CHAPTER VII : MINISTRY OF INFORMATION AND BROADCASTING

Prasar Bharati

7.1 Loss of revenue

Acquisition by the Prasar Bharati of cricket telecasting rights without appropriate marketing plan followed by arbitrarily charging the advertisement rates lower than the projected rates, resulted in loss of expected revenue of Rs. 51.59 crore; PB sustained cash loss of Rs. 9.98 crore in the transaction.

The Prasar Bharati (PB) entered into an agreement with the Board of Control for Cricket in India (BCCI) on 3 October 2004 for the rights to telecast, over Doordarshan (DD) I and DD Sports, 30 days of test cricket and one day of One Day International (ODI) matches to be played in India between India and Australia, India and South Africa and India and Pakistan from 6 October 2004 to 2 December 2004. PB while bidding had taken into consideration the revenue to be generated by marketing the commercial time at certain projected rates in respect of telecast of test matches and ODI on DD I and DD Sports.

Audit scrutiny (March 2006) brought out that PB paid to BCCI on *pro-rata* basis Rs. 79.51 crore for the cricket matches telecast during October-December 2004 against which it generated a revenue of Rs. 69.53 crore resulting in a loss of Rs. 9.98 crore. Actual cash loss would be even more if the marginal costs that PB must have incurred for organising telecasts are also taken into account. Further analysis brought out that instead of charging the advertisement rates as projected while bidding PB had charged different rates from different agencies. Rates charged from some agencies were as low as Rs. 0.08 lakh for commercial time of 10 seconds against the projected rate of Rs. 0.50 lakh for the test cricket and Rs. 0.18 lakh for ODI against the rate of Rs. 1.50 lakh per 10 seconds. PB failed to provide reasons to audit for charging lower rates from different agencies. Had the rates as projected been charged, PB would have generated total revenue of Rs. 121.12 crore. Thus, PB lost revenue of Rs. 51.59 crore by charging lower rates.

In response to the audit observation, the Ministry stated (October 2006) that the projected rates were for deciding the amount to be quoted for BCCI cricket bid for the period of five years i.e. 2004-2008 and were not the finally approved rates and hence can not be made the basis for calculation of loss. It added that BCCI had cancelled 2004-2008 bid and the projected rates were completely redundant. Further, it stated that PB had acquired these cricketing rights in piecemeal manner almost overnight and especially during weekend giving no time for a systematic and scientific marketing. It opined that sports channels look at profit and loss in the long term perspective and not in isolation. Moreover, PB had the authority to offer negotiable rates to clients/agencies.

The reply is not tenable in view of the following :

- In a number of cases the rates charged by PB were as per projected rates which show that these rates were not redundant as claimed by it. In any case, while arriving at bid value PB must have estimated the expected revenue generation conservatively and not by taking into account unsustainable advertisement rates.

- Logic that 'sports channels look at profit and loss in the long term perspective and not in isolation' should not imply that revenue considerations would be bid good bye. Therefore this contention of looking at profit and loss in the long term perspective disregarding the economics of a transaction that involves cash outflow of Rs. 79.51 crore is untenable.

- The Ministry's statement that PB had acquired cricketing rights in piecemeal manner almost overnight and especially during weekend giving no time for a systematic and scientific marketing indicates that PB needs to set right its media property acquisition and marketing strategies.

Thus, acquisition of cricket telecasting rights without appropriate marketing plan followed by arbitrary advertisement rates lower than the projected rates, resulted in loss of expected revenue of Rs. 51.59 crore. The actual cash loss sustained by PB worked out to Rs. 9.98 crore that too without taking into consideration the variable expenditure incurred by PB on organising the cricket telecast.

7.2 Loss of revenue

Doordarshan did not enter into a formal agreement with National Film Development Corporation for supply of films on sponsorship basis Minimum Guarantee terms for the period 1 April 2003 to 31 March 2004 despite the latter's request. This enabled National Film Development Corporation to subsequently back out of its commitment and refuse to supply the films on Minimum Guarantee terms from September 2003 onwards. Consequently, Prasar Bharati had to acquire the films on royalty basis from NFDC resulting in loss of revenue of Rs. 6.68 crore during September 2003 to March 2004.

PB had been showing Hindi feature films on Fridays and Saturdays on Doordarshan (DD) - I on sponsorship basis on [1]Minimum Guarantee (MG) terms through the National Films Development Corporation (NFDC) and other private parties. In November 2002, PB invited bids for supply of Hindi feature films on sponsorship basis to be telecast on DD-I on Fridays and Saturdays. On the basis of the offers received from various firms, PB allotted the Saturday slot to a private agency. The Friday slot was allotted (April 2003) to NFDC at an MG rate of Rs. 72 lakh per film.

Audit noticed (June 2005) that PB in the case of the private agency, signed the Memorandum of Undertaking (MoU) for supply of films for the period 1 April 2003 to 31 March 2004 but in the case of NFDC it did not sign any formal agreement though NFDC had itself offered to supply films at MG of Rs. 72 lakh and requested (March 2003) PB to sign the MoU to this affect. PB, however, approached NFDC only in July 2003 for signing of MoU which the latter did not sign and sought reduction in MG rate to Rs. 50 lakh per film on various grounds. Subsequently (September 2003), NFDC backed out of its commitment to supply films at the existing rate. Since the films on sponsorship basis at the prescribed MG rate were not immediately available, PB decided (September 2003) to procure films from NFDC on royalty[2] basis. Audit noticed that during September 2003 to March 2004, PB had procured 28 films (for the Friday slot) from NFDC on royalty basis and had generated net revenue of Rs. 13.48 crore. Had PB entered in to a formal agreement with NFDC in March 2003 as it did in the case of the private agency, it could have earned revenue of Rs. 20.16 crore calculated at MG rate of Rs. 72 lakh per film. Thus, PB's failure to sign an agreement with the NFDC despite the

[1] Under MG system: The agencies sponsoring the programmes guarantee payment of a pre-decided minimum lumpsum amount against which free commercial time of a fixed duration during telecast of the film is allotted to them which they may sell to the advertisers.

[2] Royalty basis: The rights for telecast of films are procured as per the royalty rate card and advertisement slots are marketed by DD itself to generate revenue.

latter's request (March 2003) enabled NFDC to back out of its commitment and forced PB to acquire the films on royalty basis resulting in the loss of revenue of Rs. 6.68 crore.

In response to the audit observation, Ministry stated (November 2006) that DD was forced to accept the films on payment of royalty rates higher than that prescribed in the rate card due to circumstances beyond its control as a result of NFDC's mid-term backing out of the arrangement that required it to supply and market the films against an MG of Rs. 72 lakh. It also stated that in-house marketing of films supplied by NFDC between September 2003 and March 2004 resulted in an average revenue earning of Rs. 76.08 lakh (gross). The reply of the Ministry is not tenable as PB had procured films from 1 April 2003 without a valid agreement in force despite the fact that NFDC had itself requested in March 2003 to sign the MoU. PB approached NFDC after a lapse of more than three months which enabled NFDC to back out of its commitment and forced PB to acquire the films on royalty basis resulting in the loss of revenue of Rs. 6.68 crore. Further, the average net revenue earned per film after deducting royalty and 15 *per cent* commission from the gross revenue works out to Rs. 48.14 lakh.

7.3 Excess expenditure

Doordarshan failed to place order for supply, installation, testing and commissioning of four 150 metre steel TV towers at Dharmapuri, Radhanpur, Sagar and Tirunelveli before the expiry of the validity period of bids which resulted in excess expenditure of Rs. 3.29 crore.

The Doordarshan (DD) wing of the Prasar Bharati invited (October 2003) open tenders (Technical and Commercial bids) for supply, installation, testing and commissioning of 150 metre steel TV towers at various stations. The bids were valid for 120 days from the date of opening of technical bids. The commercial bids were to be opened only if the technical bids were found viable.

Audit noticed (January 2006) that for the supply, installation, testing and commissioning of TV towers, three firms for Dharmapuri and Tirunelveli stations and four firms for Sagar and Radhanpur stations offered their bids. These were opened by the Tender Opening Committee of DD on 30 December 2003. Of the bids received, the offer of firm 'X' (a Government of India Enterprise located at Hyderabad) at Rs. 6.25 crore (Dharmapuri: Rs. 1.46 crore, Radhanpur: Rs. 1.79 crore, Sagar: Rs. 1.52 crore, Tirunelveli: Rs. 1.48 crore) was found technically and commercially viable. The technical bids for Dharmapuri and Tirunelveli were cleared by the Technical Evaluation

Committee (TEC) on 27 April 2004 but DD failed to place supply order by the validity date of 30 April 2004 of the bid. In the case of Sagar and Radhanpur, TEC finalised and submitted its report on 20 May 2004 i.e. after the validity expired on 30 April 2004. DD approached the firm for extension of the validity of its offer for these stations but it declined on the ground of increase in the prices of cement and steel. It submitted a revised commercial offer of Rs. 9.54 crore (Dharmapuri: Rs. 2.29 crore, Radhanpur: Rs. 2.64 crore, Sagar: Rs. 2.30 crore, Tirunelveli: Rs. 2.31 crore) for the said stations. DD had no choice but to accept the revised offer of firm 'X' and placed orders on 29 September 2004 at the revised cost of Rs. 9.54 crore which was 52.64 *per cent* higher than the original bid. As of June 2006, Rs. 6.53 crore had been paid to the firm.

Failure of DD to place the supply order on the firm within the validity period of 120 days resulted in excess expenditure of Rs. 3.29 crore.

In response to the audit observations, PB stated (August 2006) that the technical evaluation of tenders for supply and erection of TV towers is a time consuming job and number of technical parameters have to be examined and clarifications sought before finalising the report. The clarifications from the firm in these cases were received late which resulted in delay in finalisation of technical evaluation report. It also added that the evaluation of Dharmapuri and Tirunelveli towers was completed at the fag end of the validity period and hence there was no possibility of opening the commercial bids and seeking approval of the competent authority within three days for placement of order. The reply is not tenable as four months' validity period for bids against the normal two months' period as per DGS&D manual had been provided considering the complexities in evaluation of such tenders. Besides the work of TV tower being nothing new for PB and PB being conversant with the complexities involved, the process should have been concluded within the validity period.

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

7.4 Avoidable loss of interest

Retention of large cash balances in current account by the Central Production Centre resulted in a loss of interest of Rs. 51.98 lakh during 2003-04 and 2004-05.

Parking of surplus funds in interest-generating safe avenues is an elementary aspect of cash management. According to clause 19 read with clause 32 (1) of the Prasar Bharati Act, 1990, the Prasar Bharati was required to make rules for investment of its moneys. Pending finalisation of such a rule, Prasar Bharati through its circular of September 2004 advised all the heads of offices to ascertain the requirement of funds and put the surplus funds in short term deposits for periods ranging from 16 days till the amount was required for payment.

The Central Production Centre (CPC) is a unit of the Prasar Bharati, which was established in 1989 to produce in house programmes. It gradually became a telecast center in addition to its production activities. CPC had been maintaining two current accounts with the State Bank of India, one for receipts and another for expenditure. Audit scrutiny (February 2006) of the bank statements of CPC for the period 2003-04 and 2004-05 revealed that it held substantial amounts in its expenditure account. During 2003-04 and 2004-05 the minimum balance held by CPC in its account ranged between Rs. 1.54 crore and Rs. 14.51 crore, which did not earn any interest. However, despite holding such high balances CPC did not invest its surplus funds in fixed deposits to generate interest revenue. Even circular of September 2004 which categorically advised all the heads of offices to put surplus funds in short term deposits remained unheeded.

Retention of large cash balances in current account resulted in a loss of Rs. 51.98 lakh during 2003-04 and 2004-05 calculated on the minimum balance lying in this account at the minimum term deposit interest rate of 3.75 *per cent per annum*.

In response to the audit observation, the Ministry stated (August 2006) that pending finalisation of investment policy, Prasar Bharati had issued instructions in September 2004 to ensure that funds did not remain idle. However, as CPC was acting as the disbursing authority for DD Sports and DD India, it could not anticipate the surplus funds from the date of issue of the instruction in September 2004 to March 2005.

The reply is not tenable as assessment of surplus cash and its investment from time to time is an important aspect of cash management system. CPC did not even implement the decision of the Prasar Bharati as it neither assessed its requirement of funds nor initiated any action to park the surplus funds in short-term deposits. This indicates not only indifferent financial management by CPC but also poor monitoring by the Prasar Bharati, as substantial funds remained idle for a considerable period resulting in loss of interest.

7.5 Excess payment of royalty

Arbitrary and irregular decision of the Prasar Bharati to increase the royalty rates of five films in deviation from the approved rate card resulted in excess payment of Rs. 45 lakh.

PB had been showing Hindi feature films on Friday and Saturday on Doordarshan National Network on sponsorship basis on minimum guarantee terms through NFDC and private parties. However, since September 2003, PB has started marketing the films in-house by acquiring these on royalty basis. The royalty rates which were fixed in 1997 were revised in September 2004. The revised rates ranged from Rs. 3 lakh to Rs. 20 lakh on the basis of vintage and category of the film (B+, A, A+1, A-super and A- premier).

Audit ascertained that in respect of five films, PB had paid higher royalty than the prescribed rates as detailed below:-

Table 1

(Rupees in lakh)

Sl. No.	Name of the film	Vintage (year)	Date of telecast	Prescribed Royalty rate	Royalty paid	Excess payment	Revenue earned
1.	Dilwale Dulhaniya Le Jayenge	1995	16.10.2004	7	20	13	62.90
2.	Kuch Kuch Hota Hai	1998	22.10.2004	8	20	12	80.35
3.	Mohabbattein	2001	23.10.2004	16	20	4	51.50
4.	Hum Dil De Chuke Sanam	1999	12.11.2004	8	20	12	102.20
5.	Kabhi Khusi Kabhi Gam	2001	24.12.2004	16	20	4	86.95
	Total			**55**	**100**	**45**	**383.90**

Audit noticed (June 2005) that agencies were paid the highest royalty of Rs. 20 lakh for these three to nine years old films by categorising them under the highest grade meant for current films (less than two years old). The exemption to categorise these films under A-premier was accorded (October 2004) by the empowered committee of PB on the ground that the films were meant to be festival bonanza to elevate viewership and also for revenue enhancement. The decision of the empowered committee was also ratified (December 2004) by PB Board.

Audit noted that the upgradation of the categories of only the above five films was discriminatory as there were other films of similar vintage which had been telecast during October-December 2004 and which had generated even more revenue than the above films as detailed below:

Table 2

(Rupees in lakh)

Sl. No.	Name of the film	Vintage (year)	Date of telecast	Prescribed Royalty rate	Royalty paid	Revenue earned
1.	Khoobsurat	1999	01.10.2004	6	6	86.80
2.	Chachi 420	1997	09.10.2004	5	5	59.10
3	Kurukshetra	2000	15.10.2004	12	12	105.90
4.	Fiza	2000	20.11.2004	12	12	85.70
5.	Kismat	2004	18.12.2004	12	12	53.50
	Total			**47**	**47**	**391.00**

However, the categories of these films were not upgraded and they had been paid royalty as per the prescribed royalty structure. The Member (Finance), Prasar Bharati, in her capacity as a member of the empowered committee was also of the view (October 2004) that the justification for higher royalty should be determined in the context of higher revenue generation. Audit further noticed that the empowered committee was competent to deviate from the prescribed royalty rate structure only in exceptional circumstances. Since festivals are a regular feature, the circumstances under which the rates were substantially enhanced in the above cases could hardly be termed as exceptional. Moreover, the rates as given in the revised rate card were fixed after detailed analysis of the rates offered by various firms keeping in view the vintage and popularity of the films. Thus, the decision to allow higher rates than those specified in the revised rate card by PB was arbitrary and irregular and resulted in excess payment of Rs. 45 lakh.

In response to the audit observation, PB stated (June 2006) that the decision in this case was taken as the part of a long term strategy to boost the viewership of DD. This initiative enabled DD to not only strike a chord with its viewers but it has also resulted in producers/right holders offering better and bigger films of recent vintage to Doordarshan. The success of this endeavour was reflected in the increase in the revenue earnings from the film slots, from Rs. 69 crore in 2004-05 to Rs. 112 crore in 2005-06. The reply of PB is not tenable as the total increase in revenue was not due to telecast of these five films alone but was also contributed by other films whose royalty rates had remained as per the prescribed rate structure.

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

7.6 Suspected embezzlement due to non-observance of codal provisions

Failure of the Central Production Centre to enforce codal provisions regarding checks to be exercised for accounting of cheques issued by Drawing and Disbursing Officer resulted in suspected embezzlement of Rs. 20.60 lakh.

According to Rule 40 of the Central Government Account (Receipts and Payments) Rules, each cheque book on its receipt should be carefully examined by the Drawing Officer who should count the number of forms contained in each and record a certificate of count on the flyleaf. Also, each cheque book must be kept under lock and key in the personal custody of the Accounts Officer and cheque-drawing Drawing and Disbursing Officer (DDO). The latter, on his relief, should take a receipt for the exact number of cheques made over to the relieving officer. Precautions have also been prescribed in paragraphs 3.4.2 and 3.5.1 of the Civil Account Manual which, *inter-alia*, stipulates that an account of cheque books and of cheque forms used daily should be maintained by the cheque drawing DDOs. Also, all cheques, irrespective of the category, drawn for Rs. 10 lakh and above should bear two signatures. It also stipulates that the scrolls received from the bank should be checked with reference to the register of cheques issued.

Audit ascertained (February 2006) that CPC, New Delhi, had been maintaining a current account with the State Bank of India, Parliament Street, New Delhi. It was noticed in audit that 'X', a Khalasi in CPC stole a cheque leaf from the cheque book and fraudulently encashed it for Rs. 20.60 lakh in July 2005 by forging the signatures of the then DDO of CPC. The fraud was detected on 18 July 2005, when an official of the ICICI bank, where the Khalasi had his account, informed the Manager (Account & Budget), PB headquarters, New Delhi that the said amount had been deposited by 'X' in his account in the ICICI Bank and had been withdrawn by him between 8 July 2005 and 16 July 2005. CPC filed an FIR with the Police Station Hauz Khas, New Delhi on 19 July 2005. The amount had not been recovered as of March 2006.

Audit noticed that CPC was not following the prescribed codal provisions such as maintenance of account of cheques used daily, checking of payment scroll with the cheque issue register, safety of blank cheque books and signing of cheques by double instead of single signatory etc. which facilitated the embezzlement. Although the cheque was stolen by the Khalasi on 1 July 2005, yet CPC failed to detect the fraud until 18 July 2005 and that too only when the matter was brought to its notice by an official of the ICICI Bank. Had DDO maintained the account of cheques used daily and exercised other checks in accordance with the prescribed procedure, the theft of the cheque leaf could at least have been detected in time and orders for 'stop payment' issued to the bankers.

Thus, the failure of CPC to observe the codal provisions had resulted in embezzlement of Rs. 20.60 lakh. The lapse only points to the need for CPC to strengthen its internal controls.

In response to the audit observation, the Ministry while admitting the lapses in the system stated (November 2006) that preventive measures had been taken by Doordarshan to avoid such mishap in future.