

MINISTRY OF INFORMATION AND BROADCASTING

Prasar Bharati

Performance audit of the system of revenue generation by Doordarshan and All India Radio

1. Introduction

Prasar Bharati (Broadcasting Corporation of India) was constituted by the Government of India through Prasar Bharati (Broadcasting Corporation of India) Act, 1990. The Corporation has its own Fund to which all the receipts of the Corporation are credited and from which all payments by the Corporation are made. Doordarshan, which manages television transmission, and All India Radio (AIR), which manages radio transmission, function as two separate divisions of Prasar Bharati and are managed by Prasar Bharati Board appointed in November 1997.

Doordarshan (DD) started commercial services from January 1976. Director General, DD frames policies for telecast of commercials and plans schedules and fixes rates for commercial advertisements. The Commercial Division of Doordarshan sends instructions for telecast for advertisements, collects payments and finalises the Rate Card for sponsorship and telecast fee. Normally, advertisements in Hindi are telecast on the National Network while advertisements in regional languages are telecast on the Regional Kendras. Bookings are normally accepted through registered and accredited agencies at Doordarshan Commercial Service (DCS), New Delhi and 48 Regional Kendras. The Regional Kendras are responsible for

- telecasting sponsored/commissioned programmes/advertisements,
- preparation of telecast certificates/cue sheets,
- preparation of bills,
- collecting demand drafts against the bills raised by them and forwarding these to DCS, New Delhi for credit into Prasar Bharati's account,
- initiating action to recover the outstanding dues from agencies etc.,
- marketing the in-house programmes and
- entering into contracts with outside marketing agencies to produce and market films and programmes on Regional Channels.

AIR, which broadcasts its programmes from various stations, has been running a commercial service since November 1967 to promote sale of goods and services through advertisements. Initially, only the Central Sales Unit, Mumbai (CSU) of AIR was responsible for marketing. This was later partially decentralised to facilitate booking of advertisement by local advertisers. Commercial Broadcasting Service (CBS) Stations are responsible for booking, billing and accounting of commercials on the primary channel stations coming under their jurisdiction. There were 15 CBS in India as of March 2005.

The revenues generated by DD and AIR during the last four years is given in Table 1.

Table 1: Revenue generation by DD and AIR

(Rupees in crore)

Year	Doordarshan	All India Radio
2001-02	615.21	96.68
2002-03	553.81	102.25
2003-04	530.23	117.69
2004-05	665.27	136.00

2. Audit objectives

The present performance audit of the system of revenue generation by DD and AIR has been conducted to determine the adequacy of procedures including the functioning of internal controls instituted for levy, collection and accounting of advertisement receipts and the parameters for fixing of rates for various services offered. The trends and fluctuations in revenue generation were also examined.

3. Audit criteria

Important audit criteria used for conducting performance audit of the revenue generation activities of Prasar Bharati were:

- parameters for fixing rates for various services offered by Prasar Bharati;
- the rates levied vis-à-vis the rates as per the provisions of the rate cards;
- volume of revenue generation vis-à-vis the rates fixed by Prasar Bharati for telecast of programmes/commercial advertisement;
- promptness in remittance of revenue to Prasar Bharati's Fund;
- terms and conditions of the agreement with the agencies and
- efficiency and effectiveness of the mechanism for assessment, collection and accounting of revenue generation.

4. Scope of audit

Records maintained by the Doordarshan Kendras of 22 states and 4 union territories, the Director, Commercial Services, 15 CBS centres, the CSU Mumbai and the Dy. Director General (Commercial) of All India Radio for the period 2001-02 to 2004-05 were test checked by Audit. One quarter from each financial year was selected for detailed scrutiny viz. October to December 2001 for 2001-02, January to March 2003 for 2002-03, October to December 2003 for 2003-04 and January to March 2005 for 2004-05.

5. Audit methodology

The plan of audit and the objectives of performance audit of the system of revenue generation by DD and AIR were discussed in an entry conference with the senior officers of the Ministry of Information and Broadcasting, Prasar Bharati, and the commercial services of DD and AIR. Similar conferences were held in the states with the respective heads and senior officers of Doordarshan Kendras and CBS. The audit process included collection of data through the scrutiny of Bill registers, Scheduling registers, Telecast advices, Telecast certificates, Rate cards, Cash books, Agents' ledgers etc.

6. Audit findings

Performance audit of the system disclosed system deficiencies, procedural lapses, faulty maintenance of basic records in violation of the prescribed procedures, losses of revenue, delayed action for recovery of dues, inadequate internal controls etc., as brought out in detail in the succeeding paragraphs.

6.1 DOORDARSHAN

6.1.1 Marketing Management

6.1.1.1 Shortfall in achievement of targets

Targets for the years 2001-2002 to 2003-2004 were not made available to audit. During the year 2004-05, against the target of Rs. 701.34 crore, revenue of Rs. 665.27 crore only could be earned as shown in Table 2 below:

Table 2: Revenue generation by DD

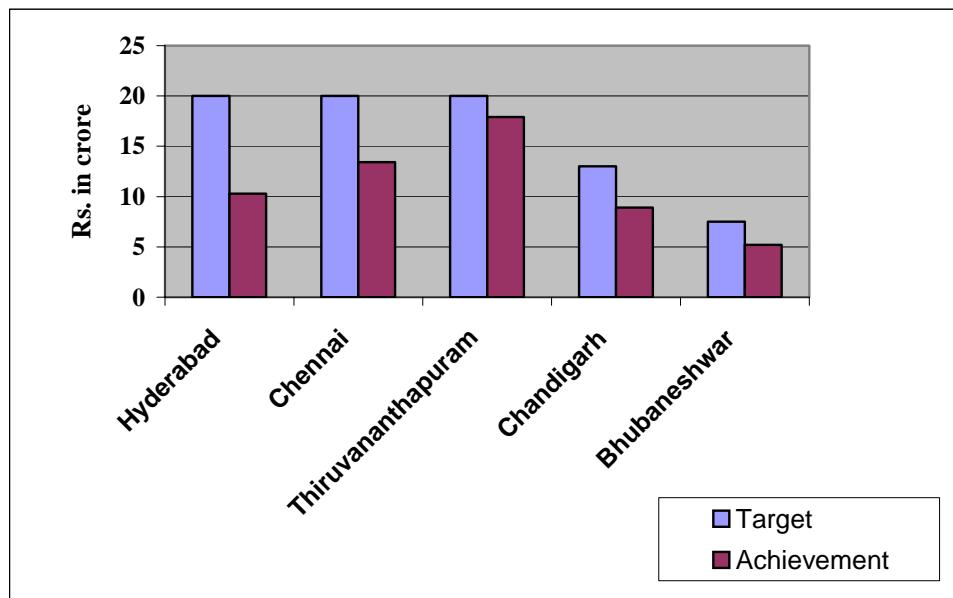
(Rupees in crore)

Year	Doordarshan		
	Targets	Revenue collected	Shortfall
2001-02	NA*	615.21	-
2002-03	NA	553.81	-
2003-04	NA	530.23	-
2004-05	701.34	665.27	36.07

*NA – Not available

The significant shortfall noticed in five kendras is shown in the chart below:

Chart 1: Achievement of some DDKs vis-à-vis targets fixed for revenue earning during 2004-05



The shortfalls indicate that DD failed to use the tremendous growth in its network to generate commensurate revenues. Audit scrutiny revealed that in Imphal, despite ten fold increase in the capacity of transmitters, the revenue generation declined to Rs. 1.34 lakh in 2004-05 from Rs. 4.29 lakh in 2003-04 which was even lower than the revenue of AIR, Imphal.

6.1.1.2 Extra benefit to the agencies due to allowing of additional FCT

DD charges sponsorship fee and provides Free Commercial Time (FCT)¹ to the sponsors in accordance with its rate card. The sponsors sell the FCT for commercial advertisements to recover their cost of production; pay sponsorship fee to DD and the balance is retained as their profit. Subsequent to the levy of service tax on broadcasting services by the government of India from 1 April 2003, the DCS revised the commercial rate card of DD in March 2003. The telecast fee in the revised rate card was enhanced by approximately 10 *per cent* of the pre-revised rates and was inclusive of service tax of eight *per cent*. The revised rate card further allowed additional FCT of 10 seconds per telecast of 30 minutes, over that allowed under the existing pre-revised rates. The increased FCT in the revised rate card resulted in extra benefit of Rs. 6.55 crore to the sponsors from August 2003 to March 2004, whereas the DD could gain only Rs. 27.87 lakh through the increase in rates.

DCS stated (June 2006) that since the additional FCT was not selling, it could not be termed as cost to the organisation rather it was gain to the organisation. The reply is not tenable as it is apparent from the above that the sponsors gained much

¹ 'Free Commercial Time' is the time allowed by the DD/AIR for commercial advertisements to the sponsors without charging any fee.

more than the DD. DD should have taken steps to sell the available commercial time to the other sponsors.

Rate card of Regional Kendras was also revised in August 2003 in the above manner, which also resulted in extra benefit of Rs. 23.90 lakh to the sponsors during 2003-04 in DDK, Kolkata.

6.1.1.3 Loss due to non-monitoring of use of Free Commercial Time

According to rate card, the producers and agencies are allowed to utilise FCT for the prescribed duration for sponsored and commissioned programmes, which vary with the time band. The banking² of FCT unutilised is permitted as per the rate card in all programmes. In addition to FCT, credit lines³ are also given free of cost upto 20 seconds at the beginning and upto 20 seconds at the end of programmes. However, the outside produced and sponsored programmes given on bidding process are regulated as per the provisions of banking provided in the bid application form and the agreement entered into by the sponsors.

DCS allowed one agency to telecast Hindi feature films on Saturday nights on national channel for the period 5 April 2003 to 3 April 2004 on minimum guarantee basis and in lieu of that, the agency was entitled to specified FCT for each hour of the film. The additional spot buy rates chargeable for excess use of commercial time were Rs. 60,000, Rs. 30,000 and Rs. 20,000 per ten second for the first hour, the second hour and the third hour of telecast of the film respectively. The agency was also allowed banking of upto 200 seconds of unused FCT in each film which was to be utilised in the same hour where it was banked due to non-utilisation. However, the agency utilised excess commercial time over and above that admissible in the first hour of the telecast of the film since the very first film and also used banked FCT above 200 seconds in the second hour. The DCS, New Delhi raised the bill for less commercial time of 19,655 seconds valuing Rs. 9.67 crore.

Further, there was no provision for credit lines before advertisements but the agency used credit lines of 7550 seconds for which no bill was raised. The value of credit lines at the rate of Rs. 60,000 per ten seconds for half of time i.e. 3775 seconds and at the rate of Rs. 30,000 per ten seconds for the balance of 3775 second worked out to Rs. 2.89 crore (net of agency commission). Thus, the Commercial Services suffered an aggregate loss of Rs. 12.56 crore for the period from 5 April 2003 to 3 April 2004.

Similarly, DDK Mumbai, did not demand Rs. 6.52 crore for the excess use of commercial time of 19618 seconds and credit lines of 31520 seconds in telecast of regional feature films of two agencies during October 2000 to June 2005. The Kendra stated (October 2005) that the credit lines were given free of cost upto 20 seconds in

² ‘Banking’ is the unutilised commercial time in a programme to be subsequently utilised within the same programme.

³ ‘Credit lines’ contain visual presentation of the name of the client (company) in any lettering/style choice and/or name in audio including accompanying music or name of the product, spoken or written in any style with or without accompanying music. These are allowed at the beginning and at the end of the programme.

the beginning and 20 seconds at the end of each commercial capsule and was included in the package of sponsored category. The reply of the Kendra is not tenable as the agreements, with the agencies clearly specified that the credit lines would be included in the admissible FCT. The Kendra could not take a contrary stand citing the rate card, which was not applicable when specific agreements were entered into.

Further, the Kendra also did not demand Rs. 1.26 crore for excess commercial time used in three other serials telecast during March 2001 to April 2005.

6.1.1.4 Irregular grant of FCT

The rate card, which regulates the charging of sponsorship rate, prescribes the amount to be charged per 30 minutes of programme time and the FCT allowable thereon. In case of programmes with duration of less than 30 minutes, FCT is applicable on *pro rata* basis. The advertising agencies are allowed 100 *per cent* continuous banking of unused FCT. This banked FCT can be used subject to the limits fixed in the rate card but cannot exceed the FCT available at their credit. The rate card applicable upto 31 August 2001 specified that not more than 100 seconds of banked FCT could be used in a 30 minutes' programme in addition to admissible FCT. The rate card implemented from 1 September 2001 reduced the utilisation of banked FCT to 60 seconds per episode. Direct clients⁴ who sponsor in-house programmes through the Marketing Division can use their banked FCT not only in the programmes sponsored by them but also in other on-going inhouse programmes which are in the same time band or in a time band lower than the concerned sponsored programmes.

A few instances of non-observance of the prescribed procedure outlined above resulted in loss of Rs. 8.88 crore are shown in Table 3.

Table 3: Loss due to irregular grant of FCT

Name of Kendra	No. of cases	Amount Involved (Rs. in crore)	Remarks
Mumbai	29	5.91	For programmes of less than 30 minutes' duration, excess FCT was allowed instead of FCT on <i>pro rata</i> basis.,
Mumbai	6	1.10	Agencies utilised banked FCT beyond prescribed norms.
Mumbai	1	0.26	The agency was allowed FCT of 700 seconds instead of 650 seconds quoted in the bid.
Mumbai	3	0.13	Non-recovery of charges when the advertisement telecast exceeded the banked FCT at the credit of the advertiser.
Kolkata	2	0.59	Kendra allowed excess FCT of 180 seconds instead of admissible 150 seconds.
Kolkata	1	0.32	Kendra did not apply restrictions pertaining to banking of FCT as required and allowed the producer to utilise excess commercial time of 1 hour 10 minutes and 55 seconds.
Kolkata	1	0.16	For programmes of less than 30 minutes' duration, instead of allowing FCT on <i>pro rata</i> basis, excess FCT was allowed.

⁴ A direct client is a client (company) who comes directly to DD/AIR for business and not through any advertising company.

Name of Kendra	No. of cases	Amount Involved (Rs. in crore)	Remarks
Hyderabad	7	0.37	Spread over banking allowed to agencies instead of direct clients.
Bhubaneswar	50	0.04	Agencies utilised excess FCT, which was not billed due to improper/non-maintenance of FCT Banking Register.
Total	100	8.88	

6.1.1.5 Loss due to non-revision of telecast fee

(i) The rate card applicable from 10 July 2001 provided for a 25 *per cent* increase in the telecast fee of the slot of all sponsored serials telecast on National Channel of DD after telecast of 26 episodes and another 15 *per cent* increase of the initial telecast fee after every 13th episode thereafter. This provision was amended from 17 May 2002 and the initial hike of 25 *per cent* after telecast of 26 episodes was withdrawn. It also provided that instead of 15 *per cent* increase in the telecast fee on extension of serial after 39th and 52nd episode, the terms of agreement were to be reviewed and revised. These decisions of May 2002 were, however, not applicable to the serials for which agreements had been signed before 17 May 2002. Records for the month of October – December 2001 and January-March 2003 relating to serials telecast on the National Channel of Doordarshan revealed that DCS did not enhance the telecast fee after 26th, 39th, 52nd etc. episodes by the applicable rates. Charging of lower fee resulted in loss of revenue of Rs. 5.03 crore as detailed in **Annex-1**.

(ii) In July 2001, the Doordarshan Kendra, Kolkata invited bids from outside producers for the telecast of sponsored programmes for different time slots and short listed two producers for a particular slot. The Doordarshan revised the rate card in September 2001 and August 2003. Though the revised commercial terms and rates were more advantageous to the Kendra, it entered into an agreement with a producer in November 2003 allowing him higher FCT as admissible before the revision of the rate card. Even this was done selectively as the Kendra while allowing higher FCT, did not enforce the other commercial terms prevailing at the time of bidding. As per the pre-revised terms, the Kendra was required to increase the telecast fee by 50 *per cent* while granting extension after every 130 episodes. However, it allowed the producer extensions upto 350 episodes without any increase of telecast fee. This resulted in undue benefit to the producer and loss of Rs. 19.88 lakh to DD during June 2004 to July 2005.

6.1.1.6 Loss due to excess allotment of time

According to DD guidelines for sponsored programmes, the actual programme content of a 30 minutes' slot should not exceed 22.5 minutes. Out of the balance of 7.5 minutes, the producer of a programme gets FCT of 2.5 minutes and the remaining 5 minutes belong to the DD, which it can sell at the prescribed rates.

DDK, Kolkata invited proposals in November 2001 from producers for programme slots of 25 minutes' duration instead of 30 minutes. On a *pro rata* basis, the programme content should have been limited to 18.75 minutes and FCT to 2 minutes. At the time of concluding agreements with the highest bidders for two

different programmes ('Manik' and 'Pratikkha Ektu Bhalobasar'), while the Kendra correctly calculated the FCT admissible for each 25 minutes' slot, it incorrectly calculated the *pro rata* time for the programme content and allowed excess time of 3 minutes 45 seconds for one programme and 1 minute 55 seconds for the other. In response to Audit observation, the Kendra subsequently adopted the correct procedure.

Examination of studio logbook further revealed that the actual excess consumption of time in the above two programmes ranged from 5 seconds to 6 minutes 55 seconds per episode. Audit ascertained that the producers were charged for the allowable time and not charged for the excess time of 18 hours 33 minutes 12 seconds consumed in 479 episodes resulting in loss of revenue of Rs. 4.01 crore during the period September 2002 to March 2005.

No system existed for monitoring the duration of the programme content, as the Telecast certificate⁵ issued by the Kendra did not contain any information on the excess consumption of time.

6.1.1.7 Non-recovery of uplinking charges

Doordarshan was providing uplinking facilities to outside producers from October 1990 but did not enter into any contract with them before rendering the service. No bills were, therefore, raised against the outside agencies that availed the uplinking facilities from October 1990 to April 1998. In June 1998, CBI initiated inquiry into non-billing of uplinking charges in respect of M/s. NDTV, New Delhi. Thereafter, in August 1998, the Director General of Doordarshan, New Delhi decided that upto 31 March 1998, the bills would be raised by the Directorate and from 1 April 1998, individual Kendra would raise and realise the bills. DDK, Mumbai raised bills of Rs. 1.16 crore against six agencies for the period October 1990 to January 1995. The agencies did not pay the amount. DDK, Mumbai further raised bills for the period April 1998 onwards out of which, an amount of Rs. 54.91 lakh for two agencies was outstanding as on 31 March 2005. Besides, Rs. 1.32 crore was also outstanding against M/s Aaj Tak for the period 1995 to 1998. The matter is under arbitration. Thus, providing uplinking services without entering into contracts and delays in billing the agencies resulted in non-realisation of dues of Rs. 3.03 crore as on 31 March 2005.

6.1.1.8 Non-recovery of charges from foreign users

According to the rate card of Doordarshan Technical Facilities, foreign users seeking technical facilities from Doordarshan have to furnish an assurance from the concerned Embassy that the payment would be made within 30 days of receipt of invoice. Failing this, the hire charges are to be deposited in advance through bank draft. Audit ascertained that DD provided technical facilities to foreign channels during April 2001 to August 2005 and against these channels, invoices for US\$ 504141 were raised. Only US\$ 365894 was received leaving US\$ 138247 equivalent

⁵ Telecast certificate contains the details of commercial advertisements telecast/broadcast in a programme as per log book maintained.

to Rs. 61.69 lakh (conversion rate of 1 US\$=Rs. 44.62 as on April 2006) outstanding as on 31 March 2006.

The Central Production Centre, New Delhi stated (January 2006) that providing and taking of feeds and other broadcasting services are in most cases unplanned and are of emergent nature and it was not practically possible to take advance payment/assurance. The reply is not tenable, as Doordarshan has to act according to the conditions prescribed in the rate card. In case of any difficulty in implementing any provisions, it has to revise the condition keeping in view the ground realities but in a manner that safeguards its revenues. International Marketing Division, Doordarshan further stated (June 2006) that they were in touch with the foreign agencies and regularly send reminders to the parties from time to time for the recovery of outstanding dues.

6.1.1.9 Revenue foregone due to free telecast

The rate card specifies that public service broadcast and children's category programmes shall be charged at *75 per cent* of the slot fees and shall be allowed the admissible FCT for the slots.

The DDK, Mumbai telecast two programmes 'Yashwantrao Chavan Mukta Vidyapeet' and 'Balchitravani' of half hour duration without charging any fee resulting in loss of revenue of Rs. 50.40 lakh over the period from April 2001 to December 2004. The Kendra stated (January 2006) that the telecast was made as per the directions of DG, Doordarshan and these programmes were provided by the state governed bodies, which were non-profit making organisations. The contention of the Kendra is not tenable as the rate card specifically provides for recovering telecast fees at the prescribed discounted rates for public broadcast service.

DDK, Hyderabad telecast music videos pertaining to Rythu Mahila Janmabhoomi (250 seconds), Godavari Pushkarams (290 seconds) and Jalachaitanya (193 seconds) free of cost at the request of the government of Andhra Pradesh. DDK has not maintained any record of the number of times the music videos were telecast. The loss of revenue could not, therefore, be quantified by Audit.

6.1.1.10 Delay in processing of proposals

According to Doordarshan's guidelines no. 1/7/2001-P.I effective from 1 July 2004, for the consideration, processing and approval of proposals received from outside producers for telecast of TV Programmes under Doordarshan's Sponsorship Scheme, the proposals received for telecast are to be processed within 13 weeks. DDK, Bhubaneswar received 452 proposals during 2001-02 to 2004-05. Of these, 56 proposals had not been processed as of 30 November 2005. A proposal for telecast of a programme called 'Tasara Ghara' was received on 7 September 2002 and was accepted (10 September 2002) for 26 episodes (5 parts each) for 130 days. The producer was asked to submit the pilot episodes, which were produced and submitted in November 2002. The producer, however, went to a private channel because of the delay in processing. DDK Bhubaneswar also closed the proposal (September 2004) without processing on the ground that the "serial was already on air in a private

channel". Thus the producer switched over to the private channel to the detriment of DD's interest.

6.1.1.11 Recommendations

- *DD should fix realistic revenue targets keeping in view the potential of each Kendra, set up a proper monitoring system to periodically review revenue generation and take timely corrective action based on such review.*
- *A system should be evolved not only to keep a watch on the commercial time utilised by the producer but also the duration of the programme content.*

6.1.2 Financial Management

6.1.2.1 Undercharging of telecast fees due to incorrect application of rates

According to the rate card, if the programme starts at 'prime time'⁶ then the rate applicable for prime time has to be charged throughout the duration of the programme. However, DDK Mumbai charged for the Marathi feature film telecast at the prime time on Fridays, prime time rate for the first sponsorship hour and non prime time rate for the remaining duration. This resulted in loss of Rs. 9.12 lakh during the period from September 2004 to March 2005.

6.1.2.2 Undue benefit to private producers

Under the Minimum Guarantee⁷ (MG) System, the agencies sponsoring programmes, guarantee the payment of a lumpsum amount for which they are entitled to free commercial time of a fixed duration. The serial 'Damini' was to be telecast with MG amount of Rs. 66,000 per episode with FCT of 190 seconds. The DD revised the rate card with effect from 01 September 2001, wherein the spot buy rate was reduced from Rs. 14,000 to Rs. 7,000. The rate card also withdrew the benefit of 30 seconds' bonus for repeat telecast and allowed the bonus only for premier telecast on the satellite channel. Immediately on the implementation of the new rate card, the agency requested DDK, Mumbai to reduce the telecast fees from Rs. 66,000 to Rs. 42,000. The DD reduced the telecast fee with effect from 29 October 2001 even though the new rate specifically provided that in case of MG programmes this rate card was not to be made applicable to the financial disadvantage to DD. This resulted in loss of Rs. 29.04 lakh to DD. Similarly, in four cases of DDK, Hyderabad, sponsorship fees was reduced resulting in loss of Rs. 14.73 lakh.

6.1.2.3 Irregular grant of commission

- (i) DDK, Mumbai started giving marketing rights of Marathi Feature Films after following the bidding process for Sunday films from August 2000 and

⁶ The prime time is the time band on DD-1 i.e. 8 pm to 11 pm on all days and 9 am to 1 pm (Sunday) and on DD-2 from 8 pm to 10.30 pm (on all days) when the viewership is the maximum.

⁷ DD introduced the Minimum Guarantee (MG) Scheme in 1995 whereby producers are required to pay 'a minimum lumpsum amount' for telecast of the programme and in lieu they are offered certain extra commercial time.

Saturday films from January 2004. Bids were called for and the marketing agencies were, *inter alia*, required to give the bids for the MG amount. Nowhere in the bid document was it mentioned that any commission would be payable on the MG. However, while entering into agreements with two agencies between April 2001 and June 2005, the Kendra modified the terms and conditions as stipulated in the bid application form and changed the term ‘MG’ into ‘Gross’ at the request of the bidder. Since commission could be paid out of ‘gross’ amount, it allowed deduction of 15 *per cent* commission from the minimum bid amount. Unauthorised modification of the bid condition thus resulted in irregular grant of commission of Rs. 2.41 crore.

The Kendra stated (October 2005) that the commission was given as per rate card and the agency would not have bid if commission was not to be paid. The reply is not tenable as the commission could be paid only if it was disclosed in the bid application form. In the normal course, the rate card specifies that a commission of 15 *per cent* would be paid to the agencies. The same principle does not hold good in the process of bidding which is governed by the terms and conditions of the bid document. Moreover, the amount quoted by the agencies was ‘Minimum Guarantee Amount’ and cannot be misinterpreted to mean ‘Gross’. Unauthorised inclusion of the clause of payment of 15 *per cent* commission in the agreements against the specifications mentioned in the bid documents resulted in undue benefit to the agencies and loss of Rs. 2.41 crore to DD.

- (ii) Similarly, DDK, Ahmedabad allowed commission of Rs. 21.57 lakh on MG amount during the period from 2001-05, which was not in order. DDK, Kolkata entered into agreements with two producers for telecasting their sponsored programmes through the open tender system. According to the agreement, the producers’ designated advertising agencies were to file the sponsorship contracts 48 hours before the telecast of the programmes. The Kendra allowed commission of Rs. 83.53 lakh during the period November 2002 to December 2005 to these agencies. As the programmes were allotted directly to the producers through open tender, allowing of commission to the agencies was irregular.

Ministries/Departments are entitled to concession of 25 *per cent* on public interest themes, 30 *per cent*, if the annual commitment is Rs. 2 crore and above, and 40 *per cent*, if the annual commitment is Rs. 5 crore and above. However, DDK, Hyderabad allowed concession of 50 *per cent* from March 2001 to November 2001 to the Commissioner of Small Savings, government of Andhra Pradesh on a business of Rs. 59.05 lakh instead of 25 *per cent*. This resulted in irregular grant of excess concession of Rs. 14.76 lakh. Similarly, DDK, Bhubaneswar allowed 50 *per cent* concession from April 2003 to March 2004 instead of 40 *per cent* in 13 cases resulting in loss of revenue of Rs. 7.83 lakh.

- (iii) Only accredited and recognised agencies are entitled to get commission of 15 *per cent* on the business booked by them with the DD. However, DDK, Jaipur

irregularly allowed commission of Rs. 1.80 lakh during December 2002 to December 2004 to non-entitled agencies.

The total commission irregularly allowed by the six DDKs mentioned above was Rs 3.70 crore, as computed below:

Table 4: Commission irregularly allowed by DDKs

(Rupees in lakh)	
DDK	Amount
Mumbai	240.97
Ahmedabad	21.57
Kolkata	83.53
Hyderabad	14.76
Bhubaneswar	7.83
Jaipur	1.80
Total	370.46

6.1.2.4 System deficiency in fixing the quantum of bank guarantee

The agreements require the producers to furnish bank guarantee equivalent to telecast fee for eleven weeks (two and half months). Further, the telecast fees in respect of programmes telecast in a particular month are payable by the 75th day from the first day of the month following the month of telecast. In this way, the programmes would have been telecast upto three and a half months before the fees for the programmes telecast in the first month become legally payable. Thus, in case of an agent turning defaulter, telecast fees equivalent to the fees for one month cannot be recovered even if the bank guarantee is invoked promptly. This implies that the quantum of bank guarantee is not commensurate with the period allowed to agencies for making payment of telecast fees.

DCS stated (June 2006) that there were a number of cases, in which bank guarantees were invoked and further stated that the outstanding amount was also recoverable from the accredited agencies, which also furnished bank guarantee of Rs. 25 lakh. The reply is not tenable as the issue relates to the adequacy of bank guarantee vis-à-vis the period allowed to the agencies for making payment of telecast fees. The guarantee of Rs. 25 lakh is for accreditation status and does not relate to a specific programme. A number of programmes can be telecast on behalf of the agency against its accreditation and its dues can accumulate beyond Rs. 25 lakh.

6.1.2.5 Delay in despatch of demand drafts by the Regional Kendras

Billing of commercial advertisements telecast on Regional Kendras was decentralised from January 1995. The payments against these bills were to be made by the agencies through demand drafts drawn in favour of DD, New Delhi. The whole process of collecting the demand drafts and then forwarding these to the DCS resulted in delay in realisation. In 12 stations, the delay ranged between 1 and 619 days as detailed in Table 5.

Table 5: Delay in dispatch of demand drafts by Regional Kendras

Sl. no.	DDK	Delay range	No. of cases
1	Srinagar	7 to 619 days	3369
2	Bhubaneswar	1 to 51 days	1031
3	Kolkata	More than 30 days	402
4	Thiruvananthapuram	15 days to 90 days	357
5	Jallandhar and Chandigarh	5 to 119 days	356
6	Patna	2 to 162 days	239
		332 to 425 days	3
7	Ranchi	2 to 105 days	103
8	Chennai	32 to 173 days	63
9	Guwahati	5 to 57 days	24
10	PPC (NE)	8 to 75 days	17
11	Hisar (Haryana)	15 to 60 days	11
12	Panaji	22 to 64 days	9

Further, DCS was sending only the gross amount of a batch of demand drafts without mentioning their details, which did not facilitate any reconciliation at the DDKs. It was, therefore, not possible to know whether all the demand drafts had been received by DCS and credited to bank. During 2001-05, DDK Hyderabad sent 2452 drafts of Rs. 23.64 crore to DCS, Delhi. However, the confirmation was received only for 428 drafts of Rs. 3.93 crore during the period from 25 October 2001 to 19 October 2004. No further information was received from DDK, Hyderabad. The reconciliation was also not done by DDK Jallandhar with DCS, Delhi. Non-reconciliation of bank drafts renders PB vulnerable to fraud and embezzlement of public funds.

6.1.2.6 Failure to cancel accreditation

According to condition 18 (a) of schedule ‘B’ relating to, ‘terms and conditions’ of Doordarshan Manual, accreditation of agencies gets automatically cancelled if they fail to make the payment of monthly bills by the due date on more than three occasions in a year, or within 45 days after the prescribed credit period. Further, Doordarshan is entitled to charge interest at the rate of 18 *per cent* per annum upto March 2003 and at the rate of 14.5 *per cent* per annum from April 2003 onwards on all amounts due to it, which are not paid within the stipulated credit period. The interest is to be charged from the day following the due date of payment and computed on monthly basis. Audit observed that in 15 kendras, dues of Rs. 513.38 crore were outstanding as on 31 March 2005 as detailed in Table 6.

Table 6: Outstanding dues

Name of Kendra	Amount (Rs. in crore)	Remarks
Hyderabad	7.98 (4.01 P + 3.97 I)	Legal proceedings not started in any case. Addresses of six agencies (amount due Rs. 48.50 lakh) could not be traced.
Kolkata	46.01 (32.15 P + 13.86 I)	Out of 30 agencies, which accounted for most of the dues, only two were in business. Although the Kendra had a separate legal section, it did not take any follow-up action on the legal notices issued by it to 25 defaulting agencies in March 2002 and March 2004.

Name of Kendra	Amount (Rs. in crore)	Remarks
Jaipur	1.46 (1.11 P + 0.35 I)	Rs. 50.78 lakh pertains to 1995-2003
Bhubaneswar	2.39 (1.90 P + 0.49 I)	The dues pertain to 1995-2005. Whereabouts of 3 agencies with outstanding dues of Rs. 42.03 lakh were not known.
Mumbai	19.67 (10.73 P + 8.94 I)	The dues pertain to 1994-95 to 2004-05 against 109 agencies. 29 agencies with dues of Rs. 284.07 lakh did not respond to the notices for arbitration. The Kendra did not know the whereabouts of 11 agencies with dues of Rs. 16.91 lakh.
Guwahati (including PPC-NE)	0.80 (0.52 P + 0.28 I)	The dues pertain to 1996-97 to 2004-05. Though the DCS was apprised about the defaulting agencies, but in the absence of instructions from it, telecast was not stopped by the Kendra.
Chandigarh and Jallandhar	4.16 (2.47 P + 1.69 I)	Rs. 244.37 lakh pertains prior to 2000-01.
Thiruvananthapuram	17.25 (16.43 P + 0.82 I)	Rs. 376.56 lakh pertains prior to 2000-01.
Patna	1.97 (1.23 P + 0.74 I)	Rs. 113.83 lakh pertains prior to 2000-01.
Bangalore	10.65 (5.46 P + 5.19 I)	Rs. 954.80 lakh pertains prior to 2000-01.
Chennai	6.97 P ⁸	Rs. 499.66 lakh pertains prior to 2001.
Ahmedabad	2.15 (1.77 P + 0.38 I)	Pertains to period from 1996 to 2005. Rs. 66.29 lakh was due from 33 agencies, which were not in business. No action was initiated despite the Kendra having a separate legal cell.
Bhopal	1.27 (0.84 P + 0.43 I)	The dues pertain to 1995-2005. Three agencies were allowed to do business as of March 2005 without paying their dues for March 1995 to January 1999.
Lucknow	3.10 P ⁸	Rs. 62.40 lakh is outstanding from 19 firms.
Delhi	387.55 (287.81 P + 99.74 I)	Dues of Rs. 183.90 crore pertaining to 54 agencies were under litigation.
Total	513.38 (376.50 P + 136.88 I)	

P – Principal I – Interest

Substantial part of the problem could have been sorted out by taking timely action of cancelling the accreditation of the agencies or initiating legal proceedings against them. Some of the major cases of default and delayed action for recovery of outstanding dues by the department are shown in **Annex 2**.

6.1.2.7 Non levy/non recovery of interest

According to paragraph 10.4.2 of the DD Manual, the bills of accredited agencies must be prepared and dispatched so as to reach the agencies by the 10th of the month following the month of telecast. Interest at the rate of 18 *per cent* per

⁸ Interest due was not computed and exhibited in any of the basic records maintained by the DDK.

annum till 31 March 2003 and at the rate of 14.5 *per cent* per annum from 1 April 2003 is to be charged on all amounts not paid within the stipulated credit period. The interest is to be charged from the day following the due date of payment. Audit ascertained that 70 *per cent* bills in DCS, Delhi, 62 *per cent* in Kolkata and 30 *per cent* in Bhopal, were not raised by the prescribed date. In Kolkata the delay was one year in one case, in DCS the delay was six months in 30 cases, in Patna the delay was one to sixteen months in 76 cases and in Hyderabad the delay was twenty-one months in one case. The loss of interest in test checked cases of the period 2001-05 in Delhi, Bhopal, Patna, Kolkata and Hyderabad was Rs. 17.93 lakh.

Further test check of records of nine DDKs revealed that interest of Rs. 33.23 lakh for delayed period was not recovered from the agencies for late payments as detailed in Table 7.

Table 7: Interest not recovered on late payments

DDK	Amount (Rupees in lakh)
Mumbai	15.86
Jaipur	3.98
Jallandhar & Chandigarh	3.22
Thiruvananthapuram	3.20
Bhubaneswar	2.95
Ahmedabad	1.81
Chennai	1.75
Srinagar	0.34
Imphal	0.12
Total	33.23

6.1.2.8 Short recovery of interest

In accordance with the terms and conditions contained in schedule ‘B’ of the Doordarshan Manual, the accredited agencies are liable to pay interest on all amounts due to Prasar Bharati, which are not paid within the stipulated credit period. Further, commercial contracts executed by the agencies for telecast of advertisements/sponsored programmes specify that interest is to be charged from the day following the due date of payment and computed on monthly basis. In April 2005, commercial services decided with the approval of Prasar Bharati Board to charge interest on the basis of actual duration of delay as per number of days instead of treating part of a month as full month. The DCS, New Delhi, irregularly applied the revised method retrospectively while calculating the interest on outstanding demand in seven cases (prior to April 2005). This resulted in short recovery of interest by Rs. 66.30 lakh as detailed in Table 8.

Table 8: Short recovery of interest

Sl. no.	Name of the Agency	Interest calculated by DCS on monthly basis	Interest calculated by DCS on actual number of days	Difference in demand
1	Reasonable Advertising Pvt. Ltd.	125.71	95.34	30.37
2	Nimbus Communication Ltd.	194.25	181.27	12.98
3	Triton Communication Pvt. Ltd.	91.84	81.82	10.02
4	Mudra Communication	22.75	14.33	8.42

Sl. no.	Name of the Agency	Interest calculated by DCS on monthly basis	Interest calculated by DCS on actual number of days	Difference in demand
5	Time Meganatics (I) Ltd.	22.19	19.08	3.11
6	Universal Communication Pvt. Ltd.	10.26	9.00	1.26
7	Asha Communication	2.52	2.38	0.14
	Total	469.53	403.23	66.30

6.1.2.9 Non-levy of service tax/non-deduction of tax at source

DD is liable to levy service tax from 1 April 2003. The payment of service tax has been centralised at DCS, New Delhi. Test check revealed that in eight Kendras, service tax of Rs. 4.22 crore was not levied from April 2003 to March 2005. Further, according to the Income Tax Act, 1961 it is also required to deduct tax at source from the commission payable to the agencies. However, the DCS, Delhi and nine DDKs did not deduct TDS of Rs. 9.34 crore from the commission payable to the agencies while preparing the bills during April 2001 to March 2005 as detailed in Table 9.

Table 9: Non levy of service tax and Non-deduction of tax at source

(Rupees in lakh)

Name of Kendra	Non-levy of service tax		Non levy of TDS
	Period	Amount	
DCS Delhi	-	-	789.84
Mumbai	April 2003 to March 2005	182.76	66.40
Kolkata	May 2003 to June 2003	24.58	-
Jallandhar	April 2003 to March 2005	4.10	36.54
Chennai	-	-	18.79
Hyderabad	April 2003 to March 2004	83.58	10.89
Bhubaneswar	April 2003 to March 2005	38.53	6.25
Bhopal	-	-	3.27
Guwahati	-	-	0.62
Jaipur	-	-	0.60
PPC (NE)	April 2004 to March 2005	0.28	0.33
Srinagar*	September 2002 to March 2005	87.61	-
Varanasi and Gorakhpur	April 2003 to March 2004	0.22	-
Total		421.66	933.53

*The state government is exempted from Central Service tax but is liable to pay State service tax at the rate of 4.2 per cent

DCS, Delhi replied (June 2006) that for the period April 2003 to July 2003, the Central Board of Excise and Customs (Board) was not clear about the tax liability of Prasar Bharati. In May 2003, the Board informed that PB was liable to pay service tax with effect from 1 April 2003. Doordarshan realised service tax by issuing revised bills and paid it to the state exchequer. It had not paid any service tax to the Board from their own funds. However, in the eight kendras cited in the above table, service tax was not realised nor paid to the Government, as statutorily required.

In respect of TDS on commission, the DCS replied (June 2006) that it had disputed the liability of payment of TDS on commission. Doordarshan had filed appeals in different fora and ITAT had given its order in favour of PB.

6.1.2.10 Recommendations

- *Prasar Bharati may either enhance the quantum of bank guarantee or shorten the period allowed for payment or both so that even in the case of agencies turning defaulter, outstanding telecast fees can be recovered by invoking the bank guarantee.*
- *If a bank account is opened for Regional Kendras for depositing the drafts, the delay in realisation of revenues and loss of interest on that account can be avoided besides facilitating easy reconciliation and close monitoring.*
- *Prasar Bharati should formulate specific and time bound action plan for recovery of outstanding dues from the defaulting agencies.*

6.1.3 Resource Management

6.1.3.1 Under utilisation of studios

In DDK, Chennai, out of four studios, two were utilised for single shift and utilisation of one was around 10 *per cent* of the available time of one shift. In DDK, Kolkata, one digital recording studio was used for only 1494 hours between 2002 and October 2005, representing 18 *per cent* of the total hours available. DDK, Ahmedabad (Gujarat), could utilise the recording studio for 910 hours (7.79 *per cent*) out of 11680 hours available during 2002-05. In DDK, Thiruvananthapuram, a studio established in August 2002 at Kozhikode at a cost of Rs. 2.95 crore has not been commissioned as of December 2005.

Though there was a provision for hiring out the studios to private parties on hourly rates, only one studio at DDK, Chennai was let out once and hire charges earned were Rs. 1.15 lakh during the last four years. It was analysed in audit that the idle capacity was due to lack of demand and higher rates of the studio facilities as compared with the private studios.

6.1.3.2 Differences between the outstanding dues published on the web site and that maintained by the Doordarshan

Doordarshan displayed the list of 87 defaulters for the outstanding amount of Rs. 218.84 crore as on 15 August 2005 (**Annex 3**) on its web site (www.ddindia.gov.in/ddprogram/viewdata.aspx). However, there was a difference in respect of amounts shown in the case of 24 defaulters as per the records of Doordarshan. In the case of DCS, New Delhi, the difference was Rs. 29.46 crore in 17 cases and in the case of DDK, Mumbai, there was difference of Rs.16.58 lakh in seven cases as detailed in **Annex 4**.

6.1.3.3 Improper maintenance of records

Audit noted that the records of dues were poorly maintained by DCS. Outstanding dues were not carried forward to arrive at cumulative balances and were not signed by the competent authority. These were also not reviewed by the

Commercial Services. Rs. 24.89 crore pertaining to bills raised during 1996 to 1999, which have remained unrealised, have not been shown as recoverable in the list of outstanding dues. These dues were not in the notice of DCS and this happened because the agents' ledgers were not being maintained properly. DCS replied (June 2006) that efforts were being made to complete the ledgers for the period 1996-99 in spite of non-availability of complete records etc. Since the period was very old, it was time consuming. The current ledger was being maintained.

Similarly, scrutiny of records of DDK, Jaipur for the year 2001-02 to 2004-05 revealed that Rs. 46.10 lakh was not included in the list of dues intimated to DG, Doordarshan.

6.1.3.4 Internal control

Test check of records at 18 DDKs revealed that important records/registers such as agents' ledger, cash books, Daily production sheets⁹, valuable registers, bill registers, summary sheets, banked FCT ledger, telecast summary etc. were either improperly maintained or not maintained at all. Further, internal audit had also not been conducted in most of the cases since the inception of Prasar Bharati (2000 onwards). Due to lack of proper monitoring and internal control, there was considerable loss of revenue. Some of the cases noticed in audit other than the cases highlighted above are detailed in Table 10 and involve loss of Rs. 1.12 crore.

Table 10: Loss of revenue during the period 2001-05

(Rupees in lakh)

Sl. no.	Nature of irregularity	Amount
1	Non-billing (Andhra Pradesh, Bihar, Jammu and Kashmir, Mumbai)	66.87
2	Short billing (Mumbai, Imphal, Jammu and Kashmir, Delhi)	16.91
3	Payment of excess commission due to inclusion of service tax in gross amount (Mumbai)	9.46
4	Irregular grant of commission on processing fee (Jammu and Kashmir)	6.64
5	Non-levy of fees for repeat telecast (Chennai, Patna)	6.18
6	Excess benefit given on barter transaction (Mumbai)	2.52
7	Non-deposit of draft (Orissa)	1.82
8	Loss of interest due to change in due date of payment of revised bills (Delhi, Uttar Pradesh)	0.95
9	Non-collection of dues due to omission to note in the Bill register (Andhra Pradesh)	0.69
10	Telecast without contract (Andhra Pradesh)	0.29
	Total	112.33

6.1.3.5 Recommendations

- *The DCS should strictly follow the provisions stipulated in the Manual. The records need to be maintained properly and periodically reconciled to find out the actual amounts outstanding against various agencies. The internal controls need to be strengthened to check loss of revenue.*
- *Prasar Bharati should strengthen its internal control system to detect cases of undue benefit allowed to the agencies due to incorrect charging of rates etc.*

⁹ Daily production sheet is a statement of programme to be telecast in a day.

6.2 ALL INDIA RADIO

All India Radio informs, educates and entertains people through its programmes broadcast from various stations. It keeps the people all over the country informed about Government policies, plans, programmes and achievements through the medium of sound broadcasting via a variety of programmes on culture, education, science, health and hygiene as well as social and economic aspects. It also keeps the people in all parts of the country informed of the important events of topical interest. It also runs a commercial service, which helps in promoting sale of goods and services through advertisements. It has external services programmes for overseas listeners.

6.2.1 Marketing management

6.2.1.1 Shortfall in achievement of targets of revenue

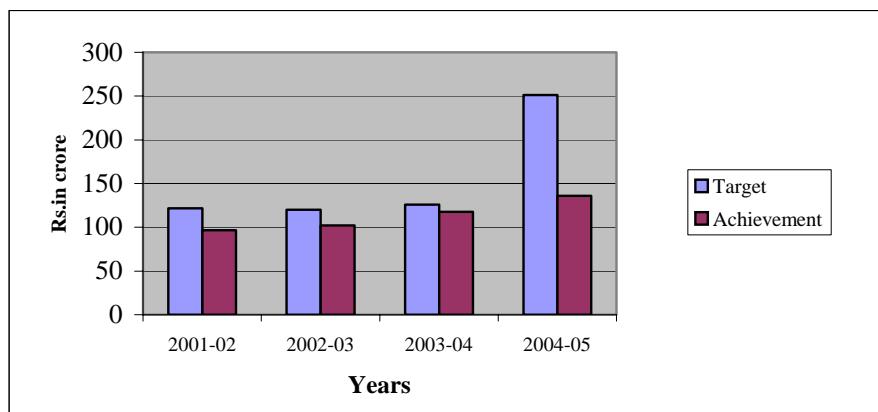
The yearwise targets and achievements in revenue collection are detailed in Table 11 and Chart 2.

Table 11: Year wise targets and achievements

(Rupees in crore)

Year	Target	Achievement
2001-02	121.64	96.68
2002-03	120.00	102.25
2003-04	126.00	117.69
2004-05	251.15	136.00

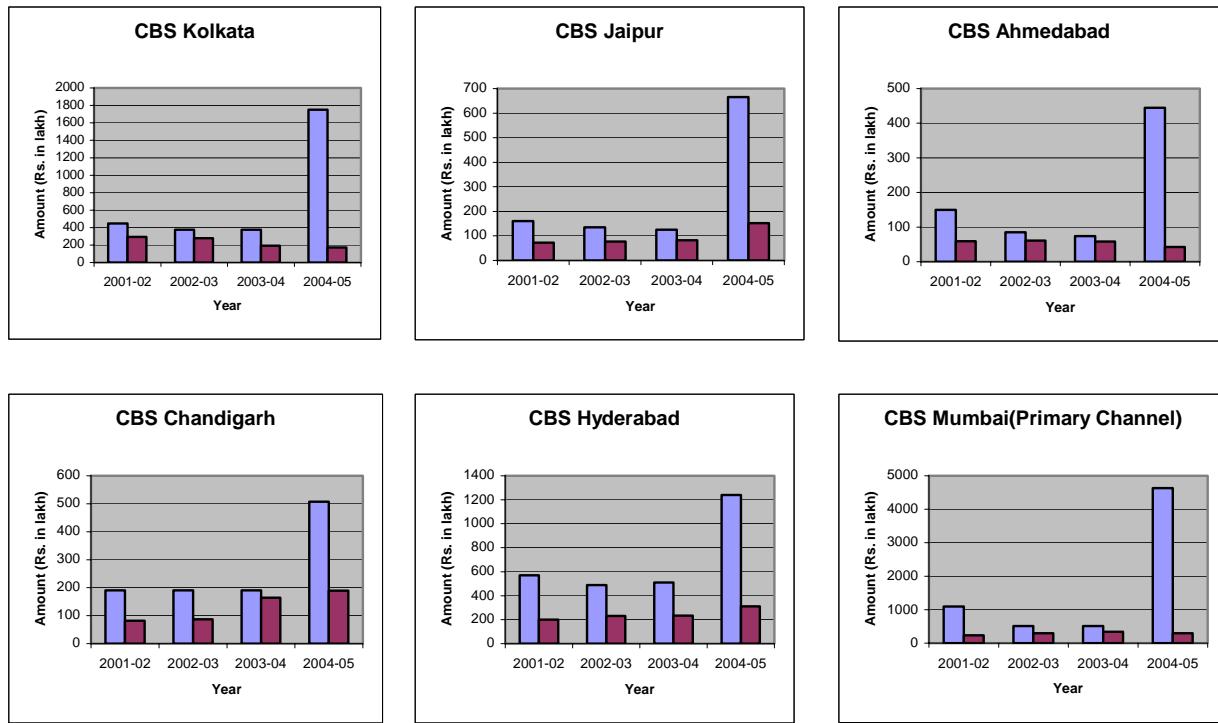
Chart 2: Year wise targets and achievements



For 2004-05, it was decided on the basis of a research to rationalise the grouping of stations according to their market potential and not on the previous year's performance. The revenue targets were also fixed accordingly. But AIR could not exploit the market potential of the cities. This was reflected in only Rs. 136 crore being earned against the target of Rs. 251.15 crore for 2004-05 from 15 CBS and one CSU.

Significant shortfalls were noticed in six CBS situated at Ahmedabad, Chandigarh, Hyderabad, Jaipur, Kolkata and Mumbai as shown in the chart 3 below:

Chart 3: Targets of revenue vis a vis achievement by Commercial Broadcasting Service Stations



Target Achievement

The Director General, AIR in a meeting of the CBSs and the Marketing heads held in June 2005 had observed that out of the total amount spent on advertisement during the year 2004-05 in the country on radio estimated at around Rs. 310 crore, the share of All India Radio was about Rs. 158 crore with 215 radio stations. The private radio stations got the rest with only 22 stations. This indicated that the proportion of revenue of AIR during 2004-05 was not commensurate with its infrastructure. This also shows that the infrastructure created was not being used effectively and efficiently.

6.2.1.2 Declining revenue of FM channels

Revenue from the FM channels at the four metro cities, which formed substantial part of AIR's revenues in 2001-02, had declined by up to 98 *per cent* in 2004-05 as detailed in Table 12.

Table 12: Revenue from FM channels

City	2001-02	2002-03	2003-04	2004-05	(Rupees in crore)
					Decline in 2004-05 over 2001-02 (in per centage)
Delhi	9.14	11.92	3.10	1.18	87
Mumbai	5.29	1.36	0.07	0.11	98
Kolkata	1.80	1.93	1.01	0.80	56
Chennai	2.32	2.93	0.60	0.39	83

The analysis of data of listenership with the trend of revenue revealed that though in Mumbai the listenership had declined only by five *per cent*, the revenue had declined by 98 *per cent*. In Delhi and Kolkata while the decline in listenership was 30 and 14 *per cent*, the revenue had declined by 87 and 56 *per cent* respectively in 2004-05 as compared to 2001-02.

6.2.1.3 Negligible use of time slots for commercial purpose

According to the rate card of AIR applicable from December 2002, a 30 minutes' sponsored programme has 180 seconds Free Commercial Time (FCT). This leaves 27 minutes for broadcast of the actual programme content. Thus, for the other programmes that are not sponsored, a period of three minutes in a 30 minutes' programme or 10 *per cent* of the programme duration, should be available as commercial time that can be sold by AIR to earn revenue. This is also in consonance with the provision of paragraph 15.1.12 of AIR manual which states that 10 *per cent* of the Vividh Bharati (a popular film music programme) transmission time is available for commercial broadcasting. Table 13 below shows that very large parts of available commercial time remained unsold in different CBSs:

Table 13: Unsold time (*per centage of available commercial time*)

CBS	Year			
	2001-02	2002-03	2003-04	2004-05
Jaipur	84.10	92.90	90.80	91.50
Ahmedabad	97.60	94.80	96.30	95.90
Mumbai (CSU)	87.00	87.00	68.00	78.00
Cuttack (Primary channel)	85.90	75.30	88.70	36.10
Delhi	42.00	41.00	82.00	72.00

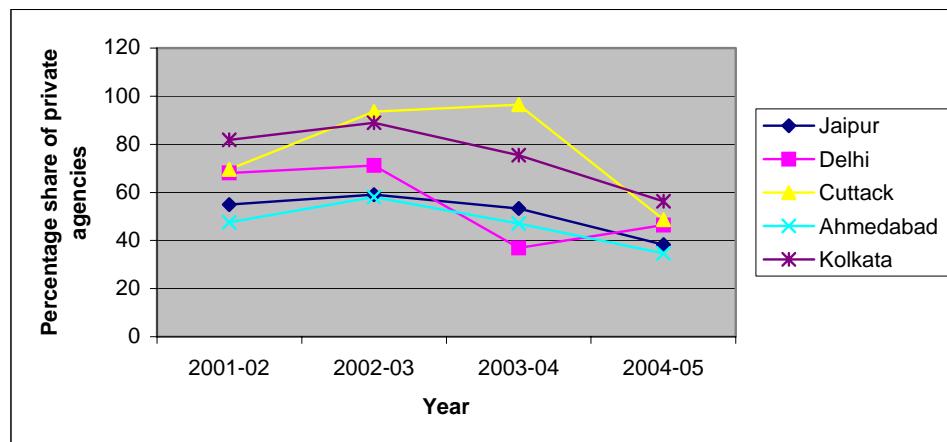
The shortfall ranging from 36 to 98 *per cent* in selling the available time for commercials resulted in loss of sizeable revenue and indicated the ineffectiveness of AIR's marketing efforts.

6.2.1.4 Trend of revenue from private agencies

Test check of records of five CBSs revealed that the contribution from the private agencies to the total revenue declined in 2004-05 over 2001-02. In case of CBS Jaipur, the contribution of private agencies declined from 54.93 *per cent* in 2001-02 to 38.25 *per cent* in 2004-05; in CBS Delhi, it fell from 68.02 to 46.42 *per cent*; in CBS Ahmedabad from 47.55 to 34.69 *per cent*; in CBS Cuttack from 69.59 to

48.68 per cent and in CBS Kolkata from 81.83 to 56.30 per cent during the same period. The position is graphically shown below:

Chart 4: Decline in the trend of share of revenue from private agencies



The share of revenue from private commercial establishments declined from 69 per cent in 2001-02 to 48 per cent in 2004-05. Since very little marketing effort is needed to tap captive government business, the decline in revenue from private agencies indicates ineffective marketing efforts.

6.2.1.5 Non-revision of rates

AIR has no prescribed time frame for revision of rate cards. The rates can be revised as per market conditions with the approval of the Chief Executive Officer of Prasar Bharati. In the meeting of CBSs and marketing heads held in May 2004, it was recommended that the rate card in respect of FM, Vividh Bharti and Primary Channels be revised. Accordingly, re-grouping of stations was done on the basis of their potential market value and the Directorate revised the rates in June 2004. However, on the CBSs and advertising agencies complaining about the steep increase in the rates, the DG AIR decided in July 2004 to maintain the *status quo ante* on the rate cards till 31 March 2005. The rate card effective from December 2002 has not been revised as of March 2006. AIR stated (March 2006) that there was a general view of the advertising agencies that new rates were high especially when a client/agency took out advertisements in a large number of stations during a particular campaign as well as viewed against the discounted rates being offered by private FM stations. It was, therefore, felt that increasing the rate card would only encourage advertisers to switch to private FM stations that could be much cheaper. This indicates that the AIR has not fixed its rates with reference to the rates charged by the private FM channels and arrive at a rational policy of fixing of rates rather than increasing these in an *ad hoc* manner and then going back on its decision.

6.2.1.6 Inadequate provisions for cancellation of advertisement/sponsored programmes

According to clause 21 of the agreement entered into with the advertisers for booking of spots for commercial advertisements and sponsored programmes, the

agency may cancel the booking after giving notice in writing to the office where the booking is made, subject to it being given:

- (a) not less than 45 days prior to date of spot advertisement,
- (b) not less than 60 days prior to date of sponsored programme.

There is no penal clause in the contract documents for violation of notice period. The CBS Kolkata, Mumbai, Patna cancelled advertisement/sponsored programmes in more than 217 cases involving revenue loss of Rs. 11.79 lakh upon notices of less than 45/60 days. No action could be taken by the CBS against the advertisers in the absence of penalty clause.

6.2.1.7 Recommendations

- *Prasar Bharati needs to assess competition and accordingly devise comprehensive marketing strategy and media plans to tap the expanding advertisement spending on the consumer goods and services market.*
- *The Rate Card may be revised/reviewed at regular intervals keeping in view the competition.*
- *There is an urgent need to review the rules for incorporating penal clause on cancellation of sponsorship/spots to avoid loss of commercial time and revenue.*

6.2.2 Financial Management

6.2.2.1 Non-recovery of dues due to broadcast of a programme without a contract

All India Radio undertook a special publicity campaign ‘Irada Naye Bharat Ka’ sponsored by Ministry of Finance, Government of India during 2004. This programme was broadcast throughout India through 40 stations of Vividh Bharati, FM channels, primary channels and channels for regional news during 12 February 2004 to 28 February 2004. However, no formal agreement was executed with the Ministry of Finance, Government of India. In March 2004, CSU Mumbai sent bills of Rs. 4.35 crore to the Ministry of Finance, Government of India. No payment has been received so far. Thus, broadcasting the campaign without a proper contract resulted in non-recovery of dues of Rs. 4.35 crore. Interest of Rs. 84.12 lakh from June 2004 to September 2005 was also payable on this amount at the rate of 14.5 per cent per annum prescribed by the All India Radio for delayed payments.

6.2.2.2 Outstanding dues

Whenever time is allotted to an agency or an advertiser, a contract indicating the address of the agency/advertiser, details of booking and payment etc. is signed. The payments in respect of non-accredited agencies are collected in advance. The accredited agencies and government departments/PSUs are allowed 45 days as credit period. Cases of persistent delays or default in payments inviting penal action against the agencies/advertisers are brought to the notice of CSU/Directorate from time to

time for taking appropriate action, as per contractual terms. However, it was observed that the department failed to recover outstanding dues of Rs. 18.63 crore (as of November 2005), some of which pertains to periods prior to 1990 as detailed in the Table 14 indicating a weak recovery mechanism.

Table 14: Outstanding dues (including interest)

Sl. no.	Station	Amount (Rs. in crore)	Remarks
1.	Mumbai	14.75	23 cases for recovery of Rs. 2.10 crore were under litigation. Out of these, the whereabouts of 2 agencies were not known. In case of M/s Mode Advertising and Marketing (P) Ltd., its accreditation was withdrawn in May 1993 for non payment of Rs. 12.79 lakh and the matter was pending with the arbitrator but the agency was granted accredited status on three specific occasions between October 2003 and February 2005. In 29 cases, although interest of Rs. 20.96 lakh was outstanding but accreditation could not be cancelled, as non-payment of interest does not prevent an agency from continuing as an accredited agency.
2.	Delhi	1.15	The dues pertain to 1986-2000, out of which Rs. 6.52 lakh was under litigation. Arbitrator was yet to be appointed in one case for dues prior to 2000.
3.	Thiruvananthapuram (Kerala)	0.51	Rs. 23.41 lakh pertains prior to 1996.
4.	Chennai (Tamil Nadu)	0.48	Though civil suits were filed against 6 agencies, their accreditations were not cancelled.
5.	Lucknow (Uttar Pradesh)	0.41	The dues pertain to 2001-2005.
6.	Bangalore (Karnataka)	0.38	Rs. 4.69 lakh pertains to 1997-98 to 2000-01
7.	Kolkata	0.38	Even after non-clearance of outstanding dues by the agencies for years together, new commercials were accepted without taking advance payment.
8.	Hyderabad (Andhra Pradesh)	0.21	The dues pertain to 1996-2005.
9.	Ahmedabad (Gujarat)	0.11	The dues pertain to 1996-2005.
10.	Bhopal (Madhya Pradesh)	0.10	Rs. 3.28 lakh pertains to 1985 to 1999
11.	Jaipur (Rajasthan)	0.06	Rs. 3.14 lakh pertains prior to 2002-03.
12.	Chandigarh	0.04	Rs. 1.47 lakh pertains to the period from October 1993 to June 2003.
13.	Cuttack (Orissa)	0.03	Dues pertain to January 1994 to January 2000 from three agencies.
14.	Patna (Bihar)	0.02	The dues pertain to two agencies, of which one agency paid the principal amount but interest of Rs. 0.62 lakh from 1996 to 2002 was not paid as of March 2005. A law suit was pending against the other agency for recovery of dues pertaining to 1994.
Total		18.63	

6.2.2.3 Incorrect depiction of outstanding dues

CSU, Mumbai had sundry debtors amounting to Rs. 14.15 crore as on 1 April 2001. Based on bills raised and cash received against those bills, the outstanding amount as on 31 March 2005 worked out as Rs. 34.96 crore. However, as per figures furnished by CSU, Mumbai, the outstanding amount was Rs. 12.17 crore. The large difference of Rs. 22.79 crore could not be reconciled by CSU, Mumbai as of January 2006. Such large difference, apart from indicating poor maintenance of accounts and a weak control mechanism, is also fraught with the risk of misappropriation.

6.2.2.4 Irregular payment of incentive

According to Sl. no. 4 of part V of the rate card effective from December 2002, incentives due to advertisement agencies are credited in the ledger account on the basis of the quantum of annual net business given by such agencies. Such incentives are payable only to an agency which has no outstanding dues to AIR. There are also no orders for giving provisional incentives to the agencies. It was observed in audit that CSU, Mumbai credited annual turnover incentive of Rs. 79.98 lakh during 2001-02 and 2002-03 to the accounts of even those agencies which had outstanding dues. Besides, provisional incentive of Rs. 24 lakh was also credited to one accredited agency during October 2002 to June 2004.

AIR stated (October 2005) that after considering the payment behaviour of the agencies, the department adjusted the incentives against their outstanding dues. The action of the department was against the rules.

6.2.2.5 Delay in remittance of commercial receipts

All the commercial receipts of CBSs are required to be remitted to Prasar Bharati's receipt account for onward credit to the main account in SBI, New Delhi within 24 hours. No balance can be left in the local branch, which is a zero balance account. The Budget and Accounts Wing of Prasar Bharati in their office memorandum no. PB/7/Budget/2004-05 dated 1.10.2004 reiterated that the bank should be advised to credit the amount within 24 hours to Prasar Bharati main account in State Bank of India. However, the norms were not followed. During the period 2001-05, Audit ascertained that the commercial receipts of CBS Patna were remitted into the receipt account of SBI, Patna but the bank transferred these to Prasar Bharati main account after delays ranging from one to 24 months and Rs. 2.60 crore was kept as balance by the local bank. Even on the day of transfer, the whole balance was not transferred. As a result, there was loss of interest of Rs. 72.76 lakh to Prasar Bharati computed at the rate of 18 *per cent* per annum upto March 2003 and 14.5 *per cent* per annum from April 2003 as prescribed by Prasar Bharati. In Cuttack (Orissa), the bank kept the balance between Rs. 0.13 lakh to Rs. 16.69 lakh and in Kolkata, the bank remitted the receipts to the main account only on weekly basis.

CBS Kolkata, Ranchi, Imphal and Lucknow also deposited their receipts in their respective accredited bank with delays upto 60 days.

6.2.2.6 Broadcast of programmes without levy of charge

AIR generates revenue by sale of broadcast time. AIR, Mumbai broadcasts five minutes' programme daily on railway information on primary channels, Samvadita and Asmitha and on two FM channels, Rainbow and Gold and five minutes' programme of market commodity rates on primary channels and Asmitha without charging any fee. The primary responsibility to inform the public about railway information and market commodity should lie with the railway and the Krishi Utpann Bazaar Samiti respectively. Therefore, they should either sponsor the programme or provide sponsors to meet the broadcast expenditures. The loss of

revenue works out to Rs. 27.66 lakh (railway information-Rs. 21.72 lakh, market commodity rate-Rs. 5.94 lakh) for the period 2001-02 to 2004-05.

6.2.2.7 Loss of interest due to delay in billing in case of cricket matches

As per the provisions of paragraph 15.5.10 of AIR, Manual, Vol.- I, Part III, bills are to be prepared at the end of the month of broadcast and issued to the accredited agencies by the 5th of the following month. The agencies are required to pay the bills within 45 days of the credit period starting from the first of the month following the date of broadcast of advertisement. If the payments are not made within the aforesaid period, interest at the rate of 14.5 *per cent* per annum is payable on the amounts due.

Various accredited agencies entered into contracts with CSU, AIR, Mumbai for broadcasting cricket matches (ODI and test series) over AIR during the period 2003-04 and 2004-05.

In 61 cases out of 70 test checked in audit, it was ascertained that the AIR Mumbai, contrary to the provisions, delayed preparation of bills by 35 to 45 days and allowed 45 days for payment from the date of issue of bills to the agencies. Due to the late preparation of bills, the due date was extended by 35 to 45 days, which resulted in loss of revenue of Rs. 11.58 lakh worked out at the rate of interest prescribed in the agreement.

In reply, AIR, Mumbai, stated (October 2005) that the delay in preparation of bills was due to late execution and late receipt of contracts from the Marketing Division of AIR, Mumbai and New Delhi. AIR needs to improve internal coordination to eliminate such delays.

6.2.2.8 Non-levy of service tax/non-deduction of income tax at source

AIR is liable to levy the service tax with effect from 1 April 2003 as the provider of the broadcasting services. Further, as per the Income Tax Act, 1961, AIR is also required to deduct income tax at source from the commission payable to the agencies. Audit scrutiny revealed that service tax of Rs. 3.70 crore was not levied/collected in four CBS stations, Similarly, nine CBS stations did not deduct TDS to the extent of Rs. 2.11 crore during the period 2001-05 as detailed in Table 15.

Table 15: Non-levy/collection of service tax and non-deduction of tax at source (AIR)

(Rupees in lakh)

Sl. no.	CBS station	Non/short levy/non collection of service tax	Non levy of TDS on commission given to agencies
1	Mumbai	366.04	133.76
2	Delhi	-	33.39
3	Chennai	-	22.52
4	Thiruvananthapuram	-	12.24
5	Bhopal	-	2.61
6	Hyderabad	2.35	-
7	Chandigarh	-	2.23
8	Kolkata	-	1.72

Sl. no.	CBS station	Non/short levy/non collection of service tax	Non levy of TDS on commission given to agencies
9.	Ahmedabad	0.86	1.30
10.	Srinagar	-	1.24
11.	Ranchi	0.49	-
Total		369.74	211.01

In response to an audit inquiry while AIR mentioned that it had got itself registered centrally at Delhi for payment of service tax on broadcasting services, it did not state whether the service tax has been paid by it to the state exchequer.

6.2.2.9 Recommendations

- *Computerised accounting may be adopted for monitoring of receipt and credit of revenue.*
- *An effective mechanism to watch timely remittances may be introduced.*
- *Coordination between the Marketing Divisions and AIR Broadcasting Stations needs to be improved to eliminate delays in raising demands.*

6.2.3 Resource Management

6.2.3.1 Under utilisation of studios

A multi-track recording studio was set up by AIR, Mumbai in 1994 at a cost of Rs. 2.44 crore. Utilisation of the studio during March 2002 to March 2005 ranged between 0.71 and 14.89 *per cent*. AIR Mumbai stated (January 2006) that the multi track studio was uneconomical for in-house recording. Utilisation of the studio by other government departments and private customers to generate revenue was not considered.

Similarly, out of three studios of CBS Ahmedabad, two studios were utilised for an average of four hours a day. Though rates were fixed for hiring of studios after 6.00 pm, no effective action was taken for getting the studios hired by the outside parties for generating revenue.

6.2.3.2 Internal control

Test check of records revealed that at 13 CBSs, important records/registers such as subsidiary cash book, agents' ledger, broadcast summary, log book, daily producing sheet, bill register etc., were not maintained properly. In some cases, these were not even maintained. Reconciliation of receipts was not done in CBS, Chandigarh, Ranchi, Kolkata and Panaji. In case of CBS, Cuttack, there were differences between monthly revenue figures as per its books and those booked by the PAO.

Internal audit of CBS, Kolkata, Jaipur, Chandigarh, Mumbai, Thiruvananthapuram, Ahmedabad, Cuttack, and Kanpur and AIR stations of Haryana, Imphal and Tripura, had not been conducted since March 2000. Due to lack of proper internal checks and controls, various financial irregularities were committed as

detailed in Table 16 resulting in loss of revenue of Rs. 25.80 lakh for the period 2001-05.

Table 16: Loss of revenue

(Rupees in lakh)

Sl. no.	Nature of irregularity	Amount
(i)	Non-recovery of interest (CBS, Allahabad)	6.01
(ii)	Payment of irregular commission (CBS, Chandigarh and Thiruvananthapuram)	5.02
(iii)	Short billing (CBS, Kolkata, Patna, Imphal and Mumbai)	4.31
(iv)	Loss due to non-revision of rates (CBS, Bhopal)	3.61
(v)	Loss of interest due to delayed remittances of drafts into bank (CBS, Srinagar)	1.67
(vi)	Short levy of sponsorship fee (CBS, Chennai)	1.52
(vii)	Short levy of interest (CBS, Chennai)	1.30
(viii)	Non levy of interest (CBS, Chandigarh and Gujarat)	0.98
(ix)	Non billing (CBS, Mumbai)	0.72
(x)	Irregular grant of bonus (CBS, Mumbai)	0.50
(xi)	Irregular discount (CBS, Ahmedabad)	0.16
Total		25.80

6.2.3.3 Recommendations

- *AIR should explore avenues for letting out recording and transmission studios to private producers and also educational broadcasters like universities and colleges.*
- *Prasar Bharati should take steps to strengthen internal control in the areas of billing, collection, accounting and internal audit.*

7 Conclusion

Performance audit of the system of revenue generation by Doordarshan and All India Radio of Prasar Bharati revealed shortfalls in revenue generation with reference to annual revenue targets fixed for AIR for the period 2001-05 and for Doordarshan for the year 2004-05. Targets fixed for Doordarshan for the period 2001-04 were not made available. Prasar Bharati does not have a specific time frame or policy for fixing of rates keeping in view those charged by its competitors. Doordarshan suffered sizeable loss of revenue due to improper monitoring of free commercial time. Large amounts were pending recovery from defaulters. These figures are likely to increase in the absence of timely and concrete steps to realise these amounts. AIR could not utilise its infrastructure effectively and efficiently and could earn only 51 per cent share of the total amount spent on radio advertisement in the country even though 91 per cent of total radio stations in the country belonged to AIR. Revenue from the FM channels at the four metro cities, which formed substantial part of AIR's revenues in 2001-02, had declined by up to 98 per cent in 2004-05. Lack of marketing efforts, deviation from the prescribed norms and misinterpretation of provisions regarding levy of charges were the main factors for low generation of revenue. Internal controls in Doordarshan as well as in AIR were ineffective. The quality of maintenance of important records/registers was poor. The reconciliation of revenue figures was not carried out at various stages and bills

were raised after considerable delays. In some cases these were not even raised. Internal audit in most cases had not been conducted since 2000 onwards.

Effective utilisation of infrastructure, proper planning and marketing and monitoring of revenue realisation are likely to increase the revenues of Prasar Bharati. It should revise its rate card at regular intervals keeping in view the competition. The internal controls are required to be strengthened. All important basic records/registers should be maintained properly for efficiently watching the levy, raising, collection and accounting of demands.

8 Response of the Ministry

The draft report ‘Performance audit of the system of revenue generation by Doordarshan and All India Radio, Prasar Bharati’ was sent to the Secretary to the Ministry of Information and Broadcasting in May 2006 for verification of facts and figures as well as comments of the Ministry on the audit findings and recommendations. The Ministry is yet to send its response despite reminder. It has also not responded to Audit’s request for an exit conference for discussing the Ministry’s perceptions of the audit findings and recommendations.

**New Delhi
Dated:**

**(Dr. A.K. BANERJEE)
Director General of Audit,
Central Revenues**

Countersigned

**New Delhi
Dated:**

**(VIJAYENDRA N.KAUL)
Comptroller and Auditor General of India**