

CHAPTER III

Bharat Sanchar Nigam Limited

Functioning of telecom project circles

Highlights

In spite of creation of surplus transmission media capacity during 2004-05 to 2006-07, its further augmentation planned during 2008-09 to 2009-10 would increase the risk of underutilisation and obsolescence due to frequent technological changes.

(Para 3.8.1.1)

Delay in procurement of equipment by the Corporate office during 2004-05 and 2005-06 resulted in non-completion of 66 projects valuing Rs.175 crore out of 153 projects selected for audit.

(Para 3.8.2.6)

Fifty Overlay Access Network projects costing Rs.335 crore were sanctioned by Northern Telecom Project (NTP) circle in violation of Corporate office instructions and expenditure of Rs.98 crore was incurred on these projects without the approval of competent authority.

(Para 3.8.3.1)

Irregular expenditure of Rs.38 crore was incurred by different divisions under NTP circle on 57 works without obtaining approval of the competent authority and by splitting the works to avoid approval of higher authority.

(Paras 3.8.3.2 and 3.8.3.3)

Execution of optical fibre cable network for Indian Air Force, without obtaining advance deposit resulted in blocking of capital of Rs.466 crore for 10 months.

(Para 3.8.3.6)

Lack of budgetary control in Western Telecom Project (WTP) circle resulted in excess expenditure of Rs.86 crore over allotted funds during 2006-07.

(Para 3.8.3.7)

Delays ranging from one month to seven years in commencement, completion and commissioning of 294 projects executed upto 2007-08 by different divisions under all the four TPCs, resulted in loss of potential revenue of Rs.633 crore.

(Para 3.8.3.8)

Southern Telecom Project circle extended undue benefit of Rs.131 crore to HCL Infosystem Limited by releasing advance payment before installation, commissioning and acceptance testing of the equipment in violation of terms and conditions of the purchase order.

(Para 3.8.3.11)

Non-release of completion reports by different divisions resulted in non-capitalisation of expenditure of Rs.302 crore and consequent non-availing of benefits of depreciation while paying corporate tax.

(Paras 3.8.4.1 and 3.8.4.2)

Eleven microwave schemes undertaken by WTP, NTP and ETP circles could not be commissioned due to equipment deficiencies and availability of better optical fibre cable transmission media, resulting in abandoning of schemes and consequent blocking of capital of Rs.44 crore.

(Para 3.8.4.3)

Summary of recommendations

The Company may:

- 1. ensure expansion of transmission media capacity keeping in view current trends in demand and actual expansion requirement;*
- 2. ensure holding of Circle Planning Board/Regional Trunk Planning Committee meetings on need basis and also involve Telecom Project circles (TPC) in convening these meetings;*
- 3. ensure establishment of proper control mechanism and Management Information System for creating consolidated database of projects at the level of TPCs and the Corporate office;*
- 4. ensure compliance with the provisions of the Manual for Procurement of Telecom Stores and Equipment by all TPCs;*
- 5. ensure compliance of delegation of powers and other instructions issued by the Corporate office pertaining to sanction and execution of the projects including collection of advance deposits by the TPCs;*
- 6. ensure timely issue of completion reports pertaining to completed projects, handing over of commissioned projects and issue and acceptance of Advice of Transfer Debits (ATD); and*
- 7. ensure proper maintenance of measurement books and various registers prescribed for recording details of the projects.*

3.1 Introduction

In India, before introduction of wireless technologies, the transmission media used in telecom sector was 'Overhead wires', which was followed by underground cables, *i.e.*, co-axial/copper cables *etc.* Due to frequent damage and problems in their repairs and maintenance, the Company introduced use of radio frequency based microwave system network based on analog/digital technology. They were found useful mainly in hilly regions, but required installation of Repeater Stations *en-route* to boost the signals. Satellite systems, in which availability of channels was more, was also used as transmission media. However, the cost involved in setting up of a satellite system was huge.

At present, Optical Fibre Cable (OFC), based on digital technology, is used in large scale for creation of transmission network in the Company and the execution of work on radio frequency network has considerably reduced.

In the Company, local area network is established and maintained by Secondary Switching Areas (SSAs) under territorial circles whereas long distance media, *i.e.*, transmission systems, mostly involving OFC, are established by the Telecom Project circles (TPCs) and handed over to Telecom Maintenance Regions and territorial circles for utilisation and maintenance. There are four TPCs namely, Western Telecom Project (WTP), Eastern Telecom Project (ETP), Southern Telecom Project (STP), and Northern Telecom Project (NTP), each headed by a Chief General Manager.

The TPCs are responsible for planning, installation and commissioning of OFC systems, broadband and narrowband digital microwave systems, satellite based voice systems, and Satellite Based High Speed Data Network (HVNET).

WTP, STP, ETP and NTP cover the following States/Union Territories:

Table 3.1

Circle	States/Union Territories covered
WTP	Maharashtra, Madhya Pradesh, Chhattisgarh, Gujarat and Goa
STP	Andhra Pradesh, Karnataka, Kerala and Tamil Nadu
ETP	Andaman and Nicobar Islands, Bihar, Jharkhand, Orissa, Sikkim and West Bengal
NTP	Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttar Pradesh (East and West) and Uttarakhand

3.2 Organisational setup

Overall control over functioning of TPCs rests with the Chairman and Managing Director (CMD) of the Company. At the Corporate office level, Director (Planning and New Services) assists CMD. At the circle level, respective Chief General Managers (CGMs) and their General Managers (GMs) and Deputy General Managers (DGMs) assist the CMD.

3.3 Scope of Audit

Performance audit was conducted during January 2008 to May 2008 with a view to examine planning, execution and monitoring of projects executed by TPCs of the Company, covering four circles *viz.*, WTP, STP, ETP and NTP from 2003-04 to 2007-08, on the basis of documents maintained by Corporate office and Head Offices of TPCs along with their selected divisions and sub-divisions. North East Task Force (NETF) unit of the Company, with its Head Office at Guwahati, covers all the seven states¹ in North East region. However, functioning of NETF has not been covered in this performance audit.

¹ Arunachal Pradesh, Assam, Meghalaya, Mizoram, Tripura, Manipur and Nagaland

3.4 Audit objectives

The main audit objectives were to assess that:

- there was proper planning for projects being undertaken by TPCs,
- the projects were executed economically, efficiently and effectively by TPCs and
- commissioning of projects by TPCs had resulted in improvements in flow of telecom traffic in inter-circle and intra-circle locations.

3.5 Audit criteria

The following audit criteria were used:

- Codal provisions for project planning;
- Codal provisions for preparation of project estimates and for tendering and procurement;
- Terms and conditions of purchase orders;
- Operational and financial performance indicators fixed by the Company for telecom projects;
- Monitoring mechanism to ensure timely execution and handing over of projects to requisitioning territorial circles/telecom maintenance regions; and
- Guidelines pertaining to Advice of Transfer Debits (ATDs).

3.6 Audit methodology

The Report was prepared based on review of relevant documents, discussions with various levels of the Management and field visits. Statistical sampling techniques have been adopted for data analysis as detailed in *Annexure-IV*. Entry and exit meetings were also held in February 2008 and October 2008 respectively with the Management.

3.7 Acknowledgement

The cooperation and assistance extended by the Company Management and staff, at all levels, is acknowledged.

3.8 Audit findings

Audit observed deficiencies in planning of projects, procurement of equipment and stores, monitoring and execution of projects and quality of telephone service. The Company needs to address these deficiencies to improve the quality of service in light of competition from private operators, besides achieving the objectives of National Telecom Policy and Universal Service Obligations. These deficiencies are discussed in the succeeding paragraphs.

3.8.1 Planning

Telecom project planning primarily involves assessment of media requirement of telecom circles in the Company. This assessment is based on forecast of demand for telecom services, existing media capacity, technological options and media guidelines issued by Corporate office of the Company. Meetings at circle and Regional Trunk Planning

Committee (RTPC²) level were held to assess the media requirement and projects finalised. Further based on decisions taken in the meetings, project estimates were formulated and executed. Audit scrutiny revealed the following deficiencies in project planning.

3.8.1.1 Creation of huge transmission media capacity without demand

Transmission Media Planning guidelines issued (March 2005) by the Company provided for assessing demand for media requirement based on thrice the actual number of connections as of December 2004. This resulted in tripling of media capacity by December 2007. Contrary to this, actual demand for telephone connections increased from 45 million to about 69 million by December 2007, registering thereby an increase of 53 per cent.

Despite creation of surplus transmission media capacity, further increase of transmission media has been provisioned under new Transmission Planning guidelines (2008-2010), to meet transmission media capacity to 191 million telephone connections by December 2010.

The Corporate office, in reply (March 2008) to audit observation, stated that transmission network was built for taking care of long term demand upto 10 years. It was further stated that even though demand for telephone connections did not increase, the transmission media demand for the broadband connections had increased manifold. The reply was not convincing as there was a decline in basic telephone connections and no appreciable increase was noticed in broadband connections which stood at 20.32 lakh connection as of 31 March 2008. Besides, further augmentation of transmission media, as planned in new Transmission Planning guidelines (2008-2010), would increase capacity of transmission network manifold and consequent underutilisation.

The Management replied (February 2009) that there was not only acute shortage of Bandwidth (BW) to meet BW requirements of Broad bands and CMTS expansion but the Company also planned to become carrier over and above its requirement to generate revenue by selling BW itself. It was, however, agreed that the risk of obsolescence would be kept in view in future procurement.

3.8.1.2 Non-holding of regular meetings of RTPC and CPB

(i) As per the prescribed schedule, at least one meeting of RTPC during each year should be held in each zone. Review of records relating to planning committees (RTPC and CPB³) in NTP circle revealed few meetings during January 2003 to March 2008. Hence progress of 15 projects already sanctioned during 2006-07 was held up for 18 months till the next RTPC meeting in which these projects were modified.

It was intimated by the Management that RTPC was being held once in a year. The reply was not tenable as only four such meetings of RTPC were held in more than five years in NTP circle.

² CGMs/GMs from all the territorial circles, Telecom Project circle, Telecom Maintenance Region of the concerned zone and Core Network Cell of Corporate office are the Members of RTPC. The zone-wise meetings of RTPC are coordinated by the Telecom Maintenance Region of the concerned zone and these meetings are mostly held once a year.

³ CPB- Circle Planning Board.

It was also noticed that RTPC and CPB meetings were held by Telecom (Maintenance) Regions and territorial circles under various zones and not by TPCs who executed the projects. This implied that TPCs had no control over planning committee forums and could not convene these meetings to consider various issues regarding transmission network projects undertaken by them.

(ii) It was noticed in STP circle that RTPC meetings were held amongst STP circle, maintenance wing and the territorial circles to identify routes/schemes to be taken up for execution. However, out of 130 projects taken up for detailed study by Audit in STP circle, 41 projects (32 per cent) were not recommended by RTPC in its meetings.

The Management replied (February 2009) that the instructions had been issued for holding quarterly review meetings to review the status and changes/modifications in the projects for which monitoring would be done at the Corporate office. Besides, the Management also agreed to hold CPB/RTPC meetings on a periodic basis.

3.8.1.3 Inadequate forecast of demand for taking up new projects

Audit scrutiny of records of STP circle revealed that new projects were identified in CPB and RTPC meetings without reviewing utilisation of existing capacity. Also details of capacity utilisation of completed projects were not available with the respective DGMs. Thus, the major requirement of assessment of existing facilities while formulating project plans had not been complied with by STP circle.

The Management replied (February 2009) that the suggestion of Audit for taking into account the complete utilisation of existing media while formulating project plans had been noted for compliance.

3.8.1.4 Inadequate control mechanism and Management Information System

Instructions provide for regular interaction between heads of project divisions/territorial circles/Corporate office and heads of TPCs for avoiding unnecessary delays in formulation of plans for new telecom projects. For this a strong Management Information System (MIS) coupled with control mechanism are required, both at the level of each TPC as well as the Corporate office.

Audit checks revealed that no consolidated database/MIS of projects planned/in-progress/completed was maintained by NTP and ETP circles as well as the Corporate office for planning and monitoring of projects.

The Management replied (February 2009) that the suggestion of Audit for maintaining a detailed MIS of projects planned/in-progress/completed had been noted for compliance. It was further replied that action had been initiated for developing unified software by its IT circle for online uploading of the required details of projects at the level of DGM for proper monitoring.

Recommendation No 3.1

- (i) The Company should ensure expansion of transmission media capacity keeping in view current trend of demand and actual expansion requirement.**
- (ii) The Company should ensure holding of CPB/RTPC meetings on need basis and also involve TPCs in convening of these meetings.**
- (iii) The Company should ensure establishment of proper control mechanism and MIS for creating consolidated database of projects at the levels of TPCs and the corporate office.**

3.8.2 Tendering and procurement

3.8.2.1 Execution of work without inviting tenders

The project-cum-detailed estimate of Overlay Access Network (OAN) for West Polygon Kanpur city at a total cost of Rs.10.03 crore was sanctioned (August 2005) by CGM, NTP circle. The project estimate contained provision for trenching for laying of permanently lubricated pipes and construction of manholes.

Scrutiny of records revealed that open tender was not invited by DGM (TP), Lucknow for the above work to ensure competitive rates. Instead the entire trenching through horizontal directional drilling was done irregularly by contractors working on other sites and schemes at a cost of Rs. 3.03 crore.

On being pointed out by Audit, the local Management did not furnish any reply for justifying execution of work without inviting open tender.

The Management replied (February 2009) that the OAN works in Kanpur and Lucknow cities were got done through the tenders. It was further stated that these works were awarded to contractors as per 25 *per cent* extra provision in the tenders to save the time and for early commissioning of schemes and the rates available were similar in both the cities.

The Management's reply is not tenable as the above referred entire horizontal directional drilling work valuing Rs.3.03 crore was got done through contractors who were awarded work on various other sites and schemes, disregarding provisions and rules contained in the Manual of Procurement and thereby extending undue benefit to the existing contractors.

3.8.2.2 Short collection of bid security in tenders floated by NTP circle

Procurement manual of the Company provides that the value of bid security should be equal to two *per cent* of the estimated cost of stores proposed to be procured from lowest bidder in the tender, subject to a maximum of Rs. two crore. However, in 13 cases in NTP circle the bid security collected from the bidders was only 2 *per cent* of 30 *per cent* of the cost of package. This resulted in short collection of bid security of Rs.2.23 crore. The Management replied that bidders were asked to quote for 30 *per cent* quantity. The reply was not tenable as tenders were invited for 100 *per cent* quantity from all the bidders, in all cases.

The Management replied (February 2009) that the tendering for the procurement of material was multi-vendor based and the L-1 vendor was to be given 30 *per cent* of the

tendered quantity; and accordingly bid security was taken as 2 per cent of the 30 per cent of estimated cost to the store proposed to be procured.

The Management's reply is not tenable as the tenders were invited for 100 per cent quantity from all the bidders, in all cases and as per the provisions and rules contained in the Manual of Procurement, every bidder, while depositing his bid, was required to deposit bid security equal to two per cent of the total estimated cost of the material proposed to be procured in each of these tenders.

3.8.2.3 Procurement of equipment and stores

The Company procured equipment and material based on Manual of Procurement of Telecom Equipment and Stores. Audit observed the following deficiencies in procurement of equipment and stores for execution of projects by TPCs:

3.8.2.4 Undue benefit to contractors by NTP circle

CGM, NTP circle increased the Schedule of Rates (SOR) for construction of manholes for OAN works at Lucknow, Kanpur, Varanasi and Allahabad cities from Rs.30,000 per manhole to Rs.36,000 per manhole as a special case in October 2004. The increased rate was applicable for tenders to be floated upto December 2004 so as to complete OAN works of these cities by March 2005. DGM (TP) Lucknow accordingly invited tenders at higher SOR of Rs.36,000 after December 2004 for construction of manholes under OAN schemes and finalised rates ranging from Rs.38,952 to Rs.38,990 per manhole. Adoption of higher SOR resulted in extending undue benefit of Rs.1.53 crore in basic rates on construction of 2,553 manholes upto March 2008. Further, the work could not be completed till March 2005, defeating the very purpose of increase in SOR. Audit, however, noticed that DGMs (TP), Dehradun and Agra were able to execute the same work by adopting SOR of Rs.30,000 per manhole.

The Management replied (February 2009) that seeing the previous experience of getting higher rates ranging from Rs.36,000 per manhole to Rs.48,500 per manhole for the tenders floated for construction of manholes for OAN works at the above four cities, further tenders were also floated on the basis of the revised SOR.

The Management's reply is not tenable as the increase in the SOR for construction of manholes from Rs.30,000 per manhole to Rs.36,000 per manhole at these four cities was approved by the CGM, NTP circle as a special case for the tenders to be floated up to December 2004 only and not beyond that. Hence, floating of the tenders by the DGM (TP) Lucknow for the above work after the prescribed date of December 2004, that too at much higher rates ranging from Rs.38,952 to Rs.38,990 per manhole and without specific approval of the competent authority, was not justified.

3.8.2.5 Unauthorised procurement of polyethylene pipe by NTP circle

High-density polyethylene (HDPE) pipe is a decentralised item of store and the same was to be purchased by heads of circles, *i.e.* CGMs only with the concurrence of their Internal Financial Advisors. These powers for decentralised procurement were not to be further delegated to lower formations.

Audit noticed that GM (TP) Lucknow purchased 164 km of Double Wall Corrugated (DWC) HDPE pipes at a cost of Rs.1.45 crore during the period from February 2006 to November 2007 in violation of delegation of powers approved by Corporate office. Further engineering instructions for laying of OFC stipulate that Reinforced Cement

Concrete(RCC)/Galvinised Iron pipes should be used for providing protection to OFC and use of HDPE pipes is yet to be approved. This resulted in unauthorised procurement of DWC HDPE pipes valued at Rs.1.45 crore.

Also sample check by comparison of rates of similar dimensions of DWC HDPE pipes and RCC pipes revealed that procurement of 73.750 km DWC HDPE pipes in place of RCC pipes resulted in excess expenditure of Rs. 52.11 lakh.

On being pointed out by Audit, the Management stated that DWC HDPE pipes were being used in place of RCC pipes and were being procured by GM/DGM within their financial limits. The reply was not acceptable as GMs were not empowered to purchase the same; moreover, engineering instructions do not permit use of DWC HDPE pipes.

The Management replied (February 2009) that as per the engineering instructions issued by the Technical & Development (T&D) circle (received from Corporate office on 17 August 2005), DWC HDPE pipes could also be utilised for protection of OFC as preferable choice due to techno-economic consideration and, hence, DWC HDPE pipes were procured for protection of OFC in place of RCC pipe. It was further stated that as the RCC pipes were being procured by DGMs concerned, the DWC HDPE pipes were also procured by the DGMs locally.

The Management's reply that DWC HDPE pipe was a preferable choice in place of RCC pipe due to techno-economic consideration was not tenable as sample check done by Audit by comparison of rates of similar dimensions of DWC HDPE pipes and RCC pipes revealed that DWC HDPE pipes were costlier than the RCC pipes. Further, the competent authority for procurement of DWC HDPE pipes according to delegation of powers was only the CGMs and not the DGMs/GMs.

3.8.2.6 Non-completion of projects due to delayed procurement of equipment

Procurement of major telecom equipment was carried out centrally by Corporate office, based on consolidated demand put up by the circles as per the procurement manual. Audit scrutiny of Material Management and Planning Wings of the Corporate office revealed that during 2003-04 to 2007-08, requirements for 5,224 number of equipment {4,312 Synchronous Transport Modules (STMs) and 912 Dense Wave Division Multiplexings (DWDMs)} were placed by divisions under NTP circle and the same was finalised by Head Office of NTP circle. Against this, 3,653 number of equipment was approved by Corporate office and only 1,603 number of equipment (1568 STMs and 35 DWDMs) were actually procured during 2003-08. Actual procurement of equipment by Corporate office was only 31 per cent of demand raised by NTP circle.

Audit further found that against 679 and 362 numbers of STM equipment approved by Corporate office for procurement during 2004-05 and 2005-06, respectively, for NTP circle, actual procurement was only 310 and 315 number during these years. However, procurement of 943 number of STM equipment was made during 2006-07 without any demand from NTP circle. This delayed procurement by Corporate office resulted in non completion of 66 projects (out of 153 projects selected by Audit), having total outlay of Rs.174.51 crore, which were sanctioned during 2003-04 to 2007-08 pertaining to DGMs (TP), Jaipur, Lucknow, Dehradun, Jodhpur, Jalandhar and National Capital Region (NCR) Delhi.

The Management replied (February 2009) that as most of the rings for which the equipment was planned required infrastructure work, which was itself a time consuming job, accordingly, the procurement of the equipment was done in phased manner.

The Management's reply was not acceptable as procurement of the equipment by the Corporate office in a phased manner instead of as per the demand of the NTP circle, had resulted in delays in commissioning of the projects.

3.8.2.7 Irregular procurement of OFC

As per revised guidelines for Transmission Media Planning (March 2005), 96F OFC was not to be utilised in any of the schemes. Against these guidelines, during 2005-06 and 2006-07, 124 kms of 96F OFC was procured irregularly at a cost of Rs.1.44 crore. No reply to this observation was furnished by the Management (March 2009).

Recommendation No. 3.2

The Company should ensure compliance of provisions of the Manual of Procurement of Telecom Equipment and Stores by all TPCs while procurement of material and stores and execution of works/projects.

3.8.3 Execution of projects

Approval of competent authority not obtained before taking up the projects

3.8.3.1 Irregular execution of OAN works

The Company's Corporate office (Transmission Planning Cell) issued (March 2005) revised guidelines for transmission media planning which stipulated that all transmission works within SDCC⁴ were to be carried out by territorial circles and project estimates should be sanctioned by territorial circles/heads of SSAs. In view this the primary responsibility for execution of Overlay Access Network (OAN) works rested with the concerned territorial circles.

Audit scrutiny of records of NTP circle and DGM (TP), Lucknow, revealed that 50 projects were sanctioned by NTP circle at a cost of Rs.334.78 crore and an expenditure of Rs.98.29 crore was incurred without obtaining sanction of projects/detailed estimates from concerned territorial circles. As such, these projects were executed without approval of the competent authority.

The local Management stated that there were clear cut guidelines for sanction and execution of OAN projects by TPCs. The reply was not tenable as after issue of revised guidelines and clarification thereto, the OAN project estimates were to be sanctioned by concerned territorial circles/heads of SSAs and not by TPCs. DGM (TP), Lucknow, accepted the facts.

The Management replied (February 2009) that since the NTP circle was doing execution of the OAN work including sanctioning of estimates prior to issue of new Transmission Guidelines, NTP circle continued the same practice, as the OAN projects were placed in top most priority by the Corporate office. It was further stated that the approval of Survey Report was obtained from SSA/circle concerned before the sanction of the estimate.

⁴ *Short Distance Charging Centre is generally situated at Taluka headquarters and is the reference point for chargeable distance calculation for all the exchanges working in the Short Distance Charging Area (SDCA), which is declared as the Local Area.*

The Management's reply was not tenable as after issue of the revised Transmission Planning Guidelines 2005, the OAN project estimates were to be sanctioned by concerned territorial circles/heads of SSAs and not by the NTP circle.

3.8.3.2 Irregular expenditure on execution of work

(a) Audit noticed that DGM (TP), Lucknow commenced execution of 13 works during 2002-07 and incurred Rs.7.93 crore (upto September 2007) on execution of these works without obtaining sanction of projects/detailed estimates from the competent authority. These works were not of emergent nature, which was evident from the fact that some of these works were under progress as of March 2008. Execution of works without sanction of competent authority was irregular.

On being pointed out by Audit, the Management sanctioned DE/PE for most of the schemes which were under execution. Thus, execution of works without approval of competent authority defeated the very purpose of sanction of project/estimate detailed estimates for exercising financial control.

The Management replied (February 2009) that in future care would be taken to ensure sanctioning of the estimates by the competent authority prior to execution of the work.

(b) Audit scrutiny of records of OAN works pertaining to Ghaziabad, Noida, Yamuna Nagar, Panipat and Karnal city under NTP circle revealed execution of extra work by divisions without approval by the competent authority resulting in irregular expenditure of Rs.1.99 crore. The local Management replied that matter would be taken up with the higher authorities for approval of increase in works.

The Management replied (February 2009) that the approval of SSA for modified OAN works was being obtained.

(c) Similarly, irregular expenditure of Rs.2.09 crore was incurred in one project executed by DGMs (TP) Lucknow under NTP circle, which was 49 *per cent* higher than the sanctioned cost of Rs.4.24 crore.

The Management replied (February 2009) that due to change in the project, some equipment had increased resulting in increase of cost of project and accordingly the project estimate and detailed estimate were being revised for sanction from the competent authority.

(d) Scrutiny of records relating to procurement and installation of 29 number of Digital Circuit Multiplication Equipment by DGM (TP), Satellite Communication Project NTP revealed that Rs.8.99 crore was incurred against the sanctioned cost of Rs. 7.80 crore resulting in irregular expenditure of Rs.1.19 crore. The local Management replied (May 2008) that the estimate was revised in August 2005 to Rs.12.62 crore and sanction of competent authority was awaited.

The Management replied (February 2009) that the estimate had already been revised and it was under sanction.

3.8.3.3 Irregular expenditure on splitted works

(a) Project estimate for OFC Overlay Access Network (OAN) for Central Polygon of Kanpur city connecting Benajhabar Govind Nagar and Lajpat Nagar exchanges was sanctioned (May 2004) by CGM, NTP circle. Based on this Divisional Engineer (DE), TP, Kanpur prepared detailed estimate for Rs.7.80 crore, which was not approved by GM

(TP), Lucknow due to incorrect application of schedule of rates. DGM (TP), Lucknow split the project in two parts to avoid sanction of higher authorities and accorded sanction (March 2005) for two Project-cum-Detailed estimates for Rs.3.00 crore each.

Audit scrutiny further revealed that expenditure of Rs.7.67 crore was incurred during the period from February 2005 to December 2007 against both these estimates, which were irregularly sanctioned. Despite incurring irregular expenditure the project still remained incomplete.

The Management replied (February 2009) that the project was sanctioned by the CGM (NTP) but based on the urgent requirement of the SSA/circle, the detailed estimate was prepared and sanctioned by the DGM.

The Management's reply is not tenable as the DGM (TP) Lucknow had split the project into two parts without obtaining prior approval of the competent authority, the detailed estimate of which was otherwise required to be approved by the CGM (TP), Lucknow. Hence, splitting of the project in two parts by the DGM (TP), Lucknow was irregular.

(b) As per delegation of financial powers, DGM (TP) was empowered to award work upto Rs. one crore through open tender. GM (TP) was empowered to sanction individual works each costing upto Rs. three crore and for rest of the cases respective CGM of the circle was empowered. Scrutiny of records pertaining to OAN Projects for Ghaziabad City (Phase-II), Faridabad City, Phase-I Noida City, Panipat City, Hissar, Karnal city and Yamuna Nagar revealed that works valued Rs.16.79 crore were splitted into parts so that delegation remained within the powers of DGM (TP) and approval from higher competent authority was avoided.

The Management replied (February 2009) that the whole planned OAN work was not taken up for execution as it would have required huge inventory that might not have been put to use and commensurate revenue would not have been earned. To avoid such situation only part of planned OAN was taken for execution that could be put to use immediately after commissioning. It was further stated that since phase-wise implementation was decided, estimates falling in the financial powers of DGMs were sanctioned by concerned DGMs.

The Management's reply is not tenable as the works need not be split to avoid piling up of inventory. By better planning for inventory procurement, the delivery of inventory could be taken in phases from the vendors as per the execution schedule of the works. The DGMs (TP) had split the above works without prior approval of the competent authority, the detailed estimates of which otherwise were required to be approved by the higher authorities, which was irregular.

Requisite clearance for project/scheme routes not obtained

3.8.3.4 Delay in obtaining permission from Forest Department

In WTP circle, a project estimate for Satna-Panna-Chhattarpur OFC route was sanctioned for Rs. 7.30 crore in November 1997. A part of work crossing Panna National Park area was stopped by the Forest Department for not obtaining their permission before the commencement of work. The route between Satna-Panna was completed in March 2001 after incurring an expenditure of Rs.4.76 crore but could not be used due to non-completion of the remaining route. Further Rs. one crore had to be paid for afforestation

fund along with Rs. six lakh for additional right of way to Forest Department in September 2006.

On being pointed out, it was stated that the work was delayed due to right of way permission in Reserve Forest Area. Had the WTP circle obtained the requisite permission from the Forest Department before commencement of work, blocking of capital expenditure of Rs.4.76 crore for the last seven years could have been avoided. As such purpose for which the OFC route was planned had been defeated.

The Management replied (February 2009) that out of Satna-Panna-Chhatarpur OFC route, Satna-Panna route could be commissioned in 2001 itself but Panna-Chhatarpur route could not be commissioned due to non-receipt of permission from Forest Department. It was further stated that the Forest Department referred the case to the Central Empowered Committee of the Supreme Court and on the order of the Supreme Court, the Company paid afforestation fund and now the work was at completion stage.

The Management's reply was not tenable as had the work been commenced after obtaining requisite permission from the Forest Department, the entire work on Satna-Panna-Chhatarpur OFC route could have been completed in one go and blocking of capital for more than seven years could have been avoided.

3.8.3.5 Loss due to laying of OFC without permission from NHAI

CGM, STP circle sanctioned (December 2001) a project estimate of Rs. 3.47 crore for laying 24F OFC in Tirunelveli- Valliyur route under DGM (TP) Madurai. While the work was in progress, National Highway Authority of India (NHAI) had commenced four ways laning of highway from Madurai to Kanyakumari section and consequently the OFC work had to be stopped as it fell in that route.

Audit scrutiny of the records revealed that the project was commenced without the permission of NHAI and an expenditure of Rs.1.61 crore was incurred. Consequently, Rs. 99.56 lakh pertaining to cost of diverted inventory, had to be transferred to other schemes/units and balance amount of Rs.61.87 lakh, being the cost of tendering, restoration charges, contractors' bills, cost of stores utilised and miscellaneous expenditure was proposed to be written off.

On this being pointed out, the local Management stated that only oral permission was sought from NHAI before commencement of the work and road restoration charges of Rs.7.11 lakh were also paid to NHAI at that time.

The fact remained that due to failure on the part of STP circle to obtain proper written permission from NHAI before commencement of the work, the Company was not in a position to claim compensation for loss of its property worth Rs.61.87 lakh from NHAI. STP circle had proposed (July 2007) to write off the above amount but the Corporate office had not accorded approval for the same (April 2008).

The Management replied (February 2009) that even if, written permission was obtained from NHAI for laying OFC along National Highway after paying the necessary restoration charges, they did not give compensation for shifting of pipes/cable damages rather the pipes/cable had to be shifted by the Company at its own cost.

The Management's reply was not tenable as had the Company waited for prior written permission from NHAI, and in case it was denied, the route of this work could have been

shifted and incurring of the above mentioned wasteful expenditure of Rs.61.87 lakh could have been avoided.

3.8.3.6 Blocking of capital on OFC Network for Indian Air Force

As per the Company's Corporate office instructions, advance deposit should be collected for works executed on behalf of other organisations.

Department of Telecommunications (DoT) entrusted (April 2006) the Company to create an alternate network for Indian Air Force in order to vacate the existing frequency spectrum for launch of 3G mobile services. Accordingly, Board of Directors of the Company decided (May 2006) to execute the Internet Protocol Multi Protocol Label Switching (IP MPLS) based OFC Network for Indian Air Force through all the four TPCs. CGM, STP circle was nominated as the Nodal Officer for planning, execution and monitoring of this work. After finalisation of tender, STP circle awarded (March 2007) the work to HCL Infosystem Limited for planning, engineering, supply, installation and commissioning of this network.

The project cost was estimated at Rs.1,164 crore by the Company and the entire capital cost was to be paid by DoT to the Company on deposit work basis. The project was initially proposed to be completed by October 2006 but due to delays in infrastructure readiness at Indian Air Force sites, the project was expected to be completed by March 2009. Audit noticed that against an estimated cost of Rs.1,164 crore, the Company failed to collect any advance deposit from DoT, which was a violation of its own instructions. Further, the Company had incurred an expenditure of Rs.624.54 crore till January 2008 on the project, while the reimbursement made (March 2008) by DoT was only Rs. 158.60 crore. Thereafter, no amount has been reimbursed by DoT to the Company despite reminders.

Thus, failure on the part of the Company to collect advance deposit from DoT, resulted in blocking of capital of Rs. 465.94 crore and consequent loss of interest of Rs. 46 crore *per annum*.

The Management accepted (February 2009) that despite repeated reminders, DoT had not reimbursed the expenditure so far incurred on the project.

3.8.3.7 Lack of budgetary control

The funds for different projects/schemes should be requisitioned by divisions/sub-divisions executing projects/schemes based on actual requirements and allotted funds should be efficiently utilised. The actual expenditure in excess of allotted funds, if any, should be sanctioned by the competent authority.

The Corporate office issued instructions from time to time to review the expenditure on capital outlay. During review of records relating to budget allotment and actual expenditure incurred in WTP circle for the year 2006-07 it was observed that:

- (i) In respect of 12 service component heads for which no funds were allotted by Corporate office, an expenditure of Rs.13.29 crore was incurred without the prior permission of Corporate office.
- (ii) Under the service head 'OFC cable', an expenditure of Rs.134.80 crore was incurred against the allotment of Rs.62.38 crore resulting in excess expenditure of Rs.72.42 crore over allotted funds.

Thus, expenditure of Rs.85.71 crore without allotment of funds/prior permission of the Corporate office was irregular and showed lack of budgetary control over expenditure by WTP circle.

The Management replied (February 2009) that in future it would be ensured to keep the expenditure well within the allotment.

3.8.3.8 Loss of estimated revenue due to delays in execution of projects

Audit scrutiny of records pertaining to execution of projects by WTP circle (Mumbai, Pune, Nagpur, Ahmedabad, Bhopal, Jabalpur divisions), NTP circle (National Capital Region, Satellite Communication Project, Jodhpur, Jalandhar, Dehradun, Lucknow divisions), STP circle (Eranakulam, Bangalore, Madurai, Salem divisions) and ETP circle (OFC Kolkata, circle office, Bhubaneswar, Patna, Ranchi divisions) revealed that commencement, completion and commissioning of 294 projects executed by these circles during 1999-00 to 2007-08 were delayed for periods ranging from one month to seven years as detailed in *Annexure-V*. These delays resulted in loss of estimated revenue of Rs.632.73 crore.

Delays in commissioning of these projects were attributable mainly to delayed/non-receipt of equipment, non-allocation of satellite frequency, delays in obtaining permission for right of way from different authorities and lack of coordination between TPCs and Telecom Maintenance Regions for taking over of completed projects.

The Management replied (February 2009) that instructions were being issued to the field units to avoid delays in execution of projects and hand over the completed projects immediately after commissioning in future.

3.8.3.9 Excess expenditure on execution of projects

Out of 138 projects, each costing Rs. one crore and above, executed by WTP circle during 2003-08 and examined by audit, it was noticed that in 16 completed projects the actual expenditure had exceeded their sanctioned cost by Rs.8.79 crore due to erroneous booking of overheads and excess drawal of stores.

On being pointed out, local Management replied that action would be taken for preparation of revised estimates after verification and checking of expenditure incurred with related bills.

The Management replied (February 2009) that action was being taken to revise the project estimates. It was further stated that in order to avoid repetition of such error in future, it would be ensured that required provision for overhead charges would be made in future project estimates.

Deficiencies in payments to contractors

3.8.3.10 Non-levy of penalty by NTP circle on the contractors

(a) As per tender documents a maximum of 10 *per cent* of the estimated cost of contract, was recoverable from the contractors for delay in execution of the work.

Audit scrutiny of OAN works awarded to different firms under DEs (TP), Kanpur and Lucknow, revealed that there were delays ranging from 2 to 64 weeks in completion of cable laying work on different routes in Kanpur and Lucknow. Extension of time (EOT) was granted to contractors frequently on the basis of non-availability of PLB pipes/stores

and non-availability of permission from local authorities during the course of execution of these works. Audit noticed that despite availability of sufficient PLB pipes in stores, the stock position was never verified by DGM (TP) before granting EOT to the contractors. Besides, permission from local authorities for execution of works was required to be obtained by the Management with assistance of contractors before execution of works, but both Management as well as the contractors failed to timely obtain the required permission from the local authorities.

Thus, failures on the part of the local Management to verify the stock position of PLB pipes in stores before granting EOT to the contractors as well as failure on the part of the Management and the contractors to obtain timely permission from local authorities for execution of works, resulted not only in delays in execution of works but the Management could also not levy penalty of Rs.27 lakh on the contractors for delays in execution of works.

The Management replied (February 2009) that the works were started in anticipation that early permission would be granted by the local authorities but at later stage, the permission was delayed due to different reasons. It was further stated that as the delay was not on the part of contractors, but on part of the Company, therefore, penalty was not levied on contractors for the delays.

The Management, however, did not reply as to why the local management failed to verify the stock position of PLB pipes in stores before granting EOT to the contractors.

(b) Scrutiny of records of DGM (TP), NCR pertaining to execution of OAN and Manhole works for Ghaziabad Phase-II, Noida Phase I (Part I and II), Gurgaon Phase II, Hissar, Panipat, Yamuna Nagar, Faridabad and Ambala revealed that in each case the extension for execution of works was granted to the contractors without imposing liquidated damage charges for delays in execution of works on the ground that the permission for road cutting was not granted by the concerned civic authorities. However, letters written by the Company/contractors to the civic authorities for granting permission for road restoration were not on record. In the absence of any document in support of hindrance of work, the reason for not imposing penalty of Rs.1.31 crore for delays in completion of works was not found justified.

The local Management stated that extension of time was granted without imposing penalty due to non-availability of road restoration permission. The reply furnished by the local Management could not be verified as documents to show efforts made by the Company /contractors to obtain permission from civic authorities were not produced in support of reply.

The Management accepted (February 2009) that no formal letters/reminders were written to local authorities for expediting permission for execution of works, however, it was stated that the same would be done in future to keep the things on record.

3.8.3.11 Advance payment to HCL Infosystem Limited in violation of purchase order

In March 2007, STP circle placed purchase order on HCL Infosystem Limited (HCL) for supply, installation and commissioning of IP MPLS Network for Indian Air Force at an estimated cost of Rs.506 crore. As per terms and conditions of the purchase order, payments were to be released to HCL, (i) 30 *per cent* on supply of all the equipment, (ii) 50 *per cent* on installation, commissioning and acceptance testing of equipment, and (iii)

20 per cent after one year of successful installation and commissioning of the entire network.

Based on the approval conveyed (March 2008) by the Corporate office, STP circle released (March 2008) Rs. 131 crore to the supplier as advance payment against 50 per cent payment, which was required to be made only after installation, commissioning and acceptance testing of equipment. This resulted in undue benefit of Rs. 131 crore to HCL.

On being pointed out, local Management stated that advance was released to HCL as per orders issued by the Corporate office. The reply was not tenable as terms and conditions of the purchase order did not permit the same.

The Management replied (February 2009) that as the delay was not attributable to HCL, Management Committee of the Company approved for release of payment by taking bank guarantee (BG) of equivalent amount. It was further apprised that the case for payment to HCL was taken up when HCL approached Secretary (Telecom) to release the payment against a BG of an equivalent amount and accordingly payment was made after approval by the Company's Management Committee.

The Management's reply was not tenable as release of Rs.131 crore to the supplier as advance payment was against the terms and conditions of the purchase order.

Recommendation No.3.3

The Company should ensure compliance of delegation of powers and other instructions issued by the Corporate office pertaining to sanction and execution of the projects including collection of advance deposits and release of payments to the contractors.

3.8.4 Utilisation of completed projects

3.8.4.1 Completion reports of schemes/projects not released

On completion of project/scheme an indication to that effect was to be made in the Estimate Register and a Completion Report (CR) was to be released. It was also imperative that undue delays should not occur in the release of CR of any work which was physically completed.

Audit scrutiny revealed that CRs pertaining to 57 projects completed by the NTP circle⁵ during 2004-08 and 77 projects completed by the WTP circle⁶ during 1999-08 at a total cost of Rs. 54 crore and Rs. 129 crore, respectively, were yet to be released.

Non-release of CRs was not only a violation of the existing instructions but also resulted in non-issue of ATDs and non-capitalisation of expenditure of Rs.183 crore. Hence depreciation to that extent could not be charged and consequent benefit on reduction in Corporate tax could not be availed.

⁵ DGMs (TP), National Capital Region, Satellite Communication Project, Lucknow, Jodhpur and Dehradun.

⁶ West Maharashtra Area (Mumbai), South Maharashtra Area (Pune), West Madhya Pradesh (Bhopal), East Madhya Pradesh (Jabalpur), Gujarat Region (Ahmedabad), East Maharashtra Area (Nagpur) Divisions.

No reply was furnished by concerned divisions of NTP circle with regard to delay in issue of CRs. However, WTP circle replied that concerned divisions would be asked to release the completion reports.

The Management replied (February 2009) that efforts were being made to release Completion Reports of all completed works. It was further stated that strict watch would be kept at circle level for this work.

3.8.4.2 Non-acceptance of ATDs for completed works

As per Telecom Accounts Manual, ATDs received by units should be adjusted in accounts in the same month in which it is received.

Scrutiny of ATD Registers pertaining to the years 2003-08, revealed that 241 ATDs pertaining to projects costing Rs.118.49 crore raised by DGM (WMA) Mumbai, DGM (EMA) Nagpur, DGM (SMA) Pune, DGM (TP) Jabalpur, DGM (TP) Ahmedabad and DGM (TP) Bhopal under WTP circle remained unaccepted by the requisitioning territorial circles/Western Telecom (Maintenance) Region mainly due to lack of timely making over of ATDs and non-submission of supporting documents. As a result, the Company could not capitalise these projects and avail deduction in payment of Corporate tax on account of depreciation.

On being pointed out by Audit, Western Telecom (Maintenance) Region stated that the main reason for non-acceptance of ATDs was non-furnishing of details of expenditure on each component of these projects.

The Management replied (February 2009) that routes/schemes commissioned were under process for making over to Western Telecom (Maintenance) Region / concerned circles, therefore, ATDs were pending. It was further, stated that efforts were being made to get them accepted from the concerned units.

3.8.4.3 Abandoning of Microwave schemes

In the CGMs (Maintenance) conference and Management Meeting of WTR held in May 2003, emphasis was laid on closure of all Microwave systems which were not loaded fully in order to save spectrum charges. It was further decided that the Digital Microwave systems should be fully loaded with Trunk Automatic Exchange traffic and utilised as an alternate route in case of failure of PDH/Linear routes.

Audit scrutiny of relevant records in WTP, NTP and ETP circles, revealed that of the 11 Microwave schemes valued at Rs. 44.50 crore taken up by these circles during the period from February 1998 to March 2001, only six schemes were commissioned by July 2005 and remaining five schemes could not be commissioned due to deficiencies in their equipment as detailed in ***Annexure-VI***. Of the six schemes commissioned, none could be put to use due to obsolescence of microwave technology and operation of alternative OFC routes. Consequently, all 11 Microwave schemes had been proposed for scrapping by the local Management on the ground of availability of better transmission media on OFC. Thus, expenditure of Rs. 44.50 crore incurred on these Microwave schemes remained blocked.

The Management replied (February 2009) that due to availability of better transmission media on OFC system, the microwave technology became obsolete resulting in abandonment of microwave schemes. It was further stated that action was being taken for scrapping of the abandoned microwave equipment.

3.8.4.4 OFC routes remained underutilised

After decentralised procurement of OFC upto 24F for long distance projects, the TPCs were authorised to procure OFC on the basis of requirements received from their field units as planned in the RTPC meetings, but for getting the transmission equipment, the TPCs were dependent on the Corporate office.

During review of records in WTP circle, it was noticed that OFC was laid by its divisions on 107 routes to support SDCC rings for expansion of Broadband and Mobile Telephone services. However, these routes could not be fully loaded, as against the requirement of 2478 numbers of Synchronous Transport Module level-16 Add-Drop Multiplexer (STM-16 ADM) transmission system equipment, only 440 numbers of STM-16 ADM equipment were supplied by the Corporate office upto 2007-08. Thus, due to non-supply of the required number of STM-16 ADM equipment by the Corporate office, 107 OFC routes remained underutilised and the plan for expansion of Broadband and Mobile Telephone services was defeated. The Company also suffered loss of potential revenue, which could have been earned from expansion of Broadband and Mobile Telephone services.

On being pointed out by Audit, while accepting the facts, local Management stated that the traffic was partially loaded in the SDCC rings and all the rings could not be commissioned due to shortage of equipment.

The Management replied (February 2009) that 2500 number of STM-16 ADM equipment had been ordered for WTP, which were under supply.

3.8.4.5 Unproductive expenditure on laying of higher capacity OFC

In WTP circle against its plan to lay 24F OFC on two routes between Prabhadevi - Dahisar and Thane - Panvel, prepared detailed estimates for laying higher capacity 48F OFC on both these routes for a length of 40 km each. Detailed estimates were prepared on the presumption that 50 *per cent* of the fibres of OFC would be shared with the Mahanagar Telephone Nigam Limited (MTNL), Mumbai. Accordingly, both these routes were commissioned during the year 2002. Since commissioning of these routes, a maximum of 20 fibres of OFC were being utilised by Western Telecom Region (WTR) and the remaining fibres remained idle. Hence, laying of higher capacity 48 F OFC, the cost of which was almost eight times more than the 24F OFC, resulted in unproductive expenditure of Rs. 2.19 crore, being the cost differential of 24F and 48F OFC.

On being pointed out by Audit, local Management stated that proposals were under process for sharing of OFC with MTNL. But the fact remained that both the higher fibre capacity OFC routes laid by the WTP circle could not be utilised fully during the last six years upto 2007-08.

The Management replied (February 2009) that about a year back, the Company Headquarters had issued guidelines for laying OAN scheme in Mumbai city area and these fibres would be used for extending fibres to the premium customers in Mumbai city area.

The Management's reply was not tenable as the Company cannot have OAN scheme and extend telecom service to customers in Mumbai city area as this area is under the operational jurisdiction of MTNL only.

3.8.4.6 Non- disposal of unserviceable/obsolete stores

In order to avoid loss due to deterioration of unserviceable/obsolete stores, the same should be promptly disposed off after following the accounting policy/procedure of the Company. However, review of records pertaining to unserviceable/obsolete stores of Lucknow and Kanpur divisions under NTP circle and divisions of ETP circle in Orissa area, revealed that substantial quantity of unserviceable/obsolete stores valued at Rs. 2.98 crore⁷ were lying for disposal as on March 2008 resulting in blocking of capital of Rs. 2.98 crore.

On being pointed out by Audit, local Management stated that the disposal of these unserviceable/obsolete stores was under process. Any further delay in their disposal would decrease their realisable value.

The Management replied (February 2009) that except Lucknow and Kanpur divisions, the unserviceable/obsolete store had already been disposed off in other divisions and action was being taken for early disposal of the said stores in Lucknow and Kanpur divisions.

Recommendation No. 3.4

The Company should ensure timely issue of completion reports pertaining to completed projects, handing over of commissioned projects, issue and acceptance of ATDs for avoiding delays in capitalisation of the projects.

3.8.5 Non/improper maintenance of prescribed records of projects/schemes/works

For proper recording of work done and accounting of expenditure, Measurement Books (MBs) and prescribed Registers (like Works registers, Hindrance registers, Agreement registers) should be properly maintained by the TPCs. However, audit scrutiny revealed deficiencies in maintenance of MBs and prescribed Registers in the NTP circle as detailed in **Annexure -VII**.

The Management replied (February 2009) that instructions were being issued to all field offices to properly maintain the prescribed MBs/Registers with requisite details. It was further stated that all Inspecting officers would also check the details entered in these MBs/ Registers during their inspections henceforth.

Recommendation no 3.5

The Company should ensure proper maintenance of Measurement Books and various Registers prescribed for recording details of the projects.

3.8.6 Inadequate control mechanism

As per existing instructions, regular interaction between heads of divisions/ territorial circles/Corporate office and heads of TPCs for ensuring economical, efficient and effective execution of new telecom projects/schemes is a must, for which laid down control mechanism and MIS is required to be maintained both at the levels of head office of each TPC and the Corporate office.

However, test check of records revealed that no consolidated database of projects planned/in-progress was maintained by NTP and STP circles or by the Corporate office for monitoring economical, efficient and effective execution of telecom projects/schemes.

⁷ Rs. 0.32 crore - Kanpur, Rs. 0.87 crore - Lucknow, Rs. 1.79 crore - Orissa area

The Management replied (February 2009) that unified software was required for the Management Information System for the entire Project circles that would be developed by Information Technology Cell.

3.8.7 No significant improvement in quality of service

Projects executed by TPCs of the Company were mainly for augmentation of transmission network for ensuring uninterrupted flow of telecom traffic of the Company as well as other operators in inter-circle and intra-circle locations. Hence benchmarks for various quality of service parameters, viz., call completion rate in local network for wire line services, accumulated downtime of community isolation for wireless services, call set up success rate, call drop rate, etc should have been prescribed in the project estimates. Further, achievement of these benchmarks should have been closely monitored to ensure benefits of huge expenditure on execution and commissioning of projects/schemes by TPCs.

However, above benchmarks were not prescribed in the project estimates by the Management on the plea that these 'quality of service' parameters were not transmission parameters. Plea of Management was not tenable as in the absence of these parameters, neither the quality of performance of long distance transmission network laid by the TPCs could be ensured nor expenditure incurred on projects/schemes by TPCs could be justified.

It was further noticed that the Telecom Regulatory Authority of India (TRAI) had been bringing out quality of service reports on quarterly basis highlighting achievement of various benchmarks for improving overall quality of service of Wire line and Wireless telephone services by different telecom operators in different circles. The Corporate office of the Company has been reviewing these reports of TRAI for taking corrective action.

Test check of quarterly quality of service reports of TRAI revealed no significant improvements in the quality of service of the Company's Wire line and Wireless telephone services in Bihar, Jharkhand, Tamil Nadu and Kerala circles due to non achievement of quality of service benchmark prescribed by TRAI.

The Management replied (February 2009) that TPCs were responsible for planning and execution of long distance transmission networks in inter-circle and intra-circle locations and the benchmarks for various quality of service parameters were not monitored by TPCs as the projects/schemes were handed over to Maintenance regions after installation and commissioning. It was further stated that the "Bit error rate" and other parameters pertaining to quality of service for the transmission networks were being maintained by respective Maintenance regions and some of the parameters, which were service dependent, such as wire line and wireless categories, were maintained by territorial circles.

The Management, however, did not reply as to why benchmarks for various quality of service parameters were not prescribed in the project estimates to ensure benefits of huge expenditure incurred on execution and commissioning of projects/schemes by TPCs.

3.9 Conclusion

The primary objective of New Telecom Policy-1999 was to create a modern and efficient telecommunications infrastructure taking into account convergence of Information

Technology, media, telecom and consumer electronics, and thereby propel India to the forefront in the global telecom scenario.

In order to achieve the above objective of providing efficient telecommunications infrastructure, the Company had to plan and execute various long distance transmission projects/schemes through its Telecom Project Circles for ensuring uninterrupted flow of telecom traffic through out the country.

Audit observed systemic deficiencies in planning, procurement of equipment and stores, quality of telephone services, execution and monitoring of long distance projects/schemes and their timely handing over to user circles. Audit also found compliance deficiencies in TPCs, its divisions and sub-divisions which undermined the overall performance of the TPCs. These deficiencies are to be addressed urgently by the Company to have a competitive edge over private telecom service providers, besides achieving the objective of National Telecom Policy.

The matter was referred to the Ministry/Management in December 2008. The Management replied (February 2009) that the Company was striving to achieve the objectives of NTP-99 for which long distance network was being expanded rapidly through planning and execution of various transmission projects/schemes by TPCs and these projects/schemes were being commissioned and capitalised as soon as possible to avoid the revenue loss. It was further stated that in case of delay of the projects/schemes, necessary steps were undertaken for commissioning with minimum of delay time. It was also stated that the suggestions of Audit had been taken to improve the planning and execution of transmission projects/schemes.

The matter was reported to the Ministry in December 2008; reply was awaited (March 2009).