

## OVERVIEW

This Report contains significant audit findings which arose from the compliance audit of the Ministry of Communications and Information Technology. It contains six chapters. **Chapter I** gives a brief introduction of the Ministry of Communication and Information Technology while **Chapters II to V** relate to present findings/observations arising out of the compliance audit of Department of Telecommunications (DoT), Department of Posts (DoP), Department of Electronics and Information Technology (DeitY) and Public Sector Undertakings (PSUs) under the Ministry.

Some of the important findings in the Report are given below:

### Chapter- II Department of Telecommunications (DoT)

#### Set-off of non-refundable one-time entry fee

Set-off of the non-refundable entry fee of ₹ 5,476.30 crore, paid by licensees in 2008 whose licenses were declared illegal and quashed by the Hon'ble Supreme Court, against the auction price payable for spectrum in 1800 MHz / 800 MHz held in November 2012 / March 2013 deprived the Government of the revenue to that extent.

*Paragraph 2.1*

#### Loss of revenue due to non-auctioning of spectrum in 3.3-3.4 GHz band

The continued allocation / extension of spectrum in 3.3 GHz band, year after year, to the operators, administratively, free of cost resulted in significant loss to public exchequer by way of non-realisation of the one-time charges which the Government would have realized had they auctioned the spectrum. This was despite the recommendation of TRAI to auction the spectrum in 3.3-3.4 GHz and also violated the intent and spirit of the Hon'ble Supreme Court judgment.

*Paragraph 2.2*

#### Irregular expenditure on opening of Regional Offices by TRAI

Telecom Regulatory Authority of India (TRAI), ignoring directions of the Central Government, opinion of its own Legal Division and Ministry of Law, Justice and Company Affairs opened Regional Offices across the country and incurred an expenditure of ₹ 14.12 crore till March 2014. The expenditure will be incurred in future also till the ROs are functioning

*Paragraph 2.3*

## Chapter- III Department of Posts

### Excess payment of service tax due to non-availing of CENVAT Credit

The CENVAT Credit Rules introduced in September 2004 allowed a manufacturer or provider of a taxable service to take credit of duty/service tax paid on input services used in or in relation to the manufacture of specified final products/output services. The CENVAT credit so available could be utilised for payment of any duty of excise on any product or service tax on output services.

The Director PLI Kolkata and CPMsG West Bengal, Maharashtra, Rajasthan and Delhi failed to avail eligible CENVAT credit during the period 2010-11 to 2013-14 which resulted in avoidable payment of service tax and education cess to the extent of ₹ 7.52 crore.

*Paragraph 3.1*

### Unfruitful expenditure on procurement of barcoded bag labels

In order to capture bag level data electronically, DoP decided in June 2012 to introduce bar coded bag labels for unregistered first class mail bags. All the postal circles were instructed to place orders for these bag labels commensurate with their requirements. Procurement of bar coded bag labels without developing the requisite software resulted in imprudent expenditure of ₹ 1.71 crore besides non-achievement of intended objective.

*Paragraph 3.2*

## Chapter- IV Department of Electronics and Information Technology

### Deficiencies in Contract Management, Web hosting and Application Development by National Informatics Centre

Expenditure incurred on the base mapping of the data for Computer Aided Digital mapping project at a cost of ₹ 14.25 crore remained unfruitful due to improper planning. Lack of proper monitoring and delays at various stages resulted in hardware and software worth ₹ 12.10 crore becoming obsolete. NIC also incurred wasteful expenditure of ₹ 3.74 crore on rent and maintenance charges apart from idle investment of ₹ 35.20 crore on procurement of the hardware and software which remain unutilised in National Population Project.

Further, NIC failed to forfeit the bank guarantee worth ₹ 2 crore on failure of the vendor to execute the work under e -Court Project due to lack of co-ordination among the concerned user groups. NIC also failed to take advantage of the declining rates by not floating the tenders in time for providing internet bandwidth to NICNET resulting in extra expenditure of ₹ 15.00 crore.

NIC had hosted 3158 websites without security audit. There were many deficiencies in development of websites and web applications of various projects.

*Paragraph 4.1*

### **Abnormal delay in construction of building at Pune and in taking up of construction of office building at Jasola, New Delhi by C-DAC**

Defective planning and imprudent decision by C-DAC Pune not only resulted in delay of more than six years in completion of building, but also led to escalation of cost by ₹ 66.39 crore and blocking up of funds of ₹ 47.62 crore.

In addition, C-DAC Delhi, took possession of a plot in September 2001 by paying ₹ 1.52 crore to Delhi Development Authority. However, no work was commenced on the plot even after 14 years from the date of possession and a payment of ₹ 6.08 crore had also been made to DDA for seeking extensions from time to time.

*Paragraph 4.2*

### **Avoidable extra expenditure of ₹ 4.78 crore due to failure to avail concessional electricity tariff by C-DAC Pune**

Failure of C-DAC management to take steps to avail the eligible concessional electrical tariff as per Maharashtra IT / ITES policy 2009 resulted in avoidable expenditure of ₹ 4.78 crore towards electricity charges during the period 2010-11 to 2014-15 (upto September 2014) with further recurring impact in the future.

*Paragraph 4.4*

### **Deficiencies in regulation of personnel and establishment matters**

Violation of various provisions of own Staff Rules based on Government of India rules approved by its Governing Council and GFRs and FR&SR by C-DAC Pune resulted in excess / irregular / avoidable payment towards lease accommodation, gratuity, honorarium, etc.

*Paragraph 4.5*

### **Avoidable and unfruitful rental expenditure due to abnormal delay in completing the interior furnishing work for hired accommodation**

ERNET could not utilize the hired space even after more than four years from the date of signing of the lease agreement. This omission on the part of ERNET resulted in unfruitful and avoidable expenditure of ₹ 7.17 crore.

*Paragraph 4.6*

## **Chapter- V Public Sector Undertakings under the Ministry**

### **CDR Based Convergent Billing and Customer Care System in BSNL**

BSNL implemented the CDR based billing and customer care solution to face new challenges and stop the revenue leakage points. Defective planning by BSNL led to avoidable expenditure of ₹ 8.80 crore on procurement of Magnetic Tape Emulators, partial implementation of

Revenue Assurance and Fraud Management systems and non billing/delays in billing of IPDRs.

*Paragraph 5.1*

#### **Non disconnection of leased services despite non payment**

A leased circuit is a dedicated link provided between two fixed locations for exclusive use by a customer. As per Indian Telegraph Rule initially one year advance rental and installation charges to be recovered through Demands Notes and for subsequent year annual advance rental is claimed. Continuation of leased lines and circuits provided by BSNL despite non-payment of dues for more than three years from Private/Government organizations resulted in accumulation of arrears of ₹ 223.99 crore in six Telecom Circle and one Telecom region.

*Paragraph 5.2*

#### **Avoidable payment of penalty**

BSNL failed to provide uninterrupted mobile services due to improper maintenance of infrastructure sites in Madhya Pradesh Circle which resulted in payment of penalty to DoT to the extent of ₹ 22.27 crore.

*Paragraph 5.3*

#### **Undue Service Tax liability on Sale of ITC**

BSNL failed to monitor India Telephone Cards which were meant for sale in Jammu and Kashmir only. This resulted in loss on account of service tax and penalty thereon amounting to ₹ 5.40 crore besides engaging in avoidable litigation.

*Paragraph 5.4*

#### **Irregular Payment of Project Incentive, Transport Allowance, House Rent Allowance and LTC by National Informatics Centre Services Inc to its staff**

National Informatics Centre Services Inc (NICSI), a non-profit Section 25 company under National Informatics Centre paid Project incentive of ₹ 2.11 crore, Transport Allowance of ₹ 48.87 lakh, House Rent Allowance of ₹ 16.58 lakh and reimbursement of LTC of ₹ 1.90 crore to its officers who were on deputation from National Informatics Centre during 2010-11 to 2013-14 in contravention of the Ministry of Finance / Department of Personnel & Training / Department of Public Enterprises Guidelines.

*Paragraph 5.6*