

**Report of the  
Comptroller and Auditor General  
of India**

**for the year ended March 2015**

**Union Government  
(Communications and IT Sector)  
No. 29 of 2016**



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## **PREFACE**

This Report for the year ended March 2015 has been prepared for submission to the President under Article 151 of the Constitution of India; Chapter V of the Report which pertains to Public Sector Undertakings under the Ministry of Communications and Information Technology has been prepared for submission to President under Section 19(A) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service (DPC)) Act, 1971 as amended in 1984.

This Report of the Comptroller and Auditor General of India contains significant results of Compliance Audit of the Ministry of Communications and Information Technology and the Departments/Public Sector Undertakings under the Ministry conducted under the provisions of C&AG's (DPC) Act, 1971. The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2015-16 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



## OVERVIEW

This Report contains significant audit findings which arose from the Compliance Audit of the Ministry of Communications and Information Technology and the Departments/ Public Sector Undertakings under the Ministry. It contains five chapters. Chapter I gives audited entity profile, analysis of expenditure, financial performance of the departments and Follow up on Audit Reports. Chapter II to V relates to the audit findings/observations arising out of compliance audit of Department of Telecommunications, Department of Posts, Department of Electronics and Information Technology and Public Sector Undertakings under the Ministry of Communications and Information Technology respectively.

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

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

#### Payment of subsidy on fictitious/duplicate claims

Controller of Communication Accounts (CCA), Rajasthan Telecom Circle allowed front loaded subsidy of ₹ 71.49 crore on the basis of claims submitted by M/s Tata Teleservices Limited (TTSL) during 2008-2010 without conducting any check regarding genuineness of Customer Application Forms (CAFs) before disbursement of subsidy. Further, CsCA at Odisha and Kerala circles paid subsidy on duplicate claims amounting to ₹ 0.82 crore to BSNL and Reliance Communication Limited.

*Paragraph 2.1*

#### Unauthorized telecom service by M/s Sterlite Technologies Limited (STL)

STL, an Infrastructure Provider Category-I (IP-I) registered company, which was authorised only to provide infrastructure support to licensees of telecom service providers was functioning beyond the scope of the IP-I registration. Though the fact was brought to notice of DoT by TERM Cell, Pune, no action was taken against the company even after one year.

*Paragraph 2.3*

## Chapter- III Department of Posts (DoP)

### Management of Investment of fund of Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI)

Management of fund of PLI and RPLI suffered from deficiencies like incorrect assessment of investable funds on daily net accretion basis and also monthly investable fund basis. The delay in Investment resulted in loss of potential return to the tune of ₹ 984 crore. Delay in reinvestment of returns from Government of India Special Security Floating rate Bond (GOISSFRB), non-adherence to Insurance Regulatory and Development Authority (Investment) Regulations and instances of non-availing of Cenvat credit were also noticed.

*Paragraph 3.1*

### Management of vacant plots of land in Department of Posts

Department did not assess the actual requirement before acquiring/purchasing the plots of land. It was in possession of 472 vacant freehold plots measuring 6.77 lakh square meters having value of ₹ 209.55 crore as of December 2015. Besides, 100 plots measuring 4.08 lakh sq. meter acquired on lease as far back as in 1978 for construction of post office buildings/staff quarters were still lying vacant and an amount of ₹ 3.37 crore was paid towards lease rent upto 2014. 241 plots of 3.24 lakh square meter acquired at ₹ 13.94 crore were encroached. Failure of the department in taking adequate precautionary measures not only resulted in encroachment but also led to unnecessary litigation which could have been avoided.

*Paragraph 3.2*

### Non-realisation of amount of dishonoured cheques

Lack of effective action at Head Post Offices and Divisional Offices in Andhra Pradesh, Bihar and Jharkhand Postal Circles resulted in non-realisation of 1,364 dishonoured cheques valued ₹ 11.62 crore received from State Government towards payment of wages under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).

*Paragraph 3.4*



## **Chapter- IV Department of Electronics and Information Technology (DeitY)**

### **Selection of inappropriate agency by Standardization, Testing & Quality Certification Directorate (STQC) for building project**

STQC awarded the building works to Software Technology Parks of India (STPI) without assessing their techno commercial competence. STPI was not having any Civil Engineering Wing and could not handle their contractor and architect properly and abandoned the work without completion. This led to non-completion of the building as of June 2016 even after a lapse of 14 years of allotment of land to STQC. It also resulted in unfruitful expenditure of ₹ 9.33 crore on the project and blockade of ₹ 3.47 crore with STPI.

*Paragraph 4.1*

### **Non-recovery of unutilized grant and interest thereon for e-Bharat -Project from National Institute of Smart Government, Hyderabad**

DeitY gave an advance of ₹ 10.50 crore to National Institute of Smart Government (NISG) for execution of e-Bharat Project Preparation Facility. As NISG failed to execute the project, DeitY diverted an amount of ₹ 3.36 crore for another World Bank assisted project “India e-Delivery of Public Services” again to be executed by the NISG and ₹ 6.36 crore was refunded by NISG to DeitY leaving behind an amount of ₹ 0.78 crore of unutilized grant with the NISG. Interest on unutilized grant amounting to ₹ 7.77 crore upto 31 January 2016 has also not been recovered by DeitY from NISG.

*Paragraph 4.2*

### **Imprudent Bidding and Contracting for Computerization of Post Graduate Institute of Medical Education & Research (PGIMER) Chandigarh**

Imprudent Bidding and Contracting on the part of C-DAC, Noida led to delay in execution of the project “Computerization of PGIMER Chandigarh” at various stages for which PGIMER withheld payment of ₹ 4.28 crore. Besides, C-DAC quoted “lump sum” cost of ₹ 24.20 lakh in the bid for electrical cabling work without properly assessing the quantum of work. This resulted in acceptance of claim by PGIMER for ₹ 24.20 lakh only against the total work done worth ₹ 3.18 crore, which resulted into blocking of funds by ₹ 2.94 crore.

*Paragraph 4.3*

### **Non-carrying out of primary business of hearing and disposal of cases by Cyber Appellate Tribunal**

Non-appointment of the Chairperson of Cyber Appellate Tribunal since July 2011 coupled with lack of provision for vesting the members of Tribunal with powers to

constitute benches and disposal of appeals defeated the very purpose of its creation resulting in unfruitful expenditure of ₹ 27.64 crore on salary and other establishment expenditure for the period from April 2011 to March 2016 during which not a single case was heard or disposed off even though 66 cases of appeals were pending as of March 2016.

*Paragraph 4.5*

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

### **Imprudent procurement of network equipment by Bharat Sanchar Nigam Limited (BSNL)**

Imprudent action on the part of BSNL in procurement of Digital Cross Connect System equipments resulted in idling of interface cards and blocking of funds amounting to ₹ 22.80 crore in two Project circles.

*Paragraph 5.1*

### **Non-Billing of Short Message Service (SMS) Termination charges**

BSNL signed 'Addenda to Interconnect Agreement' for Interconnect Usage Charge (IUC) for SMS with three telecom service providers viz. Bharti Airtel, Idea Cellular and Vodafone without technical arrangement for billing of SMS termination charges. Due to non-preservation of SMS data, non-verification and non-reconciliation of bills (claims) received from Bharti Airtel and Vodafone, BSNL was exposed to one-sided liability.

*Paragraph 5.2*

### **Delay in billing of Multi Protocol Label Switching (MPLS) link**

BSNL Southern Telecom Region (STR) had not raised bill for 1 Gbps E link from MPLS to National Knowledge Network (NKN) Point of Presence (PoP) provided to Ministry of Human Resources Development (MHRD). This resulted into an accumulation of arrears to the extent of ₹ 6.07 crore.

*Paragraph 5.3*

## CHAPTER-I INTRODUCTION

### 1.1 About this Report

This Report of the Comptroller and Auditor General (C&AG) of India relates to matters arising from Compliance Audit of the financial transactions of the Ministry of Communications and Information Technology (MoC & IT) under Government of India including Departments/Public Sector Undertakings (PSUs) under its administrative control for the year ended 31 March 2015.

This Chapter provides profile of the Departments and concerned entities along with planning and extent of audit followed by a brief analysis of the expenditure of the departments under the Ministry of Communications and Information Technology (MoC & IT). This chapter also include follow up on audit observations on these departments and PSUs under the Ministry. 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.

### 1.2 Authority for Audit

The authority for audit by the C&AG and reporting to the Parliament is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of Ministries/Departments of the Government of India under Section 13<sup>1</sup> and 17<sup>2</sup> of the C&AG's (DPC) Act and audit of PSUs is covered under Section 19 of the Act.

### 1.3 Planning and conduct of Audit

Audit is conducted in accordance with the principles and practices enunciated in the auditing standards and performance audit guidelines promulgated by the C&AG. The audit process starts with the assessment of risk of the Ministry/Department. Based on this risk assessment, the frequency and extent of audit are decided.

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<sup>1</sup> Audit of (i) all expenditure from the Consolidated Fund of India, (ii) all transactions relating to Contingency Funds and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance-sheets and other subsidiary accounts.

<sup>2</sup> Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

## 1.4 Profile of Audited Entities

### 1.4.1 Department of Telecommunications (DoT)

The Department of Telecommunications (DoT) is responsible<sup>3</sup> for policy formulation, performance review, monitoring, international cooperation and Research & Development in telecommunication sector. The Department also allocates frequency and manages radio communications in close coordination with the International bodies. It is also responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the country. The department is also responsible for grant of licenses to operators for providing basic and value added services in various cities and telecom circles as per the approved policy of the Government.

#### ➤ Analysis of Expenditure

The comparative position of expenditure of the DoT during 2014-15 and in the preceding four years is given in Table-1 below:

**Table-1**  
**Revenue and Expenditure of DoT**

(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue	1,20,547.63	17,400.92	18,902.00	40,113.76	30,624.18
Expenditure	10,370.26	8,692.16	9,273.38	10,835.57	13,026.14

(Source: Appropriation and Finance Accounts of DoT)

Major sources of revenue of the department are license fee and spectrum usage charges received from telecom service providers. The details of license fee and spectrum usage charges received during last five years are given in Table-2 below:

**Table-2**  
**Details of License Fee and Spectrum Usage Charges received**

(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
License Fee	10,286.43	11,790.93	11,456.48	14,628.47	12,358.29
Spectrum Usage Charges	3,432.47	5,192.30	5,679.19	6,883.67	1,7841.93 <sup>4</sup>
Auction Revenue	1,06,264.73	–	1,722.24	18,267.18	-

(Source: Annual Report of DoT for the year 2015-16)

An analysis of the revenue earned by DoT revealed that income of the department surged during 2010-11 and 2013-14 due to proceeds from the auction of spectrum held in these years. Further, expenditure of DoT has grown steadily during last four years.

<sup>3</sup> Annual Report of DoT for the year 2015-16.

<sup>4</sup> The Spectrum Usage Charges of ₹ 17,841.93 crore include Auction Fee also.

### ➤ Brief Profile of the Telecom Sector

Telecommunications has evolved as one of the critical components of economic growth required for the overall socio economic development of the country. The telecom sector witnessed a phenomenal growth during the past decade. During the period 2010-11 to 2014-15, the number of telephone subscribers increased from 846.32 million to 996.49 million. The status of overall growth for the year 2010-11 to 2014-15 in Telecom Sector is given below in Table-3.

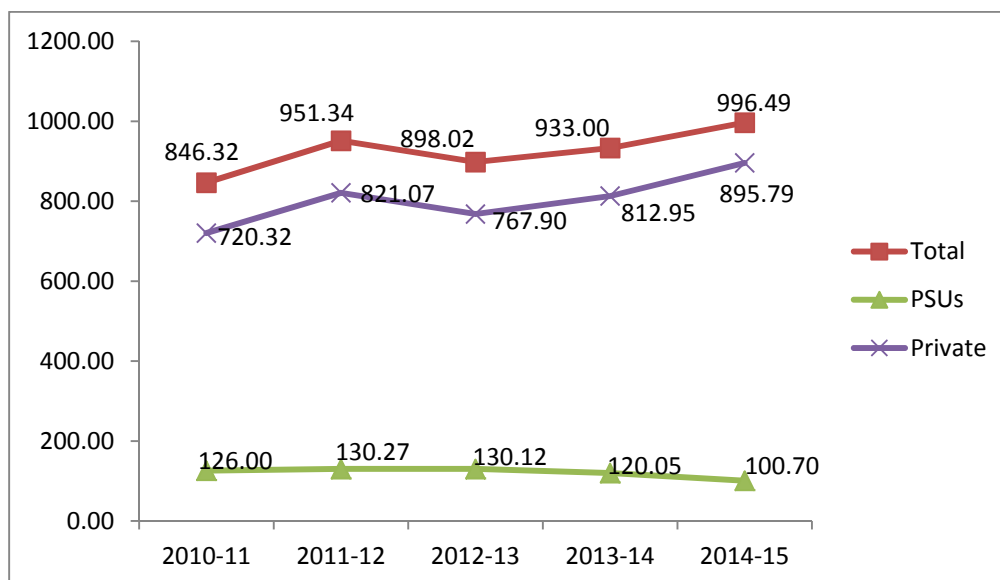
**Table-3**  
**Status of Growth in Telecom Sector**

Year	Subscribers (In Millions)					Teledensity (In percentage)		
	Total	Rural	Urban	Wireline	Wireless	Overall	Rural	Urban
2010-11	846.32	282.24	564.08	34.73	811.59	70.89	33.79	157.32
2011-12	951.34	330.82	620.52	32.17	919.17	78.66	39.22	169.55
2012-13	898.02	349.22	548.80	30.21	867.81	73.32	41.02	146.96
2013-14	933.00	377.74	555.26	28.49	904.51	75.23	43.96	145.78
2014-15	996.49	419.31	577.18	26.60	969.89	79.38	48.37	148.61

(Source: TRAI Annual Reports 2010-11 to 2014-15)

Growth of the telecom sector during the last five years in terms of subscriber base is depicted in the graph given below:

**Growth in subscriber base - Private versus PSUs**  
**Number of Subscribers (in millions)**



(Source: TRAI Annual Reports)

As is evident from the above graph, the subscriber base of Private Telecom Companies is significant in comparison to Public Sector Telecom Companies which is showing a declining trend during the last four years.

➤ **Regulatory Framework of the sector**

**Telecom Regulatory Authority of India (TRAI)**

TRAI was established with effect from 20 February 1997 by an Act of Parliament to regulate telecom services including fixing/revision of tariffs for telecom services which were earlier vested in the Central Government. The main objective of TRAI was to provide an environment, which was fair and transparent, encourages competition, promotes a level-playing field for all service providers, protects the interest of consumers and enables technological benefits to one and all. Under the TRAI Act, TRAI is mandated to

- ensure compliance of the terms and conditions of license;
- lay down the standards of quality of service to be provided by the service providers and ensure the quality of service;
- specify tariff policy and recommend conditions for entry of new service providers as well as terms and conditions of license to a service provider;
- considerations and decisions on issues relating to monitoring of tariff policy, commercial and technical aspects of interconnection;
- principles of call routing and call handover;
- free choice and equal ease of access for the public to different service providers;
- resolution of conflicts that may arise due to market developments and diverse network structures for various telecom services;
- need for up-gradation of the existing network and systems; and
- development of forums for interaction amongst service providers and interaction of the Authority with consumer organisations.

The Government, by notification dated 9 January 2004, defined broadcasting services and cable services as telecommunication services thus bringing these sectors under the ambit of TRAI. TRAI is also required to make recommendations either *suo moto* or on a reference from the licensor i.e. Department of Telecommunications, Ministry of Communications and Information Technology or Ministry of Information and Broadcasting in the case of Broadcasting and Cable Services.

**Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT)**

TDSAT was set up by way of an amendment to the TRAI Act effective from 24 January 2000 to adjudicate any dispute between a licensor and a licensee, between two or more service providers, between a service provider and a group of consumers and to hear and dispose off appeals against any direction, decision or order of TRAI.

➤ **Important DoT Units**

Department of Telecommunications includes Telecom Enforcement and Resource Monitoring (TERM) Cell, Controller of Communications Accounts (CCAs), Wireless Planning and Coordination Wings (WPC), Telecom Engineering Centre (TEC), National Telecommunications Institute for Policy Research (NTI), National Institute of Communication Finance (NICF) and Centre for Development of Telematics (C-DoT) which is a Research and Development Unit.

➤ **Universal Service Obligation Fund (USOF)**

To give impetus to rural telephony, Government of India formed a Universal Service Obligation Fund (USOF) by an Act of Parliament w.e.f. 1 April 2002. The resources for meeting the USO were to be raised through a Universal Access levy (UAL) which is a percentage of revenue earned by all operators under various licences. As per Para 9B of the Indian Telegraph Act, 2003, the sums of money received towards USOF shall be first credited to Consolidated Fund of India, and the Central Government may, if the Parliament by appropriation on this behalf so provides, credit such proceeds to the fund from time to time for being utilized exclusively for meeting Universal Service Obligation. An amount for ₹ 66,118.04 crore was collected by Department of Telecommunications (DoT) as USO levy upto 31 March 2015 and credited to Consolidated Fund of India. Out of this amount, only ₹ 26,983.47 crore was received by DoT through appropriation by Parliament and credited to USO Fund as of 31 March 2015. This includes ₹ 6,948.64 crore adjusted in 2008-09 on account of reimbursement to BSNL during the years 2002-06 towards License Fee and Spectrum Charges for fulfilling rural obligation under USOF.

➤ **Public Sector Undertakings (PSUs) under administrative control of the Department**

Brief profile of important PSUs under administrative control of the Department is given below:

**Bharat Sanchar Nigam Limited**

Bharat Sanchar Nigam Limited (BSNL), fully owned by Government of India, formed in October 2000, provides telecom services across the length and breadth of the country excluding Delhi and Mumbai. BSNL is a technology oriented company and provides various types of telecom services namely telephone services on landline, WLL and GSM mobile, Broadband, Internet, leased circuits and long distance telecom service. The Company's total revenue during the year 2014-15 was ₹ 28,645.20 crore and it incurred a loss of ₹ 8,234.09 crore.

The overall performance of the company in the past three years is detailed in the Table-4 below:

**Table-4**  
**Performance of BSNL during last three years**

Year	Revenue	Expenditure	Subscriber base		
			Wireline	Wireless	Total
		(₹ in crore)	(In crore)		
2012-13	27,127.89	34,900.43	2.04	10.12	12.16
2013-14	27,996.35	34,929.60	1.85	9.47	11.32
2014-15	28,645.20	37,292.10	1.64	7.72	9.36

An analysis of the above data reveals that although both revenue and expenditure of the company have shown an increasing trend during the last three years. Further, the subscriber base of both wireline and wireless consumer has reduced considerably during the period.

#### **Mahanagar Telephone Nigam Limited**

Mahanagar Telephone Nigam Limited (MTNL) was set up in 1986, under the Companies Act, 1956 as a wholly owned Government Company and is responsible for the control, management and operation of telecommunications networks in Delhi and Mumbai. MTNL is the principal provider of fixed line telecommunication service and GSM mobile services in these two metropolitan cities. MTNL is also providing dial up internet services in Delhi and Mumbai under separate non-exclusive license agreement. It is also providing broadband and 3G services. The Government disinvested 20 *per cent* shares to banks/ their subsidiaries and financial institutions in 1994. MTNL is a listed Company as on date and 56.25 *per cent* shares are with Government and rest with private shareholders. The Company's total revenue during the year 2014-15 was ₹ 3,821.06 crore and it incurred a loss of ₹ 2,893.39 crore.

The overall performance of the company in the past three years is detailed in the Table-5 below:

**Table-5**  
**Performance of MTNL during last three years**

Year	Revenue	Expenditure	Subscriber base		
			Wireline	Wireless	Total
		(₹ in crore)	(In crore)		
2012-13	3,714.08	9,015.82	0.34	0.50	0.84
2013-14	3,787.37	6,870.41	0.35	0.34	0.69
2014-15	3,821.06	6,723.48	0.36	0.35	0.71

The revenue of the company has shown a marginal increase during the period 2012-13 to 2014-15. The expenditure during the year 2012-13 was higher but in the subsequent years, it has shown a downward trend. The subscriber base of wire line consumer has shown a marginal increase every year from 2012-13 to 2014-15 but in respect of wireless consumer the decrease is considerable in the year 2013-14 from 50 lakh to 34 lakh. There was, however, a marginal increase during 2014-15.



#### **Millennium Telecom Limited (MTL)**

Millennium Telecom Limited (MTL) was formed by Mahanagar Telephone Nigam Limited (MTNL) as its wholly owned subsidiary company in the year 2000 for setting up submarine cable project and to provide IT solutions. The Company's total revenue was ₹ 2.95 crore and it earned a profit of ₹ 0.12 crore during the year 2014-15.

#### **Indian Telephone Industries Limited (ITI Ltd.)**

ITI Limited is India's pioneering venture in the field of telecommunications. ITI started its operations in Bengaluru in 1948, which were further extended to other areas by setting up manufacturing plants at Srinagar in Jammu and Kashmir, Naini, Rae Bareilly and Mankapur in Uttar Pradesh and Palakkad in Kerala. The Company's total revenue during the year 2014-15 was ₹ 659.25 crore and it incurred a loss of ₹ 297.13 crore.

#### **Telecommunications Consultants India Limited (TCIL)**

Telecommunications Consultants India Limited (TCIL), fully owned by Government of India, was set-up in 1978 with the main objective of providing world class technology in all the fields of telecommunications and information technology, to excel in its operations in the overseas and domestic markets by developing proper marketing strategies and to acquire state-of-the-art technology. The Company's total revenue during the year 2014-15 was ₹ 831.48 crore and it earned a profit of ₹ 21.37 crore.

#### **Tamilnadu Telecommunications Limited (TTL)**

Tamilnadu Telecommunications Limited, was incorporated in 1988. It's a three way joint venture of TCIL, TIDCO and Fujikura Limited of Japan. The shareholding pattern of the major shareholders are TCIL (49 *per cent*), Tamilnadu Industrial Development Corporation (14.63 *per cent*) and Fujikura Limited of Japan (7.18 *per cent*). The rest are held by banks and financial institution, private trust, NRIs and Indian public. It manufactures Optical Fibre Cables for Telecommunications. This company has been referred to BIFR and a scheme of restructuring was sanctioned on 21 July 2010. It has also diversified into Tablet PC and FTTH (Fibre to the Home) components. The Company's total revenue was ₹ 20.48 crore and it incurred a loss of ₹ 8.57 crore during the year 2014-15.

#### **Intelligent Communications Systems India Limited (ICSIL)**

Intelligent Communications Systems India Limited (ICSIL) was incorporated in 1987. It is a joint venture of TCIL and Delhi State Industrial and Infrastructure Development Corporation (DSIIDC), an undertaking of Delhi Government, where TCIL has 36 *per cent* shareholding and DSIIDC has 40 *per cent* shareholding. The company is engaged in trading of hardware items such as computer/telecom/IT equipment of reputed brands. It also supplies manpower to various organizations and

provides education through licensees under individual agreements with each one of them. It also undertakes annual maintenance contracts of hardware items. The Company's total revenue was ₹ 97.80 crore and it earned a profit of ₹ 2.22 crore during the year 2014-15.

#### **TCIL-Bina Toll Road Limited**

TCIL-Bina Toll Road Limited is a 100 *per cent* subsidiary of TCIL and was incorporated in 2012. This company was created with the objective of execution of Infrastructural Project on design, built, finance, operate and transfer (DBFOT) basis, namely the Toll Road Project between Bina and Kurwai Town in the State of Madhya Pradesh, India. The company started its commercial operation in April 2014. The financial year 2014-15 is the first year of Commercial operations. The Company's total revenue was ₹ 4.97 crore and it incurred a loss of ₹ 9.42 crore during the year 2014-15.

#### **TCIL-Lakhnadone Toll Road Limited**

TCIL-Lakhnadone Toll Road Limited, a 100 *per cent* subsidiary of Telecommunications Consultants India Limited (TCIL) was incorporated in 2013. It's a Special Purpose Vehicle created with an objective of executing the Concessionaire Agreement with Madhya Pradesh Road Development Corporation Limited (MPRDC) for the development of Lakhnadone Toll Road Project. Concessionaire agreement with MPRDC was entered into by TCIL in September 2011 and a tripartite agreement was entered into between TCIL, MPRDC and the Company in August 2014 to substitute the name of TCIL with that of the Company. Further, TCIL would work as a supporting organization till completion of the project and handover it to the Company. The company has not started earning revenue as the construction of toll road is not complete but has incurred a loss of ₹ 0.02 crore.

#### **Bharat Broadband Network Limited (BBNL)**

Bharat Broadband Network Limited (BBNL), a special purpose vehicle (SPV) has been incorporated in 2012 under the Companies Act, 1956 to execute National Optical Fibre Network Project (NOFN). BBNL has been given responsibility to connect approximately 2.50 lakh Gram Panchayats (GPs) of the country through Optical Fibre utilizing existing fibers of PSUs viz. BSNL, RailTel and Power Grid and laying incremental fiber wherever necessary to bridge the connectivity gap between Gram Panchayats and Blocks, which would ensure broadband connectivity with adequate bandwidth. The Company's total revenue was ₹ 11.33 crore and it incurred a loss of ₹ 0.29 crore during the year 2014-15.

#### **Hemisphere Properties India Limited (HPIL)**

Hemisphere Properties India Limited (HPIL), a public limited company incorporated in 2005 and became a Government company from 18 March 2014. The company was

incorporated pursuant to clause 7.10 of Share Purchase Agreement and 4.7 of Share Holders Agreement executed on 13 February 2002 between the Government of India and M/s. Panatone Finvest Ltd and other Tata Group companies wherein the surplus land identified at the time of disinvestment of VSNL was to be demerged into the company. Government of India owns 51.12 *per cent* equity shares through Department of Telecommunications and remaining are owned by M/s. Tata Capital Limited and Af-taab Investment Company Limited. The paid up share capital of the company is ₹ 5.00 lakh. The company has not earned any revenue during the year 2014-15 and has an accumulated loss of ₹ 3.73 lakh.

#### 1.4.2 Department of Posts (DoP)

The postal network of India is the largest network in the world having more than 1.54 lakh post offices and extends to the remotest corners of the country. While the core activity of the Department is processing, transmission and delivery of mail, there are also a diverse range of retail services undertaken by the Department which include money remittance, banking as well as insurance. It is also engaged in disbursement of Pension and Family Pension to Military and Railway pensioners, Family Pension to families of coal mine employees and industries covered by the Employees Provident Fund Scheme. The Postal Department has also undertaken responsibility for social benefit payments such as MGNREGS and social security pension schemes.

#### Financial Performance

The revenue receipts and revenue expenditure of DoP for the years 2010-11 to 2014-15 is shown in the Table-6 below:

**Table-6**  
**Revenue receipts and Revenue expenditure of DoP**

(₹ in crore)

Year	Revenue Receipts	Recoveries <sup>5</sup>	Revenue Expenditure	Deficit (2)+(3)-(4)
(1)	(2)	(3)	(4)	(5)
2010-11	6,962.33	485.72	13,793.67	6,345.62
2011-12	7,899.35	458.64	14,163.91	5,805.92
2012-13	9,366.50	688.77	15,481.15	5,425.88
2013-14	10,730.42	593.19	16,796.71	5,473.10
2014-15	11,635.98	661.98	18,556.56	6,258.60

(Source: Appropriation Accounts of DoP for the years 2010-11 to 2014-15)

The earnings of the Department are in the form of 'Revenue Receipts' and 'Recoveries'.

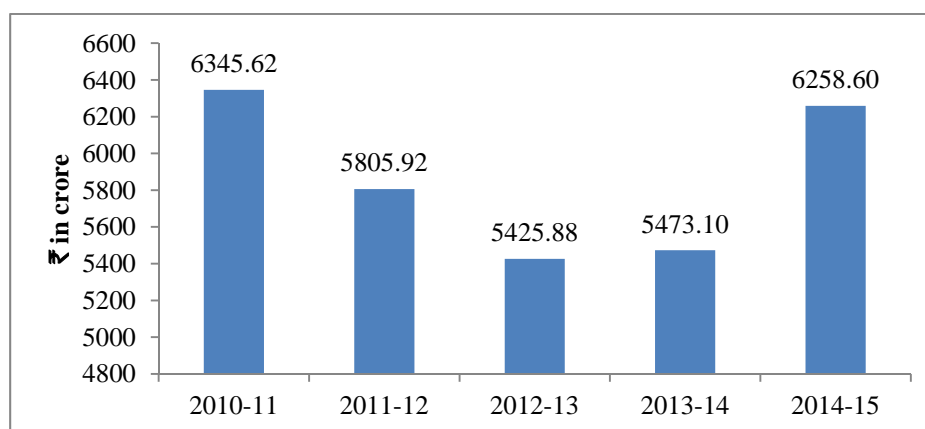
There was a deficit of ₹ 6,258.60 crore on postal services<sup>6</sup> in 2014-15. The main reasons for the deficit as attributed by the Department was increase in Working

<sup>5</sup> Represents recoveries on account of Services rendered to other Governments and Departments of Union Government.

<sup>6</sup> Deficit was calculated as the difference between revenue receipts *plus* recoveries and revenue expenditure, i.e., {(₹ 11,635.98+ ₹ 661.98) - ₹ 18,556.56}.

Expenses due to increased expenditure under salary, domestic travel expenses, office expenses, professional services and other charges etc. The comparative position of deficit in postal services during the period 2010-11 to 2014-15 is as under:

#### Deficit in Postal Services



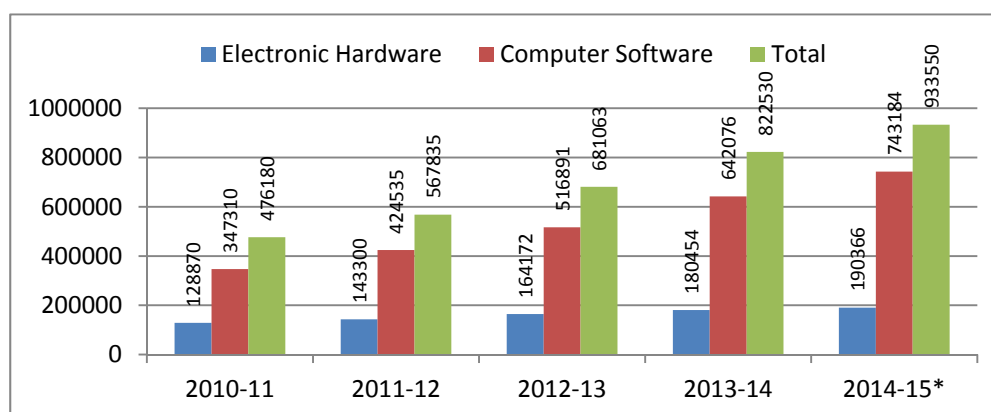
### 1.4.3 Department of Electronics and Information Technology (DeitY)

DeitY plays an important role in the development of Electronics and IT sector. The vision of DeitY is e-Development of India as the engine for transition into a developed nation and an empowered society.

The Indian IT industry has been contributing substantially to India's GDP, exports and employment. Production and growth of Indian Electronics and IT-ITeS (Information Technology Enabled Services) industry since 2010-11 to 2014-15 is given in the chart below:

#### Electronic and IT production

(₹ in crore)



(Source: Annual Report of DeitY)

\* Estimated figures are based on inputs from Industry Associations, Ministries and other Organizations.

Main reason for sustained overall growth of the Electronics and IT-ITeS industry as considered by the department is relatively higher growth in software and services which are largely export driven and also dominate the electronics and IT sector.

In order to carry out its functions, DeitY is provided with budgetary support in the form of Grants from the Government of India. The Grants received vis-à-vis Expenditure incurred by DeitY during the period 2010-11 to 2014-15 is given in the Table-7.

**Table-7**  
**Grants vis-à-vis expenditure relating to DeitY**

(₹ in crore)		
Year	Amount of Grant	Total Expenditure
2010-11	3,719	3,129
2011-12	3,048	2,074
2012-13	3,051	1,903
2013-14	3,052	2,166
2014-15	3,929	3,583
<b>Total</b>	<b>16,799</b>	<b>12,855</b>

(Source: Appropriation Accounts of DeitY for the year 2010-11 to 2014-15)

There are five organizations<sup>7</sup> and seven Autonomous Societies<sup>8</sup> under DeitY in addition to two attached offices viz. Standardisation, Testing and Quality Certification Directorate (STQC) and National Informatics Centre (NIC).

#### **National Informatics Centre (NIC)**

National Informatics Centre (NIC) is providing network backbone and e-Governance support to Central Government, State Governments, UT Administrations, Districts and other Government bodies. It offers a wide range of Information and Communication Technology (ICT) services in close collaboration with Central and State Governments, in the areas of (a) Centrally sponsored schemes and Central Sector schemes, (b) State sector and State sponsored projects, and (c) District Administration sponsored projects.

#### **Standardisation, Testing and Quality Certification Directorate (STQC)**

STQC, established in year 1980, is an internationally recognized Assurance Service Provider to both Hardware and Software sectors to provide state of art technology based quality assurance services to its valuable clients and to align with DeitY mandate to focus on IT sector.

<sup>7</sup> Controller of Certifying Authorities (CCA), Cyber Appellate Tribunal (CyAT), Semiconductor Integrated Circuits Layout-Design Registry, Indian Computer Emergency Response Team (ICERT) and in Registry.

<sup>8</sup> Education & Research in Computer Networking (ERNET), Centre for Development of Advanced Computing (C-DAC), Centre for Materials for Electronics Technology (C-MET), National Institute of Electronics and Information Technology (NIELIT), Society for Applied Microwave Electronics Engineering and Research (SAMEER), Software Technology Parks of India (STPI) and Electronics and Computer Software Export Promotion Council (ESC).

➤ **Public Sector Undertakings (PSUs) under administrative control of the Department**

Brief profile of important PSUs under administrative control of the Department is given below:

**Media Lab Asia**

Media Lab Asia is a 'not for profit' company set up under Section 25 of the Companies Act, 1956 with an objective to bring the benefits of ICT to the common man. The application areas of Media Lab Asia include use of ICT for Healthcare, Education, Livelihood and Empowerment of Disabled. It is Company limited by guarantee, does not have share capital and its Audit is entrusted to C&AG under the provisions of sections 143(5) and 143(6) of Companies Act, 2013. The company works with leading institutions for undertaking development work. The company earned ₹ 67.64 crore during 2014-15 out of which ₹ 67.59 crore was received through Grant-in-aid.

**National Informatics Centre Services Inc. (NICSI)**

National Informatics Centre Services Inc. (NICSI) was set up in 1995 under Section 25 of the Companies Act, 1956 under National Informatics Centre to provide total IT solutions to the Government organizations. The main objectives of NICSI are to provide economic, scientific, technological, social and cultural development of India by promoting utilization of Information Technology. The Company's total revenue was ₹ 902.45 crore and surplus after tax during the year was ₹ 52.55 crore.

**1.5 Budget and Expenditure Controls**

A summary of Appropriation Accounts for 2014-15 in respect of DoT, DoP and DeitY is given in subsequent Table-8:

**Table-8**

**Details of grants (voted and charged) received and expenditure incurred for the three Departments under Ministry of Communications & Information Technology**

(₹ in crore)

Sl. No.	Ministry/Department	Grant/Appropriation (including supplementary grant)	Total Expenditure	(-) Savings/ (+) Excess
1.	Department of Telecommunications	18,319.74	13,026.14	(-) 5,293.60
2.	Department of Posts	19,010.42	18,729.52	(-) 280.90
3.	Department of Electronics and Information Technology	3,929.12	3,583.10	(-) 346.02

(Source: Appropriation Accounts of the Departments for 2014-15)

**1.6 Follow up on Audit Reports - (Civil)**

The Lok Sabha Secretariat issued instructions in April 1982 to all Ministries to furnish notes to the Ministry of Finance (Department of Expenditure), indicating

remedial/corrective action taken on various paragraphs contained in the Audit Reports, soon after these were laid on the Table of the House.

In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, the Public Accounts Committee (PAC) desired that submission of pending Action Taken Notes (ATNs) pertaining to Audit Reports for the years ended March 1994 and 1995 should be completed within a period of three months and recommended that ATNs on all paragraphs pertaining to the Audit Reports for the year ended March 1996 onwards be submitted to them duly vetted by Audit, within four months from the laying of the Reports in Parliament.

Further, the Committee, in their Eleventh Report (Fifteenth Lok Sabha) presented to the Parliament on 29 April 2010, recommended that the Chief Accounting Authorities should be made personally accountable in all cases of abnormal delays in taking remedial action and submitting ATNs to PAC.

A review of the position of receipt of ATNs on paragraphs included in Audit Reports, Union Government (Communications & IT) up to the year 2015 revealed that ATNs in respect of 12 paragraphs relating to three departments viz., DoP, DoT and DeitY under MoC & IT, were pending as of April 2016, as detailed in the *Appendix-I*.

### **1.7 Follow up on Audit Reports - (Commercial)**

Audit Reports of the Comptroller and Auditor General (CAG) represent the culmination of the process of scrutiny of accounts and records maintained in various offices and departments of PSUs. It is, therefore, necessary that appropriate and timely response is elicited from the Executive on the audit findings included in the Audit Reports.

The Lok Sabha Secretariat requested (July 1985) all the Ministries to furnish notes (duly vetted by Audit) indicating remedial/corrective action taken by them on various paragraphs/appraisals contained in the Audit Reports (Commercial) of the CAG as laid on the table of both the Houses of Parliament. Such notes were required to be submitted even in respect of paragraphs/appraisals which were not selected by the Committee on Public Sector Undertakings (COPU) for detailed examination. The COPU in its Second Report (1998-99 Twelfth Lok Sabha), while reiterating the above instructions, recommended:

- Setting up of a monitoring cell in each Ministry for monitoring the submission of Action Taken Notes (ATNs) in respect of Audit Reports (Commercial) on individual Public Sector Undertakings (PSUs);
- Setting up of a monitoring cell in Department of Public Enterprises (DPE) for monitoring the submission of ATNs in respect of Reports containing paras relating to a number of PSUs under different Ministries; and

- Submission to the Committee, within six months from the date of presentation of the relevant Audit Reports, the follow up of ATNs duly vetted by Audit in respect of all Reports of the CAG presented to Parliament.

While reviewing the follow up action taken by the Government on the above recommendations, the COPU in its First Report (1999-2000-Thirteenth Lok Sabha) reiterated its earlier recommendations that the DPE should set up a separate monitoring cell in the DPE itself to monitor the follow-up action taken by various Ministries/Departments on the observations contained in the Audit Reports (Commercial) on individual undertakings. Accordingly, a monitoring cell has been functioning in the DPE since August 2000 to monitor the follow up on submission of ATNs by the concerned administrative Ministries/Departments. Monitoring cells have also been set up within the concerned Ministries for submission of ATNs on various Reports (Commercial) of the CAG.

Further, in the meeting of the Committee of Secretaries (June 2010) it was decided to make special efforts to clear the pending ATNs/ATRs on CAG Audit Paras and COPU recommendations within the next three months. While conveying this decision (July 2010), the Ministry of Finance recommended institutional mechanism to expedite action in the future.

A review of the position of receipt of ATNs relating to Bharat Sanchar Nigam Limited and M/s Mahanagar Telephone Nigam Limited under the administrative control of Department of Telecommunications, Ministry of Communications and Information Technology (MoC & IT) included in the Audit Reports up to the year 2015 revealed that ATNs in respect of 93 paragraphs were pending as of April 2016 of which ATNs on 11 paragraphs were not received at all, as detailed in the *Appendix-II*.



## CHAPTER-II

### DEPARTMENT OF TELECOMMUNICATIONS

#### 2.1 Payment of subsidy on fictitious/duplicate claims

**Controller of Communication Accounts (CCA), Rajasthan Telecom Circle allowed front loaded subsidy of ₹ 71.49 crore on the basis of claims submitted by M/s Tata Teleservices Limited (TTSL) during 2008-2010 without conducting any check regarding genuineness of Customer Application Forms (CAFs) before disbursement of subsidy. Further, CsCA at Odisha and Kerala circles paid subsidy on duplicate claims amounting to ₹ 0.82 crore to BSNL and Reliance Communication Limited.**

Department of Telecommunications (DoT) in September 2003 delegated the work relating to disbursement of subsidy towards Universal Service Obligation (USO) to the Controllers of Communication Accounts (CsCA) of the respective Telecom Circles subject to the limit of the amount allotted and in conformity to the conditions of the Agreement. The CsCA were required to undertake monitoring with reference to the information furnished in the claims of the various Universal Service Providers (USPs) under the respective agreements.

##### (a) Payment of subsidy on fictitious claims

Department of Telecommunication (DoT) entered into agreements with various USPs for provision of Rural Household Direct Exchange Lines (RDELs) in a specified Short Distance Charging Areas (SDCAs). Under the agreements, one time Front Loaded Subsidy<sup>1</sup> was to be paid for net additions of RDELs in a local exchange area.

While granting extension of time period of installation of RDELs for one year from 1 April 2007 to 31 March 2008 to M/s Tata Teleservices Limited (TTSL), USP for eight service areas, DoT issued instructions (January 2008) to the USP to furnish a copy of Customer Application Form (CAF) either in hard or soft copy in support of claims for each number for which Front Loaded Subsidy had been claimed.

During test check of records at Office of the Controller of Communication Accounts (CCA) Rajasthan Telecom Circle (September 2013), it was observed that in most of the cases, either there were no soft or hard copies of CAFs or those were related to mobile subscribers instead of RDELs. Further, some of the soft copies of CAFs contained either blank forms or details of subscribers were without any telephone number. Moreover, CAF's supporting documents as well as signature and seal made

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<sup>1</sup> Front loaded subsidy is the amount payable at the end of the quarter in which the connection is installed and made functional.

on ration cards in many cases were also found to have been forged. Surprisingly, in some cases the same photo was also found to have been affixed on different CAFs with different names and addresses. During test check by audit of the addresses mentioned in the CAFs, it was noticed that concerned subscribers were not found in most of the cases.

CCA, however, allowed front loaded subsidy of ₹ 71.49 crore to TTSL on the basis of claims submitted by them during 2008-2010 without conducting any check on CAFs before disbursement of subsidy.

Ministry stated in its reply (June 2016), that hard copies of CAFs for the period from 1 April 2007 to 31 March 2008 were available. The CDs submitted by the USP relating to financial year 2009-10 were burnt in fire incident that took place in May 2016. Further, there was no instruction to check the CAFs before or after payment of subsidy claims. It was further stated that during the physical verification of RDELs, all the RDELs were not found installed at their original locations as per claims and original CAFs and hence, were adjudged ineligible. Accordingly, demand notice of ₹ 137.99 crore (including interest) for the subsidy paid during 2007-08 to 2009-10 was issued to TTSL in June 2014. The matter is presently disputed before the sole arbitrator.

Reply of the Ministry confirms deficiencies in verification and payment mechanism for RDEL subsidies. It is also indicative of weak monitoring mechanism on the part of DoT in verification of subsidy claims.

**(b) Payment of subsidy on duplicate claims**

Test check of records in offices of CsCA at Odisha (BSNL) and Kerala (Reliance Communication Limited) circles revealed instances of payment of subsidy for same RDEL number under different RDEL agreements and subsidy claimed twice for same connection with different installation dates amounting to ₹ 0.65 crore by USPs under the scheme for provision of RDELs.

In the scheme for provision of wire-line broadband connections in rural and remote areas, it was observed in Odisha Circle that BSNL showed same broadband connection as re-allotted either to the same subscriber or to a new subscriber before permanent closure of the first connection. Consequently, duplicate payment of ₹ 0.17 crore was made by the CCA.

Ministry stated in reply (June 2016) that action was being taken to recover the same.

Thus, there was payment of subsidy amounting to ₹ 72.31 crore<sup>2</sup> to the USPs on the basis of fictitious as well as duplicate claims.

## 2.2 Irregular payment of subsidy to Universal Service Provider

**DoT entered into an agreement with BSNL for provision of wire-line broadband connectivity in rural and remote areas from existing telephone exchanges. BSNL provided 489 kiosks within telephone exchange premises in Tamil Nadu service area without provisioning of essential component of infrastructure setup in a kiosk. Principal CCA Tamil Nadu, however, released the subsidy amounting to ₹ 9.31 crore for these kiosks in contravention to the instructions issued in this regard by DoT.**

Department of Telecommunication entered into an agreement with BSNL (January 2009) for provision of wire-line broadband connectivity in rural and remote areas from existing telephone exchanges for the purpose of implementing the scheme of subsidy disbursement from the USOF for rural telephony. The scope of the scheme included provision, operation and maintenance of broadband connectivity to individual and institutional users along with setting up of broadband internet kiosks in the specified rural and remote areas. The benchmarking cost of equipment required for kiosks included cost of UPS also. It was further clarified by the Ministry that the kiosks having all basic components as per benchmarking and fulfilling the envisaged objectives shall only be eligible for subsidy.

During the test check of records at Office of the Principal Controller of Communications Accounts (Pr. CCA), Tamil Nadu Circle, Audit observed that 489 numbers of kiosks were provided within telephone exchange premises of BSNL without provisioning of separate UPS which was subsequently confirmed by the BSNL Corporate Office also. However, Pr. CCA Tamil Nadu released the subsidy amounting to ₹ 9.31 crore during the period from November 2010 to December 2013 for these kiosks in contravention to the instructions issued by the Ministry in this regard.

Ministry on this issue stated (September 2014) that as per the agreement, the USP was obliged to keep the kiosk running efficiently and smoothly. The essential components of infrastructure setup in a kiosk are at least one workstation/computer, UPS, printer, scanner, ADSL modem/CPE, webcam and a DG set as a power backup. Thus no kiosk subsidy was payable to the USP, if any of the essential components were not provided. It was further stated that the matter was being pursued with Pr. CCA Tamil Nadu office to ascertain the excess paid subsidy on these lines.

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<sup>2</sup> ₹ 71.49 crore on the basis of fictitious claims and ₹ 0.82 crore (₹ 0.65 crore plus ₹ 0.17 crore) on account of duplicate claims of connections made by USPs due to lack of proper verification of subsidy claim statements by the CsCA

This was further clarified by the USOF Headquarters (January 2015) that the agreement mandates that kiosk should be able to function despite power outages and hence gives BSNL freedom and flexibility in running the kiosk as long as it complies with various stipulated obligations and service parameters. It further clarified that the UPS for protecting the workstation/computer for kiosk from damage caused by voltage fluctuations must be for exclusive usage and in the absence of the same, kiosk subsidy would be inadmissible.

Ministry while accepting the facts and figures (May 2016) stated that Pr. CCA, Tamil Nadu has been directed to adjust the irregular payment of subsidy in accordance with the agreements and instructions issued thereunder against the pending bills of BSNL for non-provision of essential components. As such the amount of irregular subsidy on the 489 kiosks amounting to ₹ 9.31 crore was yet to be recovered.

The observations made in the para pertain only to one circle and similar lapses in other circles cannot be ruled out to which Ministry needs to take cognizance of and initiate corrective action.

Thus, payment of subsidy by the Ministry without ensuring installation of essential components by the USP in kiosks resulted in irregular payment of subsidy of ₹ 9.31 crore.

### **2.3 Unauthorized telecom service by M/s Sterlite Technologies Limited (STL)**

**STL, an Infrastructure Provider Category-I (IP-I) registered company, which was authorised only to provide infrastructure support to licensees of telecom service providers was functioning beyond the scope of the IP-I registration. Though the fact was brought to notice of DoT by TERM Cell, Pune, no action was taken against the company even after one year.**

Infrastructure Provider Category-I (IP-I) registration is awarded to Indian companies for establishing and maintaining assets such as dark fibres<sup>3</sup>, right of way<sup>4</sup>, duct spaces and tower to provide infrastructure support to licensees of telecom service providers. In no case, the company registered as IP-I shall work and operate or provide telegraph services including end-to-end bandwidth as defined in Indian Telegraph Act, 1885 either to any service provider or any other customer. No entry fee and bank guarantee was required for the company to get registered as IP-I. M/s Sterlite Technologies Ltd. (STL) was one of such IP-I registered companies that was registered in December 2010 for provision of services like dark fibre to telecom service providers in Pune and commenced services in December 2012.

<sup>3</sup> A dark fibre or unlit fibre is an unused optical fibre, available for use in fibre-optic communication.

<sup>4</sup> A right of way is a type of easement granted or reserved over the land for transportation purposes, this can be for a highway, public footpath, rail transport, canal, as well as electrical transmission lines, oil and gas pipelines.

During the audit (December 2015) of Telecom Enforcement, Resource and Monitoring (TERM) Cell<sup>5</sup>, Pune it was observed that an inspection of STL was conducted by it in February 2015 wherein it was found that though STL was registered as an IP-I, none of its customers had hired/leased/utilized end-to-end dark fibres from the company. The Company's customers were utilizing fibre in conjunction with active equipment like Optical Line Termination (OLT), Optical Network Terminal (ONT), L3 switches etc., installed in the premises of the company. In fact STL was providing services using GPON<sup>6</sup> with its own equipments or using the equipment of its wholly owned subsidiary M/s Sterlite Networks Limited (SNL)<sup>7</sup>, and the customers were being billed on the basis of bandwidth utilisation and not on the length and number of dark fibres utilized.

Based on this, TERM Cell concluded that STL was functioning as an IP-II service provider as it was selling bandwidth rather than dark fibre which was beyond the scope of the IP-I registration. Since IP-1 registration did not carry the load of entry fee and bank guarantee whereas IP-II licensee had to deposit a Performance Bank Guarantee of ₹ 100 crore in addition to annual license fee in the form of revenue share @ 6 per cent of Adjusted Gross Revenue (AGR)<sup>8</sup>, STL was causing revenue loss to the exchequer on account of annual license fee on AGR since the day it was carrying out activities under IP-II license which was not ascertainable in the absence of data.

TERM Cell submitted this inspection report to Department of Telecommunications (DoT) in August 2015 with recommendation to give an option to STL either to migrate to National Long Distance (NLD) license and pay annual license fee from the date of commencement of its operations in Pune and elsewhere along with a fine as deemed fit or if STL does not take this option, its IP-I registration may be revoked and shutdown of its operations may be ordered and it may also be prosecuted for unauthorised telecom operations. As there was no further communication from DoT, TERM Cell, Pune again requested (November 2015) DoT to initiate suitable action against STL as it was prima facie observed that the operator was providing services beyond the scope of registration. No action on the Company has yet been initiated by DoT.

Ministry in its reply (April 2016) stated that the investigation done by TERM Cell, Pune was centered around deployment of active infrastructure by IP-I company. Instructions issued by DoT in 2009 have allowed IP-I to create certain infrastructure

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<sup>5</sup> As the number of telecom operators in the country increased, in order to ensure that service providers adhere to the licence conditions and for taking care of telecom network security issues, the Government created Telecom Enforcement, Resource and Monitoring (TERM) Cell in the licenced service areas.

<sup>6</sup> GPON stands for Gigabit Passive Optical Networks and can transport PSTN, ISDN, E1 and E3 traffic.

<sup>7</sup> Speed on Network Limited (erstwhile Sterlite Networks Limited).

<sup>8</sup> Revenue of a company after adjusting allowable deductions.

for/on behalf of UASL/CMSP Licensee. Accordingly, TERM Cell Pune has been asked to re-examine the entire case.

In this regard, Audit has following observations.

- As per instructions issued by DoT in 2009, the scope of active infrastructure was limited to antenna, feeder cable, Node B, Radio Access Network (RAN) and transmission system only for/on behalf of UASL/CMSP licensee. However, STL owned Optical Network Terminal (ONT) and L3 switches as confirmed by its customers such as Tata and Airtel which never reported that these equipments were installed for/on behalf of them. The fact that these equipments belonged to STL was in clear violation of the DoT's instructions.
- Guidelines were issued by DoT in 2009 and the inspection was conducted in February 2015. As such the TERM Cell was well aware of the guidelines. Further the scope of registration as IP-I does not provide for sale of bandwidth whereas STL was charging its customers on the basis of bandwidth utilization instead of the length and number of dark fibres. The sale of bandwidth was permissible only by the entity holding IP-II licenses.

Thus, STL violated the IP-I registration conditions and unauthorisedly provided services which were beyond the scope of IP-I category license. Further, there has been inaction on the part of DoT since even after bringing to its notice about violation by STL in August 2015, it has allowed it to continue the services without valid license.

## CHAPTER-III

### DEPARTMENT OF POSTS

#### 3.1 Management of Investment of Fund of Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI)

**Management of fund of PLI and RPLI suffered from deficiencies like incorrect assessment of investable funds on daily net accretion basis and also monthly investable fund basis. The delay in Investment resulted in loss of potential return to the tune of ₹ 984 crore. Delay in reinvestment of returns from Government of India Special Security Floating Rate Bond (GOISSFRB), non-adherence to Insurance Regulatory and Development Authority (Investment) Regulations and instances of non-availing of Cenvat credit were also noticed.**

##### 3.1.1 Introduction

The Postal Life Insurance (PLI) Scheme was started in 1884 as a welfare measure for the employees of Post and Telegraph Department. The schemes was extended to the employees of all Central and State Government Departments, Nationalized Banks, Public Sector Undertakings, Financial Institutions, Local Bodies and Educational Institutions aided by the Government etc. In March 1995, the benefits of PLI were extended to rural population of the country under the banner of Rural Postal Life Insurance (RPLI). Both PLI scheme and RPLI scheme form part of Public Account and are operated through Post Office Life Insurance Fund (POLIF) and Rural Post Office Life Insurance Fund (RPOLIF) respectively.

These funds were placed at the disposal of the Ministry of Finance (MoF) and they earned interest at par with special deposit scheme as decided by MoF from time to time<sup>1</sup>. MoF in October 2006 decided that the PLI and RPLI funds should be invested as per the Insurance Regulatory and Development Authority (IRDA) regulations. This proposal was approved by the Cabinet in December 2007 and accordingly an accumulated balance of ₹ 20,894 crore (POLIF: ₹ 15,345 crore and RPOLIF: ₹ 5,549 crore) was declared as frozen as on 31 October 2009. The fund was invested in the Government of India Special Security Floating Rate Bond (GOISSFRB) in three phases i.e. ₹ 7,000 crore each on 31 March 2011 and 30 March 2012 and balance ₹ 6,894 crore in 28 March 2013. The investment activities began with effect from November 2009 with the assistance of two fund managers viz. SBI Fund Management Private Limited (SBIFMPL) and UTI Asset Management Company Limited (UTIAMCL).

<sup>1</sup> Till finalisation of conversion of funds to Government of India Special Security Floating Rate Bond (GOISSFRB), which was completed on 28 March 2013 in phased manner.

Year-wise breakup of premium realised on PLI/RPLI policies and Investment made during the years from 2009-10 to 2014-15 is shown in Table-1 below:

**Table-1**  
**Premium realised and Investment in respect of POLIF and RPOLIF**

(₹ in crore)

Year	Premium realised		Investment	
	POLIF	RPOLIF	POLIF	RPOLIF
2009-10 <sup>2</sup>	2,415.21	1,357.71	331.04	482.27
2010-11	3,006.24	1,111.53	2,021.93	1,384.99
2011-12	3,684.06	1,554.81	3,967.44	1,877.61
2012-13	4,558.39	1,696.02	3,465.13	2,088.79
2013-14	5,351.89	1,960.38	6,511.67	2,642.69
2014-15	5,967.21	1,984.32	7,477.81	2,252.22
<b>Total</b>	<b>24,983.00</b>	<b>9,664.77</b>	<b>23,775.02</b>	<b>10,728.57</b>

(Source: Financial Review Report of POLF & RPOLIF for the years 2009-10 to 2014-15)

### 3.1.2 Scope of Audit

The audit of Management of Investment of Insurance Fund of PLI and RPLI was conducted during January and February 2016 covering the period from 2009-10 to 2014-15. Eleven Postal Circles<sup>3</sup>, comprising of 56 Head Post Offices were selected for scrutiny. Besides, relevant documents were also seen in Circle PLI offices, Circle Postal Accounts Offices, Director PLI (DPLI) Kolkata, PLI Directorate, New Delhi and Investment Division (ID) Mumbai.

### 3.1.3 Audit Findings

Audit was conducted with the objective that the Insurance funds were effectively and efficiently collected, accounted and invested as per applicable rules and regulations<sup>4</sup>. The audit findings relating to Management of Investment of Fund of PLI and RPLI highlighted the significant deficiencies and instances of weak and ineffective control which are discussed below:

#### 3.1.3.1 Investment of Daily Net Accretion

Daily Net Accretion is derived from the difference between all PLI/RPLI Receipts consisting of Insurance Premium, Loan refunds, Interest on Loan and other

<sup>2</sup> Investment activities commenced only from November 2009.

<sup>3</sup> Andhra Pradesh (10 HO), Delhi (1 HO) Gujarat (3 HO), Haryana (2 HO), Punjab (2 HO) Karnataka (6 HO), Kerala (5 HO), Maharashtra (6 HO), Tamil Nadu (9 HO), Uttar Pradesh (7 HO) and West Bengal (5 HO).

<sup>4</sup> Such as Postal Accounts Manual, Post Office Insurance Fund (Custody and Investment) Regulations 2010, IRDA Regulations.



miscellaneous items like Fees, Conversion Charges Penalty etc. and all PLI/RPLI Payments arising out due to Closure of Policy on account of Maturity/Death/Surrender/Paid up Policy, Disbursement of Loans, Refund of Premium, Rebate allowed and Medical Fees paid etc. in postal network across the country on a day. The daily net accretion figure is uploaded offline to NIC System by the HPOs and National Level Fund Flow Statement is generated on the basis of these receipts/payments data. Fund flow statement is downloaded next day by DPLI, Kolkata and Net Accretion amount so arrived at is communicated to PLI Directorate which in turn instructs Investment Division to invest the amount in the market through the fund managers on daily basis.

**(a) Delay in Investment of Daily Net Accretion generated through McCamish**

McCamish system was introduced (February 2014) to improve accounting and generation of net accretion of fund on online mode. The existing NIC system was migrated to McCamish system in phased manner. The NIC system of respective HPOs was completely closed down before it was migrated to McCamish. The daily net accretion of fund was either generated through McCamish system (for HPOs migrated to McCamish) or through NIC system (for HPOs not migrated to McCamish).

On examination of records at DPLI, Kolkata it was observed that the data generated through McCamish was not being considered for investment of daily net accretion though the first HPO had migrated on 10 February 2014. DPLI, Kolkata considered the McCamish data of daily net accretion from 17 February 2015 only. However the amount generated through McCamish was being consolidated while calculating the Monthly Investable surplus thereby resulting into delay in investment of daily net accretion under the McCamish system for the period February 2014 to February 2015 amounting to ₹ 72.50 crore (PLI: ₹ 64.27 crore and RPLI: ₹ 8.23 crore) as detailed in **Annexure-I**.

Ministry replied (July 2016) that only the pilot of Core Insurance Solution was rolled at that time as all the modules were not working and Daily Net Accretion was one of the modules that was not working. It further added that Daily Net Accretion module started working in February 2015 only.

Audit is of the view that as the Daily Net Accretion module of McCamish system began working from February 2015, the NIC System should not have been closed in respect of the HPOs migrated to McCamish, and both the systems should have run in parallel till the Daily Net Accretion module started working.

**(b) Wrong uploading of receipts and payments by HPOs resulted in incorrect computation of daily net accretion for investment**

The receipts and payments figures, as uploaded by HPOs in any of the system (NIC or McCamish) on daily basis, should match with Cash Account<sup>5</sup> figures prepared by the HPOs.

Scrutiny of records as uploaded in NIC system and cash accounts maintained in selected 56 HPOs for selected three months<sup>6</sup> during the period 2012-13 to 2014-15, it was noticed that receipts/payments figures of daily cash accounts statements of the selected HPOs did not match with the figures uploaded by the respective HPOs in the system. Summary of HPOs wherein detail of mismatch of data in number of days in a month and the amount affected during the selected months is furnished in Table-2 below:-

**Table-2**  
**Summary of HPOs wherein Mismatch of data in number of days and amount affected thereof as uploaded in system vis-à-vis daily cash account**

(₹ in crore)

Selected Month	Range =>	Mismatch of data in number of days.					Total Amount
		01-10 Days	11-20 Days	> 20 Days	Total	Amount <sup>7</sup>	
June 2012	PLI	13	19	22	<b>54</b>	9.24	11.75
	RPLI	27	17	10	<b>54</b>	2.51	
September 2013	PLI	13	25	17	<b>55</b>	10.85	14.92
	RPLI	26	15	12	<b>53</b>	4.07	
March 2015	PLI	03	09	41	<b>53</b>	16.65	23.84
	RPLI	08	18	25	<b>51</b>	7.19	

(Source: - NIC data from system & Cash Account data from selected HPOs)

From the table it is evident that out of test check of 56 HPOs, mismatch of figures was noticed in 51 to 55 HPOs, which lead to under or over investment of fund resulting in either Insurance fund lying un-utilised or the Government's fund (other than PLI/RPLI) being utilised imprudently. The mismatch has an impact of ₹ 11.75 crore, ₹ 14.92 crore and ₹ 23.84 crore on the investment in the months of June 2012, September 2013 and March 2015 respectively.

On this being pointed out by Audit, Ministry replied (July 2016) that due to inadvertent wrong uploading of receipts/payments figures and non-furnishing of figures on time by concerned Post offices, there was a mismatch between the

<sup>5</sup> Daily Cash Account statements are prepared by respective HPOs based on daily cash transactions.

<sup>6</sup> June, 2012, September, 2013 and March, 2015.

<sup>7</sup> The amount reflects the sum total of differences between amount uploaded and amount reflected in cash book.

uploaded figures and cash accounts figures. It was also stated that the net accretion as per uploaded figures has been invested on daily basis and non-uploaded figure included in Cash Account had been invested through monthly investable surplus statement. As such there was no over or under investment and the amount has been invested either on daily or monthly basis.

The reply of Ministry confirmed that HPOs failed to follow the instructions of PLI Directorate issued in March 2009 and reiterated in August 2009 regarding uploading of data and its verification thereof to ascertain the daily investible surplus. The investments are made on daily basis and mismatch of figures has an adverse impact on daily investment which may result in either under or over investment. Further this daily mismatch may impact the monthly figures as the deviation would spill over to the successive months.

### **3.1.3.2 Investment of Monthly Investable Surplus**

Monthly Investible surplus is computed by DPLI, Kolkata after compilation of Detail Book (DB) figures of Director of Accounts, Postal {DA (P)} of each Circle, Civil, Defence and Railway Accounts offices as uploaded in *e-lekha*<sup>8</sup> for the month and thereby adjusting the investments already made through daily net accretion of that month. The balance figure so arrived at is further invested.

#### **(a) Non-settlement of suspense accounts resulted in under investment**

DA(P) offices receives Cash Accounts from HPOs on monthly basis along with schedules and vouchers in support of receipts and payments and prepare consolidated accounts in DB. The amount of receipts and payments against which schedules/vouchers are not received from HPOs are placed in 'Credit /Debit suspense' accounts. These suspense figures remain unsettled till compliance from HPOs is received. DA (P) finally uploads such DB figure under PLI/RPLI head in *e-lekha*. DPLI Kolkata, while calculating Monthly Investible Surplus, considers such DB figure booked against the receipt and payments of PLI/RPLI. The suspense account figures did not find any place in the computation of Investible surplus despite the fact that gross receipts and payments had already been considered for investment on daily basis.

Scrutiny of DB figures maintained in Postal Accounts Offices of 11 Circles test checked for the period from 2009-10 to 2014-15 revealed that:

- An amount of ₹ 83.70 crore and ₹ 328.54 crore were outstanding as Debit Suspense balance and Credit Suspense balance respectively against 46 HPOs

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<sup>8</sup> Web based software providing an electronic payment and accounting information system for the Civil Accounts Organization of the Government of India.

of eight Circles<sup>9</sup> under PLI/RPLI payments and receipts at the end of 31 March 2015.

- DPLI Kolkata considered only the adjusted DB figure booked by DAPs giving no weightage to suspense figures. Such accounting treatment resulted in excess or under investment.

Credit suspense appeared higher meant realised premium had been understated by the quantum of credit suspense. Thus non consideration of credit suspense resulted in under investment of ₹ 244.84 crore as brought out in the Table-3 below:-

**Table -3**  
**Year wise debit and credit Suspense amount**

(₹ in crore)

Year	Credit Suspense	Debit Suspense	Net Adjustment
2009-10	25.85	2.38	23.48
2010-11	65.26	14.16	51.09
2011-12	35.16	10.69	24.47
2012-13	50.06	17.57	32.48
2013-14	38.55	10.97	27.58
2014-15	113.66	27.93	85.74
<b>Total</b>	<b>328.54</b>	<b>83.70</b>	<b>244.84</b>

(Source: - Data gathered from DA (P) offices of 11 Circles test checked)

Scrutiny further revealed that during the period from 2009-10 to 2014-15, suspense accounts had remained unsettled in DA (P) offices due to non-receipt of schedules/vouchers in support of receipts and payments from respective HPOs.

On this being pointed out by Audit, the Ministry replied (July 2016) that investments were made on daily basis as well as monthly basis on the basis of booked figures. Keeping the receipts and payments under suspense head pending receipt of supporting documents/ vouchers is in conformity with codal provisions.

Ministry should have considered the impact of suspense figure while arriving at monthly investable surplus. Ignoring the suspense account figures in respect of insurance fund resulted in under investment of fund and loss of return on such under invested fund. DoP needs to review their policy with regard to investment of Insurance Fund on Suspense Account figures.

<sup>9</sup> Andhra Pradesh-10 HPOs, Delhi-1 HPO, Gujarat- 3 HPOs, Kerala-5 HPOs, Maharashtra- 6 HPOs, Tamil Nadu- 9 HPOs, Uttar Pradesh- 7 HPOs and West Bengal- 5 HPOs

**(b) Delay in investment of premiums collected through cheques against pay deductions cases**

DPLI, Kolkata used to receive pay-deducted premiums through cheques from a few Civil and Defence offices having no access to *e-lekha*. To ensure speedy investment of premium amount so collected, PLI Directorate, New Delhi envisaged a process of uploading such premiums on daily basis through NIC System by GPO, Kolkata. It was however noticed that GPO, Kolkata did not adhere to the instructions issued resulting in an avoidable delay in investment.

Scrutiny of records in DPLI, Kolkata and GPO Kolkata revealed that during the period from 2012-13 to 2014-15, a sum of ₹ 213 crore<sup>10</sup> had been received as premium from five offices.<sup>11</sup> The time taken for encashment of cheques in GPO, Kolkata and preparation of Monthly Investable Surplus by DPLI, Kolkata for investment including the time taken by Postal Accounts Office<sup>12</sup>, Kolkata for booking activities ranged between 24 days to 54 days in 2012-13, between 13 days to 54 days in 2013-14 and between 21 days to 54 days in 2014-15.

On account of this delay, PLI directorate failed to invest the amount of ₹ 213 crore in time resulting in loss of interest of ₹ 2 crore<sup>13</sup>.

Ministry in their reply (July 2016) stated that in order to mitigate delay in accounting of cheques procedure relating to receipt of cheques from organisation which remit premium on PLI policies through cheques has been changed with effect from June 2015 and further stated that changed procedure will bring prompt clearance of cheques.

The reply of Ministry is not acceptable as the loss of interest pointed out was due to non-uploading of amount in NIC System on clearance of Cheques by GPO, Kolkata in violation of the instruction issued by PLI Directorate which resulted in failure to invest the fund at the time of credit into account thereby losing some gain on investment. Even in the revised system only the time taken by DPLI, Kolkata to send cheques to GPO, Kolkata is eliminated but the delay in other activities remains same.

Thus, PLI directorate failed to timely invest ₹ 213 crore and suffered a loss of interest of ₹ 2 crore.

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<sup>10</sup> Cheques having value more than Rupees one lakh have been scrutinised.

<sup>11</sup> Director of Accounts & Treasuries, Puducherry; AG (A&E) Tamil Nadu, AG (A&E) Kerala; Director of Accounts, Panaji, Goa & PAO Assam Rifles, Shillong.

<sup>12</sup> Once the cheque was realised by the GPO, Kolkata, information was sent to Postal Account Office for booking and classification in *e-lekha* for DPLI, Kolkata to prepare Monthly Investable Surplus.

<sup>13</sup> Interest has been worked out applying ROI rate calculated by fund managers.

**(c) Delay in Investment of Monthly Investable Surplus resulted in loss of return of ₹ 984 crore**

Audit scrutiny of Monthly Investable Surplus records of the period from November 2009 to March 2015 at DPLI, Kolkata revealed that the monthly investable surplus, which was to be invested next day of the compilation (due date being 25<sup>th</sup> of the subsequent month), was invested with a delay up to two years and more. Delay in investing surplus amount with respect to due date and the resultant loss of return in the case of POLIF is detailed in Table-4 below:-

**Table-4**  
**Loss in potential earnings due to delay in investment of Monthly Investable Surplus of POLIF**

Delay in investing PLI Monthly Investable Surplus							Amount of loss (in ₹ crore)
Period	Total <sup>14</sup> No. of month	Up to 1 month	>1 month Up to 6 month	>6 month Up to 1 Year	> 1 Year Up to 2 Years	>2Years	
2009-10	5	0	0	5	0	0	88.37
2010-11	11	0	0	3	5	3	146.43
2011-12	11	0	0	0	4	7	183.36
2012-13	12	0	0	0	12	0	215.16
2013-14	11	0	0	0	11	0	217.35
2014-15	11	6	5	0	0	0	16.57
<b>Total</b>	<b>61</b>	<b>6</b>	<b>5</b>	<b>8</b>	<b>32</b>	<b>10</b>	<b>867.24</b>

(Source: - Data collected from books of accounts in DPLI, Kolkata office)

- Positive surplus in POLIF in 61 out of 65 months (November 2009 to March 2015) were invested with a delay ranging from 15 days to more than two years as indicated in the above table, which resulted into a loss of potential earnings of ₹ 867 crore<sup>15</sup> on delayed investment of ₹ 8,132 crore.
- Excess investment of ₹ 593 crore made from Government funds in four months<sup>16</sup> was lying unadjusted for 7 to 27 months on which POLIF earned ₹ 46 crore as return on Investment. Since the amount invested did not belong to POLIF, the return earned must be refunded to the Government account.

Similarly delay in investing surplus amount with respect to due date and the resultant loss of return in the case of RPOLIF is detailed in Table-5 below:-

<sup>14</sup> The months where positive investable amount was available, has been considered in the table for both PLI & RPLI.

<sup>15</sup> Return has been worked out applying ROI rate calculated by fund managers.

<sup>16</sup> October 2010, August 2011, March 2014 and March 2015.

Table-5

**Loss of potential earnings due to delay in investment of Monthly Investable Surplus of RPOLIF**

Delay in investing RPLI Monthly Investable Surplus							Amount of loss of return (₹ in crore)
Period	Total No. of months	Up to 1 month	>1 month Up to 6 month	>6 month Up to 1 Year	> 1 Year Up to 2 Years	>2 Years	
2009- 10	6	0	0	2	3	1	27.86
2010-11	9	0	0	0	0	9	48.71
2011-12	5	0	0	0	0	5	10.11
2012-13	2	0	0	0	2	0	26.90
2013-14	4	0	0	3	1	0	2.26
2014-15	6	2	4	0	0	0	1.58
<b>Total</b>	<b>32</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>15</b>	<b>117.42</b>

(Source: - Data collected from books of accounts in DPLI, Kolkata office)

- Positive surplus in RPOLIF in 32 out of 65 months (November 2009 to March 2015) were invested with a delay ranging from six days to more than two year as indicated in the above table, which resulted into loss of return of ₹ 117 crore on delayed investment of ₹ 723 crore.
- Excess investment of ₹ 718 crore was made from government funds in 33 months was lying unadjusted for 5 to 51 months on which RPOLIF earned ₹ 102 crore as return on Investment. Since the amount invested did not belong to RPLI, the return earned must be refunded to the Government account.

On this being pointed out by Audit, Ministry while agreeing to the loss of return stated that monthly investable surplus was derived after obtaining the schedules from various agencies. It was further stated that exercise should be completed by 25<sup>th</sup> of succeeding month, DPLI cannot do the same in the absence of complete schedules.

Ministry should take up the issue with the Department/Units concerned for electronic submission of schedules and also prepone the cut-off date to avoid delay in investment of surplus fund and resultant loss thereon.

### **3.1.3.3 Appointment and extension of contracts of Fund Managers and Custodian Bank without any competitive bidding**

As approved by Union Cabinet in the meeting held on 13 December 2007 two largest public sector Mutual Funds (SBIFMPL & UTIAMCL) had been appointed, initially for two years, as fund managers for investment of POLIF and RPOLIF in relaxation of provisions of General Financial Rules. Two years term was however extendable on the basis of their performance. In the Cabinet Note, it was envisaged that fee structure of fund managers would be decided mutually and fund managers would also have to professionally manage the fund to ensure return of not less than the existing interest rate of 8 *per cent* without depleting the corpus.

The agreements with SBIFMPL and UTIAMCL were signed by the Department on 6 November 2009 for two years and the investment of POLIF and RPOLIF started from November 2009. Accordingly, a management fees at prescribed rates, as amended from time to time, were payable to the fund managers. On scrutiny of records available at Directorate of PLI, Audit observed the following:

- (a) PLI, Directorate, instead of exploring the option to appoint any other fund manager by way of competitive bidding, allowed the fund managers to perform uninterruptedly. Though the management fee was reduced through mutual negotiation, in absence of any competitive bidding, there was no assurance that it was the most economical and competitive offer.
- (b) The responsibility of appointing Custodian Bank had been passed on to the fund managers and in terms of such arrangement the charges payable to custodian was directly debitible to the clients account. Thus it was evident that custodian bank related activities right from their selection, appointment, charges payable to them and control over them had been fully vested with the fund managers instead of keeping control by the DoP over it. However the approved Cabinet note only provided for appointment of fund managers. HDFC was selected as Custodian bank by the fund managers in October 2009.
- (c) In case of custodian fee also, the charges were reduced with mutual negotiation without exploring the possibility of lesser charges through competitive bidding.

Thus, it may be construed from above that PLI wing of DoP ceded their right to appoint and control the custodian and relied fully on the fund managers. Since the payments to the custodian were borne by the DoP, selection of custodian and deciding on rates and fees without giving recourse to the applicable rules was a gross violation of General Financial Rules.



In reply, Ministry stated (July 2016) the following:

- Appointment of Fund Managers (FMs) was not close ended. So far there was no cause to doubt their performance. Considering the highly technical nature of the work done, evaluation process and roll over to new fund managers, it was proposed that the process should be done with a consultant on board and the matter was under consideration.
- Provisions of GFR, perhaps were required to be followed in the case of appointment of custodian by department directly, which was not the case and hence there appears no violation of GFR in appointment of Custodian by Fund Managers.

The reply is not acceptable in view of the following:

- The appointment of FM was close ended as FM was nominated for initial period of two years by relaxing GFR provisions. Further, Ministry did not devise any benchmark to evaluate the performance of the FM and GFR provisions were not followed after two year. Though more than six years have elapsed the Ministry could not even appoint any consultant to evaluate the process and roll over to new FMs. Ministry has conveniently interpreted continuance of FM by quoting from Cabinet Note.
- Provisions of GFR are not only applicable to appointment of Custodian but also for all the issues where Government expenditure is involved.

#### **3.1.3.4 Investment division activities**

In terms of Gazette Notification published in May 2008, Investment Board (IB) was constituted as the apex body for the purpose of laying down the policy guidelines and investment strategy that will set the framework for the day to day decisions on investments. Member (PLI) of the Postal Services Board function as the Chairman of the Investment Board with three Financial Experts drawn from outside. The Chief Investment Officer (CIO) shall function as Convener Member of the Investment Board. The Investment Division (ID) is headed by a CIO who executes the policy framework and structure of investments as per the decisions of the IB. PLI Directorate had sanctioned four posts of Directors besides the post of CIO. Investment Division was therefore responsible for managing the Insurance Funds of the Department of Posts and investing the same in the capital markets following the IRDA guidelines. Audit findings in this regard are given in subsequent paragraphs.

**(a) Delay in re-investment of return on Government of India Special Securities Floating Rate Bond (GOISSFRB) resulted into loss of return**

The frozen fund of ₹ 15,345 crore in POLIF and ₹ 5,549 crore in RPOLIF as on 31 October 2009 was converted into GOISSFRB which earned interest payable on half yearly basis.

The half-yearly interest earned on the above instrument had been credited from time to time to POLIF and RPOLIF accounts maintained with HDFC Bank being the custodian. After receipt of interest PLI Directorate, New Delhi was required to promptly direct the custodian bank to transfer the fund to Fund Managers' accounts to ensure early investment of same.

Audit scrutiny of the bank statements for the above accounts, revealed that there was a delay in issuing instruction by the PLI Directorate to transfer the funds for re-investment to the Fund Managers. Though there was a delay of up to 44 days in 2011-12, there was no delay in 2014-2015. The delay in the transfer of funds resulted in loss of return for ₹ 7 crore<sup>17</sup> as given in Table-6 below:

**Table-6**  
**Loss of interest due to delay in reinvestment of GOISSFRB returns**  
(₹ in lakh)

Year	POLIF		RPOLIF	
	Range of delay	Loss of interest	Range of delay	Loss of interest
2011-12	Up to 44 days	289.10	Up to 44 days	90.79
2012-13	Up to 9 days	126.20	Up to 9 days	41.94
2013-14	Up to 6 days	104.88	Up to 5 days	25.72
2014-15	1 days	12.52	Nil	0
<b>Total</b>		<b>532.70</b>		<b>158.45</b>
<b>Grand Total: 691.15 lakh (say ₹ 7 crore)</b>				

(Source: - Data collected from records of Investment Division, PLI, Mumbai)

On examination of data so gathered it was observed that substantial amount of ₹ 3.80 crore had been invested after a delay of 44 days while delay of 5 days to 9 days had been noticed in investing ₹ 2.99 crore which resulted in loss of interest. It was also observed that this was not only a loss but also undue benefit to custodian who enjoyed benefit of these funds.

<sup>17</sup> Interest has been worked out applying ROI rate calculated by fund managers.

Ministry replied (July 2016) that in respect of the interest received on 30 September 2011 the advice of transfer of half yearly interest for investment was issued on 11 November 2011 after finalisation of the authorised signatories to operate relevant CSGL (Constituents' Subsidiary General Ledger) accounts. In respect of the interest received for other periods, Ministry replied that the intimation of interest receipt and its final investment were not immediate consequent processes and further added that it was a time taking exercise and cannot be done in an automated manner, since many checks and cross checks had to be done at various levels, including the RBI.

The reply of Ministry is not acceptable owing to the fact that the periodicity of interest to be received is well known and the related work could be initiated well in time as was done by the Department in 2014-15 to avoid the delay in investment.

**(b) Loss due to not availing Cenvat Credit while paying Service Tax**

In terms of GOI Notification<sup>18</sup> read with Cenvat Credit Rules, 2004, a provider of taxable service shall be allowed to take Cenvat Credit, if such Service Tax was paid on any input service received by the provider of output services. An amendment to the Cenvat Credit Rules was imposed making restriction on availing Cenvat credit within one year effective from 1 March 2015<sup>19</sup>.

PLI Directorate, New Delhi while making payment to Fund Managers and Custodian Bank for their services rendered, reimbursed Service Tax too. The Service Tax<sup>20</sup> amounting to ₹ 2.97 crore<sup>21</sup> paid on input services during the period between 2009-10 to 2014-15 could have been utilized as Cenvat Credit by the management while paying Service Tax on output services of Insurance business. But such credit of input services had not been passed on by Investment Division, Mumbai in time to the DPLI, Kolkata who was responsible to make payment of Service Tax for output services. Investment Division Mumbai had finally intimated the quantum of unutilized Cenvat Credit to DPLI, Kolkata in January, 2016 and by that time entire credit had lapsed.

Thus due to inaction on the part of Investment Division, PLI Mumbai and lack of adequate monitoring over fund management by PLI Directorate resulted into loss of ₹ 2.97 crore because of non-availing of Cenvat credit.

Ministry replied (July 2016) that suitable instructions have been issued (May 2016) for availing Cenvat credit for strict observance.

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<sup>18</sup> No. 23/2004 - Central Excise (N.T.), dated 10/09/2004.

<sup>19</sup> vide Notification No. 6/2015-Central Excise (N.T.) dated 1<sup>st</sup> March, 2015.

<sup>20</sup> including Education cess and Higher Education Cess.

<sup>21</sup> ₹ 2.18 crore to Fund Managers and ₹ 0.79 crore to Custodian Bank.

However the fact remained that by the time the information reached to DPLI, Kolkata, the entire credit has become time barred. The instructions of Ministry would be applicable for availing future credit if followed by the all concerned and the loss of ₹ 2.97 crore could not be reversed.

**(c) IRDA's investment holding pattern not followed**

According to the PLI Investment Policy, the investment activity will be guided primarily by the IRDA (Investment) Regulations 2000 as amended from time to time. Audit scrutiny revealed the following important deviations by the ID of PLI Mumbai as prescribed by IRDA on holding pattern:

- The investment in “Government securities or other Approved Securities” was within the range of 30-35 *per cent* during the year 2012-13 to 2014-15 instead of prescribed minimum percentage of 50. The investments as on 31 March 2015 in this category were as low as 29.52 *per cent*.
- The investment in “Approved Investment and Other investment” was more than the prescribed maximum percentage of 50 in all the years from 2012-13 to 2014-15. The investments as on 31 March 2015 in this category were as high as 68.57 *per cent*.
- However investments in the “Investment in housing and infrastructure” were constantly maintained at the prescribed limit of more than 15 *per cent* in all years. The investment was highest at 35.92 *per cent* in 2012-13 and was at 30.13 *per cent* as on 31 March 2015.

Ministry replied (July 2016) that legally PLI and RPLI were not under the IRDA. It further added that the Investment Board (8 June 2015) had decided that “frozen corpus” would be taken into consideration for the purpose of determining holding pattern of POLIF and RPOLIF only and that compliance with IRDA (Investment) Regulations must be ensured expeditiously as it was a commitment given to Union Cabinet. Investment Board decided to fix a time frame up to 31 December 2016 and in no case beyond 31 March 2017 to ensure mandatory holding in Government securities where there was shortfall.

The above reply was not tenable as the Investment Policy Document of the Division stated that, ‘the investment activity will be guided primarily by the IRDA (Investment) Regulations, 2000, issued under the Insurance Act, 1938 and the amendments made thereto from time to time.’ Hence, IRDA regulations were very much applicable to the Investment Division. Further the Investment Board has accepted that deviation from the IRDA (Investment) Regulations was a non-compliance to Union Cabinet approval.

## Conclusion:

Management of fund of PLI and RPLI suffered from deficiencies like incorrect assessment of investable funds on daily net accretion basis as well as monthly investable fund basis, delay in Investment and resultant loss to the tune of ₹ 984 crore, delay in reinvestment of returns from GOISSFRB, and deviation from the IRDA (Investment) Regulations adherence to which was required as per the Cabinet approval. Besides instances of non-availing of Cenvat credit were also noticed.

## 3.2 Management of vacant plots of land in Department of Posts (DoP)

**Department did not assess the actual requirement before acquiring/purchasing the plots of land. It was in possession of 472 vacant freehold plots measuring 6.77 lakh square meters having value of ₹ 209.55 crore as of December 2015. 100 plots measuring 4.08 lakh sq. meter acquired on lease as far back as in 1978 for construction of post office buildings/staff quarters were still lying vacant and an amount of ₹ 3.37 crore was paid towards lease rent up to 2014. 241 plots of 3.24 lakh square meter acquired at ₹ 13.94 crore were encroached. Failure of the department in taking adequate precautionary measures not only resulted in encroachment but also led to unnecessary litigation which could have been avoided.**

### 3.2.1 Introduction:

The Postal Network of India is the largest postal network in the world having more than 1.54 lakh post offices spread across length and breadth of the country. While the core activity of the Department is collection, processing, transmission and delivery of mail, there is also a diverse range of retail services undertaken by the Department which include money remittance, banking as well as insurance services. Besides disbursing pension and family pension to Military and Railway personnel, the Postal Department has also undertaken responsibility of social benefit payments under Mahatma Gandhi National Employment Rural Guarantee Act (MGNERGA) and other social security pension schemes.

As on 31 March 2015, DoP had 26,326 buildings in possession throughout the country. Out of these, 4,441 buildings are owned by the Department, 20,181 buildings are rented and 1,704 buildings are rent free (**Annexure-II**). Besides, DoP also has in its possession 1,763 vacant plots which were either purchased/acquired or received as a gift for construction of buildings for postal services over a period of time.

Audit of Management of vacant plots of land in DoP was conducted to assess that the land/plots were utilized/guarded effectively and efficiently. The audit was conducted during December 2015 to January 2016 in 22 Postal Circles spread throughout the country.

Audit noticed certain deficiencies which are discussed in succeeding paragraphs:

### 3.2.2 Blockade of scarce land resources due to prolonged vacancy of plots

Departmental rules provide<sup>22</sup> that for purchase or acquisition of land, the suitability of site should be decided by the Head of the Circle as per departmental needs. If the land or property is suitable, the Head of the Circle should, in the first instance, consult the Chief Revenue Officer of the district, and obtain from him the fullest possible information as to the probable cost of the land.

Scrutiny of records (December 2015 to January 2016) in 20 Postal Circles revealed that 1,608 freehold plots measuring 48.08 lakh square meter<sup>23</sup>, which were acquired/purchased in distant past (even in 19<sup>th</sup> Century) for construction of Post offices and Staff Quarters were still lying vacant (**Annexure-III**). The acquisition cost of 980 free hold plots (out of 1608) as intimated by the circles was ₹ 77.03 crore. The acquisition cost of the balance 628 plots was not made available by the circles. It was further observed that the present value of 472 vacant freehold plots measuring 6.77 lakh square meters in four circles out of a total 1608 plots, as provided by the postal authorities, had risen to ₹ 209.55 crore (December 2015) from their original acquisition cost of ₹ 4.33 crore as shown in the Table-1 given below:

**Table-1**

(₹ in crore)

Name of Circle	Number of plots lying vacant	Area of vacant plots (in Sq. Mtr)	Cost of vacant plots	
			Acquisition cost	Present value
Andhra Pradesh	122	2,15,229.20	1.58	139.71
Karnataka	334	4,19,089.22	2.48	61.86
Orissa	12	35,067.64	0.17	4.97
Maharashtra (Mumbai)	4	7,406.50	0.10	3.01
<b>Total</b>	<b>472</b>	<b>6,76,792.56</b>	<b>4.33</b>	<b>209.55</b>

(Sources: Data provided by Postal Circles)

The present market value of the vacant land which was not available in other circles, would also have risen manifold. It was also observed that out of the 472 plots mentioned above, 468 plots were lying vacant for a period ranging from 25 years to more than 75 years.

<sup>22</sup> Rule 458 of Postal Manual Volume II.

<sup>23</sup> No information was made available in respect of Chhattisgarh and Delhi Circles and hence not included.

From the above it can be inferred that DoP kept acquiring/purchasing plots of land without genuine requirements. With decrease in the normal activities of postal department, most of these plots may not be of any productive use.

On this being pointed out by Audit, Ministry while agreeing to the audit contention stated (July 2016) that lands are acquired/purchased in advance assessing the future needs of the Department. It has been further stated that after full urbanization the cost of the land increases manifold making it impossible to procure land at market cost due to limited financial allocations. With regard to increase in Market value, Ministry stated that the vacant land does not have current commercial and market value in the real sense as the plots were purchased for a specific purpose and cannot be utilised for any commercial activity. It was also stated that due to limited allocation of funds under Plan Head number of construction activities are less as compared to availability of plots. Further, Ministry stated that sufficient fund projections have been made to NITI Aayog under thirteen year Perspective Plan for covering construction activities on all the available vacant plots.

The department should carry out an exercise to assess the genuine requirement of each and every plot and the plots which are not likely to be put to productive use may be considered for divesting by way of transfer to other departments or otherwise. Due to prolonged vacancy of these plots, some of the plots have been encroached as discussed in subsequent paragraph, which is an additional menace for the DoP.

### **3.2.3 Encroachment on plots**

Para 461 of Postal Manual Vol-II, stipulates that all sites purchased or acquired should be carefully watched by the local departmental officer to prevent encroachment and the Divisional Officer in whose jurisdiction the site lies should report to the Head of the Circle concerned in cases of any encroachment. DoP directed (February 2010) all the circles to give priority for construction of boundary walls on those plots where encroachment has taken place or where there is immediate threat of encroachment or possibility of forfeiture in case of non-construction.

Scrutiny of records (December 2015 to January 2016) made available to audit in respect of 19 out of 22 circles revealed that 241 plots, having an area of 3.24 lakh square meter with an acquisition cost of ₹ 13.94 crore were encroached (**Annexure-IV**). Further, the present value of 107 encroached plots with 76,683 square meter as provided by six circles, has also risen to ₹ 63.90 crore from their original value of ₹ 3.59 crore as shown in the Table-2 given below:

Table - 2

(₹ in crore)

Name of Circle	Number of plots encroached	Area of encroachment (in Sq. Mtr)	Acquisition cost of encroached plots	Present value of encroached Plot
Andhra Pradesh	11	4,151.00	0.14	3.14
Gujarat	21	3,768.63	0.04	2.95
Karnataka	33	13,533.55	0.05	6.56
Madhya Pradesh	6	6,494.62	3.15	5.44
Maharashtra	18	37,279.60	0.10	36.52
Rajasthan	18	11,455.45	0.11	9.29
<b>Total</b>	<b>107</b>	<b>76,682.85</b>	<b>3.59</b>	<b>63.90</b>

(Sources: Data provided by Postal Circles)

On this being pointed out by Audit, Ministry while agreeing to the audit contention stated (July 2016) that the Heads of Circles were directed to secure the land by way of barbed wires/fences and circles have also been directed to ensure strict vigilant action. It has been further stated that efforts are being made to remove encroachments by taking up the matter with the concerned authorities.

Rapid urbanization has led to exponential increase in the value of the plots as compared to their acquisition cost. Hence, it was imperative that Department should have taken adequate measures to protect these plots from encroachment by miscreants.

### 3.2.4 Non/improper maintenance of Records of Lands and Buildings

Para 546 of Postal Manual Vol-I stipulates that the Heads of Circles are responsible for proper maintenance of the land records. Rule 484 of P&T FHB Vol-I specifies maintenance of Register of Lands and Buildings in form of Loose Leaf Registers. All expenditure relating to any new construction, acquisition of land or building and additions, should be recorded in the register. Each folio is allotted to each building / vacant plot, and maintained in a binder of loose leaf ledger. All events viz. construction of building, additions to building, sale of building, transfer of ownership to other organizations, abandoning or dismantlement etc. are to be noted in the leaf earmarked for that plot/building.

Scrutiny of records made available to audit in respect of 1250 plots in 13 out of 22 postal circles revealed that these circles did not follow the stipulated instructions regarding maintenance of land records which resulted in non-maintenance of consolidated records at Circle Office or Regional Office in 11 Postal Circles<sup>24</sup>. It was also noticed that in two circles, though registers were maintained but they were not

<sup>24</sup> Andhra Pradesh; Karnataka; Uttar Pradesh; Kerala; West Bengal; North East; Jammu & Kashmir; Himachal Pradesh; Jharkhand; Bihar; Orissa.



properly updated<sup>25</sup> i.e. details of construction of boundary wall, other activities etc were not noted in the registers.

Further, with technological advancement in the country, the records relating to land and buildings should have been digitized in order to have a comprehensive picture of immovable assets available in the circles vis-à-vis their utilization.

On this being pointed out by Audit, Ministry while agreeing to the audit contention stated (July 2016) that all the circles have been asked to maintain the Register of land and buildings as stipulated in the rules and keep it updated. It has also been stated that as per instructions of Ministry of Urban Development, web based Government land data maintenance system is being developed.

DoP needs to keep a close watch over the immovable assets under its possession and encroachment issues should be dealt with alacrity so as to protect the interests of the department.

### **3.2.5 Payment of lease rent without utilization of Plots**

Para 449 of Postal Manual Vol-II stipulates that when it is necessary to hire a building, a tender should be called for. Before accepting the tender, the sanction or approval to the payment of rent for the building must be obtained from the competent authority. Heads of Circles may at their discretion depart from the procedure of calling for tenders for leased buildings in cases where there are positive objections to doing so or the demands are emergent.

Scrutiny of land records made available to audit (December 2015 and January 2016) revealed that in 16 Circles out of 22 Circles, 100 plots measuring 4.08 lakh sq. meter acquired on lease for construction of post office buildings/staff quarters, as far back as in 1978, were still lying vacant and an amount of ₹ 3.37 crore during the period upto 2014 was paid towards lease rent (**Annexure -V**). It was further observed that in Delhi Circle alone, 19 plots measuring 53,137 square meter taken on lease of ₹ 2.37 crore during 1983 to 2014 were still lying vacant without any use. In Mumbai Postal Region alone, nine plots measuring 16,597 square meter taken on lease during 1984 to 1992 were still lying vacant.

The above instances indicate that the Department did not assess the actual requirement before acquiring/purchasing the plots of land. Though these plots were purchased/acquired for construction of Post Offices and Staff Quarters, these remained vacant for a very long period of time. Even the plots taken on lease were also lying vacant and the lease rent was paid for these plots.

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<sup>25</sup> Madhya Pradesh and Rajasthan.

On this being pointed out by Audit, Ministry while agreeing to the audit contention stated (July 2016) that lands are acquired/purchased or taken on lease in advance assessing the future needs of the department as the land may not be available later even on lease. It was further stated that construction activities are less as compared to availability of plots due to limited allocation of funds under Plan Head. Further, Ministry stated that sufficient fund projections have been made to NITI Aayog under thirteen year Perspective Plan so that maximum construction work in the available vacant plots can be carried out during the plan period.

With the increase in population and rapid urbanization, the value of these plots had risen many times as compared to their acquisition cost. Hence, it was imperative that Department should have taken adequate measures to protect these plots from encroachment by miscreants. However, failure of the Department in taking adequate precautionary measures not only resulted in encroachment on these vacant plots by miscreants but has also led to unnecessary litigation cases which could have been avoided. The Department should explore the possibility of divesting the vacant plots of land which are not likely to be put to productive use by way of transfer to other departments or otherwise.

### **3.3 Short realization of revenue due to non-adherence of rules of Bill Mail Service**

**Concessional rate under Bill Mail Service was extended to ineligible customers which resulted into short realization of revenue of ₹ 2.74 crore.**

Bill Mail Service (BMS) was introduced with effect from 15 September 2003 by Department of Post (DoP) to provide a cost effective solution for mailing of periodic communications in the nature of financial statement, bills, monthly account bills or other items of similar nature. Under this service, mails may be posted by a service provider to the intended customer at least once in 90 days. With effect from August 2007, the charges for BMS are ₹ 3 for first 50 grams and ₹ 2 for every additional 50 grams or part thereof. To avail the benefit of concessional tariff under BMS, number of postings of the bill mail should not be less than 5000 pieces (mails) at a time.

Scrutiny of records (September 2014 to March 2016) of 43 Head Post offices (HPOs)/Business Post Centre (BPC) under nine<sup>26</sup> Postal Circles revealed that the customers availing the BMS were given an advantage of concessional tariff during July 2007 to March 2016, even if the number of articles posted were less than 5000 at a time. Hence, the customers were irregularly charged concessional rate applicable for BMS instead of the rate applicable for ordinary letter postage i.e. ₹ 5 per article.

<sup>26</sup> Karnataka, Bihar, Jharkhand, Maharashtra, Tamil Nadu, Orissa, Delhi, Gujarat and West Bengal.

This resulted in short realization of revenue of ₹ 2.74 crore by 43 HPOs/BPCs under nine Postal Circles as shown in **Annexure-VI**.

On this being pointed out by Audit, Ministry stated (April 2016) in respect of Karnataka Circle that:

- In Hospet and Nanjangud HOs, LIC did not utilise the BMS and posted the articles in the form of Inland Letter Cards for which ₹ 2.50 was charged. Further, ₹ 0.50 was collected per article as handling charges, which was wrongly included under the franked value of ₹ 3 per article, giving an impression that the articles were posted under BMS. It was further stated that this should have been separately classified and accounted for under handling charges.
- In Mangalore, Hubli, Gulbarga, Belgaum and Puttur HOs, the Ministry stated that customers had posted more than 5000 articles at a time but due to problem in function of franking machine such as power failure and availability of manpower, the number of articles franked on the day of receipt of BMS articles is less than 5000. Such franked articles had been posted and accounted for in the franking register only. It was also stated that no registers have been prescribed for recording the number of articles received/posted under BMS across the counter at a time. It was further stated that, instructions have been issued to the Circles to start maintaining register so as to have proper monitoring mechanism for recording articles under BMS.
- The Postmasters/Head of HOs/BPCs of other eight circles while agreeing to the audit observations stated that action will be taken to follow the BMS norms.

The replies furnished by Ministry for post offices in Karnataka Circle are not acceptable as:

- In Hospet and Nanjangud HOs, the LIC and BSNL were sending premium notices and telephone bills through pre-printed inland letters / bills to subscribers and not through the Inland letter post cards as claimed in the reply. Thus, these inland letters should have been affixed with the postage of ₹ 5 at ordinary rate instead of at the BMS concessional rate of ₹ 3. The Postmasters had also stated that in future correct ruling and procedure of bill mail service would be followed.
- Further, in respect of Mangalore, Puttur, Belgaum, Gulbarga HOs and RMS Hubli, the replies are not acceptable since the department itself has stated that no register was prescribed for monitoring number of articles posted and instructions have been issued to the Circles to start maintaining registers for

recording articles under BMS. It is not clear as to how it can be stated that in Mangalore, Hubli, Gulbarga, Belgaum and Puttur HOs, more than 5000 articles were being posted when there was no mechanism in the post offices to keep a check over the number of articles posted through BMS.

Thus, non-adherence of the rules regarding BMS resulted in short realization of revenue of ₹ 2.74 crore.

### **3.4 Non-realisation of amount of dishonoured cheques**

**Lack of effective action at Head Post Offices and Divisional Offices in Andhra Pradesh, Bihar and Jharkhand Postal Circles resulted in non-realisation of 1,364 dishonoured cheques valued ₹ 11.62 crore received from State Government towards payment of wages under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).**

Postal Circles of Andhra Pradesh, Bihar and Jharkhand signed a Memorandum of Understanding (MoU) with Department of Rural Development of the concerned State Governments in March 2006, August 2009 and January 2009 respectively for payment of wages under National Rural Employment Guarantee Scheme (NREGS) through Post Office Savings Bank Accounts.

As per the MoU, the District Programme Coordinators (DPCs) of the district, identified for implementation of scheme (NREGS), will assess the probable amount of wages to be paid as well as number of accounts to be opened involving Post Offices (POs) in a month of the district and place an equal amount as a deposit with the Head Post Offices (HPOs) located at the district headquarters. The following procedure was to be adopted regarding realisation of amount by the Postal Department:

- The cheques presented by the DPCs at HPO will be taken into account and got cleared as per existing procedure without any delay. Date of clearance of each cheque should be kept under watch by the Head Postmaster (HPM) through the register of cheques received and sent for clearance.
- In case of any rare occasion of the cheque being dishonoured, the matter was to be referred to the DPC concerned with a demand to pay the amount without delay. Further, the matter was also to be reported to the Divisional Head i.e., Superintendent of Post Offices (SPOs) promptly, for necessary action.

A comment on “dishonoured NREGS cheques” was made in Paragraph no. 2.2.6.3 (Annex – IV) of Audit Report No. 13 of 2012-13. Ministry in their Action Taken Note (July 2013) accepted the audit findings and stated that all the heads of Circles had been directed to follow up the instructions prescribed in the existing rules and

provisions. Ministry had also advised the circles in September 2012 to take necessary corrective action and ensure that such irregularities would not occur.

However, test check of records during October 2015 to March 2016 revealed that due to failure to keep vigil over realisation of cheques at the HPOs as well as SPOs level in 13 HPOs in Andhra Pradesh, Bihar and Jharkhand Circles, cheques amounting to ₹ 11.62 crore received towards NREGS payments from the respective State Governments during October 2007 to April 2013 were dishonoured and the amount of dishonoured cheques remained unrealised till date as shown in the Table-1 given below:

**Table -1**

(₹ in crore)

Sl.No.	Name of Circle	Period	No. of HPOs involved	No. of cheques dishonoured	Amount of dishonoured cheques
1	Andhra Pradesh	October 2007 to September 2012	5	513	5.95
2	Bihar	June 2009 to April 2013	7	787	5.23
3	Jharkhand	December 2009 to September 2010	1	64	0.44
	<b>Total</b>		<b>13</b>	<b>1,364</b>	<b>11.62</b>

On this being pointed out by Audit (October 2015 and March 2016), Assistant Director (BF), office of the Chief Postmaster General (CPMG), Andhra Pradesh Postal Circle, Hyderabad while accepting the facts and figures, stated (March 2016) that it was proposed to recover the amount of dishonoured cheques from one time deposit lying with DoP in other districts. It was also stated that feasibility of deducting the amount of dishonoured cheques from the existing rolling fund available at District Head Quarters, would also be explored. The Postmasters of Bihar and Jharkhand Postal Circles accepted the facts and stated that efforts would be made to realise the amount of dishonoured cheques.

The above instance indicates that lack of effective action by Department to ensure recovery of dishonoured cheques resulted in non-realisation of ₹ 11.62 crore due to non-pursuance of 1,364 dishonoured cheques despite advising all the circles in September 2012 to take necessary corrective action and to ensure that such irregularities do not recur.

DoP needs to have an effective system in place so that immediate action could be taken for realization of dishonoured cheques and accountability of the concerned officials fixed for lapses in doing so.

The matter was reported to Ministry in March 2016; their replies were awaited (July 2016).

### 3.5 Non-realisation of service charge

**Eleven HPOs under West Bengal and Delhi Postal Circles failed to observe the procedures for claiming service charge towards disbursement of pension on behalf of EPFO which resulted in non-realization of ₹ 0.83 crore.**

Department of Posts (DoP) and Employees Provident Fund Organization (EPFO) agreed in July 2001 to disburse pension to the pensioners of EPFO through all Departmental Post Offices under the scheme called Employees' Pension Scheme-1995. The EPFO was required to send a Monthly Statement of Pension Payment (MSPP) for all the existing pensioners along with an account payee cheque for the total amount of monthly pension to the Head Post Offices (HPOs). The EPFO was also required to send a summary sheet in duplicate to HPOs representing consolidated amount of pension to be disbursed through Sub Post Offices (SOs) and HPOs. After crediting pension to the individual pensioner's account, the Head Post Offices were to send the MSPP and summary sheet certifying the date of credit along with a cheque for undisbursed amount of pension (incorporating information of SOs) to the EPFO by 10<sup>th</sup> of the month. The HPOs were also required to claim service charge at the rate of 2.5 per cent of the disbursed amount of pension as certified in the Summary Sheet.

Audit scrutiny (August 2014 updated in March 2016) of records of 11 HPOs under West Bengal and Delhi Postal Circles revealed that these HPOs disbursed an amount of ₹ 33.45 crore towards pension to the pensioners of EPFO during March 2012 to February 2016. However, the service charge @ 2.5 per cent was not claimed by the HPOs even after the receipt of duplicate copies of MSPP and the summary sheet certifying the date of credit from HPOs/SOs. This lapse on the part of the HPOs resulted in non-realisation of service charge amounting to ₹ 0.83 crore from EPFO as shown in the Table-1 below:

**Table -1**

(₹ in crore)

Sl. No.	Name of Circle	No. of HPOs	Period during which pension disbursed	Amount of pension disbursed	Amount of service charge
1.	West Bengal	2 <sup>27</sup>	March 2012 to February 2015	31.35	0.78
2	Delhi	9 <sup>28</sup>	March 2012 to February 2016	2.10	0.05
<b>Total</b>				<b>33.45</b>	<b>0.83</b>

On this being pointed out by Audit, the Postmaster, Mal HPO, while accepting the facts stated (January 2016) that necessary action would be taken for realisation of service charges from EPFO. The Postmaster, Cooch Behar stated (May 2015) that the

<sup>27</sup> Mal, Cooch Behar.

<sup>28</sup> Ashok Vihar, Delhi GPO, Indraprastha, Jhilmil, Krishna Nagar, Lodhi Road, Naraina, Sarojini Nagar, Ramesh Nagar.

service charge for the period from April 2004 to February 2015 had been claimed from the EPFO Authority. The Postmasters of nine HPOs in Delhi Circle accepted the facts and stated that no such orders were received for realization of service charge.

Ministry while accepting the facts (July 2016) stated that efforts were being made to realise the service charge.

Thus, failure on the part of the concerned HPOs to scrupulously follow the instructions of DoP not only resulted in non-realisation of service charge to the tune of ₹ 0.83 crore from EPFO but also indicated deficient internal control mechanism in the department.

## CHAPTER-IV

### DEPARTMENT OF ELECTRONICS AND INFORMATION TECHNOLOGY

#### 4.1 Selection of inappropriate agency by Standardization, Testing & Quality Certification Directorate (STQC) for building project

**STQC awarded the building works to Software Technology Parks of India (STPI) without assessing their techno commercial competence. STPI was not having any Civil Engineering Wing and could not handle their contractor and architect properly and abandoned the work without completion. This led to non-completion of the building as of June 2016 even after a lapse of 14 years of allotment of land to STQC. It also resulted in unfruitful expenditure of ₹ 9.33 crore on the project and blockade of ₹ 3.47 crore with STPI.**

Rule 126 (4) of GFR stipulates that all original works estimated to cost above ₹ 10 lakh may be got executed through a Public Works Organizations as defined in Rule 126 (2)<sup>1</sup> of GFR after consultation with the Ministry of Urban Development.

Standardization, Testing & Quality Certification (STQC), an attached office of the Department of Electronics and Information Technology (DeitY), was allotted a plot of land measuring 5,350 square meters free of cost by Noida Authority at Sector-62, Noida in the year 2002 for construction of a permanent building for Centre for Electronics Test Engineering (CETE) a specialized institution of STQC for skill based training.

During audit of STQC, following chronology of events was observed

- STQC engaged CPWD for initiation of the building project and for providing a suitable building plan in November 2003. Further, it was decided not to pursue the project with CPWD as the response received from CPWD was not felt encouraging.
- It was then decided to award the building project to BSNL (February 2005) at a cost of ₹ 3.47 crore, inclusive of three *per cent* departmental charges.
- In March 2005, STQC felt the need for construction of additional area for which the design and construction proposal was to be recasted. At this stage it was decided to entrust the job to Software Technology Parks of India (STPI), an Autonomous Society of DeitY with the justification that STPI had vast

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<sup>1</sup> **Rule 126 (2)** of GFR stipulates that “a Public Works Organization includes State Public Works Divisions, other Central Government organizations authorized to carry out civil or electrical works such as Central Public Works Department (CPWD), Military Engineering Service (MES), Border Roads Organization etc. or Public Sector Undertakings set up by the Central or State Government to carryout civil or electrical works.



experience in infrastructure development of IT related activities. There were no specific reasons on record why was STPI chosen instead of BSNL. The construction work was handed over to STPI on 15 April 2005.

- Again, in August 2005, STQC felt the need for additional space in the proposed building to accommodate certain additional activities. The built up space was revised to 10,310 square meters at an estimated cost of ₹ 14.97 crore including STPI's service charge of one *per cent* of the project cost with duration of completion as two years. STQC formally handed over the task of constructing the STQC building to STPI in December 2005.
- To complete the construction work of the building, STPI hired an architect (M/s D.K. Associates) in August 2005 for preparation of drawings. The tendering process for selection of the contractor for the said project was initiated in February 2006 and the contractor (M/s. Gupta Brothers (India)) was engaged for the project in June 2006 with completion period of 12 months. It was observed that the work could not be completed within the stipulated time i.e. by July 2007. Extensions were granted upto August 2009 and further upto December 2009.
- Meanwhile, the work at site was stopped by the contractor due to payment related issues with STPI. Thereafter in December 2009, STPI expressed their inability to continue the work. There were issues among STPI, contractor and architect with reference to contract and the work in progress. STPI encashed Performance Bank Guarantee of the contractor in November 2010 keeping in view the under performance of the contractor by not executing the work even after several extensions. The contractor invoked the provision of arbitration and requested to Secretary DeitY for nomination of Arbitrator. The Arbitrator was appointed in January 2012 and the arbitration proceedings are still on. Regarding the issues with the Architect, STPI took the issue to the Architecture Council.
- To resolve the issue Secretary DeitY convened a meeting on 13 April 2012, i.e. after a delay of about one year and four months of encashing the Performance Bank Guarantee. STPI handed over the physical possession of the building on 19 March 2014 to STQC on "as is where is basis". Out of the sanctioned amount of ₹ 14.97 crore, an amount of ₹ 13.80 crore was transferred to STPI for the project out of this a sum of ₹ 9.33 crore had been spent.

After getting the physical possession of the building from STPI, STQC approached CPWD in 2014 for taking over the building and for submitting the revised cost estimates for the remaining work. However, CPWD insisted for structural stability certificate by an independent organization, without which they were hesitant to take over the building project as there were certain CTE observations on the quality of construction. The structural stability certificate test was completed in August 2015.

On the above, Audit observed that despite STPI not having its civil engineering wing, the Ministry as well as the STQC decided to assign the building construction work to STPI without assessing their techno commercial viability. This was in contravention to the provisions of the Rule 126 (4) of the GFR. Moreover, no MoU or agreement was signed between STQC and STPI before handing over the work to STPI. The STQC building project was pending (November 2015) despite a delay of over seven years.

On being pointed out, STQC, while accepting the observations, stated (June 2016) that the project was assigned to STPI after following the due process of appraisal by Standing Finance Committee and approval of Hon'ble Minister of Communications and Information Technology in 2005 keeping in view STPI's vast experience in infrastructure development of IT related activities. It was also stated that adequate project monitoring mechanism was put in place and reasons of delay in construction of building were beyond the scope of STQC.

The reply of STQC is not convincing as STPI had neither expertise nor mandate to undertake construction projects in absence of any Civil Engineering Wing/Unit. Besides having failed to resolve the issues between them and their contractor, STPI had expressed their inability to continue the work in December 2009 which tantamount to abandonment of their responsibility towards the work and reflected their lack of professional approach.

Thus selection of an inappropriate agency (STPI) for execution of STQC building which could neither handle their contractor nor the architect properly and abandoned the work led to inordinate delay in STQC building project, resulting in an unfruitful expenditure of ₹ 9.33 crore and blockade of ₹ 3.47 crore as the project is still incomplete despite lapse of 14 years since the land was allotted in 2002 to STQC.

#### 4.2 Non-recovery of unutilized grant and interest thereon for e-Bharat Project from National Institute of Smart Government, Hyderabad

**DeitY gave an advance of ₹ 10.50 crore to National Institute of Smart Government (NISG) for execution of e-Bharat Project Preparation Facility. As NISG failed to execute the project, DeitY diverted an amount of ₹ 3.36 crore for another World Bank assisted project “India e-Delivery of Public Services” again to be executed by the NISG and ₹ 6.36 crore was refunded by NISG to DeitY leaving behind an amount of ₹ 0.78 crore of unutilized grant with the NISG. Interest on unutilized grant amounting to ₹ 7.77 crore upto 31 January 2016 has also not been recovered by DeitY from NISG.**

Department of Electronics and Information Technology (DeitY), erstwhile Department of Information Technology (DIT) entered into a Memorandum of Understanding (MoU) with the National Institute of Smart Government (NISG) Hyderabad in September 2008 for nationwide speedier implementation of the National e-Governance Programme (NeGP) of Government of India. As per this MoU, administrative approval of ₹ 10.50 crore for execution of the “e-Bharat Project preparation facility” project was accorded in October 2008 and sanction for release of entire amount was issued in December 2008 by DeitY as Grant-in-Aid from the e-Governance Head under the Externally Aided Projects to NISG, Hyderabad. The project was to be completed within a year from the date of signing of the MoU and was extendable for such period as mutually agreed upon by the parties.

As per Article 5 of the MoU, NISG had to prepare and obtain approval from DeitY on the Annual Work Plan and Scope of Work for each initiative on the project to be undertaken whereas as per the provisions of Article 4 of the MoU, DeitY had to monitor the progress of initiatives and evaluate, revise and approve Annual Work Plan (for ongoing initiatives) submitted by the NISG under the MoU. Terms and conditions for sanction of grant provided that any unutilized part of the grant shall be surrendered to the grantor.

In compliance of provisions of Rule 209(6) (ix) of GFR, NISG executed a bond in December 2008 whereby NISG agreed to pay the entire amount to the Government in case of failure to fulfill and comply with the terms and conditions mentioned in the letter of sanction of grant.

Scrutiny of records revealed that NISG neither commenced any work on the said project nor prepared any work plan/ scope of work as stipulated under MoU. Entire amount of grant thus remained unutilized. DeitY did not insist on this mandatory clause and failed to monitor even the commencement of the project after release of funds.

Out of ₹ 10.50 crore advanced to NISG, DeitY diverted (September 2012) an amount of ₹ 3.36 crore for another World Bank assisted project “India e-Delivery of Public Services”<sup>2</sup> again to be executed by the NISG and ₹ 6.36 crore was refunded by NISG to DeitY in March 2014 after a lapse of more than five years from release of grant leaving behind an amount of ₹ 0.78 crore of unutilized grant with the NISG. Interest on unutilized grant amounting to ₹ 7.77 crore upto 31 January 2016 (**Annexure-VII**) on the unutilized grant has also not been recovered by DeitY from the NISG.

DeitY, in its reply to the audit observation (July 2015), stated that matter on refund of unspent balance and interest thereon was taken up with NISG. It was further stated that consistent efforts/follow ups were being made for recovery of amount of interest.

Thus, the Ministry failed to ensure implementation of the project and irregularly diverted part of the unutilised grant to other project without insisting on refund of previous grant and did not enforce the terms and conditions for sanction of the grant. Since the project did not commence at all, this not only resulted in avoidable blockade of funds but also left the intended purpose of the project unaccomplished. Further, timely action was not taken by the Ministry to get the refund of unutilized grant and interest thereon from NISG. This resulted into non-recovery of ₹ 8.55 crore as on January 2016.

The matter was reported to Ministry in March 2016; their replies are awaited (July 2016).

#### **4.3 Imprudent Bidding and Contracting for Computerization of Post Graduate Institute of Medical Education & Research (PGIMER) Chandigarh**

**Imprudent Bidding and Contracting on the part of C-DAC, Noida led to delay in execution of the project “Computerization of PGIMER Chandigarh” at various stages for which PGIMER withheld payment of ₹ 4.28 crore. Besides, C-DAC quoted “lump sum” cost of ₹ 24.20 lakh in the bid for Electrical Cabling work, without properly assessing the quantum of work. This resulted in acceptance of claim by PGIMER for ₹ 24.20 lakh only against the total work done worth ₹ 3.18 crore, which resulted into blocking of funds by ₹ 2.94 crore.**

Centre for Development of Advanced Computing (C-DAC), a Scientific Society under the Department of Electronics and Information Technology (DeitY) entered into a service level agreement (SLA) with Post Graduate Institute of Medical Education & Research (PGIMER), Chandigarh (March 2007) for undertaking a

<sup>2</sup> It is pertinent to mention here that part of the unutilised part was diverted for the purpose of establishment of a dedicated Project Management Unit for the “India e-Delivery of Public Services” project to be completed by September 2014 also remained uncompleted upto March 2016.

project on “Computerization of PGIMER” on turnkey basis, at the cost of ₹ 21.70 crore to be executed in three phases and completed within 24 months from the date of signing of agreement. The project was started in April 2007 and primarily included implementation of Hospital Information System (HIS) in PGIMER.

Audit scrutiny of records revealed the following:

(I) All the 19 tasks of phase I were completed with a delay ranging from 6 days to 89 months. In the second and third phases, only two tasks out of four in each phase were completed and that too with delays ranging from 19 to 35 months. It was further observed that delay in completion/non-completion of different tasks of the project took place mainly on account of lack of coordination between C-DAC and PGIMER which resulted in the following:

- (a) Non-finalisation of site/designs/layouts before implementation and frequent changes in locations and layouts of various instruments which caused delay in site preparation and in turn delayed the civil, electrical works etc.
- (b) Make/model/version of hardware and software components of the system could not be agreed upon in time which resulted in delayed supply and installation thereof.
- (c) Operational issues related to training of end users and environment etc. could not be resolved during the trial run of various modules of HIS.

During the period between April 2008 and August 2015, C-DAC raised 54 invoices amounting to ₹ 12.16 crore but due to non-completion/delay in completion of various tasks, PGIMER released payment of only ₹ 7.88 crore withholding ₹ 4.28 crore.

Ministry in its reply stated that (May 2016) the following resulted in shift in tasks, modules and ultimately all the phases of the project:

- (i) C-DAC has not delayed the project. Whatever delay has taken place is attributable to the PGIMER.
- (ii) PGIMER made undue delay in opening of letter of credit in favour of various national and international suppliers, which shifted the implementation of the project for about one and half year. Despite that, C-DAC had procured and installed all the required hardware and software in Phase I by the year 2009-10 and the system is fully operational since then. However, the end users had some problem in this change management process and majority of their users were not willing to switch over to the computerized operation due to various legacy reasons.

- (iii) The SLA signed between C-DAC and PGIMER was one sided. While it specified a fixed time schedule for C-DAC for completion, it did not contain any obligation on the part of PGIMER to cooperate with C-DAC to ensure timely completion of the project.

Earlier C-DAC Noida, in its reply (December 2015) had attributed following additional reasons to the delay in completion of the project:

- (a) Site was not got vacated by PGIMER in time and approval of Civil and Electrical design had taken its own time.
- (b) The tender was published in 2006 and finalized in 2007 only. This time gap resulted into technological changes and consequently changes in the specifications and modules of hardware. Approval of the revised technical specification was delayed on the part of PGIMER.
- (c) In spite of all training and trial run, changes were asked for by the end users.

Replies of C-DAC/Ministry are not acceptable due to the following reasons:

- It was the prime responsibility of the C-DAC to comply with terms and conditions of the agreement and to hand over the project as per the scheduled time frame. As per clause 7.13.15 of tender documents (Section III: General Conditions of Contract), C-DAC was supposed to have knowledge of the site and its surroundings and to have satisfied itself with the physical and climatic conditions, the quantities and nature of the works, risks, contingencies and circumstances affecting its obligations and responsibilities under the contract and its ability to perform it. It was also required to take all measures to overcome physical conditions and/or obstructions affecting the work as detected during pre-installation survey / during delivery or installation.
- Clause 26 of tender documents (Section II: Instructions to Main Bidders), specifically provided that in case, any change made by the Purchaser within quantities, specifications, services or scope of the contract caused an increase or decrease in the cost of, or time required for the Main Bidder's performance of any part of the work, an equitable adjustment would be made in the Contract price or delivery schedule or both by mutual consent of both parties. However, any claim by the main bidder for adjustment under this clause must be asserted within 30 days from the date of receipt of the Purchaser's changed order. As per records made available to audit, no request for extension of time for completion of different components of the project was made by C-DAC when PGIMER delayed the performance of the project on the above stated grounds.

- C-DAC should have vetted the terms and conditions of the tender documents before entering into the SLA to avoid such circumstances in the later stages of the project.

In any case, the delay of 89 months is not justified and even after lapse of more than eight years from the start of work, the project is incomplete which reflects the inefficiency and improper management of project for which payment of ₹ 4.28 crore for work done was withheld by the PGIMER, Chandigarh.

(II) Clause 8 and 9 of the tender documents (Section II: Instructions to main Bidders) clearly stipulate that prices quoted must be firm and final and remain constant throughout the period of the contract and shall not be subject to any upward modifications on any account whatsoever. Unit rates were required to be indicated and the prices quoted shall be all inclusive. Also, under Section D of tender documents, specifications of electrical points were mentioned and it was stated that “unit rate of copper wire and PVC baton should be quoted”.

C-DAC Noida, while quoting rate against Task 5 of Phase I (installation of Centralized Uninterrupted Power Supply (UPS) Indigenous component - electrical cabling) without properly assessing the quantities to be executed, quoted ₹ 24.20 lakh (₹ 22 lakh *plus* ₹ 2.20 lakh towards taxes) for lump sum quantity instead of unit wise rate for actual quantity to be used. Further, even at the time of entering into SLA, C-DAC agreed for the lump sum amount for electrical cabling work. C-DAC while quoting lump sum rate had taken into account cabling of 10,000 meter. During actual execution of work, 1.29 lakh meter of cabling was used for which C-DAC had raised a bill of ₹ 3.18 crore for the task. However, PGIMER accepted the claim of ₹ 24.20 lakh only against this task and the balance of ₹ 2.94 crore was disallowed.

On being pointed out (March 2016), Ministry replied (May 2016) that for quoting rates, specific format was given by the PGIMER and considering the complexities of UPS cabling, C-DAC quoted in lump sum for UPS cabling of 10,000 meters. There was a clear cut understanding that the quantity and rates of cables quoted in the tender documents were as required since PGIMER would place the work order on actual basis. It was not at all apprehended that PGIMER would stick to such minor issues. However, as soon as it was realised, the matter was taken up with PGIMER (September 2009) and the unit rates for UPS cabling were intimated. Now, PGIMER has given assurance to consider payment on actual basis.

Reply does not justify C-DAC's failure in assessment of actual quantity, cost and operational difficulties of the Task while quoting lump sum rate for UPS cabling. As a result ₹ 2.94 crore was disallowed by PGIMER in connection with UPS cabling work.

Thus imprudent bidding and contracting by C-DAC, NOIDA and imprudent offer of lump sum bid for UPS cabling task resulted in blocking of funds to the tune of ₹ 7.22 crore (₹ 4.28 crore for works executed and ₹ 2.94 crore on UPS cabling respectively).

#### 4.4 Irregular continuation of budgetary support to Media Lab Asia

**Department of Electronics and Information Technology (DeitY) released Grants-in-Aid of ₹ 15.74 crore to Media Lab Asia (MLA) during 2013-14 after expiry of period of Cabinet approval for MLA's nine years' business plan ending in April 2012 despite adverse comments from Ministry of Finance as well as Ministry of Planning.**

Media Lab Asia (MLA) was incorporated on 20 September 2001 as a not-for-profit company under Section 25 of the Companies Act, 1956. MLA was a collaboration between Government of India and Massachusetts Institute of Technology (MIT), USA. The goal of this collaboration was to conduct information and communication technology (ICT) research relevant for common man, ensure successful implementation of research projects in villages and make India a leading innovator in bringing emerging technologies in service of the poor.

MLA was conceived with a rollout in two phases: one year initial phase followed by a nine year full-scope programme. An amount of ₹ 124.29 crore<sup>3</sup> was received as Grant-in-Aid by MLA during the period from 2001-02 to 2013-14. A Research & Collaboration Agreement (RCA) was signed between the Media Lab Asia and MIT on 21 September 2001. It was agreed that MLA would pay US \$ 1.7 million (net of taxes) for expenses incurred by MIT outside India, during the one-year exploratory phase. The RCA expired in March 2003.

A Cabinet Note was submitted by the Department of Electronics and Information Technology (DeitY) seeking approval of New Structure and Business Plan of MLA, initiation of full scope program from 1 May 2003 for a period of nine years with the X plan outlay of ₹ 262 crore (out of which Government contribution was to be ₹ 227 crore) and constitution of a Steering Committee to prescribe the organizational structure of MLA in alignment of what it obtains from Government and R&D institutions. Approval of the Cabinet was accorded (July 2003) to the revised Cabinet Note submitted. New Structure and Business Plan of MLA envisaged

<sup>3</sup> This does not include ₹ 0.47 crore released by DeitY during 2014-15 towards Varanasi ICT based Integrated Development Program (₹ 0.39 crore) and Awareness & Communication Campaign about Standards (₹ 0.08 crore).



- Reoriented programme focused on project based IPR generation and consequent individual sponsorship relationships;
- All current in-house projects to be transferred to an appropriate IIT along with researchers working on these projects and funding to be continued by the Company;
- The Business Plan would focus on “early harvest” projects useful for the masses and MLA would actively support research in the newly emerging inter-disciplinary areas such as Biotechnology and Bio-informatics as well as Nano-technology and Nano-informatics.

However, two specific independent projects viz. National e-Governance Division (NeGD) and IT Research Academy (ITRA) were entrusted to MLA in December 2009 and November 2010 respectively with the approval of the Minister (Communication & IT).

Union Cabinet approved (May 2006) an integrated approach for implementation of e-Governance programme. In order to bring about ‘Simple, Moral, Accountable, Responsive and Transparent’ (SMART) governance with the primary vision to “make all Government services accessible to the common man in his locality, through common service delivery outlets and ensure efficiency, transparency and reliability of such services at affordable costs to realize the basic needs of the common man” NeGD was set up within MLA to assist DeitY in discharging the key roles/tasks relating to National e-Governance Programme (NeGP) assigned to it. The total outlay for the project was ₹ 41.49 crore to be implemented over a period of three years from the date of first release (2009-10). An amount of ₹ 290.67 crore was released to MLA upto 2014-15 towards this project as seen from the annual accounts of MLA.

IT Research Academy (ITRA) is a National Programme initiated by DeitY aimed at building a national resource for advancing the quality and quantity of R&D in Information and Communications Technologies and Electronics (IT) and its applications at a steadily growing number of academic and research institutions, while strengthening academic culture of IT based problem solving and societal development. The estimated cost of the project was ₹ 148.83 crore to be implemented over a period of five years from the date of first release (2010-11). An amount of ₹ 38.60 crore was released to MLA upto 2014-15 towards this project.

The observations of Audit in this regard are detailed below:

- Since the above projects were not in sync with the objectives for which MLA was created, entrustment of these projects to MLA resulted in diversion of the activities besides ensuring regular fund flow for implementation of these projects;
- Though Expenditure Finance Committee (EFC) recommended for entrusting NeGD to National Institute of Smart Government (NISG), the same was entrusted to MLA.
- No alternatives were discussed before entrusting ITRA to MLA.
- Department of Expenditure, Ministry of Finance had stated (May 2010) on the DeitY's proposal on entrustment of ITRA to MLA that the project would be implemented under the plan for umbrella scheme for MLA and it would not be possible to allocate additional funds on account of this new initiative. Despite this, an amount of ₹ 38.60 crore was released to MLA by DeitY upto 2014-15.
- As on 31 March 2015, an amount of ₹ 196.42 crore of grant was lying unutilized with the Company of which ₹ 172.64 crore was kept in deposits with more than three months' maturity. This indicates that release of grants was not linked to utilisation but grants were disbursed in a routine manner and consequently, huge amounts of grants were blocked with the Company.
- The nine year period for which Cabinet had accorded its approval for Media Lab Asia Programme came to an end on 30 April 2012. For continuation of Government budgetary support to MLA for 10 more years upto 30 April 2022, a draft Cabinet Note was circulated to Planning Commission, Ministry of Health & Family Welfare and Ministry of Finance.

Ministry of Finance observed (December 2012) in its comments that:

- The outcome assessment of projects undertaken by MLA showed that either the projects are very localized or would have limited impact;
- MLA should take on the role of a Consultant or Manager and not be involved with development of products;
- Entrustment of ITRA and NeGD, set up towards the end of the eleventh plan to MLA resulted in life of MLA, created with a mandate of ten years, getting artificially extended. It further recommended that this arrangement should not be prolonged and ITRA and NeGD should be divested from MLA forthwith.

- MLA, despite being in existence for over a decade, seemed to have achieved very limited impact. It has over time become more like an attached office of Department of Information Technology (DIT) providing support for the Ministry's programme(s) and as a source of Consultants and Advisors. It has consistently failed to generate Internal and Extra Budgetary Resources (IEBR) beyond some insignificant percentage and options may be explored for bringing this chapter to a close.

Planning Commission, in its comments, noted that the applications identified by MLA were already being dealt by C-DAC<sup>4</sup>, TDIL<sup>5</sup> and other divisions under DeitY and hence specific project proposals to be undertaken by MLA are needed to be identified. It also noted that even after nine years of its existence, DeitY was too pessimistic with regard to generation of IEBR by MLA as the Company would be in consolidation phase in the next two years. It emphasized the need to review the performance of MLA and assessment of the achievements compared with the targets at the end of second year of the Twelfth Five Year Plan.

Despite the above observations of various Ministries/Departments, Grant-in-Aid of ₹ 15.74 crore was given to MLA by DeitY during the year 2013-14 also.

MLA replied (July 2015) that the decision for extending financial support for period beyond 30 April 2012 was taken based on the approval of the EFC so that the ongoing project activities do not suffer and the activities should not come to a stop and for tiding over the critical financial stage.

The reply is not acceptable due to following reasons:

- As full scope programme of MLA upto 30 April 2012 was approved by Cabinet, proposal of budgetary support to MLA beyond this period should have been approved by the Union Cabinet only.
- Ministry of Finance and Planning Commission had advised for a relook at the MLA scheme in their remarks on the EFC memorandum for continuation of budgetary support to MLA beyond the approved period.

The matter was reported to Ministry in April 2016; their replies are awaited (July 2016).

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<sup>4</sup> Center for Development of Advanced Computing  
<sup>5</sup> Technology Development for Indian Languages

#### 4.5 Non-carrying out of primary business of hearing and disposal of cases by Cyber Appellate Tribunal

**Non-appointment of the Chairperson of Cyber Appellate Tribunal since July 2011 coupled with lack of provision for vesting the members of Tribunal with powers to constitute benches and disposal of appeals defeated the very purpose of its creation resulting in unfruitful expenditure of ₹ 27.64 crore on salary and other establishment expenditure for the period from April 2011 to March 2016 during which not a single case was heard or disposed off even though 66 cases of appeals were pending as of March 2016.**

The Cyber Appellate Tribunal (CyAT) is a statutory organization under the administrative control of Ministry of Communications & Information Technology, established by the Central Government in accordance with the provisions contained in Section 48(1) of the Information Technology Act, 2000 (the Act). It is an appellate authority against orders of controller or adjudicating officer<sup>6</sup> under the Act. The Tribunal was seen as a specialized forum to redress cyber frauds when it was setup in 2006. The CyAT has, for the purposes of discharging its functions under the I.T. Act, the same powers as are vested in a civil court under the Code of Civil Procedure, 1908. The Tribunal consists of a Chairperson and such number of other members as the Central Government may by notification in the Official Gazette appoint. The selection of the Chairperson and Members of the Tribunal is made by the Central Government in consultation with the Chief Justice of India.

Audit observed that after retirement of the last Chairperson on 30 June 2011, no Chairperson was appointed as of June 2016 and hence no judicial order was pronounced during this period. However, members<sup>7</sup> and other staff continued to render services in the CyAT since then and expenditure of ₹ 27.64 crore were incurred on its establishment for the period from 2011-12 to 2015-16 without carrying out its primary business of hearing and disposal of appeals.

Ministry stated in its reply that the process of filling up the vacancy in CyAT is under active consideration. Further, Ministry assured that in future, with due amendment in the IT Act, it is likely that in the absence of the Chairman, members of the Tribunal would be vested with the powers to constitute benches and dispose of the appeals.

Reply of the Ministry is not acceptable because the fact remains that the CyAT has been lying defunct for about five years and not carrying out its primary function of forming benches and listing appeals/cases for hearing to pass the judgement. Upto

<sup>6</sup> The IT Act 2000 empowers the Central Government to appoint an officer not below the rank of Director to the Government of India or an equivalent officer of a State Government to be an adjudicating officer to hold an enquiry as to whether any person has contravened any provisions of the Act or any rule, regulation or direction or order made there under which renders him liable to pay penalty or compensation.

<sup>7</sup> 1. Justice S. K. Krishnan, Judicial Member : from 21<sup>st</sup> December 2011 to 8<sup>th</sup> November 2012  
 2. Dr. S. S. Chahar, Judicial Member : from 1<sup>st</sup> April 2015 onwards  
 3. Dr. R. N. Singh, Technical Member : from 2<sup>nd</sup> November 2012 onwards.

March 2016, 66 cases of appeals were pending because of non-appointment of Chairman. Thus, there was no redressal of the grievances of the persons aggrieved by an order, made by Controller or an adjudicating officer.

Thus the inaction of the Ministry defeated the very purpose for which CyAT was formed and also resulted into an expenditure amounting to ₹ 27.64 crore for the period 2011-12 to 2015-16 on its establishment. Further, the Cyber fraud victims of the country have no option but to approach the High Courts for redressal of the grievances, which are already overburdened because of large number of pending cases.

#### **4.6 Unfruitful expenditure on the Enterprise Resource Planning (ERP) project by Software Technology Parks of India (STPI)**

**In violation of mandatory provisions of GFR, STPI exempted the levy of liquidated damages for default on the part of the contractors which diluted their obligation of timely completion of the project. Due to non-completion of the project, entire expenditure of ₹ 1.80 crore on the project remained unfruitful.**

Software Technology Parks of India (STPI), an Autonomous Society under the Department of Electronics & Information Technology, awarded the work of implementation of Enterprise Resource Planning (ERP) in STPI to implement e-governance system both for internal and external interface to M/s Oracle India Pvt. Ltd. (OIPL) ( August 2005). OIPL nominated M/s Pricewaterhouse Coopers Pvt. Ltd. (PwC) as their sole representative for executing the work and requested to place the Purchase Order for Oracle Licenses and services through PwC. Accordingly, STPI placed Purchase Order for Oracle Applications 11i/Technology Licenses Delivery & Implementation on PwC on 17 August 2005 for ₹ 2.85 crore that included ₹ 1.15 crore for the license and ₹ 1.70 crore towards cost of implementation along with three years post implementation support by PwC.

Subsequently, an agreement was entered between STPI and OIPL (1 September 2005) and between STPI and PwC (19 September 2005) to this effect with stipulated date of completion of the work within three months of entering into the agreement.

However, even after lapse of more than four years, only two modules out of eight main modules were partially completed by PwC. Moreover, the modules configured by PwC did not function as per requirement of the STPI. During this period, an expenditure of ₹ 1.80 crore was incurred on the project which included payment of ₹ 1.34 crore to PwC and expenditure of ₹ 0.46 crore on procurement of hardware by the end of March 2009.

Since, there was no further progress in the implementation of the project, it was decided in August 2010 to call off the project and to take action for recovery of

losses/damage suffered by the STPI in the project. Arbitration proceedings were initiated against PwC in April 2012 which was under progress (January 2016). Further, on the advice of the Legal Counsel, STPI filed a writ petition against OIPL in the High Court of Delhi in September/October 2014.

Audit observed that as per general principles of contract as provided under Rule 204(xvi) of General Financial Rules, all contracts should contain a provision for recovery of liquidated damages for defaults on the part of the contractor. However, in contravention of the above provisions, clauses for specifically exempting the levy of liquidated damages were inserted in the agreement with OIPL as well as with PwC which relieved them from the liability of timely completion of the contract and follow its terms and conditions.

On being pointed out (December 2015/April 2016), it was replied by STPI/Ministry (January 2016/June 2016) that

- Since this project was first of its kind in India, it was decided not to include any penalty clause for delay in completion of the project. The contract and agreement were devised in such a manner that it facilitated its completion without any fear. Considering that the success rate of implementation of such projects was very less worldwide, prediction of successful implementation of such projects in India could not have been made at that time.
- Certain amount of expenditure like making available the basic infrastructure required was necessary at initial stage to commence the project.
- Action has been taken against the said parties, legal notice claiming the losses/damage were served to the parties. STPI has initiated arbitration proceedings against PwC in which it has filed statement of claim of about ₹ 30 crore. STPI has also filed a writ petition in Hon'ble High Court at Delhi against OIPL in absence of arbitration clause and quantum of compensation would, however, be decided by the Court of law.

The reply is not acceptable as the project had clearly defined deliverables and exemption from levy of any Liquidated Damages for defaults on the part of the contractors was in gross violation of the general principles of the contract as provided under GFR. This exemption completely absolved the contractor of its contractual obligations.

Thus, in gross violation of mandatory provisions of GFR, STPI exempted the levy of liquidated damage for defaults on the part of the contractors which diluted their obligation of timely completion of the project. As a result STPI failed to invoke penal provisions on the contractors rendering entire expenditure of ₹ 1.80 crore on the project unfruitful.



## CHAPTER-V

### PUBLIC SECTOR UNDERTAKINGS UNDER THE MINISTRY

#### 5.1 Imprudent procurement of network equipment by Bharat Sanchar Nigam Limited (BSNL)

**Imprudent action on the part of BSNL in procurement of Digital Cross Connect System equipments resulted in idling of interface cards and blocking of funds amounting to ₹ 22.80 crore in two Project circles.**

Internet Protocol Trunk Automatic Exchange (IP TAX) is a packet-based network able to provide telecommunication services and able to make use of multiple broadband, QoS-enabled transport technologies and in which service-related functions are independent from underlying transport-related technologies. It offers unrestricted access by users to different service providers. It supports generalized mobility which will allow consistent and ubiquitous provision of services to users.

M/s Bharat Sanchar Nigam Limited (BSNL) invited (September 2007) tender for IP TAX project which envisaged setting up multiple Soft-switch domains to provide Media Gate Trunk Media Gateways (TMG) supporting 4,868 Kilo Circuits of Time-Division Multiplexing<sup>1</sup> (TDM) terminations coming from Public Land Mobile Network (PLMN). IP TAX was the first step towards the Evolution of Current Generation Network to Next generation Network i.e. IP TAX was the replacement of existing Level-I TAX exchanges to IP based network. Purchase Order for IP TAX project was placed (January 2009) and equipments were to be supplied and commissioned within 12 weeks of the placement of the order.

BSNL also placed (June 2009) a Purchase Order (PO) on M/s Prithvi Information Solutions Limited, Hyderabad for procurement and supply of OEO based Digital Cross Connect System (DXC) equipment at a total cost of ₹ 228.94 crore. DXC ensures reliability of the backbone links for various services of BSNL like Multi Protocol Label Switching (MPLS) network, Broadband (BB) services, Internet leased circuits, Mobile services, etc. DXC is a kind of circuit switched network equipment used in telecommunication network and provides improved manageability, reliability and maintainability of the transmission equipment and networks deployed.

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<sup>1</sup> Time-division multiplexing (TDM) is a method of transmitting and receiving independent signals over a common signal path by means of synchronized switches at each end of the transmission line so that each signal appears on the line only a fraction of time in an alternating pattern.



The PO for DXC equipment included 59,504 interface cards worth ₹ 31.86 crore to be supplied to BSNL Southern Telecom Project (STP) and Western Telecom Project (WTP). Audit observed that 24,590 cards out of 28,044 interface cards worth ₹ 11.52 crore supplied to STP and 25,525 cards out of 31,424 interface cards worth ₹ 11.28 crore supplied to WTP received along with the DXC equipment remained unutilised as of March 2015.

As BSNL had already placed order for IP TAX equipments in January 2009, requirement of equipments for DXC systems should have been assessed with reference to supply/implementation plan of IP TAX at the Project offices before placing order for DXC equipments in June 2009<sup>2</sup>. Non-assessing the requirement and placing orders for DXC equipments in a routine manner resulted in the interface cards supplied being rendered surplus in two project circles and consequently, funds amounting to ₹ 22.80 crore was blocked.

STP replied (February 2015) that BSNL Corporate Office (CO) had started planning for the procurement of DXC equipment from 2006 and PO was placed in June 2009. Considering various types of traffic depending on the importance and the reliability level required, the loading of Synchronous Transport Module level-1 (STM-1) interfaces were fixed. But due to changes of technology, the loading did not increase in STM-1 ports. BSNL was aware of the change from TDM to IP and sufficient ports were provided at Gigabyte Ethernet (GE) level. The migration of old Trunk Automatic Exchange (TAX) exchanges to new IP exchanges resulted in more utilization of GE interface and unloading of STM 1 interface.

WTP replied (March 2016) that planning and procurement of quantity of various types of interface cards was done by Corporate Office and WTR had no role. It further stated that due to fast changes in technology, requirement of interface ports was also changing and in view of high capacity Dense Wavelength Division Multiplexing (DWDM) systems in the core network, requirement of STM1 ports in DXC was very less.

Reply of the Project Circles clearly indicate that BSNL Corporate Office neither considered the technological changes taking place in the transmission technologies nor the actual requirement of the projects while placing the order for DXC equipments. Consequently, imprudent action of the BSNL management in procurement of interface cards resulted in an avoidable blocking of capital to the tune of ₹ 22.80 crore.

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<sup>2</sup> While IP Tax was soft switch based, DXC was circuit switch network equipment hence not compatible with IP-TAX.

## 5.2 Non-Billing of Short Message Service Termination charges

**BSNL signed 'Addenda to Interconnect Agreement' for IUC for SMS with three telecom service providers viz. Bharti Airtel, Ideal Cellular and Vodafone without technical arrangement for billing of SMS termination charges. Due to non-preservation of SMS data, non-verification and non-reconciliation of bills (claims) received from Bharti Airtel and Vodafone, BSNL was exposed to one-sided liability.**

The framework of Interconnect Usage charge (IUC) was established by TRAI through the Telecommunication IUC Regulations 2003 in January 2003 which was implemented from 1 May 2003. At that time, the focus was on voice related charges and Short Message Service (SMS) termination charges were kept under the forbearance. Though the regulation of January 2003 scheme was revised from time to time, the policy of forbearance on IUC for SMS was continued. In IUC Regulations dated 9 March 2009, TRAI again decided to continue with the policy of forbearance in the matter of IUC for SMS with the proviso that SMS termination charges, if any, should be transparent, reciprocal and non-discriminatory.

As per the calculation of M/s Bharat Sanchar Nigam Limited (BSNL), BSNL was the net receiver of approximately ₹ 3.79 crore per month at the rate of ₹ 0.10 per SMS as per the present SMS traffic trend. Based on the above calculations, approval was accorded (September 2009) by the Chairman and Managing Director of BSNL for entering into agreement with private operators on reciprocal basis for SMS termination charges at the rate of ₹ 0.10 per SMS.

BSNL entered into Addenda agreements with M/s Bharti Airtel (February 2010), M/s Idea (February 2010) and M/s Vodafone (April 2010). Though the remaining operators were requested (November 2010, December 2010, January 2011, July 2011 and January 2013) to sign the agreement to facilitate implementation of IUC charges, the operators did not respond and thus, no agreements were entered into.

As per Clause 6.7.1 of the Addenda Agreement, the operators shall pay an Interconnect Usage Charges (IUC) of ₹ 0.10 per SMS to BSNL for termination of SMS at BSNL network in the same Service Area. On reciprocal basis BSNL shall also pay IUC charges at ₹ 0.10 per SMS to Cellular Mobile Telecom Service (CMTS) for termination of its SMS on their network.

BSNL received claims for ₹ 14.60 crore from M/s Bharti Airtel towards SMS termination charges for the period from April 2011 to August 2012 and ₹ 9.70 crore from M/s Vodafone for the period from April 2011 to September 2012. The claims were in wide variance with the calculations made by BSNL as per which BSNL was to receive the amount from the operators. No action was taken on these bills/claims.

BSNL Corporate Office issued instructions (June-2013) for implementation of Short Message Services (SMS) termination addenda agreements executed with M/s Bharti Airtel, M/s Idea and M/s Vodafone during 2010. The instructions inter-alia provided that:

- Bills to all operators including M/s Bharti Airtel, M/s Idea and M/s Vodafone shall be raised for SMS Termination Charge at the rate of ₹ 0.10 per SMS as per Clause 6.7.1 of the addenda agreement;
- The addenda agreements with the above three operators were to be given effect from 16 December 2012 to 31 May 2013. Thereafter from 1 June 2013 the SMS Termination charges were to be raised in accordance with the Short Messaging Services Termination Charges Regulations, 2013.
- The bills for SMS termination charges to all other operators were to be raised for the period from 1 April 2011 to 31 May 2013.

Vodafone alleged (January 2014) that BSNL practiced discriminatory treatment differently to different group of operators and BSNL constituted (June 2014) a Committee to examine and recommend the resolution of the issue. The Committee observed (October 2014) that SMS Call Detail Record (CDR) Data for the period from 1 April 2011 to 31 May 2013 was not available with BSNL and decided to hold meeting with the three operators who had signed the addenda agreements for discussing the options due to absence of data. The following recommendations of the Committee made in March 2015 were approved by the competent authority in May 2015:

- Withdrawing the decision to raise bills to all the operators who had not signed the Addenda Agreement;
- Withdrawing the decision to give effect to the Addenda Agreement signed with the three operators with effect from 16 December 2012;
- Neither BSNL shall raise bills nor consider bills raised or to be raised by the private operators;

- Committee also recommended to communicate to the three operators that BSNL was not in a position to implement the Addenda Agreement on the ground that the remaining operators have neither signed Addenda Agreements nor raised any bill on BSNL.

In accordance with the above decision, BSNL intimated the three operators about the BSNL's decision of not implementing the Addenda Agreement. Aggrieved by the decision, M/s Airtel and M/s Vodafone filed appeals before Hon'ble Telecom Disputes Settlement and Appellate Tribunal (TDSAT) impugning BSNL for non-payment of SMS termination charges.

Hon'ble TDSAT directed (March 2016) the petitioners (M/s Vodafone and M/s Bharti Airtel) to provide the necessary details, including bifurcation of SMS data (promotional and other than promotional), for the period from 16 December 2012 to 31 May 2013 to BSNL and BSNL was directed to complete the reconciliation of data within four weeks of the receipt of these details. Based on the reconciliation, the amount found payable was to be paid within period of four weeks. The details from Bharti Airtel and Vodafone were yet to be received by BSNL (May 2016).

It was seen that BSNL had not maintained SMS CDR data and had therefore no means to make counter claims from Airtel and Vodafone.

Management replied (August 2015) that

- SMS CDRs data in BSNL for the period from 01 April 2011 to 31 May 2013 was not available and bills raised by Private Operators could not be reconciled by BSNL;
- Implementation of Addenda Agreement does not seem to be feasible as except these three Operators, no Operator had come forward to sign the Addenda Agreement nor they had shown any interest in raising bills on BSNL; and
- The matter had become complicated in view of varied and diverse decisions conveyed by BSNL, Regulator and the Private operators from time to time and BSNL adopted a non-discriminatory approach in line with the TRAI directions.

The reply confirms that though BSNL had entered in to agreement with three operators which was to be adhered in line with TRAI direction as they were transparent, reciprocal, and non -discriminatory, on account of lack of preservation of required SMS data, non verification and non-reconciliation of bills (claims) received from the Bharti Airtel and Vodafone, BSNL was exposed to one sided liability in view of Judgment of TDSAT.

### 5.3 Delay in billing of Multi Protocol Label Switching (MPLS) link

**BSNL Southern Telecom Region (STR) had not raised bill for 1 Gbps E link from MPLS to National Knowledge Network (NKN) Point of Presence (POP) provided to MHRD. This resulted in accumulation of arrears of ₹ 6.07 crore.**

A Memorandum of Understanding (MOU) was signed (2013) between Ministry of Human Resources Development (MHRD) and BSNL for developing a special relationship to cater to MHRD's connectivity requirements across the country for the Institutes- both Universities and colleges coming under National Mission on Education through Information and Communication Technology (NMEICT). The objective of the proposed relationship was to enable BSNL to help MHRD fulfill the connectivity requirement of 419 Universities and 32,000 colleges under NMEICT which included providing these institutes with connectivity solution that enable them to connect on Virtual Private Network (VPN), access internet and also download/upload educational content from any of the servers in the Network.

The financial obligation of the MOU, *inter alia* defined the charges for interconnectivity with National Knowledge Network (NKN) through 1Gbps Multi Protocol Label Switching (MPLS) "Best Effort link" as ₹ 2 crore *per annum* and BSNL being a stake holder had to bear 10 *per cent* of the cost. This was to be implemented by raising bill for 90 *per cent* of annual rates and 10 *per cent* was to be passed on as trade discount. Respective BSNL Maintenance regions were the billing authority and Broad Band Network (BBN) circles were collecting authority for annual rates of the link at selected places<sup>3</sup>. The billing was to be done on yearly basis on first of December every year to the MHRD.

Audit observed (April 2015) that Southern Telecom Region (STR) had not raised bills for 1Gbps E link from MPLS to NKN POP provided at Hyderabad for the period from December 2012 to November 2015.

STR accepted the fact and replied (July 2015) that one 1 Gbps E link from MPLS to NKN provided at Hyderabad remained unbilled and was now billed (May 2015) to the tune of ₹ 6.07 crore.

Non-raising of the bills as per the billing schedule indicates weak internal controls and results in delayed realization of amount due besides loss of interest on amount unbilled.

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<sup>3</sup> Only one 1Gbps MPLS link provided for the connectivity to NKN which is at Hyderabad.





# Appendices





## Appendix-I

## Summarised position of Action Taken Notes awaited from Departments under Ministry of Communications &amp; Information Technology as of April 2016

Sl. No.	Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
<b>Department of Posts</b>				
1	20 of 2015	1	Nil	1
	<b>Total</b>	<b>1</b>	<b>Nil</b>	<b>1</b>
<b>Department of Telecommunications</b>				
1	9 of 2006 (NTR)	1	Nil	1
2	17 of 2014	2	Nil	2
3	20 of 2015	6	Nil	6
	<b>Total</b>	<b>9</b>	<b>Nil</b>	<b>9</b>
<b>Department of Electronics and Information Technology</b>				
1	17 of 2014	1	Nil	1
2	20 of 2015	1	Nil	1
	<b>Total</b>	<b>2</b>	<b>Nil</b>	<b>2</b>
<b>Grand Total</b>		<b>12</b>	<b>Nil</b>	<b>12</b>

**Appendix-II**

**Summarised position of Action Taken Notes awaited from Public Sector Undertakings under Department of Telecommunications as of April 2016**

Sl. No.	Number and year of Audit Report	ATN Due	Not received at all	Under correspondence
<b>Bharat Sanchar Nigam Limited</b>				
1	6 of 2000	2	Nil	2
2	6 of 2001	2	Nil	2
3	3 of 2002	1	Nil	1
4	6 of 2002	1	Nil	1
5	5 of 2003	6	Nil	6
6	5 of 2004	2	Nil	2
7	5 of 2005	3	Nil	3
8	9 of 2006 (PA)	1	Nil	1
9	13 of 2006	7	Nil	7
10	12 of 2007	9	Nil	9
11	PA 9 of 2008	1	Nil	1
12	CA 10 of 2008	1	Nil	1
13	CA 12 of 2008	8	Nil	8
14	CA 25 of 2009-10	10	Nil	10
15	PA 27 of 2009-10	1	Nil	1
16	9 of 2009-10	1	Nil	1
17	10 of 2010-11 (PA)	2	Nil	2
18	3 of 2011-12	7	1	6
19	8 of 2012-13	3	Nil	3
20	17 of 2014	2	1	1
21	20 of 2015	9	7	2
	<b>Total</b>	<b>79</b>	<b>9</b>	<b>70</b>
<b>Mahanagar Telephone Nigam Limited</b>				
1	3 of 1999	1	Nil	1
2	5 of 2003	1	Nil	1
3	5 of 2004	2	1	1
4	5 of 2005	1	Nil	1
5	13 of 2006	1	Nil	1
6	10 of 2007	1	Nil	1
7	12 of 2007	3	Nil	3
8	CA 12 of 2008	1	Nil	1
9	CA 25 of 2009-10	1	Nil	1
10	9 of 2009-10	1	1	Nil
11	8 of 2012-13	1	Nil	1
	<b>Total</b>	<b>14</b>	<b>2</b>	<b>12</b>
	<b>Grand Total</b>	<b>93</b>	<b>11</b>	<b>82</b>

# **Annexures**



**Annexure-I**  
**[Paragraph 3.1.3.1 (a)]**

**Statement showing the amount of Daily Net Accretion figures of McCamish  
not invested on daily basis**

(in ₹)

<b>MONTH</b>	<b>PLI</b>	<b>RPLI</b>	<b>TOTAL</b>
<b>February 2014</b>	51,28,330	42,118	51,70,448
<b>March 2014</b>	67,06,111	1,37,915	68,44,026
<b>April 2014</b>	91,09,003	35,18,242	1,26,27,245
<b>May 2014</b>	1,28,56,102	50,88,224	1,79,44,326
<b>June 2014</b>	5,75,29,593	1,27,55,085	7,02,84,678
<b>July 2014</b>	91,731,227	2,52,88,090	11,70,19,317
<b>August 2014</b>	7,00,43,951	1,73,69,756	8,74,13,708
<b>September 2014</b>	8,56,74,445	44,27,412	9,01,01,857
<b>October 2014</b>	4,04,49,584	(-) 1,33,44,460	2,71,05,124
<b>November 2014</b>	7,87,94,997	93,66,658	8,81,61,655
<b>December 2014</b>	4,75,11,974	63,48,497	5,38,60,471
<b>January 2015</b>	6,35,89,218	56,49,447	6,92,38,665
<b>February 2015</b>	7,36,12,024	56,63,158	7,92,75,182
<b>Total</b>	<b>64,27,36,559</b>	<b>8,23,10,141</b>	<b>72,50,46,701</b>

Say, ₹ 72.50 crore

**Annexure-II**  
**[Paragraph 3.2.1]**

**Statement showing details of buildings in possession of DoP as on 31 March 2015**

Sl. No.	Postal Circle	Departmental Buildings			Rented buildings			Rent free buildings			Total buildings		
		Postal	RMS	Others	Postal	RMS	Others	Postal	RMS	Others	Departmental	Rented	Rent free
1	Andhra Pradesh	308	7	14	1,995	35	8	129	0	0	329	2,038	129
2	Assam	165	6	1	443	8	5	20	12	0	172	456	32
3	Bihar	181	6	4	803	35	0	99	0	0	191	838	99
4	Chhattisgarh	43	0	2	280	4	1	23	0	0	45	285	23
5	Delhi	121	4	5	222	3	0	40	0	0	130	225	40
6	Gujarat	250	0	5	1,041	22	2	40	0	0	255	1,065	40
7	Haryana	77	5	13	356	5	0	54	4	0	95	361	58
8	Himachal Pradesh	75	1	5	371	6	3	20	0	0	81	380	20
9	Jharkhand	66	2	0	339	17	1	54	0	0	68	357	54
10	Jammu & Kashmir	33	1	3	202	0	3	23	0	0	37	205	23
11	Karnataka	380	14	22	1,272	10	12	64	6	0	416	1,294	70
12	Kerala	247	7	11	1,216	23	5	45	1	0	265	1,244	46
13	Madhya Pradesh	198	4	28	778	11	1	99	0	0	230	790	99
14	Maharashtra	358	10	29	1,761	40	5	138	1	2	397	1,806	141
15	North East	92	0	0	190	0	0	50	0	0	92	190	50
16	Odisha	145	7	31	956	23	42	96	4	0	183	1,021	100

Sl. No.	Postal Circle	Departmental Buildings			Rented buildings			Rent free buildings			Total buildings		
		Postal	RMS	Others	Postal	RMS	Others	Postal	RMS	Others	Departmental	Rented	Rent free
17	Punjab	137	2	6	528	12	1	95	0	0	145	541	95
18	Rajasthan	304	16	14	923	21	2	121	0	0	334	946	121
19	Tamil Nadu	285	18	12	2,228	30	12	83	0	0	315	2,270	83
20	Uttar Pradesh	293	13	12	2,032	59	4	209	0	0	318	2,095	209
21	Uttarakhand	51	0	4	298	1	8	40	0	0	55	307	40
22	West Bengal	240	10	38	1,434	12	21	120	11	1	288	1,467	132
	<b>Total</b>	<b>4,049</b>	<b>133</b>	<b>259</b>	<b>19,668</b>	<b>377</b>	<b>136</b>	<b>1,662</b>	<b>39</b>	<b>3</b>	<b>4,441</b>	<b>20,181</b>	<b>1,704</b>



**Annexure-III**  
**[Paragraph 3.2.2]**

**Statement showing details of Plots of DoP lying vacant**

(₹ in crore)

Sl. No.	Circle	Free hold				
		No. of Plots	Area in Sq. meter	No. of Plots for which acquisition cost not available	No. of Plots for which acquisition cost available	Acquisition cost of Plots
1	Andhra Pradesh	218	2,80,429.00	96	122	1.58
2	Assam	36	1,56,069.00	29	7	0.24
3	Bihar	90	73,534.80	29	61	11.82
4	Gujarat	109	1,73,598.00	NIL	109	43.34
5	Haryana	12	1,55,340.00	NIL	12	11.16
6	Himachal Pradesh	21	7,501.00	NIL	21	0.02
7	Jammu & Kashmir	3	5,790.46	NIL	3	0.02
8	Jharkhand	56	1,08,197.08	38	18	0.23
9	Karnataka	334	4,19,089.00	NIL	334	2.48
10	Kerala	137	1,61,389.00	NIL	137	2.59
11	Madhya Pradesh	37	24,852.40	29	8	0.09
12	Maharashtra	57	1,13,577.90	35	22	0.50
13	North East	13	35,917.48	7	6	0.01
14	Odisha	24	46,922.60	12	12	0.17
15	Punjab	16	54,049.70	NIL	16	0.35
16	Rajasthan	153	18,999.43	124	29	1.06
17	Tamilnadu	147	2,78,563.00	105	42	0.72
18	Uttar Pradesh	39	28,791.70	34	5	0.39
19	Uttarakhand	18	15,625.80	2	16	0.26
20	West Bengal	88	24,86,390.00	88	Nil	NA
	<b>Total</b>	<b>1,608</b>	<b>48,07,627.35</b>	<b>628</b>	<b>980</b>	<b>77.03</b>

**Annexure-IV**  
**[Paragraph 3.2.3]**

**Statement showing details of Plots encroached**

(₹ in lakh)

Sl. No.	Circle	Number of Plots encroached	Total area encroached (in Sq. meter)	Acquisition cost of the plots
1	Andhra Pradesh	11	4,151.00	14.39
2	Assam	9	60,184.80	8.58
3	Bihar	28	17,587.27	NA
4	Gujarat	21	3,768.63	3.97
5	Haryana	2	1,949.10	3.81
6	Jammu & Kashmir	4	3,492.07	0.04
7	Jharkhand	16	26,101.84	14.04
8	Karnataka	33	13,533.55	5.36
9	Kerala	8	21,926.46	1.72
10	Madhya Pradesh	6	6,494.62	315.42
11	Maharashtra	18	37,279.60	9.91
12	North East	7	19,515.81	204.10
13	Odisha	7	NA	1.61
14	Punjab	1	232.00	0.01
15	Tamil Nadu	3	474.24	700.42
16	Uttar Pradesh	28	50,664.74	97.05
17	Uttarakhand	1	271.00	2.78
18	West Bengal	20	45,113.65	NA
19	Rajasthan	18	11,455.45	11.07
	<b>Total</b>	<b>241</b>	<b>3,24,195.83</b>	<b>1,394.28</b>

Say, ₹ 13.94 crore

**Annexure-V**  
**[Paragraph 3.2.5]**

**Statement showing details of Vacant Plots acquired on lease by  
DoP for different purposes but lying vacant**

(₹ in lakh)

Sl. No.	Name of State	Number of vacant plots	Area (in Sq. Mtr)	Lease amount
1	Andhra Pradesh	1	836.13	0.31
2	Bihar	1	1,823.69	NA
3	Chattishgarh	5	3,723.00	NA
4	Delhi	19	53,137.58	231.35
5	Gujarat	1	3,251.00	11.31
6	Jharkhand	7	1,43,690.00	0.00 <sup>1</sup>
7	Jammu & Kashmir	3	7,553.34	12.08
8	Karnataka	11	1,20,227.34	7.99
9	Kerala	7	6,816.43	14.43
10	Madhya Pradesh	1	929.03	NA
11	Maharashtra	16	27,466.98	19.94
12	Mizoram	2	284.66	NA
13	Odisha	10	13,303.87	7.59 <sup>2</sup>
14	Punjab	4	813.94	3.33
15	Uttar Pradesh	6	10,658.12	28.50 <sup>3</sup>
16	West Bengal	6	13,862.78	NA
<b>TOTAL</b>		<b>100</b>	<b>4,08,377.89</b>	<b>336.83</b>

Say, ₹ 3.37 crore

<sup>1</sup> For 2 plots the cost was one rupee each and for 5 plots value not available.

<sup>2</sup> Lease rent for 8 only. For two plots value not available.

<sup>3</sup> Lease rent for 4 only. Two plots free of cost.

**Annexure-VI**  
**[Paragraph 3.3]**  
**Statement showing short realization of amount of ₹ 2.74 crore**

(₹ in lakh)

Sl. No.	Name of the Circle	Number of HPOs/BPCs	Period	Total number of articles	Total amount collected	Total amount to be collected	Total amount of short realization
1	Karnataka	7	January 2008 to December 2015	40,61,609	121.85	203.08	81.23
2	Bihar	3	July 2007 to January 2016.	13,83,806	41.51	69.19	27.68
3	Jharkhand	1	January 2013 to January 2016	3,51,881	10.56	17.59	7.03
4	West Bengal	2	July 2008 to May 2015	1,69,040	5.07	8.45	3.38
5	Tamil Nadu	3	May 2014 to February 2016	6,78,674	20.36	33.93	13.57
6	Orissa	2	April 2011 to February 2016	5,74,316	17.23	28.72	11.49
7	Delhi	3	July 2010 to January 2016	3,85,656	11.57	19.29	7.72
8	Gujarat	3	August 2010 to March 2016	21,55,369	64.66	107.77	43.11
9	Maharashtra	19	February 2008 to February 2016	39,14,460	117.43	195.72	78.29
	<b>Total</b>	<b>43</b>		<b>13,674,811</b>	<b>410.24</b>	<b>683.74</b>	<b>273.50</b>

Say, ₹ 2.74 crore

**Annexure-VII**  
[Paragraph 4.2]

**Statement showing interest due, but not paid, by National Institute of Smart Government (NISG) Hyderabad to DietY in r/o e-Bharat Project Preparation Facility supported by World Bank**

(in ₹)

Date of Approval of Project	Amount	Interest Due upto 31.03.09	Interest. Due for 2009-10	Interest Due for 2010-11	Interest Due for 2011-12	Interest Due for 2012-13	Interest Due for 2013-14	Interest Due for 2014-15	Interest Due for 2015-16 (upto 31.01.16)	Grand Total
19.12.08	10,50,04,112	29,34,361	1,07,93,847	1,18,73,232	1,30,60,555	1,29,21,094	1,23,01,620	71,68,355	66,10,598	<b>7,76,63,663</b>

Say, ₹ 7.77 crore

**Note: Calculation of interest @ 10 per cent as per Rule 209 (6)(ix) of GFR**