

**CHAPTER VII : MINISTRY OF INFORMATION AND
BROADCASTING**

Prasar Bharati

7.1 Negligent scrutiny of claims leading to excess payment

Deficient internal control and negligent scrutiny of bills by Prasar Bharati led to excess payment of Rs. 3.39 crore to the BCCI¹ for telecast rights of one day international matches during October - November 2005.

Sample check of the transactions relating to payments made by the Prasar Bharati disclosed negligent scrutiny of claims leading to excess payment of Rs. 3.39 crore.

In terms of the agreement of 30 November 2005 between Prasar Bharati and the BCCI for the telecast of 12 one day international matches (seven between India and Sri Lanka and five between India and South Africa) during October - November 2005, Prasar Bharati was to pay to the BCCI at the rate of Rs. 7.50 crore, net of service tax and agency commission for each one day international. The agreement further provided that in case a match was not played for the full duration on any day, the consideration for that day would be calculated in proportion of the number of hours played. One of the 12 scheduled matches did not take place.

Audit of the time sheets for the 11 matches maintained by the Prasar Bharati disclosed that three matches between India and Sri Lanka and two between India and South Africa were held for less than the full duration of seven hours, yet Prasar Bharati did not reduce the payment on *pro-rata* basis with reference to the reduced time during which the matches were actually played. In one match played between India and Sri Lanka at Mohali, though Prasar Bharati made the deduction on *pro-rata* basis for the match held for less than the prescribed duration, the deduction was made reckoning the total duration of the match as six hours instead of seven hours.

The negligence in the scrutiny of the claims and the deficient internal control within Prasar Bharati resulted in excess payment of Rs. 3.39 crore to BCCI.

Prasar Bharati stated in February 2007 that *pro-rata* deduction was not applicable for one day international matches. Contention of Prasar Bharati is not tenable as it is contrary to the specific provisions of the agreement entered

¹ BCCI – Board of Control for Cricket in India

into by the parties in relation to the 12 one day international matches and Prasar Bharati had itself made *pro-rata* reduction of the fee in case of one of the matches.

Prasar Bharati may recover the excess payment made to the BCCI. It should improve internal control and accountability system and determine accountability for excess payment in the instant case.

The matter was referred to the Ministry in June 2007; their reply was awaited as of November 2007.

7.2 Recovery at the instance of audit – deficient internal control

On being pointed out by Audit, Prasar Bharati recovered the excess payment of Rs. 58.35 lakh made to NFDC due to deficient internal control.

The Memorandum of Understanding (MOU) between Prasar Bharati and National Film Development Corporation (NFDC) for supply of films by the latter for telecast entailed a responsibility on Prasar Bharati to institute effective internal control system to regulate the payments to NFDC according to the terms of MoU. Sample check of payments made by Prasar Bharati to NFDC for telecast of films supplied by NFDC during the period January 2003 to December 2006 disclosed deficient internal control in release of payments.

In terms of the MOU, the royalty fee payable for the first telecast of films less than seven years old was Rs. 3 lakh, while that for the films more than seven years old was Rs. 1.20 lakh. Payment for the same film telecast on more than one occasion during three years from the first telecast was regulated on the sliding scale of 50 and 25 *per cent* for the second and third repeat telecasts respectively. No payment was to be made for the fourth or more telecasts over the period of three years from the date of the first telecast.

Since Prasar Bharati did not maintain film-wise data of telecast of the films, it made payment to NFDC without reference to their repeat telecasts in a number of cases. This led to excess payment of Rs. 58.35 lakh to NFDC during December 2003 and May 2006. Upon being pointed out by Audit in February 2007, Prasar Bharati recovered the amount in March 2007 by making deductions from the royalty fee payable to NFDC.

Prasar Bharati may (i) review the payments made for all films telecast over the last five years to establish that no excess payment has been made (ii) strengthen the internal control system to ensure payments strictly in terms

of the MOU/agreements and (iii) determine accountability for negligence in the instant cases.

The matter was referred to the Ministry in June 2007, their reply was awaited as of November 2007.

7.3 Avoidable payment of interest

Negligence of Prasar Bharati in setting the terms of payment to Asia Pacific Broadcasting Union in foreign currency without the requirement of bank guarantee and its failure to follow up with the Ministry of Finance for waiver of the bank guarantee led to avoidable interest payment of Rs. 27.40 lakh.

Prasar Bharati entered into a Memorandum of Understanding (MoU) with the APBU² Malaysia for securing broadcasting rights for the Athens Olympics 2004. As per the agreement with APBU, Prasar Bharati was to pay to them US Dollar 2363914 in four installments between June 2002 and June 2004. The MoU included specific clause exempting APBU from furnishing a bank guarantee, for which Prasar Bharati was not competent. FEMA³ stipulates that in cases where advance remittance for any current account transaction exceeds US Dollar 100000, the authorised dealers were required to obtain a bank guarantee from the overseas beneficiary from a bank of international repute. The authority for waiving the condition of obtaining of bank guarantee vests with the Finance Ministry. The management in Prasar Bharati without ascertaining the requirements under FEMA, entered into a commitment with APBU, involving payments to them in foreign currency.

Prasar Bharati issued sanctions for the release of the first and second installments of rights fee of US Dollar 590978 each in June 2002 and August 2002. RBI, however, withheld in December 2002 and March 2003 these remittances for want of the bank guarantee in terms of the provisions of FEMA. Prasar Bharati approached the Ministry of Finance in March 2003 for waiver of the requirement of the bank guarantee, which was received nine months later in January 2004. It did not furnish evidence of pursuing with the Ministry of Finance on a matter which involved avoidable monthly liability of interest of Rs. 0.91 lakh to Rs. 3.20 lakh. By the time the waiver was received, the payments of first three instalments aggregating US Dollar 2127523 had already become due. The first three instalments, which were due in June 2002, November 2002 and June 2003, were paid in February 2004.

² Asia Pacific Broadcasting Union

³ Foreign Exchange Management Act, 1999

Due to delay in payment of the instalments, APBU raised bill for US Dollar 61787 in terms of the MoU. Prasar Bharati paid Rs. 27.40 lakh towards interest to the APBU in January 2006.

Thus, negligence of Prasar Bharati to conform to the provisions of FEMA and subsequent undue delay in obtaining waiver of bank guarantee resulted in avoidable payment of interest of Rs. 27.40 lakh.

Prasar Bharati should strengthen its internal control with a view to ensuring due diligence in determining the terms relating to the financial commitments in agreements, sanctions and MoUs and determine accountability for negligence leading to entirely avoidable interest payment.

The matter was referred to the Ministry in July 2007; their reply was awaited as of November 2007.

7.4 Recovery at the instance of audit – excess FCT

Doordarshan commercial service initiated action for recovery at the instance of audit of excess FCT of Rs. 24.13 lakh allowed to two producers due to deficient maintenance of FCT ledgers.

The advertising agencies are allowed 100 *per cent* continuous banking⁴ of unused FCT⁵, which can be used, subject to the limits fixed in the rate card but cannot exceed the FCT available at their credit. In order to keep a watch over the banked FCT and utilisation thereof, Doordarshan Commercial Service (DCS) is required to maintain a FCT ledger indicating the progressive banked FCT available at the credit of each producer and its utilisation.

Audit of transactions in Doordarshan disclosed that the DCS did not indicate FCT allowed and used in the FCT ledger correctly in respect of a programme. This resulted in the correctness of the banked FCT not being ascertainable at any given point of time. The FCT ledger reconstructed by Audit disclosed that at the end of the 48th episode, telecast in November 2004, an excess of 310 seconds of FCT availed by the producer was not billed resulting in a loss of Rs. 18.65 lakh.

In respect of another programme, the FCT utilised by the producer in five episodes, telecast in February-March 2006, were not recorded/short recorded

⁴Banking is the unutilised commercial time in a programme to be subsequently utilised by sponsors within the same programme.

⁵ Free commercial time (FCT) is the time allowed by Doordarshan for commercial advertisements to the sponsors without charging any fee.

in the FCT ledger. The producer had actually utilised 1245 seconds of FCT in these episodes against the credit of 880 seconds at the end of the 325th episode in September 2006. This resulted in the producer being granted excess FCT of 365 seconds and consequent short billing of Rs. 5.48 lakh at the prescribed rate.

On the mistakes being pointed out in audit in January 2007, the DCS stated in March 2007 that FCT ledgers had since been reconciled and bills for Rs. 20.51 lakh had been raised. However, it was noticed that while raising the additional demand Doordarshan had irregularly allowed 15 *per cent* commission, though the agency did not pay the dues within the stipulated time of 45 days from the first of the month following the date of broadcast which is the condition for allowing commission in terms of the provisions of the rate card.

The matter was referred to the Ministry in June 2007; their reply was awaited as of November 2007.