
Post & Telecommunications

ORGANISATION

The Office of the Director General of Audit, Post and Telecommunications has a chequered history and can trace its origin to 1837 when it was known as the Office of the Accountant General, Posts and Telegraphs and continued with this designation till 1978. With the departmentalisation of accounts with effect from April 1976 the designation of AGP&T was changed to Director of Audit, P&T in 1979. From July 1990 onwards it was designated as Director General of Audit, Post and Telecommunications (DGAP&T).

The Central Office which is the Headquarters of DGAP&T was located in Shimla till early 1970 and thereafter it shifted to Delhi. The Director General of Audit is assisted by two Group Officers in Central Office—one in charge of Administration and other in charge of the Report Group. However, there was a difficult period from November 1993 till end of 1996 when there was only one Deputy Director for the Central office.

The P&T Audit Organisation has 16 branch Audit Offices across the country; while 10 of these (located at Chennai, Delhi, Hyderabad, Kapurthala, Lucknow, Mumbai, Nagpur, Patna and Thiruvananthapuram as well as the Stores, Workshop and Telegraph Check Office, Kolkata) were headed by IA&AS Officers of the rank of Director/ Dy. Director. The charges of the remaining branch Audit Offices (located at Ahmedabad, Bangalore, Bhopal, Cuttack, Jaipur and Kolkata) were held by Directors/ Dy. Directors of one of the other branch Audit Offices (as of March 2006) as additional charge.

P&T Audit organisation deals with all the three principal streams of audit viz. Expenditure, Receipt and Commercial.

DGAP&T is entrusted with the audit of Department of Post (DOP) and Department of Telecommunications (DOT) under the Ministry of Communications and Information Technology. Commercial Audit domain extends to 3 PSUs now viz. MTNL, BSNL and Millennium Telecom Limited. DGAP&T conducts Appropriation Audit of DOP and DOT, certification of annual accounts of Telecom Regulatory Authority of India under Section 23(2) of TRAI Act, and audit of Pay and Accounts Offices of IA&AD.

The Branch Audit Offices (BAOs) except the Stores, Workshop and Telegraph Check (SWTC) Audit Office, carry out audit of the accounts of Postal Units and Telecommunication Offices in various Postal & Telecom circles. SWTC Audit Office conducts audit of Telegraph Check Office, Stores and Workshop and Telecom Factories across the country. While the audit role and functions of other BAOs may have somewhat increased, due to technological changes and introduction of Value Added Services in the Telecom Sector, role and functions of SWTC Audit Office have shrunk since technology reduced the role of audit in its case for example, introduction of FAX and other modes of data communications, and better telephone accessibility even in small towns as also villages has reduced drastically role of such communication modes as telegram and telex. As a result, the work in Telegraph Check Office, Kolkata reduced considerably; similarly, with post-liberalisation entry of the private suppliers in the Telecom sector, the department started procuring the material, which was earlier manufactured by Telecom Factories, from private suppliers. This also had impact on audit of Telecom Factories. Further, consequent on formation of Bharat Sanchar Nigam Limited from October 2000, all the five Central Telegraph Stores, which were supplying line and other telecom stores to circles were merged with respective Circle Telecom Stores. As a result of this factor, some staff of SWTC, Kolkata was rendered surplus.

C&AG appointed a Task Force¹ in January 2007 to review the structure of P&T Audit organisation. The review is on and a report is expected soon.

TELECOM SECTOR—PROFILE OF A RAPIDLY CHANGING SECTOR

While 1991 Industrial and Trade Policy is often heralded as a watershed in the economic liberalisation of Indian economy and rightly so, in Telecom Sector, the first wave of liberalisation had

started, albeit slowly, from mid-eighties. It witnessed a phase of rapid expansion, innovations and structural reorganisation during late eighties. Telecom services and most of the manufacturing activities that were totally under the domain of Government started opening up to outsiders. Two large corporate entities were created by taking away the related functions from the Department of Telecommunications—Mahanagar Telephone Nigam Limited (MTNL) in February 1986 for telecom operations in Delhi and Mumbai and Videsh Sanchar Nigam Limited (VSNL) in March, 1986 for all international services (erstwhile Overseas Communications Services).

1991 reforms and liberalisation policy resulted in National Telecom Policy, 1994 which marked the entry of the private sector in the field of equipment manufacture as also in providing many new services like basic, cellular mobile telephone services and radio paging. With the introduction of Value Added Services, the onus of auditing these Value Added Services also became a focus area of P&T Audit Organisation.

The entry of private operators brought with it the necessity of an independent regulator. Thus, Telecom Regulatory Authority of India was established in February 1997 by an Act of Parliament. The audit of this regulator is with DGAP&T.

The New Telecom Policy, 1999 aimed at, amongst others, a new environment which encouraged continued attraction of investment in the sector and allowed the private service providers, who were paying fixed licence fee to migrate to revenue sharing regime. As a consequence, in an important development, the Government issued a Gazette Notification in November 2002 allowing audit of the books of accounts and other records of private service providers, which has a bearing on the verification of the revenue.

In 1999, as part of opening of the Sector and in pursuance of New Telecom Policy 1999, two new departments viz. Department of Telecommunications Operations (DTO) and Department of Telecom Services (DTS) (Service Provider) were carved out from DOT for providing telecom services in the country. In September 2000, the functions of DTO and DTS were entrusted to a Public Sector undertaking Bharat Sanchar Nigam Limited (BSNL) which became the biggest telecom service provider company.

As per the New Telecom Policy 1999, the Government committed itself to the Universal Service Obligation (USO). This implied an obligation to provide access to basic telecom services

to people in rural and remote areas at reasonable and affordable prices. The resources for meeting the USO were to be raised through a universal access levy, which was to be a percentage of the revenue earned by all the fixed service providers under various licences. The audit of the fund is entrusted to P&T Audit Organisation.

Consequent on corporatisation of Department of Telecom Operations and Department of Telecom Services as BSNL, DOT Cells (subsequently changed as Controllers of Communication Accounts) were created for settlement of retirement/ pensionary benefits, DCRG, CGEIS, GPF final payment, leave encashment etc. of the DOT staff working with BSNL and MTNL, collection of licence fee and spectrum charges from all cellular basic and unified access service licencees, settlement of universal service obligation and subsidy claims, accountal of receipts and expenditure. The onus of audit of Controller of Communication Accounts (CCA) also rests with DGAP&T. The CCA is responsible for budgeting, finance and accounting functions of Field Wireless Monitoring Organisation and Vigilance Monitoring Cells.

Millennium Telecom Ltd. was incorporated in February 2000 under Companies Act, 1956 as a wholly owned subsidiary of MTNL. The company obtained category 'A' licence from the Department of Telecommunications for providing internet services throughout India.

DEVELOPMENTS IN AUDITING

Audit Norms: Consequent to departmentalisation of accounts in 1976, and the subsequent developments, the department, specially due to large scale computerisation in Telecom Department and to some extent in Postal Department, required a new set of norms for audit checks, methodology and techniques to keep pace with fast changing scenario. The task was given to an in-house 'Norms Committee' headed by Director² (Reports) of the Office of the DGAP&T in March 1998 and on the basis of its Report submitted in October 1999 the new audit checks were implemented from the financial year 2000-01. Audit checks as per these norms were mainly expenditure oriented. Meanwhile, BSNL was corporatised in October 2000 and that prompted a reassessment of audit functions, specially the focus areas. Another Committee was, therefore, appointed in October 2000, to look into these areas which included a re-look at assessment of the frequency of audit, units to be audited

etc. necessitated in the changed scenario of corporatisation. While the Committee concluded that there was no need to change the audit norms 2000, a system of categorization of auditee units on the basis of risk analysis was introduced.

As a result of implementation of new audit norms 2000, additional manpower required worked out to 95 posts of Sr.AOs/ AOs. Out of this, 52 posts of Sr.AOs/ AOs were created in December 2000.

Contract Audit: After the New Telecom Policy 1994 there was a massive increase in procurement of equipment and material by the Department of Telecom. Audit focus on the contracts concluded by the DOT increased from 1994–95 onwards. Today, Contract Audit is one of the most important areas of audit in P&T office and a comprehensive system of Contract Audit has been evolved.

Material and Equipment purchase constituted about 60 per cent of the expenditure of the DOT when the Department was also a service provider. (The position has changed after the separation of this function and its entrustment to BSNL). Till mid 1990s, the procurement of equipment was either from PSUs or from TFs but after the entry of private sector in fields of manufacture of equipment and service provision in telecom sector matters changed drastically. The department started procuring the telecom equipment and other stores from the private suppliers also by open tendering and entering into contracts. Around mid-1990s the key to improved audit results was the realisation that Contract Audit was the real audit to be strengthened. The Director General of Audit, P&T realised this quickly and in a series of moves strengthened this audit by:

- (a) posting additional staff to Contract Audit Unit in Sanchar Bhawan;
- (b) getting Contract Audit done on concurrent basis;
- (c) getting a room for his officers allotted in the Sanchar Bhawan for better supervision of contract audit;
- (d) close monitoring of the contract cases personally.

From 1996–97 onwards, in the real sense, concurrent audit of contracts started in a big way. Audit of contracts is done right from planning till utilisation. The contract audit moved along with progress of contracts i.e. audit at NIT stage, tender processing stage, order placement stage, post placement developments etc. This was by use of computerised database by DGAP&T contract

audit parties located at DOT HQrs. The methodology adopted by the DGAP&T in 1996 onwards was to get the entire data of contracts that were entered into previous year (the relevant audit cycle) and select the sample in consultation with his team of officers. Each contract after examination is shown to DGAP&T as also cases which are likely to be converted into draft paragraphs. A system of close monitoring of the audit of contracts was introduced and DGAP&T organisation held, if necessary, discussion with the Senior Officers of the Telecom Department. Department of Telecommunications allotted in April, 1997 a room to DGAP&T at Sanchar Bhawan.

The results of these steps were seen very clear and very soon. The quality of audit reports and the depth of audit scrutiny of contracts became very obvious from the Audit Report of 1996-97 itself but more pronounced from 1997-98 onwards. Once the system became stabilised, good results flowed in every year thereafter.

As a result of strengthening of Contract Audit, a number of reviews and paragraphs like procurement of 2GHZ digital microwave system (Para 8.1 of Report No.6 of 1997), Lease finance of switching equipment (Para 8.3 of Report No.6 of 1997) Procurement of 0.5 mm diameter drop wire (Para 12 of Report No.6 of 1998), procurement of PIJF cables (Para 11 of Report No.6 of 1999) and paragraphs like procurement of solar photo voltaic panels (Para 9.1 of Report No.6 of 1997), undue favour to the supplier and loss on procurement of fly away terminals (Para 9.6 of Report No.6 of 1997) etc. were included in the Audit Reports. Some of these paragraphs were selected by the Public Accounts Committee for detailed examination.

DEVELOPMENTS IN RECEIPT AUDIT OF TELECOM SERVICES

Receipt Audit has become a key audit activity on the Telecom side and to a limited extent on Postal side too. This is on account of a qualitative change in the nature and quantum of receipts after the liberalised regime.

Audit of traditional receipts of Telecom comprised rentals, local call charges, trunk call charges, rent and guarantee cases, leased telecom circuits etc. The receipt audit scenario in Telecom Sector underwent a profound change with the entry of private operators in telecom sector first in Value Added Services, and subsequently in the Basic and Cellular Telephony. This change related to the

nature of the receipts and the quantum of receipts. Test checks of revenue generated from various Value Added Services became an important part of audit. These value added services were:

(i) Radio paging Service, (ii) Cellular Mobile Telephone Service, (iii) Electronic Mail Service, (iv) Voice Mail Service, (v) Videotext Service, (vi) Video Conferencing, (vii) Morning Alarm Service, and (viii) Mobile Radio Trunked Service

As regards private operators in telecom sector, the collection of licence fee as revenue share from all basic, cellular and unified access service is entrusted to CCA at circle level. Audit examines the records of CCA to ensure that the licence fee as share of revenue due to department is correctly levied and promptly realised and brought to account. An interesting development in this context relates to the C&AG's demand that in order to check the correctness of the figures of gross revenue used for calculating the license fee payable annually, he needed access to those limited records at least, of the private operators which would establish that revenue share of the Government was correctly calculated and credited to Government account. The matter was taken up with Secretary (Telecom) in 1999, and the relevant provision was made in TRAI Service Provider (Maintenance of Books of Accounts or Other Document) Rules 2002, for such an access to Telecom Department and government audit in respect of cellular operators on revenue sharing basis.

The Wireless Planning and Coordination Wing (WPC) allocates the radio frequencies of different bandwidths to wireless system users. Prior to April 2004, these spectrum charges were being collected centrally by WPC wing at DOT HQrs. However, from April 2004 onwards, the work of collection of spectrum charges is entrusted to CCAs. Audit has to ensure the correctness of the collections of spectrum charges from all users of radio frequency.

PRESENT SCENARIO

There is now a growing realisation in the P&T Audit organisation that revenue audit of BSNL/ MTNL needs considerable strengthening. There has been tremendous expansion in BSNL activities both as regards number of connections (up from 281.09 lakh lines in 2000-01 to 551.59 lakh in 2005-06) and revenue generated (up from Rs. 11699.48 crore in 2000-01 to Rs. 40176.58 crore in 2005-06). The real shift in audit focus now is greater attention to audit of revenue receipts. Recognising this fact, P&T

Audit organisation has taken up detailed study of four major revenue streams of BSNL viz. Billing and Collection of Interconnect Usage Charges, Revenue from Bulk users of leased Lines, Revenue from Infrastructure Sharing charges and Revenue through Franchises for the current years' Report (2007).

DEVELOPMENTS IN AUDIT REPORTING

Audit findings in respect of Department of Post and Department of Telecommunications were included in a separate volume titled C&AG's Audit Report on Post and Telecommunications, till 2000-01. Audit findings in respect of MTNL and of VSNL were included in the Audit Report No.3 (Commercial) upto 2000-01. Consequent on formation of Bharat Sanchar Nigam Ltd. in October 2000, its audit findings are included in the Commercial Audit Report while the paragraphs and reviews relating to Department of Post and Department of Telecommunications are included in the Civil Audit Report No.2 (Transactions Audit) along with other ministries which is signed by Director General, Audit (Central Revenues). DGAP&T, however, signs Performance Audit Reports concerning Department of Telecommunications and Postal Department.

Till Audit Report for 1990-91, the reporting style was mostly factual, from 1991-92 Audit Reports onwards; the paragraphs contained audit analysis and also pinpointed the accountability of the authorities responsible for omissions and commissions. The big change in reporting style came from 1996-97 onwards, when audit reporting became accountability centred and investigative type rather than mere pointing out the irregularities. Significant changes also occurred in audit of receipts as detailed below in a separate section.

ADVANCE PLANNING/ WORKSHOP

Every year when the Audit Report is in advanced stage of finalisation, the suggestions of Branch Audit Offices on the topics on Telecommunication and Postal side for conducting detailed reviews for the next audit report are called for in October/ November every year. On receipt of the same from the BAOs the DG holds a review meeting with heads of BAOs to assess the sustainability of the topics along with their topicality and thereafter the topics are finalised. This was started for the first time in 1996 as a two-day exercise. However, from February, 2001 annual seminar of the Heads of Branch Audit Offices is being organised

every year for a week. The objective of this type of seminar is to update the officers with rapid developments in Postal and Telecommunication sectors and also to give them an opportunity to interact among themselves and with officers in the auditable entities.

DEVELOPMENTS IN COMMERCIAL AUDIT (TELECOM)

As already described in Chapter-7, commercial audit organisation in IA&AD is a distinct wing where field offices are headed by Principal Directors of Audit, Commercial and Ex-officio Members Audit Board, under the control of Deputy C&AG (Commercial)-cum-Chairman Audit Board. The one exception to this organisational arrangement is that PSUs falling under the jurisdiction of Department of Telecommunication are audited by DGAP&T, through this part of audit he is like MAB under the supervisory control of Dy. C&AG (Commercial).

The DGA P&T has the following PSUs under its ambit.

Mahanagar Telephone Nigam Limited (MTNL) was carved out of the department of Telecommunication in 1986 as a Corporate entity and VSNL (Videsh Sanchar Nigam Limited) was also formed in the same year to take over the functions of departmentally owned entity Overseas Communications Service. The audit of both these companies was entrusted to the DGAP&T. In the initial years, while the transaction audit of these companies could be done in the usual manner by the regular staff of DGAP&T when it came to supplementary audit under section 619 (3) (b) of the Companies Act, 1956 that office was definitely requiring commercial audit knowledge and skills. However, they somehow coped with the work by getting some training in the audit of commercial accounts. The result was that audit under Section 619 (3)(b) definitely lacked depth as would be evident from initial year's reports which indicate that not many important audit comments were issued to the two companies. For 1995-96 accounts for the first time on informal basis, an audit officer from MAB was requisitioned for the supplementary audit of accounts work and the results were immediately revealing. There were several substantial audit comments on the accounts of MTNL. Next year, apart from hiring the Sr.AO (Commercial) from MAB office on a special request made to the HQrs, AO (Commercial) was posted at Central office by transferring one post of AO from AG (Audit) Karnataka to the HQrs of P&T audit. By this time, the lower staff had also got training in the auditing of commercial

accounts and thereafter, the supplementary audit of these two companies were always effective containing several comments of the C&AG under section 619(4) of Companies Act 1956. In February 2002, the Government of India sold off VSNL's majority shareholding as part of their disinvestment policy and it is no more a Government Company now.

The burden of auditing commercial PSUs on DGAP&T underwent a drastic change when Bharat Sanchar Nigam Limited (BSNL) was set up as a Government Company by hiving off the functions performed by the DOT in the department of telecom operations and telecom services. BSNL actually took over total operations and services of the department of telecom that were being performed by the telecom circles across the country. All these were merged into a new company and therefore, the work load on commercial audit in the P&T audit became predominant. Apparently, this needed thorough revamping of the organisation to keep pace with the organisational changes in the telecom department and effectively carry out its duties of auditing these companies. On the issue being taken up with C&AG office, sanction for 17 posts of Senior AOs / AOs (Commercial) was issued in February 2005, by surrendering 50 posts of typists. Of these, 15 are in position now.

A third PSU named Millennium Telecom Ltd. wholly owned Subsidiary of MTNL and engaged in the business of providing internet services throughout India, was incorporated in February 2000 under Companies Act.

As may be seen from the foregoing, telecom operations and activities having been corporatised the DGA P&T is now practically more like a Commercial Audit Officer. Taking cognizance of this overwhelming dominance of the commercial audit segment in the work profile of DGAP&T, he was placed administratively under Dy. C&AG (Commercial)-cum-Chairman Audit Board from 2002. In that capacity, he is more an officer of Commercial Audit Organisation than Civil Audit although he has a substantial role as a Civil Department auditor also. Firstly, he carries out appropriation audit of Department of Post and Department of Telecommunications, he is still the Principal Audit Officer of Department of Post and Department of Telecommunication and his Audit Report material pertaining to Department of Post and Department of Telecommunication find a place in the Audit Reports (Civil) of the Union Government.

AUDIT OF THE POSTAL SECTOR

The Department of Post is one of the oldest departments in the country whose audit was entrusted to C&AG. The profile of Postal Department practically remained unchanged till recently as regards its activities viz. providing postal services and carrying out agency functions such as postal banking and postal insurance.

Director General of Audit (P&T) conducts Finance & Appropriation audit, Regularity audit and Performance audit of the DOP. The role of audit has undergone a major transformation in the wake of the changing profile in the Postal Department activities and strategies.

DOP provides universal access to basic postal services in the country divided into 22 circles covering a net work of 1.56 lakh Post Offices. Besides providing postal services it performs agency functions like savings bank, payment of pension, postal life insurance, sale of cash certificates and other small saving schemes on behalf of other ministries/departments of the Government of India and other organisations. In 1990, the department started thinking differently and remodelled its mailing activities for lucrative business within its ambit of functions.

However, the rapid advancement of communication technology, computerisation and entry of private courier operators forced DOP to reorient its strategies. To cope with the challenges, DOP focused on introduction of new business so as to optimise its retailing strength and upgrade traditional services through introduction of new technology. In early nineties, DOP initiated computerisation by installing Multi Purpose Counter Machines and modernisation of post offices and mail offices in order to provide a single window service to customers. It installed two Automated Mail Processing Centres (AMPC) at Mumbai in 1993 and at Chennai in 1996 to mechanize the mail sorting process.

In a major innovation, DOP introduced Rural Postal Life Insurance for the benefit of the rural populace in 1995. In 1996, it set up a Business Department Directorate (BDD) to design and develop market oriented value-added premium products of the department. The BDD was reorganised as Business Development and Marketing Directorate in 2004-05. The value added postal services offered by India Post in recent years include speed post, business post, express parcel post, greetings post, data post, speed post, passport service, bill mail post, e-Post, e-Bill Post, media post, Meghdoot post card and retail post. In the area of financial services new services introduced include facilities for international money

transfer, electronic fund transfer, electronic clearance services, warrant payment, sale of mutual funds and bonds etc. Small Savings products that are retailed from the post offices across the country include Savings Account, Recurring Deposit, Time Deposit, Monthly Income Scheme, Public Provident Fund, Senior Citizens Savings Scheme, Kisan Vikas Patras and National Savings Schemes. Presently, the Department is installing two more AMPCs at Kolkata and Delhi so as to mechanize the mail sorting process at all four metro cities and to form a National Mail Grid for the purpose of transmission of mail. It is also establishing a National Data Centre to facilitate networking of all HPOs, Administrative Offices, Accounts Offices, Speed Post Centres, etc.

There has been substantial increase in Departments' revenue receipts due to introduction of new products and upgradation of existing products. The revenue receipt of Rs. 2020.12 crore during 1999-2000 increased to Rs. 5,023.49 crore during the year 2005-06. Out of total revenue of Rs. 5,023.49 crore during 2005-06, Rs. 195.78 crore was on account of agency functions and Rs. 1202.10 crore was on account of premium products. Revenue of Rs. 222.44 crore during 1999-2000 from premium products has increased to Rs. 1202.10 crore during 2005-06. The increase in revenue from premium products was mainly due to exponential growth in Business Post and Speed Post Services. There has also been substantial increase in deposits under the Postal Savings Bank Scheme. The customer base of 11.37 crore account holders with annual deposits of Rs. 63,027.71 crore in March 2000 under various Postal Savings Schemes has grown to 16.22 crore account holders with annual deposits of Rs. 3,23,780.57 crore in March 2006. The number of insurance policies increased from 24,51,587 (aggregate sum assured Rs. 9,231.97 crore) & 6,66,138 (aggregate sum assured Rs. 2,250.69 crore) in March 2000 to 3,098,248 (aggregate sum assured Rs. 22,951.60 crore) & 4,702,776 (aggregate sum assured Rs. 25,229.60 crore) in March 2006 in case of PLI & RPLI, respectively.

All these developments have increased the role of audit in respect of units of DOP. In the recent past, DGAP&T carried out performance audits of important areas of operation such as 'mail management', 'cash management', PLI/RPLI and Information Technology audit of 'Meghdoot' software package for front end operation in post offices, computerised PLI software package, VSAT Money Order and 'Sanchay Post' software package for savings bank operation. The quantum of audit in respect of units

of DOP is being increased significantly to meet the additional responsibilities.

AUDIT OF REGULATORY AUTHORITIES—TRAI

A regulatory authority, following the entry of private operators in Telecom Sector, was a necessity and the Government promulgated an ordinance to provide for establishment of a Telecom Regulatory Authority of India (TRAI) to regulate telecommunication services and for matters connected therewith or incidental thereto in January 1997. This included fixation/revision of tariff, earlier set by Department of Telecom, which now became function of TRAI. Apart from fixation/revision of tariff, the TRAI ensures technical compatibility and effective inter-connection between different service providers, recommends the need and timing for introduction of new service provider and monitors the quality of service etc.

The audit of the accounts of TRAI is entrusted to the DGAP&T. Besides, the certification of the annual accounts, transaction audit in respect of establishment matters of TRAI is being looked into. By an amendment to the Act in 2000, the Government barred Audit to look into the regulatory functions of TRAI including tariff fixation/ recommendations by TRAI. These aspects including C&AG's reaction to amendment are discussed in the Chapter-15 on 'Emerging Audits'.

IT AUDIT

Pre-1989, computerisation in the Department of Telecom was limited to four metros. DOT formulated an integrated computerisation policy known as Computerised Information System. The objectives of the system were computerisation of subscribers, line management system, subscribers metering information system, customer service system, Telephone Revenue Billing and Accounting (TRBA) etc. Though the department planned to computerise the TRBA by 1993, the same was not achieved fully even by 1995. Prior to this, the Telephone billing entrusted to the private agencies on 'Service Bureau Basis' was gradually taken over by the DOT.

With the tremendous growth in telecom network, there was corresponding growth in the revenue of the department. Therefore, the question of appropriate billing and realisation of revenue became a matter of priority. The Department responded to this

challenge by taking advantage of Relational Database Management System (RDBMS) to handle the voluminous data base, and for this purpose, developed a telephone billing package known as 'Trichur Package' targeted for implementation by 1995. In September 1998, it developed in-house a telephone billing package known as DOT SOFT consisting of Modules on directory enquiry, Commercial and Telephone revenue billing and accounting and this package was approved for implementation all over the country from 1998 onwards.

The response of audit to Telecom department's computerised billing had a slow build-up. Even though, the Telecom department computerised its billing functions from mid 1990s onwards, the audit of the telephone revenue continued to be done manually. However, DGAP&T, being conscious of this, began by organising training of audit personnel in audit of computerised environment through a special training/ programme in two phases in a three level module viz.:

Level I : Basics in Computer, Internet

Level II : Oracle, Unix and Idea

Level III : Computerised TRA billing in Trichur and DoT Soft packages

A total of 847 officers/ officials were imparted training in Level II and III from all the Branch Audit Offices (BAOs) as well as from Central Office whereas 836 were trained in Level-I.

Similarly, DOP also computerised its activities over the years. To meet the changing challenges some officers/ officials from field offices and from Central Office were imparted training in audit of computerised packages like Sanchay Post, Meghdoot etc. during 2004-05.

Thus, DGAP&T really started its audit of computerised system of Departments of Posts and Telecommunications from April, 2004 when these departments were requested to give audit parties full access to their computerised systems (in particular the server to run SQL query) or alternatively provide database of the last six months for further analysis of transactions on recurring basis. The two departments were also asked to supply the stand-alone packages which were being used alongwith operational manual system, documentation, design control and flow charts covering various financial aspects. Audit also suggested that on long term basis, the auditee PSUs may incorporate audit requirements in the package in use and those under development.

The impact of training and the follow up efforts resulted in production of the following IT Audit reviews in the C&AG's Audit Reports:

- (i) IT Audit of DOT Soft package of BSNL: No.5 of 2005
- (ii) IT Audit of Chennai Telephone Billing System: No.13 of 2006
- (iii) IT Audit of Sanchay Post: A separate Performance Audit Report (No.1 of 2006)
- (iv) IT Audit of Meghdoot Package: A separate IT Audit Report (No. 3 of 2005)
- (v) IT Audit of Computerised Postal Life Insurance System (No. 3 of 2005)

WORKSHOP ON PROCUREMENT PRACTICES IN PSUs IN TELECOM SECTOR

Though the Department of Telecom Services/ Department of Telecom Operations corporatised as Bharat Sanchar Nigam Ltd. in October 2000 the BSNL/ MTNL continued to follow the procurement policy, procedures and practices of the DTS/ DTO. BSNL introduced an amended Procurement Manual to make its policy and practices quicker and transparent. The Hon'ble Minister of Communications suggested that the auditee and auditor should have a meeting of the minds to identify the possible improvements in procedure to have effective, timely and transparent procurement. After discussion with DOT, MTNL and BSNL the issues/ topics identified were: (i) assessment of requirement, (ii) fixation of price and (iii) decentralised procurement and planning. The services of an experienced consultant Lt. General D.V. Kalra, PVSM, AVSM (Retd.) were obtained as a neutral expert consultant. The workshop was organised on 9 October 2003 in the Narahari Rao Hall of the Office of the C&AG of India and suggested number of recommendations for improving the system of procurement.

SPECIAL AUDIT

The Minister of Communications, Shri Jagmohan requested the C&AG of India in February 1999 to conduct a special audit of Department of Telecommunications. This was an attempt to radically improve the management of finances as part of his fundamental reform and reorganisation attempt of the Telecommunication Department. He especially mentioned that

audit should give their special attention to current procedures and practices especially in regard to calling of tenders, taking decisions thereon and enforcing the terms and conditions of licences signed by the operators of Cellular, Basic and Radio Paging Services. He wanted, the Audit Department to have a look into the whole gamut of procurement system i.e. examination of assessment of requirements, procurement and distributions to circles, bidding and evaluation systems and a general study of the conditions of contract including compliance specifications, inspection and quality assurance. The C&AG replied in February itself accepting the request and interalia asking for precise terms of reference.

In the Audit Reports of the previous years, some of the irregularities on the themes included in Minister's letter had already appeared viz Audit Report No.6 of 1998 had paragraphs on Licence Agreement pertaining to Cellular Services. Audit Reports had also commented on other services viz. basic as well as Radio Paging Services (paragraph No.7.4 and 7.5 of Audit Report No.6 of 1997). Similarly, the Audit of Telephone Review Accounting and Billing is a comprehensive audit and there are numerous paragraphs every year in audit report on short billings, non-billing etc. The total amount commented under these categories during the 3 year 1994-95 to 1996-97 was Rs. 926.80 crore which was to be recovered from concerned parties. While the Minister was briefed about all these developments, he was of the view that it would be in public interest to have a special audit of the Telecom department done.

The special audit was completed in November 1999. It covered the following areas:

- ❖ Licensing of cellular mobile, basic and radio paging services
- ❖ Current system of assessment of requirement, tendering, costanalysis, decision making, monitoring and implementation of contracts.

The outcome of special audit in brief was:

- ❖ A review on package concessions to the existing cellular and basic telephone service operators.
- ❖ A review on radio paging services.
- ❖ A review on material management in telecom stores and circles.
- ❖ A review on rural telecommunications network and finally a large number of high value contracts were reviewed resulting

in individual draft audit paragraphs highlighting irregularities and system defects.

The results of special audit were included in the C&AG's Audit Report No. 6 of 2000. The findings are discussed separately in the section under Audit Reports.

RESULTS OF AUDIT

From a relatively mild and non-descript output, the audit of P&T Sector, started producing after 1990s high value analytical paragraphs and reviews. The audit output has been definitely much more in the Telecom sector than Postal for obvious reasons.

It is best to pick up some sample key audit output to amplify what is stated above. The themes that became very relevant in the context of momentous changes and developments in Telecom and to some extent Postal sector can be clubbed under the following:

- (i) Audit paragraphs on licenses for Cellular Mobile and Basic services
- (ii) Audit paragraphs on Rural Telephony
- (iii) Audit Paragraphs on Procurement of Materials and Equipment.

In the postal sector, the following audit output during the period was greatly appreciated and had tremendous impact:

- ❖ Theft of stamp papers
- ❖ Modernisation of Postal System.

Contract Audit Paragraphs: Some of the more important Audit Paragraphs from P&T Audit Reports as summarized below will testify to the prevailing impression that while post liberalization gave advantage of competitive bidding in procurement of material and equipment, the advantages from such a system could not be fully obtained by the DOT owing, mainly to the negligence, poor information and monitoring by the concerned officers and delays on account of either red tapism and lethargy or deliberate act to benefit the suppliers. The implications of these lapses run into several hundred crores. We will capture some of these in the successive paragraphs.

- ❖ The Department purchased defective jelly filled cables and despite the quality assurance test conducted in June 1992, the defective cables could not be replaced because of lack of timely

action before the expiry of warranty period. The result, cables worth Rs. 24.59 crore remained unusable and therefore to that extent a total loss to the Department³.

- ❖ Cross bar exchange equipment worth Rs.14.04 crore procured during 1985-93 remained unutilized because of a subsequent decision to set up only electronic exchanges⁴.
- ❖ In the procurement of solar photo voltaic panel (SPV), the DOT committed a series of misdeeds: In this case, there was a clear evidence of favouritism shown to the suppliers who got an undue benefit of Rs. 24.03 crore in the purchase of 88,000 panels. In the process, it committed such acts of misdeeds as placing commercial orders on ineligible firms after entertaining post bid intervention from them; even though aware of steep reduction in prices of SPV panels, the Department did not shortclose the tender after expiry of delivery schedule and, what is worse, and has an integrity angle, repeat orders were placed even though prices were falling. The case also revealed that private firms were favoured at the cost of proven PSUs⁵.
- ❖ In a case relating to use of transponders in satellite system, Audit discovered that because of consistent failure of the DOT to optimize the utilization of transponders on the 4 satellites (despite having all the information about their launches etc. and the heavy demand for them) the delay in utilization of these transponders cost the DOT very heavily as it lost at least Rs. 84 crore as revenue foregone⁶.
- ❖ In the procurement of PIJF cables the DOT's contract performance was deficient on a number of counts mainly defective planning, inept system of financial control which led to procurement on deferred payment basis at heavy interest rates even though the department had sufficient funds which it surrendered eventually and ended up paying Rs.864.66 crore by way of interest which was clearly avoidable⁷.
- ❖ A glaring case of department's lack of information whether intentional or unintentional caused an excess payment of Rs. 193.82 crore to suppliers in the procurement of telecom equipment like PIJF cables, C-DOT MAX-L exchanges, SBM exchanges etc. just because the DOT failed to take cognizance of substantial reduction in customs duty on import content of PIJF cables in budget of 1995- 96⁸.
- ❖ In another case of procurement of new technology exchanges the Department (Technical Evaluation Committee) inordinately delayed submission of its Report and by that time the bid

validity period had expired. Eventually, the exchanges were procured at higher rates at an additional cost of Rs. 63.92 crore—all this because of the delay in finalization of tender which was endemic in DOT⁹.

- ❖ In yet another case of glaring negligence, the BSNL failed to add a clause in the purchase order (of 12 F optical fibre cable) specifying, as is the usual practice, that the prices could be provisional and the lower of the two i.e. price fixed by BSNL HQrs or the one fixed by the Circle would be applicable. Result of this negligence—a clear extra expenditure of Rs. 70.64 crore¹⁰
- ❖ One of the more significant audit paragraphs was on the concessions granted to cellular and basic telephone operations in the 1990s. This is discussed in Appendix 'B' under the heading 'Some Key Case Studies from Audit Reports'.

Rural Telephony Services: Both the National Telecom Policy of 1994 and New Telecom Policy of 1999 laid emphasis on the provision of rural telephony in a big way. Audit carried out a review on three occasions on this subject and projected the results in following Audit Reports:

- (i) Audit Report No.6 of 1997
- (ii) Audit Report No.6 of 2000 and
- (iii) Audit Report No.5 of 2003

The story about the dismal performance of the department in providing rural telephony services is a common thread in all the three reviews. The achievements were far below the targeted goals in physical terms. The main culprit in the initial rural telephony scheme was the basic system for rural telecommunication network called multi access radio relay (MARR) system. This system was grossly deficient in performance and was discarded as a policy in 1997 on that account and yet, rather strangely, was again purchased in 1998–99 at a cost of Rs. 53.57 crore which mostly went as a waste. The net result of these failures was that the objective of national telecom policy 1994 to cover all villages in the country with a Village Public Telephone (VPT) by March 1997 could not be achieved—in fact as of March 1999 such telephone facilities were provided to 3.47 lakh villages out of about 6 lakh in the country. The fact that a significant percentage of VPTs (between 20–24 per cent) were faulty and, therefore, non-working specially in states of Bihar, M.P. and Orissa renders this meagre achievement even more depressing. The good news, however, was that there were

states like Kerala and Haryana which provided 100 per cent coverage to the villages. In the audit study done in 2002–03 the progress was still not very encouraging. While the Department revised the target date for provision of VPTs from 1997 to March 2002, only 4.86 lakh villages were provided VPTs as of March 2002. Again the funds were no constraint and in fact sizeable funds ranging between 47 and 57 per cent of the allotment remained unspent.

Basic telecom service providers were a big defaulter because against a committed number of 97,806 VPTs (as per the terms and conditions of agreement) only 846 VPTs were provided by these operators. The department could not even realise any significant amount from them as liquidated damages for non-performance. The surprising element here again was that department procured MARR system costing Rs. 184.56 crore between 1998 to March 2000 despite a directive of Prime Minister's Office not to procure MARR (apparently in view of poor and deficient performance). A large number of these faulty equipments were lying in various circles since 1998–99. The problem of faulty VPTs also continued and the percentage of fault in different circles varied from 24 to 74.

POSTAL DEPARTMENT

Working of Circle Stamp Depots: Circle Stamp Depots are responsible for indenting, storing and distribution of Postal stamps and other postal stationery, National Saving Certificates, Indira Vikas Patras Kisan Vikas Patras etc. The audit scrutiny in May 1997 disclosed that postage stamps and inland letter cards valuing Rs. 3.17 crore were found missing on opening of consignments sent by India Security Press, Nasik. It tantamounts to loss of cash. National Saving Certificates and Kisan Vikas Patras of face value of Rs. 185.25 crore were lost in transit in Assam and Bihar Circles during 1994–97. Such huge loss of cash certificates involves serious risk of abuse and fraudulent encashment. Twelve cases of fraudulent issue and encashment of missing Kisan Vikas Patras valuing Rs. 1.20 lakh were detected during 1996. There had been a net difference of Rs. 36.30 crore in the accounts furnished by circle stamp depot and those of head office. Circle stamp depots placed excessive indents on the printers resulting in huge accumulation of postal stationery in many circles during 1995–97. Short receipt of postage stamps and inland letter cards valuing Rs. 16.44 lakh and shortage of postal stamps and stationary worth Rs. 6.23 lakh were noticed in CSD,

Patna. CSD failed to obtain acknowledgment for remittance of stamps of Rs. 483.93 crore supplied to Head Post offices.

(Paragraph 43 in Report No. 6 of 1998)

Business Post Activity of the Business Development Directorate: Business Development Directorate was set up in 1996 to design, develop and market value added products like Media Post, Speed Post, Speed Net, Satellite Post, Retail Post, Business Post, Express Post, Greeting Post, Data Post, Speed Post Passport Service, E-Post, Customised Pre-paid envelopes, E-Bill Post and Meghdoot Post Card. Test check by Audit in 20 circles disclosed non/ short recovery of charges, outstanding dues, loss of interest on extending non-authorised credit facilities to private parties under Business Post, aggregating Rs. 1.70 crore. Further, the revenue generated under the Business Post was inflated by Rs. 201.29 crore by improper accounting.

(Paragraph 1.10 in Report No. 2 of 2004)

Functioning of Mail Motor Service: The Mail Motor Service introduced in 1944 in some selected cities had progressively expanded and the Service was operating in 94 cities at the end of 2002, with a total fleet strength of 1,135 mail motor vehicles and 486 staff cars and inspection vehicles. Review in Audit of its functioning revealed instances of poor utilisation of vehicles, non adherence to norms prescribed for their optimum utilisation, avoidable expenditure on their empty deployment, failure to achieve prescribed targets of fuel consumption resulting in higher consumption and consequential additional expenditure, absence of norms to enable effective control over the consumption of fuel, tyres and tubes, spares, etc. Cost of operation of the Mail Motor Service vehicles was also considerably higher than the cost at which some units transported mail utilising services of private contractors and was disproportionately high in some of the units. Staff in different categories were employed in excess of the prescribed norms in 10 units in 5 circles.

(Paragraph 3.1 in Report No. 2 of 2003)

NOTES: CHAPTER-9

¹ Task Force included A.N. Chatterjee Chairman with three members viz Nand Kishore, S. Murugiah and Ms. Meera Swarup.

² P.K. Kataria

³ Audit Report 7 of 1994

⁴ Audit Report 7 of 1996

⁵ Audit Report 6 of 1997

⁶ Audit Report 6 of 1998

⁷ Audit Report No. 6 of 1999 (paragraph 11)

⁸ Audit Report No. 6 of 1999 (para 11,15, 18 and 19)

⁹ Audit Report No. 6 of 2000

LIST OF KEY EVENTS

May 1996	One AO (Commercial) was posted to DGA(P&T) for certification of Accounts
October 1996	Orders issued on audit of Contracts
December 1996	Holding of meeting by DG with BAOs for finalization of review topics commenced 1996 onwards.
20 February 1997	Establishment of Telecom Regulatory Authority of India (TRAI). Its audit was entrusted to DGAP&T.
2000	Special Audit of Department of Telecommunication was carried out at the request of Minister of Communication in 1999 and Report was laid in the year 2000.
2000	DGAP&T was entrusted with audit of BSNL (incorporated in September 2000).
March 2000	Revision of audit norms for Telecom and Postal Department.
October 2000	After risk analysis, auditee units were categorized as annual, biennial and triennial audit units.
29 December 2000	Due to revision of Audit norms in October 1999, C&AG sanctioned 42 posts of Sr. AOs and 10 posts of AOs.
February 2002	DGAP&T entrusted with audit of Millennium Telecom Limited.
2002	Provision made in TRAI Service Provider (Maintenance of Books of Accounts or other Document) Rules 2002 for access of Audit to records of private operators on revenue sharing basis.
2002	DGAP&T placed under administrative control of Dy. C&AG (Commercial).
2002	For Commercial audit of BSNL, C&AG sanctioned 17 posts of Sr. AO/AO (Commercial) by abolishing 50 posts of clerk/typists.
9 October 2003	Workshop on procurement practices in PSUs in the Telecom Sector held in Narhari Rao Hall recommended improvements in the system of procurement.

DOCUMENT

No. 2917-BRS/632-2000
Dated 29-12-2000

To
The Director General of Audit,
Post & Telecommunications,
Sham Nath Marg,
Delhi-110 054

Sub.: Temporary staff for the O/o the D.G.AP&T

Reference: Your Office letter No. Admn. I/Staff Proposals/ RE 2000-01/BE 2001-2002/705 dated 8-12-2000

Sir,

I am directed to convey sanction to the creation on usual scale of pay and allowances of the following regular temporary posts in your office for the purpose and period noted against them:-

S.No.	Nature of Posts	Number	Period	Purpose
1.	Sr. Audit Officer	42 (Forty Two)	Date of Entertainment to 28.2.2001.	Due to revised Audit Norms for P&T Services.
2.	Audit Officer	10 (Ten)		

2. The cost involved should be met from the budget allotment of your office for the year 2000-2001.

3. 93 posts of Sr. Ars/Ars. (74 Sr. Ars. And 19 Ars.) have been reduced from the sanctioned strength of your office on this accounts.

4. Distribution of above posts among various Branch Audit Offices may please be intimated.

Yours faithfully
Sd/-
(Jogender Nath)
Sr. Administrative Officer (BRS)

GLOSSARY OF ABBREVIATIONS

CGEIS	Central Government Employees' Insurance Scheme
DCRG	Death-cum-Retirement Gratuity
DTS	Department of Telecom Services
GPF	General Provident Fund
MTNL	Mahanagar Telephone Nigam Limited
SQL	Structured Query Language