October 2006 revealed that these CCAs continued to accept pension contribution from BSNL in respect of deemed deputationists from DoT to BSNL without taking into account the merger of 50 per cent of dearness allowance with the maximum of pay drawn with effect from April 2004. This resulted in short recovery of pension contribution of Rs. 57.53 lakh from April 2004 to July 2006 as detailed below:

(Rupees in lakh)

Sl. No.	Name of the Circle	Amount
1	Bihar	25.02
2	Jharkhand	4.91
3	Rajasthan	18.86
4	Orissa	8.74
Total		**57.53**

The Ministry in their reply stated (October 2006) that Rs. 23.45 lakh has been realised in respect of Jharkhand and Rajasthan circles from the BSNL authorities by the respective CCAs and the matter has been taken up with the BSNL authorities by CCA, Bihar to recover the short payment of pension contribution, while the CCA Orissa circle has recovered Rs. 0.61 lakh from the BSNL authorities in August and September 2006.

To sum up, out of Rs. 57.53 lakh, Rs. 24.06 lakh had been recovered, while recovery particulars in respect of Rs. 33.47 lakh were awaited as of December 2006.

Department of Information Technology

2.11 Non transfer of technology

An expenditure of Rs. 60 lakh including Government grant of Rs. 25 lakh incurred on the development of a technology for Ferrite Radio Frequency Absorber Tiles did not yield the desired benefits as the technology was not transferred for commercial exploitation.

Ferrite Radio Frequency (RF) Absorber Tiles are used as absorbing lining material for shielded anechoic chamber used for Electromagnetic Compatibility (EMC) measurements. Keeping in view the future requirement and high price involved in its import, the Department of Electronics now Department of Information Technology (DIT), approved (December 1998) a collaborative project on 'Technology Development for Ferrite Absorber Tiles for Electromagnetic Interference (EMI) Measurements'. The project was to be taken up by the Society for Applied Microwave Electronics Engineering and Research (SAMEER), an autonomous body under DIT, in collaboration with Associated Cement Companies Limited (ACC), a public limited company and was targeted to be completed by 30 June 2000.

The objective of the project was to develop indigenous technology for Ferrite RF absorber tiles for shielded chambers to be used for all EMC, Antenna and Microwave measurements. The project proposal envisaged that ACC, being the manufacturer itself for similar materials, would translate the developed product into commercial product by transfer of technology. The total cost of the project was Rs. 48.80 lakh to be shared among DIT (Rs. 25 lakh), SAMEER (Rs. 11.90 lakh) and ACC (Rs. 11.90 lakh).

Audit examination disclosed that the project was completed in April 2002 at a total cost of Rs. 60 lakh. The Project Review and Steering Group in its meeting held in September 2002 suggested that SAMEER and ACC should take necessary steps to transfer the technology. However, ACC did not show any interest in commercial production of the product. DIT also could not pursue ACC to commercialise the technology as no Memorandum of Understanding (MOU) was signed by DIT with ACC and SAMEER before releasing the grants. Thus, the technology developed at a cost of Rs. 60 lakh, including Government grant of Rs. 25 lakh, could not be used for intended purpose resulting in unfruitful expenditure. The purpose of research was defeated as Ferrite Radio Frequency Absorber Tiles continue to be imported due to non-commercialisation of technology.

Ministry accepted the fact in September 2006.

Ministry may consider the desirability of signing MOU in respect of industry relevant projects with the concerned agencies to ensure that technology developed through research after incurring substantial expenditure from public funds are finally commercialised and used.