

**OFFICE OF THE  
COMPTROLLER & AUDITOR GENERAL OF INDIA**

**NEW DELHI**  
22<sup>nd</sup> November, 2016

**CAG AUDIT REPORT ON COMMUNICATION AND IT SECTOR  
PRESENTED IN PARLIAMENT**

The Comptroller & Auditor General of India (C&AG) Audit Report No. 29 of 2016 on “Communication and IT Sector” for the year ended March 2015 was tabled in Parliament today.

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), Government of India including Public Sector Undertakings (PSUs) under its administrative control, for the year ended 31 March 2015. Some of the important findings in the Compliance Audit Report are detailed in subsequent paragraphs.

**I. 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 authorized 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***

**II. 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 ₹984crore. 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***

### **III. 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 Governance, Hyderabad**

DeitY gave an advance of ₹ 10.50 crore to National Institute of Smart Governance (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*

#### **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*

**IV. Public Sector Undertakings (PSUs) under the Ministry**

**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*

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BSC/SJ/RSJ