

HUNDRED AND FIFTY-NINTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(1988-89)

(EIGHTH LOK SABHA)

HIRING OF PRIVATE BUILDINGS
AT NARAINA INDUSTRIAL AREA,
PHASE-II, NEW DELHI

MINISTRY OF COMMUNICATIONS
(DEPARTMENT OF TELECOMMUNICATIONS)

[Action Taken on 73rd Report (8th Lok Sabha)]

*Presented to Lok Sabha on 26.4.1989
Laid in Rajya Sabha on 26.4.1989*



LOK SABHA SECRETARIAT
NEW DELHI

April, 1989/Vaisakha, 1911 (Saka)

Price: Rs. 10.00

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE	(iii)
INTRODUCTION	(v)
CHAPTER I — REPORT	1
CHAPTER II — Recommendations and observations which have been noted or accepted by Government	4
CHAPTER III — Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government	12
APPENDIX I — Statement showing classification of action taken notes received from Government	18
APPENDIX II — Ministry of Communications (Department of Telecommunications) letter No. 7-1/84-NB dated 7.11.1985	19
APPENDIX III — Ministry of Communications (Department of Telecommunications) letters No. 7-1/84-NB/ T dated 16.10.1987 and 9.12.1987	22
APPENDIX IV — Conclusions and Recommendations	25

PART II

Minutes of the sitting of Public Accounts Committee held on 25.4.1989	26
--	-----------

(i)

**PUBLIC ACCOUNTS COMMITTEE
(1988-89)**

CHAIRMAN

***Shri Amal Datta**

**MEMBERS
*Lok Sabha***

2. Shri Abdul Hannan Ansari
3. Shri Chhitubhai Gamit
4. Shri M.Y. Ghorpade
5. Shri Dinesh Goswami
6. Shri Mohd. Ayub Khan
7. Shri Y.S. Mahajan
8. Shri C. Madhav Reddy
9. Shri S. Jaipal Reddy
10. Shri Pratap Bhanu Sharma
11. Maj. Gen. R.S. Sparrow
12. Smt. Usha Rani Tomar
13. Dr. Chandra Shekhar Tripathi
14. Shri Vir Sen
15. Shri Yogeshwar Prasad Yogesh

Rajya Sabha

- **16. Shri Jagesh Desai
17. Shri M.S. Gurupadaswamy
18. Shri Kailash Pati Mishra
19. Shrimati Manorama Pandey
20. Shri Yalla Sesi Bhushana Rao
21. Shri T. Chandrasekhar Reddy
22. Shri Surender Singh

SECRETARIAT

1. Shri G.L. Batra — *Joint Secretary*
2. Shri B.D. Duggal — *Director (PAC)*
3. Shri A. Subramanian — *Senior Financial Committee Officer*

*Appointed as Chairman w.e.f. 5.9.1988 vice Shri C. Madhav Reddy resigned from Chairmanship of the Committee.

**Appointed w.e.f. 7.12.1988 vice Shri Kalpnath Rai ceased to be member of the Committee on his appointment as a Minister of State.

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Fifty-Ninth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 73rd Report (Eighth Lok Sabha) relating to hiring of private buildings at Naraina Industrial Area, Phase-II, New Delhi.

2. The Committee's earlier examination had revealed not only callous disregard of the Department's financial interests by the concerned authorities but also utter lack of planning and foresight in the hiring of the two buildings by the General Manager (Telecommunications) New Delhi. The gross financial irregularities committed in the process of hiring of the buildings had resulted in recurring and avoidable financial loss to the exchequer. Further the delay in the occupation of the buildings on allotment of accommodation also resulted in an infructuous expenditure of Rs. 14.17 lakhs. The Committee have strongly deprecated these lapses. In pursuance of the recommendations made in the 73rd Report of the Committee the Government have issued further guidelines to all concerned with a view to obviating recurrence of such irregularities in future. The Committee have stressed upon the Ministry of Communications to ensure that these guidelines as well as the guidelines issued earlier are meticulously followed by all concerned both in letter and spirit. The Committee have also stressed that stringent action should be taken against those who flout these guidelines, in future. The Committee have further emphasized that these guidelines should also be reviewed periodically with a view to further revamping them in the light of experience gained from time to time.

3. The Report was considered and adopted by the Public Accounts Committee at their sitting held on April, 25 1989. Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the recommendations and conclusions of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix II to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
April 25, 1989

Vaisakha 5, 1911 (S)

AMAL DATTA
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's recommendations and observations contained in their *Report on hiring of private buildings at Naraina Industrial Area, Phase-II, New Delhi.

1.2 The Committee's Report contained 18 recommendations. Action Taken Notes on all these recommendations have been received from the Ministry of Communications. The Action Taken Notes have been broadly divided into two categories as indicated in Appendix-I. In the succeeding paragraphs the Committee deal with action taken on their recommendations / observations.

1.3 The need for this additional accommodation was felt in 1982 to ease the congestion faced in Kidwai Bhawan and to make available more space for technical use, viz., operational needs of expansion of the telecom network by shifting offices of the Department from that Bhawan. The Committee's examination had revealed many irregularities / lapses committed by the Fair Rent Assessment Committee (FRC). The FRC assessed the rent of the two buildings in question in January, 1983 at Rs. 4.50 per sq. ft. for basement, Rs. 8.00 per sq. ft. for ground floor and Rs. 6.50 per sq. ft. for 1st, 2nd and 3rd floors as fair. As against this, the General Manager (Satellite Project), New Delhi another wing of the same Department took on rent another building in the same area (Naraina Commercial Complex) one year later in February, 1984, the rent for the basement and 2nd floor of which was fixed at Rs. 3.50 per sq. ft. The Secretary, Telecommunications had conceded during evidence that the whole area was known as the Naraina Industrial Area, but there were separate sectors. When asked about the difference between the two buildings (i.e. commercial and industrial), the witness conceded that there was no difference. The Committee had considered the rent assessed by FRC for buildings taken earlier in January, 1983 in Naraina Industrial Area to be on higher side resulting in recurring financial loss to the public exchequer.

1.4 Some of the other irregularities pointed out by the Committee in their earlier Report were:—

- (i) Violation of financial limits for hiring buildings for departmental use;

*Seventy-third Report (Eighth Lok Sabha) on paragraph 41 of the Report of the Comptroller & Auditor General of India for the year 1983-84, Union Government (P&T).

- (ii) Rented buildings were initially proposed for housing operative offices but later on administrative offices were also housed therein;
- (iii) Advance rent for six months amounting to Rs. 8.33 lakhs was paid to the owners of the buildings without the approval of the Directorate;
- (iv) Brokerage of Rs. 1.04 lakhs was paid to the broker although the head of the circle had no such powers;
- (v) Allotment of the hired accommodation was made in May, 1983 but the same was not occupied till January, 1984 resulting in an infructuous expenditure of Rs. 14.17 lakhs by way of rent upto December, 1983; and
- (vi) The Department itself provided partitions at a cost of Rs. 1.72 lakhs though according to lease deed the lessor was required to do the needful at his own cost. However, the amount was subsequently adjusted in the rent of January, 1986.

1.5 The Committee had urged the Ministry of Communications to take note of all these financial irregularities / lapses and take appropriate action to avoid their recurrence in future.

1.6 On 7.11.1985 the Department had issued general guidelines on hiring of private buildings—steps to ensure fulfilment of contractual obligation by owners of buildings taken on rent—to all heads of Telecommunications. These instructions are at Appendix-II. These instructions were issued by the Department as the contravention of the then existing instructions had been adversely commented upon by Audit. In pursuance of the recommendations made by the Committee in their 73rd Report, Department of Telecommunications have issued further guidelines in the matter vide their letters No. 7-1/84-NB/T dated 16 October and 9 December, 1987 to obviate the recurrence of the various irregularities noticed by the Committee. These instructions are at Appendix-III.

1.7 The Committee's examination had revealed not only callous disregard of the Department's financial interests by the concerned authorities but also utter lack of planning and foresight in the hiring of the two buildings by the General Manager (Telecommunications) New Delhi. The gross financial irregularities committed in the process of hiring of the buildings had resulted in recurring and avoidable financial loss to the exchequer. Further the delay in the occupation of the buildings on allotment of accommodation

also resulted in an infructuous expenditure of Rs. 14.17 lakhs. The Committee strongly deprecate these lapses. The Committee note that in pursuance of the recommendations made in their 73rd Report the Government have issued further guidelines to all concerned with a view to obviating recurrence of such irregularities in future. The Committee need hardly stress upon the Ministry of Communications to ensure that these guidelines as well as the guidelines issued earlier are meticulously followed by all concerned both in letter and spirit. Stringent action should be taken against those who flout these guidelines, in future. These guidelines should also be reviewed periodically with a view to further revamping them in the light of experience gained from time to time.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN NOTED OR ACCEPTED BY GOVERNMENT

Recommendation

The offices of the General Manager, Delhi Telephones—a major circle, were located in Kidwai Bhavan, New Delhi. To ease the congestion faced in Kidwai Bhavan and to make available more accommodation for technical use, viz. operational needs of expansion of the net work, need was felt in 1982 to shift operative offices of the GM(M), New Delhi; DGM(CC) and part of office of DGM (Operational) from that building. As no Departmental building to accommodate the staff proposed to be shifted from Kidwai Bhavan was available it was decided to hire a building large enough to accommodate all these offices. Several attempts were stated to have been made by the GMT, Delhi to get more accommodation. Advertisements were also issued inviting offers for hiring accommodation. these attempts did not fructify. In the mean while M/s. Bijlani Estate Agents offered accommodation in two buildings close to each other consisting of 4 blocks and having 5 storeys-basement, Ground, First, Second and Third floors—with a covered area of 32,000 sq. feet. and carpet (floor) area of 21,200 sq. feet, called 'Bentex Buildings' located in Naraina Industrial Complex, Phase II, New Delhi, owned by M/S. Bentex Properties Pvt. Ltd. The buildings according to the Department of Telecommunications were constructed in 1983. The capital cost including land was estimated at Rs. 1.26 crore based on the approved area rates and cost index approved by P&T. As the Department considered this accommodation and rent acceptable the proposal was submitted to the Departmental Fair Rent Assessment Committee (FRC) constituted in January 1983 to assess fair rent of the buildings to be hired. The buildings were hired at the rents recommended by FRC. The Audit has opined that the rent assessed by FRC in January 1983 for these buildings was on the higher side and has also drawn attention to various irregularities committed in this deal.

[Serial No. 1(Para 8.1) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action taken

Noted. FRC assessed the rent with reference to the prevailing market rent and ratable value/capital cost. A circular kept at Appendix III has been issued for future guidance for proper assessment of fair rent by FRC.

[Ministry of Communications (Dept. of Telecommunications)
UO No. 27-15/86-B dated 1-2-1988]

Recommendation

As the buildings in the Industrial sector were not fully developed/constructed at that time and the GMT was the lone bidder, *prima facie* it should have been possible to negotiate and obtain lower rates. From the Minutes of the FRC hiring buildings in Naraina Industrial Area. It appears that the FRC had been influenced by the report of the Executive Engineer (Civil), a member of the FRC that the prevailing market rent in that area for ground floor was Rs. 7.50 per sq. ft. although he had not supported this view by any other data. The FRC accepted the rent demanded by the owners for basement, First, Second and Third Floors and succeeded only in having the rate for ground floor reduced from Rs.9 per sq. ft. to Rs. 8. per sq. ft. The committee cannot in the circumstances, that in fixing the rent the FRC had given due weight to the prevalent market rates and the rent of other Government Buildings located in the Naraina Complex. The Committee fail to understand, how the Executive Engineer (Civil), felt justified in suggesting the rate of Rs. 7.50 per sq. ft. for ground floor as reasonable. The rent of Rs. 3.50 per sq. ft. for the building hired by the GM (Satellite) in the Commercial Complex in February 1984 was assessed by FRC keeping in view three main factors viz. (1) the rate of rent in Naraina during previous year (1983) was Rs. 4.00 per sq. ft., (2) the prevailing market rate *vis-a-vis* rise in cost index during the last one year; and (3) the rent of other Government buildings located in the Naraina Complex at that time. The FRC constituted in 1983 to assess the rent for buildings in Industrial Complex did not take the trouble even to ascertain the rates prevalent at that time in the Commercial Complex. The Member (TO) admitted during evidence that "The Committee's report is not drafted well, It only says what should be paid." the Secretary, Telecommunications has also admitted in evidence that Their (FRC) note is rather cryptic. They said that the prevailing rate of Rs. 7.50 was reasonable. Detailed discussions should have been done. I agree that there has been a lapse to some extent.

[Serial No. 3 (Para 8.3) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action taken

1. It is not known whether GMT was the lone bidder; however GMT had only one offer for such a large building which fulfilled the requirement.
2. Regarding the functioning of the FRC, instructions Appendix III (Para (ii)) have been issued to ensure correct rent assessment by the FRAC in future.

[Ministry of Communications (Dept of Telecommunications)
UO No. 27-15/86-B dated 1-2-1988]

Recommendation

Although the functions of the two FRCs set up in January 1983 and February 1984 were identical, the procedure adopted by each Committee for assessing the rents of the respective buildings was quite different. While the building at Naraina Commercial Complex was rented after calling upon tenders and taking into consideration the prevalent market rates and the rent of the other Government buildings located in the Naraina Complex, the buildings at Naraina Industrial Complex were rented through an Estate Agent who was paid remuneration of Rs. 1.04 lakhs. This was a major deviation from the established procedure of hiring buildings and possibly led to the irregularities that followed. The GMT, Delhi was not authorised to make payment of brokerage and payment of Rs. 1.04 lakhs by him was irregular. The GMT had in fact in several other respects exceeded the financial authority vested in him. The system of consultation and comparison of rents paid by various limbs of the Telecommunications Department, prior to hiring accommodation, is not in vogue. The Committee desire that revised comprehensive instructions should be issued in regard to the hiring of accommodation.

[Serial No. 4 (Para 8.4) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action taken

Further instructions have been issued. (Appendix III)

[Ministry of Communications (Dept. of Telecommunication)
U.O. No. 27-15/86-B dated 1-2-1988]

Recommendation

The Ministry of Communications have argued that the building at Naraina Commercial Centre hired by G.M. (Satellite) was constructed in 1977-78; so the capital cost and retable value would be less. Reatable value for the building in Naraina Industrial Complex was Rs. 5.35 (Approx.) per sq. ft. based on 1983 cost index which was 260. But actually this building seems to have been constructed in 1982 or even earlier. Therefore, the rateable value should be less than Rs. 5.35 based on 1982 cost index which was 217. On the same analogy the actual capital cost should also be much less than the one estimated (Rs. 1,26,32,267) by the Department. The Secretary, Telecommunications submitted during evidence that according to the rough calculations made by him on the basis of the then prevailing cost of construction and land, the rent should have been in the neighbourhood of Rs. 5.35 per sq.ft. Further on the capital cost

basis, at 1985 prices, the rent, according to him, works out to Rs. 6.31 per sq. ft. in Naraina and Rs. 6.91 per sq. ft. in Connaught Place. The Committee feel that the rent agreed upon by the FRC is not justifiable on any count-capital cost or the retable value.

[Serial No. 5 (Para 8.5) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action taken

Noted.

FRC seems to have made the assessment with reference to capital cost/ retable value but has not given any details. Instructions have since been issued to all field units vide Appendix III.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No. 27-15/86-B dated 1-2-1988]

Recommendation

As regards the plea of more space available in Industrial Complex suitable to the requirements of the Department, the Committee have not doubt that for big buildings like the one in Industrial area entailing rent of more than Rs. 2 lakhs per month there cannot be many bidders and so there was considerable scope for negotiations. The rate of rent for other floors (basement, I, II, and III) should have been discussed and brought down at least to the level of prevalent rate of Rs. 4. per sq. ft. in the commercial area at that time. None of these things was done.

[Serial No. 7 (Para 8.7) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action taken

Noted.

There was only one offer and there were negotiations in regard to one floor for which the initial demand for rent was very high. Instructions have however, been issued for future guidance to all the units for keeping in view all the related factors while recommending for rent.

[Ministry of Communications (Dept. of Telecommunications)
U.No. 27-15/86-B dated 1-2-1988]

Recommendation

Despite the rent of Rs. 7.50 per sq. ft. for ground floors in that area considered to be fair by the Executive Engineer (Civil), the negotiated rate

of Rs. 8. per sq. ft. for ground floor was higher. This reflects on the functioning of the FRC and the authority to the GMT, Delhi who is empowered to hire any size of private accommodation for operative purposes. The Secretary Telecommunications, admitted in evidence that "I fully agree with you that the order should have been a speaking order. It is presumed that the Committee must have gone into the details." The Committee are not satisfy with the role of the FRC and the GMT Delhi, who are responsible for this deal.

[Serial No. 8 (Para 8.8) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action Taken

Instructions for functioning of FRC have been issued as per Appendix III.

[Ministry of Communications (Dept. of Telecommunications)
U.No. 27-1586—B dated 1-2-1988]

Recommendation

The Committee find that taking a lesson from this case, the Government has issued on 7.11.1985 general guidelines on hiring of private buildings steps to ensure fulfilment of contractual obligation by owners of buildings taken on rent to all heads of telecommunication circles/districts. The Committee would like the Department of Telecommunications to ensure that their instructions are followed by the lower formation in letter and spirit and stringent action is taken against those who flout these orders, in future.

[Serial No. 10 (Para 8.10) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action taken

Instructions have been issued vide Appendix III in compliance.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No.27-15/86—B dated 1-2-1988]

Recommendation

According to Audit para, the allotment of accommodation was made in May 1983 but the same was not fully occupied till January, 1984. Non-occupation of the building has resulted in an infructuous expenditure of

Rs.14.77 lakhs by way of rent upto December 1983. The Department of Telecommunications have argued that at that time none of the staff that worked in Kidwai Bhavan wanted to shift to Naraina Buildings as these were located at a far off place i.e. about 10 kms. from their existing place of work and adequate public transport was not available. Inspite of best pursuasion, all the operative staff did not agree to shift there. This indicates lack of foresightedness on the part of the officers incharge of the project and their inability to handle such like situations resulting in financial loss of the magnitude mentioned above.

[Serial No 14 (Para 8.14) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action taken

Noted.

Instructions have been issued vide letter at Appendix III.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No. 27-1586-B dated 1-2-1988]

Recommendation

The Committee note that the administrative approval for provision of partitions at the cost of the Department was granted by Addl. G.M. (O), New Delhi, who is not empowered to incur such expenditure and no concurrence of the IFA was obtained. The Department of Telecommunications have stated that since the expenditure incurred on providing partitions at departmental cost to curtail delay was proposed to be recovered at a later date, it was though that concurrence of IFA was not required. It has also been stated that since the amount so incurred has been recovered from the rent of January 1986, there is no specific loss to the Department on this account. The Committee take a serious view of this financial misconduct on the part of the Addl. G.M. (O), New Delhi.

[Serial No 15 (Para 8.15) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action taken

Instructions have been issued at Appendix III exhorting financial discipline by the conerned officers.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No. 27-1586-B dated 1-2-1988]

Recommendation

Financial and Administrative irregularities committed by the officials at various stages of the deal with the Estate Agent and M/S. Bentex Properties Private Limited, owners of the buildings are indicative of lack of proper financial discipline. The Committee are also convinced that FRC constituted for hiring these buildings had not done its job according to the procedure laid down for the purpose; resulting in recurring loss to the public exchequer.

[Serial No. 16 (Para 8.16) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action taken

Instructions have been issued as at Appendix III exhorting financial discipline by the concerned officer and instructions to be followed by Members of FRCs. are also issued.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No. 27-1586-B dated 1-2-1988]

Recommendation

The case leaves the Committee extremely unhappy. Financial irregularities have been committed by various functionaries of the Department at various levels, particularly the members of the FRC and the General Manager (Telephones), Delhi. This needs to be taken note of by the Ministry of Communications and appropriate action taken to avoid their recurrence in future.

[Serial No 17 (Para 8.17) of Appendix to 73rd Report of PAC
(8th Lok Sabha)]

Action taken

Instructions have been issued as per Appendix III to avoid future lapses.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No. 27-1586-B dated 1-2-1988]

Recommendation

The Committee observe that the need for additional office accommodation is not visualised and provided alongwith the plans for expansion of the telecommunication network. This leads to piecemeal provision of accommodation, at times, not conveniently located. The Department of Telecommunications have intimated that till bifurcation of the P&T Department into two separate independent departments viz. (i) Telecommunications and (ii) Posts, the General Manager, Delhi Telephones had hired 31 buildings in Delhi for various offices (7 for administrative offices and 21 for operative offices) of the Department and the monthly rent paid was Rs. 6,66,966. The P&T Department is one of the oldest

departments in the Government of India. The importance of telecommunications is too well-known and does not require any elaboration or emphasis, yet it is surprising that the Department has no perspective planning for its expansion and office accommodation and the accommodation for its employees. The type of ad-hocism illustrated by the search for accommodation and its ultimate location in Naraina Industrial Area and the unwillingness of the employees to switch over to the new buildings brings out how inadequate has been the planning by the Department. The reply of the Secretary, Telecommunications that the Department lacks resources and they cannot afford to construct all the buildings needed by the Department is sad commentary on their planning. The Committee, therefore, recommend that immediate steps must be taken to assess the requirements of the Department, its future expansion programme and a clear-cut plan of action for buildings and equipments inclusive of accommodation for the most important technical personnel of the Department should be framed so that the efficiency of the Department is ensured.

[Serial No. 18 (para 8.18) of Appendix to 73rd Report of PAC (8th Lok Sabha)]

Action Taken

The observations of the PAC have been noted and will be kept in view while planning renting/construction activity in the Department.

[Ministry of Communications (Dept. of Telecommunications)
UO.No 27-15/86-B dated 1-2-1988]

CHAPTER III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The buildings *ibid* were hired by the GMT, Delhi at the rate of Rs. 4.50 per sq. ft. for basement, Rs. 8 per sq. ft. for ground floor and Rs. 6.50 per sq. ft. for I,II,III floors, recommended as fair by the FRC in January, 1983. Another building in the same area *viz.* Naraina Commercial Complex was hired by the General Manager, Satellite Project in February 1984, and the rate agreed to for basement and II floor was Rs. 3.50 per sq.ft. Audit has rightly pointed out that compared to this rate the rate of rent agreed to a year earlier by GMT Delhi was clearly very much higher.

[Serial No. 2 (para 8.2) of Appendix to 73rd Report of PAC (8th Lok Sabha)]

Action Taken

The building i.e. 'Bentex Tower' is located in the Naraina Industrial Area, whereas the GM Satellite Projects hired the building in Naraina Commercial Complex.

The area required by the GM Satellite Projects was much smaller and he was able to find suitable accommodation at Rs. 3.50 per sq.ft. The accommodation required by GM Telephone was much larger and as there were no other offers, the accommodation had to be hired at the rates at which it was available.

[Ministry of Communication (Dept. of Telecommunication)
U.O.No. 27-15/86-B dated 1-2-1988]

Recommendation

In justification of the rent fixed for the buildings in Naraina Industrial Complex, the Department of Telecommunications have put forth another argument that comparison between rates of rent assessed for any two buildings can be realistic only when the two buildings are located in the same area, the assessment is made on the same date and the space to be taken on rent in two buildings is more or less identical. However, the Committee observe that this argument is nullified by the submission made by the Secretary, Telecommunications during evidence before the Committee that "the whole area is known as the Naraina Industrial Area, but there are separate sectors. The first building is in the commercial area within the industrial sector and the other one is a commercial building within the residential area." When asked about the difference between the

two buildings (i.e. commercial and industrial), the witness conceded that there was no difference.

[Serial No. 6 (Para 8.6) of Appendix to 73rd report of PAC (8th Lok Sabha)].

Action taken

Noted.

Though both the buildings are in the 'Naraina Industrial Area' they are located in different Sectors—one in the industrial Sector and other in the residential area. Further no other offer was received in that area for the space required by the GMT Delhi.

[Ministry of Communications (Dept. of Telecommunications)
UO. No. 27-15/86-B dated 1-2-1988].

Recommendation

Taking into account annual rent of Rs. 25 lakhs for these buildings, its capital cost viz. Rs. 1,26,32,267/- appears to have been understated. The Committee would like to be informed of the actual cost of construction of this building including land and the cost shown by the owner viz. Bentex Properties Pvt. Ltd. in their income-tax return.

[Serial No. 9 (para 8.9) of Appendix to 73rd Report of PAC (8th Lok Sabha)].

Action Taken

The cost of the land (for all the four buildings) comes to Rs. 38,50,000/- as intimated by the DDA. As per information given by Income Tax Authorities and as seen from Income tax return, the cost of construction of buildings is detailed below:—

Plot No.	Name of Owner	Cost of construction
A-1	M/s Bentex Properties, B-65, Naraina Industrial Area Phase-II, New Delhi.	Rs. 4,50,553/-.
A-2	M/s Bentex Builders, B-65, Naraina Industrial Area Phase-II, New Delhi.	Rs. 4,51,240/-.
A-6	M/s Bentex Towers, B-65, Naraina Industrial Area Phase-II, New Delhi.	Rs. 4,56,804/-.

1	2	3
A-7	M/s Bentex Palaces, B-65, Naraina Industrial Area Phase-II, New Delhi.	Rs. 4,51,490/-
A-6	Cost of land for Plot A-6	Rs. 10,46,412/-
	Cost of land for plots A-1, A-2, and A-7.	Rs. 28,03,588/-
		Total: Rs. 38,50,000/-

Total Capital cost including cost of land: Rs. 56,60,087/- This has been vetted by Director of Audit, P&T, Delhi *vide* their U.O. No. RRT/2(d)/2442 / Vol.II / 1970 dated 21.9.88.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No. 27-15/86-B dated 10-10-1988].

Recommendation

The Committee have been informed that according to the schedule of financial powers, the General Manager, Telephones is competent to hire accommodation for administrative purposes on a rental upto Rs. 40,000 per annum but for operative offices, there is not such limit. In this case though at the time of executing the lease deed (March 1983), allotment of accommodation was not earmarked for shifting of operative offices of GM (Maintenance) yet the buildings were shown earmarked for use by the operative offices. Later the buildings were occupied both by operative as well as administrative offices of GM (Maintenance). The Department of Telecommunications have stated that originally it was proposed to shift all the operative offices but only a few of them were shifted and the rest of them had to be continued in Kidwai Bhavan where many Carrier and Coaxial equipments are installed and some staff for technical operation and maintenance was required there. So the Accounts Branch of the Office of GM(M) i.e. administrative staff was shifted to Naraina. The Committee consider that this was not a new factor that had emerged after the hiring of the accommodation at Naraina. As such, a device has been used by GMT Delhi to avoid sanction of higher authority. Responsibility for this lapse should be fixed.

[Serial No. 11 (para 8.11) of Appendix to 73rd Report of PAC
(8th Lok Sabha)].

Action taken

The Managing Director, Mahanagar Telephone Nigam Ltd. (New Delhi Telephones is part of MTNL) has been asked to investigate. Report is awaited.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No. 27-15/86-B dated 1-2-1988].

Further Action taken by the Department

Originally when it was planned to decongest the Kidwai Bhavan for technical requirements, it was envisaged that only the operative offices of the maintenance organisation and the offices of the DGM (CCN) Delhi Telephones would be located in the rented building at Naraina. Later on, it was pointed out by the GMM that some of the offices proposed to be shifted originally from Kidwai Bhavan could not be shifted because of technical requirements and imperative need of these offices continuing at the sites where installation of equipment was there. Since the Deptt. had already taken the building on rent there was no other alternative but to shift the Accounts branch ensuring the maximum utilisation of the area taken on rent. Thus there was no intention on the part of Delhi Telephones to evade approval of the DG(P&T) for hiring the building for an administrative office.

Member(P) has seen.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No. 27-15/86-B dated 19-12-1988].

Recommendation

The Committee are inclined to conclude that there was utter lack of planning, proper consultation and co-ordination between various units of the same Department viz., the General Manager (Telephones) General Manager (Maintenance), Deputy General Manager (CC) and Deputy General Manager (Operations). The Committee would like the Department of Telecommunications to examine the circumstances under which proper planning in this regard could not be done and devise suitable remedial measures to avoid such unfortunate situation in future.

[Serial No. 12 (Para 8.12) of Appendix to 73rd Report of PAC
(8th Lok Sabha)].

Action Taken

There was no intention to avoid the approval of higher authority by distorting the requirements. Originally it was envisaged that operative offices under the administrative control of GMM, New Delhi would be located in the rented building at Naraina. At that point of time there was no defect in the planning for shifting some of the Units of the offices of the GM, New Delhi in course of time some technical difficulties were expressed by the maintenance organisation resulting in changing of the units to be shifted. However, case will be taken to avoid any such recurrence in future and renting of building will be processed after firm decision for shifting office is taken.

This has been vetted by Director of Audit, P&T, Delhi vide their U.O. No. RRT/2 (d)2442 / vol.II / 1970 dated 21.9.88.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No. 27-15 / 86-B dated 10-10-1988].

Recommendation

Yet another irregularity committed by the General Manager (Telephones) relates to advance payment of rent amounting to Rs.8.33 lakhs for 6 months from June to November, 1983, although there was no such clause in the standard form of Agreement. The agreement was modified and a clause for payment of advance rent was inserted with the concurrence of I.F.A. and the approval of General Manager; although Sub-rule 432 of P&T Manual Vol.II, provides for such alteration of the Standard agreement only after consultation with the legal advisers of the Government of India and the Directorate. The plea of the Department that advance legal consultation was not done due to paucity of time and non-payment of advance in this case would have meant losing the accommodation putting the Department to considerable difficulty, is not tenable. The deal was finalised in February, 1983 and the advance was paid in June 1983; as such, there was sufficient time available to go through all these formalities. It would be pertinent to mention here that the building was actually occupied from November, 1983 onwards. The Department of Telecommunications have admitted that such advance payment of rent had been made in some other cases but with the approval of the appropriate authority. However, in this case, the Directorate was not even aware of it before renting the buildings. The General Manager (Telephones) Delhi owes an explanation in this regard.

[Serial No. 13(para 8.13) of Appendix to 73rd Report of PAC (8th Lok Sabha)].

Action Taken

Even though there was no clause in the Standard Agreement form for payment of advance rent for six months it had to be paid in view of the fact that there was a pressure from the landlord that he would rent out the building only if he was paid six months advance rental. While taking a decision it was envisaged that *ex post-fact* approval of the Directorate would be obtained immediately but unfortunately there was delay in seeking approval of the Directorate. This lapse is sincerely regretted. However, approval of the Directorate was obtained later on.

There was therefore no *malafide* intention to make payment without approval of the Telecom. Directorate. It would be however ensured that there would be no delays in seeking the approval of the higher authorities in time wherever necessary.

This has been vetted by Director of Audit, P&T, Delhi vide their U.O. No. RRT/2(d)2442/Vol.II/1970 dated 21.9.88.

[Ministry of Communications (Dept. of Telecommunications)
U.O. No.27-15/86-B dated 10-10-1988].

NEW DELHI;
April 25, 1989

Vaisakha 5, 1911(S)

AMAL DATTA
Chairman,
Public Accounts Committee.

APPENDIX I

(*Vide Para 1.2*)

Statement showing classification of action taken notes received from Government

(i) Recommendations and observations which have been noted or accepted by Government :

Sl. Nos. 1,3,4,5,7,8,10,14,15,16,17 and 18.

(ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government:

Sl. Nos. 2,6,9,11,12 and 13.

APPENDIX II

No.7-1/84-NB
Government of India
Ministry of Communications
Department of Telecommunications
Sanchar Bhavan, New Dehli-110001

Dated the 7.11.85

To

All Heads of Telecom Circles,
All Heads of Telephone Districts,
All General Managers Project Circles,
All General Managers Maintenance Circles,
All Heads of Telecom. Training Centres,
All Chief Engineers of Civil Wing.

SUB: General guidelines on hiring of private buildings steps to ensure fulfilment of contractual obligations by owners of buildings taken on rent.

Sir,

Instructions have been issued from time to time from this office regarding functioning of Fair Rent Assessment Committees at various levels, delegation of financial powers regarding hiring of private buildings for operative and administrative offices and saving of avoidable expenditure on renting of private buildings. Recently some contraventions of these existing instructions have been adversely commented upon by the Audit. These are as under :

- (i) The buildings were initially earmarked for accommodating operative offices but after executing lease deeds, administrative offices were shifted though the monthly rents payable for the buildings exceeded the financial powers of competent authorities for hiring building for administrative offices.
- (ii) Advance Payments were made to the owners though the lease deeds did not contain any clause regarding payment of any advance. Approved sanctions of the Directorate was not obtained before making the advance payments. In fact payment of advance is beyond the powers of Board and requires approval of Finance Ministry.

- (iii) There were considerable time gaps between dates of execution of lease deeds and dates of actual occupations resulting in infractuous expenditure.
- (iv) The commitments made by the owners regarding partitioning/ lighting arrangement etc. were not enforced and such interior works were got done at departmental cost and then referred to P&T Board for obtaining *ex post facto* sanctions.

2. The recurrence of these cases have made it imperative to have a fresh look at the extant instructions and to formulate certain guidelines on hiring of private buildings. In order to prevent recurrence of cases of this nature, you are requested to keep in view the following guidelines while examining of proposing cases of hiring of private buildings :

- (i) *Conditions to be fulfilled for departing from calling tenders to be issued as per Rules 440(1) of P&T Manual Vol. II.*

Rules 449(2) of P&T Manual Vol. II empowers the Heads of circles/ Districts to depart from calling for tenders at their discretion, only if each of the following condition is satisfied :—

- (a) that there are positive objections or restraints in calling a tender; and
- (b) that the demand is so emergent that there is no time for calling a tender and
- (c) that reasons for departing from standard procedure and recorded in writing.

You are requested to ensure that in every proposal for hiring buildings without calling for tenders in each individual case full justification thereof is invariably recorded in the minutes of the FRAC and concurred by your IFA.

- (ii) *Prevailing rent*

While assessing rent for a particular building, the FRAC shall take into consideration the prevailing rate of rent (per sq. ft. per month) in the same commercial or industrial complex/area where the proposed building is located and mention the rate in its minutes. the rent paid by any other Govt. Organisation hiring an office in the same area should also be taken into account. In case the assessed rate of rent of the proposed building exceeds the prevailing rate, full justification for the higher rent must invariably be recorded in the minutes.

(iii) Operative office and administrative office — distinction to be maintained strictly

You are requested to ensure that under no circumstances a building proposed to be hired for accommodating operative offices is utilised by accommodating administrative offices. If any situation so arises, full facts thereof and reasons justifying such conversion of utility must be sent to Telecom. Board for getting the proposal for conversion approved.

(iv) Advance payment of rent

In all cases of advance payment of rent to owners of private buildings where operative/administrative offices are to be shifted, it is to be ensured that such a clause is incorporated in the lease deed and prior concurrence of the Telecom. Directorate obtained invariably before making actual payment to the owner or his agent.

It should be ensured that the building is occupied as soon as the lease deed is signed and payment of rent begins. Any work to be got done should preferably be done immediately after occupation. Where it is not possible, it should have the personal approval of the concerned Head of the Circle/District.

(v) Cost of partitioning etc.

You are requested to ensure that each of the commitments, made by the Lessor in the lease deed regarding partitioning/lighting/repairs/white-washing etc. are completed by the lessor at his own cost before executing the lease deed. If the lessor refused or fails to do so, such cost should be deducted from the rent payable.

3. You are requested to bring these instructions to the personal notice of all officers under your jurisdiction who may be dealing with any work relating to hiring of private buildings or space with the specific direction that any failure to observe these guidelines will be viewed seriously.

4. Receipt of this letter shall be acknowledged.

Yours faithfully,

Sd/-
B.S.G.K. Setty
D.D.G. (T)

APPENDIX III

NO. 7-1/84-NB/T

GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS
DEPARTMENT OF TELECOMMUNICATIONS
SANCHAR BHAVAN, NEW DELHI-110001

Dated the 16.10.87

To

All Heads of Telecom Circles,
All Heads of Telephone Districts,
All General Managers Project Circles,
All General Managers Maintenance Circles,
All Heads of Telecom Training Centres,
All Chief Engineers of Civil Wing.

SUBJECT: General guidelines on hiring private accommodation recommendations of Public Accounts Committee — regarding.

Sir,

I am directed to invite a reference to this office letter of even No. dated 7.11.1985 (copy endorsed for ready reference) and to say that in spite of issue of detailed instructions on the subject of renting of private accommodation being issued from time to time it is observed that these instructions are not being followed in its letter and spirit by offices while hiring such accommodation. Recently the Public Accounts Committee have commented very adversely on the procedure followed by the department in renting a private building in a certain case. These instructions are once again reiterated for strict compliance by our circles and other subordinate offices while renting private accommodation:—

- (i) The existing instructions and rules on the subject are to be strictly adhered to and any departure from the set procedure is to be resorted to only after recording the reasons in writing and with the prior approval of the competent authority.
- (ii) The minutes of Fair Rent Committee should be comprehensive and self contained. The rent recommended should be substantiated by the Members of F.R.A.C. by taking into consideration the capital cost/ prevailing rent etc. and not arbitrarily.
- (iii) The Members of F.R.C should also ascertain while considering fair rent, whether any other building in the same locality has been hired by any other limb of the department and if so the rent being paid by them and other related factors should be kept in view while recommending fair rent.

(iv) The authority competent to rent private accommodation must satisfy himself w.r.t. Fair Rent Assessment Committee report and ensure that the financial/powers delegated are not exceed without the prior approval of competent authority nor they must split the deal in such manner as to bring it within their financial competence.

(v) Before renting the private accommodation, the need for the same must be examined, the offices etc. to be shifted must be planned and the entire process of shifting must be carried out smoothly in consultation with the staff proposed to be shifted. After shifting these must be gainful utilisation of space hired under no circumstances should a rented building be left unutilised should be shifted into within reasonable time from the date of its hiring.

These instructions may be brought to the knowledge of all concerned for information and strict compliance. A very serious view will be taken for flouting any of the existing instructions on the subject. The prior approval of Directorate, wherever required must be obtained and the cases seeking *ex-post-facto* sanctions will not be considered except in very exceptional circumstances.

Sd/-
 (R. Balasubramaniam)
Deputy Director General (T)

No. 7-1/84-NB(T)

GOVERNMENT OF INDIA,
 DEPARTMENT OF TELECOMMUNICATIONS,
 NEW DELHI - 110001

Dated the 9th December, 87

To

All Heads of Telecom Circles,
 All Heads of Telephone Districts,
 All General Managers Project Circles,
 All General Managers Maintenance Circles,
 All Heads of Telecom Training Centres,
 All Chief Engineers of Civil Wing.

SUB:General Guidelines on hiring private accommodation/recommendations of Public Accounts Committee — regarding.

Sir,

This office letter of even no. dated 16/10/87 may kindly be referred. In continuation thereof further instructions as follows are issued for emphasis, whenever renting of buildings is considered for housing any of the Administrative/Operative offices of the Deptt. of Telecom.

Officers competent to hire buildings must fully ascertain their financial powers and restrict the renting within the powers actually vested in them by general or special order of the competent authority. The transgression of financial powers such as payment of brokerage, payment of advances, incurring of excess amount for carrying out modifications in rented buildings must be clearly avoided. Controlling Officers are also required to take suitable action against such transgressions. Any deviation from the financial norms prescribed must necessarily be in consultation with the IFA and be approved by the competent authority.

Sd/-
(R. Balasubramaniam),
Dy. Director General (T).

CC: 1. TPL (BG) section, Department of Telecom.
2. F.A.I/F.A.II/F.A.III/Department of Telecom.

APPENDIX IV

CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry / Department Concerned	Conclusion	Recommendation
1	2	3	4	
1	1.7	Communications (Dept. of Tele-communications)	The Committee's examination had revealed not only callous disregard of the Department's financial interests by the concerned authorities but also utter lack of planning and foresight in the hiring of the two buildings by the General Manager (Telecommunications) New Delhi. The gross financial irregularities committed in the process of hiring of the buildings had resulted in recurring and avoidable financial loss to the exchequer. Further the delay in the occupation of the buildings on allotment of accommodation also resulted in an infructuous expenditure of Rs. 14.17 lakhs. The Committee strongly deprecate these lapses. The Committee note that in pursuance of the recommendations made in their 73rd Report the Government have issued further guidelines to all concerned with a view to obviating recurrence of such irregularities in future. The Committee need hardly stress upon the Ministry of Communications to ensure that these guidelines as well as the guidelines issued earlier are meticulously followed by all concerned both in letter and spirit. Stringent action should be taken against those who flout these guidelines, in future. These guidelines should also be reviewed periodically with a view to further revamping them in the light of experience gained from time to time.	

PART II

MINUTES OF THE 47TH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 25.4.1989.

The Committee sat from 1500 hrs. to 1600 hrs. in Committee Room No. 50, Parliament House, New Delhi.

PRESENT

Shri Amal Datta - Chairman

MEMBERS

Lok Sabha

2. Shri Abdul Hannan Ansari
3. Shri Chhitubhai Gamit
4. Shri M.Y. Ghorpade
5. Shri Mohd. Ayub Khan
6. Shri Y.S. Mahajan
7. Maj. Gen. R.S. Sparrow
8. Smt. Usha Rani Tomar
9. Dr. Chandra Shekhar Tripathi
10. Shri Vir Sen
11. Shri Yogeshwar Prasad Yogesh

Rajya Sabha

12. Shri Jagesh Desai
13. Smt. Manorama Pandey
14. Shri T. Chandrasekhar Reddy
15. Shri Surender Singh

SECRETARIAT

1. Shri B. D. Duggal - *Director (PAC)*
2. Shri A. Subramanian - *Senior Financial Committee Officer*

REPRESENTATIVES OF AUDIT

1. Shri G. M. Mani - *ADAI (Railways)*
2. Shri R. Ramanathan - *Director (INDT)*
3. Shri S. K. Singhal - *Director of Audit (P&T)*
4. Shri S. K. Gupta - *Joint Director*
5. Shri K. Jayaraman - *Dy. Director (Railways)*
6. Shri Ved Prakash - *Dy. Director (P&T)*

2. The Committee considered and adopted the following Reports with minor modifications :

(i) * * * *

(ii) * * * *

(iii) Draft Action Taken Report on action taken on 73rd Report (Eighth Lok Sabha) relating to hiring of private buildings at Naraina Industrial Area, Phase-II, New Delhi.

3. The Committee authorised the Chairman to incorporate in the reports other minor modifications / amendments arising out of factual verification of the same by Audit in respect of these Reports. The Committee also authorised the Chairman to present these reports to the House.

The Committee then adjourned.

